

# SkyWorld (SKYWLD MK)

## Muted results on lacklustre project take-up

### MALAYSIA | PROPERTY | RESULT

- SkyWorld's FY24 results was below ours and consensus estimates
- FY25E earnings is expected to decline on muted demand for its on-going projects
- Maintain our target price at RM0.68 but downgrade the stock to HOLD (from BUY) on lack of earnings growth excitement

### Below expectations

SkyWorld recorded a full-year FY24 core net profit of RM113m (-22% YoY) on the back of lower revenue of RM689mn (-18% YoY) due to the completion of several projects in FY23. The weaker earnings were also impacted by higher effective tax rate (+7ppts) due to non-deductible expenses including allowance for doubtful debts and provision for ex-gratia. Overall, FY24 results were below our and consensus expectations, representing 92% and 89% of both respective full-year estimates. The deviation against our forecast was largely due to lacklustre demand for its Curvo Residences (RM573m GDV), which has achieved a 32% take-up rate since the project launched in 1QFY24.

### Better sequential earnings; FY25E unlikely to excite

Sequential 4QFY24 core net profit improved to RM27m (+6% QoQ) despite the lower revenue of RM158m (-8% QoQ) driven by expansion in EBITDA margins (+7ppts) led by development cost savings from the completed projects. We expect FY25E earnings to remain muted on lacklustre demand for its ongoing projects, including Curvo Residences (RM573mn GDV) and Vesta Residences (RM587mn GDV), with the take-up rate remaining low at 32% and 23%, respectively. Elsewhere, the current unbilled sales continue to decline QoQ at RM548m (-24%).

### Downgrade to HOLD with unchanged TP at RM0.68

We keep our earnings forecast unchanged and introduce our FY27E earnings (+7%). We maintain our RNAV-derived target price at RM0.68, but downgrade the stock to HOLD rating (from BUY) on the lack of excitement. FY25 earnings are expected to decline for the second consecutive year by another 9% due to muted demand for its ongoing projects. Upside catalyst would come from landbank replenishments in key areas such as Klang Valley, Penang, and Johor to bolster its RM3.5bn remaining GDV. Key risks to our HOLD call include faster-than-expected geographical expansion to Vietnam, lower-than-expected property sales, sluggish landbank replenishments, and higher building material prices.

### Key Financials

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
Revenue (RMm)	841.4	688.6	723.8	950.7	1,003.2
EBITDA (RMm)	218.8	179.1	165.9	206.1	222.3
Pretax profit (RMm)	204.8	160.1	141.1	179.1	192.3
Net profit (RMm)	144.0	107.0	102.6	130.2	139.8
EPS (sen)	14.4	10.7	10.3	13.0	14.0
PER (x)	4.3	5.8	6.0	4.8	4.4
Core net profit (RMm)	144.7	113.0	102.6	130.2	139.8
Core EPS (sen)	14.5	11.3	10.3	13.0	14.0
Core EPS growth (%)	30.7	(21.9)	(9.2)	27.0	7.4
Core PER (x)	4.3	5.5	6.0	4.8	4.4
Net DPS (sen)	3.0	2.3	3.0	3.5	3.5
Dividend Yield (%)	4.8	3.6	4.8	5.6	5.6
EV/EBITDA (x)	4.0	3.4	3.1	2.4	1.9
Chg in EPS (%)			-	-	New
Phillip/Consensus (%)			0.8	1.0	-

Sources: Company, Bloomberg, Phillip Research forecasts

23 May 2024

### HOLD (downgrade)

LAST CLOSE PRICE	RM0.70
TARGET PRICE	RM0.68
TOTAL RETURN	-2.9%

### COMPANY DATA

BLOOMBERG TICKER	SKYWLD MK EQUITY
O/S SHARES (MN) :	1,000
MARKET CAP (USD mn / RM mn) :	149 / 700
52 - WK HI/LO (RM) :	0.81 / 0.52
3M Average Daily T/O (mn) :	2.39
NET CASH/(DEBT) (RMm)	(63.40)

