Analysis of Financial Performance: 7ELEVEN SDN. BHD

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ABSTRACT

7ELEVEN (7 eleven) is well-known franchise in the world as in Malaysia. The purpose of this study is to analyse the financial performance of 7 eleven for two consecutive years, 2019 and 2020. The comparison of this performance is required to track their achievement on stability, liquidity, profitability and on maintaining their market share. The qualitative data based on survey and quantitative data in the annual report needed to make the comparison of the financial performance. The ratios used to analyse the company financial performance are market value ratios, profitability ratios, efficiency ratios and liquidity ratios. The result from the survey contributed the information on how society preferred go to the 7 eleven and the result from the ratios showed the financial performance of the company. The financial performance report will be the summary of the financial health of the company helping various investors and stakeholders to take investment decision.

Keywords: Annual Report, Financial Health, Financial Performance, Qualitative and Quantitative Data

INTRODUCTION

In this current economic condition, people prefer to reach everything in a short time. Basically, buying groceries consumes lots of time and energy because people need to find their essentials items and find at different places and sections. From the consequences of this issue, the idea of building convenience stores is a great idea to implement especially in our society nowadays. In Malaysia, one of the famous convenience stores is 7- Eleven or another name is 7- Eleven Malaysia Holding. Besides, 7- Eleven can be categorized as the best convenience store because of their operating hours which is 24 hours and the item sold fulfil the customer needs and essential. This convenience store was built on 9 October 1984 at Jalan Bukit Bintang, Kuala Lumpur. Nowadays, 7-Eleven has almost 2400 stores nationwide and serves almost 900,000 customers (7-Eleven Malaysia, 2020).

Despite the good feedback of 7- Eleven as a convenience store, the study of their financial performance would be conducted to figure out the reliable result of their feedback with their financial performance. Financial performance is a subsequent measurement of a company's ability to produce revenue from their operating activities

(Kenton, 2021). The concept of finance performance is applicable to identify whether their performance is well or otherwise. The method of evaluating a firm's operational and financial characteristics from accounting and financial statements is known as financial performance analysis. Based on the financial performance, it will figure out how efficient and effective a company management.

Besides, in this study a few indicators of financial performance will implement such liquidity, profitability, market overview and efficiency to review whether it is sufficient to the shareholders to maintain at least its market value. Other than that, based on observation of the study, the key ratio used will be compared and analysed with previous year performance. In this study, the year of performance that will be analysed are 2019 and 2020. From these two years of financial performance, it can summarize their short-term performance and suggest some appropriate recommendations to improve overall performance (Jayawardhana, 2016).

According to the Cambridge Online Dictionary (n.d), financial performance is study to find evidence that the disciplinary impact of high bank debt on productivity growth is strengthened by poor financial performance. This study was conducted to examine the financial performance of 7-Eleven in Malaysia. The purpose of this study is to find out the influence of market value ratios, profitability ratios, efficiency ratios, and liquidity ratios on the firm value of manufacturing companies listed. The analysis technique used is multiple regression analysis. An increase in the stock price in the market will increase the value of the firm. This is in line with the study conducted by Terpstra & Verbeeten, 2014, which found that profit ratios as measured by ROI or ROA have a significant influence on firm value. The lower the debt ratio, the lower the source of financing through debt. On the other hand, the higher the debt ratio, the higher the source of financing through debt.

Next, this research included the progress covering cashless payments on Malaysia's economic development and growth. These findings provide an in -depth understanding of the relationship between development and decline factors in the new industry era, its marketing mix strategy and customer satisfaction. Due to the rapid growth of the digital economy, electronic money transactions in Malaysia have increased significantly from the last fifteen years. There is a positive trend in the use of electronic money. The increase is due to the awareness of the public and the government that encourages the use of electronic money. The study also looks at the methods used by these companies in calculating the financial ratios owned by their companies. Sustainable moderate economic activity may be a major driver for the advancement of the digital economy. At the same time, the velocity of banknotes in Malaysia tends to decline over the same period. Despite the negative trend in the velocity of money, the money supply (M1) has increased to sustain the country's economic growth.

Churchill & Surprenant (1982) believed that consumer satisfaction comes from the result of the consumer's buying experience and by using the product. Parasuraman, Zeithaml and Berry, (1985) have studied the impact of service quality on customer satisfaction, they believed that service quality has an important influence on consumer satisfaction.

