

# Financial Performance Analysis of Listed Baijiu Companies

-- A Case Study of Guizhou Maotai and Wuliangye.

Zixi Chen, Yuhao Deng

Management Department, Sichuan University of Science & Engineering, Yibin, 644000, China

**Abstract:** The Chinese baijiu industry boasts a rich historical heritage, comprising a plethora of enterprises engaged in fierce competition. The present research endeavors to conduct a comprehensive analysis of the financial performance of publicly listed baijiu companies, with a particular focus on two prominent entities, namely Guizhou Maotai and Wuliangye. By delving into their financial data, this study aims to scrutinize and compare their respective financial performances while exploring the underlying factors that contribute to any observed disparities. Drawing upon the financial data retrieved from the esteemed Guotai An database (CSMAR) spanning the years 2017 to 2021, this investigation meticulously contrasts and analyzes the financial status, growth prospects, and strategic developments of both enterprises.

**Keywords:** Listed companies, Financial performance analysis, Wuliangye, Guizhou Maotai.

## 1. Introduction

The year 2021 witnessed Guizhou Maotai achieving a remarkable feat by surpassing the illustrious threshold of a hundred billion yuan, solidifying its position at the summit with an impressive performance of 106.059 billion yuan, while Wuliangye closely followed in the second position with a commendable achievement of 61.732 billion yuan. Comparatively, the third and fourth-ranked companies recorded revenues of approximately 30 billion yuan, underscoring the exceptional dominance of these two industry titans in the thriving alcoholic beverage sector. As prominent stalwarts in China's baijiu industry, both Guizhou Maotai and Wuliangye are primarily focused on the production and distribution of white spirits, albeit exhibiting considerable distinctions in product diversity and revenue generation capabilities. In this study, we meticulously conduct a rigorous comparative analysis of their financial performance indicators, with a particular emphasis on four crucial dimensions: profitability, solvency, operational efficiency, and growth potential. It is pertinent to underscore that the data employed in this research emanates from the reputable Guotai An database (CSMAR), and the financial statements of Guizhou Maotai and Wuliangye for the past five years have undergone meticulous audit procedures, leading to the issuance of unqualified audit reports by the esteemed accounting firms, thus affirming the utmost reliability and validity of the data under scrutiny.

## 2. Comparative Analysis of Financial Indicators

### 2.1. Analysis of Profitability

This study focuses on a comparative analysis of the profitability of Guizhou Maotai and Wuliangye, employing three key financial indicators: Return on Equity (ROE), Operating Profit Margin (OPM), and Cost and Expense Profit Margin (CEPM).

#### 2.1.1. Comparative Analysis of Return on Equity (ROE)

The Return on Equity (ROE) is calculated as the ratio of net profit to average equity. A higher ROE signifies stronger profitability for a company.

As depicted in Figure 2.1.1.1 and detailed in Table 2.1.1, the trend of ROE for Guizhou Maotai showcases a distinct inverted V-shaped pattern from 2017 to 2021. During this period, the ROE experienced an upward trajectory from 2017 to 2018, followed by a downward trend from 2018 to 2021. In 2017 and 2018, the ROE values for Guizhou Maotai were 33.74% and 35.45%, respectively. Concurrently, the net profit figures for those years stood at 29,006.42 million yuan and 37,829.61 million yuan, witnessing year-on-year growth rates of 61.77% and 30.42%, respectively. Additionally, the average equity for the same period was 85,959.09 million yuan and 106,714.06 million yuan, experiencing year-on-year growth rates of 20.96% and 24.15%, respectively. The analysis reveals that the surge in ROE in 2017 and 2018 can be attributed to a substantial increase in net profit, indicating enhanced profitability during this period. However, from 2018 to 2021, the ROE of Guizhou Maotai exhibited a declining trend, primarily due to a decrease in net profit, which grew at rates of 16.23%, 12.63%, and 12.51% in the respective years, and an increase in average equity, which witnessed growth rates of 21.49%, 19.4%, and 17.79%, respectively.

As per Table 2.1.1.2 and Figure 2.1.1, the ROE for Wuliangye increased from 19.61% in 2017 to 25.82% in 2019, after which it stabilized. In 2017, the net profit amounted to 10,085.97 million yuan, and it experienced an impressive growth rate of 80.73%, reaching 18,228.26 million yuan in 2019. Similarly, the average equity for these years witnessed a substantial year-on-year growth rate of 37.26%, amounting to 51,440.09 million yuan and 70,607.74 million yuan, respectively. Consequently, the primary reason for the upsurge in ROE during this period for Wuliangye was attributed to the significant growth in net profit. From 2019 to 2021, the ROE remained relatively stable, with values of 25.82%, 25.53%, and 25.91%, respectively.

In conclusion, in terms of Return on Equity, Wuliangye

exhibits comparatively lower profitability than Guizhou Maotai, indicating relatively weaker performance from the

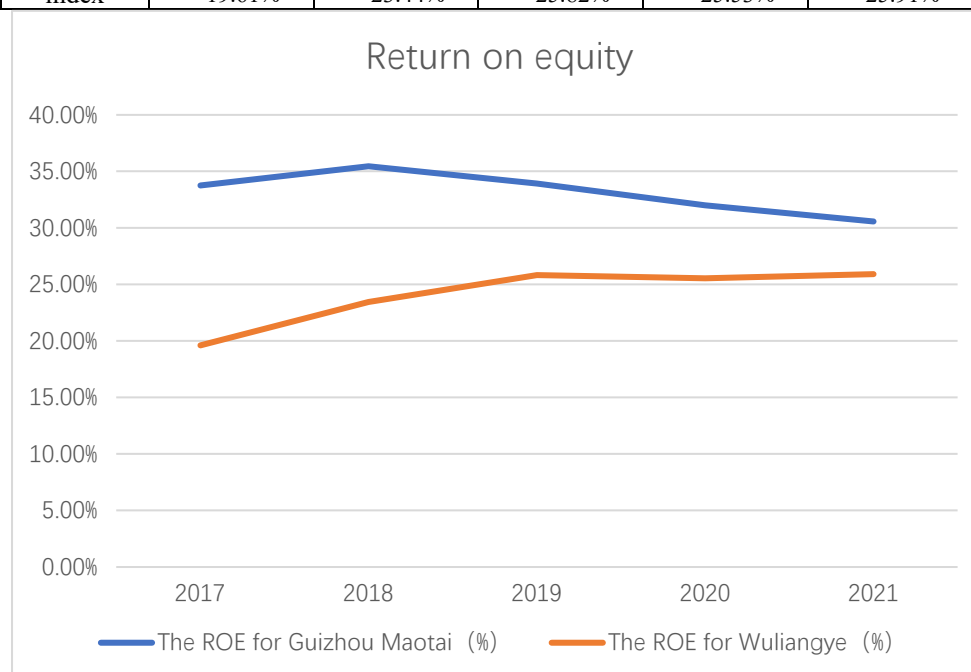
perspective of equity returns.

Table 2.1.1.1 Return on Equity (ROE) Indicators for Guizhou Maotai

| year  | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------|--------|--------|--------|--------|--------|
| index | 33.74% | 35.45% | 33.92% | 31.99% | 30.56% |

Table 2.1.1.2 Return on Equity (ROE) Indicators for Wuliangye

| year  | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------|--------|--------|--------|--------|--------|
| index | 19.61% | 23.44% | 25.82% | 25.53% | 25.91% |



Data Source:CSMAR

Figure 2.1.1: Trend of Return on Equity (ROE)

### 2.1.2. Comparative Analysis of Operating Profit Margin

The Operating Profit Margin, calculated as (Operating Profit / Operating Revenue) \* 100%, serves as a crucial indicator of a company's capacity to generate profits through its core business activities, with higher margins denoting stronger profitability. Operating profit constitutes the fundamental outcome of a company's operational endeavors, representing the primary and most stable source of profits over a given period.

