

# Financial Analysis and Prospect of Tsingtao Brewery

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## Abstract

The analysis of financial indicators can help to understand the previous operational status of a company and control the risks effectively. It can also play an important role in formulating future business strategies and goals. This paper takes Tsingtao Brewery Co., Ltd. as the research object, conducts in-depth analysis of its financial data, and compares it with the financial data of listed companies in the same industry. It evaluates profitability, operational ability, risk control ability, and other aspects. Finally, based on the company's financial operation situation and industry development trends, it makes prospects for the future development of Qingdao Brewery.

## Keywords

Tsingtao Brewery Co., Ltd.; Financial Analysis; Prospect.

## 1. Foreword

The world has emerged from the shadow of COVID-19, the global economy has entered a stage of recovery, and the Chinese economy is gradually stabilizing and improving. China's GDP continues to grow, and the government actively promotes the economic recovery and development after the epidemic: implementing prudent monetary policy to support the development of the real economy; implementing proactive fiscal policy and improving tax support policies. In the relatively favorable economic development environment, the beer industry responds to the favorable opportunities of the country to comprehensively promote consumption and accelerate the upgrading of consumption, and has a good development opportunity.

China is the world's largest beer consumer, and has been the first in global beer consumption for 19 consecutive years, accounting for 64.4% of the Asia-Pacific market share and 21.5% of the world, about 10.60 percentage points higher than the United States, which ranks second in beer consumption. In 2022, China's beer industry produced 35.687 million kiloliters, an increase of 1.1% over the same period last year, and China's beer market has entered a new stage of steady development. As the beer producer with the high brand value in China's beer industry, Tsingtao Brewery's operation and development represent the direction and trend of the industry.

## 2. Company Profile

Tsingtao Brewery was listed in 1993, its H-shares were listed on the main board of the Hong Kong Stock Exchange in 1993, and its A-shares were listed on the Shanghai Stock Exchange in the same year. By the end of 2022, the company has 57 wholly-owned and holding production companies in China, and 2 joint venture and joint venture production companies, distributed in 20 provinces, municipalities and autonomous regions in China, and the scale and market share occupy the leading position in the same industry in China. Its products are one of the most well-known Chinese brands in the international market, and have been sold in more than 100

countries and regions in the world. In 2022, "Tsingtao Brewery " continued to maintain the first brand value in China's beer industry with a brand value of 218.225 billion yuan.

### 3. Financial Analysis of the Company

#### 3.1. Financial Indicators Data (in Order to Fully Reflect the Company's Business Performance, this Paper Selects the Annual Data for Analysis and Comparison)

**Table 1.** Main financial indicators data of Tsingtao Brewery in the last three years

Project	The weighted average of the last three years	In 2022	In 2021	In 2020
<b>Indicators per share (yuan)</b>				
Basic earnings per share	2.23	2.736	2.328	1.629
Net asset value per share	16.89	18.688	16.859	15.117
Undistributed profit per share	11.99	13.582	11.961	10.425
Cash flow per share	3.88	3.576	4.429	3.631
<b>Growth capacity indicators (%)</b>				
Sales growth rate year-on-year	0.11	1.8	1.38	-2.84
Operating income growth rate year-on-year	4.84	6.65	8.67	-0.8
Net profit growth rate year-on-year	26.60	17.59	43.34	18.86
<b>Profitability indicators (%)</b>				
Net profit margin on sales	10.33	11.83	10.79	8.38
Gross profit rate	36.30	36.85	36.71	35.33
Return on equity	13.63	15.3	14.47	11.13
Return on assets	7.05	7.85	7.39	5.9
<b>Operating capacity indicators (days)</b>				
Total asset turnover days	526.20	542	525.5	511.1
Accounts receivable turnover days	1.53	1.37	1.46	1.75
Inventory turnover days	65.47	67.73	63.87	64.8
<b>Financial risk indicators</b>				
Current ratio	1.60	1.627	1.586	1.588
Cash ratio (%)	1.10	1.04	0.95	1.31
Asset-liability ratio (%)	48.40	47.78	48.9	48.53
Equity ratio (%)	0.94	0.915	0.957	0.943

#### 3.2. Analysis of Financial Indicators

From the analysis of per-share indicators, the basic earnings per share, net assets value per share and undistributed profit per share have been growing continuously in the recent three years, and the cash flow per share is also very stable.

