



LIFE WATER BHD

Not just a Sabah tourism play

Non-rated | Consumer | Tourism

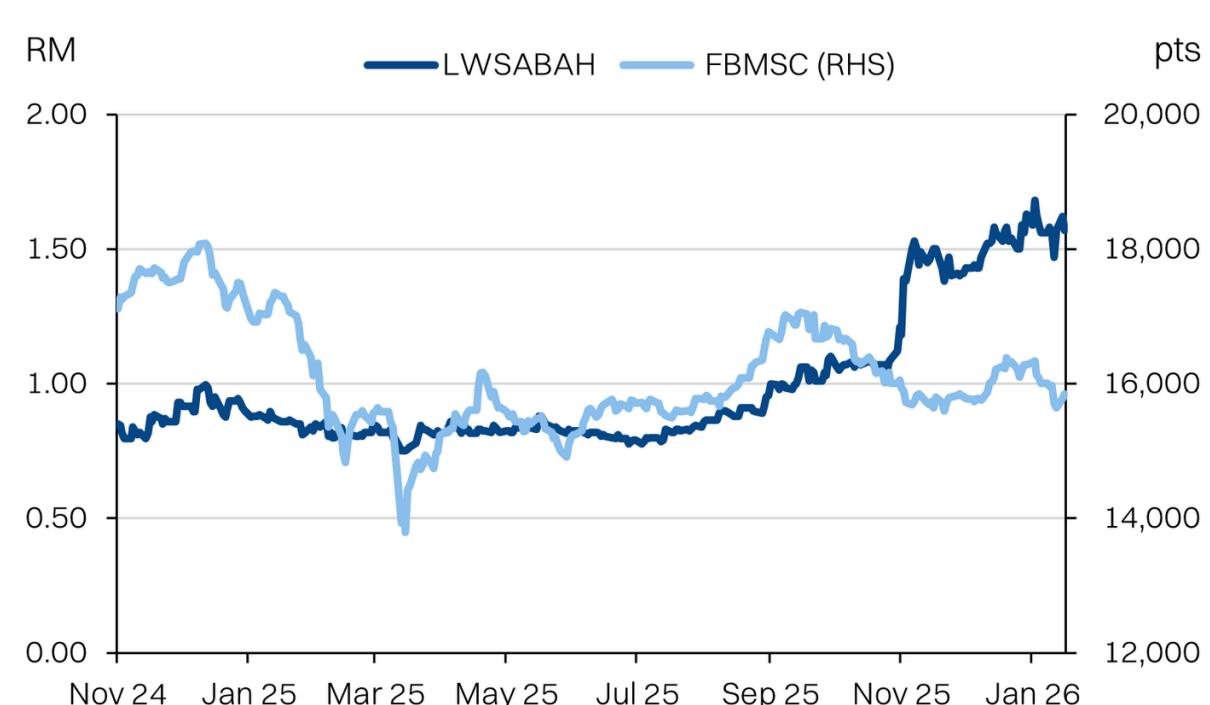
NOT RATED

Fair value: RM1.90

Last Price: RM1.57

(as at 10 Feb 2026)

SHARE PRICE PERFORMANCE



STOCK INFORMATION

Market cap	RM743m
Shares out	473m
52-week range	RM0.75/RM1.69
3M ADV	RM3.7m
T12M returns	89%

INVESTMENT FUNDAMENTALS

RMm FYE JUNE	FY24A	FY25A	FY26E	FY27E
Revenue	167	173	217	250
Growth YoY	10.3%	3.6%	25.4%	15.2%
EBITDA	48	53	69	81
Margins	29%	30%	32%	32%
Adj NP	28	30	40	47
Margins	16.7%	17.3%	18.4%	18.8%
Net debt	53.4	7.2	N/A	N/A
ROA	12%	9%	N/A	N/A
PER (x)	26.5	24.8	18.6	15.8

Source: Company data, Bloomberg, February 2026

Team Coverage

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KEY POINTS:

- Life Water's dominant bottled water market share in Sabah makes it state-focused tourism proxy, with direct comparisons to Spritzer.
- While smaller (~25% vs SPZ's revenue), Life Water has a potentially higher ceiling to grow outside of its core Sabah market as well as expanding into mineral water.
- Valuations have begun to closely track SPZ. Against a similar 20x PER multiple, Life Water's fair value is RM1.90.

