



GDS 万国数据

1Q17

Earnings Presentation

9th May, 2017

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 NOI, adjusted NOI margin, adjusted EBITDA and adjusted EBITDA margin are not substitutes for gross profit, 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 NOI and adjusted EBITDA to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP, which is gross profit and net income or net loss.



Strategic & Operational Highlights

William Huang, Chairman & CEO



1Q17 Performance Overview

Financial Highlights

- Grew total revenue to Rmb 350.0 mn, +65.8% Y/Y
- Grew adjusted NOI to Rmb 179.4 mn, +88.6% Y/Y
- Grew adjusted EBITDA to Rmb 123.9 mn +132.3% Y/Y
- Invested Rmb 380.0 mn in capex for capacity expansion
- Obtained Rmb 532.8 mn of new debt financing facilities

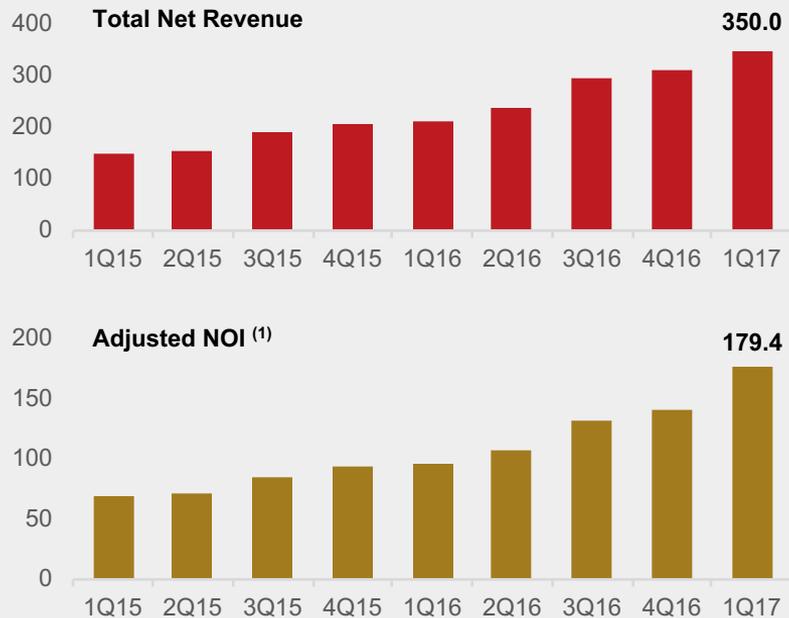
Operational Highlights

- Grew total area committed by 7,270 sqm (net) to 68,313 sqm at quarter end, +84.8% Y/Y
- Churn area fully re-committed
- Commitment rates of 90.0% for area in service and 37.9% for area under construction
- Grew area utilized to 37,898 sqm at quarter end, +58.2% Y/Y
- Adding new data center project in Beijing (BJ3) with 4,260 sqm design capacity



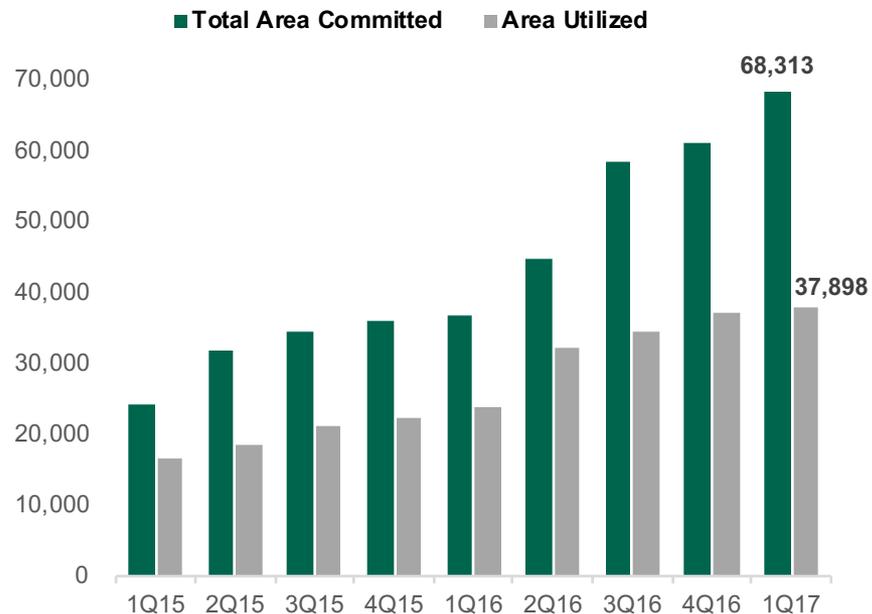
Consistent Track Record of Delivery

Total Net Revenue & Adjusted NOI (Rmb Mn)



Note: 1. Adjusted Net Operating Income (NOI) is defined as total net revenue less cost of revenue, adding back D&A, SBC and asset retirement cost allocated to cost of revenue.

