

VNET Group, Inc.

Investor Presentation

March 2022

世纪互联
VNET

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All information provided in this presentation is current as of the date of the press release, and the Company does not undertake any obligation to update such information, except as required under applicable law.

4Q 2021 Highlights

4Q 2021 (in RMB)



Revenue

1,745 million (+29.4% YoY)

Adjusted EBITDA

463 million (+18.8% YoY)

FY2021 (in RMB)



Revenue

6,190 million (+28.2% YoY)

Adjusted EBITDA

1,754 million (+32.4% YoY)

Recent Financing Activities



US\$ 250 million

Convertible notes
investment from Blackstone

RMB 1,218 million

Unused credit line

Total Capacity



+13,276 R in 4Q 2021
to 78,540 R total capacity

Retail & Wholesale Updates



RMB 9,301

Retail IDC MRR⁽¹⁾ per cabinet

~236 MW

Wholesale capacity in service &
under MoU **(+7MW in 4Q)**

Utilization Rate⁽²⁾



61.6% compound UR

76.7% for mature cabinets

39.6% for ramp-up & newly
built cabinets

Source: Company data as of Dec 31, 2021 except that the convertible notes investment from Blackstone occurred in Jan 2022.

Notes:

1. Retail IDC MRR refers to Monthly Recurring Revenues for the retail IDC business.
2. Utilization rates are based on quarterly average rates. The utilization rate for mature cabinets refers to the utilization rate for cabinets delivered over 2 years, while the utilization rate for ramp-up & newly built cabinets refers to the utilization rate for cabinets built less than 2 years.

New Largest Customer Orders

Region	IDC Code	Capacity Contracted / Under MoU (MW)	Signing Time of Contract / MoU	Project Type
Greater Beijing Area	BJ11	4	4Q21	Retail
	N-HB02	7	4Q21	Wholesale
	BJ06	2	1Q22	Wholesale
	N-HB03	11	1Q22	Wholesale
Yangtze River Delta	E-JS01	1	1Q22	Wholesale
Chengdu-Chongqing Economic Circle	W-OR03	2	1Q22	Wholesale



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

Pioneer and Leader

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

Market Potential

- ✓ China's carrier-neutral data center services market is **fast growing**
- ✓ **Favorable government policies** for the IDC industry — we deploying our data centers in 5 out of 8 National Computing Hubs to embrace the Eastern Data, Western Computing initiatives
- ✓ The pandemic **accelerates enterprises' digital transformation** — either scaling the transformative efforts or rapidly pivoting to innovate, catch up and, maintain operations

Future Upside

- ✓ **Dual-core strategy** addressing both wholesale and retail IDC market opportunities.
- ✓ **Accelerate capacity roll-out** and enrich value-added services
- ✓ Investment in **technology**

Sources:

1. Frost & Sullivan 2020 report issued in Sept 2021.
2. Company data as of Dec 31, 2021.

Dual-Core Growth Strategy

Retail

Retail Colocation



Full-stack Services

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



Financial Services



IT Services



Enterprises Digitalization



Mobility



Big Data



Manufacturing Industry

Our Strengths:

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

Wholesale

Hyperscale IDC



Interconnection Services

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



Our Strengths:

- ✓ Dedicated team with 26 years of experience and reputation in datacenter design, construction, and operations
- ✓ Providing tailor-made solutions suitable for clients' needs
- ✓ Established supply chain as well as comprehensive planning and service capabilities



ESG Initiatives – Commitment to Sustainability



Commitment to achieve both targets of **carbon neutrality** and **100% renewable energy usage** by 2030



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



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



Signed **strategic cooperation agreements** with China Huadian Corp, Shanghai Electric Wind Power Group, and China Southern Power Grid Energy Efficiency & Clean Energy Co. **in the pursuit of increasing renewable energy ratio in our energy consumption**

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Differentiated Business Model with Comprehensive Offerings

Managed Hosting Services (IDC)

Cloud Services

VPN Services¹



Services

- Co-location
- Inter-connectivity
- Hybrid IT Services
- Other Value-added Services
- Customized, High-power Density Solutions

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- Multi-protocol Label Switching (MPLS) & Software-defined Wide Area Network (SD-WAN)
- Internet Access & Network Security Solutions
- Cloud & SaaS Solutions



Strengths

- ✓ **Multi-carrier & multi-cloud connectivity**
- ✓ **High-performing facility & network**
- ✓ **Turn-key solutions tailored for customer needs**
- ✓ **Long track record of outstanding operation performance**

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

- ✓ **Best-in-class, enterprise-grade network services**
- ✓ **183 POPs² across Asia**
- ✓ **Among the first in Greater China to obtain several ISO international certifications**

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

Source: Company information.

