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PRESENTATION

Operator

Good morning, and good evening, ladies and gentlemen. Thank you, and welcome to Chindata Group Holdings Limited Third Quarter 2020 Earnings Conference Call. (Operator Instructions) 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, Jason. Hello, everyone. Welcome to Chindata's Third Quarter 2020 Earnings Conference Call. I'm Joy. 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 operation 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 to safe harbor. Some of the statements that we're making today regarding our business, operations and financial performances, 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 as well as in our Form 6-K for the quarter ended September 30, 2020, which has already been filed with the SEC today.

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 due, I will now turn over the call to Nick.

Nick Wang *Chindata Group Holdings Limited - CFO*

[Interpreted]

Thank you, Joy. Let's turn to Slide 1. Hello, everyone. Thank you for joining our first earnings call as a public company. After a successful listing on the NASDAQ, we are truly grateful for both the public attention and the investor endorsements that we have received as a result of our achievement to date. Going forward, we plan to utilize the resources obtained through our IPO, to further expand our coverage in Asia Pacific emerging markets, including China, India and Southeast Asia.

Slide 4. Now turning to our operation highlights for the third quarter of 2020. We delivered strong results in the period as we continued to expand our capacity and grow our revenues. In terms of the capacity in-service, we had a total of 11 in-service data centers in both China and Malaysia combined, accounting for 248 megawatts in total IT capacity, and 88% of which has been contractually committed for our clients.

Meanwhile, we also had a total of 9 data centers under construction in China, India and Malaysia, accounting for 226 megawatts in total

IT capacity and 69% of which has been contractually committed by our clients.

As we strongly believe, we are in the business of converting electric power efficiently to computing power. We choose to measure our business scale in IT megawatts. Therefore, a very good indicator to our operational performance is our periodic power consumption figures. And in line with the solid ramping up of our capacity utilization, our year-to-date power consumption reached approximately 720 million-kilowatts hour. As a note to power efficiency, our year-to-date average PUE was 1.22, which will be slightly higher than our annual PUE due to the seasonal effect.

Our solid in-house design and R&D capabilities are one of the good drivers of our effective cost management. On the patent front, we currently hold 194 approved patents and pending patents, further illustrating the growing strengths of our industry IP, and in-house product and technology development capability.

As a result of our cost management efforts, our average construction cost per megawatt of all in-service data centers was less than USD 3 million.

Slide 5. Slide 5 maps out our key quarterly achievements. In China, we received a 10-year contract for the entire data center of China North 11, for which we previously received a 103-megawatt indication of interest capacity or IOI capacity in the second quarter. This contract was from one of our existing anchor tenants, who is an AI technology leader, and it demonstrates solid recognition to our services and a strong, continuous client and demand with certainty.

We also successfully delivered contracted facilities in 3 of our data centers simultaneously, and on-time to another of our anchor tenant, a leading international cloud service provider in this quarter. With the COVID situation, earlier this year, we are very proud of this timely, concurrent 3-site delivery, and we have built a stronger and more capable team through this process.

In Malaysia, we've received a definite interest of 16.35 megawatts for our Malaysia facilities, 8 megawatts of which is expansion of our existing MY0102 campus and another 8.35 megawatts as an interest in our new MY03 facility. In connection with this definite interest, we started our construction of MY03 facility in this quarter, which is a data center located in Kuala Lumpur area, and has a design IT capacity of 16 megawatts.

For India, I'd like to recap, the 10-megawatts capacity contracted yet another international cloud service provider. Thanks to our dedicated local team our construction is back on track despite a severe impact of the epidemic hit in Mumbai.

Now Slide 6. Slide 6 shows a very important table. This table gives a comprehensive overview of the business and operational performance for our key data center assets, and we will continuously update this table with new quarterly inflow for assets in service and assets under construction. We made good progress in terms of capacity expansion this quarter. We completed construction of 2 owned hyperscale data centers in China and put them into service. In line with our expansion efforts, we also broke ground on the construction of 3 new data centers in China and Malaysia this quarter.

Now let's have a closer look. The 2 newly delivered data center, namely CN08 and CN10, adding a total of 50.3 megawatts IT capacity to our larger IDC network. As a result of our market knowledge, industry experience and decision to locate both data centers in strategically viable locations, the delivery of both data centers have proven to be quite robust, with 88% of CN08 IT capacity contracted and 12% of it under IOI orders as well as 95% of CN10's total IT capacity already under contract.

