

Research on Investment Strategy of CATL in the New Energy Battery Industry

Kun Liu

School of Finance, Hubei University of Economics, Wuhan, Hubei, China

Abstract: Driven by the two-stage carbon reduction targets, emerging industries dominated by new energy are developing rapidly, and the applicability of traditional valuation methods in considering current market changes is gradually weakening. Accurately assessing the value of a company is not only beneficial for shareholders to understand its operating conditions, but also helps managers make dynamic management and investment decisions. This article takes Contemporary Amperex Technology Co., Limited, a leading new energy listed company in the A-share market, as an example to analyze its financial statements and understand the company's actual operating level. At the same time, it simulates the development direction of the future market and provides reasonable suggestions for the company's future development based on big data.

Keywords: New Energy Enterprises; CATL; Financial Statement Analysis; Investment Strategy

1. Introduction

In the current era of global energy transition and increasing environmental awareness, the new energy vehicle industry is developing at an astonishing speed. As a leading enterprise in the industry, Contemporary Amperex Technology Co., Limited (hereinafter referred to as CATL) continuously promotes innovation and progress in the new energy vehicle industry with its innovative technology and excellent products. Of particular note is CATL's recently launched super battery technology [1], which greatly enhances the range of electric vehicles and brings new vitality to the entire industry.

Looking ahead, the new energy vehicle industry is expected to achieve more significant achievements in technological innovation, market demand, industry chain

integration, environmental benefits, and other aspects. Whether it is lithium iron phosphate batteries or ternary lithium batteries, CATL has demonstrated strong competitiveness in both passenger and commercial vehicle markets. According to the latest data released by the China Automotive Power Battery Industry Innovation Alliance on July 10th, the cumulative sales of power batteries in China reached 318.1 GWh in the first half of 2024 [2], a year-on-year increase of 26.6%. CATL ranks first with an installed capacity of 93.31 GWh, with a market share of 46.38%, a year-on-year increase of 2.97%.

This article will conduct an in-depth analysis of CATL's financial statements from three key perspectives: operational efficiency, resource allocation, and capital structure. At the same time, using the SWOT analysis method (strengths, weaknesses, opportunities, threats analysis), predict CATL's future development prospects, and propose reasonable investment strategy recommendations based on the company's actual situation.

2. Company Overview

Since its establishment in 2011, the limited company has rapidly grown into an innovative technology pioneer in the global new energy field, focusing on providing first-class solutions and services for global new energy applications. The company is located in Ningde City, Fujian Province, and has established 6 research and development centers and 13 battery production bases worldwide. It is worth mentioning that the Ningde base, Yibin base, and Liyang base have all been awarded the honorary title of "Global Lighthouse Factory" by the World Economic Forum [3], which is an extremely rare honor in the lithium battery industry. Yibin Base is also known as the world's first battery factory to achieve zero carbon emissions.

CATL has subsidiaries in multiple key regions around the world, including Munich, Germany,

Paris, France, Yokohama, Japan, and Detroit, USA. By the end of 2023, the company's R&D team has grown to 20604 people, with the 21C Innovation Laboratory becoming a cutting-edge R&D center for global energy storage and conversion technology. In 2023, CATL's total R&D investment reached 18.4 billion yuan, and the company owns or is applying for 29487 domestic and foreign patents [4].

According to SNE Research, CATL's market share in the global power battery usage market reached 36.8% in 2023, ranking first in the world for seven consecutive years since 2017. In addition, the company's market share in global energy storage battery shipments reached 40% in 2023, maintaining its leading position globally for three consecutive years. These achievements fully demonstrate CATL's strong competitiveness and leadership position in the global new energy technology field.

3. Corporate Strategic Planning

Corporate strategic planning, the most critical activity in an enterprise's planning, is aimed at achieving its long-term objectives. This process entails selecting competitive business sectors aligned with the enterprise's business vision [5], and efficiently allocating vital resources to foster complementarity and coordination among its businesses.

3.1 Macro Resource Allocation Strategy

The macro resource allocation strategy focuses on how to allocate limited resources in different business areas of the company to cope with the constantly changing and diverse demands of the market. The efficiency of resource allocation is directly related to whether the enterprise can meet market demand. The assets of a company, especially those explicitly listed in financial statements, can usually be measured in monetary terms. From the perspective of asset composition, it can be divided into two categories: one is the operational assets directly related to the daily operation of the enterprise, such as accounts receivable, notes receivable, and fixed assets [6]; The other type is investment assets held by enterprises to achieve capital appreciation, including but not limited to trading financial assets, other equity instrument investments, bond investments, and long-term equity investments. According to the proportion of

these two types of assets in the total assets of the enterprise, the enterprise can be divided into three categories: operating enterprises, investment enterprises, and enterprises that balance operation and investment.

