

Financial Risk Comparison Between New Energy Vehicle Enterprises

—Taking BYD and Tesla (China) as Examples

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ABSTRACT

This article provides an in-depth analysis of the development of the new energy vehicle industry, particularly the competitive position of BYD and Tesla (China) in the global new energy vehicle market. The article begins by introducing the rapid development of the new energy vehicle industry, followed by an examination of the financial performance and risk management strategies of BYD and Tesla, as well as their strategies and recommendations for addressing industry challenges. Through comparative analysis, the article aims to reveal the trends in the new energy vehicle industry and the financial strategies that companies should adopt to achieve long-term stable growth.

KEYWORDS

New energy vehicle industry; BYD; Tesla (China); Financial strategies; Risks

1. INTRODUCTION

1.1. Overview of the New Energy Vehicle Industry

As global climate change becomes increasingly pressing and governments worldwide prioritize the sustainable development, the industry of the new energy vehicle (NEV) has rapidly developed. Breakthroughs in new energy technologies and the promotion of environmental protection policies have made electric vehicles (EVs) the mainstream choice for future transportation. During the 2022-2023 period, significant policy announcements were made in the European Union and the United States, including new CO₂ standards and the Inflation Reduction Act (IRA), which are expected to play a major role in advancing zero-emission road transportation (IEA 2023). NEVs encompass not only electric vehicles but also hybrid vehicles and hydrogen fuel cell vehicles. Both traditional automotive manufacturers and new entrants have entered this market, fostering technological advancements and intensifying competition. In China, NEV sales have continued to rise. In July, retail sales of NEVs in China reached 878,000 units, representing 51.1 percent of the total automotive market, according to the China Automobile Dealers Association. Back in 2015, NEVs accounted for just over 1 percent of the market, but this figure has skyrocketed in recent years due to China's accelerated push toward a green economy (China Daily 2024). Among the many companies in China's new energy vehicle industry, BYD and Tesla have the largest market shares and hold important positions in both the global and Chinese markets.

1.2. Research Background and Significance

As leading companies in the NEV industry, BYD and Tesla are not only known for their innovations and substantial market share but also for their financial performance. While both companies have demonstrated strong growth, their approaches to business strategies are different. Analyzing the financial risks of these companies in the Chinese market provides valuable insights into how different business models perform financially and highlights the long-term impact of changes in financial ratios on a company's survival and growth within the NEV industry. By comparing the key financial ratios of BYD and Tesla China, such as solvency ratios, profitability ratios and activity ratios, this study aims to provide a better understanding of the financial health of companies operating in this dynamic and rapidly changing market.

In addition to market leadership, BYD and Tesla China are also leading the new energy vehicle industry in a complicated and risky environment where financial stability is the most important factor for sustainable development. The new energy vehicle (NEV) industry is capital-intensive and fintech-dependent, as it is mainly affected by uncertainties such as supply chain disruptions, material price fluctuations, and the rapid pace of technological change. Besides, government regulations and subsidies are also at play, which means that any policy can have a direct impact on profits. In comparison to the financial ratio of BYD and Tesla, it can easily help us define which practices determine their ability to be leaders. We can gain knowledge of these financial strategies and their importance to diversification, which helps ensure sustainability and goal achievement.

2. FINANCIAL RATIO

2.1. Definition and Importance of Financial Ratio Analysis

Financial ratio analysis is a significant tool that helps us evaluate companies' finances and reconstructing process health. Correlating a number of financial ratios, such as current ratio, debt-to-equity ratio, and gross profit margin, can tell us about the company's short-term debt management, debt dependency, and sales-to-profit conversion efficiency. These are essential for evaluating the overall health of a business, particularly in a sector like NEV where the market is dynamic and competition is strong. Financial ratio analysis is an important tool for anybody wishing to manage or invest in this rapidly evolving business, since it not only provides insight into a company's current performance but also helps forecast potential hazards in the future.

