

JKS Earnings Call Transcript

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Quarter: 3

Operator: Hello, ladies and gentlemen, and thank you for standing by for JinkoSolar Holding Co., Ltd. Second and Third Quarter 2025 Earnings Conference Call. At this time, all participants are in listen-only mode. After management's prepared remarks, there will be a question and answer session. As a reminder, today's conference call is being recorded. I would now like to turn the meeting over to your host for today's call, Ms. Stella Wang, JinkoSolar's Investor Relations. Please proceed, Stella.

Stella Wang: Thank you, operator. Thank you, everyone, for joining us today for JinkoSolar's second and third quarter 2025 earnings conference call. The company's results were released earlier today and are available on the company's IR website at www.jinkosolar.com as well as on newswire services. We have also provided a supplemental presentation for today's earnings call, which can also be found on the IR website. On the call today from JinkoSolar are Mr. Li Xiande, Chairman and CEO of JinkoSolar Holding Co., Ltd., Mr. Gener Miao, Chief Marketing Officer of JinkoSolar Holding Co., Ltd., and Mr. Charlie Cao, CFO of JinkoSolar Holding Co., Ltd. Mr. Li will discuss JinkoSolar's business operations and company highlights, followed by Mr. Miao, who will talk about the sales and marketing, and Mr. Cao will go through the financials. They will all be available to answer your questions during the Q&A session that follows. Please note that today's discussion will contain forward-looking statements made under the Safe Harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, our future results may be materially different from the views expressed today. Further information regarding this and other risks is included in JinkoSolar's public filings with the Securities and Exchange Commission. JinkoSolar does not assume any obligation to update any forward-looking statements except as required under applicable law. Now it's my pleasure to introduce Mr. Li Xiande, Chairman and CEO of JinkoSolar Holdings. Mr. Li Xiande will speak in Mandarin, and I will translate his comments in English. Please go ahead, Mr. Li.

Li Xiande: In the first three quarters of 2025, our global module shipments totaled 61.9 gigawatts, once again ranking number one worldwide. Driven by our outstanding product performance and a strong presence in high-value overseas markets, gross margin improved sequentially for two consecutive quarters to 2.9% in the second quarter and 7.3% in the third quarter. Net loss continued to narrow sequentially. We are pleased to see that our intensive efforts devoted to storage R&D; in the past two years started to bear fruit gradually. In the first three quarters, our cumulative energy storage system (ESS) shipments exceeded 3.3 gigawatt-hours, increasing significantly for two consecutive quarters. This, combined with the rising share of overseas markets, has helped the profitability of our energy storage business improve noticeably. Considering that energy storage products have the process of installation, commissioning, and acceptance, there will be a lag in revenue recognition in our financial statements. We are confident that as economies of scale accelerate and competitiveness continues to improve, our energy storage business will more than double next year. Its revenue contribution is expected to rise significantly and it serves as a key driver of our overall gross margin expansion. In the second and third quarters, we continued to keep moderate utilization rates at a reasonable level. Since the third quarter, prices of polysilicon wafers and cells have all risen, and module prices showed some upward trends. Given that bidding rules in all provinces are still in the implementation phase, central and state-owned enterprises need some time to recalculate their IRR returns and adjust their business

