21Vianet Group, Inc.
Form 424B4
April 21, 2011
Table of Contents

Filed Pursuant to Rule 424(b)(4)
Registration No. 333-173292 and
Registration No. 333-173637

PROSPECTUS

13,000,000 American Depositary Shares

21Vianet Group, Inc.

Representing 78,000,000 Class A Ordinary Shares

21Vianet Group, Inc. is offering 13,000,000 American depositary shares, or ADSs, each representing six Class A ordinary shares, par value US$0.00001 per share. This is our initial public offering and no public market currently exists for our ADSs or shares.

We have been approved to list our ADSs on the NASDAQ Global Market under the symbol VNET.

Investing in our ADSs involves risks. See Risk Factors beginning on page 13.

PRICE US$15.00 PER ADS

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Company
Per ADS	*US$ 15.00*	*US$ 1.05*	*US$ 13.95*
Total	*US$ 195,000,000*	*US$ 13,650,000*	*US$ 181,350,000*

We have granted the underwriters the right to purchase up to an additional 1,950,000 ADSs to cover over-allotments.

Immediately prior to the completion of this offering, our outstanding share capital will consist of Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes and is convertible at any time into one Class A ordinary share. Immediately after the completion of this offering, our existing shareholders and management will hold 244,515,330 Class B ordinary shares, which represent 96.9% of our aggregate voting power, assuming the underwriters do not exercise the over-allotment option.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on or about April 27, 2011.

MORGAN STANLEY *BARCLAYS CAPITAL* *J.P. MORGAN*

PIPER JAFFRAY *WILLIAM BLAIR & COMPANY* *PACIFIC CREST SECURITIES*

April 21, 2011

Table of Contents

Table of Contents

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus or any related free-writing prospectus filed with the Securities and Exchange Commission, or the SEC, in connection with this offering. We have not authorized anyone to provide you with information that is different from that contained in this prospectus or in any free writing prospectus. We are offering to sell, and seeking offers to buy, the ADSs only in jurisdictions where offers and sales are permitted. The information contained in this prospectus or in any filed free writing prospectus is current only as of its date, regardless of the time of its delivery or of any sale of the ADSs.

We have not taken any action to permit a public offering of the ADSs outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the ADSs and the distribution of this prospectus outside the United States.

Until May 16, 2011 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in the ADSs, you should carefully read this entire prospectus, including our financial statements and related notes included in this prospectus and the information set forth under the headings Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations.

Our Business

We are the largest carrier-neutral Internet data center services provider in China as measured by revenues in 2009, according to data released by International Data Corporation, or IDC, a third-party research firm. We host our customers servers and networking equipment and provide interconnectivity to improve the performance, availability and security of their Internet infrastructure. We also provide managed network services to enable customers to deliver data across the Internet in a faster and more reliable manner through our extensive data transmission network and our proprietary BroadEx smart routing technology. We believe that the scale of our data center and networking assets positions us well to capture opportunities and become a leader in the rapidly emerging market for cloud computing infrastructure services in China.

Our infrastructure consists of our high-quality data centers and an extensive data transmission network. We operate 47 data centers located in 33 cities throughout China, including all of China s major Internet hubs, with over 5,700 cabinets under management housing over 39,000 servers. Our data transmission network includes more than 260 points of presence, or POPs. A POP refers to an access point from one place to the rest of the Internet. Most of our data centers and all of our POPs are connected by our private optical fibers network across China.

As a carrier-neutral Internet infrastructure services provider, our infrastructure is interconnected with the networks operated by all of China s telecommunications carriers, major non-carriers and local Internet service providers, or ISPs. This interconnectivity enables each of our data centers to function as a network access point for our customers data traffic. In addition, our proprietary BroadEx smart routing technology allows us to automatically select an optimized route to direct our customers data traffic to ensure fast and reliable data transmission. We believe this high-level interconnectivity within and beyond our network distinguishes us from our competitors and provides an effective solution to address our customers needs that arise from inadequate network interconnectivity in China.

We have a diversified and loyal customer base. As of December 31, 2010, we had more than 1,300 customers, including many leading Chinese and global companies operating in China across a broad range of industries. Our customers include Internet companies, government entities, blue-chip enterprises and small- to mid-sized enterprises. Our average monthly churn rate, or customer attrition rate, as measured by monthly recurring revenues was approximately 0.9% in 2010. Our monthly recurring revenue from our top 20 customers in 2010 has increased from RMB7.7 million (US$1.2 million) in January 2009 to RMB18.2 million (US$2.7 million) in December 2010.

