

# VNET Group, Inc.

## Investor Presentation

August 2022

世纪互联  
VNET

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## 2Q 2022 Highlights



### Financials (in RMB)

Revenue: **1,725 million** (+15.2% YoY)

Adjusted EBITDA: **487 million** (+14.5 % YoY)



### Unused Credit Line

**RMB 1,246 million** (+338 million in 2Q)



### Retail & Wholesale Updates

**RMB 9,186**

Retail IDC MRR<sup>(1)</sup> per cabinet

**~266 MW**

Wholesale capacity in service & under MoU  
(+14MW in 2Q)



### Capacity

**80,831 R** total capacity

**44,500 R** utilized cabinets

**55.1%**<sup>(2)</sup> for overall utilization rate

Source: Company data as of June 30, 2022.

Notes:

1. Retail IDC MRR refers to Monthly Recurring Revenues for the retail IDC business.
2. 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) <sup>(1)</sup>	Signing Time of Contract / MoU	Project Type	Customer Sector
Other Region	N-OR05	14	2Q22	Wholesale	Internet
Greater Beijing Area	BJ10	1	2Q22	Retail	Artificial Intelligence
Greater Beijing Area	BJ16	1	2Q22	Retail	Financial Institution
Yangtze River Delta	E-JS03	15	3Q22	Wholesale	Cloud Service



Source: Company data.

1. Capacity Contracted / Under MoU are rounded.

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

## Pioneer and Leader

- ✓ A **leading carrier-neutral and cloud-neutral data center services provider in China** with 26 years of experience
- ✓ **~11%<sup>(1)</sup> market share** of China's carrier-neutral data center services market
- ✓ **195** approved and pending **patents** and **263 copyright registrations<sup>(2)</sup>**

## Market Potential

- ✓ China's carrier-neutral data center services market is **fast growing**
- ✓ **Favorable government policies** for the IDC industry — we deploying our data centers in 5 out of 8 National Computing Hubs to embrace the Eastern Data, Western Computing initiatives
- ✓ 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 2020 report issued in September 2021.
2. Company data as of December 31, 2021.

# Dual-Core Growth Strategy

## Retail

### Retail Colocation



### Full-stack Services

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



Financial Services



IT Services



Enterprises Digitalization



Mobility



Big Data



Manufacturing Industry

#### Our Strengths:

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

## Wholesale

### Hyperscale IDC



### Interconnection Services

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



#### Our Strengths:

- ✓ Dedicated team with 26 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



The **average PUE** of our stabilized data centers\* was **1.37** in 2021, notably lower than the industry average



Became a signatory of **UN Global Compact (UNGC)** in November 2021 and committed to support the **Task Force on Climate-Related Financial Disclosures (TCFD)**



The **first data center services provider** in China to disclose the **third-party verification** of our **carbon inventory results**.



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# Differentiated Business Model with Comprehensive Offerings

**Managed Hosting Services (IDC)**

**Cloud Services**

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



## Services

- Co-location
- Inter-connectivity
- 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 for customer needs
- ✓ Long track record of outstanding operation performance

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

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

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

Source: Company information.

1. VPN refers to virtual private network.

2. POP refers to point of presence. Company data as of June 30, 2022.

## Resource Pipeline to Support IDC Growth

Region	IDC Code	Tenure	Status	Cabinet Delivery Plan
Greater Beijing Area	BJ13 (Extension)	Leased	Under Construction	500
	N-HB03	Leased	Under Construction	1,300
Yangtze River Delta	E-JS03	Leased	Under Construction	1,850
	SH04 (Extension)	Owned	In-Service	300
	E-JS Campus 02	Owned	Under Construction	2,500
Other Region	W-OR04	Leased	Under Construction	1,600
	N-OR04	Leased	Under Construction	1,500
	N-OR05	Leased	Under Construction	1,550
	N-OR03	Owned	In-Service	1,300
<b>Secured Resources</b>				<b>12,400</b>
<b>Expansion Target</b>				<b>9,400 – 12,400</b>

Source: Company data as of June 30, 2022.

Note: Cabinet delivery numbers including blank space are rounded.