Total Area Committed & Area Utilized (Sqm)



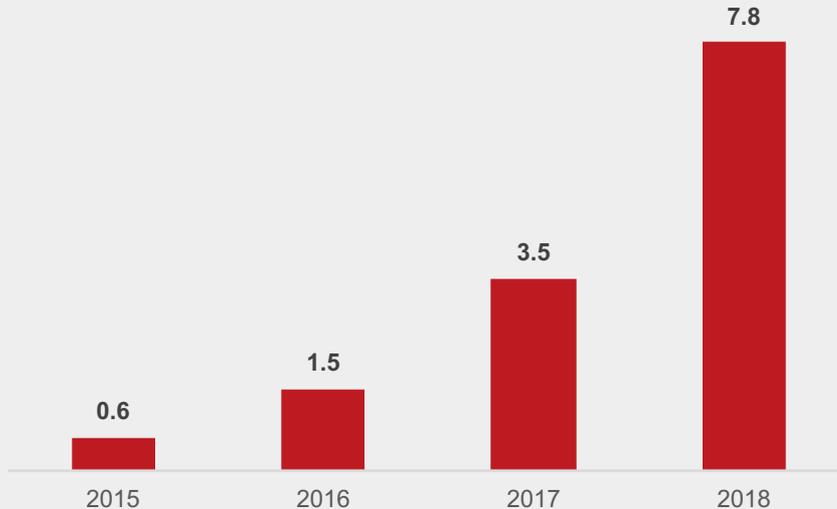


Biggest Data Center Opportunity in the World

Cloud Adoption in China

Market Overview & Trends

Cloud IaaS Revenues in China (\$ Bn)



Source: Alibaba Investor Presentation, May 2016

- Data center market in China growing at over 25% per annum
- Cloud and Internet platforms driving around 70% of incremental demand
- CSPs looking to outsource their performance-sensitive requirement in Tier 1 markets
- Increasingly difficult to develop large scale, high power density data centers in key locations
- More carrier-neutral participants, but no single competitor with our market presence and track record

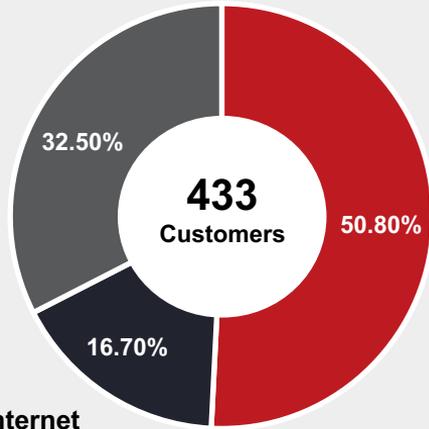
GDS is Best Positioned to Capture this Opportunity

Total Area Committed by Customer Segment as at 31/03/17

Highlights

FSI & Large Enterprises

Cloud Service Providers



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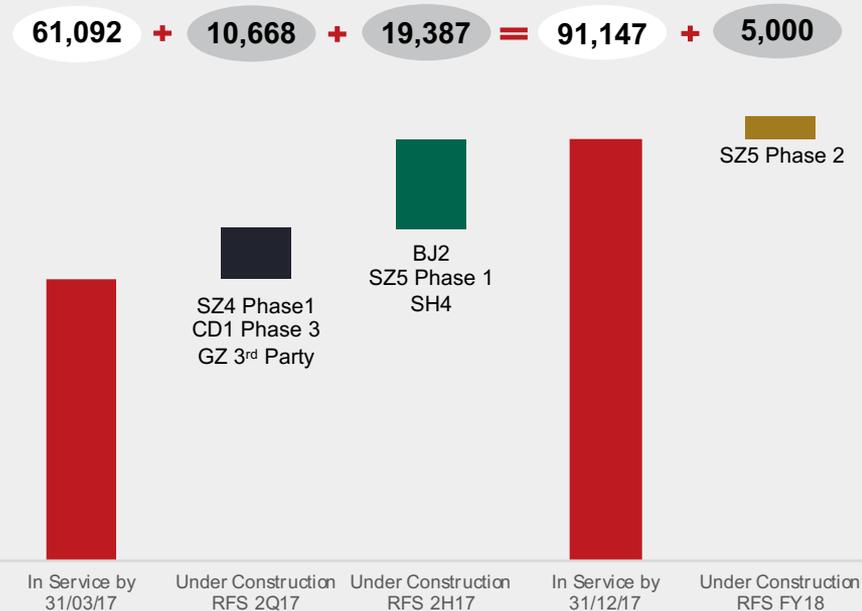
Large Internet

- Significant new commitments from 3 of the leading Cloud service providers in China
- Cloud now accounts for over 50% of our total area committed
- Top 2 customers each present in multiple GDS data centers in multiple markets
- Developing partnerships with our leading Cloud customers for mutual benefit
- Significant new customer wins from the FSI & Large Enterprises segment



Secured Resource Supply to Sustain Leadership

Resource Development (Sqm)



