



SkyWorld Development Bhd

Pivot to Affordability

Valuation / Recommendation

We initiate coverage on SkyWorld with a **BUY call** and a **TP of RM0.64 (53% upside)**, based on a 65% discount to our estimated RNAV of RM1.84 per share. However, the stock appears undervalued, trading at FY25 P/E of 9.2x and P/B of 0.5x, below the sector averages. Our TP implies forward P/E of 7.2–11.5x and P/B of 0.6–0.7x, still undemanding relative to peers. We believe SkyWorld is poised for a re-rating, supported by its strong position in the affordable housing segment (cushioned by strong demand and supportive government policy) and strong earning visibility backed by robust RM2.2bn GDV project launches pipeline and PPVC adoption to support growth.

Investment Highlights

Strong footing in affordable housing space. Since venturing into affordable housing space in 2015, SkyWorld has completed 5 fully-sold projects under its SkyAwani series (SkyAwani I-V). The upcoming project launch pipeline remains robust, with SkyAwani VI (GDV: RM191m) and SkyAwani Prima (GDV: RM192m) slated for launch in 2HFY26E. Besides, SkyWorld has also ventured into Penang affordable housing space through a RM13bn GDV joint venture with PDC under the RBB initiative, which aims to deliver over 35,000 units over a 15-year period. This will position SkyWorld as a key beneficiary of Penang affordable housing's policy reforms aimed at improving housing accessibility for out-of-state buyers. Given strong affordable housing demand in Penang and supportive state policy, we believe affordable housing development would be the key earnings driver for SkyWorld going forward.

Strong earnings visibility. SkyWorld plans to roll out new property launches with RM2.2bn GDV in 2HFY26E. While SkyWorld's unbilled sales showed moderation due to slower new projects launches and slower take-up rate of its on-going project, we expect a recovery from FY27–28E, potentially surpassing 2.0x revenue coverage as upcoming launches (4 out of 5) are affordable housing projects that should achieve strong take-up rates. Besides, SkyWorld also holds robust 257.7acres landbank with active replenishment efforts, recently announced a RM110m residential land acquisition in Mont Kiara, Kuala Lumpur, supporting future project launch visibility. The group is also tapping collaborative opportunities with PR1MA to strengthen its affordable housing development footprint in Kuala Lumpur. SkyWorld's build-to-rent assets provide steady income and future redevelopment potential despite their currently minimal contribution.

PPVC integration to support growth. SkyWorld is adopting Prefabricated Prefinished Volumetric Construction (PPVC), an advanced IBS that improves project delivery efficiency by enabling off-site fabrication of fully finished 3D modules. To support its RM13bn affordable housing development in Penang, SkyWorld is investing RM200m to establish a dedicated PPVC plant capable of producing 3,600 units per annum, with completion targeted within 1 year. Besides, SkyWorld also formed a 70:30 joint venture with Singapore's Teambuild Holding Pte Ltd, focusing on PPVC system production and regional expansion. Initially serving SkyWorld's Penang project, the JV may tap into other ASEAN markets over time, though no revenue has been forecasted given its early stage.

Risk factors for SkyWorld include (1) Subdued property sales; (2) Construction cost fluctuation; and (3) Changes in housing regulations.

Initiate Coverage

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Monday, July 28, 2025

Price: RM0.420

Target Price: RM0.640

Share Price Performance



Business Overview

SkyWorld Development Berhad (SkyWorld), a property developer that focuses on the development of residential and commercial properties.

Return Information

KLCI (pts)	1,502.7
YTD KLCI chg	(8.5)
YTD Stock Price chg	(24.8)

Price Performance	1M	3M	12M
Absolute (%)	(6.6)	(1.2)	(37.0)
Relative to KLCI (%)	(4.5)	(1.0)	(31.5)

Stock Information

Market Cap (RM m)	425.0
Issued Shares (m)	1,000.0
52-week High (RM)	0.660
52-week Low (RM)	0.385
Estimated Free Float (%)	27.3
Beta vs FBM KLCI	0.91
3-month Average Vol. (m)	0.4
Shariah Compliant	Yes
Bloomberg Ticker	SKYWLD MK

Top 3 Shareholders	%
Datuk Seri Ng Thien Phing	44.4
Datuk Lam Soo Keng @ Low Soo Keong	10.3
Lee Chee Seng	5.0

FY MAR (RM m)	FY25A	FY26E	FY27E
Revenue	445.4	548.7	932.1
EBIT	90.8	101.4	154.7
Net Profit	54.2	66.4	106.9
Core Net Profit	54.2	66.4	106.9
Core EPS (sen)	4.6	5.6	9.0
Core EPS Growth (%)	(49.1)	22.6	60.9
Net DPS (sen)	1.5	1.3	2.1
Net Div. Yield (%)	3.6	3.2	5.1
BVPS (sen)	87.8	93.1	101.7
PER (x)	9.2	7.5	4.7
PBV (x)	0.5	0.5	0.4
Net Gearing (x)	0.1	Cash	Cash



Investment Merits

Strategic exposure to affordable housing space

Strong track record in affordable housing space. SkyWorld has established itself as a key player in the affordable housing segment, supported by its proven delivery track record of the SkyAwani series, which falls under the Residensi Wilayah initiative spearheaded by the Federal Government. Since venturing into this segment in 2015, SkyWorld has successfully completed five affordable housing developments namely SkyAwani I to SkyAwani V, all of which were fully sold (see figure 1). All of these affordable housing projects were undertaken on its existing landbank, reflecting the company's effort to maximize the economic potential of their existing landbank. The strong take-up across these projects highlights the resilient demand in the mass housing segment and reinforces SkyWorld's execution and delivery capabilities.

Looking ahead, SkyWorld is slated to launch SkyAwani VI and SkyAwani Prima (Brickfield, Kuala Lumpur) in 2HFY26E with an estimated gross development value (GDV) of RM191m and RM192m respectively. Besides, the company is also planning additional phases, including SkyAwani VII and SkyAwani VIII, on its land parcels in Batu Caves (3.34acres) and Bukit Jalil (2.74 acres), respectively.