A MINI-SPRITZER WITH MORE HEADROOM TO GROW

- Life Water is the dominant bottled water player in Sabah with a total market share nationally of 11% compared with Spritzer's 40-45% share. Life Water's revenue base for bottled water is only about 25% of Spritzer's.
- We anticipate Life Water will benefit from the Visit Malaysia 2026 tourism thematic, similar to Spritzer. Sabah makes up about 6% of foreign visitors (compared with ~11% of the population). However, Sabah also has strong domestic tourism potential, especially if low-cost carriers like AirAsia ramp up capacity and drive down domestic fares.
- Still this upside looks to be well-captured in consensus expectations of +26%/+30% YoY revenue/NP growth for CY26 (Life Water has a June year-end). This is better than Spritzer's +14%/+20% estimates that we have.
- Supporting the growth outlook is Life Water's expansion outside of Sabah, targeting Sarawak and Brunei, for now. We anticipate Life Water will have to build up manufacturing capacity in Peninsula Malaysia if it intends to expand into that market in the future, to be cost-competitive.
- Additionally, Life Water has shown more appetite for inorganic growth with the recent acquisition of a sauces/condiments subsidiary that will add another ~RM10m to revenues.
- Life Water also has one major difference with Spritzer. The former does not have mineral water offerings, only focused on drinking water. This is a niche that management is looking to expand into which could further support long-term growth.
- To summarize, Life Water may be smaller than Spritzer, but has higher ST growth and a potentially higher growth ceiling for the aforementioned reasons.

VALUATIONS SHOULD TRACK SPRITZER

- Having just listed in 2024, Life Water does not have a long valuation track record and has been enjoying relatively sharp growth. Thus, we benchmark the stock to Spritzer and apply the same 20x PER multiple (+2SD vs 1yr historic average), to arrive at a fair value of 20x.
- This is reasonable, given the combination of higher growth ceiling and higher ST growth potential.

About the Company

Life Water is a Sabah-based beverage manufacturer, primarily in bottled water complemented with a small portfolio of carbonated and flavored beverages. Within bottled water, Life Water has ~11% market share nationally. But with sales almost entirely in Sabah, it has dominant market share in the state. Life Water's brands include K2, Sasa, Sabah Water, 2more and TRITONiC.

Life Water is vertically integrated, with four production plants include water processing, in-house PET preform, bottle manufacturing and a proprietary logistics and distribution network. They also have an exposure in markets such as Sarawak and Brunei with ~2% share of sales.

Life Water recently completed the acquisition of Twinine Sdn Bhd in July 2025, which is a diversification into sauces and condiments.

About the Stock

Life Water Berhad was founded in 2001 in Sabah. The Group was listed on the Main Market of Bursa Malaysia in November 2024 following its initial public offering (IPO), priced at RM0.65 per share.

Life Water remains founder-led, with the founding management team retaining significant ownership. Founders Liaw Hen Kong and his wife, Chin Lee Ling are the largest shareholders via Scarecrow Holdings, which holds approximately 36.2% of the group.

This is followed by co-founders Lim Young Piau and Tan Hwong Kuen, each holding approximately 18% stakes respectively. The Company is classified as a Shariah-compliant stock under the screening methodology of the Shariah Advisory Council of the Securities Commission Malaysia.

Investment Idea

While smaller than Spritzer (SPZ), Life Water should be able to deliver similar earnings growth in CY26E, supported by the same tourism tailwinds (albeit, focused to Sabah). Additionally, Life Water has been more proactive with inorganic growth and has the headroom to diversify into mineral water as well as selling into more states outside of Sabah (including Brunei).

With the higher ceiling for growth over the medium term and the same fundamental drivers, we think pegging Life Water to the same multiple as SPZ makes sense - 20x PER on CY26E, as opposed to being limited to Life Water's own historic PER range.

Key Risks

- Operations and revenue base remain highly concentrated in Sabah. Slower-than-expected market penetration into Sarawak, Brunei or Peninsular Malaysia could cap long-term volume growth and limit earnings scalability.
- Delays in commissioning new production lines or a slower utilisation ramp-up could defer the realization of operating leverage embedded in FY26–FY27 earnings assumptions.
- Expansion into new SKUs and non-core beverages may entail execution risks. Poor execution could result in lower-than-expected margins and dilute overall earnings contribution.
- Exposure to fluctuations in resin, plastic preforms and other packaging material prices, which are largely USD-denominated. Adverse foreign exchange movements or a sharp rebound in resin prices could quickly compress margins.

