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A Comparative Study of Micro-financial Performance of Chinese Automakers' Global Expansion Strategies

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Abstract. Chinese automakers face fierce competition domestically and are now expanding into global markets making foreign market development one of their most critical strategies. This paper selects BYD and Seres to compare financial performance differences from their respective strategies. Data of the two companies between 2022 and 2024 comes from publicly available financial information on Sina Finance. Case comparison and financial ratio analysis show BYD's overseas expansion strategy has successfully helped it gain a foothold in international markets while Seres' current approach needs further refinement to better adapt to overseas markets. This study provides empirical references and financial decision-making basis to help Chinese automakers improve global expansion strategies and mitigate micro-financial risks. In addition, this study also warns that enterprises need to pay close attention to micro-financial risks such as exchange rate fluctuations and compliance costs in the expansion process to achieve stable internationalization development. Through comparative analysis, it provides an important basis for Chinese automobile companies with different endowments to formulate differentiated international strategies.

Keywords: Chinese automakers, Global Expansion Strategies, Financial Performance

1. Introduction

At present the worldwide automotive sector is experiencing an all-round shift toward electrification and smart technologies and the Chinese government has rolled out policies including the Belt and Road Initiative and the Regional Comprehensive Economic Partnership Agreement to support domestic development with these measures helping the nation take the top spot as the world's biggest automobile exporter [1]. The key challenge for the automotive industry is fierce market competition which has pushed many car manufacturers to put overseas expansion strategies into practice and when it comes to performance in international markets certain firms like BYD have gained notable success while others such as Seres encounter substantial hurdles. Two core questions form the focus of this article: how carmakers can assess the effectiveness of their overseas strategies in an objective manner from a financial viewpoint and what kinds of financial results various overseas expansion approaches produce. The choice to study BYD stems from this well-established carmaker's ability to maintain a balance across low-, mid-, and high-end market segments when expanding into global markets set its sights on the worldwide market and become a benchmark for other automakers looking to succeed on the global stage. Seres was selected because it is an

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emerging carmaker that places priority on working with Huawei and devotes itself to developing high-end tailor-made smart electric vehicles and this paper examines the pros and cons of these two distinct models through detailed analysis of financial figures.This study aims to provide data-driven empirical references for the overseas strategic decisions of Chinese automakers by systematically comparing the financial indicators of these two representative enterprises.

2. Literature review

The Uppsala Model suits the current phase of Chinese automakers' overseas expansion as it defines corporate internationalization as a gradual developmental course usually advancing through four phases namely incidental exports export via agents establishment of overseas sales organizations and direct production overseas [2]. This model introduces the concept of "psychological distance" and outlines the factors influencing brand acceptance in the local area, including differences in language education, business practices, culture and the level of industry development [3]. The internationalization of enterprises usually starts from overseas markets where the psychological distance is relatively small and gradually expands to those where the psychological distance is larger.

Overseas individuals or institutions' holdings in automakers are foreign shareholdings and overseas listing means issuing and trading shares on foreign securities markets. These are two distinct yet interconnected approaches reflecting international capital markets' recognition of the company and its compliance standards. Both break financing constraints to secure more capital support enhance corporate visibility and facilitate access to more advanced technologies.

The annual operating income of automobile manufacturers represents the total financial income generated by the annual sales activities, after-sales support services, financial service provision and other related business operations. The growth rate reflects the changing law of annual operating results, reflecting the market competitiveness, business stability and intrinsic growth potential of automobile manufacturers [4]. All automobile enterprises have systematically compiled and organized this key indicator, so that the horizontal comparative evaluation of the same industry can be clear.

The annual operating costs of automobile manufacturers include all expenses related to production and sales within 12 months, including raw material expenditure, labour remuneration, logistics expenses and other related expenses [5]. The growth rate indicates the annual fluctuation of these expenditure levels. This indicator reflects the cost management ability of automobile manufacturers, the combination of potential profit margins and operational risks with operating income [6]. It reveals the cross-comparison of the relationship between operational efficiency and profitability across automobile enterprises.

The gross margin reflects the profit potential of automobile manufacturers, and its fluctuations show the trajectory of profitability [7]. This indicator reveals changes in the company's core revenue-generating capacity, product competitiveness and risk resistance [8]. It focusses on core business operations, provides unique early warning functions, and supports strong cross-comparation between various automobile enterprises.

Cash and cash equivalents include in-kind currency demand deposits and comparable assets that reflect the company's cash flow adequacy and short-term risk capacity [9]. These assets reduce costs by reducing cross-border fund transfer costs and improving efficiency through rapid response to overseas market opportunities [10].

