Thursday 27th. November 2025

Life Water Berhad

(5328 | LWSABAH MK) Main | Consumer Products & Services

SHARIAH Compliant

Briefing Note

Scaling Operations into FY26

Maintain **NEUTRAL**

Unchanged Target Price **RM1.11**

Corporate Update

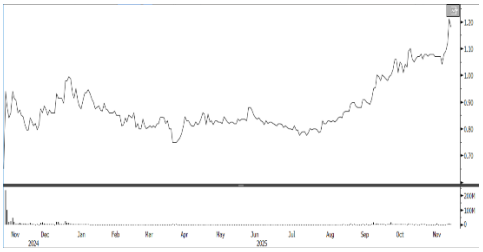
Maintain NEUTRAL with unchanged TP of RM1.11. We attended Life Water's (LWSABAH) 1QFY26 analyst briefing, where management reiterated the Group's ongoing production and distribution capacity expansion as well as various operational efficiency initiatives. While we remain constructive on the company's fundamentals, we retain our **NEUTRAL** call as valuations remain elevated, trading above +2SD of its historical mean PER of 16.13x and at a premium to the 5-year average PER of its larger domestic peer. We make no revisions to our earnings forecasts, and our **TP** is maintained at **RM1.11**, based on 13x forward PER applied to FY26F EPS of 8.56 sen.

Operational momentum strengthened by capacity expansion and logistics upgrades. Management highlighted that Life Water enters FY26 on a stronger operational footing, supported by the commissioning of the new Sandakan Sibuga production line, which lifted total annual drinking water capacity by 40% to 626m litres. Utilisation rates across key plants are progressively rising as new lines transition from single-shift to multi-shift operations. The Group is also enhancing efficiency through new machinery, PET preform integration at KK IZ8, and the upcoming addition of new transformers, which will enable higher carbonated beverage output. With four production sites now stabilising and the Keningau plant contributing a full year, management expects improved operating leverage and margin uplift as utilisation normalises.

Distribution network expansion remains a key competitive advantage. Logistics capability was repeatedly emphasised as Life Water's core differentiator. The fleet has expanded from 70 to 90 trucks, with additional units planned to penetrate underserved rural and island communities where demand remains structurally strong due to limited piped-water infrastructure. New distribution centres in Tawau (1H26), Lahad Datu, and Keningau will further shorten delivery routes and strengthen the Group's ability to meet its 24–48-hour service commitment. Market share in Sabah remains dominant, with management estimating >50% presence across retail touchpoints, and only 10-20% in Tawau, leaving meaningful room for further expansion. The Group also reiterated strong distribution synergies for Twinine, which currently serves mainly HoReCa customers; integration into Life Water's 5,000 touchpoints and a planned 70% capacity increase by 1H26 are expected to accelerate its entry into the B2C market. Twinine margins are also expected to improve once the switch is made from outsourced packaging to inhouse.

RETURN STATISTICS	
Price @ 26th Nov 2025 (RM)	1.17
Expected share price return (%)	-4.8
Expected dividend yield (%)	+1.8
Expected total return (%)	-3.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.3	6.9
3 months	20.4	34.1
12 months	38.8	37.1

INVESTMENT STATISTICS

FYE JUNE (RM'm)	2026F	2027F	2028F
Revenue	227.1	253.2	281.6
EBITDA	67.0	75.4	83.7
PBT	50.7	57.6	64.4
Core PATANCI	40.5	44.4	49.6
Core EPS (sen)	8.6	9.4	10.5
DPS (sen)	2.1	2.3	2.6
Dividend Yield (%)	1.8	2.0	2.2

KEY STATISTICS

FBM KLCI	1,624.50
Issued shares (m)	473.18
Estimated free float (%)	27.50
Market Capitalisation (RM'm)	558.35
52-wk price range	RM0.74 - RM1.24
3-mth average daily volume (m)	3.02
3-mth average daily value (RM'm)	3.06
Top Shareholders (%)	
SCARECROW HOLDING SDN BHD	36.19
Lim Young Piau	18.10
Tan Hwong Kuen	18.07

