



NetLinkNBN
the fibre of a smart nation

UOB Retail Investors Briefing

24 August 2020

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EBITDA is a non-SFRS financial measure and represents operating profit before depreciation and amortisation expense, net finance costs and income tax expense. EBITDA and EBITDA margin are supplemental financial measures of the NetLink Group’s performance and liquidity, and are not required by, or presented in accordance with SFRS, IFRS, Singapore Financial Reporting Standards (International), U.S. GAAP or any other generally accepted accounting principles. Furthermore, EBITDA and EBITDA margin are not measures of financial performance or liquidity, and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with SFRS, IFRS, Singapore Financial Reporting Standards (International), U.S. GAAP or any other generally accepted accounting principles.

Financial snapshot¹

Revenue

S\$89.0m

▼ 3.3%²

Cash Balance

S\$120m

Market Cap³

S\$3,780m

EBITDA

S\$68.8m

▲ 3.4%²

Gross Debt

S\$666m

Enterprise Value

S\$4,326m

¹ Q1 FY21

² Variance versus Q1 FY20

³ Based on the unit price of S\$0.970 at 30 Jun 2020

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



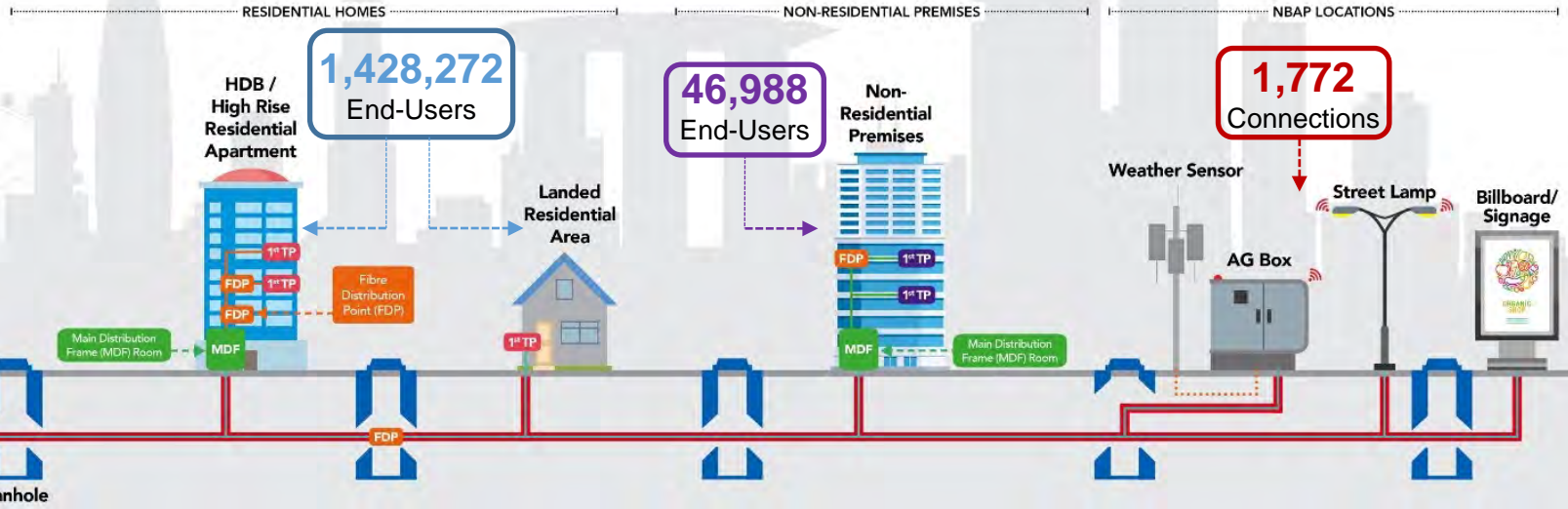
Fibre **supports wireless access solution** such as WiFi hotspots and **3G/4G/5G** infrastructure





