Meeza QSTP LLC (MEZA)

Recommendation	Accumulate	Risk Rating	R-3
Share Price	QR2.720	Target Price	QR3.116
Implied Upside	14.6%		

Undervalued Play on Digital Economy/AI Boom; Initiate with Accumulate

Things are perfectly aligned for a Meeza takeoff as investments it has made over the years as well as those imminent have built a strong competitive foundation for the company and are finally aligned with the right opportunity in the burgeoning data economy. We therefore initiate coverage with an Accumulate rating as Meeza is one of the few GCC-listed players that offers investors a unique gateway to the Digital/Cloud/AI economy at an attractive valuation. *Data storage and computing power have become premium resources for companies to stay competitive and Meeza is uniquely positioned to play gatekeeper to this new invaluable resource through its mainstay data center (DC) business. With the ever-growing ubiquitous need to create, store, and manipulate data, the demand for data centers is outpacing supply in primary/secondary markets, aided by the outmigration trend of leasing rather than owning DCs. This challenge has been further compounded by constrained power grids – a limitation Qatar is well-positioned to circumvent. That has put emerging markets, such as Qatar, in the spotlight as a new frontier for computing and data storage. Over the years, Meeza had relied on a steady business flow from local corporates and GREs, while the sudden interest from hyperscalers such as Microsoft and social media giants (e.g. Meta) has been accompanied by a spike in utilization rates of Meeza's DCs. With spare capacity depleting fast, Meeza is now gearing up for a heavy investment cycle and high growth to keep up with the global demand for DCs.* ***While Meeza already boasts almost half of Qatar's DC inventory, it is on track to expand its DCs further by ~80% over the next 2-3 years – RFPs have already been issued. We estimate its DC business contribution to continue to grow and account for about three-quarters of group value in the terminal period from ~58% in 2022. With significant growth on tap, we remain optimistic on Meeza.***

Highlights

- **In the listing prospectus, management describes Meeza as an end-to-end managed IT services and solutions provider based in Qatar that, in addition, to operating five data centers known as M-Vault, offers managed IT services, solution services, workplace services, security services and cloud services.** In its latest 9M2023 results presentation, management added "smart city" services to that description. The main underlying thesis is that DCs stand to benefit from a confluence of needs driving demand for computing and data storage including digital/cloud migration (and the associated XaaS), edge computing, ubiquitous adoption of social media, streaming, gaming, AR/VR, and the AI revolution. Meeza generates annuity income from long-term contracts with a high-quality clientele base for colocation purposes – comprising of strategic sovereign entities and large corporates – as well as international hyperscalers, which are expected to drive most of the demand for the foreseeable future. This should, over time, make Meeza a reliable and generous dividend payer.
- **While Meeza disaggregates its revenue centers into six, we think its DC unit will be the primary driver of both revenue and bottom-line growth.** While the cloud segment is also set to experience a relatively larger growth rate, its overall contribution to the group will likely remain low. Notably, one of its major clients/tenants Microsoft, established a data center region in Qatar in 2022, which bodes well for Meeza. Overall, Meeza has so far onboarded three premium hyperscaler and social media platforms with a fourth one expected soon.
- **We forecast group revenue to grow 17.3% in 2023 but stay flattish (-0.4%) in 2024, before picking up in 2025 by 22.7%. The flat revenue expectation in 2024 is due to the normalizing of solutions services activity from 2023's high base. We forecast NP growth of 12.0% in 2023, 14.1% in 2024 and 19.0% in 2025.** We model in a 5-year CAGR of revenue/NP of ~16%/22%. The higher bottom-line growth stems from the gradual change in revenue composition to higher-margin DC business. This should, in turn, translate to a generous and secure dividend flow helped by its long-term contracts with premium customers.

Catalysts

- **Catalysts: (1)** Successful execution of planned expansion plans **(2)** Announcement of new contracts (including emanating from smart cities) to increase utilization of spare capacity **(3)** Entry into Saudi **(4)** Margin expansion to close in on global peers **(5)** Global companies selecting Qatar as a DC regional host **(6)** AI adoption still in nascent stage portending future acceleration.

Recommendation, Valuation and Risks

- **Recommendation and Valuation:** ***We launch coverage with an Accumulate and a 12-month TP of QR3.116, implying 14.6% upside.*** Our TP is a weighted average of various valuation models: DCF, EBITDA Exit Multiple and Relative-Valuation. Our primary thesis is that Meeza's yesteryear as well as imminent investments into its DC business are intersecting with a secular opportunity in the data economy. Qatar's nascent DC economy is set to benefit from favorable global supply-demand dynamics that have put emerging DC markets in the spotlight as primary & secondary DC markets globally struggle to cope with natural supply chain constraints (e.g. power availability). Locally, Meeza's unique strong market positioning in the DC market (#1 market share) puts it in a prime position to benefit from the demand expected from hyperscalers, global social media giants, corporates (including GREs) and smart cities, driven by the insatiable need for reliable electronic data storage and computing power.
- **Risks: (1)** Execution risk **(2)** Perennial tail risks related to tech of either incurring exorbitant costs to stay ahead of the technology curve or, on the other extreme, the costs of trailing the technology curve **(3)** High capex **(4)** Customer concentration risk & margin-squeeze by hyperscalers **(5)** Electricity availability/cost/renewables requirements **(6)** Cyber-attacks **(7)** National data sovereignty laws mandating in-country data storage **(8)** Geopolitics.

Key Financial Data and Estimates

	FY2022	FY2023E	FY2024E	FY2025E	FY2026E
EPS (QR)	N.M	0.09	0.10	0.12	0.18
P/E (x)	N.M	30.24	26.51	22.27	14.73
EV/EBITDA (x)	15.11	14.99	12.70	10.20	7.97
DPS (QR)	N.M	0.06	0.06	0.08	0.12
DY (%)	0.0%	2.1%	2.4%	2.8%	4.3%

Source: Company data, QNBFS Research; Note: All data based on current number of shares

Key Data

Current Market Price	QR2.720
Dividend Yield (%)	N/A
Bloomberg Ticker	MEZA QD
ADR/GDR Ticker	N/A
Reuters Ticker	MEZA.QA
ISIN	QA000PK2KD10
Sector*	Consumer Goods
52wk High/Low (QR)	3.061/2.220
3-m Average Vol. (mn)	0.8
Mkt. Cap. ($ bn/QR bn)	0.5/1.8
EV ($ bn/QR bn)	0.5/1.8
Shares O/S (mn)	649.0
FO Limit* (%)	49.0
FO (Institutional)* (%)	5.0
Return vs. Listing Price (%)	18.6
Fiscal Year-End	December 31

Source: Bloomberg (as of January 21, 2024), *Qatar Exchange (as of January 21, 2024); Note: FO is foreign ownership

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Valuation

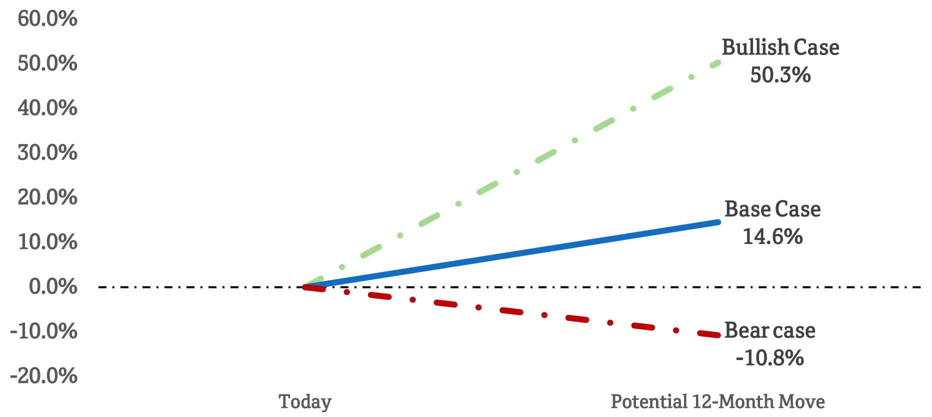
- **We value MEZA shares at QR3.116 with a 14.6% upside potential using a combination of DCF, EEM and international & domestic multiples.** We assign the biggest weight to DCF (cash flows to firm) as it captures the medium- to long-term potential of the company and its idiosyncrasies. The EEM and international comparison methodologies utilize international, rather than local peer multiples, to capture industry- or sector-specific pricing and valuation signals. However, this lends MEZA's multiples valuation to "irrational exuberance", a common problem associated with secular/trendy/thematic investment themes. This is not entirely unjustified given the secular tailwinds of the industry characterized by high profitability, low cyclicality, high-quality tenants and long-term contracts with annuity revenue streams. This translates into steady, utility-like cash flows and risk-adjusted yields. While not structured as a REIT, Meeza shares important similarities, and we expect it to mimic REITS in their relatively high levels of payouts to stockholders in the medium- to long-term. We estimate a double-digit AFFO yield in the medium term, which affords it latitude for a mid-to-high single-digit DY.
- **Most of these international peers are in developed and primary/secondary DC markets, which make them less reliable as a MEZA comparable.** Recall, Cisco! – The networking device giant, which never recaptured its $500bn market capitalization that it achieved at the turn of the millennium during the dot-com bubble. In MEZA's case, we have tried to remedy this conundrum by significantly down-weighting multiple valuation methodologies in our model than we usually do.
- **While MEZA looks undervalued intrinsically and more so relative to international peers, this is somewhat offset by the domestic market's conservative valuation that projects MEZA's valuation as rich.** *This discrepancy is largely explained by the above-average growth that we expect from MEZA in the medium term, which is not quite captured by local companies as MEZA offers a significantly unique value proposition than what you would normally find on the QSE. This disparity, specifically with international peers, potentially signals that MEZA's market value could benefit further from price multiples expansion. We estimate an average Forward PEG ratio of 0.5x based on our bottom-line growth expectations for MEZA in the short- to medium-term. We also note that while MEZA's capital return ratios are relatively low, an industry norm likely due to heavy capex associated with the business, they should, however, gradually improve over time as capex normalizes.*
- **With redundancy at the heart of Meeza's overall DC design, over time, it has created considerable "barriers to entry", not just from a financial capital perspective.** Our initial reaction was that Meeza's IPO price hardly baked in any growth expectations. Comparatively, similar opportunities globally have already been bid up by investors. While the share price has appreciated by ~25.3% since listing, we believe that it still has ways to go to fully incorporate the growth potential and valuation premium associated with its product offering. Furthermore, we believe that once investors fully appreciate the potential that lies within the company, the share price could get another boost from multiple expansion.

Valuation Summary: Base Case

sMethod	Weight in Overall MEZA's Valuation	MEZA's Upside Potential
DCF	**80%**	**19.8%**
EEM	**5%**	**73.8%**
International Comparison	**5%**	**53.2%**
P/E, 2023E	1.3%	41.6%
EV/EBITDA, 2023E	1.3%	69.4%
P/E, 2024E	1.3%	33.9%
EV/EBITDA, 2024E	1.3%	67.8%
Local Comparison	**10%**	**-76.5%**
DSM All Share Index Dividend Yield 2023E	5.0%	-94.6%
DSM All Share Index P/E, 2023E	5.0%	-58.4%
Weighted Average Upside Potential for MEZA Shares	**100.0%**	**14.6%**
TP		**3.116**

Source: QNBFS Research

Scenario Analysis: Potential Upside for Base vs. Bull vs. Bear Cases



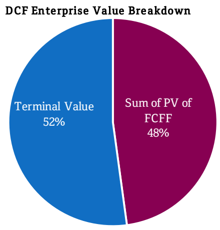
Source: QNBFS Research

- **Overall, we believe the balance of risks is to the upside.** For the short- to medium-term, we take management's guidance of expected IT load capacity growth, but in the medium- to long-term there is increased uncertainty:
    I. **Bullish Case**: IT load (in MW) growth closely aligns with industry long-run expectations.
    II. **Base Case**: IT load grows at half the industry's long-run expectations, a scenario that takes into account a certain level of execution risk.
    III. **Bear Case**: It assumes no additional IT load growth in the long run.

DCF Model Output: Summary

GROUP	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2034E	Terminal
NOPLAT	**63,573**	**61,068**	**71,517**	**97,227**	**144,554**	**172,617**	**205,164**	**240,281**	**255,250**	**302,295**	**315,736**
EBIT	63,573	61,068	71,517	97,227	144,554	172,617	205,164	240,281	255,250	302,295	315,736
Tax	0	0	0	0	0	0	0	0	0	0	0
Reinvestment	**(27,705)**	**18,733**	**(183,097)**	**(324,281)**	**(113,595)**	**(93,023)**	**(91,824)**	**119,322**	**147,238**	**199,783**	**(58,685.64)**
D&A	60,439	60,135	83,059	122,460	143,158	168,546	199,960	205,941	212,866	262,570	
Capital Expenditure	67,478	29,788	263,130	416,386	210,715	234,108	260,330	52,968	52,571	50,529	
Change in WC	(20,666)	(11,615)	(3,026)	(30,356)	(46,038)	(27,461)	(31,455)	(33,651)	(13,057)	(12,258)	
Free cash flow to the firm (FCFF)	**35,868**	**79,801**	**-111,580**	**-227,054**	**30,958**	**79,594**	**113,339**	**359,603**	**402,488**	**502,078**	**257,050**
WACC		11.9%	11.4%	10.6%	10.3%	10.2%	10.2%	10.8%	11.6%	10.9%	10.9%
Discount Factor		1.06	1.18	1.29	1.41	1.55	1.71	1.94	2.28	3.30	3.66
PV of FFCF		**75,445**	**-94,903**	**-176,653**	**21,943**	**51,318**	**66,467**	**184,917**	**176,432**	**152,094**	**70,188**

Sum of PV of FCFF	**964,521**
Terminal Value	**1,051,339**
Terminal FCF	72,996
Terminal Growth Rate	4.0%
Terminal WACC	10.9%
Enterprise value	**2,015,860**
+Cash and cash equivalents	203,405
+FVTOCI	0
-Debt - long term and short term	312,480
-Minority Interest	0
Fair Value of Equity	**1,906,785**
Shares o/s	648,980
12M target price per share	**3.260**
12 Month Upside Potential	**19.8%**



Source: QNBFS Research

Major Assumptions

- We assume Meeza will add ~12MW in IT load of DC capacity in the short- to medium-term, and, in the case of our base case, an additional ~10MW in the longer term.
- We assume revenue/MW will improve at an average rate of ~5%/year.
- We expect utilization rates to continue to improve from the current ~85% levels.

