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Q3 2024 GDS HOLDINGS LTD EARNINGS CALL

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CORPORATE PARTICIPANTS

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- **Wei Huang** *GDS Holdings Ltd - Chairman of the Board, Chief Executive Officer*
- **Daniel Newman** *GDS Holdings Ltd - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Yang Liu** *Morgan Stanley - Analyst*
- **Jonathan Atkin** *RBC Capital Markets - Analyst*
- **Louis Tsang** *Citi - Analyst*
- **Frank Louthan** *Raymond James - Analyst*
- **Edison Lee** *Jefferies - Analyst*
- **Sara Wang** *UBS - Analyst*

PRESENTATION

Operator

Hello, ladies and gentlemen. Thank you for standing by for GDS Holdings Limited third-quarter 2024 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 *GDS Holdings Ltd - Investor Relations*

Thank you. Hello, everyone. Welcome to the third-quarter 2024 earnings conference call of GDS Holdings Limited. The company's results were issued via newswire services earlier today and are posted online. A summary presentation, which we will refer to during this conference call can be viewed and downloaded from our IR website at investors gdsservices.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 US Private Securities Litigation Reform Act of 1995. Forward-looking statements involved 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 includes discussions of unaudited GAAP financial information as well as unaudited non-GAAP financial measures. GDS press release contains a reconciliation of the unaudited non-

GAAP measures to the unaudited most directly comparable GAAP measures.

I'll now turn the call over to GDS founder Chairman and CEO, William. Please go ahead, William.

Wei Huang *GDS Holdings Ltd - Chairman of the Board, Chief Executive Officer*

Okay, thank you. Hello, everyone. This is William. Thank you for joining us on today's call. In 3Q '24, we achieved a revenue growth of 18% and adjusted EBITDA growth of 15% year on year. This growth rate is quite remarkable in current market condition. It reflects the progress we have made in turning around our China business, plus the uplift from the successful execution of our international strategy.

Starting with China (added by company after the call), from the beginning of this year, the move-in rate has clearly stepped up. In 3Q 2024, growth additional area utilized was over 25,000 square meters. It is the highest level we have ever achieved. It is all organic and all in Tier 1 markets. The main reason for this improvement is AI demand. About half of the move-in is coming from the recent new orders and half from orders which have been in the backlog for longer time. For the full year of 2024, we expect net additional area utilized of around 60,000 square meters, which is similar to our peak year of 2020.

Looking forward, we have better visibility on the deployment plans of our customers, which gives us a higher level of confidence. Therefore, we expect this level of move-in to be sustained. The first wave of AI demand is for machine learning. For this use case, customers can deploy in remote area where land and power are available. The second wave of AI demand is for inferencing. For this use case, customers must deploy in the Tier 1 markets. This has been confirmed with our customers in multiple communications.

So far, the volume of AI new orders in Tier 1 markets is quite small. Customers are typically looking for move-in ready capacity. This fits with our current sales strategy which is target order which match our inventory. In the coming year, we expect AI deployment in Tier 1 markets to increase in scale. This will help bring the market back into balance. Some of the new demand will be for hyperscale campuses. We are uniquely well positioned for this.

We have large blocks of land and power at diverse sites around Beijing, Shanghai, and Shenzhen, Guangzhou. This kind of resource is scarce. In order to capture the AI wave in Tier 1 markets, we will carefully consider sales opportunities which require us to initiate new developments. This is a more expansionary business plan with a higher investment and a higher growth. It goes hand in hand with the execution of our China REIT strategy.

We made a decision to establish our international business as a standalone entity. We believe that this approach will maximize value for our shareholders. The vision for GDSH is to become a leading international data center platform.

We pioneered the creation of new markets to fulfill AI demand. As of 3Q 2024, we have 431 megawatts of total customer commitment. The sales pipeline is very strong. During the third quarter, we signed a contract with a new customer which is a leading global tech company for capacity at our campus in Batam. 34 megawatts is committed, and 38 megawatts is reserved.

This is the first data center of its kind in Asia, designed for the most advanced AI technology. The ramp up is very fast. It's an incredible achievement by our management and the perfect illustration of how we are able to create new markets.

During the current quarter, we officially entered into another new market, Thailand. We are the first data center operator to undertake the first hyperscale project in Thailand. We received strong support from the Thailand government. We think this is the next big opportunity in Southeast Asia.

