

# Canadian Solar 4Q20 Earnings Call

March 18, 2021

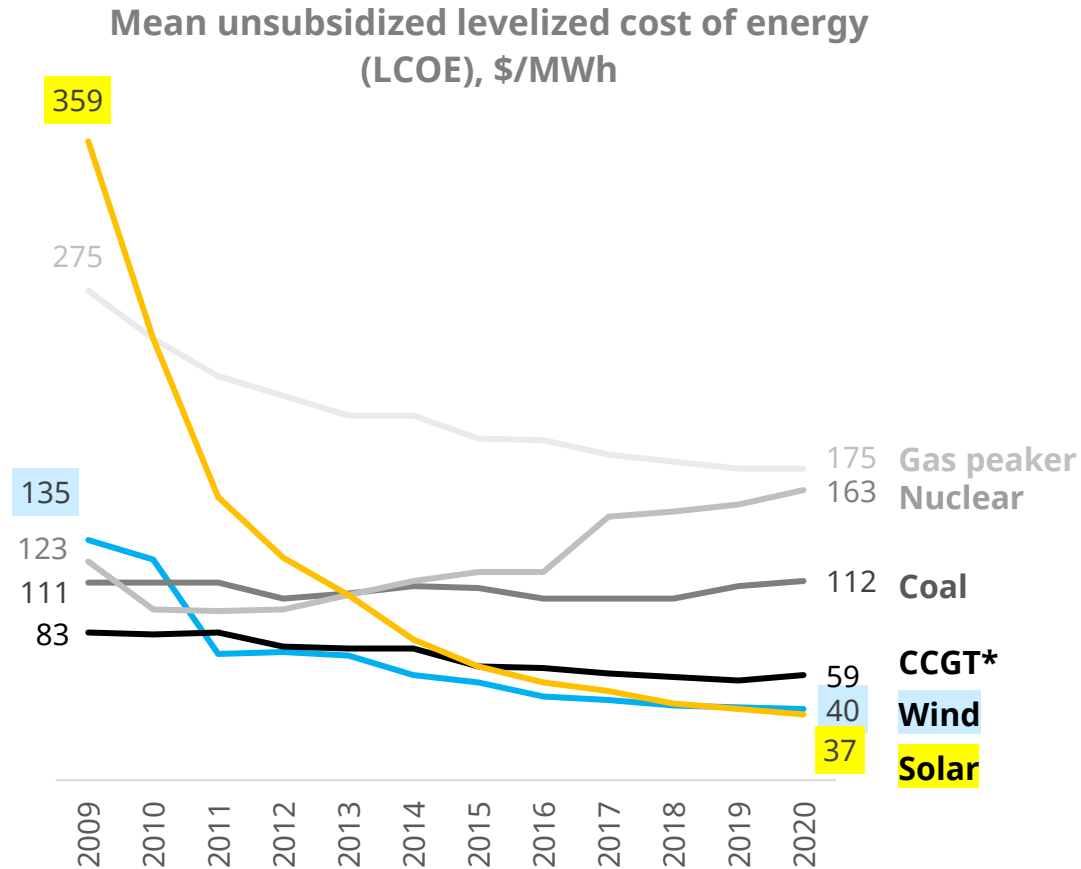


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# When solar grid parity meets a changed public and political climate

## ☀️ Solar is already the cheapest source of energy



\*CCGT = Combined Cycle Gas Turbine

## ☀️ Several major economies have committed to ambitious decarbonization goals

- **China:** Reach peak carbon by 2030 and carbon neutrality by 2060
- **U.S.:** Rejoin Paris Climate Agreement, Biden Clean Energy Plan for carbon neutral power sector and economy-wide carbon neutrality by 2050; increase federal procurement of clean energy and technology
- **European Green Deal:** 55% emission reduction in 2030 relative to 1990, carbon neutrality by 2050
- **Japan:** Carbon neutrality by 2050
- **South Korea:** Carbon neutrality by 2050

....and more

# Strategy unchanged: invest in long-term, sustainable, profitable growth



1

**CSI Solar:** Expand capacity and increase the level of vertical integration to gain market share, improve pricing power, lower costs and improve profitability

