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Malaysia: The Picks-and-Shovels Play

Why the next wave of European industrial acquisitions in Malaysia will not be in the data centres themselves, but in the power and engineering capacity that makes them run.

A cross-border M&A perspective
Franck da Silva, Founder & Managing Partner
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THE CONSENSUS TRADE IS CROWDED

Everyone is buying the data centre. Few are buying what keeps it alive.

Malaysia has become the most discussed digital-infrastructure market in Southeast Asia, and for good reason. Over two-thirds of the data-centre capacity under construction across the region's five largest economies is committed to Malaysia. Hyperscalers have underwritten that ambition with capital: Google has pledged around US$2 billion for its first Malaysian data centre and cloud region, and Microsoft a further US$2.2 billion over 2024 to 2028. Taken together, announced commitments in the country run to tens of billions of dollars.

That capital has drawn a predictable crowd. Global funds and platform operators are competing for the assets themselves: the KKR-Singtel acquisition of STT GDC, structured first as a 2024 minority entry and completed in 2026 at an enterprise value of S$13.8 billion, is the archetype. These are landmark transactions. They are also, for the vast majority of European industrial groups, entirely out of reach, and beside the point. A € 9.5 billion electrical-equipment champion does not need to own a colocation campus. It needs to supply one, profitably, at scale, and before its competitors do.

This is where the consensus narrative misleads. The visible trade is the data centre. The durable opportunity for industrial acquirers sits one layer beneath it, in the components and engineering capability that every one of those campuses must procure locally, and that Malaysia cannot yet supply at the depth the build-out requires.

US$20B+
Announced data-centre and cloud capex across SEA, the bulk directed to Malaysia

7,500MW
Data-centre project pipeline disclosed by the national utility in 2025

850MW
Actual live load drawn to date; the gap is the build-out still to come

Sources: Asia Society Policy Institute (Jan 2026); ARC Group, "Southeast Asia Data Centre M&A in 2026" (Mar 2026); Tenaga Nasional / Kenanga disclosures (2025 to 2026). Figures are public estimates and may be revised.

THE REAL BOTTLENECK

Demand is not the constraint. The ability to deliver power is.

The single most revealing figure in the Malaysian market is not a capex pledge. It is the distance between a 7,500 MW disclosed project pipeline and roughly 850 MW of live load. That gap is not a demand problem; demand is abundant. It is a delivery problem, and delivery runs through the physical power chain: medium- and low-voltage distribution, switchgear, power protection, busways, cooling, and the local engineering hands to install, commission and maintain all of it.

Three structural pressures make that chain the binding constraint.

A grid in transition

Around 6,400 MW of coal-fired generation is scheduled to retire between 2029 and 2031, even as AI workloads push rack densities and power draw sharply higher. New load must be connected faster than legacy capacity is removed, a sequencing challenge that rewards whoever controls the equipment and engineering at the point of connection.

Rising cost of power

Data-centre electricity tariffs introduced in July 2025 are estimated to raise energy costs by 10 to 14%, with the largest facilities (above 100 MW) placed in the highest tariff band. Efficiency in the power chain stops being a preference and becomes an economic necessity.

A supply chain still maturing

Global vendors (Schneider, ABB, Vertiv, Eaton) dominate switchgear and UPS, while local engineering houses form joint ventures with international makers to satisfy localisation rules and capture after-sales revenue. The local layer is real, fragmented, and acquirable.

Each pressure points to the same conclusion. The constraint on Malaysia’s digital build-out is not capital, and it is not demand. It is the physical and human capacity to deliver power at the point of use, the one input the market cannot yet supply at the depth the build-out requires.

THE PICKS-AND-SHOVELS THESIS

Supplying the build-out, not competing for it.

