

INTERLINK TELECOM PLC

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CORPORATES

Company Rating: BBB
Outlook: Stable

Last Review Date: 29/04/24

Company Rating History:		
Date	Rating	Outlook/Alert
25/03/22	BBB	Stable

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RATIONALE

TRIS Rating affirms the company rating on Interlink Telecom PLC (ITEL) at “BBB”, with a “stable” rating outlook. The rating incorporates the stand-alone credit profile (SACP) of “bbb” and its status as a “core subsidiary” of Interlink Communication PLC (ILINK), its parent company, as per our “Group Rating Methodology”.

The company rating on ITEL reflects its market position and its competitive edge in fiber-optic data services, its proven record of executing public sector projects, as well as its moderate financial leverage. However, these strengths are tempered by intense competition within the telecommunications industry and the volatile nature and inherent risks of the turnkey project business.

KEY RATING CONSIDERATIONS

Government-related projects and contract renewals to drive data services revenue

ITEL generates recurring income primarily from its data services and data center businesses, which account for about half of its total revenue. In 2024, data services revenue was THB1.26 billion, a 14% decline from previous years due to the delayed renewal of the Universal Service Obligation (USO)1 Project contract and the discontinuation of online courses revenue. However, ITEL’s revenue from data services, excluding government projects, showed a modest growth from increased customer numbers. Meanwhile, data center revenue continued to increase, reaching nearly THB100 million.

Looking ahead, we project ITEL’s data services revenue to rebound at a mid-single-digit annual growth rate over the next three years, driven by rising demand for data services connectivity, technology adoption, and government policies promoting universal internet access. We expect ITEL’s strengths, including extensive network coverage, a proven record in USO Projects, and strong customer relationships to help secure projects and renew contracts.

Growth will primarily come from government-related projects, contract renewals, and a THB1 billion data services backlog, alongside increasing demand from general customers. From 2025-2027, we expect the renewal of the USO1 and USO2 contracts to ensure continued public internet services. The company also intends to participate in the bidding opportunities from the USO3 Project, a THB24-billion government telecommunications initiative focusing on rural healthcare, within its areas of expertise. Also, surging demand for artificial intelligence (AI) data center is fueling a new wave of growth, driving higher data connectivity needs and expanding opportunities in the data services business.

For the data center business, we project revenue to remain stable at around THB100 million annually for the next three years.

Turnkey project revenue to gradually recover

We expect revenue from the installation business to gradually recover following the decline in 2024 due to the delayed disbursement of government budgets and the limited number of projects open for bidding. In 2024, ITEL generated about THB1 billion of revenue from the installation business, down from THB1.15 billion in 2023. Revenue in the installation business is highly dependent on government budgets and competitive bidding, making it more volatile than businesses with recurring revenue streams.

We expect the company to smooth out its revenue streams in the installation business, ranging from THB1.0-THB1.1 billion annually during 2025-2027. We further expect revenue to be supported by the backlog in the installation business of nearly THB800 million at the end of 2024, with nearly 85% to be recognized as revenue in 2025 and the remaining 15% spread over 2026-2028.

We expect the company to continue securing projects within its core areas of expertise, including fiber optic cable installation, solar cell integration on telecommunication network towers, system integration and development, and fiber optic network maintenance. Also, the company aims to actively seek new projects across both public and private sectors, capitalizing on digital transformation trends, supportive government information and communications technology (ICT) policies, and a substantial ICT project pipeline. We anticipate further growth opportunities from the large-scale USO3 Project, which includes installation work.

Limited revenue from health-tech business

In 2024, the company entered a new business, medical-related technological equipment services and sales, by acquiring Global Lithotripsy Services Co., Ltd. (recently renamed Interlink Health Technology Co., Ltd. (IHT)). IHT specializes in providing a range of radiology and imaging services utilizing advanced medical technologies including X-ray, and extracorporeal shock wave lithotripsy (ESWL).

