

Ne Zha 2: Capital Stack Engineering Behind a Ten-Billion-Yuan Hit

Xiao Wei

*The University of Melbourne, Melbourne, Australia
jxiawei5@student.unimelb.edu.au*

Abstract. The Chinese film and television industry is currently in a period of development and transformation. Especially at the beginning of 2025, the release of a film once again drew global attention - "Nezha the Demonic Child Taming the Sea" (later renamed "Nezha 2"). The film's box office revenue exceeded 15 billion RMB upon its release. Therefore, the successful operation of this film is worthy of our exploration. This study takes "Nezha 2" as the research object, aiming to analyze based on publicly available verifiable data and information, and explore the final successful experience of the film from the perspective of financing; during the exploration process, the research object is the film's investment and financing entities, analyzing their measures and final effects. During this process, different entities such as Cocoa Bean Company, Light Media, and banks are involved. At the same time, some innovative means for obtaining pre-sales of derivative products are also observed. Of course, some shortcomings during the process also need to be noted. Therefore, a series of improvement measures have been proposed to address these issues, providing suggestions for the film and hoping that similar projects can obtain some valuable financing methods.

Keywords: Film Financing, Ne Zha 2, Investment Models, Chinese Film Industry

1. Introduction

In recent years, there has been a continuous debate about Chinese films: Why are people no longer going to the cinema? Even extreme statements such as "Are movies no longer good?" have emerged? But in early 2025, the release of "Ne Zha 2" led people to start having more thoughts. The box office revenue of over 15 billion yuan also showed us that the film market still has potential, highlighting the great potential for the deep integration of financial capital and excellent films. Unlike other industries, the film industry itself is highly integrated with funds, so the financing model plays a huge role in promoting its industry development. Therefore, exploring the successful factors of excellent commercial films has great reference value. According to the available data, the common problems in financing of China's film industry are quite obvious: Firstly, the financing channels are relatively single, which is related to the imperfect financing system of the film industry itself. Secondly, insufficient risk control during the financing process, and at the same time, due to the high risks, financing difficulties and other practical problems occur. "Ne Zha 2" demonstrated some different operations during the financing process, reducing its investment risks while

increasing its investment return rate. Such a development model, after research, will provide some development ideas for other films, especially those with financing problems before shooting. At the sector level, recent scholarship documents a structural shift in the cultural and creative industries toward hybrid capital stacks that blend public subsidies, commercial equity/debt, and platform-based funding, rather than relying on single-source finance [1]. These shifts are partly a response to persistent financing frictions—information asymmetries, intangible-asset collateral gaps, and demand uncertainty—that disproportionately constrain innovators in creative markets [2].

2. Financing of "Nezha 2"

2.1. Director Jia Zi and anchor equity

The first topic to be discussed is about anchor equity. Anchor equity refers to setting clear standards or principles during the equity investment process to achieve the goal of reducing risks. In "Nezha 1", the director held a 42% stake in Coco Bean Animation, while Light Media held a 30% stake and ranked second. However, after "Nezha 1" achieved good reviews and a decent box office performance, the director increased his stake in Coco Bean Animation to 51% to gain more control, and established Zai Zai Zhi Ban Media with a 51% stake. Through this move, he achieved control over animation creation. The box office success of "Nezha 2" also demonstrated that the director had sufficient strength to support an excellent work.

2.2. The largest investor - Light Media

According to available information based on Table 1, "Nezha 2" has five producers. Apart from Jia Zi's directorial control of Chengdu Coco Bean Animation Film and Television Co., Ltd. and Chengdu Zai Zai Zhi Ban Culture Media Co., Ltd., the other three companies are closely related to Light Media. As the largest investor and leading producer of "Nezha 2", companies under the Light system first play the role of main investors. It is reported that the Light system companies' investment in "Nezha 2" accounts for approximately 60%, and they also hold the main control over the production, distribution, and even the development and IP operation of the film.

