

Meeza QSTP LLC (MEZA)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.019	Target Price	QR3.761
Implied Upside	24.6%	Old Target Price	QR4.025

1Q2025 Miss But Solid Execution Underpins Expansion Story; Reiterate Accumulate

Meeza posted a 12.5% YoY net profit growth in 1Q2025 to QR13.1mn, missing our estimate. The growth in earnings was underpinned by a favorable swing in finance costs/income. Meanwhile, the miss was primarily due to sales coming in lower than modeled, edging up by 1.9% YoY to QRQR85.8mn, with all divisions printing lower than expected. Bar the solutions services division, all other units logged revenue declines YoY. While the lumpy solutions services segment revenue rose YoY, the unit still accounted for more than half of the top-line miss. Following the results/investors call, we trim our FY2025 net profit to QR64.4mn from QR67.9mn and lower our PT to QR3.761 from QR4.025. However, we reaffirm our Accumulate rating, with Meeza's medium-term growth story firmly intact; execution on strategic initiatives remains on track. It officially kicked-started its highly anticipated 12MW-IT-load datacenter (DC) expansion program early in the year, with the first 4MW tranche set to go live by mid-next year. With 14.4MW of IT load currently in operation, this planned intermediate 12MW expansion should take its DC capacity to 26.4MW IT load in the next ~2.5 years, with longer-term plans to raise capacity to 30MW IT load. This growth is underpinned by a structurally tight global data center market, hyperscaler-driven demand (especially for AI workloads), and supportive domestic tailwinds under Qatar's Digital Agenda 2030. While recent headlines around Microsoft's rollback of capacity expansion plans in the US and Europe warrant monitoring, Meeza's management see no tangible impact on its growth pipeline. Moreover, the continued improvement in margins and the deal (announced during 3Q2024) to lease remaining 1MW of datacenter capacity – raising utilization level to ~96% (effectively reaching full capacity) from ~85% – underpin a constructive near-term outlook. In our view, Meeza offers investors a credible, execution-driven exposure to a secular growth theme, with attractive operating leverage building into the medium term.

Highlights

- Finance costs/income drive profit:** Meeza's 1Q2025 NP rose 12.5% YoY to QR13.1mn (QoQ: -28.8%) vs. our QR14.8mn estimate. While there was a slight increase in revenue and some GP margin improvement, the bulk of growth (>70%) in the bottom line emanated from a combined decline/increase in finance costs/income. GP margin expanded to 31.2% from 29.1%/31.0% in 1Q/4Q2024 vs. our estimate of 30.3%, as the group sales mix moved in favor of higher-profitability businesses. However, the EBITDA margin, which excludes a big chunk of D&A charges in the GPM, declined to 31.8% (vs. 32.0% estimated) from 32.4% YoY (29.5% QoQ).
- Bar solution services, all other divisions registered revenue declines:** 1Q2025 group revenue inched up 1.9% YoY but declined 25.3% QoQ to QR85.8mn vs. QR96.2mn forecasted. (1) The most-watched unit, DC revenue edged lower by 0.5% YoY/3.5% QoQ to QR36.8mn (vs. QR38.1mn expected); management ascribes the decline to one-offs in the base period and some seasonality. We do not expect revenue to take off until 2nd half of next year, when the first 4MW of new capacity comes on line. (2) Managed services top-line declined 2.0%/10.9% YoY/QoQ to QR29.6mn (vs. QR32.6mn expected). That is contrasted with lumpy (3) solutions services, which rose 43.2% YoY but tanked 69.6% QoQ to QR10.6mn vs. QR16.1mn modeled. Combined revenue for smaller units – (4) cloud services (CS), (5) workplace services, and (6) master system integrator services – decreased by 9.1%/1.5% YoY/QoQ to QR8.7mn vs. QR9.4mn extrapolated. Specifically, the CS segment could see its fortunes improve simultaneously with the DC unit as more capacity comes online.
- Datacenter co-location business to drive outlook:** We believe Meeza's DC unit will be the primary driver of both revenue and bottom-line growth for the foreseeable future as it expands its capacity, which also plays well for group margins. While the cloud segment is also set to see relatively larger growth given its symbiotic relationship with the DC unit, its overall contribution to the group will likely remain low. Managed and solution services should continue to exhibit mature business growth trends.
- Near-term outlook trimmed:** Driven by both revenue and margin expansion, we forecast net profit to grow 6.6% this year and 11.1% next year to QR64.4mn (vs. QR67.9mn previously) and QR71.5mn, respectively. Meanwhile, the top-line should rise 5.0% and 7.1% to QR393.0mn and QR420mn in the same period, respectively.

