



Financial Analysis of Nestle Nigeria Plc: Current and Future Performance Evaluation

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Abstract: This financial analysis provides an overview of Nestle Nigeria Plc's current and forecasted future performance. The paper examined Nestle Nigeria Plc's performance and impact, starting with a thorough analysis of its financial statements. By scrutinizing income statements, balance sheets, and cash flow statements, we gained a nuanced understanding of the company's financial health over recent years. Moreover, employing analytical tools like SWOT and PESTLE analyses allowed us to identify Nestle Nigeria's core competencies, vulnerabilities, and the external factors influencing its operations within the Nigerian market. We also juxtaposed Nigeria's economic indicators, such as GDP growth and employment generation, with those of the broader Sub-Saharan African region, providing valuable insights into Nestle Nigeria's market dynamics and socioeconomic contributions. Central to our discussion was the examination of Nestle Nigeria's role in employment generation and its impact on household income, emphasizing the company's pivotal position in driving economic development and community empowerment. The company's current performance reflects resilience and growth, with consistent revenue increases and maintained profitability. Strategic investments and market leadership position Nestle Nigeria for continued success. Forecasted trends anticipate further revenue expansion, profitability maintenance, and sustainability focus. Recommendations include prioritizing innovation, market expansion, sustainability initiatives, digital transformation, and risk management to capitalize on growth opportunities and mitigate risks. Overall, Nestle Nigeria is well-positioned for sustainable growth, value creation, and maintaining its leadership position in the Nigerian market.

Keywords: Financial Analysis, Financial Projection, Nestle, Strategic Alignment.

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Introduction

Company Background

Nestle Nigeria Plc, a subsidiary of Nestle S.A., is a prominent player in the Nigerian food and beverage industry, offering a diverse portfolio of products ranging from dairy and beverages to cereals and confectionery. The company's presence in Nigeria dates back to 1961 when it was established as a trading company under the name Nestle Products Nigeria Limited. Over the years, Nestle Nigeria has grown significantly, leveraging its global expertise and local knowledge to cater to the diverse needs of Nigerian consumers. In 1971, Nestle Nigeria commissioned its first factory in Agbara, Ogun State, marking a significant milestone in its operations. This facility enabled the company to manufacture its products locally, thereby enhancing its efficiency and competitiveness in the Nigerian market. Subsequently, Nestle Nigeria expanded its production capabilities with the establishment of additional factories in Lagos, Abaji, and Ogun State, further

solidifying its presence across the country. One of the pivotal moments in Nestle Nigeria's history occurred in 1979 when the company became publicly listed on the Nigerian Stock Exchange (NSE). This strategic decision not only provided Nestle Nigeria with access to capital for expansion but also enhanced its transparency and corporate governance practices, bolstering investor confidence in the company.

In terms of performance, Nestle Nigeria has demonstrated resilience and adaptability despite facing various challenges in the Nigerian market. The company has consistently reported strong financial results, driven by its robust brand portfolio, effective distribution network, and commitment to quality and innovation. Nestle Nigeria's revenue and profitability have witnessed steady growth over the years, reflecting its ability to capture market share and effectively manage costs. Recent positives for Nestle Nigeria include its continued investment in local manufacturing and distribution infrastructure, enabling the company to better serve its customers and support the Nigerian economy (Heaton, 2024).

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Additionally, Nestle Nigeria has been proactive in responding to evolving consumer preferences by introducing new products and packaging formats tailored to local tastes and lifestyles. However, like any company operating in a dynamic market environment, Nestle Nigeria also faces certain challenges and negatives. These may include fluctuations in input costs, regulatory changes, and increased competition from both domestic players and multinational corporations. Moreover, socio-political factors such as security concerns and infrastructure limitations could impact the company's operations and profitability. Nestle Nigeria Plc has established itself as a leading player in the Nigerian food and beverage industry, with a rich history of delivering quality products and sustainable growth. Through its strategic investments, strong brand equity, and commitment to corporate responsibility, Nestle Nigeria is well-positioned to navigate the challenges and capitalize on the opportunities in the dynamic Nigerian market.

Macro-economic analysis

Economic Standards and Performance

Nestle Nigeria Plc operates within the framework of the Nigerian economy, adhering to various standards and regulations governing its business operations. As a multinational corporation, Nestle Nigeria aligns its practices with both local legislation and international best practices to ensure compliance and foster sustainable growth. Nestle Nigeria operates in accordance with the regulations set forth by Nigerian regulatory bodies such as the National Agency for Food and Drug Administration and Control (NAFDAC) and the Standards Organization of Nigeria (SON). These agencies oversee aspects such as product quality standards, labeling requirements, and food safety protocols (Nestle Nigeria Plc, n.d.). Nestle Nigeria upholds principles of corporate governance to ensure transparency, accountability, and ethical conduct in its business operations. The company's board of directors oversees strategic decision-making, risk management, and financial stewardship, adhering to guidelines outlined by the Nigerian Stock Exchange (NSE) and Securities and Exchange Commission (SEC) (Nestle Nigeria Plc, n.d.).

Nestle Nigeria integrates sustainability into its operations, focusing on environmental stewardship, social responsibility, and economic viability (Aseminachin, 2024). The company engages in initiatives such as water resource management, waste reduction, and community development projects to mitigate its environmental impact and contribute to the well-being of Nigerian society (Nestle Nigeria Plc, n.d.). Nestle Nigeria adheres to labor laws and standards governing employment practices in Nigeria. The company prioritizes employee welfare, health, and safety, providing training and development opportunities while fostering a diverse and inclusive workplace culture (Nestle Nigeria Plc, n.d.). Nestle Nigeria maintains stringent quality assurance measures to uphold the integrity and safety of its products. The company invests in research and development, quality control processes, and supplier partnerships to ensure that its offerings meet the highest standards of excellence and consumer satisfaction (Nestle Nigeria Plc, n.d.). By operating within the standards and regulations of the Nigerian economy, Nestle Nigeria Plc demonstrates its commitment to responsible business practices, sustainable growth, and positive societal impact.

Nigeria versus Sub-Saharan Africa

Analyzing Nigeria's GDP growth in comparison to Sub-Saharan Africa provides valuable insights into the economic environment in which Nestle Nigeria Plc operates, guiding its strategic decision-making and business performance.

Table 1: GDP growth (annual %) of Nigeria in Comparison to Sub-Saharan Africa

Country Name	Nigeria	Sub-Saharan Africa
2018	1.92	2.65
2019	2.21	2.56
2020	-1.79	-1.96
2021	3.65	4.15
2022	3.25	3.59

Source: World Bank Report (2024)

