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[OEM Highlights] GAC Aion invests in new mobility company

GAC Aion, the electric vehicle (EV) subsidiary of GAC Group, invested in a mobility technology company on 16 June, according to Gasgoo. The new company, called the Guangdong Qianshun Mobility Technology Co., involves a registered capital of CNY25 million (USD3.86 million) and will focus on the operation of ride-hailing services, research and development of intelligent connected vehicle (ICV)-related technologies, and car rental services.

Outlook and implications

GAC Aion has stepped up its efforts in the area of autonomous vehicles (AVs) and electric vehicles (EVs). The company introduced the Aion LX in 2019 with Level 3 automated capabilities, and last year announced plans to pilot Level 4 AV operation in designated regions in 2023. GAC already has a partnership with DiDi in areas such as ride-hailing operations and fleet management. The two recently teamed up to co-operate on the development of an autonomous new energy vehicle (NEV) model for large-scale commercial application.

[OEM Highlights] Geely premium brand Zeekr to set up global headquarters in Ningbo

Zeekr, Geely's premium electric vehicle (EV) brand, has announced the establishment of its global headquarters in the city of Ningbo, according to a company statement. The company already has a factory in the region for the production of its EVs. Separately, Zeekr’s parent company Geely Holding Group has signed a co-operative agreement with the Ningbo Municipal Government to raise China’s automotive standards and promote the development of automotive supply chain and green mobility in the area.

Outlook and implications

In March, Geely Auto entered into an agreement with its parent company, Zhejiang Geely Holding Group (Geely Holding), on the formation of a new company called Zeekr Company Limited (Zeekr) to produce premium EVs under the Zeekr brand. Shortly afterwards, the brand launched its first EV, the Zeekr 001, based on Geely's dedicated EV platform, the Sustainable Experience Architecture (SEA) and with a driving range of 700 km. The 001 will be produced at the Ningbo plant in China from July, with total output expected to be around 13,700 units in 2021 and 22,800 units next year, according to IHS Markit's light-vehicle production forecast.

[Technology Highlights] Foton Motor in initial talks with Huawei on autonomous vehicle business

Foton Motor used its investment information platform to reveal that it is conducting preliminary co-operation talks with Huawei for autonomous vehicle (AV) business, reports Gasgoo. Meanwhile, the two companies are discussing technologies related to smart cockpits, Ethernet and radar as part of preparations to seek collaborative projects in the future.

Outlook and implications

In April 2019, Foton Motor and Huawei entered an agreement to collaborate on multitude of businesses aiming to build a 5G compatible smart system for commercial vehicles. Under the agreement, the two companies will collaborate on developing an intelligent driving computer platform for commercial vehicles as well as design and research and development (R&D) of Level 3 mass-produced autonomous cars. Foton Motor through its joint venture (JV) with Daimler, Foton Daimler Automotive Co., has tested its autonomous heavy-duty truck in China. Meanwhile, Huawei is seeking to expand its presence in the automotive industry and recently announced plans to invest USD1 billion in R&D into components for smart cars this year. It has also partnered with three automakers – BAIC BJEV, Changan Automobile, and GAC Group – to jointly introduce autonomous car brands from the end of 2021.

[Technology Highlights] Evergrande introduces automated valet parking system

Electric vehicle (EV) startup Evergrande has launched its automated valet parking system capable of several Level 4 autonomous functions in specific scenarios, such as cruising on narrow roads, pedestrian and obstacle avoidance, automatic car-following, and automatic recognition of car parks, reports Gasgoo. The system will be available in Hengchi-branded vehicles equipped with ultrasonic radars, millimetre-wave radars, high-definition cameras with panoramic view, as well as high-precision map. The Hengchi models will be trialled in the fourth quarter of this year.

