

# YUEHUA's Business Analysis Based on SWOT Model

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**Abstract.** In the current electronic age, the demand for the quality entertainment industry is becoming more and more important. There is a growing interest in celebrity artists, and the entertainment industry is evolving around them. YUEHUA Entertainment, a well-known professional artist management company in China, is thriving as consumer demand for high-quality monthly entertainment is increasing. This article will analyze the corporate development of YUEHUA Entertainment based on the SWOT model. It is found that the development of YUEHUA Entertainment has limitation in terms of artist resources and the expanse of popularity. Its professional trainee training system, and its long-term stable partners due to its long development time. On the contrary, the main weakness is that the company's business situation is overly dependent on the development of the artist management business. The significance of this thesis research is to summarize the development of YUEHUA and help others to understand this company.

**Keywords:** Marketing Strategy; SWOT Analysis; YUEHUA Entertainment.

## 1. Introduction

In the current electronic age, the demand for the quality entertainment industry is becoming more and more important. There is a growing interest in celebrity artists, and the entertainment industry is evolving around them [1-2]. Celebrity artists have become the main product of entertainment companies, and the growth of the entertainment industry has led to celebrity artists no longer being limited to a unique field in which they originally excelled but also appearing in multiple entertainment content. For example, music, variety shows, TV shows, and movies. According to Frost & Sullivan's market research report, YUEHUA Entertainment is the number one Chinese talent management company in terms of revenue by 2021 and has the title of the industry leader [3-4].

YUEHUA Entertainment has grown rapidly since its inception in 2009, and in 12 years has established itself as a cultural and entertainment platform with three complementary business segments: artist management, music IP production, and operations and pan-entertainment business. The company's main responsibility is to manage the endorsement and commercial promotion activities of the company's celebrity artists for other companies' products or services and to leverage the celebrity artists' popularity to increase the awareness of products and services. YUEHUA Entertainment has a wealth of industry expertise that provides the foundation for them to capture business opportunities and help them lead the talent management market in China. Strengths, Weaknesses, Opportunities, and Threats to analyze the company's development path [5].

The purpose of this paper is to help other businesses find their way to success and also give some predictions and possible suggestions for YUEHUA Entertainment to take for improvement.

## 2. Firm Description

YueHua Entertainment is a large cultural and entertainment platform consisting of three complementary businesses including artist management, music IP production and operation, and pan-entertainment business with 66 contracted artists as of the Latest Practicable Date. YueHua Entertainment is primarily engaged in artist management in the PRC. YueHua Entertainment is a leading artist management company in the PRC, with an extensive portfolio of high-quality artists. According to Frost & Sullivan, YueHua Entertainment is the number one talent management company in China in terms of talent management revenue in 2021, with a market share of 1.9% [6-7].

YueHua Entertainment generates revenue primarily by arranging for contracted artists to (i) participate in commercial activities such as endorsements, commercial promotions, and commercial performances; and (ii) provide entertainment content services such as appearances in movies, dramas, and variety shows to provide services to customers.

Revenue generated by YueHua Entertainment from music IP production and operation business mainly consists of (i) licensing of YueHua Entertainment's original music IP to music service providers; (ii) sublicensing of YueHua Entertainment's licensed music IP to music service providers; and (iii) revenue from sales of digital and physical albums of YueHua Entertainment's music IP. YueHua Entertainment's revenue from its pan-entertainment business primarily consists of (i) commercial development of virtual artists; (ii) licensing of variety show formats and (iii) revenue generated from the sale of artist-related derivatives [8].

The net profits of YueHua Entertainment for 2019-2021 were approximately RMB119 million, RMB292 million, and RMB335 million, or a total of RMB746 million, respectively, and the two dividend distributions took away 80.43% of the total net profits for the three years. The Company stated that the distribution of such dividends will not have a material impact on the working capital adequacy of YueHua Entertainment and that the Company will be able to maintain sufficient funds to meet working capital requirements and debt obligations. As well, past dividend declarations do not necessarily reflect our future dividend declarations [9-10].

During 2019-2021, YueHua Entertainment's gearing ratio was 52.66%, 101.15%, and 80.97%, respectively, and the current debt ratio is very high. YueHua Entertainment's revenue will be RMB631 million, RMB922 million, and RMB1,290 million, respectively, representing a compound annual growth rate of 43.0%; net profit will be approximately RMB119 million, RMB292 million, and RMB335 million, respectively, representing a compound annual growth rate of 67.6%. YueHua is proposing a global offering of 132.56 million shares, comprising 13.256 million shares in the Hong Kong offering and 119.304 million shares in the international offering, plus a 15% over-allotment option; the offering will be made from August 24 to August 31, 2022, with an expected pricing date of August 31; the offering price will be HK\$6.80-8.50 per offering share, with 400 shares per board lot. The admission fee is approximately HK\$3,434; CITIC Capital International and China Merchants Securities International are the joint sponsors; the shares are expected to be listed on the Main Board of the Stock Exchange on September 7, 2022 (Table 1).