Target Share Price Sensitivity to WACC and Discount Rate

		Terminal Growth Rate				
		3.00%	3.50%	4.0%	4.50%	5.00%
Terminal Discount Rate	8.9%	3.59	3.74	3.91	4.13	4.39
	9.9%	3.31	3.41	3.53	3.67	3.83
	10.9%	3.11	3.18	3.260	3.35	3.46
	11.9%	2.95	3.00	3.06	3.13	3.20
	12.9%	2.83	2.87	2.91	2.96	3.01

Upside Potential		3.0%	3.5%	4.0%	4.5%	5.0%
Terminal Discount Rate	9.9%	32.2%	37.5%	43.9%	51.8%	61.6%
	10.4%	21.8%	25.5%	29.8%	34.8%	40.8%
	10.9%	14.2%	16.9%	19.8%	23.3%	27.3%
	11.4%	8.4%	10.4%	12.5%	15.0%	17.7%
	11.9%	3.9%	5.4%	7.0%	8.7%	10.7%

Source: QNBFS Research

Relative Valuation Metrics: DCs

Company	Country	Sh. Price (LCY)	Mcap LCYmn	Mcap USDmn	Beta 5yr adj.	P/E 2023e	P/E 2024e	EV/EBITDA 2023e	EV/EBITDA 2024e	P/B 2023e	P/B 2024e	ROE 2023e	ROE 2024e	EBITDA Margin 2023e	EBITDA Margin 2024e	Dividend Yield 2023e	Dividend Yield 2024e
DIGITAL REALTY TRUST INC	UNITED STATES	135.56	41,932	41,932	n.a.	46.0	118.6	22.1	20.9	2.28	2.35	5.6%	2.5%	49.3%	49.4%	3.60	3.70
EQUINIX INC	UNITED STATES	798.86	75,000	75,000	n.a.	79.6	69.8	23.9	22.0	6.25	6.33	8.1%	9.8%	45.3%	45.2%	1.83	2.15
NEXTDC LTD	AUSTRALIA	13.63	7,027	4,615	0.86	1239.1	n.a.	39.7	39.5	3.15	3.18	-0.02	-0.03	54.7%	47.7%	0.00	0.00
KEPPEL DC REIT	SINGAPORE	1.79	3,081	2,294	0.62	17.9	18.1	19.2	18.9	1.28	1.28	7.1%	7.0%	78.2%	77.1%	5.53	5.36
GDS HOLDINGS LTD - ADR	CHINA	6.24	1,189	1,189	1.11	n.a.	n.a.	10.8	9.7	0.37	0.44	-7.1%	-6.8%	44.6%	44.8%	0.00	0.00
SHANGHAI ATHUB CO LTD-A	CHINA	17.28	7,957	1,106	1.06	48.4	38.7	10.1	9.3	2.35	2.22	0.05	0.05	68.3%	68.0%	0.18	0.17
MACQUARIE TECHNOLOGY GROUP I	AUSTRALIA	68.70	1,672	1,098	0.82	92.2	59.9	17.3	16.5	4.67	4.34	0.08	0.08	29.4%	29.6%	0.00	n.a
BEIJING SINNET TECHNOLOGY-A	CHINA	8.68	15,603	2,169	0.76	29.9	22.9	10.6	8.8	1.24	1.17	0.04	0.05	19.9%	21.5%	0.25	0.58
DCI INDONESIA TBK PT	INDONESIA	39,875.00	95,051,868	6,088	0.89	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a	n.a	n.a
DIGITALBRIDGE GROUP INC	UNITED STATES	17.69	2,891	2,891	1.84	n.a.	n.a.	80.3	49.6	3.40	3.56	-0.21	0.01	10.8%	26.2%	0.27	0.28
SDIC INTELLIGENCE XIAMEN I-A	CHINA	12.50	10,743	1,494	0.80	44.6	32.5	21.7	17.1	2.45	2.31	0.06	0.07	18.1%	18.7%	0.56	0.86
				Peer Group Mean	0.97	199.7	51.5	25.6	21.2	2.74	2.72	6.2%	5.8%	41.9%	42.8%	1.7%	1.9%
				Peer Group Median	0.86	47.2	38.7	20.4	18.0	2.40	2.33	5.2%	5.4%	44.9%	45.0%	0.3%	0.6%
MEEZA QSTP	Qatar	2.72	1,765.2	485	0.56	30.2	26.5	15.0	12.7	2.52	2.43	8.3%	9.2%	29.3%	37.5%	2.1%	2.4%

Source: Bloomberg, QNBFS Research

Relative Valuation Metrics: Managed Services

Company	Country	Sh. Price (LCY)	Mcap LCYmn	Mcap USDmn	Beta 5yr adj.	P/E 2023e	P/E 2024e	EV/EBITDA 2023e	EV/EBITDA 2024e	P/B 2023e	P/B 2024e	ROE 2023e	ROE 2024e	EBITDA Margin 2023e	EBITDA Margin 2024e	Dividend Yield 2023e	Dividend Yield 2024e
AL MOAMMAR INFORMATION SYSTE	SAUDI ARABIA	132.20	3,966	1,057	n.a.	82.6	31.5	47.7	26.6	n.a.	n.a.	13.0%	31.0%	6.4%	13.1%	1.13	2.34
MATRIX IT LTD	ISRAEL	6,914.00	4,392	1,162	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a	n.a	n.a
ELM CO	SAUDI ARABIA	931.00	74,480	19,858	0.99	55.6	44.6	47.8	37.9	18.99	15.04	0.37	0.36	26.0%	27.1%	0.79	1.00
PERFECT PRESENTATION FOR COM	SAUDI ARABIA	26.55	3,983	1,062	1.01	29.5	21.8	n.a.	n.a.	11.54	8.56	45.1%	45.1%	n.a	n.a	1.02	1.62
HILAN LTD	ISRAEL	18,920.00	4,339	1,148	0.89	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a	n.a	n.a
ARABIAN INTERNET & COMMUNICA	SAUDI ARABIA	335.20	40,224	10,725	0.93	30.6	26.4	22.2	19.5	11.46	10.52	0.41	0.38	15.8%	15.8%	1.74	2.07
MALAM - TEAM LTD	ISRAEL	5,050.00	1,106	293	0.88	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a	n.a	n.a
MAGIC SOFTWARE ENTERPRISES	ISRAEL	10.42	512	512	0.94	11.0	11.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a	n.a	n.a
RISKIFIED LTD-A	ISRAEL	4.35	775	775	1.38	n.a.	n.a.	n.a.	38.2	1.55	1.64	-0.13	-0.11	-4.7%	2.5%	n.a	n.a
MANNAI CORPORATION QSC	QATAR	3.99	1,822	500	1.01	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a	n.a	n.a
					1.00	41.9	27.1	39.2	30.5	10.89	8.94	34.1%	37.5%	16.0%	14.6%	1.2%	1.8%
					0.96	30.6	26.4	47.7	32.2	11.50	9.54	37.3%	35.7%	11.1%	14.4%	1.1%	1.8%
MEEZA QSTP LLC	Qatar	2.72	1,765.2	485	0.57	30.2	26.5	15.0	12.7	2.52	2.43	8.3%	9.2%	29.3%	37.5%	2.1%	2.4%

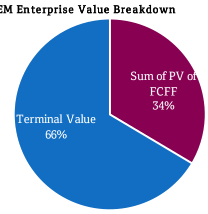
Source: Bloomberg, QNBFS Research

EEM Model Output: Summary

GROUP	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2034E	Terminal
EBITDA	124,012	121,204	154,576	219,687	287,711	341,163	405,123	446,222	468,115	564,866	315,736
PV of EBITDA		**114,588**	**131,473**	**170,921**	**203,930**	**219,964**	**237,583**	**229,459**	**205,199**	**171,114**	**86,212**

Sum of PV of FCFF	**964,521**
Terminal Value	**1,910,162**
Terminal EBITDA	89,661
EBITDA Multiple	21.3
Enterprise value	**2,874,684**
+Cash and cash equivalents	203,405
+FVTOCI	-
-Long- and Short-term Debt	312,480
-Minority Interest	-
Fair Value of Equity	**2,765,609**
Shares outstanding	648,980
Fair Value Per Share	**4.261**
12M Target price per share	**4.728**
Upside Potential	**73.8%**

EEM Enterprise Value Breakdown



Source: QNBFS Research

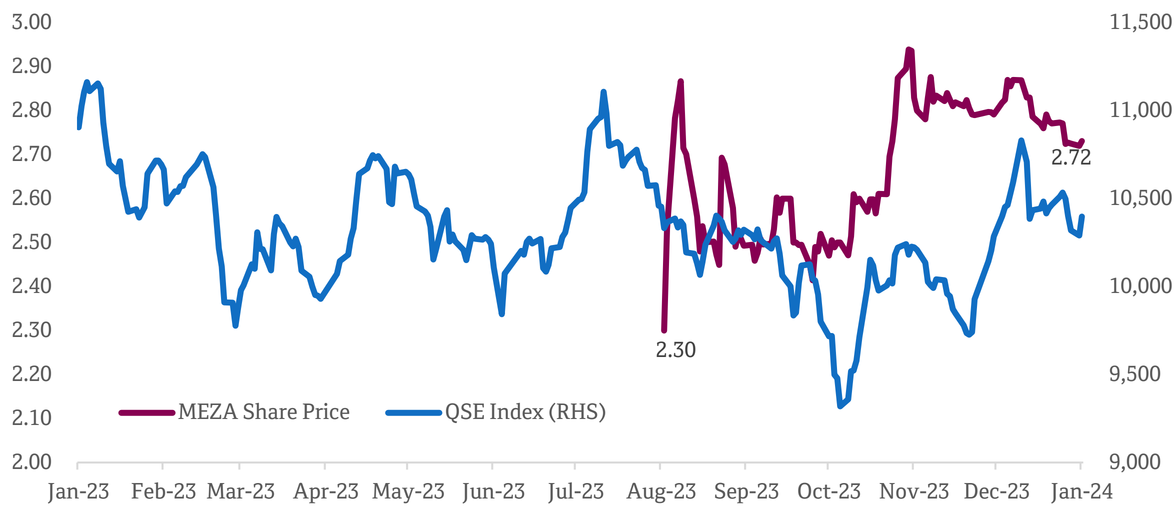
Target Share Price Sensitivity to Exit Multiple and Discount Rate

Terminal Discount Rate	Exit Multiple: 19.3	20.3	21.3	22.3	23.3
8.9%	4.482	4.635	4.788	4.941	5.095
9.9%	4.458	4.611	4.764	4.917	5.071
10.9%	4.435	4.589	4.728	4.895	5.049
11.9%	4.415	4.568	4.721	4.875	5.028
12.9%	4.396	4.549	4.702	4.856	5.009

Terminal Discount Rate	19.3	20.3	21.3	22.3	23.3
8.9%	64.8%	70.4%	76.0%	81.7%	87.3%
9.9%	63.9%	69.5%	75.2%	80.8%	86.4%
10.9%	63.1%	68.7%	73.8%	80.0%	85.6%
11.9%	62.3%	67.9%	73.6%	79.2%	84.9%
12.9%	61.6%	67.2%	72.9%	78.5%	84.2%

Source: QNBFS Research

Meeza Share Price Performance since Listing vs. QSE



Source: Bloomberg, QNBFS Research

Investment Thesis

In this section, we highlight some of the following tailwinds that are expected to drive Meeza's valuation:

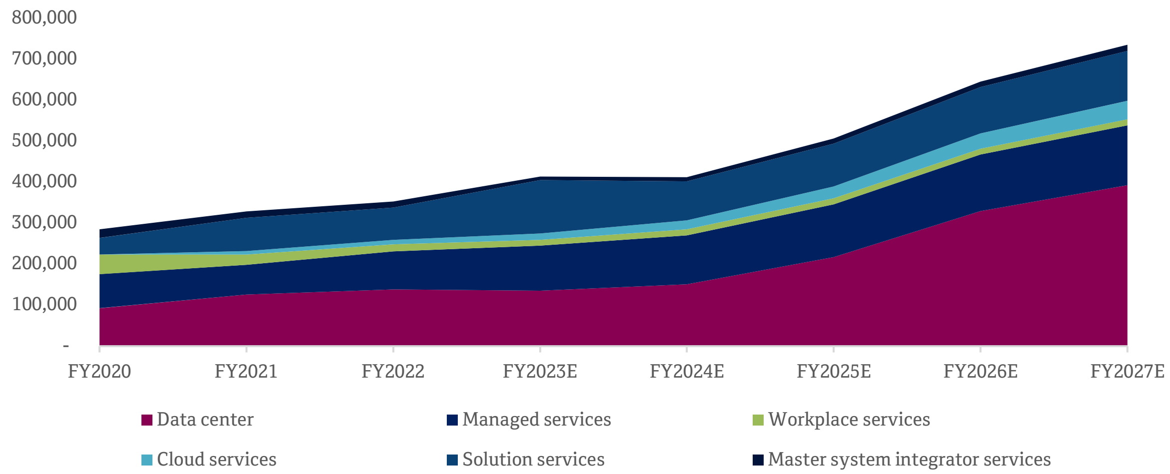
a) The DC unit is expected to drive bulk of the valuation as it grows ahead of other divisions propelled by capacity expansion, increasing utilization levels, gradual price increases and relatively superior margins than other group divisions.
b) Out of six global clusters, the Middle East is expected to experience the second-fastest DC market growth in the short- to medium-term, only behind Africa.
c) Heavy investment in DCs by hyperscalers for the foreseeable future to support their public cloud provisioning ambitions and meet their data growth needs.
d) Favorable supply-demand dynamics for emerging DC markets such as Qatar, augmented by favorable energy economics and price trends.
e) AI to accentuate the demand for DCs.
f) Meeza's other attractive attributes that competitors will find difficult to mimic such as prime land locations.

