

# Research on Financial Analysis of Weilai Company

Ruiying Chen

School of Economics and Management, Southwest Petroleum University, Chengdu 610000,  
China

## Abstract

The proposal of carbon neutrality has once again made the new energy automobile industry a hot topic. How to promote the quality development of the new energy automobile industry has become an important issue that needs to be studied. In this paper, we choose a representative company in the industry-Weilai automobile, its development is worthy of our attention. According to the financial statements of weilai automobile company, we have carried out a comprehensive financial analysis and development ability analysis to find out the problems and causes of the company 's financial risks, and formulate corresponding countermeasures and suggestions to find a better way for the development of the company.

## Keywords

**Weilai; Financial Analysis; Strategic Analysis.**

## 1. Introduction of Weilai Automobile

Weilai Automobile was formally established in 2014. As a domestic high-quality new energy automobile manufacturer, it has developed side by side with Xiaopeng Automobile and Weima Automobile. The company was listed on the New York Stock Exchange on September 12, 2018 and is known as a domestic Tesla.

The company 's brand name NIO represents ' New Day ' in English and expresses the company 's vision. In order to allow customers to have a pleasant lifestyle and the ultimate user experience, NIO has been committed to providing customers with high-tech and intelligent electric vehicles. Its current models are Weilai ES6, Weilai ES8, Weilai EVE, etc., among which Weilai ES6 and ES8 are its main production models. In addition, Weilai also has some NIO House experience centers in China, which is different from traditional 4S stores.

## 2. Weilai Automobile Financial Analysis

### 2.1. Financial Statement Analysis

#### 2.1.1. Balance Sheet

As shown in Table 1, on the balance sheet of Niolai, total assets in 2019 decreased by 22.61 % compared with the same period in 2018, mainly because Niolai 's total cash decreased from 8.289 billion in 2018 to 9.74 billion in 2019, resulting in a significant decline in current assets. In June, 4803 ES8 vehicles were recalled due to battery problems, and ES8 sales were greatly affected. Therefore, Weilai encountered a cash flow crisis at the end of 2019, and Weilai 's total assets shrank in 2019. From 2019 to 2020, Weilai Automobile experienced a cash flow crisis, frequently initiated debt financing, postponed the plan of self-built factories, continued to cooperate with Jianghuai Automobile, and introduced government and bank cooperation led by strategic investors in Hefei to solve the crisis, resulting in a new upward trend in the total assets of the company from 2020 to 2021. From the diagram, it can be seen that the net value of fixed assets in the four fiscal years from 2018 to 2021 generally shows an upward trend, mainly due to the fact that the current production line of Weilai is not perfect. In order to develop new

models, the company needs to constantly expand its production line and expand its production base.

**Table 1.** Yulai 's balance sheet

Unit : 100 million yuan

Report date	2018	2019	2020	2021
Total cash	82.89	9.74	423.76	523.91
Accounts receivable	7.57	13.52	10.83	27.98
Inventory	14.65	8.9	10.82	20.56
Current assets totaled	121.7	49.28	462.07	636.41
Equity and long-term investments	48.53	55.33	49.96	74
Non-current assets totaled	1.48	1.15	3	30.59
Non-current assets totaled	66.73	96.54	84.35	192.42
Total assets	188.43	145.82	546.42	828.84
Total current liabilities	85.93	94.99	139.76	291.98
Total non-current liabilities	20.99	99.05	88.03	156.22
Total liabilities	106.92	194.04	227.8	448.2

From Table 2, the company 's total liabilities also show an upward trend. In 2019, the total liabilities increased by 81.4 % compared with the same period in 2018, increased by 17.4 % in 2020 compared with the same period in 2019, and increased by 96.7 % in 2021 compared with the same period in 2020. The asset-liability ratio is higher than the industry average, indicating that the company 's financial risk is greater due to insufficient cash flow, broken capital chain, inability to repay corporate debt on time. In addition, it can be seen from the table that the proportion of current liabilities in total liabilities is relatively high, and the proportion of accounts payable in current liabilities is also relatively high, which shows that the financing capacity of Blue is relatively strong, but the proportion of accounts payable in total liabilities has continued to rise in recent years, and it is as high as 43 % in 2021. Even if financial costs can be saved, they will put pressure on the company 's solvency because accounts payable are current liabilities. If a company 's operating income decreases or cash flow problems occur, its short-term solvency will be severely tested.

