Corporate Update

Life Water Berhad

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

SHARIAH Compliant

Upgrade to **NEUTRAL**
(from SELL)

Unchanged Target Price **RM1.37**

2QFY26 Results Review

Volume-Led Expansion Amid Rising Costs

Upgrade to NEUTRAL with unchanged TP of RM1.37. Life Water Berhad (LWSABAH) delivered a steady set of 2QFY26 results, underpinned by sustained demand for its core drinking water segment and incremental contribution from the Twinine acquisition, alongside improved production efficiency following recent capacity expansion. While earnings tracked within expectations and fundamentals remain intact, we upgrade our call to **NEUTRAL** following the recent share price pullback, which has brought valuations closer to fair value. Our TP is maintained at RM1.37 with an unchanged 16x PE pegged to FY26 EPS of 8.56 sen.

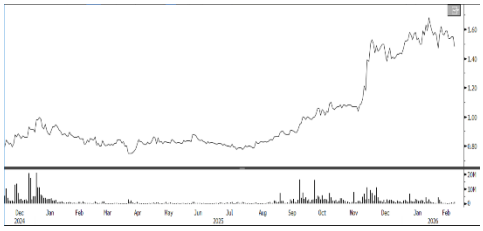
Within expectations. LWSABAH registered 2QFY26 revenue of RM50.5m (+18.3%yoy, -1.4%qoq) and core PATAMI of RM8.9m (+10.7%yoy, -6.0%qoq), bringing 1HFY26 revenue to RM101.8m (+19.3%yoy) and core PATAMI to RM18.3m (+17.5%yoy). The results were in line with expectations, accounting for 45% of our full-year forecast and 46% of consensus estimates. No dividend was declared for the quarter.

Resilient growth led by drinking water and Twinine contribution. LWSABAH posted 2QFY26 revenue of RM50.5m (+18.3%yoy, -1.4%qoq), driven primarily by continued strength in its core drinking water segment, which benefitted from higher production capacity following the expansion at Sandakan Sibuga Plant 1. Drinking water remained the dominant revenue contributor, while carbonated and fruit drinks stayed comparatively softer on a year-on-year basis. The quarter also reflected ongoing consolidation of Twinine's sauces and condiments business, with the segment recording a sharp increase and providing incremental topline support. On a cumulative basis, 1HFY26 revenue rose +19.3%yoy to RM101.8m, underscoring sustained demand momentum alongside expanded operating scale.

Profit growth moderated by higher tax rate despite firmer operations. Core PATAMI rose +10.7%yoy to RM8.9m in 2QFY26, supported by stronger drinking water volumes and improved production efficiency following the recent capacity expansion. Gross margin improved to 49.3% (+0.3ppts yoy; +0.8ppts qoq), reflecting better cost absorption and operating leverage. However, core PATAMI margin eased to 17.5% (-1.2ppts yoy; -0.9ppts qoq), as earnings growth was tempered by a higher effective tax rate and increased operating costs such as higher logistics and distribution costs due to fleet expansion, and increased staff-related costs. On a cumulative basis, 1HFY26 core PATAMI grew +17.5%yoy to RM18.3m, while margin slipped marginally to 18.0% (-0.3ppts yoy), as while operational performance remains solid, tax and cost pressures moderated net margin expansion.

RETURN STATISTICS	
Price @ 24th Feb 2026 (RM)	1.48
Expected share price return (%)	-7.4
Expected dividend yield (%)	+1.9
Expected total return (%)	-5.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-9.2	-11.0
3 months	3.5	21.4
12 months	76.2	57.5

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 (%)	1.9	2.1	2.3

KEY STATISTICS	
FBM KLCI	1,754.01
Issued shares (m)	473.18
Estimated free float (%)	21.17
Market Capitalisation (RM'm)	700.31
52-wk price range	RM0.74 - RM1.69
3-mth average daily volume (m)	2.48
3-mth average daily value (RM'm)	3.62
Top Shareholders (%)	
SCARECROW HOLDING SDN BHD	36.19
Lim Young Piau	18.10
Tan Hwong Kuen	18.05

