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PRESENTATION

Operator

Good morning and good evening, ladies and gentlemen. Thank you, and welcome to 21Vianet Group's Third Quarter 2020 Earnings Conference Call. With us today are Mr. Alvin Wang, Chief Executive Officer and President; Mr. Samuel Shen, Executive Chairman of the Retail IDC Business Group; Ms. Sharon Liu, Chief Financial Officer; and Ms. Rene Jiang, Investor Relations Director of the company.

I'll now turn the call over to your first speaker today, Ms. Rene Jiang, IR Director of 21Vianet. Please go ahead, ma'am.

Rene Jiang ***21Vianet Group, Inc. - IR Director***

Thank you, operator. Hello, everyone. Welcome to our third quarter 2020 earnings call. Before we start, please note that this call may contain forward-looking statements made pursuant to the safe harbor provisions for the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and observations that involve known and unknown risks, uncertainties and other factors not under the company's control, which may cause actual results, performance or achievements of the company to be materially different from the results, performance or expectations implied by these forward-looking statements.

All forward-looking statements are expressly qualified in their entirety by the cautionary statements, risk factors and details of the company's filings with the SEC. 21Vianet undertakes no duty to revise or update any forward-looking statements for selected events or circumstances after the date of this conference call.

I will now turn the call over to Mr. Alvin Wang, CEO and President of 21Vianet.

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

Thank you, Rene. Good morning and good evening, everyone. Thank you for joining us on our earnings call today. We are pleased to announce that we achieved strong results once again in the third quarter of 2020.

During the quarter, we grew our revenues to RMB 1.25 billion, which was in line with our previous guidance, and increased our adjusted EBITDA to RMB 368.5 million, exceeding our previous guidance. Additionally, our EBITDA margin also expanded to 29.6% in the third quarter as compared to 27.8% in the same period of 2019.

In terms of cabinet delivery, we delivered more than 7,000 cabinets in the third quarter of 2020. As a result of our steady organic growth and on-track delivery schedule, we have delivered more than 15,000 cabinets in total since the beginning of the year.

Beyond our delivery success, we also continue to make headway in our expansion efforts. During the quarter, for example, we secured 2 separate resources, both of which are located in the surrounding area of Beijing to the immediate east of the city. Importantly, when completed, the combined total IT power of both resources will be around 50 megawatts, helping us to better serve the growing demand for our IDC solutions in the region. Looking ahead, we expect the first stages of both projects to be completed during the first half of 2021.

Moreover, in Jiangsu, we have secured an additional 140 megawatts of IT power to be used in the expansion of our Jiangsu campus. In fact, this additional megawatt capacity is around 3x the current megawatt capacity of our existing Jiangsu campus, which we built for a leading public cloud company. Going forward, we expect this additional capacity to help us better support our customers in the region over the next 3 to 5 years and secure more market share as the demand for carrier-neutral wholesale and retail IDC solutions continues to grow.

During the quarter, we continued to execute our dual-cost strategy and leverage our carrier-neutral IDC solutions to further refine our customer mix. At the same time, the strong demand of both wholesale and scale retail customers for tailored, reliable IDC solutions also enabled us to shorten our move-in period for newly delivered cabinets. As a result, our compound utilization rates continue to grow, increasing to 64.2% in the third quarter of 2020 from 61.4% in the second quarter of 2020.

Additionally, during the third quarter, our utilization rates for mature IDCs increased to 77%, while our utilization rate for ramp-up and newly built IDCs increased to 35.9%.

Beyond these utilization rate improvements, we also made consistent progress on the partnership front to maintain our sales momentum. During the quarter, for example, we continued to satisfy the expansion demand from retail IDC customers, such as Huazhu Hotels Group and Hello Bike. Meanwhile, we made good progress in our exchanges with China Everbright Bank concerning the second phase of our mission-critical data center for the company, and we are optimistic about the continuing strength of this retail IDC project going forward.