Drawing upon the analysis presented in Table 2.1.2.1 and Figure 2.1.2, a discernible upward trend in Guizhou Maotai's Operating Profit Margin is evident from 2017 to 2021. Over this period, the Operating Profit Margin for Guizhou Maotai recorded values of 66.89%, 69.72%, 69.11%, 70.2%, and 70.39%, respectively. Simultaneously, the operating profit displayed substantial year-on-year growth rates of 60.47%, 31.85%, 14.99%, 12.86%, and 12.18%, while the operating revenue showcased growth rates of 49.81%, 26.49%, 16.01%, 11.10%, and 11.88%, respectively. The analysis reveals a favorable trajectory for both the operating profit and operating revenue during this interval. The surge in the

Operating Profit Margin can be attributed to the relatively faster growth rate of operating profit compared to operating revenue, signifying robust profitability for Guizhou Maotai throughout this period.

As depicted in Table 2.1.2.2 and Figure 2.1.2, Wuliangye experienced a rapid increase in the Operating Profit Margin from 2017 to 2021. Following a rebound in 2016, both the operating revenue and operating profit demonstrated consistent growth. For the years 2017 to 2021, Wuliangye's Operating Profit Margin displayed values of 44.31%, 46.76%, 48.38%, 48.54%, and 49.17%, respectively. Remarkably, the calculated growth rates of operating revenue and operating profit amounted to 119.33% and 252.41%, respectively. Consequently, the principal catalyst for the ascension of the Operating Profit Margin was the substantial upswing in operating profit.

Comparing the Operating Profit Margin of both companies, it becomes evident that Guizhou Maotai maintains a more robust profitability. While Wuliangye showcased a resurgence in 2016 and sustained an upward trend in the Operating Profit Margin, Guizhou Maotai consistently demonstrated a strong and resilient profitability throughout the considered period.

Table 2.1.2.1: Operating Profit Margin Indicators for Guizhou Maotai

| year  | 2017   | 2018   | 2019   | 2020  | 2021   |
|-------|--------|--------|--------|-------|--------|
| index | 66.89% | 69.72% | 69.11% | 70.2% | 70.39% |

Table 2.1.2.2: Operating Profit Margin Indicators for Wuliangye

| year  | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------|--------|--------|--------|--------|--------|
| index | 44.31% | 46.76% | 48.38% | 48.54% | 49.17% |



Data Source:CSMAR

Figure 2.1.2: Trend of Operating Profit Margin

### 2.1.3. Comparative Analysis of Cost and Expense Profit Margin

The Cost and Expense Profit Margin, computed as (Net Profit / Total Cost and Expenses) \* 100%, serves as a crucial metric to gauge the profitability derived from each unit of cost and expense incurred by a company. A higher value of this indicator indicates that the company is achieving relatively greater returns for its incurred costs, thus reflecting its superior profitability.

Drawing upon the analysis presented in Table 2.1.3.1 and Figure 2.1.3, a discernible upward trend in Guizhou Maotai's Cost and Expense Profit Margin is evident from 2017 to 2021. Over this period, the Cost and Expense Profit Margin for Guizhou Maotai exhibited values of 176.13%, 197.56%, 198.15%, 212.21%, and 215.38%, respectively. Simultaneously, the total cost and expenses witnessed year-on-year growth rates of 39.62%, 16.97%, 15.31%, 5.15%, and 10.93%, while the net profit displayed growth rates of 61.70%, 31.20%, 15.65%, 12.61%, and 12.59%, respectively. The analysis reveals that the elevation in Guizhou Maotai's Cost

and Expense Profit Margin during this period was primarily driven by a substantial surge in net profit.

As evidenced by Table 2.1.3.2 and Figure 2.1.3, Wuliangye exhibited a progressive ascent in the Cost and Expense Profit Margin from 79.01% in 2017 to 95.56% in 2021, depicting a notable growth rate of 20.95%. Over this period, both the total cost and expenses and the net profit showcased linear growth, with their respective values closely converging. Specifically, in 2021, the total cost and expenses reached 33,957.66 million yuan, reflecting a remarkable growth of 100.36% compared to 2017, while the net profit amounted to 32,450.40 million yuan, surging by an impressive 142.32% since 2017. Consequently, the significant enhancement in net profit chiefly contributed to the rise in the Cost and Expense Profit Margin for Wuliangye.

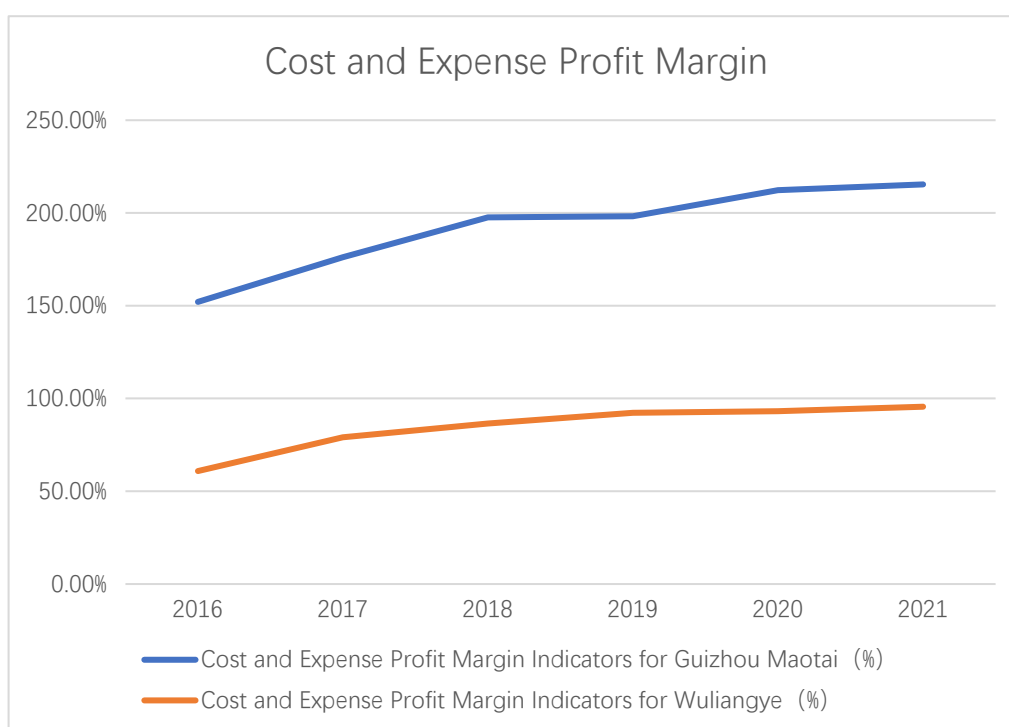
In conclusion, the comparative analysis of the Cost and Expense Profit Margin highlights Guizhou Maotai's markedly higher profitability in contrast to Wuliangye. Guizhou Maotai substantiates its superior profitability and heightened competitive prowess in the market.

Table 2.1.3.1: Cost and Expense Profit Margin Indicators for Guizhou Maotai

| year  | 2017    | 2018    | 2019    | 2020    | 2021    |
|-------|---------|---------|---------|---------|---------|
| index | 176.13% | 197.56% | 198.15% | 212.21% | 215.38% |

Table 2.1.3.2: Cost and Expense Profit Margin Indicators for Wuliangye

| year  | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------|--------|--------|--------|--------|--------|
| index | 79.01% | 86.49% | 92.28% | 93.07% | 95.56% |



Data Source:CSMAR

Figure 2.1.3: Trend of Cost and Expense Profit Margin

## 2.2. Debt-paying Ability Analysis

The analysis of a company's debt-paying ability encompasses an evaluation of both its long-term and short-term debt-paying capacity. This section aims to compare and analyze the debt-paying ability of two prominent Chinese liquor companies, Guizhou Maotai and Wuliangye, based on three key financial indicators: Asset Liability Ratio, Current Ratio, and Cash Ratio.

