



Analyzing the Financial Situation of Certain Company: The Case of Midea

Jie Zhang

Management School, Wuhan Polytechnic University, Wuhan, China
zsb@whpu.edu.cn

Abstract. This paper takes Midea Group as the research object and analyzes its 2019-2024 financial statements to explore the financial risks faced by the enterprise in the process of rapid growth and expansion. It is found that Midea's long-term debt service risk is in the middle of the industry, the overall fluctuation of the debt ratio is small, the growth rate of net profit is slowing down, there is no obvious advantage in cash flow, and the efficiency of inventory turnover is declining, etc. The main reasons leading to the current situation are the financing pressure in the process of mergers and acquisitions, and the continuous increase in the cost of raw materials and the lack of synergies and cooperation among supply chains have a negative impact on the overall operational efficiency of the enterprise. The main reasons for the current situation are the financing pressure during the M&A process, the continuous increase in raw material costs, and the lack of synergy between supply chains, which also negatively affects the overall operational efficiency of enterprises. Aiming at the above problems, this paper puts forward three major suggestions to optimize the strategic layout of the enterprise, optimize the allocation of financial resources, and optimize the capital structure, so as to provide practical references for enterprises in the home appliance industry to balance the scale expansion and financial health.

Keywords: Midea Group, Financial Analysis, Business Model, Financial Challenges.

1 Introduction

In the rapid development of the global economy, the digital economy has become a new mode of economic development, is to promote the rapid and high-quality development of China's national economy is an important support, but also to accelerate the current digital transformation of the main tasks [1]. The digital economy has become a new mode of economic development. Home appliance industry as the national economy and the important pillar of the digital economy, not only closely linked to the quality of life of residents, but also an important part of the transformation of China's manufacturing industry [2].

Midea Group, as an important part of China's home appliance industry, occupies an important position in the market environment. Since its foundation in 1968, Midea Group has spread its products and services to more than 200 countries and regions

around the world through continuous exploration and innovation. Against this background, it is particularly important to analyze Midea's current development situation, gain insight into the opportunities and challenges it faces, and explore its future development path. This paper will analyze the financial report of Midea in detail to reveal its financial status and operating results; deeply explore the problems under the current strategy and put forward targeted optimization suggestions to provide a reference direction for Midea Group to achieve sustainable development, and to help it break the waves in the future market competition and create brilliance.

2 Company Overview

Midea Group Co., Ltd. (hereinafter referred to as "Midea Group") is one of the leading enterprises in China's home appliance industry. Founded in 1968, Midea Group was listed on the Shenzhen Stock Exchange in 2013. With the strategic axis of "Technology Leadership, Digital Intelligence Drive, User Direct Access, Global Breakthrough", Midea Group has built up five core business segments, namely Smart Home, Building Technology, Industrial Technology, Robotics and Automation, and Digital Intelligence Innovation, and adheres to the vision of "The Best of Life" and the principle of "The Best of Life". With the vision of "The best in technology, the best in life" and the mission of "Connecting people and everything, enlightening the world of beauty", Midea Group continues to promote technological innovation and sustainable development [3]. At present, Midea Group's business covers more than 200 countries and regions, and it has become a leading enterprise in the global home appliance industry, continuing to create a better life for consumers around the world.

3 Financial Statement Analysis

3.1 Debt Repayment Capacity

According to Fig. 1, Midea Group's quick ratio fluctuates between 0.64 and 0.95 from 2019 to 2024, and the overall ratio is less than 1. This implies that Midea's short-term solvency is under pressure, and in 2020, the quick ratio rises, indicating that the short-term solvency increases, but then it falls, which reflects the unstable ability of the enterprise's short-term asset liquidity. Compared with GREE and Haier in the same industry, Midea Group's quick ratio is at the middle level, and its competitiveness is not outstanding [4].