2

**Global Energy:** Grow market presence and optimize project monetization strategy through partial ownership in localized vehicles to increase share of recurring income

3

**Strategic growth areas:** Execute on battery storage opportunities, to contribute to earnings starting 2021

# Energy storage entering exponential market growth phase

☀️ **Increasing penetration of renewables lowers power costs and decarbonizes the grid, but creates price volatility and affects grid stability**

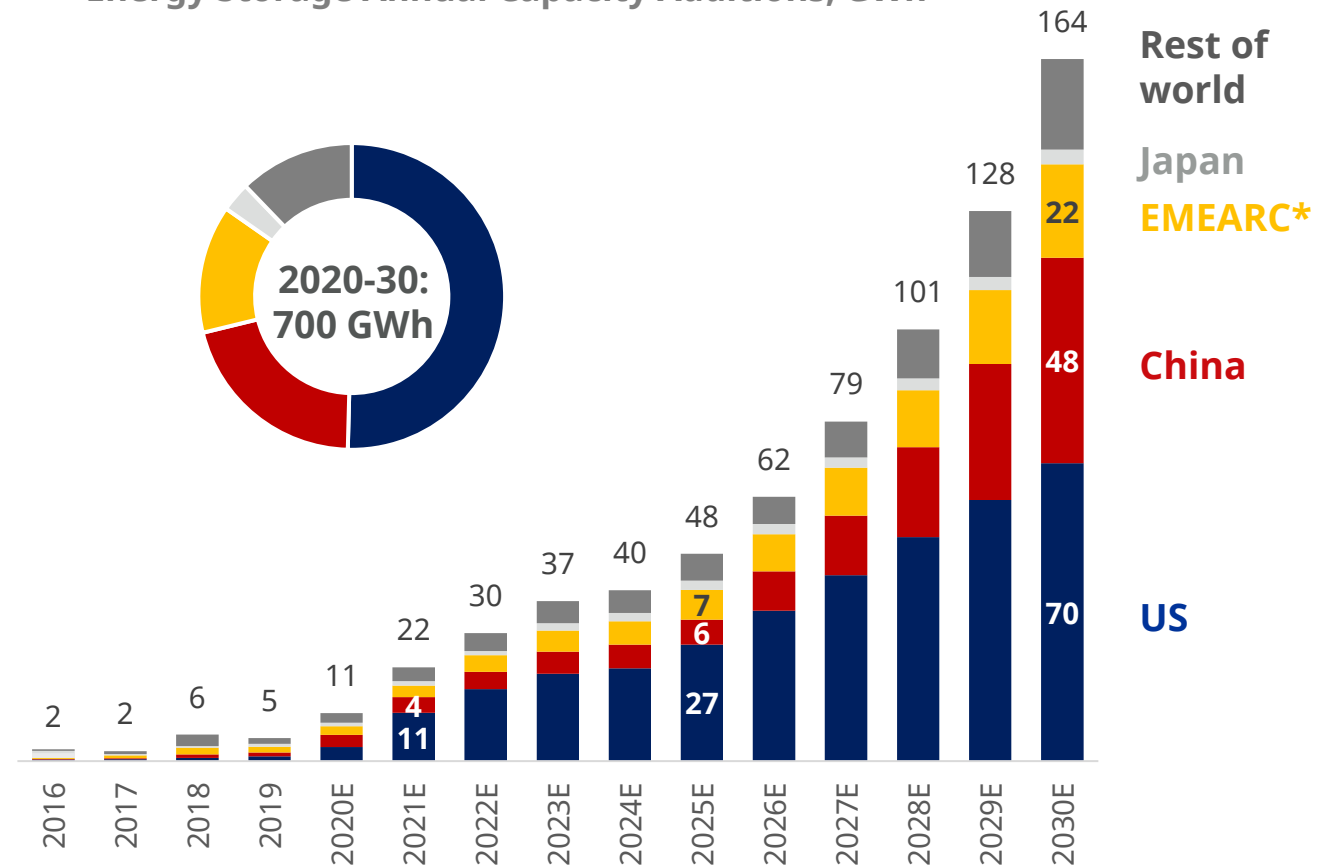
☀️ **Advantages of battery storage:**

- Modular / flexible size
- No startup costs, quick ramp time
- Ability to charge and discharge
- Battery costs rapidly declining

