Corporate Update

Nestlé (Malaysia) Berhad

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

SHARIAH Compliant

FTSE4Good

3QFY26 Results Review
Strong Earnings on Margin Expansion

Maintain BUY with revised TP of RM118.90. Nestlé Malaysia delivered a strong 3QFY26, supported by healthy domestic demand, favourable commodity costs and FX, which drove a sharper than expected margin boost. Management remains positive for FY26, although growth is expected to moderate in 4QFY26 partly due to a higher base effect. We raise our FY26F/FY27F/FY28F earnings forecasts by +4%/+3%/+3% and consequently revise our **TP to RM118.90** from RM116.10. We base our TP on a DDM framework, assuming an unchanged 3.2% long-term growth rate and a 6.1% WACC.

Above expectations. 3QFY26 core PATAMI increased +59.6%yoy and +10.0%qoq to RM199.0m, 9MFY26 core PATAMI of RM560.3m rose +35.5%yoy and accounted for 82% of our full-year forecast and 88% of consensus. The outperformance was mainly driven by stronger margins due to favourable commodity costs and FX, as well as strong domestic demand. The Board declared a second interim dividend of 80 sen/share, compared with 60 sen/share a year ago, bringing 9MFY26 DPS to 160 sen/share.

Revenue growth remained broad based. 3QFY26 revenue rose +5.3%yoy and +2.4%qoq to RM1.86b, bringing 9MFY26 revenue to RM5.55b (+6.7%yoy). Domestic sales grew around +7.5%yoy in 9MFY26, supported by continued positive momentum across categories, product innovation, marketing activities and strong execution across sales channels. Export sales increased +4.3%yoy. By segment, Food & Beverages revenue grew +4.8%yoy to RM1.49b in 3QFY26, while Others increased +7.3%yoy to RM370.9m. Management noted that market share, household penetration and consumer engagement continued to trend positively.

Margins improved on favourable commodities and FX. Gross profit rose +21.8%yoy to RM633.2m, lifting gross margin by +4.6ppts yoy to 34.1%. Operating profit increased +41.7%yoy to RM273.0m, with operating margin expanding +3.8ppts to 14.7%. Food & Beverages operating profit rose +30.6%yoy, while Others increased +97.1%yoy. The improvement was supported by softer commodity costs, favourable FX and continued productivity initiatives. Management did not provide specific margin guidance for CY27, noting that the commodity environment remains fluid and could become more challenging next year. Pricing remains a last resort, with the group focused on maintaining healthy margins through procurement and operational efficiencies.

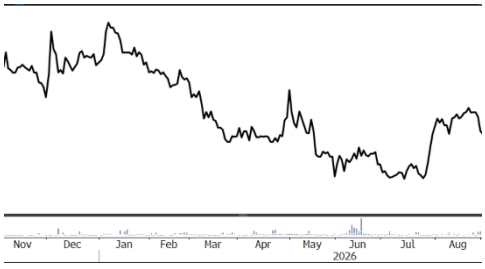
Outlook. We remain positive on Nestlé's earnings outlook. Domestic consumption remains healthy, with management seeing no material change in consumer spending trends from earlier in the year. Growth is expected to moderate in 4QFY26, although management remains confident of delivering a strong FY26. Budget 2027 measures supporting household purchasing power should remain favourable for broader consumption, while the upcoming minimum wage increase is expected to have limited direct impact as most employees are already above the threshold. Commodity costs remain the main earnings risk into CY27, but Nestlé's global procurement reach, supplier relationships and hedging provide some protection against volatility. Maintain **BUY** with revised **TP of RM118.90.**

Maintain **BUY**

Revised Target Price **RM118.90**
(from RM116.10)

RETURN STATISTICS	
Price @ 27th Oct 2026 (RM)	94.28
Expected share price return (%)	+26.1
Expected dividend yield (%)	+3.1
Expected total return (%)	+29.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.5	8.3
3 months	4.8	9.7
12 months	-11.6	-11.5

