



GDS 万国数据

3Q 2016
Earnings Presentation
December 5, 2016

NASDAQ: GDS





DISCLAIMER

This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. Such statements are based upon management’s current expectations and current market and operating conditions, and relate to events that involve known or unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond the Company’s control, which may cause the Company’s actual results, performance or achievements to differ materially from those in the forward-looking statements. Further information regarding these and other risks, uncertainties or factors is included in the Company’s filings with the U.S. Securities and Exchange Commission. The Company does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under law.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. The non-GAAP measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for an analysis of the Company’s results under U.S. GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalent. First, adjusted EBITDA and adjusted EBITDA margin are not substitutes for net income (loss), cash flows provided by operating activities or other consolidated statements of operation and cash flow data prepared in accordance with U.S. GAAP. Second, other companies may calculate these non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of these non-GAAP financial measures as tools for comparison. Finally, these non-GAAP financial measures do not reflect the impact of net interest expenses, incomes tax benefits, depreciation and amortization, accretion expenses for asset retirement costs, share-based compensation expenses, and gain on remeasurement of equity investment, each of which have been and may continue to be incurred in the Company’s business. See the Appendix for reconciliation between our adjusted EBITDA to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, which is net income or net loss.



Financial & Operating Highlights

William Huang, Chairman & CEO



Initial Public Offering on NASDAQ

On November 2, 2016, the Company successfully completed its initial public offering of 20,070,735 ADSs (including shares to be issued on closing of the green-shoe), each representing eight of its Class A ordinary shares, at a price of US\$10.00 per ADS for a total offering size of approximately US\$200.7 million





Performance Highlights

Financial Results

- Net revenue increased by 56.6% Y-o-Y and by 25.9% Q-o-Q to RMB297.2 million (US\$44.6 million)
- Service revenue increased by 58.4% Y-o-Y and by 14.1% Q-o-Q to RMB266.9 million (US\$40.0 million)
- Adjusted EBITDA (non-GAAP) increased by 82.7% Y-o-Y and by 65.2% Q-o-Q to RMB78.0 million (US\$11.7 million)
- Adjusted EBITDA margin of 26.2%, +370 bps Y-o-Y and +620 bps Q-o-Q
- Capex of RMB386.9 mn (US\$58.0 mn)

Operating Metrics

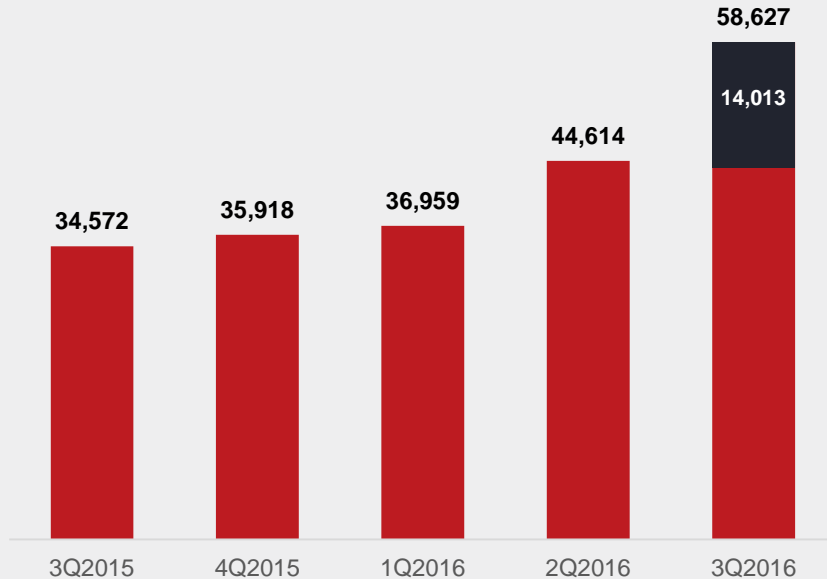
- Total area committed increased by 69.6% Y-o-Y and by 31.4% Q-o-Q to 58,627 sqm
- Area utilized (or revenue-generating space) increased by 63.0% Y-o-Y and by 6.9% Q-o-Q to 34,369 sqm
- Area in service increased by 29.7% Y-o-Y and by 0.6% Q-o-Q to 48,822 sqm
- Commitment rate of 93.8%, +300 bps Q-o-Q, and utilization rate of 70.4%, +420 bps Q-o-Q
- Area under construction of 37,194 sqm, 34.5% pre-committed