☀️ **Wood Mackenzie forecasts:**

- 35% market CAGR in 2020-30
- 700 GWh in cumulative installations in 2020-30
- 70% front-of-the-meter market
- U.S. market to account for half of the global storage market

Energy Storage Annual Capacity Additions, GWh



\*EMEARC = Europe, Middle East, Africa, Russia and Caspian

# CSIQ an early mover in battery storage

- ☀️ To deliver approx. 1 GWh of battery storage projects in the U.S. in 2021, capturing c.10% market share
- ☀️ Diversified solar business model + global presence = competitive advantage in identifying early storage market opportunities

## Battery Storage Solutions Integration (CSI Solar)

- ☀️ Proprietary, integrated battery storage technological solutions
- ☀️ Bankable fully-wrapped capacity and performance guarantees, supported by robust risk management strategies, financial modeling and warranty designs
- ☀️ Long term operations & maintenance including battery capacity augmentation

Storage pipeline, MWh

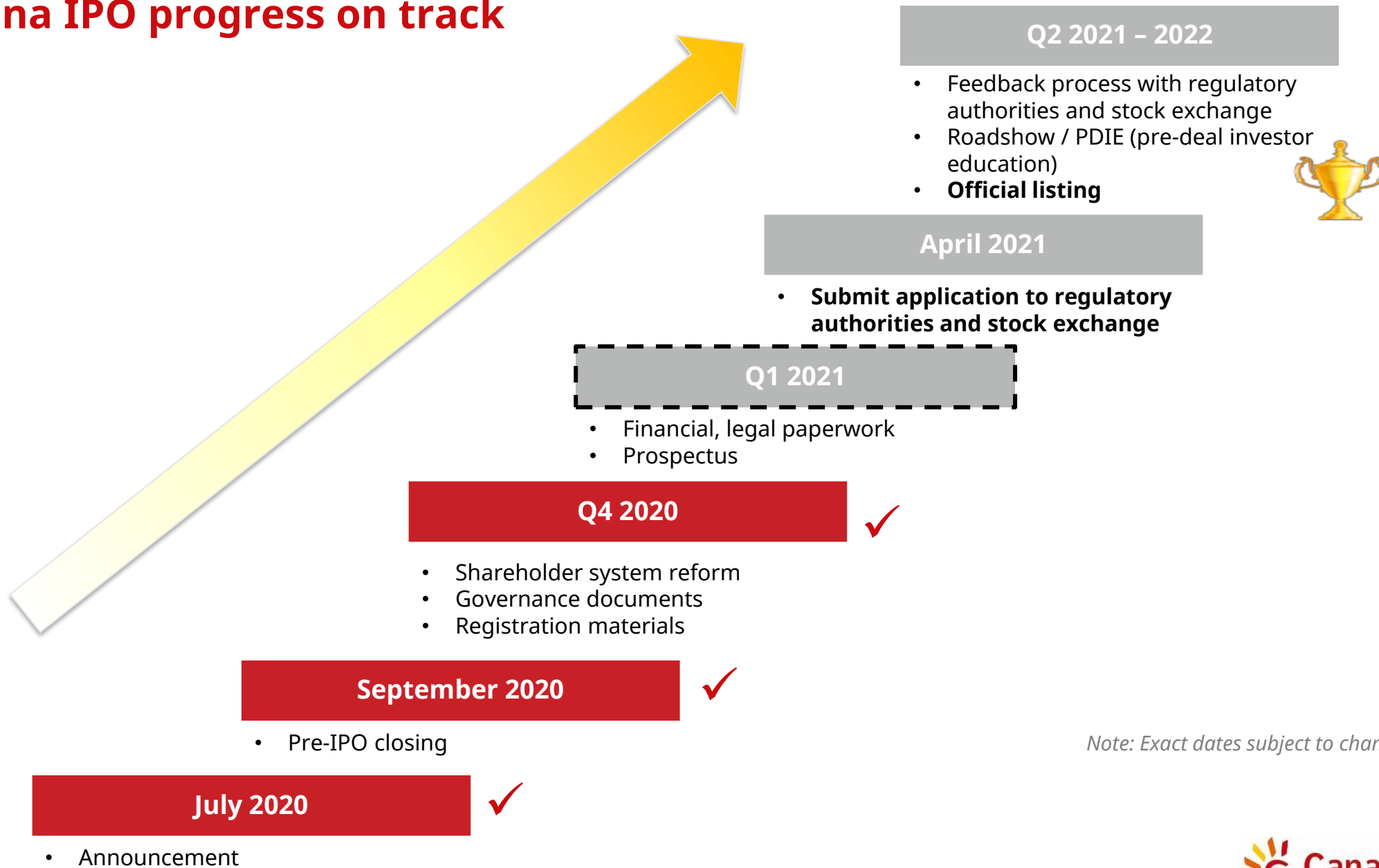
Contracted/ In Construction	Forecast	Pipeline	Total
861	1,400	3,646	5,907

