

Q3 2025 Investor Conference Call Transcript

Phani Kanumuri: Good afternoon, everyone. I'm Phani Kanumuri, TMT Analyst at HSBC.

We are pleased to host MEEZA 3Q 2025 Conference Call.

We have with us James Corby, the Chief Financial Officer at MEEZA, and Yaman AlJundi, the Investor Relations Director. I'll now hand over the floor to the MEEZA management to make the comments. For asking the question and answers post that, you can either ask the questions by raising your hand or putting it in chat. We'll first take questions from those who raised their hand. Yaman, please take over the floor.

Yaman AlJundi: thank you Phani and thank you all for joining us the usual items before we begin the investor presentation is available on in the investor relations section of our website and please note of the disclaimer on slide two which is an important part of the presentation regarding any information provided and any forward-looking statements made i'll now hand over to our cfo Mr. James Corby.

James Corby: Thanks Yaman, good afternoon and good morning for some. I'm sure I'm James that meets the CFO. We will start with the year-to-date highlights. So under our growth drivers the four megawatt expansion MV4 is now at 84% complete with all data center modules installed. For MV6 the first six megawatts of the 24 megawatts is sold and construction is expected to start before the end of the year.

Financially we had an 11% year-on-year revenue growth to 288 million and on an underlying year with our perspective a 4% increase to 86 million. And year-on-year underlying net profit increased by 19% to QR 42 million. Operational highlights, net sales pipeline of QR 1 billion, contractual backlog now exceeds QR 2.3 billion and recently, very recently in fact, we awarded the best ICT provider in Qatar for the third straight year by the Ministry of Communications and Information Technology.

This slide of the next one details MEEZA's data centre portfolio which we presented on the last call. The key update now being the addition of the 6 MW commitment at MV6 that you can see in kind of yellowy orange. Here we can see the pictures of the progress at MV4 with the installation of the chilled top left generators, condensers and bus ducts. The project as I said is at 84% completion with RFS expected in H1 FY26.

Okay so moving to the financial results and starting with Q3 FY25 versus Q3 FY24 good results. Total revenue increased 24% with higher revenue in all segments and higher EBITDA and net profit driven by that revenue grade but also impacted by the revenue mix. Comparing Q3 FY25 to Q2 FY25, total revenues decreased by 3.4% due to 1% of DC revenue in Q2 and lower solutions and as a result EBITDA and net profit declined by 8% to 12% respectively but remember Q3 is typically a slower quarter.

Moving to the nine months ending 30th of September performance, total revenues increased 11% driven by high data centre utilisation and higher solutions offset by low Workplace Services revenue. EBITDA decreased 3.4 million due to one off electricity actualisation last year and ECL provision taken this year. Net profit increased 1% from this EBITDA flow-through, aided by lower depreciation and higher finance income.

As we did last time, we're showing underlying performance, excluding the one-off electricity actualisation in FY24 of QR 6.4 million. Underlying EBITDA increases 4% due to higher revenues and cost optimization, while net profit improves QR 6.8 million, or 19%, aided by higher finance income. Underlying gross margin on an absolute basis increased QR 4.7 million year-on-year due to data centre expansion, but the margin percentage declined by 1.3 percentage points due to higher contribution of solutions and lower solutions margin from increased competition.

Moving to the margin trends. Underlying EBITDA margin adjusting for NaaS and electricity actualisation is impacted now by higher solutions revenue and the ECL provision we put up this year. Net profit margin increased by 5.3 percentage points from 2021 though, driven by returns from capital expenditure and growth in recurring revenue.

Onto the CAPEX slide. CAPEX in 2025 includes the MV4 4MW expansion as well as MV6 work-in-progress. Capital intensity is set to increase in the second half of this year, especially over the next two months as we ramp up our data centre capacity roll-out. Cash flow in the period was impacted by advances on the MV4 expansion. MEEZA holds a net cash flow of QR 4.7 million. Cash position with QR 206 million cash on hand and QR 159 million total debt. The company distributed QR 52 million in dividends in Q1.

That brings us to the end of the presentation and we will now take questions. Thank you.

Phani Kanumuri: Thank you. If you have any questions, please raise your hand or you can ask questions via the chat box at the bottom of the screen.

Q&A

So maybe let me start off with the question on the announcement that you did yesterday. You had announced a major hyperscale deal. Maybe you can give more details on the deal. What's the tenure, probably what's the returns that you see on the deal, etc.

Thanks, yeah, the deal is the typical hyperscaler duration in length, so that, we've talked about that before in the past. The rate, again, we don't really talk about the rate specifically, but what I can say is the price does have an escalation clause in it, so it increases in line with inflation over the period of the contract. The contract is long in length, but I can't give this. And maybe on the cost structure, so there seems to be an increase of cost in 3Q more than the revenue.

