



# NetLinkNBN

*the fibre of a smart nation*

## Analyst Briefing

July 2017

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# Overview of NetLink NBN Trust IPO

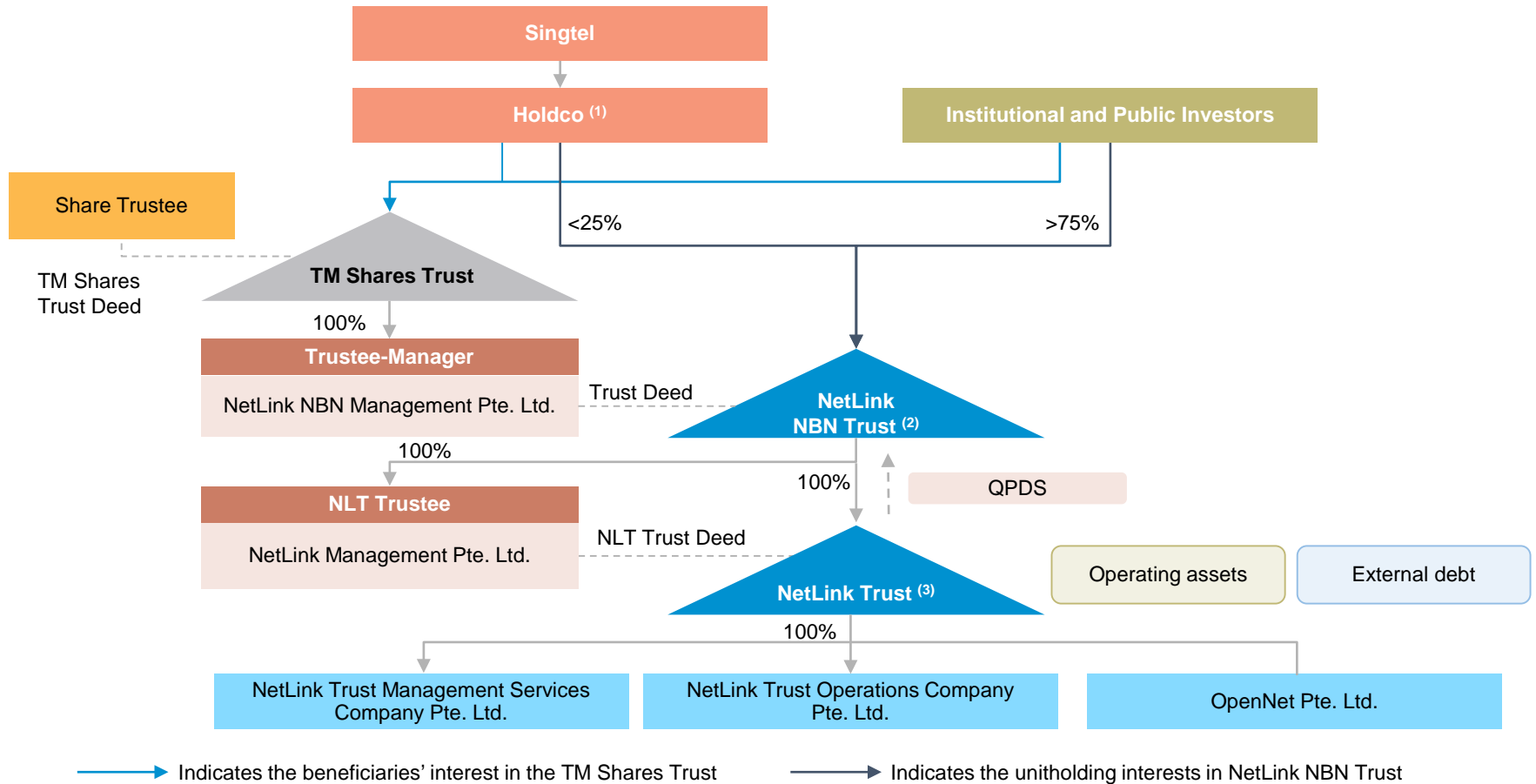
<b>Issuer</b>	NetLink NBN Trust	
<b>Trustee-Manager</b>	NetLink NBN Management Pte. Ltd.	
<b>Base Offer Size</b>	S\$2.3 billion	
<b>Over-allotment</b>	S\$100.0 million if exercised in full	
<b>Market Capitalisation</b>	S\$3.1 billion	
<b>Singtel Stake post-IPO</b>	c.24.99% <sup>(1)</sup>	
<b>Offer Price</b>	S\$0.81	
<b>Distribution Yield<sup>(2)</sup></b>	Annualised FP2018: 5.43% PY2019: 5.73%	 5.50% growth from FP2018 to PY2019 Total return: 10.93% <sup>(3)</sup>
		<b>Distributions are exempt from Singapore income tax for all Unitholders</b>
<b>Use of Proceeds</b>	<ul style="list-style-type: none"> <li>• Settlement of the cash component of the aggregate consideration payable to Singtel for the acquisition of 100% of the units in NetLink Trust (NLT) by the Trust;</li> <li>• Repayment of the principal amount of S\$1,100,000,000 due and owing under the facility agreement with Singtel;</li> <li>• Funding the consideration for the purchase by the Trust Group of approximately 27,000 lead-in ducts from Singtel;</li> <li>• Funding the consideration for (a) the purchase by the Trust of the shares of NLT Trustee and (b) the purchase by Unitholders of beneficial interests in the Trustee-Manager;</li> <li>• Payment of the equity issue expenses and other costs<sup>(2)</sup></li> </ul> <p>If the over-allotment option is exercised in full, the additional proceeds may be used for capital expenditure and general corporate purposes</p>	
<b>Listing Currency</b>	SGD	
<b>Listing and Distribution</b>	Main Board of the SGX-ST / Reg S	
<b>Lock-up Arrangements</b>	6 months (from Listing Date) lock-up for the Trustee-Manager, Singtel and HoldCo	
<b>Joint Issue Managers and Joint Global Coordinators</b>		
<b>Joint Bookrunners and Joint Underwriters</b>	DBS, Morgan Stanley, UBS, BAML, Citigroup, HSBC, OCBC, UOB	

1. The Unit Purchase Agreement provides that the Singtel Consideration Units shall be such number of Units which will, together with the Unit currently held by Holdco, amount to 25% less one Unit (rounded up to the nearest whole number) of the total number of Units in issue at the Listing Date (assuming that the over-allotment option is not exercised)
2. Being fees, costs and other expenses incurred by the Share Trustee in relation to (a) the Trustee-Manager and the TM Shares Trust (up to the Listing Date) and (b) NetLink Management Pte. Ltd. (from incorporation up to the time it was appointed as the trustee-manager of NLT in 2017)
3. Total return is the sum of (a) annualised FP2018 distribution yield and (b) growth from FP2018 to PY2019

# NetLink NBN Trust overview

*Enabler of Singapore's Next Generation Nationwide Broadband Network (Next Gen NBN)*

## Trust Group Structure



1. Singtel Interactive Pte. Ltd., a wholly-owned subsidiary of Singtel  
 2. Indicates a registered business trust under the Business Trusts Act, Chapter 31A of Singapore  
 3. Indicates an unregistered business trust

# Presentation outline

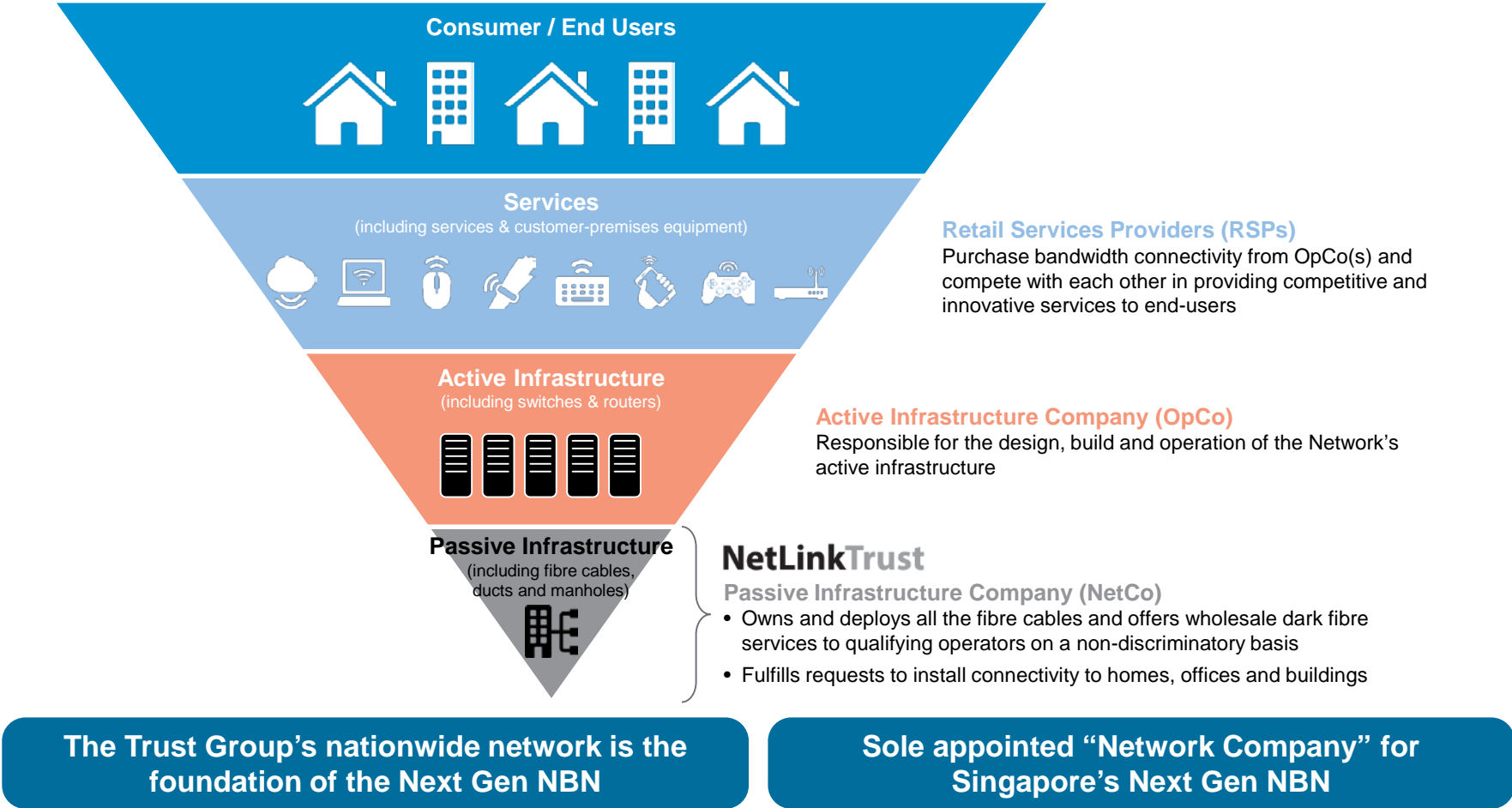
Agenda		Slide
<b>Section 1</b>	<b>Overview of the Trust Group</b>	<b>6</b>
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**Section 1**  
**Overview of the Trust Group**

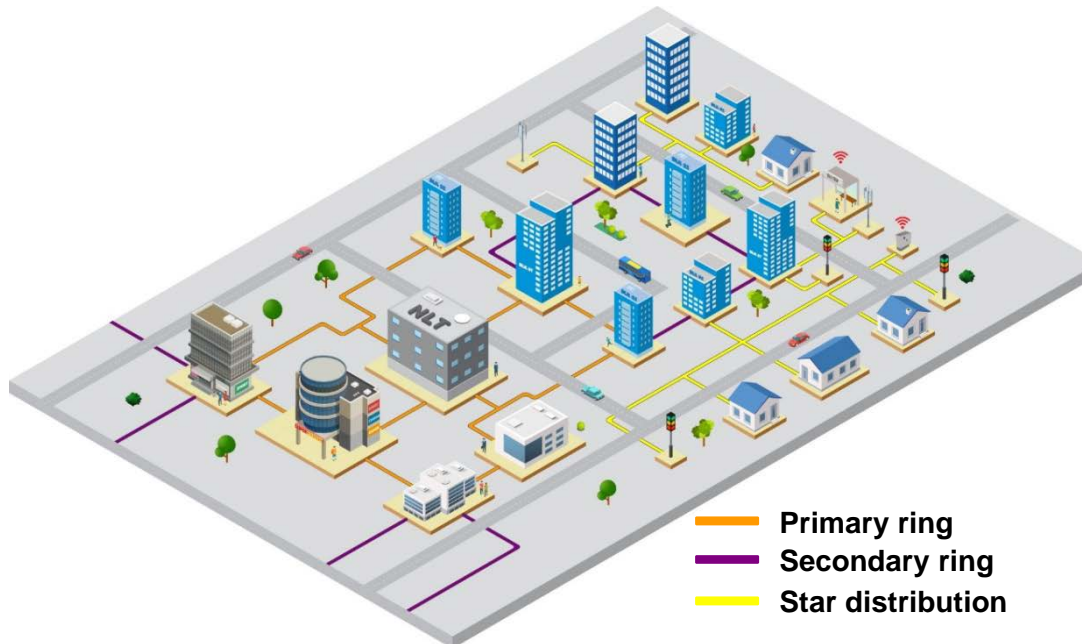
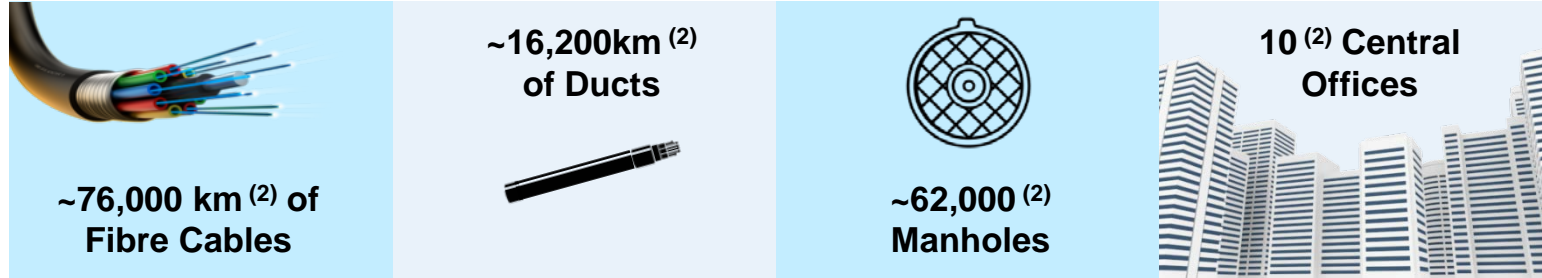
# Next Gen NBN industry structure

The Next Gen NBN industry comprises three distinct layers to ensure open access to the Next Gen NBN for all participants



