

# VNET Group, Inc.

## Earnings Presentation for 2Q2024

August 28, 2024



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## Gavin Shen

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Rotating President of VNET



# 2Q 2024 Highlights



## Financials (in RMB)

Revenue: **1,994 million** (+9.4% YoY)  
 - Wholesale IDC Business: **402 million** (+81.0% YoY)

Adjusted EBITDA: **574 million** (+7.3% YoY)



## Wholesale IDC Business Updates

Capacity in service **332 MW**

Capacity utilized **252 MW** (+16MW QoQ)

Utilization rate **75.9%** (+4.9pps. QoQ)

- UR of mature wholesale capacity <sup>(2)</sup> **94.9%**



## Liquidity (in RMB)

Unused Credit Line: **1,829 million**

Cash Position <sup>(1)</sup> : **2,224 million**



## Retail IDC Business Updates

Capacity in service **52,177 R**

Capacity utilized **33,253 R**

Utilization rate **63.7%**

- UR of mature retail capacity <sup>(3)</sup> **72.5%**

Source: Company data as of June 30, 2024

Notes:

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

(2) Mature wholesale capacity refers to wholesale data centers in which utilization rate is at or above 80%

(3) Mature retail capacity refers to retail data centers that came into service prior to the past 24 months

# Largest IDC Customer Order Wins

| Region               | IDC Code       | Capacity Contracted / Under MoU (MW) | Signing Time of Contract / MoU | Customer Sector | Project Type |
|----------------------|----------------|--------------------------------------|--------------------------------|-----------------|--------------|
|                      |                | 200                                  | 2Q24                           | Internet        | Wholesale    |
| Greater Beijing Area | N-OR Campus 01 | 19                                   | 3Q24                           | IT Services     | Wholesale    |
|                      |                | 16                                   | 3Q24                           | IT Services     | Wholesale    |



# 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
- ✓ 230 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 June 30, 2024

# Dual-Core Growth Strategy of IDC Business

## Wholesale

## Retail

### Hyperscale IDC



### Interconnectivity Services

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



### Retail Colocation



### Full-stack Services

Covering large and loyalty customer base across verticals including: *financial services, IT service, enterprise digitalization, mobility, virtual reality and local service.*

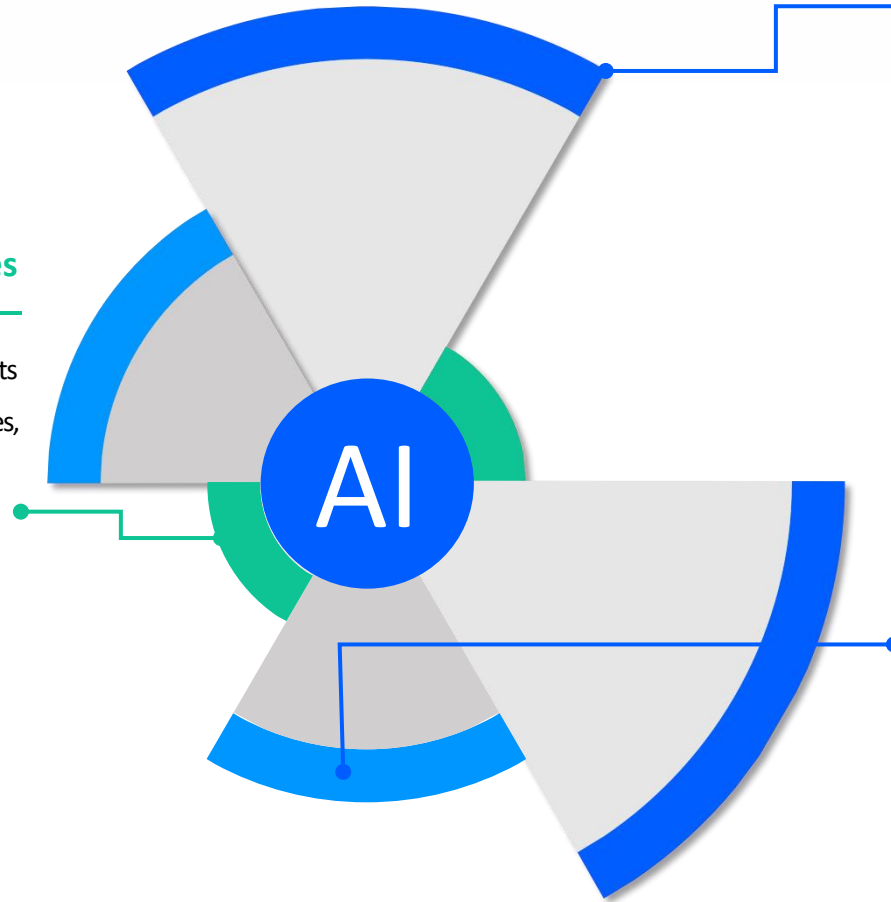


- >7,500 enterprise customers, of which >1,500 customers have enjoyed our IDC services
- Around 90% of total net revenues have been recurring revenues since IPO
- Low churn rate for core IDC business, constantly below 1% demonstrating our high customer retention
- Maintain high level of customer diversification with top 20 customers contributing 45.7% of total revenues in 2Q24

# AI Demand and Capability

## Supporting AI Needs Across Multiple Industries

- ✓ Catering to AI-driven demand primarily from leading internet clients and industry leaders in the cloud services, short video, local services, and fintech sectors.
- ✓ Recently secured orders totaling 235 MW of capacity, the vast majority of which is intended to facilitate AI deployment for customers.



## Providing High-Power Liquid Cooling Solutions for AI Computing

- ✓ As an industry leader, the company provides customers with tailored high-performance computing solutions while remaining at the forefront of AI trends.
- ✓ Current research and development efforts focus on advanced power modules and cooling solutions, achieving air cooling of up to 30 kilowatts and liquid cooling of up to 120 kilowatts per cabinet.

## 95% of Wholesale Capacity Support AI Demand

- ✓ Currently, over 95% of the wholesale capacity in service is capable of meeting high-performance computing power requirements, positioning the company to seamlessly accommodate future AI-driven demand.





# Data Centers by Region



Sources: Company data as of June 30, 2024

## Wholesale Capacity In Service (332MW)

| Region               | %             |
|----------------------|---------------|
| Yangtze River Delta  | 52.2%         |
| Greater Beijing Area | 47.8%         |
| <b>Total</b>         | <b>100.0%</b> |

## Wholesale Capacity Under Construction (279MW)

| Region               | %             |
|----------------------|---------------|
| Yangtze River Delta  | 45.8%         |
| Greater Beijing Area | 54.2%         |
| <b>Total</b>         | <b>100.0%</b> |

## Wholesale Capacity Held for Future Development (527MW)

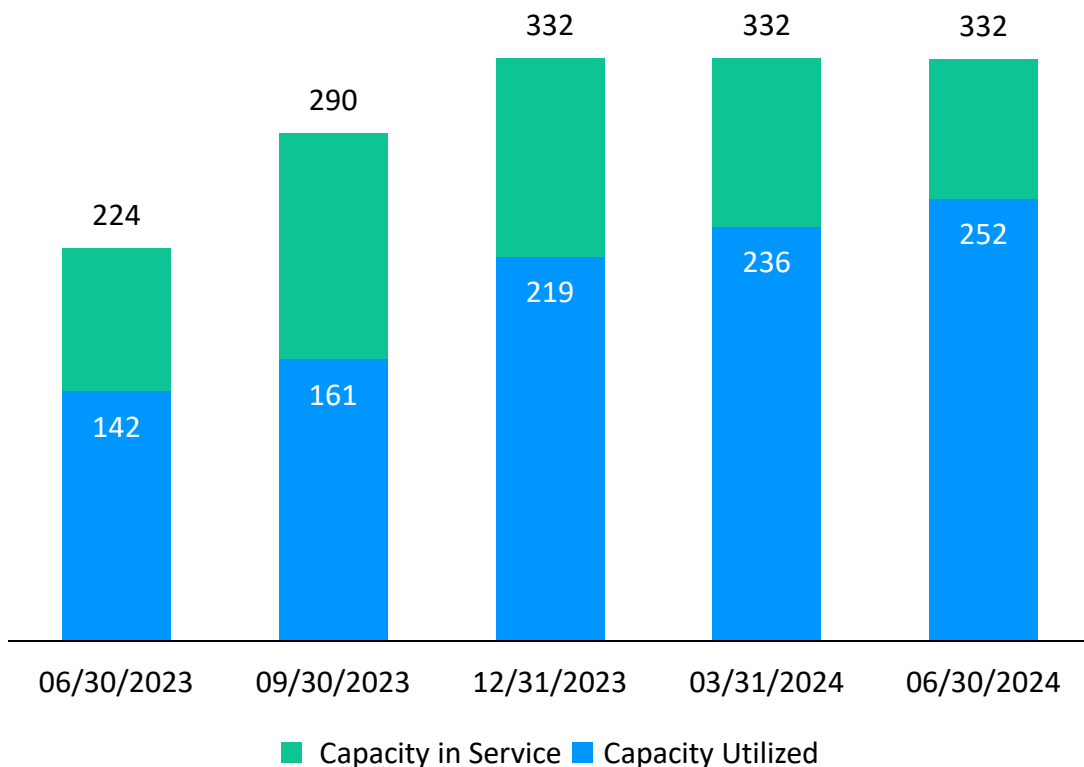
| Region               | %             |
|----------------------|---------------|
| Yangtze River Delta  | 17.4%         |
| Greater Beijing Area | 82.6%         |
| <b>Total</b>         | <b>100.0%</b> |

