

Dijaya Corp (DJC MK)

Property - Real Estate

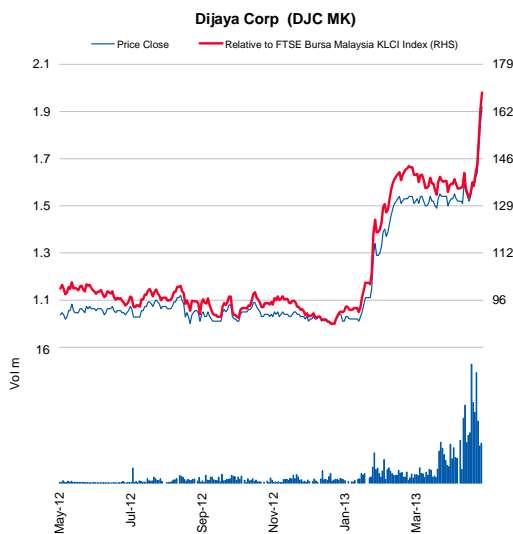
Market Cap: USD547m

Buy(maintained)

Target Price: MYR2.34

Price: MYR1.92

Earnings Growth Buoyed By Landbank Sales And Aggressive Property Sales

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	4.56m/1.51m
Cons. Upside (%)	1.6
Upside (%)	21.9
52-wk Price low/high (MYR)	1.00 - 1.92
Free float (%)	28
Shareholders (%)	
Tan Sri Dato' Danny Tan	71.4

Shariah compliant

Dijaya's 1QFY13 net profit of MYR42.8m came in below expectations. Earnings growth during the quarter was driven by the sale of landbank, aggressive property sales and increased contribution from the property investment segment. We expect more land disposals to contribute to earnings going forward as Dijaya continues with its de-gearing exercise. Fair value has now been raised to MYR2.34. Maintain Buy.

- ◆ **Below expectations.** Dijaya's 1QFY13 core net profit of MYR43.8m (255.1% y-o-y; -27.2% q-o-q) came in below expectations on an annualised basis. Y-o-y growth was driven by: 1) landbank sales; 2) aggressive property sales; and 3) increased contribution from the property investment segment. The gains from land sales at its Tropicana Bayou Balakong and Desa Aman Puri sites (as part of its de-gearing exercise) boosted 1Q13 PBT by MYR58.1m. Dijaya's weaker sequential growth was mostly due to the timing of progress billings. As a result of asset disposals, Dijaya's net gearing has lowered to 0.68x (from 0.80x).
- ◆ **Aggressive property sales and land disposals sustaining growth.** Dijaya recorded total sales of about MYR254m in 1QFY13. However, management has indicated that YTD sales have achieved almost MYR500m. The sales were mainly contributed by its Klang Valley projects (Tropicana Grande and Tropicana Avenue) as well as its maiden Danga Bay project. We believe that Dijaya is still on track to meet our FY13 sales target of MYR2.0bn. Its property investment segment has also fared well, driven by improved yields for Tropicana City Mall and Office Tower.
- ◆ **De-gearing exercise continues.** Several projects are lined up to be launched in 2H2013, including two projects in Penang. Dijaya has earmarked several land parcels for sale in the near future, with expected gross proceeds of MYR510m. It could also be looking to sell off about MYR3bn worth of non-core assets to further pare down its gearing. The company has targeted to lower its net gearing to 0.5x over the next 12 months.
- ◆ **Maintain BUY; fair value revised to MYR2.34.** Although our earnings forecasts are unchanged, we have raised our fair value to MYR2.34 (from MYR2.08) after revising some of our RNAV assumptions and assigning a lower discount to RNAV of 25% (from 30%). Maintain BUY.

Forecasts and Valuations	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover (MYRm)	289	375	630	1,340	1,624
Recurring net profit (MYRm)	38	57	60	170	198
Net profit growth (%)	61.8	123.8	99.7	(11.8)	16.7
EPS (MYR)	0.05	0.15	0.30	0.20	0.22
DPS (MYR)	0.02	0.02	0.05	0.04	0.04
Dividend Yield (%)	1.1	1.2	2.5	2.1	2.2
Return on average assets (%)	2.8	4.6	5.3	3.5	3.8
Return on average equity (%)	4.8	9.6	12.0	7.7	8.2
P/E (x)	37.7	13.1	6.4	9.5	8.9
P/B (x)	1.75	0.85	0.74	0.72	0.72
Net debt to equity (%)	(7.0)	73.1	75.0	55.9	44.4

