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SkyWorld Development Bhd

Company Update
BUY (↔)
research@mersec.com.my
Wednesday, August 26, 2026
Price: RM 0.400
Target Price: RM 0.580 (↔)

Execution Improving, Growth Pipeline Intact

SkyWorld's 1QFY27 post-results briefing reaffirmed our view that near-term earnings visibility remains intact despite ongoing margin pressure, supported by RM1.1bn in unbilled sales and improving construction progress across key projects. The Group is targeting >RM2.0bn of launches in FY27, while its Prefabricated Prefinished Volumetric Construction (PPVC) facility remains on track for operations in 3QFY27, potentially shortening construction timelines and improving cash-flow recycling. Balance-sheet leverage has risen, with net gearing increasing to 0.43x following land acquisitions and PPVC investment, although liquidity remains comfortable. Vietnam offers longer-term growth optionality, but meaningful earnings contribution remains several years away. Maintain BUY at an unchanged RNAV-derived TP of RM0.58.

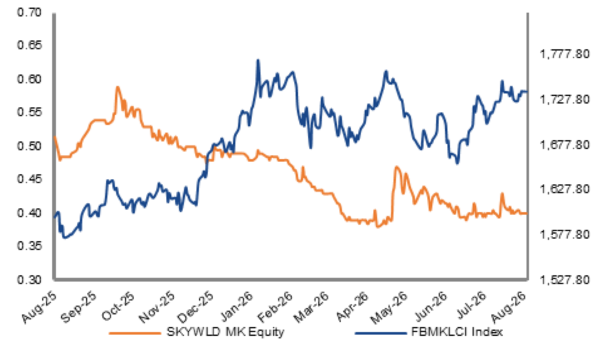
Key takeaways from the briefing were;

1. **Recap, 1QFY27 earnings recovered strongly YoY,** although margins remain under pressure. Revenue rose 46% YoY to RM108.7m, driven by a broader base of ongoing developments, lifting PBT and PATAMI by 68% and 84% to RM9.4m and RM5.3m respectively. Sequentially, however, revenue declined 18% and PBT fell 51% following the completion of Curvo Residences in 4QFY26 and consequently lower progressive revenue recognition. Gross margin moderated to 29.0% from 36.1% YoY and 34.7% in 4QFY26, primarily due to a less favourable project mix, alongside the earlier upward revision in development costs for Vesta Residences. Management indicated that the margin pressure is predominantly project and mix-related rather than broad-based cost inflation. Meanwhile, the elevated 46% effective tax rate mainly reflected tax losses arising from expenses on pre-launch projects that could not yet be recognised as deferred tax assets.

2. **Earnings visibility remains intact**, supported by RM1.1bn unbilled sales and improving project execution. SkyWorld recorded RM195.5m in sales during 3MFY27, while overall take-up remained healthy at 90.9% across five ongoing developments with combined GDV of RM2.2bn. Vesta Residences continues to lead execution, with take-up improving to approximately 93% and construction progress reaching around 75% at the latest update, ahead of its targeted VP in 4QFY27. Take-up at SkyAwani PR1MA and SkyAwani 6 also strengthened to approximately 96% and 88%, respectively, while SkyAman 1 improved to around 46%. In Penang, Pearlmont Phase 1 recorded a 56.9% take-up rate, with management pursuing a potential bulk sale of approximately 200 units, which could materially accelerate sales absorption should it materialise.

3. **The > RM2bn FY27 launch pipeline** and PPVC rollout should support the next phase of revenue replenishment. Planned Malaysian launches include Silverlake Residences in Setapak, Pearlmont Phase 2 in Seberang Jaya and SkyWorld Cassia in Batu Kawan, providing the key source of replenishment as existing unbilled sales are progressively recognised. The PPVC facility remains on schedule, with factory construction at approximately 20% as at end-June 2026, machinery expected to arrive in October and trial production targeted for November 2026, ahead of commercial operations in 3QFY27. PPVC unlikely to generate materially higher margins than conventional construction - the main benefit lies in shortening construction timelines by approximately 30%, improving project turnover, execution certainty and cash-flow recycling. Successful execution of both the launch pipeline and PPVC implementation will therefore be central to sustaining medium-term earnings growth.

