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PRESENTATION

Operator

Good morning and good evening, ladies and gentlemen. Thank you, and welcome to Chindata Group Holdings Limited Fourth Quarter and Full Year 2021 Earnings Conference Call. (Operator Instructions)

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***

Hello, everyone. Welcome to Chindata Group's Fourth Quarter and Full Year 2021 Earnings Conference Call. This is Don from Investor Relations team of the company. With us today are Mr. Michael Foust, Chairman of the Board of the Company; Mr. Huapeng Wu, our newly appointed CEO; Ms. Sandy Xiao, our President; Mr. Nick Wang, our CFO; Mr. Eric Fan, our newly appointed COO, Mr. Zhang Binghua, our newly appointed CTO; and Ms. Zoe Zhuang, our Finance VP.

In addition to providing a discussion and analysis of our quarterly performance, the company will also like to take this opportunity to share more on our recent management update as, well as the growth plan going forward.

To begin with, Mr. Michael Foust will walk you through the recent management update and the rationale behind. Huapeng will be providing you a comprehensive look at the company's plan going forward in Chinese, followed by Nick's English version. Nick will then take you through the quarterly review of our operational performance, and Zoe will present our financial results. Management team will be here to answer your questions afterwards.

Now I will quickly go over to 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 investors.chindatagroup.com. We have also updated our quarterly presentation on the company's Investor Relations website, which you can refer to as an important supplementary material for today's call.

Without further ado, I'll now turn over the call to Mr. Michael Foust. Michael, please go ahead.

Michael Frederick Foust ***Chindata Group Holdings Limited - Chairman of the Board of Directors***

Thank you, Don, and thank you, everyone, for joining our earnings call this morning or this evening. As the Chair of the Board of Directors, I would like to take this opportunity to introduce you to our senior leadership team. We are very pleased to have this team in place, and we're confident in their leadership of Chindata going forward. As you know, we made the announcement a couple of weeks ago with the appointments of our CEO, our President, COO, and CTO of the company.

Leading the team, Mr. Huapeng Wu was appointed as our CEO and as a Director of the Board. A little background on Huapeng. He joined Chindata in 2019 as President of our China business. And prior to that, he was the founder of iTechClub and the Founder and Head Master of 1024 Academy, which both are preeminent platforms that bring together top technology executives for training and idea exchanges.

Huapeng also served as Vice President of Phoenix New Media and the CTO of Ifeng from 2007 to 2013. Huapeng's performance in the last 3 years has truly been outstanding. With his 20 years of experience and contacts within China's technology and data center sectors, Huapeng brought in a series of strategic customers and projects and successfully established solid relationships with local governments and our partners in the data center ecosystem. After a thorough search process, it became clear to the Board that Huapeng is the best fit as the Group's new CEO, with his strategic thinking, industry resources and understanding of the company and our team.

Ms. Sandy Xiao has been with the company for over 2 years with her deep understanding of the company, having served as our Chief Operating Officer since August 2019 and as a Board Director since July 2019, Sandy was appointed as President of Chindata Group.

Mr. Xinyue Eric Fan joined the company in December 2021 as Vice President of Business Operations and was appointed as our new Chief Operating Officer. Eric has a deep background in strategic planning and operations. He served as Vice President and General Manager of Sekurit Asia of Saint Gobain from 2015 to 2021 and served as Strategic Planning Director of Saint Gobain from 2013 to 2015. In addition, Mr. Fan served as an Associate Director at Dow Chemical from 2011 to 2013. And prior to that, Eric was a Senior Manager at Honeywell Building Solutions from 2009 to 2011 and also served as a consultant with the Boston Consulting Group for 4 years from 2006 to 2009.

In addition, we are very pleased to announce that Mr. Binghua Zhang was appointed as our Chief Technology Officer. Binghua has a very long distinguished background in the IDC industry. Prior to joining Chindata, he was the Technical Director, Senior Director and the General Manager of the Systems Department and IDC Engineering at Baidu from 2010 to [2022] (corrected by company after the call). Prior to that, Mr. Zhang served as the Chief Engineer in the Beijing Telecom Planning & Design Institute from 1995 to 2010. We are very pleased to have him join our team, and he's a very distinguished, very well known in the industry. So we're very happy to have him join us.

And lastly, we have, as you well know, we have Nick Wang as our CFO, who has been with the company for over 2 years now. So we're very well positioned with our management team and the company benefits from this very strong team with diversified experience and expertise covering our business operations, strategic planning, technical know-how, as well as capital markets operation. We're highly confident that under this team, Chindata's business is more diversified. Its culture is more open with a solid foundation so that we can further strengthen our position as the leading data center platform in China and in the Asia Pacific emerging markets.

So with this, I'll turn the call over to our CEO, Mr. Huapeng Wu, who will provide you with a comprehensive overview of the company's plan going forward. Thank you.