# Wholesale Projects In-Service

Region	IDC Code	Capacity Contracted / Under MoU (MW)
Greater Beijing Area	BJ06	2
	BJ12	9
	BJ15	7
	N-HB02	47
Yangtze River Delta	E-JS Campus 01	42
	E-JS01	4
	E-JS02	64
	SH04	2
	SH05	7
	SH06	11
Other Region	N-OR02	29
<b>Total</b>		<b>224</b>

Source: Company data as of June 30, 2022.  
 Note: IT capacity numbers measured by megawatt are rounded.

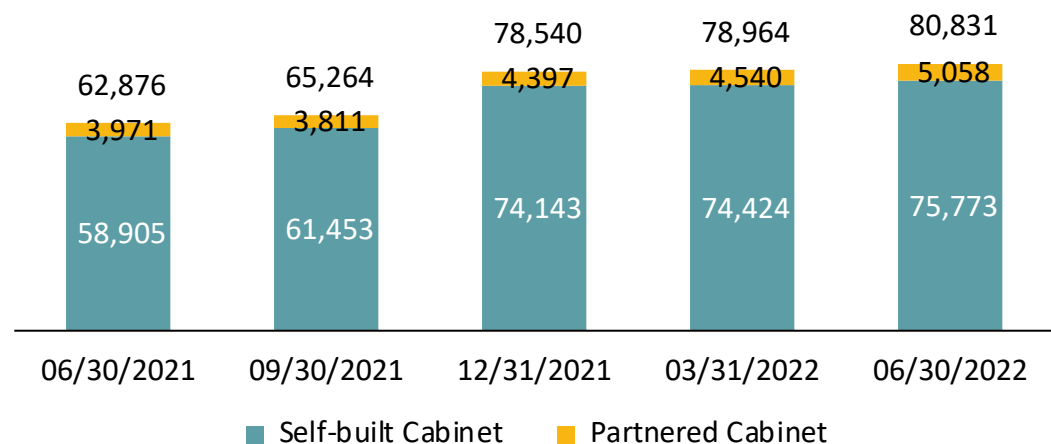
# Wholesale Projects Under Construction

Region	IDC Code	Capacity Contracted / Under MoU (MW)
Greater Beijing Area	N-HB03	11
Yangtze River Delta	E-JS01	1
	W-OR03	2
Other Region	N-OR04	14
	N-OR05	14
<b>Total</b>		<b>42</b>

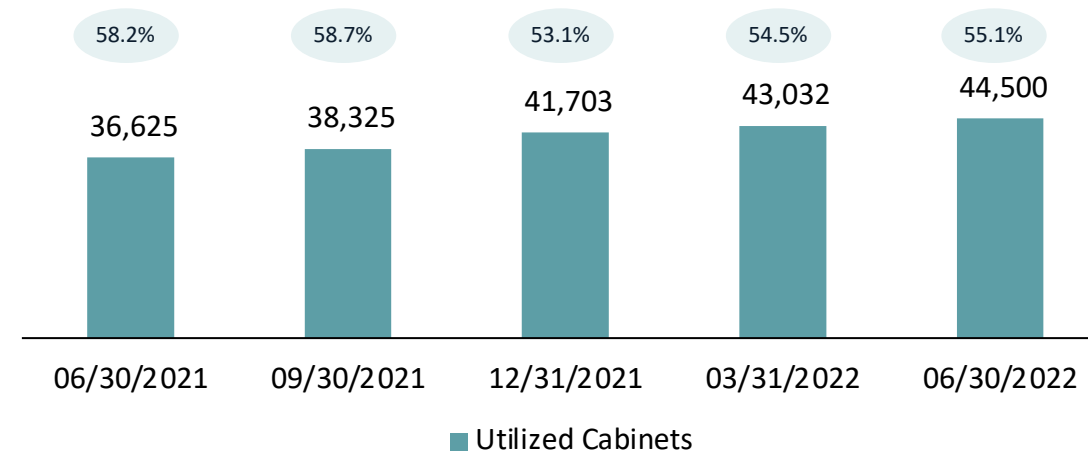
Note: IT capacity numbers measured by megawatt are rounded.

