Nestlé (Malaysia) Berhad

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

SHARIAH Compliant

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Corporate Update

Briefing Note

Volume-Led Momentum

Maintain BUY with unchanged TP of RM116.10. We came away from Nestlé Malaysia's post-results briefing with confidence on the quality of its recent earnings delivery. Management highlighted that growth was driven mainly by volume, with pricing contribution very small. There were no new price increases in 2QFY26 or year-to-date, with any pricing effect largely reflecting carry-over impact from price adjustments taken in 2024 and early-2025. This suggests that the recent earnings performance was supported by resilient consumer demand for Nestlé's core brands.

Margins supported by cost relief and efficiencies. Management attributed the gross margin improvement to a combination of softer commodity prices, particularly coffee and cocoa, Ringgit appreciation and internal efficiencies. While selected commodity prices have begun to creep higher, management expects margins to remain healthy in 2HFY26, though comparisons against the strong 1HFY26 base may be less pronounced. Nestlé continues to rely on hedging policies, FX tailwinds and operational efficiencies to manage input-cost volatility and does not expect to take new price increases in 3QFY26, with 4QFY26 also likely manageable at this juncture.

Cash flow and balance sheet improving. Lower financing costs also supported earnings, mainly due to reduced borrowings. Management noted that stronger profit delivery and working capital improvements helped lift cash flow, allowing borrowings to come down and supporting the higher dividend payout.

Capex to moderate after heavy investment cycle. Nestlé has invested around RM1.0b over the past three years to expand production capacity. Following this heavy investment cycle, capex is expected to slow slightly, although management will continue investing to support volume growth, digitalisation, automation and manufacturing efficiency. Cost-saving initiatives remain broad-based across the group, with digitalisation highlighted as one of the key tools to simplify processes and improve productivity.

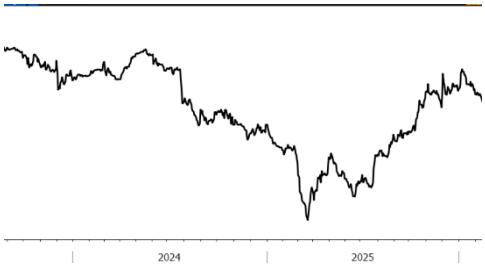
Outlook. Management remains confident on consumer momentum, although 2HFY26 growth could moderate due to a higher base. Affordability remains a watchpoint as consumers become more attentive to spending, but management indicated that this has not materially affected Nestlé's brands so far. The group will continue investing in advertising and promotions to sustain brand relevance, while maintaining a value-oriented and competitive product offering. Export growth remains supported by Nestlé Malaysia's role within the wider Nestlé Group, with its Halal manufacturing hub status providing an edge for regional exports. Overall, the briefing reinforces our view that Nestlé's earnings recovery is supported by volume-led demand, margin discipline, lower borrowings and healthy cash flow, underpinning our **BUY** call and **TP of RM116.10.**

Maintain BUY

Unchanged Target Price **RM116.10**

RETURN STATISTICS	
Price @ 29th July 2026 (RM)	96.78
Expected share price return (%)	+19.9
Expected dividend yield (%)	+2.9
Expected total return (%)	+22.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.6	0.5
3 months	3.6	-5.6
12 months	10.2	-2.0

INVESTMENT STATISTICS

FYE DEC (RM'm)	2026F	2027F	2028F
Revenue	7,390.9	7,843.9	8,328.5
EBITDA	1,180.3	1,273.9	1,386.8
PBT	945.6	1,038.9	1,144.0
Core PATANCI	682.2	782.3	861.4
Core EPS (sen)	290.9	333.6	367.3
DPS (sen)	282.8	310.7	342.2
Dividend Yield (%)	2.9	3.2	3.5

KEY STATISTICS

FBM KLCI	1,715.56
Issued shares (m)	234.50
Estimated free float (%)	26.60
Market Capitalisation (RM'm)	22,694.91
52-wk price range	RM86.4 - RM122.
3-mth average daily volume (m)	0.35
3-mth average daily value (RM'm)	32.54
Top Shareholders (%)	
Nestle SA	72.61
Employees Provident Fund Board	14.91
Vanguard Group Inc/The	1.11

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FINANCIAL SUMMARY

Income statement (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	6,224.7	6,880.8	7,390.9	7,843.9	8,328.5
Gross Profit	1,884.8	2,088.6	2,387.3	2,544.2	2,757.6
EBITDA	935.8	987.7	1,180.3	1,273.9	1,386.8
EBIT	609.0	760.8	1,001.6	1,093.5	1,197.3
PBT	544.4	700.4	945.6	1,038.9	1,144.0
Taxation	(128.8)	(187.4)	(233.6)	(256.6)	(282.6)
PAT	415.6	513.0	712.0	782.3	861.4
Core PATANCI	454.8	525.0	682.2	782.3	861.4
Core EPS (sen)	193.9	223.9	290.9	333.6	367.3
PER (x)	57.7	46.8	33.7	30.7	27.8
DPS (sen)	179.0	203.8	282.8	310.7	342.2
Dividend Yield (%)	1.7	2.0	2.9	3.2	3.5

Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
PBT	544.4	700.4	945.6	1,038.9	1,144.0
Operating cash flow	557.6	1,033.9	1,296.7	1,135.2	1,228.5
Investing cash flow	(295.2)	(144.6)	(297.8)	(316.1)	(335.7)
Financing cash flow	(497.1)	(678.2)	(888.1)	(813.9)	(887.2)
Net cash flow	(234.7)	211.1	110.8	5.2	5.6
Beginning cash flow	(8.8)	(243.5)	(32.4)	78.4	83.6
Ending cash flow	(243.5)	(32.4)	78.4	83.6	89.2

Growth (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth	(11.7)	10.5	7.4	6.1	6.2
Gross Profit Growth	(15.5)	10.8	14.3	6.6	8.4
EBITDA Growth	(18.6)	5.6	19.5	7.9	8.9
Core PATANCI Growth	(39.8)	15.4	29.9	14.7	10.1

Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Gross Profit Margin	30.3	30.4	32.3	32.4	33.1
EBITDA Margin	15.0	14.4	16.0	16.2	16.7
EBIT Margin	9.8	11.1	13.6	13.9	14.4
Core PATANCI Margin	7.3	7.6	9.2	10.0	10.3

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
PPE	1,809.5	1,745.6	2,004.2	2,121.1	2,247.5
Intangible assets	234.4	234.4	238.4	250.4	263.3
Non-current assets	2,328.9	2,226.4	2,544.6	2,676.2	2,817.8
Inventories	831.3	901.8	959.6	1,016.4	1,068.4
ST - Trade receivables	433.6	492.0	405.0	429.8	456.4
Cash	11.2	6.1	78.4	83.6	89.2
Current assets	1,320.8	1,420.3	1,443.5	1,530.4	1,614.6
Total Assets	3,649.7	3,646.7	3,988.1	4,206.5	4,432.4
Total Equity	547.5	576.6	1,039.6	1,137.0	1,248.5
LT Loans	300.0	0.0	287.9	282.2	276.5
Non-current liabilities	684.6	340.0	718.4	738.4	760.3
ST Trade payables	1,570.1	1,867.6	1,782.1	1,887.6	1,984.1
ST Loans	804.7	788.5	389.5	381.8	374.1
Current Liabilities	2,417.6	2,730.1	2,230.1	2,331.1	2,423.6
Total Liabilities	3,102.2	3,070.1	2,948.5	3,069.5	3,183.9

Source: Bloomberg, MBSBR

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MBSB 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