JinkoSolar Q2 2021 Transcript

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Transcript

Management

Ripple Zhang - *Investor Relations Manager*

Xiande Li - *Chairman of the Board of Directors and Chief Executive Officer*

Gener Miao - *Chief Marketing Officer*

Mengmeng Li - *Chief Financial Officer*

Charlie Cao - *Chief Financial Officer*

Participants

Gary Zhou - *Credit Suisse - Analyst*

Philip Shen - *ROTH Capital Partners - Analyst*

Rajiv Chaudhri - *Sunsara Capital - Analyst*

Brian Lee - *Goldman Sachs - Analyst*

William Graben - *UBS - Analyst*

Presentation

Operator

Ladies and gentlemen, thank you for standing by for JinkoSolar Holding Company Limited Second Quarter 2021 Earnings Conference Call. [Operator Instructions] 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. Ripple Zhang, JinkoSolar's Investor Relations Manager. Please proceed, Ripple.

Ripple Zhang - *Investor Relations Manager*

Thank you, operator. Thank you, everyone, for joining us today for JinkoSolar second quarter 2021 earnings conference call. The company's results were released earlier today and available on the company's IR website at www.Jinkosolar.com, as well as our 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. Xiande Li, Chairman of the Board of Directors and Chief Executive Officer of JinkoSolar Holding Company Limited; Mr. Gener Miao, Chief Marketing Officer of JinkoSolar Company Limited; Mr. Pan Li, Chief Financial Officer of JinkoSolar Holding Company Limited; And Mr. Charlie Cao, Chief Financial Officer of JinkoSolar Company Limited. Mr. Li will discuss JinkoSolar's business operations and the company highlights, followed by Mr. Miao, who will talk about the sales and marketing, and then Mr. Pan Li, who 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 the applicable law.

It's now my pleasure to introduce Mr. Xiande Li, Chairman and CEO of JinkoSolar Holding. Mr. Li will speak in Mandarin, and I will translate his comments into English. Please go ahead, Mr. Li.

Xiande Li - *Chairman of the Board of Directors and Chief Executive Officer*

[Foreign Speech]

Ripple Zhang - *Investor Relations Manager*

We are very pleased to have delivered revenue of $1.23 billion and gross margin of 17.1%, as well as a significant increase in non-GAAP net profit quarter-over-quarter despite very challenging market conditions, in response to the sharp polysilicon price increases in May and June, and there is a certain time gap in the transmission of price increases from upstream to downstream in the supply chain, we quickly increased the external sales of silicon wafers and proactively lowered the production volume modules.

Total shipments and revenues in the second quarter were approximately flat compared with the first quarter, while profits improved sequentially as prices along the supply chain remain high, but relatively stable. We say overall acceptance of module price increases continuing well into the second half of the year. Demand for modules is gradually resuming and our module production volume increased remarkably month-over-month in the third quarter.

Xiande Li - *Chairman of the Board of Directors and Chief Executive Officer*

[Foreign Speech]

Ripple Zhang - *Investor Relations Manager*

As well of the first PV enterprises to go global, we have accumulated rich experience and insights into the development and management of overseas supply chains. This has given us the know-how and the capability to mitigate risk. Since the beginning of the year, we have continued to optimize and improve our global supply chain management. So far we have announced a few strategic cooperations such as the joint investment with Tongwei Co., Ltd. in a high-purity crystalline silicon project with annual capacity of 45,000 metric tons, an investment in Inner Mongolia Xinte Silicon Materials Co., Ltd., a wholly owned subsidiary of X Xinte Energy Co., Ltd. And we have signed a strategic five-year polysilicon supply agreement with Wacker Chemie AG. Wacker will supply polysilicon to JinkoSolar for its production sites in Germany and the United States, which contributes to a long-term stability of our supply chain and the business growth.

Meanwhile, the overseas wafer manufacturing facility will start construction soon and will serve our production facilities in Malaysia and the United States when production ramps up.

Xiande Li - *Chairman of the Board of Directors and Chief Executive Officer*

[Foreign Speech]

Ripple Zhang - *Investor Relations Manager*

In terms of integrated operations, over 7 gigawatt to the newly added capacity of large-sized cells has put into production during the second quarter to support the rapid growth in demand for large-sized products with the release of new capacity aided by the application of new technologies and the continuous optimization of our process, we are confident that optimizing the integrated capacity structure will gradually be reflected in cost reductions during the second half of the year. At the same time, cell technology is at a transitional stage from P-type to N-type, and we are expanding the investment plan for N-type cell capacity based on technical advantages and two years mass production experience.