# Strategically Located Network of Premium Data Centers

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



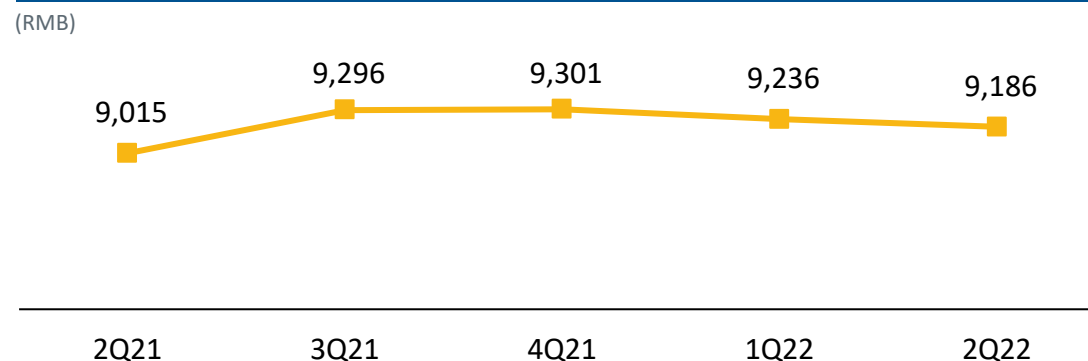
### Utilized Capacity & Overall Utilization Rate <sup>(2)</sup>



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

	# of Self-built Cabinets	% Contribution
Greater Beijing Area	37,200	49.1%
Yangtze River Delta	21,600	28.5%
Greater Bay Area	9,300	12.3%
Others	7,600	10.1%
<b>Total</b>	<b>75,700</b>	<b>100%</b>

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



Source: Company data as of June 30, 2022.

1. Cabinet numbers are measured by the actual numbers at the end of each quarter.

2. 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.

3. Regional cabinet numbers including blank space are rounded.

4. MRR refers to Monthly Recurring Revenues, and is based on the Company's retail IDC business.

# Large and Diversified Customer Base with Strong Loyalty

- >6,500 enterprise customers, of which >1,400 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 average quarterly hosting churn rate for core IDC business, consistently below 1% demonstrating our high customer retention
- Maintain low concentration of risk with top 20 customers contributing 37.7% of total revenues in 2Q22
- Since 2020, the Company begins to generate revenue from wholesale customers; ~266MW in service and under MoU\*



Source: Company data as of June 30, 2022.

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## 2Q22 Financial Highlights

RMB'MM	2Q21	1Q22	2Q22	YoY	QoQ
<b>Net revenues</b>	<b>1,497</b>	<b>1,645</b>	<b>1,725</b>	<b>15.2%</b>	<b>4.8%</b>
Gross profit	360	356	358	-0.5%	0.6%
Adjusted cash gross profit <sup>(1)</sup>	640	685	714	11.5%	4.2%
<i>Adjusted cash gross margin</i>	<i>42.8%</i>	<i>41.6%</i>	<i>41.4%</i>	<i>-1.4 pps</i>	<i>-0.2 pps</i>
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>425</b>	<b>506</b>	<b>487</b>	<b>14.5%</b>	<b>-3.8%</b>
<i>Adjusted EBITDA margin</i>	<i>28.4%</i>	<i>30.8%</i>	<i>28.2%</i>	<i>-0.2 pps</i>	<i>-2.5 pps</i>

Source: Company data as of June 30, 2022.

