Corporate Update

Nestlé (Malaysia) Berhad

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

SHARIAH Compliant

FTSE4Good

Briefing Note
Steady Momentum into 4QFY25

Maintain NEUTRAL with an unchanged TP of RM94.50. We attended Nestlé's 3QFY25 results virtual briefing and maintain a neutral outlook on the company. Post results briefing, we maintain our earnings forecast and TP for Nestlé at RM94.50. While we are positive on Nestlé Malaysia's positioning as the group's halal manufacturing hub, current valuation of 56.3x PER sits near +2SD above its 3-year average of 44.7x, suggesting that near-term upside is largely priced in. We maintain our NEUTRAL call on Nestlé for now as we recently upgraded the stock. Nevertheless, given the stretch valuation, we opine that it may be an appropriate time for investors to lock in the recent gains.

Broad based growth. Nestlé's management maintained a constructive tone at its post-results briefing, highlighting broad-based revenue growth across all product categories rather than any single outperformer. The company reiterated its focus on volume recovery in 2025, with no plans for price increases given the easing trend in key commodities such as coffee, sugar, and cocoa. Management expects to benefit from lower input costs heading into 2026, reinforcing profitability and enabling reinvestment into brand and distribution activities.

Exports remain a key pillar, with a double-digit expansion in export sales in 3QFY25, management guided for a similarly firm export contribution going forward, driven by products like Milo, Maggi, and Nescafé, as well as new innovations such as the Nescafé concentrate and a Nestlé Ice Cream–Netflix collaboration.

Domestic rebound. At home, management acknowledged that government cash handouts under SARA and STR have supported a rejuvenation in B40 demand, helping Nestlé regain ground post-boycott, though it refrained from commenting on specific market share levels.

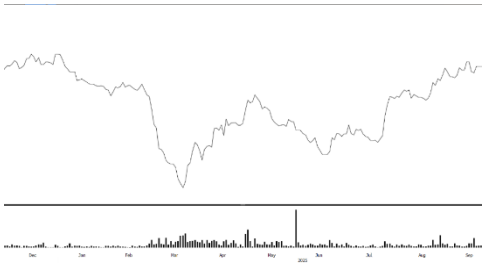
Outlook. Looking ahead, management expects growth momentum to remain firm into FY26, supported by sustained export strength, easing input costs, and continued fiscal support for consumers. The recently announced Budget 2026 allocations to STR and SARA, with the next SARA payment scheduled for Feb-26, are expected to further reinforce household spending and carry domestic demand strength into the new financial year.

Maintain NEUTRAL

Unchanged Target Price **RM94.50**

RETURN STATISTICS	
Price @ 29th October 2025 (RM)	109.20
Expected share price return (%)	-13.5
Expected dividend yield (%)	+2.0
Expected total return (%)	-11.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	12.5	12.4
3 months	13.5	17.6
12 months	9.2	9.4

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 (%)	2.0	2.3	2.4

KEY STATISTICS

FBM KLCI	1,611.54
Issued shares (m)	234.50
Estimated free float (%)	26.75
Market Capitalisation (RM'm)	25,607.40
52-wk price range	RM61.8 - RM111
3-mth average daily volume (m)	0.09
3-mth average daily value (RM'm)	8.41
Top Shareholders (%)	
Nestle SA	72.61
Employees Provident Fund Board	13.24
Blackrock Inc	1.32

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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	2.0	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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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