

2Q FY Dec 2009 results

Dijaya Corporation Berhad

- 2Q09 weaker than expected, partly due to mall costs
- Generated RM215m new property sales in 1Q09
- Plans to launch Tropicana Grande soon
- Debt-free balance sheet, stock attractively priced

BUY

 Price
RM1.16

 Market capitalization
RM301 million

 Board
Main

 Board
FBM Emas Syariah

 Sector
Properties

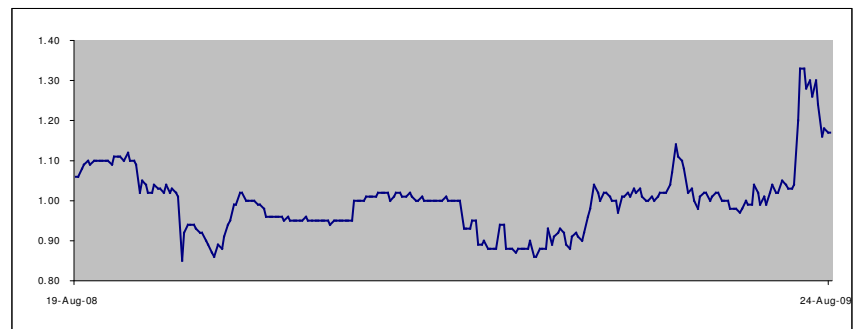
 Stock code
5401

 Analyst
Kevin Khoo

Key stock statistics	FYDec08	FYDec09E
EPS (sen)	12.7	12.1
P/E (x)	9.2	9.6
DPS (sen)	2.0	3.0
NTA/share (RM)	2.39	2.49
Issued capital (mil)	259.6	
52-week price range (RM)	0.87-1.35	

Major shareholders (%)	
Tan Sri Danny Tan	63.3%

Share Price Chart



2Q FY Dec 2009 results highlights

Year end Dec (RMm)	1H09	1H08	% chg
Turnover	111.9	82.6	35.5
Pre-tax profit	23.0	21.4	7.7
Tax	(6.1)	(7.3)	(15.5)
Minorities	(2.9)	(6.1)	(53.1)
Net profit	14.0	8.0	75.6
EPS (sen)	5.4	3.1	
Pre-tax margin (%)	20.6	25.9	
Net margin (%)	12.5	9.7	

Dijaya Corp's results for 2Q FY Dec 2009 were below expectations on an annualized basis, due largely to initial start-up losses totaling RM4.1 million at Tropicana City Mall. Nonetheless, Dijaya tends to have lumpy quarterly profit recognition, depending on the status of project billings and completion.

For 2QFY09, revenue increased 94% y-y to RM67.1 million. Pre-tax profit fell 46% to RM7.1 million, while net profit declined by a smaller margin of 4.4% to RM4.4 million due to lower effective taxes and minority interests.

For 1H09, pre-tax profit increased 7.7% to RM23 million. Net profit rose 75.6% to RM14 million, accounting for 45% of our full year forecast.

The disproportionately lower profits in 2Q09 compared to 1Q09 was due to one-off gains of RM11 million from the sale of its agriculture land in Tanjung Malim, plus gains of RM0.6 million from the sale of shares, both in 1Q09.

The company's earnings continue to be driven by its ongoing developments, namely the Tropics Suites at Tropicana City, Casa Indah 2 and Villa Green at Tropicana Indah and the shophouses at TSB Sungei Buloh Commercial Centre.

Dijaya remains one of very few ungeared listed developers. Despite spending RM66.2 million for two earlier land purchases (in Kajang and Cheras) and ongoing funding for the Tropicana City Mall development, the company remains debt-free with net cash and equivalents of RM12.7 million.

Outlook & recommendation

Sentiment for properties has improved in recent months, with signs of a bottoming of the recession and a global economic recovery underway. Low interest rates, aggressive financing schemes and strong credit growth from banks have also helped boost demand for properties.

Mortgage rates have fallen to just 3.2% to 3.5% while mortgage loan approvals grew a robust 32% in May 2009. Mortgage loan approvals had been declining monthly from Oct 2008 – Feb 2009 and started rising again since March 2009.

