Enterprise intrinsic value analysis based on traditional financial analysis framework

Chuang Xie

Hailiang Foreign Language High School, Shaoxing, China

dnlxie09123@ldy.edu.rs

Abstract. Stocks are the most modern way to make money, and the most important factor of investing in stock its time, in today's life a lot of investors just relax and stay at home knowing that they are making money just by waiting. But there are also important concepts that an investor should know like: the concept of risk and reward which is fundamental in making choices, and patience with also a grown up personality because many investors aren't very practical and puts every thing they have into a single stock, and if they start to win they will continue to wait fro bigger rewards but a lot of the times a stock can go from 100 dollars and become 50 dollars in minutes so being conscious and satisfied of what they win is essential, and to not regret made decisions. Through a series of investments, this paper finally finds out which enterprises have relatively more investment value among several enterprises, which is not only the overall investment value, but also the long-term and short-term strategies.

Keywords: Finance, investment, business situation.

1. Introduction

This report is about investing and stocks. stocks have been a cornerstone of financial growth for individuals and businesses alike. They represent a way to diversify portfolios, generate income, and potentially grow wealth over time. A report on investment and stocks would delve into the intricacies of this market, exploring the various types of investments available, the factors that influence stock prices, and the strategies investors employ to achieve their financial goals. From traditional stocks and bonds to emerging alternative investments, the world of investments offers a vast array of options for those looking to grow their capital. Understanding the fundamentals of investing, such as the concept of risk and reward, is crucial for making informed decisions. Moreover, the report would examine the data from three different companies. Investors must be mindful of factors like inflation, interest rates, and geopolitical events, as they can significantly impact the value of their holdings.

2. Basic Information

The Disney Company, founded in 1923 by brothers Walt and Roy O. Disney, has a rich history in the entertainment industry. Here's a brief introduction to its basic information:

The Disney Company was officially established in 1923, initially as the Disney Brothers Studio. Starting with the creation of the iconic Mickey Mouse character in 1928, Disney grew rapidly in animation production. In 1955, the company opened its first theme park, Disneyland, in Anaheim, California, revolutionizing the theme park industry. Over the years, Disney has expanded its operations through acquisitions, including Pixar Animation Studios, Marvel Entertainment, Lucasfilm, and 21st Century Fox, among others. Today, Disney is a global entertainment giant with diverse business segments.

Disney Group, as a world-renowned media and entertainment company, has a history of 100 years, with industrial layout all over the world, and has created a series of classic animation IP images using classic animated films, including Mickey Mouse, the Lion King, Disney Princess series, etc., to create a super brand IP. Especially after the acquisition of Pixar and Fox, Disney has become a global benchmark for animated films and formed a huge territory for animated films. The most important thing is that Disney continues to expand and consolidate the right to speak public text through IP derivatives around the core business of animated films, creating huge profits while achieving deep and multi-dimensional cross-cultural communication [1-3]. The reason why Disney can become an important strategic communication carrier is not only because the company's ideas contained in cultural products in different historical stages are in a certain relationship with the needs of the government, but also because the government actively uses the influence of the company to build its cultural product packaging into an important medium for strategic communication [4]. Over the years, Disney has firmly occupied the leading position in the theme park industry and maintained strong competitiveness in the theme park market [5-7]. In its nearly 100-year history, Disney has created countless unique characters and contributed to the emergence of many Disney musical styles. Many familiar works have become music classics and have been deeply rooted in people's hearts. The creation of animation music is similar to film and television music, but it is different from film and television music in artistic characteristics, cultural connotation and communication characteristics. [8] In the planning of Disney Group's three streaming media businesses, the video website Hulu is positioned for adult audiences and aggregates and distributes original TV and movie entertainment content; "Disney +" is positioned for all ages and the young market, broadcasting Disney animated film series, Marvel Universe series and National Geographic and other programs; "ESPN+" is positioned for sports fans, offering exclusive content such as sports events and sports documentaries. The three platforms have different focus, resource copyright layout is different, the integration of the three can form a complementary content, to provide users with a complete entertainment program [9-10].