Outlook and implications

Evergrande New Energy Vehicle, the electric vehicle (EV) arm of China Evergrande Group, announced plans in March 2021 to form a joint venture (JV) with a unit of Tencent Holdings to develop a smart vehicle operating system (OS). The EV firm will contribute 60% of capital to the venture while Tencent unit Beijing Tinnove Technology will make up the remainder. Evergrande New Energy Vehicle said, "Both parties are expected to give a full play of their respective capabilities in new energy vehicle research and development, manufacturing, artificial intelligence, big data, cloud computation, commuting and other fields". Meanwhile, In August 2020, Evergrande Group unveiled six new EVs by its Hengchi brand, during a brand event held in China. Evergrande plans to invest CNY20 billion to advance its EV business in 2020 and 2021. By 2030, the company aims to achieve annual sales of 5 million vehicles in the global market.

[MHCV Highlights] DAF, Mercedes reveal upgraded heavy truck range

IHS Markit perspective

Implications	DAF and Mercedes have announced upgrades to their heavy truck range with the launch of the XF, XG and XG+, and the Actros L, respectively.
Outlook	With the launch of DAF's new truck range, it has taken full advantage of the new European rules on vehicle lengths to create a vehicle that should achieve better fuel efficiency, offer greater visibility, and have improved occupant comfort. It remains to be seen when another truck-maker will do something similar, given the long development lead times.

DAF and Mercedes have announced upgrades to their heavy truck range.

DAF XG+
Source: DAF

DAF has launched the replacement for the current generation XF, which will now be known as the XF, XG, or XG+, depending on the specification. It has said that it is the first vehicle to take advantage of the European Masses & Dimensions regulations for medium and heavy commercial vehicles (MHCVs). This provides a 160mm front elongation of the new design cab that allows for improvements in both aerodynamics and safety. A key part of this is the large radii curved nose and windscreen alongside the tapered rear of the cab, which contributes to a 19% improvement in aerodynamic efficiency. Other exterior design features that will support this performance include air fenders against the rear chassis of the truck, an 'Aero Bottom' plate that optimises airflow under the vehicle, and "seamless cab panel fitting". The vehicle can also come with the DAF Digital Vision System, which uses cameras to replace mirrors and is said to improve aerodynamic efficiency by 4.5% alone, and contribute to a 1.4 percentage point gain in fuel efficiency.

DAF XG interior
Source: DAF

Overall, the new truck is said to benefit from a 10% improvement in fuel efficiency over its predecessor. This coincides with the introduction of a new generation of PACCAR's MX, which is available as the 10.8-litre MX11 developing 367hp, 408hp or 449hp, or the 12.9-litre MX13 developing 428hp, 483hp or 530hp. The XG and XG+ are only offered with the highest specification MX11 or the MX13. These all benefit from changes that include a new engine block and cylinder head, newly designed injectors and a next generation turbo compressor, while the Engine After Treatment System is said to have better performance and offers greater efficiency. The latest-generation vehicles also include the TraXon automated transmission as standard, that can be had with Predictive Cruise Control and new Optimised EcoRoll which prevents unnecessary braking. Another addition is Preview Downhill Speed Control which, alongside an improved engine brake, removes the need for an Intarder, helping to reduce the overall weight of the vehicle.

The new cab design also improves interior comfort for the driver. The company has said that "in all models there is more than enough room to stand upright and the XG+ flagship even sets a new industry benchmark in cab volume and comfort". This is helped by 330mm of extra cab length to offer greater interior space, and an 800mm wide bed being available in the XG and XG+. The sleeping space also has the option of a mechanical or fully electrical DAF Relax Bed for optimal head, back and leg support. Other comfort features include a retractable table, foldaway passenger seat and two large under-bunk drawers that can be equipped with one or two refrigerators. On the dashboard, there is a 12-inch digital instrument panel and the option of a 10-inch infotainment screen, which can be had in Standard, Luxury or Exclusive specifications and providing a wide range of applications and functions.

As for safety features, as well as the visibility offered by the new windscreen design, kerb view windows and mirror systems, the company offers the option of DAF Corner View which replaces the front view and kerb mirrors on the passenger-side A-pillar. Other systems available are adaptive cruise control, forward collision warning, advanced emergency braking system, city turn assist, lane departure warning system, low speed trailer brake, and stability control.

