

BAIC BJEV Back-Door Listing Motivation and Performance Analysis

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Abstract: This thesis will focus on the study of BAIC BJEV Back-Door Listing Motivation and Performance Analysis. Through reading the relevant literature, this paper understands the basic model. This thesis adopts the case study method, aiming to reveal the reasons and internal logic behind the back-door listing of BAIC New Energy. Including but not limited to market demand, consumer expectations, financial situation, etc., in order to understand the strategic choice of the enterprise more deeply. In addition, this thesis adopts the graphical method and indicator analysis to quantitatively evaluate BAIC New Energy Co., Ltd. after the back-door listing, and analyzes the effectiveness of the back-door listing method for BAIC New Energy Co. by comparing the past financial status, key business indicators and other factors, and then deduces the good and bad impacts of the back-door listing on the enterprise, which will provide lessons learned and feasibility analyses for the similar decision-making.

Keywords: Back-Door Listing, Financial Situation, Case Study Method, Indicator Analysis, Graphical Method

1. Introduction

With the increasingly serious problems of global climate change and environmental pollution, the new energy automobile industry has become a strategic emerging industry in which governments and enterprises are competing to layout. Against this background, the Chinese government has put forward a series of policies to support the development of the new energy vehicle industry in order to promote energy structure adjustment and environmental protection. As one of the leading companies in China's new energy vehicle industry, BAIC New Energy has achieved remarkable development results in recent years, driven by both policy support and market demand. However, BAIC New Energy is facing fierce market competition and changing policy environment, and urgently needs to seek a more efficient and competitive development model. Under such a background, back-door listing has become an important way for BAIC New Energy to realize leapfrog development.

Back-door listing refers to an unlisted enterprise to realize its own listing in the securities market by acquiring the controlling interest of a listed company. This way can help enterprises to complete the listing process in a shorter period of time, reduce financing costs, and improve the visibility and market competitiveness of enterprises [1]. For BAIC New Energy, the back-door listing can not only bring financial support, but also leverage the platform advantages of the listed company to further expand its business areas and enhance its brand influence.

Therefore, the purpose of this thesis is to conduct an in-depth study on the strategic initiative of BAIC New Energy's back-door listing, analyze the motivation behind it and its performance impact, and provide useful reference and inspiration for the development of enterprises in the new energy automobile industry. In terms of research methodology, this paper will use case study method and financial analysis method. The case study method allows for an in-depth and comprehensive examination of complex issues in reality, while the financial analysis method allows for an assessment of an enterprise's business situation from the perspectives of accounting and reporting information.

Overall, this thesis will analyze the background and reasons for BAIC New Energy's choice of back-door listing, and discuss its performance in terms of market competition and corporate development, in order to reveal the rationality and urgency of the back-door listing. At the same time, this paper will also assess the impact of BAIC New Energy's back-door listing on corporate development, including the improvement of financing effect, brand influence and corporate competitiveness. Finally, combined with the case of BAIC New Energy, this paper will explore how new energy automobile industry enterprises can use strategic means such as back-door listing to realize leapfrog development in the face of policy changes, market challenges and competitive pressures, so as to provide theoretical support and practical guidance for the development of the industry.

2. BAIC New Energy Company Description

BAIC New Energy mainly focuses on the research and development, production, sales and service of new energy vehicles and core components, and builds a new ecology of the integration and development of automobile and energy, Internet, and AI artificial intelligence industries, and is now fully committed to building the two major brands of Extreme Fox and Beijing Auto. From 2009 to 2013, BAIC New Energy was in the stage of building up momentum and gradually exploring the independent new energy industry. Subsequently, from 2014 to 2019, the company quickly stepped into a period of rapid development, becoming an industry leader through innovation and rapidly promoting industrial growth. Starting from 2020, BAIC New Energy enters a new stage of adjustment and transformation, aiming at high-quality development and building up momentum to meet a brand new development situation.

2.1. Business

First of all, the financial situation among the operating conditions. In recent years, BAIC New Energy's financial situation has shown losses. 2020 and 2021, the accumulated loss of more than 11.726 billion yuan in two years. 2021 May the company successfully raised 5.5 billion yuan for the development of intelligent new energy vehicle business. This initiative will help the company's future development and transformation. Next is the sales performance among the operating conditions

Table 1: Sales Performance of BAIC Blue Stock Company.

	2016-12-31	2017-12-31	2018-12-31	2019-12-31	2020-12-31
Net income attributed to shareholders	-33 million	8 million	94 million	92 million	-6,482 million

As can be seen from Table 1, it reaches the lowest point in 2020, the reason is mainly affected by the new crown epidemic. And the back-door listing for around 2018, from the table can be learned that after the back-door listing, the net attributable profit is improved.