Figure 1: SkyWorld's affordable housing projects under SkyAwani series

List of Completed Projects							
No	Project	Location	Land size (acres)	Units	Launch date/ completion date	Estimated GDV (RM m)	Take up rate
1	SkyAwani Residences	Sentul, KL	-	1,226	2015/2018	-	100%
2	SkyAwani II	Jalan Ipoh, KL	2.78	708	2017/2020	265.2	100%
3	SkyAwani III	Setapak, KL	4.55	1,905	2018/2022	572.7	100%
4	SkyAwani IV	Setapak, KL	4.73	1,782	2019/2023	534.9	100%
5	SkyAwani V	Setapak, KL	2.06	615	2020/2024	188.3	100%
	Total			7,365		1,943.5	
List of Future Launches in Pipeline							
1	SkyAwani VI	Setapak, KL	2.55	638	2H 2025	191.0	To be launched
2	SkyAwani Prima	Brickfields, KL	1.97	491	2H 2025	191.5	To be launched
3	SkyAwani VII	Bukit Jalil, KL	2.74	TBC	TBC	TBC	To be launched
4	SkyAwani VIII	Batu Cave, Selangor	3.34	TBC	TBC	TBC	To be launched

Sources: Company, Mercury Securities

Becoming a major player in the affordable housing in Penang. SkyWorld is set to become a leading affordable housing developer, following its entry into the northern region via the state's Rumah Bakat Baru Madani (RBB) initiative. Leveraging its proven track record and success of its SkyAwani series under Rumah Wilayah initiatives, the company managed to secure a Joint Venture Agreement (JVA) with the Penang Development Corporation (PDC) and its wholly owned subsidiary, PDC Properties Sdn Bhd (PDCP) to develop Malaysia's largest affordable housing project, with a projected GDV of approximately RM13bn. Under the terms of the JVA, SkyWorld will act the developer and investor, while PDC will contribute the land parcels and play the role of landowner and state development agency (entitles for landowner entitlement worth of RM502.7m). PDCP will serve as a facilitator and may also participate as a strategic stakeholder in the development structure. The development will be undertaken across two prime parcels in Seberang Perai, Penang:

- Plot A: 34 acres in Seberang Jaya, directly opposite Penang Bird Park (GDV: RM2.3bn)
- Plot B: 161.5 acres in Batu Kawan, adjacent to the Design Village Outlet Mall (GDV: RM10.5bn)

Combined, a total of over 35,000 of affordable housing units will be built and offered for sales on the open market over 15 years targeting the M40 income segment (monthly household income below RM11,800). Notably, the JVA structure offers key financial flexibility. SkyWorld is only required to fulfil landowner entitlement payments on a phase-by-phase basis, as each parcel is progressively launched. We believe this staggered payment structure would help SkyWorld to preserve its cash flow and reduce upfront capital commitments across the development horizon.

Figure 2: Satellite image of Plot A in Penang



Sources: Company

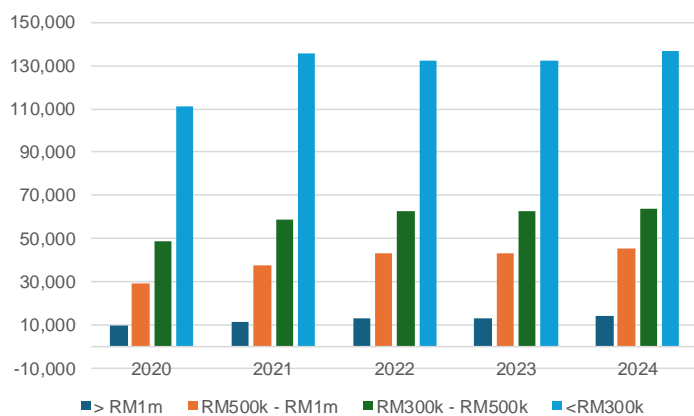
Figure 3: Satellite image of Plot B in Penang



Sources: Company

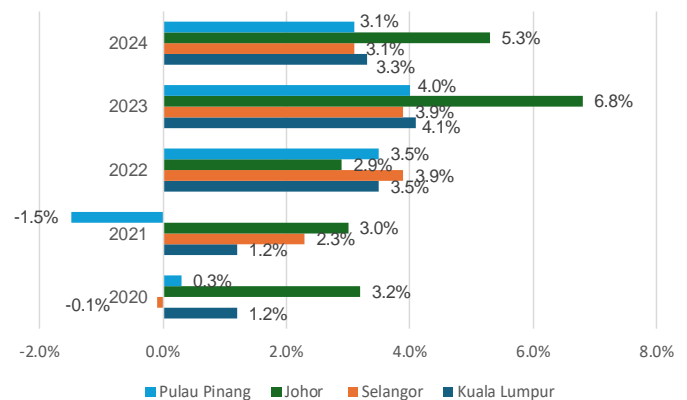
Strong affordable housing demand in Penang. Property demand remains robust in Penang, anchored by the state's position as a regional hub for the electrical and electronics industry, which continues to attract a steady influx of skilled talent and working professionals. However, a key structural challenge in Penang has been the elevated property prices, driven by land scarcity where developable land is limited. This constraint has driven up land acquisition costs, translating into higher residential property prices and creating affordability barriers, especially for out-of-state workers and the middle-income (M40) segment who seek homeownership while working in Penang. As a result, demand has increasingly shifted towards the affordable housing segment, a more accessible entry point for the M40 segment homebuyers which will bodes well to support take-up rate for SkyWorld's upcoming affordable housing projects in Penang.

Figure 4: Transaction volume by price range



Source: National Property Information Centre, Mercury Securities

Figure 5: Penang's annual property price changes vs other key states trend



Source: National Property Information Centre, Mercury Securities

Policy shifts as the key catalyst. Penang state government has introduced the new RBB initiative to replace the Rumah Mampu Milik (RMM) scheme. RBB is a more comprehensive housing policy designed to broaden homeownership access to non-Penang residents, a demographic underserved under the previous RMM scheme. With the introduction of RBB, non-resident workers and out-of-state buyers now have greater opportunity to buy and own a house in Penang, unlocking a previously constrained demand pool. RBB units will be priced between RM225,000 and RM420,000, consistent with the pricing framework of the RMM scheme. In our view, this policy enhancement is poised to catalyze demand and significantly improve sales velocity for RBB projects, particularly given the state's strong employment base and ongoing infrastructure development. We believe the RBB initiative should augurs well for SkyWorld, as the company stands to directly benefit from a wider pool of home buyers for its upcoming RM13bn GDV affordable housing development in Seberang Perai.

