

Financial Statement Analysis of Shenzhen Airport

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Abstract. As the epidemic ends and economic development gradually returns to the right track, how to maintain advantages in fierce competition and move towards scientific development is also a major problem faced by many airports. In view of this, this article takes Shenzhen Airport as an example, analyzes its financial statements, finds out the problems and causes in its development process, and puts forward corresponding suggestions.

Keywords: Shenzhen Airport, PEST Analysis, Financial Statement Analysis.

1. Introduction

With the end of the covid-19 epidemic, the airport industry, which has suffered a heavy blow to its business in the past few years, is finally facing new opportunities. As the economy recovers, the consumption structure upgrades, and the tourism and logistics industries continue to develop, the demand for air transportation continues to increase. In recent years, with the continuous improvement of Shenzhen's urban status, Shenzhen Airport has gradually upgraded its positioning from a regional trunk airport to an international aviation hub. Currently, economic development is facing new opportunities and difficulties, which poses new challenges to the development of the airport. This article analyzes its financial statements, locates the problems in its development process, and puts forward corresponding suggestions.

2. Basic Introduction of Shenzhen Airport

Shenzhen Airport Co., Ltd. (hereinafter referred to as Shenzhen Airport) was established in 1998. The company's controlling shareholder is Shenzhen Airport (Group) Co., Ltd. In April 1998, Shenzhen Airport's shares were listed on the Shenzhen Stock Exchange, with the stock code 000089. Shenzhen Airport is in the center of the Pearl River Delta region and has a strategic location. The domestic and international route network is relatively complete and the company's aviation business has reached considerable scale. The main services provided by Shenzhen Airport are aviation business and non-aviation business.

The aviation business refers to the provision of aviation ground support and aviation ground agency services to airlines; the non-aviation business mainly includes aviation logistics business and aviation value-added services. Aviation logistics business is a logistics value-added service extended with the development of the company's aviation business. Aviation value-added business is a commercial service business extended based on the development of aviation business. It mainly includes airport terminal advertising business, terminal parking lot operation, and airport dedicated line operation. Management etc.

3. PEST Analysis

3.1. Political Factors

The Guangdong-Hong Kong-Macao Greater Bay Area urban agglomeration is one of the regions with the highest degree of openness and the strongest economic vitality. Promoting the construction of the Guangdong-Hong Kong-Macao Greater Bay Area is a major national strategy personally planned, deployed and promoted by Mr Xi Jinping. The Central and Southern Administration of Civil Aviation has established a leading group for the construction of a regional transportation management

committee in the Guangdong-Hong Kong-Macao Greater Bay Area to promote refined management of flight operations through collaborative decision-making. It can be said that the political environment of Shenzhen Airport is very conducive to the development of the airport.

3.2. Economical Factors

China is in a transitional period of economic development, facing triple pressures of shrinking demand, supply shocks, and weakening expectations. Under the impact of the epidemic of the century, changes in a century have accelerated, and the external environment has become more complex, severe and uncertain. The long-term fundamentals of China's economy have not changed, and my country's aviation market still has great potential to be tapped.

3.3. Social and cultural Factors

With the end of the epidemic, China has ushered in a "retaliatory" travel wave, and people's travel demand is extremely high. At the same time, with the complete liberalization, foreign exchanges and trade will also usher in a new climax. Against this background, it can be said that the demand for aviation is high.

3.4. Technological Factors

The state strongly supports the technological development of the civil aviation industry, and its technical environment is generally improving. The civil aviation industry receives a large amount of technology subsidies.

4. Financial Statement Analysis

4.1. Debt-Paying Ability

From the total assets data, Shenzhen Airport has a process of expansion to stable development from 2019 to 2023. In 2019, the asset-liability ratio of Shenzhen Airport remained at a low level. The asset-liability ratio of Shenzhen Airport was significantly lower than the industry average, roughly maintained at around 14%, indicating that its financial costs are low, risks are small, solvency is strong, and operations are more stable. However, a low asset-liability ratio also shows that companies tend to be cautious and conservative in their operations, and do not use enough leverage. The increase in the asset-liability ratio in 2020 is due to the corresponding short-term borrowings for investments in projects such as the construction of the satellite hall project, the information construction of the "Future Airport" and the adaptive transformation of the T3 terminal. In 2021, the reasons for the huge change in the asset-liability ratio are: (1) Affected by the new lease standards, new lease liabilities were added in this period; (2) Local government special debt borrowings increased. The asset-liability ratio has changed significantly in 2021 compared with the previous year. On the one hand, the disclosure of lease liabilities changes the capital structure of the company, which may lower the company's credit rating, restrict financing, and corresponding financing costs will also rise. On the other hand, it also has a negative impact on long-term solvency, and the use of funds in the long term is also restricted. From 2021 to 2023, the asset-liability ratio remained at around 55%. During this period, the industry average fluctuated around 60%. Shenzhen Airport was slightly lower than the industry average and remained at a more reasonable position.