Our net revenues increased from RMB240.8 million in 2008, to RMB313.6 million in 2009 and to RMB525.2 million (US$79.6 million) in 2010, representing a compound annual growth rate, or CAGR, of 47.7% from 2008 to 2010. The total number of cabinets under our management increased from 2,787 as of December 31, 2008 to 4,157 as of December 31, 2009 and to 5,750 as of December 31, 2010. Our average monthly recurring revenues increased from RMB20.7 million in 2008 to RMB24.4 million in 2009 and to RMB41.9 million (US$6.3 million) in 2010. We recorded a net profit from continuing operations of RMB10.6 million and RMB60.0 million in 2008 and 2009, respectively. Our net loss from continuing operations in 2010 was RMB234.7 million (US$35.6 million), which reflected share-based compensation expenses of RMB277.9 million (US$42.1 million).

1

Table of Contents

Our Industry

Demand for data center services is growing globally as well as in China. The rapid growth of China s data center services market is primarily driven by the following factors:

- increasing Internet penetration;
- increasing consumption of online media content;
- increasing mobile Internet usage;
- growing IT outsourcing by enterprises; and
- emergence of cloud computing.

Despite the growth of Internet services and applications, the public Internet infrastructure and interconnectivity of networks in China are still inadequate to handle the ever growing bandwidth requirements and data traffic. As a result, businesses are increasingly relying upon Internet infrastructure services providers and in particular, carrier-neutral Internet infrastructure services providers, to enhance and optimize key elements of their IT and network infrastructure.

According to IDC, the data center services market in China was US$667.1 million in 2009, a 22.7% increase over 2008, and is expected to reach US$1.9 billion by 2014, representing a five-year CAGR of 23.8%. Although carrier-operated data centers historically have held dominant positions in the data center services industry in China, the demand for carrier-neutral data center services is rapidly growing. According to IDC, the market share of carrier-neutral data centers in the total data center services market in China increased from 32.1% in 2008 to 35.1% in 2009.

Our Competitive Strengths and Strategies

We believe that the following key competitive strengths have contributed significantly to our success and differentiate us from our competitors:

- leading market position and strong brand recognition;
- premium data centers and extensive interconnected nationwide data transmission network;
- diversified and loyal customer base;

- strong focus on customer satisfaction and technological innovation;
- in-depth industry knowledge with strong research and development capabilities; and
- experienced and stable management team.

Our goal is to strengthen our leadership position in the Internet infrastructure service market in China. We intend to achieve our goal by pursuing the following strategies:

- increase the number of cabinets under management;
- expand and optimize our network;
- broaden our customer base and deepen customer relationships;
- capitalize on the growth opportunities in cloud computing;

Table of Contents

- develop a network ecosystem in China; and
- pursue strategic acquisitions, investments and alliances.

Our Challenges

We face risks and uncertainties, including those relating to the following:

- our ability to successfully implement our expansion plan;
- the reliability and quality of our infrastructure or services;
- our competition with, and dependency on, China Telecom and China Unicom for telecommunication resources;
- our ability to renew leases for our data centers on commercially reasonable terms;
- our business expansion, including the acquisition and integration of new businesses;
- our ability to attract new customers and retain existing customers;
- our ability to compete effectively;
- our transition to a publicly traded company;
- our ability to make technological advancements and respond to regulatory changes; and
- the potential demolition and relocation of our data centers due to government mandates.

See Risk Factors and Special Note Regarding Forward-Looking Statements for a discussion of these and other risks and uncertainties associated with our business and investing in our ADSs.

Our Corporate Structure

We commenced operations in 1999, and through a series of corporate restructurings, established a holding company, AsiaCloud Inc., in October 2009 under the laws of the Cayman Islands. AsiaCloud was formerly a wholly-owned subsidiary of aBitCool Inc., a company incorporated under the laws of the Cayman Islands. In October 2010, AsiaCloud effected a repurchase and cancellation of all its outstanding shares held by aBitCool and the issuance of ordinary shares and preferred shares to the shareholders of aBitCool so that they maintained their respective ownership interests in AsiaCloud directly. In connection with the restructuring, AsiaCloud changed its name to 21Vianet Group, Inc.

Due to certain restrictions under PRC law on foreign ownership of entities engaged in data center and telecommunications value-added services, we conduct our operations in China through contractual arrangements among 21Vianet Data Center Company Limited, or 21Vianet China, and Beijing aBitCool Network Technology Co., Ltd., or 21Vianet Technology, and the shareholders of 21Vianet Technology. As a result of these contractual arrangements, we control 21Vianet Technology and have consolidated the financial statements of 21Vianet Technology and its subsidiaries in our consolidated financial statements.