Xiande Li - *Chairman of the Board of Directors and Chief Executive Officer*

[Foreign Speech]

Ripple Zhang - *Investor Relations Manager*

Leading technology, high quality products and reliable services form the foundation of our success and the growth of our market share worldwide [Indecipherable] conversion efficiency of our large area N-type monocrystalline silicon cell, which 25.25% and the maximum laboratory conversion efficiency of our high efficiency modules reached 23.53%, both making history with new world records.

This year, the shortage of polysilicon highlighted the economics of large-sized products. We expect the proportion of our large-sized product shipment to increase rapidly in the second half of 2021 and the market penetration rate of large-sized products to further increase next year. High module prices have also brought about changes in the market structure. The uptake of the distributed generation business achieved rapid development with more flexible business models and lower sensitivity to prices. In response to this trend, we have also raised the proportion of distributed business for the full year to around 40% of total shipments, compared with 22% to 25% last year in order to meet the needs of customers facing different distributed application scenarios.

Xiande Li - *Chairman of the Board of Directors and Chief Executive Officer*

[Foreign Speech]

Ripple Zhang - *Investor Relations Manager*

The PV industry has largely completed its transition from relying on policy subsidies to policy strategic support and the continuous cost reduction and product upgrades brought about by a technology innovations have continued to fuel solar demand. We expect the second half of 2021 through '22 to be a big moment for solar installations. Top tier enterprises expected to grow even faster than the industry average and further increase market share with higher proportions of large-sized products and faster penetration of distributed generation markets.

In order to secure the annual growth rate of our global shipments, we signed a strategic cooperation agreements with COSCO Shipping and Maersk. At the same time, in order to facilitate the rapid penetration of China's distributed generation business and the accelerated development of the energy the storage business, we recently signed a strategic cooperation agreement with [Indecipherable] the partners will set up project teams to do joint research and development, share resources and their respective advantages to jointly promote further business development for solar plus energy solutions.

Xiande Li - *Chairman of the Board of Directors and Chief Executive Officer*

[Foreign Speech]

Ripple Zhang - *Investor Relations Manager*

Before turning over to Gener, I would like to go over our guidance for the third quarter of 2021. We expect total shipments to be in the range of 5 gigawatt to 5.5 gigawatt, including module shipment to be in the range of 4.5 gigawatt to 5 gigawatt for the third quarter of 2021. Total revenue for the third quarter is expected to be in the range of $1.4 billion to $1.37 billion.

Gross margin for the third quarter is expected to be in the range of 12% to 15%. The annual mono wafer solar cell and solar module production capacity is expected to be - to reach 32.5 gigawatt, 24 gigawatt and 45 gigawatts, respectively by the end of 2021. The full-year 2021 shipments guidance including wafer, cell and modules is still expected to be in the range of 25 gigawatt to 30 gigawatt.

Gener Miao - *Chief Marketing Officer*

Thank you, Mr. Li. In the second quarter, total shipments reached to 5.2 gigawatt, inclusive of over 1 gigawatt of wafer and cell shipped to China market. In terms of module shipment by region, Europe contributed the largest portion of the module shipment this quarter as module shipments increased by more than 40% year-over-year.

Shipments to China and the United States remained stable sequentially. So rapid developing Chinese market has been given a boost by government policy and expected to contribute contribute a large proportion of shipments in the second half of this year and 2022. Through continuously monitoring China's market demand and our customers need, we have allocated the utility projects and the distribution market with different personnel, products and the resources to support the coming strong growth.

Overall, demand from overseas market remain strong in the second quarter, benefiting from both increasing power consumption brought about by the gradual recovery of energy consumption level, thanks to effective pandemic control measures and the effective implementation of carbon emission reduction goals in major economies like Europe and the United States. In addition, the expected reduction in subsidies in some market has brought forward some demand. We believe that Europe and the United States and India will become even bigger driving forces for the newly overseas installation.

The United States is one of our most important markets, although the supplies have become more difficult of late due to challenges with shipping and the policies in short term. We have made strategic and long-term commitment to adapt our resources and the infrastructure to better serve the U.S. market. Our teams have already been proactively deploying, researching and promoting suitable long-term solutions that will allow us to continuously grow and meet the needs of U.S. market.

