Corporate Update

Nestlé (Malaysia) Berhad

(4707|NESZ MK) Main | Consumer Products & Services

SHARIAH Compliant

FTSE4Good

NEUTRAL

Unchanged Target Price **RM77.90**

2QFY25 Results Review Recovery Taking Shape

Maintain NEUTRAL with an unchanged TP of RM77.90. Nestlé's 2QFY25 results were within our expectations but above consensus, underpinned by strong topline recovery and a prudent pricing strategy amidst elevated cost pressures. We make no changes to our earnings forecasts as the results align with expectations. Our TP remains unchanged at RM77.90, based on DDM valuation with a consistent 3.2% growth and an unchanged WACC of 6.7%.

Within expectations. Nestlé chalked in 2QFY25 revenue of RM1.67b (+9.5%yoy; -5.6%qoq) and core PATAMI of RM111.4m (+33.0%yoy; -37.2%qoq) which brought 1HFY25 core PATANCI to RM288.8m (-4.8%yoy). This accounted for 53% of our FY25F forecast, in line with expectations, but came in above consensus at 61%. An interim dividend of 70 sen per share was announced for 1HFY25, unchanged from 2QFY24.

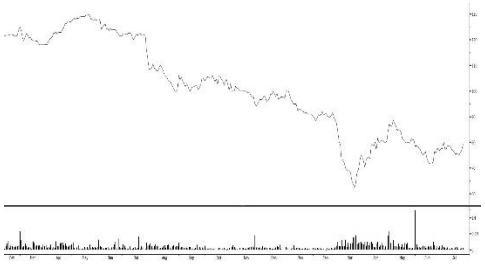
Steady 1H Revenue. Nestlé recorded a 4.0%yoy increase in 1HFY25 revenue to RM3.44b, underpinned by strong festive-driven demand during Chinese New Year and Hari Raya Aidilfitri in 1QFY25. As expected, revenue normalised by -5.6%qoq in 2QFY25 following the seasonal peak but remained higher on a year-on-year basis by +9.5%yoy. Domestic sales registered positive growth, supported by sustained brand strength, effective pricing execution, and the successful rollout of new product innovations. Export sales also held firm, leveraging Nestlé Malaysia's role as the Group's largest global Halal manufacturing hub.

Margin Resilience Amid Cost Challenges. Nestlé maintained a relatively stable gross profit margin of 30.4% in 1HFY25 (1HFY24: 31.4%), supported by ongoing cost optimisation efforts amid continued volatility in key commodity inputs, particularly cocoa and coffee. Operating profit margin moderated slightly by 1.2ppts yoy to 11.5%, reflecting higher commercial and marketing investments to support brand visibility and product innovation. Consequently, core PATAMI for 1HFY25 declined -4.8%yoy, as margin pressures were partially mitigated by operational efficiencies and a prudent pricing strategy, helping to preserve overall profitability in a cost-sensitive environment.

Outlook. We expect topline momentum to remain steady in 2HFY25, supported by resilient consumer demand, strong brand equity, and continued product innovation. Nestlé is gradually recovering from the boycott-related revenue decline and elevated input cost base seen in 2024. The recent correction in coffee prices and stronger MYR may ease cost pressure, although cocoa remains elevated. While ongoing brand investments may limit short-term margin expansion, they are crucial for restoring consumer loyalty and sustaining long-term competitiveness. We stay cautious but acknowledge Nestlé's structural strength and recovery potential.

