

A person wearing a VR headset is shown in profile, looking towards the right. The background is a composite image featuring a cityscape at night with illuminated buildings, overlaid with a network diagram consisting of blue lines and nodes, and a pattern of small blue squares on the right side.

# DBS NDR

16 August 2022

**NetLinkNBN**  
*the fibre of a smart nation*

# Disclaimer

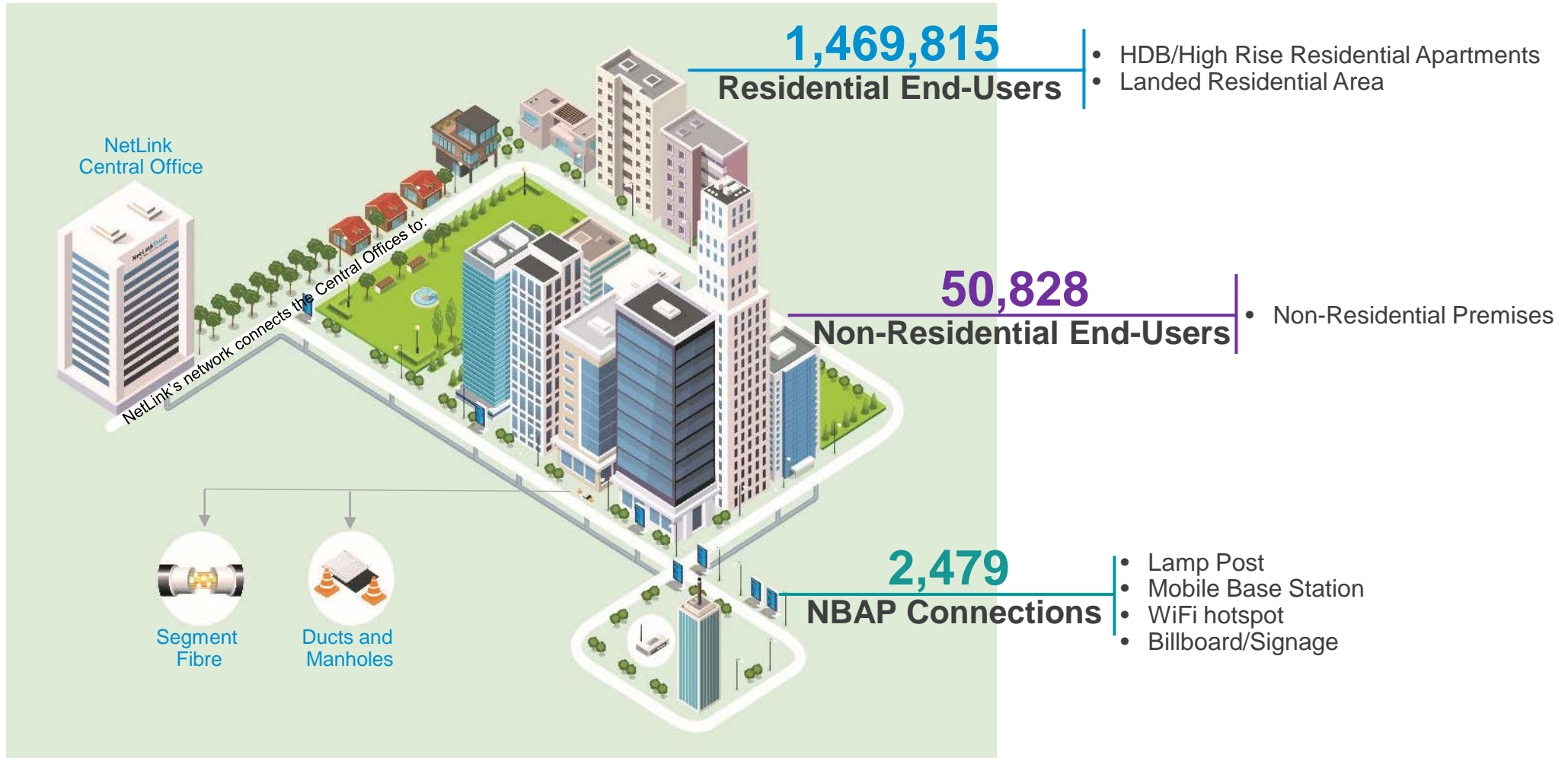
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# Our business