Beyond this, among the new under construction data centers, CN12 is another annex building on the same campus standing next to CN10, built to suit the possible need for capacity expansion. 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 part of China. Our new Malaysia data center beginning construction this quarter, MY03, located in Kuala Lumpur, has a designed IT capacity of 16 megawatts. All 3 newly under construction data centers total up to 41 megawatts.

Now diving deeper into our operating performance. We improved the utilization ratio of our data centers. The utilized IT capacity of our in-service data centers grew from 142 megawatts by the end of last quarter to 175 megawatts by the end of this quarter. In the future, as these data centers are gradually delivered and utilized, they will also provide us with additional revenue contribution.

Now turn to Slide 7, on company strategy. Moving on to our current development strategy, which is built upon our core capabilities, we remain focused on augmenting our capabilities in comprehensive site development, integrated energy service and equipment manufacturing. Such concentrated efforts were highly successful, enabling us to expand rapidly, while also implementing excellent cost controls to balance both the size and quality of our development. Furthermore, if the market dynamic change and our existing and new customers demand more diversified and more customized solutions, we can be fully ready to take whatever demand based on these in-house capabilities, and before everybody else can.

Slide 8, comprehensive development capabilities. As an industry leader in Asia Pacific emerging markets, we place a strong emphasis on the cultivation of our comprehensive site development capabilities. The core of which is made up of our independent planning, design and construction management. Topping with land resources, this team is able to effectively execute IDC projects and the navigate road blocks to ensure their on-time delivery. As a result, we are able to deliver additional capacities, while maintaining low construction costs and swiftly respond to our customers' expansion demands.

Our average construction cost per megawatt for all in-service data centers was below USD 3 million. Further, in this quarter, one of our sizable self-built substation went into operation. It can support 210 megawatts capacity, and it is considered the largest self-built substation that is dedicated for data center campus in China.

To further strengthen our in-house design team, we acquired a design house to further enhance our design and development capabilities in this quarter. Leveraging this design house, we would be able to turn our internal design capabilities into an integrated design service to our clients.

Slide 9, comprehensive energy service capabilities. We are also extremely focused on bolstering our comprehensive energy service capabilities, which enables us to utilize different source of energy in a highly efficient manner. During the first 9 months of 2020, as a result of our end-to-end one-stop service model, our data centers power consumption demand remains both stable and high, while the rapid growth of our IT capacity utilization increased our total power consumption to 720 million kilowatt hour by the end of September. As a result of these attributes, as a company, our rate of power consumption is considered to be very reliable in each of the locations where we operate.

We are also very involved in the promotion, development and implementation of power trading mechanism in the local markets in which we operate. We believe that this mechanism hold not only the power to help reduce friction and promote clean energy usage throughout a regional power market, but also augment our own economy of scale in terms of power costs. We have also made significant advances in our development of sustainable growth strategies, integrating more renewable energies into our operations to upgrade, both our power efficiency and power cost advantages. As a result, during the first 9 months of 2020, our total power consumption from renewable sources was 361 million kilowatt hour. Moving forward, we will continuously balance the mix of renewable energy usage with our ongoing efforts to reduce the total cost of power. And taking our year-to-date utility costs and the total power consumption of the same period, our group average power charge is approximately RMB 0.47 per kilowatt hour, net of tax.

Slide 10, equipment manufacturing capabilities. Our equipment manufacturing capabilities continue to serve as a cornerstone of our overarching operational strategy.

As of September 30, this year, we had acquired a total of 194 approved and pending patents to further optimize our design to better leverage our ODM model and continuously lower our equipment costs. Among the new 14 patents acquired this quarter, I'd like to highlight 3 of them, which will play a key role in building a large-scale AI computing cluster, which is a demand we saw in some of our clients and potential clients.

The first is the indirect evaporative cooling frozen water unit. It is our proprietary technology, first, to be adopted on a large-scale commercial use in China, effectively increased the tolerable water temperature and drastically reduced the total annual cooling time. In turn, it can help with further decrease the PUE number.

