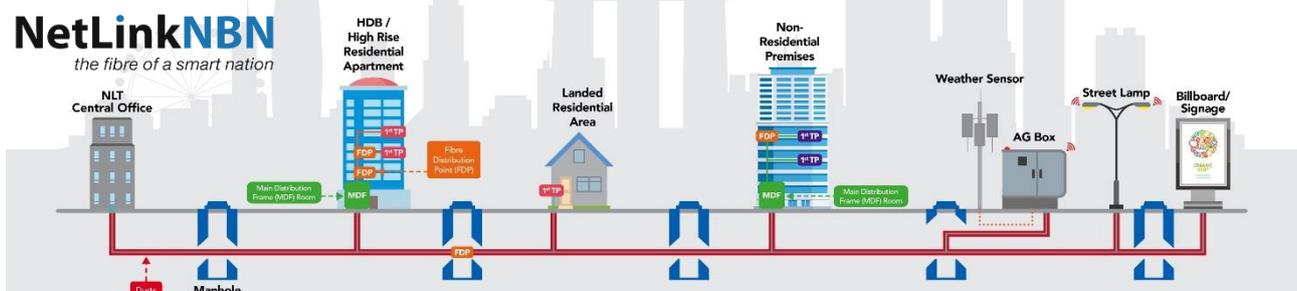


# 10 in 10 – NetLink NBN Trust (SGX Code: [CJLU](#))

10 Questions in 10 Minutes with SGX-listed companies



## 10 Questions for NetLink NBN Trust

### Company Overview

NetLink NBN Trust designs, builds, owns, and operates Singapore’s nationwide Next Gen NBN passive fibre network infrastructure, over which ultra-high-speed internet access is delivered to homes and non-residential premises, and non-building address points (NBAP) in mainland Singapore and its connected islands. In the NBAP segment, NetLink plans to be a lead partner in the development of new fibre-based initiatives and Singapore’s Smart Nation programme.

[Link to StockFacts company page.](#)

SGX Code: CJLU	BBG: NETLINK SP	RIC: NETL.SI
Market cap on 6 Mar (S\$m)		3,117.6
Price on 6 Mar (S\$)		0.80
52 wk high/low		0.825 - 0.730
12m ADTV (S\$)		4,168,994
Shares Outstanding (m)		3,897
Float		75.0%
P/E (LTM)		43.0
P/B (LTM)		1.0
Dividend Yield (refer to page 3)		6.1%

Source: Bloomberg (6 Mar 2019)

### 1. What are the factors driving NetLink’s growth over the medium term?

- Fibre connections in Singapore remain a key revenue growth driver for NetLink. As broadband access becomes a necessity, this will continue to fuel demand for our services. We expect residential connections to reach close to 100% penetration (from about 85% today) in the medium term, and non-residential connections to continue to grow (from about 45,000 connections or about 35% market share today).
- We are focused on growing our footprint and end-user connections in Singapore. Furthermore, we believe Singapore’s Smart Nation initiatives and the increased adoption of 5G/Internet of Things (IoT) will also help to drive demand for fibre connections in Singapore.

### 2. What role does NetLink play in Singapore’s Smart Nation initiatives?

- NetLink has an extensive nationwide fibre network and is well-positioned to support Singapore’s Smart Nation initiatives and applications by providing the fibre backbone. We believe our success in the residential and non-residential segments can be replicated to outdoor sites or non-building address points (NBAP) connections.
- We currently have >1,400 NBAP connections island wide supporting mobile base stations, sensors, Wi-Fi hotspots and other outdoor infrastructure. Outdoor fibre deployment can benefit from better coordination to lower costs, improved speed of deployment and reduce disruptions to the public. We are:
  - Stepping up efforts to coordinate with our telecoms customers** to improve speed of deployment and to reduce disruptions to the public in the process.
  - Building a denser network in new housing estates** such as Tengah and upcoming high tech parks and districts such as Punggol Digital District and Jurong Innovation District. These estates are likely to utilise our fibre network extensively and we are also looking to reduce the “last-mile” distance between our manholes and outdoor sites.

### 3. What is the outlook for your industry in terms of competitive pressures and growth prospects? Any concerns about obsolescence?

- We believe the outlook for our industry to be very favourable from growing demand for connectivity driven by the rapid rise in data consumption. Broadband access has become a necessity, not just within households but also for connectivity to indoor/outdoor sensors and devices. Furthermore, we are not concerned about obsolescence as our fibre assets have a very long useful life and would likely continue to remain in service in the long term.
- While we foresee competitions from other telcos in the NBAP segment, we believe that we are well-positioned to support the rising NBAP demand. Setting up new NBAP connections anywhere in Singapore is also more efficient and affordable, due to our extensive islandwide fibre network.