Strong earnings visibility

Record-high RM2.2bn new property launches. SkyWorld is set to roll out new property launches with RM2.2bn GDV in 2HFY26E, representing its largest launch pipeline since listing. Notably, SkyWorld remains committed to its prudent phased-launch strategy, whereby it avoids introducing new projects in the same locality unless existing developments have achieved at least an 80% take-up rate. Despite of this internal safeguard, we expect the rollout of upcoming launches to remain steady and robust, underpinned by SkyWorld's strong track record in the affordable housing segment. Encouragingly, 4 out of 5 projects scheduled for launches in 2HFY26E are affordable housing, a segment that has historically delivered strong take-up rates for SkyWorld and continued to enjoy resilient demand in the market. The 2HFY26E pipeline includes a mix of affordable and mid-market residential offerings. (Refers to figure 6)

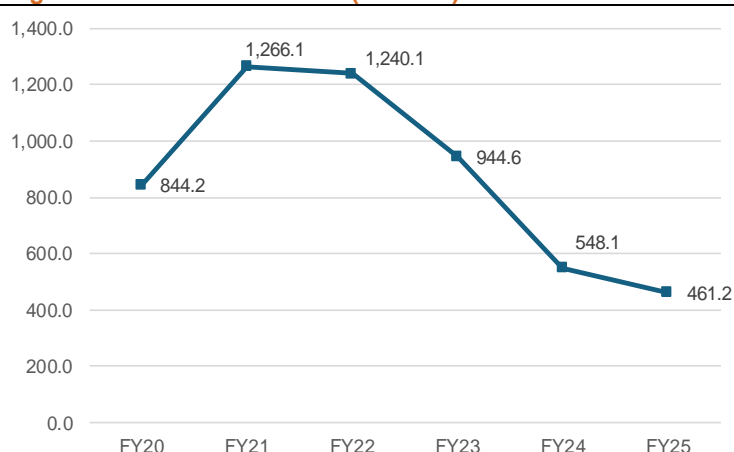
Figure 6: SkyWorld's upcoming project launches in 2HFY26E

No	Project	Location	Types of residential	Units	Estimated GDV (RM m)
1	SkyAwani VI	Sentul, KL	Affordable	638	191.0
2	SkyAwani Prima	Brickfield, KL	Affordable	492	192.0
3	SkyAmanyi	Cheras, KL	Mid-range	510	371.0
4	Pearlmont - Phase 1	Seberang Jaya, Penang	Affordable	1,756	592.0
5	Cassia - Phase 1	Batu Kawan, Penang	Affordable	3,600	849.0
	Total			6,996	2,195.0

Source: Company, Mercury Securities

Commendable unbilled sales, but to recover soon. As at end-FY25, SkyWorld reported unbilled sales of RM461.2m, representing a healthy 1.04x cover of its FY25 revenue. However, the company's unbilled sales have experienced a moderation, primarily attributable to the absence of new launches during the period and the slower-than-expected take-up rates of its ongoing project namely the Curvo Residences which currently stands at approximately 57%. In contrast, the Vesta Residence, SkyWorld's another on-going project achieved a stable take-up rate of 71%. According to management, the dismal take-up rate of the Curvo Residence is partly due to misaligned pricing strategies of the project within the localities. However, SkyWorld continues to refrain from excessive price discounting in order to preserve margins. While near-term take-up may remain gradual, management is confident of a steady recovery, supported by more targeted marketing efforts. Looking ahead, we expect a strong rebound in its unbilled sales with potentially revenue coverage to exceed more than 2x in FY27-28E, underpinned by its upcoming RM2.2bn GDV launches in 2HFY26E, which are predominantly within the affordable housing segment that should capture strong take-up rates.

Figure 7: Unbilled sales trend (in RM m)

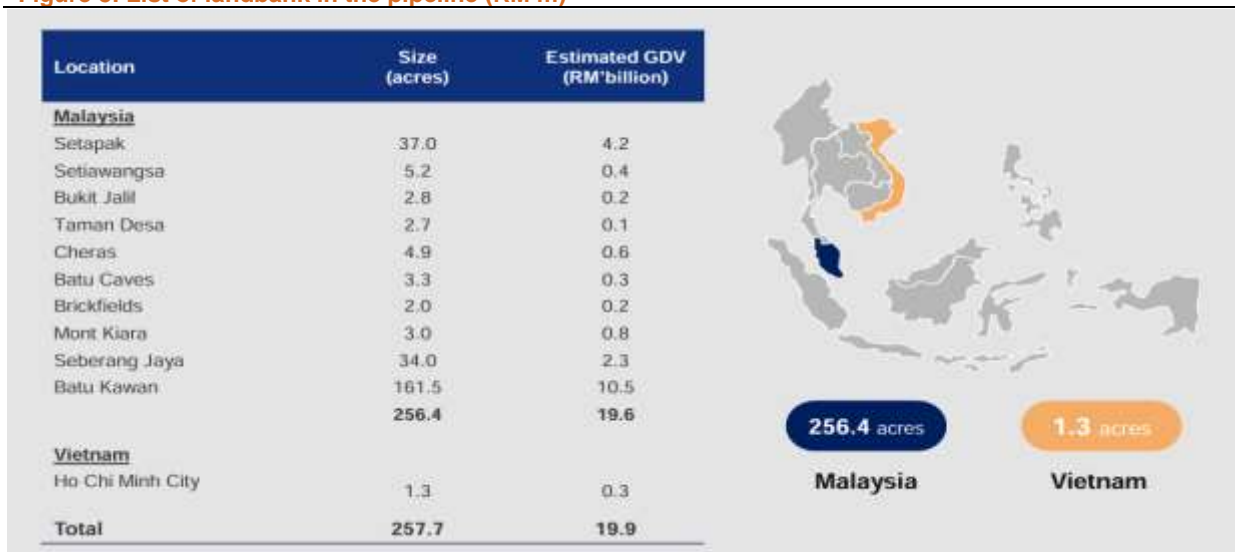


Source: Company, Mercury Securities

Strong landbank with active replenishment effort. As at 31 March 2025, SkyWorld owned a sizeable landbank of 257.7 acres, comprising RM19.6bn in cumulative GDV across Malaysia and an additional RM300m GDV from its maiden land parcel in Vietnam. The company's landbank portfolio is well-distributed across high-growth urban zones (Kuala Lumpur and Penang area), supporting a diversified product pipeline across the affordable and high-rise residential segments. Despite maintaining a healthy land reserve, SkyWorld continues to pursue proactive land banking efforts, leveraging on its robust balance sheet to secure prime development parcels. Most recently, the company entered into a Sale and Purchase Agreement with M S Tan Corporation Sdn Bhd for the acquisition of a 3.03-acre freehold land parcel in Mont

Kiara, Kuala Lumpur at a purchase consideration of RM110m. This new landbank is set for an upcoming luxury high-rise residential development, with an estimated GDV of RM800–900m, targeted for launch in 2027. This reflects management's disciplined approach to land banking by focusing on acquiring plots with high development potential and strong projected returns. That said, we believe the active land banking efforts will help ensure SkyWorld's continuity in project launches to sustain revenue visibility.