So what is driving the increase in cost in 3Q?

Yeah, I think if you're looking at year-on-year, obviously we talked about the electricity actualisation last year, which is the QR 6.4 million benefit to cost of sales in 2024. So that's obviously not repeating, so you have to strip that out from an underlying perspective. And we're also seeing high solutions revenue, which is also at a lower margin, which is driving cost of sales up. But if you look at OPEX on its own, if you strip out ECL, it's actually declining OPEX by 5%.

We have a question via chat, when should we expect the 6MW contract to contribute to revenues?

Yeah, good question. I think we've previously talked around Q2 FY27 for that. uh we have one more question via the chat what work is now still remaining on mv4 extinction and when will this its new capacity start hitting bottom line Yeah, I mean, as you can see from the pictures, all of the MEPs are on site and are basically being put together and we're at 84% completion. Obviously, the final phase is primarily related to testing and commissioning. We're expecting RFS to be in H1 FY26. We're pushing as a management team to get that into Q1.

What's your long-term target in terms of you know the megawatts that you want to build and how do you see the margins expand with expansion of the data centers.

Yeah, sure. We showed that on the data centre expansion and capacity slide, so 18 megawatts, that's how much we'll have once the 4 megawatts MV4 come online. And then MV6 is a 24 megawatt building, and as I said, we've already sold the 6. We're also in the planning and design phases of MV7, which is designed to be a 14 megawatt data centre, so that will take our total capacity well over 50 megawatts, and our plans remain the same as we communicated on the last call.

Just as a reminder you can also ask questions by raising your hand if you want to. So we have some other questions in the chat: any challenges to securing appropriate contractors for your dc expansion plans?

No, all of the responses we've received on active tenders, we've seen that the resources are available for the general construction of the data centre, so no challenges at this stage.

We have another question in the chat is the new mv6 capacity also suitable and retrofitted for AI

Our design requires that we're able to shift the technology inside the data centre from air-cooled to liquid-cooled. As required by the customer, so yes.

We have one more question on the chat. Is there any similar announcement in short term like on MV-6?

At this stage no but obviously we're working very actively with our customer base you know to sell capacity that is being built

And just one more question, how is the current data center competitive environment in Qatar?

Yeah, we're well aware of the competition, obviously Syntis, the carve-out of the D.C. business, Ooredoo is our competitor, and we also have Quantum Switch in the QFZ. In terms of the environment, yes, it is competitive, but as you can see from our recent press releases, we're at the forefront of building out the capacity for the demand in the country. We just have a follow-up on you know the any similar announcements in short term to MV-6

They are they are asking if any announcements are possible and for q2025

Phani, can you repeat that question?

So they were asking is there any similar environment in short term like MV6 and then they meant short term it was like 4Q2025. Is there any similar announcement in 4Q2025? Is there any expectation of a similar announcement in 4Q2025?

Yeah, I think we're obviously going to have our typical announcements, there will be an announcement in relation to the construction of MV-6 starting and the award of that contract likely to be before the end of this year. In terms of customer contracts, that's something that we can certainly speak to our CCO about, but as it currently stands our pipeline is extremely. And we do expect our further contracts to be signed. Q4 is typically a busy period.

There is a question on, is there any indication on the electricity prices trending down and they are asking about electricity price trends over the next few years.

At this stage, there is no indication in terms of how we are in communication with Kahramaa and the government in relation to rates. But to answer that question, the answer is no.

On capex so considering that you are going into this expansion what can we expect from capex in 2026 and 2027

Yeah, it's a good question. I think in terms of obviously MV6, it is going to be well underway in 2026. So CapEx is likely to exceed 300-400 million next year.

As of now i don't see any other questions in the queue. I'll just wait for a minute if anybody wants to ask any further. Okay uh there's a question that will the company benefit anyhow from the government plan to double the LNG capacity.

Probably not a question specifically for me, but for our Chief Commercial Officer, but it's likely, I think, as the government budget increases, there's going to be more infrastructure and building going on within the country. One of the pillars for the 2030 vision is around digitisation, and there will be investment with that, so I expect meters to benefit.

On dc capex in 2025 and 2026 how much is financed with equity versus debt this is one of the questions on the chat

It's 90%.

In line with increasing government shareholding the company around 56% now, would that assist the company to earn more government contracts?

No impact expected.

I think there are no further questions in the queue, so I'll hand it over to the MEEZA management for any ending comments.

Okay thank you Phani thank you everyone for the lively discussion please don't hesitate to contact us for any further questions or follow-ups or if you want to schedule a follow-up meeting thank you everyone and have a great rest of the day.