

Dijaya Corporation

Recommendation: **BUY**

Stock Code: 5401

Bloomberg: DJC MK

Price: MYR1.01

12-Month Target Price: MYR1.20

Date: May 25, 2009

Board: Main

Sector: Property

GICS: Financials/Real Estate Development

Market Value - Total: MYR262.2 mln

Summary: Dijaya is one of the largest developers in Petaling Jaya with two major golf resort-based residential township development projects: (i) Tropicana Golf and Country Resort and (ii) Damansara Indah. This stock is a component of FBMEMAS.

Analyst: Ching Wah Tam



Results Review & Earnings Outlook

- Dijaya's 1Q09 results were above our expectations. Net profit jumped 187% YoY to MYR9.6 mln in 1Q09 from MYR3.3 mln in 1Q08 on the back of a 6.6% YoY decline in turnover to MYR44.8 mln from MYR47.9 mln in 1Q09. The better performance was due to MYR15 mln of gains from the sale of a piece of land and an investment, partially offset by a MYR4 mln provision for the impairment in value of quoted investments. Excluding these items, Dijaya posted a 40% YoY drop in its adjusted pre-tax profit to MYR4.9 mln from MYR8.2 mln in 1Q08.
- Nevertheless, despite the global economic slowdown, Dijaya managed to lock in MYR90 mln worth of sales in 1Q09 from its various projects in Petaling Jaya, and expects demand for properties in the area to remain firm. It is assessing both local economic conditions and also market sentiment before launching new projects. Dijaya has a total Gross Development Value (GDV) of over MYR2 bln in hand.
- Dijaya has applied to the Securities Commission for a 6-month extension to implement its proposed renounceable 3-for-4 rights issue of up to 214.11 mln new shares (at MYR1 each, of which shareholders will only pay 80 sen and the balance 20 sen will be capitalised from the company's share premium account) with up to 142.74 mln free warrants. Despite the better-than-expected 1Q09 results, we leave our 2009 and 2010 net profit forecasts unchanged as its quarterly earnings tend to fluctuate a fair bit.

Recommendation & Investment Risks

- We upgrade our recommendation to Buy from Hold and raise our 12-month target price to MYR1.20 from MYR1.00. In our view, current valuations are not demanding with the stock trading one notch below its six-year average P/BV valuation of 0.47x. In addition, its share price is supported by a high estimated RNAV of MYR3.39 and unbilled sales of MYR254 mln as at end April 2009.
- We have raised our 12-month target price to MYR1.20 from MYR1.00. We now adopt a less conservative stance in our valuation following signs of stabilization in the global economy, an improvement in demand for properties in strategic locations in the Klang Valley and an increase in investors' risk appetite.
- Our target price is based on a 55% (previously 60%) discount to NTA and includes projected net DPS. The target multiple is in line with our valuation metrics (0.4x-1.0x P/NTA) for small- and mid-cap property companies within our coverage.
- Risks to our recommendations and target price are: (i) a drastic and prolonged slowdown in property demand in Malaysia; (ii) an unexpected rise in interest rates, which would depress sentiment; and (iii) an unexpected delay in construction of properties sold, which, in turn, will affect progressive recognition of income.

Key Stock Statistics

FY Dec.	2008	2009E
Reported EPS (sen)	12.7	7.4
PER (x)	8.0	13.6
Dividend/Share (sen)	2.0	1.0
NTA/Share (MYR)	2.43	2.50
Book Value/Share (MYR)	2.44	2.51
No. of Outstanding Shares (mln)	259.6	
52-week Share Price Range (MYR)	0.85 - 1.23	
Major Shareholders:	%	
Tan Sri Danny Tan	63.4	
Permodalan Nasional Bhd	4.0	

* Stock deemed Shariah compliant by the Securities Commission

Per Share Data

FY Dec.	2006	2007	2008	2009E
Book Value (MYR)	2.17	2.33	2.44	2.51
Cash Flow (sen)	17.9	21.2	15.2	10.0
Reported Earnings (sen)	15.6	18.7	12.7	7.4
Dividend (sen)	4.0	4.0	2.0	1.0
Payout Ratio (%)	7.2	6.1	4.6	3.9
PER (x)	6.5	5.4	8.0	13.6
P/Cash Flow (x)	5.7	4.8	6.7	10.1
P/Book Value (x)	0.5	0.4	0.4	0.4
Dividend Yield (%)	4.0	4.0	2.0	1.0
ROE (%)	7.5	8.3	5.3	3.0
Net Gearing (%)	0.0	0.0	0.0	0.0

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Quarterly Performance

FY Dec. / MYR mln	1Q09	1Q08	% Change
Reported Revenue	44.8	47.9	-6.6
Reported Operating Profit	16.3	8.0	>100
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	NA	NA	NA
Reported Pre-tax Profit	15.9	8.2	93.2
Reported Net Profit	9.6	3.3	>100
Reported Operating Margin (%)	36.4	16.7	-
Reported Pre-tax Margin (%)	35.5	17.1	-
Reported Net Margin (%)	21.4	6.9	-

Source: Company data

Profit & Loss

FY Dec. / MYR mln	2007	2008	2009E	2010E
Reported Revenue	270.4	247.1	193.0	244.9
Reported Operating Profit	70.5	71.7	32.5	41.2
Depreciation & Amortization	-2.9	-2.4	-1.4	-0.4
Net Interest Income / (Expense)	-0.9	-0.9	-2.9	-2.9
Reported Pre-tax Profit	70.3	73.6	31.6	40.6
Effective Tax Rate (%)	20.7	33.6	30.0	27.0
Reported Net Profit	48.6	32.8	19.3	26.3
Reported Operating Margin (%)	26.1	29.0	16.8	16.8
Reported Pre-tax Margin (%)	26.0	29.8	16.4	16.6
Reported Net Margin (%)	18.0	13.3	10.0	10.8

Source: Company data, S&P Equity Research

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Glossary

Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

Hold: Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

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Recommendation and Target Price History

Date	Recommendation	Target Price
New	Buy	1.20
26-Nov-08	Hold	1.00
2-Sep-08	Buy	1.40
9-Jun-08	Strong Buy	1.75

