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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 Third Quarter 2022 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 will 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. Welcome to Chindata Group's 2022 third quarter earnings conference call. This is Don from Investor Relations team of the company. With us today are Mr. Huapeng Wu, our CEO; Mr. Nick Wang, our CFO; Ms. Zoe Zhuang, our Finance VP; and Ms. Joy Zhang, our General Counsel.

During this call, Nick will 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'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 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 as a supplementary material for today's call.

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

Nick Wang *Chindata Group Holdings Limited - CFO*

Thank you, Don. Hello, everyone, and thank you for joining the call. The company continued its solid business performance in the third quarter of 2022. The close collaboration between our team in China and South East Asia led to a record nine straight quarters of upbeat financial performance. Revenue in the first nine months in 2022 has already surpassed that of full year 2021, and we are raising our full year guidance for the second time in a year.

With the increasing demand for digital infrastructure globally as well as the catalyst provided by the "East Data West Computation" policy, the company sees its advantages in hyperscale business to be even more apparent. We will continue to do the right thing in the correct manner to consistently build our capability, to strengthen our research and development, to enhance our competitive power, to operate our business in a prudent manner, so as to create long-term value for our clients, partners, investors and other stakeholders in a sustainable way.

Now let's start with some key highlights of the third quarter. On Slide 4, we added one new project, or an additional 45 megawatts new capacity in the third quarter, bringing our total capacity to 821 megawatts and total number of data centers to 31. We put three data centers into service, bringing our total in-service capacity to 579 megawatts, an increase of 68 megawatts during the quarter. Demand and ramp-up remain healthy and strong.

We received an additional client commitment of 49 megawatts in the third quarter, bringing our total contracted and IOI capacity to 700 megawatts, leading to still a healthy client commitment rate of our total capacity at 85%. Another 53 megawatts was put into utilization in the quarter, bringing our total utilized capacity to 454 megawatts and a solid utilization rate of 78%. We continued to devote resources to innovation and research and development for better data center solution.

Our total approved and pending patents by the end of the quarter reached 400, compared with 361 in the previous quarter last year. Our consistent effort in innovation is earning more recognition. Recently, in November, our hybrid evaporative cooling technology, catering to high computing power demand in data center, was awarded first prize of datacenter science and technology achievements in CDCC National Summit, making Chindata the only third-party data center company that is winning such prize for two straight years.

Financially, our top and bottom line momentum remain strong and healthy. Revenue was RMB 1,202.7 million for the quarter, which is a 62.4% year-over-year growth. Adjusted EBITDA was RMB 614.5 million, a 66.8% year-over-year growth with a margin of 51.1%. GAAP net income was RMB 241 million for the quarter, which is a 207.4% year-over-year growth with a margin of 20%, a new high.

Regarding our 2022 guidance, which is raised for twice this year, we currently expect our full year revenue to be in the range of RMB 4.33 billion to RMB 4.43 billion, which is a RMB 200 million increase in midpoint compared with the previous guidance. We expect our full year adjusted EBITDA to be in the range of RMB 2.2 billion to RMB 2.26 billion, which is a RMB 90 million increase in midpoint compared with the previous guidance.

Now, let's go into the details of our project construction and delivery on Slide 7. Our delivery is generally in line with the original schedule as we put three projects into service in the third quarter, with a total capacity of 68 megawatts. CN14 and CN18, located in our Shanxi and Hebei campus, respectively, are supporting the business of our anchor client.

BBY01, the Indian project with a designed capacity of 20 megawatts, aims to support one of the key international clients. We are further expanding our capacity in the promising APAC emerging market, as we put MY06 Phase 3, a 43 megawatts hyperscale project, under construction, aiming to support our anchor client's overseas business. The project is scheduled for delivery in 2024. MY06 Phase 3, together with MY06 Phase 1 and 2 that we previously disclosed makes up a hyperscale data center campus of over 100 megawatts in Johor, Malaysia, currently the largest overseas campus of the company.