## Self-built Retail In Service Capacity (48,516R)

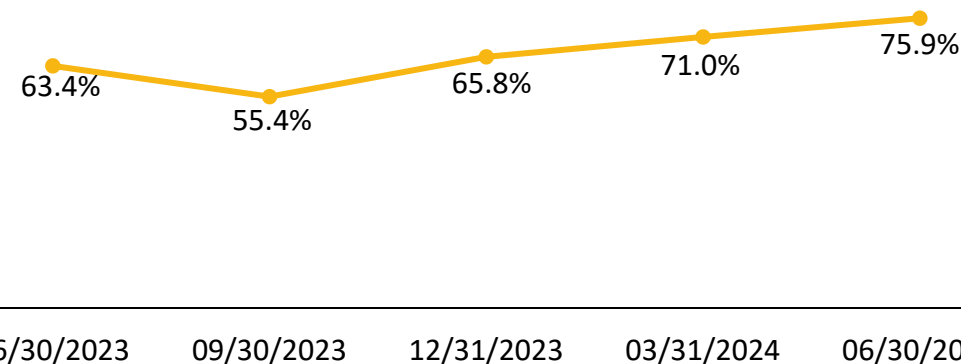
| Region               | %             |
|----------------------|---------------|
| Yangtze River Delta  | 19.2%         |
| Greater Beijing Area | 58.4%         |
| Greater Bay Area     | 13.7%         |
| Other Regions        | 8.7%          |
| <b>Total</b>         | <b>100.0%</b> |

# Wholesale Data Centers at a Glance - New Growth Driver

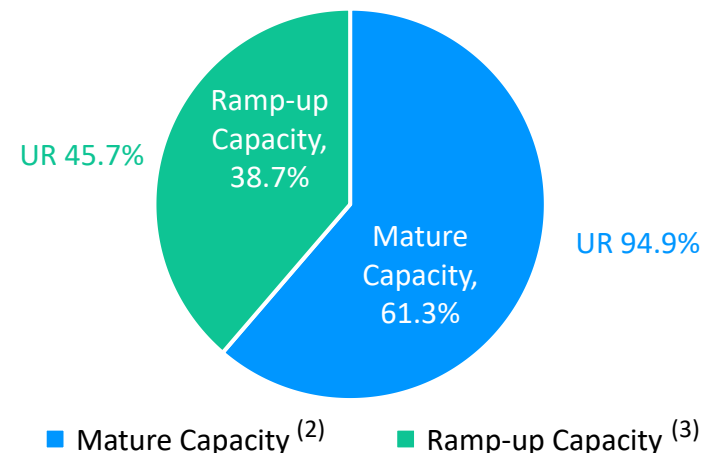
**Total Capacity in Service & Capacity Utilized (MW)**



**Utilization Rate <sup>(1)</sup>**



**Mature & Ramp-up Capacity Contribution & Utilization Rate**

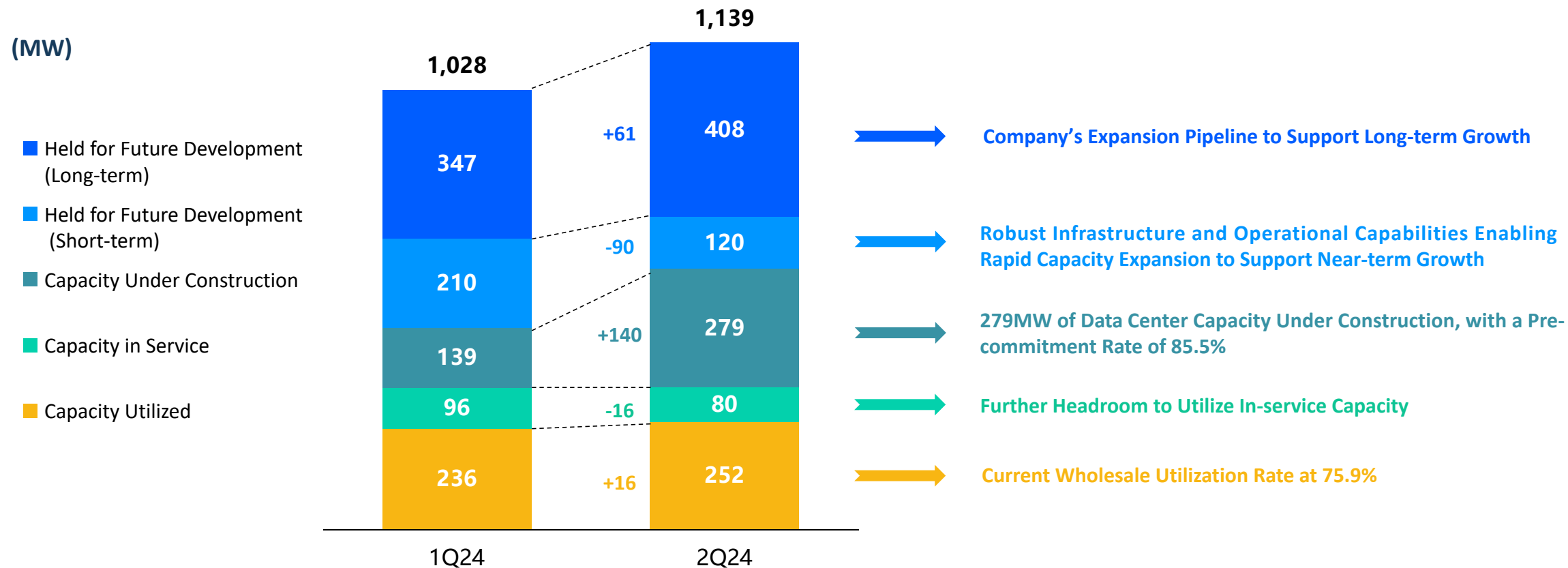


Source: Company data as of June 30, 2024

Notes:

- (1) The utilization rate ("UR") is calculated by dividing utilized capacity by the capacity in service
- (2) Mature wholesale capacity refers to wholesale data centers in which utilization rate is at or above 80%
- (3) Ramp-up capacity for wholesale data centers refers to the wholesale data centers with a utilization rate below 80%

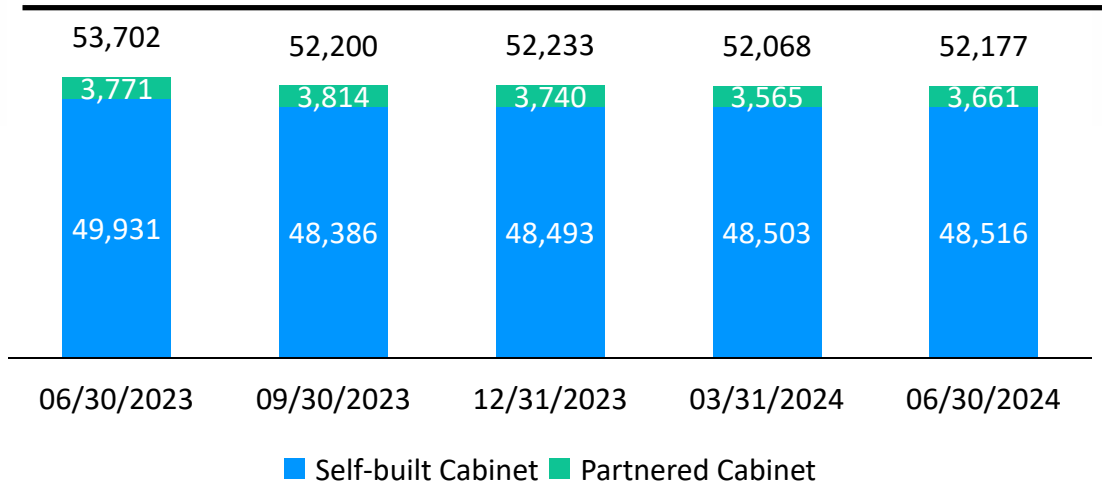
# Wholesale Data Centers – Backlog Growth



