

Research on Financial Performance Evaluation of Kweichow Moutai Based on EVA

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Abstract: Kweichow Moutai is a leading enterprise in the liquor industry. Introducing EVA into Kweichow Moutai has reference significance for the company and other companies in the liquor industry. In this paper, Kweichow Moutai is selected as the case company. First, based on the brief introduction of Kweichow Moutai, the data from 2019 to 2023 are selected for analysis according to the traditional analysis method of financial indicators. Secondly, according to the enterprise characteristics of Kweichow Moutai, an EVA-based financial performance evaluation system is established through necessary accounting adjustments, and then the EVA value of Kweichow Moutai is compared with the traditional financial performance evaluation indicators to obtain comprehensive evaluation results. Finally, according to the evaluation results, the paper puts forward some development suggestions such as optimizing the capital structure of the enterprise, improving the financial risk prevention system, and incorporating EVA into the enterprise performance evaluation system.

Keywords: Kweichow Moutai, Financial Performance Evaluation, EVA.

1. Introduction

Nowadays, the social economy is undergoing rapid progress, and the operation purpose of enterprises has also undergone profound changes. The management and shareholders of enterprises have only focused on short-term profit returns in the past, and have evolved to pay more attention to the long-term value creation of enterprises, and examine and evaluate the various business activities carried out by the company from a strategic perspective. Since its listing, Kweichow Moutai, with its excellent brand influence, stable performance growth and unique market position, has experienced many adjustments and rises in its stock price in the course of more than 20 years, showing a long-term upward trend, and then won the attention of the majority of investors. At the same time, Moutai not only established unparalleled brand awareness in the domestic market, but also continued to increase the share of its products in the high-end liquor market in China. However, at present, China's liquor manufacturing enterprises are generally facing urgent structural adjustment and industrial upgrading needs, especially for those small and medium-sized enterprises with limited scale, poor management and insufficient allocation of human resources, because of the outstanding mismatch between their production process and supporting equipment structure, these enterprises are more likely to encounter the risk of merger, integration or reorganization.

Due to the characteristics of listed companies in the baijiu industry, such as low level of interest-bearing liabilities, large amount of advances and high ratio of inventory to total assets, EVA has consistent correlation with traditional performance measures when evaluating baijiu performance^[1]. Under the framework of following the EVA theory, market demand plays a core role in the financial budget management process, which directly affects the establishment of financial budget objectives, program design and implementation process^{[2][3]}. EVA compensation system has an incentive and substitution effect on inhibiting excessive on-the-job consumption behavior, and internal control plays a positive regulating role in this relationship. From the perspective of

corporate governance, the theoretical research results on the relevant influencing factors of how performance appraisal system effectively carries out the restraining function are supplemented. It provides useful enlightenment for promoting the close combination of internal control, assessment mechanism and compliance requirements^[4]. Based on Metcalfe's law and the model modified by Guotai Junan, EVA is more practical for enterprise value assessment. In the process of enterprise valuation, it should not only be limited to the level of financial data, but should consider its value in an all-round way^[5]. A comprehensive analysis of Kweichow Moutai's financial performance is crucial. An in-depth analysis of its operating conditions and capital utilization efficiency will help us make more intelligent decisions in the face of complex market changes, explore an effective path to enhance the intrinsic value of the enterprise, and provide a reference scheme with practical guiding significance for the financial performance optimization and overall development of the liquor industry.

2. Overview of Kweichow Moutai Company

2.1. Kweichow Moutai Company Profile

Founded in 1999, Kweichow Moutai Co., Ltd. was listed on the Shanghai Stock Exchange on July 31, 2001, and is the twelfth listed liquor company in China. Kweichow Moutai as China's top high-end liquor brand leader, with its unique Mao-flavored liquor, has long been famous. Originating from Maotai Town, Renhuai City, Zunyi City, Guizhou Province, China, this wine is not only a leader in the Chinese liquor industry, but also a shining pearl of traditional Chinese craftsmanship and culture, which has won worldwide attention and international praise. It can be said that Moutai, with its extraordinary quality and profound cultural heritage, has become the benchmark of Chinese liquor and leads the development trend of the industry. At the same time, it also carries the essence of traditional Chinese culture and shows the world the outstanding achievements of Chinese wine making technology. Whether in the domestic or international

market, Maotai wine enjoys a very high reputation and status, and is the favorite treasure of many consumers and collectors. In recent years, Kweichow Moutai has achieved remarkable growth in performance. Kweichow Moutai achieved an operating income of 147.694 billion yuan in 2023, an increase of 19.01 percentage points compared with the previous year; Its total annual profit historically exceeded the 100 billion yuan mark, reaching 103.663 billion yuan, an increase of

18.20% over the same period last year, ranking first in the "Top 100 Enterprises in Guizhou in 2023".

