



Financing Strategy and Dynamic Capital Structure Adjustment of EVE Energy

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Abstract. Under the promotion of the “dual carbon” strategy, the new energy industry has experienced explosive growth. As a core supporting field, lithium batteries have significantly increased their dependence on funds due to rapid technological iteration and high demand for capacity expansion. This study takes EVE Energy, a representative enterprise in the lithium battery industry, as the research object, integrates the Pecking Order Theory and Trade-off Theory, and explores its financing strategy selection, capital structure changes, and financial performance by analyzing its 2020-2024 financial data. Research has found that EVE Energy’s financing mainly relies on equity financing, which differs from the Pecking Order Theory; in terms of capital structure, the company’s total assets have strong long-term solvency, but weak short-term solvency; in terms of financial performance, gross profit margin and profitability are showing a downward trend, which can be improved by increasing sales and reducing costs. This study not only verifies the applicability boundaries of POT and TOT in high-growth new energy enterprises but also provides practical references for similar enterprises to optimize financing structures and balance solvency with profitability, which is of great significance for promoting the healthy development of the lithium battery industry.

Keywords: EVE Energy, Financing strategy, Capital Structure, the Pecking Order Theory.

1 Introduction

Technological iteration has driven the upgrading of electronic products and promoted the replacement of traditional high-energy-consumption products with new energy products, thereby stimulating the industry’s financing demand. For example, in today’s society, there are many resources or energy sources facing shortages, such as oil, which is a necessary energy source for many vehicles. Therefore, new energy vehicles have become one of the vigorously developed energy industries in the country [1]. At the same time, new energy has helped upgrade the industrial structure and promoted the development of new energy vehicles in China through technology and the market. In addition, new energy is also a relatively environmentally friendly energy source that can effectively reduce carbon emissions and decrease oil demand

[2]. Many companies use different methods for financing to achieve their financing goals. In project research, there is a high level of risk, and companies often prepare multiple fundraising plans to compare and select the most suitable strategy. At the same time, investors usually choose companies with sufficiently excellent financing strategies to invest, so the numerous financing strategies compared by companies need to prove that their companies have enough potential to allow investors to obtain higher returns compared to other companies [3].

There are many theories in financing methods, such as the pecking order theory, trade-off theory, etc. Firstly, the Pecking Order Theory was based on the theory of information asymmetry. Internal financing has no financing cost or information disclosure cost. Debt financing can reduce capital costs through the tax shield effect, while equity financing is prone to undervalued stock prices due to information asymmetry, thus having the lowest priority. The trade-off theory suggests that companies need to seek a balance between the tax shield benefits of debt financing and the cost of financial distress. When the asset liability ratio is low, the tax shield benefits increase with increasing debt. There is a mutually beneficial relationship between a company's financing strategy and its diversification [4]. Artificial intelligence can improve the accuracy of predicting equity costs and returns, and therefore has the potential to replace traditional asset pricing models [5]. Financing can hurt investment returns in the early stages, but these effects are weakened through the investment and utilization of funds, and different financing tools can have varying effects on a company's performance [6].

Previous literature has analyzed financing strategies and capital structures from the perspective of investment returns, but there is still a research gap in financing methods. This article takes EVE Energy as an example to analyze the company's capital structure and financial performance, and to verify the application of the pecking order financing theory and trade-off theory in high-growth new energy enterprises, enriching the context of dynamic adjustment of capital structure. At the same time, it provides a reference operational path for new energy enterprises to formulate financing strategies and optimize capital structure.

2 Case Introduction

2.1 Company Overview and Industry Status

EVE Energy was founded in 2001 and listed on the Shenzhen Stock Exchange in 2009. It is a leading domestic lithium-ion battery enterprise, with business covering lithium battery material R&D, cell manufacturing, BMS (Battery Management System) development, and energy storage battery system integration. In 2024, its global energy storage battery shipments ranked among the top five in the industry. It has formed five major business segments: EVE Energy, EVE Energy Storage, EVE Power, Strategic Synergy, and Global Cooperative Operations. By 2024, the global shipment volume of energy storage batteries ranked among the top five in the industry, and power batteries were matched with car companies such as Geely and Xiaopeng. The company's main products are mainly divided into three categories. Firstly, con-

sumer batteries are mainly used in various fields such as smart meters, automotive electronics, intelligent security, etc. Secondly, power batteries are mainly used in the fields of new energy passenger vehicles, commercial vehicles, engineering machinery, etc. Thirdly, energy storage batteries are mainly used in the fields of power storage, etc.

