REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q4 2020 Chindata Group Holdings Ltd Earnings Call

EVENT DATE/TIME: MARCH 25, 2021 / 12:30PM GMT

CORPORATE PARTICIPANTS

Jing Ju *Chindata Group Holdings Limited - CEO & Director*
Nick Wang *Chindata Group Holdings Limited - CFO*
Zoe Zhuang *Chindata Group Holdings Limited - Vice President of Finance*
Joy Zhang *Chindata Group Holdings Limited - Investor Relations Director*

CONFERENCE CALL PARTICIPANTS

Yang Liu *Morgan Stanley, Research Division - Research Associate*
James Wang *UBS Investment Bank, Research Division - Analyst*
Tina Wang *Goldman Sachs Group, Inc., Research Division - Research Analyst*
Hongjie Li *China International Capital Corporation Limited, Research Division - Associate*

PRESENTATION

Operator

Good morning and good evening, ladies and gentlemen. Thank you, and welcome to Chindata Group Holdings Limited Fourth Quarter and Full Year 2020 Earnings Conference Call. We will be hosting our question-and-answer session after management's prepared remarks. Please note today's event is being recorded.

I will now turn the call over to the first speaker today, Ms. Joy Zhang, Investor Relations Director of Chindata Group. Please go ahead, ma'am.

Joy Zhang ***Chindata Group Holdings Limited - Investor Relations Director***

Thank you. Hello, everyone. Welcome to Chindata's 2020 Fourth Quarter and Full Year Earnings Conference Call. I'm Joy, Head of the Investor Relations of our group.

With us today are Mr. Alex Ju, our CEO; Mr. Nick Wang, our CFO; and Ms. Zoe Zhuang, our Finance Vice President. On behalf of our CEO, 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'll 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 most recent Form F-1 filed with the SEC and in our Form 6-K for the quarter ended December 30, 2020, which has been filed 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.

Without further ado, I will now turn over the call to Nick. Nick, please?

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

Thank you, Joy. Hello, everyone. Now let's first take a look at some highlights for the fourth quarter and full year 2020.

We delivered solid results once again in the period as we continued to increase capacity, grow revenue and control costs effectively. For capacity, we increased our in-service data centers to 13 at the end of 2020 from 11 at the end of third quarter; grew our total IT capacity in service to 291 megawatts, from 248 megawatts during comparable periods; and maintained client commitment of such capacity at 87%, thus demonstrating our ability to capitalize on robust market demand.

Throughout China, India and Malaysia, we had a total of 8 data centers under construction in Q4 for a total IT capacity of 198 megawatts, with 74% of this capacity already committed to clients. As mentioned on the previous quarter, we measure our business scale in terms of

IT megawatts because we believe we are in the business of converting electric power into computing power.

By the end of 2020, our full year power consumption had increased to 1,071 million kwh from 720 kwh during the first 3 quarters of 2020, demonstrating our continuous improvement in capacity utilization and business growth. Meanwhile, we achieved an annual average PUE of 1.22 in 2020, once again validating our power utilization efficiency and commitment towards becoming the greenest data center in China.

Additionally, we have continued to place a high priority on advancing our in-house design and R&D capabilities as an effective means to enhance our data center operating efficiency. By the end of 2020, we expanded our reservoir of approved and pending patents to 216 from 194 at the end of the third quarter. Owing to our technology prowess and the effective cost management practice, we maintained our average construction cost for all in-service data centers at less than USD 3 million per megawatt during the quarter, which is well below industry average.

Our financials are also reflecting the progress that we are making in our operations. Our full year revenue is recorded at RMB 1.83 billion, exceeding the guidance range that we provided by RMB 41.4 million. For the fourth quarter of 2020, our adjusted net income reached a historical high, RMB 58 million, and has stayed positive for 6 consecutive quarters.

Slide 5. During the fourth quarter of 2020, we made significant inroads in our overseas expansion. In Malaysia, we added more than 40 megawatts of indication of interest capacity from an AI digital leader, which prompted us to start the construction of our MY06 facility. In addition, we converted some of our previously announced IOI capacity into contracted capacity with a leading international cloud service provider and added 16.35 megawatts.

In India, we added 10 megawatts of newly contracted capacity by expanding our collaboration with an existing client, which is another leading international cloud service provider. Our construction of BBY01 facility is making substantial progress despite the lingering epidemic impact in Mumbai.