Table of Contents

The following diagram illustrates our current corporate structure:

(1) Messrs. Sheng Chen and Jun Zhang, our co-founders, hold approximately 70% and 30% of the equity interests in 21Vianet Technology, respectively, and are parties to the contractual agreements through which we conduct our operations in China.
(2) The remaining 49% of the equity interest in Shanghai Wantong is owned by a company affiliated with the Shanghai government.
(3) We have an option to acquire the remaining 49% of equity interests in ZBXT and CYSD by December 31, 2011.
(4) ZBXT has four subsidiaries in China: Xingyunhengtong Beijing Network Technology Co., Ltd., Fuzhou Yongjiahong Communication Technology Co., Ltd., Beijing Bikonghengtong Network Technology Co., Ltd. and Beijing Bozhiruihai Network Technology Co., Ltd.
(5) CYSD has one subsidiary in China: Jiu Jiang Zhongyatonglian Network Technology Co., Ltd.

Table of Contents

Corporate Information

Our principal executive offices are located at M5, 1 Jiuxianqiao East Road, Chaoyang District, Beijing, 100016, the People s Republic of China. Our telephone number at this address is +8610 8456 2121. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

Our website is *www.21vianet.com*. The information contained on our website is not a part of this prospectus. Our agent for service of process in the U.S. is Law Debenture Corporate Services Inc., located at 400 Madison Avenue, 4th Floor, New York, New York 10017.

Our Shareholding Structure

As of the date of this prospectus, we have ordinary shares and preferred shares. Immediately prior to the completion of this offering, our ordinary shares will be divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares will be entitled to one vote per share, while holders of Class B ordinary shares will be entitled to ten votes per share. Class A ordinary shares represented by our ADSs will be issued and sold in this offering. Immediately prior to the completion of this offering, all then outstanding ordinary shares and preferred shares will be automatically re-designated as Class B ordinary shares. See Description of Share Capital-Ordinary Shares for more detailed description of our Class A ordinary shares and Class B ordinary shares.

After the completion of this offering, our existing shareholders and management will continue to retain a majority of our aggregate voting power due to our dual-class voting structure. Assuming the underwriters do not exercise the over-allotment option, our existing shareholders and management will hold 244,515,330 Class B ordinary shares, representing 96.9% of our aggregate voting power, immediately after the completion of this offering. Upon the completion of this offering, our board of directors consists of five directors, including four existing directors and one independent director. We plan to appoint a second independent director within 90 days of this offering and have a majority independent board within one year of this offering.

Table of Contents

THE OFFERING

Offering price	US$15.00 per ADS.
ADSs offered by us	13,000,000 ADSs.
ADSs outstanding immediately after this offering	13,000,000 ADSs (or 14,950,000 ADSs if the over-allotment option is exercised in full).
Ordinary shares outstanding immediately after this offering	322,515,330 shares (or 334,215,330 shares if the over-allotment option is exercised in full), par value US$0.00001 per share, comprised of (i) 78,000,000 Class A ordinary shares (or 89,700,000 Class A ordinary shares in total if the over-allotment option is exercised in full) and (ii) 244,515,330 Class B ordinary shares.
Ordinary Shares	Immediately prior to the completion of this offering, our ordinary shares will consist of Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. In respect of matters requiring a shareholders vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares will be automatically converted into an equal number of Class A ordinary shares.
Over-allotment option	We have granted the underwriters an option, which is exercisable within 30 days from the date of this prospectus, to purchase up to an aggregate of 1,950,000 additional ADSs at the initial public offering price, less underwriting discounts and commissions.
The ADSs	Each ADS represents six Class A ordinary shares, par value US$0.00001 per share.
	The depositary will be the holder of the Class A ordinary shares underlying your ADSs and you will have rights as provided in the deposit agreement among us, the depositary and all holders and beneficial owners of ADSs from time to time.
	Although we do not expect to pay dividends in the foreseeable future, if we declare dividends on our Class A ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our Class A ordinary shares, after deducting its fees and expenses and subject to the terms and conditions set forth in the deposit agreement.

