

Analysis of the operation and management of Chinese new energy vehicle companies listed on the U.S. stock market: Take Li Auto as an example

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ABSTRACT

Achieving green growth is the main trend of today's world economic development, and new energy vehicles, as the future of green energy development, are of great significance for the implementation of industrial upgrading and adjustment and the development of low-carbon economy. Based on the analysis and SWOT analysis of the financing of this enterprise, this paper puts forward reasonable development suggestions for Li Auto, a new energy vehicle company listed in the United States as an example, and provides a certain reference for such new energy vehicle companies to effectively participate in international development.

KEYWORDS

Li Auto; Financing Status; SWOT Model; Operation and Management.

1. FOREWORD

As of 2023, China's production and sales of new energy vehicles have ranked first in the world for 9 consecutive years, and in order to accelerate the internationalization of new energy vehicles and realize the green transformation of economic and social development, a low-carbon management system for international new energy vehicle trade has been formed. China's new energy vehicle industry continues to develop at a rapid pace, driven by the dual carbon strategy.

Li Auto is a Chinese new energy vehicle manufacturer, designing, developing, manufacturing and selling luxury smart electric vehicles, founded in July 2015, headquartered in Beijing, through product innovation and technology research and development, to provide safe and convenient products and services for home users, its founder Li Xiang is a well-known serial entrepreneur in China, has founded the world's most visited car website Autohome. In 2019, Ideal ONE was launched and announced its price and began to accept pre-orders from users. On July 30, 2020, it was officially listed on the NASDAQ stock market in the United States, issuing 95 million shares at a price of \$11.5 per share and raising \$1,092.5 million. In 2022, Li Auto's total revenue was RMB45.29 billion, up 67.7% year-on-year, automotive revenue was RMB44.11 billion, up 68.8% year-on-year, 133,246 vehicles were delivered in 2022, up 31.5% year-on-year, gross profit was RMB8.79 billion, overall gross profit margin was 19.4%, gross profit margin per vehicle was 19.1%, and free cash flow was RMB2.25 billion. As of September 30, 2023, Li Auto's cumulative revenue was 82.12 billion yuan. Li Auto is mainly characterized by globalization, new energy, intelligence and high-end, and is committed to leading the development trend of electric, intelligent and interconnected future technologies, and is committed to building a high-end brand of Chinese automobiles in the era of intelligent electrification.

2. ANALYSIS OF THE CURRENT SITUATION OF IDEAL AUTOMOBILE OPERATION AND MANAGEMENT BASED ON FINANCING DATA

2.1. Financing analysis of Li Auto

Emerging new energy vehicle start-ups, the enterprise itself does not have enough capital and resource experience, especially in the start-up period of the enterprise, need a large amount of external financial support, and because of the long payback period of the characteristics, enterprises usually use venture capital or equity financing, without internal financing, such as: Weilai, Li Auto and Xiaopeng Motors, etc., the original traditional financing model and new financing model together constitute the financing status quo of China's new energy vehicle industry. Capital is the blood of enterprise development, and having strong financing capabilities is the foundation for the sustainable and high-quality development of enterprises. Now we analyze and study the strong financing scale of Li Auto.

Li Auto has a variety of financing methods, including bank loans, bond financing, accounts receivable financing, equity financing, etc. Mainly analyze its equity financing:

Li Auto has conducted at least 14 rounds of large-scale equity financing since its establishment.

Table 1. Statistics on equity financing of Li Auto

Time	Funding rounds	The amount of financing	Funding agencies
2015/10/1	Angel wheel	\$10 million	Mingshi Capital, individual investor
2016/5/1	Series A	780 million RMB	Mingshi Capital, Discovery Venture Capital, Meihua Venture Capital, Yuanjing Capital, Leo Shares, etc
2017/9/8	Round A+	620 million RMB	Mingshi Capital, Leo Shares, Meihua Venture Capital, Yuanjing Capital, Source Code Capital, etc
2017/10/23	Pre-B round	Tens of millions of yuan	StarVC, CICC Jiazi, Shanxing Capital, Hangjiayuan Investment, Mingshi Capital, etc
2018/3/22	Series B	3 billion RMB	Matrix Partners China, New Energy Fund, BlueRun Ventures, Source Code Capital, Mingshi Capital, etc
2018/11/14	Equity Transfer	Ten million dollars	Shanxing Capital
2019/8/6	Series C	\$530 million	Meituan, ByteDance, Wang Xing, Jingwei China, Shougang Fund, etc
2020/2/3	Equity financing	Not disclosed	CICC Capital, Meituan Dragon Ball
2020/6/24	D round	\$550 million	Meituan, Li Xiang
2020/7/25	Strategic financing	\$380 million	Meituan, ByteDance, Wang Xing, Wang Huiwen
2020/7/30	Listed on the U.S. stock market	\$1.47 billion	Public Offering
2021/8/12	Listed on the Hong Kong Stock Exchange	HK\$11.8 billion	Public Offering
2022/8/1	D+ round	\$2 billion	Bell Capital
2023/3/31	Additional issuance of shares	HK\$2.45 billion	Issuance of new shares and issuance of convertible bonds

Data source: Li Auto's official website and Tianfeng Securities Research Institute

To sum up, Li Auto has strong external financing capabilities, diversified corporate financing methods, and good overall financing of the enterprise, but the level of endogenous financing of the enterprise is insufficient, and the financing structure needs to be optimized.

