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PRESENTATION

Operator

Good morning, and good evening, ladies and gentlemen. Thank you for joining, and welcome to Chindata Group Holdings Limited First Quarter 2023 Earnings Conference Call. We will be hosting a question-and-answer session after management's prepared remarks. Please note that today's event is being recorded. I'll now turn the call over to the first speaker today, Mr. Don Zhou from Investor Relations of Chindata Group. Please go ahead, Don.

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

Thank you, operator. Hello, everyone, and welcome to Chindata Group's 2023 First Quarter Earnings Conference Call. This is Don from Investor Relations team of the company. With us today are Mr. Nick Wang, our CFO; and Ms. Zoe Zhuang, our Senior Vice President of Finance. During this call, Nick will take you through the quarterly review of our operation performance, and Zoe will present our financial results. Management team 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 press release, which is distributed and available to the public through our Investor Relations website located at investor.chindatagroup.com.

We have also updated our quarterly presentation on the company's Investor Relations website, which you can refer to it as an important supplementary material for today's call.

Without further due, I'll now turn over the call to Nick. Nick, please go ahead.

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

Thank you, Don. Hello, everyone, and thanks for joining the call. First on behalf of our CEO, I would like to first address our attendees with the following opening remarks. We started the year of 2023 with another strong quarterly business and financial performance. During the first quarter of 2023, the company continued to advance with our highly demanding project delivery schedule.

Demand from existing clients remained healthy and ramp-up was as scheduled. As a result, we continued to grow our top and bottom line with adjusted EBITDA beating market consensus for 11 consecutive quarters. Notably, on the demand side, we hold a very positive view on how AIGC related development, such as machine learning, large language models and AI generally should drive industry demand in the long term, while we have also noticed the recent efforts of our existing clients incorporating such new technology into their current product lines.

In the first quarter, we have secured certain contracts for high-density cabinet deployments, and we believe our unique supply model is capable of accommodating more of these AIGC related demand in the future. The key features of our business model are our energy abundant region layout and our in-house full stack capabilities, and we have accumulated actual practical practice -- experience in deploying high-density cabinets in our existing campuses with various cooling technologies suited, tested and applied in our data centers.

In our overseas business, the delivery of Phase 2 and 3 of the over 100 megawatts MY06 Johor project remained a key focus, and we are devoting dedicated resources to ensure the timely delivery. We remained confident with the capacity expansion target in the year 2023, and the healthy momentum in our cornerstone hyperscale business continued to serve as solid fundamentals for our consideration on future business diversification.

Now let's start with some key highlights for the first quarter. On Slide 4, we added one new project, or an additional 27 megawatts of new capacity in the first quarter, bringing our total capacity to 898 megawatts and total number of data centers to 33. We put 1 hyperscale data center into service in Zhangjiakou City, bringing our total in-service capacity to 639 megawatts, an increase of 26 megawatts during the quarter.

Demand and ramp-up remained healthy. We received an additional client commitment of 16 megawatts in the first quarter, bringing our total contracted and IOI capacity to 816 megawatts, leading to a client commitment rate of 91% of our total capacity. We added 12 megawatts of utilized capacity in the quarter, bringing our total utilized capacity to 537 megawatts and maintained a solid utilization rate of 84%.

We remained fully committed to the mission of the efficiently converting electric power into computing power by sticking to the energy side layout, leveraging our in-house full-stack capabilities in pursuit of CapEx and OpEx efficiency and offering our clients quality and reliable data center solutions.

Our supply-side advantages gained widespread recognition and acclaim from a variety of prestigious awarding bodies. Some of our campuses in Shanxi Province, Hebei Province as well as the Yangtze River Delta region have recently won global and national level awards for their unique performance in design and construction, energy efficiency, and operation management.

Our top and bottom line momentum remained strong. Revenue in the first quarter was RMB 1,443.5 million, representing a 56.8% year-over-year growth. Adjusted EBITDA grew by 64.6% year-over-year to RMB 813.8 million and have been for 11 consecutive quarters, beating market consensus. Adjusted EBITDA margin reached a new high of 56.4%, net income grew by 167.5% year-over-year to RMB 253 million, with a net margin of 17.5%.

