SkyWorld Development Bhd

Stronger Footing Ahead

Company Update
BUY (↔)
asyikin@mersec.com.my
Tuesday, November 25, 2025
Price: RM 0.51
Target Price: RM 0.58(↓)

Post 1HFY26 briefing highlighted continued operational progress and solid near-term visibility. Curvo Residence's take-up rate strengthened to 70% (+9% QoQ). Vesta Residences climbed to 86.8% (+6% QoQ) despite early-stage construction and a contractor replacement, with margin impact deemed manageable. The group has four projects lined up for the remainder of FY26 with cumulative GDV of RM1.8b, while SkyWorld Cassia Penang (RM1.3b GDV) and its first X-Premier Series in Mont Kiara (RM1.3b GDV) will support longer-term earnings. Vietnam ventures remain at an early stage, with the 13D MoU lapsed, District 8 SPA amended, and Sai Gon Thuan An Central under negotiation (total Vietnam GDV ~RM0.3b). The RM82.7m PPVC factory near Batu Kawan is on track, with RM189m financing secured, and operations by 3QFY27. We cut FY26E earnings by 20% to RM44.2m due to the delayed Cassia launch, with TP revised slightly lower to RM0.58 (68% discount to RNAV of RM1.81/share). FY27E dividend yield remains attractive at 4.9%.

We attended SkyWorld's 2QFY26 briefing and gathered several key insights on its operational developments and outlook. The key takeaways include:

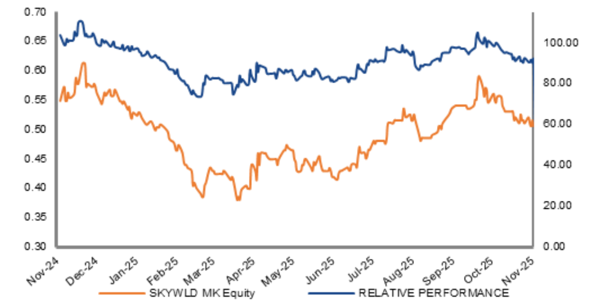
Improved take up rate. Curvo Residence's take-up rate has strengthened to 70% (+9% QoQ), with project completion and full sell-through targeted by 4QFY26. Meanwhile, Vesta Residences (launched in Oct 2023) saw its take-up rate climb to 86.8% (+6% QoQ), though construction progress remains at 27% following the contractor replacement in July 2025. While such a change may exert slight pressure on project margins, we view the impact as manageable given the swift transition and the project's early-stage progress.

Robust GDV at >RM1.8b in pipelines for remainder of FY26. From July 2025 to Mar 2026, SkyWorld have 4 projects to launch comprises of i) SkyAwani PRIMA Residences in Brickfields, ii) Skyworld Pearlmont Residence in Penang, iii) SkyAwani 6 Residences and iv) Silverlake Residences both in Setapak (refer to page 2). This project brings cumulative GDV to RM1.8bn (or 2.09x of our FY27E revenue). Beyond FY26, the Group plan to launch Skyworld Cassia in Penang with estimated GDV of RM1.3b by 1HFY27.

Vietnam's venture update. The MoU for the 13D project in Binh Chanh has lapsed. For the District 8 land, an amended SPA was signed in May 2025, with the land transaction targeted for completion by CY26 and project launch by CY27. Negotiations on the definitive agreements for the Sai Gon Thuan An Central project however remain ongoing. The project is a key near-term Vietnam catalyst, featuring a 40-storey tower with 1,241 units plus commercial components. Overall, SkyWorld's Vietnam landbanks with 1.3 acres carry an estimated GDV of RM0.3b.

PPVC factory on-track. SkyWorld entered into an RM82.7m land SPA on 8 Aug 2025 to develop its PPVC factory near Batu Kawan. The group afterwards secured RM189m in credit facilities to fund the setup, with development plans submitted to the authorities in 3QFY26. Construction is expected to begin in 4QFY26, with operations targeted by 3QFY27. We view this positively, as the facility should enhance project margins particularly in Penang by reducing logistics costs and improving delivery efficiency. The PPVC plant is designed to produce approximately 3,600 residential units annually.

