

# VNET Group, Inc.

## Investor Presentation

March 2024

世纪互联  
VNET

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# 4Q 2023 Highlights



## Financials (in RMB)

Revenue: **1,898 million** (+0.9% YoY)

Adjusted EBITDA: **440 million** (+4.0% YoY)



## Liquidity (in RMB)

Unused Credit Line: **2,811 million**

Cash Position<sup>(1)</sup>: **5,456 million**



## Retail & Wholesale Updates

**RMB 9,477**

Retail IDC MRR<sup>(2)</sup> per cabinet

**~476 MW in 4Q23**

Wholesale capacity in service & under MoU  
(+15 MW in 1Q24)



## Capacity

**93,597 R** total cabinets under management

**55,235 R** utilized cabinets

**59.0%**<sup>(3)</sup> overall utilization rate

Source: Company data as of December 31, 2023.

Notes:

1. Cash position refers to cash, cash equivalents, restricted cash and short-term investments.
2. Retail IDC MRR refers to monthly recurring revenues for the retail IDC business.
3. The overall utilization rate is calculated by dividing the number of customer-utilized cabinets by the total cabinets under management at the end of the period.

# Largest Customer Order Wins

Region	IDC Code	Capacity Contracted / Under MoU (MW)	Signing Time of Contract / MoU	Customer Sector	Project Type
Yangtze River Delta	E-JS04	15	1Q24	Cloud Service	Wholesale



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# A Pioneer and Leader in China's Fast Growing IDC Market

## Pioneer and Leader

- ✓ A **leading carrier- and cloud-neutral data center services provider in China** with 28 years of experience
- ✓ **~10%<sup>(1)</sup> market share** of China's carrier-neutral data center services market
- ✓ **275 approved and pending patents** and **335 copyright registrations<sup>(2)</sup>**

## Market Potential

- ✓ China's carrier-neutral data center services market is **fast growing**
- ✓ **Growing demand for IDC services from generative AI** as training and optimizing AI models require massive computing power
- ✓ The pandemic **accelerates enterprises' digital transformation** — either scaling the transformative efforts or rapidly pivoting to innovate, catch up and, maintain operations

## Future Upside

- ✓ **Dual-core strategy** addressing both wholesale and retail IDC market opportunities
- ✓ **Accelerate capacity roll-out** and enrich value-added services
- ✓ Investment in **technology**

Sources:

1. Frost & Sullivan 2022 report issued in March 2023.

2. Company data as of December 31, 2023.

# Dual-Core Growth Strategy

## Retail

## Wholesale

### Retail Colocation



### Full-stack Services

Focusing on **high-growth verticals** which require colocation interconnectivity, bare-metal, and other value-added services



Financial Services



IT Services



Enterprises Digitalization



Mobility



Big Data



Manufacturing Industry

### Hyperscale IDC



### Interconnectivity Services

Targeting **hyperscalers** which require huge amount of space and power to support massive scaling needs



#### Our Strengths:

- ✓ Scalable IDCs located in Tier-1 metros, surrounding areas, and satellite cities, providing premium colocation and interconnectivity offerings
- ✓ Full-stack managed services for enterprise customers, addressing various digital transformation needs
- ✓ All-round industry ecosystem, providing additional add-on solutions



#### Our Strengths:

- ✓ Dedicated team with 28 years of experience and reputation in datacenter design, construction, and operations
- ✓ Providing tailor-made solutions suitable for clients' needs
- ✓ Established supply chain as well as comprehensive planning and service capabilities

## ESG Initiatives – Commitment to Sustainability



Commitment to achieve both targets of **carbon neutrality** and **100% renewable energy usage** by 2030



Received **A** rating by MSCI, representing the **highest** ranking to-date in China's Internet Services & Infrastructure industry



Scored **53** by the S&P Corporate Sustainability Assessment, ranking the **highest** among China's IT Services industry and in the top **11%** in the industry globally



Being selected for inclusion in S&P Global's first China edition of *The Sustainability Yearbook 2023*, earning the highest ESG score among Chinese IT services companies participating in the assessment

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# Differentiated Business Model with Comprehensive Offerings

**Managed Hosting Services (IDC)**

**Cloud Services**

**VPN Services<sup>1</sup>**



## Services

- Co-location
- Interconnectivity
- Hybrid IT Services
- Other Value-added Services
- Customized, High-power Density Solutions



- Multi-protocol Label Switching (MPLS) & Software-defined Wide Area Network (SD-WAN)
- Internet Access & Network Security Solutions
- Cloud & SaaS Solutions



## Strengths

- ✓ Multi-carrier & multi-cloud connectivity
- ✓ High-performing facility & network
- ✓ Turn-key solutions tailored to customer needs
- ✓ Long track record of outstanding operation performance

- ✓ Long-term strategic partnership with Microsoft in mainland China for public and hybrid cloud services
- ✓ IaaS, PaaS, and SaaS to enterprise and individual end customers

- ✓ Best-in-class, enterprise-grade network services
- ✓ 222 POPs<sup>2</sup> across Asia
- ✓ Customized VPN solutions for enterprise customers across various verticals

**Broad-based and high quality solution suite to meet customers' mission critical needs**

Source: Company information.