2.2. Financial Analysis of the New Energy Vehicle (NEV) Industry

The financial landscape of the New Energy Vehicle (NEV) industry is complex and influenced by several factors including government subsidies, technological advancements, and regional economic policies. These factors collectively shape the strategies and financial health of companies like BYD and Tesla. Studies reveal that government subsidies and tax incentives play an essential role in driving innovation and growth in NEV companies. For example, Qian (2023) discusses how such financial support lowers barriers for R&D investment, encouraging NEV companies to develop advanced technologies. However, some research indicates that overly generous subsidies might reduce the effectiveness of private investment, potentially leading companies to rely too heavily on government support rather than developing independent growth strategies (Chen et al., 2021).

Regional dynamics also have a significant impact on the financial structure and strategies of NEV companies. Patchell and Tsai (2024) highlight how China's Greater Bay Area (GBA) has become a hub for NEV production, partly due to effective coordination between multiple government levels, from the central to the local. The integration of policies across these levels has created a thriving industrial ecosystem that benefits companies such as BYD by providing shared infrastructure and

technological expertise. However, they caution that competition among cities within the GBA could present challenges if not managed through cooperative policy efforts (Patchell & Tsai, 2024).

Another critical aspect is the financial adaptation required as government policies evolve. With subsidies declining, NEV companies must innovate to maintain profitability. Chen et. al., (2021) details how companies are adjusting their business models by forming strategic alliances and investing in new technologies to mitigate the impact of reduced subsidies. Ma (2024) further elaborates on how firms like Tesla and BYD are enhancing their strategic cost management and optimizing capital expenditures to ensure long-term financial stability despite policy shifts. These changes underline the importance of developing flexible and resilient financial strategies in a rapidly evolving industry.

3. FINANCIAL ANALYSIS OF BYD

3.1. Overview of BYD's Financial Statements

BYD's financial performance from 2021 to 2023 shows a significant upward trend in revenue and profitability, reflecting the company's strategic expansion in the NEV market. In 2021, BYD reported total revenue of RMB 216.14 billion. This figure jumped to RMB 424.06 billion in 2022 and further surged to RMB 602.31 billion in 2023. The growth in revenue was primarily driven by the increasing sales volume of its electric vehicles and the expansion of its product portfolio to include more NEV models (BYD, 2021, 2022, 2023). Furthermore, BYD's gross profit also increased significantly, from RMB 28.14 billion in 2021 to RMB 72.24 billion in 2022 and RMB 121.76 billion in 2023, showing the company's enhanced cost management and scaling efficiencies.

In terms of profitability, the net profit attributable to shareholders increased sharply over these years. In 2021, the net profit was RMB 3.05 billion, which rose to RMB 16.62 billion in 2022 and RMB 30.04 billion in 2023. The net profit margin improved from 1.4% in 2021 to 3.9% in 2022 and further to 5.0% in 2023, highlighting BYD's strategic shift towards higher-margin products and operational improvements. This upward trend in profitability aligns with BYD's increasing dominance in both the Chinese and global NEV markets.

3.2. Analysis of BYD's Key Financial Ratios

A detailed analysis of BYD's key financial ratios indicates an overall improvement in efficiency and liquidity management. The current ratio was 0.97 in 2021, decreasing slightly to 0.72 in 2022 and 0.67 in 2023, as the company allocated its short-term assets strategically to fuel rapid expansion (BYD, 2021, 2022, 2023). The company's inventory turnover ratio also demonstrated improvement, declining from 73 days in 2022 to 64 days in 2023, reflecting enhanced supply chain management and quicker turnover of electric vehicle stocks.

BYD's capital expenditure (CapEx) increased as it expanded its manufacturing capabilities, notably in its battery and vehicle production facilities. This significant investment has allowed the company to scale production to meet rising demand. The total CapEx for 2023 reached RMB 39.57 billion, up from RMB 18.65 billion in 2022 and RMB 7.99 billion in 2021. This substantial investment illustrates the company's focus on solidifying its position in the NEV industry through long-term strategic growth.