1. VPN refers to virtual private network;

2. POP refers to point of presence.

Resource Pipeline to Support IDC Growth

Region	IDC Code	Tenure	Status	Cabinet Delivery (2021)	Cabinet Delivery Plan (2022)
Great Beijing Area	BJ03/04	Leased	In Service	400	-
	BJ11	Leased	In Service	400	-
	BJ13	Leased	In Service	1,200	-
	BJ14	Leased	In Service	1,100	-
	BJ16	Leased	In Service	600	-
	BJ18	Leased	Under Construction	-	2,300
	N-HB01	Leased	In Service	4,000	-
	N-HB02	Leased	In Service	6,600	-
	N-HB03	Leased	Under Construction	-	1,200
	N-HB Campus 02	Owned	Under Construction	-	1,000
Yangtze River Delta	SH08	Owned	Under Construction	-	3,300
	E-JS Campus 01	Owned	In Service	5,100	-
	E-JS Campus 02	Owned	Under Construction	-	1,100
	E-JS02	Leased	In Service	2,300	-
Other Regions	N-OR02	Leased	In Service	3,000	-
	N-OR04	Leased	Under Construction	-	1,400
	N-OR05	Leased	Under Construction	-	2,800
	N-OR03	Owned	Under Construction	-	1,300
	Others	Owned	Under Construction	-	3,000
Secured Resources				25,000	17,400
Expansion Target				25,000	14,400 – 17,400

Source: Company data as of Dec 31, 2021.

Note: Cabinet delivery numbers including blank space are rounded.

Wholesale Projects In-Service

Region	IDC Code	Capacity Contracted / Under MoU (MW)
Greater Beijing Area	BJ12	9
	BJ15	7
	N-HB02	47
Yangtze River Delta	E-JS Campus 01	42
	E-JS01	4
	E-JS02	64
	SH04	2
	SH05	7
	SH06	11
Other Region	N-OR02	29
Total		222

Source: Company data as of Dec 31, 2021.
 Note: IT capacity numbers measured by megawatt are rounded.

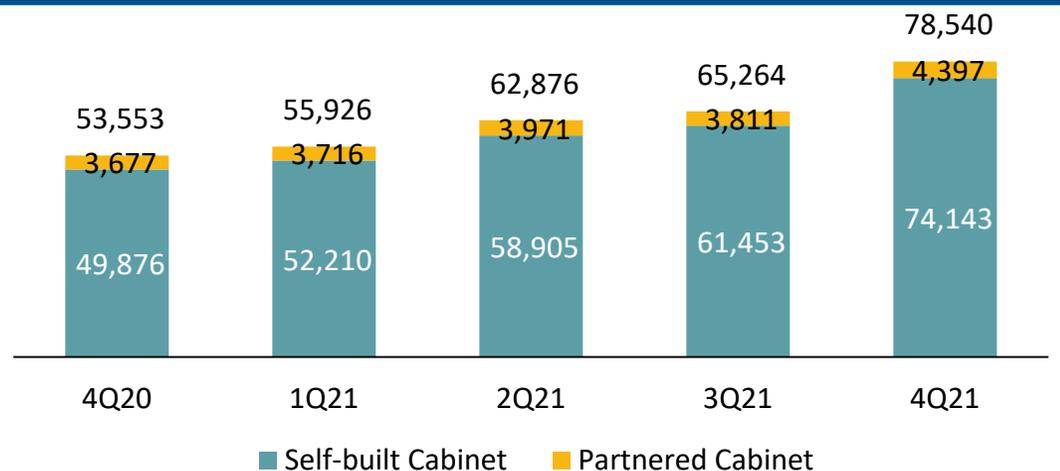
Wholesale Projects Under Construction

Region	IDC Code	Capacity Contracted / Under MoU (MW)
Greater Beijing Area	BJ06	2
	N-HB03	11
Yangtze River Delta	E-JS01	1
Chengdu-Chongqing Economic Circle	W-OR03	2
Other Region	N-OR04	14
Total		30

Note: IT capacity numbers measured by megawatt are rounded.