The second one is the new generation terminal ultra-density precision refrigeration unit or as we call it, the wind wall. It can support cabinets of a maximum IT density of 40 kilowatts or 60U. This intellectual property further solidifies our industry-leading position in high-density cabinet support. As of today, we have deployed the wind wall to support a total of 11 megawatts high-density cabinets.

The third one is the new generation terminal precision distribution unit, or as we call it the mini busbar. It can support cabinets with different power density with low cost and fast wiring, while also making the maintenance work simpler and more reliable.

Now with that, we'll conclude our review of our operation results for the quarter. I will now turn over the call to my colleague, Zoe, to go over our key financial results for the third quarter of 2020. Zoe?

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

Thank you. Nick. Please turn to Slide 12. In Q3, our total revenue grew by 11.8% to RMB 467.5 million from RMB 418.1 million in Q2. This increase was primarily driven by the robust growth of utilized capacity in Q3, from 141.5 megawatts to 174.8 megawatts, which includes organic growth of 30 megawatts from previous in-service data centers and 3.3 megawatts from new in-service data centers.

As you can see from the bar chart, on the right-hand side, our revenue has grown 64.5% compared with the same quarter of last year.

Slide 13 and 14 illustrates quarterly expenses and margins trend. In line with business expansion and revenue growth, total cost of revenues increased by 10.3% this quarter, mainly driven by the increase in utility costs, which was 14.8% higher than in Q2 2020.

Nonetheless, as you can see, by turning to Slide 14, we were able to sustain the improvement of our adjusted EBITDA and the margin due to the robust increase in total capacity utilization and healthy cost structure.

In Q3, our adjusted EBITDA reached RMB 228.0 million with significant margin expansion to approximately 48.8% compared with 33% in the same period of last year. In the long run, we plan to set industry operational standards to further improve our operational efficiency and cost competitiveness as we continue to deliver sustained profitability.

Turning to Slide 15. As we actively managed our capital efficiency and achieved great results in reducing our construction costs and shrinking our delivery time, CapEx in Q3 was around RMB 966 million. By September 30, 2020, total CapEx was around RMB 1.8 billion.

Slide 16. We have sufficient funding to sustain our future expansion and support the required capital expenditure. Thanks to RMB 446.8 billion of operating cash flow generated from the hyperscale data center business in the first 3 quarters of 2020. RMB 2.45 billion of equity financing from our private placement and part of concurrent private placement, and RMB $1.34 billion of project financing. Besides, to better illustrate the effect of the IPO and CPP transactions, which closed on October 2, on the company's cash balance, this graph includes an indicative graph demonstration at far right side. It shows net proceeds of around USD 620 million from IPO and CPP offering will be received and recorded in the company's Q4 financial results.

This concludes our financial results for the third quarter. I'll turn over back to Alex and Nick to give you a 2020 full year financial guidance, and we are happy to take questions afterwards.

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

[Interpreted]

Thank you. Zoe. Let's turn to Slide 17. Finishing on -- Slide 18. As we look ahead to full year 2020, we expect our total revenue range from RMB 1.770 billion to RMB 1.790 billion, and adjusted EBITDA to be in the range from RMB 830 million to RMB 850 million. This forecast reflects our current and preliminary views on the market and operational conditions, which are subject to change.

For future, we are going to maintain our commitment towards helping leading enterprises manage their core assets in emerging markets and continue to consolidate our core capabilities to become an industry leader for both IDC solution as well as environmental and social responsibility.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from Yang Liu from Morgan Stanley.

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

The first one, I would like to understand a little bit in terms of the maintenance costs. I saw that in the past few quarters that the maintenance cost actually is coming down despite the revenue on a faster rising track. Could management elaborate more about the reason behind that and the outlook in term of the maintenance cost?

The second thing that we saw this -- in this quarter, company delivered almost 50 megawatt new capacity, around 1/5 of the total capacity in-service. Should we expect a little bit margin dip going into the fourth quarter, given the concentrated new capacity delivery? Yes, whether this new capacity will dilute overall margin a little bit?

The third question is on the competition side. We know that in the surrounding areas of Tier 1 markets, including, Huailai et cetera, lots of the peers or even customers going there. Could you please update us in term of the demand supply dynamics in those places, both in front of your customers and in front of the government, et cetera, under key resources?

