

Nestlé Nigeria

EXECUTIVE SUMMARY

...Revenue Buoyed by Improved Economic Environment

In 2018, NESTLÉ's revenue grew year-on-year by 9.06% to N266 billion with each of its business segments (consisting of food and beverage segments) growing by about 9% amid improved economic environment – higher GDP growth combined with slower inflation rate. We expect topline to grow by around 7% per annum on average over 2019F-2023F amid muted growth expectation for the overall economy.

Supply Chain and Risk Mitigation Strategy

The Company sources all of its raw materials on a commercial basis from overseas (via companies related to its ultimate holding company, Nestlé S.A., incorporated in Switzerland) and local suppliers from which it procures soya bean, maize, cocoa, palm olein and sorghum used in a number of its products. Nestlé's importation of inputs from overseas are subject to currency risk which crystallized in 2016/2017 during which several businesses booked foreign exchange losses. The forex crisis led businesses to look inwards to source their raw materials and to reduce their exposure to foreign exchange risk.

Valuation Methodology

Our fair value for shares of Nestlé Nigeria is based on the average of two valuation methods – the discounted cashflow (DCF) method and the relative valuation (specifically, price to earnings multiple) method. Using DCF over a five year a period, we arrived at a fair value of NGN418.66 a share – premised on a Weighted Average Cost of Capital (WACC) of 19.1% a beta of 0.41, an Equities market risk premium of 13.6% and Risk-free rate of 13.50%... Based on the PE multiple approach, we arrived at a value of NGN1,446.76 a share premised on a weighted PE multiple of 24.24x.

| | |
|-------------------------------|---------------|
| Recommendation | REDUCE |
| Fair Value (NGN) | 1,134.08 |
| Price as at 17 April 19 (NGN) | 1,580 |

MARKET DATA

| | |
|---------------------|-------------------|
| 52 Week Range (NGN) | 1,617 - 1,317 |
| Market Cap (NGN) | 1,252,396,878,160 |
| Market Cap (USD) | 3,474,826,253 |
| Shares Outstanding | 792,656,250 |
| Free Float | 201,731,016 |
| Beta | 0.41 |
| Dividend Yield (%) | 2.69 |

| | |
|--------------------|--|
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INITIATING COVERAGE ON NESTLE NIGERIA PLC

| | | | |
|----------------------------|-----------------------------|------------------------|-----------------------|
| Ticker: | NESTLE | Upside Potential: | -26.22% |
| Sector: | Food Products – Diversified | Performance Rating: | Bb |
| Quoted Competitor (s): | CADBURY | Recommendation: | MODERATE SELL/ REDUCE |
| Price as at 17 April 2019: | NGN1,580 | 52 Weeks High; Low | NGN1,617; NGN1,317 |
| Fair Value: | NGN1,134.08 | Suggested Entry Price: | NGN1,134.08 |

| Financial Summary (N' Bn) | FY 2018 | FY 2017 | Y-o-Y Δ | Industry Share |
|---------------------------|---------|---------|---------|----------------|
| Gross Earnings | 266 | 244 | 9.06% | 88.10% |
| Interest Income | 114 | 101 | 12.94% | 93.47% |
| Operating Cost | 53 | 45 | 17.95% | 89.46% |
| PAT | 61 | 56 | 8.87% | 97.28% |
| Total Loans | 43 | 34 | 27.53% | 98.12% |
| Deposits | 162 | 147 | 10.58% | 85.50% |
| Total Assets | 112 | 102 | 10.00% | 88.30% |
| Shareholders' Fund | 50 | 45 | 11.90% | 79.85% |

Nestle Nigeria Plc Posts Average FY 2018 Performance...

Nestle Nigeria Plc ("NESTLE") recorded an average performance in FY 2018 relative to its industry peer Cadbury – based on key financial ratios –, hence our 'Bb' performance rating. Given its performance as well as our 26.22% discount to its market value (its shares are currently over valued), we recommend a MODERATE SELL on its shares.

