

Dijaya Corp (DJC MK)

Walking The Right Path

Dijaya will embark on an aggressive de-gearing exercise in 2013. We estimate Dijaya could sell non-core assets worth up to RM1b. This would halve its net gearing to 0.5x from 0.9x, which would remove the market's concern over its stretched balance sheet. We have also adjusted our 2013-15 core earnings forecasts by 25-41% after imputing contributions from Penang World City. Maintain BUY. Target price: RM1.65.

What's New

- 2013 – The year of de-gearing.** We recently met Dijaya's management and learn that the group will be embarking on a de-gearing exercise in 2013. We are positive on this strategy, given its relatively high net gearing of 0.9x, resulted from an aggressive land buying in 2011-12. Management intends to halve the gearing level to 0.5x. We estimate Dijaya has RM1b worth of non-core assets which could be sold:
 - existing inventories worth RM190m,
 - work-in-progress (WIP) inventories worth RM319m,
 - non-core landbanks in Klang Valley and Southern Region, which we estimate are worth RM300m,
 - non-core investment properties and buildings worth RM250m, and
 - investment securities worth RM10m.
- Asset monetisation to accelerate.** Hence, we expect asset monetisation to accelerate this year, aided by brisk sales (new launches will be discussed further). We understand Dijaya has already sold RM219m worth of non-strategic landbanks, and we expect RM193m in gross proceeds to be booked into 2013. Net proceeds are estimated at RM64.9m, fetching an average premium of >100% over its cost.

Key Financials

Year to 31 Dec (RMm)	2011	2012	2013F	2014F	2015F
Net turnover	375	630	1,177	1,497	1,716
EBITDA	120	243	363	440	479
Operating profit	104	243	264	329	373
Net profit (rep./act.)	65	55	106	153	197
Net profit (adj.)	53	55	106	153	197
EPS (sen)	9.3	4.6	8.2	11.2	12.9
PE (x)	16.0	32.5	18.2	13.3	11.5
P/B (x)	0.7	0.8	0.7	0.7	0.7
EV/EBITDA (x)	25.8	12.8	8.6	7.1	6.5
Dividend yield (%)	2.0	3.4	3.4	3.4	3.4
Net margin (%)	17.4	8.7	9.0	10.2	11.5
Net debt/(cash) to equity (%)	91.7	80.2	69.1	61.5	32.6
Interest cover (x)	11.0	8.8	4.2	5.6	7.8
ROE (%)	3.8	2.4	4.2	5.9	7.2
Consensus net profit	-	-	80	124	-
UOBKH/Consensus (x)	-	-	1.32	1.24	-

Source: Dijaya, Bloomberg, UOB Kay Hian

BUY
(Maintained)

Company Update

Share Price RM1.49
Target Price RM1.65
Upside +10.7%

Company Description

Dijaya is one of the leading property developer in Malaysia with vast landbanks in Klang Valley, Penang and Iskandar.

Stock Data

Stock Data	Financials
GICS sector	DJC MK
Bloomberg ticker:	793.1
Shares issued (m):	1,181.7
Market cap (RMm):	381.1
Market cap (US\$m):	0.3
3-mth avg daily t'over (US\$m):	

Price Performance (%)

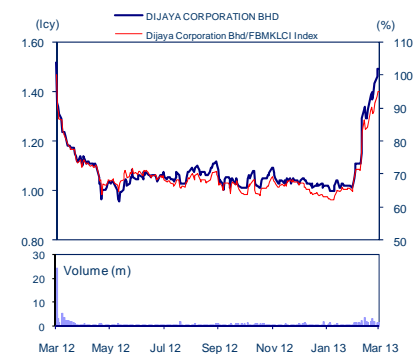
52-week high/low		RM1.49/RM0.955			
1mth	3mth	6mth	1yr	YTD	
44.7	44.7	37.6	(1.9)	44.7	

Major Shareholders

Major Shareholders	%
Tan Sri Danny Tan	71.4

FY13 NAV/Share (RM)	2.12
FY13 Net Debt/Share (RM)	1.47

Price Chart



Source: Bloomberg

Analyst

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Stock Impact

- **Brisk sales expected in 2013.** The group is also targeting RM2.9b worth of launches in 2013, which will continue to drive sales from its key developments. The group has introduced 2013 sales target of RM2.0b while unbilled sales for the group stand at RM951m. We are positive that it could garner good sales this year, driven by key launches in 2013 (refer to RHS table).
- **Impressive take-ups at Penang World City.** Penang World City is a 102-acre mixed development with a GDV of RM10b. We are positive on this development given it is sandwiched between the Penang Bridge and the upcoming Penang Second Bridge, which is expected to be completed in 2H13. The group recently soft-launched four blocks of condominiums in Penang World City (GDV: RM500m) and has received favourable response (>80% bookings).
- **Aims to be the sector consolidator.** Recall that the merger between Dijaya and Mah Sing as speculated by the media did not materialise. We believe Dijaya is still looking out for potential candidates within the sector to consolidate so as to grow into a larger developer in the medium term. Management would only consider companies which could aid the group in terms of cash flow, balance sheet and earnings enhancement.
- **Strong conviction in Johor property market.** With positive newsflow involving Iskandar, Dijaya's entry into the region two years ago is proven right. The recent deal which involves CapitalLand securing an island deal in Danga Bay marks an endorsement on our conviction as well. Hence, we believe Dijaya still has the intention to secure prime landbanks within the region, to tap into the growing trend of foreign investors buying into Iskandar.