Finally, given the current business momentum, we reiterated our full year revenue guidance range with very positive outlook. While raised our adjusted EBITDA guidance range by 3.6% at midpoint, the new guidance range is now between RMB 3.1 billion to RMB 3.22 billion.

Now let's go into details and first take a close look at project level delivery and construction on Slide 7 to 9. We adhered to our energy-side strategy, and are consistently working on a highly-demanding schedule to ensure timely delivery of these resources to our clients. Our current delivery plan remains on schedule. In the first quarter, we put 1 project into service in Mainland China with a total capacity of 26 megawatts. This project is CN19 located in Zhangjiakou City, Hebei, supporting one of our key international clients. The project utilization rate reached 14% in the first quarter of its operations.

In addition, we started construction of one new hyperscale project during the first quarter. CN22, with a design capacity of 28 megawatts, is located in one of our campuses in Zhangjiakou City. It is scheduled for delivery starting from the second quarter of 2024 and is intended for one of the key international clients. The project is currently 28% contracted.

With the above changes during the quarter, as you can see on Slide 9, we have brought our total capacity up by 27 megawatts, reaching 898 megawatts by the end of the first quarter with 639 megawatts in service and 258 megawatts under construction. Of the under construction capacity by quarter end, we currently expect 188 megawatts to be delivered in 2023, and our teams in China and overseas are working diligently to ensure our supply readiness.

Now regarding demand on Slide 10. We continue to see additional demand coming from our existing clients, supporting their existing and potentially new business initiatives in our Northern and Eastern China campuses. Our total client commitment increased by 16 megawatts in the first quarter. Specifically, for one of the key international clients, we received 8 megawatts contracted capacity for the new under construction project, CN22 and another 6 megawatts indication of interest on project CE01 and CE02. We have also secured a contracted capacity of around 2 megawatts for our existing Northern China project for the anchor client and some of the capacity were intended for 20-kilowatt high-density cabinet deployment.

Meanwhile, contracted capacity increased by 78 megawatts in the quarter, including 69 megawatts of IOI in conversion from MY06 Phase 1, MY06 Phase 2 in Johor, Malaysia and MY03 in Kuala Lumpur, Malaysia and the aforementioned 8 megawatts contracted capacity for the new under construction project.

Generally speaking, we are pleased with the momentum of our existing client base. There have been many exciting AI-related advances taking place in this industry. And there has been news on how one of our existing clients has already successfully integrated AI into its product, resulting in significant business growth, and we think our clients are among the potential leaders in this new AI era. As a data center company, the essence of what we need to care about really is whether our know-how, all the relevant solutions within the data center that help to host the servers, for example, energy sufficiency, power distribution, cooling technologies, et cetera, are ready for the new AI era, and we believe Chindata is well positioned for the AIGC era.

In addition to the aforementioned new contracted capacity, we have actually accumulated practical experience in deploying high-density cabinets from 20 kilowatts to up to 50 kilowatts per cabinet in our existing campuses. Our hyperscale model, characterized with energy side layout that ensures power sufficiency, and our in-house design at building system and the equipment level has enabled us to test and apply various cooling technologies suited for cabinets of different density, including Immersion Liquid Cooling, Cold-plate Liquid Cooling, Waterless Cooling and Indirect Evaporative Cooling, et cetera, in our campuses in China and overseas.

The commitment status of our asset portfolio continues to look healthy. On Slide 12, for our existing 639 megawatts of in-service capacity, 95% was committed by clients in either contract or IOI by the end of the first quarter. This is relatively stable compared to 96% in the previous quarter and 95% in the same quarter last year. For our total capacity on Slide 12, the commitment ratio was 91% at the end of the first quarter compared with the 92% in the previous quarter and 88% in the same quarter last year.

On top of healthy demand and our differentiated client base, and as we have been emphasizing, our unique contract profile brings long-term business visibility. By the end of the first quarter, over 95% of our contracts were for 10-year contract terms or longer, leading to a weighted average remaining terms of current contracted capacity of 8.4 years, and we expect less than 6% of our existing contracted capacity to expire until the end of 2027.

