CONSUMER

SPRITZER

(SPZ MK EQUITY, SPTZ.KL) **3 June 2025**

Boosted by lower production costs

BUY

(Maintained)

Company Report

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Rationale for report: Company Results

Price	**RM1.63**
Target Price	**RM1.90**
52-week High/Low	RM1.71/RM1.17

Key Changes

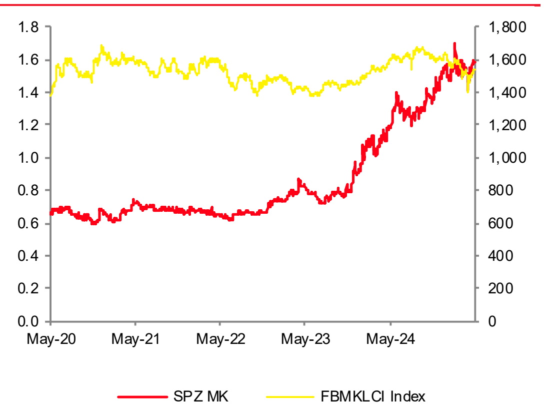
Target Price	↑
EPS	↑

YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RMmil)	579.0	635.5	661.3	672.8
Net profit (RMmil)	71.1	74.0	80.5	82.5
EPS (sen)	11.2	11.6	12.7	13.0
EPS growth (%)	43.7	4.0	8.9	2.5
Consensus net (RMmil)		76.4	82.3	86.8
DPS (sen)	4.0	4.5	5.0	5.5
PE (x)	14.6	14.0	12.9	12.6
EV/EBITDA (x)	3.6	3.9	3.9	2.7
Div yield (%)	2.5	2.8	3.1	3.4
ROE (%)	12.8	12.2	12.4	11.8
Net gearing (%)	4.6	3.3	na	na

Stock and Financial Data

Shares Outstanding (million)	636.7
Market Cap (RMmil)	1,037.8
Book Value (RM/Share)	0.91
P/BV (x)	1.8
ROE (%)	12.8
Net Gearing (%)	4.6
Major Shareholders	Yee Lee Corporation (43.19%) Dymon Asia (11%)
Free Float	23.5
Avg Daily Value (RMmil)	0.6

Price performance	3mth	6mth	12mth
Absolute (%)	+0.0	+17.9	+33.9
Relative (%)	+3.8	+24.1	+39.4



Investment Highlights

Spritzer reported a decent set of 1QFY25 results. Net earnings rose by 26.7% YoY to RM19.7mil in 1QFY25 on the back of stronger volume growth and enhancements in EBIT margin. EBIT margin rose supported by low PET resin costs. We estimate that sales volume of bottled water products grew by 8% to 10% YoY in 1QFY25. We believe that Spritzer will continue to benefit from an increase in the number of tourists in Malaysia. The recent imposition of anti-dumping duties on PET imports from China and Indonesia is not expected to have a significant impact as Spritzer can switch to local suppliers. The appreciation of the MYR against the USD would also help lower the cost of PET resin. We maintain BUY on Spritzer with a target price of RM1.90/share.

- **BUY with a higher TP of RM1.90/share vs. RM1.77/share previously.** Our TP is based on a FY26F PE of 15x, which is the five-year average. Spritzer is currently trading at undemanding FY25F PE of 14x and FY26F PE of 12.9x. We have raised Spritzer's FY26F net profit by 7.5% to account for a higher EBITDA margin and sales volume growth. We have left the group' FY25F net profit unchanged.

- **Spritzer's 1QFY25 net profit of RM19.7mil was within our forecast and consensus.** Revenue expanded by 9.8% YoY to RM148.3mil in 1QFY25 on the back of a higher sales volume. We expect demand for bottled water products from tourists to continue rising. According to Tourism Malaysia, there were 25mil tourists in Malaysia in 2024, 24.2% higher than 20.1mil in 2023.

- **EBIT margin widened to 17.9% in 1QFY25 from 13.8% in 1QFY24.** We attribute this to efficiency gains from new production lines and a fall in PET costs. We believe that PET costs would remain soft due to weak crude oil prices. To recap, Spritzer's average cost of PET was RM4.39/kg in FY24 compared to RM4.49/kg in FY23.

- **On a QoQ basis, net profit grew by 5.1% in 1QFY25.** Although revenue inched down by 2.1% to RM148.3mil in 1QFY25, net profit rose underpinned by lower operating costs. EBIT margin expanded to 17.9% in 1QFY25 from 13.3% in 4QFY24.

