

Analysis on Financial Statements of Yonghui Supermarket

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Abstract. Under the background that consumption has become the most important driving force for China's economic growth, the retail industry has become an increasingly important part of the national economy. As the pillar of the retail industry, the supermarket industry is closely related to people's lives. People have higher and higher requirements on the quality of goods and sanitary conditions, and the importance of supermarkets has become increasingly prominent. This paper selects Yonghui Supermarket, the leading enterprise in the supermarket industry in China, as the research object, calculates and analyzes the financial indicators from four aspects of profitability, solvency, operating ability and development ability, and on this basis, analyzes the quality of the report items and the overall financial situation of the company, and then puts forward some financial countermeasures and suggestions for improving the company. The research in this paper has certain reference value for the managers of enterprises to make better management decisions, which is helpful to enhance the competitiveness of the company.

Keywords: Financial statement analysis; Financial analysis; Yonghui supermarket.

1. Introduction

In the past 20 years, the Internet economy has gradually penetrated into various industries. Under the guidance of artificial intelligence, cloud computing, big data and other technologies, the retail industry is also continuously upgrading. Under the influence of the epidemic black swan, a new retail model featuring on-line service, off-line experience and deep integration of modern logistics continues to rise. Traditional supermarkets are facing internal and external attacks from the epidemic and e-commerce, and have to adapt to the trend of the times and actively promote online distribution. Under such a background, Yonghui Supermarket, as the leader of traditional supermarkets, is also constantly trying various new retail models and actively exploring new retail transformation. However, in this process, Yonghui Supermarket has also exposed many problems, and enterprises are also facing great financial risks. Therefore, Yonghui Supermarket should always grasp the financial situation of the enterprise, identify the risks brought by various financial activities of the enterprise, and take effective risk prevention and response measures to ensure the healthy development of the enterprise. Data show that in 2020, the total retail sales of social consumer goods was RMB39,198.1 billion, representing a year-on-year decrease of 3.9%. The nationwide online retail sales for the year was 11,760.1 billion yuan, up by 10.9% over the previous year; According to the data of the National Bureau of Statistics in 2020, the total retail sales of social consumer goods in China was 39,198.1 billion yuan, down 3.9% from 2019. Nationwide online retail sales for the year amounted to 11,760.1 billion yuan, up 10.9% year-on-year; At the same time, with the development of Internet technology and the promotion of the epidemic, people's shopping ways have changed greatly. They are staying at home and doing their daily needs on their mobile phones anytime and anywhere. Yonghui Supermarket has its own advantages in the field of traditional supermarkets. Now it is facing a rapidly changing market environment, full of uncertainties and challenges. Based on the financial data of Yonghui Supermarket from 2016 to 2020, this paper analyzes the solvency, profitability, operation ability and growth ability, evaluates the analysis results and points out suggestions for improvement.

2. General Situation of Yonghui Supermarket

2.1. Company Profile

Yonghui Supermarket was established in 2001 and is one of the top 500 Chinese enterprises. It was listed on Shanghai Main Board in 2010. Yonghui Supermarket is one of the first batch of circulation enterprises in Chinese mainland to introduce fresh agricultural products into modern supermarkets. It is praised by seven ministries and commissions of the state as a model of "transforming agriculture into super" promotion in China. At present, Yonghui Supermarket has developed more than 1,000 chain supermarkets across the country, covering 29 provinces and 585 cities with an operating area of more than 8 million square meters. This is a manifestation of Yonghui's great advantages and strength, but it may also become a great challenge on the road of transformation. From all aspects, Yonghui Supermarket is the best retailer in China. Yonghui Supermarket is a large-scale group enterprise with retail industry as its leading role, backed by modern logistics, supported by modern agriculture and food industry, and based on industrial development. According to the TOP100 list of Internet sales in China in 2020 jointly released by China Chain Operation Association and Deloitte, Yonghui Supermarket ranked 30th, with the company's total operating revenue reaching RMB93,199 million, up 9.80% year-on-year. In the latest "Top 500 Private Enterprises of Hurun China in 2019" list, Yonghui Supermarket ranked 87th, becoming the only retail private enterprise in "Hurun Top 100".

