Corporate Update

Nestlé (Malaysia) Berhad

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

SHARIAH Compliant

FTSE4Good

4QFY25 Results Review
Earnings Recovery Intact

Maintain SELL with a higher TP of RM95.70. Nestlé's 4QFY25 results came in broadly within expectations, supported by stronger year-on-year earnings recovery driven by improved cost management and resilient domestic demand. While sequential performance moderated after a stronger preceding quarter, underlying operations remained stable with improved gross margin and disciplined execution across its core segments. We maintain our earnings forecasts and roll forward our valuation, raising our **TP** to **RM95.70** (from RM94.50) based on a DDM framework, assuming an unchanged, consistent 3.2% long-term growth rate and a 6.1% WACC. While their fundamentals remain solid, we believe valuations remain stretched, suggesting limited upside at current levels.

Within expectations. Nestlé reported 4QFY25 revenue of RM1.68b (+14.2%yoy; -4.6%qoq) and core PATAMI of RM99.4m (+197.5%yoy; -20.3%qoq), bringing FY25 core PATAMI to RM513m (+27.7%yoy). The results were broadly in line with expectations, accounting for 94% of our full-year forecast and 108% of consensus estimates. A fourth interim dividend of 90 sen per share was declared for the quarter, bringing total dividends for FY25 to 220 sen per share.

Solid full-year topline anchored by broad-based demand. Nestlé delivered FY25 revenue of RM6.88b (+44.8%yoy), with 4QFY25 revenue rising +14.2%yoy to RM1.68b, supported by resilient domestic consumption and continued export momentum. The strong year-on-year expansion partly reflected base effects, while sequential revenue moderated (-4.6%qoq) following a stronger preceding quarter. Overall growth was underpinned by steady demand across key categories and Nestlé Malaysia's entrenched position as a key Halal manufacturing and export hub within the global group, supported by its wide distribution footprint, which allowed for a +14.4%yoy export growth.

Profit growth supported by scale and cost discipline amid input pressures. In 4QFY25, core PATAMI rose sharply on a year-on-year basis to RM99.4m (+197.5%yoy), supported by stronger topline and improved gross margin expansion to 31.2%. However, earnings moderated sequentially (-20.3%qoq) as lower turnover and higher operating expenses, including elevated commodity input costs, weighed on quarter-on-quarter profitability. For FY25, core PATAMI increased +27.7%yoy to RM513m, driven by solid revenue growth and disciplined cost management across the value chain, including ongoing efficiency gains from digitalisation initiatives. Despite a higher effective tax rate of 26.8%, the Group maintained resilient profitability, underpinned by operational efficiencies and continued brand investments to defend market share.

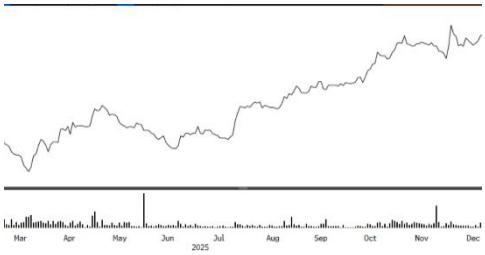
Outlook. We expect operating conditions to remain dynamic amid commodity cost volatility and currency fluctuations, though domestic demand should stay relatively resilient supported by steady consumer spending and continued brand strength. Nestlé's entrenched market leadership, diversified product portfolio and role as the Group's key Halal manufacturing and export hub position it well to navigate near-term headwinds. While input cost pressures may persist, ongoing cost discipline, digitalisation initiatives and operational efficiencies should help cushion margin volatility. Overall, we see fundamentals remaining intact, though earnings growth is likely to normalise following this year's strong recovery.

