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PRESENTATION

Operator

(Operator instructions).

Operator

Hello ladies and gentlemen, thank you for standing by for GDS Holdings Limited's Third Quarter 2022 Earnings Conference Call.
(Operator Instructions).

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 *GDS Holdings Limited - Head of Investor Relations*

Hello everyone, welcome to the Third Quarter 2022 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 will refer to during this conference call, can be viewed and downloaded from our IR website at investors.gds-services.com.

Leading today's call is Mr. William Huang, GDS Founder, Chairman and Chief Executive Officer, who will provide an overview of our business strategy and performance. Mr. Dan Newman, GDS Chief Financial Officer, will then review the financial and operating results. Ms. Jamie Khoo, our Chief Operating Officer, is also available to answer questions.

Before we continue, please note that today's discussion will contain forward looking statements made under the Safe Harbor Provisions of the US Private Securities Litigation Reform Act of 1995. Forward looking statements involve inherent risks and uncertainties. As such, the Company's results may be materially different from the views expressed today.

Further information regarding these and other risks and uncertainties is included in the Company's Prospectus, as filed with the US SEC. The Company does not assume any obligation to update any forward looking statement, except as required under applicable law.

Please also note that GDS Earnings Press Release and this conference call includes discussions of unaudited GAAP financial information, as well as unaudited non-GAAP financial measures. GDS Press Release contains a reconciliation of the unaudited non-GAAP measures to the unaudited most directly comparable GAAP measures.

I will now turn the call over to GDS Founder, Chairman and Chief Executive Officer, William Huang. Please go ahead William.

William Huang *GDS Holdings Limited - Founder, Chairman and CEO*

Thank you. Hello everyone, this is William. Thank you for joining us on today's call. I am pleased to report another quarter of solid results. We grew revenue by 15% and adjusted EBITDA by 11%, demonstrating that our business is resilient and defensive.

In the current uncertain environment, we are managing GDS with the following priorities. In China we are focused on delivering the backlog, keeping CapEx down to what is essential, and being selective about new business. Outside China we are stepping up our international expansion. It has been proven to be a winning strategy, with a ground-breaking order secured during the quarter.

While we are holding tight in China and waiting for recovery, we have created a second growth engine. At the same time we are strengthening our financial position by monetizing assets in China, and raising private equity for our international business.

Overall we remain very confident of our strategic position. We are on the right path to achieve our goals.

While demand in China is slower during the current period, there are still significant new business opportunities. Large internet companies are growing. They are building out their own IT platforms and they're deploying in new locations. They often favor large sites around the Tier 1 markets.

If the customer is strategic and their demand matches our resource inventory, we will go after the new business. A good example is the 9 megawatt order, which we won in the third quarter, from a tech-driven retail platform. It is for our Tianjin1 Data Center, which is partly in service and partly under construction. We won another 20 megawatt order from a different customer in the current quarter which fits the same pattern.

Outside China we are building up our market presence. During the quarter we received a Letter of Award from a Chinese internet customer for a 64 megawatt deployment at Nusajaya Tech Park, Johor. This is clear proof of concept for our Singapore-Johor-Batam strategy. It lays a strong foundation for our continued expansion in South East Asia.

During the first nine months of this year, our new bookings totaled 61,000 square meters, including 28,000 square meters from international business. We will definitely exceed our 70,000 square meters target for the whole of 2022.

The new commitment mix this year is around 60% large internet, 20% financial institution, and 20% cloud customers. The profile of our new business in terms of markets and customer segments is very different from even one or two years ago. This shows how we have been able to evolve our strategy to capture growth.

Our backlog totals 258,000 square meters, out of which [128,000 square meters] (corrected by company after the call) relates to data centers which are already in service. We have reviewed our backlog with customers. Their commitments are solid. The underlying capacity is scarce resource in key locations, and the customers will need for their future expansion.

Our backlog is mainly spread across 10 cloud and large internet customers. A couple of them have asked us to lengthen the move-in period from two years to three years, which we will agree.

On the other hand, we see that some of the large internet orders which we have won more recently have shorter move-in period than the normal two-year schedule. Hence the move-in rate could pick up over the medium term as the market recovers and these new contracts kick in.

