NOMURA

Global Markets Research
11 September 2026

VNET Group VNET.OQ VNET US

EQUITY: TECHNOLOGY

Key beneficiary of AIDC rollout in northern China

Reiterate Buy with a revised TP of USD11.3

Strong order intake announced in 2Q26

VNET delivered revenue and adjusted EBITDA growth of 14.2% and 25.4% y-y, respectively, in 2Q26, largely in line with our estimates (see *our note*). Notably, VNET announced additional order wins of 347MW in 2Q26, including one key order of 345MW from a cloud service provider, bringing YTD total new wholesale bookings to 862MW. New capacity delivery was at 99GW during the quarter, with cumulative wholesale capacity in service reaching over 1GW by the end of the quarter. VNET maintained an unchanged delivery target of 450MW for FY26E (2H26E: 333MW) followed by 252MW delivery for 1H27E. Net additions of wholesale capacity utilized was 57MW in 2Q26, with period-end utilization rate of 73.9%. Management also indicated that the company has secured new land bank of ~1.5GW in 2Q26, including ~500MW in overseas regions. We expect the company to achieve ~1GW order wins within FY26F, supporting its fundamental growth in FY27-28F.

Well-positioned in Inner Mongolia to tap fast-growing AIDC demand

As one of the early-movers in AIDC development in Inner Mongolia, we expect VNET to achieve in-service IT power capacity of ~1GW by mid-2027F in Ulanqab, , which has been mostly contracted with Chinese CSPs. We expect continued AIDC demand in the northern regions of China, owing to attractive power tariffs and low temperatures. According to SCMP (*news link*), ByteDance (unlisted) has been in preliminary talks to expand 5-6GW computing power in Ulanqab over the next two years. We believe VNET is well-positioned to tap the fast-growing AIDC demand given its secured land bank and long-term relationship with key customers.

Reiterate Buy but cut TP to USD11.3

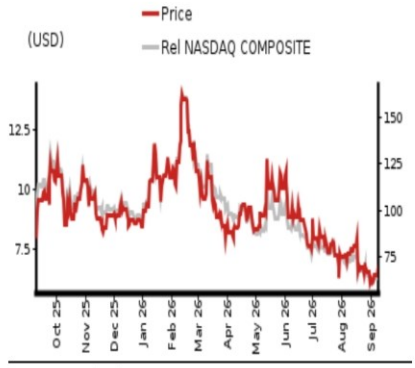
We lower FY26-28F adjusted GPM by 0.2pp for each year, offset by a lower opex-to-sales ratio (we cut by 0.2-0.4pp), leading to a largely unchanged adjusted EBITDA at CNY3.67/4.70/5.99bn for FY26/27/28F. We reiterate our Buy rating but cut our TP to USD11.3, based on a rolled-forward DCF valuation model with cash flows discounted back to end-FY27F. We assume a WACC of 7.0% (unchanged) and terminal growth rate of 2.0% (unchanged). Our TP implies 11.6x 2027F EV/EBITDA and the stock is trading at 10x 2027F EV/EBITDA.

Year-end 31 Dec	FY25	FY26F		FY27F		FY28F	
Currency (CNY)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	9,949	11,556	11,552	14,385	14,383	18,028	18,062
Reported net profit (mn)	-257	-1,994	-2,260	433	432	707	657
Normalised net profit (mn)	-257	-1,994	-2,260	433	432	707	657
FD normalised EPS	-96.49c	-7.41	-8.40	1.61	1.60	2.63	2.44
FD norm. EPS growth (%)	-237.1	–	–	–	–	63.6	52.1
FD normalised P/E (x)	–	–	–	–	28.3	–	18.6
EV/EBITDA (x)	11.4	–	10.9	–	10.2	–	9.0
Price/book (x)	2.0	–	2.5	–	2.3	–	2.0
Dividend yield (%)	–	–	–	–	–	–	–
ROE (%)	-4.1	-38.1	-40.5	9.7	8.4	14.0	11.5
Net debt/equity (%)	232.0	556.1	452.5	631.0	559.5	624.5	591.4

Source: Company data, Nomura estimates

Rating Remains	**Buy**
Target price Reduced from USD 13.00	**USD 11.30**
Closing price 8 September 2026	**USD 6.75**
Implied upside	**+67.4%**
Market Cap (USD mn)	1,921.7
ADT (USD mn)	35.9

