

A person wearing a VR headset is shown in profile, looking towards the right. The background features a cityscape at night with illuminated buildings. Overlaid on the scene are various digital elements: a network of glowing blue and orange lines and nodes, a grid of small blue squares, and a large, semi-transparent blue circle. The overall aesthetic is futuristic and technological.

CGS-CIMB ProsperUs Webinar

25 August 2022

NetLinkNBN
the fibre of a smart nation

Disclaimer

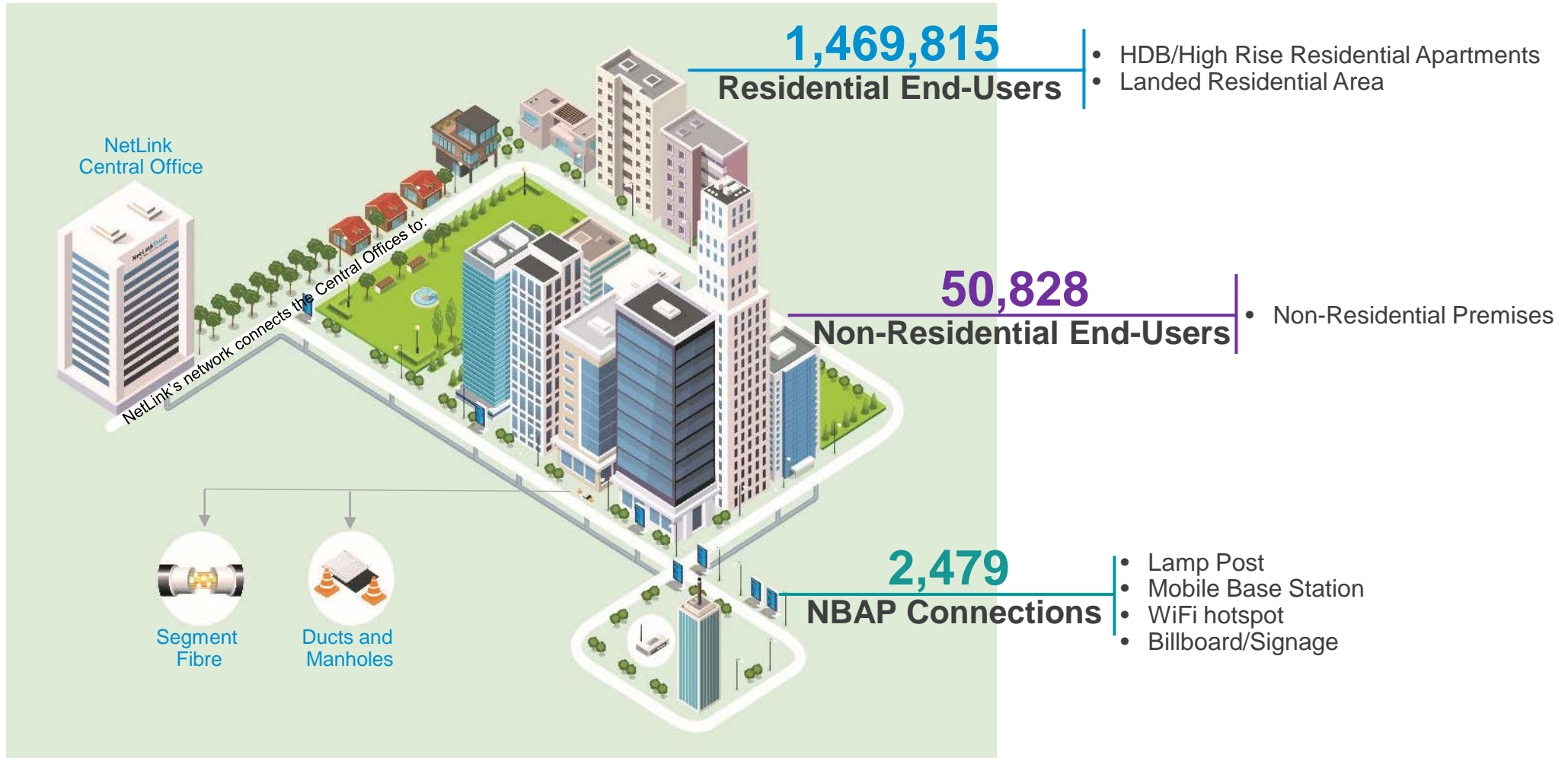
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EBITDA is a non-SFRS financial measure and represents operating profit before depreciation and amortisation expense, net finance costs and income tax expense. EBITDA and EBITDA margin are supplemental financial measures of the NetLink Group’s performance 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.

