

CSIQ Earnings Call Transcript

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Quarter: 3

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Canadian Solar's Third Quarter 2025 Earnings Conference Call. My name is Chuck, and I will be your operator for today. Later, we will conduct a question and answer session. As a reminder, this conference is being recorded for replay purposes. I would now like to turn the conference over to Winna Huang, Head of Investor Relations at Canadian Solar. Please go ahead.

Winna Huang: Thank you, operator, and welcome, everyone, to Canadian Solar's Third Quarter 2025 Conference Call. Please note that today's conference call is accompanied by the company's slides, which are available on Canadian Solar's Investor Relations website within the Events and Presentations section. Joining us today are Dr. Shawn Qu, Chairman and CEO; Yan Zhuang, President of Canadian Solar subsidiary, CSI Solar; Ismael Guerrero, Corporate VP and President of Canadian Solar subsidiary, Recurrent Energy; and Xinbo Zhu, Senior VP and CFO. All company executives will participate in the Q&A session after management's formal remarks. On this call, Shawn will go over some key messages for the quarter. Yan and Ismael will review business highlights for CSI Solar and Recurrent Energy, respectively, and Xinbo will go through the financial results. Shawn will conclude the prepared remarks with the business outlook after which we will have time for questions. Before we begin, I would like to remind listeners that management's prepared remarks today as well as their answers to questions will contain forward-looking statements that are subject to risks and uncertainties. The company claims protection under the safe harbor for forward-looking statements that is contained in the Private Securities Litigation Reform Act of 1995. Actual results may differ from management's current expectations. Any projections of the company's future performance represent management's estimates as of today. Canadian Solar assumes no obligation to update these projections in the future unless otherwise required by applicable law. A more detailed discussion of risks and uncertainties can be found in the company's annual report on Form 20-F filed with the Securities and Exchange Commission. Management's prepared remarks will be presented within the requirements of Regulation G regarding generally accepted accounting principles or GAAP. Some financial information presented during the call will be provided on both a GAAP and non-GAAP basis. By disclosing certain non-GAAP information, management intends to provide investors additional information to enable further analysis of the company's performance and underlying trends. Management uses non-GAAP measures to better assess operating performance and to establish operational goals. Non-GAAP information should not be viewed by investors as a substitute for data prepared in accordance with GAAP. And now I would like to turn the call over to Canadian Solar's Chairman and CEO, Mr. Shawn Qu.

Shawn Qu: Thank you for joining our third quarter earnings call. Please turn to Slide three. In the third quarter, we delivered 5.01 gigawatts of solar modules in line with our guidance range. In our energy storage business, we achieved a record quarterly shipment of 2.7 gigawatt hours. Total revenue reached \$1.5 billion, landing at the high end of expectations. Gross margin was 17.2%, exceeding guidance, primarily due to strong contribution from energy storage shipments. We also achieved a higher share of module deliveries to the profitable North American market. Our solar module factory in Mesquite, Texas, which has now successfully ramped up, contributed meaningfully to both shipment volume and margin. Absent nonrecurring expenses from the previous quarter, operating expenses normalized and we reported net income attributable to shareholders of \$9 million or a net loss of \$0.07

