

GDS Holdings Ltd (Q4 2025 Earnings)
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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
- Jonathan Atkin; RBC; Analyst
- Xinyi Wang; UBS; Analyst
- Gokul Hariharan; JPMorgan; Analyst
- Robert Palmisano; Raymond James & Associates; Analyst
- Timothy Zhao; Goldman Sachs; Analyst
- Ellie Jiang; Macquarie; Analyst
- Huiqun Li; Bank of America Securities; Analyst

PRESENTATION

Operator^ Hello, ladies and gentlemen. Thank you for standing by for GDS Holdings Limited Fourth Quarter and Full Year 2025 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 fourth quarter and full year 2025 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 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 financial and operating 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 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 U.S. Securities and Exchange Commission. 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's press release contains a reconciliation of the unaudited non-GAAP measures to 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^ Thank you. Hello, everyone. This is William. Thank you for joining us on today's call. 2025 was a great year for GDS in terms of performance. We recorded 11% growth in both revenue and adjusted EBITDA. We beat the top end of our adjusted EBITDA guidance. And with the contribution from asset monetization, we were free cash flow positive.

AI in China has really taken off. Increasing availability of domestic high-performance chips is a key enabler. All our major customers are investing in hyperscale computing infrastructure to support AI adoption. As a result, we are seeing robust recovery in data center demand across both new markets and established markets. It is an exciting time to be a data center company again. To address this opportunity, we are building up our resources and the funding.

On the research side, we are working on a 3 gigawatt pipeline comprising big clusters in new growth markets. This will complement the 700 megawatts of powered land which we are holding for future development in low-latency established market.

On the funding side, we have increased our cash reserve to over \$2.8 billion including proceeds from the recent sell down of our stake in DayOne and the CPS new issue. Furthermore, our success last year in opening up channels for asset monetization gives us a competitive advantage in accessing equity onshore.

During 4Q '25, our growth additional area utilized was around 23,000 square meters. For the full year, gross move-in over 86,000 square meters, our highest ever level. Our moving target for 2026 is similar to last year. However, as our bookings stepped up over the current year and it will lead to higher move in one year forward.

During 4Q '25, our growth additional area committed was over 21,000 square meters. For the full year, our new bookings was over 96,000 square meters or over 300 megawatts, 3x the level of the past three years. In 2026, we are aiming over 500 million of gross new bookings. Another big step up from the last year. We expect 60% to 70% of new business to come from AI.

So far this year, we have already secured 200 megawatts of new orders plus over 500 megawatts of MoUs, which are a strong indicator of future commitments. This 700 megawatts of total demand comes mainly from the three of our largest customers. It's a great start towards our full year sales target.

Now that domestic chip supply is more certain, we are moving faster to secure multi-gigawatts of additional powered land in new markets which can support big class deployments. We are focusing on the three locations, Horinger in Inner Mongolia, Zhongwei in Ningxia province, and Shaoguan in Guangdong province.

We have already won over 400 megawatts of new orders and MoUs for these locations. These new growth markets, all of which are official national hubs, integrate well with our existing platform, enabling us to serve the different needs of our diversified customer base.

We are very excited about the opportunities in front of us and look forward to growth in synch with the China's AI development. I will now pass on to Dan for the financial and operating review.

Daniel Newman^ Thank you, William. Starting on Slide 17. In FY '25, revenue and adjusted EBITDA increased by 10.8% year-on-year. During the year, we completed two asset monetization transactions in ABS in 1Q '25 and the C-REIT IPO in 3Q '25, following which we deconsolidated the underlying data center project companies. If we add back the deconsolidated revenue and EBITDA, the pro forma growth rates were 13.2% for revenue and 14.2% for adjusted EBITDA.

Turning to Slide 20. Our MSR per square meter has been declining due to a combination of lower market selling price and change in location mix to include more edge of town sites and going forward, new growth markets. Comparing 4Q '25 with 4Q '24, the decrease was 2.4%.

At the same time, we have also seen a comparable decrease in unit development costs. As a result, the overall yield on our portfolio as measured by adjusted gross profit divided by gross PP&E, excluding construction in progress, has remained steady at around 11%.

Looking forward, we expect further MSR reduction of 3% to 4% by the end of 2026 due to the same combination of factors. However the yield on our new investments in both established and new markets continues to be in the 10% to 11% range.

