

Investors Selection Among Three Different Companies: TESLA, BAIDU and LEA

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Abstract. The research mainly focusses on different investors' choices of TESLA, BIDU and LEA. In the era of economic globalization and digitalization, investment has become an important way of financial growth for individuals and enterprises. Understanding the value and importance of investments can help people make more informed financial decisions, achieve asset appreciation and manage risk. This research collects data on risk, profitability and market ratio. Debt Ratio, Beta and Market Value are analysed in the Risk part, Total Assets Turnover, Profit Margin, ROA and ROE are analysed in the Profit part, P/E Ratio, P/B Ratio, Dividend Yield, PEG Ratio, Index, Current Stock Price and 200 day moving average. According to these data, the research finds that Index investors, Growth investors and Momentum investors will choose TESLA, PEG investors and Index investors will choose BIDU, PEG investors and Momentum investors will choose LEA. The results of the research help different kinds of investors to choose companies to invest in.

Keywords: Investor's selection; TESLA; BAIDU; LEA.

1. Introduction

Choosing the right asset investment is important, because it can help investors according to their own risk tolerance and investment objectives to develop the appropriate asset allocation scheme, to achieve diversified allocation of assets, reduce risks, while paying attention to market dynamics and long-term investment strategies, in order to obtain better investment returns [1-3]. Technology companies are highly attractive as investment targets, as they often possess innovative technologies, high growth potential, and strong market adaptability. In the wave of digital transformation, the technology industry leads the transformation, constantly giving birth to new business models and growth points. Investing in technology companies not only allows for substantial returns from technological advancements, but also diversifies risks in traditional industries and grasps future development trends [4-6]. Therefore, for investors seeking long-term appreciation and diversified investment portfolios, technology companies are undoubtedly high-quality choices. Therefore, the research selects three companies, TESLA, BIDU, LEA and make in-depth analysis of the financial indicators of these companies, for investors to provide reference for asset selection.

2. Profiles of the Selected Companies

Tesla, Inc. was incorporated in Delaware on July 1,2003 and transformed into a Texas company on June13, 2024. The company's primary business is designing, developing, manufacturing, and selling high-performance electric cars as well as cutting-edge electric vehicle power system components. It also offers OEM production services and research and development for electric car power systems to outside parties. In terms of quality, safety, and performance, Tesla electric cars surpass industry standards. They also offer comprehensive charging solutions, aerial upgrades with state-of-the-art technology, and a reduction in the reliance of global transportation on non-renewable energy sources. Finally, they genuinely achieve zero emissions. Additionally, the business produces and markets energy storage goods for utility, commercial, and residential applications.

Lea is founded in Detroit in 1917 as American Metal Products, Founded in Delaware in 1987, Lear Corporation is a producer of seat assemblies and other parts for the vehicle and aviation industries.



The company leads the automotive technology industry in seats and E-Systems, giving customers all around the world the best possible in-car experience. The company supplies all of the world's leading automakers with complete seat systems, key seat components, complete power distribution and connection systems, low-voltage power distribution products, electronic controllers, and other electronic products. High-voltage power distribution products include battery disconnect units.

Baidu, Inc. was incorporated under the laws of the Cayman Islands on January 18, 2000. The company's goal is to simplify the complex world through technology. The business has a solid Internet base and is a top AI firm. Since 2010, the company has made investments in AI to enhance its search and monetization capabilities. It also leverages its primary AI technology engine, "Baidu Brain," to create new AI businesses. Differentiated underlying technologies are provided for each of the company's businesses by the exceptional breadth and depth of the AI capabilities of the organization. The following factors will demonstrate the company's AI leadership in China, per the Insight Consulting report: The company's deep learning framework, Flying Paddle, ranked first in China's deep learning framework in terms of cumulative pull requests as of December 31, 2020, and second globally, behind Facebook Pytorch; as of October 30, 2020, the company has the most AI patents and the most AI patent applications in China; by 2020 As of December 31, 2020, Baidu OSChina, which operates on the company's Baidu cloud infrastructure, was the largest open source activity development platform in China and ranked third in the world (after GitHub and Gitlab) by number of developers. The company's Baidu open AI platform, with over 2.65 million developers, is the largest open AI platform in China.

3. Financial Indicators of the Companies

The study searched the data from the 2024 Q1 financial report of the three companies.

3.1. Risk

The study will analyse the risk of the three companies through these three aspects: Market Cap, Beta and Debt Ratio.

