Corporate Update

Life Water Berhad
(5328 | LWSABAH MK) Main | Consumer Products & Services

SHARIAH Compliant

4QFY26 Results Review

Bumper 4Q, Balanced Upside

Downgrade to NEUTRAL with revised TP of RM1.63. Life Water's 4QFY26 results showed a stronger finish to the year, supported by higher drinking water sales volume, the May-26 ASP hike and incremental Twinine contribution. However, FY26 core earnings came in below our expectation, as the 4Q margin uplift was not sufficient to fully meet our bumper-quarter assumptions, while higher selling, distribution, administrative and tax expenses weighed on bottom-line delivery. We cut our FY27/28 earnings forecasts by -5.8%/-6.3% and revise our **TP to RM1.63**, based on an unchanged 17x PER pegged to revised FY27F core EPS of 9.6 sen. Following the recent share price performance and more balanced risk-reward, we downgrade the stock to **NEUTRAL**.

Below expectations. LWSABAH posted 4QFY26 revenue of RM57.0m (+28.0%yoy; +17.5%qoq) and core PATAMI of RM10.7m (+16.9%yoy; +29.0%qoq). For FY26, revenue rose +19.9%yoy to RM207.3m, while core PATAMI increased +19.3%yoy to RM37.3m, accounting for 89% of our full-year forecast but within consensus expectations at 96%. The negative deviation against our forecast was mainly due to a lower-than-expected 4Q earnings uplift, as higher operating expenses and a higher effective tax rate diluted the benefit from stronger revenue and gross margin expansion. A 1.8 sen/share dividend was declared, bringing FY26 DPS to 1.8 sen/share.

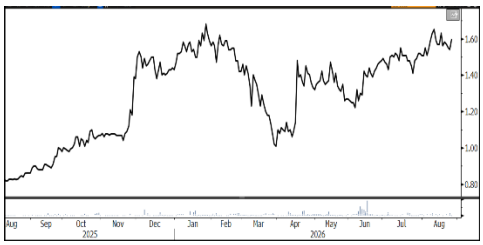
Revenue lifted by volume, ASP hike and Twinine. 4QFY26 revenue increased +28.0%yoy to RM57.0m, mainly attributable to higher drinking water sales volume following the expansion of production capacity at Sandakan Sibuga Plant 1, the revision in drinking water selling prices implemented in May-26, and contribution from Twinine following completion of its acquisition in Jul-25. As the 4QFY25 comparative did not include Twinine, the comparison was not fully like-for-like. Based on the company's disclosure, the existing Life Water business contributed RM54.7m, representing growth of +22.8%yoy, while Twinine contributed a further RM2.3m, or 4.1% of group revenue in 4QFY26. Sequentially, revenue rose +17.5%qoq, supported by stronger dry-season demand and the ASP adjustment.

Downgrade to NEUTRAL
(from BUY)

Revised Target Price **RM1.63**
(from: RM1.73)

RETURN STATISTICS	
Price @ 26th Aug 2026 (RM)	1.60
Expected share price return (%)	+1.8
Expected dividend yield (%)	+1.4
Expected total return (%)	+3.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	13.5	10.4
3 months	8.1	23.4
12 months	86.0	68.3

INVESTMENT STATISTICS

FYE JUNE (RM'm)	2026A	2027F	2028F
Revenue	207.3	248.9	268.2
EBITDA	70.1	80.4	90.3
PBT	49.2	59.6	68.4
Core PATANCI	37.3	45.3	52.0
Core EPS (sen)	7.9	9.6	11.0
DPS (sen)	1.8	2.2	2.5
Dividend Yield (%)	1.2	1.4	1.6

KEY STATISTICS

FBM KLCI	1,748.54
Issued shares (m)	473.18
Estimated free float (%)	21.14
Market Capitalisation (RM'm)	757.09
52-wk price range	RM0.84 - RM1.73
3-mth average daily volume (m)	1.30
3-mth average daily value (RM'm)	1.90
Top Shareholders (%)	
SCARECROW HOLDING SDN BHD	36.19
Lim Young Piau	18.10
Tan Hwong Kuen	18.07

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Margins improved, but costs and tax capped earnings upside. Gross profit rose +38.6%yoy and +22.8%qoq to RM28.8m, while gross profit margin expanded to 50.5% (+3.9ppts yoy; +2.2ppts qoq), reflecting better sales mix, operating leverage and the May-26 ASP hike. EBIT increased +53.5%yoy and +36.2%qoq to RM15.7m, with EBIT margin expanding to 27.6%. However, the stronger gross profit was partly offset by higher operating costs, with selling and distribution expenses rising +22.7%yoy to RM9.9m, while administrative expenses increased +15.5%yoy to RM4.7m. The effective tax rate also normalised higher, with 4QFY26 tax expense at RM3.8m versus negligible tax in 4QFY25, and a 24.6% effective tax rate in FY26 vs 14.3% in FY25. As a result, core PATAMI margin stood at 18.8%, down -1.8ppts yoy despite improving +1.7ppts qoq.

Outlook. We remain positive on Life Water's long-term fundamentals, supported by resilient bottled water demand, the May-26 ASP hike, distribution expansion and the group's growing FMCG platform. The proposed acquisition of HOTMS, HTE and KMBS remains a medium-term growth option, with potential earnings accretion and synergies across logistics, procurement and distribution once completed. That said, we expect near-term upside to be more measured after the strong share price performance, while higher PET resin costs, distribution expenses, electricity tariffs and tax normalisation remain key margin watchpoints. With upside now more balanced against execution and cost risks, we downgrade to **NEUTRAL** with revised **TP of RM1.63**.