## Battery Storage Project Development (Global Energy)

- ☀️ Signing storage tolling and other off-take agreements with a variety of power purchasers
- ☀️ Permitting/interconnection
- ☀️ Financial modeling
- ☀️ Fully integrated in the main solar development teams

In Operation	In Construction	Backlog	Pipeline	Total
3	913	1,388	6,467	8,771

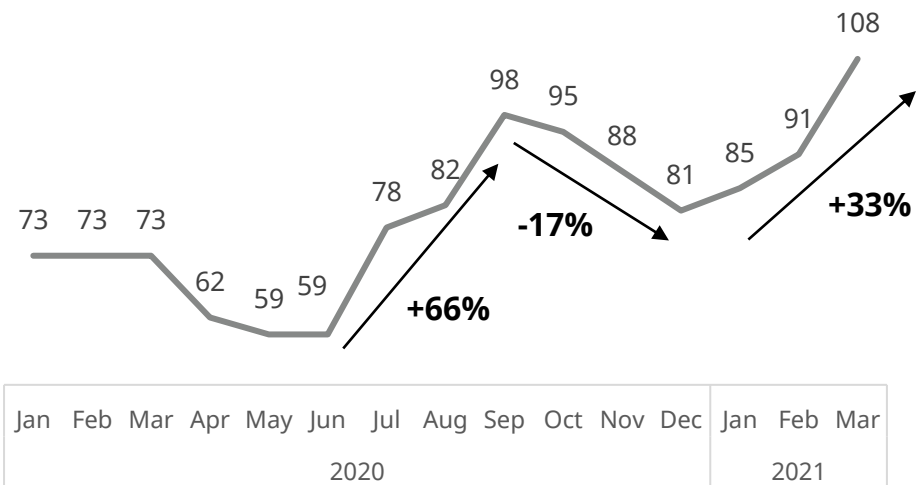
# China IPO progress on track



*Note: Exact dates subject to change without notice.*

# Continued margin pressure from cost inflation partially offset by ASP increases

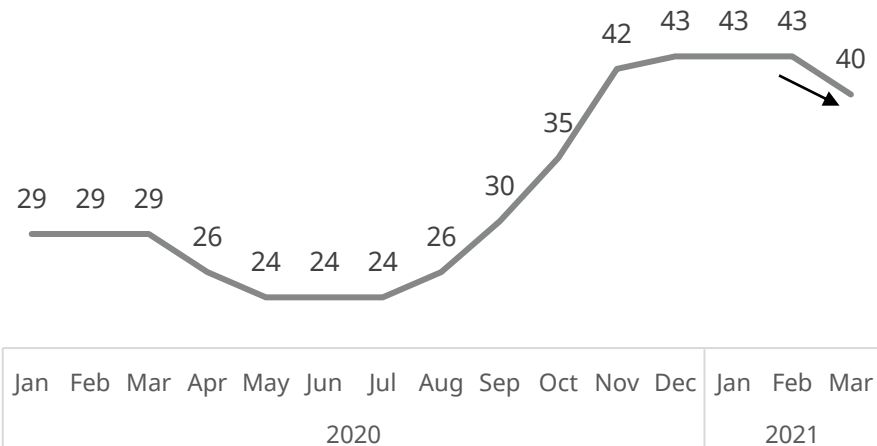
Polysilicon price (RMB/kg)