**Table 2.** Nilai 's Balance Sheet - Liabilities

Unit : 100 million yuan

Report date	2018	2019	2020	2021
Short-term borrowing	20.69	12.08	19.31	72.98
Accrued liabilities	33.84	42.17	46.04	72.02
Accounts payable	28.7	31.12	63.68	126.39
Other current liabilities	2.7	9.62	10.73	20.59
Other current liabilities	85.93	94.99	139.76	291.98
Long-term borrowing	11.68	71.55	59.38	97.39
Total non-current liabilities	20.99	99.05	88.03	156.22
Total liabilities	106.92	194.04	227.8	448.2
Shareholders ' equity total	81.5	-48.22	318.62	380.63

### 2.1.2. Income Statement

Table 3 shows that from 2018 to 2021, its operating income and operating costs have increased. According to the profit statement data from 2018 to 2021 published by Weilai, Weilai is in a state of loss because of the negative net profit of Weilai in the past four years ; by analyzing Weilai 's profit statement, we know that the main reason is the impact of the epidemic in China in the past two years, which makes its sales volume not very high, and the proportion of sales and management costs and R & D costs is relatively high. From 2018 to 2019, the company invested too much money in rent and after-sales service, which increased the company 's expenditure and financial burden, resulting in negative profits. In 2020, the market for new energy vehicles in Weilai has gradually improved, with a total of 3728 vehicles sold. While the company 's operating income has increased significantly, the company has also optimized its decision-making, reduced sales costs, and increased profits. However, due to the impact of the epidemic in China, the overall market situation is not good, resulting in Weilai 's long-term negative profit, and the profit level is far lower than the industry average. It can be concluded that Weilai Automobile Company has problems to be solved in terms of profit model and operation mode.

**Table 3.** Wealth Statement of Profits

Unit : 100 million yuan

Report date	2018	2019	2020	2021
Report date	49.51	78.25	162.58	361.36
Operating cost	52.07	90.24	143.85	293.15
Marketing, sales and management costs	53.42	54.52	39.32	68.78
R & D costs	39.98	44.29	24.88	45.92
Total operating expenses	93.3	100.91	67.4	110.43
Operating profit	-95.86	-112.89	-48.67	-42.22
Income tax	0.22	0.08	0.06	0.42
Net profit	-96.39	-112.96	-53.04	-40.17
Basic earnings per share ( yuan )	-70.23	-11.08	-4.74	-6.72

### 2.1.3. Cash Flow Statement

**Table 4.** Cash flow statement

Unit : 100 million yuan

Reporting Date	2018	2019	2020
Net cash flow from operating activities	-79.12	-87.22	19.51
Net Cash Flow from Investment Activities	-79.41	33.82	-50.71
Net cash flow from financing activities	116.03	30.95	413.57
Cash and cash equivalents balance at the beginning of the period	75.31	32.24	9.9
Cash and cash equivalents balance at end of period	32.24	9.9	385.45
Net increase in cash and cash equivalents	-43.06	-22.35	375.55
Investment Purchases	-80.91	-22.03	-75.94

As can be seen from Table 4 below, the net cash flow generated by Nio 's operating activities in 2020 began to turn positive and increased by 122.37 % compared with the same period in 2019, due to the increase in car delivery. The cash flow generated by the fund-raising activities has been positive in 2018,2019 and 2020, indicating that Weilai is in a period of development, during which a lot of funds are needed to open up the market. The net cash flow of fund-raising activities in 2020 increased by 1236.2 % year-on-year compared with the net cash flow of fund-

raising activities in 2019. The reason is that in 2020, a cumulative \$ 100 million financing plan was completed through the issuance of convertible bonds, which solved the cash flow problem of enterprises. However, the increase in the net cash flow of the enterprise is mainly based on the net cash flow of the financing activities, which may cause liquidity difficulties and bring huge financial risks to the enterprise. Therefore, in order to achieve sustainable growth, the focus should be on increasing the share of operating cash flow and increasing product sales.

