

Financial Analysis Report of Listed Companies in China's Medical Beauty Industry under the Appearance Level Economy

-- Take MeiMeike as an Example

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Abstract

Nowadays, appearance level economic consumption has become an industry with continuous growth momentum and huge development potential, but relevant scholars have not studied it very much. Therefore, this paper will take -- Aike Co., Ltd., a leading enterprise of medical beauty known as "medical Maotai", as the research object to analyze the financial situation of the enterprise and explore the development of the medical beauty industry.

Keywords

Appearance Level Economy; Medical Beauty Industry; Ameike Co Ltd; Financial Analysis.

1. Introduction

Appearance level economy is a new consumer industry, derived from people's demand for beauty. Income increases during economic growth drives sales of daily cosmetics, and demand for daily consumables drives cosmetics sales during economic declines. The medical beauty industry integrates consumption and medical attributes, and has great potential for future development. However, relevant scholars have not yet studied enough. In this paper, "Medical Beauty Little Maotai" is taken as a case to analyze the systematic strategy and calculate the financial indicators. Through the analysis of the leading enterprises in the industry, it can reflect the development status and problems of the industry, and provide a data basis for the future research.

2. Theoretical Basis and Literature Review

2.1. Appearance Level Economic Theory

American economist Daniel Hamermesh (1990) pointed out in "Appearance Level and Labor Market" that the quality of appearance affects the level of income, and appearance has a positive relationship with the labor income in the market. Daniel Hamermesh Naming this phenomenon as pulchronics, revealing that good appearance can bring rich income, and people's investment in appearance is rational behavior. American labor economist Jeff Biddle (1994) pointed out in the American Economic Review that under the same circumstances, people with a high appearance level have a higher income than the average person. Employees that indicate the current job market for good appearance and personality are used walking signs to promote brand characteristics. Guan Wenhao(2019) In the book Finance and Trade Research, that high appearance level has an important impact on personal income. Markus Mobius In Why Beauty Matters, Tanya Rosenblat (2006) AER that sometimes judging people by their looks happens in our subconscious because we are affected by the halo effect. Specifically, people with high looks

are more confident, which gives them more income, and employers are attractive for employees with high looks.

2.2. Theory of Medical Beauty Industry

Huang Lei (2019) pointed out that China's medical beauty industry is growing rapidly and the medical beauty seekers show a trend of younger age. Fu Wenyi (2020) pointed out that with social progress and concept change, a large number of men have joined the industry customers. Frost and Sullivan (2020) pointed out that the size of China's medical beauty market far exceeds the total market size of medical beauty.

3. Case Analysis the Financial Status of -- Aimeike, a Leading Company of Listed Companies in the Medical Beauty Industry

Aimeike is an enterprise engaged in the research and development, production and sales of biomedical soft tissue materials. This section reviews the relevant financial statements, calculates the financial indicators of Aimeike in the past four years of 2018-2021, analyzes the solvency, operating ability and profitability of Aimeike, and finally draws the financial analysis conclusion.

3.1. Solvency Analysis

3.1.1. Current Ratio

Current ratio= current assets/current liability

Table 1. Current ratio Table Unit: one million yuan

| Year | In2018 | In 2019 | In 2020, | In 2021, |
|---------------------------|--------|---------|----------|----------|
| Total current assets | 296.26 | 564.70 | 4,375.84 | 3,803.25 |
| Total current liabilities | 44.68 | 67.24 | 89.21 | 178.59 |
| Current Ratio | 6.63 | 8.4 | 49.05 | 21.30 |

The current ratio is an index to measure the short-term solvency of enterprises. The larger the current ratio, the stronger the liquidity and actual solvency of the enterprise, but the large capital may be idle. From 2018 to 2021, the current ratio is higher than the industry average level, indicating that its short-term solvency is at a strong level. From 2018 to 2019, the current ratio increased rapidly, mainly due to the increase in current assets, especially the high investment in structured deposits and transactional financial assets; from 2020 to 2021, the current ratio decreased slightly, mainly due to the increase in current liabilities.

3.1.2. Quick-moving Ratio

Quick ratio = quick assets / current liabilities (quick assets = current assets-inventory).