per diluted share due to the impact of paid-in-kind of our preferred shareholder of Recurrent. Now please turn to slide four. The solar industry is at an inflection point, and anti-involution policies in China are gradually taking effect. Market conditions have stabilized following the most challenging phase of the solar downturn. A complex macro environment presents both challenges and opportunities. This year, during the anniversary celebration of Canadian Solar's twenty-fourth birthday, I reflected on how we have grown with technology innovation, business model evolution, and global diversification. Today's shifting geopolitical landscape allows us to once again differentiate ourselves through our resilient combination of strategy and execution. Most notably, we are making strong progress in our US manufacturing investments. Phase one of our solar cell factory in Indiana is expected to begin production in 2026, while phase one of our lithium battery and energy storage factory in Kentucky is on track to start production by 2026 year-end. These factories will strengthen our US supply chain, support domestic energy security, and reinforce our long-term commitment to the American market. At the same time, we are planning adjustments to our US business to comply with the One Big Beautiful Bill Act. We are progressing smoothly, and I remain confident we will be able to successfully position ourselves to continue servicing our US customers. The rise of AI-driven data centers is fueling unprecedented global electricity demand. As I have emphasized in my public speeches over the past two years, the most flexible and cost-effective solution for powering data centers is solar plus storage. In contrast, traditional energy sources such as natural gas and nuclear power require long construction cycles and have limited scalability. We are now working closely with multiple data center customers to develop deeply integrated solutions. This requires advanced system engineering where our technical expertise provides a strong competitive advantage. I'm also pleased to share the significant progress we have made in our emerging business segments. Residential energy storage is on track to become profitable in 2025. We have seen strong growth for our residential energy storage product in Japan, Italy, and the US, and we are expanding into new markets like Germany and Australia. This marks a major milestone for our energy storage strategy and demonstrates how we are successfully broadening our revenue base beyond utility-scale applications. Recurrent, our solar and energy storage project developer and operator, will continue to balance the growth of our operational project fleet to generate recurring cash flow and selective sales of project asset ownership to manage near-term cash flow. Given the current market conditions, I have asked our team to check the balance a little bit more toward sales of project assets in order to accelerate cash recycling and reduce debt. With that, I will now turn the call over to Yan Zhuang, who will provide more details of our CSI Solar business. Yan, please go ahead.

Yan Zhuang: Thank you, Shawn. Please turn to slide five. In 2025, module shipments totaled 5.1 gigawatts, in line with expectations. Earlier deliveries to two energy storage projects shifted volumes from the fourth quarter into the third. This led to our largest quarter to date, with 2.7 gigawatt hours of storage shipments. Revenue was \$1.4 billion, and gross margin decreased by 730 basis points to 15%. The sequential decline was driven by margin changes seen in both the solar and storage businesses. In solar, incremental upstream price increases and underutilization raised unit costs, while module pricing in most global markets remained low. In storage, second-half margins reflect contracts signed at more normalized levels, and the volatile tariff environment drove incremental cost increases. Without last quarter's impairments and benefiting from internal cost controls, operating expenses decreased sequentially from 15.3% of revenue to 12.3%, and we delivered \$39 million of operating income. Please turn to slide six for an update on our energy storage businesses. In the third quarter, we recognized revenue on 2.7 gigawatt hours of storage solutions. Our deliveries reached countries across North America, Europe, the Asia Pacific, and Latin America. As of October 31, our contracted backlog, including long-term service agreements, increased to \$3.1 billion, supported by newly signed projects in North America and Europe. We continue to build momentum in our established markets while entering new ones. In Canada, we signed supply and twenty-year long-term service agreements with APA Power for the Elora and Hadley projects. Together, they total more than 2.1 gigawatt hours and are among the largest energy storage facilities under development in Ontario. Also in Ontario, we contracted to deliver a fully integrated energy storage solution and turnkey EPC services for the 1.6 gigawatt hour SkyView two energy storage projects. This marks our largest SoftBank delivery to date. Once completed, SkyView two will be one of the largest battery storage facilities in the nation. As a

proud Canadian company, we are honored to help drive our country's clean energy transition. Across the Atlantic, we just signed a battery supply agreement and twenty-year long-term service agreement in Germany with KEON Energy, a leading storage developer. As demand expands across both our existing and newly entered markets, we expect to continue scaling our backlog and diversifying its global footprint. In addition to our established utility-scale storage solutions, we continue to expand our offerings and strengthen our capability in both CMI and residential storage. Notably, the residential storage segment is gaining momentum and has turned profitable this year. Building on the strong growth we have already achieved in Japan, Italy, and the UK, we will be launching our new three-phase solution to drive further expansion in markets such as Germany. We also plan to enter Australia in the first half of next year. In the US, we have successfully introduced the second generation of our residential energy storage solution, which better caters to the needs of the market and is demonstrating strong initial performance. In the CMI storage segment, where we see promising market growth potential, we continue to refine and diversify our portfolio to better serve emerging opportunities. Though smaller in scale, these segments have proven to be profitable, and we expect them to contribute more meaningfully next year. With that, I will hand the call over to Ismael Guerrero, who will provide an update on Recurrent Energy, Canadian Solar's global project development business. Ismael, please go ahead.