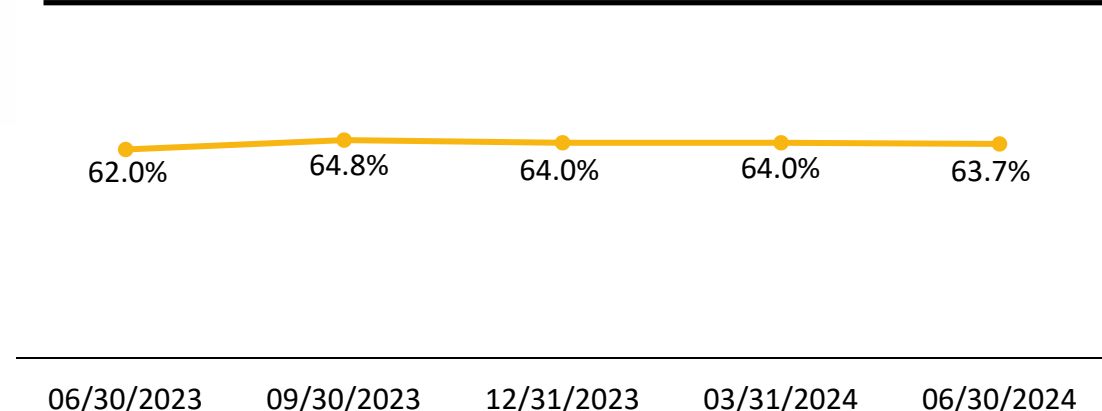
Source: Company data as of June 30, 2024

# Retail Data Centers at a Glance - Solid Foundation

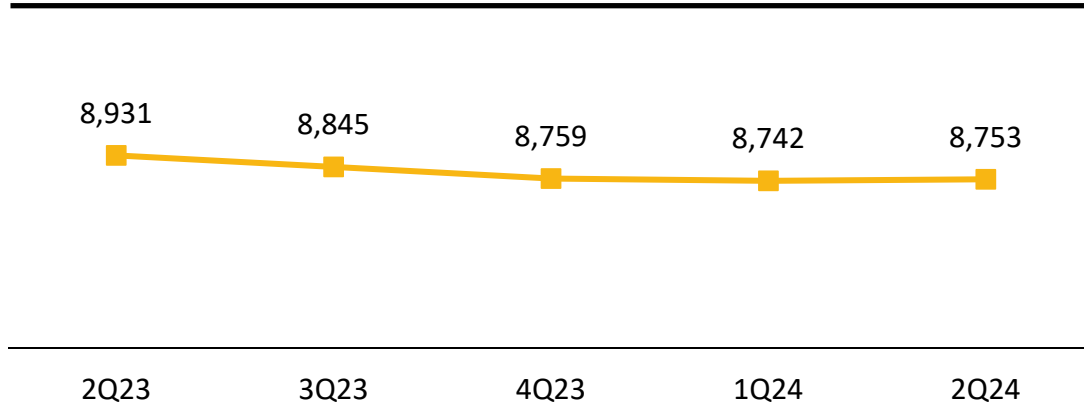
### Total Capacity in Service (Cabinet)



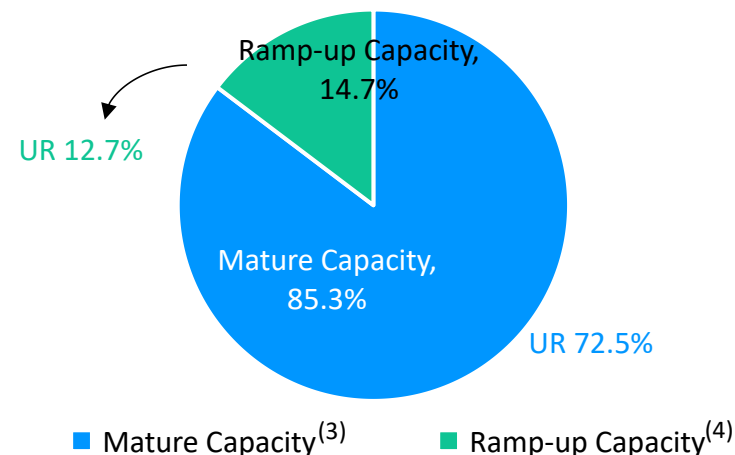
### Utilization Rate <sup>(1)</sup>



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



### Mature & Ramp-up Capacity Contribution & Utilization Rate



Source: Company data as of June 30, 2024

Notes:

(1) Utilization rate is calculated by dividing utilized capacity by customers by the capacity in service

(2) MRR per retail cabinet refers to monthly recurring revenues per cabinet for the retail IDC business

(3) Mature capacity for retail data centers refers to the retail data centers that came into service prior to the past 24 months

(4) Ramp-up retail capacity refers to retail data centers that came into service within the past 24 months, or mature retail data centers that have undergone improvements within the past 24 months

## Resource Pipeline for the Next 12 Months

| Region                  | IDC Code         | Tenure | Status             | 2024E Capacity (MW) | 1H25 Capacity (MW) | Total (MW)     |
|-------------------------|------------------|--------|--------------------|---------------------|--------------------|----------------|
| Yangtze River Delta     | E-JS Campus 02 D | Owned  | Under Construction | 26                  | -                  | 26             |
|                         | E-JS Campus 02 E | Owned  | Under Construction | 65                  | -                  | 65             |
|                         | E-JS Campus 03   | Owned  | Under Construction | -                   | 30                 | 30             |
|                         | E-JS04           | Leased | Under Construction | 7                   | -                  | 7              |
| Greater Beijing Area    | N-HB Campus 01 B | Owned  | Under Construction | 3                   | -                  | 3              |
|                         | BJ18             | Owned  | Under Construction | -                   | 5                  | 5              |
|                         | N-HB04           | Leased | Under Construction | -                   | 14                 | 14             |
|                         | N-OR Campus 01   | Owned  | Under Construction | 24                  | 105                | 129            |
| <b>Total</b>            |                  |        |                    | <b>125</b>          | <b>154</b>         | <b>279</b>     |
| <b>Expansion Target</b> |                  |        |                    | <b>100-140</b>      | <b>110-150</b>     | <b>210-290</b> |

## Qiyu Wang

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Chief Financial Officer of VNET



# 2Q24 Financial Highlights

| RMB MM                                    | 2Q23         | 1Q24         | 2Q24         | YoY             | QoQ             |
|---|--------------|--------------|--------------|-----------------|-----------------|
| <b>Net revenues</b>                       | <b>1,822</b> | <b>1,898</b> | <b>1,994</b> | <b>9.4%</b>     | <b>5.0%</b>     |
| Gross profit                              | 343          | 411          | 425          | 24.0%           | 3.5%            |
| Adjusted cash gross profit <sup>(1)</sup> | 743          | 766          | 787          | 6.0%            | 2.8%            |
| <i>Adjusted cash gross margin</i>         | <i>40.8%</i> | <i>40.3%</i> | <i>39.5%</i> | <i>-1.3 pps</i> | <i>-0.8 pps</i> |
| <b>Adjusted EBITDA <sup>(2)</sup></b>     | <b>535</b>   | <b>540</b>   | <b>574</b>   | <b>7.3%</b>     | <b>6.3%</b>     |
| <i>Adjusted EBITDA margin</i>             | <i>29.4%</i> | <i>28.4%</i> | <i>28.8%</i> | <i>-0.6 pps</i> | <i>0.4 pps</i>  |
| <b>Net (loss) income <sup>(3)</sup></b>   | <b>(238)</b> | <b>(159)</b> | <b>72</b>    | <b>NA</b>       | <b>NA</b>       |