# The Trust Group's nationwide network coverage

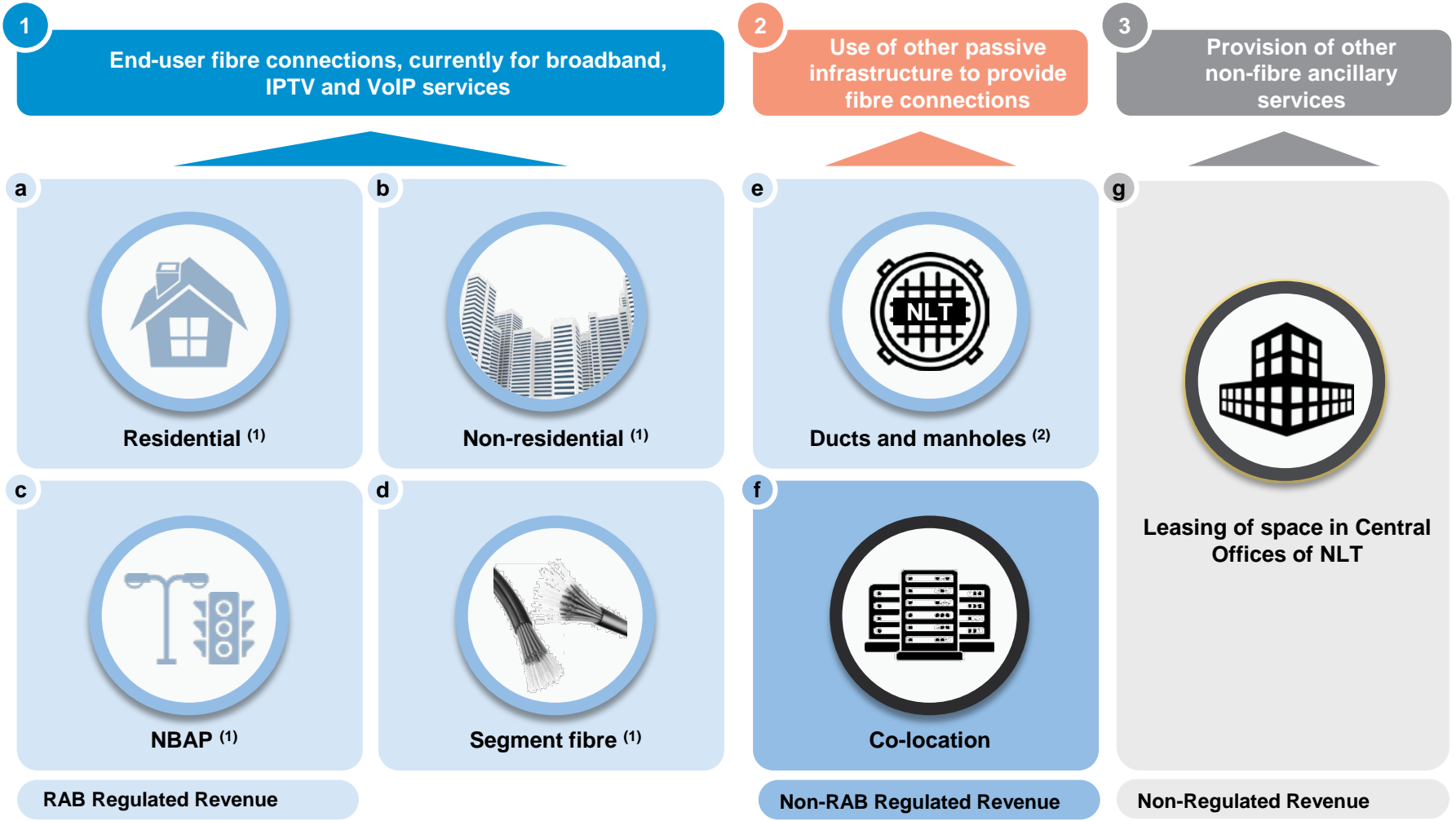
## An ubiquitous and hard-to-replicate network <sup>(1)</sup>



1. According to Media Partners Asia (MPA)  
2. As of 31 Mar 2017



# Scope of services provided by the Trust Group



1. From ICO  
2. From Ducts and Manhole Service Agreement / RAO



**Section 2**  
**Key Investment Highlights**

# Key investment highlights of the Trust Group

**NetLinkNBN**

**1 Critical infrastructure enabling Singapore's Next Gen NBN**

**2 Resilient business model with transparent, predictable and regulated revenue stream**

**3 Sole nationwide provider of residential fibre network in Singapore, an attractive market with high demand for fibre broadband services**

**4 Well-positioned to benefit from growth in the non-residential segment as the independent nationwide network provider**

**5 Well-positioned to capitalise on growth in connected services including Singapore's Smart Nation initiatives**

**6 Extensive nationwide network affording natural barrier to entry**

**7 Highly scalable operations and credit strength support unitholder returns**

**8 Experienced management team with proven track record**

# ① Critical infrastructure enabling Singapore's Next Gen NBN



*Foundation of Next Gen NBN, over which ultra-high-speed internet access is delivered throughout Singapore*



*Nationwide coverage in Singapore in terms of residential homes and non-residential premises*



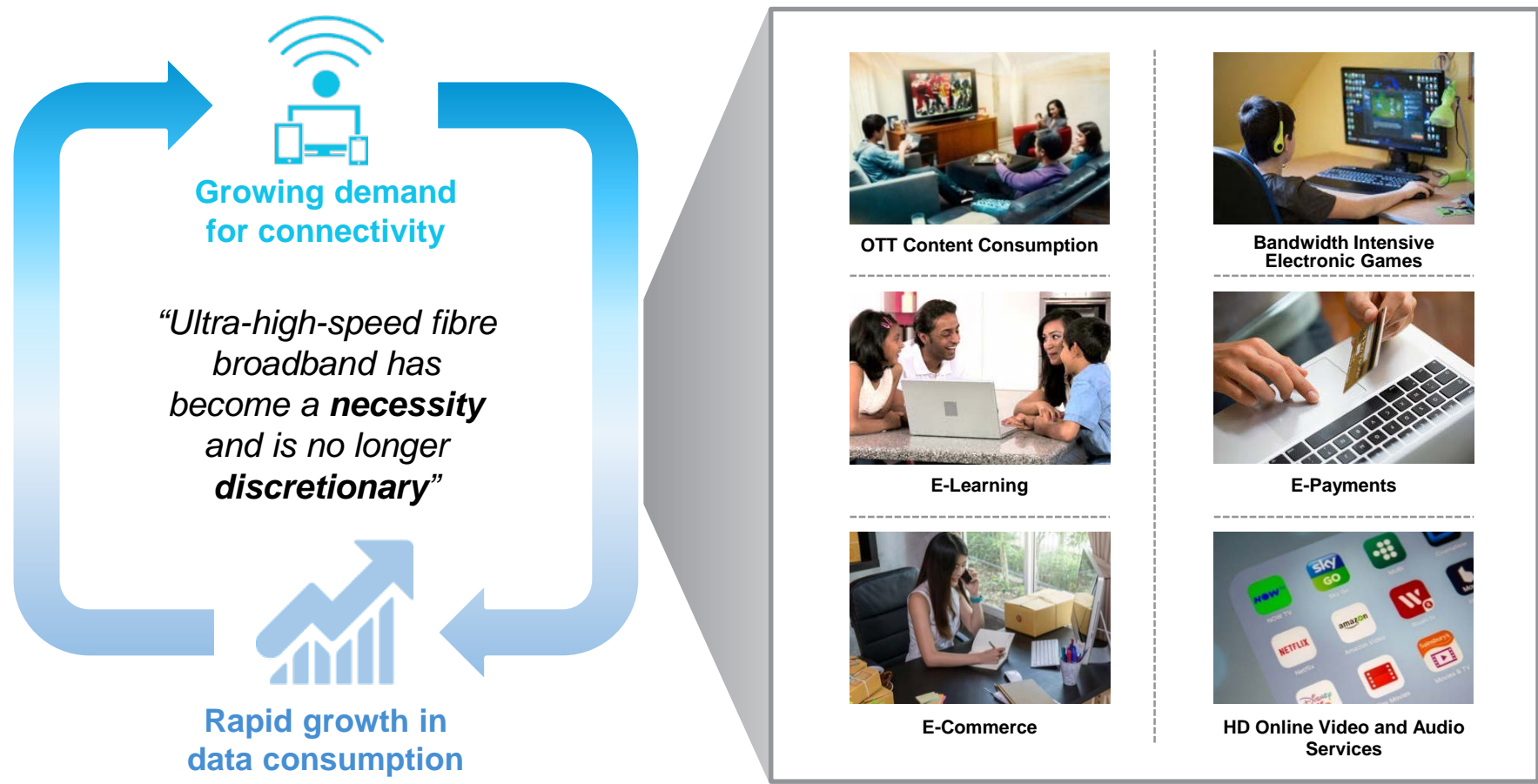
*Passive fibre infrastructure supported by an aggregate of S\$732 million government grant*



*Able to cater to future technological developments with limited substitution risk for the foreseeable future*

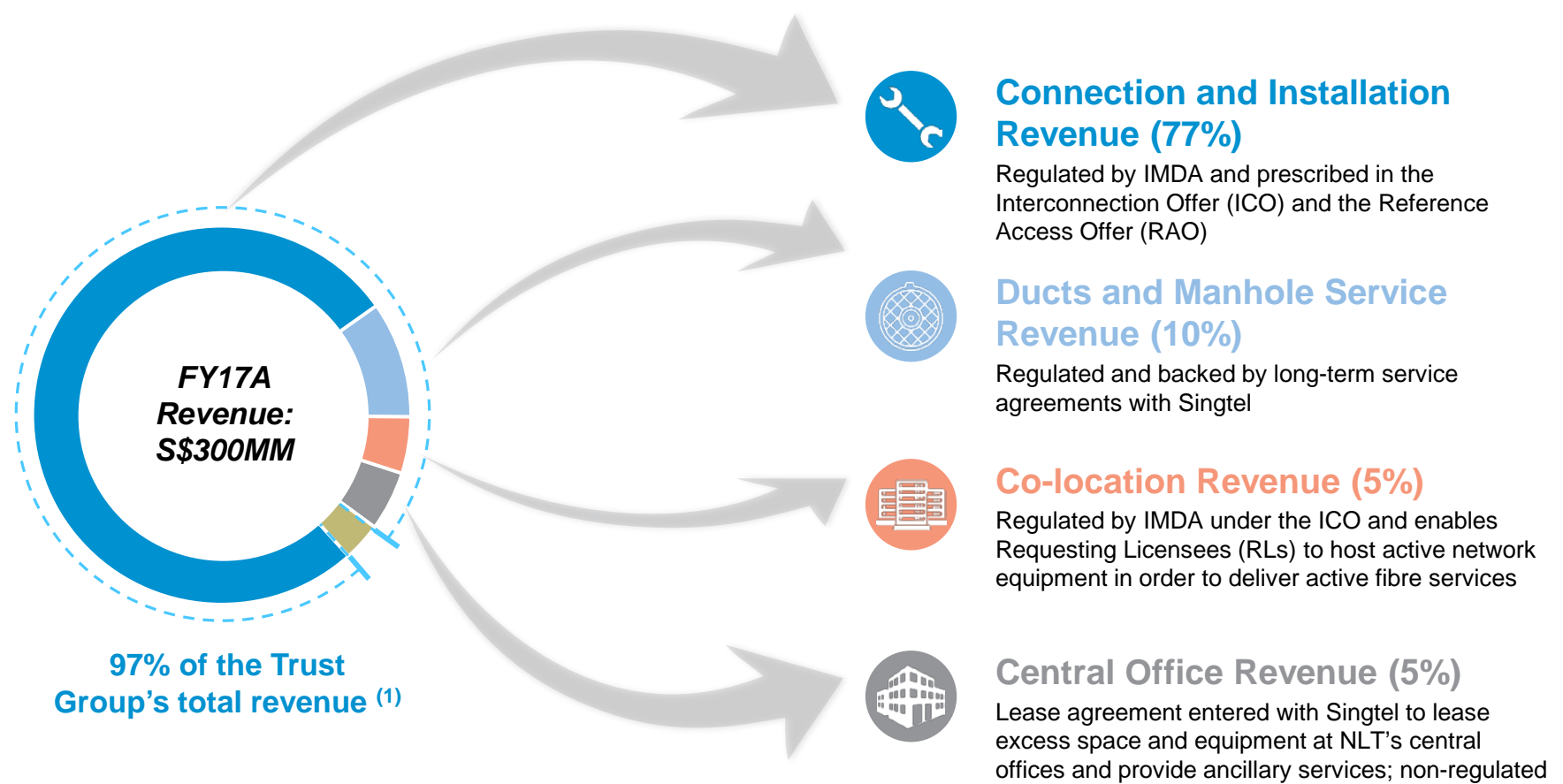
## 2 Resilient business model...

Increasing use of fibre broadband services for day-to-day activities makes the Trust Group's business resilient



## 2 ...With transparent, predictable and regulated revenue stream

97% of the Trust Group total revenue is stable due to its nature <sup>(2)</sup>

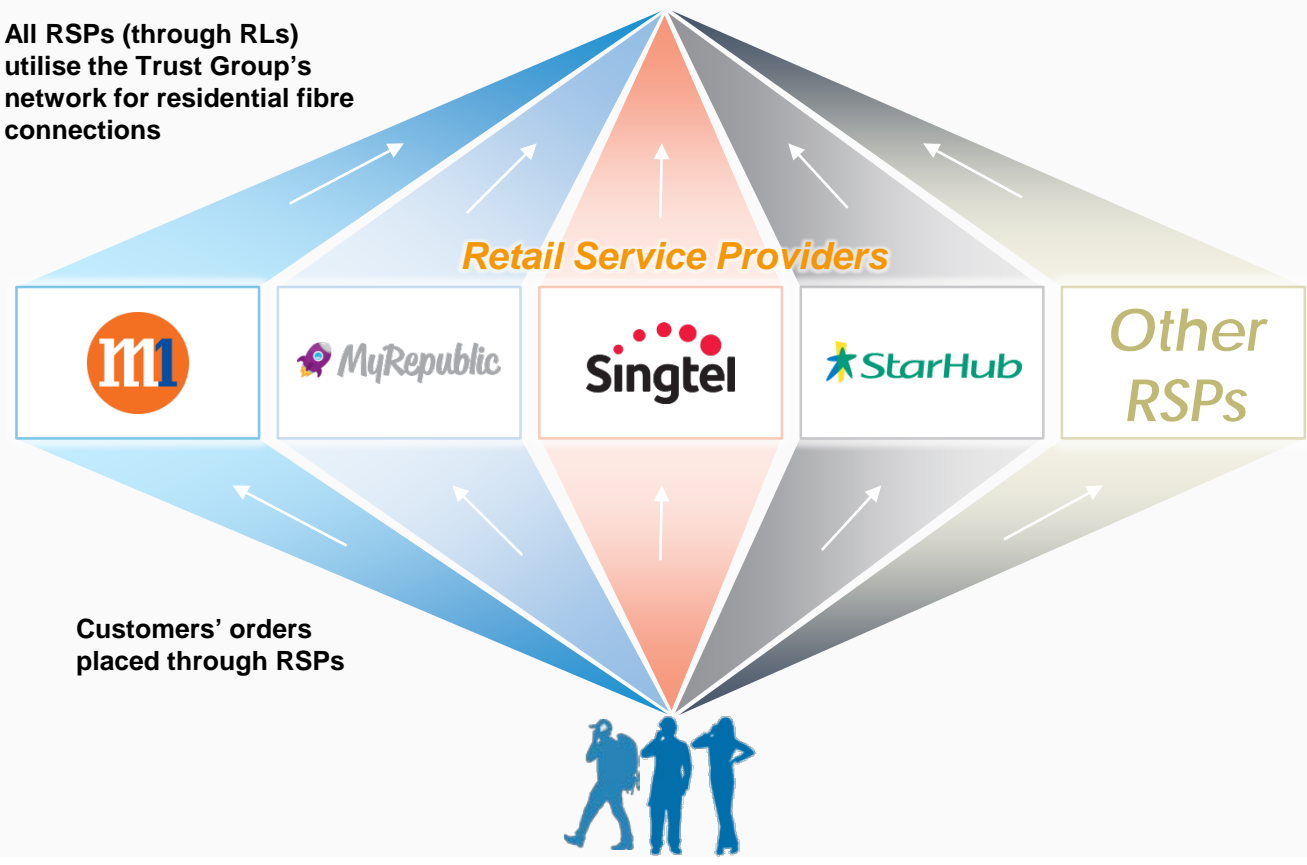


1. Remaining 3% refers to diversion and other revenue, both of which are non-regulated revenue  
2. Refers to sum of connection, installation, ducts and manhole service and co-location revenue that is regulated by IMDA (92%); and central office revenue which is unregulated but adds to income stability given its contractual nature (5%)