Figure 8: List of landbank in the pipeline (RM m)



Source: Company

Eyeing on more affordable housing in Klang Valley via collaboration. SkyWorld is also actively exploring new affordable housing development opportunities across the Klang Valley through its strategic joint ventures with government-linked affordable housing entities like PR1MA. According to management, PR1MA is seeking to collaborate with private developers that possesses strong execution and delivery capabilities to roll out affordable housing projects under the PR1MA Homes programme. Under the proposed collaboration framework, land is expected to be made available to developers at attractive pricing, significantly improving project viability. In particular, this opens up more affordable housing opportunities for SkyWorld especially in light of Wilayah Persekutuan, Kuala Lumpur government's stated broader mandate to boost affordable housing supply in Kuala Lumpur. More notably, SkyWorld stands to benefit from the Kuala Lumpur Structure Plan 2040 (PSKL 2040) and Draft Kuala Lumpur Local Plan 2040 (DPTKL2040), which have identified 139 redevelopment sites spanning approximately 1,229 hectares for urban renewal. These policies aim to catalyse the redevelopment of ageing housing estates into higher-density, mixed-income developments, with a sizeable affordable housing component. This strategic collaboration, when materializes should enhance SkyWorld's development pipeline visibility, reinforcing its growth prospects within the Klang Valley's robust affordable housing segment.

Maiden contribution by its build-to-rent business. SkyWorld also runs built-to-rent (BTR) business to generate some recurring income, despite the earnings contribution from this segment remains minimal at below 1% of total group's revenue. We view the initiative as a strategic move to enhance asset utilisation and diversify income sources. The BTR portfolio currently comprises of two assets located in Setapak, Kuala Lumpur:

- **Sama Square:** A commercial asset featuring 44 retail lots with a net lettable area of 58,579 sq ft, situated on a 4.15-acre parcel. The property is performing well operationally, with a healthy occupancy rate of 96% as at end-FY25.
- **SkyBlox:** Malaysia's first container-style co-living concept, offering 128 modular units housing 320 lettable rooms, built on a 2.72-acre site. Occupancy remains weak, currently at 22%.

Although near-term revenue contribution remains modest, management sees the BTR model as a transitional income-generating platform, optimising land use while awaiting future redevelopment. Both assets are strategically located on prime land parcels, offering valuable optionality for future high-rise or mixed-use developments.

Figures 9: Sama Square



Source: Company

Figures 10: SkyBlox



Source: Company

Complementary benefits with new PPVC integration

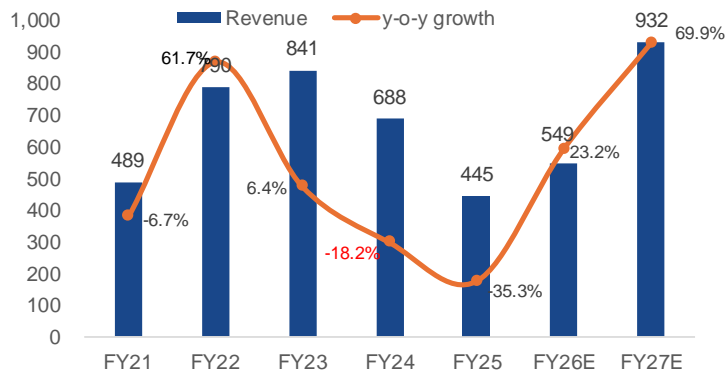
Pioneering PPVC adoption. SkyWorld is a early adopter of the Prefabricated Prefinished Volumetric Construction (PPVC) in Malaysia, a 3-dimensional Industrialised Building System (IBS) whereby free-standing 3-dimensional modules are completed with internal finishes, fixtures and fittings on an off-site fabrication facility, before being delivered and assembled on-site. The PPVC will enable more construction works to be done off-site, leading to significant cost savings through faster project completion, reducing reliance on manual labour and minimising wastage of construction materials. As a general illustration of the time savings potential, a typical property development comprising 1,000 units could see its construction timeline reduced by up to 12 months, from 48 months to 36 months.

PPVC integration to enhance margin. SkyWorld plans to set up a dedicated PPVC manufacturing plant near its Penang affordable housing development sites. The plant will support its large-scale rollout of the RM13bn GDV affordable housing project in Penang. Management has indicated that PPVC deployment will focus solely on affordable housing in Penang, given the high capital intensity of the manufacturing set-up. The model requires scale-driven volume to be cost-effective and to achieve meaningful economies of scale. The estimated capital expenditure for the new plant is approximately RM200m, to be funded through a combination of internal funds and debt. The plant is slated for completion within 1 year from the commencement of construction. Once operational, the plant is expected to support the delivery of approximately 3,600 residential units per annum. We believe the adoption of PPVC will enhance SkyWorld's construction cost management and project delivery timeline, translating into stronger margins for its Penang affordable housing projects.

New venture into prefabricated manufacturing sector. On this front, SkyWorld has specifically entered into a joint venture collaboration (JV) with Singapore-based Teambuild Holding (S) Pte Ltd (Teambuild), a company that specializes in manufacturing of prefabricated modular for construction using PPVC to leverage on their skills to propel the company's maiden entry into the prefabricated manufacturing space. Through this partnership, both parties will form a JV known as Prefab Master Sdn Bhd with SkyWorld and Teambuild holding 70% and 30% stake respectively. The JV will spearhead initiatives in research and development, design and engineering optimisation, and the manufacturing, sale, and installation of PPVC systems. In addition to supporting SkyWorld's internal build-to-deliver pipeline, the JV will also explore market expansion across ASEAN (excluding Singapore). This collaboration combines SkyWorld's deep local market understanding and project delivery capabilities with Teambuild's technical expertise and proven track record. According to management, the JV will primarily support SkyWorld's own development needs, beginning with its large-scale Penang affordable housing project. Under this arrangement, SkyWorld would recognise revenue when supplying to the Penang affordable housing projects given that the company will be appointing third party contractor for the Penang project. As it is still at the early stage of the JV, we have yet to factor in into our revenue forecast.

