

# **Financial Data Analytics Portfolio – Nestlé**

## **Case**

Ratio Analysis & Dashboard (2022–2024)

Hasina Maihan  
Financial Data Analytics Portfolio  
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## Executive Summary

This report delivers an advanced financial analysis of Nestlé's performance from 2022–2024, examining profitability, operational efficiency, growth, and leverage. The analysis highlights consistent strength in profitability and shareholder returns, alongside variable revenue and net profit growth patterns. A gradual increase in debt financing underscores the importance of robust risk management and strategic financial planning to sustain long-term value creation.

## 1. Introduction

The objective of this portfolio is to demonstrate high-level financial data analytics skills through a structured, evidence-based evaluation of Nestlé's key financial ratios. This report evaluates trends in profitability, operational performance, growth dynamics, and capital structure over three years, delivering insights that are both actionable and strategically relevant.

## 2. Methodology

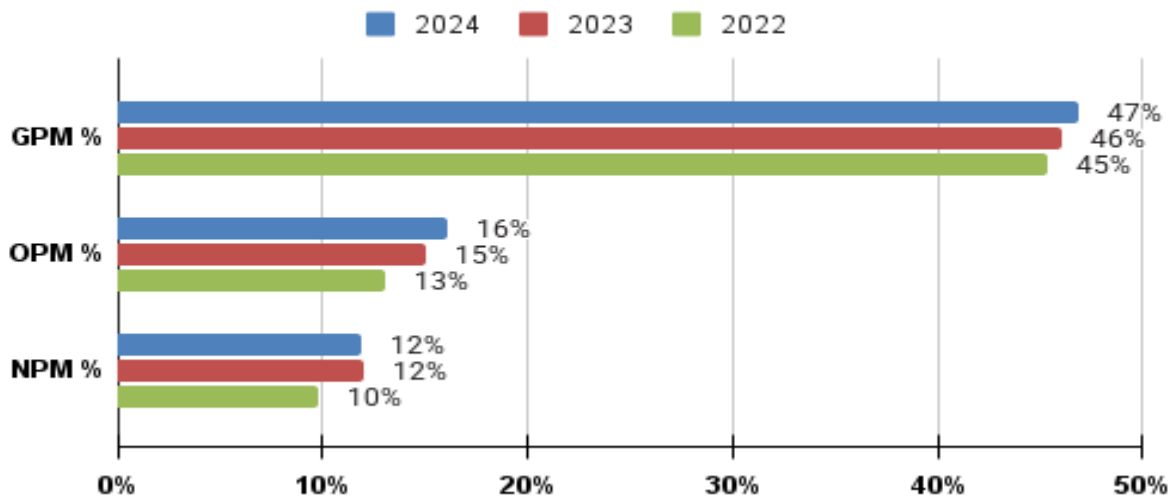
- **Data Collection:** Financial statements from Nestlé's annual reports (2022–2024) were utilized.
- **Ratios Calculated:**
  - Profitability: Gross Profit Margin (GPM), Operating Profit Margin (OPM), Net Profit Margin (NPM)
  - Performance: Return on Assets (ROA), Return on Equity (ROE)
  - Financial Growth: Revenue Growth, Net Profit Growth
  - Leverage: Debt Ratio, Equity Ratio
- **Visualization Strategy:**
  - Bar charts for profitability ratios to display comparative levels clearly.

- Line charts for performance and growth ratios to emphasize temporal trends.
- Stacked column charts for leverage ratios to illustrate capital composition.
- **Analytical Approach:** Each ratio was analyzed in context, evaluating operational efficiency, profitability stability, growth volatility, and capital risk, with insights framed to reflect strategic business implications.

