

# SkyWorld (SKYWLD MK)

## Venturing into prefabrication construction

MALAYSIA | PROPERTY | UPDATE

- SkyWorld is entering into a partnership with Teambuild to incorporate the use of PPVC technology into its latest affordable housing development in Penang
- This aims to improve construction quality, expedite delivery timeline and drive costs lower
- Maintain BUY rating with unchanged RNAV-derived target price of RM1.10

### Proposed collaboration with Teambuild

SkyWorld announced its entry into the prefabricated manufacturing sector through a collaboration with Teambuild Holding (S) Pte Ltd (Teambuild) to establish a joint venture subsidiary, Prefab Master Sdn Bhd, with a 70:30 ownership split. This will allow SkyWorld to incorporate prefabricated and prefinished volumetric construction (PPVC) technology in its latest RM13bn affordable housing development in Penang, with the first phase slated to launch in 2H25. The adoption of the PPVC solution is expected to improve the overall construction quality, expedite project delivery timelines, and improve cost efficiency, particularly given the large-scale development of over 35,000 units of Rumah Bakat Baru Madani over 15 years.

### Technical partner with strong expertise in Singapore projects

We view this news positively, as the strong partnership and the use of newer technology will likely drive higher project margins for SkyWorld. Teambuild is a reputable partner specializing in prefabricated modular units, with a proven track record in executing public and private property development projects in Singapore. Its Singapore HDB project, Northshore Edge, was awarded HDB Construction of the Year in 2022, showcasing Teambuild's strong proficiency in utilising PPVC technology. The JV entity will incur capex spending to set up the manufacturing facility; however, details regarding the investment and funding structure have not yet been disclosed.

### Maintain BUY with TP of RM1.10

We make no changes to our earnings forecast at the current juncture, pending further clarity from management. We reiterate our BUY rating with an unchanged RNAV-derived target price of RM1.10. Key risks include lower-than-expected property sales and higher building material prices.

#### Key Financials

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
Revenue (RMm)	841.4	688.0	509.8	738.1	992.9
EBITDA (RMm)	218.8	177.8	86.7	145.9	199.6
Pretax profit (RMm)	204.8	159.9	72.3	132.9	184.1
Net profit (RMm)	144.0	106.8	51.6	97.3	136.5
EPS (sen)	14.4	10.7	5.2	9.7	13.7
PER (x)	3.7	5.0	10.3	5.4	3.9
Core net profit (RMm)	144.7	111.8	51.6	97.3	136.5
Core EPS (sen)	14.5	11.2	5.2	9.7	13.7
Core EPS growth (%)	30.7	(22.8)	(53.8)	88.4	40.3
Core PER (x)	3.7	4.7	10.3	5.4	3.9
Net DPS (sen)	3.0	2.3	3.0	3.5	3.5
Dividend Yield (%)	5.7	4.2	5.7	6.6	6.6
EV/EBITDA (x)	3.5	2.9	6.1	3.7	3.4
Chg in EPS (%)			-	-	-
Phillip/Consensus (%)			0.9	1.1	1.0

Sources: Company, Bloomberg, Phillip Research forecasts

21 January 2025

### BUY (maintain)

LAST CLOSE PRICE	RM0.53
TARGET PRICE	RM1.10
TOTAL RETURN	107.5%

#### COMPANY DATA

BLOOMBERG TICKER	SKYWLD MK EQUITY
O/S SHARES (MN):	1,000
MARKET CAP (USD mn / RM mn):	118 / 530
52 - WK HI/LO (RM):	0.73 / 0.48
3M Average Daily T/O (mn):	2.43
NET CASH/(DEBT) (RMm)	(26.90)

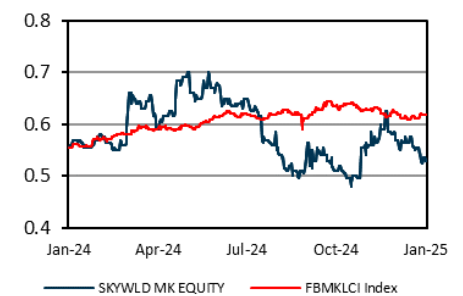
#### MAJOR SHAREHOLDERS (%)

