

A Comprehensive Analysis of Stock Investment Recommendations Based on the Liquor Industry: Risk, Profitability, and Ratio Perspectives

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Abstract. Focusing on the liquor industry, this study takes Kweichow Moutai Liquor Co., LTD., Shanxi Xinghuacun Fen Distillery Co., LTD., and Sichuan Tuopai Shed Liquor Co., LTD., as the objects, and provides targeted investment suggestions for different types of investors by analyzing risk, profitability, valuation and other indicators. The results show that Kweichow Moutai has an excellent performance in market value and ROA, which is suitable for index investment and ratio analysis investors. Shanxi Xinghuacun Fen Distillery attracts the attention of income investors with its high dividend rate; Sichuan Tuopai Shede Wine's low PE Ratio may attract value investors. Depending on the type of investment, we provide investment advice for index investors, ratio analysis investors, income investors, value investors, PEG investors, discounted cash flow investors, momentum investors, insider trading investors and share buyback investors. The results and analysis of this study can help investors more accurately evaluate the investment value of different liquor companies to meet their specific investment objectives and risk preferences.

Keywords: Stock Investment, Risk Analysis, Profitability Analysis, Market Ratio Analysis.

1. Introduction

In the diversity of today's financial market, investors are faced with many investment choices, among which the liquor industry, as one of the important sectors in the Chinese market, has attracted extensive attention and investment. As a representative of the Chinese traditional industry, liquor attracts the attention of different types of investors with its stable market demand and high-profit potential [1].

This article aims to provide targeted investment recommendations for different types of investors by analyzing the risk, profitability, valuation, and other dimensions of Kweichow Moutai Liquor Co., LTD., Shanxi Xinghuacun Fen Distillery Co., LTD., and Sichuan Tuopai Shide Liquor Co., LTD. Based on baijiu industry data, our article aims to deliver a comprehensive assessment covering risk assessment, yield enhancement, and valuation rationality, tailored to aid investors in making well-informed decisions within the baijiu investment landscape.

The significance of this study lies in its capacity to enhance investor understanding of the present state and trends within the liquor industry, alongside the inherent risks and prospects associated with distinct companies. Through a holistic analysis of diverse investor profiles and investment strategies, we strive to offer a valuable point of reference, empowering investors to more precisely gauge investment risks and potential returns, thus furnishing more holistic backing for forthcoming investment choices [2]. Whether it is the pursuit of long-term value growth, stable cash flow, low-valuation investments or other strategies, this article will provide investors with sound advice to enable them to make decisions that are more conducive to achieving their investment goals.

The structure of this paper is divided into an introduction, data sources, stock price trend analysis, risk analysis, profitability analysis, valuation analysis, conclusion, and future research plan. Through the analysis of these dimensions, the purpose is to provide investors with more comprehensive investment decision support, to meet their different types of investment strategies and objectives.

2. Company introduction and data collection

2.1. Company profile

Kweichow Moutai Co., LTD. (Kweichow Moutai, 600519. SS), commonly referred to as Moutai, is a famous Chinese liquor manufacturer headquartered in Zunyi City, Guizhou Province. Moutai, one of China's national liquors, is famous for its unique brewing process and rich history. Founded in 1951, the company owns a number of brands such as Maotai wine. Moutai, with its unique flavor and high quality, enjoys a high reputation in the domestic and foreign markets and is regarded as a symbol of the high-end consumer market.

Shanxi Xinghuacun Fen Wine Factory Co., Ltd., 600809.SS, also known as Xinghua Village, is a famous liquor manufacturer in Shanxi Province, China. The company was founded in 1949, headquartered in Fenyang City, Shanxi Province. Xinghua Village is famous for its series of Fenjiu products produced in the Fenjiu region, which has a long history and brewing tradition as one of the three most famous wines in China.

Sichuan Tuopai Shede Spirits Co., Ltd. (600702. SS), commonly referred to as Shede Spirits, is a well-known liquor manufacturing enterprise in Sichuan Province, China. Founded in 1949, the company is headquartered in Yibin City, Sichuan Province. Shede Wine Industry has a certain influence in the market with its unique brewing process and product series and is known for producing high-quality baijiu.

The above is a brief description of the background and operations of the three companies, which will help us analyze and evaluate their risks, profitability, and ratios in subsequent articles.

2.2. Data resource

The primary data sources utilized in this article encompass the annual financial articles of the three corporations, as well as the most recent publicly disclosed stock price data for the preceding year. An annual financial article offers a comprehensive breakdown of a company's operational condition, financial standing, and achievements. It encompasses critical financial metrics like income statements, balance sheets, and cash flow statements. These documents furnish valuable insights into the company's fiscal robustness, affording us the capacity to perform an exhaustive analysis of risk, profitability, and ratios.

