

Based on the DuPont analysis method under the IQIYI Study on Profitability Issues

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Abstract. With the improvement of material conditions and the increasing popularity of the Internet, video websites have become an important pastime for people. At present, most domestic video websites are losing money, and the research subject of this paper, Iqiyi, as a comprehensive reflection of a platform's operational efficiency, its profitability is the key to its survival and development. After years of development, video websites have formed three different profit models: "advertising revenue", "membership payment", and "IP industry chain". However, the current problems facing the profitability of domestic video websites are: high cost, shortage of capital, frequent piracy infringement, and homogenization of content. This dissertation takes literature method and DuPont analysis as the research object, and explains the background, purpose and significance of the research. The main contents of the article include Dupont analysis, profitability factors, etc. Secondly, based on a comprehensive understanding of relevant literature and theories, this paper takes Iqiyi as the theme and provides an in-depth analysis of various profitability factors of Iqiyi from the perspective of profitability model; it finds the main problems under the current profitability model: uneven profit sources and consecutive years of losses. The main causes of these problems are: narrow profit target range, high costs and expenses, and decreasing number of member users. Finally, based on the analysis of this paper, suggestions are given to improve Iqiyi's profitability.

Keywords: Iqiyi, DuPont Analysis, Profitability, Profitability Factors.

1. Introduction

1.1. Research Background

With the gradual enrichment of network video content and convenient viewing, which effectively meets the users' demand for viewing, the users' online viewing demand and willingness to pay continue to improve, which effectively promotes the scale of network video users to be improved. According to CNNIC public data, in 2021, the scale of China's Internet users exceeded 1 billion, laying the user foundation for the construction of digital China and network power. From the scale and use of various personal network applications in 2021, instant messaging, network video (including short video) and short video ranked the top three, with the scale of Internet users of 1.007 billion, 975 million and 934 million respectively, and the network usage rate of 97.5%, 94.5% and 90.5% respectively. In 2021, the overall scale of users of network video further grew to 975 million, accounting for 94.5% of the overall Internet users, but the growth rate continues to slow down. The online video market is characterized by the emergence of high-quality products, accelerated exploration and application of new services and technologies, and an increasingly clear environment.

Despite the rapid increase in the number of network video users and the momentum of development, however, its development is not as good as expected, the problem of profit has become a problem faced by every network video company, You Aiteng, the three giants of the Internet, it is also difficult to avoid losses. And the subject of this thesis is IQY, which had to carry out large-scale layoffs because of its losses for several years in a row, which made the whole network industry tremble.

Although the monopoly of IQY is getting higher and higher, IQY has never made any profit. According to its financial report, in these three years, the content cost of IQY has taken up 70% of

the whole revenue, and because of the strict regulation, it has led to the calling off variety shows, which resulted in the decline of IQY's revenue. Due to the epidemic, the production of many TV dramas has been delayed, and the CEO of IQY once said that IQY's online audience is half of what it was at the same time last year, and TV dramas with traditional themes are 30% of what they were last year. Because of the epidemic and auditing, web dramas are put online in advance, and even if they are online, they are censored because of auditing, and the translations are often intermittent, or purposely switched into "child mode", which is disappointing. And, with viewers' love of short videos, Aichi, whose main business is TV dramas, has begun to discount them. As the epidemic continues, the regulatory system has become stricter, and approvals have become more difficult, IQY can no longer see any possibility of making a profit, and foreign investors, who are less and less optimistic about the development of video content in the country, are seeing their funding dwindle.

Love Qiyi and Tencent, Youku and other video sites are different, Tencent and Youku behind the Tencent and Ali culture two big backers, and love Qiyi's income is only dependent on video fees, so it seems that love Qiyi's layoffs are also reasonable, if you do not save money, the company is facing more than just a simple problem of losses. QiYi needs to change its strategy to increase its revenue sources and improve its profitability. In addition, the current challenge facing IQY is the emergence of short videos as a more brutally powerful competitor. Since 2018, brand advertisers have shifted to short-form ads with high conversion rates and flexible delivery, thus dampening the profitability of long-form video. The emerging genre of e-commerce has been monopolized by short video and live streaming platforms. Hybrid platforms such as B-station and Watermelon, which are a mix of long and short videos, have gradually encroached on the traditional long video platforms. For the development of the enterprise, to achieve the turnaround of IQY, we need to quickly adapt to the current social development trend.

1.2. Research Significance

In the booming market economy now under the environment, the economic situation of China's video website industry is the opposite, love Qiyi, Tencent, Youku three video website giants have been facing huge losses in these years, this paper's object of study love Qiyi face financial pressures and overwhelmed in 2021 had to carry out layoffs to reduce costs.

Profitability is an important guarantee for the company's sustainable operation and expansion of business scale, and the efficient way of profitability can ensure the company's future development and make the company's future profits grow in a sustainable way. In this paper, we hope that by analysing the profitability and the reasons for the continuous loss of IQY, it can help us to find the right solution to achieve the profitability goal of the company and reverse the loss situation.

2. Relevant Concepts and Rationale

2.1. Basic Theory of DuPont Analysis

2.1.1. Basic Theory of DuPont Analysis

DuPont analysis is a comprehensive analysis of a company's operations and financial position using the interrelationship of a variety of financial analysis indicators. Using DuPont analysis, a company's level of profitability, operational efficiency, and risk tolerance can be comprehensively analysed. He assesses the level of company's earnings and return on shareholders' equity from a financial perspective.

The DuPont Analysis is a framework used to dissect a company's return on equity (ROE) by breaking it down into three components:

1. Net Profit Margin: This is calculated as Net Income divided by Revenue. It measures how effectively a company converts its revenue into profit.
2. Asset Turnover: This is calculated as Revenue divided by Total Assets. It measures how efficiently a company uses its assets to generate revenue.