On the wholesale front, we continued to foster growth through collaboration, offering a 400-cabinets module to a new customer, which is an independent public cloud company. Additionally, we also remained focused on engaging with our existing customers in order to work together more closely and better support their growing demands for quality scalable IDC solutions. During the quarter, we allocated an additional 880 cabinets to our existing customers in Shanghai and over 1,400 cabinets in Beijing.

Now I would like to take a moment to discuss our recent announcement concerning changes to our management team. As many of you are aware, our Board of Directors has approved a new rotating leadership program to help our company better seize industry growth opportunities. As part of this initiative, Mr. Samuel Shen will be appointed to the position of group CEO effective January 1, 2021, while I will become CEO of our wholesale IDC business group. All of us here at 21Vianet firmly believe that each member of our senior leadership team is well suited to his role and that this new program will effectively leverage each member's unique strengths to help the company better achieve its goals.

Now I would like to introduce you all to Samuel, who will provide additional color surrounding our current outlook and future development plans. Thank you, all, and looking forward to speaking more with everyone later in the Q&A session.

Samuel Shen ***21Vianet Group, Inc. - Executive Chairman of Retail IDC Business Group***

Hi, everyone. This is Samuel. Thank you, Alvin. As always, it is a great pleasure to meet and speak with all of you virtually. I'm quite pleased to announce that since joining the company in May, I continue to be inspired on a daily basis by both the effectiveness of our team and the abundance of opportunities in our industry.

To reiterate Alvin's point, we do believe that this new rotating leadership program is quite innovative, and that will help us to better capitalize on increasing opportunities within China's IDC industry. On a personal note, I look forward to utilizing my own technical background and management experience to further advance our technology, integrate our business groups and maintain consistent dialogue with the investment community going forward.

Now let's turn to our market outlook. Looking ahead, the broader market trends for the IDC industry in China remain very favorable. In fact, the total market for IT outsourcing services in China is expected to reach RMB 350 billion by 2024 according to Frost & Sullivan.

Meanwhile, enterprises are seeking flexibility in scaling their demands to control IT-related costs, making the use of third-party data center service providers increasingly attractive. As measured by total revenues, the total market size of the retail data center services market is expected to grow at a CAGR of 11.9% from 2019 to 2024, reaching RMB 32 billion by 2024, while the total market size of the wholesale data center services market is expected to grow at a CAGR of 21.3% over the same duration, reaching RMB 34.1 billion by 2024, again, according to Frost & Sullivan. As China's IDC industry continues to grow, we will remain committed to the implementation of our dual-core growth strategy, which has delivered strong results since its inception in 2019. As a reminder, this dual-core strategy is focused on providing high-quality, carrier-neutral and flexible IDC solutions to both retail and wholesale customers throughout China.

On the wholesale front, we have found that our hyperscale IDC services continue to be highly attractive to large-scale enterprises. Meanwhile, on the retail front, we are also observing increasing demand for scalable and modular IDC solutions. In light of the favorable industry growth trends and our own competitive advantages in China's IDC industry, we expect our dual-core growth engine strategy to continue gaining momentum going forward.

Before we start our Q&A, I would also like to briefly review our new 2021 to 2023, the 3-year growth plan, which we have developed based on the expected continual growth of China's IDC industry. One of our primary goal when developing this plan was to achieve a healthy balance between capacity expansion and utilization rates. We were also focused on our targets for both retail and wholesale customers, revenue growth and adjusted EBITDA growth, all of which we believe are meaningful indicators for our progress. As part of the plan, we have set a minimum capacity expansion target of 25,000 standard cabinets or 180 megawatts per year. We have developed this plan with all of our stakeholders in mind and believe that it positions us well to maintain our growth momentum over the long term.

With that, I will now turn the call over to Ms. Sharon Liu, our CFO of 21Vianet, to review our financial results for the quarter.