Ismael Guerrero: Thank you, Yan. Please turn to Slide seven. In the third quarter, we generated \$102 million in revenue. We monetized over 500 megawatts of projects, including two high-margin sales: a battery storage project in Italy and a hybrid project in Australia. Gross margin was 46.1%, a sequential increase of 137 basis points, primarily driven by the contribution of more profitable project sales. During the quarter, we closed \$825 million in construction financing and tax equity for the 600 megawatt hours Desert Bloom storage and 150 megawatt Apollo solar projects, all parts of our multi-project partnership with Arizona Public Service. These assets are under construction and are expected to begin operations in 2026. In the US, in addition to what we have in construction, we have already safe-harbored 1.5 gigawatt peak of solar and 2.5 gigawatt hours of battery storage projects. By the summer of next year, we expect to have safe-harbored at least 3 gigawatt peak of solar and 7 gigawatt hours of battery storage projects, giving us significant visibility over our execution pipeline for the next four years. Until our IPP business scales further, near-term profitability will continue to depend primarily on global project sales. As maintaining financial discipline remains our top priority, we will balance the growth of our operating portfolio and project assets with selective project ownership sales to prudently manage cash flow and debt levels. Looking ahead to 2026, we expect to increase the level of project ownership sales, enhance cash recycling, and reduce leverage. Now for an update on our pipeline, please turn to Slide eight. As of September 30, we have interconnection rights for approximately 8 gigawatts of solar and 15 gigawatt hours of storage globally, excluding operating projects. Our total development pipeline now includes 25 gigawatts of solar and 81 gigawatt hours of storage capacity. The reduction in the solar pipeline reflects a natural rebalancing. Some projects progress into more advanced stages while others were removed. At our current scale, our focus is increasingly on executing our high-quality pipeline rather than expanding it. For example, in the UK, we recently received government approval for our solar and battery storage projects in Lincolnshire, UK. This project is planned to be an 800 megawatt PV plus a 1,000 megawatt hour battery storage project, making it the largest co-located project in the UK to date. We are proud that Pilbara will connect to the grid through a substation that was previously used by a decommissioned coal plant, continuing to support the UK's decarbonization goals while providing reliable and sustainable energy to the communities it will serve. Over time, energy storage continues to emerge as a key growth driver. Not only are battery energy storage systems becoming increasingly cost-effective, but they are also profoundly reshaping energy markets, from grid stabilization and peak shaving to enabling renewables to integrate at scale. Notably, data centers are now placing ever-greater demands on power infrastructure, requiring round-the-clock reliability and often cleaner integration. In response, the opportunity set for longer-duration, higher-specification battery storage is expanding rapidly. We have started to dip our toes into the data centers business through regional JVs with data center experts, mainly in Spain and the US. We see significant synergies with our core expertise, as land acquisitions, interconnection processes, permitting, and community engagement are four of our core competencies that are crucial to the successful and timely

deployment of data centers. Furthermore, powering data centers with clean and reliable electrons is one of the key bottlenecks to data center development, where we have significant expertise to bring to the table. In Spain, we already have 112 megawatts of projects with interconnections and land secured in Barcelona, Bilbao, and Madrid, plus an additional 40 megawatts with interconnections in Madrid waiting to secure land. Finally, our operations and management (O&M;) business also continues to grow healthily. This quarter, we earned two internationally recognized certifications from TÜV Rheinland: ISO 9001:2015 and ISO 45001:2018. These certifications affirm that our power services meet globally recognized standards for quality and workplace safety. Today, Recurrent has over 14 gigawatts of solar and storage projects under O&M; contracts across 11 countries. Now, I will hand the call to Xinbo Zhu to review our financial results. Xinbo, please go ahead.