Consumer satisfaction is very significant and becomes a major factor to influence customer behavioral intentions. Therefore, recognizing and understanding the cognitive and behavioural consequences of satisfaction has important implications for management purposes (Ardani, Rahyuda, Giantari, & Sukaatmadja, 2019). The relationship between customer satisfaction and price sensitivity has also been studied. Satisfaction is divided into economic satisfaction derived from tangible products and social satisfaction provided by service encounters. Economic satisfaction is negatively associated with price sensitivity. However, social satisfaction is positively related to price sensitivity, especially for female customers and customers with a high frequency of coverage. The quality of personal interactions has a stronger influence on customer satisfaction. Customer satisfaction in turn contributes to customer loyalty; that means satisfaction has a very strong influence on loyalty. In addition, this study also involves the interests of the company, laws, and regulations.

RESEARCH METHOD

For this project, this study used qualitative method and descriptive statistical calculation as a design to compute the ratios of financial performance to analyse the achievement of 7 eleven. We have done through the annual report for two consecutive years to have the comparative amount between 2019 and 2020. The financial statement including balance sheet and income statement are very important to abstract the information for making the analysis. To analyse the financial ratios, our group use following SOEs Ministerial Decree number Kep-100/MBU. The research design can be seen in figure 1.

Figure 1: Research Design
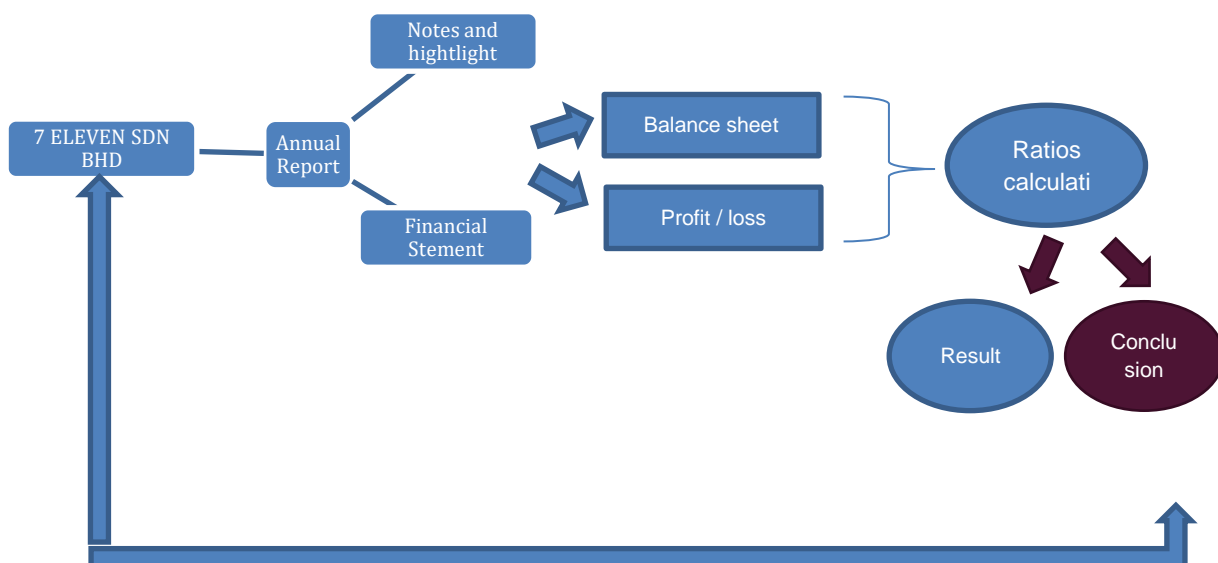
RESULTS AND DISCUSSION

Based on the study of annual report of 7 Eleven Sdn Bhd, it can reflect the performance of the company. Besides, the analysis result of the financial ratio can be a benchmark to the external and internal user of financial report to assist them in the decision making.