2.2. Analysis of Traditional Financial Index of Kweichow Moutai

2.2.1. Solvency Analysis

Table 1. Kweichow Moutai's solvency in 2019-2023

Time	2019	2020	2021	2022	2023
Current ratio	3.87	4.06	3.81	4.41	4.62
Quick ratio	3.25	3.43	3.24	3.62	3.67
Asset-liability ratio	0.22	0.21	0.23	0.19	0.18

When evaluating the short-term debt paying ability of an enterprise, if the current ratio is used as an indicator, the higher the current ratio is, the more funds the enterprise can have on hand to repay the short-term debt, thus indicating its strong short-term debt paying ability. As can be seen from Table 1, Kweichow Moutai's current ratio from 2019 to 2023 is above 3.8, and its current assets are sufficient to cover or offset its current liabilities. From 2019 to 2023, the quick ratio of Kweichow Moutai is above 3.2, which means that Kweichow Moutai has a good short-term debt repayment ability, and its accounts receivable have been kept at a low level, which has a significant effect on improving the company's short-term debt repayment strength, which is undoubtedly a positive phenomenon for creditors. From the perspective of asset-liability ratio, Kweichow Moutai maintains around 0.2, and the debt-to-capital ratio of the company in the capital structure is relatively low, which

means that the proportion of equity capital is high, which indicates that the company's debt repayment risk is low, and thus effectively boosts creditors' confidence in the solvency of the enterprise. While low debt ratios are beneficial from a risk perspective, being too conservative can also mean that companies are failing to leverage enough to enhance shareholder returns. Kweichow Moutai in the face of large-scale capacity expansion, brand building upgrade or other strategic measures that can significantly enhance corporate value, only relying on internal funds rather than debt financing, then in the short term may avoid financial risks, but in the long run may miss the opportunity to increase investment to obtain higher returns, which is not the best choice for the growth of shareholders' equity.

2.2.2. Profitability Analysis

Table 2. Kweichow Moutai's profitability in 2019-2023

Time	2019	2020	2021	2022	2023
Net profit margin on sales	51.47%	52.18%	52.47%	52.68%	52.49%
Return on equity	33.09%	31.41%	29.90%	30.26%	34.19%
Return on total assets	34.27%	33.26%	31.41%	33.85%	38.60%

As can be seen from Table 2, during the period from 2019 to 2023, Kweichow Moutai's net profit margin on sales fluctuates between 51.47% and 52.68%, and the calculated average net profit rate on sales is 52.26%. Compared with the net profit ratio of the liquor industry, according to the publicly disclosed data, the average net profit rate of China's high-end liquor industry in 2023 is 39.5%, which is 12.76% lower than the average value of Kweichow Moutai from 2019 to 2023. Therefore, Kweichow Moutai Company's net profit rate on sales is excellent, and it has a stable leading position in the similar high-end liquor industry. Kweichow Moutai's return on equity from 2019 to 2023 remains above 29%, with an average of 31.77%, which is a very high level, showing that the company has achieved a good return on capital by virtue

of its brand influence, product structure, cost control and other advantages. When analyzing Kweichow Moutai's return on total assets, the value reached a peak of 38.60% in 2023, while the lowest value was 31.41% in 2021. Delve deeper into the reasons behind this significant change in 2021, the profound impact of the novel coronavirus epidemic on global economic activities, the sharp contraction of consumer spending and the weakening of overall consumer demand, which has had a negative impact on many enterprises, including Kweichow Moutai, and directly affect the performance of their total return on assets in 2021.

