



March 11, 2020

DAQO NEW ENERGY

Q4 and Fiscal Year 2019 Financial 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” and similar statements. Among other things, the outlook for the first quarter and the full year of 2020 and quotations from management in this announcement, 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. 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; 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



“We are pleased to report an outstanding quarter to close out the year in which we delivered strong operational and financial results. Having completed the new 35,000 MT Phase 4A expansion project at the end of the third quarter, we quickly ramped its production up during the fourth quarter and hit full capacity in December 2019. We completed the ramp up progress months ahead of schedule and were able to generate outstanding operational results across all key metrics including production volume, product quality, and manufacturing cost. I would like to thank our entire team for their hard work and dedication. I also would like to thank the Shihezi city government and our energy suppliers, equipment providers, construction and installation partners and other business partners, for their enormous support that made the Phase 4A expansion project a great success. We truly appreciate their contributions and excellent work.”

“We successfully reduced our total production cost to \$6.38/kg during the quarter, an 8.5% decrease sequentially and below our previous target of \$6.50/kg. With the Phase 4A fully ramped up, our energy consumption, raw material utilization efficiency, and other unit costs are all trending positively. Approximately 81% of our production during the quarter consisted of high-quality mono-grade polysilicon. This result is all the more exceptional given we achieved it while ramping up production and optimizing overall operations for the new Phase 4A. With manufacturing costs continuing to fall, our gross margin for the fourth quarter expanded to 29.5%, a significant improvement sequentially from 21.5%. Our EBITDA improved to \$45.4 million during the quarter as adjusted net income jumped to \$24.5 million. We are proud of this financial performance and believe it reflects the direction we are headed in with Phase 4A now at full production capacity.”

“Based on our current estimates, we expect to run our facilities at full utilization and produce approximately 18,000 MT to 19,000 MT of polysilicon during the first quarter of 2020. We are also making progress in further cost reduction by improving operational efficiency and reducing energy consumption. As such, we expect our production costs to be reduced to approximately \$6.10/kg in the first quarter of 2020. At the same time, we will continue to improve product quality and expect mono-grade polysilicon products to account for approximately 90% of our sales volume during the first quarter of 2020.”

“2019 was a challenging year for China’s domestic solar PV market. Due to the delayed announcement of the subsidy policy last year, newly added solar PV installations in China during the year came in at approximately 30 GW, significantly below the market and government’s original expectations of 40~50 GW. However, a draft of the subsidy policy for 2020 was released in late January this year and is expected to be finalized sometime in March or April of 2020. When combined with some delayed projects from 2019, we expect newly added installations in China for 2020 to be approximately 40 GW. Demand from overseas markets is expected to grow healthily in 2020 as overall costs fall further and grid-parity is reached in more and more countries and regions. With China’s domestic market expected to recover and overseas demand continuing to grow, we believe global solar PV demand will exceed 140 GW in 2020, a significant increase from 2019.”



“Towards the end of 2019 we saw the market share for multi-grade polysilicon shift meaningfully towards mono-grade polysilicon. While mono-grade polysilicon continues to be in high demand with stable pricing, demand for multi-grade polysilicon wanes with prices dropping significantly. While we are ideally positioned to benefit from this shift towards mono-grade polysilicon, this will adversely impact some of our competitors who produce mostly multi-grade polysilicon. At the same time, we are seeing a number of major competitors shutting down their operations, exiting the market and laying off employees due to significant financial losses and their uncompetitive cost structure. We believe this trend will continue going forward unless ASPs can recover to healthy levels for our competitors to continue production.”

“In order to limit and contain the spread of COVID-19 (Coronavirus) in China, the government implemented strict controls and policies starting in late January this year that had an adverse impact on logistics and supply chains of many companies in manufacturing industry. We immediately set up a crisis response task force led by our senior management team and began rolling out initiatives to ensure business continuity including a detailed assessment of our supply chain and logistics, the immediate procurement of critical raw materials, and plans to allow employees return to work, which resulted in uninterrupted production and full utilization during this challenging period. We are pleased to report that with our team’s dedication and the strong support we received from our raw material suppliers and logistics partners, we were able to remediate most of the impact on production, sales, and shipments resulting from the outbreak and related government controls.”