The main driving factors for the performance of EVE Energy are as follows. Firstly, under the wave of electrification and intelligence, the demand for batteries in the consumer market is steadily increasing. In the consumer battery sector, the company has a wide range of product types and significant competitive advantages. Secondly, under the joint promotion of policy guidance and technological breakthroughs, the downstream demand for power batteries has increased. Since the deepening of the “dual carbon” strategic goals, major economies around the world have built a benign new energy industry ecosystem through sustained policy support. Thirdly, with the rapid growth of the market and technological advancements, the global energy storage industry is accelerating the construction of new business models.

2.2 Industry Characteristics and Financing Needs

EVE Energy has strong competitiveness in the industry, and in 2024, the company will expand its production capacity and lay out production bases globally. As shown in Table 1, the net cash flow from financing activities indicates a high demand for financing. The net cash flow generated from investment activities in 2024 was -731 million yuan. Cash and cash equivalents decreased by 1.392 billion yuan in 2024, a year-on-year decrease of 151.65%. Among them, the industry has rapid technological iteration, and the research and development of new projects require a large amount of capital investment.

Table 1. EVE Energy’s cash flow.

Subject	2024 (billion yuan)	2023 (billion yuan)	Year-on-year increase or decrease
Net cash flows from operating activities	4.434	8.676	-48.90%
Net cash flows from investing activities	-7.310	-5.921	-23.46%
Net cash flows from financing activities	1.40	3.10	-54.90%
Net increase in cash and cash equivalents	-1.392	2.69	-151.65%

In 2024, EVE Energy has a total of 9 projects in the research and development process. In these research and development projects, EVE Energy has funding needs in many aspects. Firstly, EVE Energy had 6068 research and development personnel by 2024, and their salaries were an important component of R&D investment, which is one of the factors exacerbating the funding demand. In addition, the purchase and maintenance of high-cost machines are required in many projects, which is another factor that increases funding requirements.

3 Financing Strategy Analysis

3.1 Equity Financing

As shown in Table 2, EVE Energy conducted its IPO in October 2009, issuing a total of 22 million shares at an issuance price of 18 yuan per share. Among them, 4.4 million shares were allocated offline, and 17.6 million shares were issued online. This issuance raised a total of 396 million yuan, and after deducting the expenses included in the issuance, the net amount obtained was 374 million yuan, totaling 22 million yuan. After issuance, the earnings per share were 0.33 yuan.

Table 2. EVE Energy equity financing information.

	Oct. 2009	Nov. 2015	May 2019	Nov. 2020	Dec. 2022	Total
Number of issued/additional shares (million shares)	22	27	115	48	143	355
Price per share (yuan)	18	21.94	21.74	51.61	62.95	---
Total amount of funds raised (million yuan)	396	600	2,500	2,500	9,000	14,996
Issuance cost (million yuan)	22	14	33	23	26	118
Net financing amount (million yuan)	374	586	2,467	2,477	8,974	14,878

EVE Energy implemented 4 equity financing after its IPO in 2009, with a cumulative net financing of 14.878 billion yuan. On the one hand, it supplemented its net assets through equity financing, controlling its asset liability ratio from 35.14% in 2020 to a reasonable range of 59.45% in 2024; On the other hand, fundraising focuses on core businesses, such as a targeted issuance of 9 billion yuan in 2022 for the large cylindrical battery project, supporting a 45% increase in power battery shipments in 2024 and strengthening industry competitiveness. In addition, the company submitted an H-share listing application in June 2025 to expand overseas financing channels.

3.2 Debt Financing and Convertible Bonds

In terms of long-term debt, EVE Energy borrowed 1 billion yuan from the Guangdong Branch of the Export-Import Bank of China in 2023, using 100% equity of Fuente as collateral, and needs to repay it in June 2030. In terms of short-term debt, by the end of 2024, short-term loans totaled 1.236 billion yuan, which effectively met liquidity needs. EVE Energy obtained the issuance license for its first convertible bond in April 2025. The company issued convertible corporate bonds for the first time in April 2025, raising a total of 5 billion yuan. After deducting issuance expenses, the net amount was 4.971 billion yuan. After the two projects reach production capacity, it is expected to increase annual revenue by 18 billion yuan and alleviate production capacity bottlenecks.

