

# ***A Company Analysis of XPENG Based on the Internal and External Environment***

**Bo Zhang<sup>1,a,\*</sup>**

<sup>1</sup>*Business School, Zhejiang Wanli University, Ningbo, 315100, China*  
*a. 2021010307@zwu.edu.cn*

*\*corresponding author*

**Abstract:** This paper examines the strategic evolution of XPENG Automobile within the burgeoning new energy vehicle sector. Through a SWOT analysis, it identifies the company's robust market momentum juxtaposed with pressing challenges in product upgrading and differentiation. Leveraging internal and external environmental evaluations, the study emphasizes the necessity for XPENG Automobile to bolster capital profitability, innovate core technologies, and diversify market strategies to enhance its competitive positioning. Furthermore, the paper delves into the multifaceted development risks facing XPENG Automobile, encompassing internal limitations in financing and after-sales services, necessitating a drive towards operational efficiency optimization. It advocates for proactive risk mitigation and the exploitation of emerging opportunities to reduce reliance on mainstream market trends and foster pioneering innovations. The paper sheds light on industry-wide dynamics by drawing insights from XPENG Automobile's journey as a trailblazer in China's new energy vehicle landscape. It underscores the company's resilience in navigating policy shifts and venturing into new markets, serving as a guiding example for the broader advancement of new energy vehicles in China.

**Keywords:** External Environment, Internal Environment, Risk Assessment

## **1. Introduction**

XPENG is an Internet electric car brand, with Azure and Ideal as China's new car-making trio. Founded in 2014, the company is a subsidiary of Guangzhou Orange Line Smart Auto Technology Co. The company's products include sedans and SUVs, and its founders are Xiaopang He, Xia Heng and Tao He. The main business of XPENG Automobile Technology Co., Ltd. is the technology research and development of the whole vehicle, the sale of automobile charging modules, the wholesale of automobile parts and accessories, the manufacture of charging piles, the installation and management of charging piles, the construction of charging network, the investment/development of automated driving, and the mobile travel/financial services. In addition, we are also involved in the wholesale, retail, and design of automotive parts and accessories, the provision of battery charging services for electric vehicles, and the sale, repair, and maintenance of automobiles.

In January 2018, XPENG Automobile delivered 39 new cars and became China's first Internet car-making enterprise to enter the new energy vehicle sales list. At the same time, XPENG Automobile announced the start of the 2.2 billion yuan B round of financing. 2016 March completed the Pre-A round of financing; June 2017 conducted by the excellent car industry fund led by the 2.2 billion yuan

of A round of financing; December 2017, Alibaba formally invested in XPENG Automobile; January 2018 B round of funding of 2.2 billion yuan; November 2019 C round of funding of 400 million dollars. In 2020, XPENG Auto will be the first internet car maker to enter the new energy vehicle sales list of the China Federation of Passenger Vehicle Manufacturers and successfully land on the New York Stock Exchange with "XPEV" as its stock code. In 2021, XPENG Auto will become one of the 500 most valuable companies in the world [1].

XPENG car is considered a "PPT car" company by the outside world question. But founder Xia Heng said that XPENG car is a pragmatic, open, rebellious southern school of car-making enterprises, focusing on doing things and solving problems, not talking about concepts. Xia Heng believes that the XPENG car will break the barriers to automotive innovation, corporate structure, products, and business models, which will be Internet-based, and traditional automotive enterprises will compete. XPENG Automobile also upholds the concept of pragmatic car-making in the South, continues to "3 months a software iteration", and plans to launch a combination of technology and fashionable electric SUV. In March 2022, the team completed the A round of financing, with members mainly from the car, large parts and components companies, and Internet technology companies [2].