With the above changes in the third quarter, as you can see on Slide 8, we have brought our total capacity up by 45 megawatts, reaching 821 megawatts by the end of the third quarter, with 579 megawatts in service and 242 megawatts under construction. For the first nine months of 2022, we have put a total of around 139 megawatts into service. Among the under construction capacity by quarter end, we currently expect another 35 megawatts of them to be delivered in the rest of 2022. Our MY03 project originally scheduled for delivery in this quarter is slightly delayed to the fourth quarter. We expect another 164 megawatts to be delivered in 2023 and 43 megawatts to be delivered in 2024.

Now, let's turn to our clients and demand on Slide 10. We continue to serve our existing clients and support their healthy growth as a trusted partner. The momentum on overall demand from our unique client base remains strong and healthy. Our total client commitment increased by 50 megawatts in the third quarter, mainly contributed by two major projects that aim to support the core businesses of our existing clients.

Specifically, we received 11 megawatts IOI for project CN19 in our Hebei [campus](corrected by company after the call), supporting the key international client, and a 38 megawatts IOI for project CN20 in our Shanxi campus, supporting the anchor client. Meanwhile, 3 megawatts of IOI was converted into contract during the quarter on project CE01 in Yangtze River Delta region, supporting the key international client. For the first nine months in year 2022, we have received a total of around 110 megawatts of client commitments, representing a 19% increase from end of last year. We therefore continued to maintain a very, very healthy client commitment profile for our asset portfolio. On Slide 11, for our existing 579 megawatts of in-service capacity, 96% of them are committed by clients in either contract or IOI in the third quarter compared with 95% in the previous quarter and 88% in the same quarter last year. For our total capacity on Slide 12, 85% of them were committed by client by the end of the third quarter compared with 84% in the previous quarter and the same quarter last year. In addition, the majority, or specifically 85% of the existing contract of our contracted capacity remains to be in 10 years term, and the weighted average remaining term per contracted megawatts by the end of the third quarter is around 8.27 years. Our unique client base, and such solid contract profile, has driven our performance in the past is further providing strong visibility of our business into the future.

Now coming to customer move-in on Slide 13. Our consistency in high quality and fast delivery, combined with our healthy and differentiated client base led to another quarter of better than industry ramp-up performance. We added 53 megawatts of utilized capacity in the third quarter, bringing our total utilized capacity to 454 megawatts compared with 268 megawatts in the same quarter last year, which is a 69.3% year-over-year growth and 13.1% quarter-over-quarter increase. Quarterly move-in was mostly contributed by projects in our Shanxi and Hebei campus in China that support the anchor client as well as the BBY01 India project for one of the key international clients.

A better sense of the faster than industry ramp-up of our portfolio can be obtained, if we take a closer look at the ramp-up data of several projects that were put into service in year 2022. CN11-C reached over 90% utilization in less than four quarters. CN12 reached 90% utilization in three quarters. CN14 took one quarter to reach 47% utilization. And if we further look back at all the hyperscale projects of the company that were put into service since 2020, it took on average 2.94 quarters for contracted capacity to reach over 90% utilization.

Finally, our utilization ratio by the end of the third quarter remained very healthy, standing at 78% compared with 78% in the previous quarter and 72% in the same quarter last year. Meanwhile, based on our existing client commitment, we have 246 megawatts of client commitment unutilized by end of the third quarter, which is around 54% of our current utilized capacity.

Beyond the solid performance of our business in China, we would also like to share the recent new milestone for our development in the APAC emerging market. On Slide 14, on October 20, the company celebrated the grand opening of project MY06 in Sedenak, Johor, Malaysia. The entire MY06 project, as we just discussed, holds a designed capacity over 100 megawatts, among which 19 megawatts has been recently put into service in October. Leveraging on the company's innovative construction and design methodologies, the construction of the 19 megawatts or MY06 Phase 1, as disclosed, was completed in a record time of around 11 months since breaking ground in November 2021.

