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PRESENTATION

Operator

Hello, ladies and gentlemen. Thank you for standing by for GDS Holdings Limited First Quarter 2024 Earnings Conference Call. At this time, all participants are in listen-only mode. After Management's prepared remarks, there will be a question-and-answer session. Today's conference call is being recorded. I will now turn the call over to your host, Miss Laura Chen, Head of Investor Relations for the Company. Please go ahead, Laura.

Laura Chen ***GDS Holdings Limited - Head of IR***

Thank you, Operator. Hello, everyone. Welcome to the First Quarter 2024 Earnings Conference Call of GDS Holdings Limited. The Company's results were issued via Newswire Services earlier today and 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 CEO, who will provide an overview of our business strategy and performance. Mr. Dan Newman, GDS CFO, will then review the financial and operating results. Ms. Jamie Khoo, CEO of GDS International, 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 statements, except as required under applicable law.

Please also note that GDS earnings press release and this conference call include 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 for the unaudited most directly comparable GAAP measures. I'll now turn the call over to GDS Founder, Chairman and CEO, William Huang. Please go ahead, William.

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

Hello, everyone. This is William. Thank you for joining us on today's call. The top priority of GDS Senior Management Team is to create value for our shareholders and drive share price recovery. Our business now has two distinct segments, China and the international.

For China, we believe that the key to creating shareholder value is first to get back onto a higher growth track in terms of EBITDA. Second, to generate the positive free cash flow before financing and the reduced debt. The third, to position strategically for the coming AI wave. For international, the Series A capital raising sets a benchmark of nearly $4 per GDS share. We believe that this value will appreciate significantly as we build on our initial success.

Now, let's review our progress towards these goals in more detail, starting with China on slide 5. The key to restoring higher growth in

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China is the move-in rate. Over the past couple of years, we've focused our sales efforts on opportunities with a faster move-in schedules and reasonable pricing. Even though the market as a whole slowed down, we've made good progress with winning this kind of business. The results of our efforts are now starting to become visible in our gross additional area utilized.

In 1Q24, the gross move-in for China was 17,000 square meters, all of which was in tier 1 markets. It's the highest since 2020. Going forward, based on contractual commitments in the backlog, we expect gross move-in to continue at these higher levels. From the beginning on 1Q24, we stopped recognizing revenue and deducted 12,000 square from area utilized for three B-O-T data centers, which we plan to transfer to the customer on an accelerated basis. During 1Q24, this was around 6,000 square meters of customer churn, most of which we admittedly replaced with new customer commitment in our 1Q24 bookings.

Over the next couple of quarters, we expect the impact of these one-time factors to diminish. As a result, net addition area utilized in China will set up in line with the improved gross move-in. How do we achieve steady EBITDA growth while at the same time generating positive free cash flow before financing? The key is increased utilization of existing assets and to only incur additional CapEx when needed to deliver capacity to customers with confirmed move-in schedules.

In 1Q24, we brought 14,000 square meters of new capacity into service in China at three data centers in Shanghai, Changshu and Langfang. The commitment rate for these three data centers is 100%. By the end of the quarter, the utilization rate was already over 40%. This is the pattern which we are aiming for. In the past couple of years, we've put the brakes on our development program in China, completing around 30,000 square meters of projects per annum in 2022 and 2023.

In the current year, we expect a higher level of completions at around 60,000 square meters, due to the higher level of customer move-in. However, to deliver this capacity, we only need to incur the cost to complete, which works out at around RMB25 million, or less than US$3 million per megawatt. As you can see on slide 8, we are in a position to grow our area utilized by over 50% while only needed to incur costs to complete of around RMB7.4 billion.

Turning to our sales on slide 9. In the current market, we have been selectively targeting opportunities which fit our capacity and have the right commercial terms. In 1Q24, new bookings in China were around 9,000 square meters, most of which relates to inventory at the data centers in service. So far, there has not been a lot of AI-driven demand in tier 1 markets, however, there have been AI developments in remote locations which are not our focus.

