

Midea's financial analysis report

Jia-Li Zhan

School of Accounting,
Guizhou Qiannan Economic College, China
Email: 2238687739@qq.com

ABSTRACT: This paper briefly analyzes Midea's financial statements over the past five years. Firstly, it analyzes Midea's strengths, weaknesses, opportunities, and threats using the SWOT analysis method. Secondly, it conducts an analysis of the accounting statements, including the balance sheet analysis, income statement analysis, and statement of changes in owner's equity analysis. Finally, it draws the conclusion that Midea's financial situation is generally good. In the future, it should optimize asset operation, strengthen account management, seize opportunities, and enhance risk resistance to achieve sustainable development.

KEY WORD: Accounting Statement Analysis, Financial Statement, Midea, SWOT Analysis, Sustainable Development

Date of Submission: 11-07-2025

Date of acceptance: 24-07-2025

I. Introduction and Literature Review

Investors, regulators, and academia have all emphasized the importance of financial statement comparability. Experience demonstrates that comparability is positively associated with analyst following, forecast accuracy, and lower earnings forecast dispersion. In the past few years, many researchers have made important recommendations to help these companies improve their financial health after analyzing the finances of various companies and drawing conclusions, for instance [1-8]. De Franco, Kothari, and Verdi in [1] demonstrated the benefits of comparability for users by developing measures of financial statement comparability. The results showed that financial statement comparability reduces information acquisition costs. Aviantara in [2] conducted an exploratory study utilizing univariate analysis to assess the financial condition of PT Garuda Indonesia (GIAA) Persero Tbk, employing methods focused on financial distress and fraudulent financial statement analysis. Small and medium-sized enterprises (SMEs) currently face several barriers to effective digital adoption, including resource constraints, insufficient understanding of digital processes, and limited technical expertise among business owners. Many lack adequate awareness of both the advantages and implementation procedures for financial statement digitization, while also harboring concerns regarding data security and confidentiality issues. Therefore, for different enterprises, various statistical analyses, including financial analysis, have different challenges, and the conclusions obtained are also varied. In this paper, I will analyze Midea's financial situation over the past five years.

The Midea Group Co., Ltd., as a global technology group, was founded in 1968 and operates in a variety of fields such as smart home, building technology, industrial technology, robotics and automation, and innovative business. In recent years, Midea has excelled in financial performance and has become a leader in the industry. In addition, Midea has also achieved remarkable results in its global layout. Its overseas private label has a strong development momentum, accounting for more than 40% of its total overseas revenue. At the same time, Midea is also actively expanding overseas markets and enhancing its global influence through mergers and acquisitions, joint ventures, etc.

However, Midea also faced some challenges in the development process. Such as intensified market competition, macroeconomic fluctuations, accounts receivable risks and policy regulatory risks. In order to meet these challenges, Midea needs to continue to increase technological innovation and market expansion, improve product competitiveness and market share, and achieve sustainable development. To sum up, Midea has achieved remarkable results in financial performance in the past five years, but it also faces some challenges. This report will analyze the financial situation of Midea and provide you with some reference information.

II. Strategic Analysis (SWOT Analysis)

2.1 Strengths

Brand influence and market share: Midea Group is one of the leaders in China's home appliance industry, and its brand influence and market share are among the best in the domestic market. With its excellent brand image and wide market recognition, Midea occupies an important position in the home appliance industry.

Innovative technical strength: Midea Group has a strong research and development (R&D in abbr.) team and cutting-edge technology facilities, is committed to technological innovation and product research and development, and constantly introduces new products that lead the market, so as to enhance market competitiveness.

Perfect sales network: Midea Group has a wide range of sales network and service system at home and abroad, which can cover a wider range of consumer groups and provide convenient services.

Diversified product line: Midea Group's product line covers air conditioners, refrigerators, washing machines, kitchen appliances and other fields, which can meet the needs of different consumers, diversify market risks, and achieve stable operation.

2.2 Weaknesses

Aging brand image: Although Midea Group's brand influence is strong, in the minds of some consumers, its brand image may be too traditional and lack of youthful and fashionable elements, which may affect its market share among young consumer groups.

High cost of high quality: In order to maintain a high standard of product quality, Midea Group needs to continuously invest a lot of money, which may increase its operating costs and affect profitability.

Insufficient channel construction: In the construction of emerging channels, such as e-commerce channels, Midea Group may lag behind, which may affect the sales and market share of its products.