model for any project. It is expected that demand will take some time to release. However, we have seen some positive signals in the raw material segment. Supported by rising raw material prices, module prices in overseas markets have also increased. The upgrade of the world's high-power production capacity has become important for accelerating the industry's high-quality development. This technical upgrade also meets end-task demand for high-power products to achieve more reliable investment returns. As an industry pioneer to upgrade existing telecom capacity through technology enhancements, we made steady progress in high-power products upgrade in the third quarter. We have already delivered some high-power products carrying a premium of 1 to 2 US cents per watt compared to their conventional products. As the upgrade of the third-generation products with a maximum power of 670 watts is completed, we expect the shipment proportion of high-power products to increase quarter over quarter next year, accounting for 60% or above in 2026. Since market-based electricity reform has removed the mandatory energy storage requirements, China's energy storage industry is accelerating its market-oriented development. There is an increasing gap between peak and off-peak electricity prices, and the implementation of policies such as capacity pricing and capacity compensation means independent energy storage projects in multiple provinces can achieve sound economic returns. Driven by both improving economics and global energy transition, demand is increasing in Europe, Asia Pacific, the Middle East, and Latin America. In the US, the rapid expansion of AI data centers has led to an unprecedented surge in electricity demand, straining domestic electricity supply. Solar plus storage has therefore emerged as a safer and more easily deployed solution. We expect the global demand for energy storage to experience explosive growth driven by increasing renewable energy penetration and its declining storage cost. This once again validates our strategic decision to invest in the energy storage business in line with industry trends, and it has helped us build a long-term competitive advantage. As a leading enterprise in the PV sector, we possess long-established advantages in channels, brand reputation, and customer resources, enabling us to provide a localized one-stop solar plus storage solution. On the manufacturing side, we currently have 12 gigawatt-hours of pack capacity and 5 gigawatt-hours of battery cell capacity, and continuously improve product performance through self-developed technological breakthroughs. On the market side, we focus on high-margin overseas markets, particularly utility-scale and industrial and commercial projects. Although the lead time for reserve cycles is relatively long, demand remains strong, providing stable growth momentum for the company's energy storage business. In summary, the global supply chain is recovering, so the balance between supply and demand is gradually improving. As technological upgrades accelerate the industry's high-quality development, the market share of high-power and high-value products will continue to expand and become a dominant force in market pricing. As market competition, particularly in project bidding, increasingly favors leading enterprises that demonstrate strong technological capabilities and long-term reliability, resources such as bank financing are also concentrating towards leading enterprises, further strengthening their market share. With strong technological capabilities, long-term reliability, and global diversification of our energy storage business, we are well-positioned to further strengthen our competitiveness and benefit from the industry's next upward cycle. The 15th Five-Year Plan proposed accelerating the decarbonization of both the energy supply and the consumption sectors. The National Development and Reform Commission (NDRC) and the National Energy Administration (NEA) have also recently issued guidance on promoting renewable energy integration and power system regulation, further emphasizing the critical role of energy storage in the construction of a new energy system. We expect that these measures will further strengthen the competitiveness of China's renewable energy sector and steer the industry back onto a healthy and rational development path. Looking forward to the fourth quarter and the full year, we will continue to actively respond to the industry's call for rational development by maintaining sustainable production levels and focusing on upgrading and transforming high-efficiency capacity. At the same time, we will proactively adapt to changes in overseas policies to ensure sustainable supply for our customers. We will keep strengthening our competitive advantages in technology and global operations, achieving a balance between scale and profitability while consolidating our industry-leading position. We expect total shipments, including solar modules, cells, and wafers, to be between 85 gigawatts to 100 gigawatts for the full year of 2025, and ESS shipments to be 6 gigawatt-hours for the full year of 2025.