Catalysts

- Catalysts:** (1) Successful execution of planned expansion plans (2) Announcement of new contracts to utilize new capacity under construction (3) Margin expansion to close in on global peers (4) Global companies/hyperscalers selecting Qatar as a DC host (5) AI adoption still in nascent stage portending future acceleration.

Recommendation, Valuation and Risks

- Recommendation and Valuation:** We change our PT to QR3.761 from QR4.025, implying 24.6% upside, but maintain our Accumulate rating. Our PT is a weighted average of various valuation models: DCF, EBITDA Exit Multiple and Relative-Valuation. Our primary thesis is that Meeza's previous and ongoing DC investments 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 DC markets globally struggle to cope with supply chain constraints. 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, corporates and smart cities.
- 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

GROUP	FY2024	FY2025E	FY2026E	FY2027E	FY2028E
EPS (QR)	0.093	0.099	0.110	0.141	0.174
P/E (x)	32.42	30.43	27.40	21.42	17.40
EV/EBITDA (x)	15.86	14.22	12.64	10.43	8.68
DPS (QR)	0.08	0.09	0.09	0.12	0.15
DY (%)	2.6%	2.8%	3.1%	4.0%	4.9%

Source: Company data, QNBFS Research; Note: All data based on current number of shares; These estimates may not reflect the most recent quarter

Key Data

Current Market Price	QR3.019
Dividend Yield (%)	2.6
Bloomberg Ticker	MEZA QD
ADR/GDR Ticker	N/A
Reuters Ticker	MEZA.QA
ISIN	QA000PK2KD10
Sector*	Consumer Goods
52wk High/Low (QR)	3.844/2.879
3-m Average Vol.	350,894
Mkt. Cap. (\$ bn/QR bn)	0.5/2.0
EV (\$ bn/QR bn)	0.6/2.0
Shares O/S (mn)	649.0
FO Limit* (%)	49.0
FO (Institutional)* (%)	6.7
1-Year Total Return (%)	-14.4
Fiscal Year-End	December 31

Source: Bloomberg (as of April 29, 2025), *Qatar Exchange (as of April 29, 2025); Note: FO is foreign ownership

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Financial Statements and Forecasts

1Q2025 Condensed Income Statement vs. Estimates (QR'000)

	1Q24	4Q24	1Q25	1Q25E	YoY	QoQ	Vs. Estimates
Revenue	84,170	114,779	85,787	96,214	1.9%	-25.3%	-10.8%
Gross Profit	26,133	33,450	26,754	29,149	2.4%	-20.0%	-8.2%
EBIT	13,491	19,339	13,827	16,289	2.5%	-28.5%	-15.1%
EBITDA	27,254	33,834	27,284	30,784	0.1%	-19.4%	-11.4%
Net Profit	11,662	18,432	13,115	14,773	12.5%	-28.8%	-11.2%

Source: Company data, QNBFS Research

QNB FS Estimates Revision (QR'000)

GROUP	FY2024	FY2025E			FY2026E			FY2027E		
		Current	Previous	Change	Current	Previous	Change	Current	Previous	Change
REVENUE	374,215	392,973	427,761	-8.1%	420,868	514,519	-18.2%	494,940	604,292	-18.1%
Data center	146,158	153,575	163,255	-5.9%	165,427	224,703	-26.4%	224,202	290,145	-22.7%
Managed services	126,010	136,083	131,714	3.3%	145,617	140,941	3.3%	154,363	149,406	3.3%
Workplace services	14,332	14,332	12,714	12.7%	14,332	12,714	12.7%	14,332	12,714	12.7%
Cloud services	15,462	20,464	30,272	-32.4%	25,831	38,210	-32.4%	31,312	46,318	-32.4%
Solution services	64,912	60,000	78,427	-23.5%	60,000	85,045	-29.4%	60,000	91,372	-34.3%
Master system integrator services	7,340	8,519	11,380	-25.1%	9,661	12,907	-25.1%	10,731	14,336	-25.1%
GROSS PROFIT	118,251	124,679	127,283	-2.0%	134,235	159,650	-15.9%	162,339	191,757	-15.3%
EBITDA	123,188	145,283	155,045	-6.3%	171,183	205,745	-16.8%	215,701	259,032	-16.7%
OPERATING PROFIT	66,811	71,619	75,748	-5.5%	78,645	105,205	-25.2%	102,367	134,877	-24.1%
NET PROFIT	60,430	64,390	67,906	-5.2%	71,507	98,165	-27.2%	91,456	123,997	-26.2%