These deployments are mainly for AI development rather than AI-enabled applications. Nonetheless, it is an encouraging lead indicator of latency-sensitive AI demand coming to tier 1 markets in future. As we have seen in our international business, AI requires unprecedented scale and fast delivery. We are very well placed to satisfy this kind of requirement in China's tier 1 markets because of the land and the power which we have secured at multiple sites. We will use this resource very strategically to capture the AI wave.

Turning to international on slide 12. Our international strategy is based on anticipating new waves of demand and evolving requirements, moving decisively to secure land and power with short time to market, winning game-changing customer orders, leveraging our competitive strengths to execute faster and more efficiently, and financing the business on a standalone basis.

Within a few years of launching our international strategy, we are well on the way to developing a market-leading presence in three of the world's largest data center hubs, namely Singapore-Johor-Batam, Hong Kong, and Tokyo. Across these three hubs, we currently have 75 megawatts in service, 196 megawatts under construction, and over 500 megawatts of land and power supply held for future development. Subject to demand, all of this capacity could be constructed and delivered within three to four years, which is a critical consideration for customers. We currently have 182 megawatts of commitments, with around 40% from the leading global customers. In 1Q24, we won an 18 megawatt order from local cloud player and in the current quarter, we won a 43 megawatt order from a global cloud service provider. Both of these orders were for our two Johor campuses.

Our pipeline of new business for Johor is exceptionally strong and I am pleased to report that we are in the process of contracting our first business for Batam. Meanwhile, in Hong Kong, we are already sold out our first two data centers. In Tokyo, we are partnering for two new data centers which we believe will be highly marketable.

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In today's market, it is very typical for customers to require a short lead time to delivery of only a few quarters. They then commit to rapid move-in. Our ability to meet these requirements sets us apart. As a proof point, we have already delivered 70 megawatts in Johor, which was 100% revenue-generating by the end of the 1Q24. We have another 87 megawatts backlog in Johor, most of which is scheduled for delivery and will become revenue-generating over the next six quarters.

Due to the accelerated sales pipeline and the strong investor demand, we decided to upsize a Series A new issue by US$85 million to US$672 million. This successful new issue demonstrates our ability to access capital for an international on a standalone basis. We have now established a channel for future capital raises and further value benchmarks.

I will now pass on to Dan for the financial and operating review.

Dan Newman ***GDS Holdings Limited - CFO***

Thank you, William. Turning to slide 15. From 2Q24, we will start to provide segment reporting in our earnings release. As you can see, we have already included most of the segment information in our 1Q24 earnings presentation. We will define two segments, DigitalLand Holdings Limited and its subsidiaries, which comprises all of our business and assets outside of mainland China, except for some minor third-party data centers in Hong Kong, will be referred to as GDSI, or International.

GDS Holdings Limited and all of its subsidiaries, excluding GDSI, which comprises our ultimate holding company and all of our business and assets in mainland China, will be referred to as GDSH, or China.

Turning to slide 16. In 1Q24, consolidated revenue increased by 9.1% and adjusted EBITDA increased by 4.7% year-on-year. Starting with the China segment. In 1Q24, GDSH revenue increased by 1.8% and adjusted EBITDA decreased by 1.6% year-on-year.

Without the B-O-T transfers, GDSH revenue would have increased by 3.4% and GDSH adjusted EBITDA would have increased by 1.4% year-on-year. GDSH revenue growth was mainly driven by an increase in total area utilized of 7.5% year-on-year, offset by reduction in MSR.

GDSH adjusted EBITDA growth was further impacted by higher power tariffs during the past year, which resulted in a decrease in GDSH adjusted EBITDA margin from 48.6% in 1Q23 to 46.9% in 1Q24.

In 1Q24, net additional area utilized for China before the B-O-T transfers was 10,858 square meters, which is slightly higher than the average for the prior four quarters. Looking forward, we expect net additional area utilized for China to step up over the next few quarters as a result of higher gross move-in and reduced impact from one-time factors.