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

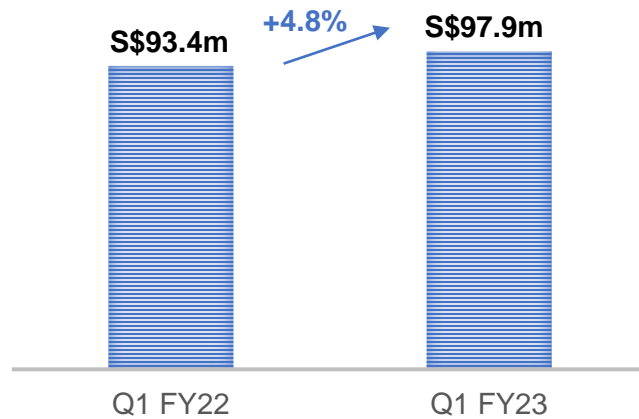


SCALABLE

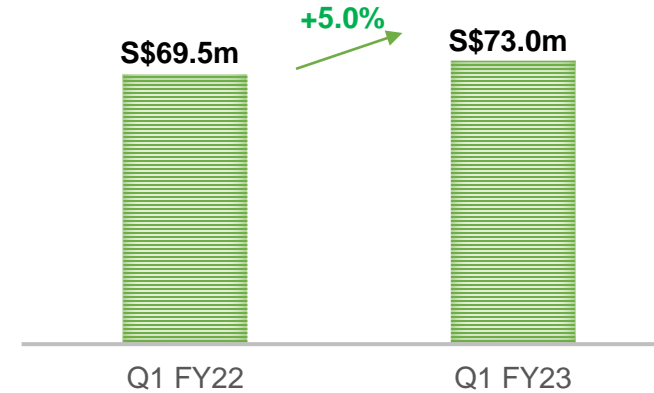
Fibre capacity is highly scalable and can support future transmission technologies

