



# NetLinkNBN

*the fibre of a smart nation*

## Bank of Singapore Relationship Managers Briefing

7 November 2018

## OCBC Trading Representatives Briefing

9 November 2018

The joint issue managers of the initial public offering and listing of NetLink NBN Trust were DBS Bank Ltd., Morgan Stanley Asia (Singapore) Pte., and UBS AG, Singapore Branch. The joint underwriters of the initial public offering and listing of NetLink NBN Trust were DBS Bank Ltd., Morgan Stanley Asia (Singapore) Pte., UBS AG, Singapore Branch, Merrill Lynch (Singapore) Pte. Ltd., Citigroup Global Markets Singapore Pte. Ltd., The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, Oversea-Chinese Banking Corporation Limited, and United Overseas Bank Limited. The joint issue managers and joint underwriters of the initial public offering assume no responsibility for the contents of this presentation.

# Disclaimer

This presentation is for information purposes only and does not constitute or form part of an offer, solicitation, recommendation or invitation for the sale or purchase or subscription of securities, including units in NetLink NBN Trust (the “**Trust**” and the units in the Trust, the “**Units**”) or any other securities of the Trust. No part of it nor the fact of its presentation shall form the basis of or be relied upon in connection with any investment decision, contract or commitment whatsoever.

The information and opinions in this presentation are provided as at the date of this document (unless stated otherwise) and are subject to change without notice, its accuracy is not guaranteed and it may not contain all material or relevant information concerning NetLink NBN Management Pte. Ltd. (the “**Trustee-Manager**”), the Trust or its subsidiaries (the “**Trust Group**”). None of the Trustee-Manager, the Trust nor its affiliates, advisors and representatives make any representation regarding, and assumes no responsibility or liability whatsoever (in negligence or otherwise) for, the accuracy or completeness of, or any errors or omissions in, any information contained herein nor for any loss howsoever arising from any use of this presentation. Further, nothing in this presentation should be construed as constituting legal, business, tax or financial advice.

The information contained in this presentation includes historical information about and relevant to the assets of the Trust Group that should not be regarded as an indication of the future performance or results of such assets. Certain statements in this presentation constitute “forward-looking statements”. These forward-looking statements are based on the current views of the Trustee-Manager and the Trust concerning future events, and necessarily involve risks, uncertainties and assumptions. These statements can be recognised by the use of words such as “expects”, “plans”, “will”, “estimates”, “projects”, “intends” or words of similar meaning. Actual future performance could differ materially from these forward-looking statements, and you are cautioned not to place any undue reliance on these forward-looking statements. The Trustee-Manager does not assume any responsibility to amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events, or otherwise, subject to compliance with all applicable laws and regulations and/or the rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and/or any other regulatory or supervisory body or agency.

This document contains certain non-SFRS financial measures, including EBITDA and EBITDA margin, which are supplemental financial measures of the Trust Group’s performance and liquidity and are not required by, or presented in accordance with, SFRS, IFRS, IFRS-identical Financial Reporting Standards, U.S. GAAP or any other generally accepted accounting principles. Furthermore, EBITDA and EBITDA margin are not measures of financial performance or liquidity under SFRS, IFRS, IFRS-identical Financial Reporting Standards, U.S. GAAP or any other generally accepted accounting principles and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with SFRS, IFRS, IFRS-identical Financial Reporting Standards, U.S. GAAP or any other generally accepted accounting principles. You should not consider EBITDA and EBITDA margin in isolation from, or as a substitute for, analysis of the financial condition or results of operation of the Trust Group, as reported under SFRS. Further EBITDA and EBITDA margin may not reflect all of the financial and operating results and requirements of the Trust Group. Other companies may calculate EBITDA and EBITDA margin differently, limiting their usefulness as comparative measures.