### 4. How does NetLink ensure it can keep up with and maintain the regulatory standards/codes set by the Telecoms regulator, Infocomm Media Development Authority (IMDA)?

- NetLink is serious about regulatory compliance and has a compliance framework in place. Responsible persons have been identified for managing the applicable laws and regulatory obligations, with central reporting of compliance issues to the Management Risk Committee and an escalation process to the Board Risk and Regulatory Committee. We also maintain regular contact with IMDA to ensure that we are kept up-to-date with the regulatory landscape in which we operate in.

### 5. If you were to sum up your key corporate governance strategies, what would you like to tell investors?

- Good corporate governance is one of the key pillars supporting the foundation of our corporate vision – to be the leading telecommunications infrastructure provider in Singapore. We are committed to upholding the highest corporate governance standards across our operations and business processes for the benefit of all our stakeholders.

### 6. What can investors look forward to when investing in NetLink? What is your value proposition to investors?

- **Natural barrier to entry** as we are Singapore’s sole nationwide provider of residential fibre network and we are well-positioned to deliver long term value and growth to our investors. We design, build, own and operate the critical infrastructure that enables our nation’s Next Gen NBN.
- **Resilient business model** with a transparent, predictable and regulated revenue stream. This is supported by the growing demand for fibre connections and creditworthy customers. Our balance sheet is also well-placed to support our long term growth.
- **Supporting Singapore’s Smart Nation Programme.** Going forward, we look to attain further growth in the non-residential and NBAP segment as an independent nationwide network provider through the support and provision of connected services for Singapore’s Smart Nation initiatives.

*NetLink’s fibre distribution frame*



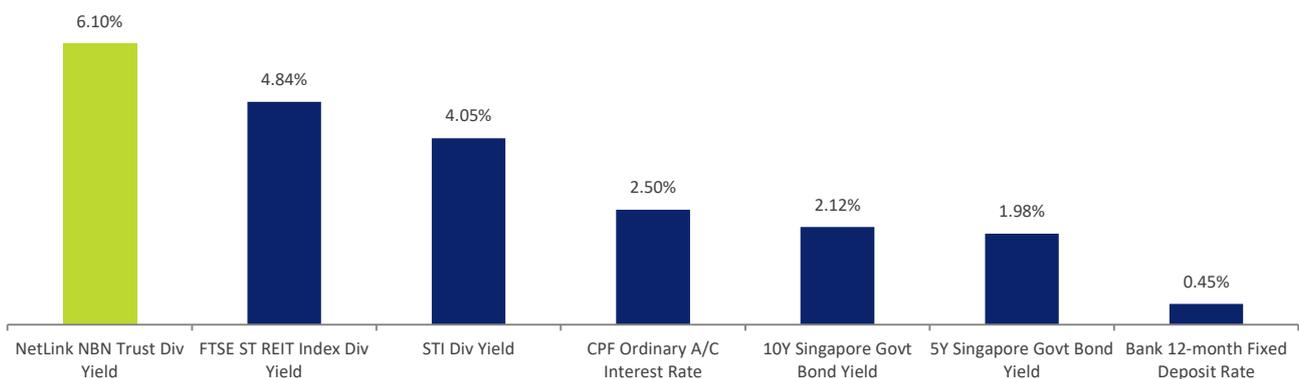
*Inside a NetLink manhole*



## 7. Does NetLink plan to grow its dividends paid to unitholders over the next few years and how?

- Our distribution policy is to distribute 100% of our cash available for distribution. This includes distributions received from our subsidiary, NetLink Trust (NLT). NLT's distribution policy is to distribute at least 90% of its distributable income to NetLink NBN Trust after setting aside reserves and provisions for, amongst others, future capital expenditure (including the funding of a capital expenditure reserve fund pursuant to regulatory requirements), debt repayment and working capital as may be required.
- We have a resilient business model in which approximately 90% of our revenues are generated either from predictable and recurring streams or from long-term contracts, and we aim to grow the number connections across residential, non-residential and NBAP segments.

**NetLink NBN Trust's Dividend Yield vs Other Instruments <sup>1</sup>**



<sup>1</sup> Source: Bloomberg as of 20 February 2019.

NetLink's dividend yield based on an assumed annualised distribution per unit (DPU) of 4.88 cents and a unit price of S\$0.80 as of 6 Mar 2019.

