

The Financial Analysis of the Cash Flow Statement as the Core of Haier Smart Home Co., Ltd.

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Abstract

Cash flow management is closely related to the production and operation of enterprises. We must do a good job in cash flow management in order to achieve the long-term development of enterprises. This paper is based on the data of cash flow statement and relevant financial information in the annual financial statements from 2015 to 2019 of Haier Smart Home Co., Ltd. Through the comparative analysis of five years' cash flow statement data of Haier intellectuals, the paper reveals the changes of cash and cash equivalents data and the structure of cash flow statement. And combined with the financial information of Haier's wise people, the financial ratio analysis method is used to analyze the development and change of its operating capacity, profitability and debt paying ability.

Keywords

Cash Flow; Financial Ratio; Operating Capacity; Profitability; Solvency.

1. Introduction

Haier Smart Home Co.,Ltd. is the largest strategic business group of Haier Group, to undertake the global household appliances business of Haier Group. Interconnection factory is built internally, so that users' personalized needs can be directly connected to the factory to achieve real-time interconnection. To build U+ intelligent life open platform externally, provide users with intelligent life solutions in the Internet era, and finally achieve the best interaction, transaction and delivery experience for users in the whole process. At present, the "Haier family" of home appliance brands includes seven brands: Haier, GE Appliances in the United States, Fisher&Paykel in New Zealand, Aqua in Japan, Candy in Italy, Casati and RongShuai. It has a "10+N" research and development system, 24 industrial parks and 108 factories in the world. Haier and its brands are sold in more than 160 countries and regions.

From "Qingdao Haier" to "Haier Smart Home", Qingdao Haier, which is deeply engaged in the home appliance industry, will go beyond the home appliance itself and focus on the accelerated development of the smart family ecological brand. It will expand home appliances to complete sets of home appliances, to smart families, and to the best user experience of the whole ecology of clothing, food, housing and entertainment. Through the full scene solution for users to customize a better life, accelerate the creation of the Internet of Things ecological brand worldwide leadership.

2. Company cash flow status analysis with the cash flow statement as the core

2.1 Analysis of cash flow statement structure and changes

The cash flow of an enterprise consists of the cash flow generated by operating activities, the cash flow generated by investment activities and the cash flow generated by financing activities.

Ratio were analyzed, and the structure of cash flow can help investors to understand the enterprise access to the cash income, reflect the enterprise business activities of cash income structure relations, the judgment ability to obtain cash from project to project size and the quality of the source of corporate profits and thus for the company's business situation with a more accurate understanding

of the, Convenient to evaluate the enterprise operating conditions, the ability to create, fund-raising capacity and capital strength.

Table 1. The proportion of all kinds of cash inflows from 2015 to 2019

Items	2015	2016	2017	2018	2019
Cash inflow from operating activities	92.86%	75.62%	85.60%	90.12%	90.52%
Cash inflow from investment activities	1.39%	0.61%	0.50%	1.05%	1.21%
Cash inflow from financing activities	5.75%	23.76%	13.90%	8.83%	8.26%

From Table 1, we can easily find that:

(1) The proportion of cash inflow generated by operating activities reflects the ability of the enterprise's main business to create cash inflow. The proportion of this project of Haier Smart Home Co.,Ltd. decreased from 2015 to 2016, mainly due to the increase of financing and the increase of cash inflow from fund-raising activities; The proportion of this increase from 2017 to 2019 indicates that the business operation is relatively stable and there is no need for additional financing.

(2) The proportion of cash inflow generated by investment activities reflects the cash flow generated by the purchase of long-term assets and other financial assets other than cash equivalents and disposal activities of the enterprise. The investment cash flow of Haier Smart Home Co.,Ltd. from 2015 to 2019 has been kept at a low level, with little change, indicating that it has less foreign investment and no demand in this field.

(3) The proportion of cash inflow generated by financing activities reflects the change of the scale of enterprise capital and debt. This proportion rose sharply in 2016, indicating that enterprises are in urgent need of financing and have greater financial risks. However, from 2017 to 2019, this proportion has declined, indicating that enterprises are developing well and capital flow has returned to normal.

2.2 An analysis of key financial ratios

2.2.1 Operational capacity analysis

Net cash flow: the net increase in cash and cash equivalents. This index embodies the enterprise's creative ability. If the net cash flow is positive, it indicates that the net cash of the enterprise has increased; If it is negative, it indicates that the net cash of the enterprise has decreased, and its value directly depends on the cash flow statement.

Table 2. Data sheet of net cash flow

Items	2015	2016	2017	2018	2019
Net cash flow from operating activities	5,579,600,000	8,054,700,000	16,086,590,000	18,934,252,000	15,082,630,000
Net cash flow from investment activities	-10,273,400,000	-39,596,430,000	-5,621,820,000	-7,665,644,000	-10,961,583,000
Net cash flow from financing activities	-1,895,610,000	29,825,050,000	922,890,000	-10,489,353,000	-6,012,963,000

As can be seen from Table 2, after 2017, the net cash flow generated by Haier Intelligent Group's business activities increased significantly, indicating that the company has a good operating situation and a good development trend. The cash flow generated by investment activities has increased substantially, and the investment funds will be financed by the company's own funds, equity financing and bond financing. The cash flow generated by financing activities has increased substantially from 2015 to 2017, indicating that the company is facing increasing financial risks. However, a significant decrease in 2018-2019 indicates that the financial crisis has been resolved and the financial pressure is reduced.

From 2015 to 2019, the net cash flow of operating activities, investment activities and fund-raising activities is positive, which indicates that the company is in a stage of rapid development. In this phase, in order to expand production, more capital is required for operations, and therefore more external financing is required.

