

**Team Coverage**

(603) 7890 8888

[research.dept@apexsecurities.com.my](mailto:research.dept@apexsecurities.com.my)

**Recommendation:** **HOLD**

**Current Price:** **RM 0.54**

**Previous Target Price:** **RM 0.65**

**Target Price:** ↓ **RM 0.51**

**Upside/Downside:** -5.6%

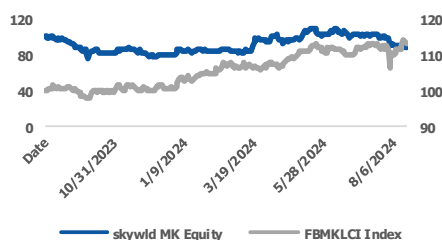
**Stock information**

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)	540.0
52-Week Price Range (RM)	0.74-0.515
Beta (x)	N/A
Free float (%)	29.3
3M Average Volume (m)	1.5
3M Average Value (RM' m)	1.0

**Top 3 Shareholders (%)**

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

**Share Price Performance**



	1M	3M	12M
Absolute (%)	-14.3	-18.2	-24.5
Relative (%)	-15.5	-19.0	-33.3

# SkyWorld Development Berhad

## A sluggish quarter

### Summary

- **SKYWLD 1QFY25 core net profit of RM10.0m (-76.2% yoy and -51.8% qoq) came below ours and consensus expectations, constituting to only 8.8% and 9.5% of forecast respectively, dragged by lower progressive contribution from EdgeWood Residences, while SkyAwani IV Residences was completed in the prior financial year.**
- **Slashed our earnings by -27.8% and -17.4% to RM82.0m and RM101.3m for FY25F and FY26F respectively to account for slower-than-expected revenue recognition from on-going projects such as EdgeWood Residences, Curvo Residences and Vesta Residences.**
- **Maintained our HOLD recommendation, but with a lower target price of RM0.51, based discount rate of 20% to our RNAV.**

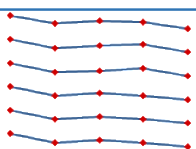
### Results Review

- **Results review.** 1QFY25 core net profit sank -76.2% yoy and -51.8% qoq to RM10.0m, dragged by lower progressive contribution from EdgeWood Residences, while SkyAwani IV Residences was completed in the prior financial year. Revenue for the quarter dipped -53.1% yoy and -37.6% yoy to RM98.8m.
- **Results below expectations.** The reported core net profit came below expectations, accounting to only 8.8% and 9.5% of ours and consensus expectations. Key deviation is mainly due to slower-than-expected recognition on-going projects.
- **Operations Highlights.** During the quarter, we gather that GP margins fell to 32.4% vs. 37.3% in the previous corresponding quarter as several projects are at infant stage of construction progress. Still, the Group maintained a lean balance sheet, equipped with a net cash position that is supported by RM515.3m cash in 1QFY25.
- **Industry Highlights.** Malaysia property transactions continue to demonstrate resiliency with housing loan applications rose 16.9% qoq to RM121.5bn in 2Q24, while loan approval rate hovered above 40% during the period. While residential overhang declined to 24,208 units in 1Q24 – the lowest level since 2018, we remain cautious over the take up rates of new property launches priced above RM500,000.
- **Outlook.** SKYWLD's unbilled sales remain relatively unchanged at RM555.5m, from RM548.1m in 4QFY24, indicate that 0.8x of FY24 revenue that is sufficient to maintain revenue visibility for the next 12 months. Moving forward, SKYWLD remain on track to launch several projects that carries a total gross development value (GDV) of RM1.0b for FY25. Earnings sustainability will be supported by progressive recognition of several projects such as EdgeWood Residences, Curvo Residences and Vesta Residences.
- **Valuation.** Slashed our earnings by -27.8% and -17.4% to RM82.0m and RM101.3m for FY25F and 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 RM0.51, 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)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	3MFY23	3MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	98.8	210.8	(53.1)	158.3	(37.6)	210.8	98.8	(53.1)		Lower on completion of several key projects in prior financial year
EBITDA	17.8	62.1	(71.3)	42.2	(57.8)	62.1	17.8	(71.3)		
Pre-tax profit	14.1	59.2	(76.2)	39.4	(64.3)	59.2	14.1	(76.2)		
Net profit	9.9	41.9	(76.3)	20.7	(51.9)	41.9	9.9	(76.3)		
Core net profit	10.0	42.0	(76.2)	20.7	(51.8)	42.0	10.0	(76.2)		
Core EPS (sen)	1.0	4.2	(76.2)	2.1	(51.8)	4.2	1.0	(76.2)		In tandem with weaker topline
EBITDA margin (%)	18.0	29.5		26.6		29.5	18.0			
PBT margin (%)	14.2	28.1		24.9		28.1	14.2			
Core PATMI margin (%)	10.1	19.9		13.1		19.9	10.1			