Table 1. CATL 2023 Mid Year Balance Sheet

Operating assets:	Unit: Yuan
Monetary funds	219,582,042,500
Accounts receivable	65,738,069,100
Prepaid accounts	12,745,835,100
Stock	48,910,488,200
Goodwill	15,607,433,200
Long term deferred expenses	715,160,700
Right of Use Assets	677,216,700
Construction in progress	32,670,444,000
Total operating assets	412,254,122,700
Investment assets:	Unit: Yuan
Trading financial assets	371,279,300
Long term equity investment	42,820,900,000
Other equity instrument investments	17,164,574,800
Total investment assets	60,356,754,100
Operating investment ratio	14.64%

The balance sheet of CATL in mid-2023 (unit: yuan) as shown in Table 1 shows that the company's total assets are as high as 383061012800 yuan. Among these assets, 85.36% are classified as operating assets [7], while investment assets account for only 14.64%, indicating that CATL is a company dominated by its main business. Based on this, we can conclude that CATL is currently committed to the continuous growth and improvement of its existing business, and there are no signs of large-scale expansion in other industries [6].

Monetary funds are crucial for the operation of enterprises and serve as the cornerstone of their operations. By examining CATL's interim balance sheet, we found that the company holds a significant amount of monetary funds, accounting for 53.26% of its operating assets [8]. This may be due to the further tightening of global energy supply and the vigorous promotion of new energy vehicles by various countries, resulting in a tight battery supply chain, especially in the context of the impact on the global automotive market. Having sufficient monetary funds can effectively reduce the risks of business operations.

At the same time, the proportion of inventory reached 11.86%, which is also remarkable.

This may be related to the frequent occurrence of natural disasters in China in mid-2023, which have impacted the domestic economy and automobile market. In addition, current assets, including monetary funds, accounts receivable, prepaid accounts, and inventory, account for as much as 77.31% of operating assets. This ratio reflects that CATL's business liquidity is very sufficient and the company's business is full of vitality.

3.2 Corporate Financing Strategy

Table 2. Operating Liabilities Data of CATL Company in Mid-2023 (Unit: Yuan)

Accounts payable	100,932,770,200
Accounts payable	8,670,131,700
Contract liabilities	22,134,411,900
Total	131,737,313,800

Table 3. Financial Liabilities Data of CATL Company in Mid-2023 (Unit: Yuan)

Short term loans	16,656,553,000
Derivative financial liabilities	4,762,003,000
Non current liabilities due within one year	4,103,059,100
Other accounts payable	15,647,024,600
Shareholders' equity	21,464,036,400
Total	62,632,676,100

Enterprise financing strategy is to arrange and allocate funds based on the overall development plan of the company. The current key challenge is how to ensure sufficient funding to support financing plans during the business development process. We have initially divided the company's capital into two categories: debt financing and equity financing, and further subdivided them into operating liabilities and financial liabilities, as well as shareholder investments [9]. Operating liabilities refer to the debts directly related to the company's business, such as accounts payable, notes payable, and prepayments, incurred by an enterprise in the normal course of its operations. Taking Ningde Times as an example, Table 2 shows the data of some of its operating liabilities, with accounts payable accounting for 83.25%. This indicates that CATL has frequent and closely related business dealings with suppliers; CATL plays a crucial role in the supply chain, with a well-established production and sales network. The company is in a favorable position in negotiations with suppliers and upstream enterprises in the industry. These partners trust

CATL's business model and operational capabilities, and are willing to provide financial support to promote the company's operations and development. This trust not only highlights CATL's confidence in its own business, but also indicates that partners are willing to invest in the company's future.

According to Table 3, through this financing model, CATL is able to introduce funds at a lower cost, avoiding high interest burdens and other forms of physical returns. In addition, this financing method also strengthens the connection between the company and upstream enterprises, promoting common progress and business development through close financial cooperation. According to relevant data, the total amount of shareholder equity and trading financial liabilities (RMB 191,683,175,800) only accounts for a small portion of the company's total liabilities (RMB 1,270,904,064,900), and there is not much difference compared to accounts payable. This clearly indicates that CATL not only relies on operating liabilities to drive business, but also utilizes working capital to maintain and promote the company's business growth through continuous business activities and close cooperation with suppliers, reflecting the suppliers' firm trust in CATL's long-term development and success prospects [10]; It also enriched the company's financial situation through extensive financing activities among shareholders, reflecting the strong support of CATL shareholders for the company.

3.3 Enterprise Business Strategy

Table 4. Comparison of Various Data Between CATL Company in 2023 and 2022

Particular year	2023	2022
Total operating revenue	400,917,044,900	328,593,987,500
Total operating cost	350,610,617,500	293,745,632,000
R&D expenses	18,356,108,400	15,510,453,500
Total profit	53,914,053,300	36,672,856,200
Net profit	46,761,034,500	33,457,143,500

As a leading enterprise in the field of power batteries, CATL has attracted market attention. After Morgan Stanley upgraded its rating and

saw a significant increase in its stock price, CATL released its 2023 financial report. According to reports, the company's operating revenue exceeded 400 billion yuan last year, and its net profit exceeded 40 billion yuan for the first time. From a data perspective, CATL performed exceptionally well last year.