3. Financial Ratio Analysis of Yonghui Supermarket

3.1. solvency analysis

Debt solvency reflects a company's ability to assume or guarantee repayment of debt. The company's ability to pay cash and repay debts is the key to the company's survival and development. In the analysis of Yonghui Supermarket's solvency, this paper selects three indicators, namely current ratio, quick ratio and asset-liability ratio. The solvency indicators of Yonghui Supermarket are as follows:

Table 1. Index of Solvency of Yonghui Supermarket from 2016 to 2020

financial target	2020	2019	2018	2017	2016
liquidity ratio	0.95	0.99	1.2	1.65	2.05
quick ratio	0.57	0.52	0.69	1.04	1.37
Asset-liability ratio	63.69%	60.93%	50.96%	37.91%	34.64%

Source: Yonghui Supermarket Annual Report

The current ratio is most commonly used to measure a company's short-term solvency. Its calculation formula is current assets/current liabilities, which means how many current assets per unit of current liabilities are used to guarantee repayment. The higher the ratio, the stronger the company's short-term solvency. As can be seen from Table 1, the current ratio of Yonghui Supermarket was the most reasonable in 2016, which was close to 2, and then decreased from 2.05 in 2016 to 0.95 in 2020. This trend indicates that the current assets of enterprises decreased significantly, mainly due to the cash shortage caused by the rapid expansion, which led to the increase of the short-term risk of debt of enterprises year by year.

The calculation formula of the quick ratio is quick assets/current liabilities. The quick ratio is a supplement to the current ratio and directly reflects the short-term solvency of the enterprise. The quick ratio eliminates the assets with poor liquidity and thus can more intuitively reflect the short-term solvency of the enterprise. It is generally believed that the reasonable value of the quick ratio is 1. As can be seen from Table 1, the quick ratio remained above 1 in both 2016 and 2017, and the ratio began to remain above 1. This is because the funds raised by the company were received, which greatly increased the monetary fund and led to a significant increase in quick assets. In 2020, the

hourly quick ratio dropped to 0.57, while according to the information, the same industry quick ratio was 1.29, which indicates that Yonghui Supermarket has a large outflow of funds, insufficient quick assets and short-term solvency problems. risk of debt is relatively large and needs attention.

The calculation formula of asset-liability ratio is: total liabilities/total assets, which is a comprehensive index to measure the solvency of an enterprise. It is also a measure of a company's ability to use creditors' funds to conduct business activities. Generally, a reasonable level of gearing is 40%. As can be seen from Table 1, the asset-liability ratio of Yonghui Supermarket increased as a whole from 2016 to 2020, with the asset-liability ratio rising from 34.64% to 63.69%. Through analysis, the asset-liability ratio of Yonghui Supermarket is high at present, which is mainly due to the insufficient working capital owned by Yonghui and high current liabilities. On the one hand, when the company expands, the cash capital used exceeds the budget by too much, the working capital originally planned to be invested is occupied by long-term investment projects, and there is no guarantee for the production and operation capital; On the other hand, it does not pay enough attention to the rationality of capital structure and the gap between capital. This kind of balanced relationship forms a high level of assets and liabilities.

On the whole, from the analysis of solvency indicators, it is found that the short-term solvency and long-term solvency of Yonghui Supermarket are both poor in the past five years, but the financial risk has increased in recent years, and the financial structure of Yonghui Supermarket is somewhat unreasonable. Moreover, the financial structure of Yonghui Supermarket belongs to a high-risk and high-yield financial structure, and the company as a whole borrows money to operate. risk of debt is extremely large. Yonghui Supermarket adopts a light asset management model, with a single asset structure and mostly inventory with poor liquidity and liquidity, which directly increases the risk of the company repaying its debts.

3.2. Operational Capability Analysis

The operation ability reflects the efficiency of management and application of various assets. Therefore, operational capability analysis is an important part of financial analysis and an effective means to detect defects and problems in asset operation. Based on the analysis of BYD's operation ability, this paper selects the turnover rate of accounts receivable, inventory, current assets and total assets. The operating capacity indicators of Yonghui Supermarket are as follows:

Table 2. Operation Capacity Indicators of Yonghui Supermarket from 2016 to 2020

financial target	2020	2019	2018	2017	2016
receivable turnover ratio	27.93	30.30	46.04	79.82	167.44
Inventory turnover	6.31	6.51	8.01	8.46	8.16
current assets turnover	2.90	3.09	3.18	2.86	3.03
turnover of total assets	1.72	1.85	1.95	1.88	1.98