Table 2. Quick ratio Table unit: one million yuan,%

| year | In 2018, | In 2019, | In 2020 | In 2021 |
|---------------------------|----------|----------|----------|----------|
| Total current assets | 296.26 | 564.70 | 4,375.84 | 3,803.25 |
| stock | 12.97 | 23.29 | 26.80 | 34.94 |
| quick assets | 283.29 | 541.41 | 4349.04 | 3,768.32 |
| Total current liabilities | 44.68 | 67.24 | 89.21 | 178.59 |
| quick ratio | 6.34 | 8.05 | 48.75 | 21.10 |

Quick ratio is an index to measure the short-term solvency of enterprises. The higher the quick ratio, the stronger the liquidity and short-term solvency of the enterprise. Generally speaking, most enterprises remain at 1:1 suitable, to ensure normal operation and repay all current liabilities, ensuring working capital needs.

3.1.3. Asset-liability Ratio

Asset-liability ratio = total liabilities / total assets 100%.

Table 3. Asset-liability ratio statement Unit: one million yuan,%

| year | In2018, | In2019, | In 2020, | In2021, |
|-----------------------|---------|---------|----------|----------|
| Total liabilities | 58.87 | 80.95 | 101.44 | 235.18 |
| Total assets | 463.61 | 743.65 | 4,632.67 | 5,264.83 |
| asset-liability ratio | 12.70 | 10.89 | 2.19 | 4.47 |

The asset-liability ratio is a counter-indicator, and the smaller the leverage ratio, the stronger the long-term solvency. The asset-liability ratio of Alimeke has changed in 2018-2021, with a sharp decline in 2020 and a slight increase in 2021. Enterprises will go public in 2020 and absorb investment, resulting in a substantial increase in monetary funds and assets, reducing the asset-liability ratio, indicating that the long-term solvency is enhanced, but too much idle funds also have financial risks.

3.1.4. Equity Multiplier

Equity multiplier = total assets / total owner's equity.

Table 4. Equity multiplier Table unit: one million yuan

| year | In2018, | In2019, | In 2020, | In 2021, |
|----------------------|---------|---------|----------|----------|
| general assets | 463.61 | 743.65 | 4,632.67 | 5,264.83 |
| Total owner's equity | 404.74 | 662.70 | 4,531.22 | 5,029.65 |
| equity multiplier | 1.15 | 1.12 | 1.02 | 1.05 |

The equity multiplier reflects the proportion of capital invested by shareholders in the assets of the enterprise. The smaller the debt degree is affected by factors such as industry, business cycle and debt situation. The overall fluctuation is not large, indicating low financial risk.

3.1.5. Cash Flow Ratio

Total cash to liabilities ratio = net cash flow from operating activities / average total liabilities

Table 5. The ratio of net cash flow from operating activities to total liabilities Unit: one million yuan,%

| year | In2018, | In 2019, | In 2020, | In 2021, |
|--|---------|----------|----------|----------|
| Net cash flow from operating activities | 135.50 | 309.72 | 425.68 | 942.78 |
| total indebtedness | 63.48 | 69.91 | 91.18 | 235.18 |
| Net cash flow to total liabilities ratio | 213.45 | 443.03 | 466.86 | 400.88 |

As can be seen from the data sheet, Aimeke has a high ratio of net cash flow to total liabilities in operating activities and strong solvency. However, the index value far exceeds the standard value, indicating that there are problems in the enterprise capital control and failure to make full use of funds, resulting in the impact on profits.

3.2. Operating Capacity

3.2.1. Inventory Turnover Ratio

Table 6. Inventory turnover table unit: one million yuan, days, times

| particular year | 2018 | 2019 | 2020 | 2021 |
|--------------------------|--------|--------|--------|--------|
| cost in business | 34.22 | 41.10 | 55.52 | 91.27 |
| average inventory | 15.28 | 18.11 | 25.01 | 34.94 |
| Inventory turnover days | 160.44 | 158.80 | 162.43 | 121.76 |
| inventory turnover ratio | 2.24 | 2.27 | 2.22 | 2.96 |

Inventory turnover rate reflects the inventory management level and the sales ability of the enterprise. Generally speaking, the higher the inventory turnover rate of an enterprise, the less capital it will occupy, the working capital ability will become stronger, the stronger the inventory liquidity, and the debt repayment and profitability will be enhanced. In general, the inventory turnover rate has increased from 2021, indicating that the sales capacity of the enterprise has been improved.

