

Team Coverage

(603) 7890 8888

research.dept@apexsecurities.com.my

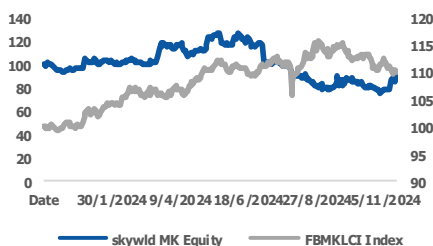
| | |
|-------------------------------|----------------|
| Recommendation: | HOLD |
| Current Price: | RM 0.56 |
| Previous Target Price: | RM 0.65 |
| Target Price: | RM 0.55 |
| Upside/Downside: | -1.8% |

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) | 560.0 |
| 52-Week Price Range (RM) | 0.73-0.475 |
| Beta (x) | N/A |
| Free float (%) | 29.1 |
| 3M Average Volume (m) | 1.5 |
| 3M Average Value (RM' m) | 0.8 |

| | |
|---------------------------|------------|
| Top 3 Shareholders | (%) |
| Phing Ng Thien | 42.6 |
| Lam Soo Keong | 10.3 |
| Lee Chee Seng | 5.0 |

Share Price Performance



| | 1M | 3M | 12M |
|--------------|-----------|-----------|------------|
| Absolute (%) | 7.7 | 3.7 | -1.8 |
| Relative (%) | 9.6 | 6.7 | -10.2 |

SkyWorld Development Berhad

Below expectations, but recovery on sight

Summary

- **SKYWLD 6MFY25 core net profit (CNP) at RM24.5m (-59.9% yoy) came below expectations, constituting to only 29.9% and 31.5% of ours and consensus forecast respectively, affected by completion of SkyAwani IV Residences and SkyAwani V Residences in FY24.**
- **Slashed our CNP forecast by -30.7%/-26.1% to RM57.7m/RM81.1m for FY25F/FY26F respectively to account for slower-than-expected revenue recognition from on-going projects.**
- **Maintained our HOLD recommendation, but with a lower target price of RM0.55, based discount rate of 20% to our RNAV.**







Results Review

- **Results review.** 2QFY25 core net profit (CNP) slipped -24.0% yoy, but rose +45.4% qoq to RM14.5m, as the weaker yoy performance was affected by completion of SkyAwani IV Residences and SkyAwani V Residences in FY24. Revenue for the quarter stood at RM124.3m (-16.2% yoy, +25.8% qoq). A first interim dividend of 0.5 sen per share, payable on 30 Dec 24 was declared.
- **Below expectations.** 6MFY25 reported core net profit at RM24.5m (-59.9% yoy) came below expectations, accounting to only 29.9% and 31.5% of ours and consensus expectations at RM82.0m and RM77.8m respectively. Key deviation is mainly due to slower-than-expected recognition from on-going projects.
- **Operations Highlights.** As at end of 2QFY25, SKYWLD's unbilled sales rose to RM592.0m, from RM555.0m in 1QFY25, implying 0.9x of FY24 revenue that is sufficient to maintain revenue visibility for the next 12 months. The Group maintained a lean balance sheet, equipped with a net cash position that is supported by RM437.2m in cash and bank balances as at end-2QFY25.
- **Industry Highlights.** Malaysia property landscape remain vibrant with housing loan applications rose 6.1% yoy, while loan approval rate hovered above 40% during the period. According to NAPIC, transaction volume climbed 3.1% yoy to 112,305 units, while overhang units fell -3.0% qoq to 21,968 units during the quarter. We anticipate the property sector will remain vibrant in the foreseeable future, driven by stable household income growth and sustained demand.
- **Outlook.** Looking ahead, SKYWLD will be kept busy with four on-going developments namely SkyVouge Residences, EdgeWood Residences, Curvo Residences and Vesta Residences with a collective GDV of RM1.96bn. Overall average take-up rate remains healthy at 92.6% as at end-2QFY25.
- **Valuation.** Slashed our CNP forecast by -30.7%/-26.1% to RM57.7m/RM81.1m for FY25F/FY26F respectively to account for slower-than-expected revenue recognition from on-going projects. Maintained our **HOLD** recommendation on SKYWLD, but with a lower target price of RM0.55, based discount rate of 20% to our RNAV.
- **Risk.** Land scarcity, potential construction cost increases, and regulatory changes, could hamper future development.