## **2. External Environment Analysis Based on SWOT Analysis**

### **2.1. Strength**

He XPENG, CEO of XPENG Automobile, believes that science and technology are the main positioning of the future development of the automotive field, and adhering to the exploration of science and technology, leading the future of travel change is not only the goal of XPENG in the past nine years but also the goal of the next 10 years, 20 years. The core technology of XPENG Automobile includes a pure electric drive system and an intelligent system, which has unique market competitiveness. In addition, the combination of self-driving technology and the Internet application of XPENG Auto gives it a certain advantage in the field of intelligent electric vehicles. At present, XPENG Auto has made progress in unmanned intelligent driving on the software and hardware adaptation support and constantly optimizes the user's driving experience to provide a unique application experience. At the same time, He XPENG also noticed that intelligent driving cannot just rely on the limitations of high-precision maps, so XPENG Automobile's independent research and development of a new concept of automated driving "light map", the use of low-cost, high-efficiency, high-experience advantages, the arithmetic pressure to minimize the perceptual ability to improve, and strive to do the world's best [3].

### **2.2. Weakness**

With the intensification of market competition, XPENG Auto needs to continue to invest a lot of R&D funds to ensure the leading position in technology. At the same time, transforming technological advantages into market advantages is also a problem that needs to be solved. Its founder has a car development problem summed up as the product giving up the standard intelligent driving; user perception is not the same. The user stacked too much low perception configuration; price, out of the user's expectations; marketing, the rhythm of procrastination dissemination is not focused; channels, management chaos, serious internal friction; organization, marketing services, the lack of effective communication; delivery, delivery is not timely [4]. At the same time, the new models of XPENG Automobile are in the process of exposing many problems but also letting the market know its cost-effective and safe. There are doubts, and brand reputation and stock prices have been seriously affected. Vehicle type single is also one of the pain points of the development of the XPENG car. Vehicle cost control also affects the XPENG car's ability to continue to develop other models, but it should also continue to integrate and upgrade to form a brand effect to seize the market quickly.

### 2.3. Opportunity

With the improvement of environmental awareness and technological progress, the electric vehicle market is expected to grow. XPENG Auto can seize the market by launching more competitive products and services. In 2015, China officially announced the national strategy "Made in China 2025" as the top strategy to ensure the sustainable development of the new energy automobile industry. Pure electric vehicles are still the focus of development. At the same time, electric vehicles support charging piles and other related infrastructure in the government's subsidy program to promote the purchase of new energy vehicles user experience. At the level of public transportation, electric vehicles also have low-cost and low-pollution advantages and are favored. Many governments have announced public transportation policies and regulations binding requirements for local cabs, and net car clean energy vehicles accounted for the requirements, accelerating the development momentum of new energy vehicles, including Peng car enterprises. Not only does the policy support for the development of XPENG Auto provide strong support, but the rapid rebound of the national economy has also played a positive role. In the past five years, China's residents' per capita disposable income has maintained a growth rate of 7-9%, and the national consumption level has gradually increased. Enhanced purchasing power has also increased people's pursuit of a higher quality of life, and the explosion of new energy vehicles has also responded to people's need for high-quality travel.

### 2.4. Threat

At present, the domestic new energy vehicle market competition is very fierce. The new field of each family to play their strengths to compete for the market, especially prominent to Tesla and other competitors, through the policy subsidies and the exclusive use of core technology, etc., in the technology and the market have occupied a leading position, pose a threat to XPENG Automobile. In addition, China's consumers still hold backward concepts of domestic brands, need more confidence in domestic brand products, and are more willing to consider foreign imported brands. At the same time, China's new energy vehicle supporting facilities are not perfect and unbalanced, is also the biggest stumbling block on the road of new energy vehicle development as charging piles and other facilities a major considerations for consumers to consider the new energy vehicle supporting the integrity of the object. The saturation of the domestic automobile market on the development of new energy also has a considerable impact on the development of new energy vehicles. Traditional automobiles are still a threat to the development of new energy vehicles, and the change in consumer attitudes will take some time. XPENG Auto needs to increase its brand differentiation as soon as possible to open up its unique track and deal with the status quo [5].

