

SkyWorld (SKYWLD MK)

Normalized performance

MALAYSIA | PROPERTY | RESULT

- SkyWorld's 6MFY24 result was in line with ours and consensus estimates
- 2QFY24 revenue and profit were lower following the completion of SkySierra Residences and absence of provisions reversal
- We adjust FY24–25E earnings on housekeeping adjustments but cut FY26E earnings by 9%. Lower our RNAV-derived target price to RM0.68 (from RM0.89) after incorporating wider discount. Reiterate BUY

In line with expectations

SkyWorld recorded core PATAMI of RM61.1m in 6MFY24 which was in line with ours and consensus estimates, representing 50% and 54% of both respective full-year estimates. 2QFY24 revenue declined 30% QoQ following the completion of SkySierra Residences in 1QFY24, resulting in reduced EBITDA (-48% QoQ). The decline was also as a result of the absence of provisions reversal for several projects including SkySierra Residences, Sky Awani IV and V. Moving forward, we expect EBITDA margins to range between 21–25% as most of the on-going projects are still in early stages.

Launched RM1bn GDV in FY24; sales to build up

The unbilled sales was lower at RM713.6m (-25% QoQ) as the bulk of on-going projects have achieved an overall take-up rate of 93% and new launches are progressively contributing to the sales buildup. SkyWorld launched 2 projects in FY24, namely Curvo Residences (GDV: RM573.5m) and Vesta Residences (GDV: RM546m). Curvo Residences, launched in 1QFY24, has achieved 19.3% take-up rate; while sales for Vesta Residences, launched in Oct23 are anticipated to commence in 4QFY24.

Maintain BUY

We adjust our FY24-25E earnings on housekeeping adjustments but cut FY26E earnings by 9% to factor in a slower sales momentum. We expect SkyWorld's earnings to decline in FY24 and FY25E before staging a rebound (+27%) in FY26E as most of the on-going projects reach the tail-end coupled with higher RM1.3bn project launches assumption in FY26E. We cut our RNAV-derived target price to RM0.68 (from RM0.89) after imputing a higher RNAV discount of 40% (from 25%) to reflect the weaker earnings growth momentum. Maintain BUY. Key risk to our call includes rising building material costs.

Key Financials

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
Revenue (RMm)	790.4	841.4	780.1	723.8	950.7
EBITDA (RMm)	166.9	217.9	192.9	167.2	207.3
Pretax profit (RMm)	150.0	204.8	168.5	141.1	179.1
Net profit (RMm)	106.0	144.0	122.6	102.6	130.2
EPS (sen)	10.6	14.4	12.3	10.3	13.0
PER (x)	5.5	4.1	4.8	5.7	4.5
Core net profit (RMm)	105.2	144.0	122.6	102.6	130.2
Core EPS (sen)	10.5	14.4	12.3	10.3	13.0
Core EPS growth (%)	40.0	36.8	(14.9)	(16.3)	27.0
Core PER (x)	5.6	4.1	4.8	5.7	4.5
Net DPS (sen)	0.0	3.0	3.0	3.0	3.5
Dividend Yield (%)	0.0	5.1	5.1	5.1	6.0
EV/EBITDA (x)	4.5	3.8	3.9	4.1	3.2
Chg in EPS (%)			0.4	1.2	(9.0)
Phillip/Consensus (%)			1.1	0.8	NA

Sources: Company, Phillip Research forecasts

23 November 2023

BUY (maintain)

LAST CLOSE PRICE	RM0.59
TARGET PRICE	RM0.68
TOTAL RETURN	16.2%

COMPANY DATA

BLOOMBERG TICKER	SKYWLD MK EQUITY
O/S SHARES (MN):	1,000
MARKET CAP (USD mn / RM mn):	125 / 585
52 - WK HI/LO (RM):	0.81 / 0.52
3M Average Daily T/O (mn):	2.76
NET CASH/(DEBT) (RMm)	(64.90)

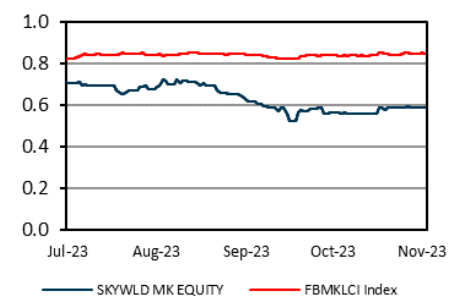
MAJOR SHAREHOLDERS (%)

NG THIEN PHING	42.2%
LAM SOO KEONG	10.3%
Lee Chee Seng	5.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	3.5	(10.8)	(26.2)
FBMKLCI RETURN	1.7	2.7	1.8

PRICE VS. FBMKLCI



Source: Bloomberg

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Results at a glance

Y/E Mar (RMm)	4QFY23	1QFY24	2QFY24	QoQ % chg	6MFY24	Comments
Revenue	226.0	210.8	148.3	(29.6)	359.2	Weaker revenue QoQ following the completion of SkySierra Residences
Op costs	(150.4)	(148.7)	(116.3)	(21.8)	(264.9)	
EBITDA	75.5	62.2	32.1	(48.4)	94.2	
<i>EBITDA margin (%)</i>	<i>33.4</i>	<i>29.5</i>	<i>21.6</i>	<i>(7.9 ppt)</i>	<i>26.2</i>	Lower margins QoQ due to the absence of provisions reversal
Depreciation	(0.7)	(0.7)	0.0	<i>n.m</i>	(0.7)	
EBIT	74.8	61.5	32.1	(47.8)	93.5	
<i>EBIT margin (%)</i>	<i>33.1</i>	<i>29.2</i>	<i>21.6</i>	<i>(7.5 ppt)</i>	<i>26.0</i>	
Int expense	(3.3)	(3.3)	(4.5)	34.9	(7.9)	
Int and other inc	1.1	1.1	0.0	<i>n.m</i>	1.1	
EI	(0.0)	(0.0)	0.0	<i>n.m</i>	(0.0)	
Pretax profit	72.6	59.2	27.5	(53.5)	86.7	
Core PBT	72.7	59.2	27.5	(53.5)	86.8	
Tax	(13.4)	(17.3)	(8.5)	(50.8)	(25.8)	
<i>Tax rate (%)</i>	<i>18.4</i>	<i>29.1</i>	<i>30.9</i>	<i>1.7 ppt</i>	<i>29.7</i>	Higher tax rate due to non-deductible expenses
MI	(1.1)	0.1	0.1	13.6	0.1	
Net profit	58.2	42.0	19.1	(54.5)	61.1	
EPS (sen)	5.8	4.2	1.9	(54.5)	6.1	
Core net profit	58.2	42.0	19.1	(54.6)	61.1	Within expectations

Sources: Company, Phillip Research

Table 1: RNAV valuation

Segments	RNAV Value (RMm)
Property developments @DCF (WACC 5.8%)	863
Investment properties and other assets	656
Net cash/(debt)	(169)
RNAV	1,349
No. of shares (m)	1,000
RNAV/share (RM)	1.35
Fully-diluted no. of shares (m)	1,188
Fully-diluted RNAV/share (RM)	1.14
Target price at 40% discount to RNAV	0.68

Source: Company, Phillip Research forecasts

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