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)	1,736.33
YTD KLCI chg.	3.3%
YTD Stock Price chg.	-18.4%

Price Performance	1M	3M	12M
Absolute (%)	0.0%	-9.1%	-18.4%
Relative to KLCI (%)	-2.1%	-10.7%	-26.7%

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	1.0
3-month Avg Vol. (m)	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
EBIT	71.8	150.0	175.7
PBT	52.8	132.2	157.8
Net Profit	**29.6**	**100.5**	**119.9**
Core Net Profit	**29.6**	**100.5**	**119.9**
Consensus Net Profit		*69.4*	*110.1*
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
Net Gearing	0.2	Net Cash	Net Cash

4. Balance-sheet leverage has increased as SkyWorld enters an investment-heavy growth phase, although liquidity remains manageable. Total borrowings increased to RM746.4m, lifting net gearing to 0.43x from 0.25x at end-FY26, largely reflecting approximately RM160m of land payments for Mont Kiara and Seberang Jaya as well as upfront expenditure on the PPVC facility. Operating cash flow was negative RM166.3m during the quarter, principally due to these land-related payments, while financing cash inflows of RM180.0m included a RM50m MTN issuance and financing for the Mont Kiara acquisition. Nevertheless, cash and bank balances remained healthy at RM352.1m, complemented by RM571.9m in unutilised credit facilities. Its recurring-income portfolio also remained broadly stable, with SkyBlox occupancy improving to 92% from 79%, although Sama Square occupancy moderated to 90% from 99%.
5. **Vietnam and its sizeable RM19.8bn landbank** provide the longer-term growth optionality. SkySOLIS in Ho Chi Minh City marks SkyWorld's first overseas residential development, with estimated GDV of approximately RM800m. The first phase of around 300 units has secured more than 100 bookings following the opening of its sales gallery in July 2026, although earnings contribution remains longer-dated as revenue will only be recognised upon completion, implying meaningful contribution in approximately three years. The Binh Phu Ward project provides another potential Vietnam catalyst, with land-transaction completion targeted for CY2026 and launch targeted for CY2027. More broadly, SkyWorld controls 230.1 acres of developable land with estimated GDV of RM19.8bn, of which Batu Kawan represents the largest component at RM10.5bn. Together with its longer-term ambition to become a Top-30 Southeast Asian property developer, management continues to target approximately 20% annual earnings growth, RM2bn annual sales and ROE exceeding 15% over the longer term.

Post Update, we maintain our FY27E/FY28E earnings. While 1QFY27 earnings remain below a straight-line run-rate and near-term gross margins warrant monitoring, we see insufficient evidence at this juncture to revise our forecasts. Earnings visibility remains underpinned by RM1.1bn in unbilled sales, improving construction progress and a > RM2bn FY27 launch pipeline, while PPVC should progressively improve execution efficiency. Key variables to monitor are the pace of new launches and sales conversion, progressive billings, gross-margin normalisation and the trajectory of net gearing.

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. The post-results briefing does not materially alter our long-term development assumptions, while ongoing margin pressure and the recent increase in gearing warrant maintaining the existing RNAV discount. We remain constructive on SkyWorld's medium-term growth prospects, underpinned by improving project execution, RM1.1bn in unbilled sales, a sizeable FY27 launch pipeline and longer-term growth optionality from Penang, PPVC and Vietnam. Valuations remain undemanding, with the stock trading at 5.1x FY27E P/E, a c.55% discount to the Bursa Malaysia Property Index's 11.3x, alongside a 0.5x P/B. **Reiterate BUY.**

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%

Key Financial Data

Income Statement

FY Mar (RM m)	2025A	2026A	2027E	2028E	2029E
Revenue	445	430	942	1138	1382
EBITDA	97.5	79.7	156.9	175.7	213.2
Depreciation & Amortization	(6.2)	(7.4)	(6.9)	(9.0)	(11.4)
Operating Profit	90.8	71.8	150.0	175.7	213.2
Interest Inc/(Exp)	(8.1)	(19.1)	(17.8)	(17.8)	(17.8)
Profit Before Tax					
Taxation	82.8	52.8	132.2	157.8	195.4
Net Profit	(28.6)	(23.2)	(31.7)	(37.9)	(46.9)
PATAMI	54.2	29.6	100.5	119.9	148.5