Highlights

- Acquisition in Shenzhen (SZ5) adds 10,000 sqm under construction, with Phase I of 5,000 sqm ready for service in 2H17
- 35,055 sqm of area under construction at quarter end, with 37.9% pre-committed
- Adding new data center in Beijing (BJ3), with design capacity of 4,260 sqm ready for service in 1H18
- Actively seeking to add new projects to pipeline, with good prospects in all markets
- Continuing efforts to bring down construction cost



Our Data Center Portfolio

Self-Built Data Centers in Tier 1 Markets





Financial & Operating Review

Dan Newman, CFO





1Q17 P&L Analysis

Quarterly Financial Review

Rmb '000	1Q16	4Q16	1Q17	Y/Y	Q/Q	1Q17 Pro Forma ⁽³⁾	Q/Q Pro Forma ⁽³⁾
	RMB	RMB	RMB	%	%	RMB	%
Net Revenue							
Service Revenue	202,384	299,731	343,665	69.8%	14.7%	299,602	(0.0%)
Equipment Sales	8,715	11,938	6,378	(26.8%)	(46.6%)	6,378	(46.6%)
Total Net Revenue	211,099	311,669	350,043	65.8%	12.3%	305,980	(1.8%)
Cost of Revenue ⁽¹⁾	(156,896)	(235,738)	(243,845)	55.4%	3.4%	(243,845)	3.4%
Add Back: D&A, SBC & Asset Retirement Cost	40,911	65,100	73,171	78.9%	12.4%	73,171	12.4%
Adjusted NOI	95,114	141,031	179,369	88.6%	27.2%	135,306	(4.1%)
<i>Adjusted NOI Margin</i>	<i>45.1%</i>	<i>45.2%</i>	<i>51.2%</i>	<i>6.1 pts</i>	<i>6.0 pts</i>	<i>44.2%</i>	<i>(1.0 pts)</i>
SG&A	(44,210)	(74,680)	(71,482)	61.7%	(4.3%)	(71,482)	(4.3%)
Add Back: D&A and SBC	3,175	13,300	17,812	461.0%	33.9%	17,812	33.9%
Other Income (Expenses) ⁽²⁾	(729)	12,353	(1,780)	144.2%	(114.4%)	(1,780)	(114.4%)
Adjusted EBITDA	53,350	92,004	123,919	132.3%	34.7%	79,856	(13.2%)
<i>Adjusted EBITDA margin</i>	<i>25.3%</i>	<i>29.5%</i>	<i>35.4%</i>	<i>10.1 pts</i>	<i>5.9 pts</i>	<i>26.1%</i>	<i>(3.4 pts)</i>

Note: 1. Including equipment cost of Rmb 5.1 mn in 1Q17, Rmb 7.9 mn in 1Q16 and Rmb 10.8 mn in 4Q16.

2. Including foreign currency loss of Rmb 2.6 mn in 1Q17, foreign currency loss of Rmb 1.4 mn in 1Q16 and foreign currency gain of Rmb 11.6 mn in 4Q16.

3. 1Q17 Pro Forma excludes termination fee of Rmb 44.1 mn.



Underlying Trends

Quarterly Financial Review

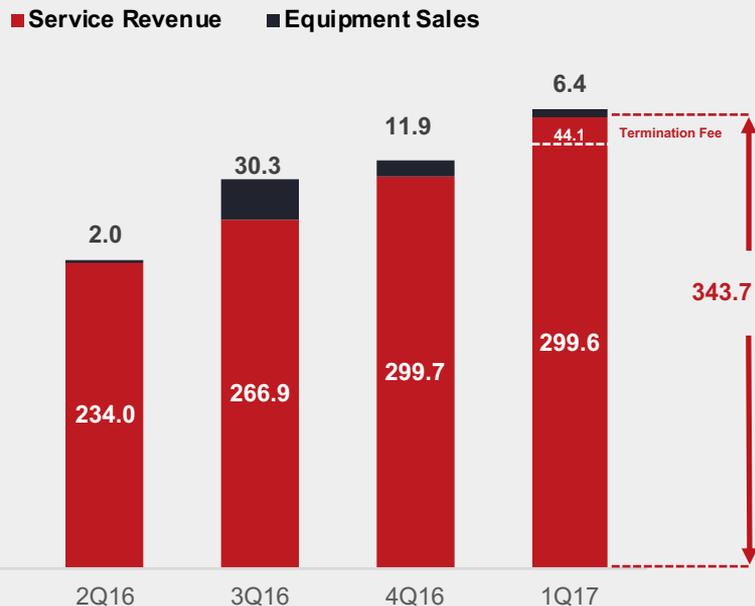
Rmb '000	1Q16	4Q16	1Q17	Y/Y	Q/Q
Total Net Revenue	211,099	311,669	350,043	65.8%	12.3%
Less: Termination Fee			44,063		
Less : Equipment Sales	8,715	11,938	6,378	(26.8%)	(46.6%)
Pro Forma Service Revenue	202,384	299,731	299,602	48.0%	(0.0%)
Adjusted NOI	95,114	141,031	179,369	88.6%	27.2%
Less: Termination Fee			44,063		
Less: Equipment Profit	776	1,117	1,301	67.7%	16.5%
Underlying Adjusted NOI	94,338	139,914	134,005	42.0%	(4.2%)
<i>Underlying Adjusted NOI Margin</i>	<i>46.6%</i>	<i>46.7%</i>	<i>44.7%</i>	<i>(1.9 ppts)</i>	<i>(2.0 ppts)</i>
Adjusted EBITDA	53,350	92,004	123,919	132.3%	34.7%
Less: Termination Fee			44,063		
Less: Equipment Profit	776	1,117	1,301	67.7%	16.5%
Less: FX Change	(1,391)	11,564	(2,606)	87.3%	(122.5%)
Underlying Adjusted EBITDA	53,965	79,323	81,161	50.4%	2.3%
<i>Underling Adjusted EBITDA Margin</i>	<i>26.7%</i>	<i>26.5%</i>	<i>27.1%</i>	<i>0.4 ppts</i>	<i>0.6 ppts</i>

