Dijaya Corporation Berhad

Landbanking in Kota Kemuning

OUTPERFORM ↔

Price: **RM1.55**

Target Price: **RM2.15** ↑

News

- Proposed acquisition cum development of 1,172ac land in Kota Kemuning or previously known as "Canal City" for RM1.3b or RM25.4psf from Menteri Besar Selangor and Permodalan Negeri Selangor Berhad. The land payment terms are on a progressive basis over 12 years, alongside 5% share of GDV and 3% of PAT to the land vendors (refer overleaf).

Comments

- We are neutral to positive on the acquisition. The balance burden is alleviated by progressive land payments over 12 years, only after the initial payment of RM50m; thus, the impact to net gearing is minimal (maintained at 0.6x). However, the project will take 15 to 20 years to realise and the earliest earnings accretion would only kick in from FY15 onwards.
- The lifestyle-concept township's initial GDV is at least RM8.6b. Management envisions that with prospects of strong accessibility, the project's GDV can swell to RM20.0b when fully completed over the 15-20 year time frame. So based on the a GDV of RM8.6b, we derive an extraction rate of GDV RM7.3m/ac, which is 24% higher than its neighbouring project – Bandar Rimbayu by IJM Land at GDV RM5.9m/ac. This may be achievable as management said they expect high content of high-rise developments in the township, implying potential increases in GDV. We may increase our GDV assumption upon the launch of their first phase.
- Land cost is considered fair, given that it only makes up 15% of the RM8.6b GDV. Thus, the group should be able to reap c. 25% gross project margin.

Outlook

- Dijaya's FY13E sales target of RM2.0b will be mainly driven by Tropicana ("T.") Gardens, T. Metropark, T. Danga Bay, T. Danga Cove, Penang World City, etc. Canal City's sales will only be felt from FY15E onwards.

Forecast

- We expect the new project earnings to commence largely from FY15 onwards. As a result, there are no changes to our FY13-14E earnings.

Rating **Maintain OUTPERFORM**

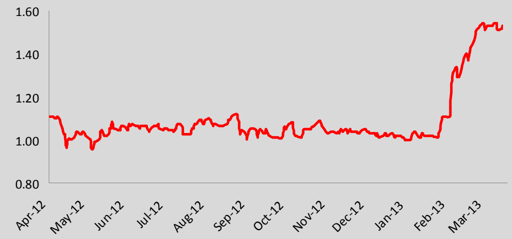
Valuation

- Our FD SoP RNAV has increased by 5% to RM3.58 due to inclusion of the new project.
- Revising our TP higher from RM2.05 to RM2.15 based on unchanged 40%* discount on higher FD SoP RNAV of RM3.58 (see overleaf for details).

Risks

- Unable to meet sales targets. Sector risks, including negative policies.

Share Price Performance



KLCI	1,697.77
YTD KLCI chg	0.5%
YTD stock price chg	50.5%

Stock Information

Bloomberg Ticker	DJC MK Equity
Market Cap (RM m)	1,328.2
Issued shares	856.9
52-week range (H)	1.56
52-week range (L)	0.94
3-mth avg daily vol:	1,015,642
Free Float	33%
Beta	1.0

Major Shareholders

CHEE SING TAN	28.2%
GOLDEN DIVERSITY SDN	19.6%
IMPECCABLE ACE SDN B	19.1%

Summary Earnings Table

FYE Dec (RM m)	2012A	2013E	2014E
Turnover	630	1,247	1,636
EBIT	246	265	324
PBT	220	239	301
Net Profit (NP)	**169**	**166**	**194**
Core net profit	**59**	**166**	**194**
Consensus (CNP)		140	190
Earnings Revision	n.a.	n.a.	n.a.
Core EPS (sen)	7.4	20.9	24.4
EPS growth (%)	3.5	182	16.3
NDPS (sen)	4.8	6.3	7.3
BV/Share (RM)	2.60	2.76	2.95
PER (x)	20.8	7.4	6.4
Price/BV (x)	0.8	0.8	0.7
Net Gearing (x)	0.77	0.62	0.52
Dividend Yield (%)	3.1%	4.1%	4.7%