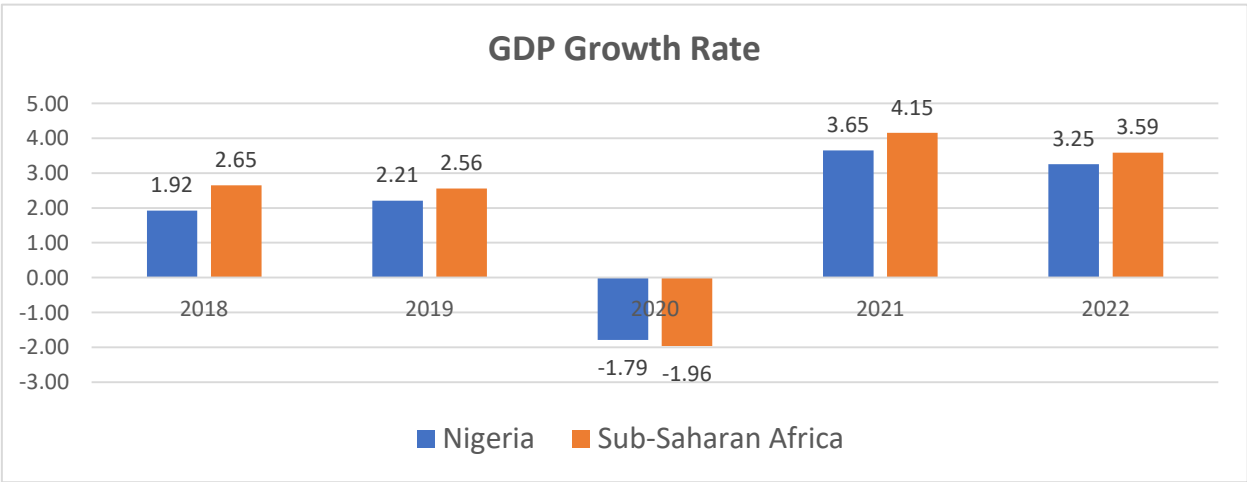


Figure 1: GDP Growth Rate of Nigeria versus South Africa

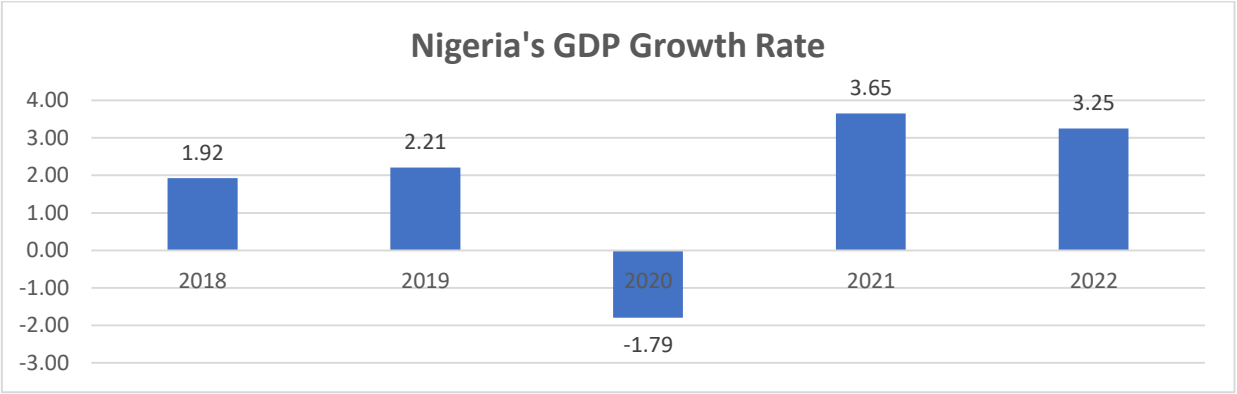


Figure 2: Bar Chart of GDP Growth Rate of Nigeria

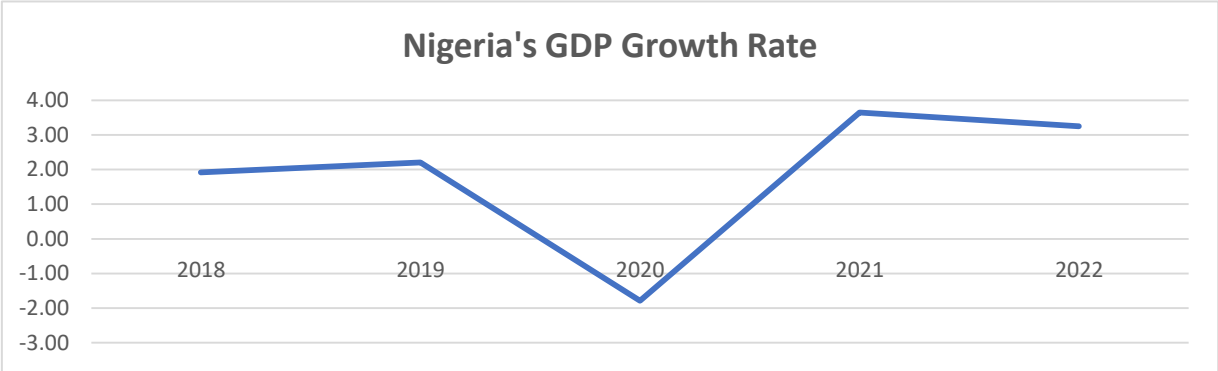


Figure 3: Line Chart of GDP Growth Rate of Nigeria

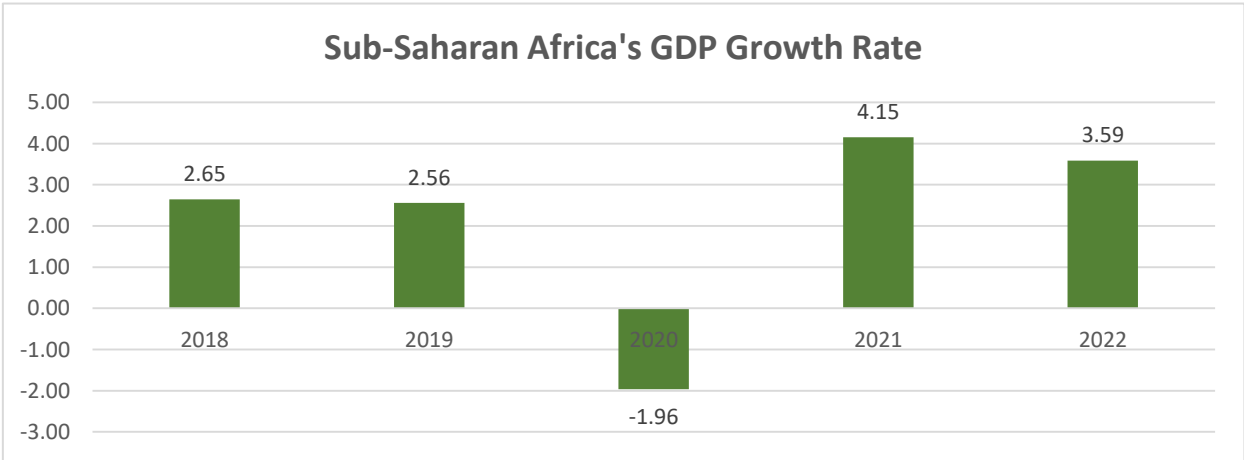


Figure 4: Bar Chart of Sub-Saharan Africa's GDP Growth Rate

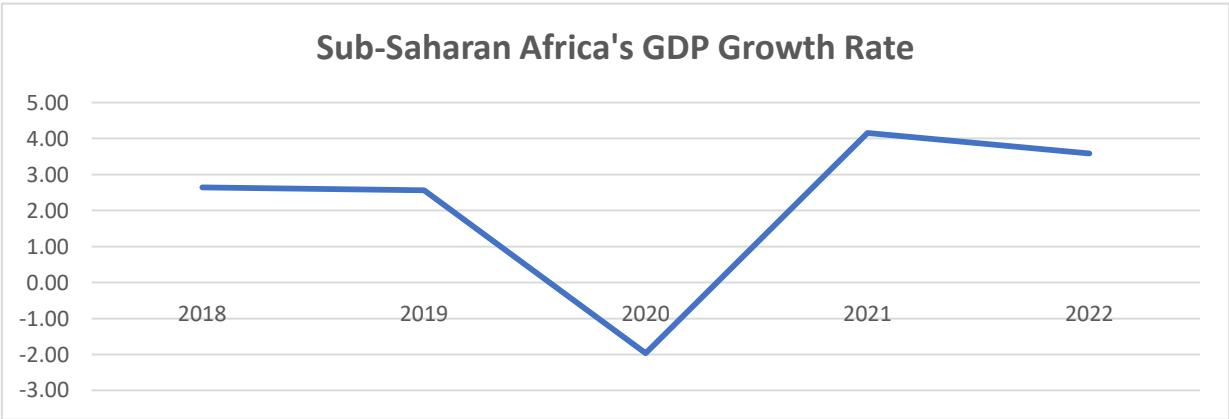


Figure 5: Line Graph of Sub-Saharan Africa's GDP Growth Rate

The GDP growth rates of Nigeria compared to the broader Sub-Saharan Africa region offer insights into the economic performance and trends in both areas. Here's a detailed explanation of the data and its relevance to Nestle Nigeria Plc:

Nigeria's GDP Growth: In 2018, Nigeria's GDP growth rate was 1.92%, indicating moderate economic expansion. This growth rate suggests stability but may not be sufficient to address the country's development needs. The following years saw fluctuations in Nigeria's GDP growth: a slight increase to 2.21% in 2019, followed by a contraction of -1.79% in 2020 due to the COVID-19 pandemic and its associated disruptions. However, Nigeria experienced a robust recovery in 2021, with GDP growth soaring to 3.65%. This rebound reflects the country's resilience and efforts to bounce back from the pandemic-induced recession. In 2022, Nigeria's GDP growth remained positive at 3.25%, indicating sustained economic recovery and momentum.

Sub-Saharan Africa's GDP Growth: Sub-Saharan Africa's GDP growth rates generally followed a similar pattern to Nigeria's but with some variations. In 2018 and 2019, Sub-Saharan Africa's GDP growth rates were higher than Nigeria's, indicating stronger economic performance in the region as a whole. The region experienced a sharper contraction in 2020 compared to Nigeria, with GDP growth declining by -1.96%. However, like Nigeria, Sub-Saharan Africa saw a significant rebound in 2021, with GDP growth reaching 4.15%, reflecting a broad-based recovery across the region. In 2022, Sub-Saharan Africa's GDP growth remained positive but slightly lower than Nigeria's, at 3.59%.

Relevance to Nestle Nigeria Plc

Nestle Nigeria's performance is closely linked to the economic conditions in Nigeria, its primary market. Positive GDP growth indicates a growing economy with increased consumer spending power, which bodes well for Nestle Nigeria's sales and revenue. Economic fluctuations, such as recessions or rapid growth, can

impact Nestle Nigeria's supply chain operations, including sourcing raw materials and distributing products. Understanding GDP trends helps Nestle Nigeria anticipate and adapt to changes in demand and market conditions. Stable or growing GDP growth rates may encourage Nestle Nigeria to invest in expanding its production capacity, launching new products, or entering new market segments. Conversely, economic downturns may require Nestle Nigeria to adjust its investment and expansion plans to mitigate risks. Changes in GDP growth rates can influence consumer behavior, affecting Nestle Nigeria's product preferences, pricing strategies, and marketing initiatives. Monitoring GDP trends helps Nestle Nigeria understand evolving consumer trends and tailor its business strategies accordingly.

Employment Generated (Nigeria and Sub-Sahara Africa)

Analyzing employment generation trends in Nigeria and Sub-Saharan Africa provides valuable insights into the labor market dynamics that directly impact Nestle Nigeria Plc's operations, workforce management, consumer demand, supply chain stability, CSR initiatives, and strategic decision-making processes.

Table 2: Employment Rate of Nigeria and Sub-Sahara Africa

Country Name	Nigeria	Sub-Saharan Africa (IDA & IBRD countries)
2018	56.01	62.62
2019	55.81	62.46
2020	55.03	61.45
2021	55.51	61.58
2022	56.70	62.37

Source: World Bank Report (2024)

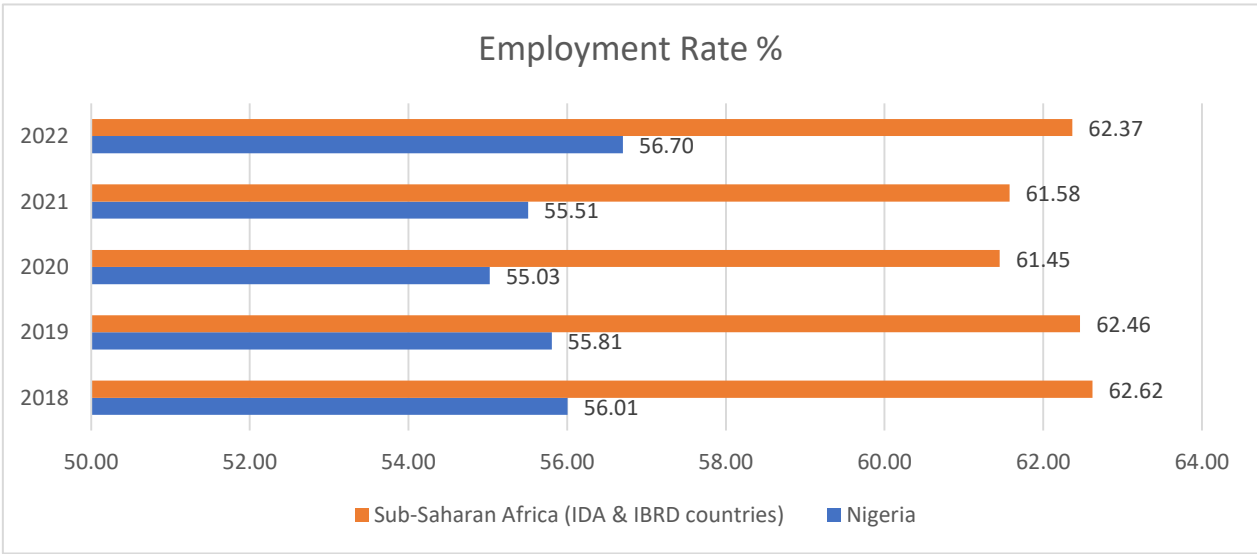


Figure 6: GDP Growth Rate of Nigeria Versus South Africa

The data on employment generation in Nigeria and Sub-Saharan Africa (SSA) sheds light on labor market dynamics, which can have significant implications for Nestle Nigeria Plc's operations.

Employment Trends in Nigeria: Nigeria's employment figures show a relatively stable trend over the years, with minor fluctuations. Despite economic challenges, such as the COVID-19 pandemic and fluctuations in GDP growth, Nigeria maintained a steady level of employment. From 2018 to 2022, Nigeria's employment figures ranged from 55.03 million to 56.70 million, indicating resilience in the labor market despite external economic pressures.

Employment Trends in Sub-Saharan Africa: Sub-Saharan Africa's employment trends generally mirrored those of Nigeria, with minor variations. The region saw relatively stable employment figures, hovering around 61-62 million over the period. Like Nigeria, Sub-Saharan Africa demonstrated resilience in maintaining employment levels despite economic challenges and external shocks.

Relevance to Nestle Nigeria Plc's Operations:

Workforce Management: Nestle Nigeria Plc relies on a skilled workforce to operate its manufacturing facilities, distribution networks, and administrative functions. Stable employment levels in Nigeria and SSA ensure a consistent pool of talent for Nestle Nigeria to recruit from, minimizing disruptions to its operations.

Consumer Spending and Demand: Employment levels influence consumer spending patterns and overall demand for Nestle Nigeria's products. A stable or growing workforce in Nigeria and SSA indicates a potential increase in disposable income, which can translate to higher consumer purchasing power and demand for Nestle's food and beverage products.

Supply Chain Stability: A stable labor market in Nigeria and SSA contributes to supply chain stability for Nestle Nigeria. Consistent

employment levels among suppliers, distributors, and logistics partners ensure reliable access to raw materials, efficient distribution of products, and timely delivery to customers.

Corporate Social Responsibility (CSR): Nestle Nigeria Plc's operations are not only focused on profitability but also on contributing to socio-economic development in the communities where it operates. By creating employment opportunities and supporting job growth in Nigeria and SSA, Nestle Nigeria fulfills its CSR objectives and strengthens its reputation as a responsible corporate citizen.