“We believe the balance between polysilicon supply and demand will improve meaningfully in 2020 driven by the aggressive capacity expansion of mono wafer producers and very limited additional polysilicon production capacity coming online. So far during the first quarter, we are seeing improvements in ASPs of polysilicon every month which we believe will continue going forward. I am confident that we will continue to benefit from the shift from multi-crystalline to mono-crystalline technology resulting in robust demand and pricing for mono-grade polysilicon.”

Operational and financial highlights in Q4 2019



- Polysilicon production volume was 16,204 MT in Q4 2019, compared to 9,437 MT in Q3 2019
- Polysilicon sales volume was 13,291 MT in Q4 2019, compared to 9,238 MT in Q3 2019
- Polysilicon average total production cost⁽¹⁾ was \$6.38/kg in Q4 2019, compared to \$6.97/kg in Q3 2019
- Polysilicon average cash cost⁽¹⁾ was \$5.47/kg in Q4 2019, compared to \$5.85/kg in Q3 2019
- Polysilicon average selling price (ASP) was \$8.77/kg in Q4 2019, compared to \$8.99/kg in Q3 2019
- Revenue from continuing operations was \$118.9 million in Q4 2019, compared to \$83.9 million in Q3 2019
- Gross profit from continuing operations was \$35.1 million in Q4 2019, compared to \$18.1 million in Q3 2019. Gross margin from continuing operations was 29.5% in Q4 2019, compared to 21.5% in Q3 2019
- EBITDA (non-GAAP)⁽²⁾ from continuing operations was \$45.4 million in Q4 2019, compared to \$19.7 million in Q3 2019. EBITDA margin (non-GAAP)⁽²⁾ from continuing operations was 38.2% in Q4 2019, compared to 23.5% in Q3 2019
- Net income from continuing operations was \$20.4 million in Q4 2019, compared to \$4.8 million in Q3 2019 and \$17.1 million in Q4 2018
- Net loss from discontinued operations was \$0.3 million in Q4 2019, compared to net income from discontinued operations of \$0.2 million in Q3 2019 and net loss from discontinued operations of \$5.6 million in Q4 2018
- Net income attributable to Daqo New Energy Corp. shareholders was \$20.1 million in Q4 2019, compared to \$5.0 million in Q3 2019 and \$11.4 million in Q4 2018
- Earnings per basic ADS was \$1.45 in Q4 2019, compared to \$0.37 in Q3 2019, and \$0.86 in Q4 2018.
- Adjusted net income (non-GAAP)⁽²⁾ attributable to Daqo New Energy Corp. shareholders was \$24.5 million in Q4 2019, compared to \$9.5 million in Q3 2019 and \$15.7 million in Q4 2018
- Adjusted earnings per basic American Depository Share (ADS) (non-GAAP)⁽²⁾ was \$1.77 in Q4 2019, compared to \$0.69 in Q3 2019, and \$1.18 in Q4 2018

Notes:

(1) Production cost is calculated by the inventoriable costs relating to production of polysilicon in Xinjiang divided by the production volume in the quarter. Cash cost is calculated by the inventoriable costs relating to production of polysilicon excluding depreciation expense, divided by the production volume in the quarter.

(2) Daqo New Energy provides EBITDA from continuing operations, EBITDA margin from continuing operations adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per 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.

