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# 21Vianet Group, Inc.

## Investor Presentation

June, 2018



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## At a Glance

Inception Time	In 1996
Listing Time	Apr, 2011
Exchange / Ticker	Nasdaq: VNET
Price (as of Aug 15, 2018)	\$ 9.02
Market Cap	\$ 1.01 Billion

# A Leading Internet Data Centre Services Provider in China

## Market

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

## Leadership

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

## Key Strategies

- To fully focus on the hosting & enterprise hybrid cloud business
- To address clients' unique needs with highly customizable solutions
- To leverage competitive advantages in the retail market and expand into the wholesale market (build-to-suit)

# Hyper Growth of China's Internet Traffic



China has the world's largest under-addressed IDC market with significant potentials driven by:



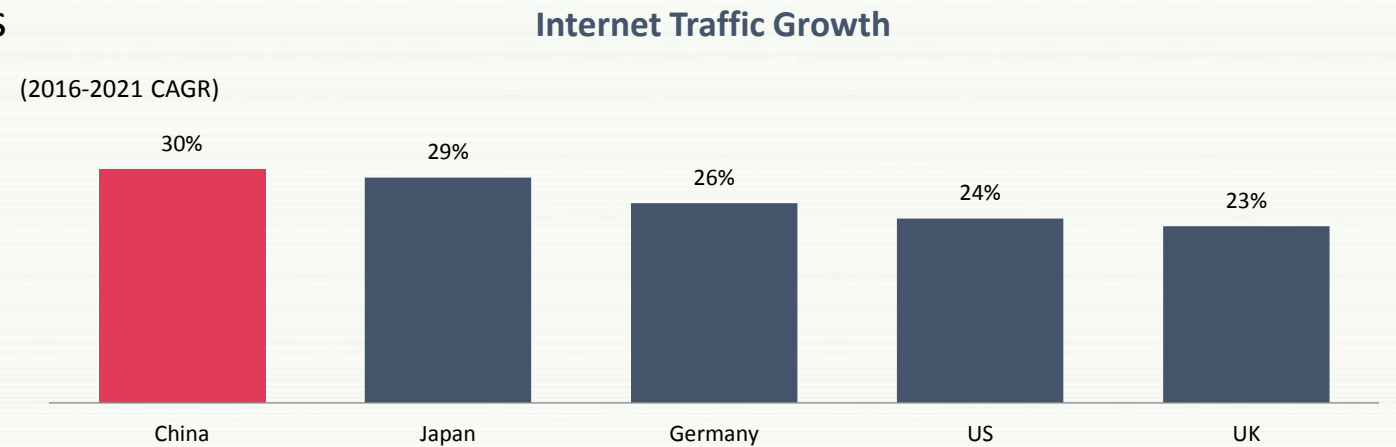
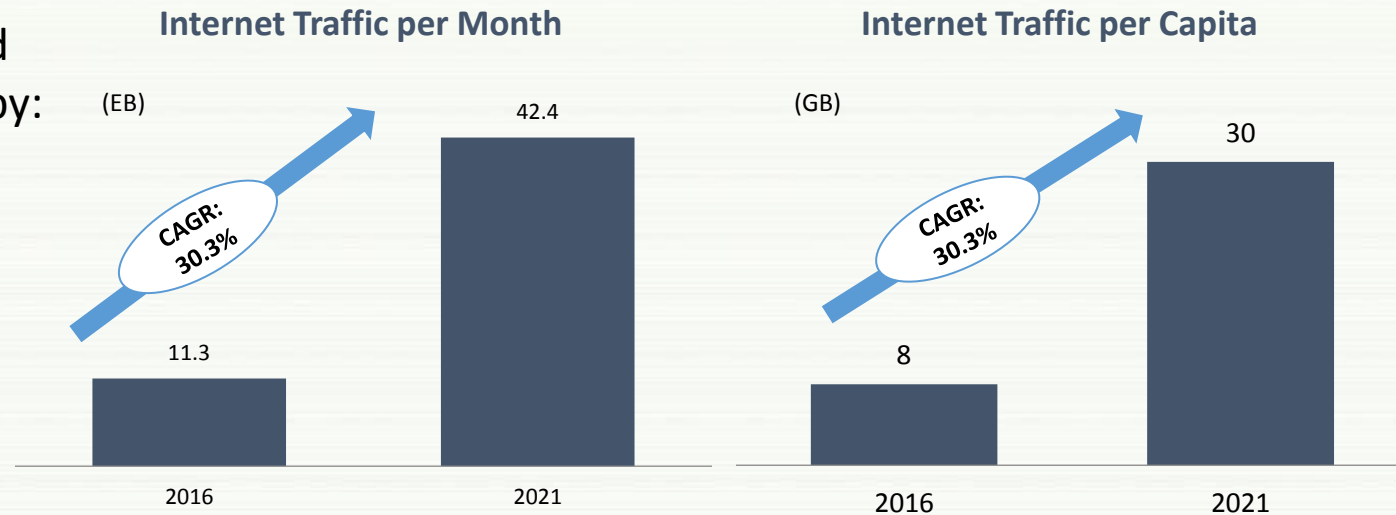
China's ever deepening Internet penetration accelerates the demand for online services.



Business Intelligence, Big Data, and IT services demand high-quality network & solutions.



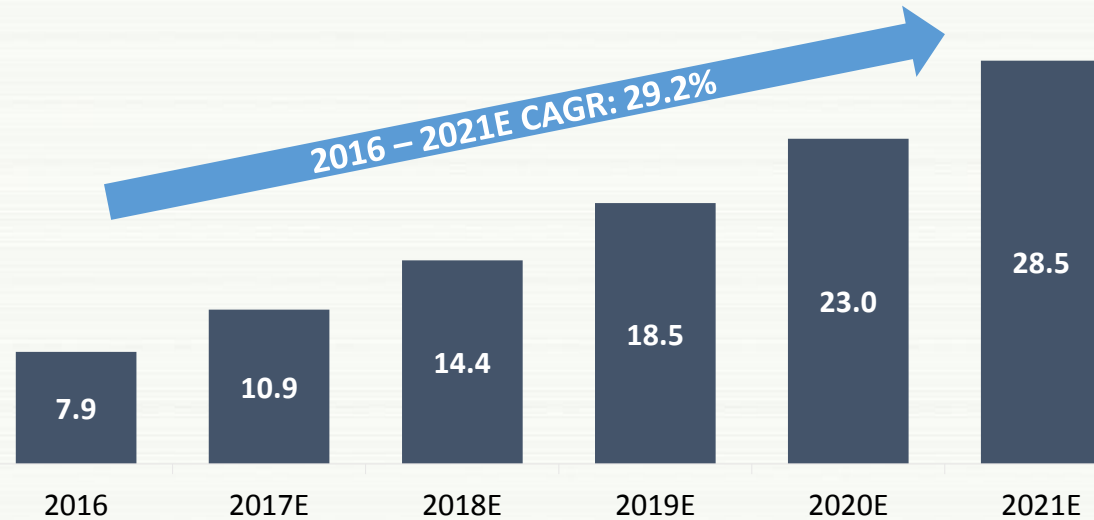
Entry barriers limit new IDC entrants while Internet companies continue to outsource.