From the analysis of company growth ability, the sales volume, operating income and net profit of Tsingtao Brewery have achieved year-on-year growth in the last two years, which not only walked out of the adverse impact caused by the epidemic in 2020, but also achieved a good development trend where profit growth is higher than revenue growth and revenue growth is higher than sales growth.

From the analysis of corporate profitability, the profit indicators of Tsingtao Brewery have achieved year-on-year growth for three consecutive years, with an average net profit margin on sales of 10.33%, which is enough to prove that Tsingtao Brewery has the ability and potential of sustainable profitability. Tsingtao Brewery gives full play to its brand and quality advantages, actively promotes the adjustment and upgrading of product structure, increases market publicity and promotion both online and offline, ensures supply and promotes sales, and realizes the continuous improvement of profitability and market share. At the same time, the implementation of effective market cost input mechanism, low-cost control and management cost control mechanism, brought high income, and then bring stable sales gross profit rate, high net profit margin on sales.

From the analysis of the operation capacity of the company, the investment capital turnover rate of Tsingtao Brewery has always maintained a high level, very stable, and the asset turnover speed of the company has an advantage in the industry. The continuous improvement of accounts receivable turnover rate and inventory turnover rate shows that Tsingtao Brewery has an industry-leading advantage in the operation ability of accelerating accounts receivable recovery, reducing inventory occupation and accelerating capital turnover.

From the analysis of corporate financial risk, the asset-liability ratio and equity ratio of Tsingtao Brewery continue to decrease, and the current ratio continues to increase, indicating that its asset and liability structure is stable, with low financial leverage ratio and strong debt repayment guarantee ability.

To sum up, Tsingtao Brewery is a stable company with stable growth, and has maintained a very stable and sustained growth trend. In the same industry, the profitability is relatively strong, and the operation ability has an absolute advantage in the industry, while the solvency is relatively strong, and the debt repayment risk is relatively small.

### **3.3. Comparison of Financial Indicators of Tsingtao Brewery and the Same Industry (Weighted Average of the Last Three Years)**

Select three of the top five beer companies (Budweiser APAC, China Resources Beer, Tsingtao Brewery, Chongqing Brewery and Yanjing Beer) in China that are listed domestically for comparative analysis.

In terms of the per-share indicators, Tsingtao Brewery 's net asset value per share and undistributed profits per share are significantly higher than those of the other two companies. This means that the shareholders of Tsingtao Brewery own more assets per share, and the profitability of the company continues to grow, and pay steady dividends every year, which is more likely to be favored by investors. Basic earnings per share and cash flow per share, which are significantly higher than Yanjing Beer but lower than Chongqing Brewery. At the same time, by observing the financial data of companies in 2020 to 2022 years, it can be found that the basic earnings per share of Yanjing Beer and Chongqing Brewery increased slightly, while Tsingtao Brewery has a large increase, which also shows that Tsingtao Brewery has improved business conditions and has good development potential.

From the analysis of company development ability, Tsingtao Brewery revenue growth, net profit growth is relatively stable. The average net profit growth rate is higher than that of Yanjing Beer and Chongqing Brewery. Compared with Chongqing Brewery, Tsingtao Brewery has a lower year-on-year growth rate of operating income, but a higher year-on-year growth rate of net profit, indicating that Tsingtao Brewery has sustained high profitability.

From the analysis of company profitability, the relevant indicators of Tsingtao Brewery have maintained a sustained growth trend for three consecutive years, of which the net profit margin of sales has increased by 22%, 29% and 9.6% for three consecutive years, which is not only significantly higher than Yanjing Beer and Chongqing Brewery, but also the only three-year growth rate of more than 9.6% among the three companies, indicating that Tsingtao Brewery

not only eliminates the adverse impact of the epidemic, and maintained a steady and sustained profit growth trend.

