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Mr. James Corby - Chief Financial Officer
Dr. Fadi Nasser - Chief Commercial Officer
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Operator: Hello and welcome to the MEEZA Third Quarter 2023 Earnings 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, Gavin. Good morning to you all and thank you for joining us for MEEZA's Third Quarter and Nine Months 2023 Earnings Conference Call. My name is Phibion Makuwerere, a senior research analyst at QNB Financial Services. On today's call, we have four members from the MEEZA's management team. We have Mohsin Al-Marri, who is the acting chief executive officer; James Corby, the chief financial officer; Fadi Nasser, the chief commercial officer; and we have Yaman AlJundi, the head of IR. As usual, management will go over the performance and a Q&A session will follow immediately after.

I will now turn over the call to Yaman to begin the call. Please go ahead, sir.

Yaman AlJundi: Thank you, Phibion, and thank you to everyone for joining us. Just two points before we begin. The Investor Presentation is available on the Investor Relations section of MEEZA's website. If you don't already have it. And I'd also like to remind you of the disclaimer on slide two. It's an integral part of this presentation concerning any information provided and any forward-looking statements made. I'll now hand it over to Mr. Mohsin.

Mohsin Al-Marri: Bismillah Hir Rahman Nir Rahim. Thank you, Yaman, and welcome everyone to MEEZA's first investor conference call. We are excited to finally be listed on the Qatar Stock Exchange and we look forward to engaging with you regularly. My name is Mr. Mohsin Al-Marri and I'm the acting CEO after my previous colleague, Engineer Ahmed Al-Muslimani was appointed by his Highness, the Emir of Qatar, to the Presidency of Communication Regulatory Authority.

MEEZA is continuing with the same passion and direction to achieve its ambitious goals.

Beginning with the slide number four. Let us again start with a brief overview of MEEZA since we may have some attendees who are new to the company. MEEZA was established in 2008 as a Qatar Foundation joint venture providing end-to-end managed IT services and solution provider in Qatar. We're excited that MEEZA is the first public pure IT specialized company in Qatar and, as you know, we listed after completing an oversubscribed IPO through a book-building exercise. Currently, our market value is up from its IPO valuation to currently being around QR 1.6 billion.

Now reviewing the main highlights from the first nine months of 2023 on slide number five. Our revenue surpassed the QR 300 million milestone for the first time in the company's history, with a 24 growth in revenue and 29 growth in net profit to reach QR 46 million. We have a strong sales pipeline that generated a healthy new contract value as we now have over QR 1.2 billion in committed value over the next 10-plus years. Also, we recently issued a request for a proposal for our ambitious data center expansion plan. We are happy to see our shares price outperform the market since we listed, which is a testament to investor trust and our book-building exercise. We have also undergone an internal transformation to upgrade the company's standards of governance required to protect our shareholders and optimize our workflows.

I will now turn it over to Dr. Fadi, our chief commercial officer, who will give you a brief overview of our services, revenue mix, and business model to add more color to our services portfolio before we get into the financial performance with my colleague, James Corby, our CFO.

Dr. Fadi Nasser: Thank you, Mr. Mohsin. Good morning, everybody. A pleasure being here with you this morning. Since we're doing this for the first time, we thought it would be adequate to just reintroduce the business lines and the business models in which MEEZA operates today. These are the main product lines or service mixes that we offer in the market. We start with the top left, Data Center Services. These are our purpose-built, special, state-of-the-art data centers where we host many of the government infrastructure, a lot of the global hyper-scaler platforms, the social media service providers, a lot of the regional telcos, they're all hosted in our data centers. By nature of this relationship and the types of clients, contracts tend to be long-term. We're talking about 10, 12 or 15 years in most of the cases with renewable options for 5+5. The nature of the business model includes recurring revenue streams. So monthly recurring revenues is the de facto business model for Data Center Services. This is one of our cornerstone product lines where we enjoy a healthy higher margin on this product line.

Next to it in blue is the Cloud Services. Obviously, cloud has been a big trend in the region with the likes of Amazon, Microsoft, and Google all landing in the region including Qatar today. We offer our customers the ability to either host or operate their services in the cloud. The nature of the contracts tends to be three to five, maybe seven years. The business model includes a mix of non-recurring as well as monthly recurring revenues. The non-recurring happens in the form of a setup. The margins tend to be in the mid-range.

Managed IT Services is the form of media taking over the control for clients' hardware and software platforms. The nature of the contracts also tends to be in the five to seven-year range. They do also include a mixture of non-recurring as well as monthly recurring revenues. Margins are equally in the mid-range.

