JinkoSolar - Q4 2019 Transcript

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Transcript

Management

Ripple Zhang - *Investor Relations Manager*

Kangping Chen - *Chief Executive Officer*

Gener Miao - *Chief Marketing Officer*

Charlie Cao - *Chief Financial Officer*

Participants

Philip Shen - *Roth Capital Partners - Analyst*

Carl - *CICC - Analyst*

Maheep Mandloi - *Maheep Mandloi - Analyst*

Alex Liu - *UBS - Analyst*

Presentation

Operator

Ladies and gentlemen, thank you for standing by and welcome to the JinkoSolar Fourth Quarter and Full Year of 2019 Earnings Conference Call. [Operator Instructions] I would now like to hand the conference over to your first speaker today, Ms. Ripple Zhang. Thank you. Please go ahead Ripple.

Ripple Zhang - *Investor Relations Manager*

Thank you, operator. Thank you everyone for joining us today for JinkoSolar's fourth quarter and full year 2019 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 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. Chen Kangping, Chief Executive Officer; Mr. Charlie Cao, Chief Financial Officer; and Mr. Gener Miao, Chief Marketing Officer. Mr. Chen will discuss JinkoSolar's business operations and company highlights followed by Mr. Miao, who will talk about sales and marketing, and then Mr. Cao 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. Chen Kangping, CEO of JinkoSolar. Mr. Chen will speak in Mandarin and I will translate his comments into English. Please go ahead, Mr. Chen.

Kangping Chen - *Chief Executive Officer*

[Foreign Speech] Thank you, Ripple. Good morning and good evening to everyone and thank you for joining us today. [Foreign Speech] Benefitting from the rapid expansion of our mono wafer production capacity during the second half of 2019 and our industry-leading integrated cost structure, we closed out the year with a very strong performance in which solar module shipments, total revenue, and gross profit all hit record highs for both the fourth quarter and full year. EBITDA was $380 [Phonetic] million in 2019. Non-GAAP net income for the year came in at $140 million while gross margin expanded to 18.3%, all significantly improved when compared to last year.

[Foreign Speech] 2019 marked a significant milestone in our corporate history in which we successfully completed our transformation into the most competitive solar manufacturer in the world. The efficient execution of our strategy throughout the second half of the year allowed us to rapidly transition operations and facilities from multi to mono production and steadily increase the proportion of products made through our fully integrated manufacturing process. This allowed us to rapidly begin mass production of our innovative solar products and distribute them to our growing customer base, eager to benefit from their increased efficiency. We also further refined management process to further optimize operational efficiency across our business and supply chain, which significantly reduced manufacturing costs. As a result we closed out the year with a significantly expanded share of the global market, which ideally positions us to continue doing so in the year ahead, where we expect solar module shipments to increase by

approximately 35%.

[Foreign Speech] New installations globally grew steadily throughout the year. New installations in Europe doubled in 2019 while ASPs in the United States remained high as a result of constrained supply. A number of emerging markets are flourishing with many of them approaching gigawatt levels, which we believe reflects the direction the market is headed with demand diversifying globally instead of being concentrated in a few large markets. With grid parity rapidly approaching, the long-term growth potential of the industry is rapidly opening up. Governments across the globe are increasingly devoting more resources towards the development of clean energy and are quickly rolling out plans with medium- to long-term targets for clean energy production. We believe global demand in 2020 will continue generating strong growth momentum with newly added installations expected to be in the range of 140 gigawatt to 150 gigawatt, an increase of around 20% year-over-year.

Turning to the domestic market, the delayed announcement of the government subsidy policy for PV projects in China in 2019 left little time for companies to plan and submit project development applications, which results in many of them being pushed back into 2020. The subsidy for 2020 is finalized earlier in the year than [Phonetic] was done [Phonetic] last year which will allow more time for project development planning and application and will result in higher overall completion rate. With a number of projects from 2019 delayed into 2020, total installations in China is expected to be in the range of 40 gigawatt to 50 gigawatt in 2020, an increase of about 50% year-over-year. I will let Gener go into this in more detail later.

[Foreign Speech] Since the beginning of 2020, China has been fighting the outbreak of COVID-19. Local governments across the nation have implemented a series of comprehensive and stringent measures to prevent it's spread and bring the outbreak under control. These measures included, extending the Chinese New Year holiday, organizing and distributing medical resources and strict controls on transportation, which has impacted the solar industry. Based on our internal data, delaying the return to work created a shortage of certain raw materials needed for production, impacts OEM capacity, and created logistic bottlenecks and delays. This has affected the larger shipments during the first quarter, which has been postponed to the second quarter.