We expect to have one churn event from the backlog of around 3000 square meters, or 1.2% of the total backlog. The customer has agreed to pay us a substantial termination fee.

We are managing our capacity expansion in synch with move-in. As a result, we have brought the utilization rate back up over 70%. Our installed base is very solid. Over the past five years our churn rate has averaged just over 0.5% per quarter, which is substantially lower than global benchmarks.

Over the next couple of quarters, we will have one customer churning around 17,000 square meters of area utilized. The customer is a large internet company whose scale has increased enormously in the past few years. This has led them to reconfigure their overall IT architecture.

I am pleased to say that around half the churn capacity will come back to us after a few quarters, as the customer deploys at other GDS sites. In fact, over time there is a good chance that the customer's new deployments with us will grow much bigger than the churn.

Turn to slide 9. In the first nine months of this year we brought 23,000 square meters of capacity into service. In the last quarter of 2022 we plan to bring another 5000 square meters into service.

Compared with our original plan for this year, we have pushed back nearly 59,000 square meters of completions into FY23 and beyond. This will help us to materially cut down our China CapEx, which Dan will explain later.

Over the past 20 years we have built GDS into the leading developer and operator of high-performance data centers in China, and a Top 5 player globally. Our unique platform enables the leading China and multinational cloud and internet companies to seamlessly deploy their IT infrastructure in all of China's Tier 1 markets.

In recent years our home market customers have accelerated their expansion into high growth markets overseas. They are asking for our support. This presents us with an exciting opportunity to expand our platform beyond Mainland China, underpinned by strong demand from existing customers.

To address this opportunity with enhanced focus, we have set up a new international holding company as the vehicle for all our assets and operations outside of Mainland China. It is headquartered in Singapore and over the next couple of years it will have its own dedicated management.

We believe that we can rapidly grow GDS International into a leading regional and then global, data center platform for leveraging our industry-leading capabilities, strategic business relationships and scale economics. GDS International has the potential to become a major value-driver for our shareholders.

Two of the world's largest data center markets are on our doorstep, in Hong Kong and Singapore. It therefore makes sense for us to focus initially on building up our presence in and around these regional hubs.

We entered the Hong Kong market many years ago, leveraging third party data center capacity to serve mainly financial institution customers. In recent years, the demand profile in Hong Kong has changed, with hyperscale driving the majority of growth. New purpose-built data centers are required to fulfill this demand.

We initiated our plans for self-development in Hong Kong in 2018. We selected West Kowloon as the best location to serve both enterprise and hyperscale customers, and acquired our first brownfield site for redevelopment as Hong Kong 1.

We then sourced three other projects in close proximity to Hong Kong 1, creating a virtual campus with multi-year supply pipeline. This is highly beneficial for customers as it enables them to land and expand in the same location and operate with optimal efficiency.

It is a unique proposition in Hong Kong. We have already sold out Hong Kong 1 to leading China cloud, global cloud and FSI customers, demonstrating our competitive edge.

Singapore ranks in the Top 5 data center markets globally. It was also one of the fastest growing. However in 2019 the Singapore Government temporarily paused new data center approvals due to the pressures on resources and embarked on a review.

When we were considering our strategy for South East Asia, we felt that the biggest opportunity and the right place to start was by addressing the spill-over demand from Singapore. This situation is very familiar to us from our edge of town development in China's Tier 1 markets.

We moved early and decisively to secure land and power for hyperscale development at diverse sites in close proximity to Singapore. As a

result, we are well ahead of other players in executing the Singapore-Johor-Batam strategy.

On the Johor side, in Malaysia, we locked up sufficient resource for 280 megawatts of development at Nusajaya Tech Park. We have the landmark 64-megawatt customer win which I already spoke about, and a strong sales pipeline.

On the Batam side in Indonesia, we locked up the 58-megawatt for future development. We have already received a sales MoU from a potential anchor customer and expect the order to come in the next couple of quarters.

We aim to submit an application for Singapore project approval in the near future and are also evaluating opportunities in other ASEAN capital cities to future expand our footprint in the region.

