

Investment Strategies Under International Financial Markets Research Paper - Tesla as a Case in Point

Jianyang Chen*

College Of Economic and Management, Fuzhou University, Fuzhou, Fujian

* Corresponding Author Email: 072306222@fzu.edu.com

Abstract. Lately, the advancement of energy-efficient energy solutions has emerged as a significant and hopeful trend in the market, aimed at enhancing environmental protection, attaining zero transportation emissions, and diminishing reliance on oil. The electric vehicle (EV) sector is expanding swiftly, driven by robust policy initiatives in several nations, notably China. The year 2022 saw China's electric vehicle sales representing 61.2% of worldwide EV market. Nonetheless, the market's complexity has escalated due to ongoing market growth, technological advancements, and frequent policy shifts. Consequently, forecasting the EV industry's future trajectory and pinpointing projects with enduring investment worth presents a challenge. Nonetheless, this paper investigates Tesla's capacity for sustainable growth as a frontrunner in the industry. The document outlines the prospects and hurdles in the electric vehicle sector, examining its financial success, operational efficiency, solvency, and growth potential as per TESLA's fiscal reports spanning 2020 to 2022. Concurrently, an analysis and comparison were conducted on the financial records of industry giants BYD and SAIC, along with an examination of their prospects and obstacles in China. The primary technique employed in this financial analysis article is ratio analysis, sourced from the company's annual report for computation. Research indicates that Tesla's diverse aspects of financial analysis lead to the conclusion of its potential as a company.

Keywords: Tesla, swot, investment, international market.

1. Introduction

This article focuses on Tesla Inc. and its market competitiveness within the new energy automobile industry. The introduction briefly outlines Tesla's development, product features, and its position in the new energy vehicle market [1, 2]. It also highlights the necessity for research, considering the rapid development, technological advancements, and policy changes that add complexity to the market. Additionally, it discusses the challenges in predicting the industry's future direction and identifying projects with long-term investment value. This thesis is uniquely innovative in that it combines the context of the international electric vehicle market with the benefits of other trolley companies to analyze Tesla's unique strengths.

Tesla's success factors, market demand forecasting, technological development, policy support, and Tesla's marketing strategies in China. These studies offer in-depth analysis and empirical data on industry development, corporate competitiveness, policy impacts, and market demand, providing a theoretical foundation and evidence for understanding Tesla's position and prospects in the industry.

The research findings summarize the key insights and conclusions from several pivotal studies:

An analysis of Tesla's market competitiveness reveals that Tesla has significant advantages in product innovation, market leadership, production and sales rates, and adaptability to technological changes and market demand trends [3]. Financial analysis of Tesla demonstrates the company's strong profitability, operational capabilities, solvency, and development potential, with robust cost control and profit-making potential.

Market demand analysis for the new energy vehicle industry forecasts rapid industry growth, especially in China, and discusses the opportunities and challenges Tesla faces, including policy support, technological progress, and market competition.

Comparative analysis between Tesla and other industry players such as BYD and SAIC reveals Tesla's relative strengths and potential risks in terms of risk, cost control, profitability, and market expansion.

The growing awareness of shifting from gasoline-fueled self-mobiles to sustainable energy sources has forged a robust stage for worldwide competitiveness in the car industry, with Tesla being a major contributor to this evolution.

Tesla, having established itself in the automobile industry for a mere 19 years, has maintained a superior competitive stance, despite the presence of numerous automotive brands and corporations such as Mazda, Subaru, Toyota, Benz, among others, for over a century. Grasping Tesla's competitiveness in the worldwide car market necessitates a thorough assessment of companies actively engaged in electric vehicle production [4]. Tesla, a recent entrant in automobile manufacturing, has maintained a leading position in market rivalry by innovating in the electric vehicle sector. Additionally, the company's steady expansion in innovation, cutting-edge technology, and variety has fostered a robust network of reliable clients, notably celebrities and the public, to emphasize the importance of environmental sustainability [4].

In evaluating Tesla's competitive edge in the automotive sector, Ford, Kia, Chevrolet, BMW, Nissan, and Volkswagen stand out as key rivals in vehicle manufacturing, innovation, and customer service, albeit outlasting Tesla. A 2019 strategic evaluation of firms at the forefront of the car industry reveals that each of these enterprises ranked under 10 positions. To conduct an in-depth analysis, a comparative statistical assessment reveals the fundamental success of each chosen brand based on their primary success factor in maintaining market competitiveness and expansion.