3. Equity Multiplier: This is calculated as Total Assets divided by Equity. It measures how much a company is leveraging its assets through debt.

The product of these three components gives us the ROE, which is a measure of how effectively a company uses its equity to generate profit.

So, in equation form, the DuPont Analysis looks like this:

$$\text{ROE} = \text{Net Profit Margin} \times \text{Asset Turnover} \times \text{Equity Multiplier}.$$

It is a kind of layer-by-layer decomposition of the idea, through the layer-by-layer split to many different ratios of data linked together to analyse, we can be more intuitive understanding of the link between each indicator, clearer company's profitability, solvency and operating capacity, and ultimately find problems and efficient problem solving.

2.1.2. Features of DuPont Analysis

DuPont analysis method can better reflect the overall financial situation of the company and the structural relationship of various financial analysis indicators, so as to better understand the changes of various financial indicators and the reasons for the changes and problems, so as to provide the basis for the implementation of the next step; it has an important guiding significance for the financial management of the enterprise, financial management, solvency, improve the solvency of the enterprise, improve the operational efficiency of the enterprise.

2.2. Theoretical concepts of profitability and its influencing factors

2.2.1. Theoretical concept of profitability

Profitability is the ability of the enterprise to obtain profits, also known as the enterprise's capital or capital appreciation ability. It is generally expressed as the amount and level of the enterprise's earnings in a certain period. Profitability indicators mainly include asset profitability, return on net assets, cost and expense margins, etc.

When a company earns a higher profit margin in a certain period means that the company's profitability is stronger, and at the same time, the return to shareholders will be greater, and the value of the company will be higher. The solvency of a company is positively correlated with its profitability; the more profitable a company is, the more solvent it is.

From the company's point of view, only a steady stream of profits can the company's long-term development, therefore, the company with strong profitability has a stronger development potential.

2.2.2. Theoretical Concept of Profitability Influencing Factors

Corporate profitability is closely related to the profitability of corporate assets, cost control ability and capital structure. The profitability of an enterprise refers to the fact that the less assets an enterprise possesses and consumes in a certain period, the greater its returns and the stronger its profitability. This means that the efficiency of the enterprise's asset operation and operational capacity will increase, while the enterprise's profit and the efficiency of capital operation are mutually reinforcing. When the profitability of an enterprise is higher than the average profitability of social capital, it means that the company has the possibility to absorb investment and develop in the long term; Cost and expense control is a constant topic, so how to effectively manage costs and costs is an important means to improve the competitiveness of enterprises. After entering the stage of large-scale production, the company still needs to continuously strengthen the cost and expense control. Reduce the production cost of the enterprise, the size of its economic level, the level of technology and the ability of the leader are all important factors restricting its development. Even if there is no great improvement in the revenue situation, strengthening cost management, saving energy and improving efficiency can increase the company's profit; the company's asset structure has a great impact on the company's profit, while the company's level of debt management is directly related to the company's profit. If the company's return on capital is higher than the interest rate of the company's loan, the debt management can improve the company's profit, and vice versa, it will make the company's profitability decrease.

2.3. Decomposition analysis of profitability factors based on DuPont Analysis

2.3.1. Return on net assets analysis

Return on net assets, which is the core index of DuPont analysis method, has a close relationship with net sales margin and equity multiplier, and is a higher comprehensive efficiency evaluation index. Return on net assets is the ratio of the company's net profit and net assets, that is, the ratio of the company's profit after tax divided by net assets, which is a measure of the efficiency of the company's use of its own funds from the shareholders' point of view.

The main purpose of a company's financial management is to satisfy the needs of its shareholders, while the return on net assets is a measure of a company's profit from the shareholders' point of view. With the development of the company, the company's net asset value will continue to grow with the development of the company, and at this time, the company's net profit level, return on net assets as a comprehensive reflection of the many problems of the enterprise's indicators, an in-depth study of it has important practical significance.

2.3.2. Equity multiplier analysis

The ratio of average total assets and net assets is the equity multiplier, which is used for the company's financial leverage, and the larger the equity multiplier is, the lower the proportion of the company's investment in assets will be, and the higher the company's financial leverage will be. In the debt management of the company, if the appropriate and suitable borrowing method is chosen, it can ensure that the capital structure is reasonable, to achieve the active financing of the company.

2.3.3. Analysis of net return on total assets

The ratio of net income to total assets is the net interest rate on total assets. This index reflects the return a company gets from using all its assets, as factors such as main business income, cost and expense, income tax, and total asset turnover rate will have some influence on it, therefore, the net interest rate of total assets can reflect the company's operation. Total net asset margin is an important financial indicator of a company's profitability, and the higher the value also indicates the higher the profitability of the company.

3. Analysis of the current status of IQIYI's profitability

3.1. China's online video development status

In recent years, the market scale of China's online video industry has shown a high-speed upward trend, and in 2021, the market scale of China's online video industry was 139.23 billion yuan, an increase of 19.51 billion yuan over the previous year, a year-on-year increase of 16.3 per cent; it is expected that the market scale will continue to expand at a flat growth rate, and in 2022 it will reach 162.63 billion yuan.

