

11 December 2024

SkyWorld Development

Priming Up Affordability in Penang

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INVESTMENT MERIT

SKYWLD, which has a forte in city high-rise projects, will be venturing into affordable homes development in Penang, with an estimated GDV of RM13b – the largest in the country. Though the project would commence in CY26 (i.e. FY27), investors may react positively to the news as it greatly bolsters its long-term project pipeline and lifts SKYWLD by end-FY26 out of an otherwise lacklustre earnings phase, which should still endure for a few more quarters. We call to ADD with a fair value of RM1.14 with a 30% RNAV discount.

Maiden venture in Penang. Yesterday, SKYWLD signed a joint development agreement with the Penang Development Corporation (landowner) and its subsidiary PDC Properties in relation to the development of: (i) a 161.5 acres plot in Batu Kawan (Plot A), and (ii) a 34.0 acres plot in Seberang Jaya (Plot B) (collectively Subject Land). SKYWLD would collectively satisfy a landowner's endowment (being payment towards the Penang State's trust account) of RM542.9m over the course of four tranches over four years, funded by internally generated cash for its first few tranches (2QFY25 net gearing: 0.03x).

(refer to the overleaf for the location of the subject land)

Largest affordable housing project in the country. The agreement includes the proposed development of more than 35,000 affordable housing units across the two abovementioned plots. It will house two product concepts being: (i) Rumah Mampu Milik (10% of total units); and (ii) Rumah Bakat Baru Madani (90%) which will be priced between RM225k-RM420k, making up an approximate GDV of RM13b. It is slated to be launched in CY26 with a 10-year launch timeline and 15-year development period of which SKYWLD would also be responsible for its sale and marketing.

The project looks to resolve the shortage of affordable homes in Penang, particularly with the rise of electrical and electronic industries in the state likely to cause an influx of skilled professionals going forward. That said, to improve homeownership in the state, 50% of the Rumah Mampu Milik products are allocated to Penang-registered voters with the remaining 50% being opened to other buyers.

Much needed top up to pipeline. Per SKYWLD's 2QFY25 results, the group's project pipeline consists of only four ongoing projects with a total remaining GDV of RM907m. We opine that with the group's operations being predominantly Klang Valley-based and wholly dependent on subcontractors for development, the roll-out of launches during the early phases of the Penang project would be relatively light, before picking up more substantially over the course of its 15-year development period. Further, SKYWLD is exploring newly industrialised building system or IBS capabilities to enable better scalability and cost efficiency for the development, albeit details are scarce at this moment.

(refer overleaf for comments on near-term earnings and our forecasts)

We value SKYWLD at RM1.14, on a 30% discount to its RNAV which is at par with our applied discount on MAHSING, a similarly affordable-focused developer which should see fewer demand risks and better turnaround against its peers (average discount to RNAV of 50%). Our TP implies a PER of 13x for FY26, a 30% discount to average of 19x Fwd PER for its peers.

We opine the abovementioned agreement would result in a kneejerk effect to share price, possibly pricing in the long-term value of Penang project in the immediate term. Though near-term earnings-conscious investors may shy away with the expectations of its narrow earnings delivery, we highlight that SKYWLD is merited for its superior net

	Rating	Fair Value
Last Price		RM0.625
Kenanga	Add	RM1.14
Consensus	Hold	RM0.56

Stock Information

Shariah Compliant	Yes
Stock Name	SkyWorld Development Bhd
CAT Code	5315
Industry	Real Estate
Industry Sub-sector	Real Estate Oper/Develop
YTD stock price chg	13.6%
Market Cap (RM m)	625.0
Shares Outstanding (m)	1,000.0
52-week range (Hi)	0.73
52-week range (Low)	0.475
3-mth avg. daily vol.	1,680,509
Free Float	29.1%
Beta	0.62
Altman's Z-score	1.86

Major Shareholders

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

Financials

FYE Mar (RM m)	2024A	2025F	2026F
Revenue	688.0	508.9	617.5
Gross Profit	253.4	157.7	197.6
Profit Before Tax	159.9	85.4	114.2
Net Profit	106.5	59.8	79.9
EPS (sen)	11.4	6.3	8.5
BV/Share (RM)	0.9	0.9	1.0
PER (x)	5.5	9.9	7.4
Price/BV (x)	0.7	0.7	0.6
Net Gearing (x)	N. Cash	N. Cash	N. Cash
DPS (sen)	2.3	1.5	2.2
Div Yield (%)	3.6%	2.4%	3.5%

Quarterly Financial Data (RM m)

	4QFY24	1QFY25	2QFY25
Operating Revenue	158.3	98.8	124.3
PBT	39.4	14.1	20.3
Net Profit	20.7	9.9	14.5
Basic EPS (sen)	2.1	1.0	1.5
Revenue Growth (QoQ)	-7.5%	-37.6%	25.8%
EPS growth (QoQ)	-17.5%	-51.7%	45.0%
Net Profit Margin	13.1%	10.1%	11.7%

