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**Executives:**

James Corby - Chief Financial Officer

Yaman Al-Jundi- Head of IR

**Operator:** Good afternoon and welcome to the Meeza Third Quarter 2024 Conference Call. Please note that this call is being recorded. I'd like to turn the call over to our moderator, Phibion. Please go ahead.

**Phibion Makuwerere:** Thank you, Angela. Good afternoon to you all and thank you for joining us this afternoon for Meeza's 3Q and Nine Months 2024 Earnings Conference Call. My name is Phibion, I'm with QNB Financial Services. On the call today from Meeza’s management team, we have James Corby, the CFO, and Yaman, Al-Jundi, the Investor Relations Director. And as usual, they will go over the performance and will have a Q&A session immediately afterward. Let me turn over the call to Yaman to begin the conference call. Over to you, Sir. Please go ahead.

**Yaman Al-Jundi:** Thank you, Phibion, and thanks everyone for joining us. A couple of items before we begin. The investor presentation is available in the Investor Relations section of Meeza’s website, meeza.net. And I want you to take…please take 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. By way of introduction for first-time participants, my name is James Corby, I'm the CFO at Meeza. I'll be presenting the year-to-date results to the 30th of September 2024 on behalf of the management. First, I will give an overview of our main achievements for that period, followed by a deeper look at our financial results. And as Phibion said, we will then end the call with a typical Q&A session.

So, starting with slide four and reviewing the main highlights for Q3. The biggest event that we had in the quarter was closing the long-awaited deal for the 1 MW in MV4 which was just over QR 100 million in contract value for just over 12 years of contract length. This deal brought our overall capacity utilization to 96%, effectively meaning that we have full capacity as at the end of September. So, to meet our pipeline demand, we expect to start the construction of the 4 MW expansion at MV4 in Q4 this year with

full occupancy from ready for service date. Simultaneously, we have finalized site selection for MV6 and expect to start building in H1 next year.

Looking at our financial performance in the middle of that slide, our recurring revenues reached QR 229.3 million, growing 7.5% year-on-year and this was driven by growth in our higher margin segments of Data Center growing at 8% and Managed Services at 12%. The greater these segments, in addition to the drop in the Solutions, revenue expanded our gross margin by 5.7 percentage points to 32.7%. Pleasingly, gross margin, absolute QR 84.8 million and that's our highest year-to-date gross profit ever. Net profit reached QR 42 million for the period, declining year-on-year by QR 4 million, which is a direct result of the finance income we received last year as well as lower Solutions revenue. I think it's important just to recap on what that Solution segment is. It's defined really as ad hoc IT consulting where we resell services that include delivery and installation of infrastructure hardware, and it could be software as well. These solutions revenue are primarily unpredictable, they're non-recurring and they're low margin. Although its large growth marketing capital, it is highly saturated with established players. Despite this, and still we see strong indicators in our commercial and fundamental positioning, we've maintained QR 1.5 billion in future committed contracts with a similar level in the net pipeline value. The commercial team continues to make inroads into major local sectors, adding seven clients during the period. Our focus on accounts receivable continues and the introduction of that credit committee has resulted in collections of QR 278 million year-to-date. And last but not least, we were really delighted to be included in the Al Rayan Islamic Financial Index on the back of media's share performance and ethical business standards.

I’ll now pause to myself for the financial section, turning to slide number five. So, we're going to go to the financial results for the nine months ended the 30th of September.

Moving to slide six, here we can see revenue, expenses, EBITDA, and net profit. Total revenue decreased by 17% due to low margin Solution Services, but that underlying revenue growth in the recurring areas increased by 7.5%. Expenses decreased by 22% as a result of lower revenue, cost optimization, and the one-off cost actualization in Q2. EBITDA 3.7% lower from the revenue flow through. However, the margin did increase by 5.5 percentage points driven by higher revenue and the higher margin segments. Net profit 8.7% lower coming from EBITDA flow through and the lower finance income. But again, on the margin side, we're expanding as we're growing in that higher margin segments and net profit margin grew by 1.4 percentage points to 16.2%.

On slide seven, you can see the revenue composition and gross margin for the last five years and for the first nine months of the year.

Total revenue, excluding solutions as we've talked about, has grown by 7.5% year-on-year due to higher Data Center utilization and an increase in the Managed Services customers. Gross profit margin improved, as said before, to 32.7%, that's primarily again from that revenue mix and lower cost of sales. The absolute gross margin, as I said earlier, increased by QR 1 million to 84.8 million. And as mentioned, that is the highest it's been on record.

Slide eight shows a gross margin by segment including depreciation. You can see Data Center gross margin has done really well improving to 42.4% as a result of revenue growth and a one-off cost actualization in Q2. Other recurring revenues in Managed Services, Cloud, and Workplace Services have maintained a healthy margin of over 30%.

Moving to slide nine, this is the quarterly trend. So, total revenue has decreased quarter-on-quarter due to lower Solutions Services again, but that has been offset by growth in Data Center and Managed Services. Year-on-year, quarterly revenue has grown in the recurring revenue segments of Data Center and Managed Services by 8 and 20% respectively. Net profit is 34% lower quarter-on-quarter and 26% lower year-on-year, primarily due to finance income and lower Solutions revenue.

Slide 10 shows EBITDA margin and net profit margin growing in the right trend, primarily driven again by this recurring revenue in the higher margin segments.

Slide 11 shows the CapEx performance. Low material update from the last call, CapEx this year mainly includes maintenance and replacement CapEx, and we expect this to ramp up significantly in 2025. Return on capital employed hovering around 8%. Cash flow from operations has performed well primarily led by the collections that we talked about previously, we've got cash on hand at the end of September of QR 240.7 million and we're in a net cash position of QR 115.7 million.