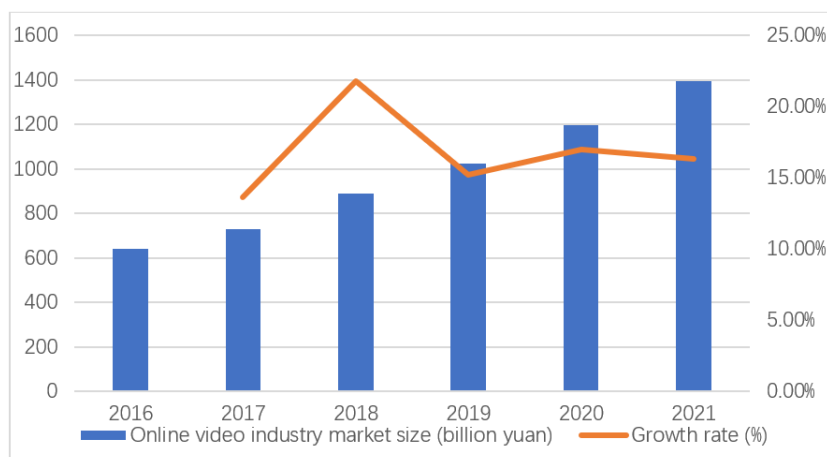


Figure 1. Market Size and Growth Rate of China's Online Video Industry, 2016-2021

In 2021, China's online video platform user scale of 8.482 billion, monthly active user scale is stable at more than 600 million, January, February, July, August for the peak period of use, up to 747 million, the current online video industry penetration rate is very high, began to enter the stock game stage.

China's Internet industry is developing rapidly, and the demand for online entertainment is booming, with different modes of video content such as self-produced dramas and network variety shows entering the public's view. The online video industry has experienced a period of growth and standardisation, and is now in a period of integration and exploration, and enterprises need to explore their own profit models.

From the perspective of the market, the current domestic online video market has formed a three-legged pattern, the industry's ecosystem is gradually forming. At present, Tencent video, Aichiye and Youku video are the best choice, occupying most of the traffic, and after Aichiye was listed in the United States, all the major video websites were incorporated into the listed company, which became their main source of traffic. In terms of industrial integration, video platforms have already linked video, literature, comics, music, offline entertainment, intelligent entertainment hardware and other aspects, forming a content ecological layout with video content as the core and derivative content as the support, and building a competitive barrier in the market through an ecological strategic layout around the needs of users.

At the same time, the second echelon represented by Mango TV, Beili Beili and other rapidly growing diversified competition model, also makes the consumption habits of network video users gradually formed, and the number of subscribers of major video sites is also rapidly increasing. According to statistics, as of December 2020, the total number of subscribers of IQY reached 102 million, the number of subscribers of Tencent reached 123 million, and the number of subscribers of Mango TV reached 36.13 million.

The country has implemented a strict copyright protection system, and China's Internet copyright market is undergoing a structural transformation from a traffic economy to a content economy.

3.2. Overview of IQY

3.2.1. Development Status

IQY is an online video website founded on 22 April 2010, and on 26 November 2011, it launched the "IQY" brand and a new logo. Since its inception, IQY has been adhering to the corporate motto of "enjoying quality" and the tenet of "user experience", continuously investing in technology and innovating products to provide users with a clear, smooth and user-friendly viewing experience.

IQY and New England Sports established a joint venture on 6 August 2018 to fully manage IQY Sports; in the same year, IQY released an announcement on 3 September, announcing that it would stop broadcasting live streaming on all its websites from today onwards.

In December 2019, IQY was named one of the "Top 100 Brands" of the year by China Brand Power. However, on 1 December 2021, many media outlets reported on IQY's plan to lay off 20% to 40% of its workforce, covering almost every area of the VR field. Based on a figure of 7,721 at the end of 2020, Lovecraft will have around 1,500-3,000 people. Lovecraft's U.S. stock fell 9.46 per cent. The company's stock fell another 15.74% on 3 December. Lovecraft's market capitalisation has dropped more than 70% since 2021.

Lovejoy has suffered consecutive major losses since 2015, accumulating \$40 billion in losses. With money tight, the company has had to turn the big knife of cutting costs to its own employees. However, before IQY has found a practicable profit model, the layoffs have only given it a short respite, and its future is still bleak.

3.2.2. Main Business

In terms of content, the content released on the IQY platform includes not only original content on the platform, but also co-produced content as well as third-party content aired after being screened

by algorithmic technology, covering a wide range of categories such as TV episodes, variety shows, movies, sports events and so on. Since 2015, IQY has launched well-performing works in both drama series and variety arts, with popular dramas such as Lao Jiumen, Luangya List, and Hidden Corner in drama series. Variety shows and comedy shows are also popular, with masterpieces such as Idol Practitioner, Oddball, and One Year Comedy Competition, while 2020's deduction show Moe Detective has also gained a large number of detective fans.

In terms of sociality, IQY launched IQY Bubble, a social media platform based on entertainment content. It attracts fans to interact with celebrities on this platform by tracking entertainment hotspots, joining interest circles and following Aizou, enhancing user engagement. User growth and the platform business are mutually reinforcing, forming a virtuous cycle.

The number of subscription members continues to increase and the user base continues to expand. Combining innovation and technology, IQY has strong content curation capabilities, and its platform content covers original, co-produced and third-party premium content exhibition.

Through carefully curated quality content, IQY has attracted a large user base and gained a large number of paid members.

