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PRESENTATION

Operator

Good morning and good evening, ladies and gentlemen. Thank you, and welcome to the Chindata Group Holdings Limited Second Quarter 2022 Earnings Conference Call. We will be hosting our question-and-answer session after the management's prepared remarks. Please note that today's conference is being recorded. I would now like to turn over to the first speaker for 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 Second Quarter and Half Year 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 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'll now turn over the call to Nick. Nick, please go ahead.

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

Thank you, Don. Hello, everyone, and thank you for joining the call. During the second quarter, our business continued to grow in a healthy manner. Let's take a look at some key highlights first, and we will shade more light on details afterwards. On Slide 4, by end of the second quarter, our total capacity expanded to 776 megawatts, an increase of 72 megawatts during the quarter, thanks to the inclusion of 2 new under-construction projects. We now have a total of 30 data centers in our asset portfolio. We put one project into service, bringing our total in-service capacity to 511 megawatts, which is an increase of 13 megawatts.

We continue to see healthy demand from our clients. As our total contracted and indication of interest capacity increased by 32 megawatts during the quarter to 650 megawatts leading to still a healthy commitment rate for our total capacity at 84%. Ramp-up remains strongly on track as another 57 megawatts was put into utilization in the quarter, bringing our total utilized capacity to 401 megawatts and a solid utilization rate of 78%. Our capacity buildup effort is constant as we now have a total of 361 approved and pending patents by end of the quarter compared with 256 in the same quarter last year.

Meanwhile, recently in July, the company released a new waterless cooling technology jointly with our partner, and we will go into details of that later. Financially, our top and bottom line remains strong and healthy. We believe we have delivered upbeat revenue and adjusted

EBITDA results for 8 straight quarters since IPO. Revenue was RMB 1,038.1 million for the quarter, which is a 51.2% year-over-year growth. Adjusted EBITDA was RMB 544.3 million, a 60.8% year-over-year growth, with a margin of 52.4%. GAAP net income was RMB 199.6 million for the quarter, which is the 206.3% year-on-year growth, with a historical high margin of 19.2%. Our USD 500 million syndication loan was officially closed in late June, bringing the company the necessary financing for further expansion. Meanwhile, credit agencies have also reaffirmed our ratings, with Fitch rating reaffirming our BBB- rating, investment grade with a stable outlook. And Moody's reaffirmed our rating as Ba2 with a stable outlook.

Now, let's go to the details of quarterly performance. I would like to bring your attention first to our client commitment dynamics in the second quarter. During the second quarter, we received an additional 32 megawatts commitment from our clients, including both new contracts as well as new indication of interest. From our perspective, our general client base, in particular, our anchor client business remains very healthy. A total of 45 megawatts of IOI capacity on project CN09,CN11-C and CN14 for the anchor client was fully converted into contracted capacity in the quarter. While another 30 megawatts capacity was also contracted in the quarter on project CN18 to support the anchor client. With these, the aforementioned 4 projects for the anchor clients are now 100% contracted.

In addition to our anchor client, we have also received a 3-megawatt indication of interest on Project CE01 in Yangtze River Delta region to support one of our key international clients. With these changes, the commitment status of our asset portfolio continue to look very healthy. On Slide 8, we have a 95% contracted and IOI ratio for our in-service capacity, a similar level compared to that of the previous quarter. On Slide 9, for our total capacity, the contracted IOI ratio by quarter end was 84% compared with 88% in the previous quarter. The inclusion of the 2 new under-construction projects, which are currently under discussion with potential clients on demand details, brought some dilution to the figure. But essentially, the commitment status for our total asset portfolio is generally healthy.

For your further reference, by end of the second quarter, over 90% of our contracts are 10 years contract, while the weighted average remaining terms of our contracted megawatts is around 8 years or to be specific, 8.26 years. Now, let's look at our delivery schedule, starting from Slide 10. We have put one project in services in the quarter, which is a 13-megawatt hyper-scale leased project that supports the business of the Chinese cloud service provider clients in their campus in Tianjin. We also added 2 new under-construction projects into our asset portfolio with a total capacity of 73 megawatts.

These 2 hyperscale projects are located in our Hebei and Shanxi Campus, respectively, each with a capacity of 26 megawatts and 47 megawatts, and are scheduled for delivery in 2023. These projects are expected to support our existing clients and the demand details are currently under discussion. Looking at our delivery schedule on Slide 11. We now have a total under-construction capacity of 265 megawatts by end of the second quarter, among which 93 megawatts are expected to be delivered in year 2022 and another 172 megawatts to be delivered in year 2023.

