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PRESENTATION

Operator

Good morning, and good evening, ladies and gentlemen. Thank you, and welcome to Chindata Group Holdings Limited Third Quarter 2021 Earnings Conference Call. (Operator Instructions) Please note today's event is being recorded.

I'd now like to turn the call over to your first speaker today, Mr. Don Zhou from Investor Relations of Chindata Group. Please go ahead, Don.

Don Zhou ***Chindata Group Holdings Limited - Investor Relations of Chindata Group***

Thank you, operator. Hello, everyone. Welcome to Chindata's 2021 Third Quarter Earnings Conference Call. This is Don from Investor Relations team of the company.

With us today are Mr. Alex Ju, our founder and CEO; Mr. Nick Wang, our CFO, and Ms Zoe Zhuang, our Finance Vice President. Alex will be delivering an opening remark at the beginning. Nick will take you through the quarterly review of our operational performance and Zoe will present our financial results. Alex, Nick and Zoe will be here to answer your questions afterwards.

Now I will quickly go over the safe harbor. Some of the statements that we make today regarding our business, operations and financial performance may be considered forward looking, and such statements involve a number of risks and uncertainties that could cause actual results to differ materially. For more information, please refer to the risk factors discussed in our filings with the SEC.

During this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of non-GAAP to GAAP measures is included in our earnings release, which is distributed and available to the public through our Investor Relations website located at investors.chindatagroup.com. We have also updated our quarterly presentation on the company's Investor Relations website, which you can refer to as a supplementary material for today's call.

Without further ado, I will now turn over the call to Alex Ju, our Founder and CEO.

Jing Ju ***Chindata Group Holdings Limited - Founder & CEO***

(foreign language)

Dongning Wang ***Chindata Group Holdings Limited - CFO***

This is Nick. Thank you, Alex, for opening remarks. I will first translate Alex' remarks into English. 4 quarters have passed since the IPO of the company. With our relentless efforts, we are pleased to see the solid results in capacity buildup for the company through Chinidea, Chinindustry and the Chinpower.

With Chinideas, in-house R&D on critical technologies, we have achieved significant progress in the pursuit of white-box model solution for computing infrastructure. With Chinindustry's breakthrough in self-developed precast container data center modules and the further integrated supply chain, cost-efficient cross-border delivery of total solution for hyperscale data center infrastructure was made possible. With the rapid realization of the new industrial scenario by Chinpower, we have been effectively supporting the sustainable development of our anchor clients and the consumption of green energy in scale.

With these core capabilities as cornerstones, Chindata has overcome the obstacles on technologies, cross-border human resources and logistics arrangement brought by the pandemic situation. Our performance was outstanding as we keep on promoting industry upgrade with our industrial pilot projects, propelling business growth with research and development efforts and enhancing our comprehensive financial performance with our full-stack hyperscale model.

It is in Chindata's firm belief that as long as we keep our original faith, adhere to our capacity buildup strategy, stay focused on tackling difficulties and remain committed to the long-term value developments, we will achieve further with the hyperscale greenfield model and to effectively support our key clients along their rapid expansion and 0 carbon transformation in Asia Pacific emerging market.

Now on behalf of the company, let's take a look at the key highlights for the third quarter of 2021 on Page 4 of the slide. Our business is maintaining its healthy momentum. Total IT capacity in service by end of the quarter was 370 megawatts, a 9-megawatt increase compared to the previous quarter as we were swiftly responding to our clients' customized and new demand, such as high-density development -- deployment.

Total IT Capacity by quarter end was 588 megawatt. Steady ramp-up continued with Utilized Capacity increased by 17 megawatts over the quarter to 268 megawatts. Utilization ratio remained stable at 72%.

Financial growth momentum continued with very healthy profitability. Quarterly revenue increased by 59% year-over-year to RMB 740.8 million. GAAP-based net income was RMB 78.4 million, and stayed positive for 3 straight quarters with a 10.6% net margin, which we believe is among the best performers in the industry.

Adjusted EBITDA was RMB 368.4 million, indicating a year-over-year increase of 61.6%, with the margin remaining in the high 40s at 49.7%. Meanwhile, such solid fundamentals and prospects for business were again recognized by the rating agencies, as Fitch affirmed its BBB- investment rating for the company in late October despite the evolving headlines in the macro environment.