3. ANALYSIS OF IDEAL VEHICLE MANAGEMENT STRATEGY BASED ON SWOT MODEL

It only took a few years for Li Auto to develop into a leader in mid-to-high-end electric vehicles in China, and its development speed and development strength are among the few in the entire industry. However, compared with the domestic and foreign automobile industry leaders, Li Auto still needs to accurately study and identify the external environment of the industry and its own internal situation, formulate a reasonable development strategy, and enhance the competitiveness of the enterprise. The following is a comprehensive strategic evaluation through the SWOT model.

Analysis of Ideal Vehicle Management Strategy Based on SWOT Model

3.1. Strengths

(1) Strong innovation ability. Li Auto's excellent performance in the new energy vehicle market is closely related to its strong innovation capabilities. First of all, Li Auto meets consumers' needs for new energy vehicles through innovative product design and functions. Li Auto's products are not only unique in terms of appearance design, but also have excellent performance in terms of performance and intelligence. For example, the intelligent driving system equipped with the Ideal L9 and the range-extended electric technology of the Ideal ONE have been recognized by consumers. Secondly, Li Auto's innovation is also reflected in the production and sales. Li Auto provides a full range of services through the establishment of retail centers and after-sales maintenance centers, so that consumers can better understand and use Li Auto's products. This innovative sales model enables Li Auto to better interact with consumers and improve sales efficiency.

(2) High brand awareness. As a new energy vehicle manufacturer, Li Auto has performed well in the market and attracted a lot of consumer attention, thereby increasing brand awareness. First of all, Li Auto's product positioning is in line with market demand. Li Auto pays attention to the quality and intelligence of its products, and its product line covers the medium and large SUV and luxury SUV markets to meet the needs of different consumers. This precise market positioning makes Li Auto's products highly competitive in the market and attracts more consumer attention. Secondly, Li Auto has increased its brand awareness through innovative marketing strategies. Li Auto pays attention to online and offline marketing activities, and improves brand exposure through advertising and social media promotion. In addition, Li Auto has also cooperated with some well-known brands, such as Xpeng Motors, NIO, etc., to increase brand awareness through cooperative publicity. At the same time, Li Auto's high brand awareness also benefits from its good reputation. Li Auto's products have been recognized and praised by consumers in the market, and its product quality and service level have been affirmed by consumers. This good word-of-mouth effect has further enhanced the brand awareness of Li Auto.

(3) The product quality is stable and reliable. Li Auto pays attention to product quality management, and ensures that each vehicle meets the company's quality requirements through strict quality control standards and processes. This tight control of quality helps to reduce the failure rate of the product, thereby increasing the reliability of the product.

(4) Wide range of marketing channels. Li Auto's marketing channels mainly include the following aspects: Li Auto adopts a direct sales model, and conducts sales and marketing through a combination of online and offline. Online, Li Auto has its own official website and mobile app, which provides comprehensive product information and car purchase services. In terms of offline, Li Auto has set up

retail centers and showrooms in major cities, where consumers can experience products, learn about model features and test drives. In addition, Li Auto also cooperates with some partners, such as vertical media such as Autohome, to carry out brand promotion and sales activities through these media platforms. In addition, Li Auto also cooperates with some local automobile sales and service organizations to jointly develop the market. At the same time, Li Auto makes full use of social media platforms for brand promotion and marketing activities. For example, on Weibo, WeChat and other platforms, publish content about products, technologies, brand dynamics, etc., interact with consumers, and improve brand awareness and reputation. The auto show is also an important opportunity for Li Auto to showcase its products and brand image. Li Auto will actively participate in major auto shows at home and abroad, and attract the attention of potential consumers by showcasing its products and technical strength.

3.2. Weaknesses

- (1) Long R&D cycle: Li Auto may pay more attention to the quality and performance of its products, so it has invested a lot of time and resources in the R&D process. While this ensures the quality of the product, it also lengthens the R&D cycle and may make consumers wait longer to experience the new product.
- (2) High production cost: Due to Li Auto's pursuit of high quality and advanced technology in the production process, the production cost is high. High costs may affect the pricing of products, which in turn affects market competitiveness.
- (3) After-sales service is not perfect: After-sales service is very important for the automotive industry. Li Auto has deficiencies in the provision and operation of after-sales service, such as untimely maintenance and low service quality. This will affect the consumer experience, which in turn will affect the brand image and market reputation.
- (4) The product line is relatively simple: At present, the product line of Li Auto is relatively simple, which may be difficult to meet the diverse needs of different consumers.