Phing Ng Thien	43.2%
Lam Soo Keong	10.3%
Lee Chee Seng	5.0%

#### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(7.8)	4.8	(26.2)
FBMKLCI RETURN	(1.9)	(4.3)	(4.6)

#### 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%)	1,581
Investment properties and other assets	292
Net cash/(debt)	-11
<b>RNAV</b>	<b>1,862</b>
Fully-diluted no. of shares (m)	1,188
<b>Fully-diluted RNAV/share (RM)</b>	<b>1.57</b>
<b>Target price at 30% discount to RNAV</b>	<b>1.10</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>509.8</b>	<b>738.1</b>	<b>992.9</b>
Operating expenses	(622.6)	(510.3)	(423.1)	(592.3)	(793.3)
<b>EBITDA</b>	<b>218.8</b>	<b>177.8</b>	<b>86.7</b>	<b>145.9</b>	<b>199.6</b>
Depreciation	(2.1)	(4.4)	(5.1)	(5.7)	(6.4)
<b>EBIT</b>	<b>216.7</b>	<b>173.4</b>	<b>81.7</b>	<b>140.1</b>	<b>193.2</b>
Net int income/(expense)	(11.2)	(8.4)	(9.3)	(7.3)	(9.1)
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>72.3</b>	<b>132.9</b>	<b>184.1</b>
Tax	(54.1)	(53.4)	(21.0)	(35.9)	(47.9)
Minority interest	(6.7)	0.3	0.3	0.3	0.3
<b>Net profit</b>	<b>144.0</b>	<b>106.8</b>	<b>51.6</b>	<b>97.3</b>	<b>136.5</b>
<b>Core net profit</b>	<b>144.7</b>	<b>111.8</b>	<b>51.6</b>	<b>97.3</b>	<b>136.5</b>

## Balance Sheet

Y/E Mar (RMm)	FY23	FY24	FY25E	FY26E	FY27E
<b>Fixed assets</b>	<b>23.8</b>	<b>31.6</b>	<b>59.5</b>	<b>63.8</b>	<b>67.4</b>
Other long term assets	626.6	609.7	712.1	726.4	898.3
<b>Total non-current assets</b>	<b>650.4</b>	<b>641.2</b>	<b>771.5</b>	<b>790.2</b>	<b>965.7</b>
<b>Cash and equivalents</b>	<b>237.7</b>	<b>499.9</b>	<b>558.2</b>	<b>560.6</b>	<b>545.8</b>
Stocks	184.4	190.6	151.2	216.0	288.5
Debtors	220.2	197.7	89.3	129.2	176.5
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>827.9</b>	<b>935.0</b>	<b>1,040.0</b>
<b>Creditors</b>	<b>161.2</b>	<b>164.2</b>	<b>115.3</b>	<b>164.7</b>	<b>220.0</b>
Short term borrowings	159.2	213.4	213.4	213.4	213.4
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>379.7</b>	<b>429.0</b>	<b>484.3</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	139.3
<b>Total long term liabilities</b>	<b>324.9</b>	<b>287.3</b>	<b>355.3</b>	<b>369.4</b>	<b>483.4</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>867.7</b>	<b>930.0</b>	<b>1,031.5</b>

