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A Study of Nestlé Financial Analysis

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ABSTRACT

Nestlé is a well-known food and beverage corporation in Malaysia and worldwide. The vision of the Nestlé company is to provide 'Good Food, Good Life to the consumers. 'Good Food, Good Life' displays the promise they commit themselves to every day, everywhere as the leading Nutrition, Health, and Wellness Company globally. This study aims is to analyze the financial performance of Nestlé within five consecutive years, which is from 2016 to 2020. Financial performance must be compared to track their progress in terms of stability, liquidity, profitability, and market share retention. To compare financial performance, quantitative data from the annual report were required. Market value ratios, profitability ratios, efficiency ratios, and liquidity ratios are used to analyze a company's financial performance. Our paper provides information on the ratios that revealed the company's financial performance. This paper can be used as a guide that highlights an overview of the company's financial health, allowing investors and stakeholders to make informed investment decisions.

Keywords: Financial Analysis, Financial Performance Ratio, Profitability, Liquidity, Market share retention, Stability

INTRODUCTION

Nestlé has more than 500 factories worldwide as the world's largest food manufacturer. For managers, various efficient management methods are needed to make the work done orderly. Traditional management methods are not feasible in today's technological era, and they need to be changed. As a food manufacturer, Nestlé, facing the rapid development of the 21st century and increasing competition in various industries. Nestlé has many competitors, such as Pepsi, MARS, and so on. Previous studies have examined Nestlé in terms of its promotion strategy (Singh et al., 2021), success (Kee et al., 2021), food safety, and food quality (Chung et al., 2020), employer/employee relationships (Lee et al., 2020), and challenges and opportunities (Djarum et al., 2021). This paper intends to analyse Nestlé's financial performance using financial ratio analysis. This paper argues that it is more important to focus on the rational use of the organization's assets to achieve the purpose of capital flow. According to Xiong, Ibbotson, Idzorek, and Chen (2010), the return on asset allocation policy is necessary for active portfolio management.

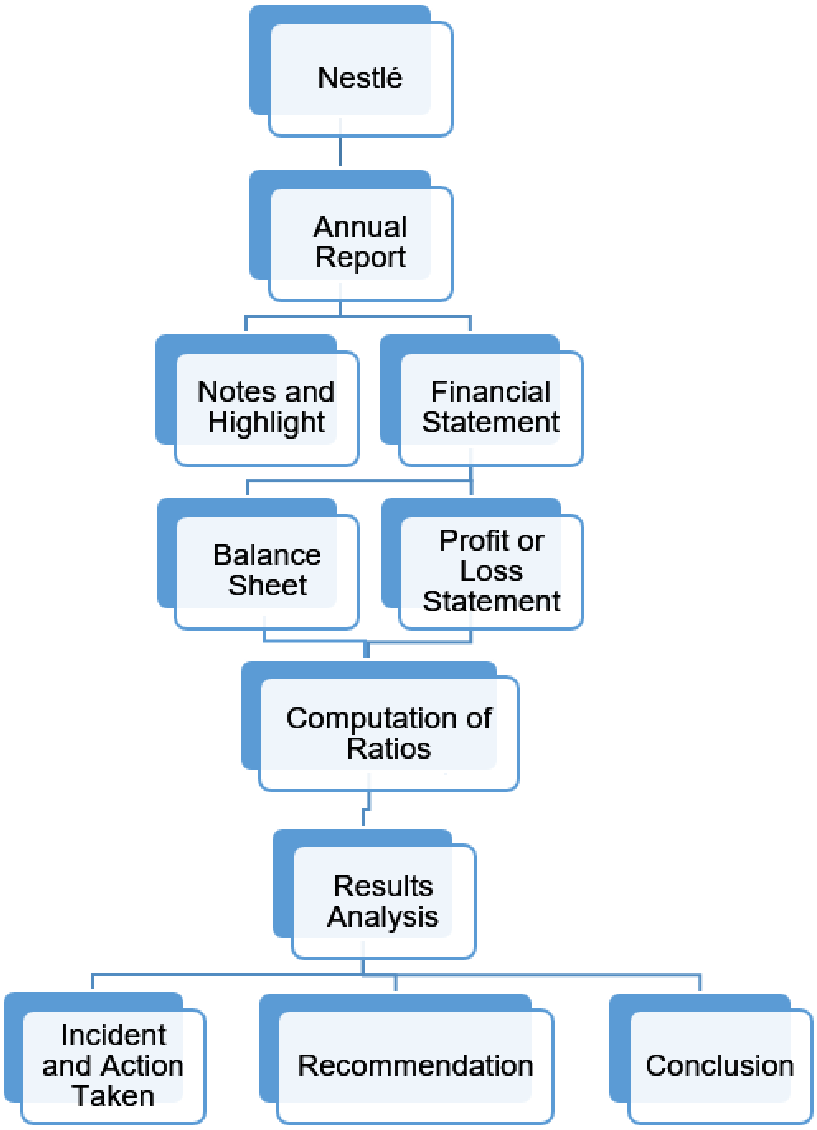
Finance aspect is the projected budget which will estimate the gross income and expenses in coming every year (Kalangi, Lainawa, & Rintjap, 2022). According to Zaharčenko and Zelgalve (2012), the successful development of enterprises requires that each enterprise formulate effective financial policies, which can only be achieved after extensive financial analysis. Financial analysis is the investigation of financial information to achieve business decisions. This analysis typically involves an examination of both historical and projected profitability, cash flows, and risk. Financial analysis will help the manager and investor understand the company's financial health. In other words, managers can make changes in their business strategy to improve their profit while the investors can estimate that the company is profitable or worth an investment so that the investors will make a better decision and avoid loss (Ruiqixu, 2019). We can find the financial data from their annual report which can help us to understand their past or current financial situation, and also know how it will behave in the future. To analyse the financial data, we need to calculate the Ratio from the data in the financial statement (David & Dharani, 2021). The goal of this conceptual research is that we will analyse the financial performance of Nestlé company in Malaysia from 2016 to 2020.

