BFW1001 Foundations of Finance

Group Assignment Part 2:

Investment Analysis Report

Tutorial 16, Group 1

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1.0 Introduction

Nestlé (Malaysia), one of the largest and most prominent companies in the country, is widely recognised for its extensive portfolio of well-established brands and strong market presence. According to its financial reports from 31 December 2019 to 31 December 2024, the company's stock has demonstrated relative stability compared to many other companies in the food industry, despite ongoing economic challenges. Its inclusion in the Bursa Malaysia Top 30 Index (FBMKLCI) further reflects this stability, as companies listed there tend to exhibit greater resilience due to their large market capitalizations and established track records (Yahoo Finance, n.d.). This steadiness aligns well with our preference as a risk-averse team, as we prioritise investments that offer more consistent returns and minimal volatility, making Nestlé a compelling choice for our portfolio.

Operating as a food producer, Nestlé generates most of its revenue from its popular brands including Milo, KitKat, Maggi, etc., while its main expenses stem from selling and distribution costs (Nestlé, 2025a). Throughout our review period, the company also maintained a strong track record of consistent dividend payments, typically made three times a year: in May, October, and December. This resilience can be credited to the strength of Nestlé's key management team. For instance, CEO Juan Aranols, who holds a degree in economics, and CFO Syed Saiful Islan, with a background in finance, bring together more than 50 years of combined experience within the Nestlé Group (Nestlé, n.d.; LinkedIn, n.d.).

Over the course of their careers, they have held numerous senior leadership positions across different regions, demonstrating deep expertise and a proven track record of effective management. They are also highly regarded for their commitment to sustainability and have earned a reputation for prioritising environmental, social, and governance (ESG) principles, with several news outlets reporting on their dedication to these values (Tan, 2022; Lim, 2023). On the topic of ESG, the company has similarly demonstrated strong dedication to related initiatives and achievements. To illustrate, it aims to achieve net-zero carbon emissions by 2050, supports local communities through nutrition programs, and upholds rigorous standards of corporate accountability (Nestlé, 2025b).

Regarding selection of competitors, our team chose Dutch Lady Milk Industries Berhad and Oriental Food Industries Holdings Berhad from the 76 listed companies in Malaysia's food sector. Many other firms from the same sector, including Sarawak Oil Palms and PLS Plantations, primarily engage in oil palm cultivation rather than producing consumer food products. Additionally, companies like CAM Resources Berhad, although involved in some food-related items, focus mainly on non-food operations such as kitchenware manufacturing. Consequently, these companies were excluded.

In contrast, Dutch Lady and Oriental Food closely align with Nestlé's core operations and compete directly in relevant product segments. Dutch Lady operates in the dairy category, particularly in milk powder and nutrition-based products, overlapping with Nestlé's key brands including Milo, Nestum, and Lactogrow. Likewise, Oriental Food, which specialises in snacks and biscuits, competes with Nestlé products such as Milo and KitKat biscuits. Moreover, all three companies have strong brand presence and share other notable similarities, as summarised in Appendix 1. For these reasons, Dutch Lady and Oriental Food were selected as Nestlé main competitors for our analysis. Visual summaries of financial data are also presented for all three companies in Appendices 2–4 to support this comparison.

2.0 Investment Analysis

2.1 Risk and Return Analysis

This analysis evaluates the historical financial performance of Nestlé (Malaysia) and compares it with our chosen market competitors, Dutch Lady Milk Industries Berhad and Oriental Food Industries Holdings Berhad, over a five-year period from 31 December 2019 to 31 December 2024, using data extracted from Part 1 of our assignment.

Firstly, Part 1(a) will be discussed, starting with an analysis of the highest and lowest stock price range in the 5 years for each company. Nestlé showed the largest absolute price range of RM50.3000, which is expected due to its high nominal share price. However, in percentage terms, the price only increased by 52% between its low of RM96.7000 and high of RM147.0000 over five years, indicating moderate price movement and relatively stable performance, consistent with its nature as a stable stock. Whereas its competitor, Dutch Lady experienced a 130% increase from its lowest price of RM21.3200 to highest price of RM49.1000, suggesting more significant price volatility and fluctuation. Alternatively, Oriental Food demonstrated the strongest growth potential, with a 256% gain from its low of RM0.5700 to a high of RM2.0300.

Average returns is the percentage an investment earns each month or year. Nestlé and Dutch Lady posted negative monthly average returns at –0.5993% and –0.6113% respectively as well as a negative annualised average returns of –7.1915% and –7.3355% respectively. This indicates that on average, investors who held these stocks over the period experienced a decline in investment value. The negative returns suggest several possibilities including weak earnings growth, industry stagnation or increased competition in the food industry. Conversely, Oriental Food stands out with a positive monthly return of 1.8946%, translating to a robust annualised return of 22.7350%. This strong return profile suggests possibly effective growth strategies, market expansion, or new product success.

A volatility analysis was also conducted based on the monthly and annualised average returns, to measure the price fluctuations over time. Nestlé exhibited the lowest volatility at 2.8701% monthly and 9.9425% annually, indicating that its share price experienced small, predictable movements. Dutch Lady Milk displayed moderate volatility with a monthly volatility of 6.4137% and a yearly volatility of 22.2176%, suggesting greater uncertainty and price instability in comparison to Nestlé, likely stemming from operational challenges or external shocks. Nestlé's other competitor, Oriental Food had the highest volatility at a monthly volatility of 8.3712% and an annual volatility of 28.9988%, which, while riskier, is not necessarily negative as high volatility can result in high returns, reflecting a high-risk, high reward investment profile.

Moreover, an examination of coefficient of variation, which measures risk per unit of return, giving a clearer picture of efficiency than volatility or returns alone. Nestlé and Dutch Lady have shown negative coefficient of variation at -1.382530 and –3.028777, this indicates that the risk undertaken by investors did not yield positive returns, as a negative coefficient of variation suggests that they assumed risk and incurred a loss. Although, Oriental Food had a positive coefficient of variation of 1.275515 which is relatively low, indicating greater efficiency, as it reflects a lower level of risk per unit of return.