We expect annual global installation in 2021 to be in the range between 150 gigawatt to 160 gigawatt. Some project scheduled for this year has been delayed to the following year due to higher cost in the supply chain. Along with the new project in 2022, installations in 2022 are expected to increase by over 30%. We reiterate our total shipment guidance of 25 gigawatt to 30 gigawatt for the full year 2021. Looking forward, as we have a high degree of certainty on the future demand, we are striving to deliver faster shipment growth compared with the industry average to increase our global market share as well as reaffirm our competitive position and leading position in this industry.

In terms of product prices outside the United States, markets have generally maintained an upwards trend. In terms of product structure, the proportion of our large-sized product have been rapidly increasing with 182 [Phonetic] millimeter product accounting for approximately 50% of shipment in the second half of this year.

We are bullish about the development process of distributed generation markets and expect up to 40% of total shipments this year would be going to distributed generation market. We will continue to explore the global market demand for the distributed generation based on market trends and the customer needs, and proactively and increase our presence in China, United States, Europe and explore other potential markets.

With that, I will turn it over to Pan.

Mengmeng Li - *Chief Financial Officer*

Thank you, Gener. In the second quarter, we remain flexible and adjusted shipments for wafers, cells and solar modules according to the prevailing market conditions. As a result, we achieved a relatively balanced performance in terms of shipments and profitability. Cells revenue was basically flat with the first quarter of 2021, while gross margin exceeding our expectations.

The changes we are addressing on the management and control operating expenses and exchange rate volatility have proven to be effective. Income from operations and net profit excluding non-current items increased significantly compared with the first quarter of 2021. For the second half of 2021, we expect raw material prices to further stabilize and production volume to gradually increase, which combined with cost reductions resulting from new production capacity could have a positive impact on profitability.

Let me go into more details about this quarter now. Total revenue was $1.23 billing, sequentially flat, gross margin or 17.1 percentage sequentially flat. Disposal and impairment loss on property, plant and equipment in the second quarter decreased significantly compared with the first quarter of 2021. Total operating expenses in the second quarter were $155.3 million, which accounted for 12.6 percentage of total revenues. In terms of absolute amount and proportion, both improved significantly compared with the first quarter of 2021. Excluding shipping costs, we expect operating expenses as a percentage of total revenues to remain stable.

The effective management and control of operating expenses increased income from operations to $55.2 million, up to 139 percentage sequentially. Operating margin increased to 4.5 percentage from 1.9 percentage in the first quarter of 2021. EBITDA was $143 million compared with $123 million in the first quarter of 2021. Net income was $10.3 million and non-GAAP net income was $42.5 million, up significantly sequentially. Non-GAAP diluted earnings per ADS increased to $0.89. We continue to optimize our hedging against foreign exchange risks and recorded a net exchange loss of $0.7 million, a significant reduction from a loss of $4.1 million in the first quarter of 2021.

Moving to the balance sheet. At the end of second quarter, our balance sheet on cash and cash equivalents was $1.01 billion, approximately flat with the first quarter of 2021. Accounts receivables due from third parties improved significantly sequentially and we will continue to work on improving liquidity.

AR turnover days for 62 days compared with 68 days in the first quarter of 2021. Inventory turnover days were 138 days compared with 126 days in

the first quarter of 2021. Total debt was $3.12 billion at the end of second quarter compared to $2.67 billion at end of first quarter. Although total debt $67.6 million was related to international solar projects, net debt was $2.11 billion compared with $1.59 billion at the end of the first quarter of 2021.

This concludes our prepared remarks. We are happy to take your questions. Operator, please proceed.

Question & Answers

Operator

[Operator Instructions] Now our first question is from Mr. Philip Shen from ROTH Capital Partners. Please go ahead, sir.

Philip Shen - *ROTH Capital Partners - Analyst*

Hi, everybody. Thank you for taking my questions. I'd like to ask about the - your view of the anti-circumvention Southeast Asia AD/CVD tariffs that could come around. So if the Department of Commerce takes on the case in the coming weeks, what would you expect to do? Would you continue to ship into the U.S.? And if so, how would you mitigate that risk of retroactive tariffs or is there a possibility that you might stop shipping into the U.S.?