Our capacity buildup and the sustainable development. Our total number of approved and pending patents increased by 12% over the quarter to 268. Energy efficiency of our data centers remain outstanding with our year-to-date average PUE by end of the third quarter at 1.21 compared to 1.22 in full year 2020. Our year-to-date total power consumption was 1,215 million kilowatt hours.

On Slide 5, with great pleasure, we would like to share with the market the exciting progress we are making in client diversification and overseas business development. On client diversification, our constant effort is yielding solid results. In China, breakthrough was achieved as the company recently won the bidding and received a confirmed demand of 27 megawatts capacity from a leading Chinese cloud computing service provider.

On overseas development, our hyperscale greenfield development model in the Asia Pacific emerging market is advancing. In Malaysia, the company has signed a contract with land owner and launch a new greenfield project seated in Johor state. The new project expected to be a built-to-suit hyperscale data center and implemented with the newly innovated high-efficiency cooling technology has received an MOU capacity of over 80 megawatts, and it is to be delivered to our anchor client in several phases, starting from 2022.

Importantly, our consistent buildup in research and development of core technology will effectively support the export of our integrated pre-fabricated data center modules for this project. We have also initiated our expansion plan in Thailand market. Currently, the company is close to finalizing a business acquisition in Bangkok. The project upon completion of technical upgrade will be hosting a 5 megawatts IT capacity and capable of supporting key clients' business development in Southeast Asia.

For our existing business on Page 6, we are maintaining the healthy momentum. We added around 9 megawatts in-service capacity in the quarter, as we were swiftly responding to the updated and new demand of clients in several data centers such as for their high-density deployment. Utilized capacity increased by 17% in the quarter, contributed by the steady ramp-up in project CN06, CN08, CN09, CN11/A and C11/B in Northern China. Meanwhile, we added 16 megawatts of contracted capacity as a result of the indication of interest capacity conversion of the existing projects such as CN12 and CN13.

As an overview of our asset on Page 7 and 8. By end of quarter, we are having a total of 588 megawatts of IT capacities, among which 15 data centers or 370 megawatts is in service. And 9 data centers or 218 megawatts is under construction. According to the time line as shown in the table, all the 218 megawatts under construction capacity should be put in service in 2022.

Our client commitment remains high. Total indication of interest and contracted capacity add up to 493 megawatts, indicating a contracted and indication of interest ratio of 84%. For the in-service capacity, contracted ratio is 88%.

Our utilization is healthy. By the end of the third quarter, total utilized capacity is 268 megawatts, indicating a utilization ratio of 72%.

Now let's dive into our capability building, which was briefly touched upon in our opening remarks. Our capability buildup through the establishment of Chinpower, Chinidea and Chinindustry has made solid progress so far.

Chinpower, aiming to be the leader driving China's IDC industry into 0 carbon era has been effectively supporting the sustainable development of our anchor clients and consumption of green energy in scale under the rapid realization of the new industrial scenario. To date, we have established a green power consumption ecosystem, consisting of 4 major initiatives, including Direct Green Power Trading, innovative regional green power consumption mechanism, development of renewable energy power stations and development of integrated power Generation-Grid-Load-Storage projects.

In September, China launched its first nationwide green power transaction with a total of 259 participating in domestic Chinese entities and a total transaction volume of 7.935 billion kilowatt hour. Among the first movers nationwide and as the largest buyer of green power in the digital infrastructure industry, we completed the transaction of 100 million kilowatt hours, contributing to 1.26% of the entire nation's inaugural gross transaction value. Through regional green power consumption mechanism, we have consumed in total, 440 million kilowatt hour of green power in the past 4 years. For the development of renewable energy power station, we have signed to date 1.05 gigawatts of wind and solar energy development agreement, which is expected to providing 1.2 billion kilowatt green power annually upon completion.