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 have a BUY on Spritzer as its FY26F PE is undemanding at 12.9x.

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

Valuation methodology

We applied a FY26F PE of 15x to arrive at Spritzer's target price of RM1.90/share. The PE of 15x is the five-year mean.

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 the bottles.

EXHIBIT 1: RESULTS SUMMARY

YE 31 Dec (RM 'mil)	4QFY24	1QFY25	QoQ (%)	1QFY24	1QFY25	YoY (%)
Revenue	**151.5**	**148.3**	**(2.1)**	**135.0**	**148.3**	**9.8**
Cost of sales	**(122.7)**	**(114.1)**	**(7.0)**	**(110.2)**	**(114.1)**	**3.6**
EBITDA	**28.8**	**34.2**	**18.8**	**24.8**	**34.2**	**37.8**
D&A	(8.7)	(7.6)	**(11.6)**	(6.1)	(7.6)	**25.0**
EBIT	**20.1**	**26.5**	**31.8**	**18.7**	**26.5**	**42.0**
Net interest expense	(0.4)	(0.3)	**(13.5)**	(0.6)	(0.3)	**(46.5)**
PBT	**19.8**	**26.2**	**32.7**	**18.1**	**26.2**	**44.9**
Taxation	(1.0)	(6.5)	**(>100)**	(2.6)	(6.5)	**(>100)**
Net Profit	**18.7**	**19.7**	**5.1**	**15.5**	**19.7**	**26.7**
EI	0.0	0.0		0.0	0.0	
Core Net Profit	**18.7**	**19.7**	**5.1**	**15.5**	**19.7**	**26.7**
FD Core EPS (sen)	2.9	3.4	**14.7**	2.4	3.4	**38.7**
Gross DPS (sen)	4.0	0.0		0.0	0.0	
Gross margin (%)						
EBITDA margin (%)	19.0	23.1		18.4	23.1	
EBIT margin (%)	13.3	17.9		13.8	17.9	
PBT margin (%)	13.0	17.7		13.4	17.7	
Effective tax rate (%)	5.3	25.0		14.2	25.0	
Core net profit margin (%)	12.4	13.3		11.5	13.3	

Source: Bursa Announcement

EXHIBIT 2: VALUATIONS

Target PE (x)	15
FY26F EPS (sen)	12.7
ESG premium	-
12-month target price (RM)	1.90

EXHIBIT 3: CHANGE IN EARNINGS

RMmil	FY25F			FY26F			FY27F		
	Old	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	635.5	635.5	-	641.5	661.3	3.1	642.7	672.8	4.7
Net earnings	74.0	74.0	-	74.9	80.5	7.5	76.2	82.5	8.3

EXHIBIT 4: ESG RATING

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	Carbon emissions	45% CO2 reduction by 2030	40%	*	*	*			Scope 1 emissions were 1,428 tCO2e in FY24 (FY23: 1,389 tCO2e) while Scope 2 were 42,162 tCO2e (FY23: 35,605 tCO2e)
2	Packaging	Use of plastic	40%	*	*	*			100% recyclable bottles
3	Minimise waste generation	Volume of waste generated	20%	*	*	*			Waste generated were 1,290 tonnes in FY24 vs. 971 tonnes in FY23
	Weighted score for evironmental assessment		**100%**	*	*	*			
	Social assessment								
1	Employee turnover	No of workforce changes	33%	*	*	*			44 executive resignations in FY24 vs. 33 in FY23
2	Employee safety	Lost time incident rate	33%	*	*	*			15.8 in FY24 vs. 19.1 in FY23
3	Learning and development	Number of training hours	33%	*	*	*			8.4 hours per employee in FY24
	Weighted score for social assessment		**100%**	*	*	*			
	Governance assessment								
1	Related party transactions	Value of transactions	40%	*	*	*			More than RM305mil in FY24 - mainly sale of goods to Yee Lee Trading Co
2	Women in workforce	% of women in workforce	30%	*	*	*	*		57.7% of executives were women in FY24 vs. 57.2% in FY23
3	Directors' remuneration	Value of transactions	30%	*	*	*			RM11.7mil in FY24 vs. RM6.7mil in FY23
	Weighted score for governance assessment		**100%**	*	*	*			
	Environmental score		40%	*	*	*			
	Social score		30%	*	*	*			
	Governance score		30%	*	*	*			
	Overall ESG Score		**100%**	*	*	*			

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star.

