

# Analysis of the Development of Entertainment Industry: Evidence from Huayi Brothers

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**Abstract.** As one of the leading enterprises in the entertainment industry, Huayi Brothers' evaluation of its commercial value helps to understand the development potential and current situation of China's media and entertainment industry. This article mainly provides a review of the value evaluation of Huayi Brothers, a listed company. It introduces the value of Huayi Brothers itself and its investment value and combines existing valuation evaluations to analyze and introduce the development trend of China's media and entertainment industry in the post pandemic era. Finally, by studying market changes, comparing market and media sector performance, and conducting valuation analysis on the market value of this type of company, the development potential of the entertainment industry under the digital trend was explored, and the viewpoint that the media and entertainment industry still has development potential was further clarified. Overall, these results shed light on guiding further exploration of valuation for the whole entertainment industry.

**Keywords:** Financial evaluation, entertainment industry, valuation analysis.

## 1. Introduction

Pricewaterhousecoopers forecasts that the Chinese entertainment and media market will grow at a CAGR of 4.3% in 2022-2030, 2027 to 3.6% worldwide [1]. A growing number of short video platforms and content creators are joining the industry, with movies, virtual reality, internet advertising, video games and e-sports still seeing high growth. Comprehensive comparison, China's current media and Entertainment Development Prospects are better, media and entertainment industry has become the concern of the current community topic. With the continuous development of the times, integrated industry decline in recent months, the media still occupy the forefront, it is still a great potential for development?

Huayi brothers, one of the leading companies in the entertainment industry, will expand its market in 2013 to improve its ability to innovate and resist risks, with films as its main business, multi-faceted and diversified management. Understanding Huayi's business model, the changes under the trend of the times, and assessing Huayi's business value can help us understand the development potential and status quo of China's media and entertainment industry [2, 3].

This paper summarizes the valuation of the listed company Huayi Brothers, introduces the value of Huayi brothers itself and its investment value, and combines the existing valuation evaluation, comprehensive analysis of China's media and entertainment industry in the post-epidemic era of development trends [4]. Finally, by studying the market changes, comparing the performance of the market and media sector, and the market value of this type of companies to carry out valuation analysis, to explore the development potential of the entertainment industry in the digital trend, further elaborated the media entertainment industry still has the development potential point of view [5, 6].

## 2. Overall Evaluation

Overview of the media and entertainment sector the media and entertainment sector consists mainly of Internet advertising, Ott video, movies, and video games, and the recent surge in the meta-universe and virtual reality. China is now the world's largest film market in terms of box office, attendance and number of screens. Its position has been strengthened during the pandemic. China

accounted for 35.2% of the global box office in 2021. At one point, cinemas in China accounted for more than 80 per cent of global revenues, especially in the early days of the pandemic, when the country was one of the few economies to open up. For example, in the spring of 2021, when the other place is closed due to the outbreak of the cinema, the cinema in China is still open and the business is thriving.

China's box office rose sharply in 2021, reaching about \$7.3 billion by the end of the year, more than double what it was in 2020. Revenue and admissions fell sharply in 2020. Due to the pandemic, cinemas in mainland China were closed for five months between January and July 2020. Only 548 million people went to the movies in the whole year, down from 1.8 billion before the pandemic in 2019. Despite continued execution grounds 75% capacity limits, but the audience is still a large number of returns in 2021. Viewing, while still below 2019 levels, rebounded remarkably to 1.3 billion. It is clear that China's film industry is well developed enough to meet the growing demands of domestic audiences. China produced a total of 1,037 films in 2019, and while that number almost halved to 650 in 2020 due to the pandemic, productivity will continue to grow in response to new sources of public funding and tax breaks. Turmoil in public health, supply chains, and geopolitics made 2021 a year of uncertainty. However, amid the concerns, the overall trends in the market and the forces driving growth are clearer, and there is a better understanding of the surges and waves that are changing the entertainment and media landscape.

2022-2027 CAGR value change Huayi Brothers as a film studio, Huayi Brothers has benefited mainly from film production and distribution (seen from Fig. 1). As shown in Fig. 2, the value of Huayi Brothers' Company reached a high value in August 2020, then a downward trend overall, reaching a low value in October 2022, from October 2022 to August 2023, the 2023 increased steadily. As a result of the 2019-2022 epidemic, off-line cinema was largely closed and controlled. As shown in Fig. 3, box office revenue for Chinese films in 2022 fell by 37% to US \$4.54 billion [7]. That's well below global box office takings for the same period