Huapeng Wu ***Chindata Group Holdings Limited - CEO & Director***

[Interpreted] Thank you for the introduction, Michael. I want to start by thanking the Board of Directors for their trust and endorsement. It is an honor to show the responsibility, manage operating such an excellent data center enterprise, and I look forward to working in close cooperation with the Board and our management team.

Let me begin by briefly reviewing the company's business and financial highlights for the fourth quarter and full year 2021. And then I will take everyone through a comprehensive look at our development plan.

On Slide 8, in the fourth quarter of 2021, we put 4 new projects under construction, grading our total number of data centers up to 27. Total capacity increased by 85 megawatts during the fourth quarter to reach 673 megawatts. Specifically, in the fourth quarter, our in-service capacity increased by 70 megawatts to 440 megawatts. Our indication of interest capacity increased by 95 megawatts, bringing our total contracted and IOI capacity to 589 megawatts, and our utilized capacity increased by 36 megawatts to 304 megawatts. Our total capacity maintained a high contracted and IOI ratio of 87.5%.

Financially, our full year revenue and adjusted EBITDA all beat our guidance. Revenue totaled RMB 2.852 billion for the year 2021, representing a year-over-year increase of 55.8%, which is 0.8% higher than the upper range of our guidance. Adjusted EBITDA totaled RMB 1.419 billion for the year 2021, representing a year-over-year increase of 66.5%, which is 1.5% higher than our upper range of the guidance. Net income turned positive for the year 2021 at RMB 316.4 million with a margin of 11.1%.

Next, I will discuss our future plans in 4 primary aspects. On Slide 10, first of all, I would like to share a bit about our outlook on the industry and the opportunities for Chindata. We believe there is a huge opportunity for hyperscale data centers in the APAC emerging market. Citing some research for us, data center demand is expected to grow at a CAGR rate of over 20% over the next 5 years. Much of this demand will come from international digital technology giants, cloud computing and Chinese digital technology companies that are succeeding with their business expansion in the region with an increasingly stable and market-oriented regulatory environment in the region. Our existing and expanding capacity in this region has positioned us with a first mover advantage to seize these market opportunities.

Second, I would like to share our thoughts on the outlook in the domestic market in China. In a medium- to long-term perspective, we expect recent policy, namely the east-data-west-computing policy to shape industry and market landscape in a manner that is very favorable for Chindata. You can also refer to Slide 47 in the appendix for the key highlights of the policy.

This policy is a highly viable strategic development plan for the data center industry in China, developed under the grand strategic theme of carbon neutrality and digital economy development of the country, aiming to address the increasing disparity between insufficient energy supply and computing power demand in densely populated area of Eastern first-tier cities as well as low energy efficiencies and inefficient renewable energy use. The plan is expected to redirect most of the future computing power demand to areas in the West, where energy and renewable energy supply is around it. We think the goals of this policy are highly consistent with our long-standing views on the nature of the data center business, which at the core is to efficiently convert green electric power into computing power.

Best demand for data centers in the future gradually shifts toward a computing hub as the designated under this policy. The company sees significant advantages offered by its existing deployment, namely Zhangjiakou campus, which is right in the Beijing-Tianjin-Hebei computing hub that is designed by the policy. And Datong campus, which is enjoying extreme geographic proximity with the Beijing-Tianjin-Hebei computing hub, and our layout under planning in Xinyang City, Gansu Province, another cluster that is designated in the policy. We believe our existing and 2P developed capacity in these regions will further strengthen our industry leadership.

Third, with increasingly stringent entrance requirement for the industry, we expect the industry to enter a period of consolidation and survival of the fittest. Impacts of such are likely be, firstly, small data centers with no economies of scale, very few customers and low efficiency will become increasingly less competitive. Secondly, with industry consolidation, valuation should return to a reasonable level, which will provide us ample opportunities for asset integration through business cooperation or through merger and acquisitions.

Fourth, a short-term perspective of domestic market. Although macro economy and supply chain issues are laying impact on market demand, Chindata has its unique highlights. Firstly, as our anchor customers continues to grow its business through new business initiatives, such as public cloud and for international market expansion. We continue to see a corresponding increase in demand.

Secondly, our unique capability in supply, resource, technical know-how and efficiency are increasingly being recognized by more customers in various industries, which is driving increased demand from a broader range of customers. We believe that we can capitalize on these tremendous opportunities in China, thanks to our competitive advantages.

On Slide 11, our first major advantage is our business model, and we see several major advantages in it, including our full stack solution, early energy abundant region layout, high-quality client profile and credible assets and long-term contracts. Firstly, Chindata is offering customized full stack solution covering product design, technical solutions, development and construction, supply chain management and operation of maintenance service, making itself an efficient developer and operator of the IDC business.

Second, our site selection and scale, the majority of our data centers in China are located in self-build campus right in and around the Beijing, Tianjin Club computing hub as designated under the East Data West computing policy. In this region, the climate is cool, the land and power resources are abundant -- costs are relatively low and latency is not an issue, and we possess a large land reserve as well. Moreover, our economy of scale is highly evident.