Revenue from the new business remains small compared with that of the data services or installation businesses. In 2024, IHT generated about THB100 million in revenue while EBITDA was THB21 million. We expect the new business will take time to ramp up revenue and profits. We anticipate service revenue to grow gradually through increased customer reach, via off-hospital service center and mobile vehicle deployment.

Profitability and margins remain satisfactory

In 2024, despite the decline in total revenue, ITEL's profitability remained satisfactory, supported by effective cost management and a high proportion of recurring revenue. Its EBITDA was nearly THB1 billion, with a strong EBITDA margin of about 39%.

We believe ITEL will perform satisfactorily in each business segment. In our base-case projection, we project ITEL's total operating revenue to range between THB2.6-THB2.9 billion per annum during 2025-2027. We forecast EBITDA margin to be 36%-37%, with an annual EBITDA of about THB970 million-THB1.1 billion during the same period. We expect an increase in recurring revenue, coupled with the company's efforts to manage expenses and optimize asset utilization, to help sustain margins. We also expect the profit margin of new turnkey projects to stay at 15%-20% over the same period.

Financial leverage expected to remain moderate

ITEL's financial leverage remains moderate, with the adjusted debt of THB3.9 billion at the end of 2024, slightly down from THB4.1 billion in 2023. Its debt to EBITDA ratio was 4.0 times, while the funds from operations (FFO) to debt ratio was 16.9%. The debt to capitalization ratio was 48.1%.

Looking ahead, we expect the company's leverage to increase but remain at a moderate level over the next three years, factoring in the necessary capital expenditures. We forecast annual capital expenditures of THB500-THB550 million, mainly for the investment in last-mile internet connectivity to reach end-users. We also expect ITEL to carefully manage accounts receivable to minimize bad debts and sustain financial stability. Our forecast projects the debt to EBITDA ratio to range between 4.0-4.5 times during the next three years, and the FFO to debt ratio between 15%-18%. We project the debt to capitalization ratio to remain moderate at 48%-50% during 2025-2027.

Manageable liquidity

We assess ITEL's liquidity as manageable over the next 12 months. As of December 2024, the company held THB122 million in cash and cash equivalents, with an undrawn short-term bank facility of nearly THB600 million. We project FFO over the next 12 months to be around THB670 million. These funds will be allocated to capital expenditures and scheduled debt repayments.

ITEL's outstanding short-term obligations as of December 2024 totaled around THB1.9 billion, with about 70% comprising project financing loans. These project financing loans are expected to be repaid upon project completion. Given ITEL's project execution record and the creditworthiness of its project owners, we anticipate the company will successfully roll over its short-term debt. Also, THB425 million in long-term debt and lease obligations are due to mature in 2025, alongside a projected THB550 million investment budgets.

Furthermore, ITEL has planned to spin off its subsidiary, Blue Solution PLC (BS), and list it on the Market for Alternative Investment (MAI). However, delays in filing process have pushed the listing from 2024 to this year. BS specializes in providing integrated information technology (IT) project designs, installations, services, and IT solutions to both private enterprises

and state-owned entities. The company intends to use the proceeds from the initial public offering (IPO) to support working capital needs and fund further investments.

Debt structure

As of December 2024, ITEL's consolidated debt, excluding lease liabilities, was THB2.7 billion. The company's priority debt, amounting to about THB1.4 billion or 52% of total debt, comprised secured project financing loans and debts at the subsidiary level. As the priority debt ratio exceeds our 50% threshold, we view ITEL's unsecured creditors as being significantly disadvantaged to the company's priority debt holders with respect to claims against the company's assets.

BASE-CASE ASSUMPTIONS

- Revenues to range between THB2.6-THB2.9 billion per annum over the next three years.
- EBITDA margin at 36%-37%.
- Total investments of THB500-THB550 million per year during the next three years.

