

# SkyWorld (SKYWLD MK)

Weak start to the year

MALAYSIA | PROPERTY | RESULT

- SkyWorld's 1QFY25 results came in below ours and consensus estimates
- We cut our FY25-27E earnings forecast by 2-28% to reflect the slower-than-expected sales momentum
- Maintain HOLD rating but lower our target price to RM0.56 after rolling forward our valuation horizon

## Below expectations

SkyWorld reported its weakest quarter in 1QFY25 with core net profit at RM10m (-76% YoY). Revenue came in weaker at RM99m (-53% YoY) while EBITDA margin narrowed 12ppt YoY to 18%, given the absence of project finalisation savings from the completion of The Valley, Sky Awani IV, and V last year. Overall, 1QFY25 results were below our and consensus expectations, representing 10% and 9% of both respective full-year estimates. The deviation against our forecast was largely due to softer sales demand for its Curvo Residences project, which has only achieved 41% take-up rate since the project launched in 1QFY24.

## Weaker sequential earnings; RM1bn launches in 2HFY25

Sequentially, 1QFY25 core net profit declined 63% QoQ attributed to a decline in revenue to RM99m (-38% QoQ) as SkyVogue and Edgewood enter into the tail-end phase, leading to slower progress billings ahead of scheduled completion in 2HFY25. We expect 2QFY25 earnings to see a sequential improvement, driven by higher progress billing from Curvo Residences and Vesta Residences. SkyWorld plans to launch 2 developments in Cheras and Setapak with a combined GDV of RM1bn by 2HFY25, which are expected to increase the current unbilled sales at RM556m (+1% QoQ).

## Maintain HOLD with a lower TP at RM0.56

We cut our earnings forecasts by 2-28% across FY25-27E to reflect Curvo Residences' slower-than-expected sales. In tandem with the earnings revision, we revise down our RNAV-derived target price to RM0.56 as we roll forward our valuation horizon to FY26E. Upside catalyst would come from landbank replenishments in prospective areas such as Klang Valley and Penang to bolster its RM4.6bn 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	688.0	555.6	772.4	900.3
EBITDA (RMm)	218.8	177.8	120.5	176.8	207.0
Pretax profit (RMm)	204.8	159.9	101.6	156.2	185.5
Net profit (RMm)	144.0	106.8	73.6	115.6	137.6
EPS (sen)	14.4	10.7	7.4	11.6	13.8
PER (x)	4.3	5.0	7.3	4.6	3.9
Core net profit (RMm)	144.7	111.8	73.6	115.6	137.6
Core EPS (sen)	14.5	11.2	7.4	11.6	13.8
Core EPS growth (%)	30.7	(22.8)	(34.1)	57.0	19.0
Core PER (x)	4.3	4.8	7.3	4.6	3.9
Net DPS (sen)	3.0	2.3	3.0	3.5	3.5
Dividend Yield (%)	4.8	4.2	5.6	6.5	6.5
EV/EBITDA (x)	4.0	3.0	4.0	2.6	2.0
Chg in EPS (%)			-28.2	-11.2	-1.7
Phillip/Consensus (%)			0.6	0.9	1.0

Sources: Company, Bloomberg, Phillip Research forecasts

26 August 2024

## HOLD (maintain)

LAST CLOSE PRICE	RM0.54
TARGET PRICE	RM0.56
TOTAL RETURN	3.7%
(Previous TP)	RM0.68

### COMPANY DATA

BLOOMBERG TICKER	SKYWLD MK EQUITY
O/S SHARES (MN):	1,000
MARKET CAP (USD mn / RM mn):	123 / 540
52 - WK HI/LO (RM):	0.74 / 0.52
3M Average Daily T/O (mn):	1.49
NET CASH/(DEBT) (RMm)	17.40

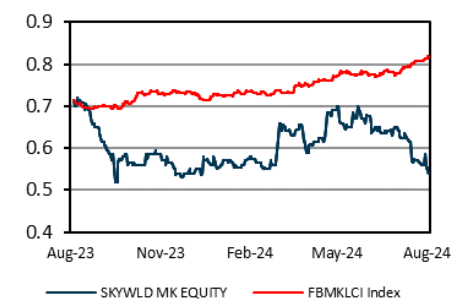
### MAJOR SHAREHOLDERS (%)

Phing Ng Thien	42.4%
Lam Soo Keong	10.3%
Lee Chee Seng	5.0%

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(14.8)	(20.9)	(26.2)
FBMKLCI RETURN	1.2	1.5	15.3

### PRICE VS. FBMKLCI



### Kei Jun THONG

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**Results at a glance**

Y/E Mar (RMm)	1QFY24	4QFY24	1QFY25	QoQ % chg	YoY % chg	Comments
Revenue	210.8	158.3	98.8	(37.6)	(53.1)	Lower revenue QoQ/YoY due to slower progress billings from tail-end projects
Op costs	(148.7)	(110.2)	(81.0)	(26.5)	(45.5)	
<b>EBITDA</b>	<b>62.2</b>	<b>48.1</b>	<b>17.8</b>	<b>(63.0)</b>	<b>(71.4)</b>	
<i>EBITDA margin (%)</i>	<i>29.5</i>	<i>30.4</i>	<i>18.0</i>	<i>(12.4 ppt)</i>	<i>(11.5 ppt)</i>	Lower margins QoQ/YoY due to absence of project finalisation cost savings
Depn and amort	(0.7)	(0.7)	(1.5)	110.5	112.0	Higher depreciation due to completion of SkyBlox
<b>EBIT</b>	<b>61.5</b>	<b>47.4</b>	<b>16.3</b>	<b>(65.6)</b>	<b>(73.5)</b>	
<i>EBIT margin (%)</i>	<i>29.2</i>	<i>30.0</i>	<i>16.5</i>	<i>(13.4 ppt)</i>	<i>(12.6 ppt)</i>	
Int expense	(3.3)	(4.3)	(4.0)	(6.0)	20.1	
Int and other inc	1.1	2.3	1.8	(21.4)	57.2	
El	(0.0)	(6.0)	0.0	n.m	n.m	
<b>Pretax profit</b>	<b>59.2</b>	<b>39.4</b>	<b>14.1</b>	<b>(64.3)</b>	<b>(76.2)</b>	
<b>Core PBT</b>	<b>59.2</b>	<b>45.4</b>	<b>14.1</b>	<b>(69.0)</b>	<b>(76.3)</b>	
Tax	(17.3)	(18.8)	(4.1)	(78.1)	(76.1)	
<i>Tax rate (%)</i>	<i>29.1</i>	<i>47.6</i>	<i>29.3</i>	<i>(18.3 ppt)</i>	<i>0.1 ppt</i>	Normalised tax rate
MI	0.1	0.1	0.0	(42.9)	(25.4)	
<b>Net profit</b>	<b>42.0</b>	<b>20.7</b>	<b>10.0</b>	<b>(51.8)</b>	<b>(76.2)</b>	
EPS (sen)	4.2	2.1	1.0	(51.8)	(76.2)	
<b>Core net profit</b>	<b>42.0</b>	<b>26.7</b>	<b>10.0</b>	<b>(62.6)</b>	<b>(76.2)</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%)	721
Investment properties and other assets	322
Net cash/(debt)	70
<b>RNAV</b>	<b>1,113</b>
Fully-diluted no. of shares (m)	1,188
<b>Fully-diluted RNAV/share (RM)</b>	<b>0.94</b>
<b>Target price at 40% discount to RNAV</b>	<b>0.56</b>

Source: Phillip Research forecasts

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