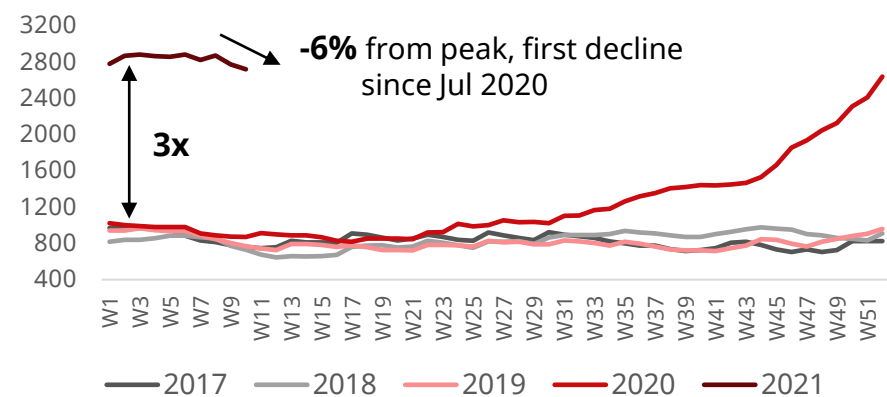
FX to RMB (indexed)



3.2 mm glass price (RMB/m2)



Shanghai Containerized Freight Index (TEU)





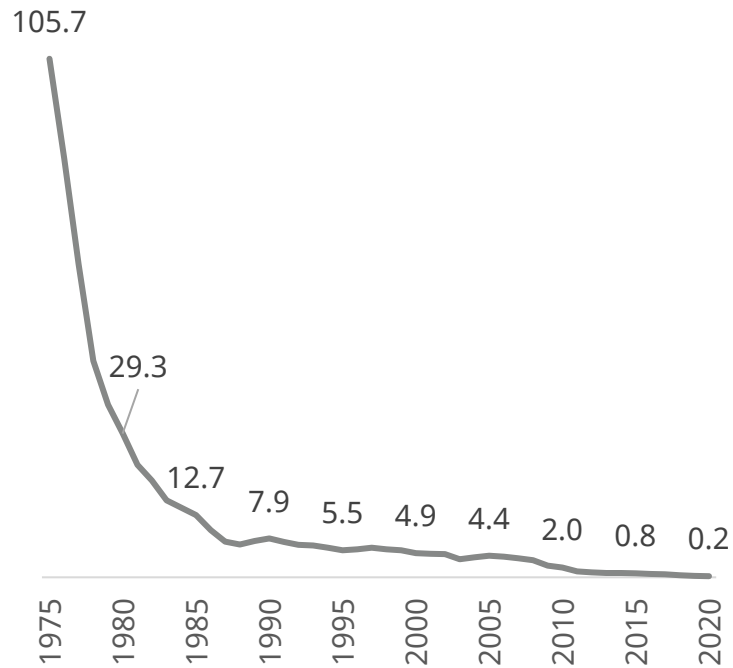
# Solar approaching the end of the cost curve?