Third, our customer relationship, we enjoy close customer relationships with digital leaders in our international or domestic markets. The healthy development of these clients is, in turn, bringing the company long-term, steady and sizable demand. Finally, our assets and our contracts more than 92% of our data center assets are self-owned with solid asset valuations in place.

In addition, most of the company's, contract are long-term 10-year contract in nature. Commitment is normally received in development space, offering a high degree of business certainty. Our second major competitive event is our business localization in the APAC emerging market. We have a strong local business team in the region with all-around capabilities, covering customer management, project development, campus operations and government relationships, et cetera.

In addition, we enjoy location and scale advantages. We have several important data centers located in neighboring countries of Singapore as we are expanding into APAC emerging markets, land and energy are abundant, costs are relatively low and latency is not an issue. Our existing business and new hyperscale business initiatives will bring us a benefit of the economy of scale.

Last but not least, the capability and the customer relationship we have under our hyperscale model in domestic market are replicable for our overseas business.

Our third major competitive advantage comes from our ESG initiatives. We have strong integration capabilities. Our comprehensive energy solutions cover power generation, transmission and distribution. We also possess strong R&D capabilities for green power development, energy storage applications, energy conservation and emissions reduction. Second is our energy-abundant region layout. The majority of our existing campus in the East as well as the to-be-developed campus in the West are exactly in or around those computing hub designated in the policy of East Data and West computing, with rich traditional and renewable energy. In addition to that, our energy efficiency, we have been running our data centers in an energy-efficient way, evidenced by our PUE constantly at around 1.2 all way around. Finally, our diversified renewable energy sourcing approach, we will, on one hand, pursue the development of local generation local consumption solution in energy abundant region and on the other, establishing long-term renewable energy procurement arrangement with long-term strategic partnerships.

On Slide 12, based on these market opportunities and our assessment on the domestic and overseas data center industry, we will leverage our competitive advantage to execute our growth plan in 4 major aspects. Firstly, we will deepen our presence in APAC emerging markets. Secondly, we will further advance our geographic layout in key clusters as designated under the East China West computing policy. Thirdly, we will actively use alternative approach, such as merger acquisition and joint venture partnership for client and geographical development. Finally, we will pursue a diversified renewable energy sourcing model with our energy abundant region layout as the cornerstone. Please let me introduce the above aspects in details.

First, we will deepen our presence in APAC emerging market. As you can see on Slide 13, on top of our existing 20 megawatt service capacity in the region in Malaysia, we have an additional 96 megawatt capacity under construction currently in Malaysia and India, and an additional 5 megawatts of business acquisition to be finalized in Thailand. At the same time, we're also negotiating and evaluating other potential projects. Our proven hyperscale model is highly replicable overseas, and our goal is to become the largest hyperscale data center company in the Asia Pacific regions outside China.

Secondly, we will further advance our geographic layout in key clusters at designated under East Data West Computing policy. On Slide 14, we have established our presence in Zhangjiakou city as early as 2017. And the city is now the exact cluster as designed under the latest national policy. Since our presence, we have rapidly established our new generation hyperscale computing infrastructure to accommodate the development of the Beijing-Tianjin-Hebei region.

We have built a solid foundation in Zhangjiakou and has promoted the local economy. Currently, we own a total capacity of 268 megawatts in Zhangjiakou and a total capacity of [210] (corrected by company after the call) megawatts in Datong, Shanxi Province. Datong enjoys extreme geographic proximity to the Beijing-Tianjin-Hebei computing hub. We possess abundant reserve of land within these regions which can be conveniently converted into more hyperscale data centers to meet growing business demand from various customers, in particular, our anchor customers.

We have also initiated our site selection process for potential computing infrastructure development in Western China in as early as 2020. We have then established healthy working relationship with local government of Qingyang City, Gansu Province, which is now the designated cluster in Gansu Province computing hub as designated under the latest policy. We are currently planning to acquire 300 acres of land for the development of hyperscale computing infrastructure cluster in the region in the next 3 to 5 years.

We will proactively expand our geographical resources, client base through active acquisition and JV partnerships. On Slide 15, with entrance requirements becoming more stringent, we expect those old inefficient medium and the small-sized data centers will become increasingly less competitive, which will help market price in the IDC sector return to reasonable levels. Once this happens, we expect to see more acquisition opportunities as we leverage our capital reserve, technical know-how and superior leading client profile to actively pursue and negotiate potential opportunities that can provide synergy to our geographical layout, client base and business model and to generate additional value for our long-term development.

Finally, with our energy-abundant region layout as the cornerstone, we will continue to obtain renewable energy through diversified approaches. On Slide 15, in the energy-abundant region. We plan to stick with the local generation local consumption approach. With our data centers in these energy-abundant region as the leverage, the company will introduce strategic partners into the region to conduct local power generation, while the company will assume the role of local power consumption.