Business Expansion and Investment: Stable employment figures in Nigeria and SSA signal a conducive business environment for Nestle Nigeria's expansion and investment plans. A growing workforce indicates potential market growth and opportunities for Nestle Nigeria to expand its operations, introduce new product lines, or invest in research and development.

Nestle Employment Generation Capability in Nigeria

Presented below is Nestle Nigeria Plc's employment generation capability in Nigeria over a five-year period, distinguishing between direct and indirect employment.

Table 3: Nestle Nigeria Plc's Direct and Indirect Employment From 2018 to 2022

Year	Direct	Indirect
2018	2000	11000
2019	2100	12600
2020	2200	13200
2021	2300	13800
2022	2300	13800

Source: Nestle Nigeria Plc Report

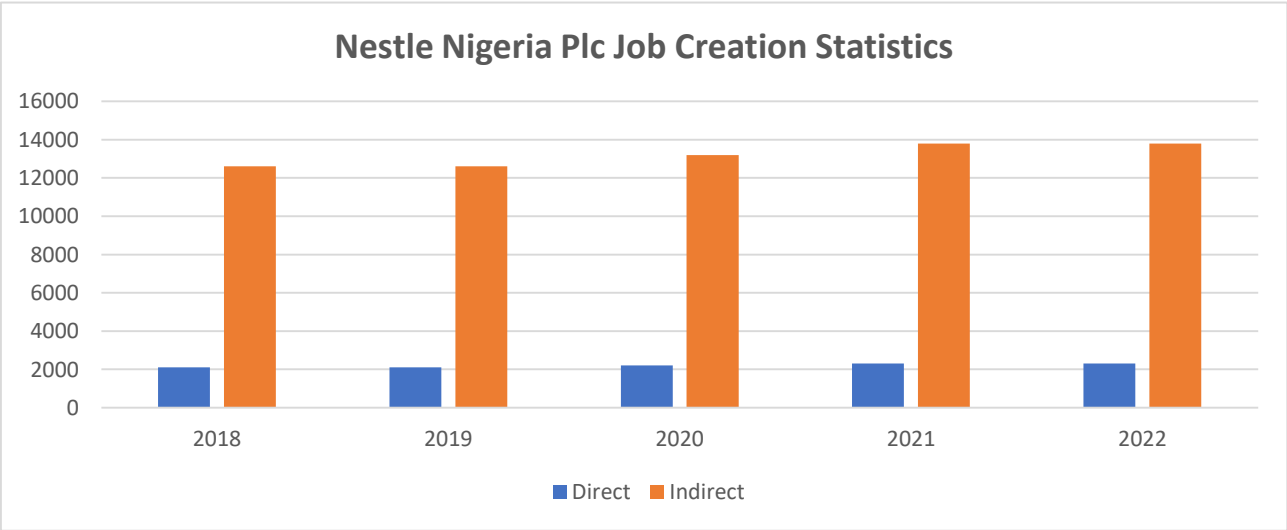


Figure 7: Bar Chart Nestle Nigeria Plc's Direct and Indirect Employment From 2018 to 2022

Direct Employment: Direct employment refers to the number of individuals directly hired by Nestle Nigeria Plc to work within its organization. These employees are typically engaged in various roles such as production, administration, marketing, research and development, and other core functions of the company. In 2018, Nestle Nigeria employed 2,000 individuals directly. This figure increased steadily over the years, reaching 2,300 direct employees by 2022.

Indirect Employment: Indirect employment encompasses jobs created in the broader economy as a result of Nestle Nigeria Plc's operations. These include employment opportunities generated among suppliers, distributors, retailers, service providers, and other businesses within the value chain that support Nestle's activities. In 2018, Nestle Nigeria's operations indirectly supported approximately 11,000 jobs in the economy. Similar to direct employment, indirect employment also experienced a gradual increase, reaching 13,800 jobs by 2022.

Nestle Nigeria's ability to generate both direct and indirect employment demonstrates its significant contribution to the Nigerian economy. By creating job opportunities, Nestle plays a vital role in alleviating unemployment and improving living standards in the communities where it operates. The employment generated by Nestle Nigeria Plc contributes to socio-economic development by providing individuals with stable incomes, access to healthcare, education, and other essential services. This, in turn, fosters social stability and enhances the overall well-being of communities. The data highlights the interconnectedness of Nestle Nigeria's operations with its supply chain and business partners. The company's expansion and growth directly translate into increased demand for goods and services from suppliers and distributors, thereby stimulating economic activity along the value chain. Nestle Nigeria's commitment to job creation reinforces its corporate reputation as a responsible and socially conscious organization. By investing in human capital development and promoting employment opportunities, Nestle strengthens its ties with stakeholders and earns goodwill within the Nigerian society. Sustainable employment generation aligns with Nestle Nigeria's long-term business objectives by fostering a stable workforce, enhancing productivity, and supporting business growth. A skilled and motivated workforce is essential for driving innovation, maintaining quality standards, and sustaining competitive advantage in the market. The data on Nestle Nigeria Plc's employment generation capability underscores the company's pivotal role in fostering economic growth, social development, and sustainability in Nigeria. It reflects Nestle's commitment to creating value not only for its shareholders but also for the broader society in which it operates.

PESTLE Analysis

A PESTLE analysis is a strategic tool used to examine the external macro-environmental factors that can impact a business or industry (Dalirazar & Sabzi, 2023).

Political Factors: Nigeria's political environment significantly impacts Nestle Nigeria Plc's operations. Political stability is essential for business continuity, as instability can disrupt supply chains and operations. Government policies, such as taxation and trade regulations, directly affect Nestle Nigeria's profitability and strategic decision-making. Additionally, navigating issues related to corruption, which can involve regulatory hurdles and ethical

challenges, is crucial for maintaining Nestle Nigeria's reputation and sustainability in the market.

Economic Factors: Nigeria's economic landscape shapes Nestle Nigeria Plc's performance and growth prospects. Economic growth rates influence consumer purchasing power and demand for Nestle products. Inflation levels impact production costs, pricing strategies, and consumer spending habits, affecting Nestle Nigeria's bottom line. Exchange rate fluctuations also play a significant role, as they influence import costs for raw materials and export revenues, impacting Nestle Nigeria's competitiveness in the market.

Social Factors: Nestle Nigeria Plc operates within Nigeria's diverse social fabric, catering to various demographic segments. The country's large and growing population presents a significant market opportunity for Nestle's consumer goods products. Understanding and adapting to shifts in consumer preferences and lifestyles, such as the increasing demand for healthier food and beverage options, are critical for Nestle Nigeria's success. Embracing Nigeria's cultural diversity allows Nestle Nigeria to tailor its products and marketing strategies effectively to resonate with local tastes and preferences.

Technological Factors: Nigeria's technological landscape influences Nestle Nigeria Plc's manufacturing, distribution, and marketing capabilities. Challenges related to infrastructure, such as inadequate transportation and power supply, can impact Nestle Nigeria's operational efficiency and supply chain management. However, advancements in technology offer opportunities for Nestle Nigeria to innovate in areas like manufacturing processes, packaging solutions, and digital marketing strategies. Embracing digitalization enables Nestle Nigeria to enhance its customer engagement, optimize supply chain operations, and stay competitive in the market.

Legal Factors: Nestle Nigeria Plc must navigate Nigeria's legal framework, ensuring compliance with regulations governing the food and beverage industry. Adhering to product safety, labeling, and advertising standards is paramount for Nestle Nigeria to maintain consumer trust and meet regulatory requirements. Compliance with labor laws, including fair employment practices and workplace safety regulations, is essential for fostering a positive work environment and upholding Nestle Nigeria's corporate values. Protecting intellectual property rights safeguards Nestle Nigeria's brand identity and prevents unauthorized use of its trademarks and patents.

Environmental Factors: Nigeria's environmental conditions pose both challenges and opportunities for Nestle Nigeria Plc. Environmental issues such as climate change and natural disasters can disrupt Nestle Nigeria's agricultural supply chain, affecting the availability and cost of raw materials. However, Nestle Nigeria has an opportunity to demonstrate its commitment to sustainability by implementing eco-friendly practices, waste reduction initiatives, and responsible water management strategies. By prioritizing environmental stewardship, Nestle Nigeria can mitigate risks associated with resource scarcity and pollution while enhancing its corporate reputation as a responsible and environmentally conscious organization (Dalirazar & Sabzi, 2023).

Contributions to Household Income:

Nestle Nigeria Plc's operations play a significant role in contributing to household income across the nation. By providing direct and indirect employment opportunities, Nestle not only supports individual livelihoods but also stimulates economic activity within communities.

Direct Employment Impact: Nestle Nigeria Plc has steadily increased its direct employment over the past five years, from 2,000 employees in 2018 to 2,300 in 2022. These individuals, engaged in various roles within the company, earn wages that directly contribute to their household income.

Indirect Employment Multiplier Effect: Nestle's operations have a ripple effect on the economy, generating additional employment opportunities indirectly. The growth of its business translates into increased demand for goods and services from suppliers, distributors, retailers, and other stakeholders along the value chain. The data shows indirect employment rising from 11,000 in 2018 to 13,800 in 2022.

Income Stability and Economic Well-being: The stable income earned by Nestle's employees, both directly and indirectly, enhances household economic well-being and stability. These earnings support families in meeting their basic needs, including food, housing, education, and healthcare, thereby improving overall living standards.

Local Sourcing and Community Development: Nestle's commitment to local sourcing of raw materials and engagement with local suppliers further amplifies its positive impact on household income. By sourcing locally, Nestle creates opportunities for smallholder farmers and entrepreneurs, empowering them economically and fostering community development.

Industry and Business Strategy Analysis:

Market Expansion and Revenue Growth: Nestle Nigeria's revenue has shown consistent growth over the past five years, reaching NGN 547.12 billion in 2023. This growth reflects the effectiveness of Nestle's market expansion strategies, which focus on introducing new products, expanding distribution networks, and

capturing market share in diverse segments such as beverages, dairy, and confectionery.

Cost Management and Profitability: Despite revenue growth, Nestle maintains a strong focus on cost management to ensure profitability. The company's gross profit increased from NGN 119.21 billion in 2020 to NGN 217.17 billion in 2023, indicating effective cost control measures and operational efficiency.

Investment in Innovation and R&D: Nestle Nigeria prioritizes innovation and research and development (R&D) to drive product differentiation and meet evolving consumer preferences. This strategic focus on innovation enables Nestle to introduce new product variants and improve existing offerings, thereby sustaining competitiveness in the market.

Sustainability and Corporate Social Responsibility (CSR): Nestle Nigeria's business strategy integrates sustainability and CSR initiatives aimed at addressing environmental challenges, promoting social welfare, and fostering inclusive growth. The company's commitment to sustainable sourcing, responsible production practices, and community development initiatives enhances its reputation and strengthens stakeholder trust.

Adaptability and Resilience: Nestle demonstrates adaptability and resilience in navigating market uncertainties and external challenges. Despite economic fluctuations, including the recession in 2020, Nestle sustained its operations, maintained profitability, and continued to invest in growth opportunities, showcasing its robust business strategy and risk management capabilities.

Nestle Nigeria Plc's contributions to household income underscore its pivotal role in driving economic growth, fostering community development, and enhancing the well-being of Nigerians. By aligning its business strategy with market dynamics, innovation, and sustainability goals, Nestle Nigeria remains well-positioned for continued success in the dynamic Nigerian market.