2.2.3. Operational Capacity Analysis

Table 3. Kweichow Moutai's operating capacity in 2019-2023

Time	2019	2020	2021	2022	2023
Inventory turnover	0.30	0.30	0.29	0.28	0.28
Accounts payable turnover ratio	5.52	5.71	5.36	4.57	4.31

Inventory turnover rate is used to evaluate the inventory management effect and operation efficiency of an enterprise. It mainly measures the rate at which inventory is converted into cost of goods sold in a given period of time, which can be reflected by the number of times the inventory is turned around or the number of days it takes. When the inventory

turnover rate increases, it usually indicates that the inventory of the enterprise can be converted into cash more quickly, thus improving the flow efficiency of inventory funds. As can be seen from Table 3, the inventory turnover ratio of Kweichow Moutai in 2019-2023 is maintained at about 0.3. For Kweichow Moutai, a special high-end liquor manufacturer, its

inventory turnover ratio has been maintained at a relatively low level for a long time, which is lower than that of general manufacturing enterprises or FMCG industries. However, it can not be directly interpreted as low efficiency of inventory management or poor turnover of Kweichow Moutai. Although on the surface, Kweichow Moutai's inventory turnover rate is not high, it is precisely in line with its industry characteristics and business model, and does not mean that its inventory management problems or turnover capacity is weak. On the contrary, with the help of refined inventory management and strategic storage strategies, Moutai successfully coordinated the dynamic balance between inventory scale and market demand, thus effectively

guaranteeing the persistence of corporate profitability and the dominant position in market competition. Kweichow Moutai's accounts payable turnover in the past five years has basically remained within the small range of 4 to 5 changes. This data fully demonstrates the company's leadership position in the market and its excellent business reputation, which further proves its excellent bargaining power with upstream suppliers, enabling the company to take the initiative in the management of accounts payable and make efficient use of funds.

2.2.4. Development Ability Analysis

Table 4. Kweichow Moutai development capacity from 2019 to 2023

Time	2019	2020	2021	2022	2023
Net profit growth rate	16.23%	12.63%	12.51%	17.33%	18.58%
Revenue growth rate	16.01%	11.10%	11.88%	16.87%	19.01%
Growth rate of total assets	14.51%	16.58%	19.58%	-0.31%	7.15%

Under normal circumstances, enterprises are in a mature stage of development, and the profit growth rate of enterprises tends to slow down to a certain extent. As can be seen from Table 4, the net profit growth rate of Kweichow Moutai in the past five years has generally maintained an upward trend, from 16.23% in 2019 to 18.58% in 2023, indicating that Kweichow Moutai has strong profitability and good development prospects. Kweichow Moutai's operating income growth rate from 2019 to 2023 is maintained at more than 10%. For such an enterprise that has entered the mature stage of development, we can reasonably speculate that its future development trend still maintains enough positive trends. Special attention should be paid to examining how the company achieves sustainable growth drivers, which is crucial to assessing its long-term future prospects. In addition to 2022, Kweichow Moutai's total asset growth rate has increased in other years, and the total asset growth rate in 2022 is negative, mainly for two reasons: First, in December 2022, the company implemented a large-scale shareholder feedback plan - special dividend program, resulting in a substantial increase in cash dividends distributed to shareholders; Second, the group level completed the adjustment of Guizhou Xijiu Co., LTD. 's equity, making Guizhou Xijiu no longer a member of the company's Kweichow Moutai Group Finance Co., LTD., which led to a decline in the company's deposit absorption.

3. Financial Performance Evaluation of Kweichow Moutai Based on Eva

Economic value Added (EVA) is a key financial metric used to evaluate a business's operating performance. It shows how much revenue the business has left after deducting all costs, including the cost of capital. When EVA is positive, it

means that the business is profitable even after paying the cost of acquiring capital. This effectively means that the value created by the business exceeds the cost of its capital occupancy, resulting in a return for investors that exceeds their expectations or opportunity cost. EVA value management system can comprehensively consider the market environment factors, the enterprise planning long-term development blueprint has a positive role in promoting, therefore, enterprises should attach great importance to and use EVA value evaluation and management means^[6].

3.1. Kweichow Moutai Eva Index Calculation

EVA is the company's net operating profit after tax after deducting all the capital invested, and its calculation formula is as follows:

Economic value added=Net operating profit after tax-Total capital×Weighted average cost of capital

3.1.1. Net Operating Profit after Tax

Net operating profit after tax reflects the investment income of all the capital of an enterprise after deduction of tax. This index is not affected by the capital structure of an enterprise and can accurately show the profit level of an enterprise in different time periods. The calculation formula is as follows:

Net operating profit after tax=Operating profit-Income tax expense+(Interest expense+Asset impairment loss+Development expenditure)×(1-Corporate income tax rate)+Increase in deferred income tax liabilities-Increase in deferred tax assets

The calculation results of Kweichow Moutai's net operating profit after tax from 2019 to 2023 are shown in Table 5.

