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PETALING JAYA: The power infrastructure sector is expected to pick up momentum driven by strong project flows from Tenaga Nasional Bhd (TNB), accelerating data centre (DC) developments and the anticipated rollout of large-scale solar programmes.

Hong Leong Investment Bank (HLIB) Research said the coming quarters could mark a turning point for industry players, following a seasonally softer first quarter of the year.

“We expect a mixed first-quarter earnings season across the power infrastructure space, with quarter-on-quarter variability driven by project execution timing and seasonally lower productivity,” the research house said in a sector update.

“Our checks suggest mechanical and engineering (M&E) contractors lost five to 15 working days due to the Chinese New Year and pre-Hari Raya festivities,” it added.

Despite the short-term disruptions, HLIB Research said the fundamentals of the sector remained intact.

“We see limited impact from global trade tensions on domestically focused players, with sector fundamentals underpinned by a strong project pipeline from TNB, DCs and solar initiatives,” it explained.

While M&E contractors are likely to report softer sequential earnings, cable manufacturers are expected to fare better.

“Cable manufacturers are expected to post stable results, supported by comparatively lower production halts and steady conversion of order backlogs,” it said.

Tender momentum from TNB has remained robust in 2024, supported by the utility giant’s sizeable RM42.8bil capital expenditure commitment under Regulatory Period 4.

“The recently awarded TNB 1+1 low-tension cable contract – which we

estimate the total value at 67% higher than the 2022-2023 cycle, serves as a leading indicator of a strong project pipeline from TNB for upcoming years,” said HLIB Research.

MN Holdings Bhd, UUE Holdings Bhd and Jati Tinggi Group Bhd had been capturing a large share of the projects, while cable manufacturers like Southern Cable Group Bhd, OSK Holdings Bhd and Master Tech Group Bhd had secured sizeable orders of up to 280% compared with the previous cycle.

Meanwhile, the growing data centre segment continues to offer fertile ground for infrastructure-related works.

“Channel checks indicated no pullback thus far from the 5.9GW electricity supply agreement signed by TNB for DC operators, reinforcing our view that DC-driven power infrastructure momentum remains intact into 2025,” HLIB Research said.