Gener Miao: Total shipments were 21.5 gigawatts in the third quarter, with module shipments up 9.93%. By the end of the third quarter, we became the first module manufacturer in the industry to achieve cumulative global module shipments of 370 gigawatts, with total cumulative shipments of the Titanium Series surpassing 200 gigawatts, the best-selling module series in history. In terms of geographic mix, in the third quarter, we focused on higher-value overseas markets, with shipments accounting for over 65%, achieving strong growth in Asia Pacific, emerging markets, and Europe. Shipments to the US were nearly 1.3 gigawatts, doubling against the backdrop of electricity market reform. Customer demand for high-power products continues to rise. Our high-power Titanium 3.0 series, with its high bifaciality rate of 85% and excellent low-light performance, can generate stable electricity during long, dark, and cloudy weather, effectively extending power generation hours. At the same time, in a market environment with increasing volatility in electricity prices, the outstanding power generation performance of Titanium 3.0 enables more power generation during peak price periods in the morning and evening, creating higher yield and more reliable returns for clients. According to our outdoor field test data, in Chengdu, China, under low-light conditions such as dawn and dusk, Titanium achieves a 7.2% gain compared to PERC products. And in Kagoshima, Japan, Titanium shows a 10.79% gain over PERC products in low-light conditions. In the third quarter, we delivered some high-power products that carried a 1 to 2 US cents premium compared to conventional products. We expect that our highest power, the Titanium 3.0 product with max 670 watts, will be produced on a large scale next year, further strengthening our competitiveness on the product side. We once again topped the PV Tech 2025 module test and reliability report with a triple-A rating, thanks to our solid operational capability, outstanding technological innovation, and strong recognition from global customers. As one of the few enterprises to continuously maintain top-tier creditworthiness and technological strength in the global PV industry, in the latest release of the BNEF energy storage tier-one list for Q4 2025, we were recognized as a tier-one energy storage provider for the seventh consecutive quarter. Our continuous efforts in sustainable development have also earned international recognition repeatedly. In the recent MSCI ESG, we were upgraded to an A rating, maintaining our position in the top tier of ESG performers in the global PV industry. Additionally, our S&P; CSA score continued to improve from 2024, rising significantly to 78, far ahead of the industry. On the demand side, we expect the global PV demand to slightly contract in 2026. In China, due to the improvement, implementation of policy reform 136, the pace of carrying out the 15th Five-Year Plan, as well as industry self-discipline and anti-evolution measures, demand is expected to slightly decrease year over year in 2026. Markets outside China are generally expected to remain healthy. In the mid to long term, the urgent power demand from AI data centers, combined with most countries' commitment to reduce carbon emissions, will drive growth in the global deployment of clean energy and new grid infrastructure over the next three to five years. The Information Office of the State Council recently released the white paper on China's action on carbon peaking and carbon neutrality, which emphasizes that energy storage is a key support for building a new type of power system and an adequate base for actively developing the renewable energy plus energy storage solution. In the United States, we are already seeing some tech giants deploying co-located or nearby solar plus storage at their data centers to meet rapidly growing electricity needs. We believe renewable energy plus energy storage has become an inevitable and accelerating trend. We remain optimistic about our long-term prospects in the US market. Although trade policies impose certain constraints on the manufacturing side, we have taken proactive measures and made early strategic deployments, adjusting our manufacturing and supply chain in response to policy changes to provide US customers with long-term stable and reliable solutions. We are confident that leveraging our advantage in technology innovation, high-power products, and global network, we can continue to satisfy our global clients' demand for clean, safe, high-efficiency, and reliable integrated solar and storage solutions. We will also continue to improve our competitiveness in global markets.

Charlie Cao: Thank you, Gener. We are pleased that our focus on high-performance products and high-value markets, as well as our efforts in cost and expenses control, have delivered steadily improved financial results. Gross profit margin turned positive in the second quarter and continued to improve by 4.4 percentage points in the third quarter. Net loss and adjusted net loss narrowed sequentially for two consecutive quarters. Operating cash flow was \$340 million in the third quarter,

