

21 January 2021

CMBI Credit Commentary**21Vianet Group**

(+) VNET's plan to issue USD 525m convertible bond (CB) due 2026, with an option to upsize another USD 75m is a credit positive. The CB carries interest cost of 0%-0.5%. 50% UOP will be for Capex, rest 50% to repay its USD bond due on Oct '21 (USD 300m).

- However, we expect existing USD bond price to weaken towards 100 approaching par repayment, given UOP of this CB will repay the USD bond.
- During conference call, management highlighted its funding cost is trending down (including project loan, structured finance and corporate bond). Its project loan from banks is now below 6% interest rate.
- Management also reiterated capex and cabinet expansion guidance the same as its 3Q 2020 results call. Please refer to our 3Q results note. We upgraded VNET to OW after its 3Q2020 results and expected the company to be able to balance funding mix for its ambitious capex. In view of tight valuation now, we recommend investors to watch out for new issuance instead.

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