

Financial Performance Analysis of Midea's Performance Before and After the Acquisition of Clevo

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Abstract: In recent years, with the strong recovery of China's economy and the steady strengthening of the national economy, the home appliance industry has resisted the rise of industrial raw materials, and the overall development of the industry has maintained a positive and positive trend. This paper selects the case of Midea's acquisition of Clivet as the object of analysis. Science and technology change is still the main melody of The Times, the Midea to leading technology as the core of the four main strategies, implementation of ToB and ToC pay equal attention to development of the business, to promote the double qualitative change of domestic and overseas business, with innovation, breakthrough and layout gives priority to tone, to further deepen the development of the five business sector into a new stage, to promote four main strategic ground, Continuous innovation, breakthroughs and progress have been made in the management system, structure and mechanism.

Keywords: new accounting standards; Enterprise financial management; Coping strategy

1. Introduction

Degree of economic globalization is deepening, China's reform and opening up is also deepened, domestic economic development prospects have attracted numerous multinational companies into China, domestic enterprises have also responded to "going out" strategy, global layout, to better cope with the industry competition from home and abroad, to realize its sustainable development and the optimal allocation of resources, to carry out international mergers and acquisitions. Although in recent years, domestic home appliance enterprises have changed from "rough manufacturing" to "fine intelligent manufacturing", but there is still a certain gap between Chinese companies and international well-known multinational companies in terms of technological innovation.

Through acquisition and merger to expand the international market, Midea has quickly acquired foreign advanced technology while increasing its market share. Before and after the merger, analyze the financial performance of Midea company. This paper studies the business performance of "Midea" enterprise merger and acquisition cases, which is conducive to providing more valuable reference information for other enterprises through intuitive data presentation. This paper selects the transnational merger event, Midea merger and acquisition of Clevo, to study the impact on the business performance of Midea Group, and provide reference value for the related research on merger and acquisition of white goods enterprises in China.

2. Financial performance analysis of Midea's performance before and after the acquisition of Clevo

2.1 Comparative analysis of Profitability

This paper selects four targeted financial indicators, including net profit rate on sales, net profit rate on total assets, return on net assets and sales gross profit margin related to profitability, to reflect the changes in enterprise performance, as shown in Table 1.

Table1 Profitability indicator(%).

	2013	2014	2015	2016	2017	2018	2019
Net interest rate on sales	6.85	8.22	9.84	9.97	7.33	8.34	9.09
Net interest rate on total assets	8.99	10.72	10.94	10.59	8.89	8.46	8.94
Return rate of net assets	46.97	51.23	47.28	44.94	43.58	45.1	44.37
gross profit margin	23.28	25.41	25.84	27.31	25.03	27.54	28.86

The analysis of Midea's profitability is mainly to be able to compare whether mergers and acquisitions provide favorable help to corporate profits. As can be seen from Table 1, none of the four indicators selected in this paper have changed greatly. It can be seen that cross-border mergers and acquisitions will not have a great impact on the profitability of enterprises. However, considering the gradual maturity of the domestic market after 2013 and the fierce competition, Midea's net interest rate on sales still increased from 6.85% in 2013 to 9.09% in 2019. Although there is no significant growth, this trend can show that mergers and acquisitions still play a positive role in performance. At the same time, the return on net assets from 46.97% in 2013 gradually fell to 44.37% in 2019, shows that the efficiency of enterprise utilization assets declined, after the enterprise integration also need to pay a lot of capital investment, so in the short term lead to lower profitability of Midea.

2.2 Comparative analysis of operation capacity

In view of the fact that Midea relies on selling a large number of products to obtain profits, the following three financial indicators are selected from the relevant indicators of operating capacity: inventory turnover, total asset turnover and accounts receivable turnover. See Table 2 for the operating capacity evaluation of Midea from 2013 to 2019.

Table 2 Operating capacity indicator (%).

	2013	2014	2015	2016	2017	2018	2019
Inventory turnover ratio;	6.5	6.99	8.06	8.87	8.01	6.37	6.38
turnover of total capital	1.31	1.3	1.11	1.06	1.15	1.01	0.98
average accounts receivable turnover ratio	13.59	16.39	14.03	13.35	15.4	14.07	14.62

First of all, the inventory turnover rate is analyzed. As can be seen from Table 2, the inventory turnover rate of Midea continued to rise before the merger, due to the policy, market and other reasons, which made the product sales not as good as before. After the merger and acquisition of Midea, its inventory turnover rate not only stopped rising or even began to decline from 2013 to 2019. It is precisely because the merger and acquisition opened the market that Midea has the opportunity to sell its domestic inventory to the global market and improve the operating capacity of the enterprise.