Notes:

1. VPN refers to virtual private network.

2. POP refers to point of presence as of December 31, 2023.

## 2023 Cabinet Delivery

Region	IDC Code	Tenure	Status	Cabinet Delivered in 2023
Yangtze River Delta	E-JS Campus 02 A	Owned	In-Service	1,270
	E-JS Campus 02 B	Owned	In-Service	1,420
	E-JS Campus 02 C	Owned	In-Service	1,560
Greater Beijing Area	BJ17	Owned	In-Service	750
	Others	Owned	In-Service	120
Other Regions	N-OR06	Leased	In-Service	3,200
<b>Total Cabinet Delivered</b>				<b>8,321</b>
<b>Expansion Target</b>				<b>8,000-9,000</b>

## 2024 Resource Pipeline to Support IDC Growth

Region	IDC Code	Tenure	Status	Capacity (MW)
	E-JS Campus 02 D	Owned	Under Construction	26
Yangtze River Delta	E-JS Campus 02 E	Owned	Under Construction	60
	E-JS04	Owned	Under Construction	15
Greater Beijing Area	BJ18	Owned	Under Construction	18
<b>Secured Resources</b>				<b>119</b>
<b>Expansion Target</b>				<b>100-120</b>

# Wholesale Capacity In-Service



Region	IDC Code	Capacity Contracted / Under MoU (MW)
Greater Beijing Area	BJ06	2
	BJ12	9
	BJ15	7
	N-HB02	47
	N-HB03	11
Yangtze River Delta	E-JS Campus 01	42
	E-JS Campus 02 A	25
	E-JS Campus 02 B	24
	E-JS Campus 02 C	26
	E-JS01	5
	E-JS02	64
	E-JS03	15
	SH04	2
	SH05	7
	SH06	11
Other Regions	N-OR02	29
	N-OR04	14
	N-OR05	15
	N-OR06	33
<b>Total</b>		<b>389</b>

Source: Company data as of December 31, 2023.  
 Note: IT capacity numbers measured by megawatt are rounded.

# Wholesale Capacity Under Construction



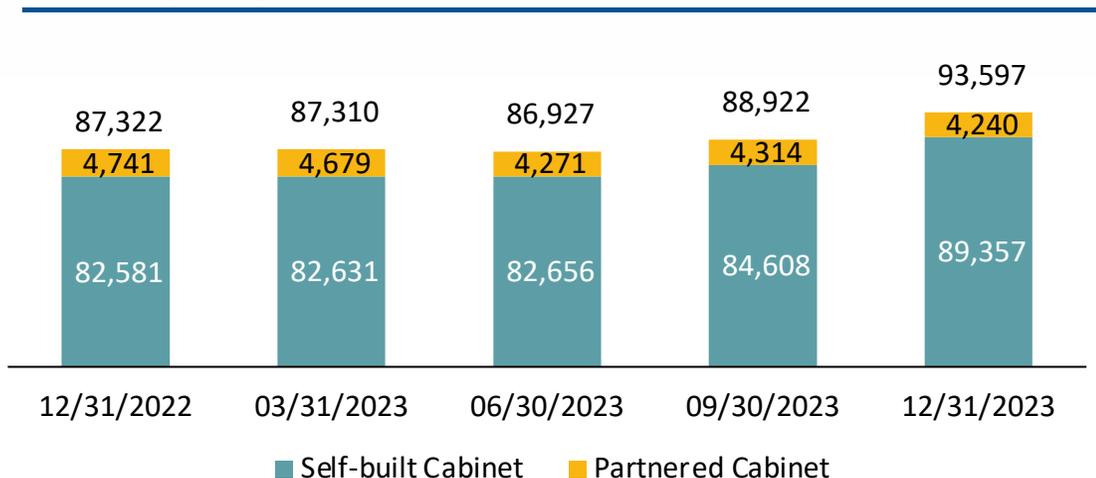
Region	IDC Code	Capacity Contracted / Under MoU (MW)
Yangtze River Delta	E-JS Campus 02 D	26
	E-JS Campus 02 E	60
	E-JS04	15
Other Regions	W-OR03	2
<b>Total</b>		<b>102</b>

Source: Company data.

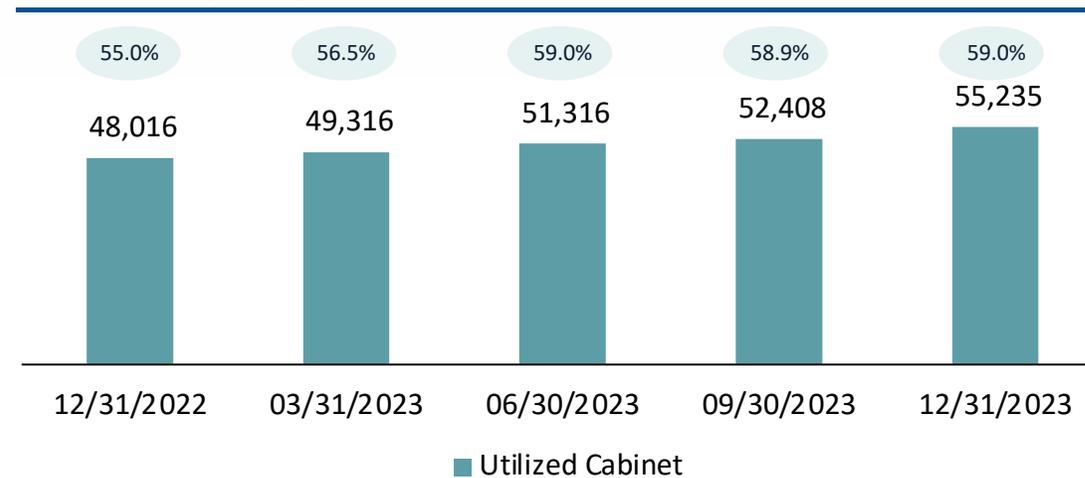
Note: IT capacity numbers measured by megawatt are rounded.

