

SPRITZER

(SPZ MK EQUITY, SPTZ.KL)

BUY

(Upgraded)

Price: RM2.56

Target Price (% return): RM3.15 (25.4%)

52-week High/Low: RM3.12/RM1.49

Consumer

Rationale for report: Company Update

Raising selling prices

We upgrade Spritzer from HOLD to BUY with a target price of RM3.15/share. We believe that the group would be able to sustain its FY26F and FY27F net earnings due to higher selling prices. We think that Spritzer would be revising the selling prices of its bottled water products upwards by 5% to 10% per carton/case in 2HFY26 to reflect the increased costs of PET resin and transportation. We believe that the other bottled water product companies raised selling prices in March/April just after the Iran War erupted. Hence, we raise Spritzer's FY26F net earnings by 9.7% and FY27F net profit by 13.4% to account for higher revenue and profit margins.

- **BUY with a higher TP of RM3.15/share vs. RM2.77/share previously.** Our TP of RM3.15/share is based on a FY27F PE of 18x, which is one SD above the five-year average of 15x. We applied a premium due to Spritzer's high market share of 40% in the bottled water industry in Peninsular Malaysia.
- **Revenue growth to be supported by selling price hike in FY26F.** We forecast a topline growth of 14% in FY26F driven mainly by an 8% increase in selling prices. We think that sales volume growth in FY26F would be softer than FY25's 10% to 12% due to the higher selling prices. Spritzer's bottled water products are sold mainly to hypermarkets, convenient stores and mom and pop sundry shops. We understand that most of Spritzer's customers are Malaysians.
- **PET resin costs have gone up by more than 20% due to the Iran War and export restrictions in China.** Spritzer's PET resin costs are expected to rise in 2HFY26 as all of the low-cost PET resin inventory had been used by the end of May. The higher costs of PET resin would be passed on to consumers in the form of increased selling prices. Spritzer sources PET resin from China, Indonesia and Vietnam.
- **Higher capex of RM100mil to RM150mil from FY26F to FY28F in total.** This translates into RM33mil to RM50mil per year. Spritzer is planning to expand its production lines and warehouse in Taiping and Johor. The group is looking to increase the size of its warehouse so that it can store up to five to six months of PET resin inventory in the future.

Analyst (s)

Gan Huey Ling
gan-huey-ling@ambankgroup.com
03-2036 2305

Key Changes

Target Price: [👉](#)
EPS: [👉](#)

Stock and Financial Data

| | |
|------------------------------|---------|
| Shares Outstanding (million) | 640.8 |
| Market Cap (RMmil) | 1,640.4 |
| Book Value (RM/Share) | 1.03 |
| P/BV (x) | 2.5 |
| ROE (%) | 14.6 |
| Net Gearing (%) | na |
| Free Float | 23.5 |
| Avg Daily Value (RMmil) | 2.5 |

Major Shareholders

| | |
|--------------------------------|-------|
| Yee Lee Group | 42.8% |
| Public Strategic Smallcap Fund | 2.3% |

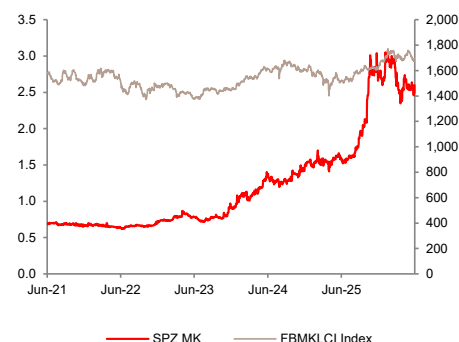
| Price performance | 3mth | 6mth | 12mth |
|-------------------|-------|--------|-------|
| Absolute (%) | (0.1) | (7.0) | +58.5 |
| Relative (%) | (3.0) | (10.6) | +43.5 |

