

Spritzer Berhad

(7103 | SPZ MK) Main | Consumer Products & Services | Food & Beverages

Maintain BUY

Increased Sales Volume and ASP

Revised Target Price: RM1.85
(from RM1.80)

KEY INVESTMENT HIGHLIGHTS

- **Within expectations**
- **Better revenue and core PATANCI in 2QFY23**
- **Higher bottled water sales in 1HFY23**
- **Maintained BUY with a revised TP of RM1.85 (from RM1.80)**

Within expectations. Spritzer's 1HFY23 core PATANCI of RM19.1m, after excluding a one-time off expenses, came in within our expectations. It represents 46% of our full-year FY23F forecast and 50% of the consensus estimate. No dividends were declared in the quarter.

Better revenue and core PATANCI in 2QFY23. On yearly basis, the group's revenue surged by 16.5%yoy to RM123.7m, primarily driven by the manufacturing segment due to higher bottled water sales volumes and ASP. Core PATANCI increased by 57.7%yoy to RM11.9m, attributed to higher revenue and a reduction in raw material costs, which more than offset increased electricity expenses. On a quarterly basis, the revenue increased by 13%qoq to RM123.7m, primarily driven by higher sales volumes for bottled water and an increase in the average selling price. Consequently, core PATANCI rose by 64.7%qoq to RM11.9m.

Higher bottled water sales in 1HFY23. Spritzer's 1HFY23 higher revenue of RM233.1m (+13.7%yoy) was mainly driven by both manufacturing and other segments. The higher manufacturing revenue was due to increased bottled water sales. The operating profit increased by 1.8 ppt yoy to 11.2%, primarily due to higher revenue and reduced raw material costs. Consequently, core PATANCI increased by 37.8% yoy to RM19.1m.

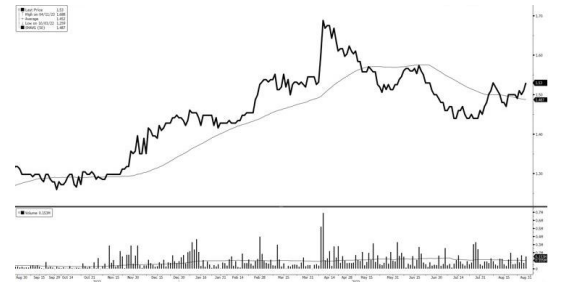
Maintained BUY with a revised TP of RM1.85 (from RM1.80). Our earnings forecast for FY23F-25F remains unchanged. We roll over our valuation from FY23F EPS to FY24F EPS. Our revised **TP** of **RM1.85** is based on FY24F EPS of 15.7sen that peg to a PER of 11.8x (10% discount to its 3-year historical PER). We are optimistic about Spritzer's FY23F outlook underpinned by: (1) its defensive business nature; (2) benefiting from increased tourist movement and out-of-home activities, particularly in hot weather, which may increase demand for bottled water; and (3) recent acquisition of land in Bukit Gantang, Perak for the future expansion of an additional mineral water plant. Hence, we maintain our **BUY** call on Spritzer. Spritzer is currently trading at an appealing FY24F PER of 9.9x, which is lower than its 2-year historical average PER of 14x. **Downside risks** are: (1) a further increase in Polyethylene terephthalate (PET) resin prices and (2) higher-than-expected logistic costs.



RETURN STATISTICS

Price @ 29 th Aug 2023 (RM)	1.53
Expected share price return (%)	+20.8
Expected dividend yield (%)	2.90
Expected total return (%)	+23.73

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.2	6.0
3 months	2.0	-6.2
12 months	13.1	17.5

INVESTMENT STATISTICS

FYE Dec	2023F	2024F	2025F
Revenue	468.0	549.2	641.5
EBITDA	76.4	91.9	117.2
Profit before tax (PBT)	51.0	62.1	82.4
Core PATANCI	41.7	50.8	67.4
Core EPS (sen)	12.8	15.7	20.8
DPS (sen)	4.5	5.5	7.3
Dividend Yield (%)	2.9	3.6	4.8

