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**Executives:**

Mohamed Ali Alghaithani - Chief Executive Officer

James Corby - Chief Financial Officer

Yaman Al-Jundi- Head of IR

**Operator:** Hello everyone and welcome to the Meeza Conference call. Please note that this call is being recorded. I'd like to hand over to Phibion. Please go ahead.

**Phibion Makuwerere:** Thank you, Ellie. Good afternoon to you all and thank you for joining us for Meeza's Second Quarter and First Half of 2024 Earnings Conference Call. My name is Phibion, a senior research analyst with QNB Financial Services. On today's call, we have three members from Meeza’s management team, the CEO, Mohamed Ali Alghaithani, and James Corby, the chief financial officer. We also have Yaman Al-Jundi, the head of IR. And as usual, they'll go over their presentation and their performance, and a question-and-answer segment will follow immediately after. I’ll now turn over the call to Yaman to begin. Over to you Yaman.

**Yaman Al-Jundi:** Thank you, Phibion, and thanks everyone for joining us. Just a couple of points before we begin. The investor presentation is available on the Investor Relations section of the website meeza.net. And I want to remind you of the disclaimer on slide two, which is an important part of the presentation regarding any information provided today and any forward-looking statements made. I'll now hand over to our CEO, Mr. Mohamed.

**Mohamed Ali**

**Alghaithani:** Good afternoon. My name is Mohamed Ali Alghaithani. I'm Meeza’s CEO. I just recently joined Meeza. We have just closed the first half of the year’s revenue. And we'll talk first on slide four, we'll talk about first about the financial.

The team has done great work toward increasing the revenue in the most profitable business line. So we have achieved an increase year-on-year in Data Centers by 8%. Also, Managed Services increased by 9%. Despite that, there was a decline in the total revenue by 19%. However, that was in the lowest Solution revenues and the reason for that is because of the nature of this kind of line of business, the uncertainty, the delay, the fluctuation and it is one of the [inaudible]. This one is the EBITDA margin increased to 34%, highest net profit of QR 29.9 million.

If we move to operations, there is a QR 1.5 billion committed contract value with a net sales pipeline of QR 1.3 billion. Collection for this half was QR 160 million, and the

balance is down 16% in the last 12 months. Total data center capacity utilization increased from 83% to 88% comparing period to period, and we expect this utilization will be increased by the end of this year.

In terms of growth and our plans for the future. We are committed to our all shareholders towards the growth and towards introducing the most beneficial services for the company, our stakeholders, and our customers. We signed an agreement with AMD- the giant chip manufacturers for AI. This strategic AI partnership will help us to open the door for more cooperations, more insights, and more to get to know how to build use cases here in Qatar. Also, Meeza was added to the MSCI Small Cap Index. This increased confidence for our shareholders.

We'll move now to financial results with Mr. James Corby.

**James Corby:** Thanks, Mohamed. We will move on to slide five and we will provide the financial results for the six months ended 30th of June 2024. Starting with the financial performance for H1 this year versus the same period last year. Total revenue decreased by 19.1% due to low-margin Solutions declining by QR 53 million. Revenue excluding Solutions however increased by 7.1%. Expenses decreased by 25% primarily due to the lower Solution revenue, our continued cost optimization, and a one-off cost actualization. As I have said, our EBITDA margin expanded to 34.4%, an increase of 5.5 percentage points year-on-year primarily due to revenue mix and lower cost of sales. Net profit for the period was .6% higher due to higher gross margin and higher finance income.

Slide seven shows the gross margin analysis by segment, including depreciation and this is for H1 versus the same period last year. We have now added a high-level…well I think we had it to the slide now we haven't yet. We're going to add some high-level description to the statements for reference going forward. Due to a high contribution of Data Center and Managed Services revenue and lower cost of sales, H1 gross margin is QR 1.7 million higher year-on-year reaching QR 59.4 million. Gross margin improved 7.1 percentage points year-on-year to 33.1%.