Operational and financial highlights in fiscal year 2019

- Polysilicon production volume was 41,556 MT in 2019, compared to 23,351 MT in 2018
- Polysilicon external sales volume was 38,110 MT in 2019, compared to 22,521 MT in 2018
- Revenue from continuing operations was \$350.0 million in 2019, compared to \$301.6 million in 2018
- Gross profit from continuing operations was \$80.1 million in 2019, compared to \$98.1 million in 2018. Gross margin of 22.9% in 2019, compared to 32.5% in 2018
- EBITDA (non-GAAP)⁽¹⁾ from continuing operation was \$95.3 million in 2019, compared to \$120.4 million in 2018
- EBITDA margin (non-GAAP)⁽¹⁾ from continuing operations was 27.2% in 2019, compared to 39.9% in 2018
- Net income attributable to Daqo New Energy Corp. shareholders was \$29.5 million in 2019, compared to \$38.1 million in 2018
- Earnings per basic ADS was \$2.17 in 2019, compared to \$3.06 in 2018
- Adjusted net income (non-GAAP)⁽¹⁾ attributable to Daqo New Energy Corp. shareholders was \$47.4 million in 2019, compared to \$71.6 million in 2018
- Adjusted earnings per basic ADS (non-GAAP)⁽¹⁾ was \$3.49 in 2019, compared to \$5.74 in 2018

Notes:

(1) Daqo New Energy provides EBITDA from continuing operations, EBITDA margin from continuing operations adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per 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.

Xinjiang polysilicon facilities update



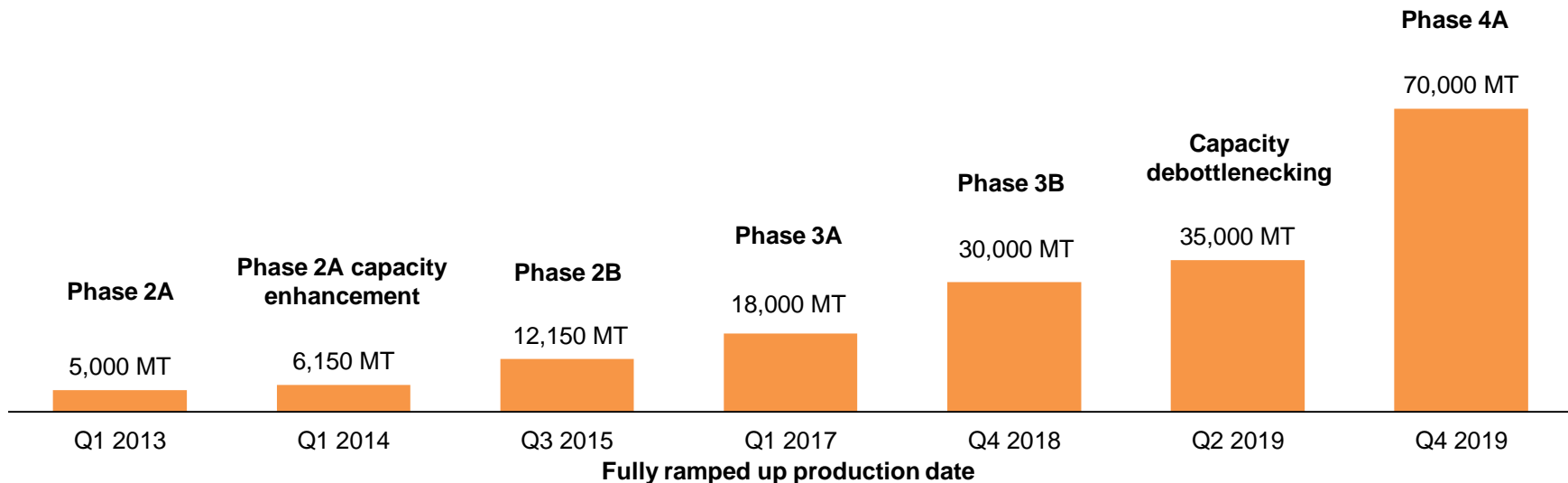
Q4 2019 key facts

- Quarterly production volume of 16,204 MT
- External sales volume of 13,291 MT
- Average total production cost : \$6.38/kg
- Average cash cost: \$5.47/kg
- Phase 4A project reached full capacity in Dec. 2019