In response to the outbreak, we implemented a number initiatives to ensure business continuity including ensuring the safety and health of our employees and minimizing the impact on production and the delivery side stocking up on critical raw materials and optimizing production and logistics. The situation is gradually improving as the economy gradually lifts up [Phonetic]. The temporary impact on our supply chain and logistics has improved and our current capacity utilization rate has already reached 100%. We estimate that 400 megawatt to 500 megawatt of our solar modules shipment in the first quarter will be delayed to the second quarter, which will cause shipments in the second quarter to increase significantly. Thanks to these measures we believe the impact on our shipments and capacity expansion plan for the full year of 2020 will not be impacted.

[Foreign Speech] Technology remains key to strengthening our competitive edge in the market. We increased our investments into R&D in 2019, which results in our products breaking cell efficiency and module output world record twice in June 2019 and once in January 2020. We recently appointed a Chief Technology Officer, who will lead and accelerate our R&D efforts and quickly apply them to the mass production of our solar products. In May 2019, we officially launched the latest addition to our range of premium Cheetah products, the Swan bifacial module with Clear DuPont Tedlar-based backsheet. The module's comprehensive performance, quality, innovative design and industry application was recognized with the receipt of the Intersolar Award 2019.

In October 2019, we set a new standard for industry with the launch of a new high efficiency Tiger module using 9-busbar Mono PERC and Tiling Ribbon technology. We were the first in industry to solve technical problems using Tiling Ribbon technology and the first to begin mass production of high efficiency modules with minimum cost. As part of our differentiated product strategy, we released a new generation of N-Type modules tailored for the residential market, which has been widely adopted by customers for its ultra-high efficiency and cost effectiveness. These breakthroughs demonstrate our ability to lead the industry technologically in terms of power generation efficiency and energy density. Going forward, we will continue to allocate resources towards the development of cutting edge technologies and accelerate the mass production of our innovative products, leveraging the significant advantage our fully integrated industrial chain provides.

[Foreign Speech] In 2019 our ability to constantly drive technological breakthroughs coupled with our expanding production capacity for high-efficiency products continue to drive down manufacturing costs. Our integrated cost structure now leads the industry. On wafer side, we are applying our integrated mono crystal furnace controlling system, which is highly automated and integral and intelligent [Phonetic] to the production process, which will further improve production quality and efficiency. On the sales side, we expanded and updated PERC capacity by 4 gigawatt within four months breaking an industry record. We also lead the industry in the mass production of 500 megawatt ultra-high efficiency N-type cells with a leading conversion efficiency currently available. On module side, we are maintaining our leading position in terms of module shipments, manufacturing cost, and product quality by leveraging our global footprint and fully integrated industrial chain.

[Foreign Speech] The competitiveness of products in the market today is driven by the technologies they incorporate. The ability to invest heavily in R&D and apply new technologies to the mass production is increasingly concentrating among a few players in the industry who have the capacity, concentration and industrial [Indecipherable] needed to drive the process forward. We believe the market will continue to be concentrated among a few leading players going forward and will allow us to continue growing our market share over the next few years.

[Foreign Speech] On capacity side, our in-house mono wafer solar sale and high efficiency solar module production capacity has now reached 11.5 gigawatt, 10.6 gigawatt, and 16 gigawatt respectively. At the end of the fourth quarter of 2019, given the rapid release of capacity as part of Phase 2 of the Leshan project and production and efficiency increase from existing capacity, we expect our mono wafer capacity to reach 18 gigawatt in April 2020. Meanwhile the 800 megawatt of ultra-high efficiency N-type cells project has reached full capacity in the fourth quarter of 2019. In addition, to meet growing demand of our innovative mass production products we will gradually expand module capacity by 9 gigawatts later from the second quarter of 2020.

[Foreign Speech] Before turning over to Gener, I would like to quickly go through our guidance for the first quarter of 2020. Based on current estimates and the impact from the outbreak of COVID-19, we expect total solar module shipment to be in the range of 3.4 gigawatt to 3.7 gigawatt for the first quarter of 2020. Total revenue for the first quarter is expected to be in the range of $1 billion to $1.08 billion. Gross margin for the first quarter is expected to be in the range of 19% to 21%. We reiterate our guidance full year 2020 shipment to be in the range of 18 gigawatt to 20 gigawatt.