Turning to Slide 23. In 2025, our organic CapEx was RMB 4.7 billion, in line with our guidance. Net of the cash proceeds for asset monetization of RMB 2.3 billion, our CapEx was around RMB 2.4 billion. As shown on Slide 24, our operating cash flow for the full year was around RMB 3.4 billion. The significant improvement year-on-year was helped by a reduction in AR days from 109 in 4Q '24 to 82 days in 4Q '25 as a result of our tight control of collections.

After taking into asset monetization proceeds, we achieved positive cash flow prefinancing of RMB 1 billion. In 2026, we are guiding for organic CapEx of around RMB 9 billion which corresponds 500-megawatt-plus sales target. This year's CapEx will contribute to next year's growth.

We have started work on a follow-on asset injection into our C-REIT. We have selected an asset which is larger than the seed assets for the IPO. We aim to complete the asset injection in the second half of 2026, if possible. However, we have not included any assumed proceeds in our CapEx guidance.

Turning to Slide 25. During the first quarter of 2026, we raised \$385 million through the partial sell-down of our stake in DayOne. After the sell-down, our remaining stake is worth \$2.2 billion or \$11 per GDS ADS benchmarked to DayOne Series C new issue price. We also issued \$300 million of convertible preferred shares to Huatai Capital investment. As a result, we are now sitting on nearly RMB 20 billion or \$2.8 billion of cash. This is an ideal situation to be in as we prepare for a new growth phase.

Turning to Slide 26 and 27. Our net debt to last quarter annualized adjusted EBITDA decreased from 6.8x at the end of 2024 to 5.8x at the end of 2025. The decrease is mainly due to a combination of positive cash flow prefinancing, the deconsolidation of debt of the project companies sold to the ABS and C-REIT and the proceeds of the equity capital raise which we did in 2Q '25.

If we add back the purchase of time deposits which is included in our reported investment cash flow, and the proceeds of the capital recycling and new issue in 1Q '26. Our net debt-to-EBITDA ratio decreases to 4.8 times. At the beginning of 2023, we set a target of achieving positive cash flow prefinancing and net debt to EBITDA of below five times within three years. Looking back, it was an aggressive target, but I'm pleased to say that we made it.

Turning to Slide 29. For FY '25, we achieved the midpoint of our revenue guidance and beat the top end of our adjusted EBITDA guidance. For 2026, we expect total revenues to be between RMB 12.4 billion to RMB 12.9 billion, implying a year-on-year increase of between approximately 8.5% to 12.8%.

For adjusted EBITDA, we expect between RMB 5.75 billion to RMB 6 billion, implying a year-on-year increase of between approximately 6.4% to 11%. As a result of the asset monetizations during 2025, the year-on-year growth rates are not directly comparable.

If we add back the forecast revenue and adjusted EBITDA for the data center project companies sold to the ABS and C-REIT, the implied growth rate of our pro forma revenue and adjusted EBITDA guidance is approximately 1.6 percentage points higher. This is shown on Slide 30. We'd now like to open the call to questions. Operator, please?

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) We will now go to our first question. Our first question comes from the line of Yang Liu from Morgan Stanley. Please go ahead your line is open.

Yang Liu^ Thanks for the opportunity to ask question and first, congratulations on the very strong booking year-to-date. I have two questions. The first is about the conversion from MOU to contract, what is the timetable behind this kind of conversion, what is the potential risk for this kind of conversion? Or what do we need to do or what do our customers need to do behind this kind of conversion, that's my first question.

And the second question is about the competition in the new key focus area like Inner Mongolia, Zhongwei and Shaoguan. We know that the GDS has been far leading in Tier one markets, but how about in those new focus areas? Are we seeing more competition or less competitor in those places? And what is the GDS advantage there. Thank you.

William Huang^ Okay. The first question is I think this is a high certainty to convert to our order. This is number one. In terms of the timing, I think it's within two quarters, I think it's a high chance, we can convert to recontract. So we are very confident on that.

This is number one. Number two, I think the -- in terms of the new market, right, the new market, I think the current market before we stepped in. I think there's some data center already -- data center operator already there. But it's too late because now the government has set up a very high barrier right now. Number one, they were measured, I mean they will measure the criteria for they choose the partner to able to acquired the land, they have a cup of the criteria.

Number one, they will seriously look at the company's track record segment. Second, they will make sure you have the customer commitment behind you. And the number third, they also will look at your financial capability as well. So this is the current government, how they

look at a partner -- a potential partner. So I think if that's the case which it is already set up the high berry. And we think we are being able to still sit on the leading position.