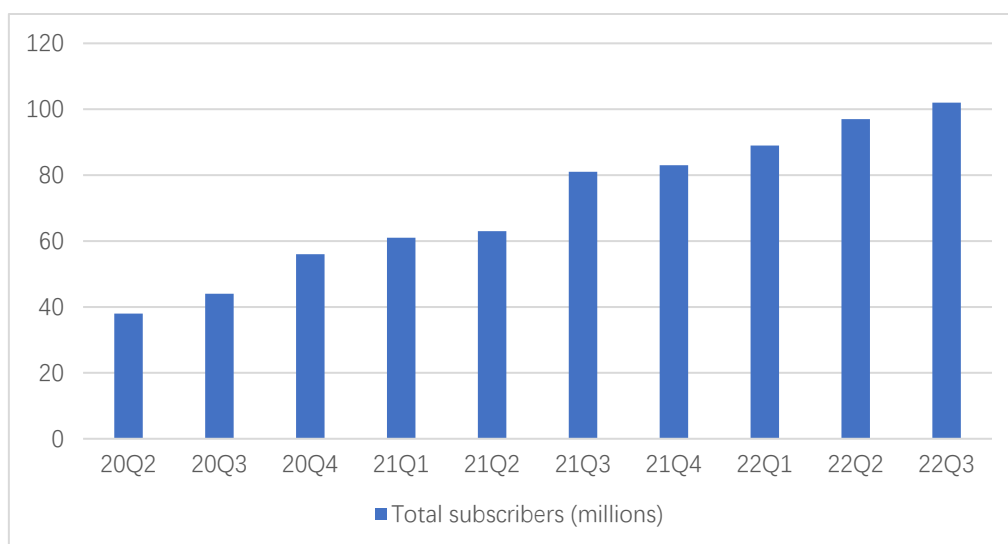


Figure 2. Total number of subscribers to Edgewood

3.3. Introduction of IQY's Profit Mode

Advertising revenue is the main source of profit for video websites, we usually have 15 to 120 seconds of advertisement before watching videos on video websites, and there are often interruptions and pause advertisements when watching videos, and these advertisements will bring a certain amount of income to video websites.

Paid membership is also another major source of income for video websites. As China's largest video website with paid subscribers, IQY's main reason for membership is to get rid of advertisements and enjoy more content, and there are no other special needs for membership privileges beyond meeting basic viewing needs. Most users share a membership account with family and friends. In the membership module of the product, you can see more vertical content, and there is content corresponding to the membership service.

Investment in dramas to attract advertising interstitials and members, the opening of a variety show to recruit the title can also bring profits for the video site, like the youth have you cooperation title is yogurt, burst stage and dance student title is Yuanqi forest, which also brings considerable revenue for the video site

3.4. Analysis of the financial effect of the profit model of IQY

3.4.1. Analysis of IQY's net interest rate on total assets

Table 1. Net interest rate of total assets of IQY and changes in related indicators

Year	Total assets at end of year (billions)	Net profit (billions)	Net interest on total assets
2020	65.19	-13.77	-21.12%
2021	64.30	-14.94	-23.23%
2022	73.68	-10.21	-13.86%
2023	66.64	-9.60	-14.41%

From Table 1, we can see that the equity multiplier of AIC is increasing year by year, from 2.48 in 2020 to 8.14 in 2023, and we can intuitively see that the equity multiplier of AIC has doubled in the past four years. It reflects that the proportion of the total equity in the total assets of the enterprise is decreasing year by year, the level of debt is increasing, and the financial leverage multiplier of the company's external financing is also increasing accordingly, and the greater the business risk of the enterprise.

The return on net assets of AICC decreases year by year from 2020 with the increase of equity multiplier, from -46.47% to -28.81% in 2023, which indicates that the profit level of the company has been decreasing in the past five years, therefore, it is necessary to draw the attention of the management of the company, and through in-depth analysis of the financial data, to discover the defects and problems in the operation of the company in time and find an effective solution for the company to grow its profits. Finding proven solutions.2021 In 2021, the Beijing Municipal Administration of Radio, Film and Television ("SARFT") issued the Notice on Further Strengthening the Management of Network Variety Shows, which clearly stated that viewers were not allowed to "spend money to buy votes", and that programme teams were not allowed to intentionally guide and encourage netizens to vote through shopping, membership charging and other forms of physical goods. On the official microblog of last year's hit show "Youth Has You 3", a statement was also issued, "The show, Youth Has You 3, will be cancelled." This is the "grand finale" of "Youth Have You 3", which can also be said to be the "finale" of domestic idol-raising programmes. And this triggered a series of disputes between the talent show and the fans. The incident of "pouring milk" directly led to a sharp decrease in the number of users of IQY, and the advertisers' advertisements were also affected, and IQY's profitability was also affected to a certain extent.

3.4.2. Analysis of IQY's Return on Net Assets

From the data of the above years, the trend of main business income, operating costs, net profit and other major indicators of IQY can be seen that the company has some problems in operation and management, and some financial indicators related to profitability are also worrying.

3.5. Existing Operation Problems of IqiYi

At present, the main profits of the online platform come from advertisements and payments from members, while the operating expenses are focused on content production and copyright purchases, etc. However, the revenues and expenses cannot constitute a benign business cycle. For a long time, advertising has been the main "cash cow" for video websites. However, advertising revenue is not the best killer app, and even relying on advertising for a long time can put you in trouble. And the advertising dilemma faced by IQY in 2019 is also the same. IQY's online advertising service revenue in the third quarter of 2019 was 2.1 billion yuan, accounting for 28% of total revenue, down 14% compared to the same period last year.

Of course, this is the reason why IQY has changed its strategy as it is getting more and more subscribers and its members are free, which also affects their ad revenue. But this is only secondary, the most important thing is that since this year, the "days" of the advertising market has changed.

Love Qiyi is a money tree, it is slowly losing money, and the emergence of short videos, but also the original should be the video site's advertising revenue, was "snatched".

In addition, the main source of income for IQY is membership, but this is also a double-edged sword. IQY can be said to be the first company in the industry to promote the "paid membership" model to the extreme. 2015, IQY launched "Tomb Raider Notes", which became a milestone in the industry, and also made everyone realise the potential of the membership system. "Tomb Raider", the initial broadcast plan of IQY, is that every Friday there is an issue for ordinary users, and IQY members can see 12 issues at the first time. This is the first time that the industry has seen such a live broadcast model, which has caused a lively discussion between the industry and the audience, and from the data, IQY has launched paid subscribers in 2011, but in the first four years, there were only five million, and as soon as the "Tomb Raider Notes" came out, the number of members doubled, and from 2015 to 2016, it has exceeded 20 million.