Like I mentioned earlier, we have grown GDS into the leading carrier-neutral platform in China by building up continuous supply in Tier 1 markets and focusing on strategic customers. This is exactly what we are doing with our international business. With resource secured and some great customer wins, we are on the right track to achieve our vision.

We have been through difficult periods in the past. The challenges that we are experiencing now are for the short-term, while the data center industry is for the long-term. During this time of uncertainty, we continue to build up our position by expanding our customer base and enhancing our market presence both in China and outside China. We remain very confident about our future.

Now I will now pass onto Dan for financial and operating review. Thank you.

Daniel Newman GDS Holdings Limited - CFO

Thank you, William. Starting on slide 17 where we strip out the contribution from equipment sales and the effect of FX changes. In 3Q22, our service revenue grew by 2.8% and underlying adjusted EBITDA grew by 1% quarter-on-quarter. Our underlying adjusted EBITDA margin was 45.1% compared to 46% in the previous quarter.

Turning to slide 18. Service revenue growth is driven mainly by delivery of the committed backlog. Net additional area utilized during 3Q22 was 14,184 square meters. Around 5300 square meters was in Tier 1 markets, and the remaining 8800 square meters was from B-O-T projects.

In the fourth quarter of 2022, we expect move-in to be a few thousand square meters lower as a result of the first part of the churn, which William mentioned.

Monthly service revenue per square meter was RMB2237 compared to RMB2265 for the previous quarter. The decrease is mainly due to dilution from move-in at B-O-T projects. For FY22 as a whole, we still expect MSR to decline by around 5% year-on-year.

Turning to slide 19. Our underlying adjusted gross profit margin was slightly down on the prior quarter at 50.7% and our adjusted EBITDA margin was just under 1 percentage point lower at 45.1%. In 3Q22, utility cost was 31.6% of service revenue, compared with 30% in 2Q22 and 28.8% in 3Q21.

Turning to slide 20. 2022 is a transition year in terms of bringing down our CapEx in Mainland China on the one hand, and increasing investment overseas on the other hand.

Our organic CapEx in Mainland China will be around RMB6 billion for FY22, which is a few billion lower than in the past couple of years. We expect a further significant drop in Mainland China organic CapEx next year.

After 4Q22, we will have no more material acquisition consideration outstanding.

With the landmark business win in Johor, we are accelerating our CapEx as the contract is for delivery next year. Accordingly, we expect international CapEx of RMB2 billion this year, rising to RMB4 billion next year.

Looking at our financing position on slide 21. At the end of 3Q22, we had RMB9.1 billion or USD1.3 billion of cash on our balance sheet. Our net debt to last quarter annualized adjusted EBITDA ratio was 7.6 times on a consolidated basis. Our effective interest rate dropped to 4.4%.

To make it more clear, I would like to lay out a preliminary view of our FY23 investment and funding plans. Starting with uses of funds in Mainland China.

We expect organic CapEx next year to be around RMB3.5 billion, down from RMB6 billion this year. We are able to bring it down to this level because we already have substantial capacity in service to support move-in. Furthermore, the cost to complete all the capacity in service and under construction in Mainland China is only RMB7.1 billion and, as William described, we are pushing back project completions over several years.

Scheduled debt repayment for Mainland China will amount to around RMB2 billion, some of which we will refinance as we always do. Our preliminary assessment of total uses for Mainland China in FY23 is therefore around RMB5.5 billion, excluding refinancing.

Turning to sources for Mainland China. We expect to have positive operating cashflow of over RMB1 billion. In addition, we expect to draw down around RMB2.1 billion of new project debt, representing 60% of incremental CapEx. We have RMB9.1 billion available for drawdown under committed project finance facilities in Mainland China.

To supplement our sources, we are pursuing an asset monetization strategy. We are developing several structures with different partners. So far, we have signed the subscription agreement with a sovereign wealth fund for the offshore China data center fund, which is still subject to execution of other agreements, regulatory approvals and satisfaction of various conditions.

We have also signed a detailed term sheet with a well-known industrial property company for the sale and partial leaseback of one of our properties.

