

Company Update Report

Nestlé S.A.

Consumer Staple

Ticker	NESN-CH
Share price	CHF 78
Intrinsic value	CHF 84
Upside/(Downside)	8%
Recommendation	Hold

As at: 14 April 2026

Analyst thesis

Our recommendation is based on:

- Nestlé has a wide range of products with a strong brand and market position across multiple geographical regions.
- Higher inflation input costs have been shown to be partially passed on to consumers through pricing.
- Organic growth has primarily been driven by pricing, with volumes remaining subdued.
- Valuations appear attractive on a P:E and EV/EBITDA basis, but current risks to margins, earnings and organic growth limit upside potential.

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Key highlights

In this report, we review NESN's FY25 results, released in February 2026 and assess the impact on our outlook.

Financial results at a glance:

- Reported group revenue declined by 2% for the period, primarily due to a 5.7% foreign exchange headwind from the strengthening Swiss franc.
- Group organic revenue increased by 3.5%
 - Powdered and liquid beverages grew 7.3%, with pricing up 6.6% and volume/mix up 0.7%.
 - PetCare rose by 2.2%, with pricing down 0.4% and volume/mix up 2.6%.
 - Nutrition and health science edged up 0.6%, driven by pricing of 0.5% and a modest 0.1% contribution from volume/mix.
 - Prepared dishes and cooking aids decreased 0.4%, reflecting a 0.1% pricing drop and 0.2% volume/mix contraction.
 - Milk and ice cream advanced by 1.3%, with pricing and volume/mix increasing 0.5% and 0.8%, respectively
 - Confectionery expanded by 8.2%, with pricing up 8.8% and volume/mix down 0.7%.
 - Water lifted by 3.9%, with pricing up 2.9% and volume/mix gaining 1%.
- Gross profit margin declined by 110bps to 45.6%, reflecting significant commodity inflation impacting input costs in coffee and confectionery products. The margin is expected to improve in FY26.
- The underlying trading operating profit margin decreased by 110bps, primarily due to higher input costs, tariffs and FX, as well as increased advertising spend. This was offset by cost savings and pricing actions to protect margins.
- Although pricing has been used to offset the detractors, volumes have been negatively impacted over the past four years, albeit with some improvement. Volumes declined by 0.7% in FY25, similar to the previous year.
- The net income margin decreased by 180bps to 10.1%, driven by financing costs, gains/losses on disposals and other costs. EPS fell 16% to CHF 3.51 per share.
- Leverage improved, with net debt to adjusted EBITDA reduced from 2.9x to 2.85x.
- The infant formula recall partially impacted FY25 results via estimated customer returns and inventory write-offs, trimming underlying trading operating margin by 10bps. 1Q26 is expected to see a once-off impact on sales returns and stock shortages due to the recall and the need to restock inventory.
- Our take on the results:
 - The strengthening Swiss franc has negatively impacted margins. Ongoing US dollar volatility remains a looming concern, given current geopolitical conditions and the potential impact on FX for NESN.
 - Commodity inflation has also put pressure on costs and margins. Volumes have declined over the past four years, and while pricing has partly offset the impact, overall growth has remained subdued considering the last five years of topline performance.
 - Guidance points to improved organic growth and margin expansion in FY26 versus FY25, despite ongoing FX headwinds.

Management's outlook:

The outlook remains cautiously optimistic. Management expects organic revenue to grow between 3%-4%, with FX headwinds at 6%. Gross profit and underlying trading operating margin are expected to expand, although the magnitude