2. Method

2.1. SWOT

SWOT analysis is a strategic planning technique used to identify and analyze the Strengths, Weaknesses, Opportunities, and Threats related to business, project, or any venture [5]. It is a strategic planning technique used by organizations, businesses, and individuals to identify and analyze the key aspects that can impact their performance and strategy. A SWOT analysis involves a systematic examination of these four components, often visualized in a matrix to compare internal factors (strengths and weaknesses) with external factors (opportunities and threats). This comparison helps in developing a comprehensive understanding of the organization's position and the strategic actions it can take.

2.2. Strengths

These are the internal attributes of an organization that give it an advantage over others. They can include factors such as skilled employees, exceptional customer service, strong brand recognition, financial stability, and unique technologies or processes.

2.3. Weakness

Weaknesses might include a lack of resources, outdated technology, poor management, or a limited market share. These are the external elements that the organization could exploit to its advantage. Opportunities can arise from changes in the market, technology, or the economy, such as market growth, new market trends, or changes in regulations.

2.4. Opportunities

These are the external factors or trends that the organization can exploit to its benefit. Opportunities may arise due to changes in market conditions, technological advancements, shifts in consumer behavior, or government policies that favor the industry. Organizations can capitalize on these opportunities to grow, innovate, and expand their market presence.

2.5. Threats

These are external factors that could cause trouble for the organization. Threats might include new competitors, changing customer needs, economic downturns, or negative shifts in the industry environment [5].

3. Case Study

3.1. Global Background

To preserve society, global political bodies, including those in America, China, and Europe, are tirelessly working to foster an environment conducive to the rapid progress of electric vehicles. Nonetheless, by instituting and executing regulations related to environmental sustainability and the swift proliferation of electric vehicles, sustainable energy becomes crucial globally for significantly reducing worldwide pollution. The widespread adoption is due to the dangerous impact of fuel-fueled cars on society, such as the release of greenhouse gases. The California Air Resources Board (CARB) strongly advocated to produce electric vehicles to promote environmental sustainability [6]. Governmental backing has been instrumental in enhancing air purity, bolstering energy security, and diminishing carbon monoxide emissions. Endorsing the government's commitment to maintaining environmental quality, Tesla emerged as a prominent figure in the creation of electric vehicles, characterized by significant technological advancements and superior quality.

3.2. Economical

Tesla, a trailblazer in electric vehicle technology, established a groundwork for global economic expansion, particularly in the U.S., China, and Europe, by generating jobs for numerous competitors in the EV sector. Starting in 2016, Tesla's foray into electric vehicle manufacturing boosted the growth of the car industry and created numerous chances for diverse economic growth in the renewable energy sector. Tesla's rising fame has not only expanded the global economy but, crucially, the U.S. economy, generating \$5.5 billion and over 50,000 employment opportunities in the states [7].

3.3. Interpersonal

Tesla's EV manufacturing plays a pivotal role in safeguarding the community from ecological dangers, as burning fuels emits carbon monoxide and various greenhouse gases, leading to atmospheric pollution. Typically, an electric vehicle excels in energy transformation, utilizing more than half of its electrical energy to navigate its wheels. Conversely, the energy conversion rate of gasoline in gas-powered vehicles is merely between 17% and 21%. This markedly escalates the need for electric vehicles. While rivals fully address EV's greenhouse gas emissions, Tesla's eco-friendly energy battery stands out as an ideal option, boasting zero exhaust emissions. As an example, in the U.S., the generation of energy leans more towards non-renewable sources since electric vehicles emit under half the CO₂ compared to traditional gas-powered cars [8].

3.4. Interpersonal

The drastic shift from car production to electric vehicles laid the groundwork for a technological overhaul in the electric vehicle sector. The change led to numerous prospects for Electric vehicles surpassing conventional car industries. A common difference lies in the fact that Electric vehicles operate on renewable natural energy, in contrast to natural vehicles that use gasoline for combustion. The superior quality of renewable energy renders it more cost-effective compared to vehicles that use gas. Escalating technological advancements have thrust Tesla into the limelight among its peers, paving the way for a wider potential for enduring market control in electric vehicle sales. Usually, the breakthrough lies in the creation of distinctive software, encompassing Tesla's Model 3's autopilot

system, vibration-free daily drive, and touch screen, coupled with a team passionate about research and development for major product enhancements [9].

4. Financial condition analysis

4.1. Risk

The significant beta of Tesla suggests that investors should broaden their investment range to lessen the effects of the stock's extreme volatility. Investors are advised to evaluate their endurance and financial forecast. Stocks with high beta indices, such as Tesla, are better fit for dynamic, prolonged-term investors. Vigilantly track Tesla's financial liquidity and debt amounts, since alterations in these indicators might signal fiscal strain. Observe the trends in the 50MA and 200MA to assess the stock's progress and prospective trading junctures. Not only is the data supplied beneficial, but it's also vital to carry out an in-depth fundamental analysis by examining Tesla's financial statements, balance sheets, and cash flow records.