Our India project, which is BBY01, was slightly delayed into the third quarter this year, while we expect other projects to stay in line with our original schedule. You can refer to the Slide 12 and 13 for the design profile of some of our selected under construction projects. Now, coming to customer move-in on Slide 14. Thanks to our clients excellent and resilient business performance, we are able to keep a steady and healthy ramp-up pace. We added 57 megawatts of utilized capacity in the second quarter, bringing our total utilized capacity to 401 megawatts compared with 251 megawatts in the same quarter last year, which is a 59.6% year-over-year growth and 16.6% quarter-over-quarter increase. Additional move in was mostly contributed by projects in our Northern China, Shanxi, and Hebei campus supporting the anchor client as well as in client campus in Tianjin supporting one of the Chinese cloud service provider client, and in our Malaysia campus supporting one of the key international clients.

With this steady ramp-up, our utilization ratio by end of the second quarter remained very healthy, standing at 78% compared with 69% in the previous quarter and an average of 71% since the listing of the company. With the quarterly dynamics mentioned above. Now, let's take a general look at our capacity geographically. By the end of the second quarter, our APAC emerging market capacity deployment now accounts for around 15% of our total capacity. While 89% of this capacity in APAC emerging market is committed by clients. For the current under construction capacity, 36 of them rest in APAC emerging market and more than half of them reside in greater Beijing area, again, showcasing our advanced layout in and commitment to the APAC emerging market as well as our further effort in strengthening our foothold in our key existing campus in China under the East Data West computation policy. We will also like to share some other key recent developments of the company.

As set forth by the management team previously, the company will formulate further game plan around East Data West computation policy to further strengthen our foothold in our existing campus in key hub regions of the policy, while at the same time, through leveraging our differentiated advantage in technology and with the effort of building a business partnership ecosystem to gain access to more business opportunity in new key hub regions under the policy. The game plan is gradually working. In terms of further strengthening our foothold in existing campus on Slide 19, the company recently entered into agreement with local government in Datong, Shanxi Province on August 19th to further expand our existing capacity in the Datong campus. According to such, the company will build up a total of over 500 megawatts capacity in our existing Datong campus going forward, which is around 2x our existing capacity in the region.

Once completed, the campus is expected to become the single largest IDC campus in the entire Asia. On July 27th, on Slide 20, the company entered into a strategic cooperation with Taiji Computer Co Limited, one of the leading players in e-government, smart city, and industrial Internet in China. We have established cooperation relationship with Taiji back in year 2017 when the company was working on its Beijing project, CN02. We believe such strategic cooperation has brought more vitality to the company's existing business ecosystem. And together with the partner, we seek to better utilize the differentiated advantage of each party to expand service to more potential industry customers under the new national policy. The company also remains very committed to innovation, research, and development to drive growth of a high-quality business. On Slide 21, we have recently come up with more technical alternative for data center industry to better accommodate their energy performance to diversify natural conditions in different regions so as to achieve improved resource consumption of data center.

On July 29th, the company and its technical partner, Vertiv Technology jointly released a new waterless cooling technology, X-Cooling. The solution with the integration of control and sensing technology makes cooling system capable of automatically adjusting itself to variables such as outdoor environment, workload, various operation modes so as to run with optimized energy and water efficiency performance. Under the testing in the company's data center in Hebei province, the solution yielded a PUE performance of less than 1.1 and the WUE or water utilization efficiency performance of 0, indicating a potential save of 1.2 million tons of water per year for a 100-megawatt data center in a real-world scenario. Such solution has offered favorable evidence for massive application of the solution going forward. On financing, the company's $500 million syndication loan was officially closed in late June, which is offering more resource for our capacity expansion going forward.

At the same time, Fitch and Moody's have all reaffirmed their existing credit rating for the company, with Fitch reaffirming its investment-grade BBB- with stable outlook, and Moody's reaffirming its Ba2 with stable outlook. We believe this reaffirmation of our credit rating has kept all options for the company, should we decide on future financing activities, therefore, safeguarding our business development. With this, I have concluded my part of business update, and I will now turn 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 23. Revenue in the second quarter increased by 51.2% year-over-year or 12.8% quarter-over-quarter to reach RMB 1,038.1 million, which is in line with our steady ramp-up. Looking further down on Slide 24. Total cost of revenue in the second quarter increased by 47.7% to RMB 602.2 million from RMB 407.6 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 second quarter of 2022 decreased by 33.5% year-over-year to RMB 15.4 million primarily due to less share-based compensation expenses as well as less marketing activity as the company went through of almost 1-month long work from home mode in Beijing during the month of May due to citywide COVID-19 related administration. General and administrative expenses in the second quarter of 2022 increased by 5.3% year-over-year to RMB 91.1 million, primarily due to the increased personnel costs as the company grew its business.