Table 5. Calculation of Kweichow Moutai's net operating profit after tax for 2019-2023 (unit: Million yuan)

Time	2019	2020	2021	2022	2023
Operating profit	59041.49	66635.08	74750.88	87879.52	103708.66
Income tax expense	14812.55	16673.61	18807.50	22326.35	26141.08
Interest expense	0.00	0.00	13.53	12.02	0.00
Asset impairment loss	0.00	0.00	0.00	0.00	0.00
Development expenditure	0.00	0.00	0.00	190.54	218.02
Corporate income tax rate	0.25	0.25	0.25	0.25	0.25
Increase in deferred income tax liabilities	72.69	-71.24	-1.46	0.00	78.94
Increase in deferred tax assets	50.65	23.28	1113.98	1221.72	1186.96
Net operating profit after tax	44250.98	49866.95	54838.09	64483.36	76623.08

3.1.2. Total Capital

Total capital refers to the sum of the debt capital and equity capital of the enterprise. Its calculation formula is as follows:

$$\text{Total capital} = \text{Debt capital} + \text{Equity capital}$$

Debt capital = Short-term loan + Transactional financial liabilities + Non-current liabilities due within one year + Long-term loan + Bonds payable + Long-term payables

Equity capital = Total owners' equity + Reserve for asset impairment - Provision for impairment of construction in progress - Net construction in progress + Deferred income tax liabilities - Deferred tax assets

The calculation results of Kweichow Moutai's debt capital, equity capital and total capital from 2019 to 2023 are shown in Table 6, 7 and 8.

Table 6. Statement of Kweichow Moutai's debt capital for 2019-2023 (unit: Million yuan)

Time	2019	2020	2021	2022	2023
Short-term loan	0.00	0.00	0.00	0.00	0.00
Transactional financial liabilities	0.00	0.00	0.00	0.00	0.00
Non-current liabilities due within one year	0.00	0.00	104.32	109.35	57.05
Long-term loan	0.00	0.00	0.00	0.00	0.00
Bonds payable	0.00	0.00	0.00	0.00	0.00
Long-term payables	0.00	0.00	0.00	0.00	0.00
Debt capital	0.00	0.00	104.32	109.35	57.05

Table 7. Statement of Kweichow Moutai's equity capital for 2019-2023 (unit: Million yuan)

Time	2019	2020	2021	2022	2023
Total owners' equity	141876.38	167720.68	196957.51	204964.69	223656.47
Reserve for asset impairment	0.00	0.00	0.00	0.00	0.00
Provision for impairment of construction in progress	0.00	0.00	0.00	0.00	0.00
Net construction in progress	2518.94	2447.44	2321.99	2208.33	2137.46
Deferred income tax liabilities	72.69	1.46	0.00	0.00	78.94
Deferred tax assets	1099.95	1123.23	2237.21	3458.93	4645.89
Equity capital	138330.19	164151.47	192398.31	199297.43	216952.06

Table 8. Calculation of total capital of Kweichow Moutai in 2019-2023 (unit: Million yuan)

Time	2019	2020	2021	2022	2023
Debt capital	0.00	0.00	104.32	109.35	57.05
Equity capital	138330.19	164151.47	192398.31	199297.43	216952.06
Total capital	138330.19	164151.47	192502.63	199406.78	217009.12

3.1.3. Weighted Average Cost of Capital

Weighted average cost of capital refers to the weighted average of the ratio of debt capital and equity capital to the total capital to calculate the company's cost of capital, and its calculation formula is as follows:

Weighted average cost of capital = After-tax cost of bond capital × (Debt capital / Total capital) + Cost of equity

capital × (Equity capital / Total capital)

(1) After-tax cost of bond capital

As can be seen from the above, Kweichow Moutai's debt capital is mainly non-current liabilities due within one year, so the one-year bank loan interest rate is used as the basis for the calculation of after-tax debt capital in this paper. The calculation results of Kweichow Moutai's after-tax bond capital cost from 2019 to 2023 are shown in Table 9.