Chinidea, together with Chinindustry by leveraging on our patent and technology reserve has made significant breakthrough in white-box model solution for computing infrastructure, self-developed pre-fabricated data center modules and export of integrated supply chain so far. We believe that such pre-fabrication of productized equipment, productized engineering and productized buildings for data center is improving the coordination and efficiency of our development and construction, which will, therefore, create a more stable supply chain system that will effectively safeguard our hyperscale greenfield project development and delivery in Asia Pacific emerging markets, even with concurrent delivery of multiple projects.

Such will further contribute to the establishment of hyperscale computing infrastructure cluster in the region and support the regional business of our clients.

Now let's turn to some other recent developments of the company on Slide 12. Our solid fundamentals and business prospects are reaffirmed by renowned credit agencies despite the recent evolving headlines of the macro environment. As Fitch is maintaining their investment grade BBB- Issuer Rating with a stable outlook on the company according to their late October news release. As quoted, Chindata Group Holding Limited credit profile will remain solid, supported by the strategic location of its data centers, use of renewable energy and adequate rating headrooms, despite the acute power shortage and potential electricity tariff hikes in China.

Meanwhile, during the third quarter, we continued our active exploration of ESG development, improve our alignment with international standards and garnered additional public endorsement for our efforts. In September 2021, the company formally became a corporate member of the United Nations Global Compact, which is the world's largest corporate sustainability initiative with more than 13,000 supportive institutional and corporate members from more than 170 countries. As the first APAC digital infrastructure corporate member of such organization, the company will collaborate with fellow constituents to help fulfill United Nations SDGs and promote a shared global vision.

Also in September 2021, the company joined the RE100 initiative, which is a global renewable energy initiative jointly launched by Climate Group and Carbon Disclosure Project's global environmental information research center to accelerate at scale the efforts of reaching the 0 carbon energy consumption goal. The RE100 has drawn hundreds of influential business around the world into the commitment of utilizing 100% renewable energy.

At the same time, we further extended our green development goals by announcing the 2040 100% plan. Under the plan, all of the company's next-generation hyperscale data centers around the globe will be powered 100% with renewable energy solution by 2040, thus facilitating China's low carbon development effort and helping fulfill the goal of reaching peak emissions by 2030 and carbon neutrality by 2060 in China.

With all our long-term commitment to ESG, Chindata Group is garnering additional public endorsement. The company won the highest accolade in the best ESG initiative categories in the prestigious 17th Global Carrier Awards that took place on 21 October, thus becoming the first computing infrastructure company in the Asia Pacific region to receive such honor.

As a top hyperscale computing infrastructure enterprise, the company is widely acknowledged for its leadership among APAC, especially emerging market APAC companies in exploring, participating in and the scaling up carbon neutral initiative as well as managing ESG initiative.

On policy update on Slide 13. Several central government papers were issued in the past few months, offering further insights on the path and objectives of national carbon neutrality. State Council published Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy and Notice by the State Council of the Action Plan for Carbon Dioxide Peaking before 2030, in September and October, respectively, which further emphasize the expectation for improved geographical layout, energy consumption monitoring and management, and energy efficiency, et cetera, of the data center industry.

These key focuses have been elaborated on in the data center policies issued by Ministry of Industry and Information Technology, or MIIT; and National Development and Reform Committee, or NDRC earlier this year.

On a power issue, following NDRC's publishment of the notice on further deepening the market-oriented reform for the on-grid price of coal-fired power generation in October that stipulated a wider range of variation for on-grid price. A number of provinces have seen on-grid price increase by 20%. The power shortage issue, thanks to a series action taken has been mitigated, according to National Energy Bureau's press release in early November. For the company, the impact of power issue on our recent operation has been very limited, next to 0. And we believe on our layout or deployment in energy abundant regions have been a key contributor.

With that, I conclude our operational overview. I will now turn over the call to Zoe to go through our financial details for the third quarter. Zoe, please.

Ying Zhuang ***Chindata Group Holdings Limited - Finance VP***

Thank you, Nick. Now turning to Slide 15. We increased our utilized capacity and grew revenues. In quarter 3, total revenue grew by 7.9% quarter-over-quarter, or 58.5% year-over-year to RMB 740.8 million. Utilized capacity increased to 268 megawatts by quarter end, compared with 175 megawatts in the same quarter last year, indicating 53.3% year-over-year growth. For our cost and expense structure, our prudent cost control efforts enabled us to be -- to keep our core expenses and the cost of percentage within stable range, while continuing to grow our adjusted EBITDA and adjusted net income.