However, the membership payment is not all good and no harm, it has two major disadvantages from, one is the huge cost of content, want to attract users to pay through the content, it needs to pay a big price, firstly, the actor's high salary, secondly, the high price of video rights, and finally there is a high price of copyrights, which is a fierce competition among the major platforms to compete for the content. By purchasing copyrights with large sums of money, video websites exchange the high cost of content for user traffic. At the same time, the vicious price competition has completely broken the market parity and created an imbalance in the industry.

On the other hand, both the number of members and the number of payers of Iqiyi are declining, and the number of IQY's members is still increasing, while the growth rate of the number of members is declining. Lovecraft started downsizing the company in late 2021 to cut costs. Last December, the company laid off between 20 and 40 per cent of its workforce across several divisions. At the same time, the company raised its membership prices again, with both monthly and seasonal cards costing between 9 and 20 per cent. The regular monthly card, meanwhile, went from \$25 to \$30, the highest increase among the major video sites. On the surface, lowering costs and improving quality did play a role in easing Aikiye's losses. But the move has not improved the platform's traffic. According to the latest operating data, IQY's average number of subscriptions in the fourth quarter of 2021 was 97 million, down 5.7 million from the same period last year and back to the first quarter of 2019; Iqiyi's monthly activity reached 481 million in December 2021, down 7 per cent from the same period last year.

4. Analysis of Factors Affecting Profitability of AQY

4.1. Economic environment

As a result of the two years affected by the epidemic, the overall global macro-economy are in a downward state, various industries have been affected to varying degrees, especially consumption, the service industry has been the biggest impact, the epidemic has been two years now, catering, tourism, entertainment, transport and other services, during the holiday season should be very hot, and is now also affected by the epidemic serious impact on the turnover is close to zero; at the same time, due to the epidemic, the manufacturing industry in China has also encountered great difficulties. At the same time, due to the epidemic, our manufacturing industry has also encountered great difficulties. The epidemic, first of all, has reduced the purchasing power of consumers, leading to a drop in demand in the domestic clothing market, which in turn has led to difficulties in the clothing industry, and this problem has gone from the textile industry to the textile machinery. Manufacturing, textile and catering industries are not allowed to start work normally due to the impact of the epidemic, resulting in the need for employees to be laid off and unemployed, and most of these employees are older, re-employment difficulties, and during the epidemic, the large factories and are in the reduction of staff, it is difficult to find a suitable job had to be unemployed at home, without a source of income. And in the past two years, many companies have fallen a lot of market value, and even the company had to layoffs, in the macroeconomic downturn environment, the company's income will also be

reduced, the company staff wages are also affected, the two years more difficult to start a business, entity operations are often due to the epidemic control and prevention and had to suspend business, everyone's income is reduced, the decline in purchasing power, for the entertainment projects these non-essential items are also reducing spending.

4.2. Market Competition

In recent years, the short video APP led by Jitterbug, Shutterbug, Volcano and Watermelon video has exploded in the market because it has seized the characteristics of the times. In the century when everyone is nervous and full of pressure nowadays, it's the most convenient way to use mobile phones to entertain yourself. The most important feature of short videos, as the name suggests, is the word "short". It is precisely because of the short average length of two minutes that short videos cater to the increasingly busy pace of life in the contemporary world. In contemporary society, people's studies and work are getting busier and busier, and it is difficult for people to have enough time for more enjoyment. The extremely short duration of short videos allows people to get the information they want quickly, even in the rare spare time to relax and relieve stress.

On the other hand, with the rise of "fast food culture", even film and TV dramas are doubled in the era of broadcasting, short video in the short drama in a few minutes to understand the entire plot of the content can be called "cool text", so that people do not need to drag the plot, straight to the point, also attracts a large number of film and TV drama fans and fans. It also attracts a large number of film and TV drama fans and movie fans. The 2020 China Network Audiovisual Development Research Report pointed out that in the second half of 2018, the average daily user spent more time using short video APPs than the average use of integrated video services; as of June 2020, short video users used an average of 110 minutes per day, which has exceeded instant messaging. On short video platforms, "watching a X film in three minutes" and "watching a TV series in ten minutes" has become a new form of entertainment, and video platforms like IQY are investing too much, resulting in declining membership and advertising revenues.

In the 4G era, the price of mobile phone traffic has dropped, 5G communication is further popularised, and the development of artificial intelligence, big data and other technologies have brought new support to short video platforms. Meanwhile, the government has also increased the regulation of the short video industry and strictly censored the content of short videos. In short, the short video industry has a lot of room for development. The short video platforms such as Jitterbug, Shutterbug, Beili Beili and other short video platforms have taken away a great deal of Aikiye's traffic and seized the market of long video websites, which will inevitably put Aikiye in an unfavourable environment and intensify the market competition.

4.3. Copyright issues

A huge cost of film and TV drama is its copyright fee, so we need to control the copyright fee, reduce the cost to reduce the loss to increase the profitability of the enterprise and promote the healthy development of the video website. In the current social environment of high copyright prices for films and TV dramas and astronomical pay for actors, enterprises should comply with the corresponding laws and regulations and take the copyright issue seriously. Concentrated legal measures should be taken against the production operators of short video platforms and public accounts for unauthorised editing, clipping, carrying and dissemination without permission. And in the context of the frequent occurrence of copyright and piracy of China's TV dramas, piracy should be rectified in terms of piracy sources, laws, technologies, business models, etc., and the protection of copyright and culture should be strengthened, as well as the state should introduce more relevant policies to promote and support original videos, give legal protection to the original creators, safeguard the rights and interests of the creators, and encourage the creators to create more and better-quality film and TV drama works.