Source: Company data, QNBFS Research

Income Statement (QR'000)

GROUP	FY2024	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E
REVENUE	374,215	392,973	420,868	494,940	573,053	648,310
Datacenter	145,969	153,575	165,427	224,202	288,072	356,489
Managed services	126,200	136,083	145,617	154,363	162,090	168,583
Workplace services	14,332	14,332	14,332	14,332	14,829	15,344
Cloud services	15,462	20,464	25,831	31,312	36,392	40,476
Solution services	64,912	60,000	60,000	60,000	60,000	55,000
Master system integrator services	7,340	8,519	9,661	10,731	11,670	12,418
GROSS PROFIT	118,251	124,679	134,235	162,339	192,174	192,174
EBITDA	123,188	145,283	171,183	215,701	276,728	276,728
OPERATING PROFIT	66,811	71,619	78,645	102,367	128,805	128,805
NET PROFIT	60,430	64,390	71,507	91,456	112,624	112,624

Source: Company data, QNBFS Research

Cash flow Statement (QR'000)

GROUP	FY2024	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E
Cash Flow from Operating Activities	121,741	128,768	146,715	169,670	223,055	288,570
Cash Flow from Investing Activities	(8,911)	(179,466)	(179,396)	(184,145)	(288,869)	(359,862)
Cash Flow from Financing Activities	(83,963)	117,803	14,203	7,894	90,565	72,195
Change in Cash	28,867	67,105	(18,478)	(6,580)	24,751	903
Cash Beginning of Period	249,975	278,842	345,947	327,469	320,889	345,640
Cash End of Period	278,842	345,947	327,469	320,889	345,640	346,543

Source: Company data, QNBFS Research

Balance Sheet (QR'000)

GROUP	FY2024	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E
Non-current asset						
Property, Plant & Equipment	449,390	576,781	689,471	785,539	951,643	1,143,125
RoU Assets	133,991	124,587	115,019	105,286	95,390	85,329
Contract Assets	7,387	7,757	8,308	9,770	11,312	12,798
Other	4,970	4,970	4,970	4,970	4,970	4,970
Total non-current assets	595,738	714,095	817,768	905,566	1,063,315	1,246,221
Current assets						
Prepayments & other	20,280	20,280	20,280	20,280	20,280	20,280
Due from related parties	52,987	55,643	59,593	70,081	81,141	91,798
Contract assets	129,051	135,520	145,140	170,684	197,622	223,575
Trade & other receivables	81,264	85,337	91,395	107,480	124,443	140,786
Cash & bank balances	278,842	345,947	327,469	320,889	345,640	346,543
Total Current assets	562,424	642,727	643,876	689,415	769,127	822,982
Total assets	1,158,162	1,356,822	1,461,644	1,594,980	1,832,442	2,069,203
EQUITY AND LIABILITIES						
Share capital	648,980	648,980	648,980	648,980	648,980	648,980
Statutory reserve	20,579	27,018	34,169	43,315	54,577	67,869
Retained earnings	56,130	60,553	67,801	86,390	106,361	125,906
Total equity	725,689	736,551	750,949	778,684	809,918	842,755
Non-current liability						
Employees' end of service benefits	12,315	13,200	13,951	14,601	15,176	15,695
Contract liability	33,447	35,124	37,617	44,237	51,219	57,945
Lease	141,292	135,149	128,446	121,160	113,269	104,752
Borrowings	108,192	296,265	384,337	472,410	660,483	748,555
Total non-current liability	295,246	479,738	564,352	652,409	840,146	926,947
Current liability						
Contract liability	8,027	8,429	9,028	10,617	12,292	13,906
Lease	9,904	9,473	9,004	8,493	7,940	7,343
Borrowings	13,404	11,926	10,449	8,971	7,493	106,016
Due to related parties	5,976	5,976	5,976	5,976	5,976	5,976
Trade & other payables	99,916	104,729	111,887	129,831	148,676	166,260
Total current liability	137,227	140,534	146,343	163,887	182,377	299,501
Total liabilities	432,473	620,272	710,695	816,296	1,022,524	1,226,448
Total equity and liabilities	1,158,162	1,356,822	1,461,644	1,594,980	1,832,442	2,069,203

