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# 21Vianet Group, Inc. Investor Presentation

May, 2020



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## At a Glance

Year of Establishment	1996
Listing Date	April, 2011
Exchange / Ticker	Nasdaq: VNET
Price (as of 8 <sup>th</sup> May, 2020)	\$16.44
Market Cap	\$1.8 Billion

# 1Q20 Highlights



25% YoY  
Net revenue growth

2% YoY  
Adj. EBITDA growth



3,320 R  
Self-built net adds

39,646 R  
Total capacity



Strong  
Sales momentum



200M USD  
CB led by Goldman Sachs



# A Leading Internet Data Center Services Provider in China

## Market

- China's internet infrastructure industry is among the fastest growing in the world.
- Carrier-neutrals internet data centers (IDC) are growing faster than the industry average.

## Leadership

- VNET is a leading carrier-neutral & cloud-neutral IDC services provider with 20 years of experience.
- World-class partners and loyal customers are attracted by VNET's renowned brand and service quality.

## Key strategies

- Dual-core strategy: addressing both wholesale and scale retail IDC market opportunities
- Accelerate IDC capacity roll-out and enrich interconnectivity products / turn-key hybrid cloud solutions
- Selectively pursue strategic partnerships and investments

## Product Offerings

- Co-location
- Inter-connectivity
- Hybrid IT services
- Other value-added services

## IDC Services

- Core Business  
60%-70% of total revenue

## Our Advantages

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

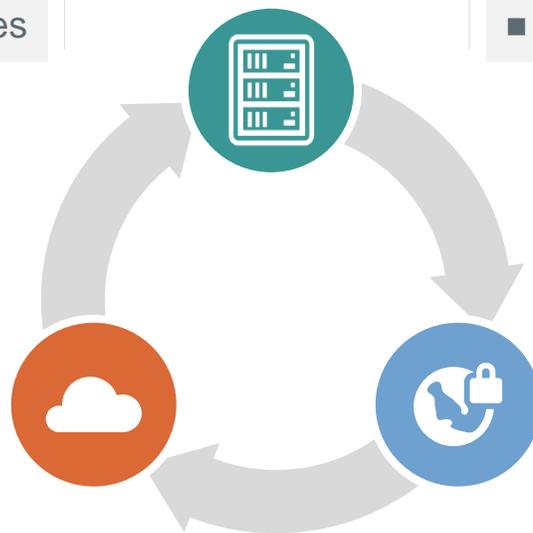
## Microsoft Cloud Services

- Long-term strategic partnership with Microsoft in China for public and hybrid cloud services

Microsoft Azure  
由世纪互联®运营

Microsoft Office 365

Microsoft Dynamics 365



## VPN <sup>(1)</sup> Services

- Customized VPN solutions for enterprise and carrier customers across various industry verticals
- Offer VPN services via Dermot Entities <sup>(2)</sup>

Source: Company filings.

1. Virtual private network.
2. Dermot Holdings Limited and its subsidiaries.

# Dual-core Strategy for IDC Business

## Scale Retail



Focus on **high-growth verticals**:



Fintech



Online  
streaming



Mobile IoT



Internet

## Wholesale



Targeting **large enterprise customers**:



Tencent Cloud



JD Cloud



### Our Advantages:

- ✓ Scalable IDCs located in tier-1 cities provide reliable interconnectivity offerings
- ✓ Turn-key hybrid cloud solutions tailored for various industry verticals help clients to better prepare for the era of 5G and cloud computing.
- ✓ Established supply chain as well as comprehensive planning and service capabilities



### Our advantages:

- ✓ Dedicated team with 20 years of experience in IDC design, construction, and operations
- ✓ Cloud customers able to leverage our retail IDC services to better serve their retail customers in multiple industry verticals
- ✓ Nationwide IDC resources
- ✓ Flexible and efficient funding channels

# Resource Pipeline to Support IDC Growth

IDC Pipeline Capacity <sup>(1)</sup>	Tenure	Status	1Q20	2Q20	2H2020	FY2020	FY2021
Beijing East II	Leased	Under Construction			~1,400	~1,400	
Beijing West Phase II	Leased	Extension			~1,100	~1,100	
Beijing South Phase II	Leased	Under Construction					~1,100
Guangzhou SC Phase II	Leased	Extension			~3,500	~3,500	
HeBei Campus	Owned	Greenfield					N/A
Jiangsu Campus	Owned	Greenfield					~6,000
Jiangsu II	Leased	Under Construction		~1,400		~1,400	
Jiangsu III	Leased	Under Construction	~1,000	~1,000	~1,000	~3,000	~2,000
Shanghai SJ Phase II	Owned	Extension			~2,000	~2,000	
Shanghai WGQ	Owned	Ready for Sale	~2,400			~2,400	~4,300
<b>Secured Resources</b>						~15,000	~13,000
<b>Expansion Target</b>			<b>~3,400</b>	<b>~2,400</b>	<b>~9,000</b>	<b>~15,000</b>	<b>15,000</b>
<b>Estimated Growth</b>							
YoY. Revenue Growth %						20% - 26%	23% - 27%
YoY. Adj. EBITDA Growth %						20% - 28%	35% - 40%