## 2.2. Analysis of Financial Indicators

### 2.2.1. Analysis of Solvency

As shown in table 5, the asset-liability ratio of Weilai Company in 2019 was 133.07 %, indicating that the long-term debt repayment risk faced by the company is high and the solvency level is low. This is mainly due to the serious loss of Weilai Company 's operation, and also shows that the company is increasing its debt in the process of operation to support its development. Its debt scale is increasing, but its solvency is not strong. However, the company 's asset-liability ratio in 2019, 2020 and 2021 is declining year by year and remains within a reasonable range. Therefore, although Weilai Company still has certain long-term debt repayment risks, the company itself is aware of this problem and actively takes measures to reduce the asset-liability ratio. The cash flow ratio from 2019 to 2020 is increasing year by year, and the cash ratio is far greater than the empirical standard value of 20 %, which indicates that Weilai 's ability to pay is gradually improving, and may reduce its short-term debt repayment risk to a certain extent. From 2018 to 2019, the current ratio and quick ratio of Weilai Company were lower than their empirical standard values, showing a downward trend. During this period, the solvency of Weilai Company 's short-term liabilities continued to decline, and the company 's crisis occurred at any time due to the inability to repay short-term debts. In 2020-2021, the quick ratio and current ratio were improved and began to be higher than the empirical standard value. To a certain extent, it shows that the payment ability of weilai company began to gradually increase, and to a certain extent, it alleviated the short-term debt repayment pressure of the enterprise.

**Table 5.** Weilai Debt Capacity Analysis Indicators

Unit : percentage

Reporting Date	2018	2019	2020	2021
Asset-liability ratio	56.75	133.07	41.69	54.08
Cash ratio	37.13	9.95	275.79	62.93
The flow ratio	1.42	0.52	3.31	2.18
Speed ratio	1.25	0.43	3.23	2.11

### 2.2.2. Operational Capability Analysis

It can be seen from Table 6 that the turnover rate of accounts receivable of Weilai Automobile increased year by year from 2018 to 2021. Among them, the turnover rate index of accounts receivable in 2021 increased by 41.8 % compared with 2020, which indicates that the company 's fundraising speed is fast, the average fundraising cycle is short, and the liquidity of assets is strong, but it also shows that the company 's credit policy is tight. Weilai 's inventory turnover rate increased from 6.7 times in 2018 to 18.68 times in 2021, indicating that Weilai 's inventory liquidity gradually increased, and it was able to sell inventory in time in exchange for more liquid cash equivalents. This is in stark contrast to Weilai 's current asset ratio, which will increase slightly in 2019, but will decline again to 0.66 times in 2021, indicating that Weilai 's ability to complete more production business with less capital is weak. Yulai 's total current asset turnover rate is increasing from 2018 to 2021, reaching 0.53 in 2021. The lower the total turnover rate of current assets is, the lower the efficiency of the company 's asset flow is, and

the weaker the company 's liquidity is. The turnover rate of current assets and the total turnover rate of current assets are far lower than the industry average. Although the development trend of the company 's operating income is good, the public company is in the growth stage. In the future business process, the demand for funds will gradually increase, and financial risks will also expand [1].

**Table 6.** Weilai 's operational capability analysis indicators

Unit : percentage

Report date	2018	2019	2020	2021
Accounts receivable turnover rate ( times )	6.54	7.42	13.13	18.62
Inventory turnover rate ( times )	6.70	7.66	14.60	18.68
Current assets turnover rate ( times )	0.48	0.92	0.64	0.66
Total asset turnover rate ( times )	0.34	0.47	0.47	0.53

### 2.2.3. Profitability Analysis

In 2018,2019,2020 and 2021, the return on total assets, net profit on sales, return on net assets, net profit margin on total assets and other profit ratios are all negative, indicating that Weiyuan has sustained losses since its establishment, far from achieving profitability. The overall development of the company 's operating income is unstable, mainly depends on market fluctuations, and its sales cost is generally higher than the sales price. The main reason is the high cost of introducing alternative production and the cost of expanding the company 's sales outlets. High operating costs and limited operating income are a major profit risk for Niolai [2].