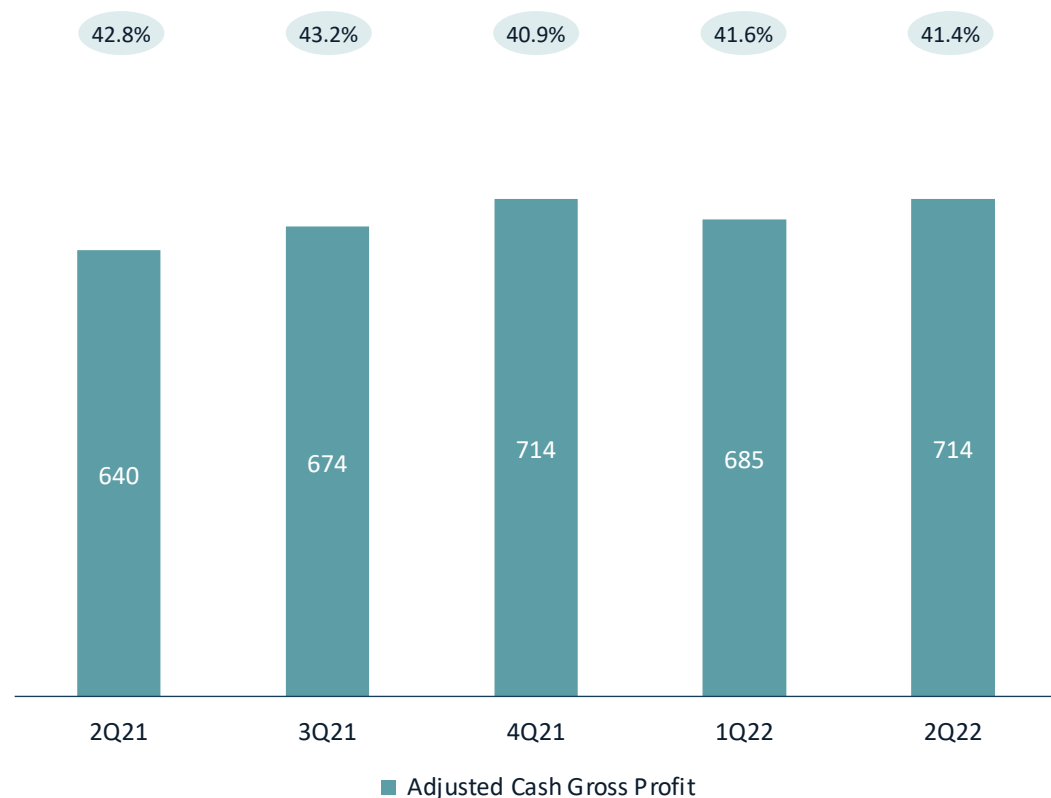
1. Adjusted cash gross profit defined as gross profit excluding depreciation, amortization and share-based compensation expenses.

2. Adjusted EBITDA defined as EBITDA excluding share-based compensation expenses, impairment of receivables from equity investees, and impairment of long-lived assets.

# Healthy Margins Through Efficiency Enhancement

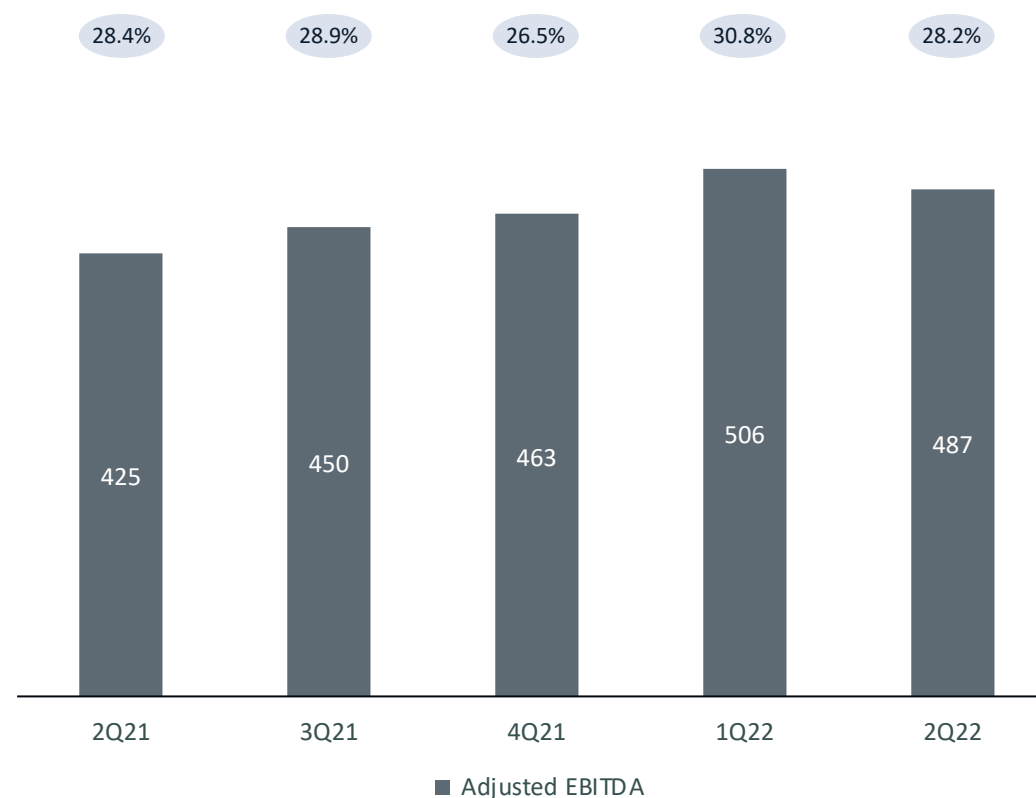
## Adjusted Cash Gross Profit & Margin <sup>(1)</sup>

