Special Report

Saudi Arabia’s Data Center Investment Opportunity

aranca

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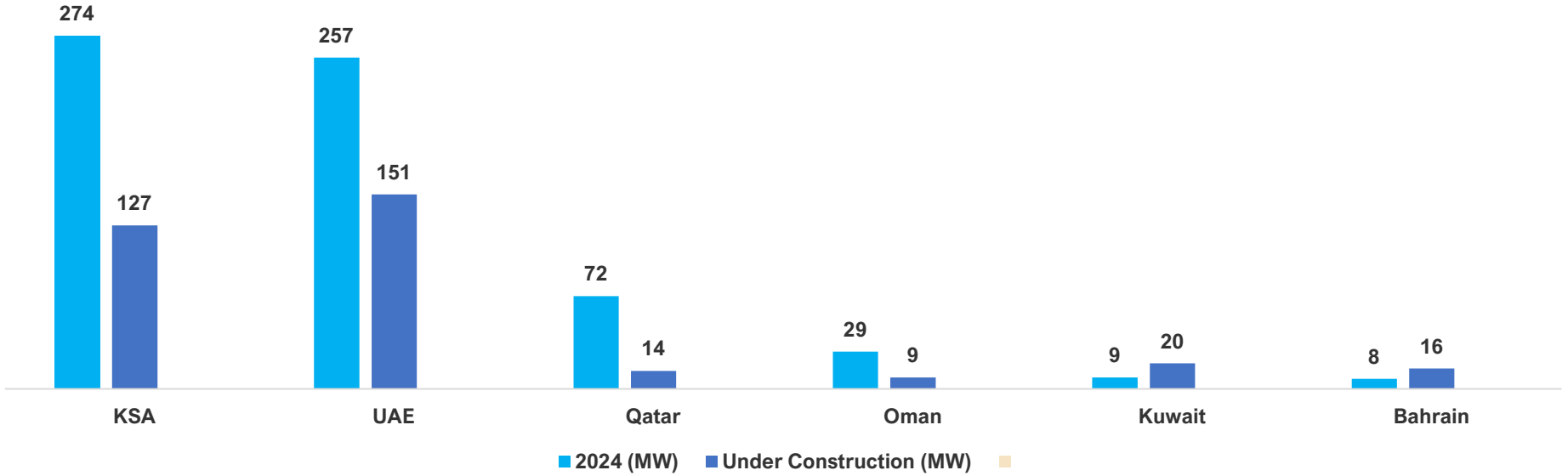
Saudi Arabia is Leading the GCC's Data Centre Infrastructure Build-Out

- Data centers have become core infrastructure for the modern digital ecosystem. They have recorded strong growth due to a surge in cloud computing and AI, increased demand for information storage, and substantial investments by global hyperscalers and regional players.
- GCC countries are investing heavily in data center infrastructure as part of the broader economic diversification and digital sovereignty strategy. The current installed data center capacity in 2025 across the GCC is expected to be ~1 GW.
- Saudi Arabia is the clear leader, accounting for the largest share of installed capacity and a growing pipeline in the region, underpinned by strong policy backing, and hyperscaler-led investments.

GCC Data Center Capacity (MW in 2024 & Under Construction)

