



## Earnings Update: NESTLE NIGERIA PLC Q2-2021

### Drag on Bottom-line driven by Distribution Cost Pressures

29 July 2021

#### WHAT WE LIKE ABOUT THE RESULT

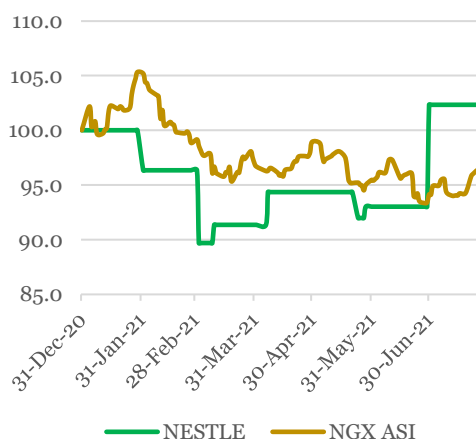
1. Revenue from the Food business segment contributed 59.0% to total Revenue and it increased by 17.6% to ₦101.1 billion in H1-2021.
2. Total Revenue grew by 21.6% y/y for H1-2021. Also, a quarterly analysis showed that Revenue notched 19.1% y/y to ₦84.2 billion.
3. Administrative Expenses moderated mildly by 5.9% y/y to ₦3.3 billion from ₦3.5 billion.
4. 28.0% decline in Trade and Other Receivables showing quality Revenue generating techniques.
5. Higher Cashflow from Operations compared to same period last year. Cashflow from Operations increased by 92.6% to ₦50.7 billion from ₦26.3 billion.

TICKER	NESTLE
Price (₦) on 28 July 2021	1,540.00
Shares Outstanding	792,656,252
P/E	37.28
Entry Price 1 (₦)	1,506.05
Entry Price 2 (₦)	1,482.68
Exit Price 1 (₦)	1580.91
Exit Price 2 (₦)	1615.08
Expected Return 1 (%)	7.24%
Expected Return 2 (%)	6.63%
Rating	HOLD

#### WHAT WE DID NOT LIKE ABOUT THE RESULT

1. The decline in Gross Profit Margin despite the 8.6% y/y increase in Gross Profit to ₦31.7 billion.
2. 39.2% increase in Marketing and Distribution Expenses reflecting the company's adjustment to tougher operating environment. The ripple effect was a 4.6% decline in Operating Profit to ₦16.0 billion from ₦16.8 billion.
3. A significant increase in Finance Costs (by 277.3%) due to additional Loans and Borrowings made during the period.
4. Interest Expense on Financial Liabilities surged by 258.4% y/y to ₦3.4 billion in H1-2021 from ₦937.4 million.
5. 12.2% decline in Profit After Tax (PAT). However, PAT figures would have been lower compared to Q2-2020, if there was no decline in Income Tax Expense.

#### REBASED YTD PRICE MOVEMENT: NESTLE AND NGX ASI



Source: Investing, PSL Research

Kindly click [here](#) for the full financial statement.

#### Disclaimer

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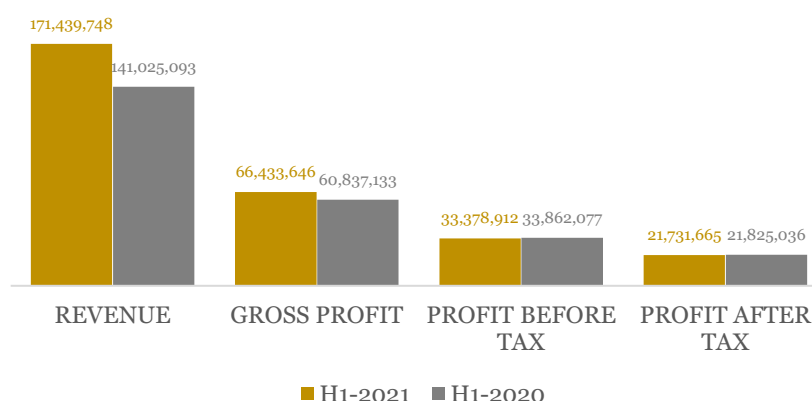


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INCOME STATEMENT	H1-2021	H1-2020	Change (%)
Revenue	171,439,748	141,025,093	21.57%
Cost of sales	-105,006,102	-80,187,960	30.95%
Gross profit	66,433,646	60,837,133	9.20%
Marketing and distribution expenses	-23,492,480	-19,932,317	17.86%
Administrative expenses	-6,612,214	-6,577,411	0.53%
Results from operating activities	36,328,952	34,327,405	5.83%
Finance Income	444,624	472,028	-5.81%
Finance costs	-3,394,665	-937,356	262.15%
Net finance income/cost	-2,950,041	-465,328	533.97%
Profit before tax	33,378,912	33,862,077	-1.43%
Income tax expense	-11,647,247	-12,037,041	-3.24%
Profit after taxation	21,731,665	21,825,036	-0.43%
BALANCE SHEET	Jun-2021	Dec-2020	Change (%)
Total non-current assets	93,161,485	94,683,541	-1.61%
Total current assets	169,631,561	151,501,455	11.97%
Total assets	262,793,046	246,184,996	6.75%
Total Equity	22,839,400	29,296,984	-22.04%
Total non- current liabilities	72,054,005	50,857,661	41.68%
Total current liabilities	167,899,638	166,030,351	1.13%
Total liabilities	239,953,643	216,888,012	10.63%
CASH FLOW STATEMENT	Jun-2021	Jun-2020	Change (%)
Operating Activities	50,702,364	26,324,437	92.61%
Investing Activities	-1,841,234	-2,041,594	-9.81%
Financing Activities	-19,228,619	-5,187,143	270.70%

### KEY FINANCIAL DATA



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