In the past few months, all the global tech leaders have announced large investment plans in Thailand. We have acquired the land for a data center campus in Chonburi province near Bangkok, which is a focus area for hyperscale deployment. We plan to develop around 120 megawatts of total IT power capacity on our first land site. We expect to serve the domestic demand from Thailand's fast -growing digital economy. We are very confident to make Thailand another success story.

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

Daniel Newman *GDS Holdings Ltd - Chief Financial Officer*

Thank you, William. I'll run through the China segment first, followed by international.

Starting on slide 16, in 3Q24 GDSH segment revenue increased by 6.1% and adjusted EBITDA increased by 3.6% year on year. GDSH revenue growth was mainly driven by an increase in total area utilized of 11.6% year over year. MSR per square meter has declined moderately over the past four quarters. Adjusted EBITDA margin for 3Q '24 versus 3Q '23 was down by 1 percentage point. The main reason for this is the increase in power tariffs which occurred during the second half of last year.

Looking forward, we expect net additional area utilized to continue at around 15,000 square meters per quarter. We expect MSR to decline slightly over the next year and assume that power tariffs remain at current levels.

For the first nine months of 2024, our China CapEx totalled RMB2.6 billion. We originally guided for around RMB2.5 billion for the full year. However, as we had higher move-in, we had to bring forward a small amount of CapEx. As a result, we are revising up our China CapEx guidance to around RMB3 billion for 2024. In our base case business plan for next year, we envisage China CapEx within the RMB2 billion to RMB3 billion range.

For the first nine months of 2024, cash flow before financing for GDSH is negative RMB293 million. The fourth quarter of the year is usually a good quarter for collections. Therefore, we expect the cash flow before financing for the full year to be positive. This is in line with our financial target. This remains a key financial objective to deliver steady growth while generating positive cash flow before financing.

As shown on slide 20, at the end of 3Q '24, the cash balance of GDSH decreased to RMB7.8 billion and the net debt to last quarter annualized adjusted EBITDA multiple was 7.4 times. Over 60% of our gross debt is RMB denominated project term loans. The interest on these loans is floating rate linked to the over five year LPR. This benchmark came down by 25 basis points at the end of 3Q24 and we expect to see some benefit, as our interest cost resets. As William mentioned, we are fully committed to establishing a China-REIT. This is a key financial strategy for a number of reasons. One, it will give us continuous access to the onshore equity capital market with a lower cost of equity. Two, it will increase our liquidity and enable us to accelerate de-leveraging.

Three, it will provide us with an additional source of capital to capture attractive new sales opportunities as AI demand takes off. And four, it will benchmark the valuation of stabilized data centers in China and give us the means to recycle capital on an accretive basis. We are approaching China REITs with two transactions in parallel. The first involves the creation and IPO of a listed C-REIT, which holds stabilized data centers. The second involves the creation of asset-backed securities, ABS, which holds ramping up data centers. The ABS is the form of security which can be injected into a C-REIT once the underlying data centers are stabilized. Hence, we call the ABS a pre-REIT .

For the C-REIT, we have already completed a very thorough review process at provincial level. Our application is now subject to a national level review by NDRC, CSRC, and the Shanghai Stock Exchange. We are aiming to obtain all the necessary approvals by the middle of next year. This would create the possibility of launching the C-REIT in the second half of 2025. For the purposes of the listing, we selected 1 large site which fits the typical C-REIT offering size of around RMB2 billion. However, once established, we would intend to eject additional data centers if it creates shareholder value.

Currently, C-REITs are trading on significantly higher multiples than the current implied multiples for our China business. For the pre -REIT, we are at the final stage of obtaining all the necessary approvals. The pre-REIT delivers many of the same benefits as the C-REIT, but it's a one-off transaction. We're trying to get it done as soon as possible. Turning to the international segment on Slide 23, in 3Q24, GDSI revenue increased by 42% and adjusted EBITDA increased by 15% quarter-on-quarter.

Currently, we have around 103 megawatts of IT power utilized. As the delivery schedule for most of the backlog is very short, and customers undertake to move in quickly, we expect to have around 400 megawatts of utilized capacity within the next 18 months. For the first nine months of 2024, international CapEx was around RMB4 billion. We originally guided RMB4 billion for the full year, but due to the extraordinary ramp up, we now expect full year CapEx for international to be around RMB8 billion.