Solutions in green. Solutions is where we do system integration where we, on behalf of clients, put together hardware and specialized software. In most cases, we deliver and walk away. Operation or management of such solutions is not required. You might think of this when we deal with sensitive clients that require their own operations, but these clients put their trust in MEEZA to deliver the solution, custom build, and walk away. By virtue of that, the length of the contract happens to be short to mid-range. Once you've delivered, there's no long-term operations built into the solutions bucket itself. There's no monthly recurring revenues. It all happens in milestones and non-recurring revenue streams. Margins on this tend to be lower than the other mix of services.

Workplace Services, number five, is where we provide on-premise services for clients whether it's skilled resources or dedicated IT environments. The nature of the contract also is mid-term. We're talking about three to five years. It does include a managed recurring revenue stream because we're providing the management for these resources on the premise for the clients. The margin, because of the management component, happens to be better than the Solution Services and it tends to be in the mid-range.

Lastly, whenever we talk about smart cities and large-scale e-government digital transformation programs, these all land in the MSI bucket of services. This is a large-scale mix of solutions and managed IT services. The nature of these engagements, because of the complexity and the scale, happen to be mid- to long-term. The service mix, the revenue mix, is a combination of non-recurring revenues for the solution part as well as monthly recurring revenues because of the ongoing operations management. Margins happen to be a mix of two. More often than not, they're in the mid-range. This is the business models and service mix.

I just wanted to share a quick map of what we spoke about on our services against the global and regional IT trends on the next page and try to build together a mapping of the regional trends and how our services are aligned with the trends. If you look at the first square over to the top left, AI and GP, it's not lost on anybody today that AI is just sweeping the world. We started hearing about this in November 2022 when ChatGPT 3.5 was first introduced to the world. We all know there's a lot of AI development that's been happening behind the scenes for 20, 30 years prior, but it became a consumer-grade commercial product around November 2022.

What this is doing, this is causing pressure across the world on the supply chain of silicon. Everybody is demanding more GPUs so we can crunch massive amounts of data and run the algorithms required for AI and LLMs to come up with the intuitive interfaces that ChatGPT and Google Bard enjoy today. Supply of silicon is in high demand. Data storage needed for AI models, there's a lot of pressure on data storage and there's also a lot of pressure on energy supply. These GPUs, these dedicated silicon for AI applications require a lot of energy to run and then they require an equal amount of energy to be cooled off. When you look at all of this, this means many clients that require AI and many clients that are trying to adopt AI today are unable to do this on their own. They're unable to procure the hardware, the software, the energy, put it together and be able to enjoy AI benefits. Hence, we expect a trend to continue for service providers such as MEEZA to be able to help clients by providing them with AI infrastructure for them to just run their applications on top of.

The second trend that's happening is the adoption of cloud computing and the progress happening in the regulatory frameworks around the globe and the GCC, including Qatar. You've probably heard about the Cloud First Act whereby customers from government section to local enterprises, everybody's encouraged to look at cloud, how will cloud improve their scale, improve their economics of the IT infrastructure. So that's happening, but what we're excited about is the Data Classification Act. So data classification tells these clients what parts of their data and applications are fit for the public cloud at large, what parts can run in the cloud, but they have to be within the country. And anytime we talk about cloud within the boundaries of the state of Qatar, MEEZA has been there the longest and we like where we sit in the supply chain of cloud computing services.

The third trend is the big data proliferation. We spoke about AI, but even before AI became a thing, data is all around us. You've probably heard the phrase data is the new black oil. It's all around us. It's not just in the form of data on your laptop and servers and cloud storage. When we look at smart buildings and e-government services, that's all running on data. When we look at smart CCTV cameras in the streets, that's all video data. When we talk about natural language processing and interfacing with your CV or digital assistant on your phone, that's all voice data. So data comes in all kinds of shapes and forms and it's a ferocious cycle right now and customers are unable to keep up with the demand for more data. Hence, this becomes a driver for customers to look at managed services provider that can help them scale up their data requirements without having to procure the environment themselves.

Lastly, cyber security and then the doubling of the data center capacity. In terms of security, when we talk about data, when we talk about infrastructure, when we talk about cloud, well all of that needs to be secured. Now it's no longer something that customers have under their own control in their own building, basement perhaps. This needs proper security monitoring around the clock and it's no longer just the IT data. It's no longer the data that runs on your mobile phones and laptops, but we're talking about OT data, the operational technologies data that is becoming a mega trend in terms of requiring cyber security frameworks because OT data is generated by critical infrastructure. I'll give you a quick example. When we look at oil and gas facilities, when we look at airports, when we look at smart buildings, all these controllers, the non-IT controllers that make sure the air traffic systems are running, that make sure the oil pumps continue to run, the sensors, the building access controllers, these are non-IT technologies. They produce OT, operational data that requires just the same cyber security monitoring around the clock. This is a megatrend that's upon us now for the last couple of years and MEEZA is well-positioned in terms of providing hybrid cybersecurity services for both IT and OT.