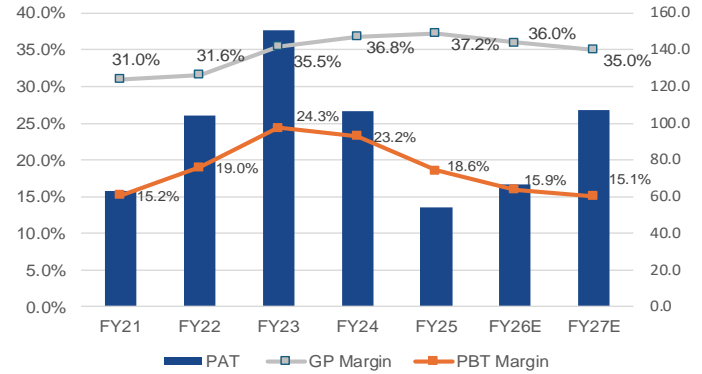
Financial Highlights

Figure 11: Revenue trend (in RM m)



Source: Company, Mercury Securities

Figure 12: PAT (in RM m) and margin trend



Source: Company, Mercury Securities

Declining revenue trend but to pick up in FY26-27E. SkyWorld recorded strong topline growth between FY21 to FY23, supported by the robust take-up rate for its SkyAwani affordable housing series as well as accelerated clearing of accumulated backlog orders post Covid-19 pandemic. However, revenue moderated in FY24-25, underpinned by a lower number of new launches, softer take-up for its in-house high-rise projects, and the completion of several key developments. Therefore, this also led to a similar moderation trend in its bottom-line performance during these periods. Looking ahead, we expect revenue to rebound strongly beginning in FY26E, driven by a robust pipeline of property project launches worth RM2.2bn in GDV in the 2HFY26 and expectation of stronger take-up rate for its existing and upcoming projects. That said, we forecast revenue growth of 23.2% to 69.9% over FY26–27E, rebounding from the low base of FY25.

Improving margin but likely to normalise in FY26-27E. SkyWorld achieved strong uptrend in its gross profit margin (GP margin), thanks to its effective contract and construction cost management strategy. This include leveraging on its long-standing relationship with its trusted third-party contractors which allow more flexible and favorable contract terms that can help to accommodate fluctuations in building materials costs and maintain its GP margin. Besides, SkyWorld's GP margin is also preserved through the adoption of non-price-cutting strategy for its projects despite of slower-than-expected take-up rate. Despite of growing GP margin trend, the PAT margin only bucked the similar trend from FY21 to FY23 and started to trend downward from FY24 to FY25, mainly driven by the higher effective tax rate recognized during these periods. Looking ahead, we expect GP margin to normalize within the 35.0%–36.0% range, while PBT margins are projected to moderate further to between 15.1% and 15.9%. This anticipated margin compression is primarily driven by the ramp-up of affordable housing launches in Penang, which are likely to yield lower margins relative to the group's existing SkyAwani series. The margin differential reflects additional setup costs associated with establishing operations in a new geographic market.

Improving balance sheet. As at 31 March 2025, the company's financial position has been improving significantly with net gearing improves from 0.9x in FY20 to 0.1x in FY25. This is driven by stronger operational cash flows, reflecting improved revenue recognition on the back of higher take-up rates and timely project completions. In tandem with the improvement of the financial position, SkyWorld started to declare dividend of 2.25 sen and 1.50 sen for FY24 and FY25 respectively, translating into dividend payout of 40% and 28%, which both were well above the company's formal dividend policy of a minimum 20% payout. We believe the improving financial strength should provide SkyWorld with greater strategic flexibility for its landbank replenishment and expansion initiatives going forward.

ESG Initiatives

Figure 13: Materiality Matrix



Key Performance achieved in FY24

Economic Value

- Economic Performance**
 - Total economic value distributed: RM615.7m in FY24; Procurement: RM470.4m; Employee compensation: RM45.5m, Dividends: RM42.5m; Return on Equity: 14.6% (FY2024), Profit After Tax: RM106.5m
- Innovation and Technology**
 - Initiated R&D in PPVC with Teambuild.
 - Adopted Building Information Modelling (BIM) and IBS system for operational efficiency.
 - Technology is used to reduce energy, improve resource consumption, and accelerate build times.
- Product Quality and Customer Satisfaction**
 - Emphasis on QCLASSIC scores, build quality, and customer after-sales service.
 - QCLASSIC Scores: SkySierra 86%, SkyAwani V 84%, SkyAwani IV 81%.
- Local Procurement**
 - 99.98% of procurement value directed to local suppliers, totalling RM470.3m.

Environmental Impact

- Climate Change**
 - Committed to 1.5°C Paris Agreement goals.
 - Engaged ESG consultants for TCFD-aligned climate scenario workshops (RCP4.5, NGFS Net Zero).
 - Initiatives include EV chargers, green space allocation, and energy-efficient fixtures.



2. Energy and Emissions Management
 - Scope 1 and Scope 3 emissions disclosed for the first time in FY24.
 - Use of automation and IBS system to reduce carbon footprint.
 - All common areas to adopt energy-efficient lighting by FY25
3. Water Consumption
 - Focused on responsible use and improved data capture.
 - Disclosure aligned to GRI 303 and SASB standards.
4. Waste Management
 - Zero waste diverted from EdgeWood and Curvo; 23.8 tonnes diverted at Vesta Residences.
 - Target: 3-year baseline on waste diversion by FY27
5. Resource Consumption
 - 6 out of 16 projects are GRI-certified, 2 are GreenRE-rated.
 - Emphasizes value engineering and green material sourcing in project design.
6. Biodiversity
 - No current sites in or near high-biodiversity zones; no EIA required for completed sites.

