JinkoSolar - Q4 2021 Transcript

03/23/2022

Management

Stella Wang - *Investor Relations*

Xiande Li - *Founder, 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

Brian Lee - *oldman Sachs - Analyst*

Philip Shen - *ROTH Capital - Analyst*

Alan Lau - *Jefferies - Analyst*

Rajiv Chaudhri - *Sunsara Capital - Analyst*

Tony Tse - *Bank of China - Analyst*

Presentation

Operator

Hello, ladies and gentlemen, and thank you for standing by for JinkoSolar Holding Company Limited Fourth 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 for your host for today, Ms. Stella Wang, JinkoSolar's Investor Relations. Please proceed, Ms. Stella.

Stella Wang - *Investor Relations*

Thank you, operator. Hi everyone. Thank you for joining us today for JinkoSolar's fourth 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 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. 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 business operations and the company highlights; followed by Mr. Miao, who will talk about the sales and the 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 this 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 - *Founder, Chairman of the Board of Directors, and Chief Executive Officer*

[Foreign Speech]

Stella Wang - *Investor Relations*

We were very pleased to close a very challenging 2021, this excellent results. We were able to swiftly respond to supply chain volatility and logistic challenges. Thanks to our competitive advantages in supply chain management and the comprehensive advantages of our global network. Revenues and the shipments grew significantly in the fourth quarter as a result of the increasing proportion of our in-house large side production capacity and the

large-sized product sales. Our integrated cost declined further and our profitability further improved. Sequentially, operating profit quadrupled and a non-GAAP net profit increased by up approximately 13 times.

In the first quarter of 2022, our principal operating subsidiary, Jiangxi Jinko, completed its listing on the Shanghai Stock Exchange Science and Technology Innovation Board. The capital [Indecipherable] provided greater momentum for the development of our state-of-the-art technology and business. Our ability to successfully compete in the future rests our comprehensive strength. We will continue to increase our competitiveness in technology, global marketing network and also the comprehensive management skills.

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

[Foreign Speech]

Stella Wang - *Investor Relations*

Despite a challenging 2021, the demand from end users kept increasing compared with 2020, more flexible business model and a lower pricing sensitivity are helping the distributed generation business achieve record growth. China's installation capacity reached the 55 gigawatt for the full year of 2021, with DG contributing more than half of new installations due to a higher economic returns. We hope this trend to remain the driving force for newly added installations in 2022. We are highly optimistic about the development prospects in its ability to generation markets and we continue to grow our brand influence in this markets. With the strategic needs for energy transformation and energy security in major world economies, we expect that PV industry to continue its strong growth momentum in the coming years. Advanced in the high efficiency and time products will support the continued growth of the global PV industry.

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

[Foreign Speech]

Stella Wang - *Investor Relations*

We continue to lead the industry with our innovative technology an in-depth market knowledge. In our Haining facility, our mass produced N-type cells reached an ultra high conversion efficiency of up to 24.5% in the fourth quarter last year and energy yield similar to that of the PERC. We have roughly 16 gigawatts of N-type cell capacity operational in the first quarter of 2022, and currently are steadily ramping up our production capacity. Our integrated cost is as expected to further decrease as our integrated production capacity structure consistently improves.

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

[Foreign Speech]

Stella Wang - *Investor Relations*

In light of the rapid industry transition from a P-type to N-type and the growing demand for higher efficiency products, we have launched the next generation of N-type Ultra-efficiency Tiger Neo Module. This modules have received a worldwide claim from our customers for better power generation performance and obtained premium. In the long run, out stable supply and the localized after-sales and service network will continue to guarantee the reliability and the consistency of our products and services. This core qualities have become of our competitive moat. We will reinforce the leadership position of our N-type modules globally and further enhance our global market share and the profits ability.