### 2.2.1. Asset Liability Ratio Analysis

The Asset Liability Ratio, expressed as  $(\text{Total Liabilities} / \text{Total Assets}) * 100\%$ , represents a vital metric reflecting a company's overall debt-paying ability. A higher ratio indicates a greater proportion of debt in relation to the company's total assets, suggesting a comparatively weaker debt-paying capacity. Often referred to as the debt-to-assets ratio, it serves as an indicator of the company's capacity to utilize funds provided by creditors for operational activities and reflects the level of safety for creditors when granting loans. By comparing total liabilities with total assets, this ratio provides insights into the degree of leverage and financial risk faced by the company.

Drawing upon the analysis presented in Table 2.2.1.1 and Figure 2.2.1, it becomes evident that Guizhou Maotai's Asset Liability Ratio exhibited an overall downward trend from 2017 to 2021. During this period, Guizhou Maotai's Asset Liability Ratio was recorded at 28.67%, 26.55%, 22.49%, 21.4%, and 22.81%, respectively. Additionally, the year-on-year growth rates of total liabilities for the same period were 4.20%, 9.97%, -3.00%, 10.95%, and 27.45%, while the growth rates of total assets were 19.19%, 18.75%, 14.51%, 16.58%, and 19.58%, respectively. The decline in Guizhou Maotai's Asset Liability Ratio during this period can be

attributed to the increase in total assets and a reduction in total liabilities, indicating an improvement in the company's financial stability and debt-paying capacity.

As per Table 2.2.1.2 and Figure 2.2.1, from 2017 to 2021, Wuliangye's Asset Liability Ratio displayed values of 22.91%, 24.36%, 28.48%, 22.95%, and 25.24%, showing a distinctive inverted "V" shaped trend. Over this period, Wuliangye's total liabilities recorded significant increases of 16248.30 million yuan, 20974.82 million yuan, and 30300.92 million yuan for the years 2017 to 2019, respectively. Meanwhile, total assets increased to 70922.63 million yuan, 86094.26 million yuan, and 106396.97 million yuan for the same period. The considerable growth in total liabilities contributed to the rise in Wuliangye's Asset Liability Ratio. However, in 2020, owing to the adverse impact of the pandemic, the year-on-year growth rate of assets decreased to 7.05%, and total liabilities experienced a reduction of 13.75%, leading to a decrease in the Asset Liability Ratio. Despite this, in 2021, both total liabilities and total assets witnessed considerable year-on-year growth rates of 30.97% and 19.08%, respectively, resulting in an increase in Wuliangye's Asset Liability Ratio. These fluctuations signify a fluctuating debt-paying ability and underscore the challenge of maintaining financial stability for Wuliangye.

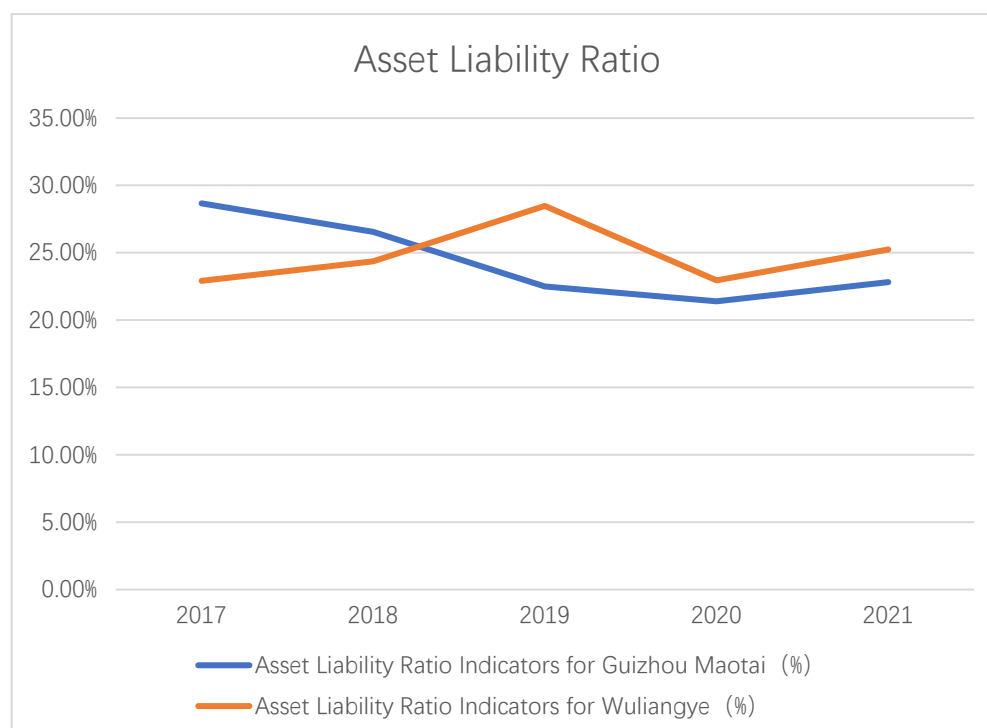
In conclusion, since 2019, Guizhou Maotai has consistently demonstrated a lower Asset Liability Ratio compared to Wuliangye, implying a higher degree of fund availability and a stronger debt-paying ability. These findings contribute valuable insights into the financial health and risk exposure of the two liquor companies, supporting the evidence-based assessment of their debt-paying capacities in the academic context.

Table 2.2.1.1: Asset Liability Ratio Indicators for Guizhou Maotai

| year  | 2017   | 2018   | 2019   | 2020  | 2021   |
|-------|--------|--------|--------|-------|--------|
| index | 28.67% | 26.55% | 22.49% | 21.4% | 22.81% |

Table 2.2.1.2: Asset Liability Ratio Indicators for Wuliangye

| year  | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------|--------|--------|--------|--------|--------|
| index | 22.91% | 24.36% | 28.48% | 22.95% | 25.24% |



Data Source:CSMAR

Figure 2.2.1: Trend of Asset Liability Ratio

### 2.2.2. Current Ratio Analysis

The Current Ratio, a critical liquidity ratio, is computed as  $(\text{Current Assets} / \text{Current Liabilities}) * 100\%$ . It represents a company's ability to meet its short-term debt obligations at a specific point in time. A higher Current Ratio signifies a more robust short-term debt-paying capacity, while a lower ratio indicates a relatively weaker ability to cover short-term liabilities.

Drawing upon the analysis presented in Table 2.2.2.1 and Figure 2.2.2, it is evident that Guizhou Maotai's Current Ratio exhibited fluctuating upward trends from 2017 to 2021. During this period, Guizhou Maotai's Current Ratio recorded values of 2.91, 3.25, 3.87, 4.06, and 3.81, respectively. Furthermore, the year-on-year growth rates of current liabilities for the same period were 4.20%, 10.01%, -3.17%, 11.15%, and 26.80%, while the growth rates of current assets were 24.47%, 22.82%, 15.35%, 16.74%, and 18.91%, respectively. The increase in Guizhou Maotai's Current Ratio during this period can be primarily attributed to the growth in current assets, reflecting the company's enhanced short-term debt-paying ability.

As per Table 2.2.2.2 and Figure 2.2.2, from 2017 to 2021, Wuliangye's Current Ratio displayed values of 3.96, 3.77, 3.22, 3.96, and 3.63, respectively. From 2018 to 2021, the year-on-year growth rates of current liabilities for Wuliangye were 29.68%, 45.04%, -13.84%, and 29.90%, respectively. Concurrently, the growth rates of current assets were 23.44%, 23.71%, 5.93%, and 19.33%, respectively. In 2017, Wuliangye's Current Ratio exhibited a trend opposite to that of its Asset Liability Ratio, although the underlying reasons were similar. From 2017 to 2019, the reduction in the Current Ratio was primarily due to a substantial increase in liabilities, while the increase in 2020 was a result of a significant decrease in current liabilities. In 2021, an increase in current liabilities caused Wuliangye's Current Ratio to decrease once again.