# Overview

## Key Highlights

- Sole appointed “Network Company” for Singapore's Next Gen NBN
- Resilient business model generates long-term, predictable cash flows through:
  - Growing demand for fibre connections
  - Regulated and transparent pricing
  - Creditworthy customers
- “Future-proof” fibre infrastructure
- Strong balance sheet to support growth
- Constituent of FTSE ST Large & Mid Cap Index, FTSE ST Singapore Shariah Index and the MSCI Global Small Cap – Singapore Index

## Financial Snapshot

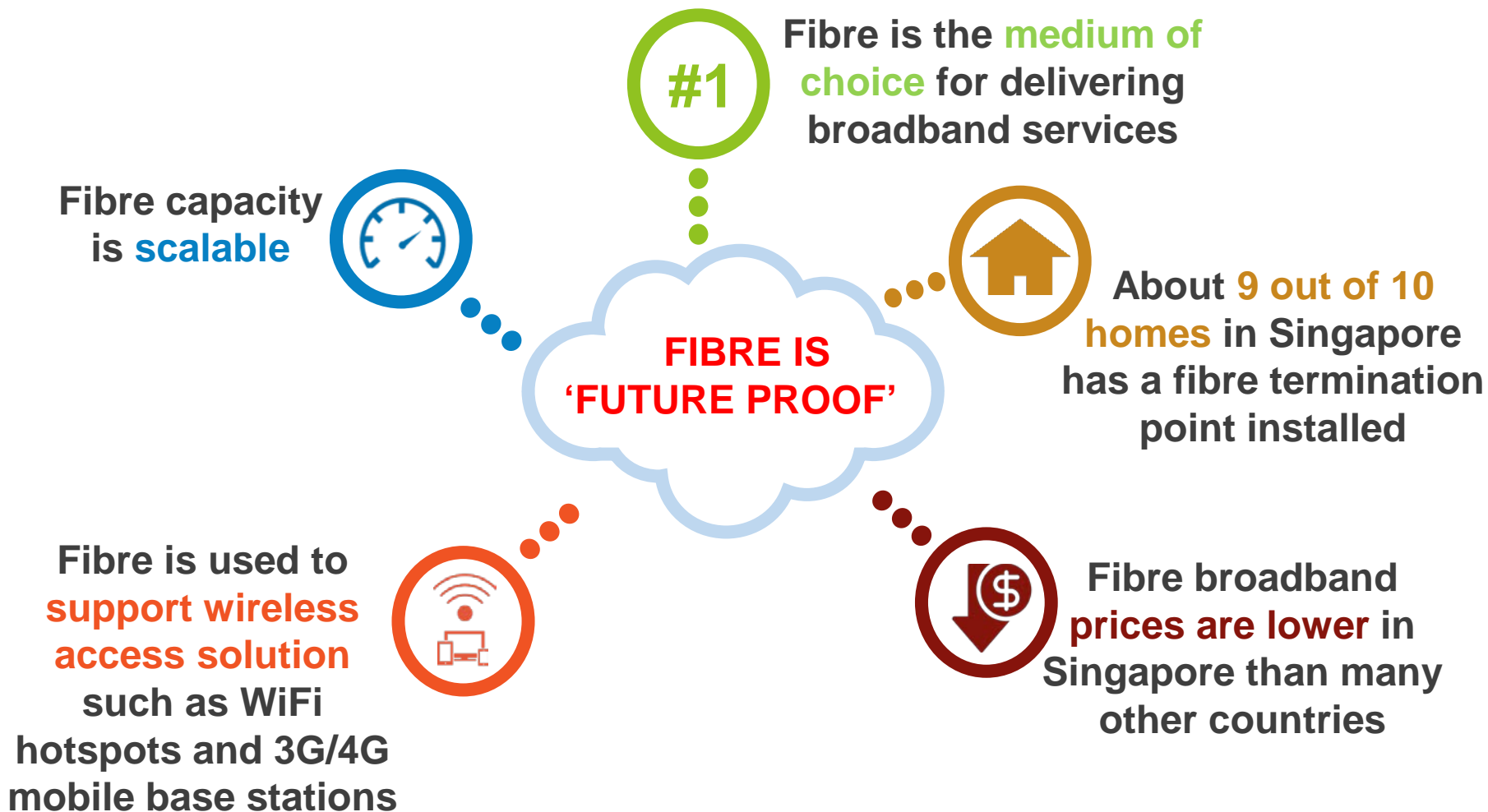
\$m	H1 FY19	Variance vs Projection <sup>(1)</sup>
Revenue	176.7	↑ 4.8%
EBITDA	122.2	↑ 3.8%
EBITDA Margin	69.2%	↓ 0.6 p.p
Profit After Tax	37.7	↑ 21.4%
Distribution Per Unit (Cents)	2.44	n/a

\$m	As at 30 Sep 2018
Market Capitalisation <sup>(2)</sup>	3,040
Enterprise Value <sup>(2)</sup>	3,523
Net Assets	3,088
NAV per unit (Cents)	79.2

(1) Projection for H1 was part of the Projection Year 2019's projection disclosed in the prospectus dated 10 Jul 2017.