Along with this, we will further strengthen our in-house R&D capabilities and improve energy efficiency and energy storage technology. Meanwhile, we will collaborate with green energy enterprises and the power grid for long-term green energy procurement arrangement.

Last, the execution of our ESG initiative has been widely recognized. We have been sticking to our 0 carbon principle, and we're among the leading players and have committed ourselves with the goal of using 100% integrated renewable energy solutions in all of our next-generation hyperscale data centers operated in China by 2030.

Under this 4-point growth plan, our dedicated commitment to all of our customers and stakeholders remain unchanged, which are to be the leading industry player in terms of operational efficiency, project delivery, cost management, energy efficiency and emission reduction and as a result, to deliver outstanding asset return.

Financially, we have been delivering financial results that are beyond market expectation for 6 consecutive quarters since our IPO in 2020. The company expects such momentum in business and financials to continue in 2022 and is highly confident in its business and financial prospects going forward.

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

Thank you, again Huapeng, for the comprehensive review on where the company is heading going forward. Now let me walk you through another exciting quarterly performance that we have delivered and to provide you a better sense on our project delivery, client commitment, capacity ramp-up as well as geographic layout.

On Slide 21, we added 70 megawatts in-service capacity during the quarter, mainly attributed by project CN11-C, a 71-megawatt project that's located in Hubei province of China, supporting the business of the anchor client. We also put 4 new projects into our portfolio, namely MY06-1&2, CN16 and CN17. We have shared these projects as recent development in our last conference call, and now they are officially put under-construction.

MY06-1&2 located in Johor, Malaysia has a total capacity of 60 megawatts and is expected to be delivered starting from fourth quarter of 2022. They will be supporting overseas business of our anchor client. For CN16 and CN17, they are located in Hubei and Tianjin, respectively, each with a capacity of around 14 megawatts and will be supporting the top 2 Chinese cloud service provider that we won recently. These projects showcase how we have successfully expanded our cooperation with clients from home and in overseas market, while at the same time, embrace alternatives in business model so as to obtain new clients.

With these new projects, as you can see on Slide 22, we have brought our total capacity to 673 megawatts by the end of fourth quarter. In-service capacity by quarter end stands at 440 megawatts compared with 370 megawatts in the previous quarter. For the 233 megawatts under-construction capacity, we are currently expecting to deliver the majority of them in year 2022, while 54 megawatts of these scheduled for delivery in the first quarter of 2023.

On client commitment on Slide 25. The 4 new under-construction project in the fourth quarter brought us a total of 87 megawatts IOI capacity. In addition, we received an additional 15 megawatts IOI from the anchor clients on our existing products, CN15 in Greater Beijing region. Altogether, making a total of 102 megawatts from 5 under-construction projects. As a recent development, IOI on project CN15, a total of 52 megawatts was fully converted into contracts in the first quarter of 2022, demonstrating that solid relationship we are enjoying with the anchor client.

Now let's take a look at our overall commitment status. For all our in-service capacity, 87% of them are with either contracted or with IOI commitment from the client, and such ratio has been stable in the past. Commitment for our under-construction capacity is healthy as well, with contracted and IOI ratio by end of fourth quarter at 88%. Again, this is the advantage that we're enjoying in our hyperscale business, which is credible commitment from the leading players in the industry and long-term contract that guarantee sustainable revenue stream.

On product ramp-up on Slide 28, we added 36 megawatts utilized capacity in the fourth quarter, bringing our total utilized capacity to 304 megawatts. New utilization mostly came from projects in Greater Beijing area. Utilization ratio by end of fourth quarter is 69%, which is healthy and similar to previous levels. To be more specific, the inclusion of new projects in early ramp-up stage, in particular, project CN11-C has been the main contributor to our quarter-over-quarter utilization ratio change.

We are providing you a better sense of our current portfolio geographically on Slide 29, which simply shows you where we started and the direction we are heading for. In China, and as we have made proximity to energy one of our site selection principles when we started the business, we have run the majority of our projects in greater Beijing area, not in Beijing, but in particular, Zhangjiakou City, Hubei Province and Datong City, Shanxi Province, which are 100 and 300 kilometers away from Beijing, respectively.

Currently, as you can see from the bottom left pie chart, in-service capacity in Greater Beijing area makes up around 90%. Our vision is apparently being further justified with the publish of east-data-west-computing policy. Our early judgment has provided us early advantage, and we plan to achieve further from here.

Meanwhile, you may tell from the top left pie chart, that we are on our way of becoming a company with greater geographical diversification. Our overseas business already makes up 17% of our total capacity by end of 2021. With our experienced local team, our in-house capability and our commitment for greater overseas, we believe more can be done going forward. For more details in our asset portfolio, you are recommended to refer to information in the appendix of our IR materials.