Gener Miao - *Chief Marketing Officer*

Thank you, Mr. Chen. Looking forward - during the fourth quarter of 2019, our total shipment of modules reached 4,538 megawatts, a record high for the year. Total shipment for the full year 2019 was 14.3 gigawatt. This impressive performance allowed us to retain our number one position in terms of shipments globally for the fourth consecutive year. In terms of regional growth, non-China shipment accounted for approximately 83% of the total

shipment in 2019, an outstanding result driven by our comprehensive global sales network and the localized professional team. In 2019, the proportion of shipment to North America and Europe grew significantly creating a more balanced sales portfolio among those markets. We also implemented strategic plans to deploy our services in key emerging markets by leveraging our global marketing networks.

Product-wise, mono based high-efficiency products as a contributor of the total shipment increased significantly from 44% in 2018 to 74% in 2019, which made Jinko to become not only the world's largest module supplier, but also the world champion of mono module provider. As the world-leading module supplier, we understand the importance and value of excellent customer service play in distinguishing us from competition. In 2019, we closely monitored and analyzed the market demand to improve and optimize our global distribution networks. After having carefully studied the local policies and various technology-driven innovation practices, we further improved our operational efficiency and upgraded our flexible supply chain management system, which are expected to drive further improvement in customer satisfaction.

Looking forward into 2020 the proportion of non-China shipment is estimated to remain at 85% or so [Phonetic]. The volume of Mono PERC high-efficiency product will further increase up to almost 100% by the end of 2020. Meanwhile that of new product with higher energy conversion efficiency and power output will hit over 40%. Geographically speaking, we will seek opportunities to generate steady growth in mature markets, going forward to enhance market penetration by our high-end products and premium services will continuing to expand our business arms into different segments of each market over next three years.

From a demand perspective, we are very confident and optimistic about the global market in 2020. Firstly, let me share with you some current update in China. In the second half of 2019, prices along with the supply chain system have been re-adjusted and re-calibrated due to the delayed demand. As a matter of fact, project economic competitiveness in multiple provinces surfaced making solar the cheapest source of energy available locally. The delayed announcement of the government subsidy policy in 2019 resulted in approximately 10 gigawatt of installation to be delayed to 2020. Early finalization of subsidy policy in 2020 is expected to [Technical Issues] we are getting from our partners, project developers and financial institutions.

Lastly, we increased our investment into R&D in 2019 and launched the Swan Tiger and N-type high-efficiency products targeting different market segments and clients. New products with strong demand received a very positive popularity. Throughout 2019, we deepened our interactions with our clients and other market players. We participated in 257 marketing events globally through our key clients, doubling the amount in 2018. I see a very strong demand in 2020 and I remain very optimistic about our first class brand, reliable customer service, mature supply chain along with the deployment of marketing campaign which further strengthen our global reputation for producing cost-effective and reliable high-efficiency products. With that, I will turn it over to Charlie.

Charlie Cao - *Chief Financial Officer*

Thank you, Gener. The financial results were strong with quarterly and annual module shipments, total revenue, and gross profit breaking historical record. Looking to 2020, we are very confident about our sustainable growth. We continue to strengthen our product portfolio by promoting new high-efficiency products. We further solidified our shipments and expand global markets share by taking advantage of our top brand, global manufacturing, and sales and marketing footprints. Meanwhile, the planned expansion of integrated production capacities and leading cost structures will drive our future profitability. Furthermore, we continuously strengthen our balance sheet. We plan to reduce our leverage ratio.

Our production capacity expansion will be funded by our strong operating cash flow and onshore renewable infrastructure Fund. In addition, we are selling international solar projects. In Q4 we entered into an agreement to sell two solar projects in Mexico with a combined capacity of 155 megawatt. We are in the process of fulfilling the contractual obligation and expect to close the transaction by April. Once the transaction is completed, our total debt will be reduced by $131 million. It's consistent with our strategy to focus our solar manufacturing business.

Turning to Q4 results, total revenue increased to $1.37 billion, up 27% sequentially. Gross margin was 18.2% [Phonetic]. Excluding the AD, CVD reversal benefit, gross margin was 18.1% compared to 18.5% in Q3. Gross profit was $248 million compared to $223 million in Q3. EBITDA was $161 million, up 60% [Phonetic] compared to $100 million in Q3. Non-GAAP net income [Technical Issues].

