

# SkyWorld (SKYWLD MK)

## Acquiring development rights for a PR1MA project

MALAYSIA | PROPERTY | UPDATE

- SkyWorld to co-develop a PR1MA project at Brickfields with RM192m GDV
- The development is expected to replenish land bank by RM192m, supporting sales and earnings from FY27E onwards
- We tweaked our FY26–27E EPS by 0-2% to factor in the earnings contribution from this development. Maintain HOLD with unchanged target price at RM0.56

### Acquires PR1MA development rights for RM32m

SkyWorld's wholly owned subsidiary, Aspirasi Cekap (ACSB), has entered into a joint development agreement (JDA) with PR1MA Corporation Malaysia to undertake the proposed development and construction of affordable homes with all the amenities and infrastructure on two acres of leasehold land located at Brickfields, Kuala Lumpur. The proposed development for this project is expected to cost RM32m, with RM28m for the land cost and RM4m for the landowner's guaranteed profit, which is payable 36-48 months after the JDA execution. The SkyAwani Prima development is projected to have a GDV of RM192m, with launch expected in FY27E, subject to required approvals.

### Strategically located affordable housing with a potential GDV of RM192m

The purchase consideration of RM32m for the development rights translates to a land-to-GDV cost of 16.8%, similar to the historical average of 14-16% for its affordable housing segment. We are positive overall about this acquisition as it will replenish SkyWorld's remaining land bank by 6% to RM3.7bn. The project is strategically located in Brickfields, Kuala Lumpur, which is within close proximity to KL Sentral, offering strong connectivity to several key business districts, educational institutions, and medical facilities. Post-acquisition, we expect minimal impact on its FY25E gearing as the majority of the payments are scheduled in tranches after 18-48 months.

### Maintain HOLD

We adjust our FY27E earnings forecasts by 2% to factor in the earnings contribution from this project but trim FY26E earnings by 1% on higher interest expense. Maintain our HOLD rating and RNAV-derived target price at RM0.56. 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	919.3
EBITDA (RMm)	218.8	177.8	120.5	176.8	210.9
Pretax profit (RMm)	204.8	159.9	101.6	156.0	188.8
Net profit (RMm)	144.0	106.8	73.6	115.4	140.0
EPS (sen)	14.4	10.7	7.4	11.5	14.0
PER (x)	3.8	5.1	7.3	4.7	3.9
Core net profit (RMm)	144.7	111.8	73.6	115.4	140.0
Core EPS (sen)	14.5	11.2	7.4	11.5	14.0
Core EPS growth (%)	30.7	(22.8)	(34.1)	56.7	21.3
Core PER (x)	3.7	4.8	7.3	4.7	3.9
Net DPS (sen)	3.0	2.3	3.0	3.5	3.5
Dividend Yield (%)	5.6	4.2	5.6	6.5	6.5
EV/EBITDA (x)	3.6	3.0	4.0	2.8	2.1
Chg in EPS (%)			-	-0.2	+1.8
Phillip/Consensus (%)			0.6	0.9	1.0

Sources: Company, Bloomberg, Phillip Research forecasts

10 October 2024

### HOLD (maintain)

LAST CLOSE PRICE	RM0.54
TARGET PRICE	RM0.56
TOTAL RETURN	3.7%

#### COMPANY DATA

BLOOMBERG TICKER	SKYWLD MK EQUITY
O/S SHARES (MN) :	1,000
MARKET CAP (USD mn / RM mn) :	126 / 540
52 - WK HI/LO (RM) :	0.73 / 0.48
3M Average Daily T/O (mn) :	1.20
NET CASH/(DEBT) (RMm)	17.40

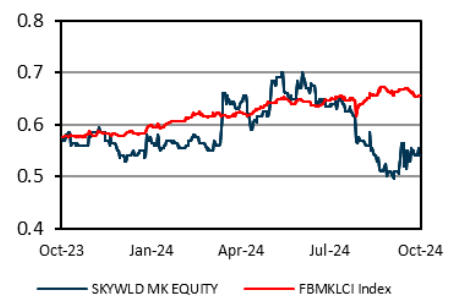
#### MAJOR SHAREHOLDERS (%)

Phing Ng Thien	42.6%
Lam Soo Keong	10.3%
Lee Chee Seng	5.0%

#### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	5.9	(15.0)	(26.2)
FBMKLCI RETURN	0.4	3.2	16.8

#### PRICE VS. FBMKLCI



Source: Bloomberg

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**Table 1: Revalued net asset value (RNAV) valuation**

