



# NetLinkNBN

*the fibre of a smart nation*

## Phillip Securities Trading Representatives Briefing

24 May 2019

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# Financial snapshot<sup>1</sup>

Revenue

**S\$354m**

▲ 3.3%<sup>2</sup>

Cash Balance

**S\$149m**

DPU

**4.88** cents

▲ 5.2%<sup>2</sup>

EBITDA

**S\$248m**

▲ 3.2%<sup>2</sup>

Gross Debt

**S\$636m**

DPU Yield

**5.9%**<sup>3</sup>

Profit After Tax

**S\$77m**

▲ 17.8%<sup>2</sup>

<sup>1</sup> FY19

<sup>2</sup> Variance versus IPO Projection

<sup>3</sup> Based on the unit price of S\$0.83 at 31 Mar 2019

# Fibre is 'future proof'



Fibre is the **medium of choice** for delivering broadband services



About **9 out of 10 homes** in Singapore has a fibre termination point installed



Fibre broadband **prices are lower** in Singapore than many other countries



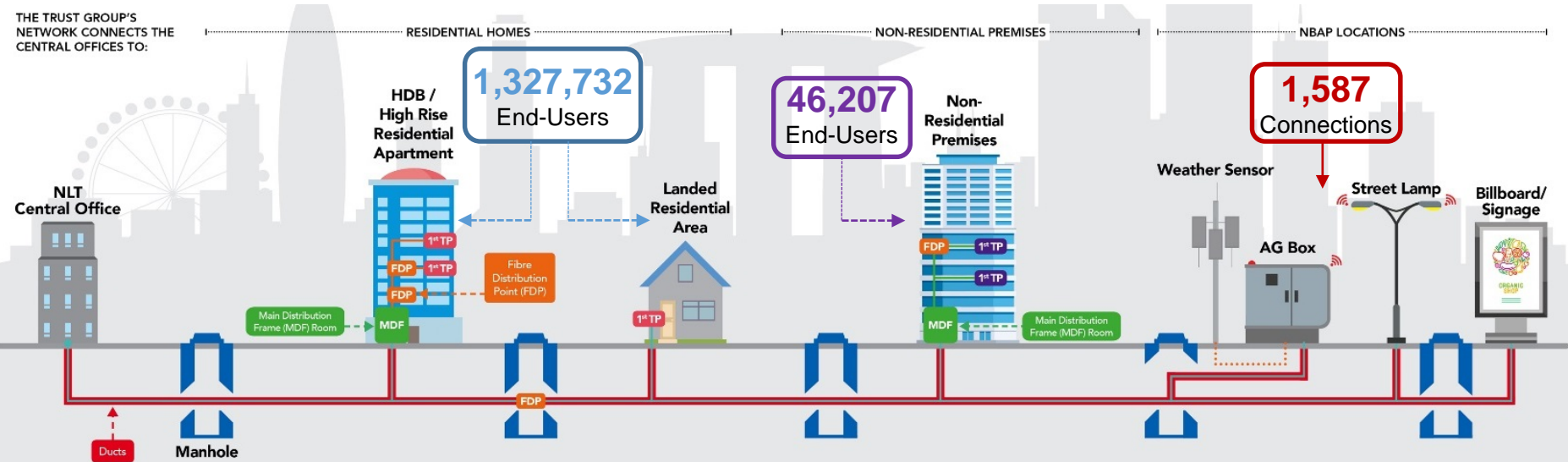
Fibre **supports wireless access solution** such as WiFi hotspots and **3G/4G/5G** infrastructure





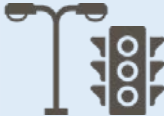





Fibre capacity is **scalable** and can support future transmission technology

# Our network

THE TRUST GROUP'S NETWORK CONNECTS THE CENTRAL OFFICES TO:

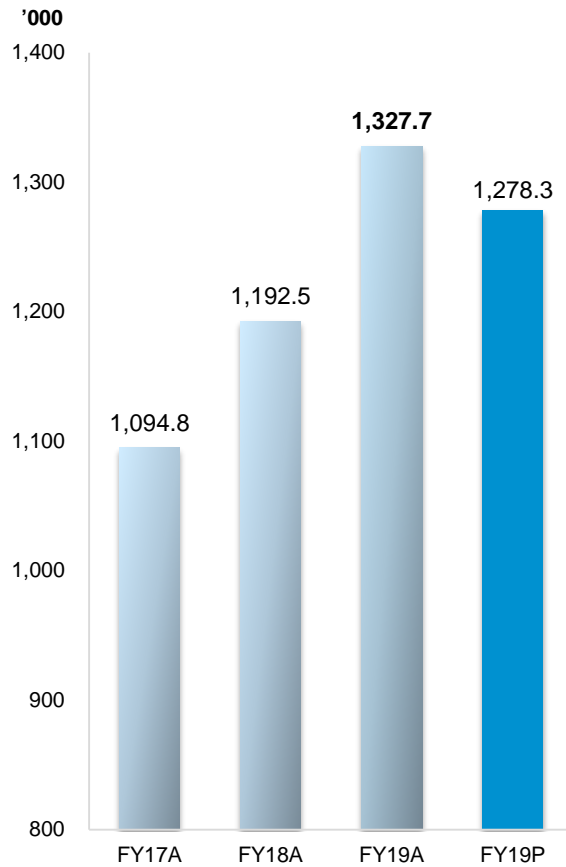


# A resilient business model

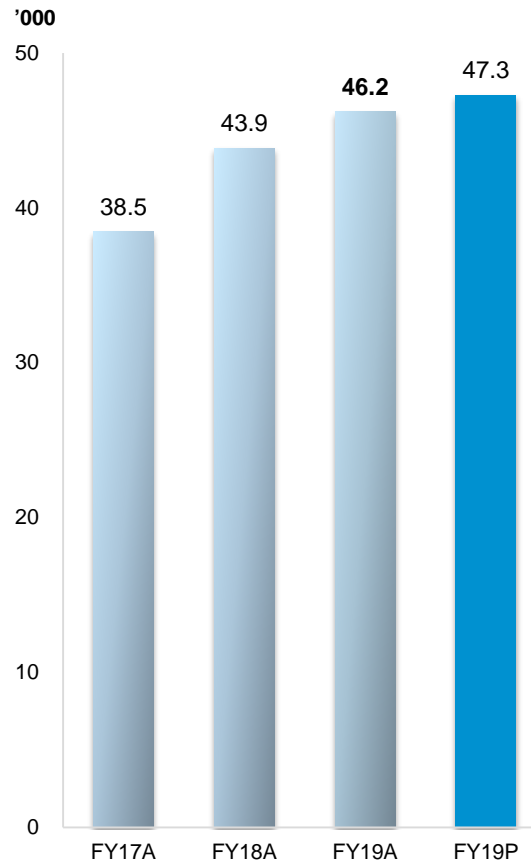
|   | RAB Revenue   |   |   |  | Non-RAB Revenue   |   |   |   |
|---|---|---|---|--|---|---|---|---|
|   |  |  |  |  |  |  |  |  |
|   | Residential Connections   | Non-Residential Connections   | NBAP and Segment Fibre Connections  | Ducts and Manholes Service Revenue   | Installation Related Revenue  | Diversion Revenue   | Co-Location and Other Revenue   | Central Office Revenue  |
| <b>% of FY19 Revenue</b>                        | <b>58.5%</b>  | <b>8.5%</b>   | <b>2.0%</b>   | <b>10.6%</b>   | <b>6.0%</b>   | <b>3.8%</b>   | <b>5.7%</b>   | <b>4.9%</b>   |
| <b>Recurring, predictable cash flows</b>        | ✓   | ✓   | ✓   | ✓  | –   | –   | ✓   | ✓   |
| <b>Long-term contracts / customer stability</b> | ✓   | ✓   | ✓   | ✓  | –   | –   | ✓   | ✓   |
| <b>Regulated revenues</b>                       | ✓   | ✓   | ✓   | ✓  | ✓   | –   | ✓   | –   |
| <b>Creditworthy customers</b>                   | ✓   | ✓   | ✓   | ✓  | ✓   | ✓   | ✓   | ✓   |