Source: Company data, RHB Estimates

RHBRI's Research Team +603 9280 2237

research@rhb.com.my

Figure 1 Dijaya Quarterly Results

FYE Dec (MYRm)	1Q12	4Q12	1Q13	QoQ (%)	YoY (%)	Comments
Turnover	117.8	234.1	305.3	30.4	159.1	Higher revenue was mainly contributed by higher property sales and lands sales.
Prop Dev	107.7	210.6	270.1	28.3	150.9	
Prop Invnt	10.2	21.7	35.1	61.9	245.7	
Others	0.0	1.8	0.0	(100.0)	#DIV/0!	
EBIT	24.2	73.3	82.1	12.1	239.0	
Net interest	(3.2)	(12.5)	(15.3)	22.6	373.7	
Pretax profit	21.0	60.8	66.8	9.9	218.2	
Prop Dev	13.3	32.9	64.2	95.3	382.3	
Prop Invnt	3.2	25.0	14.0	(44.0)	331.1	
Others	4.4	2.9	(11.4)	(489.2)	(355.5)	
Taxation	(4.6)	1.0	(24.5)	(2580.2)	428.5	
Minority interest	(4.0)	(1.6)	1.5	(199.7)	(138.6)	
Net profit	12.3	60.2	43.8	(27.2)	255.1	Below expectations.
EPS (sen)	2.7	8.3	5.5	(33.8)	104.5	
Gross DPS (sen)	0.0	0.0	0.0			
NTA/share (RM)	2.1	2.6	0.0			
EBIT margin (%)	20.6	31.3	26.9			
Pretax margin (%)	17.8	26.0	21.9			
Tax rate (%)	22.1	(1.6)	36.7			

Source: Company Data

Figure 2 RNAV estimate for Dijaya

Projects	Acres	GDV (MYR mil)	Stake	NPV @ 11%
Tropicana Cheras	26.7	275.8	100%	20.1
Tropicana Avenue	5.6	412.3	100%	28.3
Tropicana Danga Bay	31.0	6,800.0	60%	274.2
Tropicana Danga Bay H&R	6.0	1,060.0	70%	31.2
Tropicana Gardens	17.6	2,000.0	70%	87.3
W Hotel @ The Residences	1.3	900.0	100%	47.8
Dijaya Trop. Plaza	1.1	105.0	100%	5.4
Tropicana Metropark (Subang)	88.5	6,800.0	100%	337.8
Tropicana Danga Cove (Permas Jaya Johor)	227.0	10,000.0	50%	286.4
Tropicana Heights Kajang	198.5	2,163.5	100%	141.5
Jalan Sultan Ismail	1.2	650.0	100%	39.9
Penang World City	102.6	9,802.4	55%	208.0
Canal City	1,172.0	8,600.0	100%	231.0
<u>Injected landbanks</u>				
Sunway Kenari	5.6	634.5	100%	34.5
Jalan Harapan PJ	2.8	218.1	100%	11.9
Lot 914-916 Jalan Macalister Penang	2.1	294.0	100%	16.0
Lot 184-186 Jalan Selangor PJ	1.1	83.3	100%	4.5
Lot 4271 Jalan Tun Razak JB	21.9	5,000.0	100%	245.5
Jalan Kia Peng	1.5	331.8	100%	18.3
Jalan Bukit Bintang	3.3	684.5	100%	37.8
Jalan Ampang	0.9	99.5	100%	5.5
Rahang land (Neg. Sembilan)	2.4	127.1	100%	2.7
Pekan Bkt Kepayang, Neg. Sembilan)	2.0	130.3	100%	2.8
SS13 Subang Jaya	2.5	197.4	100%	10.2
Lot 2480 Jln Kepong Besar	0.8	66.7	100%	3.6
Lot 1982 Jln Sungei Besi	3.0	248.7	100%	12.8
The Landmark, Jalan Bundusan KK	1.3	100.9	100%	5.6
Double Up, Off Jln Lintas KK	1.2	112.7	100%	5.8
Sadong Jaya, KK	1.0	120.2	100%	6.2
Jalan Albert Kwok, KK	0.9	63.7	100%	3.3
Lido Junction, Penampang	1.7	186.8	100%	7.5
Jalan Segama, Lahad Datu	1.3	27.4	100%	1.2
Tawau City land	0.8	35.6	100%	1.3
Taman Tshun Ngen, Sandakan	1.5	64.0	100%	2.2
Unbilled sales				95.1
Subtotal				2,273.1
<u>Investment properties</u>				
	<u>Location</u>	<u>BV (MYR mil)</u>	<u>MV (MYR mil)</u>	<u>Net surplus (MYR mil)</u>
Tropicana City Mall & Office	Klang Valley	503.1	648.7	145.6
Dijaya Plaza, KL	City Centre	125.4	131.1	5.7
Bangunan Metro, Klang	Klang Valley	17.0	17.0	0.0
Jaya Square, Petaling Jaya	Klang Valley	18.0	18.0	0.0
Intan Square, Petaling Jaya	Klang Valley	23.0	23.0	0.0
Wisma TT, Petaling Jaya	Klang Valley	25.0	25.0	0.0
Casa Klang, Jalan Meru	Klang Valley	30.0	30.0	0.0
Casa Square, Puchong	Klang Valley	45.0	45.0	0.0
Coliseum Square, Ipoh	Perak	23.0	23.0	0.0
Bangunan Keningau	Sabah	5.5	5.5	0.0
Bangunan Magma, Off Jalan Damai, KK	Sabah	5.8	5.8	0.0
New Pantai Building, Tanjung Aru, KK	Sabah	7.8	7.8	0.0
Bangunan Moretune	Sabah	11.0	11.0	0.0
Bangunan Tiara, Sandakan	Sabah	12.2	12.2	0.0
Bangunan D. Junction	Sabah	21.0	21.0	0.0
Penampang Point	Sabah	19.5	19.5	0.0
Bangunan Blue 7, Penampang	Sabah	26.5	26.5	0.0
NTA (adjusted for RCULS)				2,188.7
Warrants & ESOS				217.4
Placement proceeds				159.0
Total RNAV				4,838.2
Share base (mil)				793.1
No. of warrants & ESOS (mil)				217.4
Enlarged share base (mil) - incl. RCULS				1,552.0
RNAV per share				3.12
Discount				25%
Fair value				2.34