Overall, Nestlé remained a low-risk, low-return stock that did not deliver this period whilst their competitor, Dutch Lady took on moderate risk but failed to generate return, resulting in inefficiency. Whereas Oriental Food offered the best balance between return and risk, justifying its higher volatility with superior performance.

To better understand the stock's movement relative to the market and the strength of its relationship with market returns, relevant metrics from Part 1(b) were presented. Firstly, covariance, which is used to measure how the stock's returns move in relation to the market. In this case, all three companies have a positive covariance which means that the stock tends to move in the same direction as the market, the main stock, Nestlé at 0.000390, Dutch Lady having a slightly lower covariance at 0.000365 and Oriental Food with the highest covariance of 0.001020 which highlights that Oriental food's stocks had the strongest co-movement with the market. Furthermore, the beta formula is used by dividing the covariance between a company's stock and the market by the variance of the market, in this case 0.001284. The beta is a key risk metric that indicates how sensitive a stock is to market movements, when beta equals one it shows there is a perfect correlation, where the stock returns move exactly with the market. If beta is smaller than one it means the stock returns is less volatile than the market, and vice versa for a beta larger than one, lastly a negative beta is a rare case where stock returns move opposite to the market. Nestlé's beta of 0.303787 suggests that if the market rises or falls by 1%, Nestlé is expected to rise or fall by only 0.30% once again solidifying the stock as stable and low risk, low reward. Dutch Lady's beta of 0.284377 is even lower than that of Nestlé making it less responsive to market changes. Oriental Food with the highest beta of the three at 0.794332 which can be considered a strong-moderate beta, making it the most aligned with market direction. While all three betas are smaller than one indicating that all three companies are less volatile than the market, Oriental Food is the most aggressive in comparison to Nestlé and Dutch Lady which is consistent with the high-risk, high-reward stock established earlier.

Appendices 5-7 were also presented to illustrate the relationship of the companies' stock returns and the stock market index (FTSE Bursa Malaysia KLCI Index), the linear trend line present in each graph is the line of best fit or the regression line. This trend line is commonly upwards sloping which reflects that as FTSE Bursa Malaysia KLCI Index increases so does the companies' stock market returns. The equation in the top right corners of the graphs reveals how the stock market returns vary with the FTSE Bursa Malaysia KLCI Index, the slope coefficient value is the beta value which has already been explained and on top of that there is the intercept term which represents the expected return of the stock when the market return is 0 therefore in this scenario if the market returns is 0, Nestlé would have an expected return of stock of 0.0064, Dutch Lady's expected return of stock is slightly higher at 0.0065 and lastly Oriental Food has the highest expected return of 0.018. Regarding the R-squared values Nestlé has the value of 0.1438 meaning that only 14.38% of return variability is explained by the market, Dutch Lady's R-squared value is much lower than Nestlé at 0.0252 which means that only 2.52% of return variability is explained by the market and lastly, Oriental Food with an R-squared value of 0.1156 which shows that only 11.56% of return variability is explained by the market. All three companies have low R-squared values implying that the rest is influenced by industry or company specific factors and that stock market index is not a strong predictor of stock behaviour. Additionally, from the graphs we can see the spread of the data points, for Nestlé majority of the data points are close together with a few outliers, Dutch Lady is similar as they also have close data points with a singular high outlier. Oriental Food on the other hand has a very scattered data plot in comparison to the other two which suggests that there is a weak or no relationship.

Furthermore, Appendix 8 from Part 1(c) shows how RM1 invested in each company stock and the market index at the end of December 2019 would have grown by end of December 2024. First off, the market index remained relatively flat, ending slightly higher than its initial value of RM1.00, meaning the overall market showed minimal growth. This benchmark allows us to gauge relative performance of each company. Nestlé showed a slight underperformance as the investment decreased by around 30% and was lower than the stock market index by the end of the fifth year. However, Nestlé's defensive nature helped soften the impact of market fluctuations. While the company still experienced a decline in investment value, its losses were less severe compared to their competitor, Dutch Lady which exhibits a moderately higher risk and volatility. Dutch Lady's stock experienced a steeper drop much lower than the market index implying internal issues. Nestlé's smaller loss highlights how defensive companies, can reduce losses in a challenging market environment. Lastly, Oriental Food outperformed all others, with the RM1 investment growing to more than RM3.00 which then dropped back down to RM2.50. This strong upward trend reflects high investor confidence, likely driven by effective growth strategies and innovation as it far exceeded the market index throughout the five years, despite having higher volatility, the return far outweighed the risk.

Comparing Nestlé with Dutch Lady, both stocks showed a downward trend in price for the past five years – drop from RM147.00 to RM99.98 and RM49.10 to RM30.18 respectively. Additionally, this declining pattern can be observed in both stocks' returns, as discussed in Part 1(a) and (b) analysis. However, it is anticipated that Nestlé's stock price and returns will stabilize or slightly improve in one year compared to Dutch Lady considering its more diverse product line (Jing, 2025), as well as competitive position in the food producer industry both locally and globally (Nestlé, 2025c). On the other hand, Oriental Food posed an upward movement from 2020 to 2024 in stock prices (RM0.645 to RM1.64) and monthly returns – 0.023256 to –0.012048. While Nestlé has a stronger brand recognition, price increases consequent to rising commodity costs may limit the pace of Nestlé's recovery by reducing consumer demand and sales volume (Jing, 2025). Oriental Food's higher average returns as opposed to Nestlé suggests that it could be in a more advantageous position to quickly adjust to shifting consumer tastes and cost structures since it is of a smaller scale. Thus, Oriental Food's stock price and returns may outperform Nestlé if this behaviour maintains for the next year.

