

April 27, 2023



**DAQO NEW ENERGY**

## **Q1 2023 Results Presentation**

# Safe Harbor Statement



This announcement contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “guidance” and similar statements. Among other things, the outlook for the second quarter and the full year of 2023 and quotations from management in these announcements, as well as Daqo New Energy’s strategic and operational plans, contain forward-looking statements. The Company may also make written or oral forward-looking statements in its reports filed or furnished to the U.S. Securities and Exchange Commission, in its annual reports to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Company’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, all of which are difficult or impossible to predict accurately and many of which are beyond the Company’s control. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: the demand for photovoltaic products and the development of photovoltaic technologies; global supply and demand for polysilicon; alternative technologies in cell manufacturing; the Company’s ability to significantly expand its polysilicon production capacity and output; the reduction in or elimination of government subsidies and economic incentives for solar energy applications; the Company’s ability to lower its production costs; changes in political and regulatory environment; and the duration of COVID-19 outbreaks in China and many other countries and the impact of the outbreaks and the quarantines and travel restrictions instituted by relevant governments on economic and market conditions, including potentially weaker global demand for solar PV installations that could adversely affect the Company’s business and financial performance. Further information regarding these and other risks is included in the reports or documents the Company has filed with, or furnished to, the U.S. Securities and Exchange Commission. All information provided in this press release is as of the date hereof, and the Company undertakes no duty to update such information or any forward-looking statement, except as required under applicable law.



*“A leading manufacturer of high-purity polysilicon for the global solar PV industry”*



# Management remarks I



Mr. Longgen Zhang, CEO of Daqo New Energy, commented, “Mr. Longgen Zhang, CEO of Daqo New Energy, commented, “Efficient operation of our polysilicon facilities in the first quarter of 2023 resulted in a production volume of 33,848 MT. Our production cost decreased by 5.5% in RMB terms primarily due to a reduction in the procurement cost of metallurgical-grade silicon powder. For the quarter, we generated \$490 million in EBITDA with strong operating cash flow and maintained a healthy balance sheet. Our cash balance further improved to \$4.1 billion and our combined cash and bank note receivable balance reached \$4.9 billion.”

“In April, we completed the construction of our Phase 5A 100,000 MT polysilicon project in Inner Mongolia and successfully started initial production of polysilicon. We expect to ramp up production to full capacity by the end of June 2023, bringing our total polysilicon nameplate capacity to 205,000 MT per annum. Therefore, we expect total production volume to be approximately 44,000~46,000 MT of polysilicon in Q2 2023, an increase of 30% to 36% as compared to Q1 2023 and approximately 193,000~198,000 MT of polysilicon in the full year of 2023, an increase of 44% to 48% as compared to 2022. In addition, based on the latest project schedule, our new semiconductor-grade polysilicon project with 1,000 MT annual capacity is expected to be completed and start pilot production by the end of September 2023. With its new fully digitalized and highly automated production system, we believe our Phase 5A Inner Mongolia project will bring the Company to a new level in terms of the overall competitiveness including its production capacity, low cost structure and superior product quality.”



“Polysilicon demand was weak in January due to the seasonal slowdown in the solar PV industry. In February, lower module prices stimulated end-market demand causing a meaningful recovery in demand and price improvement across the solar value chain. In March and April, polysilicon ASPs declined gradually due to increased polysilicon supplies and constrained short-term demand from wafer manufacturers caused by the limited supply of high-purity quartz used in the silicon-ingot production process. Despite the ASP decline in the quarter, in our major operational subsidiary Xinjiang Daqo, we still achieved very strong gross margin of 71.4% and robust net income after tax per unit of polysilicon sold of approximately RMB115/kg, which we believe is significantly higher than those for many of our competitors and reflect our outstanding quality and cost structure. Recently, we have seen a clear trend that the ASP gap between high quality and low quality polysilicon has started to enlarge and the demand for high quality N-type products is increasing. We expect that this trend will enable us to differentiate ourselves from our competitors based on our high quality and low cost polysilicon ready for the next-generation N-type technology. We believe that the overall demand for solar PV will continue to grow in the coming quarters and that the continued capacity expansions by downstream manufacturers will lead to further increases in polysilicon demand. In the second quarter of 2023, our Phase 5A project will start to contribute a meaningful output of approximately 10,000MT to 12,000MT of polysilicon. We plan to reduce our inventory to approximately 5,000MT by the end of the second quarter. To achieve this , we will need to increase our shipment to 59,000MT to 61,000MT MT in Q2, an increase of 133% to 141% as compared to Q1.”