Operator

Ladies and gentlemen, we apologize for the technical difficulties. Kindly stay on the line as we try to resolve this. Once again, apologies for the inconvenience. [Technical Issues]

Charlie Cao - *Chief Financial Officer*

Turning to the Q4 results, total revenue increased to $1.37 billion, up 27% sequentially. Gross margin was 18.2% [Phonetic]. Excluding the AD, CVD reversal benefit gross margin was 18.1% compared to 18.5% in Q3. Gross profit was $248 million compared to $223 million in Q3. EBITDA was $161 million, up 60% [Phonetic] compared to $100 million in Q3. Non-GAAP net income was $62 million. This translates into non-GAAP diluted earnings per ADS of $1.40. The operating expenses accounted for 11.9% of total revenue compared to 12.8% in Q3. The decrease was due to a decrease in shipping cost as a percentage of revenue because shipments from China accounted for a higher percentage of total shipments in Q4.

Now, I'll brief you on our 2019 full year financial results. 2019 was significantly stronger than 2018. Total solar module shipments were 14.3 gigawatts, up 26% year-over-year. Total revenue was $4.3 billion, up 19% year-over-year. Gross margin was 18.3% compared to 14% in 2018. Excluding the AD, CVD reversal benefit, gross margin was 17.5% compared to 13.2% in 2018. The substantial increase was contributed by growth of our integrated production capacity in the second half of 2019, the continuous reduction of manufacturing costs, and our highly diversified global sales network.

Operating expenses were 12.4% of total revenue in 2019 compared to 11.5% in 2018. The increase was due to an increase in shipping cost as a percentage of revenue driven by a higher percentage of shipments to the international markets. EBITDA was $376 million compared to $224 million in 2018. Net debt versus EBITDA ratio was 2.7 times, significantly improved from 4 times in 2018. Non-GAAP net income was $139 million compared to $63 million in 2018. This translates into a non-GAAP diluted and basic earnings per ADS of $3.29.

Moving to the balance sheet, at the end of Q4, our balance of cash and cash equivalents were $895 million compared to $580 million at the end of Q3. AR turnover days improved to 58 days compared to 63 days in Q3. The inventory turnover days reduced to 67 days compared to 93 days in Q3. Total debt were $1.9 billion at the end of Q4, among which $294 million was related to international solar projects compared to $1.7 billion at the end of Q3. Net debt was $1 billion compared to $1.1 billion at the end of Q3. We reiterate our guidance of total solar module shipments for the full year 2020 in the range of 18 gigawatts to 20 gigawatts. Capex for 2020 will be around $350 million. Operator, let's go to the question-and-answer session. Thanks.

Question & Answers

Questions and Answers:

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Philip Shen - *Roth Capital Partners - Analyst*

Thank you. [Operator Instructions] Your first question is from Philip Shen, who is from ROTH Capital Partners. Your line is now open, Philip. Please go ahead. Hey guys, thanks for the questions. Congrats on successfully navigating through the coronavirus disruption in your operations. I can imagine, I think it was a pretty tough challenge. That said, it looks like we're likely going to get a substantial amount of demand destruction in the U.S., in Europe. How do you plan on navigating the likely demand issues in these two regions? I think they could be nearly 50% of your revenue in 2020. Are you hearing yet of any cancellations? I know it's early, but what are your customers telling you? I think you guys are - have pushed out a bunch of shipments from Q1 into Q2. What's the chance that we get a substantial amount of shipments being pushed from Q2 into Q3? Thanks.

Gener Miao - *Chief Marketing Officer*

Thank you, sir. This is Gener. Actually, we are actively talking to our customers all over the world including Europe and U.S. Actually, right now the current feedback we got from customer end is they still need the products and pretty urgently. And one side the market demand is still there and another side there is a short of supply in Q1 because of the situation in China. So they are expecting to compensate the loss and catch up with their - the progress of the revenue for the rest of this year. What we heard beyond Italy, all the rest of Europe are still in the normal position and we do not hear any outbreaks or any troubles for delivering our goods and deliver the contracts.

Italy, because of blackout, we are experiencing some logistic bottleneck. Mainly it's not a canceled deal or canceled delivery, it's just caused longer time for the inspections and clearance, but still everything are still in the right track right now, but we are closely following our customers and market to see if there's anything happening.

Philip Shen - *Roth Capital Partners - Analyst*

Okay, thanks Gener. I know it's a real-time situation so it's fluid. So I can imagine we'll be getting more updates later. As it relates to the capacity expansion, there's been a lot of announcements by your peers. Between - what's interesting now is as you guys ramp up and once you guys - the China ecosystem is ramping up. There could be this demand slowdown. It seems like a potentially tough situation. Are you seeing any potential impact on - what are you hearing about pricing for 2020? Is there a chance that pricing could be incrementally lower than what you guys had expected back in November? Thanks for addressing this issue.