Table 1. Financing entities, instruments, and risk exposures in Ne Zha 2

FinancingEntity	FinancingInstrument	Rights/Returns	RiskExposure
EnLight Media	Core equity investment + production control	Box office share + long-term IP revenue	High risk: bears production and creative failure
Coco Cartoon Co., Ltd.	Creative-labor equity / contractual participation	Profit-sharing / equity appreciation	Medium-high risk: dependent on transparency of returns
China Film Co., Tencent Pictures	Strategic equity co-investment + distribution leverage	Box office and merchandising shares	Medium risk: contingent on market performance
Banks / Financial Institutions	Credit loans secured by revenue-rights pledges	Fixed interest + priority repayment	Low-medium risk: exposed to box office underperformance
Crowdfunding / Retail Investors	Micro-investments via online platforms	Profit-sharing or fan-based perks	High risk: limited legal protection
Digital Platforms / Licensing Partners	Pre-sale contracts (streaming, merchandising, soundtrack)	Fixed licensing fees + distribution margins	Medium risk: tied to consumer demand and IP reception

2.3. Bond financing and numerous participants

Bond financing is also an indispensable financing method in film production. Therefore, in addition to the director and the light system company, the film production entity also applied for loans from banks, trust companies and other financial institutions to ensure the funds during the film production process. However, film projects have significant uncertainties, so when providing loans, banks and other financial institutions will first strictly control and evaluate the project and also require guarantees. "Ne Zha 2" used the expected box office as collateral to finance and alleviate the financial pressure during the production period.

The measures of some financial institutions do not merely provide funds. It is reported that the Zhejiang Huagushan Culture Media Co., Ltd., which participated in the production of "Ne Zha 2", was supported by Hangzhou Bank. Some post-production companies, including Light Media, also have the support of Beijing Bank behind them. The cultural financing cooperation mechanism established by Beijing Bank and the regulatory authorities of Beijing provided a credit line of approximately 50 billion yuan and allowed the use of IP revenue and expected revenue rights as collateral.

2.4. Copyright licensing

After "Nezha 1" became popular, the economic effect of the related IP was considerable. Therefore, at the beginning of the "Nezha 2" project, copyright licensing arrangements were made. Developing related derivatives not only obtained some funds but also served as one of the marketing tools for market promotion, helping with coordinated marketing [3]. Before the release of the film, the IP licensing fee for "Nezha 2" had risen to 9 million yuan, an increase of nearly three times compared to the previous work, breaking the record for domestic animation IP licensing. Among them, the exclusive licensing of the "Chaozhuipomart" blind box attracted a lot of attention. The "Born Bond Series" blind box designed by Bubble Mates went on sale immediately and triggered an online order explosion. While in "Nezha 1", Mengniu had already continued the previous operation by customizing animation advertisements and full-line product packaging for the film characters, and the sales revenue reached over 5 million yuan within 10 days of release. In terms of joint promotions, the threshold was lowered, with over 200 small and medium-sized merchants submitting cooperation intentions, covering daily consumption fields such as food and stationery.

Video platforms were also unwilling to miss this "hot item" [4]. iQIYI and Tencent Video bought the exclusive broadcasting rights of "Nezha the Demon Child's Adventure" at a price of 180 million yuan. Even through secondary distribution, platforms such as Youku and Bilibili, the total distribution fees exceeded 60 million yuan. Netflix dominated globally, purchasing the global streaming rights for 230 million yuan, promoting overseas distribution. Concurrently, the spread of cashless and mobile payment systems reshapes micro-transactions and real-time cash collection in creative fields, expanding data visibility but also reconfiguring fee structures and settlement risk [5].

2.5. Tax leverage and regional incentive measures

The success of "Nezha 2" was not only due to the above-mentioned institutions, but also relied on the strong support of policies from the national to local levels [6]. These policies were the real backing for "Nezha 2" and a series of excellent film works: In 2022, the Sichuan Provincial Government directly provided 15 million yuan in financial support for "Nezha 2" and then gave 6 million yuan as a box office reward. It is known that Sichuan Province has an annual 300 million

yuan special fund for major cultural and artistic projects, with a maximum 20 million yuan for each film, which helps the development of excellent film works; and Chengdu launched the "Cultural and Creative Loan" special loan product in 2019, through the "bank-government-guarantee" three-party linkage, providing low-cost financing support to cultural and creative enterprises. The government provided a 40% interest subsidy and a 60% guarantee fee subsidy, significantly reducing the financing costs of enterprises. "Nezha 2" naturally benefited from this.

Sichuan Province established film project review methods and consultation mechanisms, opened one-stop service platforms and green channels. "Nezha 2" submitted the application on the same day and was reviewed on the same day. The National Film Administration completed the content review in two days. Chengdu provided free 2,800 square meters of standalone office space for the dumpling team according to the policy, reducing the team's operating costs and eliminating worries, allowing them to focus on creation. These policies' convenience have indirectly helped the development of film projects to compress costs in the process of fund usage; Film production companies also actively sought relevant preferential policies during the project development process, implemented the Western Development Policy, paying enterprise income tax at 15%, reducing enterprise operating costs and increasing available funds for creation and production.

