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Construction Overweight



The Sun, Malaysia

Construction Overweight Bursa Malaysia Construction Index performance Source: Bloombera

OVERALL, the construction sector delivered Q1'25 results that were above expectations, with key sectoral heavyweights recording higher-than-expected progress billings – mainly for DC works. Out of the nine companies under our coverage that reported results, three outperformed forecasts, one was in line, and five fell below expectations.

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Data centre (DC) prospects remain bright. The overhang on the DC theme in Malaysia has eased for now post the scrapping of the US Artificial Intelligence Diffusion (USAID) regulations, but of the US Artificial Intelligence Diffusion (USAID) regulations, but we acknowledge risks on any potential graphic processing unit caps coming from any replacement rules based on bilateral negotiations. Tenaga Nasional has signed five electricity supply agreements or ESAs for DC projects in Malaysia with a combined maximum electricity demand of 666MW in Q1'25 alone. Assuming a conservative power usage effectiveness ratio of 1.4, the maximum electricity demand of 666MW by DCs should translate to around 476MW of DC capacity, which could be worth RM9.5 billion in construction value (based on a RM20 million cost/MW benchmark).

Plenty of non-DC projects ahead. The final alignment for the elevated Automated Rapid Transit or ART system (estimated cost: RM6-7 billion) in Johor is expected to be announced in August, while the Public-Private Partnership Unit of the Government has initiated a request-for-proposal process for this project. The Johor state government has also submitted a list of

project. The Johor state government has also submitted a list of 18 proposed projects to the Highway Network Development Plan, which should be prioritised for approval. – *RHB Research, June 5*