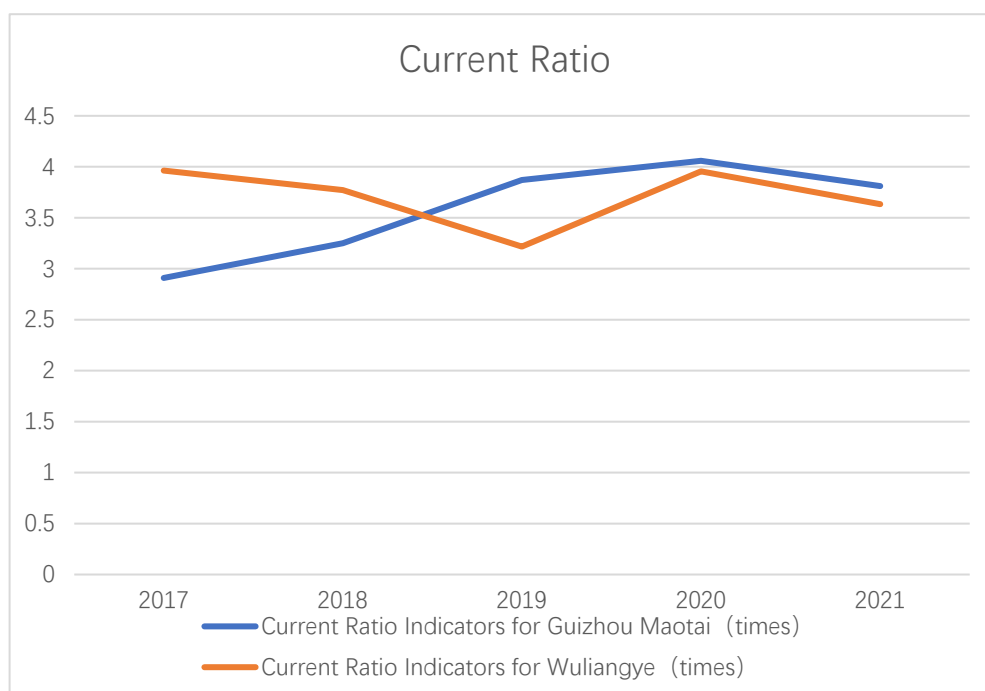
Based on the comprehensive analysis of both companies, it is evident that since 2019, Guizhou Maotai has consistently maintained a higher Current Ratio than Wuliangye, indicating a stronger ability to meet short-term debt obligations. These findings offer valuable insights into the companies' short-term financial positions and contribute to a nuanced understanding of their debt-paying abilities in the academic context.

Table 2.2.2.1: Current Ratio Indicators for Guizhou Maotai

| year  | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------|------|------|------|------|------|
| index | 2.91 | 3.25 | 3.87 | 4.06 | 3.81 |

Table 2.2.2.2: Current Ratio Indicators for Wuliangye

| year  | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------|------|------|------|------|------|
| index | 3.96 | 3.77 | 3.22 | 3.96 | 3.63 |



Data Source:CSMAR

Figure 2.2.2: Trend of Current Ratio

### 2.2.3. Cash Ratio Analysis

The cash ratio is an important liquidity measure used to assess a company's ability to meet short-term debt obligations. It is calculated by dividing the sum of cash and cash equivalents, along with marketable securities, by the total current liabilities, and then expressed as a percentage. A higher cash ratio indicates that the company has a larger proportion of liquid assets available to cover its short-term debts, indicating a stronger short-term debt-paying ability.

Based on the data presented in Table 2.2.3.1 and Figure 2.2.3, we observe that Guizhou Maotai's cash ratio was 227.88% in 2017 and further increased to 264.09% in 2018. This substantial increase was driven by a significant growth of 31.43% and 27.55% in cash and cash equivalents during 2017 and 2018, respectively. However, in 2019, the cash ratio witnessed a sharp decline to 32.29% from the previous year's level. This was primarily due to a decline of 3.17% in current liabilities and a substantial reduction of 88.18% in cash and cash equivalents. Although the cash ratio slightly rebounded in 2020 and 2021, reaching 79.02% and 89.46%, respectively, the overall trend indicated a decrease in the company's short-term debt-paying ability during this period.

Table 2.2.3.1: Cash Ratio Indicators for Guizhou Maotai

| year  | 2017    | 2018    | 2019   | 2020   | 2021   |
|-------|---------|---------|--------|--------|--------|
| index | 227.88% | 264.09% | 32.29% | 79.02% | 89.46% |

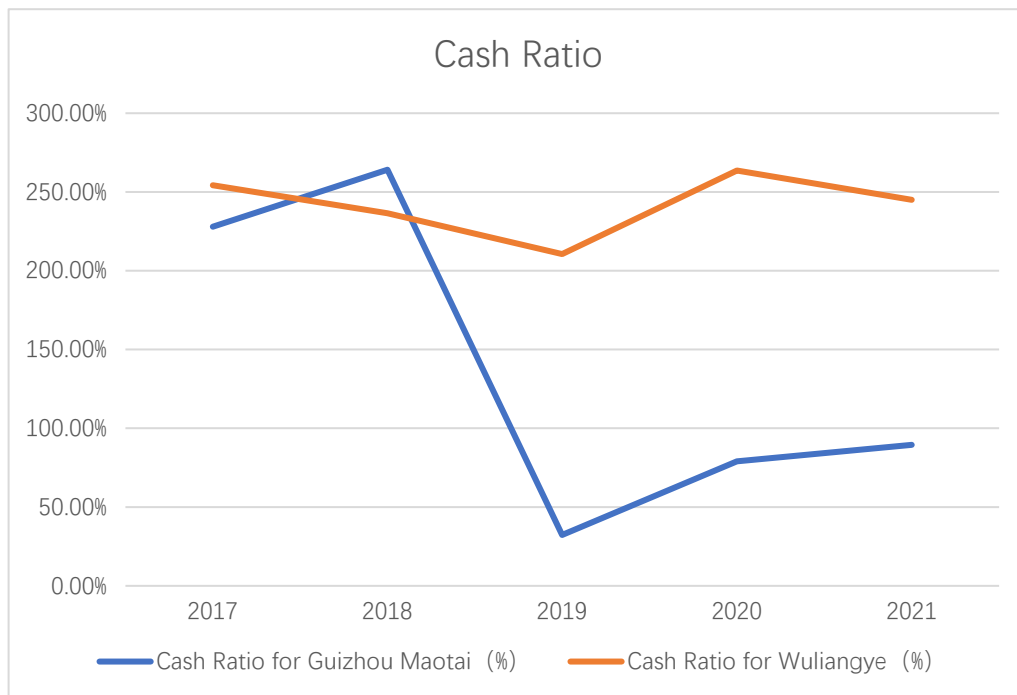
Table 2.2.3.2: Cash Ratio Indicators for Wuliangye

| year  | 2017    | 2018    | 2019    | 2020    | 2021    |
|-------|---------|---------|---------|---------|---------|
| index | 254.21% | 236.43% | 210.55% | 263.57% | 244.93% |

Contrasting the findings, as presented in Table 2.2.3.2 and Figure 2.2.3, we observe that Wuliangye's cash ratio remained relatively stable over the years. From 2017 to 2021, Wuliangye's cash ratio was 254.21%, 236.43%, 210.55%, 263.57%, and 244.93%, respectively. These figures consistently stayed above 2:1, suggesting that Wuliangye maintained a strong liquidity position and stable short-term debt-paying ability.

However, it is worth noting that an excessively high proportion of cash and cash equivalents in a company's assets may hinder efficient capital utilization, potentially affecting its overall profitability. Additionally, the relatively high proportion of owner's equity to total capital for Wuliangye implies that the company has not fully utilized financial leverage, which might have an impact on its overall profit-generating capability.

In conclusion, Wuliangye's higher proportion of cash and cash equivalents, while ensuring a robust debt-paying ability, may also have implications on its profitability. To ensure a comprehensive analysis, further examination of other financial metrics and factors impacting profitability would be prudent.