| Financial Ratios | FY 2018 | FY 2017 | Industry Average |
|-------------------------|---------|---------|------------------|
| Gross Profit Margin | 42.78% | 41.31% | 32.45% |
| Operating Profit Margin | 22.77% | 22.81% | 13.75% |
| Return on Equity | 90.45% | 89.03% | 48.60% |
| Return on Total Assets | 39.23% | 35.21% | 22.65% |
| Interest Coverage Ratio | 23.26 | 3.69 | 13.07 |
| CCC | 19.07 | 32.23 | 32.47 |
| Quick Ratio | 0.69 | 0.66 | 0.81 |
| Debt to Capital | 14.24% | 35.03% | 7.12% |
| Equity Multiplier | 3.23 | 3.27 | 2.70 |
| Debt to Cash | 0.53x | 1.60x | 3.00x |
| Debt to EBITDA | 0.12x | 0.39x | 2.50x |

...Revenue Buoyed by Improved Economic Environment

In 2018, NESTLE's revenue grew year-on-year by 9.06% to N266 billion with each of its business segments (consisting of food and beverage segments) growing by about 9% amid improved economic environment – higher GDP growth combined with slower inflation rate. We expect topline to grow by around 7% per annum on average over 2019F-2023F amid muted growth expectation for the overall economy. Gross Margin also improved to 42.78% in 2018 from 41.31% above an industry average of 32.45%.

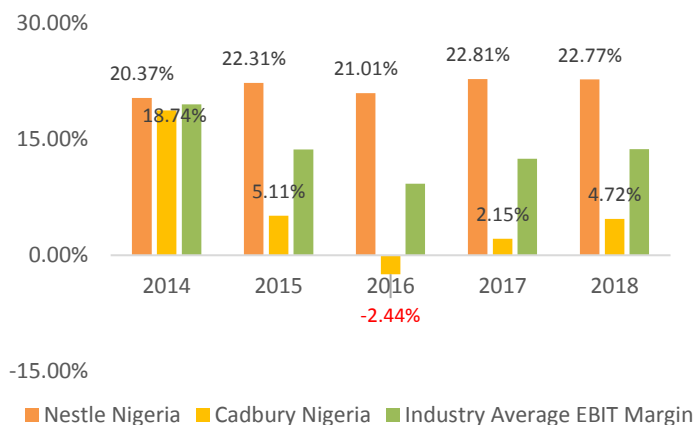
Performance will be more dependent on improved security situation and FX stability. Insecurity, especially in the northern part of the country, remains a limiting factor for revenue growth as internally displaced persons, numbering about 2 million, as a result of violence remain without basic means of livelihoods.

| Investment Ratios | FY 2018 | Industry Average |
|--------------------------|----------|------------------|
| EPS TTM | 59.68 | 30.08 |
| F' EPS | 54.26 | 27.35 |
| NAV | 63.36 | 35.05 |
| EV/EBITDA | 17.29x | 11.21x |
| PER TTM | 26.47x | 24.65x |
| Weighted PER | 26.04x | 26.41x |
| P/B | 24.94x | 13.28x |
| Target Price (TP) via RV | 1,446.76 | |
| Dividend Yield (%) | 2.69 | |

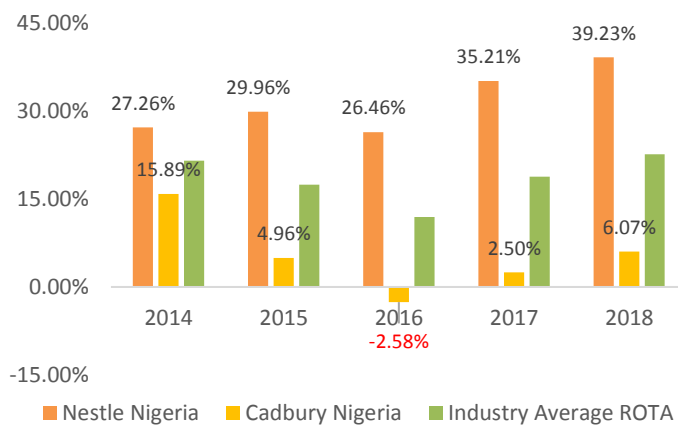
Source: Company Financials, Cowry Research

Key: EPS – Earnings Per Share; NAV – Net Asset Value; PER – Price to Earnings; P/B – Price to Book; F' – Full Year Forecast; TTM – Trailing Twelve Months; RV – Relative Valuation