Lastly, like us, you've been attending any of the data center conferences around the world, it is a common message that we're expecting by 2025 a doubling of data center capacity around the globe. AI is adding a lot of pressure on this. There's more need for more data centers, more power in these data centers, but even before AI was a thing with content and e-gaming and cloud computing around the world becoming a mature set of requirements, data centers are expected to need 60, 65 gigawatts of capacity coming online by 2025. This is just a quick picture of the global and regional trends.

With this, I'll hand it over to our CFO, Mr. James.

James Corby: Great. Thank you, Fadi. Good morning. I'm James Corby, the MEEZA CFO. We're on slide nine and we'll go over the financial results for the nine months ended 30th September 2023, as well as Q3 of this year. On slide 10, we show the year-to-date financial performance for FY23 versus the year-to-date of FY2022.

Total revenue of QR 311 million grew QR 59.8 million or 23.8% year-on-year. This was driven by Solution Services and Managed Services. Expenses, excluding depreciation, increased QR 56.2 million or 34.6% year-on-year, primarily due to that higher revenue and the mix of revenue with more lower margin Solution revenue.

EBITDA of QR 92.8 million grew QR 3.7 million or 4.1% led by higher revenue. The EBITDA margin for the nine month period was 29.8%, a 5.6 ppts drop year-on-year, primarily due to revenue mix.

Net profit reached QR 46 million, increasing QR 10.4 million or 29% year-on-year, following EBITDA flow, also impacted by lower depreciation and higher finance income.

Moving to slide 11, where we have the nine month financial performance for the last four years. Revenue and net profit have increased year-on-year since FY20. Data Center and Managed Services revenue segments, the primary recurring segments, have both grown at a CAGR of 12.9% since 2020. Year-to-date year-on-year revenue growth of 24% is led by a 92% increase in Solution Services revenue and a 32% in Managed Services revenue, partially offset by decline in Workplace Services and MSI revenue. Year-to-date net profit increased 29% year-on-year, primarily due to higher revenue, higher finance income, and lower OPEX.

Moving to slide 12, showing the financial performance of Q3 this year versus Q3 FY22. Typically, Q3 is seasonally a slower quarter due to the summer. Q3 total revenue declined 5.7% or 5.9% year-on-year, primarily due to timing of Solution Services and lower MSI revenue. Expenses excluding depreciation declined by QR 6.8 million or by 10%, primarily due to lower revenue mix and cost optimization. Despite a revenue decline, EBITDA grew QR 1.1 million or 4% year-on-year due to revenue mix and cost optimization, and the EBITDA margin for Q3 was 32%, increasing 3.1 ppts year-on-year. Net profit of QR 16.3 million for the quarter is a QR 5.9 million increase or 56% higher year-on-year, following the EBITDA flow-through, lower depreciation, and higher finance income.

Slide 13 shows MEEZA's capital expenditures for the past three years with FY23 being for the nine months and the return on capital employed to the right. FY20 and 21 CapEx was impacted by the construction of MV2 extension and MV4. FY22 CapEx is higher than FY23 due to the construction of MV5. The FY23 CapEx is primarily made up of maintenance CapEx and then looking to the right, return on capital employed increases from 5% in December 2020 to 8% in September 2023, driven by growth of higher margin services. Our target ROCE is between 10% and 15%, which we expect to be delivered by growth in our recurring revenue segments.

Slide 14 shows MEEZA's cash flow from operations for the nine months ended 30th September for the past four years. The negative cash flow from operations in FY21 is primarily driven by working capital movements. In FY23 the cash flow from operations reached QR 89.7 million, primarily driven by collections and the timing of our payables. MEEZA's net cash position is QR 116.9 million as of 30th September with QR 258.6 million cash on hand.

Going to slide 15, which is a new slide showing the EBITDA margin and net profit margin for the nine months ended 30th September for the past four years. MEEZA's EBITDA margin excluding network as a service has increased by 2.6 ppts since FY20 driven by our revenue mix and cost optimization. And net profit has expanded by 4.5 ppts since FY20 driven by EBITDA flow-through, higher returns from capital expenditure, and higher finance income.

That is the end of our presentation, and we are now accepting questions.

Operator: If you wish to ask a question please press star followed by one on your telephone and wait for your name to be announced. That is star one if you wish to ask a question. And your first question comes from Mark Krombas of TFI. Your line is open.

Mark Krombas: Thank you very much for this initiative in doing this call. I was wondering if you could spend a little time on the outlook and the pipeline to talk about it for Solutions first and then perhaps the other businesses, and what sort of visibility you have for the coming 24 months, and what the outlook is and where you are confident that you can sustain this business?

Dr. Fadi Nasser: All right, I can take that. If I may repeat, Solutions Services for the next 12 months or 12 to 24 months. Okay, if I understood that correctly.