Data Source:CSMAR

Figure 2.2.3 Trend chart of cash ratios

### 2.3. Operational Efficiency Analysis

This section conducts an evaluation and in-depth analysis of the operational efficiency of Guizhou Maotai and Wuliangye, focusing on key indicators such as the "accounts receivable turnover ratio," "inventory turnover ratio," and "total asset turnover ratio."

#### 2.3.1. Accounts Receivable Turnover Ratio Analysis

The accounts receivable turnover ratio is a crucial indicator that measures how efficiently a company collects its accounts receivable within a specific period. The formula for calculating the accounts receivable turnover ratio is as follows:

Accounts Receivable Turnover Ratio = (Net Sales \* 2) / (Ending Accounts Receivable + Beginning Accounts Receivable)

A higher accounts receivable turnover ratio generally signifies a more effective and timely collection process, leading to a shorter average collection period and reduced risk of bad debt. Such efficiency reflects well on the company's operational management and its ability to convert credit sales into cash. However, it is essential to consider that an extremely high turnover ratio may suggest overly stringent credit policies, potentially hindering sales expansion and overall profitability if the opportunity cost of missed sales opportunities outweighs the benefits of reducing credit risk.

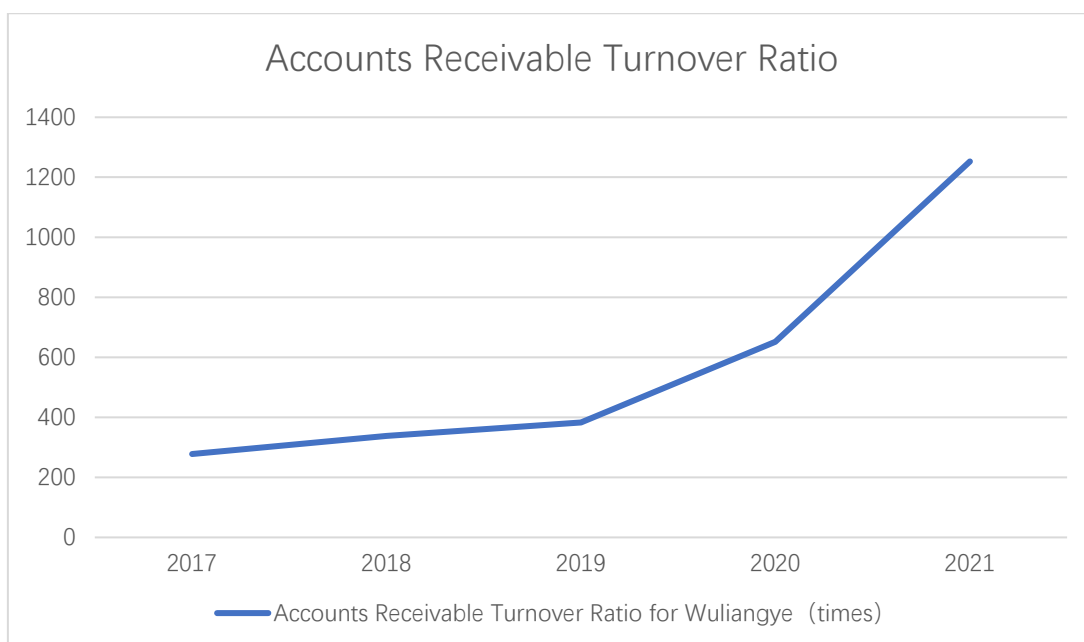
Analyzing the data presented in Table 2.3.1 and Figure 2.3.1, it becomes evident that Wuliangye company operates with accounts receivable due to its specific business model.

From 2017 to 2021, the accounts receivable turnover ratios were reported as 277.87, 337.95, 382.90, 651.58, and 1252.90, respectively. Throughout this period, the company experienced increasing net sales while managing to reduce its accounts receivable balance, resulting in a rising trend in the accounts receivable turnover ratio. This improvement can be attributed to Wuliangye's enhanced financial management practices, including measures to streamline the accounts receivable collection process and mitigate potential bad debts. By optimizing financial analysis reports and decision-making mechanisms, Wuliangye successfully strengthened the collection of accounts receivable, leading to an overall improvement in the efficiency of its working capital management.

In contrast, since 2016, Guizhou Maotai's robust market demand for its products has allowed the company to eliminate accounts receivable entirely. Instead, the company has maintained a substantial amount of prepayments from its distributors. Distributors are required to make advance payments before taking delivery of Maotai liquor. Consequently, Guizhou Maotai's financial statements show no accounts receivable or bad debts. This reflects the company's exceptional brand value, strong market position, and impeccable operational performance. Guizhou Maotai's ability to secure prepayments showcases its efficient cash flow management and underscores its financial stability and strength.

Table 2.3.1 Wuliangye Accounts Receivable Turnover Ratio Indicators

| year  | 2017   | 2018   | 2019   | 2020   | 2021    |
|-------|--------|--------|--------|--------|---------|
| index | 277.87 | 337.95 | 382.90 | 651.58 | 1252.90 |



Data Source:CSMAR

Figure 2.3.2 Trend of accounts receivable turnover

### 2.3.2. Inventory Turnover Ratio Analysis

The inventory turnover ratio is an essential financial metric used to assess a company's efficiency in managing its inventory. It is calculated by dividing the cost of goods sold by the average inventory during a specific period. A higher inventory turnover ratio indicates that the company is selling its inventory quickly, which is generally considered a positive sign as it implies better liquidity and more effective management of working capital. However, an excessively high turnover ratio may suggest aggressive sales strategies or inventory shortages, which could have negative implications for the company's ability to meet customer demand.

From 2017 to 2021, Guizhou Maotai's inventory turnover ratio exhibited a relatively stable trend, with values of 0.28, 0.29, 0.3, 0.3, and 0.29, respectively. Simultaneously, the company's cost of goods sold experienced substantial growth over the same period, with year-on-year growth rates ranging from 9.74% to 74.20%. At the same time, the average inventory increased at varying rates, with year-on-year growth rates ranging from 6.76% to 14.97%. The analysis of Guizhou Maotai's inventory turnover ratio suggests that the company's brewing process for Maotai liquor is complex and requires a longer storage period, leading to a relatively lower inventory turnover ratio compared to other alcoholic

beverages. Despite this, the company has demonstrated effective inventory management practices, resulting in a stable and efficient turnover of inventory.

On the other hand, Wuliangye's inventory turnover ratio exhibited a slightly increasing trend from 2017 to 2021, with values of 0.85, 0.94, 1.01, 1.10, and 1.2, respectively. The company's cost of goods sold also experienced substantial growth, with year-on-year growth rates ranging from 12.02% to 20.53%. Similarly, the average inventory increased each year, with year-on-year growth rates ranging from 6.76% to 14.97%. The rise in Wuliangye's inventory turnover ratio indicates improved inventory management efficiency and a faster inventory turnover rate, which positively impacts the company's overall operational performance.