### 3. Financial Analysis

#### 3.1 Profitability Ratios (GPM, OPM, NPM)

##### Profitability - 2024, 2023 and 2022



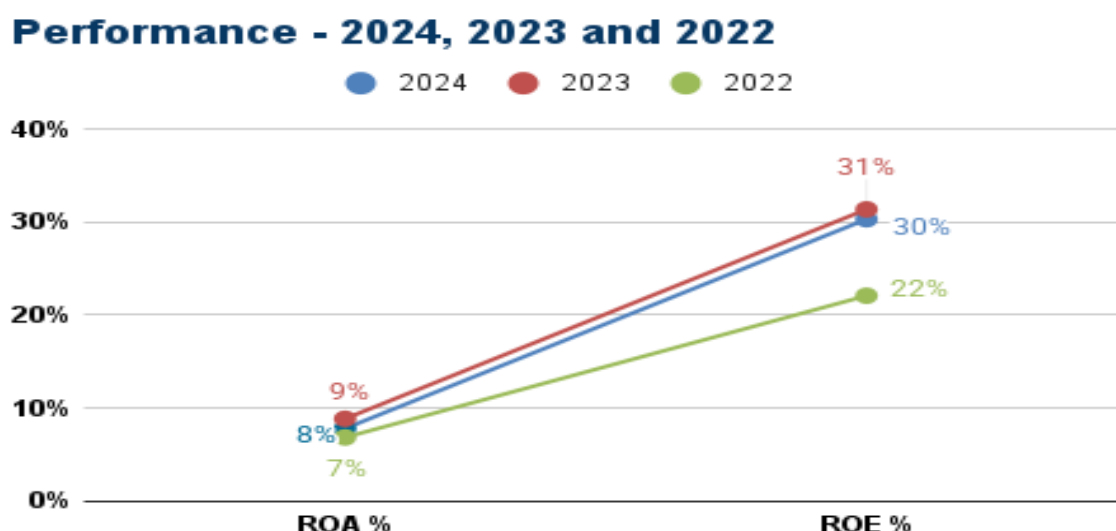
**Figure 1: Profitability Ratios for 2022–2024** The bar chart illustrates Nestlé’s gross profit margin, operating profit margin, and net profit margin over three years, reflecting continuous improvement in cost control and operational efficiency.

**Advanced Insights:** - **GPM (45% → 47%):** The steady increase demonstrates enhanced cost management and pricing strategies, suggesting that Nestlé effectively mitigates input cost fluctuations while sustaining competitive pricing. - **OPM (13% → 16%):** The growth in operating margin indicates operational optimization beyond production costs, including improved allocation of overhead, tighter process control, and

efficiency in marketing and distribution expenditures. - **NPM (10% → 12%)**: The stable net margin reflects strong bottom-line performance, underscoring the company's ability to translate operational efficiency into retained earnings despite macroeconomic and market challenges.

**Interpretation:** The collective improvement across profitability metrics signals resilience in operational execution, strategic pricing, and cost governance, forming a robust foundation for sustainable profitability.

### 3.2 Performance Ratios (ROA, ROE)

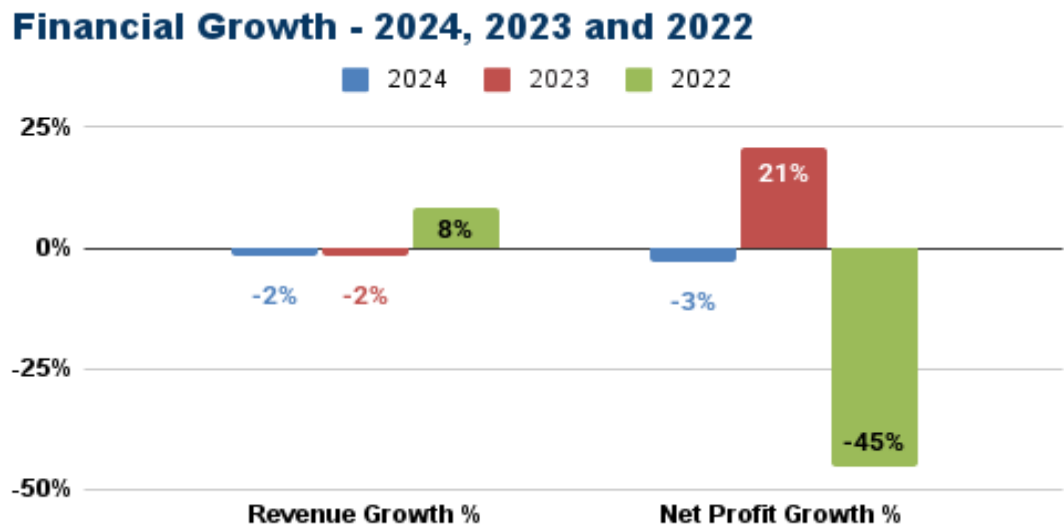


**Figure 2: Performance Ratios for 2022–2024** The line chart illustrates Nestlé's return on assets and return on equity over three years, indicating high-level performance efficiency with minor fluctuations.

**Advanced Insights:** - **ROA (7% → 9% → 8%)**: The peak in 2023 reflects maximized asset utilization, potentially due to optimized production capacity or capital deployment. The slight decline in 2024 warrants attention to asset turnover ratios and operational deployment efficiency. - **ROE (22% → 31% → 30%)**: Persistent high ROE signals effective use of shareholder equity to generate profits. The minor decrease in 2024, coupled with rising debt levels, highlights the nuanced interplay between leverage and equity returns, emphasizing the need for balanced capital strategy.

**Interpretation:** Nestlé exhibits strong asset and equity efficiency, maintaining high shareholder value while ensuring operational resources are effectively leveraged for profit generation.