Charlie Cao - *Chief Financial Officer*

Philip, this is Charlie speaking. To the mitigate the risk not only the risk you are talking about, let's say, the U.S., China on this solar industries and we have accelerated the process to to build up more strong supply chain and integrated product in line, although China, and and I think you know besides the silicon arrangement with Wacker and we have begun to build up around 7 gigawatts wafer capacities and to match our capacity in existing capacities in Malaysia and the U.S.

So from the, let's say, the medium term, we are optimistic and we will continue to serve our U.S. customers and therefore the second reason you're talking about a risk and its still in early stage and it did have some uncertainties. But we are following up the the event and closely keeping in touch with our customers.

Philip Shen - *ROTH Capital Partners - Analyst*

Okay. Thanks, Charlie. I know it's a tough situation and I think you brought up the silicon arrangement with Wacker and your 7 gigawatts of wafer capacity in Vietnam, I think in the anti-circumvention case the Jinko Vietnam facility is mentioned in that case. And so if they do take the case on, does the wafer facility in Vietnam - would you continue to continue to expand that - build that facility out or is there a chance that you might slow things down there?

Charlie Cao - *Chief Financial Officer*

We don't have any further plan to expand capacity on the wafer out of China and the first step we want to have you know relatively comparatively to build up the integrated, including the silicon out of China to make sure to mitigate the risk to zero and and we think we are in a good position to mitigate this risk.

Philip Shen - *ROTH Capital Partners - Analyst*

Okay, great. And then how much with the WRO enforcement, how much product has not made it - how much of your product from Malaysia has not made it to the U.S. shores thus far? And what is the impact of that on Q3 results because I think in your prepared remarks you talked about opex should be flat ahead except for excluding shipping costs, and so to what degree - how much product has been not able to get to the U.S. shores and then how much is it costing you to store that product because my understanding is it can be quite expensive, and have you been able to find other markets for that product? Or do you expect to wait for that product to make it to the U.S? Thanks.

Charlie Cao - *Chief Financial Officer*

We did have some modules stopped by the U.S. CBP and to request additional documentations and we are still in the process in the preparations of relevant documentation. And at this stage, we are you know after cautiously optimistic for the results. And it did have - because it's going to take time, so it did have some impact on our shipments to the U.S. market. And in terms of the storage, we did have additional - we are expecting to incur additional storage for the inventories and waiting for the preparation for relevant documentations.

And back to question now is the solar, demand is pretty strong and I think it's not the demand issues, it's just - globally it's just the supply chain and the higher supply chain costs and production capacity bottleneck.

Philip Shen - *ROTH Capital Partners - Analyst*

Okay. Charlie, sorry to ask the question again. But can you quantify how much product has not been able to make it to the U.S.? And what the cost might be to store that?

Charlie Cao - *Chief Financial Officer*

We are in the process of evaluating additional cost, it did have, I said you know, have negative impact on the shipments to the U.S., as well as the gross margin, even net profitability is short term, but we are not in a position to disclose the detailed number.

Philip Shen - *ROTH Capital Partners - Analyst*

Okay. I really appreciate you taking my questions. I know there were some tough questions. With that, I'll pass it on.

Charlie Cao - *Chief Financial Officer*

Sure. Thank you.

Operator

Thank you. Our next question is from Credit Suisse, Mr. Gary Zhou. Please go ahead, sir.

Gary Zhou - *Credit Suisse - Analyst*

Yes, hello. Thank you for taking my questions. This is Gary from CS. I have three questions. So firstly, can management share with us what we see on our module price our outlook into the fourth quarter of this year? So up to the reason to upstream cost hikes. And what do we think is the maximum kind of our module price and the developers in China as that?

Gener Miao - *Chief Marketing Officer*

Sure. Thank you, Gary, for your questions. This is Gener. Regarding the market price, we have seen the latest changes are from the upper stream supply chain side, like polysilicon price change and the EPA price change and sometimes as glass price changes upwards us as well. So we are anticipating the modules price will not be able to accept all upwards because there are certain bottleneck on the ceilings for the downstream players and the customers to adopt to all those numbers. So in our observation the latest I think tenders by some of Chinese, so these number are just released today and yesterday. We have observed all this Tier 1 players are about RMB1.80 per watt peak. So if we make it more specific, I think the range is somewhere between RMB1.82 to RMB1.86. That should be our our flagship price of for the rest of '21.

Gary Zhou - *Credit Suisse - Analyst*

Yeah, okay. Thank you. So my second question is, can management share with us a little bit more information on our cooperation with CATL, so just wondering if there is any kind of a numerical target on the energy storage business and our other operations? And my last question is, if our company can share with us some updates on the subsidiary Asia listing? Thank you.

