

A person wearing a VR headset is shown in profile, looking towards the right. The background is a blurred cityscape at night with various skyscrapers and lights. Overlaid on the scene are several digital elements: a network of glowing blue and orange lines and dots, and a grid of small, semi-transparent blue squares that form a pattern on the right side of the image.

Citi Clients Briefing

14 February 2023

NetLinkNBN
the fibre of a smart nation

Disclaimer

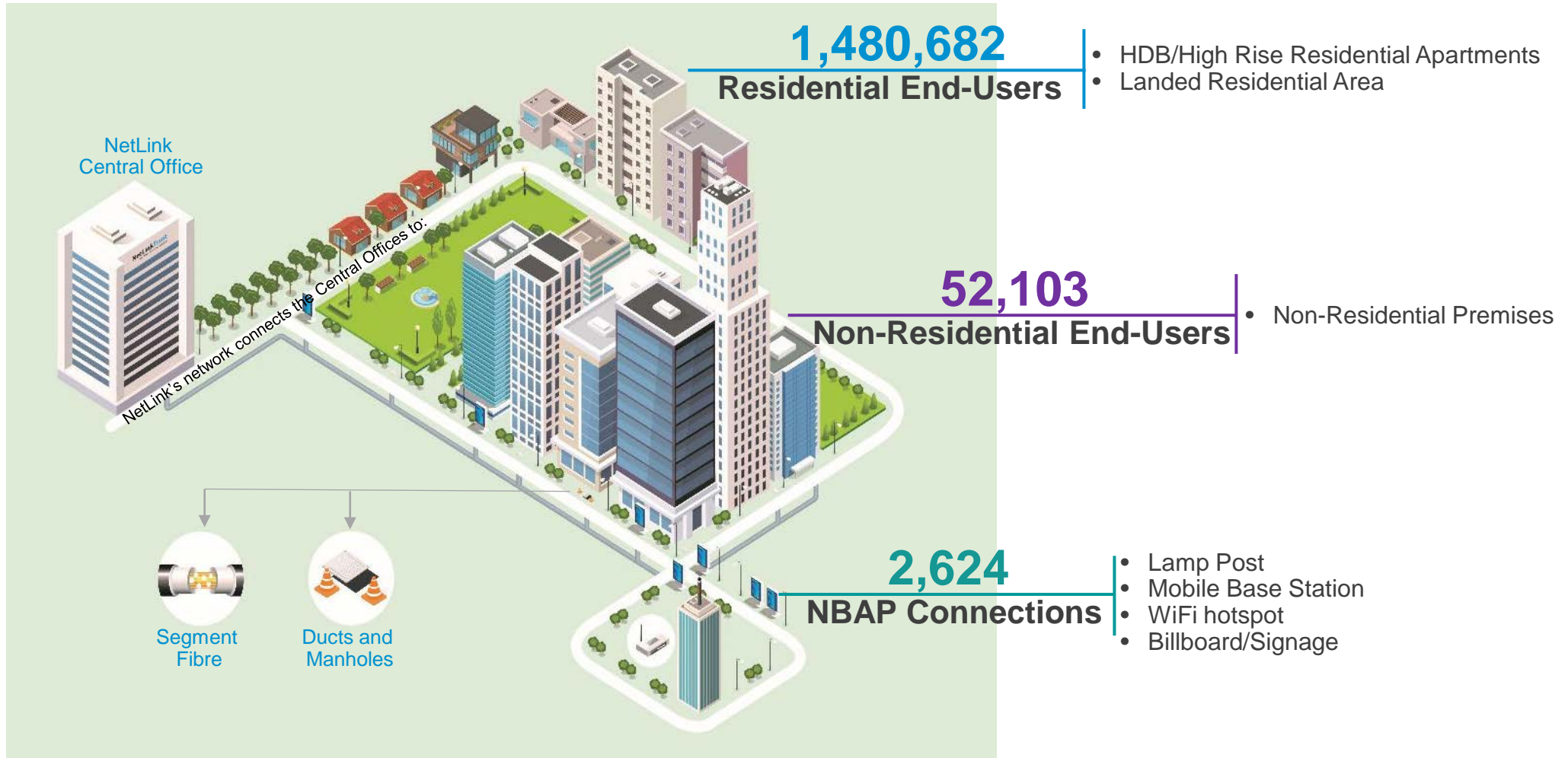
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EBITDA is a non-SFRS financial measure and represents operating profit before depreciation and amortisation expense, net finance costs and income tax expense. EBITDA and EBITDA margin are supplemental financial measures of the NetLink Group’s performance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