Operating Profit Margin

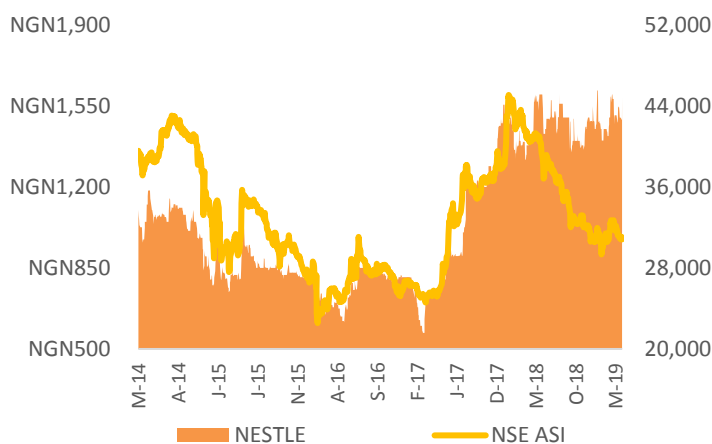


Return on Total Assets



Source: Company Financials, Cowry Research

NESTLE vs NSE ASI



NESTLE vs NSE CONSUMER GOODS INDEX



Source: Company Financials, Cowry Research, NSE ASI

Note that industry averages comprise of only Nestle Nigeria and Cadbury both of which are the only constituents of the NSE's diversified Food Products subsector of the Consumer Goods sector.

OVERVIEW OF NESTLE NIGERIA PLC

Principal activities

Nestle Nigeria (“Nestlé”) is local subsidiary of Nestlé S.A. which owns a 66.2% in the food and beverage giant. Principal activities of Nestle Nigeria include the manufacturing, marketing and distribution of food products including purified water throughout the country. The Company also exports some of its products to other countries within and outside Africa.

Product Assortment

The Company’s products are very well known, designed to serve each stratum of consumers both in terms of quality and affordability with an effective route-to-market strategy. Its product range includes popular food and beverage brands such as Golden Morn (cereal), Maggi (seasoning cube), Milo (chocolate beverage), Nestle (Coffee beverage) and Nestle Pure Life (table water).

Product Classification

| Nestle Nigeria | |
|----------------|--|
| Segment | Product Mix |
| Food | This includes the production and sale of MAGGI (includes MAGGI Star, MAGGI Chicken, MAGGI Crayfish, MAGGI Mix'py), GOLDEN MORN (includes GOLDEN MORN Maize and GOLDEN MORN Puffs) and CERELAC, NUTREND, LACTOGEN, SMA and NAN. |
| Beverages | This includes the production and sale of MILO (includes MILO, MILO Energy Cubes, MILO Ready-to Drink), CHOCOMILO, NIDO, NESCAFÉ AND NESTLÉ PURE LIFE. |

Business Segments

| Nestle Nigeria | Revenue (N Billion) | | | Share of Revenue | |
|----------------|---------------------|-------|----------|------------------|--------|
| | 2018 | 2017 | % Change | 2018 | 2017 |
| Food | 168.2 | 154.2 | 9.0% | 63.2% | 63.2% |
| Beverage | 98.1 | 89.9 | 9.1% | 36.8% | 36.8% |
| Total | 266.3 | 244.2 | 9.1% | 100.0% | 100.0% |

Geographical Information

| Nestle Nigeria | Revenue (N Billion) | | | Share of Revenue | |
|----------------|---------------------|-------|----------|------------------|-------|
| | 2018 | 2017 | % Change | 2018 | 2017 |
| Nigeria | 262.8 | 241.1 | 9.0% | 98.7% | 98.8% |
| Export | 3.5 | 3.0 | 14.6% | 1.3% | 1.2% |
| Total | 266.3 | 244.2 | 9.1% | 100% | 100% |

Latest Product Introductions

Leveraging a formidable research and development network in the food and beverages industry, Nestle Nigeria, in recent times, churned out new well-accepted products which include:

- MAGGI NAIJA POT is a seasoning cube developed in Nigeria to satisfy taste buds of indigenes. It has a unique fish flavor, combines natural smoked fish, stock fish and crayfish to give soups and pottages a bottom-pot savoury effect.
- MILO Ready-to-drink (RTD), a cocoa beverage conveniently packed mostly suited for school-age children. In February 2018, a new Milo RTD factory was launched in Agbara Industrial Area, Ogun State.
- Nestlé GOLDEN MORN PUFFS, a convenient breakfast cereal for children and adults and available in 500g bag in box and 50g sachet, was unveiled early 2018.