improving significantly quarter over quarter. Operating cash flow is expected to be positive for the full year 2025. Moving to the details in the third quarter, total revenue was \$2.27 billion, down 10% sequentially and 34% year over year. The sequential decrease was mainly due to a decrease in solar module shipments, and the year-over-year decrease was primarily due to a decrease in the average selling price of solar modules. Gross margin was 7.3%. The sequential improvement was mainly due to a lower unit cost of products sold, and the year-over-year decrease was mainly due to a decrease in ASP of solar modules. Total operating expenses were \$363 million, up 36% sequentially and down 32% year over year. The sequential increase was due to an increase in the impairment of long-lived assets, while the year-over-year decrease was mainly due to a decrease in shipping costs as our solar module shipments decreased and the average freight rate declined during the third quarter this year. Total operating expenses accounted for 16% of total revenues, compared to 10.6% in the second quarter and 15.4% in the third quarter last year. Operating loss margin was 8.7%, compared with an operating loss margin of 10.7% in the second quarter this year and an operating profit margin of 0.3% in the second quarter last year. Moving to the balance sheet, at the end of the third quarter, our cash and cash equivalents were \$3.3 billion, compared with \$3.4 billion at the end of the second quarter and \$3.2 billion at the end of 2024. Days sales outstanding were 105 days, compared with 97 days in the second quarter. Inventory turnover days were 90 days, compared with 66 days in the second quarter this year. At the end of the third quarter, total debt was \$6.4 billion, compared to \$6.7 billion at the end of the second quarter. Net debt was \$3.1 billion, compared with \$3.3 billion at the end of the second quarter this year. Debt conditions improved sequentially. Let me go into more details of the second quarter. Total revenue was \$2.51 billion, up 30% sequentially and down 25% year over year. The sequential increase was primarily due to an increase in solar module shipments, while the year-over-year decrease was mainly due to a decrease in ASP of solar modules. Gross margin was 2.9%. The sequential improvement was mainly due to a lower unit cost of products sold, while the year-over-year decrease was mainly due to a decrease in ASP of modules. Total operating expenses were \$266 million, down 24% sequentially and 15% year over year. The sequential decrease was mainly due to the reduced expected credit loss expense in the second quarter, while the year-over-year decrease was mainly due to a decrease in the impairment of long-lived assets, reduced expected credit loss expenses, and decreased shipping costs as the average freight rate declined during the second quarter this year. Total operating expenses accounted for 10.6% of total revenues, compared to 18.1% in the first quarter of 2025 and 16.9% in the second quarter of 2024. Operating loss margin was 7.7%, compared to 20.7% in the first quarter this year and 4.7% in the second quarter last year. Moving to the balance sheet, at the end of the second quarter, our cash and cash equivalents were \$3.4 billion, compared with \$3.77 billion at the end of the first quarter this year and \$1.9 billion at the end of the second quarter last year. Days sales outstanding were 97 days, compared with 111 days in the first quarter this year. Inventory turnover days were 66 days, compared to 84 days in the first quarter. Our operating efficiency is improving. At the end of the second quarter, total debt was \$6.7 billion, compared to \$6.4 billion at the end of the first quarter. Net debt was \$3.3 billion, compared to \$2.6 billion at the end of the first quarter this year.

Stella Wang: This concludes our prepared remarks.

Charlie Cao: We are now happy to take your questions. Operator, please proceed.

Operator: Thank you. If you wish to ask a question, please press 1 on your telephone, and wait for your name to be announced. If you wish to cancel your request, please press 2. If you're on a speakerphone, please pick up the handset to ask your question. Your first question comes from Philip Shen with ROTH Capital Partners.

Philip Shen: Hi, everyone. Thank you for taking my questions. First one is on your gross margins. Can you share some color on what you see as the difference between yours and Canadian Solar? They reported recently 15%. You guys have Q3 gross margins at about 7%. And what was the main driver you think for that underperformance? And then can you provide some color on the storage and solar gross margin difference? And then finally, what do you think margins look like for Q4?

Charlie Cao: Thanks, Philip. And I think compared to our peer, particularly Canadian Solar, the gross margin difference is, you know, the different revenue contribution from the energy storage business. But if you look at Jinko, you know, quarter by quarter, we did improve gross margin dramatically. It's

coming from the majority, you know, the module business. But for the energy storage sectors, we did want to have a, you know, very, very positive update. I think in the prepared remarks of Chairman Li, we think, you know, our energy storage business is really for the, you know, dramatic growth in next year, 2026. And we are expecting significant revenue contributions and gross margin expansions. You know, the storage is really, you know, in supply shortage. And this year, we shipped around 6 gigawatt-hours, you know, shipments. And next year, we expect to double, at least double. And in terms of the revenue recognition, it's a little bit different because, you know, the revenue is recognized, you know, for the shipments. With the final acceptance, it's a little bit delayed one quarter to two quarters. And for the energy storage business, the gross margin is at a decent level. We expect at least 15% to 20% gross margin. And, you know, looking forward, particularly for the ESS business out of China, we target 70% to 80%, you know, ESS business next year. And in terms of revenue contribution from the energy storage business, we expect 10% to 15%. I mean, you know, the rough revenue from ESS business compared to the total revenues of Jinko next year. So it's a very, you know, we are actually, we think our business is shifting from purely module business to module plus ESS next year.