# IDC: One of the Fastest Growing Sectors

## Internet Data Center (IDC) Market Size in China

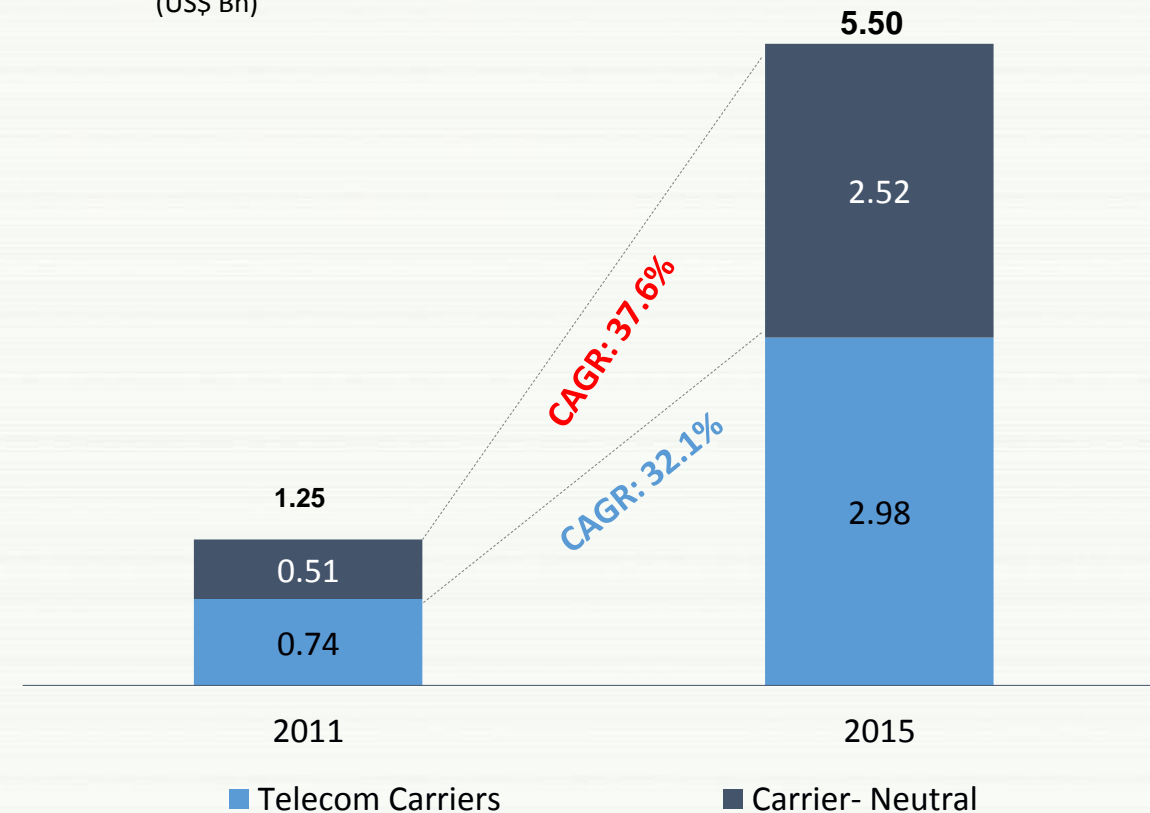
(US\$ Bn)



Major growth drivers are: **more data generated per internet user**, especially on mobile devices, **more IoT devices connected**, and **digitalization of enterprise data**.

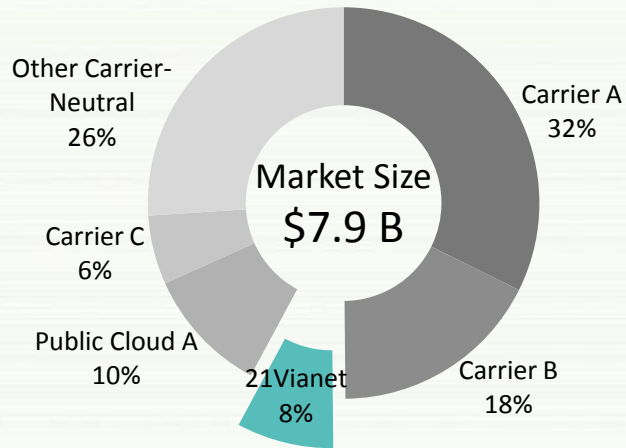
## Carrier-Neutral IDC Market to Outgrow

(US\$ Bn)

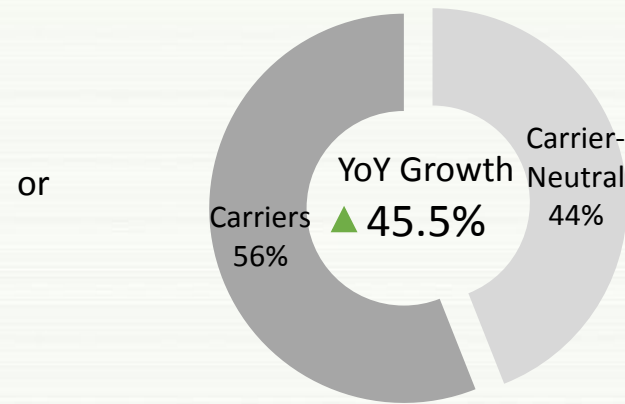


# 21Vianet's Market Leadership

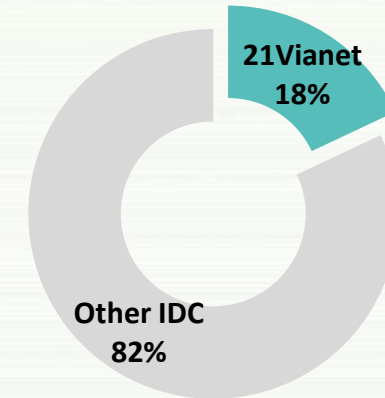
China IDC Market Share in 2016 <sup>(1)</sup>



Carrier-Neutral accounts for 44% Market <sup>(1)</sup>



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



## Leading Carrier-neutral IDC Service Provider in China <sup>(2)</sup>

- **50+** premium data centers in **20+** cities
- **29,149** <sup>(3)</sup> cabinets, **83%** <sup>(3)</sup> self-built cabinets
- Connected to major carriers, non-carriers and ISPs
- Estimated capacity of **1,000+** gigabits per second to nearly all locations

Source:

1. IDC, Sep 2017 (Market share data as of year end 2016), 451 research, Bain analysis
2. Company filings, data as of 1Q2018
3. Data as of 2Q2018





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## Investment Highlights



# Investment Highlights

- Trusted Brand and Clear Leadership
- Advanced Technology with Customized Solutions
- Recurring Revenue and Diversified Customers
- Sustainable Growth and Profitability
- Strong Support from Shareholders and Partners

