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Q4 2019 Xinyuan Real Estate Co Ltd Earnings Call

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Linlin Qian *The Blueshirt Group, LLC - MD*

PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you for standing by, and welcome to the Xinyuan Real Estate Co., Ltd. Fourth Quarter 2019 Earnings Conference Call. (Operator Instructions) As a reminder, we are recording today's call. If you have any objections, you may disconnect at this time.

Now I'll turn the call over to Julia Qian, Managing Director of The Blueshirt Group Asia. Ms. Qian, please proceed.

Linlin Qian ***The Blueshirt Group, LLC - MD***

Hello, everyone. Thank you all for joining us on today's conference call to discuss Xinyuan Real Estate Company's financial results for the fourth quarter and the full year of 2019. We've released the result early today. The press release is available on the company's website as well as from Newswire Services.

Before we continue, please note that today's discussion will contain forward-looking statements made under safe harbor provision of the U.S. Private Securities Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, the company's actual results may be materially different from expectations expressed today. Further information regarding this and other risks and uncertainties is included in the company's public filings with the SEC. The company does not assume any obligation to update any forward-looking statement except as required under applicable law.

On the call with me are Mr. Zhang Yong, Chairman and Chief Executive Officer; Mr Li Shangrong, President; Mr. (inaudible), Vice President, and Mr. Brian Chen, Chief Financial Officer. Mr. Zhang will make comments on business results and strategies. Brain Chen will provide additional detail on the company's financial results and outlook. Mr. Zhang, please go ahead.

Yong Zhang ***Xinyuan Real Estate Co., Ltd. - Co-Founder, Chairman & CEO***

Thank you, Julia, and hello, everyone. Thank you for joining our fourth quarter and full year 2019 earnings conference call.

In 2019, China's housing market stabilized in both of volume of build and sales prices. This was due to consistent regulatory effort by the central authorities and the local government to curb property speculation. We view this as healthy development and support the government effort. We believe both customers and developers are better off to have both prices and new construction reflect real underlying demand.

In that regard, we are still bullish on the long-term growth prospects in China. We believe the economy, the regional economics will continue to grow robustly moving more and more families into the middle class. Similarly, we see the best economic opportunity for people in large cities. So urbanization should continue. Despite the massive migration to cities over the past decades, less than 60% of the population lives in the cities. We expect that proportion to grow up to 70% in the next 5 to 10 years. The mega-cities like Beijing, Shanghai, Guangzhou and Shenzhen are already extremely expensive. So we think urban migration will shift to other large but less expensive cities. We are positioned to capitalize on this trend with our focus on high-quality homes in Tier 2 -- Tier 1 and Tier 2 cities. Our results in 2019 reflects a environment of good underlying trend, tempered by the effort to reduce speculative excess. Our 2019 full year revenue reached to $2.5 billion, up to 11.9% year-over-year. This was driven by higher GFA sales, which increased 7.1% to 1.14 million square meters from 1.07 million square meters in 2018.

In 2018 (sic) [2019], we also strengthened our capital structure. In October, we listed our property management business on Hong Kong

Exchange. In addition to monetizing that business and giving us additional capital to invest, it gives investors to reference for valuation.

Our confidence in our long-term outlook is reflected in our dividend. We again declared a dividend in the fourth quarter of $0.10 per ADS. The cash dividend will be paid on May 8 to shareholders of record as of April 17, 2020. We have been paying the dividend since 2011 and I am very pleased that we were able to continue this in this year. We are proud that our operating excellence and financial strength are recognized in our industry. For the 15th straight year, we were ranked in the Top 100 Chinese Real Estate Developers. This is important because it reinforces our industry status to potential customers, investors and partners. Equally important is our being named as Top 5 Innovative Chinese Real Estate Developer.

Integrating technology to improve our properties and services is a key differentiator that we expect to drive growth. So we are pleased that the industry recognized our success in this goal.

With that, please allow me to turn the call over to our CFO, Brian Chen. Brian, please go ahead.

Yu Chen *Xinyuan Real Estate Co., Ltd. - CFO*

Thank you, Mr. Zhang, and good day, everyone. Thank you for joining us on the call today.