**Table 1.** YueHua Entertainment's financial condition

Investor Name	Rounds	Raise ( CNY )
LeBox Capital	Series A	Unknown
Rongxi Venture Capital	Series A	Unknown
CMC Holdings	Series B	300 Million
ByteDance	Series B	Unknown

### 3. SWOT Analysis

#### 3.1 Strength

YueHua Entertainment has the advantage of mature experience in artist management and the high popularity of its artists. With systematic trainee cultivation and a professional artist system, it can guarantee the quality of its artists. We also have a wide and diversified range of long-term partners. YueHua Entertainment has also established a brand image based on corporate social responsibility, has participated in many public welfare activities, and has a good social image. After its third round of financing, YueHua has also secured strong investors for better and more stable development.

### 3.2 Weakness

YueHua's business relies heavily on the reputation of its artists, and if an artist engages in negative behavior that negatively affects his or her reputation, it could not only damage the company's and the artist's reputation but could also have a material adverse effect on the company's financial condition and experience. In addition, the majority of YueHua Entertainment's revenue is derived from its artist management business, and if artists terminate their contracts or fail to expand the number of artists and trainees signed, the company's financial position and experience could be adversely affected. YueHua Entertainment's business is highly sensitive to public preferences and relies on its ability to acquire and develop popular artists, and the Company may not be able to predict or effectively respond to changes in audience preferences and market trends, and such changes could have a material adverse effect on YueHua's business, financial condition and results of operations.

### 3.3 Opportunities

YueHua's opportunity lies in the overall upward trend of the Chinese entertainment industry and the high profile of its artists. If this opportunity is seized, it will further enhance YueHua Entertainment's position in the Chinese entertainment industry and will lead to many opportunities for film and television development. By taking advantage of the popularity and traffic of its artists and seizing the opportunities in film and television, it will not only make up for the shortcomings of YueHua's development in the film and television industry but will also bring higher visibility to its artists.

### 3.4 Threats

YueHua Entertainment's business is also very dependent on the overall growth of the entertainment industry in China, corporate spending, and consumer discretionary spending. Tough economic conditions and other unfavorable factors could affect film and television companies and consumer spending. Also, if competitors emerge in the industry and their artists excel, it could impact the resources of YueHua's artists. The company's business and revenues could be adversely affected.

YUEHUA's business development should be more balanced, maintaining the development of the artist management business while ensuring the development of the other two major business segments, music IP production and pan-entertainment business. Since the company still depends on the artist management business, maintaining the reputation of the artists is still a very important part of the business development process. Strict control of its artists to avoid ethical problems and active clarification of negative news about them will also help grow the company's message and reputation of its products [11-12]. It is also very important to maintain the quantity and quality of artists in the ever-changing entertainment industry, and it is important to release more quality artists to provide strong conditions to compete in the entertainment market. Companies should improve their trainee selection conditions and the training process needs greater technical improvement to create artists that can match the market.

## 4. Conclusions

The people's demand for entertainment has increased the development of entertainment companies. Because of the high market demand, more and more companies are entering the entertainment industry. In a very saturated entertainment market, the competition among entertainment companies is also very fierce.

The topic of this paper is to analyze the business development of YUEHUA based on the SWOT model. In the analysis process, the main advantages and disadvantages of YUEHUA Entertainment Company are listed from external and internal perspectives by using the comprehensiveness and simplicity of the SWOT model.

From the SWOT model, it is found that the main strengths of YUEHUA Entertainment are the wide popularity of its artists, its professional trainee training system, and its long-term stable partners

due to its long development time. On the contrary, the main weakness is that the company's business situation is overly dependent on the development of the artist management business.

As the company relies heavily on artist management to generate revenue, negative reporting on artists is likely to harm the company's business development, financial position, and experience performance. Second, the company's exposure is primarily limited by the development of entertainment in China. Significant changes in the entertainment industry could limit the Company's business development path and adversely affect the Company's operating conditions if the Chinese government issues laws and regulations that restrict the development of the entertainment industry. The study found that YUEHUA should balance the development of each business in order to have a better and stable development for a longer period of time.

Most of the statements in the thesis are forward-looking statements that, by their nature, are subject to significant risks and uncertainties. Any argument in the thesis that involves a discussion of the anticipated future is not historical fact but is forward-looking and is subject to uncertainties and other factors, some of which are beyond the scope of the thesis' projections. As a result, such factors may cause actual performance or results to differ materially from those expressed in the forward-looking statements.

Moreover, since only one type of analysis, the SWOT model, is used in this paper, it does not ensure complete coverage of the company's development. And even though the SWOT analysis has covered the four research directions, there are still shortcomings. Since the SWOT model has been proposed for a very long time, it has the limitation of the times and does not completely cover the present-day developing companies.

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