Table 9. Statement of calculation of capital cost of Kweichow Moutai's bonds after tax for 2019-2023

Time	2019	2020	2021	2022	2023
One-year bank lending rate	4.35%	4.35%	4.35%	4.35%	4.35%
Income tax rate	25%	25%	25%	25%	25%
After-tax cost of bond capital	3.26%	3.26%	3.26%	3.26%	3.26%

(2) Cost of equity capital

In general, the cost of equity capital refers to the opportunity cost of shareholders. The capital asset pricing model is chosen in this paper, and its calculation formula is as follows:

Cost of equity capital = Risk-free rate + Risk factor × Market risk premium

The risk-free rate of return in this paper is the one-year deposit rate of the bank. The risk factor is the BETA value weighted by the circulating market value of Shanghai and Shenzhen stocks in 250 trading days in the database of Guotai 'an. The market risk premium is 4%. The calculation results of Kweichow Moutai's cost of equity capital from 2019 to 2023 are shown in Table 10.

Table 10. Statement of calculation of cost of equity capital of Kweichow Moutai for 2019-2023

Time	2019	2020	2021	2022	2023
Risk-free rate	1.50%	1.50%	1.50%	1.50%	1.50%
Risk factor	0.93	0.86	1.24	1.00	0.89
Market risk premium	4.00%	4.00%	4.00%	4.00%	4.00%
Cost of equity capital	5.23%	4.94%	6.48%	5.50%	5.07%

(3) Weighted average cost of capital
The calculation results of Kweichow Moutai's weighted

average cost of capital from 2019 to 2023 are shown in Table 11.

Table 11. Calculation table of weighted average cost of capital of Kweichow Moutai for 2019-2023

Time	2019	2020	2021	2022	2023
After-tax cost of debt capital	3.26%	3.26%	3.26%	3.26%	3.26%
Debt capital/Total capital	0.00%	0.00%	0.05%	0.05%	0.03%
Cost of equity capital	5.23%	4.94%	6.48%	5.50%	5.07%
Equity capital/Total capital	100.00%	100.00%	99.95%	99.95%	99.97%
Weighted average cost of capital	5.23%	4.94%	6.48%	5.50%	5.07%

3.1.4. Economic Value Added

As can be seen from Table 12, the economic added value index of Kweichow Moutai from 2019 to 2023 continues to show a positive trend, that is, the annual economic added value is positive. The continuous positive state of economic value added over the past five years strongly confirms Kweichow Moutai's excellent operating efficiency and profitability during this period. This means that whether it is

internal management, cost control or market expansion, Kweichow Moutai has performed well and effectively used its capital to ensure that it can still create additional economic benefits after removing the due cost of capital every year. These results demonstrate management's success in strategic planning and execution, as well as a responsible approach to shareholder equity, as five consecutive years of real value growth have resulted in substantial wealth accumulation and increased investment returns for shareholders.

Table 12. Calculation table of economic added value of Kweichow Moutai from 2019 to 2023 (unit: Million yuan)

Time	2019	2020	2021	2022	2023
Net operating profit after tax	44250.98	49866.95	54838.09	64483.36	76623.08
Total capital	138330.19	164151.47	192502.63	199406.78	217009.12
Weighted average cost of capital	5.23%	4.94%	6.48%	5.50%	5.07%
Economic value added	37018.82	41764.41	42369.70	53512.82	65618.41

3.2. Comparative Analysis of Eva and Traditional Financial Indicators

3.2.1. Eva Value and Net Profit

Table 13. Comparison of Kweichow Moutai's EVA value and net profit in 2019-2023 (unit: Million yuan)

Time	2019	2020	2021	2022	2023
EVA	37018.82	41764.41	42369.70	53512.82	65618.41
Net profit	43970.00	49523.33	55720.53	65375.14	77521.48