Industry Efficiency: Evaluate the efficacy of electric vehicles and renewable energy industries, acknowledging Tesla's strong correlation with these sectors. Tesla's capacity to innovate and sustain a competitive advantage is crucial for its sustained triumph, so keep a close watch on upcoming product releases and technological progress.

Although Tesla offers promising prospects for growth, the elevated beta and financial ratios indicate considerable risk involved. Investors need to proceed cautiously and possess a thoroughly researched approach consistent with their risk assessments (table 1).

Table 1. Ratios related to risks

Debt ratio	Current ratio	Beta	Quick ratio	50MA	200MA
15.21%	1.72	2.41	1.25	171.45	213.35

4.2. Market Value

Evaluate Tesla's market ratios against industry counterparts to ascertain whether its market value aligns with the sector's standards or if it's operating at a higher rate. Evaluate Tesla's prospective earnings prospects and the probability of achieving or surpassing present market forecasts. Grasp Tesla's approach to distributing capital, particularly as it yields no dividends. Reflect on the utilization of reinvested profits to stimulate expansion. Considering Tesla's elevated market value, diversifying rather than excessively focusing on its shares is essential for risk control. It's advisable for investors to concentrate on Tesla's expansion path and innovative

Vigilantly observe Tesla's performance indicators, encompassing sales increase, market share growth, and operational effectiveness (table 2).

The financial metrics of Tesla suggest a firm with substantial market anticipations and prospects for expansion. Nonetheless, elevated valuation indicators advise investors to exercise prudence, making sure they grasp the company's expansion factors and the hazards linked to its present market worth[9].

Table 2. Ratios related to market value

PEG	PE	PB	EPS	Book Value Pre Share	Dividend yield
3.17	45.17	12.64	3.91	20.19	N/A

4.3. Profitability

Regarding efficiency and profitability, Tesla's modest asset turnover and substantial profit margins imply that although there's room for enhancing asset use, its profitability per sale remains high. The elevated ratios of ROA and ROE appeal to investors looking for firms capable of yielding substantial profits from their assets and equity. This might indicate strong prospects for investment. Examine

Tesla's financial viability in terms of profit margins and returns. Consider elements like competitive dynamics, market dominance, and pricing strength, which may influence future financial gains. Evaluate these ratios against industry norms to ascertain whether Tesla's profit indicators align with or surpass those of its rivals. Elevated Return on Equity (ROE) may indicate vigorous reinvestment within the company. Assess Tesla's utilization of profits for expansion and determine the sustainability of this approach. Despite the benefits of substantial profits, acknowledging the potential for instability is crucial, particularly in the dynamic realms of the automotive and energy industries. Delve deeper than the existing profit figures and evaluate Tesla's prospects for sustained growth, encompassing its commitment to innovation and venturing into novel markets.

The profitability metrics of Tesla reflect its success in accruing profits from its assets and equity. It's advisable for investors to consider these robust financial indicators while also harmonizing their investments towards risk control and diversification (table 3).

Table 3. Ratios related to profitability

Total Asset Turn Over	Profit Margin	ROA	ROE
1.02	14.37%	15.88%	27.95%

5. Summary main fundings

5.1. Introductory note

The shift to sustainable energy across the world has given electric vehicle (EV) manufacturing a leading role in environmental conservation and energy conservation. The study delves into the importance of the electric vehicle industry, emphasizing Tesla Inc.'s crucial position as a frontrunner in the market. This research seeks to assess Tesla's sustainable expansion capacity in a market environment marked by significant technological progress and shifts in policies.

5.2. Description of the Case

This document delivers an intricate analysis of Tesla, exploring its evolution, attributes, and the player market share in the emerging energy vehicle sector. This highlights Tesla's creative input into the electric vehicle sector and its capacity to keep a competitive advantage amidst renowned automotive brands.

5.3. Examining the Problem

The study, via a SWOT analysis, highlights Tesla's strengths like innovative products and market leadership, along with its weaknesses, including possible threats to financial stability and market share. Growth prospects are investigated, especially within the framework of worldwide policy backing and market market needs. The discussion also encompasses risks posed by rivals and regulatory contexts [10].