- Pro Forma service revenue grew 48.0% Y/Y and stayed the same Q/Q
- Underlying Adjusted EBITDA grew by 50.4% Y/Y and 2.3% Q/Q
- Underlying Adjusted EBITDA margin was 27.1%, compared with 26.7% in 1Q16 and 26.5% in 4Q16

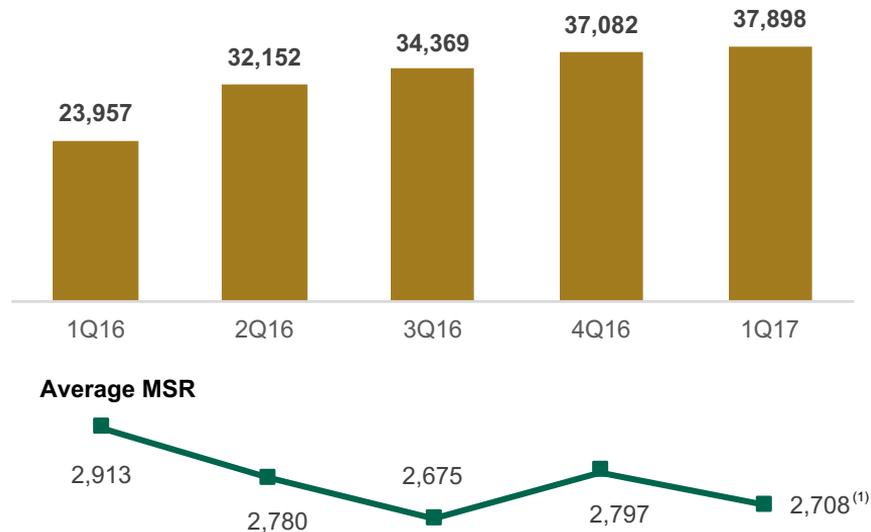


Revenue & Area Utilized

Revenue (Rmb Mn)



Area Utilized (Sqm) & MSR (Rmb / Sqm / Month)

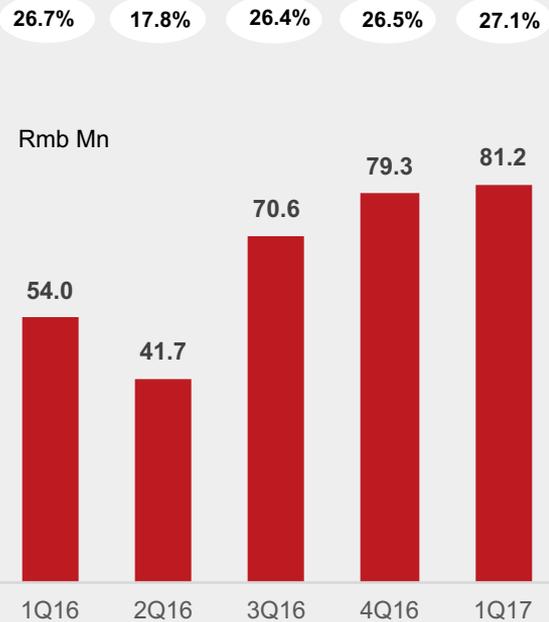


Note: 1. For the purpose of calculating MSR for 1Q17, the churn area of 1,225 sqm is excluded from the opening and closing area utilized.

