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<b>Recommendation:</b>	<b>HOLD</b>
Current Price:	RM 0.48
Previous Target Price:	RM 0.55
Target Price:	↓ RM 0.49
Capital Upside/ Downside:	2.1%
Dividend Yield (%):	2.1%
<b>Total Upside/ Downside:</b>	<b>4.2%</b>

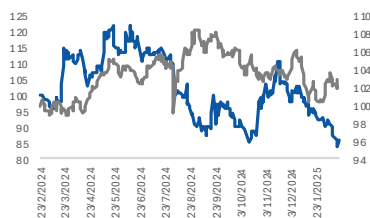
#### Stock information

Board	MAIN
Sector	Property
Bursa/ Bloomberg Code	5315/ SKYWLD MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	1,000.0
Market Cap (RM' m)	480.0
52-Week Price Range (RM)	0.73-0.47
Beta (x)	0.6
Free float (%)	27.3
3M Average Volume (m)	2.1
3M Average Value (RM' m)	1.2

#### Top 3 Shareholders (%)

Phing Ng Thien	44.4
Lam Soo Keong	10.3
Lee Chee Seng	5.0

#### Share Price Performance



	1M	3M	12M
Absolute (%)	-9.4	-14.3	-16.5
Relative (%)	-10.4	-14.4	-18.7

## SkyWorld Development Bhd

### Another sluggish quarter

#### Executive Summary

- SKYWLD 3QFY25 core net profit (CNP) sank -47.0% yoy and -8.3% qoq to RM13.3m, bringing 9MFY25 CNP at RM37.8m (-56.1% yoy) came below expectations, constituting to only 65.5% and 67.1% of ours and consensus forecast respectively.
- Slashed our CNP forecast by -19.7%/-36.4% to RM46.3m/RM51.6m for FY25F/FY26F respectively to account for slower-than-expected revenue recognition from on-going projects and introduced FY27F CNP at RM60.5m.
- Maintained our HOLD recommendation, but with a lower target price of RM0.49, based discount rate of 30% to our revised RNAV and appraised with three-star ESG rating.

**Results below expectations.** 9MFY25 core net profit at RM37.8m (-56.1% yoy) came below expectations, accounting to 65.5% of our core net profit forecast at RM57.7m and was at 67.1% of consensus forecasted net profit of RM56.3m.

**YoY.** 3QFY25 core net profit sank -47.0% yoy to RM13.3m, dragged down by lower progressive revenue recognition from EdgeWood Residences that is at the tail end of completion. Revenue for the quarter slipped -37.0% yoy to RM107.9m.

**QoQ.** Core net profit decreased by -8.3% qoq to RM13.3m, on the back of slight uptick in tax expenses that was under-provisioned in prior years. Revenue for the quarter declined -13.2% qoq to RM107.9m. Still, we gather that core net margins improved to 12.3% vis-à-vis 11.7% in 2QFY25, lifted by higher billing stages from Curvo Residences and Vesta Residences.

**Outlook.** Unbilled sales of RM622.6m as at end-3QFY25 (up from RM592.0m as at end-2QFY25) will be recognised progressively over the next three years. Longer-term perspective may yield more stability with the development of >35,000 affordable housing units in Penang, with an estimated GDV worth approximately RM13.0bn to be launch in CY26.

**Earnings Revision.** Slashed our CNP forecast by -19.7%/-36.4% to RM46.3m/RM51.6m for FY25F/FY26F respectively to account for slower-than-expected revenue recognition from on-going projects and introduced FY27F CNP at RM60.5m.

**Valuation.** Maintained our **HOLD** recommendation on SKYWLD, but with a lower target price of **RM0.49**, based discount rate of 30% to our RNAV and appraised with three-star ESG rating.

**Risk.** Land scarcity, potential construction cost increases, and regulatory changes, could hamper future development.

#### Earnings Summary

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	841.4	688.0	433.1	475.8	543.0
EBITDA	221.5	173.3	82.3	90.4	103.2
Pre-tax profit	204.8	159.9	67.9	75.6	88.6
Net profit	144.0	106.8	46.3	51.6	60.5
Core net profit	144.0	106.8	46.3	51.6	60.5
Core EPS (sen)	14.4	10.7	4.6	5.2	6.0
P/E (x)	3.3	4.5	10.4	9.3	7.9
P/B (x)	0.8	0.6	0.5	0.5	0.5
EV/EBITDA (x)	1.1	2.8	4.9	4.7	4.4
Dividend Yield (%)	6.3%	4.7%	2.1%	2.1%	2.6%
Net Gearing (%)	39.9%	Net Cash	8.4%	6.0%	2.0%