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)	1,618.78
YTD KLCI chg.	-1.4%
YTD Stock Price chg.	-8.8%

Price Performance	1M	3M	12M
Absolute (%)	0.0%	-13.7%	-22.3%
Relative to KLCI (%)	0.3%	1.0%	1.3%

Stock Information	
Market Cap (RM m)	515.0
Issued Shares (m)	1,000.0
52-week High (RM)	0.72
52-week Low (RM)	0.38
Est. Free Float (%)	26.7
Beta vs FBM KLCI	0.9
3-month Avg Vol. (m)	471,345
Shariah Compliant	Yes
Bloomberg Ticker	SKYWLD MK

Top 3 Shareholders	%
Phing Ng Thien	46.3%
Lam Soo Keong	10.3%
Lee Chee Seng	5.0%

FY Mar (RM m)	FY25A	FY26E	FY27E
Revenue	445.4	369.2	875.2
EBITDA	97.5	77.8	153.0
PBT	82.8	58.2	132.4
Net Profit	54.2	44.2	100.6
Core Net Profit	54.2	44.2	100.6
Core EPS (sen)	4.6	3.7	8.5
Core EPS Growth (%)	(49.1)	(18.4)	127.4
Net DPS (sen)	1.5	0.9	2.0
BV Per Share (sen)	87.8	91.3	109.5
Net Div. Yield (%)	2.9	1.7%	4.9%
P/E (x)	11.3	13.8	4.9
P/B (x)	0.6	0.6	0.5
ROE (%)	6.2	4.8	11.5

Outlook. We anticipate a stronger pickup in revenue and earnings in 2HFY26, driven by four new project launches (refer page 2) with a combined GDV of RM1.8b. Over the longer term, earnings visibility remains supported by - Cassia Penang (est. GDV: RM1.3b) and the group's first X-Premier Series high-end development in Mont Kiara (est. GDV: RM1.3b).

Earnings forecast. However**,** we cut our FY26E earnings forecast by 20% to RM44.2m to reflect the later-than-expected launch of SkyWorld Cassia, that scheduled for 1HFY27 (from our previous assumption in 2HFY26).

Valuation. As we also did some housekeeping on the group's developable landbank and valuation rolled forward to FY27E, our TP is revised slightly lower to RM0.58 (from RM0.59), based on a 68% discount to our estimated RNAV of RM1.81/share. Worth to highlight, the FY27E dividend yield is attractive at 4.9%, in line with the company's policy of distributing a minimum of 20% of PATAMI. Hence, maintain our BUY. Overall, we remain to like SkyWorld, supported by its strong positioning in the affordable housing segment benefiting from resilient demand and supportive government policies as well as solid near-term earnings visibility.

2HFY26 project in pipeline:

Projects	Location	Est. Launch	GDV (RM m)
SkyAwani PRIMA Residences	Brickfields	3QFY26	211.0
Skyworld Pearlmont Residences (Phase 1)	Penang	3QFY26	789.5
SkyAwani 6 Residences	Setapak	3QFY26	203.6
Silverlake Residences	Setapak	TBC	623.0
Sub-total			**1,827.1**

RNAV Valuation table:

Valuation	RNAV (RM m)
Property development (DCF @ 9.4% WACC)	1,268.5
Shareholder fund/ equity (inclusive of irredemable convertible preference share)	878.1
Total RNAV	2,146.6
Enlarged share capital inclusive of irredeemable convertible preference share conversion (m units)	1,187.50
RNAV per share	1.81
Targeted discount to RNAV	68%
ESG Premium	0%
Intrinsic value per share	**0.58**
Current market price	**0.515**
Total Returns (including dividend yield)	**17.2%**

Key Financial Data

Balance Sheet

FYE Mar	FY23	FY24	FY25	FY26E	FY27E
PPE	23.7	31.6	33.5	35.3	46.2
Trade and other receivables	52.1	112.5	236.5	59.5	136.8
Contract Assets	175.1	96.1	38.7	28.4	67.3
Tax asset	12.6	15.3	16.3	16.3	16.3
Other assets	816.6	803.3	849.3	699.3	825.8
Deposit, bank and cash	237.7	499.9	349.6	664.9	650.3
Assets	**1,317.7**	**1,558.6**	**1,523.8**	**1,487.4**	**1,726.4**
LT borrowings	323.9	276.1	188.8	188.8	188.8
ST borrowings	159.2	213.4	260.4	260.4	260.4
Payables	212.4	196.1	184.3	112.4	271.0
Other liabilities	6.5	30.1	12.2	12.2	12.2
Liabilities	**702.0**	**715.8**	**645.7**	**573.9**	**732.4**
Share capital	62.5	245.0	245.0	245.0	245.0
Reserves and retained earninç	547.3	601.1	633.2	668.6	749.0
Shareholder's equity	**609.8**	**846.1**	**878.1**	**913.5**	**994.0**
NCI	5.9	(3.3)	(0.0)	(0.0)	(0.0)
Equity	**615.7**	**842.8**	**878.1**	**913.5**	**994.0**
Equity and Liabilities	**1,317.7**	**1,558.6**	**1,523.8**	**1,487.4**	**1,726.4**