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

Thank you, Liu Yang for the question. I think for the first question, my colleague, Zoe is very happy to answer that. We're going to cover the second question about your margin questions. And I think our CEO, Alex Ju is here to answer the questions about competition.

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

Okay. Maintenance and others include both maintenance costs and other costs. Maintenance costs increased around 40%, though it enjoys great benefits of economies of scales. For example, in Q3, our newly delivered 2 data centers are in our existing strategic sites. Other costs dropped for 2 reasons. First one is because certain business, typically with lower margins, such as feet out or integrated cabling are generally upon customers specific request from time to time and not periodically occur. This year, so far, it is less happened.

Second reason is legacy retail business. It is in the shrinking plan as more and more retail customers migrated to cloud. And the corresponding business, which accounts for a very, very small portion of our business, whose margin is also relatively low, and also its corresponding cost also declined. This is in line with our hyperscale full stack service strategy.

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

[Interpreted]

I think your question -- the second question about the EBITDA margin. I think I'm going to start with the composition of the EBITDA margin. It's really the whatever the EBITDA -- adjusted EBITDA numbers absolutely -- number you've got and divided by the revenue figures, and this actually -- ratio is pretty much driven by the utilization. But I keep getting a question about utilization rate, EBITDA margin rate. But if you do the -- if you look at a simple math, utilization rate is actually determined by utilized capacity and being divided by total delivery capacity at any given time.

As we schedule to deliver some very big capacity, all right, around the year-end, our 2020 year-end percentage-based utilization rate could vary. Therefore, we believe the most accurate, I think, the way to describe our business is actually the absolute utilized capacity at year-end, which we expect to be in the neighborhood of 190 megawatts.

For EBITDA margin, you may refer -- maybe the best way for you is to refer our guidance on revenue and adjusted EBITDA numbers, as I described in PPT. And you can conclude with the whole year EBITDA margin figure as well as the Q4 EBITDA margin figures. Again, I want to emphasize, as we plan to deliver some big new capacities right around the year-end, and it will take some time for these capacities to ramp up.

So yes, the percentage-based utilization rate and EBITDA margin will be slightly impacted by year-end compared to what we have now. But in absolute terms, in total megawatts and in total RMB amounts, we are quite comfortable with the current guidance range about year-end figures. As the current ramp up for in-service capacity and construction programs for our new projects have somewhat exceeded -- already exceeded our previous expectations, a couple of months ago.

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

This is Joy. If you could repeat your third question before I translate it to our CEO, Alex.

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

(foreign language)

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

[Interpreted]

Now I will provide the translation for Alex, please. So for the market competition question, we do notice that with China's national policy promoting the new infrastructure as well as the COVID and capital market heat, it is true that the overall IDC market supply increased sharply this year.

However, we believe the supply of the IDC services that focus on the authentic needs of the customers or the quality supply statistic in our consideration is still far short of the market demand.

The authentic need of the customers -- the real market size, as they will keep on focusing on the authentic need of the customers, solving the key difficulties of the industry and solidify our core capability.

We will deal with the competition by holding back our strategy and carry through our execution with consistent high standards. Thank you.

Operator

(Operator Instructions)

Your next question comes from Tina Hou from Goldman Sachs.

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

(foreign language)

Congrats on your third quarter results as well as very solid 2020 guidance. So my first question is in terms of customer acquisition, which is also an area that a lot of investors are focused on. So from our presentation today, I noticed that we have acquired a new customer in India market, if I'm not mistaken. But what about our domestic China market because this is where our data center pipeline is going to be? What is our plan in terms of new customer acquisition over the next 3 to 5 years?

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

[Interpreted]

Okay. I'll translate Alex's answer into English. So this question is being greatly focused and a lot of people have asked this question. And our answer is pretty simple. Following our IPO, Chindata's reputation and the market image has been greatly strengthened. We have been proactively approaching all the industry leaders with extensive cooperation plans. For Chindata, we believe that client diversification is eventually a very natural outcome. So we thank you for all attention, and we would like you to focus your attention continuously and keep on following our progress.

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

(foreign language)

So I'll translate the second question. So recently, there are news in the market that some of the cloud service providers are going to do more in-house data centers versus outsourcing.