## 3. Internal Environment Analysis

In recent years, the share of assets of XPENG Automobile has risen from 9.2 billion yuan to 71.4 billion yuan, and the amount of owner's equity has increased exponentially. After several rounds of financing and the issuance of U.S. shares, the company's automobile manufacturing base has been expanding, and the proportion of fixed assets has increased. With today's new energy vehicle development momentum, XPENG Automobile continues to increase its R&D expenditures on new models and new technologies, in order to promote its products to serve customers in the market more comprehensively. But at the same time, the amount of short-term borrowing is also rising. The lack of long-term bond financing ability, coupled with the high interest rate on short-term borrowing, will likely lead to excessive pressure on XPENG Auto's debt servicing. The XPENG car's current development depends on China's new energy vehicle purchase subsidies, and now the subsidy is moderately reduced and thus failed to recover the purchase account on time, which will also affect the XPENG car's corporate cash flow turnover.

Early XPENG car production outside processing-based, external dependence is high, and the inventory turnover rate increased year by year; with the establishment of their factories, production costs are reduced, but control of the amount of inventory will not be because of inventory buildup to increase unnecessary costs. XPENG car in 2023 financial statements show that only in the third quarter did XPENG car revenue reach more than 8.5 billion yuan, an increase of 25.0% year-on-year, a 68.5% increase. At the same time, the total delivery volume of XPENG Automobile reached 40008 units, an increase of 72.4%, which shows that XPENG Automobile had good cash reserves and cost control levels last year. Gross profit margin increased by 1.2 percentage points quarter-on-quarter in the third quarter. Its cash reserves also increased to 36 billion yuan, up 8% quarter-on-quarter from the previous quarter, said founder He XPENG. XPENG Automobile is expected to reduce the cost of 25% of the target line in 2024, to maintain the competitiveness of its products in the market. At the same time, XPENG Auto is also constantly accelerating the change of its own sales and service system, transforming the business model, attracting more excellent dealers, and reducing the cost of multiple areas to continue to dilute the cost of its expenditure on research and development [6].

Although XPENG Auto is currently optimizing its production model on multiple levels, its net profit margin is still in the red, with a net profit margin of -45.57% in the third quarter of 2023, although it is still a big improvement compared to 2018. XPENG Auto's gross profit margin improved to 4.55% in 2020 from -24.05% in 2019, showing that the company continues to make adjustments to its own problems, but the net profit still needs to turn positive. The main reason for this phenomenon is that XPENG cars pursue higher technology and invest in higher research and development costs, compared with the same industry companies' net sales rate, which is too low. Therefore, XPENG Auto needs to speed up its own industrial layout, the formation of a self-sufficient mature industrial chain, and enhance corporate profitability as soon as possible to complete the market share layout.

From the XPENG car now, stock data can be found; Peng car P/E ratio has been at a loss, and the last 12 months' diluted earnings per share of -6.52%, which is inextricably linked to the company's current earnings status is poor. However, its enterprise accounts receivable turnover ratio, inventory turnover ratio, and total asset turnover ratio are fluctuating upward trend. It proves that XPENG Auto's cash flow conversion speed is accelerating, the capital utilization rate and inventory turnover rate are steadily increasing, and the overall operating capacity is steadily improving. However, it will show slight fluctuations in the first half of the year from 2019 to 2022. Compared with the same industry, we still need to continue optimizing the asset operation and improving the enterprise's operating capacity.

