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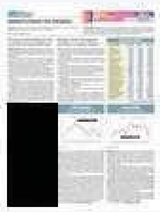
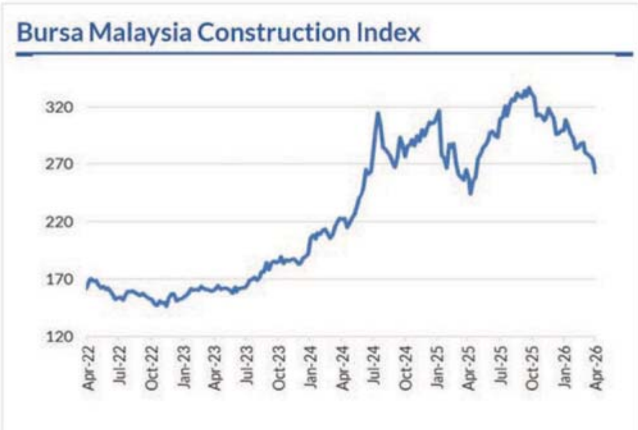


08 APR, 2026

Construction Overweight

The Sun, Malaysia

Construction
Overweight



Source: Bloomberg

THE US-Israel vs Iran conflict potentially poses risks in terms of higher energy prices, which implies that data centre (DC) operators may have to incur higher electricity costs in Malaysia. However, based on our preliminary analysis, we view that any rise in electricity costs in light of higher energy prices to still be manageable.

Using Tenaga Nasional's bill calculator, we found that the electricity bill for a 100MW DC with a 1.2 power usage effectiveness ratio may incur a monthly electricity bill that is 7% higher, based on the maximum Automatic Fuel Adjustment (AFA) surcharge of +3sen/kWh vs the latest AFA rebate of -0.47sen/kWh for April. In July 2025, when TNB transitioned into the new tariff structure, DCs were already expected to incur 10-15% higher electricity costs (before surcharges), so any potential rise similar or lower than this quantum is likely manageable. The AFA is capped at 3 sen per kWh — and anything exceeding this threshold will require Cabinet approval.

Costs to develop a DC in Malaysia are relatively affordable vs other markets. Referring to Cushman & Wakefield's APAC DC Construction Cost Guide 2026, Malaysia's mid-range DC construction costs of US$9.6 million per MW remains lower than that of Japan, Singapore, South Korea, Australia and Hong Kong – and only slightly more expensive than in New Zealand and Thailand. Even with risks of higher material costs amid potentially steeper material prices, we view that such risks may apply to other countries too as material prices are correlated with energy prices (i.e. oil price). – ***RHB Research, April 7***