Ratio analysis is the factual measuring stick that provide a measure of the relationship between two factors or figures. This relationship can be communicated as a percent (Singh & Vashisht, 2017). In this paper, we will analyse the liquidity ratios, activity ratios, debt ratios, profitability ratios, and market value ratios of Nestlé Malaysia. According to Needles, Powers, and Crosson (1996), the liquidity ratios can help to establish the company's ability in paying the short-term debt obligations. It can help to determine if the company can use its current asset to cover its current liability without using external capital. The activity ratios, it is used by the company to determine the efficiency in which the company is able to use their current assets and convert the same into sales or cash without using other assets (Ramachandran & Vaidya, 2021). The debt ratio is used to measure the firm's total liabilities as a percentage of its total assets. In other words, it shows how much the company needs to sell their assets in order to pay off the liabilities (My accounting course, 2021). The profitability ratio is used to measure the company's ability to generate income as compared to other expenses or costs associated with the generation of income. Profitability shows the final performance of the company in a particular year (Cleartax, 2021). The market value ratio is the Ratio that helps the company to evaluate the economic status of the company and helps the company to identify stock so that it can be priced fairly in the market (Carlson, 2019). We will also analyse the company's short-term and long-term risk situation in order to estimate the investment and the company's capacity to pay off its liabilities. Moreover, we will also focus on analysing Nestlé company capacity to obtain profits in order to increase the stakeholder's value so that they continue to invest in the Nestlé company (Mendez, Castro, & Gómez, 2013).

RESEARCH METHOD

This research combined a qualitative technique and descriptive statistical computation as a design to calculate financial performance ratios and analyse Nestlé's achievements. We will be doing a comparison within five consecutive years, which are 2016 to 2020 from Nestlé Malaysia using annual reports. The financial statement, which includes the balance sheet and income statement, is critical for extracting data for analysis. Our group employs the following SOEs Ministerial Decree number Kep-100/MBU to analyse financial ratios. Figure 1 depicts the research methodology.

