

Comprehensive Financial Analysis of SF Holdings under the Harvard Analysis Framework

Xixi Gu

School of Economics and Management, Jiangsu University of Science and Technology, Zhenjiang, 212100, China

425953186@qq.com

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Abstract: In recent years, against the backdrop of rapid progress in the logistics and transportation industry, SF Holdings has shown strong advantages and potential in this industry. Under the Harvard analysis framework, this article conducts a preliminary analysis of SF Holdings' financial situation and makes an objective evaluation of it. Based on the company's financial indicators from 2017 to 2021, from the perspectives of strategy, accounting, finance, and prospects, it continuously deepens its understanding of the company's finance, operations, and other aspects, to explore the path of SF Holdings' future business development.

1. Introduction

The rapid progress of the modern logistics industry plays a significant role in economic development. SF Holdings, as a well-developed comprehensive logistics service provider in China, plays a leading role in the logistics industry. In the context of logistics and transportation, this article analyzes SF Holdings' past financial information to understand its recent financial and management status, and identifies its existing problems, thus proposing corresponding improvement suggestions.

2. Company Profile

SF Holdings Co., Ltd. was established in 1993 and is currently a leading enterprise in the domestic logistics and transportation industry. Its goal is to become a representative enterprise in the entire logistics and transportation industry with high standards and strong comprehensive logistics services, running through all aspects of procurement, production, circulation, sales, after-sales, and so on. Meanwhile, SF Holdings has the advantage of network scale of "Skynet+Earthnet+Information Network", as well as strict process control and reasonable business model.^[1]

3. Strategic Analysis

3.1. Industry Analysis

As shown in Figure 1, with the development of the economy, China's per capita express delivery expenditure and usage continue to increase, showing the following characteristics. First, it has large scale and broad prospects. The total revenue of China's logistics industry is constantly increasing, and the volume of express delivery business is also increasing. Second, leading enterprises lead and expand their advantages. Leading enterprises, relying on their own advantages, have continued to expand their market share, and the entire industry has shown significant economies of scale. Third, the development of the industry is showing a diversified trend, with significant integration space. Under the guidance of national policies, logistics enterprises have extended and developed towards providing supply chain services, gradually increasing industry concentration.

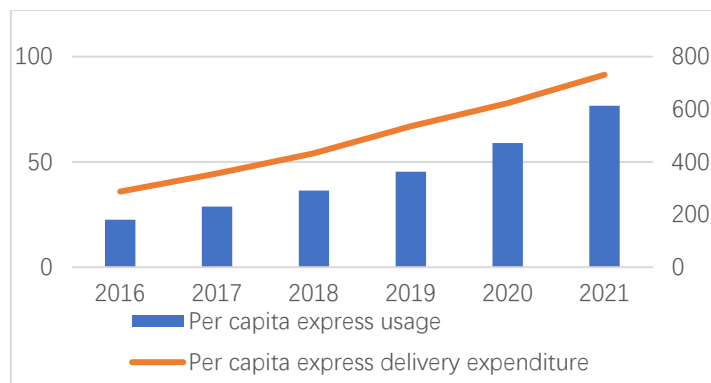


Figure 1 Per capita express delivery expenditure and usage in China from 2016 to 2021

3.2. SWOT Analysis

Advantages. With the rapid development of the logistics industry, the service level and quality of the industry are also constantly improving. The speed of logistics transportation has become an important standard for people to choose express delivery companies. SF Holdings, as a leading domestic logistics enterprise, has far advanced infrastructure compared to peers in the industry, dense network distribution, and a complete reward and punishment mechanism.^[2]

Disadvantages. SF Holdings' main source of income is its express, standard express and other businesses, belonging to enterprises with large capital investment. The lack of a strong source of funds will to some extent constrain the development of the enterprise. SF Holdings has weak competitiveness in terms of pricing due to its provision of convenient, safe, and high-quality services.

Opportunities. The development prospects of the logistics industry in China are very broad. With the continuous development of China's economy, the logistics industry has continuously taken to new levels and become a crucial component of China's modern service industry. The rapid development of e-commerce provides opportunities for logistics enterprises to enhance their competitiveness through flexible and personalized services.