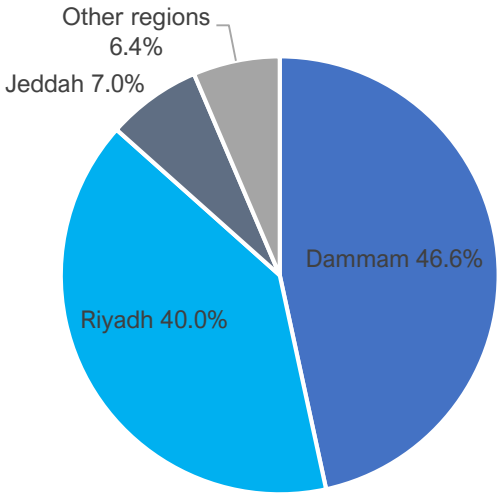


Source: *Gulf Data Centre Association (May 2025)*

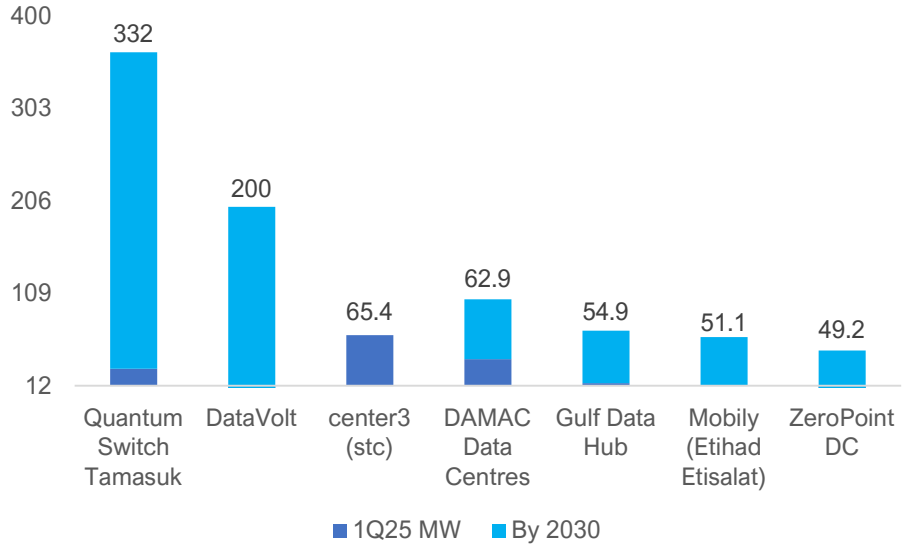
Saudi Arabia's Data Center Expansion is Concentrated and Policy-Led

- **The Saudi data center capacity is highly concentrated.** The Eastern Province (Dammam/Khobar ~46.6%), which serves industrial demand and Gulf connectivity and Riyadh (~40%), is anchored by government and enterprise workloads. Jeddah (~7%) plays the Red Sea cable gateway/content node, with incremental capacity emerging in NEOM.
- **Policy support is a key driver of long-term scale.** Under the National Data Center Strategy, Saudi Arabia has outlined plans to expand data center capacity to ~1.5 GW by 2030, positioning digital infrastructure as a core pillar of the Kingdom's Vision 2030 agenda, with over USD 18bn of targeted investment.
- **Planned capacity additions through 2030 is driven by a small number of large-scale operators**, led by Quantum Switch (Tamasuk) and DataVolt, while other operators scale more gradually.

Dammam and Riyadh lead KSA's data center market



KSA Data Center IT Capacity by Operator (MW 1Q25 – 2030)



Source: *Source: S&P Global Market Intelligence (Dec 2025), Bloomberg, Aranca Research*

Fundamental Demand Drivers Supporting KSA Data Center Scale

Key Drivers

Regulatory Tailwinds

- The Saudi government is actively driving data center growth through MCIT's KSA Cloud First Policy, the National Data Center Strategy (targeting up to ~1.5 GW by 2030), CST Cloud Computing SEZ incentives, PDPL data-transfer rules, and NCA cloud cybersecurity controls, all of which encourage local data hosting.

Electricity Infrastructure and Cost Advantage

- Saudi's high energy capacity (~400 TWh produced in 2024 vs. ~490 TWh installed capacity) and position in natural gas (with renewables scaling) gives it a cost and build-out edge.
- Electricity tariffs of ~USD 0.05–0.06/kWh are materially below the US average (~USD 0.09–0.15/kWh), particularly supportive for energy-intensive AI workloads and cooling requirements.

Availability and Affordability of Land

- Land costs in the KSA are significantly lower than in major global hubs. Industrial land in Saudi costs USD 10-50 per sq.m compared to USD 150-600 per sq.m in in hubs like Northern Virginia. The advantage makes it feasible for operators to build and scale facilities.
- The KSA offers greater availability of suitably zoned land and government-led planning, reducing complexity and timelines

AI and Cloud Expansion

- Hyperscalers (AWS, Microsoft, Oracle, SAP, Alibaba Cloud) are expanding cloud regions in the KSA, while GPU-backed AI factory campuses (e.g., PIF-backed Humain with NVIDIA /AWS) are driving high-density capacity and localized compute demand.
- This attracts users who want to collocate near these cloud platforms, creating a multiplier effect by further increasing the demand for data center capacity.

