

China's 21Vianet (NASDAQ: VNET) Accused of Accounting Fraud...Again

BEIJING, CHINA, December 7, 2015 /EINPresswire.com/ -- On Friday, Wall Street's financial news analysis service Street Insider (www.streetinsider.com) noted that a research firm Street Watchdog has reported China's 21Vianet Group, Inc. to the US Securities and Exchange Commission (SEC) for accounting fraud. According to Street Insider, the SEC has confirmed receipt of the fraud complaint.

The research firm set a sell rating and a \$13 price target for 21Vianet. During the previous week, JP Morgan downgraded 21Vianet from Overweight to Neutral and lowered its price target to \$21.00.

In the report issued on November 25th, Street Watchdog says that in its review of 21Vianet's financial statements, it "observed a consistent pattern of overinflating top line revenues and/or understating bottom line losses over multiple quarters for several years, including the current year to mask softness in its Chinese market." Additionally, the company's numbers in the local currency (the Renminbi) "did not exhibit this pattern." Because the irregularities were not due to foreign currency gains or losses, the research firm concluded that 21Vianet was deliberately manipulating the US market "to either show top line growth or hit EPS estimates."

According to the research firm, for fiscal year 2011, three of the four quarters showed inflated revenues. Fiscal year 2012 had inflated revenues for two of the quarters and inflated profits for three of the quarters. Fiscal year 2013 had inflated revenues for three of the quarters and inflated profits for two of the quarters. For fiscal year 2013, the company's reported profit was inflated by a whopping 52%, which would imply that the company's stock price was trading much higher than it should have been. Fiscal year 2014 showed inflated revenues for two of the quarters, and even this current fiscal year (FY 2015) shows "understated losses" so far.

Street Watchdog noted that it was not the first company to accuse 21Vianet of accounting fraud, but it was the first company to report it to the SEC.

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