SkyWorld Development Berhad

Slightly ahead of expectations

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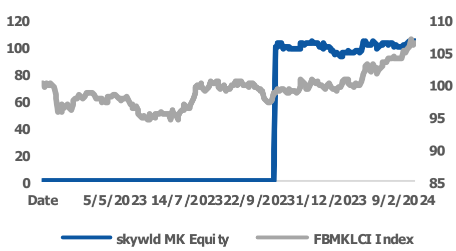
Recommendation:		**BUY**
Current Price:		**RM 0.58**
Previous Target Price:		**RM 1.07**
Target Price:	↓	**RM 0.94**
Upside/Downside:		**63.0%**

Stock information	
Board	MAIN
Sector	Property
Bursa / Bloomberg Code	5315 / SKYWLD MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆★★★
Bloomberg ESG Rating	N/A
Shares issued (m)	1,000.0
Market Cap (RM' m)	575.0
52-Week Price Range (RM)	0.81-0.515
Beta (x)	N/A
Free float (%)	42.3
3M Average Volume (m)	1.7
3M Average Value (RM' m)	1.0

Top 3 Shareholders	**(%)**
NG THIEN PHING	42.4
LAM SOO KEONG	10.3
Lee Chee Seng	5.0

Share Price Performance



	1M	**3M**	**12M**
Absolute (%)	0.9	0.9	N/A
Relative (%)	-1.8	-5.6	N/A

Summary

- **9MFY23 core net profit at RM86.0m came slightly ahead of our expectations, accounting to 76.2% of our core net profit forecast.**
- **Unbilled sales stood at RM725.2m (up from RM713.6m in 2QFY24) implies 0.9x of trailing-12-months revenue will sustain revenue visibility over the next 12 months.**
- **Re-iterate our BUY recommendation on SKYWLD with a lower target price of RM0.94, based discount rate of 25% to our RNAV.**

Results Review

- **Results review**. 3QFY24 core net profit climbed 31.6% qoq to RM25.1m, driven by higher progressive revenue recognised from ongoing projects and newly launched projects during the quarter. Revenue for the quarter rose 15.4% qoq to RM171.2m. There were no yoy comparative figures as the group was listed on the main market of Bursa Malaysia on 10 July 2023.

- **Results slightly ahead of expectations.** 9MFY23 core net profit at RM86.0m came slightly ahead of our expectations, accounting to 76.2% of our core net profit forecast at RM112.9m and was at 72.9% of consensus forecasted net profit of RM118.0m.

- **Operations Highlights**. In 3QFY24, SKYWLD's unbilled sales of RM725.2m, up from RM713.6m in 2QFY24, implies 0.9x of trailing-12-month revenue is sufficient to maintain revenue visibility for the next 12 months. In 9MFY24, the Group launched two new projects in Kuala Lumpur with a combined estimated gross development value exceeding RM1b.

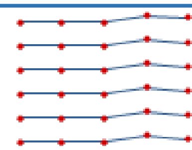
- **Industry Highlights**. We expect demand for housing, especially units priced below RM500,000, to remain stable over time, driven by several supportive measures announced in Budget 2024. The government's increased allocation for public housing projects and extension of the Housing Credit Guarantee Scheme are expected to stimulate demand, particularly among first-time homebuyers and those in B40 and M40 income groups bodes well for the property market.

- **Outlook**. Moving forward, earnings recognition will emanate from recently launched projects, including Vesta Residences, and ongoing projects such as SkySierra Residences (The Valley), SkyAwani IV Residences, SkyAwani V Residences, EdgeWood Residences, SkyVogue Residences, and Curvo Residences.

- **Valuation**. Tweaked our earnings higher by 14.9% and 12.1% to RM129.8m and RM147.4m for FY24F and FY25F respectively for the better-than-expected revenue recognition. Re-iterate our **BUY** recommendation on SKYWLD with a lower target price of RM0.94, based discount rate of 25% to our RNAV.

- **Risk**. Economic stagnation, coupled with limited land availability, potential construction cost increases, and regulatory changes, could hamper future development.

Figure 1: Results Comparison

FYE Mar (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	171.2	-	-	148.3	*15.4*	-	530.4	-		*Recognition from ongoing projects*
EBITDA	39.4	-	-	30.1	*31.2*	-	131.6	-		
Pre-tax profit	34.0	-	-	27.5	*23.3*	-	120.7	-		
Net profit	25.1	-	-	19.0	*31.6*	-	86.0	-		
Core net profit	25.1	-	-	19.1	*31.5*	-	86.2	-		
Core EPS (sen)	2.5	-	-	1.9	*31.5*	-	8.6	-		
EBITDA margin (%)	23.0	-		20.3		-	24.8			
PBT margin (%)	19.8	-		18.6		-	22.8			
Core PATMI margin (%)	14.7	-		12.9		-	16.3			