Relative performance chart



Source: LSEG, Nomura

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Production Complete: 2026-09-11 11:00 UTC

See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

Key data on VNET Group

Performance

(%)	1M	3M	12M		
Absolute (USD)	-7.9	-23.9	-12.1	M cap (USDmn)	1,921.7
Absolute (USD)	-7.9	-23.9	-12.1	Free float (%)	26.1
Rel to NASDAQ COMPOSITE	-6.9	-25.8	-33.3	3-mth ADT (USDmn)	35.9

Income statement (CNYmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	8,259	9,949	11,552	14,383	18,062
Cost of goods sold	-6,427	-7,757	-9,237	-11,429	-14,171
Gross profit	1,832	2,192	2,315	2,954	3,891
SG&A	-1,163	-1,412	-1,373	-1,695	-2,116
Employee share expense					
Operating profit	669	780	941	1,259	1,775
EBITDA	2,276	2,706	3,653	4,677	5,972
Depreciation	-1,503	-1,822	-2,608	-3,360	-4,140
Amortisation	-104	-104	-104	-58	-58
EBIT	669	780	941	1,259	1,775
Net interest expense	-373	-561	-750	-982	-1,245
Associates & JCEs	8	7	0	0	0
Other income	178	198	300	400	500
Earnings before tax	483	424	491	677	1,030
Income tax	-234	-558	-652	-102	-154
Net profit after tax	248	-133	-161	575	875
Minority interests	-65	-123	-2,099	-144	-219
Other items					
Preferred dividends	0	0	0	0	0
Normalised NPAT	183	-257	-2,260	432	657
Extraordinary items					
Reported NPAT	183	-257	-2,260	432	657
Dividends	0	0	0	0	0
Transfer to reserves	183	-257	-2,260	432	657
Valuations and ratios					
Reported P/E (x)	69.1	–	–	28.3	18.6
Normalised P/E (x)	69.1	-50.3	-5.4	28.3	18.6
FD normalised P/E (x)	69.1	–	–	28.3	18.6
Dividend yield (%)	–	–	–	–	–
Price/cashflow (x)	6.3	6.7	4.6	3.4	2.7
Price/book (x)	2.0	2.0	2.5	2.3	2.0
EV/EBITDA (x)	10.7	11.4	10.9	10.2	9.0
EV/EBIT (x)	36.1	39.4	42.1	37.8	30.2
Gross margin (%)	22.2	22.0	20.0	20.5	21.5
EBITDA margin (%)	27.6	27.2	31.6	32.5	33.1
EBIT margin (%)	8.1	7.8	8.1	8.8	9.8
Net margin (%)	2.2	-2.6	-19.6	3.0	3.6
Effective tax rate (%)	48.5	131.5	132.7	15.0	15.0
Dividend payout (%)	0.0	–	–	0.0	0.0
ROE (%)	3.0	-4.1	-40.5	8.4	11.5
ROA (pretax %)	2.3	2.3	2.2	2.4	3.0
Growth (%)					
Revenue	11.4	20.5	16.1	24.5	25.6
EBITDA		18.9	35.0	28.0	27.7
Normalised EPS		-237.1	–	–	52.1
Normalised FDEPS		-237.1	–	–	52.1

Source: Company data, Nomura estimates

Cashflow statement (CNYmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
EBITDA	2,276	2,706	3,653	4,677	5,972
Change in working capital	3,111	1,281	61	-374	-500
Other operating cashflow	-3,381	-2,068	-1,082	-664	-879
Cashflow from operations	2,005	1,919	2,632	3,639	4,593
Capital expenditure	-4,924	-7,657	-11,275	-11,250	-10,125
Free cashflow	-2,918	-5,738	-8,643	-7,611	-5,532
Reduction in investments					
Net acquisitions	205	707	-187	-187	-187
Dec in other LT assets					
Inc in other LT liabilities					
Adjustments	328	-1,062	0	0	0
CF after investing acts	-2,385	-6,093	-8,830	-7,798	-5,719
Cash dividends					
Equity issue	0	0	951	0	0
Debt issue	2,751	4,834	8,000	8,000	7,000
Convertible debt issue	-4,262	3,085	0	-1,962	0
Others	3,145	2,206	0	0	0
CF from financial acts	1,634	10,124	8,951	6,038	7,000
Net cashflow	-751	4,031	121	-1,760	1,281
Beginning cash	2,244	1,492	5,524	5,644	3,884
Ending cash	1,492	5,524	5,644	3,884	5,165
Ending net debt	10,182	14,426	22,306	30,104	35,823