# Strategically Located Network of Premium Data Centers

### Total Capacity <sup>(1)</sup>



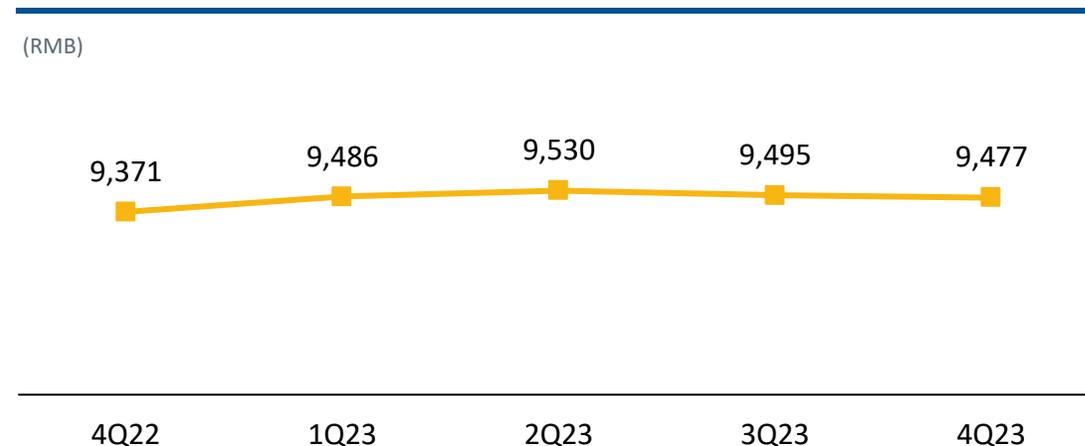
### Utilized Capacity & Overall Utilization Rate <sup>(2)</sup>



### Capacity by Region <sup>(3)</sup>

Region	# of Self-built Cabinets	% Contribution
Greater Beijing Area	38,500	43.1%
Yangtze River Delta	27,700	31.0%
Greater Bay Area	9,300	10.4%
Other Regions	13,800	15.5%
<b>Total</b>	<b>89,300</b>	<b>100.0%</b>

### Retail IDC MRR per Cabinet <sup>(4)</sup>



Source: Company data as of December 31, 2023.

- Notes:
1. Total capacity refers to number of total cabinets under management at the end of the period.
  2. The overall utilization rate is calculated by dividing the number of customer-utilized cabinets divided by the total cabinets under management at the end of the period.
  3. Regional cabinet numbers including blank space are rounded.
  4. MRR refers to Average Monthly Recurring Revenues.

# Large and Diversified Customer Base with Strong Loyalty

- >7,500 enterprise customers, of which >1,500 customers have enjoyed our colocation, connectivity, bare metal, hybrid cloud and maintenance services, etc.
- Around 90% of net revenues have been recurring revenues since IPO
- Low churn rate for core IDC business, constantly below 1% demonstrating our high customer retention
- Maintain low concentration risk with top 20 customers contributing 41.8% of total revenues in 4Q23
- Since 2020, the Company began to generate revenue from wholesale customers; ~476MW in service and under MoU



Sources:  
1. Company data as of December 31, 2023.

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# 4Q23 Financial Highlights

RMB MM	4Q22	3Q23	4Q23	YoY	QoQ	FY2022	FY2023	YoY
<b>Net revenues</b>	<b>1,881</b>	<b>1,887</b>	<b>1,898</b>	0.9%	0.6%	<b>7,065</b>	<b>7,413</b>	4.9%
Gross profit	328	306	291	-11.4%	-5.1%	1,358	1,292	-4.8%
Adjusted cash gross profit <sup>(1)</sup>	740	738	742	0.2%	0.5%	2,846	2,977	4.6%
<i>Adjusted cash gross margin</i>	39.4%	39.1%	39.1%	-0.3pps	0 pps	40.3%	40.2%	-0.1pps
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>424</b>	<b>508</b>	<b>440</b>	3.8%	-13.3%	<b>1,873</b>	<b>2,039</b>	8.9%
<i>Adjusted EBITDA margin</i>	22.6%	26.9%	23.2%	+0.6pps	-3.7pps	26.5%	27.5%	+1pps

Source: Company data as of December 31, 2023.