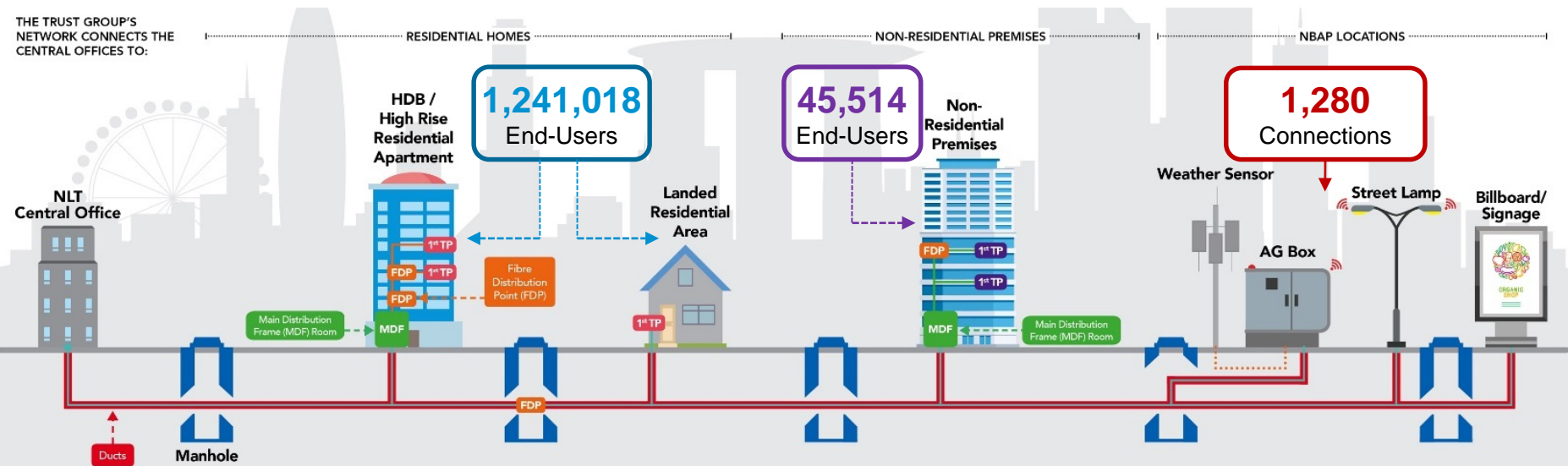
(2) Based on the unit price of \$0.78 as at 28 Sep 2018.