# Our business is future proof

#1

## PREFERRED

Only means of fixed broadband delivery in Singapore



## HIGH PENETRATION

Over 95% residential penetration rate



## LOW PRICES

Fibre broadband prices are lower in Singapore than many other countries



## CRITICAL INFRASTRUCTURE

Fibre supports last-mile wireless access solutions such as WiFi hotspots and 4G/5G mobile base stations

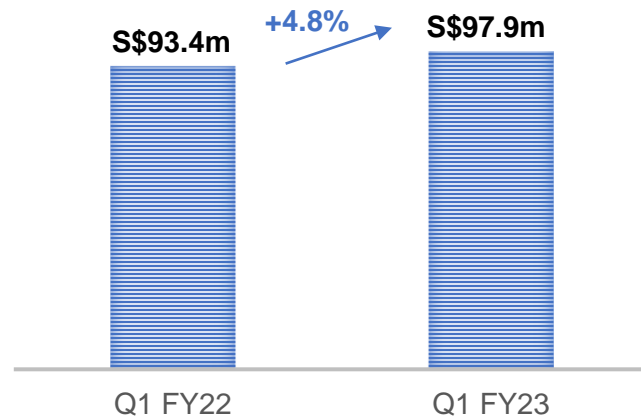


## SCALABLE

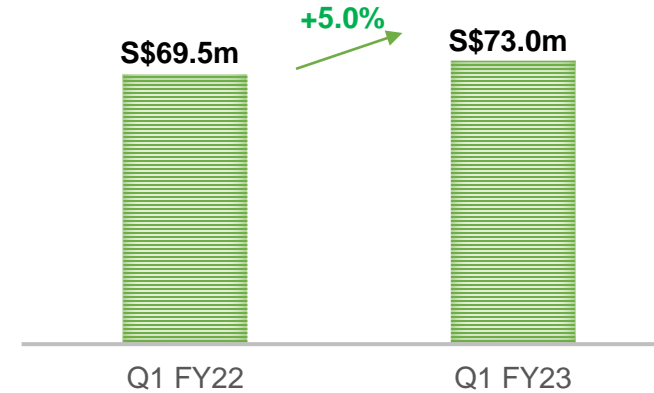
Fibre capacity is highly scalable and can support future transmission technologies

# Q1 FY23 Financial highlights

## REVENUE



## EBITDA



## NET GEARING

**20.8%**

Comfortable debt headroom

## WEIGHTED AVERAGE DEBT DURATION

**3.1 years**

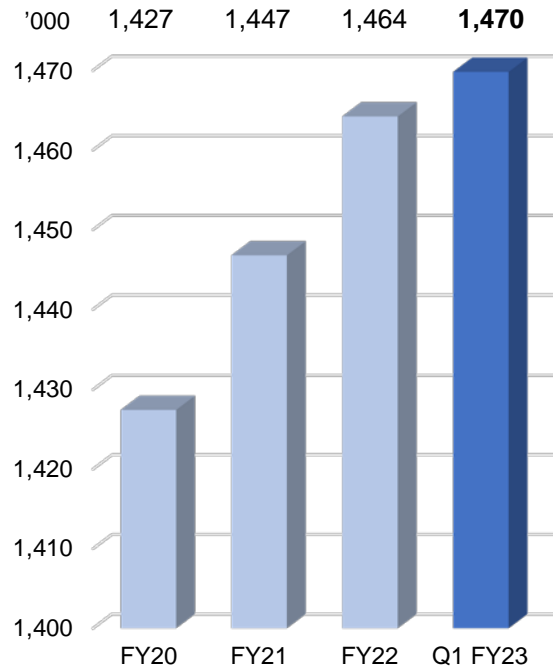
## MARKET CAPITALISATION

**S\$3.8 billion**

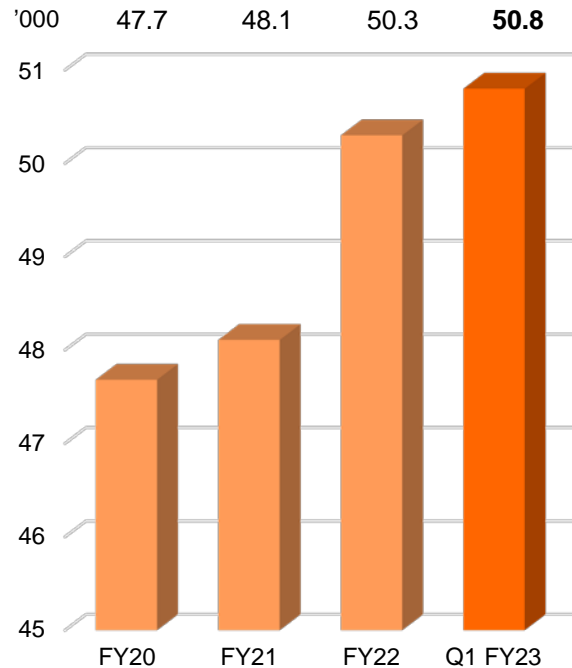
Unit price of S\$0.97 as at  
30 Jun 2022

