



# LI AUTO

CIMK Company Profile  
February 2021



## CIMK MISSION & VISION

CIMK is an online platform to share information and analysis about Chinese industries and public companies with semi-professional non-Chinese-speaking investors.

Our goal is to close the tremendous information gap and language barrier between these investors and the Chinese market by providing in-depth information about the Chinese companies' business models, financial performances, and overall market environment. We will provide you with all available financial and non-financial information that will allow you to identify stocks that match your investment parameters.

For now, CIMK will provide you with in-depth quantitative and qualitative company profiles that will enable you as an investor to understand a company from different perspectives. In the long run, CIMK will offer a software-based dashboard that will provide real-time information about Chinese companies and industries, which will help you to answer the following questions:

- 1 Are the business model and the products of the company interesting for you?
- 2 Is the company playing a leading role in their industry?
- 3 What are the current prospects and risks of this company?
- 4 Does this company fit my investment criteria?

# SUMMARY – LI AUTO

Li Auto is a new Chinese electric vehicle manufacturer. The company designs, develops, manufactures, and distributes smart premium electric SUVs. Li Auto focuses on a single EREV model while steadily expanding its production capacity. Their Li ONE's EREV model should boost the company's short-term growth as a transitional model. From this aspect, it will probably need to unveil another pure EV, which may pose a challenge in the future. Li Auto plans to launch a full-size premium electric SUV in 2022.

According to their recently published Q4 result for 2020, they are the first Chinese EV startup to report a NON-GAAP quarterly profit. Their strategy can be considered more conservative on the whole, as they tend to focus on financial stability rather than investing everything in growth.

However, as a result, they have now fallen to number 3 in 2021 behind NIO, and Xpeng and some analysts also say that they could also lose out technologically. They are dependent on suppliers and partners such as Bosch or Nvidia to not lose out in terms of battery technology and autonomous driving.

They have no plans to release a fully electric vehicle in the next few years, so it will be interesting to see whether they can hold on to the market in the future. Nevertheless, they have managed to establish themselves successfully in the Chinese market now, and there are possibilities of them having cooperation with an international automotive manufacturer in the future as well.

# EVALUATION - LI AUTO

We evaluate this multilayered company based on three different dimensions.



## Chances

- A financially healthy company with sufficient cash reserves and little debt.
- Unique selling proposition due to the combination of the drive processes.
- Non-GAAP net profit in Q4 2020.
- Experienced founder as CEO who has already founded a major online forum for automobile consumers in China.

## Risks

- Little spending on R&D as a competitor, which can lead to a technical backlog in battery technology and self-driving technology
- Less brand awareness and flagship stores in China
- Focusing on only one car at a time can be a risk. Moreover, the competition is currently growing faster in terms of sales figures.