Xinbo Zhu: Thank you, Ismael. Please turn to Slide nine. In the third quarter, we delivered 5.1 gigawatts of solar modules and 2.7 gigawatt hours of energy storage systems. With contributions from accelerated storage shipments, total revenue reached \$1.5 billion. Gross margin was 17.2%. The sequential decline primarily reflected the absence of one-time benefits recorded in the second quarter and the normalizing margins in both solar and storage manufacturing businesses. Operating expenses decreased sequentially to \$222 million, reflecting lower shipping costs from reduced module volumes and ongoing internal cost reductions. Net interest expense declined to \$29 million, driven by higher interest income. We recorded a net foreign exchange loss of \$17 million, primarily driven by the appreciation of the Chinese yuan. Net income attributable to shareholders was \$9 million, or a net loss of 7¢ per diluted share. This result included a positive \$35 million HLBV impact, equivalent to 51¢ per share, from tax equity arrangements tied to certain US projects. The 20¢ per diluted share preferred dividend impact brought the total diluted loss per share to shareholders to 7¢. Please turn to Slide 10 for cash flow and the balance sheet. Net cash used in operating activities was \$1.112 billion, compared with an inflow of \$189 million in the second quarter. The difference was primarily driven by changes in working capital, notably a decrease in inventories during the prior quarter. Total assets grew to \$15.2 billion, with project assets rising to \$1.9 billion. Solar power and battery energy storage systems remain steady at \$2 billion, as we pace the construction activity to manage leverage at the group level. Capital expenditures totaled \$265 million, primarily related to US manufacturing investments and existing capacity expansions. This implies a larger CapEx outlay in the fourth quarter, and we expect to end the year slightly below our full-year guidance of \$1.2 billion. Looking ahead to 2026, we continue to refine CapEx plans amid an uncertain policy environment but currently expect spending to remain at levels similar to this year. Most investments will continue to target the US market. Total debt increased incrementally to \$6.4 billion, mainly due to new borrowings tied to project development assets. We closed the quarter with a cash position of \$2.2 billion. Now let me turn the call back to Shawn, who will conclude with our guidance and business outlook. Shawn, please go ahead.

Shawn Qu: Thank you, Xinbo. Please turn to slide 11. For 2025, we expect module shipments to be in the range of 4.6 to 4.8 gigawatts as we continue to maintain disciplined volume management. For our energy storage business, we expect shipments between 2.1 to 2.3 gigawatt hours, which include approximately 600 megawatt hours delivered to our own project. This guidance reflects the shift of certain volumes from the fourth quarter into the third, with Recurrent delivering its largest quarter of project sales this year. We project fourth-quarter revenue to range between \$1.3 to \$1.5 billion. We expect the gross margin to be between 14 to 16%. For the full year of 2026, we project total module shipments of 25 to 30 gigawatts, including approximately one gigawatt to our own project. Energy storage shipments are expected to range between 14 to 17 gigawatt hours. We will continue to focus on profitable solar markets and drive growth in our storage business. While we will continue to develop solar and energy storage projects, financial prudence remains our top priority. Accordingly, Recurrent Energy will increase project ownership sales in 2026 to recycle more capital and manage the overall debt level. With that, I would now like to open the floor for questions. Operator?

Operator: Thank you. We will now begin the question and answer session. To ask a question, you may press star then 1 on your touch-tone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then 2. And our first question for today will come from Colin Rusch with Oppenheimer. Please go ahead.

Colin Rusch: Thanks so much, guys, and congratulations on all the progress. On the project sales, can you talk a little bit about the strategy of timing and leverage that you guys are going to deploy in these sales? You obviously have a great land position, nice interconnection queues, and certainly, potentially can leverage some of those positions into data center deals. And, also, you potentially can monetize these things earlier in the process and generate a little bit better returns in select areas. Just want to get a better sense of where you're coming out in terms of timing and, you know, kind of relationships that are going to come out of some of these sales.

Shawn Qu: Yeah. Colin, we are still working on the 2026 AOP. So I don't have the quarter-by-quarter recurring project sales number in my hand right now. We target to get that down by February. So when we talk in March, in the March earnings call, we'll be giving you more details. However, we have enough COD operational projects for sale, so we don't have to sell projects early. I say projects early, I assume you mean sometimes sell at NTP or even before NTP. But before NTP, you don't get the value, right? Or they leave too much money on the table. So if we can sell after COD, we can not only get the value of the project development but also project financing. Because Canadian Solar, especially Recurrent, is also an expert in the tax equity financing deal in the US market. And there's a value there. So we do have enough projects, you know, we have a budget, like, roughly how many projects we will, you know, how many megawatts of project ownership we're going to sell each year. But for next year, I guess, we have enough COD projects for sale. And that's the US. We also sell projects in other markets, for example, in Latin America and also in Australia. Now, Ismael, do you have anything to add?