Moving on, Part 1(d), Market capitalization, is the total value of a company's outstanding shares and is often used as a measure for size, market dominance, and investor perception (Fernando, 2025). A rising market cap generally shows positive investor sentiment and potential for growth, while a declining one may indicate stagnation or waning confidence. Nestlé had the largest market capitalization throughout the 5-year period, beginning at RM32.6 billion in 2020 and falling to RM23.4 billion in 2024. This progressive decline of nearly RM9 billion (over 28%) reflects a steady loss in market value. Despite Nestlé being seen as a safe investment during uncertain times, its shrinking market cap suggests investors may be shifting focus away from stable, low-growth companies toward higher-yielding opportunities pointing to low future growth potential, especially in a competitive and saturated market. Dutch Lady's market capitalization fell from RM2.4 billion in 2020 to RM1.93 billion in 2024, with a particularly sharp drop observed between 2020 and 2023. Although slightly recovering in 2024, the overall trend signals moderate decline and limited investor confidence. This may be due to declining market share, operational inefficiencies, or weak sales growth. Compared to Nestlé, Dutch Lady is smaller and more susceptible to market pressures but has neither demonstrated resilience nor growth, suggesting lower to moderate growth potential in its current state. Oriental Food Industries starting with a market cap of only RM136.8 million in 2020, Oriental Food expanded significantly to RM477.6 million in 2024, an increase of more than double. This remarkable growth, despite its smaller size, indicates strong investor confidence, possibly driven by innovative products, market expansion, or rising consumer demand, even during periods when the market remained flat or declined, highlights Oriental Food as a high growth company.

2.2 Historical Financial Ratio Analysis

An effective way to evaluate a company's financial performance and value creation is by analysing key metrics using financial ratios from Part 1(e) including Price-to-Earnings (P/E) ratio, Return on Equity (ROE) Dupont along with the underlying financial figures used to calculate them.

Nestlé, Dutch Lady as well as Oriental Food have shown an upswing of Average Total Assets, an input needed for the P/E ratio, over the past 5 years, as evidenced by their increased values in 2024 compared to 2020 – i.e. RM2726538 to RM3649738, RM443594 to RM1073732, and RM256058 to RM328969 respectively. This behaviour was potentially caused by business expansion strategies, notably Dutch Lady's relocation to their brand-new, cutting-edge IR4.0 facility in 2024 (The Star Online, 2025). As Nestlé is a company of an older establishment (since 1912) and much larger scale in Malaysia (Nestlé, 2025a), it is expected for the company to have the largest asset based compared to its 2 main competitors.

Another input needed to calculate P/E ratio is average shareholders' equity, which demonstrates the typical net value of a company over time (Hayes, 2025). All three companies have showed varying levels of average shareholder equity, reflecting differences in this financial strength and business size. Nestlé recorded the highest average shareholder equity over the five years, peaking at RM650,606 in 2023 before dropping back down. Dutch Lady had consistent year on year growth starting at RM155,498 (2020) and ending at triple the amount RM469,568 (2024). Lastly, Oriental Food showed a slow steady upswing from 2020, ending at RM247,137 as of 2024. Nestlé's high average signals strong financial health and scale, Dutch Lady's high growth reflects effective financial management, and Oriental Food's upward trend indicates reliable performance within its smaller operational scope.

With the metrics above, P/E ratio can now be calculated, which reflects the amount investors are willing to pay per dollar of a company's reported earnings (Sara, n.d.). Nestlé experienced a downturn in its P/E Ratio from 2020 to 2023, followed by an increase to 56.422122 in 2024, although it still holds the highest overall P/E Ratio among the 3 stocks. The 4-year decrease could be due to Nestlé having an increasing leverage ratio as high-leverage corporations typically incur higher interest rates on their debts, which decreases the P/E ratio (Halil et al., 2017). In contrast, Dutch Lady and Oriental Food faced more fluctuating trends over the past 5 years - Dutch Lady had a massive 24.07219 drop in P/E Ratio from 2020 to 2021, subsequent to a rise in 2022 (41.825726) then a downturn until 2024; P/E Ratio for Oriental Food fell from RM 13.571429 to 10.779221 (2020-2021), followed by an increasing trend until 2023, then another fall to 11.055556 in 2024. These fluctuations observed in Nestlé's 2 main competitors may be caused by economic patterns, news, or events unique to the Food Producer industry, which are factors that constantly change (Team, 2024).

The first component of ROE Dupont is the Net Profit Margin (NPM), Nestlé showed an overall downturn over the last 5 years - from 0.102124 in 2020 to 0.066769 in 2024. As a result of rising living expenses, Malaysians opted for more affordable alternatives to the firm's products (Keong, 2025), which led to an approximate 37% drop in Net Income and thus negatively impacted the NPM. While Dutch Lady faced a drastic NPM fall in 2022 (0.034546) after its growth from 2020 to 2021, its NPM was observed to slowly recover until 2024. The firm's increased sales in its main line of UHT (Ultra Heat Treatment) milk products and recently released Dutch Lady Sip & Seal Packs were the main drivers of revenue growth in 2024 (Aman, 2025). Although Oriental Food experienced slight NPM fluctuations (i.e. a decline from 2020-2021, followed by an upswing until 2023 and a decline in 2024), its NPM notably improved to 0.100282 in 2024 from 0.037537 in 2020. This was potentially due to its greater sales volume and underlying robustness in local demand (The Star Online, 2024).

Furthermore, asset turnover measures how efficiently a company uses its assets when generating revenue (Hayes, 2025). Nestlé's ratio stayed roughly between 1.87 to 1.97 from 2020 to 2024, however there was a small drop to 1.705532 at the end of the five years. Dutch Lady started off high at 2.206415 however it faced a large decrease over the five years dropping down to 1.345840 (2024). Finally, Oriental Food had the lowest asset turnover starting at 1.072854, however a steady increase was present as by the end of the five years, 1.312355, showing an improvement in the utilisation of assets to generate revenue. According to the data, it is inferred that Nestlé is stable, maintaining strong operational efficiency, although there was a small drop their asset turnover is still higher than its competitors. Dutch Lady might be facing challenges or investments that have increased assets without proportional sales growth, leading to reduced efficiency. Conversely, Oriental Food had the lowest turnover that slowly rose over the years which is impressive considering its smaller business size.