4. FINANCIAL ANALYSIS OF TESLA CHINA

4.1. Overview of Tesla China's Financial Statements

Tesla China's financial results from 2021 to 2023 reflect consistent growth in revenue, fueled by increased vehicle deliveries from its Shanghai Gigafactory. In 2021, Tesla's automotive sales revenue was \$44.13 billion, which rose to \$67.21 billion in 2022 and further to \$78.51 billion in 2023 (Tesla, 2021, 2022, 2023). This growth is largely attributed to the ramp-up in production capacity for the Model 3 and Model Y, both of which are produced in Shanghai and are central to Tesla's strategy in China.

In terms of gross profit, Tesla China saw an increase from \$13.61 billion in 2021 to \$20.85 billion in 2022, before a slight decline to \$17.66 billion in 2023 due to pricing adjustments and higher raw material costs. Despite these challenges, Tesla has maintained strong profitability, with a net income of \$5.64 billion in 2021, rising to \$12.59 billion in 2022 and reaching \$14.97 billion in 2023, demonstrating its efficiency in scaling production while managing costs effectively.

4.2. Analysis of Tesla China's Financial Ratios

Tesla's current ratio remained stable over the three-year period, showing a well-managed liquidity position. The ratio was 1.37 in 2021, increasing slightly to 1.43 in 2022 and then stabilizing at 1.41 in 2023, indicating sufficient short-term assets to cover liabilities. The inventory turnover ratio also improved, decreasing from 97 days in 2021 to 78 days in 2023, as Tesla optimized its supply chain and inventory processes in response to increased production volumes.

Tesla's investment in R&D has been consistent, with expenses rising from \$2.59 billion in 2021 to \$3.08 billion in 2022 and \$3.97 billion in 2023. This investment supports ongoing advancements in battery technology and autonomous driving features, reflecting Tesla's strategy of maintaining its innovative edge in the competitive NEV market.

5. COMPARATIVE ANALYSIS OF FINANCIAL RATIO RISKS

5.1. Comparison of Solvency between BYD and Tesla China

When analyzing the solvency of BYD and Tesla China from 2021 to 2023, it is evident that both companies have distinct approaches to managing debt and equity, impacting their financial stability differently. Tesla's debt-to-equity ratio remained stable and favorable, hovering around 0.6 throughout this period. This stability reflects Tesla's efficient capital structure and conservative approach towards debt management, which aligns with its global strategy of maintaining low financial leverage to mitigate risks associated with market volatility and capital costs (Tesla, 2021, 2022, 2023).

In contrast, BYD managed to significantly improve its gearing ratio over these years. In 2021, BYD's gearing ratio stood at -15%, which indicated that the company had more cash and cash equivalents than total debt. This improved further to -26% in 2022 and -44% in 2023 as BYD strategically managed its borrowings and enhanced cash reserves, thus reducing its reliance on external financing (BYD, 2021, 2022, 2023). Despite these improvements, BYD's ratio still indicates that the company has a higher reliance on short-term liabilities and must continue managing its liquidity effectively to sustain its growth trajectory without compromising financial stability. The comparison shows Tesla's consistent and lower-risk approach compared to BYD's more aggressive expansion strategy.

5.2. Comparison of Operational Efficiency between BYD and Tesla China

To compare the operational efficiency of BYD and Tesla China from 2021 to 2023, we focus on two critical indicators: inventory turnover days and gross profit margins.

5.2.1. Inventory Turnover Comparison

The inventory turnover ratio indicates how quickly a company can convert its inventory into sales, which is essential for managing cash flow and efficiency. Tesla China's inventory turnover improved significantly over the three-year period, decreasing from 97 days in 2021 to 83 days in 2022 and further to 78 days in 2023. This improvement reflects Tesla's continuous efforts to streamline its supply chain processes and optimize production, particularly at its Shanghai Gigafactory, which has become a hub for producing the Model 3 and Model Y.