# 1 Trusted Brand and Clear Leadership



## Awards

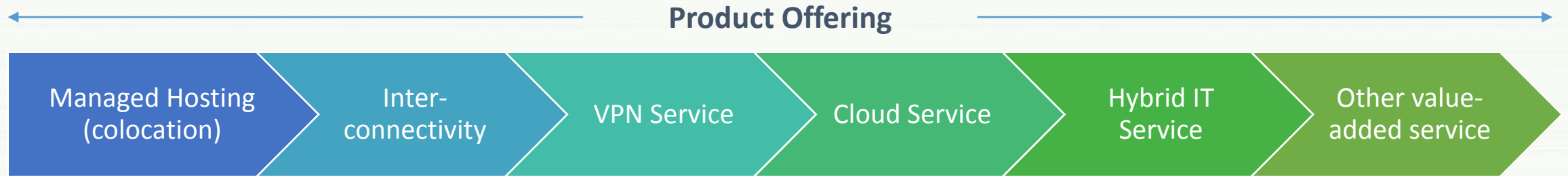
- Well-Known Trademark Honor (“中国驰名商标”) in 2014
- Reliable Cloud Service (“可信云办公应用奖”) in 2015
- Most-Influential Enterprise (“最具影响力企业”) in China IDC Industry in 2015 and 2016
- Innovative Enterprise (“创新企业”) and Top Choice for Hybrid Cloud (“混合云首选品牌”) in China’s IDC Industry in 2016
- IDC Integrated Management Excellence (“综合管理优秀奖”) and China’s IDC Leading Enterprise (“领军企业”) in 2017
- Top 100 Internet

**1<sup>st</sup>** infrastructure service supplier to obtain **ISO09002 RAB (USA)** certification and **UKAS (Britain)** certification in China

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



## 2 Advanced Technology with Customized Solutions



### Customers value the most:

- Multi-carrier & multi-cloud connectivity
- High-performing facility & network
- Nationwide coverage with accessible location
- Track record and service quality

### Our Advantages

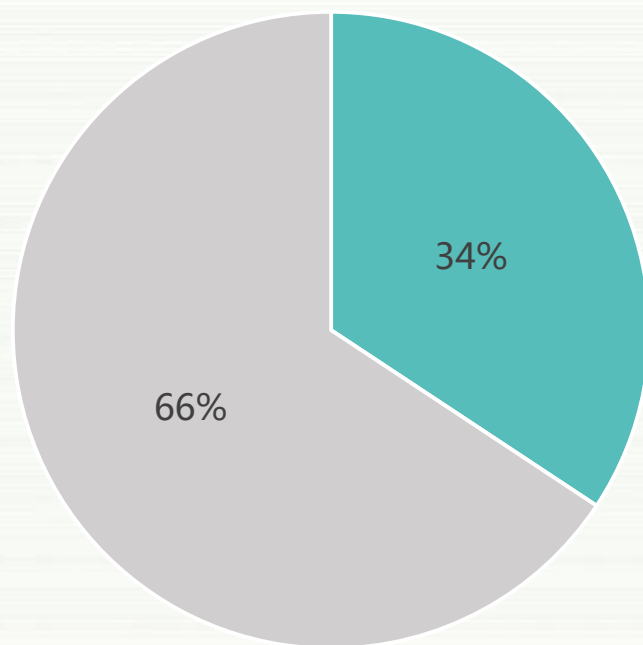
- Network features numerous interfaces with multiple telecommunication carriers
- Turn-key solutions for colocation, interconnectivity, cloud and hybrid IT solutions tailored for customer needs
- 50+ premium data centers in 20+ cities
- ~5,000 enterprise and government customers spanning different industries; service guarantee 99.99% power uptime and 99.9% internet connectivity uptime



### 3 Recurring Revenue and Customer Concentration

Recurring revenues contributing to over 90% of our net revenues since 2015

Top 20 customers in 2Q18 Net Revenue %



■ Top 20 ■ Others

Top 5 Customers	% of 2Q Revenue
Internet Company	10.8%
e-Commerce	2.4%
e-Commerce	2.3%
Social Media	2.2%
Financial Service	2.2%

Source: 2Q2018 Company filings.

### 3 Recurring Revenue and Diversified Customers

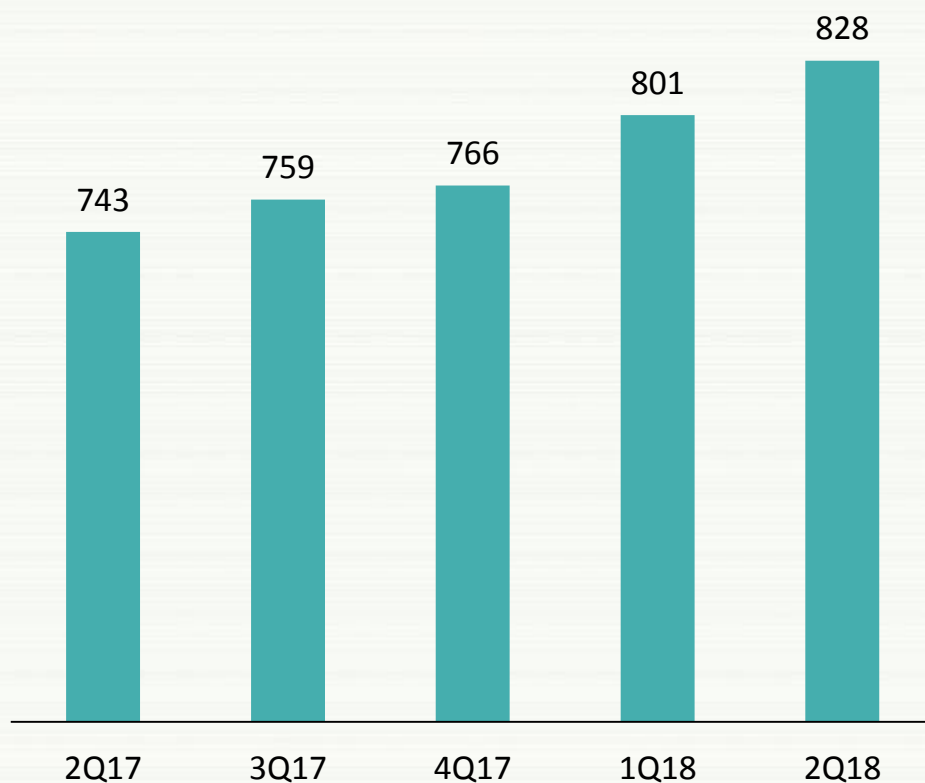


Source: Company filings.