Yang Liu^ Thank you.

Operator^ Thank you. We'll now move on to our next question. Our next question comes from the line of Jonathan Atkin from RBC. Please go ahead your line is open.

Jonathan Atkin^ Thanks. So you referenced a lot of your orders and current interest being AI-oriented. Can you talk about a little bit about the non-AI kind of traditional cloud, even enterprise types of workloads and the demand trends that you're seeing there? And then any further color around the types of AI workloads and with associated primarily with large foundation models or inference or what? Thank you.

William Huang^ I think the majority, I mean is driven by very clear driven by the AI, right, GPU-type data center demand. Of course, I think the traditional cloud still grows and the more associated with the AI demand. So I think that's the kind of profile. It's not like here before 100% driven by the traditional crop. Now the cloud still grows but more associated with the AI. That's a slight change in the driver, right? So what's the second question?

Daniel Newman^ Machine learning and the workload --

William Huang^ Of course, training still continue. That's for sure, because China is still behind the U.S., right, for a couple of years, and now it's catching up. So it looks like the training is still a key driver to drive the data center demand. But in the meanwhile, the large dynamic model owner start to -- I mean a lot of demand is also driven by the influencing right now. That's why our Tier 1, let's say, traditional market still get growth in the last year. And we also estimate this year still have a very strong demand from both AI type and inference type and the cloud.

Jonathan Atkin^ And then I wonder if you could maybe just touch on the competitive environment, and it probably varies a little bit by region and market and so forth. But in terms of other projects that your peers are pursuing, how would you characterize competition that is meeting demand? And is that at all different from the last time you gave us an update. Thank you.

William Huang^ Yes I think we are aware if GDS seriously step in a new market, we think it will dominant market, that's how we look, that's our behavior, right? So otherwise, we are -- the market will. Otherwise, we would not step in, right? We definitely get ready to step in and give over time I think we will take the absolutely leading ship in this region.

But -- so I think the competition in AI in China data center competition in China, just a start for AI. So I think it's good timing to step in because -- especially if you have enough financial capability, that's more easy to win the battle, right?

Jonathan Atkin^ Thank you.

Operator^ Thank you. (Operator Instructions) And our next question comes from the line of Sara Wang from UBS. Please go ahead your line is open.

Xinyi Wang^ Thank you for the opportunity to ask questions. And congratulations again on the really solid new bookings. So I have two questions. The first one is on supply. So I do remember that earlier last year, management took very rational and cautious stance on taking new orders because back then, there were some uncertainties around chip supply.

However, given the strong order and MOU momentum year-to-date, should we interpret that as a sign that chip supply has improved meaningfully and then -- or in other words, from a supply side perspective, are there any factors constraining project delivery. So that's my first question. And then my second question is that I noticed that GDS Power land reservation has increased from 900 megawatts last quarter to 3.7 gigawatts this quarter. So may I ask where are the main locations of the new resources? And how does the returns in this new area differ from our existing projects. Thank you.

William Huang^ Yes. I think we have the different view, right? So we are always looking more deep to the industry. So that's why we are also -- that means that we are very disciplined to CapEx investment. So last year, we are slightly conservative because of the chip supplies still was not that certain.

So this year, the certainty is more improved, I think in terms of the U.S. export policy changes and the domestic chips also catching up. If you recall a couple of quarters ago when we talk about this, we stay on the very -- we will always say, we wait, wait and see, right? So that's the right strategy to more discipline to make the CapEx investment.

Now we are much comfortable because the whole environment change adopted to a more positive, more certainty. So I think that -- we think it's the right timing to step in, in a big way, right? Land bank, I think in terms of land bank, I just mentioned in my script, right? So I think there's Horinger in Inner Mongolia, Zhongwei in Ningxia provinces, and Shaoguan in Guangdong province. I think that's all the national hub data center hub, right? So I think the location will be great for future and well recognized by all our existing customers.

Xinyi Wang^ Thank you. And how do we think about the project returns? Thank you.

Daniel Newman^ Sara, I said during the script we're still able to generate a simple cash-on-cash yields of 10% to 11%, whether we're taking on new business in established markets or new markets. And with our business model of developing, ramping up and holding for the qualification period and then monetizing that yield is sufficient for us to realize a return on equity above 20%.

Xinyi Wang^ Got it very clear thank you.

Operator^ (Operator Instructions) Our next question comes from the line of Gokul Hariharan from JPMorgan. Please go ahead your line is open.

