

Research on Haier Group's Capital Operation and Its Performance

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Abstract: With the rapid development of China's economy, the home appliance industry has also shown a growth trend. However, it is difficult for China's home appliance industry to establish itself in the international market due to its lack of core strength. Due to the continuous emergence of factors such as increasing labor costs, capital operation is an effective way out for traditional home appliance enterprises to gain competitive advantages. In this paper, Haier Group is taken as a case study and Haier's two typical capital operations are studied. The two capital operations are classified according to intangible capital operation, financial capital operation and industrial capital operation, and the market performance and financial performance are analyzed respectively, and the analysis results are compared. Then, get the conclusion that the combination of industrial and financial capital operation can better enhance the performance of the Haier Group.

1. Research background

With the maturity of the industry and the increasingly fierce competition among home appliance enterprises, it is unlikely that enterprises will become bigger and stronger only by selling products. Enterprises should make full and reasonable use of capital operation as an investment mode to avoid "hurry-scurry" in the face of complicated macro environment.

On the basis of existing researches, this paper selects capital operation of typical for research, also combines the theoretical knowledge and financial analysis learned, hoping to reveal the reasons for Haier Group's continuous development. And at the same time, this paper excavates the experience that can be used for reference by other traditional household appliance enterprises, to provide effective reference for other traditional household appliance enterprises to realize the capital appreciation and benefit growth.

2. Haier Group Capital Operation Process

Since its establishment, Haier Group has carried out a lot of capital operation, no matter large or small. This paper selects two capital operation of typical from its development process.

2.1 Intangible Capital Operation-Haier Group Mergers Hongxing Electric Appliance

Hongxing Electric Company was once the leader of washing machine manufacturers in the 1990s, but since the first half of 1995, its operation has plummeted. On July 4, 1995, Qingdao municipal government assigned Hongxing electric Co., Ltd. to Haier group to solve this dilemma. After Haier analyzed Hongxing Electric Appliance, it was found that the deteriorating production situation of it was due to the lack of good management and the enterprise culture couldn't keep up with the development of the times. Therefore, Haier has taken cultural takeover of Hongxing Electric Appliance for post-merger integration. Facts have proved that the promotion of Haier has reduced its resistance to the integration of Hongxing Electric Co., Ltd. in the later period of the merger, promoted the corporate identity/organizational commitment of former employees, also urged employees to streamline costs in all aspects, and finally increased the profit margin.

2.2 Capital Operation Combining Industrial Capital and Financial Capital-Haier Group Acquires Japanese Sanyo

In 2010, Japan's economic situation was affected by the earthquake, at the same time, under the background of the government's economic stimulus policy, China's economy has achieved steady growth. Currently, Haier Group is actively pursuing the globalization strategy under the favorable economic situation in China. Haier Group's Mergers and acquisitions to Japan's Sanyo will not only enable Haier Group to well implement its globalization strategy, but also enable Japan's Sanyo to survive in the economic downturn.

On July 28, 2011, Haier Group announced the acquisition of some white goods businesses in Sanyo. On March 30, 2012, the business delivery was finally completed in Singapore, thus Haier Mergers and acquisitions Sanyo was officially completed.

3. Haier Group Capital Operation Performance Analysis

3.1 Market Performance Analysis

The market performance mainly uses the event study to analyze the stock prices of Mergers and acquisitions before and after the event, and to test whether the stock prices have responded well to the Mergers and acquisitions event.

Therefore, this paper analyzes the market performance of the stock price fluctuation in the five days before and after the incident. Considering the risk of information disclosure if the window period is too long, this paper chooses (-5,5) as the event window and the announcement date is T0 to calculate the change of short-term stock returns.

According to the formula of Cumulative Abnormal Return CAR (T1, T2) = $\sum_{T=T1}^{T2} AR$ to calculate and sort out.

