Proceedings of the 8th International Conference on Economic Management and Green Development
DOI: 10.54254/2754-1169/111/2024.17756

Financial Risk Analysis of Xiaopeng Motors

Xin Zhuang[1,a,*]

[1]School of International Education, Xiamen University of Technology, Xiamen, Fujian, 361024, China
a. 569324571@qq.com
**corresponding author*

Abstract: In recent years, domestic new energy vehicles have seized the opportunity of government policies to develop rapidly, and have achieved a huge market share in the automotive industry by virtue of their own advantages. Among them, Xiaopeng Motors takes technological and intelligent new energy vehicles as its trump card products, and has become one of the representatives of newly emerging new energy vehicles. However, to ensure that Xiaopeng Motors can carry out business activities normally and develop in the long term, senior managers need to promptly discover the current financial risks of the enterprise and correctly understand the financial risks, so as to avoid the enterprise's financial risks and reduce the losses of financial risks. This paper will analyze the financial annual report of Xiaopeng Motors, using comprehensive literature research methods and case analysis methods used to analyze the financial risks of Xiaopeng Motors. This paper finds that Xiaopeng Motors currently has two financial risk problems: unreasonable financing and unreasonable investment structure, there is a high financial risk.

Keywords: Financial risk, New energy vehicle, Xiaopeng.

1. Introduction

With the development of the internet and artificial intelligence, technology has gradually penetrated into the traditional automobile manufacturing industry. As an emerging new energy vehicle, Xiaopeng Motors has attracted the attention of many investors and consumers. For this reason, how to sustain long-term development is Xiaopeng Motors' current long-term goal. At present, the analysis and research on the financial risk of Xpeng Motors is relatively small in related research areas. Through the analysis of the financial status of Xiaopeng Motors, it can understand the development status of the company and fully understand the company, which is conducive to formulating appropriate company strategies, avoiding risks, and enhancing the competitiveness of the company's ability to withstand pressure. This paper analyzes the financial status of Xiaopeng Motors through its solvency, profitability and operating ability, and further infers the existing financial risks. This paper uses two research methods: literature comprehensive research method and case analysis method to analyze and research the paper. Focusing on the development of Xiaopeng Motors is conducive to understanding the impact and development of the new energy vehicle industry on the emerging industry and society.

DOI: 10.54254/2754-1169/111/2024.17756

2. Xiaopeng Development Overview

Xiaopeng Motors was co-founded in Guangzhou in 2014 by three co-founders, namely He Xiaopeng, Xia Heng and He Tao. At the same time, Xiaopeng Motors is an internet electric vehicle brand under Guangzhou Chengxing Zhidong Automobile Technology Co., Ltd., and it is also a leading smart electric vehicle company in China.

In 2018, Xiaopeng Motors' first model, the Xiaopeng G3, was officially launched. On August 27, 2020, Xiaopeng Motors not only launched the Xiaopeng P7 but also officially landed on the New York Stock Exchange, with XPEV as the brand's stock code. On July 7, 2021, Xiaopeng Motors launched the Xiaopeng P5 and was officially listed on the main board of the Hong Kong Stock Exchange, with the stock trading code HK 09868. In 2022, Xiaopeng Motors launched the Xiaopeng G9. Xiaopeng Motors has become an Internet car manufacturer engaged in the design, manufacture and marketing of electric vehicles.

3. Xiaopeng Financial Risk Analysis

This paper will analyze the financial status of Xiaopeng Motors from the three perspectives of solvency, profitability and operating ability and other financial indicators, and then discover the existing financial risks in Xiaopeng Motors.

3.1. Solvency Analysis

Solvency is the ability of an enterprise to use its assets to repay long-term and short-term debts. It is the key to whether an enterprise can continue to develop and survive healthily, and it is also an important symbol that reflects the financial status and operating abilities of an enterprise.

3.1.1. Short-term Solvency Analysis

Under normal circumstances, if the current ratio of an enterprise is greater than 2 and the quick ratio is greater than 1, it is in a relatively ideal state. When the current assets are twice the current liabilities, half of the current assets, that is, the current assets similar to the current liabilities, cannot be realized in the short term, and all the current liabilities can be fully repaid [1].

