

Research Article

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Working Capital Activities of Multinational Companies at McDonald's Company

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Abstract: *Working capital management is a branch of financial management that manages the working capital of a company to achieve optimal value. The purpose of holding working capital management is to produce the welfare of shareholders through obtaining optimal profits. The aim is to meet the company's liquidity, liability and supply needs for consumers. McDonald's is a fast-food restaurant that is still needed by the people of Indonesia and abroad. PT Rekso Nasional Food or better known as McDonald's Indonesia is a publicly traded fast food company with branches in Jakarta, Indonesia. The company was founded on February 23, 1991. This company is the only McDonald's franchisee in Indonesia. The entry of McDonald's or other large companies into Indonesia can have a complex impact on local companies. It is important for local companies to continue to adapt and innovate in the face of competition from international companies such as McDonald's.*

Keywords: *working, capital, McDonald's*

Introduction

Economic growth in particular in Indonesia is quite rapid, where many companies have emerged, both local companies and foreign companies. The company plays an important role that can open up jobs and can become a leading for investment. Like Multinational Companies which are one of the important actors in the global political economy area apart from countries (nation-states). The existence of multinational companies has a big influence in the international sphere, which can connect two or more countries. The existence of multinational companies can also be an influential phenomenon in international trade, because it can affect economic development and global trade.

Indonesia's economic development is currently running very rapidly in line with the economic growth of various industries, especially in the franchise sector. In conditions of increasingly fierce competition, especially among similar companies, a company must have several strategies to deal with competitors' threats. Every organization has a solid strategy to deal with changes and threats.

In Indonesia, the food industry franchise sector is in great demand by the public, especially since food is a daily staple food. Currently, competition between food companies is getting tougher, and the times are getting more mature, companies are competing to create interesting ideas and innovations for these foods. For example, franchisees such as KFC, Pizza Hut, Texas Fried Chicken, Dunkin' Donuts, Burger King and others are involved in other fast-food chains. All of these are liked by Indonesian people. Among the many franchises, McDonald's is a multinational company which is a fast-food restaurant that is still needed by the people of Indonesia and abroad. PT Rekso Nasional Food or better known as McDonald's Indonesia is a public fast-food company with branches in Jakarta,



Image: McDonald's Indonesia Company

In running an organization is also needed working capital management. Working capital management is a branch of financial management that manages the working capital of a company to achieve optimal value. The purpose of holding working capital management is to produce the welfare of shareholders through obtaining optimal profits. Working capital management is carried out for a long time because it has to be carried out every day. Failure in working capital management results in reduced revenue or increased company operating costs.

Discussion

Definition of Working Capital Activities

Working capital is a branch of financial management that manages the working capital of a company to achieve optimal value. The purpose of holding working capital management is to produce the welfare of shareholders through obtaining optimal profits. Working capital is one part of the financial strategy that supports business strategy.

Its scope includes current assets (cash, receivables and inventories) and current liabilities which are managed in a short time period. The existence of working capital management can guarantee the company's liquidity level through the management of current assets and current liabilities. In small companies whose working capital comes from personal finances or without loans, working capital management is used to determine the relationship between sales and the company's operating needs.

McDonal's Working Capital Analysis

McDonalds Working Capital is a measure of a company's efficiency and operating liquidity. Working capital is usually calculated by subtracting Current Liabilities from Current Assets. This is an important indicator of a company's ability to continue its normal operations without additional debt obligations.

Working capital = Current Assets – Current Liabilities

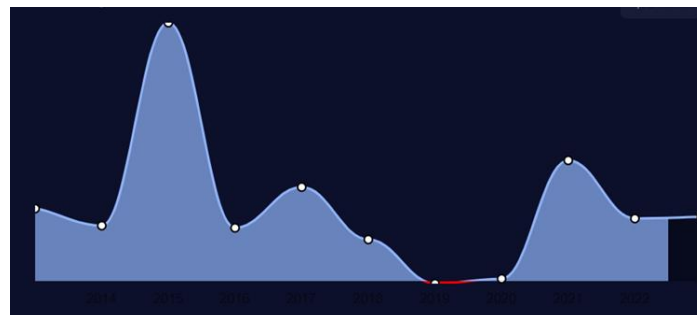


Image: working capital McDonald's Indonesia

Most of McDonalds' fundamental indicators, such as Working Capital, are part of a valuation analysis module that helps investors look for stocks that are currently trading at a higher or lower price than their true value. If the actual value is higher than the market price, McDonalds is considered undervalued, and we give a buy recommendation. If not, we give a sell signal.

Purpose of Working Capital

Working capital is held with several main objectives. These objectives are to meet the company's liquidity needs, liabilities and supplies to consumers. Ensuring short-term financial resources is one of the objectives of working capital management. For the executors of financial management, working capital management is included in short-term financial management whose management requires the longest time compared to long-term financial management. Working capital management is related to cash management, accounts receivable management, and inventory management.

Basic McDonald's

McDonalds Fundamentals helps investors digest information that contributes to McDonalds' financial success or failure. It also allows traders to predict the movement of McDonalds Shares. Module fundamental analysis provides a way to measure McDonald's intrinsic value by examining available economic and financial indicators, including cash flow records, balance sheet account changes, income statement patterns, and various microeconomic indicators and financial ratios related to McDonalds stock.



Image: share McDonald's Indonesia

This year's Working Capital is expected to grow to around 1.7 billion, meanwhile Investment Capital is expected to decline to around 84 billion.