Gener Miao - *Chief Marketing Officer*

Thank you, Phil. The market price side, what we hear or what we are looking at right now is still the market price comes down a little bit compared with let's say Q4, but still in general, it's not [Phonetic] stable between Q1, Q2 and all the deals we are looking at rest of this year, in 2020, it's mainly still because there's an expectation of short of supply for Q2, even for Q3 because people need to catch up. There's a lot of delayed demand to be shipped to use Q2, Q3 capacity to compensate. So in general, the high quality, high-efficiency capacity are still short of supply in short-term. In long-term, we believe the solar industry as a whole needs to continue to improve ourselves to provide a better economic in terms of the resources, sources of the power market. Hope that answer your question? Thank you.

Philip Shen - *Roth Capital Partners - Analyst*

Yeah, thanks, Gener and then my last one here is when you guys provided guidance back in November for Q4, the implied kind of blended cost per watt was roughly $0.22-ish, but our back of the envelope calculation for the actual Q4 blended cost per watt was closer to $0.24 after maybe backing out some project sales. Can you talk about how - why it came in so much higher, the cost per watt for Q4? When - you gave the guidance in November, so you already likely shipped the modules for December? So did something in December - did the cost in December come in much higher than planned or if you can give us some color there, that would be great? Thank you.

Charlie Cao - *Chief Financial Officer*

Philip and there - I think there may be some misinterpretations for the cost structures and the fact that our in-house integrated production costs continue to improve through the fourth quarter and we are confident now we are leading - we are one of the leading integrated module producers with cost leadership. And I'm not sure how you calculate ASP with this, you know, in the blended cost and one of the factors may be, I think its integration level and if you look at our Q4 total shipments and 4.5 gigawatts, which is significantly higher than the third quarter the shipments. So of course our internal production for the mono wafer product sales continue to increase, but if you calculate the integration levels I think for the Q4, given the strong shipments, significant up and our integration level and it's relatively lower than the third quarter.

Philip Shen - *Roth Capital Partners - Analyst*

Okay, from a calculation standpoint, we're just, I'm just simply taking - from the guidance for Q4, just taking the shipments and the revenue guide and then expected gross margins [Speech Overlap] blended.

Charlie Cao - *Chief Financial Officer*

Yeah, [Speech Overlap] and of the total revenues, roughly for the Q4, we have roughly 60% of revenue is from the sales to third party for the multi-wafer and non-efficient [Phonetic]] sale. And we continue to operate legacy multi-wafer capacity roughly 3.5 gigawatt and our products have been shifted almost 100% [Phonetic] to the mono modules. And so we produce the multi-wafer and we sell to third-party. And margin is low, but we still make some very tiny net income from the multi-wafer business. So that you need to - when you calculate ASP, etc, you need to excluding the 6% revenue, which is not relevant to the solar module. So I think that will get more accurate the blended cost.

Philip Shen - *Roth Capital Partners - Analyst*

Great. Okay, thanks for the color. I'll pass it on.

Charlie Cao - *Chief Financial Officer*

Thank you.

Operator

Thank you, Philip. Your next question is from Carl Lu from CICC. Your line is now open, Carl. Please go ahead.

Carl - *CICC - Analyst*

Hey, thanks to management for taking the question. My first question is about the guidance of the gross profit margin in the first quarter. So we have a 19% to 21% gross margin guidance, but we are seeing the gross margin slightly decline in the fourth quarter. So, could you please give us some guidance on how we achieved that gross margin in the first quarter, whether it's coming from the product mix improvements from high-efficient products or from - whether it's from cost reduction? And I have a follow-up question.

Charlie Cao - *Chief Financial Officer*

Okay. It's really a very good question and we delivered roughly 18.2% [Phonetic] of gross margins in the fourth quarter which is relatively lower than our original guidance, the 18.5% to 20.5% and that is because we have higher multi-wafer revenue and which is not in our original estimations because we planned multi-wafer sales based on the weekly basis to weekly basis. And as such we make tiny margins. We will continue the productions and sell to third parties, but for the multi-wafer, the gross margin pretty low. It's roughly 5%. So it's impact into the blended gross margin.

