

Dijaya Corporation

Recommendation: **BUY**

Stock Code: 5401

Bloomberg: DJC MK

Price: MYR0.89

12-Month Target Price: MYR1.10

Date: March 1, 2010

Board: Main

Sector: Property

GICS: Financials/Real Estate Development

Market Value - Total: MYR402.1 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 2009 results were below our expectations, with full-year net profit of MYR49.7 mln vs. our MYR57.0 mln estimate. The variance was due mainly to a MYR11.0 mln of provision for impairment loss made in respect of the JV project with Dijaya Malind JV (Mauritius) Limited. Excluding the exceptional item, its 2009 results would have been broadly within our expectations.
- On a QoQ basis, revenue was higher at MYR101.3 mln in 4Q09 vs. MYR97.3 mln in 3Q09, but pretax profit declined to MYR7.4 mln from MYR41.2 mln in 3Q09. The decline in earnings was due mainly to: (i) the write-down for its JV project and (ii) in 3Q09, a reversal of provision for diminution in value of its quoted investments, which amounted to MYR20.9 mln.
- Going forward, Dijaya is planning to launch its high-end condominium project, Tropicana Grande, and shop-offices, Tropicana Avenue, this year. In addition, Dijaya recently acquired "Bok House" (55,929 sq ft) located near to KLCC Twin Towers, along Jalan Ampang for MYR123 mln for development of an integrated commercial development comprising an international hotel, serviced suites and/or office suites. Dijaya has sufficient funds to make the acquisition as it recently raised more than MYR100 mln from its 3-for-4 rights issue. We have adjusted our 2010 earnings forecasts slightly and introduce our 2011 forecast earnings.

Recommendation & Investment Risks

- We upgrade our recommendation to Buy from Hold but maintain our 12-month target price of MYR1.10. Our recommendation upgrade is premised mainly on a more reasonable P/BV valuation after its recent share price correction of 32% from a recent high of MYR1.29. Moreover, Dijaya's 2009 NTA will be enhanced further by its recent acquisition of the "Bok House" in the KLCC area. Dijaya's acquisition price of MYR1,840 psf is lower than the average price of MYR2,588 psf paid by Sunrise (SUN MK, MYR2.12, 4-STARs) for the adjacent land in 2008.
- Our 12-month target price of MYR1.10 is pegged to a 55% (unchanged) discount to Dijaya's 2009 NTA and includes projected net DPS. Our target multiples are 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 progress billings.

Key Stock Statistics

FY Dec.	2009	2010E
Reported EPS (sen)	13.9	11.2
PER (x)	6.4	7.9
Dividend/Share (sen)	3.0	3.0
NTA/Share (MYR)	1.84	1.93
Book Value/Share (MYR)	1.85	1.94
No. of Outstanding Shares (mln)	454.4	
52-week Share Price Range (MYR)	0.74 - 1.29	
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.	2007	2008	2009	2010E
Book Value (MYR)	1.75	1.84	1.85	1.94
Cash Flow (sen)	15.9	11.8	12.4	12.7
Reported Earnings (sen)	14.0	9.9	13.9	11.2
Dividend (sen)	3.0	1.5	3.0	3.0
Payout Ratio (%)	15.8	16.3	35.1	20.0
PER (x)	6.3	8.9	6.4	7.9
P/Cash Flow (x)	5.6	7.5	7.1	7.0
P/Book Value (x)	0.5	0.5	0.5	0.5
Dividend Yield (%)	3.4	1.7	3.4	3.4
ROE (%)	8.3	3.8	3.9	5.9
Net Gearing (%)	0.0	0.0	0.0	0.0

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Quarterly Performance

FY Dec. / MYR mln	4Q09	4Q08	% Change
Reported Revenue	101.3	74.1	36.7
Reported Operating Profit	7.1	37.0	-80.8
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	NA	NA	NA
Reported Pre-tax Profit	7.4	35.9	-79.4
Reported Net Profit	3.3	25.1	-86.9
Reported Operating Margin (%)	7.0	49.9	-
Reported Pre-tax Margin (%)	7.3	48.4	-
Reported Net Margin (%)	3.3	33.8	-

Source: Company data

Profit & Loss

FY Dec. / MYR mln	2008	2009	2010E	2011E
Reported Revenue	244.1	310.5	319.9	346.3
Reported Operating Profit	76.6	70.6	84.6	91.6
Depreciation & Amortization	-2.4	-1.4	-0.4	3.0
Net Interest Income / (Expense)	-2.9	-3.6	-9.3	-9.4
Reported Pre-tax Profit	76.7	71.7	80.5	88.3
Effective Tax Rate (%)	33.4	18.1	25.0	22.0
Reported Net Profit	34.4	49.7	51.0	60.6
Reported Operating Margin (%)	31.4	22.7	26.4	26.4
Reported Pre-tax Margin (%)	31.4	23.1	25.2	25.5
Reported Net Margin (%)	14.1	16.0	15.9	17.5

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.

Shariah-compliant stock - As defined by the Shariah Advisory Council of Malaysia's Securities Commission

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Recommendation and Target Price History

Date	Recommendation	Target Price
New	Buy	1.10
19-Nov-09	Hold	1.10
28-Aug-09	Hold	1.03
25-May-09	Buy	1.03
26-Nov-08	Hold	0.86
2-Sep-08	Buy	1.20
9-Jun-08	Strong Buy	1.50