We will also like to shed some light on our Hong Kong listing option on Slide 33. Recent regulatory changes released in November 2021, relaxed listing requirements for overseas issuers in Hong Kong. Grandfathered Greater China issuers with certain weighted voting rights and/or VIE structures can now apply for dual primary listing in Hong Kong. Specifically, Grandfathered Greater China issuer that apply for dual primary listing or secondary listing are allowed to continue to retain their certain weighted voting rights for VIE structure in the event it is subsequently delisted from the qualifying exchange on which it is listed or after their conversion of secondary listing to primary listing in Hong Kong. With this, we believe we now have the option for dual primary or secondary listing in Hong Kong.

Now I will hand over the call to Zoe Zhuang, our VP Finance, for financial update.

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

Thank you, Nick. Now let me walk you through our quarterly and full year financial performance. Our financials remain at healthy momentum. On Slide 35, revenue in the fourth quarter increased by 41.4% year-over-year to RMB 781.7 million, driven by the robust growth of the company's colocation services.

For full year 2021, total revenues increased by 55.8% to RMB 2,852.3 million from RMB 1,831.1 million in the same period of 2020.

On Slide 36, in line with the company's revenue growth, total cost of revenue in the fourth quarter of 2021 increased by 33.2% to RMB 435.2 million from RMB 326.9 million in the same period of 2020, mainly driven by increase in utility costs and depreciation and amortization expenses.

Selling and marketing expenses in the fourth quarter of 2021 decreased by 32.3% to RMB 18.7 million from RMB 27.6 million in the same period of 2020, primarily due to lower share-based compensation expense. For full year 2021, selling and marketing expenses decreased by 9.5% to RMB 89.7 million from RMB 99.1 million in the same period of 2020, primarily due to lower share-based compensation expenses as well.

General and administrative expenses in the fourth quarter of 2021 decreased by 24.4% to RMB 91.5 million from RMB 121 million in the same period of 2020. For full year 2021, general and administrative expenses decreased by 36.3% to RMB 359.5 million from RMB 564.3 million in the same period of 2020, also primarily due to lower share-based compensation expenses.

Research and development expenses in the fourth quarter of 2021 increased by 15.4% to RMB 14.8 million from RMB 12.9 million in the same period of 2020. For full year 2021, research and development expenses increased by 83% to RMB 75.3 million from RMB 41.2 million in the same period of 2020, primarily due to higher personnel costs as the company continued to invest in its research and development initiatives to further enhance its service offering.

Our full year net income was positive for the first time in year 2021, showcasing the efficiency we are enjoying in our hyperscale business model. We recorded net income of RMB [316.4 million] (corrected by company after the call) with a margin of 11.1% compared with net loss of RMB 283.3 million in year 2020.

Looking into our core expenses and costs on Slide 37, most of them are maintained with normal level as measured by percentage of revenue. Maintenance and other costs continue to make up around 10% to 12% of our revenue. while our adjusted SG&A as a percentage of revenue went from 14.1% in year 2020 to 12.4% in year 2021, demonstrating economies of scale as we keep expanding our capacity.

Utility costs, both in the fourth quarter as well as for full year 2021, grew faster than our revenue as a result of increase in tariff price of around 15% in part of our Greater Beijing region campuses.

With stringent the cost control and economies of scale brought by capacity expansion, our profitability continues to improve. On Slide 38, adjusted EBITDA in the fourth quarter of 2021 increased, by 68.8% to RMB 404.2 million from RMB 239.4 million in the same period of 2020. Quarterly adjusted EBITDA margin was constantly improving with the margin in the fourth quarter stood at a historical high of 51.7%. On a full year basis, adjusted EBITDA margin is 49.7% compared with 46.5% in year 2020. Detailed in the GAAP to non-GAAP reconciliation on EBITDA and net income would be available in our 6-K filing or appendix in our IR PPT.

Now let's take a look at our cash and debt position and our CapEx on Slide 39. CapEx in the fourth quarter was RMB 1,163.9 million, adding up to a full year CapEx of RMB 3,766.9 million. We continued to work in our business expansion to meet the increasing demand from our customers by investing around RMB 5 billion to RMB 6 billion for our current and the construction data center delivery and also for the in-service data center balance payment for the full year 2022.

We have a cash and net position of RMB 5,241 million and RMB 5,477 by end of fourth quarter, respectively, ending up in the net debt position of RMB 104.1 million. Cash dynamics during the quarter was contributed by a net operating cash flow of RMB 297.5 million and mostly offset by RMB 1,100.5 million investing cash outflow.

Again we grew with high quality, healthy cash flow, leverage and the coverage on Slide 41, by end of fourth quarter, our total debt-to-capital ratio was 35.1%. Our total debt to last 12 months adjusted EBITDA ratio was 3.9% compared to 4.4% in the previous quarter and 4.9% in the same quarter last year. Our last 12 months adjusted EBITDA to last 12 months interest ratio by end of fourth quarter was fixed compared with 5.6 by end of third quarter and 4.0 by end of same quarter last year.