## 4 Sustainable Growth and Profitability

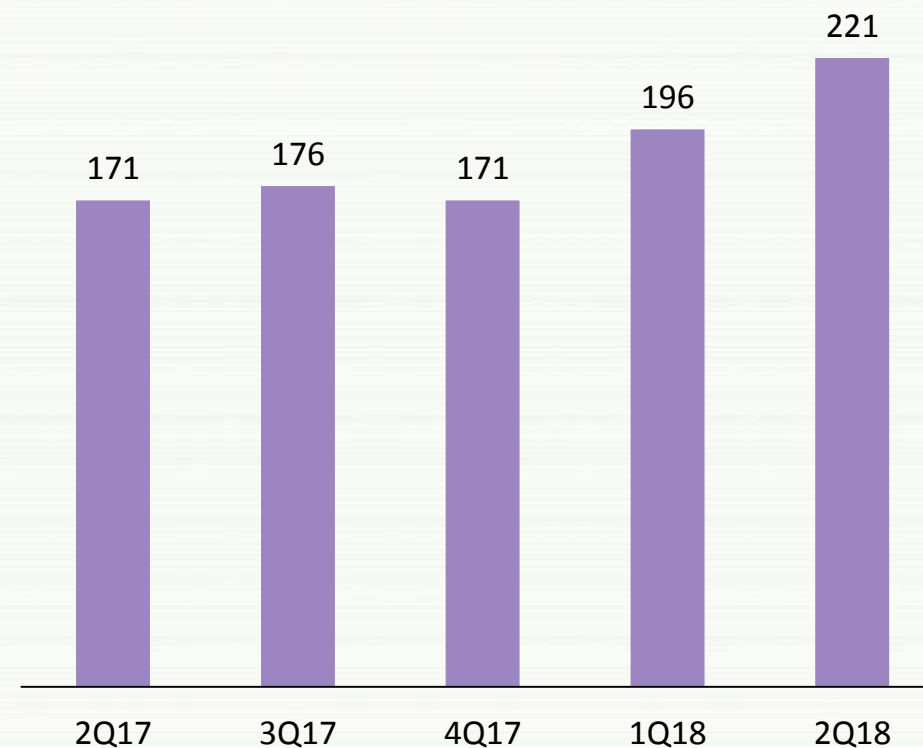
### Net Revenues

(CNY mm)



### Adjusted EBITDA

(CNY mm)



Source: 2Q2018 Company filings, for hosting and related services.



## 5 Strong Support from Shareholders and Partners

Shareholders



- Controlling shareholder and strategic investor since May, 2016
- 21.4% stake, 50.9% voting right
- The largest investment amount that TUS-Holdings has made in the digital business segment

Partners

- Strong strategic fit: VNET to leverage TUS's resources in government access/relationships and IT-industry area planning
- Potential customer referral from TUS's investee pool of high-growth enterprises



TEMASEK  
HOLDINGS



- In Dec, 2014, we received a combined strategic investment from Kingsoft, Temasek and Xiaomi
- We provide hybrid IT services to Xiaomi and Kingsoft.
- In Jul, 2016, we extended our strategic cooperation with Kingsoft until Jan 2021.



Microsoft Azure  
由世纪互联<sup>®</sup>运营

Microsoft Office 365

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

WARBURG PINCUS  
美国华平投资集团

- JV to focus on the wholesale business
- To combine Warburg Pincus' resources and experience in commercial real estate projects and fund-raising with VNET's IDC industry expertise

## 5 Strong Support from Shareholders and Partners

➤ Major beneficial ownership of our ordinary shares, as of March 31, 2018;

Principal Shareholders:	% of Share Holding	% of Voting Power
Tuspark Innovation Venture Ltd.	21.3	50.9
Esta Investments Pte Ltd (Temasek)	9.6	2.9
King Venture Holdings Limited	8.5	9.9
Xiaomi Ventures Limited	2.5	5.0
Sheng Chen	6.6	15.1

Source: Company filings.

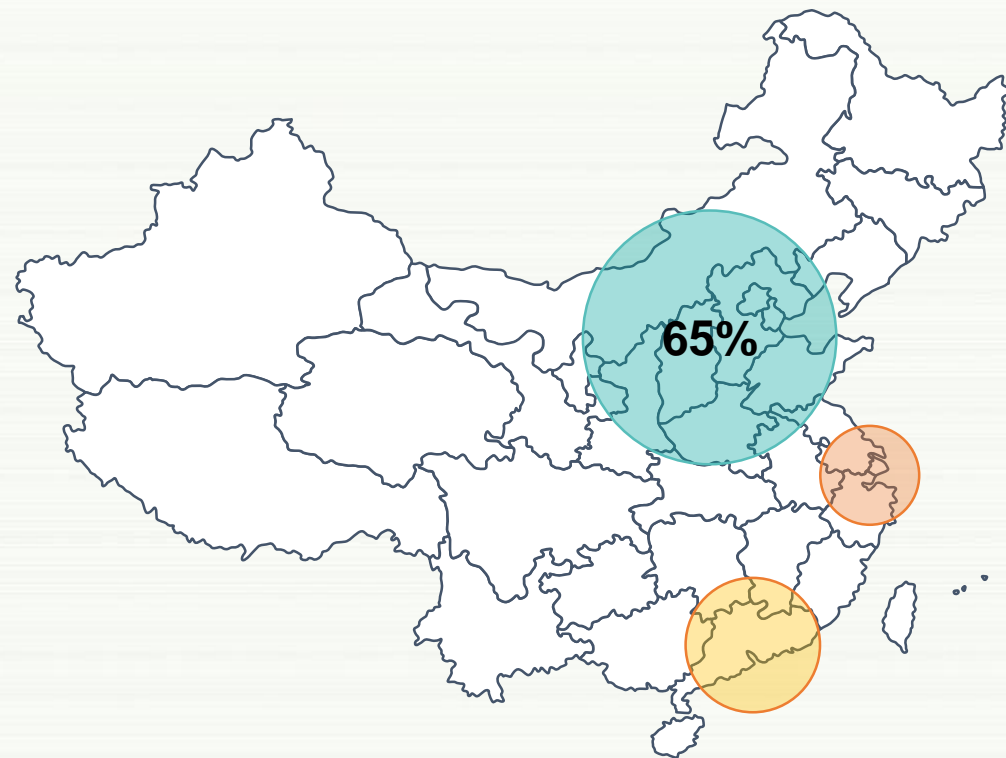
# Our Nationwide Data Centers



**BJ 7**



**BJ 1**



**SH 1**



**SZ 2**



**XA 5**



**GD 1**



**ZJ 2**

Source: Company Data.

