

## Dijaya Corporation (DJC MK)

### Asset Monetisation, Finally

#### What's New

- **A major re-rating catalyst - continuous asset monetisation...** We recently met with Dijaya Corporation's (Dijaya) management, and we now feel positive after understanding their strategy and direction in unlocking value from their landbanks (which they have aggressively acquired over the past one year). We foresee significant monetisation of their assets which currently represents a high percentage of the market capitalisation.
- **... coupled with execution in delivering sales.** Recall that Dijaya went through an amalgamation exercise, where 63.7 acres of new land and 825.7k sf of net lettable area (NLA) was been injected into the group, which thereafter provided a significant level of recurring income for the group. In the coming months, the group has a strong pipeline of launches with an expected gross development value (GDV) of RM1.6b in 2012 and RM2.3b in 2013. Management has guided that the group intends to monetise its total 49 parcels of land assets that was injected during the amalgamation exercise.

#### Stock Impact

- **Amalgamation exercise is now complete.** Now that the land injection, 4-for-5 rights issue and issuance of RCULS (RM685m) have been completed, Dijaya will focus on monetising its 913 acres of strategic landbank which offer a gross GDV of RM38b. In this case, we believe asset monetisation will be done via: a) launching and delivering key projects such as Tropicana Gardens, Kota Damansara (GDV: RM1.8b), Tropicana Metropark, Subang (GDV: RM6.3b), Tropicana Danga Bay, Johor (GDV: RM3.9b), and b) disposing off smaller parcels of lands with the intention to focus on larger developers.
- **Expect sales momentum to strengthen.** Ytd sales have hit RM765m. Dijaya targets to launch properties worth RM1.6b, RM2.3b and RM2.5b in 2012, 2013 and 2014 respectively. We expect sales momentum to be strong over the next three years, driven by selected key projects. We believe this target is achievable, driven by upcoming launches, such as Tropicana Gardens (GDV: RM231m), which by our estimates, would contribute around 17% and 15% towards the group's revenue and EBIT in 2013 and 2014 respectively. Tropicana Gardens is a favourable development due to its close proximity to the new MRT station.
- **Particularly optimistic on Tropicana Gardens.** We are particularly bullish in Tropicana Gardens (GDV: RM1.6b, 17.6 acres) which is a mixed development offering a 600,000 sf mall, serviced apartments and retail units. Our optimism is premised on its strategic location, with direct connectivity to the Kota Damansara MRT station once the MRT line 1 is completed in 2017. We believe that its close proximity to the MRT station will enhance the attractiveness of the entire development, and hence capture stronger capital appreciation as well as higher rental yields.
- **Another smart strategy - disposing small land parcels while focusing on bigger developments.** We believe Dijaya plans to dispose the previously-injected small parcels of lands. The rationale behind this strategy is to focus more on bigger developments rather than wasting resources in developing small niche products on their scattered plot of lands. There is still great demand for small land plots and the target buyers are usually smaller developers. We understand that some of the

## NOT RATED

### Company Update

Share Price **RM1.05**

#### Company Description

A property developer known for its township developments around Tropicana Golf & Country Resort and Tropicana Indah since 1995. Strategically, it is moving into growth areas like Danga Bay in Johor.

#### Stock Data

|                                 |          |
|---------------------------------|----------|
| GICS sector                     | Property |
| Bloomberg ticker:               | DJC MK   |
| Shares issued (m):              | 1,069    |
| Market cap (RMm):               | 1,122.5  |
| Market cap (US\$m):             | 362.1    |
| 3-mth avg daily t'over (US\$m): | 117,730  |

#### Price Performance (%)

|                  |                |        |        |        |  |
|------------------|----------------|--------|--------|--------|--|
| 52-week high/low | RM1.72/RM0.995 |        |        |        |  |
| 1mth             | 3mth           | 6mth   | 1yr    | YTD    |  |
| (11.0)           | (10.4)         | (15.6) | (29.4) | (25.4) |  |

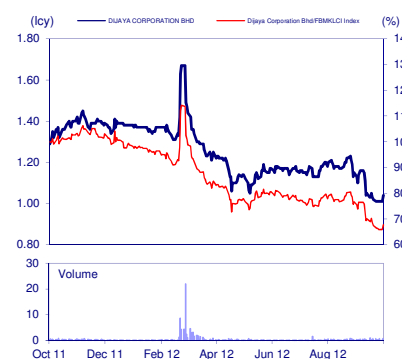
#### Major Shareholders

|                       |      |
|-----------------------|------|
|                       | %    |
| Tan Sri Tan Chee Sing | 66.4 |

FY12 NAV/Share (RM) 2.08

FY12 Net Debt/Share (RM) 0.775

#### Price Chart



Source: Bloomberg

#### Analyst

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lands have development orders in place, and are usually deemed as attractive bargains for smaller developers. So far, Dijaya has disposed its Kampar land for RM15m and we believe the management is looking to dispose more in the near term. These lands are located in mature areas such as Mount Austin (1.5 acres), SS2 (0.9 acre) and others which are valued at about RM130m collectively.

