# Nestlé Nigeria Plc
# Equity Research Report

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# INDUSTRY: CONSUMER FOODS

**CMP: ₦3,125 VALUATION RANGE: ₦2,911.2 - ₦3,013.2 TARGET PRICE: ₦2,949**
**RECOMMENDATION: HOLD/NEUTRAL**

**Figure 1: Company Statistics**

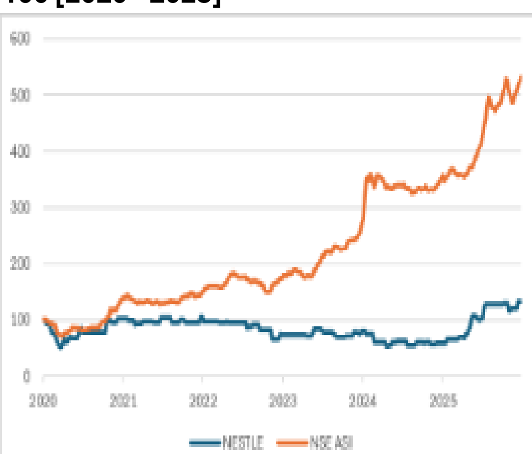
| RECOMMENDATION | HOLD |
|---|---|
| Valuation Date | 31-May-26 |
| Target Price | ₦2,949 |
| Current Price* | ₦3,125 |
| Shares Outstanding | 792.7M |
| Market Capitalization | ₦2.48T |
| 52 Week High/Low | ₦3,400/₦1,450 |

** Closing price as of 31.05.2026*

**Figure 2: Valuation Results**
*as at 31 May 2026*

| | Weight | Value |
|---|---|---|
| DCF - Terminal Growth | 50% | 1,455.6 |
| Comparables | 50% | 1,493.4 |
| DCF-Exit Multiples | 0% | - |
| Target Price | | 2,949.0 |
| Implied Downside | | -5.63% |

**Figure 3: Nestlé Vs NSE ASI Rebased to 100 [2020 - 2025]**




# EXECUTIVE SUMMARY

We have initiated coverage on Nestlé Nigeria Plc (NGX: Nestlé) with a **HOLD** recommendation and a 12-month price target of N2,949. This represents a 5.63% downside from the close price of N3,125 as of 31st May 2026. The target price is solely based on DCF valuation and triangulated using Exit Multiples valuation and Comparable Multiples (Comps) valuation.

Nestlé Nigeria stands out as one of the leading players in the Fast-Moving Consumer Goods (FMCG) sector in Nigeria. The Company primarily makes its revenue from the production and sales of consumer products (baby foods, cereals, food seasonings and beverages). Our **HOLD** recommendation rests on a rigorous financial analysis, further supported and validated by insights from industry experts.

While the Company has grown well historically, poor economic conditions, Naira devaluation and inefficient debt management has caused deceleration in its profitability and put its margins under pressure. However, as of 31 December 2025, the Company showed early signs of recovery with a positive net income margin of 8.69% in comparison to the negative net income margin of 14.53% and 17.17% recorded in 2023 and 2024, respectively.

## Investment Rationale

### Recovering Profitability and Low Equity Base:

As of 2023 FY and 2024 FY, Nestlé Nigeria recorded a net loss margin of 14.53% and 17.17% respectively which reduced its retained earnings balance from N29.77B to a negative balance of N78.63B and N243.23B for 2023 and 2024, respectively.

Although the Company net income margin rose to 8.69% in 2025 FY, its retained earnings still has a negative balance of N112.78B.

### Dwindling Return on Invested Capital (ROIC):

The Company's ROIC reduced from 81.7% in 2023 to 36.2% in 2025 which may denote that the Company is not efficiently utilizing its invested capital.

### Debt Mismanagement and Foreign Currency Risk:

The Company's debt position increased by 159% in 2023 and 62.52% in 2024. The debt is majorly financed in USD hence, because of the Naira devaluation in 2023 and 2024, the Company's currency risk increased as witnessed in its significant foreign exchange loss. The Company's management did not accurately manage its currency risk; hence liquidity weakened significantly as cash balance declined from N167.74B in 2023 to N35.42B in 2025, and interest coverage reduced from 5.96x in 2021 to 2.23x in 2025.

**Figure 4: Revenue by Geography**
As at 31 December 2025.

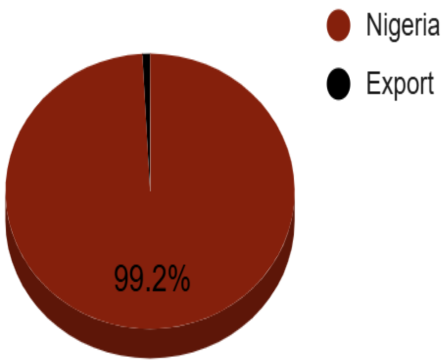



**Figure 5: Revenue by Segment**
As at 31 December 2025.

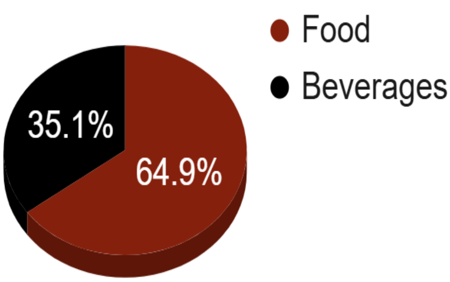
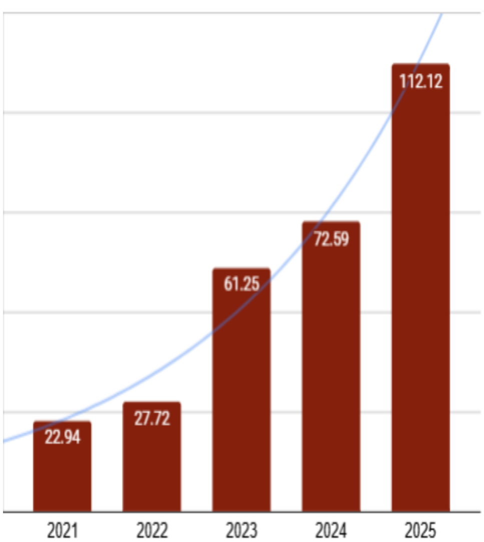



**Figure 6: Cash spent on capital expenditure**
As at 31 December 2025.




## BUSINESS OVERVIEW

Nestlé Nigeria Plc (NGX: Nestlé) ("the Company"), founded in 1961 and listed publicly in 1979, is a subsidiary of the global Nestlé S.A. The Company is a FMCG company and majorly generates revenue from the production and sale of food (cereals and seasonings) and beverages. The major customers of the Company are Nigerians as 99.2% of its revenue was derived in Nigeria (Figure 4).

The Company continues to expand its local sourcing programme by incorporating a greater volume of Nigerian raw materials such as maize, soyabean and cocoa into its production process thereby strengthening the local agricultural economies and enhancing the resilience of its supply chain.

### KEY OPERATING SEGMENTS

The Company operates across two main segments:

► Food (64.9% of revenue)

► Beverages (35.1% of revenue)

Food revenue is generated through the sale of Maggi seasonings (Maggi star, Maggi chicken, Maggi crayfish, etc.) and cereals (Golden morn, Nan, Cerelac etc.) while the Beverage revenue is derived from the sale of Milo, Nescafe and Nestlé pure life (Figure 5).

### CURRENT OPERATIONS AND GROWTH STRATEGY

The Company procures majority of its raw materials from local farmers and has resolved to expand its local sourcing programme in a bid to drive cost efficiency. Manufacturing is concentrated at its factory in Agbara, Ogun State. With the recent introduction of the Nestlé 3-in-1 beverage and Golden morn 3-in-1, the Company aims to sustain its pricing power and market share by driving innovation across its segments.

## INDUSTRY OVERVIEW

The Nigeria's F&B market valued at N21.6 trillion spans an upstream base of imported and locally sourced agricultural inputs, a midstream of refining and manufacturing and a downstream of distribution mainly through wholesalers and informal retail channels.

### Competitive Food and Beverage Landscape – Negative for Nestlé

The food and beverage landscape of the FMCG industry is consolidated amongst large players and a wide range of small-scale companies, thereby resulting in limited diversification and competitive substitute products.

### Brand entrenchment and Distribution reach – Positive for Nestlé

The Company holds leading position in several of Nigeria's largest packaged food categories. It is built on decades of brand equity, a national distribution network and access to Nestlé S.A's global R&D and supply chain. The Company's products are long established household brands; hence customers have a strong sentimental attachment to it, and it commands strong repeat purchase.