## 8. Many investors see NetLink as a defensive stock. How would NetLink respond to this in order to capture investor attention and gain investor confidence?

- We have an active Investor Relations programme that targets institutional, corporate as well as retail investors. In a typical financial year, we regularly
  - Organise quarterly analyst briefings following the announcement of results
  - Participate in local institutional investor conferences
  - Conduct overseas non-deal roadshows with institutional investors
  - Organise educational seminars for retail investors through partners such as local broking houses
- Through these activities, we aim to explain our resilient business model, and its ability to generate long-term stable cash flow to our investors and also address any of our investor's questions on operation, financial performance and growth.

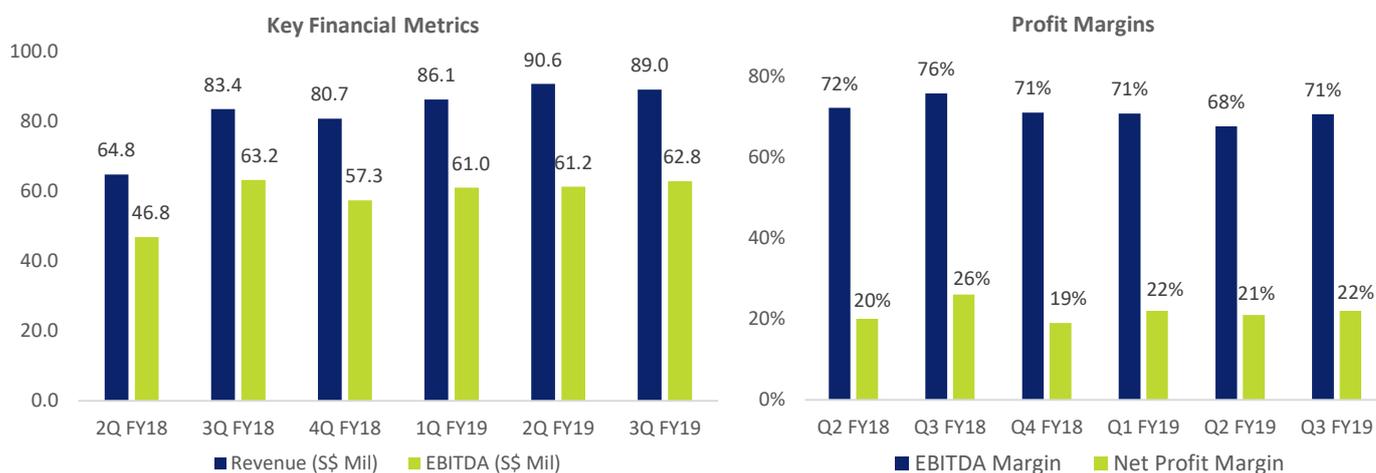
## 9. What are some misconceptions you think investors may have about NetLink?

- Some investors may compare us to other trusts. However, NetLink's business model is not the same as other business trusts or REITs. Our fibre business is regulated under a regulatory asset base regime which provides us with a pre-tax weighted-average cost of capital (WACC) return of 7% on the investment we make into our fibre network. This model provides us with a long-term stable and predictable cash flow, and also allowed our regulated revenue to grow with additional investment into our fibre network.
- In addition, investors may also learn that our assets have a very long useful life and hence we do not have any foreseeable obsolescence risk.

## 10. Are there any future plans for a partnership with a local telecoms service provider in relation to the deployment of 5G network?

- NetLink is monitoring the development of 5G network in Singapore and will explore business opportunities associated with the new technology. We believe we are well-positioned to support the future deployment of 5G network, given our extensive nationwide fibre network. The use of our existing fibre infrastructure may also help speed up the deployment, save costs and reduce disruptions to consumers in Singapore.

### Financials & Charts



Note: Financial period 2Q FY18 is from 19 Jun 2017 to 30 Sep 2017.



Source: Company data



### 10 in 10 – 10 Questions in 10 Minutes with SGX-listed companies

Designed to be a short read, 10 in 10 provides insights into SGX-listed companies through a series of 10 Q&As with management. Through these Q&As, management will discuss current business objectives, key revenue drivers as well as the industry landscape. Expect to find wide-ranging topics that go beyond usual company financials.

This report contains factual commentary from the company's management and is based on publicly announced information from the company.

For more, visit [sgx.com/research](http://sgx.com/research).

For company information, visit [www.netlinknb.com](http://www.netlinknb.com)  
Click [here](#) for 3<sup>rd</sup> Quarter FY19 Financial Results Presentation

## Notes

### Contact Us

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