Notes:

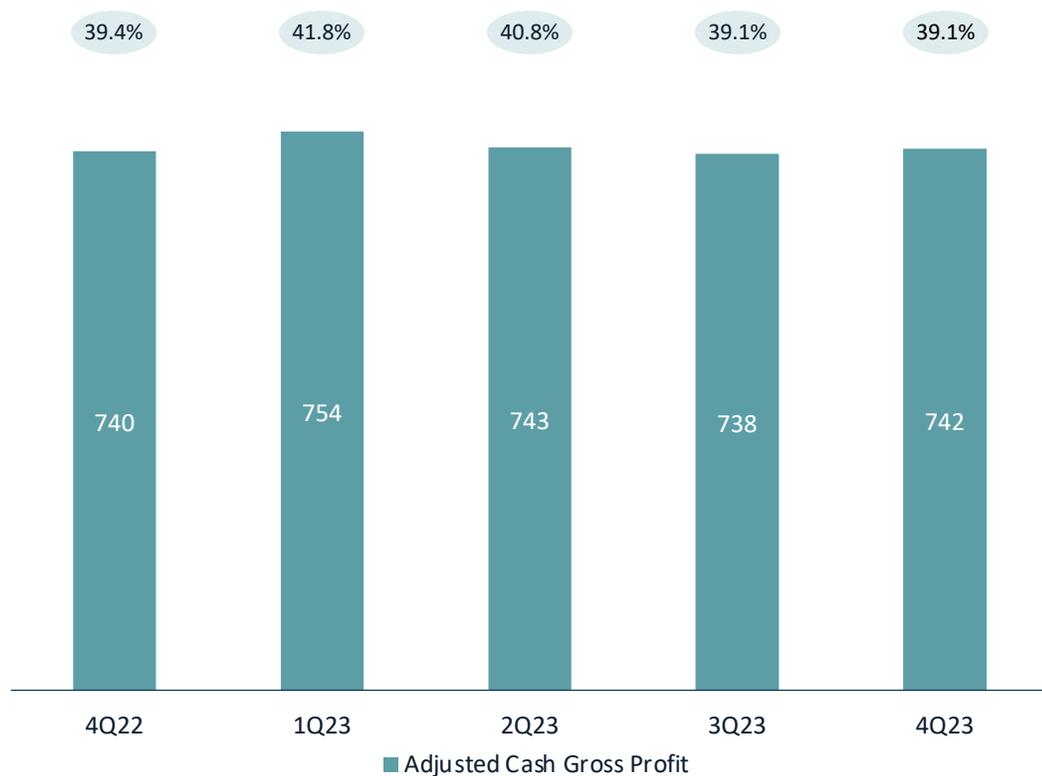
1. Adjusted cash gross profit defined as gross profit excluding depreciation, amortization and share-based compensation expenses.

2. Adjusted EBITDA is calculated as operating profit plus depreciation and amortization, share-based compensation expenses, compensation for postcombination employment in an acquisition, allowance of loan receivables, impairment of long-lived assets and impairment of goodwill.

# Healthy Margins Through Efficiency Enhancement

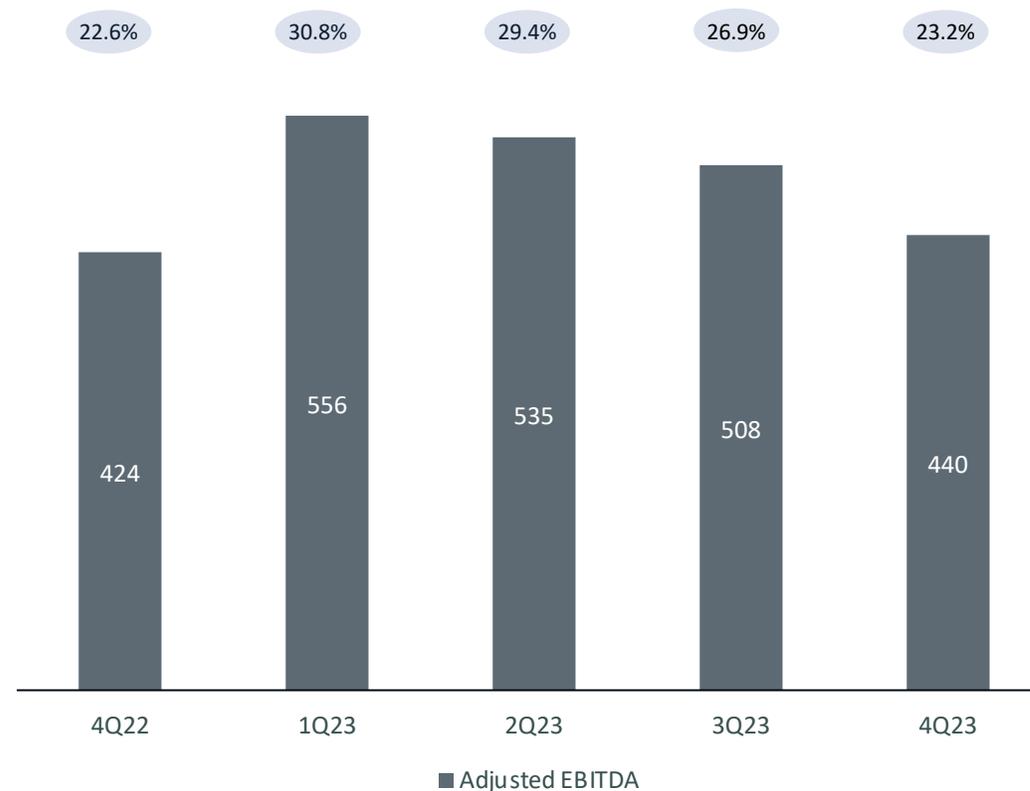
## Adjusted Cash Gross Profit & Margin <sup>(1)</sup>

(RMB MM)



## Adjusted EBITDA & Margin <sup>(2)</sup>

(RMB MM)



Source: Company data as of December 31, 2023.

