Corporate Update

Nestlé (Malaysia) Berhad

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

SHARIAH Compliant

FTSE4Good

Corporate Update
Nestlé and Mad Labs Settle

Downgrade to SELL
Unchanged Target Price **RM94.50**

Downgrade to SELL with unchanged TP of RM94.50. Nestlé announced that they have settled a seven-year legal dispute with Mad Labs over the alleged unauthorised use of QR codes on Nestlé's products. Nestlé has stated that the settlement has no material impact on its finances. However, we downgrade to SELL as a recent share price increase has priced in near term upside. We maintain our TP based on a DDM valuation with an unchanged, consistent 3.2% growth, and an unchanged WACC of 6.1%.

Background. The legal dispute between Nestlé (Malaysia) Bhd's subsidiary, Nestlé Products Sdn Bhd, and Mad Labs Sdn Bhd dates to 2019, when Mad Labs alleged the unauthorised use of its QR code technology on Nestlé products. The claim followed a 2018 incident in which QR codes on certain Maggi products redirected users to inappropriate content, triggering police and MCMC involvement. Mad Labs subsequently sought RM139.34m in damages and an injunction. Although the High Court dismissed Mad Labs' damages claim in 2023, it ruled that Mad Labs retained control of the QR code and was entitled to compensation for its unauthorised use, prompting Nestlé to file an appeal.

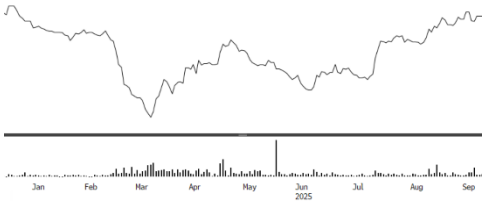
Settlement. Nestlé announced that both parties have mutually agreed to settle the dispute. During a High Court session on 17 Nov-25, Nestlé and Mad Labs jointly recorded a full and final settlement, including the withdrawal of all claims and any pending appeals before the Court of Appeal. The terms include each party bearing its own legal costs. This agreement formally concludes the seven-year legal process related to the QR code usage.

Financial Impact. Nestlé confirmed that the settlement will not have any material impact on the Group's financial performance or operations. As such, we maintain our earnings forecasts and view the resolution as non-disruptive to Nestlé's underlying fundamentals and ongoing business activities.

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. However, we believe valuations are stretched as the stock's current valuation of 58.26x PER sits over +2SD above its 3-year average of 44.86x, suggesting that near-term upside is largely priced in.

RETURN STATISTICS	
Price @ 17th Nov 2025 (RM)	113.00
Expected share price return (%)	-14.7
Expected dividend yield (%)	+2.0
Expected total return (%)	-12.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.6	6.3
3 months	17.4	25.8
12 months	13.6	11.9

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	2.1	2.3

KEY STATISTICS

FBM KLCI	1,627.43
Issued shares (m)	234.50
Estimated free float (%)	26.75
Market Capitalisation (RM'm)	26,498.50
52-wk price range	RM61.8 - RM116.
3-mth average daily volume (m)	0.11
3-mth average daily value (RM'm)	11.46
Top Shareholders (%)	
Nestle SA	72.61
Employees Provident Fund Board	13.03
Blackrock Inc	1.33

Analyst

MBSB Research
research@midf.com.my

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	2.1	2.3

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

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X)

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

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

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