**Figure 7: Net Debt/Equity and Interest Coverage across peers.**
As at 31 December 2025

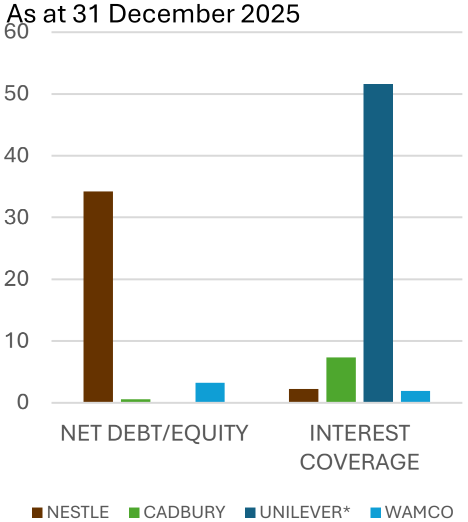



**Figure 8: Revenue size across peers**
As at 31 December 2025

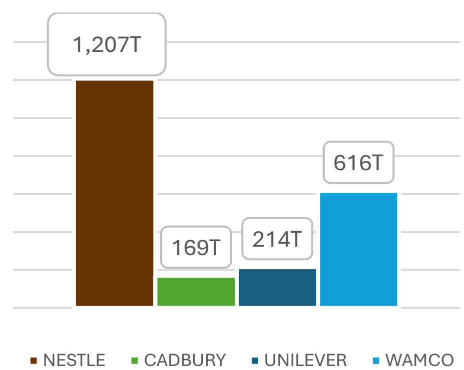
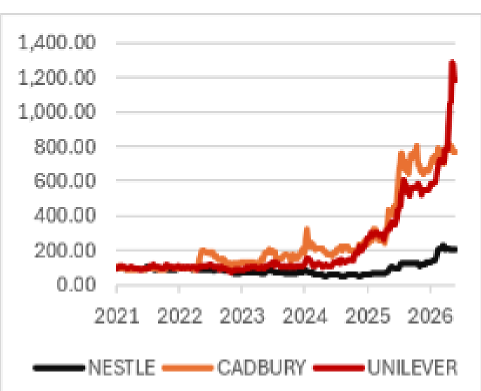



**Figure 9: Rebased Stock Performance**
As at 31 May 2026




# COMPETITIVE POSITIONING

## Nestlé has strong distribution network and brand image

As a result of its long years of operation, Nestlé Nigeria Plc has created strong supplier chain and distribution network that its competitors do not have. Likewise, most of its products are household name (its brand name “Maggi” is the default name for all seasonings in Nigeria) hence consumers have trust in the brand.

## Nestlé has a weaker interest coverage

The Company has an interest coverage of 2.23x (Figure 7) which is low in comparison to Cadbury Nigeria Plc which has an interest coverage of 7.37x, Unilever Nigeria Plc which has an interest coverage of 51.65x but higher than FrieslandCampina Wamco which has a coverage of 1.94x. The Company is also more highly leveraged in comparison to its peers. Its net interest-bearing debt to equity is 34.21x while Cadbury is 0.58x, Unilever has a net cash as its cash position far exceed its debt and FrieslandCampina Wamco is net debt to equity is 3.26x.

## Nestlé has a strong pricing power and market share

As evident by its revenue (Figure 8), the Company has a higher revenue value and revenue growth in comparison to its peers, which denotes that the Company commands a higher percentage of the market in comparison to its competitors. Likewise, it is noted that the Company has a wider product offering in the food and beverage industry in comparison to its peers (Appendix 1).

## Weaker Stock Performance amongst its peers

The Company has a relatively weaker stock performance amongst its peers. The Company’s stock has gained 107.64% from January 2021 to May 2026 (Figure 9) whilst Cadbury’s stock gained 666.67% and Unilever’s stock gained 1,081.82%. This denotes that the demand for the Company’s stock is weaker in comparison to its peers.

# INVESTMENT SUMMARY

## RATIONALE 1: NO DIVIDEND YIELD/SUPPORT:

The Company currently pays no dividend, removing an important source of downside support for the stock during periods of market volatility. The suspension of dividend payment reduces the stock’s appeal to income-oriented investors especially since the withdrawal is driven by FX related losses and balance sheet repair (the Company has accumulated losses of N112.78 billion as of 2025 which needs to be cleared and stabilized before dividend payment may resume as the equity cushion remains thin relative to the business size).

Over the years, the Company’s rate of return has been consistent with its competitors. However, from February 2024 to May 2026 (Figure 9), the Company’s stock generated returns significantly lower from its peers, signaling investors’ low demand for the stock.

Figure 10: Revenue growth FY21 - FY25

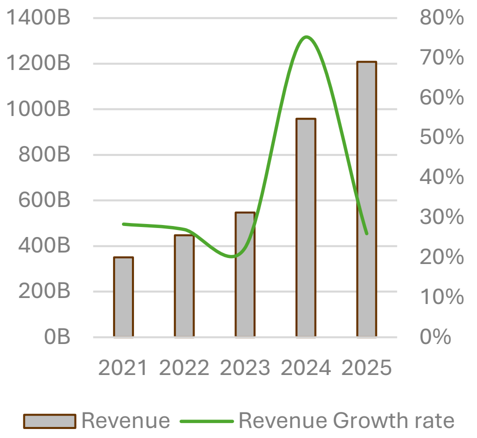



Figure 11: Foreign exchange loss(gain) vs interest expense for FY21 – FY25

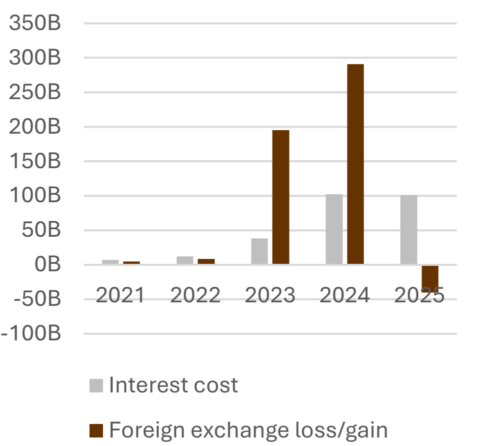
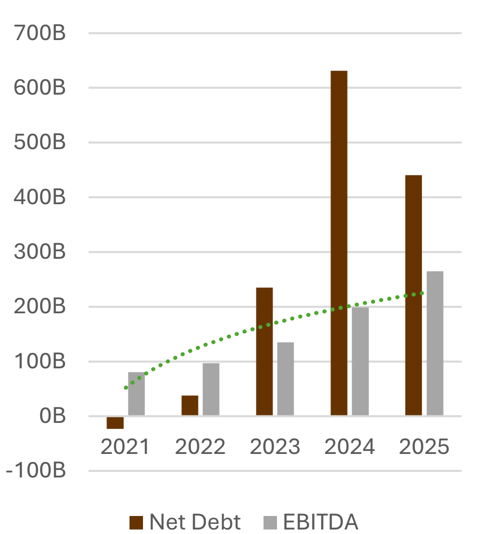



Figure 12: Net Debt Vs EBITDA




# INVESTMENT SUMMARY (CONT'D)

## RATIONALE 2: NET PROFITABILITY REMAINS VULNERABLE TO FURTHER FX SHOCKS

The Company's revenue has grown steadily over the years (Figure 10), reflecting strong pricing power and the resilience of demand for its products, as it has successfully passed inflationary cost pressures on to consumers through price increase. However, these gains had not translated into substantial net profitability, as high foreign exchange losses recorded within finance costs materially compressed the net margins in year 2023 and 2024 (Figure 11).

Although net margins improved in 2025 following a moderation in foreign exchange losses, the Company's overall profitability remains exposed to foreign currency risk and potential naira depreciation, given its reliance on imported raw materials and foreign currency-denominated obligations.

The Central Bank of Nigeria has implemented several measures aimed at stabilizing the Naira and the impact of these measures is beginning to reflect in the Company's performance, with the Company reporting a foreign exchange gain of N14.76 billion for the three months ended 31 March 2026. While this marks a significant improvement from prior periods, it is premature to conclude that foreign exchange volatility has been permanently resolved, and the sustainability of these gains will depend on continued macroeconomic and exchange rate stability.

## RATIONALE 3: WEAK BALANCE SHEET LIMITS RESILIENCE TO CURRENCY AND OTHER MACROECONOMIC RISKS

The Company maybe unable to stay resilient in variable market situations due to its accumulated losses, high debt levels and low cash position (Figure 12). The Company typically relies on foreign-denominated debt raised from its parent company Nestlé S.A which is subject to foreign currency risk.

Hence, due to the economic recession suffered in Nigeria between 2022 to 2024 which was further polarized by extreme devaluation of Naira, the Company debt profile increased by 519.36%, from N76.86 billion in 2021 to N476.04 billion in 2025, its cash position reduced by 64.76%, from N100.52 billion in 2021 to N35.42 billion in 2025 and its total assets and total liabilities have a 1:1 ratio.