Table of Contents

	You may turn in your ADSs to the depositary in exchange for the Class A ordinary shares underlying your ADSs. The depositary will charge you fees for any exchange.
	We may amend or terminate the deposit agreement without your consent, and if you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended.
	You should carefully read the section in this prospectus entitled Description of American Depositary Shares to better understand the terms of the ADSs. You should also read the deposit agreement, which is an exhibit to the registration statement that includes this prospectus.
Use of proceeds	Our net proceeds from this offering are expected to be approximately US$177.2 million, or approximately US$204.4 million if the underwriters exercise their over-allotment option to purchase additional ADSs in full, based on the initial public offering price of US$15.00 per ADS, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. We anticipate using the proceeds as follows: approximately US$70.0 million to expand our data center infrastructure; approximately US$30.0 million to expand our network infrastructure; and the remaining amount to fund working capital and for other general corporate purposes, including research and development, and strategic investments in, and acquisitions of, complementary businesses.
Listing	We have been approved to have the ADSs listed on the NASDAQ Global Market.
Proposed NASDAQ Global Market symbol	VNET
Depositary	Citibank, N.A.
Lock-up	We, our directors, executive officers, existing shareholders and certain of our option holders have agreed with the underwriters not to sell, transfer or otherwise dispose of any of our ordinary shares or ADSs representing our ordinary shares for 180 days after the date of this prospectus. In addition, we have instructed Citibank N.A., as depositary, not to accept any deposit of any ordinary shares or issue any ADSs for 180 days after the date of this prospectus (other than in connection with this offering), unless we instruct the depositary otherwise. See Underwriting.
Reserved ADSs	At our request, the underwriters have reserved for sale, at the initial public offering price, up to an aggregate of 625,000 ADSs offered in this offering to some of our directors, officers, employees, business associates and related persons through a directed share program.

7

Table of Contents

Risk factors	See Risk Factors and other information included in this prospectus for a discussion of risks you should carefully consider before investing in our ADSs.

The number of ordinary shares that will be outstanding immediately after this offering:

assumes no exercise of the underwriters over-allotment option to purchase additional ADSs;

assumes the conversion of all outstanding preferred shares into 148,162,920 Class B ordinary shares immediately prior to the completion of this offering;

excludes 25,639,510 Class A ordinary shares issuable upon the exercise of outstanding options as of the date of this prospectus under our 2010 share incentive plan, as amended, at a weighted average exercise price of approximately US$0.15 per ordinary share;

excludes 10,946,120 Class A ordinary shares reserved for future issuance under our 2010 share incentive plan; and

gives effect to a 10-for-1 share split that became effective on March 31, 2011.

Table of Contents

SUMMARY CONSOLIDATED FINANCIAL DATA AND OPERATING DATA

You should read the following information concerning us in conjunction with our consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

Our summary consolidated financial data presented below for the years ended December 31, 2008, 2009 and 2010 and our balance sheet data as of December 31, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our balance sheet data as of December 31, 2008 have been derived from our audited financial statements not included in this prospectus. Our audited consolidated financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America, or U.S. GAAP. Our historical results are not necessarily indicative of our results for future periods.

	For the Year Ended December 31,			
	2008	2009	2010	
	RMB	RMB	RMB	US$
	(in thousands, except share, per share data)			
Consolidated Statement of Operations Data:				
Net revenues				
Hosting and related services	213,181	284,780	374,946	56,810
Managed network services	27,590	28,855	150,257	22,766
Total net revenues	240,771	313,635	525,203	79,576
Cost of revenues[1]	(174,598)	(229,304)	(396,858)	(60,130)
Gross profit	66,173	84,331	128,345	19,446
Operating expenses:				
Sales and marketing expenses[1]	(21,125)	(24,132)	(51,392)	(7,787)
General and administrative expenses[1]	(31,823)	(25,457)	(282,298)	(42,772)
Research and development costs[1]	(5,858)	(7,607)	(19,924)	(3,019)
Changes in the fair value of contingent purchase consideration payable			(7,537)	(1,142)
Operating profit (loss)	7,367	27,135	(232,806)	(35,274)
Net profit (loss) from continuing operations	10,608	59,981	(234,715)	(35,563)
Loss from discontinued operations	(28,566)	(63,910)	(12,952)	(1,962)
Net loss	(17,958)	(3,929)	(247,667)	(37,525)
Net loss attributable to non-controlling interest	(295)	(1,990)	(7,722)	(1,170)
Net loss attributable to ordinary shareholders	(18,253)	(5,919)	(255,389)	(38,695)
Earning (loss) per share:				
Net profit (loss) from continuing operations	0.14	0.81	(3.39)	&nb