

Spritzer Berhad

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

Growing Demand for Bottled Water

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings in line**
- **Higher revenue and core earnings in 1QFY24**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with and revised TP of RM2.55 (previously RM2.08)**

1QFY24 earnings in line. Spritzer's 3MFY24 core PATANCI of RM15.3m (including a one-time item of -RM0.2m) came in within our and consensus' full-year projections. This represents 28.4% of our FY24 full-year forecast and 30% of the consensus forecast. No dividend was declared this quarter, as dividends are typically declared in the 4Q.

Higher revenue and core earnings in 1QFY24. On a yearly basis, the topline increased +23.4%yoy to RM135m. This was driven by higher sales volume and ASP of bottled water, as well as increased trading sales. Core PATANCI more than doubled from RM7.2m in 1QFY23 to RM15.3m in 1QFY24, thanks to higher sales and lower raw material costs which offset elevated selling and distribution expenses. On a quarterly basis, the core PATANCI increased +7.6%qoq to RM15.3m, in tandem with higher revenue growth of +8%yoy to RM135m. This was largely due to higher bottled water sales volume and lower raw material costs.

Maintain NEUTRAL with and revised TP of RM2.55 (previously RM2.08). We maintain our FY24-25F earnings forecast considering that earnings met expectations. We adjust our valuation from a 3-year historical mean PER of 12.2x to a 5-year historical +0.5SD PER of 14.4x to reflect a positive mid-to-long term outlook, driven by increased out-of-home bottled water demand amid hot weather. We also roll over our valuation to FY25 EPS of 17.7 sen from FY24F EPS of 17.1 sen. Consequently, our **TP** is revised to **RM2.40** from RM2.08, based on FY25F EPS of 17.7 sen and a revised PER of 14.4x.

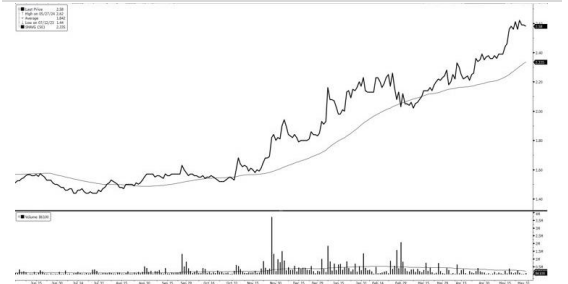
Outlook. Going forward, we expect sustained demand for Spritzer's bottled water due to strong tourist traffic, increased out-of-home activities, hot weather, and the normalization of business events. The group also benefits from the normalization of Brent crude oil trading below USD90/barrel, which has reduced PET resin prices. Note that Brent crude oil is the key commodity for PET resin. Yet, we believe the recent share price increase has already factored in the positive outlook. Hence, **we maintain NEUTRAL** on Spritzer. The stock currently trades at a FY24F PER of 14.6x, which is reasonable given its 5-year historical +0.5SD PER of 14.4x.

Maintain NEUTRAL
Revised Target Price: RM2.55
 (Previously RM2.08)

RETURN STATISTICS

Price @ 30 th May 2024 (RM)	2.58
Expected share price return (%)	-1.3
Expected dividend yield (%)	+5.0
Expected total return (%)	+3.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	9.8	7.6
3 months	15.7	22.6
12 months	66.1	44.3

INVESTMENT STATISTICS


FYE Dec	2024F	2025F	2026F
Revenue	522.1	572.2	620.9
EBITDA	88.7	94.8	104.4
Profit before tax (PBT)	72.1	76.9	84.9
Core PATANCI	54.0	57.6	63.7
Core EPS (sen)	16.6	17.7	19.5
DPS (sen)	5.0	5.3	5.9
Dividend Yield (%)	1.9	2.1	2.3

KEY STATISTICS

FBM KLCI	1,604.26
Issue shares (m)	319.31
Estimated free float (%)	18.28
Market Capitalization (RM'm)	823.80
52-wk price range	RM1.42-RM2.62
3-mth average daily volume (m)	0.24
3-mth average daily value (RM'm)	0.52
Top Shareholders (%)	
Yee Lee Corp Bhd	31.94
TASIK PUNCAK HOLDINGS LTD	12.87
YEE Lee Holdings Sdn Bhd	10.72

Analyst(s)

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Downside risks are: (1) a further increase in Polyethylene terephthalate (PET) resin prices and (2) higher -than-expected logistic costs. 