The Market Cap (MC) refers to the market value of a company or asset at a specific time. In the stock market, it is usually calculated by multiplying all the number of shares in a company by its current share price. The size of the market value reflects the overall value assessment of investors for the company and is one of the important indicators to evaluate the size of the company, market performance and investor confidence. In addition, MarketCap can also be used for other asset classes, such as cryptocurrencies. In these scenarios, MarketCap represents the value size of the entire market or a specific market, providing investors with a reference basis for important market trends and market potential. Beta in finance is a risk index that measures the volatility of an individual asset or portfolio relative to the market as a whole. It is a tool used to assess the systemic risk of securities, especially in investments such as stocks and funds. Beta can help investors understand how an investment vehicle moves with the market, allowing them to make more informed investment decisions. For example, if a portfolio has a beta of 1, it means that it moves roughly in line with the market index. If the beta is greater than 1, the portfolio is more volatile than the market; On the other hand, if the beta value is less than 1, it means that its volatility is lower than the market. The Debt Ratio, also known as the asset-liability ratio, indicates the percentage of total assets financed by debt and can be used to gauge how well a business defends the interests of creditors during liquidation. The debt-to-asset ratio, commonly referred to as the leverage ratio, is a metric that shows how much capital was contributed by creditors relative to total capital. $\text{Total liabilities} / \text{total assets}$ is the asset-liability ratio. It shows the proportion of total assets raised by liabilities for the company. This indicator provides a thorough assessment of the amount of liabilities held by the company. Simultaneously, it serves as a gauge of the company's capacity to utilize creditors' cash for operational purposes and indicates the safety of creditors' loan offerings. Related data on risk is shown in Table 1.

Table 1. Data on risk

	Tesla	BIDU	LEA
Debt Ratio	762.86B	31.667B	7.013B
Beta	2.31	0.49	1.48
Market Value	40.33%	35.43%	66.47%

According to the chart, the Market Cap shows that Tesla and BIDU is large companies and LEA is a small company. So, LEA is riskier. Tesla's beta is 2.31, it is really a high number. High beta may cause some long-term value investors get rid of the stock. Compared to Tesla and BIDU, LEA's debt ratio is much higher (66.47%), but as a company manufacturing auto part, it is normal. The aforementioned research all made the assumption that investors only faced financial risk; but, in actual financial markets, background variables like real estate, labor income, and health exist and have a significant impact on portfolio decisions, so it only use as reference [7].

3.2. Profit

The study will analyse the profit of the three companies through four aspects: Total Assets Turnover, Profit Margin, ROA and ROE.

Total Asset Turnover refers to the ratio of the net income (operating income minus operating expenses) of the enterprise in the current period divided by the total amount of assets of the enterprise, or according to the inverse ratio of return on capital (that is, return on assets = 1). It is a reflection of the efficiency of the use of an enterprise's assets, that is, the income yield per dollar of assets can be obtained in the current period. It can be explained by this simple formula: Return on total assets = current net income/previous total assets balance. This ratio can measure the ability of an enterprise to use assets to obtain income, which is to measure the operating efficiency of an enterprise. The return on total assets is mainly affected by the profit level of an enterprise and the total assets of an enterprise. A metric used to quantify profitability, profit margin is often given as a percentage. From an economic perspective, a company with a higher gross profit margin is more profitable and has a stronger ability to regulate costs. ROA/ROE are also essential data to analyse the financial health. Higher ROA indicates that a company generate more profit from its assets, which is generally seen as a positive sign os efficiency and effective asset management, and a higher ROE also indicate a positive sign. Investors frequently use the Return on Equity (ROE) ratio as a critical metric to assess how well a bank is performing in comparison to its competitors [8]. Related data is shown in Table 2.

Table 2. Data on profitability

	TESLA	BIDU	LEA
Total Asset Turnover	0.25	0.08	0.4
Profit Margin	5.737%	18.60%	2.10%
ROA	1.04%	1.42%	0.86%
ROE	1.78%	2.22%	2.23%

The three companies' turnover are all lower than 0.5. it is not good news for them. BIDU's profit margin is 18.60%, much higher than the other two companies, represents that it is more efficient at controlling costs and generating profit. It is a critical financial ratio as it directly relates to the company ability to generate profit from its core business activities the ROA/ROE of the three companies are low, so some dividend investors, growth investors and value investors are not interested in these three companies.

3.3. Market Ratio

The study will analyse the market ratio of the three companies through seven aspects: P/E Ratio, P/B Ratio, Dividend Yield, PEG Ratio, Index, Current Stock Price and 200 day moving average.