Q1 FY23 Financial highlights

REVENUE



EBITDA



NET GEARING

20.8%

Comfortable debt headroom

WEIGHTED AVERAGE DEBT DURATION

3.1 years

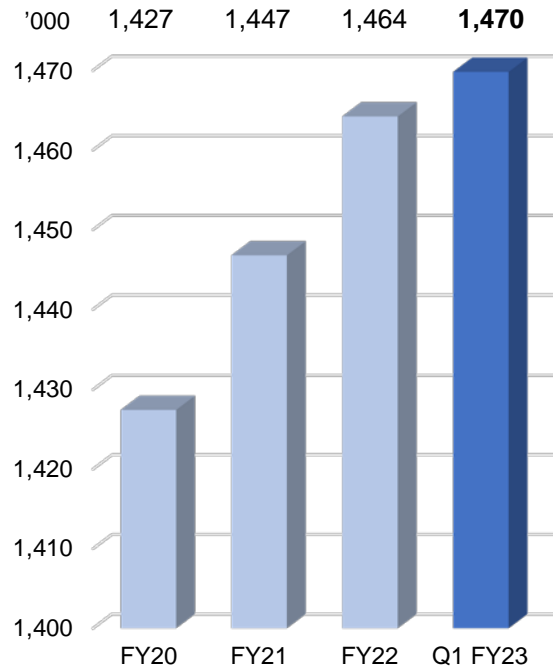
MARKET CAPITALISATION

S\$3.8 billion

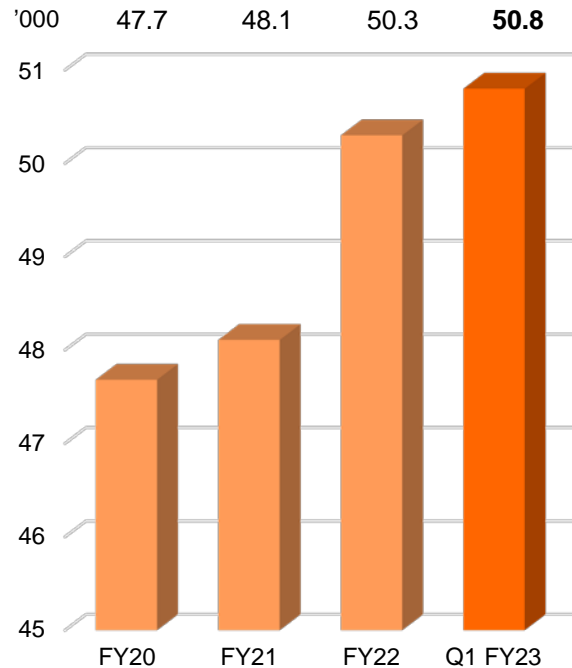
Unit price of S\$0.97 as at
30 Jun 2022

Fibre connections

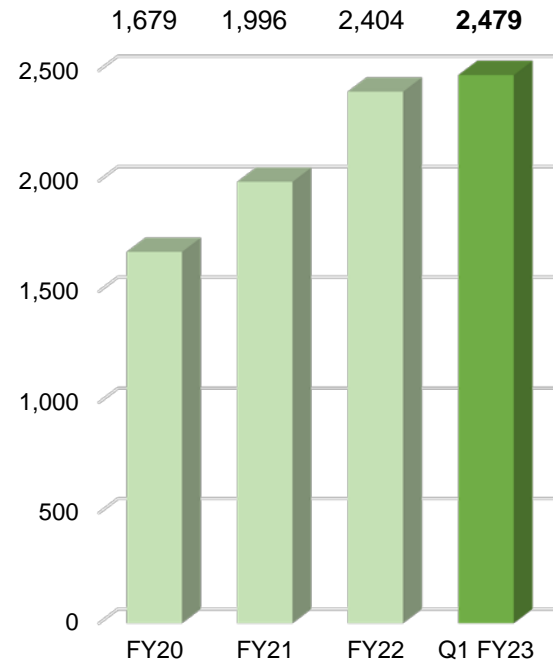
Residential



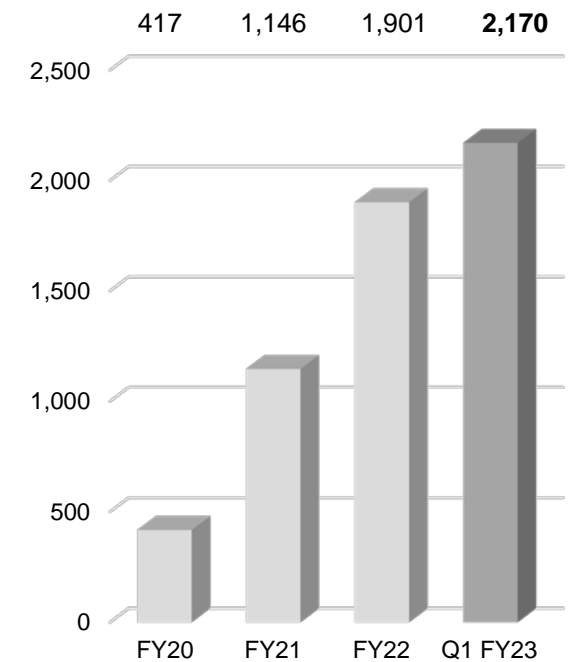
Non-Residential



Non-Building Address Points



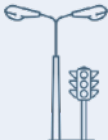







Segment⁽¹⁾



⁽¹⁾ 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			
% of Q1 FY23 Revenue	62.0%	8.0%	3.8%	7.1%	5.3%	4.5%	5.4%	3.9%
Recurring, predictable cash flows	✓	✓	✓	✓	-	-	✓	✓
Long-term contracts / customer stability	✓	✓	✓	✓	-	-	✓	✓
Regulated revenues	✓	✓	✓	✓	✓	-	✓	-
Creditworthy customers	✓	✓	✓	✓	✓	✓	✓	✓