# Fibre connections

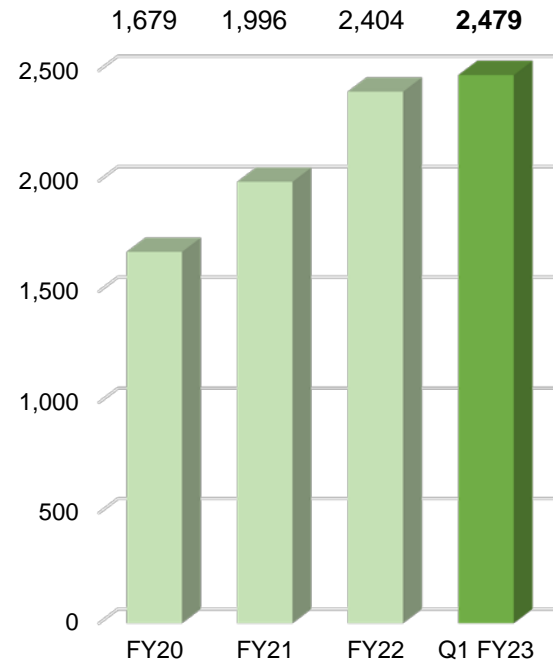
## Residential



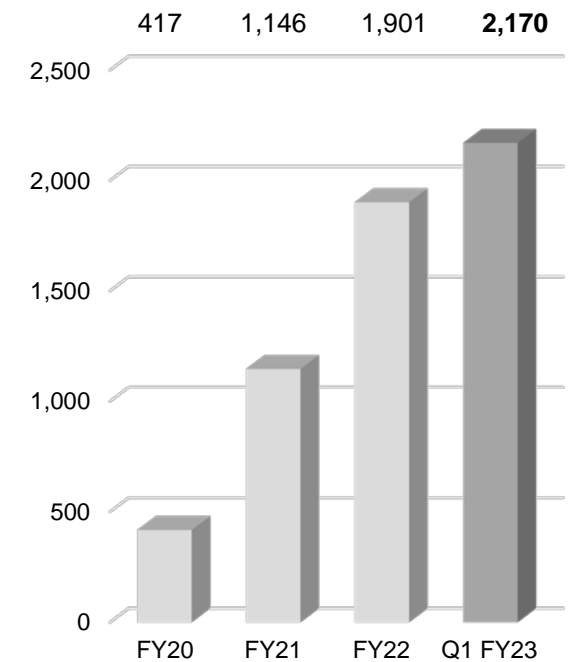
## Non-Residential



## Non-Building Address Points



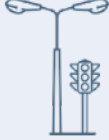







## Segment<sup>(1)</sup>



<sup>(1)</sup> Segment connections comprise, *inter alia*, Point-to-Point, Central Office to Central Office and Central Office to MDF room fibre connections provided to Requesting Licensees

# Resilient business model

	 Residential Connections	 Non-Residential Connections	 NBAP & Segment Connections	 Ducts & Manholes Service Revenue	 Installation Related Revenue	 Ancillary Project Revenue	 Co-Location & Other Revenue	 Central Office Revenue
	RAB REVENUE				NON-RAB REVENUE			
<b>% of Q1 FY23 Revenue</b>	<b>62.0%</b>	<b>8.0%</b>	<b>3.8%</b>	<b>7.1%</b>	<b>5.3%</b>	<b>4.5%</b>	<b>5.4%</b>	<b>3.9%</b>
<b>Recurring, predictable cash flows</b>	✓	✓	✓	✓	-	-	✓	✓
<b>Long-term contracts / customer stability</b>	✓	✓	✓	✓	-	-	✓	✓
<b>Regulated revenues</b>	✓	✓	✓	✓	✓	-	✓	-
<b>Creditworthy customers</b>	✓	✓	✓	✓	✓	✓	✓	✓

# Strategic Focus

- 1. Improve network reach, densification and capability in support of NetLink's fibre-to-anywhere (FTTx) deployment.**
- 2. Improve competitiveness of NetLink's Fibre in enterprise and Government segment**
- 3. Pursue favourable outcome for Regulatory Price Review**
- 4. Explore opportunities to invest in telecoms infrastructure businesses overseas which are likely to generate a stable cashflow**
- 5. Create brand affinity with end-users**