The Management of the Company are however actively working on reducing the debt profile and strengthening the liquidity position of the Company as interest bearing debt reduced by 6.2%, from N476.04 billion to N446.53 billion as of 31 March 2026 and the cash position increased by 47.10%, from N35.42 billion to N52.11 billion as of 31 March 2026.

**Figure 13: Revenue Projection**

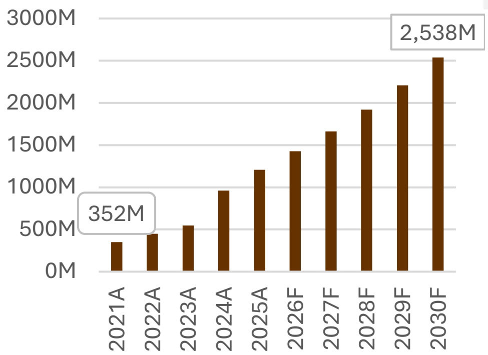



**Figure 14: CAPM CoE**

| | |
|---|---|
| Risk Free Rate | 15.45% |
| Beta | 0.50 |
| Market Risk Premium | 20.31% |
| **Cost of Equity** | **17.88%** |

**Figure 15: WACC Calculation**

| | |
|---|---|
| Equity | 83.9% |
| Debt | 16.1% |
| Tax | 34.0% |
| Cost of Equity | 17.9% |
| Cost of Debt | 8.9% |
| **WACC** | **16.4%** |

**Figure 16: Comparable Companies Analysis**
**EV/Revenue**

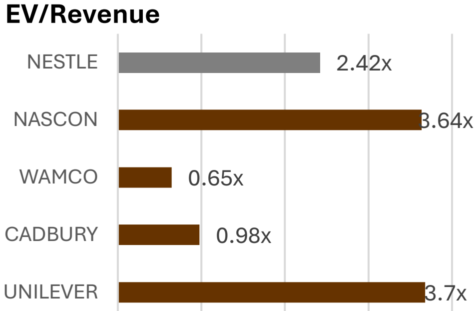
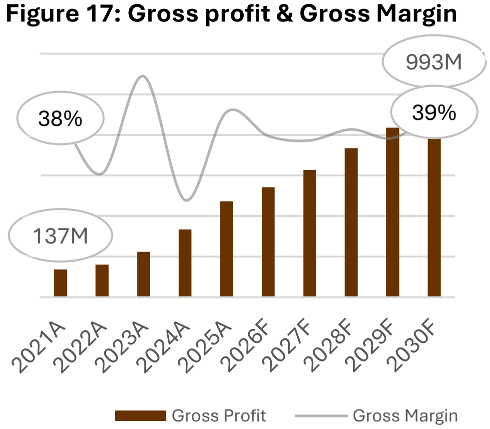



**Figure 17: Gross profit & Gross Margin**




# VALUATION

We conducted an intrinsic valuation to arrive at a 12-month target price of N2,949 per share, a (~5.63%) downside from Nestlé Nigeria's closing price of N3,125 on 31 May 2026 (Figure 2). Our methodology assigns a weighting of 50% on our DCF (perpetuity) and 50% to our relative valuation due to the similarities of Nestlé's operating leverage with other peers.

## DCF with 5-year projection period

We valued Nestlé using a 5-year levered DCF model. Revenue is forecasted by anchoring growth to the Nigerian Nominal GDP which grounds projection in observable macroeconomic data rather than isolated historical extrapolation, ensuring that the model reflects the broader economic environment in which Nestlé Nigeria operates in.

**Revenue growth:** Considering the strong pricing power of the Company, we have forecasted a steady revenue growth rate with revenue expected to grow to N2.54 trillion by 2030 (Figure 13). This is further supported by the continued consumer demand resilience despite Nigeria's inflationary environment.

**Costs:** The forecasted costs growth rate accounts for potential market volatility, increase in importation costs and increase in variable costs. Historically, the cost of sales has ranged between 59% to 65%, with forecasted cost of sales expected to grow to N1.54 trillion by 2030.

## WACC, Cost of Equity (Ke) and Cost of Debt (Kd)

We calculated the cost of equity (Ke) using the Capital Asset Pricing Model (CAPM). We applied a risk-free rate of 15.45% (15Y FGN Bond), a market return of 20.31% which is derived using the RRI methodology with the NSE ASI as the benchmark and a beta of 0.50, derived from Nestlé Nigeria's 5YR weekly returns. These assumptions imply a cost of equity of 17.88% (Figure 14). We calculated the cost of debt (Kd) using the Debt profile of the Company as of 31 December 2025 and a 34% tax rate. These assumptions imply a cost of debt of 8.89% resulting in a WACC of 16.4% (Figure 15).

## Terminal Growth

We apply a 3.90% perpetual growth rate in our base case DCF which reflects a cautious approach compared to using the Key Value Driver formula of reinvestment rate and RONIC which resulted in 7.08%.

## Relative Valuation

We valued Nestlé using comparable companies that have similar underlying drivers as Nestlé. Based on the analysis, Nestlé Nigeria trades at an EV/Revenue multiple of 2.4x, below Nascon and Unilever (3.64x and 3.7x) but above WAMCO (0.6x) and Cadbury (0.98x) (Figure 16). On an EV/EBITDA basis, Nestlé Nigeria trades at 11.03x, representing a discount to Nascon (12.17x) and Unilever (17.42x), but a premium to WAMCO (5.69x) and Cadbury (7.49x)

Overall, this implies that the Company trades at a discount to Nascon and Unilever but trades at a premium to Wamco and Cadbury.

## FINANCIAL ANALYSIS

**Figure 18: DuPont Analysis**

| | 2021A | 2022A | 2023A | 2024A | 2025A | 2026F | 2027F | 2028F | 2029F | 2030F |
|---|---|---|---|---|---|---|---|---|---|---|
| **DuPont Analysis** | | | | | | | | | | |
| Gross Margin | 38.8% | 36.1% | 40.9% | 34.8% | 39.1% | 37.9% | 37.7% | 38.3% | 37.8% | 39.1% |
| EBITDA Margin | 22.9% | 21.6% | 24.7% | 20.7% | 21.9% | 22.4% | 22.2% | 22.6% | 22.2% | 23.2% |
| Net Profit Margin | 11.4% | 11.0% | -14.5% | -17.2% | 8.7% | 14.6% | 11.1% | 15.6% | 16.0% | 16.7% |
| Asset Turnover | 1.1x | 1.1x | 0.9x | 1.1x | 1.4x | 1.1x | 1.2x | 1.1x | 1.1x | 1.1x |
| Return on Assets | 12.9% | 11.8% | -13.7% | -19.2% | 12.4% | 16.0% | 12.9% | 17.4% | 17.8% | 18.5% |
| Financial Leverage | 14.5x | 13.7x | -7.5x | -9.3x | 65.6x | 8.2x | 5.0x | 3.6x | 2.9x | 2.4x |
| Return on Equity | 187.3% | 161.6% | 101.8% | 178.3% | 814.2% | 131.2% | 64.1% | 62.1% | 51.0% | 44.7% |
| Return on Invested Capital | 1091.2% | 199.0% | 81.7% | 38.9% | 36.2% | 56.0% | 70.2% | 74.9% | 84.1% | 98.7% |
| **Liquidity** | | | | | | | | | | |
| Current Ratio | 1.1x | 1.4x | 1.4x | 1.2x | 0.8x | 1.1x | 1.1x | 1.2x | 1.3x | 1.2x |
| Quick Ratio | 0.8x | 1.0x | 1.1x | 0.6x | 0.3x | 0.7x | 0.7x | 0.8x | 0.9x | 0.9x |
| **Debt Ratios** | | | | | | | | | | |
| Interest Coverage Ratio | 5.9x | 4.1x | -2.1x | -1.6x | 2.2x | 3.2x | 3.0x | 5.7x | 8.0x | 13.4x |
| Debt/EBITDA | 1.0x | 1.6x | 3.0x | 3.3x | 1.8x | 1.5x | 1.2x | 0.9x | 0.7x | 0.3x |

**Revenue Growth:** Nestlé has historically shown consistent YoY growth rate between 22% to 27% for the FY2021 to FY2025, except for FY2024 which recorded a 75% growth rate due to inflation pass-through. In response to the economic recession ongoing in Nigeria, the revenue forecast has been anchored to the Nigerian Nominal GDP rather than historical growth rate, with forecast rates ranging between 15% to 18% as the purchasing power of its major demographic is shrinking and the need for cheaper substitute may become prevalent.

