Corporate Update

Life Water Berhad

(5328|LWSABAH MK) MAIN | Consumer

SHARIAH Compliant

Maintain **BUY**

Revised Target Price **RM1.00** (from RM1.04)

3QFY25 Results Review

Temporary Strain, Recovery Ahead

Maintain BUY with lower TP of RM1.00. Life Water (LWSABAH) results fell below expectations, impacted by February minimum wage hike and temporary capacity inefficiencies. While price adjustments took effect in May, their full impact will only materialise in 4Q. We cut our FY25–27F earnings estimates by -15%/-5%/-4%, factoring in near-term margin compression and temporary production inefficiencies. Our TP is lowered to RM1.00 (from RM1.04), based on an unchanged 12x PER pegged to the revised FY26F EPS of 8.3sen.

Below expectations. LWSABAH chalked in 3QFY25 revenue of RM43.1m (+0.9%qoq) and core PATAMI of RM6.5m (-18.4%qoq), bringing 9MFY25 core earnings to RM22.1m, which accounted for only 63% of our full-year forecast. The earnings miss was largely attributed to higher labour costs from the minimum wage hike and temporary inefficiencies from machine upgrading works, as well as a delay in cost pass-through.

Stable topline with festive support. Revenue edged up modestly by +0.9%qoq, supported by festive-driven strength in flavoured beverages. Carbonated drinks rose +13.5%qoq, while fruit drinks increased +8.3%qoq, reflecting strong seasonal uplift and growing consumer traction. In contrast, drinking water revenue declined -1.2%qoq, due to a temporary capacity shortfall from planned machine upgrading works. Despite this, drinking water remained the core revenue contributor at 83%, followed by carbonated drinks at approximately 17%.

Margins compressed but cost pass-through underway. Gross profit declined by -6.7%qoq to RM19.5m, with gross profit margin narrowing to 45.3% (−3.7ppt qoq), primarily due to the minimum wage adjustment implemented in February and temporary operational inefficiencies stemming from the planned machine upgrading exercise. Consequently, core PATAMI fell -18.4%qoq to RM6.5m, with net margin compressing to 15.2% (from 18.8% in 2QFY25). While management deferred immediate price increases to minimise consumer impact, cost pass-through measures were introduced in May, which are expected to mitigate margin pressures and support earnings normalisation in subsequent quarters.

Outlook. We maintain our positive view on Life Water, underpinned by structural demand visibility, expanding product offerings, and its bold strategy to double production capacity by FY27. The ramp-up of the Sandakan Sibuga line will further elevate total capacity to 626m litres, enhancing supply resilience across Sabah. Meanwhile, the integration of in-house PET preform production and the rollout of new high-margin SKUs are expected to support margin recovery. The acquisition of Twinine Sdn Bhd also provides a new leg of growth as the Group expands into the adjacent FMCG segment. Looking into 4QFY25, earnings are expected to strengthen, supported by the recent price adjustments, normalisation of operations post-upgrading works, and festive-driven demand from the Gawai celebration.

RETURN STATISTICS	
Price @ 28th May 2025 (RM)	0.82
Expected share price return (%)	+21.4
Expected dividend yield (%)	+1.6
Expected total return (%)	+23.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	-0.5
3months	0.0	0.9
12 months	NA	NA

INVESTMENT STATISTICS

FYE JUNE (RM'm)	2025F	2026F	2027F
Revenue	180.2	227.1	253.2
EBITDA	52.6	67.7	75.4
PBT	37.7	51.0	57.5
Core PATANCI	30.1	39.2	44.3
Core EPS (sen)	6.4	8.3	9.4
DPS (sen)	1.3	1.7	1.9
Dividend Yield (%)	1.6	2.1	2.3

KEY STATISTICS

FBM KLCI	1,523.48
Issued shares (m)	473.2
Estimated free float (%)	26.46
Market Capitalisation (RM'm)	388.01
52-wk price range	RM0.74 - RM1.03
3-mth average daily volume (m)	0.39
3-mth average daily value (RM'm)	0.31
Top Shareholders (%)	
SCARECROW HOLDING SDN BHD	36.69
Tan Hwong Kuen	18.35
Lim Young Piau	18.35

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Life Water: 3QFY25 Results Summary