In comparison, BYD also improved its inventory turnover, reducing from 73 days in 2022 to 64 days in 2023. The consistent reduction highlights BYD's ability to ramp up production and enhance its logistics operations to keep pace with market demand. While both companies show positive trends, Tesla's inventory turnover is faster overall, indicating a more efficient supply chain and inventory management system.

5.2.2. Gross Profit Margin Comparison

Gross profit margin is a crucial metric that measures the percentage of revenue remaining after deducting the cost of goods sold, indicating a company's efficiency in production and pricing strategies. Tesla China maintained a higher gross profit margin initially, but it faced a decline from 29.3% in 2021 to 28.5% in 2022, and further to 19.4% in 2023. This decrease was primarily due to rising raw material costs and strategic price adjustments to stay competitive in the Chinese market.

Conversely, BYD's gross profit margin improved steadily, increasing from 13% in 2021 to 17% in 2022, and reaching 20% in 2023. This upward trend is attributed to BYD's focus on optimizing production costs and strategic adjustments in vehicle pricing to capitalize on rising NEV demand. Although Tesla's margin remains higher overall, BYD's consistent improvement demonstrates its effective management in scaling operations and enhancing profitability.

6. FACTORS INFLUENCING THE ANALYSIS OF FINANCIAL RATIO RISK

In the analysis of the industry influencing factors of the risks of financial ratio, we need to deeply explore and evaluate how the factors unique to the industry of new energy vehicle has an impact on the financial situation of enterprises. Specifically, these factors include, but are not limited to the degree of industry competition, market saturation, the speed of technological progress, changes in policies and regulations, and the macroeconomic environment.

6.1. The Impact of the Policy Environment of the New Energy Vehicle'S Industry

Accompanied by the increasingly serious problems of global climate change and environmental pollution, the new energy vehicle's industry has received extensive attention and support. Governments have introduced a series of policies to promote the development and popularization of new energy vehicles. These policy environments have had a profound impact on the development of the new energy vehicle's industry.

First of all, by providing financial subsidies and tax incentives, the government has not only greatly reduced cost of purchasing car for consumers, but also improved the market competitiveness of new energy vehicle's industry. For example, the Chinese government has given certain subsidies to consumers of new energy vehicles, and reduced some of the tax of vehicle purchase and vehicle and

tax of vessel use. These measures have effectively stimulated the purchase enthusiasm of consumers and promoted the sales growth of new energy vehicles.

Second, the government has also forced the transformation of traditional fuel vehicles to new energy vehicles by formulating strict emission standards and traffic restrictions. For example, some cities have imposed restrictions on high-emission fuel vehicles, and even banned them in some time periods and regions. These policies have forced consumers and automakers to shift to more environmentally friendly new energy vehicles, further driving the rapid growth of the industry.

In addition, the government has also increased investment in the construction of infrastructure for new energy vehicles, such as charging piles. The improvement of the infrastructure has solved the charging and endurance problems of new energy vehicle' users, improved the user experience, and further promoted the popularization of new energy vehicles.

Finally, the government has also promoted the technological progress of the industry by supporting the technology research and development and innovation of new energy vehicles. For example, the government has set up a special fund to support enterprises in the research and development of battery technology, drive systems and intelligent network technologies. These technological breakthroughs not only improve the performance and safety of new energy vehicles, but also reduce the production cost, and further promote the sustainable development of the industry.