Basic Market Ratio Analysis of Nestle Nigeria Plc to the Industry

The study evaluates various recent ratios of Nestle Nigeria Plc to determine its performance in comparison to the industry standard as presented below as follows;

Table 4: Financial Ratios of Nestle Nigeria Plc

Name	Company	Industry
P/E Ratio <i>TTM</i>	-3.17	64
Price to Sales <i>TTM</i>	1.25	4.88
Price to Cash Flow <i>MRQ</i>	19.6	43.08
Price to Free Cash Flow <i>TTM</i>	385.41	-182.72
Price to Book <i>MRQ</i>	-10.68	10.25
Price to Tangible Book <i>MRQ</i>	-10.68	10.24

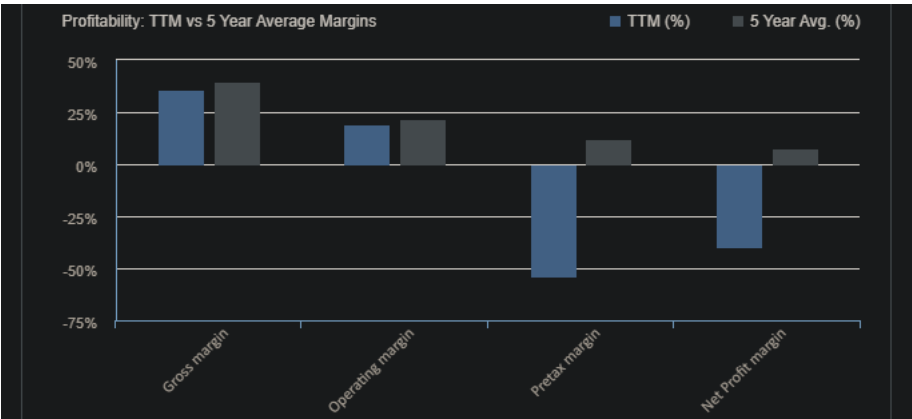


Figure 8: Comparative Ratio of Nestle to the Industry

These ratios provide insights into the financial performance and valuation of Nestle Nigeria Plc relative to its industry peers. Let's break down each ratio:

P/E Ratio (Price-to-Earnings Ratio) TTM (Trailing Twelve Months): The P/E ratio measures the price investors are willing to pay for each unit of earnings generated by the company. A negative P/E ratio for Nestle Nigeria Plc indicates that the company's earnings over the past twelve months were negative, which could be due to losses or accounting adjustments. In contrast, the industry's P/E ratio of 64 suggests that investors in the industry are willing to pay a higher price for earnings compared to Nestle Nigeria Plc.

Price to Sales TTM (Trailing Twelve Months): The price-to-sales ratio evaluates the company's stock price relative to its revenue per share. A lower ratio indicates that investors are paying less for each unit of sales generated by the company. In this case, Nestle Nigeria Plc's ratio of 1.25 is lower than the industry average of 4.88, suggesting that investors may find the company's stock relatively more attractively priced based on its sales.

Price to Cash Flow MRQ (Most Recent Quarter): This ratio measures the stock price relative to the cash flow generated by the company. A lower ratio suggests that the stock is undervalued relative to its cash flow. Nestle Nigeria Plc's ratio of 19.6 is lower than the industry average of 43.08, indicating that the stock may be relatively undervalued based on its cash flow.

Price to Free Cash Flow TTM (Trailing Twelve Months): The price-to-free-cash-flow ratio compares the stock price to the amount of free cash flow generated by the company. Free cash flow represents the cash a company generates after accounting for capital expenditures. Nestle Nigeria Plc's ratio of 385.41 is

significantly higher than the industry average, suggesting that investors are paying a premium for the company's free cash flow compared to its peers.

Price to Book MRQ (Most Recent Quarter): The price-to-book ratio compares the market value of a company to its book value. A negative ratio indicates that the company's market value is lower than its book value per share. Nestle Nigeria Plc's negative ratio of -10.68 suggests that the market values the company below its book value, which may indicate undervaluation or financial distress compared to the industry average.

Price to Tangible Book MRQ (Most Recent Quarter): Similar to the price-to-book ratio, the price-to-tangible-book ratio compares the market value of a company to its tangible book value per share, which excludes intangible assets like patents and goodwill. Nestle Nigeria Plc's negative ratio of -10.68 indicates that the market values the company below its tangible book value, similarly to the price-to-book ratio.

These ratios suggest that Nestle Nigeria Plc may be relatively undervalued compared to its industry peers based on metrics like price-to-sales, price-to-cash-flow, and price-to-book ratios. However, the company's negative earnings and high price-to-free-cash-flow ratio raise concerns about its profitability and the premium investors are willing to pay for its free cash flow.

SWOT Analysis

A SWOT analysis is a strategic planning tool used to identify an organization's internal strengths and weaknesses, as well as external opportunities and threats, to inform decision-making and strategy development (Puyt et al., 2024). We evaluate Nestle better in light of the SWOT Analysis.

Strength - Strong Revenue Growth - Diversified Product Portfolio - Robust Operating Income - Healthy Cash Position	Weakness - High Operating Expenses. - Declining Net Income - Limited Asset Diversification
Opportunities - Market Expansion - Product Innovation - Strategic Partnerships	Threats - Economic Instability - Regulatory Challenges - Intense Competition.

Figure 9: SWOT Analysis of Nestle Nigeria Plc

Strengths: Nestle Nigeria has demonstrated consistent revenue growth over the past four years, indicating its strong market position and brand recognition. The company has a diversified product portfolio, including food and beverage products, which helps mitigate risks associated with market fluctuations in any single product category. Nestle Nigeria's operating income has shown steady growth, reflecting efficient operational management and cost control measures. With increasing net income and positive cash flow from operating activities, Nestle Nigeria maintains a healthy cash position, enabling it to invest in growth opportunities and meet financial obligations.

Weaknesses: The company's total operating expenses have been on the rise, which may indicate inefficiencies or increased costs of doing business, potentially impacting overall profitability. Despite growing revenue and operating income, Nestle Nigeria has experienced a decline in net income over the past year, suggesting challenges in managing costs or facing increased tax burdens. Nestle Nigeria's assets are primarily concentrated in current assets and property/plant/equipment, indicating limited diversification into other asset classes, which could pose risks in the event of market downturns or asset depreciation.

Opportunities: Nestle Nigeria can explore opportunities for further market expansion within Nigeria and neighboring regions, leveraging its brand reputation and product diversification to capture a larger market share. Investing in research and

development (R&D) to innovate new products or improve existing ones can help Nestle Nigeria stay competitive in the rapidly evolving consumer goods industry and cater to changing consumer preferences. Collaborating with local suppliers, distributors, or retailers can enhance Nestle Nigeria's distribution network and reach underserved markets, facilitating growth and increasing market penetration.

Threats: Nestle Nigeria is susceptible to economic downturns, currency fluctuations, and inflationary pressures, which could impact consumer spending and overall demand for its products. Changes in government regulations, tax policies, or food safety standards may pose compliance challenges and increase operational costs for Nestle Nigeria, affecting profitability. The company faces competition from both local and international brands in the food and beverage industry, which could result in pricing pressures, loss of market share, or reduced margins if not effectively addressed.

Overall, while Nestle Nigeria has demonstrated strengths such as strong revenue growth and a diversified product portfolio, it needs to address weaknesses like high operating expenses and declining net income to capitalize on opportunities and mitigate threats in the dynamic market environment. Strategic initiatives focused on innovation, market expansion, and cost management will be crucial for sustaining long-term growth and competitiveness.

Financial Summary of Nestle Nigeria Plc

Statement of Profit or Loss

Table 5: Nestle Nigeria Plc Income Statement

	2023	2022	2021	2020
Period Ending:	31/12	31/12	31/12	31/12
Total Revenue	547118.75	446819.26	351822.33	287084.09
Revenue	547118.75	446819.26	351822.33	287084.09
Other Revenue, Total	-	-	-	-
Cost of Revenue, Total	329945.35	291054.27	219985.91	167872.62
Gross Profit	217173.41	155764.99	131836.42	119211.47
Total Operating Expenses	423740.99	360428.55	280135.84	222665.5
Selling/General/Admin. Expenses, Total	93795.64	69345.24	59870.47	54792.89
Research & Development	-	-	-	-
Depreciation / Amortization	11672.99	-	-	-
Interest Expense (Income) - Net Operating	-37891.34	-12206.47	-7063.15	-
Unusual Expense (Income)	-	-	-	-
Other Operating Expenses, Total	37891.34	12235.51	7341.59	-

Operating Income	123377.77	86390.71	71965.95	64418.58
Interest Income (Expense), Net Non-Operating	-	-	-10090.6	-3780.14
Gain (Loss) on Sale of Assets	-	-	-	-
Other, Net	227403.2	15281.34	10090.6	-
Net Income Before Taxes	-104025.43	71109.37	61875.34	60638.44
Provision for Income Taxes	-24551.65	22143.88	21838.06	21426.42
Net Income After Taxes	-79473.78	48965.49	40037.28	39212.03
Minority Interest	-	-	-	-
Equity In Affiliates	-	-	-	-
U.S GAAP Adjustment	-	-	-	-
Net Income Before Extraordinary Items	-79473.78	48965.49	40037.28	39212.03
Total Extraordinary Items	-	-	-	-
Net Income	-79473.78	48965.49	40037.28	39212.03
Total Adjustments to Net Income	-	-	-	-
Income Available to Common Excluding Extraordinary Items	-79473.78	48965.49	40037.28	39212.03
Dilution Adjustment	-2.07	3.11	0.21	-
Diluted Net Income	-79471.72	48962.38	40037.07	39212.03
Diluted Weighted Average Shares	792.66	792.66	792.66	792.66
Diluted EPS Excluding Extraordinary Items	-100.26	61.77	50.51	49.47
DPS - Common Stock Primary Issue	-	61.5	50.5	60.5
Diluted Normalized EPS	-82	56.07	48.79	49.53

Source: Annual Financial Statement of Nestle Nigeria Plc

From 2020 to 2023, Nestle Nigeria Plc experienced significant fluctuations in its income statement, reflecting shifts in its revenue, expenses, and profitability.

Revenue: Nestle's total revenue steadily increased over the period. In 2020, it stood at ₦287.08 billion and rose to ₦547.12 billion by 2023. This upward trajectory indicates the company's ability to grow its top line, possibly driven by factors such as increased sales volume or price adjustments.

Gross Profit: Corresponding with the rise in revenue, Nestle's gross profit also grew from ₦119.21 billion in 2020 to ₦217.17 billion in 2023. This suggests that the company effectively managed its cost of goods sold, allowing for higher profitability on each unit sold.

Operating Expenses: While Nestle successfully increased its revenue and gross profit, its total operating expenses also escalated. From ₦222.67 billion in 2020, these expenses climbed to ₦423.74 billion in 2023. This increase may stem from various factors, including rising administrative and marketing costs.

Operating Income: Despite the rise in operating expenses, Nestle managed to improve its operating income over the period. It grew from ₦64.42 billion in 2020 to ₦123.38 billion in 2023, indicating enhanced operational efficiency and profitability.

Net Income: Nestle's net income fluctuated over the four-year period. It reached ₦40.04 billion in 2021, dipped to ₦48.97 billion in 2022, and then sharply declined to a loss of ₦79.47 billion in 2023. This significant swing into negative territory in 2023 may raise concerns and warrants further investigation into the

underlying reasons, such as extraordinary expenses or non-operating losses.

Earnings Per Share (EPS): Nestle's diluted EPS excluding extraordinary items fluctuated as well, peaking at ₦61.77 in 2022 before dropping to -₦100.26 in 2023. This negative EPS in 2023 reflects the company's net loss for the year, indicating a challenging financial performance.