Source: Company, Apex Securities

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

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Revenue</b>	<b>790.4</b>	<b>841.4</b>	<b>688.0</b>	<b>508.6</b>	<b>616.6</b>
<b>Gross Profit</b>	<b>249.6</b>	<b>298.3</b>	<b>253.0</b>	<b>187.1</b>	<b>226.8</b>
<b>EBITDA</b>	<b>168.6</b>	<b>221.5</b>	<b>173.3</b>	<b>127.2</b>	<b>154.2</b>
Depreciation & Amortisation	-0.9	-2.1	-4.9	-4.2	-5.0
<b>EBIT</b>	<b>167.7</b>	<b>219.4</b>	<b>168.4</b>	<b>123.0</b>	<b>149.2</b>
Net Finance Income/ (Cost)	-14.6	-14.2	-7.0	-6.6	-6.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>150.0</b>	<b>204.8</b>	<b>159.9</b>	<b>116.8</b>	<b>144.3</b>
Tax	-45.7	-54.1	-53.4	-35.0	-43.3
<b>Profit After Tax</b>	<b>104.3</b>	<b>150.7</b>	<b>106.5</b>	<b>81.8</b>	<b>101.0</b>
Minority Interest	1.7	-6.7	0.3	0.2	0.2
<b>Net Profit</b>	<b>106.0</b>	<b>144.0</b>	<b>106.8</b>	<b>82.0</b>	<b>101.3</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>106.0</b>	<b>144.0</b>	<b>106.8</b>	<b>82.0</b>	<b>101.3</b>

**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%	24.2%	24.2%
PBT margin	19.0%	24.3%	23.2%	23.0%	23.4%
PAT margin	13.2%	17.9%	15.5%	16.1%	16.4%
NP margin	13.4%	17.1%	15.5%	16.1%	16.4%
Core NP margin	13.4%	17.1%	15.5%	16.1%	16.4%
ROE	22.8%	23.4%	12.7%	9.1%	10.3%
ROA	7.8%	10.9%	6.9%	5.1%	6.1%
Net gearing	36.0%	39.9%	Net Cash	Net Cash	Net Cash

**Valuations**

RNAV (RM' m)	645.6
RNAV/share (RM)	0.65
Discount Rate	20.0%
<b>Fair Value (RM)</b>	<b>0.51</b>

Source: Company, Apex Securities

**Balance Sheet**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	280.5	237.7	499.9	459.2	476.4
Receivables	74.2	39.8	98.6	97.5	118.3
Inventories	276.6	184.4	190.6	199.9	198.9
Other current assets	177.1	205.3	128.3	127.2	135.7
<b>Total Current Assets</b>	<b>808.4</b>	<b>667.3</b>	<b>917.4</b>	<b>883.7</b>	<b>929.1</b>
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	674.1
<b>Total Non-current assets</b>	<b>556.2</b>	<b>650.4</b>	<b>641.2</b>	<b>707.9</b>	<b>736.1</b>
Short-term Debt	158.2	159.3	214.0	224.7	235.9
Payables	190.5	161.2	154.2	145.5	149.9
Other Current Liabilities	247.2	53.5	52.4	51.4	50.7
<b>Total Current Liabilities</b>	<b>608.8</b>	<b>377.1</b>	<b>428.5</b>	<b>427.4</b>	<b>443.6</b>
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	7.9
<b>Total Non-current Liabilities</b>	<b>290.7</b>	<b>324.9</b>	<b>287.3</b>	<b>259.4</b>	<b>238.1</b>
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
<b>Equity</b>	<b>465.1</b>	<b>615.7</b>	<b>842.8</b>	<b>904.8</b>	<b>983.6</b>

**Cash Flow**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Pre-tax profit</b>	<b>150.0</b>	<b>204.8</b>	<b>159.9</b>	<b>116.8</b>	<b>144.3</b>
Depreciation & amortisation	0.9	2.1	4.9	4.2	5.0
Changes in working capital	-19.2	-203.3	47.9	18.8	23.3
Others	-72.2	-104.1	-71.3	-71.3	-71.3
<b>Operating cash flow</b>	<b>84.2</b>	<b>-87.8</b>	<b>153.0</b>	<b>81.6</b>	<b>112.8</b>
Net capex	7.0	17.6	-16.5	10.2	12.3
Others	-26.9	-39.8	-63.4	-63.4	-63.4
<b>Investing cash flow</b>	<b>-19.9</b>	<b>-22.2</b>	<b>-79.9</b>	<b>-53.2</b>	<b>-51.1</b>
Dividends paid	0.0	0.0	-42.5	-20.0	-22.5
Others	73.6	144.2	-19.0	-27.9	-24.9
<b>Financing cash flow</b>	<b>73.6</b>	<b>144.2</b>	<b>104.9</b>	<b>-47.9</b>	<b>-47.4</b>
<b>Net cash flow</b>	<b>137.9</b>	<b>34.2</b>	<b>178.1</b>	<b>-19.6</b>	<b>14.3</b>
Forex	0.0	-0.2	0.7	0.0	0.0
Others	91.0	14.3	97.7	76.5	79.4
Beginning cash	51.6	189.4	223.4	402.2	382.6
<b>Ending cash</b>	<b>280.5</b>	<b>237.7</b>	<b>499.9</b>	<b>459.2</b>	<b>476.4</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

<b>APEX SECURITIES BHD</b>	<b>DEALING TEAM</b>	<b>RESEARCH TEAM</b>
<p><b>Head Office:</b> 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p> <p><b>Petaling Jaya Office:</b> 16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p>	<p><b>Head Office:</b> 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)</p> <p><b>Institutional Dealing Team:</b> Low Jin Wu (ext 2109)</p> <p><b>PJ Office:</b> General Line: (603) 7620 1118</p>	<p><b>Head Office:</b> Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095)</p>

**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.

**DISCLAIMER**

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

All analyst(s) names appear in the front page, whom prepared this report, does not have any interest in the following securities covered in this report.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.