(RMB mm)



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

(RMB mm)



Source: Company data as of June 30, 2022.

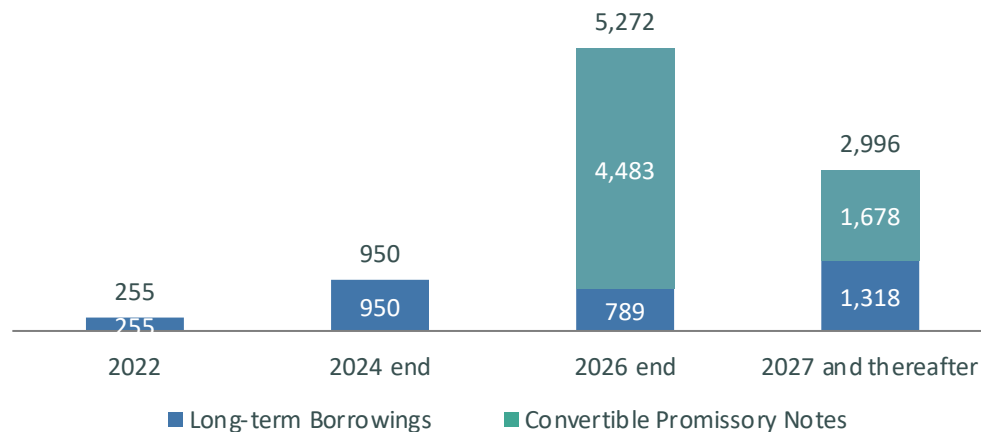
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# Well Laddered Debt Profile and Strong Liquidity Position

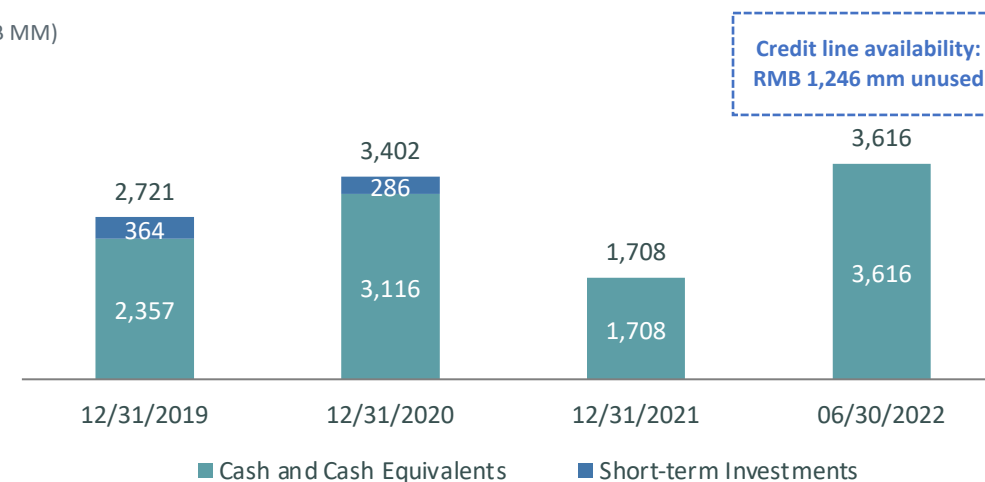
## Debt Breakdown by Maturity

(RMB MM)



