Corporate Update

# Nestlé (Malaysia) Berhad

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

SHARIAH Compliant

FTSE4Good

# 1QFY26 Results Review
# Strong Quarter on Festive Lift

**Maintain NEUTRAL with unchanged TP of RM95.70.** Nestlé's 1QFY26 results came in within expectations, with festive-driven domestic demand and improved cost discipline supporting a strong year-on-year earnings. While margins benefited from operating leverage, we remain mindful that the unrealised impact of the Iran–Israel conflict has yet to flow through to commodity, packaging and freight cost lines. We make no changes to our earnings forecasts and maintain our **TP** of **RM95.70** based on a DDM framework, assuming an unchanged 3.2% long-term growth rate and a 6.1% WACC. Fundamentals remain intact, but valuations look fair at current levels, leaving limited room for re-rating.

**Within expectations.** Nestlé reported 1QFY26 revenue of RM1.88b (+6.3%yoy; +11.8%qoq) and core PATAMI of RM180.3m (+1.7%yoy; +81.4%qoq). The results accounted for 32% of our full-year forecast and 30% of consensus estimates. We deem the results in line, in view of Nestlé's historically strong 1Q performance underpinned by festive seasonality from Chinese New Year and Ramadan, as well as the unrealised impact of the Iran-Israel conflict which has yet to feed through to input costs. No dividend was declared for the quarter.

**Festive-driven topline recovery, broad-based demand momentum.** Nestlé delivered 1QFY26 revenue of RM1.88b (+6.3%yoy; +11.8%qoq), with growth supported by resilient domestic consumption around the Chinese New Year and Ramadan festive periods, alongside continued export momentum. By segment, Food & Beverages revenue rose +8.2%yoy to RM1.52b on stronger festive-related domestic sales, while others revenue eased -1.0%yoy to RM360.3m. Sequentially, both segments rebounded firmly (+13.4%qoq and +5.4%qoq respectively), reflecting the typical seasonality boost following a softer 4Q. The Group's entrenched market position, wide distribution footprint and role as the global Group's key Halal manufacturing and export hub continue to anchor topline resilience.

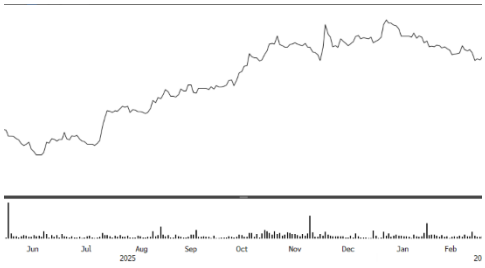
**Margin expansion supported by cost discipline and operating leverage.** Gross profit margin expanded by +0.9ppts yoy to 31.9% (1QFY25: 31.0%), supported by cost control and continued benefits from ongoing operational efficiency initiatives. Operating profit margin improved more meaningfully by +2.2ppts yoy to 15.1% (1QFY25: 13.0%), reflecting positive operating leverage from higher festive-driven volumes alongside tighter control over operating expenses, which declined marginally by -1.0%yoy. Consequently, core PATAMI grew by +1.7%yoy to RM180.3m, despite a slightly higher effective tax rate of 24.6% (1QFY25: 24.3%). On a sequential basis, the bottom-line recovery was particularly strong (+81.4%qoq) on operating leverage during the festive demand peak. By segment, Food & Beverages operating profit climbed +29.9%yoy to RM222.3m (margin: 14.6%, +2.4ppts yoy), while Others operating profit rose +6.8%yoy to RM62.9m (margin: 17.5%, +1.3ppts yoy).

## Maintain NEUTRAL

Unchanged Target Price **RM95.70**

| RETURN STATISTICS | |
|---|---|
| Price @ 28th Apr 2026 (RM) | 102.30 |
| Expected share price return (%) | -6.4 |
| Expected dividend yield (%) | +2.3 |
| Expected total return (%) | -4.1 |

**SHARE PRICE CHART**




| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 3.3 | 2.3 |
| 3 months | 3.2 | -10.2 |
| 12 months | 21.5 | 6.4 |

**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 | 565.1 | 639.7 | 711.4 |
| Core EPS (sen) | 241.0 | 272.8 | 303.4 |
| DPS (sen) | 236.8 | 254.1 | 282.6 |
| Dividend Yield (%) | 2.3 | 2.5 | 2.8 |

**KEY STATISTICS**

| | |
|---|---|
| FBM KLCI | 1,729.60 |
| Issued shares (m) | 234.50 |
| Estimated free float (%) | 26.75 |
| Market Capitalisation (RM'm) | 23,989.35 |
| 52-wk price range | RM71.0 - RM122. |
| 3-mth average daily volume (m) | 0.11 |
| 3-mth average daily value (RM'm) | 11.66 |
| Top Shareholders (%) | |
| Nestle SA | 72.61 |
| Employees Provident Fund Board | 13.57 |
| Blackrock Inc | 1.27 |

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**Outlook.** While 1QFY26 benefited from festive seasonality and a relatively benign input cost backdrop, we expect operating conditions to become more dynamic as the year progresses. The unrealised impact of the Iran-Israel conflict, most notably elevated freight rates, higher fertiliser and packaging costs, and risk premia embedded across the global commodity complex, has yet to flow meaningfully into Nestlé's cost lines, given typical inventory lag protection. We expect these pressures to manifest more visibly from 2QFY26 onwards. That said, Nestlé's diversified product portfolio, entrenched market leadership, and continued cost discipline supported by digitalisation initiatives and operational efficiencies should help cushion margin volatility. Domestic consumer spending should remain relatively resilient on stable employment and continued fiscal support, providing a steady demand backdrop. We maintain our cautious stance, with the strong 1Q performance unlikely to be sustained at the same pace throughout the remainder of the year.

