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# 21Vianet Group, Inc.

## Investor Presentation

November, 2019



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## At a Glance

Inception Time	In 1996
Listing Time	Apr, 2011
Exchange / Ticker	Nasdaq: VNET
Price (as of 8 <sup>th</sup> Nov, 2019)	\$ 8.31
Market Cap	\$ 934 Million

# A Leading Internet Data Centre 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 experiences.
- World-class partners and loyal customers are attracted by VNET's renowned brand and service quality.

## Key strategies

- Accelerate cabinet roll-out and accordingly increase our core data center service capacities
- Capture further market share in the wholesale IDC market and promote hybrid cloud services for our clients
- Selectively pursue strategic partnerships and investments

# 3Q19 Highlights



**13% YoY**  
net revenue growth

**11% YoY**  
adjusted EBITDA<sup>(1)</sup> growth



**6% YoY**  
total capacity growth

**1,813**  
cabinet net adds



**Strong**  
males momentum

**2,000**  
cabinets sales backlog

Source: Company filings.

1. Adjusted EBITDA defined as EBITDA excluding share-based compensation expenses, changes in the fair value of contingent purchase consideration payable, impairment of long-lived assets and loss on debt extinguishment.

# Comprehensive Customized Solutions

## IDC Services

**Core Business**  
60%-70% of total revenue

### Product Offering

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

### 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 in China with Microsoft for public and hybrid cloud services



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

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

Microsoft Azure  
由世纪互联<sup>®</sup>运营

Microsoft Office 365

Microsoft Dynamics 365

Source: Company filings.

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

# Dual-core Strategy for IDC Business

## New Retail



Focus on **high growth verticals**:



Fintech



Online  
streaming

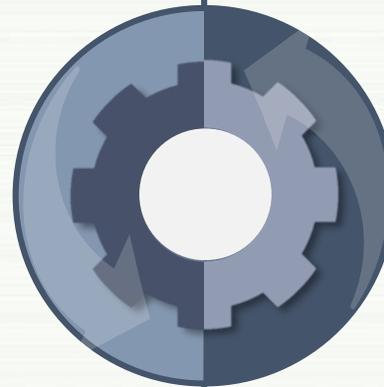


Smartphone  
IoT



Internet

- ✓ **Provide turn-key solutions** that include IT structure strategic planning, hardware/software procurement and implementation services
- ✓ **Leverage 21Vianet's comprehensive planning and servicing capability** as well as established supply chain
- ✓ **Increase customer stickiness** and pave the way for providing hybrid cloud service in future



## Wholesale



Targeting **large enterprise customers**:



Kingsoft Cloud  
KS CLOUD



Tencent Cloud



JDCloud



- ✓ Dedicated team with **20 years of experience** in marketing management, and execution
- ✓ Established brand with **strong execution capability well-recognized by enterprise customers**
- ✓ Leverage **21Vianet's industry expertise** and **superior technological capability**
- ✓ **Improve efficiency, profitability, and financing flexibility**

# Pipeline Status

IDC Pipeline Capacity <sup>(1)</sup>	Tenure	Status	2019	2020	2021
Chengdu	Leased	Ready for Sale	~500		
Beijing South	Leased	Ready for Sale	~1,000		
Beijing West	Leased	Under Construction	~1,900	~1,900	
Beijing East I	Leased	Under Construction	~1,300		
Beijing East II	Leased	Under Construction	~2,200		
Shanghai SJ	Owned	Under Construction	~1,400	~1,600	
Jiangsu Campus	Owned	Greenfield		~3,000	~3,000
HeBei Campus	Owned	Greenfield		~1,000	~3,000
Guangzhou SC	Leased	Extension		~1,000	~1,000
Shanghai WGQ	Owned	Under Construction		~2,000	~2,000
Jiangsu II	Leased	Under Construction		~500	
Jiangsu III <sup>New</sup>	Leased	Under Construction		~2,000	
<b>Secured Resources</b>			~8,000	~13,000	~9,000
<b>Expansion Target</b>			<b>6,000 – 8,000</b>	<b>15,000</b>	<b>15,000</b>
<b>Estimate Growth</b>					
YoY. Revenue Growth %			Midpoint 12%	20% - 24%	23% - 27%
YoY. Adj. EBITDA Growth %			Midpoint 14%	25% - 30%	35% - 40%