Looking into the details, cost and expense items on Slide 16. Utility cost was up around 27% of revenue in the last 2 quarters with a historical range of 25% to 28%. Maintenance and other costs took around 10% to 12% and adjusted SG&A took around 12% to 14%.

Take a closer look at our strong and stable profitability on Slide 17. Adjusted EBITDA in the third quarter increased 61.6% year-over-year, or 8.8% quarter-over-quarter to RMB 368.4 million, with a margin of 49.7%. Adjusted net income increased 132.2% year-over-year to RMB 112 million. Adjusted net margin for the quarter was 15.1%. Details in the GAAP to non-GAAP reconciliation of EBITDA and net income will be available in our 6-K filing or the appendix in our IR PPT.

Now let's take a look at our cash and debt position and our CapEx on Slide 18. CapEx in the third quarter was RMB 1.4 billion compared with RMB 526.2 million in the second quarter and RMB 654.5 million in the first quarter. We incurred greater CapEx in third quarter as we continued to work in our business expansion to meet increased demand from our customers by investing more capital into our under construction data centers, especially CN11, CN13, CN15, BBY01 and etc.

This capital expenditure spending today ensure the Company's future ability to serve our customers and to show our confidence in future business growth. On a 12-month basis, last 12-month CapEx by end of the third quarter was RMB 3.57 billion. Our cash position, which includes cash and cash equivalents and the restricted cash were RMB 6.1 billion by end of the quarter with our total debt standing at RMB 5.5 billion.

Looking closer at the change behind the cash position on Slide 19, we continued to generate a profit matching cash from operation of RMB 288.8 million, at an addition of RMB 327.5 million project financing offset by RMB 1.6 billion investing cash outflow consisting of the aforementioned CapEx and RMB 149.5 million, the short-term investment cash outflow.

Again, we grew with high quality, indicated by our healthy cash flow from operation and leverage as you can see on Slide 20, by end of the third quarter of a total debt to capital ratio was 35.4%, compared with 44.9% in the same quarter last year. Our total debt to last 12-month adjusted EBITDA ratio was 4.4, compared to 4.6 in the previous quarter and 5.4 in the same quarter last year. Our last 12-months adjusted EBITDA to last 12-months interest ratio by end of the third quarter was 5.6, compared with 5.3 by end of second quarter and 3.5 by the end of the same quarter last year.

Finally, let's look -- take a look at the guidance. We reiterated our 2021 full year guidance and the both our first 9-month revenue and adjusted EBITDA are now at 73.8% of our full year guidance midpoint. This forecast reflects our current and the preliminary views on the market and operational condition.

This concludes our prepared remarks for today. Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Yang Liu from Morgan Stanley.

Yang Liu ***Morgan Stanley, Research Division - Research Associate***

(foreign language) Well, let me translate my question in English. I'm very interested in this new major customer acquisition. Could management elaborate more about -- or provide more color on this customer in terms of scale, the location and for the future outlook, whether it -- whether you expect to look at the order from this customer on a recuring basis?

Jing Ju ***Chindata Group Holdings Limited - Founder & CEO***

(foreign language)

The translation for Alex' words: For the 27 IT megawatts project that we disclosed, we won the bidding in November and the client is a top 2 Chinese leading cloud computing service provider. The project is to be delivered in several phases in 2 locations in Northern China, each with around 13 megawatts of IT capacity.

As for the delivery, we will provide customized delivery as specified by the clients. Generally speaking, as we establish a more diversified client base going forward, we will adhere to our hyperscale greenfield development model, while at the same time, capable of delivering projects based on customized specification from the client.

Operator

Our next question comes from Tina Hou from Goldman Sachs.

