**Ahmed Maher** Good morning and good afternoon, everyone. This is Ahmed Maher from EFG Hermes. I’d like to welcome everyone to MEEZA’s Q1 2024 results conference call. I’m pleased to be joined by Mr Mohsin Al Marri, acting chief executive officer of MEEZA, Mr James Corby, chief financial officer, and Mr Fadi Nasser, chief commercial officer. As usual, the call will begin with a discussion of the key highlights of the period, and this will be followed by a Q&A session. And I will now hand the call over to Yaman Al Jundi, investor relations director, for the safe harbour statement. Thank you.

**Yaman Al Jundi** Thank you, Ahmed. Thank you, everyone, for joining us. Just two points before we begin. The investor presentation is available in the investor relations section of MEEZA’s website, at meeza.net, and I’d also like to remind you of the disclaimer on slide two, which is an integral part of this presentation, concerning any permission provided and any forward-looking statements made. I will now hand over to our acting CEO, Mr Mohsin.

**Mohsin Al Marri** [Inaudible 00:01:17], thank you, Yaman. My name is Mr Mohsin Al Marri, and I’m the acting CEO of MEEZA. I would like to welcome everyone to MEEZA’s first quarter investor conference call. We are happy to begin the year with a strong set of results after a busy first quarter. On this call, I will give a review of our main achievements during the first quarter of 2024, followed by a strategic review of our data centre business from our chief commercial officer, Dr Fadi industry Nasser. Finally, our CFO, James Corby, will go into the detail of our financial results for the year. We will then end the call with the usual Q&A.

Starting with slide number four, and reviewing the main highlights from the first quarter, our revenue reached QAR 84.2 million, a 10.1% drop from last year, which our CFO will cover. In the meantime, we saw growth across our [inaudible 00:02:25] segment, namely data centres, money services and cloud. These segments offer an annual recurring revenue and high margin. As a result of the improved revenue mix, our EBITDA margin reached 32.4%.

On the commercial front, MEEZA has a healthy sales pipeline in excess of QAR 1.3 billion, while maintaining a similar level in committed contract value over the next ten years. Our 1-megawatt data hole in MV4 is now ready for services for our hyperscaler client, and awaiting final approval to begin hopefully before the close of the second quarter of 2024.

Our expansion plan for MV4 is well underway, having received the final revised proposal to complete the 4-megawatt extension in the facility, and we have also issued an RFI to potential banks to finance the project. We were pleased to receive several awards from our biggest stakeholder during the period, including Best ICT Operator, as recognised by the Ministry of Communications, as well as the HPE Service Provider of the Year. MEEZA is actively invested in Qatar’s Digital Agenda strategy for 2030. We were a platinum sponsor during Qatar’s 2024 Web Summit, a global event, and we launched MEEZA.AI to offer engagement in the many use cases for AI across Qatar’s diversified economy. I will now turn it over to Fadi who will give an in-depth look at our data centre market outlook and the [inaudible 00:04:32].

**Fadi Nasser** Thank you, Mr Mohsin. Good morning, everybody. It’s always a pleasure being here in front of the investment community. We just have two quick slides to maybe refresh everybody’s knowledge and establish the same baseline for the market stance today, both in Qatar and cross-region. We’re still very much adamant about Qatar’s data centre capacity that we’re expecting to grow well north of 100 megawatts by 2030. This is based on a number of readings.

If we go left to right, left is the most recent market study that was commissioned by MEEZA in the summer of 2022, which was done by Arthur D. Little, and it showed a CAGR of 13% plus for data centres between the years of 2022 and 2026. A big component of this growth was to be brought on by hyperscalers.

Now, remember, in the summer of 2022 there was no mention of AI or ChatGPT or OpenAI, that wasn’t a thing, we were only talking about cloud computing and virtual machines and basic infrastructure being moved into the cloud. So the picture was a doubling between 2022 and 2026, based on this very strong CAGR.