2.2.2 Profitability Analysis

Net profit of operating cash flow: The ratio of net profit to the net cash flow of operating activities reflects the amount of net profit brought by the cash flow of operating activities per 1 yuan in the year of the enterprise. It is used to measure the profitability of the cash flow of operating activities and can evaluate the quality of the enterprise's operation.

Table 3. Numerical analysis of cash flows generated by operating activities

Items	2015	2016	2017	2018	2019
Net Income	5922090000	6691330000	9051650000	9770599861.25	12334392517.10
Net cash flow from operating activities	5579600000	8054700000	16086590000	18934252000	15082630000
Operating cash flow net interest rate	106.14%	83.07%	56.27%	51.60%	81.79%

As can be seen from Table 3, the net cash flow generated by operating activities of Haier Smart Home Co.,Ltd. has increased significantly, and the company has made considerable development. The net interest rate of operating cash flow has been declining from 2015 to 2018, indicating that the profitability of operating activities has declined. It did not rise until 2019, and the profitability of the operation recovered.

2.2.3 Solvency analysis

(1) Short-term solvency analysis

Table 4. Financial indicators of short-term solvency

Financial indicators of short-term solvency					
indicators	2015	2016	2017	2018	2019
Cash Ratio	0.6212	0.3200	0.4575	0.4899	0.3816
Debt to cash flow ratio	0.1403	0.1097	0.2092	0.2364	0.1578
The principal and interest repayment ratio of matured debt	0.6410	0.5970	0.6230	0.7216	0.6492

The following analysis is made according to Table 4:

The cash ratio, which represents the amount of cash and cash equivalents for each \$1 of current liabilities as a guarantee of repayment, represents immediate cash capacity. The cash flow ratio measures the degree to which a company's liabilities can be covered by the cash flow generated by its operations. As a household appliance manufacturer, Haier Smart Home's cash ratio and debt ratio of cash flow remain relatively normal, indicating that its cash payment ability and debt paying ability are normal and stable, its financial situation is good, and the company is running healthily.

The ratio of cash flow liabilities is inside certain accounting cycle, the enterprise manages the ratio of cash net flow and current liabilities, reflecting the ability of the enterprise to pay short-term liabilities in the current period. The higher the ratio is, the more it proves that the enterprise can repay the debts due on time, because it proves that the enterprise produces more net cash flow from production and operation activities. Haier's cash flow and liability ratio from 2015 to 2019 showed an overall upward trend, indicating that the company's net cash flow generated by production and operation increased, and its ability to repay debts on schedule was improved.

The principal and interest payment ratio of debt due is the multiple of the principal and interest of debt due from business activities. This ratio measures the degree to which the principal of debt due within the current year and the relevant cash interest payments can be paid out of the cash generated from business activities. The principal and interest repayment ratio of the maturing debt of Haier Smart Home Co.,Ltd. is relatively stable and always less than 1, indicating that the enterprise must raise funds, attract investment or sell assets to pay off the debt, and the ability to pay off the maturing debt is weak.

(2) Long-term solvency analysis

Table 5: Financial indicators of long-term solvency are analyzed as follows:

Table 5. Financial indicators of long-term solvency

The report date	2015	2016	2017	2018	2019
Assets Liabilities Ratio	57.3434%	71.3685%	69.1344%	66.9284%	65.3303%
Number of times interest earned	-1300.2355%	1235.1448%	857.0296%	894.0039%	937.4188%
Equity Ratio	123.6968%	236.7823%	198.7827%	202.3738%	188.4361%
Tangible net worth debt ratio	140.7435%	308.7715%	263.4635%	242.9589%	225.5213%

The asset-liability ratio reflects the size of the financial risk of the enterprise and reflects the comprehensive ability of the enterprise to pay debt. The lower the asset-liability ratio, the stronger the solvency of the enterprise and the smaller the financial risk. It can be seen from the table that the asset-liability ratio of Haier intellectuals has a rising trend, indicating that the solvency of enterprises has decreased and the financial risks have increased.

The earned interest multiple reflects the ability of an enterprise to pay interest on its debt with operating income. During the past five years from 2015 to 2019, the interest multiple earned by Haier Intelligence has gradually increased and leveled off, indicating that the total pretax profit of Haier Intelligence is getting bigger and bigger, and its guarantee ability is enhanced.

The higher the property right ratio is, the worse the long-term financial situation of the enterprise is, and the smaller the financial risk is. The property right ratio of Haier intellectuals has been on the rise from 2015 to 2019, indicating the greater financial risk.

Generally speaking, the tangible net worth debt ratio of Haier Smart Home Co.,Ltd. is still at a very high level, which means that its long-term solvency is weak and its financial risk is large.

3. Conclusions

(1) According to the analysis of the cash flow statement, since 2017, the net cash flow generated by operating activities has increased significantly, while the net cash flow generated by investment activities has decreased, but it is still negative. At that time, Haier Group was still in a period of rapid development, with rapid sales growth and substantial increase in operating income. In order to continue to expand production, the company still needed to attract part of external investment, so as to work around capital and continue production.

(2) As can be seen from the net interest rate statement of operating cash flow, the net interest rate of Haier Smart Home Co.,Ltd. from 2015 to 2019 is generally very high, and there is no big problem in the short-term operation of the company.

(3) From the analysis of cash flow ratio, it can be seen that from 2015 to 2019, the fund liquidity of Haier Intelligence Group has been enhanced, its short-term ability to cope with risks has been improved, and its solvency has been enhanced.

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