

Sensitivity Analysis on NIO's Income Statement Manipulation

Based on Weineng's prospectus, we concluded in our main report that it appears that there were 19,000 users serviced under the BaaS service agreement as of Q3 2021. This enabled NIO to perform revenue and bottom-line inflation using a trifecta of three trickeries, over-selling, pulling revenue forward, and hiding depreciation.

This led to \$2.6 Billion in total inflated revenue and a 95% understatement in net loss.

This calculation actually gives NIO the benefit of doubt, because the scenario where we assume that NIO indeed did have as many BaaS subscribers as Weineng's batteries leads to even higher bottom-line inflation for NIO.

Under this assumption, combining the revenue pulled forward and the hidden depreciation costs, NIO's bottom line losses are underreported by 147%, which is an even larger discrepancy compared to the scenario illustrated in our report. Either way, we see that by not consolidating Weineng, NIO has fooled Wall Street and investors with reported financial performance that is detached from the business' reality, when in fact, NIO should consolidate Weineng.

9M 2021	RMB mil.
Sales of Goods from Weineng	2,796
Revenue Pulled Forward	2,420
Revenue Fabricated	-
Total Inflated Revenue	2,420
NIO Revenue	26,236
% of NIO Revenue	9%
Shifted Battery Depreciation	336
Total Inflated Net Income	2,756
Net Income Reported	(1,874)
Net Income Adj. Total	(4,630)
variance	147%

Source: company filings, Grizzly analysis

In conclusion, regardless of which scenario you look at, through the trifecta of cookie jar accounting, NIO has inflated its revenue by 9-10%, and underreported its net losses by 95% to 147%.