Social Impact

1. Occupational Health and Safety
 - Zero fatalities and zero lost-time injuries in FY2024 at active sites.
 - Exceeds national construction industry safety benchmarks (avg fatality rate: 0.48)
2. Human and Labour Rights
 - Zero substantiated violations in FY24
3. Diversity and Equality
 - Target: ≥30% female representation in board and senior management
4. Talent Management
 - KPI: Avg 8 hours of training per employee annually.
 - Launch of LTIP with ESOS & Performance Share Grants in July 2024
5. Local Communities
 - Affordable housing (SkyAwani series) under Residensi Wilayah programme priced at RM300k/unit.
 - Collaboration with RHB Bank for 95% green home financing

Governance

1. Corporate governance
 - ESG oversight embedded into Board Charter.
 - Adoption of various ESG-related policies including sustainability, supply chain, and anti-corruption
2. Anti-Corruption
 - Zero confirmed ABAC incidents in FY2024
 - Strong internal whistleblower, code of conduct, and anti-bribery policies in place
3. Risk Management
 - Climate risk scenario modelling based on NGFS and RCP4.5 included in first-ever TCFD Report
4. Regulatory Compliance
 - One reported non-compliance in FY2024: missing hoarding ad permit for SkyAwani VII; no fines or penalties imposed
5. Supply Chain Governance
 - ESG screening for suppliers under new Supply Chain Policy

6. Data Privacy and Security

- Zero confirmed data breaches in FY2024
- Aligned with Bursa SRG3 and FTSE4Good data protection criteria

Source: Company, Mercury Securities

Governance

Based on the Corporate Governance Report 2024 of SkyWorld, SkyWorld's corporate governance are in adherence to the Malaysian Code on Corporate Governance (MCCG) practices. Below is the summary:

Total MCCG Practices Disclosed	Practices Fully Applied	Practices Partially/ Not Applied
50 Practices	44	6

Source: SkyWorld Corporate Governance Report 2024, Mercury Securities

SkyWorld has applied 88% (44 out of 50) of the MCCG practices, with clear structures, policies, and disclosures supporting sound corporate governance. Areas of improvement include formalising existing practices (remuneration and ESG-linked KPIs) and progressing toward Step-Up best practices.

Overall ESG performance. SkyWorld practices a structured and maturing ESG framework anchored on four strategic pillars: Economic Value, Environmental Impact, Social Responsibility, and Governance Transparency. The group's commitment to sustainability is evident through alignment with global standards including GRI, TCFD, and Bursa Malaysia's Sustainability Reporting Guide. Notably, SkyWorld has disclosed Scope 1 and Scope 3 emissions for the first time in FY24 and continues to drive green construction practices via IBS systems and its early adoption of PPVC technology. On the social front, SkyWorld maintains a strong safety track record with zero fatalities, supports affordable homeownership through its SkyAwani series, and promotes local procurement (99.98% local sourcing in FY2024). Governance practices are underpinned by a dedicated ESG oversight structure, anti-corruption controls, and a maturing risk management framework. Overall, we view SkyWorld's ESG strategy as well-integrated and progressing steadily, with tangible initiatives that support long-term value creation and de-risking of its business model.

SWOT Analysis

Strength	Weakness
<ol style="list-style-type: none"> Strong track record in affordable housing development. SkyWorld has established itself as a prominent developer in the affordable housing segment, notably through its award-winning SkyAwani series, which forms part of the national Residensi Wilayah programme. Consistently high product quality standards. SkyWorld's projects consistently achieve high QLASSIC scores (average 84%), reinforcing its reputation for quality despite targeting the mass-market segment. Strategic landbank. SkyWorld holds 257.7 acres of developable land across Malaysia and Vietnam with a GDV of RM19.9bn. 	<ol style="list-style-type: none"> Modest sales take-up for selected projects. FY24–25 saw slower take-up rates for the Curvo Residences project, partly due to suboptimal product-market fit. Reliance on public sector schemes. SkyWorld's reliance on government housing programmes (e.g., RMM, Residensi Wilayah) exposes it to changes in housing policy and public funding cycles
Opportunity	Threat
<ol style="list-style-type: none"> Penang expansion via RBB affordable housing. SkyWorld is undertaking a landmark RM13bn GDV affordable housing project in Penang, which is expected to anchor earnings over the next 15 years. Strategic entry into modular prefabrication sector. Through JV with Singapore-based Teambuild, SkyWorld gains a foothold in the prefabricated construction space, enhancing cost efficiency and scalability. Rising affordable housing demand from M40. Demographic trends, urbanisation, and rising unaffordability of private housing continue to drive strong structural demand for affordable products 	<ol style="list-style-type: none"> Escalating construction and input costs. Inflationary pressure, subsidy rationalisation, and geopolitical disruptions could lead to margin compression, especially for fixed-price affordable housing projects. Regulatory and approval risks. Delays in planning approvals or policy shifts in affordable housing schemes could affect launch timing and execution visibility. Labour shortages and resource constraints. Ongoing skilled labour shortages post-pandemic remains a key execution risk for timely project delivery and cost control.

Source: Company, Mercury Securities



Valuations

Initiate coverage on SkyWorld with a BUY call and RM0.66 TP, derived based on a 65% discount to our estimated revalued net asset value (RNAV) of RM1.84 per share. Our 65% discount factors in the near-term macro headwinds and elevated global economic uncertainty. Valuation wise, our TP implies a FY26-27E forward P/E range of 7.2-11.5x, versus the property sector average of 13.6x and affordable housing peers average of 6.6x. On the price to book (P/B) basis, our TP reflects 0.63-0.69x, still below the broader property sector's 0.70-0.74x and affordable housing peer average of 0.8x. At current level, SkyWorld is trading at FY25 P/E of 9.2x and P/B of 0.5x which is below the peers (property sector is currently trading at 11.2x P/E and 0.6x PB). That said, we believe SkyWorld's valuation as undemanding and is poised for rerating, underpinned by its strong footing in affordable housing space (to benefit from the strong affordable housing demand and supportive governments' policies), strong earnings visibility backed by robust RM2.2bn GDV pipeline launches in 2HFY26E and healthy landbank with active replenishment efforts as well as its maiden venture into PPVC space to support its growth.