We expand on each of these themes below:

Theme: DC Unit Expected to Drive Bulk of Group Value

- **We expect Meeza's DC unit to be the primary driver of value for the group with the segment's revenue growth set to average ~23% yearly in the short- to medium-term (vs. overall group's ~16%)** driven by **(1)** MW capacity expansion, **(2)** increasing utilization levels and **(3)** gradual price increase per MW – as demand continues to grow exponentially and ahead of supply, likely intensified by energy constraints/costs in primary and secondary markets.

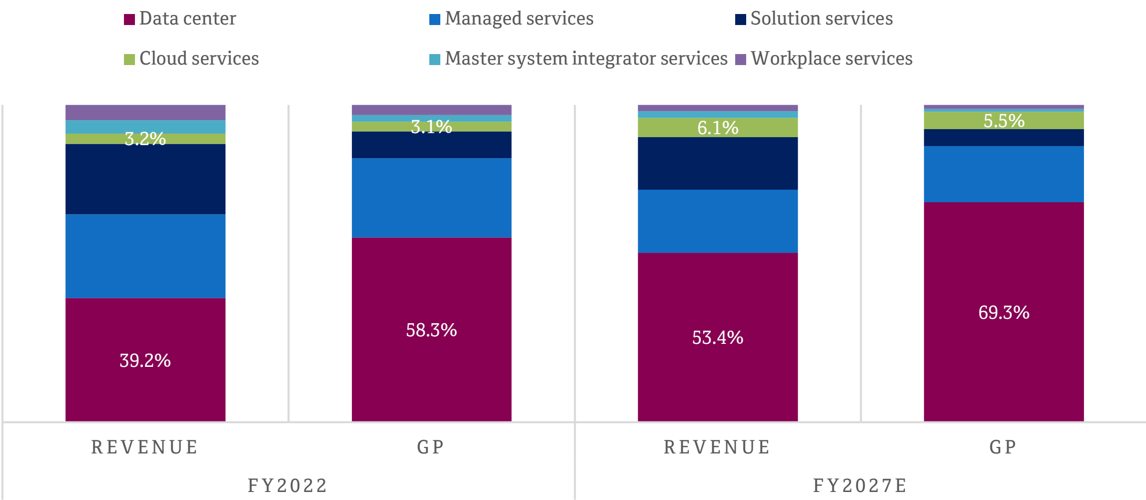
Divisional Revenue Trends (QR'000)



Source: Company Data, QNBFS Research

- **Data center IT load capacity growth guidance in the listing prospectus and, more recently, through conference call updates/management engagements as well as industry forecasts implies a CAGR of ~19% in the short- to medium-term** – RFPs for part of this additional data center capacity have already been issued by Meeza. We expect most of Meeza's value to come from its DC business where higher gross margins relative to other units further boosts overall group valuation. Group GP/EBITDA margins are set to expand from ~30/35% to ~31/46% between 2022 and 2027 – GP margin excluding D&A jumps from 47% to 53%. However, as you can see from the GP-EBITDA dynamics, the model can lend itself to low capital returns due to high capex demands.

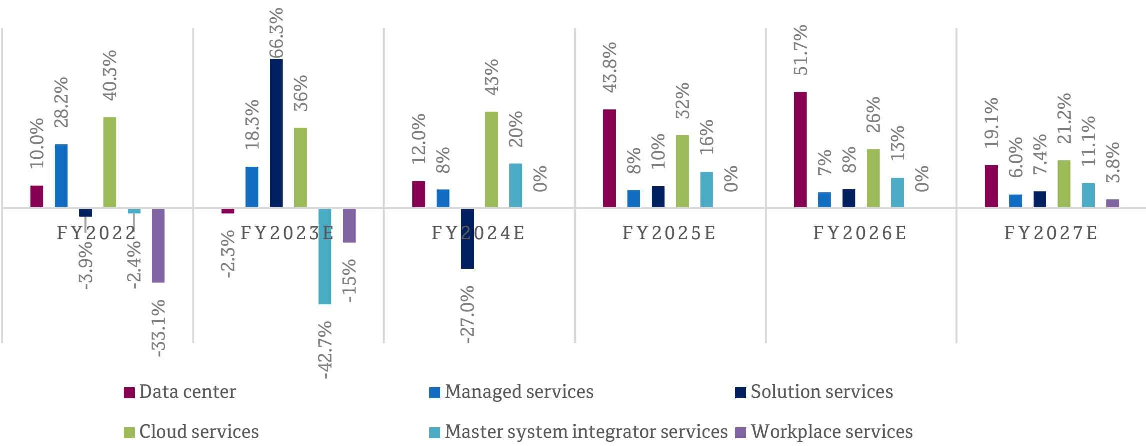
Divisional Share of Revenue & GP



Source: Company Data, QNBFS Research

- **Meeza's four other segments (managed services, solution services, workplace services, and master system integrator services) will see their overall revenue contribution to the group decline between 2022 and 2027.** Conversely, the DC and cloud businesses should see their share in the revenue mix increase as they grow ahead of other divisions. We see DC share of group revenue increase from 39.2% in FY2022 to 53.4% in FY2027. While cloud's contribution increases to 5.5% of group revenue from 3.2% it, however, remains a small part of the overall revenue mix. The cloud division is gaining momentum supported by secular tailwinds of digital migration: In one of its recent QE announcements, Meeza signed on a new cloud client, Naufar (a healthcare provider in Qatar), which will see Naufar "*migrate to [Meeza's] secure, compliant, and innovative framework offered [on] the Azure cloud platform, hosted within Microsoft's datacenter in Qatar*".

Expected Divisional Revenue Growth Rates



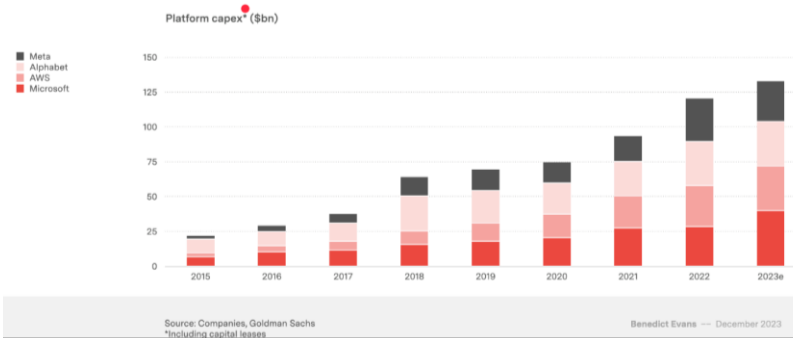
Source: Company Data, QNBFS Research

Theme: Middle East, the 2nd Fastest Growing DC Market as Hyperscalers Drive Demand

- **With the Middle East expected to be the second-fastest growing DC market through to 2029 – by Mordor Intelligence, second only to Africa – we expect Meeza's DC revenue contribution to the group to improve from ~39% in 2022 to ~53% by 2027, a CAGR of ~23%, to ~QR393mn from ~QR135mn.** The growth is on the back of strong demand from **(1)** the insatiable need for computing power and electronic data storage space, with the AI boom expected to add to the pace of growth, **(2)** ongoing digitization and outmigration through colocation services for corporates (including GREs), and **(3)** hyperscalers & social media companies deepening a trend that has come to shape today's business world – specialization and outsourcing.

- **Global DC capacity is expected to increase from 38.7GW in 2023 to 72.0GW by 2029, a CAGR of 10.9%** – during the same period the Middle East is seen growing from 1.0GW to 2.1GW, a CAGR of 14.9% (Mordor Intelligence). **We estimate that outsourcing or outmigration from owned to leased DCs will see leased DCs grow 1.6x faster than the growth expected in owned DCs.** This bodes well for DC lessors such as Meeza.

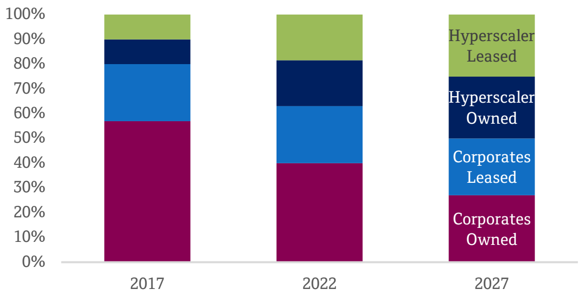
Big-three Hyperscalers are Estimated to have Spent $100bn+ on Infrastructure (incl. DCs) in 2023



Source of Extract: ben-evans.com; citing Companies & Goldman Sachs

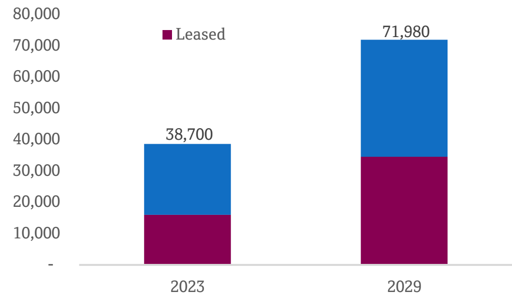
- **While customer concentration is a risk that comes with onboarding hyperscalers**, there is considerable inertia built in the product (for example, LT contracts and relative costs/logistics/time required to change DC vendors) plus the high capex needed to set up own data centers means tenants are likely to stick with landlords for quite a while.

Evolution of Global Share of IT Load DC Capacity



Source: Synergy Research Group, QNBFS Research

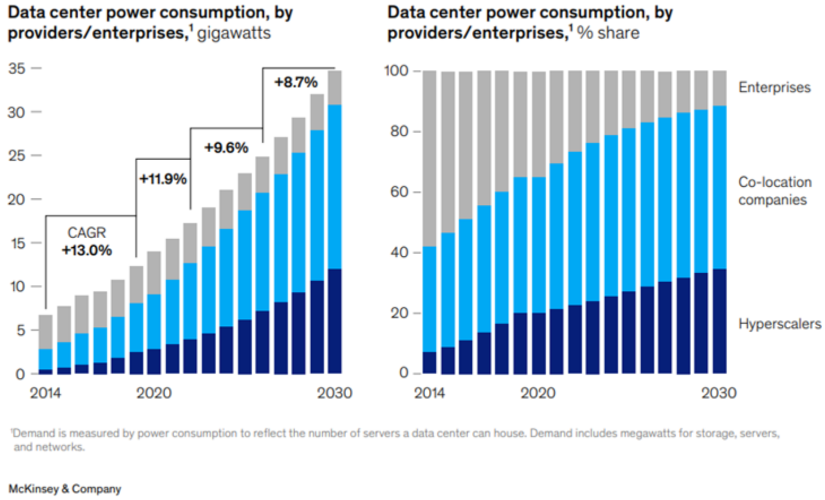
Global DC Market Size in MW



Source: Mordor Intelligence, Synergy Research Group, QNBFS Research

- **A similar pattern is expected by McKinsey for the biggest DC market in the world, the US market, which commands roughly 40% share of the DC IT load market.** For the foreseeable future, the US is expected to grow at a CAGR of 10% slightly behind the global average of ~11%.

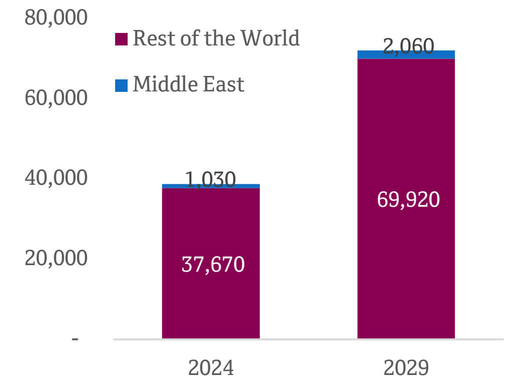
Expected US Data Center Trends through to 2023



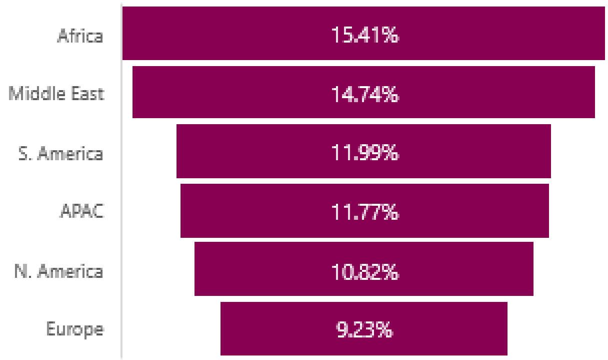
Source: McKinsey&Co.