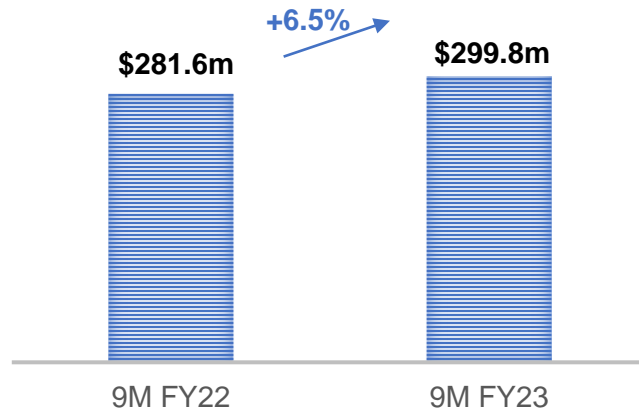


SCALABLE

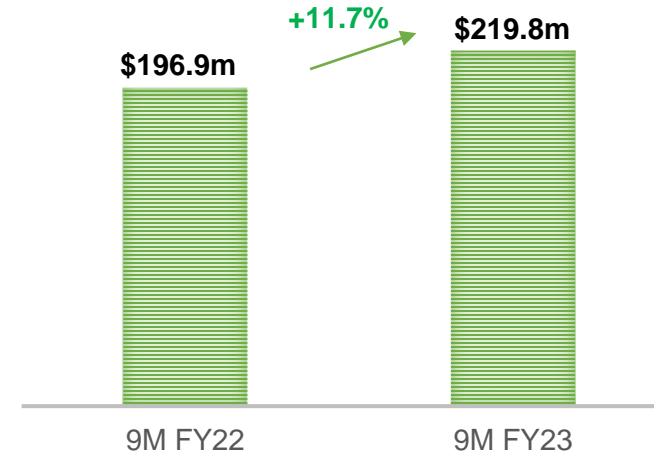
Fibre capacity is highly scalable and can support future transmission technologies