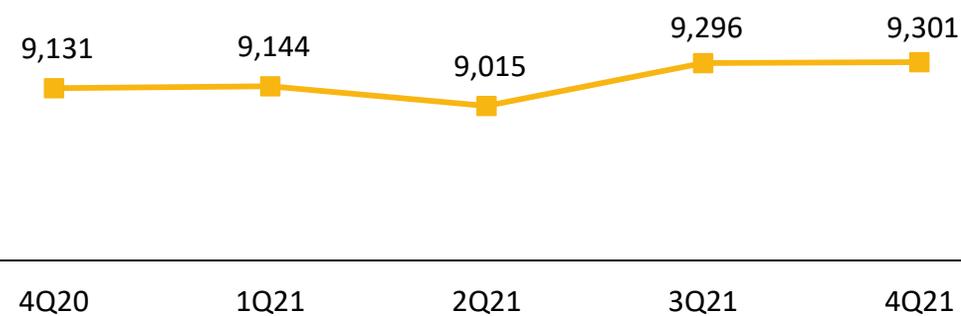
Strategically Located Network of Premium Data Centers

Total Capacity ⁽¹⁾



Retail IDC MRR per Cabinet ⁽²⁾

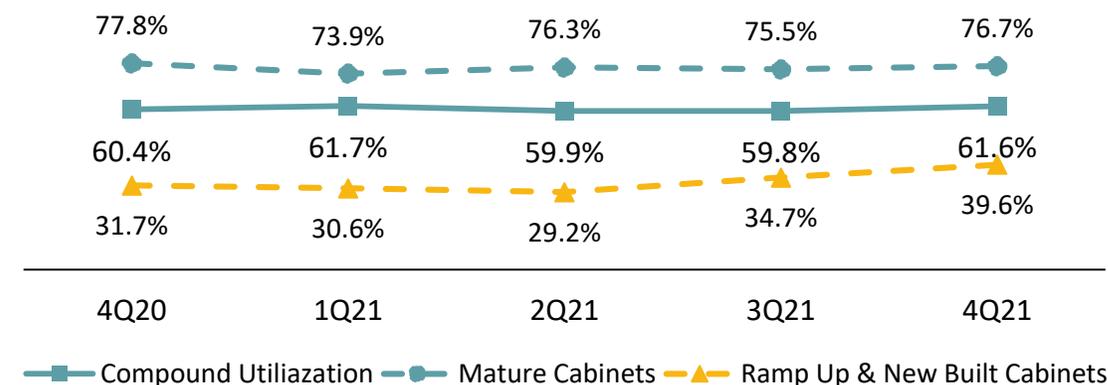
(RMB)



Capacity by Region ⁽³⁾

	# of Self-built Cabinets	% Contribution
Greater Beijing Area	37,200	50.1%
Yangtze River Delta	21,300	28.8%
Greater Bay Area	9,300	12.6%
Others	6,300	8.5%
Total	74,100	100%

Utilization Rate ⁽⁴⁾



Source: Company data as of Dec 31, 2021.

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

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

3. Regional cabinet numbers including blank space are rounded.

4. The compound utilization rate is calculated by dividing total billable capacity to total in-service capacity on a average monthly basis in a quarter. The dotted line refers the utilization rate for cabinets delivered over 2 years; The triangle refers the utilization rate for cabinets built less than 2 years.

Large and Diversified Customer Base with Strong Loyalty

- >6,500 enterprise customers, of which >1,400 customers have enjoyed our colocation, connectivity, bare metal, hybrid cloud and maintenance services, etc.
- Around 90% of net revenues have been recurring revenues since IPO
- Maintain low concentration of risk with top 20 customers contributing 37.9% of total revenues in 4Q21
- Since 2020, the Company begins to generate revenue from wholesale customers; ~236MW in service and under MoU*



Source: Company data as of Dec 31, 2021.

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4Q 2021 & FY2021 Financial Highlights

RMB'MM	4Q20	3Q21	4Q21	YoY	QoQ	FY20	FY21	YoY
Net revenues	1,348	1,560	1,745	29.4%	11.9%	4,829	6,190	28.2%
Gross profit	294	375	380	29.1%	1.3%	1,076	1,438	33.6%
Adjusted cash gross profit ⁽¹⁾	582	674	714	22.7%	5.8%	1,993	2,634	32.2%
<i>Adjusted cash gross margin</i>	<i>43.2%</i>	<i>43.2%</i>	<i>40.9%</i>	<i>-2.3 pps</i>	<i>-2.3 pps</i>	<i>41.3%</i>	<i>42.6%</i>	<i>1.3 pps</i>
Adjusted EBITDA⁽²⁾	390	450	463	18.8%	2.8%	1,324	1,754	32.4%
<i>Adjusted EBITDA margin</i>	<i>28.9%</i>	<i>28.9%</i>	<i>26.5%</i>	<i>-2.4 pps</i>	<i>-2.4 pps</i>	<i>27.4%</i>	<i>28.3%</i>	<i>0.9 pps</i>

Source: Company data as of Dec 31, 2021.

