

# *Analysis of the Value of Guangming Liquor Industry from the Perspective of EVA*

Hui Li<sup>1,a,\*</sup>, Shiran Wang<sup>1,b</sup>, Fariza Hashim<sup>1,c</sup>

<sup>1</sup>Management, SEGi University Malaysia, Kuala Lumpur, Malaysia  
<sup>a</sup>2039220614@qq.com, <sup>b</sup>125964883@qq.com, <sup>c</sup>farizahashim@segi.edu.my  
\*Corresponding author

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**Abstract:** Since 2020, the Chinese Baijiu industry has been carrying out in-depth rectification, innovating on the original basis, and firmly moving forward on the road of steady development. According to the 2022 Work Report of Baijiu Branch of China Alcohol Industry Association, with the arrival of the emerging period, the development of Baijiu industry in China in the past five years is booming. In order to achieve the growth and development of enterprise scale, many enterprises have accelerated their own mergers and scale growth. And this rapid growth has led to the support and importance of a superior value evaluation method for the development and improvement of enterprises. Based on the characteristics of Baijiu industry, from the perspective of EVA model, this article will take Mingguang Liquor Industry as an example to explore the development status of Mingguang Liquor Industry Co., Ltd. EVA theory can be used to solve problems in enterprises and Give enterprise development suggestions.

## 1. Introduction

In recent years, China's economy has developed rapidly, and the basic system of the long-term capital market needs to be continuously improved and consolidated to make the modern financial system more sound and competitive while perfectly adapting to this market. The financial system can benefit most people.[1] The long-term capital market has evolved under the financial system. From a micro perspective, as the foundation of the long-term capital market, the primary prerequisite for improving the competitiveness of listed companies is to enhance their competitiveness. In order to achieve certain results in the tense market competition, enterprises need to strive for more market share. To achieve the goal of maximizing enterprise value and optimizing enterprise value.[2] And then attract more investors. Investors will evaluate the business of this enterprise before investing, and need to understand the actual value of the enterprise. A correct assessment occupies a particularly important position among them. Enterprise value evaluation determines the composition of the enterprise, and summarizes it from each part to the whole through a series of aspects such as company background, development situation, main business, management structure, etc.[3] Combined with the financial capital and operating profits of the enterprise, combined with the current market economy situation, various suitable methods are used for analysis, and the advantages and disadvantages of various valuation methods are compared.

Finally, a suitable evaluation method was selected for Mingguang Liquor Industry, and reasonable assessment of enterprise value.

## 2. Methodology

This study adopts quantitative research methods and analyzes the operating data of Mingguang Liquor Industry in the past three years. Based on the calculation of Mingguang Liquor Industry's net operating profit after tax (NOPAT), capital investment (TC), and weighted average cost ratio (WACC), an EVA valuation model is constructed to predict the valuation situation of Mingguang Liquor Industry from 2023 to 2026. Through the construction and analysis of business data models, it can be intuitively seen that the problems encountered by enterprises in operation have been solved, providing reasonable suggestions for the development of enterprises.

## 3. The Development Status of Mingguang Liquor Industry and the Application of EVA Valuation Model

The main basic market of Mingguang Liquor Industry is located in Anhui, with the aim of developing the liquor industry and actively developing new platforms. Mingguang Liquor Industry builds the economic development model linking Anhui Province, Jiangsu Province and Zhejiang Province in China, breaking the regional structural barriers and driving the development of industrial operations with capital management.[4] Mingguang Liquor Industry creates an enterprise e-commerce Internet platform, and promotes the enterprise innovation drive, relying on online and offline sales channels to expand market share.[5]

Table 1: Summary of Mingguang Liquor Industry's Business Situation (Unit: RMB 10000)

Project	Operating revenue	Shareholders' net profit	Net cash flow	basic earnings per share	Roe	Total assets	Net assets	Total profit	Sales profit margin
2020	98700	/	-8062	0.11	2.74	238000	5518.46	2033.57	47.43%
2021	89800	/	-3582.51	-0.13	-3.48	228000	-6888.02	1594.22	46.21%
2022	4400	/	7028.89	0.06	1.51	23400	2944.72	1493.95	49.27%

Data source: Tonghua Shun

From the above Table 1, it can be seen that the operating performance of Mingguang Liquor Industry has fluctuated, with negative net asset growth from 2020 to 2021 and a rebound only in 2022. The company's profitability is not stable, with a 5% decline in 2021. However, in 2022, there was a rebound trend. Based on the company's sales profit margin=total profit/operating income, the sales profit of Mingguang Liquor Industry was calculated to be 47.43%, 46.21%, and 49.27% from 2020 to 2022, respectively, with some fluctuations but not much.