Table 1. Analysis Results Comparison of 7 Eleven Sdn Bhd Financial Ratios Based On Year 2019 And 2020

Profitability Ratios	2019	2020
Return On Equity	33.55%	52.97%
Gross Profit Margin	31.63%	28.43%
Liquidity Ratios	**2019**	**2020**
Current Ratio	0.55	0.63
Quick Ratio	0.23	0.31
Cash Ratio	0.13	0.15
Market Value Ratios	**2019**	**2020**
Book value per share	RM1.12	RM1.10
Dividend yield	161%	118%
Earnings per share	RM0.04	RM0.03
Market value per share	RM1.43	RM1.34
Efficiency Ratios	**2019**	**2020**
Inventory Turnover	7.0X	6.29X
Total Asset Turnover	1.66X	1.25X
Account Receivable Turnover	24.56X	33.45X

Based on table 1, profitability ratio is the ratio that describes the company ability to generate income. These ratios are important to the investor and external user to summarise the company performance. In this profitability ratio consists of return on equity, gross profit margin and operating profit margin. The return on equity from 2019 to 2020 showed an increase amount of 19.42%. This ratio reflects the efficiency of generated profit from the shareholder money. For the gross profit margin, it presents a decline in 2020 where it declines at 3.2%. The result of decline of gross profit margin describes that 7- Eleven companies do not succeed in achieving higher revenue to exceed the cost of goods sold. Next, the operating profit margin also dropped from 5.09% to 4.64% in the year 2019 to 2020. As it shows the drop from year to year for the operating profit it expresses that 7- Eleven not highly operate their business as well to turn their sales into profits.

The liquidity ratios used to determine the company's ability to repay short-term debt obligations. The top three liquidity ratios consist of the current ratio, the quick ratio, and the cash ratio. When analysing companies, investors and creditors want to see companies with a liquidity ratio greater than 1. A liquidity ratio greater than 1 indicates

that the company is in a good financial position and is unlikely to be in financial trouble. In this analysis, the current ratio in 2019 and 2020 of the company is less than 1. This means this company does not have enough liquid assets to cover its short-term liabilities. Next, the quick ratio of 0.31 in 2020 and 0.23 in 2019 appears. 7-Eleven cannot meet its current short-term debt obligations without selling its inventory, because the quick ratio is well below than 1. However, in this case, the company will have to sell inventory to pay off its short-term debt. Then, for the cash ratio, it presents their ratio in each latest year as less than 1. For instance, its current liabilities are more than cash and cash equivalents. This means that the existing cash is insufficient to pay the short-term debt.

Book value per share (BVPS) is the ratio of equity available to ordinary shareholders divided by the number of shares outstanding. Besides, it is a method of calculating the book value per share of a company based on the equity of ordinary shareholders in the company. The book value per share for 2019 is RM1.12 while for 2020 is RM1.10. If a company's stock price falls below its BVPS, a corporate striker can make a risk -free profit by buying the company and dissolving it. If the book value is negative, where the company's liabilities exceed its assets, this is known as balance sheet insolvency.

Dividend yield, expressed as a percentage, is a financial ratio (dividend / price) that shows how much a company pays dividends each year compared to its share price. The dividend yield ratio for 2019 is 161%. It means an investor would earn 161% on their investment in the form of dividends if they buy the company's common stock at current market price. Furthermore, dividend yield ratio for 2020 is 118%. It means an investor would earn 118% on their investment in the form of dividends if they buy the company's common stock at current market price.

Earnings per share (EPS) is calculated as the company's profit divided by the outstanding shares of common stock. The resulting figures serve as an indicator of a company's profitability. The higher the company's EPS, the more profitable. As for 2019, earnings per share for 7-Eleven is RM0.04 which is greater than 2020, RM0.03. Higher earnings per share are always better than lower ratios as this means the company is more profitable and the company has more profits to distribute to its shareholders.

The market value per share represents the current price of a company's stock, and the price that investors have to pay for common stock. Market value is forward -looking and considers the company's ability to acquire in the future. Due to the company's growth and profit expectations, the market value per share is expected to increase further. The market value per share for 2019 was RM1.43, while for 2020 is only RM1.34.

Price earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price versus its earnings per share (EPS). The price-to-income ratio is also sometimes known as the price multiple or the income multiple. P/E ratios as has been calculated shows that for 2019 is 1.19x, while for 2020 is 1.13x. Higher ratios mean investors expect higher performance and growth in the future. This also means that loss -making companies have poor PE ratios. Lower ratios, poor current and future performance indicators. This can prove a bad investment.