Peers Comparisons	1y-fwd PBV (x)	Div. Yld (%)	Mkt Cap (RM m)
MAHSING	1.08	2.3	4,429
MKH	0.32	3.3	693
UOAEV	0.80	5.4	4,854
Average	0.73	3.7	

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margin of c.15% as opposed to its affordable-oriented peers (<10%) which supports the long-term stock sustainability as it progressively replenishes its project pipeline. **We call to “ADD” on SKYWLD.**

Near-term earnings still visibly soft. Until the eventual launch of the abovementioned Penang projects, SKYWLD’s near-term earnings will be upheld by only a handful of developments, being Curvo (remaining GDV: RM308m) and The Vesta (RM508m). We note that with its SkyVogue and EdgeWood projects are nearing completion with hand-over by 4QFY25 (i.e. 1QCY25), there will be lower progressive billings and we project FY25 to report a 44% slump in earnings vs FY24, before gradually picking up again in FY26 with the launch of another SkyAwani product and the recently announced PR1MA Brickfields within CY25. That said, we reflected a lower net margin assumption of 12% as profitability may see some dilution with the construction of more affordable housing projects.

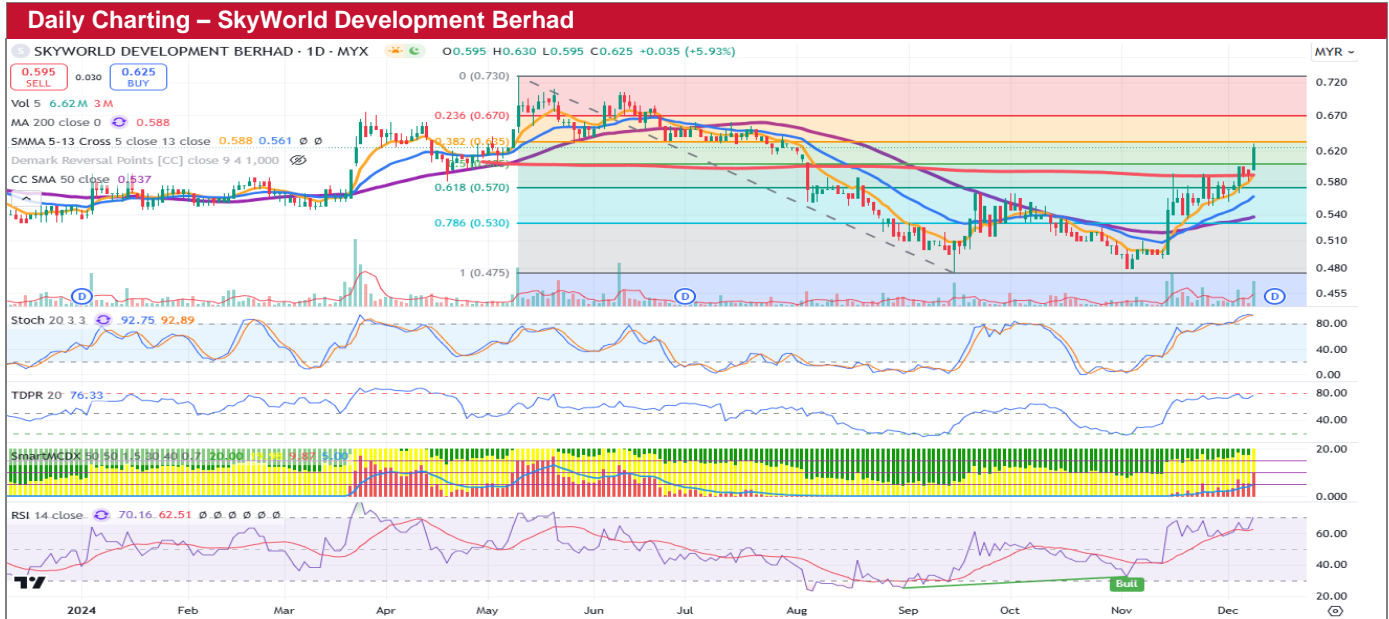
SKYWLD's RNAV			
Projects	Total GDV (RM m)	Outstanding GDV (RM m)	Project NPV (RM m)
SkyVogue, Taman Desa	278.9	52.4	7.4
EdgeWood, Setapak	518.0	38.9	5.4
Curvo, Setapak	570.7	307.6	40.4
The Vesta, Setiawangsa	587.1	507.8	64.5
	1,954.7	906.7	117.7
Penang Projects	13,000.0	13,000.0	913.1
	13,000.0	13,000.0	913.1
Unbilled Sales (as of 2QFY25)		592.0	53.4
Book Value (as of 2QFY25)			851.9
RNAV			1,936.0
Discount ascribed to RNAV			30%
Discounted RNAV			1,355.2
Fully Diluted Shares (m)			1,187.5
RNAV/share (RM)			1.14

Source: Company, Kenanga Research

Subject Lands



Source: Company



Comment: SYWLD closed at RM0.625 on 9 Dec 2024, registering a robust gain of 5.93% as the stock successfully breached its key resistance level at RM0.605. The breakout was accompanied by a significant increase in trading volume, signalling strong market participation. The alignment of its 5-day SMA at RM0.590 and 13-day SMA at RM0.561 underpins the ongoing bullish sentiment, marking a continuation of its upward trajectory from earlier lows.