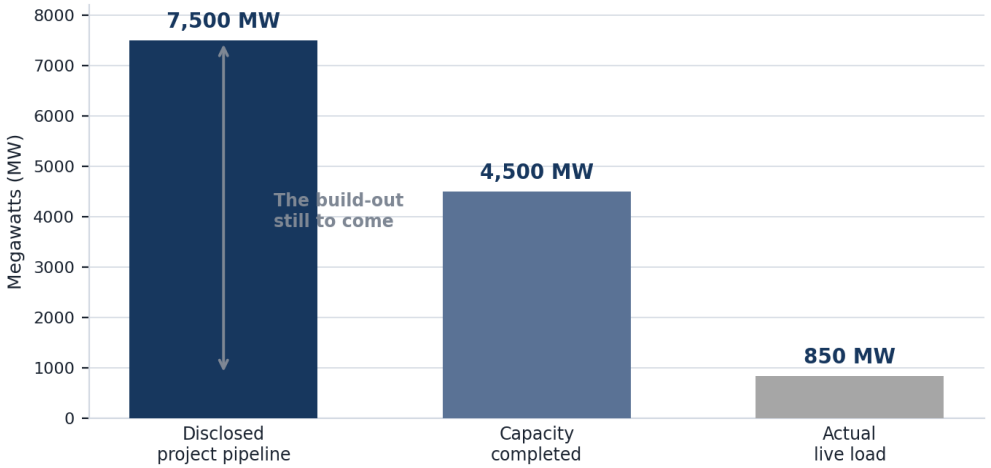

Exhibit 1. Malaysia data-centre capacity: disclosed pipeline versus completed capacity versus actual live load (MW). The gap between pipeline and live load is the build-out still to be delivered. Source: Tenaga Nasional / Kenanga disclosures (2025 to 2026); figures are public estimates.

The investment logic is the oldest one in a gold rush: when the value of an asset depends on a scarce input, the surer return lies in supplying the input rather than competing for the asset. In Malaysia's case, the scarce input is delivered power and the capability to engineer it. The acquisition targets are the mid-sized local specialists in power protection, distribution, switchgear integration and electrical engineering services that sit between the global equipment majors and the campuses being built.

The logic is not theoretical. Ænon has advised one such transaction through to completion.

THE PROOF POINT

Legrand acquires SRS Power Engineering (Malaysia)

Ænon advised Legrand, a global specialist in electrical and digital building infrastructures, € 9.5 billion in 2025 revenue, listed on Euronext Paris, in its acquisition of SRS Power Engineering, a Selangor-based specialist in low- and medium-voltage power protection solutions primarily serving datacenters and industry. SRS employs more than 280 people and generates roughly € 90 million in annual revenue.

It was Legrand's second acquisition in Malaysia, following Linkk Busway Systems in 2025, together enabling a full local critical-power offering for datacenters.

The pattern is repeatable because the underlying need is structural, not cyclical. Every megawatt that moves from the pipeline into live load requires protection, distribution and engineering that the market cannot yet supply at depth. A European acquirer that secures a credible local platform today is buying capacity, relationships and recurring service revenue ahead of a build-out that has barely begun. That is the picks-and-shovels play.

THE STRUCTURING LAYER

Localisation rules are reshaping how these deals must be built.

A sound thesis still has to be structured against the rules that govern it. Three regulatory currents now shape how a European acquirer should approach a Malaysian power-chain target, and each rewards advisors who understand the corridor in both directions.

Localisation as a deal driver, not a deal cost

Malaysia is deliberately steering its electrical-and-electronics base, which secured RM28.5 billion in approved investment in 2025, up the value chain, from assembly and test toward design and advanced manufacturing. Localisation requirements increasingly push global majors into joint ventures with local engineering houses. For an acquirer, that same dynamic turns a well-positioned local specialist from a vendor into a strategic entry point: ownership, rather than partnership, secures the localisation credential outright.