Tina Hou ***Goldman Sachs Group, Inc., Research Division - Equity Analyst***

(foreign language) Let me translate my question. Congratulations on a very solid result. So my question is around the pricing, a recent contract pricing. By our calculation, your actually monthly service revenue per megawatt -- monthly service revenue per megawatt actually increased by 1.9% in the third quarter versus second quarter. So just wondering from these like newly in-service contracts, is there a trend of pricing recovering? And then also interested in your new cloud service customer. What is like contract pricing for this new customer versus your anchor customers? And also the contract structure, is it different or similar to your anchor customer?

Dongning Wang ***Chindata Group Holdings Limited - CFO***

Tina, thank you for your question. This is Nick. I will help answering these questions. I think our -- the current contract with our major customers, especially on the pricing side, remain very stable and has been consistent -- a very consistently stable in the past and will be in such a stable state moving forward. And -- but we did notice that some downward trend on pricing in the industry this year, somewhere in China. As of now, we think that our unique hyperscale greenfield full-stack model outside Tier 1 city has created a very comfortable buffer for us with a competitive advantage in terms of economic of scale, operating efficiency and a lower cost structure as we have in those energy abundant regions outside Tier 1 city. All these factors contribute to allow us achieve a very stable financial structure in terms of our contract pricing as well as our margin, as well as our CapEx spending.

In terms of your question about our pricing for the new customers and maybe our anchor customers. We're not in a position to disclose in detail under the confidentiality agreement for us with our key clients.

But on the -- on your question related to the new corporation or business model with new clients, we will see -- we will say that this is a newly customized model with this leading the cloud computing companies. And this is also in our total capability and the capacity, the planning and that all can be handled in-house.

Operator

Next question comes from James Wang from UBS.

James Wang ***UBS Investment Bank, Research Division - Analyst***

(foreign language) So I've got one question. The question is around the overseas business. We saw one of your peers also entering the Southeast Asian market recently. So I just wanted to know how's your future growth direction in the region as well as the level of competition that you are seeing now and how it compares to the domestic Chinese market?

Jing Ju ***Chindata Group Holdings Limited - Founder & CEO***

(foreign language)

Translation for Alex's words: Thank you your question. In this quarter, we did make big progress in our overseas business. In Malaysia, the company has launched a new greenfield project seated in Johor state. This new project expected to be a built-to-suit hyperscale data center, and it has received an MOU capacity of over 80 megawatts -- 80 IT megawatts to be delivered to our anchor customer in several phases starting from next year.

We're also finalizing a strategic acquisition in Thailand, Bangkok. The project upon completion of the technical upgrade, will be hosting 5 megawatts -- 5 IT megawatts and capable of supporting key clients' business development in the region.

Furthermore, we are also actively exploring opportunities in other countries within Southeast Asia, such as Vietnam and Indonesia. Importantly, our constant progress and breakthrough in technology, R&D as well as white-box models solution, self-developed precast container data center modules and the further integrated supply chain will effectively support the cost-efficient cross-border delivery of our total solution for hyperscale data center infrastructure.

For the market prospect in Asia Pacific market, we think the overall demand is healthy. As we further advance our unique model, we're receiving higher and wider recognition. We expect the demand for hyperscale greenfield full-stack model will be even greater than the overall demand. And we believe that we can achieve further in Asia Pacific emerging markets. And we do hope there are more peers or brands to come together in this region to develop and explore the regional market as well.

Operator

Next question comes from Marco Lin from Citi.

Marco Lin ***Citigroup Inc., Research Division - Research Analyst***

(foreign language) I will translate. Congratulations on the great results. Could you quantify the impact of power crunch in this quarter and longer term? And would it be a driver for IDC to move towards remote site?

Dongning Wang ***Chindata Group Holdings Limited - CFO***

Mr Lin, I think for the -- first of all, for the impact of the power-related issues, both power shortage and power price, as we have just discussed, impact was very limited, almost next to 0 in reality, especially in Q3. And we expect a very, very, very, very limited impact in the near future. This is actually primarily due to our energy side, geographic deployment strategy as we started from day 1.

Going forward, I think our energy side, the geographic deployment will continue to be our cornerstone strategy and also going to create a compete advantage for us, and we believe that our long-term commitment to renewable energy development in this site and the related capacity buildup will continue to contribute to the stable and secured power supply as well as to serve as an adequate hedge, I would say, against the power tariff inflation, if any.