Spritzer: 1QFY24 Results Summary

FYE DEC (RM'm)	Quarterly results					Cumulative results		
	1QFY24	4QFY23	1QFY23	YoY (%)	QoQ (%)	3MFY24	3MFY23	YoY (%)
Revenue	135.0	125.0	109.4	23.4	8.0	135.0	109.4	23.4
Cost of sales & other operating expenses	(117.7)	(107.6)	(100.7)	16.9	9.4	(117.7)	(100.7)	16.9
Other gains (losses)	1.4	0.4	1.0	36.2	222.3	1.4	1.0	36.2
EBIT	18.7	17.8	9.8	91.2	4.9	18.7	9.8	91.2
Net finance income/(cost)	(0.6)	(0.5)	(0.2)	160.0	19.6	(0.6)	(0.2)	160.0
Profit before tax (PBT)	18.1	17.3	9.5	89.6	4.4	18.1	9.5	89.6
Tax expense	(2.6)	(4.1)	(2.4)	7.5	(37.6)	(2.6)	(2.4)	7.5
Profit After tax (PAT)	15.5	13.2	7.2	116.9	17.5	15.5	7.2	116.9
PATANCI	15.5	13.2	7.2	116.9	17.5	15.5	7.2	116.9
Core PATANCI	15.3	14.3	7.2	112.8	7.6	15.3	7.2	112.8
Core EPS (sen)	4.8	4.5	3.3	44.2	6.5	4.8	3.3	44.2
DPS (sen)	0.0	5.5	0.0	n.m.	(100.0)	0.0	0.0	n.m.
Growth & Margin (%)				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
EBIT Margin	13.8	14.3	8.9	4.9	(0.4)	13.8	8.9	4.9
PAT Margin	11.5	10.6	6.5	5.0	0.9	11.5	6.5	5.0
Core PATANCI Margin	11.4	11.4	6.6	4.8	(0.0)	11.4	6.6	4.8
Ratios & Valuation				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
Effective tax rate (%)	14.2	23.7	25.0	(10.8)	(9.5)	14.2	25.0	(10.8)

Source: Company, MIDFR

Spritzer: Breakdown by operating segment

FYE DEC (RM'm)	Quarterly results					Cumulative results		
	1QFY24	4QFY23	1QFY23	YoY (%)	QoQ (%)	3MFY24	3MFY23	YoY (%)
Revenue (External):								
Manufacturing	129.5	119.4	104.5	23.8	8.4	129.5	104.5	23.8
Trading	5.1	5.2	4.7	10.5	(0.6)	5.1	4.7	10.5
Others	0.4	0.4	0.2	65.0	(5.7)	0.4	0.2	65.0
Total	135.0	125.0	109.4	23.4	8.0	135.0	109.4	23.4
Operating Profit:								
Manufacturing	18.9	18.1	10.6	78.7	4.3	18.9	10.6	78.7
Trading	(0.1)	(0.6)	(0.8)	(87.5)	(82.1)	(0.1)	(0.8)	(87.5)
Others	0.9	8.1	0.9	9.4	(88.5)	0.9	0.9	9.4
Eliminations	(1.3)	(8.0)	(0.9)	44.2	(83.6)	(1.3)	(0.9)	44.2
Total	18.4	17.7	9.7	90.0	4.3	18.4	9.7	90.0
Operating profit margin (%):								
Manufacturing	14.6	15.2	10.1	4.5	(0.6)	14.6	10.1	4.5
Trading	(2.0)	(11.2)	(17.9)	15.9	9.2	(2.0)	(17.9)	15.9
Others	235.6	1,924.8	355.4	(119.8)	(1,689.2)	235.6	355.4	(119.8)
Total	13.7	14.1	8.9	4.8	(0.5)	13.7	8.9	4.8