“In November 2022, our board of directors approved a US\$700 million share repurchase program, effective until December 31, 2023. As of now, we have already spent US\$85.1 million and repurchased approximately 1.688 million ADSs. On April 6, 2023, our subsidiary Xinjiang Daqo’s cash dividend plan for 2022 was approved by its shareholders’ meeting. Therefore, as a 72.7% shareholder of Xinjiang Daqo, we expect Daqo New Energy to receive the dividend distribution in May with an amount of approximately RMB4.96 billion (after tax), which could be the financial source to implement the approved share repurchase plan.”

“We believe a new era for Solar PV has just begun. The continuous cost reduction in solar PV products is expected to create substantial additional green energy demand likely exceeding most analysts’ expectations. It is generally expected that solar PV will eventually become one of the most important energies to power the world. In addition, as solar PV technology keeps evolving, we believe that the increasing needs for polysilicon of very high purity will help differentiate us from our competitors thanks to our ability to produce the type of polysilicon required for the next generation of N-type technology. We will continue to maintain solid growth and make sure to have one of the best balance sheets in the industry in order to capture the long-term benefits of the global solar PV market.”

# Operational and financial highlights in Q1 2023



- Polysilicon production volume was 33,848 MT in Q1 2023, compared to 33,702 MT in Q4 2022
- Polysilicon sales volume was 25,284 MT in Q1 2023, compared to 23,400 MT in Q4 2022
- Polysilicon average total production cost(1) was \$7.55/kg in Q1 2023, compared to \$7.69/kg in Q4 2022
- Polysilicon average cash cost(1) was \$6.61/kg in Q1 2023, compared to \$6.78/kg in Q4 2022
- Polysilicon average selling price (ASP) was \$27.83/kg in Q1 2023, compared to \$37.41/kg in Q4 2022
- Revenue was \$709.8 million in Q1 2023, compared to \$864.3 million in Q4 2022
- Gross profit was \$506.7 million in Q1 2023, compared to \$668.9 million in Q4 2022. Gross margin was 71.4% in Q1 2023, compared to 77.4% in Q4 2022
- Net income attributable to Daqo New Energy Corp. shareholders was \$278.8 million in Q1 2023, compared to \$332.7 million in Q4 2022
- Earnings per basic American Depositary Share (ADS)(3) was \$3.56 in Q1 2023, compared to \$4.26 in Q4 2022
- Adjusted net income (non-GAAP)(2) attributable to Daqo New Energy Corp. shareholders was \$310.2 million in Q1 2023, compared to \$363.1 million in Q4 2022
- Adjusted earnings per basic ADS(3) (non-GAAP)(2) was \$3.96 in Q1 2023, compared to \$4.65 in Q4 2022
- EBITDA (non-GAAP)(2) was \$490.2 million in Q1 2023, compared to \$648.5 million in Q4 2022. EBITDA margin (non-GAAP)(2) was 69.1% in Q1 2023, compared to 75.0% in Q4 2022

## Notes:

1. Production cost and cash cost only refer to production in our polysilicon facilities. Production cost is calculated by the inventoriable costs relating to production of polysilicon divided by the production volume in the period indicated. Cash cost is calculated by the inventoriable costs relating to production of polysilicon excluding depreciation expense, divided by the production volume in the period indicated.
2. Daqo New Energy provides EBITDA, EBITDA margins, adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per basic ADS on a non-GAAP basis to provide supplemental information regarding its financial performance. For more information on these non-GAAP financial measures, please see the section captioned "Use of Non-GAAP Financial Measures" and the tables captioned "Reconciliation of non-GAAP financial measures to comparable US GAAP measures" set forth at the end of this press release.
3. ADS means American Depositary Share. One (1) ADS representing five (5) ordinary shares.