Figure 14: RNAV model valuation

Valuation	RNAV (RM m)
Property development (DCF @ 9.4% WACC)	1,306.4
Shareholder fund/ equity (inclusive of irredeemable convertible preference share)	878.1
Total RNAV	2,184.5
Enlarged share capital inclusive of irredeemable convertible preference share conversion (m units)	1,187.50
RNAV per share	1.84
Targeted discount to RNAV	65%
ESG Premium	0%
Intrinsic value per share	0.64
Current market price	0.42
Upside	53%

Source: Mercury Securities

Peer Comparison (as at 6 June 2025)

Company	Bloomberg Ticker	Share Px (RM)	Mkt Cap	EPS Growth (%)		P/E (x)		P/B		ROE (%)		Net Dividend Yield (%)	
			RM m	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
Malaysia													
SP Setia	SPSB MK	1.16	5,803.6	(10.7)	5.8	13.5	12.7	0.5	0.4	3.0	3.1	1.7	2.1
EcoWorld Development	ECW MK	1.91	5,676.2	29.9	15.1	14.2	12.3	1.1	1.1	7.9	8.9	3.4	3.5
UOA Development Group	UOAD MK	1.81	4,749.1	(2.4)	4.5	16.5	15.7	0.8	0.9	5.1	5.4	5.8	5.8
UEM Sunrise	UEMS MK	0.72	3,642.1	6.8	9.1	32.7	30.0	0.5	0.5	1.6	1.8	1.8	1.9
Mah Sing Group	MSGB MK	1.08	2,764.9	10.1	12.4	10.3	9.2	0.7	0.6	6.8	7.4	4.5	5.2
Matrix Concept	MCH MK	1.40	2,627.8	(4.3)	1.2	9.4	9.3	1.0	1.0	10.7	11.3	4.5	5.9
Malaysia Resources Corporation	MRC MK	0.47	2,099.7	(23.1)	54.5	42.7	27.6	0.5	0.5	1.1	1.5	2.1	2.3
Eastern Oriental	EAST MK	0.81	2,017.8	48.5	9.2	8.8	8.1	0.7	0.6	8.0	7.3	0.9	2.2
Lagenda Properties	LAGENDA MK	1.20	1,004.8	47.8	30.4	5.0	3.8	1.0	1.0	15.0	17.2	5.9	7.1
LBS Bina Group	LBS MK	0.48	732.3	-	2.9	6.9	6.7	0.5	0.5	5.9	6.0	4.2	5.3
Simple Average				5.0	15.1	16.4	13.9	0.74	0.70	6.1	6.5	3.3	3.9

Source: Bloomberg



Key Risks

Subdued property sales. A softer domestic economic outlook and the increasing high-rise property overhang headwinds may dampen property sales for SkyWorld, potentially resulting in slower project launches and moderating revenue growth. Given that revenue from property development is typically recognised based on the percentage-of-completion method and tied to sales uptake, weak take-up rates can result in delayed revenue recognition and weaker cash flow visibility.

Construction cost fluctuations. Rising development costs present a potential headwind for SkyWorld, as it may erode project feasibility, particularly for new launches where price sensitivity is higher. Cost pressures stemming from materials, labour, and compliance requirements could result in tighter project margins and in some cases, delay or defer project rollouts if budget thresholds are exceeded. This is especially relevant as SkyWorld focuses on mid-market and affordable housing segments, where pricing power is limited. However, SkyWorld has adopted prudent precautionary measures in mitigating these challenges, including robust cost management and project planning and maintaining sufficient buffers to preserve profitability especially in the event of rising construction cost environment.

Changes in housing and property regulations. For SkyWorld, changes in regulations such as zoning laws, building codes, or tax policies may lead to increased compliance costs and extend development timelines. Such regulatory shifts could require design modifications, additional planning approvals, or changes in project scope, ultimately impacting margins and project feasibility. As property developer, SkyWorld may be particularly exposed to municipal-level regulatory changes, which can influence land use efficiency, density limits, and construction standards.



Company Background

High-rise residential property developer. SkyWorld is a property developer specialises in the development of high-rise residential, commercial and affordable properties mainly in the Klang Valley region. Since the commencement of the property development business activities in the October 2014, SkyWorld has successfully launched and completed 12 high-rise property development projects with cumulative total GDV of RM5.3bn. These property projects comprise of 5 residential developments (Ascenda Residences, Bennington Residences, SkySierra Residences (The Valley), EdgeWood Residences, SkyVogue Residences), 2 commercial developments (SkyMeridien Residences and SkyLuxe On The Park Residences) as well as 5 affordable developments (SkyAwani Residences, SkyAwani II Residences, SkyAwani III Residences, SkyAwani IV Residences and SkyAwani V Residences).

The company is a fully integrated property developer, managing the entire development process from land identification and feasibility assessment to design, construction, quality assurance, and sales. It collaborates with a network of professionals including architects, land surveyors, town planners, and engineering and quantity surveyor consultants to ensure timely submission to local authorities. Construction is carried out by appointed contractors under the company's direct project management, with strict adherence to approved development plans, timelines, and all regulatory and safety requirements.

E-commerce platform operation. Skyworld also run e-commerce platform known as the Solution Plus (Solution+) which help to connect the Skyworld home owners with the trusted third parties that provide home renovation services including interior design, furniture, home appliances, home movers and other services. This platform features an integrated payment gateway that facilitates product and service transactions for homeowners. The company earns variable commission income upon order fulfillment, with the remainder paid to third party providers.

Built-to-rent business. SkyWorld operates a built to rent (BTR) portfolio as part of its recurring income strategy, comprising both commercial and co living assets. The company currently owns Sama Square, a commercial retail development in Setapak spanning 4.15 acres with 44 retail lots, which is fully occupied. In addition, SkyWorld operates Sky Blox, a co living facility on 2.73 acres in the same area, offering 320 lettable rooms with a current occupancy rate of approximately 25%.

Property development business remains the core revenue driver of Skyworld with revenue contribution of approximately 99% in FY25.

