

Wanda Sold Stake in Film Subsidiary to Alibaba

On 2 April, Wanda Film (previously known as Wanda Cinema Line) announced a change in stockholder equity stating that Hangzhou Zhenxi Investment Management's parent company ("Alibaba Group") decided to make a strategic investment in Wanda Films due to promising signs of its business development. The announcement praised Alibaba's rich resources in the culture and entertainment industry and the synergy effect of the deal.

The announcement was made following through on an Alibaba investment plan revealed on 5 February. Alibaba is investing RMB 4.7 billion to purchase 90 million floating shares in Wanda Film, which represents a 7.6% stake in the film unit and makes Alibaba its second-largest holder. Following the sale, Wanda still holds 48.09% stake and remains as the controlling shareholder of the company.

According to the 2017 annual report, Wanda Film had a total income of RMB 13.1 billion and an operating profit of RMB 180million, increased by 17.69% and 17.49% respectively compared to the previous year. Although Wanda Cinema Lines, the core business of Wanda Film and the largest theatrical exhibition in China, recorded a 37% increase in box office income in first quarter 2017 compared to first quarter 2016, it was rather disappointing as Guangdong Dadi Cinemas, second-largest cinema circuit in China, managed to make a 60% increase.

Wanda has closed some major investment deals in the past few years, including the acquisitions of North American cinema operator AMC Theatres, Odeon & UCI Cinemas, the largest movie exhibitor in Europe, and the integration of Hollywood marketing firm PropagandaGEM. But all these investments did not turn out well. For example, according to AMC Theatres' 2017 third-quarter earnings release, the company had a net loss of USD 42.7 million. In the past 12 months, facing a liquidity crisis, Wanda Group sold 13 cultural tourism projects and 76 hotels in its properties subsidiary for RMB 21.9 billion.

People in the industry are interested to see how the introduction of Alibaba would affect Wanda's business.