We also expect the reduction in MSR to slow down and, assuming that power tariffs remain at current levels, we expect GDSH adjusted EBITDA margin to stabilize with just the usual seasonal fluctuations.

Turning to International, GDSI recorded strong revenue growth and adjusted EBITDA growth as its first data centers entered service and began to ramp up with nearly 20,000 square meters of net additional area utilized in a single quarter. Because of the scheduled delivery and move-in commitments, we expect the numbers for GDSI to increase rapidly.

Turning to slide 19, in 1Q24, our China CapEx totaled RMB894 million. CapEx during the first-quarter is usually elevated as payables are settled on an accelerated basis before Chinese New Year. We expect lower CapEx per quarter over the rest of the year and still maintain our RMB2.5 billion guidance for China CapEx for the full year.

In 1Q24, our international CapEx was around RMB702 million. As William mentioned, we have an 87 megawatt backlog to deliver over the next six quarters. In addition, we plan to purchase additional land in Johor and Singapore and to commence new projects as we win customer commitments. Our CapEx guidance for International in 2024 is RMB4 billion. Based on the strong sales pipeline, International CapEx may accelerate over the next few quarters.

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Turning to slide 20, cash flow before financing for the China segment has fluctuated between positive and negative for the past five quarters. It was negative in 1Q24 due to slower collections and faster payments, which follows the same pattern for the past three years. We still expect to be close to or break even for the full year. We expect to receive proceeds from the B-O-T transfer in the second or third quarter.

In 1Q24, International on a standalone basis had negative cash flow before financing of over RMB730 million. With the proceeds of Series A, we have enough capital to complete all of the current projects.

Turning to slide 22, on 26 March, we announced that we had entered into definitive agreements with certain private equity investors to subscribe for US$587 million of Series A convertible preferred shares newly issued by GDSI. On 13 May, we entered into amendments to the definitive agreements, which included increasing the size of Series A new issue to US$672 million at the same pre-money equity valuation of US$750 million. We expect the Series A new issue to close on 4 June.

Post-closing and on an as-converted basis, GDSH will own approximately 52.7% of the equity interest of GDSI in the form of ordinary shares. The remaining 47.3% equity interest will be held in the form of Series A shares by the private equity investors.

Turning to slide 23, proceeds of the equity capital raised by GDSI is ringfenced. We therefore believe that it makes more sense to look at our leverage on a segment basis. After closing of Series A, GDSI will repay all shareholder loans and other amounts due to GDSH. At the end of 1Q24, this totaled RMB1.7 billion.

On a pro forma basis, the cash balance of GDSH will increase to RMB9 billion, all of which is available to support the China business. The net debt to last quarter annualized adjusted EBITDA multiple for GDSH was 7.7 times. This calculation does not take into account the value of GDSH's equity interest in GDSI.

Turning to slide 24, during the period from 2Q24 to 4Q24, we have RMB1.7 billion of project loan amortization for China. We continue to successfully refinance GDSH onshore project loans, extending maturity and lowering cost.

We are also able to draw down on existing project loan facilities to finance a substantial part of GDSH incremental CapEx. As you can see in the loan maturity schedule, GDSI has obtained five-year project term loans to finance its developments.

Turning to slide 25, we are not changing our formal guidance for FY24 consolidated revenue, adjusted EBITDA and CapEx.

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

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). 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. Thank you. We will now go ahead with our first question, which is from Jonathan Atkin from RBC Capital Markets. Please go ahead.

Jonathan Atkin ***RBC Capital Markets - Analyst***

Thanks. I got one question around China domestic business and then maybe one international, if I could throw that in. Inside of China, what are you seeing apart from the utilization rates on a square meter basis that you have reported? What are you seeing with respect to power draw and customer behavior around increasing the draw of power that they're contractually able to utilize? Any trend there that might be instructive in terms of increasing demand or maybe follow-on demand from customers?

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Then my question on internationals is that the GDSI, it appears they have a lot of project loans, and I'm wondering if you could provide a little bit of color on cost of capital and just the counterparties that you have for these loans, are they domestic, international, et cetera? Thank you.

