

# Data centers in Thailand

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In recent years, businesses in Thailand have increasingly digitalized their operations and processes; with more organizational data being stored online, demand for data centers as online information storage facilities has risen.

**What are data centers?** Data centers are facilities that house a set of IT infrastructure. There are four main types of data centers, all of which provide different offerings depending upon each potential customer’s requirements.

Enterprise data center	Colocation	Cloud data center	Managed data center
A facility typically built, owned and operated by an organization for internal purposes, they can be located on-premise or at multiple locations	Permits the rental of property on data center premises, where users are required to invest in their own hardware while the operator provides infrastructure	Data center resources are managed and allocated by the provider whereby users can access data center resources off-premise through cloud services	A third-party provider is responsible for operating and managing the data center on behalf of users, who pay a fee to the provider in return

## Demand for data centers in Thailand

Demand for data centers in Thailand has increased as a result of intensifying digitalization, rising data traffic and investment promotion through government incentives. Thailand’s data center market is expected to grow by a CAGR of 27% between 2019-2026<sup>1</sup>, indicating a potential opportunity for investors to enter a steadily growing industry. Furthermore, data center related services can also be bundled with other cutting-edge technology, such as AI or analytics, from a service provider’s perspective.

Recent data center momentum in Thailand included the acquisition of a majority stake (67%) in prominent data center operator Genesis Data Center Co., Ltd by Etix Everywhere Holdings, a global provider of colocation services, in January 2022, and the joint development agreement of a data center in Thailand between Gulf Energy Development PCL, Advanced Info Service PCL, and Singapore Telecommunications Ltd in February 2022.

## Where to play?

Businesses considering entry into the data center market can assess both upstream and downstream segments of the value chain, depending upon their existing competencies and strategic and financial ambitions.

	Infrastructure and hardware	Data center	System integrator
Definition	Provides both <b>infrastructure services</b> (e.g. design, construction, building management, etc.) and <b>hardware equipment</b> (e.g. servers, IP routers, etc.) for data center providers or end customers	Provides a variety of <b>data center services</b> , including but not limited to the following: <ul style="list-style-type: none"> <li><b>Colocation:</b> installing computer systems and network equipment on data center providers’ premises</li> <li><b>Cloud services:</b> providing storage and computing to users via private and public clouds, or hybrid and multi-cloud services</li> </ul>	Provides <b>managed services and installation support for data centers</b> by taking the <b>intermediary</b> role between data center providers and end customers  <b>Disaster recovery (DR) solutions</b> can also be provided as an auxiliary service to prepare for unexpected events and for migrating data from legacy systems
Considerations	<ul style="list-style-type: none"> <li>Data center infrastructure development and implementation can be complex</li> <li>Specialized engineering skills are required to deliver infrastructure to satisfy the required standards</li> </ul>	<ul style="list-style-type: none"> <li>Effective planning of the optimal capacity of each data center</li> <li>Designing an efficient operating model</li> <li>Sustainability and ESG-related factors</li> </ul>	<ul style="list-style-type: none"> <li>Credentials and branding</li> <li>Development of partnerships with trusted data centers as well as hardware and software providers</li> <li>Requirement of skilled IT engineers</li> </ul>

Note: (1) According to research published by Frost & Sullivan

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## Maximizing return on investment

Opportunities to enter the data center market are highly sought-after by both domestic and foreign investors. Significant capital inflow has been directed to this asset class by corporate investors, private equity firms, pension and infrastructure funds and sovereign wealth funds. Investors interested in this fast-growing sector should consider a number of important tax and legal structuring aspects to optimize their investment value.

### Board of investment (BOI) incentives

- Relaxation of foreign ownership restrictions
- Permission to own land for use in the data center project
- Eased requirements for employment of expatriates
- Fewer restrictions on remittance of funds

### Tax benefits

- Corporate income tax holiday for 8 years
- Withholding tax exemption on payment of dividend
- Exemption of import duties on machinery, and raw materials used for R&D purposes
- VAT exemption



### Capital structure

- Debt vs. equity
- Onshore vs. offshore funding
- Minimizing withholding tax leakage
- Optimizing tax deductions
- Tax efficient profit repatriation

### Operational tax efficiencies

- Separation of land ownership and operations
- Structuring of auxiliary services
- Lease vs. ownership of land
- Tax deductibility of asset acquisition and construction costs
- Tax loss utilization

### Exit considerations

- Exit strategy – IPO, asset sale, share deal
- Application of tax treaties
- Land ownership

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## How we can help you across the deal cycle

KPMG Deal Advisory is a unique M&A platform with execution capabilities across the entire transaction lifecycle, allowing us to support you at any stage of your contemplated data center transaction. Our core propositions are indicated, but not limited to, the following services:



### In-Deal (Buy-Side)

- Full service due diligence options on the target, including financial, tax, legal, commercial and operational due diligence
- Value creation assessment



### Sell-Side

- Business portfolio review
- Investor identification
- Deal execution
- Value creation



### Pre-Deal (Buy-Side)

- Data center market entry study
- Strategic options review
- Data center target search
- Valuation



### Post-Deal (Buy-Side)

- Integration blueprint
- 100-day plan
- Post day one support
- Value creation delivery/tracking

## Contact us



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