Notes:

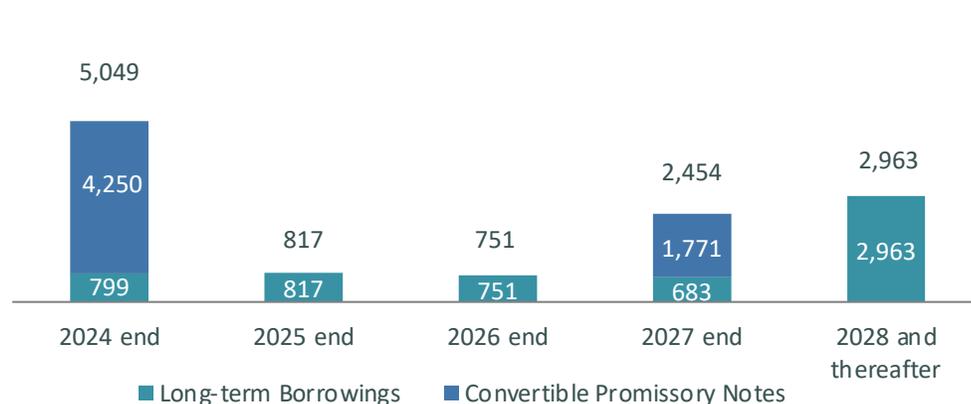
1. Adjusted cash gross profit defined as gross profit excluding depreciation, amortization and share-based compensation expenses.

2. Adjusted EBITDA is calculated as operating profit plus depreciation and amortization, share-based compensation expenses, compensation for postcombination employment in an acquisition, allowance of loan receivables, impairment of long-lived assets and impairment of goodwill.

# Well Laddered Debt Profile and Strong Liquidity Position

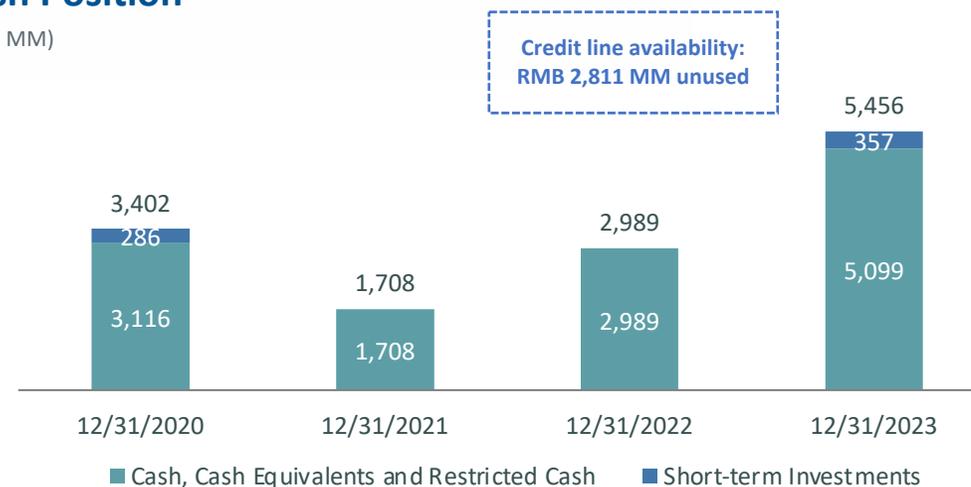
## Debt Breakdown by Maturity

(RMB MM)



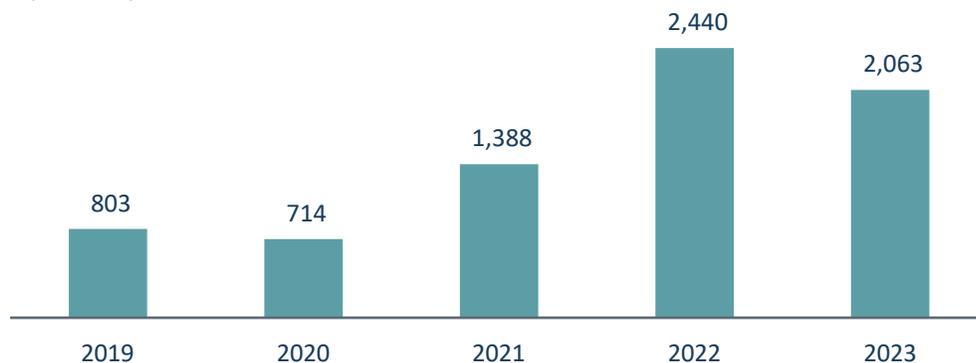
## Cash Position (1)

