

A Financial Analysis and Valuation of Bestore

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Abstract: Bestore is a professional brand chain operation company dedicated to becoming the leading brand in the casual snack industry. It aims to redefine the traditional perception of snack brands by integrating cultural depth and high-quality standards into its business model. This paper conducts a comprehensive analysis of Bestore using the SWOT business analysis model, examining its strengths, weaknesses, opportunities, and threats based on existing literature. Additionally, the study evaluates Bestore's financial performance by analyzing key financial ratios related to solvency, profitability, and liquidity management. The findings indicate that Bestore demonstrates strong liquidity management and solid solvency, reflecting its ability to meet short-term and long-term obligations. However, its profitability has been impacted by macroeconomic factors and industry competition. Furthermore, this study assesses the broader industry landscape, identifying key risks and challenges that may affect Bestore's future growth. Based on these insights, this paper provides a strategic evaluation of the company's current position and propose recommendations to enhance its financial stability and competitive advantage. The study aims to contribute valuable insights into Bestore's business strategy and future development prospects.

Keywords: SWOT Analysis, Financial Performance, Liquidity Management.

1. Introduction

There are a lot of reasons why this author came to choose this one company to analyze. First, the author personally particularly likes some of the snacks in Bestore, because Bestore has long been positioned as a high-end snack, and in the context of consumer upgrading, due to the market base. However, its position in the capital market has gradually declined, and the market response to it has been more constant. So, this essay will analyze the recent performance of Bestore and make some suggestions for the future. Bestore is a brand under Bestore. It was established in 2006 and is a professional brand specializing in the research and development, processing and packaging, and retail services of snack foods. When Restore was founded in 2006, it established the concept of "quality with a good conscience and a store for everyone".

In 2019, Bestore was the first in the industry to propose a high-end snack positioning, providing consumers with high-quality, high-appearance-level, high-experience products that meet their spiritual needs. It has clearly defined three core directions: establishing high-quality product standards, focusing on the health and nutrition of specific groups, and meeting the needs of consumers' living scenarios. Bestore offers a full range of snacks, striving to meet the needs and choices of diverse groups and various scenario [1]. "Bestore has gradually transformed from a small shop to a phenomenal platform now" [2]. Bestore is in Hubei Province and its industry is leisure food. Its main

business is engaged in chain shops, commercial franchises, networks, and other means. Wholesale and retail of bulk food, prepackaged food, specialty food, vegetables, dried fruit, general merchandise, and agricultural products. Preparation and sale of hot food, confectionery, homemade food, cold food and raw food. The main business of Bestore consists of retail and wholesale trade and other businesses. The retail and wholesale sector accounted for most of the revenue with a share of 98.83 per cent. In terms of product composition, confectionery snacks occupy a major position. Among them, the largest revenue volume was in Central China, accounting for 26.49% of the total. In terms of total revenue, Bestore total revenue showed a general upward trend in Q1, H and Q9 of 2024. It rose from 24.51 billion to 54.8 billion. However, compared to last year's 2023 earnings only the first quarter of 2024 was up 2.77 per cent. The other two quarters were down 2.53 per cent and 8.65 per cent respectively year-on-year. In terms of recent stock market performance, Bestore has also been showing signs of decline. Bestore revenue for the first three quarters of 2024 was 5.48 billion yuan, down 8.66 per cent year-on-year. Net profit was 19.3903 million yuan, downing 89.86 per cent year-on-year [3]. Profit has declined for three consecutive years and is facing losses. In the later part of this thesis, the external environment of Bestore will be analyzed through the SWOT analysis model. The internal environment will be analyzed through financial performance, which mainly assesses its solvency, liquidity management and profitability. Later, article will conduct a risk assessment of Bestore and present our outlook on the future.

2. External Environment Analysis Based on SWOT Framework

2.1. Strength

In recent years, Bestore has been focusing more and more on R&D capability. The company has set up a high-level R&D team to recruit in niche areas of expertise. Inside the company, 90% of the talents are degree holders. The company also has six professional R&D laboratories covering meat, vegetarian and fruit drinks, packaging materials, etc. In addition, Bestore also actively cooperates with domestic food professional colleges and research institutes to ensure the safety and quality of its food products [4]. Secondly, digital transformation has also had a significant positive impact on Bestore business. Through the platform, Bestore can automate several business processes, which can effectively reduce the labor force, improve operational efficiency and reduce labor costs. In terms of management efficiency, employees can share and work together to solve problems more easily, speeding up the company's decision-making process [5]. "digital transformation can promote innovation of Bestore and understand consumer needs and market trends comprehensively" [6]. It can formulate new strategies to meet the current economic environment, develop new products to meet the needs of the market, attract more customers, and bring sustainable competitive advantages to the company.

