

A Research on BYD's Investment Strategy in the New Energy Vehicle Industry

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Abstract: In recent years, with the deterioration of the global environment and the verge of energy depletion, new energy vehicles began to be favored by consumers. At the same time, governments around the world have introduced policies conducive to the development of new energy vehicles, and the new energy vehicle market presents an excellent prospect. In this context, China's BYD Co., Ltd., as a leader in new energy vehicles, its market decisions and investment strategies are very representative. This paper analyzes BYD's financial statements to understand the company's actual operating conditions, estimate the company's future market trends, and put forward reasonable suggestions for BYD's development with the support of data.

Keyword: BYD Co., Ltd; Financial Statement Analysis; Investment Strategy

1. Introduction

In recent years, the problems of environmental pollution and energy shortage have gradually become well-known to the public, and governments and enterprises have begun to pay attention to these two problems and intend to improve and solve them. Based on the above environment, the market demand for new energy has reached an unprecedented height, which has also promoted the development and progress of the new energy industry. As one of the most important industries in China, China's automobile manufacturing industry has emerged new energy vehicles that are different from traditional cars, which use non-petroleum fuels as driving fuels, and the pollution output is much lower than that of traditional cars. According to statistics, the annual output of new energy vehicles in 2022 will be 7.003 million units, an increase of 90.5% over the previous year. As of July 3, 2023, China's new

energy vehicle production reached 20 million units. In the first half of 2023, the number of new energy vehicles will be 3.611 million, a year-on-year increase of 35.0%. As of the end of September 2023, the number of new energy vehicles was 18.21 million units[1]. Based on the above data, it can be found that the development momentum of China's new energy automobile industry is rapid, and it has a good market environment and development potential in terms of both the production of automobiles and the sales of automobiles.

In the booming new energy vehicle industry, BYD is undoubtedly the most competitive leader. BYD sold 341043 units in December 2023, up 45% year-on-year. The annual sales volume was 3024417 units, a year-on-year increase of 61.9%. BYD's annual sales exceeded the target of 3 million units set at the beginning of the year, and the growth momentum is rapid, not only winning the annual sales champion of Chinese automobiles, but also the global sales champion of new energy vehicles. This paper analyzes BYD's financial statements from the three key points of resources, capital, and operation, predicts BYD's prospects based on certain advantages and disadvantages, and gives reasonable investment strategy suggestions based on the relevant problems shown by the company's actual situation[2].

2. Company Profile

BYD Co., Ltd. was founded in February 1995 and is headquartered in Shenzhen, Guangdong Province. The company's business spans four major industries: automobile, rail transit, new energy and electronics, and was listed on the Stock Exchange in 2002, with revenue and market value exceeding 100 billion yuan. BYD has always adhered to the development concept of "technology-oriented, innovation-oriented", and has achieved comprehensive development with its R&D strength and innovative development model,

and has played a pivotal role in many fields such as batteries, electronics, passenger cars, commercial vehicles, and rail transit[3].BYD integrates R&D, production and sales, forming its own complete industrial chain. Most of BYD's business conforms to market demand and has core competitiveness in the market. BYD has 9 production bases in China with a total area of nearly 7 million square meters, and has branches or offices in many overseas regions (such as Europe, the United States, etc.), with a total of more than 200,000 employees.

3. The Strategic Planning of BYD

Corporate strategic planning, also known as overall strategic planning, is the highest level of strategic planning of an enterprise. It is necessary to select the business areas in which the enterprise can intervene in competition according to the business objectives of the enterprise, and rationally allocate the resources necessary for the operation of the enterprise, so that the various business operations of the enterprise can support and coordinate each other [4].

3.1 Macro Resource Strategy

The so-called macro resource allocation refers to the distribution and arrangement of various scarce resources in the different uses of the company's operation to meet the unlimited and diversified needs of the market. The more macro resources can meet the needs of the market, the higher the allocation efficiency. Otherwise, the more efficient it is to configure. A significant part of a company's resources is shown in the financial statements of an enterprise, and the assets shown in the financial statements can often be measured in cash. From the perspective of the actual composition of the company's assets, the company's assets can be classified into two categories: operating assets and investment assets[5].Operating assets are represented by accounts receivable, notes receivable, fixed assets and other assets formed due to the daily operation of the enterprise, while investment assets are the equity or debt rights held by the enterprise with the goal of increasing value, of which the main types are trading financial assets, other equity instrument investment, bond investment and long-term equity investment. According to the different reliance

of operating assets and investment assets on enterprise assets, enterprises can be divided into the following three types: operation-led enterprises, investment-led enterprises, and investment-and-operation co-construction enterprises[6].