For servicing, the XF, XG and XG+ all feature over-the air updates for the engine and after-treatment systems, the vehicle ECU, its central security gateway, and DAF Connect. As standard, service-intervals are 125,000 km or 12 months as standard, but for long haulage, a long-drain option is available which means a service interval of once a year or up to 200,000 km.

Separately, Mercedes-Benz Trucks has revealed its updated Actros. Now called the Actros L, the vehicle is still available with StreamSpace, BigSpace and GigaSpace options, but with changes that include a seating position that has been reduced by 40mm, which is said to offer a more relaxed and comfortable driving experience. Other changes to the interior are a more comfortable mattress and new seat covers and door trims. Outside, the Actros L now has the option of newly designed LED headlights, which help to improve safety.

Mercedes Actros L
Source: Daimler

Also available to enhance safety is the Sideguard Assist S1X system, which not only warns the driver of pedestrians or cyclists on the passenger side, but also can initiate an automated braking manoeuvre at speeds of up to 20km/h. This joins the second-generation active drive assist, which can help the driver to guide the vehicle and can automatically maintain the distance from the vehicle ahead, as well as accelerate and steer in certain conditions. This system includes emergency stop assist, which is able to initiate an emergency stop if the driver is no longer controlling the steering wheel. If the truck comes to a standstill, the system can automatically engage the electronic parking brake and unlock the doors in case of a medical emergency. There is also active brake assist 5 as standard which features a pedestrian recognition function, and uses a combined radar and camera system that can perform automated maximum full-stop braking at vehicle speeds of up to 50 km/h.

The upgrades on the Actros L are also designed to offer greater efficiency. Predictive powertrain control can take into account the topography, the course of a road and traffic signs in certain situations, helping to reduce unnecessary braking, accelerating and gear shifting. This is said to improve fuel efficiency by up to 3% on expressways and motorways and up to 5% on rural roads. There are also a range of services and applications designed to improve efficiency and vehicle uptime.

Outlook and implications

Although the tweaks made to the now decade-old Mercedes Actros to become the Actros L highlight the incremental improvements that truck-makers make to their line-ups to upgrade safety, fuel efficiency and driver comfort, the launch of the new DAF XF, XG and XG+ highlight what is possible under rules brought in by the European Union (EU). These, first introduced in 2015, relate to the maximum authorised dimensions and weights allowed by such vehicles in the region. The rules allow them to be made longer to improve aerodynamic performance; improve visibility to ensure the safety of vulnerable road users; reduce the damage or injury caused to other road users in the event of a collision; and increase the safety and comfort of drivers. DAF has embraced all these factors in this newly revealed vehicle that replaces the XF, which has a cab structure that can trace its lineage back to the late 1980s. However, the fact that no other OEM appears to have gone to such lengths to meet the new rules highlights the long development lead times within the truck industry. It remains to be seen when other brands will choose to follow suit, particularly as Scania only launched its newest vehicle in 2016, Iveco launched the S-WAY in 2019, and MAN introduced its latest TGX in 2020.

IHS Markit currently expects global sales volumes of the XF/XG/XG+ to be below those seen at the XF's peak during 2019 of 43,600 units, although this will be down to the fallout from the coronavirus disease 2019 (COVID-19) virus pandemic. However, we do see sales recovering, and these volumes will be reached again and even surpassed by mid-decade. We also expect this new vehicle to eventually benefit from a battery electric powertrain, although DAF's initial focus on this type of technology will be on the smaller CF.

[GSP] South America sales and Production -2021.05

South America sales

May 2021: +156.4%; 300,000 units vs. 117,000 units
YTD 2021: +34.6%; 1,493,000 units vs. 1,109,000 units

There were 300,000 units sold in South America in May 2021—11,000 units higher than the previous month. IHS Markit analysts continue to see a gradual recovery in sales despite a third wave of the COVID-19 virus that is striking several countries in the region (Argentina, Brazil, Chile, Colombia, and Peru). Unlike 2020, showrooms have remained mostly open, albeit with reduced hours (except for Argentina that saw multiple states closed in late May). Given the austral winter, reduced sales are likely in June and July. IHS Markit analysts will continue to monitor the sales pace in the region as Brazilian production has also been heavily hit by supplier constraints.