2.3 Opportunities

Global market expansion: In the context of economic globalization, the demand for international home appliances continues to grow, providing Midea Group with opportunities to expand overseas markets.

Smart home market: With the continuous development of the Internet of Things and smart home technology, the smart home market has broad prospects, and Midea Group can expand its market space through the research and development and promotion of smart home products.

Consumption upgrading: With the improvement of consumer income level and the upgrading of consumption concepts, the demand for high-quality and high-performance household appliances will continue to increase, providing development opportunities for Midea Group.

2.4 Threats

Intensified market competition: The home appliance industry is fiercely competitive, and Midea Group is facing pressure from domestic and foreign competitors, such as domestic home appliance giants such as Gree and Haier, as well as international home appliance brands.

Fluctuations in raw material prices: The prices of raw materials required for the manufacture of household appliances fluctuate greatly, which may affect the production costs and profits of Midea Group.

International trade policy risks: Policy changes such as tariffs and trade barriers may pose challenges to Midea Group's international business and affect its expansion in overseas markets.

To sum up, while Midea Group Co., Ltd. has many advantages, it also faces some disadvantages and challenges. In order to maintain its competitive advantage and achieve sustainable development, Midea needs to continue to strengthen its work in technological innovation, brand building, channel expansion, etc., while actively responding to market changes and competitive challenges.

III. Analysis of Accounting Statements

3.1 Balance sheet analysis

3.1.1 Structural analysis of the balance sheet

Table 1: Summary of Midea's 2019-2023 asset structure analysis

	In 2019	In 2020	In 2021	In 2022	In 2023
liquid asset	71.69%	67.06%	64.17%	61.78%	57.88%
Non-current assets	28.30%	32.94%	35.86%	38.22%	42.12%
Total assets	100%	100%	100%	100%	100%

In summary, when the proportion of current assets is large, the liquidity of enterprise assets is strong and the asset risk is small: when the proportion of non-current assets is high, the elasticity of enterprise assets is poor, which is not conducive to the flexible allocation of funds by enterprises, and the asset risk is large. According to the table, the proportions of current assets of Midea Group Company from 2019 to 2023 are 71.69%, 67.06%, 64.17%, 61.78% and 57.88%, respectively, and the proportion of non-current assets is 28.30%, 32.94%, 35.86%, 38.22% and 42.12% respectively.

Table 2: Summary of Midea's 2019-2023 asset structure analysis

	In 2019	In 2020	In 2021	In 2022
Total current assets	2813	2611	2489	2417
fixed asset	309.4	260.8	228.5	222.4
	11.00%	9.99%	9.18%	9.20%

According to the above table, it can be seen that Midea's solid current structure is a conservative structure, and the stock of current assets is large, which will cause idle current assets, affect the utilization efficiency of enterprise assets, and then affect the profitability of enterprises. However, due to the high proportion of current assets, this asset structure can reduce the risk of debt repayment or bankruptcy of enterprises, so that the risk of enterprises is at a low level. Therefore, Midea's asset structure is a conservative solid current structure with high liquidity, low risk and low profitability.

3.1.2 Liability structure analysis

Table 3: Summary of the 2019-2023 liability structure analysis of Midea Group Company

	In 2019	In 2020	In 2021	In 2022	In 2023
Accounts payable	21.87%	14.96%	26.07%	23.74%	23.27%
Contract Liabilities	—	5.11%	9.45%	10.33%	13.40%
Other current liabilities	20.09%	13.83%	19.06%	21.37%	22.87%
Total current liabilities	74.19%	51.11%	88.07%	76.24%	80.59%
Total noncurrent liabilities	25.78%	22.02%	11.96%	23.76%	19.41%
Total liabilities	100.00%	100.00%	100.00%	100.00%	100.00%

According to the table 3, the proportion of current liabilities of Midea Group Company from 2019 to 2023 is relatively high, 74.19%, 51.11%, 80.07%, 76.24% and 80.59% respectively, of which accounts payable, contract liabilities and other current liabilities account for more than half of the current liabilities. The greater the current liabilities. The financial risk is greater, and the financial pressure is greater, but the cost of capital is lower. Short-term liabilities are more financially risky than long-term liabilities due to large differences in interest rates. As a result, Midea has larger current liabilities and higher risk, but a low cost of capital.