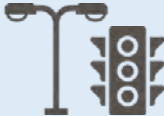





Fibre capacity is **scalable** and can support future transmission technology

Our network

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

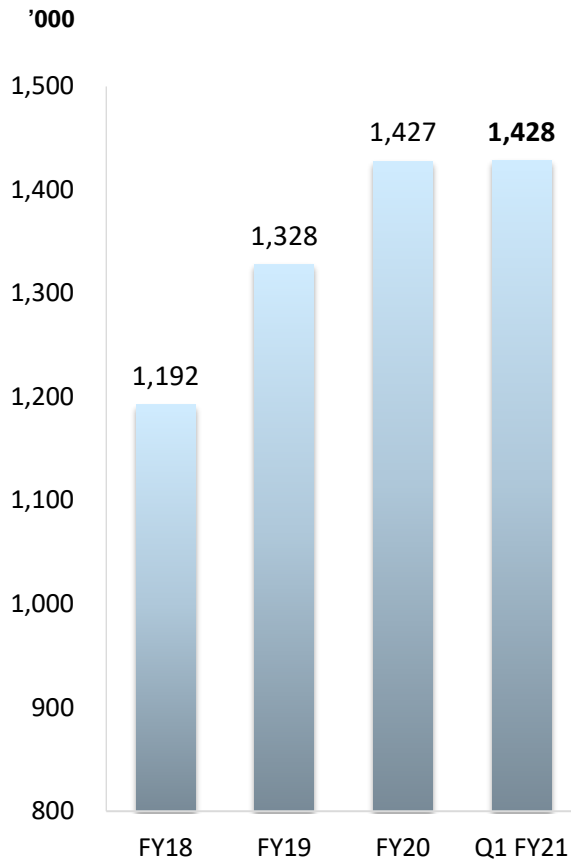


A resilient business model

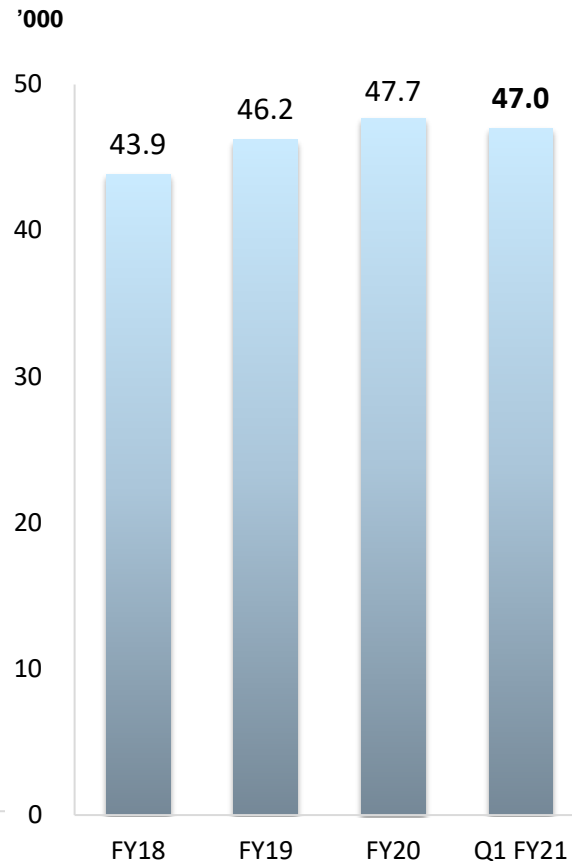
	RAB Revenue				Non-RAB Revenue			
								
	Residential Connections	Non-Residential Connections	NBAP and Segment Fibre Connections	Ducts and Manholes Service Revenue	Installation Related Revenue	Diversion Revenue	Co-Location and Other Revenue	Central Office Revenue
% of Q1 FY21 Revenue	66.5%	8.3%	2.1%	8.3%	2.4%	1.6%	5.4%	5.4%
Recurring, predictable cash flows	✓	✓	✓	✓	–	–	✓	✓
Long-term contracts / customer stability	✓	✓	✓	✓	–	–	✓	✓
Regulated revenues	✓	✓	✓	✓	✓	–	✓	–
Creditworthy customers	✓	✓	✓	✓	✓	✓	✓	✓