Source: SPRITZER, AmInvestment Bank

| YE to Dec | FY25 | FY26F | FY27F | FY28F |
|-------------------------------|-------|-------|-------|-------|
| Revenue (RM mil) | 656.9 | 746.7 | 796.1 | 833.5 |
| Core net profit (RM mil) | 90.8 | 105.2 | 111.7 | 116.6 |
| FD Core EPS (sen) | 14.3 | 16.4 | 17.4 | 18.2 |
| FD Core EPS growth (%) | 27.6 | 15.1 | 6.2 | 4.3 |
| Consensus Net Profit (RM mil) | 91.7 | 105.3 | 115.5 | 123.0 |
| DPS (sen) | 5.0 | 5.5 | 6.0 | 6.5 |
| PE (x) | 18.0 | 15.6 | 14.7 | 14.1 |
| EV/EBITDA (x) | 10.5 | 9.5 | 8.7 | 8.1 |
| Div yield (%) | 2.0 | 2.1 | 2.3 | 2.5 |
| ROE (%) | 14.6 | 15.2 | 14.7 | 14.1 |
| Net Gearing (%) | na | na | na | na |

Source: SPRITZER, AmInvestment Bank

Price Chart



Company profile

Spritzer is involved in the production and sale of mineral and drinking water. The group's plant is located mainly in Taiping, Perak and Yong Peng, Johor.

Spritzer's earnings are mainly from sale of mineral water, drinking water and non-water products such as dispensers. Mineral water under the "Spritzer" brand name accounts for 80% of the sales volume while drinking water, which comprises cheaper brands such as "Cactus" makes up another 17%. Non-water products account for the balance 3% of sales volume.

Spritzer sells its products via distributors and wholesalers. Customer segments are modern trade, general trade, convenient stores and petrol stations.

Spritzer's operations are mainly in Malaysia. The group also has distributorships in China and Singapore.

Spritzer's competitive edge lies in its natural mineral water products, which is sourced underground from a rainforest in Taiping, Perak. As the water is sourced naturally, it contains minerals such as silica and potassium, which are good for health. Spritzer has a market share of 40% to 45% in the mineral water industry in Malaysia.

Investment thesis and catalysts

We recommend a BUY on Spritzer as the group would be able to sustain its net profit growth on the back of higher selling prices.

Share price kickers are stronger-than-expected profits and dividends.

Valuation methodology

We have applied a FY27F PE of 18x to arrive at Spritzer's target price of RM3.15/share. The PE of 18x is one SD above the five-year mean of 15x. We applied a premium due to Spritzer's dominant market share of 40% in the bottled water industry in Peninsular Malaysia.

Risk factors

Key risks are a fall in sales volume and an increase in PET costs. PET is the main raw material used to produce bottles.

EXHIBIT 1. VALUATIONS

| | |
|----------------------------|------------------|
| Target PE (x) | 18 |
| FY27F EPS (sen) | 17.4 (from 15.4) |
| ESG premium | - |
| 12-month target price (RM) | 3.15 (from 2.77) |

EXHIBIT 2. CHANGE IN EARNINGS

| RMmil | FY26F | | | FY27F | | | FY28F | | |
|--------------|-------|-------|-----|-------|-------|------|-------|-------|------|
| | Old | New | % | Old | New | % | Old | New | % |
| Revenue | 700.8 | 746.7 | 6.5 | 723.0 | 796.1 | 10.1 | 739.2 | 833.5 | 12.8 |
| Net earnings | 95.9 | 105.2 | 9.7 | 98.5 | 111.7 | 13.4 | 100.3 | 116.6 | 16.3 |