Mark Krombas: I mean Solutions is a shorter-term pipeline. So I just was more interested to know what visibility you have on the pipeline for the next period. But then you could apply your outlook for all the divisions would be helpful.

Dr. Fadi Nasser: Okay, spot on. Solutions Services, despite the short-term nature of the Solutions, we still have a good number of major activities, major projects that we are currently in mature stage discussions with across the defense industry, across the government and public sector where MEEZA's presence and credit worthiness from a technology perspective lends us to the delivery of such solutions. So when we look at the pipeline, the sales pipeline that we have today, we have no shortage of three to four major opportunities that are in mature stage discussions, mature tendering discussions that also include one large smart city opportunity that's currently happening in Qatar. We like our chances when it comes to smart cities because we have three such engagements to our name and we are the only ones in Qatar that have end-to-end smart campus and smart city engagements to our name in the state of Qatar. We've been doing this since 2013. So when we look forward 12 to 24 months, we have a good size of solution opportunity pipeline to keep this trend growing, at least sustaining if not growing.

When we look at the Data Centers and the Managed Services, that's a different pipeline altogether. That's growing the Data Centers and we could talk about this more later on but for now we're experiencing growth from the hyper-scalers, we're experiencing growth from the social media providers. These mega consumers of Data Centers, they care about the power, the supply and the tariffs, the rate, the charges, the cost for that power. And these are things that we have a significant advantage of when we look at the State of Qatar. So when we built our Data Centers, the state-of-the-art DCs today, we're able to attract Tier 1 global hyper-scalers and social media content providers because of our advantage when it comes to power. We're seeing this trend continue across the world. We're seeing a higher CAGR in terms of demand here in the region and in Qatar than what western markets are experiencing today when we look at their plans for data center expansions.

So there's no signs of Data Center need slowing down any time between now and 2025 or 2026. Similarly for Managed Services.

Mark Krombas: That's very useful. Thank you.

Operator: Your next question comes from the line of Nikhil Phutane of CBFS. Your line is open.

Nikhil Phutane: Hi. Good morning, gentlemen. Thanks for taking the question. This is again regarding with what you just mentioned about your Data Managed Services. And suppose we look at it in terms of what you have given the bifurcation in your revenue model in your Data Centers and other things. What we see is there's a kind of a plateau which has been formed, especially in 2023 or 2022. Am I right in deciphering that?

And secondly, in terms of your cost of sales also, what we see is it's quite a big chunk which has increased. This, I understand, excluding your depreciation and other things. So I wanted to understand how you are managing it given the fact that you mentioned that one, your CapEx is going to be reducing. At the same time, you also mentioned that you are looking for an expansion of Data Centers. So just suppose you can give a color on this. It would be great. Thank you.

James Corby: Hi. I think I will take this one. So the question in relation to Data Center revenue remaining relatively flat over the last two to three periods. Obviously, Data Center is a function of the amount of capacity that is available. We are not completely at 100% utilization at the moment, but we are approximately about 85% utilization, and we are working on closing contracts to basically get to 100%. So we expect there to be some uptick in Data Center Service revenue next year. Any significant bump beyond that will require a CapEx expenditure.

Okay. In terms of your question in relation to cost of sales, the cost of sales increase as I talked about is primarily coming from a growth in Solution Services revenue and that segment is at a lower margin than our core segments of Data Center and Managed Services. So the cost is under control. The cost of sales has just gone up as a function of solutions.

Nikhil Phutane: Okay. So going forward, let us assume in 2024, you do see that in terms of your Data Centers, given the fact that you mentioned 85%, that could go up to 100% plus you think so in terms of other things like, visibility in terms of your Solutions and other divisions. Do you see a trend continuing in terms of revenues? I mean, what is likely we can look forward to in 2024? That will be great.

James Corby: I mean, typically we don't provide forward-looking statements. So we can look at the past, but in terms of what I've just alluded to is we do have spare capacity. I think Fadi talked about, obviously, the dynamics of data center trends globally and within the region. So I think we can take some assumptions from that.

Nikhil Phutane: Okay. I mean, regarding your other things which you mentioned about smart cities and other things. I mean, just wanted to understand the three to four projects which you've talked about which could come up, especially awarding and all that. So where exactly you see that taking place? It is going to be in the first half of 2024, or we could be looking at a little bit later on these projects getting awarded?

Dr. Fadi Nasser: Okay. The three that I mentioned are existing running projects here in Qatar, right? A lot of them are, I think all of them are available in the press and some public domains. The ones that we're chasing currently for the Solutions in the defense and the public sector we're expecting closure of at least 50% of that pipeline by Q3 of next year, Q2 to Q3 of next year. So it really depends on one that will be closed. There will be a mobilization period that will ensue before we can start seeing deliverables and recognizing the revenue against those deliverables. So we're doing our best to bring that timeline forward in 2024, but I think expectations at the time being are for Q2, Q3.