RETURN STATISTICS	
Price @ 24th July 2025 (RM)	82.30
Expected share price return (%)	-5.4
Expected dividend yield (%)	+2.7
Expected total return (%)	-2.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	8.4	7.0
3months	7.2	0.9
12 months	-32.5	-28.7

INVESTMENT STATISTICS

FYE DEC (RM'm)	2025F	2026F	2027F
Revenue	6,536.0	6,906.9	7,344.1
EBITDA	948.9	1,010.8	1,067.9
PBT	722.8	775.8	832.6
Core PATANCI	544.2	584.2	627.0
Core EPS (sen)	232.1	249.1	267.4
DPS (sen)	220.5	236.7	254.0
Dividend Yield (%)	2.7	2.9	3.1

KEY STATISTICS

FBM KLCI	1,540.32
Issue shares (m)	234.50
Estimated free float (%)	25.33
Market Capitalisation (RM'm)	18,586.47
52-wk price range	RM61.8 - RM122.
3-mth average daily volume (m)	0.12
3-mth average daily value (RM'm)	9.89
Top Shareholders (%)	
Nestle SA	72.61
Employees Provident Fund Board	12.89
Blackrock Inc	1.26

Analyst

Eunice Ng Qing Rong

Eunice.ng@midf.com.my

03-2173 8384

Nestle Malaysia: 2QFY25 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	2QFY25	1QFY25	2QFY24	YoY (%)	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue	1,668.4	1,768.2	1,523.3	9.5	(5.6)	3,436.7	3,305.8	4.0
Cost of Sales	(1,172.1)	(1,220.9)	(1,079.5)	8.6	(4.0)	(2,393.0)	(2,266.9)	5.6
Gross Profit	**496.3**	**547.3**	**443.7**	**11.9**	**(9.3)**	**1,043.6**	**1,039.0**	**0.4**
Operating expenses	(331.7)	(317.8)	(302.6)	9.6	4.4	(649.4)	(624.5)	4.0
Operating profit (EBIT)	**164.7**	**229.5**	**141.1**	**16.7**	**(28.3)**	**394.2**	**414.5**	**(4.9)**
Net finance income/(cost)	(15.9)	(16.4)	(14.9)	6.7	(2.7)	(32.3)	(28.9)	12.1
Profit before tax (PBT)	**148.6**	**213.0**	**126.0**	**17.9**	**(30.3)**	**361.6**	**385.1**	**(6.1)**
Profit After tax (PAT)	112.1	161.3	93.6	19.8	(30.5)	273.5	289.1	(5.4)
PATANCI	112.1	161.3	93.6	19.8	(30.5)	273.5	289.1	(5.4)
Core PATANCI	**111.4**	**177.4**	**83.8**	**33.0**	**(37.2)**	**288.8**	**303.5**	**(4.8)**
Core EPS (sen)	47.5	75.6	35.7	33.0	(37.2)	123.2	129.4	(4.8)
DPS (sen)	70.0	0.0	70.0	0.0	n.m.	70.0	70.0	0.0
Growth & Margin (%)				***+/(-) ppts***	***+/(-) ppts***			***+/(-) ppts***
Gross Profit Margin	29.7	31.0	29.1	0.6	(1.2)	30.4	31.4	(1.1)
Operating Profit Margin	9.9	13.0	9.3	0.6	(3.1)	11.5	12.5	(1.1)
PBT Margin	8.9	12.0	8.3	0.6	(3.1)	10.5	11.6	(1.1)
Core PATANCI Margin	6.7	10.0	5.5	1.2	(3.4)	8.4	9.2	(0.8)
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Effective tax rate (%)	24.5	24.3	25.7	(1.2)	0.3	24.4	24.9	(0.5)

Source: Company, MIDFR

Nestle Malaysia: Breakdown by operating segment

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	2QFY25	1QFY25	2QFY24	YoY (%)	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue (External):								
Food & Beverages	1,332.0	1,404.3	1,226.3	8.6	(5.1)	2,736.3	2,671.9	2.4
Others	336.4	363.9	296.9	13.3	(7.6)	700.3	634.0	10.5
Total	**1,668.4**	**1,768.2**	**1,523.3**	**9.5**	**(5.6)**	**3,436.7**	**3,305.8**	**4.0**
Operating Profit:								
Food & Beverages	131.8	171.1	114.5	15.1	(23.0)	302.9	340.5	(11.1)
Others	33.4	58.9	27.0	23.6	(43.3)	92.3	74.9	23.2
Total	**165.2**	**230.0**	**141.6**	**16.7**	**(28.2)**	**395.2**	**415.4**	**(4.9)**
Operating profit margin:				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Food & Beverages	9.9	12.2	9.3	0.6	(2.3)	11.1	12.7	(1.7)
Others	9.9	16.2	9.1	0.8	(6.3)	13.2	11.8	1.4
Total	**9.9**	**13.0**	**9.3**	**0.6**	**(3.1)**	**11.5**	**12.6**	**(1.1)**