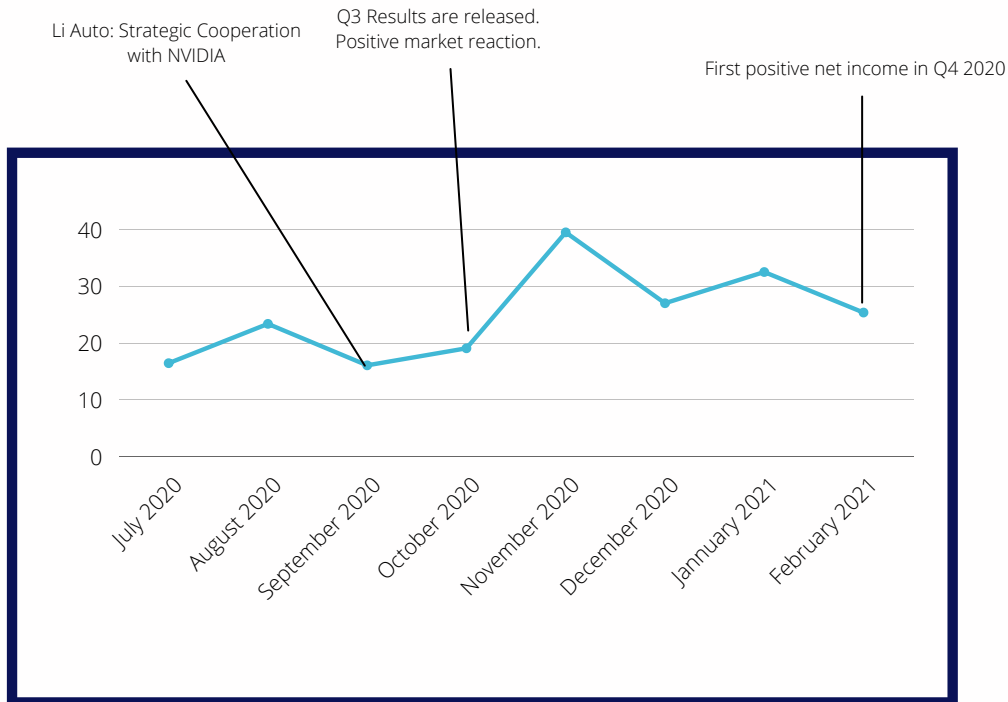
## Competitive Position

- In terms of sales in January, Li Auto has now dropped to 3rd position behind NIO and Xpeng.
- They are burning substantially less money than their two main competitors.
- Apart from the powertrain, they have few differentiating features.

# STOCK MARKET PERFORMANCE

(28 February)

## Stock Market Information LI



### Market Cap



US\$ 22.77B

### Volatility

52-week range \$14.31 - \$47.70

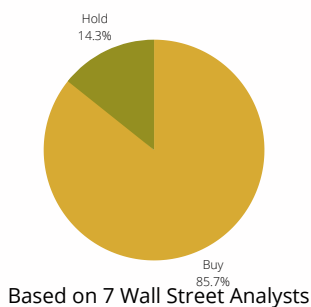
Day's Range \$24.58 - \$26.80



### Shareholder Returns

	LI	Industry
7 Day	-15.0%	-12.0%
30 Day	-19.6%	-18.5%
90 Day	-35.7%	6.0%
1 Year	n/a	263.1%
3 Year	n/a	316.2%
5 Year	n/a	424.5%

### Analyst Recommendation



### Analyst Price Target

High
\$60.00
Average
\$43.50
Low
\$34.00

Based on 7 Wall Street Analysts

### Share Statistics

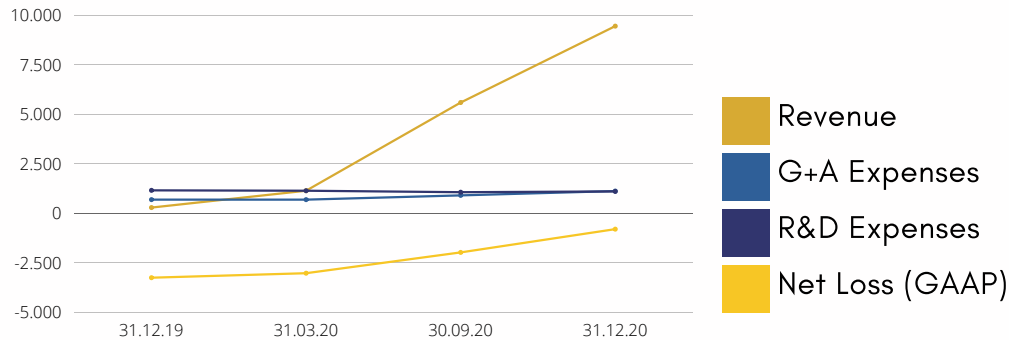
Shares Outstanding	897.59M
Float % Held by Institutions	9.54%
Shares Short (Feb 11, 2021)	13.96M
Short % of Shares Outstanding (Feb 11, 2021)	1.56%