Table 1: Xiaopeng Motors' Short-term Solvency Analysis [2]

	2019	2020	2021	2022	2023
Liquid ratio	1.5	5.06	2.71	1.81	1.51
Quick ratio	1.37	4.89	2.56	1.62	1.36

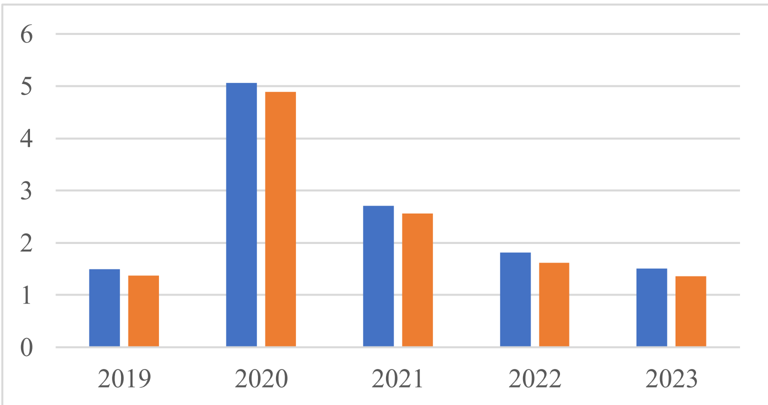

Figure 1: Xiaopeng Motors' Short-term Solvency Analysis

DOI: 10.54254/2754-1169/111/2024.17756

In Figure 1, the blue data is the current ratio data, and the orange data is the quick ratio data. The current ratio and quick ratio of Xiaopeng Motors in the past five years are very close, but 2020 is very special. Both indicators increased rapidly and reached a peak, the current ratio reached 5.06, and the quick ratio reached 4.89(see Table 1). The data indicators show that the current ratio of Xiaopeng Motors has changed greatly in the past five years, and the difference is large. In the five years, only the current ratio in 2021 and 2020 has reached an ideal state, indicating that the company's current assets are at an average level, and the company's short-term debt repayment risk still exists, and an excessively high current ratio indicates that Xiaopeng Motors has not made full use of assets. In the past five years, the quick ratio of Xiaopeng Motors has been higher than the ideal value, indicating that Xiaopeng Motors has a relatively strong ability to repay debts, and the risk of repaying short-term debts is relatively small.

All in all, Xiaopeng Motors has had some short-term debt repayment risks in its business activities in the past five years. The data in the two indicators of the current ratio and quick ratio have continued to decline in the past four years, gradually changing from an ideal value to a partial value. The data is lower than the ideal value. In the next few years, Xiaopeng Motors' debt repayment risk may gradually increase, and its short-term debt repayment ability will gradually weaken, resulting in default and inability to repay debts.

3.1.2. Long-term Solvency Analysis

The asset-liability ratio reflects the financial affordability and financial risk level of the enterprise, and it is not the higher or lower the better. It needs to be kept within an appropriate range.

Generally speaking, the asset-liability ratio of the enterprise is ideally maintained at 40%-60%. However, companies with an asset-liability ratio exceeding 60% may face great financial risks. The property rights ratio reflects the degree of enterprise borrowing and operation and is an important symbol of whether the enterprise structure is stable. The lower the property rights ratio, the greater the proportion of the enterprise's own capital to total assets, and the stronger the long-term solvency. Otherwise, the weaker [3].

Table 2: Xiaopeng Motors' long-term solvency Analysis [2]

	2019	2020	2021	2022	2023
Debit to asset ratio	69.05%	22.99%	35.80%	48.37%	56.84%
Equity ratio	223.13%	29.85%	55.77%	93.69%	131.67%

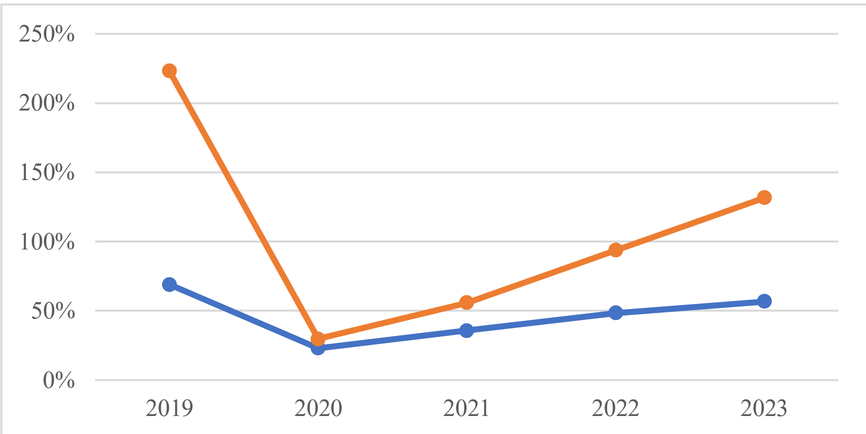

Figure 2: Xiaopeng Motors' Long-term Solvency Analysis Trend

In Figure 2, the blue line is the data for asset to equity ratio, and the orange line is the data for equity ratio.

