The Tendency of Investing in Transportation Industry

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Abstract. The background of this paper is that between 2023 and 2022, traffic is still an indispensable part of people's daily life and a necessary condition for the development of social order and economy. Vehicle manufacturers are an essential part of the transportation industry, and the new energy industry and the traditional energy industry compete with each other and jointly promote. This paper aims to study the investors attracted by big-name companies in the transportation industry by analyzing various indicators. This paper selects are three high-profile in the transportation sector, internationalization and very competitive in the market and the voice of the company, including Nio, Boeing and Ferrari. A total of 13 financial indicators are collected and compared among the three companies. After analyzing and comparing 13 kinds of financial indicators, this paper deduces that value investors, index investors and growth investors are likely to invest in Nio, index investors, momentum investors and DCF investors are likely to invest in Boeing, ratio investors and growth investors are likely to invest in Ferrari.

Keywords: Transportation; Boeing; Ferrari; NIO.

1. Introduction

As this paper mentioned, resisting inflation and maintain appreciation is the most significant benefit of investment. In daily life, the weakening of the purchasing power of money, which is often referred to as inflation, is a reality that we cannot avoid. Over time, this weakens the purchasing power of our money, making it possible for us to run into economic trouble. Therefore, in order to prevent this situation from worsening, we need to take measures, and one of them is to invest the money we have in the right areas [1]. This essay analyzes the behavior and preferences of nine types of investors to determine which types of investors will favor three companies with prominent positions in the transportation industry. The results show that Index investors prefer Nio and Boeing, value investors prefer Nio, growth investors prefer Nio and Ferrari, momentum and DCF investors both prefer Boeing, and ratio investors prefer Ferrari. However, income investment, insider buying, and stocks buyback are all seemingly not proper for the three companies.

2. Profile of the selected companies

NIO Inc., as a pioneer and leader in the field of intelligent electric vehicles, has been committed to improving the quality of life since its inception in November 2014. Based on intelligent electric vehicles, the company aims to build a happy and growing community with users. NIO not only designs beautiful and practical electric vehicles, but also engages in development, co-manufacturing and sales, fully demonstrating its passion and expertise for the electric vehicle market [2].

Boeing, the world's largest aerospace company, is known for its leadership and excellence in the manufacturing of commercial jet aircraft. It is also an important supplier of defense, space and security systems to the United States and allied governments. As one of the largest U.S. exporters, Boeing's products and services are used worldwide in 150 countries. Boeing offers a diverse range of products and services, including commercial and military aircraft, satellites, weapons, electronic and defense systems, launch systems, advanced information and communications systems, and performance-based logistics and training [3].

Ferrari S.p.A., an Italian luxury sports car manufacturer, is headquartered in the beautiful Italian town of Maranello. Founded in 1939 by Enzo Ferrari (1898-1988), the company developed and grew

over the years, finally adopting its current name in 1945 and starting to produce cars under its own brand in 1947 [4].

3. Financial indicators of the companies

The 13 financial indicators mentioned below are all from AInvest app. The time range is one year, that is, the data collected from now to this time last year is used.

3.1. Risk

Risk assessment is a process that involves identifying a variety of potential risks that could negatively impact an organization and its environment. This type of analysis is widely used in various types of organizations, including businesses (such as banks, construction companies, healthcare industries, etc.), government agencies, and non-profit organizations by performing risk assessments, organizations can more accurately judge whether to undertake a task or approve a financial request, as well as the specific measures they may need to take to protect their interests [5]. The total market value is the sum of all the shares issued by a listed company based on the market price. Beta is a risk index that measures the relationship between the price fluctuation of a stock or stock fund and the movement of the overall stock market. Simply put, beta helps investors understand the relationship between a stock's price movements and market trends, enabling them to make better investment decisions. The current ratio is a key financial indicator that measures whether a company's current assets can be successfully converted into cash to repay its obligations before the short-term debt matures. In short, the higher the current ratio, the stronger the company's short-term debt repayment ability, because it indicates that the company has sufficient current assets to meet the short-term debt that is coming due. In the field of financial analysis, the current ratio is often used as a tool to assess a company's short-term solvency and operational health.