I'm excited to be on this call. I have been on a recent trip to our New York office since early February. Being in New York has given me the opportunity to speak to many of our shareholders as well as analysts and other potential new investors. I want to thank our shareholders for your support, the interest in our company and your constructive feedback and suggestions. Since we went public in 2007, we have been developing a holistic real estate ecosystem, positioning to capitalize on industry trends. We are proud of the recognition we received for our success and are excited about our future.

As Mr. Zhang just mentioned, we finished 2019 with a solid result. This is not easy. Given our optimistic outlook, you should not be surprised that our level of development is still high and growing. At year-end, we actually had 1.9 million square meters of active projects and another 2.6 million square meters of projects in planning. We are filling the pipeline with these projects that will fuel our growth in 2020 and beyond.

The start of 2020 was challenging, as all of you know. Our industry was already grappling with a slowing economy and the regulatory efforts and then of course the virus hit. The Chinese government did an outstanding job in quickly bringing it under time control, saving countless lives in China. We applaud and fully support that effort. Of course, that means we needed to manage through a 6 to 8 week lockdown across our markets in China, like any of our peer developer in China. To fully support this virus effort, we closed all our sales offices and construction sites for the last 1.5 months. We acted quickly and switched to virtual work, including promoting online sales. Nevertheless, Q1 of 2020 results will be impacted to some extent by this national quarantine. But for us, Q1 is typically our slow season. The budget of Q1 only comprise of like 6% to 8% of all of the year budget. So at this moment, although we are expecting a relative modest impact from a whole year point of view, net income in this year should be similar to 2019. Recent sales trend in China support our optimism.

Even as the pandemic spreads globally, China actually appears now to have contained the spread. The new identified patients in China fell to double digits for this 1.4 billion population country. And we see business are reopening and consumer confidence and spending are gradually recovering. We see our sales rate recovering. However, as the virus now spreads globally, sales in U.S. and U.K. are being impacted to some, but to a lesser scale since that business comprises of only a small percentage of our overall budget.

As we look forward, we remain confident and optimistic. We entered this challenging period with a strong balance sheet and solid cash position. This enabled us to weather the storm like we were doing in the last 20 and 30 years. We will exit this period with equal financial strength and even stronger business operation. Our property development business is positioned to capitalize on the most compelling trends. We are augmenting our core development business with other auxiliary business, such as the property management service. We are very excited about the success we can achieve in 2020 and beyond.

Now me let go through the financial results. We are a long-cycle business with projects developed over years. So we measure our own progress on an annual basis. I will review our performance for the full year of 2019. And then later, we'll touch on Q4.

Revenue of 2019 is USD 2.5 billion. It's grown by almost 12% compared to the year before. Contract sales are down mid-single digit. But the GFA sales actually were up 7%.

As Mr. Zhang mentioned earlier, the government took action to reduce speculation in the real estate, softening -- softly impact the pricing in China. We actually applaud these actions since they will set up the industry for healthy and sustainable growth. We believe that the gross floor area, the GFA, growth actually demonstrates that the underlying demand remained solid. We continue to attract customers based on the quality of our properties, caring property management and innovative use of the technology.

Gross margin for the year was 22.6%, about 5 percent points lower than last year. It may look some -- down, but the decline actually was due to one of conservative adjustment due to the lower forecast of the future revenue of 3 projects and the upward adjustment of full cost of 2 projects. Xinyuan talking a very conservative approach on the profitability and the revenue on our project on a full cycle basis. We continue to do this for years. But with the external environment challenging, we're talking an even more conservative approach this quarter, which resulted in a one-off adjustment. Net impact of this adjustment is about USD 62 million. You adjust this, you set out this one-off adjustment, our gross margin is actually about 25%, which is comparable with the last 3 years average gross margin and reflects our solid foundation.

As always, we closely are managing the expense with estimate of $250 million. We actually reduced our SG&A as a percentage of revenue, down 80 basis points to 10.1%. We did cut down to 2020. We remain especially vigilant on expense control. As a matter of fact, just 2 weeks ago, we made another cut on our SG&A in our 2020 budget to remain precision operating to deal with the challenges. In the last month, I see a lot of concern and question about our higher tax rate, which kind of pressured our net income lower.