Nikhil Phutane: Okay. Thanks a lot, sir. Thank you.

Operator: Your next question comes from the line of Abdulaziz Alhebaishi from Jadwa Investment. Your line is open.

Abdulaziz Alhebaishi: Hi. Hi, Mohsin, James, and Fadi, and congrats again on the listing. I have a couple of questions, one on the Data Center. It seems that the growth was muted on both a sequential basis and year-over-year despite adding 1.2 megawatts capacity. Can you please talk about the potential there and the nature of the contracts that are existing right now, are they subject to repricing? And if yes, is it to the upside or more likely to the downside?

And another question to you, Fadi, on the upgradability of the existing Data Centers to cater to the AI in the future that requires more energy consumption. Should we think of MEEZA upgrading their existing capacity within the Data Center, or should we think of the new additions or the new capacity that is yet to be built to be equipped to cater to more energy consumption?

Dr. Fadi Nasser: I can take that. So your question is about the Data Center. Before you ask about the expansion, you're talking about what happened in the last period for the slowdown of the consumption or the utilization rates of the 1.2 megawatts that were last brought online in 2022. We strongly see it as an outlier year for us. Obviously, we had the World Cup at the end of 2022, and there was a ministerial change earlier in that period. And what that did, that put an unintended freeze on the major contracts. When we talk about hyper-scalers, when we talk about the big giants across the world, there's always a government slash ministry of ICT checkpoint in there somewhere. And with everything that was happening in 2022 and early 2023, those discussions were slowed down significantly. So we did not see a slowdown in interest, not whatsoever. But that's what took extra time for the contracts to be closed, for the mobilization of the Data Center built in and set out to meet that demand. That slowdown came primarily from the reasons that I mentioned. And I say it was an outlier year because the current sales discussions, the current trends and reports shared by the Gartners and the IDCs of the world, looking at the region, looking at the world, those trends as mentioned earlier, are not slowing down. AI is the cherry on top. But even before AI, the need for more data storage, the need for more outsourcing, better economics, IT service economics have always been there for the last few years. And that's driving a big part of the need for more data centers across the globe. So we're not seeing this slowdown whatsoever. I hope that addressed your question about the last period.

Abdulaziz Alhebaishi: But just for me to understand 100% with what you just mentioned, 2022 was sort of the revenue coming from the Data Center was a bit higher, and the changes that are happening in Qatar. And now we're seeing more rationalized levels of Data Center revenue.

Dr. Fadi Nasser: Sorry, I missed a part. Do you mind repeating the question one more time?

Abdulaziz Alhebaishi: That's fine. I just wanted to make sure that we are on the same page. So basically 2022 was sort of an abnormal year in terms of revenue. Revenue came higher in 2022 because of the World Cup and the changes that were happening in the State of Qatar. And in 2023 we are seeing more rationalized sustainable prices for them.

Dr. Fadi Nasser: Yes. Obviously, the Solutions uptake between 2022 and 2023, a lot of it was due to the project, the one-off projects that were needed for the World Cup. Now we're seeing the Managed Services, the Data Center Services, the demand, the revenues will start to head in the right direction after that little blip that took place in 2022. We expect that to stabilize now and to continue the CAGRs that we're expecting.

Abdulaziz Alhebaishi: Very clear. Thank you. And a question to James on the receivable and dual-reformed related parties. They seem to, or they were trending in the right direction up until the second quarter and we see this quarter a bit of an uptick. Can you comment on the collection from both your private sector customers and your dual-reformed related parties, please?

James Corby: Our comments would be that we continue to push collections as much as we possibly can. We're implementing new policies to reduce the balance. And its management's expectation and will to bring that balance down to much more manageable levels as soon as possible.

Abdulaziz Alhebaishi: Okay. Very clear. Thank you again.

Operator: Your next question comes from the line of Mustafa Aamer from Al Rayan Investments. Your line is open.

Mustafa Aamer: Hi, MEEZA team. Congratulations on a strong set of results. Just wanted to inquire about the Data Center utilization in the first and second quarter of this year. You said it is 85% currently. Just wanted to know what it was in the first and second quarter?

Second, you mentioned that the fall in revenue for this quarter is due to seasonality. Do you see this trending up substantially in Q4?

And on the third one, the depreciation cost, the reduction depreciation, is that due to change in policy? Thank you.

James Corby: Okay. I'll take this one. So, the utilization in H1 or Q2 was 83%. It's currently at 84%, 85%. And then in Q1, it was around 82%.

Okay. In terms of the revenue being seasonal, what I was referring to was Q3 is a seasonal quarter. We do expect revenue to pick up again in Q4 as obviously decision makers return to the country.

The depreciation is lower not because of a change of policy. It's just assets coming to the end of their lives.

