

Research on Financial Reports of Visual Health Industry

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Abstract: Today's visual health industry is growing rapidly due to its vast market and contemporary technological advances. This paper will analyze the financial reports of several companies of different sizes and segments to understand the market patterns as well as the shortcomings and improvements of the industry. This paper will use some formulas to calculate the data from the companies' earnings reports to find out the different indices and then compare them to reflect the problems. Ultimately, it is concluded that different key data points should be focused on different segments of the industry in order to come up with different solutions.

Keywords: financial reports, earnings, visual health industry

1. Introduction

The area that will be studied in this paper is a sector that is extremely poorly researched commercially but is very relevant to the lives of the general public visual health. What is known is that there are 2.2 billion people worldwide with eye problems such as visual impairment or blindness, the most common of which is myopia, which affects 1.4 billion people, nearly one-sixth of the world's population, and it is clear from the data that there is a huge market for the visual health industry [1]. But looking back at the history of the industry, the literature is quite sparse and was even once ignored by economists. And in the world of related giant enterprises, only Essilor is among the world's top 500 companies, and its business is also still relying on its many small companies selling lenses, such a low-cost business. Because of the lack of independent innovation, its R & D expenditure is only 150 million euros per year, and other top 500 companies have a huge gap in scientific research investment [2]. The market for this industry is huge, but there are few giant enterprises and many small enterprises, which are difficult to grow and become stronger. So, this paper will first address the development of many companies in this industry by analyzing the representative companies in China, the largest market in the visual health industry, and then analyze the leading international large companies in this industry to propose how to further expand the scale. The visual health industry has a huge market, a lack of research, and small enterprises. The analysis can stimulate the potential of the industry and further promote its development, which is an important object of economic development.

2. Comparison of Small Business Earnings Reports

First of all, focusing on companies in the Chinese visual health industry, the largest market in the world, it is surprising that even though it is the largest market, none of the Chinese companies representing this industry are world representatives, and even all of them are small and medium-sized companies. Let's start with the most basic company, Mingyue Lenses, which was founded in 1999 in Shanghai, China, with the main business of lens production and was listed on the Shenzhen Stock Exchange in 2020, and since then has gradually transformed into optical equipment research and eye care. Here is the company's income statement for the last few years.

Table 1: Income Statement of Mingyue.

Income Statement of Mingyue			
Year	2021/12/31	2020/12/31	2019/12/31
Total Revenue	57556.93	53968.14	55250.12
Total Expense	47346.97	44635.75	45405.06
Operating Income	10815.23	9487.67	9714.62
Total Income	10741.39	9717.81	9665.77
Income Tax	1573.3	1561.93	1608.36
Net Income	8209.41	7000.49	6984.6
Sale growth = [(current year revenue/prior year revenue) – 1]*100			

According to table 1, the total revenue for the three years is very close, going through a period of small fluctuations. Then bring the data into the following formula - Sales growth = [(current year revenue/prior year revenue) - 1] * 100 to calculate, the sales growth of Mingyue lenses from 2020 to 2021 is about 6.65, And its revenue from 2018 to 2022 is \$509 million, \$553 million, \$540 million and \$576 million, it is obvious that its growth is very slow [3]. The reason for this can be found in the income statement, where it is clear that total expenses are huge, accounting for almost four-fifths of total revenue. This means that the company does not have enough profit to develop itself, and it is difficult to attract investors with its small profits and high costs. This is a problem not only for the most basic companies in the industry, such as lenses, but also for the whole industry. So to find a solution, use two more companies to make a comparison with Mingyue Lenses.

Table 2: Comparison with the same industry.

Comparison with the same industry									
Finalci al Data	Mingyue Lenses(301101)			Doctor Lensens(300622)			Ovctek Lenses(300595)		
	Seemiann ual 2022	Semiann ual 2021	Gro wth	Seemiann ual 2022	Semiann ual 2021	Gro wth	Seemiann ual 2022	Semiann ual 2021	Gro wth
Reven ue	286,390, 640.49	271,860, 173.97	5.3 4%	457,231, 592.83	421,795, 183.72	8.4 0%	684,460, 891.07	570,137, 734.19	20. 05 %

Table 2: (continued).