Source: Company data as of June 30, 2024

Notes:

(1) Adjusted cash gross profit defined as gross profit excluding depreciation, amortization and share-based compensation expense

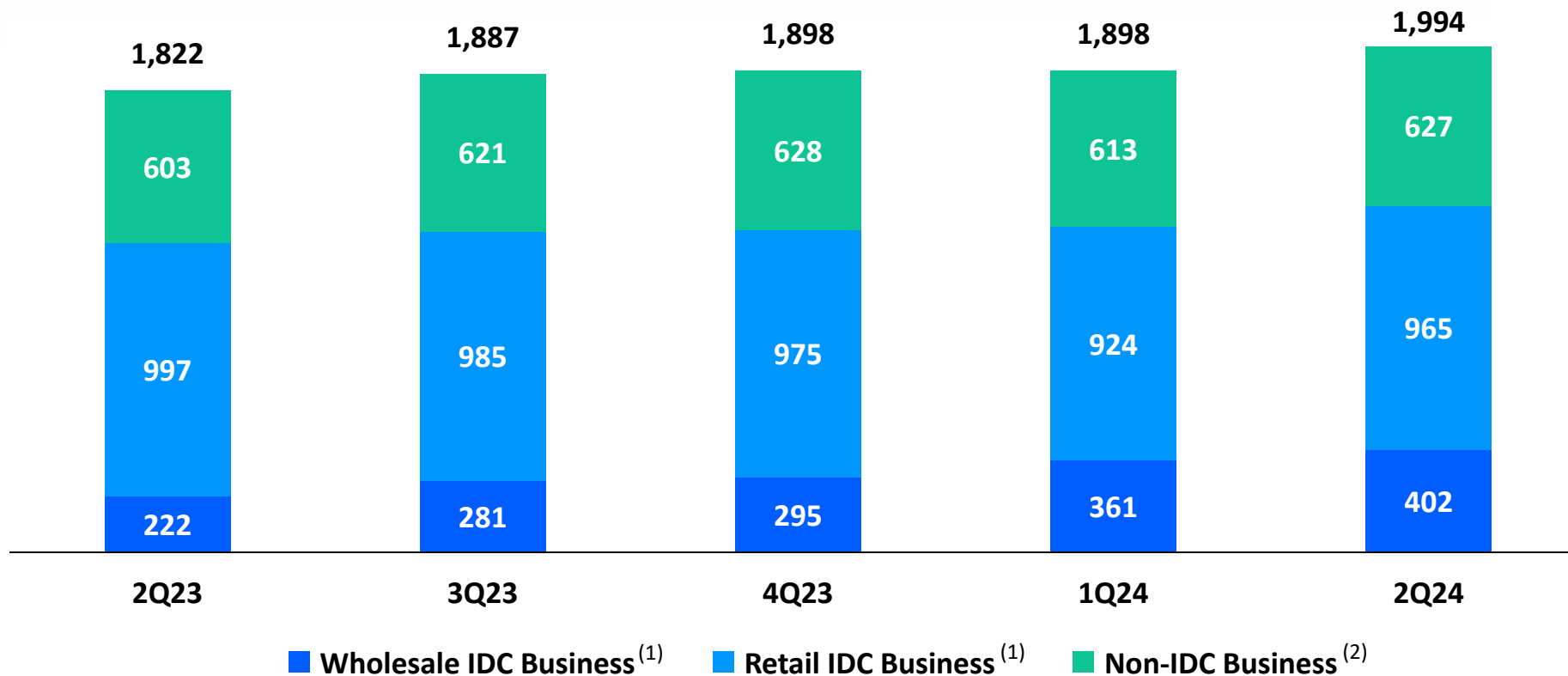
(2) Adjusted EBITDA is calculated as operating profit excluding depreciation and amortization and share-based compensation expenses

(3) In the second quarter of 2024, the company recorded a net profit of RMB 71.8 million, a significant improvement compared to the net loss of RMB 159.0 million in the first quarter of 2024, representing a QoQ profit increase of RMB 230.9 million. In the first quarter, the company recognized a one-time loss of RMB 155.8 million due to stock option grants and the repayment of the 2026 Convertible Notes. Excluding the impact of these one-time items, the adjusted net loss for the first quarter of 2024 was RMB 3.2 million, and the adjusted net profit for the second quarter was RMB 56.7 million, representing a QoQ profit increase of RMB 59.9 million, primarily due to the company's continued improvement in operations



# Total Net Revenues Breakdown

(RMB MM)



Source: Company data as of June 30, 2024

Notes:

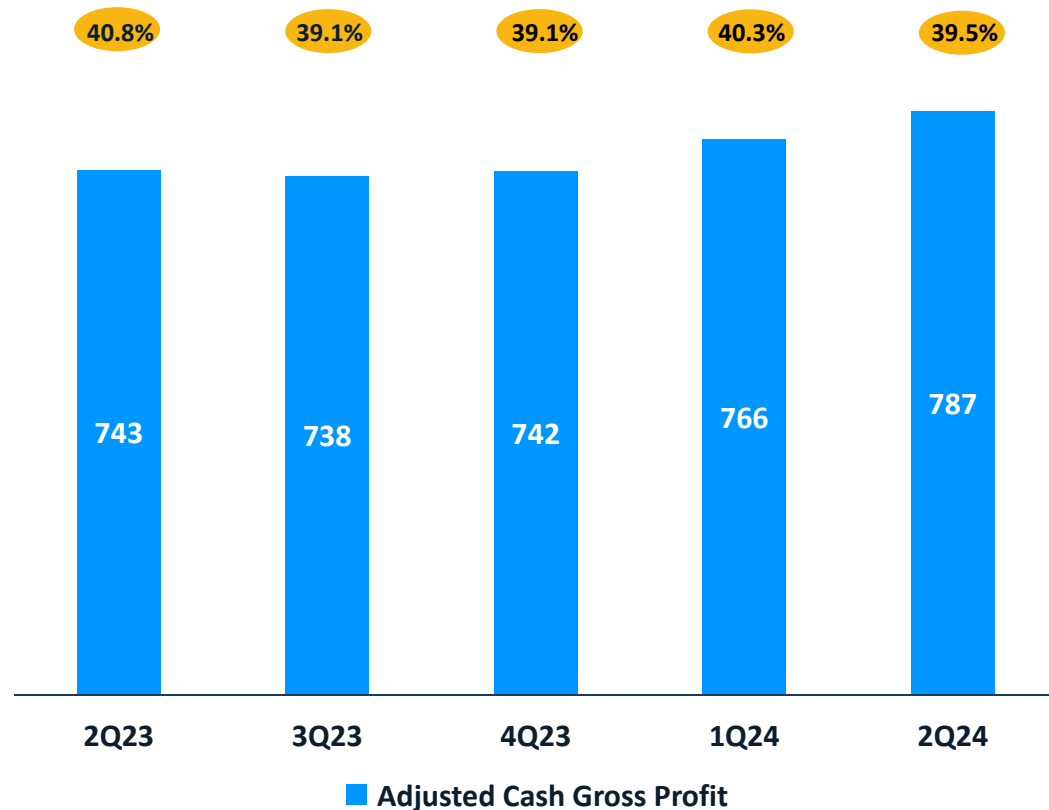
(1) IDC business refers to managed hosting services, consisting of the wholesale IDC business and the retail IDC business. Beginning in the first quarter of 2024, our IDC business was subdivided into wholesale IDC business and retail IDC business according to the nature and scale of our data center projects. Prior to 2024, the subdivision was based on customer contract types