Dan Newman ***GDS Holdings Limited - CFO***

Jon, hi, it's Dan, I'll try to answer your questions. Well, first one about the power draw in China, most of our established data centers, which are utilized by the large cloud and internet customers, are already operating at maximum power levels. The entire available power capacity of the data centers is committed to the customers. They, of course, operate their own business at a very high level of operating efficiency. So, we don't have a situation in which there is spare power capacity which is not being utilized or monetized.

On the other hand, for new data center developments, we are typically constructing at a higher power density. The power density for new developments is quite often over three kilowatts per square meter, so that may be an indicator of what you're asking behind your question.

For the project loans in the International business, we're taking a similar approach to the way in which we finance China business, which is to allocate capital project by project and then to leverage that with debt at the local level. The customer contracts which have been signed mainly in Malaysia are priced either in US dollars or in Malaysian ringgit. So, our income is both US dollar and Malaysian ringgit.

So far, we are borrowing in Malaysian ringgit, and we're aiming to minimize the FX exposure to that. The loans are from a syndicate of banks who are already very familiar with us. We expect to go through the same pattern that we did in China of establishing a structure, developing relationships with local banks, and over time, transitioning to having very predominantly local bank relationships.

Jonathan Atkin ***RBC Capital Markets - Analyst***

Thank you. Then for Japan, the 36 megawatts, can you give us a sense of when you would intend to start construction?

Jamie Khoo ***GDS Holdings Limited - CEO, GDSI***

So Jonathan, this is Jamie. So on the Japan side, our partner, which is Gaw Capital, will be doing up the construction of the [core and shell]. So that will be completed and passed on to us by 2025, end 2025, or early 2026. So then we will start our M&E construction and that will bring us to Q4, 2026 for delivery.

Jonathan Atkin ***RBC Capital Markets - Analyst***

Thank you.

Operator

Thank you. We will now take our next question. This is from the line of Yang Liu from Morgan Stanley, please go ahead.

Yang Liu ***Morgan Stanley - Analyst***

Thanks for the opportunity. I have two questions here. The first question is regarding the asset monetization in China, because previously management mentioned about this strategy. What are the opportunities you are seeing in the market and what is the current plan? Or what should we expect on this front? Should we think the transfer of B-O-T is a part of that or not? That is first question.

Dan Newman ***GDS Holdings Limited - CFO***

Yang Liu, let me answer that question, then you ask your next question. First of all on the B-O-T transfer, this is very specific. We have 15 B-O-T data centers. This transfer involves three of them.

One of the three is at a campus where it is the only data center that we have invested in and operate. So that is being transferred really for the sake of operational efficiency. The other two data centers, the customer has had a change of plan in terms of how they wish to utilize those data centers, which includes the way in which they are fitted out.

So this does not involve any change of strategy, it's not something that we expect to happen in future. We came to a mutual agreement.

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We will recover our investment plus a reasonable return over the period of time which our capital has been invested and it will make a small positive contribution to our cash flow before financing when the proceeds are received, either in this quarter or next quarter.

If we talk more generally about asset monetization, yes, I appreciate we have talked about that for some time. It is most definitely a strategic objective of ours. I think that we are moving in the right direction. We have not ceased to make efforts and currently we have a number of projects ongoing. Including, at one end of the spectrum, C-REIT, China REIT.

One degree over from that is what's referred to in China as a private REIT, which involves exactly the same structure as a public REIT but doesn't have the public REIT at the top of it but is a steppingstone in terms of monetizing an asset which can then be subsequently injected into a public REIT.

And we also have other structures which are more like financing. And we're dealing with China's leading insurance companies, leading RMB private equity funds and even some US funds who are looking at assets in China.

I think William, we are very determined about this and I think there's a chance we get something done before the end of this year.

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

Yes.

Dan Newman ***GDS Holdings Limited - CFO***

Of course, it's not in any of the numbers or guidance that we've provided but clearly, you know, it would make a contribution to our free cash flow before financing and, you know, I'm quite sure it will be accretive.