Taken together, we expect to generate around RMB3 billion of cash proceeds from the first asset injection into the fund and the sale and leaseback. Thereafter, we have the option of doing more through these and other structures.

In aggregate, we expect our total sources for Mainland China in FY23 to amount to over RMB6 billion, which would be sufficient to cover our total uses.

With selective asset monetization, we can fully fund the growth of our business in Mainland China until it becomes self-financing after two or three years.

Turning to International, as I mentioned previously, we expect total CapEx for International in FY23 of RMB4 billion or USD550 million. We expect to finance 60% of this, say RMB2.4 billion or USD340 million, with project debt, and the facilities are already in place.

For the balance, we plan to raise private equity so that GDS International is separately capitalized. We recently started talking to potential investors about this opportunity. As you can imagine, there is a lot of interest in partnering with GDS, one of the world's leading data center companies in its international expansion in a high growth region.

We plan to raise sufficient private equity to fully capitalize GDS International's current business plan in one or more funding rounds. With this approach, we can grow the International business ambitiously, without further capital injections from GDS Holdings.

Over the next few years, we believe that the combination of asset monetization in Mainland China and external capital raise for International can meet our funding requirements in a consistent and well-structured way.

At the end of this year, we expect our cash position to be around RMB7.5 billion, or USD1.1 billion. This is sufficient to cover all short-term

debt at GDS Holdings level, including the CB, which is puttable in 2Q23.

We have no long-term debt outstanding at GDS Holdings level which is repayable until 2027 at the earliest.

Turning to slide 22; we reconfirm that our revised guidance for FY22 revenue and adjusted EBITDA, and the original guidance for FY22 CapEx remain unchanged.

We would now like to open the call to questions. Operator, please?

QUESTIONS AND ANSWERS

Operator

Certainly. For the benefit of all participants on today's call, please limit yourself to one question. If you have more questions, please re-enter the queue.

(Operator Instructions)

Our first question comes from the line of Yang Liu, with Morgan Stanley.

Yang Liu Morgan Stanley - Analyst

Thanks for the opportunity to ask a question. My question is related with sales. I think third quarter, GDS delivered very strong sales with almost 30,000 square meters new booking.

Does management think that is sustainable level or we should combine 2Q, 3Q together and do you think that the previous target of 80,000 square meter is achievable? I think William mentioned that 70,000 square meter target revised down after 2Q.

The Company will definitely exceed that. Whether the Company can go back to previous pattern like 20,000 square meter per quarter and [80,000] (corrected by company after the call) per year. Do you think that is achievable target? Thank you.

William Huang GDS Holdings Limited - Founder, Chairman and CEO

I think yes, we revised guidance, sales guidance in Q2 right, adjusted to the 70,000 square meter. Now, we are very confident to achieve above this number in total year's level.

I think it looks like in next couple of Qs, we feel can maintain this momentum so far.

Operator

Thank you.

Yang Liu Morgan Stanley - Analyst

Okay, thank you.

Operator

Your next question comes from the line of Tina Hou with Goldman Sachs.

Tina Hou Goldman Sachs - Analyst

Hi management, thank you very much for the detailed presentation. So, I have a question on the customer churn front.

Wondering, because now we're talking about potential reopening of China in the second quarter of 2023, so, have we seen any early

signs of customers' demand start to recover?

On the other hand, any potential further customer churn may be on the horizon that we should be watching out for?

William Huang GDS Holdings Limited - Founder, Chairman and CEO

I think number one, I think this year actually did, it's very clear this churn player their slowdown their CapEx whole year. What we can tell is that it will recover definitely, but still need time because of the COVID policy in China didn't change a lot.

But on the other hand, I think with what we are seeing is that the internet player is very active this year. It's much active than before. I think it's due to their IT structure changing or their business still growing in China and outside China.

So, in our view, maybe next year the churn will slightly recover, but the internet, large internet companies still maintain a very active demand in next year. That's our view, current view.

(Multiple speakers)

Tina Hou Goldman Sachs - Analyst

Thank you.

(Multiple speakers)

William Huang GDS Holdings Limited - Founder, Chairman and CEO

Yes, the churn.

