Corporate Update

Nestlé (Malaysia) Berhad

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

SHARIAH Compliant

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3QFY25 Results Review
Stabilising Growth Momentum

Upgrade to NEUTRAL with a revised TP of RM94.50. Nestlé's 3QFY25 results were within our expectations but above consensus, supported by strong topline improvement, disciplined cost management, and operational efficiency. Despite earnings came in within expectations, we tweak our FY25/26/27 earnings forecast by +2.1%/+2.0%/+1.7% to reflect resilient domestic demand and Nestle Malaysia's positioning as the group's halal manufacturing hub. We are upgrading our call to NEUTRAL with a revised TP of RM94.50 as we update our valuation. Our TP is based on DDM valuation with an unchanged, consistent 3.2% growth, and a revised WACC of 6.1%. Stock's current valuation of 55.2x PER sits near +2SD above its 3-year average of 44.7x, suggesting that near-term upside is largely priced in.

Within expectations. Nestlé chalked in 3QFY25 revenue of RM1.76b (+21.9%yoy; 5.6%qoq) and core PATANCI of RM124.7m (+26.9%yoy; +12%qoq) which brought 9MFY25 core PATANCI to RM413.5m (+2.9%yoy). This accounted for 76% of our FY25F forecast, in line with expectations, but came in above consensus at 87%. A second interim dividend of 60 sen per share was announced for 9MFY25, an increase from 35 sen per share in 9MFY24.

Strong 9MFY25 revenue. Nestlé recorded a +9.4%yoy increase in 9MFY25 revenue to RM5.2b, with 3QFY25 revenue strengthening by +5.6%qoq. On a year-on-year basis, revenue surged +21.9%yoy in 3QFY25, driven partly by a low base in 3QFY24. Revenue growth was supported by robust domestic demand and a double-digit expansion in export sales, reaffirming Nestlé Malaysia's strategic role as the Group's largest global Halal manufacturing hub. The Group's performance underscored the strength of its commercial strategy and extensive distribution network, reinforced by enduring consumer confidence in its brands.

Margin resilience amid cost challenges. Nestlé maintained a stable gross profit margin of 30.1% in 9MFY25 (9MFY24: 31.4%), maintained by disciplined cost management efforts and a higher topline despite continued elevation in key commodity inputs through 3QFY25, particularly cocoa and coffee. Operating profit margin held steady at 11.3% (9MFY24: 11.3%), reflecting strong operational efficiency, which enabled continued brand investments and market share expansion. Core PATANCI for 9MFY25 increased by +2.9%yoy on the back of a stronger topline performance, underpinned by effective brand execution, robust demand across key categories, and operational discipline, enabling the Group to sustain earnings momentum while reinforcing market leadership.

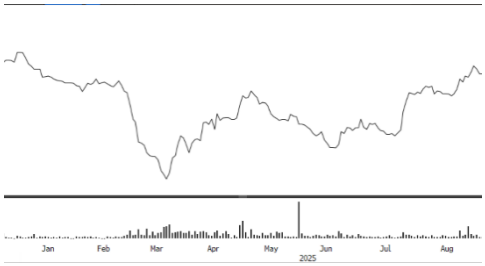
Outlook. We expect topline momentum to remain firm, driven by resilient demand and a strengthening consumer landscape as Nestlé continues to recover from the boycott-related slowdown. The company's solid fundamentals, underpinned by disciplined cost management and its strategic role as Nestlé Group's global Halal manufacturing and export hub, support sustained growth. Easing cocoa prices, a stable Ringgit, and stronger household spending power following recent SARA cash handouts should further underpin margin stability. Looking ahead, structural tailwinds from Budget 2026's STR/SARA allocations (RM15b) are expected to reinforce domestic demand.

