GDS Third Quarter 2026 Earnings Conference Call
November 25, 2026

Corporate Speakers

- Laura Chen; GDS Holdings Limited; Head of Investor Relations
- William Huang; GDS Holdings Limited; Founder, Chairman, Chief Executive Officer
- Daniel Newman; GDS Holdings Limited; Chief Financial Officer

Participants

- Yang Liu; Morgan Stanley; Analyst
- Xinyi Wang; UBS; Analyst
- Ellie Jiang; Macquarie; Analyst

PRESENTATION

Operator^ Hello, ladies and gentlemen. Thank you for standing by for GDS Holdings Limited's Third Quarter 2026 Earnings Conference Call. (Operator Instructions). Today's conference call is being recorded. I will now turn the call over to your host, Ms. Laura Chen, Head of Investor Relations for the Company. Please go ahead, Laura.

Laura Chen^ Thank you. Hello, everyone. Welcome to the third quarter 2026 earnings conference call of GDS Holdings Limited. The Company's results were issued via newswire services earlier today and are posted online.

A summary presentation which we'll refer to during this call can be viewed and downloaded from our IR website at investors.gds-services.com. Leading today's call is Mr. William Huang, founder, Chairman and CEO, who will cover the business, demand, our bookings and our capacity position. Mr. Dan Newman, our CFO, will then review the financial results.

Before we continue, please note that today's discussion will contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties.

As such, the Company's actual results may be materially different from the views expressed today. Further information regarding these risks and uncertainties is included in the company's filings with the U.S. SEC.

The Company does not assume any obligation to update any forward-looking statements except as required under applicable law. Please also note that GDS's earnings press release and this conference call include discussions of unaudited GAAP financial information as well as unaudited non-GAAP financial measures.

The press release contains a reconciliation of the unaudited non-GAAP measures to the most directly comparable GAAP measures. I'll now turn the call over to Mr. William Huang. Please go ahead, William.

William Huang^ Thank you. Hello, everyone. This is William. Thank you for joining us on today's call. Let's start from the demand side. GDS is 100% focused on providing data center services in the China market. AI in China is developing at a fast pace. Demand for AI infrastructure is robust.

At the beginning of this year, we made the decision to step up our bookings. After the first nine months of 2026, our bookings totalled 686 megawatts. Sales momentum continues, and we expect to achieve our full year target of around 1 gigawatt.

Over 80% of our new business is with the top three Internet and cloud customers in the China market. These are the highest quality customers who we have been serving for many years.

We have been selective about new business. We only target orders which rely on domestic technologies. All of our contracts are take-or-pay, with move-in periods averaging 12 months. There's no material risk to our disclosed bookings.

Our new projects are located in a few national hubs where land and power are available. There is strong local and central government support for these markets. The approvals process keeps supply and demand in balance.

Approvals are given based on proven demand, track record, and financing capability. We are consistently successful in obtaining approvals for new projects. We do not face any supply chain bottlenecks. As a result, our certainty of delivery is high.

We incur CapEx based on customer move-in schedules. We work closely with our customers to phase our CapEx in sync with their deployments.

The economics of our business are stable in terms of pricing, development costs and yields. At current pricing level, we are able to generate reasonable risk-adjusted returns.

We have a strong balance sheet. Our 1 gigawatt bookings this year is fully funded with our current financial resources. We can access all the debt we need from the domestic banking markets at low interest rates. We can also access the domestic equity markets through our asset monetization strategy.

Looking ahead, we see plenty of opportunity in the market. However, we will remain selective about committing to new business. We will continue to take a highly disciplined approach. With that, let me hand over to Dan for more financial discussion.

Daniel Newman^ Thank you, William. Our objectives are to create value for GDS shareholders by pursuing the following strategies: One, selectively target new business that satisfies all our criteria; two, invest at low risk on the basis of take-or-pay contracts; three, generate steady growth from high-quality recurring income; four, monetize assets to recycle capital; and lastly, maintain a sound balance sheet. GDS is making good progress towards achieving all of these objectives.