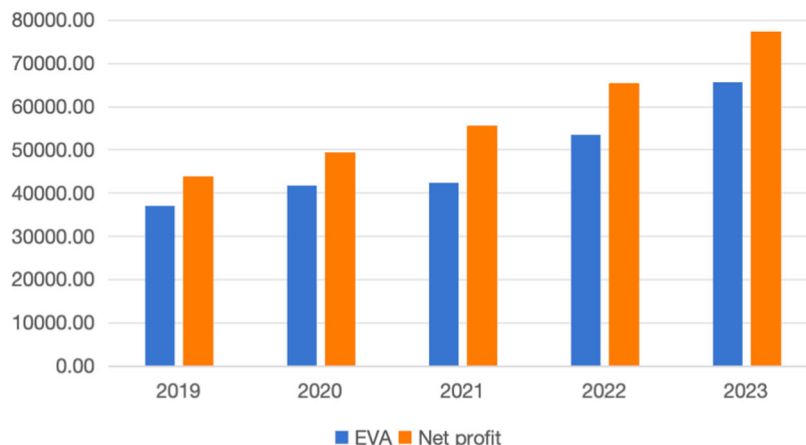


Figure 1. Kweichow Moutai 2019-2023 net profit and EVA

As can be seen from Table 13 and Figure 1, compared with the pure net profit, the calculation of EVA takes into account the cost of equity capital, resulting in the amount of EVA usually less than the amount of net profit. Especially in 2021, this difference reached the maximum, the enterprise achieved a net profit of 55,720.53 million yuan in the accounting sense, but after taking into account the cost of capital, in fact, only 42,369.70 million yuan of economic added value, which

means that although the book shows that the enterprise has obtained a huge profit, relative to the total amount of capital used, The real economic value created by enterprises is not so much as accounting profits. However, from 2018 to 2023, both Kweichow Moutai's EVA and net profit showed a steadily rising development trajectory, in which EVA achieved a growth rate of 77.26%, while the growth rate of net profit was slightly lower, at 76.31%. This strongly proves

that Kweichow Moutai's business performance is constantly improving, and it continues to bring more wealth accumulation to shareholders, which undoubtedly releases a strong positive signal for the company in the liquor industry. The reasons behind this positive development trend, on the one hand, benefit from the overall prosperous trend of the liquor market, on the other hand, can not be separated from the company's effective sales strategy and management measures. Considering the data from 2019 to 2023, although Kweichow Moutai's EVA is generally lower than the amount of net profit, both maintain a positive growth trend. This means that relying on net profit data alone may not be enough to give a full insight into Kweichow Moutai's true operating results, as these data do not fully take into account the cost of

capital. As an important financial management tool, EVA makes up for the limitations of the traditional accounting profit index in the evaluation of enterprise benefits. It incorporates the cost of equity capital in its calculation, providing a more accurate measure of a company's actual profitability. Although on the surface, the EVA value is lower than the net profit, it can reveal the business reality of the enterprise in recent years more fairly and substantively through the adaptive adjustment of various accounting items, and provide a more realistic enterprise performance evaluation system, which has higher practicability and guiding significance for managers to make decisions.

3.2.2. Sales Eva Ratio and Net Profit Margin on Sales

Table 14. Comparison of sales EVA rate and net profit margin on sales of Kweichow Moutai in 2019-2023

Time	2019	2020	2021	2022	2023
Sales EVA ratio	43.33%	44.00%	39.90%	43.12%	44.43%
Net profit margin on sales	51.47%	52.18%	52.47%	52.68%	52.49%

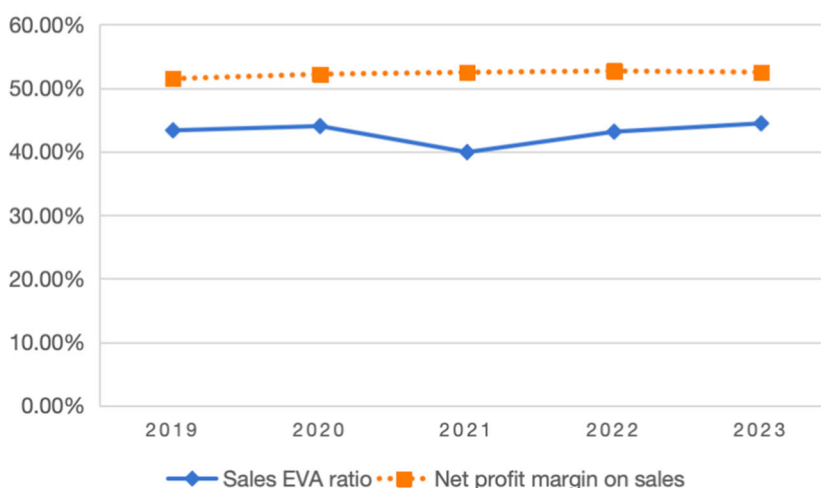


Figure 2. Kweichow Moutai sales EVA rate and net profit margin on sales from 2019 to 2023