Philip Shen: Great, Charlie. Thank you very much for the color. And can you share also a little bit more color on your view? You've given us some color on the storage market. You shared that next year could be six gigawatt-hours. What might the geographic shipment mix be for 2026? And how much to the US, how much to China, and then maybe Europe and others? Thanks.

Charlie Cao: Yes, yes. This year is six gigawatt-hours, and next year is double, okay? That is the total volume. In terms of geographical distributions, non-China, roughly think 70% to 80%, including the United States. And in the United States, we are in discussions with a lot of potential customers and developing, and we believe, you know, step by step, we are getting more and more orders from the US. We have a strong pipeline, particularly, I think, from Europe, Latin America, and Asia Pacific.

Philip Shen: Got it. Okay. Great. Thank you. Shifting over to one more question here. On the foreign entity of concern for the US, FIEC. Can you help us understand you plan to have a big business shipping US, sorry, shipping solar modules to the US. Now you plan to ship batteries also to the US. Can you help us understand how you plan to comply with foreign entity of concern requirements for the US market? Thanks.

Charlie Cao: Yes. Looking for the next year, we don't believe there's a lot of negative impact from the FIEC, let's say, OVBB, you know, compliance. We do see a lot of, you know, safe harbor projects, particularly for the solar plus some storage, you know, projects. And we committed, you know, to long term, and, you know, we, I think we really shape our supply chain, you know, globally, and including, and we are exploring options for our, you know, solar module facilities in Florida. And we think, you know, from the long term, there is going to be, you know, demand for both FIEC and non-FIEC. And we are in the, you know, if there is some kind of development, particularly for, you know, transforming our solar module facilities in the United States to the long FIEC entities, and we will let the investor know. But we have been in the process of discussion with potential investors.

Philip Shen: Got it. Okay. Thank you, Charlie. I'll pass it on.

Operator: Your next question comes from Alan Lau with Jefferies.

Alan Lau: Hello? This is Alan from Jefferies. Thanks for taking my question. So my first question is about the ESS business. I would like to know if there's any discussion with any of the AI data centers or, yeah, our hyperscaler clients. And what type of demand are they requiring? Like, are they more like two to four hours of proof capability compatible demand, or it's more like even longer hours of storage with five? Thank you.

Charlie Cao: Yeah. We're seeing the AI-driven data center, you know, is going to put a lot of demands for the global electricity from long term. And our ESS team is in discussion with potential and pipelines, you know, for the AI data center, including the US, Europe, and including China. But it's still, you know, it's in progress, and we believe we are able to reach a significant milestone early next year.

Alan Lau: I see. Clear. Thanks. So in relation to the geographical breakdown, we'd like to know if the gross margin of ESS is similar across the regions, or it should be higher in Europe or the US. Like, how do you see the margins in different regions that you operate?

Charlie Cao: Oh, you mean, yes, it's margin, you know, different regions, right? Yeah. Yeah. Yeah. We, you know, it's depending on different markets. And China is still a little bit low, but I think it's recovering

a little bit. You know? Yes. This is very competitive in China. Europe and the US is, you know, it's still, we think that it is still a decent gross margin. So, you know? And the Middle East is a little bit low, and I think China and the Middle East is, yes, yes. The pricing, you know, the competitiveness, and the margin is relatively low to under ratings. But we think, you know, it's still very healthy. And, you know, business and in the next two years.