Geopolitics in the supply chain

Malaysia's ambition to act as a neutral node in the global semiconductor and digital-infrastructure chain is being tested by external alignment pressures, including a US-Malaysia trade arrangement that carries implications for export compliance. For European buyers, this is an argument for, not against, building owned capability inside the country: local control reduces exposure to the frictions that intermediated arrangements increasingly carry.

Sequencing and entry structure

Across the region, structured entry, with minority stakes or joint ventures and a defined path to control, has become a common pathway into digital-infrastructure assets. The same toolkit applies to the power-chain layer. The choice between outright acquisition and staged entry is rarely obvious; it is precisely the judgement an experienced cross-border advisor is retained to provide.

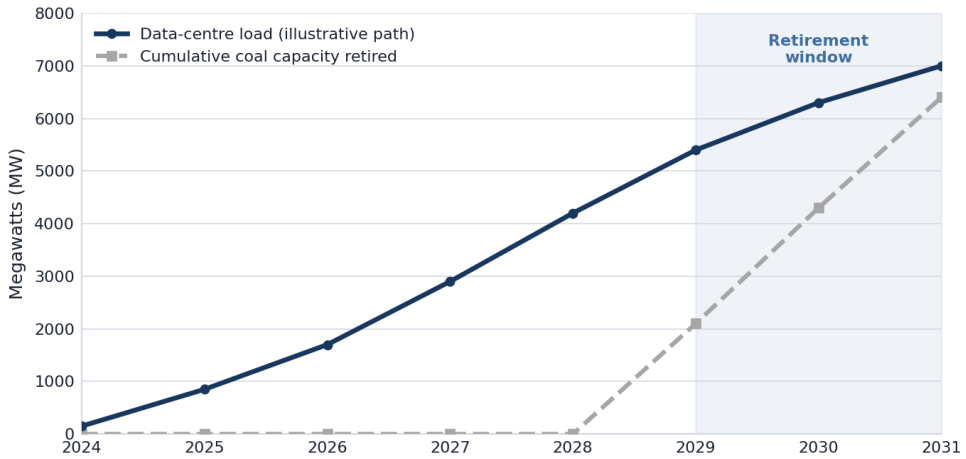

Exhibit 2. The sequencing challenge: rising data-centre demand against the scheduled retirement of around 6,400 MW of coal capacity (2029 to 2031). Load path illustrative; anchor points sourced from public disclosures. Source: Tenaga Nasional; Asia Society Policy Institute (2026).

“The state-level signals, namely capex pledges, trade agreements and tariff regimes, set the direction. Translating them into a closed transaction still depends on deep, local execution.”

IMPLICATIONS FOR ACQUIRERS

Where to look, and what to ask.

For a European industrial group weighing a move into Malaysia, the conclusion of this analysis is specific. The contested, fully-priced opportunity is the data-centre asset. The under-served, defensible opportunity is the capability that brings it online: power protection, distribution, switchgear integration and the engineering services around them. The targets are mid-sized, often founder-owned, and rarely on the market, which is exactly why they must be sourced, not waited for.

01 **Buy the input, not the asset.**
The durable margin sits in the scarce input, delivered power and the capability to engineer it, not in the campus competing for that input.

02 **Move ahead of the load curve.**
With live load far below the disclosed pipeline, securing a platform now means buying capacity and relationships before demand fully arrives.

03 **Treat localisation as leverage.**
Owning a local specialist converts a regulatory requirement into a competitive credential competitors must still negotiate for.

04 **Source off-market, structure deliberately.**
These targets are not advertised. Origination and the right entry structure, outright or staged, decides the outcome.

Sources consulted (public, 2025 to 2026): Asia Society Policy Institute; ARC Group; Tenaga Nasional Berhad and Kenanga research; Alvarez & Marsal (Malaysia Budget 2026); SEMI / MIDA; Mordor Intelligence; Industrial Info Resources. Transaction detail per Ænon and Legrand public announcements. Market figures are third-party estimates and may be revised. This document is for information only and does not constitute investment, legal or tax advice.

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