1. Capacity: cabinet number includes blank space.

# Ongoing Development of Wholesale Projects

## Jiangsu III

Initial Capacity	~ 3,000 R
Client Commitment	Alibaba
Expected Delivery Date	2020

## Jiangsu Campus

Initial Capacity	> 3,000 R
Pre-commitment Rate	95%
Expected Delivery Date	2021

## Beijing

Total Capacity	> 1,000 R
Pre-commitment Rate	95%
Expected Delivery Date	2020

Total Capacity	~ 500 R
Pre-commitment Rate	95%
Expected Delivery Date	2020

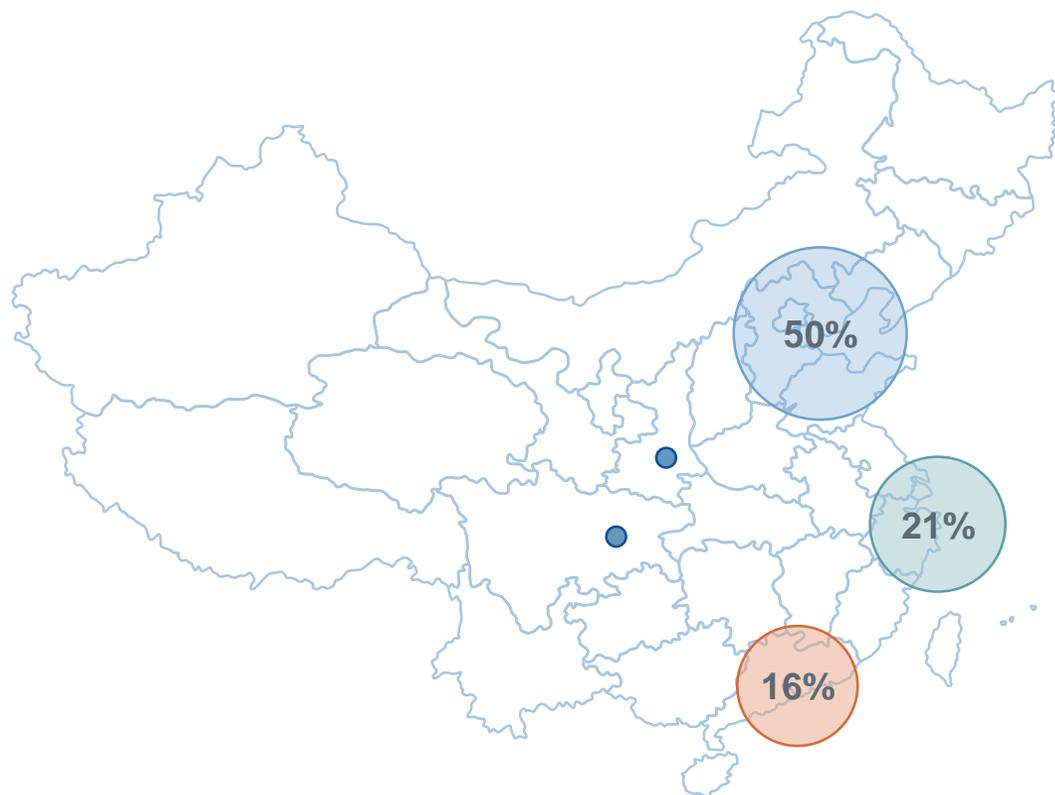
## Jiangsu II

Total Capacity	N/A
Pre-commitment Rate	N/A
1 <sup>st</sup> Phase Expected Delivery Date	2021

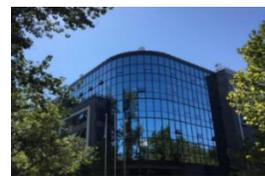
## Hebei Campus

The total signed MOUs have committed over 90 MW for our wholesale customers

# Nationwide IDC Network Focusing on Tier-1 and Satellite Cities



	# of Self-built Cabinets	% Contribution
Beijing	~17,800	50%
Shanghai & Hangzhou	~7,400	21%
Guangzhou & Shenzhen	~5,700	16%
Satellite Cities	~1,000	3%
Others	~3,500	10%
<b>Total</b>	<b>35,367</b>	<b>100%</b>