McDonald's company profile

McDonald's is the largest fast-food restaurant in the world which started in 1955 in California, United States. With a superior product in the form of a Burger called Bigmac, McDonald's until now has thousands of restaurants spread across more than 100 countries, one of which is Indonesia. McDonald's first entered Indonesia in 1991 by opening its first restaurant in Sarinah, Thamrin. In 2009 PT. Rekso Nasional Food (RNF), which is a subsidiary of the Rekso Group, signed a Master Franchise Agreement with McDonald's International Property Company (MIPCO) which granted permission to operate all restaurants with the McDonald's brand and to open new restaurants throughout Indonesia. Until now PT. RNF has opened more than 200 McDonald's outlets in various cities in Indonesia supported by more than 14,000 employees throughout Indonesia. PT. RNF through McDonald's Indonesia is always fully committed to providing the best service for customers, presenting leading-edge food quality, as well as providing great benefits for the people of Indonesia.

Historical Patterns of McDonalds Working Capital

Currently, most investors in McDonalds Stock are looking potential investment opportunity by analyzing not only static indicators but also various growth ratios of McDonalds. Consistent increases or decreases in fundamental ratios usually indicate a possible pattern that can be successfully translated into profits. However, when comparing two companies, knowing each company's working capital growth rate may not be enough to decide on a company which one is a better investment. That's why investors often use a static breakdown of McDonald's working capital as a starting point in their analysis.



Image: static breakdown of McDonalds working capital

Working capital can be positive or negative for a McDonald's company, depending on how much current debt the company is carrying on its balance sheet. In general, companies that have a lot of working capital will experience greater growth in the near future because they can expand and improve their operations using existing resources. Conversely, a company with small or negative working capital may lack the funds needed for future growth or operations. Working Capital also shows if the company has sufficient liquid resources to meet short-term obligations and operational costs.

Mcdonal's Capital Expenditures

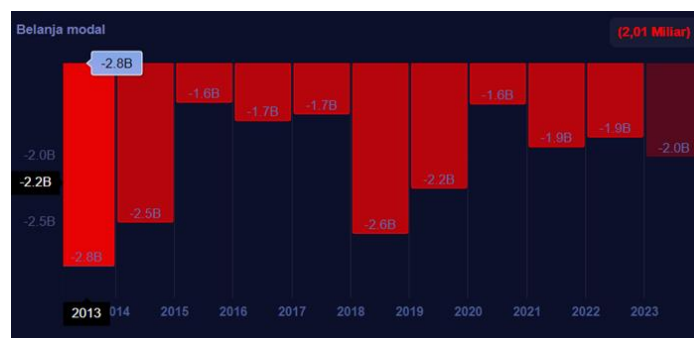


Image: Mcdonal's Capital Expenditures

The amount of working capital required by the company can be estimated by the company's financial management. Working capital management as part of financial management plays a role in determining the estimation of the company's working capital needs in daily activities. Based on company disclosures, McDonalds has a Working Capital of 1.62 billion. This is 72.86% lower than the Hotel, Restaurant & Leisure sector and specifically lower than the industry Consumer Policy.

Comparison of Mcdonals Working Capital Peers

Comparison of stock peers is one of the most widely used and accepted methods of equity analysis. It analyzes McDonalds' direct or indirect competition for its Working Capital to detect undervalued stocks

with similar characteristics or determine stocks that would make good additions to a portfolio. Peer analysis of McDonalds can also be used in its relative assessment, namely the McDonalds valuation method by comparing the valuation metrics of similar companies.

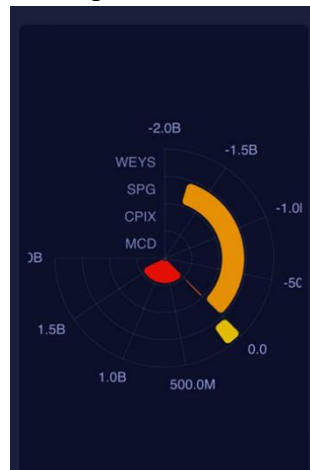


Image: Comparison of Mcdonalds Working Capital Peers

McDonalds is currently being evaluated in the working capital category among related companies.

McDonald's Working Capital Driver Correlation

Understanding the basic principles of building a solid financial model for McDonalds is essential. This helps to correctly project the fair market value of McDonalds Stock, taking the fundamentals into account historically such as Working Capital. Because McDonald's primary accounts throughout its financial statements are all linked and dependent on one another, it is important to analyze all possible correlations between the related accounts. However, instead of reviewing all of McDonalds' historical financial reports, investors can examine correlated drivers to determine its overall health. This can be done effectively using the conventional correlation matrix of interrelated McDonalds accounts and indicators.

	Modal kerja	Modal yang Diinvestasikan	Rata-rata Modal yang Diinvestasikan	Kapitalisasi pasar
Modal kerja		-0,23	-0,26	-0,07
Modal yang Diinvestasikan	-0,23		1.0	0,94
Rata-rata Modal yang Diinvestasikan	-0,26	1.0		0,94
Kapitalisasi pasar	-0,07	0,94	0,94	

Image: Mcdonald's Working Capital Driver Correlation

Conclusion

Working capital management is a branch of financial management that manages the working capital of a company to achieve optimal value. The purpose of holding working capital management is to produce the welfare of shareholders through obtaining optimal profits. The aim is to meet the company's liquidity, liability and supply needs for consumers.

McDonald's is a fast-food restaurant that is still needed by the people of Indonesia and abroad. PT Rekso Nasional Food or better known as McDonald's Indonesia is a publicly traded fast food company with branches in Jakarta, Indonesia. The company was founded on February 23, 1991.

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