However, facing fierce competition in the domestic new energy vehicle market and slowing sales growth, CATL's market share has also been squeezed to a certain extent. To address this challenge, CATL has not only strengthened cooperation with domestic automotive companies, but also actively expanded overseas markets and sought new growth points. Specifically, CATL's operating revenue last year was RMB 400.9 billion, a year-on-year increase of 22.01%. The net profit attributable to shareholders of the listed company was 44.1 billion yuan, a year-on-year increase of 43.58%, surpassing the 40 billion yuan mark for the first time. Especially in the fourth quarter of last year, CATL's operating revenue reached 106.2 billion yuan, with a net profit of 13 billion yuan. CATL explained that the growth in performance last year was due to the strong driving force of the global new energy vehicle market, which propelled the rapid expansion of the power battery industry. At the same time, with the increasing proportion of clean energy installed, the demand for flexibility in the power system continues to rise. With the advancement of energy storage technology and the reduction of system costs, the market demand for energy storage batteries has also achieved rapid growth [11].

Table 4 compares the partial financial statements and income statements of CATL Company for 2022 and 2023. From the table, we can intuitively see that compared to the operating situation in 2022, CATL's revenue and profit in 2023 have exceeded the amount in 2022 in all aspects. Among them, net profit increased by nearly 20%. Based on the data listed in the table and the ratio of data growth rate, it can be concluded that CATL has achieved significant success in its strategic initiatives in 2022. The company has successfully transitioned from the traditional rechargeable battery and charger market to focusing on the manufacturing of new energy batteries. This strategic shift not only consolidates CATL's leading position in the

domestic new energy battery market, but also fills the technological gap in this field domestically. By observing the upward trend of employee salaries, we can infer that while the company improves employee benefits, the number of employees in global production bases and offices also increases accordingly with the global expansion of business, reflecting a significant expansion of the company's scale.

4. Enterprise Analysis and Prospect Prediction

Since the establishment of CATL company by Zeng Yuqun in 1999, CATL successfully went public two years later and quickly became the focus of competition among many new energy vehicle manufacturers. Its innovative battery technology research and development has also attracted widespread attention in the market. Zeng Yuqun realized that although the consumer battery market has broad prospects, the power battery market is the key to future development. Through cooperation with internationally renowned car brands such as BMW, CATL's brand awareness has rapidly increased, and BMW's recognition has earned it a shining business card in the industry [12]. Subsequently, Zeng Yuqun boldly invested in ternary lithium battery technology. At the beginning of the development of China's new energy industry, the government provided strong support for vehicles with high energy density and long lifespan. In 2018, CATL surpassed Panasonic with this strategy and became the world's largest supplier of automotive power batteries. In the same year, CATL was listed on the A-share market and immediately hit the daily limit up for four consecutive trading days, becoming one of the most sought after stocks of the year. Its market value soared to 1.68 trillion yuan, ranking among the companies with a market value exceeding one trillion yuan on the A-share market. CATL's success is attributed to its long-term technological accumulation and market insight, as well as its ability to seize opportunities at critical moments, which together shape its leading position in the industry. The key points for CATL's success are as follows:

1. Continuous R&D investment and technological innovation: CATL is committed to conducting in-depth research in the field of

new energy, investing a large amount of funds in R&D every year. The company adheres to independent innovation, constantly overcomes technical difficulties, accumulates a large number of key technology patents, and ensures its technological advantages in the industry.

2. Efficient decision-making and management structure: CATL's founder Zeng Yuqun serves as the major shareholder and top manager, a dual role that enables the company to reduce agency costs while avoiding disagreements and errors in the decision-making process. Unified leadership helps to execute decisions quickly and effectively, ensuring consistency in company strategy.

3. Vertical integration of production chain: CATL has achieved comprehensive integration of the production chain, with each business link supporting each other and forming a seamless process. This vertical integration strategy reduces reliance on external suppliers, effectively lowers costs, improves production efficiency, and enhances market competitiveness.

The Chinese new energy vehicle market is ushering in the dawn of recovery, and the demand for such environmentally friendly vehicles continues to rise, directly promoting the rapid development and market expansion of the new energy battery industry. The country firmly implements environmental protection concepts such as "green mountains and clear waters are like mountains of gold and silver", which is highly consistent with CATL's consistent advocacy of green development vision, and helps the company establish a good brand image and reputation in the industry. At present, the continuation of the Russia-Ukraine conflict has led to the soaring global fuel prices, further highlighting the potential and advantages of new energy batteries in replacing traditional energy sources. As a leading enterprise in the field of new energy batteries, CATL is facing unprecedented market opportunities and development space globally. CATL, with its core competitiveness in independent innovation, technological research and development, and keen insight into market trends, is expected to play an important role in the global new energy vehicle market. The company's technological accumulation and innovation capabilities in battery materials, battery system design, intelligent

manufacturing, etc. provide solid support for it in the fierce market competition. In addition, CATL actively expands its global market and has established strategic partnerships with multiple internationally renowned automobile manufacturers, further expanding its market share in the global new energy vehicle market. Through continuous technological innovation, product upgrades, and market expansion, CATL is expected to occupy a more important position in the future era of new energy vehicles, making greater contributions to promoting the green transformation and sustainable development of the global automotive industry.

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