Analyst
MBSB Research
Research@mbsb.com

Outlook. We remain constructive on Life Water's medium-term trajectory, supported by expanded production capacity at Sandakan Sibuga Plant 1, strengthening distribution capabilities, and ongoing integration of the Twinine acquisition, which broadens its FMCG footprint. Demand conditions in Sabah are expected to remain generally supportive, underpinned by stable consumption patterns and tourism-related activity ahead of Visit Malaysia 2026. That said, cost pressures remain a key watchpoint. The announced revision to Sabah electricity tariffs effective February 2026 may raise operating costs, although the impact is expected to be partially mitigated by the Group's solar installations and continued investments in energy-efficient machinery. Labour and logistics costs also warrant monitoring. Overall, we expect earnings growth to remain steady, though margin expansion may be gradual amid a more normalised tax rate and evolving cost dynamics.

Life Water: 2QFY26 Results Summary

FYE June (RM'm)	Quarterly results					Cumulative results		
	2QFY26	1QFY26	2QFY25	YoY (%)	QoQ (%)	1HFY26	1HFY25	YoY (%)
Revenue	50.5	51.2	42.7	18.3	(1.4)	101.8	85.3	19.3
Cost of Sales	(25.6)	(26.4)	(21.8)	17.6	(2.9)	(52.0)	(44.1)	18.0
Gross Profit	**24.9**	**24.9**	**20.9**	**19.1**	**0.2**	**49.8**	**41.2**	**20.7**
Other Income	0.9	0.9	1.0	(12.1)	(6.3)	1.8	1.7	10.3
Selling and distribution expenses	(8.8)	(8.7)	(7.7)	14.8	1.5	(17.5)	(15.3)	14.4
Administrative expenses	(4.1)	(3.7)	(4.2)	(2.7)	9.3	(7.8)	(7.3)	6.4
Others Operating Expenses	(0.0)	(0.0)	0.0	(428.6)	4.5	(0.1)	(0.1)	57.9
EBIT	12.9	13.3	10.1	27.6	(3.6)	26.2	20.2	29.8
Net finance income/(cost)	(1.1)	(1.1)	(1.2)	(11.0)	(7.2)	(2.2)	(2.4)	(6.1)
PBT	11.8	12.2	8.9	32.8	(3.3)	24.0	17.8	34.5
Taxation	(3.0)	(2.8)	(1.9)	59.5	6.9	(5.8)	(3.4)	74.0
PAT	8.8	9.4	7.0	25.6	(6.3)	18.2	14.5	25.3
Core PATAMI	8.9	9.4	8.0	10.7	(6.0)	18.3	15.6	17.5
Core EPS (sen)	1.9	2.0	1.7	10.7	(6.0)	3.9	3.3	17.5
DPS (sen)	0.0	0.0	0.0	#DIV/0!	#DIV/0!	0.0	0.0	#DIV/0!
Margin (%)				+/(-) ppts	+/(-) ppts			+/(-) ppts
Gross Profit Margin	49.3	48.5	49.0	0.3	0.8	48.9	48.3	0.6
EBIT Margin	25.5	26.0	23.6	1.9	(0.6)	25.8	23.7	2.1
PBT Margin	23.3	23.8	20.8	2.6	(0.5)	23.6	20.9	2.7
Core PATAMI Margin	17.5	18.4	18.8	(1.2)	(0.9)	18.0	18.3	(0.3)

Source: Company, MBSBR

Life Water: Breakdown by segment

FYE June (RM'm)	Quarterly results					Cumulative results		
	2QFY26	1QFY26	2QFY25	YoY (%)	QoQ (%)	1HFY26	1HFY25	YoY (%)
Revenue (RM'm)								
Drinking water	42.5	43.4	36.1	17.8	(2.2)	85.9	72.3	18.9
Carbonated drinks	5.7	5.6	6.5	(12.1)	0.7	11.3	12.8	(11.4)
Fruit drinks	0.1	0.1	0.1	(50.0)	0.0	0.1	0.1	(14.3)
Other Products	2.3	2.1	0.1	3,228.6	12.0	4.4	0.1	3,575.0
Total Revenue	**50.5**	**51.2**	**42.7**	**18.3**	**(1.3)**	**101.7**	**85.3**	**19.3**

Source: Company, MBSBR

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