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

[Foreign Speech]

Stella Wang - *Investor Relations*

Our 7-gigawatt mono wafer plant in Vietnam become officially operational in the first quarter - in the first quarter this year. This integrated mono wafer cell module manufacturing capacity of roughly 7-gigawatts overseas further consolidate our global supply chain advantage. We are coordinating this our upstream and downstream partners to tap into all other complementary resources and enhanced our strategic cooperation. This will help us mitigate raw material shortages and production weak links. At the same time, we are committed to building a cluster of industrial eco systems to solidify our supply chain. Vertical integration is essential to compete in the global PV market by continuously consolidating our diversified industrial chain infrastructure, we believe we will continue to strengthen the competitiveness about - of our core products and bringing greater - bringing great value to our global customers with high quality reliable modules and a premium services.

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

[Foreign Speech]

Stella Wang - *Investor Relations*

Before turning over to Gener, I would like to go over our guidance for the first quarter and the full year 2022. We expect total shipments to be in the range of 7.5-gigawatt to 8-gigawatt for the first quarter of 2022. The annual mono wafer solar cells and solar module production capacity is expected to reach 50-gigawatt, 40-gigawatt, and 60-gigawatt respectively by the end of 2022. We expect our full 2022 shipments, including wafers, cells and modules to be in the range of 35-gigawatt to 40-gigawatt.

Gener Miao - *Chief Marketing Officer*

Thank you, Mr. Li. Total shipment in the fourth quarter were 9.7-gigawatt, of which module shipments were 9-gigawatt, a significant increase compared with the third quarter of 2021 and the same period of 2010. ASP outside North America improved sequentially, thanks to the sales of high-efficiency products in high-end market.

In terms of regions, module shipments in Asia Pacific and emerging market increased sequentially and the year-over-year. China outpaced all other countries by contributing the largest proportion in the fourth quarter from less than 10% in the first half of the year to nearly 34%. As distributed

generation gradually becomes the main driving force for newly added installations in China, the sector is expected to increasingly contribute to incremental market volume, encouraged by incentives from the one plus end policy framework that guides the countries final action and action plan on peak emissions and other policies. We are optimistic about China demand will increase 100-gigawatt in 2022, and we expect that the shipment in China's market to a further increase in the 2022.

In Europe, one of the most developed PV market, clients have accumulated a matured awareness for PV and have a higher acceptance of new products such as Tiger neo modules. By end of 2021, we had shipped our products to more than 30 countries across Europe. Europe become one of our top contributors for total shipments in 2021. With the increasing electricity prices making solar energy more economical and strategic and necessary of energy transformation and energy security, Europe is expected to maintain strong gross momentum. We are confident in maintaining our competitiveness in European market by elaborating our local network and the next generation N-type ultra efficiency modules Tiger neo.

We launched the next generation N-type Tiger neo module in the first quarter of 2021 and increased our global promotion and sales, delivering high energy density, high bifacial factor and the lower linear degradation, Tiger neo module bringing clients better power generation performance and obtain competitive premium. Meanwhile, we are heavily invested in the future of distributed generation sector. So proportion of distributed generation in our shipments is expected to reach around the 40% this year. We will continue to explore the global market demand for distributed generation based on market trends and the customer needs, and proactively increase our presence in China, United States, Europe, Brazil, Australia and explore other potential market.

Countries around the world have adopted various strategy in response to COVID-19, supply chain disruptions and the soaring household gas and electricity bill as the energy crisis bite. And in this backdrop, the global PV market has been driven by green low carbon and long-term energy security investment, which we will usher in a new period of rapid development. Market demand in 2023 is expected to grow in excess of 20%. We will continue to track market conditions and adjust our business strategy accordingly. We are confident that we will contribute to the global energy transformation with our high-efficiency products and support customers with our sound marketing and global service network.

With that, I will turn it over to Pan.

Mengmeng Li - *Chief Financial Officer*

Thank you, Gener. Our fourth quarter results increased the expectations. Total revenues grew significantly quarter-over-quarter. We continued relentlessly to take effective management of integrated production costs and operating expenses. Sequentially, gross profit doubled, operating profit more than quadrupled, and non-GAAP net profit increased by 13 times. Operating efficiency improved as a result of our efforts to closely align inventory management with market supply and demand dynamics. Let me go into more details now.