### Take Away

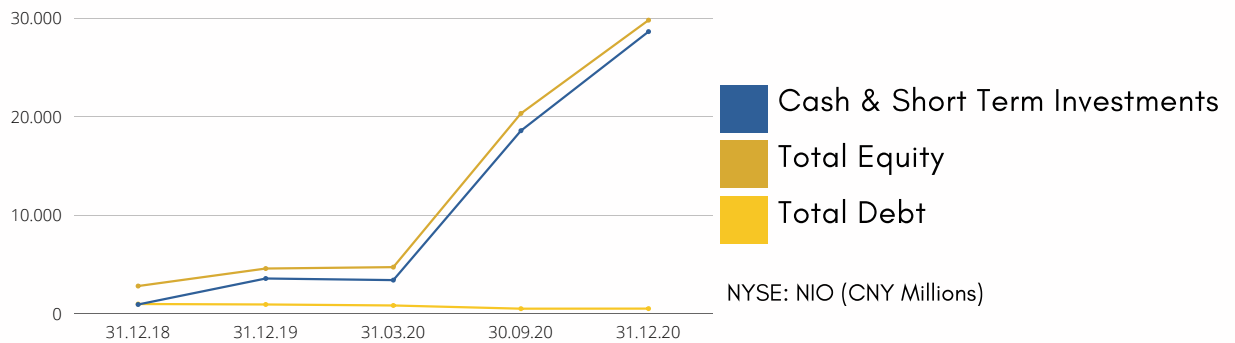
Li Auto's share price performance is not comparable to that of NIO. This could be mainly due to the fact that Li Auto does not invest as much as its competitors in R&D and is therefore not a leader in EV and automotive driving market. Li Auto is more comparable to traditional manufacturers who want to break even as quickly as possible.

# FINANCIAL PERFORMANCE

## General Financial Numbers



NYSE: NIO (CNY Millions)



NYSE: NIO (CNY Millions)

## Industry-Specific Financial Numbers

### Delivered Cars in 2020

32,624  
529.6% YOY

### Delivered Cars in January

5,379  
355.8% YOY

### Total Funding Amount

USD 1.2B

### Take Away

Li Auto is growing at a slower pace than its peers, with revenue growth of 64.6% in Q4 of 2020. However, they have become the first EV startup to generate positive non-GAAP net profit with RMB 107.5 million (USD16.5 million) in Q4 2020. Li Auto is financially very stable with little debt and plenty of cash.

# CORPORATE STRATEGY & PRODUCTS

## Corporate Strategy - Li Auto

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### Overview

Li Auto is a young Chinese electric vehicle manufacturer. The company designs, develop, manufactures, and distributes smart premium electric SUVs. Li Auto focuses on a single EREV model while steadily expanding its production capacity. Li Auto has launched its 2018 Li ONE car, a purely electric-driven motor, but its energy source and power come from its battery pack and fuel range extension system. Series production of its first model then started in November 2019. Their mission is to serve the mobility needs of families in China, which they plan to sell SUVs in a price range of RMB 150,000 (about USD 21,000) to RMB 500,000 (about USD 70,000).



The combination of ICE and BEV among buyers of Li ONE gives too many advantages, such as getting a most critical NEV number plate, government subsidies, and lower costs due to EV use. Li Auto is the first company to market such an extended-range electric vehicle in China successfully. Li Auto plans to launch a full-size premium electric SUV in 2022, equipped with its next-generation EREV powertrain system. In the future, they will expand their product lineup by developing new vehicles, including mid-size and compact SUV models.

Since their establishment, they have received capital support mainly from Meituan and its founder Li Xiang. In 2020, they raised another 1.1 billion in an IPO. In doing so, Li Xiang's management team is known for its ability to control costs, leading analysts to believe that the company is likely to break even sooner than NIO and XPEV. This is also seen in the fact that Li Auto has lower spending on R&D and invests more in sales personnel than its rivals. In November 2020, Li Auto had to recall thousands of cars. However, the problem behind it could be solved quickly. In terms of software and self-driving systems, NIO and XPeng are more advanced than Li Auto. This is evident because Li Auto only offers a limited AutoPilot driver experience and has to enter into close cooperation with Nvidia.

