

NESTLE NIGERIA PLC



....Sustained Revenue Growth and Lower FX Losses results in Strong Bottomline

October 03, 2025



Earnings Note

Nestle Nigeria Plc (“the Group”) delivered a strong comeback in Q2 2025, posting results that underline both improved operating resilience and disciplined financial restructuring. Revenue grew by 28% year on year to N286.23 billion, compared to N223.49 billion in Q2 2024. Although this performance looks moderate against the unusually high 67% topline surge in Q2 2024, it is important to note that the 2024 growth was largely inflated by steep price increases implemented to offset soaring input costs during a period of high inflation. The Q2 2025 performance reflects a more sustainable growth path, built on stable consumer demand and robust product performance.

The Food segment was the standout performer, expanding by 84% year on year, while Beverages rose by 68%. This highlights Nestle’s ability to preserve demand across its core categories, supported by strong brand loyalty and the essential nature of its product offerings.

On the cost side, the Group achieved greater efficiency. Cost of sales rose by 27% to N181.00 billion from N145.25 billion, which was slower than the pace of revenue growth. This allowed gross profit to expand and gross margin to improve to 37% from 35% in Q2 2024. The improvement was supported by easing inflationary pressures.

Operating expenses, however, put some pressure on margins. Total operating expenses climbed by 35% year on year to N48.69 billion from N36.19 billion in Q2 2024. The increase was largely driven by a 98% jump in administrative expenses, which reflected higher staff related costs and investments in corporate initiatives. Marketing and distribution expenses also rose by 24% as Nestle intensified efforts to strengthen product availability and market reach. Despite this rise in costs, operating profit advanced by 34% to N56.26 billion compared to N41.95 billion in Q2 2024, with operating margin expanding slightly to 20% from 19%.

The real turnaround in Q2 came from foreign exchange movements. Nestle recorded an FX gain of N3.30 billion, a sharp reversal from the N72.04 billion FX loss in Q2 2024. This improvement was supported by deliberate financial strategies, including the restructuring of short-term debt, the settlement of a \$20 million foreign currency loan and the relative naira stability.

Interest expense also provided some relief, declining by 16% to N22.96 billion from N27.30 billion in Q2 2024, following the debt restructuring. Finance income, however, fell by 14% to N645.85 million from N747.48 million in Q2 2024. Taken together, the lower finance cost and softer finance income brought net finance cost down to N22.31 billion from N26.55 billion in Q2 2024.

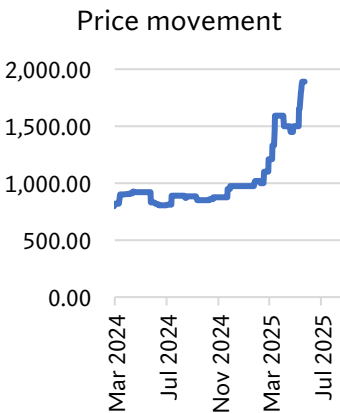
Together, these developments powered a dramatic bottom line recovery. Nestle swung from a loss after tax of N34.23 billion in Q2 2024 to a profit after tax of N20.39 billion in Q2 2025.

BUY

Fair Value Estimate:
N2520.31

Total Return: **+36%**

Stock Data	
Current price (N)	1,870.00
Shares Outstanding (mn)	792,656
Market Cap (N'mn)	1,482,267,191
52-week high (N)	1,890.00
52-week low (N)	850.00
Trailing EPS (N)	(207.65)
Forward EPS (N)	150.80
Forward PE (X)	12.40
Justified PE Multiple (X)	16.71



Stock Data	2023	2024	2025F
P/E	N/A	N/A	12.40x
P/BV	-10.97x	-7.64x	25.90x
PBT Margin	-19%	-23%	14%
PAT Margin	-15%	-17%	9%
RoE	333%	193%	-368%
Dividend Yield	0%	0%	1%

Analysts

Isaac Osaro
i.osaro@wstc.com.ng

Desmond Gabriel
d.gabriel@wstc.com.ng

Habeeb Oladehinde
h.oladehinde@wstc.com.ng

Q2 2024 Financial Performance

Income Statement (N'mn)	Q2 2025	Q2 2024	(%)
Revenue	286,234	223,488	28%
Cost of sales	(181,004)	(145,252)	25%
Gross profit	105,231	78,236	35%
Other Income	326	169	93%
(Write back)/ Impairment of Financial Assets	37	113	-67%
Marketing expense	(38,829)	(31,218)	24%
Admin expense	(10,449)	(5,144)	103%
Operating expense	(48,915)	(36,080)	36%
Operating profit	56,296	42,156	34%
Non-operating profit/(loss)	(19,013)	(98,596)	-81%
Finance income	646	747	-14%
Finance cost	(22,959)	(27,301)	-16%
FX loss	3,300	(72,043)	105%
Profit before tax	37,303	(56,441)	166%
Income tax	(16,848)	22,211	-176%
Profit after tax	20,392	(34,230)	160%

Source: Company Accounts, WSTC Research

OUTLOOK

We project Nestle Nigeria will close FY 2025 with revenue of N1.29 trillion and profit after tax of N119.53 billion, consolidating its return to profitability. Importantly, the Group's balance sheet is expected to strengthen significantly, with total equity rebounding to a positive N27.24 billion from a loss position of N92.29 billion in FY 2024. This recovery underscores the impact of sustained earnings growth and disciplined capital management.

In line with this, we are factoring in a cautious dividend of N15.08 per share, translating to a modest payout ratio of 10%. While this represents a low yield of 1%, we believe the restrained payout might reflect management's priority to rebuild capital and restore balance sheet resilience after the erosion of equity in the prior year. We believe this conservative approach is prudent, as it positions Nestle for greater dividend-paying capacity in subsequent years once its financial base is fully normalised.