According to Fig. 2, in 2019-2024, Midea Group's current ratio of 1.12-1.50 is lower than the reasonable standard, showing that current assets cover current liabilities is insufficient, and short-term solvency needs to be improved; 2019-2021 continues to decline, 2022 slightly rebounded in 2023-2024 to maintain a low level, reflecting the fluctuation of short-term solvency and peer comparison of the performance of the general; the cash ratio fluctuates, from 2019-2020 to 2020, the cash ratio of the short-term assets of Midea Group is unstable, and the cash ratio of the short-term assets of the Group is unstable. The cash ratio fluctuates significantly, decreasing from 21.09% to 12.79% in

2019-2020 and rising to 41.88% in 2024, reflecting the fluctuation of cash ratio. Cash ratio fluctuates significantly, from 21.09% to 12.79% in 2019-2020 and rising to 41.88% in 2024, reflecting the instability of cash-based capital for short-term debt protection; although higher cash ratio corresponds to stronger short-term debt repayment ability, its fluctuation still indicates that short-term capital reserve strategy needs to be optimized and has no obvious advantage over peers.

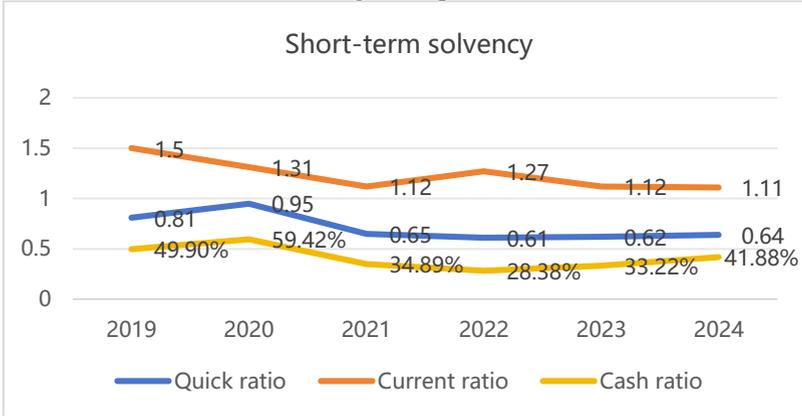


Fig. 1. Short-term solvency

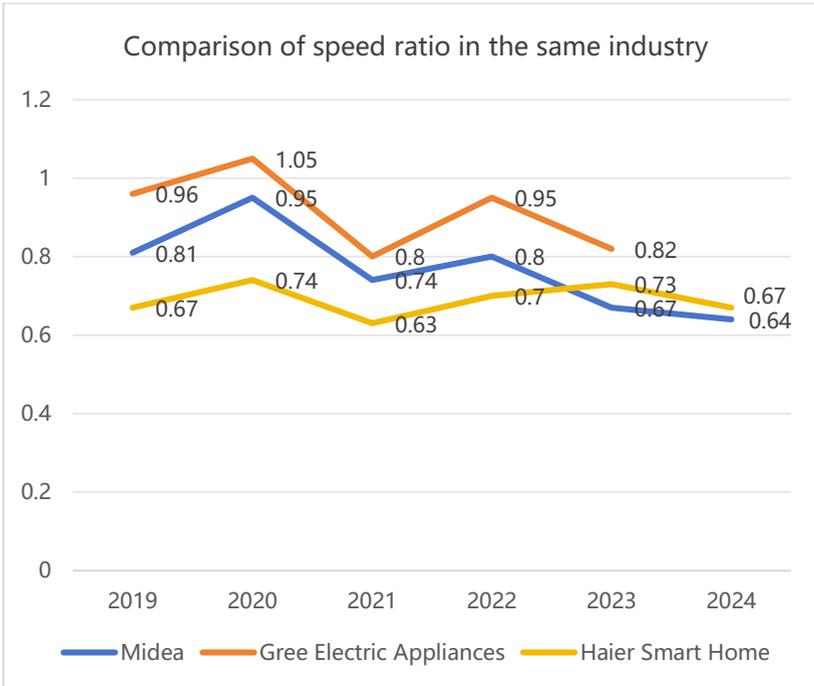


Fig. 2. Comparison of speed ratio in the same industry

According to Fig. 3, it can be seen that Midea Group's 2019-2024 gearing ratio is in the range of 62.33%-65.53%, which is higher than the generally considered reasonable range of 40%-60%. This shows that the enterprise's long-term debt servicing risk is higher, and the long-term debt burden is heavier. However, the overall fluctuation of the balance sheet ratio is small, indicating that the long-term debt management of enterprises is relatively stable. Compared with Gree Electric and Haier Zhijia, Midea Group's gearing ratio is at an intermediate level, and its long-term debt servicing risk is medium in the industry.