Ismael Guerrero: Just to say it. Great, Shawn. You, Colin. Nice to talk to you. Colin, we have a very strong pipeline and very mature. So we are seeing good opportunities to sell with good margins. We are likely going to take them. That's the overall underlying reason.

Colin Rusch: Okay. Perfect, guys. And then, you know, thinking about the battery manufacturing and the supply chain, can you talk a little bit about the maturity of your relationships with suppliers to deliver input materials into the US? You know, obviously, 70% of the supply chain is in China, and, you know, the vast majority is still in Asia. And so shifting things into North America is a pretty substantial effort. I just want to get a sense of, you know, how easily that's coming along for you guys and any sort of risks that we should be thinking about as you start to ramp up that capacity?

Shawn Qu: Actually, there are a lot of supply chain, also suppliers outside China these days. So we have good selection, good choice for both solar and for energy storage. So we will, as you know, the OBPBA has some requirements of the material nonmaterial assistance level for both storage and for solar. And there's also the domestic content booster, right? 10% booster for both the energy storage and solar. And we have calculated that. So just pay those, I know, percentage requirements, we think we will be able to meet those requirements in 2026. No problem. I think 2027 the number will go up 5% also. I think it's roughly 5% each year. And we should be able to manage that stack. So we'll be able to meet the OBPBA requirement. And, also, if we do, if we make both cell and module in the US, we will be able to meet the domestic content rule as well. As I said, we will start production of our own solar cell in the US by, we'll ramp up. So by March. So throughout Q2, second half of next year, we should have reasonable volumes already. And those volumes will, you know, will come with the domestic content, the 10% domestic content, the boost. And for solar and for energy storage, our plan is to start the battery cell and pack manufacturing in the US at the same time. So I said, in my speech, that we expect to start production in December. So in 2027, we will have, we'll be able to provide the energy storage project, which also meets the domestic boost requirement, domestic content, you know, requirement, to settle customers, to enjoy the 10% ITC boost.

Colin Rusch: Okay. Thanks so much, guys. I'll pass it on.

Operator: The next question will come from Philip Shen with ROTH Capital Partners. Please go ahead.

Philip Shen: Hi, everyone. Thank you for taking my questions. First one is on margins. I think your A-share subsidiary reported a 7% gross margin in Q3, but you guys reported a 17% gross margin today. So I was wondering if you could help us bridge that gap. Thanks.

Shawn Qu: I don't think we reported seven. Oh, do we? No. Okay. Seventeen. Seventeen. Oh, well, 17% is just it's for CSI Q. Together. CSI Q, right? That's all of 15. And the CSI Solar has a different

pack, you know, different mix. Yeah. Ismael just commented that the project sales in Q3 were with 46% gross margin.

Philip Shen: Okay. So is the project business that really supported and offset the manufacturing 7% gross margin. Is that right?

Shawn Qu: From actually, solar may be low, but solar plus the energy storage. 15% for all the manufacturing. But all the manufacturing, the gross margin in Q3 is over 15%. Now if it's only a module, it's low. It's below 10 because the, where we don't get much mark, you know, margin.

Philip Shen: Okay. Thank you, Shawn and team. Moving on to the next question. As it relates to your 2026 guide, you gave us some color there, which is great. And you continue to talk about the ramping of US manufacturing. But how and can you give us color on how you're able to do that even though there's still substantial FIAC risk? As it relates to either ownership or just meeting the OBPBA requirements. Could be challenging. Thanks.

Shawn Qu: Yeah. Philip, I answered this question in the last earnings call. Philip, we believe we can meet the requirement, the OBPBA requirement, by doing certain adjustments.

Philip Shen: Okay. And then as it relates thank you, Shawn. As it relates to the ADCVD reserve or, you know, with the auxin case, there could be meaningful retroactive duties and was wondering, you know, can you quantify how much exposure that might be? And as a result, you know, do you think you know, you might need to reserve for that situation on the balance sheet? Thanks.

Shawn Qu: Yes. It could be. I would say also could not be, right? So the court process is still moving along. And there'll be a long it'll be quite a while before there's a final decision. If it goes to the appeal, like, appeal court. And I have discussed it with our external lawyer and also the auditor firm. We don't think we need to book any reserve at this moment.