Earnings expansion

Life Water reported 1QFY26 revenue of RM51.2m (+20% YoY), marking a clear step-change from the RM44.6m run-rate recorded in 1QFY25. Annualising the 1QFY26 performance implies a revenue run-rate of RM205m, already covering 95% of FY26 consensus revenue expectations of RM217m, providing strong early-year earnings visibility.

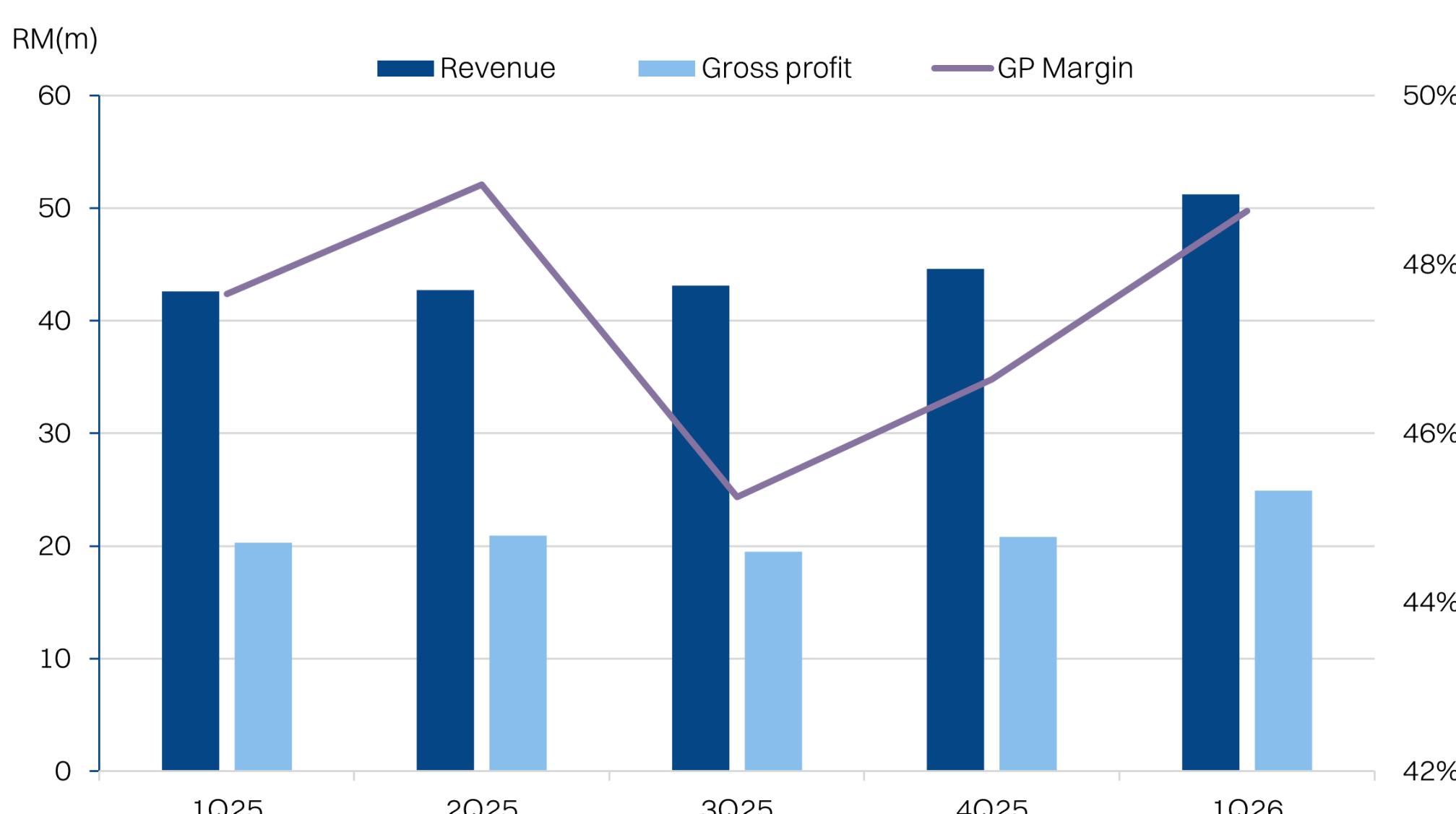
The revenue uplift was underpinned by two key drivers. First, the commissioning of the new Sandakan Sibuga Plant 1 line in mid-2025 has materially expanded the Group's effective production capacity. Prior to the expansion, effective drinking water capacity stood at approximately 470–500m liters per annum. Post-expansion, installed capacity increased to 626m liters per annum, representing a 25–30% uplift. This translated into higher drinking water segment revenue, which rose to RM43.43m from RM38.09m in the prior year period.