Now coming to customer move-in on Slide 14. Our move-in pace is healthy and in line with our schedule. We added 12 megawatts of utilized capacity in the first quarter, bringing our total utilized capacity to 537 megawatts compared with 344 megawatts in the same quarter last year. This represents 56.1% year-over-year growth. Quarterly move-in was contributed by projects in our Northern China campus, supporting the anchor client, one of the international clients and the Chinese cloud client as well by our overseas project in India, supporting the other international client. These quarterly dynamics lead to a quarter-end utilization ratio of 84% compared with 69% in the same quarter last year.

Looking further at the mix of utilization ratio by project and geography on Slide 15. By geography, overseas business made up a similar share compared to the previous quarter at around 9% to 10% of total utilized capacity. By project, 16 out of the existing 25 new service projects or 64% of them are now at 90% utilization or above, demonstrating that the majority of our projects have reached a mature stage with quite healthy demand.

The performance of our hyperscale campuses in design and construction, energy efficiency and operation management have gained wider recognition, winning global and national reward respectively.

On Slide 16, in April 2023, our Lingqiu campus in Shanxi province was honored with the Data Center Design and Construction Award at the 2023 Datacloud Global Awards. These awards are highly prestigious within the spheres of data centers, cloud computing, edge computing and other critical IT infrastructure and this is the second time we have received such a distinguished accolade. Lingqiu campus is the largest single hyperscale data campus in the Asia Pacific region and maintains the annual power usage efficiency of PUE of 1.16.

On Slide 17, in March 2023. Our Donghuayuan campus in Zhangjiakou was selected for the 2022 National New Datacenter and National Green Datacenter List by Ministry of Industry and Information Technology. Donghuayuan campus is operating at an annual PUE of 1.14 and it is the second consecutive year that we have made onto the List, demonstrating our unique performance in data center energy efficiency, operation management and data security.

On Slide 18, in April 2023, our Nantong campus in Jiangsu Province was awarded the prestigious DCOS:2021 certification which was the first Chinese enterprise to obtain the DCOS:2021 standardization certification. The DCOS standard is widely recognized in the data center industry in Southeast Asia and globally as an important indicator of operational management standardization. The company is currently utilizing its Kunpeng IDC operating and management system to manage its datacenter campus, achieving real-time monitoring of its key datacenter assets and enhanced maintenance efficiency.

With that, I have concluded my part. And I will turn to Zoe, our Senior Vice President for the details of our financial performance. Zoe, please.

Zoe Zhuang ***Chindata Group Holdings Limited - Senior Vice President of Finance***

Thank you, Nick. Now let me walk you through our quarterly financial performance. Generally speaking, we've maintained a very healthy financial momentum in the first quarter of year 2023.

Our revenue growth in the first quarter remained healthy, recording a 56.8% year-over-year to reach RMB 1,443.5 million, which is in line with the 55.9% year-over-year increase in utilized capacity. Overseas business contributed to 9% of total utilized capacity in the first quarter, a similar level to the previous quarter.

Looking further down on Slide 25. Total cost of revenue in the first quarter increased by 64.2% to RMB 820.3 million from RMB 499.6 million in the same period of 2022, mainly driven by increase in utility costs and depreciation and amortization expenses.

Total operating expenses in the first quarter of 2023 decreased by 1.4% year-over-year to RMB 167.1 million. Specifically, selling and marketing expenses in the first quarter of 2023, slightly decreased by 4.3% year-over-year to RMB 21.4 million, primarily due to lower share-based compensation expense. General and administrative expenses in the first quarter of 2023 decreased by 5.5% year-over-year to RMB 120.8 million primarily due to lower share-based compensation expense.

Research and development cost expenses in the first quarter of 2023 increased by 29.5% year-over-year to RMB 24.9 million, primarily due to increase in R&D personnel and higher share-based compensation expense. As a results of these, operating income in the first quarter of 2023, increased by 81.3% to RMB 456.1 million and recorded an operating income margin of 31.6%, a new high. Net income in the first quarter of 2023 increased by 167.5% to RMB 253 million with a net margin of 17.5% compared with 10.3% in the same period of 2022 and 8.4% in the fourth quarter of 2022.