The second thing is solar module shipments is 6% higher than our estimations and for the incremental shipments, it's not from our internal production. We need to buy the cell, the solar cell and we need to assemble the module. The margin is relatively lower, significantly lower actually and our gross margins from our integrated produced modules. So, back to your question, the fourth quarter relatively lower and two factors. One is we have more revenues from the multi-wafer margin is low. Second one module shipment is higher than what we expected, but the incremental [Phonetic] part in the margin is lower because we need to buy solar cell from third-party. So that is the key areas and for the Q1, we are looking to increase our gross margin to 19% to 21% and it's firstly as you know, Q4, we have roughly 30% to 35% shipments to China. China's ASP is relatively lower and in Q1, we have lower shipment to China, roughly 10% to 15%.

From the ASP perspective because of diversifications more to international markets and the ASP is relatively more stable. This is first thing. And the second one because our second phase, 5 gigawatt mono wafer is ramping up stage and it's going to ramp to full capacity in April. So we produce more mono wafer ourselves during the first quarter, which means our integration level is higher, dramatically higher than the fourth quarter and as well as we continue to improve our internal production costs. That is the key fundamental reason and to increase our gross - to have higher gross margins in the first quarter.

Carl - *CICC - Analyst*

Okay. So we both have the product mix improvement and cost reduction because the integration percentages increased, right, so we have more mono wafer capacity rather than we can - we should buy from third parties, right?

Charlie Cao - *Chief Financial Officer*

Yes, yes. The first key - the first, the most important driver is the integration level is higher and we have more mono wafer production by ourselves. And second one is, we have more mix to international markets. Our ASP is relatively stable quarter-over-quarter. And on top of that, we still improve another, a little bit production costs because you know, in Q1, sometimes cannot charge [Phonetic] of certain materials, the mature cost is relatively higher, but internal production cost is some improvement.

Carl - *CICC - Analyst*

Okay. Yes. So, can I have some color on the, you mentioned about the integration percentage. If we can compare with the fourth quarter, whether we have the, what's the percentage of integrating level - in-house level, maybe and the fourth quarter of 2019? So do we have this number?

Charlie Cao - *Chief Financial Officer*

Yes, we have only and roughly and when we tackle integration levels, we use them mono wafer productions, which is, and the cell productions and average the total. So for example, in Q4, we produced mono wafer roughly 2.8 gigawatts and cell 2.5 gigawatts, so roughly integration level it's 2.6 gigawatts, which is 4.5 gigawatts integration level - relatively lower than 60%. And for the Q1 and given our shipment is relatively lower 3.4 gigawatts, 3.6 gigawatts. So ideally roughly 65% to 70% integration level.

Carl - *CICC - Analyst*

Okay, thank you. And now I have a question about the demand side. So we are seeing the coronavirus not only impact on China, but also in overseas. So can we have some color on the maybe order book now? What's our visibility in our guidance in the 18 gigawatts to 20 gigawatts of this shipment this year? So do we have some visibility in the order book this year?

Charlie Cao - *Chief Financial Officer*

Yes, so first I'll take the question and then maybe Gener can supplement. And actually the virus, the impact in China actually is it's a surprise impact.. So we are seeing the acceleration of order visibilities and in the recent two months. And we have assigned roughly over 55% of 20 gigawatts this year. On top of that we have couple of gigawatt in the framework arrangements and we're confident we can achieve 20 gigawatts. And because we roughly have exposure to over 100 countries and we have capabilities let's say to mitigate some risk from certain countries because of the demand maybe some disruptions in certain periods and we are able to mitigate and in some countries we can ship more and which is - other countries because of demand disruptions we can mitigate. So I think we are very confident. That is why we don't change our full year guidance 20 gigawatts and capacity expansion plan. [Indecipherable].

Carl - *CICC - Analyst*

Yeah, thanks for the answer. Thanks. And that's all for my questions. Thank you.

Charlie Cao - *Chief Financial Officer*

Okay, thank you.

Carl - *CICC - Analyst*

Thank you.

Operator

Thank you, Carl. Your next question is from Maheep Mandloi from Credit Suisse. Your line is now open, sir. Please go ahead.

Maheep Mandloi - *Maheep Mandloi - Analyst*

Hi, thanks for taking the questions and apologies if I missed it earlier. Just having some technical issues here as well, but I know that the coronavirus situation is changing every hour, every day basis but to the extent if demand is actually lowered than expected for the year, can you talk about any flexibility you have in your shipments or your capex plan for the year, if you could delay any of the capacity expansion plans scheduled for later this year?

