

GDS Holding (Q1 2026)
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Corporate Speakers

- Laura Chen; GDS Holdings Limited; Head of Investor Relations
- William Huang; GDS Holdings Limited; Founder, Chairman of the Board & CEO
- Daniel Newman; GDS Holdings Limited; CFO

Participants

- Yang Liu; Morgan Stanley; Analyst
- Gokul Hariharan; JPMorgan Chase & Co; Analyst
- Sara Wang; UBS; Analyst
- Frank Louthan; Raymond James & Associates, Inc.; Analyst
- Ellie Jiang; Macquarie Research; Analyst
- Timothy Zhao; Goldman Sachs Group, Inc.; Analyst
- Daley Li; BofA Securities; Analyst

PRESENTATION

Operator^ Hello, ladies and gentlemen, thank you for standing by for GDS Holdings Limited's First Quarter 2026 Earnings Conference Call. (Operator Instructions).

Today's conference call is being recorded.

I will now turn the call over to your host, Ms. Laura Chen, Head of Investor Relations for the company. Please go ahead, Laura.

Laura Chen^ Hello, everyone. Welcome to the First Quarter 2026 Earnings Conference Call of GDS Holdings Limited. The company's results were issued via wire 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 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.

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, uncertainties is included in the company's prospectus as filed 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 and this conference call can 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 to the unaudited most directly comparable GAAP measures.

I will now turn the call over to GDS' Founder, Chairman and CEO, Mr. William Huang. Please go ahead, William.

William Huang^ Hello, everyone. This is William. Thank you for joining us on today's call.

Over the past few quarters, we have seen a resurgence in data center demand driven by AI. We believe this is the beginning of a multi-year growth story, supported by increasing availability of the domestic chips. Customers are planning their future deployments at unprecedented scale with a high degree of conviction.

As market leaders, GDS is well-prepared to address these opportunities to the fullest extent. We have the trust of all the key customers, a multi-gigawatt development pipeline in strategic locations and a very strong balance sheet.

Up to the end of 1Q26, our total bookings stood at 1.8 gigawatts. In our three-year business plan, we target adding 500 megawatts to 800 megawatts of new bookings every year with the potential to do more.

To deliver this capacity, we are prepared to commit RMB 30 billion to RMB 50 billion of new investment over the next three years. The economics of the data center business in China is solid. And this new investment will create significant value for our shareholders.

On the last earnings call, we announced a sales target for 2026 of at least 500 megawatts. In the year-to-date, we have already done over 340 megawatts of new bookings, and we are still being selective.

We are well on track to reach or exceed our full year target. We have won significant new orders from all of our largest customers for deployments across the whole of our platform, including the new markets.

For the hyperscale business, customers are planning gigawatt-scale deployments in single cluster. When they sign new sales agreements with us, they commit to a certain amount of capacity, which we disclosed as bookings and ask us to reserve the rest of the site for their subsequent phases.

In the year-to-date, total new bookings plus reservations comes to over 1 gigawatt. The reservation give us near certainty of winning follow-on orders within the next one or two years.

In order to fulfill our customer requirements, we expanded our platform to new locations, which can accommodate the largest AI deployments. These new locations integrated well with our platform in established market, enabling us to serve diversified customer requirements.

Anticipating the demand trends, we increased our secured land bank to nearly 4 gigawatts. Typically, we are purchasing land from the government exclusively for our data center development. As we obtain customer commitments, we will be granted a power quota for these sites.

We synchronize the timing of construction with new bookings and fixed move-in schedules. Over the past 15 months, we initiated over 100,000 square meters or 400 megawatts of new construction, which is almost entirely pre-committed.

Our backlog has increased to over 200,000 square meters or almost 600 megawatts, most of which will become billable within the next six to eight quarters. As this occurs, our growth will start to accelerate.

AI in China is a transformational opportunity. We are super motivated to support this development and will commit all the resource requirements to the expansion of our AI infrastructure platform.