Also, you used -- when you used the term remote is actually -- it's always on a relatively sense. One year ago, I remember some industry peers, even thought that the places like Hebei Zhangjiakou or Datong Shanxi as a remote area, but they are not too remote, away from tier 1 city like Beijing. Zhangjiakou, for example, is only like 1 kilometer away from downtown Beijing.

So generally, Chindata's, I think a hyperscale. All of Chindata's hyperscale data center clusters are located and deployed in those energy abundant locations. And these locations happens to be outside Tier 1 city or to your term in remote -- a little bit remote area. For example, zhangjiakou, Datong and Malaysia, Malaysia Johor state, we will stick to these regions because they are energy abundant not only in the traditional energy abundant sense, but also in renewable abundant sense, and they are not too far away from Tier 1 city at all.

Operator

Our next question comes from Hongjie Li from CICC.

Hongjie Li ***China International Capital Corporation Limited, Research Division - Associate***

(foreign language) My first question is could you elaborate more on your initiatives on the green energy? And how shall we outlook on additional CapEx and impact on the margin?

Dongning Wang ***Chindata Group Holdings Limited - CFO***

I think the Chindata -- what Chindata's understanding of this IDC industry is always how to find the most efficient way to convert renewable electric power to computing power. That's why, firstly, the deployed development of renewable energy is by all means, a long-term strategy that we will commit ourselves to.

Secondly, in terms of how it will be invested and operated, the company will judge case by case, will make a judgment case by case based on several critical factors. But remember, we are in the bigger context of a carbon neutrality as China's national strategy. So our final objective as one of the IDC industry or the computing infrastructure participant is trying to strike an optimum balance among adequate renewable power supply, power price, invested capital required and obviously, with the ultimate goal to achieve the best investment value or return for investors, for customers, et cetera.

And we are doing the project, we will not exclude any opportunity or potentials to involve external parties on a cooperation on both the investment side and operation side in the renewable energy, along this renewable energy strategy and execution.

Operator

Our next question comes from Albert Hung from JPMorgan.

Albert Hung ***JPMorgan Chase & Co, Research Division - Analyst***

(foreign language) Your peers have indicated slowdown in moving rates in second half in turn more conservative for the next year outlook, especially for hyperscales. Wondering now whether Chindata also see similar concerns about 2022 hyperscale demand. Well, Chindata has high customer transfer concentration risk. How would you mitigate the risk of potential slowdown in move-in rates?

Jing Ju ***Chindata Group Holdings Limited - Founder & CEO***

(foreign language)

Translation for Alex's words: I think Nick has just addressed a similar topic in general. Our recent progress in client diversification and geographic diversification as well as the diversification in the product line and market segment of our anchor client itself should all be marginally creating a better risk hedging profile for the company going forward.

Then on the concept of hyperscale data center and the demand for such hyperscale data center. We're not sure if other market players that you mentioned share the same definition as us. As different definition may lead to different product and solution offerings.

Our anchor clients select Chindata as is a business partner, very early at this business stage when we are just a startup company. Our hyperscale model or the -- to be exact, the hyperscale greenfield full-stack model has accompanied our client all the way along, and we grew together. So now we're still growing together. We believe we have done a good job for them so far. For next year, we can refer to our pipeline or the general introduction for our disclosed information.

Operator

Our next question comes from Yalin Zhuang from DBS Bank.

Yalin Zhuang ***DBS Bank - Analyst***

(foreign language) Congratulations on the strong third quarter results. My question is, what is the current competition landscape and demand outlook in China, given the recent power shortage and tariff hike in the third quarter as we saw a slow move in rate for other competitors in China?

Dongning Wang ***Chindata Group Holdings Limited - CFO***

This is Nick. I'm actually going to answer these questions. I think I want to reiterate Chindata's way of doing business. We believe the IDC's nature is to try and find most efficient way of converting electric power to computing power. Therefore, power has always been integrated and one of the most important strategy for the company from day 1. So as you can -- as it is proved recently in the marketplace on power-related issues. And also, you can see a numerous policy papers issued by the government authority like MIIT, NDRC and the State Council in the past few months in a very intensive way, elaborating actually on the vision for the IDC industry and the carbon neutrality target for the entire country as well as the fact that the Chinese IDC industry made up around 2% of the total energy consumption nationwide last year. As you can understand why the power and energy is so important for the IDC industry. Therefore, the strategy on a power for a particular IDC companies has become very, very important.