**Profitability Margins:** Nestlé has maintained steady gross margins and EBITDA margins within its operations over the past five years (Figure 18), denoting that its core operations remain profitable in line with expectation for a mature consumer foods business. Historically, its net profit margins have also remained steady except for 2023 and 2024 which had a net loss margin of 14.5% and 17.2% respectively due to economic shocks and Naira devaluation. Net margin has since improved gradually through FY2025 and Q1 2026, though this recovery remains hinged on Naira stabilization and stable energy and commodity costs, rather than any underlying improvement in operations.

**Short term Obligations:** The Company's average collection period ranges between 34 – 51days while the average payable days ranges between 138 – 159 days. The gap allows the Company to have available cash to make profitable short-term investments. The liquidity ratios of the Company (Figure 18) shows that it has been able to meet its working capital requirements through cash from operations; however, the cash position of the Company has dwindled by 64.8% from N117 billion in 2022 to N35.4 billion in 2025.

**Capital Structure:** The total liabilities-to-Equity ratio of the Company for the closing previous fiscal year amounted to 65.6x which is significantly above its peers, Unilever, Cadbury, Wamco and Nascon with 0.67x, 4.61x, 14.82x, and 0.90x respectively. This reflects the Company's highly leveraged capital structure, which is largely driven by the significant erosion of shareholders' equity in FY2023 and FY2024. Although the Company has returned to profitability in FY2025 and Q1 2026, its equity value remains small, keeping the financial leverage ratio well above its peers.

Despite this, the Altman Z-score of almost 3 (Appendix 2) places it in the safe zone suggesting a low risk of financial distress in the near term. This is supported by the Company's strong operating performance, efficient use of asset and its market capitalization. We are not contemplating any further increase in debt levels for the forecast years, hence our recommendation would be a **BUY** if the leverage ratio stabilizes due to recoverability in the equity and the Naira continues to stabilize. If the debt-to-equity increases beyond current levels, and net profit margins deteriorates, our recommendation would be a **SELL.**

**Figure 19: Risk Matrix**

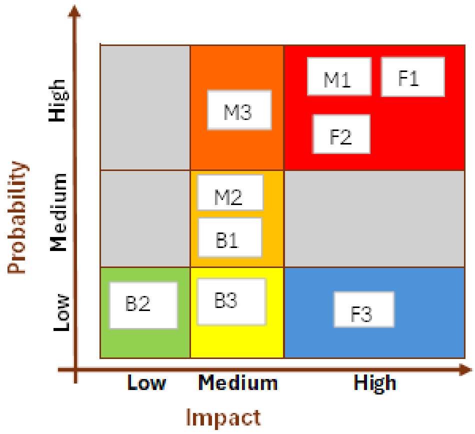



**Figure 20: Net Profit for FY21 to FY25**

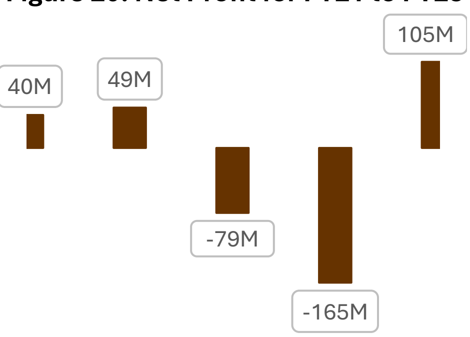



**Figure 21: USD to Naira for 2021-2025**

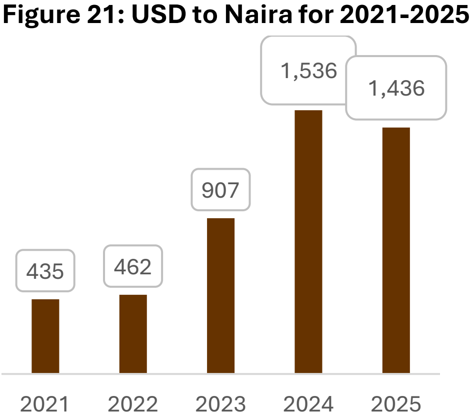
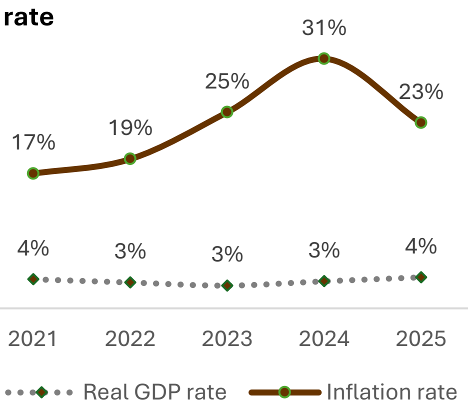



**Figure 22: Inflation rate to Real GDP rate**




# INVESTMENT RISKS

## MARKET RISK

**[M1]Foreign Currency Risk:** The Company is exposed to currency risk on purchases, bank balances and borrowings that are denominated in a currency other than its functional currency, the Nigerian Naira. Continuous Naira devaluation (Figure 21) may continue to drive up foreign exchange loss, hence disrupting net profit margins. **Mitigation:** Increase local sourcing of raw materials and reduction of foreign currency denominated borrowings.

**[M2] Interest Rate Risk:** The Company's interest rate risk arises primarily from its intercompany borrowings which are issued at mixed rates referenced to SOFR. As SOFR is subject to fluctuation (Figure 23), rising rates may increase debt servicing costs thereby compounding the cash flow pressure already evident from the Company's low interest coverage position. **Mitigation:** The Company adopts a policy of ensuring that a significant element of its borrowings is on a fixed rate basis.

**[M3] Inflation Risk and Economic Recession:** The purchasing power of the Company's major consumers has weakened due to persistent inflation (Figure 22) therefore reducing real demand and increasing consumers' need for cheaper alternatives. Likewise, due to global wars, the Company faces higher raw material, energy and importation costs. **Mitigation:** In response, the Company has replaced imported corn starch with locally sourced cassava starch, to reduce FX dependency and strengthen the agricultural industry in Nigeria.

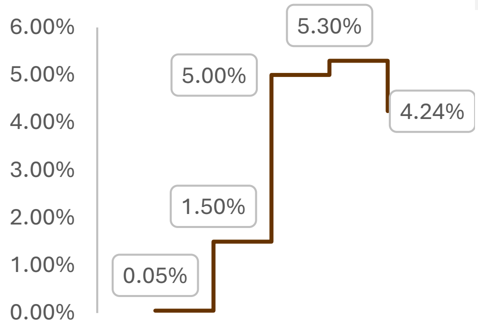
## FINANCIAL RISK

**[F1] High Financial Leverage:** The Company debt-to-equity ratio remains significantly higher than its peers due to a highly leveraged capital structure. High leverage increases the Company's sensitivity to cash flow shocks. **Mitigation:** Improvement in profitability will enhance its equity. Likewise, the Company is actively paying off its intercompany loans.

**[F2]Low Cash Position and Low Interest Coverage:** The Company's cash balance has declined significantly thereby reducing the liquidity available to fund operations and absorb unexpected shocks. Likewise, the Company has a weak interest coverage which indicates reduced capacity to service its borrowings from operating earnings. **Mitigation:** The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

**[F3] Quality Control Risk:** As production cost continue to increase, maintaining consistent quality may become challenging thereby forcing the Company to seek cheaper alternatives. Poor quality control may impact customer satisfaction and harm brand image. **Mitigation:** Nestlé Nigeria invests in robust quality assurance processes, ensuring that its products meet the highest standards.

**Figure 23: SOFR FY21 – FY25**




*"Apart from Societe Des Produits Nestlé S.A, Switzerland with 561,280,306 ordinary shares (representing 70.81%), no other shareholder held 5% or more of the paid-up capital of the Company as at 31 December 2025."*

***- 2025 Annual Report (Page 33)***

*"Nestlé Nigeria Wins Best in Food Security and Best in Circular Economy at the SERAS Africa Sustainability Awards 2025"*

***- 2025 Annual Report (Page 39)***

Corporate Governance Score
**93.78%**

# INVESTMENT RISKS (CONT'D)

**BUSINESS AND POLITICAL RISKS**

**[B1]Competitive Landscape:** The Company operates in a highly competitive consumer goods market where competition can limit pricing power and place pressure on the Company's market share. **Mitigation:** The Company continues to drive innovation by rebranding and enriching its products. The Maggi Chicken and NAN was revamped in 2024 to address consumer needs, the CERELAC Rice was launched in 2024, the Nestlé Milo 3-in-1 was launched in 2025.

**[B2] Management/Ownership Risk:** The Company's concentrated ownership structure may influence strategic decision making and governance outcome. Nestlé S.A holds 70.81% of the Company's paid-up capital, hence it may reduce the influence of minority shareholders. **Mitigation:** The Company maintain strong corporate governance practices and ensures that its Board of Directors is independent and efficient.