For breakdown of core cost and expense items on Slide 26. With the growth of our business and the stringent cost control, we continued to see economy of scale that pushed down our cost and expense percentage of revenue. Maintenance and other cost was 6.6% of revenue in the first quarter, 2 percentage points lower than the previous quarter, and adjusted SG&A was 6.8% of revenue, 1.5 percentage points lower than the previous quarter. We are not seeing utility price changing in the regions that we are operating and utility costs made up a similar level of revenue in the first quarter.

With such hyperscale business model and the stringent cost control effort, as you can see on Slide 27, adjusted EBITDA recorded a

64.6% year-over-year growth or 12.9% quarter-over-quarter growth to reach RMB 813.8 million and a historical high margin of 56.4%. Adjusted net income increased by 77.9% year-over-year in the first quarter to RMB 315.8 million at a margin of 21.9%. Details in the GAAP to non-GAAP reconciliation on the EBITDA and the net income would be available in our 6-K filing or the appendix in our IR PPT.

On Slide 28, given the highly demanding delivery schedule, we continued to incur similar level of CapEx during the first quarter that covered the existing under construction projects as well as some initial investments in potential pipeline projects with good certainty. CapEx in the first quarter was RMB 1653.9 million compared with RMB 1,354.6 million in the previous quarter.

On Slide 29, our operating cash flow continued to recover and improve following the COVID-19 epidemic in 2022 and the one-off client system upgrade. Operating cash flow in the first quarter was RMB 693.3 million, which is around 85% of our adjusted EBITDA compared with RMB 389.4 million in the fourth quarter of 2022. Financing cash flow was RMB 2,713.3 million in the first quarter and our ongoing project financing as well as U.S. dollar senior notes offering completed in February have ensured the funding flexibility that we need for project development. With these, we ended up with a total cash position of RMB 5,769.3 million and a net debt position of RMB 5,245.4 million.

Our leverage and coverage ratios remain in a reasonable and healthy range. On Slide 30, net debt to last 12 months adjusted EBITDA ratio was 1.9 by end of first quarter compared with 1.8 in the previous quarter. Given the ordinary drawdown of project financing as well as one-off issuance of the senior notes, our total debt to last 12 months adjusted EBITDA ended up at 4.1 in the quarter compared to 3.5 in the previous quarter and 3.4 in the same quarter in 2022.

On coverage ratio. The consistent growth in adjusted EBITDA led to a last 12 months adjusted EBITDA to interest ratio at 8.1 compared with 7.9 in the previous quarter and last 12 months funds from operation remaining at around 20% of total debt. Capital structure is healthy with total debt to capital ratio at 49.7% compared with 43.4% in the previous quarter. the healthy momentum on EBITDA growth based on rapid ramp-up of our clients continue to support a strong return profile of the company.

With an 84% IT capacity utilization ratio by the end of the first quarter, we are seeing a pretax ROIC of 18.7% compared with 17.6% in the previous quarter and 15.7% in the same quarter last year. Finally, based on the company's current and preliminary views on the market and operational conditions, we reiterated our 2023 revenue guidance in the range of RMB 5,880 million to 6,080 million, while raised our 2023 adjusted EBITDA guidance to the range of RMB 3,100 million to 3,220 million, which is a 3.6% increase at midpoint compared with the previous range. These forecasts reflect the company's preliminary views which are subject to change. This concludes our prepared remarks for today. Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

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

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

Congratulations on the strong results. If I can only have 1 question, I would like to ask about the EBITDA margin because you revised up the EBITDA by almost RMB 100 million compared with the forecast 3 months ago. Could you please share more about what is saving -- or where the savings come from? I see that maintenance and other costs actually is running far below the revenue growth. That could be one in my view. And I would like to ask about that. From the management perspective, where's the margin upside come from?