**Table 2.** Comparison of financial indicators of related enterprises in the same industry

Project	Tsingtao Brewery	Yanjing Beer	Chongqing Brewery
<b>Indicators per share (yuan)</b>			
Basic earnings per share	2.23	0.09	2.42
Net asset value per share	16.89	4.74	3.03
Undistributed profit per share	11.99	1.36	1.55
Cash flow per share	3.88	0.58	7.58
<b>Growth capacity indicators (%)</b>			
Operating income growth rate year-on-year	4.84	5.04	11.35
Net profit growth rate year-on-year	26.60	18.67	6.64
<b>Profitability indicators (%)</b>			
Net profit margin on sales	10.33	3.07	17.58
Gross profit rate	36.30	38.36	49.70
Return on equity	13.63	1.94	71.50
Return on assets	7.05	1.94	20.48
<b>Operating capacity indicators (days)</b>			
Total asset turnover days	526.20	574.00	311.00
Accounts receivable turnover days	1.53	5.99	2.96
Inventory turnover days	65.47	191.33	95.83
<b>Financial risk indicators</b>			
Current ratio	1.60	1.75	0.62
Cash ratio (%)	1.10	0.92	0.35
Asset-liability ratio (%)	48.40	28.02	75.84
Equity ratio (%)	0.94	0.39	3.42

From the analysis of company operation capacity, the investment capital turnover rate of Tsingtao Brewery has always maintained a high level and is very stable. The inventory turnover rate of Tsingtao Brewery Company is significantly faster than that of the other two beer companies, indicating that the company has obvious advantages in inventory management; the accounts receivable turnover rate is faster than that of the other two beer companies, indicating that the timely rate of sales collection is high.

From the analysis of company solvency, the financial leverage ratio of Tsingtao Brewery is lower than that of Yanjing Beer and Chongqing Brewery, but the asset-liability ratio and equity ratio of Tsingtao Brewery are slightly higher than that of Yanjing Beer and lower than that of Chongqing Brewery. After comparison of statement details, the Interest-bearing debt ratio of Tsingtao Brewery is lower than that of Yanjing Beer and Chongqing Brewery. Tsingtao Brewery is better than Yanjing Beer and Chongqing Brewery in terms of operating income and cash flow solvency.

To sum up, Tsingtao Brewery is a stable company with stable growth, and has maintained a very stable and sustained growth trend. In the same industry, the profitability is relatively

strong, and the operation ability has an absolute advantage in the industry, while the solvency is relatively strong, and the debt repayment risk is relatively small.

## **4. The Company'S Financial Analysis and Outlook**

### **4.1. As the Leader of Domestic Beer, Tsingtao Brewery 'S Production and Operation Capacity has been Gradually Improved in the Process of High-end Upgrading.**

Tsingtao Brewery is a leading national beer brand. The main brand Tsingtao Brewery is positioned in the middle and high-end. Since its establishment, the brand has been deeply rooted in the hearts of the people. Tsingtao Brewery has a profound history and culture, and its brand value ranks first in the domestic beer industry. Tsingtao Brewery, backed by Shandong province, has a broad market and enjoys a high reputation at home and abroad. Tsingtao Brewery has gone through the diversified development stage of development, and has now entered the upgrading period of pursuing high-end development. Data shows that ROE has risen from the low point of 6.4% in 2016 to 15.3% in 2022. The profitability of the company continues to improve and the development momentum is rapid.

### **4.2. Financial Data Show that the Overall Situation has a Good Development Momentum and has Small Risks.**

From the analysis of company per-share indicators, the basic earnings per share, net asset value per share and undistributed profit per share have been growing continuously in the recent three years, and the operating cash flow per share is also very stable. Revenue also shows a growth trend, and at the same time, Tsingtao Brewery implements an effective low-cost control strategy to bring stable profits to the company. According to the financial report, it can be found that the asset-liability ratio and equity ratio of Tsingtao Brewery continue to decrease, and the current ratio continues to increase, indicating that the financial leverage ratio is low, the debt repayment guarantee ability is strong, and the uncertainty risks facing the owners will be relatively small. Operating income and profit grow steadily, its profitability and operating capacity are ahead of the industry, its solvency and growth ability are constantly improved, and Tsingtao Brewery has a good momentum of development.

### **4.3. From the Perspective of the Whole Industry, Tsingtao Brewery Still Occupies a Strong Position in the Market.**

At present, Tsingtao Brewery has a complete industrial chain and a rich product composition, from the low-end market for the ordinary draft beer, to the high-end market to provide Augerta and other rich varieties. Tsingtao Brewery entered the beer market early, with rich experience. After the fierce market competition in the beer industry, the market pattern has been relatively stable, and the market share of Tsingtao Brewery is also ahead of other companies. Under the background of continuous expansion of overseas market, industrial structure and production technology, Tsingtao Brewery will continue to maintain a leading position in the industry.

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