# Fibre connections

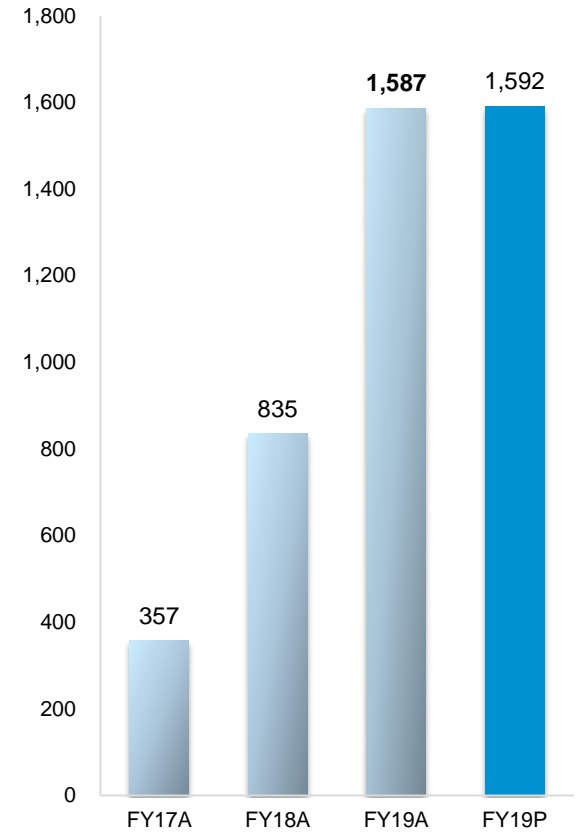
## Residential



## Non-Residential



## Non-Building Address Points



## FY19 Profit & loss statement

| S\$'000                     | FY19           | Projection <sup>1</sup> | Variance (%) |
|-----------------------------|----------------|-------------------------|--------------|
| Revenue                     | 353,580        | 342,214                 | 3.3          |
| <b>EBITDA</b>               | <b>247,876</b> | <b>240,178</b>          | <b>3.2</b>   |
| EBITDA Margin (%)           | 70.1           | 70.2                    | (0.1pp)      |
| Depreciation & amortisation | (160,792)      | (163,460)               | (1.6)        |
| Net finance charges         | (17,334)       | (21,262)                | (18.5)       |
| <b>Profit before tax</b>    | <b>69,750</b>  | <b>55,456</b>           | <b>25.8</b>  |

**Revenue** was higher due to higher residential connections revenue, diversion revenue, and ducts and manholes service revenue. This was partially offset by lower than projected installation-related revenue.

In addition to higher revenue, the higher **EBITDA** was contributed by lower staff costs and other operating expenses offset by higher operation and maintenance costs and diversion costs, which were in line with the higher revenue. **EBITDA margin** was in line with Projection.

<sup>1</sup> Refers to Projection Year 2019's projection disclosed in the prospectus dated 10 Jul 2017.