1. Capacity: cabinet number includes blank space

# Wholesale Projects Development

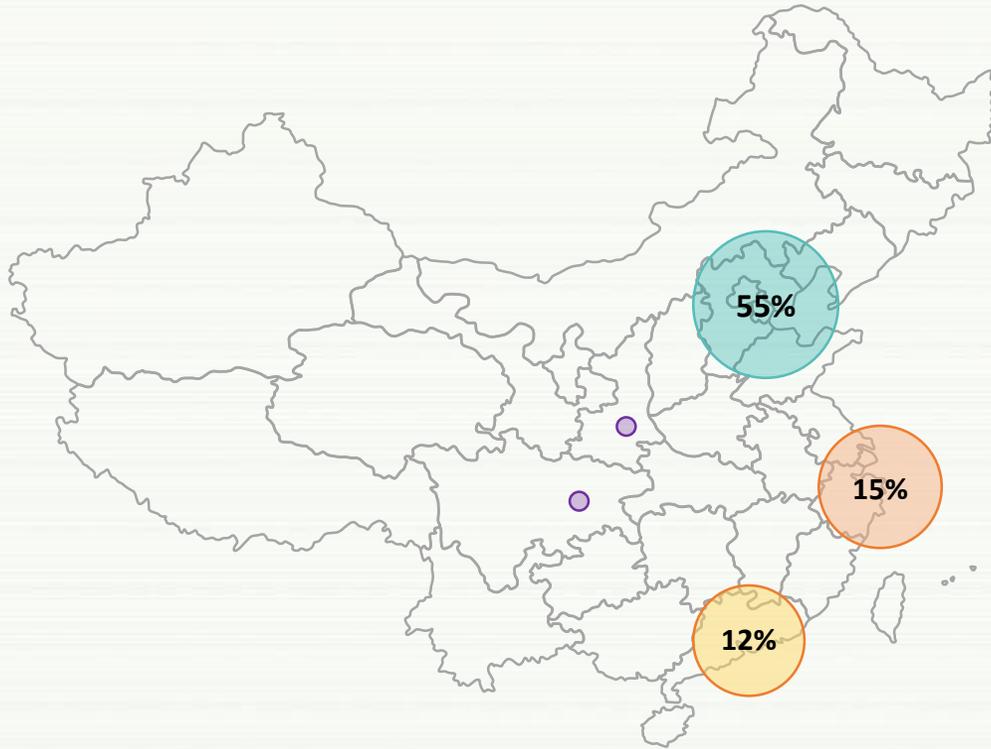


Initial Capacity	~ 2,000 R
Client Commitment	Alibaba
1 <sup>st</sup> Phase Expected Delivery	1H 2020

Total Capacity	> 8,000 R
Pre-commitment Rate	N/A
1 <sup>st</sup> Phase Expected Delivery	2H 2020

Total Capacity	~ 500 R
Pre-commitment Rate	95%
Expected Deliver Date	1H 2020

# Nationwide IDC Service Provider with Focus on Tier-1 and Quasi-Tier-1 Cities



	# of Self-built Cabinets	% Contribution
Beijing	14,892	55%
Shanghai & Hangzhou	4,010	15%
Guangzhou & Shenzhen	3,282	12%
Xian & Chengdu	2,621	10%
Others	2,462	9%
<b>Total</b>	<b>27,267</b>	<b>100%</b>



**BJ 1**



**BJ 7**



**SH 1**



**GD 1**

Source: Company Data as 30<sup>th</sup> Sep 2019.

The demographic displayed on the map only represent the range of company's self-built data center.



