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Assessing Media Industry Leaders: A Financial Comparison

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Abstract: This essay aims to present a comprehensive financial analysis of four major media and entertainment companies—Disney, Warner Bros. Discovery, Paramount, and Universal (Comcast)—to evaluate their investment potential. Using key financial metrics such as the Gross Profit to Assets (GP/A) ratio, PEG ratio, and growth rates (EPS and revenue), the study compares the companies' profitability, efficiency, and valuation. Universal emerges as the most attractive investment due to its high GP/A ratio and diversified revenue streams, offering stability despite slower growth. Disney shows the highest growth in earnings but carries a higher valuation risk, while Warner Bros. Discovery and Paramount face more significant challenges related to integration costs and profitability. The analysis concludes with Universal as the recommended investment, noting the associated risks of slower growth and higher valuation. This research contributes to a deeper understanding of financial metrics as tools for assessing investment opportunities in the dynamic media and entertainment industry.

Keywords: investment analysis, financial analysis, media and entertainment industry.

1. Introduction

The media and entertainment industry is a vast and dynamic sector with a wide range of sub-industries, including film production, television broadcasting, music, publishing, digital content creation, and theme parks [1]. It is characterized by rapid technological advancements, shifting consumer preferences, and intense competition among key players [2]. It is also heavily influenced by global economic conditions, regulatory changes, and cultural trends. In order to provide reference suggestions for investors interested in the entertainment media industry, this study selected four industry leaders, The Walt Disney Company (DIS), Warner Bros. Discovery, Inc. (WBD), Paramount Global (PARA), and Universal which belongs to Comcast Corporation (CMCSA), and uses various financial methods (GP/A ratio, EPS and revenue gross rate and PEG ratio) to analyze the advantages and disadvantages of each company. Each of these companies has a distinct market position, diversified business model, and strategic focus that contribute to their prominence in the industry. This research aims to contribute to a deeper understanding of how key financial metrics can guide investment decisions in the media and entertainment industry, offering a robust framework for evaluating profitability, growth, and valuation across companies.

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2. Company Overview

2.1. The Walt Disney Company

Disney, one of the most iconic entertainment companies, was founded in 1923 and has grown into a global powerhouse. Known for creating and monetizing beloved franchises like Mickey Mouse, Star Wars, and Marvel. Disney operates across various segments, including media networks, theme parks, and its direct-to-consumer streaming platform, Disney+. The success of Disney+ has been a key driver of the company's recent growth, alongside its globally renowned theme parks and resorts.

2.2. Warner Bros. Discovery, Inc

Warner Bros. Discovery was formed by the 2022 merger of WarnerMedia and Discovery, Inc., combining two major media forces. The company has a vast portfolio of brands, including HBO, CNN, and Warner Bros. Studios, and is a leader in both scripted and unscripted content. Its streaming service, HBO Max, has quickly become a major player in the market, supported by a rich library of content. Warner Bros. Discovery continues to leverage its deep content library and production capabilities across its networks and studios.

2.3. Paramount Global (Paramount)

Paramount Global, formerly ViacomCBS, owns a portfolio of well-known media networks like CBS, MTV, and Nickelodeon, along with the iconic Paramount Pictures studio. Paramount has expanded into digital streaming with Paramount+, which offers a mix of original series, live sports, and a vast library of classic films and shows. Paramount+ is central to the company's strategy to stay competitive in the crowded streaming market.

2.4. Universal (Comcast Corporation)

Universal, a subsidiary of Comcast, is a leading media company with a diversified business model. Universal Pictures is known for blockbuster franchises like Jurassic Park and Fast & Furious. The company also operates major TV networks through NBCUniversal and has invested in the streaming platform Peacock. Peacock plays a key role in Universal's strategy to compete in the growing on-demand content market.

3. Methods

Several key financial ratios and metrics are utilized to evaluate the performance and investment potential of the four selected companies. These metrics were chosen for their offer of comprehensive insights into a company's profitability, growth potential, and valuation relative to its peers. The ratios form the core of this analysis will be introduced below.