Total revenue was $2.57 billion, an increase of 91 percentage sequentially and 74% this year over year. Gross margin was 16.1% compared with 15.1 percentage in the third quarter this year and 16 percentage in the fourth quarter last year. Excluding anti-dumping and countervailing duties reversal benefit, gross margin was 14.3 percentage. Total operating expenses nearly doubled year-over-year due to substantial increase in module shipments during the fourth quarter which increased shipping costs. On one hand, we increased shipments to China to reduce the impact of shipping cost on profitability. And on the other hand, we leveraged our long-term agreement with major shipping companies to obtain more competitive prices compared with the rest of the market. In general, the impact from changes in shipping costs on profitability was relatively under control.

Total operating expenses accounted for 13 percentage of total revenues in the fourth quarter this year, flat sequentially and slightly improved compared with 15 percentage in the fourth quarter last year. Operating margin was 3 percentage in the fourth quarter of 2021, compared with 1.3 percentage in the third quarter and 0.8 percentage in the fourth quarter last year. EBITDA was $183 million, doubled compared with $89 million in the third quarter of 2021. Non-GAAP net income was $34 million, an increase of 13 time sequentially, resulting in diluted earnings per ADS of $0.67.

Now a brief view on our 2021 full year financial results. Total module shipments were 22.2-gigawatt, up 18 percentage year over year. Total revenues were $6.41 billion, up 16.2% year-over-year. Increase in module shipments, higher integrated production volumes together with cost reduction from our industry-leading integrated cost structure resulting in improved profitability. For the full year of 2021, gross profit was about $1 billion, an increase of about 8 percentage year-over-year. Gross margin was 16.3% compared with 17.6 percentage last year. Operating margin for the full year of 2021 was 2.7 percentage compared to 5.1 percentage in 2020. Operating expenses were 13.6% of the total revenues in 2021 compared to 12.5 percentage last year. EBITDA was $538 million in 2021 compared to $463.5 million last year. Non-GAAP net income was about $88 million in 2021, compared to $147 million last year. This translates into non-GAAP basic and diluted earnings per ADS of $1.84 and $1.70 respectively.

Moving to the balance sheet. At the end of the fourth quarter, our cash and cash equivalents were $1.4 billion, up from $1.14 billion at the end of the third quarter and $1.24 billion at the end of the fourth quarter last year. Our operating efficiency continues to improve quarter-over-quarter. AR turnover days were 52 days in the fourth quarter compared with the 65 days in the third quarter of 2021. Inventory turnover days were reduced to 88 days in the fourth quarter compared with 171 days in the third quarter of 2021.

Total debt was $4 billion at the end of the fourth quarter compared to $2.8 billion at the end of fourth quarter last year. Net debt was $2.56 billion compared to $1.56 billion at the end of the fourth quarter last year. With the listing of Jiangxi Jinko earlier this year, our financing structure is expected to improve with access to competitive financing.

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

Question & Answers

Operator

Thank you. [Operator Instructions] Our first question comes from Brian Lee with Goldman Sachs. Please go ahead.

Brian Lee - *oldman Sachs - Analyst*

Hey guys, thanks for taking the questions. I guess, maybe just to start off on the guidance, appreciate you giving the views for shipments here in Q1 and for the full year. I think, customarily you've given gross margin guidance not for the year per se, but at least for the out quarter. Any reason I might have missed this, but did you provide the gross margin guidance and revenue guidance for Q1? And if not, kind of what's the rationale and I guess what are the puts and takes around the outlook for those - for those metrics in Q1?

