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AUTHOR: No author available    SECTION: BIZHIVE WEEKLY    PAGE: B1    PRINTED SIZE: 342.00cm²
REGION: KL    MARKET: Malaysia    PHOTO: Full Color    ASR: MYR 4,664.00    ITEM ID: MY0062137060

# DC boom to ramp up in 2025 and continue benefitting several sectors

FOLLOWING the trend of 2024, one of the sectors that is most expected to thrive in 2025 would be the construction sector as its current private sector driven upcycle continues to maintain its growth momentum.

This growth momentum largely stems from the ongoing data centre (DC) boom as global big tech firms continue to participate in the current generative artificial intelligence (AI) rush.

According to Kenanga Research, global big tech firms' capex in 2025 are expected to continue ramping up even after a large jump in 2024 as they are rushing to stay ahead of competition.

This view is further supported by statements from tech giants such as Byte Dance who have publicly stated their intention to make Malaysia an AI hub, with additional investment potential of RM10 billion, while also bringing in a supply chain investment to the tune of another RM1 billion.

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looking to build AI campuses, of which one of the locations will be in Malaysia aside from India, Japan and Indonesia. Being a destination for AI DC is also in line with the government's plans," said the research arm in a sector report.

This bodes well for Malaysia who has continued to be a major beneficiary of high DC demand and gives confidence that Malaysia will be set for continued strong growth in 2025 in DC build-out and fit-out plays.

While some more cautious analysts believe that there is limited upside the sector due to lofty valuations as the KL Construction Index (KLCON)

has expanded to a one year forward PER of 18-times, two standard deviations (SD) above the sector's 10-year average of 13-times, there are some that believe there is still more room for growth.

In a sector report by the research team of AmInvestment Bank Bhd's (AmInvestment Bank), it was reported that the analyst is expecting mean valuation of the construction sector to end up settling at a higher level in the medium-term premised on a multi-year growth story.

"We believe data centre awards will dominate the private sector scene again based on current progress made within

this space with numerous arrangements currently being made in Selangor and Johor," said the analyst.

While the obvious sector to benefit from the DC boom is the construction sector, Kenanga Research also highlights that utilities, tech and telco sectors can also expect to be beneficiaries of the current boom.

Utility player like Tenaga Nasional Bhd (TNB) are expected to become long-term beneficiaries of the influx power-heavy DCs in the country, likewise major telcos like Telekom Malaysia Bhd (TM) would also benefit from the increased demand for high-bandwidth connectivity needed to support growing data centre infrastructure and cloud technology.

Meanwhile, tech players like Nationgate Holdings Bhd (Nationgate) and PIE Industrial Bhd (PIE) which generally have high exposure to the DC segment will continue to see robust growth in demand for AI servers for Nationgate and switches for PIE.



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