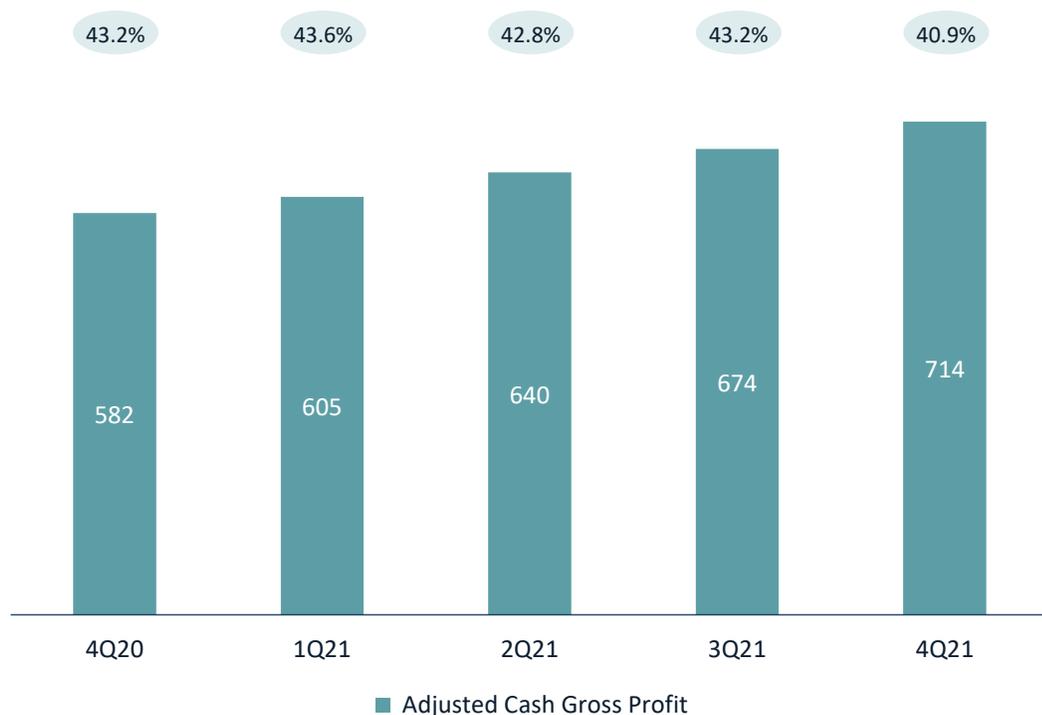
1. Adjusted cash gross profit defined as gross profit excluding depreciation, amortization and share-based compensation expenses.

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

Margin Improvements Through Efficiency Enhancement

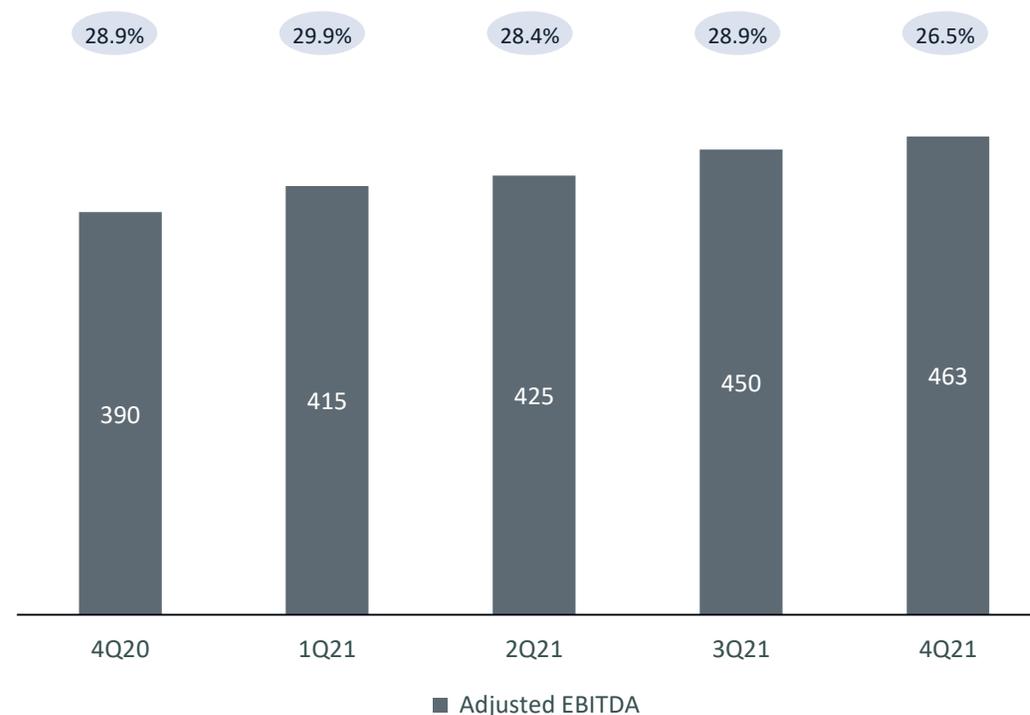
Adjusted Cash Gross Profit & Margin ⁽¹⁾

(RMB mm)