Source: Yonghui Supermarket Annual Report

The calculation formula of receivable turnover rate is: sales revenue/average receivable. Represents the average number of receivables collected over a period of time, which is the turnover rate of the receivables. The higher the receivable turnover index, the faster the receivable will be collected and the less bad debts will be lost. According to Table 2, it can be seen that the turnover rate of accounts receivable of Yonghui decreased from 2016 to 2020, which indicates that the management ability of the enterprise in sales has decreased, and the turnover of accounts receivable is unfavorable and it may be difficult to recover. In 2016, Yonghui Supermarket launched its factoring business, with 290 million new factorings. Due to the increase in factoring, the turnover rate in 2017 decreased by 87.45% year-on-year. The turnover rate of accounts receivable continued to decline in

2018, 2019 and 2020. As can be seen from the annual financial report of Yonghui Supermarket, the accounts receivable of last year were not recovered in a timely manner and there was a risk of bad debts. During these five years, the continuous decline of the receivable turnover rate index should be paid full attention to and stop loss timely.

The calculation formula of inventory turnover rate is: cost of sales/average inventory. This indicator indicates the turnover speed of inventories and reflects whether the inventory capital occupation is reasonable. The higher the inventory turnover rate, the stronger the liquidity of the enterprise's inventory assets. Inventory turnover rate can reflect the operation of enterprise inventory turnover to a certain extent. As can be seen from Table 2, the inventory turnover rate of Yonghui Supermarket has decreased, which is related to the large expansion of Yonghui Supermarket in recent years. At the same time, it reflects the deterioration of corporate profitability, the weakening of operating capacity and the urgent need to improve the inventory management level.

The calculation formula of total assets turnover rate is: sales revenue/average total assets. This ratio reflects the effectiveness of an enterprise in generating sales revenue from its total assets, and reflects the enterprise's asset management level and utilization efficiency. As can be seen from Table 2, the turnover rate of total assets of Yonghui Supermarket remained good with a slight decrease and no significant change. The conclusion after analysis is that the immature management and careless operation during the new opening phase of the store led to a far difference in the turnover of the new store compared with other stores and a decrease in the turnover rate of total assets. However, there has been a recovery in 2018. It can be seen that the operation and management should be improved. However, in 2019 and 2020, they fell again, indicating that the sales revenue decreased and the turnover rate of the total assets of the enterprise decreased. Sales capacity needs to be strengthened and asset utilization efficiency needs to be improved.

3.3. profitability analysis

Profitability analysis is the most direct method used to evaluate an enterprise's ability to earn profits. This chapter selects gross profit margin, operating profit margin and total assets profit margin to evaluate the profitability of Yonghui Supermarket.

Table 3. Profitability Indicators of Yonghui Supermarket from 2016 to 2020

Profit indicator	the year of 2020	2019	the year of 2018	the year 2017	the year of 2016
gross profit rate	21.37%	21.56%	22.15%	20.84%	20.19%
Operating profit margin	1.77%	1.71%	1.41%	2.88%	2.47%
net profit rate	1.93%	1.84%	2.01%	3.10%	2.52%

Source: Yonghui Supermarket Annual Report

The calculation formula of gross profit margin is: (operating income-operating cost)/operating income. Gross profit margin to a certain extent reflects the profit-making efficiency of the enterprise's sales segment, which is the basis of the enterprise's sales profit margin. From the gross profit margin index of Yonghui Supermarket, it can be seen that the gross profit margin of Yonghui Enterprise remained stable from 2016 to 2019, reaching the highest value of 22.15% in 2018.

The calculation formula of operating profit margin is: operating profit/operating income. This indicator is the profitability of the Company's main business. The higher the operating profit margin indicator, the better the development prospect of the Company's main business and the Company's overall competitiveness in the market. From the operating profit margin index of Yonghui Supermarket, it can be seen that from 2016 to 2019, the operating profit margin of Yonghui Supermarket fluctuated and declined, with the greatest decline in 2018, with the operating profit margin decreased from 2.88% in 2017 to 1.41%; In 2020, the profit of Yonghui Supermarket has not been significantly improved in recent years under the condition of significant borrowing of external

funds. This shows that the profitability of the enterprise has been poor in the past two years and the profit level has declined. At the same time, due to the rapid expansion of the operation scale of Yonghui Supermarket in recent years, a large number of stores have been opened. At the same time, while exploring mini stores, trial and error will also result in a high debt burden, which will affect the subsequent financing and cash flow problems.