Daniel Newman GDS Holdings Limited - CFO

--onto the part about [the churn].

Tina Hou Goldman Sachs - Analyst

Sure.

William Huang GDS Holdings Limited - Founder, Chairman and CEO

Yes, the churn.

Daniel Newman GDS Holdings Limited - CFO

From the fourth quarter this year to the fourth quarter of next year, which is five quarters, we have a total of 80,000 square meters of area utilized which comes up for renewal.

Out of that, we mentioned today, one churn event involving 17,000 square meters. Other than that, there's no other significant churn that we are aware of, or we expect. Nor is there any other early termination of contracts that we're aware of or expect.

As regards to the one churn event that William spoke about, it's actually a result of the company's or the customer's success and because of their extraordinary growth and therefore the evolution of their IT architecture.

So, it's in no way a negative or even a systemic issue. We're fortunate we competed for their new deployment, and we won the majority of it. So, really there's only a timing difference between churning in one place and moving-in in another place.

As William mentioned, I think eventually the--

(Multiple speakers)

Daniel Newman GDS Holdings Limited - CFO

--will be--

William Huang GDS Holdings Limited - Founder, Chairman and CEO

Yes, we can say that it's a new migration. It's non-churn type, right?]

Daniel Newman GDS Holdings Limited - CFO

Yes. Okay, sorry Tina, your next question?

(Multiple speakers)

William Huang GDS Holdings Limited - Founder, Chairman and CEO

Yes.

Tina Hou Goldman Sachs - Analyst

That's very clear now, thank you.

Operator

Thank you. Your next question comes from Jonathan Atkin with RBC Capital Markets.

Jonathan Atkin RBC Capital Markets - Analyst

Thank you. I wondered for Dan, if you could maybe talk a little bit about the sources of funds when you talked about inside of China debt financing and what are we looking at in terms of current debt financing conditions? What costs of debts?

On the equity side for outside of China, maybe a little bit of color around the types of parties that you foresee doing business with and that have shown interest so far?

Daniel Newman GDS Holdings Limited - CFO

Yes, the sources of funds you're talking about the project debt component in China. So, as you know, our approach has been to project finance each data center development and to put that project finance into place at the inception of the project.

So, between the capital, which we allocate to the project and the committed project finance facility, the project is fully financed.

So, the situation we find ourselves in is based on the expected level of CapEx next year in China which I mentioned was around RMB3.5 billion, out of which we expect to debt finance 60%, which is just over RMB2 billion.

So, that would be the total amount of new project debt drawdown but the facilities are already in place. There's over RMB9 billion of committed undrawn, available for drawdown project finance facilities.

So, there's practically no new financing we need to do in order to be able to achieve that drawdown. It's just a fraction of what is available to us.

More generally speaking, the project finance market in China for data centers and particularly for us is as supportive as ever. Data centers are a priority area of infrastructure frequently and repeatedly emphasized by the government in various policy statements.

Therefore, the financial sector is very supportive in terms of allocating credit and so on to data centers.

Most of our debt, most of our project debt is technically at floating rate but it's floating rate against a benchmark, which we call the over five-year loan prime rate, which doesn't change very much.

It's not a fully market rate, therefore it's not volatile. Over the course of this year, I think it's come down by 35 basis points. So, it's exactly the opposite experience of the US and most of the rest of the world.

Our pricing benchmark for debt is actually lower this year and I think our effective interest rate which we just reported at 4.4% is the lowest in our history.

For the international capital raise, you asked me what kind of investors we're talking to. So, there's a spread. We've been approached by a variety of investors and initiate a process to explore more thoroughly the potential sources of capital.

I think the one point I would make about this is that when we have raised capital, we always try and do it in a value-added way. It's not just about money but it's also about what the capital provider brings to us in terms of added value to the business.

So, I think that's really what we're looking for. We're looking for an investor who can be a partner and also add value to the business.

Jonathan Atkin RBC Capital Markets - Analyst

Thank you.

Operator

Thank you. Your next question comes from the line of Gokul Hariharan, with JP Morgan.