The region is up by nearly 400,000 units YTD to nearly 1.5 million units. Argentina's market has surprised the most, but sales will see a fading effect owing to the gap between the dollar blue and official exchange rate (consumers are swapping their dollars in the black market at a rate of ARS160/USD1 but cars are sold at the official exchange rate of ARS95/USD1, which makes the operation more than one-third cheaper). Also important, Brazil's seasonally adjusted annual rate (SAAR) closed at about 2.0 million in May, 450,000 units lower than where the year started off, speaking to the constraint in inventory as Brazilian production has also been hit by supplier constraints.

The macroeconomic model for Brazil signals toward sales of 2.2 million units in 2021. The affordability model suggests a market around 2.1 million units. IHS Markit analysts anticipated sales would break the 2.3-million-unit milestone; however, given that Brazil's SAAR in March–May (about 2.0 million) owing to a third wave of the COVID-19 virus, the forecast sits at 2.25 million units. IHS Markit analysts expect a gradual recovery toward a SAAR of 2.4 million units by the end of the year, assuming there is some alleviation in build rates that are constrained by semiconductor/raw materials availability.

Sales within the region were at 4.5 million units in 2019; not an all-time high, but this is the benchmark being used globally for how long it will take to recover from COVID-19. IHS Markit analysts estimate that 2020 closed with sales of 3.2 million units and will climb toward 3.8 million units in 2021. The long-term outlook projects sales to approach 5.0 million units by 2025 as the region heals.

South America production

May 2021: +408.6%; 220,117 units vs. 43,283 units
YTD 2021: +59.5%; 1,107,425 units vs. 694,501 units

Volumes skyrocketed again in May 2021 in South America, with some 220,000 units built, more than five times the level registered in May 2020. This increase was due to an extremely favorable base of comparison, as May 2020 was only the second month when the effects of the COVID-19 pandemic became visible (lockdowns, plant closures, etc.). At that time, barely 40,000 units had been effectively built. To put things in perspective, for the past 20 years, the average output reached in May in the region is closer to 275,000 units, meaning that the May 2021 tally was still 20% below normal activity.

[VIP ASSET] China's leading EV startups build sector growth

The Chinese car market has been inundated in the past few years by a plethora of ambitious battery electric vehicle (BEV) startups of varying credibility and levels of financial backing. In this special report, IHS Markit looks at the main contenders.

Key findings

EV startups' great willingness to build charging infrastructure and come up with solutions designed to address consumers' concerns over switching from a traditionally fuelled vehicle to an EV have played a critical role in attracting new buyers.

Leading EV startups in the Chinese market are eroding the edge of Tesla. These aspirational new brands are also luring consumers away from traditional automakers such as General Motors and Volkswagen.

For consumers, a large part of the appeal of startup brands lies in their "out-of-the-box" approach towards product design, marketing, brand building, and customer engagement.

Smaller EV startups are being squeezed out of the sector, while there is rising interest from tech companies in launching EV businesses.

Better-resourced startups with strong technology capacities and capital reserves will help drive innovations in the development of new-generation smart EVs and accelerate adoption of EVs among young consumers.

China's push to take a leading role in the electric vehicle (EV) market has encouraged startup companies to enter the country's automotive industry in the past five years. The sprouting of new entrants has stirred up the industry with new brands, products, and business models. By the end of 2019, IHS Markit data showed that China had over 480 startups in the automotive sector by registration. However, over the course of 2020, this group of startups thinned out, with a noticeable number of small-scale companies fading away from the public eye without even launching their first product. In comparison, startup companies with a compelling product line, strong technology capacities, and access to the capital market have gained a footing in the EV market.

This report aims to provide an insight into Chinese EV startups and share our findings on how their business strategies play out, defining their places in the market.

