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MEP firms to benefit from data centre boom

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MALAYSIA'S data centre build-out is only getting started. Capital is circling, contractors are scaling up and investors are hunting for the next leg of growth.

In the thick of this transformation, the country's capital markets are scrambling to understand where the real money is made. According to JP Morgan, Malaysia's mechanical, electrical and plumbing (MEP) ecosystem is emerging as the most powerful second-order beneficiary of the data centre boom.

"Malaysia's MEP has emerged as one of Malaysia's hottest themes since the data centre boom, with market caps compounding nearly three times from 2024 to late-2025, and many MEP-linked stocks already more than doubling," it says.

JP Morgan argues that despite the spectacular share-price gains already recorded, MEP is still seen as an underappreciated second-layer beneficiary with meaningful upside ahead.

That thesis is resonating across Bursa Malaysia, where the moderation in headline data centre valuations is prompting fund managers to look downstream for companies with operating leverage and visibility over the next multiyear investment cycle.

Power is ready

JP Morgan notes that, despite the intense hype, power usage within newly completed data centres remains modest.

It points out that while data centre utilisation is low at around 17%, a large portion of the enabling infrastructure (such as grid supply) is already in place.

Put simply, the national grid may be ready, but the buildings, systems and internal technical packages that actually switch these facilities on are the pieces still catching up.

The brokerage states that the bottleneck now sits in core and shell and MEP packages still under construction or pending award, creating re-rating catalysts. The queue is long and growing.

In a recent report, JP Morgan writes that the difference between power infrastructure being finished and the server halls being energised reveals the true runway.

"The wide gap between grid readiness and actual load-up underscores the significant pipeline of MEP works still under-

way," it highlights.

And the deal-flow looks durable rather than fleeting.

"As the 3.5GW of grid-ready capacity gradually converts into fully energised halls, we expect sustained job flow and steady revenue recognition for MEP contractors over the next 12-18 months," JP Morgan says.

A huge pot of addressable money

The scale is eye-catching. Based on prevailing contract values per MW, JP Morgan estimates that RM15mil per MW for MEP would result in total addressable market of about RM43bil over five years.

That is one of the largest forward industrial opportunity sets in Malaysia's capital markets today – and crucially, unlike export cycles or commodity booms, most of it is addressed domestically.

The brokerage's report emphasises that MEP works form the technical core of the value chain, sitting between the civil works and the high-margin information technology equipment supplied by global tech giants.

"Local MEP players are most competitive in electrical works and equipment supply – by far

the largest and most technical portion of the scope," it notes.

The effect on listings has already begun.

"This has attracted newly listed companies positioning for engineering, procurement, construction and commissioning (EPCC) and equipment-supply opportunities," it says.

Shifting competitive dynamic

Not everything is rosy. Competitive pressure is rising sharply as tech deployment becomes more regionally integrated.

JP Morgan expects regional electrical original equipment manufacturers are moving up the value chain into full MEP integration – Teco Electric & Machinery Co Ltd being a prime example.

That movement is a structural headwind for smaller firms that have neither track record nor balance sheet strength.

The brokerage warns that "margins for smaller firms may compress" even as volumes rise.

Scale is becoming a pre-condition for survival, not a luxury.

JP Morgan flags that industry

■ The mechanical, electrical and plumbing ecosystem is emerging as the strongest second-order beneficiary of the data centre boom

■ JP Morgan is 'overweight' on power-heavy and integration-heavy names across Malaysia and the region, including Gamuda, Teco, NationGate and Delta Electronics

structure is changing too, stating that it also expects MEP packages to consolidate from around five scopes into two to three large turnkey bundles.

That scenario consolidates negotiating power with the biggest EPCC-capable players – and nudges weaker firms toward alliances, specialisation or exits.

Next investment flows

Institutional investors are also digesting a crucial structural distinction: not all "completed" MW are equal. The report argues that the Malaysian market has misunderstood the terminology used by the national utility.

"While Tenaga Nasional Bhd cites 3.5GW of data centre projects as 'completed', we believe this largely reflects grid-level readiness rather than full data hall energisation," JP Morgan says.

The result is a wave of imminent contract awards across the full internal power chain.

JP Morgan observes the gap between grid-readiness and actual load highlights a healthy runway of MEP works yet to be executed.

As a roadmap for fund managers, the brokerage highlights sequential award momentum flowing down the power-voltage ladder, which they say confirms that ramp-up is re-accelerating after a temporary pause in early 2025.

Who stands to benefit most?

The brokerage is explicit about sector positioning: it is "overweight" on power-heavy and integration-heavy names across Malaysia and the region.

"We are 'overweight' on Gamuda Bhd, Teco, NationGate Holdings Bhd and Delta Electronics (Thailand)," it says.

Investors, however, should take note how fragmented the value chain remains.

Mechanical works are still dominated by regional specialists while the electrical segment remains heavily localised and procurement-intensive.

Plumbing, in comparison, plays a minor economic role and is usually done in-house.

Still, in capital-market terms, the real juice lies in the electrical portion. It is the biggest, most margin-rich, and most scalable sub-segment – particularly as multicampus operators standardise processes and equipment.

Malaysia's data centre surge is no longer merely a build phase – it is becoming a multiyear industrial cycle with compounding subcontract value and a runway of execution risk, not demand risk.

For investors, the pivot is subtle: the new winners are not necessarily the landowners or even the first wave of developers, but the firms monetising the technical backbone of power, cooling and protection.

In JP Morgan's view, the MEP stage essentially brings the data centres to life, transforming the empty structure into a functioning, high availability facility that meets tier-standard reliability and efficiency requirements.

That is where the next set of market leaders will be found – and where Malaysia's capital markets may discover their next multiyear growth engine.