Furthermore, the available stock price data for the latest year equips us with real-time market insights regarding investor sentiments toward a company's future outlook and its current valuation by the market. The fluctuations in stock price information can unveil shifts in market sentiment, investor assurance, and anticipations for company performance.

By amalgamating these datasets, we will be aptly positioned to offer diverse categories of investors personalized investment recommendations grounded in the baijiu industry data. This comprehensive assessment will allow us to evaluate the investment potential of these three enterprises from a multitude of standpoints, including risk evaluation, profitability analysis, and ratio examination. In turn, this synthesis will empower investors to make judicious investment choices based on well-informed insights.

2.3. Trend analysis based on stock price

According to the stock price data of the three stocks in the past year, excel is used to draw the stock price chart, as shown in Figure 1.

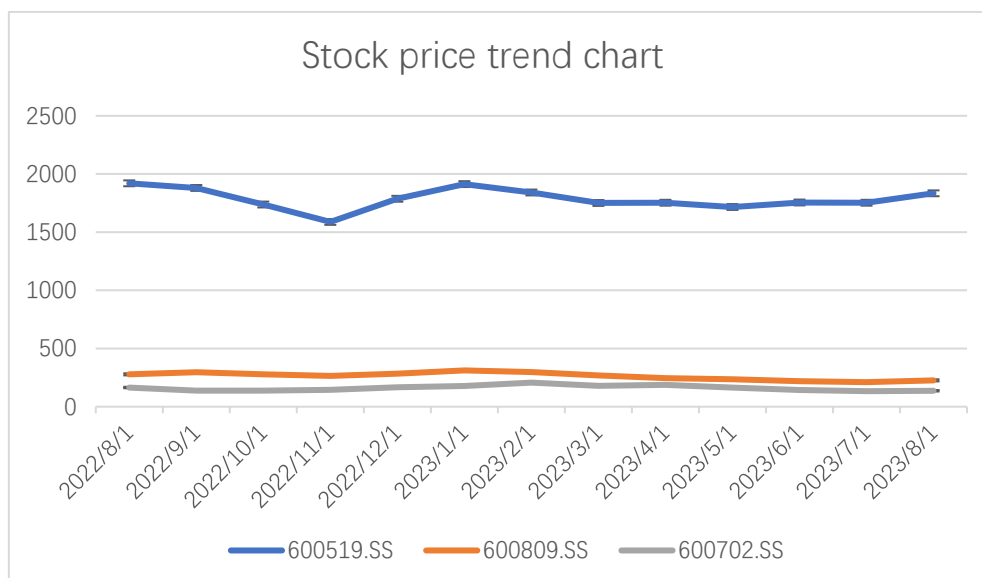


Figure 1. Stock price trend chat

Over the past year, Moutai's share price has shown significant volatility. The share price fell from the high of 1919.89 to 1588 and then rose again to 1912.90, forming a large price range. Subsequently, the share price fell back slightly, rising again to 1755, then falling again to 1716.30, and finally ending at 1834. The overall trend shows fluctuating fluctuations, and the stock price fluctuates greatly. Although there was an upward trend in some periods, overall, the range of stock price fluctuations was wide, showing the greater impact of fluctuations in investor sentiment and market expectations. The other two stocks were less volatile.

3. Analysis

3.1. Risk analysis

Table 1. Risk analysis

Risk	Kweichow Moutai (600519.SS)	Shanxi Xinghuacun Fen Wine Factory Co., Ltd. (600809.SS)	Shede Spirits Co., Ltd. (600702.SS)
Market cap	2.383T	282.95B	44.67B
Beta (5Y Monthly)	0.81	1.06	1.44
Debt Ratio	0.241	0.407	0.333

Beta is a measure of a stock's volatility relative to the overall market, and it can provide investors with some insight into how risky a stock is [3]. According to the beta values provided (0.81, 1.06, 1.44), we can analyze the risk characteristics of these three stocks from a risk perspective (Table 1).

Kweichow Moutai has a beta of 0.81, which is lower than the average market volatility. This means that in the case of overall market volatility, Moutai's share price is relatively stable and less volatile. For investors looking for a relatively low-risk investment, Moutai may be a more suitable choice.

The beta value of Xinghuacun Fen Distillery is 1.06, close to the average market fluctuation. That means its share price moves relatively in line with the market as a whole. When considering investing in Xinghua Village, investors need to expect a level of risk similar to market fluctuations.

The beta of Shede Wine is 1.44, which is higher than the average market volatility. This means that when the market as a whole fluctuates, the stock price of the Shede wine industry is more volatile and may experience greater price fluctuations. Investors need to consider a higher level of risk when choosing the Shede wine sector.