Chinese EV trio

NIO, Xpeng Motors, and Li Auto are often referred to as the Chinese startup trio by auto industry analysts. The three companies have successfully listed their shares on the stock market in the United States, amid doubts over whether their products built from scratch will have an appeal to mass-market consumers. NIO, founded by William Li, emerged from an array of newcomers to become the most high-profile startup in China's EV market. Since deliveries of the NIO ES8 electric sport utility vehicle (SUV) began in June 2018, NIO's sales have risen consistently in the past two years, helped by its expanding product line-up, consisting of three electric SUVs, the ES8, ES6, and EC6. According to NIO's sales report, it delivered 43,728 vehicles in 2020 amid the coronavirus disease 2019 (COVID-19) pandemic, marking an increase of 113% from 2019. The momentum has carried

through into 2021. In the first quarter of 2021, NIO's deliveries surged by 423% year on year to 20,060 vehicles, hitting a new quarterly record. As of the end of March 2021, the company's accumulative deliveries of its three models totalled 95,700 units, on the brink of hitting the 100,000-unit mark.

As its deliveries hit new records, NIO's financial standing began to improve. NIO's gross margin was positive for the first time in the third quarter of 2020, at 14.5%, and stayed positive, at 17.2%, in the fourth quarter. The company's efforts to reduce its headcount, streamline its business structure, and optimise its sales network have enabled it to cut its operational costs and narrow its net loss. For the full year 2020, NIO posted a net loss of CNY5.3 billion (USD813 million), improved from a net loss of CNY11.3 million in 2019.

NIO's rival, Xpeng, enjoyed a similar growth pattern during 2020. The EV maker, which began operations in 2014, launched the series production of the G3 compact electric SUV in late 2018 under a contract manufacturing deal with struggling Chinese automaker Haima Auto. With the support of the local government, Xpeng began to produce its second mass-market model, the P7 electric sedan, last year at its own manufacturing plant in the city of Zhaoqing, Guangdong province. Thanks to its configuration, a competitive price range, and a long driving range of up to 704 kilometres, the P7 has quickly gained traction in the electric sedan segment since deliveries of the model began in mid-2020. In the full year 2020, Xpeng delivered 27,041 vehicles, of which 15,062 units were P7s.

Compared to NIO and Xpeng, which solely focus on battery electric vehicles (BEVs), Li Auto is not rushing to join the race. The company's first product is a full-size range-extended electric vehicle (REEV), which under China's current policy can still receive new energy vehicle (NEV) subsidies. Li Auto argues that a lack of EV charging infrastructure hinders adoption of EVs among mass-market consumers. REEVs, as hybrid vehicles, are better alternatives to ICEs for long-distance commutes than BEVs. Li Auto's first model, the Li One, is currently competing with models such as the BMW X5 and Mercedes-Benz GLE in the premium E-SUV segment. The Li One's price point, which starts at CNY328,000 (USD50,150), gives it an edge over those more-expensive competitors. Over the next three years, Li Auto plans to focus on REEVs designed to attract premium vehicle buyers who are not ready to embrace EVs, although the company has already begun to develop vehicle architectures for pure EVs and has plans to launch its first EV in 2023.

With China's government shifting its NEV policies to favour zero-emission vehicles, plug-in hybrid electric vehicles (PHEVs) and REEVs may no longer enjoy government incentives, such as subsidies and free licence plates. Without those policy supports, PHEVs may lack appeal to vehicle buyers, especially when full hybrid vehicles rolled out by Japanese automakers have been gaining popularity thanks to their outstanding fuel efficiency. However, given Li Auto's strategy to sell premium vehicles at a price point significantly lower than similar models introduced by brands such as Audi, BMW, and Mercedes-Benz, the company should continue to take market share from traditional automakers in the premium vehicle segment.