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





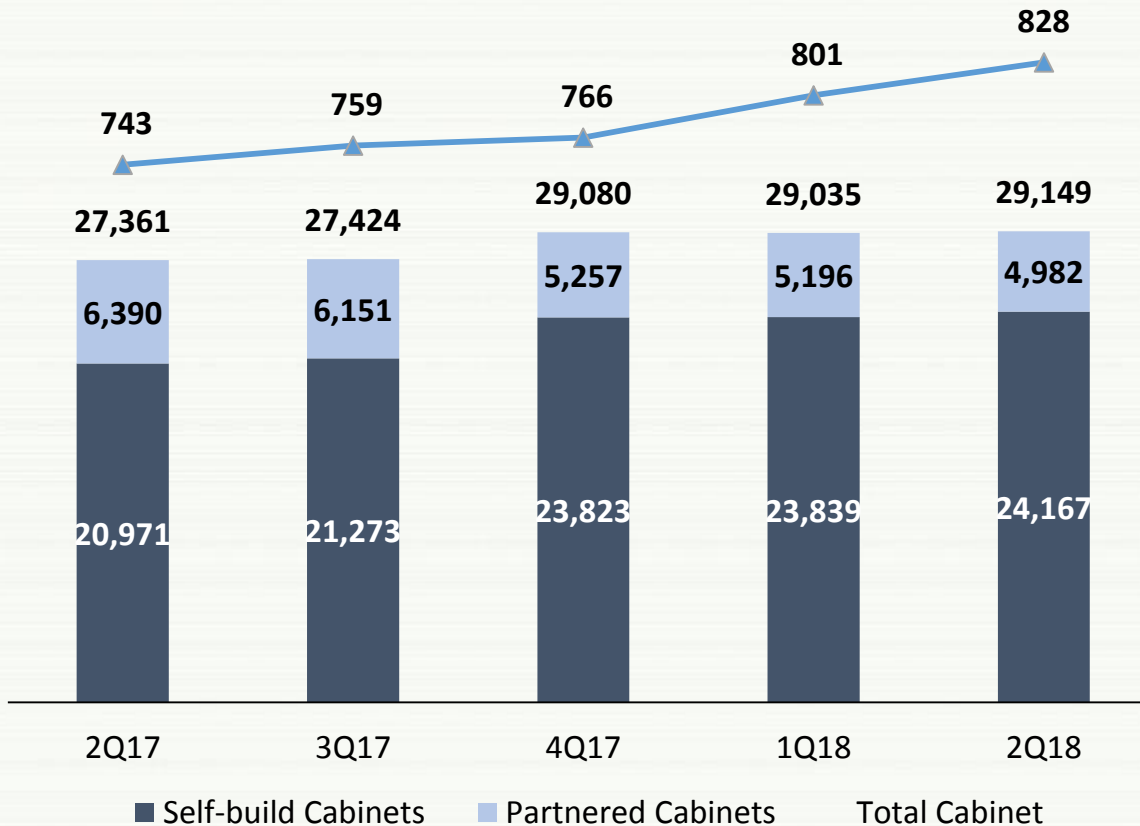
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## Financial Overview

# Revenue Growth Supported by Capacity, MRR & Utilization

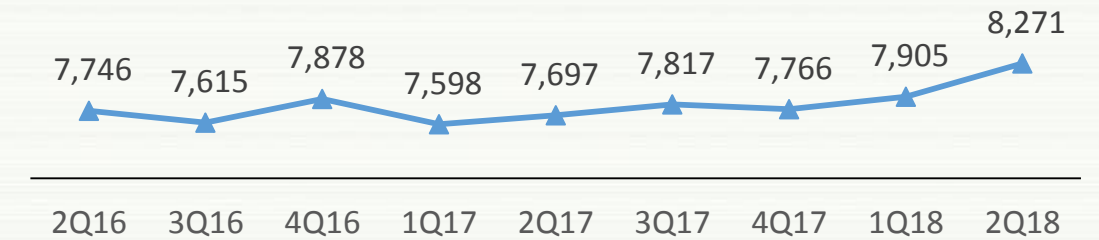
## Net Revenues & Cabinets (1)

(Net Revenues in CNY mm)



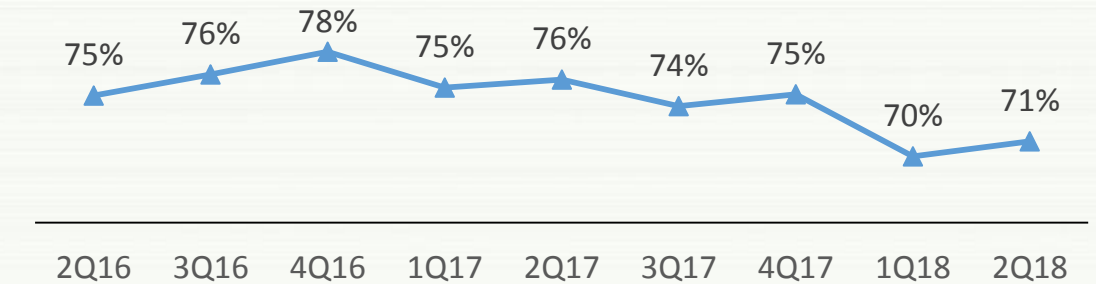
## Hosting MRR per Cabinet (2)

(CNY mm)



## Utilization Rate (3)

(%)



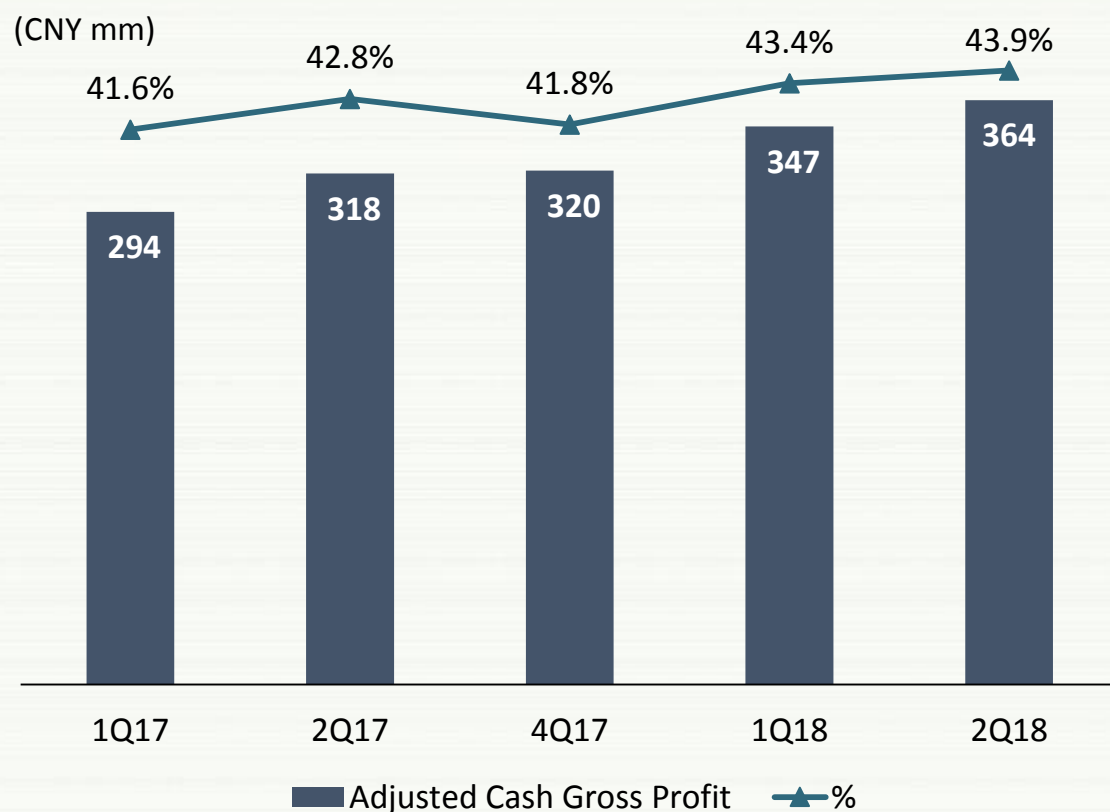
**Proven capability to build capacity effectively to fulfill strong market demand**

Source: Company filings.