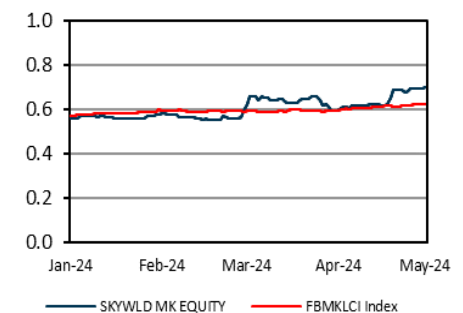
### MAJOR SHAREHOLDERS (%)

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

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	16.9	20.0	(26.2)
FBMVKCI RETURN	5.2	6.6	14.0

### PRICE VS. FBMVKCI



Source: Bloomberg

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Results at a glance

Y/E Mar (RMm)	4QFY23	3QFY24	4QFY24	QoQ % chg	YoY % chg	FY23	FY24	YoY % chg	Comments
Revenue	226.0	171.2	158.3	(7.5)	(29.9)	841.4	688.6	(18.2)	Lower revenue QoQ/YoY due to completion of SkyAwani V Residences
Op costs	(150.7)	(131.8)	(110.2)	(16.4)	(26.9)	(622.6)	(509.5)	(18.2)	
<b>EBITDA</b>	<b>75.3</b>	<b>39.3</b>	<b>48.1</b>	<b>22.4</b>	<b>(36.1)</b>	<b>218.8</b>	<b>179.1</b>	<b>(18.1)</b>	
<i>EBITDA margin (%)</i>	<i>33.3</i>	<i>23.0</i>	<i>30.4</i>	<i>7.4 ppt</i>	<i>(2.9 ppt)</i>	<i>26.0</i>	<i>26.0</i>	<i>0.0 ppt</i>	Higher margins QoQ due to cost savings from budgeted development
Depreciation	(0.7)	(2.8)	(0.7)	(74.8)	5.4	(2.1)	(4.4)	108.7	
<b>EBIT</b>	<b>74.6</b>	<b>36.5</b>	<b>47.4</b>	<b>29.9</b>	<b>(36.5)</b>	<b>216.7</b>	<b>174.7</b>	<b>(19.4)</b>	
<i>EBIT margin (%)</i>	<i>33.0</i>	<i>21.3</i>	<i>30.0</i>	<i>8.6 ppt</i>	<i>(3.1 ppt)</i>	<i>25.8</i>	<i>25.4</i>	<i>(0.4 ppt)</i>	
Int expense	(3.3)	(4.0)	(4.3)	6.4	29.6	(14.8)	(16.2)	9.5	
Int and other inc	1.1	1.5	2.3	n.m	n.m	3.5	7.6	114.2	
El	0.2	(0.0)	(6.0)	n.m	n.m	(0.7)	(6.0)	n.m	RM1.6m allowance impairment, RM0.1m impairment losses, and RM4.4m provision for ex-gratia
<b>Pretax profit</b>	<b>72.6</b>	<b>34.0</b>	<b>39.4</b>	<b>16.2</b>	<b>(45.7)</b>	<b>204.8</b>	<b>160.1</b>	<b>(21.8)</b>	
Tax	(13.4)	(8.9)	(18.8)	111.0	40.5	(54.1)	(53.4)	(1.2)	
<i>Tax rate (%)</i>	<i>18.4</i>	<i>26.2</i>	<i>47.6</i>	<i>21.4 ppt</i>	<i>29.2 ppt</i>	<i>26.4</i>	<i>33.4</i>	<i>7.0 ppt</i>	Higher tax rate due to non-deductible expenses ie: allowance for doubtful debts and provision for ex-gratia
MI	(1.1)	0.1	0.1	10.0	(107.3)	(6.7)	0.3	(104.1)	
<b>Net profit</b>	<b>58.2</b>	<b>25.1</b>	<b>20.7</b>	<b>(17.4)</b>	<b>(64.4)</b>	<b>144.0</b>	<b>107.0</b>	<b>(25.7)</b>	
EPS (sen)	5.8	2.5	2.1	(17.4)	(64.4)	14.4	10.7	(25.7)	
<b>Core net profit</b>	<b>58.0</b>	<b>25.1</b>	<b>26.7</b>	<b>6.2</b>	<b>(54.0)</b>	<b>144.7</b>	<b>113.0</b>	<b>(21.9)</b>	Below 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: Phillip Research forecasts

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