Charlie Cao - *Chief Financial Officer*

Biran, this is Charlie speaking. And you're right, in terms of guidance we made some small changes compared to the couple of the quarters before and we, we tend to only give the guidance for the shipments. And in terms of gross margin revenue, no gains. And firstly, we want to be consistent with [Indecipherable] because our subsidiaries in China has been invested in China's capital market. So we want to make consistency is the regulations in China, which - and the entities did not provide any gross margin guidance as well as the revenue range.

Second one is, in terms of gross margin, because the supply chain is so volatile and we don't believe at this stage to give the level, the gross margin range is still in challenge.

Brian Lee - *oldman Sachs - Analyst*

Okay, that's fair enough. Maybe at a big picture level gross margins came in sort of right above the high-end of the range for 4Q, so, kudos to you for good execution on that. Are you saying that the, the supply chain/margin environment is more uncertain in Q1 2022 than what you saw in Q4 '21?

Charlie Cao - *Chief Financial Officer*

The poly is still - the polysilicon price is still well above our expectations. So in terms of gross margin we expect some extrapolation pressures from that perspective. From the long-term perspective, we think partly the price we will return to more rationale level, particularly with more supply, production volume from poly producers in the second half here.

Brian Lee - *oldman Sachs - Analyst*

Okay, fair enough. And then for Q4, there was a good amount of non-module shipments. What was your kind of gross margin delta roughly between modules and non-modules? Were they same range or higher on the non-modules? And if higher, what sort of percentage or basis points difference?

Charlie Cao - *Chief Financial Officer*

You mean the Q4 last year or Q1 of this year, sorry.

Brian Lee - *oldman Sachs - Analyst*

Yeah, asking about Q4 and then I guess the follow-up to that would be what's embedded in your shipment guidance for '22 in Q1 in terms of wafer and non-module versus module?

Charlie Cao - *Chief Financial Officer*

For the 2022, the guidance for Q1 as well as the full year, the majority part is module. So you can take the guidance as the module shipments. And regarding the Q4 last year, we did have some the 600 megawatts for the wafer and cell shipments, but it's for the low increasingly wafer sales. So the margin is roughly very low, and I think if you, excluding the wafer and cell margins, the module margins will be a little bit better than the total amount.

Brian Lee - *oldman Sachs - Analyst*

Okay, that's great. Last two housekeeping ones and I'll get back in the queue. The capex guidance for 2022, I might have missed that. But do you have a capex range or number for this year? And then, I noticed the tax expense was much higher than usual in Q4. Maybe what was the driver of that and should we be modeling a similar tax rate in 2022? It seems like it was high 20% sort of close to 30% in Q4. Thank you.

Charlie Cao - *Chief Financial Officer*

Yeah, Pan, please go ahead.

Mengmeng Li - *Chief Financial Officer*

Yeah, first capex for last year 2021 and its approximately $1.3 billion and we expect some new capacity in this year, so it might be in around $1.8 billion to $1.9 billion.

Brian Lee - *oldman Sachs - Analyst*

And just lastly on the tax rate.

Charlie Cao - *Chief Financial Officer*

Yeah, the tax rate. It's, it's in the range of 15% to 20%.

Brian Lee - *oldman Sachs - Analyst*

Okay, thanks guys. I'll pass it on.

Charlie Cao - *Chief Financial Officer*

Thank you.

Operator

Our next question comes from Philip Shen with Roth Capital. Please go ahead.

Philip Shen - *ROTH Capital - Analyst*

Hi, everyone. Thanks for taking my questions. Just want to revisit the margin question for Q1. There are just three days left in the quarter. So you guys probably have a sense for where margins are? What do you think it still drive or change material impact versus your view, given how late in the quarter

we are? And what do you think, can you give us a sense for how do you expect margins in Q1 to be flat versus Q4 or potentially weaker as a result of the higher poly price. Thanks.

Charlie Cao - *Chief Financial Officer*

In terms of margin, first quarter is roughly be flat quarter-over-quarter and maybe slightly lower because of the polysilicon as well as the RMB appreciation standards, particularly in January and February.