(RMB MM)



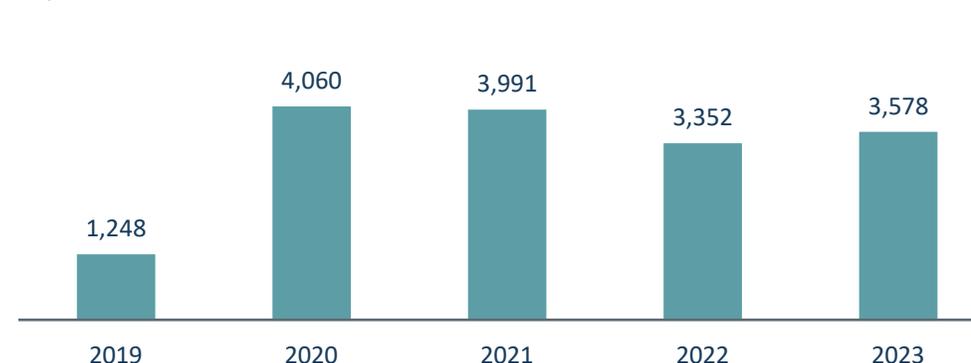
## Operating Cash Flow

(RMB MM)



## Capital Expenditure (2)

(RMB MM)



Source: Company data as of December 31, 2023.

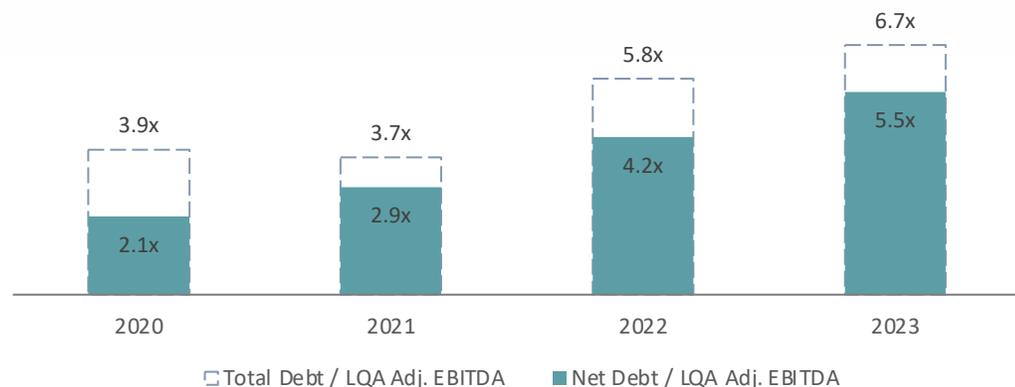
Notes:

1. Cash position refers to cash, cash equivalents, restricted cash and short-term investments.

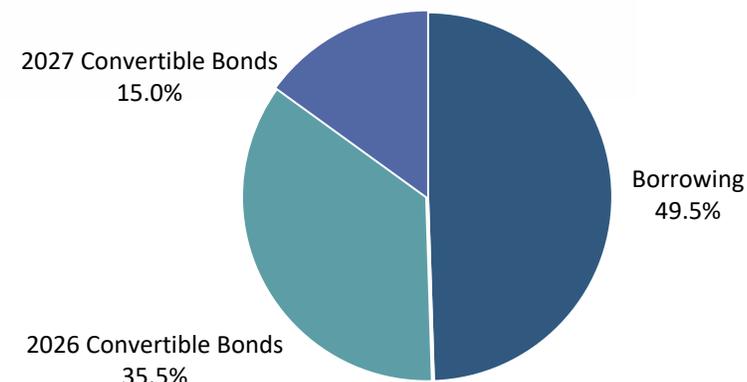
2. Capital expenditure refers to the overall outflow of funds for acquiring property and equipment, intangible assets, land use rights, engaging in mergers and acquisitions as well as long-term investments.

# Healthy Capital Structure

## Total Debt & Net Debt / LQA Adjusted EBITDA<sup>1</sup>

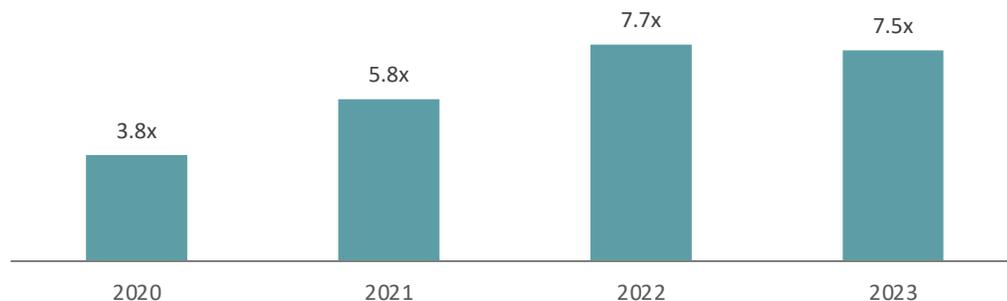


## Debt Structure as of December 31, 2023



**Total Debt: RMB 11,845 MM**

## LTM Adjusted EBITDA Interest Coverage<sup>2</sup>



Source: Company data as of December 31, 2023.