Maintain SELL

Revised Target Price **RM95.70**
(from RM94.50)

RETURN STATISTICS	
Price @ 25th Feb 2026 (RM)	110.50
Expected share price return (%)	-13.4
Expected dividend yield (%)	+1.8
Expected total return (%)	-11.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.7	-4.9
3 months	-3.1	-6.5
12 months	24.9	13.5

INVESTMENT STATISTICS

FYE DEC (RM'm)	2026F	2027F	2028F
Revenue	7,038.5	7,484.0	7,961.8
EBITDA	1,026.6	1,084.8	1,187.7
PBT	791.7	849.6	944.8
Core PATANCI	596.1	639.7	711.4
Core EPS (sen)	254.2	272.8	303.4
DPS (sen)	236.8	254.1	282.6
Dividend Yield (%)	2.1	2.3	2.6

KEY STATISTICS

FBM KLCI	1,747.81
Issued shares (m)	234.50
Estimated free float (%)	26.75
Market Capitalisation (RM'm)	25,912.25
52-wk price range	RM61.8 - RM122.
3-mth average daily volume (m)	0.10
3-mth average daily value (RM'm)	11.26
Top Shareholders (%)	
Nestle SA	72.61
Employees Provident Fund Board	13.22
Blackrock Inc	1.30

Analyst

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Nestle Malaysia: 4QFY25 Results Summary

FYE DEC (RM'm)	Quarterly results							
	4QFY25	3QFY25	4QFY24	YoY (%)	QoQ (%)	12MFY25	9MFY24	YoY (%)
Revenue	1,681.9	1,762.3	1,472.7	14.2	(4.6)	6,880.9	4,752.0	44.8
Cost of Sales	(1,156.7)	(1,242.5)	(1,079.2)	7.2	(6.9)	(4,792.2)	(3,260.8)	47.0
Gross Profit	**525.1**	**519.9**	**393.5**	**33.4**	**1.0**	**2,088.7**	**1,491.3**	**40.1**
Operating expenses	(351.2)	(327.2)	(320.9)	9.5	7.4	(1,327.8)	(954.9)	39.1
Operating profit (EBIT)	**173.9**	**192.7**	**72.6**	**139.4**	**(9.8)**	**760.8**	**536.4**	**41.8**
Net finance income/(cost)	(13.7)	(14.4)	(17.7)	(22.5)	(4.6)	(60.4)	(46.3)	30.5
Profit before tax (PBT)	**160.4**	**178.4**	**55.2**	**190.5**	**(10.1)**	**700.4**	**489.2**	**43.2**
Profit After tax (PAT)	125.6	114.0	41.1	205.5	10.1	513.0	374.5	37.0
PATANCI	125.6	114.0	41.1	205.5	10.1	513.0	374.5	37.0
Core PATANCI	**99.4**	**124.7**	**33.4**	**197.5**	**(20.3)**	**513.0**	**401.7**	**27.7**
Core EPS (sen)	42.4	53.2	14.2	197.5	(20.3)	218.7	171.3	27.7
DPS (sen)	90.0	60.0	74.0	21.6	50.0	220.0	105.0	109.5
Growth & Margin (%)				***+/(-) ppts***	***+/(-) ppts***			***+/(-) ppts***
Gross Profit Margin	31.2	29.5	26.7	4.5	1.7	30.4	31.4	(1.0)
Operating Profit Margin	10.3	10.9	4.9	5.4	(0.6)	11.1	11.3	(0.2)
PBT Margin	9.5	10.1	3.8	5.8	(0.6)	10.2	10.3	(0.1)
Core PATANCI Margin	5.9	7.1	2.3	3.6	(1.2)	7.5	8.5	(1.0)
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Effective tax rate (%)	21.7	36.1	25.6	(3.8)	(14.3)	26.8	23.4	3.3