2.2. Competitive Markets

Founded in 2009, Beijing New Energy Vehicle Co. Ltd. is the largest and most complete pure electric passenger car industry in China, with the largest market sales, the widest user coverage and the most influential brand. It has many strong competitors in the new energy vehicle industry, most notably BYD. BYD is fully developed in the field of new energy vehicles and trams worldwide. BAIC Blue Valley Co. and BYD are competitors in that both companies are committed to researching electric vehicles and new energy vehicle technologies to compete for market and consumer favor. This competitive relationship drives both companies to innovate, improve product quality and expand existing markets.

3. Analysis of the Motivation of BAIC's Back-Door Listing

3.1. Financing Requirements

BAIC New Energy's listing through IPO needs to comply with national policy norms, and its financing channels will be restricted in several ways. Its failure to meet the company's listing policy and the listing conditions of the Beijing Stock Exchange has become the biggest bump in the road. In addition, BAIC also needs to face market competition and risks, including the impact of share price fluctuations, investor confidence, industry environment, regulatory changes, and other factors, which further increases the difficulty of BAIC New Energy's listing through IPO. In contrast, BAIC new energy choose back-door listing has a short cycle, low cost, and other advantages, but also can avoid the risk (see Table 2) [2].

Table 2: Comparison of Success Rates and Costs of Three Listing.

Listing methods	Success rate	Costs
IPO	low	low
merger and acquisition	middle	middle
Back-door listing	high	high

The operation of back-door listing is relatively simple and does not need to go through complicated review and approval procedures, and the listing can be realized quickly, saving time and cost. The cost of back-door listing is much lower compared with the issuance fee and intermediary fee of IPO listing. Meanwhile, back-door listing can enable BAIC New Energy to avoid some major defects that cannot be avoided in IPO listing, which reduces the risk of listing [3].

3.2. Realization of Development Strategies

Table 3: Market share of BAIC New Energy Vehicles before and after back-door listing.

Year	Before and after listing	BAIC vehicle sales (10,000 units)	National vehicle sales (10,000 units)	Market share
2020	Before	94.7	1360	6.96%
2021	After	101.2	1400	7.23%
2022	After	105.6	1450	7.28%
2023	After	110.3	1500	7.35%

BAIC New Energy's market share is steadily increasing after the back-door listing (see Table 3). Additionally, BAIC New Energy has carried out many brand activities and brand cooperation to

enhance brand exposure and conversation, and to increase the attractiveness and infectiousness of the brand [4].

Table 4: Branding activities and branding cooperation carried out by BAIC New Energy after the loan of the shell.

Brand Activities	BAIC New Energy Brand Day	BAIC New Energy is co-branded with Double Happiness Sports	BAIC co-branded with Tom Dixon
Brand Cooperation		Double Happiness Sports	Tom Dixon
Element	On October 24, 2020, BAC held the BAC New Energy Brand Day at the Beijing Olympic Park, showcasing BAC's new energy product line, technology line and service system, as well as its future new energy strategy and vision.	On September 26, 2020, Beijing Automotive and Red Double Happiness announced a brand partnership at the Beijing Automotive Brand Day event, launching a series of sports apparel and sports implements co-branded by Beijing Automotive and Red Double Happiness, such as T-shirts, hats and table tennis paddles.	On September 26, 2020, Beijing Automotive and British designer brand Tom Dixon announced a brand partnership at the Beijing Automotive Brand Day event, launching a series of lifestyle products jointly created by Beijing Automotive and Tom Dixon, such as tea sets, aromatherapy and lamps.
Purpose	Enhance the brand awareness and reputation of BAIC New Energy, and show the leading edge and market competitiveness of BAIC New Energy.	Enhance BAIC's brand vitality and youthfulness, and show BAIC's sports spirit and lifestyle.	Enhance BAIC's brand taste and high-end, show BAIC's design concept and life quality.

As Table 4 shown, BAIC strengthens its brand management and marketing strategy, creates brand image and brand culture, conveys brand value and brand proposition, carries out brand activities and brand cooperation, and utilizes a variety of media and platforms to enhance brand exposure and topic, and increase the attractiveness and infectious power of the brand.

3.3. Motivation for Choosing Chengdu Qianfeng Electronic Co., Ltd as a Shell Company

Qian Feng Electronics is a holding subsidiary of BAIC Group and has the same controller with BAIC New Energy. By choosing QianFeng Electronic as the shell company, the difficulty and time cost of borrowing can be reduced and minimized [5]. At the same time, QianFeng Electronic is also a listed company that has not completed the shareholding reform, and has been warned of the risk of delisting because of its poor main business. A back-door listing can bring new development opportunities for QianFeng Electronic, and also provide more financing channels and market influence for BAIC New Energy.

Table 5: Operating Income of QianFeng Electronic in the Three Years.

