

Analysis of Vanke Group's Profitability and Operating Capacity

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Abstract: With the economic and social development, the income level of urban and rural residents continues to increase, coupled with the traditional Chinese concept of "heavy house", there is still a lot of room for development in the real estate industry in the future. At the same time, in the face of policy concerns, how the specific development of the real estate industry will receive more and more attention. As a leading company in China's real estate industry, Vanke Group has a very important reference value for the overall development of China's real estate industry. From the perspective of profitability and operating capability analysis, this paper analyzes Vanke Group's profitability and operating capability in the five years from 2012 to 2016 by combining theory with actual cases, which has good practical guidance value.

1. Vanke Group Introduction

When it comes to real estate, it is necessary to mention that Vanke Group, which has been in the real estate industry for many years, has a lot of scenery. Vanke Group is the earliest listed real estate company in China. After years of development, it has become China's largest professional residential development enterprise. Its residential quality, service quality, corporate image and other aspects are trusted by consumers. Forefront

2. Profitability Analysis

Analyzing Vanke Group's profitability, we can see the status of its operating performance and the problems in its management process.

2.1 Analysis of sales operating profitability

The sales operation capacity is mainly based on the operating income analysis of the company's business ability level. The indicators reflecting the operating profitability of enterprises mainly include the gross profit margin ratio and the net sales margin ratio.

This article selects Vanke Group's annual report data from 2012 to 2016 to analyze Vanke Group's sales operating profitability.

Table 1 Vanke Group's sales operation capacity analysis table (Unit: million yuan)

Projects	2012	2013	2014	2015	2016
Operating income	103116	135419	146388	195549	240477
Operating costs	83023	112162	125579	165988	206467
Net profit	15663	18298	19288	25949	28350
Gross sales	20093	23257	20809	29561	34010
Gross profit margi(%)	19.49	17.17	14.21	15.12	14.14
Sales margin (%)	15.19	13.51	13.18	13.27	11.79

It can be seen from the table that Vanke Group maintained profitability from 2012 to 2016 without any loss, and its net profit also kept growing, indicating that Vanke Group has a better operating profitability. However, both the gross sales margin and net sales margin of Vanke Group have gradually decreased. From a macroeconomic perspective, this is inseparable from the rapid rise in land prices in recent years, the continuous rise in construction and labor costs, and the real estate profit margin being squeezed. It may be a problem faced by all housing companies.

2.2 Analysis of asset operating profitability

The profitability of asset operation reflects the relationship between the assets invested by an enterprise and the profit it obtains. The index that reflects the profitability of asset operation is mainly the return on total assets.

This article selects Vanke Group's 2012-2016 data for calculation and analysis of its asset management capabilities. Due to the large scale of fixed assets and intangible assets of Vanke Group, the depreciation of fixed assets and the amortization of intangible assets are large. Simply considering the profit before interest and tax is too one-sided, which may inhibit the enthusiasm of fixed asset investment. The EBITDA margin is used in place of the EBITDA margin for analysis.

Table 2 Vanke Group's 2012-2016 asset operation profitability analysis table

(Unit: million yuan)

project	2012	2013	2014	2015	2016
Operating income	1031 16	13541 9	1463 88	19554 9	2404 77
Average total assets	3375 05	42900 3.5	4938 07	55985 2.5	7209 85
EBITDA	2125 3	24470	2580 1	35034	4142 1
Turnover rate of total assets (times)	0.31	0.32	0.30	0.35	0.33
Profit margin before sales interest, tax, depreciation and amortization (%)	6.30	5.70	5.22	6.26	5.75
Return On Total Assets(%)	1.92	1.80	1.55	2.19	1.92

It can be seen from the table that from 2012 to 2016, Vanke's total assets always maintained a growth trend, and its total return on assets showed a downward trend from 2012 to 2014, and a major turning point occurred in 2015. This is related to the fluctuation of total asset turnover in 2015. However, as a whole, the average total assets of Vanke Group and the depreciation and amortization profit before interest and tax have shown an upward trend. The main reason for the decline in the rate of interest, tax, depreciation and amortization is mainly due to the total asset turnover rate. Changes, the increase in the total asset turnover rate in 2015 increased the total return on assets by nearly 0.6 percentage points, and the decline in 2015 also reduced the return on assets in 2015 by some. This shows that Vanke Group's asset operation efficiency improved in 2015, and its asset management capability was further strengthened.