Solar module prices have declined dramatically over the past decades

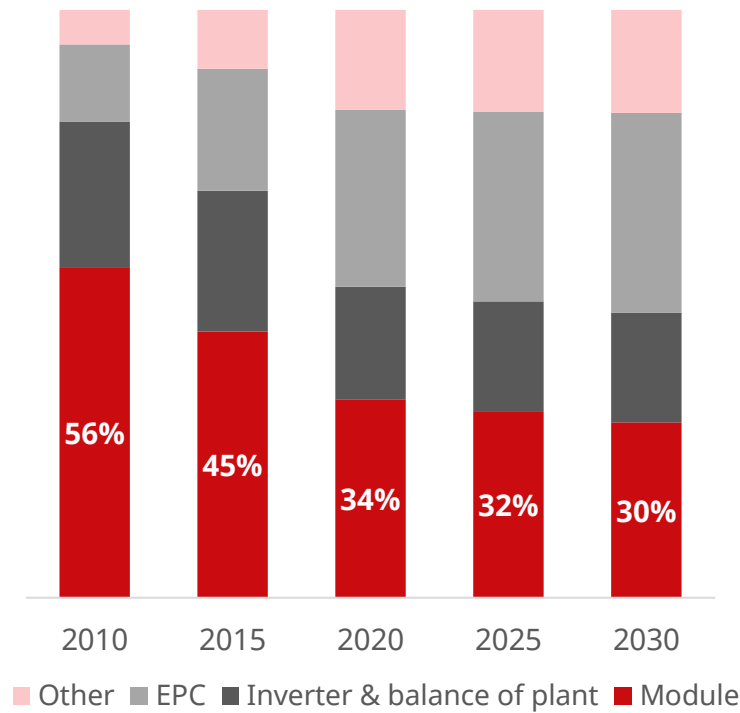
Benefit from further module price reduction becoming marginal

Demand is VERY strong

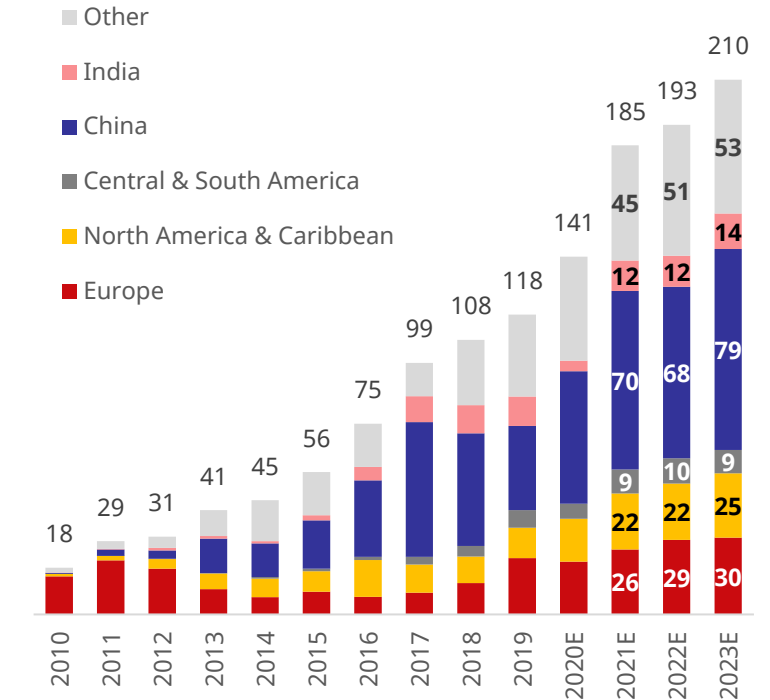
Solar PV module cost, US\$/W (2015 prices)



Capex split for utility-scale PV system



Global solar PV annual installations, GW

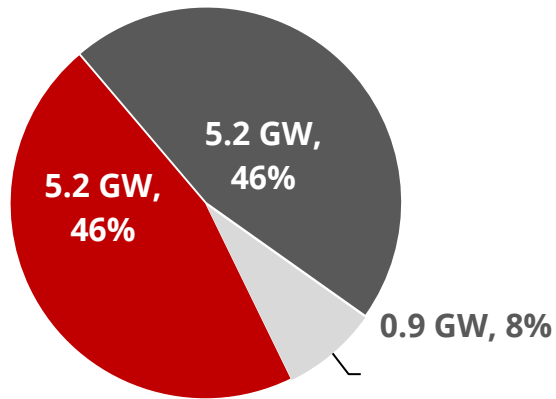


Forecasts are BNEF-estimated mid-points

# CSI Solar strategy to deliver premium, integrated system solutions (including battery storage) to premium market segments (DG)