Charlie Cao - *Chief Financial Officer*

Maheep, if I get your question correctly, you're talking about capacity expansion plan, right? And this year and we increased the mono wafer; actually the mono wafer capacity we started - the ramp up from the Q4 last year. So it's all - it's almost done for the mono wafer and we will reach 18 gigawatts in April next month and we are continuing to increase output. The total capacity reached to 19 gigawatts mono wafer capacity by the end of this year. So for the mono wafer, it's almost, it's 100% done. And on top of that, given we are, we have the goal to reach 20 gigawatts and we have only 16 gigawatt mono module capacity by the end of last year and we plan to increase 9 gigawatts mono module capacity throughout this year and the module capacity will come out by the end of the second quarter.

So we, I think we don't have the plan to change and if you look at the long-term perspective, let's say the next year and if we can deliver 30% [Phonetic] growth and so, and the mono capacity is capex not intensive and we are - the customer likes. We are doing this - the next-generation TR technology capacity, standard capacities and just back to general question for the high-efficient and advanced capacity, we are expecting continue to being shortage - the supply shortage. So back to your question, we don't have plan to change in terms of our mono - module capacity expansion plan.

Maheep Mandloi - *Maheep Mandloi - Analyst*

Fair enough. And then.

Gener Miao - *Chief Marketing Officer*

Yeah, Maheep, I think, this is Gener. Sorry Maheep, this is Gener. I think I can explain a little bit more from the demand side to help you understand why we are keep our original plan. Actually, if we look into the demand side, no matter which analyst report it is even the lower range will over a 100 gigawatt anyway, right, even the most conservative one, right. So it's a huge market demand compared with the expansion or the capacity we have. As the top player in this industry, I think we are always, let's say prioritize as preferred supplier for all of our clients.

So whenever our client has a demand, they wanted some products, they ask Jinko first, do you have such capacity availability? So that's why all the top tier supplier like Jinko are always having sufficient order book. Meanwhile, our expansion like what Charlie just explained, increased integration level we have, which is having more in-house wafers at times. They are critical to improve our cost structure. Meanwhile we are upgrading and expanding slightly for our module side, which give us the competitiveness to continue to supply the high-efficient and high-end products, which is always welcome and preferred for any customer all over the world.

So follow those two logics we still believe the market is huge and we are the preferred supplier with short of supply of high-efficiency products. Meanwhile, we can continue to improve our cost structure. So that's why we continue to expand according to our plan. Meanwhile, actually coronavirus impact has not significantly impacted the market till now. All of our customers in the project side has stick to their plan and we have been requested to ship out all the modules and follow the schedules closely. So we have not received any signal from our customer in saying, hey, please stop this force majeure or this big impact because of the virus, still not even some of our Italian customer are continue ask us to ship those products even the logistics takes longer than you expected.

Maheep Mandloi - *Maheep Mandloi - Analyst*

Got it. That's helpful. And then could you just remind us of how much integrated capacity you have for the full year for 2019 versus the in-house mono per capacity versus the 20 gigawatts of shipment target?

Charlie Cao - *Chief Financial Officer*

Maheep, 20 gigawatt shipment is roughly 99%, almost 100% is mono-based high-efficiency products and then if you look at the capacity integration levels and we will reach 19 gigawatts mono wafer. So almost 100% resupply by ourselves and 11 gigawatts PERC cell, and we need to do the OEM for the gap and for the sale capacity which is the 20 gigawatts the gap and for the module capacity almost we produce ourselves, able to reach 25 gigawatts and we plan to produce 20 gigawatts module. So the gap is under the cell and which is we are able to look to do the OEM and if you go with OEM and using a convert our produced mono wafer to cell. If you compare year-over-year 2020 versus 2019 integration level is dramatically increased.

Maheep Mandloi - *Maheep Mandloi - Analyst*

Got it. And just keeping that high integration level in mind and the higher mix of Chinese production or Chinese supplies this year and your visibility in

pricing, can you talk about your expectations for gross margins for rest of the year based on your contracts?

Charlie Cao - *Chief Financial Officer*

Yes, our targets and gross margin, it's a conservative estimation. It's for the integrated products in mono modules. Our target gross margin is 20% to 25% and some of new products the margins are relatively higher, for example the TR modules and for example N-types the margins [Indecipherable] dramatically higher than the 20% to 25%. And then in terms of the blended gross margin when you just think about the sale, we need to do the OEM, right and it's roughly - we believe it's roughly high teens blended gross margin throughout the year and we have some target for the net income as well and it's roughly 4% to 6% net margin, net income margin and the convert is to net income roughly $200 million to $300 million this year.

Maheep Mandloi - *Maheep Mandloi - Analyst*

Got it. That's helpful and then probably just one last question from me and then I'll leave it for others. On the residential solar market product, the TR product, could you talk about like which markets are you launching them and how much like - is it U.S., Europe and other markets? And how much price premium do you expect on those products versus selling into utility solar farms. Thanks?