3.3. Opportunities

- (1) Rapid growth of the new energy vehicle market: Due to the improvement of environmental awareness and the continuous progress of technology, new energy vehicles are more and more favored by consumers. The growing market demand provides a broad space for the development of the new energy vehicle industry. Li Auto can seize this opportunity to increase R&D investment and launch more competitive new energy vehicle products.
- (2) Government policy support: In order to promote the development of new energy vehicles, many governments have introduced a series of policy measures, such as subsidies, tax incentives, car purchase incentives, etc. The implementation of these policies has reduced the cost of car purchase and use for consumers, and improved the market competitiveness of new energy vehicles. Li Auto should pay attention to policy trends, make full use of policy dividends, and accelerate market expansion.
- (3) Opportunities brought by industrial transformation and upgrading: With the increasing restrictions of traditional fuel vehicles, the automobile industry is facing the pressure of transformation and upgrading. As a representative of green and environmental protection, new energy vehicles have become an important direction of industrial transformation. Li Auto can seize this opportunity to increase investment in technology research and development and innovation, promote the continuous progress of new energy vehicle technology, and enhance the market competitiveness of its products.

3.4. Threats

(1) The competition in the new energy vehicle market is becoming increasingly fierce: With the rapid growth of the new energy vehicle market, more and more companies are joining this field. The intensification of competition may lead to problems such as price wars and market share competition. Li Auto needs to continuously improve product quality and service levels, and strengthen brand building to stand out from the competition.

(2) Stricter environmental protection policies: In order to promote the development of environmental protection, governments around the world have higher and higher requirements for environmental protection standards for new energy vehicles. If a company's products fail to meet the relevant standards, it may face risks such as market access restrictions and fines. Li Auto should pay close attention to environmental protection policy trends, increase R&D and investment in environmental protection technologies, and ensure that products meet relevant standards.

(3) Fast technology upgrading: The new energy vehicle industry is rapidly upgrading technology, and the emergence of new technologies may make the original products and technologies of enterprises obsolete. Enterprises should increase investment in technology research and development and innovation, keep up with the technological development trend of the industry, and constantly introduce competitive new products. At the same time, it is also necessary to pay attention to intellectual property protection to prevent technology from being copied or infringed.

Through SWOT analysis, we can see that Li Auto has advantages in innovation ability, brand awareness, stable and reliable product quality, and a wide range of marketing channels, but it also has disadvantages such as long R&D cycle, high production cost, imperfect after-sales service, and relatively single product line. In addition, the rapid growth of the new energy vehicle market, government policy support, and opportunities brought about by industrial transformation and upgrading are all opportunities for Li Auto. However, the increasingly fierce market competition, stricter environmental protection policies and the rapid pace of technological upgrading are all threats, which require Li Auto to take corresponding measures to deal with them.

4. LI AUTO'S OPERATION AND MANAGEMENT IMPROVEMENT MEASURES

4.1. Strict control of production costs

In the automobile manufacturing industry, cost control is very important for the operation of enterprises. Li Auto can control costs by optimizing production processes, improving production efficiency, and reducing material costs, thereby improving the profitability of the enterprise. In addition, it is possible to reduce costs through reasonable inventory management and supply chain management.

4.2. Improve the efficiency of new product research and development

Increase R&D investment, establish an efficient R&D team, and improve R&D efficiency. At the same time, strengthen cooperation with universities and research institutions to jointly promote technological innovation and product research and development. Establish a complete test and verification system to ensure that the products are fully tested and verified before going on the market. Strengthen team collaboration and communication to improve R&D efficiency.

4.3. Improve the after-sales service system

Improve the service network and improve the service coverage. Formulate standardized service processes and standards to ensure service quality. Strengthen the training and management of service personnel, and improve the quality of service personnel. At the same time, establish a customer satisfaction survey and feedback mechanism to understand customer needs and feedback in a timely manner and improve services.

4.4. Expand diversified product lines

Expand product lines and develop more products with differentiated competitive advantages. At the same time, strengthen market research and analysis, understand consumer needs and preferences, and formulate more accurate marketing strategies. On the basis of existing products, Li Auto can develop more products of different types and specifications to meet the needs of different consumers. For example, in addition to SUVs, sedans and other models, it is possible to develop more personalized and sporty sports cars and coupe SUVs. At the same time, Li Auto can increase its R&D efforts in the fields of autonomous driving and intelligent networking, and launch more intelligent automotive products. This can improve the competitiveness of the product and attract more consumers who are looking for a sense of technology. Li Auto can also increase its expansion efforts in overseas markets and sell its products to more countries and regions. This not only increases brand awareness but also increases market share and sales.

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