Xiao Liu *21Vianet Group, Inc. - CFO*

Thank you, Samuel and Alvin. Hello, everyone. Before we start our detailed financial discussion, please note that we will present non-GAAP measures today. Our non-GAAP results exclude certain noncash expenses, which are not part of our core operations. The details of these expenses may be found in the reconciliation tables included in our press release. Please note that unless otherwise stated, all of the financial numbers we are presenting today are for the third quarter of 2020 and are in RMB terms and that percentage changes are on a year-over-year basis. Although there was still some degree of uncertainty throughout the macro environment, we delivered strong financial results in the third quarter, maintaining our cabinet delivery schedule, bolstering our operating efficiency and augmenting our utilization rates in turn.

As a result, during the third quarter, our revenues were within our guidance range, while our adjusted EBITDA exceeded the high end of our guidance range. Revenue in the third quarter increased by 27% to CNY 1.25 billion from CNY 981 million in the same period of 2019. Such growth was mainly driven by the industry healthy growth trajectory and our ongoing capacity expansion, which enabled us to address the uptick in demand for scalable retail cabinet solutions and carrier-neutral wholesale IDC solutions during the quarter. Retail IDC MRR per cabinet in the third quarter increased to RMB 9,074. We added around 7,400 new cabinets during the third quarter.

As of September 30, 2020, we operated and managed 51,476 cabinets. Despite our capacity expansion, compound utilization rate in the third quarter increased to 64.2% from 61.4% in the second quarter of 2020. More specifically, our utilization rate for those mature IDCs delivered prior to 2019 improved to 77% in the third quarter compared to 73.6% in the [second] (corrected by company after the call) quarter of 2020.

At the same time, our utilization rate for those newly built and ramp-up IDCs delivered since the start of 2019 improved to 35.9% compared to 30.1% in the second quarter of 2020. Our improved utilization rate was mainly due to our continuous delivery of additional cabinets in the period as well as a shortened ramp-up period.

Adjusted cash gross profit in the third quarter, which excludes depreciation, amortization and share-based compensation expenses, was CNY 526.2 million compared to CNY 396.7 million in the same period of 2019. Adjusted cash gross margin was 42.2% compared to 40.4% in the same period of 2019.

Adjusted operating expenses in the third quarter, which excludes share-based compensation expenses, increased by 23.4% to CNY 180.5 million from CNY 146.2 million in the same period of 2019. As a percentage of net revenues, adjusted operating expenses in the third quarter decreased to 14.5% from 14.9% in the same period of 2019, demonstrating our improved operating leverage and operating efficiency.

Adjusted EBITDA in the third quarter grew by 35.2% to CNY 368.5 million from CNY 272.5 million in the same period of 2019. Adjusted EBITDA margin increased to 29.6% from 27.8% in the same period of 2019.

Net profit attributable to ordinary shareholders in the third quarter improved to CNY 97.1 million from a net loss attributable to ordinary shareholders of CNY 69.5 million in the same period of 2019. Basic and diluted profit were RMB 0.11 and RMB 0.08 per ordinary share, respectively, and RMB 0.66 and RMB 0.48 per ADS, respectively. Each ADS represents 6 ordinary shares.

Moving on to our balance sheet and liquidity. At the end of the third quarter, our debt-to-asset ratio was 59.1%. After taking out the effect of the changes in the fair value of convertible promissory notes, our debt to adjusted EBITDA ratio was 3.2. In addition, net cash generated from operating activities in the third quarter was CNY 210 million. As of September 30, 2020, we recorded a cash position of CNY 5.53 billion.

During the quarter, in order to fortify our future growth prospects, we also utilized our strong balance sheet and endorsements from well-established investors to further cultivate a more diverse range of funding sources. For example, through our successful execution of an equity follow-on offering, we raised approximately USD 400 million in the [period] (corrected by company after the call). We plan to use 80% of the net proceeds to expand our data center infrastructure and the remaining 20% for R&D and other general corporate purposes.

As a result of our steady growth and compounding business advantages, we also continue to attract more qualified shareholders with extensive investment experience and in-depth knowledge of Chinese IDC market, such as GIC.