3.2.2. Turnover Rate of Current Assets

Table 7. Turnover rate of current assets unit: 100 million yuan,%

| year | In 2018, | In 2019, | In 2020, | In 2021, |
|-----------------------------------|----------|----------|----------|----------|
| Main business income | 3.21 | 5.577 | 7.093 | 14.48 |
| Average balance of current assets | 2.72 | 4.44 | 24.46 | 38.38 |
| turnover of current assets | 118 | 130 | 29 | 37 |

In 2018 and 2019, the turnover of current assets was over 1,118% and 130% respectively, indicating the strong ability of enterprises to utilize current assets; but in 2020 and 2021 to 29% and 37%, mainly due to the large increase in structural deposits and monetary funds. It shows that the application efficiency of the enterprise current assets is low and needs to be improved to improve the enterprise income.

3.2.3. Total Asset Turnover Ratio

The total asset turnover rate is the ratio of the net sales revenue to the average total assets for a certain period.

Table 8. Total assets turnover rate unit: one million yuan,%

| year | In 2018, | In 2019, | In 2020, | In 2021, |
|---------------------------|----------|----------|----------|----------|
| sales income | 321.01 | 557.72 | 709.29 | 1447.87 |
| Total average assets | 428.01 | 606.22 | 2700.19 | 4986.1 |
| turnover of total capital | 75 | 92 | 26 | 29 |

Usually, the total asset turnover rate should be controlled at about 80%. From 2018 to 2019, the total asset turnover rate of enterprises increased steadily, at 75% and 92%, respectively, but it decreased to 26% and 29% in 2020 and 2021. The main reason is the significant increase in structural deposits in 2020, resulting in a decrease in sales capacity; plus the failure to make full use of capital, the turnover rate of these two years is also affected.

3.3. Profitability Analysis

Table 9. Total assets turnover rate unit: one million yuan,%

| a particular year | In 2018, | In 2019, | In 2020, | In 2021, |
|--------------------------------|----------|----------|----------|----------|
| operating receipt | 321.01 | 557.72 | 709.29 | 1447.87 |
| cost in business | 34.22 | 41.10 | 55.52 | 58.12 |
| gross profit | 143.27 | 350.21 | 502.74 | 1126.62 |
| net margin | 116.13 | 297.97 | 433.39 | 957.33 |
| Total assets | 463.61 | 743.65 | 4,632.67 | 5264.83 |
| gross profit margin | 89.34 | 92.63 | 92.17 | 93.70 |
| rate of return on total assets | 32.89 | 57.82 | 18.16 | 21.62 |
| Net interest rate on sales | 36.18 | 53.43 | 61.10 | 66.12 |
| Return on equity | 33.96 | 57.79 | 16.94 | 20.03 |

The net sales interest rate of enterprises is also increasing steadily from 2018-2021. On the one hand, as the operating income of enterprises is increasing year by year, on the other hand, the investment income of enterprises is also increasing. Return on equity measures the profitability of an enterprise, and the larger the indicator, the increase of income brought by investment.

3.4. Financial Analysis and Conclusion of Aimeke Company

Through financial analysis, it is found that the solvency of the enterprise is good, including the current ratio, quick ratio, asset-liability ratio, equity multiplier, cash and total debt ratio and other indicators are better than the industry average. Listing in 2020 has brought about a large amount of equity and monetary funds, and a significant increase in structured deposits, resulting in more idle funds.

In terms of operating capacity index, the calculation of inventory turnover found that the inventory liquidity of the enterprise in 2018-2020 was not good, but it was slightly improved in 2021, indicating that there are some problems in the operating capacity of the enterprise in the past two years.

Thirdly, the analysis of enterprise profitability indicators finds that the gross profit rate of enterprise sales is relatively stable, the net profit rate is increasing year by year, the r & d investment of the enterprise is high, and the profitability is good. Companies are listed for a short time, the data is not stable, and there is still a lot of room for improvement. The state is very strict for the approval of the third type of medical devices, with a high threshold and usually takes 5-8 years. This strict audit policy is beneficial to Aimei, because it increases the industry barriers and reduces competitors.

4. Summarize

This paper uses -- Eco, a leading enterprise in the medical beauty industry, as the research object. Starting from the background of the medical beauty industry, it explains the development and current situation of China's medical beauty market in China. Then, taking AIC as an example, it deeply discusses its financial situation, and draws the conclusion that AIC is developing well.

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