6.2. Impact of Market Competition Situation on the Financial Ratio of New Energy Vehicle Enterprises

6.2.1. Analysis of the causes of BYD company's risks

(1) Poor turnover of assets. From the perspective of company size, after 2018, BYD company has expanded significantly. With the growing market share and accounts receivable, BYD company is getting bigger and bigger. Scale expansion, means that needs more money to turn it, but higher accounts receivable, borrowing and low inventory turnover also exposed the risk of capital turnover, BYD 2015~2020 short-term borrowing has been growing, volume is almost three or four times of long-term borrowing, and in 2020 BDY's short-term borrowing and long-term borrowing accounted for 15.5% of the total assets. The main reason for the increase in borrowing is poor turnover and low profit. The main income of BYD is not from operating activities, but the cash flow generated by financing. Since 2016, BYDs cash flow has been negative, and the investment activity is the same, and the gap is getting bigger and bigger. In addition, the reason for the poor turnover is that the company accounts receivable occupy a large proportion. In 2020, BYDs accounts receivable reached 41.216 billion yuan, accounting for 20.5% of the total assets. It can be seen that BYDs inventory turnover capacity is weak, which is manifested by high sales cost and low profit.

(2) Increasing of operating costs. First of all, because the fluctuation of raw material prices will directly affect the company's production costs, so the rise of raw material prices is the main reason for the increase of BYD's operating costs. Raw materials, including steel, plastics and other metal materials (lithium, cobalt, etc.), are the main raw materials needed for BYDs production. Since the beginning of 2020, the price of raw materials such as steel, non-ferrous metals and steel in China has been rising, and the price of cold-rolled steel commonly used in the automobile manufacturing industry is also rising. Therefore, the automobile industry is facing increasing cost pressure. Secondly, with the decline of government subsidies for new energy vehicles in recent years, BYD company is bound to face the profit pressure in the short term. Finally, BYDs r & d spending is also increasing. As China is increasingly focusing on environmental issues in the new energy industry, with more and more competitors, BYD is bound to spend more on new products in order to maintain its core competitiveness. Due to the development of new models, and the further optimization of the appearance, performance, quality and other aspects of the product, BYDs operating costs have been affected to a certain extent, thus reducing the gross profit margin, resulting in reduced profits.

6.2.2. Analysis of the causes of Tesla's risks

Tesla's financial statements show that during the decade from 2013 to 2022, only a few quarters were profitable. However, after 2019, corporate profitability began to gradually improve, which was even with rapid growth and soaring stock prices.

(1) Unreasonable product structure in terms of profit points

In recent years, Tesla has always adhered to the strategy of using popular cars to seize the market, with small profits to ensure high profit margin, but there are only four models on Tesla. Tesla has been adapting to the market with fewer models. Its rival NIO has seven models, while BYD has more than 60 models. Actually, the product structure and too small quantity in the process of development exposed shortcomings are more and more obvious, product differentiation and selectivity is less. As less production types may not have a long-term advantage in sales volume, Tesla needs to expand to new profit point.

(2) In recent years, with the continuous increase in Tesla's sales volume, the public discourse topics regarding Tesla have also been on the rise. A considerable portion of these is critical or even abusive remarks, exposing the inadequacy of Tesla's public relations handling of such issues. Tesla has constantly been experiencing an uproar over owner rights but in these incidents, Tesla has largely attributed the responsibility to the owners. In other words, consumer complaints have become a common occurrence. If Tesla always adopts a blindly confident and evasive attitude in public opinion crisis events, it is difficult to convince people. Additionally, Tesla's crisis public relations capability is relatively poor, shaping a strong image of Tesla being "antagonistic to consumers".

A stable management team is an essential factor for an enterprise to generate profits. However, compared to other Silicon Valley technology companies, the turnover of senior executives at Tesla is exceptionally frequent. Tesla has strict and mature standards for talent recruitment and cultivation. Therefore, Tesla employees are highly sought-after in the talent market, particularly in the talent market of the new energy vehicle sector of new energy vehicle, and have numerous re-employment options. This has placed significant pressure on Tesla to retain talent.

