Meeza QSTP LLC (MEZA)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.394	Target Price	QR4.000
Implied Upside	18.7%	Old Target Price	QR4.009

1Q Miss & Geopolitics Mask Structural Growth Story; Moving To Accumulate

Meeza's 1Q2026 results disappointed expectations, with revenue of QR104.7mn (-10.8% vs. QR117.4mn est.) and NP of QR13.8mn (-23.2% vs. QR18.0mn est.), driven primarily by a significant underperformance in the recently acquired Black Arrow business and softer-than-expected solutions revenue. Black Arrow contributed just QR16.6mn revenue vs. our QR30.0mn forecast, reflecting both limited post-acquisition disclosure and seasonal/war-induced weaker enterprise IT demand. Excluding Black Arrow, **Meeza's core business delivered QR88.1mn revenue (+0.8% vs. our QR87.4mn ex-Black Arrow estimate), with the Datacenter segment posting a solid 7.6% YoY growth to QR39.6mn (+5.6% vs. est.)** on sustained hyperscaler demand and ~97% utilization. **We are lowering MEZA to Accumulate from Outperform and trimming our target price marginally to QR4.000 from QR4.009**, reflecting: (a) share price appreciation since our last report, which has compressed near-term upside; (b) heightened regional geopolitical risks and their potential negative margin and perception impacts; (c) **revised assumptions including a delay in MV4's 4MW commissioning (now 3Q vs. 2Q), downwardly revised Black Arrow forecasts, a higher cost of capital, and a lower terminal growth rate (4.0% vs. 4.5%). Our revised TP of QR4.000 incorporates a new blended valuation methodology that introduces a two-stage Dividend Discount Model (DDM) to capture the expected substantial uplift in distributions post the current heavy capex cycle**. Management's commitment to maintaining dividends even during peak investment reinforces our conviction in modeling this as a classical two-stage growth dividend story. **Despite near-term challenges, we remain convinced of Meeza's structural investment thesis, underpinned by secular cloud/AI tailwinds, transforming it into a hyperscaler-grade digital utility, locked-in long-term datacenter contracts with global cloud providers, and the expansion pipeline that will more than quadruple existing capacity by 2030.**

Highlights

- **Profit disappoints due to margin pressure from mix and revenue/Black Arrow drag: Attributable profit of QR13.8mn (+5.1% YoY, -42.9% QoQ)** was softer than QR18.0mn projected**. Gross profit of QR31.1m (+16.3% YoY, -25.2% QoQ, -15.0% vs. est.)** translated to a **GP margin of 29.7%** (vs. 31.2% in 1Q2025 and our 31.2% estimate), reflecting weaker-than-modeled DC and solutions margins. **EBITDA of QR27.8mn (+2.0% YoY, -33.7% QoQ, -18.9% vs. est.)** and **EBIT of QR14.7mn (+6.0% YoY, -46.1% QoQ, -30.5% vs. est.)** underscored the drag from softer revenue and negative operating leverage in solutions. Management highlighted that **Black Arrow's integration costs and lower-than-expected utilization** weighed on near-term profitability, though they expect gradual margin recovery as synergies materialize in 2H2026.
- **Black Arrow shortfall overshadows core revenue resilience: Total revenue of QR104.7mn** came in **-10.8% below our estimate (QR117.4mn)** but posted a healthy **+22.0% YoY growth** (vs. 1Q2025's QR85.8mn) and a **-9.2% QoQ decline**. The miss was largely due to Ramadan seasonality in March as well as a pronounced normalization from 4Q2025's elevated Black Arrow contribution at acquisition due to the war.
- **Datacenter expansion pipeline intact though MV4 go-live could be delayed to Q3:** MEZA's expansion **program remains the cornerstone of our medium-term thesis**, and management reaffirmed commitment to the timeline despite **MV4's probable commissioning delay to 3Q2026 (vs. our prior 2Q assumption)**. However, **pre-sales and customer commitments for MV4 are already secured**, ensuring rapid utilization ramp post go-live.

Catalysts

- **Catalysts: (1)** MV4 commissioning in 2Q/3Q as well as successful execution of other planned expansion plans, **(2)** More clarity on Black Arrow **(3)** More Hyperscaler contracts wins, **(3)** Margin expansion, **(4)** Dividend policy update (post-capex), **(5)** Sustained AI adoption, and **(6)** Favorable regulatory developments.