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Other Points

The project's initial GDV is at least RM8.6b and will be an integrated self-contained township development in Kota Kemuning. The master plan includes central linear parks and lakes, continuous vehicular free bike trails, jogging paths, children's playground and etc. It has excellent connectivity with major expressways namely Lebuhraya Shah Alam (KESAS), Lebuhraya Kemuning Shah Alam (LKSA), South Klang Valley Expressway (SKVE) and Expressway Lingkaran Tengah (ELITE). Moreover, the completion of West Coast Expressway (WCE), which connects Banting to Taiping, will further enhance the project's accessibility. The group has earmarked it to be launched in two years time while the project duration is 15-20 years.

Maintained OUTPERFORM with higher RNAV and TP. We have conservatively factored in the initial project GDV of RM8.6b into our RNAV assumptions for this project for now and may review our GDV assumptions upon the first launch. According to the group, the preliminary indicative development cost of the project is estimated to range between 50% and 60% of GDV. Thus, we are estimating a GP margin of c. 25% for this project and arriving at a new FD RNAV of RM3.58 (RM3.41 previously). Based on an unchanged 40% discount to our FD RNAV, our new TP is RM2.15 as compared to RM2.05 previously.

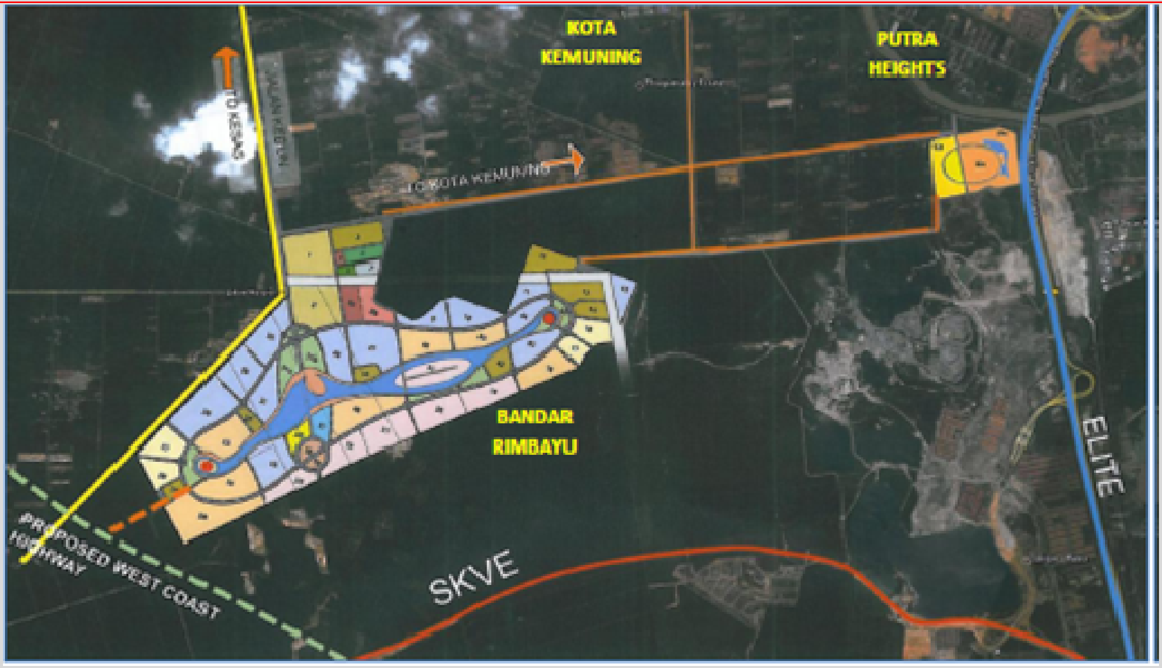
Payment Schedule

Schedule of payment	RM'm	Comments
Initial Payments (deposit, first and second advance payment)	50	To be settled on or before six months of the agreement date.
Cash Payment over 12 years	537	Subject to agreement being unconditional - Ref to table below.
Interest of 5% p.a. (daily compounded) until up to RM252.0m of Purchase Price is met.	252	Interest chargeable based on the 12-year scheduled payments. However, if Dijaya can expedite land payment this will result in interest savings, depending on speed of land payment.