As can be seen from Table 14 and Figure 2, the sales EVA rate of Kweichow Moutai from 2019 to 2023 remains at about 40%, while the net profit rate of sales remains at more than 50%, and the changes and fluctuations of both are relatively stable. Generally speaking, the ability of enterprises to earn after-tax profits from sales revenue can be measured by the indicator of net profit rate on sales, and net profit rate on sales is directly related to the efficiency of enterprises to make money. Therefore, from the comprehensive performance of sales EVA rate and net profit rate on sales, the profit level of Kweichow Moutai has always maintained a stable state. However, the net profit rate on sales from 2019 to 2023 is higher than the sales EVA rate, because EVA will take into

account the enterprise's research and development investment, asset depreciation loss and other factors affecting the intrinsic value of the enterprise when evaluating the value of the enterprise, so as to more accurately depict the real business situation of the enterprise. Therefore, it is necessary to pay more attention to the sales EVA rate in order to accurately show the trend of the financial performance of the enterprise, provide fair financial information basis for all stakeholders, and help the management to make scientific and reasonable management decisions, thus laying a solid foundation for the construction of the enterprise development blueprint.

3.2.3. Net Asset Eva Ratio and Return on Equity

Table 15. Kweichow Moutai's net asset EVA rate and return on equity in 2019-2023

Time	2019	2020	2021	2022	2023
Net asset EVA ratio	27.22%	25.89%	22.35%	27.09%	30.43%
Return on equity	33.09%	31.41%	29.90%	30.26%	34.19%

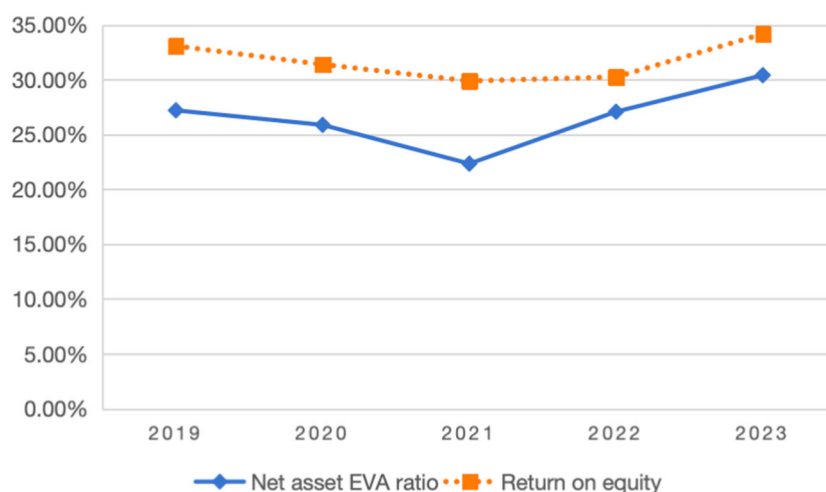


Figure 3. Kweichow Moutai's net asset EVA rate and return on equity from 2019 to 2023

EVA ratio of net assets and return on net assets are both key indicators to measure the strength of corporate profitability, and there is a positive correlation between the size of these two values and the level of income generated. As can be seen from Table 15 and Figure 3, Kweichow Moutai's net asset EVA ratio and return on net assets from 2019 to 2023 generally maintain a consistent trend. However, it is worth noting that the net asset EVA ratio is lower than the return on net assets value in each period, and its fluctuation range is relatively larger. The EVA ratio of net assets and ROE in 2021 are the lowest and the difference between them is the largest, which means that relying on ROE alone may overestimate the actual operating performance of the company, although this data brings optimistic prospects to shareholders and potential investors. But in reality, the actual earnings of enterprises may not be able to meet the psychological expectations of investors. This situation is not only difficult to maintain investors' long-term shareholding confidence, but also conducive to Kweichow Moutai to establish a long-term foundation for sustainable development. Although Kweichow Moutai still maintains a profitable situation in 2021, special attention should be paid to whether the company has a ratio imbalance between capital investment and sales revenue, and whether its efficiency in creating shareholder value is at a low level.

To sum up, this paper compares traditional indicators such as net profit, net profit on sales and return on equity with a series of measurement means such as EVA, which is sufficient to verify the effective application of EVA in enterprise financial performance evaluation. Compared with conventional financial performance calculation methods, EVA evaluation system is more sensitive and precise in revealing enterprise performance. Through in-depth analysis of various EVA subdivision indicators, it is helpful to identify the bottlenecks and defects existing in the operation of Kweichow Moutai, which is convenient for the company's management and operation team to optimize financial management and improve financial status based on the actual situation of the company, and then commit to achieving higher level of value creation.