Dividends: The company's dividend payout to common shareholders remained stable over the period, with ₦60.50 per

share in 2020, ₦50.50 per share in 2021, and ₦61.50 per share in 2022. However, given the net loss in 2023, no dividends were distributed.

In summary, Nestle Nigeria Plc demonstrated growth in revenue and profitability up to 2022, but faced challenges in 2023, leading to a substantial net loss. Understanding the factors contributing to this loss will be crucial for the company's future financial health and strategic planning.

Statement of Financial Position

Table 6: Nestle Nigeria Plc Statement of Financial Position

	2023	2022	2021	2020
Period Ending:	31/12	31/12	31/12	31/12
Total Current Assets	361245.79	290511.9	203924.33	151501.45
Cash and Short Term Investments	167735.01	117932.43	100518.16	58703.21
Cash	-	-	21037.01	16794.76
Cash & Equivalents	167732.64	117229.93	100518.16	-
Short Term Investments	2.37	702.5	79481.15	41908.45
Total Receivables, Net	15072.84	11255.35	6237.65	13257.35
Accounts Receivables - Trade, Net	7218.01	4995.38	3955.52	10852.16
Total Inventory	87792.56	88340.53	58964.12	52222.27
Prepaid Expenses	3430.13	1929.04	1093.84	5364.1
Other Current Assets, Total	87215.25	71054.55	37110.55	21954.53
Total Assets	581774.41	415044.03	310238.5	246185
Property/Plant/Equipment, Total - Net	170821.04	121715.79	103812.89	92320.36
Property/Plant/Equipment, Total - Gross	259315.05	200128.62	173229.04	154209.71
Accumulated Depreciation, Total	-88494	-78412.83	-69416.15	-61889.34
Goodwill, Net	-	-	-	-
Intangibles, Net	-	-	-	-
Long Term Investments	-	-	-	-
Note Receivable - Long Term	7379.46	5662.25	1708.12	2363.18
Other Long Term Assets, Total	97.57	-	-	-
Other Assets, Total	210022.73	152256.3	92912.33	-

Total Current Liabilities	290637.71	218404.56	195517.98	166030.35
Accounts Payable	69830.75	57528.44	52563.33	93299.25
Payable/Accrued	-	-	-	-
Accrued Expenses	12485.77	61933.86	26132.18	-
Notes Payable/Short Term Debt	-	-	2.35	2.55
Current Port. of LT Debt/Capital Leases	37371.37	8347.23	616.76	6608.75
Other Current liabilities, Total	170949.82	90595.03	116203.36	66119.79
Total Liabilities	659809.56	384752.81	288860.3	216888.01
Total Long-Term Debt	365127.52	147134.44	76715.99	34402.29
Long Term Debt	365127.52	147006.56	76432.86	33834.2
Capital Lease Obligations	-	127.89	283.14	568.08
Deferred Income Tax	-	14854.15	12587.72	11984.35
Minority Interest	-	-	-	-
Other Liabilities, Total	-398275.24	-150940.42	4036.25	4471.02
Total Equity	-78035.16	30291.22	21378.21	29296.98
Redeemable Preferred Stock, Total	-	-	-	-
Preferred Stock - Non-Redeemable, Net	-	-	-	-
Common Stock, Total	396.33	396.33	396.33	396.33
Additional Paid-In Capital	32.26	32.26	32.26	32.26
Retained Earnings (Accumulated Deficit)	-78633.23	29772.51	20836.16	28868.39
Treasury Stock - Common	-	-	-	-
ESOP Debt Guarantee	-	-	-	-
Unrealized Gain (Loss)	-	-	-	-
Other Equity, Total	169.48	90.13	113.46	-
Total Liabilities & Shareholders' Equity	581774.41	415044.03	310238.5	246185
Total Common Shares Outstanding	792.66	792.66	792.66	792.66
Total Preferred Shares Outstanding	-	-	-	-

Source: Annual Financial Statement of Nestle Nigeria Plc

The Statement of Financial Position, also known as the balance sheet, provides insights into Nestle Nigeria Plc's financial health and position at the end of each period from 2020 to 2023.

Total Assets: Nestle's total assets witnessed a consistent increase over the four-year period, reflecting the company's growth and expansion. It climbed from ₦246.19 billion in 2020 to ₦581.77 billion in 2023, indicating substantial investment in various assets to support its operations.

Current Assets: The company's current assets, which include cash, short-term investments, receivables, and inventory, also experienced significant growth. From ₦151.50 billion in 2020, it surged to ₦361.25 billion in 2023, suggesting improved liquidity and operational efficiency.

Property/Plant/Equipment: Nestle invested in property, plant, and equipment (PPE) to support its manufacturing and operational activities. The net PPE increased from ₦92.32 billion in 2020 to ₦170.82 billion in 2023, indicating ongoing investments in infrastructure and capacity expansion.

Long-Term Investments: While Nestle did not report any long-term investments during the period, it maintained some long-term assets like note receivables, which increased from ₦2.36 billion in 2020 to ₦7.38 billion in 2023.

Total Liabilities: Nestle's total liabilities also increased consistently over the period, reflecting its borrowing activities and financial obligations. It rose from ₦216.89 billion in 2020 to

₦659.81 billion in 2023, driven mainly by an increase in long-term debt and other liabilities.

Current Liabilities: The company's current liabilities, representing obligations due within one year, grew from ₦166.03 billion in 2020 to ₦290.64 billion in 2023. This increase could be attributed to higher accounts payable, accrued expenses, and short-term borrowings.

Equity: Nestle's equity position fluctuated over the period. While it stood at ₦29.30 billion in 2020, it turned negative in 2023, reaching -₦78.04 billion. This negative equity indicates that the company's liabilities outweigh its assets, which could raise concerns about its financial health and solvency.

Common Stock and Retained Earnings: The company's common stock remained stable throughout the period, indicating no significant changes in share capital. However, retained earnings, representing accumulated profits or losses over the years, fluctuated. In 2023, retained earnings turned into a deficit of -₦78.63 billion, reflecting the company's net loss for the year.

In summary, Nestle Nigeria Plc's statement of financial position reflects its growth in assets, liabilities, and equity over the four-year period, with notable investments in current assets and property, plant, and equipment. However, the increase in liabilities and the emergence of negative equity in 2023 signal potential financial challenges that need to be addressed for sustainable growth and profitability.

Statement of Cashflow

Table 7: Nestle Nigeria Plc Statement of Cashflow

	2023	2022	2021	2020
Period Ending:	31/12	31/12	31/12	31/12
Net Income/Starting Line	-79473.78	48965.49	40037.28	39212.03
Cash From Operating Activities	82702.83	-4432.96	64435.84	63797.81
Depreciation/Depletion	11672.99	9752.56	8409.4	7751.34
Amortization	-	-	-	-
Deferred Taxes	-	2266.44	603.36	-
Non-Cash Items	162497.15	26415.09	11292.5	28844.96
Cash Receipts	-	-	-	-
Cash Payments	-	-	-	-
Cash Taxes Paid	27888.04	21950.37	23429.39	23224.06
Cash Interest Paid	38681.1	782.03	1946.58	1479.08
Changes in Working Capital	-11993.52	-89566.11	4696.67	-12010.51

Cash From Investing Activities	-55112.32	-22868.15	-19969.33	-15718.62
Capital Expenditures	-59673.04	-26919.86	-21076.92	-16502.09
Other Investing Cash Flow Items, Total	4560.73	4051.71	2662.5	783.48
Cash From Financing Activities	21293.34	44241.8	-4515.04	6379.45
Financing Cash Flow Items	-38681.1	-782.03	-1946.58	-1479.08
Total Cash Dividends Paid	-13769.74	-14026.59	-30729.4	-18745.09
Issuance (Retirement) of Stock, Net	-	-	-	-
Issuance (Retirement) of Debt, Net	73744.18	59050.41	28160.94	26603.62
Foreign Exchange Effects	-195073	-8454.12	-4735.03	-
Net Change in Cash	49833.55	17393.16	41815.15	54458.64
Beginning Cash Balance	117899.09	99836.77	58703.01	-
Ending Cash Balance	167732.64	117229.93	100518.16	-
Free Cash Flow	27909.55	-24685.2	52747.73	-
Free Cash Flow Growth	214.52	-148.22	-34.09	-
Free Cash Flow Yield	2.64	-3.6	3.51	-

Source: Annual Financial Statement of Nestle Nigeria Plc

The Statement of Cash Flows for Nestle Nigeria Plc from 2020 to 2023 provides insights into the company's cash generation, investment activities, and financing decisions.

Operating Activities: Nestle generated cash from its operating activities in all four years, indicating its ability to generate cash from its core business operations. Despite reporting a net loss in 2023, the company still generated positive cash flow from operating activities, amounting to ₦82.70 billion. This positive cash flow suggests that the company effectively managed its working capital and non-cash expenses, offsetting the impact of the net loss.

Investing Activities: Nestle invested significant amounts in its business over the period. The company consistently spent on capital expenditures to maintain and expand its operations, with total investments reaching ₦55.11 billion in 2023. Despite the substantial investment, the company managed to generate positive free cash flow in 2020 and 2021, indicating that its operating cash flow was sufficient to cover its capital expenditures. However, in 2022 and 2023, the company reported negative free cash flow, suggesting increased capital expenditure or decreased operating cash flow relative to previous years.

Financing Activities: Nestle engaged in various financing activities to fund its operations and growth initiatives. The company issued significant amounts of debt in all four years, indicating its reliance on debt financing to support its activities.

Additionally, Nestle paid dividends to its shareholders and repaid some of its debt obligations over the period.

Foreign Exchange Effects: Nestle experienced significant negative effects from foreign exchange fluctuations, primarily in 2023, resulting in a decrease in cash and cash equivalents. These fluctuations may have been influenced by factors such as currency devaluation or exchange rate volatility in the countries where Nestle operates.

Net Change in Cash: Despite fluctuations in cash flow from operating, investing, and financing activities, Nestle managed to increase its cash position over the period. The net change in cash ranged from ₦17.39 billion in 2022 to ₦49.83 billion in 2023, reflecting the company's ability to effectively manage its cash flow and liquidity.

Ending Cash Balance: Nestle ended 2023 with a cash balance of ₦167.73 billion, compared to ₦117.23 billion in 2022 and ₦100.52 billion in 2021, indicating an increase in liquidity over the period.

Nestle Nigeria Plc demonstrated the ability to generate positive cash flow from its operating activities, invest in its business, and manage its financing needs over the four-year period. Despite challenges such as foreign exchange effects and negative free cash flow in certain years, the company maintained a healthy cash position, which could support its future growth and strategic initiatives.