Source: Company data, RHB estimates

Financial Exhibits

Profit & Loss (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover	289	375	630	1,340	1,624
Cost of sales	(193)	(217)	(351)	(771)	(1,006)
Gross profit	96	158	279	569	617
Gen & admin expenses	(57)	(76)	(150)	(337)	(406)
Other operating costs	19	33	130	27	30
Operating profit	58	115	260	259	242
Operating EBITDA	73	132	277	276	256
Depreciation of fixed assets	(15)	(16)	(17)	(17)	(14)
Operating EBIT	58	115	260	259	242
Net income from investments	-	6	6	18	69
Interest income	5	5	4	5	5
Interest expense	(11)	(11)	(32)	(48)	(43)
Pre-tax profit	52	116	238	234	273
Taxation	(6)	(15)	(42)	(50)	(59)
Minority interests	(4)	(8)	(9)	(19)	(22)
Profit after tax & minorities	42	93	187	165	192
Reported net profit	42	93	187	165	192
Recurring net profit	38	57	60	170	198

Source: Company data, RHB Estimates

Cash flow (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Operating profit	58	115	260	259	242
Depreciation & amortisation	15	16	17	17	14
Change in working capital	25	(250)	(59)	(225)	(215)
Other operating cash flow	(0)	(27)	(165)	62	107
Operating cash flow	98	(146)	53	113	148
Interest received	5	5	4	5	5
Interest paid	(11)	(11)	(32)	(48)	(43)
Tax paid	(6)	(15)	(42)	(50)	(59)
Cash flow from operations	86	(166)	(17)	19	52
Capex	(177)	(734)	(895)	-	(83)
Other investing cash flow	(13)	41	-	223	200
Cash flow from investing activities	(189)	(692)	(895)	223	117
Dividends paid	(10)	(17)	(10)	(38)	(34)
Proceeds from issue of shares	34	57	874	-	-
Increase in debt	60	781	875	-	-
Other financing cash flow	(41)	(83)	(733)	(194)	(59)
Cash flow from financing activities	44	738	1,005	(232)	(92)
Cash at beginning of period	301	241	120	214	224
Total cash generated	(60)	(121)	94	10	77
Implied cash at end of period	241	120	214	224	301