Lastly, the third component, the gearing ratio ranged from 5.135857 in 2019 to 6.665592 in 2024, Nestlé continuously retained a very high level of leverage in its capital structure. This indicated that Nestlé aggressively financed its assets with debt, which elevates returns but also raises financial risk. On the other hand, Dutch Lady had a moderate gearing ratio (compared to the 3 stocks) that varied between 1.832903 to 2.994627, reflecting a more balanced strategy to debt financing. It was more leveraged than Oriental Food but less aggressive than Nestlé. Moreover, Oriental Food had the lowest gearing ratio, consistently hovering between approximately 1.25 and 1.28, indicating a conservative financial structure which is primarily based on equity. However, firms with low gearing ratios have the ability to beat the market by nearly 10% over a three-year period in the long run, because investors find a low debt to equity ratio appealing since it mitigates financial risks and gives firms the chance to secure additional debt financing in the future (Muradoglu et al., 2005).

With the above information we are able to calculate the ROE Dupont which measures the net income is produced from each dollar of capital contributed by shareholders (Sara, n.d.). Nestlé's ROE Dupont was substantially high at 0.992061 in 2020 and hovered closely to that value for the next 3 years (2021 - 0.977886, 2022 - 0.990449, 2023 - 0.977736). However, a gradual decrease could also be seen from 2022 onwards, where the ROE dipped to 0.759061 in 2024. This fall is reflective of Nestlé's lowest NPM and Asset Turnover, as well as highest Equity Multiplier (EM) in the last 5 years, in which these 3 components were multiplied together to calculate the ROE Dupont (Furhmann, 2024). Hence, it can be concluded that the low 2024 ROE Dupont was because of the low NPM that indicates low operational efficiency, low Asset Turnover that indicates inefficient use of assets as well as, more debt and less equity as indicated by high EM. Comparing Nestlé's ROE Dupont performance to its 2 main competitors, Oriental Food showed steady margins surrounding approximately 0.08 from 2022 onwards while Dutch Lady over the 5-year period had a recovering trend, despite experiencing a decline to 0.116595 in 2022. Dutch Lady's robust operational implementation in addition to smooth transfer to its new facility (Aman, 2025) contributed greater operational effectiveness and efficient asset use which resulted in ROE Dupont growth.

3.0 Investment Decision

Based on our team's risk-averse preference, we would choose to invest in our selected stock, Nestlé (Malaysia), adopting a passive investment strategy. This strategy involves following a buy-and-hold method, which emphasises long-term, stable returns rather than chasing short-term gains. It also aims to benefit from consistent performance and reduced market timing risks by holding investments over a period of 10 to 15 years.

Nestlé aligns well with this profile as it is a low-risk, low-return stock, with a reputation for stability and financial resilience. The company's low volatility of 2.8701% monthly and 9.9425% annually indicates that its share price moves in a small, predictable range. Its low beta of 0.303787 suggests that Nestlé's price is not highly sensitive to broader market movements, rising or falling only about 0.3% in response to a 1% market shift. This reinforces its role as a defensive stock, providing a cushion during market downturns. The low R-squared value of 0.1438 confirms that only 14.38% of its return variability is explained by the market index, meaning most of its performance is driven by internal factors like its operations and reputation, not the stock market. Hence, the stock behaves more independently from external market trends, offering a degree of protection during periods of market volatility. Altogether, these metrics highlight Nestlé as an ideal choice for our team of passive investors seeking stability, predictable income, and long-term value preservation.

In contrast, Dutch Lady Milk Industries Berhad may appeal to moderately conservative investors, as it exhibits moderate volatility, with monthly volatility of 6.41% and annual volatility of 22.22%, suggesting a relatively unstable performance compared to Nestlé. While its low beta of 0.284377 suggests less sensitivity to market movements, this does not translate into consistent or reliable returns. In fact, the company's stock experienced a sharper decline than the market index over the analysis period, suggesting that Dutch Lady is more vulnerable to company-specific issues than to overall market trends. This underperformance points toward internal operational challenges, a lack of resilience during market down turns, and possibly declining investor confidence. Additionally, despite having a lower beta than Nestlé, Dutch Lady's higher volatility implies that the stock is subject to abrupt price swings, which are not adequately explained by market activity. This inconsistency between beta and volatility reflects poorly on the company's internal stability and strategic positioning.

Alternatively, Oriental Food Industries Holding Berhad presents itself as a dynamic, growth-oriented stock that appeals primarily to investors willing to take on higher levels of risk in exchange for the possibility of greater returns. With the highest volatility among the three companies analysed, which is 8.37% monthly and 28.9988% annually. The company's stock exhibits significant price fluctuations. While this can be attractive for aggressive investors seeking short to medium-term gains, it also indicates a high degree of uncertainty and lower predictability, making it less suitable for conservative or risk-averse investors. Adding to this risk profile is Oriental Food's beta of 0.794332 is the highest of the three companies and reflects a stronger correlation with market movements. Although still below 1, and technically less volatile than the broader market, its beta reflects a more aggressive stock profile compared to Nestlé and Dutch Lady. This makes Oriental Food more sensitive to shifts in market sentiment, both positive and negative, which aligns with its growth-oriented strategy. While this can be beneficial in a bullish market, it also means that the company is more vulnerable to external shocks and changing economic conditions.

Notably to mention, from a business fundamentals perspective, Nestlé held the highest Average Total Assets between 2020 and 2024, growing from RM2.79 million to RM3.61 million, as expected due to its large-scale and long-standing operations. In comparison, competitors Dutch Lady and Oriental Food maintained significantly smaller asset bases. This substantial asset size supports Nestlé's broad product portfolio across multiple food brands and categories, enhancing its resilience to shifts in consumer demand and providing investors with greater confidence. This is an important factor in reducing volatility and aligns with our team's preference for low-volatility investments.

However, in terms of average returns, Nestlé's recorded negative figures, with monthly returns at –0.5993% and annualised returns at –7.1915%, a trend that is relatively similar to Dutch Lady. In contrast, Oriental Food enjoyed positive returns. This underperformance is largely attributed to industry struggles. Despite these challenges, some analysts remain optimistic and believe that it is temporary and will eventually subside. In particular, they highlight that Nestlé products such as Milo and Maggi are deeply embedded in Malaysian households, making a long-term decline in demand unlikely (Poo, 2024). As we prioritise long-term investment horizons, this supports our view that Nestlé remains a fundamentally strong company with promising recovery potential.