Since 2015, EVE Energy has established strategic partnerships with multiple companies. It has signed strategic cooperation agreements with companies such as StoreDot, Linyang Energy, and Silicon Treasure Technology. Firstly, EVE Energy

established a strategic cooperation partnership with Silicon Treasure Technology in January 2016, and applied the latter's new energy vehicle power battery safety solution to its "New Energy Vehicle Power Battery Pack". Secondly, in March 2017, EVE Energy reached a cooperation agreement with Linyang Energy to jointly create and promote the application of "smart distributed energy storage" for industrial and commercial users. Then, in April 2021, EVE Energy signed an agreement with StoreDot to collaborate on electric vehicle batteries, modifying and upgrading existing production lines to test and manufacture ultra-fast charging battery products.

4 Analysis of Capital Structure and Financial Performance

4.1 Changes in Capital Structure

As shown in Table 3, the assets of EVE Energy have shown an upward trend from 2020 to 2024, from 25.7 billion yuan in 2020 to 100.8 billion yuan in 2024. The most significant growth rate was from 2021 to 2022, reaching 187.81%. But in the following two years, the growth rate shifted from slow growth to a significant decline, especially between 2021-2022 and 2022-2023, with a particularly noticeable decrease from 187.81% to 112.81%. The company's debt has also increased with the growth of assets, from 9 billion yuan in 2020 to 59.9 billion yuan in 2024. However, its growth rate has been consistently declining, especially between 2021-2022 and 2022-2023, with the most significant decrease from 209.05% to 111.63%, a decrease of approximately 98%.

Table 3. Capital change of EVE Energy 2020-2024.

	Asset	Debt	Net Asset	Number of Shares	Debt Ratio
2020	25.70 billion	9.03 billion	16.67 billion	1.889 billion	35.14%
2021	33.53 billion	24.15 billion	20.39 billion	1.898 billion	54.22%
Growth Rate	173.28%	267.42%	122.29%		
2022	83.64 billion	50.48 billion	33.16 billion	2.042 billion	60.35%
Growth Rate	187.81%	209.05%	162.65%		
2023	94.36 billion	56.35 billion	38.01 billion	2.046 billion	59.72%
Growth Rate	112.81%	111.63%	114.61%		
2024	100.89 billion	59.89 billion	41.00 billion	2.046 billion	59.45%
Growth Rate	106.93%	106.26%	107.88%		

The net assets of EVE Energy have also increased with the growth of total assets and liabilities, rising from 16.7 billion yuan in 2020 to 41 billion yuan in 2024. But its growth rate is stable compared to total assets and liabilities, and the growth rate is gradually decreasing in 2023, from 162.65% in 2022 to 107.88% in 2024. The company's debt ratio has also increased from 35.14% in 2020 to 60.35% in 2022. In the following two years, the debt ratio of EVE Energy remained stable at around 60%.

4.2 Financial Performance Analysis

The current assets and current liabilities of EVE Energy are gradually increasing over time. The current ratio reflects a company's ability to repay short-term debts through its realizable assets [7]. The current ratio of EVE Energy was 158.42% in 2020, but it decreased to 95.35% in 2024. EVE Energy has relatively strong debt-paying ability from 2020 to 2022, but its debt-paying ability weakens in 2023 and 2024. The quick ratio of EVE Energy was only greater than 1 in 2020, and remained between 70% and 80% in the following four years. This indicates that the short-term solvency of EVE Energy needs to be improved. EVE Energy's asset-liability ratios from 2020 to 2024 were all below the industry average level of 65%. This indicates that EVE Energy has a high level of long-term debt-paying ability.

As the Table 4, the company's gross profit margin decreased from 13.34% in 2020 to 6.25% in 2024, mainly due to fluctuations in raw material prices (e.g., lithium carbonate, which rose by 200% year-on-year in 2022) and intensified industry competition. The concurrent decline in operating profit margin and net profit margin indicates a narrowing of profit margin. There are two main ways to improve this: one is to expand the scale effect, such as the expected increase in production capacity of 44GWh after the convertible bond project reaches production in 2025, reducing unit fixed costs; the other is to optimize the product structure and increase the revenue share of high-gross-profit energy storage batteries and large cylindrical batteries.