(2) Non-IDC business consists of cloud services and VPN services

# Healthy Margins through Efficiency Enhancement

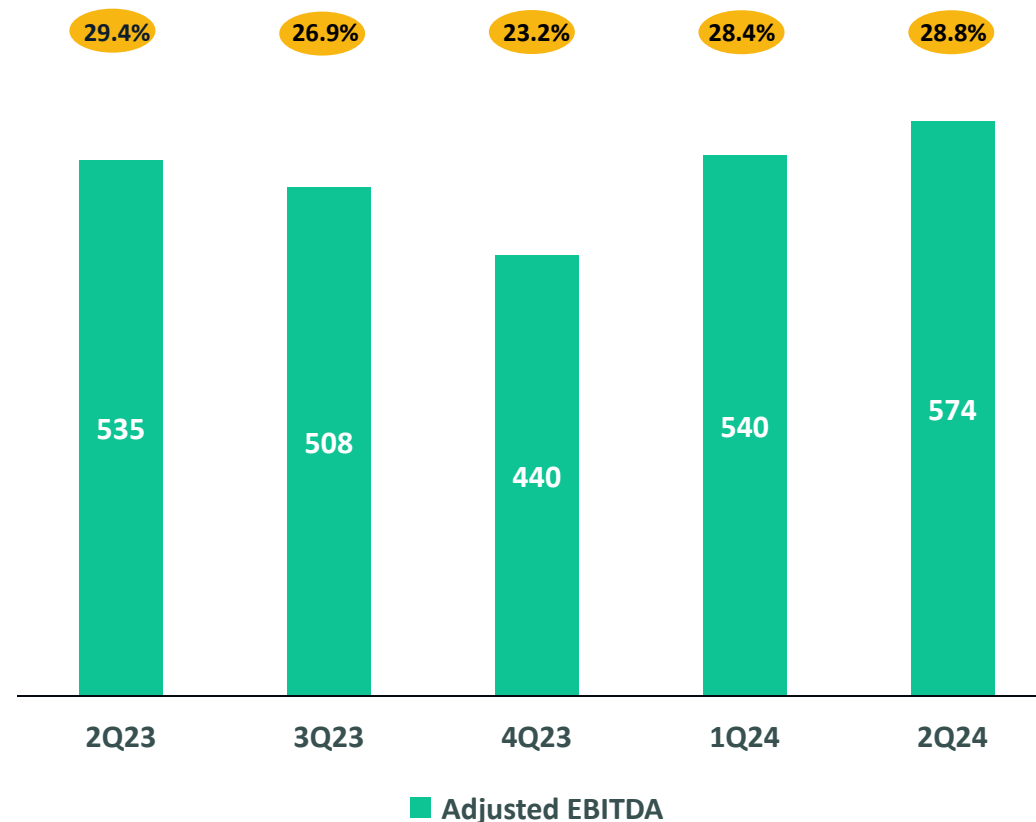
## Adjusted Cash Gross Profit & Margin <sup>(1)</sup>

(RMB MM)



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

(RMB MM)



Source: Company data as of June 30, 2024

Notes:

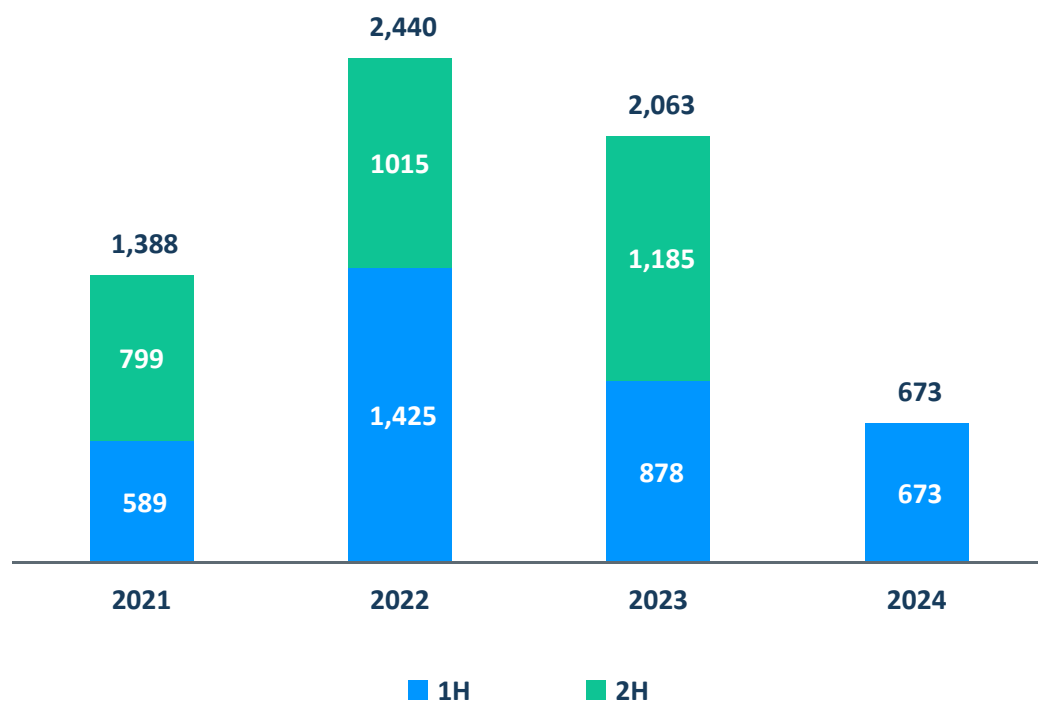
(1) Adjusted cash gross profit defined as gross profit excluding depreciation, amortization and share-based compensation expenses

(2) Adjusted EBITDA is calculated as operating profit excluding 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

# Strong Liquidity Position

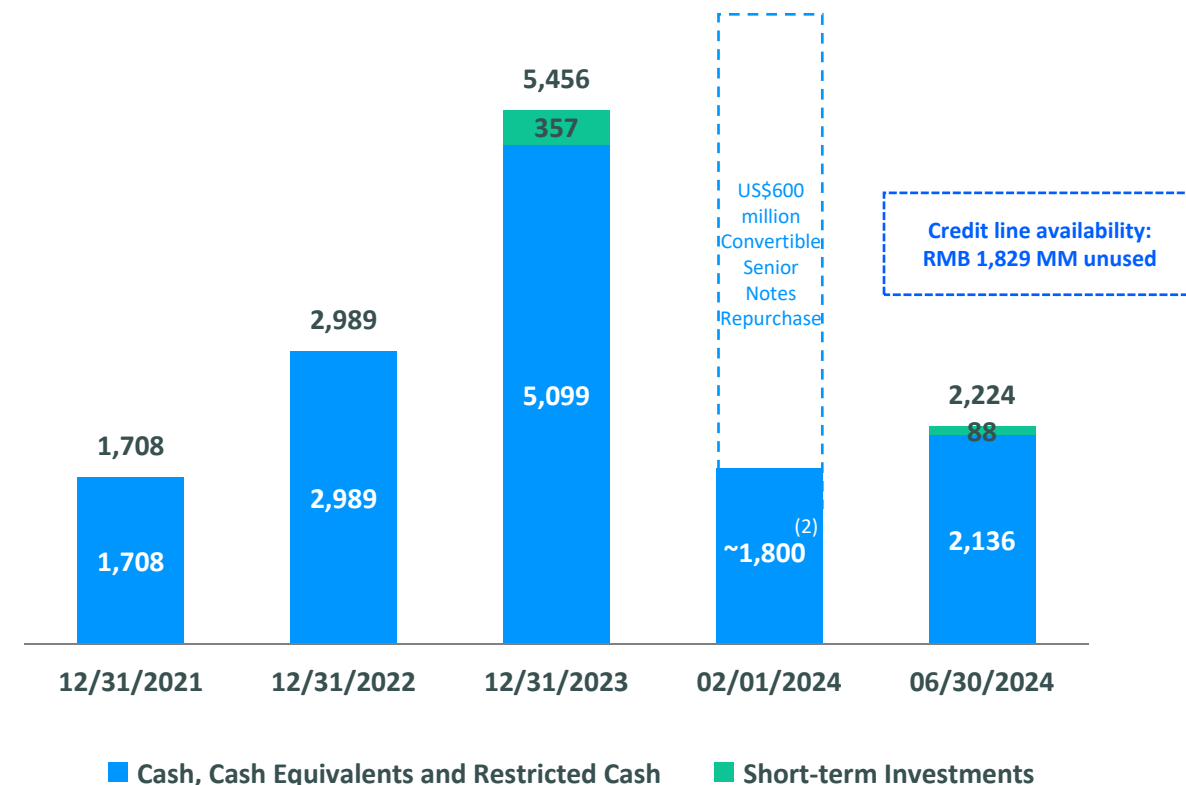
## Net Operating Cash Flow

(RMB MM)



## Cash Position (1)

(RMB MM)