Back in China, we added 43 megawatts of new in-service capacity through our CN11-A and CE01 facilities, and an additional 13 megawatts of new capacity under construction through our CN13 facility. Furthermore, we received 19 megawatts of additional IOI capacity from an existing anchor tenant, who is a leading international cloud service provider, and a new customer B, a high-quality international cloud service provider.

Next slide, asset overview. The asset overview table here demonstrates the solid progress we made in terms of a capacity expansion during the fourth quarter of 2020. We completed construction of 2 self-owned hyperscale data centers in China and put them in service. To satisfy rising market demand, we also broke ground on the construction of one new self-owned data center in China during the fourth quarter.

In terms of capacity addition, the 2 newly delivered data center in China, namely CN11-A and CE01, added a total of 43 megawatts IT capacity to our larger IDC network, with the in-service capacity of CN11-A being 100% contracted. For the data center we broke ground for construction in China during the fourth quarter, namely CN13, it is the facility for the aforementioned high-quality international cloud service provider. Located close to our CE01 [Nantong] campus data center, our CE02 data center will support us in meeting the substantial demand from our existing customers in Eastern China.

While we expanded our capacity, we further improved our data centers' utilization rate. The utilized IT capacity of our in-service data centers grew from 175 megawatts by the end of third quarter to 221 megawatts by the end of the fourth quarter. As we put more data centers into service and improve their utilization rate in a methodical manner, we should be able to generate additional revenue accordingly.

Next slide, company strategies. In the fourth quarter, we continued to advance our corporate capability build-up in 3 core areas: data center development and construction, integrated energy solutions and equipment manufacturing. We have established 3 subgroups: Chinindustry, Chinpower and Chinidea for the further development of our capabilities. And we aim to provide tech leaders and the industry with more valuable next-generation computing infrastructure solutions.

Next slide. Chindustry is committed to becoming the leading partner for our customers in the development and construction of next-generation computing infrastructure. Leveraging our full-stack development and construction capabilities as well as our domain expertise, we aim to make sure that the real demand of customer is being met and to leverage our expertise to transform the current industry value chain and provide digital leaders and users with infrastructure products of true universality, reliability, security and economics.

It is one of the most differentiated capability for Chindata Group, and the numbers can show that. Chindata designed 453 megawatts for the group by 2020, and 64% of group's total civil construction expenditure were kept within the group through Chindustry. Both are the contributing factors of our much lower-than-industry average CapEx number, less than USD 3 million per megawatt.

Next page. Chinpower is committed to becoming the driving force for ushering China's data center industry into the zero-carbon emission era. Assuming such role, Chinpower is dedicated to simultaneously promoting the development of new digital infrastructure and large-scale consumption of renewable energy to accelerate energy revolution in the Internet sector so as to create a new scenario of digital economy.

We recently released our 2030 carbon neutral road map, for which we will give more details in the ESG session. In terms of the development of renewable energy, we have achieved meaningful progress in our 150-megawatt solar panel generation project as we received approval from development -- for development from the government. We expect this project to become the first self-generation, self-consumption renewable energy power plant among computing infrastructure developers and operators in China.

We have also signed an agreement to develop alternative energy with an expected installed capacity of 1,300 megawatts in the 40-degree North latitude region, where there is the highest concentration of renewable energy resources in the world. This agreement will also help us to implement our 2030 carbon neutral plan.

In 2020, we continued to increase our utilization of renewable energy across our data centers and achieved a 51% renewable energy usage ratio for our data center operations. In addition, we continued to focus our R&D investment on energy utilization to develop a highly reliable and scalable power capacity to ensure the uninterrupted availability of our data centers.

Recently, we put our Lingqiu data center into operation, thus establishing the first precedence in China for equipping a data center campus with a 110-kilovoltage square cabin electrical substation. In addition, by raising the load rate of power transmission lines from 30% to 66.7%, the Lingqiu project improved our data centers' energy efficiency greatly.

Next slide. Chinidea is committed to promoting white-labeling of key digital infrastructure equipment, facilitating product iteration for hyperscale data center campuses, building the world's leading hyperscale data center manufacturing platform for accessory equipment, specialty equipment, integrated assembly lines and other high-end equipment, and ultimately becoming a trusted provider of data center solutions.

Chinidea will leverage patented core digital infrastructure system to enhance industry value chain synergy, to preserve the core technologies for the long-term development of the industry and to improve industry chain independence and stability. In the fourth quarter, Chinidea unveiled the grand opening of its high-end equipment manufacturing campus.