Segments	RNAV Value (RMm)
Property developments @DCF (WACC 5.8%)	739
Investment properties and other assets	319
Net cash/(debt)	53
<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

# FINANCIALS

## Income Statement

Y/E Mar (RMm)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>841.4</b>	<b>688.0</b>	<b>555.6</b>	<b>772.4</b>	<b>919.3</b>
Operating expenses	(622.6)	(510.3)	(435.1)	(595.6)	(708.4)
<b>EBITDA</b>	<b>218.8</b>	<b>177.8</b>	<b>120.5</b>	<b>176.8</b>	<b>210.9</b>
Depreciation	(2.1)	(4.4)	(6.1)	(7.7)	(9.3)
<b>EBIT</b>	<b>216.7</b>	<b>173.4</b>	<b>114.5</b>	<b>169.1</b>	<b>201.5</b>
Net int income/(expense)	(11.2)	(8.4)	(12.9)	(13.1)	(12.7)
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Forex gain/(loss)	0.0	0.0	0.0	0.0	0.0
Exceptional gain/(loss)	(0.7)	(5.0)	0.0	0.0	0.0
<b>Pretax profit</b>	<b>204.8</b>	<b>159.9</b>	<b>101.6</b>	<b>156.0</b>	<b>188.8</b>
Tax	(54.1)	(53.4)	(26.4)	(39.0)	(47.2)
Minority interest	(6.7)	0.3	(1.6)	(1.6)	(1.6)
<b>Net profit</b>	<b>144.0</b>	<b>106.8</b>	<b>73.6</b>	<b>115.4</b>	<b>140.0</b>
<b>Core net profit</b>	<b>144.7</b>	<b>111.8</b>	<b>73.6</b>	<b>115.4</b>	<b>140.0</b>

## Balance Sheet

Y/E Mar (RMm)	FY23	FY24	FY25E	FY26E	FY27E
Fixed assets	23.8	31.6	73.5	90.8	106.5
Other long term assets	626.6	609.7	655.9	668.5	665.9
<b>Total non-current assets</b>	<b>650.4</b>	<b>641.2</b>	<b>729.4</b>	<b>759.3</b>	<b>772.4</b>
Cash and equivalents	237.7	499.9	612.1	581.7	635.5
Stocks	184.4	190.6	160.4	221.3	263.4
Debtors	220.2	197.7	97.3	135.2	163.5
Other current assets	24.9	29.2	29.2	29.2	29.2
<b>Total current assets</b>	<b>667.3</b>	<b>917.4</b>	<b>899.0</b>	<b>967.5</b>	<b>1,091.5</b>
Creditors	161.2	164.2	122.3	168.8	200.9
Short term borrowings	159.2	213.4	213.4	170.7	170.7
Other current liabilities	56.8	50.9	50.9	50.9	50.9
<b>Total current liabilities</b>	<b>377.1</b>	<b>428.5</b>	<b>386.6</b>	<b>390.4</b>	<b>422.5</b>
Long term borrowings	201.9	289.8	323.9	276.1	344.1
Other long term liabilities	123.0	(2.5)	31.4	93.3	25.3
<b>Total long term liabilities</b>	<b>324.9</b>	<b>287.3</b>	<b>355.3</b>	<b>369.4</b>	<b>369.4</b>
<b>Minority interests</b>	<b>5.9</b>	<b>(3.3)</b>	<b>(3.3)</b>	<b>(3.3)</b>	<b>(3.3)</b>
<b>Shareholders' Funds</b>	<b>609.8</b>	<b>846.1</b>	<b>889.7</b>	<b>970.1</b>	<b>1,075.2</b>

## Cash Flow Statement

Y/E Mar (RMm)	FY23	FY24	FY25E	FY26E	FY27E
PAT	144.0	106.8	73.6	115.4	140.0
Depreciation & Amortisation	2.1	4.4	6.1	7.7	9.3
Working capital changes	(84.6)	7.2	88.8	(52.4)	(38.2)
Others	(149.3)	34.6	1.6	1.6	2.6
<b>Cashflow from operation</b>	<b>(87.8)</b>	<b>153.0</b>	<b>170.0</b>	<b>72.3</b>	<b>113.7</b>
Capex	(26.1)	(26.1)	(25.0)	(25.0)	(25.0)
Disposal/(purchases)	0.0	0.0	0.0	0.0	0.0
Others	3.9	(53.8)	(70.8)	(14.1)	0.0
<b>Cash flow from investing</b>	<b>(22.2)</b>	<b>(79.9)</b>	<b>(95.8)</b>	<b>(39.1)</b>	<b>(25.0)</b>
Debt raised/(repaid)	35.1	6.4	68.0	(28.6)	0.0
Net interest income/(exp)	(11.2)	(8.4)	(10.5)	(8.9)	(9.0)
Dividends paid	0.0	(22.5)	(30.0)	(35.0)	(35.0)
Others	120.3	129.4	10.5	8.9	9.0
<b>Cash flow from financing</b>	<b>144.2</b>	<b>104.9</b>	<b>38.0</b>	<b>(63.6)</b>	<b>(35.0)</b>
<b>Free Cash Flow</b>	<b>(113.9)</b>	<b>127.0</b>	<b>145.0</b>	<b>47.3</b>	<b>88.7</b>