Source: Company data, QNBFS Research

Ratios

GROUP	FY2024	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E
Growth Rates						
Revenue	-11.5%	5.0%	7.1%	17.6%	15.8%	13.1%
Gross Profit	3.1%	5.4%	7.7%	20.9%	18.4%	15.7%
EBITDA	-0.2%	17.9%	17.8%	26.0%	28.3%	26.4%
EBIT	3.0%	7.2%	9.8%	30.2%	25.8%	20.4%
NP	0.4%	6.6%	11.1%	27.9%	23.1%	18.0%
EPS	0.4%	6.6%	11.1%	27.9%	23.1%	18.0%
DPS	-1.2%	6.6%	11.1%	27.9%	23.1%	18.0%
CFPS	0.0%	5.8%	13.9%	15.6%	31.5%	29.4%
AFFOPS	0.0%	22.9%	19.2%	27.6%	30.3%	27.1%
FFCF	0.0%	-150.3%	-32.9%	-55.1%	281.0%	-1.0%
Operating Ratios						
Gross Margin	31.6%	31.7%	31.9%	32.8%	33.5%	34.3%
EBITDA Margin	32.9%	37.0%	40.7%	43.6%	48.3%	54.0%
EBIT Margin	17.9%	18.2%	18.7%	20.7%	22.5%	23.9%
Net Margin	16.1%	16.4%	17.0%	18.5%	19.7%	20.5%
Working Capital Ratios						
Prepayment days	28.9	27.6	25.8	22.3	19.4	17.4
Receivables days	86.9	86.9	86.9	86.9	86.9	86.9
Related Party receivables days	60.8	60.8	60.8	60.8	60.8	60.8
Contract asset days - current	125.9	125.9	125.9	125.9	125.9	125.9
Payable Days	142.5	142.5	142.5	142.5	142.5	142.5
Contract liability days	40.5	40.5	40.5	40.5	40.5	40.5
Contract liability days -- short term	-	7.8	7.8	7.8	7.8	7.8
Finance Ratios						
Debt-to-Equity	37.6%	61.5%	70.9%	78.5%	97.4%	114.7%
Net Debt-to-Equity	-0.8%	14.5%	27.3%	37.3%	54.8%	73.6%
Net Debt-to-Capital	-0.3%	4.9%	8.5%	10.9%	14.4%	17.6%
Net Debt-to-EBITDA	(0.05)	0.74	1.20	1.35	1.60	1.77
Interest Coverage	3.97	4.08	3.65	4.17	4.36	4.24
Return Ratios						
ROIC	9.3%	8.5%	8.2%	9.6%	10.3%	10.6%
ROE	8.3%	8.7%	9.5%	11.7%	13.9%	15.8%
ROA	5.2%	4.7%	4.9%	5.7%	6.1%	6.4%
Earnings Yield	3.08%	3.29%	3.65%	4.67%	5.75%	6.78%
Dividend Yield	2.65%	2.82%	3.14%	4.01%	4.94%	5.83%
FCF Yield	5.54%	-2.79%	-1.87%	-0.84%	-3.20%	-3.17%
AFFO Yield	4.45%	5.46%	6.51%	8.31%	10.82%	13.75%
Liquidity Ratios						
Current Ratio	1.9	1.3	1.1	1.1	0.9	0.9
Quick Ratio	1.9	1.3	1.1	1.1	0.9	0.9
Valuation						
EV/Sales	5.2	5.3	5.1	4.5	4.2	4.0
EV/EBITDA	15.9	14.2	12.6	10.4	8.7	7.4
EV/EBIT	29.2	28.8	27.5	22.0	18.7	16.6
P/E	32.4	30.4	27.4	21.4	17.4	14.7
P/CF	15.22	13.02	11.07	8.76	6.88	5.47
P/BV	2.70	2.66	2.61	2.52	2.42	2.32

Source: Company data, QNBFS Research

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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