Yang Liu ***Morgan Stanley - Analyst***

Thank you. Yes, I have another question in terms of the CapEx outlook beyond 2024. Do you think the China part of the CapEx can further come down next year, or -- if the demands stay at current level, or if the gross move-in stay at current, pretty good run rate? Thank you.

Dan Newman ***GDS Holdings Limited - CFO***

Yes, our business plan assumes that our growth rate picks up mainly because of the contracts which are in the backlog. So we're not taking a view on broader market developments, we're simply basing that on what we already have secured and are working to deliver.

So we expect the move-in to go -- you know it already has at gross levels, to go to a higher level and to continue at that level for the foreseeable future.

The CapEx guidance for this year was RMB2.5 billion. Although it's too early to give guidance, but in our business plan CapEx in each of the next one or two years is around that level or lower.

Yang Liu ***Morgan Stanley - Analyst***

Thank you.

Operator

Thank you. We will now take our next question. This is from Frank Louthan from Raymond James, please go ahead.

Unidentified Participant

Hey guys, this is Rob on for Frank. You might have touched on this a little bit earlier, but what's the impact of higher interest rates on your customers' business and how should we think about that -- yes, how should we think about that impact going forward?

Dan Newman ***GDS Holdings Limited - CFO***

Yes, Rob, I have to say in China, the interest rate trend has been the opposite of what you've seen in the US and most of the developed markets. The reference interest rate for us, you know, which we refer to as the over five-year loan prime rate, is the lowest that it's been since we started our business.

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Not only that, but the margin that banks charge in our project finance facilities, which is a spread over the over five-year loan prime rate, has come down to either just a few basis points over, or quite often now several tens of basis points under the loan prime rate. So our financing costs in China, debt financing costs in China, is the lowest it's ever been.

Our customers are mainly large cloud and internet companies, which, in China, most of them don't have any debt. So I don't think that it probably affects our customers' business very much either way.

Operator

Thank you. We will now take the next question. This is from the line of Cooper Elias from TD Cowen. Please go ahead.

Cooper Belanger ***TD Cowen - Analyst***

Hi everyone, you have Cooper Belanger on here for Michael Elias. I wanted to ask a quick question regarding segmentation. You know, obviously you provide guidance for GDSI and GDSH CapEx separately, should we expect the same thing going forward, in terms of revenue, adjusted EBITDA, et cetera?

Dan Newman ***GDS Holdings Limited - CFO***

Thank you Cooper. For the time being, the answer is not in a formal sense, but during the prepared remarks we will continuously update and give some direction on the key performance indicators, both operating and financial KPIs.

Maybe after a few quarters we might revisit that. But for now, I think we've split out, on a historical basis, all the numbers that really matter. I think the only one which we've not split is MSR, because for now it's not material to look at China and international MSR because there's not enough difference. But when there is we will split that out.

Then we will provide commentary on each of these metrics on a China and International basis. So I think that will probably get you a long way until we provide formal guidance for GDSH and GDSI separately.

Cooper Belanger ***TD Cowen - Analyst***

Thank you.

Operator

Thank you. We now have a follow up question. This is from the line of Yang Liu from Morgan Stanley. Please go ahead.

Yang Liu ***Morgan Stanley - Analyst***

Thanks for the opportunity to ask a question again. Yes, I would like to ask first on the demand side. Do you see that demand from China customers are getting better maybe than three or six months ago? Because we saw that leading internet companies are increasing their CapEx meaningfully in recent quarter. Not sure of that is transferring to GDS demand.

And of course, previously we saw the overseas demand was pretty good, but I just want to have update on that front, compared with three months ago, is it getting better or moderate a little bit?

Another question I also would like to ask because we saw the financing, PE financing got upsized. So that means that GDS holdings or stakes in GDSI will further decline to [52 something].