Balance sheet (CNYmn)

As at 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & equivalents	1,492	5,524	5,644	3,884	5,165
Marketable securities	0	0	0	0	0
Accounts receivable	1,656	2,222	2,283	2,862	3,619
Inventories	0	0	0	0	0
Other current assets	3,672	3,706	3,706	3,706	3,706
Total current assets	6,820	11,452	11,634	10,453	12,490
LT investments	0	0	0	0	0
Fixed assets	17,217	22,776	31,443	39,333	45,318
Goodwill	0	0	0	0	0
Other intangible assets	1,404	2,005	2,096	2,233	2,370
Other LT assets	6,916	8,362	8,354	8,346	8,338
Total assets	32,357	44,594	53,527	60,365	68,517
Short-term debt	2,009	3,232	3,232	3,232	3,232
Accounts payable	709	742	864	1,069	1,326
Other current liabilities	6,625	8,474	8,474	8,474	8,474
Total current liabilities	9,343	12,447	12,569	12,774	13,031
Long-term debt	7,767	11,580	19,580	27,580	34,580
Convertible debt	1,898	5,139	5,139	3,177	3,177
Other LT liabilities	6,428	6,864	6,864	6,864	6,864
Total liabilities	25,436	36,030	44,152	50,395	57,651
Minority interest	555	2,346	4,445	4,589	4,808
Preferred stock	0	0	0	0	0
Common stock	17,299	17,360	18,331	18,351	18,371
Retained earnings	-10,860	-11,126	-13,386	-12,954	-12,298
Proposed dividends					
Other equity and reserves	-73	-16	-16	-16	-16
Total shareholders' equity	6,366	6,218	4,929	5,381	6,057
Total equity & liabilities	32,357	44,594	53,526	60,365	68,517
Liquidity (x)					
Current ratio	0.73	0.92	0.93	0.82	0.96
Interest cover	1.8	1.4	1.3	1.3	1.4
Leverage					
Net debt/EBITDA (x)	4.47	5.33	6.11	6.44	6.00
Net debt/equity (%)	159.9	232.0	452.5	559.5	591.4
Per share					
Reported EPS (CNY)	70.38c	-96.49c	-8.40	1.60	2.44
Norm EPS (CNY)	70.38c	-96.49c	-8.40	1.60	2.44
FD norm EPS (CNY)	70.38c	-96.49c	-8.40	1.60	2.44
BVPS (CNY)	24.46	23.37	18.32	20.00	22.52
DPS (CNY)	0.00	0.00	0.00	0.00	0.00
Activity (days)					
Days receivable	74.5	71.1	71.2	65.3	65.7
Days inventory	0.0	0.0	0.0	0.0	
Days payable	39.9	34.1	31.7	30.9	30.9
Cash cycle	34.6	37.0	39.4	34.4	34.7

Source: Company data, Nomura estimates

Company profile

VNET develops and operates internet data centers (IDCs) in China. The company provides colocation, managed hosting and consulting services to cloud services providers, internet companies, financial institutions and other large domestic private sector or multinational corporations.

Valuation Methodology

Our target price of USD11.30 is based on a DCF valuation model. We assume a WACC of 7.0% and terminal growth rate of 2.0%. Cash flows are discounted back to end-2027F. Our TP implies 11.6x 2027F EV/EBITDA. The benchmark index is NASDAQ.

Risks that may impede the achievement of the target price

Downside risks include: (1) slower-than-expected ramp-up of utilization rates for newly-built data centers; and (2) faster-than-expected decline in MRR on intensified market competition.

ESG

VNET has been focusing on building IDCs with industry-leading standards to maximize the energy utilization. The company also targets to increase the usage of renewable energy to power its data centers.