## Robust balance sheet<sup>1</sup>

**S\$149m**

Cash Balance

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**S\$636m**

Gross Debt

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**S\$3,030m**

Net Assets

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**2.6x**

Gross Debt/EBITDA

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**13.5x**

EBITDA Interest  
Cover

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**77.7 cents**

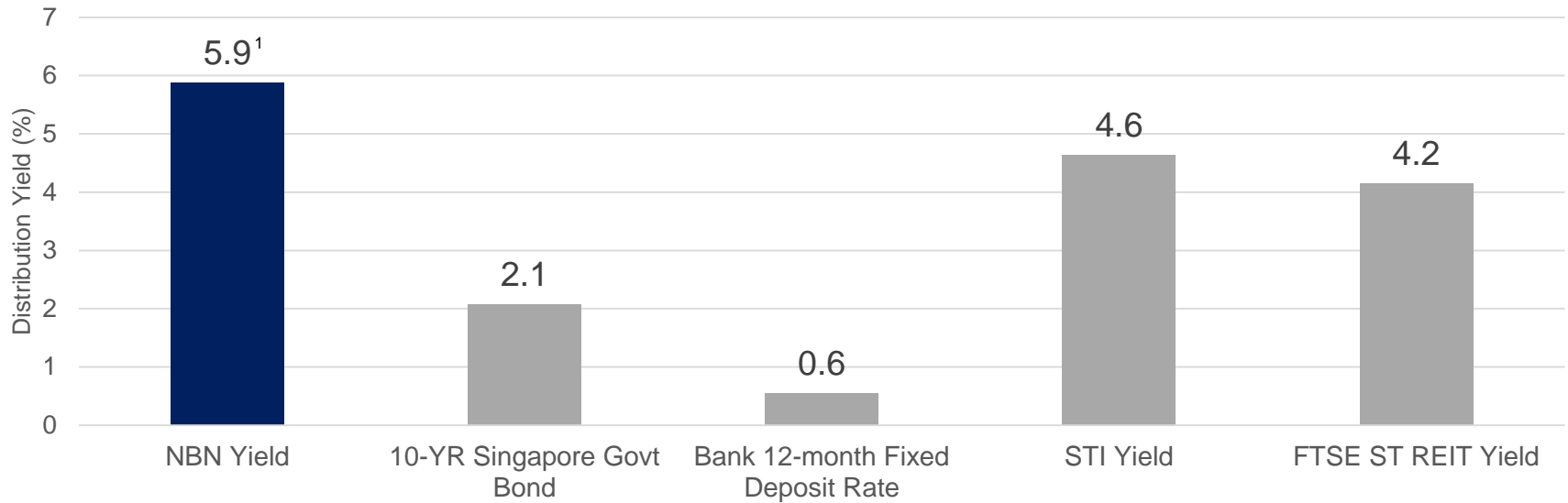
Net Assets per Unit

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- Interest rate exposure fully hedged
- Stable capital structure with high debt headroom to fund future capex

<sup>1</sup> As at 31 Mar 2019

# Attractive distribution yield with low risk



Source: Bloomberg as at 31 Mar 2019

- Total DPU of 4.88 Singapore cent for FY19 exceeded IPO DPU projection by 5.2%
- The Trust's distribution policy is to distribute 100% of its CAFD<sup>2</sup>.
- Distributions made by the Trust are exempt from Singapore income tax in the hands of the Unitholders.

<sup>1</sup> Distribution yield is based on the total FY19 DPU of 4.88 Singapore cents and the unit price of 83 cents as at 31 Mar 2019

<sup>2</sup> Cash Available for Distribution as defined in the prospectus dated 10 July 2017

# Our focus for FY20



## Residential

- Migration of cable end-users to fibre
- Residential homes not on fibre
- New households



## Non-Residential

- Partnership with Requesting Licensees
- Focus on SMEs



## NBAP & Segment

- Denser network – adding capacity, flexibility and resilience
- New product offerings
- Prepare to support 5G infrastructure

# Well-positioned to deliver long-term value and growth

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

4

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

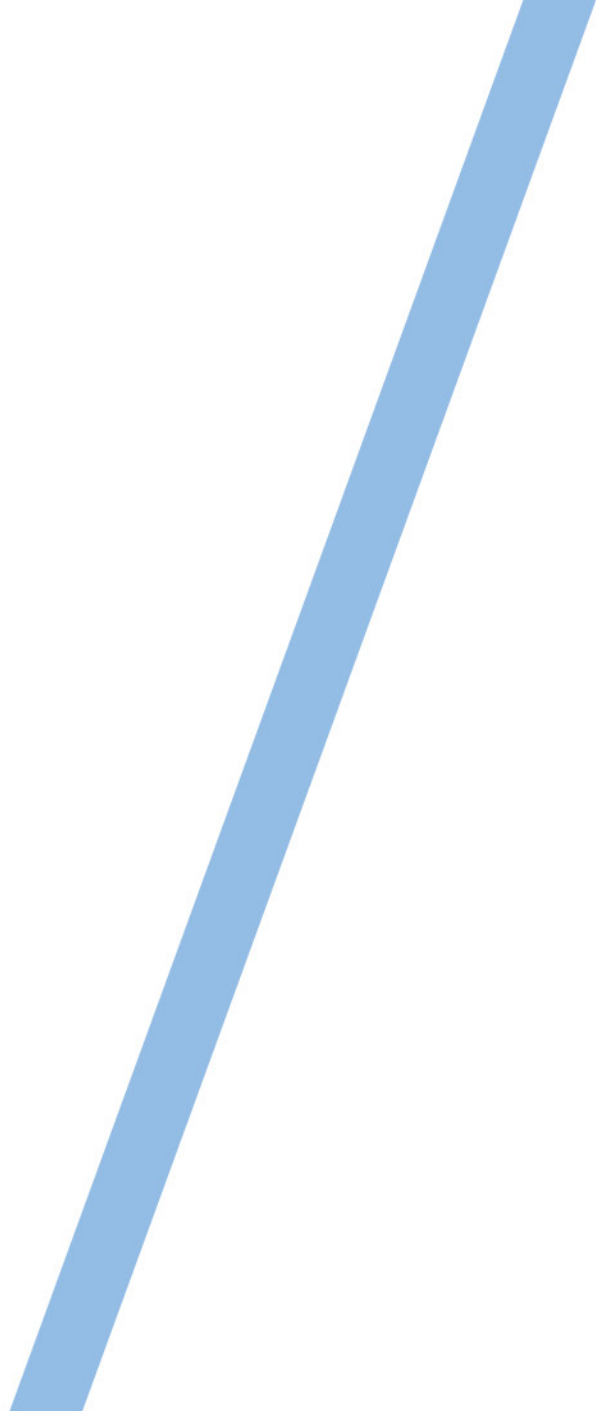
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Well-positioned to capitalize on growth in connected services including Singapore's Smart Nation initiatives