Figure 1. Research Methodology



RESULTS

We can indicate the company's performance based on a review of Nestlé Malaysia's annual reports. Furthermore, the financial ratio analysis result can be used as a benchmark by external and internal users of financial reports to aid in decision-making.

Based on Table 1, we can analyse Nestlé Malaysia's liquidity performance from the current ratio and quick ratio. The current ratio is assessing the relationship between current assets and current liabilities. Both ratios are used to set the company's ability to repay its short-term liabilities (Kee, Juseef, Halim, Razi, & Shamsuddin, 2021). When making a financial decision, external users such as investors and creditors would like to see a company with a liquidity ratio that greater than 1, which indicates the company is in a good financial position and has enough cash on hand to be solvent in the short term (Jason, 2021).

The current ratio from 2016 to 2020 is less than 1 which is an alarming sign showing that Nestlé Malaysia does not have enough liquid assets to cover their short-term debt. To be clearer, the lowest current ratio of 0.594 in 2020 means that for every RM 1 of short-term debt, Nestlé Malaysia only has RM 0.594 to cover it. Next, the highest quick Ratio of 0.384 in 2018 and the lowest at 0.215 in 2019 appears. Nestlé Malaysia's present short-term debt obligations cannot be met without selling Inventory, as the company's quick ratio is far below 1. As a result, the firm will be forced to liquidate its inventory in order to pay off its short-term debt.

Table 1. Financial Ratio Analysis and Comparison of Nestlé Malaysia from 2016 to 2020.

Liquidity Ratio	2016	2017	2018	2019	2020
Current Ratio	0.653	0.602	0.682	0.648	0.594
Quick Ratio	0.364	0.340	0.384	0.215	0.266
Efficiency Ratio	2016	2017	2018	2019	2020
Inventory Turnover Ratio	6.73 times	7.08 times	6.38 times	6.24 times	5.77 times
Average Collection Period	29.56 days	28.61 days	28.37 days	24.48 days	23.11 days
Total Asset Turnover	2.03 times	2.01 times	1.94 times	2.02 times	1.89 times
Solvency Ratio	2016	2017	2018	2019	2020
Debt Ratio	0.740	0.757	0.770	0.726	0.805
Debt-to-Equity Ratio	2.854	3.115	3.351	3.101	4.136
Profitability Ratio	2016	2017	2018	2019	2020
Gross Profit Margin	39.4%	36.7%	38.7%	37.6%	36.3%
Operating Profit Margin	15.8%	16.1%	16.6%	18%	14%
Net Profit Margin	12.6%	12.2%	11.9%	12.2%	10.2%
Earnings per Share (EPS)	RM 2.717	RM 2.74	RM 2.81	RM 2.87	RM 2.36
Return on Total Assets (ROA)	25.5%	24.6%	23.1%	24.7%	19.3%
Return on Equity (ROE)	98.4%	101%	100.7%	101.2%	99.2%
Market Value Ratios	2016	2017	2018	2019	2020
Price/Earnings Ratio	28.78	37.66	52.46	51.22	58.86
Market Value per Share	RM 78.20	RM 103.20	RM 147.40	RM 147.00	RM 138.90
Book Value per Share	RM 2.76	RM 2.71	RM 2.79	RM 2.84	RM 2.38
Market/Book Ratio	28.33	38.08	52.83	51.76	58.43
Dividend Yield	3.5%	2.7%	1.9%	1.9%	1.7%

The efficiency ratio, also known as the activity ratio, is a ratio used to measure the effectiveness of a company by using its assets (Syukur, Novianti, & Karim, 2021). Inventory turnover ratio, average collection period, and total asset turnover were used in this study to establish a firm's efficiency in using its assets to generate revenue and to evaluate a business's efficiency by carefully analysing inventories, accounts receivables, and fixed assets. Finally, company's asset management can easily identify a capability by evaluating its performance using these ratios.