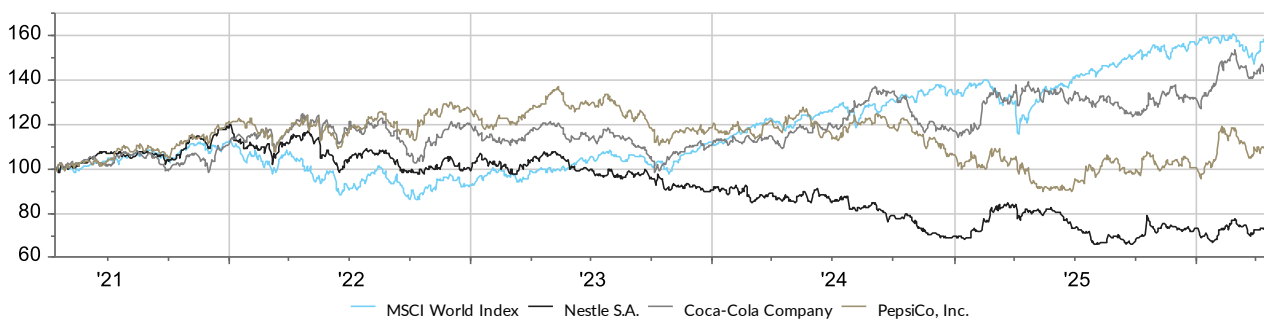
was not explicitly stated. One of the drivers for improving margins is cost saving initiatives. NESN has highlighted organic growth, dividends and debt reduction as high-priority capital allocation items.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is 1.7% and expected three-year EPS CAGR is 12.2%. We expect earnings growth over the next three years to be driven by: Pricing and product mix to offset volume declines and improve organic growth. Cost saving initiatives to control costs and improve margins to improve profitability.
Valuation	★★★★☆	The share price is trading at an 8% discount to the IV. Current NTM P:E of 18.0x is trading at a 22% discount to the five-year average PE of 23.1x.
Dividend	★★★★☆	LTM dividends yield 3.9%. NTM dividends yield 4.0%.
Issuance	★★★★☆	Shares issued have decreased by 8% over the past five years.
Catalyst		Streamlining the business through divestitures to focus on core products and segments. An easing inflation environment to improve with input costs, consumer sentiment and spending to combat negative volumes.
Quality of earnings	★★★★☆	Five-year average ROE 27.8%. Five-year average operating margin 16.9%. Four of the past 10 years had both positive earnings and growth. The detractor years were primarily due to Covid, inflation in coffee and chocolate, general widespread inflation, and finance costs, alongside FX headwinds.
Moat	★★★★☆	Brand and portfolio strength: NESN has some of the leading product brands in its offerings globally. Scale and distribution: NESN has, over time, developed extensive global scale and distribution networks along with strong supplier relationships.
Management and governance	★★★★☆	Leadership changes include Philip Navratil's appointment as CEO in September 2025 and Pablo Isla's as Chairman in October 2025. The pace of change in leadership raises execution risk concerns but all appointees are insiders with the relevant operating experience.
Balance sheet	★★★★☆	Net debt/EBITDA ratio 2.9x, interest coverage ratio 8.5x. Debt/assets ratio 45.5%.
Risks		Highly competitive sector. Pricing being the main driver of organic growth can have lasting effects on volume trends. Production/supply issues that can lead to recalls of products and write-downs of inventory. Regulation: Health, nutrition, product labelling, marketing and consumer protection regulations per country of operation.

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



Source: FactSet

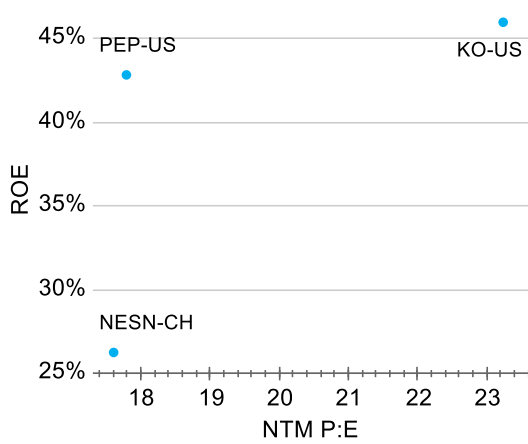
Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
NESN-SWX	-0.8%	-0.4%	3.8%	3.7%	-8.1%	-16.1%	-30.0%	-27.5%	9.7%
KO-US	9.3%	0.5%	7.3%	14.4%	7.0%	31.1%	21.0%	43.9%	66.0%
PEP-US	8.6%	0.4%	8.6%	4.7%	7.9%	-7.3%	-15.5%	9.0%	49.7%
MSCI world	1.7%	5.3%	-0.5%	4.9%	28.0%	33.4%	59.1%	58.8%	177.3%