- Recurring income from investment properties provide earnings cushion.** Dijaya currently owns and manages two investment properties – The Tropicana City Mall (439,000 sf NLA) and the 12-storey Tropicana Office Tower (101,700 sf NLA). Tropicana City Mall has seen its occupancy rate improve from 95.1% in 2011 to 94.6% in 2012, while the office tower has been enjoying a 100% occupancy rate since 2011.
- The hidden gem - Tropicana City Mall.** Tropicana City Mall carries a book value of RM298m. In view of the strong shoppers' growth prospect, we believe that the current book value has not fully reflected the growth potential of the properties. Based on a benchmark yield of 5.5%, we believe the mall could potentially be valued at RM345m or 31% of its current market capitalisation.
- Potential REIT in the making?** Although transforming its existing investment properties into REIT may be a possibility in the longer term, we still view it as a strong catalyst for the stock price. We believe the REIT structure is practical, especially during periods of uncertainty, as investors view REITs as a safe haven to park their investments. In total, we estimate that its investment properties are worth about RM851m, and represent about 76% of its current market capitalisation. Going forward, there is also a growth angle for the possible REIT, given that both Tropicana Office Tower and Tropicana Gardens (a 600,000 sf retail mall), could be injected in the longer term.

**Earnings Revision/Risk**

- Potential additional cash inflow from land disposal.** The recent injection of small plots of land would act as a potential additional cashflow for Dijaya as it plans to dispose of the small parcels of land.

**Valuation/Recommendation**

- Assuming that Dijaya could achieve RM100m PATAMI in FY13F, this would translate into EPS of 9 sen, implying a 11x forward PE at current market price of RM1.02.
- We do not view Dijaya's valuation as expensive, as we believe the prime landbanks and good-yielding investment properties under the group should not be overlooked. We estimate the RNAV/share to be RM2.89, based a diluted basis (staged conversion for its RCULS).

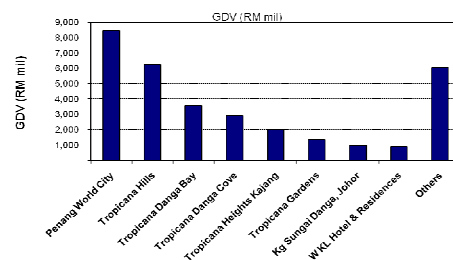
**Share Price Catalyst**

- Share price should react positively** if Dijaya's coming projects in Kota Damansara, Subang and Johor Bahru prove to be successful.

| Company     | Ticker  | Rec       | Price<br>9 Oct 12<br>(RM) | Target Price<br>(RM) | Market cap<br>(RM) | -----PE (x)----- |       |       | P/B | ROE  |
|-------------|---------|-----------|---------------------------|----------------------|--------------------|------------------|-------|-------|-----|------|
|             |         |           |                           |                      |                    | 2012             | 2013F | 2014F |     |      |
| KLCC PROP   | KLCC MK | HOLD      | 6.15                      | 3.30                 | 5,744.6            | 23.5             | 22.6  | 21.6  | 1.0 | 5.5  |
| MAH SING    | MSGB MK | HOLD      | 2.20                      | 2.01                 | 1,841.4            | 10.9             | 11.3  | 10.1  | 1.3 | 17.3 |
| MRCB        | MRC MK  | BUY       | 1.65                      | 2.03                 | 2,288.2            | 29.5             | 27.4  | 12.2  | 1.7 | 5.9  |
| SP SETIA    | SPSB MK | SELL      | 3.64                      | 3.28                 | 7,296.5            | n.a              | 21.2  | 20.1  | 1.8 | 11.6 |
| UEM LAND    | ULHB MK | BUY       | 1.84                      | 2.68                 | 7,963.3            | 32.4             | 21.2  | 19.7  | 1.9 | 7.1  |
| DIJAYA CORP | DJC MK  | NOT RATED | 1.05                      | n.a                  | 1,122.5            | 3.3              | n.a   | n.a   | 2.1 | 7.0  |

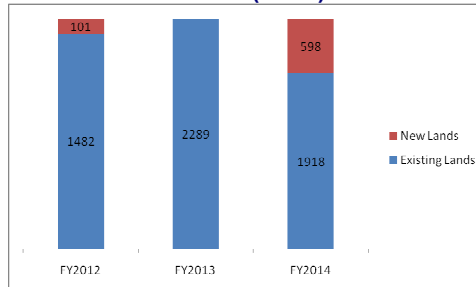
Source: Bloomberg, UOB Kay Hian

**Landbank Value Breakdown**



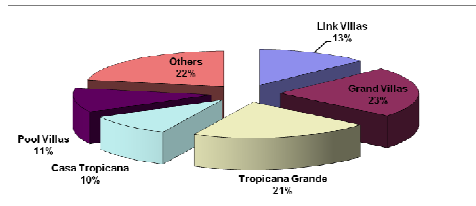
Source: Dijaya, UOB Kay Hian

**Launch Plan 2012-14 (RMm)**



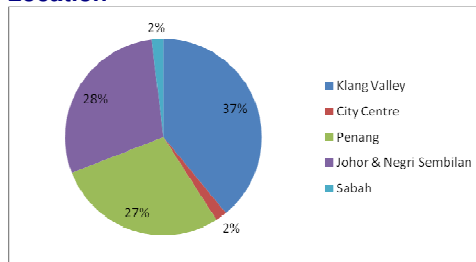
Source: Dijaya, UOB Kay Hian

**Ytd Unbilled Sales Breakdown – RM715m**



Source: Dijaya, UOB Kay Hian

**Percentage of GDV Breakdown By Location**



Source: Dijaya, UOB Kay Hian

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