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	7,050.9	6,224.7	6,536.0	6,906.9	7,344.1
Gross Profit	2,231.0	1,884.8	1,980.4	2,102.4	2,245.7
EBITDA	1,149.4	935.8	948.9	1,010.8	1,067.9
EBIT	939.3	609.0	782.0	832.0	887.5
PBT	879.1	544.4	722.8	775.8	832.6
Taxation	(219.2)	(128.8)	(178.5)	(191.6)	(205.7)
PAT	659.9	415.6	544.2	584.2	627.0
Core PATANCI	756.0	454.8	544.2	584.2	627.0
Core EPS (sen)	322.4	193.9	232.1	249.1	267.4
PER (x)	29.3	46.4	35.5	33.0	30.8
DPS (sen)	268.0	179.0	220.5	236.7	254.0
Dividend Yield (%)	3.3	2.2	2.7	2.9	3.1

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	879.1	544.4	722.8	775.8	832.6
Operating cash flow	1,276.2	557.6	1,560.8	921.8	981.5
Investing cash flow	(501.5)	(295.2)	(263.4)	(278.4)	(296.1)
Financing cash flow	(604.7)	(497.1)	(985.0)	(639.1)	(680.4)
Net cash flow	170.0	(234.7)	312.4	4.3	5.0
Beginning cash flow	(178.7)	(8.8)	(243.5)	69.0	73.2
Ending cash flow	(8.8)	(243.5)	69.0	73.2	78.3

Growth (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth (%)	5.8	(11.7)	5.0	5.7	6.3
Gross Profit Growth	8.3	(15.5)	5.1	6.2	6.8
EBITDA Growth (%)	3.5	(18.6)	1.4	6.5	5.6
Core PATANCI Growth	19.6	(39.8)	19.7	7.3	7.3

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin (%)	31.6	30.3	30.3	30.4	30.6
EBITDA Margin (%)	16.3	15.0	14.5	14.6	14.5
EBIT Margin (%)	13.3	9.8	12.0	12.0	12.1
Core PATANCI Margin	10.7	7.3	8.3	8.5	8.5

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
PPE	1,749.5	1,809.5	1,889.9	1,972.5	2,070.3
Intangible assets	234.4	234.4	212.9	222.8	234.5
Non-current assets	2,263.2	2,328.9	2,398.8	2,492.8	2,603.8
Inventories	831.4	831.3	873.7	921.4	977.8
ST - Trade receivables	463.0	433.6	358.1	378.5	402.4
Cash	11.0	11.2	69.0	73.2	78.3
Current assets	1,306.0	1,320.8	1,301.3	1,373.6	1,459.0
Total Assets	3,569.2	3,649.7	3,700.1	3,866.4	4,062.9
Total Equity	674.9	547.5	951.8	1,019.3	1,096.5
LT Loans	300.0	300.0	293.8	287.9	282.2
Non-current liabilities	756.4	684.6	676.5	691.8	710.9
ST Trade payables	1,671.6	1,570.1	1,622.5	1,711.2	1,815.9
ST Loans	419.8	804.7	397.5	389.5	381.8
Current Liabilities	2,137.9	2,417.6	2,071.9	2,155.3	2,255.5
Total Liabilities	2,894.3	3,102.2	2,748.4	2,847.1	2,966.4

Source: Bloomberg, MIDFR

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MBSB Investment Bank Berhad (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD). The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

MBSB INVESTMENT BANK (formerly known MIDF 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