GDS Holding Ltd (Q2 2026 Earnings)

August 13, 2026

Corporate Speakers:

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

Participants:

- Yang Liu; Morgan Stanley; Analyst
- Sara Wang; UBS; Analyst
- Frank Louthan; Raymond James; Analyst
- Daley Li; BofA; Analyst
- Edison Lee; Jefferies; Analyst
- Timothy Zhao; Goldman Sachs; Analyst

PRESENTATION

Operator^ Hello, ladies and gentlemen. Thank you for standing by for GDS Holdings Limited Second Quarter 2026 Earnings Conference Call. (Operator Instructions)

Today's conference call is being recorded. And 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 second quarter 2026 earnings conference call of GDS Holdings Limited.

The company's results were issued through newswire services earlier today and are posted online.

A summary presentation which we will refer to during this conference call can be used and downloaded from our IR website jerservices.com.

Leading today's call is Mr. William Huang, GDS Founder, Chairman and CEO, who will provide an overview of our business strategy, and fulfillment. Mr. Dan Newman, GDS CFO, will then review the 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 maturely different from the range expressed today. Further information regarding these and other risks and uncertainties is released in the company's perspective as followed with the U.S. SEC.

The company does not assume any obligation to update any forward-looking statements except as required under applicable law.

Please also note that GDS earnings press release on the call include discussions of unaudited GAAP financial information as well as unaudited nonfinancial -- non-GAAP financial measures.

GDS' press release contains a reconciliation of the unaudited non-GAAP measures notice most directly comparable GAAP measures.

I will now turn over the call to GDS Founder, Chairman and CEO, Ms. William Huang.

Please go ahead.

William Huang^ Hello, everyone. Thank you for joining us on today's call. AI is transforming our business.

Our sales momentum is the strongest we have ever seen.

In the second quarter, we achieved 260 megawatts of new bookings, bringing our total for the first half of 2026 to a record 470 megawatts.

During the current quarter, we are well underway securing some major business wins with leading customers.

We are confidently raising our full year sales target to one gigwatt.

Bottom line of sales agreements include a binding take-or-pay commitment. This is the metric which we disclosed as bookings. The sales agreement specific the delivery date which is up to four quarters after bookings. This allowed us to invest based on secured commitments. Following the delivery date, given a brief ramp-up period, usually in another four quarters which gives us visibility to the timing of new quarter billings. Alongside new bookings, our customers also request us to reserve the deposit capacity at the same site for their future needs.

Reservation has become an integral part of our sales agreement.

So far this year, we have secured an additional 600 megawatts of reservations from our customers.

We expect to end this year with over 1 gigawatts of new reservations. This provides us with high visibility for new orders in the next couple of years as customers convert reservations to binding commitments.

China's tech giant and emerging AI leaders are driving the adoption of advanced models. This has led to a structural upgrade in the demand for computing power and AI infrastructure. GDS is uniquely positioned to address this opportunity as a result of our strategic customer relationships, presence across all key markets in China, track record of execution and financing capability. The strength of our platform is clearly evident in the composition of our first half bookings.

We won significant new business from each of the three largest hyperscale customers. And at the same time we started to establish relationships with a group of emerging AI leaders which have the potential to generate incremental demand in the future.

Our new business wins are diversified across the markets.

For the first half of the year, around half our bookings came from established markets and half from new markets including the Ulanqab and Horinger in Inner Mongolia, and Shaoguan in Guangdong province..

We are progressing well with customers for our Zhongwei campus in Ningxia province which is another new market.

This sales success validates our differentiation and depletion resource strategy.

At the midpoint of this year, we had total binding commitments for over 2 gigawatts plus a further 600 megawatts of reservation.

On the capacity side, we had around 3 gigawatts of developable capacity which is not yet committed to under reservation.

It is mostly in new markets.

In view of our current sales momentum, we are actively adding to the development pipeline in the market where demand is flowing. While pursuing our ambitious target, we remain selective in terms of customers and the contract terms.

We invested against binding long-term commitments for customers, and we are committed to maintaining financial discipline.

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

Daniel Newman^   Thank you, William.

I'll start from the backlog buildup on Slide 10.

We started the current year with a backlog of 450 megawatts.