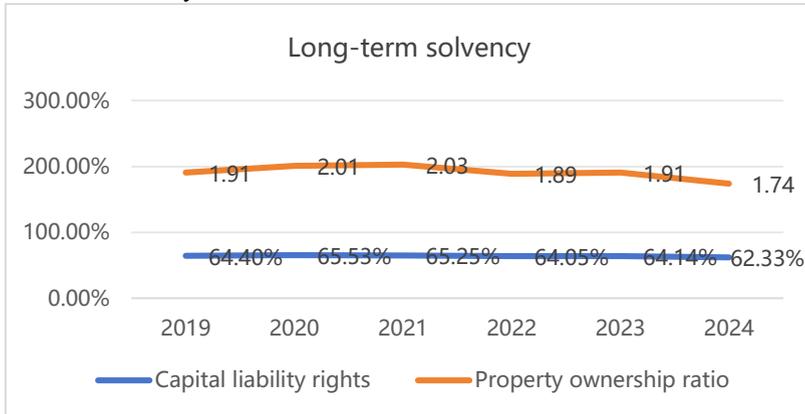


Fig. 3. Long-term solvency

According to Fig. 4, the equity ratio is between 1.78 and 1.90, reflecting the company's long-term debt repayment capability and financial leverage level. The higher the value, the weaker the long-term debt repayment capability and the higher the financial leverage [5]. Midea Groups equity ratio peaked in 2021 and has since declined, indicating a slight improvement in long-term debt repayment capability despite fluctuations. However, it remains at a relatively high level of financial leverage, posing a certain risk to long-term debt repayment.

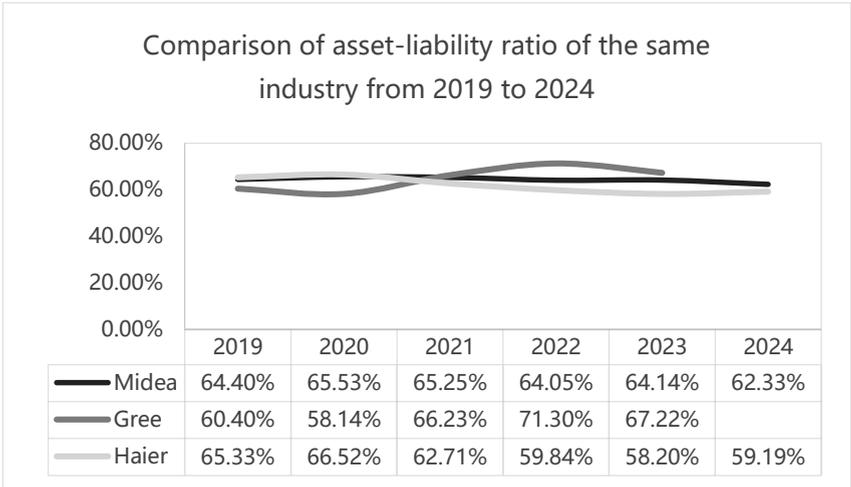


Fig. 4. Comparison of asset-liability ratio of the same industry from 2019 to 2024

3.2 Development Capability

According to Fig. 5, the year-on-year growth rate of total operating revenue fluctuated significantly from 2019 to 2024. It was 6.71% in 2019, dropped to 2.27% in 2020, surged to 20.18% in 2021, plummeted to 0.68% in 2022, rebounded to 8.1% in 2023, and rose again to 9.47% in 2024. This volatility suggests that business growth is affected by a variety of factors, such as changes in market demand, intensified competition in the industry, and adjustments to corporate strategies [6]. High growth in 2021 may be due to improved market environment or successful marketing strategies, while low growth in 2022 reflects the challenges faced by enterprises. Comparing Midea Group with its peers, it can further analyze its strengths and weaknesses in market share competition and business expansion.