(3) Insufficient capacity in terms of revenue sources

Despite having established four factories worldwide, Tesla currently only has two factories that can conduct mass production, located in Nevada, USA, and Shanghai, China. Moreover, Tesla still faces many challenges in technological innovation and cannot apply its most advanced technologies to mass production in a short period of time. Additionally, the supply of manufacturing materials is easily affected by external environment and causes price fluctuations, such as battery raw materials, which has resulted in serious capacity shortages for Tesla for several consecutive quarters, especially in the areas of spare parts and chips. This situation may continue for some time.

(4) Single technical route in terms of profit leverage

Compared with other automobile manufacturers, Tesla has always adhered to pure electric technology, while other new energy vehicle enterprises, such as BYD, NIO, Ideal and other brands, have more diversified technical routes. In addition to pure electric, there are hybrid, battery swapping and other technologies. However, at this stage, more efforts are needed and there is still a long way to go before the goal of pure electric vehicles can be achieved.

(5) The advantages of core components in terms of profit barrier are weakened

Tesla's early parts production level is high, the cost is low, the sales volume is large, with obvious resource advantages. However, with the rise of new energy vehicles in China and the continuous improvement of independent research and development capabilities of domestic brands, Tesla's core component competitiveness is facing unprecedented challenges. Tesla has formed a profit barrier by building middle and high-end brands, but it will face difficulties such as brand value loss from middle

and high-end to civilianization, which requires continuous product innovation, cultural exploration, quality maintenance and consumer training for a long time.

7. RISK MANAGEMENT AND FINANCIAL STRATEGY ADVICE

In the complexity and variability of the current business environment, recommendations of risk management and financial strategy have become crucial. Enterprises must establish a comprehensive risk management system to identify, evaluate and deal with a variety of potential financial risks, such as market risk, credit risk, liquidity risk and operational risk. Through effective risk management, enterprises can ensure the stability of their financial position and avoid heavy losses caused by emergencies.

7.1. Risk Management Recommendations for BYD

7.1.1. Countermeasures and suggestions for business risks

(1) Improve the asset turnover rate. BYD company to improve the inventory turnover efficiency and enterprise inventory realization ability to accelerate the production and sales of products, reduce defective products or semi-finished products, improve the quality of inventory. In addition, BYD's accounts receivable amount is large, and the accounts receivable will falsely increase the existing funds of the enterprise, resulting in the enterprise need to borrow working capital, the result is BYD.

Debt interest rate is too high. Therefore, BYD needs to develop reasonable and effective credit collection policies, and rate customers, for customers with poor credit should be cautious about credit sales, control of receivables to a minimum. At the same time, in order to facilitate understanding the current status of accounts receivable, the system should be established to regularly check the follow-up degree of accounts receivable.

(2) Reduce costs and expenses. To reduce costs, BYD should strengthen its personnel arrangements and control over the use of materials. Firstly, for component materials procurement, the procurement cost should be optimized and procurement plans to maintain capital flow under the condition that the materials can be used normally; secondly, on the basis of upgrading automation equipment and reducing the cost of labor, to avoid waste.

7.1.2. Countermeasures and Suggestions on investment risks

(1) Avoid excessive investment. During the growth period, BYD's investment strategy is mainly the growth-oriented investment strategy. Through the development of the core business, the enterprise can develop new products and new markets to expand BYD's production and sales scale and improve the core competitiveness. Although the rapid growth of investment scale is conducive to occupying market share to a certain extent, the fast pace of investment will affect the investment efficiency of enterprises, which will easily lead to blind investment in order to develop. Therefore, BYD needs to adjust the pace of investment at this stage, avoid excessive investment, maximize the utilization of various resources of the enterprise on the basis of reasonable investment, and improve the ability of comprehensive quality and internal control of the enterprise.

(2) According to the annual report of BYD, its operating income has increased, but the large cost expenditure causes the decline of its profitability. Therefore, the BYD company should strengthen attention to the cost management when adding investment. First, we need to consider whether the investment project is economic, so the cost and profit degree of the project should be analyzed; second, BYD needs to invest in projects that can improve its core technology, or increase R&D investment by upgrading level of product technology, so as to further reduce costs in subsequent development..