- **Research by Synergy Research Group shows that hyperscaler-operated DCs currently account for 37% of global capacity, split 50/50 between owned and leased.** Corporates or non-hypescalers account for the balance of 63%. In the next five years, hyperscalers are expected to increase their share of the overall market to account for over half of all capacity. In addition, the higher growth in leased vs. owned DCs will see the mix changing in favor of leased DCs.

Middle East vs. World: DC Expansion in MW

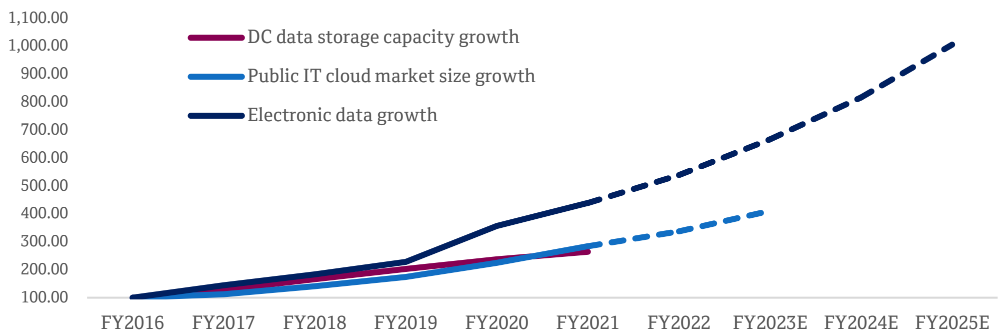


DC Market CAGR by Region (2023-2029)



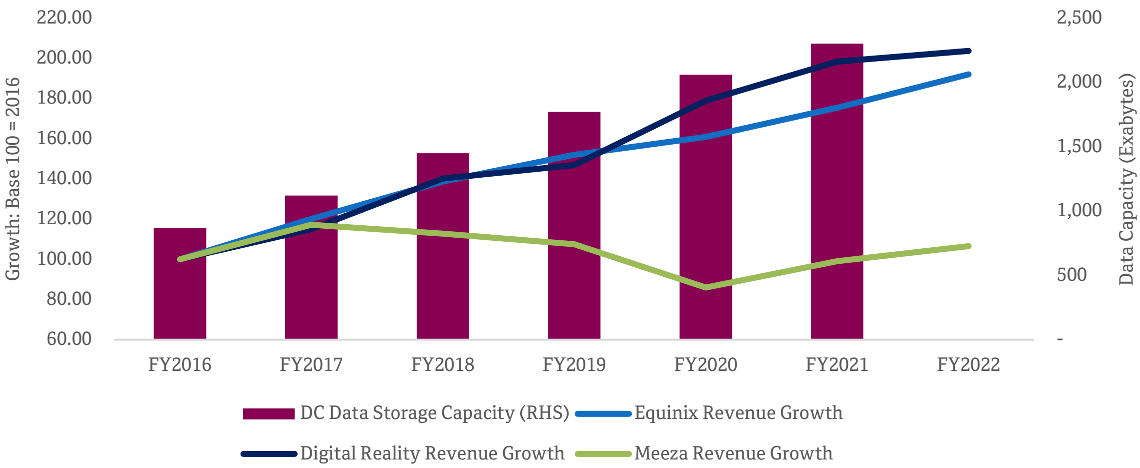
Source: Mordor Intelligence, QNBFS Research

Growth: DC Capacity vs. Public IT Cloud Market vs. Electronic Data (Base 100 = 2016)



Source: Statista, QNBFS Research

Global DC Data Storage Capacity vs. Meeza, Equinix & Digital Reality Revenue

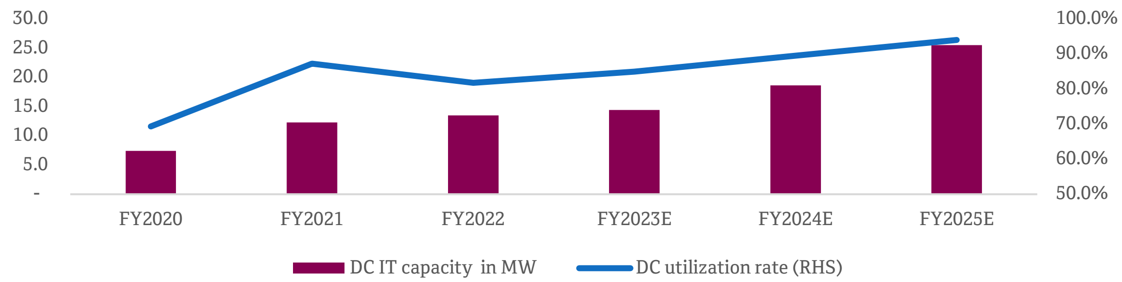


Source: Statista, Companies, QNBFS Research

- **Meeza's growth numbers between 2017-20 are somewhat distorted by a lumpy NaaS contract with Qatar Foundation. Furthermore, its DC business structurally pivoted in 2021**, which was accompanied by a spike in utilization levels/ occupancy rates. Notwithstanding, overall margins have improved even as the top-line declined due to superior DC margins, which supports our underlying DC thesis. We now expect Meeza to follow global trends as it gradually becomes a pure DC play.

- **Due to favorable supply-demand dynamics for secondary/emerging DC markets, Meeza managed to add its fourth DC (MV4) and grew its MW capacity by 66.2% YoY in FY2021 to 12.3MW as the number of its racks/cabinets climbed 50.5% from 1,567 to 2,359 during the same period –** European primary DC markets (FLAPD) and Singapore are struggling to secure power and land to develop new projects. **That was accompanied by a spike in utilization rates from 69% to 87%.** This is in line with global trends where increased capacity (MW) supply has been met with reduced vacancies or more than offset by increased demand. In addition, Meeza added another DC (MV5) in 2022 and 1.2MW while utilization rates have stayed high, above 81%.

Meeza DC Capacity (MW) vs. Utilization Rate



Source: Company Data, QNBFS Research

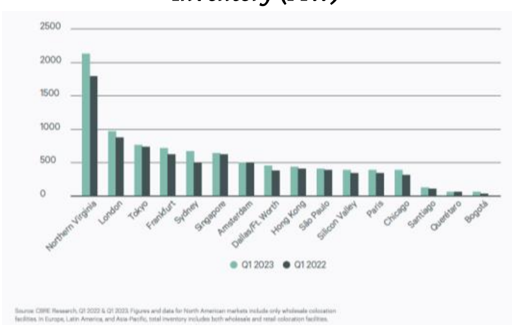
- **Strong DC occupancy levels/demand characterized by low vacancy rates globally bodes well for rental/lease rates.** Although we estimate that revenue per MW or rack for Meeza decreased between 2019-2022 it was more than offset by strong growth in both capacity (MW/racks) and occupancy/utilization levels. Also, we observed that this trend is reversing as there was a YoY uptick during 9M2023. Meeza grew its MW capacity by 66% in FY2021, which was accompanied by a spike in utilization rates from 69% in FY2020 to 87% in FY2021 -- utilization rates have stayed high ever since, above 81%. We see the upward trend holding for the foreseeable future on the back of increasing global demand.
- **Utilization levels globally increased YoY in 1Q2023 despite growth in supply as power constraints come to the fore. That has spurred on demand for DCs in secondary/emerging markets where power and land are still available, and at a reasonable cost**. For instance, in Ireland, data centers could account for 24% of electricity demand (Bloomberg, 2021). Meanwhile, Singapore put a moratorium on new data center projects due to energy constraints. In its "North America Data Centre Trends H1 2023" report released in September, CBRE postulates that **DC operators are prioritizing power availability over other traditionally-important variables such as location, connectivity, water and land pricing. These developments bode well for Qatar, which has only just begun opening up to global demand, and with still some good slack in its power supply**.

Theme: Favorable Supply-Demand Dynamics for Emerging DC Markets

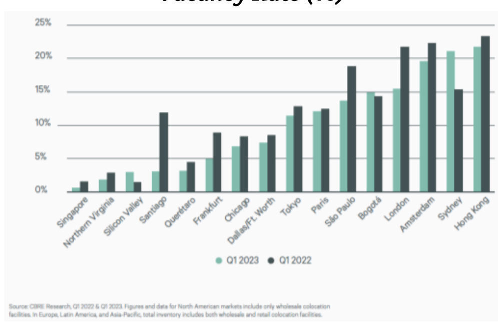
DC Demand-Supply dynamics: Capacity (MW) vs. Occupancy/Utilization Levels

- Globally, DC inventory (in MW) has increased but it has been more than offset by an increase in demand, which has seen vacancy rates fall.

Inventory (MW)



Vacancy Rate (%)



Source of Extract: CBRE

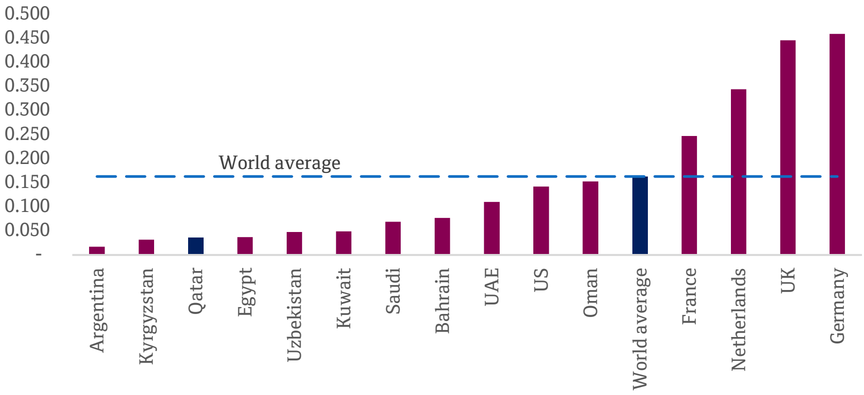
- **Sourcing enough power has become a top priority of DC operators – across North America, Europe, Latin America and Asia-Pacific – and this trend might benefit marginal markets that have robust power supplies, like Qatar** (CBRE, 2023). At least nine in 10 (92%) of respondents to the Turner & Townsend survey say access to power is now more important for DCs than their geographical location.

- **In Qatar, power and water supply bodes well for DC expansion with QEWS boosting capacity of 9,400MW based on 2022's peak demand of 9,400MW vs. installed capacity 10,574MW – a headroom of 1,174MW or ~12%.** Plus, tariffs are relatively affordable/favorable. Moreover, there are several projects under construction including Solar Power Production Facility, Additional Capacity from IWPPs (Facility E), and Qatar Power Network Expansion (Phase 12, 13 & additional projects).

Theme: Favorable Energy Economics for Qatar

- **Even as average MW revenue falls for Meeza, it is likely to remain competitive given the affordable power rates in Qatar**. The world average price is $0.160/kWh for household users and $0.163/kWh for business users. For Qatar, the cost for business users is $0.036/kWh.