2.2. Weaknesses

Outdated promotional methods. Bestore online promotions are based on major e-commerce platforms' promotional activities, with coupons, discounts and freebies as the main means. The promotion mode of the offline channel is mainly through the purchase of gifts, full-reduced, full-exchange, points and other methods to promote customers. However, these promotions are not as interesting as they could be. However, these promotions are not interesting enough. Consumers only buy during the promotion period rather than repeatedly, which does not create a long-term attraction for consumers [7].

2.3. Opportunities

Bestore should optimize its product strategy to differentiate its business. Currently, competition in the casual food industry is fierce, and optimizing product strategy and differentiation to maintain market competitiveness is crucial for a company [8]. Bestore should continue to deepen its strategy of providing a wide range of high-quality products to satisfy different consumer needs and focus on product innovation and research and development. Continuously launch new healthy snacks, and low-sugar and low-fat products in line with market trends to enhance product competitiveness and market share. Bestore also needs to adjust its price strategy and expand its sales channels. After the recent price reduction strategy implemented by Bestore, the net profit of Bestore has been greatly affected. Adjust the price strategy to avoid the loss of profit caused by excessive price reduction. At the same time, higher price positioning can be supported by increasing the added value of the products and increasing the product features. Use promotional strategies such as real discounts and giveaways to attract consumers to buy. Bestore can consider internationalization to promote its brand to the global market. By cooperating with international brands or developing overseas markets on its own, Bestore can expand a broader market space and increase brand awareness and influence. Focus on consumer demand and control marketing costs Bestore needs to keep an eye on video media developments to keep up with current events and hot topics and keep up with current affairs and hotspots to accurately target consumers' needs. It should make use of the consumer scene, consumer impulse psychology, emotional marketing and other methods to stimulate consumer demand. The company needs to focus on the dynamics of video media, keep up with the current hotspots, accurately target consumers' needs, and make use of the consumer scene, consumer impulse psychology, emotional marketing and other methods to stimulate consumers to spend, increase consumer loyalty and reduce customer acquisition costs.

2.4. Threats

The market competition in the casual food industry is becoming increasingly fierce and Bestore must face challenges from several competitors. These competitors may attract consumers through lower prices, better product quality or more innovative marketing strategies to capture market share. For example, brands such as Three Squirrels and Yanker Shop Food are performing well in the market and pose a direct threat to Bestore. Bestore is constantly introducing new products, however, the business model, both online and offline, has not changed much. The market needs to continuously innovate the product business strategy to avoid the problem of Bestore business strategy structure and keep it in the state of benign operation structure all the time [9]. The influx of competitors in the same industry poses a threat. At present, there are already many competitors in the leisure food retail industry, due to the low technical attributes of its production and research and development, which may be accompanied by the influx of more and more competitors under the promotion of the new retail concept. "Overall, the development of the traditional leisure food retail industry has suffered a severe setback due to the impact of the COVID-19 epidemic, and the leisure food market has almost reached saturation, with new retail driving more businesses to enter this market and brand competition only increasing" [10].

3. Internal Environment Analysis

3.1. Liquidity

The current ratio and quick ratio as a reference to judge the liquidity management ability of the company (see Table 1). The current ratio is a financial ratio that measures whether a company has sufficient resources to meet its obligations over the next 12 months. It is measured by comparing a

