



1 Q3 2020 Earnings Conference Call

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14 **Operator**

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16 Good day, ladies and gentlemen, and thank you for standing by.
17 Welcome to the Xinyuan Real Estate Company Third Quarter 2020
18 Earnings Conference Call. Currently, all participants are in a listen-
19 only mode. Later, we will conduct a question-and-answer session and
20 instructions will follow at that time. As a reminder, we are recording
21 today's call. If you have any objections, you may disconnect at this
22 time.

23
24 I will now hand the call over to Julia Qian, Managing Director of The
25 Blueshirt Group Asia, Ms. Qian please proceed.

26
27 **Julia Qian– The Blueshirt Group Asia**

28
29 Hello, everyone. Thank you all for joining us on today's conference
30 call to discuss Xinyuan Real Estate Company's financial results for the
31 third quarter of 2020. We released the result early today. The press
32 release is available on the company's website, as well as from the
33 Newswire services.

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35 On the call with me today are Mr. Zhang Yong, Chairman and Chief
36 Executive Officer; Mr. Brian Chen, Chief Financial Officer; and Mr.



37 Zhang Hongwu, President. Mr. Zhang Yong will deliver opening
38 remarks and then Mr. Brian Chen will provide additional details on the
39 company's financial results and outlook.

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41 Before we continue, please note that today's discussion will contain
42 forward-looking statements made under Safe Harbor provisions of the
43 U.S. Private Securities Litigation Reform Act of 1995. Forward-
44 looking statements involve inherent risks and uncertainties. As such,
45 the company's actual results may be materially different from
46 expectations expressed today. Further information regarding these and
47 other risks and uncertainties is included in the company's public filing
48 with the SEC. The company does not assume any obligation to update
49 any forward-looking statements, except as required under applicable
50 law.

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52 With that, let me now turn the call over to our Chairman and CEO, Mr.
53 Zhang Yong. Please go ahead, Mr. Zhang.

54

55 **Mr. Yong Zhang- Chairman and CEO**

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57 Thank you, Julia, and hello, everyone. Thank you for joining our third
58 quarter of 2020 earnings conference call. Xinyuan delivered a strong
59 quarter, thanks to rapid economic recovery, effective control of
60 pandemic, resumed demand in real estate residential sector. We are
61 pleased that several major projects started pre-sales in Q3, resulting in
62 recovery from top-line to bottom-line. We also made encouraging
63 progress on projects in Beijing and Xi'an, which are planned to
64 launch in the fourth quarter. Generally speaking, we are seeking to
65 our project launching plan for 2020, unlocking substantial volume of
66 high-quality residential units in top-tier cities that we have
67 accumulated in the past years with sufficient salable results on hand.
68 Xinyuan is more capable of withstanding market fluctuations and
69 seizing business opportunities.

70

71 On our financial health, it remains our endeavor to further optimize
72 our balance sheet. With the recovery of cash collection and active

73 debt management, our [short-term] debt at the end of Q3 was covered
74 by the cash on hand. In the future, we will still be very careful on
75 balancing the growth as well as maintaining the financial health. We
76 had a solid recovery in Q3, as we strive to manage our financial
77 position prudently. The dividend for this quarter will be the same as
78 the previous quarter. We are proud of our persistence of paying
79 dividends for the past several years.

80

81 With that, I will now turn the call over to our CFO, Brian Chen, who
82 will offer more details on our financial performance. Brian, please go
83 ahead.

84

85 **Brian Chen – Chief Financial Officer**

86

87 Thank you, Chairman. Good morning, everyone, and thank you all for
88 joining the call. We hope you had a great Thanksgiving holidays and
89 hope that all you and your family members are safe and healthy
90 during these challenging times. As some of you already know,
91 Chinese Government already effectively controlled its COVID-19
92 pandemic. So consumer demand is actually recovering rapidly. As
93 planned, this quarter, we launched pre-sales at several major projects
94 in Zhengzhou and Qingdao, namely Lingshan Bay Dragon Seal
95 project; and Xinyuan Palace, the first project. Due to strong consumer
96 demand and recovery of construction and investment, we generated
97 \$655 million of revenue, 130.5% sequential increase. Our bottom-line
98 was equally impressive. We generated net income of \$29.5 million, a
99 \$59.6 million sequential improvement.

100

101 A top priority for us is to optimize our balance sheet and capital
102 structure for growth. In July, we successfully completed HK\$127
103 million worth of the follow-on offering for our Property Management
104 company listed in Hong Kong. After completion of the offering,
105 Xinyuan now owns 54.55% of the Property Management company. In
106 July and August, we issued in aggregate RMB514.5 million senior
107 notes due 2022, listed on Singapore Exchange. Then, in September,
108 we issued another RMB300 million senior notes due in 2023, also

109 listed in Singapore. Finally, in November, we issued another
110 RMB900 million of corporate bonds, which are listed on Shanghai
111 Exchange. This series of equity and debt restructuring brings down
112 our short-term debt to 37% of total debt, an improvement from 46% at
113 the start of the year. We now have \$1.25 billion of cash on hand to
114 accelerate business development, and drive continuous growth.

115
116 Next, let me go through the key financials in this quarter. Revenue
117 from this quarter was \$655.4 million, up 130.5% over year and 31.7%
118 sequentially. Gross profit for the third quarter was \$105 million
119 compared to a loss of the \$19.2 million in the second quarter of 2020.

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121 SG&A expense were \$57.9 million, up a bit from the \$51.4 million in
122 the second quarter. The increase was due to sales and marketing
123 spending, which supported rapid revenue growth. Net income was
124 \$29.5 million compared to a net loss of \$30.1 million in the second
125 quarter. Net margin was 4.5% compared to a negative 10.6% in the
126 prior quarter.

127
128 Now, let's look at the balance sheet. Through the debt optimization,
129 which I covered earlier, our cash and restricted cash rose US\$252.2
130 million to over US\$1.25 billion. This solid liquidity position enables
131 us to accelerate growth, meet debt obligations and pay dividends to
132 our investors. Furthermore, total projects on our balance sheet are
133 now \$3.2 billion. This consists of real estate properties under
134 development of \$2.6 billion and completed real estate projects of
135 \$657 million. Our total debt of \$3.4 billion, short-term component
136 was \$1.3 billion and the long-term was \$2.1 billion.

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138 With our large cash balance, and multi-billion dollar property
139 pipeline, we are highly confident that we can sustain growth for years
140 to come. We remain optimistic and positive for the balance of 2020.
141 But in light of the future uncertainty related to the COVID-19
142 development and economical fluctuation as well as the government
143 restriction on the real estate industry, we expect contract sales at
144 around RMB18 billion for the whole year of 2020.

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146 With that, let's open the call for questions. Operator, please go ahead.

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148

149 **Question-and-Answer Session**

150

151 **Operator**

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153 Thank you. Seeing no more questions in the queue, let me turn the call
154 back to Brian for closing remarks.

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156 **Brian Chen – CFO**

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158 Thank you, operator and thank you all for participating on today's call
159 and thank you for your support. We appreciate your interest and look
160 forward to reporting to you again next quarter on our progress.

161

162 **Operator**

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164 Thank you all again. This concludes the call. You may now disconnect.