To sum up, Nestlé's characteristics aligns with our passive investment strategy. Our objective is not to pursue high growth or to outperform the market, but to achieve consistent and low-risk returns, which Nestlé is well-positioned to provide. The company's performance is largely driven by its strong operations and brand reputation, reducing the need to rely on market trend predictions. Its low volatility also limits the need for frequent trading, helping to minimise transaction costs and supporting our preference for long-term investment. While Nestlé is not a high-growth stock, it is dependable. Its stability, solid fundamentals, defensive nature, and resilience during market downturns make it an ideal choice for us as investors who prioritise steady income, minimal trading, and lower risk exposure over time.

Regarding whether a family member currently holding Nestlé stock should sell or hold the stock, we would recommend that they hold onto it. This advice corresponds with our belief in a passive investment strategy that follows a buy-and-hold approach. It is also supported by the Efficient Market Hypothesis (EMH), which suggests that it is not possible to consistently achieve above-average returns through market timing or stock picking. Instead, EMH supports a strategy of low-cost, long-term, and diversified investing, reinforcing the rationale for holding quality stocks like Nestlé. Furthermore, although returns are currently negative, as mentioned above, several banks, including Hong Leong Investment Bank and CIMB, remain confident in Nestlé's ability to navigate these external challenges through strategic pricing, strong brand presence, and operational efficiencies (Hazim, 2025; Isamudin, 2025). Both banks have also maintained a "hold" recommendation on the stock, reinforcing the view that investors should adopt a wait-and-see approach rather than making aggressive moves.

Overall, Nestlé's growth over the past decade reflects its stability and resilience as an investment. Despite the current negative returns, we believe in the company's long-term potential. Therefore, we recommend holding on to the stock.

4.0 Conclusion

The analysis in Sections 2.1 and 2.2 highlights Nestlé (Malaysia) as a low-risk, low-return investment, supported by its long-standing market presence, strong brand reputation, and consistent operational performance. Although Nestlé may not currently offer high investment profitability, its stable operations and solid fundamentals support dependable, modest returns and the potential for incremental long-term growth. Dutch Lady Milk Industries Berhad, on the other hand, appears more conservative but lacks the product diversity necessary to instil strong investor confidence. In contrast, Oriental Food Industries Holdings Berhad offers higher returns driven by rapid growth, though this comes with significantly greater risk due to its smaller scale, shorter market history, and heightened sensitivity to investor sentiment.

Notably, the performance of all three companies shows limited correlation with overall stock market trends, likely due to their focus on essential consumer goods. As a result, their share prices are more influenced by company-specific factors such as operational outcomes, brand reputation, and relevant news. Therefore, it is important for investors to carefully assess each company's fundamentals and market position rather than rely solely on broader market movements when making investment decisions. For those prioritising long-term stability and capital preservation, Nestlé remains the most suitable option. Dutch Lady may appeal to moderately conservative investors, although its limited product range and recent profitability fluctuations weaken its long-term appeal. Meanwhile, Oriental Food is better suited for risk-tolerant investors willing to accept greater volatility in pursuit of potentially higher returns. In summary, Nestlé aligns well with our risk-averse investment strategy, offering the stability we seek.

Reflecting on this assignment, the hands-on approach has significantly enhanced our team's practical financial literacy, equipping us with the skills to evaluate investments thoughtfully in both personal and business contexts. In Part 1: Excel Calculation and Analysis, working with real market financial data deepened our understanding of financial concepts and improved our ability to use Microsoft Excel functions for financial analysis. It also allowed us to transform theoretical knowledge into clear, data-driven insights by calculating key metrics and generating graphs. In Part 2: Investment Analysis Report, applying these calculations to companies including Nestlé, Oriental Food, and Dutch Lady strengthened our ability to interpret how financial data reflects a company's market position, risk profile, and growth potential. This process further enhanced our critical thinking and problem-solving skills, particularly in analysing stock performance and formulating investment strategies. Overall, the assignment has clearly helped us achieve the unit's key learning objectives, as demonstrated, and has provided us with valuable financial insights to carry forward.

