

**Kenneth Leong**

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<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 0.59</b>
<b>Previous Target Price:</b>	<b>RM 1.07</b>
<b>Target Price:</b>	↔ <b>RM 1.07</b>
<b>Upside/Downside:</b>	<b>82.9%</b>

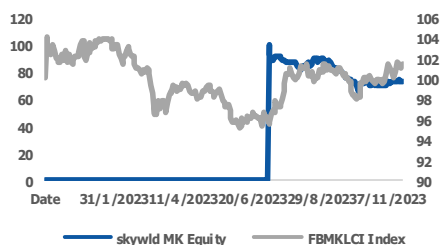
**Stock information**

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)	585.0
52-Week Price Range (RM)	0.81-0.515
Beta (x)	N/A
Free float (%)	42.5
3M Average Volume (m)	2.8
3M Average Value (RM' m)	1.7

**Top 3 Shareholders (%)**

NG THIEN PHING	42.2
LAM SOO KEONG	10.3
Lee Chee Seng	5.0

**Share Price Performance**



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	3.5	-18.8	N/A
Relative (%)	2.3	-19.6	N/A

# SkyWorld Development Berhad

## Within expectations

### Summary

- **2QFY24 core net profit fell 54.5% qoq to RM19.1m, dragged down by lower recognition from SkySierra Residences (The Valley) project that was completed in preceding quarter.**
- **Unbilled sales stood at RM713.6m (down from RM951.9m in 1QFY24) implies 0.9x of trailing-12-months revenue will sustain revenue visibility over the next 12 months.**
- **Re-iterate our BUY recommendation on SKYWLD with an unchanged target price of RM1.07, based discount rate of 25% to our RNAV.**







### Results Review

- **Results review.** 2QFY24 core net profit fell 54.5% qoq to RM19.1m, dragged down by lower recognition from SkySierra Residences (The Valley) project that was completed in preceding quarter. Revenue for the quarter declined 29.6% qoq to RM148.3m. There were no yoy comparative figures as the group was listed on the main market of Bursa Malaysia on 10 July 2023.
- **Results deemed in line.** 1HFY24 core net profit at RM61.1m came slightly ahead of our expectations, making up to 54.4% of our core net profit at RM112.9m as well as 54.6% of consensus forecasted net profit of RM112.0m. A first interim dividend of 1.25 sen per share, payable on 15 January 2024 was declared.
- **Operations Highlights.** SKYWLD's unbilled sales stood at RM713.6m (down from RM951.9m in 1QFY24) implies 0.9x of trailing-12-months revenue will sustain revenue visibility over the next 12 months. In 2QFY24, the group's balance sheet remains relatively healthy with net gearing at 0.1x
- **Industry Highlights.** Demand for housing is expected to remain stable over time, with focus towards units priced below RM500,000. We gather that the Innovative Design Award at the Malaysia Outstanding Sustainable Development Awards 2023 was awarded to SkyAwani 3 Residences in Setapak. This is a testament to the group's capability in the affordable housing segment. Recall that SkyAwani 3 Residences comprise 1,905 of 800 sqft units across three towers that are priced at RM300,000 each.
- **Outlook.** Going forward, the earnings recognition will emanate from on-going projects, namely SkySierra Residences (The Valley), SkyAwani IV Residences, SkyAwani V Residences, EdgeWood Residences, SkyVogue Residences and Curvo Residences. Meanwhile, the group remains on track to launch new projects in Kuala Lumpur with total estimated gross development value (GDV) of more than RM1.0b.
- **Valuation.** No changes made to our earnings forecast, given that reported figures are deemed within estimates. Re-iterate our **BUY** recommendation on SKYWLD with an unchanged target price of RM1.07, based discount rate of 25% to our RNAV.
- **Risk.** Inability to replenish landbank, unexpected further rise in construction costs and changes in housing as well as property regulations.

Thursday, November 23, 2023

Company Results

**Figure 1: Results Comparison**

FYE Dec (RM m)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY23	1HFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	148.3	-	-	210.8	(29.6)	-	359.2	-		Lower recognition from SkySierra Residences
EBITDA	30.1	-	-	62.1	(51.6)	-	92.2	-		
Pre-tax profit	27.5	-	-	59.2	(53.5)	-	86.7	-		
Net profit	19.0	-	-	41.9	(54.6)	-	61.0	-		
Core net profit	19.1	-	-	42.0	(54.5)	-	61.1	-		
Core EPS (sen)	3.8	-	-	8.4	(54.5)	-	12.3	-		Impacted by lower topline
EBITDA margin (%)	20.3	-	-	29.5	-	-	25.7	-		
PBT margin (%)	18.6	-	-	28.1	-	-	24.1	-		
Core PATMI margin (%)	12.9	-	-	19.9	-	-	17.0	-		