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Outlook. FY26 remains supported by steady underlying demand in Sabah, underpinned by population growth in coastal and island communities and the continued reliance on bottled drinking water in areas with limited infrastructure. Management also expects some uplift from tourism activity leading into Visit Malaysia 2026, which the Group aims to capture through expanded visibility initiatives, including advertising at key entry points such as Sandakan Airport. Beyond its core beverage segment, the integration of Twinine is progressing, with efforts now focused on scaling production and widening market reach beyond HoReCa customers, leveraging the Group's retail network while exploring opportunities for export of sauces into neighboring markets. Meanwhile, cost conditions appear manageable, helped by softening resin prices and a stronger Ringgit.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	166.5	173.0	227.1	253.2	281.6
Gross Profit	80.0	81.5	107.9	120.9	134.3
EBITDA	50.1	52.6	67.0	75.4	83.7
EBIT	39.3	39.7	54.2	61.6	68.8
PBT	36.6	35.0	50.7	57.6	64.4
Taxation	(8.4)	(5.0)	(10.1)	(13.3)	(14.8)
PAT	28.1	30.0	40.5	44.4	49.6
Core PATAMI	28.1	31.2	40.5	44.4	49.6
Core EPS (sen)	5.9	6.6	8.6	9.4	10.5
PER (x)	18.8	17.0	13.1	11.9	10.7
DPS (sen)	0.0	1.6	2.1	2.3	2.6
Dividend Yield (%)	0.0	1.4	1.9	2.1	2.3

Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
PBT	36.6	35.0	50.7	57.6	64.4
Operating cash flow	45.7	31.6	57.0	57.9	64.0
Investing cash flow	(54.4)	(76.0)	(20.9)	(23.1)	(25.6)
Financing cash flow	13.7	51.0	(4.0)	(5.5)	(7.2)
Net cash flow	5.0	6.6	32.0	29.3	31.2
Beginning cash flow	9.7	14.7	21.4	53.4	82.7
Ending cash flow	14.7	21.4	53.4	82.7	113.9

Growth (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth	10.3	3.9	31.3	11.5	11.3
Gross Profit Growth	22.8	1.9	32.4	12.1	11.1
EBITDA Growth	38.5	5.0	27.4	12.5	11.0
Core PATAMI Growth	36.4	11.0	29.8	9.5	11.7

Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Gross Profit Margin	48.0	47.1	47.5	47.8	47.7
EBITDA Margin	30.1	30.4	29.5	29.8	29.7
EBIT Margin	23.6	22.9	23.9	24.3	24.4
Core PATANCI Margin	16.9	18.1	17.8	17.5	17.6

Balance Sheet (RM'm)	2024A	2025A	2026F	2027F	2028F
PPE	72.6	112.9	92.7	101.8	112.1
Right of use assets	53.5	64.1	53.6	53.8	54.1
Non-current assets	147.9	177.2	189.3	198.6	209.3
Inventories	20.6	35.6	29.4	32.6	36.3
ST Trade	23.0	24.0	21.8	24.3	27.0
Cash	16.5	23.1	53.4	82.7	113.9
Total current assets	95.2	159.5	181.3	216.3	254.0
Total Assets	243.1	336.7	370.6	415.0	463.3
Total Equities	122.0	208.8	239.1	272.4	309.5
LT Loans	84.6	81.9	85.0	92.5	100.0
Non-current liabilities	91.8	89.9	94.1	101.9	109.6
ST Trade payables	8.9	15.7	6.5	7.2	8.1
ST Loans	18.7	21.0	28.3	30.8	33.3
Current Liabilities	29.2	38.0	37.4	40.7	44.1
Total Liabilities	121.1	127.9	131.5	142.6	153.8

Source: Bloomberg, MBSBR

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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