Source: Bursa Announcement

EXHIBIT 3. ESG MATRIX

| | Environmental assessment | Parameters | Weightage | Rating | | | | Rationale |
|---|--|------------------------------|-------------|--------|---|---|---|--|
| 1 | Carbon emissions | 45% CO2 reduction by 2030 | 40% | * | * | * | | Total GHG emissions were 42,876.89 tCO2e in FY25 vs. 43,589.49 tCO2e in FY24 (Scope 1 and 2) |
| 2 | Packaging | Use of plastic | 40% | * | * | * | | 100% recyclable bottles |
| 3 | Minimise waste generation | Volume of waste generated | 20% | * | * | * | | Generated 1,078.93 tonnes in FY25 vs. 1,280.05 tonnes in FY24 |
| | Weighted score for environmental assessment | | 100% | * | * | * | | |
| | Social assessment | | | | | | | |
| 1 | Employee turnover | Number of lost time injuries | 33% | * | * | * | | 12 in FY25 vs. 16 in FY24 |
| 2 | Employee safety | Lost time incident rate | 33% | * | * | * | * | 0.9 in FY25 vs. 15.8 in FY24 |
| 3 | Learning and development | Number of training hours | 33% | * | * | * | * | 21.3 hours per employee in FY25 vs. 8.4 in FY24 |
| | Weighted score for social assessment | | 100% | * | * | * | * | |
| | Governance assessment | | | | | | | |
| 1 | Related party transactions | Value of transactions | 40% | * | * | * | | More than RM300mil in FY25 - mainly sale of goods to Yee Lee Trading Co |
| 2 | Women in workforce | % of women in workforce | 30% | * | * | * | * | 31% of workforce were women in FY25 vs. 28.4% in FY24 |
| 3 | Directors' remuneration | Value of transactions | 30% | * | * | * | | RM24.8mil in FY25 vs. RM11.7mil in FY24 |
| | Weighted score for governance assessment | | 100% | * | * | * | | |

Source: Company, AmInvestment Bank

Financial Summary

Income Statement (RMmil)

| YE to Dec | FY24 | FY25 | FY26F | FY27F | FY28F |
|---------------------------|-------------|--------------|--------------|--------------|--------------|
| Revenue | 579.0 | 656.9 | 746.7 | 796.1 | 833.5 |
| EBITDA | 112.2 | 154.5 | 168.9 | 179.1 | 186.5 |
| Depreciation/Amortisation | (31.1) | (32.4) | (30.8) | (31.8) | (32.3) |
| Operating income (EBIT) | 81.1 | 122.1 | 138.1 | 147.3 | 154.2 |
| Other income & associates | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net interest | (1.7) | (1.7) | (1.6) | (2.2) | (2.8) |
| Exceptional items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pretax profit | 79.4 | 120.4 | 136.6 | 145.1 | 151.4 |
| Taxation | (8.3) | (29.6) | (31.4) | (33.4) | (34.8) |
| Minorities/pref dividends | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 71.1 | 90.8 | 105.2 | 111.7 | 116.6 |

Balance Sheet (RMmil)

| YE to Dec | FY24 | FY25 | FY26F | FY27F | FY28F |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Fixed assets | 526.1 | 550.9 | 569.0 | 587.3 | 588.3 |
| Intangible assets | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Other long-term assets | 12.0 | 12.3 | 15.1 | 16.1 | 17.1 |
| Total non-current assets | 538.4 | 563.5 | 584.3 | 603.6 | 605.6 |
| Cash & equivalent | 21.6 | 44.6 | 88.6 | 145.5 | 207.1 |
| Stock | 45.2 | 50.8 | 63.9 | 72.3 | 79.4 |
| Trade debtors | 121.5 | 137.0 | 157.5 | 170.0 | 180.1 |
| Other current assets | 45.5 | 66.9 | 66.9 | 66.9 | 66.9 |
| Total current assets | 233.8 | 299.2 | 376.8 | 454.6 | 533.5 |
| Trade creditors | 50.2 | 52.1 | 63.9 | 71.7 | 78.3 |
| Short-term borrowings | 23.0 | 11.0 | 26.0 | 41.0 | 56.0 |
| Other current liabilities | 60.7 | 91.8 | 93.4 | 106.3 | 89.7 |
| Total current liabilities | 133.9 | 154.9 | 183.4 | 219.0 | 223.9 |
| Long-term borrowings | 25.6 | 18.6 | 18.6 | 18.6 | 18.6 |
| Other long-term liabilities | 30.6 | 31.5 | 31.5 | 31.5 | 31.5 |
| Total long-term liabilities | 56.2 | 50.1 | 50.1 | 50.1 | 50.1 |
| Shareholders' funds | 582.0 | 657.7 | 727.6 | 789.1 | 865.0 |
| Minority interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BV/share (RM) | 0.91 | 1.03 | 1.14 | 1.23 | 1.35 |