Recommendation, Valuation and Risks

- **Recommendation and Valuation**: Our **revised TP of QR4.000 (from QR4.009)** reflects a **new blended valuation framework** that introduces a **two-stage DDM** to explicitly capture the expected **substantial uplift in distributions** once Meeza exits its current heavy capex cycle. Management's clear commitment to **maintaining dividends even during peak investment** reinforces our conviction that Meeza's equity story should be valued as a **classical two-stage dividend growth model**: a high-growth, low-payout phase (2026-30) followed by a mature, high-payout phase. That also aligns with its "specialized REIT" positioning. Under our **old methodology (without DDM), the implied TP would be QR3.900**, so the **DDM integration provides a +2.6% uplift to QR4.000** despite more conservative WACC and terminal growth. This nuanced adjustment reflects our **increased conviction in Meeza's post-2030 cash return profile** while appropriately risk-adjusting near-term assumptions.
- **Risks: (1)** Execution risk on DC rollout and Black Arrow integration **(2)** Hyperscaler demand slowdown **(3)** Elevated capex/leverage/insurance and dilution risk **(4)** Customer concentration risk & margin-squeeze by hyperscalers **(5)** Electricity availability/cost/renewables requirements **(6)** Cyber-attacks **(7)** National data sovereignty laws **(8)** Limited free-float and muted institutional demand **(9)** Geopolitics & tech curve risks.

Key Data

Current Market Price	QR3.394
Dividend Yield (%)	2.5
Bloomberg Ticker	MEZA QD
ADR/GDR Ticker	N/A
Reuters Ticker	MEZA.QA
ISIN	QA000PK2KD10
Sector*	Consumer Goods
52wk High/Low (QR)	3.805/2.962
3-m Average Vol.	728,551
Mkt. Cap. ($ bn/QR bn)	0.6/2.2
EV ($ bn/QR bn)	0.7/2.5
Shares O/S (mn)	649.0
FO Limit* (%)	49.0
FO (Institutional)* (%)	14.3
1-Year Total Return (%)	14.3
Fiscal Year-End	December 31

Source: Bloomberg (as of May 17, 2026), *Qatar Exchange (as of May 17, 2026); Note: FO is foreign ownership

Key Financial Data and Estimates

GROUP	FY2025	FY2026E	FY2027E
EPS (QR)	0.102	0.111	0.147
P/E (x)	33.12	30.60	23.07
EV/EBITDA (x)	17.77	16.41	13.78
DPS (QR)	0.09	0.09	0.12
DY (%)	2.5%	2.7%	3.6%

Source: Company data, QNBFS Research; Note: All data based on current number of shares; These estimates may not reflect the most recent quarter

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Valuation – Moving To Accumulate But Structural Thesis Remains Intact

Meeza's 1Q2026 miss was disappointing but **largely attributable to Black Arrow mis-forecasting and solutions seasonality – neither of which undermine the core datacenter investment thesis**. The **Datacenter segment delivered a robust 7.6% YoY growth**, utilization remains near-full at ~97%, and **hyperscaler demand visibility extends through 2027+**. While we have **reduced our rating to Accumulate** to reflect near-term share price performance and elevated regional risks, **our conviction in Meeza's transformation into a hyperscaler-grade digital utility remains unwavering**. The **40+ MW expansion pipeline, locked-in Tier-1 contracts, and post-2030 free cash flow inflection** position Meeza as a **compelling multi-year structural growth story** in a region benefiting from AI compute demand and data sovereignty trends. **We forecast revenue/EBITDA/profit CAGR of ~18%/33%/28% between 2025-29.**

Our revised TP of QR4.000 (from QR4.009) incorporates more conservative near-term assumptions but the valuation integrates, for the first time, a two-stage DDM to value Meeza's post-capex dividend upside, resulting in a modest +2.6% uplift vs. the QR3.900 implied by our old methodology. That captures the expected substantial uplift in distributions post the current heavy capex cycle. **Our updated blended valuation methodology now integrates the two-stage DDM with DCF, EEM and relative valuation methodologies.** Management's commitment to maintaining dividends even during peak investment reinforces our conviction in modeling this as a classical two-stage growth dividend story. That also aligns with the company's evolution into a "specialized REIT" – where relative cash yield attraction is an integral part of the valuation story. We recommend institutional investors accumulate MEZA on any near-term weakness, looking through the noise to the structural re-rating that awaits as MV4/6/7 come on-line and Black Arrow integration matures.