With respect to financing, we have developed a cooperation relationship with more banks and obtained more favorable terms. Looking ahead, we continue to see a number of potential M&A opportunities and regard [brownfield sites] as supplement to our organic growth. We plan to continue executing our development initiatives with a focus on prudency and cost effectiveness. More specifically, we aim to continue exploring the use of those funding sources that are both congruent with our long-term perspective and capable of helping us fortify our balance sheet, increase our market share and accelerate our expansion of IDC services in key markets.

During the first 9 months, our CapEx stood at RMB 2 billion. In the fourth quarter, we expect CapEx to be around RMB 2 billion, including payments of consideration price for certain acquisitions.

Looking ahead, we expect net revenues for the fourth quarter of 2020 to be in the range of CNY 1.32 billion to CNY 1.34 billion and adjusted EBITDA to be in the range of CNY 380 million to CNY 400 million. For the full year of 2020, we now expect net revenues to be in the range of CNY 4.8 million to CNY 4.82 billion and adjusted EBITDA to be in the range of CNY 1.314 million to CNY 1.334 million. This forecast reflects our current and preliminary views on the market and operational conditions, which are subject to change and do not factor in any of the potential impacts that could be caused by the COVID-19 epidemic in the future.

This concludes our prepared remarks for today. Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Yang Liu from Morgan Stanley.

Yang Liu ***Morgan Stanley, Research Division - Research Associate***

First, I would like to congratulate management for the very strong earnings and the bullish 3-year plan. The first question I have is the 3-year plan, 25,000 cabinets or 180-megawatt addition per year. I find these 2 numbers actually -- I would like to ask you, how should we think about the relation between these 2 numbers? If we divide it by -- divided the 180 by 25,000 directly, that means all the new cabinets will be high-power density. Is that the case? Or if we then use the 25,000 cabinet number, that means -- and use standard power density, that means the megawatt number will be less than 180. So could you elaborate more about how to think about the 25,000 versus 180 megawatt?

The second question is the split of the new capacity between wholesale and retail. Previously, I think the management mentioned the 40-60 or 50-50 split in terms of the wholesale-retail. And now we are still emphasizing the dual-core growth strategy. So I would like to ask, what should be the right way to think about the split in terms of the capacity?

And the third question, could you please update us in terms of the new customer on the wholesale front? You mentioned a new cloud customer. Could you please elaborate more about the future potential from that customer -- or independent cloud customer in terms of future demand?

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

Hello, this is Alvin. Thank you, Liu Yang, for your questions. Obviously, you pay a lot of attention and make very good study on our reports and figures. So regarding the 25,000 cabinets and the 180-megawatt capacity, let me put it this way. That going forward, in the coming year, that we have very strong demand from wholesale customers and scale retail customers, which means that we plan -- 80% of our capacity will be high-power density, which means that basically 8-kilowatt per cabinet for 80% around. And for the other projects, we expect -- still expect strong demand from high-value retail customers, which means that we will allocate around 20% of our total capacity into that segment. So in that case, let's combine 80% for 25,000 high-power density and then 20% of our standard so-called retail cabinets, we will round up with 180 megawatts for wholesale and retail customers in the coming year. And I think that this basically addressed your first 2 questions.

And also for new customers in the retail segment -- in the wholesale segment, currently, we have very strong engagements with all the leading customers, both public clouds and also some other leading Internet players as well. And we expect that in the coming quarters, we can secure new customers in -- not only the leading Internet players, but also the new top public cloud players as well. Thank you.

Operator

Our next question comes from the line of Edison Lee from Jefferies Hong Kong.

Edison Lee ***Jefferies LLC, Research Division - Equity Analyst***

It's Edison from Jefferies. So I have 2 questions. Number one is on the 8,000 cabinets that you are securing from, I think, in the east of Beijing, it seems to be an acquisition of a brownfield project. Could you please comment on how much you paid for the brownfield project? And what the location of that -- exact location of that capacity is going to be.

Number two is in your 25,000 cabinets per year addition new guidance, I assume that is based on 100% organic growth. If not, yes, please correct me if I'm wrong.