Source: Company data as of June 30, 2024

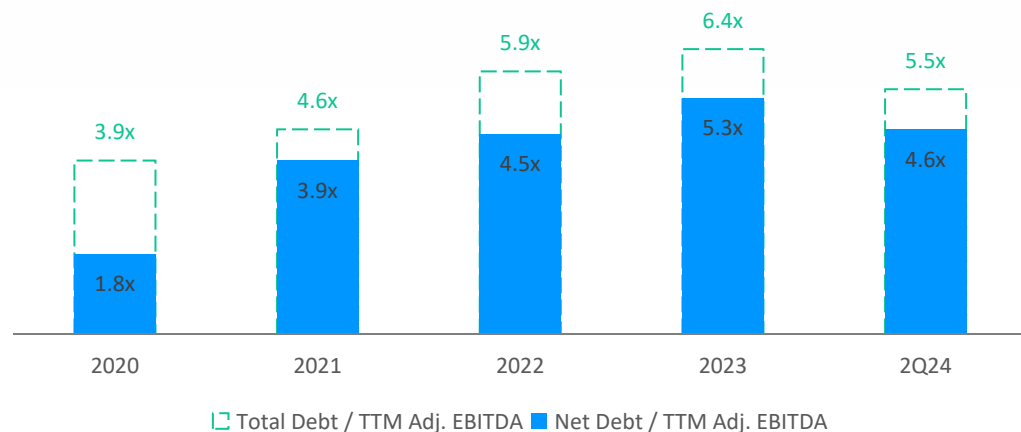
Notes:

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

(2) Unaudited management information as of February 1, 2024, derived from the summary of company's total bank accounts that have not been reconciled with financial statements

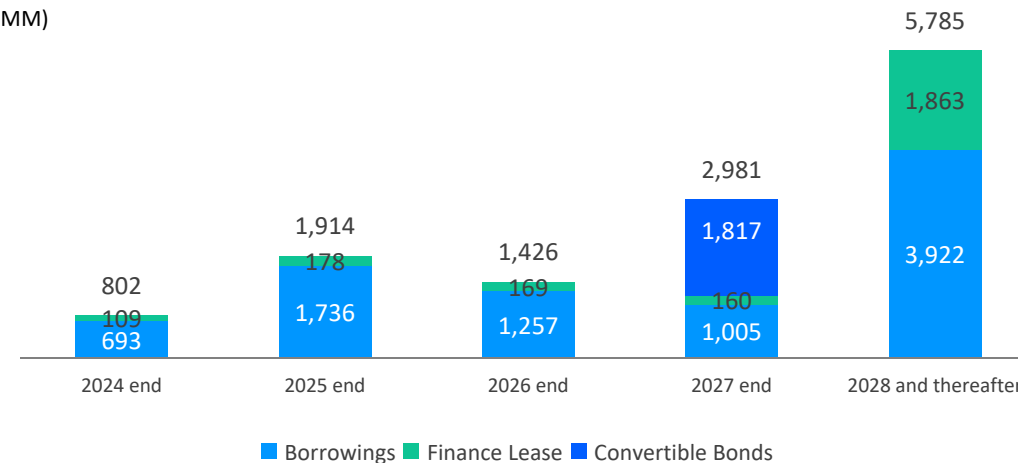
# Well Laddered Debt Profile

## Total Debt & Net Debt / TTM Adj. EBITDA (1)

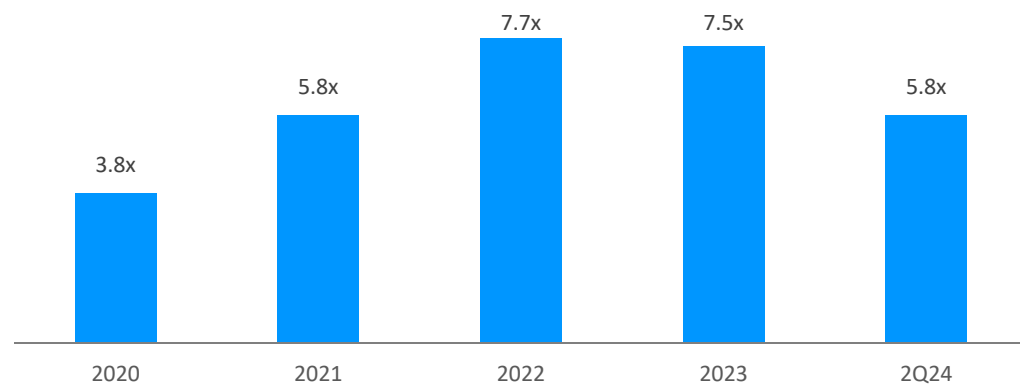


## Debt Breakdown by Maturity

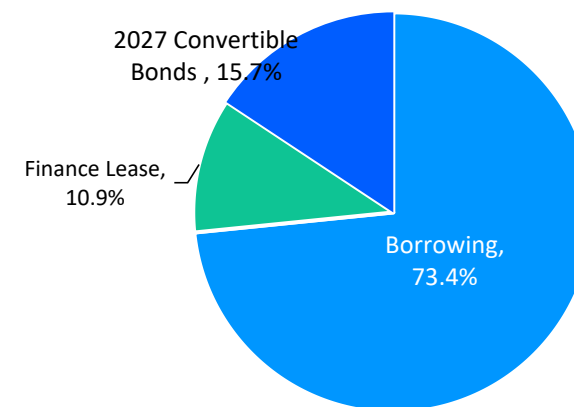
(RMB MM)



## TTM Adjusted EBITDA Interest Coverage (2)



## Debt Structure as of June 30, 2024



**Total Debt: RMB 11,360 MM**

Source: Company data as of June 30, 2024

Notes:

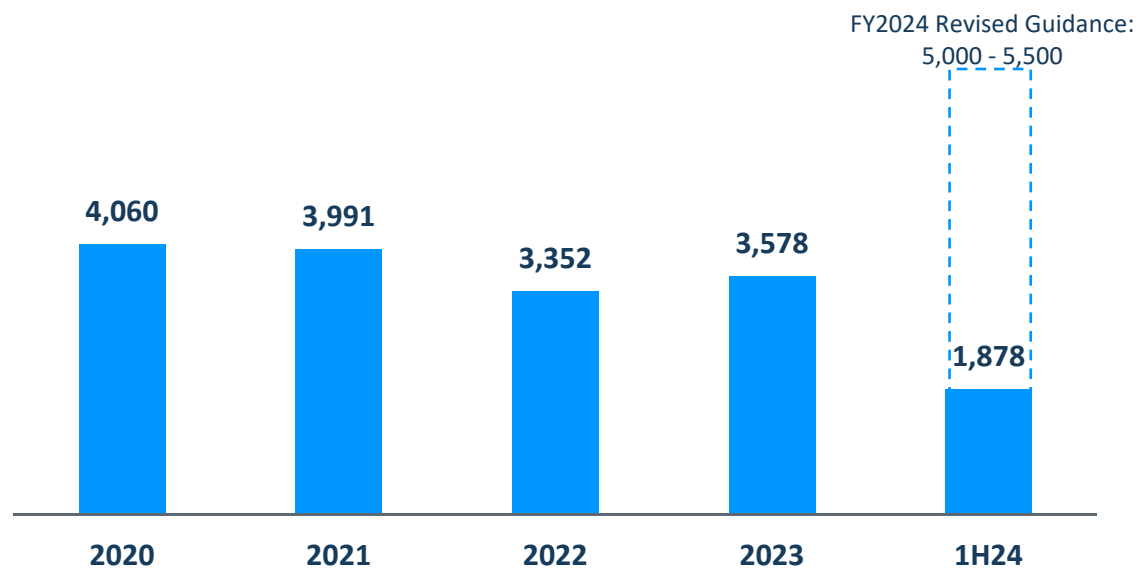
(1) Total Debt = Short-term and long-term bank borrowings + Finance lease + Convertible Notes; Net Debt = Total Debt – Cash and Cash Equivalent; TTM Adj. EBITDA is calculated by the sum of the Adjusted EBITDA over the last 12 months; Adjusted EBITDA is calculated as operating profit excluding depreciation 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) TTM Adjusted EBITDA Interest Coverage = TTM Adjusted EBITDA / Net Interest Expense (interest expense - interest income)

# Capex Paid by Year

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

(RMB MM)



## Highlights

- Within the RMB 1.88 billion capex for the first half of 2024, RMB 1.48 billion was used for wholesale business expansion.
- Our previous 2024 full-year capex guidance was from RMB 3.7 - 4.2 billion, we are raising it to RMB 5 - 5.5 billion. This is mainly due to new orders and the increase in projects under construction.