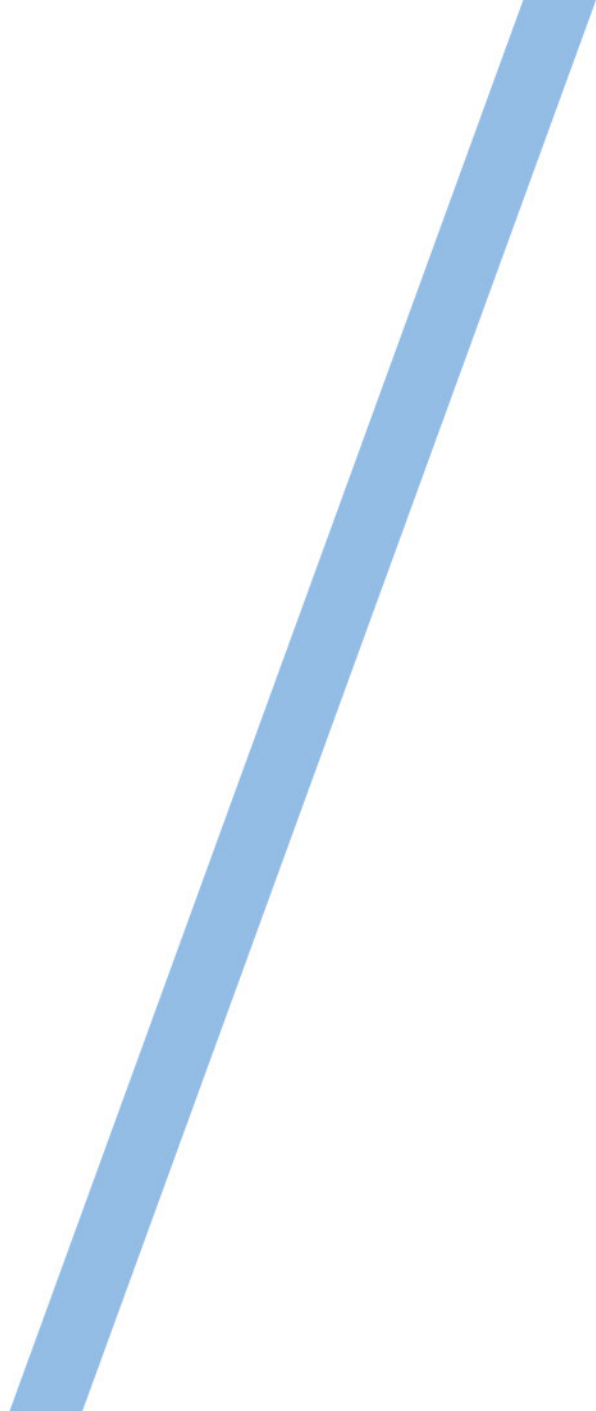
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Extensive nationwide network affording natural barrier to entry