With these, operating income in the second quarter of 2022 increased by 109.2% year-over-year to RMB 310 million with a margin of 29.9%. Net income in the second quarter of 2022 increased by 206.3% year-over-year to RMB 199.6 million with a historical high net margin of 19.2%. For a further breakdown of core cost and expense items on Slide 25. Regarding utility costs, we experienced a similar cost level during the second quarter as the first quarter, as indicated by the similar revenue percentage that we see. For maintenance and other costs, due to the recognition of one-off service that we provided to our customers in the quarter. We are seeing an increase in this cost item. Excluding the specific other items, our maintenance and other cost intensity is generally in line with our past performance. Adjusted SG&A also slightly decreased on both year-over-year and quarter-over-quarter basis due to the reasons that we just introduced.

With these, on Slide 24, our non-GAAP profitability remains healthy. Adjusted EBITDA in the second quarter of 2022 increased by 60.8% to RMB 544.3 million from RMB 338.5 million in the same period of 2021. Adjusted EBITDA margin in the second quarter was 52.4%, slightly lower than the previous quarter. Adjusted net income increased by 114.1% year-over-year to RMB 241.9 million, hitting a historically high margin at 23.3%. Details in our GAAP to non-GAAP reconciliation on EBITDA and net income could 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 27. We continue 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 second quarter was RMB 1,007.8 million, and the CapEx in the first half of 2022 added up to RMB 2,232.7 million. As we have successfully closed the syndication loan, we are seeing our cash and debt position both went up to RMB 5,763.9 million and RMB 7,460.8 million by end of second quarter, respectively. Ending up in the net debt position of RMB 1,758.8 million.

Cash dynamics during the quarter was contributed by a net operating cash flow of RMB 475.5 million net financing cash flow of RMB 1,819.7 million, offset by RMB 974.8 million investing cash outflow. Now, let's take a look at some key leverage and coverage ratios on Slide 29. By end of the quarter, with the close of the syndication loan, our total debt-to-capital ratio increased to 41.6% compared to 35% in the previous quarter. Debt-to-EBITDA related ratio also went up while the interest coverage ratio continued to improve with the last 12 months adjusted EBITDA to interest ratio went up to from 6.1% to 6.7%. With the above and take into consideration of relative factors, we are reiterating our 2022 full-year revenue and adjusted EBITDA guidance. By the end of the second quarter, our half-year revenue and adjusted EBITDA is around 47% to 49% of our full-year guidance at midpoint. This concludes our prepared remarks for today. Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have the first question coming from the line of Yang Liu from Morgan Stanley.

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

(foreign language) I will translate my question into English. My question is regarding the utilization rate ramp-up. We understand that most of the data centers Chindata built have a customer commitment of move-in to a mature stage within 9 months, but actually, the ramp-up speed is faster than that. And what is the outlook for this speed? Should we expect some normalization? Or should we expect this fast speed to sustain going into second half of this year?

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

Thank you, Liu Yang. I think I can answer this question in a quick matter. I think the accelerated or faster move-in reflects the strong business demand from our customers and also show that there is momentum of their business is going really, really strong. But our company still is really conservative. So moving forward, we still put roughly, on average, 9 months of move-in rate into our entire forecast. Thank you.

Operator

The next question comes from the line of Tina Hou from Goldman Sachs.

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

(foreign language) Okay. I'll translate my questions. So the first one is regarding the ASEAN market because we see that Chindata has already had several campuses in Malaysia as well as in India. So we're wondering, besides our anchor customer, are there any other potential customers with a pretty significant demand that we are in the progress of trying to win order? And also in terms of the competitive landscape in the ASEAN market, who are some of the other data center companies globally that have already had some footprint or are preparing to enter this market? And then the second question is regarding the strategic partnership with Taiji Computer. Wondering if there are any quantitative targets from this partnership? Any several like number of projects already under discussion, if there's any quantitative targets we can get? That would be very helpful.