## 2 ...With transparent, predictable and regulated revenue stream

*Revenue is not impacted by residential end-user churn between RSPs as long as they continue to use fibre broadband*

All RSPs (through RLs) utilise the Trust Group's network for residential fibre connections



Customers' orders placed through RSPs

✓ *Competition or churn among end-users between RSPs does not adversely affect the number of connections provided by the Trust Group*

✓ *Competition between RSPs that results in reduced prices may lead to a higher number of fibre connections requested by residential end-users*

Predictable revenue stream for the Trust Group's business, which remains highly resilient through economic cycles

### 3 Sole nationwide provider of residential fibre network in Singapore...



**Sole  
Nationwide  
Provider of  
Residential Fibre  
Network in  
Singapore**



**~1.4 million  
Residential  
Home  
Passed <sup>(1)</sup>**



**~1.3 million  
Residential  
Home  
Reached <sup>(2)</sup>**



**~1.1 million  
Residential  
End-User  
Connections  
Supported**

1. Residential home passed refers to residential premises for which the Trust Group's network has been deployed up to the distribution point of each floor for a high-rise building containing two or more residential premises or to the gatepost or, where applicable, to the nearest manhole for a landed building containing one residential premises
2. Residential home reached refers to the residential premises for which the Trust Group's network has been deployed up to the first termination point in the residential premises

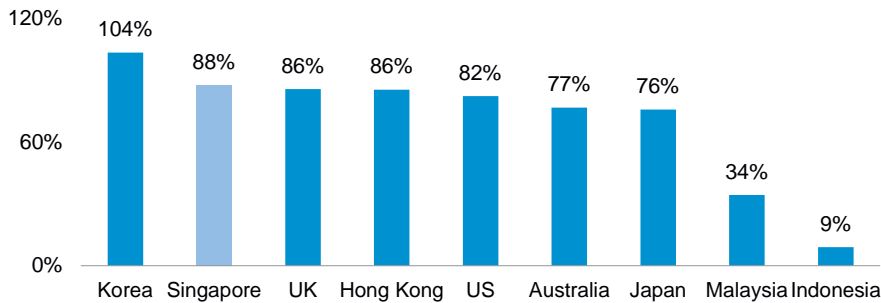
Figures are as of 31 Mar 2017



### 3 ...An attractive market with high demand for fibre broadband services

According to MPA, Singapore is a global leader in terms of broadband penetration...

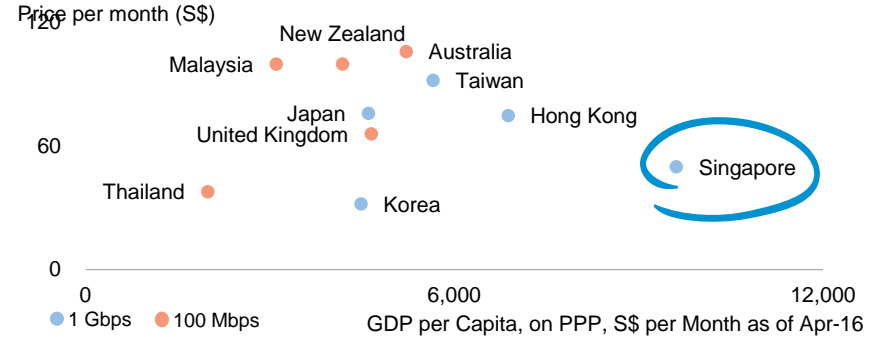
Fixed residential wired broadband household penetration as of Dec-16



Source MPA

...Supported by the relatively high purchasing power and affordable fibre broadband services in Singapore

Average price of 100 Mbps and 1 Gbps residential wired broadband subscriptions as of Mar-17

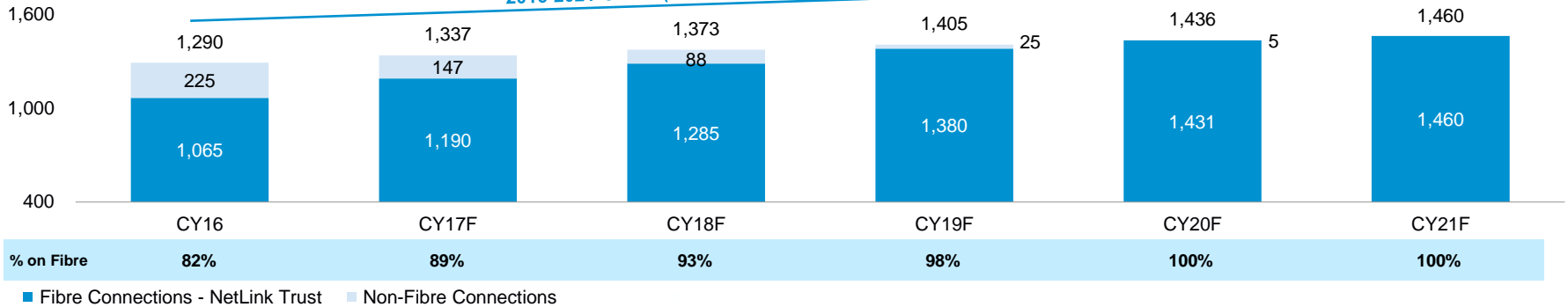


Source MPA

MPA estimates that the number of residential fibre subscriptions will grow at 6.5% CAGR between Dec 16 and Dec 21 (1)

Subscriptions ('000)

2016-2021 CAGR (Residential fibre subscriptions - NetLink Trust): 6.5%



Source MPA

1. Includes fibre broadband and standalone fibre IPTV subscriptions

4

## Well-positioned to benefit from growth in the non-residential segment as the independent nationwide network provider



### Nationwide

coverage for all non-residential premises



~30,000

non-residential premises deployed to <sup>(1)</sup>



5 of the 13<sup>(2)</sup>

Requesting Licensees predominantly utilised the Trust Group's network



~38,500

non-residential end-user connections representing ~31% market share <sup>(3)</sup>

1. Meaning that the Trust Group's network has been deployed up to the telecommunication equipment room of the non-residential premises

2. As of the Latest Practicable Date

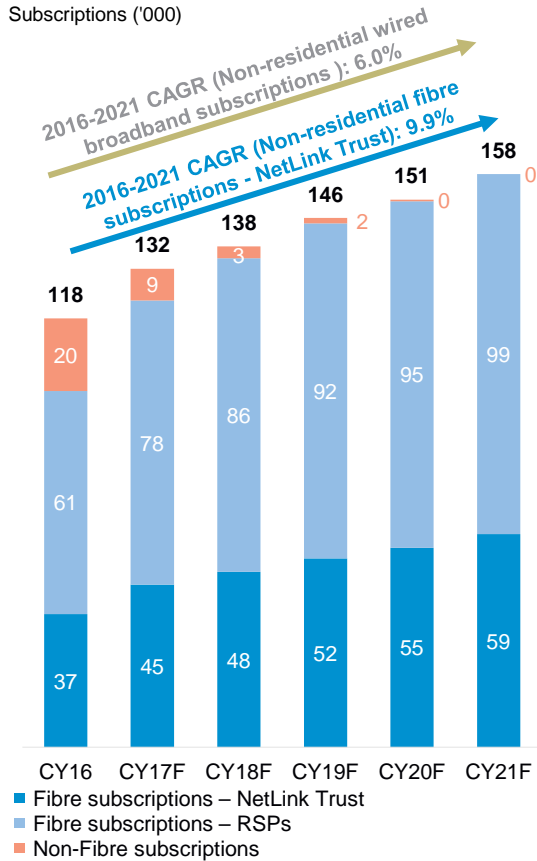
3. Based on an estimated 121,300 total corporate wired broadband connections by the Trust Group as of 31 Mar 2017, using IMDA published information as of 30 Jun 2016

Figures are as of 31 Mar 2017 unless otherwise stated

# 4 Well-positioned to benefit from growth in the non-residential segment as the independent nationwide network provider

MPA estimates the total non-residential wired broadband subscriptions to grow at ~6.0% CAGR between CY16 and CY21...

Subscriptions ('000)



Source MPA

..with demand over next 3 to 5 years expected to be largely driven by the following <sup>(1)</sup>



*Increasing number of SMEs in operation in Singapore*



*Government grants to improve productivity through digitalisation and increase adoption of fibre broadband*



*Increasing demand for video conferencing and cloud-based business applications designed for enterprises*

1. According to MPA

The Trust Group is well-positioned to take advantage of any future growth in this segment



Extensive nationwide network coverage providing access to non-residential end-users across Singapore in a cost efficient way

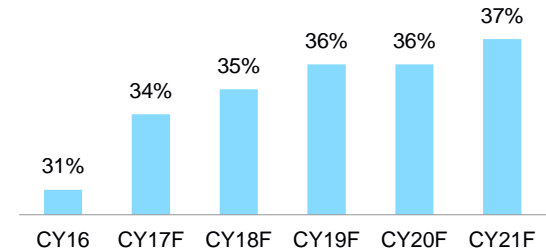


Networks of the Trust Group's competitors are concentrated in the CBD and large business parks



Independent network provider offering an attractive neutral option for RSPs who do not have an established network


NLT's market share of non-residential wired broadband subscriptions



Source MPA


# 5 Well-positioned to capitalise on growth in connected services including Singapore's Smart Nation Initiatives

## Initiatives that require fibre connections...




**Smart Nation Initiative**

- To enhance the lives of Singapore citizens **through the use of technology**
- 100 new NBAP connections** expected to be required for "Phase 1" of the Smart Nation Platform




**10,000 – 12,000**  
AG Boxes contemplated to be deployed in Phase 2 over a 10-year period




**Wireless@SG**

- To increase connectivity through hotspots around the island
- From May 2016, **all access points must use fibre broadband connection** of at least 100Mbps




**HetNet**

- Seamless switching** between different types of networks to provide an **enhanced mobile experience** through the integration of multiple interoperable wireless access technologies
- Telcos to gradually roll-out HetNet base stations across Singapore



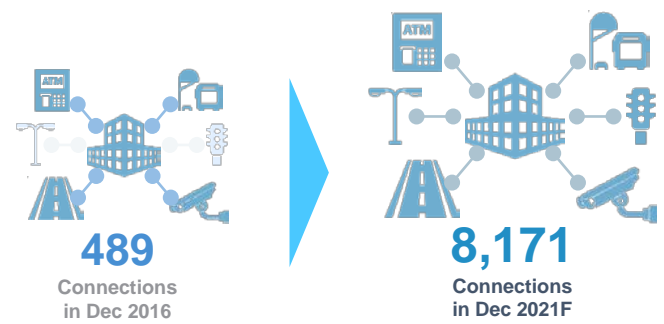
**2X** increase in hotspots to **20,000**



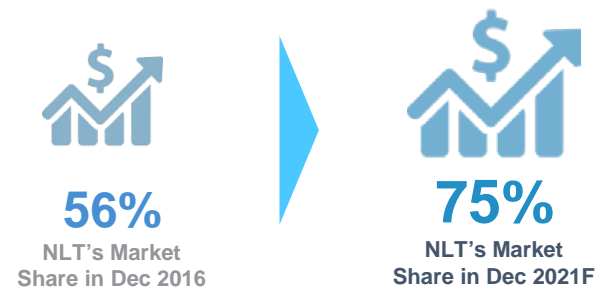
**3 telco operators** are assessing plans to roll-out HetNet across Singapore

## ...Are expected to have a positive impact on the Trust Group's NBAP connections

NBAP connections that may be addressable by the Trust Group



**Total NBAP Connections: 75.6% CAGR**





**The Trust Group's NBAP Connections: 86.2% CAGR**



**The Trust Group is well-positioned to capitalise and serve as the fibre network infrastructure provider for initiatives that require fibre connections**



## 6 Extensive nationwide network affording natural barrier to entry

Extensive fibre network with limited substitution risk for the foreseeable future...

...Making it, in MPA's view, logistically and financially challenging to build another nationwide fibre network infrastructure

 Ability to transmit data to support advanced technological applications and meet the requirements of sophisticated end-users with high bandwidth requirements 

 Durability and longevity of fibre cables reduces need for frequent material upgrades or replacement of fibre cables 

 Ability to cater to future technological developments with limited substitution risk for the foreseeable future 



~76,000km<sup>(1)</sup> of Fibre Cables



~16,200km<sup>(1)</sup> of Ducts



~62,000<sup>(1)</sup> Manholes



10<sup>(1)</sup> Central Offices

High barriers to entry in creation of similar or competitor networks

1. Figures as of 31 March 2017

## 7 Highly scalable operations and credit strength support unitholder returns



### Highly Scalable Operations

- Our **extensive nationwide network** results in minimal long-term capex requirements <sup>(1)</sup>
- Achieved **EBITDA margin of 73.5%** in FY2017 and expects to achieve EBITDA margin of 69.3% and 70.2% for FP18 and PY19 respectively



### Primary Customers are Requesting Licenses

- Primary customers include **established players** in the Singapore telecommunications market
- **NLT has not experienced any material bad debts** in the last 3 financial years



### Sufficient Additional Debt Headroom

- **Expected total debt / EBITDA<sup>(2)</sup> ratio of 3.2x<sup>(3)</sup> with sufficient additional debt headroom**
- **Ability to utilise debt financing** for future capex or working capital requirements

**Stable cash flow generation and thereby unitholder returns**

1. Future capex is largely limited to network maintenance and network expansion to cover additional residential homes, non-residential premises and NBAPs with the exception of a higher portion of capital expenditure expected to be incurred in the years ended 31 March 2018 and 31 March 2019, all of which are expected to be completed by 2019

2. Non-SFRS financial measure representing operating profit before depreciation and amortisation expense, net finance cost and income tax expense

3. Based on PY19E

# Experienced management team with proven track record

*Over 80 years of accumulated experience in investment management, infrastructure and/or telecommunications sectors*



## 20 Mr Tong Yew Heng

*Executive Director and CEO*

- Former Executive Vice President, Corporate & Market Development of Singapore Technologies Electronics Limited. Previously served as the CEO of CitySpring Infrastructure Trust
- Holds a Master of Business Administration from the Nanyang Technological University and a Bachelor of Engineering (Hons) degree from the University of Strathclyde, U.K.
- Member of the Institute of Singapore Chartered Accountants

## 20 Mr Wong Hein Jee

*Chief Financial Officer*

- Former CFO at United Engineers Limited. Previously served as Group CFO at Tat Hong Holdings Ltd, and Group CFO at WBL Corporation Limited
- Holds a Master of Business Administration from the University of Chicago and a Bachelor of Science degree from Indiana University (Bloomington)
- Member of the Institute of Singapore Chartered Accountants