3. Challenges and areas for improvement

3.1. Replicability for head projects

Nezha 2 shows that director shareholding—via creator-controlled studios entering as credited producers—can shift governance from hire-out to true partnership, where creative authority (story, pipeline, quality gates) and capital accountability (budget, P&A, cash control) are co-owned. To replicate, head projects can adopt a Ne Zha 2-style bundle: Dual-core equity and control. Pair a producer-integrator (handles production → marketing/release → derivatives) with the director's studio as a bona fide producer. Hard-code these elements in the recoupment waterfall and board-level decision rights (greenlight, cut approvals, and P&A caps).

Cash-flow bankable design. Early mapping of pledgeable receivables (signed licensing invoices plus the theatrical settlement calendar) [6]. Ne Zha 2's working capital was non-dilutive due to the following reasoning: route collections through escrow/controlled accounts, set a borrowing base with step-downs after peak weeks, and tier covenants to box office/traffic data. Derivatives loaded forward. To convert attention into short-term revenue, use MG-plus-overage licensing and measured presales/crowdfunding. Stage tranches: trailer → larger MGs; teaser drop → small MGs; release window → overage. To confirm pricing and MOQ, anchor with one or two well-known licensees [5, 7-9]. Where pre-sales and downstream platform splits generate predictable receivables, securitizing those cash flows can relax borrowing constraints but ties firms more tightly to customer-risk exposure in their capital structure [10].

Park support plus regional policy. As with the Chengdu nexus around Ne Zha 2, the creator's entities should be based where subsidies, rent relief, and talent programs compress early burn while maintaining producer-integrator control over release and settlement decisions. Budgetary restraint and pipeline reuse. Increase bargaining power in debt and equity by reusing asset libraries and tools to communicate a reliable cost-to-value ratio. Bankability risk guards. To reduce spreads on loans based on receivables, include completion/insurance coverage and standardized disclosure packs (delivery schedule, collateral scope, and reporting cadence).

The practical strategy is to stage non-equity cash (pre-sales/merch) in tranches that correspond with release milestones, maintain producer-integrated control, and use receivables-anchored credit to

prevent needless dilution. While tokenization and ICO-like mechanisms promise fractional, programmable participation rights, empirical work finds substantial adoption barriers around regulation, investor protection, and audience trust in arts contexts [6].

3.2. Routes for small and medium-sized businesses

SMEs can reduce fixed costs and maintain central decision-making by embedding production in regional cultural-industry parks that offer incubation—rebates, space/rent concessions, and talent programs (e.g., initiatives in Chengdu). Businesses should combine third-party appraisal of receivables (contracts, settlement calendars, counterparty quality) with film insurance/completion. On the vendor side, trade credit functions as a contingent bridge when collateral liquidation values are uncertain, yet it tightens precisely when borrower constraints and expected recovery values deteriorate [11]. Cover to unlock bank funds without hard collateral. This way, lenders underwrite against verifiable cash-flow claims rather than tangible assets. With this combination, cash-flow underwriting takes the place of "collateral dependence," enabling receivables-based lending on a smaller scale.

3.3. Risk warnings

3.3.1. Capital glut and IP opportunism

After Ne Zha 2, capital will chase the label rather than the craft. The immediate danger is a rush to greenlight weak spin-offs, side stories, and low-signal collaborations that burn attention faster than they create value. The brand then dilutes, fan fatigue rises, and late-stage merchandise sits in inventory because it was pushed before real demand formed. The antidote is governance that slows the cadence to the project's creative rhythm: a director-producer committee with veto power on extensions; a character and world-building bible that constrains off-model uses; SKU and co-brand caps per release window; and a data gate that requires evidence from teasers, test screenings, and small pre-sale pilots before any scale-up [12]. Ne Zha 2 succeeded by sequencing attention into cash with measured pre-sales and marquee licensees, not by flooding the market. Replication should preserve that pace.