Debt ratio is the ratio of a company's liabilities to its total assets, which can provide investors with some understanding of the company's financial risk and debt level [4]. According to the debt ratio

values provided (0.241, 0.407, 0.333), we can analyze the risk characteristics of these three stocks from the perspective of financial leverage.

Kweichow Moutai has a debt ratio of 0.241, which means its debt is relatively low and its financial leverage is relatively small. The company's financial position is relatively robust and its relatively small indebtedness may help to reduce financial risk [5]. For investors looking for a lower financial risk, Moutai may be a relatively safe choice.

The debt ratio of Xinghuacun Fen Distillery is 0.407, indicating that the company has relatively high debt. This may mean that the company relies on more external financing to support business development, and there is a certain degree of financial risk. Investors need to pay attention to the company's solvency and debt structure when considering an investment in Xinghua Village.

Shede's debt ratio is 0.333, which shows that the company has relatively moderate debt. The company's debt position is relatively balanced, but investors still need to carefully consider its financial structure and solvency.

3.2. Profitability analysis

Table 2. Profitability analysis

Profitability	Kweichow Moutai (600519.SS)	Shanxi Xinghuacun Fen Wine Factory Co., Ltd. (600809.SS)	Shede Spirits Co., Ltd. (600702.SS)
Total Asset Turnover	0.5015	0.6776	0.618
Profit Margin	50.76%	32.45%	27.42%
ROA	21.56%	21.01%	13.76%
ROE	31.24%	40.35%	27.42%

ROA (Return on Assets) is a measure of corporate profits relative to total assets, which can provide investors with information about the effective use of assets to earn profits [6]. According to the ROA values provided (21.56%, 21.01%, 13.76%), we can analyze the profitability level of these three stocks from the perspective of profitability (Table 2).

Kweichow Moutai's ROA was 21.56%, showing the company's relatively high profitability in the past period of time. This shows that Moutai can effectively use its assets for profit and the company's operating performance is relatively strong. A high ROA may indicate that a company is performing well in managing assets and controlling costs.

The ROA of Xinghuacun Fen Distillery is 21.01%, which also shows a high level of profitability. This shows that the company also has a good performance in the use efficiency of assets and can achieve relatively high profits. A high ROA may reflect a company's market position and product competitiveness.

Shede Wine's ROA is 13.76%, slightly lower than the first two companies. Although ROA is relatively low, it still shows that the company has some profitability. Investors need to consider a company's industry competitive environment and earnings model to gain a fuller understanding of its earnings performance.

Combined with the profit margin data of the three companies (50.76%, 32.45%, 27.42%), we can further analyze the profitability of these companies.

Moutai's high profit margin (50.76%) reflects the relatively high net profit the company earns on each unit of sales. This may be due to Moutai's brand value and pricing strategy in the premium market, allowing it to sell its products at higher profit margins. This shows that Moutai has performed well in terms of profitability and can effectively convert sales revenue into net profit.

The profit margin of Xinghuacun Fen Distillery is 32.45%, showing that the company also has a relatively good profit level. Although it is not as good as Moutai, it still shows that it can maintain a high net profit in the sales process [7]. This may be due to Fenjiu's position in the market and product recognition.

Shede Wine's profit margin was 27.42%, slightly lower than the first two companies. Still, it shows the company's relative ability to turn sales revenue into net profit. This may be due to its product mix and market share [8].

3.3. Market ratio analysis

Table 3. Market ratio analysis

Market Ratio		Kweichow Moutai (600519.SS)	Shanxi Xinghuacun Fen Wine Factory Co., Ltd. (600809.SS)	Shede Spirits Co., Ltd. (600702.SS)
PE Ratio		36.02	30.71	27.55
P/B Ratio		10.92	10.82	6.91
Current Dividend Yield		1.41%	3.32%	1.50%
PEG Ratio		1.67	0.54	0.69
DCF		1650.10	235.94	162.31
Momentum	50-Day Moving Average	1718.43	211.68	138.64
	200-Day Moving Average	1722.70	252.97	162.10
Insider Buying		61.65%	68.65%	34.76%
Stock Buyback		N/A	N/A	1.78%

According to Table 3, and the PE Ratio values provided (36.02, 30.71, 27.55), we can make a brief analysis of these three companies from the perspective of valuation. Moutai's PE Ratio is 36.02, and the higher PE Ratio may reflect investors' optimistic expectations about its future earnings potential. A high PE Ratio usually means the market has confidence in a company's expected growth, but it can also make the stock more vulnerable to changes in market sentiment and expectations [9]. The PE Ratio of Xinghuacun Fen Distillery is 30.71, and the relatively high valuation may indicate that investors have some confidence in its future earnings prospects. The company may have a certain degree of recognition and potential in the market, resulting in a certain premium to its share price. The PE Ratio of the Shede wine industry is 27.55, which also shows a certain level of valuation. The relatively low PE Ratio may reflect the market's more cautious expectations for the company's future growth, or be related to factors such as industry competition.