Table 1. BYD's 2023 Mid-year Balance Sheet

Operating Assets:	Unit: 10,000 yuan
Monetary funds	6674682.1
Accounts receivable	4906886
Prepaid Accounts	420960.7
stocks	8690048.2
intangible asset	3061451
Development expenditures	159262.7
goodwill	6591.4
Long-term amortized expenses	79684.8
Right-of-use assets	348801.5
Construction progress	in5158960
Right-of-use assets	348810.5
Total operating assets	29856138.9
Investment Assets:	Unit: 10,000 yuan
Tradable financial assets	1306444.2
Long-term equity investment	1647388.6
Investment real estate	8375.7
Total investment assets	2962208.5
Proportion of operating investment	10.079

Table 1 shows BYD Co., Ltd.'s balance sheet in mid-2023. According to the balance sheet (unit: 10,000 yuan) in the middle of the year, BYD's total assets are 32,818,347.4, of which operating assets account for 90.97%, while investment assets account for 9.03%, operating assets are significantly larger than investment assets, proving that BYD is an operation-leading enterprise. Based on the above data, it can be further concluded that BYD's current focus is on the continuous development and continuous improvement of its current business, and the company has no obvious intention of expanding its operations in other industries. Monetary capital plays a pillar role in the production and operation activities of an enterprise, and it is also the core of enterprise operation and management.

By observing the company's mid-year balance sheet, it can be found that the company retains a large amount of monetary funds, accounting for 22.36% of operating assets. The reason why the company retains a large amount of monetary funds may be due to the global economic downturn caused by the aftermath of the global epidemic and its sequelae, which undoubtedly affects the total demand of the global automobile market, and also affects the production and operation activities of BYD's factories in various countries. At the same time, the inventory, which accounts for 29.11%, is also more eye-catching, which may be due to the impact and impact of frequent natural disasters in China in mid-2023, and the domestic automobile market will shrink[7]. In addition, current assets such as monetary funds, accounts receivable, prepaid accounts, and inventories accounted for 69.31% of operating assets, which shows that BYD's business is full of liquidity and the company's business volume is also full of vitality.

3.2 Corporate Fundraising Strategy

Table 2. BYD's Operating Liabilities in the Middle of 2023

Accounts payable	16548982.9
Notes payable	360338.7
Contract Liabilities	3508486.6
Total	20417808.2

Table 3. BYD's Financial Liabilities Data in Mid-2023

Short-term borrowing	969444.4
Transactional financial liabilities	14069.7
Non-current liabilities due within one year	722548.2
Other accounts payable	15901826.7
Shareholders' equity	1073561.4
Total	18681450.4

Enterprise financing strategy refers to the capital arrangement or planning according to the overall development plan of the enterprise, and the urgent problem to be solved is how to obtain the funds needed for the enterprise financing strategy in the process of enterprise operation and development. The capital of an enterprise is preliminarily classified as debt financing and shareholder investment, and then further divided into operating liabilities,

financial liabilities and shareholder investment. Operating liabilities refer to liabilities incurred by an enterprise in its daily production and operation activities and related to the business operations of the enterprise. Operating liabilities are represented by accounts payable, notes payable, and advance receipts[8]. Table 2 is part of BYD's operating liabilities data, from the data point of view, accounts payable accounted for 81.05% of the operating liabilities, indicating that BYD and suppliers are frequent and close cooperation; moreover, BYD has a strong market industry supply chain, the company has a complete production and sales line, and suppliers and upstream enterprises are in an advantageous position in cooperation negotiations, suppliers and upstream enterprises are willing to believe in BYD's business operations, so as to provide BYD with operating liabilities convenience. The above two points can reflect BYD's affirmation and confidence in its own business, and upstream enterprises are willing to provide funds to support BYD's development, and the characteristics of this capital introduction method are that the company does not need to bear the pressure of interest payment or other in-kind remuneration expenses, which can significantly reduce the cost of capital[9]. In addition, this financing method can also enable BYD and upstream enterprises to be brought together through a close financing chain, which can not only promote the development of both sides, but also increase the cooperation between the two sides. Financial liabilities are included in the data in Table 3. The sum of shareholders' equity and trading financial liabilities (10,876,311,000 yuan) accounted for 2.78% of the total operating liabilities and financial liabilities (390992586000 yuan), which was almost insignificant compared with accounts payable (165489829000 yuan). This clearly shows that BYD is a company that operates mainly with operating debts, and the company continues to deepen cooperation with upstream enterprises through continuous business management, and at the same time maintains the company's business development with the help of liquid funds, and at the same time reveals that suppliers have sufficient trust in BYD and believe that BYD can continue to develop and make great progress.