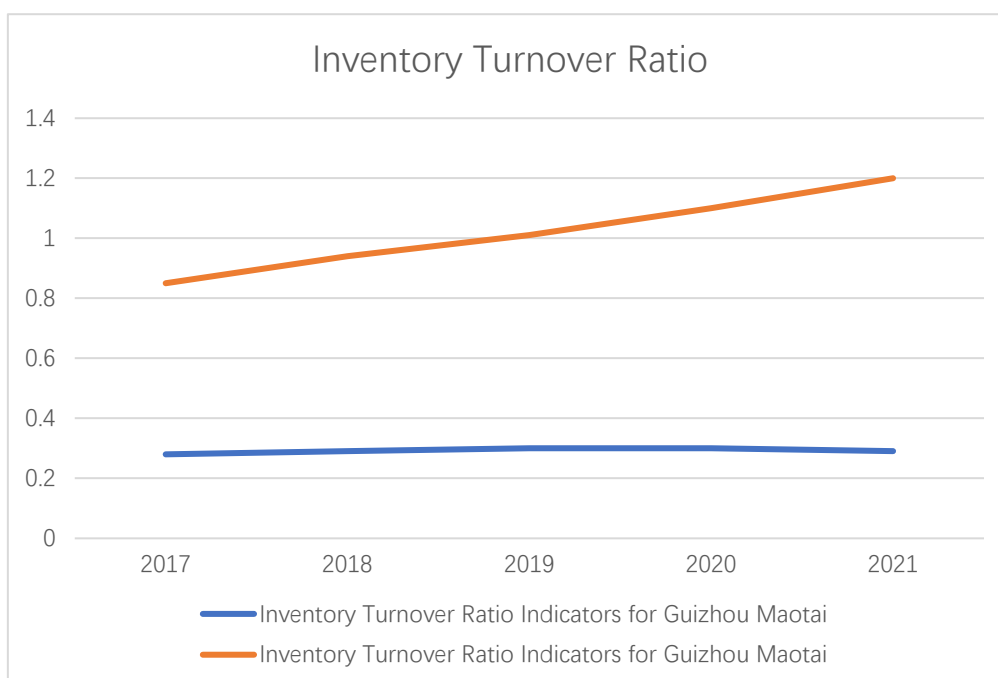
In summary, both Guizhou Maotai and Wuliangye have demonstrated effective inventory management practices over the years, resulting in relatively stable inventory turnover ratios. The slightly lower inventory turnover ratio for Guizhou Maotai can be attributed to the unique characteristics of its Maotai liquor, requiring longer storage periods for optimal flavor development. Nonetheless, both companies have effectively maintained their inventory turnover, which is indicative of their sound financial management and operational capabilities.

Table 2.3.2.1: Inventory Turnover Ratio Indicators for Guizhou Maotai

| year  | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------|------|------|------|------|------|
| index | 0.28 | 0.29 | 0.3  | 0.3  | 0.29 |

Table 2.3.2.1: Inventory Turnover Ratio Indicators for Wuliangye

| year  | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------|------|------|------|------|------|
| index | 0.85 | 0.94 | 1.01 | 1.10 | 1.2  |



Data Source:CSMAR

Figure 2.3.2 Trend of inventory turnover

## 2.4. Development Capability Analysis

In this section, we conduct an evaluation and analysis of the development capabilities of Guizhou Maotai and Wuliangye based on key performance indicators, including revenue growth rate, operating profit growth rate, total asset growth rate, and capital accumulation rate.

### 2.4.1. Revenue Growth Rate Analysis

The revenue growth rate is a fundamental metric that reflects a company's ability to generate increased sales over a specific period. It is calculated using the formula:

$$\text{Revenue Growth Rate} = (\text{Current Year Revenue} / \text{Last Year Revenue}) - 1$$

This indicator is crucial in assessing a company's business expansion and market competitiveness. Higher revenue growth rates imply faster business expansion and a positive market outlook, while negative growth rates may indicate potential issues with product-market fit or market share decline.

According to Table 2.4.1.1 and Figure 2.4.1, Guizhou Maotai's revenue growth rate from 2017 to 2021 was 49.81%, 26.49%, 16.01%, 11.1%, and 11.88%, respectively. Although the company experienced continuous revenue growth during this period, there is a noticeable trend of declining growth rates, suggesting that Guizhou Maotai's expansion pace has slowed down over time.

Table 2.4.1.1 Guizhou Maotai Revenue Growth Rate Indicators

| year  | 2017   | 2018   | 2019   | 2020  | 2021   |
|-------|--------|--------|--------|-------|--------|
| index | 49.81% | 26.49% | 16.01% | 11.1% | 11.88% |

Table 2.4.1.2 Wuliangye Revenue Growth Rate Indicators

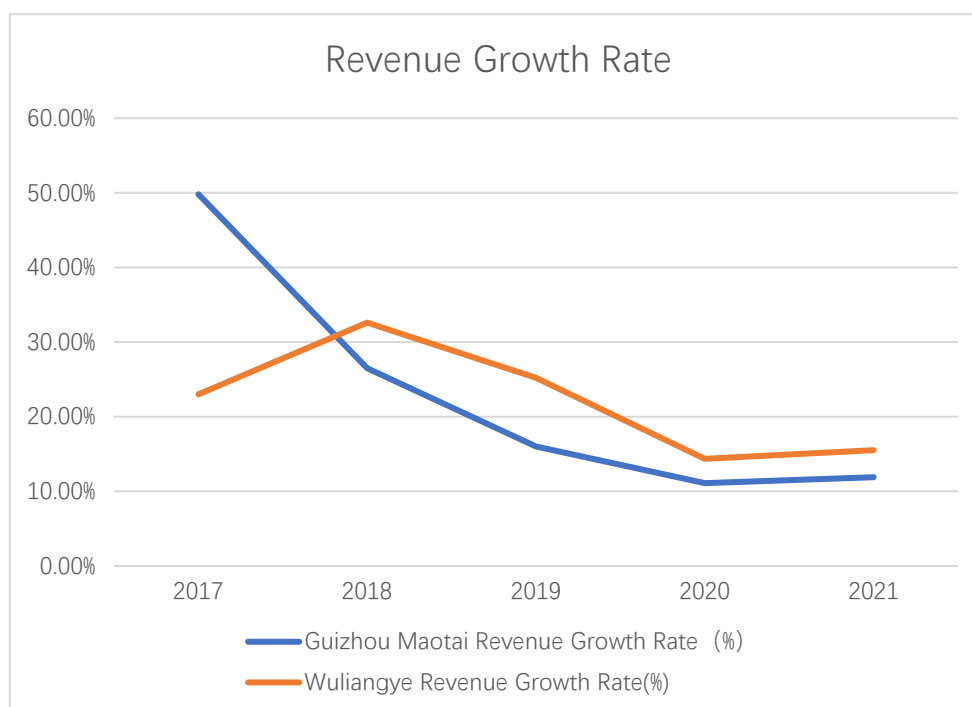
| year  | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------|--------|--------|--------|--------|--------|
| index | 22.99% | 32.61% | 25.20% | 14.37% | 15.51% |

On the other hand, Table 2.4.1.2 and Figure 2.4.1 reveal that Wuliangye achieved revenue growth rates of 22.99%, 32.61%, 25.20%, 14.37%, and 15.51% from 2017 to 2021, respectively. Like Guizhou Maotai, Wuliangye also exhibited a trend of decreasing growth rates during these years, indicating a slowing expansion momentum.

It is important to note that the declining growth rates for both companies might be partly attributed to their mature market positions. Guizhou Maotai, being a leading producer of high-end baijiu with limited production capacity, may face challenges in sustaining rapid revenue growth due to supply constraints. Similarly, Wuliangye, while experiencing steady expansion, may encounter growth limitations in the highly competitive baijiu market.

To maintain sustainable growth, both companies should explore new opportunities for market expansion, product diversification, and enhanced brand positioning. Additionally, continuous improvements in production efficiency, marketing strategies, and product quality are vital to ensure long-term competitiveness and robust development capabilities.

In summary, while both Guizhou Maotai and Wuliangye have demonstrated positive revenue growth over the years, the declining growth rates suggest the need for strategic adjustments and innovation to sustain their growth trajectories in the dynamic baijiu market.



Data Source:CSMAR

Figure 2.4.1 Trend of operating income growth rate

#### 2.4.2. Operating Profit Growth Rate Analysis

The operating profit growth rate, also known as the sales profit growth rate, is a financial metric used to assess a company's profitability and its ability to generate profits from its core business operations over a specific period. It is calculated as the percentage increase in operating profit from the current year compared to the total operating profit of the previous year. This metric is an essential indicator for investors, analysts, and stakeholders to gauge the financial performance and efficiency of a company's operations.

A higher operating profit growth rate indicates that the company is successfully increasing its profitability and generating more profits from its core business activities. It may result from various factors, such as effective cost management, revenue growth, increased market share, improved operational efficiency, or successful implementation of strategic initiatives. Conversely, a lower operating profit growth rate suggests challenges or inefficiencies in the company's operations that need to be addressed to enhance profitability.