Gener Miao - *Chief Marketing Officer*

Yeah, thank you for your question again. So for the cooperations with all this storage battery companies including [Indecipherable] and others, I think that that's a very strategic move. In our prepared remarks, we emphasized that is our long-term strategy prepared for the future because with great parity ongoing we are anticipating a massive integration in renewable sector, especially in PV industry to be happen in the next coming years. And because the nature of the PV solar power generation system and the storage is a must for the whole industry for further growth, that's why we have established the partnership with a key players in the storage sectors to make sure that we are well prepared for that.

And to make it more specifically, we joined research and development together with some of the resources sharing and leverage each other's respective advantage to jointly promote future business development for the solar plus energy solutions. And the next question I think Charlie will take that.

Charlie Cao - *Chief Financial Officer*

The IPO process is still on the track and we submitted the application to Shanghai Stock Exchange by the end of June. And as of today, still in the review process by the regulators.

Gary Zhou - *Credit Suisse - Analyst*

Okay, thank you for taking my questions and I'll pass on. Thank you.

Charlie Cao - *Chief Financial Officer*

Thank you.

Operator

Thank you. Our next question is from Mr. Rajiv from Sunsara Capital. Mr. Rajeev. Please go ahead, sir.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

Yes, good morning, good evening. I had a few questions. The first question is about gross income. You guys did a very good job improving the gross income number from the second - from the first quarter and balancing the mix of wafers and modules to get there. Is it reasonable to think that obviously there is a lot of dynamics that gross income will continue to grow in the third quarter even as you are increasing sharply the amount of modules that you will ship relative to the wafers and cells. I'm not talking about the gross margin number, but the gross income itself. Is it reasonably good thing that that will continue to increase in the third quarter.

Charlie Cao - *Chief Financial Officer*

So you have two questions, one is the gross income and gross margins. On gross margin, second quarter we did have relatively good compared to our expectations. The major parties, the wafer third party sales contributions and towards third quarter we expect the gross income will continue to increase, while the gross margin is under pressure because we shift - we are targeting to have more solar module shipments, at the same time the upstream, the material costs on the upwards, but we are trying to continue to increase our module price, but its still facing the high polysilicon, the UVA [Phonetic] glasses and the price in the upwards. So in general, we expect the gross income will increase while the gross money is in a downward trend.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

I understand. Understand. But the important thing is that gross income will continue to grow. The second question is that you maintained your guidance of 25 gigawatts to 30 gigawatts for full year shipments, which suggests that you're expecting shipments of about 9 gigawatts in the fourth quarter. Can you elaborate, can you give us some insights into what the reasons are to expect such a big ramp from third quarter shipments? And then I have one more question.

Gener Miao - *Chief Marketing Officer*

Yeah, So I think we are - I think the strong Q4 is within the plan I think is part of the nature of the solar industry because if you are looking - look back in the last two, even three years' time, Q4 is always the peak season as of the whole year, mainly because they are expecting - people are expecting a very strong demand from China. I think each company or the whole industry as a whole, everyone will expect a stronger Q4. So one part of the nature of the industry demand.

And another part is we are steadily ramping up our in-house capacity as well, so naturally our capacity will grow by time flying. And also as well as preparing for for the 2022 as well.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

Okay. So obviously you're expecting a very substantial increase in module shipments as well in the fourth quarter, so the way you'll get to the 9 gigawatts will be a substantial increase in module shipments?

Gener Miao - *Chief Marketing Officer*

Well, that will part, in general, yes, that's the direction, but we still have the flexibility to expose our cells, break our cells into wafer cells or modules as we did in the Q2 or even Q3. So we have the flexibility. But in general, the total shipment will grow for sure.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

Okay. And my final question is on your capacity. You have substantially increased your capacity for modules and you are now talking about 45 gigawatts for next year, that's a very significant increase and this is despite the fact that your module shipments this year are not growing as rapidly as they have grown in past years. So can you give us some insights into why you actually think that 45 gigawatts for modules in 2022 is the right number, especially given that you will have shipped about 21 gigawatts or 22 gigawatts this year?