Notes:

1. Total Debt = Short-term and long-term bank borrowings + Bond Payables + Convertible Notes; Net Debt = Total Debt – Cash and Cash Equivalent; LQA Adj. EBITDA represents the current quarter Adj. EBITDA\*4 or Last Quarter Annualized; Adjusted EBITDA is calculated as operating profit plus depreciation and amortization, share-based compensation expenses, compensation for postcombination employment in an acquisition, allowance of loan receivables, impairment of long-lived assets and impairment of goodwill.

2. Adjusted EBITDA Interest Coverage = Adjusted EBITDA / Net Interest Expense (interest expense - interest income).

3. The Company has completed the repurchase right offer relating to its 0.00% Convertible Senior Notes due 2026 on February 1, 2024.

## Diversified Financing Channels

- Diversified financing channels with current debt structure of a balanced mix of bank borrowings, bond payables and convertible notes
- Received Blackstone’s investment of US\$150 million in the form of preferred shares in June 2020
- Raised ~US\$400 million from equity follow-on offering in August 2020
- Raised ~US\$600 million from convertible note offering in January 2021<sup>3</sup>
- Signed a master joint venture investment agreement with a sovereign wealth fund in December 2021
- Received Blackstone’s investment of US\$250 million in the form of convertible note in January 2022
- Received US\$299 million strategic investment from Shandong Hi-Speed Holdings Group Limited in December 2023

# Guidance

RMB MM	2023 Actual	2024 Guidance	Implied YoY
Revenues	7,413	7,800 - 8,000	5.2% - 7.9%
Adjusted EBITDA	2,039	2,220 - 2,280	8.9% - 11.8%

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## Key P&L Items

Amount in thousands	Three months ended				Twelve months ended		
	December 31, 2022	September 30, 2023	December 31, 2023		December 31, 2022	December 31, 2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
<b>Net revenues</b>	<b>1,880,673</b>	<b>1,886,924</b>	<b>1,898,480</b>	<b>267,395</b>	<b>7,065,232</b>	<b>7,412,930</b>	<b>1,044,089</b>
Cost of revenues	(1,552,298)	(1,580,446)	(1,607,602)	(226,426)	(5,706,976)	(6,120,445)	(862,047)
<b>Gross profit</b>	<b>328,375</b>	<b>306,478</b>	<b>290,878</b>	<b>40,969</b>	<b>1,358,256</b>	<b>1,292,485</b>	<b>182,042</b>
Sales and marketing expenses	(76,363)	(64,077)	(73,286)	(10,322)	(311,917)	(266,207)	(37,494)
Research and development expenses	(84,137)	(80,673)	(80,671)	(11,362)	(306,842)	(322,220)	(45,384)
General and administrative expenses	(156,228)	(137,931)	(148,455)	(20,909)	(642,945)	(541,850)	(76,318)
<b>Operating (loss) profit</b>	<b>(17,371)</b>	<b>32,187</b>	<b>(2,211,589)</b>	<b>(311,495)</b>	<b>121,156</b>	<b>(1,970,901)</b>	<b>(277,596)</b>
Net Interest expense	(64,167)	(78,913)	(65,681)	(9,251)	(241,731)	(270,370)	(38,081)
Other, Net	(15,508)	(3,439)	3,253	458	(9,271)	11,258	1,585
Changes in the fair value of financial liabilities	(48,510)	266	(187,648)	(26,430)	22,626	(165,930)	(23,371)
Foreign exchange gain (loss)	89,048	24,606	89,426	12,595	(523,235)	(78,965)	(11,122)
<b>Loss before income taxes and (loss) gain from equity method investments</b>	<b>(56,508)</b>	<b>(36,408)</b>	<b>(2,372,290)</b>	<b>(334,130)</b>	<b>(630,455)</b>	<b>(2,486,074)</b>	<b>(350,158)</b>
Income tax expenses	<b>(101)</b>	<b>(6,317)</b>	<b>(50,626)</b>	<b>(7,131)</b>	<b>(133,464)</b>	<b>(114,374)</b>	<b>(16,109)</b>
(Loss) gain from equity method investments	(828)	2,842	(372)	(52)	1,925	3,279	462
<b>Net loss</b>	<b>(57,437)</b>	<b>(39,883)</b>	<b>(2,423,288)</b>	<b>(341,313)</b>	<b>(761,994)</b>	<b>(2,597,169)</b>	<b>(365,805)</b>