By the middle of the year, our backlog had increased substantially to 757 megawatts. Based on the pricing in the contracts and our operating cost benchmarks, we estimate that we can generate RMB 2.2 million of adjusted EBITDA per megawatt on average from this backlog, our booked but not billed adjusted EBITDA was therefore around RMB 1.6 billion.

By year-end, assuming we achieve our sales target, we expect the backlog to increase to over 1 gigawatt. Turning to Slide 11.

During the first half of 2026, our net move-in was 145 megawatts.

During the second half, we forecast move-in of another 90 megawatts, making 235 megawatts for the full year. The move-in pattern over the course of 2026 reflects the timing of bookings last year.

For 2027, we forecast move-in will increase substantially to more than double the number for 2026. The move-in will be heavily weighted to the second half of 2027.

Assuming we sustain our sales momentum, 2028 should see another step up in move-in . Turning to CapEx on Slide 12.

Our unit CapEx for the new capacity which we are constructing averages around RMB 20 million per megawatt.

As we just raised our sales target for the current year, we are also raising our guidance to CapEx paid from RMB 9 billion to RMB 10 billion, most of which is in the second half.

Our plan is to continue financing new investments with around 60% debt and 40% equity at the project level.

Assuming we can generate a stabilized cash yield on new investments of 10% to 11%. This implies leverage of around 5.5–6.0 times at the project level.

Our primary source of debt is onshore RMB-denominated long-term bank borrowings. The onshore bank market remains highly supportive.

During 2Q '26 alone, we were able to complete RMB 4.9 billion for new debt financing and refinancing.

For the project equity, we have various sources.

We have cash of nearly RMB 20 billion on our balance sheet and we have deleveraged down to 4.7x net debt to last quarter annualized adjusted EBITDA.

We have operating cash flow which continues to strengthen. And we have our onshore asset monetization program which we are building up in a very deliberate way. Following our successful CREIT IPO, the first post-IPO asset injection is currently under regulatory review.

Turning to Slide 16.

We are revising upward our full year revenue and adjusted EBITDA guidance. to reflect a more accurate financial outlook for this year, which includes the onetime items disclosed in 1Q '26. Turning to Slide 17, in order to put our first half 2016 financial performance and revised full year '26 guidance into context, we have made some pro forma adjustments.

Starting from reported revenue and reported adjusted EBITDA, we deduct the onetime items in 1Q '26.

For consistency, we also deduct recurring income in prior quarters which was restructured into the one-time payment. And we deduct the revenue and adjusted EBITDA contributed by the monetized assets prior to their deconsolidation. These adjusters established a clean basis for comparison.

For the first half 2026, our pro forma adjusted EBITDA increased by 12.7%, taking the midpoint of our revised guidance, both full year '26. The implied growth rate, the pro forma adjusted EBITDA at 6.5%.

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

Operator?

QUESTIONS AND ANSWERS

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

Yang Liu^ Thanks for the opportunity to ask questions and congratulations on the upward revision of full year guidance.

I would like to ask about the future potential moving.

I think that there's a lot of debate on your customers' CapEx and also the availability of GPU in the market and also the constraint of computing power.

We also see that you expect your moving to improve dramatically next year.

What could be the downside risk for that? And if there is any concern or a delay in when customer get GPUs, will the take or pay contracts to protect GDS revenue?

William Huang^ The dynamic of the demand from the different damage, I think of course the key driver is still the GPU, I think in terms of the domestic GPU, the surprise catching up.

It took a while in the last couple of quarters, right, as we mentioned.

But now it looks like you're on track to catching up. This is number one.

But in the meanwhile, I think they also drive a lot of traditional cloud that growth.

What we have seen is the new order quite a big number is driven by the CPU-- so it will not impact in terms of the supply. There's no issue.

So I think this is a world positive.

So that's why we take the more positive way to look at the current or future chip supply.

So that's our view.

If you look at the other -- a lot of the traditional cloud business, they are still raising their project and the process is very significant as well.

So I think that let's be clear there.

Yang Liu^ How about the take-or-pay term to protect the GDS revenue

Daniel Newman^ Two comments. The first is that in each contract, there is a specific delivery date when the capacity has to be available for move in by the customer.

And that is a fixed date in each contract. It’s up to four quarters from when the booking is disclosed.

So that part, I think is unchangeable. After that, there's a move-in period, and it varies from contract to contract.