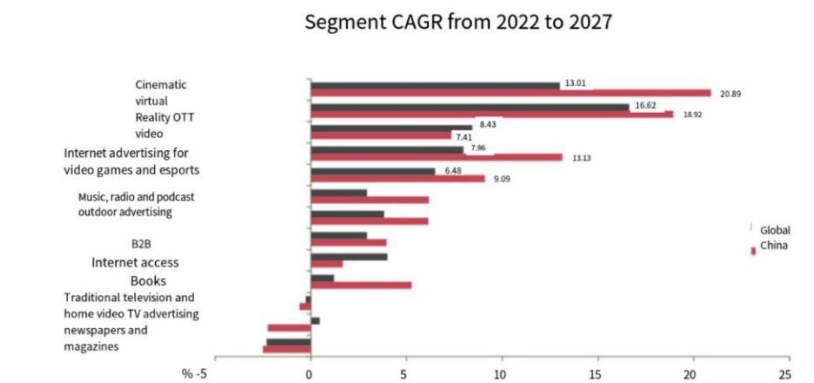


Figure 1. Segment CAGR from 2022 to 2027

Total market value of Huayi Brothers

Latest value  
 Total market value of 8.324 billion yuan  
 2023/08/17 15:00:00 (Beijing time) closed

Total Market CAP TREND



Figure 2. Total market value of Huayi Brothers

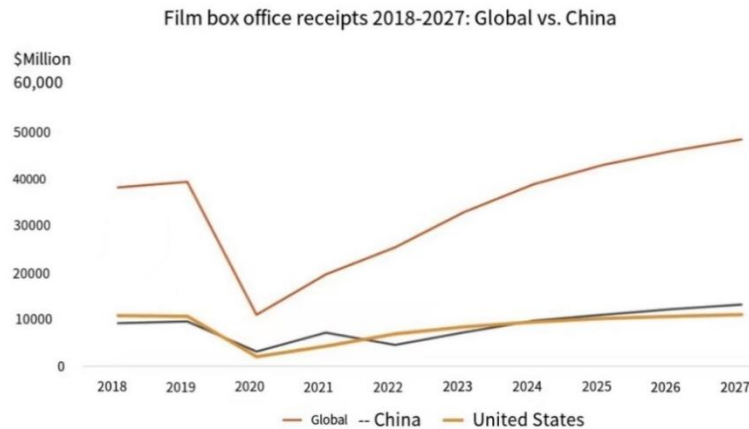


Figure 3. Box office revenue for Chinese films

### 3. Analysis of the Intrinsic Value of the Entertainment Sector

As a matter of fact, it is believed that the film industry's income and development trends are constrained by social environment, Huayi Brothers and other media and entertainment sector companies have strong limitations, and closely related to policy and social factors. The Chinese government also gave a lot of regulatory support to the film industry during the epidemic. In May 2020 released the exemption of film development funds and other financial incentives. China's film industry enjoyed a strong recovery in July 2020, and the box office market surpassed North with 20.314 billion yuan, making it the largest in the world for the first time in history [8]. Combined with the liberalization of the epidemic policy and the government's policy support for the industry, the author analyzed that Huayi Brothers' Market Value Peak in August 2020 was closely related to this.

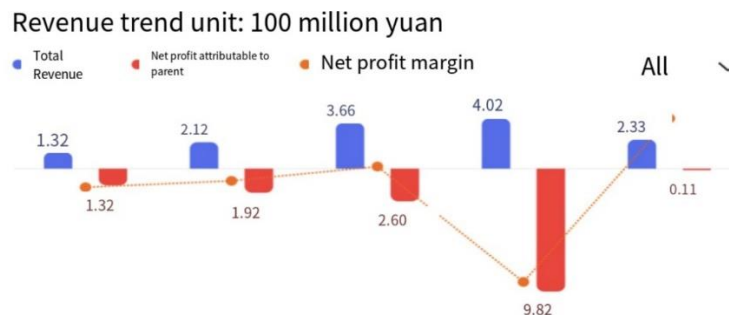
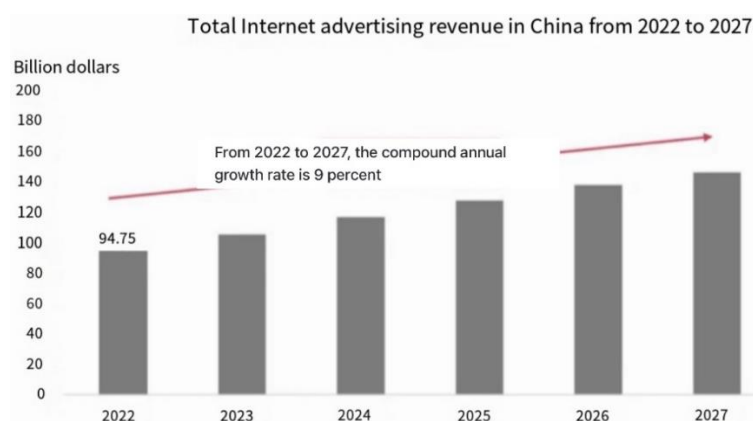
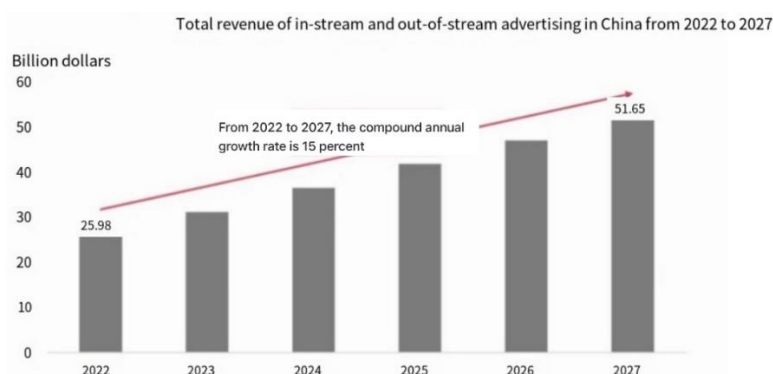