## GAAP to Non-GAAP Reconciliations

Amount in thousands	Three months ended				Twelve months ended		
	December 31, 2022	September 30, 2023	December 31, 2023		December 31, 2022	December 31, 2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
<b>Gross profit</b>	<b>328,375</b>	<b>306,478</b>	<b>290,878</b>	<b>40,969</b>	<b>1,358,256</b>	<b>1,292,485</b>	<b>182,042</b>
Plus: depreciation and amortization*	409,825	431,933	450,859	63,502	1,487,438	1,684,842	237,305
Plus: share-based compensation expenses	1,893	-	-	-	563	-	-
<b>Adjusted cash gross profit</b>	<b>740,093</b>	<b>738,411</b>	<b>741,737</b>	<b>104,471</b>	<b>2,846,257</b>	<b>2,977,327</b>	<b>419,348</b>
<i>Adjusted cash gross margin</i>	<b>39.4%</b>	<b>39.1%</b>	<b>39.1%</b>	<b>39.1%</b>	<b>40.3%</b>	<b>40.2%</b>	<b>40.2%</b>
<b>Operating (loss) profit</b>	<b>(17,371)</b>	<b>32,187</b>	<b>(2,211,589)</b>	<b>(311,495)</b>	<b>121,156</b>	<b>(1,970,901)</b>	<b>(277,596)</b>
Plus: depreciation and amortization*	449,469	466,285	483,579	68,111	1,595,942	1,816,228	255,810
Plus: share-based compensation expenses	(7,791)	9,475	9,479	1,335	118,170	35,296	4,971
Plus: compensation for postcombination employment in an acquisition	-	-	-	-	37,398	-	-
Plus: allowance of loan receivables	-	-	287,900	40,550	-	287,900	40,550
Plus: impairment of long-lived assets	-	-	506,686	71,365	-	506,686	71,365
Plus: impairment of goodwill	-	-	1,364,191	192,142	-	1,364,191	192,142
<b>Adjusted EBITDA</b>	<b>424,307</b>	<b>507,947</b>	<b>440,246</b>	<b>62,008</b>	<b>1,872,666</b>	<b>2,039,400</b>	<b>287,242</b>
<i>Adjusted EBITDA margin</i>	<b>22.6%</b>	<b>26.9%</b>	<b>23.2%</b>	<b>23.2%</b>	<b>26.5%</b>	<b>27.5%</b>	<b>27.5%</b>

Note: \*Before the deduction of government grants for three months ended September 30, 2023, three months ended December 31, 2023 and twelve months ended December 31, 2023.

## Key Balance Sheet Items

Amount in thousands, As of	December 31, 2022		December 31, 2023	
		RMB	RMB	US\$
Cash, cash equivalents and restricted cash		2,989,494	5,098,987	718,177
Accounts and notes receivable, net		1,763,693	1,715,975	241,690
Property and equipment, net		11,964,498	13,024,393	1,834,447
Land use rights, net		576,020	602,503	84,861
Operating lease right-of-use assets, net		3,503,925	4,012,329	565,125
Goodwill		1,364,191	-	-
<b>Total assets</b>		<b>26,948,405</b>	<b>30,385,903</b>	<b>4,279,765</b>
Accounts and notes payable		713,628	696,177	98,054
Borrowings		3,533,876	5,866,846	822,102
Finance lease liabilities		1,253,900	1,275,331	179,627
Operating lease liabilities		3,579,571	4,050,923	570,561
Convertible promissory notes		6,397,037	5,978,441	842,046
<b>Total liabilities</b>		<b>19,966,549</b>	<b>23,871,520</b>	<b>3,362,234</b>
<b>Total VNET Group, Inc. shareholders' equity</b>		<b>6,609,613</b>	<b>6,014,415</b>	<b>847,112</b>
Noncontrolling interest		372,243	499,968	70,419
<b>Total shareholders' equity</b>		<b>6,981,856</b>	<b>6,514,383</b>	<b>917,531</b>
<b>Total liabilities and shareholders' equity</b>		<b>26,948,405</b>	<b>30,385,903</b>	<b>4,279,765</b>

## Key Cash Flow Items

Amount in thousands	Three months ended			
	December 31, 2022	September 30, 2023	December 31, 2023	
	RMB	RMB	RMB	US\$
Net cash generated from operating activities	407,488	454,313	730,680	102,913
Net cash used in investing activities	(1,333,383)	(750,146)	(1,401,935)	(197,458)
Net cash generated from financing activities	173,090	715,554	2,757,673	388,410
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(13,774)	(12,476)	(11,645)	(1,640)
Net (decrease) increase in cash, cash equivalents and restricted cash	(766,579)	407,245	2,074,773	292,225
Cash, cash equivalents and restricted cash at beginning of period	3,756,073	2,616,969	3,024,214	425,952
Cash, cash equivalents and restricted cash at end of period	2,989,494	3,024,214	5,098,987	718,177

# Definitions

Term	Definition
Capacity In Service	Data centers which are ready for service
Capacity Under Construction	Data centers which are actively under construction and have not yet reached the stage of being ready for service
Utilized Capacity	Capacity in service that is committed to customers and revenue generating pursuant to the terms of customer agreements remaining in effect
Overall Utilization Rate	The number of customer-utilized cabinets divided by the total cabinets under management at the end of the period
MW	Megawatt
PUE	Power usage effectiveness, a ratio of the total power usage of a data center to the power usage of the IT equipment inside a data center
VPN Services	Virtual private network provided by VNET, including Multiprotocol Label Switching (“MPLS”), software-defined wide area network (“SD-WAN”), internet access and network security solutions, and fully managed network enabling connectivity to enterprises across various industries
Cloud Services	Microsoft’s cloud services, including Azure, Microsoft 365, Dynamics 365 and Power Platform, operated by VNET as strategic partner to customers in mainland China

# THANKS!

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