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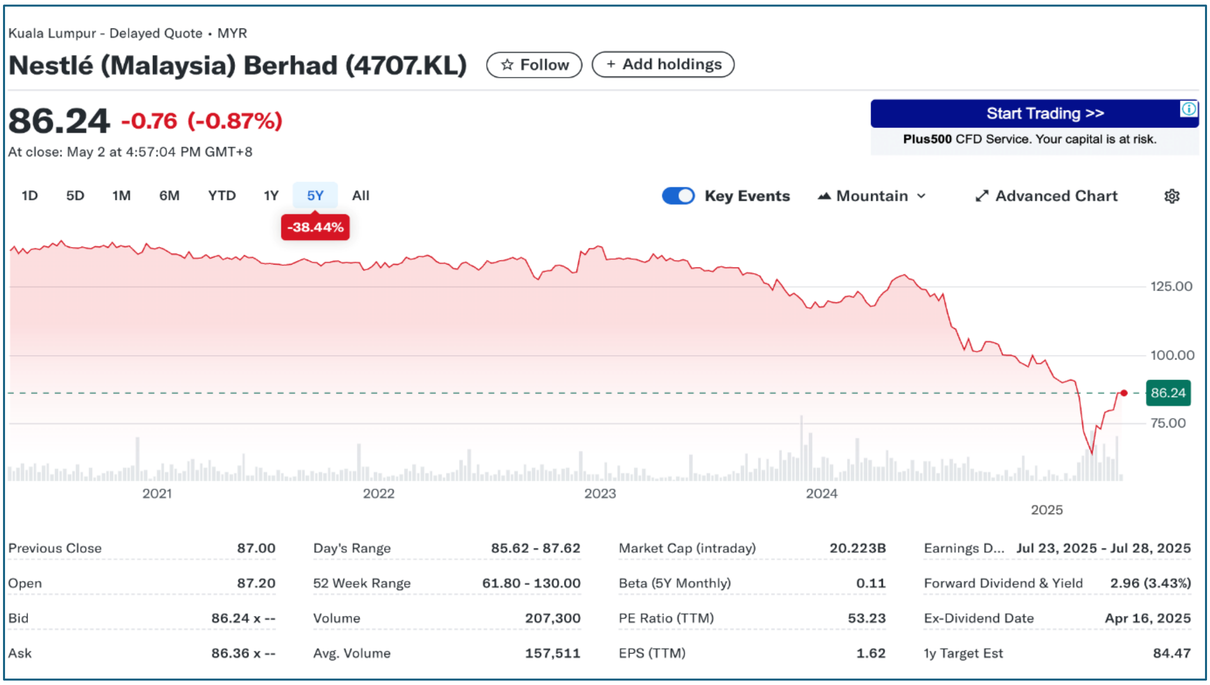
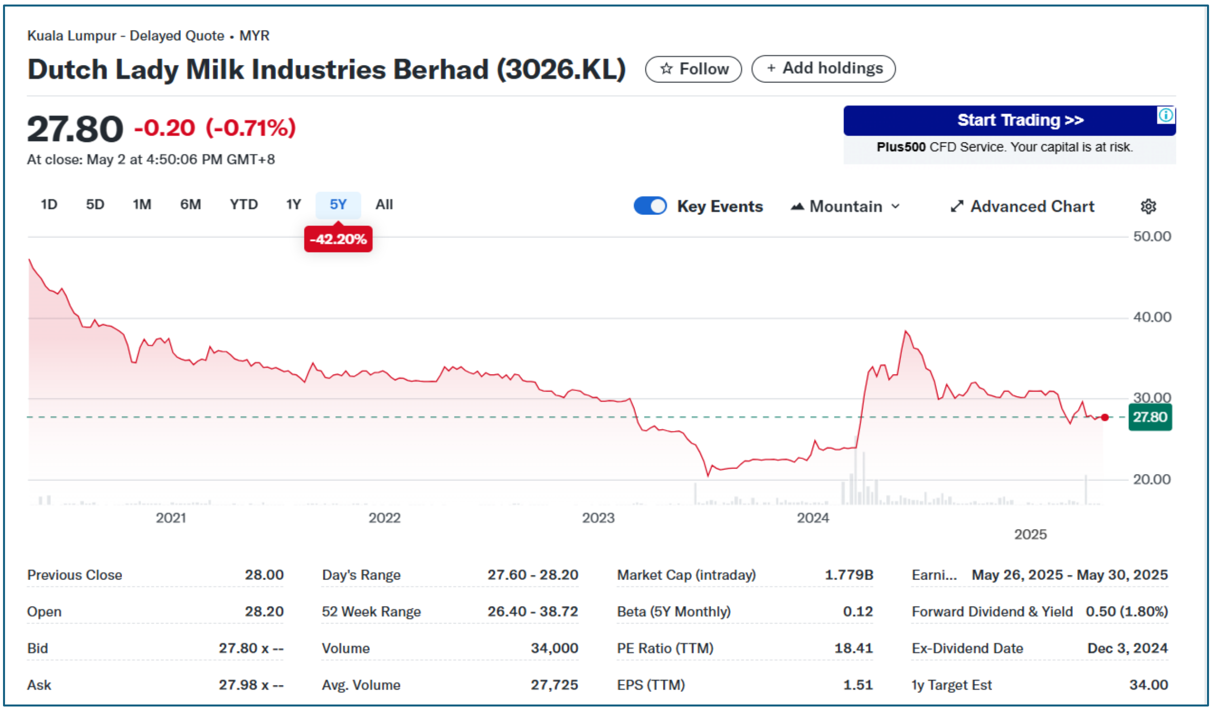
Appendices

Dimension	Dutch Lady	Oriental Food	Nestlé Malaysia	Similarity
Industry	Dairy F&B	Snack F&B	Broad F&B	All operate within Malaysia's F&B/FMCG industry.
Consumer Base	Mass-market	Mass-market	Mass-market	All serve Malaysian consumers, especially in retail.
Business Model	Branded consumer products	Branded consumer products	Branded consumer products	All rely heavily on brand loyalty, distribution, and product innovation.
Distribution Channels	Hypermarkets, grocers, e-commerce	Hypermarkets, grocers, e-commerce	Hypermarkets, grocers, e-commerce	Depend on retail and FMCG distribution networks.
Key Risks	Input costs, demand shifts	Input costs, demand shifts	Input costs, demand shifts	All face macroeconomic risks, like commodity price changes and consumer spending trends.

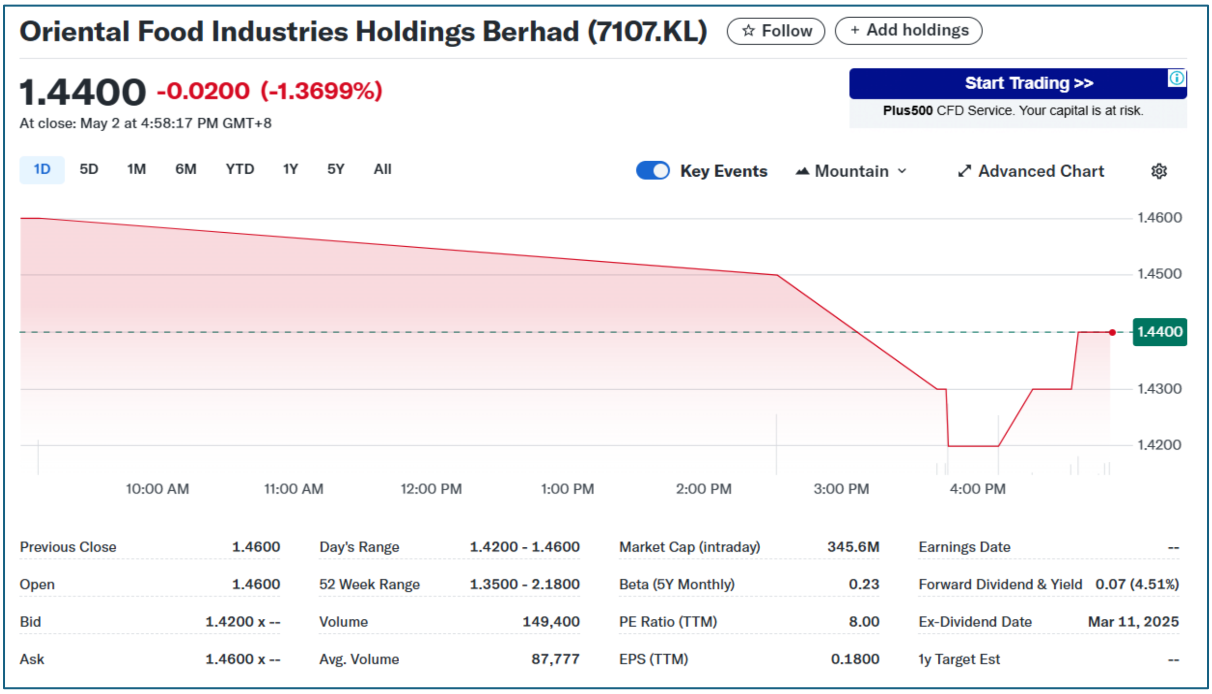
Appendix 1: Table of Similarities between Nestlé (Malaysia), Dutch Lady Milk Industries Berhad, and Oriental Food Industries Holdings Berhad