# Q1 FY23 Profit & loss statement

S\$'000	Q1 FY23	Q1 FY22	Variance (%)
Revenue	97,892	93,420	4.8
EBITDA	72,962	69,495	5.0
EBITDA Margin (%)	74.5	74.4	0.1 pp
Depreciation and amortisation	(42,336)	(42,389)	(0.1)
Net finance charges <sup>(1)</sup>	(3,320)	(3,179)	4.4
Profit before tax	27,306	23,927	14.1

**Revenue** for Q1 FY23 was 4.8% higher than Q1 FY22 due to:

- Higher ancillary project revenue, connections revenue (residential, non-residential, NBAP and Segment connections) and Co-location revenue
- Partially offset by lower Central Office Revenue

**EBITDA** was higher by 5.0% mainly due to:

- Higher revenue, partially offset by higher ancillary project direct costs (in line with the higher ancillary project revenue) and other operating expenses

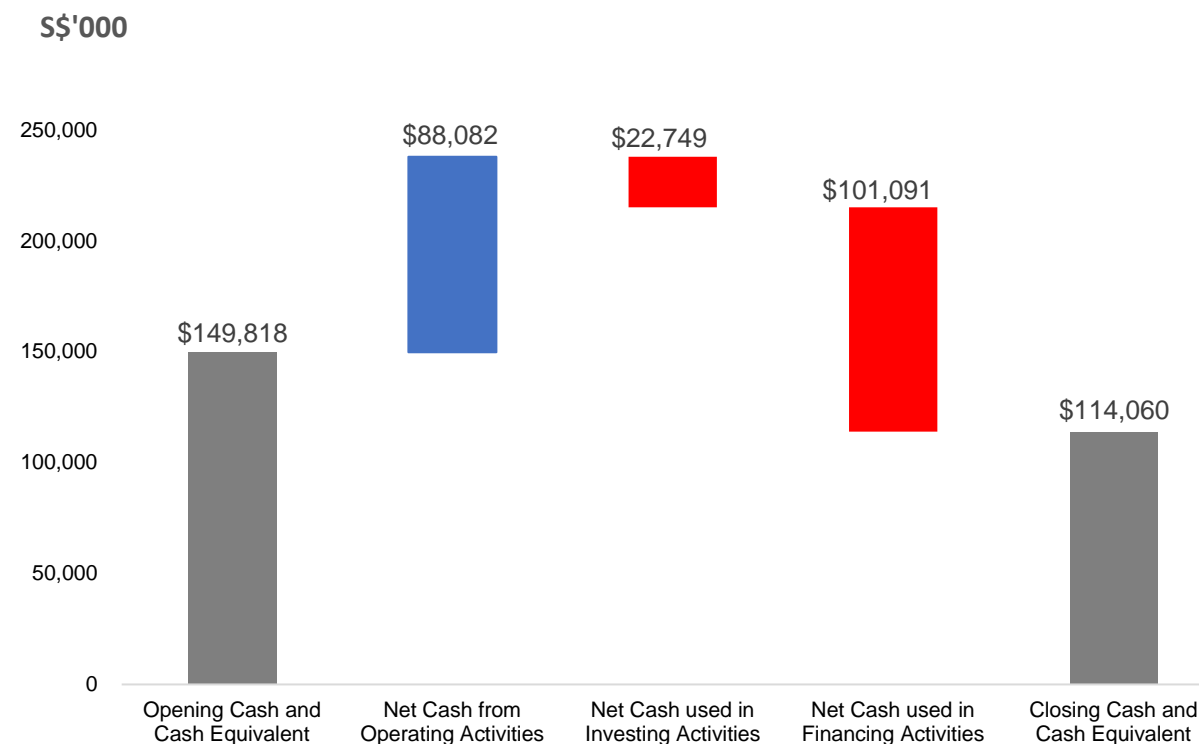
<sup>(1)</sup> Net finance charges for Q1 FY22 included S\$0.8M transaction fee relating to the one-year extension of the term loan. This fee was fully expensed off with the repayment of the term loan. By excluding this transaction fee of S\$0.8M in Q1 FY22, the net finance charges for Q1 FY23 would have been S\$1.0M higher due to the increase in average interest rate (Q1 FY23: 1.77% vs Q1 FY22: 1.11%).