After analyzing the total asset turnover rate, it can be seen from Table 2 that Midea's total asset turnover rate of Midea is in a state of decline both before and after merger and acquisition. The reason is that beauty from beginning to end in the enterprise internal assets and resources for reasonable integration, although after the acquisition statements of various assets in the amount of the data will increase greatly, and income will continue to grow, but the average total assets growth is always greater than the sales revenue in the same year, lead to total assets turnover also decrease. In the 7 years before and after the acquisition of Clevo, the receivables turnover rate of the enterprise changed little. In a word, overseas cross-border M & A will not have an adverse impact on the operating capacity of enterprises in the short term, and m & A will improve the operating capacity of enterprises.

2.3 Comparative analysis of solvency

Solvency ability is the key to the survival and development of an enterprise, but also has a certain impact on the financing ability of the company. Due to the limited space of the article, this paper selects the current ratio, quick ratio and asset-liability ratio to evaluate the impact of Midea's acquisition of Toshiba on the business performance. See Table 3 for the

evaluation of Midea's solvency in 2013-2019.

Table 3 solvency indicators(%).

	2013	2014	2015	2016	2017	2018	2019
current ratio	1.15	1.18	1.3	1.35	1.43	1.4	1.5
quick ratio	0.88	0.98	1.15	1.18	1.18	1.18	1.28
asset-liability ratio	59.69	61.98	56.51	59.57	66.58	64.94	64.4

An important indicator of a company's short-term debt solvency is the current ratio. As shown in Table 3, before and after M & A, the current ratio of Midea was rising, and the quick ratio also increased year by year. It shows that Midea is correct in the strategic orientation of the industry. The asset-liability ratio usually demonstrates the ability to maintain the funds available for operating activities. Mergers and acquisitions need to pay a certain consideration, which will lead to increase the debt ratio of enterprises to a certain extent. Midea's merger and acquisition is still very smooth, and Midea also handles the integration risks brought by mergers and acquisitions appropriately.

Although the asset-liability ratio of Midea is lower than the average asset-liability ratio of about 70% in the home appliance industry, the merger and acquisition does not affect the stability of Midea.

2.4 Comparative analysis of growth ability

Growth ability is a financial performance evaluation that can relatively reflect the revenue and profit of an enterprise. Select the three indicators of operating income growth rate, net profit growth rate and net asset growth rate to analyze the change of growth ability before and after Midea acquisition. See Table 4 for the evaluation of Midea's growth ability from 2013 to 2019.

Table 4 Index of growth ability(%).

	2013	2014	2015	2016	2017	2018	2019
increase rate of business revenue	17.91	17.36	-2.08	14.71	51.35	8.23	6.71
net profit growth rate	35.12	40.36	16.99	16.42	17.33	16.33	16.75

As can be seen from the growth rate of the operating income from 2016 to 2019 fluctuates greatly, and the impact of the merger and acquisition on the operating income of Midea is very large. It is mainly the growth of operating income brought by the expansion of overseas market scale after the acquisition. In the four years from 2015 to 2019, the year-on-year growth rate of net profit was roughly the same, with a year-on-year growth rate of 10-20%. From a macro point of view, Midea acquired a large number of overseas enterprises. Not only did it not reduce the development ability of Midea enterprises, but also because the company took the initiative to develop overseas markets, Midea's revenue and profit rose against the trend.

Such a conclusion can be drawn that, the choice of overseas merger and acquisition has played a certain effect on the improvement of enterprise growth ability.

3. Study conclusion

The research conclusions of this paper are summarized as follows:

The merger between Midea and Clivet has improved their financial performance. First of all, in terms of profitability, under the condition of other stable profitability indicators, although the net interest rate on sales in 2018 declined, then the net interest rate on sales rose steadily and exceeded the data before the merger, which shows that the merger and acquisition can indeed bring benefits to the enterprise and enhance the strength of the enterprise. Secondly, in terms of operating capacity, due to the maturity of the domestic market, Midea's operating capacity will not increase substantially due to merger and acquisition behavior. However, the data from 2017 to 2020 can be analyzed that the data of each company decreases

subtly, indicating that M & A behavior will have a positive impact on the future development of the enterprise. Thirdly, Midea has sufficient cash flow. In terms of solvency, although it has made many mergers and acquisitions in 2016, it is still within the tolerance range of Midea. Finally, as for the growth ability, the operating income is greatly improved due to mergers and acquisitions.

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