Source: Company, Phillip Research forecasts

## Key Financial Ratios and Margins

Y/E Mar (RMm)	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth</b>					
Revenue (%)	6.4	(18.2)	(19.2)	39.0	19.0
EBITDA (%)	27.0	(18.8)	(32.2)	46.7	19.3
Core net profit (%)	30.7	(22.8)	(34.1)	56.7	21.3
<b>Profitability</b>					
EBITDA margin (%)	26.0	25.8	21.7	22.9	22.9
PBT margin (%)	24.3	23.2	18.3	20.2	20.5
Core net profit margin (%)	17.2	16.2	13.3	14.9	15.2
Effective tax rate (%)	26.4	33.4	26.0	25.0	25.0
ROA (%)	10.7	7.4	4.6	6.9	7.8
Core ROE (%)	26.9	15.4	8.5	12.4	13.7
ROCE (%)	22.1	14.4	8.3	11.6	12.9
Dividend payout ratio (%)	20.8	21.1	40.7	30.3	25.0
<b>Liquidity</b>					
Current ratio (x)	1.8	2.1	2.3	2.5	2.6
Op. cash flow (RMm)	(87.8)	153.0	170.0	72.3	113.7
Free cashflow (RMm)	(113.9)	127.0	145.0	47.3	88.7
FCF/share (sen)	(11.4)	12.7	14.5	4.7	8.9
<b>Asset management</b>					
Debtors turnover (days)	63.9	63.9	63.9	63.9	64.9
Stock turnover (days)	154.9	154.9	154.9	154.9	154.9
Creditors turnover (days)	118.2	118.2	118.2	118.2	118.2
<b>Capital structure</b>					
Net gearing (%)	40%	-1%	-6%	-5%	-10%
Interest cover (x)	14.8	11.0	5.8	8.1	10.0

## Quarterly Profit & Loss

Y/E Mar (RMm)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
<b>Revenue</b>	<b>210.8</b>	<b>148.3</b>	<b>171.2</b>	<b>158.3</b>	<b>98.8</b>
Operating expenses	(148.7)	(118.3)	(131.8)	(110.2)	(81.0)
<b>EBITDA</b>	<b>62.2</b>	<b>30.1</b>	<b>39.3</b>	<b>48.1</b>	<b>17.8</b>
Depreciation	(0.7)	(0.7)	(2.8)	(0.7)	(1.5)
<b>EBIT</b>	<b>61.5</b>	<b>29.3</b>	<b>36.5</b>	<b>47.4</b>	<b>16.3</b>
Net int income/(expense)	(2.2)	(1.8)	(2.6)	(2.0)	(2.2)
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Forex gain/(loss)	0.0	0.0	0.0	0.0	0.0
Exceptional items	(0.0)	0.0	(0.0)	(6.0)	0.0
<b>Pretax profit</b>	<b>59.2</b>	<b>27.5</b>	<b>34.0</b>	<b>39.4</b>	<b>14.1</b>
Tax	(17.3)	(8.5)	(8.9)	(18.8)	(4.1)
Minority interest	0.1	0.1	0.1	0.1	0.0
<b>Net profit</b>	<b>42.0</b>	<b>19.1</b>	<b>25.1</b>	<b>20.7</b>	<b>10.0</b>
<b>Core net profit</b>	<b>42.0</b>	<b>19.1</b>	<b>25.1</b>	<b>26.7</b>	<b>10.0</b>
<b>Margins (%)</b>					
EBITDA	29.5	20.3	23.0	30.4	18.0
PBT	28.1	18.6	19.8	24.9	14.2
<b>Core net profit</b>	<b>19.9</b>	<b>12.9</b>	<b>14.7</b>	<b>16.9</b>	<b>10.1</b>

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