Leadership and Shareholder Information

| Nestle Nigeria | |
|----------------------|---------------------------------|
| Board of Directors | |
| Mr. David Ifezulike | Chairman |
| Mr. Mauricio Alarcon | MD/CEO |
| Mr. Jagdish Singla | Finance & Control Director |
| Mr. Bode Ayeku | Company Secretary/Legal Adviser |

| Nestle Nigeria | |
|-------------------------------|-----------------------------|
| Shareholders | % Significant Shareholdings |
| Nestlé S.A, Switzerland | 66.18% |
| Stanbic IBTC Nominees Limited | 8.37% |

Supply Chain and Risk Mitigation Strategy

The Company sources all of its raw materials on a commercial basis from overseas (via companies related to its ultimate holding company, Nestlé S.A., incorporated in Switzerland) and local suppliers from which it procures soya bean, maize, cocoa, palm olein and sorghum used in a number of its products. Nestlé's importation of inputs from overseas are subject to currency risk which crystalized in 2016/2017 during which several businesses booked foreign exchange losses. The forex crisis led businesses to look inwards to source their raw materials and to reduce their exposure to foreign exchange risk.

Against this backdrop and as part of its own backward integration strategy, Nestlé continued to work on its local input sourcing. This is expected to lead to a reduction in cost of raw materials.

For instance, it continued to work with farmers to increase their skills and capacity, through a program christened "the Nestlé Cereals Plan", in order to reach its local sourcing targets. There are currently over 30,000 farmers under the Nestlé Cereals Plan, supplying the company with 100% of its grain requirement for its GOLDEN MORN MAIZE brand. The Company sources part of its raw materials and finished products through companies related to its ultimate holding company, Nestlé S.A., incorporated in Switzerland.

Route to Market

The company is focused on delivering, in a convenient and time-saving manner, products which serve the nutritional, health and wellness needs of its customers at all times of the day and for all stages of life.

In doing so, the company increased distribution expenses in 2018 by 12.0% while advertising cost grew by 50.4%. The company's products are purchased in roadside kiosks, market stores, shopping malls and even in remote villages. It is not uncommon to find street cart-pushing vendors selling cups of hot Nescafe beverage to consumers on the streets (beverage sales increased 9.1% in 2018).

| Nestle Nigeria | Selling Costs (N Billion) | | |
|----------------------|---------------------------|------|----------|
| | 2018 | 2017 | % Change |
| Distribution expense | 9.8 | 8.7 | 12.2% |
| Advertising | 4.5 | 3.0 | 50.4% |
| Sales Promotion | 13.5 | 12.4 | 8.4% |
| Total | 27.7 | 24.1 | 15.0% |

PESTLE ANALYSIS

The business environment has been fraught with major challenges such as inadequate infrastructure and insecurity, to mention a few. The state of insecurity in the northern part of the country, particularly attacks by Boko Haram and Fulani herdsmen, has led to a displacement of people and even hobbled trading activities in the region – limiting sales of FMCGs, NESTLÉ's inclusive. Also, with 90.8 million Nigerians living in extreme poverty below USD1.25 a day in 2018 and unemployment rate worsening from 14.4% in Q1 2017 to 23.1% as at Q3 2018, demand for FMCGs remains rather weak.

The Federal Government delayed consenting to the African Continental Free Trade Agreement (AfCFTA) in order to secure the buy-in from less-than-optimistic stakeholders who currently nurse the fear that Nigeria could be a dumping ground for European exports. If consented to, the AfCFTA – which is expected to broaden the consumer base and reduce ninety per cent of trade tariffs – could be of potential benefit to export-oriented local manufacturers who have the ability to ramp up production and enhance economies of scale which the trade agreement is likely to stimulate. Nestlé's share of exports to total revenue stood at a mere 1.3% (N3.5 billion) in 2018 and lower than its competitor, Cadbury, which chalked 13.7% (N4.9 billion).

On a positive note, the recent approval of the N30,000 minimum wage by both Executive and Legislative arms of government is expected to increase disposable income of Nigerians, increase discretionary demand and further stimulate production by manufacturers.

However, the tax authorities have also signaled a likely increase in value added tax from the current 5 per cent as a means of financing the implementation of the new minimum wage. This is expected to increase the prices of final goods and services, thus limiting consumption activities.

Nestlé faces competition from competitors such as Cadbury and other foreign brands, especially in the beverage business, in terms of product offerings as well as route to market. Nigerians are very price sensitive which makes NESTLÉ's products price elastic as there are cheap substitutes – Nestlé's *Milo* vs CADBURY's *3-in-1 Hot Chocolate*. The competition is more pronounced given that Nestlé conducts its business in a society where social media is increasingly growing in importance and popularity in facilitating access to information, not only about the company and its products but also its competitors and their products.