company's current assets with its current liabilities and is based on the following formula: The current ratio shows a company's liquidity in the marketplace and its ability to meet the demands of creditors. The current ratio varies from industry to industry, with a figure between 1.5 and 3 being considered healthy. Looking at the last three years of annual reports of Bestore, its current ratio has undergone a very significant change over the period. In 2021, its current ratio was 1.32, a decrease of 18.25 per cent year-on-year. However, in 2022, the current ratio increased by 10.4 per cent to 1.45, and in 2023, it fell back to 1.34, a decrease of 7.97 per cent compared to the previous year. In the third quarter of 2024, the current ratio peaked at 1.55. Quick ratio, also known as acid test ratio, is one of the most important ratios used to measure a company's liquidity. It is a more accurate measure of a company's liquidity because it only considers funds that can be used immediately to pay off current liabilities. A quick ratio of less than 1 means that a company is currently unable to service its current liabilities. In the year 2021, the quick ratio of Bestore is 0.95 decreased by 27.89 per cent year-on-year. but in the year 2022, the speed ratio of this company is 1.08 increased by 13.87 per cent year-on-year. In 2023, the quick ratio was 1.09 up 1.27%. In 2024, however, the company's quick ratio peaked with three consecutive quarters of 1.3 or more.

Table 1: Liquidity ratios of Bestore.

Ratio	2021	2022	2023	2024
Current ratio	1.32	1.45	1.34	1.55
Quick ratio	0.95	1.08	1.09	1.3

3.2. Solvency

Next, solvency is an important indicator of a company's ability to pay its debts. In this capacity, the debt ratio can be an important reference. Debt ratio is the percentage of total liabilities to total assets. Debt is generally positively correlated with the long-term solvency of an enterprise and is therefore considered a long-term solvency ratio in financial ratio analysis. From the report issued by Bestore in the third quarter of 2024, the Bestore debt ratio has been decreasing year on year, albeit with some fluctuations (see Table 2). In the last quarter of 2023, the Bestore debt ratio was 54.95, but in the first quarter of 2024, it decreased to 47.20. Next, in the second quarter of 2024, it decreased to 43.24. ...but in the last quarter of 2024, it grew its debt ratio by 2.37, a 10.68% decrease in year-on-year change inventory turnover is the rate at which inventory stock is sold, used, and replaced. The inventory turnover ratio is calculated by dividing the cost of goods by the average inventory for the same period. A higher ratio tends to point to strong sales and a lower one to weak sales. In 2022, Bestore inventory turnover ratio was 6.68, a year in which Bestore achieved significant results in inventory management and improved its total asset turnover ratio. In the quarter of 2023, the inventory turnover ratio was 3.53. And in the first half of 2024, the inventory turnover ratio was 5.89, an increase of 34.56% year-on-year. Therefore, to sum up, the inventory turnover ratio of Bestore has shown a steady growth trend in the last three years. The current situation of debt financing of Bestore is manifested in two aspects: on the one hand, the short-term debt financing of Bestore has been reduced, the pressure of short-term debt repayment has been reduced, and the financial risk has been effectively controlled; on the other hand, the scale of long-term borrowings of Bestore has been increased, which may involve the rise of corporate governance capability and credit standing of commercial banks and other financial institutions [11].

Table 2: Solvency ratios of Bestore.

ratio	2023Q3	2024Q1	2024Q2	2024Q3
Debt ratio	54.95	47.2	43.24	45.61
Turnover ratio	6.68	3.53	5.89	Turnover ratio

3.3. Profitability

Finally, the profitability of the company is analyzed, and in this context, the gross margin is a very key indicator. Gross margin, also known as gross sales, margin, is a measure of profitability. The higher the gross margin, the stronger the profitability of the enterprise and the stronger the ability to control costs. However, the gross margin is not comparable for companies of different sizes and industries. Bestore Gross Margin is decreasing year over year (see Table 3). From 31.87% in 2019 to 26.77% in 2021. During this period, Bestore experienced a significant decrease. In both 2021 and 2020, it decreased by 12.13% and 4.40% respectively. In 2022 Bestore gross margin was 27.57% and in 2023 Bestore gross margin was 27.75%. In these two years, Bestore's profitability got some rebound. Net profit margin, or simply net margin, measures how much net income or profit a company generates as a percentage of its revenue. It is the ratio of net profits to revenues for a company or business segment. In terms of net margins, Bestore performance has also been steadily decreasing in recent years, except for 2022, when the margin has been decreasing year on year. In 2019, Bestore net margin was 4.53 per cent. In 2021 Bestore net margin was 3.03 per cent, a decrease of 30.47 per cent from the same year-ago period. In 2022 the net margin went to 3.54% up 16.84% year on year. But in 2024 it was a recession year for Bestore, with net margins reaching 2.23% year-on-year, a decrease of 37.05%. The turnover rate of accounts receivable continues to decline. "Accounts receivable turnover of a good goods store. The rate has been on a downward trend for the past five years and the decline is large, with a decline in 2022. To the lowest point in five years, this indicates that the good goods shop's ability to manage accounts receivable is poor. Better, it should strengthen the management of accounts receivable" [12].