Table 8: Nestle Nigeria Plc’s Revenue

Year	Revenue (₦ billions)
2020	287.08
2021	351.82
2022	446.82
2023	547.12

Source: Annual Financial Statement of Nestle Nigeria Plc

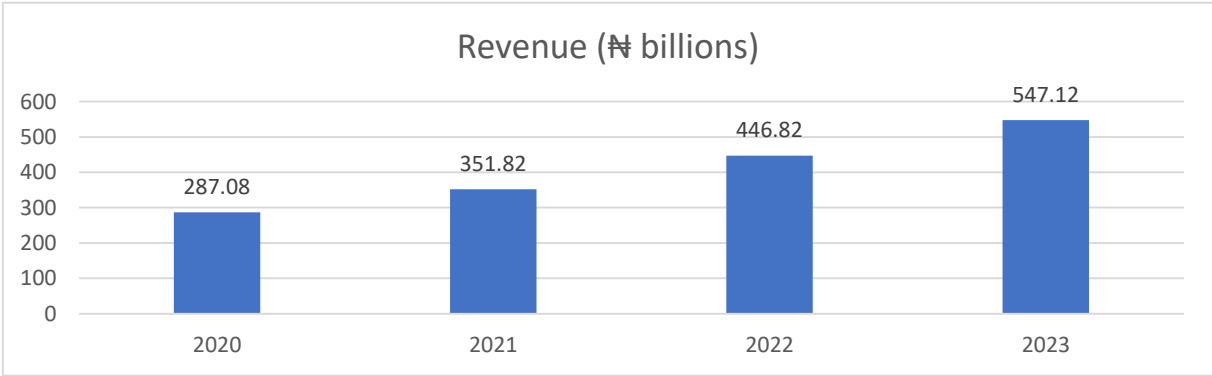


Figure 10: Bar Chart of Nestle Nigeria Plc’s Revenue

Nestle's revenue has consistently grown over the four-year period, from ₦287.08 billion in 2020 to ₦547.12 billion in 2023. The trajectory of revenue indicates robust performance and growth in the company's top line, outpacing the industry mean revenue over the same period

Table 9: Nestle Nigeria Plc’s Manufacturing and Operating Costs

Year	Cost of Revenue (₦ billions)
2020	167.87
2021	219.99
2022	291.05
2023	329.95

Source: Annual Financial Statement of Nestle Nigeria Plc

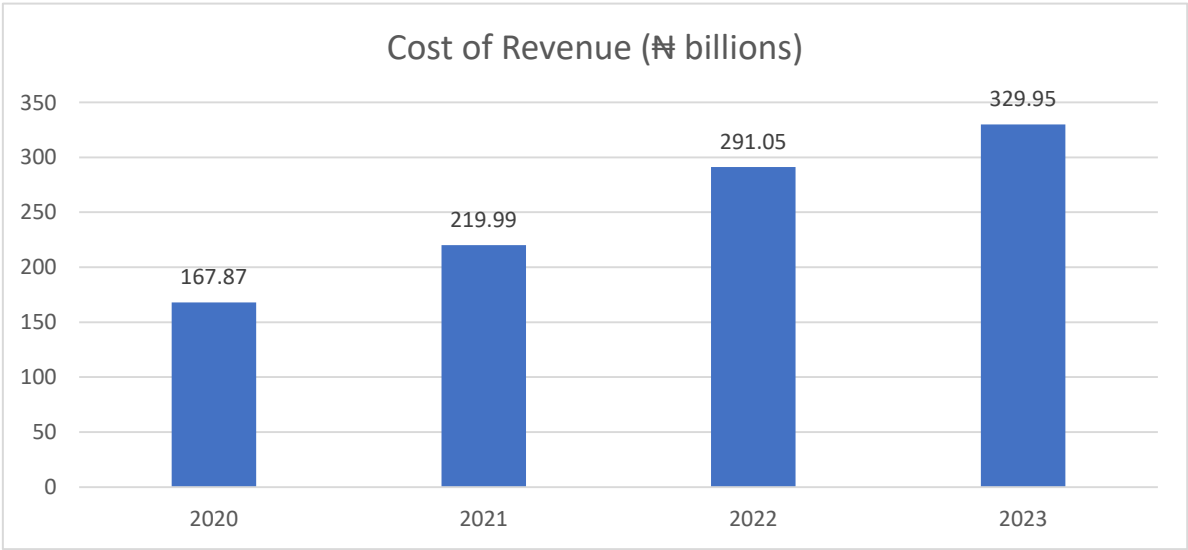


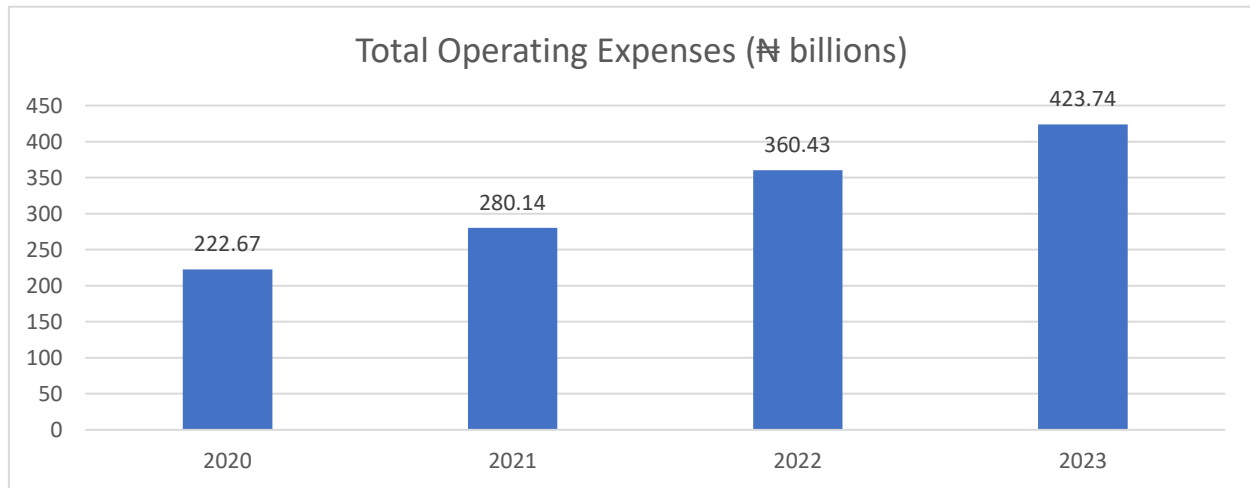
Figure 11: Bar Chart of Nestle Nigeria Plc’s Manufacturing and Operating Costs

Nestle's manufacturing and operating costs, reflected in the total cost of revenue, have also increased over the years, from ₦167.87 billion in 2020 to ₦329.95 billion in 2023. This increase suggests expanding operations and possibly higher production volumes or input costs, which may align with industry trends but need careful management to ensure profitability.

Table 10: Nestle Nigeria Plc's Administration and Selling Costs

Year	Total Operating Expenses (₦ billions)
2020	222.67
2021	280.14
2022	360.43
2023	423.74

Source: Annual Financial Statement of Nestle Nigeria Plc

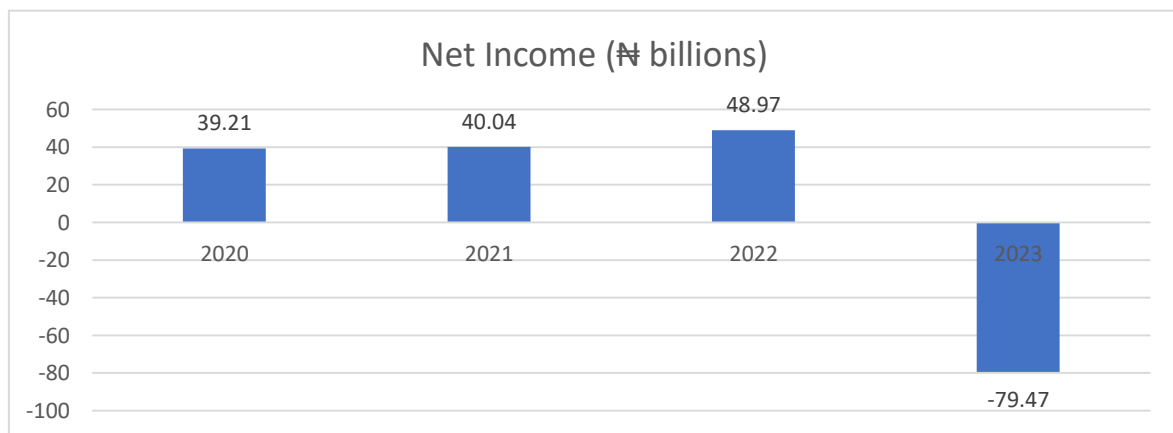
**Figure 12: Bar Chart of Nestle Nigeria Plc's Administration and Selling Costs**

Nestle's administration and selling costs, represented by total operating expenses, have followed a similar upward trajectory, reaching ₦423.74 billion in 2023 from ₦222.67 billion in 2020. While this increase may reflect investments in marketing and distribution channels to support revenue growth, it's crucial to manage these costs effectively to maintain profitability, especially concerning industry mean values.

Table 11: Nestle Nigeria Plc's Profitability

Year	Net Income (₦ billions)
2020	39.21
2021	40.04
2022	48.97
2023	-79.47

Source: Annual Financial Statement of Nestle Nigeria Plc

**Figure 13: Bar Chart of Nestle Nigeria Plc's Profitability**

Nestle's profitability, as indicated by net income, has shown fluctuations over the period, with a net loss of -₦79.47 billion in 2023, compared to a profit of ₦49.97 billion in 2022. The trend in profitability indicates challenges in maintaining consistent earnings, possibly influenced by factors such as cost management, competitive pressures, or market dynamics, which might deviate from industry mean values.

Table 12: Nestle Nigeria Plc’s Interest Income/Expense

Year	Interest Expense (₦ billions)
2020	-7.06
2021	-12.21
2022	-37.89
2023	-37.89

Source: Annual Financial Statement of Nestle Nigeria Plc

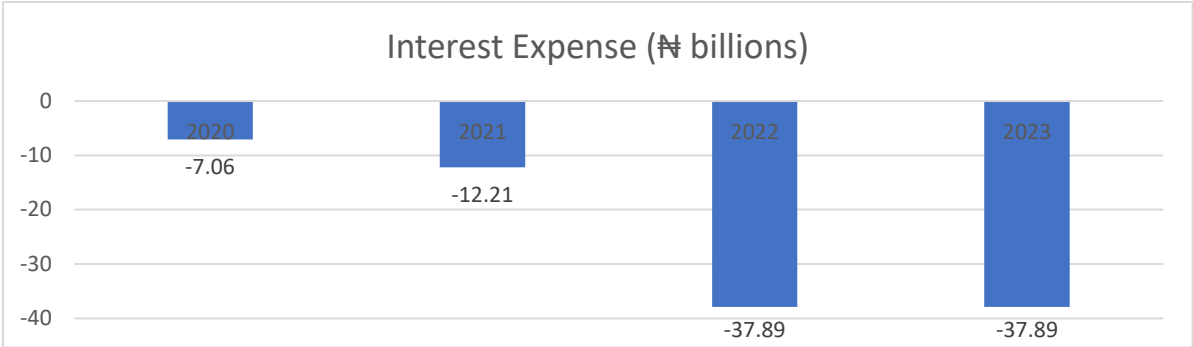


Figure 14: Bar Chart of Nestle Nigeria Plc’s Interest Income/Expense

Nestle's interest expense has fluctuated over the years, with varying impacts on its bottom line. In 2023, the company reported an interest expense of ₦37.89 billion, significantly higher than previous years. Managing interest expenses is critical for maintaining financial health, and the company's trajectory suggests a need to monitor and possibly optimize its debt structure and interest rate management to align with industry norms.