Life Water announced on May 2025 that it had entered into a Share Sale Agreement to acquire Twinine Sdn Bhd. The acquisition of the Sabah-based sauces and condiments manufacturer for a total cash consideration of RM10.5m.

The first-time consolidation of Twinine in 1QFY26 contributed RM2.08m in quarterly revenue, a meaningful increase compared with RM0.55m (0.4% of Group revenue) from other products and packaging in FY25. While Group PAT grew a more modest +3.6% QoQ, this reflects Twinine's lower initial margin profile and early-stage integration costs rather than any deterioration in core bottled water operations

Despite Twinine's consolidation, Group gross profit margin expanded to 48.5% in 1QFY26 from 46.6% in FY25. We view this outcome positively, as it demonstrates the resilience of core margins. While Twinine may exert modest margin dilution in the near term, it broadens the earnings base and introduces medium-term margin upside through scale benefits. As integration progresses and utilisation continues to ramp over FY26–FY27, we expect the margin impact to normalise.

GP trend



Source: Bloomberg, NewParadigm Research, February 2026

Fair value of RM1.90

Our own earnings estimates for Life Water are in-line with consensus expectations, which points to a healthy 32%/18% NP growth for FY26E/27E. Calendarizing these expectations, we have RM44.6m NP for CY26 or +26% growth. For contrast, we estimate Spritzer will grow by about +20% YoY in CY26.

We think Life Water should be able to trade on similar multiples to that of SPZ, especially since it has the potential to grow at a faster pace for the aforementioned reasons. At the same multiple we ascribed to SPZ of 20x CY26E (+2SD vs SPZ 1yr average PER). While this is significantly above Life Water's own historic PER range, we flag that Life Water has had a relatively short valuation track record having only listed in 2014. Additionally, with similar ST growth expectations, we think that a valuation convergence with SPZ is reasonable. Our fair value for Life Water is RM1.90.

Note, Life Water also has some sensitivity to resin prices, which is prices in US dollars. We estimate that a 10% decline in resin costs will translate to ~4% upside to earnings.