## Cash Flow Statement

Y/E Mar (RMm)	FY23	FY24	FY25E	FY26E	FY27E
<b>PAT</b>	<b>144.0</b>	<b>106.8</b>	<b>51.6</b>	<b>97.3</b>	<b>136.5</b>
Depreciation & Amortisation	2.1	4.4	5.1	5.7	6.4
Working capital changes	(84.6)	7.2	99.0	(55.3)	(64.5)
Others	(149.3)	34.6	(0.3)	(0.3)	0.7
<b>Cashflow from operation</b>	<b>(87.8)</b>	<b>153.0</b>	<b>155.4</b>	<b>47.4</b>	<b>79.1</b>
Capex	(26.1)	(26.1)	(10.0)	(10.0)	(10.0)
Disposal/(purchases)	0.0	0.0	0.0	0.0	0.0
Others	3.9	(53.8)	(125.1)	(14.1)	(162.9)
<b>Cash flow from investing</b>	<b>(22.2)</b>	<b>(79.9)</b>	<b>(135.1)</b>	<b>(24.1)</b>	<b>(172.9)</b>
Debt raised/(repaid)	35.1	6.4	68.0	14.1	114.0
Net interest income/(exp)	(11.2)	(8.4)	(9.3)	(7.3)	(9.1)
Dividends paid	0.0	(22.5)	(30.0)	(35.0)	(35.0)
Others	120.3	129.4	9.3	7.3	9.1
<b>Cash flow from financing</b>	<b>144.2</b>	<b>104.9</b>	<b>38.0</b>	<b>(20.9)</b>	<b>79.0</b>
<b>Free Cash Flow</b>	<b>(113.9)</b>	<b>127.0</b>	<b>145.4</b>	<b>37.4</b>	<b>69.1</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)	(25.9)	44.8	34.5
EBITDA (%)	27.0	(18.8)	(51.2)	68.2	36.8
Core net profit (%)	30.7	(22.8)	(53.8)	88.4	40.3
<b>Profitability</b>					
EBITDA margin (%)	26.0	25.8	17.0	19.8	20.1
PBT margin (%)	24.3	23.2	14.2	18.0	18.5
Core net profit margin (%)	17.2	16.2	10.1	13.2	13.7
Effective tax rate (%)	26.4	33.4	29.0	27.0	26.0
ROA (%)	10.7	7.4	3.3	5.9	7.3
Core ROE (%)	26.9	15.4	6.0	10.8	13.9
ROCE (%)	22.1	14.4	6.0	9.7	12.2
Dividend payout ratio (%)	20.8	21.1	58.1	36.0	25.6
<b>Liquidity</b>					
Current ratio (x)	1.8	2.1	2.2	2.2	2.1
Op. cash flow (RMm)	(87.8)	153.0	155.4	47.4	79.1
Free cashflow (RMm)	(113.9)	127.0	145.4	37.4	69.1
FCF/share (sen)	(11.4)	12.7	14.5	3.7	6.9
<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%	0%	1%	14%
Interest cover (x)	14.8	11.0	5.0	8.6	10.6

## Quarterly Profit & Loss

Y/E Mar (RMm)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
<b>Revenue</b>	<b>148.3</b>	<b>171.2</b>	<b>158.3</b>	<b>98.8</b>	<b>124.3</b>
Operating expenses	(118.3)	(131.8)	(110.2)	(81.0)	(104.5)
<b>EBITDA</b>	<b>30.1</b>	<b>39.3</b>	<b>48.1</b>	<b>17.8</b>	<b>19.9</b>
Depreciation	(0.7)	(2.8)	(0.7)	(1.5)	(1.6)
<b>EBIT</b>	<b>29.3</b>	<b>36.5</b>	<b>47.4</b>	<b>16.3</b>	<b>18.3</b>
Net int income/(expense)	(1.8)	(2.6)	(2.0)	(2.2)	(2.0)
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)	(6.0)	0.0	4.0
<b>Pretax profit</b>	<b>27.5</b>	<b>34.0</b>	<b>39.4</b>	<b>14.1</b>	<b>20.3</b>
Tax	(8.5)	(8.9)	(18.8)	(4.1)	(5.8)
Minority interest	0.1	0.1	0.1	0.0	0.0
<b>Net profit</b>	<b>19.1</b>	<b>25.1</b>	<b>20.7</b>	<b>10.0</b>	<b>14.5</b>
<b>Core net profit</b>	<b>19.1</b>	<b>25.1</b>	<b>26.7</b>	<b>10.0</b>	<b>10.5</b>
<b>Margins (%)</b>					
EBITDA	20.3	23.0	30.4	18.0	16.0
PBT	18.6	19.8	24.9	14.2	16.3
Core net profit	12.9	14.7	16.9	10.1	8.5

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