The inventory turnover ratio indicates the number of times a company's inventories are sold and replaced during the year (Kieso, Weygandt, & Warfield, 2001). This Ratio is computed by dividing the cost of goods sold by the cost of inventories. The higher the Ratio, the longer it takes for goods to be sold or replaced, indicating quicker inventory movement. As a result, the longer the duration, the more efficient the company is at managing its Inventory. According to the findings, Nestlé Malaysia had the most efficient inventory management in 2017, with a ratio of 7.08 times among five years. However, the Ratio for Nestlé Malaysia to sell its Inventory fell to its lowest point in 2020, at 5.77 times, indicating that the firm needs to improve its inventory management in future.

The average collection period is when it requires the company to obtain payments on receivables (Kenton, 2021). The average collection period is used by companies to ensure that they have enough cash on hand to satisfy their obligations. The average collection period is a key measure for firms that rely significantly on receivables for cash flow. It is a good indicator of how effective a company's accounts receivable management practices are. In general, a shorter average collection time is preferred over a longer one. A short average collection period means that the company receives money quickly. From the findings, we can find that it is a downward trend from 29.56 days in 2016 to 23.11 days in 2020. It is a good sign showing that Nestlé Malaysia is improving their accounts receivable management over year and year.

The total asset turnover ratio measures how efficiently the company generates their sales in order to gain profit by using its total assets (Weygandt, et al, 2018). This Ratio is calculated by dividing sales by total assets. The higher the Ratio, the more profit is generated. As a result, the more the turnover rate, the more efficient the company is managing its assets to generate sales. From the findings, Nestlé Malaysia recorded the highest total assets turnover rate at 2.03 times in 2016 and it dropped to 1.94 times in 2018. Although Nestlé Malaysia managed to improve the management of their total assets to generate sales in 2019 but yet the lowest turnover rate is recorded at 1.89 times in the year 2020. Nestlé Malaysia should take note of this issue in order to maximize their assets to generate profit.

Solvency ratio or commonly referred to as leverage ratio is the ratio used to measure the company's ability to meet its financial obligations and we can compute it through debt ratio and debt to equity ratio (Sukmadewi, 2021). A debt ratio larger than 1 indicates that a company's debt exceeds its assets. A debt ratio of less than 1, on the other hand, implies that a company's assets outnumber its debt. The debt ratio, when combined with other financial health indicators, can assist investors in determining a company's risk level. From the findings, Nestlé Malaysia recorded the lowest debt ratio of 0.726 in 2020 but it increased to 0.805 in 2020, which is the highest debt ratio among five years. But overall, Nestlé Malaysia is doing great in its debt management as the debt ratio for five years is lower than 1.

The debt-to-equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets (Bhunia, Mukhuti, & Roy, 2011). It is a measure of how much a corporation relies on debt to support its operations rather than totally owned capital. In the case of a corporate downturn, it indicates the capacity of shareholder equity to satisfy all existing obligations. A debt-to-equity ratio of 1 indicates that creditors and investors both have equal ownership of the company's assets. A lower debt-to-equity ratio typically indicates that a company is more financially sound. Creditors and investors view organisations with a greater debt to equity ratio to be riskier than those with a lower ratio. From the results in Table 1, Nestlé Malaysia is getting riskier to investors over the years as it is an upward trend of debt-to-equity Ratio from 2.854 in 2016 to 4.136 in 2020. We can conclude that the capacity of Nestlé Malaysia's shareholders' equity is not enough to satisfy all existing obligations.

Gross profit margin is calculated by subtracting the company's costs of goods sold from the gross profit made on sales. Gross profit is the amount we make before any management costs are deducted, and it is more significant than net profit (Monea, 2009). The table above shows the summary statistics for gross profit margin in five years. The gross profit margin reached a peak during 2016, which is 39.4% was the highest in these five years. After that, the gross profit margin in 2017 has been a sharp fall to 36.7% but increased to 38.7% in the next year. During 2019, it dropped up to 1.1%, and the margin fell to a low point of 36.3% in the year 2020 due to the Covid-19 pandemic.