Cash Flow (RMmil)

| YE to Dec | FY24 | FY25 | FY26F | FY27F | FY28F |
|--|---------------|---------------|---------------|---------------|---------------|
| Pretax profit | 71.1 | 90.8 | 105.2 | 111.7 | 116.6 |
| Depreciation/Amortisation | 31.1 | 32.4 | 30.8 | 31.8 | 32.3 |
| Net change in working capital | 21.2 | 45.0 | 1.6 | 2.2 | 2.8 |
| Others | (21.3) | (14.4) | (21.7) | (13.2) | (10.7) |
| Cash flow from operations | 102.0 | 153.7 | 115.8 | 132.6 | 141.0 |
| Capital expenditure | (70.5) | (45.2) | (50.0) | (50.0) | (50.0) |
| Net investments & sale of fixed assets | (7.9) | (37.6) | 0.0 | 0.0 | 0.0 |
| Others | (10.5) | (0.8) | 0.0 | 0.0 | 0.0 |
| Cash flow from investing | (88.9) | (83.7) | (50.0) | (50.0) | (50.0) |
| Debt raised/(repaid) | 0.9 | (19.0) | 15.0 | 15.0 | 15.0 |
| Equity raised/(repaid) | (2.4) | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends paid | (17.6) | (25.5) | (35.2) | (38.4) | (41.7) |
| Others | (3.1) | (2.8) | (1.6) | (2.2) | (2.8) |
| Cash flow from financing | (22.2) | (47.2) | (21.8) | (25.6) | (29.5) |
| Net cash flow | (9.1) | 22.8 | 44.0 | 56.9 | 61.5 |
| Net cash/(debt) b/f | 30.2 | 21.6 | 44.6 | 88.6 | 145.5 |
| Forex | 0.5 | 0.2 | 0.0 | 0.0 | 0.0 |
| Net cash/(debt) c/f | 21.6 | 44.6 | 88.6 | 145.5 | 207.1 |

Key Ratios

| YE to Dec | FY24 | FY25 | FY26F | FY27F | FY28F |
|---------------------------|------|------|-------|-------|-------|
| Revenue growth (%) | 18.0 | 13.4 | 13.7 | 6.6 | 4.7 |
| EBITDA growth (%) | 25.6 | 37.7 | 9.3 | 6.0 | 4.2 |
| Pretax margin (%) | 13.7 | 18.3 | 18.3 | 18.2 | 18.2 |
| Net profit margin (%) | 12.3 | 13.8 | 14.1 | 14.0 | 14.0 |
| Interest cover (x) | 65 | 90 | 108 | 81.8 | 66.2 |
| Effective tax rate (%) | 10 | 25 | 23 | 23.0 | 23.0 |
| Dividend payout (%) | 36 | 35 | 34 | 34.4 | 35.7 |
| Debtors turnover (days) | 70 | 75 | 76 | 77 | 78 |
| Stock turnover (days) | 39 | 45 | 45 | 46 | 47 |
| Creditors turnover (days) | 35 | 40 | 41 | 42 | 43 |

Source: Company, AmInvestment Bank

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad ("AmInvestment") without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment's views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment's affiliates and/or related corporations (collectively, "AmBank Group").

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment's prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents ("Relevant Person") accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located. If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.