## 3. SWOT Analysis

### 3.1. Advantage Analysis

#### 3.1.1. Brand Advantage

Weiyuan has been concerned since its establishment, known as China 's ' Tesla ', reflecting the high popularity of the brand in the field of new energy vehicles.

#### 3.1.2. Technical Advantages

Weilai 's three key technologies-battery, motor and motor controller-are provided by Weilai 's own company. Compared with the new energy vehicle companies whose key technologies are in the hands of suppliers, the company has obvious technical advantages. In addition, Weilai 's battery replacement technology has been well received by consumers, because it solves the problem of difficult charging and slow charging of consumers by extending the endurance of vehicles. This technological innovation is also the advantage of Weilai.

#### 3.1.3. Service Advantages

Since its inception, Weilai has positioned itself as a user-oriented company, committed to solving user problems and providing users with intimate and convenient services. The service cloud will connect each user center, maintenance center, interaction center, and each user to the intelligent service Internet, so that you can call and provide services at the touch of a button without effort.

### 3.2. Disadvantages Analysis

#### 3.2.1. Production Problem

Automobile production is a very strict and scientific process, the company 's production level directly affects the final quality of the product. Weilai did not have its own production base, chose Jianghuai Automobile, and the quality control ability of Jianghuai Automobile is not

prominent in the industry. Therefore, the lack of production chain is a long-term problem of Weilai.

### **3.2.2. Price Problem**

At present, there are two main products in Yulai. The price of ES8 is 40-60 million yuan, and the price of ES6 is 30-50 million yuan. This price is higher than that of domestic Tesla, and from the perspective of cost performance, the traditional enterprises entering the new energy market have launched the same series and the same performance products between 20-30 million. Therefore, the price disadvantage is currently a key factor affecting the sales of NIO products.

## **3.3. Opportunity Analysis**

### **3.3.1. Demand for Environmental Quality Improvement**

In recent years, environmental issues have become more and more important to the public. Compared with traditional fuel-powered vehicles, the advantages of new energy vehicles are particularly obvious : zero emissions and zero pollution. The development of new energy vehicles is in line with the requirements of the times, and the market prospect is also clear.

### **3.3.2. National Policy Support**

From the perspective of energy security, environmental quality and the development of the automobile industry, the country has included the new energy automobile industry in its seven major emerging industries, and has issued a number of national and local policies to encourage the development of new energy vehicles. With the encouragement of the policy, we can use this opportunity to provide high-quality products and services, optimize its brand image, and expand the market share of consumers in the market.

### **3.3.3. Huge Market Space**

At present, new energy vehicles are still in the initial stage of development. As countries put forward restrictions on the average fuel consumption of enterprises, it is expected that new energy vehicles will basically replace pure fuel vehicles around 2025, which indicates that new energy vehicles have great market potential in the next few years.

## **3.4. Threat Analysis**

### **3.4.1. Reduction of Subsidy Policy**

As the state 's subsidies for new energy vehicles have gradually decreased since 2015, new energy vehicles need to continue to reduce costs to maintain their initial profitability. At present, NIO 's sales are very low, and the negotiations for supplier cost reduction are very limited, which must be offset by technological innovation and the introduction of new profit models.

### **3.4.2. Financial Risk**

According to public information, Weilai was founded in 2014, mainly committed to the field of new energy vehicles. Although Weilai 's sales of new energy vehicles also successfully exceeded 20,000 in 2019, the annual sales of 20,000 vehicles cannot make up for the high R & D and sales costs. According to statistics, in the first three quarters of 2019, Weilai Automobile made a net loss of 8.639 billion yuan, with an average daily loss of 27 million yuan. Therefore, Weilai Automobile needs to improve its current loss situation through product profit.