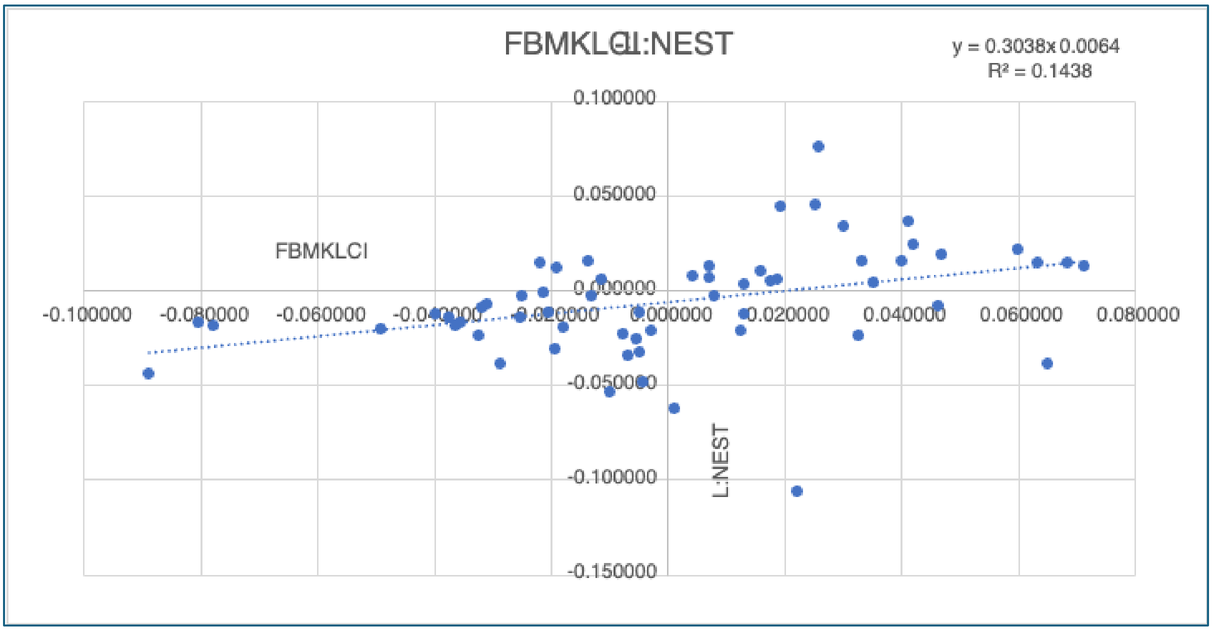
Appendix 2: Nestlé (Malaysia) Berhad as of 03/05/2025



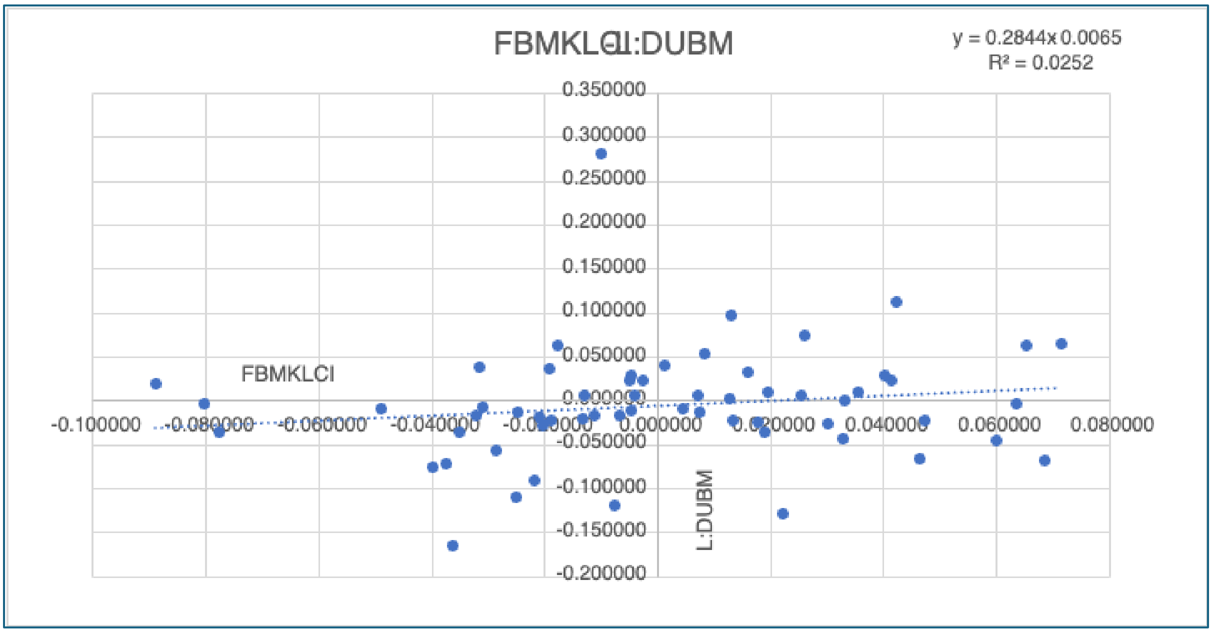
Appendix 3: Dutch Lady Milk Industries Berhad as of 03/05/2025