Upgrade to NEUTRAL
(from SELL)

Revised Target Price **RM94.50**
(from RM77.90)

RETURN STATISTICS	
Price @ 28th October 2025 (RM)	107.10
Expected share price return (%)	-11.8
Expected dividend yield (%)	+2.1
Expected total return (%)	-9.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	11.5	11.2
3 months	11.3	15.4
12 months	4.0	3.8

INVESTMENT STATISTICS

FYE DEC (RM'm)	2025F	2026F	2027F
Revenue	6,660.5	7,038.5	7,484.0
EBITDA	963.8	1,026.6	1,084.8
PBT	737.7	791.7	849.6
Core PATANCI	555.5	596.1	639.7
Core EPS (sen)	236.9	254.2	272.8
DPS (sen)	225.0	241.5	259.2
Dividend Yield (%)	2.1	2.3	2.4

KEY STATISTICS

FBM KLCI	1,613.56
Issued shares (m)	234.50
Estimated free float (%)	26.75
Market Capitalisation (RM'm)	25,114.95
52-wk price range	RM61.8 - RM111
3-mth average daily volume (m)	0.09
3-mth average daily value (RM'm)	8.26
Top Shareholders (%)	
Nestle SA	72.61
Employees Provident Fund Board	13.24
Blackrock Inc	1.32

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Nestle Malaysia: 3QFY25 Results Summary

FYE DEC (RM'm)	Quarterly results							
	3QFY25	2QFY25	3QFY24	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue	1,762.3	1,668.4	1,446.2	21.9	5.6	5,199.0	4,752.0	9.4
Cost of Sales	(1,242.5)	(1,172.1)	(993.9)	25.0	6.0	(3,635.5)	(3,260.8)	11.5
Gross Profit	**519.9**	**496.3**	**452.3**	**14.9**	**4.7**	**1,563.5**	**1,491.3**	**4.8**
Operating expenses	(327.2)	(331.7)	(330.5)	(1.0)	(1.4)	(976.6)	(954.9)	2.3
Operating profit (EBIT)	**192.7**	**164.7**	**121.8**	**58.2**	**17.0**	**586.9**	**536.4**	**9.4**
Net finance income/(cost)	(14.4)	(15.9)	(17.4)	(17.6)	(10.0)	(46.7)	(46.3)	0.9
Profit before tax (PBT)	**178.4**	**148.6**	**104.1**	**71.4**	**20.1**	**540.0**	**489.2**	**10.4**
Profit After tax (PAT)	114.0	112.1	85.4	33.5	1.7	387.5	374.5	3.5
PATANCI	114.0	112.1	85.4	33.5	1.7	387.5	374.5	3.5
Core PATANCI	**124.7**	**111.4**	**98.3**	**26.9**	**12.0**	**413.5**	**401.7**	**2.9**
Core EPS (sen)	53.2	47.5	41.9	26.9	12.0	176.4	171.3	2.9
DPS (sen)	60.0	70.0	35.0	71.4	(14.3)	130.0	105.0	23.8
Growth & Margin (%)				**+/(-) ppts**	**+/(-) ppts**			**+/(-) ppts**
Gross Profit Margin	29.5	29.7	31.3	(1.8)	(0.2)	30.1	31.4	(1.3)
Operating Profit Margin	10.9	9.9	8.4	2.5	1.1	11.3	11.3	0.0
PBT Margin	10.1	8.9	7.2	2.9	1.2	10.4	10.3	0.1
Core PATANCI Margin	7.1	6.7	6.8	0.3	0.4	8.0	8.5	(0.5)
Ratios & Valuation				**+/(-) ppts**	**+/(-) ppts**			**+/(-) ppts**
Effective tax rate (%)	36.1	24.5	18.0	18.1	11.5	28.2	23.4	4.8