Philip Shen - *ROTH Capital - Analyst*

Okay. Thanks, Charlie. And shifting back to some comments, I think Gener made about Europe and the demand there. I was wondering if you could provide a little bit more color on how demand has changed over the past four weeks to the European market? Do you also serve the European market from your Southeast Asia facilities? Any kind of color there would be really helpful. Thanks.

Gener Miao - *Chief Marketing Officer*

Thank you, Phil. This is Gener. For the global demand of '22, we are pretty optimistic about the global demand, especially what happened in the last I'd say 3, 4 weeks time in Europe, we have observed quite, let's say we'll observe a stronger than expected demand coming from Europe, plus the Russia - India and all sorts of reasons, the recent strong push from China side. So adding everything together, we are looking at the global demand at the range around 240- gigawatt to 250-gigawatt.

And for the - regarding Europe, we believe the European market will will beat 30-gigawatt production as a whole and currently we we still supply European market from China manufacturing base. Our China manufacturing base is managed already for U.S. market right now. I hope that answer your question.

Philip Shen - *ROTH Capital - Analyst*

Yeah, Gener, that's great, thank you. As it relates to the capacity expansion, I think last quarter you guys were expecting wafer cell module to be 40-40 and 50 gigawatts respectively, and now you're expecting it to be 50-40 and 60. So wanted to see if you could help us understand what drove that - what's driving that meaningful increase in capacity? It seems like it could be related to the stronger demand, but I was wondering if you might well share more there. And then can you talk about if you expect 2020 to be, call it 35 to 40 gigawatts. How much of that is booked already for the year? You often have bookings well in advance. And so do you think that's 50% booked or possibly even more? Thanks.

Gener Miao - *Chief Marketing Officer*

Hey Phil, I think I would let me briefly talk about this topic. And for the capacity expansion, yes, we have seen a strong, stronger than expected demand, but mainly we are holding the confidence about our long-term momentum of the stronger lobal demand and that's is very important and the reason why we, one of the important reasons why we expand our capacities. Meanwhile, we noticed that lots of capacity will be released in the second half, even year-end, that might help our - to meet that demand not only in '22, but also in '23 and of '24.

And also for the booking side, I think we are looking at our bookings. We are more or less around half bookings based on our plan and we are trying to build more. And very important to notice here is that we are seeing - we are witnessing a stronger than expected demand for the N-type product. So that's I think the key highlight, we trying to expand our capacity. The focus will only be the expansion on the N-type product. Thank you.

Philip Shen - *ROTH Capital - Analyst*

Okay, great, thanks. One last question from me as it relates to the shipments from Vietnam and Southeast Asia into the U.S., have you guys been able to get new volume of shipments into the U.S. I think it's, you guys have non-China poly going into modules. And if so, when do you expect the shipment arrive at U.S. shores without being impacted by the [Indecipherable] Thanks.

Gener Miao - *Chief Marketing Officer*

For that, I think we have seen some positive feedbacks in the last couple of weeks and we have seen some smaller volume, lets call it as [Indecipherable] being accepted and pass through the CCP inspection, and we are expecting - we are expecting to build our [Indecipherable] tracking system to make sure that all the shipment going to U.S. market will be fully compliant with the CBP and al requirements. So we said we re-launch or we started our non-China productions, I think in the last month and two.

And back to your question, we haven't got any massive, let's say 100-megawatt level of shipment arrival in U.S. border yet, but\, but we're still holding the positive views about future shipments to U.S. market. For sure, there are still some concerns on this recent feelings about this anti commission stuff, but we will keep a close eye on it. But in general, I think we are, we have one of the best solutions in the industry with our vertically integrated non-China production basis.

Philip Shen - *ROTH Capital - Analyst*

Okay, thank you very much, Gener. I'll pass it on.

Gener Miao - *Chief Marketing Officer*

Thank you, Phil.

Operator

Our next question comes from Alan Lau with Jefferies. Please go ahead.