4.4. High cost, low realisation

According to the disclosure, IQY's revenues in 2018-2020 are 25 billion, 29 billion and 29.7 billion respectively; in three years, the company's net loss totals about 9.1 billion yuan, 10.3 billion yuan and 7 billion yuan, with a cumulative loss of 26.4 billion yuan. The company's operating income was 30.554 billion yuan, an increase of 2.85% over the same period of the previous year; net loss of 6.109 billion yuan, a decrease of 12.83% over the same period of the previous year.

Much of Aiki's loss is due to a profit strategy that is not in line with the times. Yain "2021 drama market sponsorship report" shows that the TV programme sponsorship market in 2021 a sharp decline, while the attractiveness of the head content industry is declining, especially "online education" such as the Internet industry, because of the "double-decrease", next year, June will be a cliff. The summer season will go back to zero.

Worse still, "Youth With You 3" was halted in May last year because of the "milk pouring incident", followed by the rectification of the rice circle, the rectification of the entertainment circle and the regulation of the entertainment circle, which has made them lose the programmes for cultivating idols, and this series of idol-raising programmes has also been halted by the radio and television broadcasters.

In addition, IQY's over-investment in content has caused the company's debt to increase. As can be seen from the financial statements, except for membership fees, all other revenues are declining. The online advertising business decreased by 10.44% from the same period of the previous year to 1.665 billion yuan; the content distribution revenue decreased by 5.22% from the same period of the previous year to 762 million yuan; and other revenues, including games, decreased by 12.29% from the same period of the previous year to 842 million yuan.

5. IQY's Profitability Improvement Programme

5.1. Increase personal customisation segment

With the arrival of the new media era, as the people's spiritual life and cultural level continue to improve, TV will meet the public's cultural needs with participation, immediacy, originality and interactivity, at the same time, video sites have a variety of video styles, and there are countless types of variety, users need to choose the type of video that they are interested in among the millions of films to watch, and the users, in the face of these videos, are Users are likely to be dazzled, in the face of millions of videos and can not find their favourite content, will cut the user's interest in watching video, therefore, the video site should be based on the user's preferences, screening the video of interest to the user to reduce the user to select time for the user is interested in the type of variety, TV series, film recommendations, and gradually form a new form of consumption. Therefore, in the production process, it is necessary to pursue more diversified and personalised content and support private ordering to meet the needs of the public.

5.2. Let users pay for high-quality content

Now the domestic willingness to pay for high-quality content are generally improving, Zhihu, microblogging and other platforms have opened the knowledge payment service, users can pay questions to the blogger through the platform, so as to get a high-quality answer to the questioner to help, and pay for this way of questioning can also inspire the answerer to answer the question of the enthusiasm, and effectively improve the quality of the answer. The feedback of this kind of play is that users are willing to pay for the knowledge they need or the content they are interested in, in WeChat public number and other platforms also have a reward service, users can freely choose to public number of the author of the reward, so it can be seen that nowadays users are willing to pay for high-quality content. Therefore, video sites can also follow this trend, do a good job of user experience, so that our goods and services beyond the user's expected experience, to encourage the

creation of more rich original works, to meet the needs of different audiences on the consumption of online video content. Create more valuable content and let users pay for high-quality content.

The main profitability of IQY is relying on membership fees and advertising revenue, and the premise that users are willing to pay for membership is to have high-quality content and services and experiences that can differentiate them from ordinary users. For example, members can enjoy watching cinema movies in advance, watching hot TV dramas first, and enjoying high-quality variety shows exclusively, etc. The essence of these is actually based on content, which attracts users through content and then through consumption. IQY should continue to output high-quality content, cultivate users' paying habits in advance, and expand the scale of subscription membership, while the business should continue to expand, and the user base should continue to expand, so that the coverage of its content will continue to expand, so that member users can enjoy more high-quality content.

5.3. Self-produced programme sales model

Video sites should adhere to the "content is king", the vast majority of users in the choice of video sites are often based on excellent video content. This is a long video platform for the enterprise, has a high quality rich resource base, is the most important thing. And if you can do fine operation with high-quality resources, expand film and television, variety shows, title holders, members and other diversified businesses, it will be very beneficial to the long-term development of the enterprise. Therefore, IQY can try to produce self-produced variety shows and self-produced dramas to increase the output of content and improve the quality of self-produced dramas, as well as tap the brand value of specific audience groups, and achieve the survival cycle of IP by means of seasonal broadcasting of high-quality dramas and theatreization of short films. And create a series of IP forms, produce exclusive IP, and form an industrial chain.

Like 2021, Aichiyei created the "One Year Comedy Contest" in the fourth quarter to maintain the first variety viewing hours, you can see that this show is loved by the audience, the video site can take advantage of its popularity to launch derivatives and show peripherals and so on. For the spin-off programmes of popular variety shows video websites can take the form of membership or pay-per-view, because the programme itself is already hot enough and the fan base is big enough, they are willing to pay to watch the spin-off programmes of popular variety shows, so video websites can also take advantage of the success to increase the number of members and improve the profitability of the enterprise.

6. Summary

IQY is a domestic Internet video giant, for ten years, IQY 's economy has been going downhill, and it has even suffered losses for several years. Whether or not IQY can complete a perfect turnaround, break losses and turn losses into profits in the field of Internet video is a good inspiration and reference for other types of video websites.

This thesis adopts DuPont analysis to analyse and study the financial status of IQY Company in the past four years. IQY's revenue has been growing in the past four years, but after DuPont analysis deeply analyses the company's profitability, it is found that the company's net profit is always negative, and if IQY doesn't change the company's profitability model, then IQY's profit will continue to decline.