Main Sources of Income: Including cable networks, broadcast television, and direct-to-consumer streaming services like Disney+. Parks, Experiences, and Products: Operating theme parks, resorts, cruise lines, and consumer products worldwide.

Studio Entertainment: Producing and distributing live-action and animated films, television shows, and music. Direct-to-Consumer and International: Focused on expanding Disney's global reach through streaming services and international operations. Main Market Distribution: Disney has a global presence, with operations in North America, Europe, Asia Pacific, Latin America, and other regions. Its theme parks and resorts are located in popular tourist destinations worldwide, attracting visitors from all over the globe. Disney's media networks and streaming services are available in many countries, offering a wide range of content to audiences worldwide.

Market Share: Disney holds a significant market share in various segments of the entertainment industry, including animation, theme parks, and streaming services [5].

Its market share varies by segment and region, but Disney is generally recognized as a leader in its field.

Universal Corporation, headquartered in Richmond, Virginia, was founded in 1918. Universal is the parent company for businesses categorized on this website as Universal Leaf, Universal Ingredients and Universal Enterprises. Our business includes procuring, financing, processing, packing, storing and shipping tobacco and other Agri-products. We are the world’s leading global leaf tobacco supplier, and leaf tobacco is our primary business and source of revenues. We do not manufacture any consumer products. Instead, we support consumer product manufacturers throughout the world by selling them processed raw products and performing related services for them.As a theme park owned by Universal Pictures, Universal Studios has built a story world with film IP (Intellectual Property) as the core. In the case of Universal Studios Beijing, the campus has "Harry Potter" and "Transfiguration. King Kong "Kung Fu Panda" "Jurassic World" "Minions" "Future Water World" "How to Train Your Dragon" seven super film IP. The story world of these film and television texts is not only restored in the theme park, but also realizes the leap from online media to offline media. At the same time, Universal Studios gave full play to the advantages of offline media and live-action entertainment, and perfectly integrated film elements with park design [2].

3. Firm description

Tencent Holdings Limited was founded in November 1998, with its headquarters located in Shenzhen, China. Initial Stage (1998-2004): Tencent started with its instant messaging tool, QQ, and gradually expanded into a range of products and services built around it, such as mobile QQ, QQ game platforms, and QQ Mail. In 2004, Tencent successfully listed on the main board of the Hong Kong Stock Exchange.

As the world's leading Internet technology company, Tencent has been adhering to the mission vision of "user-oriented, technology for the good" and integrating social responsibility into its products and services. In addition to promoting scientific and technological innovation, Tencent is also committed to cultural inheritance, using the power of science and technology to promote the upgrading of various industries and promote the sustainable development of society. In January 2021, Tencent took this concept a step further by announcing the launch of a carbon neutral program, pledging to achieve full carbon neutrality in its operations and supply chain by 2030. Tencent has also pledged to achieve 100% green electricity no later than 2030. In addition, Tencent also incorporated "promoting sustainable social value innovation" into the company's core strategy in April 2021, and established the Sustainable Social Value (SSV) division. This initiative, together with "taking root in the consumer Internet and embracing the industrial Internet", has become the base of the company's development [3]. Data center construction, Tencent will use its latest generation of T-BLOCK technology, the computer room, air conditioning, power and other components are all modular, so that the construction of the data center is as convenient and fast as building blocks, the site construction period is greatly shortened, greatly shortening the production time; Tencent will also use its latest self-developed distributed liquid cooling technology to accurately cool the equipment, improve heat dissipation efficiency, and ensure that the overall PUE reaches the world's leading level. Next, Tencent will make full use of Shaoguan's geographical advantages, policy advantages and talent advantages, and strive to build green, efficient and safe data centers to contribute to the high-quality development of Shaoguan's digital economy [4].