Based on the Current Dividend Yield values provided (1.41%, 3.32%, 1.50%), we can briefly analyze these three companies from a dividend yield perspective. Moutai's Current Dividend Yield is 1.41%, which indicates that the company's current dividend returns are relatively low. Moutai may be more focused on reinvesting profits or other uses rather than a hefty cash dividend. This may be related to the company's profitability and future growth plans. The Current Dividend Yield of Xinghuacun Fen Distillery is 3.32%, which shows the relatively high dividend return of the company. Companies may be more focused on distributing cash to shareholders and may have higher profit levels to support a higher dividend policy. Shede Wines' Current Dividend Yield of 1.50% is in the middle of the pack. Companies may have certain dividend policies, but the returns are not particularly high relative to the share price. This may be related to the company's financial situation and business strategy.

DCF is a method of measuring the value of a company by discounting expected future cash flows back to present value, thereby calculating the intrinsic value of the company [10]. DCF can provide a relatively objective perspective when assessing the value of an investment. The DCF value of Maotai Wine is 1650.10, and a higher DCF value may reflect the market's high valuation of the company's future cash flow. This may be due to Moutai's leading position in the premium liquor market and earnings potential, making investors willing to pay a higher price for equity in the company. Xinghuacun Fen Distillery's DCF value was 235.94, and the relatively low DCF value may reflect the market's relatively cautious expectations of the company's future cash flow. Investors may have certain doubts about the company's performance and development prospects, resulting in a lower

intrinsic value of its share price. With a DCF value of 162.31, Shide Wines also shows a relatively low intrinsic value. Similar to the second company, the market may be cautious about the company's future cash flow performance.

3.4. Decision advise for different investors

For different types of investors, based on the analysis of the above three stocks, the following decision basis can be provided:

Index Investor: Choose Kweichow Moutai Liquor Co., LTD. (600519. SS) as the investment object. The company has a large market capitalization that meets the requirements of index investors, while also having a strong market position in the liquor industry.

Ratio Analysis Investor: Choose Kweichow Moutai Liquor Co., LTD. (600519. SS). The company has a relatively high ROA indicator, indicating that it effectively uses its assets to earn profits and has good operating ability from the perspective of ratio analysis.

Income Investor: Shanxi Xinghuacun Fen Distillery Co., LTD. (600809. SS). The company has a relatively high dividend yield and is suitable for dividend investors seeking stable cash flow returns.

Value Investor: Sichuan Tuopai Shede Wine Co., LTD. (600702. SS). The company's low PE Ratio is in line with the strategy of value investors looking for undervalued stocks.

PEG Investor: Choose Kweichow Moutai Liquor Co., LTD. (600519. SS). Although the PEG ratio is not provided, given the company's market position and analytical data, it may be in line with PEG investors looking for stocks with reasonable valuations and growth potential.

DCF Investor: Choose Kweichow Moutai Liquor Co., LTD. (600519. SS). According to DCF analysis, the intrinsic value may be higher than the present value of the stock, which is suitable for investors looking for potentially undervalued stocks.

Momentum Investor: Shanxi Xinghuacun Fen Distillery Co., LTD. (600809. SS). Its share price has performed better in the near term, which may be in line with an investment strategy to pursue higher share price momentum.

Insider Buying Investor: Pick Kweichow Moutai Co LTD (600519. SS). Although insider trading data is not provided, given the company's visibility and financial performance, it is likely to be one of the companies with high insider ownership.

Stock Buyback Investor: Shanxi Xinghuacun Fen Distillery Co., LTD. (600809. SS). Although buyback figures are not provided, the company has a high dividend yield and could be a potential option to focus on share buybacks and shareholder returns.

4. Conclusion

This article provides certain investment suggestions for different types of investors by analyzing the risk, profitability, valuation, and other aspects of the three liquor companies. We see the market risk level of different companies from risk analysis, understand their competitive advantages in the market from profitability analysis, and peek into the market's future value expectations through valuation data.

However, there are some shortcomings in the present article. First, the analysis is based on a single year of data and does not take into account long-term trends. Second, the article also fails to take into account industry changes and macroeconomic impacts in its analysis.

To further improve the accuracy and credibility of the analysis, future studies could include more annual data to look at the company's long-term operating performance and thus more fully assess its stability and development trends. Consider the macroeconomic impact of the liquor industry and changes in the competitive landscape of the market to better understand the risks and opportunities for the company. Through the above improvement, the analysis of the article can be more comprehensive and in-depth, and investment suggestions with more practical application value can be provided to investors.

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