3.1.3 Analysis of owner's equity structure

Table 4: Summary table of Midea Group's owner's equity structure analysis from 2019 to 2023

	In 2019	In 2020	In 2021	In 2022	In 2023
Paid-up capital (or share capital)	6.49%	5.66%	5.18%	4.61%	4.03%
Capital reserve	18.27%	18.11%	15.22%	12.96%	12.19%
Surplus reserve	6.00%	6.41%	7.01%	7.04%	6.14%
General Risk Provisions	0.34%	0.47%	0.53%	0.44%	0.37%
Undistributed profits	67.64%	70.10%	76.41%	78.80%	78.20%
Total equity attributable to shareholders of the parent company	94.60%	94.61%	92.66%	94.08%	93.46%
Total shareholders' equity	100.00%	100.00%	100.00%	100.00%	100.00%

According to the table 4, the structure of owners' equity of Midea Group Company from 2019 to 2023 is relatively stable, and the proportion of capital invested by corporate investors (share capital and capital reserve) in owners' equity is 6.49%, 5.66%, 5.18%, 4.61% and 4.03% respectively, and the proportion of invested capital is declining year by year, indicating that the accumulated funds formed by the production and operation activities of the enterprise are the main source of owners' equity. Since only the capital invested by the investor is the capital account invested by the investor, the capital cost of the owner's equity shows a downward trend with the decline of the proportion of capital invested by the investor.

3.2 Income statement analysis

Income statement level analysis as follows:

Table 5: Summary of the 2020-2023 Midea Group Income Statement Level Analysis

	In 2020		In 2021		In 2022		In 2023	
	Change 100 million	Increase/decrease	Change 100million	Increase/decrease	Change 100million	Increase/decrease	Change 100million	Increase/decrease
Operating income	63	2.25%	577	20.20%	23	0.67%	280	8.10%

Cost of Doing Business	75	2.98%	540	20.87%	-11	0.35%	233	7.48%
Selling expenses	-110.5	-31.93%	50.9	21.60%	0.7	0.24%	61.6	21.45%
Management fees	-2.67	-2.80%	10.06	10.86%	13.1	12.76%	19	16.41%
Finance Expenses	-4.06	18.19%	-17.48	66.26%	9.99	-22.78%	1.25	-3.69%
Investment income	21.979	1339.37 %	0.04	0.17%	-21.579	-91.2%	2.555	122.78%
Operating profit	18.1	6.10%	17.9	5.68%	14.8	4.45%	55.6	16.00%
Gross profit	17.3	5.78%	20.6	6.51%	12.4	3.68%	53.2	15.22%
Net profit	22.3	8.82%	15.1	5.49%	7.9	2.72%	39.4	13.22%

Net profit analysis, net profit = total profit - income tax expense. The net profit growth of Midea Group Co., Ltd. from 2020 to 2023 will be 2.23 billion Yuan, 1.51 billion Yuan, 790 million Yuan and 3.94 billion Yuan respectively, and the net profit growth rate will be 8.82%, 5.49%, 2.72% and 13.22% respectively. Analysis of total profit, total profit = operating profit + non-operating income - non-operating expenses. Generally speaking, the reason for the change in total profit is the change in operating profit and the impact of changes in non-operating income and expenditure, because non-operating income and expenditure have nothing to do with the business activities of the enterprise, therefore, the change in total profit of the enterprise is mostly affected by operating profit. The total profit growth of Midea Group Co., Ltd. from 2020 to 2023 will be 1.73 billion Yuan, 2.06 billion Yuan, 1.24 billion Yuan and 5.32 billion Yuan respectively, with growth rates of 5.78%, 6.51%, 3.68% and 15.22% respectively.

Analysis of operating profit, operating profit refers to the difference between the operating income of the enterprise and taxes and surcharges, period expenses, asset impairment losses, and net income from asset changes, which reflects the financial results of the enterprise's own operating business. There are four main reasons for the change in operating profit, namely, the change in operating margin, that is, the change in operating income and operating cost; Changes in expenses during the period, including selling expenses, administrative expenses, and financial expenses; changes in asset impairment losses; The change in investment income, a positive investment income means that the investment is profitable, and a negative investment income means that the investment is lost. Midea Group Co., Ltd.'s operating profit from 2020 to 2023 will increase or decrease by 1.81 billion Yuan, 1.79 billion Yuan, 1.48 billion Yuan, and 5.56 billion Yuan respectively, with an increase or decrease rate of 6.1%, 5.68%, 4.45%, and 16% respectively. Second, the overall increase in expenses during the period led to a decrease in operating profit in previous years; The third is the increase in investment income in 2020, which makes up for the costs and expenses of previous years, so the operating profit in 2021-2022 has not changed much, and the investment income will increase significantly again in 2023, making the operating profit show a significant upward trend.