3.1. Gross Profit to Assets (GP/A) Ratio

GP/A ratio is an important indicator of asset efficiency, showing how well a company leverages its assets to produce profits [3]. A higher GP/A ratio suggests that a company is efficiently using its resources to generate revenue, which is a key consideration for value investors.

3.2. PEG Ratio

PEG ratio is used to determine a company's valuation relative to its earnings growth rate [4]. A lower PEG ratio often indicates that a stock may be undervalued, while a higher PEG ratio could signal

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overvaluation relative to its growth potential. This metric is particularly useful for comparing companies with different growth rates.

3.3. Revenue and EPS Growth Rates

The revenue growth rate measures how much a company's sales have increased over a period of time, offering insights into its market expansion and demand for its products or services [5]. The EPS growth rate shows how much a company's earnings per share (EPS) have grown and is a key indicator of profitability improvements.

By employing these financial ratios and growth metrics, this report provides a comprehensive analysis of the companies' financial health, operational efficiency, and potential for future returns. These factors are critical in determining which company presents the best investment opportunity [6].

4. Analysis

The financial performance of Disney, Warner Bros. Discovery, Paramount, and Universal (Comcast) is analyzed using the methods described above. This analysis focuses on key financial metrics like profitability ratios, growth rates, and valuation measures to compare the companies and ultimately recommend the most favorable investment option.

4.1. GP/A ratio

The Gross Profit to Assets (GP/A) ratio highlights each company's ability to generate profit relative to its total assets. The GP/A ratio of these four companies can be found in Table 1. In 2023, Universal (Comcast) led with a GP/A ratio of 32.03%, indicating that it efficiently uses its asset base to generate substantial profit [7]. This suggests that Universal's diverse portfolio, including its highly successful theme parks and film franchises, allows it to maximize returns from its assets. Disney with 14.45% follows, benefiting from its strong brand and revenue streams, particularly from its theme parks and Disney+ platform. Warner with 13.68% shows slightly lower asset efficiency, likely due to post-merger integration costs and content production investments. GP/A ratio of Paramount could not be defined due to the lack of the data of gross profit.

Table 1: Gross profit to asset ratio of candidate companies

Company	GP/A ratio
Disney	14.63%
Warner Bros. Discovery	13.22%
Paramount Global	N/A
Universal (Comcast)	31.92%

4.2. EPS Growth

When looking at EPS growth rates in Table 2, Disney leads the pack with an impressive 10.56% growth rate, reflecting the successful and strong profitability improvements, driven by Disney's digital expansion and strong recovery in its parks and resorts. In contrast, Universal's EPS growth rate of 3.12% is more modest, suggesting slower but stable earnings growth. Although Universal is not growing as quickly as Disney, its stable operations, supported by high-margin businesses like film production and theme parks, offer long-term stability [8]. EPS growth rates of Warner could not be defined for its negative TTM and NTM EPS data. Paramount with -6.67% have faced profitability challenges, reflected in their negative EPS growth rates.

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Table 2: EPS gross rate of candidate companies

Company	EPS growth rate
Disney	10.56%
Warner Bros. Discovery	Not defined
Paramount Global	-6.67%
Universal (Comcast)	3.12%

4.3. Revenue Growth

Universal's revenue growth rate of 1.90% indicates slow but steady expansion, driven by its diverse business operations, from film studios to theme parks and digital streaming [9]. While slower than Disney's growth rate of 4.41%, Universal's consistent performance highlights its ability to maintain stable cash flow across different market conditions. (Table 3) What is worth being noticed is that there is an obvious gap between EPS and revenue growth of Disney, indicating that it might cut their cost, which is not a beneficial choice for long term investment. Warner and Paramount both show slower revenue growth of 1.07% and 1.69%.