Now, since then, obviously the world has changed, there’s been so much more emphasis now, by hyperscalers and non-hyperscalers, on AI, which means that the CAGR is well north of 15% today. We’ve looked a many market studies. One of the ones that we wanted to include here for you today is the recent report by JLL, and it talks about the different data centre projects across the region, with Qatar being the most conservative in their outlook.

If you look at the UAE, they talk about an existing 28 sites. These are of various sizes, obviously, they’re not all 4 megawatts and 8 megawatts, but is still not worthy that in the UAE market today they’re going from 28 by adding another 26 sites across the entire country. KSA is definitely very aggressive in its ambitions to produce and bring online more data centres, more than doubling from 22 to 62 in total, by adding an additional 40 data centre projects from Riyadh to Dammam to Khobar, all over the country.

Qatar, I mentioned early on that this is a slightly more conservative picture, because we know MEEZA alone has three data centre projects being floated in terms of RFPs as we speak. So if we look at other competitors in town, there has to be at least one or two more projects. So we expect the overall number to go from ten commercial data centres today to no less than 15 in the next three to five years.

Oman is also being very aggressively moving up in terms of producing more data centre capacity, they’re leveraging their geolocation in the region, their submarine connectivity, and they’re going from seven to a total of 12 data centre sites in the same period.

Kuwait has only announced the Google Zone launching, but we’re expecting the whole region to continue to show this kind of appetite for more data centre sites in the quarters to come. So we look at the 2022 study, we look at the current reports, market reports, and then we look at the Digital Agenda 2030 that was announced recently by the Ministry, by the quarter of Qatar, where they are expecting to double national cloud data centre capacity by 2030. All of this gives us great confidence in stating that by 2030 we should be no less than 100 megawatts in terms of commercial consumption and availability in Qatar.

If we move on to the next slide, where’s MEEZA in all of this? We’re expecting to add data centres enough so we can keep at least our 50% market share of the overall market in Qatar. We want to maintain or exceed the current market share, obviously. We wanted to share with you here a quick histogram just to show the bars, the capacity utilisation. Mostly the message from the gold and the burgundy colours here is to reflect the capacity and occupancy ratios in our data centres. This is not to scale, so if you look at 2019 and 2022 and 2023, they’re not the same sizes. The capacity has been increasing in 2021, the 3 megawatts, the phase 1 of MV4 came online in 2022, MV5 came online. So the intention here is just to highlight the occupancy and not the overall sizes.

But if we go back to occupancy here, in 2023 we have the 15%, which is largely made up of the 1 megawatt that remains to be filled in terms of MV4 phase 1 capacity today. There are some sporadic racks here and there, it’s just natural defragmentation of the other five data centres today that probably composes 5%, 6%, 7% overall unutilised or free capacity. But like I mentioned earlier, at least 7% is the attribution by the 1 megawatt that remains to be seen.

We’ve been telling you for the last couple of months, for those of you, in our disclosure that we’re expecting that 1 megawatt to be the least to be consumed. That is still our forecast, it’s just the due diligence with the government-attached client that is taking longer than expected. Nonetheless, we still anticipate this 1 megawatt to be completely contracted and occupied by the end of Q2 2024.

In terms of locations, we are still well on our way to add the 12 megawatts that was included in our capacity rollout plan. I mentioned early on that we have tenders for three sites. These are the MV4 phase 2, or extension, and the other two sites are MV6 and MV7. That’s in the market today, the designs are almost completed and all the technical submissions have been wrapped up for the MV4 extension. Next, we’ll be concluding the MV6 and MV7 equivalent steps. So we’re well on our way in the early-on steps that are needed so we can deliver the 12 megawatts that have been put forward in terms of our plans.