Operating Profit Margin is the percentage of a sale's proceeds that remains after all costs such as interest, tax payments, and preferred stock dividends have been paid (Choiriyah, Fatimah, Agustina, & Ulfa, 2020). From the data above, there is a clear trend of increasing operating profit margin from 2016 to 2019, which is 15.8% in the first year. In the following years, the margin increased to 16.1% and 16.6%, respectively, in 2017 and 2018. The operating profit margin rose to a high point and peaked in 2019 was reached 18%. However, a steep fall in the percentage of margin, which was only 14%, while 2020 due to the covid-19 situation that made the cost of goods sold increase.

Net profit margin indicates the percentage of profit generated by sales. Likewise, to gross profit margin, net profit margin varies from business to business or manufacturers of the sector (Monea, 2009). What can be clearly seen in this table is that the net profit margin is a steady decline from 2016 to 2018, which is 12.6%, 12.2% and 11.9%, respectively. Afterwards, a slight increase of the net profit margin in 2019 comes to 12.2%. Nevertheless, the margin of 2020 reached the lowest point and only 10.2% due to the low earnings growth, which will cause the investors to give a negative expectation on the return of equity.

Earnings per share (EPS), or named income per share, is a type of benefit paid to investors for every share held (Choiriyah, et al., 2020). The EPS of the company from 2016 to 2019 has been a gradual rise, which was RM 2.717 in the first year, slightly increasing to RM 2.74 in 2017. Moreover, the EPS shows that during 2018, it rises to RM 2.81, and the peak EPS is RM 2.87 in the fourth year due to its high market dominance. However, RM 2.36 in the following year is the lowest value of EPS that the company holds due to the less profit in the situation of the covid-19 pandemic.

Return on assets (ROA) is an indicator that determines a firm's ability to effectively manage its investment to increase profits over time (Choiriyah, et al., 2020); also called the return on investment (ROI). As can be seen from the table above, the first year of the analysis shows the peak percentage of ROA, which is 25.5%. A high-value Return on Assets (ROA) would mean that the firm can make revenue from reasonably high-value assets. Then, a continuing decline in the next two years, which reach 24.6% and 23.1% respectively. The ROA for 2019 was a sharp increase of 1.6% but fell 5.4%, which is only 19.3% during 2020.

Return on Equity (ROE) ratios demonstrate the way in which firms effectively manage their own wealth, evaluating the profit levels of money invested by holders of their own equity or ownership of the business (Rashid, 2018). It is apparent from this table that ROE is not stable with increase and decrease values. During 2016, the ROE is the lowest, which is only 98.4% of return. Then, it was increased to 101% in 2017 and fell again to 100.7% in the next year. The peak of ROE comes to 2019, which is 101.2% of return. This may be caused by investments generated by the firm being very accurate, enabling all assets to be used efficiently and profitably. During the covid-19 situation, the ROE in 2020 dropped to 99.2%.

Price/Earning Rate is a key ratio for investors because it implies the level of confidence that shareholders have in the business's potential performance (Monea, 2009). The P/E Ratio experienced continual growth from 2016 to 2018. During 2016, the P/E Ratio was 28.78 and increased to 37.66 in the next year. After that, a massive rise to 52.46 occurred in 2018 but declined to 51.22 in 2019. The fifth year of the analysis showed the peak of the P/E Ratio for the company, which reached 58.86. This clearly shows that the investors still have high confidence in this company even though the covid-19 situation affects sales profit.

Market value per share is the price at which a share of a company's equity may be sold in the marketplace, such as on a stock exchange (Zutter, & Smart, 2019). What stands out in this table is the variability of market value per share while increased from 2016 to 2018 and decreased afterwards. The first-year analysis has shown RM 78.20 and rapidly increased in the following year with RM 103.20. Before the value fell, it reached the peak of RM 147.40 and dropped only RM 0.40 in 2019. Then, the value decreased to RM 138.90 during the last year of analysis, 2020.

Book Value per Share is the percentage of equity accessible to common shareholders classified by the number of shares outstanding (Zutter, & Smart, 2019). The result reveals that there has been an unstable trend while RM 2.76 was shown in 2016 and dropped to RM 2.71 in the second year. Next, a sharp rise to RM 2.79 in 2018, and we could see that continuous growth, and it was the highest value in the same time to RM 2.84 in 2019. However, the lowest point in 2020 shows only RM 2.38 in that year. Since the book value per share is lower than the market value per share every year, it implies that the stock is overvalued.

