COMPANY RESEARCH SHEET

BYD

The Empire Built From the Battery Up

A Shenzhen battery startup that bought a struggling carmaker, out-built every rival on vertical integration, took Tesla's crown, then watched the price war it could best afford to fight crush its own margins.

FOUNDED
1995 · Shenzhen

THE MOAT
Vertical integration

LEGENDARY SCORE
8.0 / 10

AT A GLANCE

The Story in Nine Lines

Origin	Wang Chuanfu's rechargeable-battery startup, founded in Shenzhen in 1995 with ~$350,000 borrowed and 20 employees
The pivot	Bought a struggling Chinese automaker in 2003 to put its own batteries into electric cars
The validation	Berkshire Hathaway invested ~$230M for ~10% in 2008, on Charlie Munger's urging
The moat	The deepest vertical integration in autos: batteries, semiconductors, motors, power electronics, upstream materials
The Blade battery	A safer, cheaper, space-efficient 2020 design, a product of that integrated mastery
The triumph	Overtook Tesla as the world's largest EV maker: ~4.27M vehicles and ~$107B revenue in 2024
The war	A Chinese EV price war ("involution") crushed margins industry-wide, including BYD's own
The present	Still the volume leader, pivoting from volume to value, stock ~75% off its 2025 peak
Status	Public (HK: 1211 · Shenzhen: 002594 · ADR: BYDDY) · Shenzhen, China · led by Wang Chuanfu

THE MOAT

Owning Every Link in the Chain

A typical automaker is an assembler. It designs a car, then buys the pieces from a sprawling web of suppliers and bolts them together, which leaves it hostage to their prices, timelines and shortages. BYD is the opposite. Over decades it built or bought the capability to make almost everything itself: the batteries, the semiconductors, the electric motors, the power electronics, and reaching further up the chain, stakes in lithium and raw materials.

It is one of the only car companies on Earth that can take raw minerals in one end and roll finished electric vehicles out the other, almost entirely within its own walls. That captures the margin that would otherwise go to suppliers, makes it immune to the shortages that cripple rivals, and lets it engineer components to work together in a way an assembler buying off-the-shelf parts never can.

Why the moat is hard to copy

BYD can build a genuinely good electric car for a price no traditional automaker can match, because its cost structure is fundamentally lower.

The advantage is nearly impossible to replicate quickly, because it is not a single clever idea but the accumulated capability of thirty years of patient, in-house building. It is the kind of moat that can only be dug slowly.

THE MELTDOWN

Winning the War, Bleeding From It

BYD's own success, and that of the dozens of state-encouraged rivals racing into the same market, produced a catastrophic oversupply of electric vehicles in China. As the lowest-cost producer, BYD did what the lowest-cost producer is structurally tempted to do: it cut prices aggressively to seize share, knowing it could survive at prices that would bankrupt everyone else.

The Chinese call the result involution, a self-defeating, all-against-all competition in which everyone runs harder only to end up worse off. It crushed margins across the industry, and it crushed BYD's too. Profits fell more than thirty percent, then more than fifty. Revenue declined for the first time in over five years. The stock, at record highs in mid-2025, fell roughly seventy to seventy-five percent from its peak, even as the company remained the volume leader.

Decision Point — you are winning the price war and bleeding from it

You are the largest and lowest-cost producer in your industry. You can outlast every rival. But the war is destroying the profitability of the entire market, including your own, with no clear end.

A) Keep cutting. Accept years of thin profits and grind rivals toward bankruptcy until you stand alone.

B) Stop, raise prices, protect margins, and surrender share to competitors willing to keep bleeding.

C) Pivot from pure volume to value, defending margins with premium technology and higher-priced overseas markets.

BYD in 2026 appears to be attempting C, trying to escape the trap its own dominance helped create. This is a thought experiment about the limits of competition, not investment advice.