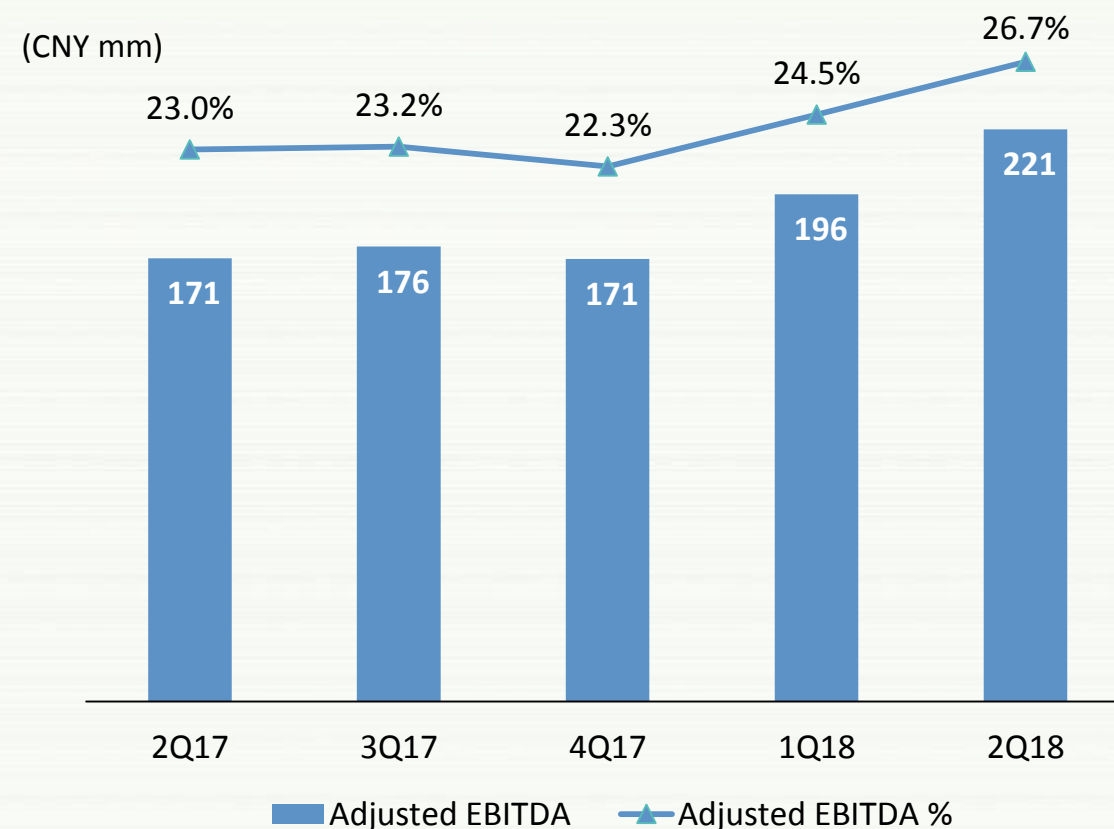
1. Net revenues include online revenues generated from the Company's core hosting and related services, the amount of cabinet are measured by the actual amount at the end of quarter.
2. Based on the Company's core IDC business.
3. Utilization rate are base on quarterly average to measure.

# Margin Improvements through Efficiency Enhancement

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



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



**Operational excellence supported by inventory management of cabinets, improved PUE and cost control measures**

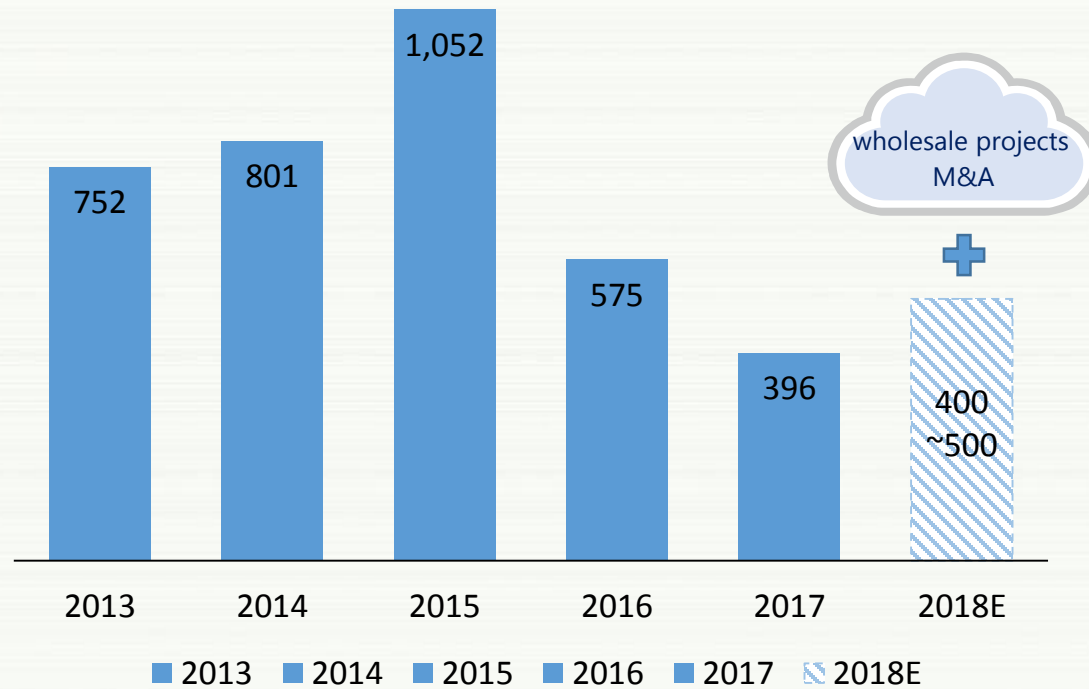
Source: Company filings.

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

# CAPEX Plan For Business Expansion

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

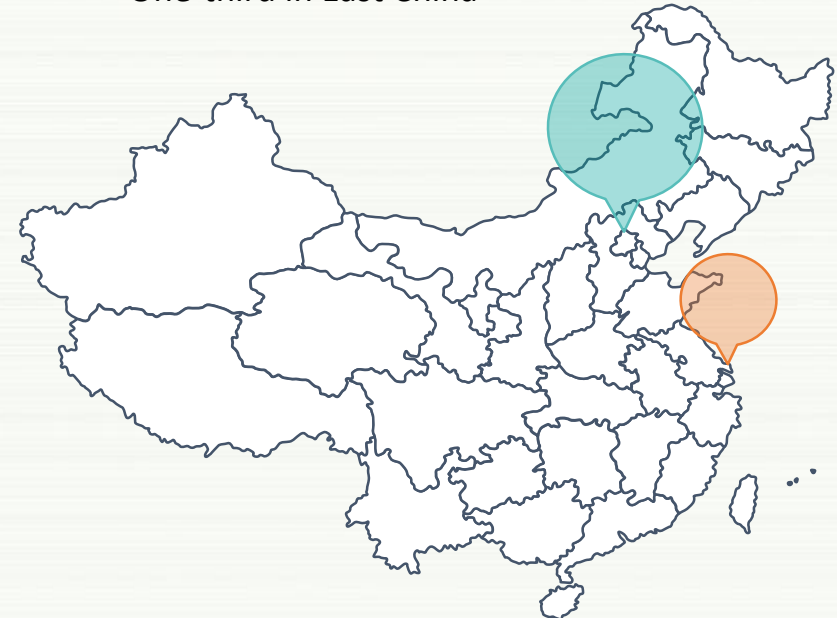
(CNY mm)



## Estimated Investment Regions

2018 Capacity Pipeline:

- Two-thirds in North China
- One-third in East China



**The expenditures related to M&A or possible wholesale projects are not included in 2018 CAPEX guidance range.**

Source: Company filings.