The Market/Book Ratio measures how investors evaluate the firm's performance. Companies that are projected to create significant returns relative to risky generally sell at higher M/B multiples (Zutter, & Smart, 2019). From this analysis, we can see that the M/B ratio resulted in the lowest value of 28.33 in 2016 and has been a steady increase to 38.08 and 52.83 respectively in 2017 and 2018. A slight fall in the fourth year of analysis to 51.76 and meet the peak point of 58.43 during 2020. The high M/B Ratio is bad news for investors because it might indicate that a stock is overpriced.

Dividend yield ratios help investors to relate the most recent dividend they obtained with the actual market value of the stock as an index of the repayment on their equity (Monea, 2009). In the table above, there is a clear trend of decreasing of the percentage in these five years. During 2016, the dividend yield was 3.5%, and it dropped to 2.7% in the second year. The value of dividend yield in 2018 and 2019 are the same, which is 1.9%. However, a gradual fall during 2020 makes the value only 1.7%. This shows the return of dividends was weak, and it indicates that less risk in the investment at the same time.

Key Incidents

In the year 2016, Nestlé Malaysia for the first in history showed large domestic sales, with which the company made huge profits (Nestlé Malaysia Annual Report 2016). A high turnover rate was earned in favour of the company besides the expenses made on new manufacturing plants, packaging, also the prices were kept stable although Goods and Services Tax (GST) was implemented. Other than that, the products such as Nescafe Latte Coconut instant coffee and Nestlé Milo ice cream stick are greatly welcomed by the consumers (Kang, 2016). These incidents are the issues that lead to a high net profit margin from our findings.

In 2017, economic changes prevailed at home and abroad. Nestlé Malaysia decided to bring innovative ideas to increase growth, which enabled them to continuously present their customers with exciting new products of high quality. Products led to an overall rise in the cost of production, such as packaging materials and imported raw material, which negatively impacted the business (Lester, 2017). The company gained credit benefits from large export businesses. There was strong domestic business growth. Against the backdrop of an economically challenging business environment, Nestlé Malaysia registered an improved turnover than the previous year.

For the year 2018, there is a video uploaded on YouTube stating that Milo, which is Nestlé Malaysia popular product in the domestic market contains excessive sugar which is 40% of the content (Lester, 2018). Therefore, Nestlé Malaysia takes action and invests in product innovations and renovations. The product innovation and renovation is successful and it contributes a lot to Nestlé Malaysia's financial performance, which results in an increase in Earning per Share (EPS) and also the current year profit.

Nestlé Malaysia has launched the products in 2019 with whole grains which include Milo with Whole Grain Cereal, Nestum Grains and More Brown Rice and so on (Nestlé Malaysia Annual Report 2019). Based on the Annual Report 2019, these products contain sufficient grain, vegetables, and nutrition to boost children’s health and development. Nowadays, Malaysians are gradually becoming more conscious of healthy eating, especially parents. Therefore, these products are receiving support from Malaysians. This leads to an increase in its sales and finally its net profit.

The financial performance of Nestlé Malaysia in 2020 has declined due to the Covid-19 pandemic. The global spread of SARS-CoV-2 and the thousands of deaths caused by coronavirus disease (COVID-19) led the World Health Organization to declare a pandemic on 12 March 2020 (Ciotti, et al,2020). Dairy farmers that directly collaborate with Nestlé Malaysia have met the problem of demand disruption. Even so, Nestlé Malaysia still honouring the obligations to purchase agreed-upon volumes to assist the farmers in maintaining their livelihoods. This action led to Nestlé Malaysia's production cost increase. Even worse, Nestlé Malaysia has temporarily halted operations due to the Movement Control Order introduced by the government and the sales had declined. This results in the decline of net profit margin in 2020 compared with the previous year.