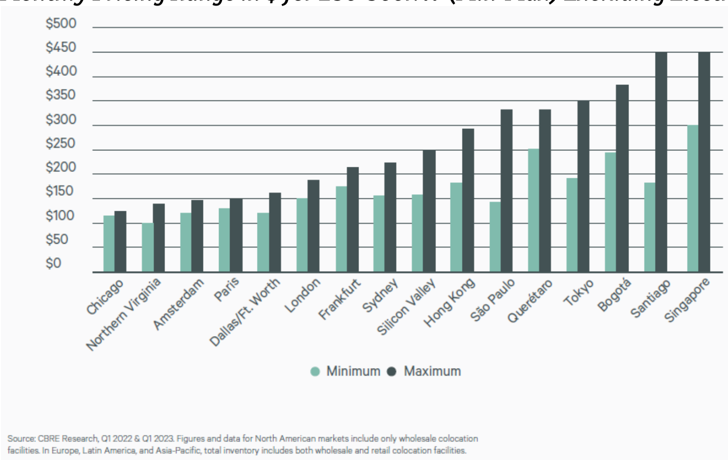
Commercial Electricity Prices ($/KWh) – Qatar is Lower Both Regionally and Globally



Source: GlobalPetrolPrices.com

- **Meeza's average revenue per MW has come down to levels comparable with the lower end in the global DC market, and we expect it to be signaling a floor.** We estimate Meeza's revenue/MW/year at ~QR12.5m ($3.4mn) in 2022 – the global range is quite wide, and we estimate it to be between ~$2.8mn and $14.4mn based on CBRE's report: *Global Data Centre Trends 2023*.
- Water availability is also an important input for cooling DCs. **This plays in Qatar's favor too, with a contracted capacity of 2.44Mm³/day vs. a maximum production of 1.97Mm³/day in 2022, about ~24% of headroom.**

Monthly Pricing Range in $ for 250-500kW (Min-Max) Excluding Electricity Cost

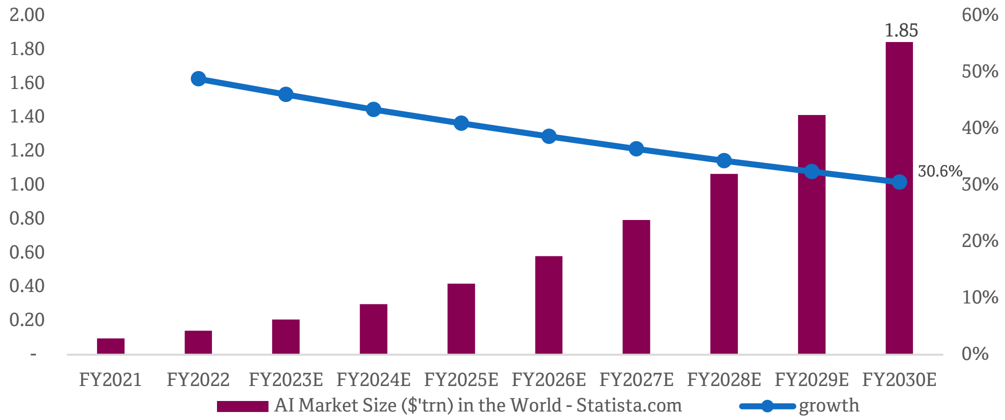


Source of Extract: CBRE

Theme: Spotlighting the AI Market– Sudden Interest in AI Set to Bolster DC Demand

- **Artificial Intelligence (AI) has only begun to explode with growth expected to be in multiples for years to come.** AI specifically, could be Meeza's main growth driver (directly and indirectly) through fast-tracked demand for data center capacity with data provider Statista expecting the global AI market to hit $1.85trn by 2030 from $95.6bn in 2021, a twentyfold growth or CAGR of 39.0%. While Meeza may not benefit directly from selling/distributing AI end-products, it will very much be part of the value chain through providing the infrastructure on which resource-heavy AI modules are run by hyper-scalers. Another indirect benefit could emanate from global tenants relegating certain functions to emerging DCs, and reserving the primary DC markets for resource-heavy functions such as AI.

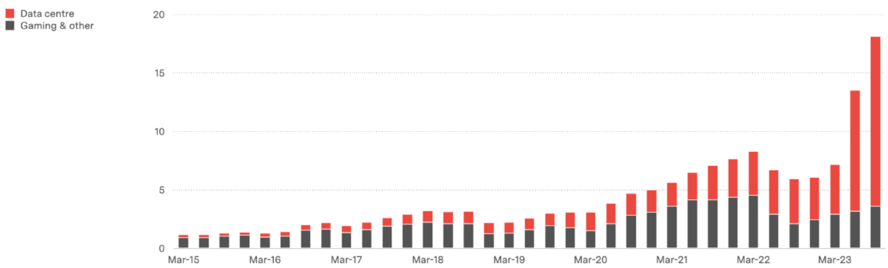
AI Market Size in 2021 and Forecasts ($'trillions)



Source: statista.com

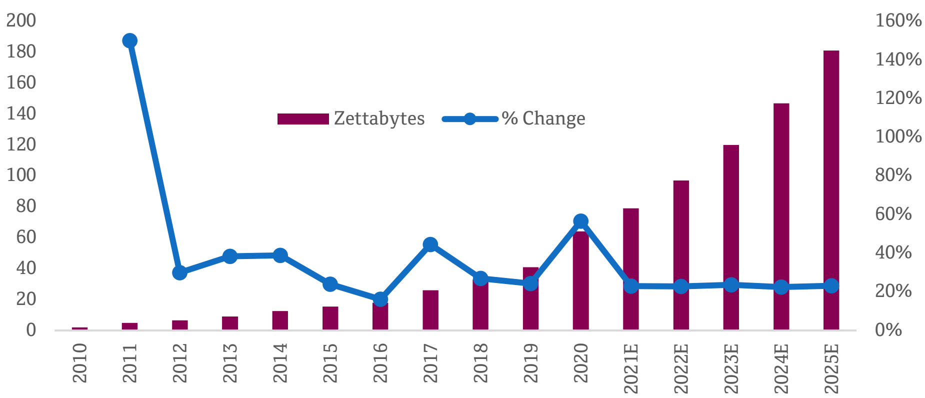
- **A point of concern is that costs related to AI expenditure are astronomical due to a mismatch in supply vs. demand.** For instance, microchips ideal for deploying/training AI modules are in short supply, which has pushed their price to the sky, in the process sending the valuation of Nvidia, the prime supplier of AI chips for data centers, through the roof. However, we note that in the case of hypescalers, they typically bring most of their own movable equipment (e.g. servers and routers), so there is no direct cost to the data center. The implication, though, is that it affects the calculus when negotiating lease rentals.

Nvidia Quarterly Revenue by Segments



Source of Extract: ben-evans.com; citing Nvidia

Data Growth Dynamics: Electronic Data/information Created, Captured, Copied and Consumed Worldwide

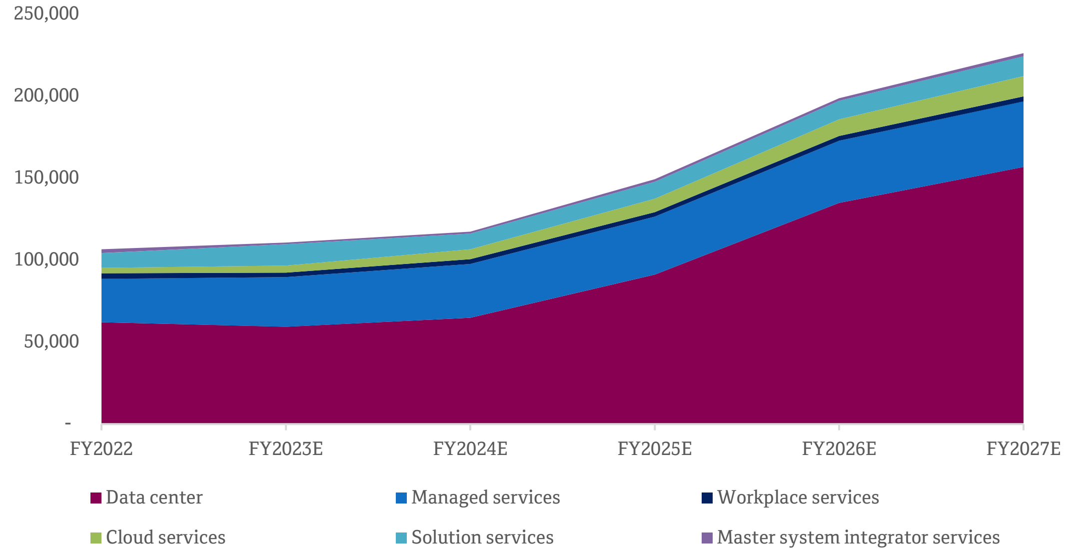


Source: statista.com

- **Arguably, the foundation for most things IT (digital, IoT, AI, etc) is the creation or manipulation of electronic data.** The total amount of data created, captured, copied, and consumed globally is forecast to increase rapidly, expected to have reached 64.2 zettabytes in 2020. This is projected to grow to more than 180 zettabytes by 2025 (statista.com). That is a CAGR of ~23%. This can be directly linked to growth in cloud services as well as the need for more DC capabilities including power and storage.

Theme: DC Unit Has Superior Margins

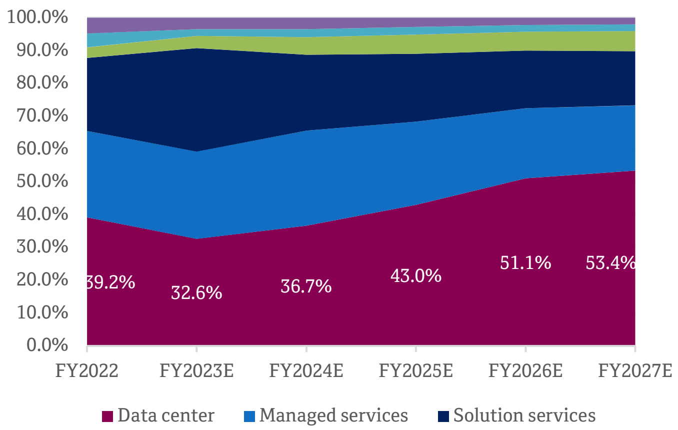
Divisional Gross Profit Contribution (QR'mn): Relatively Higher DC Margins to Drive Valuation Further



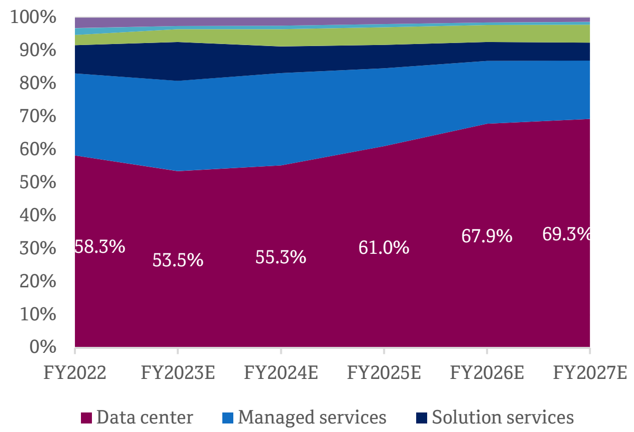
Source: Company Data, QNBFS Research

- **Meeza's DC division GP profit contribution is much higher than its revenue contribution due to higher margins relative to other divisions.** GP contribution by the DC unit improves to ~69% by 2027 from ~58% in 2022, a CAGR of ~20% to QR157mn from ~QR62mn. Should Meeza continue expanding its higher-margin data center business, as we expect, it bodes well for further margin improvement, though it is likely to negatively impact its capital return metrics.

Divisional Share of Revenue



Divisional Share of GP



Source: Company Data, QNBFS Research

- **Overall group margins have benefitted from the increasing contribution of the DC unit – even as the unit's own margins have trimmed somewhat due to the onboarding of more hyperscalers**, which has reduced its average revenue per MW. Even so, the DC GP margin remains relatively higher than other segments but could fall further in the medium term as more demand is expected to come from hyper-scalers. The overall GP margin has continued to improve from 20.3% in 2019, 25.7% in 2020, 26.7% in 2021, to 30.2% in 2022. While we expect the overall GP margin to fall in 2023 due to a spike in lumpy solutions services revenue, we expect the trend to remain upwards into the medium term.

Theme: Prime Locations and Land Banks: Meeza has Carved Strengths Difficult to Mimic

- **One of the major competitive advantages of Meeza's DCs is that they are located in prime locations with several advantages including low latency, which increases their appeal to potential tenants**. Moreover, it has built redundancies throughout all critical functions to ensure resilience, a reason it boasts a 99.98% uptime – a standard for Tier III-certified data centers. Low latency plus its multi-redundancy model (in sites/land banks, power and fiber/internet cables) is an important consideration for global customers such as hyperscalers and social media behemoths with an insatiable need for not only data storage but high speeds and computing power. Furthermore, Meeza has built political and other non-financial capitals, to navigate the operating intricacies unique to Qatar, which is enhanced by its anchor shareholders – QF and Ooredoo. That cannot be easily replicated.

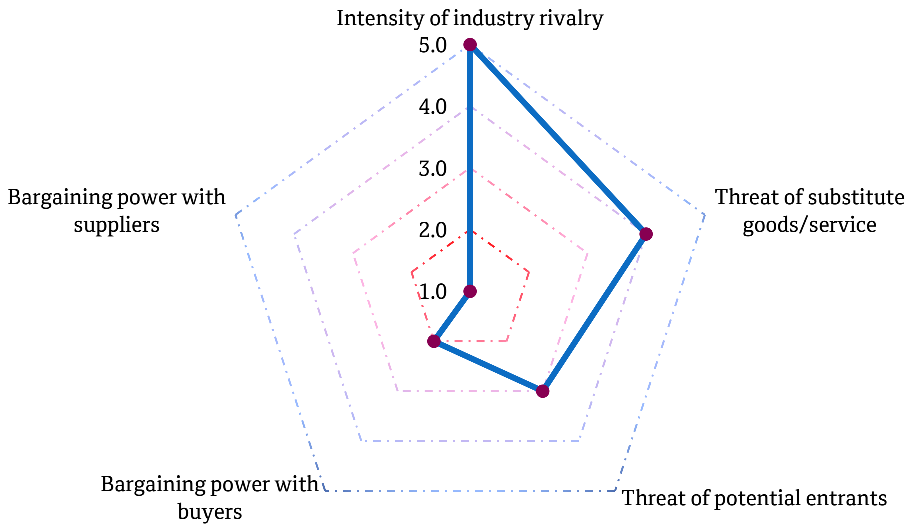
- **Meeza's State-of-the-art MV2, for example, is located at the edge of a submarine landing station connecting Qatar with the rest of the world as well as near the QIXP** (Qatar Internet Exchange). Adjacent, is where the company intends to erect its new DC, MV6. A data center can be built anywhere with power and connectivity but in reality, location has an impact on the quality of service that the facility can provide to its tenants. Ideal connectivity depends on multiple redundant fiber connections to major bandwidth providers, and the only way to provide consistent and reliable bandwidth at the volumes required by an enterprise-grade DC is to build lots of connections to lots of different network providers, as Meeza has done. In addition to price, scalability, uptime and reliability, location is a key consideration when hyperscalers are looking for a DC partner.