## Nestle Malaysia: 1QFY26 Results Summary

| FYE DEC (RM'm) | Quarterly results | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1QFY26 | 4QFY25 | 1QFY25 | YoY (%) | QoQ (%) | 3MFY26 | 3MFY25 | YoY (%) |
| Revenue | 1,880.4 | 1,681.9 | 1,768.2 | 6.3 | 11.8 | 1,880.4 | 1,768.2 | 6.3 |
| Cost of Sales | (1,281.2) | (1,156.7) | (1,220.9) | 4.9 | 10.8 | (1,281.2) | (1,220.9) | 4.9 |
| **Gross Profit** | **599.2** | **525.1** | **547.3** | **9.5** | **14.1** | **599.2** | **547.3** | **9.5** |
| Operating expenses | (314.7) | (351.2) | (317.8) | (1.0) | (10.4) | (314.7) | (317.8) | (1.0) |
| **Operating profit (EBIT)** | **284.5** | **173.9** | **229.5** | **24.0** | **63.6** | **284.5** | **229.5** | **24.0** |
| Net finance income/(cost) | (12.6) | (13.7) | (16.4) | (23.2) | (8.1) | (12.6) | (16.4) | (23.2) |
| **Profit before tax (PBT)** | **271.9** | **160.4** | **213.0** | **27.6** | **69.5** | **271.9** | **213.0** | **27.6** |
| Profit After tax (PAT) | 205.1 | 125.6 | 161.3 | 27.1 | 63.4 | 205.1 | 161.3 | 27.1 |
| PATANCI | 205.1 | 125.6 | 161.3 | 27.1 | 63.4 | 205.1 | 161.3 | 27.1 |
| **Core PATANCI** | **180.3** | **99.4** | **177.4** | **1.7** | **81.4** | **180.3** | **177.4** | **1.7** |
| Core EPS (sen) | 76.9 | 42.4 | 75.6 | 1.7 | 81.4 | 76.9 | 75.6 | 1.7 |
| DPS (sen) | 0.0 | 90.0 | 0.0 | n.m. | (100.0) | 0.0 | 0.0 | n.m. |
| **Growth & Margin (%)** | | | | ***+/(-) ppts*** | ***+/(-) ppts*** | | | ***+/(-) ppts*** |
| Gross Profit Margin | 31.9 | 31.2 | 31.0 | 0.9 | 0.6 | 31.9 | 31.0 | 0.9 |
| Operating Profit Margin | 15.1 | 10.3 | 13.0 | 2.2 | 4.8 | 15.1 | 13.0 | 2.2 |
| PBT Margin | 14.5 | 9.5 | 12.0 | 2.4 | 4.9 | 14.5 | 12.0 | 2.4 |
| Core PATANCI Margin | 9.6 | 5.9 | 10.0 | (0.4) | 3.7 | 9.6 | 10.0 | (0.4) |
| **Ratios & Valuation** | | | | *+/(-) ppts* | *+/(-) ppts* | | | *+/(-) ppts* |
| Effective tax rate (%) | 24.6 | 21.7 | 24.3 | 0.3 | 2.8 | 24.6 | 24.3 | 0.3 |

*Source: Company, MBSBR*

## Nestle Malaysia: Breakdown by operating segment

| FYE DEC (RM'm) | Quarterly results | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1QFY26 | 4QFY25 | 1QFY25 | YoY (%) | QoQ (%) | 3MFY26 | 3MFY25 | YoY (%) |
| **Revenue (External):** | | | | | | | | |
| Food & Beverages | 1,520.1 | 1,340.2 | 1,404.3 | 8.2 | 13.4 | 1,520.1 | 1,404.3 | 8.2 |
| Others | 360.3 | 341.7 | 363.9 | (1.0) | 5.4 | 360.3 | 363.9 | (1.0) |
| **Total** | **1,880.4** | **1,681.9** | **1,768.2** | **6.3** | **11.8** | **1,880.4** | **1,768.2** | **6.3** |
| **Operating Profit:** | | | | | | | | |
| Food & Beverages | 222.3 | 132.4 | 171.1 | 29.9 | 67.9 | 222.3 | 171.1 | 29.9 |
| Others | 62.9 | 42.8 | 58.9 | 6.8 | 47.1 | 62.9 | 58.9 | 6.8 |
| **Total** | **285.2** | **175.1** | **230.0** | **24.0** | **62.8** | **285.2** | **230.0** | **24.0** |
| **Operating profit margin:** | | | | *+/(-) ppts* | *+/(-) ppts* | | | *+/(-) ppts* |
| Food & Beverages | 14.6 | 9.9 | 12.2 | 2.4 | 4.7 | 14.6 | 12.2 | 2.4 |
| Others | 17.5 | 12.5 | 16.2 | 1.3 | 4.9 | 17.5 | 16.2 | 1.3 |
| **Total** | **15.2** | **10.4** | **13.0** | **2.2** | **4.8** | **15.2** | **13.0** | **2.2** |

*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 | 565.1 | 639.7 | 711.4 |
| | | | | | |
| Core EPS (sen) | 193.9 | 223.9 | 241.0 | 272.8 | 303.4 |
| PER (x) | 57.7 | 46.8 | 40.2 | 37.5 | 33.7 |
| DPS (sen) | 179.0 | 203.8 | 236.8 | 254.1 | 282.6 |
| Dividend Yield (%) | 1.7 | 2.0 | 2.3 | 2.5 | 2.8 |

| 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 | 7.6 | 13.2 | 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 | 8.0 | 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