Regional Connectivity

- Connectivity upgrades are enabling scale through new international subsea cable landings in the Red Sea and Persian Gulf, expanded terrestrial fiber, and growing internet exchanges. With added route diversity reducing latency and outage risk, the KSA is well-positioned as a regional hub for cloud and content.

Favorable Diplomatic Ties

- Strong economic and diplomatic relationships support access to critical data center equipment (AI chips, cooling systems, power infrastructure) and supply-chain stability
- Diplomatic ties also helps Saudi expand the addressable market (allies slow on data center off-take)

Source: *Source: S&P Global Market Intelligence (Dec 2025)*

Constraints: Key threats that can hamper the growth of data centers in the KSA

ENVIRONMENTAL & COOLING

~15BN LITERS CONSUMED (2024)

Arid Climate Constraints: High ambient temperatures drive massive water consumption for cooling. With capacity expanding, current usage levels are unsustainable.

Investment Impact: To attract FDI, operators must adopt water-efficient technologies (e.g., closed-loop, immersion cooling) to align with strict global ESG mandates.

TALENT AVAILABILITY

HIGH EXPATS RELIANCE

Specialized Skills Gap: Hyperscale facilities require niche expertise—specialized electrical engineers, cooling experts, and Uptime-critical ops teams—currently scarce in the local market.

Operational Risk: The developing local talent pool necessitates heavy reliance on expatriates and international system integrators, increasing overhead and complexity.

EXECUTION & SUPPLY CHAIN

LEAD TIME DELAYS

Infrastructure Strain: Scaling multiple campuses simultaneously is straining contractor capacity. Long-lead items (transformers, chillers, switchgear) are slipping delivery dates.

AI Build Bottlenecks: Liquid-cooling components and high-density gear are globally constrained, directly delaying revenue recognition for AI-ready halls.

GEOPOLITICS & REGULATION

EXPORT CONTROL RISKS

GPU Access: AI-driven growth depends on advanced chips (e.g., H100s). Approvals are often conditional and subject to strict usage monitoring.

Policy Sensitivity: Tightening export policies or compliance hurdles could stall planned capacity, slowing absorption rates and hindering national AI goals.

Which Companies Are Most Exposed?

Companies that stand to gain from the data center revolution in the KSA

Company Name	Sector	Relevance	3-yr Revenue CAGR	EV/ EBITDA Adj (TTM)
Al Hassan Ghazi Ibrahim Shaker Company	HVAC & Appliances	Supplies AC systems, chillers & parts; Data Centres (DC) require continuous cooling upgrades, retrofits & maintenance.	10.5%	15.9x
Electrical Industries Company	Electrical Equipment	Provides switchgear, power distribution & electrical systems critical for DC power redundancy.	24.2%	23.8x
Saudi Cable Company	Cables & Wires	Supplies high- & medium-voltage power cables & telecom cables required for DC campuses.	13.3%	NM
Middle East Specialized Cables Company	Cables & Wires	Benefits from demand for specialized power & fiber-optic cabling within DC facilities.	12.5%	7.3x
Saudi Electricity Company	Utilities	Supplies bulk electricity, grid connections & transmission capacity for large DC campuses.	11.7%	12.2x
ACWA Power	Power Generation	Provides generation capacity & IPP solutions that support incremental power needs from large DCs.	4.6%	49.8x
Saudi Telecom Company	Telecom	Operates fiber networks & DC infra; benefits from colocation, cloud, & connectivity demand.	20.2%	9.3x
Etihad Etisalat Company	Telecom	Expands fiber, backbone connectivity & enterprise service required by DC operators & cloud providers.	6.8%	7.9x
Mobile Telecommunication Company Saudi Arabia	Telecom	Gains from demand for high-capacity connectivity & enterprise data services linked to DC.	5.9%	5.6x
Arabian Internet and Communications Services Co.	IT Services & System Integration	Provides cloud, managed services, systems integration & DC related IT infra.	20.5%	13.2x

Price as of February 1, 2026

Source: *Bloomberg, Aranca Research*

2500+
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500+
Strong, professional team across multi-disciplinary domains

120+
Sectors and sub-sectors researched by our analysis

80+
Countries where we have delivered projects

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