Tsinghua Unigroup’s Bid for 21Vianet Still Alive

BEIJING, CHINA, December 3, 2015 /EINPresswire.com/ -- On June 10th of this year, 21Vianet Group (NASDAQ: VNET) announced that the company had received a non-binding proposal from company founder Mr. Josh Sheng, Kingsoft Corporation, and Tsinghua Unigroup (the “Buyer Group”) proposing a “going private” transaction to acquire all of the available outstanding shares of the company for $23.00 USD in cash per American depositary share (ADS). 21Vianet is the largest carrier-neutral Internet data center services provider in China, operating in 33 cities throughout China. The company provides hosting and related services, managed network services, and cloud computing infrastructure services.

During June of this year, the Shanghai Composite Index reached a 7-year high of 5,178, up from the low 2,000s just two years earlier. During the first half of 2015 over two dozen Chinese companies trading on American exchanges announced privatization plans, believing that by delisting in the US and re-listing in China, their shares would trade at a substantial premium in China’s A-share market. Mainland China’s A-shares typically trade for upwards of an 80% premium over comparable shares in Honk Kong. Additionally, the government has been easing its listing requirements as of late. Re-listing in China would have been a major coup for Mr. Sheng, who would have seen his sizable personal fortune nearly double overnight.

Shortly after the privatization proposal was announced, the Shanghai Composite saw a 34% plunge between June and September. While the market has stabilized and rebounded somewhat, Monday’s 5.5% selloff was a stark reminder of the volatility still remaining in the Chinese market. This volatility has seen most of the two dozen privatization plans placed on hold, if not scrapped altogether because the risk-reward ratio has declined significantly.

21Vianet’s plans have been stalled in discussions for months now partly due to the Chinese market’s volatility and partly due to Tsinghua Unigroup’s primary focus of becoming a global chips leader, which is seen as a strategic priority by the Chinese government. The company is planning to spend $47 billion within the next five years in its efforts to become the world’s third largest chipmaker. All is not doomed for 21Vianet though. Should the company’s shares trading in the United States fall to the low $15s as seen earlier this summer, the impetus to privatize would once again take hold, but not at the soaring $23 per ADS seen in June’s non-binding offer, but a more realistic $18 to $19 USD range.

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