MEEZA also expects the total additional 25 megawatts data centre capacity in the form of campuses over the next five years. Campuses help us scale better because we can prep the land, we can prep the infrastructure, and then we can start to drop in place data centre units in terms of units of 2 megawatts or 4 megawatts much faster, and that helps us keep up with the demand that we’re expecting to be generated by hyperscalers and content and gaming service providers.

So, overall, we’re expecting a total capacity to exceed 50 megawatts by 2030. This is the MEEZA capacity, and we’re confident that we’ll maintain our 50% market share by then. So all of the above is based on our current management projections, and it is subject to change based on market factors. Thank you.

**James Corby** Thanks, Fadi and Mohsin. Good morning, everyone. We’re now on slide eight, and I’ll now go over the financial results for Q1, or the three-months ended 31st March 2024, starting with the financial performance for Q1 FY24 versus Q1 FY23. Tail revenue decreased by 10.1%, primarily due to lower solution services, but this was partially offset by growth in the higher-margin segments of data centre, managed services, cloud and workplace services.

Expenses decreased 13.4% due to revenue mix and our continued cost optimisation initiatives. EBITDA did decrease by 0.6 million due to lower revenue, but the margin increased by 2.6 percentage points due to that growth in higher-margin segments. Net profit for the quarter reached 11.7 million, 7.1% higher year on year, primarily due to that revenue mix and finance income.

Moving to slide ten, where we can see the Q1 financial performance for the last five years, there’s been revenue growth across the key higher-margin segments, with data centre services growing at 12%, and managed services growing at 5%, year on year. Data centre and managed service revenue segments, the primary recurring segments, have grown at a CAGR of 13% and 11% respectively since 2020. Q1 net profit has increased year on year since FY20, and this is the highest Q1 profit to date, despite the delay in onboarding the 1 megawatt at MV4, as Fadi talked about.

Slide 11 shows the gross margin analysis by segment, including depreciation. Due to the change in mix, Q1 gross margin is 1.5 million higher, year on year, reaching 26.1 million, driven by data centre services and managed services growth, partially offset by lower-margin on-solution services. Data centre gross margin improves 3.8 percentage points to 36.9% due to growth in data centre revenue.

Slide 12 details our EBITDA margin and net profit margin for the three-months ended 31st March for the last five years. EBITDA margin, as I talked about, excluding NaaS, increases 8.4 percentage points since FY20, driven by revenue mix and cost optimisation. Net profit margin expands 9.4 percentage points since FY20, driven by EBITDA flow-through via returns on capital expenditure and via finance income.

Finally, on slide 13, we show the cash flow from operations for the three-months ended 31st March for the past five years. Q1 FY24 cash generation was impacted by a slow collection cycle and Ramadan falling in Q1. We do expect receivables to pick up in Q2, and we have developed an action plan to increase collections further in Q2 and onwards. The company’s in a net cash position with 156 million cash on hand. Cash position in Q1 was obviously impacted by the payment of the dividend and then lower collections. Thank you very much. We’ll now move to the Q&A session.

**Ahmed Maher** Thank you very much for the presentation. We’re going to open the floor for Q&A now, so just a quick reminder, if anyone would like to ask questions, you can either use the Raise Hand function to ask your question verbally, or you can simply put the question in the Q&A box and we’ll read it out. The first question is from Zohaib Pervez who’s asking what is the timeline for MV4 to come online, and MV6 and 7 to come online? Also, what is the total CAPEX required for these extensions?

**Fadi Nasser** The first part of the question was the timeline for MV4 and MV6 and 7 capacities to go live. We’re expecting MV4 phase 2, the 4 megawatts, to go live towards the end of the second half of 2025, so we’re looking at somewhere between late Q3 and early Q4 next year. MV6, MV7 should not be too far behind, and it really depends on the current contractual steps. But if that’s done quick enough, we might still have room to inject this by the end of 2025. Otherwise, we’re looking at this going live in the first half of 2026.

**James Corby** In terms of the cost for the expansion and MV6, we’re looking to drive the per megawatt cost down from $14 million per megawatt closer to 11 to 12.