Philip Shen: Great. Really appreciate taking the questions. I know some of them are a little bit touchy, so appreciate it. Thank you.

Operator: Thank you. The next question will come from Brian Lee with Goldman Sachs.

Brian Lee: Hey, guys. Thanks for taking the questions. Maybe just a follow-up to Phil's question. I know you guys are wanting to see the ADCVD process through the litigation and the case is still pretty early on. But in the event that you did have to, you know, accrue a liability or reserve some amount of funds for a potential, you know, negative decision, can you help to kind of quantify the range? I guess, you know, back of the envelope math suggests it could be well over a billion dollars if we, you know, estimate your US shipments over the past couple of years. I guess, first, is that the right way to think about it? And then second, how would you, again, just playing devil's advocate, hypothetically, if you had to do that, what would be your sort of funding strategy to finance that amount just given, you know, the cash burn and the high degree of net debt you have right now?

Shawn Qu: Well, Brian, I guess you're also talking about the auxin case. And as I said, when I answered Philip's question, we don't think that we have to make a reserve. Therefore, there's no, like, no. I just I don't have to do any back-of-the-envelope at this moment. This is what my lawyer told me. This is what my audit firm told me. So I don't want to speculate here. Why don't you ask the petitioner to speculate how much money they can get or how much they will be able to get for the US government?

Brian Lee: Yeah. No. I mean, I think there are published research around the potential value of the claim here. I don't know how accurate they are, but I do think there is a published number, which, again, counts into the billions of dollars. But I'll take that offline. I guess maybe just a bigger picture question. You know, we're all just trying to gather more detail. You know, we know there's no finite answer, but it'd just be helpful if you could elaborate, let's say, on the FIAC question as well. You know, you're obviously telling your customers, you know, your actions you contemplate taking to make sure you're FIAC compliant. Is there any insight into those conversations you can provide to give the financial community the same level of confidence around, you know, what steps you may be taking to make sure that, you know, your US manufacturing investments are going to be justified?

Shawn Qu: Well, it's OBPBA has very simple and clear rules which say, you know, a big picture, it requires 75% from now from not from the APOC. And no more than 25% from the FPOC if there's two partners, right? If there are if there's only, like, one plus one partner. If there are two partners, two shareholders, from the IPE countries, the two together should take no more than 40%. So there are very clear rules there. So when I said, we will make adjustments to meet the OBPBA, so I think it's quite

clear. It's something like a five-year, you know, like, grade five student or no. As long as you are structured yet, with these percentage numbers, then you are OBPBA compliant. What else do I have to tell you?

Brian Lee: Okay. No. That's helpful color. And then last question for me, I'll pass it on, is on the asset sales, it sounds like that's definitely going to ramp up in 'twenty-six. Which is a bit of a reverse from the past couple of years as you've been moving toward this IPP model. It sounds like it's focused on cash generation and delevering. Can you quantify kind of what volume, megawatts, megawatt hours you anticipate monetizing through asset sales as opposed to keeping on the balance sheet for '26? And what kind of delevering potential that might result in for the balance sheet next year? Thank you.

Shawn Qu: Well, as I said, we'll continue to build the IPP portfolio. However, given the current market condition, we are going to keep the balance a little bit. To be a little bit more cautious. And, also, as I said, when I answered Colin's question, I haven't brought my, you know, I let my board approve my 2026 AOP any operation plan yet. So I will give you more details in March because, typically, our board approves the AOP in February. So what I can say now is that given the current market situation, we are going to be a little bit more cautious. And I also said we have enough operational projects, high-quality projects, which we can, we can, like, cash in. But, see, every year, we always sell some projects. And Ismael mentioned that he sold some high gross margin projects. That helped to boost our gross margin in Q3, right? Overall gross margin. So I don't have the number yet. But I will let you know what I can let you know now is that we will be a little bit more cautious. So we are going to recycle more cash.

Brian Lee: Okay. Understood. Thank you, Shawn. I'll pass it on.

Operator: The next question will come from Alan Lau with Jefferies.

Alan Lau: Thanks, management, for taking my question. This is Alan from Jefferies. Would like to know there's a lot of questions on your priorities already. So we'd like to have a more overview on the market demand in 2026. What do you think the US installation on solar and energy storage separately? Thank you.