5% of GDV	432	Entitlement over 18 payments on a yearly basis, providing that in any relevant year of payment, there are official sales launches and such launches have achieved confirmed 50% take up of units on SPA basis.
3% of PAT	26	Entitlement over 3 payments subject to confirmation of the final accounts of the project which shall commence on or before the expiry of the 12th land installment.
Purchase Consideration	**1,297**	
Minimum GDV (RM'm)	**8,600**	
Land Cost as % of GDV	**15%**	

Construction Period	Installments (RM'm)
Year 1	19
Year 2	30
Year 3	30
Year 4	30
Year 5	30
Year 6	50
Year 7	50
Year 8	50
Year 9	60
Year 10	60
Year 11	60
Year 12	68
Total	**537**

Source: Company

Location map



Source: Company

Income Statement

FY Dec (RM m)	2010A	2011A	2012E	2013E	2014E
Revenue	292.3	375.2	630.1	1274.1	1636.1
EBITDA	62.4	118.0	263.4	286.3	344.4
Depreciation	-14.6	-16.4	-17.3	-20.8	-20.8
EBIT	47.8	101.6	246.1	265.4	323.6
Interest Expense	-6.0	-11.4	-31.7	-26.7	-22.7
Investing	5.0	5.3	4.2	0.0	0.0
Associate/JCE	6.6	6.3	5.5	0.0	0.0
Exceptionals/FV	0.0	0.0	0.0	0.0	0.0
PBT	48.4	96.5	219.9	238.8	300.9
Taxation	-5.7	-14.6	-41.9	-59.7	-75.2
Minority Interest	-4.4	-7.6	-9.5	-12.8	-32.2
Net Profit	38.2	74.3	168.6	166.3	193.5
Core net profit	38.0	57.0	59.0	166.3	193.5

Balance Sheet

FY Dec (RM m)	2010A	2011A	2012E	2013E	2014E
Fixed Assets	840.9	1702.1	3423.5	3298.7	3277.9
Intangibles	3.3	4.8	16.6	16.6	16.6
Other FA	107.7	87.7	102.7	102.7	102.7
Inventories	33.2	19.8	20.3	41.1	63.9
Receivables	22.3	58.3	103.5	209.2	268.7
Other CA	292.3	544.7	638.0	1054.0	1262.7
Cash	240.6	120.1	213.7	208.2	128.8
Total Assets	1540.3	2537.6	4518.4	4930.6	5121.4
Payables	179.9	238.5	330.9	891.4	1165.6
ST Borrowings	2.6	145.7	223.9	134.2	2.6
Other ST Liability	29.3	6.6	8.5	13.1	14.4
LT Borrowings	207.8	845.6	1642.1	1437.9	1333.6
Other LT Liability	161.2	144.4	124.4	123.7	92.6
Minority Int.	60.8	118.0	127.6	140.4	172.6
Net Assets	**898.8**	**1038**	**2061**	**2190**	**2339**
Share Capital	455.0	458.1	793.1	793.1	793.1
Reserves	443.8	580.7	1268.0	1396.9	1546.8
Shareholders Equity	**898.8**	**1038**	**2061**	**2190**	**2339**