Macroeconomic environment appeared to have improved – following recovery in global crude oil prices – as Gross Domestic Product grew by 1.93% in 2018 from 0.82% in 2017 while manufacturers' Purchasing Managers' Index indicated sustained expansion in manufacturing activities at 57.4 points as at March 2019 (albeit, slower than 61.1 points and 59.3 points as at December 2018 and December 2018 respectively). Consumer Price Index moderated from a peak of 18.72% in January 2017 to 11.31% in February 2019. Average foreign exchange rate at the Investors & Exporters window which peaked at N381.86/USD in May 2017, moderated to N360.48/USD.

SWOT ANALYSIS

Strengths

- Efficient route-to-market and innovative mass marketing strategies – apart from having a strong relationship with retailers, it has been able to devise a marketing strategy to reach the final consumers who reside even in remote villages.
- Some of Nestle's product names have become household names, and in some instances have become generic and often used by consumers often refer to other competitors' products. For example, it is common for consumers to refer to seasoning cubes as "Maggi", which is actually the product name for Nestle's seasoning cube. Nestle's Milo is another highly popular brand in the beverage category. A recent report by Vanguard's Companies and Markets (C&M) survey revealed that of the number of consumers who reacted to questions on their preferences of the brands, majority signified their preference for Milo, followed by Ovaltine. Findings by C&M also revealed that the preference for Milo is as a result of its smoothness, rich taste and dissolvability in hot and cold water as well as bonding through sports¹
- Nestle has a brand name which guarantees all customers and consumers that its products are safe and of high standard.
- Highly-diversified products mix which helps Nestle serve different segments of the market. More so, its diverse products are visibly available on the shelves in most supermarkets, shopping malls and even kiosks in Nigeria.

Weaknesses

- Nestle's drive to increase revenue is still at a high cost, given the significant increase in selling and distribution expenses which rose by 50% in 2018.

Opportunities











- *Nestle has more head room to increase revenue going forward as security situation in the North gets better.*
- *Nestle's operational income is likely to trickle down to the bottom line amid relative stability of the Naira against the USD.*
- *Nestle, being arguably the company with the largest market size in diversified food business segment, should benefit the most, when the new minimum wage is eventually passed.*

Threats

- *The recent spread of insecurity to the North West and Middle Belt will likely hamper Nestle's revenue growth.*
- *Nestle's products such as Milo and Maggi currently face fierce competition from its closest rival companies' products such as: Cadbury (Cadbury 3-in-1 hot chocolate), Associated British Foods (Malt Drink Ovaltine) and Unilever (Knorr).*

1) Source: <https://www.vanguardngr.com/2017/10/cocoa-beverage-consumers-poor-purchasing-power-move-manufacturers-refocus/>

NESTLE VS SOME COMPETING BRANDS IN MASS MARKET

| | Nestle Nigeria | Promisidor Nigeria | Cadbury Nigeria | Unilever Nigeria | Twinnings Nigeria | Food Empire Holdings (foreign) |
|----------------|---|---|--|--|---|---|
| Cereals |  |  | | | | |
| Seasoning |  |  | |  | | |
| Cocoa Beverage |  |  |  | |  | |
| Tea | |  | |  |  | |
| Coffee |  | | | | |  |
| Confectionery |  | |   | | | |

VALUATION METHODOLOGY

Our NGN1,134.08 fair value for shares of Nestle' Nigeria was derived by using the average of two valuation methods – the discounted cashflow (DCF) method and the relative valuation (specifically, the price to earnings multiple) method. Using DCF over a five year a period, we arrived at a fair value of NGN418.66 a share – premised on a Weighted Average Cost of Capital (WACC) of 19.1% a beta of 0.41, an Equities market risk premium of 13.6% and Risk-free rate of 13.50%.

Based on the PE multiple approach, we arrived at a value of NGN1,576.46 a share premised on a weighted PE multiple of 24.24x. Our weighted PE was based on PE multiples of Nestle' Nigeria and Cadbury Nigeria, being the only two quoted companies in their sector – the Diversified Food Sector.