Tencent's staff training system includes training for general employees and management cadres, including professional skills and professional quality training. A sound and mature staff and management training mechanism enables internal and external investors to trust Tencent's management ability and decision-making ability, and trust Tencent's development strength, which is conducive to improving the market strength of the enterprise. Tencent has more investment opportunities. Also, more mature tubes. Management and employee structure can also help Tencent make scientific investment decisions and reduce investment risks [5].

Growth and Expansion (2005-Present): Since then, Tencent has expanded its business into various areas, including social media, online games, music, video streaming, cloud services, and more. It has acquired and invested in numerous companies, strengthening its position as a leading internet technology company globally.

Main Sources of Income: Tencent's main sources of income are diversified, including:

Online gaming: Tencent is a major player in the global gaming industry, with popular games like League of Legends, Honor of Kings, and PUBG Mobile under its umbrella.

Social media and advertising: Through its social media platforms like WeChat and QQ, Tencent generates significant revenue from advertising. Digital content and subscriptions: Music, video streaming, and other digital content services contribute to Tencent's income. Cloud services and enterprise software: Tencent Cloud provides cloud services and enterprise software solutions to businesses.

Main Market Distribution: Tencent has a global presence, but its primary market remains China, where it enjoys a dominant position in the internet and technology sectors. It also has a significant presence in other Asian markets and is expanding its reach into other regions worldwide.

Market Share: Tencent's market share varies by product and region. In China, it holds a substantial share in various sectors, such as social media, online gaming, and cloud services. Its global market share in specific areas, like gaming, is also significant. However, exact market share figures are subject to change and may vary across different metrics and time periods.

4. Investment Value Analysis

4.1. Risk Ratio

Market Capitalization is the total value of a company's outstanding shares of stock. It is calculated by multiplying the number of shares of a company that have been issued by the current market price of one share. Tencent leads with biggest market cap of 423.05 billion dollars, followed by 163.29 billion dollars of the Disney company and Universal at 1.284 billion dollars.

Beta is a measure of a stock's volatility relative to the overall market. It indicates how sensitive a stock's price is to movements in the market as a whole. A beta of 1 indicates that a stock's price moves in lockstep with the market. A beta greater than 1 suggests that the stock is more volatile than the market, while a beta less than 1 indicates that the stock is less volatile. Disney having the biggest beta of 1.4 and Universal having a 0.79 and the lowest has to be Tencent with 0.41.

Total Debt Ratio is a financial ratio that measures the proportion of a company's total assets that are financed by debt. It is calculated by dividing a company's total liabilities by its total assets. A high total debt ratio indicates that a company is heavily reliant on debt financing, which can increase its financial risk. having the highest total debt ratio is Universal and this includes higher risk during economic downturns, and similar numbers of Disney and Tencent with 0.45 and 0.41 respectively.

Current Ratio is a liquidity ratio that measures a company's ability to pay its short-term obligations using its current assets. It is calculated by dividing a company's current assets by its current liabilities. A current ratio greater than 1 indicates that a company has sufficient current assets to cover its short-term liabilities. Universal having basically three time the short-term assets needed to cover its short-term liabilities. Tencent having a respectable 1.45 suggesting it has a moderate liquidity and Disney having the lowest 0.75.

4.2. Profit Ratio

The total asset turnover refers to the ratio of a company's sales revenue net to its average total assets over a period of time. It is a measure of how efficiently the company utilizes its assets to generate sales. Universal excels with 0.97, Disney follows with 0.4 and then Tencent has the lowest of 0.0985.