Figure 4. 2022-2027 total Chinese internet advertising revenue

In addition to market capitalisation, Goodwill is part of a company potential. It is not only the invisible value of the enterprise, but also the potential economic value that can bring excess profits to the enterprise in the future. As can be seen from the picture, the goodwill of Huayi Brothers is not optimistic. From Huayi Brothers; Business Statement (seen from Fig. 3), one can see that Huayi Brothers; finance has been in the red. To sum up, one can see that Huayi Brothers in the economic environment, the three-year epidemic situation, the enterprise is facing more difficulties. Figure 33, entertainment sector intrinsic value analysis and future market forecasts, with the improvement of living standards, the Chinese people generally not only satisfied with food, but the pursuit of spiritual entertainment. Compared with more traditional forms of entertainment, the rapid development of media entertainment momentum is just right. With the popularity of smart phones and the rapid development of the Internet, people rely more on fast-moving entertainment activities [9].



**Figure 5.** 2022-2027 total Chinese streaming advertising revenue inside the 2027



**Figure 6.** 2022-2027 total Chinese streaming advertising revenue outside the 2027

As shown in Fig. 5 and Fig. 6, the total advertising revenue of the entertainment media industry in 2027 China shows an upward trend from 2022 to 2010. The growth of the internet advertising market is still stable and above the average CAGR for the Asia Pacific region and the world. By 2027, the Chinese Internet advertising market is expected to reach about \$146.4 bn, and it remains a huge market [10]. The rapid growth of internet advertising, driven by the more accurate advertising generated by the computation of data from short video social platforms, is an important turning point for the entertainment media industry in 2022,10 due to changes in the economic and living environment, according to the study [11], consumer spending fell in all areas during 2022. But on the whole, the growth rate of the entertainment sector will be greater than the growth rate of consumer spending, entertainment sector development prospects are better. The results show that the development of entertainment companies in China is closely related to the policy and market environment. On the whole, people have a high enthusiasm for entertainment products consumption, entertainment sector has a good development prospect. Of course, the entertainment industry is close to saturation track, many new forms also appear in the industry, increased company-to-company, product-to-product competitiveness. Huayi brothers in recent years, the situation as the early days of the epidemic and before, the decline in market competitiveness, and even a loss. It shows that the traditional model cannot continuously adapt to the fast-changing market [12].

#### 4. Conclusion

Now China main contradiction has changed, to solve the material needs, the spiritual needs are also beginning to be taken seriously. China has introduced policies to support the development of the entertainment industry, but also to China entertainment market can compete with other countries. Although the entertainment sector has good prospects, Huayi crisis remains to be resolved. The author believes that the media entertainment industry is in the continuous evolution of the process of development. Huayi brothers; profit mainly depends on the traditional film investment, and more and more net drama, short video and the film industry to compete for interests. The progress of

technologies such as the meta-universe and virtual reality also enriches people & forms of entertainment and rapidly expands the market. As a model of traditional film companies, should be timely optimization, in innovation into technology and content. Although the film industry traffic is huge, but to really occupy a place in the market, or have to rely on their own true ability. The distant view entertainment industry, in recent years and the future competition will be more and more strong, with the addition of innovation, the track saturation, will also greatly increase the difficulty.

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