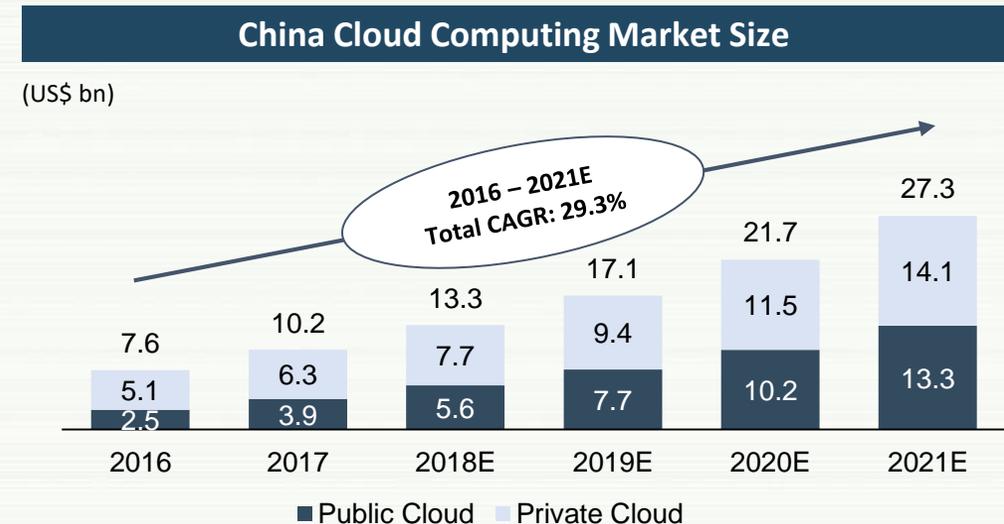
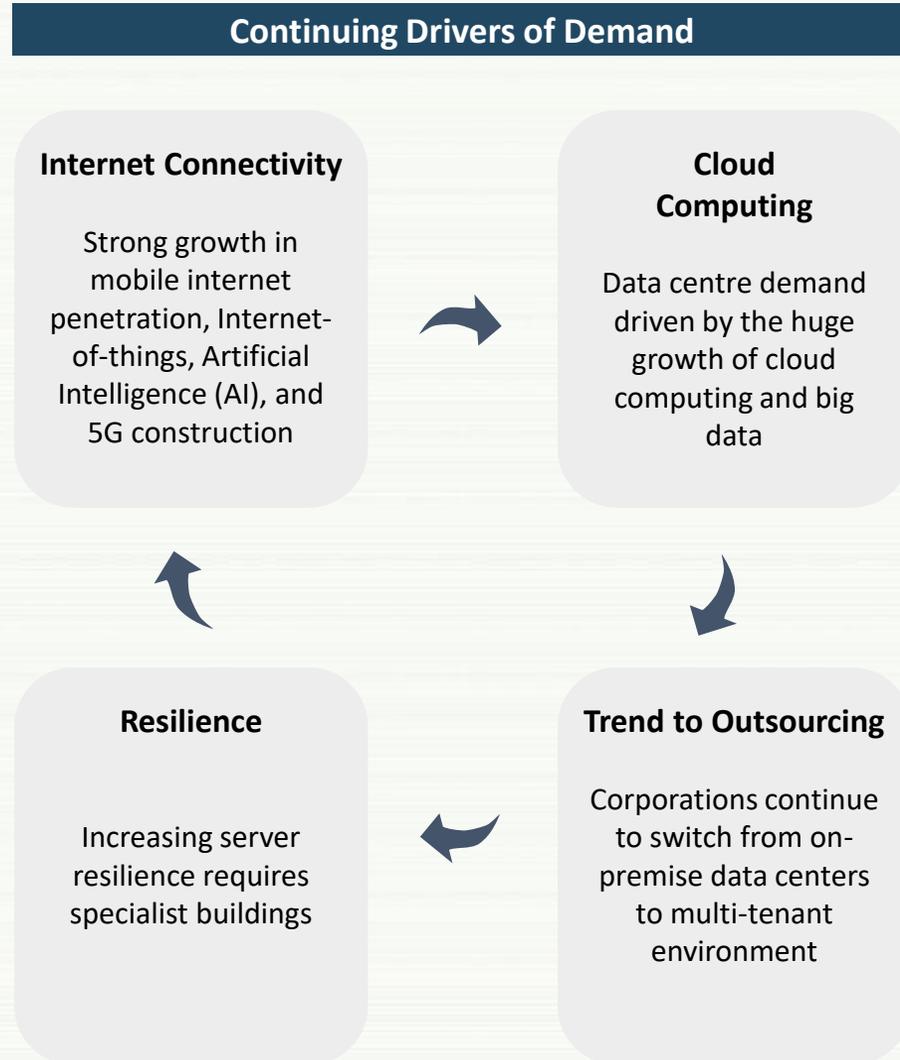
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## Investment Highlights