Sales Achievements

Total Area Committed

End of Period / Sqm



Highlights

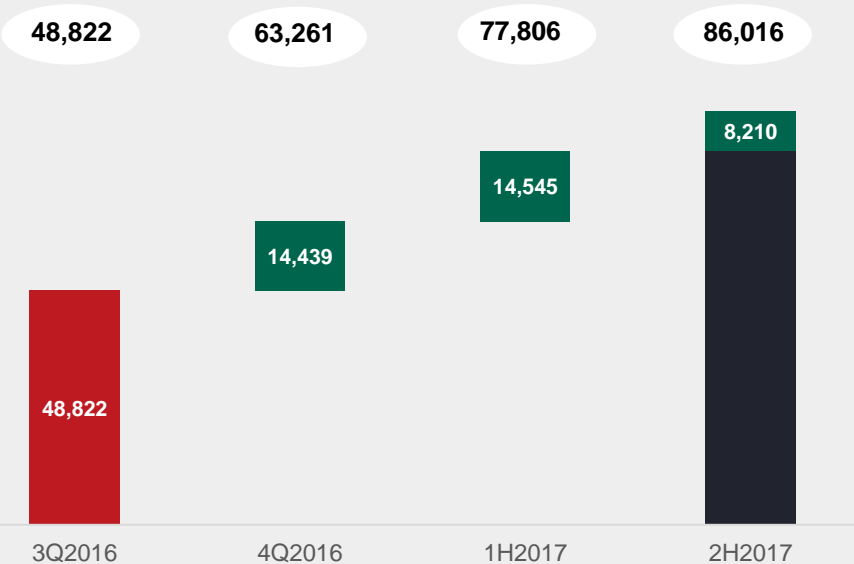
- Net additional total area committed of 14,013 sqm added in 3Q2016
- 22,709 sqm in YTD exceeds whole of FY2015
- 4 deals each worth more than US\$10 million in annual recurring revenue
- Two major new customer wins – top-tier internet giant in China and top tier global tech company
- Cloud – the biggest demand driver in the booming market
- Cloud service providers now account for over 50% of total area committed



Data Center Development

Area In Service & Under Construction

End of Period / Sqm



Note: Includes 3rd party data centers of 2,300 sqm coming into service in 4Q2016.

Highlights

- Area in service was 48,822 sqm, with 93.8% commitment rate
- Area under construction was 37,194 sqm, with 34.5% pre-committed
- Data center construction on schedule and within budget
- SH3 (7,911 sqm) coming into service in 4Q2016, with 67.5% pre-committed
- Actively seeking additional projects to support strong sales outlook



Financial & Operating Review

Dan Newman, CFO





Third Quarter 2016 Results

Summary Statement of Operations

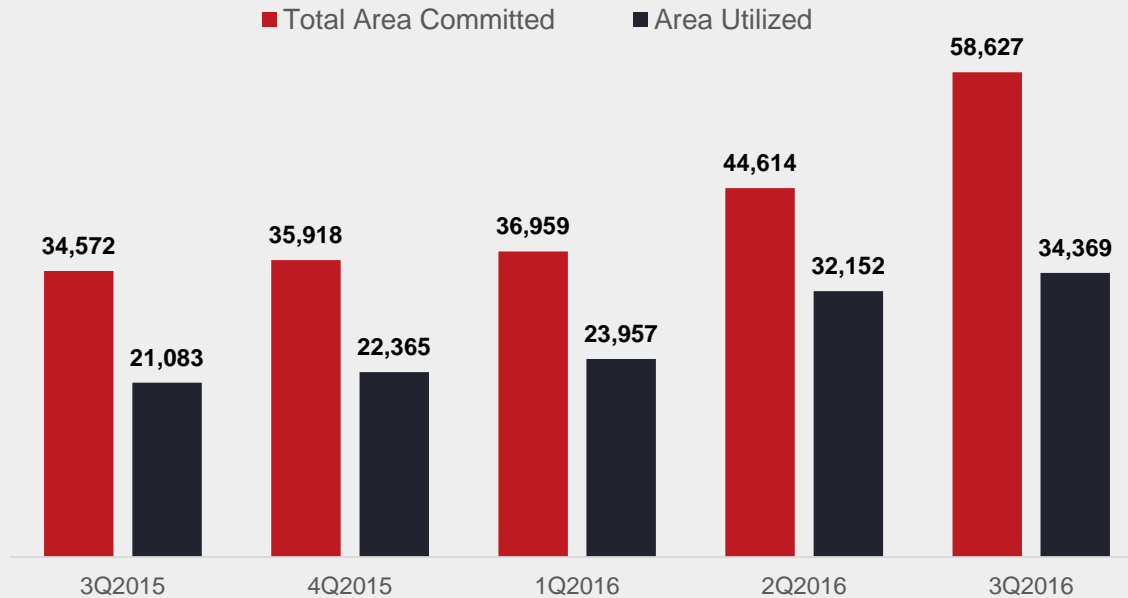
RMB Mn (unless indicated)	3Q2015	2Q2016	3Q2016	Y-o-Y	Q-o-Q
Revenue	189.8	236.0	297.2	56.6%	25.9%
Service Revenue	168.5	234.0	266.9	58.4%	14.1%
Gross Profit	50.8	60.9	74.6	46.8%	22.6%
Gross Margin	26.8%	25.8%	25.1%	-170 bps	-70 bps
Operating Expenses	(53.7)	(126.6)	(62.6)	16.7%	(50.6%)
Adjusted EBITDA	42.7	47.2	78.0	82.7%	65.2%
Adjusted EBITDA Margin	22.5%	20.0%	26.2%	+370 bps	+620 bps