BJ 1



BJ 7



SH 1



GD 1

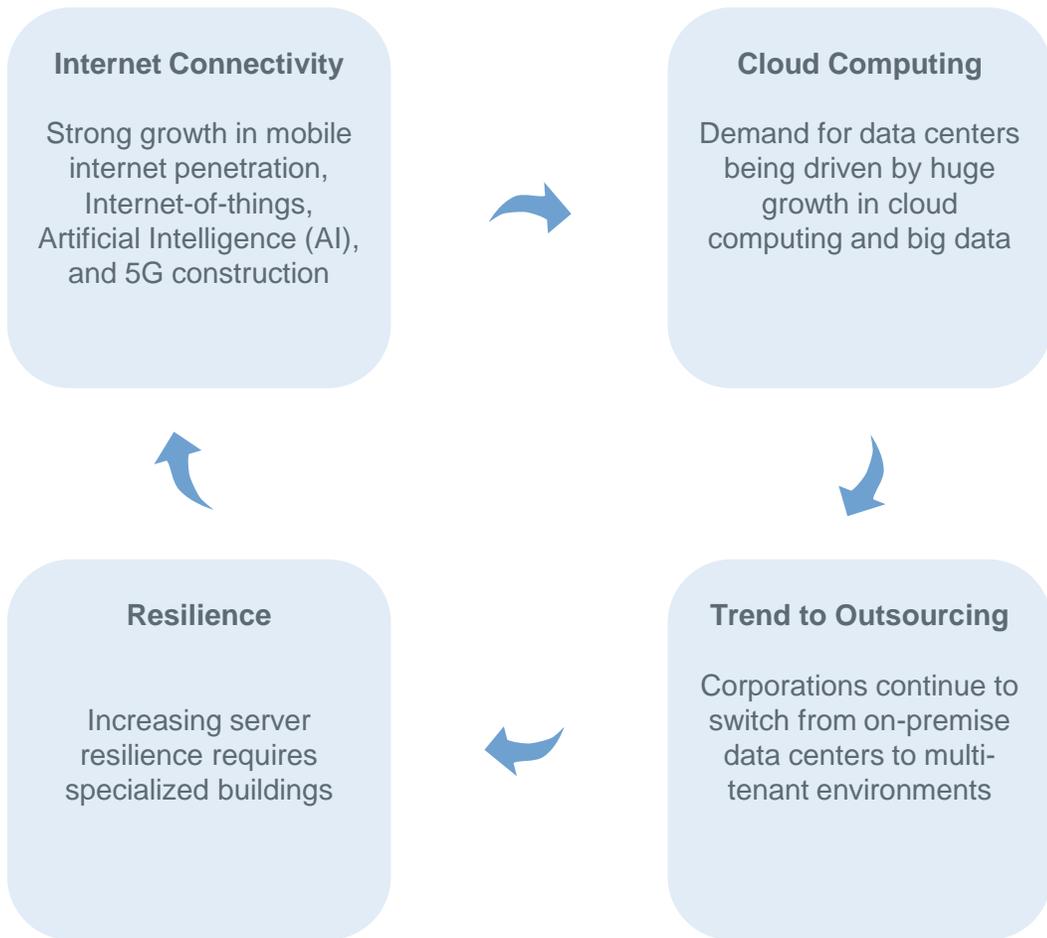
# Investment Highlights





# Hypergrowth Market for IDC Services in China

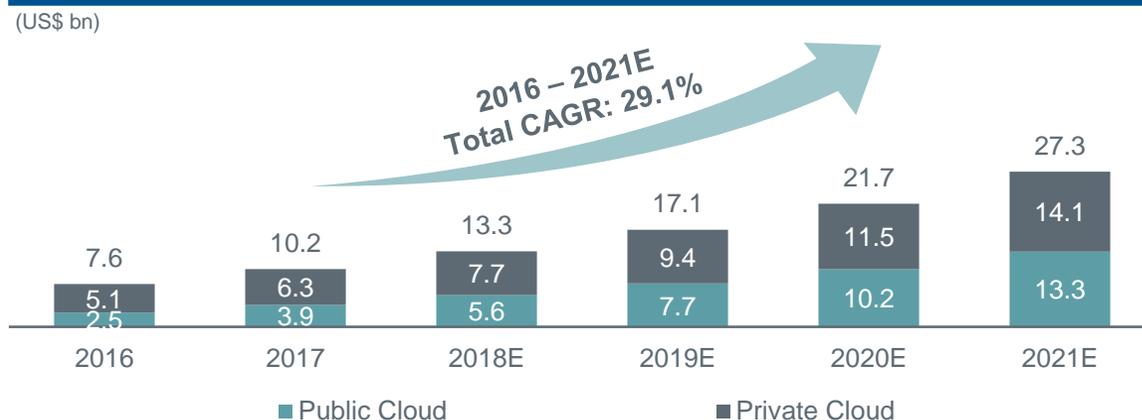
## Continuing Drivers of Demand



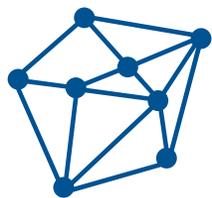
## China IDC Market Size



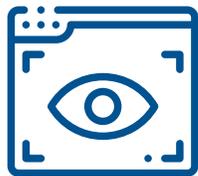
## China Cloud Computing Market Size



## Secure & Reliable Data Centers



Interconnectivity



Hypersensitive Detection  
& Supervision



Highly Secure Buildings  
& Data Floors

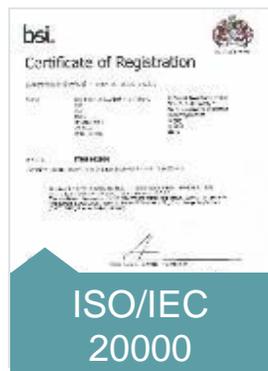


99.9% Internet  
connectivity uptime

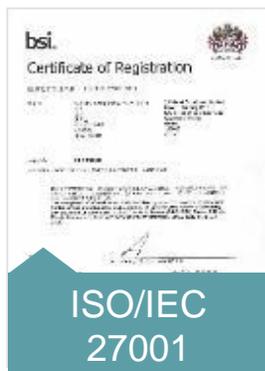


99.9% power uptime

## Certifications



ISO/IEC  
20000



ISO/IEC  
27001



ISO 22301



ISO  
9001:2015



ISO 14001



OHSAS  
18001



GB/T22239-  
2019



TCS  
Certification



## Leading Carrier-neutral IDC Service Provider in China

- **50+**<sup>(2)</sup> premium data centers in **20+**<sup>(2)</sup> cities
- **39,646**<sup>(2)</sup> cabinets, **89%**<sup>(2)</sup> self-built cabinets
- Connected to major carriers, non-carriers, and ISPs
- Estimated capacity of **1,000+**<sup>(2)</sup> gigabits per second for nearly all locations

Source:

1. IDC, Dec 2018 (Market share data as of year end 2018),
2. Company filings, data as of March 31 2020.

## Resources

- Government-approved licenses or permits as prerequisites for data center, cloud, and VPN
- Access to limited power quota in tier-1 cities with high data center demand

## Funding

- Significant capital required to fund IDC developments
- Capable of obtaining lower funding costs through diversified funding channels

## Track Record

- Operators with long track records of strong operational performance
- High IDC customer retention rate due to high switching costs for data center



## Operating Efficiency

- Experienced operators able to build and operate data centers with low PUE solutions
- Continuously shortening our ramp-up period and improving utilization rate

## Reliability and Connectivity

- Access to an abundant and constant source of power with reliable back-up systems
- Long lead time to build critical connectivity access to multiple carriers

