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Executives:
Engr. Ahmad Abdulla AL-Muslemani – Chief Executive Officer
Mr. James Corby - Chief Financial Officer
Yaman AlJundi – Head of Investor Relations

Operator: Hello and welcome to the MEEZA Conference Call. I would like to advise all participants that this call is being recorded. Thank you.

I'd now like to welcome Phibion Makuwerere to begin the conference. Phibion, over to you.

Phibion Makuwerere: Thank you. Good afternoon. My name is Phibion Makuwerere from QNB Financial Services and thank you all for joining us for MEEZA's Maiden Conference Call. Please note that this is a pre-IPO call, and it is a report back on 2Q and 1H 2023.

On today's call, we have three members from MEEZA's management team. We have Engr. Ahmad Abdulla AL-Muslemani, who is the chief executive officer, and we've got Mr. James Corby, the chief financial officer, we also have got the head of IR, who is Yaman AlJundi. As usual, management will go over the performance and we'll have a Q&A session immediately after.

I will now turn over the call to Yaman to begin. Over to you, Yaman.

Yaman AlJundi: Thank you, Phibion, and thank you to everyone for joining us on MEEZA's First Investor Relations Conference Call.

My name is Yaman AlJundi, and I'll be leading the Investor Relations efforts here at MEEZA. So, I look forward to working with all of you in the coming months, Inshallah. While we're still waiting for official approvals for our listing, we decided to go ahead and hold our first call following our H1 results press announcement in the spirit of transparency and to kick start the engagement with our investor community.

The investor presentation is available in the e-mail invitation sent by QNB Financial Services, and it's also available in the Investor Relations section of MEEZA's website @ meeza.net. Before we begin, I'd like to turn your attention to our disclaimer on Slide 2, which is an integral part of this presentation regarding any information provided and any forward-looking statements made.

I will now hand it over to our CEO, Engr. Ahmad AL-Muslemani.

Engr. Ahmad Abdulla AL-Musleman: Thank you, Yaman, and welcome everyone to MEEZA's First Investor Conference Call. We're excited to be listed soon on the Qatar Stock Exchange and we look forward to interacting with you regularly to update you on MEEZA's progress.

Beginning with Slide 4, let me first brief you on MEEZA's operations. MEEZA is established in 2008 as the Qatar Foundation joint venture providing end-to-end Managed IT Services & Solution provider on Qatar. We operate five state-of-the-art data centre called M-VAULTs and we offer tailored managed IT services, solution services, workplace services, security & cloud services as well. We are also master's system integrator for mega projects like Mshereib's Smart City. The majority of our contracts are long term, and our client base is composed of strategic government entities, international hyperscale's and large corporates. We are excited that MEEZA is the first public IT specialized company in Qatar and as you know, we have recently completed an oversubscribed IPO book building that valued the company at more than QR 1.4 billion.

Moving to slide 5 and speaking of our IPO, we successfully offered 50% of our share capital in Qatar's first-ever book building IPO. There was very healthy demand, especially from the retail side who subscribed to 111% of the offered share. We also added several strategic qualified investors during the book-building process. 50% of our shares remain with our founders Qatar Foundation and Ooredoo, while 31% are with individuals and remaining with our qualified investors who make up governmental and corporate entities.

Our listing data expected in August, Inshallah. As we are coordinating with the relevant regulatory authorities to finalize the final technical arrangement to set the listing date of its shares on the Qatar Stock Exchange. The company will make an official announcement when the listing date is set.

Now, for a quick overview of our achievements in the first half. On slide 6, we are proud to say that we achieved the highest ever H1 results in the company's history with 42% growth in revenues and 18% growth in net profits to reach QR 29.7 million. We have a strong sales pipeline that generates a healthy new contract value, as we now have over QR 1.3 billion as committed value over the next 11 years. Our commercial team also onboarded two new clients to our data centre services.

On the technical side, we successfully completed the migration of our clients from the old government cloud to our new MEEZA cloud. We also signed the strategic partnership with Ajlan Tech and Saudi Arabia to open new opportunities in the Saudi market. And we are proud to have launched MEEZA Academy to reinforce the capabilities of young professionals and our local ICT market.

I will now turn it to James, who will go into more detail of our financial results.

James Corby: Great. Thank you, Ahmad. Good afternoon, ladies and gentlemen, and welcome to our first call. We're on slide 7 and in the coming slides, we'll go to H1 and Q2 FY23 financial performance. So, starting off now on slide eight, looking at H1 FY23 versus H1 FY22, total revenue grew 41.9% or QR 65.5 million and that was led by the managed services revenue growth of 47%, and primarily solution services growth of 180%. Expenses grew QR 62.9 million or 66.4% due to higher revenue, revenue mix, so more solutions revenue at lower margin expansion costs are one-off in FY22 and that was partially offset by a cost optimization program which continues and started in 2019-2020.