From a technical perspective, the stochastic oscillator, currently at 92.89, remains in the overbought zone, suggesting strong bullish momentum but hinting at the potential for short-term consolidation. The Tom Demark Pressure Ratio (TDPR) stands elevated at 76.33, indicating sustained buying pressure and an environment conducive for further gains. Additionally, the RSI at 70.16, also in the overbought territory, reinforces the strong upward momentum while highlighting the need to monitor potential profit-taking activity.

The immediate resistance level is identified at RM0.635. A successful breakout above this threshold could propel the stock toward its next target at RM0.670, a significant resistance zone. On the downside, immediate support lies at RM0.605, with additional support at RM0.590, coinciding with the 200-day SMA, which serves as a robust safety net against deeper corrections. An ideal entry range lies between RM0.590 and RM0.605, or near its 200-day SMA level.

Source: Kenanga Research

About the stock:

Name : SkyWorld Development Bhd
 Bursa Code : SKYWLD
 CAT Code : 5315

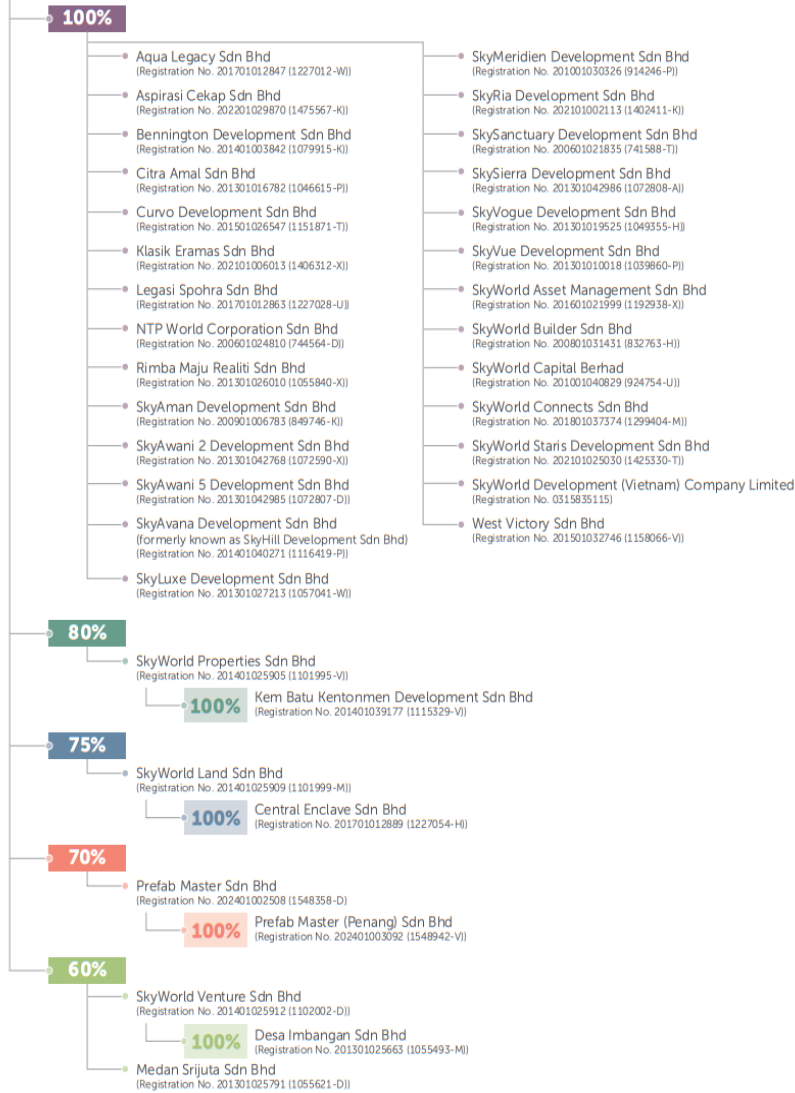
Key Support & Resistance level

Resistance : RM0.635 (R1) RM0.670 (R2)
 Support : RM0.604 (S1) RM0.590 (S2)
 Outlook : Short-term consolidation

CORPORATE STRUCTURE BUSINESS OVERVIEW



OUR SUBSIDIARIES (as at 18 July 2024)



Source: Company

SKYWLD's is an urban property developer with a strong focus on affordable housing. Its projects are based around the Klang Valley with the upcoming maiden venture into Penang. SKYWLD is also setting sights on a potential development in Ho Chi Minh, Vietnam with a 1.3 acre land deal already being signed.

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	☆		
	Anti-corruption Policy	★	★	☆		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★	★	
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Biodiversity & Conservation	★	★	★		
	Green Building	★	★	★		
	Supply Chain Management	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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