- Revenue increased by 56.6% Y-o-Y, 25.9% Q-o-Q
- Service revenue increased by 58.4% Y-o-Y, 14.1% Q-o-Q
- Adjusted EBITDA increased by 82.7% Y-o-Y, 65.2% Q-o-Q
- Adjusted EBITDA margin increased to 26.2%, +370 bps Y-o-Y and +620 bps Q-o-Q

Contract Backlog Build-up

Total Area Committed & Area Utilized

End of Period / Sqm

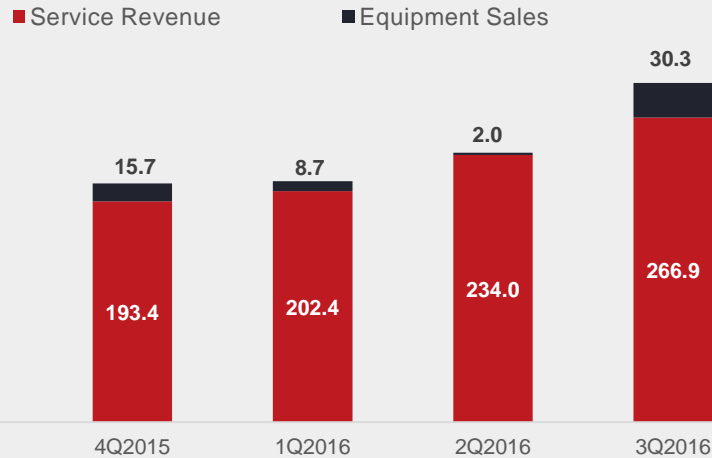


- 24,258 sqm of contract backlog at end of 3Q2016
 - 11,413 sqm relates to area in service
 - 12,845 sqm relates to area under construction
- Most of backlog to be revenue-generating within next 4 – 5 quarters
- ASP for contract backlog in line with current MSR per sqm



Revenue & Area Utilized

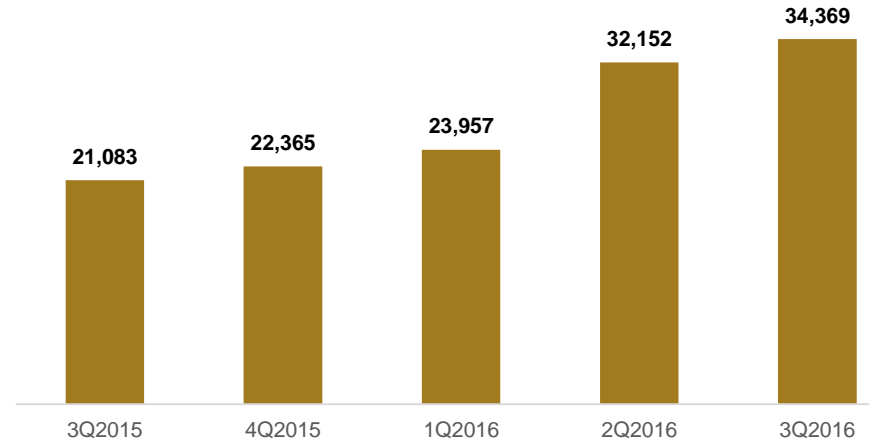
Revenue (RMB Mn)