FYE June (RM'm)	Quarterly results					Cumulative results		
	3QFY25	2QFY25	3QFY24	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue	43.1	42.7	NA	NA	0.9	128.4	NA	NA
Cost of Sales	(23.6)	(21.8)	NA	NA	8.3	(67.7)	NA	NA
Gross Profit	19.5	20.9	NA	NA	(6.7)	60.7	NA	NA
Other Income	1.2	1.0	NA	NA	23.2	2.9	NA	NA
Selling and distribution expenses	(7.6)	(7.7)	NA	NA	(0.5)	(23.0)	NA	NA
Administrative expenses	(3.8)	(4.2)	NA	NA	(8.5)	(11.2)	NA	NA
Others Operating Expenses	(0.0)	0.0	NA	NA	(342.9)	(0.1)	NA	NA
EBIT	9.3	10.1	NA	NA	(8.2)	29.5	NA	NA
Net finance income/(cost)	(1.1)	(1.2)	NA	NA	(4.4)	(3.5)	NA	NA
PBT	8.1	8.9	NA	NA	(8.7)	26.0	NA	NA
Taxation	(1.6)	(1.9)	NA	NA	(14.0)	(5.0)	NA	NA
PAT	6.5	7.0	NA	NA	(7.3)	21.0	NA	NA
Core PATAMI	6.5	8.0	NA	NA	(18.4)	22.1	NA	NA
Core EPS (sen)	1.4	1.7	NA	NA	(18.4)	4.7	NA	NA
DPS (sen)	0.0	0.0	NA	NA	#DIV/0!	0.0	NA	NA
Margin (%)				+/(-) ppts	+/(-) ppts			+/(-) ppts
Gross Profit Margin	45.3	49.0	NA	NA	(3.7)	47.3	NA	NA
EBIT Margin	21.5	23.6	NA	NA	(2.1)	22.9	NA	NA
PBT Margin	18.8	20.8	NA	NA	(2.0)	20.2	NA	NA
Core PATAMI Margin	15.2	18.8	NA	NA	(3.6)	17.2	NA	NA

Source: Company, MIDFR

Life Water: Breakdown by segment

FYE June (RM'm)	Quarterly results					Cumulative results		
	3QFY25	2QFY25	3QFY24	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue (RM'm)								
Drinking water	35.6	36.1	NA	NA	(1.2)	107.9	NA	NA
Carbonated drinks	7.3	6.5	NA	NA	13.5	20.1	NA	NA
Fruit drinks	0.1	0.1	NA	NA	8.3	0.3	NA	NA
Other Products	0.1	0.1	NA	NA	(28.6)	0.2	NA	NA
Total Revenue	**43.1**	**42.7**	**NA**	**NA**	**1.0**	**128.4**	**NA**	**NA**

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	151.0	166.5	180.2	227.1	253.2
Gross Profit	65.1	80.0	85.0	108.5	120.9
EBITDA	36.2	50.1	52.6	67.7	75.4
EBIT	26.5	39.3	41.2	54.7	61.5
PBT	24.2	36.6	37.7	51.0	57.5
Taxation	(3.6)	(8.4)	(7.5)	(11.7)	(13.2)
PAT	20.6	28.1	30.1	39.2	44.3
Core PATAMI	20.6	28.1	30.1	39.2	44.3
Core EPS (sen)	4.4	5.9	6.4	8.3	9.4
PER (x)	18.4	13.5	12.6	9.6	8.5
DPS (sen)	0.2	0.0	1.3	1.7	1.9
Dividend Yield (%)	0.3	0.0	1.6	2.1	2.3

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	24.2	36.6	37.7	51.0	57.5
Operating cash flow	34.0	45.7	50.6	47.7	57.8
Investing cash flow	(17.7)	(54.4)	(24.3)	(20.9)	(23.1)
Financing cash flow	(14.1)	13.7	56.1	(6.9)	(8.2)
Net cash flow	2.2	5.0	82.5	19.9	26.5
Beginning cash flow	7.6	9.7	16.5	99.0	118.8
Ending cash flow	9.7	16.5	99.0	118.8	145.3

Growth (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth	24.4	10.3	8.2	26.0	11.5
Gross Profit Growth	25.9	22.8	6.2	27.6	11.4
EBITDA Growth	28.9	38.5	5.0	28.6	11.4
Core PATAMI Growth	31.0	36.4	7.1	30.2	12.9

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin	43.2	48.0	47.2	47.8	47.8
EBITDA Margin	24.0	30.1	29.2	29.8	29.8
EBIT Margin	17.6	23.6	22.9	24.1	24.3
Core PATANCI Margin	13.7	16.9	16.7	17.3	17.5

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
PPE	67.7	72.6	85.5	93.4	102.5
Right of use assets	29.7	53.5	53.5	53.6	53.8
Non-current assets	97.4	147.9	160.7	168.7	178.0
Inventories	20.4	20.6	23.5	29.2	32.6
ST Trade	24.5	23.0	17.3	21.8	24.3
Cash and cash equivalents	11.6	16.5	99.0	118.8	145.3
Total current assets	76.4	95.2	174.8	205.0	237.3
Total Assets	173.8	243.1	335.6	373.7	415.3
Total Equities	93.9	122.0	207.0	238.4	273.8
LT Loans	48.7	84.6	81.3	85.0	88.8
Non-current liabilities	51.4	91.8	88.9	93.0	97.0
ST Trade payables	10.1	8.9	10.8	12.1	12.8
ST Loans	16.3	18.7	27.1	28.3	29.6
Current Liabilities	28.5	29.2	39.7	42.3	44.4
Total Liabilities	79.9	121.1	128.6	135.3	141.5

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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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