# Fibre is a critical infrastructure enabling Singapore's Next Gen NBN



# Our network

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











~90% share of residential market

~35% share of non-residential market

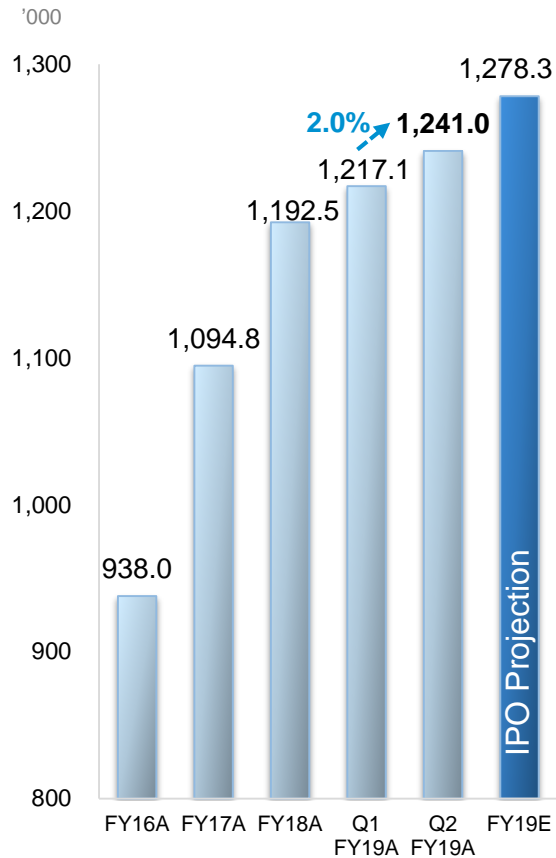
\* Figures are as at 30 Sep 2018

# A resilient business model

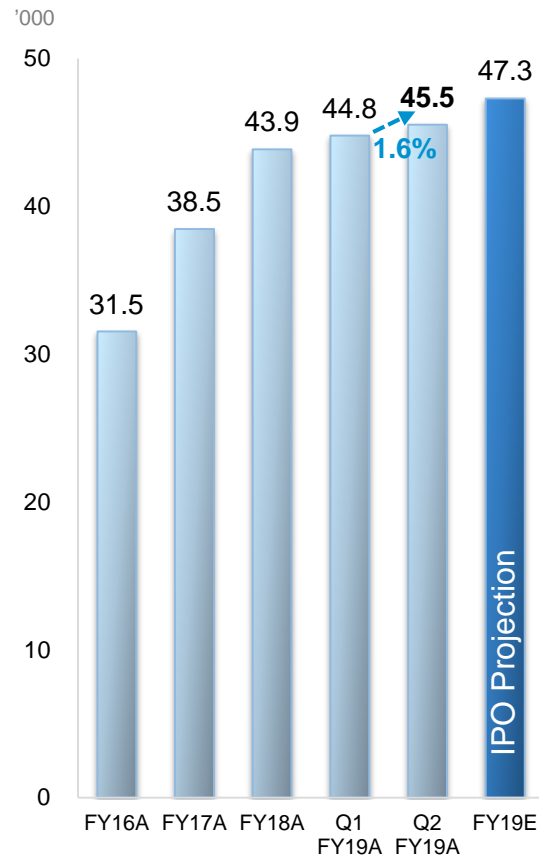
	RAB Revenue				Non-RAB Revenue			
	 Residential Connections	 Non-Residential Connections	 NBAP and Segment Fibre Connections	 Ducts and Manholes Service Revenue	 Installation Related Revenue	 Diversion Revenue	 Co-Location and Other Revenue	 Central Office Revenue
% of H1 FY19 Revenue	57.0%	8.4%	1.9%	10.6%	5.8%	6.0%	5.6%	4.7%
Recurring, predictable cash flows	✓	✓	✓	✓	–	–	✓	✓
Long-term contracts / customer stability	✓	✓	✓	✓	–	–	✓	✓
Regulated revenues	✓	✓	✓	✓	✓	–	✓	–
Creditworthy customers	✓	✓	✓	✓	✓	✓	✓	✓

# Fibre connections

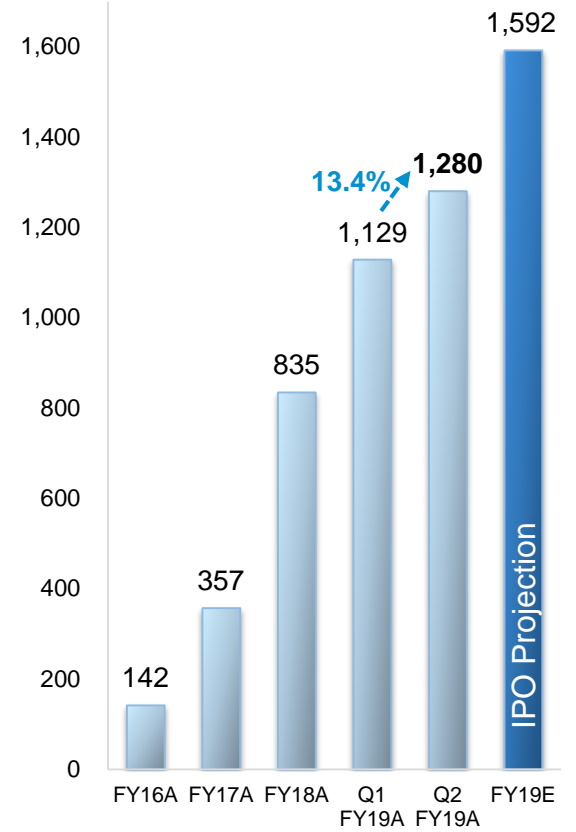
## Residential



## Non-Residential



## Non-Building Address Points



## Q2 Profit & loss statement

S\$'000	Q2 FY19	Projection <sup>(1)</sup>	Variance (%)
Revenue	90,594	84,876	6.7
<b>EBITDA</b>	<b>61,239</b>	<b>59,427</b>	<b>3.0</b>
EBITDA margin (%)	67.6 <sup>(2)</sup>	70.0	(2.4p.p)
Depreciation & amortisation	(40,030)	(40,865)	(2.0)
Net finance charges	(4,340)	(5,042)	(13.9)
<b>Profit before tax</b>	<b>16,869</b>	<b>13,520</b>	<b>24.8</b>

(1) Projection for Q2 FY19 was part of the Projection Year 2019's projection disclosed in the prospectus dated 10 July 2017.