Turning to Slide 29, on 29th of October, we announced that GDSI has raised $1 billion from the issue of Series B convertible preferred shares. The issue is expected to close by the end of the year. Post-closing and on an as-converted basis, GDSH will own approximately 37.6% of GDSI. The value of our equity interest implied by the series B subscription price is approximately $1.3 billion, representing a 75% premium over the series A valuation, an equivalent to approximately $6.75 per GDS-ADS.

The private equity valuation of data centers is typically based on the sum of installed capacity, contracted backlog, and near-term sales pipeline. As GDSI ramps up its installed capacity, wins new orders, and adds to its supply of highly marketable capacity, we expect the equity valuation to increase significantly. In this round, we aimed to secure enough capital to build and deliver over 1 gigawatt of capacity. Including the sale of the proceeds of series B, we will have $2.1 billion of equity. With the addition of a moderate amount of mezzanine debt, we should be able to achieve our 1 gigawatt target.

Post-closing, GDSH will deconsolidate GDSI. However, we will continue to disclose enough key information for you to track GDSI's performance. To ensure that the value of our equity investment accrues to GDSH shareholders, our Plan A is to IPO and spin off GDSI. We will give you a better sense of the timing on our next earning call. Finishing on slide 30, we are maintaining our formal guidance for FY'24 consolidated revenue and adjusted EBITDA. However, as I mentioned before, we are raising our CapEx guidance to RMB11 billion, which includes RMB3 billion for China to support the faster move-in and RMB8 billion for international, reflecting its accelerated expansion.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Yang Liu, Morgan Stanley.

Yang Liu *Morgan Stanley - Analyst*

I have one question about the China strategy. First, we saw pretty strong demand, good move-in and good booking. At the same time, we saw the upward revision of the CapEx. Is that a pull forward of the previous plan 2025 or 2026 China CapEx or is that new?

And William just mentioned that China's future investment will be linked to the REIT strategy in China. Does that mean that if you de-lever the REIT's listing, then you can invest more aggressively in China? Without REIT, you will still be in a tight control mode of the CapEx. Does that mean this kind of a --

Wei Huang *GDS Holdings Ltd - Chairman of the Board, Chief Executive Officer*

Yeah, I think, Yang Liu, I think, number one, we still stick on our previous strategy, try to stabilize our business in China and maintain the, let's say, sort of the growth organically, right? And digest our inventory. This is our first priority.

But in the meanwhile, we always talk about we selected to do the new business. That means very high quality business. But of course, everybody knows we are currently trying to recycle capital in an efficient way and then create more value for our shareholders.

In the meanwhile, if we can do recycling capital in a sufficient way in the future, then we will start to more aggressive to take some new order, seeking the growth again. Yeah, this is, I think, we try to make the growth and stabilize more balance in the future.

Operator

Jonathan Atkin, RBC.

Jonathan Atkin *RBC Capital Markets - Analyst*

A couple of questions. If you could maybe talk a little bit about the development of the Batam market. It's happening more rapidly than I would have expected. Do you expect there to be a lot of smaller internet and enterprise demand or will it largely be large deployments of the type that you've recently gotten commitments for?

And then secondly, on GDSI, can you talk about the ongoing financial commitment that GDS would have of that deal?

Operator

Jon, your line is not that clear.

Daniel Newman *GDS Holdings Ltd - Chief Financial Officer*

I think the first question was about kind of demand. Was Jon talking about Batam?

Jonathan Atkin *RBC Capital Markets - Analyst*

Yeah.

Daniel Newman *GDS Holdings Ltd - Chief Financial Officer*

So what kind of customers' interested in Batam? I think Jon was asking.

Wei Huang *GDS Holdings Ltd - Chairman of the Board, Chief Executive Officer*

Yeah, okay. Let me answer the first question. I mean, in Batam, we still view it as a SIJORI data center hub. I think that this, whatever is in Johor, or Singapore, or Batam, all the customer -- hyperscale customer, whether from the US or domestic or China, all very interested in Batam. So far, we have the very strong pipeline from the different country.