The year-on-year growth rates of net profit attributable to the parent company for 2019-2024 were 19.68%,12.44%,4.96%,3.43%,14.1%, and14.29%, respectively; the year-on-year growth rates of non-recurring net profit were 13.29%,8.32%,5.34%,10.33%,15.26%, and 8.39%, respectively. Observing the changes of the trend, it is evident that both indicators generally align with the direction of the year-on-year increase in total operating revenue and exhibit significant volatility. By comparing financial data from the same industry, one can assess Midea Groups profitability quality and the sustainability of its profitability.

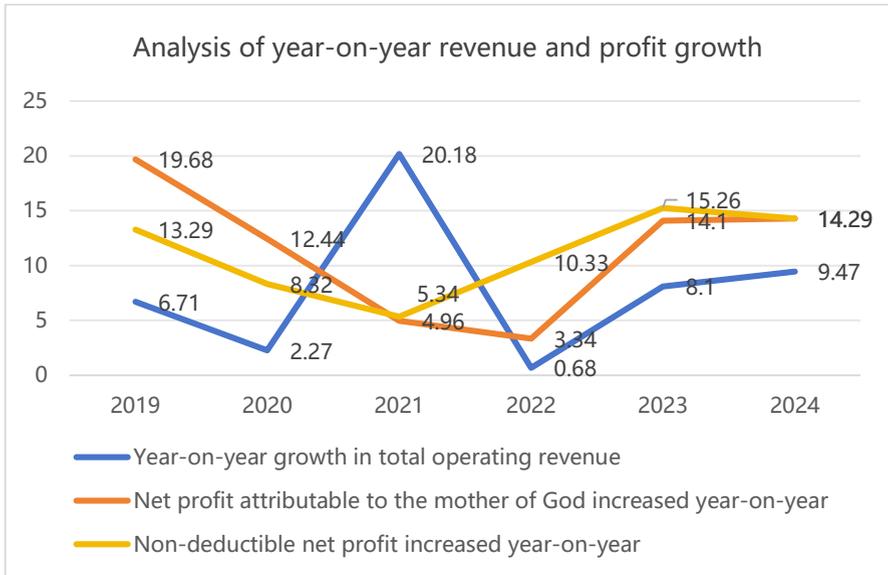


Fig. 5. Year-on-Year Growth Analysis of Revenue and Profit

According to Fig. 6, Midea Group's cash flow data fluctuates between 0.157 and 0.267 from 2019 to 2024. Cash flow reflects the inflow and outflow of cash in a certain period of time, and its fluctuation indicates the unstable cash-generating ability of the enterprise [7]. 2019 cash flow is relatively high, and then two years later it decreases, and then it rebounds in 2022-2023, and then decreases slightly in 2024. Compared with Gree Electric and Haier, Midea Group's cash flow is high and low in different years, with no obvious advantage or disadvantage. The company needs to pay attention to cash flow management to ensure that it has enough cash to support business development and debt repayment.