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

Thank you, Tina. I think for the overseas-related question, I can answer that, and I'm going to refer to your second part of the questions to our CEO, Mr. Wu Huapeng. Okay. So starting to answer your first question about the Southeast Asian market, we have a very, very bullish view about the opportunity in the Southeast Asian market potential in the foreseeable future. We think that the demand and supply actually will be pretty balanced. And I think the oversupply situation you see currently in China may happen some years later. And also I think the fast-growing digital economy, driven by the population and by the economy growth, will drive up the hyperscale data center demand from all major global Internet and high-tech players, on top of the Chinese Internet companies going into that region. And we have every confidence that we'll become the key, I think, hyperscale leader in the marketplace. And all these international Internet and high-tech players will become our key targeted customers as well on top of all those domestic customers going to the region as we currently have.

As a matter of fact, Chindata set up a clear growth strategy in the Southeast Asian market 2 years ago, much earlier than anybody else. As of the second quarter of this year, as we repetitively introduced, we already have a 117 megawatts capacity, either in service or under construction in the region in reality. A significant portion are used to serve international customers such as Microsoft and Google, and we are in the process of landing more capacity with international customers, which we will do proper disclosure in a proper manner in the near future. Now, I'm going to refer the second part of question to our CEO, Mr. Wu Huapeng. (foreign language)

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

(foreign language)

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

[Interpreted] So our collaboration with Taiji has taken each other's advantage and grown it to the biggest add. For our company, we worked very long at technology innovations, data center construction, and operation. And for Taiji, in China, their clientele are mostly focused on the governmental smart city, et cetera. So this becomes our basis or foundation for our collaboration. Currently, we are having some specific projects in discussion, and we will report the progress to the market when it comes due. We do set up a frequent periodical communication system, and we believe this communication system and also the inter collaboration will take us to a further, longer win-win situation.

Operator

We have the next question coming from Mingran Li from CICC.

Mingran Li ***China International Capital Corporation Limited - Analyst***

(foreign language) I will translate my question. And I have 2 questions here. My first question is regarding the expansion plan of campus in Datong and the total IT capacity expected to reach 500 megawatts going forward. So can you give us more color about the delivery schedule and the demand profile here? And my second question is regarding the utility cost. Can you share more detail about the future trends of utility costs in different campus like Hebei and Shanxi?

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

Thank you. For the first question, I will invite our CEO, Huapeng to answer. And I believe that Zoe is going to answer your question about the regional power tariff issues. Please go ahead, Mr. Wu.

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

(foreign language).

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

[Interpreted] Our agreement with Datong government was a proactive gesture of mutual understanding on future collaborations. We aim to secure the resources for future development in the area through these efforts.

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

(foreign language).

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

[Interpreted] And the Datong City is also at its own government efforts applying for the second batch key experimental point under the national East Data West Compute national policy.

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

(foreign language).

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

[Interpreted] On the demand side, as a general practice, we have been communicating with our clients at every critical point along the project development process. We expect our projects in Datong will continuously support the needs of our key clients and other potential ones.

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

Okay. So I will take your second question. As we all know that recently, some regions in China, for example, in the east and south part of China, there is a power supply shortage, while you know that Chindata data centers are mainly located in areas where resource supply is very sufficient. So that's the power supply of the company's main campuses are relatively adequate. And also since July, we noticed a certain degree of utility cost increase in some areas due to the power policy adjustments among part of our campuses. For this part, we have considered the potential impact already, in the previous quarter we released the full-year guidance. And also, meanwhile, the company has taken some initiatives to optimize the data center power design structure, which aims to hedge some utility cost increase to a certain extent. So all in all, although we have upbeat market consensus for the first half of this year, but the company still maintained the full-year revenue and adjusted EBITDA guidance range not changed in a very prudent way. Thank you.

Operator

The next questions come from the line of Sara Wang from UBS.

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

(foreign language) Let me translate myself. I understand that the IDC campus to be built in Datong will be one of the largest in Asia. So just wondering if Chindata has any agreement with Datong government. And when do we expect the completion of this IDC campus? And my second question, a quick one. Is there any update on our Hong Kong listing plan? Thank you.

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

Thank you, Sara. I think Huapeng is going to answer on keep answer the questions related to the Datong. And I will address the question on second and third.

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

(foreign language).

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

[Interpreted] Yes. To your first question, we estimated that by the end of 2025, our Datong campus will have a total capacity over 500 megawatts and in the same campus under construction, and they will be delivered annually for this year and next year gradually. We estimated that, counted by single campus, it will be the largest in Asia. Thank you.