## 40 Mr Chye Hoon Pin

*Chief Operating Officer*

- Former Vice President of Singtel's IPTV Infrastructure department. Previously served as the CEO of cellular company Pacific Bangladesh Telecom Limited
- Holds a Master of Science (Electrical Engineering) and a Bachelor of Engineering (Electrical) degree from the National University of Singapore

# Number of years of relevant experience

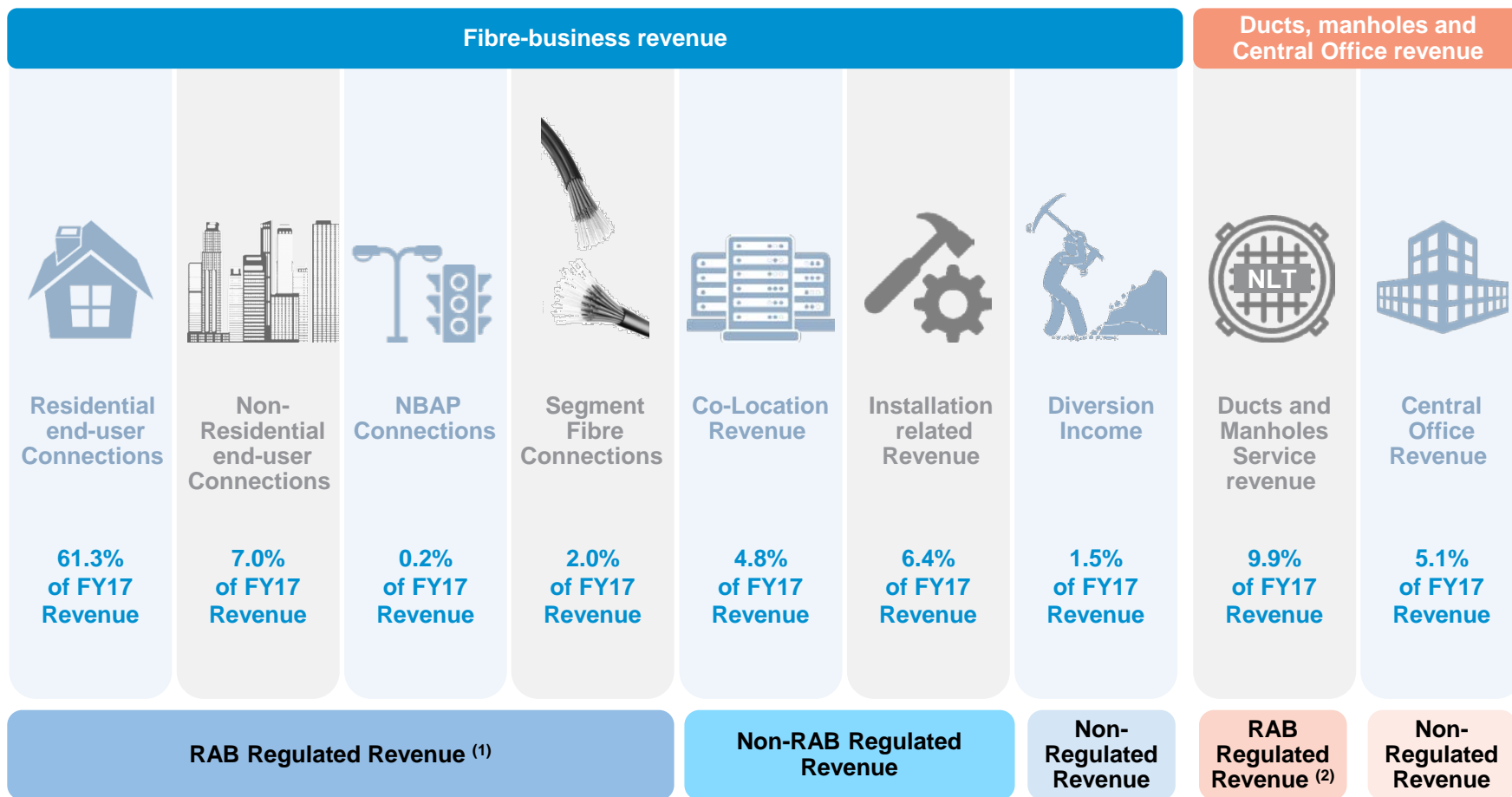
**Supported by a team comprising professionals with extensive experience in the infrastructure and telecommunications industries**

## Section 3

# Financial Highlights



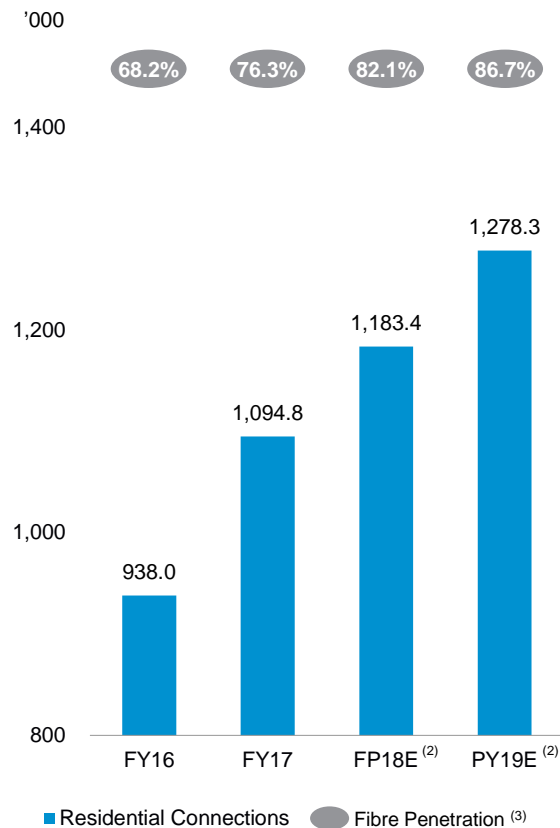
# Key revenue segments



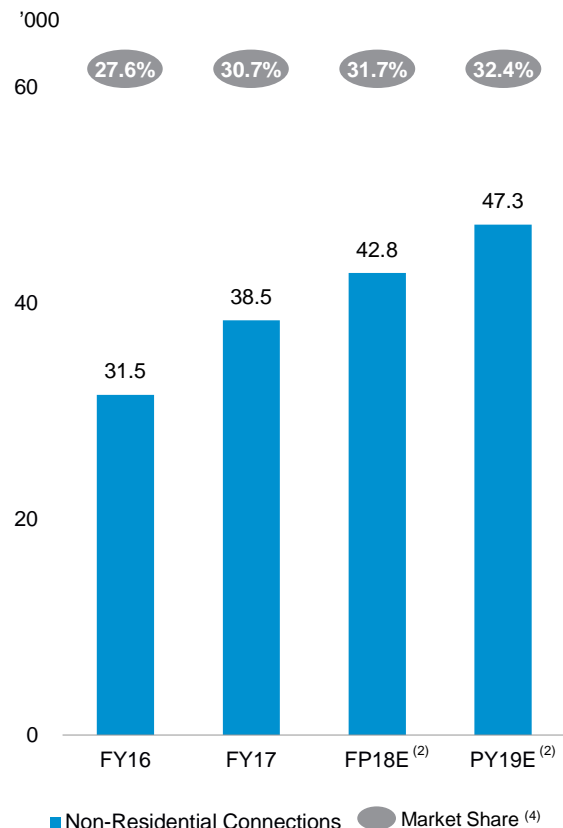
1. From ICO  
2. From Ducts and Manhole Service Agreement / RAO

# Residential fibre, non-residential and NBAP connections

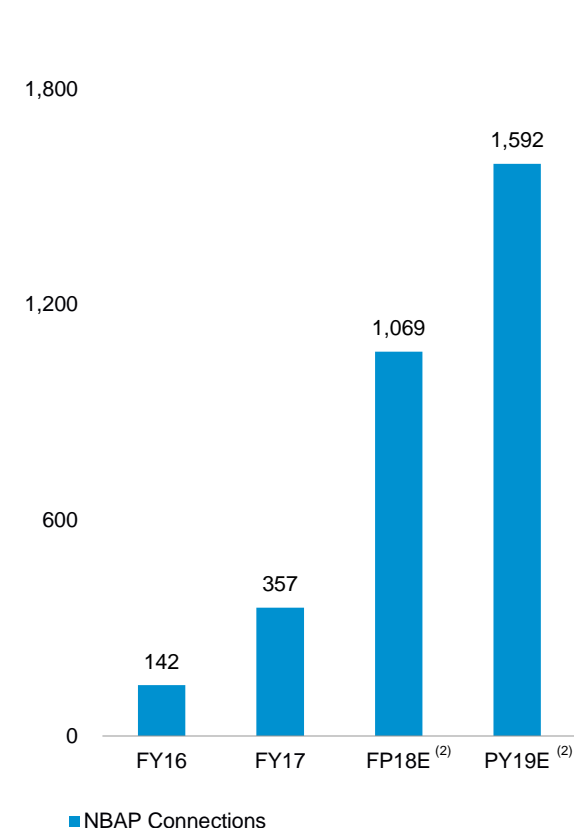
**Growth of residential fibre connections is primarily driven by migration of end-users from older technology to fibre<sup>(1)</sup>**



**Non-residential connections driven by multiple factors<sup>(1) (5)</sup>**



**NBAP connections growth is driven by the Trust Group's continued support of Smart Nation initiatives<sup>(1)</sup>**

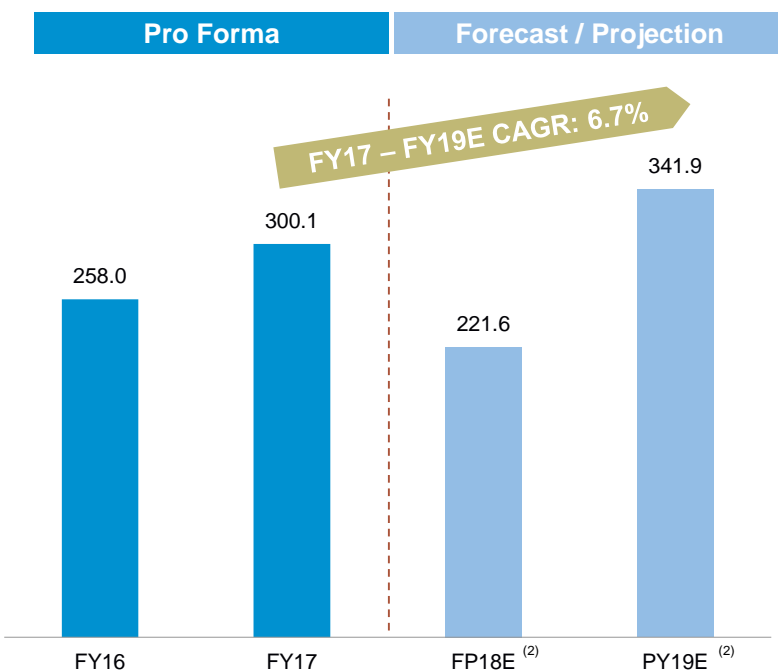


1. According to MPA
2. Forecast Period 2018 is the 8-month period from 1 August 2017 to 31 March 2018; Projection Year 2019 is the 12-month period from 1 April 2018 to 31 March 2019
3. Fibre end-user connections as a percentage of homes passed
4. Fibre end-user connections as a percentage of total non-residential wired broadband connections
5. Factors include increases in connections from SME businesses, government grants to improve productivity through digitalisation and adoption of fibre broadband, and increasing demand for video conferencing and cloud-based business applications designed for enterprises

# High degree of scalability for the Trust Group's business supporting stable cash flow generation

## Revenue

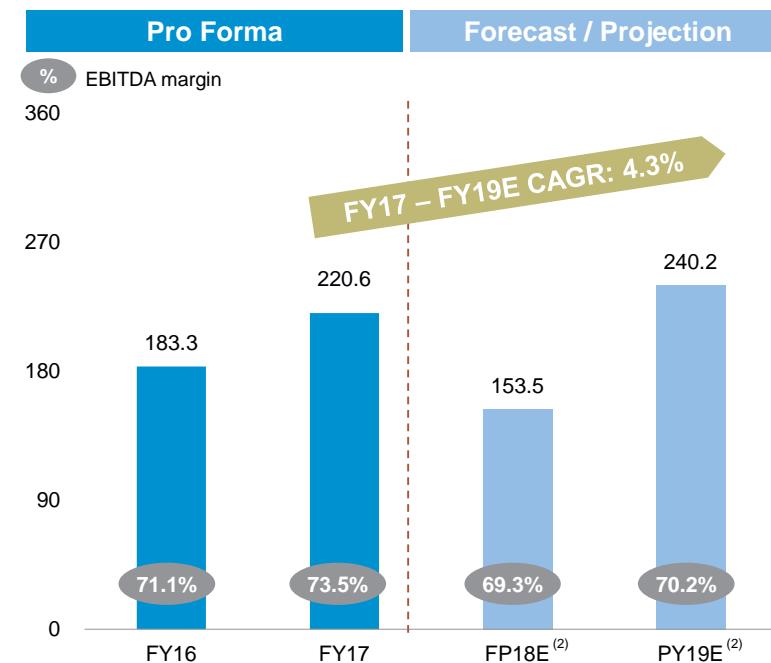
(\$ in millions, financial year end 31 March)



- Trust Group's revenue growth from FP18 to PY19 is largely driven by growth in fibre business revenue
- Majority contribution from connections revenue (regulated) with further contributions to stability from central office, DMH and co-location revenues

## EBITDA<sup>(1)</sup>

(\$ in millions, financial year end 31 March)



- EBITDA margin of ~70%
- Low operating costs translates into highly scalable operations supporting stable cash flow generation

1. EBITDA is a non-SFRS financial measure and represents operating profit before depreciation and amortisation expense, net finance cost and income tax expense

2. Forecast Period 2018 is the 8-month period from 1 August 2017 to 31 March 2018; Projection Year 2019 is the 12-month period from 1 April 2018 to 31 March 2019

# Optimise capital structure to maintain appropriate level of financial prudence

## Trust Group Debt Facilities to Fund Near-Term Capital Expenditure

Facility	Aggregate Principal Amount	Amount Drawn Down	Interest Rate	Hedging Period	Tenor
Term Loan	S\$510 million	Fully drawn	2.91% <sup>(1)</sup>	Hedged until maturity	5 years
Revolving Loan Facility	S\$90 million	Undrawn	SOR + Margin	N/A	5 years
Revolving loan facility	S\$210 million	Undrawn	SOR + Margin	N/A	3 years

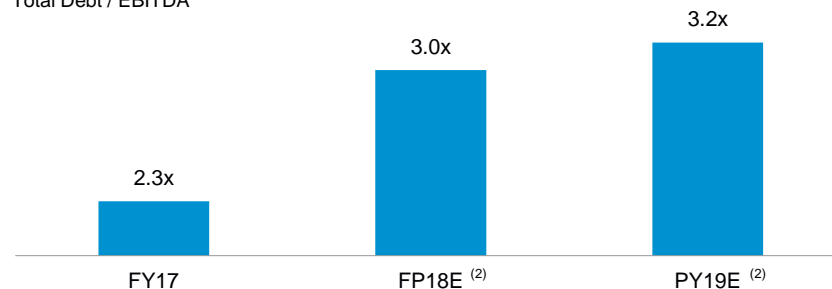
Facility in place primarily to fund capex in FY18 and FY19