And in addition to organic growth, what sort of acquisition opportunities you are seeing in the market? And can you talk about any prospect of acquisitions in 2021?

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

Thank you, Edison. This is Alvin again. Thanks for all of your questions. Regarding our new resources in surrounding areas of Beijing East, we acquired these projects with a very reasonable price because this is just, as we call, brownfield projects. And these 2 projects are located quite close to Beijing. Actually, it's the way -- expect that subway lines will be available in the next year from Beijing's downtown to these 2 sites, so which means that we expect it will be very attractive to our leading customers. And all these 2 projects will have full approval and also power supply capacity ready. So we have very strong customer demand engagements already ongoing.

And for your question -- second question regarding the growth 25,000 cabinets. Next year, the majority will be our organic growth. And actually, we are very cautiously optimistic for new acquisition opportunities in the next years. And if we may make any big acquisition, which -- it will add up beyond these 25,000 cabinets in the next year if we make a very big acquisition. So that's my question -- my answer.

Edison Lee ***Jefferies LLC, Research Division - Equity Analyst***

Alvin, if you don't mind, I want to follow up with a question about acquisition opportunities in the market. So can you share with us your thoughts on where these opportunities are coming from and whether valuation is actually going up? And how would you -- what is your hurdle rate when you evaluate these acquisition opportunities in the market?

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

Yes. Talking about the merger and acquisition opportunities, as I said, we are cautiously optimistic since this market is kind of quite, I would say, that's quite hot. There's a lot of new players, new investors, and many of them have very high expectations at this moment. But still from our side, we have very strong confidence. We have very unique competitive advantage from both capital, technical and also cost perspective of brand customer acquisition. All these advantages give us a very strong foundation to be the -- to build our very strong position in case of market consolidation.

So going forward, we have -- from the global market, even -- and also from China markets, we have a very firm belief that there will be consolidation going forward. In that case, we will take a very good position there. Thank you.

Operator

Our next question comes from the line of James Wang from UBS.

James Wang ***UBS Investment Bank, Research Division - Analyst***

I've got 2 questions, if I may. The first question is regarding the additional capacity that you obtained for the existing Jiangsu campus. I just wanted to find out whether you engaged bringing new tenants to this location or new -- i.e., new logos. Or would it be mainly to meet demand for existing customers?

And the second question, just around the 3-year plan. So could you please shed any light on the revenue and EBITDA growth outlook in that 3-year plan? Or if you can't share the numbers, whether the growth rate per annum will be higher than what you've achieved this year and whether these targets can be achieved without raising additional equity.

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

Thank you for the question. (inaudible) Regarding our Jiangsu campus, we are very happy to announce that we secured additional capacity, which is very large and also that's in our site. That we already have secured leading public cloud customers. Going forward, we -- definitely, we will serve that customer even better. And at the same time that we do have a strong engagement with leading Internet customers and also financial institutes, that we will add up new customers into that campus going forward.

Xiao Liu ***21Vianet Group, Inc. - CFO***

James, this is Sharon. I will answer your question 2 regarding to the 3-year growth plan as well as our fund raising plans. I think it is too early to provide the full year guidance for next year or the year beyond. So the company will provide our detailed outlook in March next year during our Q4 earnings. But at this moment, I can give you some things from the company for the EBITDA margin. As you know, we just announced that we will deliver at least 25,000 cabinets in 2021, so our EBITDA margin will be under pressure. So next year, the EBITDA margin will be at the same level of the full year of 2020. But the EBITDA margin will be improved from 2022, above 30% and keep the upward trend.

And for the financing policy, our policy is to reserve enough capital to support our expansion plan. So as you all know that after the follow-on, we have reserved 2 sites in the surrounding areas of Beijing and 140 megawatts for the Jiangsu campus. In the future, if we secured more resources, we may consider for the fund raising in 2021. Thank you.

Operator

Our next question comes from the line of Arthur Lai from Citi.