4. Suggestions for Improving Kweichow Moutai's Financial Performance

4.1. Optimize the Capital Structure of Enterprises

In view of the specific situation of Kweichow Moutai, the proposed strategies to optimize the capital structure of the enterprise include but are not limited to: First of all, in view of the company's sound financial status and sufficient cash flow, internal financing is preferred, which can not only enrich debt capital, optimize the use efficiency of internal funds, but also make full use of the principle of financial leverage. Meanwhile, internal financing has the advantages of low cost and risk resistance, which is conducive to the long-term development of the enterprise. Secondly, according to the company's business situation, carefully plan the financing plan, strive to avoid financing risks to the greatest extent, to ensure the scientific and reasonable capital structure; Furthermore, considering that the highest asset-liability ratio of Kweichow Moutai from 2019 to 2023 is 0.23, far lower than the recognized suitable range of 0.4-0.6, Kweichow Moutai can prudently increase the debt scale. The demand for a large amount of R&D investment every year can reduce the dependence on equity capital by introducing long-term debt financing means. Sufficient capital injection is conducive to the expansion of enterprise scale and technological transformation, thus improving the EVA performance of economic added value; Finally, in the process of resource allocation, Kweichow Moutai should pay attention to the proportion of capital investment in various projects, cleverly use the principle of financial leverage, and with the guidance of EVA theory, constantly optimize and adjust the capital structure, so as to maximize the value of the enterprise.

4.2. Improve the Financial Risk Prevention System

Theoretically, there is an ideal capital structure model, but the appropriate capital structure of each enterprise is different, so it is necessary to strengthen the special research on capital structure, quantify the capital structure index, and pay close attention to the parameters that affect the capital structure. Enterprises should explore the capital structure benchmark in line with their own characteristics, and continuously optimize

their capital structure allocation, and strive to find the most personalized capital structure standard that meets the needs of enterprise development. In the process of gradually increasing debt capital to adaptively reduce the proportion of equity capital, it is bound to be accompanied by the increase of financial risk. The effective strengthening of this mechanism aims to accurately control the scale of debt financing and repayment schedule and other key elements, so as to give early warning and properly deal with various possible financial risks. In the process of strengthening the risk forecast and emergency response mechanism, the primary attention is paid to the changes of core growth indicators such as EVA. For example, in 2021, the EVA growth rate of Kweichow Moutai decreased to 1.45%, which reveals a significant decline in the business performance of the enterprise in that year. At this time, enterprises need to deeply explore the root causes of performance decline, build a risk prediction model prospectively, and design coping strategies for potential crises that they may face in advance. Combined with the specific application of EVA method, a series of relevant measurement indicators, such as EVA ratio of sales and EVA ratio of net assets, can be set as standard reference for risk assessment. Once these indicators reach the pre-set warning threshold, enterprises must attach great importance to them and quickly start the risk prevention plan to ensure that the company can timely and effectively identify and resolve financial risks, so as to ensure the steady operation of enterprises.

4.3. Incorporate Eva into the Enterprise Performance Evaluation System

The theoretical construction of EVA financial performance evaluation system in China is still in the development stage, compared with the traditional financial performance evaluation method widely adopted by domestic enterprises, it is not suitable to directly abandon the latter. We should adhere to the principle of absorbing advantages and eliminating disadvantages, integrate EVA related financial indicators into the existing traditional financial performance evaluation framework, and realize the organic combination and complementary use of the two evaluation methods. In this way, it can not only clearly show the financial status of the company, but also reveal the problems existing in the management and operation of the enterprise and the sustainable development potential in the future through the in-depth analysis of various indicators. In the aforementioned

research, because EVA considers the index of cost of equity capital, its value is often lower than that of pure net profit, which means that the enterprise value originally calculated based on net profit may be overestimated to some extent. After the introduction of EVA, through the reasonable adjustment of the subjects involved, the real operating results of the enterprise can be more truly and accurately reflected. Kweichow Moutai will pay more attention to the effective control of the cost of equity capital, so that the management can make more accurate decisions, so as to inhibit the short-term speculation tendency of the enterprise and ensure the long-term and steady development of Kweichow Moutai. In order to ensure that all employees of Kweichow Moutai have a deep understanding of and attach great importance to EVA as a financial performance indicator, the enterprise should regularly organize training activities on EVA related knowledge to improve the entire performance evaluation process system built around EVA. The purpose of this is to provide a solid foundation support for the establishment of enterprise performance appraisal system with EVA as the core.

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