Adjusted EBITDA & Margin ⁽²⁾

(RMB mm)



Long-term upward trend supported by utilization improvement and operating leverage

Source: Company data as of Dec 31, 2021

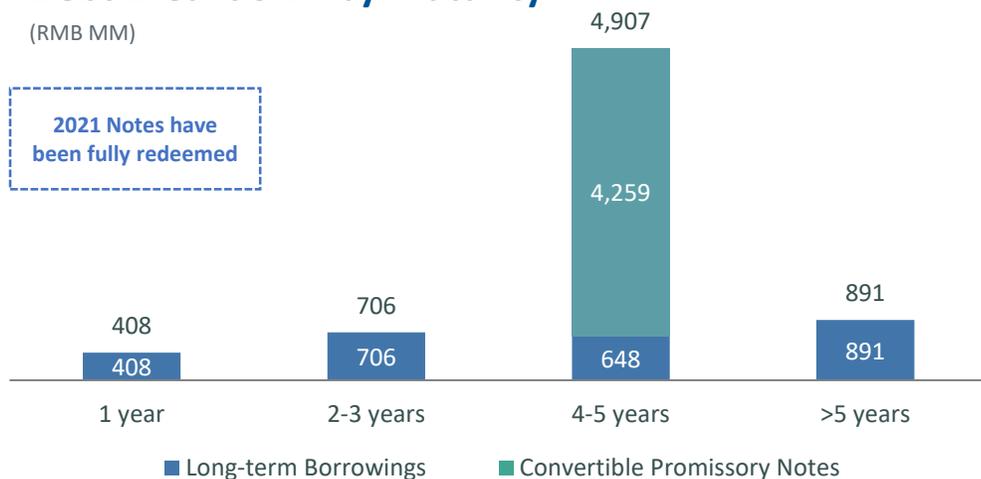
1. Adjusted cash gross profit defined as gross profit excluding depreciation, amortization and share-based compensation expenses.

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Well Laddered Debt Profile and Strong Liquidity Position

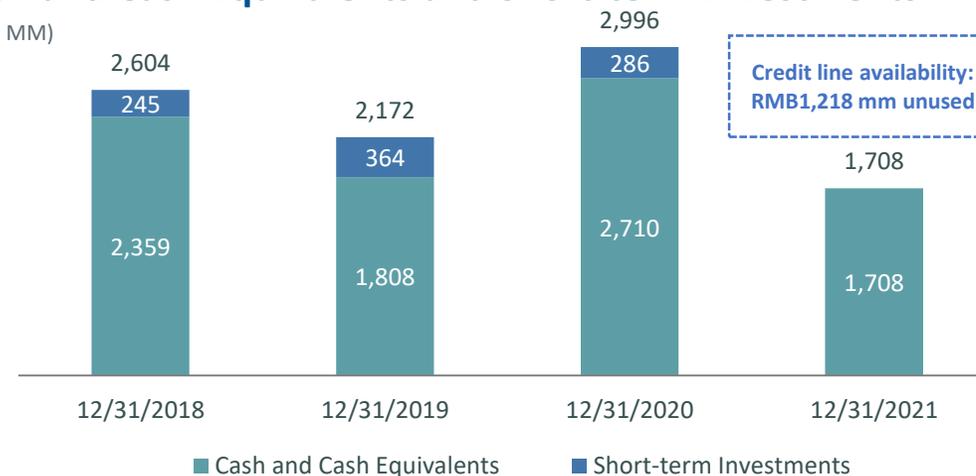
Debt Breakdown by Maturity

(RMB MM)



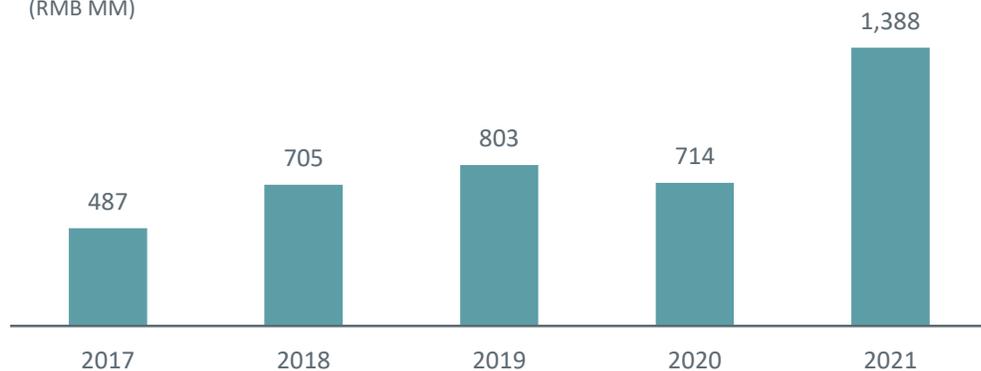
Cash and Cash Equivalents and Short-term Investments