Alan Lau: Yep. Would like to know on the cost side of ESS because I've noticed that the upstream raw materials are all the cost of raw materials like freezing, or searching, any plans to lock in any raw materials, or how are your view on different raw materials like batteries or, like, even more upstream battery materials like lithium carbonate, etcetera.

Charlie Cao: Yeah. Yeah. Yeah. We, you know, because the strong demand is a material, it's unlikely in the upper work, and firstly, we have five gigawatts, you know, and battery cell capacities. And which put us at a relative advantage. And the second one, we partner with the key materials and, you know, suppliers. And the second one, we, you know, when negotiating contracts, we did anticipate, you know, some kind of material cost, you know, upwards. So it's a combination. I think it's a little bit challenging, but we think we can manage and how to minimize the impact of the material, you know, the pricing.

Alan Lau: I see. I think my next question is about the speed length. On the solar module market. So how do you see the demand growth next year for maybe both solar and ESS? What is the growth rate you see?

Charlie Cao: Yes. For the demand side, we should look separately for both PV and ESS. Right? So for the PV side, I think we are in a conservative way. We are expecting more or less flat year in 2026 versus 2025. So the main reason is because China demand, you know, we believe it will have a drop compared with 2025. Which, because the weight of China demand is so high in the global demand. So even with the other markets booming or other markets' growth, we still expect the total demand of the globe in the PV industry for next year will be more or less flat year. However, when we look into the ESS, it is in a different scenario. Right? So with more and more renewable installed, the grid needs more security for the ESS contribution. Certainly, we are seeing a sharp increase for the ESS side. That's why from the ESS, we are still keeping an optimistic opinion or expectation for next year's installation. If we need to quantify that, we think it will be at least a 25% increase for the ESS year over year.

Alan Lau: I see. Thanks, Gener. Like to know what type of installation in China you are looking at? Like, because there are even numbers flowing around, like, are you looking at low 200 or even below 200 gigawatts in China.

Charlie Cao: I am not that conservative for China because when recently, I visited a lot of our distributors and even installers in China, in all the different provinces, I think most of them still keep an optimistic view for next year. So that having said all those, I believe that it will be around, let's say, module-wise, it will be around mid-200. Let's say, around 250. About. And if we look into the grid connection number, it should be somewhere around 23%. Right? It's yours. And I think the October and in the process to get money out of China. And after regulatory approval. And we have paid the, you know, withholding tax, and we expect to get the money by the end of this month. And very soon. And for the shareholder, you know, the shareholder returns and we commit at least \$100 million a year, and we had to pay a dividend early this year. And we start we bought some shares, certain shares. And I think last quarter, you know, in the middle of this year. And after the window, you know, after earning lease and we plan to repurchase this year throughout the end of the year.

Alan Lau: Is that, like how much shares have been purchased or, like, how like, will the company look to basically buy all the remaining amount in the buyback program in the remaining one month?

Charlie Cao: Yes. And I think we, you know, we plan to use the right, the monetization issues and the key, you know, funding and which is available, and it's around \$78 million. So we, I think, depending on how the market moves, we definitely will repurchase the shares by the end of this year. And roughly, I think, this year, you know, \$100 million, and we had to go dividend, I think, \$70 million. So that's our, you know, the base plan.

Alan Lau: That's clear. We will send you. Yes. It's a year-over-year plan, and next year, it's roughly the same plan.

Charlie Cao: I see that plan. Thank you. Thanks, Charlie.

Operator: Once again, if you wish to ask a question, please press 1 on your telephone and wait for your name to be announced. Next question comes from Rajiv Chaudhri with Sensorra Capital.

Rajiv Chaudhri: My first question is regarding your guidance for module shipments for the fourth quarter. It's a very big range, 18 to 33 gigawatts. And you're essentially kept to the same range that you gave for the full year back in the early part of the year. But now we are halfway through the fourth quarter. Could you help us narrow down what the range would be for Q4 for module shipments?

Charlie Cao: Yeah. I think we will close to the lower end of the range. I think because of the regulatory requirement, we have to keep that range as before. But from the operational level, we believe the lower end of the range is more, let's say, realistic.