Mustafa Aamer: Thanks, James. James, again on the CapEx utilization, you said that you're hoping that the Data Center utilization goes up to 100% as and when interested parties come in. So the CapEx is only based on if it reaches 100% or are you going to do it regardless of that?

James Corby: No, CapEx is depreciated regardless of utilization. So we're depreciating the full Data Centers as they are. Any upside, I guess, in revenue and utilization would be an upside to revenue and profit.

Mustafa Aamer: All right, thank you.

Operator: Your next question comes from the line of Anastasios Dalgiannakis of Al Faisal. Your line is open.

Anastasios Dalgiannakis: Yes, hello. Thank you for taking my question. So all the hyper-scale is reported in the past few weeks and the pattern has come to the surface for at least for sure for Microsoft Azure and AWS with a lot of workload optimization of the enterprise and at the same time a lot of effort on AI model training. So at your level, I'm just trying to figure out how your position gets these trends that are very, very significant. So I assume at the moment you are not offering the latest silicon, you are not offering the H100 or customized silicon for AWS to train AI models. So you are doing more conventional workloads, and you are seeing some sort of optimization. So can you elaborate if this is the case, what sort of workloads going through your servers? And going forward, how are you going to position, meaning do you plan to upgrade to the...do you have access to AI silicon in order to make the servers applicable for AI training? And do you have, by the way, the ancillary infrastructure required like telecoms, or you are going to be for the basic workloads, and this is going to be a far more mundane operation with a lower margin in the long run? Could you establish please, what is the investment case going forward? Thank you.

Dr. Fadi Nasser: Okay, let me see if I can tackle this one. I think I'll break it into three questions. The current workloads, the applications, and the use cases for AI. Secondly, access to silicon and what kind of infrastructure do we have today, and plans for upgrades. And lastly, the telco part, if I understood this correctly.

So going back to the first part, the workload optimization is a real trend. We are seeing it in here in places like Qatar. This is accelerating the move to the cloud and helping customers move from phase one, we've moved into the cloud to phase two, now we need to optimize the total cost of operations and ownership once we are in the cloud. So we help customers in improving these workloads. We've got our big data analytics platforms. We help them improve and optimize the deployment of data and data models on mostly traditional silicon today. We've done high performance computing and we're lucky enough here in Qatar to have an offshoot partner slash sister entity at Qatar Foundation's level and that is the Qatar Computing Research Institute. This is an entity outside of Qatar Foundation that has a dedicated branch for AI research, both hardware, silicon, as well as software. So we cooperate with the teams over there to help improve the workloads and the models for many of our customers interested in leveraging AI and big data analytics for their use cases.

Ourselves, internally, we've deployed AI predominantly for cybersecurity applications. It helps us track faster and with higher accuracy incidents or potential incidents both in Qatar and around the globe without us having to hire more resources and add more to our operations costs. So we've seen how AI, internally within MEEZA, helps us improve our OPEX while adding more value to clients. So I hope this addresses the first part of your question.

When it comes to silicon, the latest out of the, not just NVIDIA, but the latest to GPU camp, today we're mostly on the classical high performance computing silicon and infrastructure. We look at hyper-converged IT stack to help us enhance our operations. Remember AI, it's not just about the CPU or GPU. The entire stack, how you put that technology stack, how you access your RAM and your cache and your storage and how the network brings it all together, it's got to be one fabric. And we have a lot of experience in deploying hyper-converged single fabric IT stacks to deliver higher results. Now GPU is a big thing obviously and it helps accelerate the LLM models tremendously. It is something that we are discussing with especially the Tier 2 GPU providers. And as I mentioned earlier, along with the QCRI teams, we're looking at how can we accelerate the deployment of some of these systems in our Data Centers. But to be...it's also, we don't want to put the chicken before the egg here, so to speak. We are in parallel working with large clients such as oil and gas, such as the financial entities within the country to make sure that they're ready to deploy their use cases and their workloads on this GPU farm and the two have to go hand in hand.

Lastly, on the telco, you were asking about the telco. Obviously, MEEZA has a telco-neutral stance. We have connectivity neutrality in all of our Data Centers, which makes us more favorable to the hyper-scalers and the content service providers, and the e-gaming platforms because we've got this number of options that are available to them. They land in MEEZA, they're not tethered to one side of the market, they can access the whole market, and one of our Data Centers sits on the...right next to the landing station, the submarine landing station connecting Qatar to the rest of the world, or one of the main submarine fiber optics that connects Qatar to the rest of the world. So connectivity, whether international, whether local, we even host the Qatar Exchange, Internet Exchange, the QIXP. So all of this helps us establish this dominant neutral stance in connecting our fabric with customers' fabric and deliver more value when we talk about big data and AI. I hope that addresses your question.