Gokul Hariharan JP Morgan - Analyst

Yes. Hi. Good morning. Thankful to hear my question. My question is on the (inaudible) Nusajaya and the South East Asia expansion general. I think congrats on this win. (Technical difficulty) about what is the delivery schedule for this project going to be looking like? How do the economics [for] MSR and (technical difficulty) look like compared to what we have in China? Lastly for the [serious] international--

Laura Chen GDS Holdings Limited - Head of Investor Relations

Sorry, Gokul, your line is not very clear. Can you repeat your question, please? Thank you.

Gokul Hariharan JP Morgan - Analyst

--ratings and capital. What would be the kind of (technical difficulty) eventually that you're comfortable with for the international [customers]?

William Huang GDS Holdings Limited - Founder, Chairman and CEO

Hey, Gokul, we can't hear you. Hello? Hello? Hey, Gokul, we can't hear you very--

Gokul Hariharan JP Morgan - Analyst

Okay.

William Huang GDS Holdings Limited - Founder, Chairman and CEO

Can you repeat your question?

Operator

Our next question will be coming from the line of Michael Elias with Cowen.

Michael Elias Cowen - Analyst

Hopefully I come through clearly. I just had a question for you related to the churn. Could you guys give a little bit of color of when you expect that churn? Is it in one tranche or is it in multiple tranches? Then also is that in just one Tier 1 market or is that in some edge-of-town or even remote sites? Any color there would be helpful. Thanks.

Daniel Newman GDS Holdings Limited - CFO

Yes. Hi, Michael. The 17,000 square-meter churn, there will be around 3000 square meters in the fourth quarter of this year. I think the balance will be spread across the first two quarters of next year. It's all in one Tier 1 market. It's launched several different sites and several different data centers. I think it's highly marketable capacity. Given time we won't have any problem reselling that capacity to other customers.

Michael Elias Cowen - Analyst

Thank you. I appreciate that color. Just as a follow-up question, as we think of the cadence of net installs moving forward. I feel like one overhang was the elections. Just as you look to next year, are you seeing any indications from customers that they could pick up the pace of their installs into your facilities? Thank you.

Daniel Newman GDS Holdings Limited - CFO

Michael's asking about the quarterly move-in rate, whether we see any potential pick-up.

William Huang GDS Holdings Limited - Founder, Chairman and CEO

Yes. As I just mentioned, I think that if you have a view for next year, I think the churn will slightly recover, but it will cost a much longer time for they start to recover. That's my view in next year. But what we see is the new order from the internet giants, they are moving a speed much higher than what we expect. It's a combination.

Michael Elias Cowen - Analyst

Thank you.

Operator

Thank you. Our next question comes from the line of Frank Louthan with Raymond James.

Frank Louthan Raymond James - Analyst

Great. Thank you. Talk to us a bit more about the international expansion. What are you finding that more attractive? Is it just the certainty of the business environment or is it better growth? Will the customers be new to you or will you be following some of your current Mainland China customers there? Thank you.

Daniel Newman GDS Holdings Limited - CFO

Yes. Maybe I'll start, Frank, and then William will add in. The logic of our international expansion was the same as the logic of our business in China, right. Our proposition to our customers is to be a solution to how they deploy their IT. We try to integrate our data centers into a platform to be present in all Tier 1 markets wherever our customers have critical mass of demand, so that takes us into Hong Kong. That takes us into Singapore and the adjacent areas and beyond.

I would say that the growth rates in Southeast Asia are currently higher than in China. I think there's a huge hinterland in Southeast Asia where many aspects of the digital economy are taking off. The opportunity over the next 10 years is probably as good as anywhere in the entire world. To begin with, it's very concentrated in and around Singapore, but we think it will spread out from there. That's the attraction.

In terms of the customers, I think it's very valuable that we have the insight and cooperation and demand from our home market customers as we go into these areas. That's clearly a big advantage. But we will definitely win significant business from non-Chinese customers. I can say that with total confidence. In Hong Kong, for our Hong Kong 1 data center, we have order from one of the largest cloud players in China and one of the largest cloud players globally.