Rajiv Chaudhri: I see. So related to that, what do you think the global shipments of modules would be for the industry as a whole in 2025?

Charlie Cao: Well, we technically believe from the product-wise, we are looking at roughly 700 gigawatts. That's the high-level numbers we are estimating for the whole industry.

Rajiv Chaudhri: And do you believe that 700 gigawatts would have been shipped out by the industry as well, or that was just the production?

Charlie Cao: Well, I think it's more realized to a production closer to the production side, but because every company has slightly different ways to calculate or announce their shipment numbers. So that's why it's difficult to figure out what's the real shipment number. But production-wise, I think the number is more realistic.

Rajiv Chaudhri: I see. Okay. So moving on to another relating to CapEx. Could you give us the CapEx target for 2025 and also for 2026?

Charlie Cao: It's roughly 5 billion RMB this year and next year. And by next year, we didn't have any, you know, plan to, you know, expand, you know, capacity, and it's kind of upgraded to a next-generation top kind of technology. And it's going to have significant, you know, high-end, high-power output. Solar modules, as we are able to provide to our customers, you know, next year, roughly 60%. Right. We hope we go some, you know, with price premium and relatively good margin contributions. Next year, quarter over quarter, as a capacity for the high-end, you know, upgrade high-end module capacity will be released quarter by quarter.

Rajiv Chaudhri: So Charlie, just to be clear, this year, the CapEx is RMB 5 billion. And next year, it will be flat at RMB 5 billion?

Charlie Cao: Yeah. Roughly. Roughly. But next year is I'll talk about this year is roughly payment of outstanding, you know, amount, you know, 5 billion. And next year, we are doing the upgrade. We are doing the upgrade existing capacities and to the next high level, you know, top-down capacity. And we foresee a lot of strong demands and with higher module price and higher gross margin contributions.

Rajiv Chaudhri: So you made a very interesting point that operating cash flow will be positive in 2025. It looks like you will be generating operating cash flow positive in 2026 as well. And maybe substantially higher than 2025 because the gross margin will be higher. Is that a correct assessment?

Charlie Cao: Yes. That's right. That's right. And, you know, we talked about firstly, I think the catalyst is the first one is ESS storage business next year. We are looking to, you know, 10% to 15% revenue contributions from ESS with decent gross margin and positive net profit release. The second one is the module business. We have, I think, the most advanced top con, you know, upgrade capacities in the industries. And developed by ourselves for the technology, and which will roughly have 60% shipment of the modules coming from the next generation Jinko developed. Top con capacities with higher, you know, gross margins. And the second one, we think from the high-level standards in the industry, anti-evolutions, you know, taking effect step by step. And the capacity will accelerate, you know, phase out and leading by the, you know, a top of on top of that industry-leading self-discipline, you know, control production volume, and reasonable, you know, pricing based on the cost will take, you know, further, I think, enforcement. So combined together, I think the industry is reaching the low point that is recovering step by step. And we think we are getting ready for the, you know, from the market and product perspective. And the plus, are shifting solar plus ESS story and the business. So the basic funding year, we are, you know, we are confident that we are able to, you know, navigate the cycles and in turn to positive earnings. That's kind of the, you know, the best plan next year.

Rajiv Chaudhri: So should we no. You talked about the premium products and the fact that they've got premium pricing. But on the cost side, will your cost for these premium products still be lower than the cost for the standard products this year? In other words, do the costs keep going down even as the price goes up?

Charlie Cao: Yes. Yeah. Initially, by design, the cost is a little bit higher, but they are very, very small. You know, incremental cost. And by the way, our R&D; team continues to, you know, dive into the details and to try to, you know, further improve the cost. But back to your question, I think the, you know, the high-end product cost is very, very small incremental, you know, cost increase. At the beginning. But we believe over, you know, over time, you know, our R&D; team with our operational teams will continue to improve the cost.