Figure 15: Corporate Milestone

Year	Key Events and Milestone
2009	- NTP World Development (now known as SkyWorld Development Berhad) commenced operations and primarily involves in the general trading and contracting business activities.
2014	- SkyWorld, through its subsidiary NTP World Corporation, acquired 30.55 acres of land in Setapak via a land swap agreement worth RM133.6m, in exchange for designing and constructing the SkyArena Sports Complex, completed in FY2020 with CCC obtained in December 2021. The land forms part of the SkyArena Master Development, comprising four phases: Ascenda Residences (Phase 1), Bennington Residences (Phase 2), Curvo Residences (Phase 3), and a future mixed-use development (Phase 4). - Phase 1, Ascenda Residences, with a GDV of RM398.9m, was completed in 2017 and is fully sold.
2015	- SkyWorld launched SkyAwani Residences, its first high-rise mixed development in Sentul, Kuala Lumpur, featuring affordable condominiums, shops, and office units. Completed in June 2018, the project is fully sold. It is part of the SkyAwani Series developed under the Government's Residensi Wilayah affordable housing scheme.
2016	- SkyWorld launched Bennington Residences, Phase 2 of the SkyArena Master Development in Setapak, with a GDV of RM443.6m and a 98% take-up rate as at the latest practicable date. - Skyworld also completed SkyLuxe On The Park Residences in Bukit Jalil in February 2020, a high-rise serviced apartment project with a GDV of RM409.7m, which is fully sold. - Through its subsidiary SkySanctuary Development, SkyWorld entered into a joint development agreement to acquire and amalgamate 19.14 acres of land in Setapak for future development.
2017	- SkyWorld launched SkyAwani II Residences, a mixed development in Sentul with a GDV of RM265.2m, completed in February 2020. - SkyWorld also previously established a RM1bn IMTN and ICP programme through SkyWorld Capital, which was fully redeemed and retired by July 2020. - SkyWorld introduced the SW Connects mobile app to enhance customer engagement by offering features such as construction updates, facility reservations, financial tracking, and customer service support.
2018	- SkyWorld launched the SkyWorld Quality Centre in Setapak to promote public awareness of construction quality through the QLASSIC assessment system, reflecting its strong commitment to workmanship standards. - SkyWorld also completed SkyMeridien Residences in Sentul (GDV: RM489m) with a 96% take-up rate, and SkyAwani III Residences in Setapak (GDV: RM572.7m), which is fully sold.
2019	- SkyWorld's subsidiary, SkySierra Development, acquired 13.61 acres of land in Setiawangsa, Kuala Lumpur, for RM176.5m, including relocation costs for the MSN Sports Complex, which was completed in June 2020.

	<ul style="list-style-type: none"> - SkyWorld participated in Maybank Islamic's HouzKEY Rent-To-Own scheme, selling 157 units under HouzKEY 2.0 and 228 units under HouzKEY 4.0. - Launched SkyAwani IV Residences, a high-rise affordable apartment in Setapa with a total GDV of RM534.9m. - Launched SkySierra that comprises 4 phases where Phase 1 of SkySierra development is SkySierra Residences (The Valley), a high-rise residential development with a total GDV of RM759.7m.
2020	<ul style="list-style-type: none"> - Launched SkyAwani V Residences, a high-rise affordable apartment in Sentul with total GDV of RM188.3m. - Launched SkyVogue Residences, a high-rise condominium in Taman Desa with total GDV of RM278.9m.
2021	<ul style="list-style-type: none"> - Launched the SkySanctuary development with 5 phases, whereby the Phase 1 of SkySanctuary is EdgeWood Residences with a total GDV of RM517.9m. The phases 2, 3 and 4 are for our planned apartment development, while the remaining phase 5 is reserved for future development.
2022	<ul style="list-style-type: none"> - Launched an additional module namely Solution Plus (Solution+) to SW Connects in March 2022. - Launched SkyCraft, an online interactive website designed to obtain preliminary feedback from the market in April 2022.
2023	<ul style="list-style-type: none"> - Launched Curvo Residences, a high-rise condominium in Setapak with a total GDV of RM574.6m. - Debuted on the Main Market of Bursa Securities - Establishment of SkyWorld Foundation to serve as a platform for SkyWorld to fulfill their corporate social responsibility initiatives - Establishment of a rated RM300.0m 7 years Islamic Medium-Term Notes and Islamic Commercial Paper programme.
2024	<ul style="list-style-type: none"> - Embarking on maiden venture into Vietnam via wholly-owned subsidiary, SkyWorld Development (Vietnam) Company Limited. SkyWorld has entered into a conditional share sale and purchase agreement to acquire approximately 1.3 acres land located in Ho Chi Minh City, Vietnam.

Source: Company, Mercury Securities

Figure 16: Vision of SkyWorld

VISION

Always Best City Developer



01 Technological Advancements
Partnered with a prominent construction company in Singapore in exploring cutting edge technology. Prefabricated Prefinished Volumetric Construction (PPVC)

02 Area Expansion
Widening business landscape of urban areas in Peninsular Malaysia

03 Focus on sustainability
Healthy Building Health Living concept. Elevated living by balancing affordability and liveability

Source: Company

Figure 17: Key Management Team

Name and Designation	Age	Profile
Datuk Seri Ng Thien Phing Non-independent Executive Chairman	50	<ul style="list-style-type: none"> • Founded SkyWorld Development Sdn Bhd (previously known as NTP World Development Sdn Bhd) in November 2006. • Responsible for the formulation of SkyWorld's business strategies and setting of the business directions. • Obtained Diploma in Accountancy from Kota Bharu Polytechnic in June 1997 and graduated with a Bachelor o Business Administration from National University of Malaysia in October 2004.



Datuk Lam Soo Keong @ Low Soo Keong Non-Independent Executive Director	56	<ul style="list-style-type: none">Responsible to execute SkyWorld's business strategies and business development.Cofounded SkyWorld Foundation in May 2023 to serve as a platform for SkyWorld to fulfill their corporate social responsibility initiatives.Graduated with a Bachelor of Law from the University of London External Programme in August 1991 and subsequently completed the Certificate of Legal Practice in March 1993 and admitted as an Advocate and Solicitor of High Court of Malaya in February 1994.
Lee Chee Seng Non-Independent Executive Director and Chief Executive Officer	53	<ul style="list-style-type: none">Responsible for overseeing and managing the day-to-day operations of SkyWorld.Graduated with a Bachelor of Business Studies from Charles Sturt University with the HELP University External Programme in April 2004.
Low Weng Cheong Head of Finance	47	<ul style="list-style-type: none">Responsible for overseeing SkyWorld's overall finance functions including accounting, taxation and cash management.Obtained Diploma in Accountancy awarded by the London Chamber of Commerce and Industry Examinations Board in August 1997 and has been a Fellow of the ACCA and a member of MIA since March 2010 and May 2008 respectively.
Tan Lea Chin Head of Sales	55	<ul style="list-style-type: none">Responsible for planning, formulation and implementation of sales strategies, processes and policies and overseeing the sales operation.Graduated with a Bachelor of Business in Business Administration in January 1999 from RMIT University's External Program.
Ng Hong Haw Head of Business Venture	44	<ul style="list-style-type: none">Responsible for evaluation of new business ventures, managing the asset under management business model and the generation of income for unutilized land and assets.Has been with SkyWorld for more than 9 years.

Source: Company, Mercury Securities



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