Method	New valuation weights	Upside potential: New weights	Old valuation weights	Upside potential: Old weights
DCF	50%	13.3%	60%	13.3%
EEM	10%	32.0%	10%	32.0%
DDM	10%	44.6%	0%	44.6%
International Comparison	20%	50.4%	20%	50.4%
Local Comparison	10%	-57.2%	10%	-57.2%
Weighted Average Upside Potential for MEZA Shares	**100.0%**	**18.7%**	**100.0%**	**15.6%**
TP		4.000		3.900

Source: QNBFS Research

We lower MEZA to Accumulate from Outperform, reflecting three considerations:

- **Share price appreciation** since our last report has compressed near-term upside to **18.7%** (vs. our prior >20% threshold for Outperform).
- **Heightened regional geopolitical risks** and their potential **negative margin and perception impacts**, as candidly discussed by management during the 1Q26 call (e.g., supply chain disruptions, customer deployment cautiousness, and elevated insurance/security costs). These risks warrant a more **cautious near-term stance**.
- **Limited Black Arrow visibility** and the associated **forecast uncertainty** until mid-2026, when management expects to provide clearer integration KPIs.
- **Likely delay in MV4's 4MW commissioning (now 3Q vs. 2Q),** a higher cost of capital, and a lower terminal growth rate (4.0% vs. 4.5%)

However, we emphatically reiterate our conviction in Meeza's medium- to long-term structural thesis:

- **Qatar strategically positioning for Middle Eastern AI/cloud hub prominence** and **regional data sovereignty tailwinds** underpin multi-year hyperscaler demand.
- **Locked-in, take-or-pay datacenter contracts** with top-tier hyperscalers provide **high revenue visibility**.
- **40+ MW expansion (MV4/6/7/8) will more than quadruple capacity by 2030**, driving a **sharp inflection in EBITDA and free cash flow**.
- **Management's commitment to shareholder returns** (dividends maintained during capex peak) positions Meeza as a **compelling total-return story** for institutional investors.

In short: Near-term turbulence from Black Arrow integration, regional risks, and MV4 timing should not obscure Meeza's transformation into a **hyperscaler-grade digital utility** levered to secular AI/cloud growth. **Accumulate on weakness; the structural re-rating story remains firmly intact.**

Financial Statements and Forecasts

1Q2026 Condensed Income Statement vs. Estimates (QR'000)

	1Q25	4Q25	1Q26	1Q26e	YoY	QoQ	Vs. Exp.
Revenue	**85,787**	**115,328**	**104,690**	**117,421**	**22.0%**	**-9.2%**	**-10.8%**
Meeza ex. Black Arrow			88,100	87,421			0.8%
Black Arrow			16,600	30,000			-44.7%
Datacenter	**36,800**	**38,300**	**39,600**	**37,500**	7.6%	3.4%	5.6%
MS+WS+CS	**36,800**	**55,157**	**54,600**	**66,800**	48.4%	-1.0%	-18.3%
Meeza ex. Black Arrow			39,100	36,800			6.3%
Black Arrow			15,500	30,000			-48.3%
SS+MSI	**12,100**	**21,900**	**10,500**	**13,121**	-13.2%	-52.1%	-20.0%
Meeza ex. Black Arrow			9,400	13,121			-28.4%
Black Arrow			1,100	-			N/M
GP	**26,754**	**41,613**	**31,115**	**36,614**	**16.3%**	**-25.2%**	**-15.0%**
GP M	*31.2%*	*36.1%*	*29.7%*	*31.2%*			
EBIT	13,827	27,202	14,661	21,101	6.0%	-46.1%	-30.5%
EBITDA	27,284	41,954	27,832	34,320	2.0%	-33.7%	-18.9%
Attrib. Profit	**13,115**	**24,132**	**13,788**	**17,951**	**5.1%**	**-42.9%**	**-23.2%**
NP M	*15.3%*	*20.9%*	*13.2%*	*15.3%*			
EPS (QR)	0.0202	0.0372	0.0212	0.0277	5.1%	-42.9%	-23.2%

Source: Company data, QNBFS Research

QNB FS Estimates Revision (QR'000)

GROUP	FY2025	FY2026E			FY2027E			FY2028E		
		Current	Previous	▲	Current	Previous	▲	Current	Previous	▲
REVENUE	**403,263**	**485,613**	**555,800**	**-12.6%**	**549,485**	**613,742**	**-10.5%**	**623,342**	**690,877**	**-9.8%**
Datacenter	153,800	184,521	194,146	-5.0%	229,096	229,096	0.0%	285,611	285,611	0.0%
MS+WS+CS	167,700	216,414	272,951	-20.7%	229,411	289,344	-20.7%	240,895	303,828	-20.7%
SS+MSI	81,800	84,678	88,703	-4.5%	90,977	95,301	-4.5%	96,835	101,438	-4.5%
GROSS PROFIT	124,742	141,948	170,918	-16.9%	167,184	189,748	-11.9%	196,143	216,455	-9.4%
EBITDA	127,916	156,798	185,752	-15.6%	230,051	253,094	-9.1%	320,376	340,975	-6.0%
OPERATING PROFIT	72,629	79,543	108,344	-26.6%	103,709	126,461	-18.0%	127,106	147,275	-13.7%
NET PROFIT	**66,514**	**71,976**	**94,883**	**-24.1%**	**95,479**	**107,471**	**-11.2%**	**117,338**	**126,436**	**-7.2%**