Gokul Hariharan^ Hi thank you for taking my question. First question is on the 200-megawatt order that you've already secured, could you talk a little bit about the nature of the urgency of this project, obviously given AI demand seems to be accelerating. When do you expect to deliver this to customers? Is it also more like a max rate schedule like we saw with the 150-megawatt order that we saw last year. That's my first question.

And secondly, just trying to understand a little bit on the realized MSR trends. Previously we were expecting MSR to start to flatten out a little bit in 2027, but now obviously our location mix is probably changing a little bit in response to some of the new demand trends. So Dan, maybe could you help us understand how MSR is likely to shape up, let's say, one or two years out from now the realized MSR based on the contracts that you're signing right now?

Daniel Newman^ Sure. The 200-megawatt new orders, you can assume for the forecasting that it will take us four quarters on average to deliver. And then it will be a 4-quarter ramp-up. This is faster than historically when we were doing the more traditional cloud business, and it's consistent with our parameters in terms of selecting new business. The MSR decrease, it will continue beyond next year.

I think in 2028, it's probably 3% to 4% again. But the offset in terms of higher volume growth is going to lift our overall growth rate. In 2026, I mean William said that we're expecting our move-in to be similar to last year which is in the 80,000 to 90,000 square meter range. But if all goes to plan in terms of meeting our sales target this year, we'll be looking at a move in which could be like double that next year. So a combination of those two factors is going to drive our growth higher.

Gokul Hariharan^ Understood. And just one follow-up on the locations as we are adding some of these newer locations which are a little bit more remote side, but obviously the new data centers for the country. Is the customer concentration high in some of these new locations like previously when we went to build-to-suit. I think it became very much like very customer specific. How should we think about the customer concentration in some of these locations like Shaoguan or Inner Mongolia, et cetera?

William Huang^ Yes. I think the global view, everywhere, every data center company now is getting more concentrated in terms of customer. The answer I think maybe global in China may be top three. It's a better trend, right, in the global point of view. I think it's four or five companies, right?

Everybody is after trend. If you position your hyperscale data center operator developed to operate, right? It's not a -- if you look at the colo business, this looks like more diversified, right? But this is the reality.

Daniel Newman^ I'd just add, the contract mix for this kind of business is certainly at the long end or longer than what we typically have been before. So quite often find 10-year contracts which I think derisks the investment in these projects.

William Huang^ Yes. I think in terms of customer number, GDS already had a 1,000 customer, right? So of course, the new demand is mainly driven by the top three AI player in China, right?

William Huang^ Undersood. Thank you.

Operator^ (Operator Instructions) And our next question comes from the line of Frank Louthan from Raymond James & Associates. Please go ahead your line is open.

Robert Palmisano^ Hey guys this is Rob on for Frank thanks for taking my question. So just looking at the demand in the bookings, what's the growth in demand that you're seeing from

your nondomestic Chinese customers year-over-year? And what would you say is the outlook for that going forward?

Daniel Newman^ Well the demand is from Chinese customers, almost entirely. I think the market opportunity is around 3 gigawatts per annum concentrated, as William said, in the very largest customers. So we talk about 500-megawatt sales target, we put it into the context of that kind of scale of addressable market.

Operator^ (Operator Instructions) Our next question comes from the line of Timothy Zhao from Goldman Sachs. Please go ahead your line is open.

Timothy Zhao^ Great thank you for taking my questions. Two questions here. One is really on the on the resource expansion that you mentioned about the 3 gigawatt pipeline into a new growth market. Just wondering, I think between the three key hubs that you mentioned Inner Mongolia, Ningxia, and Guangdong.

What is the difference or similarities of those regions in terms of customer preference or the IT workload, the pricing, et cetera. And the follow-up question related to that is that what is the original breakdown between those three key hubs out of the 3 gigawatt pipeline that you have or out of the 500 megawatts MOUs that you disclosed year-to-date?

And second question is on the CapEx, I think given that you have very strong sales momentum year-to-date and to convert that 500 megawatts into contract probably around two quarters. Do you see any possibilities to further revise up the CapEx guidance for this year? Thank you.

William Huang^ I think there are three new markets. I think the workload is a similar major - - I mean workflow is still training plus partially as an influence, right? And in the meanwhile, we just mentioned, I think in the traditional market which say low latency market, right? We also got a lot of order from our customer, the larger revenue model customer because they already start to deploy the inference workload.