Cost of Capital Assumptions

| | |
|---|--------|
| Cost of debt | 10.0% |
| Tax rate | 28.0% |
| After tax cost of debt | 7.20% |
| Risk free rate | 13.5% |
| Beta | 0.41 |
| Market risk premium | 13.6% |
| Cost of equity | 19.03% |
| Weighted Average Cost of Capital (WACC) | 19.1% |
| Long term growth rate | 5.0% |

OUTLOOK FOR NESTLE NIGERIA

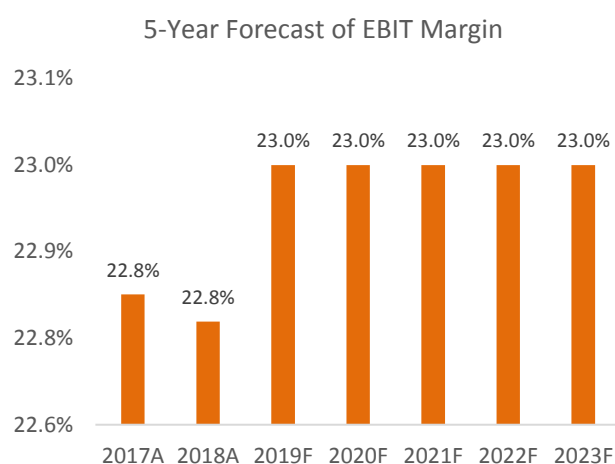
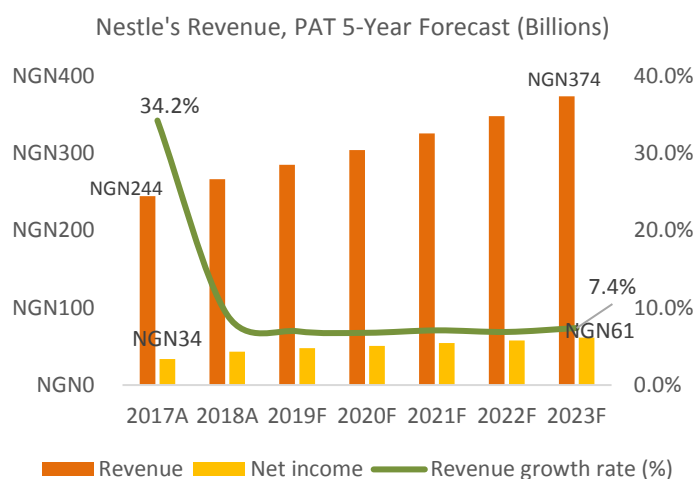
We believe Nestle' is on a sustained growth trajectory in line with our expectations of sustained economic growth as the leading FMCG has been able to demonstrate management efficiency which we see enhancing its future profitability – although cost reduction is desirable.

Insecurity, especially in the northern part of the country, remains a limiting factor for revenue growth as internally displaced persons, numbering about 2 million (according to Round 26 Displacement Tracking Matrix published by the International Organization for Migration), as a result of violence remain without basic means of livelihoods. Hence, revenue growth will be more dependent on improved security situation.

Foreign exchange risk appears to have been mitigated to a large extent, partly due to stronger backward integration as well as improved efficiency of the foreign exchange market via the investors and exporters window. In the short term, strong global crude oil prices should continue to support exchange rate stability and mitigate foreign exchange rate risk and help with the company's cost containment. However, the threat of exogenous shocks such as increased shale oil production and endogenous factors such as weak economic policies continues to pose downside risks.

NESTLE NIGERIA PERFORMANCE OUTLOOK

We expect NESTLE's revenue to grow year-on-year by 7% in FY 2019 and at a compounded annual growth rate of 5.6% between 2019F-2023F. Similarly, net income is expected to grow at a CAGR of 5.2% over the forecast period while EBIT margin is expected to be flat at roughly 23%. Increased performance is expected to be driven, in part, by expectation of sustained improvement in economic environment – higher GDP growth, stable foreign exchange, likely boost in consumer spending with the implementation of new minimum wage, and Nigeria's increasing population growth rate.