Among the three companies, Boeing has the largest Market Cap (143.98B$), which means that Boeing has a larger market size and occupies more market share than the other two companies. The Beta of Nio (1.96) ranks highest among the three companies, followed by Boeing (1.4) and Ferrari (1.02). A Beta of 1.96 means that Nio is the riskiest of the three companies, but it also means a higher return on investment. Ferrari has the highest Current Ratio (3.8), which means that among the three companies, the owner has the best solvency and stronger ability to realize corporate assets. Nio has the highest debt ratio (73.73%), followed by Ferrari (65%) and Boeing (17.31%). A high asset-liability ratio means that the total debt ratio accounts for a large proportion of the total assets, which generally indicates the decline of the enterprise's solvency and the weakening of its development ability.

3.2. Profitability

Profitability is an important indicator to evaluate the profitability of an organization, which reflects the profit and expenditure status of the organization in the operation process. Under normal circumstances, organizations with higher efficiency can obtain a higher profit percentage, because these organizations need to invest more funds to promote the development of the business in order to achieve higher output and profits in contrast, less efficient organizations may, for various reasons, require less capital investment to achieve the same level of profit. Therefore, improving the efficiency of an organization is one of the key factors to improve profitability in the long run [6]. In another word, profitability can be used to identify and describe the long-term success of a business. Turnover ratio is a comprehensive evaluation index that can fully reflect the company's operation and management status. It covers all aspects of the company from purchasing inventory, putting into production, to sales recycling and so on, providing the management with a comprehensive understanding of the company's operation. This metric can help companies understand their operational efficiency and profitability. Profit margin is another important financial metric that reflects a business's gross profit as a percentage of sales revenue (or operating profit). In simple terms,

gross profit is the difference between revenue and the cost of doing business corresponding to revenue. This indicator can help a company understand its profitability and cost control level. Another important financial indicator is ROA (Returnn on Assets), which measures the net profit generated by a business per unit of assets. This indicator can help investors understand the profitability of enterprises and the efficiency of asset management. Finally, Return on Equity (ROE) is the ratio between the net profit of an enterprise and the average net asset, which reflects the compensation level of owners' equity. This indicator can help investors understand the profitability of the business and the level of return on owner's equity.

Nio has the highest Turnover Ratio (162M) among the three companies, which means that NIO has relatively the fastest debt collection speed, short average debt collection period, less bad debt loss, fast asset flow and relatively strong solvency. Ferrari's Profit Margin (20.68%) is the highest among the three companies, indicating that the company's profitability is stronger than that of the other two companies, and from the perspective of profit, the company's profit is high, and at the same time, the company's products have good competitiveness. At the same time, Ferrari also has the highest ROA (3.88%) of the three companies, followed by Boeing (-3.02%) and Nio (-5.37%). Higher ROA means higher asset efficiency, in other words, making more money with less investment. Boeing has the highest ROE (27.75%), followed by Ferrari (10.96%) and Nio (-17.70%). From the analysis of the ROE calculation formula, the higher the index, the higher the return for investors. For Boeing investors, that means a relatively high return on their investment. A high rate of return will attract a large number of investors, which will push up the company's stock price to a certain extent. However, we also need to note that excessive stock prices may bring certain risks, investors should be rational when investing a variety of indicators, a comprehensive investment analysis.

3.3. Market ratio

Market ratio is an important financial indicator, which reflects the relationship between the market value of listed companies' stocks and the diversification response of investors. In short, the higher the market ratio, the higher the investors' recognition of the company's stock value, which usually means that the company's operating condition is better and it has a higher investment value However, the market ratio cannot completely predict the trend of stock prices, because investors' perceptions and expectations of the company may change with changes in the market environment. Therefore, investors need to combine other financial indicators and market information while referring to the market ratio to make a comprehensive investment decision [7]. These ratios have got many uses by both the potential and current investors in an organization [7]. A stock's P/E ratio is the ratio of its price to its earnings per share. The price-to-book ratio is the ratio of the market price per common share to the net asset value per common share, which reflects the price that ordinary shareholders are willing to pay for each $1 of net assets, and also reflects the market's assessment of the quality of the company's net assets. The price-to-earnings growth ratio is an adjustment of the price-to-earnings ratio in order to measure the future earnings growth rate of different companies. Momentum indicators calculate price changes to determine how fast an asset is rising or falling.

