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£497.4
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Powering the Digital Future: SUNeVision – Hong Kong's Data Centre Leader

May 2025

Rising demand for data storage and cloud services is fuelling strong growth in Asia's data centre market. SUNeVision, Hong Kong's leading operator, is well positioned to play a key role in supporting the region's growth in digital interconnectivity, cloud services and AI driven applications.

Thanks to its location, Hong Kong acts as a bridge between mainland China and global markets of North America, Japan and ASEAN, offering lower connectivity costs with lower latency due to being a key global hub for undersea cable connections. Demand for data centre services in Hong Kong is expected to grow at 13.4% per annum from 2024 to 2029¹. One of UEM's top holdings, SUNeVision, is well positioned to benefit from this digital infra megatrend, due to its growing portfolio of premium data centres and cable landing station assets.

Currently, SUNeVision operates 2 cable landing stations and 8 data centres with 2.3 million square feet, which represents a 33% market share in Hong Kong by gross floor area ("GFA"). It primarily operates through its MEGA Campus brands (including MEGA-i, MEGA Plus, MEGA Two, MEGA Fanling, MEGA Gateway and MEGA IDC), which serve different markets and price points. In 2023, its flagship 33-storey MEGA-i data centre on Hong Kong Island was recognised as the most carrier-dense co-location site in the world, according to TeleGeography².

When fully completed, SUNeVision's 180+MW / 1.2m sq ft Mega IDC in the New Territories will be the largest data centre in Hong Kong by power capacity and is targeted at hyperscale customers, such as Chinese and US cloud and technology companies. The first 50MW phase of this mammoth data centre (Mega IDC Phase I) was completed in 2024 and the first customers are now configuring their leased space and moving their IT equipment into the building. In March, construction of Mega Phase II commenced. This will provide an additional 65MW of capacity and is expected to be ready for its first customers to move in by early 2027. SUNeVision currently expects that this will coincide with Phase I nearing full capacity. It is also expected that the full project will be completed by the end of the decade.



Source: SUNeVision - Mega IDC, New Territories

SUNeVision has a balanced customer portfolio, hosting IT equipment and providing interconnectivity services between enterprises, international telecoms network and IT service companies, and leading cloud and technology companies from both China and the rest of the world.

The majority of its revenues are generated from large cloud and technology firms (hyperscalers), with more revenues currently coming from international groups than mainland Chinese companies.

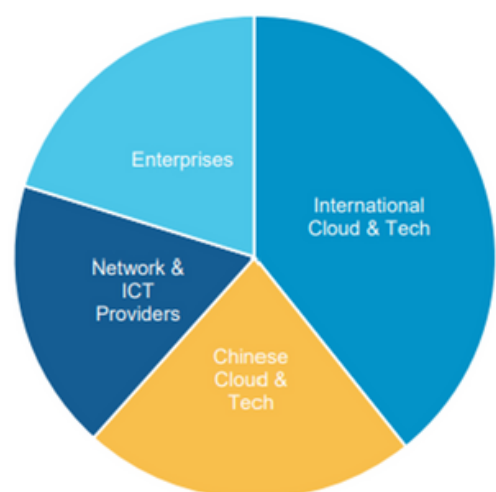
A recent trend has been for the hyperscalers to demand higher density loads in SUNeVision's data centres – currently they operate with density of up to 20kW per rack but are now requesting to double their current level to 40kW per rack, driven by more processing intensive AI inference applications. The Mega-i data centre has been designed (and power connections secured) with these demands in mind, and the existing data centre portfolio is also being selectively upgraded to keep up with the technological demands of its customer base.

Chinese cloud providers are also accelerating their overseas expansion, with SUNeVision having won multiple deals from Chinese players recently and management are seeing a much stronger appetite for Chinese companies to invest in AI and cloud capacity than before. This seems very much in line with current Chinese government support for the technology industry to compete internationally, with President Xi indicating his willingness by realigning himself with China's tech leaders at a symposium he chaired in Beijing in February.

As a subsidiary of Sun Hung Kai Properties, one of Hong Kong's largest property developers, SUNeVision has the backing of strong financial resources – their parent finances much of SUNeVision's debt, although SUNeVision primarily owns its own property on long-term land leases from the Hong Kong Government and only leases one of its data centre buildings from its parent.