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

Yes. Thank you, Liu, for the great questions. I think, yes, I think there's a couple of reasons. Number 1 is actually the customer move-in is -- move-in pace is either on schedule or get accelerated than we expected before. So that's actually contributed in a significant, I think, EBITDA margin improvement on the top line.

Bottom line is that we -- in our initial guidance and budget for the full year, we did reserve some room for some potential diesel consumption in the first half of this year, just as a provision at the time, we think that there might be some public substation revamping activities to take place in Zhangjiakou areas, Hebei Province but it didn't happen in Q1, so as it doesn't happen, so therefore, we can release some news from the Q1. This is actually the second big reason.

The third reason is actually like you see and like we have been saying in the past, that we continue to see the economy of scale playing a huge part into our cost of savings. And the discipline -- also the discipline we have on the cost control company-wide under the new leadership directions are very effective. And these expected cost control, combined with the better economy scale helped to achieve a lower cost and expenses basis. And at the same time, we are not reducing our necessary business activities, including R&D and sales market and all. I hope I can -- I answered your questions.

Operator

Next up, we have the line from Sara Wang from UBS.

Sara Wang ***UBS Investment Bank, Research Division - China Telecom and Equipment Analyst***

Thank you for the opportunity to ask a question. So again, congratulations on the solid results. Just a quick one on the net add in capacity committed or utilized. So I noticed that the net adds of megawatts in both metrics it seems slightly lower than the previous 4 or 5 quarters. So may I ask that there's no matter it's sales or net adds in megawatts utilized will be more back-ended loaded than last year.

(foreign language)

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

Thank you, Sara. Yes, yes, most of the project -- new project delivery is going to take place in the second half of this year. And we believe that there is more upside to our full year top line revenue guidance with the upcoming on-time project delivery as well as some potential incremental project we may take from the customers and under our very efficient delivery model, hopefully, we can beat the upper limit of our revenue guidance or range. That's why when we say in the opening remarks, we say we're going to reiterate our top full year revenue, but with a very positive outlook. Obviously, the AI driven -- AI-related demand will play a little bit part in this year as well.

Sara Wang ***UBS Investment Bank, Research Division - China Telecom and Equipment Analyst***

Got it. And then just a quick one on the net adds in megawatts utilized. Previously, you were saying something about 120 to 150 megawatts for the full year. So are we still sticking to this number? Or we actually are revising of this target?

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

Yes, we are still sticking with this range, 120 to 150 megawatts. And we -- and part of the confidence come from the fact that we already start to see a very early but clear sign of AIGC-related business coming from our existing clients. So that's a good news for us.

Operator

Next up, We have a line from Mingran Li from CICC.

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

Congrats on the strong performance. And I have a question on the energy side because we note that recently, some local government released policies, which aim to promote the integration of energy storage system and datacenter. So what's your view on this trend? And any future strategy about this?

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

Thank you. I'm actually glad you'll bring out this energy-related questions because everybody knows that our mission and strategy are different from our peers. We're always trying to find the most efficient way to convert the electric power to computing power. Therefore, most of our data centers are located in energy and also renewable energy abundant regions, specifically in Hebei and Shanxi.

So here is what we believe. What we believe is 2 or 3 years down the road, our datacenters in these 2 places like Hebei and Shanxi would consume over roughly 50% of renewable power out of total power consumption. As a matter of fact, today, the renewable power generation in these 2 places have already accounted for over 60% of total power generation. So the logic is this to better use this abundant renewable power, an appropriate amount of energy storage infrastructure needs to be in place in order to smooth out the fluctuation of renewable energy supply and frequency curve.

And in these regions, we have seen a significant investment by a lot of people in both renewable power generation and also the investment into the power storage facilities alongside the power grid in these 2 regions. And obviously, our hyperscale datacenters as the most convenient and, I would say, efficient local users of this renewable power in the same areas will create a perfect scenario to do this, how to say, in Chinese or basically, the combination of power grid, plus renewable power generation plus renewable power storage and power usage by the IDC in the future. So that's our view. And therefore, accordingly, our plan is to cooperate with the business partners in the power generation -- renewable power generation and power storage areas to better achieve our green datacenter objective without too much investment from ourselves.