Ferrari has the highest P/E ratio (55.93), when the price to earnings ratio (P/E ratio) of the stock market is high, it means that the market price of the stock has stronger profitability relative to its earnings. In other words, it takes longer for investors to get a return on their investment. However, this also means that the risk of investing increases correspondingly, as investors need to wait longer to see the gains. In addition, a high P/E ratio also implies that the investment value of stocks is relatively small, because investors can expect lower returns. Therefore, when selecting investment stocks, investors should consider the P/E ratio as well as other financial indicators and the fundamentals of the company in order to make a comprehensive and informed investment decision. At the same time, Ferrari also has the highest price-to-book ratio of the three companies (19.15), which indicates that the market price of its shares is the highest. In other words, the higher the value of the stock, the higher the value of the stock, the higher the investment value of the stock with a higher price-book value, while the stock with a lower price-book value is more susceptible to the

market. Ferrari has the highest price-to-earnings growth ratio (12.61), meaning it is overvalued, or the market believes the company's earnings growth will be higher than the market expects. Boeing, on the other hand, has a very low earnings growth rate, which means it is significantly undervalued. Or the market thinks its earnings growth could be worse than expected. Nio has the highest power indicator (0.94), which means a lot of attention and active trading, while Boeing has the lowest power indicator of the three companies (0.49), which means relatively little attention.

4. Results for asset selection

Each investor has his own investment strategy and preference, so there are various types of investors. This paper selects nine different types of investors to analyze their investment preferences for the three designated companies.

Value investors: Value investors focusing on stocks that are undervalued relatively. They firmly believe that the market overreacts to good and bad news, causing stock prices to move out of step with the long-term fundamentals of the company. Value investors believe that as long as the market continues to overreact, they have the potential to generate sustained investment returns through this strategy [8].

Index investors: Index investors do not need to follow the market as closely as other investors when investing in stocks and bonds. This investment strategy not only reduces investment risk, but also reduces the complexity of management, making index funds an ideal choice for many investors [9].

Ratio investors: There are 6 basic financial ratios that investors use frequently, working capital ratio, quick ratio, earnings per share, price-earnings ratio, debt-to-equity and the bottom line.

Momentum investors: Momentum investing, an investment strategy based on recent high returns. At the heart of this strategy is the idea that past performance is predictive of future trends. As a result, investors look for stocks or other securities that have delivered high returns over time, with the belief that these assets are likely to continue to gain momentum in the future [10].

Growth investors: Growth investors prefer to invest in potentially high-earning companies such as small caps and startups, and these companies are mostly in sectors that are expanding rapidly. Growth investors have to face a high risk, however, there is also a good probability of high return in the future. Income investors: Income investing involves configuring all or part of your investment portfolio to generate a consistent stream of income [11].

DCF: Discounted cash flow analysis is a commonly used intrinsic valuation method, mainly used to estimate the value of investments. The core idea of this approach is to determine the value of an investment based on the forecasted cash flow it will generate. When performing a discounted cash flow analysis, it is first necessary to determine an appropriate discount rate or rate of return. Dividends and earnings can directly reflect a company's profitability, while operating cash flow and free cash flow can reflect a company's cash flow position. From these data, we can get a reasonable discount rate, so as to more accurately estimate the value of the investment [12].

Insider buying: nsider buying, also known as insider buying, is the act of someone inside a company, such as a director, senior officer, or executive, buying shares of a company. This is not the same as insider trading, the practice of insiders using non-public information to make illegal stock purchases, which is generally considered illegal. Insider buying is a sign that people inside a company are confident about the future of the company, believing that the value of the company's shares will improve in the future. This confidence may come from their deep understanding of the company's business and markets, or it may come from having access to non-public information about the company's future [13].