## NetLink NBN Trust is Expected to have a Total Debt / EBITDA of 3.2x by FY19

**Strong Balance Sheet with Conservative Debt Position**

**Sufficient Additional Debt Headroom**

Total Debt / EBITDA



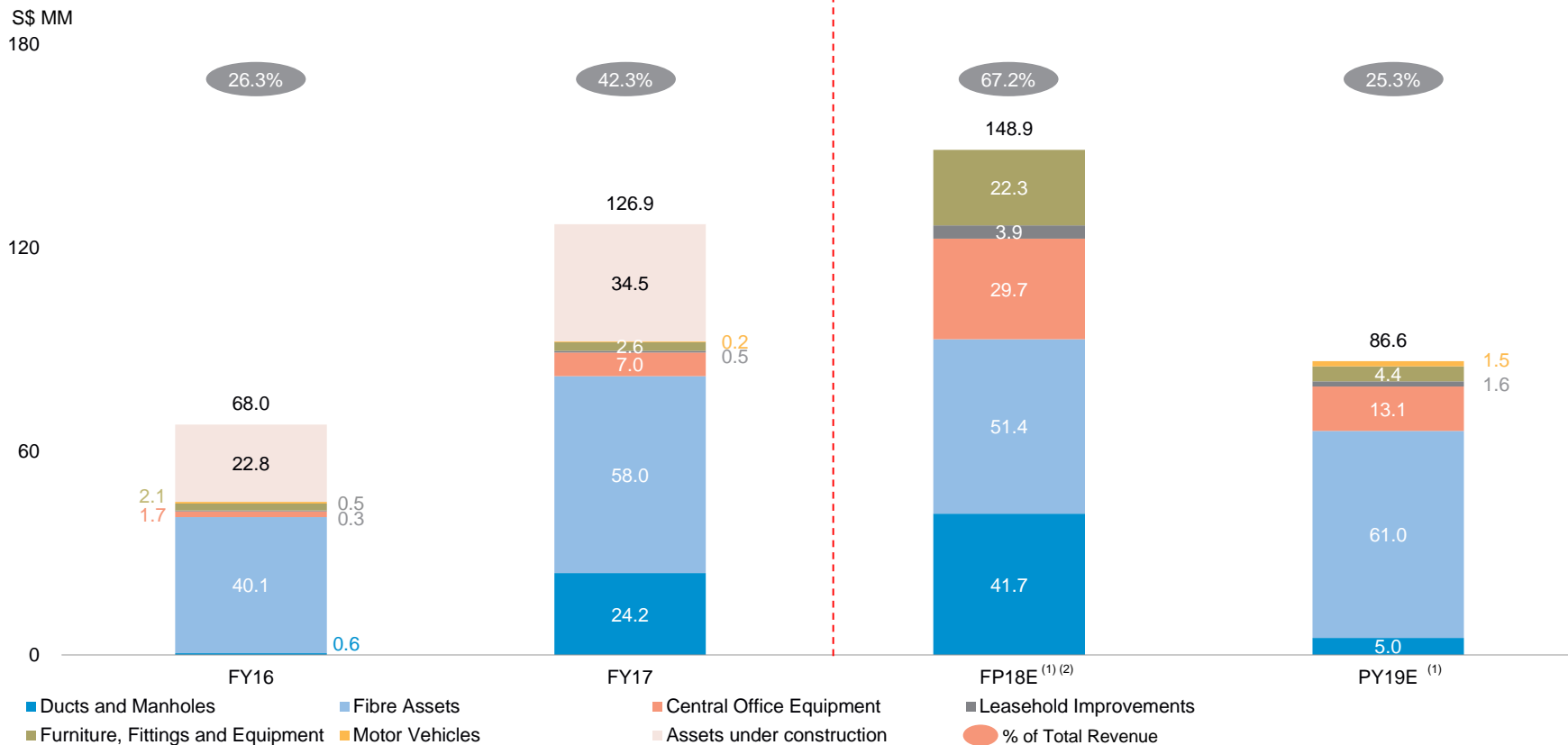
**NetLink NBN Trust will continue to have a strong balance sheet and a conservative debt position, which provides sufficient additional debt headroom for future debt financing, as required**

1. Hedged blended fixed interest rate

2. Forecast Period 2018 is the 8-month period from 1 August 2017 to 31 March 2018; Projection Year 2019 is the 12-month period from 1 April 2018 to 31 March 2019

# Projected capital expenditure is largely non-recurring in FP18E and PY19E <sup>(1)</sup>

## Trust Group Capital Expenditure

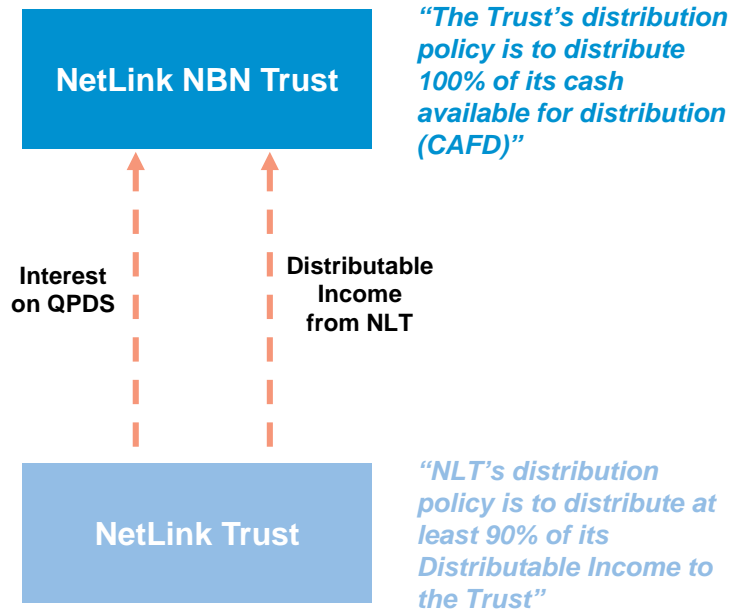


**Excluding non-recurring capex, annual capex is expected to be in the range of S\$40 – S\$60 million in FP18E and PY19E**

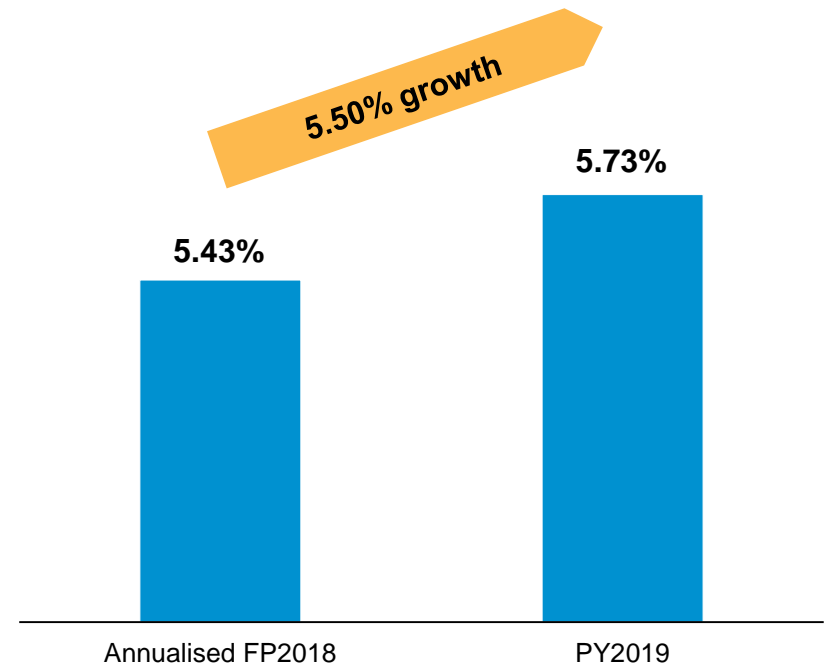
- Forecast Period 2018 is the 8-month period from 1 August 2017 to 31 March 2018; Projection Year 2019 is the 12-month period from 1 April 2018 to 31 March 2019
- Excludes the value of the 27,000 lead in ducts payable by the NLT Trustee to Singtel of S\$101 million

# Long-term, regular and predictable distributions

## Distribution Policy



## Distribution Yield and Growth



Distributions made by the Trust are exempt from Singapore income tax in the hands of all Unitholders

# Key investment highlights of the Trust Group

**NetLinkNBN**

- 1 Critical infrastructure enabling Singapore's Next Gen NBN
- 2 Resilient business model with transparent, predictable and regulated revenue stream
- 3 Sole nationwide provider of residential fibre network in Singapore, an attractive market with high demand for fibre broadband services
- 4 Well-positioned to benefit from growth in the non-residential segment as the independent nationwide network provider
- 5 Well-positioned to capitalise on growth in connected services including Singapore's Smart Nation initiatives
- 6 Extensive nationwide network affording natural barrier to entry
- 7 Highly scalable operations and credit strength support unitholder returns
- 8 Experienced management team with proven track record



**Appendix A**  
**Strategies of the Trust Group**



# Strategies of the Trust Group

**NetLinkNBN**

1

Maintain investments in network to support residential fibre broadband growth

2

Proactively engage relevant stakeholders to boost market share in non-residential and NBAP segments

3

Become a lead partner of the Smart Nation programme

4

Established business and asset management

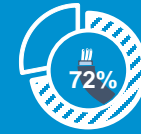
5

Capital and risk management

# 1 Maintain investments in network to support residential fibre broadband growth

01

*Support the continued migration of end-users from older technologies to fibre*



Fibre Broadband Penetration in Dec-16 <sup>(1)</sup>



Fibre Broadband Penetration in Dec -21F <sup>(1)</sup>

02

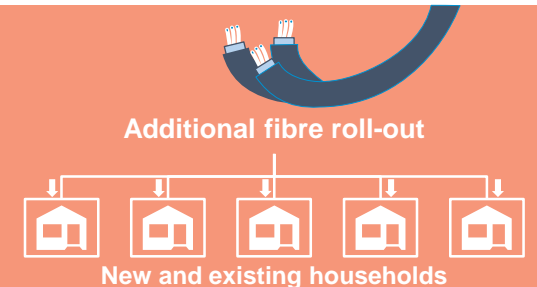
*Intend to roll-out new fibre infrastructure to all new buildings and developments as and when completed*



Estimated 42,000 new residential homes

03

*Invest in capital expenditure to roll-out additional fibre to new and existing homes*



Source MPA

1. Fibre broadband penetration as a percentage of total households, according to MPA

## 2 Proactively engage relevant stakeholders to boost market share in non-residential and NBAP segments

1 ***Proactive deployment of fibre to improve coverage*** within selected non-residential buildings



2 ***Working with Requesting Licensees to proactively anticipate new demand***



3 ***Extend network footprint*** into other new major developments



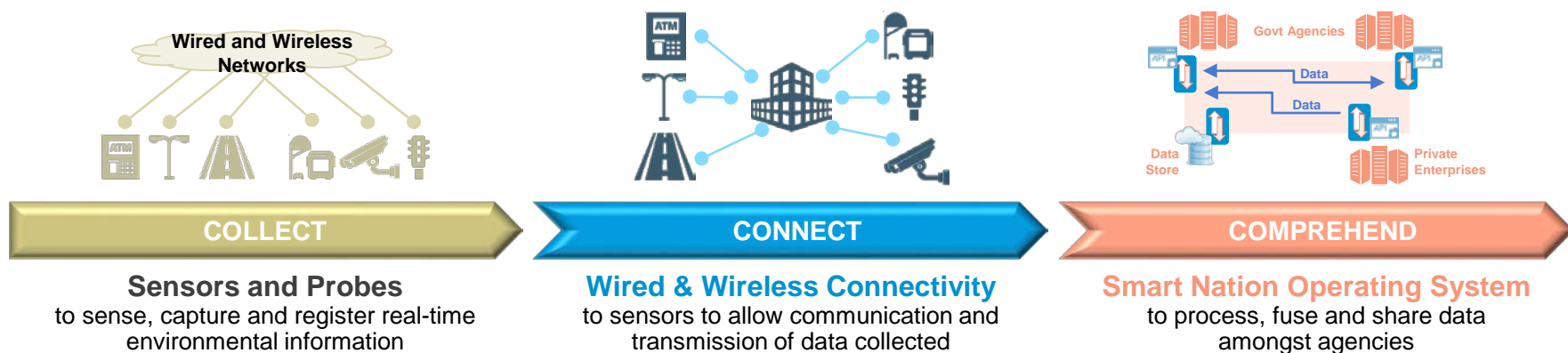
4 ***Continually take advantage of new opportunities*** in the NBAP segment as and when they arise



# 3 Become a lead partner of the Smart Nation programme

*Fibre, both for direct connections and as backhaul for wireless connections, is considered the most ideally suited technology to support Smart Nation services, given its high bandwidth and low latency capabilities, according to MPA*

## Smart Nation Platform



## Selected Examples of Smart Nation Initiatives



### HDB: Smart HDB Towns and Estates

- Internet of Things – compatible infrastructure to enhance energy savings and provide access to remote healthcare



### JTC: Integrated Estate Management System

- Building management and advanced analytics
- Real-time data on building functions such as air-conditioning, lighting and security



### EMA / SP Power: Smart Metering

- Smart meters allows SP Power to collect electricity consumption data remotely and eliminate need for manual readings



### LTA: Smart Mobility 2030

- Wireless data transmitters on buses and taxis to collect data
- Advanced road usage demand management
- Intelligent fleet management
- In-vehicle ITS telematics
- Autonomous vehicle



### MHA: Surveillance Cameras

- Video cameras to be installed at all HDB blocks and multi-storey carparks as part of Singapore's counter-terrorism and crime-fighting strategy



### NEA: Waste Eco

- System to provide interactive waste and energy management functionalities, such as waste collection

## 4 Established business and asset management



1 Provide services to all qualifying persons in Singapore on a **non-discriminatory basis**



2 Focus on **customer satisfaction** and work with Requesting Licensees to foster **strong, long-term working relationships**



3 Ensure **long-term reliability and availability of network**



4 Enhance **operational efficiency** while further reducing operating costs



5 **Continued investment in network** to ensure provision of all required services to its customers



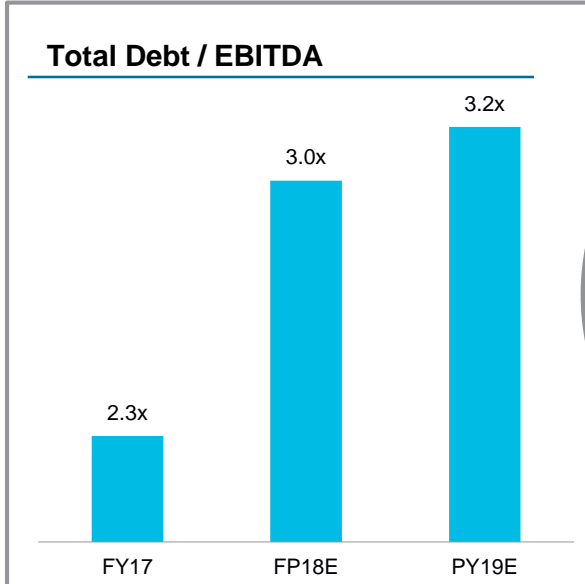
6 Efficient **capital expenditure management** a key objective

1. Excluding disruptions due to damage to fibre cables caused by third parties

## 5 Capital and risk management

### Optimising Capital Structure and Cost of Capital of the Trust Group

Have in Place Medium to Long-Term Debt Facilities



Establish Hedging Strategies and Risk Management Policies

- **No significant foreign currency risk** as all transactions are in SGD
- **No material interest rate risk** with appropriate hedging policies in place
- **Liquidity risk managed** by maintaining sufficient cash balance and committed borrowing facilities
- **Credit risk mitigated** through ensuring that payments are received by the contracted payment dates

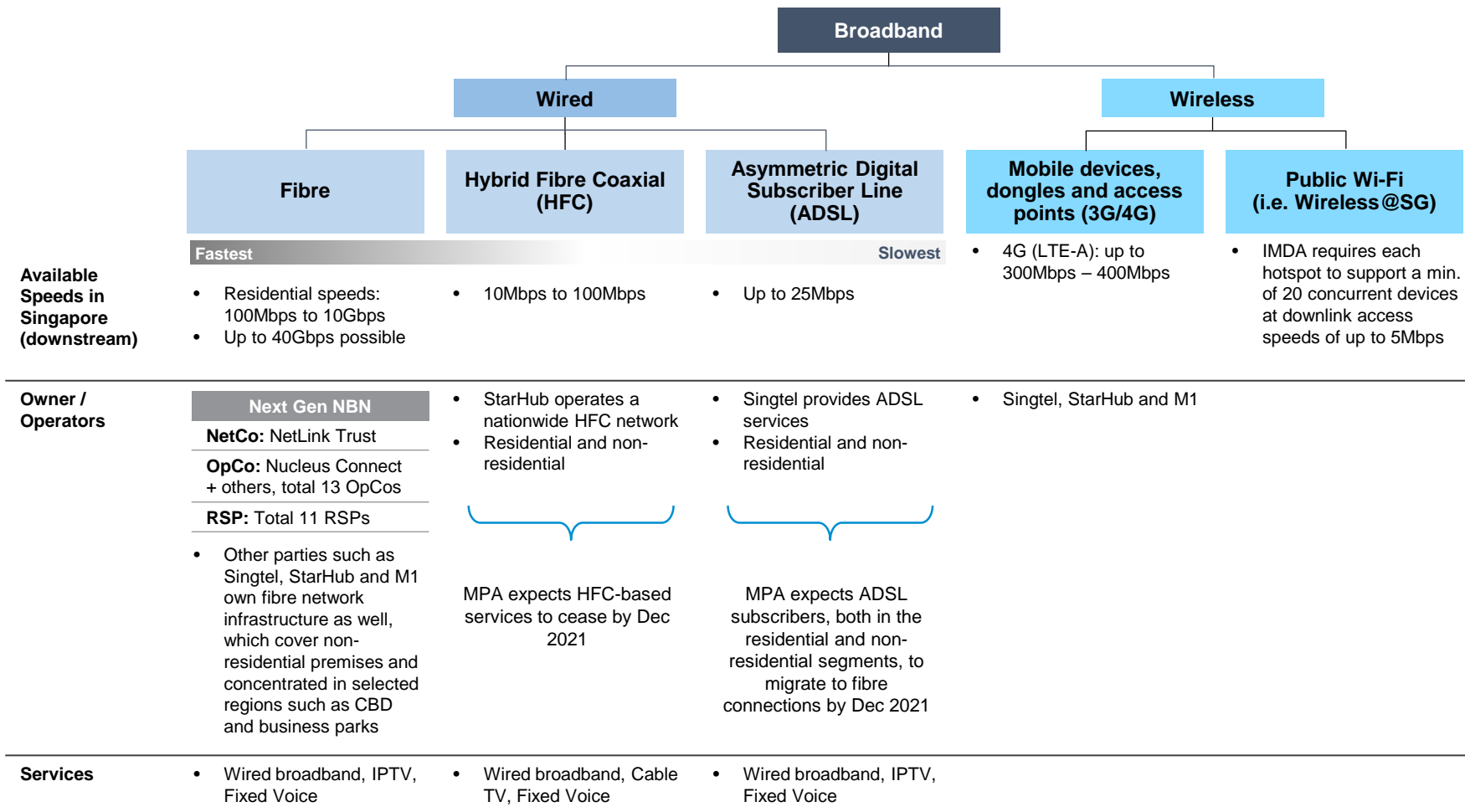


The Trustee-Manager will continuously assess and mitigate risks relating to the Trust Group's business to achieve stable cash flows



**Appendix B**  
**Overview of Broadband  
Industry**

# Broadband industry overview





# Drivers of demand for fibre broadband services and fibre connections

## 1. Growth in data consumption

### High speed and/or low latency broadband services for:

- ✓ Online video and audio services
- ✓ Video communications
- ✓ Cloud-service applications and cloud storage
- ✓ Use of cloud online-based software and applications
- ✓ Internet of Things

## 2. Growth in market size

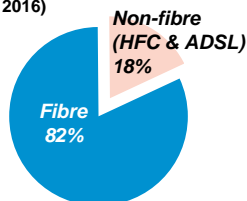
- ✓ Economic growth
- ✓ Growth in population, households and residential premises
- ✓ Demand for multiple fibre broadband subscriptions
- ✓ Growth in number of enterprises and office space
- ✓ Demand from mobile telco operators
- ✓ Provision of VoIP telephony services

## 3. Migration of users from other technologies

- ✓ Fibre broadband subscription plans are increasingly affordable
- ✓ Migration of users from older broadband technology such as HFC and ADSL

### Total Residential and Non-Residential Wired Broadband Subscriptions

(Dec 2016)



*Opportunity for RSPs to convert HFC and ADSL broadband subscriptions to fibre*

## 4. Government initiatives

- ✓ COPIF 2013: New residential units which have received a planning permit after May 2013 are required to have at least one fibre termination point pre-installed
- ✓ New specifications for Wireless@SG hotspots expected to drive demand for fibre connections
- ✓ Fibre Ready Scheme: Government-subsidised one-time installation costs of in-building fibre infrastructure for non-residential buildings
- ✓ Government grants to improve performance and productivity of SMEs through implementing and adopting new technology, including subsidising fibre broadband subscriptions
- ✓ Other ongoing and future Government-led initiatives including Smart Nation Programme



**Appendix C**  
**Supplemental Financial  
Information**

# NetLink Trust's pricing for its services

## Pricing of NLT's principal services are regulated by IMDA

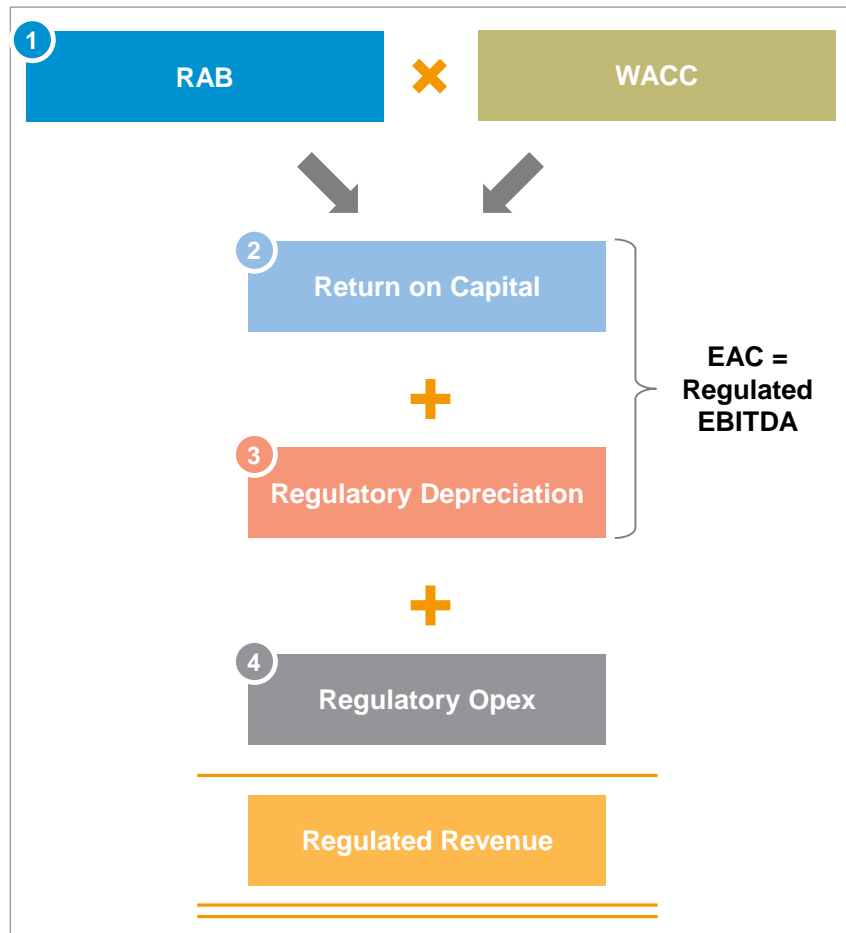
- IMDA shall hold a review of pricing terms every five years following the last price review, or at any such time as IMDA may consider appropriate (which may include a mid-term review in the third year from the last price review)
  - The most recent review by IMDA of prices under the Interconnection Offer and Reference Access Offer was completed in May 2017 and substantially most of the revised prices will be effective from or around Jan 2018 to Dec 2022
  - Pricing terms are regulated using the regulatory asset base (RAB) framework, which allows NLT to recover the following components: (a) return of capital deployed (i.e. depreciation); (b) return on capital employed; and (c) operating expenditure
- NLT may propose to conduct a mid-term adjustment in the third year, in the event of any significant change in cost inputs or if any significant changes to cost or demand forecasts are required due to unforeseen circumstances

## Monthly recurring charge (MRC) for fibre connections

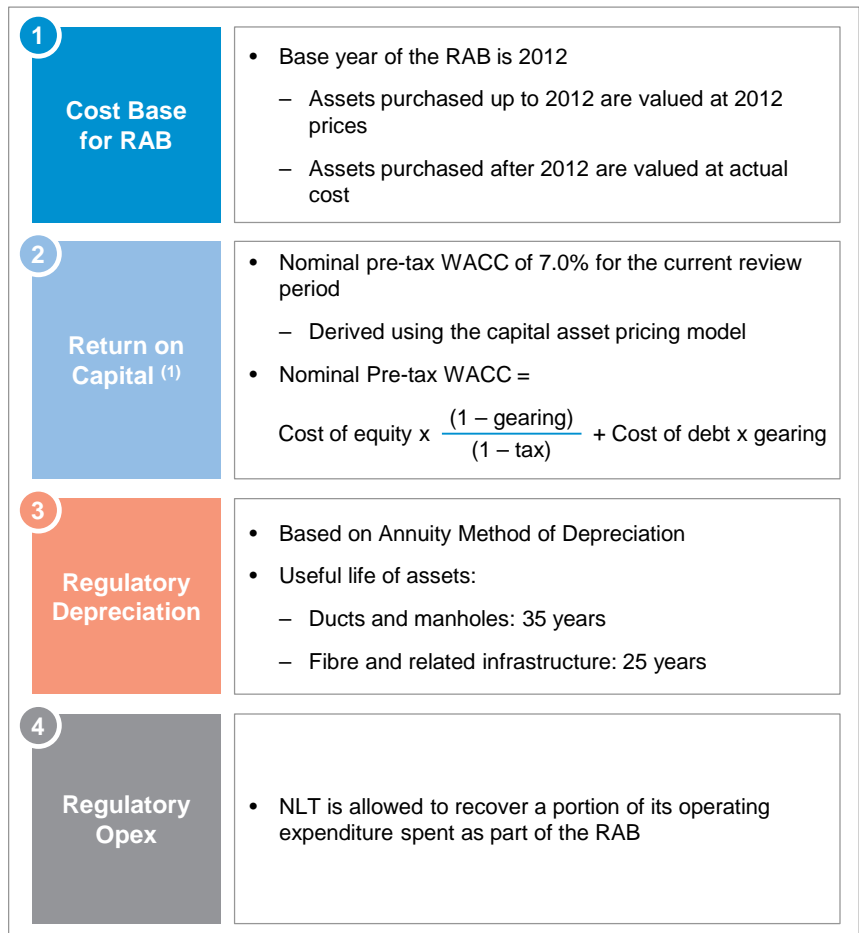
<b>Residential</b>	<b>S\$13.80</b> per connection per month
<b>Non-residential</b>	<b>S\$55</b> per connection per month
<b>NBAP</b>	<b>S\$73.80</b> per connection per month

# NetLink Trust's pricing for its services

## Framework for RAB Based Pricing Model



## Methodology for RAB based pricing model



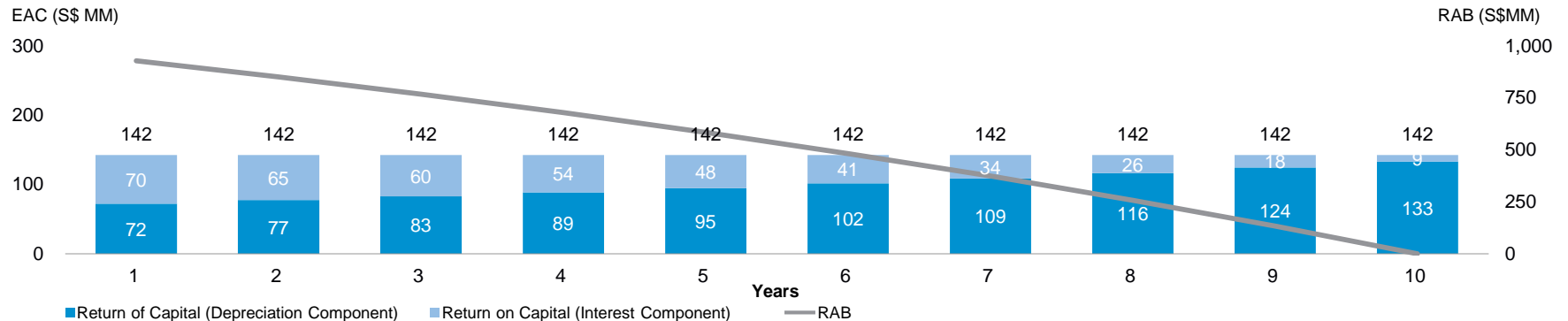
1. IMDA may change the rate of applicable pre-tax WACC in future review period

# Understanding the ICO pricing framework

## Illustrative Worked Example

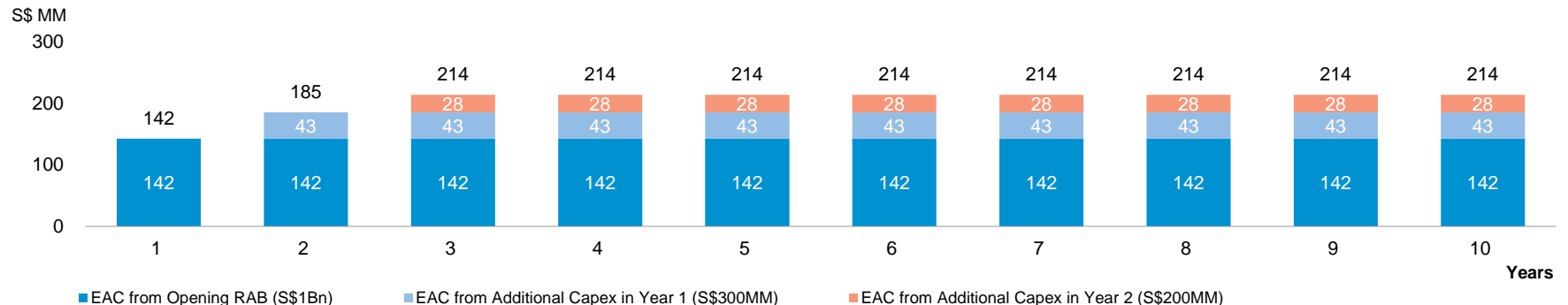
### How Does EAC Work for 1 Year's Outflow on Capex?

Assuming Opening RAB of S\$1Bn, WACC of 7.0% and Asset Useful Life of 10 Years



### Incremental Capex Leads to Incremental EAC

Assuming Opening RAB of S\$1Bn, capex of S\$300MM in Year 1 and capex of S\$200MM in Year 2



The annuity method of depreciation provides an Equivalent Annual Cost which equates to regulatory depreciation (depreciation component) + return on capital (interest component)

# Revenue and operating expense

## Revenue

Financials denoted in S\$ million	FY16	FY17	FP18E <sup>(1)</sup>	PY19E <sup>(1)</sup>
Residential connections	148.5	184.1	133.2	203.6
Non-residential connections	15.0	20.9	16.8	29.4
NBAP connections	0.3	0.5	0.7	1.3
Segment fibre connections	5.1	6.1	4.5	5.0
Co-location revenue	14.5	14.5	11.1	17.5
Installation revenue	23.3	19.1	17.8	29.8
Diversion income	2.2	4.5	3.0	3.2
Other revenue	5.8	5.3	2.6	3.9
Ducts and manhole service revenue	28.4	29.9	20.6	31.1
Central office revenue	15.1	15.2	11.3	17.1
<b>Total Revenue</b>	<b>258.0</b>	<b>300.1</b>	<b>221.6</b>	<b>341.9</b>

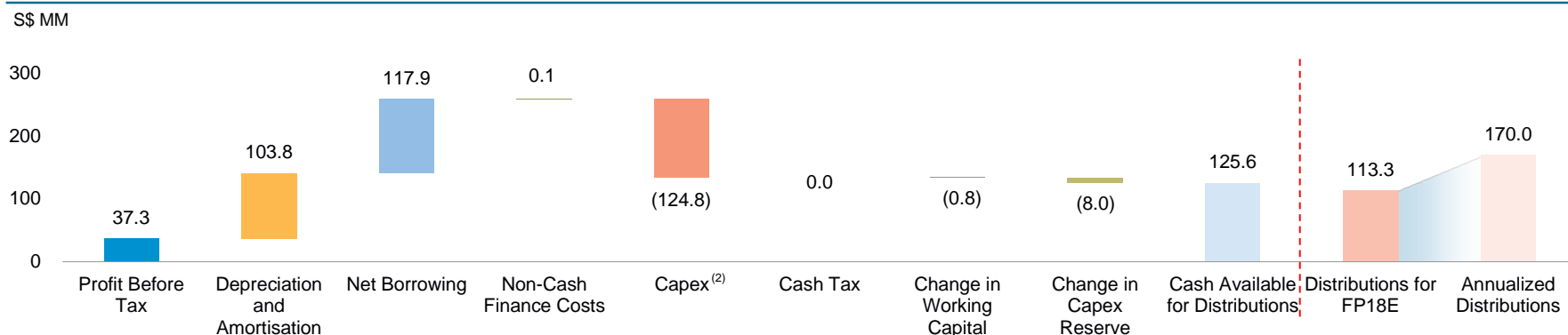
## Operating Expenses (excluding D&A)

Financials denoted in S\$ million	FY16	FY17	FP18E <sup>(1)</sup>	PY19E <sup>(1)</sup>
Maintenance expense	6.3	6.8	7.6	11.6
Co-location expense	3.9	4.8	3.9	6.0
Installation costs	12.7	15.2	12.0	17.7
Staff costs	16.1	19.8	15.5	25.6
Property tax	14.6	15.2	10.7	16.6
IT cost	6.2	8.0	8.8	10.1
Other expense	11.9	6.1	9.3	13.5
Management fee	4.1	4.1	0.6	1.0
<b>Total Operating Expense (excluding D&amp;A)</b>	<b>75.8</b>	<b>80.0</b>	<b>68.3</b>	<b>102.1</b>

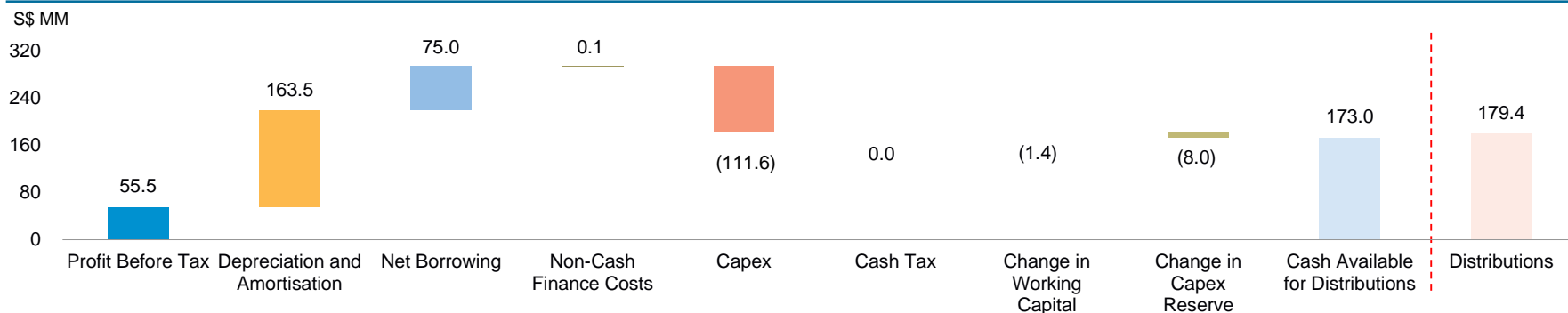
1. Forecast Period 2018 is the 8-month period from 1 August 2017 to 31 March 2018; Projection Year 2019 is the 12-month period from 1 April 2018 to 31 March 2019

# Cash available for distribution

## \$S\$126 million of cash available for distribution in FP18E <sup>(1)</sup>



## \$S\$173 million of cash available for distribution in PY19E <sup>(1)</sup>



1. Forecast Period 2018 is the 8-month period from 1 August 2017 to 31 March 2018; Projection Year 2019 is the 12-month period from 1 April 2018 to 31 March 2019

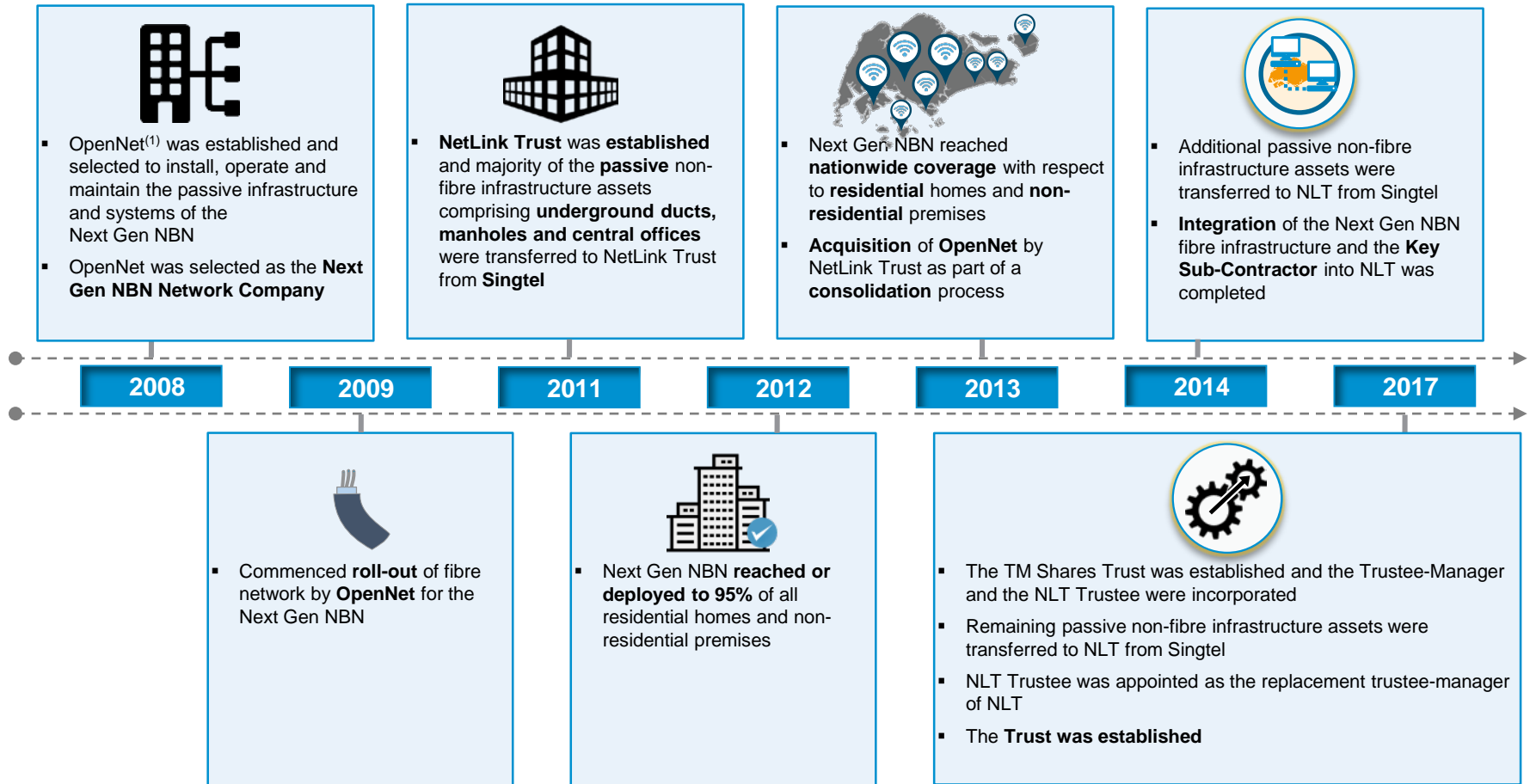
2. Excludes \$S\$93MM acquisition of lead-in ducts that will be financed by IPO proceeds



**Appendix D**  
**Supplemental Business  
Information**



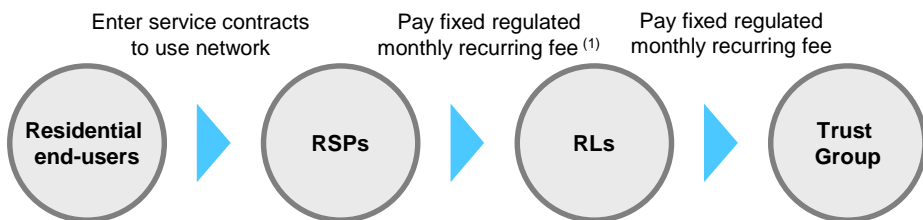
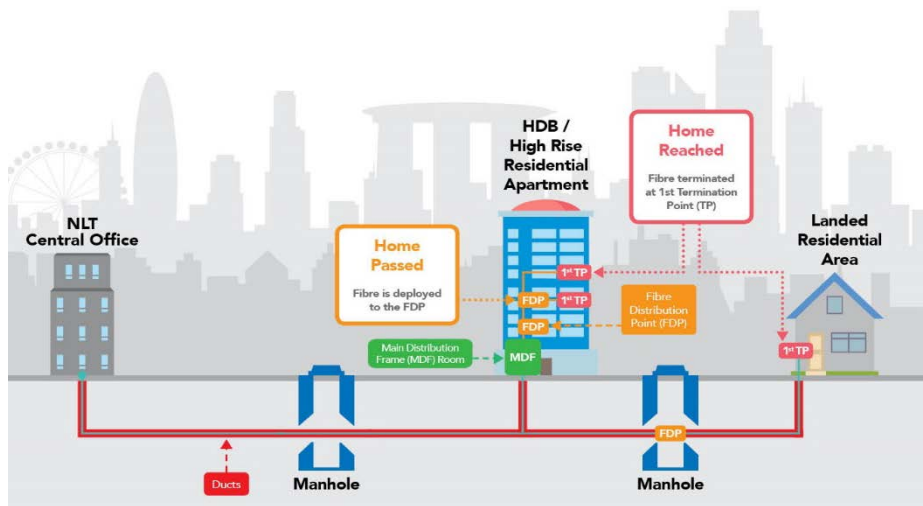
# History and key milestones of NetLink Trust



1. OpenNet Pte. Ltd.

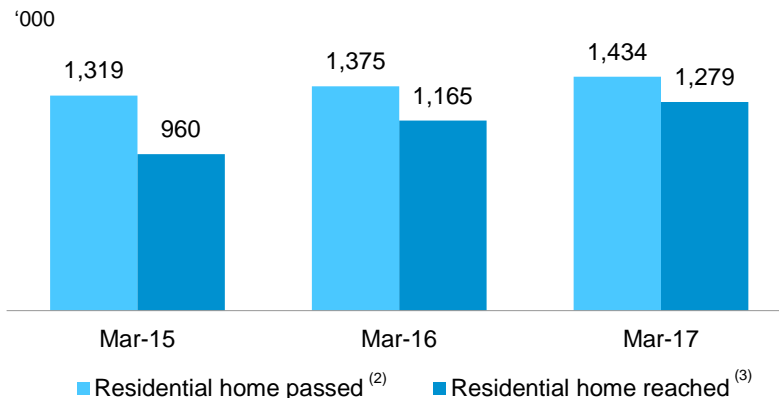
# a Residential segment

## Providing fibre connection to all residential homes in Singapore

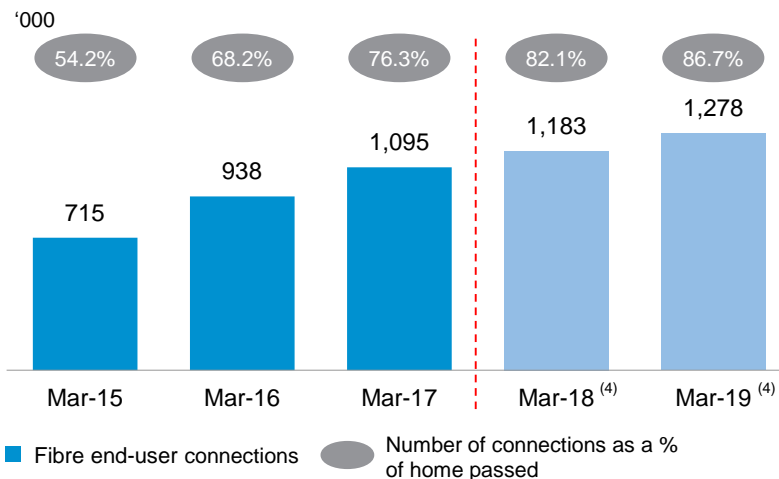


1. In the case of Nucleus Connect. Pricing between other RSPs and RLs are commercially agreed and not publicly available
2. Residential home passed refers to residential premises for which the Trust Group's network has been deployed up to the distribution point of each floor for a high-rise building containing two or more residential premises or to the gatepost or, where applicable, to the nearest manhole for a landed building containing one residential premises
3. Residential home reached refers to the residential premises for which the Trust Group's network has been deployed up to the first termination point in the residential premises
4. Forecast Period 2018 is the 8-month period from 1 August 2017 to 31 March 2018; Projection Year 2019 is the 12-month period from 1 April 2018 to 31 March 2019