This paper starts from the influencing factors affecting the return on total assets, return on net assets, total asset turnover, equity multiplier and other aspects of IQY, and summarises three aspects of the problem: firstly, the economic environment under the influence of the epidemic; secondly, the market competition; thirdly, the copyright problem of films and TV dramas; and fourthly, the higher cost and lower return. Based on the market environment and users' needs, this paper proposes three options: firstly, increasing personalization; secondly, allowing users to pay for high-quality content; and thirdly, a rebate model for self-produced programmes.

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At this point, I have a lot of thoughts, I am glad that I met a good teacher during the writing period; to give me great help and guidance, a person's life is fortunate to have met a good teacher. "A tree that is a thousand feet tall never forgets its deep roots."

Thank you for walking slowly, but always moving forward.

May we have a long and bright road ahead of us.

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The Causes and Countermeasures of High Debt Ratio in Real Estate Enterprises

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Abstract. Real estate companies generally have a high debt to asset ratio, which not only brings more profits but also brings more risks. Therefore, maintaining a reasonable debt to asset ratio is of great significance to enterprises. This article first lists the significance of reducing the excessively high asset liability ratio of enterprises, and then analyzes the reasons for the high asset liability ratio of real estate enterprises. Targeted suggestions are given to address this phenomenon, hoping to provide some help for the optimization of the asset structure of real estate enterprises.

Keywords: Asset liability ratio, Real estate, Optimization of capital structure.

1. Introduction

With the rapid development of the economy, people's demands for housing continue to increase, and the real estate industry has also achieved good development. The real estate industry is a capital-intensive industry with its own characteristics, such as high demand for funds, long investment payback period, and high dependence. Under the current market economy conditions, to achieve the goal of maximizing operating profits, enterprises usually adopt a debt-based approach, but this strategy must control the asset liability ratio well. Only when the debt to asset ratio is within a reasonable range can sufficient material conditions be provided for the development and operation of enterprises, thereby promoting better development. Therefore, for real estate listed companies, having a good capital structure and doing a good job in optimizing and managing their capital structure is crucial to ensure smooth capital operation.

This article systematically elaborates on the capital structure of listed real estate enterprises, deeply analyzes the problems and reasons of the capital structure of listed real estate enterprises, and proposes countermeasures and suggestions to improve the capital structure of listed real estate enterprises.

2. The significance of optimizing capital structure

2.1. Measuring the financial risk level of real estate enterprises

A reasonable debt to asset ratio refers to the adjustment of a company's debt structure through certain methods and means, enabling the full play of the role of debt and promoting the increase of enterprise value through this approach. The real estate industry is relatively capital intensive, and the reasonable use of financial leverage can effectively enhance the scientific and rational investment decisions of enterprises, which is conducive to the improvement of the economic efficiency level of enterprises, and can help enterprises better avoid and prevent possible financial risks.

When real estate companies borrow from banks or other financial institutions, the other party needs to evaluate the company's debt paying ability, considering the company's history and current debt situation. The cost of asset liability ratio is a potential important factor for creditors to consider, and an excessively high asset liability ratio will make them more cautious.

2.2. Evaluating the management and profitability of the enterprises

How to control a reasonable amount of debt and how to make reasonable use of internal resources, including debt, to maximize profits, can be used to evaluate the profitability and management ability of a company. If a company can leverage its debt effectively and generate higher returns than its costs, it reflects strong management capabilities. If the benefits obtained through debt are less than the costs paid, it indicates that the company has not fully utilized its debt function and that its management capabilities are relatively poor. However, this needs to be analyzed in conjunction with the specific situation of the enterprise.

If using debt can create profits greater than the cost of debt, it can increase shareholder income, amplify the return on equity, and accelerate the company's development speed. Conversely, if the company does not control the debt ratio reasonably and the profits obtained cannot compensate for the cost of debt, then shareholder equity will be lost.

3. The reasons for the formation of high asset liability ratio

3.1. Characteristics of the industry

Compared to other industries, the real estate industry itself has significant regional and cyclical characteristics, and is also highly sensitive to policies. Compared with other industries, the real estate industry has a large initial investment in project development, a longer construction period, and a relatively long investment payback period. After obtaining the right to use the land through purchase, and carrying out preliminary design and planning, construction officially begins.

After construction is completed, promotion and sales are required, and all aspects and activities require capital investment. The demand for funds is very high, and the company's own funds are difficult to support the entire project development process. Therefore, many projects rely on external financing to solve the problem of tight funds.

3.2. The needs of enterprise scale and development

Most real estate enterprises have a certain scale and high credibility, making it easier for them to borrow from banks for financing. Compared to equity financing, the cost of debt financing is lower, and the interest generated by debt can be offset against taxes. Therefore, real estate companies generally tend to use debt financing, resulting in a higher debt to equity ratio.

In recent years, whether it is speculative demand or hard demand, it has reflected a signal that the domestic sales market demand is greater than supply, which has led to accelerated development of China's real estate industry and a continuous increase in development projects. Therefore, real estate enterprises have their own funds far from sufficient to meet the demand for project development investment funds, and they need to increase liabilities for project investment and development. As a result, the overall asset liability ratio of real estate enterprises continues to rise, which also leads to a continuous increase in their financial and economic risk levels, thereby affecting and impacting the healthy and sustainable development of enterprises and the industry.

3.3. Limitations of financing channels

The main source of external financing for real estate enterprise development projects is through bank loans. Many banks in China often bear high risks and pressures when providing loans to real estate enterprises. The Chinese government helps banks alleviate this pressure through macroeconomic policies, such as tightening monetary policy and increasing bank reserves. Therefore, the difficulty of real estate enterprises raising funds through banks is constantly increasing, making real estate enterprises bear more severe pressure in their business activities.