Actions Taken

Nestlé Malaysia's net profit rose 17.5 percent in the first quarter of 2016, higher than expected, mainly due to higher sales and higher exports. In addition, consumer spending power has declined since Malaysia's exemption from the Goods and Services Tax was lifted on 1 April 2015, and the study concluded that the implementation of the GST policy would place an economic burden on low-income and middle-income people (October 25, 2017). But Nestlé Malaysia has not raised the price of its products, which is one reason its sales have not fallen. What's more, Nestlé Malaysia launched a series of new products in 2016 as an experiment, such as Nestlé Latte Coconut Instant Coffee and Nestlé Milo Ice Cream Sticks, which are popular with consumers and drive sales growth. More importantly, increased export demand from Thailand, Indonesia and the Philippines in the first quarter of 2016 and reduced capital expenditure on product upgrades were the main reasons for Nestlé Malaysia's net profit growth in 2016.

Nestlé Malaysia faces many challenges in 2017, such as rising raw material prices and a tough international economic environment. Research shows that exchange rate fluctuations have reduced Malaysia's real exports (Doğanlar, 2002). Despite the lower exchange rate, Nestlé Malaysia's revenues grew by 4% in 2017. The main driver of growth was, first, the company's rapid introduction of 30-40 new products, which helped to increase sales. Second, in the face of rising raw material prices, they decided to buy large quantities of milk powder, wheat flour, cocoa, and other large raw materials, reducing the pressure of commodity price volatility. The most critical reason is that the company's share of exports in the ASEAN region grew strongly in 2017. While the company expects prices to rise by 2% to 3% in 2017, but higher prices are not expected to have a significant impact on sales. Therefore, we believe that these are the reasons for the company's 2017 turnover increase.

In 2018, a popular product from Nestlé Malaysia, Milo sparked much discussion online, with some suggesting milo's high sugar content could affect human health. The company quickly responded by launching a sugar-less product that led to steady sales growth. Changes to Nestlé Malaysia's market response can quickly reposition the company's product development and bring a better direction to product sales. Rational adoption of consumer opinions is more effective than direct investment advertising. When the enterprise meets the expectations and needs of customers, it can bring better benefits to the enterprise (Al-Suraihi, Al-Suraihi, Ibrahim, Al-Tahitah, & Abdulrab, 2020). By introducing this new product, resulting in an increase in Milo's market share. So, we believe this is the main reason for Nestlé's profit growth in Malaysia in 2018.

In 2019, Nestlé had launched a new product which is a whole grains product. Nestlé considers that proper nutrition and adequate physical activity are integral parts of maintaining good health. Therefore, the company not only makes continuous improvements to the nutritional profile of its products but also actively engages in sports promotion (Green, 2006). Nestlé can plan a good strategy to promote their new product to the customer so that Nestlé can increase their profit. In the demographics part, Nestlé can target the whole grains product to the older people and people who choose to have a healthy lifestyle. These people are tending to have whole grains products because whole grains are healthier than other products. Nestlé may also choose to undertake multiple campaigns, whether self-liquidating giveaways or promotions, and its advertising moves, aim to attract more consumers to buy the new product. The company can use the Internet, mainstream media, and posters or banners in retail outlets as its main forms of advertising. This also includes product placement in the media and strategic places, such as in a store or during a sporting event or company meeting. This can help Nestlé to increase their profit (Studycorgi, 2020).

In 2020, that was the year starting from March, where the Covid-19 pandemic spread like wildfire. The government around the world chose to lockdown to decrease the spread of the virus. In most countries, the stock market crashed as a result of panic selling among retail investors. (Hamzah, Halul, Jeng, & Sha'ari, 2021). Many company stock prices have declined seriously due to the lockdown. Nestlé is also facing the same problem with their financial performance also showing a decline in the year 2020. The action taken by Nestlé Malaysia is they have launched its most recent 'at home' range with the Starbuck company to make Starbucks drink more available to consumers with e-commerce and home delivery. This includes the new range of Medium Roast and Dark Roast Coffee. In this way, the consumer is able to enjoy high-quality instant coffee without going to Starbucks. There are about 11 distinct coffee variants in the at-home range and Nestlé company will sell these products through e-commerce platforms such as Lazada and Shopee as well as at offline retailers and supermarkets. This method can help Nestlénto increase its profit during the pandemic period because there will be a large number of consumers choosing to purchase online due to the virus (Neo, 2020).