**[B3] Regulatory Risk:** The Company remains exposed to changes in tax policies, import regulations, foreign exchange policies and other government policies that may affect its business operations. **Mitigation:** The Company's Risk Committee carries out periodic review of changes in the economic and business environment, including any emerging trends and other factors relevant to the Company's risk profile.

# ENVIRONMENTAL, SOCIAL & GOVERNANCE

As the Environmental and Social impact of businesses become increasingly important for decision making, the Company recognizes the importance of protecting and regenerating the environment.

**ENVIRONMENTAL**

**Zero-waste target:** The Company is committed to sustaining its zero-waste targets and reducing its carbon footprint year on year. The Company achieved 100% plastics neutrality and increased recycled PET integration, attaining 110% collection of plastics put on market. In 2025, the Company strengthened its operational water efficiency particularly at the Abaji facility which makes it one of the most water-efficient operations in the region.

**SOCIAL**

**Social Impact:** The Company empowered 8,100+ women across 18 locations through nutrition education and cooking demonstrations. Likewise, in 2025, 50 women joined the 385 beneficiaries of the Nestlé Empowering Rural Women Program and the Company donated N158.13 million towards community water projects, school projects and scholarship schemes, thereby contributing to building thriving communities through its youth and women empowerment.

**Inclusion and employee support:** As of 2025, the Company employs 2,603 people comprising 2,227 men and 376 women from different part of the country. The Company continues to invests in its workforce through training, capacity-building and leadership development.

**GOVERNANCE**

**Board of Directors:** The Company has a well-designed governance and compensation framework. As of 2025, the Board of Directors comprised 11 individuals (6 men, 5 women) with vast experience and expertise. No share options were granted to the Directors by Nestlé Nigeria Plc.

# APPENDIX

## Appendix 1: Product Mix

| Nestlé | UNILEVER | CADBURY | WAMCO | NASCON |
|---|---|---|---|---|
| Maggi (Maggi star, Maggi Chicken, Maggi Crayfish, Maggi Mix'py, Maggi NaijaPot, Maggi Signature, Maggi Soya Chunks) | Closeup<br>Pepsodent(Pepsodent Triple Protection, Pepsodent 123, Pepsodent Cavity Fighter) | Cadbury Bournvita, Cadbury 3in1 Hot Chocolate, Cadbury Caramel, Cadbury Coffee | Peak (Peak Full cream, Peak Dairy Creamer, Peak yoghurt, Peak chocolate 3in1) | Dangote Classic seasoning cubes<br>Dangote Salt |
| Milo (Milo 3in1, Milo Original, Milo Energy Cubes, Milo Enersnakz) | Pears (Pears baby oil, pears baby lotion, pears petroleum jelly) | Tomtom Classic, Tomtom Freshlime, Buttermint, Clorets | Three crown milk<br>Nunu drinking yoghurt<br>Coast milk | |
| Nido milk<br>Golden Morn (Golden Morn Original, Golden Morn 3in1)<br>Nescafe (Nescafe Classic, Nescafe Original 3in1, Nescafe Malty 3in1) | Vaseline (Vaseline petroleum jelly, Vaseline Even Tone, Vaseline Cocoa Glow, Vaseline Aloe Soothe, Vaseline Dry Skin Repair, Advanced Repair and Vaseline Men Extra Hydration | | | |
| NAN<br>SMA | Knorr( Knorr Classic, Knorr Chicken)<br>Royco | | | |
| Nestlé Pure Life Water<br>Lactogen<br>Cerelac | Rexona (Shower Fresh, Bright Bouquet, Sport Defence, Xtra cool | | | |

## Appendix 2: Altman Z-Score Analysis

The Altman Z-Score Analysis indicates a company's financial health and the probability of filing for bankruptcy. Using a specified formula, scores below 1.80 indicates that a firm has a high probability of bankruptcy, and a score of approximately 3.00 indicates that the firm is unlikely to file for bankruptcy.

**Result:** Considering the average of Altman Z-Score for FY21 to FY25, the Company has **LOW** probabilities of filing for bankruptcy.

| **INPUT VARIABLES** ***(in billions)*** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|
| Current Assets | 203.9 | 290.5 | 361.2 | 358.3 | 291.6 |
| Current Liabilities | 195.5 | 218.4 | 290.6 | 401.4 | 375.4 |
| Total Liabilities | 288.9 | 384.8 | 659.8 | 951.0 | 833.3 |
| Total Assets | 310.2 | 415.0 | 581.8 | 858.7 | 846.2 |
| Retained Earnings | 20.8 | 29.8 | -78.6 | -243.2 | -112.8 |
| Revenue | 351.8 | 446.8 | 547.1 | 958.8 | 1,207.8 |
| Operating Profit | 72.0 | 86.9 | 123.8 | 167.9 | 225.4 |
| Market Capitalization | 1,233.8 | 871.9 | 871.9 | 693.5 | 1,552.0 |
| Working Capital | 8.4 | 72.1 | 70.6 | -43.1 | -83.8 |
| **DERIVED VARIABLES** | **2021** | **2022** | **2023** | **2024** | **2025** |
| $X^1$. Working Capital/Total Assets | 0.03 | 0.17 | 0.12 | -0.05 | -0.10 |
| $X^2$. Retained Earnings/Total Assets | 0.07 | 0.07 | -0.14 | -0.28 | -0.13 |
| $X^3$. EBIT/Total Assets | 0.23 | 0.21 | 0.21 | 0.20 | 0.27 |
| $X^4$. Market Capitalization/Total Liabilities | 4.27 | 2.27 | 1.32 | 0.73 | 1.86 |
| $X^5$. Revenue/Total Assets | 1.13 | 1.08 | 0.94 | 1.12 | 1.43 |
| **OUTPUT** | | | | | |
| **ALTMAN Z-SCORE** | **4.59** | **3.44** | **2.39** | **1.74** | **3.12** |

# APPENDIX

## Appendix 3: Board of Directors' Bio

| Name | Position | Years of Experience | Background |
|---|---|---|---|
| Mr. Gbenga Oyebode | Chairman | 36 | He qualified as a solicitor and advocate of the supreme court of Nigeria in 1980. He holds a Master of Law degree and he is a fellow of the Chartered Institute of Arbitrators (UK). He is the managing partner of Aluko & Oyebode (a law firm), the Chairman of Boards of Okomu Oil Palm Plc, CFAO Nigeria and Lafarge Africa Plc. |
| Mr. Wassim Elhusseini | Managing Director | 24 | Joined Nestlé in 2002 and has over two decades of experience in sales, business development and general management across the Middle East and Africa. Previously held senior leadership roles including Sales Director, Country Manager and Market Head before being appointed Managing Director/Chief Executive Officer of Nestlé Nigeria in 2020. |
| Mr. Namit Mishra | Finance and Control Director | 31 | Finance professional with nearly three decades of experience within the Nestlé Group. He has held leadership roles across India, the Middle East, Bangladesh and Nigeria, specializing in financial control, management accounting, cost optimization and working capital management. He holds a Bachelor's degree in Accounting and Finance and is a Cost and Management Accountant (CMA). |
| Mr. Samer Chedid | Non-executive Director | 28 | He joined Nestlé in 1998 and has over 25 years of international leadership experience across the Middle East, Africa, Pakistan and Indonesia. He has held senior roles including Country Manager, Sales Director, Chief Executive Officer of Nestlé Indonesia and currently serves as Market Head for Nestlé Central and West Africa Region (CWAR). He holds a Bachelor's degree in Business Administration, Economics and Management. |
| Mr. Martin Kruegel | Non-executive Director | 31 | He has over 30 years of international finance experience within the Nestlé Group, having held leadership roles across Germany, Nigeria, Malaysia, Singapore and Japan. He currently serves as Head of Finance and Control for Nestlé Central and West Africa Region (CWAR). |
| Dr. Juliet Ehimaun | Non-executive Director | 31 | She is a computer engineer and business executive with extensive experience in technology and digital transformation. She previously served as Country Director for Google Nigeria and holds postgraduate qualifications from the University of Cambridge and London Business School. |
| Mrs. Kemisola Ajasa | Executive Director | 32 | She is a regulatory affairs professional with over 20 years of experience in the consumer goods industry. She has led regulatory and scientific affairs for Nestlé Nigeria since 2018 and played a key role in product innovation, industry advocacy and quality certification initiatives. |
| Mrs. Adebisi Lamikanra | Non-executive Director | 30 | She is an economist and chartered accountant with over 30 years of experience in advisory, consulting and corporate governance. She previously led KPMG Nigeria's Advisory practice and currently serves on the boards of several leading financial institutions and corporate organizations. |
| Mrs. Maryam Mohammed | Non-executive Director | 31 | She holds a Bachelor's degree in Pharmacology and an MBA from Cardiff Business School, United Kingdom. She has held leadership roles across the public and private sectors and currently serves on the boards of several Nigerian companies and non-profit organizations. |
| Mr. Bode Ayeku | Company Secretary | 34 | He qualified as a Solicitor and Advocate of the Supreme Court of Nigeria in 1992 and holds a Master of Laws degree from the University of Lagos. He joined Nestlé Nigeria in 2005 and is a Fellow of several professional institutes, with extensive experience in corporate governance, legal advisory and company secretarial practice. |