Earnings Revision/Risk

- We upgrade our 2013-15 core earnings forecasts by 39%, 25% and 41% respectively after imputing the new launches from Penang World City. We expect most of the progress billings to impact 2014-15 earnings.
- Our core earnings do not include land sales. Note that 2013 earnings could hit at least RM170m if we include the announced land sales ytd.

Valuation/Recommendation

- **Maintain BUY and target price of RM1.65, based on a 30% discount to RNAV.** The discount is in line with those of property developers in our coverage. It is also justified by the group's continuous efforts to monetise its assets. Our new target price implies 13.4x 2014F PE, deemed favourable given its sizeable prime landbanks and the stock is packed with re-rating catalysts.

Share Price Catalyst

- Disposal of assets while pocketing healthy gains.
- Potential of REIT-ing its investment properties in the medium term.

Land Disposal In 2013

Land Parcel	Size (acre)	Purchase price psf (RM)	Selling price psf (RM)	Gross Proceeds (RMm)
Bayou, Balakong	66.03	17	37	106
Desa Aman Puri, Kepong	1.84	140	240	19
Desa Mentari, Sunway	1.76	260	300	23
Senibong	4.04	62	250	44
	75.2		Total	192

Source: Dijaya

RNAV

	RMm
Undeveloped landbank value	1,226.2
DCF of project profits	2,483.0
NPV of unbilled sales	119.6
Investment properties	1,077.0
Net debt	(1,400.0)
RNAV	3,505.8
Sharebase	1,069.0
RCULS	428.1
Enlarged sharebase	1,497.1
RNAV/share	3.28
RNAV/share ex RCULS	2.34
Discount	30%
Fair value	1.65

Source: UOB Kay Hian

Notable Launches In 2013

Project	GDV (RMm)
Tropicana Gardens	244
Tropicana Metropark	314
Tropicana Danga Bay	307
W Hotel & Residences	580*
Tropicana Danga Cove	277
Penang World City	500

*Excluding GDV of the W Hotel
Source: Dijaya, UOB Kay Hian

Major Landbanks And GDV

Project	GDV (RMm)
Penang World City	9,800
Tropicana Danga Bay	5,326
Tropicana Danga Cove	10,000
Tropicana Heights Kajang	2,164
Tropicana Gardens	1,815
W KL Hotel & Residences	900
Jalan Tun Razak	5,000
Total	35,005

Source: Dijaya, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2012	2013F	2014F	2015F
Net turnover	630	1,177	1,497	1,716
EBITDA	243	363	440	479
Deprec. & amort.	0	98	111	106
EBIT	243	264	329	373
Associate contributions	0	22	23	31
Net interest income/(expense)	(28)	(86)	(78)	(61)
Pre-tax profit	215	201	274	343
Tax	(42)	(50)	(68)	(86)
Minorities	(9)	(45)	(52)	(60)
Net profit	55	106	153	197
Net profit (adj.)	55	106	153	197

Cash Flow

Year to 31 Dec (RMm)	2012	2013F	2014F	2015F
Operating	(17)	(526)	(402)	195
Pre-tax profit	215	201	274	343
Tax	(18)	(50)	(68)	(86)
Deprec. & amort.	14	98	111	106
Associates	(45)	(45)	(45)	(45)
Working capital changes	(76)	(869)	(899)	(226)
Other operating cashflows	(107)	139	226	103
Investing	(895)	325	225	225
Capex (growth)	(560)	(20)	(20)	(20)
Investments	(45)	(45)	(45)	(45)
Proceeds from sale of assets	40	40	40	40
Others	(330)	350	250	250
Financing	998	217	214	109
Dividend payments	(17)	(44)	(47)	(52)
Issue of shares	322	161	161	161
Loan repayment	693	100	100	0
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	86	15	37	529
Beginning cash & cash equivalent	115	214	229	266
Changes due to forex impact	12	0	0	0
Ending cash & cash equivalent	214	229	266	794

Balance Sheet

Year to 31 Dec (RMm)	2012	2013F	2014F	2015F
Fixed assets	1,030	952	861	775
Other LT assets	2,513	2,585	2,658	2,739
Cash/ST investment	214	229	266	794
Other current assets	762	1,415	1,759	1,621
Total assets	4,518	5,180	5,544	5,930
ST debt	224	224	224	224
Other current liabilities	339	512	651	746
LT debt	1,642	1,742	1,692	1,542
Other LT liabilities	124	0	0	0
Shareholders' equity	2,061	2,514	2,682	2,978
Minority interest	128	189	295	440
Total liabilities & equity	4,518	5,180	5,544	5,930

Key Metrics

Year to 31 Dec (%)	2012	2013F	2014F	2015F
Profitability				
EBITDA margin	38.5	30.8	29.4	27.9
Pre-tax margin	34.1	17.0	18.3	20.0
Net margin	8.7	9.0	10.2	11.5
ROA	1.1	2.0	2.9	3.5
ROE	2.4	4.2	5.9	7.2
Growth				
Turnover	67.9	86.8	27.2	14.6
EBITDA	101.7	49.5	21.2	9.0
Pre-tax profit	148.0	(6.7)	36.4	25.3
Net profit	(16.2)	93.5	45.3	28.5
Net profit (adj.)	3.9	93.5	45.3	28.5
EPS	(50.7)	78.6	36.8	15.4
Leverage				
Debt to total capital	46.0	42.1	39.2	34.1
Debt to equity	90.5	78.2	71.4	59.3
Net debt/(cash) to equity	80.2	69.1	61.5	32.6
Interest cover (x)	8.8	4.2	5.6	7.8

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