To be sure, most developers are still cautious and have yet to undertake new launches aggressively. Most of the recent property sales have been driven by inventory clearing.

There have been some new launches in existing townships during the recession (especially by SP Setia and Sime Darby Properties), while two upmarket condominiums in Kuala Lumpur were launched in June 2009 (St Mary's and Setia Residences). We expect more property launches in the coming months as confidence improves further and interest rates stay low.

Dijaya has also been focusing on selling its inventory with good success, mostly of Tropics Suites in Tropicana City, which is now fully sold.

In the first half of 2009, we understand the company managed to generate sales of RM215 million. Most of these sales came from The Tropics Suites in Tropicana City, on top of Tropicana Mall, where the take-up rate has increased from 70% to 98%.

The strong sales here is largely due to the fact that these units were held back last year and only released to the market this year, pending the opening of the mall in Dec 2008.

There is latent underlying demand in the well-established and matured Damansara-SS2 area, where supply is limited. Indeed, a recent launch of high-end condos in SS2, Five Stones by SDB Properties, was well received, with prices starting at RM800,000, or RM470 psf.

Dijaya's unbilled sales of about RM264 million will support earnings for the next year. The major ongoing projects are the Tropics Suites at Tropicana City, Villa Green at Tropicana Indah and the TSB Sungei Buloh shophouses.

The company is waiting for the right time to launch the two remaining projects in Tropicana Golf and Country Resort.

It has opened preliminary registration for the two Tropicana projects – which were earlier put on hold due to the crisis – to gauge public response, although no deposits are required. The pricing and launch dates have yet to be finalized and will depend on market conditions and public response.

Tropicana Grande will be launched first, as early as end-2009 or 1Q2010 while Tropicana Avenue may be launched in 2Q2010 or 3Q2010. The former consists of about 300 condos with large built-up space of 2,500-4,500 sq ft, located on 5.2 acres. Tropicana Avenue comprises three blocks of 9 and 11 storey shop-offices on 7 acres.

We are maintaining our forecasts and **BUY** recommendation.

We expect pre-tax profit to fall 21% to RM58.4 million in 2009, but net profit to remain fairly stable at RM31.3 million. Stronger growth will be evident in 2010 as the property market recovers and Dijaya is able to resume launches. The mall and office tower will also contribute fully by then.

At RM1.16, the stock is trading at undemanding P/E multiples of 9.6 and 6.3 times for 2009-10 earnings, and a steep 54% below its latest book value of RM2.50, which is already severely understated due to low land costs.

Profit & Loss Analysis

Year end Dec (RM mil)	2007	2008	2009E	2010E
Turnover	254.5	247.1	187.2	255.5
Operating profit	73.9	73.9	61.8	82.3
Depreciation	(6.0)	(6.5)	(7.0)	(7.5)
Interest income/(exp)	2.0	3.0	-	1.0
Associates	1.7	3.2	3.5	3.9
Pre-tax profit	71.6	73.6	58.4	79.7
Tax	(15.7)	(24.7)	(15.8)	(20.7)
Minorities	(7.1)	(16.1)	(11.3)	(11.3)
Net profit	48.8	32.8	31.3	47.7
Operating margin (%)	29.0	29.9	33.0	32.2
Pre-tax margin (%)	28.1	29.8	31.2	31.2
Net margin (%)	19.2	13.3	16.7	18.7
Effective tax rate (%)	21.9	33.6	27.0	26.0

Per Share Data

Year end Dec	2007	2008	2009E	2010E
EPS (sen)	18.8	12.7	12.1	18.4
P/E (x)	6.2	9.2	9.6	6.3
Dividend (sen)	4.0	2.0	3.0	3.0
Dividend yield (%)	3.4	1.7	2.6	2.6
Payout (%)	16	12	18	12
Book value (RM)	2.34	2.39	2.49	2.65
Price/Book value (x)	0.50	0.48	0.47	0.44
Cashflow/share (sen)	23.9	21.3	19.1	25.6
Price/Cashflow (x)	4.9	5.4	6.1	4.5
Gearing ratio (%)	Net cash	Net cash	Net cash	Net cash
ROE (%)	8.0	5.3	4.8	6.9

Note: forecasts excludes rights issue



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