DISCUSSION

As we can see in the data analysis conducted in this study, Nestlé Malaysia has numerous weaknesses that should be rectified. First of all, a key policy priority should be to plan for the long-term care of Nestlé Malaysia to develop the company's corporate governance. Good management is a critical component for developing investor trust, growth of productivity, and wealth creation. Strong corporate governance may assist in avoiding corporate scandals, deception, and a potential case of criminal consequences. Effective corporate governance strengthens a company's reputation and credibility, making it appealing to shareholders, suppliers, consumers, and other partners (Todorovic, 2013). On the other hand, good management reflects on the decisions of investors. Corporate governance, which has principles such as information released to the public, shareholder rights protection and equal treatment of shareholders, will increase the trust of investors.

As another long-term recommendation, Nestlé Malaysia may consider being implicated in corporate social responsibility activities. Corporate Social Responsibility (CSR) refers to company enterprises that benefit society in a meaningful way by going further than a primary concentration on maximizing profits (McWilliams, 2015). These activities might involve charity donations, developing green solutions, using liberal employee engagement, and participating in community building. According to Karagiorgos (2010), a corporation that implements a CSR strategy may be favourably appraised by the market and its stakeholders. Furthermore, this conclusion implies that CSR theories and plans will lead to higher stock prices as a result of stakeholders' positive perceptions of these activities.

The following recommendation for Nestlé Malaysia could prepare for future inflation. Investors have the attention of the potential to minimize the risk of inflation in their investments. Inflation weakens investors' purchasing power and disburses income from lenders, savers to borrowers (Parikh, Malladi, & Fabozzi, 2020). According to Pidun, Stelter, and Van Dyken, (2010) and his colleagues, a company should maintain their profit margins. The sales and purchasing teams have to detect margin pressure from increased raw-material prices and make a quick reaction and reduce the cost. As a result, the decreased price will also lower the consumers' price sensitivity. For example, by restructuring product offers and attracting clients at cheap prices.

CONCLUSION

Through the financial analysis of Nestlé, we found out that Nestlé has not developed stably during these five years. This is because the current ratio of Nestlé company from 2016 to 2020 is less than 1 which is an alarming sign showing that Nestlé Malaysia does not have enough liquid assets to cover their short-term debt. Nestlé Malaysia is getting riskier to investors over the years as there is an upward trend of debt-to-equity Ratio from 2016 to 2020. We can conclude that the capacity of Nestlé Malaysia's shareholders' equity is not enough to satisfy all existing obligations. The net profit margin is also a steady decline from 2016 to 2018 but a slight increase in 2019. Nevertheless, the margin of 2020 reached the lowest point which will cause the investors to give a negative expectation on the return of equity. The Return of Equity is not stable with increase and decrease values. These ratios are the most important ratios which help us to conclude that the financial performance of Nestlé company from 2016 to 2020 is not that stable. The key incidents in the five years include high turnover rate was earned in favour of the company (2016), products that led to an overall rise in the cost of production (2017), they take action and invest in product innovations and renovations, it is successful (2018), Nestlé Malaysia has launched the products with whole grains (2019), the financial performance of Nestlé Malaysia has declined due to Covid-19 pandemic (2020). Nestlé has taken some action which they launched a series of new products as an experiment (2016), they decided to buy large quantities of raw materials (2017), They also launched a sugar-less product that led to steady sales growth (2018), Nestlé target the whole grains product to the right person (2019), Nestlé has launched its most recent 'at home' range with the Starbuck company (2020). There was a recommendation such as good management is a critical component. Nestlé Malaysia may consider being involved in corporate social responsibility activities. Nestlé Malaysia could prepare for future inflation by restructuring product offers and attracting clients at cheap prices.

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