We stepped up our bookings, taking on high-quality, low-risk business which will feed through to higher billings as we cycle through next year and into 2028.

We established one of only two data center REITs listed on the Shanghai Stock Exchange. We are now at an advanced stage of seeking regulatory approval for the first post-IPO asset injection which we expect to complete early next year. Step-by-step, we will build up our C-REIT so that we can continuously recycle capital on highly accretive terms.

We are in the final phase of repricing legacy contracts when they renew. The process will be largely done within the next 18 months. While we are progressing, we already have high visibility for how the business will look over the next couple of years.

It starts with the growth of our backlog. As shown on Slide 9, at the beginning of this year, our total backlog stood at 450 megawatts. Assuming we achieve 950 megawatts of new bookings this year and deliver 250 megawatts of new billings, we will end the year with a backlog of 1.15 gigawatts.

Now let's look at the delivery of this backlog. As shown on Slide 10, at the end of the current year, we expect to have total billings of 1.4 gigawatts. Allowing for construction and ramp-up periods, the 1.15 gigawatt backlog will be fully billable within two years. After adjusting for churn and asset monetization, we project that total billings at the end of 2028 will be over 2.4 gigawatts. This number is derived entirely from what is contracted by the end of 2026. It does not take account of any future new business.

On Slide 11, we convert the billings numbers into EBITDA contribution. In line with our guidance, in 4Q '26, we will generate around RMB 5.5 billion of adjusted EBITDA on an annualized basis.

We add RMB 2.5 billion of incremental contracted EBITDA from the year-end '26 backlog. This assumes RMB 2.2 million of EBITDA per megawatt on average for backlog contracts. We then adjust for churn, asset monetization and price reset which we have quantified in terms of EBITDA impact. Taking all of this into account, we project annualized adjusted EBITDA in 4Q '28 of RMB 6.7 billion, an increase of 21% over 4Q '26. Once again, this projection does not take account of any future new business beyond year-end '26.

Turning to Slide 12, let's look at how we will finance the delivery of this backlog. We expect to end the current year with RMB 32 billion of net debt.

We add RMB 16 billion for the cost to complete the capacity needed to deliver the year-end '26 backlog. This will be incurred over the next two years. We then deduct operating cash flow and cash proceeds of asset monetization.

So taking all of this into account, we project that we will end 2028 with around RMB 38 billion of net debt. We consistently finance our new investment with 60% debt and 40% equity. The debt comes mostly from onshore project term loans. The equity comes from our existing cash resources which are currently around RMB 19 billion, positive operating cash flow and cash proceeds of asset monetization. We are fully funded to deliver the backlog.

The conclusion of this analysis is that we have total contracted EBITDA of RMB 6.7 billion. Our net debt after delivering the entire backlog will be around RMB 38 billion, and we have the funds to do it.

Back to the results on Slide 14. On a pro forma basis which adjusts for asset monetization and onetime items, revenue grew by 11.9% year-on-year and adjusted EBITDA by 6.2% in 3Q '26. We are on track to achieve our revised guidance for 2026 revenue and adjusted EBITDA.

Turning to Slide 16.

Organic CapEx for the first nine months was RMB 4.3 billion. For the full year, we have revised our CapEx guidance down from RMB 10 billion to RMB 8.5 billion. The reduction reflects a small adjustment to the timing of CapEx payments. CapEx incurred during 2026 will be around RMB 12 billion.

Operating cash flow was RMB 2 billion for the first nine months, excluding onetime items.

Turning to Slides 18 and 19. At the end of 3Q '26, net debt to last quarter annualized adjusted EBITDA was 5.1x with cash plus time deposits of around RMB 19 billion. We have set aside RMB 4 billion in anticipation of redeeming a CB early next year.

We are maintaining FY '26 revenue and adjusted EBITDA guidance unchanged. As I mentioned, we are revising our CapEx guidance to RMB 8.5 billion from RMB 10 billion previously.

We'd now like to open the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions). Our first question comes from the line of Yang Liu from Morgan Stanley.