Outlook

- Expected production volume in Q1 2020:
18,000 ~ 19,000 MT
- Expected external sales volume in Q1 2020:
17,500 ~ 18,500 MT
- Expected annual production volume in 2020:
73,000 ~ 75,000 MT
- Expected production cost in Q1 2020 ~ \$6.1/kg

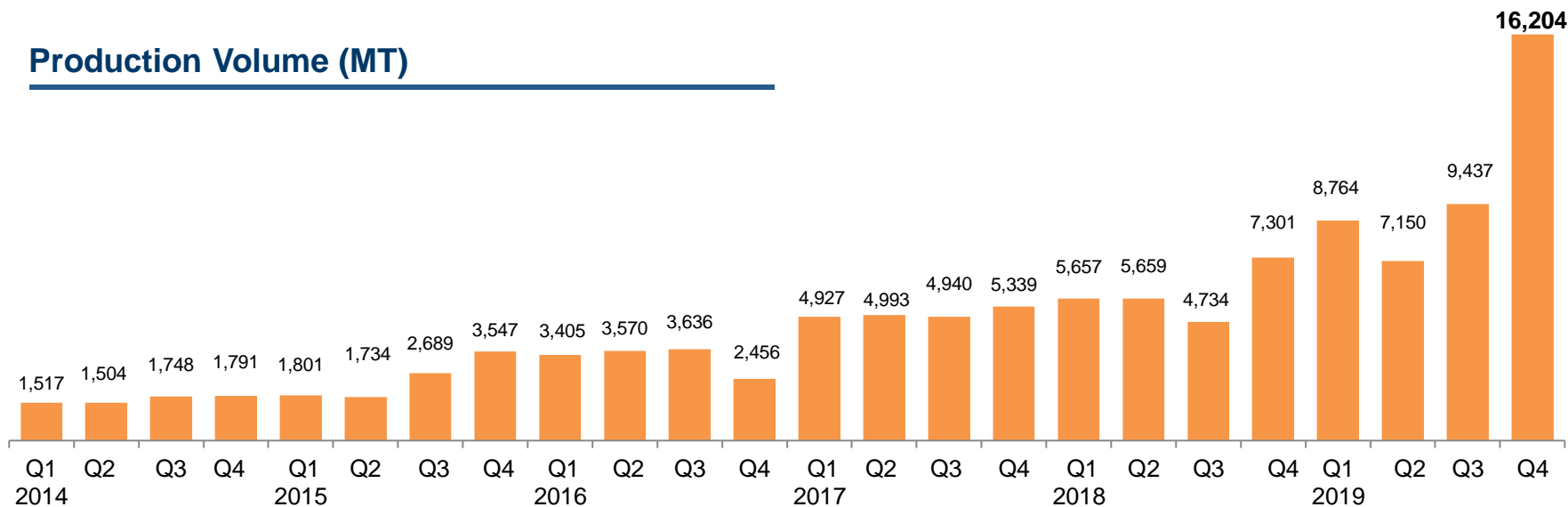
Polysilicon historical and projected capacity in Daqo's Xinjiang facilities * (MT)