Fig. 1: VNET - earnings forecasts revisions

(CNY mn)	2024 Actual	2025 Actual	2026F Forecast	2027F Forecast	2028F Forecast	2026F Old	2027F Old	2028F Old	2026F Diff.	2027F Diff.	2028F Diff.
Net revenue	**8,259**	**9,949**	**11,552**	**14,383**	**18,062**	**11,556**	**14,385**	**18,028**	0.0%	0.0%	0.2%
y-y	*11.4%*	*20.5%*	*16.1%*	*24.5%*	*25.6%*	*16.1%*	*24.5%*	*25.3%*			
COGS	(6,427)	(7,757)	(9,237)	(11,429)	(14,171)	(8,928)	(11,042)	(13,658)			
Gross Profit	**1,832**	**2,192**	**2,315**	**2,954**	**3,891**	**2,628**	**3,343**	**4,370**			
y-y	*41.8%*	*19.7%*	*5.6%*	*27.6%*	*31.7%*	*19.8%*	*27.2%*	*30.7%*			
Adjusted cash gross profit	**3,337**	**4,218**	**4,955**	**6,242**	**7,928**	**4,980**	**6,271**	**7,950**	-0.5%	-0.5%	-0.3%
y-y	*12.1%*	*26.4%*	*17.5%*	*26.0%*	*27.0%*	*18.1%*	*25.9%*	*26.8%*			
Sales and marketing expenses	(264)	(279)	(255)	(332)	(417)	(266)	(346)	(434)			
General and administrative expenses	(659)	(797)	(717)	(907)	(1,140)	(752)	(951)	(1,192)			
R&D expenses	(247)	(261)	(326)	(406)	(510)	(321)	(385)	(464)			
Operating profit / (loss)	**669**	**780**	**941**	**1,259**	**1,775**	**1,168**	**1,662**	**2,281**			
Depreciation and amortization	1,598	1,926	2,711	3,418	4,198	2,435	2,936	3,590			
Share-based compensation	149	26	20	20	20	20	20	20			
Others	14	246	-	-	-	50	100	100			
Adjusted EBITDA	**2,430**	**2,978**	**3,673**	**4,697**	**5,992**	**3,674**	**4,718**	**5,991**	0.0%	-0.4%	0.0%
y-y	*19.1%*	*22.6%*	*23.3%*	*27.9%*	*27.6%*	*23.4%*	*28.4%*	*27.0%*			
Finance costs (net)	(373)	(561)	(750)	(982)	(1,245)	(734)	(983)	(1,171)			
Foreign exchange gain (loss)	(19)	6	-	-	-	-	-	-			
Profit before taxation	**483**	**424**	**491**	**677**	**1,030**	**434**	**678**	**1,110**			
Taxation	(234)	(558)	(652)	(102)	(154)	(565)	(102)	(166)			
Net profit	**248**	**(133)**	**(161)**	**575**	**875**	**(130)**	**577**	**943**			
Non-controlling interest	(65)	(123)	(2,099)	(144)	(219)	(1,863)	(144)	(236)			
Profit for owners of the company	**183**	**(257)**	**(2,260)**	**432**	**657**	**(1,994)**	**433**	**707**	13.4%	-0.2%	-7.2%
Key ratios											
Adjusted GPM	40.4%	42.4%	42.9%	43.4%	43.9%	43.1%	43.6%	44.1%	-0.2pp	-0.2pp	-0.2pp
OPEX-to-Sales	14.2%	13.4%	11.2%	11.4%	11.4%	11.6%	11.7%	11.6%	-0.4pp	-0.3pp	-0.2pp
Adjusted EBITDA margin	29.4%	29.9%	31.8%	32.7%	33.2%	31.8%	32.8%	33.2%	0.0pp	-0.1pp	-0.1pp

Source: Company data, Nomura estimates

Fig. 2: VNET - DCF valuation

CNYmn	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal
Period						1	2	3	4	5	6	7	8	
Revenue	7,413	8,259	9,949	11,552	14,383	18,062	21,919	25,950	29,682	33,254	36,887	40,578	44,362	
Profit after tax	(2,644)	183	(257)	(2,260)	432	657	675	976	1,269	1,583	1,919	2,257	2,676	
Operating cash flow	2,063	2,005	1,919	2,632	3,639	4,593	5,279	6,293	7,280	8,221	9,133	10,037	11,029	
CAPEX	(2,967)	(4,924)	(7,657)	(11,275)	(11,250)	(10,125)	(9,113)	(8,201)	(7,381)	(6,643)	(6,510)	(6,380)	(6,252)	
FCF	(904)	(2,918)	(5,738)	(8,643)	(7,611)	(5,532)	(3,834)	(1,908)	(101)	1,578	2,623	3,657	4,777	97,499
	130%	*223%*	*97%*	*51%*	*-12%*	*-27%*	*-31%*	*-50%*	*-95%*	*-1666%*	*66%*	*39%*	*31%*	
Discount factor						0.93	0.87	0.82	0.76	0.71	0.67	0.62	0.58	0.58
PV						(5,171)	(3,349)	(1,558)	(77)	1,125	1,748	2,278	2,781	56,758