**Ahmed Maher** Thank you. And we have another question in the Q&A box from Raja. It says what drove the DC revenue growth in Q1.

**Fadi Nasser** I can take that. We had some untapped capacity, unused capacity, that was called on by one of the larger telco providers, and I believe we can mention there was a common project between us and Ooredoo, where data centre capacity was needed for one of their projects and, hence, this was contracted and went into deployment in Q1, triggering that additional jump that you see in Q1 data centres.

**Ahmed Maher** Thank you. As a reminder, if anyone would like to ask questions, they can use the Raise Hand function or the Q&A box. We’ll pause for a moment. We have a question from Ashish Al Dua. Ashish, can you hear us? Yes, I can hear you.

**Ashish Al Dua** Thanks. Hi, Mr Corby, and hi, Mr Mohsin. I’m not sure if Mr Mohsin is on the call but, in any case, hi. Just a quick question. You mentioned that there is an additional 25-megawatt capacity that will be coming up which will take your overall capacity to beyond 50 megawatts. Is this separate from your MV4, and another one that is MV6, if I’m correct? I just want to understand if you can explain this better? From where is this additional 25 megawatts coming?

**Fadi Nasser** I can take, that Ashish. Currently, if you recall, we have about 14.4 megawatts of IT workload, IT capacity and, with the addition of the MV4 phase 2 4 megawatts and the 8 megawatts out of MV6 and MV7, that’s 12 megawatts. So that would put us over 26 megawatts in total. We’re talking about this come 2026. Between 2026 and 2030, we’re expecting that additional 25, which would put us at 26 plus 25, so 50 megawatts plus. That additional 25 megawatts should come from all the increased AI and gaming demand that we’re seeing in town.

We spoke, at an earlier call, about soft road maps and soft demand from the clients. All of that is materialising as we speak. Substantiated by the market reports that we shared earlier, substantiated by the digital agenda put forward by the government, we’re expecting those additional megawatts to be on the lower side of the forecast. So this is going to come in after the 4 megawatts at phase 2 MV4, and after MV6 and MV7 8 megawatts. Does that make sense?

**Ashish Al Dua** Yes, it makes sense. If I understand correctly, after MV7, this additional 25 megawatts is something that you will invest, you will additional invest based on the demand you will see shaping up.

**James Corby** That is correct. We would invest as demand increases, but the plan at present is to expand in the data centres of MV6 and MV7. As Fadi mentioned in the call, it’ll be more of a campus-style rollout of data centres.

**Ashish Al Dua** Okay, all right, thank you.

**Ahmed Maher** Thank you. Next question is from Saud Bin Bandar, who’s asking do you expect higher-margin segments to have the same growth in the next quarter?

**Fadi Nasser** I can take that, Saud. We’re expecting continued growth in managed services and cloud services. We’ve seen recently some key government agencies in Qatar put forward more circulars and bylaws around both managed services, outsourcing and cloud computing. Most notably, last week it was the central bank cloud policy that was published, exciting the BFSI sector to move more of their workloads into the cloud while also leveraging CSPs, cloud services providers, the likes of MEEZA, in the middle to make sure that this journey into the cloud is properly managed with all the security and governance controls needed for this transformation.

So with all of this happening, we expect the second half of the year to see more managed services tendered, more cloud migrations. And if we get our fair share of this activity, this should drive our top line slightly better than the current slope, at least for the second part of the year.

**Ahmed Maher** Thank you. And the next one is from Fatima Dosari. Fatima, please go ahead. Fatima, can you hear us?

**Fatima Dosari** Hello? I joined late in the call, so I’m not sure if you explained this earlier, but I was just wondering what’s the reason for the decline in solutions revenues? And was there a one-off in the first quarter, and should we see a similar decline in the following quarters as well?