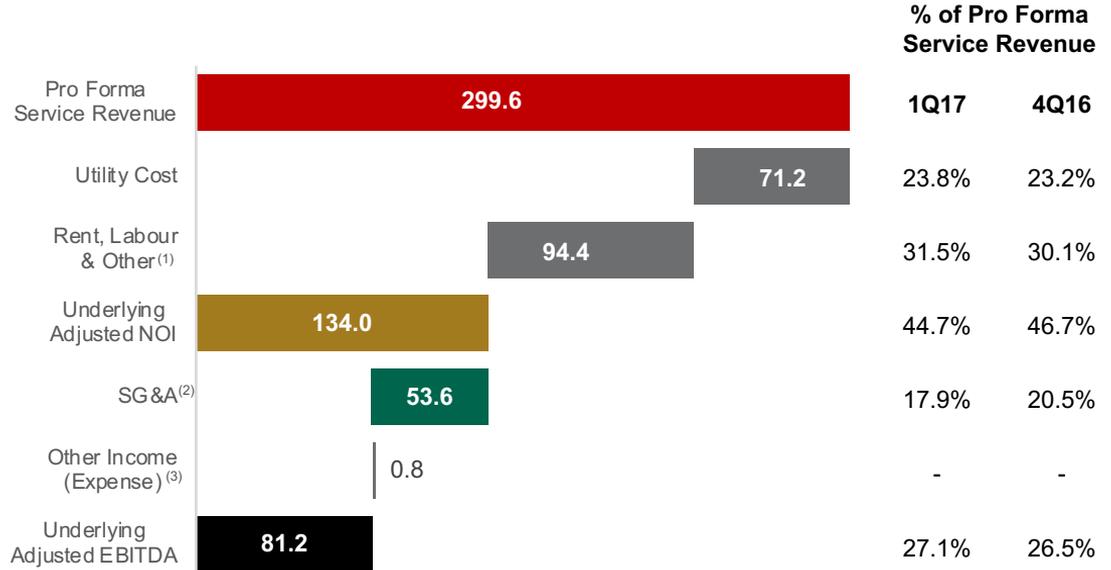


Underlying Adjusted EBITDA & Margin

Underlying Adjusted EBITDA & Margin



1Q17 Pro Forma Cost Breakdown & Operating Leverage (Rmb Mn)



Note: 1. Rent, Labor & Other excludes D&A, SBC and asset retirement cost.

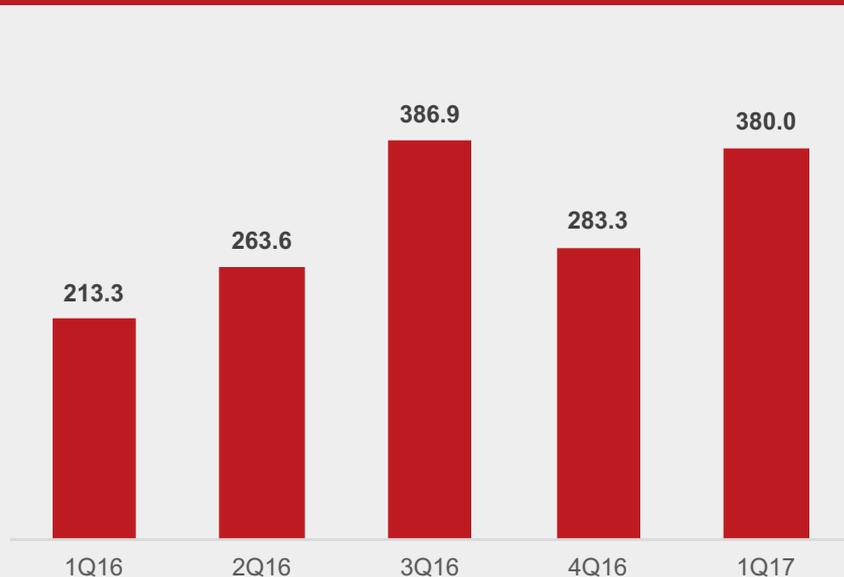
2. SG&A excludes D&A and SBC.

3. Other Income (Expense) excludes interest expense / income and foreign exchange gain / loss.



Capex & On-Going Investment

Capex Paid (Rmb Mn) ⁽¹⁾



- Capex paid in 1Q17 mainly on CD1 Phase 3 and BJ2 which are under construction

Note: 1. Refers to net cash used in investing activities

Capex & On-Going Investment

Capex Breakdown ⁽¹⁾

Rmb Mn	Cost to Date	Cost to Complete
Area In Service	3,025.9	266.6
Area Under Construction ⁽²⁾	497.3	1,837.8

Current Construction Program ⁽³⁾

	RFS Date	Area Under Construction (Sqm)	Pre-Commitment Rate (%)
SZ4 Phase 1	1H17	5,268	19.2%
CD1 Phase 3	1H17	3,100	100%
BJ2	2H17	6,177	30.6%
SZ5 Phase 1 / 2	2H17 / FY18	5,000 / 5,000	50%
SH4	2H17	8,210	0%
BJ3	FY18	4,260	0%

Note: 1. Refers to capex incurred
 2. Excluding BJ3 recently under construction
 3. Excluding a 3rd party data center under construction of 2,300 sqm