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3. Research methods

The comparative case study method enables horizontal comparisons of differences between two cases and vertical comparisons of changes within a single case over time identifying core issues through comparative analysis this paper employs this method to deeply and concretely reveal the complex underlying causes behind different cases. BYD represents established automakers undergoing transformation Seres embodies the rising tech-driven newcomers their overseas expansion strategies differ sharply with comprehensive data available for the past three years. All data in this paper comes from publicly accessible annual reports or audited financial statements published by the companies on the Sina website the cited figures including operating revenue cost of sales gross profit and its growth rate foreign ownership ratio and changes in cash and cash equivalents are authentic and reliable.

4. Data analysis

Seres has a relatively small revenue scale and unstable growth its 2024 revenue reaching 4.2 billion yuan a 15.49% decline from 2023's 5 billion yuan. This points to unresolved hurdles in global market expansion such as insufficient overseas brand visibility failure to attain economies of scale in automotive exports over-dependence on particular markets like Indonesia and Germany leading to diminished risk resistance capabilities. Table 1 showed three year financial information for Seres.

Table 1. Seres three-year financial information (billions)

Seres	Operating Revenue	Annual growth rate	Cost of goods sold	Annual growth rate	Gross profit	Annual growth	Foreign equity holdings	Cash and funds
2022	3.9b	47.81%	3.2b	40.74%	19.00%	4.07%	0.39%	+0.21b
2023	5.0b	26.92%	3.9b	23.45%	21.21%	2.21%	0.00%	-0.1b
2024	4.2b	-15.49%	3.2b	-17.19%	22.80%	1.59%	0.00%	-0.08b

Data Source: Sina Finance

Table 2. BYD three-year financial information(billions)

BYD	Operating Revenue	Annual growth rate	Cost of goods sold	Annual growth rate	Gross profit	Annual growth	Foreign shares listed	Cash and funds
2022	91.5b	43.10%	87.8b	47.65%	4.02%	-2.96%	37.72%	+0.007b
2023	160.2b	75.20%	148.8b	69.55%	7.11%	3.09%	37.72%	+0.009b
2024	221.9b	38.49%	182.9b	22.41%	17.58%	10.82%	37.74%	-0.006b

Data Source: Sina Finance

BYD is in a phase of rapid growth its operating revenue jumping from RMB 91.5 billion in 2022 to RMB 221.9 billion in 2024 with an annual growth rate of 55.9%. It maintained a high 38.49%

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growth rate in 2024 despite a high base reflecting strong market expansion capabilities and particularly high acceptance in overseas markets. Table 2 summaries all the recent financial performance of BYD.

4.1. Cost control and profitability analysis

The gross margin of Seres continues to be higher than that of BYD (22.8% in 2024), reflecting a certain product premium, but the improvement of its profitability is still highly limited, with a gross margin growth rate of only 1.59% in 2024. The decline in operating costs (-17.19%) is closely related to the decline in revenue (-15.49%), indicating that the company has failed to effectively optimize the cost structure through global market expansion. Seres still faces the problem of excessive unit production costs, and its emphasis on high-end customization hinders cost reduction and weakens profitability. Figure 1 shows profitability performance of Seres.

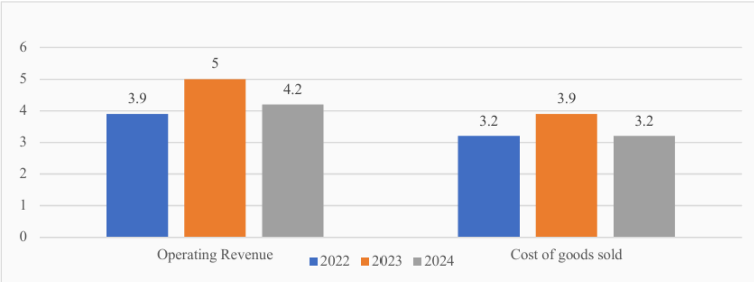

Figure 1. Seres cost control and profitability

Data Source: Sina Finance

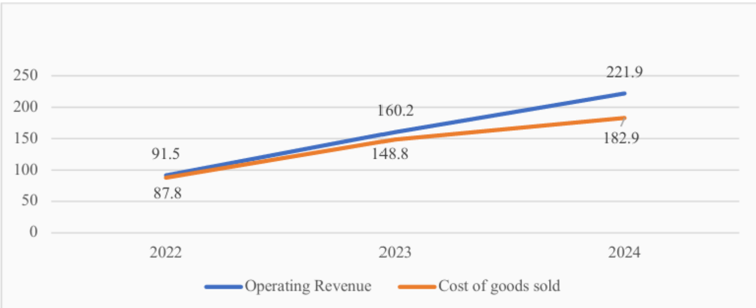

Figure 2. BYD cost control and profitability

Data Source: Sina Finance

BYD’s performance in cost and porfit shows in Figure 2.BYD’s revenue growth has been accompanied by the advantages of economies of scale its 2024 operating cost increase (22.41%) fell significantly behind revenue expansion (38.49%) directly driving gross margin to rise from 4.02% in 2022 to 17.58% in 2024 this "scale-driven effect" acts as a core financial indicator of its successful global market penetration.