As a new energy automobile enterprise in the rapid development stage, XPENG Automobile's product input and output cycle is relatively long. Therefore, external financing plays a crucial role in the development of XPENG Auto. As the first Chinese company with dual primary listings in Hong Kong and New York in the past three years, XPENG Auto has effectively broadened its financing channels and ensured its strategic development. In the last year, the beta coefficient of XPENG Auto's stock was 1.34, and the volatility of the stock was higher than the market benchmark. Although the listing of the enterprise for the development of cars provides a large amount of funds, based on their own assets and liabilities are rising, production and R & D expenses are too much, affecting the stability of their stock market development, but XPENG car won the narrow victory since 2020 two listed constantly committed to the development and expansion, attracted more than enough cash flow to support their technology upgrading expenditures so that the XPENG car has the spare capacity to fulfill the strategic development of their own, play a fundamental role in the market. The company has the ability to complete its strategic development, realize its true corporate value, steadily improve its business performance, and enhance its overall corporate ability, which has gained good momentum

in the previous year and is expected to achieve the goal of turning profitability into a positive one at the earliest possible time [7].

#### 4. Risk Assessment

Due to the development of new energy automobile companies' strong reliance on technical and financial support, the industry's enterprise's gearing ratio often appears to be a high phenomenon. Still, the gearing ratio of the XPENG automobile presents a low situation, which proves that the XPENG automobile has a good judgment of its debt-bearing capacity. But the low debt ratio also reflects the rapid development of the car in the period. The outside world funds have yet to be well utilized, not in line with the current development trend of a large number of needs for stable funds. Hence, the car in the financing strategy risk, the tightening of the capital chain caused by the enterprise at this stage of the development of greater pressure, and the new energy automobile development environment is more unstable, the risk of foreign equity funding is also Larger, if XPENG Auto wants long-term development, it needs to appropriately balance the corporate liabilities, maintain a suitable debt ratio, interest expenses within the ability to control their own development risks, to ensure that the enterprise R&D operation of the capital flow can be sufficient to cope with the development of the enterprise momentum, reduce the risk of capital flow vacancies [8]. Risks in the new energy vehicle industry are currently centered on two major developments today, namely price and foreign exports.

In the early stage of the development of new energy vehicles, with the promotion of new energy subsidies, in terms of price, new energy vehicles show a unique advantage over the traditional automotive market, such as rain-like bamboo, the automotive industry market at a rapid pace. Still, with the increasing number of enterprises joining, the market has been saturated in order to make their enterprise vehicles to seize more of the market. The price war then kicked off. Roc Car, in the price war, also tried to find a way to survive in the market, not only on their popular models, Roc X9, and other pressure to reduce the price but also by launching a lot of follow-up services for owners of the gift package activities, to cause consumers to favor. But with the various automobiles constantly scrambling to reduce the price, the business profits have been greatly compressed, and a number of companies are facing the dilemma of technological upgrading, and research funds need to be increased. This abnormal competition caused China's new energy vehicle technology breakthroughs to be delayed. The car companies cannot normally implement their strategic plan.

Regarding foreign exports, the new energy automobile market is blossoming, with the policy advantage, constantly expanding overseas markets, and brand awareness internationally. XPENG Auto also takes advantage of the trend, actively participating in the world's major automotive exhibitions and many of its hot models for localization, optimization, and upgrading to serve local customers better and meet their differentiated needs. But with the continuous expansion of China's new energy vehicles in the international arena, foreign companies have also begun a targeted suppression, trying to firm up the possession of their regional market, China's automobile public opinion attacks, smear China's image of new energy vehicles, at the same time, due to the differences in new energy vehicle technology, China's new energy vehicles are still at the beginning of the development of the state, cannot be compared with the mature foreign car companies, at the same time, the foreign exports can no longer enjoy the price of the domestic environment brought about by the price. At the same time, foreign exports can no longer enjoy the price dividend brought by the domestic environment. Therefore, China's new energy vehicles still need to build their core technology advantages, enhance the strength of foreign publicity, ensure the quality of their products, expand overseas factories, and lay a solid foundation for foreign development [9].