Finally, let's take a look at the guidance. We have beat our full year guidance for the 2 straight years, and we are currently holding a positive view on our year 2022 performance. We have set the guidance for revenue and adjusted EBITDA in year 2022 to be in the range of RMB 4,070 million to RMB 4,170 million and RMB 2,040 million to 2,120 million, respectively, implying a 45.2% and 46.5% year-over-year growth at midpoint, respectively. This forecast reflects our current and preliminary views on the market and operational conditions.

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

QUESTIONS AND ANSWERS

Operator

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

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

(foreign language) My question is that regarding the company's prepayment for the East Data West computing, whether Tianjin core customers have dedicated demand to being deployed in Gansu Province and is there is demand -- when we will see that come out?

Huapeng Wu ***Chindata Group Holdings Limited - CEO & Director***

CEO, Mr. Huapeng Wu can answer this question with my colleague, General Counsel Joy as a translator on the English part.

[Interpreted] Translation from Huapeng's word. We believe that under the East Data West Computing policy, we actually enjoy the unique first-mover advantage based on our thoughts on the nature of the data center business, which is to effectively converting electricity power into computing power, we have allocated resources in power abundant regions like Zhangjiakou and Datong in very early stage.

We have launched our first computing class in Zhangjiakou city in as early as 2017. Currently, we own the total capacity of 268 megawatts in Zhangjiakou and a total capacity of 210 megawatts in Datong, while Zhangjiakou is now becoming the exact computing hub as designated under the latest national policy. Based on our estimation, we are the largest carrier-neutral IDC solution provider, among who owns facilities in the east part of the designated national computing hub, East computing hub.

While within this area, we have banked abundant land, resources and power facilities, strengthened the client and government relationships. And paired with our full stack capabilities, we believe our advantage will become more obvious in the next round.

Yes. We can also see some very positive news. So now Shanxi Province is actively applying for becoming one of the computing -- the national computing hub under the national policy, which is another very good news for our facility based on our current layout.

And we also see that under the new additional policy on the core net -- the net hub and the high-speed Internet construction will also be prioritized by the national construction plan and also be speed up. And the current national resource policy, the power policy is also pushing the whole economy towards the western part of China. We can also see that because of the ESG requirement from our clients themselves, they also have to drive to deploy more of their computing centers into the western part of China.

So with all of these factors, we can see that the new demand is shifting gradually towards the western part of China. And that becomes the reason why we deploy our resources in advance and by picking Qingyang as our launch point. And we will proceed with our plans with caution, but we are confident that this is a good move.

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. Thank you very much for your time management and congratulations on a very good results. So my question is regarding our customer diversification progress since the third quarter results. Has there been any customer expansion progress besides our core customer. Also in terms of the market price competition, has it become worse, better or similar versus before?

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

Thank you, Tina. I think Mr. Huapeng will be in the best position to address the customer diversification progress we made since Q3. And our Group President, Sandy presented, will address the -- your questions on competition dynamics. Please go ahead, Mr. Huapeng.

Huapeng Wu ***Chindata Group Holdings Limited - CEO & Director***

[Interpreted] In terms of our efforts in the client diversification, since I joined the Group in 2019, I have been working on that and put a lot of effort into this. Since then, other than the continuously growing demand from our anchor customer, we have also secured other international cloud providers and the leading national PRC cloud service providers, very properly in the fourth quarter of last year, we have also won the bid of 1 of the top 2 PRC cloud provider new projects. And those projects are now already being in construction.

Qian Xiao ***Chindata Group Holdings Limited - Group President & Director***

[Interpreted] So I will translate Sandy words. First point is, last year we observed in the east part of China and also in the Southeast part, there is some irrational market behavior and investment. And also, we actively give up some opportunities. But now for the asset heavy industry, the investment has its own logic and the short-term behavior will not be sustainable. We also observed in the recent time that market has been gradually be back to the rationale, and we are confident for the future.

And secondly is regarding Chindata, we provide the unique one-stop full-stack solution and this very unique business model, which made it very hard to be benchmarked with other service providers. So our price has been very stable and steady. And thirdly, majority of our contracts are long-term pre-locked for 10 years. So the last year for the fierce price competition has a very minor impact on Chindata's business.

Operator

Our next question comes from Arthur Lai from Citi.

Arthur Lai ***CITI***

(foreign language) I would translate my question. So the most frequent question I had been asked is how the management forecast upcoming years electronics costs? And then do we have an edge if we use more green power?

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

Thank you, Arthur. I think I can address these questions. You know that our data center deployment strategy is always in those energy abundant regions. And also in this region, when we build our data center is hyperscale in nature. Hyperscale basically is the economy of scale. So the more scale, more data center built into the same location, the less per unit cost we're going to have. As you can see from our fourth quarter figures, our overall per unit cost and expenses outside utility costs are dropping down because of -- simply because of the increase scale of economy.