4.2. International capital recognition and cash flow health

In figure 3, after 2022, Seres' foreign shareholding ratio will drop to zero, reflecting the wait-and-see or cautious attitude of international capital. What is more worrying is that the company's negative cash flow for two consecutive years ($1 billion in 2023 and $800 million in 2024), indicating a net cash outflow. Its phase of global expansion has brought about tight cash flow, which indicates a huge risk that may limit its additional investment in international markets.

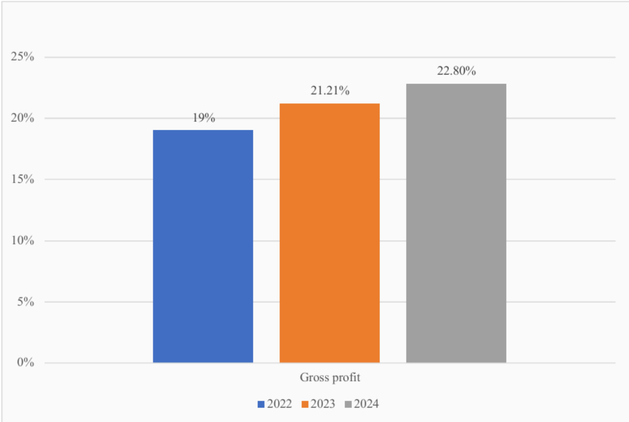

Figure 3. Seres growth performance

Data Source: Sina Finance

The proportion of foreign shares listed overseas by BYD(Figure 4)has been stable at about 37.7%, reflecting the firm confidence of international long-term capital in BYD's corporate governance and growth prospects. According to the data, this foreign ownership ratio has remained within a very narrow range of 37.7% for three consecutive years. In contrast, the total market value of its Hong Kong stocks more than doubled during this period. Its cash and cash equivalents have the least volatility, with a total of less than $10 million in three years. This trend highlights the Group's strong cash flow management capacity and financial stability, providing sustained financial support for global investment. Financial data show that its cash balance at the end of each quarter has never deviated more than 5% from the mean. Despite a nearly threefold increase in revenue during the same period, the fluctuation range of the total cash volume remains within the aforementioned range.

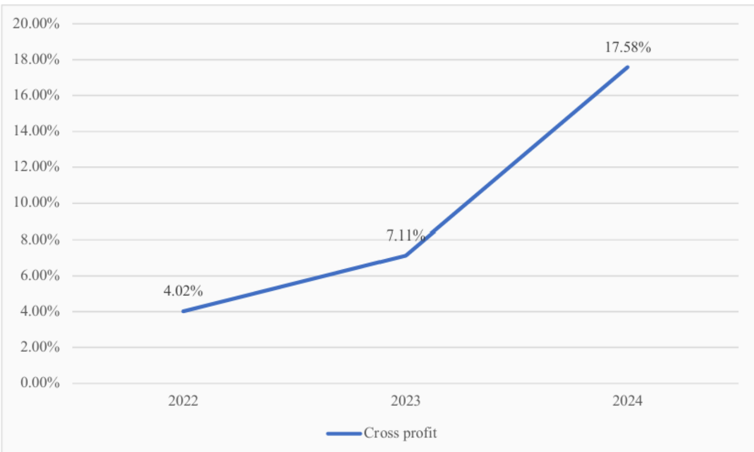

Figure 4. BYD growth performance

Data Source: Sina Finance

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5. Discussion

Analyzing the financial data of BYD and Seres in 2022-2024, this study reveals the obvious financial performance gap caused by the global expansion strategies of the two companies. BYD shows greater stability in terms of revenue scale, profit margin and cash flow. Seres faces revenue fluctuations and cash flow pressure. This study links these financial results with specific strategic measures and internationalization theories to clarify their inherent interrelationship.