RATING OUTLOOK

The "stable" outlook reflects our expectation that ITEL will maintain its competitive position in the data services business and continue to secure new projects for its turnkey project business.

RATING SENSITIVITIES

A rating upgrade could occur if the operating performance and cash flow of ITEL and the ILINK Group improve substantially, while financial leverage continues to be moderate. Conversely, a downward rating action could be triggered if ITEL's and the group's financial profiles deteriorate materially. Any change in ITEL's assessed group status could also lead to a rating change.

COMPANY OVERVIEW

ITEL was established on 3 January 2007. The company was listed on the MAI in 2015 and was moved to the Stock Exchange of Thailand (SET) in November 2021. As of March 2025, ILINK, the major cable and IT equipment distributor in Thailand, was ITEL's major shareholder, holding directly around 50% of ITEL's paid-up shares.

ITEL has provided data communication services and internet connectivity (data services) under a 15-year license granted by the National Broadcasting and Telecommunication Commission (NBTC) since 2012. In the same year, the company was awarded a 30-year license by the State Railway of Thailand (SRT) to install fiber-optic networks along railways throughout the country. In 2014, the company expanded its business to offer data server rental and disaster recovery for organizations, operated under Interlink Data Center. ITEL undertakes installations of fiber-optic cables and other telecommunication projects under the installation business. In 2022, ITEL acquired a 51% stake in BS, a company that provides integrated IT products, services, and systems. In 2024, the company expanded into medical technology services and sales by acquiring IHT, which specializes in radiology and imaging, offering advanced equipment such as X-ray and ESWL.

ITEL has established a partnership with the Australia-based Global Data Centre Group to operate the ETIX ITEL BANGKOK (ETIX Bangkok#1) data center (formerly known as Genesis Data Center). ITEL holds a 33% interest in ETIX Bangkok#1, while the Global Data Centre Group, a leading investment company in the data center business worldwide, owns a 67% interest. In December 2024, the company sold its entire stake in ETIX Bangkok#1.

In 2024, ITEL's total consolidated revenue was THB2.48 billion. The data services business accounted for 51% of total revenue, followed by the installation business (41%), the data center (4%) and the health-tech business (4%).

KEY OPERATING PERFORMANCE

Table 1: Revenue Contribution by Segment

Business Line	2021		2022		2023		2024	
	Mil. THB	%	Mil. THB	%	Mil. THB	%	Mil. THB	%
Data services	1,281	52	1,311	38	1,466	54	1,263	51
Data center	92	4	87	3	93	3	98	4
Installation	1,093	44	1,995	59	1,155	43	1,006	41
HealthTech							110	4
Total	2,466	100	3,393	100	2,714	100	2,478	100

Source: ITEL

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total operating revenues	2,518	2,760	3,438	2,509	2,040
Earnings before interest and taxes (EBIT)	412	583	552	513	416
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	982	1,103	1,110	1,028	941
Funds from operations (FFO)	663	800	668	766	690
Adjusted interest expense	262	232	229	214	215
Capital expenditures	521	492	350	332	341
Total assets	8,670	8,931	8,396	8,084	7,079
Adjusted debt	3,915	4,113	3,531	4,712	4,879
Adjusted equity	4,224	4,009	3,691	2,909	1,893
Adjusted Ratios					
EBITDA margin (%)	39.0	40.0	32.3	41.0	46.1
Pretax return on permanent capital (%)	5.0	7.4	7.2	6.9	6.2
EBITDA interest coverage (times)	3.7	4.7	4.8	4.8	4.4
Debt to EBITDA (times)	4.0	3.7	3.2	4.6	5.2
FFO to debt (%)	16.9	19.4	18.9	16.3	14.1
Debt to capitalization (%)	48.1	50.6	48.9	61.8	72.0

* Consolidated financial statements

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Interlink Telecom PLC (ITEL)

Company Rating:	BBB
Rating Outlook:	Stable

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