(RMB MM)



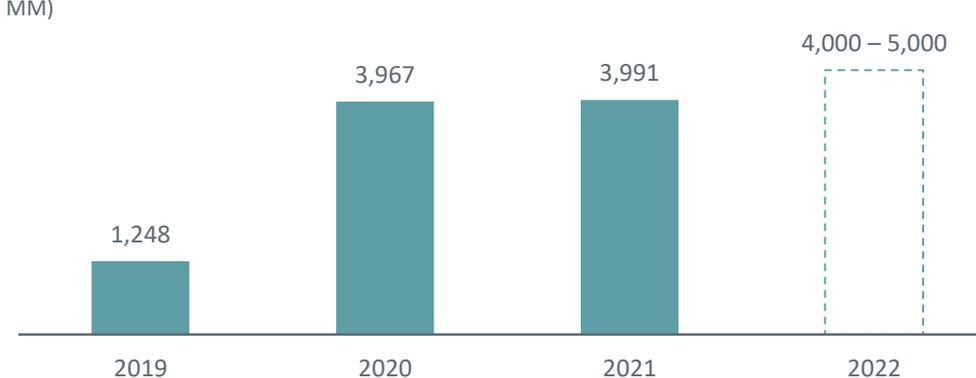
Operating Cash Flow

(RMB MM)



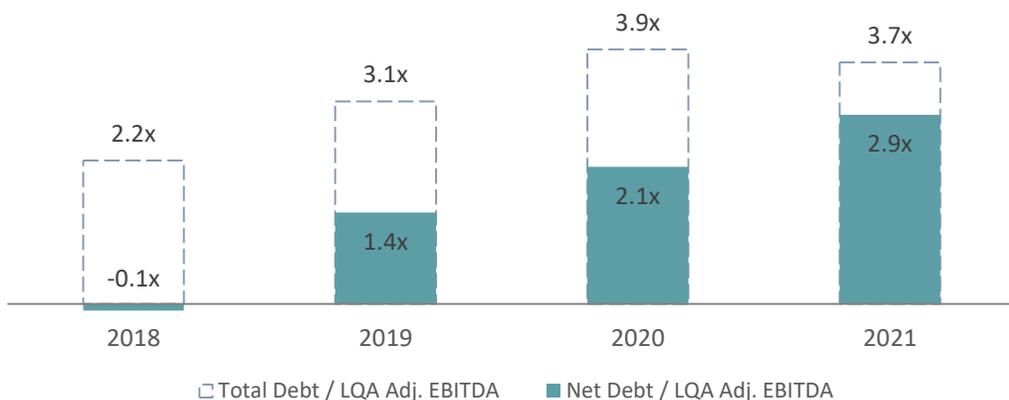
Capital Expenditure

(RMB MM)

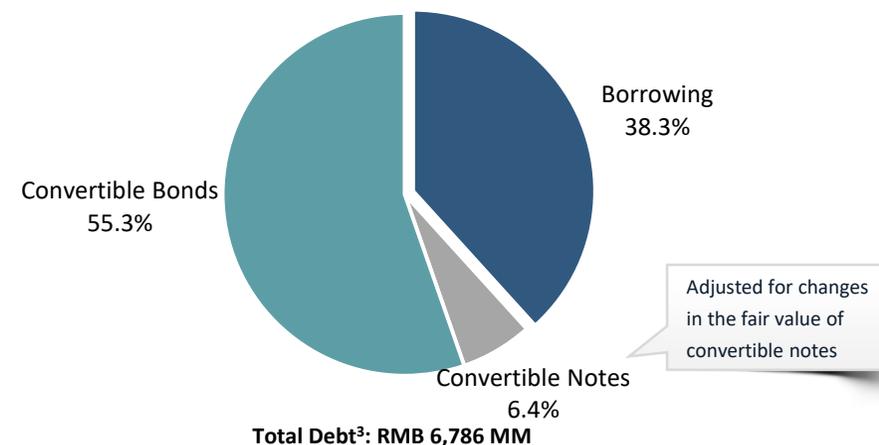


Source: Company data as of Dec 31, 2021.