Table 4. Profit margin index of EVE Energy from 2020 to 2024.

Years	2020	2021	2022	2023	2024
Gross Profit Margin	13.34%	7.00%	4.39%	6.16%	6.25%
Operating Profit Margin	23.63%	18.29%	9.67%	9.93%	9.66%
Net Profit Margin	20.60%	18.64%	10.11%	9.27%	8.68%
Years	2020	2021	2022	2023	2024
Gross Profit Margin	13.34%	7.00%	4.39%	6.16%	6.25%
Operating Profit Margin	23.63%	18.29%	9.67%	9.93%	9.66%

4.3 Fundraising Analysis

The discount rates for the four private placement issuances of EVE Energy are shown in Table 5. From this data, it can be seen that the market had a high recognition of EVE Energy in 2015 and 2020, especially with a discount rate of 131% in 2020. EVE Energy has also maintained a growth trend in the number of shares issued in four additional issuances, rising from 20 million shares in 2015 to 140 million shares in 2022. This also shows that the market has a high recognition of the company.

Table 5. Discount rate table for four private placement issuances of EVE Energy.

Years	2015	2019	2020	2022
Guide Price	21.92yuan	24.16yuan	39.40yuan	63.11yuan
Issue Price	21.94yuan	21.74yuan	51.61yuan	62.95yuan
Discount Rate	100.09%	90%	131%	99.75%

EVE Energy has only issued convertible bonds once in 2025. With the increasing tension in Sino-US relations, the development of the new energy market has been severely affected, making equity financing increasingly difficult. So, EVE Energy began to attempt financing through issuing bonds.

5 Inspiration and Suggestions

From a theoretical perspective, the Pecking Order Theory is more applicable to EVE Energy, but in practice, the company prioritized equity financing over debt financing from 2009 to 2024. Among them, equity financing is relatively easy and can reduce the asset liability ratio, which is why it is favored by many enterprises in China. Another part of the reason is due to issues in the new energy industry, such as technological risks that may lead to an increase in funding requirements [8]. Therefore, EVE Energy needs to choose financing methods based on the actual situation. In terms of optimizing capital structure, EVE Energy can reduce its asset liability ratio and maintain moderate debt through equity financing to obtain tax shield income [9]. EVE Energy can introduce strategic investors to supplement capital and bring industrial chain resources.

From the perspective of investors, analyzing the stock issuance price and bond issuance interest rate of EVE Energy can determine the market's recognition of the company, in order to assess its specific situation and future investment return rate. Investors can also strengthen their market risk prediction by regularly observing market demand and policy adjustments to make changes to their investment strategies [10]. They need to maintain a relatively stable emotional state when investing, and according to surveys, the smaller the emotional fluctuations, the higher the probability of obtaining higher returns when investing [11]. From the perspective of regulatory agencies, they should ensure that the information disclosed by companies is true, complete, and accurate, and will not bring erroneous information to the market, allowing investors and other relevant personnel or organizations to make accurate judgments and decisions based on real information.

6 Conclusion

This article analyses EVE Energy from the perspectives of financing strategy, capital structure, and financial performance, and draws the following conclusions. Firstly, EVE Energy's financing strategy is dominated by equity financing, including one IPO in 2009 and four private placements from 2015 to 2022. In 2025, EVE Energy begins issuing bonds for financing. It has been collaborating with multiple companies since 2015. Secondly, through the asset liability ratio, it can be seen that EVE Energy has a high level of long-term debt-paying ability. However, the company's current ratio and quick ratio reflect that EVE Energy's short-term debt-paying ability has needed to be improved in recent years. Then, by observing the gross profit margin of EVE Energy in recent years, it can be concluded that the company's profitability is also on a

downward trend. EVE Energy can increase gross profit margin by increasing sales and reducing costs.

This article focuses on the leading enterprise in the lithium battery industry, EVE Energy, and analyzes the correlation logic between its financing strategy, capital structure, and financial performance. It fills the case gap of financing capital performance in the lithium battery field and provides a reference for similar enterprises to reduce leverage through equity financing and obtain tax shield returns through moderate debt financing. Because this article only focuses on analyzing a single enterprise, the generalizability of the conclusions needs to be improved. Future research can expand the sample to peer companies, explore industry differences in different financing strategies, and combine policy changes to study the impact mechanism of government subsidies on the financing strategies of new energy enterprises.

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