Gener Miao - *Chief Marketing Officer*

Yeah, thank you. Maheep. I think this new product we're launching targeting the residential market mainly covering all the main residential market, including like U.S., Europe, Australia, Japan all the major residential market has been well covered and advertised. The premiums we can get from the market is very high, it's almost 15% to 20% higher than the standard products or let's say commodity products. So we're expecting that product will contributing a lot of good reputations and customer feedback for Jinko. Thank you.

Maheep Mandloi - *Maheep Mandloi - Analyst*

Thanks everyone.

Operator

Thank you. Due to the interest of time, this will be our last question who will be from Alex who is from UBS. Your line is now open, Alex. Please go ahead.

Alex Liu - *UBS - Analyst*

Thanks. I got two questions. One is regarding to your capacity extensions. So I saw you had progressively smaller capacity extension planned in the cell segment compared with your wafer and module expansions. So what's your strategy and logistics behind this because it seems like, it should have more [Indecipherable] capacity across the supply chain. And my second question is about the ASP, so what's your view - expectation about ASPs across the supply chain across the year, I mean, in the next few [Phonetic] quarters from polysilicon, wafer, cell, and module? Thank you.

Charlie Cao - *Chief Financial Officer*

In terms of first question, we do investment in capex and we look towards the long-term - we look for the two to three years. We don't look just for one years and we make - if we make the investment and we want to make sure that capacity is very competitive in the next two or three years. And at the same time, we target the return period - the investment return period less than three years. But on top of that there is a lot of considerations and what's kind of the passes, procedures or steps we're going to invest, are we going to invest under the mono wafer? Are we going to invest on cell which is modules and we need to evaluate the technology risk. And back to last year - at the beginning of last year, we have decided we were not going to invest on the traditional standard PERC cell capacity because we believe it's not the next generation technology and that is why last year 2019 we go out the 800 megawatt N-Type TOPCon HOT technology pipeline and the results were very promising and the 800 megawatt N-Type cell working efficiency have reached to 23.3%, that is very good results and we plan to increase to 24%. And so for the next step we continuously evaluate and it's for sure, we are not going to invest in the PERC cell. And we are going to invest in the N-Type. It's depending on the customer demands, the technology maturities and the economic returns. So for the second part, I think you are talking about [Speech Overlap].

Gener Miao - *Chief Marketing Officer*

Yeah, I will take the second question for the ASP. Actually, ASPs for the contract we sign, I think that's pretty firm contract with a firm commitment. So that's kind of fixed ASP for that, I'd say over 50% and for the rest around 40% to 50% of the contract that is still, we still stick to the market even we are capable to get some premium ASP against the market price, but still we need to follow the market price, right? The market price really depends on - right now at least in short-term our view is in Q2, Q3, especially the market is still in short of supply, because of the coronavirus impact Q1 China supply. So all the customers are desperate to get more supply, get sufficient supply. So we have seen very robust demand for Q2 and Q3. We have anticipated a quite stable market price for the short-term. In the mid-term, let's say six months even beyond, we believe the coronavirus outside China impact will take into effect that if the demand has got delayed somehow we are anticipating the market prices start to drop if all the governments can fight against this virus issue and we can pass this through, we believe the market price will stay healthy that is slightly decrease quarter-by-quarter.

Alex Liu - *UBS - Analyst*

Okay, so do you expect the price will be brought down when China started bidding for the project in 2020 because think that with mainly lower module price for the new project in 2020 in China, right?

Gener Miao - *Chief Marketing Officer*

Well, it's still in the bidding process for the new project for the China demand for at least until middle of this year at the end of Q2, beginning of Q3. We see the Chinese demand is mainly driven by the 2019 projects, right? So either that is delayed schedule for Q1 installation got delayed into Q2, Q3 or is older 2019 grid parity projects that need to finish installation by mid of this year. So we have seen all those demands are driven the market demand in China which saying the price band [Phonetic] and also given the intense or short of supply side or we believe the market price will be kind of stable while Q4 we need to see how this 2020 China priority or the China project auction goes. All people are expecting the auction price could be more rational and reasonable, especially given the module side have more advanced technology can provide a more competitive LCOE. We do not see a sharp drop in the Q4 right now.

Alex Liu - *UBS - Analyst*

Okay, got it. Very clear. Thank you.

Gener Miao - *Chief Marketing Officer*

Thank you.

Operator

Thank you, Alex.