Therefore, that explain why the company from day 1. We believe into this. We executed along this power-related strategy, and we have a very close to energy side geographical deployment to be fully in line with this belief and strategy.

For the company, going forward, our energy side geographical deployment will continue and present -- will continue to be our cornerstone, and we believe our long-term commitment to renewable energy development and related capacity buildup will contribute to a very stable and secured power supply as well as to serve as an adequate hedge, so to speak, against the power tariff inflation, if any, in the future.

Operator

Our next question comes from Kaifang Jia from Citi.

Kaifang Jia ***Citigroup Inc., Research Division - Analyst***

(foreign language) So let me translate my question. So I have a question about demand from ByteDance. We see some news saying that ByteDance will lead its own public cloud in December. So just wondering if we can get new orders from this? And also can we give some color about the demand from ByteDance in China and overseas?

Dongning Wang ***Chindata Group Holdings Limited - CFO***

This is Nick again. I'm trying to answer these questions again. If you look back at our history, as Alex, I think, mentioned, our collaboration with our anchor client, ByteDance in particular in the past has been very successful. We have become an ecosystem partner and will remain so. And because of our high quality delivery and operations we deliver to customers and make them happy.

The progress we made in overseas market recently is very exciting. And we were confident that with our constant in-house capability buildup and further deployment in overseas market, we'll be fully capable of supporting the development of our clients, both within China and overseas.

As far as for your question about their upcoming, the new public cloud product launch, I'm not in a position to make any comments on behalf of our customers. But all we see based on our daily interaction with our key client on the ongoing business as well on the forthcoming business, I think in this kind of a 2B and a 2C business development signals a very positive momentum. And I think there is a very high chance we'll be the beneficiary out of this.

Operator

Our next question comes from Edison Lee from Jefferies.

Edison Lee ***Jefferies LLC, Research Division - Equity Analyst***

(foreign language) So my question is mainly on the new client, new cloud client in China. So for these 2 particular projects, can you tell us for the terms of the contract includes power? And also whether there is any difference in IRR with the existing projects?

And as you said earlier, it seems like the business model or the requirements of this client is somewhat different from your existing clients. So maybe you can elaborate on actually what the business are and whether there are any implications for the investment value of these projects?

Dongning Wang ***Chindata Group Holdings Limited - CFO***

I think to answer your questions, I think at the moment, because this was one of the most recent development post Q3. We are at a very close stage of signing the final contract with our customers, new customers. So at the moment, we're not in a position to disclose any further details. But what I can tell you is actually, if you remember back in the first half of this year, we signed a framework agreement with this particular new customer. And at that time, we said that the reason for the signing was because our credentials on the energy side deployment, and our operating efficiencies and our very lower-than-average cost advantage we have. And obviously, this is all accomplished recently. I think, exactly due to these reasons.

So in a matter of the cooperation model, as said, it's a customer customization models, the project is going to be located in one of our northern places we're currently operating our hyperscale project and one is in other Northern China locations. For other details, please look in at the further public disclosure by the company.

Operator

Our next question comes from Yang Liu from Morgan Stanley.

Yang Liu ***Morgan Stanley, Research Division - Research Associate***

Thanks for the opportunity to ask another question. (foreign language) The question is about the debt financing. We noticed that in the offshore bond market, a big volatility. And I would like to hear the management comments what is the status? And what will be the next step in the debt financing?

Ying Zhuang ***Chindata Group Holdings Limited - Finance VP***

Thank you Liu Yang, actually, first of all, we have sufficient financing liquidity and a very healthy leverage profile. As we can see by the end of this quarter, the company has RMB 6.1 billion cash and cash equivalents at hand. And in contrast to our debt balance, which is around RMB 5.5 billion, together with some short-term investment, we have a negative net debt, which is net cash position of RMB 782 million. Also, we have cash flow from operations, which is around RMB 288 million this quarter.