It can be seen from Figure 2 that the changes in the two indicators of Xiaopeng Motors' asset to equity ratio and equity ratio are lightly close. The asset-liability ratio has changed greatly in the past five years. It was higher than the standard value in 2019 and lower than the standard value in 2020 and 2021. Especially in 2020, it was at the lowest value, reaching 22.99% (see Table 2). The asset-liability ratio in the past two years was in the normal range, the long-term debt repayment risk is gradually reduced. In the past five years, the equity ratio has changed even more, with a range of close to 200%. In the past four years, the equity ratio of Xiaopeng Motors has continued to increase, indicating that the higher the proportion of the company's own assets to the total assets, the stronger the company's long-term debt repayment risk.

All in all, Xiaopeng Motors' long-term solvency has continued to increase in the past five years. In particular, the equity ratio indicator has changed too much. In recent years, the value has continued to increase, and financial risks have also followed.

3.2. Profitability Analysis

Profitability is the ability of an enterprise to earn profits in a certain period of time. The higher the profit rate, the stronger the profitability, and vice versa[4].

Return on net assets is a measure of the efficiency of an enterprise's use of its own capital, reflecting the level of return on shareholders' equity. The higher the return on net assets, the higher the return on investment, and on the contrary, the smaller the return on investment. The higher the net profit rate of total assets, the more net profit the enterprise earns by using its own capital, which to a certain extent shows that the operating efficiency of the enterprise is higher[5].

Table 3: Xiaopeng Motors Profitability Analysis [2]

	2019	2020	2021	2022	2023
ROE	-96.42%	-14.65%	-12.70%	-23.12%	-28.33%
ROA	-43.63%	-10.13%	-8.81%	-13.33%	-13.33%

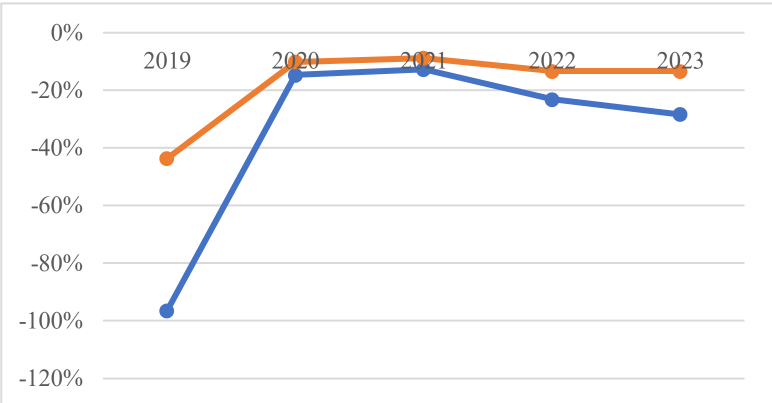

Figure 3: Xiaopeng Motors Profitability Analysis Trend

In Figure3, blue data represent ROE(Return On Equity) and red data represent ROA(Return On Assets).

It can be seen from Figure 3 that the two indicators of Xiaopeng Motors' return on net assets and return on total assets have all been negative in the past five years, and the changes in the past four years have been small. If the return on net assets is negative, it means that the company has less

DOI: 10.54254/2754-1169/111/2024.17756

capital income from investment, or even suffers losses. A negative net profit rate on total assets indicates that the operating efficiency of the enterprise is low and the net profit is low(see Table 3).

All in all, since the data of the two indicators of return on net assets and net profit rate of total assets are both negative, it shows that Xiaopeng Motors has had less investment income, less net profit, and low profitability in the past five years.

3.3. Operating Analysis

Operating ability is the ability of an enterprise to use the efficiency of each asset to earn profits. The higher the operating ability, the higher the ability to repay debts, and vice versa, the weaker the ability to repay debts[6].

A high inventory turnover rate means that the company can quickly turn inventory into sales and cash flow, which can reduce inventory backlog and inventory costs, indicating that the company has strong liquidity and a low level of capital occupation. The higher the turnover rate of total assets, the faster the expansion of the enterprise's asset management scale within a period of time, indicating that the enterprise's operating efficiency is high and its development prospects are good[7].