P/E Ratio is a measure of profitability, usually expressed as a percentage. The price-to-earnings Ratio is a measure of the relationship between a company's stock price and its earnings per share, and is commonly used to evaluate the investment value of a stock. The P/E ratio is an important tool used by investors to compare valuations among different stocks, industries and the market. It reflects market expectations about a company's future earnings potential. PE Ratio is the ratio of the stock price to earnings per share (EPS) . P/B ratio is a measure of the ratio between a company's stock price and the company's net assets, used to assess whether the stock price is reasonable. P/B ratio is divided by the stock price to get the PB Ratio. Investors can use this ratio to determine whether a stock is appropriately priced as it shows the link between the market price and the company's actual value. In particular, the price-to-book ratio compares the market price of a company's shares with its book value in order to determine the stock's value. In order to calculate net asset value per share, book value is often calculated as the owner's equity of a company's entire assets less its total liabilities divided by the total number of shares issued. Investors can determine whether a stock is overvalued or undervalued at market value using this ratio and make appropriate investment decisions. The ratio of the total dividends paid out in a year to the current market price is known as the dividend yield ratio. A more straightforward way to think about investment yield is the annual dividend, which is represented as a percentage of the stock's most recent sale price. The ratio of the dividend to the stock price is known as the dividend yield. Dividend rate is one of the key metrics used in investment practice to determine whether a company has investment value. If the PEG ratio is lower than 1, PEG investors will invest in the stock. PEG ratio is a valuation ratio used to assess a stock's price in relation to its earnings per share and its expected growth rate. In the financial field, indexes are usually related to financial market activities, such as stock indexes, futures indexes, etc. These indices help analyze market trends, predict future trends, and assess investment risk by reflecting changes in specific market or economic phenomena. Then the study shows the current stock price/ 200 day moving average. If the current stock price is bigger than 200 -day moving average, it may attract momentum investors. Related data is shown in Table 3.

Table 3. Data on market ratio

	TESLA	BIDU	LEA
P/E	61.33	12.13	12.46
P/B	11.85	0.92	1.37
Dvidend yield ratio	0	0	2.55%
PEG	2.68	0.06	0.2
Index	yes	yes	no
Current Stock Price	231.20	90.31	118.16
200 day moving average	205.51	106.32	118.190

P/E ratio shows that TESLA is definitely over-valued, BIDU and LEA are around common figure. BAIDU and LEA's PEG are smaller than 1, so PEG investors are interested in them. The current stock price of TESLA is higher than 200 days moving average, so momentum investors will invest in TESLA, for the same reason, they won't invest in BAIDU, and they may invest in LEA.

4. Results for Asset Selection

There are many kinds of different investors in the society. Among all kinds of investors, value investors, PEG investors, index investors, growth investors, momentum investors are the most common investors [9-10].

To attain a certain profit goal, value investors demand that investors hold the appropriate firm stock at the appropriate price. Typically, investors must purchase at a low or fair price—not at an excessively high price, or else they run the risk of facing a high-risk scenario and receiving a low yield with little meat. Value investing places a strong emphasis on cost performance and certainty. Value investment does not include investments that lack valuation. Accurately determining the company's value is the most crucial aspect of value investing. The PEG valuation method is a method used by investors to evaluate the value of a business by combining the price/earnings ratio (PE) and the earnings growth (G) of a business. The core of PEG valuation is to look for companies with relatively low P/E ratios and high earnings growth, which are generally considered to have high investment potential. The best way for Index investors to invest their money is through index funds because index funds typically have low fees and offer investors good cost effectiveness. For most institutions and retail investors, the best way to own shares is through index funds with the lowest fees, which can reduce investment costs and improve investment returns. Growth investors look for companies with consistent growth in earnings and sales. These investors typically focus on companies that have grown by more than 20% over the past three to five years. Growth investors believe that such companies have great growth potential and are therefore willing to take a higher valuation risk. Once the growth rate of the industry slows down, such stocks may appear to kill the valuation phenomenon, and it is difficult to invest. The investment strategy of growth investors focuses on picking stocks with great growth potential. Momentum investors are those who adopt momentum investment strategies. Momentum investing is a quantitative investment strategy that predicts future performance based on past performance. Specifically, when a stock has shown high returns over the past few months or a year, momentum investors choose to buy those stocks in the hope of continuing to earn high returns in the future. Related results are shown in Table 4.

Table 4. The investing selection

	TESLA	BIDU	LEA
Value investors			
PEG investors		√	√
Index investors	√	√	
Growth investors	√		
Momentum investors	√		√

Due to different standards, different investors will choose different companies to invest. Index investors, Growth investors and Momentum investors will choose TESLA, PEG investors and Index investors will choose BIDU, PEG investors and Momentum investors will choose LEA.

5. Conclusion

The study concentrates on the investment preferences of various individuals towards TESLA, BIDU, and LEA. In an era marked by economic integration and technological advancement, investment has emerged as a crucial channel for individual and corporate financial growth. Grasping the significance and value of investments can empower people to make savvy monetary choices, secure asset growth, and adeptly manage risks. This investigation gathers pertinent data concerning risk, profitability, and market share. The insights derived from this research aid investors with diverse strategies in selecting companies for their investment portfolios.

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