Year	Operating income (Yuan)	Year-on-year growth rate (%)
2017	38,224,603.57	621.13
2016	5,367,611.26	-95.73
2015	29,813,478.35	-83.22

From Table 5, it can be analyzed that the operating income of Qian Feng Electronics dropped sharply in 2015 and 2016, while it rebounded in 2017, but it was still much lower than the level in 2015. Nonetheless, the market capitalization of Qian Feng Electronic is also high, reaching 10.411 billion yuan, which allows BAE to carry out a back-door listing at a high valuation and improve its market competitiveness and brand value.

4. Performance Impact of Back-Door Listing on BAIC Development

4.1. Short-Term Impact

Firstly, we introduce the stock fluctuation in the short-term impact. Normally, after a firm or company has gone through IPO or back-door listing, its stock price will fluctuate significantly [6].

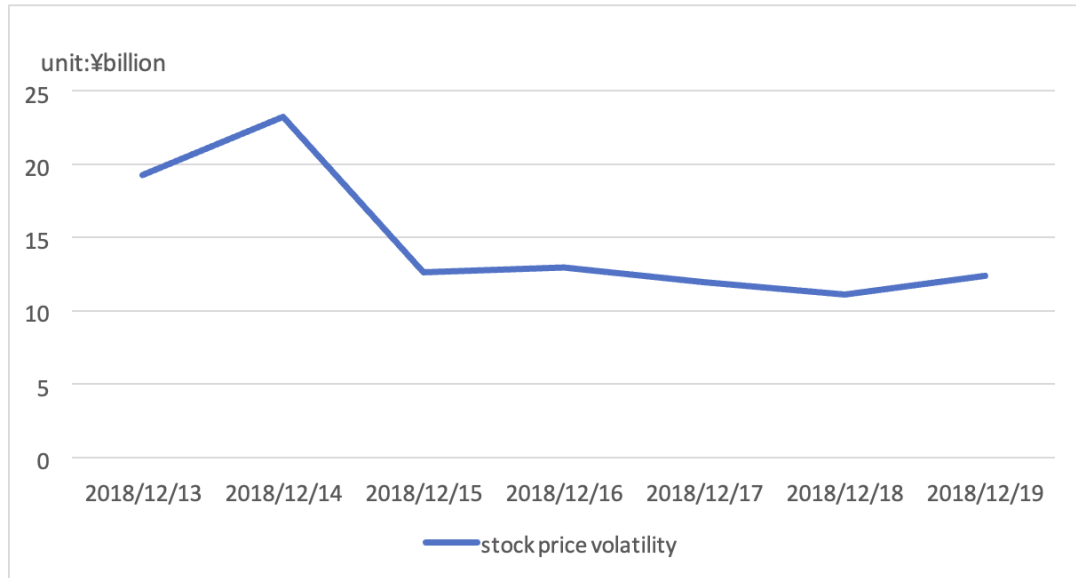


Figure 1: BAIC New Energy share price fluctuation after listing (Photo/Picture: Original).

As can be seen from Figure 1 after the IPO of BAIC New Energy Enterprises, it peaked on 12.14 in December 2018 among the days. And then the stock price declined and finally moderated. Secondly, the ability of enterprise capital flow is the key to the survival and development of the enterprise, which reflects the speed and scale of the enterprise's asset realization, and directly affects the operation and decision-making of the enterprise [7].

Table 6: Financial flows: Operational capacity indicators.

	Q1 2018	2018 H	Q3 2018
Total asset turnover	0.001	0.001	0.318

From Table 6, it can be seen that after the back-door listing, BAIC New Energy's total asset turnover ratio improved significantly. Therefore, the back-door listing will affect the total asset turnover ratio. In addition to capital flow, solvency is also an indicator worth analyzing. Short-term solvency is usually reflected by current ratio and quick ratio, which is the ratio of current assets to current liabilities. Quick ratio is the ratio of quick assets to current liabilities, and quick assets are the remaining part of current assets after removing assets with poor liquidity [8]. From Table 7, it can be known that before and after the back-door listing in 2018, the current ratio and quick ratio are decreasing, in which the gearing ratio increases.

Table 7: Solvency analysis before and after BAIC New Energy's listing on the stock exchange.

Solvency	2018Q1	2018H	2018Q3
Current ratio	3.11	2.47	1.80
Quick ratio	2.57	2.09	1.25
Gearing ratio	38.963	45.673	50.927

4.2. Long-Term Impact

Long-term impact include corporate operational capacity and corporate profitability. Firm operational capacity is a key indicator of firm performance in terms of resource utilization, productivity and profitability [7].

Table 8: Indicators of BAIC New Energy's Operating Capacity, 2016-2020.