Source: Company, Apex Securities

**Financial Highlights**
**Income Statement**

FYE Mar (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Revenue</b>	<b>488.8</b>	<b>790.4</b>	<b>841.4</b>	<b>855.7</b>	<b>977.4</b>
<b>Gross Profit</b>	<b>151.7</b>	<b>249.6</b>	<b>298.3</b>	<b>273.8</b>	<b>312.8</b>
<b>EBITDA</b>	<b>95.6</b>	<b>170.2</b>	<b>224.2</b>	<b>181.4</b>	<b>206.8</b>
Depreciation & Amortisation	-1.4	-0.9	-1.3	-1.8	-1.6
<b>EBIT</b>	<b>94.2</b>	<b>169.3</b>	<b>222.9</b>	<b>179.7</b>	<b>205.2</b>
Net Finance Income/ (Cost)	-17.1	-16.1	-11.3	-18.4	-17.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>74.3</b>	<b>150.0</b>	<b>204.6</b>	<b>161.3</b>	<b>187.8</b>
Tax	-11.0	-45.7	-54.1	-48.4	-56.3
<b>Profit After Tax</b>	<b>63.3</b>	<b>104.3</b>	<b>150.5</b>	<b>112.9</b>	<b>131.5</b>
Minority Interest	0.0	0.0	-6.7	0.0	0.0
<b>Net Profit</b>	<b>63.3</b>	<b>104.3</b>	<b>143.8</b>	<b>112.9</b>	<b>131.5</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>63.3</b>	<b>104.3</b>	<b>143.8</b>	<b>112.9</b>	<b>131.5</b>

**Key Ratios**

FYE Mar (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	19.6%	21.5%	26.6%	21.2%	21.2%
EBIT margin	19.3%	21.4%	26.5%	21.0%	21.0%
PBT margin	15.2%	19.0%	24.3%	18.9%	19.2%
PAT margin	13.0%	13.2%	17.9%	13.2%	13.5%
NP margin	13.0%	13.2%	17.1%	13.2%	13.5%
Core NP margin	13.0%	13.2%	17.1%	13.2%	13.5%
ROE	17.5%	22.4%	23.4%	15.2%	14.6%
ROA	11.3%	18.8%	22.1%	17.9%	18.9%
Net gearing	64.3%	36.1%	39.9%	Net Cash	Net Cash

**Key Assumptions**

FYE Mar (RM m)	
Cost of equity	4.0%
Shareholders Equity (m)	903.18
RNAV (RM' m)	1425.15
RNAV/share (RM)	1.43

**Valuations**

RNAV/share (RM)	1.43
Discount Rate	25.0%
<b>Fair Value (RM)</b>	<b>1.07</b>

Source: Company, Apex Securities

**Balance Sheet**

FYE Mar (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Cash</b>	<b>161.6</b>	<b>280.5</b>	<b>237.7</b>	<b>931.4</b>	<b>988.0</b>
Receivables	78.7	74.2	39.8	85.6	97.7
Inventories	310.6	276.6	184.5	159.4	182.1
Other current assets	83.7	177.1	205.4	97.4	112.9
<b>Total Current Assets</b>	<b>634.6</b>	<b>808.4</b>	<b>667.4</b>	<b>1273.8</b>	<b>1380.8</b>
Fixed Assets	2.1	8.2	23.7	25.8	28.6
Intangibles	0.0	2.8	2.5	2.5	2.5
Other non-current assets	555.9	545.2	624.3	603.9	664.2
<b>Total Non-current assets</b>	<b>558.0</b>	<b>556.2</b>	<b>650.5</b>	<b>632.1</b>	<b>695.3</b>
Short-term Debt	191.1	158.7	159.3	206.5	196.2
Payables	241.9	190.5	161.2	159.4	182.1
Other Current Liabilities	195.4	259.6	56.9	215.7	226.8
<b>Total Current Liabilities</b>	<b>628.4</b>	<b>608.8</b>	<b>377.4</b>	<b>581.7</b>	<b>605.1</b>
Long-term Debt	202.6	289.9	323.9	578.8	567.9
Other non-current liabilities	0.8	0.8	0.9	0.0	0.0
<b>Total Non-current Liabilities</b>	<b>203.4</b>	<b>290.7</b>	<b>324.8</b>	<b>578.8</b>	<b>567.9</b>
Shareholder's equity	360.0	465.9	609.8	745.4	903.2
Minority interest	0.8	-0.8	5.9	0.0	0.0
<b>Equity</b>	<b>360.8</b>	<b>465.1</b>	<b>615.7</b>	<b>745.4</b>	<b>903.2</b>

**Cash Flow**

FYE Mar (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Pre-tax profit</b>	<b>74.3</b>	<b>150.0</b>	<b>204.6</b>	<b>161.3</b>	<b>187.8</b>
Depreciation & amortisation	1.4	0.9	1.3	1.8	1.6
Changes in working capital	9.5	-19.2	-203.4	-30.3	-15.4
Others	-39.1	-47.7	-90.3	-56.5	-56.3
<b>Operating cash flow</b>	<b>46.1</b>	<b>84.0</b>	<b>-87.8</b>	<b>76.3</b>	<b>117.6</b>
Net capex	-0.8	-12.5	-26.1	-2.5	-2.8
Others	10.1	-7.4	3.8	0.0	0.0
<b>Investing cash flow</b>	<b>9.3</b>	<b>-19.9</b>	<b>-22.3</b>	<b>-2.5</b>	<b>-2.8</b>
Dividends paid	0.0	0.0	0.0	-22.6	-26.3
Others	-59.1	73.6	144.2	-23.6	-18.7
<b>Financing cash flow</b>	<b>-59.1</b>	<b>73.6</b>	<b>144.2</b>	<b>-46.2</b>	<b>-44.9</b>
<b>Net cash flow</b>	<b>-3.7</b>	<b>137.7</b>	<b>34.1</b>	<b>27.7</b>	<b>69.9</b>
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	55.6	51.9	189.6	223.7	251.4
<b>Ending cash</b>	<b>51.9</b>	<b>189.6</b>	<b>223.7</b>	<b>251.4</b>	<b>321.3</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

**APEX SECURITIES BHD**

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**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 + dividend yield

**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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