We've been very focused on trying to select contracts which had a shorter move-in period and a fixed commitment. For the purposes of forecasting, we assumed that the move-in will be on average, over four quarters on a straight-line basis.

So that is what our forecast reflects.

In reality, it could be faster or it could be slower.

But I don't think it will materially deviate from that.

Operator^ Our next question comes from Sara Wang from UBS.

Sara Wang^ Thank you for the opportunity to ask a question and then congrats on the really solid new order size.

As managment just mentioned that there's increasing demand from emerging AI leaders.

So just wondering is there any difference in their demand profile or contract terms compared to established cloud or Internet hyperscale customers we already served for quite some time.

William Huang^ I think we are just started to build up our relations. So far, we're very selective on some business from this new AI leader. I think in terms of the demand profile, it looks like it's getting bigger and bigger but we have still very selective.

But our main customer base and the new business mainly driven by the hyperscale, a couple of larger scale.

But we are -- we think that there are some new customers in the future.

It's the right thing to do to diversify our customer waste -- so we just start to build some relationship with them right now.

So of course the demand work on business or this is difference.

And which we believe yes.

Operator^ We will now take our next question from the line of Frank Louthan from Raymond James Associates.

Frank Louthan^ I wanted to get an update on what your new guidance what does that imply for the impact of potential action with the CREIT contribution? Does that include any of that? And what would you expect that to be -- how would you expect that to impact revenue and EBITDA -- and then secondly, if you could just address the slowdown at MRR, how should we think about that? And what -- and if we're looking forward, are you signing contracts that should be resulting in an improvement in MRR going forward? How should we think about that?

Daniel Newman^ Great.

First of all, on guidance, to make clear that our guidance does not take account of any further asset monetization -- there's a transaction in progress under regulatory review, we can't be any more specific about the timing of that.

But to be clear, it's not factored in.

For the -- we've provided guidance about the yield in terms of EBITDA per megawatt for the backlog and the new business that we are that we're winning. And I think that will help the forecasting.

If we go back to MSR, I was make the comparison on a same quarter basis.

So if we take 4Q '26 compared with 4Q '25, we forecast that it will be down 3% and then maybe by a similar amount next year.

So part of that is the change in the location mix because there's a substantial new business in new markets. And part of it is due to the legacy contracts where we have about another 18 months to go before we are through the transition of adjusting all of our contracts to the current market pricing.

So our guidance this year and what we indicate in the future, we will fully reflect that.

William Huang^   I should point out that, I mean the Tier one market, I mean also the Newmont, he current price levels might be stable in all about the transition.

Operator^   And our next question comes from the line of Daley Li from Bank of America Securities.

Daley Li^   Management -- congrats on the opportunity for the new orders.

I have one question regarding the moving -- I remember in last earnings call we are seeing soft moving rate in Q2, but it seems that the number is better than our market expectation.

So what will be the -- what have been the key drivers for better moving in Q2? And -- and secondly, how do we see the demand and supply trend in the data center market in China considering the power quarter approval progress by the government?

Daniel Newman^   I would not read anything into the quarterly fluctuations. Most of the move in the current year is the capacity that was booked in 2025 or even before. And if you look at the bookings in 2025, we had a very strong first quarter 2025. And then the second, third and fourth quarter were at a lower consistent level. And then from the first quarter of this year, our bookings increased by a very large amount.

That's sustained in the second quarter indication for the full year that sustained.

So I think you can derive from that, the outlook for moving over 2020 -- major of 2026 and in 2027, we see a significant increase in moving the second half of 2027 which is going to lead to a significant acceleration of EBITDA growth. Great power code.

William Huang^   I think in the current part of call there's a couple of key points, I mean number one.

Now it's controlled by the central government so basically, if you apply the poles, first step is to go to the municipal because getting the local government their commitment they are approved, -- this is government is quite a selective right now they try to give some lead market leader, more location -- that's why we have built up our ramp in the last 18 months.

So quick, right, and take some advantage of the GDS brand, right?

So second there, we go to the prevention level NDRC approval, then go to as the final approval from the central government the NDRC or the central government.. That's the key part of how we get it out of the location.

Operator^   We will now take our next question from the line of Edison Lee from Jefferies.