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 ⁽¹⁾	(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

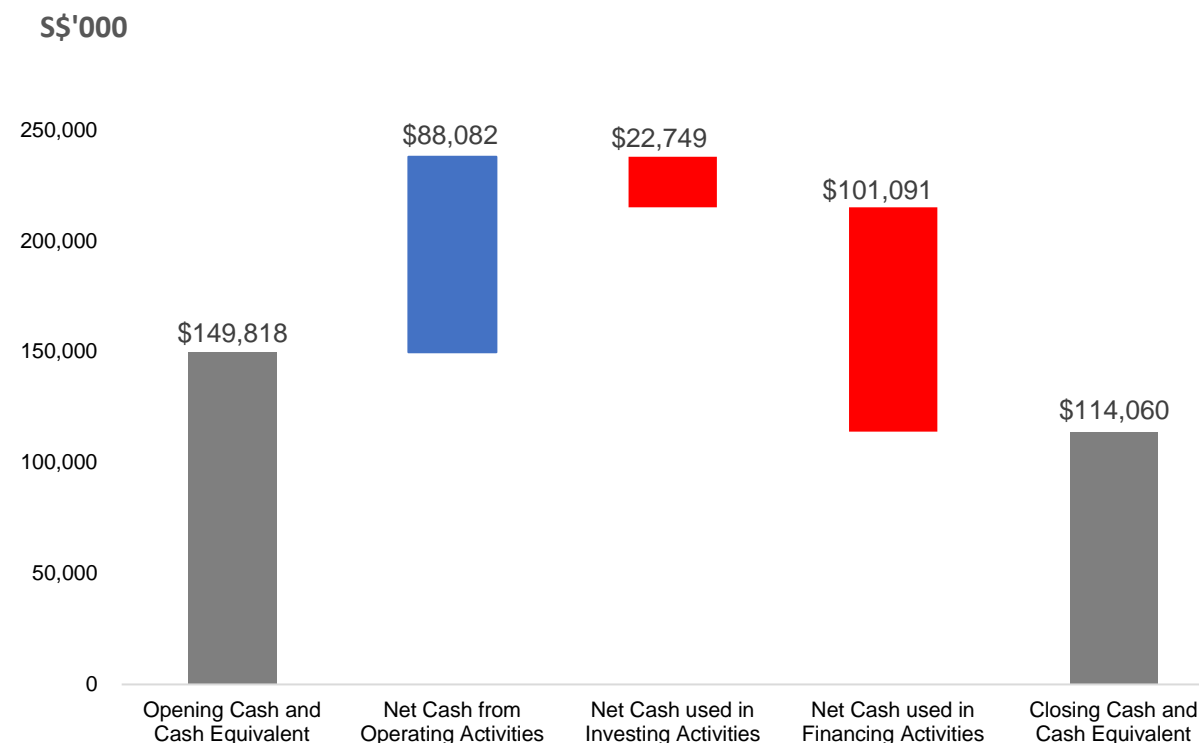
⁽¹⁾ Net finance charges for Q1 FY22 included S\$0.8M transaction fee relating to the one-year extension of the term loan. This fee was fully expensed off with the repayment of the term loan. By excluding this transaction fee of S\$0.8M in Q1 FY22, the net finance charges for Q1 FY23 would have been S\$1.0M 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	S\$666m	S\$666m
Weighted average debt maturity	3.1yrs	4.1yrs
Net debt/EBITDA ⁽¹⁾	2.0x	2.0x
EBITDA Interest cover ⁽¹⁾	27.1x	17.5x
Borrowings at Fixed Rate	76.6%	-
Effective average interest rate	1.8%	1.1%