The distributed generation (DG) market segment accounted for >50% of our annual shipments

FY20 shipments



- Utility-scale
- Commercial & Industrial (C&I)
- Residential

**Canadian Solar is over-indexed to the DG sector, as the global market average was 38% in 2020**

**Integrated System Solutions = Dedicated product management for individual channels and markets (Module + Inverter + Battery Storage)**

	Product and Solution Development	User Experience-Based Value Proposition
<b>Module</b>	<ul style="list-style-type: none"> <li>• High efficiency all-black module for residential markets</li> <li>• Lightweight modules for Japanese market</li> <li>• Heterojunction high power wattage modules, to be launched in H2 2021</li> </ul>	<ul style="list-style-type: none"> <li>• Greater pricing power for top quality solutions and services</li> <li>• Leverage existing channels to expand premium product offering</li> <li>• Battery storage, power electronics and AI enablers of new business models</li> </ul>
<b>Inverter</b>	<ul style="list-style-type: none"> <li>• CSI Solar own-made inverters with full power range for residential, C&amp;I and utility-scale applications</li> </ul>	
<b>Storage</b>	<ul style="list-style-type: none"> <li>• Residential storage system, under development for Japan and US markets</li> </ul>	

# Global Energy: grow dev pipeline + sales, optimize monetization, execute on storage

## Project Pipeline (January 31, 2021), MWp

Region	Construction	Backlog	Pipeline	Total
North America	328	728	5,030	<b>6,086</b>
Latin America	731 <sup>(1)</sup>	2,229 <sup>(1)</sup>	3,495	<b>6,455</b>
EMEA	-	429 <sup>(1)</sup>	2,912	<b>3,341</b>
Japan	159	121	24	<b>304</b>
Asia Pac ex. Japan	345	191	1,810	<b>2,346</b>
China <sup>(2)</sup>	-	125	1,500	<b>1,625</b>
<b>Total</b>	<b>1,563</b>	<b>3,823</b>	<b>14,771</b>	<b>20,157</b>

## Global Energy Targets <sup>(3)</sup>

Targets	2020 Actual	2021	2022	2023	2024	2025
Annual project sales, GWp	1.4	1.8-2.3	2.4-2.9	3.2-3.7	3.6-4.1	<b>4.0-4.5</b>
Cumulative projects retained, MWp	118	200	400	760	960	<b>1,000</b>
Operational O&M projects, GWp	2.2	2.6	4.0	6.5	9.2	<b>11.0</b>

## Storage Project Development Pipeline, MWh

In Operation	In Construction	Backlog	Pipeline	Total
3	913	1,388	6,467	<b>8,771</b>

(1) Gross MWp size of projects, including 510 MWp and 63 MWp of projects in construction and backlog respectively in Latin America, and 123 MWp in backlog in EMEA that are not owned by Canadian Solar or have been sold to third parties.

(2) China Energy is part of CSI Solar.

(3) Approximate and moving targets to be updated periodically based on market and business conditions. These targets are subject to risks; investors are encouraged to review the Risks section of the Company's annual report on Form 20-F.

# New corporate structure and reporting

## Historical reporting structure

### Module and System Solutions (MSS) Business

- Solar modules
- Solar system kits
- Other materials, components and services (including EPC)

### Energy Business

- Solar power projects – includes China Energy
- Operations and maintenance (O&M)
- Electricity revenue – includes China Energy
- Other development services



## New reporting structure

### CSI Solar (entity to be listed in China) <sup>(1)</sup>

- Solar modules
- Solar system kits
- Battery energy storage solutions – **new**
- China Energy (solar power projects, EPC services and electricity revenue) – **formerly within the Energy Business**
- Other materials, components and services (including EPC)

### Global Energy

- Solar and energy storage power projects – global excludes China
- O&M and asset management services
- Other development services – includes electricity revenue for global, excludes China

(1) As of December 31, 2020, Canadian Solar owned 80% of CSI Solar, with the remaining 20% owned by strategic investors who purchased CSI Solar shares during the pre-IPO transaction. An additional 5% of CSI Solar shares were purchased by CSI Solar's employee stock ownership plan ("ESOP"), for which the vesting condition is the successful completion of the IPO. Both the CSI Solar and Global Energy segments are fully consolidated within Canadian Solar.