Daniel Newman *GDS Holdings Ltd - Chief Financial Officer*

Jon, second question.

Jonathan Atkin *RBC Capital Markets - Analyst*

Yeah, ongoing commitment to GDS International from GDS Holdings.

Daniel Newman *GDS Holdings Ltd - Chief Financial Officer*

Yes, okay. On that one, I think we can be clear that the decision was made, I think, at the beginning of last year, that we would cap -- our allocation of capital to international. At the level then was around $400 million. And in the course of the series A, capital raising, we -- actually, part of the use of proceeds was to repay some shareholder loans from GDSH to GDSI to bring that number back down to the $400 million level that we had establishes our limit in terms of capital allocation.

So from that point forward our motivation is to make our $400 million investment as valuable as possible. Based on the Series B price, we've turned that $400 million into $1.3 billion of value. And I personally think that it will continue to increase at a rapid rate. Every shareholder or international has preemption rights, but we don't expect that GDS Holdings will exercise preemption rights in future. So GDS Holdings portion will be available to allocation to other investors, particularly investors who can add value to the international business.

Jonathan Atkin *RBC Capital Markets - Analyst*

And lastly, the Singapore CFA process (inaudible) just announced within the past hour, so progress on the air, what they're going to be doing with their field, what is your visibility around finding magnitude location of where you're going to be building in Singapore?

Wei Huang *GDS Holdings Ltd - Chairman of the Board, Chief Executive Officer*

Yeah, I think, the Singapore location, we chose a site at good location, which is another data center cluster in the western part of Singapore. I think in the future we will link them to our Johor and Batam data center campus as well. And so we will create a very good platform in SIJORI area, and which our customer very, very like. And this is number one. I think we target, of course, we target by the end of the 2026, we will complete the construction. This is our current schedule.

Daniel Newman *GDS Holdings Ltd - Chief Financial Officer*

The size of that building is quite large relative to the power quota which we had as of now. And that was a deliberate decision because with a relatively small amount of incremental investment, it gives us the option and the potential to be able to expand in a number of different ways on that same site.

Operator

Louis Tsang, Citi.

Louis Tsang *Citi - Analyst*

Congratulations on the strong results. I think overall the domestic movements really result in very positive and encouraging. So today I have two questions. The first one is regarding the GDSI. Could you please further elaborate on the rationale of entering the Thailand market?

Or let me put it this way, how should we think about the future demand and the availability of the resources, like connectivity, power, land, water? And do you think that -- if there's any possibility that Thailand could be another DC hub similar to Johor? That's my first question. Maybe I should go one by one.

Wei Huang *GDS Holdings Ltd - Chairman of the Board, Chief Executive Officer*

Okay. I think the rational to entering to Thailand, we always think about Thailand's 80 million population and the economy grows very healthy. And If noticed recently, this year, a lot of the hyperscalers announced investment in Thailand. And we also understand that digitalization, the digital economy is the key driver. It's a national -- let's say national strategy to drive the Thailand economy. So the government very, very support all the foreign investment to Thailand. So we are very proud, we are the first hyperscale player in -- enter into this market.

We always enter into a market more early than anyone else. And then we definitely confident there's a lot of demand coming. So I think this is the rationale. In terms of the -- I think currently we are more targeted, our customers, they mainly service local domestic market. I think -- but Thailand has the potential to grow up another data center hub in Asia Pacific in terms of the local economy plus their inference for the country around them, right?

So I think in Asia Pacific, we believe there's not only one data center hub, right? In the future, I think maybe there's another two or three data center hubs that will grow up. So I think this is our rationale to think about.

Louis Tsang *Citi - Analyst*

And the second one is about the domestic one because I think the domestic move-in target that I just heard was really good and I just want to know like how should we -- like we calibrate the outlook for the domestic move-in like next year because it's that the demand is going to sustain but just like if there's any chance like that the move-in will see like a further acceleration next year, or which I think that like maybe you would maintain a similar level, because to me, based on my understanding, the CapEx cycle of the domestic giants similarly will accelerate in next year, the first half maybe. So I just want to know what about the outlook for that.

Daniel Newman *GDS Holdings Ltd - Chief Financial Officer*

Yeah. To clarify, because I think Liu Yang asked earlier, the slightly higher than guided CapEx this year is bring forward. It doesn't indicate that -- that's the kind of level next year. In fact, I'd say, if we were giving guidance for next year now, it would probably be the same as our original guidance for this year, around RMB2.5 billion.