So besides this, on the slide that we just reviewed that by the end of this quarter, the company total debt to total capital issue, our ratio is only 35.4%, which are very low, very low compared with the industry level and that leave us more room for debt or debt-like financing.

With regards to the financing progress, the rating agencies have reaffirmed the rating this quarter with a BBB- investment grade, and this allow us with more financing options in both public and private markets. On daily operations, it is very regular and a consistent practice that we have bank loans at project level, both domestic and for overseas projects, along with the development of the project. And at the same time, we are also looking into a private financing option recently.

Operator

Our next question comes from Tina Hou from Goldman Sachs.

Tina Hou ***Goldman Sachs Group, Inc., Research Division - Equity Analyst***

(foreign language) So my second question, thanks very much for the opportunity again. And regarding the M&A, our company's view on M&A because as management just mentioned, you have actually very abundant cash and net cash position on your balance sheet. So wondering what's your view specifically in the Chinese M&A market as we saw some of our peers are accelerating their M&As, while others are actually limiting and not doing any M&As at this stage. So what's Chindata's view on potential M&As?

Dongning Wang ***Chindata Group Holdings Limited - CFO***

Our view on the potential -- this is Nick. Thank you, Tina, for the questions. Our view on the merger acquisition, we think that's also one of the company's strategy in a very supplementary way. Our principal strategy is still going to be the full-stack hyperscale greenfield development plus operation model. But we're looking at some interesting opportunity merger acquisition, both in China and overseas at the same time, essentially. But we stick to a very stringent, sometimes too stringent principle on the potential merger acquisition opportunities, and we actually stick to several criteria. When we acquire certain assets, we hope that we can provide our unique, the in-house capability, which can allow us to add value to this targeted asset once we take over.

At the time of making this merger acquisition, we are looking for synergies with the company in geography, client base and resource of the potential target of the assets. And we look for obviously a reasonable valuation. And I want to emphasize that both the future business plan and the valuation multiple for these kind of potential targeted assets or companies, both in China and overseas must be reasonable in the eyes of Chindata. That's actually very important for us to pull the trigger.

We will not do the merger acquisition simply for the sake of merger acquisition itself. And also given the more and more emphasis on the operating efficiencies and most importantly, on the renewable power and power on the supply side and the demand side as more and more, I think the demand is going to be driven by the big computing and the tech and Internet clients. And we think that given the current competitive landscape, ever-increasing competitive landscape around Tier 1 city in China. There will be some consolidation, that window open up for Chindata, even we stick to a very stringent merger acquisition principles.

Operator

Our next question comes from Edison Lee from Jefferies.

Edison Lee ***Jefferies LLC, Research Division - Equity Analyst***

(foreign language) So my question is about CapEx. I just want to get an idea as to whether the CapEx guidance this year of RMB 5 billion to RMB 6 billion has changed and what's the outlook for next year?

Ying Zhuang ***Chindata Group Holdings Limited - Finance VP***

So far, we incurred around RMB 1.4 billion for CapEx for this quarter. And on the 12-month basis, last 12 months CapEx by end of this quarter was around RMB 3.6 billion. This is generally in line with our full year CapEx expenditure forecast.

For the next year, you can see that majority of the under construction assets are to be delivered gradually. And then besides this, today, we also announced 3 new project orders or pipelines. And that we expect next year's CapEx investment will be somewhat higher than this year to support this solid business opportunities and the region expansion and the project delivery.

Operator

All right. There are no further questions at this time. I will turn the call back to the management team for the closing remarks.

Dongning Wang ***Chindata Group Holdings Limited - CFO***

And thank you for the investment community and all the analysts and the public to pay your attention to Chindata. I want to emphasize once more, and that's probably going to be the regular remark we make every quarterly earnings call. Our belief in IDC is a little bit unique and different from a lot of -- most of the peers. We believe the industry's nature is how to find most efficient way to convert electric power and in the future, going to be a renewable electric power to computing power. And we just treat ourselves more like infrastructure service provider than a simply IDC hosting service provider. So therefore, that we're going to stick to this strategy, and we will make a perfect execution along the way. Thank you.

Operator

Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect your lines.