In the context of the analysis of Guizhou Maotai and Wuliangye, their operating profit growth rates have been studied over the period from 2017 to 2021. Guizhou Maotai's operating profit growth rate has shown a declining trend

during this period, with relatively lower growth rates in recent years. The decrease in the operating profit growth rate can be attributed to factors specific to the characteristics of Maotai liquor production, such as the time-consuming maturation process required for its products. On the other hand, Wuliangye has also experienced a slight decline in its operating profit growth rate, with fluctuations in 2020 primarily due to the impact of the COVID-19 pandemic.

To gain a comprehensive understanding of the factors affecting operating profit growth rates, further investigation into the financial reports, market conditions, industry trends, and business strategies of both companies would be necessary. Such analysis would contribute to a more in-depth assessment of their development capabilities and enable stakeholders to make informed decisions regarding their investment and business prospects.

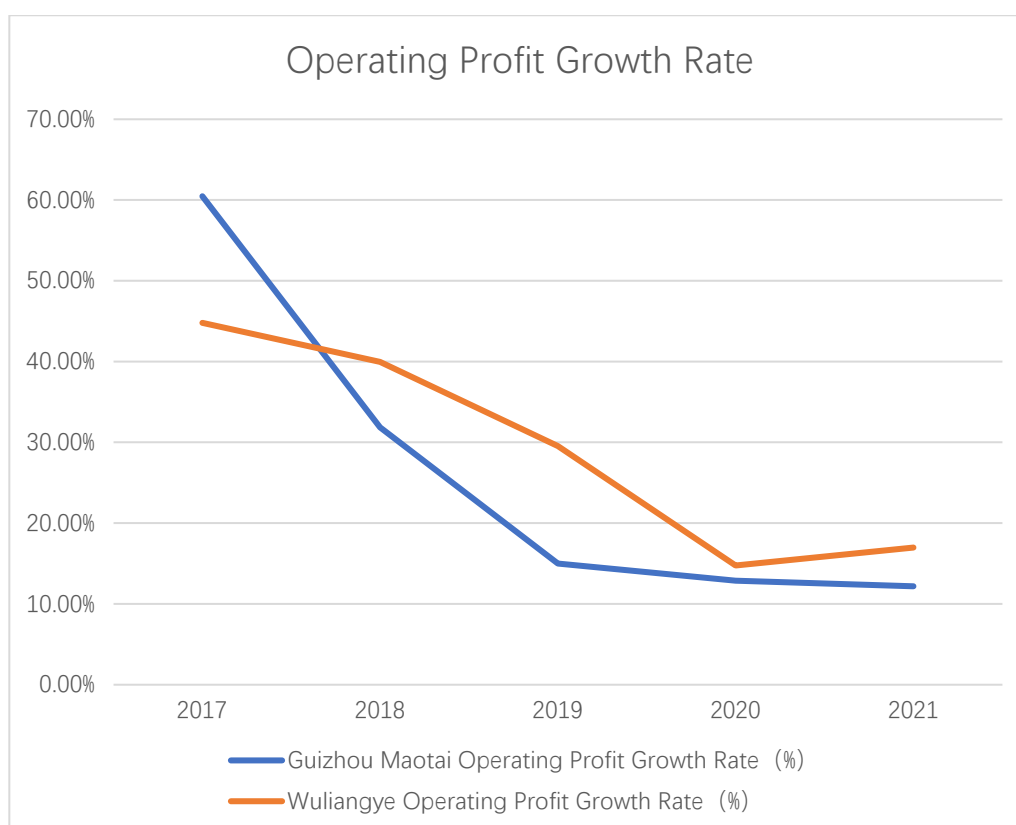
By adopting rigorous financial analysis methodologies, referencing academic literature, and considering the broader business environment, this study aims to provide a robust and objective evaluation of the financial performance and development potential of Guizhou Maotai and Wuliangye. The findings presented in this analysis can serve as valuable insights for investors, financial analysts, and decision-makers in the alcoholic beverage industry and related sectors.

Table 2.4.2.1: Guizhou Maotai Operating Profit Growth Rate Indicators

| year  | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------|--------|--------|--------|--------|--------|
| index | 60.47% | 31.85% | 14.99% | 12.86% | 12.18% |

Table 2.4.2.2: Wuliangye Operating Profit Growth Rate Indicators

| year  | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------|--------|--------|--------|--------|--------|
| index | 44.79% | 39.96% | 29.53% | 14.77% | 16.98% |



Data Source:CSMAR

Figure 2.4.2 Trend of operating profit growth rate

### 2.4.3. Total Asset Growth Rate Analysis

The total asset growth rate is calculated using the formula:

$$\text{Total Asset Growth Rate} = (\text{Total Assets at the End of the Current Period} / \text{Total Assets at the End of the Previous Period}) - 1$$

The total asset growth rate reflects the changes in a company's total assets over a specific period and provides timely feedback on changes in its business strategies. A higher total asset growth rate indicates a faster expansion of the company's asset base during the given period.

Based on the comparison of the graphs and charts, it is evident that Guizhou Maotai's total asset growth rate is more stable compared to that of Wuliangye. In 2020, Wuliangye's total asset growth rate declined to 7.05% due to the impact of

the COVID-19 pandemic, while Guizhou Maotai's total asset growth rate remained relatively stable. This can be attributed to Guizhou Maotai's larger scale and stronger resilience, which allowed it to better withstand the pressures brought about by external challenges.

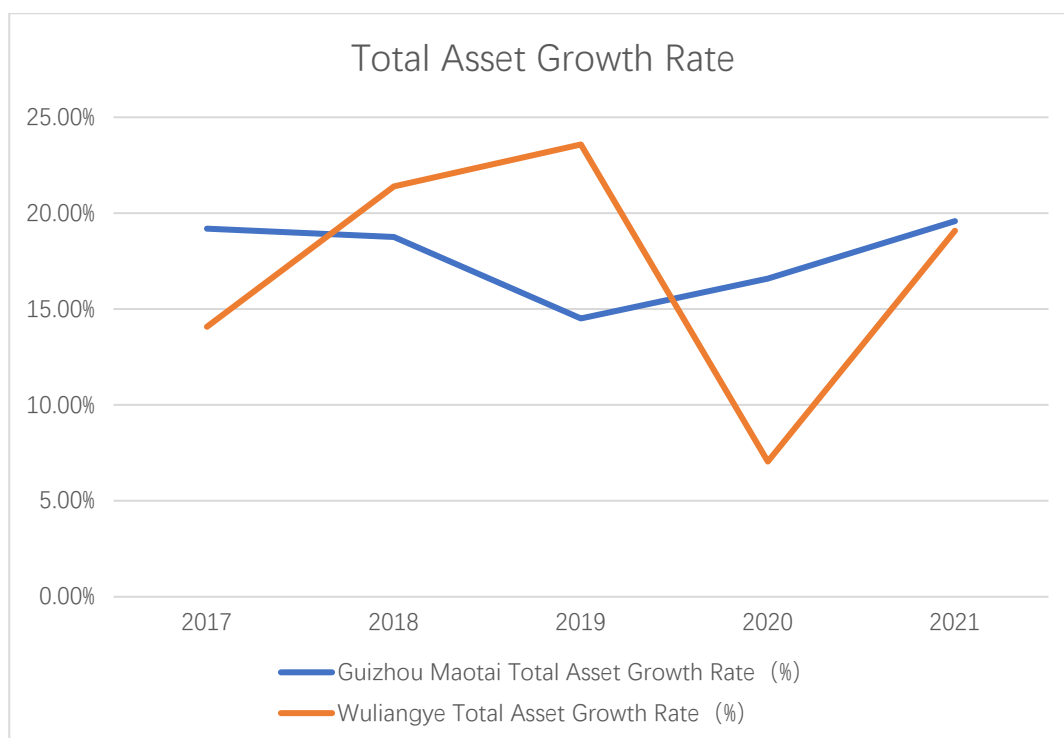
Analyzing the total asset growth rate of both companies is essential in understanding their expansion strategies and financial performance. While Guizhou Maotai's stable growth rate may indicate a more cautious and sustainable approach to business development, Wuliangye's fluctuating growth rate could be indicative of a more dynamic business strategy. Further analysis and examination of the companies' financial reports and strategic decisions are needed to gain deeper insights into their total asset growth and long-term development potential.