# APPENDIX

## Appendix 4: Statement of Comprehensive Income

| Description | 2021A | 2022A | 2023A | 2024A | 2025A | 2026F | 2027F | 2028F | 2029F | 2030F |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in billions of Naira)* | | | | | | | | | | |
| **Revenue** | **351.8** | **446.8** | **547.1** | **958.8** | **1,207.8** | **1,428.3** | **1,662.8** | **1,918.9** | **2,206.8** | **2,537.8** |
| Cost of Sales | 215.2 | 285.5 | 323.4 | 625.3 | 735.2 | 886.3 | 1,035.5 | 1,184.6 | 1,371.7 | 1,544.7 |
| **Gross profit** | **136.6** | **161.3** | **223.7** | **333.5** | **472.6** | **542.0** | **627.3** | **734.4** | **835.0** | **993.0** |
| Other operating income (recurring) | 0.0 | 0.0 | 0.4 | 0.8 | 1.1 | 0.7 | 1.0 | 1.4 | 1.5 | 1.7 |
| Selling, General and Administrative expenses | 56.0 | 64.6 | 89.2 | 135.5 | 209.1 | 223.2 | 258.9 | 303.0 | 346.1 | 405.9 |
| **EBITDA** | **80.7** | **96.6** | **134.9** | **198.8** | **264.6** | **319.5** | **369.4** | **432.7** | **490.4** | **588.8** |
| Depreciation of PPE | 8.0 | 9.0 | 10.6 | 28.2 | 38.6 | 42.0 | 46.1 | 51.4 | 59.5 | 65.2 |
| Depreciation of ROU | 0.4 | 0.7 | 1.0 | 0.7 | 0.5 | 0.7 | 1.0 | 1.3 | 1.7 | 2.0 |
| Impairment of assets | 0.3 | 0.0 | 0.5 | 2.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **EBIT (Operating profit)** | **72.0** | **86.9** | **123.7** | **167.9** | **225.3** | **276.8** | **322.4** | **380.0** | **429.3** | **521.6** |
| Profit/loss on disposal of assets (non-operating) | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Adjusted EBIT** | **72.0** | **86.9** | **123.8** | **167.9** | **225.4** | **276.8** | **322.4** | **380.0** | **429.3** | **521.6** |
| Interest income | 2.0 | 4.8 | 5.7 | 3.4 | 2.3 | 45.4 | 83.6 | 105.0 | 139.5 | 171.2 |
| Interest expense | 7.3 | 12.1 | 38.4 | 102.1 | 101.0 | 64.2 | 60.8 | 52.8 | 44.2 | 31.6 |
| Net foreign exchange gain/loss | 4.7 | 8.5 | 195.1 | 290.7 | 40.1 | (57.2) | 66.1 | (20.9) | (11.1) | 18.9 |
| **EBT** | **61.9** | **71.1** | **(104.0)** | **(221.6)** | **166.8** | **315.3** | **279.1** | **453.1** | **535.8** | **642.4** |
| Current tax expense | 21.2 | 19.9 | 36.8 | 31.2 | 42.2 | 99.2 | 86.9 | 146.1 | 174.2 | 210.4 |
| Deferred tax expense/credit | 0.6 | 2.3 | 61.3 | 88.2 | 19.7 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| **Net profit/(loss)** | **40.0** | **49.0** | **(79.5)** | **(164.6)** | **105.0** | **208.1** | **184.2** | **299.1** | **353.6** | **424.0** |

| In % | 2021A | 2022A | 2023A | 2024A | 2025A | 2026F | 2027F | 2028F | 2029F | 2030F |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue YoY growth rate** | | **27.0%** | **22.4%** | **75.2%** | **26.0%** | **18.3%** | **16.4%** | **15.4%** | **15.0%** | **15.0%** |
| Cost of sales | 61.2% | 63.9% | 59.1% | 65.2% | 60.9% | 62.1% | 62.3% | 61.7% | 62.2% | 60.9% |
| **Gross profit** | **38.8%** | **36.1%** | **40.9%** | **34.8%** | **39.1%** | **37.9%** | **37.7%** | **38.3%** | **37.8%** | **39.1%** |
| Other operating income (recurring) | 0.0% | 0.0% | 0.1% | 0.1% | 0.1% | 0.0% | 0.1% | 0.1% | 0.1% | 0.1% |
| Selling, General and Administrative expenses | 15.9% | 14.5% | 16.3% | 14.1% | 17.3% | 15.6% | 15.6% | 15.8% | 15.7% | 16.0% |
| **EBITDA** | **22.9%** | **21.6%** | **24.7%** | **20.7%** | **21.9%** | **22.4%** | **22.2%** | **22.6%** | **22.2%** | **23.2%** |
| Depreciation of PPE | 2.3% | 2.0% | 1.9% | 2.9% | 3.2% | 2.9% | 2.8% | 2.7% | 2.7% | 2.6% |
| Depreciation of ROU | 0.1% | 0.2% | 0.2% | 0.1% | 0.0% | 0.0% | 0.1% | 0.1% | 0.1% | 0.1% |
| Impairment of assets | 0.1% | 0.0% | 0.1% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **EBIT (Operating profit)** | **20.5%** | **19.4%** | **22.6%** | **17.5%** | **18.7%** | **19.4%** | **19.4%** | **19.8%** | **19.5%** | **20.6%** |
| Profit/loss on disposal of assets (non-operating) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Adjusted EBIT** | **20.5%** | **19.4%** | **22.6%** | **17.5%** | **18.7%** | **19.4%** | **19.4%** | **19.8%** | **19.5%** | **20.6%** |
| Interest income | 0.6% | 1.1% | 1.0% | 0.4% | 0.2% | 3.2% | 5.0% | 5.5% | 6.3% | 6.7% |
| Interest expense | 2.1% | 2.7% | 7.0% | 10.7% | 8.4% | 4.5% | 3.7% | 2.8% | 2.0% | 1.2% |
| Net foreign exchange gain/(loss) | -1.3% | -1.9% | -35.7% | -30.3% | 3.3% | -4.0% | 4.0% | -1.1% | -0.5% | 0.7% |
| **EBT** | **17.6%** | **15.9%** | **-19.0%** | **-23.1%** | **13.8%** | **22.1%** | **16.8%** | **23.6%** | **24.3%** | **25.3%** |
| Current tax expense | 6.0% | 4.4% | 6.7% | 3.3% | 3.5% | 6.9% | 5.2% | 7.6% | 7.9% | 8.3% |
| Deferred tax (expense)/credit | -0.2% | -0.5% | 11.2% | 9.2% | -1.6% | -0.6% | -0.5% | -0.4% | -0.4% | -0.3% |
| **Net profit margin** | **11.4%** | **11.0%** | **-14.5%** | **-17.2%** | **8.7%** | **14.6%** | **11.1%** | **15.6%** | **16.0%** | **16.7%** |