3.3 Business Strategy

Table 4. Comparison of BYD's data in mid-2023 and mid-2022

(Unit: 10,000 yuan)	Mid-2023	Mid-2022
Total operating income	26012414.3	15060725.2
Total cost of doing business	24748826.4	14556478.4
R&D expenses	1383464.8	542425.6
Gross profit	1339992	464148.1
Employee compensation payable	1458442.7	60582

As a global leader in the production of new energy vehicles, BYD took the lead in responding to the country's call for "dual carbon" and announced in 2022 that it would no longer produce fuel vehicles, but instead focus on the development of new energy vehicle business, and finally built its own industrial chain and became a leader in the industry[10]. With the deterioration of the environment and the gradual reduction of the earth's fuel resources, China conforms to the world trend, fulfills the responsibility of a major country, and begins to vigorously promote environmental protection policies.

Table 4 is a comparison of some of BYD's financial statements and income statement in mid-2022 and mid-2023. From the table, we can intuitively see that compared with the business situation in 2022, BYD in 2023 has far exceeded the amount in 2022 in terms of operating income and operating profit. The total operating income increased by 109516891000 yuan, with a growth rate of 42.11 percent, the research and development expenses increased by 8410392000 yuan, with a growth rate of 60.79 percent, and the remuneration payable to employees increased by 13978607000 yuan, with a growth rate of 95.85 percent. Based on the data presented in the table and the ratio of the growth rate of the data, it can be concluded that BYD's strategic decision in 2022 was a great success, and the company has moved away from the competitive market of traditional fuel vehicles to invest heavily in the new energy vehicle market. This move not only expands BYD's influence in China's automobile market, but also fills a gap in China's new energy

vehicles[11]. According to the increase in the data on the remuneration payable to employees, on the one hand, the company has improved the welfare of employees, and on the other hand, with the expansion of BYD's business to the whole country and even the world, factories and offices in various places need to hire employees, which also represents the growth of BYD's scale.

4. Enterprise Analysis

Starting from the secondary rechargeable battery in 1995, then entering the lithium-ion battery industry, and then the sudden market demand for new energy vehicles, BYD turned to manufacturing new energy vehicles, and finally achieved great success. BYD's success is undoubtedly based on years of accumulation, and then with a keen sense of smell to seize the opportunity, both of which are indispensable. The key points of BYD's success lie in the following points:

(1)Independent innovation and independent development. BYD invests huge sums of money every year in the company's research and development in the new energy industry, always insists on developing the company's own technical patents, and unremittingly overcomes technical difficulties, so that the company has a large number of core production patents.

(2)The unification of the company's executive power. Wang Chuanfu, the founder of BYD, as a major shareholder and the top manager, can not only enable the company to reduce agency costs, but also effectively avoid decision-making differences that lead to mistakes, and also avoid differences within the leadership.

(3)Integrate the production chain. BYD's various businesses are not independent of each other, but help each other, and the production chain runs from top to bottom, without the intervention of third-party companies, which can reduce a considerable part of the cost.

5. Conclusion

At present, China's new energy vehicle market is showing signs of recovery, the market demand for new energy vehicles is still growing, coupled with the country's implementation of environmental protection concepts such as "lucid waters and lush mountains are invaluable assets", BYD's green

development concept, and the country's relevant policies and calls coincide, and can establish its own reputation. Nowadays, the conflict between Russia and Ukraine is still intensifying, global fuel prices are soaring, and the space for new energy vehicles has been further increased, giving BYD sufficient market and opportunities. With the company's independent innovation capabilities and other excellent core competitiveness, BYD is bound to be able to show its skills in the world new energy vehicle market.

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