Table 4: Xiaopeng Motors' Operating Ability Analysis [2]

	2019	2020	2021	2022	2023
Inventory turnover	9.24	6.21	9.17	6.62	6.02
Total asset turnover	0.27	0.22	0.38	0.39	0.39

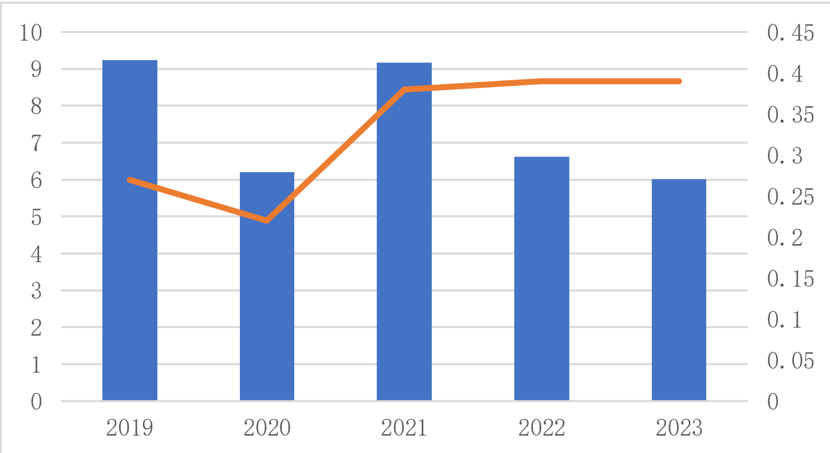

Figure 4: Xiaopeng Motors' operating Abilities Analysis Trend

In Figure 4, the blue data indicates the inventory turnover and the orange line indicates the total asset turnover.

According to Figure 4, it can be seen that Xiaopeng Motors has had a relatively high inventory turnover rate in the past five years, less inventory hoarding, and relatively strong liquidity; In the past five years, the turnover rate of total assets has increased and stabilized at about 40%. The operating efficiency of the enterprise is good and the development prospects are good(see Table 4).

All in all, Xiaopeng Motors' inventory circulation in the past five years has been fast, the storage cost of inventory is low, the operating scale has expanded steadily, the operating efficiency has developed steadily, and the operating capabilities of the company have developed steadily.

DOI: 10.54254/2754-1169/111/2024.17756

4. Conclusion

This paper mainly discusses the current financial risks of Xiaopeng Motors. First, the financing structure of Xiaopeng Motors is unreasonable. The current assets of Xiaopeng Motors cannot guarantee the repayment of short-term debts of the company, and there is a debt repayment risk. Moreover, a single financing channel will also lead to high debt repayment pressure for Xiaopeng Motors, which will further weaken the company's financing operating abilities and profitability, and will cause the problem of broken capital chains and not being able to pay off debts, thereby increasing the company's financial risks. This paper also found that the investment structure of Xiaopeng Motors is unreasonable, the investment income of Xiaopeng Motors in the past five years is not high, lack of systematic analysis of investment projects, lack of investment feasibility, there is a relatively high financial risk.

Because the research theory of financial risk analysis is relatively rich, but the knowledge involved in financial risk analysis in this paper is still lacking, not enough in-depth analysis, no comparative research method is used, and companies in the same industry are not compared with Xiaopeng Motor. Therefore, this paper may focus on how Xiaopeng Motors can formulate preventive measures to reduce the financial risks of the enterprise, so that Xiaopeng Motors can develop healthily and in the long run.

References

[1] *Shi Yun. BYD Financial Risks and Prevention [J]. Cooperative Economy and Technology, 2024 (04): 160-162. DOI: 10.13665/J.cnki.hzjjykj.2024. 04.027.*

[2] *Eastmoney. Xpeng Motors Financial Analysis. 2018-2023. https://quote.eastmoney.com/us/XPEV.html*

[3] *Zhang Yang. Case study on financial risk control of real estate enterprises under high turnover business model [D]. Jiangxi University of Finance and Economics: 2020: 38-39. DOI: 10.27175/D.cnki.gjxcu.2020. 000188.*

[4] *Feng Le. A brief analysis of financial risk management of Weilai Automobile [J]. Cooperative Economy and Technology, 2024 (10): 110-112. DOI: 10.13665/J.cnki.hzjjykj.2024. 10.041.*

[5] *Du Mingwei. Research on Financial Risk Management of Jingneng Electric Power [D]. Northeast Petroleum University: 2023. DOI: 10.26995/D.cnki.gdqsc.2023. 000641.*

[6] *Zhou Shuailin, Li Weigang. Analysis and Countermeasures of Financial Risk Problems of Vanke Group [J]. Journal of Social Sciences of Jiamusi University, 2024, 42 (02): 68-70 +74.*

[7] *Lu Sha. Research on Capital Structure Optimization of Country Garden Group [D]. Harbin Normal University: 2023: 21. DOI: 10.27064/D.cnki.ghasu.2023. 000742.*