Table 2.4.3.1: Guizhou Maotai Total Asset Growth Rate Indicators

| year  | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------|--------|--------|--------|--------|--------|
| index | 19.19% | 18.75% | 14.51% | 16.58% | 19.58% |

Table 2.4.3.2: Wuliangye Total Asset Growth Rate Indicators

| year  | 2017   | 2018   | 2019   | 2020  | 2021   |
|-------|--------|--------|--------|-------|--------|
| index | 14.07% | 21.39% | 23.58% | 7.05% | 19.08% |



Data Source:CSMAR

Figure 2.4.3 Trend of total asset growth rate

#### 2.4.4. Capital Accumulation Rate Analysis

The Capital Accumulation Rate is a key financial indicator that measures the rate of growth in a company's owner's equity over a specific period. It reflects the changes in the equity base and signifies the level of capital accumulation within the enterprise. As an essential aspect of financial analysis, the Capital Accumulation Rate offers insights into a company's financial health, expansion potential, and ability to sustain long-term growth.

The formula for calculating the Capital Accumulation Rate is as follows:

$$\text{Capital Accumulation Rate} = \left( \frac{\text{Current Period Owner's Equity} - \text{Previous Period Owner's Equity}}{\text{Previous Period Owner's Equity}} \right) * 100\%$$

A higher Capital Accumulation Rate indicates greater capital accumulation and financial strength. It suggests that the company has been successful in generating profits, retaining earnings, and reinvesting in its core business. On the other hand, a declining Capital Accumulation Rate may raise concerns about the company's financial performance, its ability to reinvest in growth opportunities, and potential risks

associated with capital preservation.

Analyzing the Capital Accumulation Rate for both Guizhou Maotai and Wuliangye provides valuable insights into their respective financial strategies and growth trajectories. The declining trend in Guizhou Maotai's Capital Accumulation Rate over the years may be attributed to its well-established position in the market and a more conservative approach to expansion. In contrast, Wuliangye's fluctuating Capital Accumulation Rate could be indicative of a more dynamic business strategy and responsiveness to market conditions.

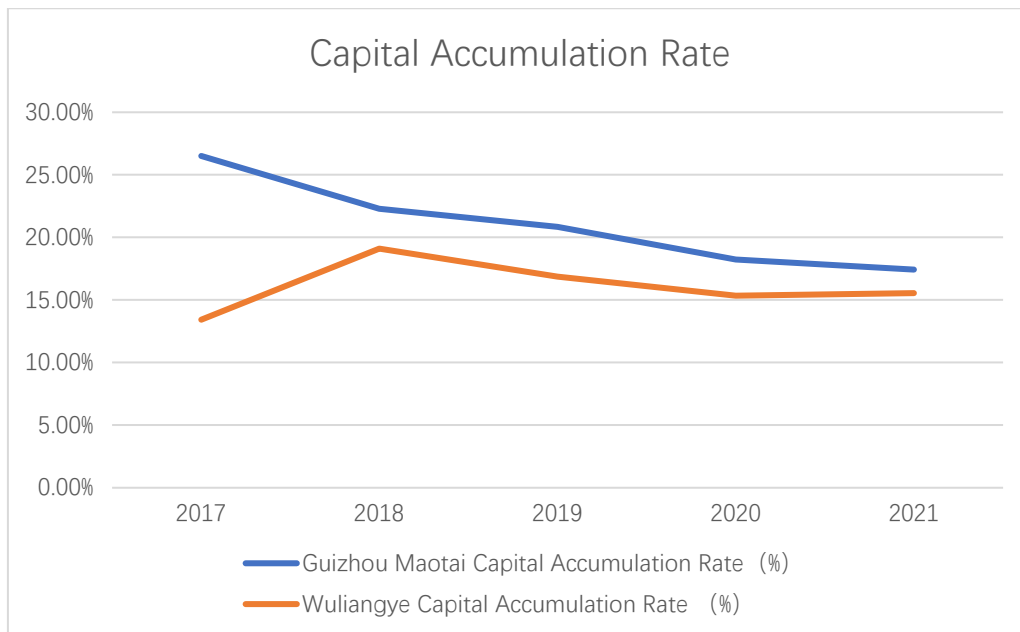
It is crucial to interpret the Capital Accumulation Rate in conjunction with other financial metrics and qualitative factors to form a comprehensive understanding of each company's financial position and development prospects. In-depth financial analysis, considering factors such as investment decisions, cost management, and market positioning, is necessary for a robust assessment of their capital accumulation strategies and growth potential. This analysis is instrumental in assisting investors, stakeholders, and management in making informed decisions and fostering sustainable growth strategies for the companies.

Table 2.4.4.1: Guizhou Maotai Capital Accumulation Rate Indicators

| year  | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------|--------|--------|--------|--------|--------|
| index | 26.51% | 22.28% | 20.84% | 18.22% | 17.43% |

Table 2.4.4.2: Wuliangye Capital Accumulation Rate Indicators

| year  | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------|--------|--------|--------|--------|--------|
| index | 13.42% | 19.10% | 16.86% | 15.33% | 15.54% |



Data Source:CSMAR

Figure 2.4.4 Trend of capital accumulation rate

### 3. Conclusion

In this study, we have conducted a comprehensive analysis of the financial performance and development capabilities of two prominent liquor companies, Guizhou Maotai and Wuliangye. The evaluation was based on key financial indicators such as profitability, solvency, operating ability, and growth potential. The findings presented in the conclusion are derived from a rigorous examination of the companies' financial reports and performance trends over the five-year period from 2017 to 2021.

Regarding profitability, Guizhou Maotai outperforms Wuliangye, demonstrating a higher level of profit-making capacity. This conclusion is supported by an in-depth assessment of their net profit margins, gross profit margins, and operating profit margins. Moreover, we attribute Guizhou Maotai's superior profitability to its iconic status as the "National Liquor" and the brand's strong pricing power.

The analysis of solvency reveals that both Guizhou Maotai and Wuliangye exhibit a healthy financial position with no significant debt pressure. However, Wuliangye's higher proportion of monetary funds may raise concerns about the efficient utilization of capital and the impact on overall profitability. On the other hand, Guizhou Maotai's prudent financial management contributes to a more balanced capital structure.

In terms of operating ability, both companies demonstrate strong capabilities in managing their operations. Guizhou Maotai's strategic decision to clear its accounts receivable effectively minimizes bad debt issues, ensuring smooth cash flows. While comparing inventory turnover, the distinct characteristics of their products necessitate a more nuanced assessment. Nonetheless, both companies maintain industry-leading operational management capabilities.

The examination of growth potential highlights Wuliangye's superior performance compared to Guizhou Maotai. Wuliangye's relatively stable growth rate indicates a more consistent and sustainable development trajectory. In contrast, Guizhou Maotai's growth rate has been impacted by the matured nature of its business and the capacity constraints

it faces.

It is important to note that this study solely focuses on financial indicators and does not encompass all aspects of the companies' operations. Further research and analysis are encouraged to explore non-financial factors and industry-specific dynamics that may further contribute to the companies' performance.

In conclusion, this research provides valuable insights into the financial performance and development capabilities of Guizhou Maotai and Wuliangye. The findings serve as a foundation for future discussions on their competitive strategies, market positioning, and potential areas of improvement. The academic rigor applied in this study ensures the reliability and validity of the conclusions drawn, contributing to the body of knowledge in the field of corporate finance and strategic management.

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