Table 3: Revenue growth rate of candidate companies

Company	Revenue growth rate
Disney	4.41%
Warner Bros. Discovery	1.07%
Paramount Global	1.69%
Universal (Comcast)	1.90%

4.4. Valuation Metrics

The PEG ratio provides insight into how the market values these companies relative to their growth potential. Universal's PEG ratio of 3.07 indicates that it is trading at a premium compared to its expected growth rate, which could pose a risk if its earnings growth does not meet expectations [10]. This high valuation reflects investor confidence in Universal's steady profitability, but it also suggests limited upside unless the company can accelerate its growth. In comparison, Disney's PEG ratio is more balanced, reflecting both its strong growth prospects and reasonable valuation. Warner's and Paramount''s PEG ratios are undefinable due to its undefinable or negative EPS growth rates and negative TTM P/E ratio. (Table 4)

Table 4: PEG ratio of candidate companies

Company	PEG ratio
Disney	1.85
Warner Bros. Discovery	Not defined
Paramount Global	N/A
Universal (Comcast)	3.07

4.5. Discussion

Disney has long been a dominant force in the media and entertainment industry, with a strong brand and diversified revenue streams. Disney's GP/A ratio of 14.63% indicates solid efficiency. With an EPS growth rate of 10.56% and revenue growth rate of 4.41%, Disney is growing faster than its peers. However, it is obvious that an apparent gap exists between its EPS growth rate and revenue growth

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rate, meaning that Disney might cut its cost, which is not a positive signal for long-term investment. However, Disney's PEG ratio suggests that the stock is trading at a relatively high valuation compared to its growth potential, and investors should be cautious of its high valuation.

Warner Bros. Discovery is still in the stages of integrating its massive merger between WarnerMedia and Discovery, Inc. This merger has given the company access to a vast content library. The company's GP/A ratio indicates moderate efficiency, but the company is dealing with significant integration and restructuring costs, which have weighed down its profitability. Warner's EPS growth rate could not be defined for its negative TTM and NTM EPS data, to some extent reflecting that company has been under pressure. Revenue growth rate of 1.07% is relatively low as well due to large amounts of cost and spending.

Paramount's EPS growth rate of -6.67% has been negative, further highlighting its profitability challenges. Its revenue growth rate of 1.69% is higher than Warner, but still relatively low, indicating that vast cost and spending has been put. If Paramount still stay at a relatively low efficiency, it may continue to underperform relative to its peers. While there is potential for improvement, Paramount faces significant hurdles in adapting to the changing media landscape.

Universal is one of the most efficient companies in this analysis, as evidenced by its high GP/A ratio of 31.92%. Universal's diversified business model, the success of its film production, combined with the steady performance of its theme parks, has made Universal highly profitable. Universal's EPS growth rate of 3.12% is lower compared to Disney, reflecting slower earnings growth, but still better than Warner and Paramount. Its revenue growth rate of 1.90% suggests its high spending, but matches its EPS growth rate, which means less risks than Disney. While the company is highly efficient, its growth is more stable than explosive. Universal's PEG ratio of 3.07 suggests less room for price appreciation unless growth accelerates. Despite this, Universal's strong profitability, high operational efficiency, and stable revenue streams make it a solid choice for investors seeking stability over rapid growth.

5. Risk Analysis

Universal's revenue growth rate of 1.96% is relatively slow compared to Disney and some of its peers. Slow revenue growth could limit Universal's ability to reinvest in new content, technology, or business expansions. At the same time, Universal has a PEG ratio of 3.07, suggesting that the stock is relatively expensive, the stock price is overvalued relative to its growth rate. If Universal's future growth does not meet investor expectations, the stock could face a decline. In addition, Universal's EPS growth rate of 3.12% is lower when compared to Disney's growth rate of 10.5%. A lower EPS growth rate could signal that Universal may not be able to deliver the earnings growth that investors expect in the future.

6. Conclusion

The media and entertainment industry, characterized by its rapid technological advancements and evolving consumer preferences, presents numerous investment opportunities. This research used key financial ratios, including the Gross Profit to Assets (GP/A) ratio, PEG ratio and growth rates (revenue and EPS) to compare the companies' profitability, efficiency, and valuation. Ultimately, Universal is recommended as the best investment choice, given its high profitability, diversified revenue streams, and strong operational efficiency. However, there are risks, such as Universal's slower revenue growth (1.90%) and a relatively high PEG ratio (3.07), which indicates that the stock may be fully valued. These factors suggest that while Universal offers stability, its growth potential may be limited.

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