The calculation formula of net profit margin is: net profit/operating income. From 2017 to 2019, the net profit margin of Yonghui Supermarket continued to decline, reaching its lowest value of 1.84% in 2019, and only recovered in 2020, but still lagged behind previous years.

From the above analysis, it can be seen that the three indicators of Yonghui Supermarket showed a decline in 2019. The main reason for this change is that the outbreak of the epidemic at the end of 2019 has reduced the demand for automobiles. With the stabilization of the epidemic and the economic recovery in the second half of 2020, people's consumption capacity has also been enhanced, so all indicators have picked up in 2020. If Yonghui Supermarket wants to maintain its profit advantage, it needs to reduce its expenses and improve its utilization efficiency, which will be more beneficial to the improvement of its profit level. In addition, it is necessary to avoid blind expansion, return to the original, focus on supermarket retail business, adjust strategies, save energy and increase efficiency, vigorously develop new retail business, enhance online business competitiveness, and develop online fresh supermarket and distribution business. At the same time, it is necessary to improve the management level and adjust the strategic layout.

3.4. growth capability analysis

Ability to grow assesses an organization's potential to expand its business and strengthen its capabilities. It mainly analyzes the future profitability of the enterprise from the perspective of the expansion trend of the future business scale and the operating ability of the enterprise, and judges whether the financial management objectives of the enterprise can be achieved. This paper analyzes the growth ability of Yonghui Supermarket by selecting the growth rate of operating income, net profit and total assets.

Table 4. Financial Indicators of Yonghui Supermarket from 2016 to 2020

financial target	2020	2019	2018	2017	2016
Operating income growth rate	9.80%	20.36%	20.35%	19.01%	16.82%
net profit growth rate	13.79%	45.66%	-40.80%%	38.80%	102.26%
total assets growth rate	7.27%	32.11%	20.55%	11.66%	44.99%

Source: Yonghui Supermarket Annual Report

The calculation formula for the growth rate of operating income is: the growth rate of main business in the current year/the revenue of main business in the previous year. This indicator reflects the increase or decrease of the main business income of the enterprise. The larger the amount of this indicator, the faster the growth of the company's main business income. Judging from the indicators of Yonghui Supermarket, although the growth rate of operating income of Yonghui Supermarket showed an upward trend during the expansion period, both 2019 and 2018 were less than the growth rate of total assets, which indicates that the expansion operation did not achieve good results in the past two years. In addition, with the gradual expansion of business scale and the increase of operating costs, the turnover rate of accounts receivable in Yonghui Supermarket has been declining, which means that there is a problem in the collection of accounts receivable. Moreover, it also affects inventory turnover. Opening a new store requires a lot of goods. Once the supply chain goes wrong, the inventory will be overstocked.

The calculation formula of net profit growth rate is: net profit growth for the current year/net profit for the previous year. A higher indicator of net profit growth indicates a higher level of operating assets. As can be seen from Table 4, the net profit growth rate of Yonghui Supermarket was negative in 2018. Yonghui pointed out in the financial report that the significant increase in the expense rate

in 2018 was the main reason for the year-on-year decline in net profit of the current period. However, it increased to 45.66% in 2019. It can be seen that Yonghui Supermarket has achieved outstanding operating results this year, enhanced its market competitiveness and enjoyed good growth.

The calculation formula of total assets growth rate is $\text{total assets growth rate} = \frac{\text{total assets growth amount this year}}{\text{total assets 100\% at the beginning of the year}}$. Through the formula, it can be seen that the continuous growth of total assets growth rate indicates the rapid expansion of Yonghui Supermarket, which is trying to obtain more revenue by increasing the scale of assets. The growth rate of net profit in 2020 decreased to 13.79% from 45.66% in 2019. Since 2020, the passenger flow and sales of the national offline retail industry have decreased, and the shopping methods and channels of customers have changed greatly. Changes in competitors and means of competition; Affected by the epidemic, consumers' shopping frequency and stay time at stores decreased, and their income expectations changed. The retail industry has changed from a seller's market to a buyer's market, with quality and service rising to the dominant position in operation. The trend of online and offline integration is increasingly forming.