I just want to ask whether GDS has a strategy to consolidate GDSI in the long run. Do you feel comfortable if the future financing round you will -- the stakes drop below 50%? Yes, that is my question. Or, if another thing, do you have a firm plan to spin off GDSI? Thank you.

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

Okay Yang Liu, I think I answer the demand question. I mean in China I think that we see the demands, it start to recover. But I think it's already implicated to us because if you see our first quarter move-in speed up, and since 2020 it's the most high quarter in last three

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years, last four years even, right?

So, this is already -- that's where we expect, and we will benefit from that. For the new incrementals, I think we've already seen some of the new incrementals, mainly driven by the AI, right?

Maybe it's training purpose. This is also, as I just mentioned, some deals go to the remote areas, which is not our focus. But we will see that the follow-up demand from the, let's say, inference or AI-enabled applications.

So, we will see -- this trend definitely will benefit us in the near future. So, I think in general the demand's recovered, substantially recovered, and our target is getting more customers move-in more fast. This is what we expect. This is what's happening in China.

For the International, I think the simple answer is that demand is getting more strong. So, then three months ago, and this is at -- number one is, there's more, different multinational customers coming to discuss with us, or trying to find us some resources in Johor and Batam as well and the deal size is getting more bigger. So, I think we have -- very, very confident we will get more deals in the next 12 months, let's say. I think that's what is happening in the international market.

Even in Japan, I think after we just announced that, there's a lot of sales leads coming up. So, I think if we deliver that by the end of 2026, definitely we have some pre-sales in Japan.

Dan Newman ***GDS Holdings Limited - CFO***

So, let me answer the other part of your question. So, from the perspective of GDS Holdings, what really matters is that GDS International is as successful as possible and that the value of our investment in GDS International appreciates as much as possible.

In order to optimize the success of GDS International, it is highly likely that GDS International will undertake further capital raisings. When that happens, we have seen what the consequences are in terms of our ownership percentage and ability to consolidate. To some degree, we already anticipated this when we structured the Series A new issue.

We included certain unique rights to protect the position of GDSH, but also to ensure that in future we're able to initiate an IPO and spin off, meaning distribute the shares to our shareholders if we think that that is in the best interests of our shareholders, because it's important not only that the value of our investment in International increases, but that value accrues to our shareholders.

If it's not reflected in our share price, then we have to find another way to ensure that the value accrues to our shareholders. So, that was one of the things that we have a unique right to make a decision in the future on whether we wish to go down that path.

Yang Liu ***Morgan Stanley - Analyst***

Thanks. Quite encouraging to hear the plan. Thank you.

Operator

Thank you. (Operator instructions). We will now take our next question. This is from the line of Gokul Hariharan from JPMC. Please go ahead.

Gokul Hariharan ***JPMorgan Chase & Co. - Analyst***

Yes, hi. Thanks for taking my question. William, you did talk about some of the initial AI demand that is starting to show up in China, especially for training.

Could you talk a little bit about what kind of data center capacity or power profile that you need to prepare? Are there distinct differences in terms of the kind of data centers required for AI workloads that you're hearing from your customers compared to the regular cloud data centers that you've always had?

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Do you feel that you'll have to start increasing to build some of these data centers eventually, or you don't think that's necessary, you can accommodate them in the existing data centers themselves?

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

Yes. I think AIDC, this depends on how you define it, right? So, if you think the data center that hosts the GPU is an AIDC, yes, actually, we're already there, right?

But typically, our existing, let's say, data centers in the -- or the tier 1 market or in the edge of town, the tier 1 market, the big cities, already has enough power capacity to fulfill the high-density servers. That's the configuration we already set up in a couple of years ago. So, our new data center in the last, let's say, at least the last five or six years, we already built a very high-power density data center already. This is number one.

Number two, I think in terms of the differences, maybe not -- it's popular right now, but I think the China AI data center request requires more, maybe, in the future, more air-cooling systems to calibrate the cooling stuff. But this is nothing new for us.

We already built a liquid-cooling-type data center four years for our two -- two of the largest customers as well. So, I think this is already -- for us, actually, AI data centers are nothing new for us, right? We also built a lot of the similar liquid cooling data centers in Johor since last year.