(3) Financial risk countermeasures and suggestions

Set a reasonable size of debt. From the static and dynamic point of view, the solvency of enterprises can be understood as the ability to repay debts with assets, and can also be expressed as the ability to repay debts with assets and the income generated in the process of operation. BYD should start with cash flow and solvency. First of all, the company actively develops other businesses so as to balance corporate debt through profits generated by other businesses. Enterprises should reasonably plan their assets, keep the original value of their assets as far as possible, and ensure that the quality of assets at a high level is the basis for improving their solvency. Only by fully ensuring the quality of assets can we guarantee the solvency of enterprises. Secondly, we should borrow scientifically and reasonably; on the one hand, optimize and upgrade the capital structure; on the other hand, financial risks should be monitored and controlled at any time. Enterprises should have a sense of crisis, timely detect their own problems, and adopt scientific methods for capital planning and risk prevention and control, so as to lay a solid foundation for the healthy operation of enterprises.

Improve the core competitiveness. Although government subsidies can enhance the profitability of enterprises to some extent, excessive reliance on government subsidies will reduce the operating ability of enterprises, which is not a long-term solution for the development of enterprises. The reasons are as follows: first, although BYD new energy vehicles have solved the problem of core battery through independent research and development, there is still a certain gap compared with other international advanced enterprises; secondly, the government subsidy in the new energy vehicle's industry has been gradually reduced, and the subsidy policy has declined. Therefore, increasing r & d expenditure and improving the brands independent innovation ability are the ways for BYD Automobile to improve its core competitiveness, which can prepare for BYD Company to further open the domestic and foreign markets.

7.2. Financial Strategy Suggestions for Tesla's Chinese Market

(1) Focus on financial Management and Strengthen Cost Control Tesla needs to consider production cost, sales revenue, control of cost, profit and profitability in its financial statement thinking. First of all, Tesla needs to invest a lot of capital in research and development and production of new energy vehicles, so the financial statements need to focus on the company's capital expenditure. This includes spending on investments in research and development and testing equipment, production lines, plant construction, etc. Whether the invested capital expenditure is in line with the company's development strategy and whether it can bring sustained competitive advantage to the company is the key factor worth considering. Secondly, Tesla also needs to invest a lot of resources in marketing and sales, so the financial statements need to focus on the company's sales revenue. Whether sales revenue can support the sustainable development of the company and whether it can gradually grow is also a key factor to consider. Thirdly, the cost control of new energy vehicle enterprises is very important, especially in the production and sales process of new energy vehicles, because the cost of new energy vehicles is higher than that of traditional fuel vehicles. Therefore, financial statements need to focus on the company's cost management, including raw material cost, production cost, research and development cost and other aspects. Whether the company can effectively control costs, improve efficiency, of production and gradually reduce product costs are the key factors worth considering. Finally, financial statements also need to consider the company's profits and profitability. Tesla may face losses in the early stage of development, but with the expansion of market scale and cost of control, the company should gradually achieve profits. Therefore, financial statements need to focus on the company's net profit and profitability, including gross margin, net profit margin and other indicators. In the competition of the new energy vehicle's market, not only forward-looking technologies and products, but also sound financial strategies are needed to support the long-term development of enterprises. Therefore, Tesla needs to focus on financial management, strengthen internal control, and ensure the authenticity and transparency of financial statements, so as to enhance the trust of investors and consumers in the enterprise. At the same time, it is also necessary to actively

respond to market changes and find new business models and a new profit area to achieve long-term sustainable development.