Fibre connections

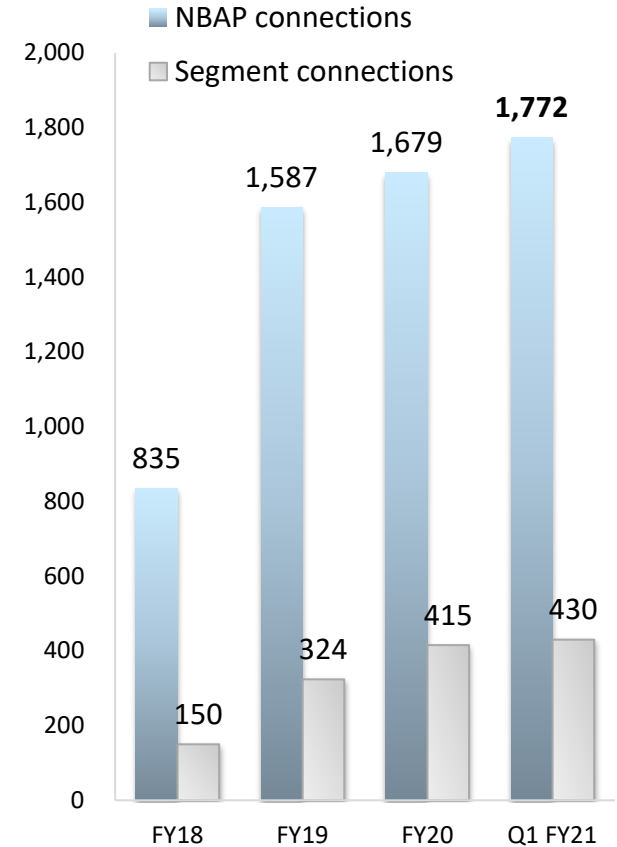
Residential



Non-Residential



Non-Building Address Points And Segment connections¹



¹ Segment connections comprise, *inter alia*, Central Office to Central Office fibre connections and Central Office to MDF room fibre connections provided to Requesting Licensees

Q1 FY21 Profit & loss statement

S\$'000	Q1 FY21	Q1 FY20	Variance (%)
Revenue	88,962	92,041	(3.3)
EBITDA	68,764	66,525	3.4
EBITDA margin (%)	77.3%	72.3%	5.0 pp
Depreciation & amortisation	(41,504)	(42,040)	1.3
Net finance charges	(4,712)	(4,517)	(4.3)
Profit before tax	22,548	19,968	12.9

Revenue was lower by 3.3% mainly due to the impact COVID-19 had on lower installation- related revenue and diversion revenue partially offset by revenues from higher residential connections

EBITDA margin of 77.3% was 5.0 pp higher primarily contributed by the higher proportion of revenue from residential connections and from the Government relief grants received