5.1. Tangible manifestation of strategy execution in financial outcomes

BYD's financial data verified the effectiveness of its "vertical integration and global scale" strategy. The continuous strong revenue growth comes directly from the simultaneous launch of multiple automobile production lines and localized production in global markets, such as assembly plants in Thailand and Brazil. These factories have improved the supply capacity of the local market, seriously avoided tariffs, reduced logistics costs through localized manufacturing, and created tangible low-cost advantages in large quantities. From a financial point of view, the operating cost growth rate in 2024 is significantly lower than the revenue growth rate, which has promoted a significant increase in gross margin.

Seres's strategy of "technical cooperation and high-end customization" shows obvious financial characteristics: cooperation with Huawei enables it to launch competitive intelligent electric vehicles as soon as possible with relatively low internal R&D investment, ensuring a significant brand premium, which explains its continuously increasing gross margin. High-end customized positioning limits the scale of the target market, resulting in moderate total income and lack of internal supply chain. The large-scale production platform hinders the diffusion of effective manufacturing costs, resulting in limited absolute profit growth despite the high gross margin.

The dimensions of capital and cash flow highlight the obvious difference in market confidence in the two strategies. BYD's stable foreign shareholding ratio and minimal cash fluctuations show that the international capital market regards it as a stable capital pattern of long-term investment with controllable risks and unique growth paths, which supports continuous global capital expenditure. Seres' foreign ownership has been reduced to zero, and the net cash outflow for many consecutive years has reflected the capital market's concerns about the feasibility of the business model and the profit prospects. The cash flow scenario has created a direct financial limitation for the company. At present, the company is in the stage of need for a large amount of funds for overseas channel expansion and brand promotion.

5.2. Analysis of model differences based on internationalization theory

From the theoretical perspective of enterprise internationalization, BYD's expansion path is very consistent with the incremental internationalization characteristics outlined by the Uppsala model, which emphasizes that enterprises can reduce the uncertainty of overseas operations by gradually increasing resource commitments. The development of BYD from simple export to the establishment of overseas sales subsidiaries, and then to investment in full-cycle production facilities, reflects a classic gradual accumulation process. Market insight deepens localization operations. Financial data confirms that this stable and decisive resource investment ultimately promotes the synchronous growth of revenue and profits, and realizes financial Continuity.

With the cooperation with Huawei, the rapid progress of brand and technology has directly entered the fiercely competitive high-standard high-end market, avoiding the long stage of brand and

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technology development. The Uppsala model believes that the internal accumulation of knowledge in overseas markets cannot completely replace Seres' financial performance, especially unstable income and continuous cash outflow, which partially affirms this view. At the same time, skipping some incremental stages, the company may give up key market learning and cost control capabilities. Development leads to an increase in financial fluctuations.

5.3. Implications for Chinese automakers' overseas expansion practices

The results of this study show that the success of the overseas expansion strategy of automobile manufacturers must ultimately be evaluated by financial performance at the micro level.

For mature car manufacturers with rich resources, BYD's case has verified the financial feasibility of combining "scale" with "localized production". Future efforts will focus on improving the operational efficiency of global factories to cope with regulatory and cultural risks in different markets.

For emerging automakers, the experience of Seres shows that using technology partnerships to enter the high-end market may ensure initial premium pricing, but this approach faces challenges in maintaining long-term scale expansion and financial stability. New energy vehicle start-ups need to plan the pace of overseas expansion more carefully, pursue high value-added products, and raise cost control, cash flow management and diversified capital support to strategic priorities to alleviate the inevitable financial pressure in the early stage of internationalization.

6. Conclusions

BYD announced particularly good financial results, thanks to the annual compound income growth rate of 55.9%, the economy of scale whose cost growth lags behind revenue expansion, and stable foreign investment holdings - these advantages support global expansion and continuous international investment efforts. Seres achieved explosive revenue growth and initial profit performance, highlighting its strong product premium pricing capabilities. However, it faces long-term cost control challenges and huge short-term capital pressure, which are caused by high unit production costs and insufficient cost structure optimization.

Mature enterprises that are ready to expand globally should strengthen their existing advantages and closely track the culture and management risks related to localization. Emerging automakers are re-evaluating the overseas expansion schedule, seeking strategic partnerships to reduce cash flow pressure, and focusing on profitable market segments.

The government strengthens the financial support system for the overseas expansion of enterprises, provides export credit and risk protection, and establishes an information platform to help enterprises reduce overseas investment risks.

This study focuses on two specific cases of BYD and Seres, and combines the data and strategic perspectives of other automobile manufacturers seeking overseas expansion to expand its scope. The data coverage cycle is relatively short, and non-financial indicators such as brand influence, market share and ESG performance are not included in the analysis.

Future research should include a wider range of cases, extend the time frame for data collection, increase research methods, such as interviews with representatives of automobile manufacturers, and improve the rigor and depth of research conclusions.

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