

Credit Rating

Issuer Credit Rating	khBB
Outlook	Stable

Bond Information

Bond Credit Rating	khAAA
Size	USD 20 million
Settlement	Semi-annual frequency for both interest payment and principal repayment

Credit Rating History

Issuer Credit Rating	khB	Maturity	5 years (1.5 year grace period for principal repayment)
Outlook	Negative	Type	Unsecured, Guaranteed
Bond Credit Rating	khAAA	Coupon Rate	SOFR + 2.5% p.a.
Issuing Date	December 15, 2023	Guarantor	Credit Guarantee & Investment Facility (CGIF)

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Key Rating Rationale

We maintain the Bond Credit Rating (BCR) of Telcotech Ltd. (henceforth “TCT” or “the Company”) at “**khAAA**” (National Scale). The bond is covered 100% on the principal and interest amount by Credit Guarantee & Investment Facility (“CGIF”), an entity whose current credit rating is AA or A-1+ (Global – Long & Short Term) by Standard & Poor’s (“S&P”) and AAA (National) by RAM Ratings (Malaysia), TRIS Ratings (Thailand), Fitch Ratings Indonesia, and Pefindo Credit Rating Agency (Indonesia).

We upgrade the Issuer Credit Rating (ICR) of TCT from “**khB**” to “**khBB**” (National Scale) and the outlook from “**Negative**” to “**Stable**”. It is driven by the company’s exceptional performance during FY24 and FY25, in terms of revenue growth and profitability. In our view, this resulted from the expansion of submarine cables and coverage for larger capacity as well as being the vital gateways for Cambodia’s internet traffic. Compared to FY23, there is a sharp rise in revenue following their strategic initiatives while the net profit margin surged by more than five times.

Moreover, favorable indicators emerging from the lower leverage ratio and healthy cash flow underscore the company’s financial resilience, even though its first principal repayment took place at the end of FY25. The company’s strategic expansion plans and 5G infrastructure readiness will serve as key catalysts to capture market share and optimize sustained revenue growth.

We believe that TCT is expected to drive sustainable long-term scaling, bolstered by their current operational performance and market positioning as one of the leading telecommunication infrastructure and associated services providers in Cambodia.

Outlook

Subsequent to the bond issuance, TCT’s gearing level peaked at the end of FY24. As of FY25, the Debt/Capital ratio improved due to the principal repayment of both private placement and public offering bonds. Notably, the usage of bond proceeds to finance CapEx in return boosted the company’s revenue for the last two years. These past trends combined with the management’s strategic CapEx and expansions will ensure steady future economic gains. As a result, we upgrade the outlook from “**Negative**” to “**Stable**”.



Rating Sensitivity

On the upside, continuing profitability growth, improvement on interest coverage ratio, further reduction in the Debt-to-Capital ratio, and maintaining a healthy cash flow as well as overall business risk would lead us to review our rating.

On the downside, a drastic worsening of the company's financial risk profile could lead to a change in the ICR. As for the BCR, since it is pegged to CGIF's global rating (AA by S&P), we may consider a downgrade if CGIF's global rating is downgraded.

Issues to Monitor

TCT's revenue growth trend, profitability, leverage position, the sustainability of its operating cash flows, group financial covenants with Ezeecom, along with the outcomes of new routes expansion and 5G Backhaul Readiness investments are subject to be closely monitored.

Telcotech Ltd.'s Summary

Overview

FY24 marked a strong year for top and bottom-line growth of TCT's financial performance, propelled by the upswing of two core revenue streams: International Private Leased Circuit (IPLC), which expanded by 88.3% Year-over-Year (YoY), and Fiber-optic wholesale, which increased by 18.7% YoY. Looking ahead, Cambodia's projected economic growth of 4.0%-5.0% for FY26, as forecasted by ADB and IMF, together with the alignment of Digital Economy and Society Policy Framework (2021–2035), is expected to drive demand for telecom infrastructure and services provided by TCT. This projection combined with the company's improved financial performance hint at additional expansion opportunities.

Performance

TCT had an exceptional performance during the past two years when its revenue reached USD 30.1mn in FY24 and USD 31.8mn in FY25, the highest since FY19. TCT's remarkable 35.6% YoY growth in FY24 and 5.8% YoY in FY25 corroborate that the company is on the cusp of a steady growth trend in revenue and profitability. In FY24, the operating profit margin climbed by more than three times as there was a considerable fall in Cost of Goods Sold (COGS) and operating expenses in proportion to the revenue, suggesting that the company is experiencing an improved operational efficiency. Similarly, the net profit margin grew by 586.5% YoY. Aside from the profitability aspects, other positive signs include a lower leverage ratio and healthy net cash from operating activities. As of FY25, TCT had a minimal increase in Fund from Operations (FFO) and a positive Free Operating Cash Flow (FOCF).