Investment Thesis: Market Dynamics and Other Notable Challenges

Locally Strong and Globally Insignificant, A Winning Formula for Meeza's Growth Aspirations

- We expect Meeza's Tier III-certified DCs regional market share to grow from 2.3% in 2023 to 4.1% in 2029. Its share of the market is expected to remain relatively small, more so at a global level, which hardly draws a reaction from competitors/peers. **This gives Meeza the leeway to grow without upsetting regional/global market supply-demand dynamics. This is coupled with its dominant local position, which makes it a prime choice for would-be tenants. Its link-up with Microsoft is a vote of confidence and will likely be viewed constructively by other potential hyperscalers contemplating another regional DC node.**

Meeza's Subjective Competitive Strength Analysis Map (Rating 1-5)



Source: QNBFS Research; Note: Ranked from perceived weakest (1) to strongest (5) quality

- Based on our own proprietary subjective qualitative scoring of Porter's five competitive forces, we think Meeza is **strongest on "intensity of industry rivalry"** and **weakest on "bargaining power with suppliers". We believe the main implication is that, on one hand, Meeza should not struggle to win new contracts. On the other hand, its margins might come under pressure.** However, even after discounting for competition, we believe Meeza's growth prospects remain brighter than the average QSE-listed company as long as it keeps ahead of the technology curve and maintains/enhances its current market positioning.

Competition and Market Landscape

- **Qatar can be classified as an emerging market when it comes to DC markets**, boasting a total market size of roughly 24MW of IT load capacity in 2022/3, behind primary and secondary markets that respectively have typically minimum IT loads of 1,000MW and 100MW, respectively. While a distinct advantage is that Qatar has cheaper energy costs, a main disadvantage is that global firms may be reluctant to enter a fledgling market. However, scoring Microsoft as a hyperscaler tenant/client (plus three other global clients) is a step in the right direction, which improves perception.
- **Meeza's DC IT capacity is roughly half of the domestic market, and we estimate it to be 2.3% regionally**, and less than 0.1% of the global DC capacity, which could help it grow rapidly without upsetting the global supply-demand dynamics. The global DC market is still fragmented, therefore prone to consolidation. The biggest DC player, Digital Realty Trust Inc. has the highest IT load market share of 8.5% and has been on a global acquisition spree.
- **Locally, notable competitors include Ooredoo (~46% market share of IT load), Quantum Switch (with Saudi operations too) and Mannai.** While, on one hand, Ooredoo has a distinct advantage emanating from its balance sheet size and potential industry network effects, on the other hand, Meeza is a specialist DC provider and boasts the biggest market share in Qatar. It also helps that Meeza is carrier-agnostic. Meanwhile, Ooredoo has "announced" plans to invest QR1bn in DCs, we keep our ears to the ground as this plays out. Moreover, in a move that shows intent to become a major player in the DC market, Ooredoo's subsidiary is involved in an Indosat-BDx JV deal worth IDR2.6trn (~$1.7bn) to acquire data center assets in Indonesia with estimated IT load of more than 150MW.
- **Regionally, there is potential competition primarily from Saudi and the UAE and government policy may come to be the deciding factor.** The UAE has been a prime location for data centers in the region (~42% market share), benefitting as one of the frontrunners in the race to establish a robust and competitive digital economy. Meanwhile, Saudi's policy framework

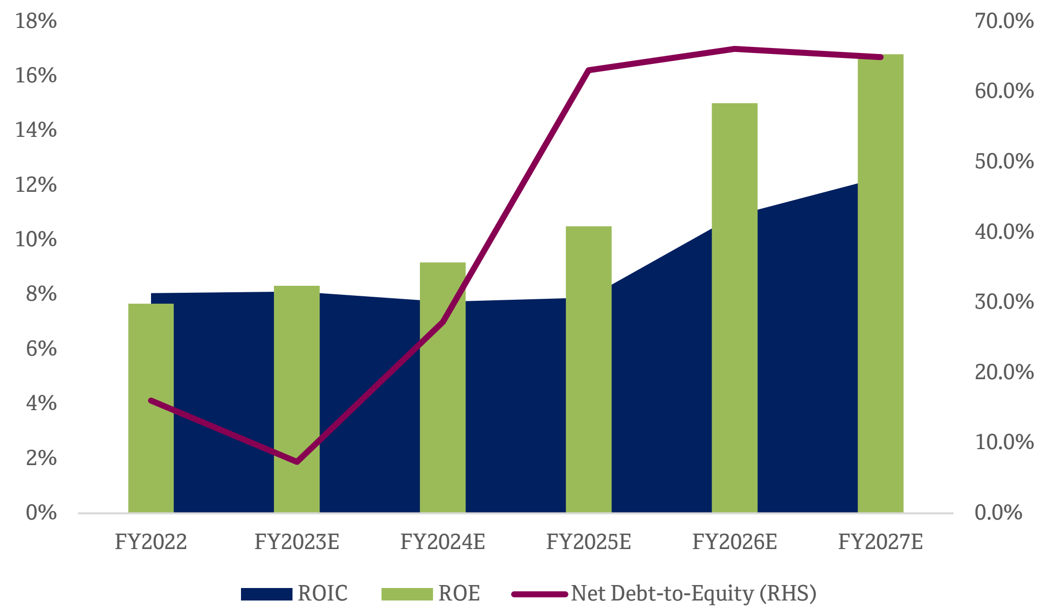
has become a bit more aggressive in its drive to attract international companies and government support could play a big role in determining competitiveness. Saudi currently spots a ~32% regional market share. Moreover, KSA is expected to be the fastest-growing DC market for the foreseeable future, though primarily driven by local needs that include smart cities/mega projects. With its entry into Saudi, Meeza could ride this wave.

- **The Middle East Data Center Market size was estimated at 1,030MW of IT load by the end of 2023 and is expected to reach 2,060MW by 2029, growing at a CAGR of 14.87%** (Mordor Intelligence). Saudi's Etihad Etisalat Company (Mobily) has the highest DC market share in the Middle East at 23.5%. It operates an IT load capacity of 168.3MW. However, we opine, given QNV2030, the local DC sector could also benefit from positive policy developments with Qatar's aspirations of becoming an advanced economy, building on cheaper and relatively cleaner electricity. In terms of the actual pricing, we understand Qatar is cheaper than Saudi but the UAE is the most competitive, however. Khazna Data Center is the leading player in the UAE and it is expected to roll out a 20-data center facility with an average capacity of 13.50MW in the short- to medium-term.

Theme: High Capex Spend Suppress Capital Return Metrics, An Industry Norm

- **We see the need to raise more capital from FY2024/5 to support growth and demand.** Meeza's return metrics are low but that is an industry-wide phenomenon. Given the persistent high demand for DCs, most players in the industry are ploughing in high capex investments, which has, consequently, kept capital return ratios low. We, however, see Meeza ROIC exceeding its WACC around FY2026 as it starts to generate economic profits.
- **Low debt profile relative to peers**: Meeza has so far managed to grow without introducing much leverage, although this will likely change in the medium term as it enters a heavy investment cycle.

Return vs. Cost of Capital Trends: Economic Profits Expected from 2026



Source: Company Data, QNBFS Research

Sustainability and ESG: An Important Cog to Overall Strategy

- **While ESG is three-dimensional, the "Environment" dimension is what has captured the attention of most stakeholders, but that does not mean "Social" and "Governance" dimensions are any less important.** More so for Meeza, data centers are notorious for being energy intensive. McKinsey estimates that a hyperscaler's data center can use as much power as 80,000 households. Consequently, the pressure for DCs to be more sustainable is palpable with some jurisdictions now imposing sustainability standards on newly built data centers.
- **Renewable energy has become a critical component of hyperscalers' strategies with associated implications for DC operators that plan on getting business from them**. For instance, Apple, Google, and Meta became carbon neutral in 2020, primarily through the use of carbon offsets. Together with other hyperscalers, they have since committed to using only carbon-free energy by 2030. This means the sustainability of DCs has become a significant consideration for hyperscalers when deciding who to work with.
- **As far as we can tell, there is no publicly available ESG rating for Meeza from any of the major rating agencies** including MSCI, Sustainalytics and S&P Global. It is unlikely to remain so for long, though. Also, we could not find any voluntary submissions to the QSE's Sustainability and ESG Dashboard nor any publication of a sustainability/ESG report by Meeza. The QSE average/modal MSCI rating based on our assessment is BB. QEWS, the supplier of power and water to Meeza, ranks only at CCC as per MSCI.

Condensed MSCI ESG Framework

- **MSCI is currently the most widely followed global ESG rater, enhanced by the fact that most funds track its system of indices.** The MSCI QSE 20 ESG Index mimics the performance of an investment strategy that increases exposure to free-float market cap weights of QSE-listed companies demonstrating both a robust ESG profile as well as a positive trend in improving that profile, subject to a cap on the weight of individual constituents. Some fund managers use it for exclusionary reasons (screening), and others use it for responsible investing criteria (impact). Therefore, a good rating has become imperative as the world embraces sustainability.

MSCI Ratings Continuum

What Does MSCI Measure/Rate?

Environmental	Social	Governance
Climate change	Human capital	Corporate governance
Natural resources	Product liability	Corporate behavior
Pollution & waste	Stakeholder opposition	
Environmental opportunities	Social opportunities	

Source of Extract: MSCI

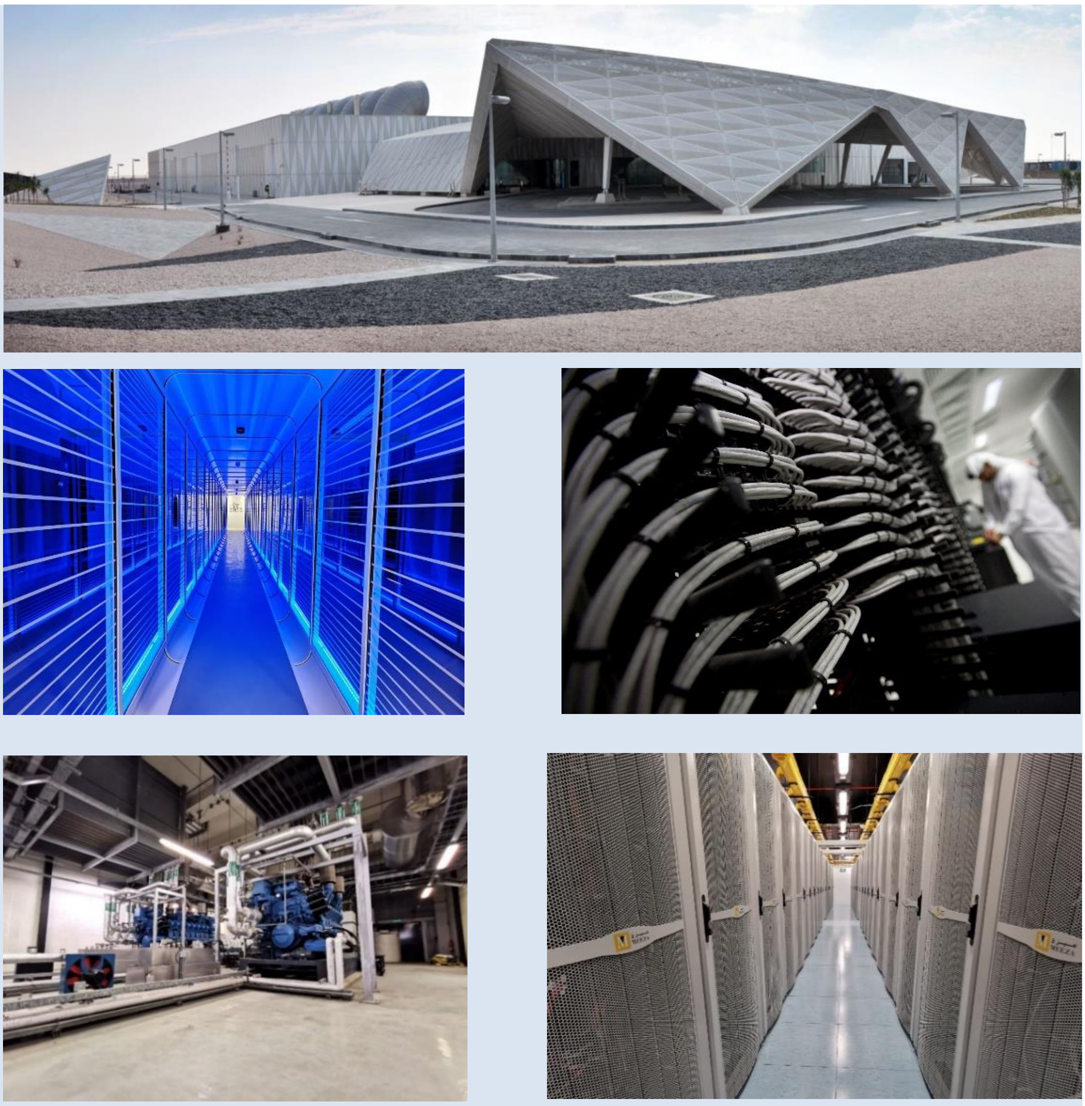
What is Meeza doing to Enhance ESG Credentials?