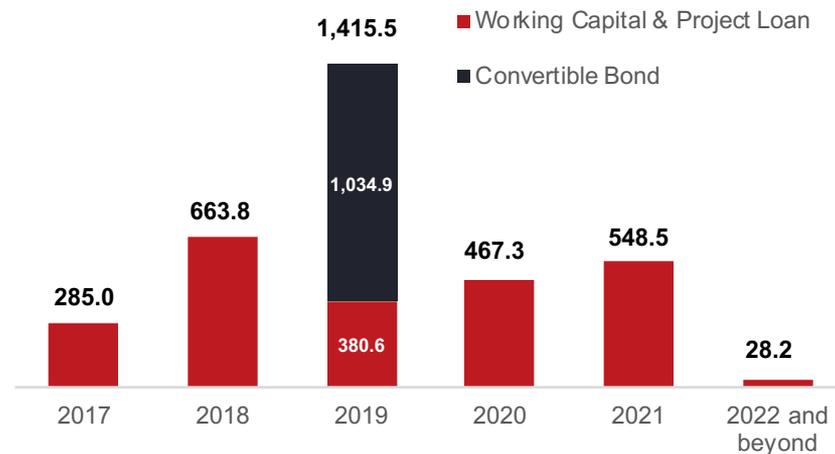


Financing Obligation & Liquidity

Debt & Cash Outstanding

Rmb Mn	31/12/15	31/12/16	31/03/17
<i>Loan</i>			
<i>Working Capital</i>	309.8	239.8	262.1
<i>Project Loan</i>	876.9	1,698.8	2,032.3
<i>Mezzanine Debt</i>	199.8	199.6	0
Total Loan	1,386.5	2,138.2	2,294.4
Convertible Bond	648.5	1,040.5	1,034.9
Capital Lease	473.7	1,111.6	1,141.0
Gross Debt	2,508.7	4,290.3	4,470.3
<i>Cash</i>			
Cash	924.5	1,811.3	1,527.3
Net Debt	1,584.2	2,479.0	2,943.0

Loan Maturity Schedule as at 31/03/17 (Rmb Mn)

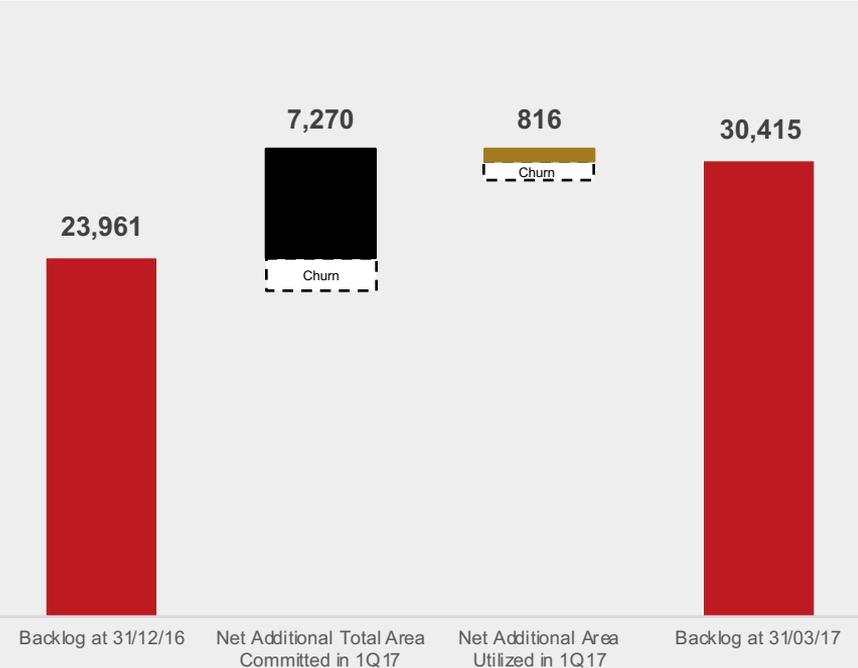


- As at 31/03/17, Net Debt / LQA Pro Forma Adjusted EBITDA was 9.2 times
- Obtained new debt facilities of around Rmb 532.8 mn



Contract Backlog Build-up

Total Area Committed & Area Utilized (Sqm)



Highlights

- 30,415 sqm of contract backlog at the end of 1Q17
 - 17,112 sqm relates to Area In Service
 - 13,303 sqm relates to Area Under Construction
- Backlog delivery expected to accelerate in second half of 2017
- ASP in the backlog in line with current average MSR per sqm



Questions & Answers

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Appendix





Key Operating KPIs

Key Operating KPIs

As at the end of:	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17
Area In Service (Sqm)	27,589	27,589	37,645	37,869	37,869	48,548	48,822	60,982	61,092
Area Under Construction (Sqm)	14,364	14,364	13,163	35,525	35,525	31,794	37,194	25,055	35,055
Area Committed (Sqm)	21,942	22,599	31,794	33,140	33,629	44,062	45,782	54,258	55,010
Area Pre-Committed (Sqm)	2,344	9,346	2,778	2,778	3,330	552	12,845	6,785	13,303
Total Area Committed (Sqm)	24,286	31,945	34,572	35,918	36,959	44,614	58,627	61,043	68,313
Commitment Rate (%)	79.5%	81.9%	84.5%	87.5%	88.8%	90.8%	93.8%	89.0%	90.0%
Area Utilized (Sqm)	16,735	18,640	21,083	22,365	23,957	32,152	34,369	37,082	37,898
Utilization Rate %	60.7%	67.6%	56.0%	59.1%	63.3%	66.2%	70.4%	60.8%	62.0%
Average MSR (Rmb / Sqm / Month)	2,954	2,776	2,827	2,967	2,913	2,780	2,675	2,797	2,708 ⁽¹⁾

Note: 1. For the purpose of calculating MSR for 1Q17, the churn area of 1,225 sqm is excluded from the opening and closing area utilized.