Operator

Next question comes from the line of Anthony Leng from JPMorgan.

Anthony Leng ***J.P.Morgan - Analyst***

Congratulations for a pretty good financial performance. My question would be, given that the move-in rate get delivered previously. Could you give more color on is this revenue guidance and you say the upper limit revenue guidance likely to attain. Is this included the potential incremental AIGC demand? Or this is not included in this case? This is my first question.

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

It's hard to tell. But I would say in our current outlook, I would say that we already consider a scenario that around the second half of this year, we're going to see some AI-related demand for the high-density cabinets from our existing clients going to pick up. Therefore, there is opportunities that we're going to beat our revenue range. But so far, we only see a small -- very small incremental demand in these sort of AI-related business from our anchor customers. But I think they will become bigger because I know that both of our clients, you know the name, right, ByteDance, Microsoft, we believe they are the leaders in this new ChatGPT and AIGC-related trend. They are trendsetters essentially.

So once they launch their AIGC large language model computing system, I think we're going to become their first of the choice in both China and overseas.

Anthony Leng ***J.P.Morgan - Analyst***

Got it. Understood. And to follow up this question, just want to note about is there -- knowing that it is very early stage for the AIGC demand and do we have any color on like the contribution of the revenue, something like this to get the investor to know?

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

Sorry, I missed the last part because your voice is not very clear.

Anthony Leng ***J.P.Morgan - Analyst***

Okay. To repeat again. Is there any color to let us know about the AIGC related contribution to revenue or total capacity? And any color will be appreciated.

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

Yes. I think here's the fact. I want to expand the topic on AI-related stuff a little bit. So basically, how to quantify these AI potential ChatGPT or AIGC demand. So basically, from demand side, we always closely watching our anchor customers. They are -- we believe they are the AIGC trendsetters and leaders. We basically estimate how much high-power GPU servers they're going to have or they already have. And the second thing that we're going to do is actually we always -- we already have designed and deployed a more high-density cabinets in our datacenters located in our energy abundant regions in China to accommodate these demands.

And we count the usage of this high-density cabinets very closely. And so far, as I just mentioned, we have already seen early but a very clear sign of our anchor clients starting to deploy AI large model computing in some of our selected datacenters with high-density cabinets as hosting units. And one thing that we are proud of is that currently, we are one of the very few IDC companies being able to offer high-density cabinets with the range from 20 kilowatts to 50 kilowatts per cabinet. And they're going to be primarily used to host powerful GPU service. So please also I want to give you 2 things to note. Number one is that the traditional low-density cabinets such as the 3 kilowatts or 5 kilowatts cabinets are not ideal for AI GPU servers hosting purpose, and they consume more powers.

The second is the deployment of high-density cabinets would require a redesign of their traditional datacenters with different cooling and transmission solutions. And these 2 attributes play right into Chindata as a customized hyperscale model, and we are doing it actively just become ready for that.

So as for the quantified numbers, this is actually something you probably need to write it down. At the moment, roughly 5% cabinets in our datacenters are high-density cabinets. So we expect these cabinets to be utilized very quickly in the near and mid-future.

And that's why we think with the ongoing development of AI large model computing by our clients, we're more likely rather than not to see steady incremental demand for these high-density cabinets for the foreseeable future from our anchor clients. However, over the long run, we firmly believe that 2 of our existing anchor clients, ByteDance and Microsoft will be the clear leaders in this new ChatGPT and AIGC trend. Based on that, on this early sign of powerful GPU server deployment in our selected datacenters by them, we have every reason to believe Chindata will cast a wave of the ChatGPT, AIGC related demand in the future.

Anthony Leng ***J.P.Morgan - Analyst***

Got it. That is very clear and very helpful. I can add a little bit more about the EBITDA, could you give us about EBITDA expansion or trend in the following year and also the electricity costs trends. It is my final question.

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

I think as we keep saying that, we actually have a unique hyperscale business model. That's basically have a pretty concentrated infrastructure and facility built in concentrated locations. And that gives us a huge advantage in terms of securing better and abundant of power, traditional power and renewable power supply at very low cost in these regions. That's point one. Point number two, the economy of scale going to drive down the per unit or percentage-based fixed nature of the cost, including maintenance operational costs and also other expenses like sales, marketing, and research and development.