Assumptions	
Risk-free rate	1.7%
Market risk premium	12.4%
Beta	1.1
Terminal growth rate	2.0%
WACC	7.0%

PV of corporate value		54,536
+ cash		3,884
- borrowing		(33,988)
- minority interest		(2,878)
PV of equity value		21,554
# of ADS outstanding		285
USDCNY		6.72
Valuation	CNY	76

USD 11.3

Source: Company data, Nomura estimates

Appendix A-1

This report has been produced by Nomura International (Hong Kong) Ltd. (NIHK), Hong Kong.
See Disclaimers for Nomura Group entity details.

Analyst Certification

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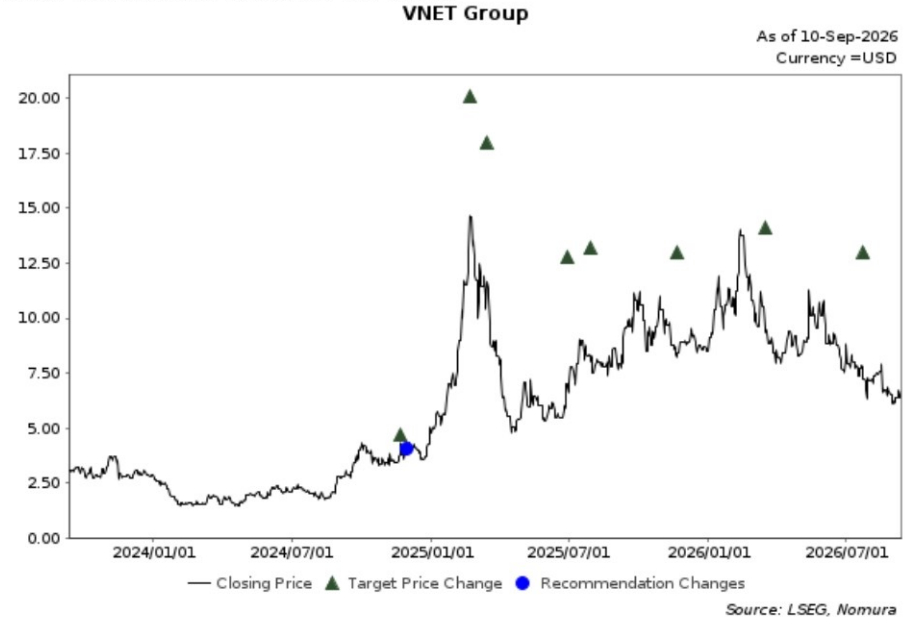
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Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
VNET Group	VNET US	USD 6.75	08-Sep-2026	Buy	N/A	

VNET Group (VNET US) **USD 6.75 (08-Sep-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
24-Jul-26		13.00	7.21
17-Mar-26		14.10	9.33
20-Nov-25		13.00	8.22
29-Jul-25		13.20	8.28
29-Jun-25		12.80	6.98
14-Mar-25		18.00	11.65
21-Feb-25		20.10	14.59
21-Nov-24	Buy		4.33
21-Nov-24		4.70	4.33

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of USD11.30 is based on a DCF valuation model. We assume a WACC of 7.0% and terminal growth rate of 2.0%. Cash flows are discounted back to end-2027F. Our TP implies 11.6x 2027F EV/EBITDA. The benchmark index is NASDAQ.
Risks that may impede the achievement of the target price Downside risks include: (1) slower-than-expected ramp-up of utilization rates for newly-built data centers; and (2) faster-than-expected decline in MRR on intensified market competition.

Important Disclosures

Online availability of research and conflict-of-interest disclosures

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As at 30 June 2026.
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The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

STOCKS

A rating of **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of **'Neutral'**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of **'Suspended'**, indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan:** please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: http://go.nomuranow.com/research/m/Disclosures; **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan:** Russell/Nomura Large Cap.

SECTORS

A **'Bullish'** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A **'Neutral'** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A **'Bearish'** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as **'Not rated'** or shown as **'N/A'** are not assigned ratings. Benchmarks are as follows: **United States:** S&P 500; **Europe:** Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan:** Sector ratings are not assigned.

Target Price

A Target Price, if discussed, indicates the analyst's forecast for the share price with a 12-month time horizon, reflecting in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

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