Threats. Due to the low entry threshold for logistics enterprises in the industry, this has also led to an increasing influx of capital into the logistics industry, exacerbating market competition. On the one hand, logistics enterprises need to cope with the rapid changes between upstream and downstream, and on the other hand, they need to accelerate their adaptation to the rapid rise of the Internet of Things. At the same time, they also have to bear the impact of many uncertain factors brought about by economic development, such as the risks brought by various epidemics pose challenges to enterprises, and many enterprises face problems such as fund chain breakage and insufficient supply.

4. Accounting Analysis

4.1. Accounts Receivable Analysis

Table 1 Accounts receivable indicators of SF Express from 2017 to 2021

Year	2017	2018	2019	2020	2021
Accounts receivable (100 million yuan)	58.16	73.74	120.88	168.49	304.4
Current assets (100 million yuan)	349.12	319.38	428.97	516.76	941.1
Proportion%	16.65	23.09	28.18	32.61	32.35

From the above table, from 2017 to 2021, SF Holdings' accounts receivable continued to rise and the rate of increase continued to accelerate. The increase in corporate accounts receivable indicates that its sales business has flourished, achieved good profits, and developed steadily. In recent years, SF Holdings has launched personalized and customized services, continuously improved its business level, and enhanced its market competitiveness. However, it cannot be ignored that the proportion of accounts receivable in current assets is constantly increasing, and there is a high risk

of bad debts, which must be taken seriously.^[3]

4.2. Monetary Fund Analysis

Table 2 Monetary Fund and Total Asset Indicators of SF Express from 2017 to 2021

Year	2017	2018	2019	2020	2021
Monetary funds (100 million yuan)	173.9	161.3	185.2	164.2	353.2
Total assets (100 million yuan)	612	718	925	1112	2099
Proportion%	28.39	22.48	20.02	14.77	16.83

From the above table, it can be seen that in recent years, the proportion of monetary funds of SF Holdings in total assets has decreased from 28.39% in 2017 to 14.77% in 2020, and the proportion has continued to decline. By the end of 2020, this proportion has decreased to 14.77%, and it has rebounded since 2021. Normally, a proportion of monetary funds between 15% and 25% of total assets is appropriate. A low proportion indicates that the company has poor liquidity or a risk of cash shortage. Therefore, SF Holdings needs to strengthen its control over corporate funds to lay a foundation for improving the company's debt paying ability.

4.3. Fixed Asset Analysis

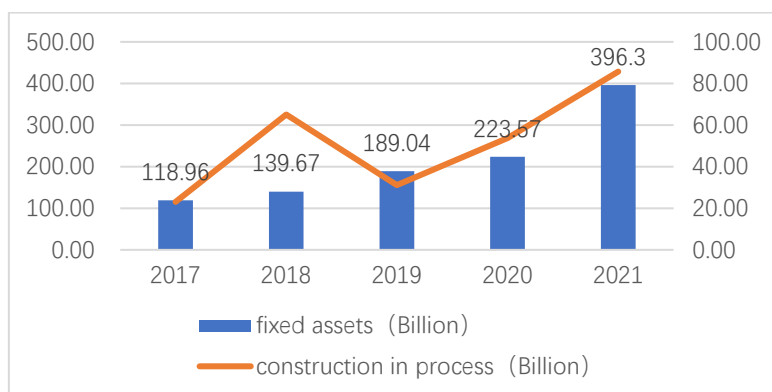


Figure 2 SF Holdings' Fixed Assets and Construction in Progress from 2017 to 2021

As shown in Figure 2, in recent years, SF Holdings' diversified development has required a large number of warehouse buildings for its cold chain and other businesses, and aircraft for its logistics cold chain and other businesses. Therefore, its fixed assets have been growing rapidly. From the table, it can also be seen that SF Holdings' construction projects are on the rise as a whole. The increase in its construction projects indicates that its hardware equipment is constantly improving, and the quality of the enterprise and market competitiveness are constantly enhancing.

5. Financial Analysis

5.1. Solvency Analysis

Table 3 SF Express Debt Service Capability Indicators from 2017 to 2021

Year	2017	2018	2019	2020	2021
Current ratio	1.46	1.21	1.38	1.24	1.24
Quick ratio	1.40	1.18	1.36	1.21	1.22
Asset liability ratio	43.23	48.45	54.08	48.94	53.35

Current ratio is an indicator used to measure the short-term solvency of enterprises. It can be seen from the data in the table above that SF Holdings' Current ratio has been 1.1-1.5 in recent years, which indicates that SF Holdings' short-term debt repayment ability is good in recent years, so the probability of financial crisis is small. The higher the quick ratio is in an appropriate range, the stronger the enterprise's ability to repay debts. SF Holdings has a high quick ratio as a whole, which is at a high level in the industry. In recent years, SF Holdings' asset liability ratio has

remained stable at around 50%, indicating that SF Holdings' asset liability ratio is relatively stable.