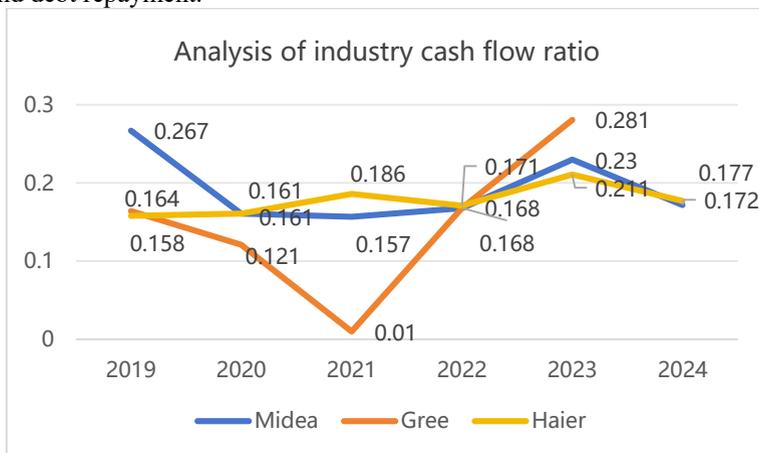


Fig. 6. Analysis of industry cash flow ratio

3.3 Operation Capacity

According to the data given in Fig. 7, it can be seen that the inventory turnover days of Midea Group showed a fluctuating upward trend from 56.47 days in 2019 to 66.5 days in 2024. Meanwhile, the inventory turnover rate showed a fluctuating downward trend.

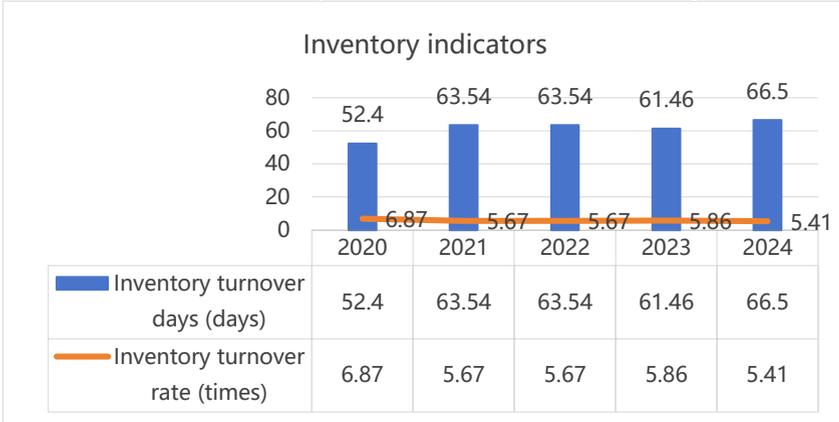


Fig. 7. Inventory indicators

According to the data in Table 1, it can observe that Midea Groups working capital fluctuated from 2019 to 2023. Accounts receivable and notes receivable continued to rise, increasing from 23.44 billion yuan in 2019 to 42.52 billion yuan in 2024. Prepaid expenses showed a fluctuating upward trend, while other receivables experienced a fluctuating downward trend. Inventory first decreased and then increased, rising from 32.44 billion yuan in 2019 to 63.34 billion yuan in 2024. Meanwhile, other current assets saw a significant decline followed by a substantial recovery, and other current liabilities showed a yearly increasing trend.

Table 1. Change of Working Capital Unit: RMB billion

project	2019	2020	2021	2022	2023	2024
Notes receivable and accounts receivable	234.3	282.8	294.2	330	384.1	425.2
advance payment	22.46	27.64	43.53	43.67	33.16	36.86
Total other receivables	27.13	29.74	31.04	22.11	21.82	20.77
stock	324.4	310.8	459.2	460.4	473.4	633.4
other current assets	650.1	330.8	331.6	465.4	629	399.9
Total current liabilities	1443	1842	2229	2063	2512	3518

Specifically, Midea Group's working capital has fluctuated greatly in recent years, and the year-on-year increase in notes and accounts receivable may be a product of "scale expansion and lagging risk control ability". The collection cycle should be gradually shortened by tightening the B-side billing period, optimizing online credit policy and strengthening supply chain financial tools. At the same time, the year-on-year in-

crease in current liabilities reflects the short-term solvency of Midea Group has declined, there is a certain short-term debt servicing risk, the United States of America's current liabilities may be "scale expansion and supply chain control is out of step" performance.

4 Recommendations

4.1 Optimize the Strategic Layout of Enterprise and Strengthen Risk Management System

To make good plans to cope with long-term risk control and cyclical enterprise strategy adjustment, to strengthen digital construction and establish a digital procurement platform on the basis of maintaining cash, talents and customers, so as to expand the scope of the platform. Strengthening the construction of crisis management mechanisms, so that enterprises can rely on the crisis management mechanism in the face of sudden crisis, thereby reducing the negative impact on the enterprise, and ultimately build a set of management modes that can rely on institutionalized processes, standardized rules and systematic mechanisms.