INVESTMENT STATISTICS

FYE DEC (RM'm)	2026F	2027F	2028F
Revenue	7,347.0	7,797.7	8,280.0
EBITDA	1,203.8	1,288.1	1,401.5
PBT	984.2	1,068.0	1,173.3
Core PATANCI	712.8	804.2	883.5
Core EPS (sen)	304.0	342.9	376.8
DPS (sen)	294.4	319.4	351.0
Dividend Yield (%)	3.0	3.3	3.6

KEY STATISTICS

FBM KLCI	1,611.85
Issued shares (m)	234.50
Estimated free float (%)	26.60
Market Capitalisation (RM'm)	22,108.66
52-wk price range	RM88.7 - RM122.
3-mth average daily volume (m)	0.07
3-mth average daily value (RM'm)	7.14
Top Shareholders (%)	
Nestle SA	72.61
Employees Provident Fund Board	14.87
Vanguard Group Inc/The	1.83

Analyst

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Nestle Malaysia: 3QFY26 Results Summary

FYE DEC (RM'm)	Quarterly results							
	3QFY26	2QFY26	3QFY25	YoY (%)	QoQ (%)	9MFY26	9MFY25	YoY (%)
Revenue	1,855.9	1,813.1	1,762.3	5.3	2.4	5,549.4	5,199.0	6.7
Cost of Sales	(1,222.8)	(1,218.9)	(1,242.5)	(1.6)	0.3	(3,722.9)	(3,635.5)	2.4
Gross Profit	**633.2**	**594.2**	**519.9**	**21.8**	**6.6**	**1,826.5**	**1,563.5**	**16.8**
Operating expenses	(360.2)	(377.9)	(327.2)	10.1	(4.7)	(1,052.8)	(976.6)	7.8
Operating profit (EBIT)	**273.0**	**216.2**	**192.7**	**41.7**	**26.2**	**773.8**	**586.9**	**31.8**
Net finance income/(cost)	(9.8)	(10.8)	(14.4)	(31.6)	(8.9)	(33.2)	(46.7)	(28.9)
Profit before tax (PBT)	**263.1**	**205.7**	**178.4**	**47.5**	**27.9**	**740.7**	**540.0**	**37.2**
Profit After tax (PAT)	197.5	155.0	114.0	73.2	27.4	557.6	387.5	43.9
PATANCI	197.5	155.0	114.0	73.2	27.4	557.6	387.5	43.9
Core PATANCI	**199.0**	**181.0**	**124.7**	**59.6**	**10.0**	**560.3**	**413.5**	**35.5**
Core EPS (sen)	84.9	77.2	53.2	59.6	10.0	239.0	176.4	35.5
DPS (sen)	80.0	80.0	60.0	33.3	0.0	160.0	130.0	23.1
Growth & Margin (%)				***+/(-) ppts***	***+/(-) ppts***			***+/(-) ppts***
Gross Profit Margin	34.1	32.8	29.5	4.6	1.3	32.9	30.1	2.8
Operating Profit Margin	14.7	11.9	10.9	3.8	2.8	13.9	11.3	2.7
PBT Margin	14.2	11.3	10.1	4.1	2.8	13.3	10.4	3.0
Core PATANCI Margin	10.7	10.0	7.1	3.6	0.7	10.1	8.0	2.1
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Effective tax rate (%)	24.9	24.6	36.1	(11.1)	0.3	24.7	28.2	(3.5)

Source: Company, MIDFR

Nestle Malaysia: Breakdown by operating segment

FYE DEC (RM'm)	Quarterly results							
	3QFY26	2QFY26	3QFY25	YoY (%)	QoQ (%)	9MFY26	9MFY25	YoY (%)
Revenue (External):								
Food & Beverages	1,485.0	1,453.7	1,416.7	4.8	2.2	4,458.9	4,153.0	7.4
Others	370.9	359.4	345.6	7.3	3.2	1,090.5	1,045.9	4.3
Total	**1,855.9**	**1,813.1**	**1,762.3**	**5.3**	**2.4**	**5,549.4**	**5,199.0**	**6.7**
Operating Profit:								
Food & Beverages	210.4	170.6	161.1	30.6	23.3	603.3	464.0	30.0
Others	63.2	46.3	32.1	97.1	36.6	172.4	124.4	38.6
Total	**273.6**	**216.9**	**193.2**	**41.6**	**26.2**	**775.7**	**588.4**	**31.8**
Operating profit margin:				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Food & Beverages	14.2	11.7	11.4	2.8	2.4	13.5	11.2	2.4
Others	17.0	12.9	9.3	7.8	4.2	15.8	11.9	3.9
Total	**14.7**	**12.0**	**11.0**	**3.8**	**2.8**	**14.0**	**11.3**	**2.7**