3.3.2. Tightening oversight of tax-incentive jurisdictions

Preferential policy regimes are becoming more limited, and financing structures that rely heavily on shell or pass-through entities are unlikely to withstand routine audits. Ne Zha 2 exemplifies an alternative strategy [13]. Its effectiveness derives from the fact that both the creative foundation and production framework are authentic and can be independently verified. The project teams, production infrastructure, output deliverables, and distribution choices are transparent and open to scrutiny. Going forward, productions should be established in locations and through organizations that possess the capability to function independently without requiring significant subsidization. In practice, this means building substance first—through local payroll, leases, equipment, vendor relationships, IP registration, and transfer-pricing documentation—and only layering incentives where they reflect genuine activity. Profitability should be modeled at baseline rates, with incentives treated as additional upside rather than the foundation of the plan. This methodology reduces exposure to mid-production interruptions should regulatory environments become more stringent or qualification requirements be reevaluated.

3.3.3. Net effect

When creators co-own upside, banks underwrite against standardized, pledgeable cash flows, platforms commit in staged tranches, and retail participation is capped and transparent, risk becomes legible and tradable rather than hidden [14]. The *Ne Zha 2* template points to a practical equilibrium: escrowed collections and clear waterfalls to anchor senior claims; disciplined presale and licensing that unlock cash without over-promising; completion cover and reporting cadences that keep lenders and partners informed; and SKU and marketing gates that protect the brand. The goal is not to remove risk but to price and allocate it fairly across counterparts so capital and creativity reinforce each other rather than collide.

4. Implications for strategy

4.1. Head projects' reproducibility

Nezha 2 shows how a director-shareholding structure can hardwire creative authority to capital accountability and speed up cash conversion. Jiaozi's creator-controlled Coco Cartoon and Zizai Jingjie co-produce alongside Enlight's vertically integrated group. In reality, the movie combined producer-integrated control with financially viable claims related to the intellectual property, such as overage-based staged licensing, receivables that could be pledged against theatrical settlements, and merchandise invoices that were sent through controlled accounts. Because the project brought together a ready pipeline, disciplined P&A, and merchandising partners willing to pre-commit to minimums, audience heat was converted into earlier liquidity without diluting core equity. The template is transferable to other high-end animation projects where governance and disclosure are similar to *Ne Zha 2*—standardized waterfalls, escrowed collections, and regular performance reporting. The sequence of capital—lock control, layer non-dilutive credit on verifiable receivables, and then open measure.

4.2. Routes for small and medium-sized businesses

By anchoring in regional cultural-industry parks, like the Tianfu Long Island cluster, SMEs can localize a scaled-down version of the same stack, drawing inspiration from Chengdu's Ne Zha 2 ecosystem. This allows them to keep decisions within the creator-producer perimeter while compressing fixed costs. The playbook boils down to a modular cash-flow underwriting package that includes film insurance or completion coverage to support bank confidence; third-party assessment to verify counterparties and expected settlement curves; collections routed through controlled accounts; and documentable receivables with clear contracts and settlement calendars [15]. With pledgeable theatrical and licensing receivables, Ne Zha 2 was able to create a repeatable cycle of short-cycle presales, revolving credit lines that correspond to settlement windows, and modest minimum guarantees at smaller ticket sizes. In order for lenders and licensees to price risk off of transparent governance rather than relationships, alignment is essential. The creator's upside is tied to delivery milestones.

4.3. Cautionary tales

The momentum of Ne Zha 2 may draw in excess funds that are more interested in the label than the craft. Weak spin-offs and frequent product drops weaken the brand, divert fan attention, and force inventory into the channel before demand develops if green-light discipline isn't followed. Data-

gated scale-up, staged presales, SKU caps, and creator co-ownership are sustainable routes. Overreliance on tax-incentive jurisdictions poses a second risk. As oversight tightens, structures that rely on shells or pass-through entities will suffer; long-term advantage must come from audience development, transparent waterfalls, and real pipeline capability, not from short-term gaps. Excessive financialization of derivatives is a third risk. Financing can outrun evidence if safeguards are not in place, such as covenanted reporting, quality gates on licensed content, and caps on minimum guarantees. *Finance followed confirmed signals, which is why Ne Zha 2* worked; replication should maintain that ordering.

5. Conclusion

By coordinating governance and cash flows, Ne Zha 2 transforms a creative asset with high variance into one that can be financed. This includes dual-core control between an integrated producer and a director-owned studio, receivables-anchored credit with escrowed collections, and measured nonequity channels that focus on early but accountable liquidity. When parks, third-party assessments, and insurance allow cash-flow underwriting in lieu of tangible collateral, the same reasoning applies to SMEs on a smaller scale. When these components are present, capital and creativity transition from reliance to symbiosis; risk is not removed but rather made transparent, measurable, and equitably distributed among counterparties.

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