### Production

The Li ONE car is produced in our factory in Changzhou. Here, they first bought the Lifan Group to acquire its manufacturing capacity. The manufacturing base in Changzhou covers 50 hectares and has a built-up hall area of about 185,000 square meters. It consists of four workshops, stamping, welding, painting and assembly, and an office building. The current production capacity is 100,000 units per year and can potentially be expanded to 200,000 units per year.



Li Auto works with over 150 suppliers for 1,916 vendor parts. Li Auto has established close partnerships with suppliers for key components, such as CATL for battery packs, BorgWarner for electrics. Li Auto entered a three-way strategic cooperation with NVIDIA Corporation ("NVIDIA"), the world's leading artificial intelligence computing company, and NVIDIA's Chinese partner, Huizhou Desay SV Automotive ("Desay SV"). This cooperation will help them to catch up in terms of autonomous drivings.

## Marketing and Sales



Li Auto has digitalized their customer interactions and established its own direct sales and servicing network to improve operational efficiency continuously. With our integrated online and offline platform, they try to achieve higher sales and marketing efficiency than automakers that rely on third-party dealerships to reach customers. In particular, they have developed a data-driven, closed-loop digital platform to manage all customer interactions from sales, leading to customer reviews, enabling them to reduce customer acquisition costs significantly.

## Products

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### Li ONE



Li ONE is a large premium extended-range electric SUV. This six-seater (seven-seater as optional), which is 5,020 millimeters long with a 2,935-millimeter wheelbase, offers a combination of long-range, high performance, efficient energy consumption, and flexible power supplies. Li ONE has an NEDC range of 800 kilometers. Its 40.5-kilowatt-hour lithium-ion battery pack is capable of supporting a purely electrically powered range of 180 kilometers. Li ONE's powertrain performance is comparable to an ICE vehicle powered by a 3.0-liter, six-cylinder, turbocharged engine.

Li ONE's energy can be replenished by slow charging, which takes approximately six hours for a full charge with a seven-kilowatt charger, fast charging, which takes approximately 30 minutes to increase the displayed state of charge from 20% to 80%. They use a Linux-Android Automotive dual system architecture, and the two sets of systems are connected but can still operate independently. The Linux-based system is primarily used for vehicle driving control, and the Android Automotive-based system is primarily used for in-car entertainment and interaction.

Li ONE is equipped with ADAS, their Level 2 autonomous driving solution. Li Auto's Li ONE wants to target clearly the middle-class families. This model also provides a splendid entertainment experience through four in-car screens. Li Auto doesn't have any EV infrastructures like supercharging points or swap stations, which misguides people thinking that Li Auto is not really an EV maker.

### Take Away

Li Auto has only released one model so far and has taken a completely different approach to all other EV startups. They have chosen a mix of electric and traditional propulsion to solve the range problem of EVs. In the next few years, however, they plan to switch to all-EV powertrains. It remains to be seen whether they can keep up with the other companies in terms of battery technology and autonomous driving.



# MARKET ENVIRONMENT

## EV industry in China

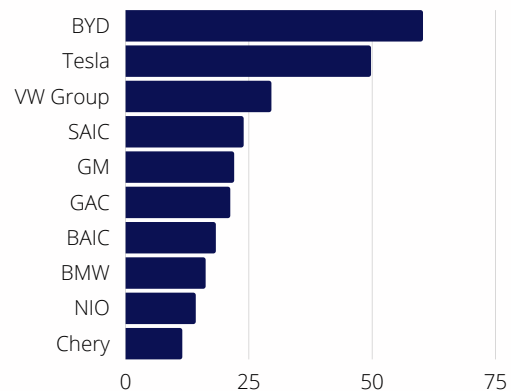
China remained the world's largest EV market, with 2.3 million electric vehicles in active use (45% of global EVs). The market is highly competitive with a high number of different actors. Not only the traditional international and domestic car manufacturers try to sell EVs, but also there is a high number of EV-only young companies which try to increase their market share.