# Polysilicon facilities update



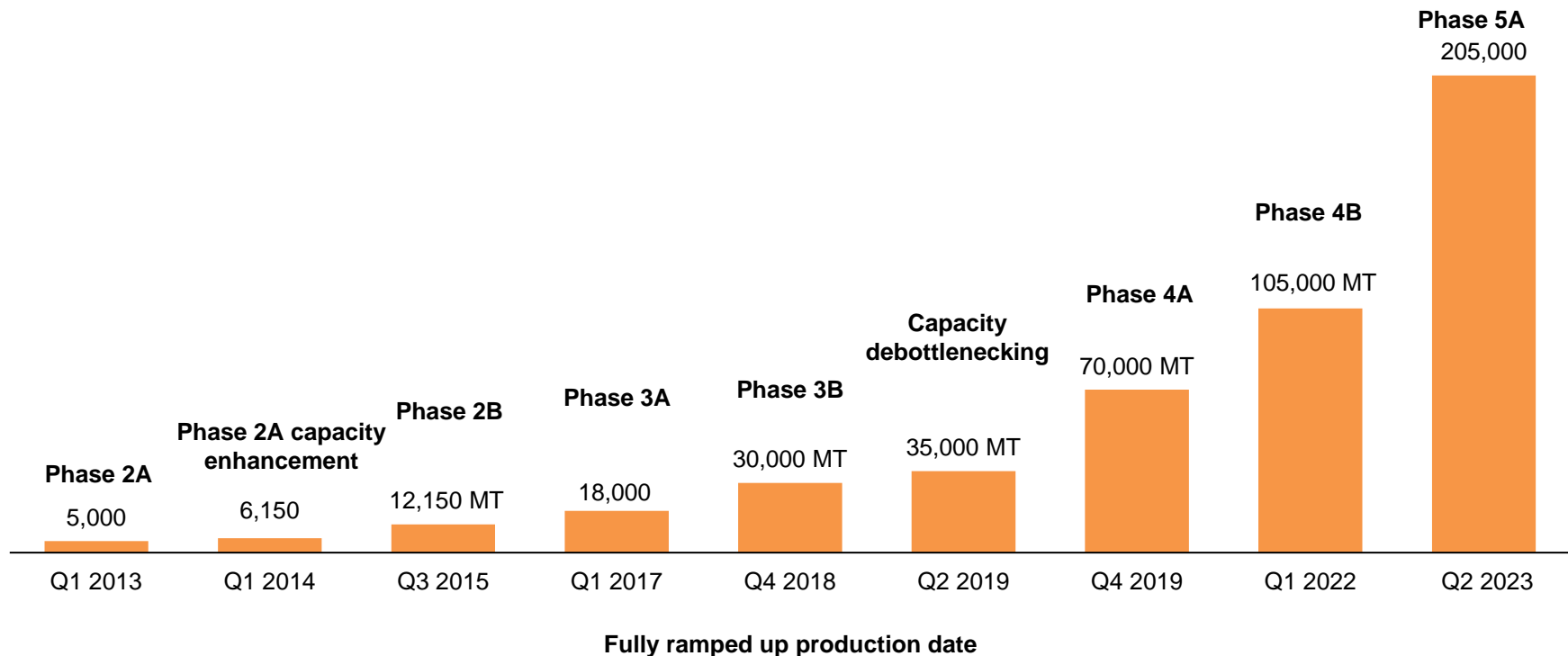
## Q1 2023 key facts

- Quarterly production volume: 33,848 MT
- Sales volume: 25,284 MT
- Average selling prices: \$27.83/kg
- Average total production cost: \$7.55/kg
- Average cash cost: \$6.61/kg

## Outlook

- Expected production volume in Q2 2023: 44,000 ~ 46,000 MT
- Expected production volume in the full year of 2023: 193,000 ~ 198,000 MT