Charlie Cao - *Chief Financial Officer*

So it's a strategic preparations for next year and this year the market is constrained by the polysilicon and the bottleneck is the top deposits from polysilicon and we're expecting a legacy as the market will be - accelerate the demand. And on top of that we are planning N-type cell capacities and it's a next generations and the capacities and the module, it's capacity here is more and we want to build up module as quickly as possible and therefore the preparation on next year. And if you look at our shipments, let's say the 9 gigawatts based on your calculations in the fourth quarter and the module is still - we faced some supply shortage, particularly we are building the the large size - large size module capacities for the next generations.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

Okay, thank you very much.

Charlie Cao - *Chief Financial Officer*

Thank you.

Operator

Thank you. Our next question is from Goldman Sachs, Mr. Brian Lee. Please go ahead, sir.

Brian Lee - *Goldman Sachs - Analyst*

Hey, guys. Thanks for squeezing me in for some questions. I had a couple of housekeeping ones. First one, you guys gave us the breakout for modules and wafers. Can you do anything similar for what is embedded in the 3Q guidance as well as since you're maintaining the full year there is an input that makes you're assuming input. Can you give us a sense of module versus non-module shipments in 3Q and 4Q?

Charlie Cao - *Chief Financial Officer*

Third quarter, we gave the guidance. Total shipments 5 to 5.5, including module 4.5 to 5, so the gap - the difference is the majority of parties - wafer third party sales. Taking to the fourth quarter, yes, we are still flexible. Our majority of hardware at this stage we are expecting its from the module shipments.

Brian Lee - *Goldman Sachs - Analyst*

Okay, fair enough. And then just on the earlier question about gross margins, it sounds like you're seeing some margin pressure on both product types. Can you give us a rough sense of where gross margins are for modules versus non-module shipments in your guidance?

Charlie Cao - *Chief Financial Officer*

Third quarter, we give the guidance 12% to 15%, and the majority of parties more so the the gross margins is very same - same as module gross margin. And for the fourth quarter, we still - it's still some uncertainties. The material cost is in upward very quickly and at the same time we are shifting our module shipment to China, the majority part, and we are trying to get relatively high the module price, and hopefully we are able to offset the cost upward pressures.

Brian Lee - *Goldman Sachs - Analyst*

Okay, fair enough. And then maybe two more from me. I know you can't quantify or you don't want to quantify the shipments that have been held up at the border here with WRO in the U.S. Can you give us a sense, I guess what sort of mix impact or mix are you assuming in terms of shipments for the U.S in Q3, in Q4? Are you actually embedding U.S. shipments, module shipments into the forecast year for either quarter?

And then maybe related to that, you have the 400 megawatt facility in Florida, are you able to get cells, I guess non-Jinko or Jinko cells into the country to run that module facility?

Gener Miao - *Chief Marketing Officer*

I think the mix is something difficult to discuss at the current stage because we are - even we are cautiously optimistic about our documentations which has been well prepared, but still you know it's not 100% Jinko's call to decide what to do next. That's why we are cautious in monitoring the situation and doing our best. And the right now, like Charlie just said just now. I think we are very confident about the demand. Fight now its not the problem of demand, its the problem of supply. So shipment wise, we have multiple alternatives and even we have a full commitment to our U.S. customers and our U.S. market and we are preparing for it, but its difficult to disclose any detailed number even for Q3 or Q4 in U.S. shipment.

Brian Lee - *Goldman Sachs - Analyst*

I guess maybe to ask it another way, if you don't have clarity that you can move product into the U.S., ship product into the U.S., are you still planning to bring product to the border at risk of having it being seized for months until it gets released and you can maybe ship it to another alternative location as you mentioned, I guess what's the strategy around taking that risk of having shipments which get delayed and then ultimately you do have to reroute them elsewhere versus waiting out the process to see what, what you should do with future shipments over the next couple of quarters?

Gener Miao - *Chief Marketing Officer*

I think I think we still continue to stick to our plan for the shipment even with some challenges because of COVID control in the local South Asia countries, but we're still doing our best to find solutions with our customers right now. So for a detailed number wise, again we cannot quantify it yet because its - we don't have any number which we can close - but disclose, but still we are doing our best. And we have the confidence to continue to have our business ongoing not only U.S., but in other markets elsewhere. We are working different alternatives in parallel, so we have no concerns on that.

Brian Lee - *Goldman Sachs - Analyst*

Okay. Last last housekeeping one for me. What was the, the capex here for the first half of the year? And then is there updated view on capex guidance for for 2021? Thank you, guys.