- **Meeza is in the process of developing a comprehensive sustainability/ESG policy,** which aligns with the most material aspects of its operations and stakeholders as well as Qatar's National Vision for 2030.
- **With its recent listing, Meeza now subscribes to various mandatory governance requirements including reporting standards** which bodes well for its overall ESG credentials. Meanwhile, the beginning of 2024 marks the global adoption of ISSB's IFRS S1 and IFRS S2 for sustainability-related disclosures.
- **Meeza has a code of ethics and internal governance manual** that cover general principles around purchasing ethics, including conflicts of interest, anti-bribery, anti-corruption, and fair practices.
- **It is prioritizing procuring from local suppliers** to support local businesses.
- **It is in the process of developing a supplier code of conduct.**
- **Meeza boasts an OHSAS 18001-ISO 45001 Occupational Health and Safety Certification:** It enables organizations to provide safe and healthy workplaces by preventing work-related injury and ill-health, as well as by proactively improving its health and safety performance.
- **Meeza has had an ISO 14001 Environmental Management System Certification for at least six years running:** It helps organizations to improve their environmental performance through more efficient use of resources and reduction of waste, gaining a competitive advantage and the trust of stakeholders.
- **Meeza's DCs are (Leadership in Energy and Environmental Design) LEED-certified** for energy gold and platinum efficiency.
- Encapsulating the ESG "goodwill" commitment by the management team, Meeza planted an "ESG tree" at its flagship MV2 facility that is fully irrigated by the recycled resources used in the DC (see fig. on right).

Company Overview

The air was thick with the weight of security casting an eerie stillness on the surroundings as I advanced towards Meeza's MV4 data center, nestled within the sprawling confines of the QSTP. The hyperscaler-hosting platform, as they call it internally, was guarded by a towering security fence, its imposing silhouette punctuated by a lone, inconspicuous gate. Approaching the gate, I was intercepted by a vigilant security officer. A demand for identification echoed through the silence, and after an uncomfortable pause, the gate yielded, only after meticulous confirmation of my prearranged visit. It gets interesting. A man flashing a confident smile approaching the gate was denied entry. I recognized him, it's Mr. Yaman AlJundi. An executive from Meeza's head office that I was supposed to meet there. He hadn't secured the appropriate approval to visit this bastion of digital marvel. It was awkward: What kind of fortress required its own to jump through security hoops like a rank outsider? A stark reminder that even those within the Meeza fold must adhere to the stringent protocols laid out for the safeguarding of their data fortress. With measured patience, Yaman navigated the labyrinthine security checks, and only then was he let in. More frustrating security checks and instructions followed. ***It became apparent that the elaborate measures undertaken were not mere theatrics; they were a solemn pledge to instill confidence in both tenants and investors. If Meeza was uncompromising in the safeguarding of the physical infrastructure, it followed that a similar, if not heightened, level of paranoia was devoted to the protection of the electronic lifeblood pulsating within the servers. As we toured the facility, a glimpse into Meeza's expansionary vision emerged. Land banks stood poised for growth, their partially equipped stature a silent testament to Meeza's readiness to embrace burgeoning client commitments. The Tier III-certified M-Vaults, meticulously engineered with redundancies safeguarding critical functions such as power and servers, confirm Meeza's unwavering pursuit of the loftiest standards in the data center business. Meanwhile, its Tier IV-designed MV2 finds itself tethered momentarily to Tier III status. The limitation, an outcome of Qatar's singular electricity utility, lies beyond Meeza's control. Yet, to remedy that, though a bit far-fetched, the notion of possible backward integration lingers.***

MV2 Data Center Images



Source: Meeza Management

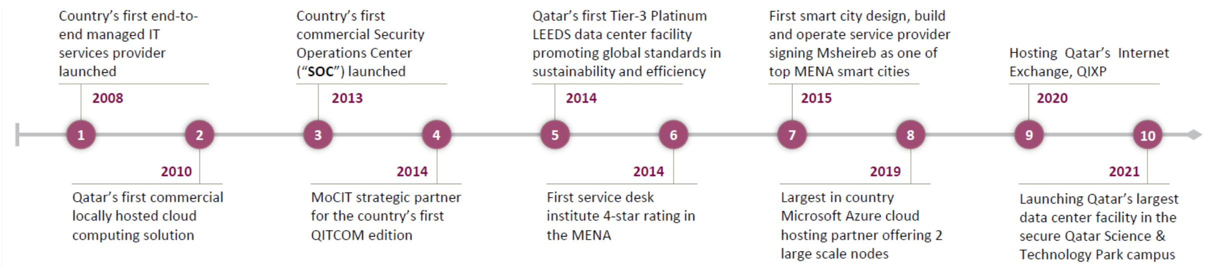
What is a Data Center?

A data center is a physical facility that houses critical IT infrastructure for storing, processing, and disseminating data as well as running applications/modules. It includes a multitude of industrial-scale computer systems, servers, storage systems, networking equipment, security devices, and other components necessary for handling data-intensive tasks. Data centers are essential for supporting business activities such as email, file sharing, CRM, ERP, and more. This process uses a lot of energy, with heat as one of the main by-products, which necessitates DCs other major function, of cooling. A company such as Microsoft, usually known as a hyperscaler in DC circles, has a desperate need for such infrastructure; It is a platform on which it launches and distributes various products to the mass market, including cloud or virtual products such as Azure, MS Office applications as well as its in-style resource heavy AI applications (e.g. Copilot). AI is a secular tailwind for DCs because it is more resources-intensive – for example, running AI modules requires more energy and servers armed with faster processing microchips.

Background

- Meeza was founded in 2008 – *as a Qatar Foundation-Ooredoo (80-20) JV* – initially to provide IT services to Qatar Foundation. From there it expanded to provide services to the rest of the market. Built around a mature IT services framework (ITILv3), Meeza originally offered a single DC facility along with service monitoring and management capabilities powered by a small team of engineers and IT analysts. In doing so, Meeza started providing 24x7 operations and support for IT infrastructure both on-premises and at customer sites, along with IT workloads hosted in its own DC.

Timeline



Source: Company prospectus

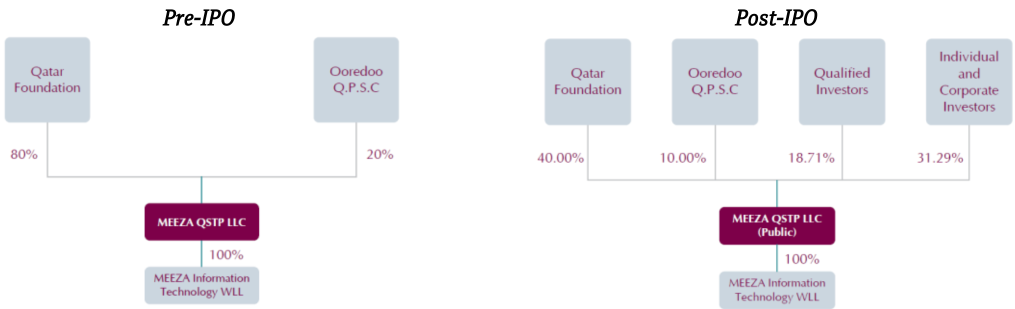
- **Today, the company boasts five DCs called Meeza Vaults (MV1-MV5) – commanding approximately half of the Qatari market's DC capacity vs Ooredoo (~46%) and Mannai (~4%).** Meeza has grown into an end-to-end provider of IT services built from the ground-up on a service framework, capable of providing its customers with IT hosting, operations and support functions whether on-premise or colocated in its DCs, whether in-cloud computing services or via managed local services. Meeza derives its revenue from the provision of the following six IT solutions and data related services:
  - a) DC services;
  - b) Network management, maintenance and infrastructure services (Managed services);
  - c) Other ad hoc IT integration, IT resale and installation services (Solutions services);
  - d) Service desk and field related services (Workplace services);
  - e) Cloud services; and
  - f) Master Systems Integrator.
- **Provision of DC services has been Meeza's primary source of income historically** and mainly relates to the development, management and leasing out of physical DCs for clients to safely store their servers and data. These services are generally provided to customers through medium- to long-term contracts with terms typically ranging between 3-15 years and priced on a "per rack" basis depending on the storage capacity and power required by a customer. During FY22, DC services accounted for 39% of total revenue generated. Meeza expects DCs to remain the largest revenue contributor and the business models include:
  - Colocation – Meeza manages the data center for the client
  - Data Suites – clients choose to self-manage their IT equipment in the data center or Meeza manages client's IT assets
- **Managed services and Solutions services are the other significant product lines**:
  - Managed services include the provision of end-to-end IT solutions to customers. Meeza mainly leverages its existing DC network to deliver such services. Revenue from this product line accounted for 26% of FY22 total revenue.
  - Solution services relate to ad hoc IT consultancy, integration, hardware and software resale and installation services. This product line accounted for 22% of total revenue in FY22.
- **Barring solution services revenue that are lumpy in nature, Meeza's revenues are typically based on a fixed monthly fee and recognized upon the performance obligation being satisfied over time – 78% of group revenue is deemed annuity per FY2022.** Solutions services accounted for 22% of group revenues in FY2022 and 35% during 1H2023. Meeza uses the output

method and recognizes the revenue on a straight line basis over the term of the contract, since output (number of months over the term of the contract) is consumed evenly throughout the term of the contract. Revenues from solution services are typically recognized at a point in time upon which control of the goods or service is transferred to the customer.
- Meeza has a wholly owned subsidiary called Meeza Information Technology WLL, which was established in 2015 to expand Meeza's geographic presence and service offerings.

IPO & Listing

- **Meeza (QSE Ticker: MEZA) started trading on the QSE on 23 August 2023** following, a first-for-Qatar, book-building process that saw 37.4% of the offer shares (or 18.7% of total outstanding 648.89mn shares) subscribed by Qualified Investors according to the Book Building Mechanism issued by the QFMA. The IPO was then opened to other local institutional and retail investors who acquired the balance of the offered shares. The order book was closed at a final Offer Price of QR2.17 per share (comprised of a nominal value of QR1.00 per share, a premium of QR1.16 per share and offering and listing fees of QR0.01 per share).
- **Meeza offered 324.49mn shares during the IPO, representing 50% of the total capital of the company**, and distributed as follows:
    - 121.393mn shares to qualified investors who participated in the book-building process, representing 18.71% of the company's capital, and
    - 203.097mn shares for Qatari individual and corporate investors, representing 31.29% of the company's capital.
- **The founders, QF (40%) and Ooredoo (10%), retained the remaining 324.49mn shares**, representing 50% of the total capital of the company.

Ownership Structure



Source: Company prospectus

DC Capacity Expansion Plans

- Due to the expected growth in data center demand, considerable investments are expected to be made in data center assets and infrastructure going forward. As such, Meeza recently commissioned a fifth data center, MV5, and expects further investments in the expansion of MV4 and one new potential, MV6, next to MV2.
- From 1 January 2020 to 31 December 2022, Meeza invested QR419.7mn, primarily on the expansion of MV2 and on construction of MV4 and MV5. This expansion enabled Meeza to increase its data centers' IT capacity from a total of 7.4MW (1,567 racks) in 2020 to 13.5 MW (2,549 racks) in 2022. The DCs boast a guaranteed uptime of 99.98%, with a total capacity (IT plus Mechanical) of ~24.4MW.

Collaborations with Hyperscalers

- Hyperscalers represent large international companies that provide cloud, networking and internet services at scale by offering organizations access to infrastructure via an IaaS model. Examples of hyperscalers in the world today include Google, Microsoft, Facebook, Alibaba and Amazon. As part of its growth strategy, Meeza first entered into a long-term business relationship/contract with a hyperscaler in 2019 to lease out a portion of its DCs. Meeza has since entered into two more hyperscaler contracts and expects to enter into a new contract with another hyperscaler shortly, which is yet to be disclosed.

Meeza Vaults (MV) Overview

- All Meeza DCs (MVs) are Tier III-certified. While the MV2 is Tier III-certified, it has a Tier IV design, which makes it easier to retrofit and upgrade to a Tier IV-certification once conditions allow. Meeza was first in Qatar to provide public cloud computing services, starting with Microsoft SharePoint and Email Exchange as-a-Service offerings for medium and large enterprises. Subsequently, Meeza continued to expand, its portfolio of managed IT services, expanding its data center sites into:

    a) MV2 (disaster-recovery large scale facility located outside of Doha),
    b) MV3 (a high-density design and built facility),

c) MV4 (hyperscaler hosting platform in QSTP), and
d) MV5 (to boost cloud services in Qatar).

- Over time, Meeza has built competitive advantages or moat around its DCs through prime locations, land banks, capex, and long-term customer contracts. MV2 is located conveniently close to fiber optic trunk lines/international subsea cables which enhances its appeal. A new DC (MV6) is expected to be built adjacent to MV2.
- Globally, most future growth is expected to occur in the Tier IV segment as higher premiums continue to be attached to the data economy. Tier III DC designs are also expected to continue growing, while Tiers I & II, which are now mostly legacy, are expected to decline marginally. While Tier IV offers the best features in uptime and resilience, they are expensive to build, and in the case of Qatar, not achievable under the current monopoly conditions in the electricity market. At the moment, Tier IV DCs are primarily used by the most sensitive industries such as banks, insurance and healthcare. However, the global market is dominated by Tier III DCs. Following are some of the main differences between Tier III and Tier IV data centers:

a) **Availability and uptime**: Tier III data centers have an availability of 99.982%, which means they can have up to 1.6 hours of downtime per year. Tier IV data centers have an availability of 99.995%, which means they can have up to 0.4 hours of downtime per year.

b) **Fault tolerance**: Tier III data centers have N+1 redundancy, which means they have one backup for each critical component, such as power, cooling, and network. Tier IV data centers have 2N+1 redundancy, which means they have two backups for each critical component, plus one more for extra protection.

c) **Concurrent maintainability**: Tier III data centers can perform planned maintenance without affecting the operation of the IT equipment. Tier IV data centers can perform both planned and unplanned maintenance without affecting the operation of the IT equipment.

d) **Service cost**: Tier III data centers are cheaper to build and operate than Tier IV data centers, but they also have lower service quality and higher risk of downtime. Tier IV data centers are more expensive to build and operate than Tier III data centers, but they also have higher service quality and lower risk of downtime.