## Quarterly income statement highlights

USD millions except per share data	4Q19	3Q20	4Q20	qoq	yoy	FY19	FY20	yoy
<b>Net revenues</b>	<b>920</b>	<b>914</b>	<b>1,041</b>	<b>14%</b>	<b>13%</b>	<b>3,201</b>	<b>3,476</b>	<b>9%</b>
<i>Gross margin</i>	25.0%	19.5%	13.6%	-596 bp	-1140 bp	22.4%	19.8%	-260 bp
<i>Gross margin ex. AD/CVD</i>	25.7%	19.5%	13.8%	-578 bp	-1188 bp	24.1%	19.3%	-475 bp
Selling expenses	50	54	64			180	224	
General and admin expenses	64	56	70			243	226	
R&D expenses	10	14	10			47	45	
<b>Operating income</b>	<b>111</b>	<b>59</b>	<b>2</b>	<b>-97%</b>	<b>-98%</b>	<b>259</b>	<b>220</b>	<b>-15%</b>
Net interest expense	-17	-16	-16			-69	-63	
Net FX gain or (loss)	-3	-13	4			-12	-15	
Income tax	-25	-21	2			-42	2	
<b>Net income attributable to Canadian Solar Inc.</b>	<b>68</b>	<b>9</b>	<b>7</b>	<b>-24%</b>	<b>-90%</b>	<b>172</b>	<b>147</b>	<b>-15%</b>
<b>Diluted EPS</b>	<b>1.12</b>	<b>0.15</b>	<b>0.11</b>	<b>-27%</b>	<b>-90%</b>	<b>2.83</b>	<b>2.38</b>	<b>-16%</b>

## Quarterly balance sheet highlights

<i>USD millions</i>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>	<b>3Q20</b>	<b>4Q20</b>
<b>Cash and equivalents</b>	<b>669</b>	<b>619</b>	<b>579</b>	<b>1,103</b>	<b>1,179</b>
<b>Restricted cash</b>	<b>537</b>	<b>504</b>	<b>416</b>	<b>459</b>	<b>461</b>
Short-term borrowings	933	910	1,016	1,065	1,202
Long-term borrowings on project assets – current	286	183	180	238	199
Capital leases – current	25	20	15	24	15
Long-term borrowings	619	666	580	624	446
Convertible notes	-	-	-	223	223
Financing liabilities – non-current	77	75	75	78	82
Capital leases – non-current	14	12	9	4	14
<b>Total debt</b>	<b>1,955</b>	<b>1,867</b>	<b>1,876</b>	<b>2,257</b>	<b>2,181</b>
<b>Net debt*</b>	<b>1,286</b>	<b>1,248</b>	<b>1,297</b>	<b>1,154</b>	<b>1,002</b>
Non-GAAP EBITDA	155	143	92	101	79
<b>Net debt / EBITDA (trailing 12 months)</b>	<b>2.9x</b>	<b>2.3x</b>	<b>2.5x</b>	<b>2.3x</b>	<b>2.4x</b>
<b>EBITDA / net interest coverage (trailing 12 months)</b>	<b>6.3x</b>	<b>8.3x</b>	<b>7.9x</b>	<b>7.7x</b>	<b>6.6x</b>

\*Net debt does not include restricted cash.

## Guidance as of March 18, 2021

	Q4 2020	Q1 2021E
<b>Module Shipments</b>	3.0 GW	3.0 – 3.2 GW
<b>Revenue</b>	\$1.04 bn	\$1.0 bn – \$1.1 bn
<b>Gross Margin</b>	13.6%	16% – 18%

	FY2020	FY2021E	yoy Δ%
	11.3 GW	18 – 20 GW	c. +65%
	\$3.5 bn	\$5.6 bn – \$6.0 bn	c. +70%
	19.8%	n/a	n/a





**Thank you**

**CSIQ**  
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