Search for winning strategy

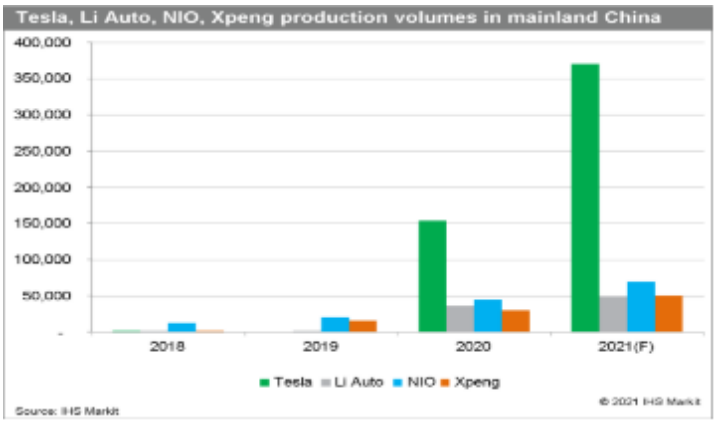
Following analysis of the strategies of some high-profile Chinese EV startups, we believe a compelling product line, first-class customer services, rapid response to customer feedback, and willingness to bear the initial cost of building charging infrastructure have all played a role in helping these new brands grow their customer base.

Tesla is without doubt the dominate EV maker in the Chinese market. Startup companies, however, are eroding the edge of Tesla in the EV space, as well as luring consumers away from traditional automakers with a huge presence in the Chinese market, such as General Motors (GM) and Volkswagen (VW), which are yet to have competitive EV portfolios in the market.

For NIO's customers, purchasing a NIO model earns them access to a suite of premium services that even the 'big fish' in the premium segment do not provide. In a video interview with CBS News in February 2019, William Li said that he believed China's young and affluent customers are vigorously reinventing their lifestyles. His company wants to be part of that transformation by offering exclusive access to a social community. Through an expanding network of experience centres called NIO House and a NIO app, the startup wants its customers to feel as if they are part of an exclusive club and they are sharing the same kind of upper-class lifestyle. To ease consumers' anxiety over switching from an ICE to an electric car, NIO provides on-demand charging services to customers who have no access to home chargers. Many NIO owners also use such services when travelling to areas that lack fast-charging infrastructure. Although these services come at a high cost for the company and the customers, they have proved to be effective in attracting affluent Chinese customers who are willing to pay a premium for a kind of worry-free "concierge service" through their ownership of the vehicle.

Compared to Tesla, which has an extensive fast-charging network covering more than 6,000 superchargers across China, NIO's charging network primarily consists of battery-swapping stations. Battery swapping has made up a large part of NIO's competitive edge against its rivals as it significantly reduces the waiting time for drivers to top up their batteries. Currently, all NIO customers may access battery-swapping services up to eight times per month free of charge, an offer quite attractive to those who do not often use their EVs for long-distance commutes. As of 2 April 2021, NIO had 197 battery-swapping stations in China. The network is to be expanded to 500 battery-swapping stations across China in 2021. The EV startup claims that it provided more than 2 million battery-swapping services to customers by the end of March, indicating such services have already achieved high acceptance among NIO vehicle owners. To improve the efficiency of its battery-swapping station network, NIO has begun to roll out its second-generation battery-swapping technology, starting from April. The new system does not require the driver to leave the vehicle and the vehicle parks in the service area automatically, ensuring a fast service and a short waiting time. Each service station is now able to store 13 batteries packs and serve up to 312 vehicles per day.

NIO's battery-leasing programme, promoted by the company as 'Battery as a Service' (BaaS), has also played a critical role in bolstering its sales. Unlike models offered by the majority of EV brands, NIO's models are designed to be compatible with swappable battery packs. With this design, NIO is able to provide its customers with a fast-charging experience by replacing a battery of low capacity with a fully charged one at one of its battery-swapping stations. The automaker also allows consumers to lease a battery pack when placing an order on a new vehicle. Under this battery-leasing programme, battery cost is not part of the vehicle's selling price and the owner of the battery is NIO, instead of the customer. For example, the base version of the ES6, the ES6 Sport with a 70-kWh battery, is priced at CNY346,480 after subsidies. By taking the battery pack out of the vehicle, the ES6 Sport's sale price is lowered by CNY70,000 to CNY276,480. Customers need to pay a monthly fee of CNY1,060 for the battery pack and they also enjoy free battery-swapping services up to six times per month. Another benefit for customers is they can opt to upgrade to a larger-capacity battery pack when such products become available.