# Recurring Revenue and Diversified Customers



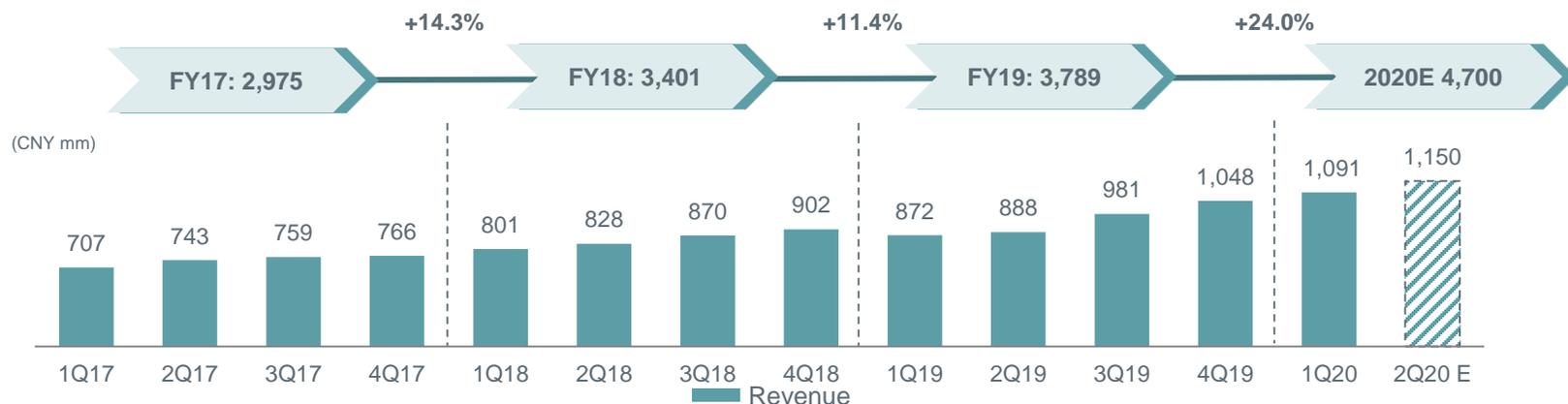
- ~2,000 enterprise customers use our retail IDCs: 70% Internet customers and 30% GOE & Financial customers

- Over 90% of net revenues were recurring revenues since IPO

- Maintain low concentration of risk with top 20 customers contributing 30.9% of total revenues in 1Q20

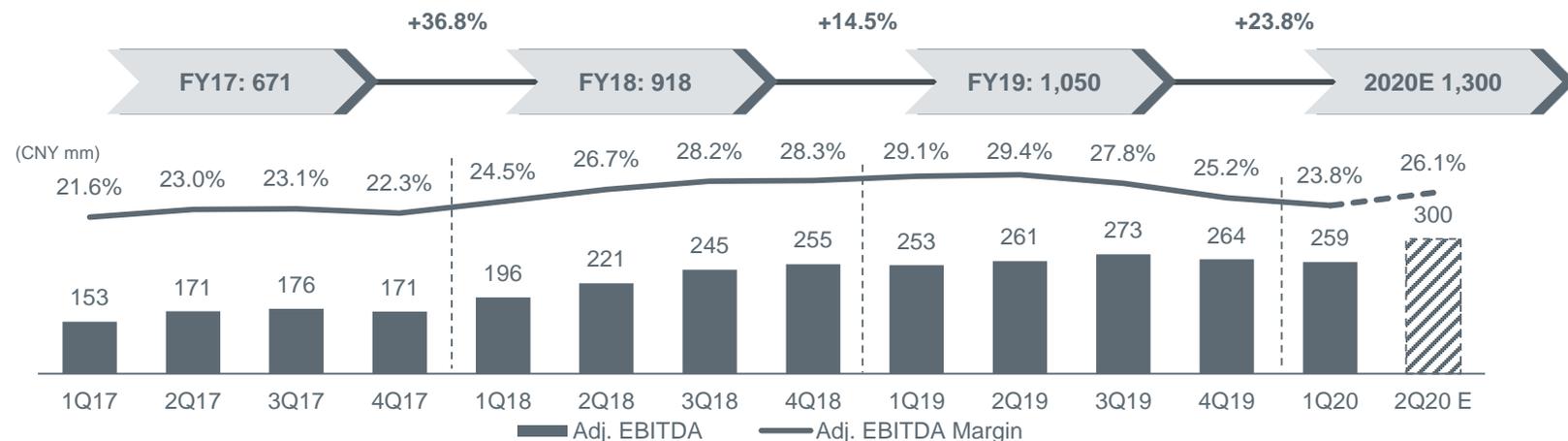
- Since 2020, we begin to generate revenue from wholesale customers

# Sustainable Growth and Profitability



## Key Growth Drivers

- Increase in cabinet capacity
- Improvement in Hosting MRR<sup>(1)</sup> due to higher adoption of value-added services and delivery of high power density cabinets
- Continuous growth in cloud and VPN business segments



## Key Growth Drivers

- Improving ratio of self-built cabinets, growing from 74% in 1Q17 to 89% in 1Q20
- Healthy implementation time and operating leverage, partially offset by the upfront costs for newly-built IDCs

**Consistent revenue expansion for Hosting and Related Services demonstrates good track record of execution; EBITDA margin has benefited from improved operating efficiency and healthy operating leverage**

Source: Company filings, data as of March 31, 2020.

1. MRRs refers to Monthly Recurring Revenues, and are based on the Company's core IDC business.

# Strong Support from Shareholders and Partners

## Shareholders



- TUS Holdings is an S&T investment holdings group established in reliance on Tsinghua University
- TUS Holdings has been the largest shareholder since May 2016, holding a 21.0% stake and 50.7% of company voting rights
- Strong synergies between companies: ability to leverage TUS's resources in government relationships and science park planning



- In 2014, a combined strategic investment from Kingsoft, Temasek, and Xiaomi
- Our single largest customer of the company Xiaomi, the revenue from Xiaomi accounted for less than 12% of the company's total net revenues in 2019

## Partners



- Long-term partnership starting from 2014 in China's public cloud service sector
- Customer referral and potential opportunity in hosting service
- Cost-plus + revenue sharing model