# Strong credit metrics and cashflow

	Q1 FY23	Q1 FY22
Gross Debt	<b>S\$666m</b>	S\$666m
Weighted average debt maturity	<b>3.1yrs</b>	4.1yrs
Net debt/EBITDA <sup>(2)</sup>	<b>2.0x</b>	2.0x
EBITDA Interest cover <sup>(2)</sup>	<b>27.1x</b>	17.5x
Borrowings at Fixed Rate	<b>76.6%</b>	-
Effective average interest rate	<b>1.8%</b>	1.1%

<sup>(2)</sup> Ratios calculated based on NetLink Group's trailing 12 months financial

- Debt interest rate substantially hedged
- Stable capital structure with debt headroom to fund future capex

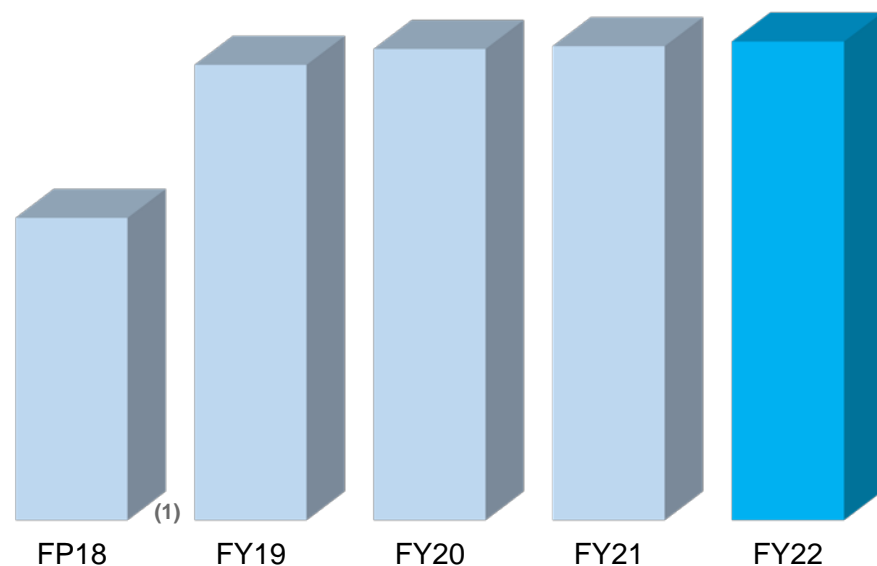


- Strong cashflow generated from operations and cash reserves
- Distribution declared for H2 FY22 paid in this quarter
- S\$156m RCF maturing in Mar'23 will be refinanced in this FY

# Attractive distribution yield

## Distribution per Unit (Singapore cents)

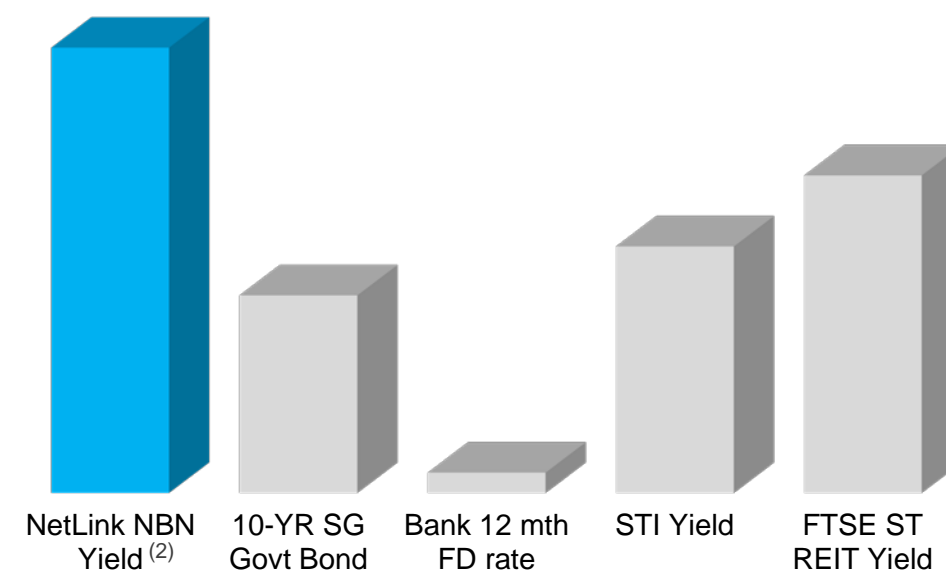
3.24	4.88	5.05	5.08	5.13
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## Distribution yield (%)