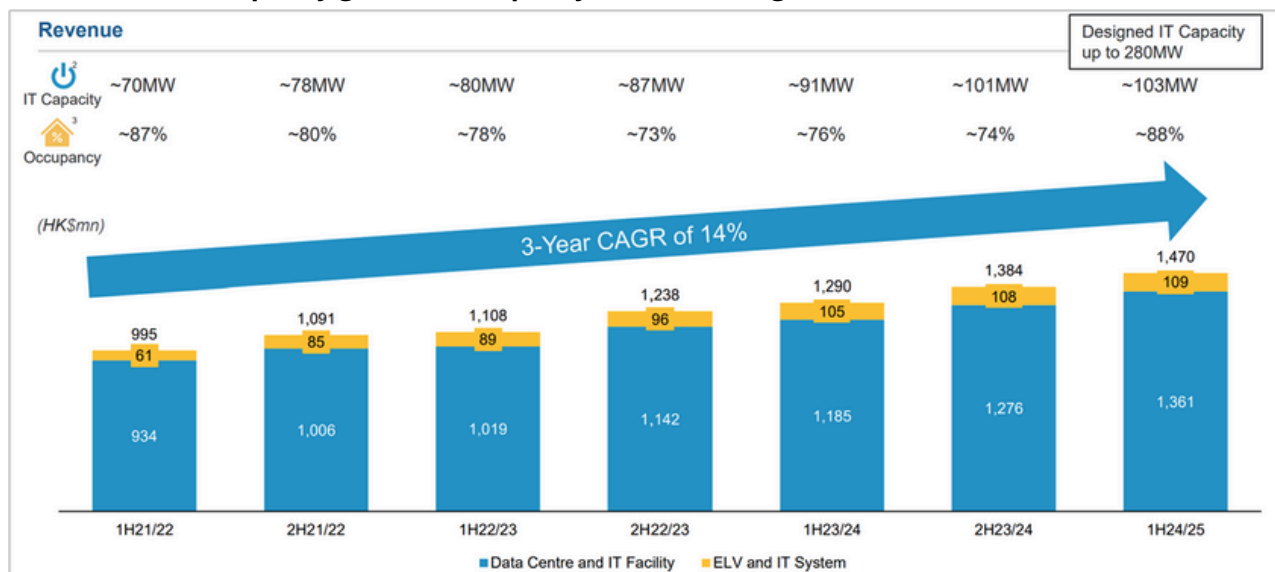
SUNeVision has been steadily expanding its installed IT capacity, which reached 103MW³ by the end of 2024 with the occupancy rate ramping up to 88%. This equates to a 3-year CAGR of 14%, and is also 31.1% higher than December 2023, with 21.5MW of utilised capacity added in the 12 months to December 2024. SUNeVision has a roadmap (and land bank) to take their capacity to ~280MW over the next few years, with incremental capacity primarily coming from Mega IDC.

Customer mix - December, 2024



Source: SUNeVision's 1HFY25 results presentation

SUNeVision's IT capacity growth, occupancy and revenue growth



Source: SUNeVision 1H FY24/25 Interim Results Presentation⁴

SUNeVision's total revenue in FY24 (financial year ending June 2024) rose by 14% year-over-year to HK\$2.67 billion (US\$345 million), primarily driven by contribution from new sites, whilst also helped by price increases on higher power density for existing data centres. The same growth pace was maintained for H1 FY25 and should broadly continue. This has led to SUNeVision being able to maintain healthy EBITDA margins of 65% plus over the past five years, highlighting its operational efficiency and pricing power in the market, although margins are temporarily impacted when new capacity comes online, with fixed operational costs and depreciation incurred ahead of customers fully utilising the new space. However, operational leverage benefits are then seen as utilisation increases.

Despite its consistent revenue and EBITDA growth, SUNeVision's share price has not followed the same path - it was negatively impacted between 2021 and early 2024 due its heavy capex programme which increased gearing at a time of rising interest rates and caused the company to trim dividends. General poor market sentiment resulting in weakness in Hong Kong listed stocks also had an impact on price. Having followed SUNeVision for many years, UEM has considered its valuation too expensive, however the significant drop in share price created an interesting opportunity for UEM, as a long-term investor to build a stake in the company at a reasonable price.

Since February, the breakthrough of the Chinese AI company, DeepSeek, in developing highly efficient large language model at only a fraction of the costs that the US firms typically incur, has been a key catalyst in driving renewed investor confidence and contributed materially to the promising outlook for growth from AI-related investments. Combined with strong demand for the new capacity now coming online as mentioned earlier, this has led to a significant share price re-rating over recent months. The stock was the strongest performer in UEM's portfolio in the year to 31st March 2025 gaining 168.6%.

SUNeVision is a high-quality, high-growth digital infrastructure player that aligns well with UEM's investment strategy. Its resilient business model provides recurring revenue from data centre contracts, as well as offering direct exposure to digital services growth in Hong Kong, the leading data centre hub in Asia. With a dominant position in a growing data centre market as well as improving financials and the prospect of deleveraging its balance sheet, SUNeVision remains a compelling equity investment in the digital infrastructure space for UEM.

Gillian Zhao

6 May, 2025

Source Data: ICM Limited. All references are from the company's FY24 Annual Report and historic results presentations, retrieved from <https://www.sunevision.com/index.php/for-investors/annual-interim-reports> unless otherwise specified.

[1] Mordor Intelligence: Hong Kong Data Centre Market (2017 – 2029). Retrieved from <https://www.sunevision.com/index.php/resources>

[2] TeleGeography: The State of the Network 2023. Retrieved from <https://www.sunevision.com/index.php/resources>

[3] Installed IT capacity in MW to power capacity of all data halls fitted out in megawatt (MW)

[4] SUNeVision 1H FY24/25 Interim Results Presentation. Note 2: Installed IT capacity in MW as at end of financial period refers to power capacity of all data halls fitted out in megawatt (MW); Note 3: IT capacity occupied in percentage as at end of financial period.

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