So even around the last quarter, we saw the national level of power shortage driven the power price increase. Actually, our EBITDA bottom line even increased because this power price increase can be well offset by our diluted per unit cost due to economy of scale. And we built this power price increase into our 2022 guidance as well. As you can see, even with this, the power price situation in the most conservative assumptions that our 2022 guidance will still provide us a very, very healthy and high EBITDA margins.

In terms of renewable energy, we're going to -- like Huapeng introduced in his development plans. I think ESG initiative is one of our 4 major growth plan. We're going to see multiple methods, alternative to deploy our ESG initiative in the region we operate, namely in the East data regions in the first place to strengthen our position and then in the 3 to 5 years to extend that deployment into West, a computing hub like Qingyang City.

So with this deployment, I think we are well positioned to attract more strategic investors into green energy generation site and they become a local generator and we become a local new energy consumer. And that, I think that's going to provide win win situation for our strategic partner on the generation side, they have a better return to secure the business and Chindata can actually have the lowest grade energy cost in the long term.

And obviously, the other way to (inaudible) energy is through the power grid. That's the equation of the supply and demand situation. We believe with more green power generated through the power grid and the overall trend of the renewable power price in the future, going to be either close to the traditional energy or even trending a little bit lower in the future.

Qian Xiao ***Chindata Group Holdings Limited - Group President & Director***

[Interpreted] So I'll help translate Sandy's supplemental words. So there are multiple ways to acquire green energy. First one is for the self-generation self-use. As you know, Chindata is the first one to adopt this model in Shanxi province with the green energy, the generation for the 150 megawatts. And the second way is for the green energy transaction in different national or provincial -- province platform. And third was the green energy certificate.

And the first 2 types for the self-generation self-use model and also for the transaction as a national platform, a provincial platform. This made possible to lower the green energy cost. So in the future, Chindata will adopt multiple channels to acquire green energy and to increase our ratio of the renewable energy and try to leverage and to lower our green energy costs in the future.

Operator

Our next question comes from Mingran Li from CICC.

Mingran Li ***CICC***

(foreign language) Let me translate myself. So on the background of the policy, which channel more computing resources from the eastern areas to western regions. Could you elaborate more about how to take advantages with our full stack hyperscale business model?

Huapeng Wu ***Chindata Group Holdings Limited - CEO & Director***

[Interpreted] So to your question, we think we have already touched upon it in our previous response and also introduction in our slides. But to sum up, we believe that the most important advantage that we have is that we have already established a pretty extensive layout in -- right in the east, one of the designated east computing hub within Zhangjiakou City. So from the interpretation of the national policy, we believe that the country, like the government is trying to push in those designated computing hubs to establish a cluster -- computing cluster, which is sizable, which have an economical scale and also have a standardization model, so that it can be -- to achieve the most benefit of the policy. And that's what we have already done through our standardization through our modularity model since the very beginning. And because we have been doing that, the experience from the operation and business development that we have been accumulating can certainly give us the first-mover advantage not only to expand our operation in the Eastern side of China in those computing hubs, but also transport all of those mature operation experience in our exploration for the western part of China.

Operator

Our next question comes from Albert Hung from JPMorgan.

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

(foreign language) Let me just find my question. The new China policy is East Data West Compute will drive more data center build into non-Tier 1 city in the West. I agree Chindata has a first-mover advantage. In 3 to 5 years, how do you see the competitive landscape in the West areas? I assume the access to the resource in the west could be easier versus that in Tier 1 city. Does it imply more fragmented market landscape in the future?

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

Very interesting, there are so many interest and questions on this recent policy on East Data and the West Computing, and we are very happy to answer all of them. I believe the best person to answer this again is our CEO, Huapeng Wu. Please go ahead Huapeng Wu.

Huapeng Wu ***Chindata Group Holdings Limited - CEO & Director***

[Interpreted] Translation for Huapeng words. And in the short-term, we kind of anticipate that the -- newly emerged demands will be more allocated into the designated computing hubs in either the East or maybe the West part, the cities under the policy. And also in the short-term, we anticipate that the demand in the first-tier cities might not migrate.

But in the long term, we still want to emphasize that our first-mover advantage and how that will benefit us to best -- to be the best one, to be the go-to person and first choice for our clients to best meet their demands.

Yes, so I'll help translating these words. The first one, this national guidance, national policy is highly aligned with Chindata strategy for the long run. Among a few years ago, we have been engaged in the hyperscale model in the areas where there is abundant energy and sufficient land resources, and this is a unique advantage for the hyperscale business model.

