

## DuPont Analysis-Based Financial Risk Assessment of Jinjiang International Hotels

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### Introduction

This study employs DuPont ROE decomposition (net profit margin, asset turnover, and equity multiplier) from 2020 to 2024 to benchmark Jinjiang against industry peers, revealing a declining net profit margin, low asset turnover, and an equity multiplier exceeding industry norms – driven by debt-fueled expansion and a heavy-asset structure.

### Research Questions

- How do JJIH's ROE drivers (net profit margin, asset turnover, equity multiplier) compare to industry peers (Huazhu, BTG Homeinns)?
- What systemic financial issues underlie JJIH's suboptimal DuPont metrics?
- What targeted strategies can improve JJIH's financial resilience and market position?

### Methodologies

#### Quantitative Analysis

Collect JJIH's financial statements (2020-2024) to compute DuPont components ( $ROE = \text{Net Profit Margin} \times \text{Asset Turnover} \times \text{Equity Multiplier}$ ). Benchmark against competitors using publicly available data (e.g., Huazhu's asset turnover, and BTG's leverage ratios).

#### Qualitative Diagnosis

Map financial metrics to operational practices through annual reports and industry whitepapers.

Validate findings with prior studies on hotel financial management.

### Results

**ROE Recovery with Persistent Risks:** JJIH's ROE rebounded from  $-3.6\%$  (2022) to  $4.1\%$  (2024), driven by post-pandemic revenue growth. This trails Huazhu ( $25.1\%$ ) due to 1) Low Net Profit Margin ( $3.8\%$  vs. Huazhu's  $13.0\%$ ): High labor ( $33\%$  of costs) and lease expenses ( $25\text{-}30\%$  of revenue); 2) Subpar Asset Turnover ( $0.32x$  vs. industry  $0.5x$ ): Fixed assets dominate ( $60\%$  of total assets), with  $35\%$  vacancy in tier-2/3 cities; 3) Elevated Leverage (Equity Multiplier:  $3.36x$ ): Debt-funded expansions increase interest burdens.

**Peer Comparison Insights:** Huazhu's superior ROE ( $25.1\%$ ) stems from asset-light franchising (turnover:  $0.38x$ ) and cost discipline. BTG's conservative leverage ( $2.11x$ ) ensures stability but limits growth.

### Figure

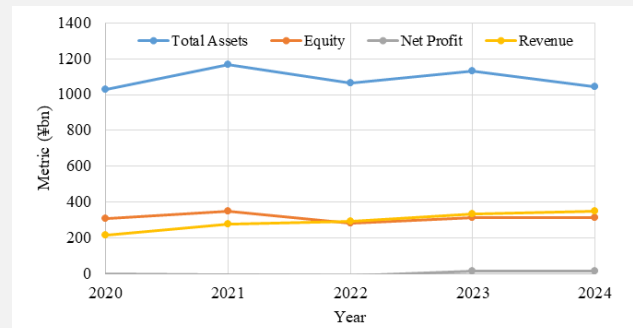


Figure 1. Financial data trend chart of Jinjiang International Group

### Table

Table 1. Financial data of Jinjiang International Group

Item	2020	2021	2022	2023	2024
Total Assets (¥bn)	103.035	116.509	106.635	112.938	104.362
Shareholders' Equity (¥bn)	30.971	34.912	28.214	31.214	31.105
Net Profit (¥bn)	-0.345	-0.667	-1.015	1.470	1.337
Operating Revenue (¥bn)	21.673	27.649	29.043	33.405	34.851

\*Data source: Jinjiang International Group Annual Reports (2020-2024)

### Conclusions

The analysis identifies key financial challenges including elevated operating costs, suboptimal asset utilization efficiency, and excessive financial leverage, all requiring urgent remediation. These issues primarily stem from the company's aggressive expansion strategy resulting in high debt ratios, coupled with an imbalanced asset structure characterized by insufficient light-asset components. To address these root causes, strategic recommendations are proposed, focusing on three pillars: strengthening cost control measures, enhancing asset operational efficiency, and reducing financial leverage.