Comprehensive Financial and Economic Analysis of East Money Information Co., Ltd.

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Abstract. This paper presents a comprehensive financial and strategic analysis of East Money Information Co., Ltd., a leading firm in China's digital finance industry. The study aims to assess the company's investment value and operational health through a dual approach: qualitative analysis using SWOT and PESTEL frameworks, and quantitative financial statement analysis focusing on liquidity, profitability, activity, and debt ratios. Results show that East Money benefits from a strong market presence, technological innovation, and a capital-light business model. However, challenges such as high financial leverage, declining return on equity, and dependence on trading volume highlight key financial risks. Strategic recommendations include enhancing liquidity, optimizing capital structure, and closely monitoring asset performance. The findings provide investors with long-term insights into East Money's growth potential and risk exposure. More broadly, the research offers valuable perspectives on how internet-based financial firms in China navigate evolving market dynamics and regulatory environments, contributing to the understanding of fintech development in emerging economies.

Keywords: SWOT Analysis, PESTEL Analysis, Financial Statement Analysis

1 Introduction

In the new era, China's Internet finance development is rapid, and the market size and the number of users is growing daily [1]. By 2024, the number of users has expanded to 760 million (about 17.7%), and the market size will have grown to 291.56 trillion. In such a fierce development of the Internet finance wave, East Money shows a prominent performance. The securities brokerage business, fund sales business, and financial data service are three major market development strategies for East Money Information.

In the securities brokerage business, the company's market share is 3.5%, ranking among the top 10 in the industry. Thanks to three corporate strategies, East Money employs an "Information + Community + Trading" model that attracts traffic through its website and stock bar community platforms and converts this traffic into users for securities accounts and fund sales, creating a closed loop from information acquisition to transaction execution. This effective marketing strategy positions the company as a

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leader across all three segments. Since it is a publicly listed company with comprehensive disclosures on financial reports (revenue structure and profit margins) and business metrics (fund sales volume and user numbers), East Money provides sufficient material for conducting a SWOT analysis of its operations, which allows the analysts to explore how both internal and external environments influence its association between profitability and the company's stock price. What's more, with a beta coefficient ranging between 1.3-1.5, which is higher than traditional brokerages', this study can offer more informed investment recommendations based on market trading volumes for potential investors.

This paper will begin with 2 points: fundamental analysis and technical analysis. First, this research will use SWOT, PEST, and qualitative analysis methods to elaborate on the company's internal and external competitive environment of the company. What 's more, this research will analyze the operating status of East Money information using financial statement analysis. New approaches of research above, the advice on the development of the East Money Information can be provided from the fundamental analysis method, and the paper can offer the investor long-run suggestions of investment and process of investment.

2 Methodology

2.1 SWOT Analysis

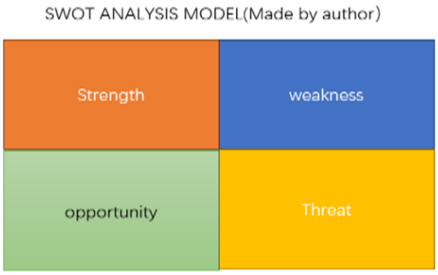

Fig. 1. SWOT Analysis

In definition, SWOT may be separated into two components: the first component is Strengths and Weaknesses, which largely focuses on examining internal circumstances, concentrating on the enterprise's strength and comparison with rivals; The second portion is opportunities and threats, which may be primarily used to examine external circumstances, stressing changes in the external environment and their potential influence on the organization.[2]. (Fig. 1) Hence, SWOT analysis has become a fundamental tool for organizations to evaluate their position in the market and is widely used to analyze organizations' internal and external environments during times of indecision [3]. In this paper, the SWOT is utilized to analyze the main internal advantages, disadvantages and external opportunities and threats of East Money Information.

2.2 PESTEL Analysis

A marketing theory called PESTEL assesses how a company is impacted by external political, economic, social, technical, environmental, and legal aspects [4]. (Fig. 2) In this research, the author will analyze the company's external environment based on policies (political), economic growth rates (economic), income level (social). The author can use this approach to explore the relationship between profitability and external factors and give wise suggestions to the investor [5].