## Connectivity and Hybrid Cloud Partners



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# Financial Overview

# 1Q20 Financial Highlights

CNY'000	1Q19	4Q19	1Q20	YoY	QoQ
<b>Net revenues</b>	<b>871,859</b>	<b>1,048,119</b>	<b>1,090,797</b>	<b>25.1%</b>	<b>4.1%</b>
Gross profit	240,775	247,871	233,111	-3.2%	-6.0%
Adjusted cash gross profit <sup>(1)</sup>	406,670	425,887	417,127	2.6%	-2.1%
<i>Adjusted cash gross margin</i>	<i>46.6%</i>	<i>40.6%</i>	<i>38.2%</i>	<i>-8.4 bps</i>	<i>-2.4 bps</i>
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>253,468</b>	<b>263,800</b>	<b>259,389</b>	<b>2.3%</b>	<b>-1.7%</b>
<i>Adjusted EBITDA margin</i>	<i>29.1%</i>	<i>25.2%</i>	<i>23.8%</i>	<i>-5.3 bps</i>	<i>-1.4 bps</i>

CNY'000	Dec-17	Dec-18	Dec-19	Mar-20
Cash & cash equivalents, Restricted cash and Short-term investments	2,744,359	2,906,035	2,721,034	3,487,278

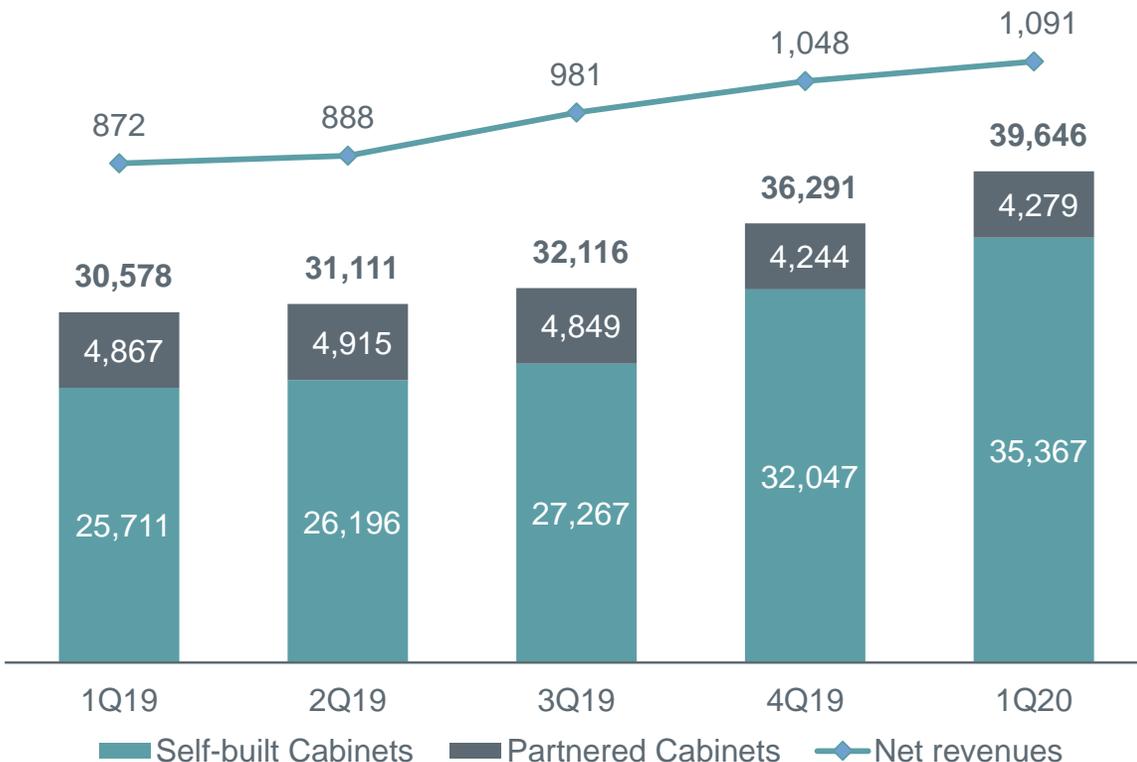
Source: Company filings, data as of March 31, 2020.

- Adjusted cash gross profit defined as gross profit excluding depreciation, amortization and share-based compensation expenses.
- Adjusted EBITDA defined as EBITDA excluding share-based compensation expenses, impairment of receivables from equity investees.

# Revenue Growth Supported by Capacity, MRR, & Utilization

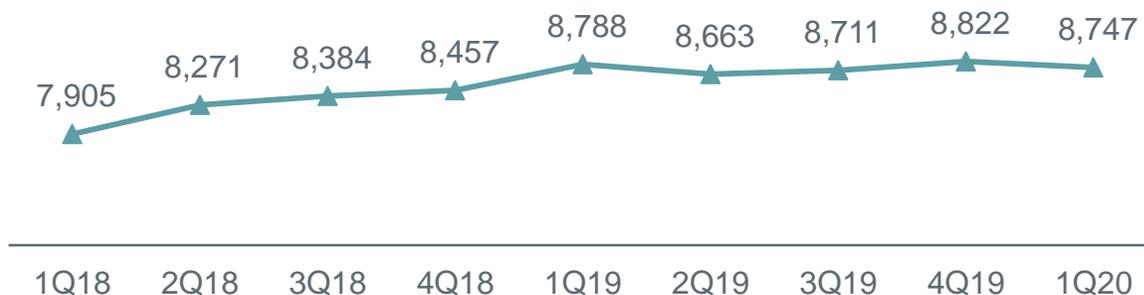
### Net Revenues & Cabinets (1)

(Net Revenues in CNY mm)