Source: Company, Apex Securities

# Results Note

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## Results Comparison

FYE Mar (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue	107.9	171.2	(37.0)	124.3	(13.2)	331.0	530.3	(37.6)	Lower progressive recognition from EdgeWood Residences that is at tail-end of completion
EBITDA	24.3	39.2	(38.1)	23.7	2.2	65.6	131.1	(49.9)	
Pre-tax profit	21.1	34.0	(38.0)	20.3	3.7	55.4	120.7	(54.1)	
Net profit	13.3	25.1	(47.0)	14.5	(8.3)	37.8	86.2	(56.1)	
Core net profit	13.3	25.1	(47.0)	14.5	(8.3)	37.8	86.2	(56.1)	
Core EPS (sen)	1.3	2.5	(47.0)	1.5	(8.3)	3.8	8.6	(56.1)	
EBITDA margin (%)	22.5	22.9		19.1		19.8	24.7		
PBT margin (%)	19.5	19.8		16.3		16.7	22.8		
Core net profit margin (%)	12.3	14.7		11.7		11.4	16.3		

Source: Company, Apex Securities

## Segmental Breakdown

FYE Mar (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)
<b>Revenue</b>								
Property development	106.2	170.5	(37.7)	122.7	(13.4)	326.5	529.1	(38.3)
Property management service	0.0	0.0	-	0.0	-	0.0	0.0	50.0
Others	3.7	0.6	476.2	1.6	126.7	6.7	1.2	467.4
<b>Total</b>	<b>110.0</b>	<b>171.2</b>	<b>(35.8)</b>	<b>124.3</b>	<b>(11.5)</b>	<b>333.1</b>	<b>530.3</b>	<b>(37.2)</b>
<b>Gross Profit</b>								
Property development	39.0	52.2	(25.3)	35.3	10.7	104.3	176.1	(40.7)
Property management service	3.7	3.2	14.1	2.2	66.4	8.0	8.9	(10.0)
Others	(0.0)	(1.2)	(98.9)	-	nm	(0.0)	(1.8)	(99.3)
<b>Total</b>	<b>42.7</b>	<b>54.3</b>	<b>(21.3)</b>	<b>37.5</b>	<b>14.0</b>	<b>112.3</b>	<b>183.2</b>	<b>(38.7)</b>
<b>GP margin (%)</b>								
Property development	36.7%	30.6%	67.0%	28.7%	-80.0%	32.0%	33.3%	
Property management service	369300.0%	323600.0%	#DIV/0!	222000.0%	#DIV/0!	267033.3%	444900.0%	
Others	-0.3%	-178.7%	-20.8%	0.0%	#VALUE!	-0.2%	-153.5%	
<b>Aggregate Total</b>	<b>38.8%</b>	<b>31.7%</b>	<b>59.7%</b>	<b>30.1%</b>	<b>-121.1%</b>	<b>33.7%</b>	<b>34.5%</b>	

Source: Company, Apex Securities

# Results Note

Monday, 24 Feb, 2025

## Financial Highlights

### Income Statement

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	841.4	688.0	433.1	475.8	543.0
Gross Profit	298.3	253.0	138.6	152.3	173.8
EBITDA	221.5	173.3	82.3	90.4	103.2
Depreciation & Amortisation	-2.1	-4.9	-6.7	-7.8	-9.1
EBIT	221.5	173.3	82.3	90.4	103.2
Net Finance Income/ (Cost)	-11.2	-8.4	-7.7	-7.0	-5.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	204.8	159.9	67.9	75.6	88.6
Tax	-54.1	-53.4	-21.7	-24.2	-28.4
Profit After Tax	150.7	106.5	46.2	51.4	60.3
Minority Interest	-6.7	0.3	0.2	0.2	0.2
Net Profit	144.0	106.8	46.3	51.6	60.5
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	144.0	106.8	46.3	51.6	60.5