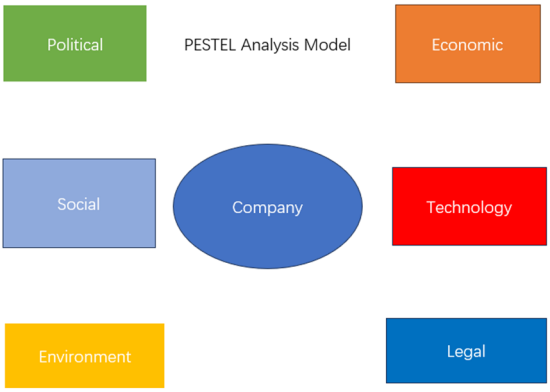

Fig. 2. PESTEL analysis model

2.3 Financial Statement Analysis Overview

The practice of thoroughly examining a business's publicly available financial statements, including balance sheets, cash flow statements, and income statements, is known as financial statement analysis.[6]. Financial statement analysis can assess the financial position, operating performance, profitability, and risk level of the enterprise to offer a basis for investment or management decisions [7]. There are three core objectives in the financial statement analysis. Firstly, the financial statement analysis is utilized to assess financial health. Secondly, the approach can help forecast the future performance of a company. Hence, the investors can determine whether the stock is overvalued or undervalued. Last but not least, audited financial statements should be used in this kind of analysis because they have been examined and approved by an auditor, who is by definition a reliable individual who is not affiliated with the company's management. This enhances the validity and credibility of the published financial data because regulatory bodies require these statements for publicly traded companies every year. Websites for the firms, stock exchanges, and open databases like Nasdaq and Morningstar are typically good sources of audited financial data.

Liquidity Ratio. A liquidity ratio is a financial metric utilized to assess a company's capacity to meet its short-term debt obligations [8]. There are three types of ratios used in the liquidity ratio: current ratio, quick ratio, and cash ratio.Using these measures, the paper will illustrate Eastern Money's liquidity status, including how much cash they

have on hand to meet short-term commitments and if they have adequate liquidity to last the operational cycle (Almani & Nobanee, 2018; Ahmed & Nobanee, 2020).

These liquidity ratios, therefore, could give more emphasis on this situation. Hence, the East Money information can understand their liquidity position from 2022 to 2024. The current ratio will be calculated to interpret the liquidity performance.

Profitability Ratios. It plays a significant role in measuring the efficiency of enterprises in earning profits and directly affects the valuation and investment decisions of investors [9]. Similarly, from the perspective of management performance, return on equity may be viewed as a measure of productivity.

Activity Ratios. A measure of the operational efficiency of a company's assets and resources, reflecting management's ability to convert assets into revenue or cash flow [10]. These ratios directly affect the earning potential and return on investment. The following is a detailed breakdown of the core operational efficiency ratio and its application scenarios.

Debt Ratio. In this case, financial experts have looked at the organization's financial leverage using both the debt ratio and the times interest earned ratio [11]. By using this method, one might determine if the business is using owned cash or loan financing.

3 Analysis

3.1 SWOT Analysis

There is a comprehensive SWOT analysis of East Money Information in this paper. The company's strengths are predominant, and there are three strengths. East Money Information dominates China's online financial sector with its massive user base(50M+MAUs) and integrated ecosystem spanning brokerage, fund distribution (Tiantian Fund, top 3 in non-money fund AUM), and data services (Choice terminal). Its capital-light model (CIR 35% vs industry 45%) and tech investments (8% R&D) provide cost advantages and AI-driven tools like robot-advisors.

However, heavy reliance on trading volumes (60%+ revenue) creates earnings volatility, while premium valuation (37x P/E) and limited capital (RMB50B net capital) constrain expansion. Opportunities abound in China's booming wealth management market (RMB300T by 2030E) and policy tailwinds (T+0 trials, pension reforms), but competition from tech giants (Ant/Tencent) and traditional brokers digitizing rapidly (Huatai's ZLT) poses threats. Regulatory risks (fund fee caps, data laws) and market cyclicality (revenue crashes if turnover < RMB800B/day) add pressure. For investors, East Money offers high-growth exposure to financial digitization but demands tolerance for volatility—track Tiantian's AUM growth, Choice subscriptions, and AUM turnover trends to gauge sustainability.

By analyzing the company's position, the paper offers some useful strategies for the company. In terms of opportunities, the company leverages its strengths to enhance data barriers against competition from internet giants and capitalizes on policy benefits to accelerate penetration in financial services. Additionally, it collaborates with banks

(such as through entrusted financing) to diversify and mitigate potential risks. Regarding threats, the company controls R&D expenses and focuses on core functions (like AI stock selection) to leverage its strengths. It also establishes market volatility hedging mechanisms (such as derivatives) to address potential risks. These strategies demonstrate the company's flexible use of resources and capabilities in a dynamic environment to achieve stable growth.

3.2 PESTEL Analysis

The author will use the PESTEL analysis method to evaluate the external environment. Multifaceted external dynamics shape East Money Information's strategic positioning.

Politically, China's capital market reforms—including the registration-based IPO system, the STAR Market, and financial opening policies (e.g., QFII, Stock Connect programs)—offer growth avenues for its securities and fund distribution businesses. However, tightening fintech regulations escalates compliance demands.

Economically, active A-share trading volumes and low-interest-rate-driven capital inflows bolster its brokerage and fund sales (e.g., Tiantian Fund), yet macroeconomic volatility may dampen investor risk appetite.

Socially, the rise of younger investors and shifting household wealth toward equities amplify user engagement on its digital platforms. At the same time, financial literacy gaps create opportunities for content ecosystems (e.g., research reports and live streams).

Technologically, advancements in AI-driven advisory tools and smart risk management reinforce its edge as an internet-based brokerage, though data security compliance and blockchain adoption require sustained investment.