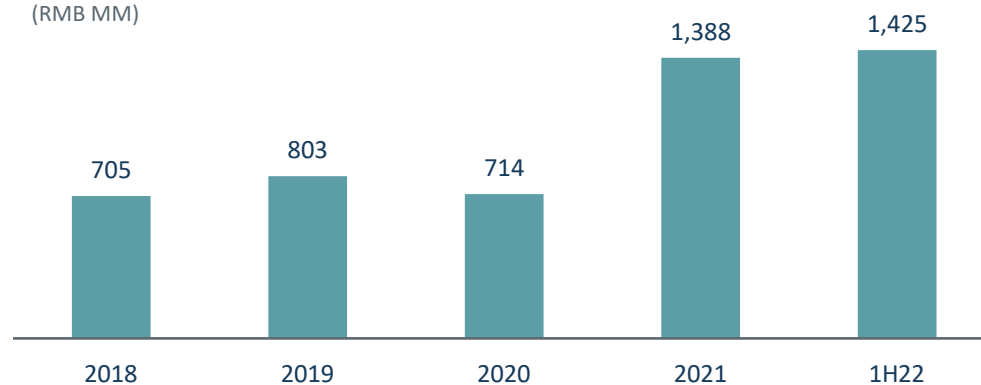
## Cash Position (1)

(RMB MM)



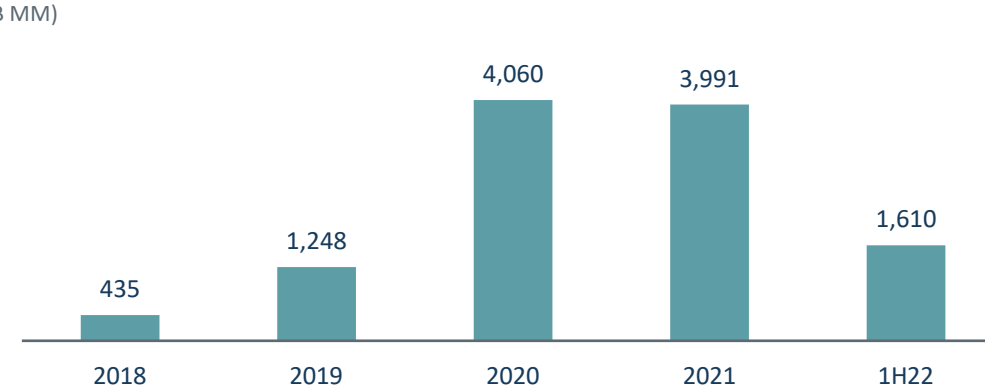
## Operating Cash Flow

(RMB MM)



## Capital Expenditure

(RMB MM)

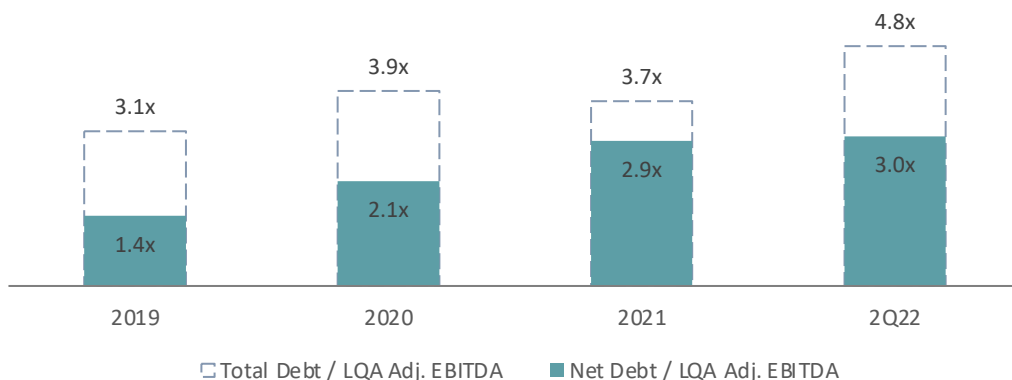


Source: Company data as of June 30, 2022.