⁽¹⁾ Ratios calculated based on NetLink Group's trailing 12 months financial

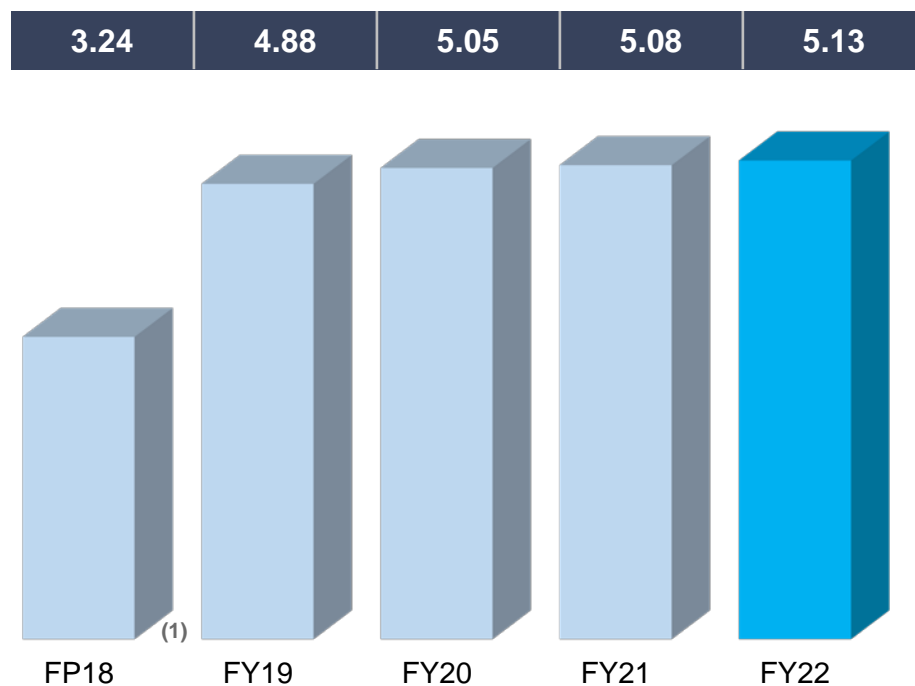
- Debt interest rate substantially hedged
- Stable capital structure with debt headroom to fund future capex



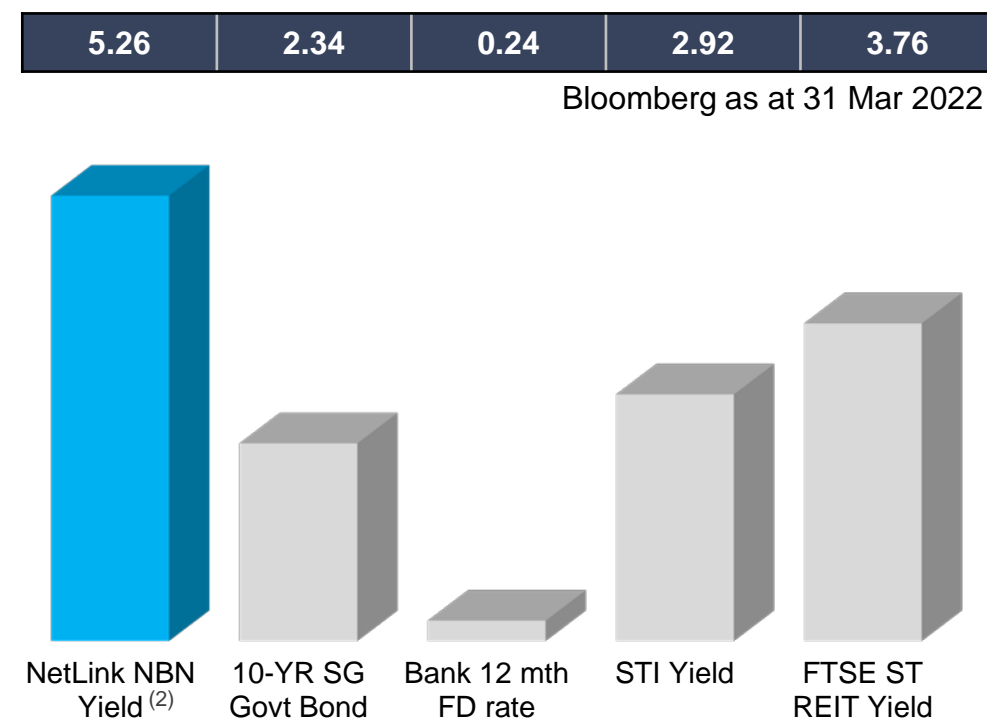
- Strong cashflow generated from operations and cash reserves
- Distribution declared for H2 FY22 paid in this quarter
- S\$156m RCF maturing in Mar'23 will be refinanced in this FY