Balance Sheet

	2025A	2026A	2027E	2028E	2029E
Fixed Assets	33.5	122.1	48.4	62.2	78.4
ROU Assets	1.5	1.0	1.0	1.0	1.0
Intangible Assets	0.7	1.3	1.3	1.3	1.3
Other Fixed Assets	577.2	919.6	919.6	919.6	919.6
Inventories	265.9	355.8	309.2	358.2	419.1
Receivables	236.5	198.7	147.2	175.1	212.6
Other Current Assets	59.0	135.9	85.0	100.1	118.8
Cash	349.6	345.0	657.7	710.3	771.6
Total Assets	**911.0**	**1,035.4**	**1,281.1**	**1,425.7**	**1,604.1**
Payables	184.3	197.8	291.7	354.1	429.9
ST Borrowings	260.4	281.3	281.3	281.3	281.3
Other ST Liability	4.7	280.0	280.0	280.0	280.0
LT Borrowings	188.8	289.5	289.5	289.5	289.5
Other LT Liability	7.5	122.0	122.0	122.0	122.0
Net Assets	**265.3**	**(135.4)**	**16.6**	**98.7**	**201.3**
Shareholders' Equity	878	898	978	1,074	1,193
Minority Interests	(0.0)	8.6	8.6	8.6	8.6
Total Equity	**878**	**906**	**987**	**1,083**	**1,202**

Cashflow Statement

	2025A	2026A	2027E	2028E	2029E
Operating CF	(91.3)	(39.5)	350.2	99.4	118.6
Investing CF	20.8	(65.9)	(18.8)	(22.8)	(27.6)
Financing CF	(57.0)	128.4	(20.1)	(24.0)	(29.7)
Change In Cash	(127.5)	22.9	311.3	52.6	61.3
Free CF	**(83.8)**	**54.6**	**369.0**	**122.1**	**146.2**

Financial Data & Ratios

FY Mar	2025A	2026A	2027E	2028E	2029E
Growth					
Turnover	-35.3%	-3.4%	118.8%	20.8%	21.4%
EBITDA	-43.5%	-18.3%	96.8%	12.0%	21.4%
Operating Profit	-46.1%	-20.9%	108.9%	17.1%	21.4%
PBT	-48.2%	-36.3%	150.6%	19.4%	23.8%
Core Net Profit	-49.1%	-45.4%	239.4%	19.4%	23.8%
Profitability					
Gross Profit Margin	37.2%	34.4%	35.0%	34.6%	34.6%
EBITDA Margin	21.9%	18.5%	16.7%	15.4%	15.4%
Operating Margin	18.6%	12.3%	14.0%	13.9%	14.1%
PBT Margin	18.6%	12.3%	14.0%	13.9%	14.1%
Core Net Margin	12.2%	6.9%	10.7%	10.5%	10.7%
Effective Tax Rate	34.5%	43.9%	24.0%	24.0%	24.0%
ROA	6.2%	3.3%	10.2%	11.1%	12.4%
ROE	3.6%	1.4%	4.5%	5.0%	5.7%
Leverage					
Debt/Asset (x)	0.3	0.3	0.3	0.2	0.2
Debt/Equity (x)	0.5	0.6	0.6	0.5	0.5
Net (Cash)/Debt	99.6	225.8	(86.9)	(139.5)	(200.8)
Net Debt/Equity (x)	0.1	0.2	(0.1)	(0.1)	(0.2)
Valuations					
Core EPS (sen)	4.6	2.5	8.5	10.1	12.5
NDPS (sen)	1.5	0.6	2.0	2.4	3.0
BV/sh (RM)	87.8	90.6	98.7	108.3	120.2
PER (x)	11.3	20.7	6.1	5.1	4.1
Div. Yield (%)	2.9%	1.1%	3.9%	4.7%	5.8%
PBV (x)	0.6	0.6	0.5	0.5	0.4

Source: Mercury Securities, Company

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