

SkyWorld (SKYWLD MK)

Sequential stronger earnings ahead

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- SkyWorld's 6MFY25 results came in below ours and consensus estimates
- We cut our FY25-27E earnings forecast by 7-30% to reflect lower project margins and higher effective tax rate
- Maintain HOLD rating and RNAV-derived target price at RM0.56

Miss expectations

SkyWorld recorded 6MFY25 revenue and core net profit decline of 38% and 66% YoY, respectively, due to a lower number of ongoing projects after the completion of The Valley, Sky Awani IV, and V. EBITDA margin contracted 9ppts YoY to 17%, due to the absence of project finalisation savings and higher-than-expected adjusted budget cost relating to a project in 2QFY25. Overall, 1HFY25 results missed ours and consensus expectations, representing 28% and 26% of both full-year estimates. The deviation against our forecast was mainly attributable to weaker-than-expected project margins and higher-than-expected tax rates.

Sequentially stronger 2HFY25 supported by RM800m launches

Sequentially, 2QFY25 core net profit rose 5% QoQ, driven by stronger revenue of RM124m (+26% QoQ), supported by improved progress milestones for Curvo Residences (46%) and Vesta Residences (13%). However, EBITDA margin declined 2ppts to 16% due to higher adjusted budget costs incurred during the quarter. As a result, earnings growth lagged behind revenue, with core net profit at RM10.5m. We expect 2HFY25 to deliver stronger sequential earnings, driven by increased progress billings from Curvo Residences and Vesta Residences, coupled with the launch of 2 new developments located in Brickfield and Setapak, with a combined GDV of RM800m which could add to the current unbilled sales of RM592m (+7% QoQ).

Maintain HOLD with unchanged TP at RM0.56

We cut our earnings forecasts by 7–30% to account for the lower project margins and higher effective tax rates. We maintain our HOLD rating and RNAV-derived target price of RM0.56. Potential landbank replenishments to bolster its RM4.6bn remaining GDV would be an upside catalyst. Key risks to our HOLD call include faster-than-expected expansion into Vietnam, lower-than-expected property sales, sluggish landbank replenishments, and rising raw material prices.

Key Financials

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
Revenue (RMm)	841.4	688.0	509.8	738.1	932.9
EBITDA (RMm)	218.8	177.8	86.7	145.9	188.0
Pretax profit (RMm)	204.8	159.9	72.3	134.6	175.7
Net profit (RMm)	144.0	106.8	51.6	98.6	130.3
EPS (sen)	14.4	10.7	5.2	9.9	13.0
PER (x)	3.9	5.2	10.8	5.7	4.3
Core net profit (RMm)	144.7	111.8	51.6	98.6	130.3
Core EPS (sen)	14.5	11.2	5.2	9.9	13.0
Core EPS growth (%)	30.7	(22.8)	(53.8)	90.9	32.2
Core PER (x)	3.9	5.0	10.8	5.7	4.3
Net DPS (sen)	3.0	2.3	3.0	3.5	3.5
Dividend Yield (%)	5.4	4.0	5.4	6.3	6.3
EV/EBITDA (x)	3.7	3.1	5.8	3.5	2.5
Chg in EPS (%)			-29.9	-14.6	-7.0
Phillip/Consensus (%)			0.7	0.9	0.9

Sources: Company, Bloomberg, Phillip Research forecasts

25 November 2024

HOLD (maintain)

LAST CLOSE PRICE	RM0.56
TARGET PRICE	RM0.56
TOTAL RETURN	0.0%

COMPANY DATA

BLOOMBERG TICKER	SKYWLD MK EQUITY
O/S SHARES (MN):	1,000
MARKET CAP (USD mn / RM mn):	125 / 560
52 - WK HI/LO (RM):	0.73 / 0.48
3M Average Daily T/O (mn):	1.48
NET CASH/(DEBT) (RMm)	(26.90)