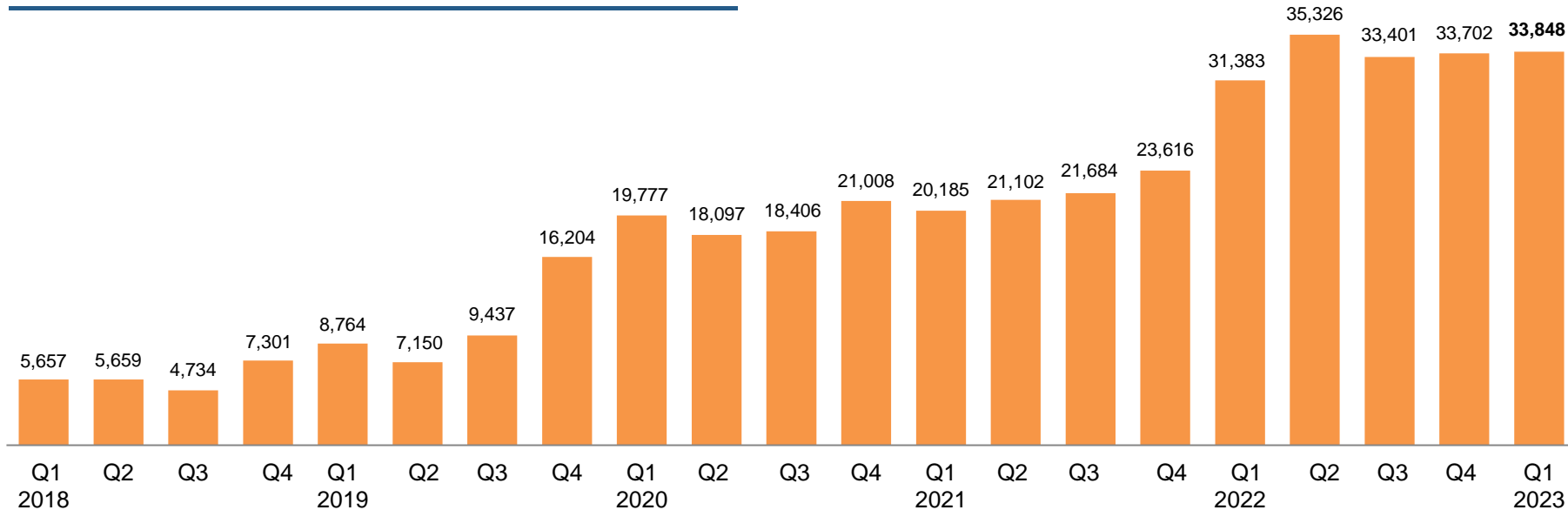
## Polysilicon historical and projected capacity in Daqo's facilities \* (MT)