- Service revenue increased by 58.4% Y-o-Y, 14.1% Q-o-Q
- Growth driven by higher area utilized as customers with commitments moved in

Area Utilized

End of Period / Sqm

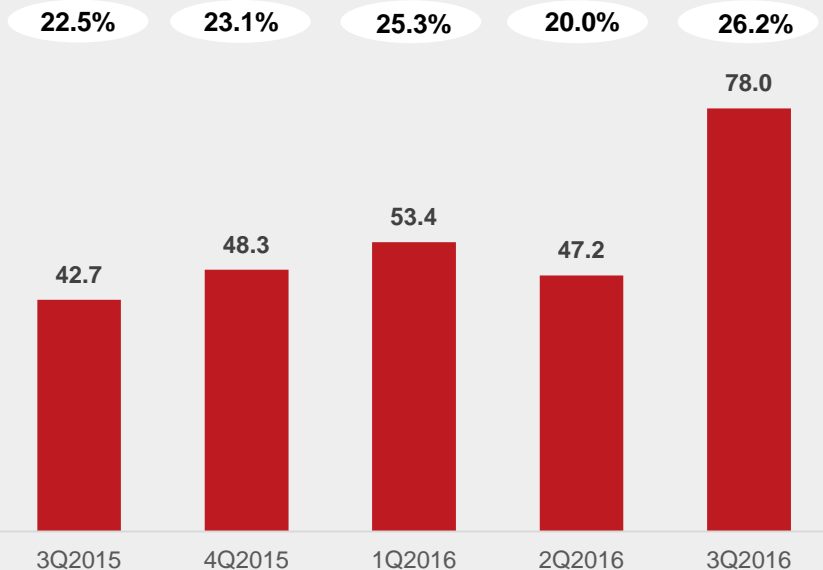


- Increased contribution from GZ1 and SZ2 data centers which commenced operations during 2Q2016
- Slight decrease in MSR per sqm due to lower billing during the move-in period



Adjusted EBITDA & Margin

Adjusted EBITDA (RMB Mn) & Margin



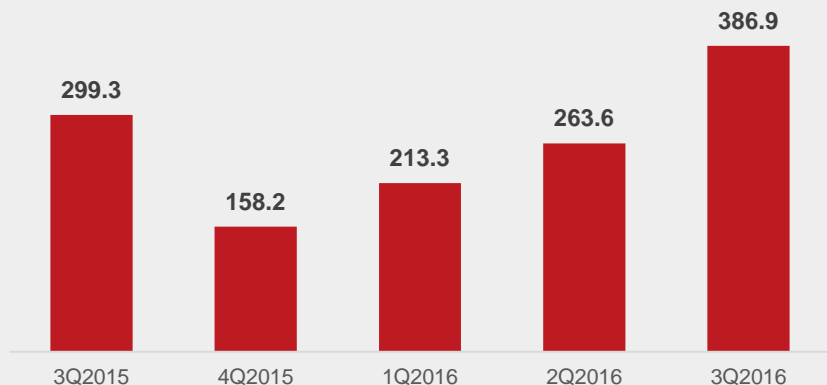
Highlights

- Adjusted EBITDA increased by 82.7% Y-o-Y, 65.2% Q-o-Q
- Utilization rate increased to 70.4%, compared with 66.2% at the end of 2Q2016
- Operating leverage coming through
 - Adjusted EBITDA margin increased to 26.2%, compared with 20.0% in 2Q2016
 - Excluding IT equipment sales and related costs, adjusted EBITDA margin for 3Q2016 was 27.4%



Capex & On-Going Investment

Capex Incurred (RMB Mn)



- Capex increased in 3Q2016 due to data centers under construction (CD1 Phase 2, SH3, SZ3, SZ4) and the remaining payables for data centers in service (SH2, SZ2)
- Development cost per sqm / per kW remained stable

Data Centers Under Construction

	RFS Date	Area Under Construction (sqm)	Pre-Commitment Rate (%)
CD1 (Phase 2)	4Q16	1,550	100%
SH3	4Q16	7,911	68%
SZ3	4Q16	2,678	21%
BJ2	1H17	6,177	0%
CD1 (Phase 3)	1H17	3,100	100%
SZ4 (Phase 1)	1H17	5,268	0%
SH4	2H17	8,210	0%

- RMB 1,700.5 million (US\$255.0 million) cost to complete as at the end of 3Q2016
- Significant demand in hand and contracts in process for all data centers which will enter service by mid-2017