Shawn Qu: Okay. I will not ask Yan to share his thought. You're asking for the installation demand in the US in 2026, right, on both storage and solar?

Yan Zhuang: Yeah. I think so the demand is there, right? And, also, the OBPBA compliant, you know, the safe harbor actually made the storage pipelines there. So I think for 2026, the storage project will be there. And the solar as well, the safe harbor also helped to actually preserve a lot of demand. But on the solar side, I think the cell supply can be a bottleneck for the total demand. So although we have a good solution, but does not mean everybody has that. So I think I hope the US will continue to maintain the similar level compared to this year. That's what I hope. But I do not see any significant growth. But on storage, I think, next year, the US will continue to be strong. That's my view.

Alan Lau: Thanks, Yan. So I think the investors' focus is concentrated or overwhelmingly concentrated on ESS. So we'd like to know what type of growth rate are you looking at, like, is it like, 20, 30% growth or 50% or even China? I think people are talking about even more aggressive growth rates. And then with that growth, how much do you think it's coming from AIPC demand?

Yan Zhuang: Hello? So you're talking about growth globally or US, China, Sorry. It's mainly US. Mainly US. Mainly US. I think that the data center work, yeah. Worldwide, you talked about data center worldwide, you know, more than half of the data centers built in the US, you know, but I think we see a very strong future demand in our portfolio, data center-related storage demand. But I think in terms of start installation construction, next year, it's not yet. It's not yet. It's gonna be you gotta wait for a little longer time. So for next year, the storage growth will still come from the safe harbor projects. So these are regular storage projects. Solar, as I said, I'm expecting flat. That's my hope. But storage, are you talking about growth rate? I don't have the number, but you can check the industry report. They vary a lot. The industry reports. On average, I think, there's a growth. I know. It's, 10-20% growth. Yeah. I remember I saw some reports number.

Alan Lau: I see. So for demand ESS demand related to AIPC, you think can probably ask 2026. Right? And then, like, what type of installation you think will be more relevant? Like, is it like, two to four hours of system that is for clipping the peak demand or you are seeing even longer hours acting as some off-grid solution or, like, the main power supply for the AIPC? Like, what type of backlog do you see from or request from clients that you're seeing?

Yan Zhuang: I think for regular storage, to conventional storage projects that you're talking about mostly, in the US is actually ship load shift peak shift. So it's rather like, three, four hours. Around four hours. But for data center, to begin with, I think my knowledge okay, it's more like two, three hours. It's mainly for smoothing out the load. That's what I, you know, our study shows. And so so it's like course of course, the longer term, for longer term, the storage project for data centers will progress into longer and longer periods of storage. The cost is also going up. So the challenge is how do we control cost while increasing the length? The duration. But to begin with, the most important application for data center storage is smoothing out the load, you know, smooth out the curve. So that's the most important starting point.

Alan Lau: I see. So to confirm, like, it's more like there are some rules in ERCOT, maybe, like the etcetera, requiring more stability on the load. So the demand you are seeing at least for now, as it starts to cope with that request on the grid. Right? Instead of having long-duration ESS for supplying as the main power supply of the AIPC. Right? Is this understanding correct?

Yan Zhuang: Well, I think, as I said, right, for the longer term, you know, it will progress. Right? But to begin with, I told you, it's more like smoothing out the load. So to stabilize the supply. And so so that's my answer.

Alan Lau: That's good. That's good. And then finally, we'd like to ask on how much of the fourteen to seventeen gigawatt hours of shipment that's going to be in the US. Actually, we have well diversified our portfolio, our backlog. So I would say around two-thirds will be outside of the US. Out of the total guided volume next year.

Yan Zhuang: I see. I see. That's pretty diversified. Thanks a lot for answering my question. Yeah. But also also a small it's small in China. And mostly it's between outside of China, outside of the US. So that's the kind of distribution.

Alan Lau: I see. Definitely. Definitely. I'll pass on. Thank you a lot for having that level of clarity on the question. Thank you.

Operator: This concludes our question and answer session. I would like to turn the conference back over to management for any closing remarks. Please go ahead.

Shawn Qu: Well, thank you very much for everyone to come to our call. And also, thanks for, you know, continuing the support. And if you have any questions, I would like to set up a call. Please contact our investor relations team. Take care, and have a great day.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.