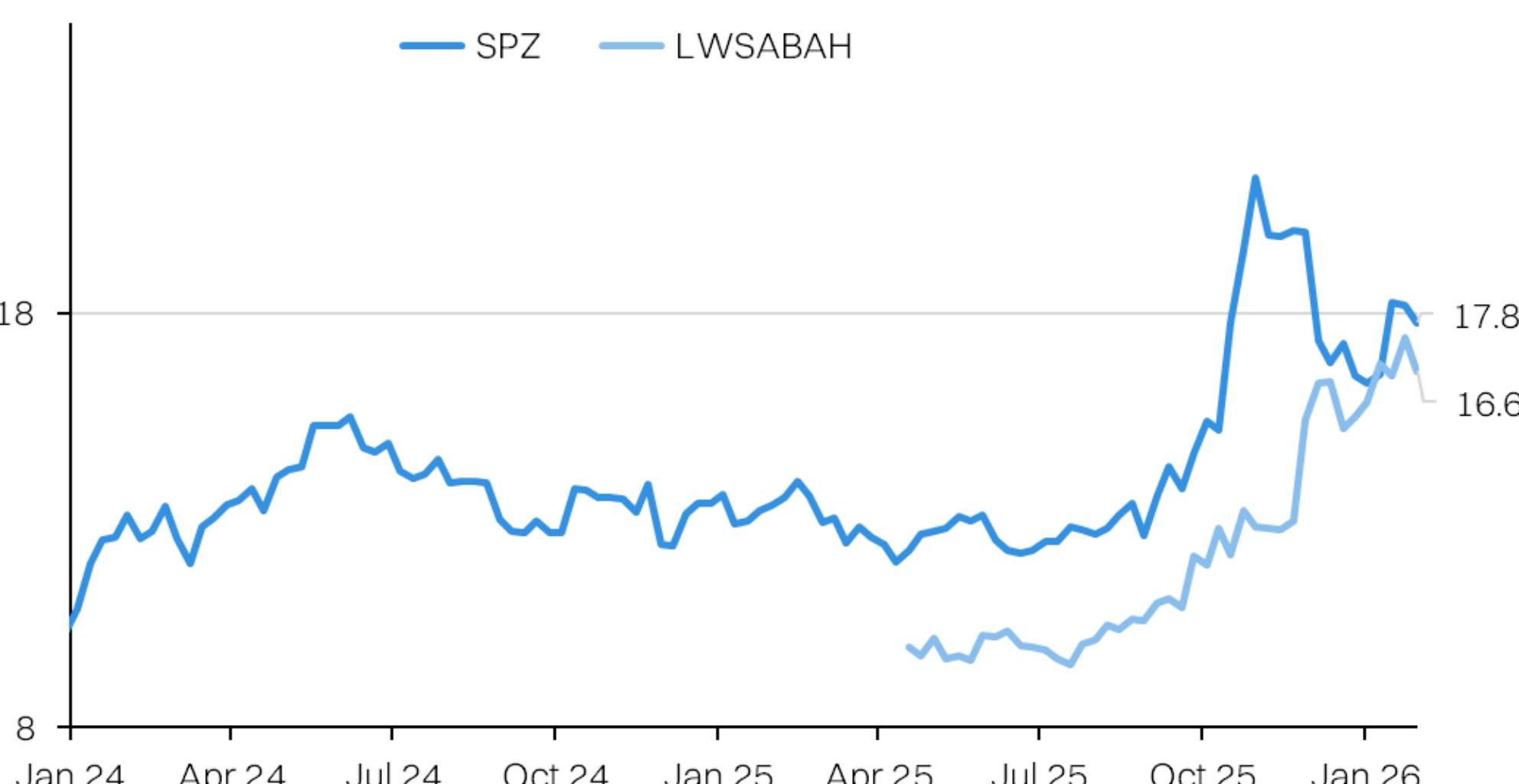
Fair value: RM1.90

RMm	Actual			Consensus		Calendarized	
	FY	1QFY24	1QFY25	1QFY26	FY26E	FY27E	CY25E
Period	Mar 2025	Jun 2025	Sep 2025	Jun 2026	Jun 2027	Dec 2026	Dec 2027
Revenue	43.1	44.6	51.2	216.7	250.3	190.1	239.4
Growth	n/a	n/a	20%	25%	16%	n/a	26%
NP	6.5	9.1	9.4	39.8	47.1	34.3	44.6
NP margin	15.0%	20.3%	18.3%	18.4%	18.8%	18.0%	18.6%
Target multiple (x)							20
Fair value (RMm)							897
Shares out (m)							473
Fair value (RM)							1.90