Expense	133,300,679.42	118,639,983.02	12.36 %	180,390,923.40	155,856,735.76	15.74 %	162,179,605.19	134,018,276.38	21.01 %
Operating Income	153,089,61.07	153,220,190.95	-0.08 %	276,840,669.43	265,938,447.96	4.10 %	522,281,285.88	436,119,466.81	19.76 %
Selling Expense	47,457,411.34	59,289,083.64	-19.96 %	204,837,587.11	178,415,493.73	14.81 %	138,876,211.12	108,320,081.93	28.21 %
Managing Expense	39,908,285.15	35,459,580.80	12.55 %	44,028,132.01	31,604,016.38	39.31 %	56,706,712.89	47,888,419.40	18.41 %
R&D Expense	8,871,711.21	8,658,188.40	2.47 %			0.00 %	16,992,355.64	13,284,158.18	27.91 %
Finalcial Expense	-1,821,877.34	209,106.71	-971.27 %	5,360,619.06	3,124,565.06	71.56 %	-900,169.81	3,428,314.74	-126.26 %
Period Expense	94,415,530.36	103,615,959.55	-8.88 %	254,225,338.18	213,144,075.17	19.27 %	211,675,109.84	172,920,974.25	22.41 %
Non-Recurring Gains and Losses	13,426,353.16	484,308.37	2672.27 %	4,975,412.23	4,775,803.41	4.18 %	19,517,231.78	44,970,926.65	-56.60 %

Doctor's Eyewear is a public company that focuses on eyewear chain stores, mainly opening stores in various shopping malls to sell major brands of eyewear and lenses. OVCTEK, on the other hand, mainly sells OK lenses and other related devices with medical properties. Reviewed the two semi-annual reports of the three companies and conducted a summary and comparative analysis. According to table 2, first of all, in terms of profitability, we can compare the gross margin, we bring the data of the three companies into the formula (Operating margin = operating income/ revenue) to calculate the gross margin of the three companies, and calculate the change of gross profit of the three companies are Mingyue lens negative 0.08 percent, Dr. Glasses 4.10 percent, OVCTEK 19.76 percent. Obviously, the manufacturer of OK lenses because of the highest gross margin and the fastest growth because of the excellent myopia prevention and control function and medical properties [4, 5]. The gross margins of Mingyue lenses, which mainly produces and sells lenses, at 53.45%, and of Doctor's Eyewear, which is a chain of directly operated optical stores at the retail end, at 60.55%, both declined compared to the same period [6]. Since both sides are mainly offline stores, then we can know that the main impact is brought by the epidemic sealing control which is also the problem of most of the companies in the industry. Then, compare the operational efficiency, the following is the chart from the balance sheet of the three companies.

Table 3: Comparison with the same industry .

	Mingyue	Doctor	Ovctek
Deferred Income Tax Assets	9,576,572.89	14,690,331.30	12,824,647.02
Other Non-Current Assets	199,26,183.12	1,234,179.99	31,797,451.99
Total Non-Current Assets	223,672,724.50	329,263,640.95	1,174,440,668.58
Total Assets	1,561,258.956.94	975,537,345.52	4,662,178,663.65

According to table 3, bring the total asset and revenue into the formula ($\text{Asset Turnover} = (\text{Total revenue} / \text{Total assets}) * 100$), and get the asset turnover of the three companies as Mingyue lens 37, Dr. Glasses 91, OVCTEK 28, which can roughly see the operating efficiency of the three companies. What can be known is that Dr. Glasses has the highest operational efficiency, which is not difficult to speculate that it is due to its direct purchase and then offline sales of products without having too many assets [6]. The operating efficiency of Mingyue and OVCTEK is lower because they need to buy equipment and rent production sites [4, 5]. Finally, we can also compare the scientific research investment of the three companies, as the industry with the attributes of science and technology attached to it, the most indispensable is the investment in scientific research. Here is the chart of research funding.