Source: Company data as of June 30, 2024

Notes:

(1) 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

# Guidance

| RMB MM          | FY2023 Actual | FY2024 Original Guidance | <i>Implied YoY</i> | FY2024 Revised Guidance | <i>Implied YoY</i> |
|-----------------|---------------|--------------------------|--------------------|-------------------------|--------------------|
| Revenues        | 7,413         | 7,800 - 8,000            | 5.2% - 7.9%        | Unchanged               | -                  |
| Adjusted EBITDA | 2,039         | 2,220 - 2,280            | 8.9% - 11.8%       | Unchanged               | -                  |
| Capex           | 3,578         | 3,700 - 4,200            | 0.0% - 11.8%       | 5,000 - 5,500           | 39.7% - 53.7%      |

## ESG Initiatives – Commitment to Sustainability



Commitment to achieve both targets of operational **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. Recognized in S&P Global's Sustainability Yearbook (China) for two consecutive years (2023 and 2024).



Achieved **B** rating from CDP's climate change questionnaire, exceeding that of **94%** of participating companies in China



The average annual power usage effectiveness (PUE) of data centers with stabilized operations in 2023 was 1.29.

## Appendix



# Wholesale Capacity in Service – Yangtze River Delta



| Region              | IDC Code               | Tenure | Capacity in Service (MW) | Capacity Utilized (MW) | Total Capacity Committed <sup>(1)</sup> (MW) | Utilization Rate <sup>(2)</sup> | Commitment Rate <sup>(3)</sup> |
|---------------------|------------------------|--------|--------------------------|------------------------|--|---------------------------------|--------------------------------|
| Yangtze River Delta | E-JS Campus 01 Phase 1 | Owned  | 28                       | 26                     | 28   | 91.1%                           | 99.7%                          |
|                     | E-JS Campus 01 Phase 2 | Owned  | 16                       | 8                      | 12   | 49.8%                           | 75.2%                          |
|                     | E-JS Campus 02 A       | Owned  | 25                       | 24                     | 25   | 95.5%                           | 100.0%                         |
|                     | E-JS Campus 02 B       | Owned  | 24                       | 23                     | 24   | 92.8%                           | 100.0%                         |
|                     | E-JS Campus 02 C       | Owned  | 26                       | 13                     | 26   | 47.8%                           | 100.0%                         |
|                     | E-JS02 A               | Leased | 13                       | 12                     | 13   | 95.0%                           | 100.0%                         |
|                     | E-JS02 B               | Leased | 13                       | 12                     | 13   | 96.4%                           | 100.0%                         |
|                     | E-JS02 C               | Leased | 13                       | 12                     | 13   | 95.0%                           | 100.0%                         |
|                     | E-JS03                 | Leased | 15                       | 5                      | 15   | 34.1%                           | 100.0%                         |
| <b>Subtotal</b>     |                        |        | <b>174</b>               | <b>135</b>             | <b>169</b>                                   | <b>77.7%</b>                    | <b>97.7%</b>                   |

Source: Company data as of June 30, 2024

Notes:

(1) Total capacity committed is the capacity committed to customers pursuant to customer agreements remaining in effect

(2) Utilization rate is calculated by dividing utilized capacity by customers by the capacity in service. For the purpose of calculating of utilization rate of wholesale capacity, certain projects hosted in E-JS02 data center with an aggregate of 27MW capacity were excluded and are expected to be continuously excluded from in-service wholesale due to pending commercial discussion with the client on potential repurchase of the projects by the client Such projects were included as in-service wholesale from the first quarter of 2021 to the fourth quarter of 2023, given such projects had been delivered to the client based on the terms of MOU

(3) Commitment rate is calculated by total capacity committed divided by total capacity in service

# Wholesale Capacity in Service – Greater Beijing Area



| Region               | IDC Code       | Tenure | Capacity in Service (MW) | Capacity Utilized (MW) | Total Capacity Committed <sup>(1)</sup> (MW) | Utilization Rate <sup>(2)</sup> | Commitment Rate <sup>(3)</sup> |
|----------------------|----------------|--------|--------------------------|------------------------|--|---------------------------------|--------------------------------|
| Greater Beijing Area | BJ15           | Owned  | 9                        | 4                      | 7  | 39.1%                           | 77.7%                          |
|                      | N-HB02 Phase 1 | Owned  | 28                       | 28                     | 28   | 98.2%                           | 99.3%                          |
|                      | N-HB02 Phase 2 | Leased | 19                       | 13                     | 19   | 71.7%                           | 99.8%                          |
|                      | N-HB03         | Leased | 12                       | 6                      | 12   | 49.1%                           | 100.0%                         |
|                      | N-OR02         | Leased | 29                       | 28                     | 29   | 96.9%                           | 100.0%                         |
|                      | N-OR04         | Leased | 14                       | 14                     | 14   | 95.3%                           | 100.0%                         |
|                      | N-OR05         | Leased | 16                       | 15                     | 16   | 93.4%                           | 100.0%                         |
|                      | N-OR06         | Leased | 32                       | 11                     | 32   | 33.0%                           | 100.0%                         |
| <b>Subtotal</b>      |                |        | <b>158</b>               | <b>117</b>             | <b>157</b>                                   | <b>73.8%</b>                    | <b>98.5%</b>                   |
| <b>Total</b>         |                |        | <b>332</b>               | <b>252</b>             | <b>326</b>                                   | <b>75.9%</b>                    | <b>98.1%</b>                   |

Source: Company data as of June 30, 2024

Notes:

(1) Total capacity committed is the capacity committed to customers pursuant to customer agreements remaining in effect

(2) Utilization rate is calculated by dividing utilized capacity by customers by the capacity in service. For the purpose of calculating of utilization rate of wholesale capacity, certain projects hosted in E-JS02 data center with an aggregate of 27MW capacity were excluded and are expected to be continuously excluded from in-service wholesale due to pending commercial discussion with the client on potential repurchase of the projects by the client Such projects were included as in-service wholesale from the first quarter of 2021 to the fourth quarter of 2023, given such projects had been delivered to the client based on the terms of MOU

(3) Commitment rate is calculated by total capacity committed divided by total capacity in service

# Wholesale Capacity Under Construction & Held for Future Development



## Under Construction

| Region               | IDC Code         | Tenure | Capacity Under Construction (MW) | Total Capacity Pre-committed (MW) <sup>(1)</sup> | Pre-commitment rate <sup>(2)</sup> | Ready for Service |
|----------------------|------------------|--------|----------------------------------|--|------------------------------------|-------------------|
| Yangtze River Delta  | E-JS Campus 02 D | Owned  | 26                               | 26   | 100.0%                             | 2H24              |
|                      | E-JS Campus 02 E | Owned  | 65                               | 65   | 100.0%                             | 2H24              |
|                      | E-JS Campus 03   | Owned  | 30                               | -  | -                                  | 1H25              |
|                      | E-JS04           | Leased | 7                                | 7  | 100.0%                             | 2H24              |
| Greater Beijing Area | N-HB Campus 01 B | Owned  | 3                                | 3  | 83.3%                              | 2H24              |
|                      | BJ18             | Owned  | 5                                | -  | -                                  | 1H25              |
|                      | N-HB04           | Leased | 14                               | 14   | 100.0%                             | 1H25              |
|                      | N-OR Campus 01   | Owned  | 129                              | 124  | 96.1%                              | 2H24              |
| <b>Total</b>         |                  |        | <b>279</b>                       | <b>238</b>                                       | <b>85.5%</b>                       | <b>-</b>          |

## Held for Future Development

| Region               | Capacity (MW) |
|----------------------|---------------|
| Greater Beijing Area | 436           |
| Yangtze River Delta  | 92            |
| <b>Total</b>         | <b>527</b>    |

Source: Company data as of June 30, 2024

Notes:

(1) Total capacity pre-committed is the capacity under construction which is pre-committed to customers pursuant to customer agreements remaining in effect

(2) Pre-commitment rate is calculated by total capacity pre-committed divided by total capacity under construction