Attractive distribution yield

Distribution per Unit (Singapore cents)



Distribution yield (%)



(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



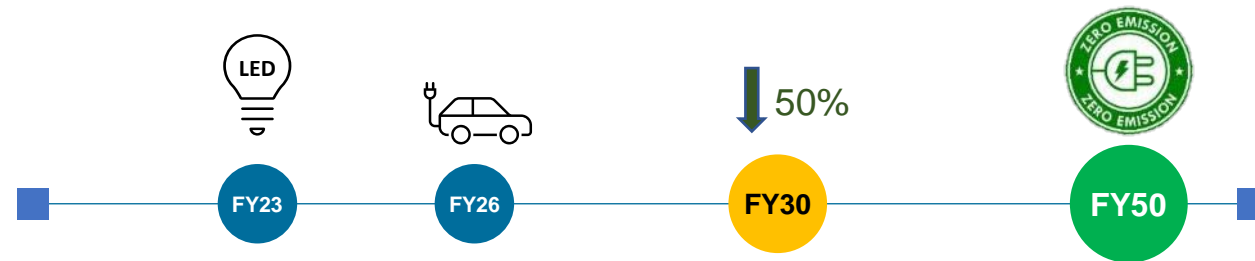
OUR PEOPLE

- 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

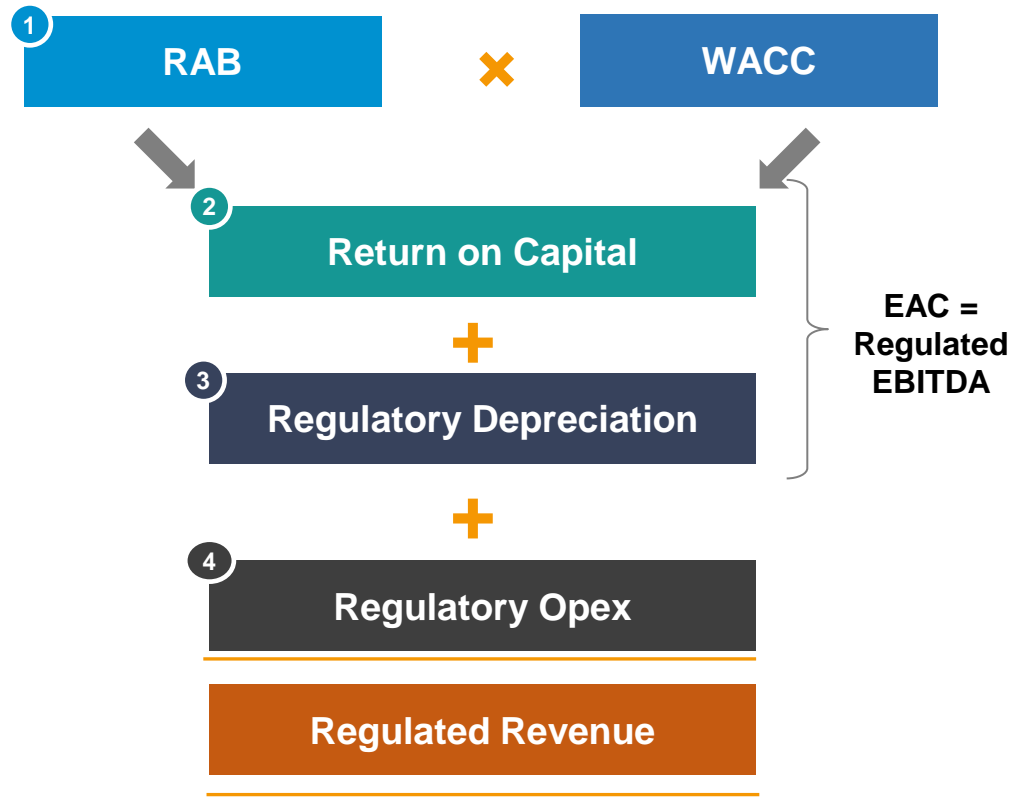
NBAP

S\$73.80