Table 4: Comparison with the same industry

Finan cia l Data	Mingyue Lensens(301101)			Doctor Lensens(300622)			Ovctek Lensens(300595)		
	Semiann ual 2022	Semiann ual 2021	Gro wth	Semiann ual 2022	Semiann ual 2021	Gro wth	Semiann ual 2022	Semiann ual 2021	Gro wth
Sellin g Expe nse	47,457,4 11.34	59,289,0 83.64	- 19.9 6%	204,836, 587.11	178415, 493.73	14.8 1%	138,876, 211.19	108,320, 081.93	28.2 1%
Mana ging Expe nse	39,908,2 85.15	35,459,5 80.80	12.5 5%	44,028,1 32.01	31,604,0 16.38	39.3 1%	56,706,7 12.89	47,888,4 19.40	18.4 1%
R&D Expe nse	8,871,71 1.21	8,658,18 8.40	2.47 %			0.00 %	16,992,3 55.64	13,284,1 58.18	27.9 1%
Finan cial Expe nse	- 1,821,87 7.34	209,106. 71	- 971. 27%	5,360,61 9.06	3,124,56 5.06	71.5 6%	- 900,169. 18	3,428,31 4.74	- 126. 26%
Perio d Expe nse	94,415,5 30.36	103,615, 959.55	- 8.88 %	254,225, 338.18	213,144, 05.17	19.2 7%	211,675, 109.84	172,920, 974.25	22.4 1%

At the same time, calculate the rate of change of research investment. According to table 4, the rate of change of Mingyue's research investment is 2.47 percent. With the IPO fundraising in place and the management's decision to transform, the R&D expenses increase year by year [4]. OVCTEK,

on the other hand, has a long history of high and rapidly growing R&D expenses due to the nature of its own technology enterprise and the medical and technological attributes of its products [5]. It is noteworthy that Dr. Glasses' R&D expenses are 0, which is a characteristic of many companies in this industry that are mainly offline stores with inbound sales, which also leads to their limited growth potential and differences in development direction from many companies represented by the other two companies [6]. What can be learned from the three comparisons is that the same visual health industry, due to different sales channels (retail and wholesale), different sub-sectors (lens manufacturing, eyeglass chain, medical device production and sales), its profitability, operational efficiency, investment costs, and also easily found corresponding problems, can be reflected in the whole industry. The lens manufacturers, represented by Mingyue Lenses, have high costs, low gross margins, and limited profitability due to the problem of accessing raw materials, as well as low operational efficiency due to the various expensive equipment required for production. For such companies, it is possible to learn from the current practice of Brightmoon lenses to gradually expand the scale of research and development through capital raising, to develop relevant high-tech medical devices and optical equipment, and to improve gross margins through branding of lenses [4]. From the chart above, we can see that the handling expense is the main cost source of the optical retail chain represented by Dr. Glasses, and the handling expense increases gradually with the number of stores, which leads to low profitability. The company's development direction is also special, so it does not need to invest in R&D. In response to this problem, combined with the current Chinese young people's attention to fashion trends, you can increase the cost of investment in eyewear design to beautify the appearance, and increase cooperation with fashion brands, in stores to provide more fashion brand eyewear purchase channels. Such enterprises can get rid of the development of technology products and, on the other hand, fashion products, through this way to provide profitability and a clear development direction [6]. For OVCTEK, its profitability is outstanding by virtue of the technology and medical attributes of its products, and the emphasis on R&D expenses also ensures its future product development. However, it is worth noting that OVCTEK has a low asset turnover due to its expensive equipment and premises, and its handling expense is also high, which can be presumed to be mainly focused on spending on R&D personnel. To solve this type of problem, it can learn from our peers, such as Bright Moon Lenses, whose R&D is mainly focused on cooperation with universities, and so far, Bright Moon Lenses has made partnerships with several key universities in China and has an institute, and has acquired a large number of small companies with advanced technology, through which it can make rapid technological progress, while being more cost effective and more efficient in the long run. This is something that OVCTEK can learn from [5].