Robust balance sheet¹

S\$120m

Cash Balance

S\$666m

Gross Debt

S\$2,832m

Net Assets

2.6x

Gross Debt/
EBITDA²

14.3x

EBITDA Interest
Cover²

72.7 cents

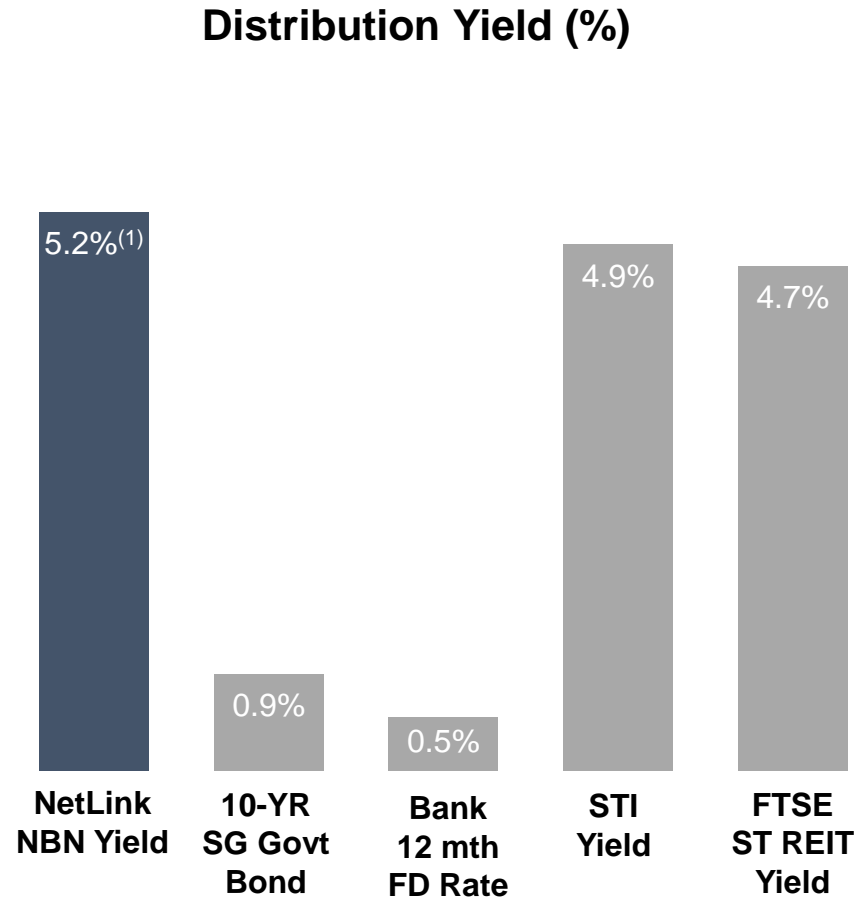
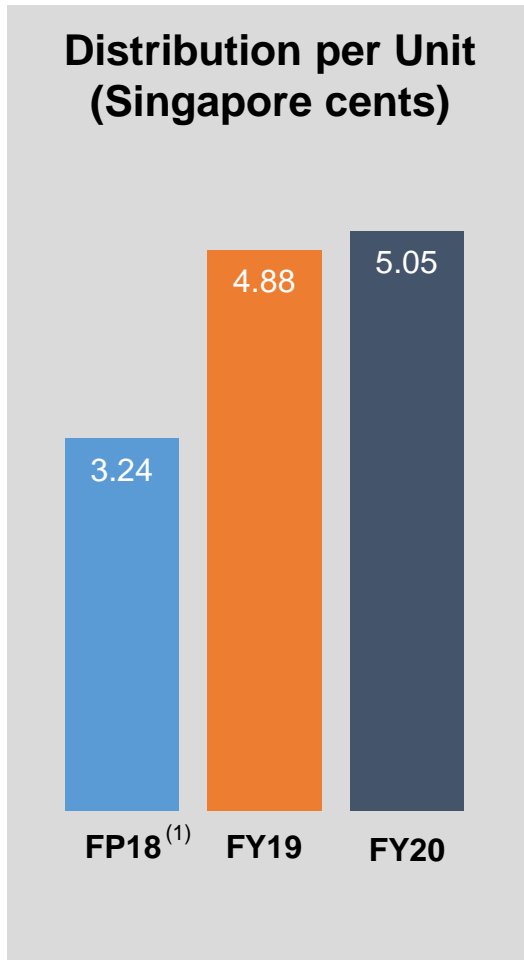
Net Assets per Unit

- Interest rate exposure substantially hedged
- The Group entered into a one-year extension for the outstanding term loan of S\$510.0 million to mature on 24 March 2022
- Stable capital structure with debt headroom to fund future capex