Arthur Lai ***Citigroup Inc., Research Division - Director & Analyst***

Congrats, management, on delivering a very good result. And I have 2 questions. One is more like a housekeeping question. So we noticed that there's a foreign exchange gain this quarter. Can Sharon walk us through how we should think of the math? And then second one is we keep hearing your peers in China, they mentioned that some of the power grid cannot supply their parts in time. Did you see this phenomenon? And also, in the future, will that be kind of the near-term bottleneck for the growth?

Xiao Liu ***21Vianet Group, Inc. - CFO***

Thank you, Arthur, for your question. Regarding to the foreign exchange gain, it was mainly due to the appreciation of RMB, but it is -- it was noncash and unrealized gain. For you question to our (inaudible).

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

Yes. Arthur, thank you for the question. Regarding the delivery, always, we have a lot of challenge that -- especially given the COVID and some other challenges at this moment. And from our side, we have well prepared. First, that we have a very strong pipeline. I mean that we have not only the -- from the long-term perspective but for the near term as well as we have a strong pipeline in different locations, for different projects or different target customers as well.

And second is we have very strong engineering team and a very strong partnership with our suppliers and partners. So we have very strong confidence to deliver as our -- according to our schedule. Actually, even though we have very tough environment, we promised to deliver 15,000 cabinets at the beginning of this year. Right now, we expect that we will deliver 70,000 cabinets, including merger and acquisition. So going forward, we see a lot of challenge, but we still remain very confident to deliver strong results. Thank you.

Operator

Our next question comes from the line of Tina Hou from Goldman Sachs.

Tina Hou ***Goldman Sachs Group, Inc., Research Division - Equity Analyst***

Congrats on the very strong result and very strong future year guidance. So my first question is in terms of your 25,000 new cabinet net adds for the next 3 years, which is obviously a step-up from 2022. So I'm just wondering, where does the additional demand come from? Is it from wholesale, I assume? Then are you seeing this from existing customers or from new customers? And also, how -- actually, how do you base your forecast on or base your guidance on? Is it on already existing demand or orders from your customers? Or is it more from a supply angle? Yes. So that's my first one.

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

Thank you, Tina. Thank you for your questions. Here -- it's Alvin. Regarding our capacity that we -- at this moment, we expect more than 25,000 cabinets per year in the coming 3 years. And we do expect that majority of this capacity will be in the surrounding areas for Tier 1 cities. It means Beijing, Shanghai and Guangzhou, Shenzhen.

And the second -- and also that we expect our city type of data center will remain another kind of growth engine for our total business as well.

And then regarding the demand that, for sure, we see very strong demand from both wholesale customers and retail customers. And from our perspective, we have very strong confidence. We will even gain more market share from our existing customers, namely the top leading public cloud players and also Internet giant. At the same time, we will expand our customer base into some new logos and also into some new emerging players, especially like online streaming, online education and some other state-owned enterprise. We see very strong demand from them as well. Thank you.

Tina Hou ***Goldman Sachs Group, Inc., Research Division - Equity Analyst***

So my second question is regarding the current third quarter status. So in terms of your current billable cabinets, I'm wondering how much of them are wholesale at this point. And then in terms of your retail business, I see some of your retail peers in China have noticed a slowdown in this segment due to COVID as well as due to more smaller customers going on to public cloud. So have you seen also some slowdown in your retail segment as well?

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

So at this moment, it seems we have very strong retail operations or a very strong retail customer base. So at this moment, still there's a very big portion -- or majority of our revenue is still coming from our retail customers. And going forward, we expect that wholesale segment will represent a very big part of our incremental growth.

And regarding our retail business, that for sure, that we see a lot of challenges, especially during the COVID period. But we have a very diversified customer base from different segments. And we see -- during this period, we see very strong demand from some segments like online education, online streaming, et cetera. And we do see some pressure or weak demand from some of our customers, like hotel and retail customers. But still, it's a mix. Together, we view -- we remain very confident that we have a very strong customer base, we have very strong product offerings, and we have a strong customer base. Going forward, we see retail part will contribute a very big value to our total strategy, which we referred to our so-called dual-core strategy going forward. Thank you.