Cashflow Statement

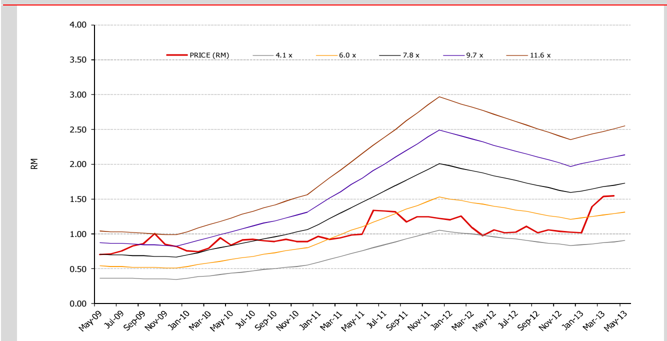
FY Dec (RM m)	2010A	2011A	2012E	2013E	2014E
Operating CF	-265.0	-18.3	838.4	397.9	298.7
Investing CF	-0.2	-821.4	-1887.8	42.0	-61.5
Financing CF	421.7	698.5	1139.8	-370.4	-316.6
Net Change in Cash	156.6	-141.2	90.4	69.5	-79.4
Free Cash Flow	-272.5	-737.6	-14.3	543.6	340.3

Financial Data & Ratios

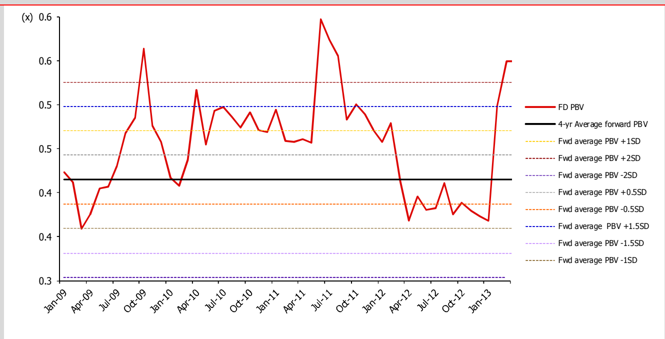
FY Dec (RM m)	2010A	2011A	2012E	2013E	2014E
Growth (%)					
Revenue	-6.3	28.4	67.9	102.2	28.4
EBITDA	-29.4	89.2	123.2	8.7	20.3
EBIT	-37.5	112.6	142.2	7.9	21.9
Pre-tax Income	-32.7	99.5	127.9	8.6	26.0
Net Income	n.a.	50.0	3.5	181.9	16.3
Profitability (%)					
EBITDA Margin	21.3	31.5	41.8	22.5	21.1
EBIT Margin	16.4	27.1	39.1	20.8	19.8
PBT Margin	16.6	25.7	34.9	18.7	18.4
Net Margin	13.0	15.2	9.4	13.1	11.8
Effective Tax Rate	-10.7	-14.7	-19.0	-25.0	-25.0
ROE	13.4	16.9	19.9	18.0	17.5
ROA	2.6	3.6	4.8	3.5	3.8
DuPont Analysis					
Net margin (%)	13.1	19.8	26.8	13.1	11.8
Assets Turnover (x)	0.2	0.2	0.2	0.3	0.3
Leverage Factor (x)	1.7	2.1	2.3	2.2	2.2
ROE (%)	4.4	7.7	10.9	7.8	8.5
Leverage					
Debt/Asset (x)	0.14	0.39	0.41	0.32	0.26
Debt/Equity (x)	0.23	0.95	0.91	0.72	0.57
Net Debt/(Cash)	(0.0)	0.9	1.7	1.4	1.2
Net Debt/Equity (x)	(0.10)	0.74	0.77	0.62	0.52
Valuations					
EPS (sen)	4.8	9.4	21.3	21.0	24.4
Dil. EPS	4.0	7.8	17.6	17.4	17.3
Core EPS (sen)	4.8	7.2	7.4	21.0	24.4
Dil. Core EPS	4.0	6.0	6.2	17.4	17.3
NDPS (sen)	2.2	1.3	4.8	6.3	7.3
NTA/share (RM)	1.13	1.30	2.58	2.74	2.93
Core PER	32.3	21.6	20.8	7.4	6.4
Dil. Core PER	39.0	26.0	25.1	8.9	8.9
Net Div. Yield (%)	1.4%	0.8%	3.1%	4.1%	4.7%
PNTA (x)	1.4	1.2	0.6	0.6	0.5
EV/EBITDA (x)	19.2	17.8	10.9	9.1	7.1