Gener Miao - *Chief Marketing Officer*

Okay. For the first half of 2021, the capex number is approximately $580 million.

Charlie Cao - *Chief Financial Officer*

And we increased the plan to build up more module capacity to reach to 45 gigawatts, so we increase our capex target this year and for the full year its roughly around $1.1 billion.

Brian Lee - *Goldman Sachs - Analyst*

Okay, thanks, guys.

Charlie Cao - *Chief Financial Officer*

Thank you.

Operator

Thank you.[Operator Instructions] Our next question is from UBS, Mr. William Graben. Please go ahead, sir.

William Graben - *UBS - Analyst*

Great, thank you very much for fitting me in here. Just another one on the shipments. Obviously, the guidance implies a pretty substantial ramp in the fourth quarter for shipments to reach the total guidance. I'm curious - going into the quarter, are you expecting to hold more module inventory or do you have the ability to ramp production that quickly depending on what the final mix of module and component cell and wafer sales end up being?

Gener Miao - *Chief Marketing Officer*

So first let me comment in general, I think my colleagues will give you a breakdown detail later. So in general, I think the market demand is quite strong and we are holding some of the inventory really because of the accounting issues and we have the contract to fulfill. But right now the global international logistics shipping lines are facing a big headaches right now, I think it's not only for solar industry but for all the industries. So it's difficult to get the ship on time in our schedule. So that's why know we have lost - we have sometimes we have to face accounting point, we have some inventories on our hands, but actually we have all contract covered for those inventories.

William Graben - *UBS - Analyst*

Okay and then just one more for me. The guidance obviously implies cost pressures accelerating here in the third quarter despite polysilicon prices being pretty stable over the time period, glass obviously coming down. Just wondering if you could provide a little more color on why are we seeing or expected to see margin compression in the third quarter relative to the second quarter? And what level of confidence do you have here that you may actually meet or exceed the high end of the range again?

Charlie Cao - *Chief Financial Officer*

The major part is I think how we calculate the cost in the second quarter and third quarter is based on the weighted average and the polysilicon reached to the high price starting from May this year. So in the second quarter based on the weighted average the polysilicon price is not so high, its not - let's say RMB200. It's not based on that cost in your calculation in the second quarter. It's fairly low. But with the time collapse into the third quarter and the polysilicon, the average cost reached to relatively high level, that is a major part and hopefully understand that this is weighted average and the polysilicon price and its accelerated the pace starting from May. And so from the [Indecipherable] perspective, weighted average the more impact will be reflected in the third quarter. So it's, I think it won't - the key impacts on the cost side.

William Graben - *UBS - Analyst*

Got it. Thanks very much.

Charlie Cao - *Chief Financial Officer*

Thank you.

Operator

Thank you. Our next question is a follow-up from Mr. Rajiv from Sunsara Capital. Please go ahead, sir.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

Yes, I would like you to give us a little bit more clarification on the revenue number that you have guided for the third quarter, because using different combinations of wafers and modules shipments in the third quarter and assuming that there is some price increases from Q2 to Q3, the revenue numbers that I'm coming up with are higher than $1.4 billion, which is obviously higher than your guidance. So can you help us understand why your revenue guidance at the high end is $1.35 billion when using your low-end of your shipment guidance combined with assuming that prices are stable or up for both margins and wafers, the revenue number that we come up with is higher than $1.4 billion.

Charlie Cao - *Chief Financial Officer*

It's mixed issue and - I mean the shipments to the U.S., which is our regions. The U.S., the ASP is relatively stable by regions. But you know we have more shipments in the third quarter versus second quarter and in the third quarter the U.S. shipments is relatively lower than the second quarter and the percentage wise the U.S. shipments taking less percentage of the total shipments. And the U.S., because of the trade issues the ASP is dramatically higher than other regions. So it's a mix issues.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

So what you're saying is that you can increase your gross income from second quarter to third quarter even if at the aggregate level the wafer - the module price that you will realize will go down from second quarter to third quarter because you have less shipments to the U.S., where the module price is inflated?

Charlie Cao - *Chief Financial Officer*

Yes, you're right, and with costs, but I think cost is higher and the U.S. we need to pay additional tariff cost. So the gross margin - gross income from U.S. shipments actually it's not so significant difference with our regions and we have more shipments in our regions which has no impact on the gross income.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

Great, thank you very much.

Charlie Cao - *Chief Financial Officer*

Thank you.

Operator