Our net income of the $83 million this year, which was down like 21%, primarily due to the tax rate pretty high this year again. To explain that, out of this overall income tax, compared to the peers, is -- there is some unique components for operators in China. Out of this overall income tax, about 45% actually driven by some -- a tax rate called land appreciation tax, which is part of the cost of doing real estate business in China. Only 55% are calculated actually based on the net income before tax. For the pure corporate income tax, the rate is at -- the effective tax rate was well under control at about 26% within China. It looks higher because we build up a dividend withhold tax provision for -- because our mainly revenue was earned in China. As a conservative regimen, we set up a provision year-over-year of 10% of dividend withholding tax on top of our corporate income tax. There is no cash impact for this dividend withholding tax allowance buildup.

Of course, another component driving up our corporate income tax on consolidated basis is because we have some overseas expense that cannot transfer back to China on the project to appreciate the tax deduction impact.

Now let me quickly touch on the fourth quarter. Revenue was down due to lower contract sales due to about 4 to 5 projects that did not launch the presales per our original schedule. The sales was -- has been postponed and moved into 2020. We expect that these sales can pick up in Q2 to Q3 in 2020. Gross margin decreased versus last year, again, due to that Q4 one-off conservative adjustment on the forecast of our project. If you factor out this adjustment, our gross margin for the quarter stayed at about 23%. As mentioned earlier, the year -- all the year is 25%. They are pretty healthy number comparing to the previous year and comparing to the peer company in China.

Now let's turn to the balance sheet. A hallmark of Xinyuan is our financial strength. Our strong balance sheet instills confidence for our customer, lender, suppliers and shareholder. At year-end, our cash was over USD 1.1 billion. This was a significant increase during the course of the year. We generate cash both from operating and the financing. For the whole year, we maintained a very positive cash inflow from the operating activity and actually used a majority of that net inflow to pay off our outstanding debt.

So on the liabilities side, debt of a little over $3 billion was fairly balanced between long-term of about $1.7 billion and the current debt of about $1.5 billion. For this current portion of the $1.5 billion, 25% of them are due in Q1. As at this point, we had already resettled those current debt in Q1, used the cash in our hand, including in March, you saw that we redeemed our $200 million coming due offshore senior notes. It's on schedule and in full. We took pride, great pride in meeting all of our financial obligations when they come due.

Underlying our confidence is how real estate works in China. Real estate property are often presold, with cash you can collect within 3 months from presales. We have over $3.3 billion of property under development and $0.5 billion projects completed, available for sales. That provides a huge pipeline of sales and cash collection. We have used the cash in part to reward our shareholders. As announced by Chairman, Mr. Zhang earlier, we continue to pay a quarterly dividend. We paid this quarterly dividend since 2011. For this quarter, we continue to pay a cash dividend of $0.10 ADS, which means that our overall profit attributable to shareholder, the payout ratio is about 47%, which is a very healthy percentage. It's consistently and comparable with the other Chinese peer real estate developer.

Furthermore, as of Q4 2019, the company has cumulatively repurchased around 1.3 million ADS. At this point, we had already buy back about 14.5% on our ADS. We will continue to do so based on the solid cash position and the confidence of the underlying ground, the essential ground of the company's operation.

Additionally, I just mentioned the listing of our property management company in Hong Kong that generates cash for us, but more importantly, enable us to highlight the quality of that business.

We hold the similar analyst call earlier this week. As of March 31, the company had a market cap of HKD 855 million or USD 112 million. The business goes well, and I would recommend you to look for the company trading code of 1895 and look and review the growth of the -- and the great financial performance.

As you know, we are a global company with aspiration to accelerate development outside our core market in China. We also made great progress in this effort in 2019. In U.S., we absolutely say, we sold 82% of the units in the Oosten project in Brooklyn. In Hudson Garden project, we increased the number of units we can sell from 82 to 92 and leased a majority part of the retail space to Target for 20 year time line. We are now marketing the project in China and -- both in China to the Chinese buyer and in U.S. to the local buyer.

At the RKO project in Flushing, Queens, we received approval for our landmark preservation plan, a key milestone for a project with important historical value. We had completed the managing -- the design work and plan to start the construction by the end of the 2020 or early next year.

In U.K., the Madison Project is on track with construction on plan and budget. We intended to complete work this year. We have sold about half of the units in Madison as of this point.

Looking forward, I thought to characterize the challenge in this space as we started the year. The first quarter will be impacted to some extent. But because it comprised of only about 7% of our full year budget, we think we can recover very likely 2% to 3% shortfall in the quarters to come. At this point, assuming the virus is under control and the world, at least in China, within Chinese borders, slowly return to normal, we anticipate a full year 2020 contract sales of about RMB 20 billion to RMB 22 billion. Consolidated net income will be around USD 80 million, which is similar to current year.