Balance Sheet & Liquidity

Debt & Cash Outstanding

As at September 30, 2016

RMB Mn	Short Term	Long Term	Total
Loan	574.5	1,407.7	1,982.2
Capital Lease	83.2	864.6	947.8
Convertible Bond	0.0	1,001.7	1,001.7
Gross Debt	657.7	3,274.0	3,931.7
Cash			798.7

Highlights

- Gross debt at September 30, 2016 of RMB3,931.7 million (US\$589.6 million), of which 83% was long term
- IPO proceeds of US\$180.6 million net of underwriting discount and expenses
- Pro-forma Net Debt / LQA Adjusted EBITDA of 6.2x
- Project loans secured on data center assets and backed by multi-year customer contracts
- Capital lease amortization up to 20 years
- Convertible bond not redeemable until end of 2019 with conditional issuer's call



Questions & Answers

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Appendix





Shares Outstanding

Shares Outstanding Before & After IPO

Shares Outstanding Before IPO	
Ordinary Shares	217,987,922
Preferred Shares	349,087,677
Total	567,075,599

Ordinary Shares Outstanding After IPO*	
Ordinary Shares	217,987,922
Preferred Shares Converted	349,087,677
Ordinary Shares Issued As Preferred Dividends	31,490,164
Ordinary Shares Issued in IPO (Including Greenshoe)	160,565,880
Total	759,131,643

* Excluding: 29,189,800 ordinary shares issuable upon the exercise of share options outstanding as of the date of IPO; 877,400 vested but not yet issued restricted shares; and 55,880,360 ordinary shares reserved for future issuance under our share incentive plans.



Historical Financial Results

Condensed Consolidated Statement of Operations

Amounts in thousands	For the Three Months Ended,							
	Mar 31, 2015	Jun 30, 2015	Sept 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sept 30, 2016	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	USD
Net Revenue								
Service revenue	144,462	147,315	168,441	193,373	202,384	234,010	266,890	40,022
Equipment sales	5,061	7,956	21,309	15,719	8,715	2,026	30,266	4,539
Total net revenue	149,523	155,271	189,750	209,092	211,099	236,036	297,156	44,561
Cost of revenue	(107,854)	(113,665)	(138,911)	(154,567)	(156,896)	(175,138)	(222,514)	(33,368)
Gross profit	41,669	41,606	50,839	54,525	54,203	60,898	74,642	11,193
Operating expenses								
Selling and marketing expenses	(10,133)	(13,361)	(15,550)	(18,544)	(13,734)	(20,829)	(17,109)	(2,566)
General and administrative expenses	(28,397)	(30,440)	(37,301)	(32,576)	(28,489)	(102,963)	(43,323)	(6,497)
Research and development expenses	(599)	(658)	(801)	(1,496)	(1,987)	(2,778)	(2,156)	(323)
(Loss) Income from operations	2,540	(2,853)	(2,813)	1,909	9,993	(65,672)	12,054	1,807
Other income (expenses)								
Net interest expenses	(30,516)	(29,924)	(29,620)	(35,486)	(52,963)	(57,329)	(69,404)	(10,408)
Foreign currency exchange gain (loss), net	3,137	1,319	5,258	1,393	(1,391)	5,492	2,645	398
Others, net	1,655	737	1,169	1,528	662	547	503	75
Loss before income taxes	(23,184)	(30,721)	(26,006)	(30,656)	(43,699)	(116,962)	(54,202)	(8,128)
Income tax benefits	2,954	3,687	2,861	2,481	4,921	1,543	1,626	244
Net loss	(20,230)	(27,034)	(23,145)	(28,175)	(38,778)	(115,419)	(52,576)	(7,884)



Historical Financial Results

Condensed Consolidated Balance Sheets

Amounts in thousands	As of Dec 31, 2014	As of Dec 31, 2015	As of Jun 30, 2016	As of Sept 30, 2016	
	RMB	RMB	RMB	RMB	USD
Cash	606,758	924,498	834,477	798,732	119,777
Accounts receivable, net of allowance for doubtful accounts	73,366	111,013	170,149	190,033	28,497
Total current assets	745,831	1,186,699	1,183,231	1,256,179	188,375
Property and equipment, net	1,694,944	2,512,687	3,591,456	3,949,420	592,250
Goodwill and intangible assets, net	1,350,524	1,341,599	1,442,125	1,437,891	215,625
Total assets	3,854,074	5,128,272	6,334,066	6,761,558	1,013,955
Short-term borrowings and current portion of long-term borrowings	426,709	428,218	699,394	574,459	86,145
Obligations under capital leases, current	39,621	48,745	71,919	83,198	12,476
Total current liabilities	897,630	925,049	1,478,315	1,368,589	205,232
Long-term borrowings, excluding current portion	492,123	958,264	825,392	1,407,700	211,097
Convertible bonds payable	—	648,515	994,243	1,001,670	150,209
Obligations under capital leases, non-current	246,996	424,939	873,972	864,609	129,656
Total liabilities	1,706,600	3,073,463	4,380,909	4,868,748	730,114
Redeemable preferred shares	2,164,039	2,395,314	2,499,117	2,534,943	380,137
Total shareholders' deficit	(16,565)	(340,505)	(545,960)	(642,133)	(96,296)