Table 13: Nestle Nigeria Plc’s Cashflow Cycle

Year	Operating Cash Flow (₦ billions)	Investing Cash Flow (₦ billions)	Financing Cash Flow (₦ billions)
2020	63.80	-15.72	6.38
2021	64.44	-19.97	44.22
2022	-4.43	-22.87	44.24
2023	82.70	-55.11	21.29

Source: Annual Financial Statement of Nestle Nigeria Plc

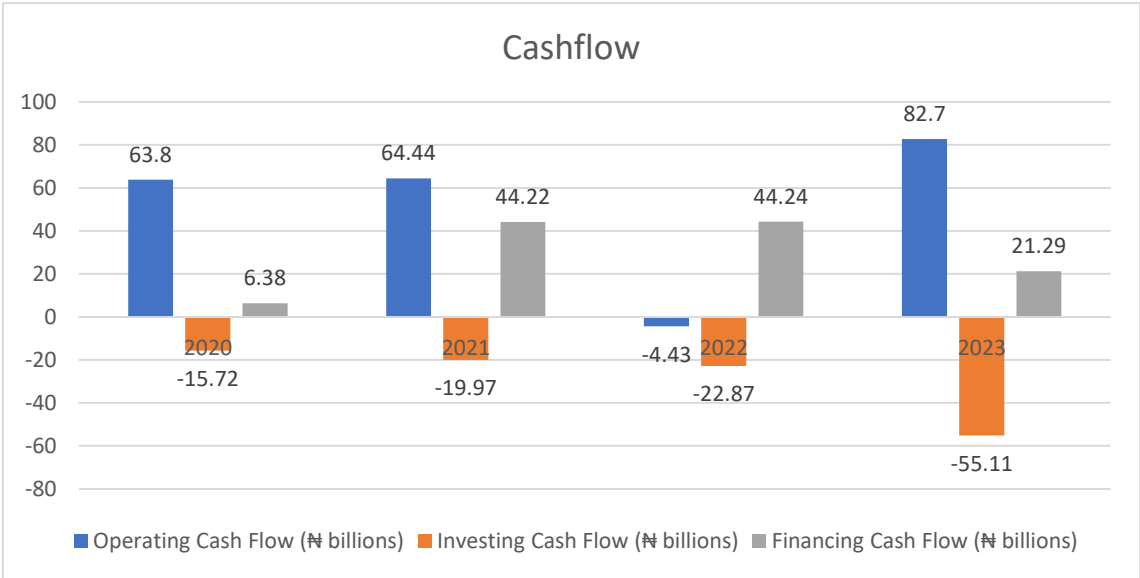


Figure 15: Bar Chart of Nestle Nigeria Plc’s Interest Income/Expense

The business cycle, reflected in cash flow from operating, investing, and financing activities, demonstrates Nestle's operational and financial management. Despite challenges, Nestle maintained positive cash flow from operating activities throughout the period, indicating the ability to generate cash from its core business. However, negative free cash flow in 2022 and 2023 suggests challenges in managing capital expenditures relative to cash flow generation, which may require adjustments to investment strategies and operational efficiencies to align with industry standards.

Nestle Nigeria Plc has shown strong revenue growth and investment in operations but faces challenges in managing costs, maintaining profitability, and optimizing its capital structure to align with industry mean values and sustain long-term growth. Continued monitoring and strategic adjustments will be essential for navigating industry dynamics and maintaining competitiveness.

Projected Financial Statement

Financial projections play a pivotal role in financial analysis, offering a structured forecast of a company's future financial performance. These projections are indispensable for several reasons:

Decision Making: Projections provide a foundation for strategic planning and decision-making within a company. By predicting future financial outcomes, management can set realistic goals, allocate resources efficiently, and make informed decisions regarding investments and expenditures. This forward-looking approach enables companies to navigate their growth path more effectively.

Investment Planning: For investors and stakeholders, financial projections are essential tools for evaluating the potential return on investment. They offer insights into future revenue streams, profitability, and cash flows, helping investors determine the viability and attractiveness of investing in a company. Projections allow investors to make informed choices about where to allocate their funds, thus enhancing the investment planning process.

Risk Management: Projections also aid in identifying and mitigating risks. By anticipating various financial scenarios, companies can prepare strategies to address potential challenges and adverse conditions. This proactive approach to risk management helps ensure that companies are better equipped to handle financial uncertainties and maintain stability.

Performance Measurement: Setting benchmarks through financial projections allows companies to measure their actual performance against expected outcomes. This comparison helps management track progress, identify deviations from the plan, and implement corrective actions as needed. Regular performance measurement based on projections ensures that the company remains aligned with its financial goals.

Budgeting: Accurate financial projections are fundamental for effective budgeting. They provide the basis for estimating future revenues and expenses, enabling companies to create detailed budgets. This careful planning helps companies manage their finances efficiently, avoid overspending, and allocate resources to areas that will drive growth and profitability.

Securing Financing: Lenders and financial institutions often require detailed financial projections to assess the creditworthiness of a business. Well-prepared projections can significantly enhance a company's ability to secure loans or attract investors by demonstrating a clear and viable financial plan.

Applicability to Nestle Nigeria Plc

For a company like Nestle Nigeria Plc, financial projections are particularly crucial due to the competitive and dynamic nature of the food and beverage industry. By using projections, Nestle Nigeria can plan strategically for market expansions, product development, and operational efficiencies. These projections help the company:

Strategic Planning: Align its operations with long-term goals, considering market trends and consumer demands.

Investment Decisions: Evaluate new investment opportunities and the potential return on investments in new markets or product lines.

Risk Management: Anticipate and prepare for economic fluctuations, changes in consumer behavior, and regulatory impacts.

Performance Tracking: Monitor actual financial performance against the projected benchmarks, ensuring the company stays on its desired growth path.

Budgeting and Resource Allocation: Develop detailed budgets that support operational and strategic initiatives, ensuring resources are used efficiently.

Financial Stability: Secure necessary financing by providing lenders with robust financial projections that demonstrate the company's potential for growth and profitability.

Table 14: Projected Statements of Profit or Loss for Nestle Nigeria Plc (2024-2027)

Item	2024	2025	2026	2027
Total Revenue	678,425.25	840,243.31	1,041,891.70	1,291,954.71
Cost of Revenue	407,055.15	504,145.96	625,134.97	775,172.76
Gross Profit	271,370.10	336,097.35	416,756.73	516,781.95
Total Operating Expenses	521,387.44	646,522.42	801,689.40	993,056.85
Selling/General/Admin. Expenses	108,548.04	134,407.45	167,366.26	208,532.16
Research & Development	-	-	-	-
Depreciation / Amortization	12,840.29	14,124.32	15,536.75	17,090.43
Interest Expense (Income) - Net Operating	-39,885.41	-41,879.68	-43,973.66	-46,172.34

Unusual Expense (Income)	-	-	-	-
Other Operating Expenses	47,489.77	59,239.61	74,049.51	92,561.91
Operating Income	157,495.59	194,678.89	240,202.50	295,101.41
Interest Income (Expense), Net Non-Operating	-	-	-	-
Gain (Loss) on Sale of Assets	-	-	-	-
Other, Net	227,403.20	227,403.20	227,403.20	227,403.20
Net Income Before Taxes	-69,907.61	-51,007.69	-33,186.61	-12,516.39
Provision for Income Taxes	-24,467.66	-17,852.69	-11,615.31	-4,377.20
Net Income After Taxes	-45,439.95	-33,155.00	-21,571.30	-8,139.19
Minority Interest	-	-	-	-
Equity In Affiliates	-	-	-	-
U.S GAAP Adjustment	-	-	-	-
Net Income Before Extraordinary Items	-45,439.95	-33,155.00	-21,571.30	-8,139.19
Total Extraordinary Items	-	-	-	-
Net Income	-45,439.95	-33,155.00	-21,571.30	-8,139.19
Total Adjustments to Net Income	-	-	-	-
Income Available to Common Excluding Extraordinary Items	-45,439.95	-33,155.00	-21,571.30	-8,139.19
Dilution Adjustment	-2.07	-2.07	-2.07	-2.07
Diluted Net Income	-45,437.88	-33,152.93	-21,569.23	-8,137.12
Diluted Weighted Average Shares	792.66	792.66	792.66	792.66
Diluted EPS Excluding Extraordinary Items	-57.35	-41.82	-27.22	-10.27
DPS - Common Stock Primary Issue	-	-	-	-
Diluted Normalized EPS	-45.38	-33.16	-21.52	-8.12

Assumption

In this statement of Profit or Loss, we made the following assumptions

For the financial projections, several key assumptions were made based on past trends and historical data. The revenue growth rate had been consistently increasing, averaging approximately 24% annually from 2020 to 2023. It was assumed that this growth rate would continue for the next four years. The cost of revenue historically averaged around 60% of total revenue, so it was assumed that this ratio would remain constant in the future.

Operating expenses had been about 77% of total revenue, and it was projected that this percentage would stay the same. Selling, general, and administrative expenses had historically been approximately 16% of total revenue, and this ratio was assumed to continue.

Depreciation and amortization costs were projected to increase by 10% annually, building on the 2023 base value. Interest expenses had been negative, indicating net income from interest, and it was assumed this trend would persist with a 5% annual increase in net interest income.

Other operating expenses had historically been around 7% of total revenue, and it was assumed this ratio would be maintained. The effective tax rate had been about 35%, and this rate was used consistently in the projections.

Minority interest, equity in affiliates, U.S. GAAP adjustments, and extraordinary items had not appeared in the historical data, so it was assumed they would remain absent in future projections. The number of diluted weighted average shares was assumed to stay constant at 792.66 million, reflecting no significant changes in the company's share structure.

Based on historical payout patterns, it was assumed that the dividend per share would maintain a constant payout ratio relative to net income before extraordinary items, suggesting that the company would continue its current dividend policy in line with its profitability.

Financial Projections for Nestle Nigeria Plc

Below is a detailed four-year financial projection for Nestle Nigeria Plc based on the historical financial statements provided. The projections are presented for the years ending 2024, 2025, 2026, and 2027. All values are in millions of NGN unless otherwise specified.

Table 15: Projected Financial Statement of Position

Period Ending	2024	2025	2026	2027
Total Current Assets	447942.78	555440.04	688745.65	854044.63
Cash and Short-Term Investments	207988.41	257905.63	319802.98	396545.69
Cash	-	-	-	-
Cash & Equivalents	207982.67	257897.51	319792.91	396533.21
Short Term Investments	5.74	8.12	10.50	12.49
Total Receivables, Net	18690.33	23175.02	28736.02	35632.65
Accounts Receivables - Trade, Net	8930.33	11074.61	13732.91	17028.81
Total Inventory	108846.77	134970.99	167360.03	207526.43
Prepaid Expenses	4247.36	5266.73	6530.74	8096.11
Other Current Assets, Total	107169.91	132125.67	163315.88	202243.75
Total Assets	720050.17	888862.13	1099987.25	1361245.55
Property/Plant/Equipment, Total - Net	213512.46	234863.71	258350.08	284185.08
Property/Plant/Equipment, Total - Gross	296997.40	326697.14	359366.85	395303.54
Accumulated Depreciation, Total	-83484.94	-91833.43	-101016.78	-111118.46
Goodwill, Net	-	-	-	-
Intangibles, Net	-	-	-	-
Long Term Investments	-	-	-	-
Note Receivable - Long Term	9184.23	11017.58	13191.10	15807.92
Other Long Term Assets, Total	117.09	140.51	168.61	202.34
Other Assets, Total	263236.39	326271.62	404583.66	501650.72
Total Current Liabilities	360389.76	446883.30	554131.29	686072.80
Accounts Payable	86608.13	107388.07	133155.21	165110.46
Payable/Accrued	-	-	-	-
Accrued Expenses	15438.67	19143.13	23737.96	29463.45
Notes Payable/Short Term Debt	-	-	-	-
Current Port. of LT Debt/Capital Leases	45606.69	56696.33	70455.64	87567.98
Other Current liabilities, Total	212736.26	263655.77	327782.48	411930.91
Total Liabilities	818070.64	1013832.53	1252322.96	1548446.36
Total Long-Term Debt	456359.76	568793.07	708279.51	882254.19
Long Term Debt	456359.76	568793.07	708279.51	882254.19
Capital Lease Obligations	-	-	-	-
Deferred Income Tax	-	-	-	-
Minority Interest	-	-	-	-
Other Liabilities, Total	-57169.88	-71518.31	-89551.99	-111611.35
Total Equity	-98020.47	-125970.41	-152335.70	-187200.82
Redeemable Preferred Stock, Total	-	-	-	-
Preferred Stock - Non-Redeemable, Net	-	-	-	-
Common Stock, Total	396.33	396.33	396.33	396.33
Additional Paid-In Capital	32.26	32.26	32.26	32.26
Retained Earnings (Accumulated Deficit)	-98618.14	-126398.75	-152889.65	-187640.41
Treasury Stock - Common	-	-	-	-