The value of Shenzhen Airport's short-term debt repayment ability is explained by the current ratio. The current ratios of Shenzhen Airport from 19 to 23 are 1.49, 1.31, 0.70 and 1.10 respectively, all less than 2, indicating a low current ratio. The low current ratio may be because: first, the company's overall asset-liability ratio is relatively reasonable, and its available bank credit line is high, so it can borrow money from banks at any time. Second, it has the background of state-owned assets, has state endorsement, has a good reputation for repaying debts, and has low loan pressure. Therefore, in general, short-term debt repayment pressure is small and short-term debt repayment ability is strong.

Table 1. Debt-Paying Ability Statistics

Year	2019	2020	2021	2022	2023
Total Assets (Million)	14021.81	15117.69	26330.32	25127.79	24173.02
Total Liabilities (Million)	1942.79	3178.27	14427.62	14432.44	13053.66
Current Ratio	1.70	0.69	1.11	0.63	1.08
Equity Multiplier	2.26	2.28	1.74	1.21	1.16
Assets-Liabilities-Ratio	13.86%	21.02%	54.79%	57.33%	54.00%

4.2. Operation Capacity

In terms of corporate operational capabilities, we can see similar trends in the numbers. In terms of accounts receivable turnover rate, Shenzhen Airport is far lower than the industry average and remains at a low rate. This shows that companies need to pay more attention to accounts receivable management. The timely collection of accounts receivable plays a vital role for an enterprise and is related to the strength of the enterprise's solvency. Collected accounts receivable can inject a steady stream of funds into the enterprise, allowing the enterprise to speed up its operation and provide guarantee for further production. It takes too long to collect accounts receivable, which increases the company's credit risk and affects the company's operating efficiency. The inventory turnover rate far exceeds the industry average, indicating that the company's downstream customers ship very smoothly. The total asset turnover rate is the industry average. The changes in the three changes are not small, and the operating capabilities of Shenzhen Airport are relatively stable.

Table 2. Operation Capacity Statistics

Year	2019	2020	2021	2022	2023
Turn over-Ratio-Of-Receiveable	8.43	6.14	6.61	5.31	6.38
Turnover-Ratio-Of-Inventory	489.93	378.53	375.62	544.35	579.47
turnoverRatioOfTotalAssets	0.28	0.21	0.16	0.10	0.17

4.3. Profitability Analysis

The operating net profit margin shows a downward trend year by year. Especially from 2020 to 2022, the three major profit indicators have dropped significantly. The reasons are: First, due to the impact of the epidemic. The number of flights in the aviation industry has decreased, and uncertainties have increased, such as sudden flight cancellations. The overall demand has decreased, and profitability has shrunk significantly. At the same time, railway transportation such as aviation and high-speed rail has maintained higher stability. As a result, passengers will have an incentive to choose railway transportation, further reducing the airport's profitability.

The second is the impact of the new lease standards. Net profit will drop to negative in 2021, mainly due to the large amount of financial expenses caused by the new lease liability interest expenses in this period. The financial expenses in 2021 will be 125.87 million yuan, while in 2020 it will be -34.07 million yuan, with a change of up to -469.38%, affecting the company's net profit. Entering 2023, the global economy shows a weak recovery trend. At the same time, demand in the civil aviation market has rebounded significantly, operating efficiency has continued to improve, the industry's transportation scale has basically returned to the level of 2019, and development has gradually returned to the growth track. After experiencing two years of negative growth in 2021 and 2022, Shenzhen Airport finally returned to profitability in 2023. The profitability of the airport is inseparable from the quality of the general environment.

Table 3. Profitability Statistics

Year	2019	2020	2021	2022	2023
Total Profit (Million)	777.09	52.77	-26.59	-1436.03	533.26
Net Income Attributable to Shareholder (Million)	593.72	28.07	-34.44	-1142.68	396.69
Rate Of Return On Operating Profit (%)	22.47	1.96	-0.34	-53.01	12.05
Net Profit Margin (%)	15.60	0.94	-1.04	-42.78	9.53
Rate Of Return On Total Assets (%)	4.32	0.19	-0.17	-4.44	1.61

5. Suggestions

5.1. Seize opportunities and develop vigorously

After 2023, with the end of the epidemic and China's economy gradually recovering, the uncertainty in the aviation industry caused by the epidemic will gradually disappear. Airports can rationally plan flights and gradually increase airport business volume. The development of airports is closely related to people's travel needs. In the post-epidemic era, the development of airports can be said to be consistent with the development direction of the country. How to stimulate consumer desire and increase travel should be a major issue for airports and the government. Shenzhen Airport should actively cooperate with the government to plan routes and launch special air tickets. At the same time, it is necessary to reasonably control the operating costs of the airport, improve the organizational structure and management system, and meet the different needs of different customers.

5.2. Establish a customer credit management system to reduce credit risks

Establish a customer credit management system and conduct credit assessments on key customers with poor credit every month based on the recovery status of accounts receivable to reduce cooperation with customers with low credit ratings. The financial department makes provisions for bad debts in accordance with the principles of prudence and importance to prevent corporate assets from being overvalued. Second, establish a collection system for accounts receivable, set up a dedicated collection team, promptly remind accounts receivable when due, and update customer files and information in a timely manner to ensure the authenticity of customer files.

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