I think give us a little bit of time and you'll see that we have a mix of China and global customers in our Southeast Asia data centers. They're not necessarily new customers, because we may herd some of those global customers in China. But as I say, they're non-Chinese customers, but we will serve outside of China.

William Huang GDS Holdings Limited - Founder, Chairman and CEO

Yes. I think in fact the Southeast Asia market represents almost 50% of the China market. It's already a very sizable market. I believe the growth rate in this region, the demand growth rate is much higher than other region globally. The market profile totally fit GDS to generate more big scale new orders in this region. So I think we are very excited about the opportunity. We also believe we have the very strong competitive edge to win the future market in this region.

Frank Louthan Raymond James - Analyst

Okay, great, thank you.

Operator

Thank you. Your next question comes from the line of Sara Wang, UBS.

William Huang GDS Holdings Limited - Founder, Chairman and CEO

Hello.

Sara Wang UBS - Analyst

Thank you for the opportunity to ask -- hello, hello. Can you hear me?

Daniel Newman GDS Holdings Limited - CFO

Yes, we can, thank you, yes.

Sara Wang UBS - Analyst

Thank you. Just one quick question on the delivery schedule. So I noticed the number of square meters to deliver for 2022 this year is revised down by, say, roughly 20,000 square meters. Then the delivery square meters for next year remains largely unchanged. So is it because most of the flow just in China somehow is delayed into 2024 or beyond?

Daniel Newman GDS Holdings Limited - CFO

Yes, so we still have a lot of flexibility. Data Center development has very distinct phases, and is very modular. We incurred a certain amount of cost for the projects which are under construction. We can time and phase out how we incur additional cost. It's really tied to when the customer needs to take delivery.

I think for the area under construction it's over 60% pre-committed. So those sales agreements have a start date and a delivery date in them. That's when the customer is entitled to begin to move in. But if the customer agrees to delay or defer that start date, then we can delay or defer the CapEx. So I think we can actually continue to push back the completion of the projects.

I just want to take this opportunity to repeat a number I mentioned during the prepared remarks. If you look at the area which we have under construction, it's well over 100,000 square meters. But the cost to complete all of it is just over RMB7 billion. We talked about Mainland China organic CapEx next year being around RMB3.5 billion. So that's approximately 50% of the cost to complete all the remaining capacities. That gives you some idea of what our run rate CapEx is versus the capacity that we can bring into service.

Sara Wang UBS - Analyst

Got it. Just one quick follow-up. So given the flexibility in our delivery schedule, do we see any risk to our, say, committed square meter?

Daniel Newman GDS Holdings Limited - CFO

You mean the backlogs, no. I mean we have a 240,000-something square meter backlog, and we mentioned that there was one, call it, early termination from that backlog. Which is actually a partial early termination, it's not an early termination of the entire commitment from that customer. It's 3000 square meters. That's 1% of the backlog.

In that case because it's an early termination, there's a substantial, I'd say a very substantial, termination fee that we will receive, either this quarter or next quarter. So that's a very immaterial amount of churn from the backlog, and we have the financial protection of the termination fee.

Sara Wang UBS - Analyst

Got it, thank you.

Operator

Thank you. Your next question comes from the line of Alex Wang with Daiwa.

Alex Wang Daiwa - Analyst

Okay, good. So regarding our customer diversification strategy, so the total customer based raised roughly 820 this quarter. So I want to get more color about the incremental customer occurrence in the next several quarters, regarding the customer mix. And about longer term picture regarding customers. We have initial landscape around 20% from cloud in the next several quarters about in the lowering. Do we expect the mix to be further recover in 2023/2024?

The second question is regarding the customer move-in progress. We mentioned some customer delay their move-in, changed from two years to three years. Is the feedback more from the cloud customers in Mainland China, or some initial expand coming from international customers? Thank you.

Daniel Newman GDS Holdings Limited - CFO

The first question was about increasing the number of customers, so really I think it's about new enterprise customers, so that's where that number comes from. I think the second question was, which type of customers were requesting an extended move-in period, from two years to three years. Maybe I can answer that one.

So William mentioned, if you look at that total backlog most of it, almost all of it, actually pertains to around 10 customers. I think nine out of the 10 are Chinese cloud and internet companies and maybe the 10th is a non-Chinese cloud and internet company.