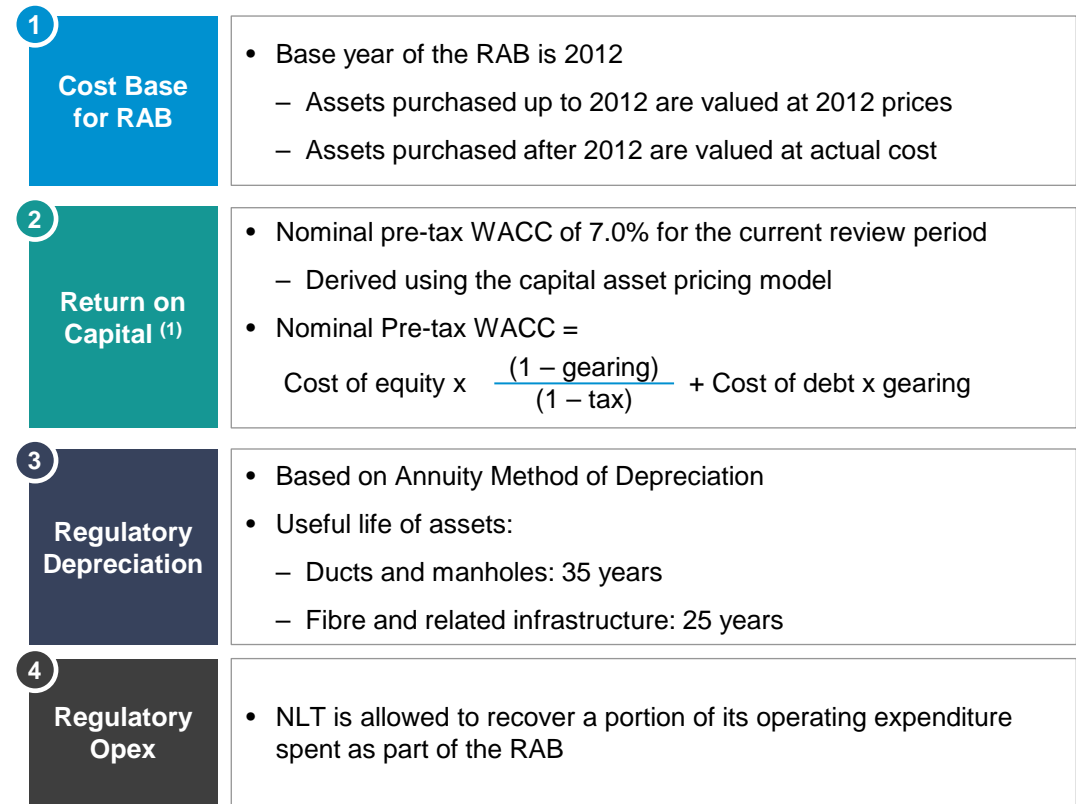
per connection per month

NetLink Trust's pricing for its services

FRAMEWORK FOR RAB BASED PRICING MODEL



METHODOLOGY FOR RAB BASED PRICING MODEL



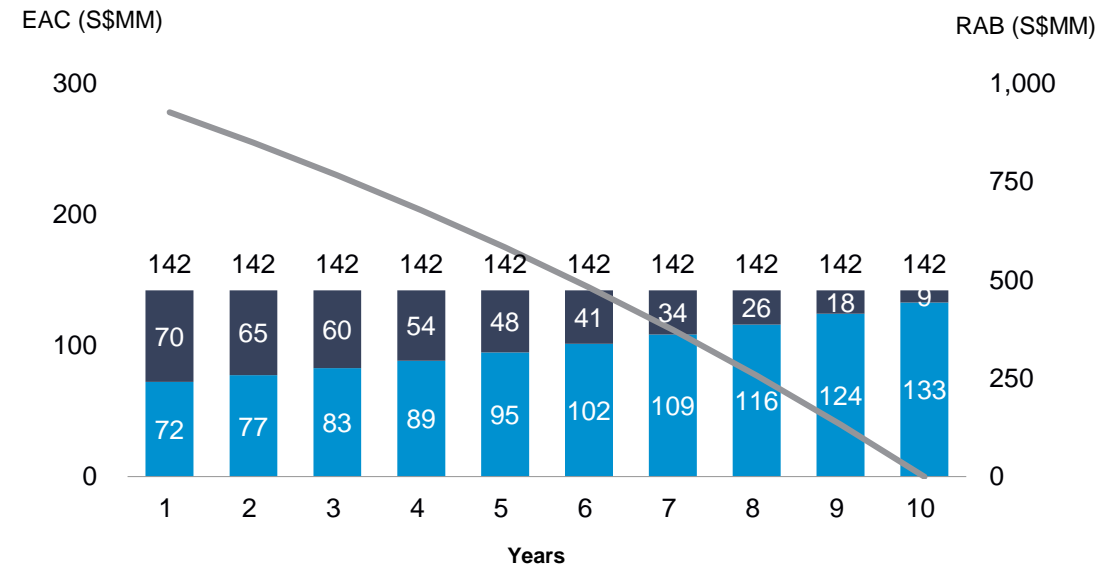
⁽¹⁾ IMDA may change the rate of applicable pre-tax WACC in future review period

Understanding the ICO pricing framework