	2016	2017	2018	2019	2020
Accounts receivable turnover (times)	1.92	1.66	1.39	1.25	0.27
Total asset turnover (times)	0.84	0.51	0.75	0.46	0.10
Total asset turnover (times)	1.1	0.65	0.98	0.60	0.14

The overall trend of operating capacity indicators is declining, with only a brief rebound in 2018 (see Table 8). From the perspective of accounts receivable turnover ratio, the adjustment of industrial structure and business strategy after the shell has not changed the status quo, and the enterprise's payback speed is still gradually slow. From the point of view of total asset turnover and current asset turnover, the enterprise may have backlog of inventory and direct sales of products. The decline in current asset turnover and total asset turnover in 2017 was mainly due to the huge amount of 11 billion yuan of financing by BAIC New Energy. After a small increase in 2018, there were consecutive declines, indicating that the back-door listing did not have a positive impact on BAIC New Energy's operating capacity [9].

Table 9: Profitability Indicators of BAIC New Energy, 2016-2020.

	2016	2017	2018	2019	2020
Profitability of total assets (%)	0.58	0.21	0.33	0.01	-14.85
Net sales margin (%)	-0.54	0.23	0.88	0.02	-122.83
Return on net assets (%)	1.85	0.36	0.95	0.53	-59.36

BAIC New Energy's profitability indicators peaked in 2018, with the indicators performing relatively well compared to other years. From Table 9, it can be seen that the listing of BAIC New Energy on a shell in 2018 had a positive impact on the short-term profitability of the company, and consumers were more optimistic about the move. However, the profitability indicators in 2019 and 2020 after the listing have declined, and even negative in 2020, indicating that the enterprise is in a state of loss, mainly due to the impact of the epidemic and the impact of the subsidy regression in 2020. It shows that BAIC New Energy is overly dependent on government subsidies, and the capital problem has not been solved due to the back-door listing [9].

4.3. Risks and Challenges

BAIC New Energy faces many risks in the process of back-door listing, including exposure to financial risks, business risks and regulatory risks. The acquired company may have undisclosed information or financial fraud, which will make the shell company bear the corresponding financial responsibility; the business structure of the acquired company is immature or does not match the business of the shell company, which may lead to difficulties in the integration of business resources, and have a negative impact on the company's operations; lastly, the shell company has to strictly follow the regulatory standards, and it needs to be careful with the industry's regulatory rules, or else it will face the relevant penalties [10].

On the other hand, since 2020, BAIC Blue Valley has been committed to technological research and development, transitioning from the public to the private market, and has achieved an advanced level in the industry in the field of new energy vehicles. The company has continued to invest high amounts of money in R&D, especially in the areas of three-electric system integration, high-performance motors, power batteries, SiC motor controllers, and intelligent driving, and has achieved technological advantages. Meanwhile, to supplement its marketing channel network, BAIC Blue Valley plans to increase to 279 channels by 2023, including the addition of 33 directly-managed stores. The company also plans to connect to more than 550,000 charging piles by the end of the year to meet users' plug-and-play needs, a series of initiatives that will help boost product market coverage and provide a more convenient usage experience.

5. Conclusion

Through in-depth review of relevant literature and company financial reports, this paper comprehensively reviews the motivation, background and financial status of BAIC's back-door listing, which is of high significance for the listing mode and development planning of the same type of enterprises. In the process of research, we adopted the case study method and financial analysis method to conduct a comprehensive quantitative assessment of BAIC New Energy Co.

First, for most companies in the same industry, the IPO process is cumbersome and difficult, so choosing a suitable shell company for the back-door listing has become a more realistic and feasible option. When choosing a shell company, you can consider choosing a company in the same industry or a company under the control of the same company for back-door listing, so that you can make full use of the resources and market position of the shell company to realize the integration of resources after the listing, and play a greater advantage. At the same time, this approach can also reduce the cost and risk of enterprise listing and improve the success rate.

Secondly, in the process of back-door listing, enterprises should pay special attention to avoiding financial risks and regulatory risks. Since back-door listing involves a series of complex transactions such as asset reorganization and equity transfer, enterprises should ensure that they strictly comply with relevant laws and regulations in all aspects to prevent potential legal risks. In addition,

enterprises should also strengthen internal management to ensure the truthfulness, accuracy and completeness of financial statements to avoid delisting risks caused by financial fraud.

Furthermore, enterprises also need to do a good job of strategic planning and adjustment after successful back-door listing. On the one hand, the enterprise should formulate a reasonable development strategy according to the market demand and its own advantages, and make clear the direction of future development; on the other hand, the enterprise should strengthen the communication and cooperation with investors, regulators and other parties, disclose significant information in a timely manner, and maintain the corporate image and market confidence. Only in this way can enterprises be invincible in the fierce market competition.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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