Financial Analysis and Investment Evaluation of Enlight Media: A Ratio-Based Approach

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Abstract. This paper presents a comprehensive financial analysis of Enlight Media, one of China's leading private media and entertainment groups. By examining eight key financial ratios—price-earnings ratio, net profit margin, price-to-book ratio, debt-to-asset ratio, equity-to-asset ratio, earnings per share, current ratio, and dividend yield—the study evaluates the company's profitability, financial stability, and investment potential. Enlight Media demonstrates several advantages, including strong content production capabilities, leadership in animated film production, and a relatively low debt ratio, which contribute to its financial resilience and market competitiveness. However, the company's performance is highly sensitive to individual box office results, leading to significant fluctuations in key indicators such as ROE, ROA, and EPS. While the market holds high expectations for Enlight Media's future growth, as reflected in its elevated valuation ratios, the low dividend yield may deter income-focused investors. The findings highlight both the growth opportunities and the risks associated with investing in the film and television sector. Investors are advised to closely monitor the release schedule and box office performance of major animated projects, while also comparing industry benchmarks to assess valuation rationality. This analysis aims to support informed investment decisions regarding Enlight Media in a volatile but promising industry landscape.

Keywords: Financial Analysis, ENLIGHT MEDIA, P/E ratio, investment

1 Introduction

Enlight Media was founded in 1998 and was listed on the ChiNext Board of the Shenzhen Stock Exchange in 2011. It is currently one of China's leading private media and entertainment groups. The company's business mainly focuses on the investment. At the same time, it also undertakes the production and release of film and television projects. It covers various fields such as movies, TV shows (web series), animation, music, literature, artist management, live entertainment and industrial investment in both vertical and horizontal directions. It is one of the comprehensive content groups in China with the most comprehensive coverage of horizontal content fields and the most complete vertical extension of the industrial chain. The company has

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many competitors in the same industry, such as Huayi Brothers Media and Wanda Film. However, Light Media is competitive in Chinese film and television, especially in animated films and diversification. Compared with its peers, Light Media's advantages lie in strong content production and IP development capabilities, a leading position in animated films, and a relatively stable financial situation. To understand this company deeply and provide clear strategic recommendations for investment risks, the research paper makes a concrete analysis of the financial report of this media company. Several investment radios will be used in this dissertation, and the company's financial health in 2023 will also be assessed.

2 Method

The ratio analysis method evaluates and interprets an enterprise's financial position and operating performance by comparing and analysing various ratios in financial statements. To conduct stock investments and analyse a company's financial situation, here are eight financial ratios that are utilized in this research report to verify the financial health status of the company, profitability, valuation, and investment risks. They are the price-earnings ratio, net profit margin, price-to-book ratio, debt-to-asset ratio, equity-to-asset ratio, earnings per share, current ratio, and dividend yield.

2.1 Price-Earnings Ratio

Firstly, the ratio of stock price to earnings per share is the definition of the price-earnings ratio, which is used to calculate how much price investors are willing to pay for each unit of profit. [1]. It reflects the market's expectation of the company's future profit growth. It can be calculated using the following formula presented in equation (1).

$$Price - earnings\ ratio = \frac{Share\ price}{Earnings\ per\ share} \tag{1}$$

2.2 Net Profit Margin

Secondly, the net profit margin, also known as the net profit ratio, is the rate of net profit to operating income used to count the company's profitability per unit revenue [2]. A bulky net profit margin stand for that the company can effectively control costs and achieve higher profits. A lower net profit margin may suggest that the company faces greater cost pressure or is more competitive. The above is an important metric for evaluating a company. The equation of this ratio is as presented below. (Equation (2))

$$Net\ Profit\ Margin\ = \frac{Net\ Profit}{Revenue}\ x\ 100\% \tag{2}$$

2.3 Price-to-Book Ratio

Thirdly, the price-to-book ratio. The price-to-book ratio is the ratio of stock price to book value per share, used to measure the relationship between the company's market value and its book value [3]. A lower P/B Ratio may indicate that the stock is undervalued, while a higher P/B Ratio may reflect the market's recognition of the company's asset quality or future growth potential [4]. It is often used to evaluate the valuation of financial companies or asset-intensive enterprises. The formula for the P/B Ratio is as presented below.

$$P/B\ ratio\ = \frac{Market\ Value\ per\ Share}{Book\ Valuep\ er\ Share}$$

2.4 Debt-to-Equity Ratio

Fourthly, the debt-to-equity ratio, also known as the D/E Ratio, is ratio of whole liabilities to shareholders' equity used to measure the company's financial leverage and debt-paying ability [5]. The higher the P/E ratio rises, the more it indicates that the company relies on debt financing. This is very likely to cause a greater probability of financial risks; a lower D/E Ratio indicates that the company has a more stable financial structure [6]. It is an important indicator for assessing the company's financial health. The equation of the debt-to-equity ratio is as presented below. (Equation (3))

$$Debt-to-Equity\ ratio\ = \frac{Total\ Liabilities}{Shareholders'Equit} \tag{3}$$

2.5 Return on Equity and Return on Assets

Fifthly, the return on equity (ROE) and return on assets (ROA), ROE is the ratio of net profit to shareholders' equity, used to measure the company's efficiency in generating profits using shareholders' funds; ROA is the ratio of net profit to total assets, used to measure the company's ability to generate profits using all assets [7,8]. Higher ROE and ROA indicate that the company has strong profitability and asset management efficiency, which are core indicators for evaluating the company's operating performance [9].