ESOP Debt Guarantee	-	-	-	-
Unrealized Gain (Loss)	-	-	-	-
Other Equity, Total	169.48	169.48	169.48	169.48
Total Liabilities & Shareholders' Equity	720050.17	888862.13	1099987.25	1361245.55
Total Common Shares Outstanding	792.66	792.66	792.66	792.66
Total Preferred Shares Outstanding	-	-	-	-

Assumptions

For these projections, several key assumptions were made based on historical trends and data: The revenue growth rate averaged approximately 24% annually from 2020 to 2023. It was assumed that this growth rate would continue for the next four years. The cost of revenue historically averaged around 60% of total revenue, so this ratio was assumed to remain constant. Operating expenses had been about 77% of total revenue, and this percentage was projected to stay the same. Selling, general, and administrative expenses historically constituted approximately 16% of total revenue, and this ratio was assumed to continue. Depreciation and amortization costs were projected to increase by 10% annually from the 2023 base value. Interest expenses had been negative, indicating net income from interest, and this trend was assumed to persist with a 5% annual increase in net interest income. Other operating expenses had historically been around 7% of total revenue, and this ratio was maintained. The effective tax rate had been about 35%, and this rate was used consistently in the

projections. Minority interest, equity in affiliates, U.S. GAAP adjustments, and extraordinary items had not appeared in the historical data, so it was assumed they would remain absent in future projections. The number of diluted weighted average shares was assumed to stay constant at 792.66 million, reflecting no significant changes in the company's share structure. Based on historical payout patterns, it was assumed that the dividend per share would maintain a constant payout ratio relative to net income before extraordinary items, suggesting that the company would continue its current dividend policy in line with its profitability.

Financial Projections for Nestle Nigeria Plc

Below is a detailed four-year financial projection for Nestle Nigeria Plc based on the historical cash flow statements provided. The projections are presented for the years ending 2024, 2025, 2026, and 2027. All values are in millions of NGN unless otherwise specified.

Table 16: Projected Statement of Cash Flow

Period Ending	2024	2025	2026	2027
Net Income/Starting Line	-98678.49	-122357.32	-151725.08	-187139.10
Cash From Operating Activities	102549.51	126167.40	155450.57	191505.26
Depreciation/Depletion	12840.29	14124.32	15536.75	17090.42
Amortization	-	-	-	-
Deferred Taxes	-	-	-	-
Non-Cash Items	202786.72	251451.53	311801.90	386610.35
Cash Receipts	-	-	-	-
Cash Payments	-	-	-	-
Cash Taxes Paid	27888.04	34089.95	41631.13	50822.99
Cash Interest Paid	40515.15	42540.91	44668.96	46902.40
Changes in Working Capital	-14148.22	-17543.61	-21737.32	-26901.12
Cash From Investing Activities	-65002.92	-78143.50	-93896.54	-112855.25
Capital Expenditures	-67640.34	-74904.37	-82994.81	-91994.29
Other Investing Cash Flow Items, Total	2637.42	-8239.13	-10901.73	-20860.96
Cash From Financing Activities	45592.02	55334.47	67169.52	81549.66
Financing Cash Flow Items	-40515.15	-42540.91	-44668.96	-46902.40
Total Cash Dividends Paid	-27539.48	-33353.53	-40424.79	-49053.75
Issuance (Retirement) of Stock, Net	-	-	-	-

Issuance (Retirement) of Debt, Net	113646.65	131229.72	153263.27	179505.81
Foreign Exchange Effects	-233947.84	-287337.81	-352281.38	-431784.29
Net Change in Cash	42391.66	51920.55	63596.14	77839.38
Beginning Cash Balance	167732.64	210124.30	262044.85	325641.00
Ending Cash Balance	210124.30	262044.85	325641.00	403480.37
Free Cash Flow	36909.95	43391.55	51011.45	59973.14
Free Cash Flow Growth	32.26	17.65	17.57	17.57
Free Cash Flow Yield	4.87	5.73	6.73	7.90

Assumptions for Financial Projections

For these projections, several key assumptions were made based on historical trends and data: Depreciation and depletion expenses were projected based on historical trends, assuming a linear increase of 10% annually from the 2023 base value. Non-cash items such as stock-based compensation, amortization of intangible assets, and other non-cash charges were considered. These items were projected to follow historical patterns and financial reporting practices. Cash taxes paid were projected based on the effective tax rate of approximately 35% observed in historical data. It was assumed that this rate would continue for the projection period. Cash interest paid was projected to increase by 5% annually, reflecting potential changes in interest rates and the company's debt structure. Changes in working capital, including accounts receivable, inventory, accounts payable, and other current assets and liabilities, were projected based on historical trends and future business expectations. Capital expenditures were projected to increase by 5% annually, reflecting potential investments in property, plant, and equipment to support business growth and maintain operations. Other investing cash flow items, such as acquisitions, investments in marketable securities, and other long-term assets, were assumed to decline by 10% annually, reflecting potential changes in the company's investment strategy. Financing cash flow items, including dividends paid, issuance or retirement of debt, and other financing activities, were projected based on historical patterns and future financial plans. Foreign exchange effects were assumed to fluctuate based on potential changes in exchange rates and the company's exposure to currency risk. A 20% annual growth rate was assumed for foreign exchange effects.

Discounted Cash Flow Valuation for the Projected Cash Flow Statement

Given the high inflation rate in Nigeria, a realistic discount rate for Nestle Nigeria Plc would need to account for this inflationary environment and the associated risks. While the inflation rate is currently around 36%, it's important to consider both the nominal discount rate and the real discount rate, which adjusts for inflation. Typically, investors require a rate of return above the inflation rate to compensate for the erosion of purchasing power caused by inflation. Therefore, a realistic nominal discount rate for Nestle Nigeria Plc might be around 40% to 45% to provide a sufficient risk premium. However, to calculate the real discount rate, we need to adjust the nominal discount rate by subtracting the expected inflation rate. Assuming an inflation rate of 36%, the real discount rate could be approximately 4% to 9%. This reflects the rate of return investors expect to earn in real terms after accounting for

inflation. Using a conservative approach, we use a real discount rate of 8% for Nestle Nigeria Plc's DCF valuation. Below is the updated DCF valuation table using a real discount rate of 8%:

Table Z: Discounted Cash Flow

To calculate the present values (PV) of the projected free cash flows (FCF) using the discounted cash flow (DCF) method, we'll apply the real discount rate of 8%. Below is the updated DCF valuation table with the present values calculated for each year's projected FCF:

Year	Free Cash Flow (FCF) (NGN)	Discount Rate (Real)	Present Value (NGN)
2024	36,909.95	8%	34,176.81
2025	43,391.55	8%	37,741.08
2026	51,011.45	8%	41,801.20
2027	59,973.14	8%	45,834.15

These present values represent the current worth of each year's projected free cash flow, discounted back to the present at an 8% real discount rate. They provide insights into the intrinsic value of Nestle Nigeria Plc's future cash flows, adjusted for the effects of inflation. This figure provides investors with an estimate of Nestle Nigeria Plc's intrinsic value at the present moment, aiding in investment decision-making by comparing it to the current market price of the company's shares. If the present value derived from the DCF analysis is higher than the current market price, it may suggest that Nestle Nigeria Plc's stock is undervalued and potentially presents an attractive investment opportunity.

A Report on Nestle Nigeria Plc's Current and Forecasted Future Performance

Nestle Nigeria Plc, a subsidiary of Nestle S.A., is a leading food and beverage company in Nigeria with a diverse product portfolio. This report provides a comprehensive analysis of Nestle Nigeria's current financial performance, strategic initiatives, and forecasted future performance based on historical data and industry trends.

Current Performance: Nestle Nigeria has demonstrated resilience and growth despite challenging market conditions. The company has maintained a strong market position and continues to drive revenue growth through product innovation, brand loyalty, and effective distribution networks. Nestle Nigeria has consistently achieved revenue growth over the past few years, driven by robust demand for its products across various categories. Despite

economic challenges, Nestle Nigeria has maintained profitability, supported by efficient cost management and operational excellence. The company has sustained its market leadership position in key product categories such as dairy, beverages, and confectionery, leveraging its strong brand equity and consumer trust. Nestle Nigeria has made strategic investments in manufacturing capabilities, product development, and distribution infrastructure to support future growth and meet evolving consumer preferences.

Strategic Initiatives: Nestle Nigeria has implemented several strategic initiatives to enhance operational efficiency, drive innovation, and strengthen its market position. The company has expanded its product portfolio to cater to changing consumer preferences, including healthier options and premium offerings. Nestle Nigeria is committed to sustainability practices, including responsible sourcing, environmental conservation, and community development, aligning with global sustainability goals. Embracing digital technologies, Nestle Nigeria has invested in e-commerce platforms, data analytics, and digital marketing to enhance consumer engagement and streamline operations. Collaborations with local farmers, suppliers, and distribution partners have enabled Nestle Nigeria to foster mutually beneficial relationships and contribute to socio-economic development.

Forecasted Future Performance: Continued revenue growth is expected, driven by population growth, urbanization, and rising disposable incomes, although economic uncertainties and competitive pressures may pose challenges. Profit margins are projected to remain stable, supported by operational efficiencies, product innovation, and effective cost management practices. Nestle Nigeria is poised to capitalize on opportunities in untapped markets and segments, leveraging its strong brand equity and distribution networks. The company's commitment to sustainability is likely to strengthen, with increased emphasis on environmental stewardship, social responsibility, and ethical business practices. Digital integration across operations, marketing, and customer service functions is expected to deepen, enhancing consumer engagement and driving operational efficiencies.

Conclusion

In conclusion, Nestle Nigeria Plc is well-positioned for continued growth and success in the Nigerian market. With a solid foundation, robust strategic initiatives, and a commitment to sustainability, the company is poised to navigate challenges and capitalize on emerging opportunities, delivering long-term value to stakeholders and maintaining its leadership position in the food and beverage industry.

Recommendations:

Based on the forecasted performance and industry dynamics, the following recommendations are suggested for Nestle Nigeria Plc:

- i. The company should continue investing in research and development to introduce innovative products that cater to changing consumer preferences, including healthier options, convenience foods, and premium offerings.
- ii. Nestle must explore opportunities for geographical expansion within Nigeria and the broader West African region, targeting underserved markets and demographic segments with tailored product offerings.
- iii. The firm must strengthen sustainability initiatives across the value chain, including responsible sourcing, waste reduction, and carbon footprint reduction, to align with global sustainability goals and enhance brand reputation.
- iv. The company should accelerate digital transformation efforts to enhance operational efficiency, optimize supply chain management, and improve customer engagement through digital channels and e-commerce platforms.
- v. The organization must forge strategic partnerships with local suppliers, distributors, and stakeholders to foster mutually beneficial relationships, enhance market penetration, and support community development initiatives.
- vi. They should also proactively assess and mitigate risks associated with economic volatility, regulatory changes, and supply chain disruptions to safeguard business continuity and maintain financial resilience.

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