5.2. Profitability Analysis

Table 4 Profitability Indicators of SF Express from 2017 to 2021

Year	2017	2018	2019	2020	2021
Operating revenue/100 million yuan	713	909	1122	1540	2072
Net profit/100 million yuan	47.74	45.56	57.97	69.32	39.19
Profit margin of sales	6.68	4.91	5.01	4.50	1.89
Sales Gross margin	20.07	17.92	17.42	16.35	12.37
Roe	18.14	13.19	14.86	15.20	6.81

From the data in the table above, it can be seen that SF Holdings has shown an overall downward trend in net asset return since 2017, which means that the overall profitability of the company is declining. At the same time, its sales gross margin and sales profit margin are declining. The main reason is that the market competition of logistics enterprises is becoming increasingly serious. More and more enterprises choose to join the logistics industry, making the profits of the logistics industry continue to decline. Although the gross margin of SF Holdings has declined, its operating income is growing and its net profit is also rising, which indicates that the overall operating efficiency of the enterprise is good.

5.3. Operational Capability Analysis

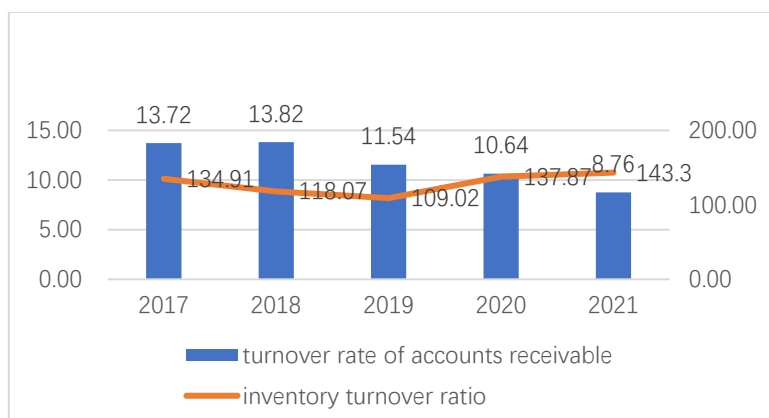


Figure 3 Operating Capacity Indicators of SF Holdings from 2017 to 2021

Operational capability is the ability of an enterprise to operate, and the turnover rate of accounts receivable is a typical element. From the above figure, the turnover rate of accounts receivable of SF is generally on the downward trend. Its inventory turnover rate has risen steadily after 2019, the liquidity of enterprise assets has slowed down, and the liquidity has weakened. The company's inventory mainly consists of consumables such as packaging, tires, and straps, and the long inventory cycle has weakened its liquidity.

6. Prospect Analysis

Nowadays, online shopping has become an inseparable part of our lives, and the development of e-commerce cannot do without a complete logistics system. On the one hand, SF Holdings is facing some problems in its development, such as high costs and intensified industry competition. However, SF Holdings is still developing at a high speed and has strong comprehensive strength. SF Holdings provides high-quality services to customers with its unique aviation resources and network advantages, utilizes technology for resource integration, which has huge development opportunities and prospects both domestically and internationally. In recent years, SF Holdings has continuously explored and optimized its operating model, surpassing other enterprises with its timeliness and intelligent services. In the future, the enterprise needs to make efforts to improve net profit, optimize operational efficiency, and continue to optimize services based on scale advantages.

It can be said that its future development prospects are very broad.

7. Conclusion

The logistics industry is a rising industry in China. With the continuous development of the economy, the logistics industry has constantly reached new levels and become a crucial component of China's modern service industry. This article selects SF Holdings (Group) Co., Ltd., a leading enterprise in the industry, as the analysis object. ^[4]Through the Harvard analysis framework, SF Holdings is analyzed and suggestions are made. In order to improve the profitability of the enterprise, SF Holdings should keep up with different market demands and provide differentiated services according to different needs.

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