## The Trust Group's key operating statistics

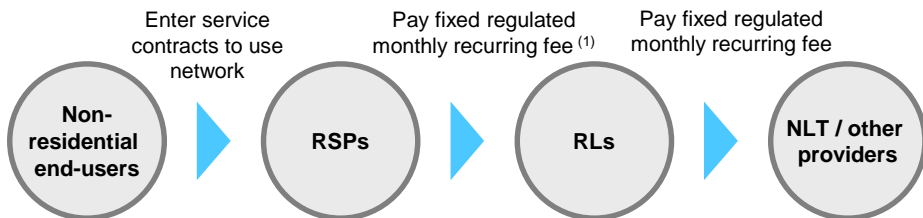
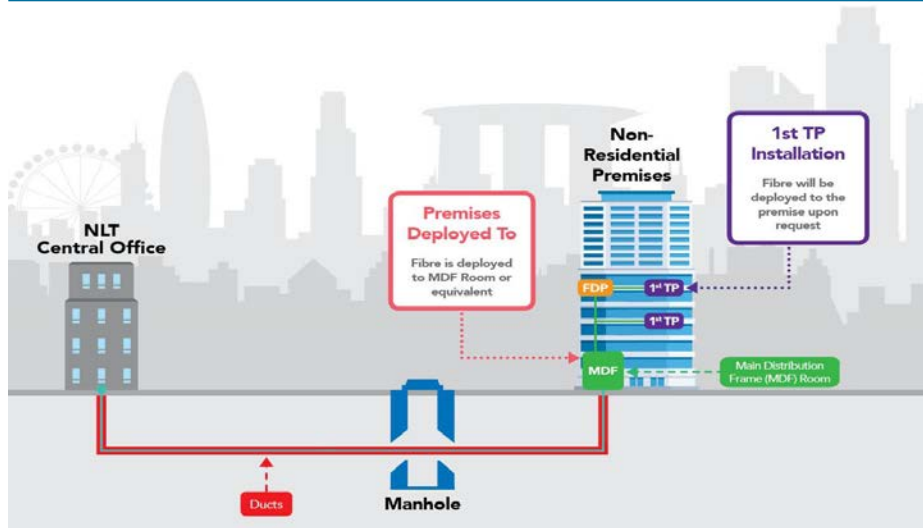


## Growth in the Trust Group's fibre end-user connections



# b Non-residential segment

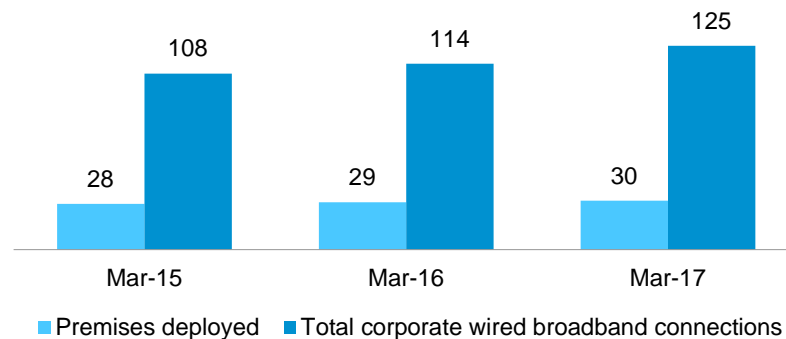
## Providing competitive non-residential access across Singapore



- Subject to competition, NLT's extensive nationwide network accesses non-residential end-users across Singapore (in particular SMEs outside the CBD) in a **cost efficient** way, and offers an **attractive neutral option** for RSPs as an independent network provider

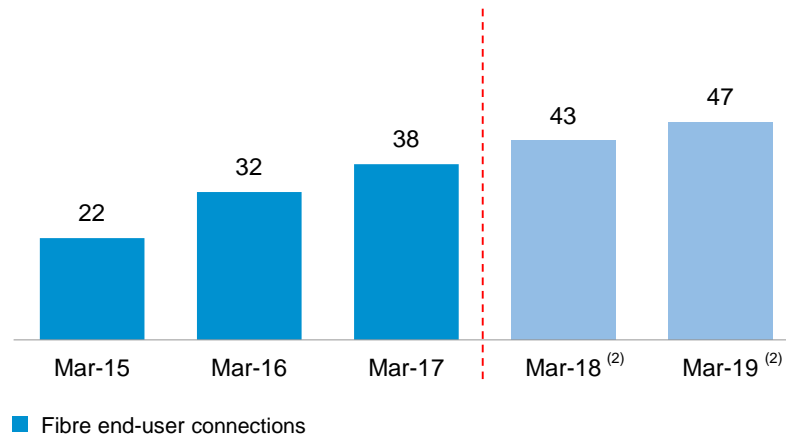
## The Trust Group's key operating statistics and total addressable market

'000



## Increase in the Trust Group's non-residential fibre end-user connections

'000

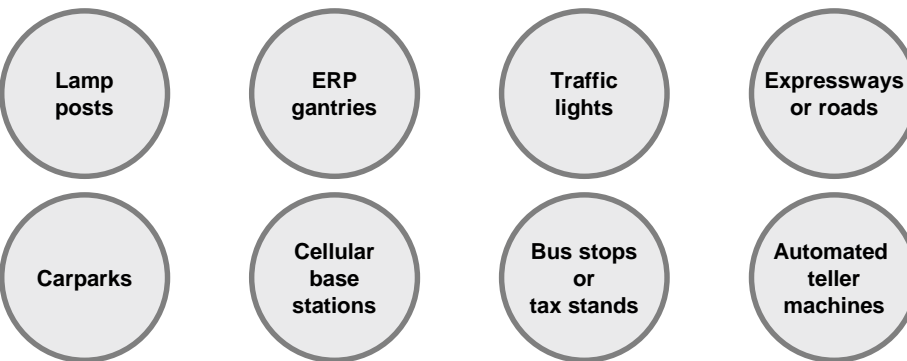
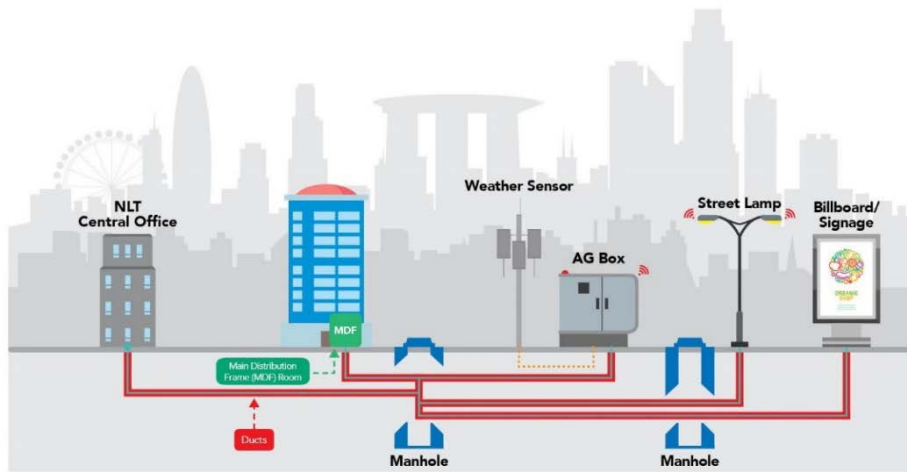


1. In the case of Nucleus Connect. Pricing between other RSPs and RLs are commercially agreed and not publically available

2. Forecast Period 2018 is the 8-month period from 1 August 2017 to 31 March 2018; Projection Year 2019 is the 12-month period from 1 April 2018 to 31 March 2019

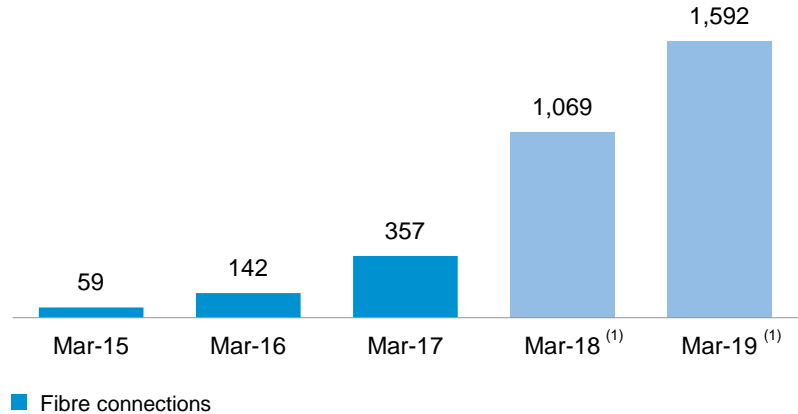
# c NBAP segment

## Providing NBAP connection services throughout Singapore



## The Trust Group's key operating statistics

NBAP connections



## The Trust Group's NBAP segment to benefit from Smart Nation initiatives

- The Trust Group is the only provider of NBAP connections in "Phase 1" of the Smart Nation Programme
  - During the year ended 31 March 2017, NLT provided **49 NBAP connections** to the successful bidder for "Phase 1" of the Smart Nation Platform
  - The Trust Group continues to work with the successful bidder of Phase 1 to provide, in total, approximately 100 NBAP connections
- The demand for NBAP services is expected to continue to grow with the roll-out of Singapore's Smart Nation programme

1. Forecast Period 2018 is the 8-month period from 1 August 2017 to 31 March 2018; Projection Year 2019 is the 12-month period from 1 April 2018 to 31 March 2019

# Network overview

## Trust Group's network

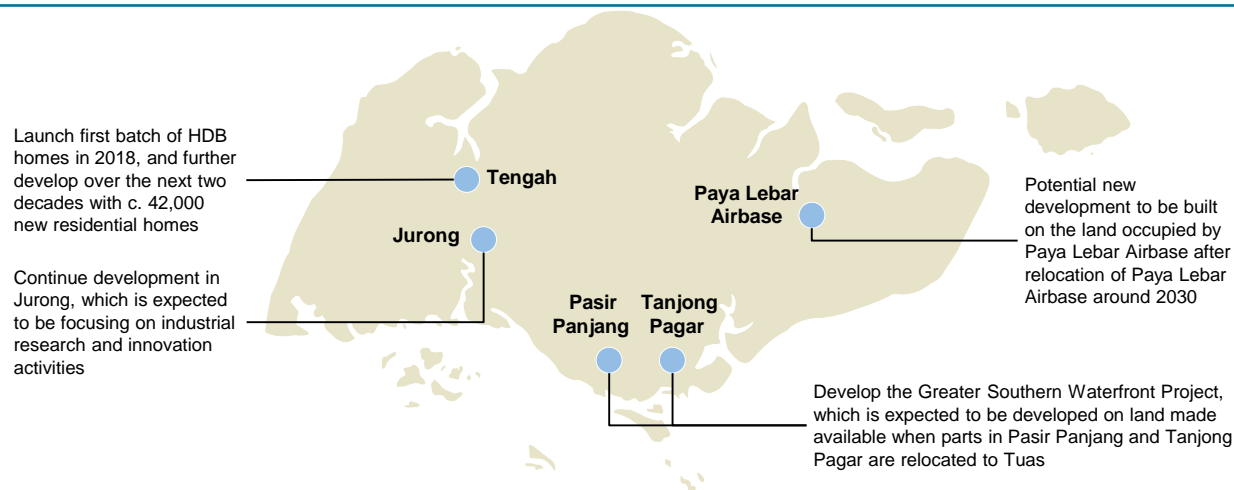
- Trust Group's network provides fibre-to-the-home connections to residential segments and fibre-to-the-premises connections to the non-residential and NBAP segments, which is often said to be “**future-proof**” <sup>(1)</sup>
- Future capex largely limited** for network maintenance and network expansion to cover additional residential homes, non-residential premises and NBAPs
- The Trust Group holds leasehold interests in the seven NLT central offices and leases and/or has the right to use additional rooms in the three Singtel central offices pursuant to certain leases and/or co-location agreements with Singtel, serving as the Trust Group's network hubs and housing certain parts of the passive network infrastructure and the RL's equipment through the Trust Group's co-location business operations

## Key statistics

	As of 31 March		
Network:	2015	2016	2017
Fibre cable length (km) (approximate)	63,000	68,000	76,000
Ducts length (km) (approximate)	16,000	16,100	16,200
Manholes (approximate)	61,000	61,300	62,000
Central offices	9 <sup>(2)</sup>	9 <sup>(2)</sup>	10 <sup>(3)</sup>
Co-location room space available to NLT (square metre)	2,251	2,406	3,312
Performance:			
Network availability <sup>(4)</sup>	99.99%	99.99%	99.99%

## Continuing initiatives to roll-out new fibre infrastructure

- Fibre top-up programme:** currently in the process of laying additional fibre cable sufficient to increase the spare fibre capacity to residential households by at least **50%**, which commenced in 2015 and is expected to be completed by the year ending 31 March 2019



1. According to MPA

2. Including 2 central offices owned by Singtel

3. Including 3 central offices owned by Singtel

4. Excluding disruptions due to damage to fibre cables caused by third parties

# Regulatory framework

## Regulatory background

- Provision of telecommunication services and systems in Singapore is generally regulated under the Telecommunications Act, Chapter 323 of Singapore (Telecommunications Act)
- Info-communications Media Development Authority (IMDA) is the regulatory authority responsible for, inter alia, administering the Telecommunications Act as well as promoting the development of the info-communications industry in Singapore

## Key licences and codes of practice applicable

<b>Facilities-based operations Licence (FBO) <sup>(1)</sup></b>	<ul style="list-style-type: none"><li>• Expires on 31 March 2034</li><li>• Annual licence fee payable based on audited annual gross-turnover</li><li>• Seek IMDA's approval for certain management and business changes</li><li>• Obligation to provide certain services to qualifying persons</li><li>• No "effective control" relationship with any other telecommunication / broadcasting licensee</li></ul>
<b>Code of Practice for Next Gen NBN NetCo Interconnection</b>	<ul style="list-style-type: none"><li>• Governs:<ul style="list-style-type: none"><li>– Pricing, terms and conditions offered for access and connectivity</li><li>– Obligations and responsibilities on the licensee in relation to its services</li></ul></li></ul>
<b>Telecom Competition Code</b>	<ul style="list-style-type: none"><li>• IMDA's regulatory principles relating to competition</li><li>• Contains provisions relating to: (i) duties of telecommunication licensees to end users; (ii) duties of dominant telecommunication licensees to provide services on just, reasonable and non-discriminatory terms; (iii) cooperation amongst telecommunication licensees to promote competition; (iv) interconnection between dominant telecommunication licensees; (v) infrastructure sharing; (vi) competition rules and enforcement mechanisms</li><li>• IMDA has right to review and modify and exempt any FBO licensee from any or all provisions subject to such terms as IMDA may specify</li></ul>
<b>Quality of Service (QoS) Standards</b>	<ul style="list-style-type: none"><li>• Regulates performance of key services offered by telecommunication licensees</li><li>• Periodic reports of service quality are submitted to IMDA</li><li>• Specifically for Next Gen NBN – QoS Timeframe Standards and QoS Installation Standards</li></ul>

1. FBO licensees are operators who deploy any form of telecommunication networks, systems and/or facilities to offer, inter alia, telecommunication switching, transmission capacity and/or services to other telecommunication licensees, businesses or consumers