Source: Company data, QNBFS Research

Income Statement (QR'000)

GROUP	FY2024	FY2025	FY2026E	FY2027E	FY2028E	FY2029E
REVENUE	**374,215**	**403,263**	**485,613**	**549,485**	**623,342**	**785,717**
Datacenter	145,969	153,800	184,521	229,096	285,611	442,777
MS+WS+CS	155,994	167,700	216,414	229,411	240,895	252,940
SS+MSI	72,252	81,800	84,678	90,977	96,835	90,000
GROSS PROFIT	118,251	124,742	141,948	167,184	196,143	264,243
EBITDA	123,188	127,916	156,798	230,051	320,376	402,054
OPERATING PROFIT	66,811	72,629	79,543	103,709	127,106	190,056
NET PROFIT	**60,430**	**66,514**	**71,976**	**95,479**	**117,338**	**177,977**

Source: Company data, QNBFS Research

Balance Sheet (QR'000)

GROUP	FY2025	FY2026E	FY2027E	FY2028E	FY2029E
Non-current asset					
Property, Plant & Equipment	607,807	828,982	1,375,375	2,073,886	2,090,611
RoU Assets	170,564	205,912	238,378	267,961	294,661
Contract Assets	18,234	21,958	24,846	28,185	35,527
Other	25,210	25,210	25,210	25,210	25,210
Intangible assets	17,650	17,650	17,650	17,650	17,650
Total non-current assets	**839,465**	**1,099,712**	**1,681,459**	**2,412,892**	**2,463,659**
Current assets					
Inventory	978	978	978	978	978
Prepayments & other	25,251	25,251	25,251	25,251	25,251
Due from related parties	54,891	66,100	74,794	84,847	106,950
Contract assets	130,066	156,627	177,227	201,049	253,420
Trade & other receivables	124,177	149,535	169,203	191,946	241,946
Cash & bank balances	330,826	218,599	184,709	156,930	155,774
Total Current assets	**666,189**	**617,091**	**632,163**	**661,001**	**784,319**
Total assets	**1,505,654**	**1,716,803**	**2,313,622**	**3,073,893**	**3,247,978**
EQUITY AND LIABILITIES					
Share capital	648,980	648,980	648,980	648,980	648,980
Statutory reserve	27,064	34,262	43,810	55,543	73,341
Retained earnings	62,578	70,394	94,245	117,730	176,145
Non-controlling interest	45,374	47,344	49,790	52,839	57,566
Total equity	**783,996**	**800,979**	**836,824**	**875,092**	**956,032**
Non-current liability					
Employees' end of service benefits	21,161	23,315	25,334	27,234	29,029
Contract liabilities	44,406	53,474	60,507	68,640	86,521
Lease	185,347	222,058	256,078	287,456	316,113
Borrowings	189,632	328,633	816,750	1,452,997	1,486,909
Total non-current liability	**440,546**	**627,479**	**1,158,669**	**1,836,328**	**1,918,571**
Current liability					
Contract liability	25,144	30,279	34,261	38,866	48,991
Lease	10,659	12,770	14,727	16,531	18,179
Borrowings	15,006	26,005	64,631	114,979	117,662
Due to related parties	7,501	7,501	7,501	7,501	7,501
Trade & other payables	222,802	211,789	197,009	184,597	181,042
Total current liability	**281,112**	**288,345**	**318,129**	**362,474**	**373,375**
Total liabilities	**721,658**	**915,824**	**1,476,799**	**2,198,802**	**2,291,946**
Total equity and liabilities	**1,505,654**	**1,716,803**	**2,313,622**	**3,073,894**	**3,247,978**

Source: Company data, QNBFS Research

Cash flow Statement (QR'000)