1. Purchases of property and equipment.

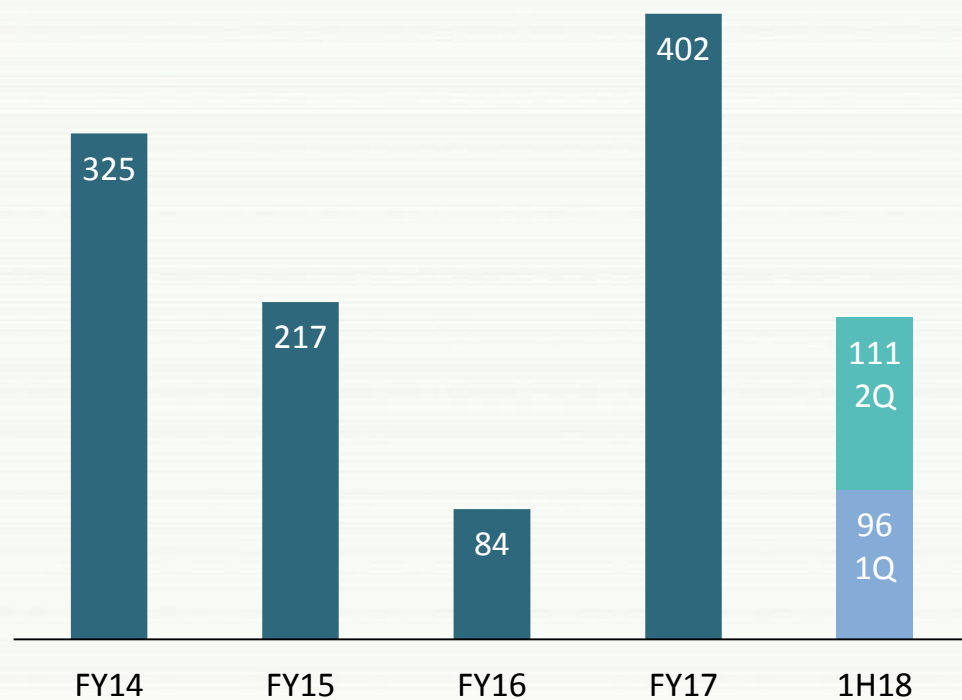
2. The statistics displayed on the chart above for 2017 and 2018 only contains the retail business data from Hosting and Related Services.



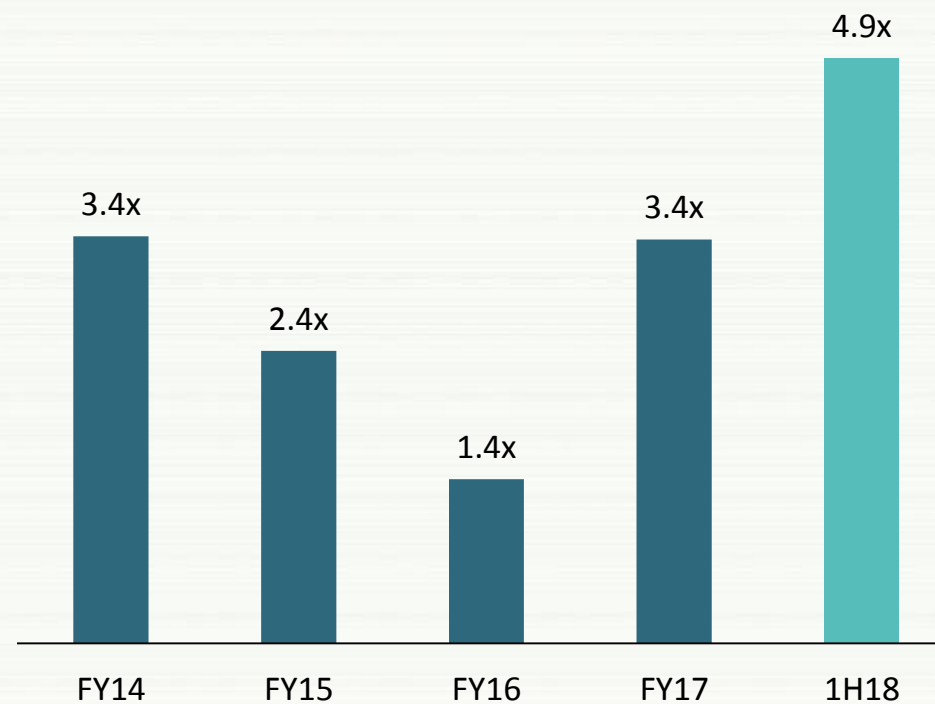
# Cash Positions & Liquidity

## Operating Cash Flow <sup>(1)</sup>

(CNY mm)



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



Source: Company filings.

1. The statistics displayed on the charts above for 2018 Q2 only represent the Hosting and Related Services.
2. Adjusted EBITDA Interest Coverage defined as adjusted EBITDA divided by the net interest expenses.

## Financial Highlights

CNY'000	2Q17	1Q18	2Q18	YoY	QoQ
<b>Revenues</b>	<b>743,398</b>	<b>800,765</b>	<b>828,317</b>	<b>11.4%</b>	<b>3.4%</b>
Gross profit	221,374	227,902	229,433	3.6%	0.7%
Adjusted cash gross profit <sup>(1)</sup>	318,194	347,478	364,008	14.4%	4.8%
<i>Adjusted cash gross Margin</i>	42.8%	43.4%	43.9%	-	-
Operating (loss)/profit	48,637	56,439	51,496	5.9%	-8.8%
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>171,308</b>	<b>196,014</b>	<b>221,143</b>	<b>29.1%</b>	<b>12.8%</b>
<i>Adjusted EBITDA Margin</i>	23.0%	24.5%	26.7%	-	-

CNY'000	Dec-15	Dec-16	Dec-17	Jun-18
Cash & cash equivalents, Restricted cash and Short-term investments	2,111,099	3,572,469	2,744,359	2,657,522

Source: Company filings for Hosting and Related service.