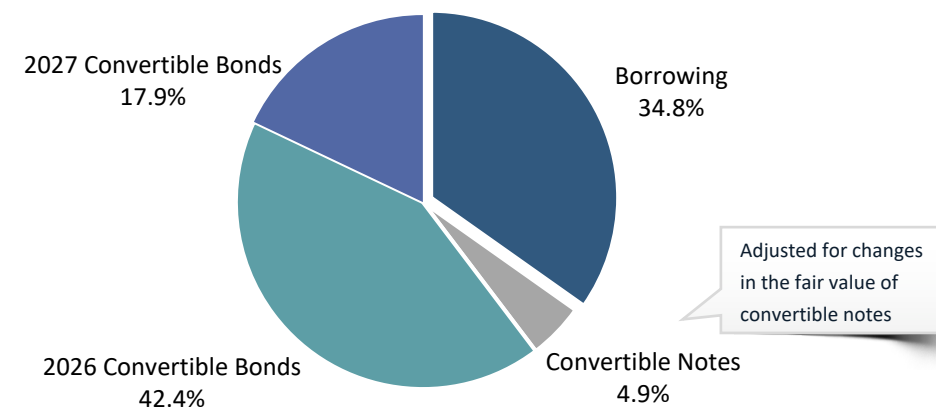
1. Cash Position refers to cash & cash equivalents + restricted cash + short-term investments

# Healthy Capital Structure

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

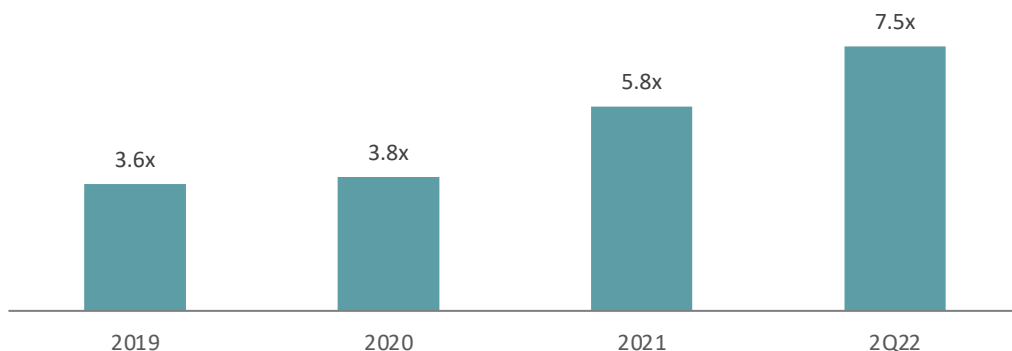


## Debt Structure as of June 30, 2022



Total Debt<sup>3</sup>: RMB 9,345 MM

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



## Prudent Financial Policies and Various Financing Channels

- Stable financial policies prudently utilizing debt financing based on business needs
- 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
- 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

Source: Company data as of June 30, 2022.

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 defined as operating profit plus depreciation and amortization, share based compensation expenses, changes in the fair value of contingent purchase consideration payables, impairment of long-lived assets, impairment of loan receivable to potential investee, and impairment of receivables from equity investees.

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

3. Adjusted for changes in the fair value of convertible notes.

# Guidance

RMB MM	2021 Actual	2022 Original Guidance	Implied YoY	2022 Revised Guidance	Implied YoY
Revenues	6,190	7,450 - 7,750	20.4% - 25.2%	7,250 - 7,550	17.1% - 22.0%
Adjusted EBITDA	1,754	1,975 - 2,125	12.6% - 21.2%	1,800 - 1,950	2.6% - 11.2%

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# Key P&L Items

Amount in thousands	Three months ended				
	June 30, 2021	March 31, 2022		June 30, 2022	
	RMB	RMB	RMB	US\$	
Net revenues	1,496,978	1,645,486	1,724,863	257,515	
Cost of revenues	(1,137,463)	(1,289,965)	(1,367,086)	(204,101)	
Gross profit	359,515	355,521	357,777	53,414	
Sales and marketing	(59,589)	(74,941)	(80,368)	(11,999)	
Research and development	(38,296)	(72,615)	(76,740)	(11,457)	
General and administrative	(154,243)	(154,237)	(167,044)	(24,939)	
Operating profit	97,044	96,058	36,058	5,382	
Net Interest expense	(78,992)	(48,570)	(59,716)	(8,915)	
Other, Net	(6,609)	5,039	2,203	329	
Changes in the fair value of convertible promissory notes	424,107	60,278	(2,321)	(347)	
Foreign exchange gain (loss)	78,026	24,749	(319,875)	(47,756)	
Gain (Loss) before income taxes and (loss) gain from equity method investments	513,576	137,554	(343,651)	(51,307)	
Income tax expenses	(29,499)	(46,700)	(30,946)	(4,620)	
(Loss) gain from equity method investments	(23,605)	2,047	1,090	163	
Net profit (loss)	460,472	92,901	(373,507)	(55,764)	

