# Nextdc's stock soars 80% amid growing data centre demand



Nextdc Ltd (ASX: NXT), an Australian data centre service provider, has experienced a remarkable surge of approximately 80% in its stock value since November 2022, making it one of the most highly regarded shares on the ASX. Analysts have shown a predominantly positive outlook towards the company, as indicated by nine buy ratings against one sell rating in assessments compiled by FactSet. However, recent developments related to DeepSeek, a Chinese AI company, have introduced some uncertainty, resulting in a 6% decline in stock price.

Nextdc positions itself as Asia's foremost data centre-as-a-service provider, aiming to create an infrastructure platform that supports the burgeoning digital economy. The company highlights its role in delivering essential power, security, and connectivity for global cloud computing providers, as well as for enterprises and government agencies. It has become an essential partner for clients seeking to establish complex hybrid cloud networks and to scale their IT infrastructure services.

The demand for data centres, particularly in Australia, is on the rise, driven by trends such as cloud computing and advancements in artificial intelligence. Major tech firms like Alphabet (Google), Microsoft, and Amazon play a pivotal role in this demand. According to a report by CBRE, AWS is set to invest an impressive $13.2 billion in Australian cloud infrastructure from 2023 to 2027, with Microsoft also investing $6 billion for AI and hyperscale cloud advancements in Australia over a similar timeline.

A CBRE analysis stated, “The future pipeline indicates the growth of data centres is being driven by hyperscalers, with AI expected to generate a step-change in demand for the medium to long-term.” This marks a shift as hyperscalers explore alternative means, such as joint ventures and leases, to access land with adequate power supply. Australia has become a focal point for these investments, with Nextdc actively expanding its data centre footprint across several cities in the Asia Pacific region, including Sydney, Melbourne, Brisbane, Perth, Adelaide, Auckland, and even extending to international locations like Kuala Lumpur and Tokyo.

Despite the positive outlook, there are rising concerns regarding potential competition from Chinese AI developments that could impact the demand for Western cloud services. The introduction of DeepSeek's AI assistant—reportedly comparable to OpenAI's offerings—has sparked discussions about a possible shift in market dynamics. Citi analyst Siraj Ahmed remarked, “With the new open-source DeepSeek R1 model having comparable performance to OpenAI's o1 reasoning model at a fraction of the cost, the key question is whether it could impact demand for data centre capacity and therefore demand for NXT.” However, Ahmed expressed confidence that the immediate impact on contracts and demand for Nextdc would likely remain stable, given the continuous investment and build-out in the hyperscale sector.

Despite the potential competitive threat posed by Chinese tech innovations, Citi maintains a buy rating on Nextdc, projecting a target price of $20, suggesting a promising trajectory for the company as it capitalizes on the growing data centre demand in both Australia and beyond.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://stockanalysis.com/quote/asx/NXT/financials/ratios/> - This link provides financial metrics and ratios for Nextdc Ltd (ASX: NXT), supporting its financial performance and market position.
* <https://simplywall.st/stocks/au/software/asx-nxt/nextdc-shares> - This page offers an overview of Nextdc's stock performance, financial health, and industry position, corroborating its role as a data centre service provider.
* <https://www.cbre.com.au/> - CBRE is a leading real estate services company that provides reports on data centre investments, such as AWS and Microsoft's investments in Australia.
* <https://www.factset.com/> - FactSet is a financial data and software company that compiles analyst ratings, supporting the claim of Nextdc's predominantly positive analyst outlook.
* <https://www.nextdc.com/> - Nextdc's official website provides information on its data centre services and expansion plans across the Asia Pacific region.
* <https://www.google.com/about/investor/earnings/2023/Q4_alphabet_earnings.pdf> - Alphabet's (Google) investor relations page provides insights into its cloud computing investments and strategies, contributing to the demand for data centres.
* <https://www.microsoft.com/en-us/investor/earnings/default.aspx> - Microsoft's investor relations page offers details on its cloud infrastructure investments, including AI advancements in Australia.
* <https://aws.amazon.com/about-aws/global-infrastructure/> - AWS's global infrastructure page highlights its cloud infrastructure investments worldwide, including significant investments in Australia.
* <https://www.citigroup.com/citi/investor/analyst-reports.htm> - Citi's analyst reports page provides access to analyses like those by Siraj Ahmed, discussing the impact of Chinese AI developments on Western cloud services.