THE LEGENDARY SCORECARD

Eight Categories, Scored Out of Ten

Founder Vision		**9/10**	Saw the electric car inside a battery company
Innovation		**8/10**	The Blade battery and a deep in-house
Execution		**9/10**	From mocked imitator to the world's largest EV
Moat		**8/10**	The deepest vertical integration in autos
Capital Allocation		**8/10**	Decades of patient reinvestment into owning the
Wealth Creation		**8/10**	A staggering compounder; Berkshire made ~40x
Durability		**7/10**	Exposed to the price war, geopolitics,
Historical Importance		**8/10**	Electrified the car at mass scale

OVERALL LEGENDARY
8.0

A formidable industrial moat, shadowed by the war it is winning and bleeding from.

Editorial verdict on the standard eight-category scale. The overall is a judgment, not a weighted average.

TIMELINE

BYD in Dates

- **1995** Wang Chuanfu founds BYD in Shenzhen with borrowed money and 20 employees to make rechargeable batteries.
- **1996–2002** Grows into a major battery supplier to firms like Motorola and Nokia, and lists in Hong Kong in 2002.
- **2003** Enters the car business by buying a struggling Chinese automaker. Investors are aghast; the stock falls.
- **2008** Berkshire Hathaway invests ~$230M for ~10%, conferring global credibility on an obscure manufacturer.
- **2020** Launches the Blade battery, a safer and cheaper design that powers the EV surge.
- **2023–24** Becomes the world's largest EV maker: ~4.27M vehicles and ~$107B revenue in 2024.
- **2025** Surpasses Tesla in pure electric sales; a domestic price war crushes margins; Berkshire fully exits with a ~3,890% return.
- **2026** Pivots from volume to value as profits fall sharply and the stock trades far below its 2025 peak.

WHAT EVERYONE GOT WRONG

The Consensus, and the Reality

"A battery company has no business building cars."
Reality: The battery was exactly the point. BYD was entering the most important battery-powered product of the century.

"BYD is just a low-cost maker of cheap imitations."
Reality: Beneath the early bad cars, it was building the deepest vertical integration in the industry.

"The market leader's stock is the safe one to own."
Reality: BYD became the world's largest EV maker and its stock still fell about 75% when the price war hit margins.

"Winning a price war is a clean victory."
Reality: The involution crushed even the winner's profits. Dominance in units is not the same as profitability.

LESSONS IN ORDER OF DEPTH

Mind · Method · Money

ON THE SURFACE — **Method**

Vertical integration is one of the most powerful structural advantages a manufacturer can hold. Understand where the real leverage in a supply chain lies, and recognise that the company controlling the critical inputs, rather than depending on others for them, holds an advantage in both cost and resilience that a pure assembler can never replicate.

BELOW THE SURFACE — **Money**

Market leadership and shareholder return are not the same thing. An investor who bought BYD because it was indisputably the world's largest EV maker still watched the stock fall about seventy-five percent. A price war, even one you are winning, can be ruinous for the financial returns of every participant.

BELOW THAT — **Mind**

For years BYD was dismissed as a low-cost imitator, and the market scoffed when a battery company said it would build cars. The foundations of a great competitive advantage are often laid in obscurity and even ridicule. The temperament to keep building through a long stretch of being underestimated is one of the rarest a founder can have.

AT THE DEEPEST LEVEL — **The question**

Where is the line between the healthy competition that drives innovation and the ruinous competition that destroys value? BYD's price war drove prices down and technology forward, a genuine boon to consumers, while destroying the profitability of an entire industry. Can a market compete itself to death?

KEY NUMBERS

The Figures Worth Remembering

FOUNDED **1995**	INTO CARS **2003**	BERKSHIRE STAKE **~$230M / ~10%**
BLADE BATTERY **2020**	2024 VOLUME **~4.27M vehicles**	2024 REVENUE **~$107B**
BERKSHIRE EXIT **2025 · ~3,890%**	DRAWDOWN **~75% off peak**	MARKET VALUE **~$117–120B**

Current figures are fast-moving and should be checked against live data. Nothing in this sheet is investment advice.

READ THE FULL STORY

BYD: The Empire Built From the Battery Up

The full story, the Legendary Scorecard in context, and the Mind · Method · Money reading of vertical integration are on the site and in the Greatest Companies book.

completetradersedge.com · Greatest Companies — 51 companies, one framework