As a new star in the development of new energy automobile market, the level of its own business capacity also has high requirements, XPENG Automobile Company currently employs more than 4,000 people, the R & D team accounted for 60%, masters and doctors accounted for 37%, has a lot



of other automotive industry leading brands have rich experience in the work of the talent, for the development of XPENG Automobile's tell escort. But XPENG car internal still exists in urgent need of rectification of the problem, at present scientific research personnel level lack of can lead their own core technology breakthroughs in the attack team, too many basic developers, need to attract more high-tech level experts, at the same time because of the recruitment of personnel range is too large, the tacit understanding between the staff is also in the friction stage, short-term work level cannot be realized in the technology to complement each other. After-sales service is also a shortcoming of XPENG Auto's business today, the after-sales system is not sound, and the news flow at the next level is sometimes poor, which also brings consumers a bad experience, and the after-sales complaint rate is high. At the same time, the publicity of corporate culture should continue to increase, enhance the recognition of employees and consumers of the corporate culture, further promote the formation of their own brand effect, enhance the product image of XPENG Automobile in the consumer community [10].

## 5. Conclusion

According to the SWOT analysis, we can see that the market momentum of XPENG Automobile is good, but at the same time, its own product upgrading and differentiated development is also a problem that needs to be solved urgently, and it should be further adjusted and optimized for the market threat and its own disadvantages, and at the same time, it should maintain its own advantages, and accurately grasp the development opportunities.

For the analysis of the internal and external development environment of XPENG Automobile enterprises, XPENG Automobile's capital profits still need to be improved to ensure that their own scientific and technological development funds have a stable guarantee in order to strive to break through their own core technological bottlenecks, the development of differentiation and diversification of market routes, to create their own core competitiveness, and steadily improve their own profitability.

The development risk of XPENG Automobile is also multi-faceted. Its internal lack of external financing application capacity and after-sales service, personnel allocation, and management need to actively explore more efficient ways and routes to optimize the internal operational efficiency further and optimize the internal structure of the enterprise. At the same time, in the industry, to find their own unique solutions to common problems, reduce the dependence on the mainstream trend of the market, come up with their own development of the understanding of the breakthrough, to become a leader in new energy vehicles.

As a typical representative of China's new energy vehicle development, XPENG Auto's development history also reflects, to a certain extent, the opportunities and challenges faced by the industry. Catering to the new energy subsidy policy of the spring breeze, XPENG car also explores time and again out of their way, constantly overcoming the challenges and setbacks of the initial expansion of new areas and new markets, seizing the opportunity of the times for the development of China's new energy vehicle development to make the development of the development of the example.

## References

- [1] Xiaopeng Automobile Internet Electric Vehicle Brand. (2023). Investor Relations. <https://ir.xiaopeng.com/zh-hans>
- [2] Dong, X. (2022). "Opportunities" and "Challenges"--Feasibility Analysis of Xiaopeng Automobile Entering the German Market. *Market Research Information: Comprehensive Edition*, 15, 33-35.
- [3] Wen, X. (2023). *He Xiaopeng: High-tech is the focus of future automobile development. Intelligent Networked Vehicles*, 6, 33-35.
- [4] Sun, L. (2023). Xiaopeng car "re-fight G9" He Xiaopeng reflecting on seven major problems. *Daily Economic News*, p. 004.
- [5] Liu, Z. J. (2020). *Research on the development strategy of Xiaopeng Automobile Technology Co Ltd*, Jilin University.

- [6] Han, Z. (2023). *Xiaopeng Automobile's third-quarter revenue exceeds 8.5 billion yuan*. *Securities Times*, p. A06.
- [7] Yang, H. (2023). *Analysis of dual major listing paths, motivation and financial performance of Chinese stocks*, Shanghai Normal University.
- [8] Zhang, S. (2023). *Analysis of financial risks and countermeasures of new car-making forces in new energy vehicles*. *Investment and Cooperation*, 12, 101-103.
- [9] Gong, M. (2023). *"Price wars and overseas expansion reshape auto industry*. *Securities Daily*, p. A03.
- [10] Zhu, N. (2023). *Research on competitive strategy of Guangzhou Xiaopeng Automobile Technology Co., Jilin University*.