KEY STATISTICS

FBM KLCI	1,454.44
Issue shares (m)	314.99
Estimated free float (%)	17.05
Market Capitalization (RM'm)	487.40
52-wk price range	RM1.26-RM1.78
3-mth average daily volume (m)	0.11
3-mth average daily value (RM'm)	0.16
Top Shareholders (%)	
Yee Lee Corp Bhd	31.74
YEE Lee Holdings Sdn Bhd	12.90
Lim A Heng	10.74

Analyst(s)

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Spritzer: 2QFY23 Results Summary

FYE DEC (RM'm)	Quarterly results					Cumulative results		
	2QFY23	1QFY23	2QFY22	YoY (%)	QoQ (%)	1HFY23	1HFY22	YoY (%)
Revenue	123.7	109.4	106.2	16.5	13.0	233.1	205.0	13.7
Cost of sales & other operating expenses	(108.7)	(100.7)	(96.8)	12.3	8.0	(209.4)	(187.2)	11.9
Other gains (losses)	1.5	1.0	0.6	136.0	46.7	2.6	1.7	54.0
EBIT	16.5	9.8	10.0	64.8	68.7	26.3	19.4	35.0
Net finance income/(cost)	(0.4)	(0.2)	(0.2)	116.7	52.6	(0.6)	(0.3)	107.5
Profit before tax (PBT)	16.1	9.5	9.8	63.9	69.0	25.7	19.2	34.0
Tax expense	(4.1)	(2.4)	(2.2)	83.6	70.8	(6.5)	(4.9)	31.9
Profit After tax (PAT)	12.1	7.2	7.6	58.2	68.5	19.2	14.3	34.7
PATANCI	12.0	7.2	7.6	57.0	67.2	19.1	14.3	34.0
Core PATANCI	11.9	7.2	7.5	57.7	64.7	19.1	13.8	37.8
Core EPS (sen)	3.7	3.3	3.5	6.8	11.6	7.1	6.4	10.1
DPS (sen)	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.
Growth & Margin (%)				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
EBIT Margin	13.3	8.9	9.4	3.9	4.4	11.3	9.5	1.8
PAT Margin	9.7	6.5	7.2	2.6	3.2	8.2	7.0	1.3
Core PATANCI Margin	9.6	6.6	7.1	2.5	3.0	8.2	6.8	1.4
Ratios & Valuation				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
Net debt/total equity (%)	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0

Source: Company, MIDFR

Spritzer: Breakdown by operating segment

FYE DEC (RM'm)	Quarterly results					Cumulative results		
	2QFY23	1QFY23	2QFY22	YoY (%)	QoQ (%)	1HFY23	1HFY22	YoY (%)
Revenue (External):								
Manufacturing	117.6	104.5	99.8	17.8	12.5	222.1	193.5	14.8
Trading	5.9	4.7	6.1	(4.0)	26.2	10.5	11.0	(4.6)
Others	0.3	0.2	0.3	(0.7)	10.8	0.5	0.5	7.2
Total	123.7	109.4	106.2	16.5	13.0	233.1	205.0	13.7
Operating Profit:								
Manufacturing	16.7	10.6	10.2	63.4	57.5	27.3	19.8	38.0
Trading	(0.7)	(0.8)	0.7	(191.7)	(19.4)	(1.5)	1.4	(205.9)
Others	4.8	0.9	(0.3)	(1,913.7)	457.1	5.6	(0.7)	(958.3)
Eliminations	(4.4)	(0.9)	(0.8)	464.2	381.3	(5.3)	(1.2)	328.1
Total	123.7	109.4	106.2	16.5	13.0	233.1	205.0	13.7
Operating profit margin (%):								
Manufacturing	14.2	10.1	10.2	4.0	4.1	12.3	10.2	2.1
Trading	(11.4)	(17.9)	12.0	(23.4)	6.4	(14.3)	12.9	(27.1)
Others	1,786.5	355.4	(97.8)	1,884.2	1,431.0	1,107.7	(138.3)	1,246.1
Total	13.3	8.9	9.3	3.9	4.4	11.2	9.4	1.8