Source: Company, MBSBR

Nestle Malaysia: Breakdown by operating segment

FYE DEC (RM'm)	Quarterly results							
	3QFY25	2QFY25	3QFY24	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue (External):								
Food & Beverages	1,416.7	1,332.0	1,004.6	41.0	6.4	4,153.0	3,676.5	13.0
Others	345.6	336.4	441.5	(21.7)	2.7	1,045.9	1,075.5	(2.8)
Total	**1,762.3**	**1,668.4**	**1,446.2**	**21.9**	**5.6**	**5,199.0**	**4,752.0**	**9.4**
Operating Profit:								
Food & Beverages	161.1	131.8	55.4	190.8	22.3	464.0	395.9	17.2
Others	32.1	33.4	66.9	(52.0)	(4.0)	124.4	141.8	(12.3)
Total	**193.2**	**165.2**	**122.3**	**58.0**	**16.9**	**588.4**	**537.7**	**9.4**
Operating profit margin:				+/(-) ppts	+/(-) ppts			+/(-) ppts
Food & Beverages	11.4	9.9	5.5	5.9	1.5	11.2	10.8	0.4
Others	9.3	9.9	15.1	(5.9)	(0.7)	11.9	13.2	(1.3)
Total	**11.0**	**9.9**	**8.5**	**2.5**	**1.1**	**11.3**	**11.3**	**0.0**

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	7,050.9	6,224.7	6,660.5	7,038.5	7,484.0
Gross Profit	2,231.0	1,884.8	2,018.1	2,142.5	2,288.5
EBITDA	1,149.4	935.8	963.8	1,026.6	1,084.8
EBIT	939.3	609.0	796.9	847.8	904.4
PBT	879.1	544.4	737.7	791.7	849.6
Taxation	(219.2)	(128.8)	(182.2)	(195.5)	(209.8)
PAT	659.9	415.6	555.5	596.1	639.7
Core PATANCI	756.0	454.8	555.5	596.1	639.7
Core EPS (sen)	322.4	193.9	236.9	254.2	272.8
PER (x)	38.1	60.4	45.2	42.1	39.3
DPS (sen)	268.0	179.0	225.0	241.5	259.2
Dividend Yield (%)	2.5	1.7	2.1	2.3	2.4

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	879.1	544.4	737.7	791.7	849.6
Operating cash flow	1,276.2	557.6	1,581.6	938.8	999.6
Investing cash flow	(501.5)	(295.2)	(268.4)	(283.7)	(301.7)
Financing cash flow	(604.7)	(497.1)	(999.5)	(650.7)	(692.8)
Net cash flow	170.0	(234.7)	313.7	4.4	5.1
Beginning cash flow	(178.7)	(8.8)	(243.5)	70.3	74.6
Ending cash flow	(8.8)	(243.5)	70.3	74.6	79.8

Growth (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth (%)	5.8	(11.7)	7.0	5.7	6.3
Gross Profit Growth	8.3	(15.5)	7.1	6.2	6.8
EBITDA Growth (%)	3.5	(18.6)	3.0	6.5	5.7
Core PATANCI Growth	19.6	(39.8)	22.1	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	1,894.6	1,982.3	2,085.4
Intangible assets	234.4	234.4	217.0	227.0	239.0
Non-current assets	2,263.2	2,328.9	2,408.6	2,508.1	2,625.1
Inventories	831.4	831.3	890.3	939.0	996.4
ST - Trade receivables	463.0	433.6	365.0	385.7	410.1
Cash	11.0	11.2	70.3	74.6	79.8
Current assets	1,306.0	1,320.8	1,326.1	1,399.8	1,486.8
Total Assets	3,569.2	3,649.7	3,734.7	3,907.9	4,111.9
Total Equity	674.9	547.5	947.6	1,019.9	1,102.1
LT Loans	300.0	300.0	293.8	287.9	282.2
Non-current liabilities	756.4	684.6	683.3	699.0	718.6
ST Trade payables	1,671.6	1,570.1	1,653.4	1,743.8	1,850.5
ST Loans	419.8	804.7	397.5	389.5	381.8
Current Liabilities	2,137.9	2,417.6	2,103.8	2,189.0	2,291.2
Total Liabilities	2,894.3	3,102.2	2,787.1	2,888.0	3,009.8

Source: Bloomberg, MBSBR

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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