3.3 Analysis of the structure of the income statement

Table 6: Summary of the structure analysis table of Midea Group's income statement from 2019 to 2023

	In 2019	In 2020	In 2021	In 2022	In 2023
Total operating income	100%	100%	100%	100%	100%
Cost of Doing Business	70.83%	75.88%	77.02%	75.35%	73.19%
R&D expenses	3.45%	3.54%	3.50%	3.65%	3.90%
Selling expenses	12.39%	8.25%	8.34%	8.31%	9.33%
Management fees	3.41%	3.24%	2.99%	3.35%	3.61%
Finance Expenses	-0.80%	-0.92%	-1.28%	-0.98%	-0.87%
Investment income	0.06%	0.83%	0.69%	0.06%	0.12%
Operating profit	10.62%	11.02%	9.69%	10.05%	10.79%
Gross profit	10.71%	11.08%	9.82%	10.11%	10.78%
Net profit	9.05%	9.63%	8.45%	8.62%	9.03%

According to the summary table of the structural analysis table, the composition of the financial results of Midea Group Company from 2019 to 2023 can be known. Among them, the proportion of net profit in operating income first increased, then decreased and then increased, which were 9.05%, 9.63%, 8.45%, 8.62% and 9.03% respectively; The main source of net profit is the total profit, the proportion of total profit in operating income in the five years also showed a rising trend and then fell and then rose, respectively, 10.71%, 11.08%, 9.82%, 10.11%, 10.78%, of which, operating profit is the main source of total corporate profits, accounting for 10.62%,

11.02%, 9.69%, 10.05%, 10.79% of operating income and expenditure respectively, non-operating income and expenditure from non-business activities of the enterprise, It is episodic and unsustainable, so it is not considered; The decline in the proportion of operating profit in operating income is mainly due to the rising percentage of operating costs, R&D expenses, sales expenses, management expenses, and financial expenses in operating income in each year, and the proportion of investment income in operating income is very low, less than 1, which is not the main source of corporate profits.

IV. Summary

Midea's financial performance in the past five years has shown strong stability and growth potential. In the complex economic environment, the company still maintained the continuous growth of operating income and net profit, showing its leading position in the home appliance and intelligent manufacturing industry. The company's profitability, solvency and operational efficiency have all improved, and the asset quality is high. Midea also continued to expand domestic and foreign markets to enhance brand influence and market share; Increase R&D investment to promote technological innovation and product upgrading to meet the increasingly diverse needs of consumers; Continue to optimize the cost structure, improve the cost control ability, and maintain the stable growth of profitability; Strengthen risk management and internal control, reduce financial risks and operational risks, and lay a solid foundation for its future development.

References

- [1]. De Franco, G., Kothari, S.P., and Verdi R.S. (2011) The Benefits of Financial Statement Comparability. *Journal of Accounting Research*, 49(4), 895-931.
- [2]. Aviantara, R. (2023) Scoring the financial distress and the financial statement fraud of Garuda Indonesia with «DDCC» as the financial solutions. *Journal of Modelling in Management*, 18(1) , 1-16.
- [3]. Wang, F., Zhang, Z., Jennifer Ho, L.C., & Usman, M. (2023) CFO gender and financial statement comparability. *Pacific-Basin Finance Journal*, 80, 102100.
- [4]. Tragouda, M., Doumplos, M., & Zopounidis, C. (2024) Identification of fraudulent financial statements through a multi-label classification approach. *Intelligent Systems in Accounting, Finance and Management*, 31(2), e1564.
- [5]. Chen, X. & Zhai, C. (2023) Bagging or boosting? Empirical evidence from financial statement fraud detection. *Accounting & Finance*, 63(5), 5093-5142.
- [6]. Nurbaiti, A. & Elisabet, C. (2023) The integrity of financial statements: firm size, independent commissioners, and auditor industry specializations. *Jurnal Akuntansi*, 27(1), 1-18.
- [7]. Arora, S. & Chauhan, Y. (2023) Does financial statement readability alleviate the informational disadvantage of foreign investors?. *Pacific Accounting Review*, 35(3), 432-450.
- [8]. Susilowati, E., Permadi, A., Hariyanti, S., Munir, M., & Wahyudi, A. (2023) Analysis of the Implementation of Digitalization of Financial Statements in Micro, Small, and Medium Enterprises. *Open Access Indonesia Journal of Social Sciences*, 6(4), 1048-1054.