Alan Lau - *Jefferies - Analyst*

Thanks a lot for the Management for holding the meeting and congratulations on the good results. So my first question is about the new Topcon product. So, but on a per watt basis, what do you expect the premium of Topcon products versus PERC products?

Gener Miao - *Chief Marketing Officer*

Thank you for your question, Alan. This is Gener speaking. And regarding the premium, its hard to justify our general numbers, but we are building the business model based on profit-sharing business model with our customers. In some cases we might share, we might get a bigger premium, in some cases we might get a smaller premium based on different markets, different radiation condition, different system designing, or etc., so it's various allowed. But in general, we are seeing N-type premium - in the current stage we have seeing N-type premium stay around the $0.02 to $0.03 [Phonetic] But we expect that that may become up and down a little, but we still are pretty optimistic about this stronger-than-expected demand about the N-type product. Thank you.

Alan Lau - *Jefferies - Analyst*

Thank you. So it's around $0.02 to $0.03 and I wonder in terms of the margin, would this be better compared to the products?

Charlie Cao - *Chief Financial Officer*

Yes, this is Charlie speaking. This is for sure, the new products in time, we can get the price premium as well as we are in the - on the progress to ramp up our capacities to make the, the cost, integrated production cost is competitive with traditional PERC products.

Alan Lau - *Jefferies - Analyst*

Thank you. And next question relates to the European markets, because they were ambitious installation pockets with the repower initiative, etc.,, but at the same time, actually you also depreciated, so meaning that probably modules is - module prices increasing to them. So wonder if the company sees still strong demand from the European market in the second quarter versus the first quarter? Do you see quarter-over-quarter growth with probably higher module prices?

Gener Miao - *Chief Marketing Officer*

Okay. This is Gener, I'll take this one. The European demand is stronger than expected, especially in the recent three, four weeks time. We can feel the stronger than expected demand mainly coming from that not only from the Distributed Generation market segment, but also coming from the utility side as well. But we have seen quite several, let's say headwinds around the stronger demand from Europe. One of the challenge just mentioned by you is currency exchange rate. But the other challenges are like the logistics cost. The shipping costs continue to climbing up, which is in a big impact factor and as well as you know this, just the cost of raw material like as the polysilicon, like aluminum, etc.

But having said that, because the local electricity cost is higher and higher, so we can expect that even with slightly higher than expected, the module or solar system cost, the solar system or solar electricity from solar system is one of the most competitive electricity contributors across the whole Europe. I think we are still, that's the reason why we are holding a very big confidence on the European demand that not only for the next coming quarters but also for the next coming, three or even five years. Does that answer your question?

Alan Lau - *Jefferies - Analyst*

Yeah, that's very comprehensive. Thanks a lot. Yeah, thanks for Management for my questions. Thanks a lot.

Operator

Thank you. [Operator Instructions] Our next question comes from Rajiv Chaudhri with Sunsara Capital. Please go ahead.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

Good morning. And first of all I want to congratulate you on an amazing fourth quarter as well as on a very successful IPO. Those are game changers for JinkoSolar going forward. The question I wanted to ask you. I have several questions. The first question is about operating expenses. You had noted that the big change from quarter to quarter in the operating expenses, which was almost $100 million was because of shipping expenses and yet when I look at the line items, the G&A went up from $60 million in Q3 to $122 million in Q4. So is there any shipping expense included in the G&A? Or what is the, can you just explain why G&A went up so much and what the components are of that and how sustainable that is on a go forward basis because G&A has been trending at $50 million to $60 million for several quarters now and all of a sudden it has jumped up 100% in one quarter, so that's my. That's my first question. Hello. Operator, I cannot hear anything.

