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BURSA RISE+
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Results Note
BUY (↔)
research@mersec.com.my
Monday, August 24, 2026
Price: RM 0.400
Target Price: RM 0.580 (↔)

SkyWorld Development Bhd

YoY Recovery, Cost Pressure Weigh On Margins

SkyWorld's 3MFY27 results came in below expectations although it showed a marked YoY recovery, underpinned by stronger progressive billings from ongoing developments, although earnings moderated sequentially following the completion of Curvo Residences in the preceding quarter. Revenue rose 46% YoY while core net profit increased 84%, despite a weaker gross margin arising from project mix and revised development costs. Near-term earnings visibility remains supported by RM1.1bn in unbilled sales, while the Group targets more than RM2.0bn of new launches in FY27. We make no changes to our FY27E/FY28E earnings estimates and maintain our RNAV-derived TP of RM0.58 for now, pending a company update today. Maintain BUY.

3MFY27 core net profit of RM5.3m accounted for 7%/7% of ours/consensus FY27E core earnings estimate as its, property development earnings remain inherently dependent on construction progress and the timing of revenue recognition. No dividend declared as it customary for Skyworld to declare in 2Q/4Q of each financial year.

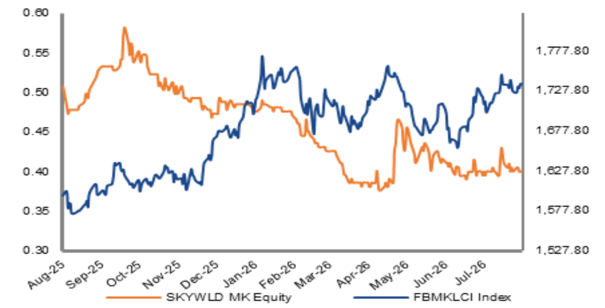
YoY, topline increased 46% to RM108.7m, primarily driven by higher progressive revenue recognition from Vesta Residences, SkyAman 1 Residences, SkyAwani PRIMA Residences, SkyAwani 6 Residences and SkyAwani Pearlmont Residences Phase 1, which collectively contributed RM98.0m during the quarter. Gross profit increased 17% to RM31.6m, although gross margin contracted by 7.1ppts to 29.0%, reflecting a revenue mix skewed towards lower-margin projects and the upward revision in budgeted development costs for Vesta Residences in the preceding quarter. OPEX declined 16% to RM16.8m, with the OPEX-to-revenue ratio improving significantly to 15.5% from 26.7%. Consequently, EBITDA rose 35% to RM15.9m while EBIT increased 34% to RM13.6m. PBT climbed 68% to RM9.4m, lifting PBT margin by 1.2ppts to 8.7%. Core net profit subsequently increased 84% to RM5.3m, aided by a slightly lower ETR of 46% versus 49% previously, with core/PATAMI margin improving to c.4.8%.

QoQ, topline declined 18% to RM108.7m, mainly due to lower revenue recognition from Curvo Residences following its completion in 4QFY26. Gross profit fell 31% to RM31.6m, with gross margins shedding by 6ppts to 29.0% as lower progressive billings were compounded by a less favourable project mix. Nevertheless, OPEX declined 32% to RM16.8m, improving margins by 3ppts to 15%. EBITDA and EBIT fell 37% and 43% to RM15.9m and RM13.6m respectively, while PBT declined 51% to RM9.4m as the lower gross profit was further weighed down by higher finance costs. PBT margin consequently contracted by 6ppts to 9%. Core net profit, however, declined by a more moderate 10% to RM5.3m, cushioned by the lower ETR of 46% versus 71% in 4QFY26, while PATAMI margin improved marginally to 4.8% from 4.4%.

FY27E/FY28E earnings unchanged, pending the company update.

Valuation. We maintain our RNAV-derived TP of RM0.58, based on an estimated RNAV of RM1.81/share and a 68% discount to RNAV. We make no change to our valuation assumptions pending further clarity on project launches, sales momentum, progressive billings and the Group's regional expansion plans at the upcoming company update. **Maintain BUY**.