Edison Lee^   So congrats on the good results. My question so it's really centering around just reconfirming the definition of the bookings and the reservations.

So I assume that bookings mean contracts have been signed and reservations, I mean that is being -- is sort of an MOU with indicated interest by the customers and you look forward to converting that into signed contracts over the next few quarters? Is my understanding correct?

Daniel Newman^   Not exactly -- what I like to make clear is that there's a sales agreement which contains a booking which is a contractual take-or-pay commitment.

But within the same document, we undertake to reserve capacity to enable the customer to have certainty of being able to make commitments that typically at the same site in future over a period of time.

So the bookings and the reservations go together. And that's how the customers look at it from a resource planning perspective.

William Huang^   Yes.

In a meanwhile, I think we should say based on what the last 12 or 18 months experience which the reservation our customers exercise their reservation in a 100% basis. That's our term experience.

But in terms of the case by case by phase which is to negotiate the moving of that in general, reservation is quite certain provide very, very high certainty for our future bookings.

Edison Lee^ Okay.

So can I follow up by asking your booking targets this year right now it's 1 gigawatt.

I think in the last quarter, I think your target was still 500 megawatt.

So just doubling of the bookings target, I believe, is driven by your customers or your assessment of the customers' demand? And is it possible for you to split the customers demand into training versus inference, -- or you have no idea how to split that?

William Huang^ I think the numbers like in the new market, I think they will host a different work as a training plus influence. They're both the foreclosing increase the guidance.

Edison Lee^ I think the increased guidance is, number one, is that the whole market demand we see is an increase.

If you look at our kind of scale.

William Huang^ They continue to increase their CapEx. And that's in line with the business. Never two, I think the GDS still maintained a lot of advantage which is our customers prefer and -- so everybody knows we are tapping the new growth and we start our new business plan.

So I think -- in terms of the capital revenues even better than other competitors.

So I think the customer will more rely on us.

Edison Lee^ And in terms of your power reserves, can you talk about the locations of your power reserves

Daniel Newman^ The part we identify is developable capacity that is almost entirely in new markets.

We had capacity in established markets, but it's under reservation. So there is only a small amount in established markets that have not remitted all reserves.

Edison Lee^ So is it very different from what you disclosed in the last quarter in terms of locations?

Daniel Newman^ We disclose order market. Yes. Yes. Reservation right certain creating the tier market and is an aggregate base.

Operator^ We will now move to our next question. And our next question comes from the line of Timothy Zhao from Goldman Sachs.

Timothy Zhao^   I think I just want to get more clarity on the move and how do you want to look at the revenue and EBITDA, I think beyond this year. Just wondering if you can give us a breakdown for the -- for this year, a lot of wins, what is the proportion between CPU-based and GPU base. And into next year, it seems like you are looking for then to be more than double to close to 700 megawatts next year? And what will be the breakdown between GPU and CPU next year?

And with that 700 megawatts moving, of course I think the majority will be more geared towards the second half of the next year.

So if that is the case, then how do you think about the revenue and EBITDA growth, I think beyond this year into 2027 and 2028?

William Huang^   Thank -- it's not -- I think it's -- in general, we don't have the current detailed specific number in terms of the breakdown there.

But in general, I think I can't give you the general assumption, maybe around 50-50.

Daniel Newman^   Yes, about growth in 2027 we provide annual guidance.

Obviously we were doing that until we give the full year results and talk in around March next year, but what you can already see is that over the course of next year, there's going to be a very significant acceleration of the growth rate from 1Q, 2Q, 3Q 4Q is going to be very different.

I think what really matters is where we are at the end of the year and where we are in 2028.

So I believe it's already a strong indication that in 2028, GDS is going to be a pretty high-growth company.

Timothy Zhao^   And my follow-up on the breakdown 50-50. Just wondering if that refers to both this year and next year and onwards? Or how that mix can change in the next year?

William Huang^   Yes. Yes, maybe GPU will A little bit higher next year?

Yes. That's what I guess. Yes. Based on the current domestic supply, it's catching up. I think yes.

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

Laura Chen^   Thank you all guys again for joining us today.

William Huang^   Thank you.

Daniel Newman^ And see you next time.

William Huang^ Thank you.

Operator^ This concludes this conference call.

You may now disconnect your lines. Thank you.