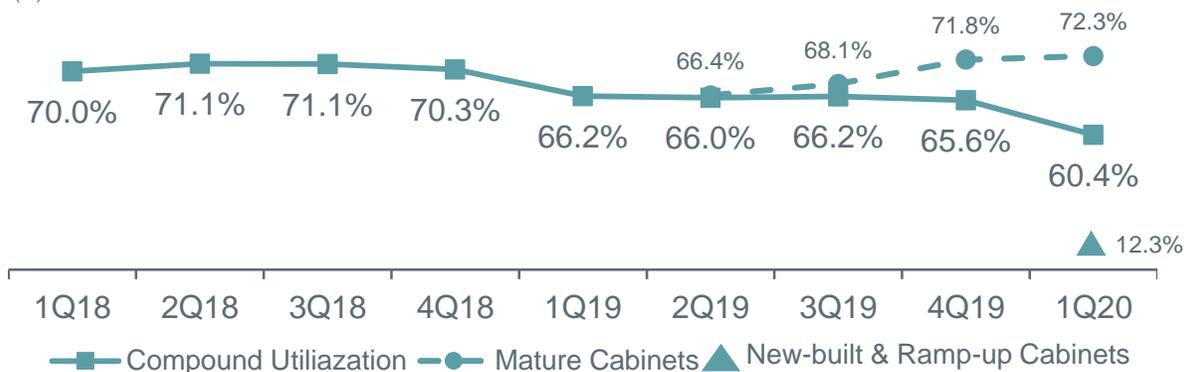
### Retail IDC MRR per Cabinet (2)

(CNY)



### Utilization Rate (3)

(%)



**Resilient growth and capacity expansion for upcoming digital transformation & 5G era**

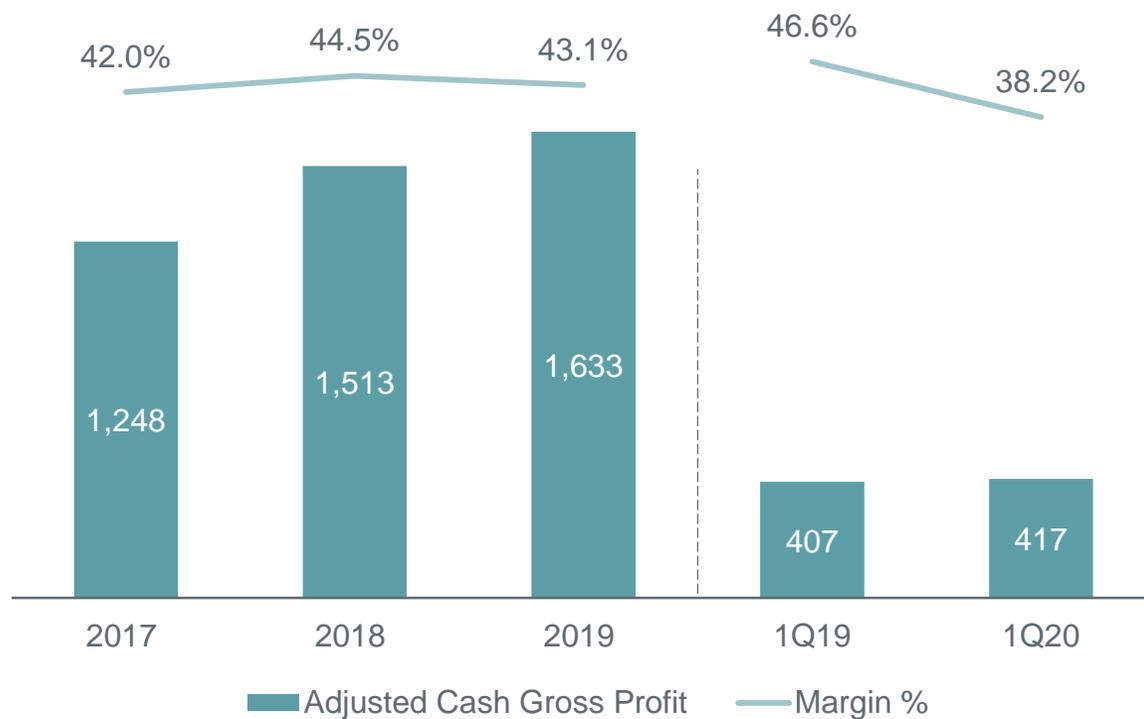
Source: Company filings.

1. Numbers of cabinets are measured by the actual numbers at the end of each quarter.
2. MRRs refers to Monthly Recurring Revenues, and are based on the Company's retail IDC business.
3. Utilization rates are based on quarterly average rates. The dotted line refers the utilization rate for cabinets built before 2019; The triangle refers the utilization rate for cabinet built Since 2019.

# Margin Improvements Through Efficiency Enhancement

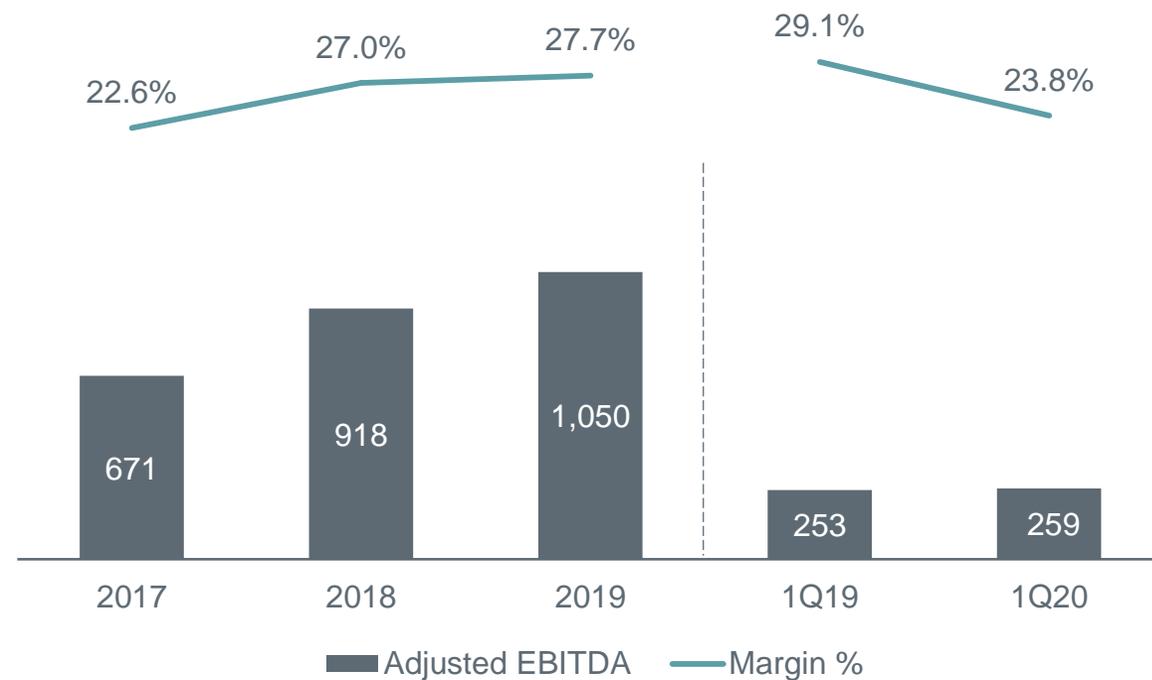
## Adjusted Cash Gross Profit & Margin (1)