With that, let's open the call for questions. Mr. Zhang and I are available along with our President, Mr. Li; and VP Finance, Hongwu Zhang.

Operator, please proceed.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we will take our first question from [George Guo], who is a private investor.

Unidentified Participant

The first question is, how much impact from the listing cost in Hong Kong for this quarter?

Yu Chen ***Xinyuan Real Estate Co., Ltd. - CFO***

The listing cost, there are 2 components to it. One component is coming from the share-based compensation we do for this listing process. And the number is about -- give me a sec. The impact is about $1.7 million stock-based amortization -- compensation. And the other component, obviously, is about the listing cost. The listing cost is about 2 -- is about USD 3 million.

Unidentified Participant

Okay. Second question is, I noticed a large increase in cash position. How did you achieve that?

Yu Chen ***Xinyuan Real Estate Co., Ltd. - CFO***

For that increase of the position, on one hand, it is coming from the positive cash flow we created in Q4. For the -- to come to the exact amount, let me pull out the information. In Q4, our cash, we had about $457 million coming in -- the positive cash coming in for the quarter. That is the main reason. And at the same time, some of the gross inflow also coming from the financing activity. We -- to meet the debt due in the quarter, we have successfully raised about CNY 4.4 billion of debt, even though the net cash provided by the financing is actually a negative of the USD 53 million, but the financing helped. Overall, the cash increase in fourth quarter is USD 414 million.

Unidentified Participant

Okay. Last question for me is, can you clarify how you impact the gross margin? You said you took some charge. Can you explain that again?

Yu Chen ***Xinyuan Real Estate Co., Ltd. - CFO***

Sure. In this quarter, we used even more conservative approach to look at all of our projects, profitability and the overall cost. Bear in mind that we use the POC method to recognize our revenue and cost. So the POC recognition is depending on our estimate for the overall projects profit or revenue and the cost. For this quarter, we look at like maybe 3 of the projects that we significantly reduced the sales estimate. At the same time, we have 2 projects that we increased the estimate of the overall target cost. As -- because this is a very conservative approach, the gross margin was reduced or adjusted by USD 62 million. So with this one-off impact, the year-to-date gross margin was reduced by 25% on the underlying operation to about 23%. And quarter-to-date, gross margin ratio was reduced by 22% to 23% in the underlying operation to around 15% on the book.

Going onward, we will continue to use a very conservative approach to do this. But I expect that the impact won't be as big as this one because this adjustment reflects the historical accumulated adjustment for the last 2 to 3 years.

Operator

(Operator Instructions) And we will take our next question from [Franklin Morgan], who is a private investor.

Unidentified Participant

Congratulations on a good year. I have just a couple of questions. Can you give us, maybe put on your website, how people can access the valuation, the price of your Hong Kong listed property management business, just so people can monitor that? And what is the value of that? You own a percentage of that company. What is the value to you of that listing, the value of your share?

Yu Chen ***Xinyuan Real Estate Co., Ltd. - CFO***

Okay. First of all, for the -- for that property service company, it appreciated a pretty good growth, and the investors from Hong Kong investment community gave it a pretty good recognition of the value. For that business line, it's always part of our business, but it only comprised of about 2% to 3% of our overall sales within our consolidated financial statement. So that 3% to 5% though, if revenue grows by for the year -- for the 2019, the revenue grows by 36%, and the margin grows by 61% and the gross margin are as high as 38%, the net profit grows by about 8%. Well, that number showing in Xinyuan as part of the number listed in stock -- New York Stock Exchange, the P/E ratio would be about like less than 2x, currently at about 1.2x.

By splitting out and listing in Hong Kong Stock Exchange, currently appreciate a P/E ratio of about 10%. Comparing to our peer company in Hong Kong, a lot of them, property service companies list by about 25% to even 50%. So for one thing, we believe that bringing on

Hong Kong, we will have the value unlocked there. And there will be more liquidity and more transactions.