On valuation, we revised our fair value estimate upward to N2,520.31 (from N2,083.18 previously). At the current market price of N1,870.00, this implies a total return potential of 36% inclusive of dividends. Furthermore, our forecasted forward P/E multiple of 12.40x remains significantly below its historical average of 24.13x, highlighting that the market is yet to fully price in the earnings rebound. This undervaluation presents an attractive entry point for long-term investors seeking exposure to a company with renewed growth visibility and improving fundamentals. Accordingly, we maintain our **BUY** recommendation.

H1 2024 Financial Performance

Income Statement (N'mn)	H1 2025	H1 2024	(%)
Revenue	581,119	406,972	43%
Cost of sales	(356,167)	(279,668)	27%
Gross profit	224,952	127,304	77%
Other Income	611	316	93%
(Write back)/ Impairment of Financial Assets	35	(10)	464%
Marketing expense	(73,684)	(50,957)	45%
Admin expense	(21,472)	(13,577)	58%
Operating expense	(94,510)	(64,227)	47%
Operating profit	130,443	63,077	107%
Non-operating profit/(loss)	(42,048)	(315,604)	-87%
Finance income	1,120	2,508	-55%
Finance cost	(46,305)	(54,398)	-15%
FX loss	3,137	(263,714)	101%
Profit before tax	88,395	(252,527)	135%
Income tax	(37,825)	75,612	-150%
Profit after tax	50,570	(176,914)	129%

Balance Sheet (N'mn)	H1 2025	H1 2024	(%)
Assets			
PPE	457,494	389,593	17%
Inventory	205,875	137,332	50%
Receivables	11,683	148,094	-92%
Prepayments	126,743	12,332	928%
Cash	37,398	37,728	-1%
Others	60,551	143,874	-58%
Total Assets	899,745	868,953	4%
Liabilities			
Borrowings	579,291	654,100	-11%
Payables	296,043	178,128	66%
Others	66,142	141,584	-53%
Total Liabilities	941,476	973,812	-3%
Net Assets	(41,731)	(104,859)	-60%

Source: Group Accounts, WSTC Research

Financial Projections

Income statement (NGN mn)	FY 2023A	FY 2024A	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Revenue	547,119	958,815	1,298,866	1,623,583	1,867,121	2,091,175	2,300,293	2,484,316	2,683,061
EBITDA	135,461	198,943	295,506	373,424	407,032	461,745	511,669	545,862	591,328
EBIT	123,788	167,876	264,982	335,270	363,155	412,602	457,612	487,480	528,277
Profit before taxation	(104,025)	(221,589)	175,782	240,681	256,876	314,987	356,179	385,404	424,700
Net profit	(79,474)	(164,595)	119,532	163,663	174,675	214,191	242,202	262,075	288,796
EPS (₦)	(100.26)	(207.65)	150.80	206.47	220.37	270.22	305.56	330.63	364.34
DPS (₦)	0.00	0.00	15.08	82.59	110.18	162.13	213.89	264.50	346.12
Balance sheet (NGN mn)	FY 2023A	FY 2024A	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Cash	167,735	22,642	30,782	218,792	316,820	392,925	498,715	585,567	576,019
Other current assets	193,511	335,662	392,989	458,944	519,553	537,822	552,407	547,672	591,450
Non-current assets	220,529	500,395	540,011	542,446	545,247	548,384	551,834	555,560	559,585
Total assets	581,774	858,698	963,781	1,220,182	1,381,620	1,479,130	1,602,956	1,688,799	1,727,054
Current liabilities	290,638	401,427	419,141	484,866	519,640	495,151	494,834	491,824	485,724
Non-current liabilities	369,172	549,561	517,398	556,364	573,818	568,963	579,419	575,739	540,958
Total liabilities	659,810	950,988	936,539	1,041,231	1,093,458	1,064,115	1,074,254	1,067,563	1,026,682
Shareholders' equity	(78,035)	(92,290)	27,242	178,952	288,162	415,015	528,702	621,236	700,372
Cash flow statement (NGN mn)	FY 2023A	FY 2024A	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Cash from operating activities	82,703	5,859	250,168	296,014	297,003	323,002	377,804	426,227	407,995
Cash from investing activities	(55,112)	(69,160)	(67,865)	(36,963)	(43,213)	(47,367)	(52,421)	(56,698)	(60,997)
Cash from financing activities	21,293	(84,244)	(174,163)	(71,041)	(155,763)	(199,529)	(219,593)	(282,677)	(356,546)
Net increase/ (decrease) in cash	48,884	(147,546)	8,140	188,010	98,027	76,105	105,790	86,852	(9,548)
Ratio analysis	FY 2023A	FY 2024A	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
EBITDA margin	25%	21%	23%	23%	22%	22%	22%	22%	22%
Operating margin	23%	18%	20%	21%	19%	20%	20%	20%	20%
ROE	333%	193%	-368%	159%	75%	61%	51%	46%	44%
ROA	-16%	-23%	13%	15%	13%	15%	16%	16%	17%
Dividend payout ratio	0%	0%	10%	40%	50%	60%	70%	80%	95%

Source: Group Accounts, WSTC Research



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WSTC uses a 3-tier recommendation system for stocks under coverage: Buy, Hold, and Sell.

- Buy Rating: estimated fair value is $\geq 20\%$ above current market price.
- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is $\leq -10\%$ of current market price.

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WSTC Securities Limited has its registered office at 2, Maitama Sule Street, South-West Ikoyi, Lagos, Nigeria.

Email: research@wstc.com.ng

Website: www.wstc.com.ng

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