# Key P&L Items

| Amount in thousands  | Three months ended |                  |                  |                |
|--|--------------------|------------------|------------------|----------------|
|  | June 30, 2023      | March 31, 2024   | June 30, 2024    |                |
|  | RMB                | RMB              | RMB              | US\$           |
| <b>Net revenues</b>  | <b>1,821,744</b>   | <b>1,898,126</b> | <b>1,993,760</b> | <b>274,351</b> |
| Cost of revenues   | (1,478,995)        | (1,487,405)      | (1,568,865)      | (215,883)      |
| <b>Gross profit</b>  | <b>342,749</b>     | <b>410,721</b>   | <b>424,895</b>   | <b>58,468</b>  |
| Sales and marketing expenses   | (63,068)           | (71,743)         | (58,225)         | (8,012)        |
| Research and development expenses  | (81,126)           | (75,389)         | (61,998)         | (8,531)        |
| General and administrative expenses  | (128,017)          | (226,297)        | (107,297)        | (14,765)       |
| <b>Operating profit</b>  | <b>93,266</b>      | <b>46,416</b>    | <b>194,622</b>   | <b>26,781</b>  |
| Net Interest expense   | (61,671)           | (125,553)        | (86,723)         | (11,933)       |
| Other, Net   | 13,872             | 3,392            | 23,575           | 3,244          |
| Changes in the fair value of financial liabilities                               | 154                | 3,858            | 712              | 98             |
| Foreign exchange loss  | (271,630)          | (28,361)         | (4,387)          | (604)          |
| <b>(Loss) income before income taxes and gain from equity method investments</b> | <b>(226,009)</b>   | <b>(100,248)</b> | <b>127,799</b>   | <b>17,586</b>  |
| Income tax expenses  | (12,545)           | (61,384)         | (59,149)         | (8,139)        |
| Gain from equity method investments  | 983                | 2,606            | 3,199            | 440            |
| <b>Net (loss) income</b>   | <b>(237,571)</b>   | <b>(159,026)</b> | <b>71,849</b>    | <b>9,887</b>   |

# GAAP to Non-GAAP Reconciliations

| Amount in thousands                     | Three months ended   |                       |     |                |                |
|---|----------------------|-----------------------|-----|----------------|----------------|
|   | June 30, 2023<br>RMB | March 31, 2024<br>RMB | RMB | June 30, 2024  | US\$           |
| Gross profit                            | 342,749              | 410,721               |     | 424,895        | 58,468         |
| Plus: depreciation and amortization     | 400,173              | 352,604               |     | 364,616        | 50,173         |
| Plus: share-based compensation expenses | -                    | 2,190                 |     | (2,190)        | (301)          |
| <b>Adjusted cash gross profit</b>       | <b>742,922</b>       | <b>765,515</b>        |     | <b>787,321</b> | <b>108,340</b> |
| <i>Adjusted cash gross margin</i>       | 40.8%                | 40.3%                 |     | 39.5%          | 39.5%          |
| Operating profit                        | 93,266               | 46,416                |     | 194,622        | 26,781         |
| Plus: depreciation and amortization     | 433,735              | 379,551               |     | 394,334        | 54,262         |
| Plus: share-based compensation expenses | 8,006                | 113,871               |     | (15,152)       | (2,085)        |
| <b>Adjusted EBITDA</b>                  | <b>535,007</b>       | <b>539,838</b>        |     | <b>573,804</b> | <b>78,958</b>  |
| <i>Adjusted EBITDA margin</i>           | 29.4%                | 28.4%                 |     | 28.8%          | 28.8%          |

# Key Balance Sheet Items

| Amount in thousands                                | As of             |  | As of             |                  |
|--|-------------------|--|-------------------|------------------|
|  | December 31, 2023 |  | June 30, 2024     |                  |
|  | RMB               |  | RMB               | US\$             |
| Cash, cash equivalents and Restricted cash         | 5,098,987         |  | 2,135,833         | 293,900          |
| Accounts and notes receivable, net                 | 1,715,975         |  | 1,802,572         | 248,042          |
| Property and equipment, net                        | 13,024,393        |  | 14,281,580        | 1,965,211        |
| Land use rights, net                               | 602,503           |  | 593,309           | 81,642           |
| Operating lease right-of-use assets, net           | 4,012,329         |  | 4,384,000         | 603,258          |
| <b>Total assets</b>                                | <b>30,385,903</b> |  | <b>29,118,549</b> | <b>4,006,846</b> |
| Accounts and notes payable                         | 696,177           |  | 726,827           | 100,015          |
| Borrowings   | 5,866,846         |  | 8,341,314         | 1,147,803        |
| Finance lease liabilities                          | 1,275,331         |  | 1,237,881         | 170,338          |
| Operating lease liabilities                        | 4,050,923         |  | 4,456,884         | 613,287          |
| Convertible promissory notes                       | 5,978,441         |  | 1,781,082         | 245,085          |
| <b>Total liabilities</b>                           | <b>23,871,520</b> |  | <b>22,573,944</b> | <b>3,106,278</b> |
| <b>Total VNET Group, Inc. shareholders' equity</b> | <b>6,014,415</b>  |  | <b>6,008,484</b>  | <b>826,795</b>   |
| Noncontrolling interest                            | 499,968           |  | 536,121           | 73,773           |
| <b>Total shareholders' equity</b>                  | <b>6,514,383</b>  |  | <b>6,544,605</b>  | <b>900,568</b>   |
| <b>Total liabilities and shareholders' equity</b>  | <b>30,385,903</b> |  | <b>29,118,549</b> | <b>4,006,846</b> |

## Key Cash Flow Items

| Amount in thousands   | Three months ended |                  |                  |                |
|---|--------------------|------------------|------------------|----------------|
|   | June 30, 2023      | March 31, 2024   | June 30, 2024    |                |
|   | RMB                | RMB              | RMB              | US\$           |
| Net cash generated from operating activities  | 423,476            | 267,587          | 405,204          | 55,758         |
| Net cash used in investing activities   | (1,051,510)        | (650,940)        | (1,027,098)      | (141,334)      |
| Net cash (used in) generated from financing activities                                | (49,153)           | (2,605,658)      | 664,431          | 91,429         |
| Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash | 51,314             | (20,050)         | 3,370            | 464            |
| Net (decrease) increase in cash, cash equivalents and restricted cash                 | (625,873)          | (3,009,061)      | 45,907           | 6,317          |
| Cash, cash equivalents and restricted cash at beginning of period                     | 3,242,842          | 5,098,987        | 2,089,926        | 287,583        |
| <b>Cash, cash equivalents and restricted cash at end of period</b>                    | <b>2,616,969</b>   | <b>2,089,926</b> | <b>2,135,833</b> | <b>293,900</b> |

# Definitions



| Term  | Definition   |
|---|--|
| IDC Business                                | IDC business refers to managed hosting services, consisting of the wholesale IDC business and the retail IDC business. Beginning in the first quarter of 2024, our IDC business was subdivided into wholesale IDC business and retail IDC business according to the nature and scale of our data center projects. Prior to 2024, the subdivision was based on customer contract types. |
| Non-IDC Business                            | Non-IDC business consists of cloud services and VPN services   |
| 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  |
| 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   |
| Capacity Held for Future Development        | Refers to the secured IDC resources that have been reserved for future development purposes and are not currently active for construction.   |
| Mature Capacity for Wholesale Data Centers  | Refers to wholesale data centers in which utilization rate is at or above 80%.   |
| Ramp-up Capacity for Wholesale Data Centers | Refers to wholesale data centers in which utilization rate is below 80%.   |
| Mature Capacity for Retail Data Centers     | Refers to retail data centers that came into service prior to the past 24 months.  |
| Ramp-up Capacity for Retail Data Centers    | Refers to retail data centers that came into service within the past 24 months, or mature retail data centers that have undergone improvements within the past 24 months.  |
| Utilized Capacity                           | Capacity in service that is committed to customers and revenue generating pursuant to the terms of customer agreements remaining in effect   |
| Utilization Rate                            | The utilization rate (“UR”) is calculated by dividing utilized capacity by customers by the capacity in service.   |
| Total Capacity Committed                    | Total capacity committed is the capacity committed to customers pursuant to customer agreements remaining in effect.   |
| Total Capacity Pre-committed                | Total capacity pre-committed is the capacity under construction which is pre-committed to customers pursuant to customer agreements remaining in effect.   |
| Commitment Rate                             | Commitment rate is calculated by total capacity committed divided by total capacity in service.  |
| Pre-commitment Rate                         | Pre-commitment rate is calculated by total capacity pre-committed divided by total capacity under construction.  |
| MRR per Retail Cabinet                      | MRR per retail cabinet refers to monthly recurring revenues per cabinet for the retail IDC business  |
| MW  | Megawatt   |
| BTH   | Beijing-Tianjin-Hebei Region   |
| 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   |



# THANKS!

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