Charlie Cao - *Chief Financial Officer*

Hello, this is Charlie speaking. Regarding the, I think the G&A expense it's, it's because the increase in the fourth quarter is particularly some G&A expenses, its relating to in partly to year end partners as well as we have incurred additional expenses relating to the company listings. So it's, it's. No, it's some of the part are non-recurring and looking, I think the most important is looking to 2022 and we plan to significantly increase our revenue to 35 to 40 gigawatts which is 25 gigawatts in terms of operating expenses, including everything we think it's, we are going to benefit from the leverage of the large scale and our expenses versus the total [Indecipherable] quarter of our quarter.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

So absent the employee bonuses, would you say that at least in the first few quarters of the year G&A will drop back to the $60 million range and then the employee bonus will kick in at the end of the year, I assume.

Charlie Cao - *Chief Financial Officer*

No, it's. I think the major part is, you know, the incremental part, the majority part is the IPO expenses as well as the legal expenses. We are doing a lot of legal related work, particularly, for example, the [Indecipherable] in US right and the litigation with the patent. And for the yearend bonus, we did accrue quarter by quarter and because we have better performance, particularly in the fourth quarter and so the bonus is vertically higher in the 4th quarter because it's passed down the better than expected year-end performance.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

Okay. Charlie, my next question is about shipping costs. I do at this point, it has become very clear that the shipping costs will stay higher for longer than it was originally thought maybe a year ago. Are you having any success in passing the shipping cost and the risk of changes in shipping cost to the final consumer or you're still having to swallow that cost and its volatility by yourselves?

Charlie Cao - *Chief Financial Officer*

Sure, sure. Shipping costs, first if the shipping costs will continue to maintain high level throughout 2022 and, but given the the solar energies were comparative, a lot of markets are highly demanding for the solar modules. So we are, we are seeing flexibilities from the, let's say the customer acceptance for the higher module price, including the shipping cost. So we, based upon our experience with customers, we are, I think we are able to pass through the majority part of - the shipping costs to our customers.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

So, Charlie, as you're looking out, Q1 is almost over, Q2 and beyond, it's clear that at least for now polysilicon costs have also been higher and may stay higher for longer, especially in the second quarter. Does that mean that that module prices will continue to go up. Would you say that module prices in Q1 were higher than Q4 and Q2 they will be higher than Q1?

Charlie Cao - *Chief Financial Officer*

Last year in Q4, the module price, market price is reaching to extremely higher, almost over asking RMB2, some cases lower a little bit in the fourth quarter. But given the high polysilicon price, particularly the first half year, we are expecting strong demand and relatively shortage of polysilicon, we are expecting the module price were relatively stable and may have upwards pressure. But second half year given the more, I think the polysilicon supply were relatively optimistic for the downward trend for the polysilicon.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

But are you giving yourself some pricing flexibility in the way you are writing your long-term contracts. So in case silicon prices stay higher for longer, you are not squeezed by that?

Charlie Cao - *Chief Financial Officer*

I think we have different arrangements. It's our customers, some of the customers, the module prices we have something linkage for the spot market, the polysilicon. Some of the contracts are fixed.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

But the ones that are variable are those going up as a percent of total contracts.

Charlie Cao - *Chief Financial Officer*

Excuse me, can you speak again.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

The number of contracts where module pricing is variable based on the spot price of polysilicon. Is that kind of contract gaining in popularity right now?

Charlie Cao - *Chief Financial Officer*

Given the different regions, different customers. So it's, it's hard to say, but some customers like to based on their estimations, they are more pessimistic or optimistic for the polysilicon price. So some customers there more confident on the projection, so polysilicon price may like to have variable arrangements with us.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

Okay. And the final question is on the N-type. You mentioned that you have about 16 gigawatts of N-type operational right now, but you also mentioned that the target for capacity for N-type cells at the end of 2022 is also 16 gigawatts. So I don't understand. Your not increasing the N-type cell capacity at all this year?

Charlie Cao - *Chief Financial Officer*

The N-type 16 gigawatts is getting on line in the first quarter, but it's in the ramping up stage so by the end of this year. We didn't have plan so far to increase our again. So that is the N-type 60 gigawatts is new for 2022, that it's is really in the first quarter. So that is why you know we give the guidance by the end of the year, the entire capacity is 16.9 gigawatts.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

So you're saying right now it is not 4 gigawatts a quarter.