So I think it's quite balanced. In general, I think maybe it's 65% to 70% will go to the new market and still 30% to 40% is go to a traditional market, right which we used to call the Tier one market. That's sort of the difference of workload.

Daniel Newman^ Tim, on your question regarding CapEx, as I mentioned earlier, you should assume that it takes us four quarters to build because in many cases, with new build in a site which is where we had no previous presence. So we commenced construction in 1Q '26, it's for delivery to the customer in 1Q '27. So as we went new business going through this year, that will lead to more starts. But I think the CapEx guidance of RMB 9 billion is adequate. I would not expect to change that.

Operator^ (Operator Instructions) Our next question comes from the line of Ellie Jiang from Macquarie. Please go ahead your line is open.

Ellie Jiang^ Great thank you so much management for taking my question. I just have one question that's more longer term. Just now management talked about the data center demand in China is just at the beginning of picking up. Would it be fair if we look in the next three to five years to kind of narrow the U.S. trajectory? I mean especially on kind of how the large

hyperscalers have been accelerating the CapEx deployment phase. And do you see similar commitments from our key customers? And lastly, how do you literally see the longer-term kind of market size and positioning in that trajectory. Thank you.

William Huang^ Yes. If you look at for our estimation, I think, yes, China demand will -- like the growth trajectory more like the U.S. because just behind a couple of years, right? That's happening right now. So last year, we just -- we talked about that demand already there. It's all about -- just about the chip supply, right?

Now it looks like it's getting much better, more positive, right, most certainty in terms of chip supply. So it will go -- it will same pace to a similar pace as the U.S., right? So I think the -- if you look at the last two years, all the big company tech companies continue to raise their CapEx guidance, just like what is happening in the U.S.

Ellie Jiang^ Got it thank you very much. And if I may, sorry, if we continue on that row. Would it be possible at one point because just now management talked about the MSR still declining slightly all the way until 2028. But would it be possible at some point, we still see hyper demand really building especially given how the open cause or all these agent integration seems to be driving token consumptions by 10x or even 20x. Then at some point, would it be possible for us to be even stronger pricing power down the road?

William Huang^ Yes. It could be. I think it could be. I think if you look at the U.S. price let's say, adoption profile in the last five years. If you look at it five years ago, the U.S. price used to be down to \$60 per kW, right? Now it's three times average, right? So two times or three times average. So that's profile. I think that will be a high chance it will be, right?

Ellie Jiang^ Understood thank you very much.

William Huang^ I give it a sense in a whole -- I mean western part of China, the total power capacity as of now just 30 megawatts -- gigawatts to available to supply the future growth. In general, it's still limited, right.

Ellie Jiang^ Got it thank you.

Operator^ (Operator Instructions) Our next question comes from the line of Daley Li from Bank of America Securities. Please go ahead your line is open.

Huiqun Li^ Hi thanks for taking the question. Congrats on the strong orders for year-to-date and for the MOU. My first question is about the 500 megawatts MOU, can management introduce, is this for me for 2026 -- sorry, 2027. And how many years -- what could be the time horizon or time period, like a one- or two-year or like three-year contract digital contracts. My second question is about the CapEx and the financing the update. And given the net beating RMB CapEx, how do we see the financing and the need and given we have strong cash on hand right now. Thank you.

Daniel Newman^ Yes. The delivery time is as I mentioned before is four quarters. So the business that we're winning in the first quarter of this year is going to contribute to moving next year and it's logical that if we meet our sales target of 500 megawatts. Then next year's move-in could be around double current year's move-in.

It would flow through like that. The contract length, I think much longer than what you mentioned, it will be seven to 10 years, mostly at the 10-year end of that. For financing -- last year, we were self-funding in China. But that was achieved when our CapEx was RMB 5 billion. And we were able to complete two asset monetizations last year in ABS and C-REIT. So now our CapEx has gone up to RMB 9 billion, and we have a plan for an asset monetization that we can't be sure, but we aim to complete that in second half of the year. So I don't know whether we will be self-funding in China.

Let's say, CapEx is RMB 9 billion. Operating cash flow is RMB 3 billion and maybe there's some proceeds from asset monetization. If there's anything left, it will be very easy for us to finance that in a traditional way with project debt.

Huiqun Li^ Thank you.

Operator^ Thank you. There are no further questions at this time. So I'll hand the call back to Laura for closing remarks.

Laura Chen^ Thank you once again for joining us today. And see you next time. Bye, bye.

Operator^ This concludes today's conference call. Thank you for participating. You may now disconnect.