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

Daniel Newman^ Thank you, William. For our new business, the unit development cost averages around RMB 20,000 per kilowatt or USD 3 million per megawatt depending on specification, cooling technology and location.

Pricing for new business is stable. And at current levels, we're able to generate an adjusted gross profit yield of 10% to 11% for stabilized assets.

As shown on Slide 13, across the whole of our in-service portfolio, the adjusted gross profit yield is currently around 11%. We calculate this ratio based on adjusted gross profit, which includes the cash cost of operating assets divided by gross PP&E, which includes replacement CapEx already incurred. And for conservatism, we added back historic impairment charges.

The portfolio yield has been stable at around 11% for the past few years based on a portfolio with utilization rate of around 75%. As our new bookings are delivered, we expect the portfolio yield to remain in the 10% to 11% range, which in our view, is a reasonable return.

Assuming a six-year investment cycle of development, ramp-up, stabilized operations and then asset monetization, we expect to generate a return on equity of around 20% from the incremental investment. This underpins our confidence in growing the business.

As shown on Slide 15. During the first quarter, net additional area utilized was around 16,000 square meters. During the current quarter, this metric will be slightly lower. And then in the second half of the year, it will rebound to around 20,000 square meters per quarter.

During the second half of next year, as we start to see the flow through from this year's higher level of new bookings, the move-in rate will step up noticeably.

MSR on Slide 16 is a useful metric for financial forecasting purposes that must be seen together with unit development cost. This is why we think it's more relevant to look at the gross profit yield or cash on cash yield as a measure of the economics of our business.

Turning to Slide 18. During the first quarter, we recorded 7.9% growth in revenue and 8% growth in adjusted EBITDA after excluding onetime items, which arose in the normal course of business.

We find it useful to look at our growth rates on a pro forma basis, adding back the deconsolidated revenue and adjusted EBITDA of the assets, which we monetized in March and July of 2025. This shows pro forma revenue and adjusted EBITDA growing at 12% to 13% after excluding onetime items.

Turning to Slides 19 and 20. In 1Q '26, our organic CapEx was RMB 770 million. In addition, we received cash proceeds of RMB 2.7 billion or USD 385 million from the sale of a small part of our equity interest in DayOne, which is recorded in investing cash flow.

We also received cash proceeds of RMB 2.1 billion or USD 300 million from the issue of convertible preferred shares, which is recorded in financing cash flow.

As a result of the capital recycling and new issue, we are now sitting on over RMB 19 billion or USD 2.7 billion of cash and time deposits. This is an ideal situation to be in as we prepare for a new growth phase.

Turning to Slide 23. Our net debt to last quarter annualized adjusted EBITDA has decreased from 6.8x at the end of 2024 and to 4.7x at the end of the first quarter of 2026. As we step up our investment, this ratio will increase to between 5x to 6x, which we consider an acceptable level.

Finishing on Slide 25, we maintain our full year guidance unchanged.

Now we'd like to open the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions). And now we'll go and take our first question. And it comes from the line of Yang Liu from Morgan Stanley.

Yang Liu^ I would like to hear your comment on the pricing for the data center business. I think Dan previously mentioned that overall pricing environment is stable. But could you please break

it down to different markets or locations because from time to time, we hear that in certain markets, it's a little bit undersupply. And also in certain markets, there are some relative aggressive bidding from telcos, et cetera. Could you please comment on the pricing in different markets, please?

William Huang^ Yes, Liu, I think this will -- I think in the last earnings call, we already say the new incremental demand, which is driven by the AI, right, the large-scale data center demand. In general, I mean, the price pretty stable, number one.

Number two, I think the -- of course, in a whole -- the market, you cannot stop some bidder, right, use some price tools trying to win that. But it's not normal, right? It's not normal. And it's maybe -- in my view, in some regions, some deal is a onetime. It's not representing the whole market situation.

Our feeling is that it remain what we experienced last quarter is quite stable, yes.