**Thank You**



# **Supplemental Business Information**



# NetLink Trust's pricing for its services

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

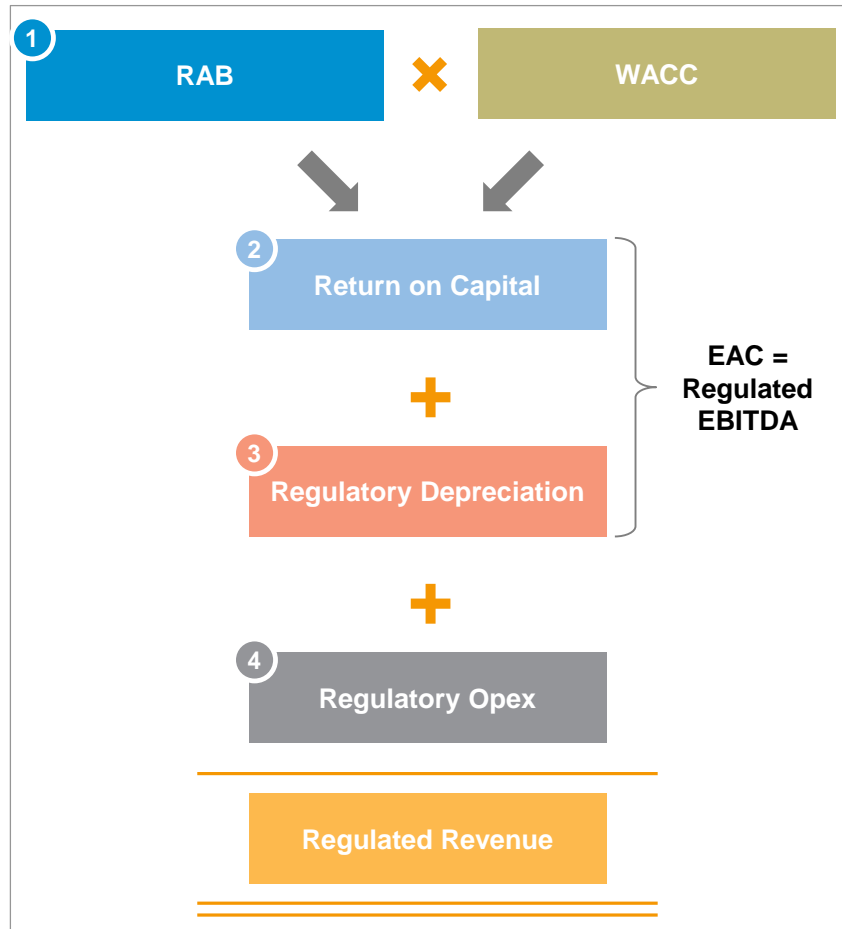
- IMDA shall hold a review of pricing terms every five years following the last price review, or at any such time as IMDA may consider appropriate (which may include a mid-term review in the third year from the last price review)
  - The most recent review by IMDA of prices under the Interconnection 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

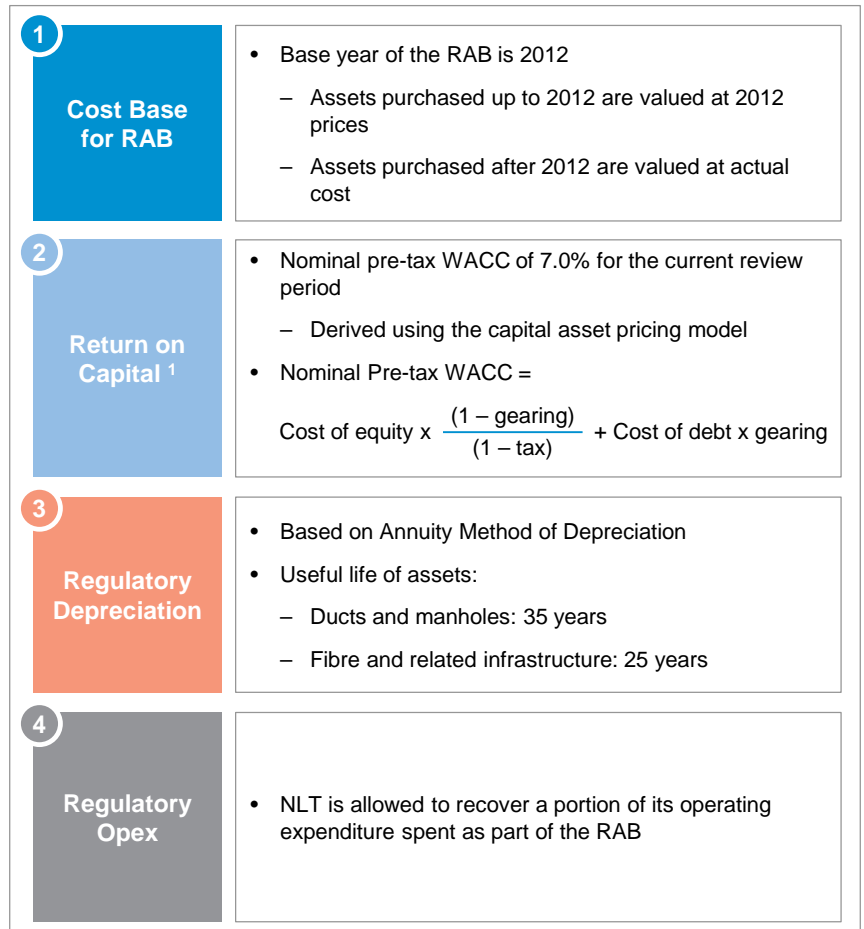
|                        |  |
|------------------------|--|
| <b>Residential</b>     | <b>S\$13.80</b> per connection per month |
| <b>Non-residential</b> | <b>S\$55</b> per connection per month    |
| <b>NBAP</b>            | <b>S\$73.80</b> per connection per month |