2.6 Earnings Per Share

Sixth is earnings per share (EPS). EPS is the ratio of net profit to the number of outstanding shares, which measures the profit generated by the company per share of stock [10]. The growth of EPS is usually regarded as a signal of improved company profitability and for investors, this is a necessary piece of evidence for the assessment of the company's value and stock price. There are two formulas of the EPS. (Equation (4), (5))

$$EPS = \frac{Net\ Income - Preferred\ Dividends}{End\ of\ period\ Share} \tag{4}$$

$$EPS = \frac{Net\ Income - Preferred\ Dividends}{Weighted\ Average\ Shares\ perspective} \tag{5}$$

2.7 Current Ratio

Seventh is the current ratio, which is the percentage of current assets to current liabilities, used to measure the company's short-term debt-paying ability [11]. A larger current ratio implies that the company has sufficient dynamic cash flow to cover short-term debts, while a smaller current ratio may indicate that the company is facing liquidity risk. It is a key indicator for assessing the company's short-term financial health. The equation is Current Ratio = Current Assets / Current Liabilities.

2.8 Dividend Yield

Eighth is the dividend yield, the ratio of dividends per share to the stock price, used to measure the return shareholders receive from dividends [12]. A higher dividend yield may attract investors seeking stable returns, but it may also indicate limited growth potential for the company. It is an indispensable index for estimating the characteristics of stock returns. This equation is presented below. (Equation (6))

$$Dividend\ Yield = \frac{Price\ Per\ Share\ Annual}{Price\ Per\ Share} \tag{6}$$

3 Analysis

Looking at Enlight Media in terms of the price-earnings ratio, the company's P/E ratio is usually higher than that of its peers, which reflects the market's expectation of high growth in its animation industry. If the company's value is too high in the future, it may indicate a market valuation bubble; too low may indicate undervaluation by the market. From two perspectives, namely the return on net assets and the return on total assets, Enlight Media's ROE and ROA are higher when the movie's box office performance is good. Data from recent years show that the company's overall ratio fluctuates greatly. It is worth noting that ROE is likely to increase significantly when a film the company has invested in is successful.

From the earnings per share perspective, Enlight Media's EPS is subject to movie box office volatility, and the ratio volatility is significant. EPS will significantly increase when a high-box office film, such as the Nezha 2 film, is released at the Spring Festival 2025. The data at the beginning of 2025 reflects the company's earning power. Enlight Media's returns are optimistic.

From the current ratio, the efficiency of a company in repaying debts within a short period can be estimated by it. The current ratio of Enlight Media is relatively high,

meaning the company's cash flow is relatively abundant. If the company's current ratio is less than 1, it proves it is under pressure to repay debts in the short term.

Finally, from a dividend yield perspective, across the film and television industry as a whole, dividend yields are generally low because companies are more inclined to invest their profits. In this study, Enlight Media's dividend yield is relatively low, but it also reflects the company's tendency to invest in the same profit as growth companies.

From the perspective of net interest rate to analyse optical fibre media, the data of each company node show that the net interest rate of light media was very high during the release of the Nezha film, which is due to the success of the Nezha film, but the overall and industry profit margin is low. This also reflects that the net profit margin is greatly affected by the box office performance of single-step films for the film and television industry.

From a price-to-book point of view, Enlight Media companies generally have a low price-to-book ratio, which reflects the film and television industry's light assets. At the same time, if the price-to-book ratio is less than 1, it may indicate that the stock price is undervalued.

From the perspective of asset-liability ratio, Enlight Media's price-to-book ratio is usually low, which indicates that the company's business model is mainly asset-light and its debt is relatively small. When the future debt-to-asset ratio of a company is too high, it signify that the financial risks will increase. for these two ratios, the company's financial leverage and its ability to repay debts can be measured and calculated by them.

Based on the analysis of these 8 data, the enterprise's investment can be evaluated based on its advantages and risks. Regarding corporate advantages, Enlight Media's animation film business has great growth potential and strong investment content creation ability. Secondly, the enterprise's low debt ratio and high current ratio indicate the robustness of the company's finances and its strong short-term solvency. Finally, high P/E and P/S reflect the market's high expectations for the future growth of Enlight Media. Regarding corporate risks, there is no doubt that the film and television industry is highly volatile, and the performance depends on the box office of a single film. Secondly, the company's net profit margin, ROE/ROA and EPS fluctuate greatly, reflecting the poor performance stability. Finally, the company's low dividend yield may not be attractive to some investors.

4 Conclusion

In conclusion, this paper will analyse Enlight Media's investment risk and return rates for investors based on eight investment ratios. Based on the above analysis of the investment ratio and data, several suggestions can be given to investors. First, as an investor, you can pay timely attention to the progress of Enlight Media's animated film projects, such as "Deep Sea" and "Monkey King: Journey to the West", which easily achieve high results. Because many of the above data are based on the explosive box office of a single movie, the second is combined with the latest finan-

cial data (such as the 2023 annual or 2024 quarterly report) for specific analysis. Third, compare the industry's average level (such as Huayi Brothers and Bona Film) and evaluate the rationality of the valuation.

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