# Investment Highlights

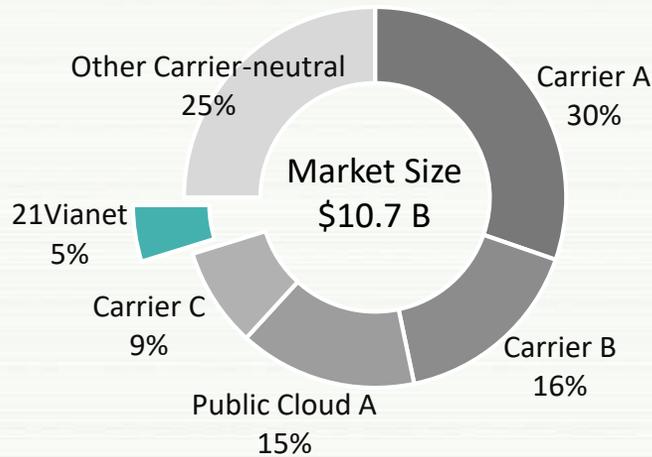


# Hyper Growth Market for IDC Services in China

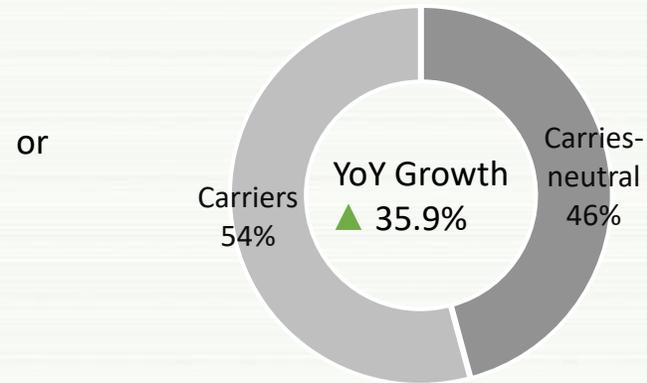


# Trusted Brand and Clear Leadership

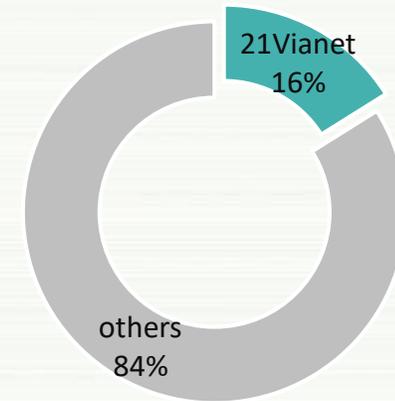
China IDC Market Share in 2017 <sup>(1)</sup>



Carrier-Neutral accounts for 46% Market <sup>(1)</sup>



Carrier-Neutral Market: top 6 players represent ~70% share in Tier-1 cities <sup>(1)</sup>



## Leading Carrier-neutral IDC Service Provider in China

- 50+ <sup>(2)</sup> premium data centers in 20+ <sup>(2)</sup> cities
- 32,116 <sup>(3)</sup> cabinets, 85% <sup>(3)</sup> self-built cabinets
- Connected to major carriers, non-carriers and ISPs
- Estimated capacity of 1,000+ <sup>(2)</sup> gigabits per second to nearly all locations

Source:

1. IDC, Dec 2018 (Market share data as of year end 2017), 451 research, Bain analysis
2. Company filings, data as of December 31, 2018
3. Q3 2019 Company filings

# Trusted Brand and Clear Leadership (cont.)



## Certification



We build and operate our data centers in compliance with high industry standards in order to provide our customers with secure and reliable environments necessary for optimal internet interconnectivity.



# High Entry Barriers

## Resources

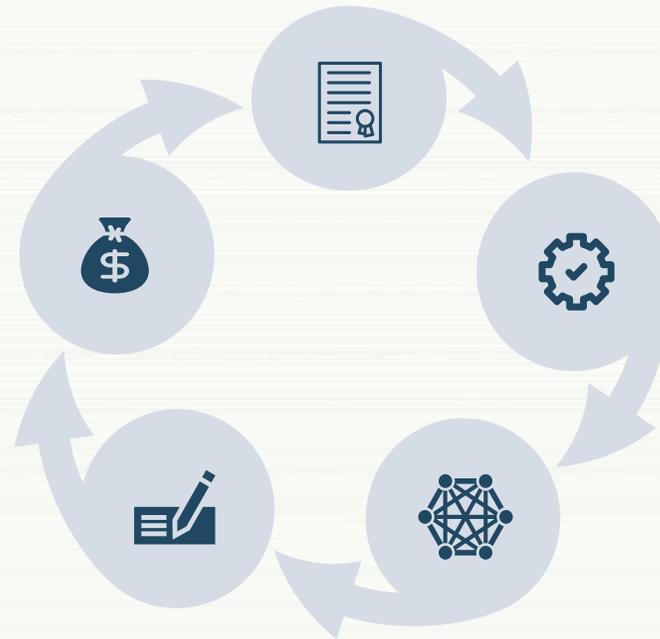
- Government-approved licenses or permits as prerequisites for data center, cloud and VPN
- Access to limited power quota in Tier-1 cities with high data center demand

## Funding

- Significant capital required to fund IDC developments
- Capability to obtain lower funding cost and diversify the funding channels

## Track Record

- Operators with long track records of good operational performance
- Switching costs for the enterprises on data center



## Operating Efficiency

- Experienced operators being able to build and operate data centers with low PUE solutions
- Continuously shorten the ramp-up period and improve the utilization rate