Next slide, ESG. Over the years, our balanced and sustainable approach to business development and operations have served as the foundation of our success. On the environmental and the sustainability front, we remain committed to optimizing our power utilization mix and expanding our use of renewable energy across all of our data centers.

We are a company of many firsts: the first digital economy company in China to announce a 100% renewable energy goal and the first company in China's Internet technology industry to release a 100% carbon neutral road map. In 2020, we ranked as one of the top Internet technology companies in China in terms of the renewable energy solution performance.

Looking back, we started to optimize and upgrade our computing system to improve our overall energy efficiency in the year 2015. Starting from 2016, we have taken source of energy as a key factor for site selection, while prioritizing clean energy utilization for our data centers in operation. We first set forth our long-term commitment to 100% renewable energy consumption and further optimized it in the year 2019.

For the past year of 2020, we continued to build up our capability as we upgraded our renewable energy business unit into a new subgroup, Chinpower. Going forward, we are planning for investment in renewable energy, recycle of heat generated by data center, promoting carbon emissions in surrounding communities, and ultimately, to have all of our hyperscale data center being operated using 100% integrated renewable energy solutions, and to invest in no less than 2 gigawatts installed capacity of renewable power by 2030.

Financial overview. I will now turn over to Zoe, our VP of Finance, to go over our key financial results for the fourth quarter of 2020. Being mindful of time, I encourage our listeners to also refer to our earnings press release, which is posted online and include our quarterly results, along with other additional details. Please note that all numbers today are in RMB terms and that all comparisons are on a year-over-year basis, unless otherwise noted. Zoe, please?

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

Let's now continue to Slide 14. In the fourth quarter, our total revenue grew by 18.3% to RMB 553 million, from RMB 467.5 million in the third quarter. This increase was primarily driven by the robust growth of utilized 80-megawatt capacity in fourth quarter to [221] (corrected by company after the call) megawatts, from 174.8 megawatts in Q3, which includes organic growth of 34 megawatts from previous in-service data centers and organic growth of 12 megawatts from new in-service data centers. On a year-on-year basis, total revenue in Q4 grew by 59.2%.

Moving on to Slide 15 on our expense and margin trends. In line with our business expansion and revenue growth, total cost of revenues in the fourth quarter increased by 17.9% quarter-over-quarter. This increase was attributable to a quarter-over-quarter increase of 15.3% in our utility costs and a quarter-over-quarter increase of 43.9% in our maintenance and other costs.

As demonstrated on Slide 16, our adjusted EBITDA in the fourth quarter was RMB 239.4 million, representing a year-over-year increase of 72%. Our adjusted net income in the fourth quarter was RMB 58 million compared to RMB 1.4 million in the same period of last year and RMB 48.2 million in the third quarter of 2020. Over the long term, we are further to increase our operational and cost efficiencies to improve our operating structure and support our continued profitable growth.

Turning to Slide 17. In 2020, CapEx in Q4 was RMB 968.9 million, and the total CapEx in the full year of 2020 was RMB 2.77 billion, which are mainly used for land acquisition, construction and equipment purchase. As we continue to actively manage our capital efficiency and reduce our delivery time, we expect to improve our construction costs as well as our overall CapEx structure.

On Slide 18, both bar charts demonstrate that our financial capacity can sustain future organic expansion of IDC business and support required capital expenditures. In 2020, the total cash generated from operations was RMB 664.9 million, total cash flow from equity financing was RMB 6.68 billion and the total project financing was RMB 1.51 billion.

Moving on to our guidance on Slide 17. As we look ahead to the full year of 2021, we expect our total revenues to be in the range of RMB 2.7 billion to RMB 2.78 billion and adjusted EBITDA to be in the range of RMB 1.28 billion to RMB 1.33 billion. This forecast reflects our current and preliminary views on the market and operational conditions, 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) Our first question is coming from Yang Liu from Morgan Stanley.

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

Congratulations on the strong results. First question is, I noticed that Chindata onboarded a new cloud customer. And we find there will be lease projects on the asset side. Could you please share more detail on the business model and the contract term, ROIC profile for this new customer?

And the second question is the 2021 EBITDA margin guidance. It implied a small year-on-year increase, still lower than the level that the company achieved in third quarter last year. It looks like the cost will increase relatively fast. Could you please share more on what are the increase in terms of SG&A or cost of goods sold, et cetera?

The last question is a housekeeping one. It's -- what is the other net items in this quarter? It looks relatively big, negative RMB 20 million. Could you please elaborate more about that? I will do the translation real fast. (foreign language)

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

Okay. Those are sort of good questions.