**Fadi Nasser** Fatima, due to the nature of the solutions product line, it’s not recurring, obviously, and basically it is seasonal. So when you have in a quarter, such as Q1, Ramadan in the midst, that four, five, six weeks disruption to business, it tends to impact non-recurring revenue streams. And that’s why we saw that dip in solution services.

The good news is that the market is not stopping, there’s still a lot of need for custom-built hardware, software and solutions overall, so we’re expecting some of that demand that was slowed down in the first half to materialise in the second half. We’re counting on it, it’s part of our projections internally here, we’re hoping in later parts of Q2, definitely in Q3, that we see some of that shift happening.

**Fatima Dosari** Okay, thank you.

**Ahmed Maher** Thank you. Our next one is from Mohammed [inaudible 00:26:16]. Please, go ahead.

**Mohammed** Hello, can you guys hear me?

**Ahmed Maher** Yes.

**Mohammed** Perfect. I have three questions and I would appreciate it if you could answer those. The first one is kind of a follow-up to what you just answered, that the solutions segment was a bit slow in the first quarter due to Ramadan falling in that. Have you seen a turnaround, given that we are almost one and a half months into the next quarter already? Have you seen that turning around? This is the first question.

The second one is what kind of CAPEX do you foresee for the 12-megawatt extension that’s supposed to come in the next one and a half years? And then, going forward as well, what kind of CAPEX do you see, and how would you rather finance that, with equity or would you rather take on more debt?

And the third one is with regards to margins of the solutions segment. Do you see them recovering? Because I understand it was because of this revenue drop that led to the margins drop as well, so when the revenues recover in the second quarter or third quarter or the second half, as you mentioned, will you see margins recovering as well? Thanks.

**Fadi Nasser** Sorry, go ahead, James.

**James Corby** Obviously, we’re not giving guidance at the moment, so we can’t really look too much into the future, but as Fadi alluded to, we are expecting an uptick in solution revenue in Q2 and beyond, in H2. In terms of the CAPEX question, over the next one and a half years, we’d already answered that in the call but our target CAPEX is about $14 million per megawatt, and we’re looking to reduce that closer to $11 million to $12 million per megawatt. So take our megawatt rollout plan and apply those figures to it.

In terms of the financing, again this is probably going to be a board decision about the specific financing that we take, but it’s primarily going to be funded mostly by debt. In terms of the solutions margin trend, again it really depends on the type of projects and solutions that we are selling. So we’re obviously trying to push the margins up in that area, but sometimes MEEZA is essentially selling a licence or box-moving, and we can’t add that much margin to it. But what we’re looking to do, as we’ve always communicated as well, is to achieve a 10% to 15% margin on solution services.

**Ahmed Maher** Thank you. The next one is from Thomas Matthew. He says, hi, thanks for taking my questions. He has a couple of questions. The first one is have you been able to convert any of the loss in revenues in solution services into other verticals, especially from hardware to cloud, etc.? And the second question is if you could talk a little bit about your cloud clients, and what is the potential market in terms of demand, that would be helpful. Thank you.

**Fadi Nasser** The first part was the convergence of solution opportunities or clients into managed and cloud services, and the second one, sorry, I was trying to write that second… Cloud clients, okay, the nature of the demand. So, on the first one, when we talk about hardware and infrastructure-related solution products, there’s usually a two to three-year cycle before that hardware is phased out, or there’s a need to refresh on that hardware, and it’s at that point in time where we’ve built that relationship with the clients through customer satisfaction and aftersales support and market, that we’re able to lift them into either a managed services set of services or fully into the cloud.

So at this point, we’re converting some of the 2021, 2022 clients into managed services, but the big revenue chunks due to the solutions selling from last year and from Q1, they’ll probably be migrated, we hope to convert a lot of them into managed and cloud revenue clients. I’d say by next year, that’s when we start to see the aftermath of that. Now, in terms of cloud, overall cloud, clients and the mix of… Sorry, was the question about the clients themselves or about the [inaudible 00:31:30]?