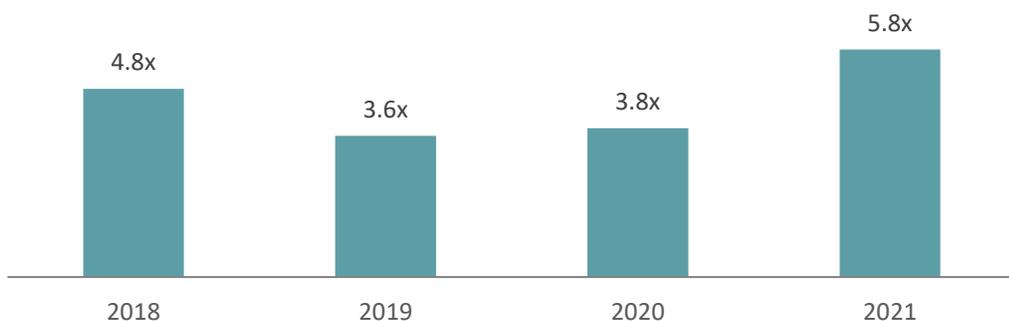
Total Debt & Net Debt / LQA Adjusted EBITDA¹



Debt Structure as of Dec 31, 2021



LTM Adjusted EBITDA Interest Coverage²



Prudent Financial Policies and Various Financing Channels

- Stable financial policies prudently utilizing debt financing based on business needs
- Diversified financing channels with current debt structure of a balanced mix of bank borrowings, bond payables and convertible notes
- Received Blackstone's investment of US\$150 million in the form of preferred shares in June 2020
- Raised ~US\$400 million from equity follow-on offering in August 2020
- Raised ~US\$600 million from convertible note offering in January 2021
- Signed a master joint venture investment agreement with a sovereign wealth fund in Dec 2021
- Received Blackstone's investment of US\$250 million in the form of convertible note in Jan 2022

Source: Company data as of Dec 31, 2021.

1. Total Debt = Short-term and long-term bank borrowings + Bond Payables + Convertible Notes; Net Debt = Total Debt – Cash and Cash Equivalent; LQA Adj. EBITDA represents the current quarter Adj. EBITDA*4 or Last Quarter Annualized; Adjusted EBITDA is defined as operating profit plus depreciation and amortization, share based compensation expenses, changes in the fair value of contingent purchase consideration payables, impairment of long-lived assets, impairment of loan receivable to potential investee, and impairment of receivables from equity investees;

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

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

RMB MM	2021 Actual	2022 Guidance	Implied YoY
Revenues	6,190	7,450 - 7,750	20.4% - 25.2%
Adjusted EBITDA	1,754	1,975 - 2,125	12.6% - 21.2%

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Key P&L Items

Amount in thousands	Three months ended				Twelve months ended		
	December 31, 2020	September 30, 2021	December 31, 2021		December 31, 2020	December 31, 2021	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
Net revenues	1,348,367	1,560,460	1,745,440	273,898	4,829,019	6,189,801	971,315
Cost of revenues	(1,053,942)	(1,185,225)	(1,365,472)	(214,272)	(3,753,008)	(4,751,771)	(745,657)
Gross profit	294,425	375,235	379,968	59,626	1,076,011	1,438,030	225,658
Sales and marketing	(88,890)	(36,361)	(85,474)	(13,413)	(235,012)	(255,400)	(40,078)
Research and development	(42,164)	(53,591)	(63,037)	(9,892)	(112,891)	(188,489)	(29,578)
General and administrative	(162,869)	(161,930)	(390,935)	(61,346)	(535,111)	(842,354)	(132,184)
Operating (loss) profit	(74,819)	113,902	(269,764)	(42,331)	116,604	21,314	3,345
Net Interest expense	(75,067)	(78,865)	(66,426)	(10,424)	(348,898)	(303,053)	(47,556)
Impairment of long-term investment	(13,030)	(3,495)	-	-	(13,030)	(3,495)	(548)
Other, Net	(3,190)	443	18,639	2,925	(20,373)	11,223	1,761
Changes in the fair value of convertible promissory notes	(957,105)	185,840	227,843	35,754	(2,544,220)	829,149	130,112
Foreign exchange gain (loss)	155,496	(16,588)	82,444	12,937	228,125	110,036	17,267
(Loss) gain before income taxes and gain (loss) from equity method investments	(967,715)	201,237	(7,264)	(1,139)	(2,581,792)	665,174	104,381
Income tax expenses	(41,210)	(29,060)	(15,549)	(2,440)	(109,336)	(111,407)	(17,482)
Gain (loss) from equity method investments	15,194	(12,027)	(1,729)	(271)	10,869	(38,666)	(6,068)
Net (loss) profit	(993,731)	160,150	(24,542)	(3,850)	(2,680,259)	515,101	80,831