¹ As at 30 Jun 2020

² Ratios calculated based on NetLink Group's trailing 12 months financials

Attractive distribution yield with low risk



Bloomberg as at 30 June 2020

⁽¹⁾ Distribution yield is based on annualised DPU of 5.05 Singapore cents and the unit price of 97.0 cents as at 30 Jun 2020

Our focus for FY21

01

RESIDENTIAL

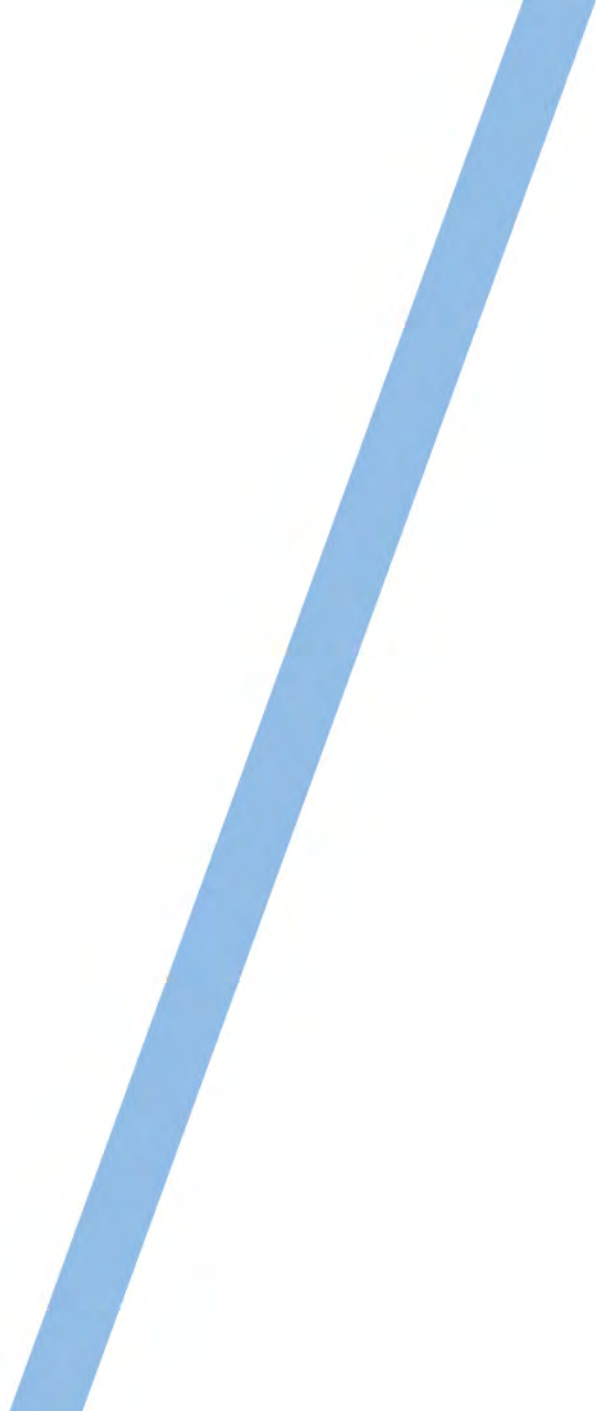
- Connect households not on fibre via initiatives such as IMDA's Home Access programme for low-income households
- Connect new homes
- Improve service provisioning QoS