Operator

Our next question comes from the line of John Choi from Daiwa Capital Markets.

John Choi ***Daiwa Securities Co. Ltd., Research Division - Head of Hong Kong & China Internet and Regional Head of Small/Mid Cap***

I have 2 questions. So first of all, I would like to have a better understanding of your 3-year plan that you guys mentioned. So if you look about the long-term demand right now, I mean, could you kind of walk us through how you see the pricing magnitude given that we are seeing a lot of supply coming in the -- these Tier 1 city suburbs from your peers as well? So do you think you'll be able to manage this pricing both on the wholesale and retail given that the supply continues to come on board?

And my second question is kind of related to that is, can you kind of walk us through how you guys are expecting the -- how the, let's say, the IDC MRR and utilization rate will look like in the coming years and how that will affect our EBITDA margin?

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

Okay. So John, thank you for your questions. I will address your first question. It's regarding our 3-year growth plan going forward. As we all know that these IDC segments are becoming very attractive from both the demand perspective and also from an investment perspective. We do see a lot of new investors, new players joining the game. But from our side, we see that very big barrier for new players, especially given the current very tough competition environment.

And from our perspective, we do see we have a very strong competitive advantage even from the price -- or the profitability perspective. First of all, from the wholesale -- or even from retail combined perspective, we do enjoy a very strong economy of scale. We delivered more than 7,000 cabinets this year, and we will increase that figure to next level next year, which means that we will be a very big player. We can have very strong plant power towards our suppliers to better deal as well. And we have very strong kind of customer acquisition capability, which means that we -- in some cases, we do enjoy kind of some of the price premium in a very good location and towards some of the high-value customers as well.

And from retail side, since Samuel joined the team, we put much more effort to add new capabilities into our retail offerings, which means that our products capability will increase that will translate into further customer value, which means that we can keep and maintain our MRR going forward. Thank you.

Xiao Liu ***21Vianet Group, Inc. - CFO***

John, regarding your question 2, for the EBITDA trend, I have answered that question before. And regarding to the utilization rate, as we will deliver at least 25,000 cabinets, we expect the compound utilization rate will be at least above 60% in the next 3 years. But if you look at the utilization rate performance this year, both our existing data center as well as the new delivered and ramp-up utilization rate increased quarter-over-quarter, which demonstrates our very good customer demand momentum. Thank you.

Operator

Our next question comes from the line of Colin McCallum from Crédit Suisse.

Colin McCallum ***Crédit Suisse AG, Research Division - MD***

Congratulations on the strong numbers. I just had a couple of questions. Most have been answered. One was any color at all you can give us on what you think the total kind of CapEx requirements might be for that 3-year build? That's the first question.

And then second question is just regarding Tsinghua Unigroup. I read that there are -- there is some potential kind of restructuring and some issues there. Maybe difficult for you to comment, but I'd like to know, at least from a VNET perspective, that there's no impact on your ability to function or raise capital or continue to grow. That's the second question.

And then my third question is just on this management issue, which you're categorizing as a kind of rotation, I think was the word you used, Alvin. When you say rotation, do you mean that there will be different roles that people will take each -- every 2 years or something? I mean what exactly do you mean by that when you say it's a rotation program? I think a few investors would like to understand it a little bit better.

Xiao Liu ***21Vianet Group, Inc. - CFO***

Colin, this is Sharon. Regarding your question about our CapEx, I would say. For the additional 25,000 cabinet each year, the CapEx will be at least about RMB 5 billion each year. But if we secure more resources and there are some big acquisitions, the CapEx guidance will be raised from RMB 5 billion.

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

Okay. Colin, thank you for your questions. Regarding your second question, it's -- for sure we are in a very fast-moving market that we see very dynamic market demands and also different kind of momentum from different customer segments so -- which means that from our side, that we keep refine and adjust our business strategy and also our organization accordingly as well. So currently, we have a very clear strategy, so-called dual-core strategy. So according to that, we adjust our structure -- organization structure to better serve our strategy and also to seize the new growth opportunities going forward.