Table 3: Profitability ratios of Bestore.

ratio	2021	2022	2023	2024
Gross margin	26.77%	27.57%	27.75%	
Net margin	3.03%	3.54%	6.21%	2.23%

4. Risk Assessment

4.1. Industry Assessment

From 2010 to 2022, the market size of China's casual food industry continued to grow from RMB410 billion to RMB1165.4 billion, and is expected to reach RMB123.78 billion in 2027; casual snacks have shifted from a fast incremental market to a slightly increasing market, and it is expected that the growth rate of casual snacks will be no more than 3% after 2021, but that the growth rate of the collection of snacks shops will be maintained at more than 10% [13].

In this case, the inherent pattern of traditional casual snacks has also undergone some changes. According to the recently released 2024 three-quarter reports of several traditional casual snack brands, the growth of some of the core data appears to be weak and even faces a downward trend. In front of the new star, the former traditional casual snacks "big three" - three squirrels, Bestore, and LYFEN are now facing a small challenge! So, the whole casual snack industry is facing a huge challenge, is the emergence of mass-marketed snacks. Because of the emergence of mass-marketed snacks, resulting in very low prices of snacks can stimulate consumer spending, in the current environment of the economy is not good. The reason for this is that the bulk snacks can cut out some of the hassle of negotiating the price directly with the manufacturer. According to some studies, it can be up to 30% lower than the original price.

4.2. Business Assessment

In recent years, there have been frequent occurrences of various food safety incidents, such as counterfeit and substandard food, food contamination and excessive food additives, all of which have seriously threatened people's lives and health. According to statistics, food safety has become one of the major issues of public concern in China. The solution of food safety problems requires the joint efforts of the whole society, and food safety problems have their deep-rooted social reasons. Enterprise is the key link, the snack food industry currently shows a good momentum of profitability, but food safety issues in the future are also an important bottom line that cannot be ignored. Due to the previous food safety problems, Bestore should pay more attention to the quality of food requirements, must be layer by layer, and increase inspection efforts, of course, other snack food enterprises are also the same [14]. Therefore, this paper believes that the biggest challenge that Bestore is facing now is the food safety issue because some time ago Bestore also had serious negligence in food safety, coupled with some media exaggerations, which led to the continuous decline of Bestore share price.

5. Conclusion

Overall, this dissertation focuses on the strengths, weaknesses, opportunities, and threats of the Bestore in a comprehensive manner. In addition, a large amount of data was analyzed to assess its liquidity management, solvency, and profitability. Finally, a risk assessment was made for Bestore and the entire casual snacks industry. The author believes that Bestore can still be the leading snack food company in the future. Not only because Bestore has advanced production technology and a large pool of talents to improve its food safety and quality, but also because Bestore can achieve diversified development and offline and online marketing cooperation. Then again, it is also because of the strong liquidity management and debt servicing ability that Bestore has demonstrated within the company. Even though the profitability of Bestore has encountered some difficulties nowadays, it is enough to get its profitability back on track, judging from its trend in the previous years. With the continuous progress of society, people's happiness index continues to grow, and the need for casual food is also more abundant and stronger. The food retail industry is in a stage of rapid development, innovation has become faster, and many small and medium-sized food processing and sales enterprises, such as spring, also show that the industry's market competition has become more and more severe. Therefore, Bestore as a member of the food industry, implores you to stand firm in the current market, or need to constantly innovate, try to keep pace with the times, meet customer needs promptly, and through constant innovation present new ideas to customers. Not only to hold on to the original old customers but also to try to constantly attract new customers. In the rapid development of the economy now, people's needs have become more diversified, the speed of acceptance of new things is relatively fast, the demand for the right price has become strong, and there is a need for a sense of experience and timeliness brought about by offline shopping, so food retailers must make the right choice.

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