The completion of such project has also made Bridge Data Centres, the company's APAC subsidiary, the first company with Malaysia Digital status to complete the construction and handover the business-ready hyperscale data center in 2022. Excluding the delivery of MY06 Phase 1, by end of the third quarter, the company has 40 megawatts in-service capacity and another 120 megawatts under-construction in APAC emerging market as well as the Thailand project to be further expanded. In addition to such, we have a 65% client commitment ratio for these capacities, solid relations with existing clients on existing projects and an experienced local team, and we have been actively engaging with existing and potential clients in China and the region for further cooperation opportunities in APAC emerging market. We feel very confident that more can be achieved in the coming quarters and in the future in this promising region.

Now let's take a look at a snapshot of our asset portfolio by end of the third quarter. Business in Greater Beijing Region remains the key engine of the company, accounting for 75% of our total capacity and 94% of our utilized capacity while enjoying the highest utilization ratio of 83% among all regions that we are operating. APAC projects are taking a larger share in our under construction pipelines, accounting for 49% of our total construction capacity.

Our early judgment in site selection in the Greater Beijing Region and our differentiated way of doing business is consistently generating healthy resources, which further enable the company to tap into different regions for business opportunities and to establish a more diversified business layout.

On other aspects of our business on Slide 16, the company issued its latest ESG report on October 18, which is the third annual ESG report of the company. We have now set "zero carbon" as a company strategy and a D-A-T-A or DATA as our ESG strategy ecosystem.

D represents decarbonization, implying our ongoing effort in adopting green energy for zero-carbon emission. A represents alignments indicating our stance on aligning with our industry and supply chain partners for a shared and prosperous business ecosystem. T represents technology, which is the gene that will continue to drive the company to lead the innovation and development of the industry. The last letter A represents the advanced attitude taken by the company to consistently drive the sustainable development of the industry. More information of the ESG report can be obtained on the company's website.

Regarding other effort on sustainability, we entered into a green loan agreement in September with a bank on project financing for our project in one of our Hebei campuses. The loan is aligned with Green Loan Principles 2021 edition, with all loan proceeds intended for green building, renewable energy and energy efficiency related to the project.

On Slide 17, our effort on innovation and research and development, we are winning wider recognition for our technical solutions. On November 9, the company's hybrid evaporative cooling technology, catering to data center high computing demand was awarded the first prize of data center science and technology achievement on China CDCC Summit. The award, authorized by National Office for Science & Technology, is recognized as a prestigious national level award for data center industry.

The company has been awarded first prize for two consecutive years, being the only third-party data center company to have achieved such. The technology is a perfect demonstration of our ongoing effort in pursuing the mission of efficiently converting electric power into computing power. It owns 18 patents and is a combination of numerous sub technology that leads to a result of estimated 358 days of natural cooling per year, estimated annual PUE of 1.16 and the best energy efficiency achievable for liquid cooling solution.

With these, I have concluded my part on our operating performance for Q3 2022. And I will now turn it over to Zoe for details in our financial performance. Zoe, please.

Zoe Zhuang *Chindata Group Holdings Limited - VP of Finance*

Thank you, Nick. Now let me walk you through our quarterly financial performance. Our financials remain on a healthy momentum. On Slide 21, revenue in the third quarter increased by 62.4% year-over-year or 15.9% quarter-over-quarter to reach RMB 1,202.7 million, which is in line with our steady ramp up.

Looking further down on Slide 22, total cost of revenue in the third quarter increased by 74.2% to RMB 736.5 million from RMB 422.9 million in the same period of 2021, mainly driven by increases in utility costs and depreciation and amortization expenses. Selling and marketing expenses in the third quarter of 2022 decreased by 43.7% year-over-year to RMB 15.1 million, primarily due to less share-based compensation expense and less marketing activity.