# GAAP to Non-GAAP Reconciliations

Amount in thousands	Three months ended				
	June 30, 2021	March 31, 2022		June 30, 2022	
	RMB	RMB	RMB	US\$	
Gross profit	359,515	355,521	357,777	53,414	
Plus: depreciation and amortization	277,288	327,393	362,003	54,046	
Plus: share-based compensation expenses	3,444	1,860	(6,066)	(906)	
Adjusted cash gross profit	640,247	684,774	713,714	106,554	
Adjusted cash gross margin	42.8%	41.6%	41.4%	41.4%	
Operating profit	97,044	96,058	36,058	5,382	
Plus: depreciation and amortization	297,738	349,609	385,876	57,610	
Plus: share-based compensation expenses	27,507	43,245	47,485	7,089	
Plus: compensation for postcombination employment in an acquisition	-	17,260	17,453	2,606	
Plus: impairment of loan receivable to potential investee	2,816	-	-	-	
Adjusted EBITDA	425,105	506,172	486,872	72,687	
Adjusted EBITDA margin	28.4%	30.8%	28.2%	28.2%	



## Key Balance Sheet Items

Amount in thousands, As of	December 31, 2021		June 30, 2022	
		RMB	RMB	US\$
Cash, cash equivalents and Restricted cash		1,708,473	3,616,255	539,893
Accounts and notes receivable, net		1,405,997	1,745,156	260,545
Property and equipment, net		10,092,419	10,485,412	1,565,431
Land use rights, net		337,235	333,187	49,744
Operating lease right-of-use assets, net		2,869,338	2,801,343	418,229
Goodwill		1,339,657	1,339,657	200,006
<b>Total assets</b>		<b>23,095,039</b>	<b>25,476,655</b>	<b>3,803,564</b>
Accounts and notes payable		493,506	695,034	103,766
Borrowings		2,599,173	3,251,456	485,429
Finance lease liabilities		1,363,783	1,341,686	200,308
Operating lease liabilities		2,892,052	2,838,005	423,703
Convertible promissory notes		4,266,951	6,117,694	913,348
<b>Total liabilities</b>		<b>15,494,038</b>	<b>18,063,750</b>	<b>2,696,846</b>
<b>Total VNET Group, Inc. shareholders' equity</b>		<b>7,242,229</b>	<b>7,048,241</b>	<b>1,052,275</b>
Noncontrolling interest		358,772	364,664	54,443
<b>Total shareholders' equity</b>		<b>7,601,001</b>	<b>7,412,905</b>	<b>1,106,718</b>
<b>Total liabilities and shareholders' equity</b>		<b>23,095,039</b>	<b>25,476,655</b>	<b>3,803,564</b>

# Key Cash Flow Items

Amount in thousands	Three months ended				
	June 30, 2021	March 31, 2022	June 30, 2022		
	RMB	RMB	RMB	US\$	
Net cash generated from operating activities	314,806	482,599	942,711	140,742	
Net cash used in investing activities	(522,340)	(1,032,758)	(578,629)	(86,387)	
Net cash generated from (used in) financing activities	(1,887,775)	2,213,904	(161,679)	(24,137)	
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(60,905)	(7,328)	48,962	7,310	
Net increase (decrease) in cash, cash equivalents and restricted cash	(2,156,214)	1,656,417	251,365	37,528	
Cash, cash equivalents and restricted cash at beginning of period	7,177,704	1,708,473	3,364,890	502,365	
Cash, cash equivalents and restricted cash at end of period	5,021,490	3,364,890	3,616,255	539,893	

# Definitions

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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, preliminary through Dermot Holdings Limited and its subsidiaries, or Dermot Entities
Cloud Services	The Microsoft's cloud services, including Azure, Office 365, Dynamics 365 and Power Platform, to customers in mainland China by entering into service agreements with the end customers.

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# THANKS!

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