02

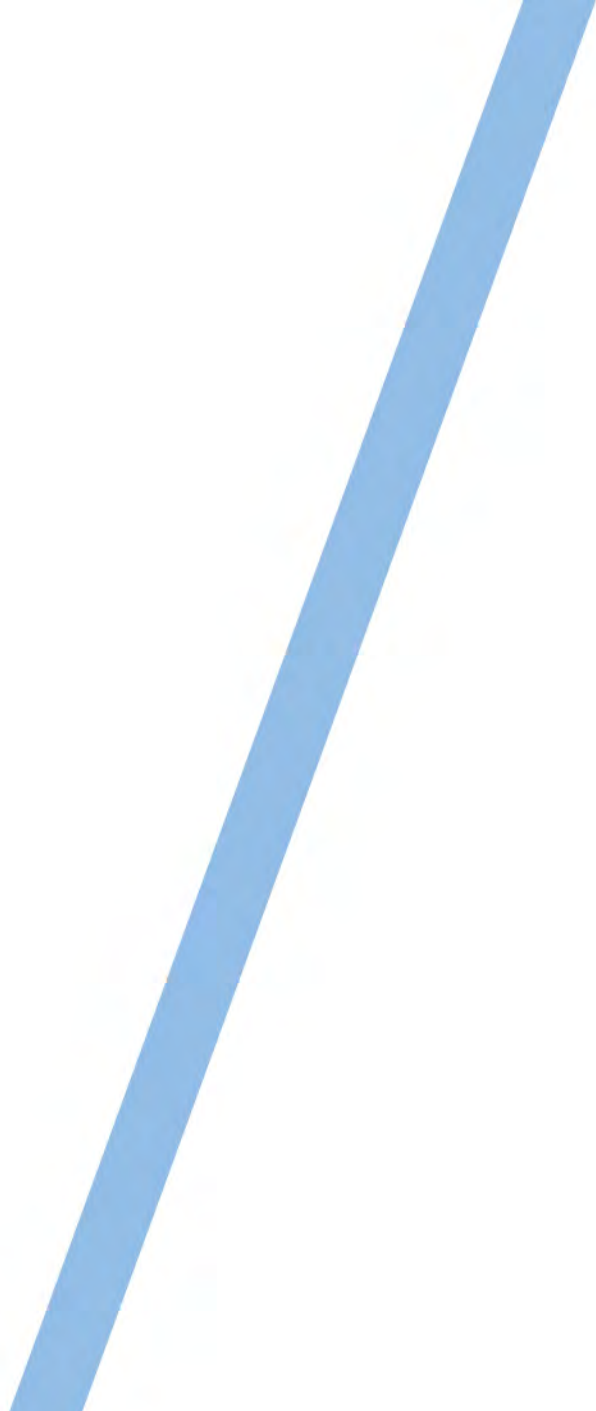
NON-RESIDENTIAL, NBAP & SEGMENT

- Denser network – adding capacity, flexibility and resilience
- Prepare to support 5G infrastructure
- Customised offerings to SMEs
- Improve presence in major Data Centres
- Make NBAP easier and faster to deploy

