CONSUMER

SPRITZER

(SPZ MK EQUITY, SPTZ.KL)

21 Jul 2025

Healthy demand for mineral water

BUY

(Maintained)

Company Report

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Rationale for report: Company Update

Price	**RM1.63**
Target Price	**RM1.90**
52-week High/Low	RM1.72/RM1.17

Key Changes

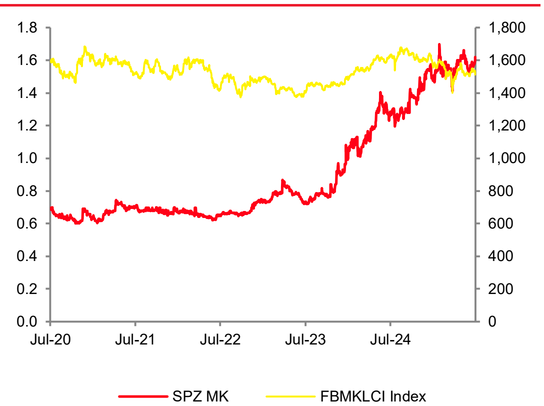
Target Price	⇔
EPS	⇔

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	83.7	90.0
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)	0.6
ROE (%)	12.8
Net Gearing (%)	4.6
Major Shareholders	Yee Lee Corporation (43.2%)
Free Float	23.5
Avg Daily Value (RMmil)	0.5

Price performance	3mth	6mth	12mth
Absolute (%)	+0.1	+8.0	+27.1
Relative (%)	+5.3	+12.0	+37.3



Investment Highlights

We visited Spritzer's plant in Taiping recently. The visit affirms the group's positive outlook. We believe that demand for Spritzer's bottled water products would continue to grow in FY25F although at a lower rate of 10% compared to the 15% to 18% increase in FY24. We reckon that demand would be supported by tourists and foreign workers. Malaysia expects to receive 31.4mil international tourists in 2025F vs. 25mil in 2024. We also expect EBITDA margins to sustain as the drop in PET resin costs offset inflationary pressures from wages and electricity. We maintain BUY on Spritzer with a target price of RM1.90/share.

- **BUY with an unchanged TP of RM1.90/share.** Our TP of RM1.90/share is based on a FY26F PE of 14x, which is the five-year average. Spritzer is currently trading at FY26F PE of 12.9x, which is slightly above Life Water's 11x.

- **FY25F EBITDA margin to be supported by lower PET resin costs.** We estimate an EBITDA margin of 20% in FY25F vs. 19% in FY24. We think that Spritzer's PET resin costs would remain low on the back of weak crude oil prices and a strong MYR. According to *Bloomberg*, average low density PET price declined by 8.4% to US$1,051/tonne in 1H2025 from US$1,148/tonne in 1H2024. Spritzer's PET resin costs were RM4.15/kg in 1QFY25 vs. RM4.39/kg in 1QFY24. Packaging accounts for about 70% of production costs.

- **Anti-dumping duty on PET resin imports is not expected to affect Spritzer significantly**. Spritzer sources its PET resin from local and China suppliers. We reckon that half of the supplies are from local companies and another half are from China. Also, we believe that the stronger MYR and drop in PET prices would be enough to offset the anti-dumping duties. To recap in May, Malaysia imposed anti-dumping duties on PET imports from Indonesia (37.4%) and China (2.3% to 11.7%) for five years.

- **Sales volume estimated to improve by 10% in FY25F.** We believe that mineral water would continue to generate most of the sales volume. We also think that demand for the premium sparkling water products would continue improving as it is cheaper than foreign brands like Perrier and San Pellegrino. We believe that EBITDA margins for sparkling water are 3 to 5-percentage points higher than mineral water. Revenue contribution from sparkling water rose to 2.2% in 4QFY24 from 1.5% in 4QFY23.

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 average.

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: VALUATIONS

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

EXHIBIT 2: 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%**	*	*	*			

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 3: 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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