

Team Coverage

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Recommendation:	HOLD
Current Price:	RM 0.70
Previous Target Price:	RM 0.94
Target Price:	RM 0.65
Upside/Downside:	-7.1%

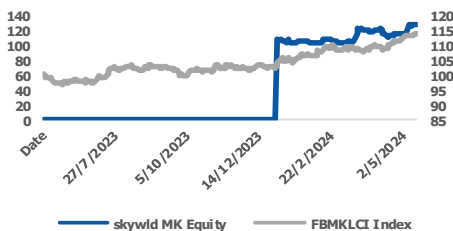
Stock information

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)	700.0
52-Week Price Range (RM)	0.81-0.515
Beta (x)	N/A
Free float (%)	42.3
3M Average Volume (m)	2.4
3M Average Value (RM' m)	1.5

Top 3 Shareholders

	(%)
Ng Thien Phing	42.4
Lam Soo Keong	10.3
Lee Chee Seng	5.0

Share Price Performance



	1M	3M	12M
Absolute (%)	15.7	20.7	N/A
Relative (%)	11.2	15.0	N/A

SkyWorld Development Berhad

Bogged down by completion of several projects







Summary

- **12MFY24 core net profit at RM107.0m came below expectations, on lower recognition from SkyAwani V Residences and higher marketing expenses.**
- **Unbilled sales stood at RM548.1m (down from RM725.2m in 3QFY24) implies 0.8x of FY24 revenue will sustain revenue visibility over the next 12 months.**
- **Downgrade our recommendation on SKYWLD to HOLD with a lower target price of RM0.65, based discount rate of 20% to our RNAV.**

Results Review

- **Results review.** 4QFY24 core net profit fell 64.4% yoy to RM20.7m, dragged down by completion of SkySierra Residences (The Valley) and SkyAwani V Residences in prior quarters. Revenue for the quarter declined 30.0% yoy to RM158.3m.
- **Results below expectations.** 12MFY24 core net profit at RM107.0m came below our expectations, accounting to 82.4% of our core net profit forecast at RM129.8m and was at 85.6% of consensus forecasted net profit of RM125.0m. Key deviation is mainly due to lower recognition from SkyAwani V Residences as well as higher marketing expenses incurred for new projects launched.
- **Operations Highlights.** SKYWLD's unbilled sales fell to RM548.1m, from RM725.2m in 3QFY24, indicate that 0.8x of FY24 revenue is sufficient to maintain revenue visibility for the next 12 months. A final single-tier dividend of one sen/share, payable on 15 July 2024 was declared.
- **Industry Highlights.** The strong growth in property transactions which rose 34.3% yoy to RM56.53b with more than 100,000 transactions in 1Q24 highlights the stability in property demand in Malaysia. Affordable units priced below RM300,000 continues to attract the mass which accounts to 33,500 of transactions. Meanwhile, new residential launches rose 19.8% to 5,585 units during the quarter implies that existing units are gradually being absorbed in the market.
- **Outlook.** Moving forward, SKYWLD will be launching several projects that carries a total gross development value (GDV) of RM1.0b for FY25. Meanwhile, the Group will be kept busy with on-going projects, namely SkySierra Residences (The Valley), SkyAwani IV Residences, SkyAwani V Residences, EdgeWood Residences, SkyVogue Residences, Curvo Residences and Vesta Residences. The Group will also be constantly seeking for landbank replenishment in both Malaysia and Vietnam.
- **Valuation.** Trimmed our earnings by 22.9% and 37.0% to RM113.6m and RM122.6m for FY25F and FY26F respectively to account for weaker-than-expected revenue recognition. Downgrade our recommendation on SKYWLD to **HOLD** with a lower target price of RM0.65, based discount rate of 20% to our RNAV.
- **Risk.** Economic stagnation, coupled with limited land availability, potential construction cost increases, and regulatory changes, could hamper future development.