That brings us to the end of the presentation. Now we ask for questions and answers. Thank you.

**Operator:** Thank you. We will now begin the question-and-answer session. If you have dialed in and would like to ask a question, please press star one on your telephone keypad to raise your hand and join the queue. If you would like to withdraw your question, simply press star one again. Thank you.

And your first question comes from the line of Alessandra David with Ashmore. Please go ahead.

**Alessandra David:** Hi, thank you for taking my question, and congrats on the results for the quarter. My question was just mostly around the new capacity you've added, and I was just curious

when we can sort of expect this to be. When this will be completed? When can we expect to start see the earnings from this? My second question was about, I guess, a slightly more bigger picture about the ambitions you spoke about previously to get to this 50 MW goal. I was just curious if there were any more updates on the strategy to arrive at that point. Thank you.

**James Corby:** Okay. So, in terms of the expansion, and when I think I talked about the 4 MW for MV4 starting in Q4 this year and MV6 starting in H1, we've given direction before of a 12 to 18-month timeline to put on any additional megawatts. Obviously, we will try and accelerate that as much as possible. In terms of the 50 MW goal, that's still very much in the pipeline that we have in our records at the moment, and we'll give a little bit more information around that, I think, during the year-end call in terms of the strategic direction, but that definitely still continues.

**Operator:** Your next question comes from the line of Gus Chehayeb with Sancta Capital. Please go ahead.

**Gus Chehayeb:** Yeah, thank you. Hi James and Yaman. Thank you. Thank you, guys, for the call. I wanted to follow up quickly on the last question. In respect to the MW that was added in the last couple of months that took you to the higher capacity utilization. When will revenue starts to accrue on that most recent contract for a 1 MW, please?

**James Corby:** Hi Gus, it will start in Q4.

**Gus Chehayeb:** Understood. Thanks for that, James. And I know you mentioned that you're starting to build-out as well in Q4 for the MV4 expansion, which is roughly 4 MW. And you mentioned that in the first half of next year will be also starting the build-out for MV6. Are you in a position now to give us an impression of the size of that build-out for MV6 in terms of megawatts?

**James Corby:** I think the range is going to be between 6 and 24 megawatts.

**Gus Chehayeb:** Okay. And will that be phased in, James, or will it be all in one go that you'll bring all that capacity online at once or is it going to be in tranches this 6 to 24?

**James Corby:** It's a difficult question to answer. I think the market dynamics are changing in terms of what the customers are requiring from a technology perspective, but it's likely to be a phased approach in terms of technology. But I still think in terms of the road map that we've previously gone out with that there is no change in the MW plan.

**Gus Chehayeb:** Okay. Thanks for that. Are you able to give us an impression of what CapEx will look like next year in dollar figures just for us to start kind of modeling that in? Obviously, the last couple of years have been low CapEx years and now that's going to ramp up, any indication of what we can expect in terms of CapEx outlay in 2025?

**James Corby:** I think it really does depend on sort of the timing of the phasing, but in terms of an estimation, would be somewhere between sort of QR 2 and 300 million.

**Gus Chehayeb:** Got it. Thank you, James. I wanted to touch on an aspect that you highlighted during the presentation in that Solution Services. So, we welcome the diminishing Solution Services segment given that it's very low margin and kind of volatile business and that you guys are deemphasizing this growth, which is occurring, but is that intentional? Are you intentionally kind of deemphasizing Solution Services business and emphasizing Data Center and Managed Services business, or is it just kind of cyclical and when that business comes, you get it and we don't, you don't? I'm just curious how to think about 2024 in respect to that particular segment?

**James Corby:** Yeah, I think it's definitely cyclical. It is volatile. It can't be predicted. So yeah, we're just seeing that at the moment in the market and we'll be reassessing that next year, as we go forward with our revenue strategy.

**Gus Chehayeb**: Great. And then as a final question. James, can you help just clarify, I guess, when we can expect maybe a bit more detailed guidance on capacity coming online in 2025 and kind of CapEx that will come along with that and just broader strategy around? You mentioned in a prior call you're also looking to retrofit new capacity for AI as well. When can we learn the finer details of these initiatives?

**James Corby:** I think we're going to obviously announce quite a bit in Q4. I think we'll have more detail for the market on the next call, in the year-end results in terms of a lot more detail around the expansion plan and guidance.

**Gus Chehayeb:** Understood. Thank you.

**Operator:** Your next question comes from the line of Ahmad Alanani with Sancta Capital. Please go ahead.

**Ahmad Alanani:** Thank you. Thanks, James, and congratulations on the improvement and ratio with the recurring revenues and a high-margin Data Center business. Just a question. Most of my questions were actually asked by Gus, but one question is in relation to MV4 expansion. Have you completed the tendering, and have you identified the vendors and the contractors? And if so, are you expecting to make any sort of announcement regarding that soon?

**James Corby:** Yes, the price has been complete and yes, we expect to make an announcement very soon.

**Ahmad Alanani:** Thank you. That's all from me.

**Operator:** Again, if you would like to ask a question, please press star then followed by the number one on your telephone keypad to raise your hand and join the queue. There are no further questions. I will now turn the call back over to Mr. Yaman for any closing remarks.

**Yaman Al-Jundi:** Thank you, Angela, and thank you everyone who joined us today. Please don't hesitate to contact us if you require any more information and we'd be happy to schedule a follow up meeting to get into more details. Thank you very much.

**Phibion Makuwerere**: Hi, Angela. I think let's close the meeting. I think the member has already said the final remarks, yeah.

**Operator:** Alright. This concludes today's conference call. Thank you all for joining. You may now disconnect.