Thank You



Supplemental Business Information



NetLink Trust's pricing for its services

Pricing of NLT's principal services are regulated by IMDA

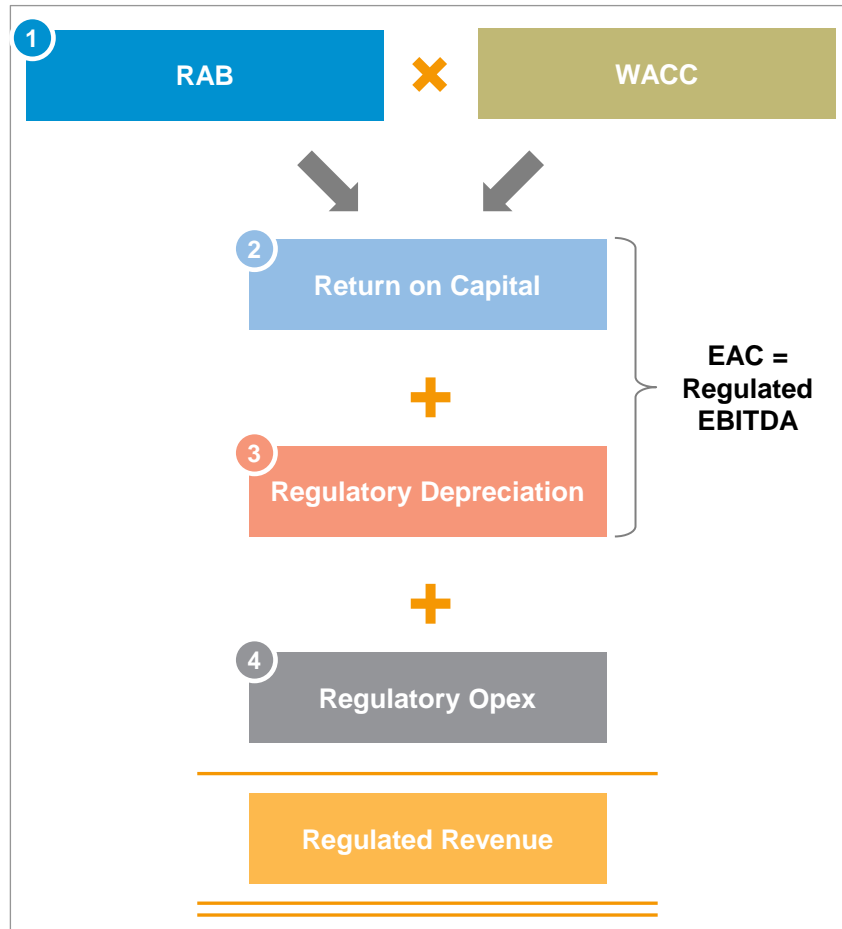
- IMDA shall hold a review of pricing terms every five years following the last price review, or at any such time as IMDA may consider appropriate (which may include a mid-term review in the third year from the last price review)
 - The most recent review by IMDA of prices under the Interconnection Offer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

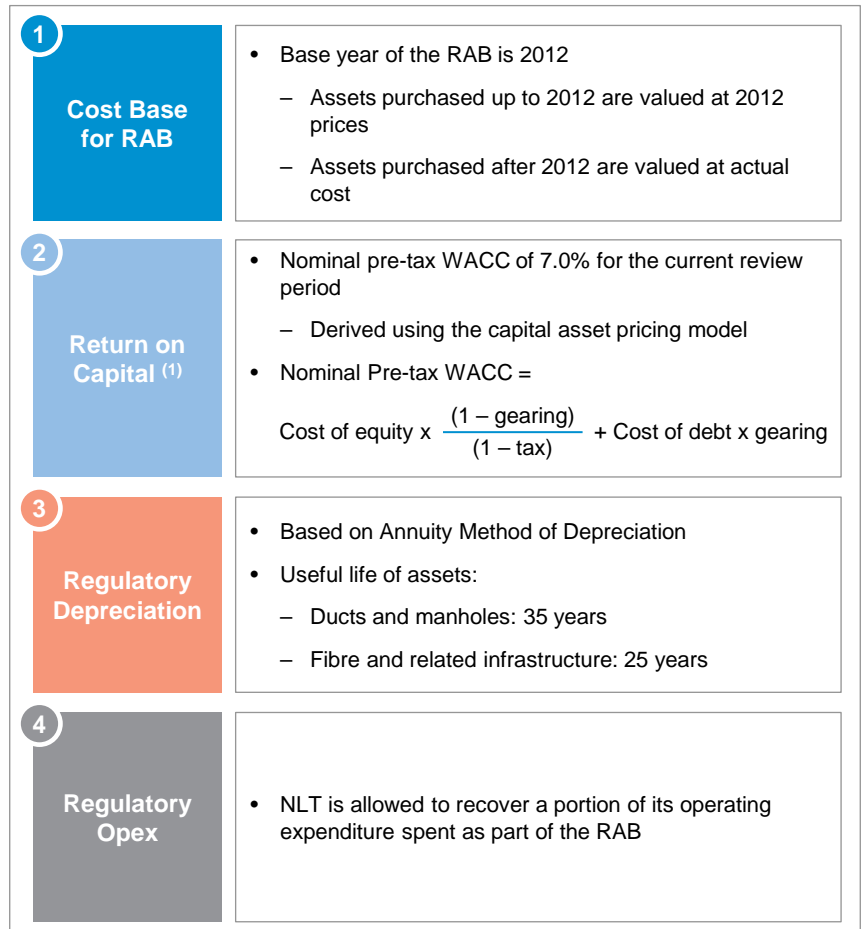
Residential	S\$13.80 per connection per month
Non-residential	S\$55 per connection per month
NBAP	S\$73.80 per connection per month