# NetLink Trust's pricing for its services

## Framework for RAB Based Pricing Model



## Methodology for RAB based pricing model



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

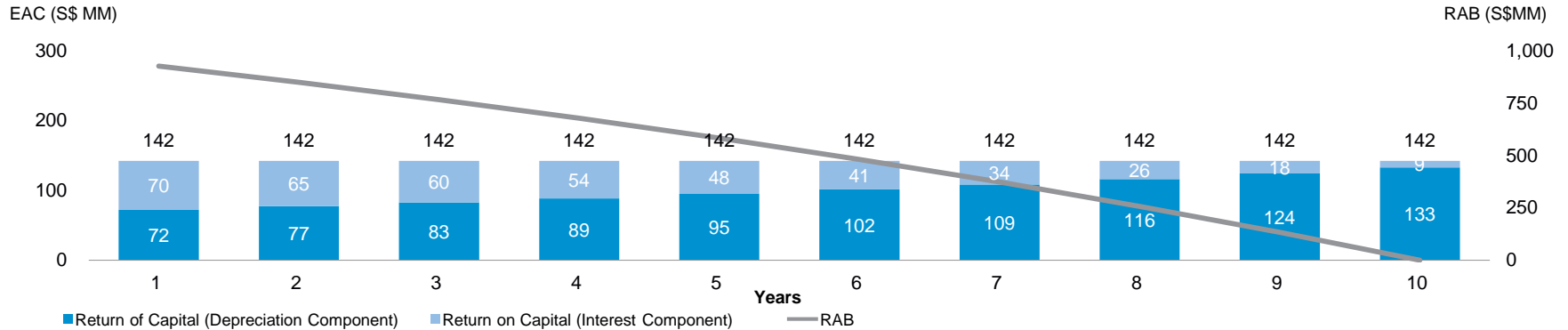


# Understanding the ICO pricing framework

## Illustrative Worked Example

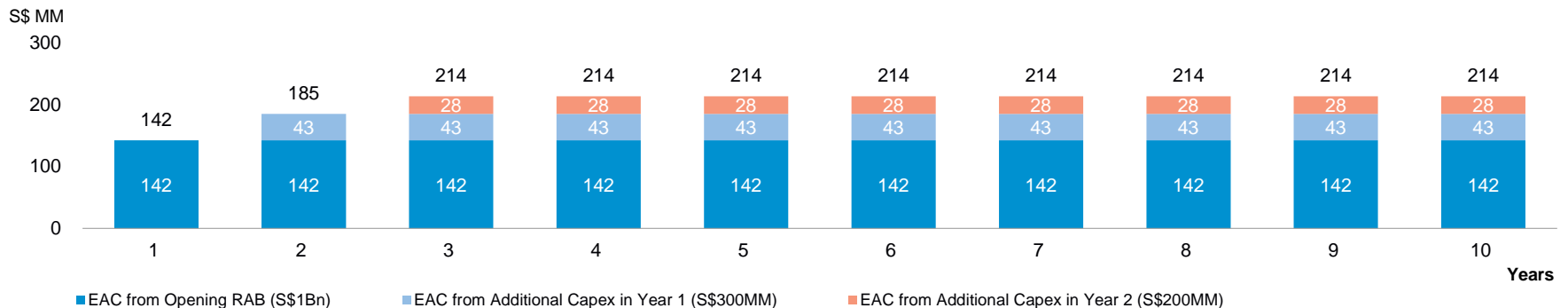
### How Does EAC Work for 1 Year's Outflow on Capex?

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)**