Environmentally, ESG investment trends and carbon neutrality mandates push the firm to explore green finance products while optimizing energy efficiency in data operations.

Legally, evolving securities laws and cross-border regulatory frameworks necessitate rigorous compliance, particularly in antitrust and data governance. To maintain leadership, East Money must balance innovation with regulatory adaptation, leveraging differentiated services and ecosystem integration to navigate competitive and operational risks.

3.3 Financial Statement Analysis

Liquidity Ratios. The current ratio of East Money Information Co., Ltd. stands at approximately 1.34 [12]. This ratio suggests a moderately sound ability to meet short-term obligations. However, considering the company's significant current liabilities—namely, short-term borrowings totaling ¥55.31 billion and financing bills payable of ¥158.85 billion—its liquidity position warrants improvement. The company must carefully monitor its cash flow to avoid potential liquidity constraints, especially under volatile market conditions.

Debt Ratio. The company's total liabilities of ¥306.37 billion against total assets of ¥415.01 billion result in a debt ratio of approximately 73.65% [12]. This high ratio

reflects substantial financial leverage and implies a considerable dependence on debt financing. Notably, long-term borrowings and bonds payable each amount to ¥18.85 billion, which could pressure future cash flow and amplify refinancing risks if not managed properly.

Return on Equity (ROE). The return on equity (ROE) decreased from 15.57% in 2022 to 11.94% in 2023, indicating a weakening return on shareholders' equity [12]. This decline suggests that the company is generating less profit relative to its net assets, which may reflect rising cost pressures, declining operational efficiency, or a less effective allocation of resources in generating returns for shareholders.

Total Asset Turnover Ratio. The total asset turnover ratio declined from 0.063 in 2022 to 0.049 in 2023, reflecting a decrease in the company's efficiency in utilizing its assets to generate revenue [12]. This downward trend suggests that the growth in the company's asset base has outpaced its revenue growth, potentially undermining profitability and indicating less effective resource utilization.

4 Strategic Recommendations

4.1 Enhance Short-Term Liquidity Management

The company's cash ratio at the end was just 1.02%, signaling a heightened liquidity risk. Management should actively explore measures to bolster liquidity, such as increasing short-term financing capacity via bank loans or issuing short-term bonds and consider monetizing trading financial assets when necessary. With current liabilities accounting for over 90% of total liabilities, vigilance is required to avoid cash shortfalls and meet near-term obligations.

4.2 Pursue Long-Term Capital Structure Optimization

Given the elevated debt-to-asset ratio (73.65%), East Money should consider transitioning part of its short-term debt into longer-term financing to alleviate immediate repayment pressure and stabilize cash flow. Strategies such as issuing long-term corporate bonds or equity financing through strategic partnerships and public offerings could improve financial flexibility and lower overall leverage.

4.3 Strengthening Asset Quality and Return Monitoring

Long-term equity investments represent nearly 15% of total assets. It is essential to assess their return-generating capacity and ensure consistent dividend income or capital appreciation. Additionally, the value of non-current assets such as fixed assets (¥2.32 billion) and goodwill (¥2.95 billion) must be closely monitored to prevent asset impairments that could erode profitability.

4.4 Maintain Profitability and Reassess Dividend Policy

Although retained earnings increased by 27.28%, it is crucial to determine whether earnings are sustainably derived from core operations rather than one-off gains. Investors and management alike should revisit the dividend policy, weighing the benefits of short-term shareholder returns against the need to reinvest for long-term stability and debt reduction.

4.5 Aligning with Industry Trends and Regulatory Shifts

In a highly leveraged context, external macroeconomic shocks could exacerbate financial strain. Continuous assessment of the company's alignment with industry dynamics, especially in sectors like finance and real estate—and vigilance toward evolving regulatory frameworks (e.g., fintech and capital market rules) are critical to sustaining competitiveness and ensuring regulatory compliance.

5 Conclusion

This study explored the financial and strategic position of East Money Information Co., Ltd., a leading player in China's fast-growing internet finance sector. With its integrated approach—combining information services, online communities, and trading platforms, East Money has established a strong presence in brokerage, fund sales, and financial data services. The purpose of this research was to evaluate the company's investment potential and operational efficiency using both qualitative and quantitative methods. SWOT and PESTEL analyses were applied to assess internal strengths and weaknesses, as well as external opportunities and threats. In parallel, financial ratio analysis—including liquidity, profitability, activity, and debt ratios—was used to evaluate East Money's financial health from 2022 to 2024.

The findings reveal that while the company benefits from a cost-effective business model and technological innovation, it also faces key challenges. These include declining asset turnover and return on equity, high financial leverage, and reliance on volatile trading volumes. The analysis highlights the importance of improving short-term liquidity, optimizing capital structure, and strengthening the quality of long-term investments. Overall, this research offers practical recommendations for East Money's strategic development and risk management. It also contributes to the broader understanding of how digital financial firms operate in rapidly changing regulatory and economic environments. For investors, the paper provides long-term investment insights by linking financial indicators with external market dynamics and internal capabilities.

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