Due to COVID-19, the Chinese government's extended the monetary incentives for new-energy vehicles (NEVs) while also applying nonmonetary forms of support (Charging infrastructure & Ban of Fuel Cars).

There is a clear trend that technology companies such as Alibaba, Tencent, Baidu are heavily involved in new EV startups and partly cooperate with traditional car manufacturers. In China, future differentiation appears to be primarily through software.

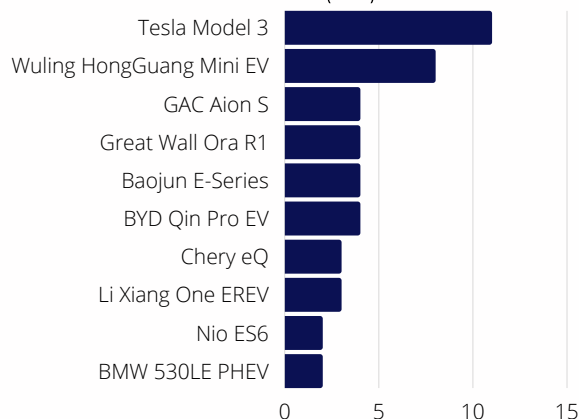
### Electric vehicle in China 1st half of 2020

(in 10,000)



### Market share of EV sales 2020 in China

(in %)



# NEWS

## Chinese News Sources

Li Auto's net profit in the fourth quarter of 2020 is 100 million yuan. This brings them to break-even for NIO and Xpeng.

From the press release at 17:49 today

**Positive**

[Link](#)

The first pure electric vehicle will be released in 2023 (Li Auto)

From press release 02-26 19:34

**Neutral**

[Link](#)

Interpretation of Li Autos' 2020 Financial Report: Cash reserve reaches 29.87 billion.

From press release 02-26 16:11

**Positive**

[Link](#)

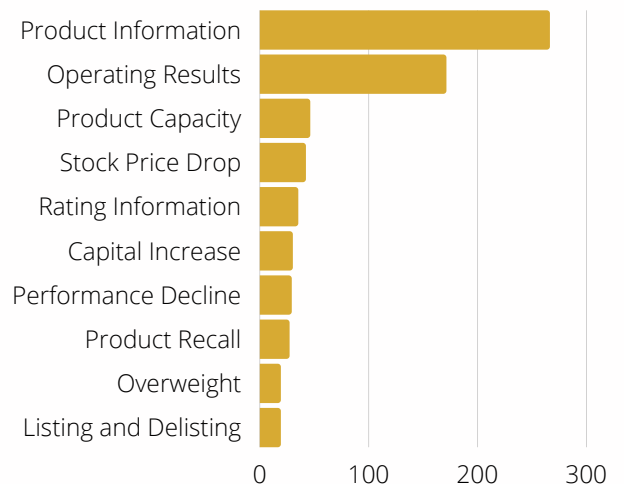
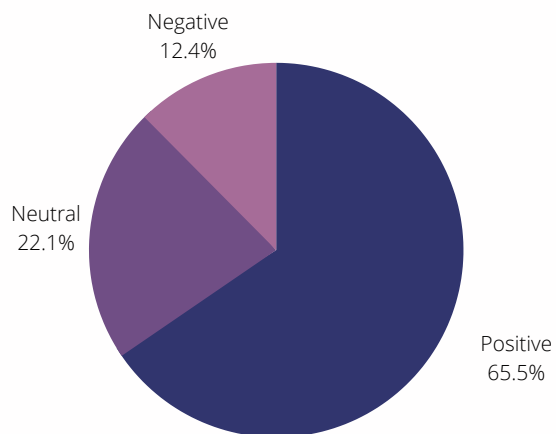
Li Xiang, CEO of Li Auto, admires and welcomes the entry of technology companies into the auto industry

From press release 02-26 13:21

**Neutral**

[Link](#)

## News Analysis



### Take Away

Li Auto has less news coverage than the competition but is seen in a fundamentally positive light. There are few negative recalls and more reports on sales figures and operating results.



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