# APPENDIX

## Appendix 5: Statement of Financial Position

| Description | 2021A | 2022A | 2023A | 2024A | 2025A | 2026F | 2027F | 2028F | 2029F | 2030F |
|---|---|---|---|---|---|---|---|---|---|---|
| *In billions of Naira* | | | | | | | | | | |
| **Assets** | | | | | | | | | | |
| Property, plant and equipment | 99.0 | 116.7 | 165.4 | 421.2 | 494.6 | 542.6 | 603.9 | 683.0 | 764.4 | 862.0 |
| Right of use asset | 4.8 | 5.0 | 5.4 | 5.4 | 5.3 | 7.4 | 9.9 | 12.6 | 15.1 | 18.2 |
| Deferred tax asset | 0.0 | 0.0 | 46.5 | 70.4 | 50.7 | 42.7 | 34.7 | 26.7 | 18.7 | 10.7 |
| **Non-current assets** | **103.8** | **121.7** | **217.3** | **497.0** | **550.7** | **592.7** | **648.5** | **722.3** | **798.2** | **890.9** |
| Inventories | 59.0 | 88.3 | 87.8 | 174.8 | 179.9 | 244.4 | 286.0 | 319.3 | 369.2 | 412.5 |
| Staff loans | 5.2 | 5.4 | 5.9 | 6.4 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 |
| Trade and related party receivables | 3.6 | 8.8 | 12.4 | 5.5 | 17.3 | 20.8 | 25.6 | 27.9 | 28.5 | 36.4 |
| Advance payment | 34.3 | 68.4 | 85.4 | 145.6 | 50.5 | 88.6 | 103.6 | 118.5 | 137.2 | 154.5 |
| Prepayment | 1.1 | 1.9 | 3.5 | 3.9 | 3.3 | 6.0 | 7.3 | 8.4 | 8.8 | 10.0 |
| Deposit with company registrars for dividend | 2.8 | 2.5 | 1.8 | 0.8 | 0.2 | 5.2 | 2.9 | 2.6 | 3.6 | 5.2 |
| Input VAT | 0.0 | 0.0 | 0.0 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| Cash and short term deposits | 100.5 | 117.9 | 167.7 | 22.6 | 35.4 | 335.4 | 347.3 | 509.7 | 629.2 | 768.3 |
| **Current assets** | **206.4** | **293.3** | **364.5** | **361.7** | **295.5** | **709.2** | **781.5** | **995.2** | **1,185.3** | **1,395.8** |
| **Total assets** | **310.2** | **415.0** | **581.8** | **858.7** | **846.2** | **1,301.9** | **1,429.9** | **1,717.5** | **1,983.5** | **2,286.7** |
| **Equity** | | | | | | | | | | |
| Issued Share capital | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Share premium | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revaluation reserves | 0.0 | 0.0 | 0.0 | 150.0 | 124.6 | 124.6 | 124.6 | 124.6 | 124.6 | 124.6 |
| Share based payment reserve | 0.1 | 0.1 | 0.2 | 0.5 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Retained earnings | 20.8 | 29.8 | (78.6) | (243.2) | (112.8) | 32.9 | 161.8 | 356.2 | 568.3 | 822.7 |
| **Total equity** | **21.4** | **30.3** | **(78.0)** | **(92.3)** | **12.9** | **158.5** | **287.5** | **481.9** | **694.0** | **948.4** |
| **Liabilities** | | | | | | | | | | |
| Loan and borrowings | 76.9 | 155.3 | 402.3 | 653.7 | 476.0 | 476.0 | 455.2 | 395.0 | 338.0 | 204.8 |
| Lease liabilities | 0.5 | 0.2 | 0.2 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Deferred tax liability | 12.6 | 14.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Employee benefits | 4.0 | 4.4 | 4.0 | 4.3 | 5.6 | 4.5 | 4.6 | 4.6 | 4.7 | 4.8 |
| **Total non-current liabilities** | **94.0** | **174.7** | **406.5** | **658.1** | **481.8** | **480.6** | **459.8** | **399.7** | **342.8** | **209.7** |
| Provisions | 2.7 | 1.0 | 0.7 | 1.8 | 1.4 | 5.1 | 3.0 | 4.5 | 5.7 | 7.2 |
| Refund liabilities | 0.1 | 0.1 | 0.1 | 0.2 | 0.4 | 0.3 | 0.4 | 0.5 | 0.6 | 0.7 |
| Contract liabilities | 15.5 | 16.5 | 20.1 | 28.9 | 31.8 | 49.7 | 54.9 | 61.8 | 69.0 | 80.0 |
| Current tax liabilities | 28.3 | 26.2 | 35.1 | 32.3 | 47.3 | 100.4 | 81.2 | 124.7 | 140.8 | 183.8 |
| Trade payables | 117.6 | 136.3 | 155.3 | 162.2 | 175.1 | 354.8 | 384.3 | 414.4 | 444.1 | 520.0 |
| Other accruals | 21.4 | 19.8 | 32.4 | 58.4 | 91.1 | 85.6 | 99.4 | 121.0 | 140.8 | 163.1 |
| Dividend payable | 9.4 | 10.1 | 9.6 | 9.0 | 4.3 | 66.7 | 59.6 | 109.0 | 145.7 | 173.9 |
| Bank overdraft | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total current liabilities** | **194.9** | **210.1** | **253.3** | **292.9** | **351.5** | **662.7** | **682.6** | **835.9** | **946.7** | **1,128.7** |
| **Total liabilities** | **288.9** | **384.8** | **659.8** | **951.0** | **833.3** | **1,143.3** | **1,142.4** | **1,235.6** | **1,289.5** | **1,338.4** |
| **Total liabilities and equity** | **310.2** | **415.0** | **581.8** | **858.7** | **846.2** | **1,301.9** | **1,429.9** | **1,717.5** | **1,983.5** | **2,286.7** |

# APPENDIX

## Appendix 6: Discounted Cash Flow Valuation

| | |
|---|---|
| WACC | 16.43% |
| Perpetuity growth rate (g) | 3.90% |
| Cost of Equity (Ke) | 17.88% |
| Beta | 0.50 |
| Risk free rate (Rf) | 15.45% |
| Market Return (Rm) | 20.31% |
| Cost of Debt (Kd) | 8.89% |
| Debt (d) | 476,042.5 |
| Equity (e) | 2,477,187.5 |
| Outstanding shares | 792.7 |
| Current price | 3,125.0 |
| Inflation rate | 23.33% |
| Tax rate | 34.00% |

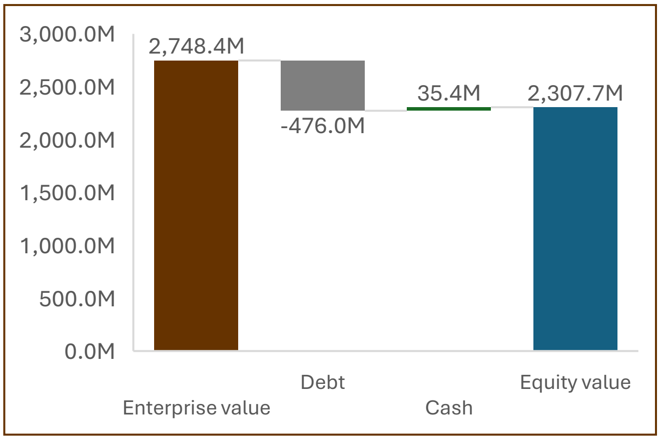
| *In Millions of Naira* | |
|---|---|
| **PV of UFCF** | **1,022,671.2** |
| Terminal Value | 3,692,463.3 |
| PV of Terminal Value | 1,725,693.9 |
| **Enterprise Value** | **2,748,365.1** |
| Cash | 35,422.4 |
| Debt | 476,042.5 |
| **Equity Value** | **2,307,745.0** |
| **Implied Valuation** | **2,911.2** |
| **Implied Downside** | **6.84%** |

| **Unlevered Free Cash flows (UFCF)** | **1F** | **2F** | **3F** | **4F** | **5F** |
|---|---|---|---|---|---|
| Cash flow from Operating Activities | 411,662.5 | 183,211.7 | 360,168.5 | 330,911.7 | 442,024.1 |
| Cash flow used in capital expenditure | (47,312.6) | (27,176.9) | (29,565.9) | (5,552.0) | 3,328.2 |
| Unlevered Free Cash flow | 364,349.9 | 156,034.8 | 330,602.7 | 325,359.7 | 445,352.2 |
| Discount Factor | 0.8589 | 0.7377 | 0.6336 | 0.5441 | 0.4674 |

## Appendix 7: Sensitivity Analysis

| | | Terminal Growth | | | | |
|---|---|---|---|---|---|---|
| | | **2.00%** | **3.00%** | **4.00%** | **5.00%** | **6.00%** |
| **WACC** | **12.00%** | 4,139.6 | 4,536.3 | 5,032.2 | 5,669.8 | 6,519.9 |
| | **13.00%** | 3,678.3 | 3,991.6 | 4,374.4 | 4,853.0 | 5,468.3 |
| | **14.00%** | 3,295.3 | 3,547.3 | 3,849.7 | 4,219.3 | 4,681.3 |
| | **15.00%** | 2,972.5 | 3,178.4 | 3,421.8 | 3,713.8 | 4,070.7 |
| | 16.00% | 2,696.9 | 2,867.4 | 3,066.3 | 3,301.3 | 3,583.4 |
| | 17.00% | 2,459.0 | 2,601.8 | 2,766.5 | 2,958.7 | 3,185.8 |

## Appendix 8: Base Case Waterfall




**Risk free rate:** The 15-year Federal Government of Nigeria (FGN) Bond was deemed to be an appropriate risk-free proxy for the forecast reflecting the Company as a going concern.

**Market return:** This was estimated using the compound annual growth rate (CAGR) of the Nigerian Exchange (NGX) All-Share Index (ASI), calculated using the Excel's RRI function. The estimation was based on the growth in the NGX ASI from its base value of 100 at inception to 219,080.90 as at 23 April 2026. The long-term CAGR was adopted as a proxy for the expected market return in the CAPM cost of equity estimation.

**Beta:** Nestlé Nigeria Beta was estimated by regressing its weekly stock returns against the relevant market index over the period from 1 January 2021 to 31 December 2025. A five-year observation was adopted to capture multiple market cycles, while the weekly returns were used to mitigate the effects of daily price volatility and relatively low trading liquidity.