GAAP to Non-GAAP Reconciliations

Amount in thousands	Three months ended				Twelve months ended		
	December 31, 2020	September 30, 2021	December 31, 2021		December 31, 2020	December 31, 2021	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
Gross profit	294,425	375,235	379,968	59,626	1,076,011	1,438,030	225,658
Plus: depreciation and amortization	277,543	297,046	329,929	51,773	901,497	1,182,114	185,499
Plus: share-based compensation expenses	9,882	2,211	3,932	617	15,251	13,713	2,152
Adjusted cash gross profit	581,850	674,492	713,829	112,016	1,992,759	2,633,857	413,309
Adjusted cash gross margin	43.2%	43.2%	40.9%	40.9%	41.3%	42.6%	42.6%
Operating (loss) profit	(74,819)	113,902	(269,764)	(42,331)	116,604	21,314	3,345
Plus: depreciation and amortization	300,917	316,951	352,784	55,360	988,983	1,267,578	198,911
Plus: share-based compensation expenses	82,034	4,608	253,040	39,707	136,804	320,010	50,217
Plus: compensation for postcombination employment in an acquisition	-	14,959	17,644	2,769	-	32,603	5,116
Plus: impairment of loan receivable to potential investee	-	-	(9)	(1)	-	2,807	440
Plus: impairment of long-lived assets	81,619	-	109,267	17,146	81,619	109,267	17,146
Adjusted EBITDA	389,751	450,420	462,962	72,650	1,324,010	1,753,579	275,175
Adjusted EBITDA margin	28.9%	28.9%	26.5%	26.5%	27.4%	28.3%	28.3%

Key Balance Sheet Items

Amount in thousands, As of	December 31, 2020		December 31, 2021	
	RMB		RMB	US\$
Cash, cash equivalents, Restricted cash and Short-term investments	3,402,309		1,708,473	268,097
Accounts and notes receivable, net	847,233		1,405,997	220,632
Property and equipment, net	8,106,425		10,092,419	1,583,721
Land use rights, net	255,373		337,235	52,920
Operating lease right-of-use assets, net	1,325,526		2,869,338	450,262
Goodwill	994,993		1,339,657	210,221
Total assets	19,373,755		23,095,039	3,624,114
Accounts and notes payable	289,387		493,506	77,442
Current portion of bonds payable	1,943,619		-	-
Borrowings	1,101,324		2,599,173	407,867
Finance lease liabilities	1,091,971		1,363,783	214,007
Operating lease liabilities	1,097,771		2,892,052	453,826
Convertible promissory notes	3,014,057		4,266,951	669,578
Total liabilities	12,476,275		15,494,038	2,431,352
Total VNET Group, Inc. shareholders' equity	6,564,934		7,242,229	1,136,463
Noncontrolling interest	332,546		358,772	56,299
Total shareholders' equity	6,897,480		7,601,001	1,192,762
Total liabilities and shareholders' equity	19,373,755		23,095,039	3,624,114

Key Cash Flow Items

Amount in thousands	Three months ended			
	December 31, 2020	September 30, 2021	December 31, 2021	
	RMB	RMB	RMB	US\$
Net cash generated from operating activities	283,831	134,672	663,991	104,197
Net cash used in investing activities	(2,312,014)	(1,492,614)	(1,136,844)	(178,395)
Net cash (used in) generated from financing activities	(164,934)	256,400	(1,742,907)	(273,500)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(144,757)	11,540	(7,255)	(1,141)
Net decrease in cash, cash equivalents and restricted cash	(2,337,874)	(1,090,002)	(2,223,015)	(348,839)
Cash, cash equivalents and restricted cash at beginning of period	5,454,311	5,021,490	3,931,488	616,936
Cash, cash equivalents and restricted cash at end of period	3,116,437	3,931,488	1,708,473	268,097

Definitions

Term	Definition
Capacity in service	Data centers which are ready for service
Capacity under construction	Data centers which are actively under construction and have not yet reached the stage of being ready for service
MW	Megawatt
PUE	Power usage effectiveness, a ratio of the total power usage of a data center to the power usage of the IT equipment inside a data center
Compound Utilization Rate	The compound utilization rate is calculated by dividing total billable capacity to total in-service capacity on a average monthly basis in a quarter.
Mature cabinets	Cabinets which were delivered over 2 years
Newly built and ramp up cabinets	Cabinets which were built less than 2 years
VPN Services	Virtual private network, preliminary through Dermot Holdings Limited and its subsidiaries, or Dermot Entities
Cloud Services	The Microsoft's cloud services, including Azure, Office 365, Dynamics 365 and Power Platform, to customers in mainland China by entering into service agreements with the end customers.

THANKS!

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