(2) Consolidating and expanding the market share

For Tesla, how to think about the financial statements needs to be analyzed from multiple perspectives: First, the scale of production. Production scale is the "lifeline" of the enterprise, is the foundation of the enterprise based on the market. Only when the production scale continues to expand, can we continue to attract more customers. At the same time, this is also an important embodiment of the continuous improvement of the sales ability of enterprises. Therefore, companies can increase their market share by increasing their output. Second, product quality. In addition to its production scale, Tesla also needs to focus on product quality. High-quality products can enhance the brand image and market competitiveness of enterprises, and then attract more consumers and improve the market share. Therefore, enterprises need to reflect the improvement of product quality in their financial statements, such as the increase of R & D investment and the reduction of production costs. Third, marketing strategy. Marketing strategy is also a factor that Tesla needs to pay more attention to in consolidating and expanding its market share. Enterprises can reflect the increase of marketing investment and the enhancement of marketing effect in their financial statements, such as the increase of advertising and the expansion of sales channels. Through effective marketing strategies, enterprises can increase their brand awareness and market share. To sum up, Tesla's strategy to consolidate and expand its market share in its financial statements needs to range from scale of production and production quality and marketing strategy and other aspects of the analysis. Enterprises should enhance their core competitiveness, constantly improve market share, so as to achieve better development

(3) Improve the R & D capability

In addition to consolidating and expanding its market share, Tesla also needs to focus on improving its research and development capabilities. In the financial statements, enterprises can reflect the increase in R & D investment and the transformation of R & D results. By continuously increasing the investment in research and development, enterprises can improve their technical level and product quality, and enhance their market competitiveness. In addition, the development of the new energy vehicle's market is very fast, and enterprises need to constantly innovate and develop new products to meet the market demand. Therefore, enterprises need to pay attention to the continuous improvement of research and development capabilities, in order to occupy a dominant position in the market competition. Tesla thinks about the strategy of improving its research and development ability in terms of financial statements, and needs to pay attention to long-term investment and achievement transformation, and constantly innovate and improve its technology, so as to achieve better performance in the market competition.

(4) Optimize supply chain management

In addition to its market share and research and development capabilities, Tesla also needs to focus on optimizing its supply chain management. In the financial statements, enterprises can reflect the selection and management of suppliers, as well as the control and optimization of supply chain costs. By optimizing supply chain management, enterprises can improve the efficiency of production and product quality, and reduce production costs, thus enhancing market competitiveness. In addition, optimizing supply chain management can also strengthen the cooperation between enterprises and suppliers, form a stable system of supply chain which ensure a stable supply of products. Therefore, enterprises need to pay attention to the improvement and optimization of supply chain management to enhance the overall competitiveness of enterprises.

8. SUMMARY

Under the background of increasingly fierce competition in the current new energy vehicle market, enterprises must constantly strengthen their core competitiveness to cope with the rapid changes in

the market and technology. As the two giants in the new energy vehicle's industry, BYD and Tesla's performance in financial strategy and risk management will directly affect their position in the market and future development. BYD has made certain achievements through independent research and development of core battery technology, but compared with international advanced enterprises, it still needs to further increase investment in research and development and enhance innovation capabilities to narrow the gap. Meanwhile, with the reduction of government subsidies, BYD needs to pay more attention to cost control and brand building to enhance its competitiveness in domestic and foreign markets.

As a leading enterprise in the new energy vehicle's industry, Tesla's financial strategy suggestions in the Chinese market include focusing on financial management, strengthening cost control, consolidating and expanding market share, improving research and development capabilities, and optimizing supply chain management. Tesla needs to focus on capital expenditure, sales revenue, cost management, profit and profitability in financial statements to ensure the authenticity and transparency of financial statements, so as to enhance the trust of investors and consumers in the enterprise. At the same time, Tesla should also actively respond to market changes and find new business models and profit growth area to achieve long-term sustainable development.

To sum up, the development prospect of the new energy vehicle's industry is broad, but it is also full of challenges. As leaders in the industry, BYD and Tesla's financial strategies and risk management capabilities will determine whether they can stand out in the fierce market competition. By continuously optimizing financial strategies and strengthening risk management, BYD and Tesla will be able to better grasp market opportunities and achieve long-term and stable development.

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