For the move-in, we're talking about net additional area utilized. The gross level is the 25,000 square meters in the third quarter and then net of churn on an annual basis. We expect 60,000 square meters this year and we're confident enough at this time to say that we expect that level next year as well. This rate of growth, as William was talking about our strategy, is really the result of continuing to be very selective in terms of new business and focusing on delivery of the backlog and minimizing CapEx to prioritize cost to complete and increase after utilization and utilization rate we expect to increase by to the high 70s from low 70s at the moment, the high 70s by the end of next year. That's our base case.

What we can't be certain about is the opportunity to undertake new campus development because undoubtedly there will be demand from hyperscale coming to Tier 1 markets which requires new development And we have a land bank, land with power quota, multiple sites around Beijing, Shanghai, Shenzhen, Guangzhou. And that kind of resource is scarce, and it will be in demand. It's our choice to proceed with those kinds of opportunities if they are attractive enough. And we choose to do so.

But ideally, that would go in sync with having established a mechanism and vehicle for monetizing stabilized assets. I think that's ideal from the point of view of our shareholders. The timing may not be exactly matched, but I think both are, we expect to see those kind of new development opportunities next year, and we talked about the progress we expect to make with our asset monetization both the pre-REIT and the C-REIT over the next few quarters.

Louis Tsang *Citi - Analyst*

Okay, thank you so much. Looking forward to the further development. Thank you so much. I have no further questions. Thank you.

Operator

Frank Louthan, Raymond James.

Frank Louthan *Raymond James - Analyst*

On the Batam design, can you give us some idea of what makes that so advanced? And when you do a build like that, how much of that CapEx are you paying for in your book that's sort of at risk versus customers that are building in that what you charge them to pay for you know what I assume is additional cooling or other things like that?

Wei Huang *GDS Holdings Ltd - Chairman of the Board, Chief Executive Officer*

This is a liquid cooling design, a base design. I think this is definitely - all the new design for the AI. We call the AI ready data center, right? I think of course a lot of the designs are mainly customized by the customers. They pay everything in print.

Frank Louthan *Raymond James - Analyst*

Okay, and what sort of power density are you able to get with this design? Is there a limit to it or how should we think about that?

Wei Huang *GDS Holdings Ltd - Chairman of the Board, Chief Executive Officer*

It's around the -- let's say, averages around the 20 kW. Maybe, yeah, it's roughly, I think. Yeah.

Operator

Edison Lee, Jefferies.

Edison Lee *Jefferies - Analyst*

I think I want to focus on China because, well, I'm very interested by -- but when I looked at the net area utilized, it grew by 11%, 12% on a year-on-year basis, but your China revenue only grew by 6% on a year-on-year basis. So can you help us understand the trend of that unit pricing going forward?

Daniel Newman *GDS Holdings Ltd - Chief Financial Officer*

Yeah, the reason for the disparity between increase in area utilized and revenue is that there's always a lag, right, because the move-in happens over a period of time. I think from 3Q '23 to 3Q '24, there was a 4% decrease in the MSR. If you do that comparison on a like-for-like basis, the decline over the past year has been less than that in most quarters. But third quarter -- the third quarter, it was 4%.

And it was also during the third quarter of 2023 that power tariffs, both the tariffs charged by the generator and by the grid, both went up in the third quarter of 2023. And that resulted in like 1 percentage point reduction in the adjusted EBITDA margin when we compare 3Q '24 versus 3Q '23. So I think those two together explain the disparity between the increase in the area utilized, and the revenue and EBITDA growth rates. Going forward, I think over the next four quarters you can expect the MSR to decline by something like 2% if you compare the same quarter of each year.

Edison Lee *Jefferies - Analyst*

So does it mean that assuming that, as said earlier, the net additional utilized next year would be, let's say, 60,000 square meters and then you have price erosion of 2% final revenue and actually grow at high single digit right next year.

Daniel Newman *GDS Holdings Ltd - Chief Financial Officer*

That's right. I mean, aim for 10%.