Monday, November 25, 2024

Company Results

Figure 1: Results Comparison

| FYE Mar (RM m) | 2QFY25 | 2QFY24 | YoY (%) | 1QFY25 | QoQ (%) | 6MFY24 | 6MFY25 | YoY (%) | 5 Quarters Trend | Comments |
|-----------------------|--------|--------|---------|--------|---------|--------|--------|---------|---|--|
| Revenue | 124.3 | 148.3 | (16.2) | 98.8 | 25.8 | 359.2 | 223.1 | (37.9) |  | Better qoq on greater recognition from SkyVogue Residences, Curvo Residences |
| EBITDA | 23.9 | 30.1 | (20.6) | 17.8 | 34.0 | 92.2 | 41.7 | (54.8) |  | |
| Pre-tax profit | 20.3 | 27.5 | (26.3) | 14.1 | 44.3 | 86.7 | 34.4 | (60.4) |  | |
| Net profit | 14.5 | 19.0 | (23.7) | 9.9 | 46.0 | 61.0 | 24.5 | (59.9) |  | |
| Core net profit | 14.5 | 19.1 | (24.0) | 10.0 | 45.4 | 61.1 | 24.5 | (59.9) |  | In tandem with improved qoq topline |
| Core EPS (sen) | 1.5 | 1.9 | (24.0) | 1.0 | 45.4 | 6.1 | 2.5 | (59.9) |  | |
| EBITDA margin (%) | 19.2 | 20.3 | | 18.0 | | 25.7 | 18.7 | | | |
| PBT margin (%) | 16.3 | 18.6 | | 14.2 | | 24.1 | 15.4 | | | |
| Core PATMI margin (%) | 11.7 | 12.9 | | 10.1 | | 17.0 | 11.0 | | | |

Source: Company, Apex Securities

Financial Highlights

Income Statement

| FYE Mar (RM m) | FY22 | FY23 | FY24 | FY25F | FY26F |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 790.4 | 841.4 | 688.0 | 515.9 | 662.2 |
| Gross Profit | 249.6 | 298.3 | 253.0 | 165.1 | 211.9 |
| EBITDA | 168.6 | 221.5 | 173.3 | 92.9 | 125.8 |
| Depreciation & Amortisation | -0.9 | -2.1 | -4.9 | -4.2 | -5.1 |
| EBIT | 167.7 | 219.4 | 168.4 | 88.7 | 120.7 |
| Net Finance Income/ (Cost) | -14.6 | -14.2 | -7.0 | -6.9 | -6.9 |
| Associates & JV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pre-tax Profit | 150.0 | 204.8 | 159.9 | 82.2 | 115.5 |
| Tax | -45.7 | -54.1 | -53.4 | -24.7 | -34.6 |
| Profit After Tax | 104.3 | 150.7 | 106.5 | 57.5 | 80.8 |
| Minority Interest | 1.7 | -6.7 | 0.3 | 0.2 | 0.3 |
| Net Profit | 106.0 | 144.0 | 106.8 | 57.7 | 81.1 |
| Exceptionals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Core Net Profit | 106.0 | 144.0 | 106.8 | 57.7 | 81.1 |

Key Ratios

| FYE Mar (RM m) | FY22 | FY23 | FY24 | FY25F | FY26F |
|----------------|-------|-------|----------|-------|----------|
| P/E (x) | 5.3 | 3.9 | 5.2 | 9.7 | 6.9 |
| EBITDA margin | 21.3% | 26.3% | 25.2% | 18.0% | 19.0% |
| EBIT margin | 21.2% | 26.1% | 24.5% | 17.2% | 18.2% |
| PBT margin | 19.0% | 24.3% | 23.2% | 15.9% | 17.4% |
| PAT margin | 13.2% | 17.9% | 15.5% | 11.2% | 12.2% |
| NP margin | 13.4% | 17.1% | 15.5% | 11.2% | 12.2% |
| Core NP margin | 13.4% | 17.1% | 15.5% | 11.2% | 12.2% |
| ROE | 22.8% | 23.4% | 12.7% | 6.6% | 8.6% |
| ROA | 7.8% | 10.9% | 6.9% | 3.6% | 5.0% |
| Net gearing | 36.0% | 39.9% | Net Cash | 5.1% | Net Cash |

Valuations

| | |
|------------------------|-------------|
| RNAV (RM' m) | 691.6 |
| RNAV/share (RM) | 0.69 |
| Discount Rate | 20.0% |
| Fair Value (RM) | 0.55 |