# Polysilicon manufacturing overview

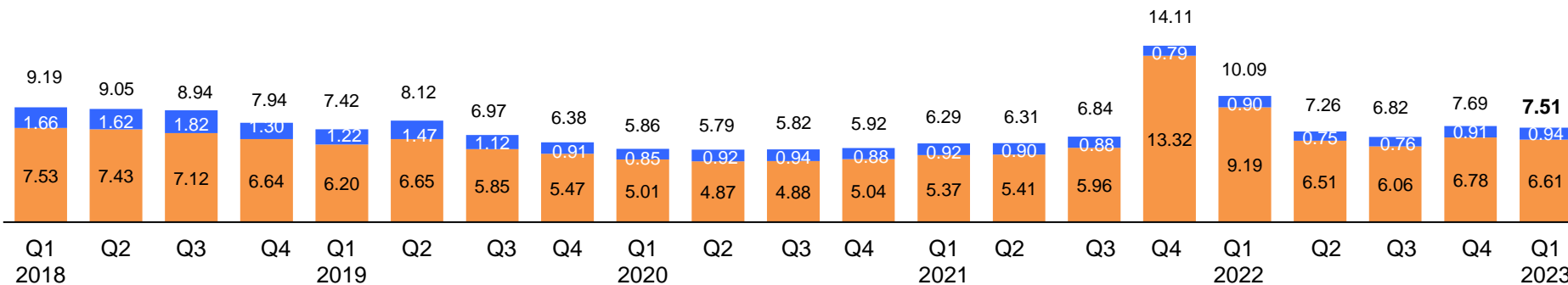


## Production Volume (MT)



## Cash cost and Depreciation (\$/kg)\*

■ Cash cost ■ Depreciation



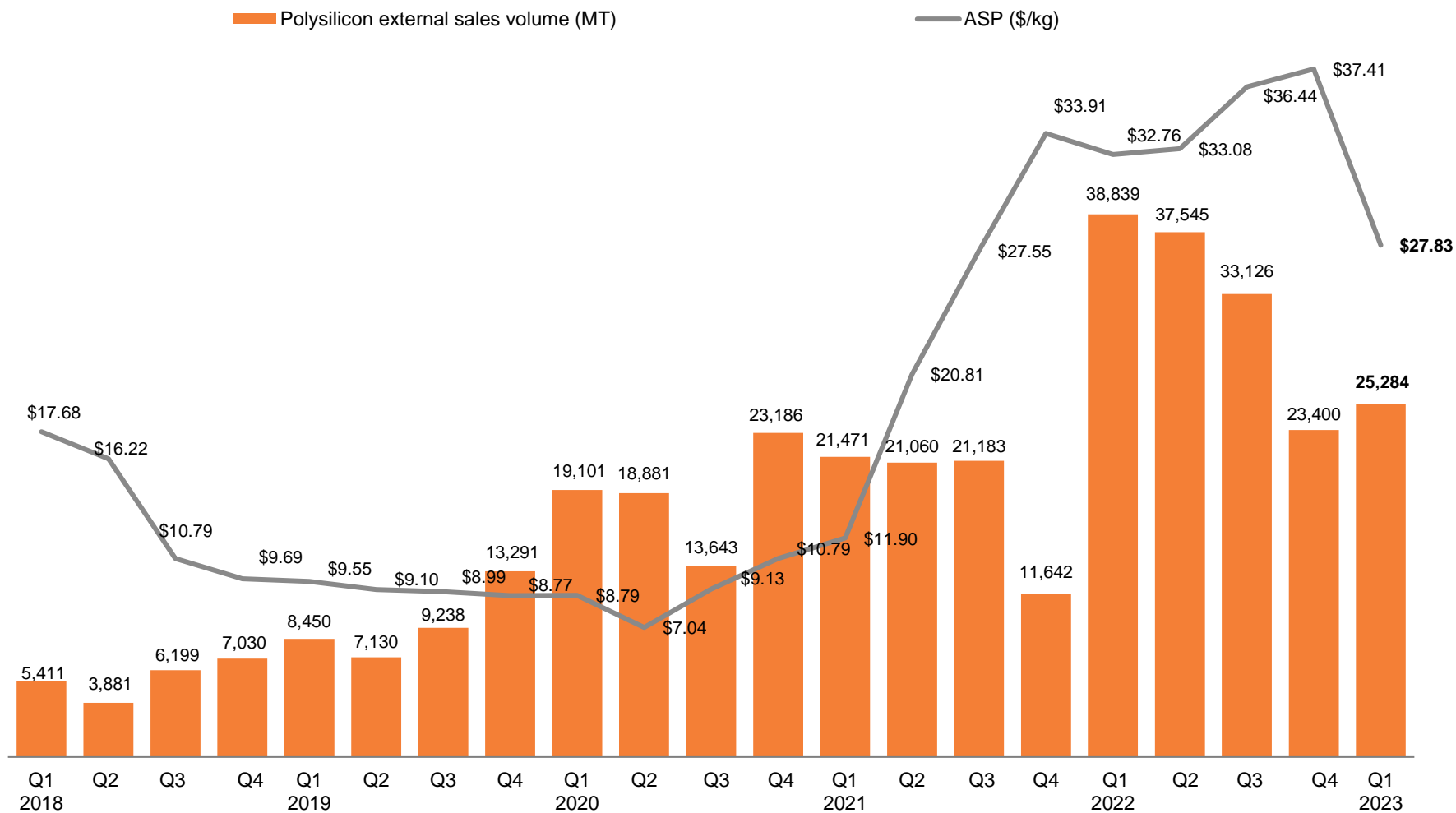
\* The cash cost and depreciation only refer to the polysilicon production in Xinjiang facilities.



# Quarterly polysilicon sales volume and ASPs



## Polysilicon external sales volume and ASPs



# Income statement summary



	Q1 2023	Q4 2022	Q1 2022
(\$ in millions, unless otherwise stated)			
<b>Revenues</b>	<b>709.8</b>	<b>864.3</b>	<b>1,280.3</b>
Gross profit	506.7	668.9	813.6
<b>Gross margin</b>	<b>71.4%</b>	<b>77.4%</b>	<b>63.5%</b>
SG&A	(41.3)	(44.0)	(15.5)
R&D expense	(1.9)	(2.7)	(2.1)
Income from operations	463.8	623.1	<b>796.9</b>
<b>Net income attributable to Daqo New Energy shareholders</b>	<b>278.8</b>	<b>332.7</b>	<b>535.8</b>
Earnings per basic ADS (\$ per ADS)	3.56	4.26	7.17
<b>Adjusted net income (non-GAAP) attributable to Daqo New Energy Corp. shareholders</b>	<b>310.2</b>	<b>363.1</b>	538.2
Adjusted earnings per basic ADS (non-GAAP) (\$ per ADS)	3.96	4.65	7.20
<b>EBITDA</b>	<b>490.2</b>	<b>648.5</b>	<b>826.8</b>
<b>EBITDA margin</b>	<b>69.1%</b>	<b>75.0%</b>	<b>64.6%</b>