General and administrative expenses in the third quarter of 2022 increased by 36.1% year-over-year to RMB 116.1 million, primarily due to higher share-based compensation and professional fees incurred during the period. With this, operating income in the third quarter of 2022 increased by 72.2% year-over-year to RMB 317.5 million with a margin of 26.4%. Net income in the third quarter of 2022 increased by 207.4% year-over-year to RMB 241 million with a historical high net margin of 20%.

For further breakdown of core cost and expense items on Slide 23. Regarding utility cost, it recorded a 97.3% year-over-year growth, faster than revenue, and accounted for 32.8% of total revenue in the third quarter. The increase was mostly due to a combination of increase in utility unit cost in Hebei campus as a result of adjustment in utility cost fee charging mechanism, leading to a higher floor of utility costs as we have disclosed in last quarter and a higher revenue proportion contributed by Hebei campus as the majority of the additional utilized capacity in the quarter came from the projects in this region. Maintenance and other costs and adjusted SG&A expense were well maintained within our reasonable range, a result of the economy of scale of our business model as well as the stringent cost control effort of the company.

With this, on Slide 24, our non-GAAP profitability remained healthy. Adjusted EBITDA in the third quarter of 2022 increased by 66.8% year-over-year to RMB 614.5 million from RMB 368.4 million in the same period of 2021. Dynamics in utility costs has led to a slightly lower adjusted EBITDA margin in the third quarter, but still over 50% at 51.1%. Adjusted net income increased by 162.8% year-over-year to RMB 294.3 million, hitting a historical high margin at 24.5%. Details in the GAAP to non-GAAP reconciliation on EBITDA and net income would be available in our 6-K filing or the appendix in our IR PPT.

Now let's take a look at our cash and debt position and our CapEx on Slide 25. We continued to work in our business expansion to meet the increasing demand from our customers by investing more capital into our under-construction data centers. CapEx in the third quarter was RMB 1,325.4 million, and the CapEx in the first nine months of 2022 added up to RMB 3,558.1 million, almost the level of year 2021. The financing channels remain open and secured for the company, and we continued to draw down financing for our project development, ending up in a total debt position in the third quarter of RMB 8,416.1 million. Generally speaking, we do not have major loan or debt facilities to mature in 2023 or 2024, only minor ones based on some of our project loan payback amortization schedule.

Regarding the cash flow dynamics in the third quarter on Slide 26, a one-off delay in payment collection due to clients' internal system upgrade and COVID-19 lockdown issues led to a negative cash flow from operation in the quarter, which has mostly recovered following the end of the third quarter in October and November. And negative cash flow from operation, coupled with RMB 1,433.6 million cash flow from investing, offsetting by RMB 726.9 million cash flow from financing and the effect of exchange rate changes of RMB 104.6 million led to a lower cash position by end of quarter at RMB 4,987.9 million and a net debt position of RMB 3,380.4 million.

Now let's take a look at some key leverage and coverage ratios on Slide 27. On leverage ratio, net debt to last 12 months adjusted EBITDA ratio stood at 1.6, compared with 1.0 in the previous quarter. The seemingly increase can be moderated if we exclude the effect from the one-off payment collection issue. Meanwhile, the total debt to last 12 months adjusted EBITDA remained at 4.1, a similar level with the previous quarter.

Our coverage ratios continued to improve as we maintained our strong profitability with our last 12 months adjusted EBITDA to interest ratio rising to 8, compared with 6.7 in the previous quarter. We maintained a healthy capital structure under the current challenging market environment with our total debt to capital ratio standing at 44.1% compared with 41.6% in the previous quarter. Our prudent financing policy, healthy cash generation, asset return and profitability have together made this possible. A better sense of the company's return profile can be referred to on Slide 28. A 78% IT capacity utilization ratio of the company by the end of the third quarter yielded a pretax ROIC of 16.5% compared with 17% in the previous quarter and 15.3% in the same quarter last year.

Finally, on our 2022 full year guidance. Given strong business momentum, the company raised its 2022 full year guidance, which is the second raise during the year.