5.26	2.34	0.24	2.92	3.76
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Bloomberg as at 31 Mar 2022



(1) For the financial period 19 Jun 2017 (date of constitution) to 31 Mar 2018

(2) Based on the unit price of S\$0.975 at 31 Mar 2022

# Sustainability: Achievements



## OUR BUSINESS PRACTICES

- Maintained **islandwide fibre coverage**
- Maintained **99.99%** network availability
- Maintained **zero cases** of corruption and **zero cases** of significant breaches of laws and regulations
- Achieved **zero incidents** relating to data breaches of personal data and company-related confidential data



## OUR ENVIRONMENT

- Maintained **zero cases** of non-compliance on waste disposal practices
- Minimised fibre waste generated from operations and achieved a **scrap rate of 1%** on fibre cables issued during the year



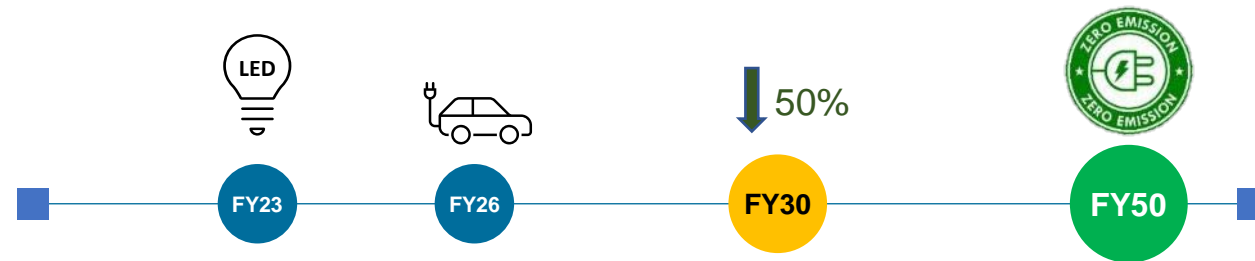
## OUR PEOPLE

- Achieved employee **turnover rate of 15.4%**, lower than the High-Tech industry turnover rate of 16.5%
- Launched 'Listening Ear' a programme to give a voice to our staff to share their views.
- Maintained **zero incidents** of discrimination during the year
- Maintained **zero work-related incidents** resulting in fatalities or permanent disabilities.

# Sustainability: Decarbonisation Strategies

## TARGET

- Reduce scope 1 and 2 emissions 50% by FY30 (using FY22 as a baseline)
- Achieve net zero by 2050



## DECARBONISATION STRATEGIES

- Replacing existing lights with LED lights or motion-sensing lighting in our Central Offices
- Installing detection systems to detect leakage of refrigerants in the existing chillers
- Replacing existing chillers at the appropriate time and using more environmentally-friendly refrigerants and with higher energy efficiency
- Replacing diesel vehicles with electric vehicles