Edison Lee *Jefferies - Analyst*

Aim for 10%. Okay. And then a quick follow-up. I mean, given slightly higher CapEx this year on China and then you're talking about maybe investing in some high potential new projects, does it change your objective or previous target to be free cash flow breakeven in 2025?

Daniel Newman *GDS Holdings Ltd - Chief Financial Officer*

No, it doesn't. First off, that's not reflected in the numbers. It's an upside opportunity that we're just flagging, but it would require additional investment. I think we will, in our base case, be constantly positive in terms of cash flow before financing next year as indeed we will this year. If we incur additional investment and the CapEx is higher than say the RMB2.5 billion number that I mentioned, hopefully that will be in conjunction with having completed some asset monetization and that net should result in us still being positive.

Operator

Sara Wang, UBS.

Sara Wang *UBS - Analyst*

Hi. Congratulations on the solid set of results. I have two questions. First is on China. So would you please elaborate more on the potential outlook of China business? Meaning I think as management just mentioned, if we want to grab the AI opportunity in Tier 1 markets that involves new investment. But at the same time, we are also having quite a decent backlog.

So previously, we were talking about cost to complete existing backlog. Is there any change in the cost to complete assumptions given now the demand is driven by AI, but maybe some of the backlog is entered one or two years ago in the late cloud cycle.

And then my second question is international business. Given the solid new orders signed this year, how shall we think about the new orders into next year for example, in terms of volume? And then I'm glad to see that we're entering into new markets, but given we are working in multiple overseas markets, which one is our top priority?

Daniel Newman *GDS Holdings Ltd - Chief Financial Officer*

Let me start with the cost to complete. So as of the end of the third quarter of '24 we had 120,000 square meters under construction, and the cost to complete for that capacity is RMB6 billion. Some small part of it actually relates to some data centers which are already in service because sometimes there is some cost to complete, meaning fitting out some space which is not yet utilized, where we are able to phase the timing of the installation of M&E and so on. But across the in-service and under-construction portfolio, the cost to complete in aggregate is RMB6 billion.

If we were to undertake a completely new project, we would be utilizing land and energy quota, which we already have. That's why we put into our earnings presentation again a disclosure about how much capacity we have held for future development because this is becoming relevant again. And this is scarce resource. There are not that many options for customers if they're looking for somewhere to be able to deploy 50 megawatts or more in the edge-of-town around Beijing, Shanghai, Shenzhen, Guangzhou. And we have a number of solutions for that.

But you know our unit development cost in China, 50 megawatts, we're probably talking about incremental RMB1 billion to RMB1.5 billion. But one project like that could add 4 or 5 percentage points to our growth rate. So that's how we think about it, but we're just talking about it now because it's a possibility for us next year, but it's our choice whether we go ahead with that. It really depends a lot on how attractive the commercial terms are.

Wei Huang *GDS Holdings Ltd - Chairman of the Board, Chief Executive Officer*

Yeah, I think here we still, in terms of the international market, I think we definitely -- SIJORI is still our main focus, SIJORI area, and we're well positioned on that. And we have very good location and a customer base already. And we see that a lot of demand in our pipeline.

And I think to monetize our position, our secured power and the land is our -- definitely is our first priority. But in terms of the new market, in terms of new sales, I think the next year we aim to let's say 200 megawatt and last quarter I said in a three years we will double our -- we try to reach to the 1 gigawatt sales in next three years. So I think this is our target. And I think we are very confident on this target, which set the bar really.

And in terms of new market, I think there's definitely a new market, so another strategy, because this demand wave is global demand. If you look at it, the AI-driven demand is not only in Southeast Asia, even Japan and the Middle East, Europe and the US as well. So we try to maintain our -- let's say, long-term growth. So we should look at the new market opportunity very closely. So Taiwan market is one of our new market, but I think that it's still in the Southeast Asia.

But I think we also target some new market like Japan, like we already started a new project already. But it's a test of water project. We have our team very closely to follow up the market trend in Japan. And even we have some study, very deep study in the European market. So we try to set up another couple of the growth engine in the next few years.

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 Ltd - Investor Relations*

Thank you all for attending today, and we'll see you next time. Bye.

Wei Huang *GDS Holdings Ltd - Chairman of the Board, Chief Executive Officer*

Thank you.

Operator

This concludes the conference call. You may now disconnects your line. Thank you.

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