Operator^ Now we're going to take our next question. And the question comes from the line of Gokul Hariharan from JPMorgan.

Gokul Hariharan^ My question is basically on the development cost, Dan, I think you mentioned roughly 20% -- sorry, RMB 20 million or \$3 million per kilowatt, if I remember right. That number sounds a lot lower than what it used to be a few years back when you updated those numbers, I think. Could you talk a little bit about what is the -- what are the variables that have changed? Is it mostly the location that has really changed? Or are there any other factors that have really changed to kind of reduce that development cost over the last maybe, I think, two to three years?

Daniel Newman^ I would say that the unit development cost on a like-for-like basis, whether we're talking in established markets or new markets, has decreased by about 15% over the past three years. That would be the case, with the MEP, the Mechanical Electrical Plant, which accounts to about 70% of the total development cost.

I'd also say that the planned concrete, steel and construction cost has been quite stable. If we measure it on a per square meter basis, the unit cost is relatively flat but the power density has increased. So if we were to measure that part on a per kilowatt basis, it might appear to have come down as well. So that's why, I think, overall on a per kilowatt basis, the decrease is about 15% over three years.

William Huang^ Yes. I try to add a couple thing. I mean number one, the scale is unprecedented, right? So scale also make a cost a bit lower, right? That's fair nature. I mean, this is the number one. Even for the vendor perspective, scale -- that's larger scale gives a lot of the manufacturing product company a lot of benefit, right? So they're willing to reduce the cost or reduce the price. This is the number one.

And number two, I think there's another -- a lot of the AI data center, this is compared with the previous cloud, the architecture-wise also changed a lot. So this is another reason to drive down the cost, right? So that's two more reasons.

Operator^ Now we are going to take next question. And the question comes from the line of Sara Wang from UBS.

Sara Wang^ Thank you for the opportunity to ask for questions. So I have one question regarding first quarter CapEx.

So since the first quarter CapEx is RMB 770 million, so it seems a little bit modest, given the strong orders we saw year-to-date and especially given the majority of the new orders should be new builds. So may I ask what's the reason behind this gap?

Daniel Newman^ Sara, I would point you to our full year CapEx guidance, which remains unchanged. I mean the timing of incurring CapEx per quarter is not that significant, right? The first quarter is Chinese New Year. And it tends to be historically slightly below the level of the other three quarters. So I can't really -- have no other more fundamental explanation than that.

Operator^ Now we're going to take our next question. And the question comes from the line of Frank Louthan from Raymond James & Associates.

Frank Louthan^ Great. Of the roughly RMB 3 billion that you discussed in capital you're spending, how much of that will you be funding yourself versus maybe with some JV investors or with capital recycling from some of your other assets?

Daniel Newman^ Frank, it's Dan. Let me just go over these numbers again and make sure everyone is clear.

So William was talking about having a sales plan of 500 megawatts to 800 megawatts over the next three years. That's our current view. And if you apply the logic of what I said is RMB 20,000 per kilowatt or USD 3 million per megawatt, that's how you end up with total CapEx over three years of between RMB 30 billion to RMB 50 billion.

So if we take the midpoint of that, say, RMB 40 billion. Historically, we have financed our investment quite conservatively with around 60% project debt to total development cost. So we would be able to obtain and draw down on about 60% of RMB 40 billion, which is RMB 24 billion of new debt. So that would leave RMB 14 billion, which is less than USD 2 billion that we have to finance.

So we have several different sources for that. We have our operating cash flow, which is last year was nearly RMB 3 billion. We have our ongoing asset monetization program, which we tried to build up step by step. And we also have \$2.7 billion of cash on our balance sheet. And I think we are in a strong position to finance that level of investment and other options may arise as you point out, development partnerships and so on.

Operator^ Now we're going to take our next question. And the next question comes from the line of Ellie Jiang from Macquarie.