Source: Company data, RHB Estimates

Financial Exhibits

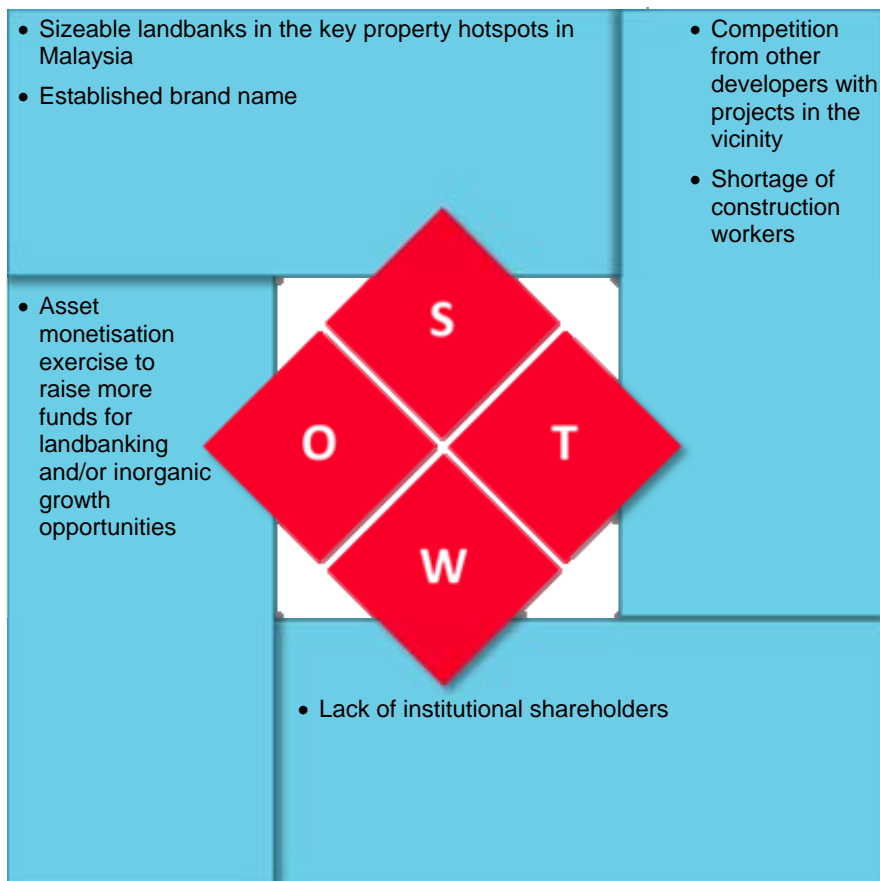
Balance Sheet (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total cash and equivalents	277	146	225	235	312
Inventories	215	343	437	1,056	1,271
Accounts receivable	22	58	164	323	437
Other current assets	74	195	149	149	149
Total current assets	588	743	975	1,763	2,169
Total investments	57	1,303	2,492	2,492	2,292
Tangible fixed assets	841	451	1,030	685	753
Intangible assets	3	5	17	17	17
Total other assets	51	35	4	7	13
Total non-current assets	952	1,795	3,543	3,201	3,075
Total assets	1,540	2,538	4,518	4,964	5,244
Short-term debt	3	146	224	174	174
Accounts payable	106	239	331	883	997
Other current liabilities	103	7	8	8	8
Total current liabilities	212	391	563	1,066	1,179
Total long-term debt	208	846	1,642	1,392	1,308
Other liabilities	161	144	124	124	124
Total non-current liabilities	369	990	1,766	1,516	1,432
Total liabilities	581	1,381	2,330	2,582	2,611
Share capital	819	458	793	843	927
Retained earnings reserve	34	171	321	445	589
Other reserves	46	410	947	947	947
Shareholders' equity	899	1,039	2,061	2,235	2,463
Minority interests	61	118	128	147	169
Total equity	960	1,157	2,189	2,382	2,632
Total liabilities & equity	1,540	2,538	4,518	4,964	5,244