As you know to do a hyperscale operator, you have to have the capability for the site selection for the planning for the technical design and the research and development and the delivery and the maintenance and the multiple capabilities. And this is the gene Chindata has for the long-term. It is not everyone can do this in the very short-term and also in the areas where this is sufficient for the -- with sufficient land resource. It also requires stability for the energy, for the electricity integration capabilities for the power generation, transmission and distribution, and Chindata has accumulated a lot of expertise and know-how in these areas as well. As you know, the competition has always been with Chindata. We are the first mover in the Zhangjiakou area. And in the recent years, there are multiple competitors in these areas as well. But Chindata is still either in the scale or in the technical know-how is still in the leading position in this area.

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

And I would like to add one more point -- I would like to add one more point is actually in our business, I think government relationship is super important. In the region we operate either in Zhangjiakou and Datong, because we have been there in the past 3 to 4 years, and we became one of the largest enterprises on the foreign capital enterprises and make a significant contribution to the local economy.

In terms of -- on the quality side helping local economy converting from a more traditional agriculture to a digital economy. On the quantitative side, we have provided a large number of employment locally. And also, we become one of the significant tax contributor GDP contributor to the local government.

So as a return, the government grant us a lot of our preferred or privileged policy in terms of guaranteed land resources and the power allocations in those regions. And we believe that with this relationship, and we also have certain advantages to over the new entrants into the area.

Operator

Next question comes from Harry Zhuang from DBS.

Harry Zhuang ***DBS***

(foreign language) Management for the sharing and opportunity to ask question, my question is, there are quite some data centers to be delivered in 2022. What is the expectation of the customer moving speed for these new projects? And what is the expectation of the overall utilization rate for the company in the next 2 to 3 years?

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

Yes, I think I can address this question maybe Sandy can add some color. I think in terms of moving stated ramp-up speed, we're still seeing that our average moving rate or ramp-up rate is between 6 to 9 months for a majority of our under construction business that's number 1.

Number 2, in terms of utilization, we believe that because we're going to have a lot of new products to be delivered in 2022. We'd expect that the utilization gonna remain at around 70%, maybe a high 60% or maybe a low 70%. But as the more product going into the mature and fully utilized stage, we believe our overall utilization rate for the entire portfolio is going to be much higher in the mid to long run.

Operator

Right. Our next question comes from Kaifang Jia from Citic.

Kaifang Jia ***Citic***

(foreign language) I will translate my questions. It seems like pipeline and steel have strong growth in the mid-term and they plan to invest more in cloud computing. So just wondering how management does see the contribution from the pipelines in the mid-term?

(foreign language)

Qian Xiao ***Chindata Group Holdings Limited - Group President & Director***

(Interpreted) Okay. So I will translate. As well know, ByteDance has been very essential, very important customer for Chindata, and we maintain very good relationship. And also in the past ByteDance has contributed a large portion of demand. And also, we see under-construction pipeline. There are still a lot of orders from Bytedance. This is due to their very strong business need, especially for the new business initiative on the cloud computing and overseas expansion.

And for these 2 new business initiative, we will closely cooperate with ByteDance together to support their business expansion and to provide infrastructure for their future business growth. And also you can see that for the overseas, we are going to deliver another additional 60 megawatts for the 2022. So this is due to the strength of demand, and we are in a position to deliver this as soon as possible yes.

Operator

Our next question comes from Edison Lee from Jefferies.

Yu Sang Lee ***Jefferies LLC, Research Division - Equity Analyst***

(foreign language) So my question is about MSR because I saw that the MSR in the fourth quarter of last year actually fell more than 20% both year-on-year and Q-on-Q. So I would like to know what was driving that and also what is the longer-term outlook on the MSR trend?

Unidentified Company Representative

Sandy or Huapeng Wu will you try to address that?

(foreign language)

Qian Xiao ***Chindata Group Holdings Limited - Group President & Director***

(Interpreted) Yes so I'll have translated in these words. The MSR is at the company level and is weighted average of different regions prices. As you know, in different regions, the price is different due to the different utility costs and the different other maintenance costs as well. In last year, the fourth quarter, the Shanxi province, we delivered 2 big hyperscale data centers. And this has been in the position to drag the MSR a little bit lower as the utility cost is much lower in the Shanxi region. As you can see, the EBITDA margin is still increasing in the fourth quarter of last year, reached a historical high of 51.7%. And so, the margin is very -- still very robust, very healthy.

Operator

(Operator Instructions) We have a follow-up question from the line of Edison Lee from Jefferies.

Yu Sang Lee ***Jefferies LLC, Research Division - Equity Analyst***

(foreign language) So my question is about the IRR of projects in the Western part of the country. So as management pointed out, because of lower utility costs and maintenance costs, so the headline MSR in Shanxi actually is lower. So my question is whether the Shanxi project IRR could be even higher than those in Hebei, for example?

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

I think our IRR for the project in both regions including Hebei and Zhangjiakou and Lingqiu much higher than industry average. And yes, the IRR for the project in these regions have a very similar profile

Operator

All right thank you. So we have reached the end of the question-and-answer session. So ladies and gentlemen this conclude our conference for today. Thank you for participating. You may all disconnect.