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

# Guidance

CNY'MM	2Q18 A	3Q18 E	3Q17 A	YoY
Revenues	828	840 - 860	759	10.7% - 13.3%
Adjusted EBITDA	221	230 - 250	176	30.7% - 42.0%

CNY'MM	Previous FY18	Updated FY18	FY17 A	YoY
Revenues	3,250 – 3,350	3,280 - 3,380	2,975	10.3% - 13.6%
Adjusted EBITDA	750 - 830	800 - 880	671	19.2% - 31.1%

# Thank You!

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



Contact Information:

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

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

IR Contacts: Rene Jiang  
Julia Jiang

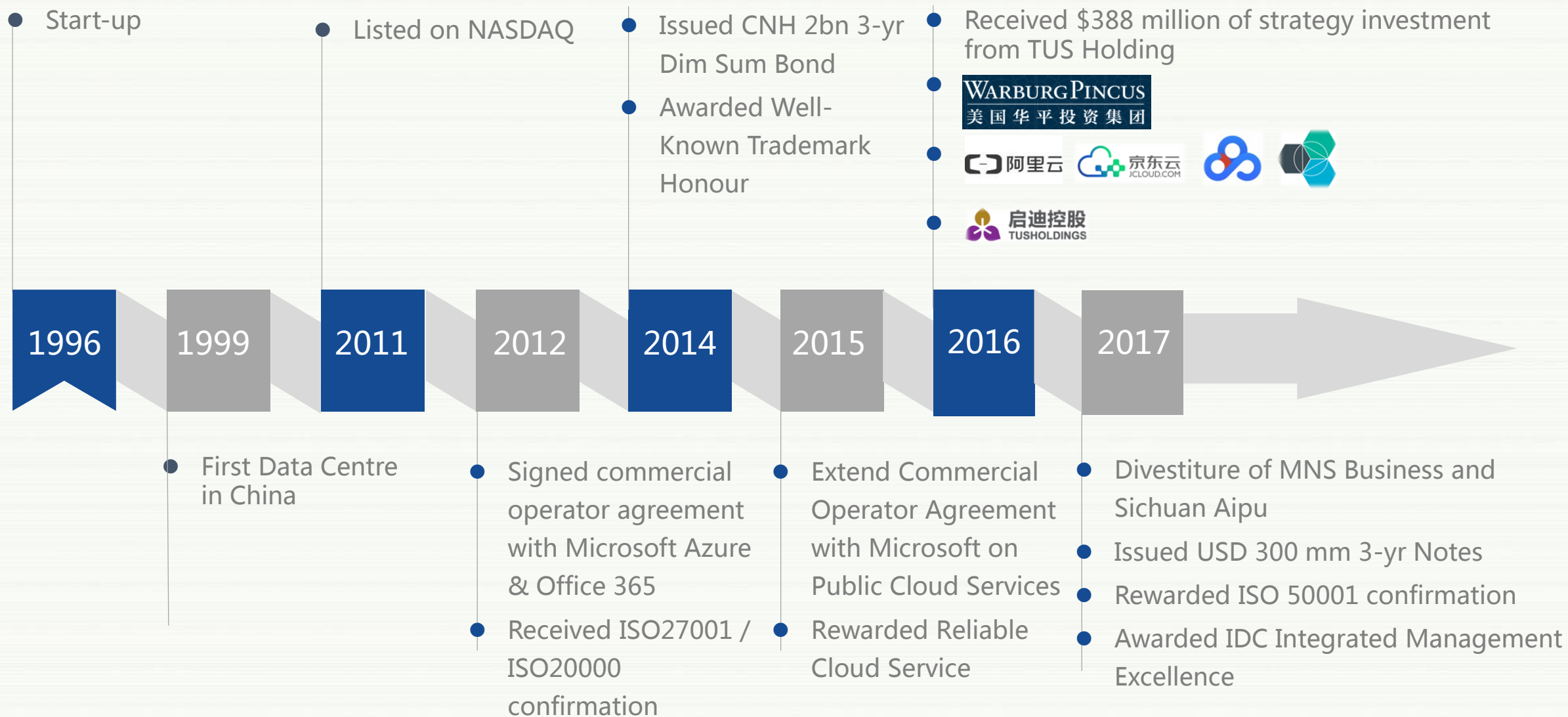




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Appendix

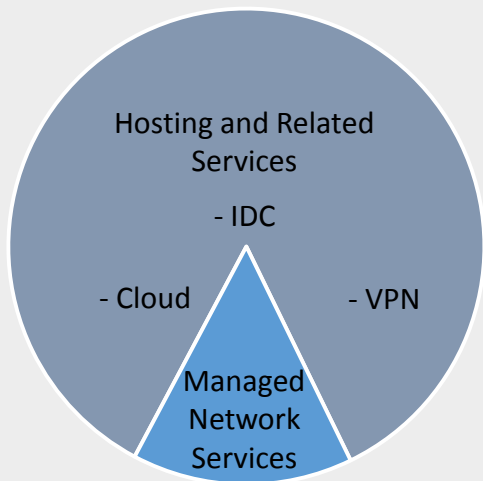
# Key Milestones



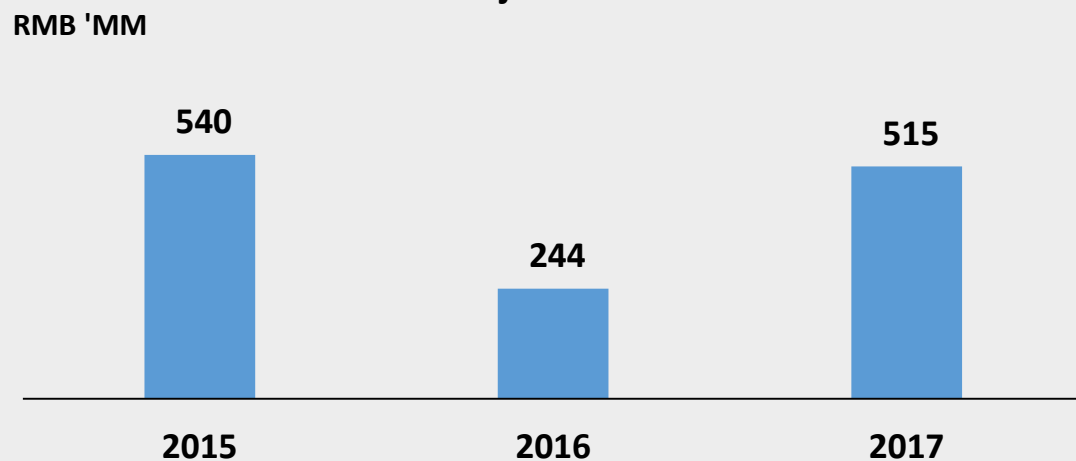
# Business Restructuring Completed

## Business Structure Before Sep 2017

VNET Businesses (By Revenue %)



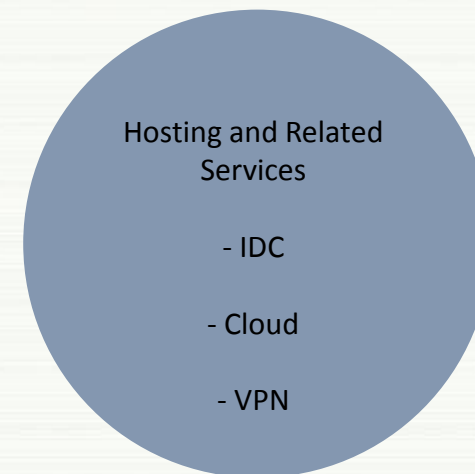
### Total Adjusted EBITDA



Divest MNS

## Business Structure After Sep 2017

VNET Businesses (By Revenue %)



### Adjusted EBITDA After Business Restructure