So in terms of both the carrier neutral data center operators as well as Chindata as a company, what kind of impact do you think this may have on both the market as well as the company?

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

[Interpreted]

I'll do the translation for Alex's comments. So for this question, we believe that in the digital age, IDC is a good representative of the new infrastructure concept. This is a knowledge that's commonly agreed upon. In its inherent nature, infrastructure should be open to the general public and bring the general welfare through the society. In other words, self-constructed or outsourced to also the third-party professionals, infrastructure facilities should maintain and share their important characteristics, including universality, reliability, safeness and cost effectiveness.

The latter 3 measures are especially important that the infrastructure must be safe, reliable and cheap enough. At the same time, recently, as the enterprises with strong R&D capabilities and good business model integrate the Chinese internet demographic dividend as well as made in China and intelligent manufacturing in China cost advantage. We can see that the infrastructure industry has enhanced its competitive advantages, and China's digital economy has experienced a sizable growth, leading the world economy on this asset. This is the process of restructuring the value chain. So to sum up, for Chindata, we will continuously focusing our strategy to provide quality infrastructure, do difficult but right things and to support the digital leaders. The fact that the internet giants start to build their own in-house data centers for us is a piece of good win.

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

(foreign language)

So my third question is in terms of pricing because Alex just mentioned that as an infrastructure service, it should be, cheap to some extent, and so I actually observed that Chindata's pricing is relatively higher versus other third-party data centers in similar locations.

So do you think as -- any potential pricing pressure going forward? Or we're actually providing some very different and unique type of services? And as a result of that, can maintain our pricing premium very well?

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

[Interpreted]

I will translate Alex remarks now. So we would like to clarify that based on our information as the knowledge, our hyperscale business model has made our price the most competitive pricing benchmark in the markets that we operate.

To better answer your question on the pricing, I think you need to have a deeper understanding to the IDC products in the industry. Even the price among peers in the same geographic location seems similar, the underlying products and services might be very different.

Our price factors in our full stack professional services, which including, but not limited to power supply, the power grid connection, interconnection, municipal construction works, equipment development, civil engineering and construction, fit-out construction, infrastructure services, IT services, network maintenance, property management and service, et cetera.

I will also want to stress the fact that a great majority of our facilities are self-owned. So we provide aforementioned services by our own. Some of our peers may only provide part of these services or outsource their services to third party.

So there will be price pressures and the scope of services covered may also defer. Also, we'd like to emphasize that the centralized, standardized and modular operation model of Chindata itself has propelled the optimization of our resource advantages from a regional planning perspective, which including the green power transmission and utilization.

And this model also offers strong R&D and operation improvements, and which made us constantly trying to create the best PUE performance in our industry. So this is one of the key reasons of our increasingly better investment returns as well as the reason behind our decreasing cost for ourselves, and also in turn for our clients.

And lastly, we want to stress that our increasingly better improving investment returns, just not necessarily equals to we charge a higher price to our clients so vice versa. Thank you.

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

(foreign language)

So my last question is that I noticed that we disclosed the power usage for the first 9 months of the year, instead of disclosing the number of cabinets or the area utilized as some of the other peers in the market.

So I was wondering why would you choose this power usage -- as the KPI for you guys to disclose? And then also, is there any like stable relationship between power usage amount and revenue as well as EBITDA going forward?

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

[Interpreted]

I'll translate Alex's remarks. As you can see, we are the only enterprise -- only company in China that disclosed our IT capacity megawatts, disclosed our power consumption and our average utility costs. And we will do the same continuously, do the same going forward.

Why we're doing this is because it goes to the core of this industry. The total power usage, in particular, is the most important number to measure the real size of an IDC business.

It can support a more accurate analysis on whether the utilization rate is healthy, whether the revenue and costs are reasonable et cetera. It certainly measures better than the floor area and the number of cabinets. As to your question about whether if it will have any correlation to our financials? It definitely will have. So if you will see any fluctuations in our financial numbers, that will also be linked in the positive correlation to the power numbers as well.

We also would like to draw your attention to our disclosure of our green power usage number because of the scale and importance. The IDC industry has become a critical participant in responding to the global climate change problem.

In turn, the responsibilities and capabilities of an IDC company are constantly evolving. While the entire world is making efforts on carbon neutralization for the long-term commercial value and out of the sense of social responsibility, Chindata is committed to grow its green power usage going forward.