Source: AmInvestment Bank

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	490.7	579.0	635.5	661.3	672.8
EBITDA	86.0	112.2	127.0	138.5	142.8
Depreciation	(22.3)	(31.1)	(28.5)	(30.7)	(31.8)
Operating income (EBIT)	63.8	81.1	98.5	107.8	111.0
Other income & associates	0.1	0.0	0.0	0.0	0.0
Net interest	(1.1)	(1.7)	(2.4)	(3.2)	(3.8)
Exceptional items	3.2	0.0	0.0	0.0	0.0
Pretax profit	**65.9**	**79.4**	**96.1**	**104.6**	**107.2**
Taxation	(16.4)	(8.3)	(22.1)	(24.1)	(24.7)
Minorities/pref dividends	0.0	0.0	0.0	0.0	0.0
Profit from discont op	0.0	0.0	0.0	0.0	0.0
Net profit	**49.5**	**71.1**	**74.0**	**80.5**	**82.5**

Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	473.4	526.1	547.6	569.0	587.3
Intangible assets	0.2	0.3	0.3	0.3	0.3
Other long-term assets	12.4	12.0	13.7	14.7	15.7
Total non-current assets	**486.1**	**538.4**	**561.6**	**583.9**	**603.2**
Cash & equivalent	30.2	21.6	48.0	85.0	124.9
Stock	41.4	45.2	52.1	57.1	60.4
Trade debtors	96.0	121.5	141.1	148.2	152.4
Other current assets	34.2	45.5	45.5	45.5	45.5
Total current assets	**201.9**	**233.8**	**286.7**	**335.8**	**383.2**
Trade creditors	41.5	50.2	64.4	69.0	72.1
Short-term borrowings	17.3	23.0	38.0	53.0	68.0
Other current liabilities	40.8	60.7	57.6	60.7	63.2
Total current liabilities	**99.5**	**133.9**	**160.0**	**182.6**	**203.3**
Long-term borrowings	30.4	25.6	30.4	30.4	30.4
Other long-term liabilities	29.8	30.6	30.6	30.6	30.6
Total long-term liabilities	**60.2**	**56.2**	**61.0**	**61.0**	**61.0**
Shareholders' funds	**527.0**	**582.0**	**627.3**	**676.0**	**722.1**
Minority interests	0.0	0.0	0.0	0.0	0.0
BV/share (RM)	0.83	0.91	0.99	1.06	1.13

Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	49.5	71.1	74.0	80.5	82.5
Depreciation	22.3	31.1	28.5	30.7	31.8
Net change in working capital	15.4	21.2	2.4	3.2	3.8
Others	(7.8)	(21.3)	(12.4)	(7.5)	(4.4)
Cash flow from operations	**79.4**	**102.0**	**92.5**	**107.0**	**113.8**
Capital expenditure	(78.0)	(70.5)	(50.0)	(50.0)	(50.0)
Net investments & sale of fixed assets	10.0	(7.9)	0.0	0.0	0.0
Others	(14.1)	(10.5)	0.0	0.0	0.0
Cash flow from investing	**(82.1)**	**(88.9)**	**(50.0)**	**(50.0)**	**(50.0)**
Debt raised/(repaid)	32.0	0.9	15.0	15.0	15.0
Equity raised/(repaid)	(4.9)	(2.4)	0.0	0.0	0.0
Dividends paid	(13.3)	(17.6)	(28.7)	(31.8)	(35.0)
Others	(2.4)	(3.1)	(2.4)	(3.2)	(3.8)
Cash flow from financing	**11.4**	**(22.2)**	**(16.1)**	**(20.0)**	**(23.8)**
Net cash flow	**8.6**	**(9.1)**	**26.4**	**37.0**	**39.9**
Net cash/(debt) b/f	**21.7**	**30.2**	**21.6**	**48.0**	**85.0**
Forex	**(0.1)**	**0.5**	**0.0**	**0.0**	**0.0**
Net cash/(debt) c/f	**30.2**	**21.6**	**48.0**	**85.0**	**124.9**

Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	13.2	18.0	9.8	4.1	1.7
EBITDA growth (%)	35.6	25.6	13.2	9.0	3.1
Pretax margins (%)	13.4	13.7	15.1	15.8	15.9
Net profit margins (%)	10.1	12.3	11.6	12.2	12.3
Interest cover (x)	79	65	52	43	37.4
Effective tax rate (%)	25	10	23	23	23.0
Net dividend payout (%)	71	36	39	40	42.4
Debtors turnover (days)	79	70	75	76	77
Stock turnover (days)	39	39	45	45	46
Creditors turnover (days)	45	35	40	41	42

Source: Company, AmInvestment Bank

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