EBITDA QR 2.6 million higher and that was led by the revenue growth and the EBITDA margin of 28.9% declining 10.5pp year-on-year primarily due to that revenue mix, a higher contribution of lower margin solutions revenue. Net profit was 17.8% higher following the EBITDA flow through lower depreciation and lower net financing costs.

Moving to slide 9, where we focused on Q2 of this year versus FY22 Q2. Total revenue grew 75% or QR 54.9 million led by solutions growth and managed services. Again, expenses QR 53.7 million or 140% higher primarily due to the growth in revenue and as a result, the cost of sales grew. We also have revenue mix impact as well as the one-off in FY22. EBITDA QR 1.3 million higher due to higher revenue and again the same movement margin of 28.2% or 19.4% lower year-on-year, primarily coming from the revenue mix. Net profit 1.6% higher following the EBITDA flow through partially offset by higher depreciation.

Moving to slide 10, we can see H1's performance and the performance of the last five years of H1. Starting you can see as we presented previously, you can see a 41.9% growth in revenue from H1 FY23, FY22, led by solutions and managed services and net profit growing by 17.8% from FY22 to FY23, but the trends moving all in the right direction.

Slide 11 shows the quarter-on-quarter trend for the last six quarters. Again, here we show that the revenue is growing by 37% quarter-on-quarter and net profit growing by 73% quarter-on-quarter. Again, we can see a growth in revenue over the last six quarters and net profit moving in the right direction.

If we then move to Slide 12, which is the capital expenditure, we have CAPEX and the Return of Capital Employed. The CAPEX in FY20 and 21 was impacted by the construction of MV2 Extension as well as the internal modifications of our existing MV2 data centre as well as the construction of MV4 data centre. And the CAPEX in FY22 is impacted by the construction of MV5 data centre. Return of capital employed is increasing from 5% in December 2019 to 8% in June 2023, driven by the growth of higher margin services.

Slide 13, cash flow from operations. This is cash generated from operations as per the statement of cash flows, net of the lease payments, lower cash in 2019 and 2021 driven by working capital or impacted by working capital movements. And a very strong performance in H1 of this year driven by collections and the timing of payables. Looking at net debt or net cash and obviously, we have a net cash position, the net cash position is positive, and we have QR 263 million cash on hand.

With that, we come to the end of our presentation, and we move to the question section.

Operator: Thank you. If you would like to ask a question, simply press the star followed by the number one on your telephone keypad. That is star one to ask a question. As a reminder, if you'd like to ask a question, please press the star followed by the number one on your telephone keypad.

Our first question comes on the line of Gus Chehayeb from Sancta Capital, please go ahead with your question.

Gus Chehayeb: Hi, there. Hi, gentlemen. Thank you very much, Ahmad and James for the very informative call and congratulations on the strong first half results.

I have a few questions. I wanted to start off by asking about, obviously, growth in the solutions business was very strong in the first half in terms of revenues. What is the EBITDA margin on the solutions business for the first half or the second quarter if you can give us an idea of that in the EBITDA margin decline for the prior business?

James Corby: Hi, yes, we'll give you the gross margin of approximately 15.

Gus Chehayeb: 15% EBITDA margins? Okay, margin. And James, would you remind me what is the margin on the data centre business for the first half?

James Corby: Yes. Just hold on one second.

Gus Chehayeb: Sure.

James Corby: Yes. From a gross margin perspective, including depreciation, 45 to 50%.

Gus Chehayeb: Got it. Thank you. And just curious, obviously there's a lot of demand of long-term customers in data centre business, but we noticed that the revenue was kind of pretty much flat half over half year-over-year this first half versus same first half last year. And the data centre business, can you help us understand that there was a slight dip in revenues? What's driving that? There's just ancillary services and data centres just to repeat for this year.

James Corby: Yes, just primarily capacities remain relatively flat through the period.

Gus Chehayeb: Okay. Thank you.

James Corby: For that, yes, so we obviously have some spare capacity.

Gus Chehayeb: I have a couple more. Yes, I got you. Thank you. And just a couple more, if that's okay or I could step back in the queue. But I wanted to ask you, I mean there's a big drop off in CAPEX in 2022. James, you highlighted the driver of the 2022 CAPEX for the MV5 data centre. But there's also been kind of a big slowdown on CAPEX in the first half of this year, and obviously data centre, there's a bit of demand for that. So, why is there such a big drop off and why is there kind of a delay, I guess if capacity expansion and CAPEX deployment.