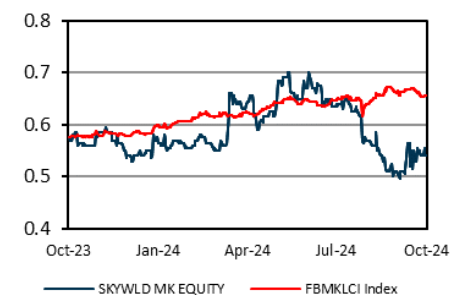
MAJOR SHAREHOLDERS (%)

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

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	8.8	0.1	(26.2)
FBMKLCI RETURN	(3.3)	(1.1)	13.6

PRICE VS. FBMKLCI



Source: Bloomberg

Kei Jun THONG

thong.keijun@phillipcapital.com.my

Results at a glance

Y/E Mar (RMm)	2QFY24	1QFY25	2QFY25	QoQ % chg	YoY % chg	6MFY24	6MFY25	YoY % chg	Comments
Revenue	148.3	98.8	124.3	25.8	(16.2)	359.2	223.1	(37.9)	Weaker revenue on lower number of on-going projects
Op costs	(118.3)	(81.0)	(104.5)	29.0	(11.7)	(266.9)	(185.5)	(30.5)	
EBITDA	30.1	17.8	19.9	11.5	(33.9)	92.2	37.7	(59.2)	
<i>EBITDA margin (%)</i>	<i>20.3</i>	<i>18.0</i>	<i>16.0</i>	<i>(2.0 ppt)</i>	<i>(4.3 ppt)</i>	<i>25.7</i>	<i>16.9</i>	<i>(8.8 ppt)</i>	Lower margins due to higher adjusted budget cost for on-going project
Depn and amort	(0.7)	(1.5)	(1.6)	6.7	117.4	(1.4)	(3.1)	114.7	Higher depreciation due to completion of SkyBlox and Sama Square
EBIT	29.3	16.3	18.3	12.0	(37.7)	90.8	34.6	(61.9)	
<i>EBIT margin (%)</i>	<i>19.8</i>	<i>16.5</i>	<i>14.7</i>	<i>(1.8 ppt)</i>	<i>(5.1 ppt)</i>	<i>25.3</i>	<i>15.5</i>	<i>(9.8 ppt)</i>	
Int expense	(4.5)	(4.0)	(3.9)	(3.4)	(14.0)	(7.9)	(7.9)	0.5	
Int and other inc	2.7	1.8	1.9	7.9	(29.9)	3.9	3.7	(4.4)	
El	0.0	0.0	4.0	n.m	n.m	(0.0)	4.0	n.m	RM2.5m fair value gain, RM1.5m reversal of allowance, RM0.1m allowance for doubtful debt
Pretax profit	27.5	14.1	20.3	44.3	(26.3)	86.7	34.4	(60.4)	
Core PBT	27.5	14.1	16.3	15.9	(40.8)	86.8	30.4	(65.0)	
Tax	(8.5)	(4.1)	(5.8)	40.2	(32.1)	(25.8)	(9.9)	(61.6)	
<i>Tax rate (%)</i>	<i>30.9</i>	<i>29.3</i>	<i>28.5</i>	<i>(0.8 ppt)</i>	<i>(2.4 ppt)</i>	<i>29.7</i>	<i>28.8</i>	<i>(0.9 ppt)</i>	High tax rate due to non-deductible expenses
MI	0.1	0.0	0.0	(84.1)	(89.6)	0.1	0.1	(59.5)	
Net profit	19.1	10.0	14.5	45.4	(24.0)	61.1	24.5	(59.9)	
EPS (sen)	1.9	1.0	1.5	45.4	(24.0)	6.1	2.5	(59.9)	
Core net profit	19.1	10.0	10.5	5.4	(44.9)	61.1	20.5	(66.4)	Below expectations

Sources: Company, Phillip Research

Table 1: Revalued net asset value (RNAV) valuation

Segments	RNAV Value (RMm)
Property developments @DCF (WACC 5.8%)	747
Investment properties and other assets	322
Net cash/(debt)	45
RNAV	1,114
Fully-diluted no. of shares (m)	1,188
Fully-diluted RNAV/share (RM)	0.94
Target price at 40% discount to RNAV	0.56