ILLUSTRATIVE EXAMPLE

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

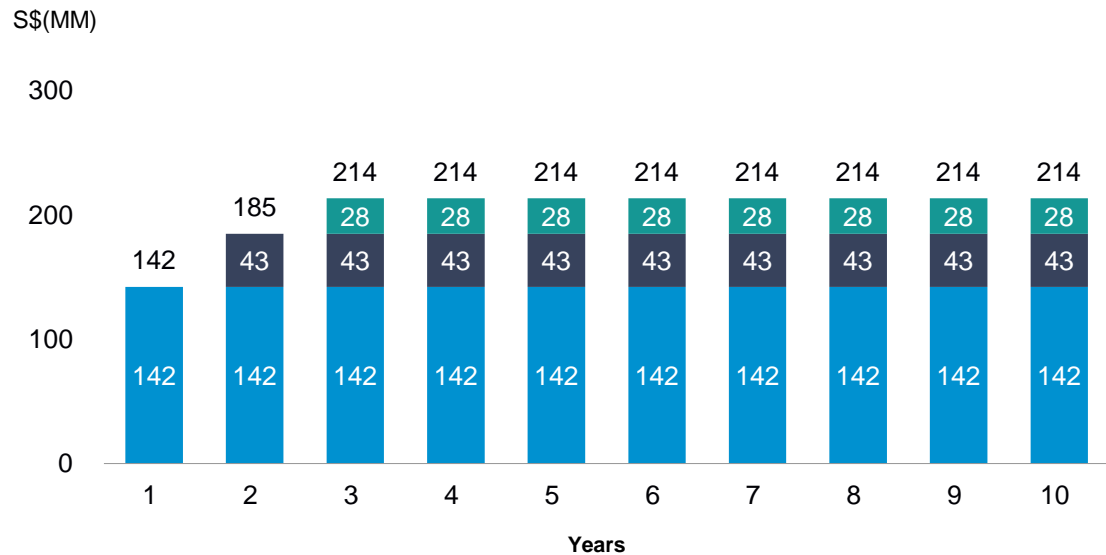
Assuming Opening RAB of S\$1Bn, WACC of 7.0% and Asset Useful Life of 10 Years; the cumulative return is S\$1.42Bn



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

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