As a shareholder, you won't be able to directly go to the Hong Kong to appreciate the -- to do the appreciation directly, but you do that indirectly through Xinyuan's holding of 60% of that company. The other thing is that bringing there the appreciation in Hong Kong will help this appreciation to grow faster and better because it won't -- not only it will bring in refinancing and additional function -- additional fund raise opportunity, but also list that -- list separately in Hong Kong. It will give it more influence in the end into the stakeholder and the community. And it will help this business grow more healthy and managing better. I hope I answered your question that way?

Unidentified Participant

Okay. And one other question. You talked in the last few conference calls about reducing your debt and making your balance sheet stronger. Where would you like your debt to be? And how long do you think it will take to get there? You want to still keep reducing it? Or are you already where you want to be?

Yu Chen ***Xinyuan Real Estate Co., Ltd. - CFO***

Xinyuan is serious about control of bringing our debt ratio to a healthier position. As mentioned in the last 3 quarters, we commit to do that. By the end of the year, let me pull out the exact number in terms of the debt. Our overall debt actually reduced -- overall debt reduced from about 32 -- USD 3.2 billion down to a -- like this debt to about USD 3.5 billion. And the liability ratio, the overall debt ratio decreased from 91% to 89%. Sorry, it's the opposite way. The total debt reduced from $3.5 billion at the end of last year to $3.2 billion by the end of this year. The overall debt ratio decreased from 91% to 89%. And the net gearing ratio decreased from 304% at the last year-end to 266%. For 2020, we expect that the overall debt, we will -- we're going to reduce by another 16% also. So the overall debt ratio will be continuing to reduce by another 2% to 3% to around 86%, 87%. Net gearing ratio will be further reduced to be around 250%. That is not enough and not good enough. Our 2 to 3 years goal, or I would say, 18 to 20 months goal is to bring our overall debt to around 65% and the net gearing ratio to around 160%. That's a long way to go, but we are on the right track. We are moving to the direction.

Unidentified Participant

It sounds like you've made a lot of progress, but you still want to go a lot further, which I think makes the story more attractive. I would applaud you for continuing to improve the balance sheet, I think that's a wise move.

Operator

(Operator Instructions) And we will take our next question from [Alex Mack], who is a private investor.

Unidentified Participant

Hello. Can you hear me?

Yu Chen ***Xinyuan Real Estate Co., Ltd. - CFO***

Mack, we can hear you.

Unidentified Participant

Okay. I'm a shareholder, a long-term shareholder. The reason I wanted to call is I'm obviously, like many shareholders, disappointed with the share price, which is almost like all-time low. And the market cap for the company right now is about only $200 million -- $230 million. So as a shareholder, I'm just wondering what the company is doing to improve the confidence of the investment community. I know that you have bought some shares back. But personally, I, as a shareholder, I have read about the comments that I see in the websites and about the company. There is a big concern with the level of debt the company has. In particular, those debts are at high interest rate, in the neighborhood of about 9% to 10% onwards. So because of those high debts and high interest, I think the investors are very, very worried that the company may not be able to manage it and to the point of may not be able to survive. And for that reason, I think a lot of investors are shying away from owning the shares of the company, even though the current price is so much lower than the book value of the company, which is in the neighborhood of about $10 a share. So it's only now trading at $2 a share. So I don't know the inside detail of the company. But just one of my view is that I know the company pays a very good dividend, about USD 0.40 per year,

$0.10 per quarter. Why wouldn't the company not say reduce the amount of dividend or even remove it and use the funds from the payment of dividend, which roughly per year is about $25 million, to buy back the company's shares. If you use that, you do that for 5 years, you'll completely buy back 100% of the shares. As you know, in the share market, the price of the share is dependent upon the supply and demand of the shares. If there's more buyback by the company, I'm sure the price of the share will shoot back up. Instead of using the money to pay the dividend, I think more money should be saved from the dividends payment and use it to buyback of shares or to pay -- use some of it to pay down the debt. So I know the company has been growing very well, but all this growth at the expense of high leverage really is not serving the interest of the shareholders. And I do know that the Chairman of the company owns a significant chunk or percentage of the shares, but still a lot of shareholders out there like myself, I've been owning the company for the last almost 10 years. The share price has been going down, it's very disappointing. So I'm just -- my question is, is the company doing something to help to reduce the debt or -- number one. Number two, maybe reduce the payment of the size of the dividends and use the money or save the money to buy back more shares. Okay. Can I get some response back from the company, please?