Yang Liu^ I have one question regarding the CapEx change. Is it just due to GDS can delay some of the cash payment to the suppliers? Or it is also combined with the customers' indication of a slow delivery schedule or pull forward -- sorry, delay some of the project under construction progress? Yes. That's my question on the CapEx side.

Daniel Newman^ It's the first reason you gave. It's a small adjustment to the timing of payments to our CapEx suppliers. As I mentioned, the CapEx incurred over the course of 2026 will be around RMB 12 billion. The CapEx guidance is for the CapEx that we pay in investing cash flow, that number will be RMB 8.5 billion, and the difference will be CapEx payables.

Yang Liu^ Got it. But even with current move-in schedule or the current domestic chipset production schedule, customer yet to see any indication of delayed project delivery, right?

Daniel Newman^ No. No change at all to any of our plans or ongoing execution.

Operator^ Our next question comes from the line of Sara Wang from UBS.

Xinyi Wang^ I also have one question. So we have seen a really steady improvement in utilization rate over the past few quarters. So I understand there will be more capacity coming online for the next two years. Could management give us some color on what's the like expected range of utilization rate in the next two years?

Daniel Newman^ Thank you for highlighting. Our utilization rate, I think, is actually at the highest level it's ever been. If you look at our disclosures, you'll see that the capacity which we have under construction has increased significantly as a result of the higher level of bookings. So inevitably, as that comes into service, the utilization will dip down back into the 70s.

But pretty much everything we're building is 100% committed. So it's only a transitional dip and then utilization rate will come back up again and keep trending up into the mid- to high 80s.

Xinyi Wang^ I see. Just a quick follow-up. So does that mean customer move-in cadence or the speed of customer ramp-up after the new products delivered is similar with what I've seen before?

Daniel Newman^ Yes. We calculate our KPIs based on bringing into service the entire capacity which relates to a contract. But the contracts on average allow for a move-in over 12 months.

So 100% of the capacity and then it takes 12 months for the customer to reach the stage where at least based on the contract terms, it's fully billable. So we have not made any change to our assumptions about customer move-in.

Operator^ (Operator Instructions). And our next question comes from the line of Ellie Jiang from Macquarie.

Ellie Jiang^ I just have one question on your outlook for next year's supply. Just now you're talking about you see next year's supply chain bottleneck actually having limited impact. Can you elaborate a bit more?

What are the key drivers behind your assumption? Is it mainly because you see that the current hyperscaler customers still having sort of rich inventory existing? Or do you feel like there will be an increasing amount of domestic chips contributing?

Daniel Newman^ Question relates to the customer supply chain in terms of accessing chips rather than our supply chain--

William Huang^ Yes. You mean -- let me clarify your question. You talk about our customer supply chain or our GDS supply chain?

Ellie Jiang^ Well because just now you were -- William, you were talking about you don't see any supply chain bottleneck next year. So I just wanted to clarify whether your confidence is mainly because customers have shown some of their existing inventory.

William Huang^ Yes. In terms of our supply chain, that we are very confident. There are not any bottleneck for us. So I think that's one of the advantages in China, right? So I think this is -- we are very confident on that.

Ellie Jiang^ And sorry, if I may follow up. So in terms of our customer side, do you have the feedback from the hyperscalers that despite with the external volatility that they are still having enough or rich enough inventory to sort of continue the current move-in pace at.

William Huang^ Yes. I think we are -- our assumption is very, very careful, right? So based on we are very close communicated with our customer, our tracking, even we're tracking their supply chain as well.

So I think now as I just mentioned, all our assumption, our current number, our backlog, I think the delivery schedule will not change. We are confident on that. And as I mentioned, we are all relying on this -- our bookings fully relying domestic technologies. So I think there's key -- a lot of key bottleneck is not existing for us.

Operator^ Due to the time limit of today's call I would now like to turn the call back over to the company for any closing remarks.

Laura Chen^ Well thanks all for joining us today. And we'll see you in the next few months.

William Huang^ Thank you.

Operator^ This concludes this conference call. You may now disconnect your line. Thank you.