Joy Zhang ***Chindata Group Holdings Limited - Investor Relations Director***

Thanks, Yang. Yes. Thank you. Nick, could you please take the first 2 questions, and we will turn to Zoe for the third question.

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

I think -- yes, thank you for the good questions. About the first one, about new customer contracts, I think, first of all, it's a good, very positive development, showing our customer diversification strategy really works. And in terms of the contract, because we are bind by the confidentiality clauses in this new contract, what we can disclose to the public market at the moment is actually it's up to a 10-year irrevocable contract. That's number one.

Number two, a lot of the scope of the service is in line with the common industry practice. And number three, we're actually going to have a very, very, I think, reasonable schedule to put this contract and execute it in a timely fashion. So that's actually the first -- my answer to your first question.

Second question, I think, as our guidance indicates, you can see actually our -- both of our revenue and adjusted EBITDA are pretty much in line with most analysts' forecast range. As a matter of fact, if you take the midpoint of our revenue, which is RMB 2.74 billion and midpoint of adjusted EBITDA figures, which is RMB 1.31 billion, the margin rate should be very close to 48%, and -- which are still among the industry top.

On the revenue side, the primary driver force is the positive development on the customer acquisition and the contract execution-related areas. On the adjusted EBITDA side, we also expect it in the forecast range largely.

But as we just introduced in our investor presentation, one of the company's 2021 strategic objectives is to make reasonable investments in 3 core competence building blocks: Chindustry, Chinpower and Chinidea, which could mean that we will reserve a little bit more budget for the spending -- necessary spending on talent acquisition, training and system and R&D-related development in these 3 capability building. We believe this expenditure in the capacity building is very necessary to actually maintain our competitive advantage around the whole value chain moving into the future, given the fast development of the technology, renewable energy utilization as well as the industrial competitive landscape over the years.

And third reason is actually the -- one of the customer because they have a little bit design optimization process going on. The -- we think that there might be a slight risk that the -- which may cause the slight delay of the contract delivery around the end of 2021. So we can provide a better assessment in our future call earnings release to the public market.

Joy Zhang ***Chindata Group Holdings Limited - Investor Relations Director***

Now turning to Zoe for the third question.

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

Yes. I will further illustrate the RMB 20 million other item in the financial statements. There is a nonrecurring contingent provision in the fourth quarter of 2020, which impacts the EBITDA. That is because, with our strategic regional expansion and deployment of China hyperscale model across Asian markets to further optimize the solution and enhance the cost and the efficiency advantage, we changed a more compatible vendor in India.

On the best estimated basis, around USD 4 million contingent provision was made for the settlement with the original vendor. Exclude this factor, our EBITDA margin is generally in line with the average full year margin.

This quarter, we newly signed a contract in India. And the current efficient and on-track project execution validates our judgment is appropriate, and this also proves our deployment of hyperscale model in India is successful. Thank you.

Operator

(Operator Instructions) (foreign language) Our next question is coming from James Wang from UBS.

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

(foreign language) Can I get an understanding of the rationale for setting up the 3 business groups: industry, power and idea? And also, is my understanding right that you will be more involved in the renewable energy generation business? And how will it impact on your costs and CapEx going forward?

And the second question is on the overseas data center business. I noticed that you signed up more contracts in that segment. Can we get some idea of how much capacity reserve you have for overseas projects and what returns are like in these regions versus, say, Mainland China? And also for these global cloud customers, what's your competitive advantage versus, say, the global data center provider, such as Equinix and Digital Realty?

Joy Zhang ***Chindata Group Holdings Limited - Investor Relations Director***

Thanks, James. Nick, would you please take these 2 questions?

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

Sure. I think (foreign language). So essentially, the Chindustry is committed to becoming the leading partner for our customers in the development and construction of next-generation computing infrastructure so to be better able to provide more tailor-made service to our customers.

(foreign language) The Chinpower is committed to becoming the driving force for ushering China's data center industry into the zero carbon emission era. Assuming such role, Chinpower is actually dedicated to simultaneously promoting the development of new digital infrastructure and the large-scale consumption of renewable energy to accelerate energy revolution in the Internet age and also to create a new scenario of digital economy.

(foreign language) So Chinidea is committed to promoting white-labeling of key digital infrastructure equipment, facilitating product iteration for hyperscale data center campuses and giving the world's leading hyperscale data center manufacturing platform for accessory equipment, specialty equipment, integrated assembly lines and other high-end equipment, and ultimately becoming a trusted partner and providing a more tailor-made product service to the data center solution.