(2) Excluding the impact of the higher diversion revenues, the Trust Group would have achieved EBITDA margin of 70.4% in Q2 FY19.

**Revenue** was higher than projection mainly due to higher diversion revenue and ducts & manhole service revenue, this was partially offset by lower than projected installation-related revenue.

**EBITDA margin** was lower than projection mainly due to the higher diversion revenues which carry lower margins as compared to the overall EBITDA margins of the Trust Group.



# H1 Profit & loss statement

S\$'000	H1 FY19	Projection <sup>(1)</sup>	Variance (%)
Revenue	176,706	168,671	4.8
<b>EBITDA</b>	<b>122,231</b>	<b>117,766</b>	<b>3.8</b>
EBITDA margin (%)	69.2 <sup>(2)</sup>	69.8	(0.6p.p)
Depreciation & amortisation	(79,806)	(81,730)	(2.4)
Net finance charges	(8,484)	(10,085)	(15.9)
<b>Profit before tax</b>	<b>33,941</b>	<b>25,951</b>	<b>30.8</b>

(1) Projection for H1 FY19 was part of the Projection Year 2019's projection disclosed in the prospectus dated 10 July 2017 (the "Prospectus").

(2) Excluding the impact of the higher diversion revenues, the Trust Group would have achieved EBITDA margin of 71.1% in H1 FY19.

**Revenue** was higher than projection mainly due to higher diversion revenue and ducts & manhole service revenue, this was partially offset by lower than projected installation-related revenue.

**EBITDA margin** was lower than projection mainly due to the higher diversion revenues which carry lower margins as compared to the overall EBITDA margins of the Trust Group.

## Balance sheet as at 30 Sep 2018

Cash Balance	S\$153m
Gross Debt	S\$636m
Net Assets	S\$3,088m
Gross Debt/EBITDA	2.6x
EBITDA Interest Cover	14.1x
Net Assets per unit <sup>(1)</sup>	79.2

<sup>(1)</sup> Net assets per unit represents equity divided by total number of units (3,896,971,100)

# Growth opportunities



**In the next 5 years**



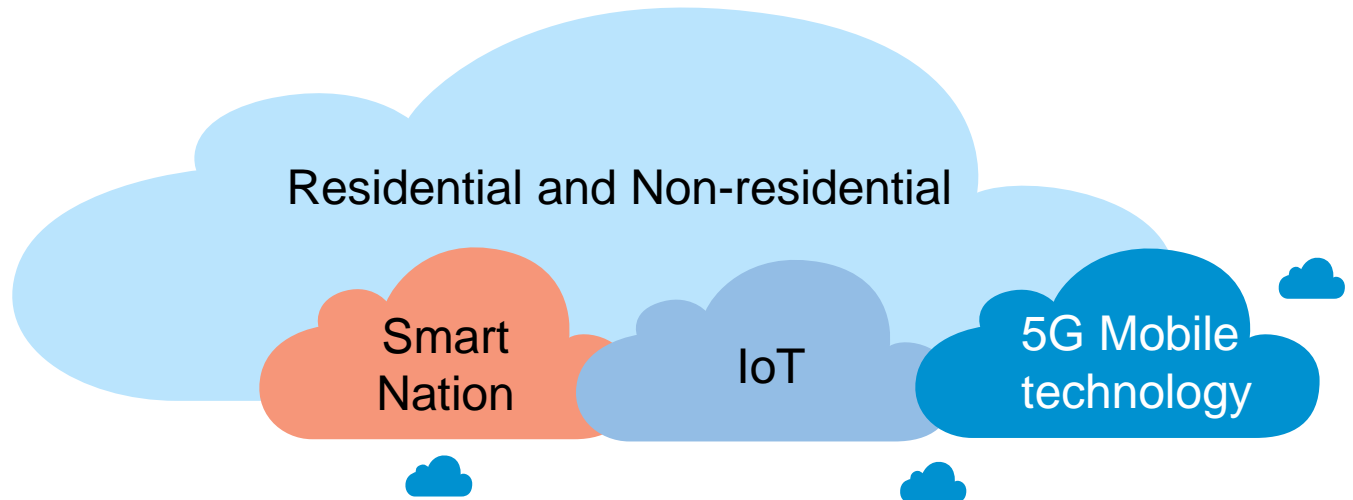
Residential homes not on fibre broadband & new household formations