### Key Ratios

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	14.4	10.7	4.6	5.2	6.0
P/E (x)	3.3	4.5	10.4	9.3	7.9
P/B (x)	0.8	0.6	0.5	0.5	0.5
EV/EBITDA (x)	1.1	2.8	4.9	4.7	4.4
DPS (sen)	3.0	2.3	1.0	1.0	1.3
Dividend Yield (%)	6.3%	4.7%	2.1%	2.1%	2.6%
EBITDA margin (%)	26.3%	25.2%	19.0%	19.0%	19.0%
EBIT margin (%)	26.3%	25.2%	19.0%	19.0%	19.0%
PBT margin (%)	24.3%	23.2%	15.7%	15.9%	16.3%
PAT margin (%)	17.9%	15.5%	10.7%	10.8%	11.1%
NP margin (%)	17.1%	15.5%	10.7%	10.8%	11.1%
CNP margin (%)	17.1%	15.5%	10.7%	10.8%	11.1%
ROE (%)	23.4%	12.7%	5.3%	5.6%	6.2%
ROA (%)	10.9%	6.9%	2.9%	3.3%	3.8%
Gearing (%)	78.5%	58.2%	53.9%	49.9%	46.4%
Net gearing (%)	39.9%	Net Cash	8.4%	6.0%	2.0%

Valuations	FY27F	Valuation methodology
Total RNAV (RM' m)	704.7	10% NPV
Discount Rate	30.0%	
Discounted RNAV (RM' m)	493.3	
No. of shares	1000.0	
Fair Value (RM)	0.49	

### Balance Sheet

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	237.7	499.9	399.9	404.3	429.8
Receivables	39.8	98.6	94.9	91.3	89.3
Inventories	184.4	190.6	226.9	197.9	192.3
Other current assets	205.3	128.3	151.6	142.8	135.8
Total Current Assets	667.3	917.4	873.3	836.2	847.1
Fixed Assets	23.7	31.6	37.9	44.3	51.5
Intangibles	3.8	3.2	3.2	3.2	3.2
Other non-current assets	623.0	606.4	668.2	676.1	710.7
Total Non-Current Assets	650.4	641.2	709.3	723.7	765.5
Short-term debt	159.3	214.0	224.7	235.9	247.7
Payables	161.2	154.2	120.2	125.6	133.5
Other current liabilities	56.7	60.3	52.5	47.9	54.7
Total Current Liabilities	377.1	428.5	397.4	409.4	435.9
Long-term debt	324.0	276.4	248.8	223.9	201.5
Other non-current liabilities	0.9	10.9	48.0	13.5	20.6
Total Non-Current Liabilities	324.9	287.3	296.7	237.5	222.1
Shareholder's equity	609.8	846.1	882.4	924.1	972.0
Minority interest	5.9	-3.3	-3.3	-3.3	-3.3
Total Equity	615.7	842.8	879.2	920.8	968.8

### Cash Flow

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	204.8	159.9	67.9	75.6	88.6
Depreciation & amortisation	2.1	4.9	6.7	7.8	9.1
Changes in working capital	-203.3	47.9	97.7	-42.4	-29.2
Others	-91.4	-59.8	-63.2	-4.2	-6.8
Operating cash flow	-87.8	153.0	109.1	36.8	61.7
Net capex	17.6	-16.5	13.0	14.3	16.3
Others	-39.8	-63.4	-63.4	-10.0	-10.0
Investing cash flow	-22.2	-79.9	-50.4	4.3	6.3
Dividends paid	0.0	-42.5	-10.0	-10.0	-12.5
Others	144.2	147.4	-27.9	-24.9	-22.4
Financing cash flow	144.2	104.9	-37.9	-34.9	-34.9
Net cash flow	34.2	178.1	20.7	6.2	33.1
Forex	-0.2	0.7	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	189.4	223.4	402.2	423.0	429.1
Ending cash	223.4	402.2	423.0	429.1	462.3

# Results Note

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## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★★	Allocating >10% of green spaces from development areas in all High-Rise Developments in Klang Valley by FY25
Waste & Effluent	★★	Establishing a 3-year baseline data of Non-hazardous Waste Diverted from disposal by FY27
Energy	★★★	Providing Energy Efficient Lighting in all common areas for High-Rise Developments in Klang Valley by FY25
Water	★★★	87.5% of Group's operations equipped with a Water Recycling System
Compliance	★★★	Compliance Monitoring Framework has been established to ensure a high level of compliance is achieved and maintained Group wide

### Social

Diversity	★★★	Committed to creating a diverse and inclusive workplace
Human Rights	★★★	Zero substantiated human rights violations in FY24
Occupational Safety and Health	★★★	Zero cases of fatality
Labour Practices	★★★	Adhere to Employment Act and achieved 81.7% employee satisfaction

### Governance

CSR Strategy	★★★	Contributed RM15,000 in FY24 directed to 3 beneficiary organisations in FY24
Management	★★★★	42.9% female board composition, 4/7 composition of Independent Directors
Stakeholders	★★★	Regularly maintain constructive channels of communication through both formal and informal to key stakeholders group

Overall ESG Scoring: ★★★

## Recommendation Framework:

**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

## 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.

## ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.