

AI Chip Curbs Won't Impact DC Builders In Construction Sector, Says Analyst

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RHB Investment Bank Bhd (RHB Research) has maintained an **OVERWEIGHT** rating on the construction sector, highlighting its positive outlook on data centre (DC) contractors such as Gamuda Bhd, Kerjaya Prospek Group Bhd and Sunway Construction Group Bhd (SunCon). The research house said the impact of the US's new restrictions on artificial intelligence (AI) chip exports to countries like Malaysia will have a limited effect on these contractors.

The research house pointed out that the majority of DC clients for these companies are from Tier-1 countries, which would be eligible to apply for the Universal Validated End User (UVEU) programme, facilitating the import of larger quantities of AI chips into Tier-2 countries such as Malaysia.

RHB Research revealed that UVEUs would be able to seamlessly obtain licences to import graphic processing units into Tier-2 countries, as long as they meet specific requirements, including a cap on the controlled compute within these countries. The house noted that non-compliance with UVEU conditions is unlikely to be an issue for DC providers from Tier-1 countries. Furthermore, DC capacity in Tier-2 countries, including Malaysia, is expected to remain below the 25% threshold of global DC capacity in Tier-1 countries, reducing potential risks to the sector.

The report also highlighted that the US and Europe account for 68% of global DC capacity, with Asia Pacific (excluding Japan and South Korea) contributing only 10%. With major US tech giants, such as Google LLC, Microsoft Corp and Amazon Web Services, accounting for around 60% of global hyperscale DC capacity, including significant investments in Malaysia, RHB Research believed that Malaysia will continue to attract investments from Tier-1 countries. This trend is expected to sustain the positive outlook for DC builders in the region, despite the AI chip export restrictions.