Note: There was a miscalculation of the "Adjusted Debt" during the initial credit rating assessment. The error has been rectified in this monitoring report. The upgrade to the Issuer Credit Rating and Outlook was driven not only by the correction, but also by Telcotech's improvement over the last two years.



CONDENSED FINANCIAL STATEMENTS

	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
	USD	USD	USD	USD	USD
Income Statement Information					
Revenue	16,505,122	21,943,980	22,190,571	30,101,174	31,840,333
Gross profit	1,305,045	4,615,730	3,499,501	7,566,641	6,853,027
Profit from operations	(282,305)	3,774,920	1,632,977	5,407,420	4,831,466
Profit before income tax	(1,754,863)	2,564,514	668,311	3,415,451	3,122,274
Net profit	(425,736)	2,048,575	491,275	3,372,582	2,741,194
Balance Sheet Information					
Assets					
Cash and bank balances	3,555,982	10,947,624	12,247,872	8,690,602	5,470,076
Term deposits	6,000,000	1,564,570	5,104,384	13,507,767	16,318,364
Trade and other receivables	13,545,057	8,079,149	1,807,268	6,791,996	5,555,648
Total current assets	23,254,818	20,723,438	19,458,551	29,283,446	27,530,826
Property and equipment	33,873,838	40,295,076	41,965,048	44,336,792	42,625,258
Total non-current assets	38,511,475	45,294,728	43,228,001	46,056,420	43,983,446
Total Assets	61,766,293	66,018,166	62,686,552	75,339,866	71,514,272
Liabilities and Equity:					
Trade and other payables	7,429,821	13,726,269	6,607,052	5,490,353	3,289,593
Amount due to MPTC	1,273,384	1,794,836	1,385,546	2,607,041	4,185,656
Debt securities	4,071,698	4,024,367	3,528,475	5,665,416	7,760,971
Total current liabilities	13,719,144	20,037,797	12,189,763	14,439,567	15,645,433
Debt securities	15,266,770	11,459,919	14,382,529	21,485,820	13,669,585
Total non-current liabilities	18,994,142	14,878,787	18,916,701	25,947,629	18,174,975
Total Liabilities	32,713,286	34,916,584	31,106,464	40,387,196	33,820,408
Share capital	11,856,688	11,856,688	11,856,688	11,856,688	11,856,688
Retained earnings	17,196,319	19,244,894	19,723,400	23,095,982	25,837,176
Total Equity	29,053,007	31,101,582	31,580,088	34,952,670	37,693,864
Total Liabilities and Equity	61,766,293	66,018,166	62,686,552	75,339,866	71,514,272

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CONDENSED FINANCIAL STATEMENTS (Cont.)

Cash Flow Information

Net cash generated from operating activities	11,641,006	11,410,014	4,913,613	3,147,320	9,361,303
Net cash used in investing activities	(15,285,885)	780,837	(6,519,017)	(20,831,911)	(6,743,929)
Net cash used in financing activities	7,063,878	(4,089,209)	7,300,036	9,022,937	(5,837,900)
Net changes in cash and cash equivalent	3,418,999	8,101,642	5,694,632	(8,661,654)	(3,220,526)
Cash at the beginning of the year	136,983	3,555,982	11,657,624	17,352,256	8,690,602
Cash at the end of the year	3,555,982	11,657,624	17,352,256	8,690,602	5,470,076

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Rating Definition

Issuer Credit Rating – National Scale			
National Rating	Definition	Score	
khAAA	Extremely strong capacity to meet financial commitments	1	Very low risk
khAA	Very strong capacity to meet financial commitments	2	
khA	Strong capacity to meet financial commitments but somewhat susceptible to adverse changes in circumstances and economic environment	3	Low risk
khBBB	Adequate capacity to meet financial commitments but more susceptible to adverse changes in circumstances and economic environment	4	
khBB	Adequate capacity to meet financial commitment but more vulnerable to adverse changes in circumstances and economic environment	5	Moderate risk
khB	Adequate capacity to meet financial commitments but more likely to be affected by adverse changes in circumstances and economic environment	6	
khCCC	Capacity to meet financial commitments dependent on favorable business, financial and economic conditions	7	High risk
khCC	Weak capacity to meet financial commitments	8	
khC	Unlikely to be able to meet financial commitments	9	Very high risk
khD	In default partially or for all financial commitments	10	

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