Table .1 Haier CAR

Event	Event 1	Event 2
(-5, -1)	0.019	-0.0386
(T=0)	0.0076	0.008
(1, 5)	-0.0874	0.0246
(-5, 5)	-0.0608	-0.006

From Table 1, the cumulative excess return on the five trading days after the first event is affected by the fourth and fifth ones, and CAR was -6.08% during the window period. Since the first incident was conducted under the leadership of Qingdao municipal government, the market has high expectations for its prospect.

The situation of Event 2 is different from that of Event 1. The CAR in the last five trading days is positive. However, the excess returns of the second event have stabilized. To a certain extent, this shows that the market is taking a positive attitude towards Haier Group's acquisition of Japanese Sanyo and is confident in its future performance.

3.2 Financial Performance Analysis

3.2.1 Intangible Capital Operation-Financial Performance of Mergers and acquisitions Hongxing Electric Company

This paper selects the financial data of Haier Group in 1993, 1994, 1995, 1996 and 1997 for analysis to obtain the influence of acquisition of Hongxing Electric Appliance on Haier.

Fig .1 shows that Haier Group fully guaranteed the interests of its stakeholders from 1993 to 1997. Although it used debts to provide financial support for the production and operation of the enterprise, the asset-liability ratio of the enterprise during this period is not the best ratio of the asset-liability ratio of the enterprise, and there is still room for improvement.

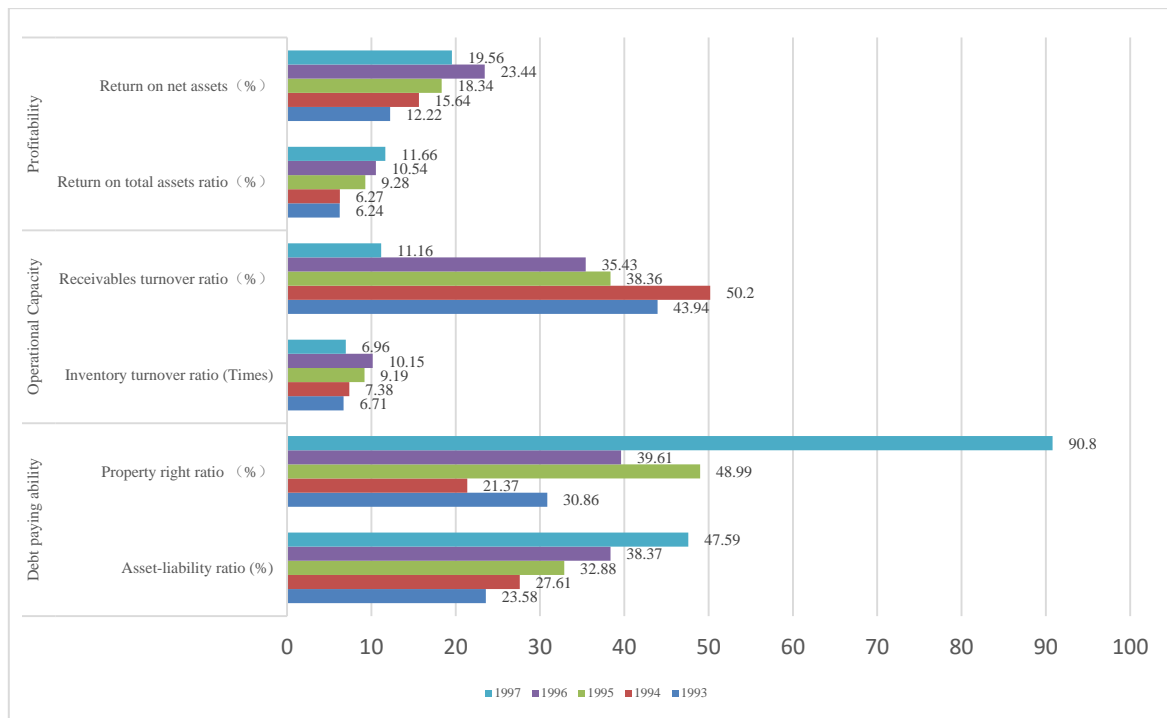


Fig. 1 Longitudinal Analysis of Main Financial Indicators of Haier Group from 1993 to 1997

From the point of view of operating capacity, Haier's ITO showed an upward trend from 1993 to 1995. This data shows that Haier Group has improved its development to a certain extent since it merged Hongxing Electric. From the perspective of Receivables Turnover Ratio, Haier Group had a relatively high turnover rate and a relatively short aging period from 1993 to 1994. However, there was an obvious decline in 1995. Haier Group was dragged down by the merger of the insolvent Red Star Electric Company in 1995.