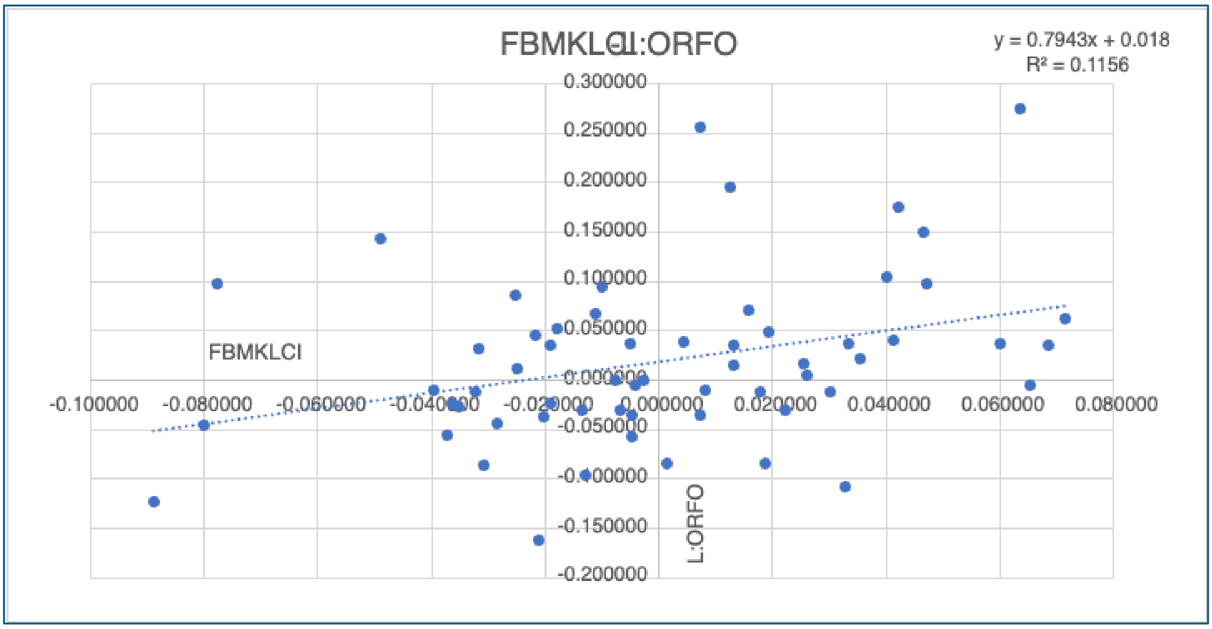
Appendix 4: Oriental Food Industries Holdings Berhad as of 03/05/2025



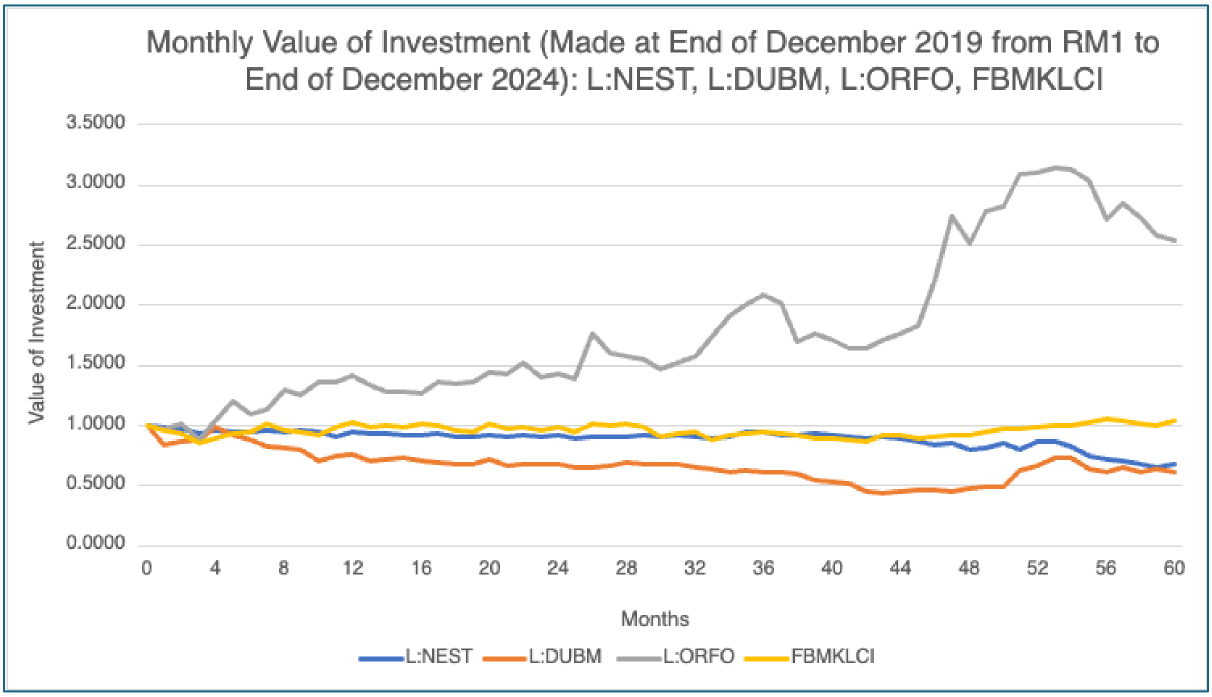
Appendix 5: Nestlé (Malaysia) Stock Returns



Appendix 6: Dutch Lady Milk Industries Berhad Stock Returns



Appendix 7: Oriental Food Industries Holdings Berhad Stock Returns



Appendix 8: Line Graph of Monthly Value of Investment for All Company's Stocks and the Market Index