There's only a couple who have requested an extended move-in period. They're both Chinese cloud or internet companies. William, what about the enterprise business opportunity?

William Huang GDS Holdings Limited - Founder, Chairman and CEO

Yes, I think if you look at our first two quarters, our new order mainly driven by the enterprise customer, especially financial institutions. That's our very solid customer base.

We also add more new industry, new customer in this year. We made a very, very significant progress to acquire new customers to strengthen our customer base in this year.

This is our strategy. We always like again and again, in the last few years.

so that's why our orders still maintain very stable situation. So, even in this year we still can get a very high-level new booking compared with our peers or global peers.

So, our new order book is still maintain very high level. So, I think that's all based on we have very strong customer base and we continue to develop them, the customer base.

So, I think in the next year GDS still will focus on the hyperscale plus a very good, high quality enterprise customer.

Operator

Thank you. Your next question comes from the line of Mingxuan Li with CICC.

Mingxuan Li CICC - Analyst

Hi management. Thanks for taking my question. Just a small one regarding overseas business. I think for our three under construction data centers in Malaysia have been forward pre-committed and ready for service next year, how do you expect the overseas move-in rate, revenue growth rate and margin? Thanks.

Daniel Newman GDS Holdings Limited - CFO

Yes, so overseas in our definition includes Hong Kong, where the first data center, Hong Kong 1 will come into service in the next couple of months. That is fully committed mainly to China and global cloud.

The move-in rate there will be over two years, which is standard and typical for cloud players. For the commitment that we've announced, the Letter of Award at 64 megawatts for Nusajaya is actually three data center buildings but it's the entire Phase 1 of our development on that site.

The delivery will be the second half of next year. We expect the move in to be very fast for the entire capacity. That is illustrative of what William was mentioning, that some internet companies have placed orders, a shorter period of time ahead of when they require delivery and then commit to a faster move in than we typically see with cloud customers.

So, as you've mentioned revenue and EBITDA, I think the International business will be mildly EBITDA negative next year. It will be around breakeven the year after. It could be better but that's the base case.

Mingxuan Li CICC - Analyst

Thank you.

Operator

Thank you. We have a follow up question from the line of Yang Liu with Morgan Stanley. Pardon me, Yang. Please check your mute button.

Yang Liu Morgan Stanley - Analyst

Thank you for another opportunity to ask a question. I take a look at your CapEx plan and operating cashflow and also the debt, do you think actually if we look a little bit forward, going into 2024, with a little bit higher operating cashflow and also similar or even a little bit down CapEx, do you think a free cashflow positive is achievable for the China business in 2024? Thank you.

Daniel Newman GDS Holdings Limited - CFO

I think it's close Liu Yang. You would expect or hope that operating cashflow will grow and organic CapEx may be lower. The gap to being self-financing will narrow down.

Yes, we may pursue asset monetization, not just upon that gap but we may pursue it to deleverage as well. Asset monetization generates cash proceeds, but it may also lead to some debt de-consolidation.

So, I think the strategy is not purely and simply driven by uses of funds for liquidity but also by leverage. I think that's at this point we put in a considerable amount of work from developing the structures that we've already talked about; the sale and leaseback and the data center fund and frankly the international capital raise.

We're working on other structures, which we haven't yet disclosed. The objective is to have optionality. We're working with different partners, with different structures. Even in this difficult time there's very strong interest and commitment from these partners to getting these deals done.

I think it gives us optionality as to how much capital we want to recycle or raise regardless of whether the Mainland China business is free cashflow positive. We might still be doing it.

Yang Liu Morgan Stanley - Analyst

Got it. Thank you.

Operator

Thank you. At this point there are no further questions. I would like to now turn the call back over to the Company for closing remarks.

Laura Chen GDS Holdings Limited - Head of Investor Relations

Thank you all once again for joining us today. If you have further questions, please feel free to contact GDS Investor Relations through the contact information on our website, or The Piacente Group Investor Relations.

See you next time. Bye-bye.

Operator

This concludes this conference call. (Operator Instructions) Thank you.

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