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)	1,736.48
YTD KLCI chg.	3.4%
YTD Stock Price chg.	-18.4%

Price Performance	1M	3M	12M
Absolute (%)	1.3%	-8.3%	-21.3%
Relative to KLCI (%)	0.3%	-9.9%	-30.0%

Stock Information

Market Cap (RM m)	409.6
Issued Shares (m)	1024.0
52-week High (RM)	0.59
52-week Low (RM)	0.37
Est. Free Float (%)	30%
Beta vs FBM KLCI	0.9
3-month Avg Vol.	433,921
Shariah Compliant	Yes
Bloomberg Ticker	SKYWLD MK Equity

Top 3 Shareholders	%
Phing Ng Thien	47.2%
Lam Soo Keong	10.1%
Lee Chee Seng	5.5%

FY MAR (RM m)	FY26A	FY27E	FY28E
Revenue	430	942	1,138
EBITDA	79.7	156.9	175.7
PBT	71.8	150.0	175.7
Net Profit	52.8	132.2	157.8
Core Net Profit	**29.6**	**100.5**	**119.9**
Consensus Net Profit	-	75.8	114.4
Earnings Revision (%)	-	-	-
Core EPS (sen)	2.49	8.46	10.10
Core EPS Growth (%)	-45.4%	239.4%	19.4%
Net DPS (sen)	0.59	2.01	2.40
Net Div. Yield (%)	1.1%	3.9%	4.7%
BV Per Share (sen)	90.6	98.7	108.3
P/E (x)	20.7	6.1	5.1
P/B (x)	0.6	0.5	0.5
ROE (%)	3.3%	10.2%	11.1%

Investment Case. We see earnings visibility remaining supported by RM1.1bn in unbilled sales as at end-June 2026, alongside continued progressive recognition from ongoing developments. Management is targeting more than RM2.0bn in new launches during FY27 across Malaysia and Vietnam, while the July 2026 launch of the 1,011-unit SkySolis development in Ho Chi Minh City provides an additional avenue for regional growth. The planned completion of SkyWorld's first PPVC manufacturing facility in Penang by end-FY27 should also provide longer-term benefits through improved construction efficiency and scalability.

Key Risks include: (i) subdued property sales, (ii) construction cost fluctuations, (iii) changes in housing and property regulations, (iv) slower-than-expected progress billings, and (v) delays in planned project launches.

Results Highlights

Y/E: MAR (RM m)	1QFY27	4QFY26	QoQ Chg	1QFY26	YoY Chg	3M27	3M26	YoY Chg
Turnover	**108.7**	**132.2**	***-17.8%***	**74.6**	***45.7%***	**108.7**	**74.6**	***45.7%***
Gross Profit	**31.6**	**45.8**	***-31.1%***	**26.9**	***17.1%***	**31.6**	**26.9**	***17.1%***
OPEX	**(16.8)**	**(24.9)**	***-32.3%***	**(19.9)**	***-15.7%***	**(16.8)**	**(19.9)**	***-15.7%***
EBITDA	15.9	25.3	*-37.4%*	11.8	*34.6%*	15.9	11.8	*34.6%*
EBIT	13.6	24.0	*-43.3%*	10.2	*33.5%*	13.6	10.2	*33.5%*
PBT/(LBT)	**9.4**	**19.2**	***-50.8%***	**5.6**	***68.2%***	**9.4**	**5.6**	***68.2%***
Taxation	(4.3)	(13.5)	*-68.0%*	(2.8)	*56.9%*	(4.3)	(2.8)	*56.9%*
Net Profit	5.1	5.7	*-10.0%*	2.8	*79.2%*	5.1	2.8	*79.2%*
Core Net Profit	**5.3**	**5.8**	***-9.9%***	**2.9**	***84.3%***	**5.3**	**2.9**	***84.3%***
Core EPS (sen)	0.5	0.6	*-10.9%*	4.0	*-87.0%*	0.5	0.3	*82.3%*
DPS (sen)	0.0	0.4	*-100.0%*	0.00		0.0	0.0	
Gross Margin	29.0%	34.7%		36.1%		29.0%	36.1%	
OPEX	-15.5%	-18.8%		-26.7%		-15.5%	-26.7%	
EBITDA Margin	14.6%	19.2%		15.8%		14.6%	15.8%	
EBIT Margin	12.5%	18.2%		13.7%		12.5%	13.7%	
PBT Margin	8.7%	14.5%		7.5%		8.7%	7.5%	
PATAMI Margin	4.8%	4.4%		3.8%		4.8%	3.8%	
ETR	-45.9%	-70.5%		-49.3%		-45.9%	-49.3%	
Unbilled property sales (RM m)	1,100.0	1,100.0				1,100.0	483.1	
Project Launches GDV (RM m)	2,000.0	1,600.0				2,000.0	1,500.0	

Source: Company, Bursa Malaysia, Mercury Securities

RNAV Valuation table:

Valuation	RNAV (RM m)
Property development (DCF @ 9.4% WACC)	1,164.4
Shareholder fund/ equity (inclusive of irredemable convertible preference share)	986.8
Total RNAV	2,151.1
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	0.40
Total Returns (including dividend yield)	**49.6%**

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