

## Spritzer Berhad

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

### More Expansion Plans

#### KEY INVESTMENT HIGHLIGHTS

- **Virtual briefing**
- **Cost Optimization through Solar PV Installation**
- **ESG initiatives**
- **Expansion plans**
- **Maintained BUY with an unchanged TP of RM1.85**

**Virtual briefing.** We recently attended Spritzer's virtual briefing and remained optimistic about its FY24F outlook. Key highlights from briefing as below:

**Cost Optimization through Solar PV Installation.** Spritzer has taken proactive steps to mitigate impact of the increased electricity costs due to the ICPT rate hike. Specifically, Spritzer invested RM2.2m to install a 720kWp PV panel on the roof of the ASRS warehouse.

**ESG initiatives.** Spritzer continues its commitment to ESG initiatives by introducing label-free Spritzer bottled water, exclusively available in cartons only (particularly in 550ml packs for 24 bottles). Based on Spritzer's official website, the label-free bottled water is being sold at RM33.90 per carton, which is the same price as bottled water with labels. Meanwhile, we gather that Malaysian consumer preference for individually packaged mineral bottled water remains dominant. As such, we reckon that this initiative may not significantly contribute to revenue growth but may offer a slightly higher margin compared to normal bottled water.

**Expansion plans.** Moving forward, Spritzer aims to complete the new bottling line at the Taiping plant by 4QFY23, requiring a total CAPEX of RM16m. Similarly, the Yong Peng warehouse is set to be completed by 4QFY23, with an investment of RM4.5m. As of 1HFY23, Spritzer has already invested RM11m in capex and management anticipates a total capex of RM50m for FY23. Meanwhile, management also shared the expected completion of the new bottling line at Yong Peng by 1QFY24 (RM16m) and the Shah Alam warehouse by 1QFY24 (RM17.5m). Ultimately, the completion of both Taiping and Yong Peng's new bottling line are expected to increase the total production capacity to 1.2b liters per annum, up from the current 1.0b liters per annum.

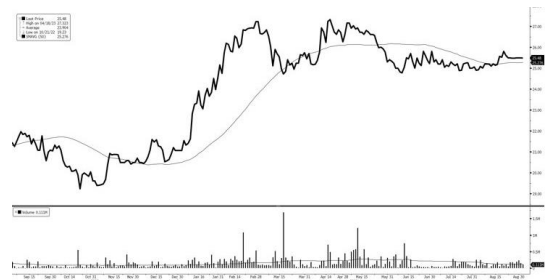
**Maintain BUY**

**Unchanged Target Price: RM1.85**

#### RETURN STATISTICS

Price @ 4 <sup>th</sup> Sept 2023 (RM)	1.57
Expected share price return (%)	+17.70
Expected dividend yield (%)	2.90
<b>Expected total return (%)</b>	<b>+20.58</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.7	3.4
3 months	4.7	-5.4
12 months	17.8	20.0

#### 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	3.5	4.6

#### KEY STATISTICS

FBM KLCI	1,462.72
Issue shares (m)	314.99
Estimated free float (%)	17.04
Market Capitalization (RM'm)	500.10
52-wk price range	RM1.26-RM1.78
3-mth average daily volume (m)	0.12
3-mth average daily value (RM'm)	0.18
Top Shareholders (%)	
Yee Lee Corp Bhd	31.74
YEE Lee Holdings Sdn Bhd	12.90
Lim A Heng	10.74

**Analyst(s)**

Genevieve Ng Pei Fen  
Genevieve.ng@midf.com.my

**Maintain BUY with an unchanged TP of RM1.85.** We make no changes to our earnings forecast post analyst briefing. Our **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. **Downside risks** are: (1) a further increase in Polyethylene terephthalate (PET) resin prices; and (2) higher-than-expected logistic costs. 

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Revenue</b>	<b>331.0</b>	<b>433.3</b>	<b>468.0</b>	<b>549.2</b>	<b>641.5</b>
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)
<b>Gross Profit</b>	<b>200.7</b>	<b>255.7</b>	<b>280.2</b>	<b>318.0</b>	<b>376.6</b>
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)
<b>EBITDA</b>	<b>50.0</b>	<b>65.5</b>	<b>76.4</b>	<b>91.9</b>	<b>117.2</b>
Profit before tax (PBT)	30.3	45.2	51.0	62.1	82.4
<b>Profit After tax (PAT)</b>	<b>24.2</b>	<b>37.0</b>	<b>41.7</b>	<b>50.8</b>	<b>67.4</b>
PATANCI	24.2	37.0	41.7	50.8	67.4
<b>Core PATANCI</b>	<b>24.2</b>	<b>37.1</b>	<b>41.7</b>	<b>50.8</b>	<b>67.4</b>
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
<b>Balance Sheet (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
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
<b>Total Non-current assets</b>	<b>323.0</b>	<b>421.2</b>	<b>466.7</b>	<b>520.4</b>	<b>582.8</b>
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
<b>Total current assets</b>	<b>234.9</b>	<b>179.7</b>	<b>181.3</b>	<b>211.7</b>	<b>246.6</b>
<b>Total Assets</b>	<b>557.9</b>	<b>601.0</b>	<b>648.0</b>	<b>732.1</b>	<b>829.3</b>
<b>Total Equity</b>	<b>462.8</b>	<b>493.5</b>	<b>542.8</b>	<b>617.8</b>	<b>704.6</b>
LT Loans and borrowings	0.0	0.0	0.0	0.0	0.0
<b>Total Non-current liabilities</b>	<b>21.1</b>	<b>22.6</b>	<b>24.4</b>	<b>28.7</b>	<b>33.5</b>
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
<b>Total Current Liabilities</b>	<b>74.1</b>	<b>84.9</b>	<b>80.8</b>	<b>85.6</b>	<b>91.3</b>
<b>Total Liabilities</b>	<b>95.2</b>	<b>107.5</b>	<b>105.2</b>	<b>114.3</b>	<b>124.8</b>
<b>Cash Flow (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
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)
<b>Net cash flow</b>	<b>(1.3)</b>	<b>(0.3)</b>	<b>5.4</b>	<b>4.9</b>	<b>5.6</b>
(+/-) Adjustments	(0.1)	0.3	0.0	0.0	0.0
<b>Net cash/(debt) b/f</b>	<b>23.2</b>	<b>21.7</b>	<b>21.7</b>	<b>27.1</b>	<b>31.9</b>
<b>Net cash/(debt) c/f</b>	<b>21.7</b>	<b>21.7</b>	<b>27.1</b>	<b>31.9</b>	<b>37.5</b>
<b>Key Metrics</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Effective tax rate (%)	20.1	18.2	18.2	18.2	18.2
Dividend Yield (%)	2.9	4.0	2.9	3.5	4.6
PER (x)	13.6	8.9	12.2	10.0	7.6
Net Cash/Market Capitalisation (%)	4.8	1.6	2.1	3.0	4.1
<b>Profitability Margins</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
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