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

On the CapEx-related question, it's pretty simple and straightforward. I think as we previously communicated to market, this year, we forecast to spend the CapEx in the range of around RMB 4.5 billion. And moving forward, given that the very strong pipeline projects than-- projects CapEx needs, we forecast for the foreseeable future, the CapEx spend is going to be in the same range between RMB 4 billion to RMB 4.5 billion. And your third question is regarding our Hong Kong listing, there is some progress. First of all, there has been a very strong consensus among the company management, the Board, and our key shareholders that the Hong Kong listing itself will bring clear benefit to all stakeholders' concern. Especially, it can effectively mitigate potential delisting risk brought by this potential act of holding foreign company accountable act as legislation against the Chinese companies listed in the U.S. But we have a pretty positive view about the development of this legislation. And our current assessment is that this HFCAA legislation is more than likely to be effective in 2024 instead of 2023 under acceleration scenario.

And also, the latest development, what we heard from the market is that there is also a big chance that U.S. and China government can reach an agreement later this year. But nevertheless, we still think that we should start the internal process now, including setting up an internal task force, performing some pre-A1 consultation, and also further assessment of some listing options, for example, primary or secondary listing or by offering or by introduction method. And we're also in the preparation of a preliminary documentation and data room as well.

So if everything goes as our currently expected, the external work stream may start in as early as October, and we will then work with external parties to do proper preparation for external A1 filings, potentially in Q1 2023. And after we submit A1 and pass the hearing of Hong Kong SEC, the listing will more than likely take place in early April 2023. Obviously, all this kickoff of external workstream to filing, to listing requires the authorization from our Board, and we will make proper disclosure to the market once we reach that stage. I hope I can answer your question on this.

Operator

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

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

(foreign language) I have 2 questions. The first one is about power cost. And I found that in the second quarter of this year, your power costs actually grew faster than your revenue. So I want to know for the next few quarters, what is the outlook? And number 2 is on the tax rate because I think that in the second quarter, your tax rate is lower than the second quarter last year as well as the first quarter of this year. So I want to know what drivers are behind this tax rate volatility.

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

Thank you, Edison. I'm going to refer to my colleague, Zoe Zhuang, to answer your 2 questions.

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

I'll answer your first question. So as we mentioned in the script, that if we compare the second quarter with the first quarter, the utility cost to the total revenue percentage is roughly for the second quarter is around 29%, and the first quarter is around 28%. So it's almost on the same cost level. And also, if you're referring to our adjusted EBITDA margin for the first quarter and the second quarter it is in the range of 52 or 53 for the full year guidance, this is slightly in the first half. That is the reason we have already taken this effect for the potential utility cost increase in certain areas in some of our campuses. And so I think this will solve your question, your first question.

And second one is on the tax issue. We have a tax question. We have the operation in different countries, which apply different tax rates. And also for certain countries, there is some tax policies on which you can use, if you have prior loss that can be offset for our future profit gain. So like in China, we have this tax policy. So that is the reason why you can see previously, the group net income has been gradually from negative to almost balance then to the positive. So this is a compound effect of different countries in conjunction with the tax policies of different countries.

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

I just want to know for the full year of 2022, what is the reasonable tax rate that we should be looking at?

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

So the tax rate is a compound rate, which will be also other EBITDA factors like depreciation and also share-based compensation. So the tax rate will be fluctuated based on the real tax policies. So it's not like the utility cost percentage to revenue in the fixed range.

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

One thing I want to add is actually instead of looking at a tax rate or the tax burden or whatever, but you should look at -- we have achieved a historical net margins. So we'll probably have a leading profitability profile among all IDC companies go listed in overseas. So please focus on that point as well.

Operator

We have the next question coming from the line of Albert Hung from JPMorgan.

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

(foreign language) Let me translate my question in English. My first question is about the customer diversification GDS has revised some of the full-year guidance few days ago due to the hyperscale server demand slowdown and natural happenings. Theoretically, that should impact their intention for other customers to do supply chain diversification. How does Chindata see the impact? And my second question is, could you share some color on the recent valuation in M&A market. Mentioned some ongoing deals last month, is there any update on that? Lastly, if Chindata becomes a target for others, what is management or large shareholder's initial take on this?

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

I will refer -- thank you, and I will refer your first part of the question to our CEO, Mr. Wu Huapeng, and I will address your second question. Please go ahead, Huapeng.

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

(foreign language).