(CNY mm)



## Adjusted EBITDA & Margin (2)

(CNY mm)



**Temporary margin pressure caused by concentrated new capacity delivery;  
long-term upward trend supported by utilization improvement and future operating leverage**

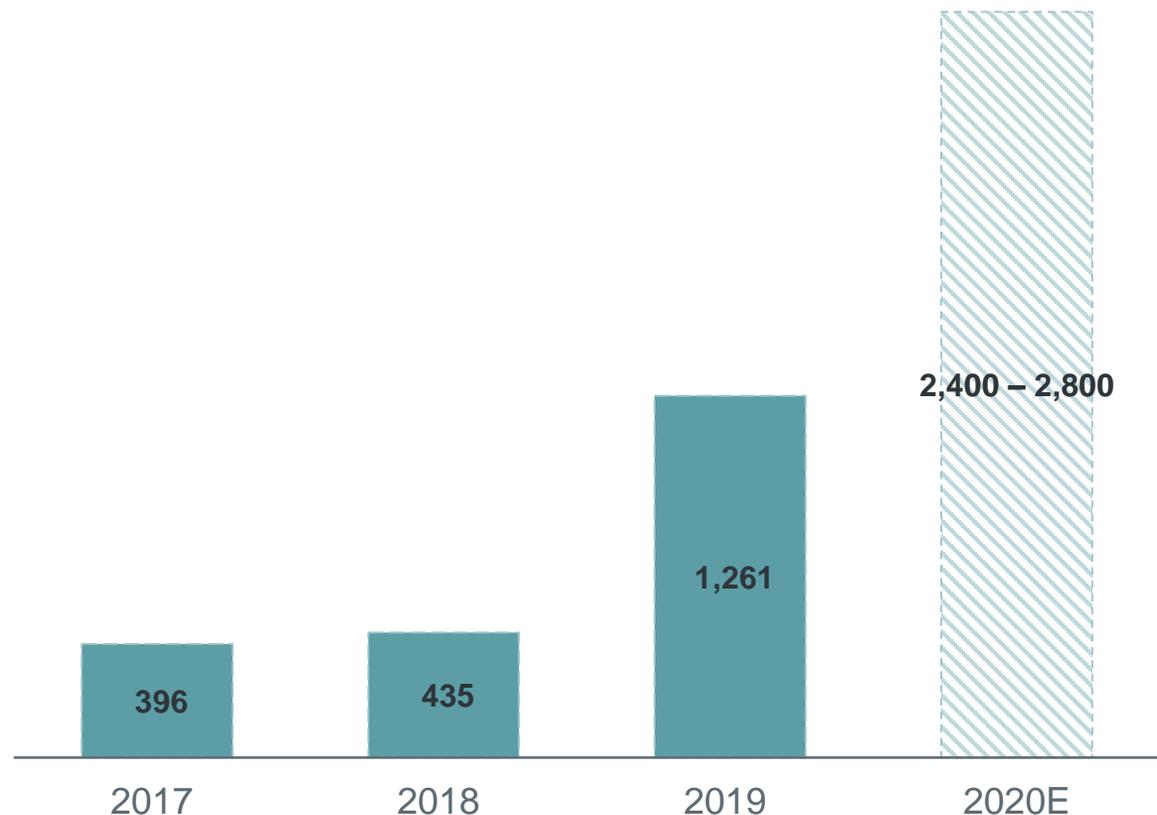
Source: Company filings, data as of March 31, 2020.

- Adjusted cash gross profit defined as gross profit excluding depreciation, amortization and share-based compensation expenses.
- Adjusted EBITDA defined as EBITDA excluding share-based compensation expenses, impairment of receivables from equity investees.

# CAPEX Plan for Business Expansion

## Capital Expenditures <sup>(1)</sup>

(CNY mm)