Ellie Jiang^ Great. I just wanted to get a sense on the new bookings trajectory. The year-to-date 340 megawatts new bookings seems to be very encouraging. Considering the current token consumption and how AI agents are significantly boosting that compute demand. How would you kind of evaluate that upside surprises on the current scale?

Daniel Newman^ Potential to upside.

William Huang^ Yes. We -- number one, I think we are 500 megawatts -- we are very confident for this number with a new booking, definitely. That's the base case. We are looking at a more high number booking. But it's too early to say what kind of level we can reach.

We try -- because we are still very -- we remain very disciplined to selective order in terms of the moving [price] and the customer types. So this is a -- in general, I think it's -- we are very confident we can do more. But even though we still want to do high-quality order.

Ellie Jiang^ Got it. And if I may, just a quick follow-up. Would it be possible for you guys to consider kind of doing some of the neocloud business models as well? Because it does seem like some of the -- that the peers are trying to accumulate more resources on the compute side. So that was being received as approach to boost the MSR or revenue in general. Is that something that we're considering as well?

William Huang^ Yes. I think the neocloud actually is not something new in China already. Historically, there are a lot of big platform GPU service provider -- customer already, right? We already serve them indirectly, right? So this is number one.

But number two, I think we are -- from a long-term perspective, we also build -- start to build some relationship with them. So far, we were having to do any business with them, and we will see because in terms of -- maybe we can -- as I said, we will maintain our very disciplined in terms of the financial return and the risk, everything, right?

So if some of the neocloud, high-quality neocloud, we're willing to do something with them, start to build some relationship.

Operator^ Now we're going to take our next question. And the question comes from the line of Timothy Zhao from Goldman Sachs.

Timothy Zhao^ Great. My question is regarding the movement pace of the growth additional area utilized. Just wondering after the first quarter, can you share your latest outlook for the rest of this year in terms of the moving pace and what are the key moving factors that may affect the rate ramp up?

Daniel Newman^ Timothy, I couldn't hear you clearly, but -- yes, yes, yes. What I'm told you, you're asking about the moving pace, right?

I did address that in the prepared remarks. As you know, it was 16,000 square meters in the first quarter. It will be a lower number in the second quarter, and then it will rebound, I'd say, to around 20,000 square meters in the third quarter of this year and the fourth quarter of this year.

And next year, we will see a significant step up, but it will be in the second half of 2027, in the third and fourth quarter of 2027. But if we look at 2026 and 2027 as a whole, I think the move in this year will be somewhat over 70,000 square meters.

And then next year's number is going to be very substantially larger than that, maybe double something of that order of magnitude.

Timothy Zhao^ Understood. Can I ask a follow-up, if I may? Just wondering, I think behind this move-in assumptions, I think we'd like to see new factors so i.e. how much of that is contributed by the domestic chips versus the imported chips. I'm just wondering if you can share more color.

William Huang^ Okay. Okay. Yes, I think I'm not sure I answer your question. I mean import chips will affect our moving, right? Is that your question?

Timothy Zhao^ Yes.

William Huang^ Okay. Frankly, this year's forecast is not based on any import chips. So all based on the domestic chips supply chain. So it will not impact our current estimation.

So as the import coming, maybe some upside, who knows, right.

Operator^ Now we're going to take our next question. And the question comes from the line of Daley Li from Bank of America Securities.

Daley Li^ My question is about our land and power resources. We have secured quite strong resources in 1Q. And are we planning to expand our resources in the following quarters, and we have the plan in future and what types of area we would focus on?

William Huang^ I think that last quarter, we already answered the question. We will continue to develop the new market and establish the market as well. Because in China, what happened is the training and inference demands all happening in the same time.

So I think we are -- we try --because everybody know GDS is a platform player, not just a project player, right? So we try to build -- try to fulfill all the kind of AI demand, whatever it's training or in the future or, let's say, inference. So we try to catch up. We're well-positioned to catch up a different pace of the AI demand.

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

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

William Huang^ Thank you.

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