## Reliability and Connectivity

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

# Recurring Revenue and Diversified Customers



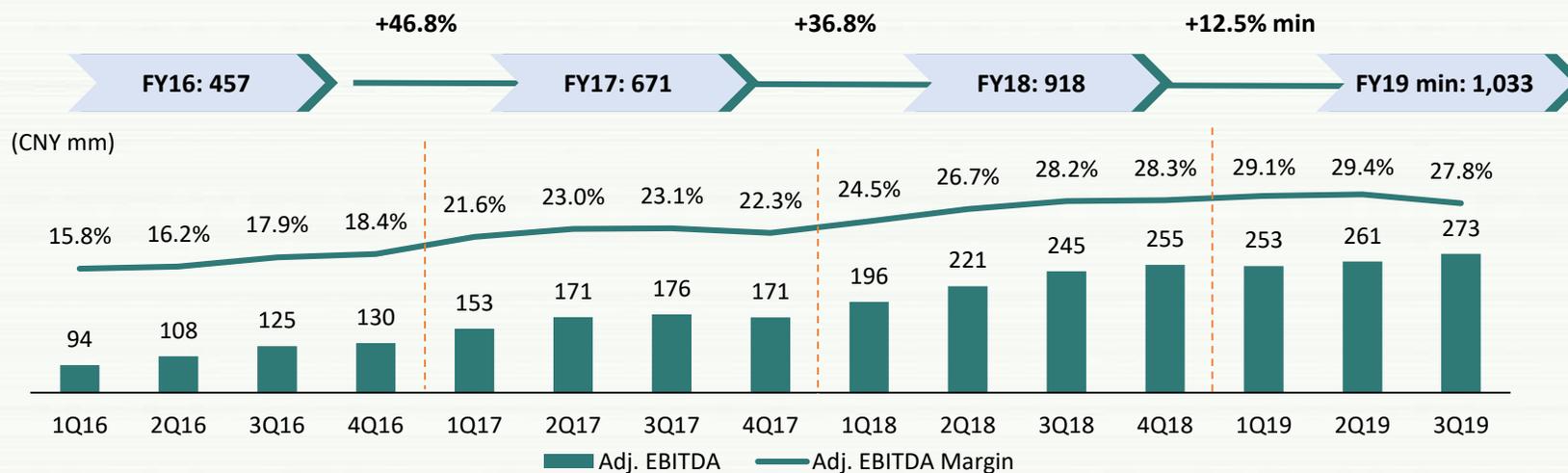
- Around 2,000 enterprise customers, **70%** of Internet customers, and **30%** GOE & Financial customer

- Recurring revenues contributing to over **90%** of net revenues since IPO

- Low concentration risk with top 20 customers contributing **29.2%** of revenue in 3Q19

Source: Company filings.

# Sustainable Growth and Profitability



## Key Growth Drivers

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

## Key Growth Drivers

- Improving proportion of self-built cabinets, growing from 72% in 3Q16 to 85% in 3Q19
- Significant turnaround and operating leverage

Consistent revenue expansion for Hosting and Related Services demonstrates good track record of execution  
EBITDA margin has benefitted from operating efficiency improvement and operating leverage

Source: Company filings.

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 focusing on S&T services
- Controlling shareholder and strategic investor since May, 2016, which represents 21.2% stake, 50.9% voting right
- The largest investment amount that TUS-Holdings has made in the digital business segment
- Strong synergy: VNET to leverage TUS's resources in government relationships and science park planning
- Potential customer referral from TUS's investee pool of high-growth enterprises

Partners



- In 2014, a combined strategic investment from Kingsoft, Temasek and Xiaomi
- As of Dec 31, 2018, Xiaomi has become the single largest customer of the company, which represents 11.9% of the company's net revenues



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



• Land & property resources



• Local government relationships



• Access to power quota



• Potential customer referrals



• Capital investments



• Experience in cloud operating, fund raising



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## Financial Overview

# 3Q19 Financial Highlights

CNY'000	3Q18	2Q19	3Q19	YoY	QoQ
<b>Net revenues</b>	<b>870,068</b>	<b>888,020</b>	<b>980,969</b>	<b>12.7%</b>	<b>10.5%</b>
Gross profit	241,195	228,248	222,555	-7.7%	-2.5%
Adjusted cash gross profit <sup>(1)</sup>	391,940	403,809	396,731	1.2%	-1.8%
<i>Adjusted cash gross margin</i>	<i>45.0%</i>	<i>45.5%</i>	<i>40.4%</i>	<i>-4.6 bps</i>	<i>-5.0 bps</i>
Operating profit	64,645	60,034	65,476	1.3%	9.1%
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>245,231</b>	<b>260,727</b>	<b>272,502</b>	<b>11.1%</b>	<b>4.5%</b>
<i>Adjusted EBITDA margin</i>	<i>28.2%</i>	<i>29.4%</i>	<i>27.8%</i>	<i>-0.4 bps</i>	<i>-1.6 bps</i>

CNY'000	Dec-16	Dec-17	Dec-18	Sep-19
Cash & cash equivalents, Restricted cash and Short-term investments	3,572,469	2,744,359	2,906,035	2,944,213

Source: Company filings for Hosting and Related Services.