**Thank You**



# Supplementary 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")

### RESIDENTIAL

**S\$13.80**

per connection per month

### NON-RESIDENTIAL

**S\$55**

per connection per month

### NBAP

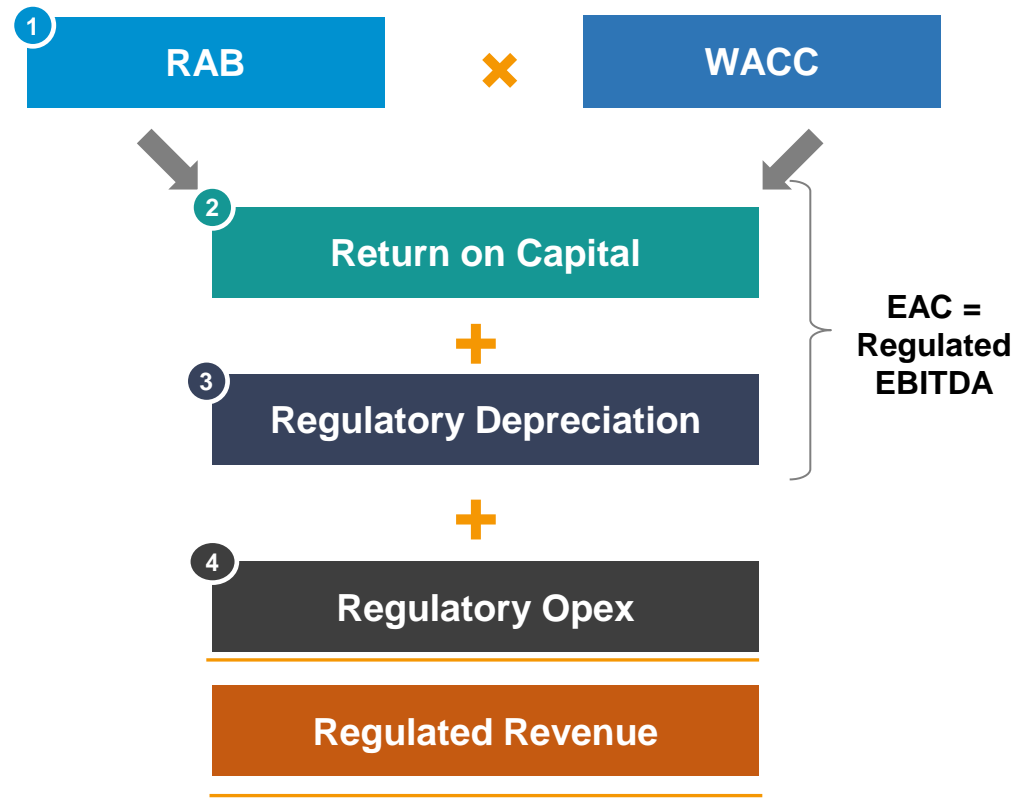
**S\$73.80**

per connection per month

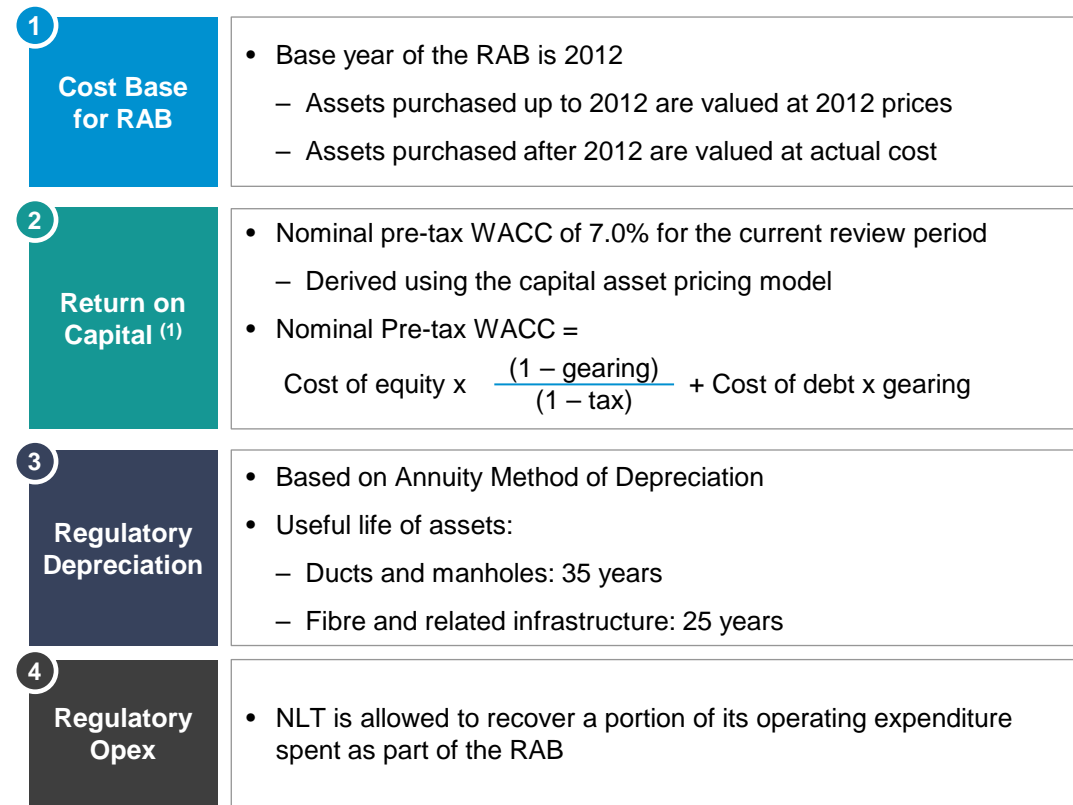


# NetLink Trust's pricing for its services

## FRAMEWORK FOR RAB BASED PRICING MODEL



## METHODOLOGY FOR RAB BASED PRICING MODEL



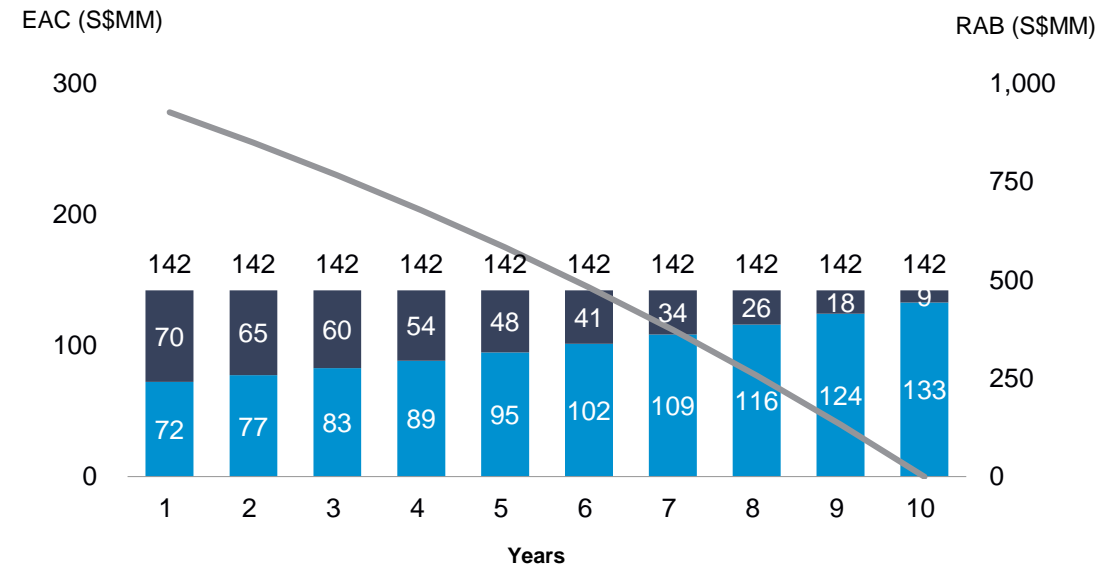
<sup>(1)</sup> IMDA may change the rate of applicable pre-tax WACC in future review period