Efficiency ratios are also known as activity ratios and more familiar with the turnover ratios. For this reason, the type of efficiency ratios included inventory turnover, total asset turnover, account receivable turnover and many more which these ratios were used to determine the efficiency of the organisation in utilising its assets for generating cash and revenue and evaluate the efficiency of a business by careful analysis of the inventories, fixed assets and accounts receivables. Finally, we can easily recognize the company's ability on asset management by measuring their performance using these ratios made up between assets and sales.

Inventory turnover ratio indicates the number of times a company's inventories are sold and replaced during the year. This definition also has been studied by Kieso, Weygandt, Warfield (2001), state that the inventory turnover ratio measures the number of times on average the inventory was sold during the period. This ratio is calculated by the cost of goods sold divided by inventories. The hypothesis shows the more times required for inventory to being sold or replaced, shows faster movement of inventories. Thus, the higher the time, it is good for the company. From the analysis, in 2019, 7eleven required 7.00 times to replace their inventories which need around 51 days. However, in 2020, the ratio declined to 6.29 times (58 days) for the company to replace or sell their inventories.

Total asset turnover ratio measures how efficient the company use their total asset to generate sales in order to gain profit. This is also stated by Kieso, Weygandt, Warfield (2001) that the total asset turnover ratio measures the ability of a company to use its assets in order to generate sales. This ratio calculates the sales divided by total assets. Total assets is the combination of current assets and noncurrent assets. It considers all assets including property, plant and equipment, capital working in process, investment – long term, inventories, trade debtors, advances, deposit and prepayment, investment in market securities, short term loan, cash and cash equivalents and many more related to assets. For these ratios, the higher the ratios, the company generates more profit. From the analysis, the TAT for 2019 is 1.66x higher than in 2020 with only 1.25x. The profit recorded in the statement aligned with the ratio where the profit in 2019 (RM 54,084m), higher than recorded in 2020 (RM 35,353m). This also means that the company fully maximizes their assets to generate profit.

Account receivable turnover ratios measured the company efficiency on collecting debt from their debtors or customers. The low ratio indicates the higher account receivable that show the difficulty for the company to collect debts. Instead of, if the company aggressive collect money so it has low receivable and will compute high ratio. This ratio calculates the credit sales divided by account receivable. From this ratio, we can conclude the lower ratio indicate the deficiency of the company on collecting their debts. From the analysis, 7eleven generate higher ART ratio in 2020 with 33.45x rather than previous year with only 24.56x. This shows that 7eeleven increase their ability in collecting money from debtors.
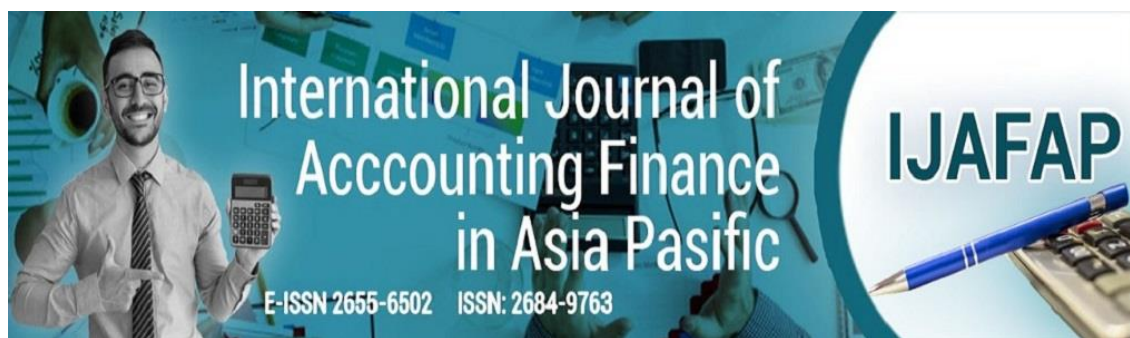
CONCLUSIONS