5.4. Suggestion

This study provides strategic advice for investors, highlighting the significance of diversification and assessing risks in evaluating Tesla as an investment option. The recommendation is to keep an eye on Tesla's financial fluidity, debt amounts, and indicators of market performance, like sales expansion and operational efficiency, for guiding investment choices [11].

5.5. Finalization

Research infers that Tesla offers a substantial investment prospect, indicative of solid financial stability and considerable growth prospects. Nonetheless, it recognizes the intrinsic dangers tied to its elevated market value and the instability prevalent in the automotive and energy markets. The study emphasizes the necessity of synchronizing Tesla's investment tactics with its projected future

and the wider aspects of the international market, taking into account financial indicators as well as environmental, social, and governance (ESG) elements.

6. Conclusion

In considering Tesla's investment, recognizing its significant position in the worldwide electric vehicle (EV) sector is essential, highlighted by strong profitability indicators like substantial profit margins, ROA, and ROE. The data indicates robust financial results and the company's potential to yield significant profits from its assets and equity. Yet, this robustness contrasts with an elevated market value, as suggested by its PEG and PE ratios, hinting at a growth-oriented pricing of the stock and potential market instability.

The modest turnover rate of Tesla's assets suggests potential improvements in operational effectiveness and the use of assets. Although a reduced debt ratio indicates wise financial leverage, continuous monitoring of liquidity and debt handling is justified. A high beta value for the company indicates a more hazardous investment approach, resonating more with investors who are more tolerant of risk and focus on long-term investments.

Tesla's decision to reinvest profits in growth, aligned with its emphasis on innovation and technological progress, is evident in the lack of dividend yield. Considering Tesla's crucial contribution to sustainable energy, investors must consider environmental, social, and governance (ESG) aspects.

Tesla encounters a mix of prospects and hurdles in the global marketplace. The escalating worldwide needs for electric vehicles, fueled by ecological worries and favorable governmental strategies, offers substantial prospects for growth. Nonetheless, it is required to maneuver through diverse regulatory environments, local market inclinations, and varying degrees of competition among different regions. It's advisable for investors to consider Tesla's global market tactics, its capacity to adjust to various markets, and its vulnerability to geopolitical uncertainties.

Keeping investors updated on regulatory shifts and market attitudes is crucial, as these can greatly impact Tesla's share value. Investing in Tesla strategically requires harmonizing with the firm's outlook, comprehending the hazards linked to its elevated valuation, and sustaining a varied portfolio to reduce possible risks.

To sum up, Tesla presents a compelling investment opportunity for individuals optimistic about the sustainability of transportation and energy. Deciding on investment must consider the firm's fiscal stability, market hazards, the investor's personal risk tolerance and investment goals, and take into account the dynamics of the global market.

References

- [1] Ma, R. Research on the Dynamic Changes in Tesla Stock Price with this turn's Interest Rate Policy. Ma, R. Research on the Dynamic Changes in Tesla Stock Price with this turn's Interest Rate Policy.
- [2] Daylan, A. (2023). Examining the Disruptive Innovation Theory by Analysing Tesla, Inc.
- [3] Sk, K. B., & Javvadi, S. (2023). Predictions of Tesla Stock Price Based on Machine Learning Model.
- [4] Ma, R. Research on the Dynamic Changes in Tesla Stock Price with this turn's Interest Rate Policy.
- [5] Zheng, Z. (2024). Financial Analysis and Risk Study of Tesla Inc. *Highlights in Business, Economics and Management*, 24, 521-527.
- [6] Ren, Y. (2024). The investment choices of different investors for energy companies. *Highlights in Business, Economics and Management*, 24, 972-976.
- [7] Field, J., & Inci, A. C. (2023). Risk translation: how cryptocurrency impacts company risk, beta and returns. *Journal of Capital Markets Studies*, 7(1), 5-21.
- [8] Ren, Y. (2024). The investment choices of different investors for energy companies. *Highlights in Business, Economics and Management*, 24, 972-976.

- [9] Dovbnya, O. (2023). RIDING THE BULL AND THE BEAR: A METAPHOR ANALYSIS OF TESLA'S STOCK VOLATILITY IN BUSINESS MEDIA DISCOURSE. *Scientific Journal of Polonia University*, 58(3).
- [10] Zheng, Z. (2024). Financial Analysis and Risk Study of Tesla Inc. *Highlights in Business, Economics and Management*, 24, 521-527.
- [11] Richter, M. A., Hagenmaier, M., Bandte, O., Parida, V., & Wincent, J. (2022). Smart cities, urban mobility and autonomous vehicles: How different cities needs different sustainable investment strategies. *Technological Forecasting and Social Change*, 184, 121857.