3. Analysis to Earnings Reports of Leading Company

Next, the essay will focus on the world's leading companies in the industry, and here report about Essilor. Essilor is a long-established company in the visual health industry, whose main business can be seen in the table below.

Table 5: Buissiness distribution.

millions	1Q2021	1Q2020	change at constant exchange rates	currency effect	change at current exchange rates
lenses	1631	1589	9.5	-6.8	2.6
sunglasses	166	134	29.6	-6.1	23.5
equipment	45	38	25.5	-7.6	17.9

Table 5: (continued).

essilor revenue	1842	1762	11.4	-6.8	4.6
wholesale	776	695	18.8	-7.1	11.7
retail	1441	1327	15.9	-7.4	8.6
luxottica revenue	2218	2023	16.9	-7.3	9.6
total revenue	4060	3784	14.3	-7.1	7.3

According to table 5, it mainly manufacture lenses and lens-related optical equipment, and are also involved in a bit of the retail industry. As a Fortune 500 company, its own strengths are undeniable, but the nature of the industry in which it operates has its own set of flaws [7]. We can see the table 6 below about Essilor's sales to different regions of the world.

Table 6: Revenue by geographic area

millions	1Q2021	1Q2022	change at constant exchange rates	currency effect	change at current exchange rates
North America	2200	2070	15.7	-9.4	6.3
Europe	955	906	8.1	-2.6	5.5
Asia, Oceania and Africa	706	587	21.8	-1.6	20.2
Latin America	199	222	7.2	-17.5	-10.4
total	4060	3784	14.3	-7.1	7.3

Even as the most commercially successful lens company, it has difficulty achieving global coverage due to the the unsatisfactory implementation of the acquisition program for Asia-Pacific companies in 2000 and the lack of ties with the Asia-Pacific region, resulting in lower sales in the region. From income statement and balance sheet. Total operating expenses is very high compared to revenue, total income are 1237 billion and total asset are 14759 billion ,then use the data to the formula $ROA = (\text{Total income} / \text{Total asset}) * 100$, and the ROA of Essilor in 2021 is less than 7.2 percent. Essilor's ROA is not very impressive, even in the middle and lower reaches of the position. All these signs indicate that Essilor's profitability is limited. Looking at the production process of Essilor, we speculate that Essilor may have high raw material prices due to the lack of connection with raw material suppliers, which also leads to lower production efficiency. In contrast, the Asia-Pacific company maintains close ties with Japanese raw material suppliers, making it possible to purchase raw materials more cheaply and at the same time to work together efficiently, which is an area where Essilor deserves improvement [8]. Finally, it is worth mentioning that the entire visual health industry is dominated by lenses, so the whole industry will face threats from other industries, the biggest one being the substitution of other products for resin lenses. Contact lenses are a good example, even though they have not succeeded in replacing resin lenses, they have dealt a blow to the whole industry. With the development of technology, other companies may come up with products better than resin lenses or medical treatments to cure visual problems [9]. And then Essilor,

as the industry leader, will be the one to suffer the biggest blow, a problem that the whole industry is facing.

4. Conclusion

The solution to these three problems of Essilor is also a solution to the problems of the whole visual health industry. First of all, for the market share integrity, relevant enterprises with the ability can implement the acquisition of local enterprises, such as Essilor's acquisition of the Asia-Pacific region in 2000, which has initially occupied the Asia-Pacific market, and Essilor can set up a new headquarters in the Asia-Pacific region to design relevant products for the problems of Asian people. For profitability, the vast majority of enterprises in this industry are limited in profitability due to high raw materials. Referring to the practices of some Asia-Pacific enterprises, they can achieve close partnerships with raw material enterprises or joint ventures with new raw material subsidiaries, while for head enterprises, they can invest in R&D to overcome the difficulties of raw materials. Finally, for the future of the industry, the industry has developed to a certain point in the business can consider increasing business in case of emergency. For example, Zeiss uses optical research to manufacture lenses for precision instruments, NASA's shooting lenses, etc. to extend the field of optical high-tech to the field of visual health. Further reference to Bright Moon lenses could be made in the field of ophthalmology in medicine in cooperation with local medical companies.

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