Startup companies such as Xpeng are also building their competence in the field of operating systems and autonomous driving. All Xpeng models are equipped with the company's own operating system, Xmart OS. The system made its debut in the Xpeng G3 and the company has been refining and expanding the features of the Xmart OS through over-the-air (OTA) updates covering multiple modules, including autonomous driving assistance, voice assistance, smart cockpit, in-car app offerings, and personalised settings. The latest OTA update for the P7 enables the model to perform automated driving on highways, supported by Xpeng's navigation-assisted highway autonomous driving solution, NGP (Navigation Guided Pilot). Compared to Tesla's Navigation on Autopilot (NOA) system, Xpeng's solution is based on high-resolution maps, which allow the NGP system to provide a stable performance in harsh weather conditions, such as rainstorms. According to Xpeng, in February, the first month when the company pushed out NGP to its vehicles, up to 1.27 million kilometres were travelled by Xpeng vehicles using NGP. The system is tailor made to cater to Chinese customers, while also supporting communication between the driver and the vehicle, allowing the driver to access most of the vehicle's functions through voice commands. Despite its relatively low sales, Xpeng's capacity to keep improving the functions of its vehicles through OTA updates has already become its core competence, which has successfully translated into sales of its models. In the first quarter of 2021, Xpeng achieved record quarterly deliveries of 13,340 vehicles, representing a 487% y/y increase.

Business giants in transformation

China's policies to rein in credit expansion and property investment have largely constrained the growth of the real-estate sector, driving some of country's largest property developers to explore opportunities in the EV sector. These new entrants, which thrived during China's decades-long property boom, are more willing to engage in

"asset heavy" business models than those supported by venture capital. Baoneng, a business conglomerate based in Shenzhen, Guangdong province, entered the auto industry by acquiring a controlling stake in struggling automaker Qoros Automotive in late 2017. The company later went on to reach deals with Groupe PSA and Chongqing Changan Automobile Company on the acquisition of the Changan PSA joint venture (JV). The deal gained Baoneng full control of the Changan PSA JV's Shenzhen plant to prepare for the launch of products by Baoneng Auto. In November 2020, Baoneng celebrated the opening of its newly built Xi'an manufacturing base, Shaanxi province. The first vehicle based on Baoneng's XEV platform was shown to the public for the first time. However, the model's debut failed to impress its audience as it was an REEV based on the Qoros 3, a compact sedan introduced by Qoros in 2012.

Evergrande, one of the largest real-estate developers in China, represents another "outsider" eager to tap into the booming EV market. With access to deep pockets, Evergrande has been acquiring stakes in established players to enter the BEV business. In Evergrande's case, production permits, along with an established manufacturing network and valuable technology know-how it gained through acquisitions and partnerships, are key enablers for it to gain a foothold in the auto industry. Companies joining Evergrande's expanding network include lithium-ion battery company Shanghai Cenat New Energy, electric car maker NEVS, and renowned Swedish sports-car maker Koenigsegg. Evergrande's financial report shows its NEV business generated revenue of CNY188 million during 2020, with most revenue coming from sales of lithium batteries and vehicle components. The NEV business, however, posted a loss of around CNY6.06 billion for the company in 2020 from research-and-development activities, marketing, advertising, and interest costs of shareholder loans. Therefore, at the current time, the business would appear some way from being profitable. The cash hemorrhage is expected to continue as the company has yet to bring any of its nine concept vehicles planned under the Hengchi brand to the market. According to Evergrande, production of the Hengchi 1 EV, the first model due to be launched by the Hengchi brand, is to begin during 2021. This premium flagship EV will mark the beginning of Evergrande's ambitious planned transition to become a major EV company with annual sales of 1 million vehicles by 2025 and 5 million vehicles by 2035.

From a market perspective, the Achilles' heel for these new entrants is how capable they are of finding a path through the complexities of auto manufacturing, from product development and supply-chain management to sales and distribution, in an area that is very different from their traditional core business activity.

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