Source: Company, MIDF

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023F	2024F	2025F
Revenue	331.0	433.3	468.0	549.2	641.5
Raw Material consumed	(127.8)	(152.2)	(161.1)	(183.4)	(209.9)
Purchased of finished goods and trading merchandise	(3.6)	(28.0)	(28.7)	(32.7)	(37.8)
Changes in inventories	1.0	2.6	2.0	(15.1)	(17.2)
Gross Profit	200.7	255.7	280.2	318.0	376.6
Other Income/(losses)	1.7	4.7	5.1	5.8	7.1
Employee benefit expenses	(58.9)	(69.2)	(76.6)	(85.2)	(98.5)
Other expenses	(93.5)	(125.7)	(132.3)	(146.8)	(168.0)
EBITDA	50.0	65.5	76.4	91.9	117.2
Profit before tax (PBT)	30.3	45.2	51.0	62.1	82.4
Profit After tax (PAT)	24.2	37.0	41.7	50.8	67.4
PATANCI	24.2	37.0	41.7	50.8	67.4
Core PATANCI	24.2	37.1	41.7	50.8	67.4
Core EPS (sen)	11.2	17.1	12.8	15.7	20.8
DPS (sen)	4.5	6.3	4.5	5.5	7.3

Balance Sheet (RM'm)	2021A	2022A	2023F	2024F	2025F
Property, plant and equipment	315.7	411.9	457.2	510.1	571.7
Intangible assets	0.2	0.2	0.2	0.3	0.3
Total Non-current assets	323.0	421.2	466.7	520.4	582.8
Inventories	35.3	44.1	34.5	39.3	44.9
ST - Trade and other receivables	71.7	82.2	85.5	100.3	117.1
Cash and cash equivalents	21.8	21.7	27.1	31.9	37.5
Total current assets	234.9	179.7	181.3	211.7	246.6
Total Assets	557.9	601.0	648.0	732.1	829.3
Total Equity	462.8	493.5	542.8	617.8	704.6
LT Loans and borrowings	0.0	0.0	0.0	0.0	0.0
Total Non-current liabilities	21.1	22.6	24.4	28.7	33.5
ST Trade and other payables	40.8	36.8	32.4	36.9	42.2
ST Loans and borrowings	5.5	16.1	16.3	16.6	16.8
Total Current Liabilities	74.1	84.9	80.8	85.6	91.3
Total Liabilities	95.2	107.5	105.2	114.3	124.8

Cash Flow (RM'm)	2021A	2022A	2023F	2024F	2025F
Pretax profit	30.3	45.2	51.0	62.1	82.4
Cash flow from operations	35.6	40.7	90.8	105.7	126.1
Cash flow from investing	(27.8)	(38.8)	(70.2)	(82.4)	(96.2)
Cash flow from financing	(9.1)	(2.3)	(15.3)	(18.4)	(24.3)
Net cash flow	(1.3)	(0.3)	5.4	4.9	5.6
(+/-) Adjustments	(0.1)	0.3	0.0	0.0	0.0
Net cash/(debt) b/f	23.2	21.7	21.7	27.1	31.9
Net cash/(debt) c/f	21.7	21.7	27.1	31.9	37.5

Key Metrics	2021A	2022A	2023F	2024F	2025F
Effective tax rate (%)	20.1	18.2	18.2	18.2	18.2
Dividend Yield (%)	2.9	4.1	2.9	3.6	4.8
PER (x)	13.3	8.7	11.9	9.8	7.4
Net Cash/Market Capitalisation (%)	4.9	1.7	2.2	3.1	4.2

Profitability Margins	2021A	2022A	2023F	2024F	2025F
Gross Profit Margin (%)	60.6	59.0	59.9	57.9	58.7
EBIT Margin (%)	9.3	10.5	11.0	11.4	12.9
Core PATANCI Margin (%)	7.3	8.6	8.9	9.3	10.5

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology