

Orion Telekom d.o.o.

Republic of Serbia, Telecommunications

Rating composition

Business Risk Profile		
Industry Risk Profile	A	B-
Competitive Positioning	B-	
Financial Risk Profile		
Credit metrics	BB-	BB-
Preliminary Credit Assessment		
		B-
Supplementary Rating Drivers		
Liquidity	+/-0 notches	+/-0 notches
Financial policy	+/-0 notches	
Governance and structure	+/-0 notches	
Secondary Credit Assessment		
External Rating Drivers		
Parent/government support	+/-0 notches	+/-0 notches
Peer context	+/-0 notches	
Issuer rating		B-

Key metrics

Scope credit ratios*	Scope estimates			
	2024	2025	2026E	2027E
Scope-adjusted EBITDA interest cover	6.3x	9.3x	8.4x	7.9x
Scope-adjusted debt/EBITDA	2.7x	2.2x	2.6x	2.3x
Scope-adjusted funds from operations/debt	21%	19%	26%	31%
Scope-adjusted free operating cash flow/debt	11%	3%	14%	7%
Liquidity	126%	134%	245%	No ST Debt

Rating sensitivities

The upside scenarios for the ratings and Outlook are (collectively):

- Improved market position and scale, leading to stronger profitability and cash flow generation
- Demonstration of prudent financial and liquidity management

The downside scenarios for the ratings and Outlook are (individually):

- Market share erosion and sustained profitability pressure resulting from intensified competition
- Liquidity deterioration

*All credit metrics refer to Scope-adjusted figures.

Issuer

B-

Outlook

Stable

Senior unsecured RSD 2.9bn bond

(P) B

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Related methodologies

[General Corporate Rating](#)

[Methodology, Apr 2026](#)

[European Telecommunication](#)

[Services Rating Methodology,](#)

[Apr 2026](#)

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
- Growing base of recurring revenue, stemming from an established customer base supported by the operationally essential nature of telecoms/ICT services - Moderate leverage and sound interest coverage metrics	- Small operating scale and narrower service offering and network footprint relative to larger telecom peers - High geographic concentration, with Serbia accounting for more than three-quarters of total revenue - Intense competition from larger incumbent telecom operators, particularly Telekom Srbija, limiting market share expansion and pricing power - Lower profitability relative to industry peers - Governance and transparency concerns - Constrained cash flow generation due to low profitability and ongoing capital expenditure requirements

2. Rating Outlook

The **Stable Outlook** reflects our expectation that leverage will remain around 2.5x, supported by recurring revenues from the core business, the successful execution of the toll collection project, and sustained positioning within its ICT niche.

3. Corporate profile

Orion Telekom d.o.o. is a telecommunications operator and IT services provider headquartered in Belgrade, Serbia. Following the transfer of its residential customer base and related assets to Telekom Srbija in late 2025 into Q1 2026, the company has transitioned into a fully business-focused (B2B) telecommunications and technology services provider.

Serbian B2B telecoms operator and ICT services provider

The company's core telecom service offering is broadly classified in two segments: connectivity and IT. Connectivity is expected to remain a key revenue and profit driver, even with the disposal of the residential portion of the business. Services offered to corporate customers include high-speed internet connectivity, cloud services, cybersecurity solutions, IT maintenance, systems integration and AI-driven solutions, supported through partnerships with leading technology providers such as NVIDIA, NetApp, VMware and Amazon Web Services.

The company has also undertaken a contract-based toll collection project since 2023, which has accounted for 25%-30% of its revenues in recent years.

Orion Telekom was established in 2010 following the consolidation of several Serbian internet service providers, including Media Works, Neobee.net and SezamPro. In June 2010, Media Works was renamed Orion Telekom, marking the establishment of the company under its current name. The consolidation was supported by institutional investors, including the European Bank for Reconstruction and Development (EBRD).

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
21 Aug 2026	New	B-/Stable

5. Financial overview (financial data in RSD m)

Scope credit ratios	Scope estimates			
	2024	2025	2026E	2027E
EBITDA interest cover	6.3x	9.3x	8.4x	7.9x
Debt/EBITDA	2.7x	2.2x	2.6x	2.3x
Funds from operations/debt	21%	19%	26%	31%
Free operating cash flow/debt	11%	3%	14%	7%
Liquidity	126%	134%	>200%	No ST Debt
EBITDA				
Reported EBITDA	1,222	1,474	3,976	2,029
add: recurring dividends from associates	-	-	-	-
less: capitalised expenses	-	-	-	-
Other items (incl. one-offs)	-	-	(2,200)	-
EBITDA	1,222	1,474	1,776	2,029
Funds from operations (FFO)				
EBITDA	1,222	1,474	1,776	2,029
less: interest	(194)	(159)	(212)	(256)
less: cash tax paid	(109)	(62)	(176)	(153)
Other non-operating charges before FFO	(238)	(662)	(184)	(176)
Funds from operations	681	591	1,205	1,444
Free operating cash flow (FOCF)				
Funds from operations	681	591	1,205	1,444
Change in working capital	217	416	(134)	(96)
Non-operating cash flow	-	-	-	-
less: capital expenditures (net)	(445)	(826)	(315)	(925)
less: lease amortisation	(83)	(86)	(95)	(95)
Other items	-	-	-	-
Free operating cash flow	370	95	662	328
Interest				
Net cash interest per cash flow statement	194	159	212	256
add: 50% of interest paid on hybrid debt	-	-	-	-
add: other items	-	-	-	-
Interest	194	159	212	256
Debt				
Reported financial (senior) debt	2,909	2,882	4,349	4,349
add: subordinated (hybrid) debt (net of equity credit)	-	-	-	-
add: shareholder loans (net of equity credit)	36	-	-	-
less: cash and cash equivalents	-	-	-	-
add: non-accessible cash	-	-	-	-
add: pension adjustment	-	-	-	-
add: asset retirement obligations	-	-	-	-
add: other debt-like items*	293	293	293	293
Debt	3,238	3,175	4,643	4,643

* Other debt-like items include guarantee issued in favour of a group company, Orion Telekom Tim

6. Environmental, social and governance (ESG) profile¹

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk) 
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate) 
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity) 
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests) 

ESG factors:  credit-positive  credit-negative  credit-neutral

Some governance and transparency concerns are noted, which primarily relate to the related-party transactions, the limited visibility regarding the intended use of excess liquidity, and minor inconsistencies observed in reporting. Material related-party transactions could result in financial resources being transferred from the operating entity, weakening its financial profile, reducing financial flexibility and potentially impairing creditor protection. In this context, Scope has noted the company's recent stated intention to strengthen financial discipline and creditor protection by refraining from entering into new non-operational financial transactions with group companies.

Governance and transparency risks

Further, Orion Telekom remains exposed to social risks inherent to its sector, including customer service quality, network reliability, data privacy, cybersecurity and consumer protection. The company has established an ESG framework and governance structure to oversee the management of all material topics.

Governance model proposed to oversee ESG risks

Following a readiness process for the potential green bond issuance, during which the company's preparedness to meet capital markets and ESG requirements was assessed, the company also proposed the gradual implementation of the following governance model in 2026:

- Supervisory board (group level), consisting of a chair, group CFO and one independent member, for strategic oversight, capital allocation and ESG/green bond governance
- Executive management overseeing operational execution of the strategy
- ESG function, with the coordinator reporting to the CFO, responsible for preparing ESG and green bond reporting for the supervisory board

No material ESG-related public controversies or legal cases have been identified at this stage.

No controversies or legal cases identified

¹ These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business Risk Profile: B-

Orion Telekom's Business Risk Profile draws comfort from a growing base of recurring revenue from an established customer base, supported by operationally essential nature of telecoms/ ICT services, but is constrained by its small scale of operations and high geographic concentration. Its narrow service offering, limited network footprint and weak market position constrain its competitive strength and scale advantages relative to large Serbian telecom peers.

Despite the recent exit from the residential segment, the company continues to derive most of its EBITDA from connectivity, primarily fixed broadband and telephony services, which are classified as telecommunications activities. IT services operations are viewed as complementary to and supportive of the company's core telecom business, and not as a separate segment.

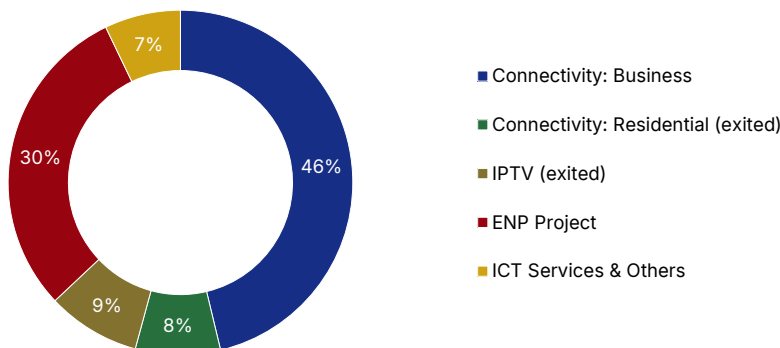
Industry risk profile: A

The electronic toll collection project is classified as business services. However, the project is not material enough to warrant a separate industry risk assessment or influence the overall industry risk profile assessment, given its finite project-based nature and relatively limited contribution to EBITDA (~15%).

Orion Telekom is a small operator within the Serbian telecom market, as reflected by revenue of around RSD 10bn (EUR 88m) and Scope-adjusted EBITDA of around RSD 1.5bn (EUR 12.6m) in 2025. This assessment already incorporates the electronic toll collection project (around 30% of 2025 revenue). In addition, the company sold its residential connectivity and IPTV businesses in late 2025, activities that collectively represented around 17% of revenue in 2025. Despite the temporary support from project-related revenues and the inclusion of the since-divested residential and IPTV operations, Orion Telekom's scale remains modest and significantly below that of most Western European peers.

Small telecom operator in Serbia

Figure 1: Revenue by segment in 2025



Source: Orion Telekom, Scope estimates

The sale of residential connectivity and IPTV businesses to Telekom Srbija was carried out in two phases. The residential connectivity business was sold at holding company level, while the IPTV business was sold directly by Orion Telekom, resulting in cash proceeds of around EUR 20m being received by the operating entity.

Sale of residential connectivity and IPTV business undertaken in two phases

These transactions represent a shift towards an operating model more focused B2B and centered on enterprise telecom, ICT and digital services.

Strategic shift in focus towards B2B operating model

The residential segments were generally intensely competitive, prone to higher customer churn and customer acquisition costs. While the disposal reduced the exposure to these risks, it also reduced business diversification, increased reliance on enterprise customers and project-related revenues and shrunk overall telecoms revenue.

The company aims to compensate for the disposals through an increased focus on AI, with the support from government and enterprise demand for AI compute and data sovereignty.

The company's competitive position is further limited by its narrower service offering and weaker market presence relative to larger domestic telecom operators. While Orion Telekom provides fixed broadband, fixed telephony, data centre, cloud, cybersecurity and other ICT services, it lacks nationwide mobile operations and the convergent service capabilities offered by integrated telecom groups such as Telekom Srbija, Yettel and A1. This limits the scale advantages and cross-selling opportunities available to larger competitors. Further the company has a smaller network footprint relative to larger operators, as shown by Orion Telekom's small asset base and lower capital intensity, averaging less than 10% compared to the typical 15%-20% for large operators.

Weaker competitive positioning owing to narrower service offering and network footprint vis-à-vis peers

Competitive intensity in the Serbian telecommunications market, particularly within B2B, is moderate to high. Market participants compete across connectivity, cloud, ICT and managed service offerings, with larger incumbents benefiting from stronger brand recognition, broader service portfolios and more extensive infrastructure. The company also faces more competition from niche ICT providers and system integrators, particularly in advanced digital and enterprise solutions where providers are increasingly differentiated on technological offerings and specialist expertise.

Competitive pressures reflected in low profitability

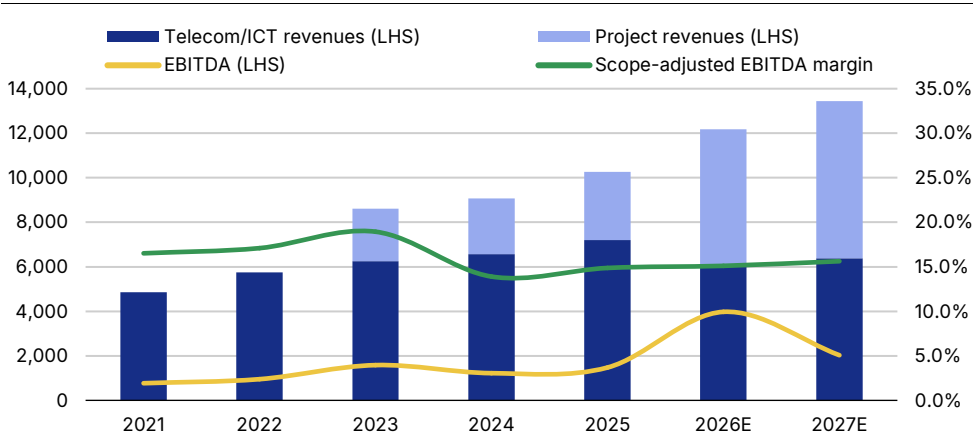
Consequently, Orion Telekom's profitability (with Scope-adjusted EBITDA margins averaging around 16% in the past five years, and around 15% in 2025) remains below that of leading peers and industry benchmarks (typically 30%-35%), reflecting both the sizeable contribution of lower-margin transit and wholesale revenues (equivalent to nearly 50% of the company's telecom revenues), intense competition and the absence of higher-margin mobile operations.

Notwithstanding the concerns on competition, demand fundamentals for B2B telecom and digital services remain supportive. While demand is generally linked to economic activity, it tends to be relatively resilient across business cycles. The company's telecom revenues have grown for the past five years (CAGR of 10% between 2021 and 2025 in revenues excluding the toll collection project), demonstrating the stable underlying demand and established customer base.

Demand fundamentals in B2B segment remain supportive

At the same time, demand continues to increase for integrated ICT, cloud, cybersecurity and digital solutions, outpacing demand for traditional fixed telephony and basic connectivity services. While these trends create opportunities for expansion, increasing competition from larger telecom operators and specialised ICT providers may limit the company's growth potential.

Figure 2: Trend in revenues and profitability (amounts in RSD m)



Source: Orion Telekom, Scope estimates

The company also faces diversification risks. After exiting the residential segment, telecom operations from 2026 almost entirely consist of B2B telecom and digital services, increasing the exposure to a single customer segment and the Serbian market.

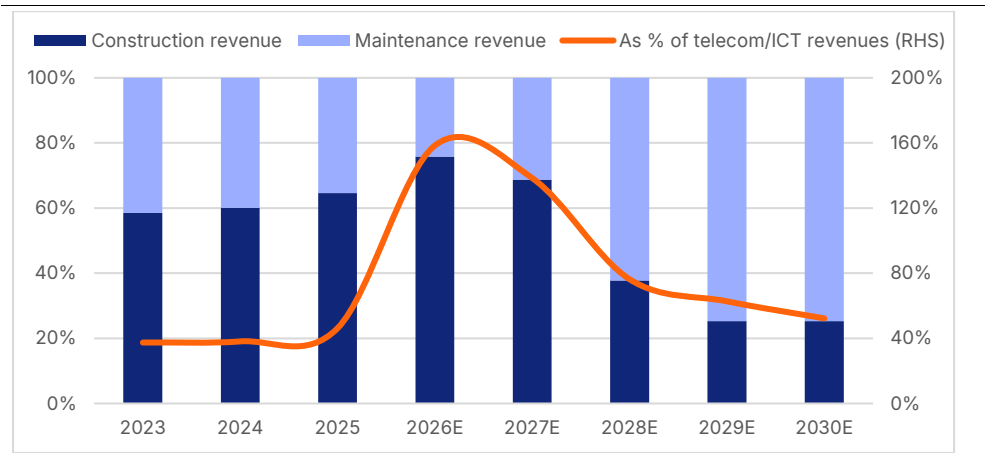
Segmental concentration risk, partly offset by toll collection project

Partially offsetting these weaknesses is the established position in enterprise telecommunications and the broad portfolio of connectivity, ICT and digital solutions, which support a stable base of recurring revenues generated from long customer relations. The electronic toll collection project, for which Serbian state road operator JP "Putevi Srbije" is the key counterparty, provides some revenue visibility in the medium term.

In 2023, Orion agreed two contracts with JP "Putevi Srbije", comprising a construction phase involving the delivery of electronic toll collection infrastructure, and ongoing maintenance. The project has since contributed a significant share of the company's revenues. The project has been extended beyond the original contract period ending 2026. Therefore, both construction and recurring maintenance revenues are expected to continue through the forecast horizon. Notably, the use of Orion Telekom's proprietary software will support recurring maintenance revenues even after the construction phase.

Toll collection project to provide recurring maintenance revenues...

Figure 3: Movement in composition of toll collection project revenues



Source: Orion Telekom, Scope estimates

However, the project's contribution is expected to peak around 2027. Thereafter, construction-related revenues are likely to decline materially, leaving maintenance revenues as the main income source from the project. As revenues from maintenance are typically lower than from construction, overall revenues will decline from 2028. This apart, the company stands exposed to higher customer concentration risk with the increasing contribution of this project.

...but overall revenues from the toll collection project expected to decline, after peaking in 2027

8. Financial Risk Profile: BB-

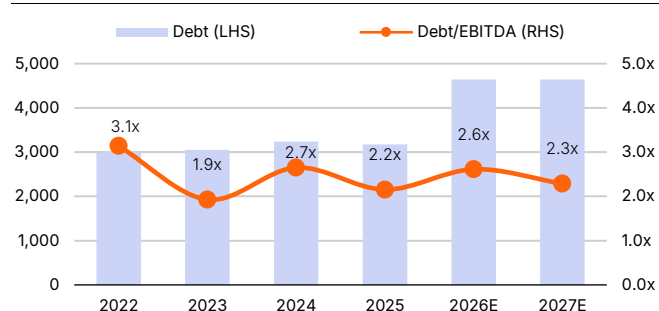
Orion Telekom's Financial Risk Profile is characterised by moderate leverage and modest cash flow cover, given the regular capex undertaken over the years.

For assessment of the Financial Risk Profile, the debt is calculated according to our definition and assumptions as follows:

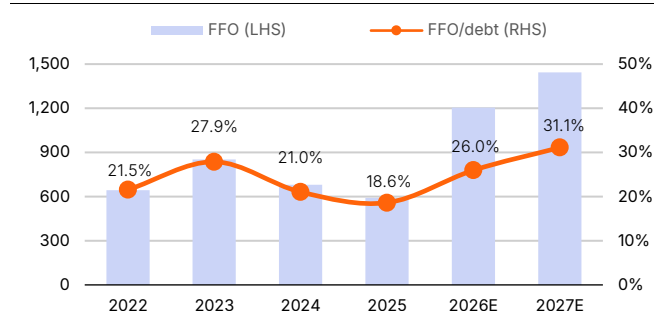
Adjustments to debt

- Accounting for gross financial debt including bank loans, the proposed bond and lease liabilities
- Inclusion of contingent liabilities, mainly the guarantee issued in favour of a group company
- No netting of cash and cash equivalents and liquid investments in debt, as these might not be permanent and accessible

We note the improvement in the earnings base following the expansion during 2023 into the less capital-intensive toll collection project, which helped reduce leverage. Debt/EBITDA averaged around 2.2x over 2023-2025, from above 3.0x in the preceding three years.

Figure 4: Debt and debt/EBITDA (amounts in RSD m)

Source: Orion Telekom, Scope estimates

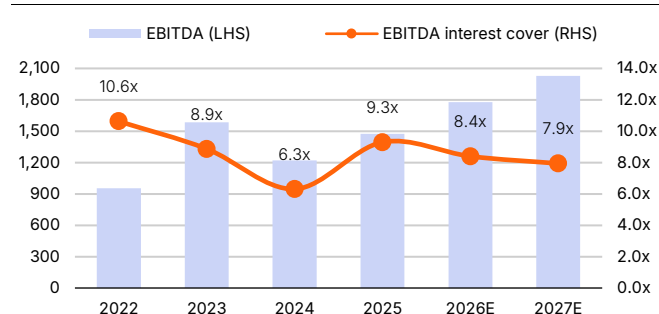
Figure 5: FFO and FFO/debt (amounts in RSD m)

Source: Orion Telekom, Scope estimates

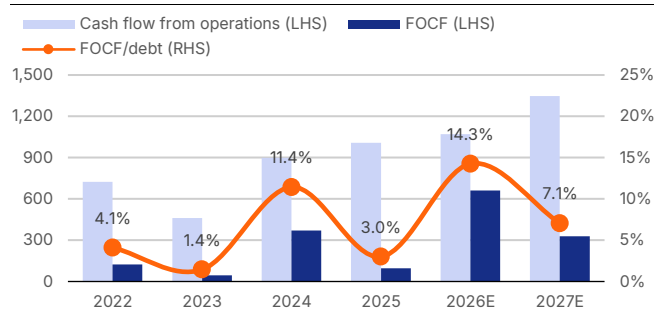
Looking ahead, Scope does not expect debt to increase materially despite the planned investments. A growth capex of around RSD 1.5bn (EUR 12.5m) is planned for the development of additional data centre capacity and up to 10 MW of solar power generation capacity, phased primarily over 2026-2028, in addition to limited maintenance capex. The solar power project is being developed to meet the anticipated increase in the company's energy demand resulting from the planned expansion of its data center capacity.

A planned RSD 2.9bn (EUR 25m) bond issuance will finance most of these investments, with around 50% of the proceeds earmarked for refinancing existing bank debt. Given the phased-out capex plan and planned use of partial proceeds for refinancing, leverage is expected to remain at around 2.5x over the medium term. Furthermore, the growing contribution from toll collections is expected to support positive free operating cash flow and a gradual improvement in cash flow cover over the forecast period.

Leverage to stay range-bound given plans for phased capex and partial bond proceeds for refinancing

Figure 6: EBITDA and interest cover (amounts in RSD m)

Source: Orion Telekom, Scope estimates

Figure 7: Cash flows and FOCF/debt (amounts in RSD m)

Source: Orion Telekom, Scope estimates

In addition to the proposed bond issuance, Orion Telekom has access to around RSD 2bn (EUR 18m) of proceeds from the sale of its IPTV business undertaken in Q1 2026, currently held as a financial investment. The company intends to retain around 70% of these proceeds as a liquidity buffer, while allocating the remaining 30% to its AI infrastructure and data centre projects. These resources will be a sizeable source of surplus liquidity over the medium term given the phased nature of the planned capex.

That said, Scope notes that the company has a record of deploying excess funds within the broader group; its net financial exposure to related parties is around RSD 2bn (EUR 17m) as of YE 2025, comprising working capital balances, advances, loans and investments as well as interest and dividends receivable. More recently, the company has indicated its intention to strengthen financial discipline and creditor protection by refraining from entering into new non-operational financial transactions with group companies. Nevertheless, the prospect of sizeable technology-related capex cannot be ruled out, particularly given Orion Telekom's small scale and need to remain competitive in a rapidly evolving and capital-intensive sector.

Limited visibility on likely use of currently available liquidity

We believe that Orion's financial risk profile is more susceptible to management's future strategic and investment decisions. Accordingly, the factors constraining the resilience of the business profile remain the primary determinants of the company's preliminary credit assessment.

9. Supplementary Rating Drivers: +/- 0 notches

While we have not made any explicit adjustment under the Supplementary Rating Drivers, we note the risks associated with weaknesses observed in the issuer's governance and transparency. Our concerns relate to related-party transactions, limited visibility on the intended use of the excess liquidity, and certain minor inconsistencies identified in reporting. Specifically, material related-party transactions could divert financial resources from the core operating entity, weakening its financial profile and potentially undermining the interests of creditors. In this context, Scope has noted the company's recent stated intention to strengthen financial discipline and creditor protection by refraining from entering into new non-operational financial transactions with group companies.

Governance and transparency risks are noted under Supplementary Rating Drivers

Orion's liquidity position is adequate. This assessment is supported by cash and cash equivalents of RSD 756m as of YE 2025, positive free operating cash flow generation, and access to around RSD 2bn of proceeds from the sale of its IPTV division, held as a short-term investment. In addition, the company intends to use part of the proposed bond's proceeds to refinance existing bank facilities, thereby eliminating scheduled debt repayments in 2026 and 2027 and reducing repayments by around half in 2028.

Adequate liquidity

In absence of a successful bond issuance, the company has access to RSD 2bn in sale proceeds from the IPTV division, which could support its liquidity requirements. These include scheduled repayment obligations of RSD 0.8bn, RSD 0.5bn and RSD 0.4bn in 2026, 2027 and 2028, respectively.

Table 1: Liquidity sources and uses (in RSD m)

	2025	2026E	2027E
Unrestricted cash (t-1)	613	756	738
Open committed credit lines (t-1)	-	-	-
Free operating cash flow (t)	95	662	328
Short-term debt (t-1)	529	577	-
Liquidity	134%	>200%	No short-term debt

Source: Orion Telekom, Scope estimates

The proposed bond's likely bullet repayment structure, with maturity expected in 2031, would result in a more back-ended debt maturity profile. This would support liquidity over the short to medium term but pose refinancing risk at maturity regarding the large bullet repayment.

10. External Rating Drivers: +/- 0 notches

We have not applied any adjustments related to External Rating Drivers.

No adjustments for external rating drivers

11. Debt rating

Scope has assigned a preliminary bond rating of (P) B to Orion Telekom's planned, first-time RSD 2.9bn (EUR 25m) senior unsecured green bond, to be issued in 2026. The bond issuance is proposed under the company's Green Bond Framework (dated December 2025).

Senior unsecured bond rating: (P) B

The preliminary bond rating is based on Scope's recovery analysis, which indicates 'excellent' recovery prospects for senior unsecured creditors in a hypothetical default scenario. The analysis is based on the estimated liquidation value of the company in the event of a default in 2027. Scope has applied only a one-notch uplift reflecting its cautious view regarding the potential use of the company's liquid resources and the resulting uncertainty around the future asset and capital structure available to support creditor recoveries.

One-notch uplift on issuer rating

Related research

[General Corporate Rating Methodology](#), Apr 2026

[European Telecommunication Services Rating Methodology](#), Apr 2026

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