## 4. Establishment of EVA valuation model for Mingguang Liquor Industry

### (1) Calculation of net operating profit after tax (NOPAT)

According to the accounting adjustments mentioned above, the profit before interest and tax is adjusted. In the calculation process, it is necessary to subtract the increase in deferred income tax assets and the decrease in deferred income tax liabilities. [6] Finally, the following Table 2 is obtained:

Table 2: NOPAT Calculation for Mingguang Liquor Industry from 2020 to 2022(Unit: RMB 10000)

Project	Net profit	-Plus: Income tax	Plus: Interest expense	Ebit	Plus: Minority shareholder s' equity	Less: Increase in deferred assets	Plus: Increase in asset impairment provision	Plus: R&D expenses	NOPAT
2020	5518.46	2066.57	185.08	7770.11	/	-320.25	992.18		9082.54
2021	-6888.02	1594.22	187.72	-5106.08	/	-181.96	11400	363.25	6839.13
2022	2944.72	1493.95	198.95	4637.62	/	-268.44	1789.72	345.64	7041.43

Data source: Jiufang Intelligent Investment

From the above calculation results, it can be seen that in the past three years, net operating profit has first decreased and then slightly increased, and the development of the enterprise has fluctuated.

(2) Calculation of Capital Contribution (TC)

Table 3: TC Calculation of Mingguang Liquor Industry from 2020 to 2022(Unit: RMB 10000)

Project	Equity	Cost of debt	Investment capital adjustment Amount	TC
2020	20221.11	3000	17624.61	39796.5
2021	19245.73	3000	8203.47	26386.76
2022	19470	3000	7405.2	25156.08

Data source: Jiufang Intelligent Investment

(3) Calculation of Weighted Average Cost Rate (WACC)

Table 4: WACC Calculation for Mingguang Liquor Industry from 2020 to 2022(Unit: RMB 10000)

Project	WACC
2020	11.92%
2021	11.13%
2022	11.85%

Data source: Jiufang Intelligent Investment

(4) Calculation of Economic Value Added (EVA)

Table 5: EVA Calculation of Mingguang Liquor Industry from 2020 to 2022(Unit: RMB 10000)

Project	NOPAT	TC	WACC	EVA
2020	9082.54	39796.5	11.92%	4338.8
2021	6839.13	26386.76	11.13%	3904.29
2022	7041.43	25156.08	11.85%	4060.42

Table 6: Summary of Mingguang Liquor Industry's Business Situation(Unit: RMB 10000)

Project	Operating revenue	Growth rate
2020	98700	8.18%
2021	89800	-9.01%
2022	94400	5.12%

According to the analysis results, from the Table 3, Table 4, Table 5 and Table 6 has been found that the net profit and economic value added of Mingguang Liquor Industry have shown a downward trend in the past three years, and there may be a downward trend overall in the future. However, it is expected that the company's economic value added will remain positive in the future.

(5)Predicting the Future EVA of Mingguang Liquor Industry

Assuming WACC is 11.63% of the average value from 2023 to 2026.

From the Table 7, the benchmark date for the evaluation is set as December 31, 2023. Through the above survey data analysis, combined with the overall development and operating conditions of Mingguang Liquor Industry, we can assume that its high-speed growth stage will start from 2023 to

2026, and the sustainable stage will start from 2026 with a 6% annual growth rate. So through calculation, it can be seen that Mingguang Liquor Industry has significant growth potential and long-lasting value added strength in its future development.

Table 7: EVA Calculation of Mingguang Liquor Industry from 2023 to 2026

Project	NOPAT	TC	WACC	EVA
2023	9825.64	24953.64	11.63%	6923.53
2024	9586.93	28264.35	11.63%	6299.79
2025	10152.68	25582.64	11.63%	7177.42
2026	11542.61	29485.81	11.63%	8813.41

## 5. Conclusions

The operating revenue of Mingguang Liquor Industry in 2022 increased by 45.6051 million yuan on a year-on-year basis. Reached 944 million yuan, achieving a growth rate of 5.08%; Achieved a year-on-year increase of 98.4189 million yuan in profits. The total amount reaches 41.907 million yuan,; The net profit attributable to shareholders of the listed company increased by 98.3274 million yuan year-on-year, reaching 29.4472 million yuan, which was converted from loss to profit. However, during the process of searching for information, it was also found that there are some small enterprises in the alcohol production industry that face risks and problems such as shortage of funds, high operational risks, non-standard management, and incomplete financial accounting systems. Although Mingguang Liquor Industry is relatively standardized, there are still some issues in its development strategy, business status, and management and operation that may be detrimental to the future development of the enterprise and have a negative impact on its value.

From the EVA model's value evaluation process and data search process, it can be seen that the weighted average cost of capital, sales profit margin, and investment capital turnover are key driving factors for enterprise value. Therefore, expanding regional markets, strengthening terminal control, improving enterprise management structure, and reducing enterprise costs.

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