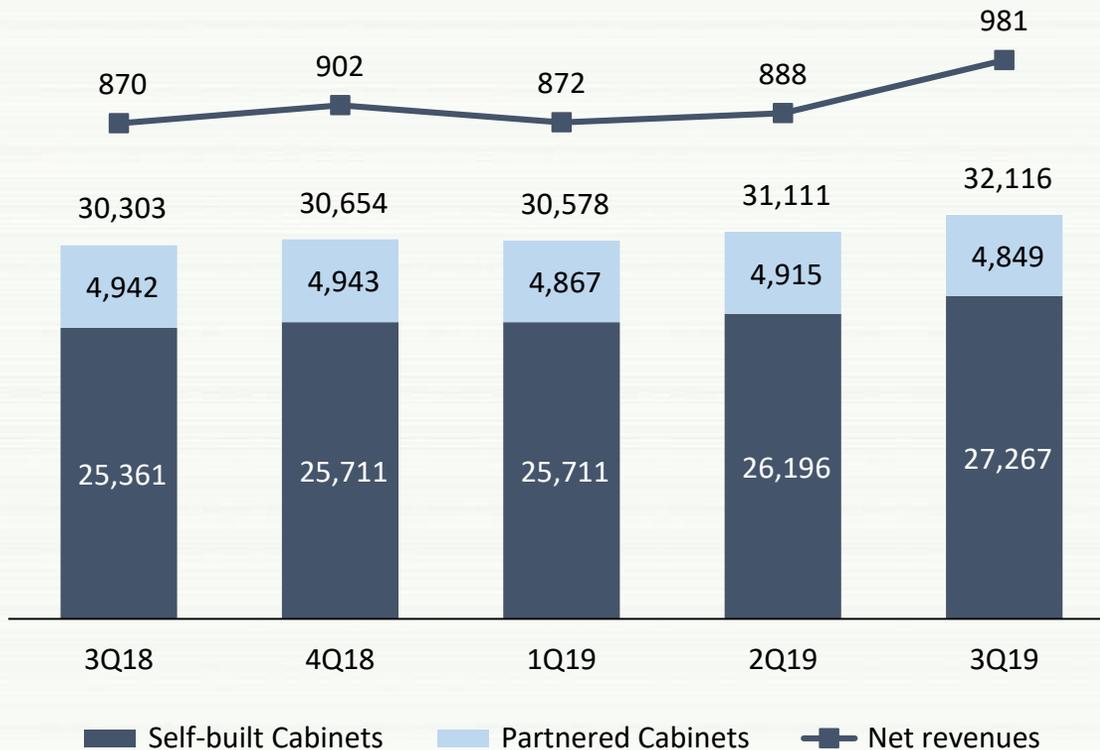
1. Adjusted cash gross profit defined as gross profit excluding depreciation, amortization and share-based compensation expenses.

2. Adjusted EBITDA defined as EBITDA excluding share-based compensation expenses, changes in the fair value of contingent purchase consideration payable, impairment of long-lived assets and loss on debt extinguishment.

# Revenue Growth Supported by Capacity, MRR & Utilization

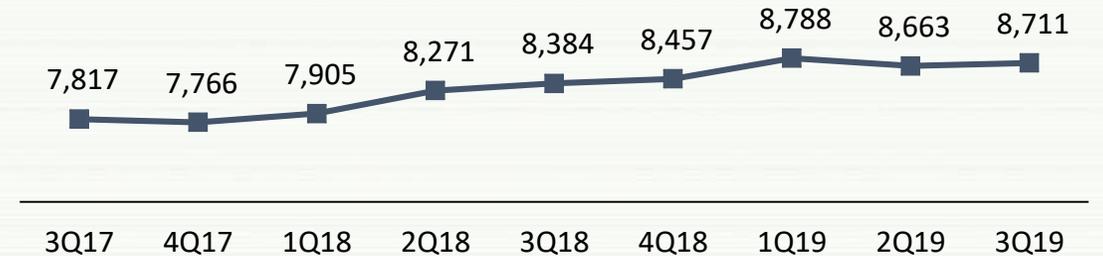
## Net Revenues & Cabinets <sup>(1)</sup>

(Net Revenues in CNY mm)



## IDC MRR per Cabinet <sup>(2)</sup>

(CNY)



## Utilization Rate <sup>(3)</sup>

(%)