GROUP	FY2024	FY2025	FY2026E	FY2027E	FY2028E	FY2029E
Cash Flow from Operating Activities	**121,741**	**157,095**	**86,775**	**169,686**	**255,822**	**288,636**
Cash Flow from Investing Activities	**(8,911)**	**(119,751)**	**(275,097)**	**(648,546)**	**(865,780)**	**(200,720)**
Cash Flow from Financing Activities	**(83,963)**	**14,640**	**76,095**	**444,970**	**582,179**	**(89,072)**
Change in Cash	28,867	51,984	(112,226)	(33,890)	(27,779)	(1,156)
Cash Beginning of Period	249,975	278,842	330,826	218,599	184,709	156,930
Cash End of Period	**278,842**	**330,826**	**218,599**	**184,709**	**156,930**	**155,774**

Source: Company data, QNBFS Research

Ratios

GROUP	FY2025	FY2026E	FY2027E	FY2028E	FY2029E
Growth Rates					
Revenue	7.8%	20.4%	13.2%	13.4%	26.0%
Datacenter	5.4%	20.0%	24.2%	24.7%	55.0%
MS+WS+CS	7.5%	29.0%	6.0%	5.0%	5.0%
SS+MSI	13.2%	3.5%	7.4%	6.4%	-7.1%
Gross Profit	5.5%	13.8%	17.8%	17.3%	34.7%
EBITDA	3.8%	22.6%	46.7%	39.3%	25.5%
EBIT	8.7%	9.5%	30.4%	22.6%	49.5%
NP	12.7%	8.5%	32.4%	22.9%	51.8%
DPS	6.3%	8.2%	32.7%	22.9%	51.7%
CFPS	0.0%	-44.8%	95.5%	50.8%	12.8%
AFFOPS	0.0%	4.9%	53.5%	38.9%	24.3%
Operating Ratios					
Gross Margin	30.9%	29.2%	30.4%	31.5%	33.6%
Gross Margin (ex Depreciation & Amortization)	*44.6%*	*45.1%*	*53.4%*	*62.5%*	*60.6%*
EBITDA Margin	31.7%	32.3%	41.9%	51.4%	51.2%
EBIT Margin	18.0%	16.4%	18.9%	20.4%	24.2%
Net Margin	16.5%	14.8%	17.4%	18.8%	22.7%
Net Margin(ex Depreciation & Amortization)	30.2%	30.7%	40.4%	49.8%	49.6%
Prepayment days	33.1	26.8	24.1	21.6	17.7
Receivables days	122.3	122.3	122.3	122.3	122.3
Debt-to-Equity	54.2%	78.2%	146.4%	227.7%	215.8%
Net Debt-to-Equity	9.5%	49.2%	122.9%	208.6%	198.5%
Net Debt-to-Capital	3.0%	13.1%	23.8%	30.6%	30.1%
Net Debt-to-EBITDA	0.55	2.37	4.21	5.35	4.43
Interest Coverage	5.17	5.79	8.76	10.90	16.71
Return Ratios					
WACC	0.0%	11.5%	10.3%	9.3%	9.2%
ROIC	9.0%	7.0%	5.9%	5.0%	7.1%
ROE	9.0%	9.6%	12.1%	14.3%	19.8%
ROA	4.5%	4.3%	4.2%	3.9%	5.6%
Earnings Yield	3.02%	3.27%	4.33%	5.33%	8.08%
Dividend Yield	2.50%	2.71%	3.60%	4.42%	6.70%
FCF Yield	0.33%	-8.84%	-21.30%	-26.02%	6.21%
AFFO Yield	4.94%	5.19%	7.96%	11.06%	13.74%
Liquidity Ratios					
Current Ratio	1.5	1.0	0.5	0.4	0.4
Quick Ratio	1.5	1.0	0.5	0.4	0.4
Valuation					
EV/Sales	5.6	5.3	5.8	6.3	5.1
EV/EBITDA	17.8	16.4	13.8	12.2	9.9
EV/EBIT	31.3	32.4	30.6	30.8	21.0
P/E	33.1	30.6	23.1	18.8	12.4
PEG - 3YR CARG	0.5	0.6	0.5	0.3	0.2
P/CF	16.67	13.50	9.34	6.75	5.35
P/BV	2.98	2.92	2.80	2.68	2.45

Source: Company data, QNBFS Research

Recommendations *Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*		Risk Ratings *Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
OUTPERFORM	Greater than +20%	**R-1**	Significantly lower than average
ACCUMULATE	Between +10% to +20%	**R-2**	Lower than average
MARKET PERFORM	Between -10% to +10%	**R-3**	Medium / In-line with the average
REDUCE	Between -10% to -20%	**R-4**	Above average
UNDERPERFORM	Lower than -20%	**R-5**	Significantly above average

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