2.3 Analysis of capital operation capacity

Capital operating ability mainly refers to the profitability of owner's equity. This article mainly uses the return on net assets to analyze Vanke's profitability. The higher the index, the higher the return from investor investment and the stronger the profitability of the company.

Table 3 Vanke Group's profitability analysis of capital operation from 2012 to 2015 (Unit: million yuan)

project	2012	2013	2014	2015	2016
Net profit	15663	18298	19288	25949	28350
Average net assets	74985.5	93788.5	110666.5	126102	148993.5
Return on equity (%)	20.89	19.51	17.43	20.58	19.03

It can be seen from the table that Vanke Group's return on net assets generally showed a downward trend from 2012 to 2014, and a significant rebound in 2015, indicating that Vanke Group's ability to obtain revenue from its own capital has been improved and operating efficiency Gradually improving, the degree of guarantee for corporate investors and creditors is also higher, but in 2016, the return on net assets declined, on the one hand due to the income trend of the entire industry, on the other hand, this is also the same as Vanke in the past two years The road to transformation is closely related.

3. Operational capacity analysis

Through the analysis of Vanke Group's operating capabilities, it is possible to make an objective and fair evaluation of the company's operating performance and to better understand the liquidity, utilization efficiency and utilization potential of Vanke Group's assets.

3.1 Analysis of fixed asset operating capacity

The analysis of the operating capacity of fixed assets refers to the utilization efficiency of the fixed assets of the enterprise reflected by the relevant indicators of the turnover rate of the fixed assets of the enterprise, and the ability of the enterprise to manage the fixed assets. This article selects two indicators of fixed asset turnover and annual turnover of fixed assets to briefly analyze Vanke's fixed asset operating capabilities.

Table 4 Vanke's fixed asset turnover rate from 2012 to 2016

project	2012	2013	2014	2015	2016
Fixed assets to income ratio	0.016	0.016	0.016	0.025	0.028
Turnover rate of fixed assets	63.96	63.58	63.41	39.77	36.31
Current assets to income ratio	3.518	3.264	3.175	2.797	2.999
Turnover ratio of current assets	0.284	0.306	0.315	0.357	0.333

From the table, it can be seen that the ratio of Vanke's fixed assets to revenue is very low. From the perspective of fixed asset turnover rate, Vanke Group's ratio of fixed asset turnover rate from 2012 to 2016 did not fluctuate much and remained stable, but In 2015, there was a sharp decline, and it continued to decline. It may mean that Vanke has excess capacity. In view of current asset turnover, Vanke's current asset turnover remains relatively stable.

3.2 Analysis of total assets operating capacity

The analysis of the total assets operating capacity refers to the utilization efficiency of the total assets of the enterprise reflected by the relevant indicators of the overall turnover rate of the total assets of the enterprise, indicating the ability of the enterprise management authority to use all assets in the business management activities of the enterprise. This article uses the total asset turnover rate to analyze Vanke's total asset operating capacity.

Table 5 Vanke's 2012-2016 total asset turnover

project	2012	2013	2014	2015	2016
Total asset turnover	0.272	0.283	0.288	0.320	0.289
Total asset turnover days	1341.912	1289.753	1267.361	1140.625	1262.976

Generally speaking, the higher the total asset turnover rate, the fewer the total asset turnover days, indicating that the stronger the company's ability to use assets to obtain income, the higher the efficiency of the company's asset management and the lower the operating risk. It can be seen from the table that the total asset turnover rate of Vanke in recent years has shown an upward trend, indicating that the enterprise's ability to apply assets is improving. It shows that Vanke's operating capacity is improve

4. Conclusions

By analyzing the relevant indicators of Vanke Group's sales and operation capabilities, asset operation capabilities, and asset operation profitability, it can be seen that Vanke's profitability has a downward trend in 2016 compared to 2015. And total profits have risen. This is in line with the trend of rising land prices in the real estate industry in recent years, and the rising costs of construction and labor. An analysis of Vanke's fixed assets and total assets shows that Vanke's operating capabilities have generally maintained an upward trend over the past five years, and its operating capabilities have performed well. However, in 2016, its operating capacity also showed a slight downward trend, indicating that there may be some hidden dangers in its operating capacity.

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