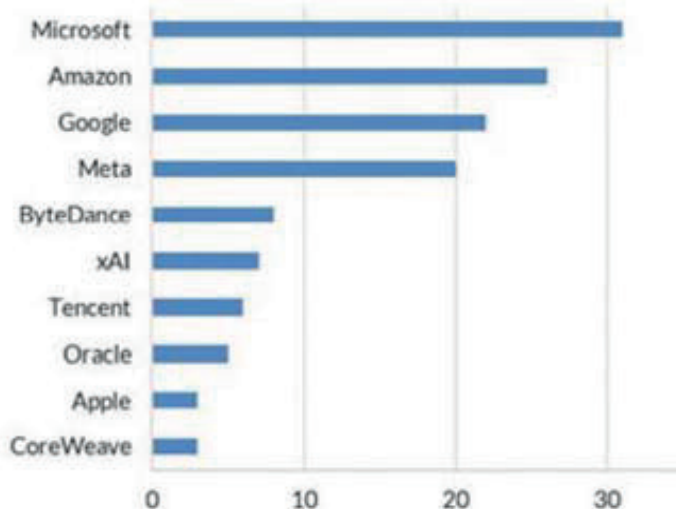


## Construction Overweight

Spending for AI DC on servers in 2024 (USDbn)



Source: Omdia

**CLAIMS** by DeepSeek's large language model costing just US\$5.6 million to train – a fraction of the billion-dollar investments that US companies have made – may reduce the need for data centres (DCs) in the future. However, we envisage DeepSeek's advancement could, in contrast, catalyse the DC industry as a whole, if its claim is proven to be true.

With tech giants staying put on AI investments, we think Gamuda and Sunway Construction's DC orderbook and tenderbook will not face substantial scale-downs, as most of their clients are MNCs from Tier-1 countries (the US, the UK, Netherlands) that are eligible for the universal validated end-user status. If AI adoption continues growing amid democratisation, it may also bode well for contractors aiming to build DCs (eg Kerjaya Prospek), with more DC providers potentially coming to Malaysia and providing more jobs for contractors.

Malaysia remains a magnet for DC investments due to its cost competitiveness in land, labour, electricity and proximity to Singapore. As AI-enabled services may increase in the long run amid better affordability and efficiency, demand for underlying infrastructure is expected to grow in tandem. Hence, DC investments may continue coming on the assumption that Jevons paradox materialises in light of potential AI democratisation. – **RHB Research, Feb 3**