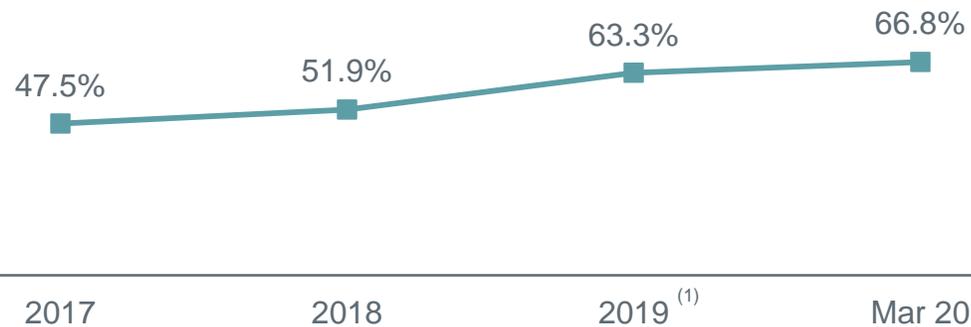


## Capital Expenditures Policy

- 2020 Total Capex range: RMB 2.4bn – 2.8bn, including property purchase, building construction and strengthening and IDC equipment procurement
- Additional Capex for other potential land parcel purchases and M&A projects
- Capex primarily funded by cash generated from our operations and net cash provided by our financing activities
- Increasingly favorable banking environment as IDCs are listed as a key component of the internet infrastructure industry and VNET's resource pipeline stronger through an increasing quantity of long-term contracts with well-known customers

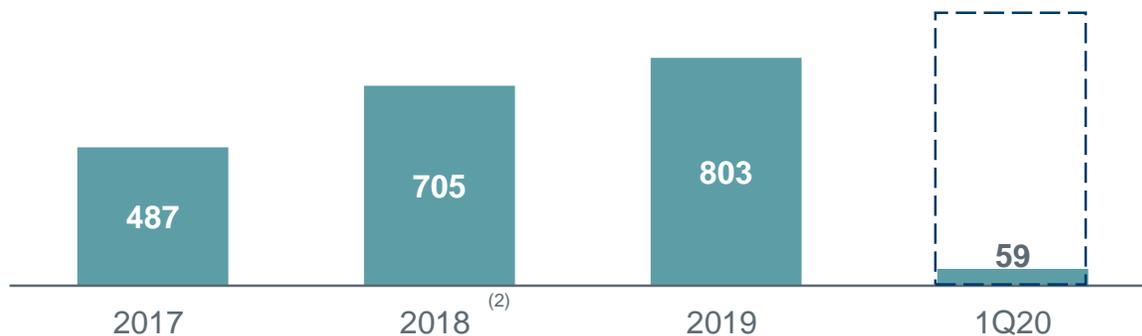
# Capital Structure, Credit Stats, & Cash Flow

## Gearing Ratio

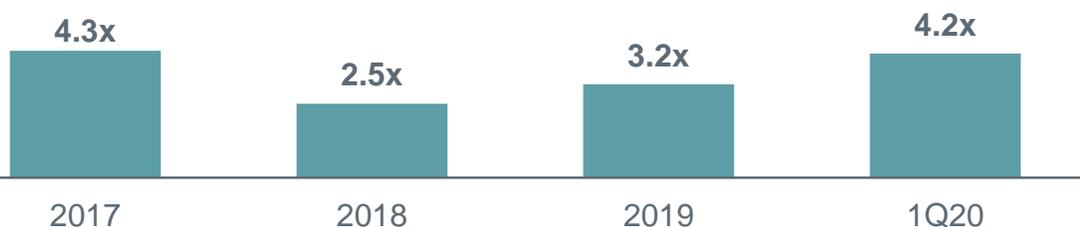


## Operating Cash Flow

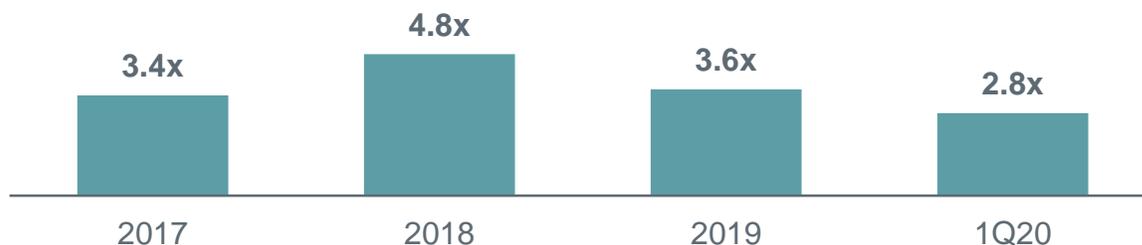
(CNY mm)



## Total Debt<sup>(3)</sup> / Adjusted EBITDA



## Adjusted EBITDA Interest Coverage<sup>(4)</sup>



Source: Company filings. All financials and operating metrics before 2018 include MNS business.

1. The increase was partially attributable to the adoption of ASC 842

2. The amount is adjusted by adopting the Accounting Standards Update (“ASU”) No. 2016 - 2018, Statement of Cash Flows, (Topic 230): Restricted Cash.

3. Total Debt = Short-term and long-term bank borrowings + Bond payables + Convertible Note payables.

4. Adjusted EBITDA Interest Coverage = Adjusted EBITDA / Net Interest Expense.

# Guidance

CNY mm	2Q19 A	1Q20 A	2Q20 E	YoY <sup>(1)</sup>
Revenues	888	1,091	1,140 – 1,160	30%
Adjusted EBITDA	253	259	290 - 310	16%

CNY mm	2019 A	2020 E	YoY <sup>(1)</sup>
Revenues	3,789	4,600 – 4,800	24%
Adjusted EBITDA	1,050	1,250 – 1,350	24%

Source: Company filings.

1. YoY represents the midpoints of the guidance ranges compared to the actual numbers in the previous year.

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# Appendix

# Shareholding Structure

- Major beneficial ownership of our ordinary shares, as of 06 Mar, 2020;

Principal Shareholders:	% of Share Holding	% of Voting Power
Tuspark Innovation Venture Ltd.	21.0	50.7
King Venture Holdings Limited	8.4	9.8
Xiaomi Ventures Limited	2.5	4.9
Sheng Chen	7.3	15.2

# Thank You!

Leading carrier-neutral &  
cloud-neutral service provider  
in China



Contact Information:

Company website:  
<http://www.21vianet.com>

Email: [IR@21vianet.com](mailto:IR@21vianet.com)

IR Contacts: Rene Jiang  
Julia Jiang