Rajiv Chaudhri: Final question, Charlie. On market share, in the past, in 2023 and '24, your global market share had gone up to somewhere between 15% to 16% of the global market. This year, it is down a little bit. I guess, because you have restrained production because of the pricing. Should we expect that your market share next year will go up again and maybe go up a lot more than 16% because the industry itself is consolidating? So and what do you think the range for next year module shipments could be?

Charlie Cao: The consolidated market share after consolidation of, you know, the industry consolidation and the phase-out of capacity, the industry, you know, turns into the kind of normal situation. It's for sure, it's very good for tier-one companies. If you look at it long term, we are confident and we will continue to penetrate the market share. And next year is still, I think, you know, from the top-down approach, you know, and I think China will continue to, you know, launch, you know, implement the anti-involution policies. We don't expect significant, you know, shipments increase, you know, for the module bands. But, yes, it's a different story.

Rajiv Chaudhri: I see. Okay. Thank you very much.

Charlie Cao: Welcome.

Operator: Your next question comes from Philip Shen with ROTH Capital Partners.

Philip Shen: Hey, guys. Thanks for taking my follow-up question. One of the check-in with check back in with you on in terms of Q4 margin outlook. What kind of solar module ASP could we see in Q4? And then what kind of margin for the overall quarter that we see?

Charlie Cao: We expect relatively stable Q4 versus Q3. But ESS business is contributing more revenues, and we estimate our ESS business in the fourth quarter is going to reach positive profitability levels. But the contribution is not significant, but next year is a different story. Right? We have talked about it. And for the module business, we expect, you know, relatively stable.

Philip Shen: Okay. Got it. Thanks. And then can you talk about module ASPs for Q1 and Q2 of next year? And then also the trajectory for margins, you know, as you blend in more battery. Thanks.

Charlie Cao: Yes. Phil, I think it's difficult to share those numbers or estimations right now because you know what is happening. It's like some of the key markets are still, you know, there are, you know, some key or some important policy is upcoming. For example, you know, the US, the guidance of the FIEC or material assistance or even upcoming 232. Which will significantly impact the market prices. Like in China, you know, there's anti-involution policies, and there's even more rumors coming out regarding the polysilicon. Even to the other part of the manufacturing value chain as well. So those changes could significantly change the market price overnight. That's why we believe it's still too early to share our estimation on the prices for next year.

Philip Shen: Okay, Gener. That makes sense. You talked about the rumors on Poly. Can you give us a little bit more color on that? Thanks.

Gener Miao: I don't have too much more to share based on there's a lot of rumors on the market or on the Internet. So I don't know what you're referring to.

Philip Shen: Yeah. I was just you mentioned it, so I thought I would try to see if there's more color.

Gener Miao: No. We are not part of the game, so I don't have too much to share with everyone. But thank you for your question.

Philip Shen: Yep. No problem. Okay. Thank you, guys. I'll pass it on.

Operator: Your next question comes from Brian Lee with Goldman Sachs.

Tyler Bisset: Hey, guys, this is Tyler Bisset on for Brian. Thanks for taking our question. Just quick housekeeping questions. Can you share what was D&A; and CapEx in Q2 and Q3?

Charlie Cao: You mean the absolute number or percentage. Right? Hello? Hello?

Tyler Bisset: Yeah. I'm sorry. Like, the actual number.

Charlie Cao: I think it's a financial statement. You gotta check out, you know, the financial statements, the R&D;, and the, you know, operating expenses and that we have disclosed quarter by quarter. So what would be your, you know, key question you want to explore? It D&A.; And CapEx in February and March, like the absolute numbers.

Charlie Cao: You mean the depreciation or CapEx?

Tyler Bisset: Sorry. Depreciation. Alright. And then separately CapEx.

Charlie Cao: Okay. Depreciation by quarter, I think, roughly, you know? And I think \$300 million a quarter. And the CapEx, I think, is the first half year. We, you know, spend roughly 2 billion RMB.

Operator: That is our last and that does conclude our conference for today. Thank you for participating. You may now disconnect.