Self-Developed Data Centers In Service

As At 31/03/17

	Shanghai				Shenzhen			Guangzhou	Beijing	Chengdu
	KS1	SH1	SH2	SH3	SZ1	SZ2	SZ3	GZ1	BJ1	CD1 Phase 1 & 2
Ready For Service	2H10	2H11	2H15	2H16	2H14	1H16	2H16	1H16	2H15	1H11 / 2H16
Type	Purpose-Built	Purpose-Built	Purpose-Built	Purpose-Built	Converted	Converted	Converted	Converted	Converted	Purpose-Built
Tenure	Owned	Leased	Leased	Leased	Leased	Leased	Leased	Leased	Leased	Owned
Area In Service (Sqm)	6,546	6,432	7,712	7,879	4,281	4,308	2,678	6,608	2,435	3,100
Area Committed (Sqm)	6,534	6,199	7,026	7,034	4,277	3,821	1,089	6,608	2,338	3,035
Commitment Rate	99.8%	96.4%	91.1%	89.3%	99.9%	88.7%	40.7%	100%	96.0%	97.9%
Area Utilized (Sqm)	6,339	5,476	4,992	86	4,277	1,696	501	4,469	2,063	1,114
Utilization Rate	96.8%	85.1%	64.7%	1.1%	99.9%	39.4%	18.7%	67.6%	84.7%	35.9%



Self-Developed Data Centers Under Construction

As At 31/03/17

	Shanghai	Shenzhen	Beijing	Chengdu	
	SH4	SZ4 Phase 1	SZ5	BJ2	CD1 Phase 3
Ready For Service	2H17	1H17	2H17	2H17	1H17
Type	Purpose-Built	Converted	Converted	Converted	Purpose-Built
Tenure	Leased	Leased	Leased	Leased	Owned
Area Under Construction (Sqm)	8,210	5,268	10,000	6,177	3,100
Area Pre-Committed (Sqm)	0	1,010	5,000	1,893	3,100
Pre-Commitment Rate	0%	19.2%	50.0%	30.6%	100%



Top 5 Customers

Top 5 Customers in terms of Total Area Committed

End User	% of Total Area Committed	% of 1Q17 Revenue ⁽¹⁾	Number of Data Centers
Internet / Cloud Service Provider	26.5%	8.0%	8 ⁽²⁾
Internet / Cloud Service Provider	24.4%	26.3%	6
Internet	8.4%	12.9%	1
Cloud Service Provider	4.8%	0%	2
Internet	3.4%	0%	1

Note: 1. Pro forma excluding termination revenue received in 1Q17.

2. Excluding 3rd party data centers



Shares Outstanding

As At 31/03/17

Shares Outstanding as at 31/03/17 ⁽¹⁾

Ordinary Shares from before IPO	217,987,922
Ordinary Shares Converted from Preferred Shares	349,087,677
Ordinary Shares Issued for Preferred Dividends	31,490,164
Ordinary Shares Issued in IPO (Including Greenshoe)	160,565,880
Ordinary Shares Issued after IPO (Restricted Shares Vested before IPO)	877,400
Total Shares Outstanding	760,009,043

Note: 1. Excluding: 29,189,782 ordinary shares issuable upon the exercise of share options outstanding as of the date of IPO; and 55,880,378 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						
	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	
	RMB	RMB	RMB	RMB	RMB	RMB	USD
Net Revenue							
Service revenue	193,373	202,384	234,010	266,890	299,731	343,665	49,928
Equipment sales	15,719	8,715	2,026	30,266	11,938	6,378	927
Total net revenue	209,092	211,099	236,036	297,156	311,669	350,043	50,855
Cost of revenue	(154,567)	(156,896)	(175,138)	(222,514)	(235,738)	(243,845)	(35,426)
Gross profit	54,525	54,203	60,898	74,642	75,931	106,198	15,429
Operating expenses							
Selling and marketing expenses	(18,544)	(13,734)	(20,829)	(17,109)	(19,906)	(21,256)	(3,088)
General and administrative expenses	(32,576)	(28,489)	(102,963)	(43,323)	(52,595)	(48,768)	(7,085)
Research and development expenses	(1,496)	(1,987)	(2,778)	(2,156)	(2,179)	(1,458)	(212)
(Loss) Income from operations	1,909	9,993	(65,672)	12,054	1,251	34,716	5,044
Other income (expenses)							
Net interest expenses	(35,486)	(52,963)	(57,329)	(69,404)	(83,468)	(78,608)	(11,420)
Foreign currency exchange gain (loss), net	1,393	(1,391)	5,492	2,645	11,564	(2,606)	(379)
Others, net	1,528	662	547	503	789	826	120
Loss before income taxes	(30,656)	(43,699)	(116,962)	(54,202)	(69,864)	(45,672)	(6,635)
Income tax benefits	2,481	4,921	1,543	1,626	225	1,367	199
Net loss	(28,175)	(38,778)	(115,419)	(52,576)	(69,639)	(44,305)	(6,436)