Charlie Cao - *Chief Financial Officer*

Let me explain. We got 16 gigawatts N-type Topcon cell capacity online in the first quarter. The 16-gigawatt is annual capacity and it's in the ramping up stage and we expect the capacity will reach to full capacity by, I think about end of second quarter. So far we have already got 16 gigawatt capacity for the N-type.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

But the goal for the end of the year is also 16 gigawatts N-type. The 40 - out of the 40-gigawatt cell capacity, the target is only 15 gigawatts N-type or did I read that wrong?

Charlie Cao - *Chief Financial Officer*

You're right, you're right, because last year we have - we had only I think 24 gigawatts cell capacity. The additional new 16 gigawatts this year. So get total number 40 gigawatts.

Rajiv Chaudhri - *Sunsara Capital - Analyst*

Okay, I'll take it up later, Charlie. Thank you. Congratulations again.

Charlie Cao - *Chief Financial Officer*

Thank you.

Operator

Our next question comes from Tony Tse with Bank of China. Please go ahead.

Tony Tse - *Bank of China - Analyst*

Hi, thanks. Management. Thanks for your time. This is Tony Tse from BOCI. I have two questions. First one is also a follow-up on the N-type products. So, and then the new clients are still ramping up and you may not have the kind of color on the cost side, but maybe can you speak of the titles by design, these new N-type products, now wafer, are they similar compared to the product so they consume that partly.

Charlie Cao - *Chief Financial Officer*

So, Tony Tse, repeat your question regarding the N-type poly [Speech Overlap]

Tony Tse - *Bank of China - Analyst*

The wafer and their cell, their thickness [Indecipherable] compared to the product modules. So they consume kind of less polysilicon so it will have on your reduction cost side.

Charlie Cao - *Chief Financial Officer*

Yeah, you're right. We have the advantage for the entire, not only the Topcon sale, solar cell projections as well as we are doing the entire wafer, entire modules for the entire wafer. It's, it's advantage, the wafer right, compared to the p-type and we think it's going to from the, I think that perspective N-type wafer could get some advantage from the consumption and less consumption of the polysilicon.

Tony Tse - *Bank of China - Analyst*

Got it. So you just said you are not going to add new N-type cell capacity this year. So in the coming quarters we see the premium of the entire product is certainly enough, so do you think that you will continue to invest in the future and [Technical Issues] capacities.

Charlie Cao - *Chief Financial Officer*

For the next stage capacity expansion plan, we are still evaluating. If we, we will, let's say if we plan to invest additional more, let's say solar cell capacities, its 100%, it's Topcon, entire sale capacity, but at this stage we are still in the evaluation stage.

Tony Tse - *Bank of China - Analyst*

Okay, got it, thanks. So my last question is on your product mix. So last year I guess your DG shipment should be around 30% to 35% of the total market shipment. So in this year, do you think the share of DG products should be higher than last year and how does it help your margins, because some of the new DG sales should be coming from China markets. So will be higher, maybe still [Indecipherable]

Charlie Cao - *Chief Financial Officer*

I think in the prepared remarks by Gener and the way he mentioned, the DG roughly will increase around 40% versus to 30% to 35%, and we will focus not only in the overseas markets as well as China DG markets.

Tony Tse - *Bank of China - Analyst*

Okay. So do you think the DG, kind of in the margin side, do you think the DG projects has higher than the regular utility scale products?

Charlie Cao - *Chief Financial Officer*

Yeah, it's helpful. DG, the ASP, the customer limit is for the price is small, is better. So we expected to get more higher margin from the DG perspective.

Tony Tse - *Bank of China - Analyst*

Okay, thanks a lot, Charlie. That's all from me.

Charlie Cao - *Chief Financial Officer*

Okay. Thank you.

Operator