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

[Interpreted] From the company's perspective, we have been communicating our forecast to the market in a very cautious manner. And that's why we have been able to live up to or upbeating market expectation along the way. As to comparing to our peers, probably they address their expectation or forecast because the methodology they make in their forecast is basically relying on the industrial trend. But for us, we're actually making our forecast by adding up the actual commitment or the actual confirmed orders from our clients. We add them up and then making a concrete and cautious conclusion. So probably the distance comes from the different methodologies. From our perspective, we believe that the market can also share the view with our historical performance that our key client has been making healthy demand calls, and we believe that it will stay so in the near future. From the industry perspective, the platform economy was hit in the past 2 years. But we have witnessed some positive regulatory movement in the recent news as well. We will keep on watching for more market opportunities and promote our diversification strategy. Thank you.

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

Now, the questions related to merger acquisitions. I think, first of all, I want to lay out some context. I think as you probably know, that the Chindata business model or business growth is quite different from the rest of our peers. Our business model on growth is primarily through organic growth on greenfield development projects. And we believe this gives us a huge advantage and will keep providing this advantage in the future on a sustainable basis in terms of efficiency, in terms of cost and in terms of the power, and other relevant IDC infrastructure integrations. This is why you see that our financial performance in terms of the operating results in terms of project IRR or ROIC, whatever metrics you're talking about is pretty good. It's actually better than the industry average for sure. Having said that, we also keep this merger acquisition as the good alternative, but not core. And we also keep a very close eye on what happens in the marketplace. But so far, this quarter, second quarter compared to the previous quarter, we have not observed a significant pickup of merger acquisition activities.

Therefore, the price based on our observation, has not changed compared to a quarter ago. For the previously mentioned merger acquisition cases, we are still working on them, and we have also made some further progresses. Hopefully, I will have more to tell you next time. On CD, on the issue of CD being the potential acquisition target, I don't -- to be honest, I don't think the management here, anybody here in the position can be in a position to comment a lot. But we all think that given the company's strong fundamentals and prospects, we believe our stock price is way undervalued, and a lot of the market participants and players are holding the same deal. And also, we heard that there have been quite a few speculative interest in Chindata, in cooperation, in merger acquisition or whatever. But I don't have knowledge at the moment about any material development out of these speculative interests. But we will do the proper material disclosure when they become material. Thank you.

Operator

The next question comes from line of Yang Liu from Morgan Stanley.

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

(foreign language) We noticed that in a news report talking about the Datong campus, Chindata will build some new energy of solar or wind farm. Could the management update us in terms of what is the format for doing this? Is this in of a JV or build the farm yourself? And what is the related CapEx for that?

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

Thank you, Lui. I'm going to refer to Mr. Wu Huepeng to answer questions on Datong again.

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

(foreign language).

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

[Interpreted] So on the green power generation and that development focus, that's actually in line with our consistent wind power development strategy for our group. For this specific Datong project, we're actually going to focus on collaboration with our partners on the ecological power development. We will be the consumption side, particularly in this project. We are not going to make excessive fixed asset investment into this project, but we will focus on bridging the government and utilize our local resources for the future collaboration.

Operator

The next questions come from the line of Tina Hou from Goldman Sachs.

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

(foreign language) Let me translate for myself. So we saw that the X-Cooling technology, obviously, is going to be very energy efficient in bringing down the PUE below 1.1. So just wondering, have you done any analysis, the full life cycle analysis of adopting this X-Cooling technology? On the one hand, we think it's going to save the electricity expense. But on the other hand, it might be more expensive than some of the traditional or existing cooling equipment. So just wondering if you have any plans to adopt the technology on a large scale going forward.

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

Thank you, Tina. Yes, I can answer those questions. I think first of all, I think this kind of technology, when we do the internal research and development we actually always find the balance between the cost, the CapEx cost, and also saving on the potential operating costs. I can tell you that on this technology, the balance is very, very good. So there won't be a significant pickup of the cost, if not a reduction. That's number one. Number 2, I think it will save the power consumption in the future. But most importantly, it's also going to save the water.

So in the regions we operate, especially in north part of China, I think the water consumption is also closely monitored by the government and relative agencies. So with this technology, we can save tons of water, which actually further provide our expandability and scale up potentials in the future. And so one minor thing I want to correct you is that previously, I think we always communicated that our corporate-wide or company-wide average PUE number has been standing at 1.21, not 1.24. 1.21 is our number. And it's actually, we think it's an industry-leading position. And moving forward, with this technology applied in more places and more projects, we anticipate this number going further down.

Operator

As there are no further questions at this time, ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may now disconnect your lines. Thank you, and have a good day.

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

Thank you, everyone. Thank you for your time.