Moving to slide eight, where we have the quarterly financial performance for the last five quarters. Total revenues increased 13% quarter-on-quarter, primarily due to higher Solution Services and Managed Services. Year-on-year quarterly revenue has grown in the recurring revenue streams of Data Center and Managed Services by 4% and 12% respectively, and net profit quarter-on-quarter is 56% higher primarily due to higher revenue and lower cost of sales.

Slide nine details the EBITDA margin and net profit margin for the six months ended 30th of June for the past five years. As in the call last time, the EBITDA margin excluding NaaS is increasing again and this time by 9.1 percentage points since FY20 driven by revenue mix and cost optimization. Net profit margin expanded 11.7 percentage points since FY20 driven by EBITDA flow through, higher returns and capital expenditure, and higher finance income.

Moving to slide 10, which is the CapEx for the last five years and then the return on capital employed on the right-hand side. Facing on FY23 and FY24, the CapEx in these periods mainly includes maintenance or replacement CapEx, and after two relatively low years of CapEx, we really expect this to ramp up significantly over the next two years. Return on capital employed increases from 5% to 8% in June 2024, driven by the growth of higher margin services. And our target ROCE is between 10 and 15%, which will be driven by growth in our recurring revenue segment.

Moving to cash flow from operations for the six months ended 30th of June 2024 and for the past five years, H1 cash flow was impacted by vendor payments and prepayments, partially offset by higher collections. As a result of the management’s A/R plan, we're able to increase our collections to QR 160 million in H1 and reduce the accounts receivable balance to QR 173 million from QR 200 million year-on-year. The company’s net cash position with QR 223 million cash on hand and that's despite paying a dividend of QR 53 million in Q1.

We'll now move to the questions-and-answers session. Thank you.

**Operator:** Thank you. We are now opening the floor for a question-and-answer session. If you'd like to ask a question, please press star one. Again, that's star one. We have questions. Our first question comes from Rob Skepper from Ashmore. Your line is now open.

**Rob Skepper:** Hi everyone. Thanks for the call today. Much appreciated. Could we just get an update on what's happening with MV4, and I guess kind of 6 and 7 as well? Is there anything you can tell us about those?

**Mohamed Ali**

**Alghaithani:** Hi, Mr. Rob. How are you? MV4 and MV6 plans are a little bit delayed. It's not in our hands. For the reason, it's not in our hands, but hopefully, this will move within a couple of months as we plan. And we try to expedite the process and try to make the growth as much as earlier. as announced earlier. We expect good news in the coming months, two to four months about before, and the other plans. Delayed but not in our hands. We tried, we pushed very hard and hopefully inshallah, after the summer, we'll have good news inshallah.

**Rob Skepper:** Okay, got it. And is that something you would announce proactively like outside of the results cycle if that was…if you got those contracts kind of signed?

**Mohamed Ali**

**Alghaithani:** Of course. Once we have the material in our hands, this is how we can announce, but believe me, the team is working over the clock to make things happen as soon as possible.

**Rob Skepper:** Yeah. Okay. And so I think for example for like MV4 phase two, you're kind of looking at the second half of 2025 for going live there, is that already slipped into 2026 at this stage?

**Mohamed Ali**

**Alghaithani:** We will try. We'll have one session to explain this question.

**Rob Skepper:** Okay. And then just on the CapEx guidance for the expansions like in terms of the current sort of like cost per MW, like what's that number currently?

**James Corby:** Yeah. We're obviously looking to drive down CapEx per MW. As you know in the first phase of MV4, it was between $15 and $16 million per MW. And we're looking to drive that down to $13 million for the extension and drive that down further for the additional expansions using more of an ASCI model.

**Rob Skepper:** Yeah. Okay. Great. Thank you. I guess last from me for now, just in terms of kind of structural guidance. So yeah. I guess like kind of 4, 6, and 7 get you to that kind of 25 gigawatts, give or take. And you kind of make comments in the past that there was this kind of stretch goal to kind of 50 megawatts longer term I think by the end of the decade, is that something a number you still look at? Has anything changed on that front?