Source: Bloomberg, NewParadigm Research, February 2026

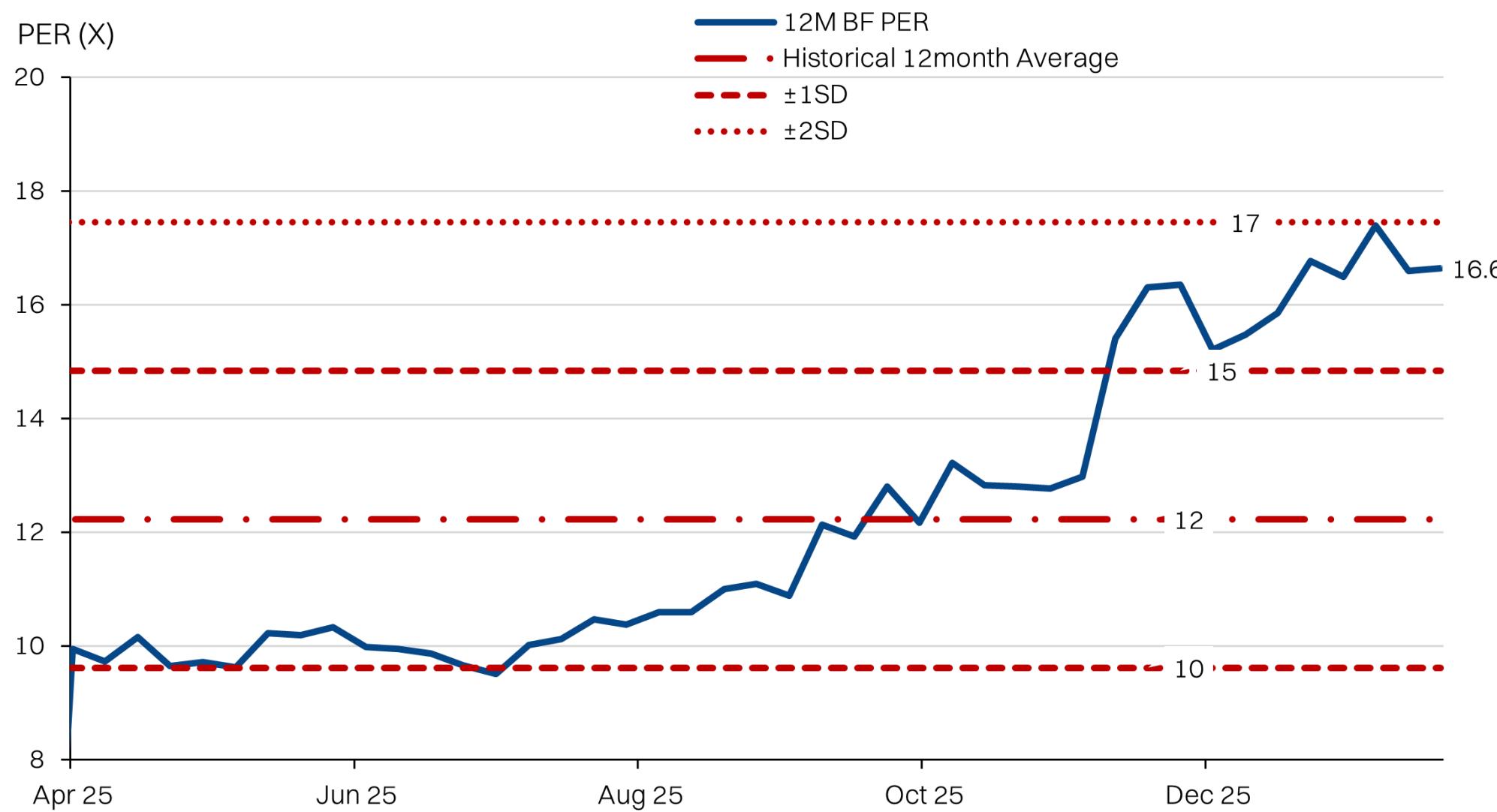
Valuations - tracking Spritzer closely

12M BF PER (x)



Source: Bloomberg, NewParadigm Research, February 2026

Valuation expansion reflected in re-rating



Source: Bloomberg, NewParadigm Research, February 2026

Selected financials

Income Statement

RMm FYE June	FY24A	FY25A	FY26E	FY27E
Revenue	167	173	217	250
Bottled Drinking Water	139	146	184	213
Other Drinks	27	27	22	25
Other Products & Packaging	0.4	0.6	11	13
Cost of Sales	-87	-92	-113	-130
Gross Profit	80	81	104	120
GP margin	48.0%	46.6%	47.9%	48.1%
EBITDA	48	53	69	81
EBITDA margin	29%	30%	32%	32%
Depreciation & Amortisation	-11	-13	N/A	N/A
Net finance income (cost)	-3	-5	N/A	N/A
Profit before tax	36.6	35.0	N/A	N/A
Tax	8	5	N/A	N/A
Profit After Tax	28	30	40	47

Source: Bloomberg, NewParadigm Research, February 2026

Balance sheet

RMm FYE June	FY24A	FY25A	3M FY26A
Fixed assets	94	113	116
Right-of-use assets	54	64	66
Investments in associates	0	0	0
Others	0.1	0.2	2.2
Total non-current assets	148	177	184
Cash & Cash Equivalents	17	23	16
Receivables	23	23	27
Inventories	21	36	36
Others	35	77	81
Total current assets	95	158	159
Total assets	243	335	343
Long-term debt	85	82	81
Lease liabilities	3	3	3
Others	4	5	6
Total non-current liabilities	92	90	90
Short-term debt	19	21	22
Lease liabilities	1	1	1
Payables	9	14	12
Others	0.5	0.4	1.0
Total current liabilities	29	37	36
Total liabilities	121	127	125
Ordinary capital	0	155	155
Retained earnings	115	141	151
Reserves	0	-87	-87
Others	7	0	0
Total Equity	122	209	218

Source: Bloomberg, NewParadigm Research, February 2026

Important Disclosures

Recommendation definitions

Buy – Expected return of > +10% over the next 12 months.

Hold – Expected return between ±10%

Sell – Expected return of < -10% over the next 12 months

Trading Buy – Expected return of > +15% over the next 12 months, but LT prospects uncertain.

Not rated – No recommendation on stock performance.

Note: Recommendations may fall outside of the aforementioned ranges from time to time due to share price volatility.

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