

Dijaya Corporation

Recommendation: **HOLD**

Stock Code: 5401

Bloomberg: DJC MK

Price: MYR1.16

12-Month Target Price: MYR1.20

Date: August 28, 2009

Board: Main

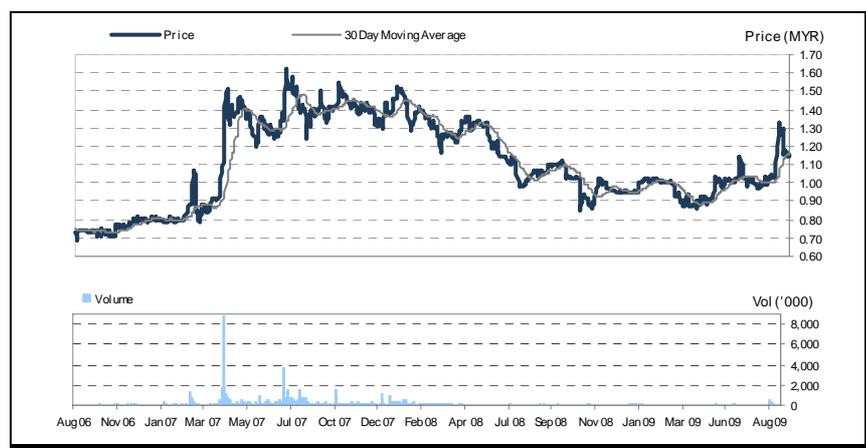
Sector: Property

GICS: Financials/Real Estate Development

Market Value - Total: MYR301.1 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 2Q09 results were in line with our expectations. 2Q09 net profit declined 54% QoQ to MYR4.4 mln from MYR9.6 mln in 1Q09. The poorer 2Q09 performance vs. 1Q09 is due to the absence of gains from the sale of land and quoted investments recognized in 1Q09. Dijaya's 2Q09 earnings came mainly from (i) 70%-owned Damansara Impian; (ii) 60%-owned TSB Sungei Buloh; and (iii) its inventory of properties from various projects.
- Although 2Q09 pre-tax profit fell 45.7% YoY to MYR7.1 mln from MYR13.2 mln in 2Q08, net profit declined by only 4.4%, due mainly to lower effective taxes and smaller minority interests.
- Due to low mortgage rates and a recovery in consumer confidence in 2Q09, Dijaya managed to increase its property sales to about MYR125 mln in 2Q09 vs. MYR90 mln in 1Q09.
- Going forward, Dijaya's earnings will be supported by unbilled sales of about MYR260 mln. In addition, it is planning to launch its high-end condominium project, Tropicana Grande, and shop-offices, Tropicana Avenue, in late 2009 or early 2010.
- With no major surprises, we leave our 2009 and 2010 net profit forecasts unchanged.

Key Stock Statistics

FY Dec.	2008	2009E
Reported EPS (sen)	12.7	7.4
PER (x)	9.2	15.6
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 - 1.33	
Major Shareholders:	%	
Tan Sri Danny Tan	63.4	
Permodalan Nasional Bhd	4.0	

* Stock deemed Shariah compliant by the Securities Commission

Recommendation & Investment Risks

- We downgrade our recommendation to Hold from Buy but maintain our 12-month target price at MYR1.20. With the recent share appreciation, the upside to our target price is now more limited. It is currently trading at a P/BV of 0.46x, which in our view is fair given that it is near to its six-year average P/BV valuation of 0.47x.
- Our 12-month target price of MYR1.20 is pegged to a 55% (unchanged) discount to Dijaya's 2Q09 NTA (roll over from 1Q09) 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.
- Dijaya has obtained the Securities Commission's approval for a 6-month extension till Sep. 27, 2009 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.
- Risks to our recommendation 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.

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)	7.4	6.2	9.2	15.6
P/Cash Flow (x)	6.5	5.5	7.7	11.7
P/Book Value (x)	0.5	0.5	0.5	0.5
Dividend Yield (%)	3.4	3.4	1.7	0.9
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	2Q09	2Q08	% Change
Reported Revenue	67.1	34.7	93.6
Reported Operating Profit	6.9	12.9	-46.5
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	NA	NA	NA
Reported Pre-tax Profit	7.1	13.2	-45.7
Reported Net Profit	4.4	4.7	-4.4
Reported Operating Margin (%)	10.2	37.1	-
Reported Pre-tax Margin (%)	10.6	37.9	-
Reported Net Margin (%)	6.6	13.4	-

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	Hold	1.20
25-May-09	Buy	1.20
26-Nov-08	Hold	1.00
2-Sep-08	Buy	1.40
9-Jun-08	Strong Buy	1.75

