

Analysis of the Financial Performance of Liquor Enterprises in the Context of High-Quality Development—Comparative Analysis of Guizhou Moutai and Wuliangye Group as an Example

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Abstract: With the development of China's economy, the economic benefits of Baijiu industry are gradually rising. The tax law of our country stipulates that the consumption tax is levied on Baijiu. The Baijiu industry is thriving, and the corresponding tax will increase with the increase of production and sales volume of Baijiu. In addition, Baijiu is of great significance in China. In many traditional Chinese festivals and major occasions, people often drink Baijiu to express their wishes and good wishes to their families and friends. This paper conducts a comparative analysis of the financial performance of two leading enterprises in China's liquor industry, Guizhou Maotai and Wuliangye Group, within the context of high-quality development. The analysis focuses on operating revenues, profitability, cost control, market strategies, and sustainable development. The study aims to uncover the influence of high-quality development on the financial performance of liquor companies and provide insights for the future advancement of the industry.

1. Introduction

As China's economy transitions to a stage of high-quality development, the liquor industry, as a traditional sector, faces significant opportunities and challenges in transformation and upgrading. The financial performance of industry leaders, Guizhou Moutai and Wuliangye Group, is closely tied to the sustainable development of the entire sector. The liquor industry, as a key economic pillar in China, has developed into a large-scale industry. Many liquor companies are major taxpayers, contributing substantially to local tax revenues. Statistics show that the liquor industry is among the highest in comprehensive tax payments, with tax rates reaching up to 35%, generating annual tax contributions ranging from 500 billion to one trillion yuan. Under the current context of high-quality development, significant investment in research and development is required, and the tax revenue from the tobacco and liquor industry plays a critical role in supporting this growth. This paper aims to conduct a comparative analysis of the financial performance of these two enterprises from multiple dimensions, providing insights for the high-quality development of the industry [1-2].

2. Company Profile

2.1. Guizhou Maotai

Guizhou Moutai, officially known as Guizhou Moutai Liquor Company Limited, was established in 1999 with a registered capital of approximately RMB 1.2 billion and was listed on the Shanghai Stock Exchange in August 2001. The company operates across various sectors, including liquor, health alcohol, and wine production. As a flagship enterprise in China's liquor industry, Guizhou Moutai is renowned for its Moutai Wine, one of the world's top three most famous liquors, and enjoys substantial brand influence and market share. In recent years, Guizhou Moutai has continued to pursue high-quality development, achieving sustained growth through technological innovation, brand development, and other strategic initiatives.

2.2. Wuliangye

Wuliangye Group, officially known as Sichuan Yibin Wuliangye Group Co., Ltd., originated from the 'Yibin Wuliangye Distillery of China Monopoly Company,' which was jointly established by several ancient breweries in the early 1950s. It was officially named 'Yibin Wuliangye Distillery' in 1959 and restructured into 'Sichuan Yibin Wuliangye Group Company Limited' in 1998, the same year it was listed on the Shenzhen Stock Exchange. As a large-scale state-owned enterprise, Wuliangye Group focuses on the liquor industry while also engaging in intelligent manufacturing and food packaging. Its flagship product, Wuliangye liquor, is a prominent representative of China's strong-flavored liquor and has been awarded the title of 'National Famous Liquor' multiple times.

By the end of June 2024, Guizhou Moutai and Wuliangye ranked as the top two companies in China's liquor industry by market capitalization, with values of RMB 1.78 trillion and RMB 4.701 trillion, respectively. This study compares the financial indicators of Guizhou Moutai and Wuliangye from 2019 to 2023, analyzes their performance in various dimensions, and evaluates their financial capabilities.