**Resilient growth expectations, building capacity for 2020 demand**

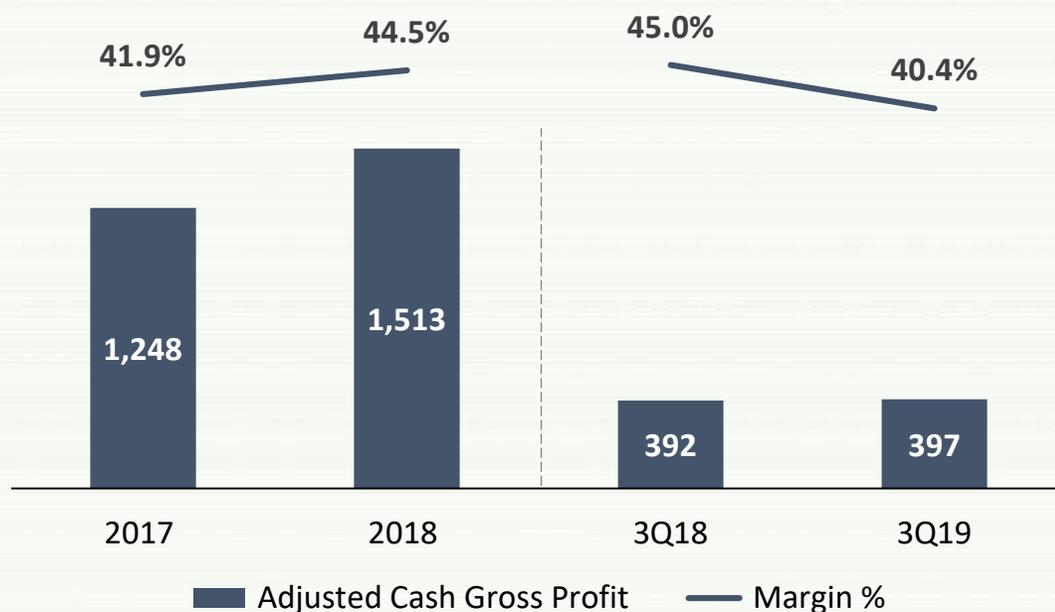
Source: Company filings.

1. The numbers of cabinet are measured by the actual numbers by the end of quarter.
2. MRRs refers to Monthly Recurring Revenues, and are based on the Company's core IDC business.
3. Utilization rates are based on quarterly average to measure.

# Margin Improvements through Efficiency Enhancement

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

(CNY mm)



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

(CNY mm)



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

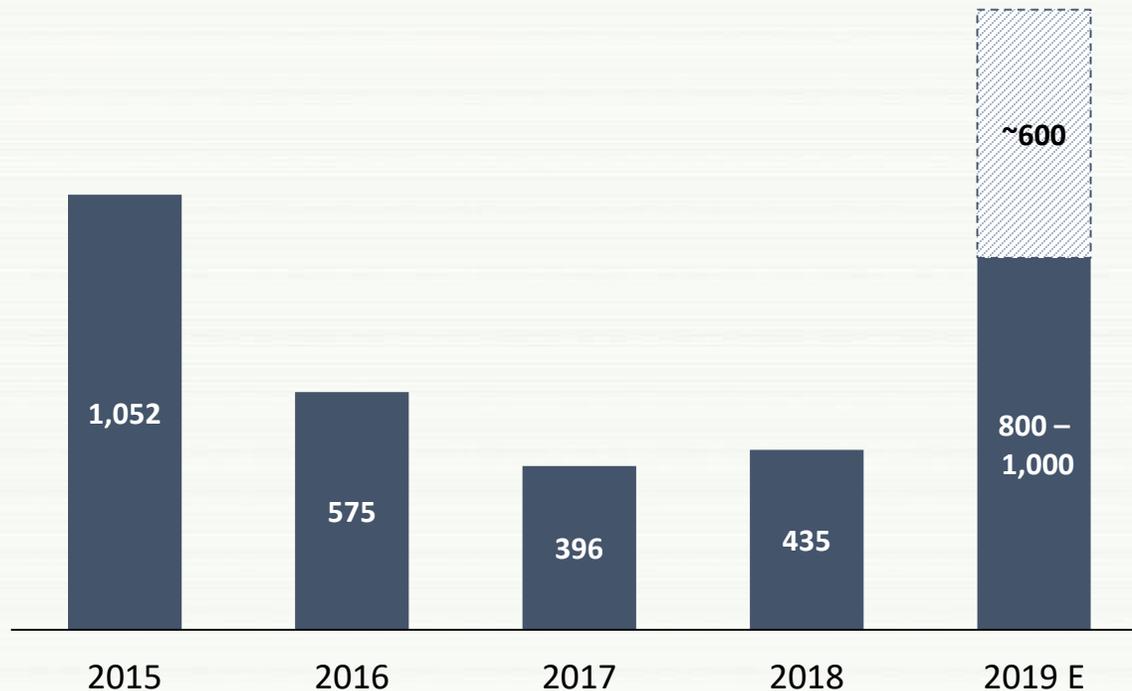
Source: Company filings.

- 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, changes in the fair value of contingent purchase consideration payable, impairment of long-lived assets and loss on debt extinguishment.