# APPENDIX

## Appendix 9: Relative Valuation

We valued Nestlé Nigeria using a peer multiple approach. Given the Company's mature business model and availability of comparable listed consumer goods companies, EV/EBITDA, EV/Revenue are the primary valuation metrics, as they are less affected by capital structure and temporary earnings volatility.

### Comparable Companies Table

| | Financial Data | | | Market Data | | | | | Multiples | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue | EBITDA | Net Income | Price/ Share | No of shares | Market Cap | Net Debt | Enterprise Value | EV/Revenue | EV/EBITDA |
| in millions | | | | | | | | | | |
| Unilever | 214,302 | 45,269 | 32,199 | 156 | 5,750 | 897,000 | -108,583 | 788,417 | 3.7x | 17.4x |
| Cadbury | 168,656 | 22,035 | 8,970 | 69 | 2,280 | 157,320 | 7,790 | 165,110 | 1.0x | 7.5x |
| WAMCO | 615,917 | 69,861 | 18,445 | 172 | 1,953 | 336,133 | 61,275 | 397,408 | 0.6x | 5.7x |
| Nascon | 152,687 | 45,620 | 33,529 | 220 | 2,702 | 593,183 | -37,909 | 555,273 | 3.6x | 12.2x |
| Nestlé | 1,207,773 | 264,596 | 104,966 | 3,125 | 793 | 2,477,188 | 440,620 | 2,917,808 | 2.4x | 11.0x |
| Median | | | | | | | | | 2.3x | 10.7x |

| Valuation | Enterprise value | Equity Value | Implied Valuation |
|---|---|---|---|
| EV/Revenue | 2,787,331.4 | 2,346,711.3 | 2,960.4 |
| EV/EBITDA | 2,829,170.4 | 2,388,550.2 | 3,013.2 |

| | Weight | Value |
|---|---|---|
| DCF - Terminal Growth | 50% | 1,455.6 |
| Comparables | 50% | 1,493.4 |
| DCF-Exit Multiples | 0% | - |
| Blended Target Price | | 2,949.0 |
| Implied Downside | | -5.63% |

The final target price was derived using a 50:50 blend of the intrinsic valuation (DCF) and the Comparable Company valuation. The DCF approach estimates the Company's intrinsic value based on projected future cash flows. However, DCF valuations are sensitive to assumptions regarding revenue growth, margins, terminal growth and discount rate.

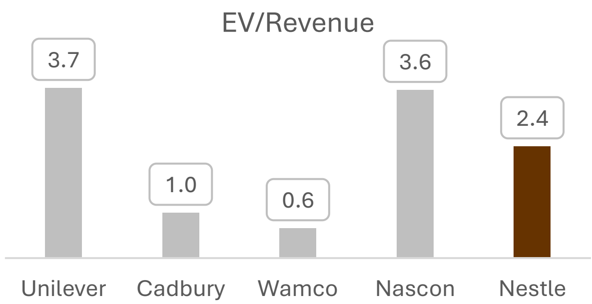
The relative valuation approach reflects prevailing market valuation for similar companies.

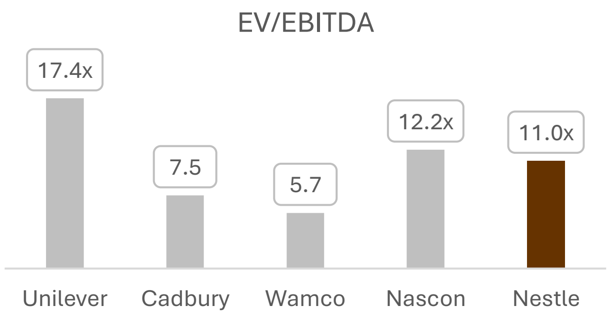
Given the strength and limitation of both approaches, equal weighting has been applied to produce a balances estimate of fair value.

Target price = (50% of DCF Target price) + (50% of Comps Target Price)

Where;

Comparable Company Target Price = (50% of EV/Revenue)+(50% of EV/EBITDA)



# APPENDIX

## Appendix 10: SWOT Analysis

# SWOT ANALYSIS

### S

- Extensive nationwide Distribution network
- Market leader in several food and beverage categories with strong customer loyalty
- Strong brand portfolio and product mix
- Strong pricing power demonstrated by sustained revenue growth despite inflation
- Backing from global parent, providing technical expertise and operational support

### W

- High finance costs have weakened profitability
- Negative retained earnings and elevated leverage in recent years
- High sensitivity to macroeconomic conditions
- Low liquidity with current liabilities exceeding current assets in recent years
- Dependence on few flagship brands (milo and maggi) making revenue more vulnerable if customers preference shift or competitor gain market share

### O

- Expansion to underserved communities and rural distribution.
- Increase in local sourcing for raw materials
- Improvement in the macroeconomic conditions in Nigeria
- Continued product innovation and expansion into packaged ready-made chocolate drinks
- Growth in urbanization to support long term demand for packaged goods

### T

- Intense competition from companies like Cadbury, Unilever, Promasidor amongst others and the emergence of cheaper substitutes
- Persistent inflation may weaken consumer purchasing power
- Further Naira devaluation could increase cost and FX losses
- Rising energy costs due to global wars and unavailability of consistent electricity in Nigeria
- Changes in government taxes, import restrictions may increase costs

# APPENDIX

## Appendix 11: Porter's Five Forces Analysis


**THREATS OF NEW ENTRANTS: LOW**

The threat of new entrants in the consumer goods industry is low due to the substantial capital requirements, well-established distribution networks, stringent food safety regulations and strong brand loyalty. Nestlé's portfolio of trusted brands (e.g., Maggi, Milo, Golden Morn and Cerelac) and nationwide distribution network create significant barriers for new entrants. However, local niche players may enter smaller product categories with lower capital requirements.

**BARGAINING POWER OF SUPPLIERS: MODERATE**

Nestlé sources both locally and internationally. While its scale provides strong negotiating power with local suppliers, dependence on imported raw materials and packaging exposes the company to foreign exchange volatility, supply chain disruptions, and commodity price fluctuations. These factors increase supplier influence, particularly during periods of FX shortages.

**BARGAINING POWER OF BUYERS: HIGH**

Consumers have numerous alternatives across most product categories and remain highly price-sensitive due to declining purchasing power and persistent inflation. Modern trade retailers and distributors also possess some negotiating leverage. Switching costs in the industry is very low, which gives buyers a strong power over the industry.

**THREAT OF SUBSTITUTES: VERY HIGH**

The availability of lower-priced local brands, private-label products and traditional food alternatives poses a significant substitution risk. During periods of economic hardship, consumers often trade down to more affordable products, particularly in seasoning, beverages and cereals. This intensifies competitive pressure and may limit pricing flexibility.

**COMPETITIVE RIVALRY: VERY HIGH**

Competition within Nigeria's packaged food and beverage industry is intense, with established players such as Unilever Nigeria, Cadbury Nigeria, Promasidor, Friesland Campina Wamco and numerous regional manufacturers competing on price, product innovation, distribution and marketing. High inflation and weak consumer purchasing power have further intensified competition as companies seek to protect market share.

# COMPANY HISTORY

Appendix: Key milestones, Nestlé Nigeria Plc (NGX: NESTLE)

1 **1961**
Nestlé Products (Nigeria) Limited is founded, a year after Nigerian independence — the start of local operations.

2 **1969**
The Company is renamed Food Specialties Limited as its product range and local footprint expand.

3 **1971**
First packaging plant opens in Ilupeju, Lagos, to meet rising local demand for Maggi seasoning cubes.

4 **1979**
The Company lists on the Nigerian Stock Exchange (NSE) under the indigenization promotion decree.

5 **1991**
Renamed Nestlé Foods Nigeria as the business consolidates manufacturing at its Agbara, Ogun State facility.

6 **2001**
The Company adopts its current name, Nestlé Nigeria Plc, reflecting its scale as a national FMCG leader.

7 **2020**
Wassim Elhusseini is appointed Managing Director/CEO, steering the Company through the FX-driven downturn.

8 **2023–24**
Local-sourcing push (cassava starch) and product revamps — Maggi Chicken, NAN, and CERELAC Rice.

9 **2025**
Milo 3-in-1 and Golden Morn 3-in-1 launch; the Company wins Best in Food Security at the SERAS Africa Awards.

10 **FY2025**
Net income margin turns positive again (8.69%) after two years of losses — early signs of financial recovery.

**65 YEARS IN NIGERIA**

| 70.81% | 3 | 2,600+ |
|---|---|---|
| Owned by Nestlé S.A. | Manufacturing sites (Agbara, Flowergate, Abaji) | Employees nationwide |

Sources: Nestlé Nigeria Annual Reports; company disclosures