3.3 Financial Growth Ratios (Revenue Growth, Net Profit Growth)



**Figure 3: Financial Growth Ratios for 2022–2024** The column chart illustrates revenue growth and net profit growth over three years, highlighting trends, volatility, and operational responsiveness.

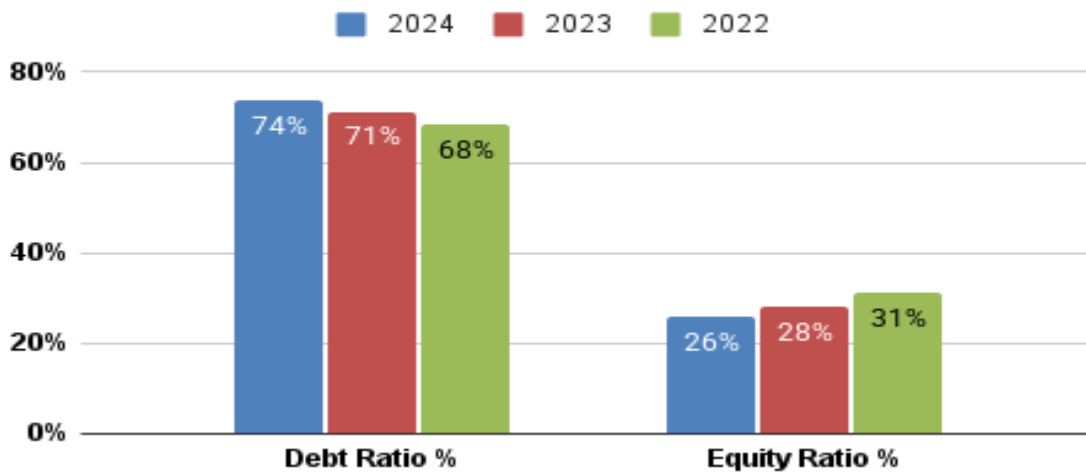
**Advanced Insights:**

- **Revenue Growth (-2% → -2% → 8%):** The initial contraction may reflect market saturation or external economic pressures, while the 2024 rebound suggests effective strategic interventions such as market expansion, new product launches, or cost-optimized sales campaigns.
- **Net Profit Growth (-45% → 21% → -3%):** Significant fluctuations indicate high sensitivity to both cost structure and market conditions. The rapid recovery in 2023 reflects agile operational adjustments and efficient expense management, whereas the minor dip in 2024 highlights the importance of stabilizing revenue streams to maintain consistent profitability.

**Interpretation:** The variability in growth ratios underscores the need for proactive strategic planning, emphasizing agility in market response, cost containment, and revenue diversification to ensure long-term growth stability.

### 3.4 Leverage Ratios (Debt Ratio, Equity Ratio)

#### Leverage - 2024, 2023 and 2022



**Figure 4: Leverage Ratios for 2022–2024** The column chart illustrates Nestlé’s debt ratio and equity ratio over three years, reflecting evolving capital structure and risk exposure.

**Advanced Insights:** - **Debt Ratio (68% → 74%):** The increasing trend indicates greater reliance on debt, potentially leveraging favorable interest rates to fuel growth or optimize capital costs. However, higher debt elevates financial risk and requires careful monitoring of coverage ratios and liquidity. - **Equity Ratio (31% → 26%):** The decline in equity proportion reflects the higher leverage strategy. Maintaining a balance between equity and debt is critical to ensure sustainable financial stability and investor confidence.

**Interpretation:** The leverage analysis highlights the strategic use of debt to enhance returns while signaling the importance of rigorous risk management to avoid over-leverage and ensure long-term financial resilience.

## 4. Overall Insights and Strategic Implications

- **Profitability & Operational Excellence:** Nestlé demonstrates consistent strength in profitability, with effective cost control, operational efficiency, and margin stability.
- **Growth Analysis:** Revenue and net profit growth patterns highlight volatility, requiring adaptive market strategies, product innovation, and proactive risk management to stabilize performance.
- **Capital Structure & Risk Management:** Rising debt levels necessitate careful monitoring of financial leverage, interest coverage, and equity returns to balance risk and reward.
- **Strategic Recommendations:**
  - Enhance market responsiveness and diversify revenue streams to stabilize growth.
  - Optimize capital structure by balancing debt and equity to sustain high ROE while minimizing risk.
  - Maintain and refine cost management strategies to protect margins during market fluctuations.

**Conclusion:** Nestlé exhibits robust financial health, operational efficiency, and strategic agility, supported by advanced financial management practices. Continuous monitoring of growth volatility, profitability trends, and leverage ensures sustainable performance and long-term value creation.

## 5. Appendix

- Raw data tables for all ratios (2022–2024)
  - Calculations and formulas for each ratio
  - Assumptions and notes related to data interpretation
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**End of Report**