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 Sep 30, 2016	As of Dec 31, 2016	As of Mar 31, 2017	
	RMB	RMB	RMB	RMB	RMB	RMB	USD
Cash	606,758	924,498	834,477	798,732	1,811,319	1,527,318	221,891
Accounts receivable, net of allowance for doubtful accounts	73,366	111,013	170,149	190,033	198,851	261,015	37,921
Total current assets	745,831	1,186,699	1,183,231	1,256,179	2,210,313	2,004,456	291,211
Property and equipment, net	1,694,944	2,512,687	3,591,456	3,949,420	4,322,891	4,595,418	667,628
Goodwill and intangible assets, net	1,350,524	1,341,599	1,442,125	1,437,891	1,433,656	1,429,421	207,668
Total assets	3,854,074	5,128,272	6,334,066	6,761,558	8,203,866	8,300,235	1,205,869
Short-term borrowings and current portion of long-term borrowings	426,709	428,218	699,394	574,459	628,478	438,210	63,664
Capital leases and other financing obligations, current	39,621	48,745	71,919	83,198	88,593	113,522	16,493
Total current liabilities	897,630	925,049	1,478,315	1,368,589	1,479,221	1,286,730	186,937
Long-term borrowings, excluding current portion	492,123	958,264	825,392	1,407,700	1,509,676	1,856,128	269,661
Convertible bonds payable	—	648,515	994,243	1,001,670	1,040,550	1,034,895	150,351
Capital leases and other financing obligations, non-current	246,996	424,939	873,972	864,609	1,022,959	1,027,498	149,276
Total liabilities	1,706,600	3,073,463	4,380,909	4,868,748	5,217,392	5,350,834	777,376
Redeemable preferred shares	2,164,039	2,395,314	2,499,117	2,534,943	0	0	0
Total shareholders' equity (deficit)	(16,565)	(340,505)	(545,960)	(642,133)	2,986,474	2,949,401	428,493



Historical Financial Results

Cash Flow Statement

Amounts in thousands	Year Ended		Six Months Ended	Three Months Ended		Year Ended	Three Months Ended	
	Dec 31, 2014	Dec 31, 2015	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Dec 31, 2016	Mar 31, 2017	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	USD
Net cash provided by (used in) operating activities	27,937	(80,298)	(22,069)	(100,501)	(27,658)	(150,228)	(38,454)	(5,586)
Net cash used in investing activities	(523,749)	(731,905)	(476,918)	(386,874)	(283,272)	(1,147,064)	(379,970)	(55,203)
Net cash provided by financing activities	1,056,287	1,127,685	395,346	451,976	1,281,292	2,128,614	146,352	21,262
Effect of exchange rate changes on cash	(2,328)	2,258	13,620	(346)	42,225	55,499	(11,929)	(1,733)
Net increase (decrease) in cash	558,147	317,740	(90,021)	(35,745)	1,012,587	886,821	(284,001)	(41,260)
Cash at beginning of year / period	48,611	606,758	924,498	834,477	798,732	924,498	1,811,319	263,151
Cash at end of year / period	606,758	924,498	834,477	798,732	1,811,319	1,811,319	1,527,318	221,891



Reconciliation from Gross Profit to Adjusted NOI

Adjusted NOI

Amounts in thousands	Three months ended						
	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	
	RMB	RMB	RMB	RMB	RMB	RMB	USD
Gross profit	54,525	54,203	60,898	74,642	75,931	106,198	15,429
Depreciation and amortization	39,281	40,776	45,030	56,916	64,002	71,288	10,357
Accretion expenses for asset retirement costs	92	135	135	165	153	153	22
Share-based compensation expenses			1,169		945	1,730	251
Adjusted NOI	93,898	95,114	107,232	131,723	141,031	179,369	26,059
Adjusted NOI margin	44.9%	45.1%	45.4%	44.3%	45.2%	51.2%	51.2%



Reconciliation from Net Loss to Adjusted EBITDA

Adjusted EBITDA

Amounts in thousands	For the Three Months Ended						
	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	
	RMB	RMB	RMB	RMB	RMB	RMB	USD
Net loss	(28,175)	(38,778)	(115,419)	(52,576)	(69,639)	(44,305)	(6,436)
Net interest expenses	35,486	52,963	57,329	69,404	83,468	78,608	11,420
Income tax benefits	(2,481)	(4,921)	(1,543)	(1,626)	(225)	(1,367)	(199)
Depreciation and amortization	42,632	43,951	49,518	62,617	71,269	77,324	11,234
Accretion expenses for asset retirement costs	92	135	135	165	153	153	22
Share-based compensation expenses	708		57,187		6,978	13,506	1,962
Adjusted EBITDA	48,262	53,350	47,207	77,984	92,004	123,919	18,003
Adjusted EBITDA margin	23.1%	25.3%	20.0%	26.2%	29.5%	35.4%	35.4%