3.2.2 Capital Operation Combining Industry and Finance-Financial Performance of Acquisition of Japanese Sanyo

From the perspective of operational capability, Haier's ITO experienced a short rise from 2009 to 2010, and stabilized after a significant increase in ITO in 2012. The situation in Receivables Turnover Ratio is basically the same as that in ITO. From the perspective of profitability, Haier's Return on Total Assets Ratio showed a straight downward trend from 2009 to 2013. The external environment of the household appliance industry has a negative impact on its production and operation.

3.2.3 Comparative Analysis of Financial Performance

This paper regards the year when Haier completed two typical capital operations as the base year. And it uses one year before and after the completion of the incident as the annual interval for comparative analysis of financial performance.

Judging from its debt-paying ability, Haier Group's asset-liability ratio in 1996 increased significantly from 17.62% in 1994 to 38.37% in 1996. Judging from its operational capacity, Haier's ITO improved significantly in Mergers and acquisitions that year. The turnover rate in Mergers and acquisitions increased 2.77 times, compared with the previous year in Mergers and acquisitions. Different from ITO, its Receivables Turnover Ratio has seen a big drop in the comparative analysis interval after completing the comparison of Hongxing Electric Mergers and acquisitions, from 50.20% in 1994 to 35.43% in 1996. Judging from profitability, ROA and ROE have a good response to Mergers and acquisitions Hongxing Electric Co., Ltd., whose Return on Total Assets Ratio rose from 6.27% in 1994 to 12.54% in 1996.

Haier's performance analysis for Japanese Sanyo ranges from 2010 to 2012. From the perspective of debt-paying ability, the data for the first year after the completion of Sanyo in Japan are higher

than those for the year before. Asset-liability ratio rose from 67.58% in 2010 to 88.95% in 2012. From the perspective of operational capacity, the ITO's influence on Japanese Sanyo rose from 17.52 in 2010 to 39.14 in 2006. The situation in RTR is consistent with that in ITO, both of which are on a downward trend. The index rose from 36.21% in 2010 to 41.94% in 2012. Judging from its profitability, it still brings positive effects to Haier. From 2010 to 2012, Return on TAR showed an upward trend, rising from 21.41% in 2010 to 42.57% in 2012, with an increase of 98.83%. However, the rate of RONA rose from 24.28% in 2010 to 33.78% in 2012.

Although the rate of return on assets of Haier Mergers and acquisitions Hongxing Electric Company is higher than that of Haier's acquisition of Sanyo, the overall index shows that Haier's acquisition of Sanyo has the best impact on the company's performance.

4. Conclusion

In this paper, Haier Group is taken as a case company, and a typical capital operation case of Haier Group is selected for analysis.

(1) The development of the company cannot do without capital operation

In the final analysis, the aim of enterprise management is to obtain profits. When the company carries out capital operation, it is not only to maintain and increase the value of the company's capital. The company may use methods of capital operation to continuously expand its scale and enhance its market competitiveness.

(2) Under different economic circumstances, the company should adopt capital operation according to the changes of the situation and the actual situation of the company.

(3) Paying attention to the innovation of enterprise culture

The changing economic situation has put forward higher requirements for the management of enterprises. The focus of corporate culture should be changed from the mechanical management of original to a people-oriented management mode.

(4) Making full use of local government policies

It is especially important to know the local government policies and laws and regulations during the process of Mergers and acquisitions. If you don't know the specific local conditions, you will often face problems such as employee Termination of employment difficulties, possible violation of anti-monopoly laws and the lack of support from the local government.

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