

# SkyWorld (SKYWLD MK)

Sequentially stronger driven by new launches

MALAYSIA | PROPERTY | RESULT

- SkyWorld's 9MFY24 result was in line with ours and consensus estimates
- Revenue and EBITDA were higher due to the contribution of Vesta Residences coupled with lower administrative expenses
- We make no changes to our earnings forecast. Maintain BUY rating and RNAV-derived target price at RM0.68 based on 40% RNAV discount

27 February 2024

## BUY (maintain)

LAST CLOSE PRICE	RM0.58
TARGET PRICE	RM0.68
TOTAL RETURN	18.3%

### COMPANY DATA

BLOOMBERG TICKER	SKYWLD MK EQUITY
O/S SHARES (MN):	1,000
MARKET CAP (USD mn / RM mn):	120 / 575
52 - WK HI/LO (RM):	0.81 / 0.52
3M Average Daily T/O (mn):	1.70
NET CASH/(DEBT) (RMm)	(63.40)

### MAJOR SHAREHOLDERS (%)

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

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	2.7	3.2	(26.2)
FBMKLCI RETURN	3.6	6.8	6.5

## Within expectations; sequential stronger profit

SkyWorld recorded a core net profit of RM86m in 9MFY24, which was in line with ours and consensus expectations, representing 71% and 73% of both respective full-year estimates. 3QFY24 revenue improved to RM171m (+15% QoQ) attributable to higher progress billing from Vesta Residences, which was launched in Oct23. The EBITDA margins grew 3ppt QoQ to 23% due to lower administrative expenses. Looking ahead, we expect FY25-26E EBITDA margins to come in lower at 21-23% (FY22: 26%), due to higher affordable high-rise development launches in the pipeline, which command lower margins.

## New launches drove sales

SkyWorld's unbilled sales stood at RM725m (+2% QoQ), providing revenue visibility until FY26. The property sales buildup can be primarily attributed to its RM1.2bn new launches in FY24, notably Curvo Residences (RM573m GDV) and Vesta Residences (RM587m GDV). The uptake for Curvo Residences is currently at 28%, while Vesta Residences, launched in Oct23, has achieved a 15% take-up rate. A healthy net gearing ratio of 0.1x provides the group ample room to acquire additional landbanks, adding to its existing RM3.5bn GDV landbank.

## Maintain BUY

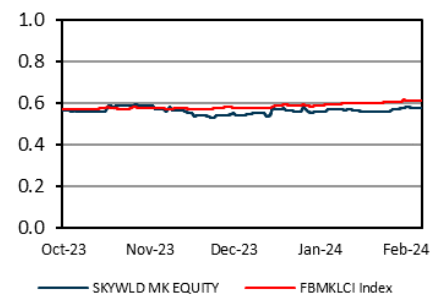
We make no changes to our earnings as we deem the results to align with expectations. We maintain our BUY rating and RNAV-derived target price of RM0.68, based on an RNAV discount of 40% (higher than our average 25% discount) due to the expected earnings decline in FY24-25E. We expect FY26 to resume its growth trajectory on higher new property launches and with ongoing projects reaching the tail-end. Key risks to our BUY call include lower-than-expected property sales, sluggish landbank replenishments, and higher building material prices.

### 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 (%)			-	-	-
Phillip/Consensus (%)			1.0	0.9	1.0

Sources: Company, Bloomberg, Phillip Research forecasts

### PRICE VS. FBMKLCI



Source: Bloomberg

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## Results at a glance

Y/E Mar (RMm)	1QFY24	2QFY24	3QFY24	QoQ % chg	9MFY22	Comments
Revenue	210.8	148.3	171.2	15.4	530.3	Higher revenue QoQ due to revenue contribution from newly launched Vesta Residences
Op costs	(148.7)	(118.3)	(131.8)	11.5	(398.8)	
<b>EBITDA</b>	<b>62.2</b>	<b>30.1</b>	<b>39.3</b>	<b>30.8</b>	<b>131.5</b>	
<i>EBITDA margin (%)</i>	<i>29.5</i>	<i>20.3</i>	<i>23.0</i>	<i>2.7 ppt</i>	<i>24.8</i>	Higher margins QoQ due to lower administrative expenses
Depreciation	(0.7)	(0.7)	(2.8)	284.0	(4.7)	
<b>EBIT</b>	<b>61.5</b>	<b>29.3</b>	<b>36.5</b>	<b>24.5</b>	<b>127.3</b>	
<i>EBIT margin (%)</i>	<i>29.2</i>	<i>19.8</i>	<i>21.3</i>	<i>1.6 ppt</i>	<i>24.0</i>	
Int expense	(3.3)	(4.5)	(4.0)	(11.0)	(11.9)	
Int and other inc	1.1	2.7	1.5	<i>n.m</i>	5.3	
EI	(0.0)	0.0	0.0	<i>n.m</i>	(0.1)	
<b>Pretax profit</b>	<b>59.2</b>	<b>27.5</b>	<b>34.0</b>	<b>23.3</b>	<b>120.7</b>	
<b>Core PBT</b>	<b>59.2</b>	<b>27.5</b>	<b>34.0</b>	<b>23.3</b>	<b>120.7</b>	
Tax	(17.3)	(8.5)	(8.9)	4.7	(34.7)	
<i>Tax rate (%)</i>	<i>29.1</i>	<i>30.9</i>	<i>26.2</i>	<i>(4.7 ppt)</i>	<i>28.7</i>	
MI	0.1	0.1	0.1	4.5	0.2	
<b>Net profit</b>	<b>42.0</b>	<b>19.1</b>	<b>25.1</b>	<b>31.5</b>	<b>86.2</b>	
EPS (sen)	4.2	1.9	2.5	31.5	8.6	
<b>Core net profit</b>	<b>42.0</b>	<b>19.1</b>	<b>25.1</b>	<b>31.6</b>	<b>86.3</b>	Within expectations

Sources: Company, Phillip Research

Table 1: Revalued net asset value (RNAV) valuation

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

Source: Company, Phillip Research forecasts

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