### **3.4.3. The Threat of Competitors**

With the production of Tesla 's Shanghai factory, the price of domestic Tesla fell below the price of Yulai 's ES6. At the beginning of sales, its cost performance exceeded Yulai 's products. Since Weilai 's brand image is not yet as recognized by consumers as Tesla, competing products pose a major threat to Weilai 's products.



## 4. Main Problems and Countermeasures

### 4.1. Main Problems and Cause Analysis

From the above analysis of the financial statements of Weilai Company, we can see that Weilai Company is facing significant financial risks in its operation, including cash flow, profitability and a large amount of debt, which may affect the survival of the company. The main reasons for financial risks are as follows : first, the cost of sales and R & D is high, and the current sales revenue cannot cover the cost, resulting in losses in successive years ; second, the company is in the stage of rapid expansion, increasing financing in the case of tight cash flow, resulting in higher financing costs ; third, the industry is fiercely competitive, and traditional, foreign and new automakers are trying to increase sales. Considering these important financial risks, the following risk prevention measures are proposed [3].

### 4.2. Countermeasures

#### 4.2.1. Cost and Expenditure Control

One of the key issues in the company 's current operations is that spending is much higher than operating income, which is why the company 's profits have been negative in recent quarters. The company 's expenses are mainly due to R & D expenses and sales expenses, as well as investment in the company 's offline experience store. Through the company 's contract production model and its own direct sales activities, the return on this expensive investment is relatively limited, and the company 's financial operations will be significantly affected in the long run. [4] On the other hand, the company must continue to integrate sales channel resources, reduce the expansion rate of Yulai sales stores, improve and innovate its sales methods, and promote Yulai to maintain sales while moderately reducing its sales costs.

#### 4.2.2. Optimization of Sales Methods

If you can expand or optimize sales, improve the level of sales, which will be to some extent improve the pressure to increase operating income difficulties. Since its launch, Yulai has expanded its sales network. So far, it has opened five stores covering 41 cities. However, with the expansion of channels, it is necessary to focus on promoting and improving existing sales channels. When online platforms continue to attract target customers, offline stores need to be able to improve their experience and marketing efforts. Offline stores should also strengthen management and operation, control costs and expansion scale, and avoid blind expansion, resulting in poor management, resulting in bloated offline channel structure, affecting sales results and even sales revenue.

#### 4.2.3. Expanding Financing Channels

Throughout the financing experience of Weilai Company, the company has experienced successful financing through overseas imports, bond issuance and rumored local government investment, but as a start-up company, the company 's current financing needs are still huge. In its multiple financing, Weilai Company mainly relies on external financing, and there is little internal or equity financing. This unique financing method has greatly increased the financial risk of the company, especially because the external debt financing currently used is prone to default, and the risk factor is much higher than that of internal financing and equity financing. At the same time, the higher interest-bearing debt ratio makes the company face greater repayment pressure when the debt matures, further exacerbating the company 's financing risk. Therefore, companies must adjust their funding channels and increase the proportion of internal and equity financing. On the other hand, companies should prepare more financing options and strengthen cooperation with local governments to reduce the company 's financing risks [5].

## References

- [1] Ren Xiaoli. Empirical study on the profitability of new energy listed companies and its influencing factors [ J ]. Productivity research, 2019 ( 22 ) : 92-94.
- [2] Gong Yanwei. Research on the business model of ' new forces making cars ' [ J ]. Productivity research, 2019 ( 11 ) : 130-133.
- [3] Yao Xiaodong. Financial analysis of listed companies in the automotive industry-Taking JL automobile and DF automobile as examples [ J ]. Financial research, 2020 ( 24 ) : 128-129.
- [4] enterprises-Taking BYD Co., Ltd. as an example [ J ]. Audit and financial management, 2016 ( 07 ) : 47-49.
- [5] Sun Hongmei, Ma Yingjiao. Analysis of corporate financial reports based on Harvard analysis framework-Taking Shanxi Coking Co., Ltd. as an example [ J ]. Accounting Newsletter, 2014 ( 32 ) : 73-76.