Full year revenue guidance is raised by RMB 200 million at midpoint or a 4.8% increase compared with the previous guidance, now in the range of RMB 4.33 billion to RMB 4.43 billion. Full year adjusted EBITDA guidance is raised by RMB 90 million at midpoint or a 4.2% increase compared with the previous guidance, now in the range of RMB 2.2 billion to RMB 2.26 billion.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) When asking a question, please state your question in Chinese first, then repeat your question in English for the convenience of everyone in the call. Please ask one question at a time. (Operator Instructions) We will go to our first question. One moment please. And your first question comes from Yang Liu from Morgan Stanley.

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

(foreign language) Let me translate my question. First, I would like to congratulate you on the following results. And my question is about the demand outlook. As management previously indicated that per year, 120 megawatts to 150 megawatts annual addition of the new order should be a reasonable target. But actually, up to now, the company sees a pretty strong demand. And I would like to ask whether this is sustainable and whether there's any pull forward of the future demand and how to look at the new booking in the next few years? Especially, I want to hear more color as to whether the demand in China and the main overseas market are different?

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

Thank you, Yang, this is Nick. I think before our CEO, Huapeng chips in and answers your question, and also [gives the](added by company after the call) logic behind our judgment, I can assure you that there is absolutely no pull forward about future demand into this year. And also, our forecast into the future, which in the midterm, 120 megawatts to 150 megawatts increase of capacity on a per year basis is going to be a sustainable number to use. Okay. I'm going to turn over to Huapeng to give you the logic behind our expectation on the demand side and on the supply on both China and overseas. Huapeng, please?

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

(foreign language)

Joy Zhang ***Chindata Group Holdings Limited - General Counsel***

[Interpreted] Sure. Translation for Huapeng. First. So we will divide the question into two aspects. For the short-term demand, to answer your question, we can see that either from China or from our foreign overseas clients, the demand has been very strong.

(foreign language) From a long-term perspective, let's first talk about China. So we will first keep on leveraging our current advantage in Hebei and Shanxi where our campuses are. We will keep on making investments and lock up more resources, especially the rare resources such as the power supply, green power, and also the energy quota.

(foreign language) We also keep an eye on the critical resource allocations in the East and South parts of China.

(foreign language) So for our overseas market, we will continue to secure resources around our current major campuses. In Indonesia and Thailand, we're going to make moderate down payments for the land resources in those areas. That...

(foreign language) Go ahead. Yes. As a general principle, we'll only make a substantial investment when we see clear, committed demands from our clients.

(foreign language) We will still maintain growth at a 120 megawatts to 150 megawatts growth pace.

Operator

(Operator Instructions) Please state your question in Chinese first and repeat your question in English for convenience of everyone in the call. We will now go to our next question. One moment please. And your next question comes from Tina Hou from Goldman Sachs.

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

(foreign language) Let me translate. So thank you management for your time and congrats on a very strong result. My question is about the electricity cost. So we've seen that in the third quarter, it has become north of 30% as a percentage of revenue. So just, wondering into the fourth quarter and into 2023, what is management seeing in terms of the electricity price trend? And then as a percentage of revenue, what kind of ratio should we expect? Also related to this, since we already delivered our Malaysia project in the third quarter as well. So just wondering in terms of the utility expense as a percentage of revenue, how does that compare to the China part of the business?

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

Thank you, Tina. I believe my colleague, our VP of Finance, Zoe Zhuang is the best one to address these questions. Zoe, please.

Zoe Zhuang ***Chindata Group Holdings Limited - VP of Finance***

Yes. So thank you, Tina, for your attention. And as we know in the last earnings call, we have disclosed this mechanism of the unit cost charging, the change already. So this has been fully reflected in our third quarter financial statements already and which results the energy cost to total revenue ratio around 3.8% or 3.5% quarter-over-quarter.

However, as we always highlight that our China data center campuses are located in areas with abundant power supply power resources and with relative cost advantages as well. So we estimate that in the near term and midterm, the power price will be relatively stable in the near future. And if there is any power shortage across China, I think that Chindata, with our location advantage, will be least or less impacted compared with other regions in China in either the power supply or the power cost.