NetLink Trust's pricing for its services

Framework for RAB Based Pricing Model



Methodology for RAB based pricing model



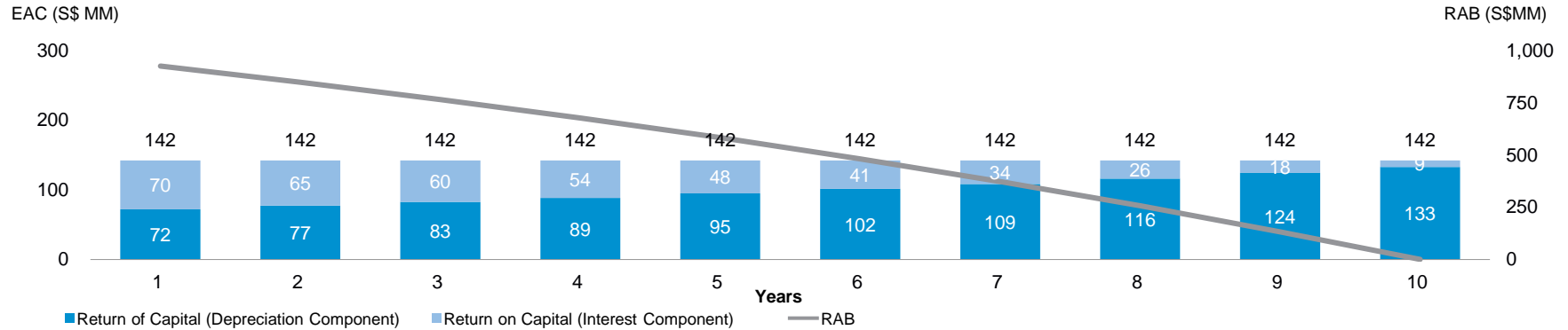
1. IMDA may change the rate of applicable pre-tax WACC in future review period

Understanding the ICO pricing framework

Illustrative Worked Example

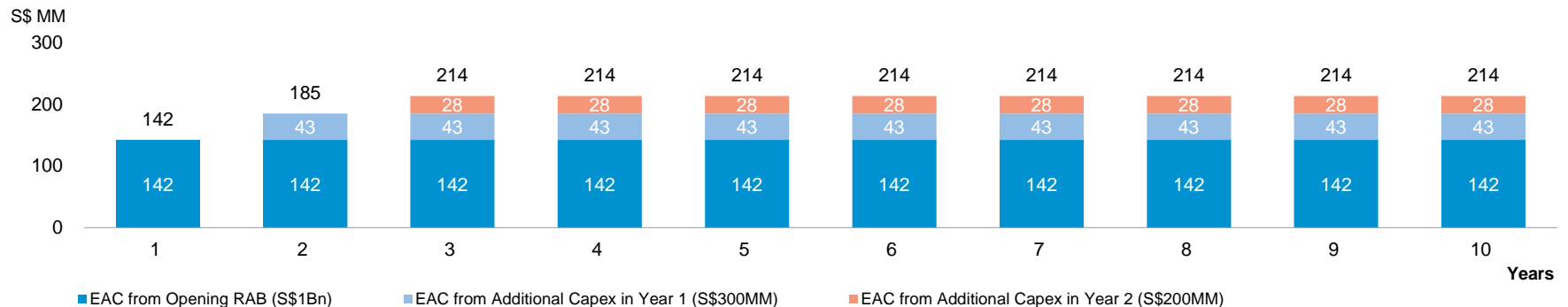
How Does EAC Work for 1 Year's Outflow on Capex?

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)