Source: Company, MIDFR

FINANCIAL SUMMARY

Income statement (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	6,224.7	6,880.8	7,347.0	7,797.7	8,280.0
Gross Profit	1,884.8	2,088.6	2,402.5	2,549.9	2,763.3
EBITDA	935.8	987.7	1,203.8	1,288.1	1,401.5
EBIT	609.0	760.8	1,025.0	1,107.7	1,212.0
PBT	544.4	700.4	984.2	1,068.0	1,173.3
Taxation	(128.8)	(187.4)	(243.1)	(263.8)	(289.8)
PAT	415.6	513.0	741.1	804.2	883.5
Core PATANCI	454.8	525.0	712.8	804.2	883.5
Core EPS (sen)	193.9	223.9	304.0	342.9	376.8
PER (x)	54.6	44.2	30.6	28.2	25.7
DPS (sen)	179.0	203.8	294.4	319.4	351.0
Dividend Yield (%)	1.8	2.1	3.0	3.3	3.6

Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
PBT	544.4	700.4	984.2	1,068.0	1,173.3
Operating cash flow	557.6	1,033.9	1,305.0	1,138.8	1,232.4
Investing cash flow	(295.2)	(144.6)	(296.1)	(314.3)	(333.7)
Financing cash flow	(497.1)	(678.2)	(898.6)	(819.3)	(893.1)
Net cash flow	(234.7)	211.1	110.3	5.2	5.6
Beginning cash flow	(8.8)	(243.5)	(32.4)	77.9	83.1
Ending cash flow	(243.5)	(32.4)	77.9	83.1	88.7

Growth (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth	(11.7)	10.5	6.8	6.1	6.2
Gross Profit Growth	(15.5)	10.8	15.0	6.1	8.4
EBITDA Growth	(18.6)	5.6	21.9	7.0	8.8
Core PATANCI Growth	(39.8)	15.4	35.8	12.8	9.9

Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Gross Profit Margin	30.3	30.4	32.7	32.7	33.4
EBITDA Margin	15.0	14.4	16.4	16.5	16.9
EBIT Margin	9.8	11.1	14.0	14.2	14.6
Core PATANCI Margin	7.3	7.6	9.7	10.3	10.7

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
PPE	1,809.5	1,745.6	2,002.6	2,117.7	2,242.2
Intangible assets	234.4	234.4	236.9	249.0	261.7
Non-current assets	2,328.9	2,226.4	2,541.1	2,670.8	2,810.4
Inventories	831.3	901.8	948.3	1,006.4	1,058.0
ST - Trade receivables	433.6	492.0	402.6	427.3	453.7
Cash	11.2	6.1	77.9	83.1	88.7
Current assets	1,320.8	1,420.3	1,429.3	1,517.4	1,601.0
Total Assets	3,649.7	3,646.7	3,970.4	4,188.2	4,411.5
Total Equity	547.5	576.6	1,045.8	1,140.1	1,249.9
LT Loans	300.0	0.0	287.9	282.2	276.5
Non-current liabilities	684.6	340.0	716.0	735.9	757.6
ST Trade payables	1,570.1	1,867.6	1,761.1	1,869.1	1,964.9
ST Loans	804.7	788.5	389.5	381.8	374.1
Current Liabilities	2,417.6	2,730.1	2,208.7	2,312.3	2,404.0
Total Liabilities	3,102.2	3,070.1	2,924.7	3,048.2	3,161.6

Source: Bloomberg, MIDFR

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X).

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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