Source: Phillip Research forecasts

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES

Phillip Capital Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel:+91-22-2300 2999/Fax:+91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA

Phillip Capital Sdn Bhd
B-18-6 Block B Level 18 Unit 6 Megan Avenue II,
No .12, Jalan Yap Kwan Seng, 50450 Kuala
Lumpur
Tel +603 2783 0300
Fax +603 2166 5099
Website: www.phillip.com.my

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler
Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA

Phillip Bank Plc
Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI

Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

Contact Information (Phillip Malaysia Investor Centres)
MALAYSIA**Phillip Investor Centre – Alor Setar (Kedah)**

Lot T-30 2nd Floor,
Wisma PKNK, Jalan Sultan Badlisha,
05000 Alor Setar, Kedah
Tel: +604 731 7088 / Fax: 604 731 8428
Website: www.phillip.com.my

MALAYSIA**Phillip Investor Centre – Kluang (Johor)**

No. 73, 1st Floor,
Jalan Rambutan, 86000 Kluang.
Tel: +607 771 7922 / Fax: 607 771 7909
Website: www.phillip.com.my

MALAYSIA**Phillip Investor Centre – Kuantan (Pahang)**

1st Floor, B400,
Jalan Beserah, 25300 Kuantan.
Tel: +609 566 0800 / Fax: 609 566 0801
Website: www.phillip.com.my

MALAYSIA**Phillip Investor Centre – Kuching (Sarawak)**

Lot 2650 1st Floor, Suite A, Block 10 KCLD
Central Park Commercial Centre,
3rd Mile, Jalan Rock, 93200, Kuching,
Sarawak, Malaysia.
Tel: +6082 247 633 / Fax: 6082 245 644
Website: www.phillip.com.my

MALAYSIA**Phillip Investor Centre – Johor Bahru (Johor)**

15-01A, Jalan Molek 1/29,
Taman Molek, 81100 Johor Bahru,
Johor Darul Takzim, Malaysia
Tel: +607 352 1808 / Fax: 607 352 4808
Website: www.phillip.com.my

MALAYSIA**Phillip Investor Centre – Kota Damansara (Petaling Jaya)**

12A, Jalan PJU 5/8,
Dataran Sunway, Kota Damansara,
47810 Petaling Jaya, Selangor, Malaysia.
Tel: +603 9212 2818 / Fax: 603 6140 7133
Website: www.phillip.com.my

MALAYSIA**Phillip Investor Centre – Melaka**

No. 542A, Jalan Merdeka,
Taman Melaka Raya,
75000 Melaka, Malaysia
Tel: +606 292 0018 / Fax: 606 292 4511
Website: www.phillip.com.my

MALAYSIA**Phillip Investor Centre – Sibü (Sarawak)**

No. 6B Jalan Bako,
96000 Sibü, Sarawak.
Tel: +6084 377 933 / Fax: -
Website: www.phillip.com.my

MALAYSIA**Phillip Investor Centre – Skudai (Johor)**

9A, Jalan Sutera Tanjung 8/2,
Taman Sutera Utama,
81300 Skudai, Johor, Malaysia.
Tel: +607 557 2188 / Fax: 607 557 8788
Website: www.phillip.com.my

MALAYSIA**Phillip Investor Centre – Kota Kinabalu (Sabah)**

Lot No. G-4, Ground Floor,
Menara MAA, No 6, Lorong Api-Api 1,
88000 Kota Kinabalu, Sabah.
Tel: +6088 335 346 / Fax: -
Website: www.phillip.com.my

MALAYSIA**Phillip Investor Centre – Penang**

No. 29A Ground Floor Suite 2, Beach Street,
10300 Penang, Malaysia.
Tel: +604 202 0039 / Fax: 607 261 3822
Website: www.phillip.com.my

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