In general, the company performance of 7 Eleven is declined. This is because of the Covid19 pandemic that became worse in Malaysia. From the analysis of the efficiency ratios, the TAT and the ITR have been declining but their ability to collect their debt from their customers increase from 2019 to 2020. This situation can happen because 7eleven increase their ability management to be able to combat the pandemic situation. Other than that, liquidity ratios show that the company did not have the sufficient cash flow to pay back their debts where both years recorded the percentage lower than 1. In 2019, the performance of the 7 Eleven in managing their debt obligation is the worst because they did not have sufficient cash and cash equivalent to settle the short-term obligation. This is because of the declining in their current assets. However, 7 Eleven managers have built the new framework to increase their revenue back in 2020 that increases their profitability in those years. Also, their production manager said that 7-Eleven expects the trading condition to gradually recover, amid the ongoing national Covid-19 immunization programme. In 2020, the performance based on market share value indicates that 7eleven performance declined from their previous year. Where, their investor only earned RM1.18 from their investment lower than in 2019 where they can earn RM1.61. Also, the analysis shows the poor future performance. In short, the performance of 7 Eleven has declined during the MCO. Manager and directors will implement various initiatives to increase back their market position and revenue, while still focusing on customers' needs and wants.

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APPENDIX

1) Market Value Ratio

a)	Book value per share = Shareholder's Equity ÷ Number of Outstanding Shares
b)	Dividend yield = Dividends per Share ÷ Market price per share
c)	Earnings per share = (Net income – Preferred Dividend) ÷ Number of Outstanding Shares
d)	Market value per share = P/ earnings Ratio x Earnings per share
e)	Price/ earnings ratio = Market price per share ÷ Earnings per share

Calculation

Ratio Analysis	2019	2020
Book value ratio	RM1,381,148 ÷ 1,233,385 = RM1.12	RM1,359,182 ÷ 1,233,385 = RM1.10
Dividend yield	RM2.30 ÷ RM1.43 = 1.6084 = 161%	RM1.60 ÷ RM1.36 = 01.1765 = 118%
Earnings per share	(RM54,084,000 – RM0) ÷ 1,233,385,000 **=** RM0.04	(RM35,353,000 – RM0) ÷ 1,233,385,000 = RM0.03
Market value per share	1.19 x RM1.20 = RM1.43	1.13 x RM1.20 = RM1.34
Price/ earnings ratio	RM1.43 ÷ RM1.20 = 1.19x	RM1.36 ÷ RM1.20 = 1.13x

2) Profitability Ratios

a)	Return On Equity = Net Profit ÷ Shareholder's Equity
b)	Gross Profit Margin = Gross Profit ÷ Revenue
c)	Operating profit Margin = Operating Profit ÷ Revenue

Calculation

Ratio Analysis	2019	2020
Return on Equity	= RM54,084,000 / RM161,221,000 = 33.55%	= RM54,084,000 / RM102,111,000 = 52.97%
Gross Profit Margin	= RM740,387,000/ RM2,361,058,000 x 100 = 31.36%	= RM721,887,000/ RM2,539,028,000 x 100 = 28.43%
Operating Profit Margin	= RM120,263,000/ RM2,361,058,000 x 100 = 5.09%	= RM117,896,000/ RM2,539,028,000 x 100 = 4.64%

3) Efficiency Ratios

Formula / Year	2019	2020

Inventory Turnover = Cost of goods sold / Inventory	COGS = 1,620,671 Invent = 231,330 ITR = 7.00X	COGS = 1,817,141 Invent = 288,947 ITR = 6.29X

Formula / Year	2019	2020
Total Asset Turnover = Sales / Total Asset	Sales = 2,361,058 T.A = 1,422,019 TAT = 1.66x	Sales = 2,539,028 T.A = 2,036,849 TAT = 1.25x

Formula / Year	2019	2020
Account Receivable Turnover = Sales / Account receivable	Sales = 2,361,058 Acc. R = 96,183 ART = 24.56x	Sales = 2,539,028 Acc. R = 75,900 ART = 33.45x

4) Liquidity Ratios

a)	Current ratio = Current asset ÷ Current liability
b)	Quick ratio = (Current assets – Inventories) ÷ Current liabilities
c)	Cash ratio = Cash and cash equivalents ÷ Current Liabilities

Calculation

Ratios	2019	2020
Current Ratio	= RM403,437,000 / RM739,963,000 = 0.55	= RM566,259,000 / RM902,695,000 = 0.63
Quick Ratio	= (RM403,437,000 – RM231,330,000) / RM739,963,000 = 0.23	= (RM566,259,000 – RM288,947,000) / RM902,695,000 = 0.31
Cash Ratio	= RM96,207,000/ RM739,963,000 = 0.13	= RM134,773,000/ RM902,695,000 = 0.15