As you can see what happened in the past 36 months, in the past 3 years, every 100 megawatts almost going to give you like a 3 percentage or 4 percentage of savings on cost and expenses. And that's why we think in the future, although we will not give you any official guidance for the coming years, especially 2024, 2025. But by following this logic, you're going to see our EBITDA margin going to fall right in a very healthy range between the 50% to 55%. I will put that way.

Operator

Our next question comes from the line of Edison Lee from Jefferies.

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

Congrats on the results. I have 2 questions. Number one is that for your raised guidance for this year, still implies only 24% EBITDA growth in the next 3 quarters on a year-on-year basis. And also the implied EBITDA margin is only 52%. Why -- so out of them being conservative, are there any particular reasons that you think the EBITDA growth will be a lot slower than first quarter. That's my first question. And number two is on your operating costs in the first quarter, it's actually down a little bit on a year-on-year basis. Is that absolute level a sustainable level for the rest of the year?

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

I think, yes, a good question. I think as I explained that for the full year budget, 2023 budget, we do reserve some room for some potential diesel consumption as a provision as there might be some public substation revamping to take place in Hebei Province in the coming quarters. Whether it's going to be a first quarter, second quarter or third quarter in summertime, we don't know.

So we basically will see what is happening. It may not happen. And even when that revamping project happened -- by the way, that project is completely conducted by the government. So even that happens, I don't think it's going to be absolutely hit to our operation. So we don't necessarily have to run this diesel burning. But in our budget, we do budget for this potential disruption from regular power supply from the power grid in Hebei. So that's why you see in the coming quarters, EBITDA margin is a little bit lower. But if it doesn't happen or even if it happens, it doesn't create any impact to us. I think we're definitely going to release them as good news to our bottom line.

In terms of operating cost, basically, when we do the budget on a quarter-by-quarter basis, that element include some timely hiring for some maintenance people, operating people, some business travel obviously, the pace is lagged behind a little bit. So maybe some of the expenses or the cost may be pushed forward to the coming quarters, but it doesn't impact my full year optimism on both top line and bottom line, for sure.

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

Nick, can I follow up by asking about this grid revamp. So if it's going to happen, how long do you think it's going to take?

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

I think it's going to be probably a couple of weeks.

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

A couple of weeks. Okay. So that couple of weeks will be 100% backed up by diesel.

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

Not really 100%. Maybe some of our datacenter in Zhangjiakou will be impacted, but we don't know. We don't know yet. But based on our pattern of our forecasting things, you can see there's a lot of -- there has been a conservatism built in this estimation. So therefore, I think anything reality happens we think is going to be better than our worst-case scenario, which we built into our budget.

Operator

(Operator Instructions).

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

By the way, the other thing is actually just like our Finance VP, Zoe mentioned, one thing that hasn't happened in this year is actually the utility cost and power tariff remain very stable. And we believe that they're unlikely will be any power tariff hike in the summer time this year, like it happened in the past because of the sufficient supply of power in the regions.

Operator

We have a follow-up questions from the line of Yang Liu from Morgan Stanley.

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

I see that your operating cash flow rebounded a lot this quarter back to a pretty normal range. Do you think that this kind of a normalization is already behind us or this kind of not far -- operating cash flow, largely (inaudible) EBITDA trend will continue in the next few quarters? Or there is further room to see this kind of normalization of cash flow? Or what's your view on the future receivable days trend?

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

I think the receivable -- accounts receivable has turned back to normalization already. So I think as you can see from the first quarter, the operating cash flow performance, it's much better than the Q4 of 2022 and much, much better than the Q3 2022. So -- and because of the onetime the ERP system upgrade issues faced by our anchor client has been solved. So I expect that moving forward in the following quarters, everything will go back to normal.

Operator

Thank you for the questions. Ladies and gentlemen, that concludes our conference today. Thank you for participating. You may now disconnect your lines.

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

Thank you very much. Thank you, everyone, for your time.