3. Comparative analysis of financial indicators

3.1. Comparative analysis of solvency

3.1.1. Comparative analysis of short-term solvency

Table 1: Current ratio

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	3.87	4.07	3.81	4.42	4.62
Wuliangye liquor	3.22	3.96	3.63	3.85	4.50

Source: Company annual report

Table 2: Quick ratio

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	3.26	3.43	3.24	3.62	3.67
Wuliangye liquor	2.76	3.44	3.22	3.40	3.97

Source: Company annual report

From the comparison of the three indicators, it can be observed that both Guizhou Maotai and Wuliangye demonstrate strong short-term solvency, with their current ratios is shown in Table 1 showing a year-on-year upward trend, consistently remaining above 3. Between 2019 and 2023,

Guizhou Maotai's current ratio, quick ratio, and cash ratio slightly outperformed those of Wuliangye, indicating that Wuliangye's short-term solvency is comparatively weaker. Additionally, the difference between the current and quick ratios of both companies is minimal, suggesting that their inventory levels are low relative to total assets. This indicates satisfactory product sales and minimal pressure from inventory [3].

Table 3: Cash ratio

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	1.10	1.13	1.11	0.75	1.37
Wuliangye liquor	0.77	0.57	0.80	0.68	1.28

Source: Company annual report

Table 1 and 2 reveals that their current assets significantly exceed their current liabilities. Current assets account for over 80% of total assets for both Guizhou Maotai and Wuliangye, with Wuliangye's current assets reaching 88%. The largest component of total assets for both companies is cash and cash equivalents, which account for 69% of Wuliangye's total assets and 25% of Guizhou Maotai's. In contrast, their current liabilities constitute only 20% and 18% of total assets, respectively. This means that their cash reserves alone are sufficient to cover their current liabilities, demonstrating very strong short-term solvency.

As illustrated in Table 3, given that a cash ratio of around 20% is generally considered sufficient for solvency, it raises the question of why these two companies maintain such large cash reserves. One reason is the high profit margins typical of the liquor industry, especially for top-tier companies like Maotai and Wuliangye, which have seen increasing revenue in recent years. The liquor industry also enjoys high gross profit margins, providing substantial returns. Additionally, the liquor production process is relatively lengthy. Unlike general manufacturing, the production cycle for strong-flavored liquor ranges from 40 to 60 days, while soy-sauce-flavored liquor can take up to five years. This extended production process results in significant capital being tied up, necessitating substantial cash reserves as a safeguard. Guizhou Maotai has even established a financial subsidiary to manage its funds more effectively. The company pools its funds into virtual accounts managed by financial institutions, enabling better allocation of resources across its subsidiaries. For large enterprise groups with subsidiaries spread across the country, capital turnover can be inefficient—some subsidiaries may have excess funds while others face shortages and resort to local loans. By establishing a financial subsidiary, Guizhou Maotai leverages modern technology to centralize fund management, reducing costs and generating income from investments, thereby improving the overall efficiency of capital utilization [4].

3.1.2. Comparative analysis of long-term solvency

Table 4: Asset-liability ratio

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	22.49%	21.40%	22.81%	19.47%	17.98%
Wuliangye liquor	28.48%	22.95%	25.24%	23.64%	20.00%

Source: Company annual report

Table 4 reveals that the gearing ratio of most listed liquor companies typically ranges between 20% and 50%. For Baijiu enterprises, maintaining a gearing ratio around 30% is considered optimal. A higher value could weaken the company's solvency, while a lower value may suggest that the enterprise is overly conservative, potentially missing development opportunities. As shown in the table above, the asset-liability ratios of Guizhou Maotai and Wuliangye over the past five years are consistently below the industry average. The financial statements also indicate that both companies

carry relatively low debt, suggesting a limited utilization of external funding. While this conservative financial approach ensures strong solvency, it may also hinder the companies' growth potential by increasing opportunity costs associated with underutilized external financing [5].

Table 5: Equity ratio

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	0.29	0.27	0.30	0.24	0.22
Wuliangye liquor	0.40	0.30	0.34	0.31	0.25

Source: Company annual report

Table 5 reveals that since 2019, both Guizhou Moutai and Wuliangye have experienced a decline in their equity ratios. A high equity ratio typically represents a high-risk, high-reward financial structure, whereas a low equity ratio indicates a low-risk, low-reward structure. In 2019, Wuliangye relied more heavily on debt as a means of financing, leading to increased leverage. However, its overall debt level remained manageable, with minimal pressure to service its obligations.