Stock buyback: A share buyback is when the issuing company pays the market value per share to shareholders and retakes the share of ownership previously allocated to public and private investors. This process often means that a company believes its stock is undervalued, so it buys back shares to boost earnings per share and the stock price. Share buybacks can send a positive signal to the market

that a company is confident about its future performance [14]. The selections of the investors for the companies are shown in the following Table 1.

Table 1. Results for asset selection

	Nio	Boeing	Ferrari
Value	☑		
Index	☑	☑	
Ratios			☑
Momentum		☑	
PEG/Growth	☑	☑	☑
Income			
DCF		☑	
Insider Buying			
Stock Buyback			

After the analysis of the nine types of investors, the asset selection results of the nine types of investors among the three companies are as follows.

For Nio, the asset selection status of several types of investors is as follows.

Value: A value investor's core strategy is to invest in companies or assets whose intrinsic value is higher than the market price. They believe that by tapping into these undervalued assets, they can achieve stable investment returns over the long term. The key to a value investing strategy is to identify quality assets that are temporarily ignored or undervalued by the market, thereby providing investors with the opportunity to buy at a low price. Once the market recognizes the true value of these assets, investors can earn higher returns from them. In general, value investors mine companies or assets at low valuations in the hope of earning stable returns over the long term. This strategy requires investors to have keen market insight and firm investment beliefs to withstand the impact of market fluctuations.

They believe in the long-term potential of the company or asset and are willing to buy when the market is not fully appreciative of its worth. This investment strategy is in line with NIO's current investment approach, which is focused on identifying undervalued companies and investing in their growth potential.

Index: Yes, NIO can be a good fit for index investment. Index funds can be an easy way to diversify portfolio, and NIO's shares can be included in such funds as it is a publicly traded company. However, it's important to note that the performance of NIO's shares may not fully align with the broader market indices, and therefore may not be an ideal fit for all index investment strategies.

Growth: Based on the latest data, NIO's stock price has been volatile but overall, it has shown growth potential. Its revenue has been increasing steadily, and it has reported profits in recent quarters.

For Boeing, the asset selection status of several types of investors is as follows.

Index: Boeing can be included in an index investment. In fact, there are several indices that include Boeing as a constituent stock. For example, the S&P 500 index is one of the most widely followed indices in the US, and it includes Boeing as a member.

Momentum: Boeing has been known to fit momentum investment strategies. The company's stock has shown strong upward trends in the past, which has attracted investors looking for momentum plays.

Growth: Based on the information provided, Boeing may fit the profile of a growth investor. Growth investors focus on investing in companies or assets that have the potential for high earnings growth. They are willing to pay higher prices for stocks or investments that have the potential for significant long-term returns. Boeing has experienced significant growth in the past, and it continues to invest in research and development to maintain its position as a leading aerospace and defense company. Therefore, a growth investment strategy may be appropriate for Boeing.

DCF: Boeing appears to fit the criteria for DCF investment. The estimated DCF value of one BA stock is 113.63 USD, which is higher than the current market price of 231.36 USD. This indicates

that the stock is overvalued by 51%.1 However, it's important to note that the true DCF value may lie below the current market price, and investors should conduct their own analysis to determine if Boeing is a good investment opportunity.

For Ferrari, the asset selection status of several types of investors is as follows.

Index: Ferrari can be considered as an index investment. The company is listed on the New York Stock Exchange (NYSE) and its stock is included in various financial indices such as the S&P 500 and the Dow Jones Industrial Average (DJIA). Additionally, Ferrari's pricing power and brand recognition make it a desirable investment for some investors.

Growth: Ferrari can be considered as a growth investment. The company can make the price higher because of the strong brand base. Additionally, Ferrari has been investing heavily in research and development to continue to innovate and stay ahead of the competition.

5. Conclusion

This paper aims to study the investors attracted by well-known enterprises in the transportation industry by analyzing various indicators. This paper selects three major companies and voices in the internationalization and fierce market competition in the transportation industry, including NIO, Boeing and Ferrari, and analyzes 13 financial indicators. This paper concludes that value investors index investors and growth investors are likely to invest in NIO, index investors momentum investors and DCF investors are likely to invest in Boeing, and proportional investors and growth investors are likely to invest in Ferrari.

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