Figure 1: Results Comparison

FYE Mar (RM m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	12MFY23	12MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	158.3	226.0	(30.0)	171.2	(7.6)	841.4	688.6	(18.2)		Completion of SkySierra Residences (The Valley) and SkyAwani V
EBITDA	42.2	75.5	(44.1)	39.4	6.9	218.1	173.8	(20.3)		
Pre-tax profit	39.4	72.6	(45.7)	34.0	16.2	204.8	160.1	(21.8)		
Net profit	20.7	59.3	(65.1)	25.1	(17.5)	150.7	106.7	(29.2)		
Core net profit	20.7	58.2	(64.4)	25.1	(17.4)	144.0	107.0	(25.7)		
Core EPS (sen)	2.1	5.8	(64.4)	2.5	(17.4)	14.4	10.7	(25.7)		Weaker recognition of revenue
EBITDA margin (%)	26.6	33.4		23.0		25.9	25.2			
PBT margin (%)	24.9	32.1		19.8		24.3	23.3			
Core PATMI margin (%)	13.1	25.8		14.7		17.1	15.5			

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	790.4	841.4	688.6	692.0	740.1
Gross Profit	249.6	298.3	253.6	254.9	272.6
EBITDA	168.6	221.5	173.7	173.0	185.0
Depreciation & Amortisation	-0.9	-2.1	-4.9	-4.5	-5.6
EBIT	167.7	219.4	168.7	168.5	179.4
Net Finance Income/ (Cost)	-14.6	-14.2	-7.2	-6.9	-6.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	150.0	204.8	160.1	162.0	174.7
Tax	-45.7	-54.1	-53.4	-48.6	-52.4
Profit After Tax	104.3	150.7	106.7	113.4	122.3
Minority Interest	1.7	-6.7	0.3	0.3	0.3
Net Profit	106.0	144.0	107.0	113.6	122.6
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	106.0	144.0	107.0	113.6	122.6

Key Ratios

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
EBITDA margin	21.3%	26.3%	25.2%	25.0%	25.0%
EBIT margin	21.2%	26.1%	24.5%	24.3%	24.2%
PBT margin	19.0%	24.3%	23.3%	23.4%	23.6%
PAT margin	13.2%	17.9%	15.5%	16.4%	16.5%
NP margin	13.4%	17.1%	15.5%	16.4%	16.6%
Core NP margin	13.4%	17.1%	15.5%	16.4%	16.6%
ROE	22.8%	23.4%	12.7%	12.0%	11.6%
ROA	7.8%	10.9%	6.9%	6.9%	6.8%
Net gearing	36.0%	39.9%	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Mar (RM m)	
Cost of equity	4.0%
Shareholders Equity (m)	946.67
RNAV (RM 'm)	821.41
RNAV/share (RM)	0.82

Valuations

RNAV/share (RM)	0.82
Discount Rate	20.0%
Fair Value (RM)	0.66

Source: Company, Apex Securities

Balance Sheet

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	280.5	237.7	499.9	427.6	512.4
Receivables	74.2	39.8	98.6	99.1	106.0
Inventories	276.6	184.4	190.3	171.2	196.1
Other current assets	177.1	205.3	128.3	128.9	137.8
Total Current Assets	808.4	667.3	917.0	826.8	952.4
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	773.4	773.4
Total Non-current assets	556.2	650.4	641.2	829.0	838.2
Short-term Debt	158.2	159.3	214.0	224.7	235.9
Payables	190.5	161.2	154.2	163.9	159.0
Other Current Liabilities	247.2	53.5	51.8	52.1	55.7
Total Current Liabilities	608.8	377.1	427.9	448.6	459.1
Long-term Debt	289.8	324.0	276.4	248.8	223.9
Other non-current liabilities	0.1	0.0	9.8	10.5	47.2
Total Non-current Liabilities	290.7	324.9	287.3	260.5	272.3
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	843.0	946.7	1059.2

Cash Flow

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	150.0	204.8	160.1	162.0	174.7
Depreciation & amortisation	0.9	2.1	4.9	4.5	5.6
Changes in working capital	-19.2	-203.3	36.5	-28.0	41.5
Others	-72.2	-104.1	-58.9	-58.9	-58.9
Operating cash flow	84.2	-87.8	156.1	93.9	175.0
Net capex	7.0	17.6	12.9	13.8	14.8
Others	-26.9	-39.8	-70.1	-70.1	-70.1
Investing cash flow	-19.9	-22.2	-57.2	-56.2	-55.3
Dividends paid	0.0	0.0	-42.5	-10.0	-10.0
Others	73.6	144.2	-15.0	-27.9	-24.9
Financing cash flow	73.6	144.2	104.9	-37.9	-34.9
Net cash flow	137.9	34.2	203.8	-0.3	84.8
Forex	0.0	-0.2	0.7	0.0	0.0
Others	91.0	14.3	72.0	0.0	0.0
Beginning cash	516	189.4	223.4	427.9	427.6
Ending cash	280.5	237.7	499.9	427.6	512.4

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
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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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