Yu Chen ***Xinyuan Real Estate Co., Ltd. - CFO***

Okay. First of all, Alex, I appreciate your long-term confidence in the company and holding the share. We share the same disappointment on the share price performance. There's a few things that we are working on. One thing is that we are endeavored to improve the communication to the outstanding shareholder as well as the potential investors. As you're talking about, one story is that the share price should be driven by the true value and the growth potential for the company. That's what Xinyuan likes, focus, almost 100% focus on in the past 10 years. But on the other side, as you're talking about the supply and demand, we need to create the confidence, have information throw more clearly and more transparently and use a holistic approach to create the understanding and the confidence on the company.

So starting from early this year, we reviewed the PR strategy, the investor relations strategy. That's the reason we switched to a new PR firm, Blueshirt. We are -- in the last 2 months, we have revisited all we could. We had intense conversation with our outstanding shareholders and the potential ones. So the first thing we are doing is to improve the communication and investor relationship and address the needs to understanding and somewhat like an even totally baseless, speculative or guess about the company's cash position and going concern. That is one thing we need to address.

Second thing, as you're talking about, we had to reduce the debt and bring it back to a healthier level. Let's make it clear. And real estate industry in China is a capital-intensive industry. And the profitability and quick turnover can sustain a high level of the very high cost of the borrowing. Nonetheless, we know that said, it's not necessarily a factor if only you can make this a settlement, if only you can generate more revenue higher than cost of borrowing. So we are not going to reduce things like 80% or 90% of debt to a 1% and 0 level. But we will work gradually to adhere to a more healthy percentage, as I answered to the previous investor.

In terms of the dividend payout policy, we are simply looking at the policy for the last 3 years and comparing to the other peer company. For Q4, we believe that the payout ratio is reasonable. We have sufficient funds to make for that USD 6.5 million dividend payout. For 2020, we review the external environment, and we will, and it's at the discretion of the Board to tell what is the fact to the shareholder of the company. Last but not least, I would like to emphasize that talking about the debt, talking about the concern, don't forget that we have about 4.5 million square meters of land bank. On the board, it's showed by book value. But in fair market price or the saleable value, we have CNY 67.5 billion of land bank. And all this land are located, well located in the Tier 1 and Tier 2 cities and the liquidity is pretty well. If there is a need, we can convert this land into cash to meet the needs of the debt settlement. But at this point, we believe that through our budget, we should have a positive operating cash flow and healthy, a reasonable financing target to make the whole year debt obligation met.

Unidentified Company Representative

Hello, Mr. Mack, the Chairman would like to make comments on the share repurchase. For the fourth quarter of 2019, we actually repurchased back around 1.3 million ADS. So -- and the Board already approved a certain amount of ADS we could bought -- buy back from the market. So that's the Chairman would like to add on.

Yu Chen ***Xinyuan Real Estate Co., Ltd. - CFO***

Thank you, Chairman. So did we answer you, Alex?

Unidentified Participant

I'm glad you addressed the issue I've raised. But I still feel that the company's debt is the main concern the investors are staying away from the company. Because especially those debts are very high interest rates. It's about 9% or 10% or 8%. That's very high. I know you stated you make all the money as long as the cost -- as the revenue is higher than your cost of interest, but still the investors are very worried about the level of the debt. That's why they're staying away.

And the other point that we just talked about is the amount of dividend. I think based on what I see in the stock market, the level of dividend, which is about $0.40 a year is very good dividend. It gives you a yield of almost 20% right now with the share price of $2 a share. It's not helping the share price. So in my view, if you are paying $0.10 per quarter, maybe reduce to $0.05, use that money saved and go and buy back shares. Because annually, at $0.40 a year, that amounts to, based on the outstanding shares of about 60 million shares or 50-something million shares, that will cost the company about $25 million a year. If you use half of that money, let's say, you reduce the dividend from $0.10 per quarter to $0.05 a quarter or annually $0.40 to $0.20, you use the extra funds saved and go to market and buy the shares, I think it will be more helpful. Won't you agree? I'm just wondering. Because as you can see, in the last 5 years, the company has been paying this good dividend, but it is not helping the shares price. Because for a growth company, you don't need a lot of dividends to attract the investors. Just pay some dividend, reduce it from $0.40 to $0.20, just a suggestion, and use the extra funds, say, which is about $12 million to $15 million to go back to the market to buy the shares because your company shares are not that of a high volume, an average about 100,000 shares a day. You can buy back quite a bit -- quite a few months of shares with the money saved. In some cases, they might even reduce the dividend from, say, $0.40 to $0.10 a year, so you have more money to go back to the market and buy the shares. So I hope the company will think about my suggestion, use -- reduce the dividend in the future and use the money saved to go to the market and buyback the shares. That's one thing.