From a comprehensive perspective, both companies exhibit exceptionally low levels of indebtedness when evaluated in terms of long-term and short-term solvency, with Guizhou Moutai's debt level being slightly lower. Compared to industry standards, their solvency, particularly short-term solvency, is at a leading level, reflecting a conservative financial policy. Despite this conservative approach, an analysis of their profitability, liability structure, and asset structure reveals that their financial risk is very low. Furthermore, the low debt ratio suggests that both companies have untapped potential for utilizing external funds to support future growth.

3.2. Comparative analysis of operating capacity

Table 6: Inventory turnover days

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	1182	1195	1248	1288	1293
Wuliangye liquor	358.2	327.0	300.5	297.0	298.0

Source: Company annual report

As illustrated in Table 6, Wuliangye's inventory turnover rate has been on an upward trend, while Moutai's turnover rate has been gradually decreasing over the years. The significant difference in their turnover rates can be attributed to the distinct production processes: Wuliangye primarily produces strong-flavored liquor, whereas Guizhou Moutai produces soy sauce-flavored liquor. The production cycle of Moutai is substantially longer than that of Wuliangye, with Wuliangye's production cycle taking approximately 20 to 60 days, while Moutai requires five years to complete. Consequently, Guizhou Moutai's overall inventory turnover is slower compared to Wuliangye. Baijiu, particularly premium varieties, generally benefits from longer aging periods, with production cycles often exceeding two years. The longer the storage period, the higher its value. Typically, high inventory levels can constrain a company's liquidity, but for Wuliangye, a higher turnover rate may not necessarily be advantageous. Unlike other products, the slower turnover of baijiu does not lead to depreciation; instead, it enhances the brand's value and increases the product's market potential [6].

Table 7: Accounts receivable turnover days

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	4.27	5.7	-	0.37	0.2
Wuliangye liquor	111.5	104.8	115.6	58.6	0.43

Source: Company annual report

As illustrated in Table 7, Guizhou Moutai's accounts receivable turnover has historically been low but experienced a significant acceleration in FY2022. This shift can primarily be attributed to Guizhou Moutai's stringent accounts receivable management for dealers, which mandates repayment within one year, with notes receivable being limited to bankers' acceptance bills. In contrast, Wuliangye adopts a more lenient sales policy, allowing for accounts receivable with an aging period of 1 to 5 years. Consequently, Wuliangye's accounts receivable turnover is slower in comparison to that of Guizhou Moutai.

Table 8: Total asset turnover

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	0.52	0.49	0.47	0.50	0.57
Wuliangye liquor	0.52	0.52	0.53	0.51	0.52

Source: Company annual report

As illustrated in Table 8, the difference between the total asset turnover ratios of the two companies is not significant, and both companies' ratios over the past five years fall below the average value of the liquor industry. This indicates that their operational efficiency within the liquor sector is unsatisfactory, reflecting a poor and inefficient ability to utilize total assets for operational activities. Therefore, it is essential to actively implement improvement measures to enhance the utilization rate of all assets. Additionally, idle assets that cannot be utilized effectively should be disposed of in a timely manner to increase the total asset turnover rate [7].

3.3. Comparative analysis of profitability indicators

Table 9: Gross sales margin

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	91.30%	91.41%	91.54%	91.87%	91.96%
Wuliangye liquor	74.46%	74.16%	75.35%	75.42%	75.79%

Source: Company annual report

Table 10: Net sales margin

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	51.47%	52.18%	52.47%	52.68%	52.49%
Wuliangye liquor	36.37%	36.48%	37.02%	37.81%	37.85%

Source: Company annual report

Table 11: Return on net assets

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	33.09%	31.41%	29.89%	30.26%	34.19%
Wuliangye liquor	25.26%	24.94%	25.31%	25.28%	25.06%