4.2 Optimize Financial Resource Allocation for Digital Transformation

On the one hand, the allocation of financial resources should be rationally planned on the basis of corporate strategy and business development needs. Increase investment in core business and high-potential projects to support technology research and development, market expansion and brand building. Optimize capital structure and control the debt scale to reduce financial risks [8]. On the other hand, strengthen the digital transformation and deep integration of Internet technology and industrial ecology, using the industrial Internet and other emerging technologies to realize the digital factory production efficiency [9].

4.3 Optimize Capital Structure and Enhance Corporate Operational Efficiency

Midea's current capital structure is still in urgent need of adjustment compared with the industry, and a scientific capital structure is essential if it wants to realize the sustainable development of the enterprise [10]. Issuing more short-term debt can reduce liquidity risk. Strengthening the digital integration of the brand and the use of AI and other high-tech platform predictions, the use of "sales to production" mode enhances the brand impact to achieve double harvest of economic benefits and brand benefits.

5 Conclusion

By analyzing Midea Group's financial statements for 2019-2024, this study can conclude that it faces financial risks and operational challenges in its rapid expansion: the overall fluctuation of the gearing ratio is small but has been in the range of 62%-66% for a long time, and there is a risk of imbalance in the capital structure; the decline in the growth rate of net profit reflects the intensification of competition in the market and

the squeeze on profitability due to the increase in the price of raw materials; and the decline in inventory turnover ratio shows that the enterprise needs to be improved. The decline in inventory turnover ratio shows that the enterprise needs to improve its ability to integrate diversified businesses. On this basis, it puts forward three major suggestions to optimize the strategic layout, financial resource allocation and capital structure, which will help Midea Group achieve healthy and sustainable development through financial adjustment and scale expansion.

The limitation of this paper is that it does not fully analyze the impact of macroeconomics on financial data, and the research data is mainly open source and 2019-2024, which can't more comprehensively reflect the scale of each data. Future research can combine ESG indicators with industry cyclical factors, etc., to further analyze corporate data more comprehensively and explore a more informative and longer-term path.

References

1. Chen, D. M., Wang, L. Z., Chen, A. N., et al.: Digitalization and Strategic Management Theory-Review, Challenges and Prospects. *Management World* (5), 220-236 (2020)
2. Qi, Y. D., Xiao, X.: Management Reform of Enterprises in the Era of Digital Economy. *Management World* (6), 135-152 (2020)
3. Hao, J., Liu, Y. Z.: Analysis of profitability of Midea Group. *Modern Marketing* (second half of the month) (6), 126-128 (2024)
4. Wang, Y. T., Sheng, T.: Financial Statement Analysis Based on the Perspective of Enterprise Strategy: A Case Study of Haier Smart Home. *Accounting Friends* (7), 87-92 (2022)
5. An, X. W., Ning, F. L.: Strategic Performance Analysis Based on Financial Indicators: A Case Study of Midea Electric Appliances and Gree Electric Appliances. *Hebei Enterprise* (2), 32-33 (2010)
6. Ye, Z. Z.: Business model evaluation of Midea Group from the perspective of financial statement analysis. *National Circulation Economy* (2), 73-76 (2025)
7. Lin, Y.: Discussion on the idea of analyzing the financial situation of enterprises based on cash flow statement. *China economy* (16), 92-94 (2024)
8. Wang, X. Y.: Research on Capital Structure and Development Strategy of Midea Group. *The Age of Wealth* (12), 67-69 (2023)
9. Gao, D. M., Zhao, Y. H.: Analysis of the impact of digital transformation on the financial performance of home appliance manufacturing industry-Taking Midea Group as an example. *Modern Trade and Industry* (2), 70-72 (2025)
10. Liao, W. Y.: Financial statement analysis of Midea Group based on Harvard framework. *Accounting of China Township Enterprises* (1), 67-69 (2024)

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