And the second thing is, like I said, it's good to grow the company very well and all that. But if you have the debt at too high a level, investor will find it too risky to invest in the company.

Yu Chen *Xinyuan Real Estate Co., Ltd. - CFO*

And thank you, Alex. I think we almost run out of time. But we appreciate that is a solid input. We will talk this into consideration in the next lines of the dividend policy, we will. Just to let you know that we really appreciate all shareholders' candid and straightforward input. Anything can help the long-term value of the company, we will serious considering that. Doing dividend payout in the last 3 quarters, including this one, is not stopping us to continue to buy back our share as well as buy back our outstanding debt. We are actually continue working on that on a week-about-week basis.

Unidentified Participant

Yes, please go ahead, take that into account for your future options and actions, especially the debt level. High interest rate of 10%, at a time when the prime interest rate in the U.S. is about 2%.

Operator

(Operator Instructions) And we will take a question from [Peter Chen], who is a private investor.

Unidentified Participant

Congratulations for the results and congratulations especially and continue the dividend policy, now that you really -- these moves will keep the confidence from the management. I have been the company's stockholder for over 10 years. I just want Xinyuan to know I have 100% trust on Chairman, Zhang Yong, and all other management, Board, your performance. But -- and I do agree, and the previous, Alex, said that you either through reduce your debt, especially the debt like 9% or 10%, and I am glad that you already (inaudible) and last month. In that I agree with Alex, but I do not agree as about reduce the divs -- the dividends because the dividend is the confidence an investor has about the company's future. But I do agree on Alex's comment on spend more money on the share repurchase. And in spite of the current virus period, you know all the market is down and (inaudible), so it's not a low. (inaudible) difficult time and a good time for the company to buy shares cheap and -- for this special period, you need -- you will just bravely start to buy more shares, the double or triple a month, the money you spend with the buyback over special period. So that is my opinion.

Yu Chen ***Xinyuan Real Estate Co., Ltd. - CFO***

Thank you, Peter. Appreciate your comments. As mentioned earlier, we currently still have a comfortable position to do both the dividend payout and buy back our shares. The total amount of the share we can buy back, that we'll check according to the volume. But we are working on that. We pretty much kept the volume and we are trying to have -- looking for the other alternatives to improve and bring more confidence back to the outstanding shareholder and potential. Thank you for your calling in.

Unidentified Company Representative

Chairman would like to comment on that question, please.

Yong Zhang ***Xinyuan Real Estate Co., Ltd. - Co-Founder, Chairman & CEO***

(foreign language)

Unidentified Company Representative

[Interpreted] Okay. China growth -- [Chairman commented], China has a very large real estate market overall, with high-speed increase over the past couple of years. And we need to leverage the high debt as well as the increase of the company's growth and the profit as well.

Yong Zhang ***Xinyuan Real Estate Co., Ltd. - Co-Founder, Chairman & CEO***

(foreign language)

Unidentified Company Representative

[Interpreted] For the next 3 to 5 years, we like to keep a good balance between a good shareholders return as well as a good increase for the company's revenue and profit.

Yong Zhang ***Xinyuan Real Estate Co., Ltd. - Co-Founder, Chairman & CEO***

(foreign language)

Unidentified Company Representative

[Interpreted] We've been continuously repurchasing the company's share as well as the debt.

Yong Zhang ***Xinyuan Real Estate Co., Ltd. - Co-Founder, Chairman & CEO***

(foreign language)

Unidentified Company Representative

[Interpreted] We'll be continuing doing so.

[Okay, that's Chairman's comments on that.]

Operator

And seeing no more questions in the queue. Let me turn the call back to Brian for closing remarks.

Yu Chen ***Xinyuan Real Estate Co., Ltd. - CFO***

Thank you, operator, and thank you all for participating on today's call, and thank you for your support. We are pleased with your input and look forward to reporting to you again next quarter on our progress. Thank you, operator.

Operator

Thank you. Ladies and gentlemen, that concludes today's call, and we thank you for your participation. You may now disconnect.

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