Source: Company data, RHB Estimates

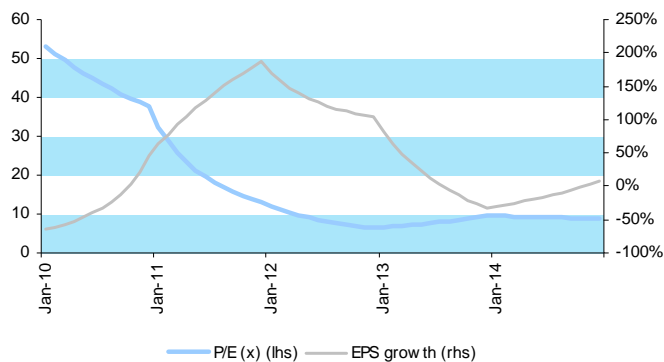
Key Ratios (MYR)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Revenue growth (%)	(7.3)	29.9	67.9	112.7	21.2
Operating profit growth (%)	5.1	98.3	125.2	(0.4)	(6.6)
Net profit growth (%)	61.8	123.8	99.7	(11.8)	16.7
EPS growth (%)	46.4	186.9	103.8	(32.5)	7.8
Bv per share growth (%)	6.9	106.6	14.6	2.0	0.2
Operating margin (%)	20.1	30.8	41.2	19.3	14.9
Net profit margin (%)	14.4	24.9	29.6	12.3	11.8
Return on average assets (%)	2.8	4.6	5.3	3.5	3.8
Return on average equity (%)	4.8	9.6	12.0	7.7	8.2
Net debt to equity (%)	(7.0)	73.1	75.0	55.9	44.4
DPS	0.02	0.02	0.05	0.04	0.04
Recurrent cash flow per share	0.10	(0.26)	(0.03)	0.02	0.06

Source: Company data, RHB Estimates

SWOT Analysis

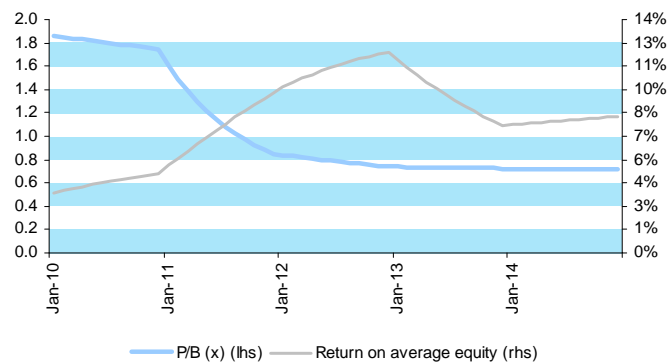


P/E (x) vs EPS growth



Source: Company data, RHB Estimates

P/BV (x) vs ROAE

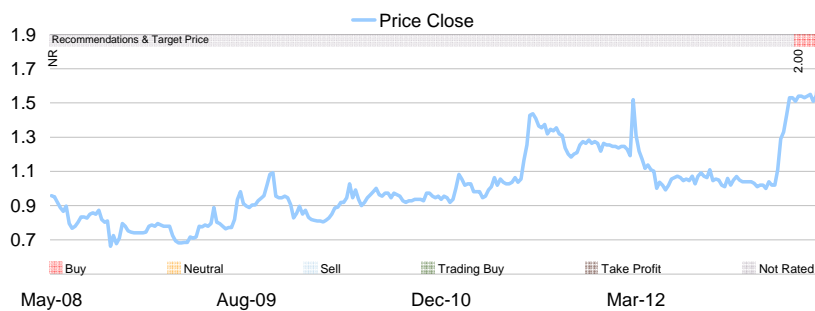


Source: Company data, RHB Estimates

Company Profile

Dijaya is a developer in Malaysia. The company is known for its flagship development Tropicana Golf and Country Resort and Tropicana Indah at Petaling Jaya.

Recommendation Chart



Source: RHB Estimates, Bloomberg

Date	Recommendation	Target Price	Price
2013-05-20	Buy	2.08	1.85
2013-03-19	Buy	2.00	1.54

Source : RHB Estimates, Bloomberg

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

Disclosure & Disclaimer

All research is based on material compiled from data considered to be reliable at the time of writing, but RHB does not make any representation or warranty, express or implied, as to its accuracy, completeness or correctness. No part of this report is to be construed as an offer or solicitation of an offer to transact any securities or financial instruments whether referred to herein or otherwise. This report is general in nature and has been prepared for information purposes only. It is intended for circulation to the clients of RHB and its related companies. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is for the information of addressees only and is not to be taken in substitution for the exercise of judgment by addressees, who should obtain separate legal or financial advice to independently evaluate the particular investments and strategies.

RHB, its affiliates and related companies, their respective directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto, and may from time to time add to, or dispose off, or may be materially interested in any such securities. Further, RHB, its affiliates and related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies), as well as solicit such investment, advisory or other services from any entity mentioned in this research report.

RHB and its employees and/or agents do not accept any liability, be it directly, indirectly or consequential losses, loss of profits or damages that may arise from any reliance based on this report or further communication given in relation to this report, including where such losses, loss of profits or damages are alleged to have arisen due to the contents of such report or communication being perceived as defamatory in nature.