And then regarding the rotation program that -- I would say that this is a very innovative approach in these markets, especially in the IDC segments. And also that we have -- since we have a very strong growth momentum, and also that we have very high potential going forward so -- which means that we need to have even more kind of capability and talent join the team. So not only from the top management perspective, but also in the entire organization, we introduced the so-called rotation program as well.

And finally, I would say that 2 minds are better than 1. So right until we have more talent to join the team that contributed to our value.

Operator

Our last question comes from the line of Hongjie Li from CICC.

Hongjie Li ***China International Capital Corporation Limited, Research Division - Research Analyst***

Congratulations on such strong results. My first question is for our 140 megawatts in service MOU for wholesale. Could you give us more comment on the contracted proportion right now? And the second question is, comparing with our continued improving retail MRR, how is our wholesale MRR level at this moment? And my last question is on the R&D side. What's our focus on the technology part for our IDC business?

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

Sorry. So we have some voice quality problems. Can you please repeat your first question? Thank you.

Hongjie Li ***China International Capital Corporation Limited, Research Division - Research Analyst***

Okay. My first question is for our 140 megawatts in service MOU for wholesale. Could you give us more comment on the contracted proportion at this moment?

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

Okay. Sure. We have very strong customer engagement at this moment, both with our existing customers and also our new customers as well. At this moment, I can say that we have very strong customer demands, some commitments and some have so-called precommitments. So I would say that, especially for our wholesale parts, we see a very big portion is already covered by these commitments and precommitments. And for the retail parts, we -- all our retail capacity are located in the Tier 1 cities. We do see strong customer demand, which means that we -- the first year, the utilization rates -- by the end of the first year for this new capacity, the utilization rate will reach around 40% of the total capacity.

And regarding your second question, the wholesale MRR. Obviously, the different customers have -- we have different kind of pricing scheme. And also, we have different locations, means that different price share level in different markets. But I would say that we do have a market-level MRR. And also we have -- in many cases, we do enjoy a price premium because we provide very high-quality services. And also, we have very strong customer relationship as well. Thank you.

Operator

I'll hand back now to today's presenters. Please continue.

Our next question is from the line of Colin Liu from China Renaissance.

Colin Liu ***China Renaissance Securities (US) Inc., Research Division - Research Analyst***

And I just have one on the overall market demand from cloud computing. I've seen your new 3-year plan, which demonstrated your strong confidence on the market demands. However, going into second half this year, we have seen that public cloud industry growth has demonstrated some very clear slowdown in terms of revenue, profit, et cetera, et cetera, mainly from those public listed -- public cloud listed companies' reported numbers. And their comments and guidance on the overall growth for the next quarter and the next year are less exciting arguably compared with historical trends. So I just want to understand how you see the overall market demand from cloud computing, particularly public cloud. And how do you see the opportunity in the near term and the long term, please?

Shiqi Wang ***21Vianet Group, Inc. - Group CEO & President***

Okay. Colin, thank you for your questions. Regarding the demand from the top customers, especially public cloud players, we do see a very strong performance in the past years from public cloud players' perspective, and we do see that they have very strong growth momentum going forward even -- especially that's given that 5G and also other kinds of new technology coming that -- like the connected cars, et cetera. So we do expect that they will remain very strong growth. But I agree with you that in some quarters, probably we will see some different growth rates in some players. But overall, we remain very strong confident.

And also that we -- from our perspective, we do have a very diversified customer base. We are -- we don't rely on a few limited customers, so which means that we -- overall, we still remain very optimistic about our markets. So from our perspective, we do see our growth will come from not only the few public cloud players, but also some other internet giants and also state-owned enterprises and also leading financial institutes as well.

Operator

I would now like to hand the conference back to today's presenters. Please continue.

Rene Jiang ***21Vianet Group, Inc. - IR Director***

Thank you for joining us today. If you have any follow-up questions, please feel free to contact IR. Have a good day.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.