Source: FactSet

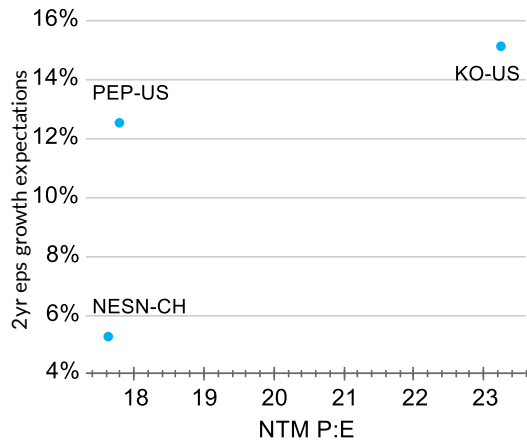


Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs consensus EPS 2Y CAGR forecast



Source: FactSet

Valuation

We value NESN using a 12-month rolling EPS estimate applied to a forward P:E assumption. Our growth, margins and earnings assumptions incorporate management guidance. The applied multiples reflect current P:E levels, the lowest in five years, along a 10-year average. Current volume recovery remains unconvincing, despite management-guided like-for-like growth, likely driven by pricing. We remain cautious in extrapolating the recovery in volumes due to demand remaining uneven, inflation costs in confectionary and coffee, and recall distortions potentially clouding FY26's performance figures. This yields an intrinsic value of CHF 84, with a hold recommendation.

Table 3: Valuation table

	Bear	Base	Bull	Weighted	Consensus
Scenario	10%	60%	30%	100%	-
FY26 EPS estimate (CHF)	2.25	4.00	5.17	4.17	4.36
12-month rolling EPS estimate (CHF)	2.38	4.02	5.27	4.23	4.43
NTM EPS	16	19	22	20	20
Intrinsic value	38	76	116	84	87
Share price	78	78	78	78	78
Upside/(Downside)	-51%	-3%	48%	8%	11%

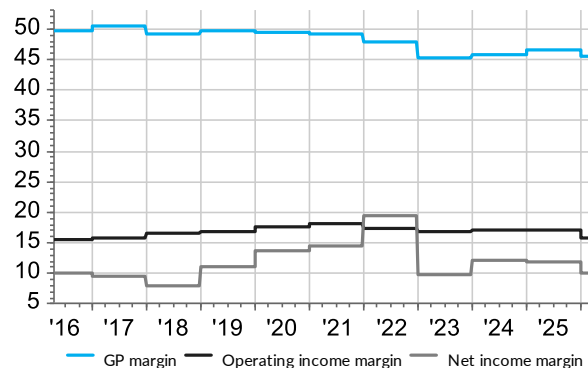
Source: PSG Wealth Research, FactSet

Graph 4: NTM P:E relative to benchmark



Source: FactSet

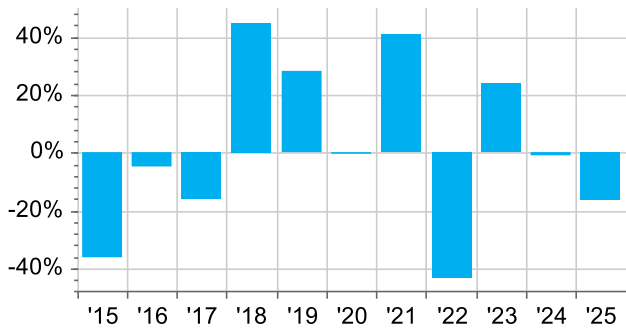
Graph 5: Profit margins (%)



Source: FactSet

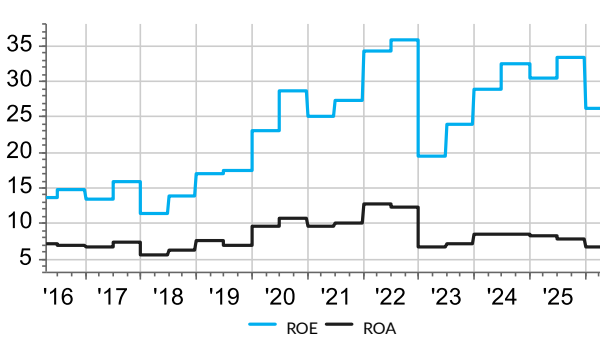


Graph 6: 10Y EPS year-on-year growth



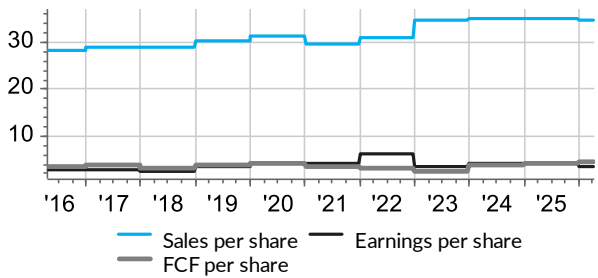
Source: FactSet

Graph 7: ROE and ROA (%)