Source: Company, MIDF

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024F	2025F	2026F
Revenue	433.3	490.7	522.1	572.2	620.9
Raw Material consumed	(152.2)	(172.9)	(185.8)	(202.4)	(220.4)
Purchased of finished goods and trading merchandise	(28.0)	(6.8)	(7.5)	(8.2)	(8.9)
Changes in inventories	2.6	(0.7)	(3.3)	(9.5)	(9.3)
Gross Profit	255.7	310.3	325.5	352.1	382.3
Other Income/(losses)	4.7	3.6	3.7	4.2	4.7
Employee benefit expenses	(69.2)	(79.7)	(84.5)	(89.6)	(95.0)
Other expenses	(125.7)	(144.2)	(156.1)	(172.0)	(187.5)
EBITDA	65.5	90.0	88.7	94.8	104.4
Profit before tax (PBT)	45.2	65.6	72.1	76.9	84.9
Profit After tax (PAT)	37.0	49.2	54.0	57.6	63.7
PATANCI	37.0	49.2	54.0	57.6	63.7
Core PATANCI	37.1	50.5	54.0	57.6	63.7
Core EPS (sen)	17.1	15.5	16.6	17.7	19.5
DPS (sen)	6.3	5.5	5.0	5.3	5.9
Balance Sheet (RM'm)	2022A	2023A	2024F	2025F	2026F
Property, plant and equipment	411.9	473.4	484.4	496.4	509.2
Intangible assets	0.2	0.2	0.2	0.3	0.3
Total Non-current assets	421.2	486.1	498.7	512.3	526.4
Inventories	44.1	41.4	46.2	50.3	54.8
ST - Trade and other receivables	82.2	96.0	95.3	104.5	113.3
Cash and cash equivalents	21.7	30.2	32.3	35.6	38.8
Total current assets	179.7	201.9	210.2	230.3	250.3
Total Assets	601.0	687.9	708.9	742.5	776.7
Total Equity	493.5	527.0	544.7	570.8	597.1
LT Loans and borrowings	0.0	30.4	30.7	31.0	31.4
Total Non-current liabilities	22.6	61.4	63.7	67.1	70.5
ST Trade and other payables	36.8	41.5	42.3	46.0	50.1
ST Loans and borrowings	16.1	17.3	17.5	17.6	17.8
Total Current Liabilities	84.9	99.5	100.6	104.7	109.1
Total Liabilities	107.5	160.9	164.2	171.8	179.6
Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
Pretax profit	45.2	65.6	72.1	76.9	84.9
Cash flow from operations	40.7	79.4	47.6	52.5	56.9
Cash flow from investing	(38.8)	(82.1)	(28.3)	(31.0)	(33.6)
Cash flow from financing	(2.3)	11.4	(17.2)	(18.3)	(20.1)
Net cash flow	(0.3)	8.6	2.1	3.3	3.2
(+/-) Adjustments	0.3	(0.1)	0.0	0.0	0.0
Net cash/(debt) b/f	21.7	21.7	30.2	32.3	35.6
Net cash/(debt) c/f	21.7	30.2	32.3	35.6	38.8
Key Metrics	2022A	2023A	2024F	2025F	2026F
Effective tax rate (%)	18.2	25.0	25.0	25.0	25.0
Dividend Yield (%)	2.4	2.1	1.9	2.1	2.3
PER (x)	14.6	16.6	15.6	14.6	13.2
Net Cash per share (RM)	1.0	(2.1)	(1.9)	(1.6)	(1.2)
Profitability Margins	2022A	2023A	2024F	2025F	2026F
Gross Profit Margin (%)	59.0	63.2	62.4	61.5	61.6
EBIT Margin (%)	10.5	13.7	14.0	13.6	13.8
Core PATANCI Margin (%)	8.6	10.3	10.3	10.1	10.3

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