James Corby: Yes, in relation to the drop-off in CAPEX that our core run CAPEX is about QR 25 to 30 million a year. So, we expected to pick up obviously in H2. In terms of data centre, spend that's driven obviously by demand.

Gus Chehayeb: Yes. Thanks, James. And I know that it's driven by demand and demand is strong. So, I'm just wondering why I guess CAPEX spending has slowed down. Is it just licensing or plans are still being drawn up with the capacity of your plan to bring online. Because you've outlined over the next two or three years you would into bring on an extra 8 MW of capacity in data centres. So, just wondering if those plans have been pushed out a little bit and if you could help us understand kind of more granular detail. When that date is going to come online over the next 2 to 3 years, kind of, if we can help us model that out would be helpful. Thank you.

James Corby: So, we expect to float an RFP soon for the expansion plan. And the plan is still as communicated previously.

Gus Chehayeb: Okay. So, as of now, you're not able to kind of give a little bit more detail about the capacity expansions and the timing?

James Corby: Not right this minute. But we will come back to you in due course when we are probably in the next quarter.

Gus Chehayeb: Okay. Is it fair to say, sorry, I'll just kind of confirmation. Is it fair to say that the guidance that you gave in your offering materials for the capacity expansion over the next 2 to 3 years of 8 MW, is that still a fair assessment? Is that, can we still assume that's the case or are things being changed?

James Corby: Yes.

Gus Chehayeb: Okay. Thank you very much. Okay. Thank you, gentlemen.

James Corby: Thank you.

Operator: Thank you. Our next question comes from the line of Zohaib Pervez, please go ahead with your question.

Zohaib Pervez: Thank you, gentlemen. This is Zohaib Pervez from Al Rayan Investment. I have a question on your competition. Recently, Google also launched its cloud services in Qatar. So, how is that competition shaping up for your business segment?

My second question is, could you remind us of what's your CAPEX requirement is for the next couple of years? Thank you.

Engr. Ahmad Abdulla AL-Musleman: So, regarding the competition with Google Cloud, I mean, our media cloud is mainly tailored to the government and local requirements. So, there is not such any direct competition, I would say with Google.

Operator: Thank you. Our next question comes from the line of Ramesh Babu from HSBC, please go ahead with your question.

Ramesh Babu: Yes. Hello. Congratulations on the stellar performance. My first question is on solutions, what is the reason for the extraordinary performance from solution segment. And follow up to that question is like and what would be your steady state margin in the near term?

James Corby: Just one second. I'll just go back to the CAPEX requirement question from the last participant, it would be between QR 450 million with the data centre expansion plan. And if you could just repeat your question, please?

James Corby: So, to answer the solutions question, the driver of that is primarily a large government contract and typically solutions margin is between 15 and 20% because it's a very competitive industry within Qatar.

Ramesh Babu: Yes Actually, my question on the margin is on the group margins. So, with the higher performance, better performance of solution compared to other segments, how does it dilute your overall margin and what are the steady state margin you are expecting in the near term?

James Corby: Okay. Just give us a second, we'll come back. Yes, the steady state EBITDA margin is between 30 and 35%.

Ramesh Babu: Sure. Thank you. That's it for me.

James Corby: Thanks.

Operator: Thank you. As a reminder, if you would like to ask a question, please press the star followed by the one on your telephone.

We have a follow up question from Gus Chehayeb from Sancta Capital, please go ahead with your question.

Gus Chehayeb: Thank you. Just a final question about depreciation. James, can you help us understand, I guess, how can we think about depreciation or the useful life across your segments of dataset centres? For example, what would be the useful life that we can use to assume depreciation, and what is the useful life I guess of the data centres? And then, the rest of the business, if you kind of look at that standalone or the useful life there. Just might be helpful in terms of looking at depreciation year-over-year.

James Corby: Yes. I mean, you can take our depreciation rates from the financial statements. But broadly, data centres can be depreciated, and you ever seen 15 and 25 years, so average 20 depending on obviously what goes into it. And then, our other CAPEX on average depreciated about over 5 years.

Gus Chehayeb: Got it. Okay. Thank you very much.

Operator: There are no further questions at this time, I'll now hand the call back to Mr. Phibion Makuwerere, please go ahead with any final remarks.

Phibion Makuwerere: Thank you, Bavesh. If there are no further questions, I will now wrap up the call. Thank you for joining us and I would like to thank the management team for addressing investor questions. Please join us for the third quarter conference call and we hope that by then, MEEZA would be listed. Have a good afternoon.

Operator: Thank you. Thank you so much, gentlemen. This concludes today's conference call. You may now disconnect.