Source: Company, Apex Securities

Balance Sheet

| FYE Mar (RM m) | FY22 | FY23 | FY24 | FY25F | FY26F |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash | 280.5 | 237.7 | 499.9 | 429.0 | 462.2 |
| Receivables | 74.2 | 39.8 | 98.6 | 91.9 | 90.7 |
| Inventories | 276.6 | 184.4 | 190.6 | 210.7 | 213.3 |
| Other current assets | 177.1 | 205.3 | 128.3 | 141.9 | 145.7 |
| Total Current Assets | 808.4 | 667.3 | 917.4 | 873.4 | 911.9 |
| Fixed Assets | 1.1 | 1.2 | 1.2 | 1.2 | 1.2 |
| Intangibles | 2.8 | 2.5 | 2.0 | 2.0 | 2.0 |
| Other non-current assets | 531.3 | 603.1 | 594.9 | 654.4 | 661.0 |
| Total Non-current assets | 556.2 | 650.4 | 641.2 | 709.1 | 725.2 |
| Short-term Debt | 158.2 | 159.3 | 214.0 | 224.7 | 235.9 |
| Payables | 190.5 | 161.2 | 154.2 | 154.0 | 159.5 |
| Other Current Liabilities | 247.2 | 53.5 | 52.4 | 56.1 | 58.5 |
| Total Current Liabilities | 608.8 | 377.1 | 428.5 | 441.2 | 462.1 |
| Long-term Debt | 289.8 | 324.0 | 276.4 | 248.8 | 223.9 |
| Other non-current liabilities | 0.1 | 0.0 | 9.8 | 8.8 | 8.8 |
| Total Non-current Liabilities | 290.7 | 324.9 | 287.3 | 260.8 | 235.9 |
| Shareholder's equity | 62.5 | 62.5 | 245.0 | 245.0 | 245.0 |
| Minority interest | -0.8 | 5.9 | -3.3 | -3.3 | -3.3 |
| Equity | 465.1 | 615.7 | 842.8 | 880.6 | 939.2 |

Cash Flow

| FYE Mar (RM m) | FY22 | FY23 | FY24 | FY25F | FY26F |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Pre-tax profit | 150.0 | 204.8 | 159.9 | 82.2 | 115.5 |
| Depreciation & amortisation | 0.9 | 2.1 | 4.9 | 4.2 | 5.1 |
| Changes in working capital | -19.2 | -203.3 | 47.9 | 24.9 | -4.4 |
| Others | -72.2 | -104.1 | -71.3 | -60.0 | -60.0 |
| Operating cash flow | 84.2 | -87.8 | 153.0 | 64.4 | 67.4 |
| Net capex | 7.0 | 17.6 | -16.5 | 10.3 | 13.2 |
| Others | -26.9 | -39.8 | -63.4 | 0.0 | 0.0 |
| Investing cash flow | -19.9 | -22.2 | -79.9 | 10.3 | 13.2 |
| Dividends paid | 0.0 | 0.0 | -42.5 | -20.0 | -22.5 |
| Others | 73.6 | 144.2 | -19.0 | -27.9 | -24.9 |
| Financing cash flow | 73.6 | 144.2 | 104.9 | -47.9 | -47.4 |
| Net cash flow | 137.9 | 34.2 | 178.1 | 26.7 | 33.3 |
| Forex | 0.0 | -0.2 | 0.7 | 0.0 | 0.0 |
| Others | 91.0 | 14.3 | 97.7 | 0.0 | 0.0 |
| Beginning cash | 51.6 | 189.4 | 223.4 | 402.2 | 429.0 |
| Ending cash | 280.5 | 237.7 | 499.9 | 429.0 | 462.2 |

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

RESEARCH TEAM

Head Office:

5th Floor Menara UAC, 12, Jalan PJU 7/5,
Mutiara Damansara,
47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7890 8899

Petaling Jaya Office:

16th Floor, Menara Choy Fook Onn,
No.1B Jalan Yong Shook Lin,
46050 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7620 1118

Head Office:

Kong Ming Ming (ext 2002)
Lee Chen Ming (ext 2029)
Shirley Chang (ext 2026)
Ahmad Mujib (ext 2028)
Azfar Bin Abdul Aziz (ext 2031)
Aizzat Bin Mohd Daud (ext 2030)

Institutional Dealing Team:

Low Jin Wu (ext 2109)

PJ Office:

General Line: (603) 7620 1118

Head Office:

Kenneth Leong (ext 2093)
Steven Chong (ext 2068)
Jayden Tan (ext 2069)
Chelsea Chew (ext 2070)
Tan Sue Wen (ext 2095)
Ong Tze Hern (ext 2113)
Samuel Woo (ext 2121)
Amir Hamdan (ext 2112)

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

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.

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