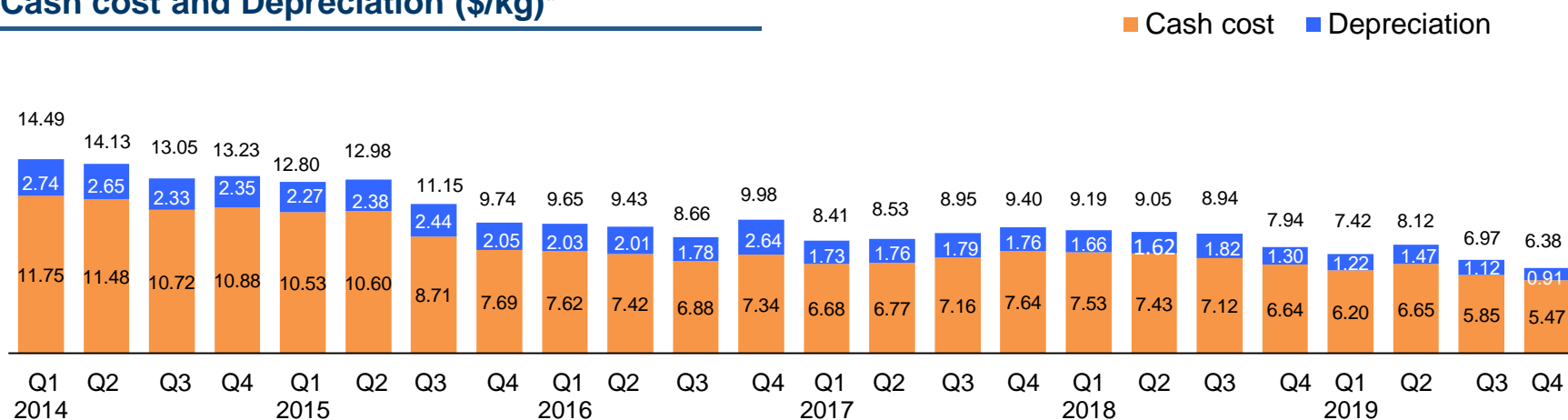
Polysilicon manufacturing overview



Production Volume (MT)