Operator

In due of time, we'll pick the last question. Your last question comes from Arthur Lai from Citi Research.

Arthur Lai ***CITI Research***

(foreign language)

Congrats you delivered very strong result and EBITDA margin of 49%. I just wonder, can you provide more color on the investment cost per megawatt and -- by the equipment and by land? And give us more deeper sense about how your cost structure? How are you different from your peers?

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

So I'll cover the question regarding construction cost CapEx and Nick will supplement on the remaining sectors. Our construction cost per megawatt for all in service data centers is -- is less than USD 3 million. It's a very competitive number. This includes shell and building, mechanical equipment and the substation cost but excludes land acquisition costs as the industry practice, land cost varies in different countries and regions. For most of our hyeperscale data centers we own the land and act as property owners. Generally speaking, mechanical & equipment cost accounts for around 70% to 80% of the total CapEx.

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

I think for the rest of the questions, your question about our -- the forward-looking CapEx number and also the business outlook. First of all, on the CapEx. This year -- we used to have a full year budget of anywhere from RMB 3.5 billion to RMB 3.6 billion on CapEx, a majority of which is for those capacities already in service, and those capacities are currently under construction, as I just introduced you in our presentation.

Therefore, if you do the math, you may see that we may incur from RMB 1.7 billion to RMB 1.8 billion of CapEx in Q4. But nonetheless, there is also a chance that a portion of this Q4 CapEx may be carried over to Q1 of 2021. And for 2021 full year CapEx, we expect it to be slightly higher than 2020, if we only talk about green field projects and capability-related -- capability building related, but not merger & acquisition-related, okay?

And in terms of the key driver of our revenue and in turn the future adjusted EBITDA, the utilized -- the total delivery and utilized capacity is a very important figure to track. So to give you some more reference, we estimate and we expect the year-end 2021 utilized capacity will be in the range of 270 to 290 megawatts. And I think after we formulate the overall budget plan for next year, we can give you a more accurate figure later.

Again, you asked a question about how we are able to accomplish a good -- solid Q3 performance. I think the answer is twofold. Number one is a solid execution and an even faster execution than we expected. Even under the COVID-19 situation, I think the team here work effort and put every effort in working 24 hours a day, 7 days a week, to ramp up the construction speed.

That actually allow us to deliver our project on time to -- and maybe a little bit earlier to our anchor customers, and also the ramping up of our capacities is faster than we originally expected. It's probably partially driven by our customer expectations and partially driven by our ability to secure the resource may allow -- which allows the pattern possible.

So the second thing is actually the -- we keep gathering new incremental orders from our customers, and this is going to be built into our future revenue contribution as well as adjusted EBITDA contribution, which is likely to happen in Q3 and potentially Q4 this year.

Arthur Lai ***CITI Research***

(foreign language)

And I would like to translate my question. So you just mentioned that our Chinese industry has a very cost-effective infrastructure. So I wonder how much percentage we have already utilized? It's already in our number? Or it's just the beginning of the cliff?

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

[Interpreted]

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

One thing I want to add is that as a complement to your previous questions, I think the other -- the major elements of why Chindata can take a little bit the competitive edge over the industry average is our capability to control the cost. Not only the CapEx cost, as my colleague Zoe just mentioned, but our ability to secure chief operating related costs, like utility, power and also the other resources. That's how we got the key advantage over the peers.

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

Okay, I will certainly end with translation of what Alex just said. So this is a very difficult question to answer. While Nick has already answered your question regarding the CapEx and have presented our very efficient and very leading CapEx usage, we do have a very positive thinking about -- more about our further development in manufacturing of our equipment.

What you have provided about the intellectual manufacturer is part of the reason that is driving us to give this thought. We do want to do more modularity design of our equipment and revolutionize the entire manufacturing stream line.

We want to reduce the cost as much as possible and have our clients to enjoy the benefit of what they see, it's what they get. In this sense, we do also initiate some communications with manufacturers overseas. But at this stage, I cannot give you the full answer as we haven't fully implement what we want to do and what we plan to do. So thank you for your question, and we would welcome and encourage your continuous attention to our further programs. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

[Statements in English on this transcript were spoken by an interpreter present on the live call.]