Source: Company, MBSBR

Nestle Malaysia: Breakdown by operating segment

FYE DEC (RM'm)	Quarterly results							
	4QFY25	3QFY25	4QFY24	YoY (%)	QoQ (%)	12MFY25	9MFY24	YoY (%)
Revenue (External):								
Food & Beverages	1,340.2	1,416.7	1,147.0	16.8	(5.4)	5,493.2	3,676.5	49.4
Others	341.7	345.6	325.7	4.9	(1.1)	1,387.6	1,075.5	29.0
Total	**1,681.9**	**1,762.3**	**1,472.7**	**14.2**	**(4.6)**	**6,880.8**	**4,752.0**	**44.8**
Operating Profit:								
Food & Beverages	132.4	161.1	47.0	181.7	(17.8)	596.4	395.9	50.6
Others	42.8	32.1	20.4	109.8	33.3	167.1	141.8	17.9
Total	**175.1**	**193.2**	**67.4**	**159.9**	**(9.3)**	**763.5**	**537.7**	**42.0**
Operating profit margin:				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Food & Beverages	9.9	11.4	4.1	5.8	(1.5)	10.9	10.8	0.1
Others	12.5	9.3	6.3	6.3	3.2	12.0	13.2	(1.1)
Total	**10.4**	**11.0**	**4.6**	**5.8**	**(0.5)**	**11.1**	**11.3**	**(0.2)**

Source: Company, MBSBR

FINANCIAL SUMMARY

Income statement (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	6,224.7	6,880.8	7,038.5	7,484.0	7,961.8
Gross Profit	1,884.8	2,088.6	2,142.5	2,288.5	2,489.9
EBITDA	935.8	987.7	1,026.6	1,084.8	1,187.7
EBIT	609.0	760.8	847.8	904.4	998.2
PBT	544.4	700.4	791.7	849.6	944.8
Taxation	(128.8)	(187.4)	(195.5)	(209.8)	(233.4)
PAT	415.6	513.0	596.1	639.7	711.4
Core PATANCI	454.8	525.0	596.1	639.7	711.4
Core EPS (sen)	193.9	223.9	254.2	272.8	303.4
PER (x)	62.3	50.5	43.5	40.5	36.4
DPS (sen)	179.0	203.8	236.8	254.1	282.6
Dividend Yield (%)	1.6	1.8	2.1	2.3	2.6

Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
PBT	544.4	700.4	791.7	849.6	944.8
Operating cash flow	557.6	1,033.9	1,160.0	987.7	1,073.8
Investing cash flow	(295.2)	(144.6)	(283.7)	(301.7)	(321.0)
Financing cash flow	(497.1)	(678.2)	(769.3)	(680.9)	(747.2)
Net cash flow	(234.7)	211.1	107.0	5.1	5.5
Beginning cash flow	(8.8)	(243.5)	(32.4)	74.6	79.8
Ending cash flow	(243.5)	(32.4)	74.6	79.8	85.3

Growth (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth	(11.7)	10.5	2.3	6.3	6.4
Gross Profit Growth	(15.5)	10.8	2.6	6.8	8.8
EBITDA Growth	(18.6)	5.6	3.9	5.7	9.5
Core PATANCI Growth	(39.8)	15.4	13.6	7.3	11.2

Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Gross Profit Margin	30.3	30.4	30.4	30.6	31.3
EBITDA Margin	15.0	14.4	14.6	14.5	14.9
EBIT Margin	9.8	11.1	12.0	12.1	12.5
Core PATANCI Margin	7.3	7.6	8.5	8.5	8.9

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
PPE	1,809.5	1,745.6	1,990.7	2,093.9	2,206.2
Intangible assets	234.4	234.4	227.0	239.0	251.7
Non-current assets	2,328.9	2,226.4	2,517.0	2,633.9	2,760.7
Inventories	831.3	901.8	939.0	996.4	1,049.4
ST - Trade receivables	433.6	492.0	385.7	410.1	436.3
Cash	11.2	6.1	74.6	79.8	85.3
Current assets	1,320.8	1,420.3	1,399.8	1,486.8	1,571.5
Total Assets	3,649.7	3,646.7	3,916.8	4,120.7	4,332.2
Total Equity	547.5	576.6	1,028.8	1,111.0	1,206.6
LT Loans	300.0	0.0	287.9	282.2	276.5
Non-current liabilities	684.6	340.0	699.0	718.6	740.1
ST Trade payables	1,570.1	1,867.6	1,743.8	1,850.4	1,948.9
ST Loans	804.7	788.5	389.5	381.8	374.1
Current Liabilities	2,417.6	2,730.1	2,189.0	2,291.1	2,385.5
Total Liabilities	3,102.2	3,070.1	2,888.0	3,009.8	3,125.6

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