And your second question is regarding for Malaysia. For all our overseas projects, it takes a different model, the power cost is a pass-through model. So if there is any fluctuation in the power costs, there will be no impact on the EBITDA side.

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

Thank you, Zoe.

Operator

Shall I go to the next question? Your -- we'll now take your next question. One moment, please. Your next question comes from the line of Mingran Li from CICC.

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

(foreign language) Let me translate myself quickly. Thanks for taking my questions. My question is regarding the move-in rate of the Malaysia project you opened in October and the revenue contribution from overseas in the next few years. And considering the strong demand profile, could you give us more color on the expansion plan for next year, like the CapEx mix between domestic and overseas?

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

Thank you, Mingran. For your first part of the question is, our overseas project, especially the milestone MY06 Phase 1, since we already delivered in October, looks like the ramp-up rate is very, very fast essentially. And also through the better, reasonable contract arrangement, we can actually collect the fees or the revenue portion much quicker than the normal contract we had in China. So at the moment, I think the operation is really running smoothly. I think Zoe can answer the question about the revenue contribution and also CapEx allocation for our overseas business. Zoe, please.

Zoe Zhuang ***Chindata Group Holdings Limited - VP of Finance***

Okay. So overseas business has always been our focus. In the financial year 2021, we can see from the financial statements that overseas business revenue accounted for around 5% of the total revenue. But by the end of the first nine months of this year, the overseas data centers accounted for around 19% of the total capacity, and total IOI intention of the customers in overseas accounted for nearly around 15%. And the most important, for those under construction capacity, nearly 50% of the capacity are from our overseas regions, from overseas countries, that is expected, we will have higher growth rates of overseas revenue.

And the current estimate is that with the gradual delivery of our Malaysia and India campuses, the percentage of overseas revenue to the total group revenue will significantly increase in next year, which we estimate will be around in the range of over 10%. And I think in the years following, it will keep the increasing trend.

And the second question is regarding the CapEx. The capital expenditures at the corporate level are expected to be at a similar level as in this year compared with this year and next year. And in both China and the overseas [market](added by company after the call), our CapEx has competitive advantage. But apparently, the overseas project CapEx will be slightly higher than the Chinese projects. So we expect that the proportion will be also larger than the Chinese projects.

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

Thank you, Zoe. Thank you.

Operator

We will now go to our next question. One moment please. And your next question comes from the line of Edison Lee from Jefferies.

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

(foreign language) Okay. My question is mainly surrounding the power costs and also gross margin, because I saw that in 3Q, your gross margin actually is down Q-on-Q and year-on-year, while your EBITDA margin is actually up Q-on-Q and year-on-year. So I would like to know maybe you can explain again the power cost calculations for your Hebei projects? And what is the proportion of your projects that include power cost versus those that did not include power cost? And also part of that based on your midpoint of your new guidance for the full year, that implies that your fourth quarter EBITDA margin will drop on a Q-on-Q basis. So I wonder whether that's because your guidance is conservative or whether there are any other reasons?

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

Thank you, Edison. I think both Zoe and I can answer this question in multiple ways, but I'd rather let Zoe state some facts for our Q3 utility cost increase. Please, Zoe.

Zoe Zhuang ***Chindata Group Holdings Limited - VP of Finance***

Okay. So thank you for your attention and questions. As we explained that the energy cost to total revenue rise around 3.8% quarter-over-quarter, I mean, this quarter compared with last quarter. But if we look at EBITDA margin, that stayed at 51.1% this quarter and compared with last quarter, it's only, I think over 1% difference as this is offset with other expenses like the maintenance costs and other costs as well, and this is offset by the economies of the scale.

And the reason for this is in the Hebei Province in the third quarter, there is an electricity cost increase of around I think 15% in that region. And this is due to the state grid changing their charging system, charging mechanism. So this has been reflected in our full year guidance already. So this is the first question.