Table 9 and 10 indicates that Guizhou Moutai demonstrates stronger profitability than Wuliangye across both profitability metrics, reflecting the brand premium associated with Guizhou Moutai's unique status as the "national wine." Both companies have exhibited an overall growth trend from 2019 to 2023, which can be attributed to government pricing protections for the raw materials used in their production. The government has implemented a strict pricing protection program for the raw materials utilized by Guizhou Moutai and Wuliangye, enabling them to better control production costs and mitigate the risk of financial strain. Additionally, increased production capacity, strong demand, and higher selling prices have also influenced the profitability indicators of both companies [8].

As illustrated in Table 11, Guizhou Moutai has maintained an upward trajectory despite challenges posed by the broader economic environment, indicating the success of its product upgrade strategy for its wine series and its rapid penetration into the mid-range market. The expansion of production capacity and increases in selling prices have further contributed to this positive trend. Conversely, while Wuliangye has not matched Guizhou Moutai's profitability, it has nonetheless demonstrated a steady upward trend. This stable growth in profitability reflects the effectiveness of its diversification and branding strategies, highlighting that efficient operational methods can also enhance the overall profitability of the company.

3.4. Comparative analysis of growth capacity indicators

Table 12: Main business growth rate

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	15.10%	10.29%	11.71%	16.53%	18.04%
Wuliangye liquor	25.20%	14.37%	15.51%	11.72%	12.58%

Source: Company annual report

Table 13: Net profit growth rate

Project	In 2019	In 2020	In 2021	In 2022	In 2023
Guizhou Maotai	17.05%	13.33%	12.34%	19.55%	19.16%
Wuliangye liquor	30.02%	14.67%	17.15%	14.17%	13.19%

Source: Company annual report

As illustrated in Table 12 and 13, over the past five years, it is evident that Guizhou Moutai's main business revenue growth rate and net profit growth rate experienced a decline in 2020 and 2021, followed by a gradual rebound, albeit with some volatility. In contrast, Wuliangye's main business growth rate exhibited greater volatility, declining from 2020 and failing to recover to its 2019 levels by 2023 [9].

This discrepancy can be attributed to the substantial size of Guizhou Moutai, which allows it to respond more effectively to similar epidemics and environmental impacts. The former chairman, Li Baofang, stated at the Guizhou Moutai Group's 2020 work conference that, as a “100 billion” enterprise, it is neither rational nor realistic to expect a long-term growth rate of approximately 30%. Consequently, the growth indicators suggest that in 2019, Wuliangye was more powerful than Guizhou Moutai. Furthermore, despite facing dual challenges from increasing downward pressure on the global economy and the sudden disruptions caused by the COVID-19 pandemic, both Wuliangye and Guizhou Moutai have managed to sustain continued growth. This resilience underscores the high-end liquor industry's capacity for recovery and development, which should not be underestimated [10].

4. Conclusion

The financial analysis of Guizhou Moutai and Wuliangye reveals that both companies exhibit a degree of growth, with Guizhou Moutai demonstrating a stronger capacity for development and a long-term stable growth trend. Their products are currently in the growth stage of the product life cycle, indicating a robust ability to manage risks and sustain development, as well as a rapid expansion of operational scale over a certain period. Despite Guizhou Moutai's leading position in the liquor industry, there remains room for improvement in various aspects.

In summary, Guizhou Moutai has maintained a significant share of the liquor consumption market. From 2019 to 2023, its performance indicators have shown a growth trend, and although the

company experienced some impact from the 2020 COVID-19 pandemic affecting the entire industry, its overall development trajectory remains favorable. The company demonstrates strong sustainability, with clear resource allocation and effective strategic implementation. From a long-term perspective, Guizhou Moutai's development prospects are promising, securing its enterprise value at the forefront of the industry. In contrast, Wuliangye must concentrate on market development, enhance its product offerings, and strive to expand its market share to better compete with Guizhou Moutai.

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