# CAPEX Plan For Business Expansion

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

(CNY mm)



## Capital Expenditures Policy

- 2019 Total Capex range: RMB1.4 bn - RMB1.6 bn:
  - RMB800 mm - RMB1,000 mm associated with 6,000 - 8,000 self-built cabinets addition, mostly in Tier-1 cities;
  - RMB600 mm for IDC capacity expansion beyond 2019
- Additional Capex for potential wholesale and M&A projects
- Capex primarily funded by cash generated from our operations and net cash provided by financing activities

Source: Company filings

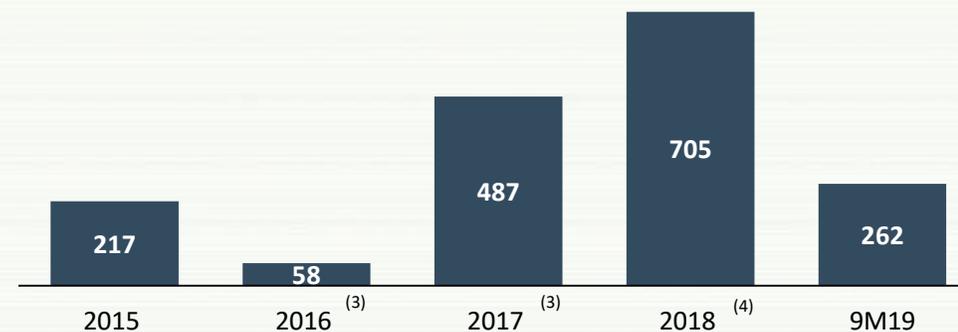
1. The statistics displayed on the chart above for 2017 and beyond only contains the retail business data from Hosting and Related Services.

# Capital Structure, Credit Stats and Cash Flow

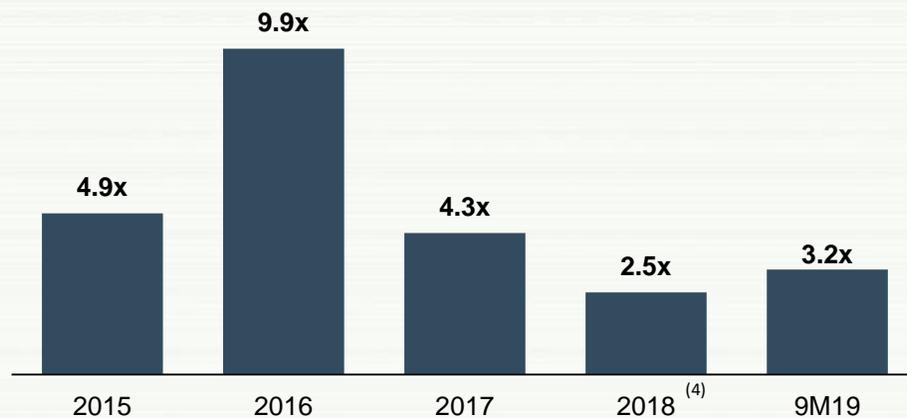
## Gearing Ratio



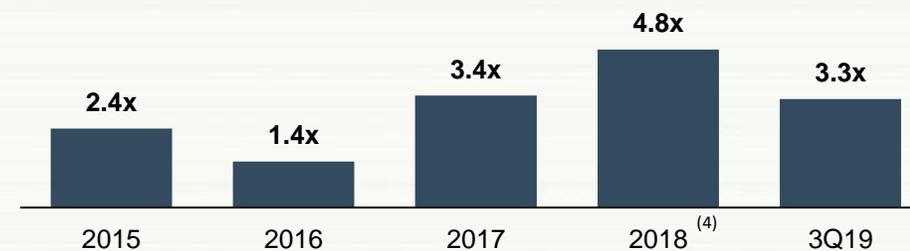
## Operating Cash Flow (CNY mm)



## Total Debt<sup>(1)</sup> / Adjusted EBITDA



## Adjusted EBITDA Interest Coverage<sup>(2)</sup>



Source: Company filings. All financials and operating metrics include MNS business, unless otherwise notice.

1. Total Debt = Short-term and long-term bank borrowings + Bond payables.

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

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

4. Only represents Hosting and Related Services.

# Guidance

CNY mm	4Q18 A	3Q19 A	4Q19 E	YoY <sup>(1)</sup>
Revenues	901.9	981.0	1,030 – 1,050	15.3%
Adjusted EBITDA	255.3	272.5	245 - 265	-

CNY mm	2018 A	2019 E	YoY <sup>(1)</sup>
Revenues	3,401	3,771 – 3,791	11.2%
Adjusted EBITDA	918	1,033 – 1,053	13.6%

Source: Company filings

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

# Thank You!

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



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IR Contacts: Rene Jiang  
Julia Jiang



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Appendix

# Shareholding Structure

- Major beneficial ownership of our ordinary shares, as of Feb 28, 2019;

Principal Shareholders:	% of Share Holding	% of Voting Power
Tuspark Innovation Venture Ltd.	21.2	50.9
Esta Investments Pte Ltd (Temasek)	9.6	2.9
King Venture Holdings Limited	8.5	9.9
Xiaomi Ventures Limited	2.5	5.0
Sheng Chen	7.3	15.3

Source: Company filings.