Anastasios Dalgiannakis: Thank you. It's just that the third quarter was a very decent cloud quarter for the hyper-scales, and you don't seem to correlate. So that remains a question mark. And one follow up, if I may. The QR 1.2 billion committed contract, is that RPO as per IFRS, or is not signed? What sort of contracts are those?

Dr. Fadi Nasser: I'll talk about the Q3 cloud revenues. I mentioned the Cloud First Act that's been approved recently, but the data classification is still being adopted. And this slowed down the migration to a cloud by the big clients. So there's been an onslaught of move to the cloud by the SMEs and by some parties across town. But where the money is, when we look at the total addressable market, those client entities are still waiting to understand how does their data classify, what parts to take up into the public cloud that can sit anywhere around the globe, or retain within the boundaries of the state of Qatar.

This has slowed down the cloud adoption somewhat in Q3, but we're expecting, you know, Q4 and beyond this to climb back up to be on par with the rest of the region.

James Corby: Sorry, what was the other question? I couldn't quite...

Anastasios Dalgiannakis: The QR 1.2 billion committed contracts, is it RPO or what exactly are these contracts? Is it like firm contracts, RPO over 10 years or not signed, or what is the nature of the contracts?

James Corby: No, the total contract value, yes unwind, is future contracts.

Anastasios Dalgiannakis: Future meaning remaining performance obligation or not?

James Corby: Exactly.

Anastasios Dalgiannakis: Okay, all right. Okay, thank you very much. Thank you.

James Corby: Thank you.

Operator: Your next question comes from the line of Gus Chehayeb from Sancta Capital. Your line is open.

Gus Chehayeb: Hi gentlemen, it's great to connect with you again and congratulations on a great quarter. I wanted to touch on the demand trends you're seeing locally. Fadi, the session that you had regarding global demand trends and AI and content creation growth and really the overall trends was really helpful. I'm wondering how that's translating into your conversations with customers during the IPO, you guided for an 80% expansion in DC capacity. Can you help us understand, I mean, is this capacity spoken for? Are these negotiations advanced now to secure that capacity and begin building it out? Does demand look to be higher than the 80% that you envision over the next 2.5 years? Just some extra color around that would be really helpful.

Dr. Fadi Nasser: Sure. When, you know, during the IPO roadshow, we spoke about 80%, give or take, the growth for DCs between now and 2025 or 2026 at the time. We're seeing this north of 100% today across the region and across the globe. And some would say this is on the conservative side. Primarily, like we said, driven by AI and by hyper-scalers and the constant need for more content from the TikToks and the Meta platforms of the world.

This is no, I mean, we're no strangers to that. We have many of these Tier 1 platforms set with us here in Qatar in MEEZA’s Data Centers today. We're expecting this to continue to grow. In terms of commit, in terms of what's been spoken for, the way I look at it there's the hard commit, medium, and soft commits. On the hard commit today, we have, how do I say this? We have no less than 1.5 megawatts that is in north of 90% contracting maturity, right? When we look at the mid to soft, in terms of mature discussions for the mid, there's no less than 10 megawatts right now being floated around to MEEZA. We're looking at negotiating the best terms, the best durations, and weighing all of our options. Quickly developing, but probably on the softer side of the commit spectrum between now, and we're looking at actually a horizon of delivery between 2025 and 2028. We have no less than 40 megawatts being discussed with the same set of clients that we've been talking about for the last few minutes.

So hard commit, it's obviously smaller, but this is something that's eminent. Mid to soft commit, we have, well, over 10 megawatts that are currently developing. And against this, you've probably seen our RFP tenders that were floated to the market last month. We're looking at, give or take, 12 megawatts across three facility sites. This is being, I wouldn't say revised, but we're reviewing it closely with the quickly developing contracts by the same clients. And we might have to adjust the plans in the next few weeks, depending on the status of these contracts.

Gus Chehayeb: Thanks, Fadi. Very helpful. And on that note, in respect to the RFPs that have gone out, can you help give us a rough timeline, kind of a tendering, then construction, then leasing timelines for the MV4 expansion and the new MV6 facility that would accommodate this demand? How do we think about when this comes online from when construction kind of breaks ground on these facilities and then when leasing commences, or the revenues start to kick in?

Dr. Fadi Nasser: Yes. Look, the tendering cycle is quite aggressive. We're hoping to close this by the end of this quarter, from a tendering perspective, for both MV4 expansion and for the award for the site that's going to be right next to our MV2 facility.

In terms of construction, the MV4 facility, given that the civil part is already in place, should be a lot faster than 12 months that usually are required for something like this. If it's a green field, we're just breaking ground and starting from ground zero. It usually is 12 to 18 months. Having said that, part of the design features of the tenders, we're looking at a number of configurations that help us shorten this distance. All of this is brought on by the fact that the mid-to-even soft commitment set of clients and contracts that I alluded to earlier, the discussions are moving quite rapidly there. And if part of this materializes within the next 6 to 12 months, we need to be ready with our data center campuses or campus design so we can bring online faster capacity, so we can meet the leasing timelines.