**Ahmed Maher** Yes, the nature of the clients on the services they…

**Fadi Nasser** The nature of the clients. So across the board today, it’s been largely government and large enterprises that have been moving into the cloud, but they’ve been shy in terms of what to move into the cloud, so they’ve been moving their email services and non-core function services into the cloud. As of late, we’re starting to see these clients become more aggressive, moving more sensitive, more performance-sensitive data and workloads into the cloud.

So we’re seeing, whether at the government and public sector level, or at the large Q company level, a more aggressive drive now into cloud from storage to disaster recovery to core functions, depending on the sector. I mentioned, early on, the recent circular by the central bank, so we’re expecting that same wave to trickle to the BFSI sector and more of the core functions to start moving into cloud.

So it’s going from pure email and basic infrastructure, basic virtual machines, to full-blown enterprise applications that require a lot more storage, that require a lot more governance and risk controls around those applications. That’s been the trend over the last quarter. We’re expecting that to be the new cloud usage wave going forward, at least for the next three years.

**Ahmed Maher** Thank you. The next one is from [inaudible 00:33:14], and the question says what is the percentage of recurring revenue and medium-term expectations and guidance?

**Fadi Nasser** Can you repeat that, Ahmed, sorry?

**Ahmed Maher** Sure. The question is about the percentage of recurring revenue, within the total revenue base, and whether you can provide any medium-term expectations or guidance.

**James Corby** We can’t really give any guidance at this point. In terms of the recurring revenue, again I think, as we’ve explained before, solution services is the only non-recurring revenue segment. So if you take that out of our revenue base, then you can calculate what the recurring revenues are. And solutions had had a varying impact on our numbers over the last five years, but obviously we’re seeing a higher proportion of recurring revenue, going forward.

**Ahmed Maher** Thank you.

**James Corby** Sorry. And at the moment, we’re, what, 77% recurring revenue, Q1.

**Ahmed Maher** That’s very clear, thank you, James. And then we have a follow-up from Zohaib Pervez, he’s asking whether the project with Ooredoo finished in Q1 or is still ongoing.

**Fadi Nasser** There was a set-up and initial set of fees that were concluded in Q1, but the nature of the service itself, it’s a recurring data centre hosting service. And if my memory serves me correct, that’s going to continue to produce recurring revenues for the coming three years, at least three years.

**Ahmed Maher** Thank you. And then we have another follow-up from Raja. The question says what level of incremental contracted but unused racks are available currently, and do we expect those to be occupied in the near term?

**Fadi Nasser** I was reading the recent occupancy report by our facilities team, and in one of our largest data centres, actually that’s where most of the reserved but unused racks sit. And we’re looking at close to 3% to 4% today, at most, that have not been powered on and remain in a reserved and idle state. So it’s not really that big.

**Ahmed Maher** Thank you, Fadi. And there’s another follow-up from Fip, and I’m not sure if it’s the same question as the previous one but it says what is the overall DC utilisation rate in Q1?

**James Corby** It’s included in the presentation, it’s 85% utilisation.

**Ahmed Maher** Thank you, James. And once again, as a reminder, if anyone has any questions, you can use the Raise Hand function or the Q&A box. It looks like we don’t have any more questions in the queue, so I guess… Oh, sorry, there is one that… Sorry, that’s just Saud saying thank you for the presentation. So I guess we can go back to you, in case you have any concluding remarks.

**Fadi Nasser** Thank you, Ahmed. Thank you, Saud. Thank you, everyone who joined us. We hope you found this information helpful, and please reach out to me directly through our investors email address if you have any follow-ups. Thank you, and have a great day.

**Mohsin Al Marri** Thank you, everybody.

J**ames Corby** Thanks.

**Ahmed Maher** Thank you, everyone, for your participation. And this concludes the call. Have a nice day.