# Understanding the ICO pricing framework

ILLUSTRATIVE EXAMPLE

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

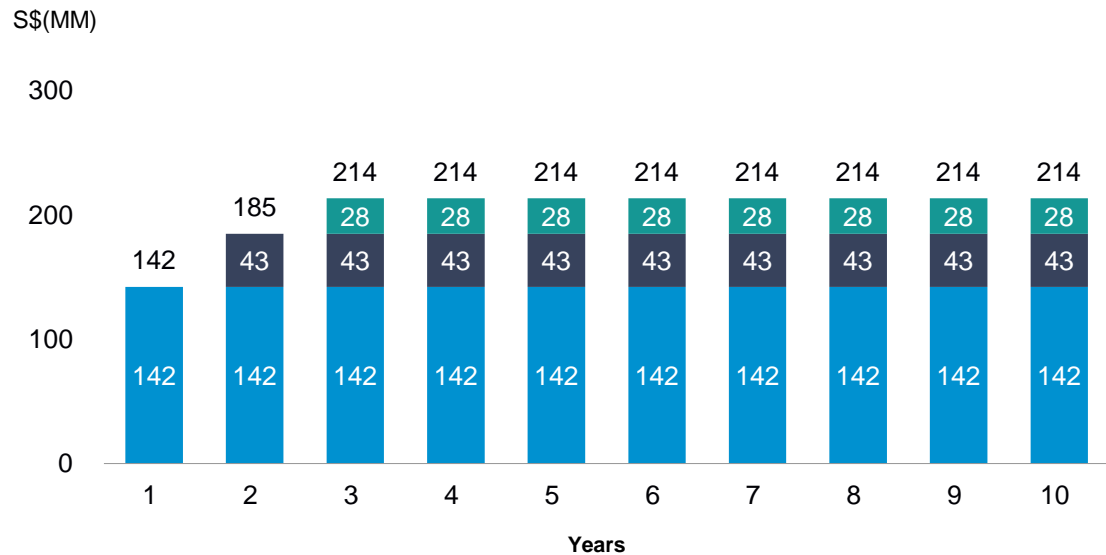
Assuming Opening RAB of S\$1Bn, WACC of 7.0% and Asset Useful Life of 10 Years; the cumulative return is S\$1.42Bn



■ Return of Capital (Depreciation Component) ■ Return on Capital (Interest Component) — RAB

## 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



■ EAC Opening RAB (\$1bn) ■ EAC from Additional Capex in Year 1 (\$300MM) ■ EAC from Additional Capex in Year 2 (\$200MM)

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