Gus Chehayeb: Thanks, Fadi. Just a couple of quick ones. I know there were some prior questions on MV4 and MV5, which are newer facilities. So MV4 is at 75%. The 25%, it seems, is pretty close to getting locked up. Can you discuss when you think the timing for the remaining 25% on MV4 will happen? And MV5 is much newer as well. I think that was 40% at the end of the last quarter. Where does that stand now, please? Thank you.

Dr. Fadi Nasser: Taking MV4 from 75% to 100% is something that we're diligently working on and we're very excited about. We will be able to report shortly on the status of that, but we're extremely excited about where that contract state is today. In terms of MV5, the 57%, the remaining capacity is equally in tow. We're probably expecting a couple of weeks apart between the conclusion of the 1 megawatt in MV4 and the closing of the remaining capacity on MV5. If MV5, I don't have the exact figure in front of me. It might be somewhere between 90% to 100% once that MV5 extra capacity is called upon within the short period of time.

Gus Chehayeb: Wonderful. That's great. Finally, on just Managed Services, the division has seen a lot of strength recently in the past quarter and year-to-date. Can you discuss that and maybe elaborate on why Managed Services revenues and earnings has picked up?

Dr. Fadi Nasser: Sure, happy to. Look, with Managed Services, you get all the benefits of cloud, the cloud economics, minus the potential obstacles, minus the potential resistance that some clients would face in migrating to the cloud, right? Because it's cloud-shared infrastructure, but in a dedicated manner to a particular client, right? So, it helps clients scale higher, and faster. They don't have to procure hardware or software, which improves their speed of go-to-market. They still get local support, unlike with the global cloud platforms. This is a Managed Service hosted in MEEZA in Qatar. They can pick up the phone, call, and get that 24/7 service. So, they get all the benefits, plus-plus, without the potential resistance that can be brought on by the Cloud Classification Act, by the Data Classification Act.

We're not seeing any signs of slowdown when it comes to Managed Services because when you look at it, during good times and during bad times, I'm referring to global, security and global economic times. During hard times, CapEx is probably harder to come by for the regular enterprise. So, resorting to OpEx, outsourcing from established Managed Service providers like MEEZA becomes a de facto thing. We're seeing this trend now on the up-and-up, given where things stand across the world from the stock market to security concerns in the region. There's no signs of a slowdown when it comes to outsourcing your IT to Managed Services. When it comes to good times, as I mentioned, a company like MEEZA, a partner like MEEZA can help customers avoid the lengthy procurement and scale-up cycles needed. And it can also provide the CFOs at our client companies with a more determined way to forecast their IT expenditures going forward. So, good times, we help with scale, we help with speed. Bad times, we help them work around their CapEx challenges. We're not seeing any signs of slowdown when it comes to Managed Services, really.

Gus Chehayeb: Got it. Thanks very much.

Dr. Fadi Nasser: I think we have time for one more question.

Operator: Your last question comes from Abdulaziz Alhebaishi from Jadwa Investment. Your line is open.

Abdulaziz Alhebaishi: Hi, thank you for allowing me to go for a follow-up. A question on the pricing of the Data Center. How do you price? Do you lease out the space to them and the energy they pass through, or do you charge sort of a bundled price including energy?

Dr. Fadi Nasser: Okay, it depends. I hate to finish off the session with an it depends kind of answer, but typically when we talk about government-natured clients at large enterprises, it's typically all-inclusive. They get access to their secure space with power, all built into the prices. Obviously, power will be capped at a certain baseline and any additional usage will be charged. There's also the potential to reserve racks without them being powered against which we expect to be paid a reduced reservation fee. But when we talk about hyper-scaler type clients, there is the...it's more natural for power to be passed through. I said it depends because there's also...there are some clauses and conditions that are related to the PUE conditions and power efficiency utilization in the Data Center. Once you get above or beyond a certain PUE, there will be clauses that will kick in that will either bring this power back to me or keep it passed through to the clients. So it's mixed.

Abdulaziz Alhebaishi: Do you make a margin on the all-inclusive package that you give to governments and large clients? Do you make a margin on energy?

Dr. Fadi Nasser: There's a rich margin that's made in both, but definitely on the all-inclusive bundle.

Abdulaziz Alhebaishi: Okay, very clear and thank you guys for your comprehensive answers.

Operator: There are no further questions at this time, I'd like to hand it back to Phibion.

Phibion Makuwerere: Thank you, Gavin. This brings us to the end of our conference call today. Please join us again in the future. I'd like to thank the management team for engaging with investors and comprehensively responding to questions. Have a good afternoon.

Mohsin Al-Marri: Thank you.

Operator: That does conclude our conference for today. Thank you for participating. You may now all disconnect.