Increasing Non-residential end-users

NBAP demand from Smart Nation, IoT and mobile

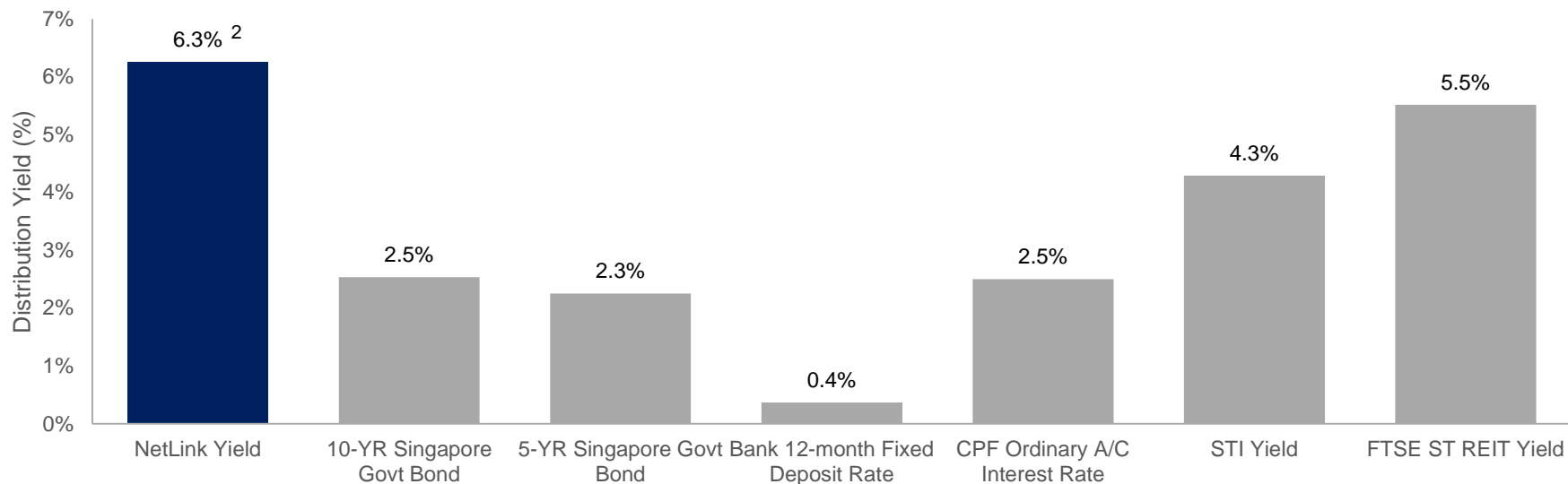


**Beyond the next 5 years**



# Attractive distribution yield with low risk

## NetLink NBN's Distribution Yield vs Other Investments <sup>1</sup>



- Assuming the distribution for the second half of the financial year is the same as the first half, the annualised DPU of 4.88 cents represents an increase of 5.2% over the projected DPU of 4.64 cents
- The Trust's distribution policy is to distribute 100% of its CAFD<sup>3</sup>
- Distributions made by the Trust are exempt from Singapore income tax in the hands of all Unitholders

<sup>1</sup> Source: Bloomberg as at 28 Sep 2018

<sup>2</sup> Distribution yield is based on the assumption that the annualised DPU is 4.88 cents (as mentioned above) and the unit price of \$0.78 cents as at 28 Sep 2018

<sup>3</sup> Cash Available for Distribution as defined in the prospectus dated 10 July 2017