So, this is [mini/many] difference. Number one, I think in terms of the profiles, so number one is they're larger scale. Number two is the high-powered, maybe future (technical difficulty).

Gokul Hariharan ***JPMorgan Chase & Co. - Analyst***

I missed out the last part of William's answer, sorry about that. My next question is on the International business. Okay, sorry, William, sorry.

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

Yes, Gokul. I think my conclusion is that (technical difficulty) start to implement a couple of years ago for the liquid (technical difficulty) the data center. This is mainly now everybody calls this as an AI data center, right?

So, we already have -- or most of our tier 1 market data centers suitable for this kind of requirement, yes.

Gokul Hariharan ***JPMorgan Chase & Co. - Analyst***

Got it. My second question is on international, maybe to William and Jamie, what are you seeing in terms of the local competitors, especially in Malaysia, and to some extent we're also seeing in Indonesia?

There are a lot of announcements coming through from local competitors, coming from the [municipal] industry, coming from other utility industries as well. Are you starting to see them in some of the bids that you're participating in, or is this still a separate market for you compared to these local players who are announcing big data facilities?

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

Certainly Malaysia -- typically, let's say Malaysia, or Indonesia Batam, right? I think that we definitely have the first mover advantage, number one. I think because we are the pioneer to step in this market, and because we already know -- we know better than anyone else in this region about the technology trends.

We know -- we are much better understanding our customer needs. So, we know where they will go and when they will go, and how we will do it, right? So, I think this is a different advantage we already have than anyone else in this market.

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So, frankly speaking, before 2028, I think most of the power in this region, we already secured most of the power. So, I think even a lot of the new players jumping into this market, I think their time to market was way behind us.

Gokul Hariharan ***JPMorgan Chase & Co. - Analyst***

Got it, yes. Thank you very much, yes.

Operator

Thank you. We will now take our next question. Please stand by. Next question is from the line of Sara Wang from UBS. Please go ahead.

Sara Wang ***UBS - Analyst***

Thank you. Just one quick question. So, for the China business, given the backlog might be signed a couple of years ago, so I'm just wondering if the AI-driven demand will simply drive acceleration of execution of the previous backlog, or will there be any changes to the contract terms signed, maybe, previously? Thank you.

Operator

Thank you. (Operator Instructions).

Laura Chen ***GDS Holdings Limited - Head of IR***

Sorry, we'll try to answer this question, operator.

Operator

Thank you. The line is open.

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

Yes, of course I think the move-in -- I think in China, the main driver is the internet and perhaps the traditional growth and AI. Traditional growth is still very slow and now most of the demand is driven by the AI and the internet. So, I think, as I mentioned, we are already starting to benefit on that, right?

So, our first quarter move-in was mainly driven by the AI internet companies, and we expect that it will continue, yes.

Sara Wang ***UBS - Analyst***

Got it.

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

Does that answer your question?

Sara Wang ***UBS - Analyst***

I'm wondering if it's just -- yes, not really. I'm just wondering if the AI-driven demand will simply drive acceleration of backlog ramp up, or will there be any changes to the contract terms, given the backlog might be signed a couple of years ago?

Dan Newman ***GDS Holdings Limited - CFO***

Yes, let me have a go. Obviously our backlog is mainly cloud service providers. I listen to China's largest cloud service provider's earnings call and they talk about how they're integrating AI into their cloud business and how AI development is driving demand for their cloud business. I think if you have cloud service providers in your backlog then yes, their successful development and bringing to market AI-enabled products and services will contribute to, you could call it, AI growth but also to demand for cloud services.

Sara Wang ***UBS - Analyst***

Got it, thank you.

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Operator

Thank you. As there are no further questions, I'd like to now turn the call back over to the Company for closing remarks.

Laura Chen ***GDS Holdings Limited - Head of IR***

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 Financial Communications. See you next time.

Operator

This concludes this conference call; you may now disconnect your line. Thank you.

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