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Mar (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	**488.8**	**790.4**	**841.4**	**860.5**	**976.1**
Gross Profit	**151.7**	**249.6**	**298.3**	**308.9**	**350.4**
EBITDA	**94.2**	**168.6**	**220.7**	**207.4**	**235.2**
Depreciation & Amortisation	-1.4	-0.9	-1.3	-3.4	-4.7
EBIT	**92.8**	**167.7**	**219.4**	**204.0**	**230.6**
Net Finance Income/ (Cost)	-15.7	-14.6	-14.2	-8.9	-8.0
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	**74.3**	**150.0**	**204.8**	**194.4**	**220.7**
Tax	-11.0	-45.7	-54.1	-57.7	-65.5
Profit After Tax	**63.3**	**104.3**	**150.7**	**136.7**	**155.1**
Minority Interest	-3.8	1.7	-6.7	-6.9	-7.8
Net Profit	**59.5**	**106.0**	**144.0**	**129.8**	**147.4**
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	**59.5**	**106.0**	**144.0**	**129.8**	**147.4**

Key Ratios

FYE Mar (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	19.3%	21.3%	26.2%	24.1%	24.1%
EBIT margin	19.0%	21.2%	26.1%	23.7%	23.6%
PBT margin	15.2%	19.0%	24.3%	22.6%	22.6%
PAT margin	13.0%	13.2%	17.9%	15.9%	15.9%
NP margin	12.2%	13.4%	17.1%	15.1%	15.1%
Core NP margin	12.2%	13.4%	17.1%	15.1%	15.1%
ROE	16.5%	22.8%	23.4%	17.4%	16.5%
ROA	5.0%	7.8%	10.9%	8.1%	8.5%
Net gearing	64.0%	36.0%	39.9%	Net Cash	Net Cash

Key Assumptions

FYE Mar (RM m)	
Cost of equity	4.0%
Shareholders Equity (m)	892.88
RNAV (RM' m)	1249.60
RNAV/share (RM)	1.25

Valuations

RNAV/share (RM)	1.25
Discount Rate	25.0%
Fair Value (RM)	**0.94**

Source: Company, Apex Securities

Balance Sheet

FYE Mar (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	161.6	280.5	237.7	344.0	396.1
Receivables	78.7	74.2	39.8	40.7	46.2
Inventories	310.6	276.6	184.4	193.3	223.2
Other current assets	83.7	177.1	205.3	344.2	390.4
Total Current Assets	**634.6**	**808.4**	**667.3**	**922.3**	**1055.9**
Fixed Assets	1.1	1.1	1.2	3.5	3.5
Intangibles	0.0	2.8	2.5	2.5	2.5
Other non-current assets	541.1	531.3	603.1	603.1	603.1
Total Non-current assets	**558.1**	**556.2**	**650.4**	**670.7**	**685.5**
Short-term Debt	190.5	158.2	159.2	183.1	195.9
Payables	241.9	190.5	161.2	137.7	151.2
Other Current Liabilities	181.4	247.2	53.2	54.1	61.3
Total Current Liabilities	**628.5**	**608.8**	**377.1**	**378.4**	**412.4**
Long-term Debt	202.0	289.8	323.9	362.1	404.9
Other non-current liabilities	1.1	0.1	0.1	9.4	71.2
Total Non-current Liabiliti	**203.4**	**290.7**	**324.9**	**372.4**	**476.9**
Shareholder's equity	62.5	62.5	62.5	62.5	62.5
Minority interest	0.8	-0.8	5.9	5.9	5.9
Equity	**360.8**	**465.1**	**615.7**	**745.5**	**892.9**

Cash Flow

FYE Mar (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	**74.3**	**150.0**	**204.8**	**194.4**	**220.7**
Depreciation & amortisation	1.4	0.9	1.3	3.4	4.7
Changes in working capital	9.5	-19.2	-203.4	171.3	60.3
Others	-57.2	-72.2	-104.0	-104.0	-104.0
Operating cash flow	**46.1**	**84.2**	**-87.8**	**258.8**	**172.9**
Net capex	0.6	7.0	16.8	17.2	19.5
Others	8.7	-26.9	-39.0	-39.0	-39.0
Investing cash flow	**9.3**	**-19.9**	**-22.2**	**-21.8**	**-19.5**
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	-59.1	73.6	144.2	38.4	42.7
Financing cash flow	**-59.1**	**73.6**	**144.2**	**38.4**	**42.7**
Net cash flow	**-3.7**	**137.9**	**34.2**	**275.4**	**196.0**
Forex	-6.0	0.0	-176.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	55.3	51.6	189.4	223.4	344.0
Ending cash	**45.6**	**189.5**	**47.6**	**498.8**	**540.1**

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS
BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
*Capital gain + dividend yield

SECTOR RECOMMENDATIONS
OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

DISCLAIMER