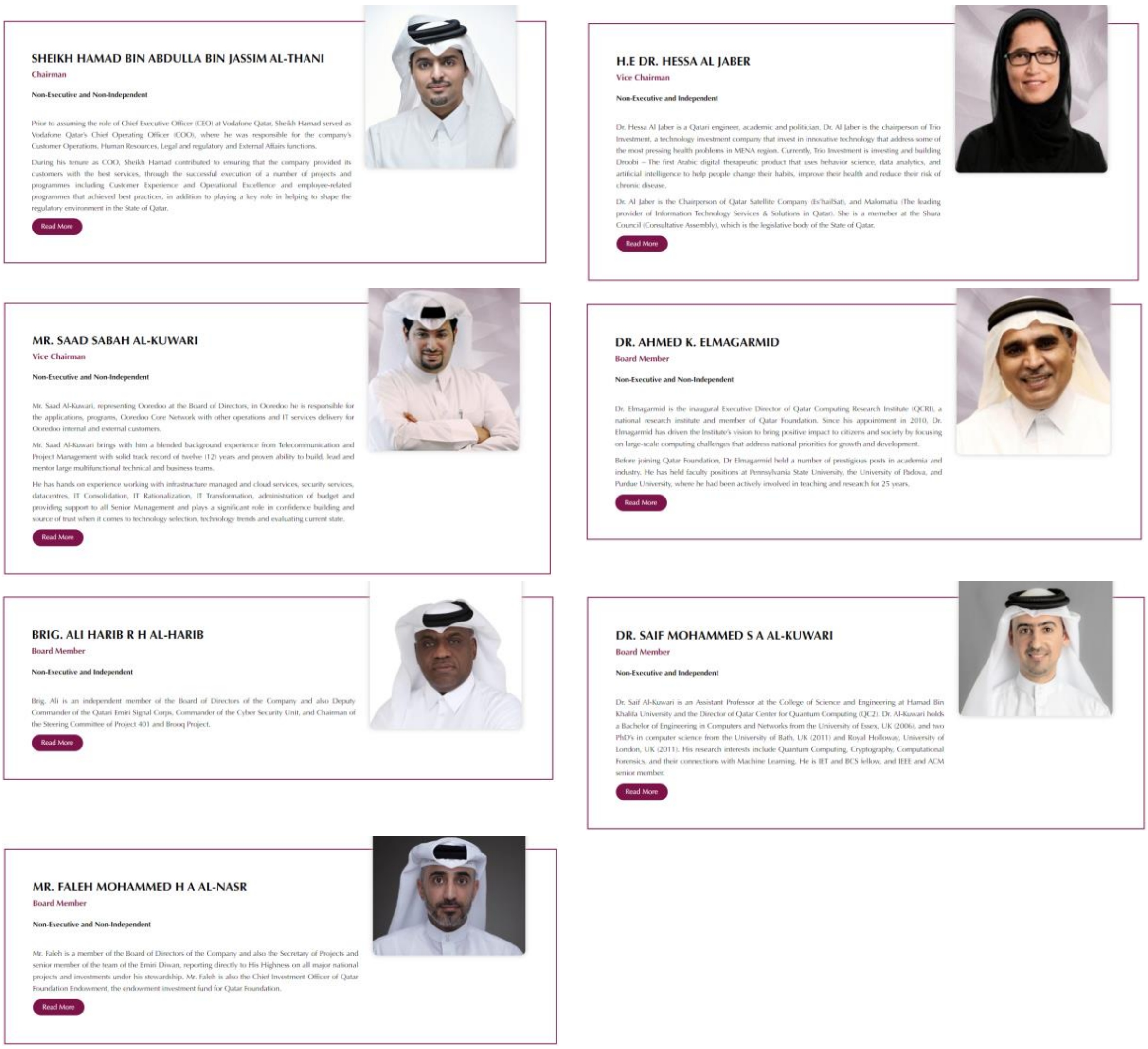
Major Shareholders

	Shareholder	Stake (%)
	Anchor:	
1	Qatar Foundation	40.00
2	Ooredoo	10.00
	Sub Total	**50.00**
	Qualified (Bookbuild):	
3	QIA	5.00
4	General Retirement & Social Insurance Authority (Civil Fund)	5.00
5	Al Khor Holding	5.00
6	General Retirement & Social Insurance Authority (Military Fund)	1.50
7	Qatar Insurance Company	1.07
8	Doha Insurance Group	0.57
9	General Authority for Minors' Affairs	0.57
	Sub Total	**18.71**
10	**Other (Retail + Institutions)**	**31.29**
	Sub Total	**50.00**
	Total	**100.00**

Source: Company data

Management

Board Members



Source: Company data

Executive Team

Mr. Mohsin Nasser Al-Ghaithani
Chief Operations Officer and Acting Chief Executive Officer

Mr. Faisal Al-Kuwari
Chief Technology Officer and Acting Chief Information Officer

Dr. Eng. Fadi Nasser
Chief Commercial Officer

Mr. James Corby
Chief Financial Officer

Source: Company data

Financial Statements & Projections

Income Statement

	FY2022	FY2023E	FY2024E	FY2025E	FY2026E
REVENUE	**352,877**	**413,819**	**412,209**	**505,946**	**645,323**
GROSS PROFIT	106,665	110,890	117,501	149,505	199,033
EBITDA	124,012	121,204	154,576	219,687	287,711
OPERATING PROFIT	63,573	61,068	71,517	97,227	144,554
NET PROFIT	**52,126**	**58,371**	**66,599**	**79,275**	**119,865**

Source: Company data, QNBFS Research

Balance Sheet

	FY2022	FY2023E	FY2024E	FY2025E	FY2026E
Non-current asset					
Property, Plant & Equipment	508,493	477,581	657,458	951,556	1,019,651
RoU Assets	151,941	139,842	127,742	115,643	103,543
Other	12,102	12,102	12,102	12,102	12,102
Total non-current assets	**672,536**	**629,525**	**797,302**	**1,079,301**	**1,135,296**
Current assets					
Prepayments & other	33,037	33,037	33,037	33,037	33,037
Due from related parties	110,390	152,912	140,634	179,784	224,738
Trade & other receivables	132,183	146,922	150,379	182,103	233,846
Cash & bank balances	203,405	251,428	195,181	206,957	244,924
Total Current assets	**479,015**	**584,300**	**519,232**	**601,881**	**736,545**
Total assets	**1,151,551**	**1,213,824**	**1,316,534**	**1,681,182**	**1,871,841**
EQUITY AND LIABILITIES					
Share capital	648,980	648,980	648,980	648,980	648,980
Statutory reserve	8,515	14,352	21,012	28,939	40,926
Retained earnings	21,687	37,273	55,055	76,221	108,225
Total equity	**679,182**	**700,604**	**725,046**	**754,140**	**798,131**
Non-current liability					
Employees' end of service benefits	10,821	11,789	12,613	13,325	13,951
Contract liability	27,205	42,625	37,119	48,837	60,201
Lease	155,791	152,370	149,113	146,025	143,114
Borrowings	134,858	136,170	229,438	522,369	614,946
Total non-current liability	**328,675**	**342,954**	**428,284**	**730,557**	**832,211**
Current liability					
Contract liability	3,159	4,950	4,310	5,671	6,990
Lease	8,283	8,101	7,928	7,764	7,609
Borrowings	13,548	6,118	6,425	6,747	7,085
Trade & other payables	118,704	151,097	144,541	176,303	219,814
Total current liability	**143,694**	**170,266**	**163,204**	**196,485**	**241,499**
Total liabilities	**472,369**	**513,220**	**591,487**	**927,041**	**1,073,710**
Total equity and liabilities	**1,151,551**	**1,213,824**	**1,316,534**	**1,681,182**	**1,871,841**

Source: Company data, QNBFS Research

Cashflow Statement

	FY2022	FY2023E	FY2024E	FY2025E	FY2026E
Cash Flow from Operating Activities	**97,502**	**107,072**	**141,635**	**176,303**	**223,361**
Cash Flow from Investing Activities	**(50,125)**	**(3,319)**	**(237,008)**	**(395,676)**	**(190,875)**
Cash Flow from Financing Activities	**(79,667)**	**(55,730)**	**39,127**	**231,148**	**5,482**
Change in Cash	(32,290)	48,023	(56,247)	11,775	37,968
Cash Beginning of Period	235,695	203,405	251,428	195,181	206,957
Cash End of Period	**203,405**	**251,428**	**195,181**	**206,957**	**244,924**

Source: Company data, QNBFS Research

Ratios

	FY2022	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
Growth Rates						
Revenue	7.4%	17.3%	-0.4%	22.7%	27.5%	13.9%
Gross Profit	21.8%	4.0%	6.0%	27.2%	33.1%	13.8%
EBITDA	18.5%	-2.3%	27.5%	42.1%	31.0%	18.6%
EBIT	22.3%	-3.9%	17.1%	35.9%	48.7%	19.4%
NP	18.4%	12.0%	14.1%	19.0%	51.2%	19.3%
EPS	N/A	N/A	14.1%	19.0%	51.2%	19.3%
DPS	N/A	N/A	14.1%	19.0%	51.2%	19.3%
CFPS	N/A	N/A	32.3%	24.5%	26.7%	28.5%
AFFO PS	N/A	N/A	29.2%	37.9%	36.3%	20.5%
Operating Ratios						
Gross Margin	30.2%	26.8%	28.5%	29.5%	30.8%	30.8%
Gross Margin (ex Depreciation & Amortization)	*46.6%*	*40.3%*	*47.6%*	*52.8%*	*52.3%*	*53.1%*
EBITDA Margin	35.1%	29.3%	37.5%	43.4%	44.6%	46.4%
EBIT Margin	18.0%	14.8%	17.3%	19.2%	22.4%	23.5%
Net Margin	14.8%	14.1%	16.2%	15.7%	18.6%	19.5%
Net Margin(ex Depreciation & Amortization)	*31.1%*	27.6%	35.2%	38.9%	40.0%	41.7%
Working Capital Ratios						
Prepayment days	49.0	39.8	40.9	33.8	27.0	23.7
Receivables days	130.9	125.9	128.4	127.2	127.8	127.5
Related Party receivables days	123.0	145.3	134.1	139.7	136.9	138.3
Contract assets days	11.2	8.9	10.1	9.5	9.8	9.6
Payable Days	176.0	182.1	179.0	180.5	179.8	180.2
Contract liability days	31.4	42.0	36.7	39.3	38.0	38.7
Finance Ratios						
Debt-to-Equity	46.0%	43.2%	54.2%	90.6%	96.8%	119.0%
Net Debt-to-Equity (RHS)	16.1%	7.3%	27.3%	63.1%	66.1%	65.0%
Net Debt-to-Capital						
Net Debt-to-EBITDA	0.88	0.42	1.28	2.17	1.83	1.62
Interest Coverage	4.20	3.70	3.82	3.64	4.38	4.38
Return Ratios						
ROIC	8.1%	8.1%	7.8%	7.9%	10.9%	12.3%
ROE	7.7%	8.3%	9.2%	10.5%	15.0%	16.8%
Earnings Yield	N/A	3.31%	3.77%	4.49%	6.79%	8.10%
Dividend Yield	N/A	2.09%	2.39%	2.84%	4.30%	5.13%
AFFO Yield	N/A	5.04%	6.51%	8.98%	12.23%	14.74%
Liquidity Ratios						
Current Ratio	1.5	1.7	1.2	0.8	0.9	0.9
Quick Ratio	1.5	1.7	1.2	0.8	0.9	0.9
Valuation						
EV/Sales	5.3	4.4	4.8	4.4	3.6	3.2
EV/EBITDA	15.1	15.0	12.7	10.2	8.0	6.8
EV/EBIT	29.5	29.7	27.4	23.1	15.9	13.4
P/E	N/A	30.2	26.5	22.3	14.7	12.3
PEG - 3YR CARG	N/A	0.5	0.4	0.4	0.2	0.2
P/CF	N/A	13.74	11.24	7.76	5.95	5.06
P/BV	N/A	2.52	2.43	2.34	2.21	2.08

Source: Company data, QNBFS Research

Recommendations *Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*	
OUTPERFORM	Greater than +20%
ACCUMULATE	Between +10% to +20%
MARKET PERFORM	Between -10% to +10%
REDUCE	Between -10% to -20%
UNDERPERFORM	Lower than -20%

Risk Ratings *Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
R-1	Significantly lower than average
R-2	Lower than average
R-3	Medium / In-line with the average
R-4	Above average
R-5	Significantly above average

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