Source: Company Financials, Cowry Research

Key efficiency, profitability, leverage and investment ratios are expected to roughly sustain current trend. ROA and ROE are expected to increase from 27.8% and 90.4% respectively in FY 2018 to 28.7% and 92.7% respectively in FY 2019 and further down the road to 28.0% and 98.6% by FY 2023.

| | 2017A | 2018A | 2019F | 2020F | 2021F | 2022F | 2023F |
|---|--------|--------|--------|--------|--------|-------|---------|
| Net debt (NGN Billion) | 27,000 | 23,200 | 21,578 | 19,660 | 15,041 | 5,674 | (2,414) |
| Asset turnover (Revenue / Total assets) | 1.66x | 1.64x | 1.67x | 1.69x | 1.70x | 1.66x | 1.64x |
| Equity Multiplier | 3.27x | 3.23x | 3.23x | 3.26x | 3.31x | 3.46x | 3.57x |
| Net profit margin | 13.8% | 16.2% | 16.7% | 16.7% | 16.6% | 16.5% | 16.4% |
| Return on assets (ROA) | 21.3% | 27.8% | 28.7% | 29.0% | 29.2% | 28.7% | 28.0% |
| Return on book equity (ROE) | 89.0% | 90.4% | 92.7% | 94.2% | 95.9% | 97.0% | 98.6% |

Source: Company Financials, Cowry Research

NESTLE NIGERIA PLC FINANCIAL FORECAST

Nestle Nigeria Plc Statement of Profit or Loss (N Million)

| | 2016A | 2017A | 2018A | 2019F | 2020F | 2021F | 2022F | 2023F |
|-----------------------------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 31-Dec-16 | 31-Dec-17 | 31-Dec-18 | 31-Dec-19 | 31-Dec-20 | 31-Dec-21 | 31-Dec-22 | 31-Dec-23 |
| Revenue | 181,911 | 244,151 | 266,275 | 284,816 | 304,063 | 325,572 | 347,939 | 373,591 |
| Cost of sales | (106,583) | (143,280) | (152,354) | (162,345) | (173,316) | (185,576) | (198,326) | (212,947) |
| Gross profit | 75,328 | 100,871 | 113,920 | 122,471 | 130,747 | 139,996 | 149,614 | 160,644 |
| Selling, general & administrative | (37,114) | (45,173) | (53,279) | (56,963) | (60,813) | (65,114) | (69,588) | (74,718) |
| Operating profit (EBIT) | 38,213 | 55,698 | 60,641 | 65,508 | 69,934 | 74,882 | 80,026 | 85,926 |
| Interest income | 4,199 | 6,239 | 1,717 | 1,657 | 1,834 | 2,094 | 2,726 | 3,598 |
| Interest expense | (20,864) | (15,109) | (2,607) | (997) | (1,292) | (1,747) | (2,873) | (4,257) |
| Pretax profit | 21,548 | 46,829 | 59,751 | 66,168 | 70,477 | 75,229 | 79,879 | 85,267 |
| Taxes | (13,623) | (13,105) | (16,743) | (18,527) | (19,733) | (21,064) | (22,366) | (23,875) |
| Net income | 7,925 | 33,724 | 43,008 | 47,641 | 50,743 | 54,165 | 57,513 | 61,392 |
| Basic EPS | 10.0 | 42.5 | 54.3 | 60.1 | 64.0 | 68.3 | 72.6 | 77.5 |
| Diluted EPS | 10.0 | 42.5 | 54.3 | 60.1 | 64.0 | 68.3 | 72.6 | 77.5 |

Nestle Nigeria Plc Statement of Financial Position (N Million)