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

**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**

**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**

**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

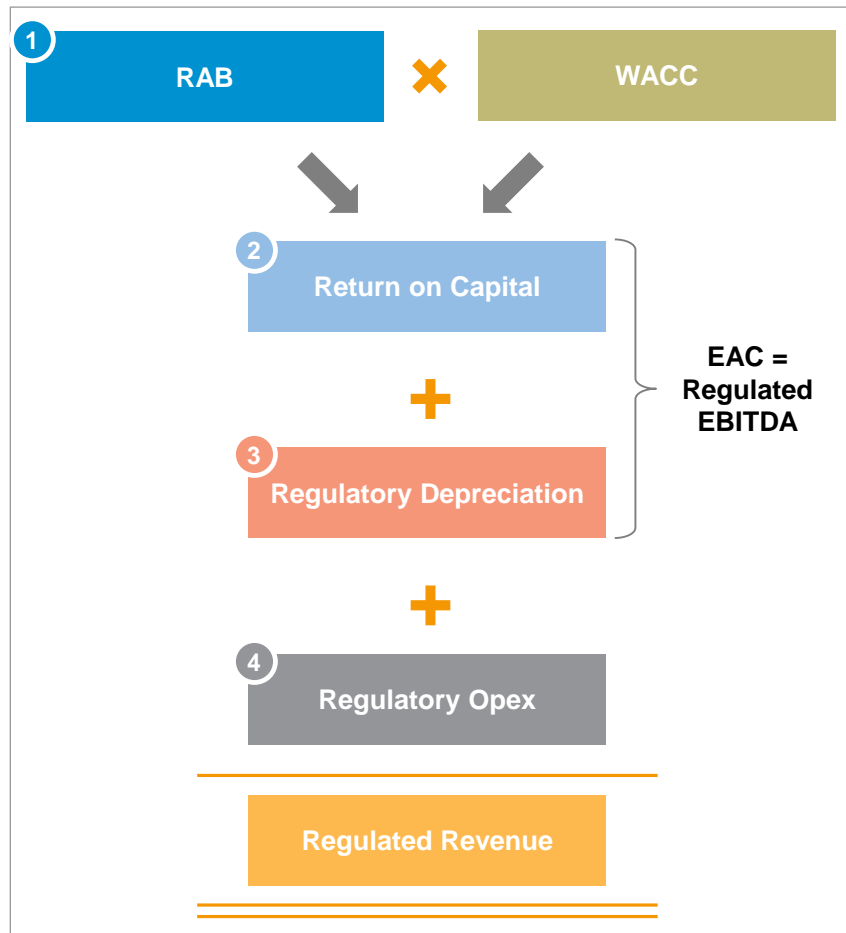
## Monthly recurring charge (MRC) for fibre connections

<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

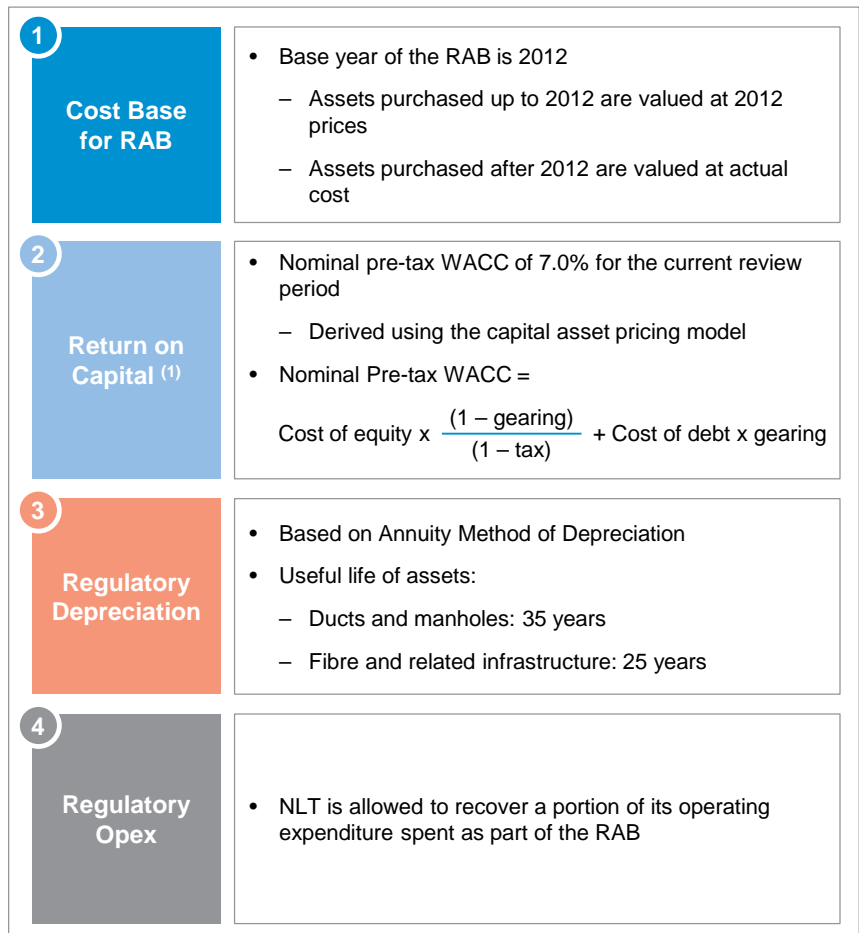


# NetLink Trust's pricing for its services

## Framework for RAB Based Pricing Model



## Methodology for RAB based pricing model



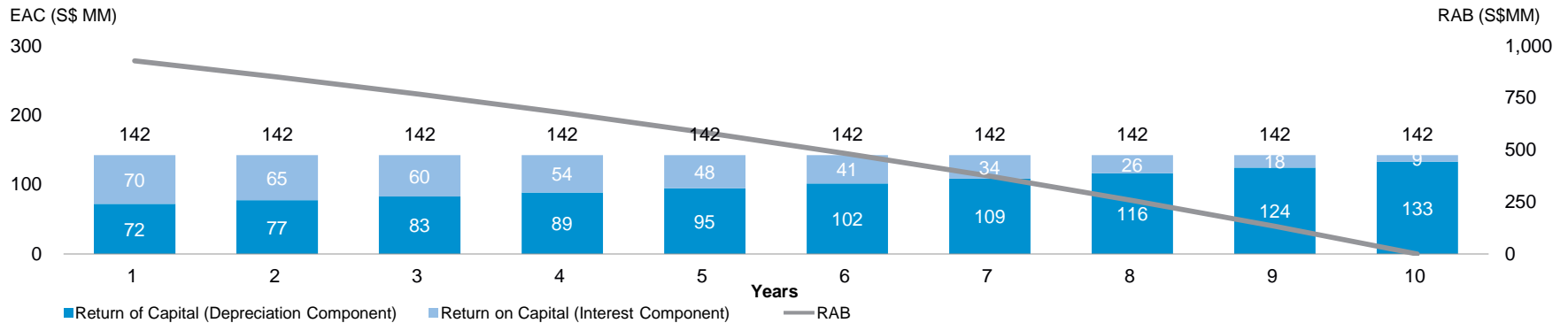
1. IMDA may change the rate of applicable pre-tax WACC in future review period

# Understanding the ICO pricing framework

## Illustrative Worked Example

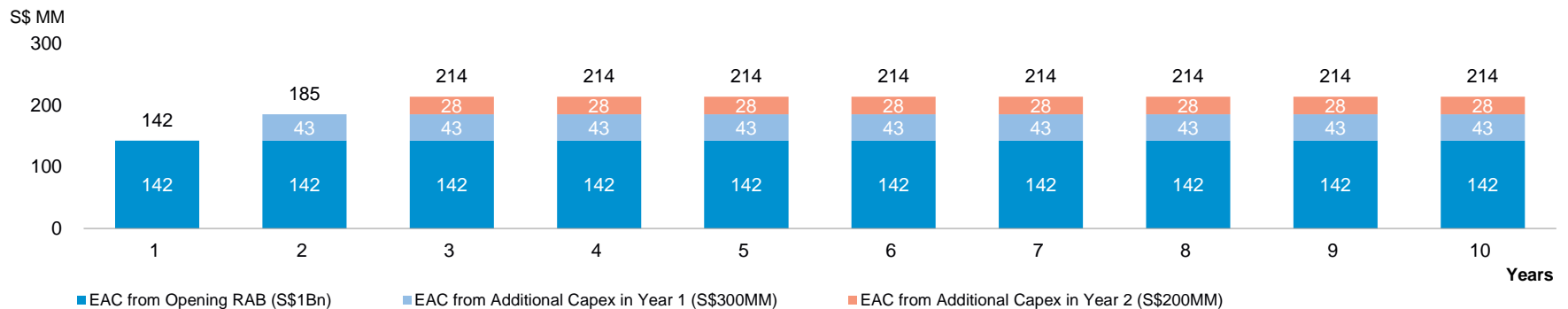
### How Does EAC Work for 1 Year's Outflow on Capex?

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)