Okay. (foreign language) So I think the positioning of the retail 3 groups to the mother group, which is the Chindata Group, is very similar to Jingdong Logistics, to the relationship between Jingdong Logistics to the Jingdong Holding Companies, essentially.

So the first stage, their focus is on providing the logistics-related service to Jingdong, its own business. As the economic of scale become bigger, it started to grow its business to external customers and become the leading logistics service provider to the industry. Okay. That's actually the answer for your first question.

The second question about overseas. (foreign language) There is some commonality for our business presence in overseas market compared to our peers, like Equinix and Digital Realty. So we have a little bit overlapping regional presence in the Asia Pacific region.

But our geographical focus is more on emerging markets, like Malaysia, India and also suburban area outside Tier 1 city. Their focus, regional focus, geographic focus is more on the Tier 1 city, the big cities, like Singapore, like Hong Kong. And also, accordingly, so our business model is more on a greenfield development and one-stop services solution.

Using our successful precedence in China as example, we believe, based on this emerging market outside Tier 1 city and greenfield development and one-stop solution business model, we can provide a better, more comprehensive and more valuable service to our clients. But for our competitors in those regions, like Equinix and Digital Realty, their experience and their strength is more on the merger acquisition and the interconnection related to the business, which, currently, we're still playing catching up game.

In terms of our financial margins, I think, I would say that I cannot disclose too much at the moment. I think our margin should be among -- should be in line with the industry, the common levels.

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

So Nick, (foreign language)

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

(foreign language) So I think that there's a high probability the company is going to go upstream to start the renewable energy power generation and supply areas. I think that's pretty much in line with the macro, the carbon neutral strategy set by the central government in China as well as in line with company's accumulated experience and also strategy over the past 3 years in the related deal.

Operator

All right. James, this is the operator. Can you kindly repeat your last question in English again?

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

Sorry, my last question was just what the -- whether the company will go more upstream into renewable energy, which Nick has already answered. Is that -- yes. Is that right? Yes. So I don't have any more questions.

Operator

(Operator Instructions) Our next question comes from Shiyuan Wang from Goldman Sachs.

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

(foreign language) From Goldman, this is Tina. (foreign language) So first of all, congratulations on management for the new customer and project wins. So my first question is on the pricing trends as well as margin trends with our recent projects, also the comparison on relative pricing as well as EBITDA margin levels between our domestic and overseas projects.

And then the second question is in terms of our ESG road map. I've seen that in the PPT, which has shown that from 2020 to 2030, one of our key initiatives is to invest and develop the renewable energy power plant. So just wondering whether we have any investments or CapEx plans over how many years for this renewable energy power plant. And also, after it's being constructed, what type of OpEx savings and margin improvement can we expect in the mid to longer term?

And then the third question is I saw that the fourth quarter EBITDA margin was a little bit down versus third quarter. So wondering what was the reason there? And whether, going forward, that there will be similar seasonalities in the fourth quarter? And also, what's our CapEx guidance for 2021?

Joy Zhang ***Chindata Group Holdings Limited - Investor Relations Director***

Thank you, Tina. Zoe, would you please take up the pricing trend question and also the margin question? And then Alex would answer Tina's ESG road map question. Thank you.

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

Okay. First, let's look at pricing strategy in 2 sides. First is Chindata will still stick to our hyperscale model in the emerging market strategy. In this regard, we have been equipped with the experience and expertise of the integrated full-stack hyperscale solutions, including the renewable energy solution, site selection, greenfield development and MAE, mechanical and equipment investments, maintenance and connection and experts.

And in this regard, we will further keep on integrating to upstream and explore further cost advantage as Nick just introduced through the capability building. So I think for this part, the pricing strategy and the margin will be less impacted. But besides this, we can also provide the -- segmented the solutions on part of the value chain, which means we are able to provide certain customers for some traditional segmented services.

And the market competition for this part will be more fierce, and possibly, there will be price reduction. However, in terms of the returns, as we mentioned, we have the advantage in the construction, in the equipment and also in the whole life cycle management. So we will still be very competitive among peers.

And your second -- and your another question is regarding the comparison between China and overseas market. I think this depends on the different model in China as we introduced 2 models. And for overseas markets, if we will see that for certain cloud service provider, if they also include a full integrated solution, that will be similar to China market.

But if they have other requirements such as the power, whether it's pass-through or whether it's integrated, the margin will be dramatically different. If power is passed through, the EBITDA margin will be much higher. Okay. And I will transfer to Alex for your ESG question.