| | 2016A | 2017A | 2018A | 2019F | 2020F | 2021F | 2022F | 2023F |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 31-Dec-16 | 31-Dec-17 | 31-Dec-18 | 31-Dec-19 | 31-Dec-20 | 31-Dec-21 | 31-Dec-22 | 31-Dec-23 |
| Cash & equivalents | 51,351 | 15,139 | 15,762 | 17,383 | 19,302 | 22,573 | 31,940 | 40,029 |
| Accounts receivable | 24,035 | 31,430 | 42,175 | 45,112 | 48,160 | 51,567 | 55,110 | 59,173 |
| Inventory | 20,638 | 23,910 | 23,124 | 24,640 | 26,305 | 28,166 | 30,101 | 32,321 |
| Other current assets | 1,712 | 1,791 | 1,673 | 1,673 | 1,673 | 1,673 | 1,673 | 1,673 |
| Property, plant & equipment | 70,172 | 72,378 | 73,366 | 75,027 | 78,067 | 81,323 | 84,802 | 88,538 |
| Other assets | 1,678 | 2,155 | 6,235 | 6,235 | 6,235 | 6,235 | 6,235 | 6,235 |
| Total assets | 169,586 | 146,804 | 162,334 | 170,070 | 179,743 | 191,537 | 209,861 | 227,968 |
| Accounts payable | 64,662 | 45,668 | 60,384 | 64,344 | 68,692 | 73,552 | 78,605 | 84,400 |
| Bank overdraft | 155 | 3,714 | 1,394 | 2,787 | 5,575 | 11,149 | 21,545 | 30,787 |
| Long-term Financial Liabilities | 50,515 | 20,478 | 6,948 | 6,948 | 6,948 | 5,601 | 5,601 | 5,601 |
| Deferred Tax Liabilities | 5,186 | 10,405 | 11,374 | 11,374 | 11,374 | 11,374 | 11,374 | 11,374 |
| Other non-current liabilities | 18,190 | 21,661 | 32,014 | 32,014 | 32,014 | 32,014 | 32,014 | 32,014 |
| Total liabilities | 138,708 | 101,926 | 112,114 | 117,467 | 124,603 | 133,689 | 149,138 | 164,175 |
| Common stock | 429 | 429 | 429 | 429 | 429 | 429 | 429 | 429 |
| Retained earnings | 30,323 | 44,302 | 49,637 | 52,019 | 54,556 | 57,265 | 60,140 | 63,210 |
| Share based payment reserve | 126 | 147 | 155 | 155 | 155 | 155 | 155 | 155 |
| Total equity | 30,878 | 44,878 | 50,220 | 52,603 | 55,140 | 57,848 | 60,724 | 63,793 |

Nestle Nigeria Plc Statement of Cash Flows (N Million)

| | 2019F 31-Dec-19 | 2020F 31-Dec-20 | 2021F 31-Dec-21 | 2022F 31-Dec-22 | 2023F 31-Dec-23 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Net income | 47,641 | 50,743 | 54,165 | 57,513 | 61,392 |
| Depreciation and amortisation | 3,466 | 3,041 | 3,256 | 3,479 | 3,736 |
| Accounts receivable | (2,937) | (3,049) | (3,407) | (3,543) | (4,063) |
| Inventory | (1,516) | (1,665) | (1,861) | (1,935) | (2,219) |
| Accounts payable | 3,960 | 4,348 | 4,859 | 5,053 | 5,795 |
| Cash from operating activities | 50,613 | 53,418 | 57,012 | 60,568 | 64,641 |
| Capital expenditures | (5,127) | (6,081) | (6,511) | (6,959) | (7,472) |
| Cash from investing activities | (5,127) | (6,081) | (6,511) | (6,959) | (7,472) |
| Increase (Decrease) in Long term debt | 0 | 0 | (1,347) | 0 | 0 |
| Common dividends | (45,259) | (48,206) | (51,456) | (54,637) | (58,323) |
| Increase (Decrease) in Bank overdraft | 1,394 | 2,787 | 5,575 | 10,395 | 9,242 |
| Cash from financing activities | (43,865) | (45,419) | (47,229) | (44,242) | (49,081) |
| Net change in cash during period | 1,621 | 1,918 | 3,271 | 9,367 | 8,089 |

IMPORTANT DISCLOSURES:

This report is produced by the Research Desk, Cowry Asset Management Limited (COWRY) as a guideline for Clients who intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transaction. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omission of facts, and any direct or consequential loss arising from the use of this report or its contents.

| Performance Rating (PR) | Meaning |
|-------------------------|--|
| A | Security's Performance (Operating and Investment) rated ' Excellent '; scores $\geq 75\%$ in its industry |
| BB | Security's Performance rated ' Investment Grade '; scores between 65% and 75% in its industry |
| Bb | Security's Performance rated ' Acceptable '; scores between 50% and 65% in its industry |
| D-E | Security's Performance rated ' Not Acceptable '; scores below industry average |

| Analyst Recommendation (AR) | Meaning |
|-----------------------------|---|
| BUY | PR is a 'BB' or 'A' and/or Security's Upside Potential is X: $X \geq 500\text{bps}$ above 364-day T-Bill rate |
| MODERATE BUY | PR is a 'Bb' or 'BB' and Security's Upside Potential is X: $364\text{-day T-Bill Rate} < X < 500\text{bps}$ above 364-day T-Bill Rate |
| NEUTRAL | PR is a 'Bb' and Security's Upside Potential is X: X is positive and $< 364\text{-day T-Bill Rate}$ |
| MODERATE SELL/ REDUCE | PR is a 'Bb' and Security is Overvalued |
| SELL | PR is a 'D' or 'E' and Security is Overvalued |