Cash Flow Statement

FYE Mar	FY23	FY24	FY25	FY26E	FY27E
Profit before taxation	204.8	159.9	82.8	58.2	132.4
Depreciation & amortisation	2.1	4.9	6.7	5.6	6.6
Changes in working capital	(203.3)	47.9	(131.6)	281.7	(84.1)
Net interest received/ (paid)	(24.8)	(28.5)	(14.5)	(14.0)	(14.0)
Share of associate profits	-	-	-	-	-
Tax paid	(79.3)	(49.6)	(39.4)	(14.0)	(31.8)
Others	12.8	18.3	4.9	7.4	7.4
Operating Cash Flow	**(87.8)**	**153.0**	**(91.3)**	**324.9**	**16.5**
Capex	(26.1)	(26.1)	(8.7)	(7.4)	(17.5)
Others	3.9	(53.8)	29.4	6.6	6.6
Investing Cash Flow	**(22.2)**	**(79.9)**	**20.8**	**(0.8)**	**(10.9)**
Issuance of shares	-	166.4	-	-	-
Changes in borrowings	144.2	(15.0)	(42.0)	-	-
Dividends paid	-	(42.5)	(15.0)	(8.8)	(20.1)
Others	(0.0)	(4.0)	(0.0)	-	-
Financing Cash Flow	**144.2**	**104.9**	**(57.0)**	**(8.8)**	**(20.1)**
Net cash flow	34.2	178.1	(127.5)	315.3	(14.5)
Forex	-	-	-	-	-
Beginning cash	189.4	223.4	402.2	270.4	585.7
Ending cash	**223.6**	**401.5**	**274.7**	**585.7**	**571.2**

Income Statement

FYE Mar	FY23	FY24	FY25	FY26E	FY27E
Revenue	841.4	688.0	445.4	369.2	875.2
EBITDA	217.9	172.8	97.5	77.8	153.0
Depn & amort	2.1	4.9	6.7	5.6	6.6
Net interest expense	(11.2)	(8.4)	(8.1)	(7.4)	(7.4)
Associates & JV	-	-	-	-	-
EI	-	-	-	-	-
Pretax profit	**204.8**	**159.9**	**82.8**	**58.2**	**132.4**
Taxation	(54.1)	(53.4)	(28.6)	(14.0)	(31.8)
MI	-	-	-	-	-
Net profit	**150.7**	**106.5**	**54.2**	**44.2**	**100.6**
Core net profit	**150.7**	**106.5**	**54.2**	**44.2**	**100.6**

Key Statistics & Ratios

FYE Mar	FY23	FY24	FY25	FY26E	FY27E
Growth					
Revenue	6.4%	-18.2%	-35.3%	-17.1%	137.1%
EBITDA	29.9%	-20.7%	-43.5%	-20.2%	96.6%
Pretax profit	36.5%	-21.9%	-48.2%	-29.7%	127.4%
Net profit	44.5%	-29.3%	-49.1%	-18.4%	127.4%
Core EPS	-3.6%	-29.3%	-49.1%	-18.4%	127.4%
Profitability					
EBITDA margin	25.9%	25.1%	21.9%	21.1%	17.5%
Net profit margin	17.9%	15.5%	12.2%	12.0%	11.5%
Effective tax rate	26.4%	33.4%	34.5%	24.0%	24.0%
ROA	11.4%	6.8%	3.6%	3.0%	5.8%
ROE	24.5%	12.6%	6.2%	4.8%	10.1%
Leverage					
Debt/ Assets (x)	0.37	0.31	0.29	0.30	0.26
Debt/ Equity (x)	0.78	0.58	0.51	0.49	0.45
Net debt/ equity (x)	0.4	Net Cash	0.1	Net Cash	Net Cash

Key Drivers

FYE Mar	FY23	FY24	FY25	FY26E	FY27E
GP margin	35.5%	36.8%	37.2%	36.0%	35.0%
PBT margin	24.3%	23.2%	18.6%	15.8%	15.1%
Unbilled sales (RM m)	944.6	548.1	461.2	962.7	1,750.4

Valuation

FYE Mar	FY23	FY24	FY25	FY26E	FY27E
EPS (sen)	12.7	9.0	4.6	3.7	8.5
Core EPS (sen)	12.7	9.0	4.6	3.7	8.5
P/E (x)	4.1	5.7	11.3	13.8	6.1
EV/ EBITDA (x)	3.5	2.9	6.3	3.8	1.5
Net DPS (sen)	-	2.3	1.5	0.9	2.0
Yield	0.0%	4.4%	2.9%	1.7%	3.9%
BV per share (RM)	0.62	0.84	0.88	0.91	1.09
P/BV (x)	0.8	0.6	0.6	0.6	0.5

Source: Mercury Securities, Bloomberg

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