The term "RHB" shall denote where applicable, the relevant entity distributing the report in the particular jurisdiction mentioned specifically herein below and shall refer to RHB Research Institute Sdn Bhd, its holding company, affiliates, subsidiaries and related companies.

All Rights Reserved. This report is for the use of intended recipients only and may not be reproduced, distributed or published for any purpose without prior consent of RHB and RHB accepts no liability whatsoever for the actions of third parties in this respect.

Malaysia

This report is published and distributed in Malaysia by RHB Research Institute Sdn Bhd (233327-M), Level 11, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, a wholly-owned subsidiary of RHB Investment Bank Berhad (RHBIB), which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Singapore

This report is published and distributed in Singapore by DMG & Partners Research Pte Ltd (Reg. No. 200808705N), a wholly-owned subsidiary of DMG & Partners Securities Pte Ltd, a joint venture between Deutsche Asia Pacific Holdings Pte Ltd (a subsidiary of Deutsche Bank Group) and OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB", which in turn is a wholly-owned subsidiary of RHB Capital Berhad). DMG & Partners Securities Pte Ltd is a Member of the Singapore Exchange Securities Trading Limited. DMG & Partners Securities Pte Ltd may have received compensation from the company covered in this report for its corporate finance or its dealing activities; this report is therefore classified as a non-independent report.

As of 21 May 2013, DMG & Partners Securities Pte Ltd and its subsidiaries, including DMG & Partners Research Pte Ltd do not have proprietary positions in the securities covered in this report, except for:

a) -

As of 21 May 2013, none of the analysts who covered the securities in this report has an interest in such securities, except for:

a) -

Special Distribution by RHB

Where the research report is produced by an RHB entity (excluding DMG & Partners Research Pte Ltd) and distributed in Singapore, it is only distributed to "Institutional Investors", "Expert Investors" or "Accredited Investors" as defined in the Securities and Futures Act, CAP. 289 of Singapore. If you are not an "Institutional Investor", "Expert Investor" or "Accredited Investor", this research report is not intended for you and you should disregard this research report in its entirety. In respect of any matters arising from, or in connection with this research report, you are to contact our Singapore Office, DMG & Partners Securities Pte Ltd.

Hong Kong

This report is published and distributed in Hong Kong by RHB OSK Securities Hong Kong Limited ("RHBSHK") (formerly known as OSK Securities Hong Kong Limited), a subsidiary of OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB"), which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

RHBSHK, RHBIB and/or other affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company. RHBSHK, RHBIB and/or other affiliates may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company.

Risk Disclosure Statements

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. RHBSHK does not maintain a predetermined schedule for publication of research and will not necessarily update this report

Indonesia

This report is published and distributed in Indonesia by PT RHB OSK Securities Indonesia (formerly known as PT OSK Nusadana Securities Indonesia), a subsidiary of OSK Investment Bank Berhad, Malaysia, which have since merged into RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Thailand

This report is published and distributed in Thailand by RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL), a subsidiary of OSK Investment Bank Berhad, Malaysia, which have since merged into RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Other Jurisdictions

In any other jurisdictions, this report is intended to be distributed to qualified, accredited and professional investors, in compliance with the law and regulations of the jurisdictions.

Kuala Lumpur	Hong Kong	Singapore
<p>Malaysia Research Office RHB Research Institute Sdn Bhd Level 11, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur Malaysia Tel : +(60) 3 9280 2185 Fax : +(60) 3 9284 8693</p>	<p>RHB OSK Securities Hong Kong Ltd. (formerly known as OSK Securities Hong Kong Ltd.) 12th Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908</p>	<p>DMG & Partners Securities Pte. Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211</p>
Jakarta	Shanghai	Phnom Penh
<p>PT RHB OSK Securities Indonesia (formerly known as PT OSK Nusadana Securities Indonesia) Plaza CIMB Niaga 14th Floor Jl. Jend. Sudirman Kav.25 Jakarta Selatan 12920, Indonesia Tel : +(6221) 2598 6888 Fax : +(6221) 2598 6777</p>	<p>RHB OSK (China) Investment Advisory Co. Ltd. (formerly known as OSK (China) Investment Advisory Co. Ltd.) Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633</p>	<p>RHB OSK Indochina Securities Limited (formerly known as OSK Indochina Securities Limited) No. 1-3, Street 271 Sangkat Toeuk Thla, Khan Sen Sok Phnom Penh Cambodia Tel: +(855) 23 969 161 Fax: +(855) 23 969 171</p>
Bangkok		
<p>RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL) 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 862 9999 Fax : +(66) 108 0999</p>		