Historical Financial Results

Cash Flow Statement

Amounts in thousands	Year Ended		Six Months Ended	Three Months Ended	
	Dec 31, 2014	Dec 31, 2015	Jun 30, 2016	Sept 30, 2016	
	RMB	RMB	RMB	RMB	USD
Net cash provided by (used in) operating activities	27,937	(80,298)	(22,069)	(100,501)	(15,072)
Net cash used in investing activities	(523,749)	(731,905)	(476,918)	(386,874)	(58,015)
Net cash provided by financing activities	1,056,287	1,127,685	395,346	451,976	67,777
Effect of exchange rate changes on cash	(2,328)	2,258	13,620	(346)	(50)
Net increase (decrease) in cash	558,147	317,740	(90,021)	(35,745)	(5,360)
Cash at beginning of year / period	48,611	606,758	924,498	834,477	125,137
Cash at end of year / period	606,758	924,498	834,477	798,732	119,777



Operating Metrics

Key Performance Indicators

End of Period	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016
Area In Service (Sqm)	37,645	37,869	37,869	48,548	48,822
Area Under Construction (Sqm)	13,163	35,525	35,525	31,794	37,194
Area Committed (Sqm)	31,794	33,140	33,629	44,062	45,782
Area Pre-Committed (Sqm)	2,778	2,778	3,330	552	12,845
Total Area Committed (sqm)	34,572	35,918	36,959	44,614	58,627
Commitment Rate (%)	84.5%	87.5%	88.8%	90.8%	93.8%
Pre-Commitment Rate (%)	21.1%	7.8%	9.4%	1.7%	34.5%
Area Utilized (sqm)	21,083	22,365	23,957	32,152	34,369
Utilization Rate	56.0%	59.1%	63.3%	66.2%	70.4%



Self-Developed Data Centers In Service

Self-Developed Data Centers In Service

		RFS Date	Type	Tenure	Area In Service (Sqm)	Area Committed (Sqm)	Commitment Rate	Area Utilized (Sqm)	Utilization Rate
Shanghai	KS1	2H10	Purpose-Built	Owned	6,546	6,516	100%	5,867	90%
	SH1	2H11	Purpose-Built	Leased	6,432	6,188	96%	5,601	87%
	SH2	2H15	Purpose-Built	Leased	7,712	7,255	94%	3,908	51%
Shenzhen	SZ1	2H14	Converted	Leased	4,281	4,271	100%	4,234	99%
	SZ2	1H16	Converted	Leased	4,308	3,446	80%	1,807	42%
Guangzhou	GZ1	1H16	Converted	Leased	6,608	6,608	100%	3,777	57%
Beijing	BJ	2H15	Converted	Leased	2,344	2,306	98%	1,179	50%
Chengdu	CD1 (Phase 1)	1H11	Purpose-Built	Owned	1,550	1,286	83%	387	25%
Total					39,781	37,876		26,760	



Self-Developed Data Centers Under Construction

Self-Developed Data Centers Under Construction

		RFS Date	Type	Tenure	Area Under Construction (Sqm)	Area Pre-Committed (Sqm)	Pre-Commitment Rate
Shanghai	SH3	2H16	Purpose-Built	Leased	7,911	5,343	68%
	SH4	2H17	Purpose-Built	Leased	8,210	0	0%
Shenzhen	SZ3	2H16	Converted	Leased	2,678	552	21%
	SZ4 (Phase 1)	1H17	Converted	Leased	5,268	0	0%
Beijing	BJ2	1H17	Converted	Leased	6,177	0	0%
Chengdu	CD1 (Phase 2)	2H16	Purpose-Built	Owned	1,550	1,550	100%
	CD1 (Phase 3)	1H17	Purpose-Built	Owned	3,100	3,100	100%
Total					34,894	10,545	