4. Suggestions and Countermeasures

4.1. Enhance the solvency and rationally plan the use of cash flows

Yonghui Supermarket should reasonably manage the liquidity, increase the liquidity assets, consider the internal and external economic environment of the company, and formulate a practical development strategy. The fund raising process should avoid singleness, actively develop multiple fund raising channels, increase cash flow, reduce inventory backlog and speed up inventory circulation. In addition, Yonghui Supermarket sells daily necessities and has a relatively fixed consumption group and a relatively stable sales market. It should seize the fixed consumption group and expand customer channels while ensuring product quality. It can increase revenue and reduce cash use by cooperating with large consumption groups such as enterprises and communities. In addition, it is also necessary to actively pay attention to the environmental changes faced by the company, make timely and accurate forecasts, and plan cash use in compliance with regulations, so as to promote the long-term development of the company. In terms of financial strategy management, attention should be paid to managing risks, avoiding debt crisis and cash flow crisis, and adopting a steady market expansion strategy to push the company forward steadily and forcefully.

4.2. Strengthen the management and operation ability, improve the level of investment decision-making

For the future development of Yonghui Supermarket, on the one hand, management should be strengthened when operating with high level of financial leverage, the risks of investment projects should be estimated, and various investments should be used to reduce the investment risks; On the other hand, business operators also need to improve managers' investment decision-making ability and be more cautious in the use of large amounts of funds. Through the establishment of diversified communication mechanisms and the expansion of corporate financing channels, corporate financing efficiency can be improved. The development environment of Yonghui Supermarket is good. The political, economic, social and technological environment is generally conducive to the development of the enterprise. However, the impact of the general economic environment on the future business strategy layout cannot be ignored, and future investment activities should be more cautious. Yonghui Supermarket should regularly evaluate the overall internal control of the Company, continuously improve and perfect the organizational structure, and continue to standardize the operation mechanism of the enterprise.

4.3. Actively develop online supermarkets and increase innovation capability

Under the premise of ensuring the steady development of offline supermarkets, Yonghui Supermarket should maintain its leading position in fresh food and actively develop online e-

commerce. In the golden age of live broadcasting, Yonghui Supermarket can actively carry out online promotion and live broadcasting activities through cooperation with online celebrities. At the same time, we can make use of major media platforms to create our own accounts, cultivate and consolidate our live audience, and broaden our brand influence. Improve the efficiency of logistics distribution, stabilize the advantages of offline channels, strengthen the innovation ability, broaden the industrial chain and enhance its own sustainable development ability. Fully introduce digital operation personnel and improve the incentive mechanism. Sedimentation business can replicate the capabilities of China and Taiwan, and enhance the core capabilities of users, commodities and warehouse distribution operations. However, in order to avoid focusing on building an e-commerce platform while neglecting offline development, in an environment where the impact of the COVID-19 epidemic is gradually fading, the online purchase rate of customers will inevitably decline to a certain extent. Online and offline integration can be achieved through online purchase and offline distribution, which not only ensures the full use of online platform traffic, but also promotes the growth of operating revenue of offline supermarkets.

5. Conclusions

From the financial data analysis of Yonghui Supermarket in the past 5 years, we can see that the operation of Yonghui Supermarket has indeed encountered some difficulties since 2017, and there are mistakes in the operation decision. Especially in 2019, the operating results were the most unsatisfactory. With the advent of the post-epidemic era in COVID-19, a series of policies to expand domestic demand and promote consumption have gradually taken effect, the development resilience of the retail market continues to show, the consumer demand of residents will continue to be released, and the retail industry in China is expected to recover steadily. However, the retail department store operators cannot blindly rely on expanding the number of stores in their marketing activities. It is necessary to increase part of the passenger flow through their own brand influence in order to reduce part of the marketing expenses, improve their innovation ability, attract talents, stimulate the vitality of the enterprise, develop diversified operation and extend the industrial chain, so as to realize the development strategy of the enterprise. Strengthen cost management through reasonable budget and other means, implement refined management of the company's cost management, reduce unnecessary operating costs and period expenses, and thus improve the company's profitability.

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