Cash cost and Depreciation (\$/kg)*

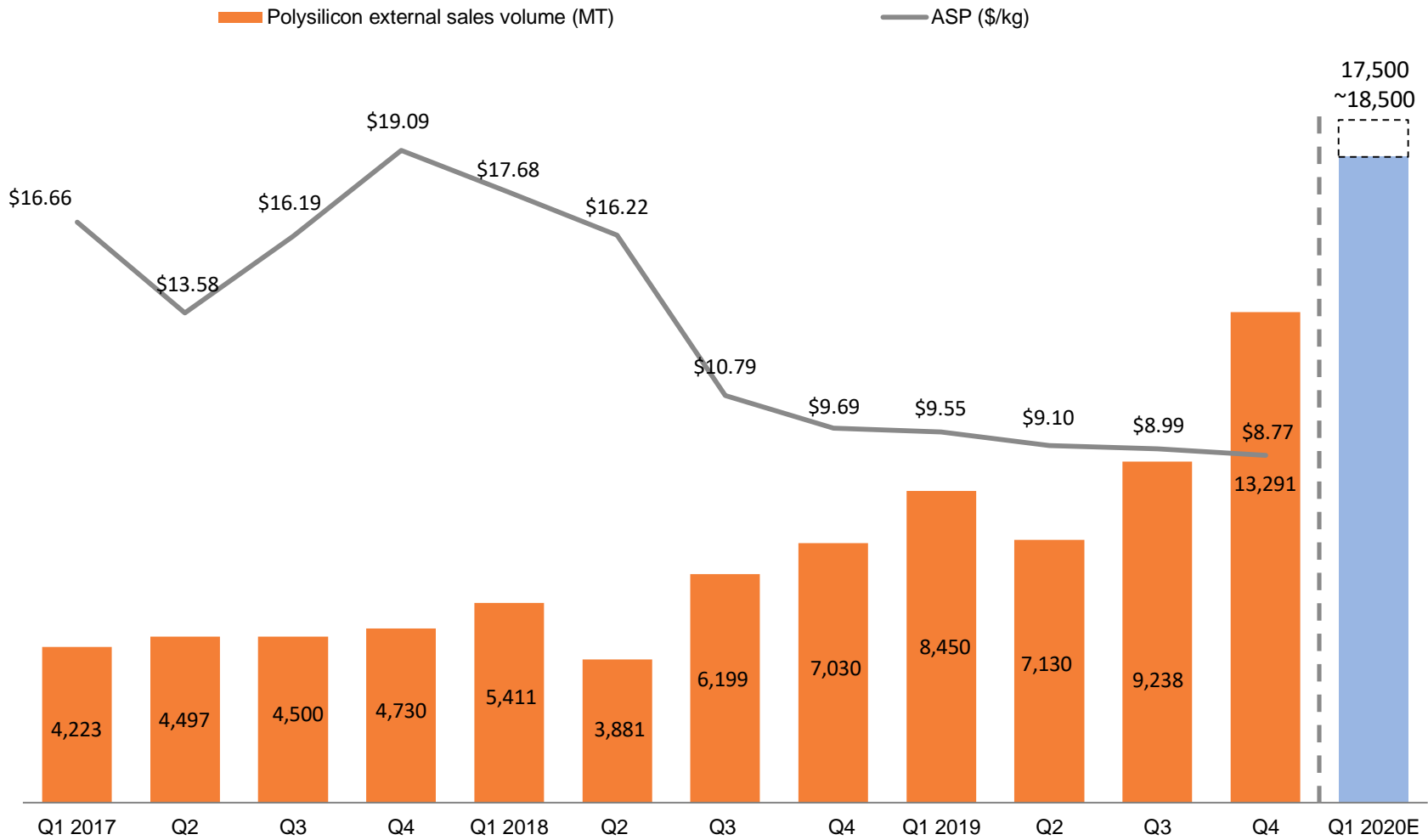


* The cash cost and depreciation only refer to the polysilicon production in Xinjiang facilities.

Historical sales volume and Q1 2020 guidance



Polysilicon external sales volume and ASPs



Income statement summary



(\$ in millions, unless otherwise stated)

	Q4 2019	Q3 2019	Q4 2018	FY 2019	FY 2018
Revenues	118.9	83.9	75.6	350.0	301.6
Cost of revenues	(83.8)	(65.8)	(58.7)	(269.8)	(203.5)
Gross profit	35.1	18.1	16.9	80.1	98.1
Gross margin	29.5%	21.5%	22.4%	22.9%	32.5%
SG&A	(9.0)	(8.2)	(8.2)	(32.9)	(27.1)
R&D expense	(1.2)	(1.2)	(1.0)	(5.3)	(2.7)
Other operating income	5.2	0.1	12.5	5.5	12.9
Income from operations	30.1	8.8	20.2	47.5	81.2
Interest expense	(3.9)	(2.6)	(1.9)	(10.4)	(10.8)
Net income from continuing operations	20.4	4.8	17.1	28.3	61.8
Net income / (loss) from discontinued operations	(0.3)	0.2	(5.6)	1.3	(23.0)
Net income attributable to Daqo New Energy shareholders	20.1	5.0	11.4	29.5	38.1
Basic earnings per ADS (US\$)	1.45	0.37	0.86	2.17	3.06
EBITDA ⁽¹⁾	45.4	19.7	29.5	95.3	120.4
EBITDA margin ⁽¹⁾	38.2%	23.5%	39.1%	27.2%	39.9%

Notes:

(1) A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization

Balance sheet summary



(\$ in millions)	As of 12/31/2019	As of 9/30/2019	As of 12/31/2018
Cash and cash equivalent	51.8	27.0	65.4
Restricted cash	62.6	41.2	28.6
Accounts receivable	0.01	0.1	1.2
Note receivables	5.6	4.3	8.1
Inventories	36.4	21.0	15.4
Prepaid land use rights	29.6	22.6	23.9
Net PP&E	995.0	888.1	612.0
Current assets associated with discontinued operations	0.9	0.4	5.0
Non-current assets associated with discontinued operations	0.2	0.2	52.5
Total assets	1,201.4	1,042.1	854.9
Short-term Borrowings	128.6	85.3	38.2
Notes payable	101.2	62.3	29.2
Amounts due to related parties	38.8	16.8	2.3
Long-term Borrowings	151.5	163.5	133.3
Current liabilities associated with discontinued operations	1.2	1.1	18.7
Non-current liabilities associated with discontinued operations	-	-	0.7
Total liabilities	634.2	514.1	329.8
Total equity	567.2	528.0	525.1
Total liabilities and equity	1,201.4	1,042.1	854.9