In recent years, China has basically established a relatively complete market economy system. However, the development of the real estate industry in our country has shown a distorted situation. Many real estate enterprises find it difficult to obtain sufficient financing, and the cost of obtaining

funds through bank channels is often relatively high. Generally, the company's own funds can only pay for part of the development project expenses. To ensure that the company's capital chain does not break and maintain the necessary funds for development, the company can only choose to borrow from banks.

3.4. Uncertainty of the policy

At present, financing for real estate enterprises is very difficult, and they are also in a critical period of transformation and upgrading. Therefore, in the long future, the operation of real estate enterprises will face huge challenges and high risks. This requires real estate enterprises to actively communicate and exchange with other industries, leverage the joint efforts of different industries and enterprises within the real estate industry, and promote the healthy and stable development of the real estate industry.

3.5. Real estate listed companies do not pay attention to the expansion of internal financing

In the theory of orderly financing, it is pointed out that enterprises should prioritize internal financing when financing, because the cost of using their own funds is the lowest. However, from the current financing structure of listed real estate companies, the proportion of the total amount of external financing as the source of funds is greater than that of internal financing.

Real estate listed companies have shifted from a "high debt, high development" business strategy to a "cash is king" stable business strategy, and have begun to attach importance to their profitability. If the profitability of a company increases, the proportion of its surplus reserve will increase, and there will be sufficient self-owned funds for project development.

4. Strategies for optimizing capital structure

4.1. Developing diversified financing channels

The mature real estate market abroad has relatively rich financing channels. Taking the United States as an example, its debt ratio is generally around 30%, while the debt ratio of Chinese real estate enterprises is around 70%, which is twice that of the United States. Of course, the economy of the United States is far from that of China, but we need to learn from its rich financing channels. China's economy is in a stage of rapid development, and the financing channels for listed real estate companies are also in the development stage. For a long time, China's financing channels have only focused on listing financing, bank loans, and a few corporate bonds, resulting in the current narrow financing channels for listed real estate companies.

Therefore, when expanding real estate financing channels, the country's financial policies can have a significant impact on its development. China's real estate market is a semi market-oriented industry under government regulation. While encouraging listed real estate enterprises to expand financing channels, the government must also improve the laws and regulations of the financial market and regulate operational behavior.

4.2. Enhancing the long-term and short-term solvency of enterprises

Debt paying ability refers to the ability of a company to repay its debts, which includes short-term debt paying ability and long-term debt paying ability. At present, the overall asset liability ratio of listed real estate companies is relatively high, but the proportion of short-term liabilities in these liabilities is relatively high, while the proportion of long-term liabilities is very small. This debt structure not only fails to fully utilize the leverage of liabilities, but also brings many unstable factors to the enterprise.

This phenomenon not only makes the capital structure of the enterprise extremely unreasonable, but also puts the enterprise at a relatively high financial risk. Once the enterprise's funding chain encounters problems, it may face a debt crisis. In response to this situation, real estate listed

companies should be fully prepared, on the one hand, actively expand financing channels, and on the other hand, improve the short-term debt repayment ability of the enterprise in the current situation, so as not to cause financial crisis for the enterprise. However, currently, it is quite difficult for listed real estate companies in China to obtain long-term debt. The requirements for issuing corporate bonds by enterprises in China are very strict, including the net assets, use of funds, and profitability of enterprises. Therefore, except for a few companies that can issue corporate bonds and can refinance, most real estate companies in China do not have enough ability to issue corporate bonds.

In such a severe financing environment, real estate listed companies not only need to actively seek new debt financing channels, but also strengthen their short-term debt repayment ability.

4.3. Enhancing the profitability of enterprises and the proportion of internal financing

Utilizing the company's own funds to invest in its production and operation has the intuitive benefits of being unaffected by external factors and having low costs. Increasing the proportion of internal financing is beneficial for optimizing the capital structure of enterprises. However, listed real estate companies in our country are small real estate companies that do not pay attention to the accumulation of their own funds and blindly expand. Therefore, although listed real estate companies have certain profitability, their capital structure is still unreasonable.

Therefore, real estate listed companies should choose projects with good development prospects instead of blindly following the trend. In the process of operation, enterprises should adopt diversified business models, avoid risks, adopt strategies to accelerate supply and sales, improve inventory turnover, accelerate capital flow, optimize capital structure, and achieve sustainable development of real estate listed companies.

4.4. Actively developing the financial market

The funds of listed real estate enterprises in China mainly come from seven aspects: domestic loans, utilization of foreign investment, foreign direct investment, self-raised funds, self-owned funds, deposits and prepayments from homebuyers, and other funds. There are many financing channels for enterprises, but the financing channels for real estate listed companies are relatively narrow, which is not conducive to optimizing the capital structure of real estate listed companies. Realizing diversified financing channels not only requires active exploration by enterprises, but also requires support from China's economic policies.

Firstly, it is necessary for the country to establish sound laws and regulations to provide a favorable economic environment for real estate listed companies; Secondly, it is necessary for the government to introduce corresponding incentive policies to encourage real estate listed companies to explore diversified financing channels because of sound laws and regulations.

Only in this way can real estate listings have more motivation to expand financing channels, which is conducive to optimizing the capital structure of real estate listed companies.

4.5. Establishing sound financial market regulations and systems for the real estate market

Due to the late start of marketization in China's real estate industry and the emergence of many non-standard and uncorrected issues in the development process, as well as the immature management of government policies related to real estate, the current laws and regulations on real estate financing in China are still very imperfect. To ensure the healthy and sustainable development of the real estate industry, it is necessary to rely on a sound financial legal system.

5. Summary

This article proposes five suggestions for optimizing the capital structure of real estate companies, focusing on the reasons for their high debt, including developing diversified financing channels, enhancing their long-term and short-term debt repayment capabilities, enhancing their profitability, and increasing their internal financing ratio.

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