# Balance sheet summary



(\$ in millions)	As of 3/31/2023	As of 12/31/2022	As of 3/31/2022
Cash, cash equivalent and restricted cash	4,130.5	3,520.4	1,127.7
Note receivables	791.3	1,131.6	1,499.4
Short-term investments	5.8	13.9	10.4
Inventories	191.7	169.5	100.3
Prepaid land use rights	80.2	80.3	40.6
Property, plant and equipment, net	2,884.7	2,605.2	1,619.2
<b>Total assets</b>	<b>8,190.2</b>	<b>7,593.0</b>	<b>4,412.9</b>
Advances from customers - short term portion	184.9	122.0	466.0
Advance from customers - long term portion	160.3	153.2	99.4
Payables for purchases of property, plant and equipment	266.2	230.4	104.2
<b>Total liabilities</b>	<b>1,207.0</b>	<b>989.5</b>	<b>1,072.7</b>
<b>Total equity</b>	<b>6,983.3</b>	<b>6,644.7</b>	<b>3,340.2</b>
<b>Total liabilities and equity</b>	<b>8,190.2</b>	<b>7,594.0</b>	<b>4,412.9</b>

# Cash flow summary



(\$ in millions)	3 months ended 3/31/2023	3 months ended 3/31/2022
Net income	394.7	667.1
Adjustments to reconcile net income to net cash provided by operating activities	65.2	31.8
Changes in operating assets and liabilities	347.1	(467.5)
<b>Net cash provided by operating activities</b>	<b>807.0</b>	<b>231.3</b>
<b>Net cash (used in) / provided by investing activities</b>	<b>(268.9)</b>	<b>170.4</b>
<b>Net cash provided by financing activities</b>	<b>59.9</b>	<b>-</b>
Effect of exchange rate changes	12.2	2.0
Net increase in cash, cash equivalents and restricted cash	610.2	403.8
Cash, cash equivalents and restricted cash at the beginning of the period	3,520.4	724.0
Cash, cash equivalents and restricted cash at the end of the period	4,130.5	1,127.7



# Non-GAAP reconciliation

\$ in thousands	3 months Ended		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Net income	394,695	486,292	667,051
Income tax expense	81,067	148,675	129,908
Interest income(expense), net	(11,947)	(12,030)	1,468
Depreciation & Amortization	26,399	25,585	28,359
<b>EBITDA (non-GAAP)</b>	<b>490,214</b>	<b>648,522</b>	<b>826,786</b>
<b>EBITDA margin (non-GAAP)</b>	<b>69.1%</b>	<b>75.0%</b>	<b>64.6%</b>

\$ in thousands	3 months Ended		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Net income attributable to Daqo New Energy Corp. shareholders	278,804	332,733	535,843
Share-based compensation	31,401	30,376	2,357
<b>Adjusted net income (non-GAAP) attributable to Daqo New Energy Corp. shareholders</b>	<b>310,205</b>	<b>363,109</b>	<b>538,200</b>
<b>Adjusted earnings per basic ADS* (non-GAAP)</b>	<b>3.96</b>	<b>4.65</b>	<b>7.20</b>
Adjusted earnings per diluted ADS* (non-GAAP)	3.93	4.60	7.02

# Use of Non-GAAP financial measures



To supplement Daqo New Energy's consolidated financial results presented in accordance with United States Generally Accepted Accounting Principles ("US GAAP"), the Company uses certain non-GAAP financial measures that are adjusted for certain items from the most directly comparable GAAP measures including earnings before interest, taxes, depreciation and amortization ("EBITDA") and EBITDA margin (which represents the proportion of EBITDA in revenues). Our management believes that each of these non-GAAP measures is useful to investors, enabling them to better assess changes in key element of the Company's results of operations across different reporting periods on a consistent basis, independent of certain items as described below. Thus, our management believes that, used in conjunction with US GAAP financial measures, these non-GAAP financial measures provide investors with meaningful supplemental information to assess the Company's operating results in a manner that is focused on its ongoing, core operating performance. Our management uses these non-GAAP measures internally to assess the business, its financial performance, current and historical results, as well as for strategic decision-making and forecasting future results. Given our management's use of these non-GAAP measures, the Company believes these measures are important to investors in understanding the Company's operating results as seen through the eyes of our management. These non-GAAP measures are not prepared in accordance with US GAAP or intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with US GAAP; the non-GAAP measures should be reviewed together with the US GAAP measures, and may be different from non-GAAP measures used by other companies.



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Thank you