Cash flow summary



(\$ in millions)	12 months ended 12/31/ 2019	12 months ended 12/31/ 2018
Net cash provided by operating activities – continuing operations	180.0	77.6
Net cash provided by operating activities – discontinued operations	1.0	18.0
Net cash provided by operating activities	181.0	95.6
Net cash used in investing activities – continuing operations	(263.3)	(165.3)
Net cash provided by (used in) investing activities – discontinued operations	1.5	0.6
Net cash used in investing activities	(261.8)	(164.7)
Net cash provided by financing activities – continuing operations	112.9	103.5
Net cash used in financing activities – discontinued operations	(10.6)	(16.8)
Net cash provided by financing activities	102.3	86.7
Effect of exchange rate changes	(1.3)	4.9
Net increase in cash, cash equivalents and restricted cash	20.2	22.5
Cash, cash equivalents and restricted cash at the beginning of the period	95.1	72.7
Cash, cash equivalents and restricted cash at the end of the period	115.3	95.1



Non-GAAP reconciliation

US\$ in millions	Q4 2019	Q3 2019	Q4 2018	FY 2019	FY 2018
Net income from continuing operations	20.4	4.8	17.1	28.3	61.8
Income tax expenses	6.0	1.6	1.6	9.6	11.7
Interest expense	3.9	2.6	1.9	10.4	10.8
Interest income	(0.2)	(0.2)	(0.4)	(1.0)	(1.2)
Depreciation & amortization	15.3	10.9	9.5	48.0	37.3
EBITDA ⁽¹⁾	45.4	19.7	29.5	95.3	120.4
EBITDA margin ⁽¹⁾	38.2%	23.5%	39.1%	27.2%	39.9%
Costs related to Chongqing poly facilities	-	-	-	-	0.9
Impairment of long lived assets	-	-	-	-	18.8
Share-based compensation	4.5	4.5	4.3	17.9	13.8
Adjusted net income (non-GAAP)⁽²⁾ attributable to Daqo New Energy Corp. shareholders	24.5	9.5	15.7	47.4	71.6
Adjusted earnings per basic ADS (non-GAAP)⁽²⁾	\$1.77	\$0.69	\$1.18	\$3.49	\$5.74

Note:

(1) A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization

(2) Adjusted Net income and Adjusted Earnings per basic ADS excludes costs related to the non-operational polysilicon assets in Chongqing and costs related to share-based compensation.

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; adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per basic ADS. 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.

The Company uses EBITDA, which represents earnings before interest, taxes, depreciation and amortization, and EBITDA margin, which represents the proportion of EBITDA in revenues. Adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per basic ADS exclude costs related to the non-operational polysilicon assets in Chongqing. Such costs mainly consist of non-cash depreciation costs, as well as utilities and maintenance costs associated with the temporarily idle polysilicon machinery and equipment, and the Company had removed this adjustment from the non-GAAP reconciling item since the fourth quarter of 2018, since as of the end of the third quarter of 2018, all of the polysilicon machinery and equipment had been either relocated to Xinjiang, disposed, or planned to be disposed. Adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per basic ADS also exclude costs related to share-based compensation. Share-based compensation is a non-cash expense that varies from period to period. As a result, our management excludes this item from its internal operating forecasts and models. Our management believes that this adjustment for share-based compensation provides investors with a basis to measure the Company's core performance, including compared with the performance of other companies, without the period-to-period variability created by share-based compensation.



Thank you