Profit margin is a financial metric that measures the amount of profit a company generates as a percentage of its revenue. It indicates how much of each dollar earned by a company is converted into profit., Tencent has the highest profit margin at 21.22%, Universal at 4.35% and Disney at 1.9%

Return on Assets is a financial ratio that measures the profitability of a company's assets. It is calculated by dividing the company's net income by its average total assets. Tencent has the largest ROA with 21% following it there’s Universal with 5% and Disney with 3.4%

Return on Equity is another financial ratio that assesses a company's profitability by measuring the return earned on shareholders' equity. It is calculated by dividing a company's net income by its average shareholders' equity. Universal has the highest ROE with 9%, followed by Tencent with 7% and then Disney with 2.7%.

4.3. Market Ratio

Also known as the «earnings multiple» or «earnings per share ratio». It is calculated by dividing the current market price of a stock by its earnings per share. The P/E ratio indicates how much investors are willing to pay for each dollar of a company's earnings. the most price/value company is Universal with 10.95, followed by Tencent with 15.4 and Disney has the highest of 32.97.

Also known as the «market-to-book ratio» or «book multiple». It is calculated by dividing the current market price of a stock by its book value per share. The book value per share represents the company's net assets divided by the number of shares outstanding. Tencent has the highest PB ratio with 3.6, followed by Disney with 1.65 and then Universal with 0.89.

It is the ratio of a company's annual dividend per share to its current stock price. It is expressed as a percentage and indicates the return an investor can expect to receive from dividends alone. Tencent and Universal having similar numbers with 6.74% and 6.15% respectively, then Disney has the lowest percentage of 0.81%

It is a variation of the P/E ratio that takes into account a company's expected earnings growth rate. The PEG ratio is calculated by dividing the P/E ratio by the company's expected earnings growth rate. Tencent has a PEG ratio of 2.05 this means that it offers the best value in the perspective of its growth rate, then Universal with 1.14 and Disney with 0.37.

Valuation refers to the process of determining the fair market value of a company's stock. Disney has the highest intrinsic value with 123.59, then Universal with 107.9 and Tencent with 60.5.

5. Discussion

Tencent is the best company to invert in between the three, and it has various reasons supporting it.

For example, Tencent boasts a massive user base, with its social media platforms like WeChat and QQ having billions of active users globally. This vast user base provides a solid foundation for its various businesses and ensures stable revenue streams. In China, Tencent holds a significant market share in various sectors, including social media, online gaming, and cloud services. It has a diversified business portfolio that spans across social media, online gaming, digital content, cloud services, and more. This diversification helps mitigate risks associated with any single industry downturn and ensures steady growth. This company is also known for its innovative products and services, such as its popular mobile games, music and video streaming platforms, and enterprise software solutions. Tencent has demonstrated consistent revenue and profit growth over the years, driven by its expanding user base and diversified revenue streams [8].

It brings Healthy Financials data, for example, the company maintains a strong financial position with healthy cash flow, low debt levels, and high profitability. Tencent has a proven track record of making strategic investments in promising startups and established companies. These investments not only generate financial returns but also help the company expand its ecosystem and stay at the forefront of technological innovations. Tencent has also forged partnerships with various industry players, including telecom operators, content providers, and device manufacturers.

And the most important one, is that it is actively investing in emerging technologies such as artificial intelligence, big data, and blockchain. These technologies have the potential to transform its existing businesses and create new revenue streams.

International Expansion: While Tencent's primary market remains China, it is also expanding its reach into other regions, particularly in Asia. With its strong brand recognition and successful business models, Tencent is well-positioned to capture growth opportunities in international markets [9].

6. Conclusion

In theory, the previous research on investment strategy often studied investment through the change of business environment. The starting point of investment strategy is to maximize the profits of enterprises and pay less attention to the value creation of the value chain.

In today's competitive environment, the value chain and investment strategy are integrated through research. Value creation activities and value adding activities in the value chain, and overall planning of resources in the value chain. Dynamic study of enterprise value activities, optimize investment strategy, and make investment strategy more synchronized with the overall strategy of the enterprise. Better realization of enterprise strategic objectives, not only for the core competitiveness of the enterprise has a positive role in promoting and it is helpful to supplement and perfect the modern investment strategy theory and system.

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