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

(foreign language)

Joy Zhang ***Chindata Group Holdings Limited - Investor Relations Director***

I will now translate Alex's answer.

[Interpreted] First, we would like to say that, in this industry, we are the first corporation to disclose the detail of how we use up our energy. As of last year, Chindata, as a single enterprise, its operation in China have already taken up 1.4 of 10,000 of the entire country's power usage.

Based on this, based on our leadership, we have been experiencing a very powerful self-driven and self-pressure in our development. And also, when you talk about our plan to build up the power plant, I believe you are referring to our first solar power station for a total megawatts of 150 megawatts. At this stage, I'm not in a position to provide the CapEx amount to the public. But we can be very confident in telling you that our operation costs will be -- keep on decreasing and will be lower than our current utility cost level.

And the last, we would like to remind everyone that we will -- very soon, we will publish our second ESG report to show everyone how we do in our ESG workstream for the entire year 2020. Also, at -- on April 22, in the day of the Earth, we also will have some surprise for everyone. Thank you.

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

Okay. Yes. I think there's another question regarding the Q4 EBITDA fluctuation. As I just introduced at the very beginning that this is due to the nonrecurring exceptional contingent provision of around USD 4 million for the settlement of a regional vendor in India. And this is to -- for the -- our hyperscale business model deployment in India. And we have already settled -- we have already ensured our project execution and signing new contracts in India. So this is -- will not be repeated for the future -- for the fourth quarter in the future, I mean, yes.

And another one is regarding the CapEx guideline. In the asset overview, we have, altogether, 21 projects under construction or in service.

And for 2021, we expected RMB 4 billion to RMB 5 billion for this project's capital expenditure. But besides this, we also have potential merger and acquisition pipeline, new projects and the expansion in the overseas market as well. So we will have additional CapEx expenditure in this field, yes.

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

So follow-up. (foreign language) Just a follow-up, a quick follow-up. I saw that in the fourth quarter, our maintenance costs increased by over 40% Q-on-Q. So the one-off that you mentioned is included in this item, right?

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

Yes, you are right. And if we exclude sector, it is within the average range compared with the previous 3 quarters, yes.

Operator

Your next question comes from Hongjie Li from CICC.

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

(foreign language) So my first question is should we expect more M&A activities this year and beyond to scale more resources and catch up with customers' demand? If so, what are the natural steps you've taken into account from acquisition? And if we got into more areas, the local natural environment do not support our existing energy saving technology. So if that -- will that influence our construction costs and project returns?

The second question is on the externally established subsidiaries, because we have to implement CapEx in the beginning, but from our perspective, these initiatives are more a driver for -- from the cost savings or the future revenue contribution.

Joy Zhang ***Chindata Group Holdings Limited - Investor Relations Director***

Thank you, Hongjie. Alex will answer both of your questions. Alex, please?

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

Okay. (foreign language)

Joy Zhang ***Chindata Group Holdings Limited - Investor Relations Director***

Okay. I'll translate Alex's answer.

[Interpreted] So we are aware of the tools and targets on the market, but we are more focused on evaluating whether that target could provide the authentic and real core value to our key anchor customer and the end user of our customers. Also, we are focusing on whether the management team is qualified or equipped with the qualification to strive for the same goal as ours.

Other than this, we do not think are the prioritized consideration. Further, as you mentioned, in different areas -- in different geographic areas, they might have different business model or construction model than our current operation. We respect this difference. And when we're choosing our targets, we will keep our originality and also the innovation as much as we can. We will definitely adopt the model that is most benefiting and most appropriate for the local environment. Thank you.

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

(foreign language)

Joy Zhang ***Chindata Group Holdings Limited - Investor Relations Director***

I'll take the translation for Alex's answer.

[Interpreted] We would like to draw everybody's attention to the details of our presentation this time. From this quarter, we are prepared to continuously publish the key metrics for measuring those 3 subgroups' or 3 subdivisions' key operations growth. As you can see, most of these metrics are focusing on the cost level.

So at the -- in a short period of time, we will not really measure the quality of their growth simply by the revenue they can generate. But in the long run, we plan to have them become an open platform for multiparty collaboration. And we want them to enable the entire industry from different perspectives. We would like to keep the openness with different business partners that can benefit both our growth and the industry in the long run.

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

(foreign language)

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect your lines.

[Portions of this transcript that are marked

[Interpreted] were spoken by an interpreter present on the live call.]