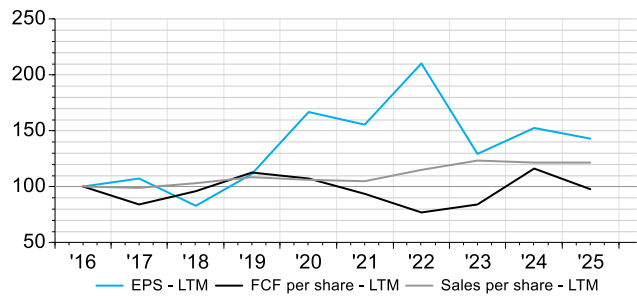
Source: FactSet

Graph 8: Sales, earnings, and FCF per share (CHF)



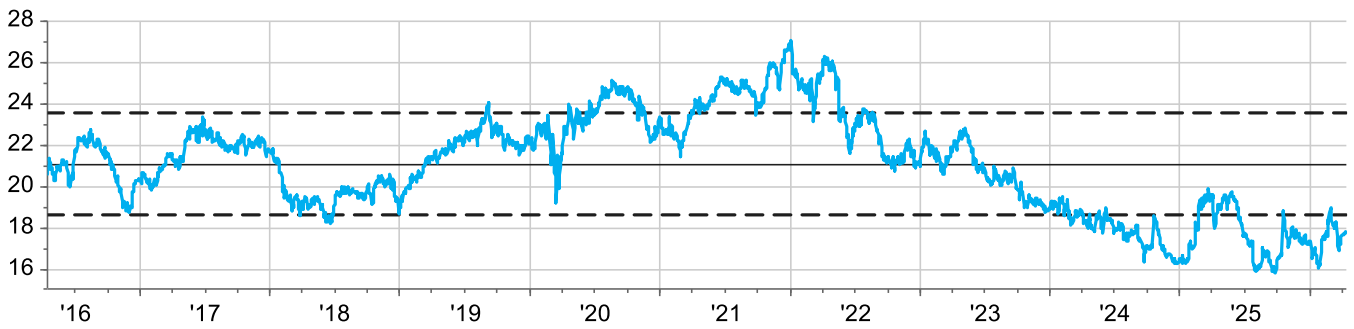
Source: FactSet

Graph 9: Sales, earnings, and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E



Source: FactSet



Table 4: Financials and ratios

Income statement (CHF Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	87 088	94 424	92 998	91 354	89 490	-2%	-2%	1%
Cost of sales	45 468	51 745	50 328	48 670	48 694	0%	-2%	3%
Gross income	41 620	42 679	42 670	42 684	40 796	-4%	-1%	0%
EBIT	15 124	15 958	16 018	15 685	14 267	-9%	-4%	-1%
EBITDA	18 564	19 499	19 476	19 267	17 900	-7%	-3%	-1%
Net income	16 905	9 270	11 209	10 884	9 033	-17%	-1%	-6%
EPS (CHF)	6.1	3.4	4.2	4.2	3.5	-16%	1%	-4%
Balance sheet (CHF Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Total assets	139 142	135 182	126 550	139 264	127 151	-9%	-2%	0%
Total shareholders' equity	53 727	42 792	36 387	36 693	33 058	-10%	-8%	-7%
Total liabilities	85 415	92 390	90 163	102 571	94 093	-8%	1%	4%
Ratios	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	5Y Avg		
Net debt/EBITDA	1.8	2.4	2.5	2.9	2.9	2.5		
Interest coverage	18.5	14.2	10.7	9.2	8.5	12.2		
Debt/assets	33.5	40.2	43.7	45.6	45.5	41.7		

Source: FactSet

*Negative numbers reflects a net cash position.

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
Bps	Basis points
CAGR	Compound annual growth rate
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FCF	Free Cash Flow
FX	Foreign currency exchange
FY	Financial year
KO-US	Coca-Cola company
LTM	Last twelve months (also known as trailing)
M	Month
MTD	Month to date
NESN-CH	Nestlé
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
PEP-US	PepsiCo, Inc.
ROA	Return on assets
ROE	Return on equity
Y/y	Years (s)
YTD	Year to date



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