And for your second question regarding the full year guidance, we took a very prudent way. So you can see that as the company has always been -- we have hit market consensus for nine consecutive quarters. So for the full year guidance, we still take very consistent and very prudent, very conservative estimates. And also for the full year guidance, there is a new substation supposed to go on live. But considering the current China COVID-19 lockdown situation, we think there might be some postponement. So we also take this factor into consideration.

So the full year guidance is very conservative. But anyway, the company, the management team and the delivery team will try all the best to ensure the substation will be on live, go on live timely. And if that will be the case, I think the performance will be a little bit better than our forecast. Yes.

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

Yes. Edison, one thing I want to add is actually the Q4 expected construction of the 220 kilovolt substation is only a one-time effect, and that's only the potential and possible one-time effect. So there is more upper side on the previous guidance based on the prudent style we have always demonstrated. But the reason for building that 220 [kilovolt](corrected by company after the call), I want to emphasize is for the future protection of the capacity.

Because as of previous quarter, as we disclosed, we have so far signed up to 500 megawatts, 500 megawatts total capacity in the Shanxi region. Right now, we have roughly 250 megawatts, so there's going to be 250 megawatts more capacity. And as Huapeng has rightly pointed out, the earlier we can lock in our resources in the energy abundant region, the earlier we can secure all the necessary infrastructure, the better chance we'll get from the future orders and big orders from our anchor customers. So we think that the move to build a larger scale substation is absolutely a necessity for us, and we want to make it happen as fast as possible.

Operator

(Operator Instructions) When asking the question, please state your question in Chinese first, then repeat your question in English for the convenience of everyone in the call. (Operator Instructions) We will now go to our next question. One moment please. And your next question comes from Tina Hou from Goldman Sachs.

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

(foreign language) Okay. So thank you for the chance to ask a question again. My second question is regarding the rental price. So first of all, in the domestic market, I'm wondering over the past two quarters, let's say, what is the new contract pricing versus the historical level? And then also for the offshore projects in Malaysia from our anchor customer, what is the rental price level versus the domestic market?

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

Thank you, Tina. Zoe, do you want to go ahead or I'm going to answer it. Maybe you'd better answer it first.

Zoe Zhuang ***Chindata Group Holdings Limited - VP of Finance***

So okay. I'll answer first. And for your two questions, first one is regarding the sales price has been very stable for us, and especially for the domestic projects. We don't see any change so far. So this is the answer for your first question. And the second question is regarding the overseas sales price. The overseas business model is different with the domestic model.

The power is a pass-through model. And so in each location, the price is very competitive. Since these are the hyperscale data centers, and as you know, the MY06 Phase 1 is for one anchor customer, I'm not in a position to disclose the specific price here.

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

Generally, the overseas price level, there are two-parts, one service-related, the other one is power-related. So if we -- because power is a pass-through, I don't want to comment on it, but the service-related is higher than China. So I can give you that information.

Operator

Thank you. I will now hand the call back for closing remarks.

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

Thank you, everyone, for attending this conference call. As you can see that we probably have been a little bit contrarian, I would say, the business momentum is undergoing in three ways. Our move-in is very healthy and strong. Our current under construction development projects are very strong, on time, and some of them even got delivered earlier than the request from the customer. And third, very importantly, our future demand, as you can see from the answers from our CEO and myself and other management, will be ongoing and very strong.

And we anticipate that our initial strategy to find the most efficient way of converting electric power to computing power will continue to play out in the future and bring high profitability. Not just the operating profitability, I want to emphasize, but the return on asset, which is historically speaking at the high teen levels. This is actually more meaningful to all the stakeholders concerned, including both equity investors and also creditors.

So that's I want to say. And that the company will keep focusing on the efficiency, keep focusing on the hyperscale business skill and keep focusing on balanced investment versus return in the foreseeable future. Thank you for your time.

Operator

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

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

Thank you.

[Portions of this transcript that are marked [Interpreted] were spoken by an interpreter present on the live call.]