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Kenanga Research

NAME	Price (15/4/13) (RM)	Mkt Cap (RMm)	PER (x) FY11/12	PER (x) FY12/13	PER (x) FY13/14	Est. NDiv. Yld. (%)	Historical ROE (%)	P/ BV (x)	Net Profit (RMm) FY11/12	Net Profit (RMm) FY12/13	Net Profit (RMm) FY13/14	FY12/13 NP Growth (%)	FY13/14 NP Growth (%)	Target Price (RM)	Rating
DEVELOPERS UNDER COVERAGE															
UEM Land	2.78	12,038	26.8	22.5	20.7	0.9%	8.8%	2.1	448.4	534.0	580.8	19.1%	8.8%	3.25	OUTPERFORM
SP Setia	3.53	8,679	20.9	18.0	15.2	2.4%	10.5%	1.5	393.8	456.5	539.8	15.9%	18.3%	3.55	MARKET PERFORM
IJM Land	2.61	3,704	18.7	15.7	13.2	1.5%	9.1%	1.4	193.7	230.2	273.6	18.9%	18.9%	2.70	OUTPERFORM
Mah Sing Group	2.25	2,522	10.9	9.2	7.5	4.1%	16.9%	1.7	230.6	275.1	335.5	19.3%	22.0%	2.40	MARKET PERFORM
UOA Development*	2.19	2,783	9.2	8.5	6.6	5.4%	15.5%	1.2	301.3	327.0	422.1	8.5%	29.1%	2.30	OUTPERFORM
Dijaya Corporation	1.55	1328	6.1	7.6	6.4	3.9%	13.1%	0.6	203.2	160.9	193.5	-20.8%	20.3%	2.15	OUTPERFORM
Hua Yang Berhad	2.20	436	8.0	6.0	4.9	5.0%	22.3%	1.2	54.2	72.0	88.7	32.9%	23.1%	2.10	OUTPERFORM
Hunza Properties*	1.71	310	9.2	16.9	19.9	1.3%	20.3%	0.5	32.5	17.7	15.0	-45.6%	-15.3%	1.50	UNDERPERFORM
** Core NP and Core PER*															
*** FD Core PER, FD PBV, FD Core Net Profit . Note FY11 is only 9 months due to changes in year end.*															
CONSENSUS NUMBERS															
BERJAYA LAND BHD	0.80	3,956	52.6	159.0	79.5	1.3%	1.5%	0.8	75.1	24.9	49.8	-66.9%	100.0%	0.93	NEUTRAL
IGB CORPORATION BHD	2.35	3,304	19.0	15.3	15.1	2.7%	4.8%	0.8	174.1	216.5	219.3	24.4%	1.3%	2.63	BUY
SUNWAY BHD	2.90	3,748	7.0	10.3	9.4	2.2%	16.3%	1.1	532.4	363.2	398.1	-31.8%	9.6%	3.28	BUY
CRESCENDO	2.39	465	8.4	7.5	6.5	5.4%	9.5%	0.8	55.21	62.2	71.0	12.7%	14.1%	2.23	SELL
YNH PROPERTY BHD	1.85	779	15.4	9.3	6.5	4.3%	6.1%	0.9	50.8	84.3	120.1	66.0%	42.5%	1.82	SELL
YTL LAND & DEVELOPMENT BHD	0.91	750	37.4	60.3	47.6	N.A.	2.2%	0.8	20.1	12.4	15.8	-38.0%	26.7%	1.05	NEUTRAL
GLOMAC BHD	0.97	687	6.6	6.3	5.2	5.2%	13.1%	0.9	103.7	109.1	131.8	5.3%	20.8%	1.09	BUY
KSL HOLDINGS BHD	2.10	811	6.2	6.3	5.6	1.9%	13.0%	0.8	131.6	129.4	144.1	-1.6%	11.3%	1.99	NEUTRAL
PARAMOUNT CORP BHD	1.60	540	9.6	8.4	7.6	5.3%	8.2%	0.8	56.5	64.2	70.9	13.6%	10.5%	1.90	BUY

Source: Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	:	A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM	:	A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM	:	A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

OVERWEIGHT	:	A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	:	A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	:	A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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