Life Water: 4QFY26 Results Summary

FYE June (RM'm)	Quarterly results					Cumulative results		
	4QFY26	3QFY26	4QFY25	YoY (%)	QoQ (%)	12MFY26	12MFY25	YoY (%)
Revenue	57.0	48.5	44.6	28.0	17.5	207.3	173.0	19.9
Cost of Sales	(28.2)	(25.1)	(23.8)	18.7	12.5	(105.3)	(91.5)	15.1
Gross Profit	**28.8**	**23.5**	**20.8**	**38.6**	**22.8**	**102.0**	**81.5**	**25.2**
Other Income	1.3	0.8	1.3	(3.3)	67.1	3.9	4.2	(8.1)
Selling and distribution expenses	(9.9)	(8.3)	(8.1)	22.7	18.5	(35.7)	(31.0)	15.3
Administrative expenses	(4.7)	(4.1)	(4.1)	15.5	14.8	(16.6)	(15.2)	9.1
Others Operating Expenses	0.2	(0.2)	0.3	(14.2)	(201.7)	(0.1)	0.2	(147.0)
EBIT	15.7	11.5	10.2	53.5	36.2	53.5	39.7	34.7
Net finance income/(cost)	(1.0)	(1.0)	(1.2)	(13.5)	1.9	(4.2)	(4.7)	(9.7)
PBT	14.7	10.5	9.1	62.1	39.5	49.2	35.0	40.6
Taxation	(3.8)	(2.5)	(0.0)	19,668.4	50.2	(12.1)	(5.0)	141.8
PAT	11.0	8.0	9.1	21.0	36.1	37.2	30.0	23.7
Core PATAMI	10.7	8.3	9.2	16.9	29.0	37.3	31.3	19.3
Core EPS (sen)	2.3	1.8	1.9	16.9	29.0	7.9	6.6	19.3
DPS (sen)	1.8	0.0	1.6	13.2	#DIV/0!	1.8	1.6	13.2
Margin (%)				+/(-) ppts	+/(-) ppts			+/(-) ppts
Gross Profit Margin	50.5	48.3	46.6	3.9	2.2	49.2	47.1	2.1
EBIT Margin	27.6	23.8	23.0	4.6	3.8	25.8	22.9	2.8
PBT Margin	25.8	21.7	20.4	5.4	4.1	23.8	20.3	3.5
Core PATAMI Margin	18.8	17.1	20.6	(1.8)	1.7	18.0	18.1	(0.1)

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	166.5	173.0	207.3	248.9	268.2
Gross Profit	80.0	81.5	102.0	119.5	131.2
EBITDA	50.1	52.6	70.1	80.4	90.3
EBIT	39.3	39.7	53.5	63.7	72.4
PBT	36.6	35.0	49.2	59.6	68.4
Taxation	(8.4)	(5.0)	(12.1)	(14.3)	(16.4)
PAT	28.1	30.0	37.2	45.3	52.0
Core PATAMI	28.1	31.2	37.3	45.3	52.0
Core EPS (sen)	5.9	6.6	7.9	9.6	11.0
PER (x)	26.1	23.5	19.7	16.2	14.1
DPS (sen)	0.0	1.6	1.8	2.2	2.5
Dividend Yield (%)	0.0	1.0	1.2	1.4	1.6

Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
PBT	36.6	35.0	49.2	59.6	68.4
Operating cash flow	45.7	34.5	59.7	58.1	72.6
Investing cash flow	(54.4)	(76.6)	(41.7)	(26.6)	(25.9)
Financing cash flow	13.7	48.3	(17.8)	(17.6)	(19.2)
Net cash flow	5.0	6.3	0.3	13.9	27.5
Beginning cash flow	9.7	14.7	21.0	21.3	35.2
Ending cash flow	14.7	21.0	21.3	35.2	62.7

Growth (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth (%)	10.3	3.9	19.9	20.1	7.7
Gross Profit Growth (%)	22.8	1.9	25.2	17.2	9.7
EBITDA Growth (%)	38.5	5.0	33.2	14.6	12.4
Core PATAMI Growth	36.4	11.0	19.5	21.5	14.7

Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Gross Profit Margin	48.0	47.1	49.2	48.0	48.9
EBITDA Margin	30.1	30.4	33.8	32.3	33.7
EBIT Margin	23.6	22.9	25.8	25.6	27.0
Core PATANCI Margin	16.9	18.1	18.0	18.2	19.4

Balance Sheet (RM'm)	2024A	2025A	2026F	2027F	2028F
PPE	72.6	112.9	111.9	122.0	130.0
Right of use assets	53.5	64.1	68.7	68.5	68.4
Non-current assets	147.9	177.2	182.9	192.8	200.7
Inventories	20.6	35.6	35.6	41.8	42.4
ST Trade	23.0	24.0	27.9	32.7	34.5
Cash	16.5	21.0	21.3	35.2	62.7
Total current assets	95.2	159.5	181.0	206.0	235.9
Total Assets	243.1	336.7	363.9	398.8	436.7
Total Equities	122.0	208.8	238.4	273.3	313.4
LT Loans	84.6	81.9	80.9	77.7	74.4
Non-current liabilities	91.8	89.9	89.4	86.8	84.1
ST Trade payables	8.9	15.7	14.9	18.1	19.2
ST Loans	18.7	21.0	18.1	17.3	16.6
Current Liabilities	29.2	38.0	36.1	38.7	39.2
Total Liabilities	121.1	127.9	125.5	125.5	123.3

Source: Bloomberg, MBSBR

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MBSB 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