**Mohamed Ali**

**Alghaithani:** Thanks. Nothing changes.

**Rob Skepper:** Yeah. Okay, great. Thanks guys.

**Mohamed Ali**

**Alghaithani:** Thank you.

**Operator:** Our next question comes from Raja Natarajan from Sancta Capital. Your line is now open.

**Raja Natarajan:** Hey, thank you so much for taking my questions. So you mentioned cost optimization driving as one of the reasons for the EBITDA margin expansion to start [indiscernible]. Can you elaborate a little bit more on what are the initiatives and how much has been realized so far? And what is the unrealized cost savings that are likely in the next 12-18 months?

**James Corby:** Yeah. I mean, we're obviously looking to make our data centers more operationally cost-effective by increasing or delivering different types of technology there. We're not going to go into a huge amount of detail in terms of the specifics of what happened in Q2 on the call. But what I will say is the underlying data center margin without one of the actualizations that happened is about 37-39% gross margin. Okay?

**Raja Natarajan:** Okay. Thanks. And there was recently this headline about opportunities, sorry, the partnership with AMD, right? I saw a similar headline from Ooredoo as well. So would you mind elaborating on the potential opportunities as a result of this partnership?

**Mohamed Ali**

**Alghaithani:** Yeah. This MoU will open the door for us to expedite the benefit of using AI with AMD by accessing the know-how; by getting the chips faster, they will help us once we have requests for our clients. The AI topic is trending and growing very fast, and we expect the demand will increase in the coming few years, very significantly. So this agreement will allow us to work with them to build the right use cases in case to deliver the required product for our clients. So to simply answer your question, it is a door open for future growth in AI. This will give us leverage and more benefit than others.

**Raja Natarajan:** Are you looking to sign something similar with NVIDIA as well?

**Mohamed Ali**

**Alghaithani:** You see, I can't disclose any agreement until it has been signed, but we are looking for all buttons. We are not looking for only one company.

**Raja Natarajan:** Okay. Thank you.

**Operator:** Our next question comes from Ahmed Kamal from Azimut. Your line is now open.

**Ahmed Kamal:** Hello, good evening. Thank you for taking the call. Can you please provide the pressure on the current data center capacity in terms of megawatts and whatever compared to the average of 2023 as your target for the coming three years? Thank you.

**Mohamed Ali**

**Alghaithani:** Our utilization went from 83 to 88 and we expect to reach a very good number above 95 by the end of this year, 95 to 98.

**Ahmed Kamal:** And for the absolute capacity in terms of megawatts?

**James Corby:** I think, as Mohamed alluded to earlier, our plans are the same as what we presented previously. So MV4 extension is slightly delayed, but we expect to expedite it and be on the plan and MV6 is also going...

**Mohamed Ali**

**Alghaithani:** Are you asking about the current or the future?

**Ahmed Kamal:** The current, both actually, the current and the future.

**Mohamed Ali**

**Alghaithani:** That will be announced, and we can take another call with you [indiscernible]. Do you like to, Mr. Ahmed?

**Ahmed Kamal:** Okay. Thank you.

**Mohamed Ali**

**Alghaithani:** Thank you very much.

**Operator:** As of right now, we don't have any more questions. I'd now like to hand back over to the management for the final remarks.

**Mohamed Ali**

**Alghaithani:** Thanks for all shareholders.

**Phibion Makuwerere:** Thank you, Ellie. I think we don't have more questions and that brings us to the end of our call today. I would like to thank the management team for taking the time to update the market. And I also want to thank you all for joining us for this call. Please join us for future calls, and if you've got further questions, feel free to reach QNB Financial Services or to the management directly. Good afternoon.

**Mohamed Ali**

**Alghaithani:** Thanks a lot, Phibion.

**Operator:** Thank you for attending today's call. Have a wonderful day.