9M FY23 Financial highlights

REVENUE



EBITDA



NET GEARING

21.6%

Comfortable debt headroom

WEIGHTED AVERAGE DEBT DURATION

3.7 years

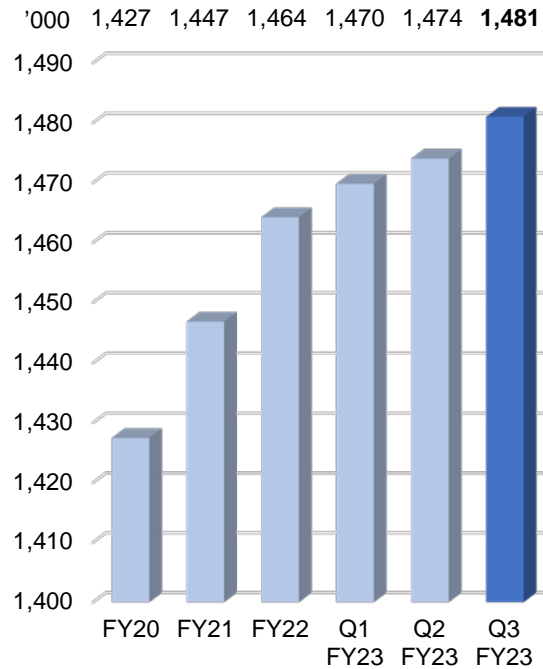
MARKET CAPITALISATION

S\$3.2 billion

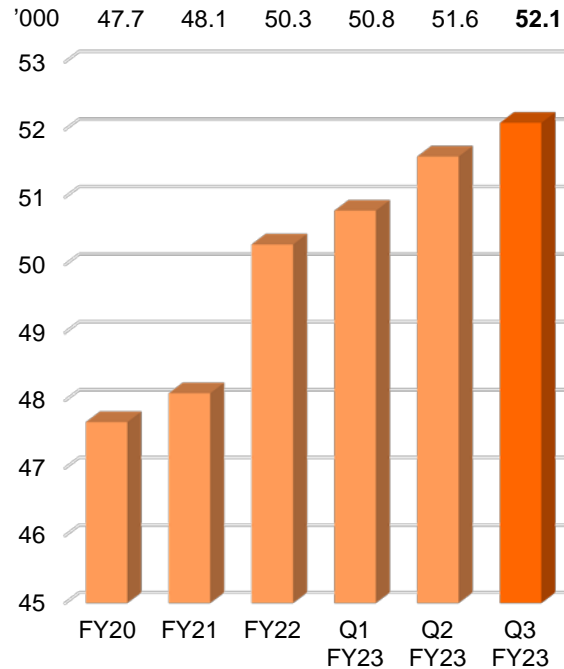
Unit price of S\$0.83 as at
31 Dec 2022

Fibre connections

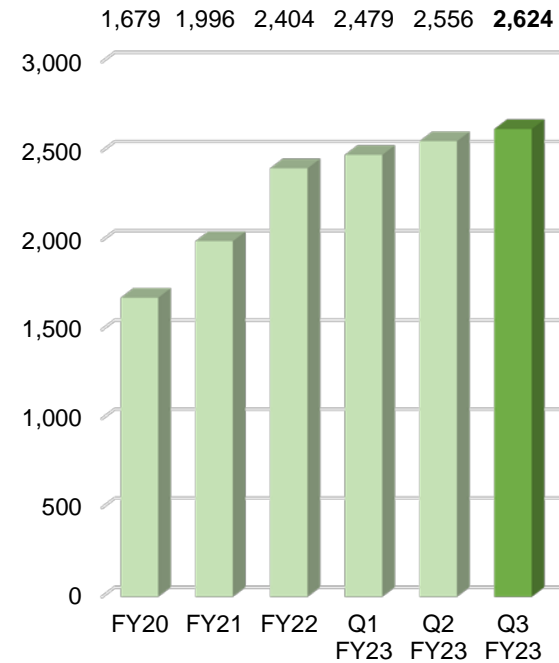
Residential



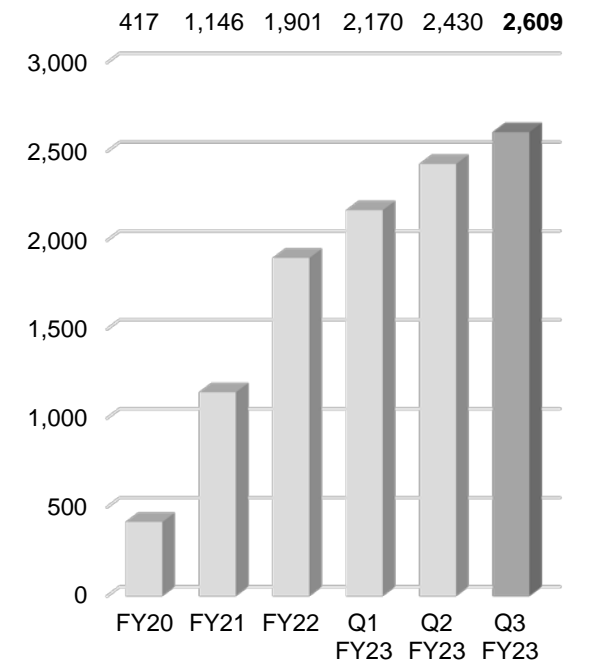
Non-Residential



Non-Building Address Points



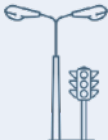







Segment⁽¹⁾



⁽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 9M FY23 Revenue	61.0%	8.0%	4.1%	7.0%	5.0%	5.8%	5.3%	3.8%
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**

9M FY23 Profit & loss statement

S\$'000	9M FY23	9M FY22	Variance (%)
Revenue	299,843	281,551	6.5
EBITDA	219,839	196,890	11.7
EBITDA Margin (%)	73.3	69.9	3.4pp
Depreciation and amortisation	(127,270)	(127,215)	0.0
Net finance charges	(11,246)	(7,620)	47.6
Net Profit before tax	81,323	62,055	31.0

Revenue for 9M FY23 was 6.5% higher than 9M FY22 mainly due to:

- Higher ancillary project revenue, NBAP and segment connections revenue and residential connections revenue
- Partially offset by lower central office revenue

EBITDA was higher by 11.7% mainly due to:

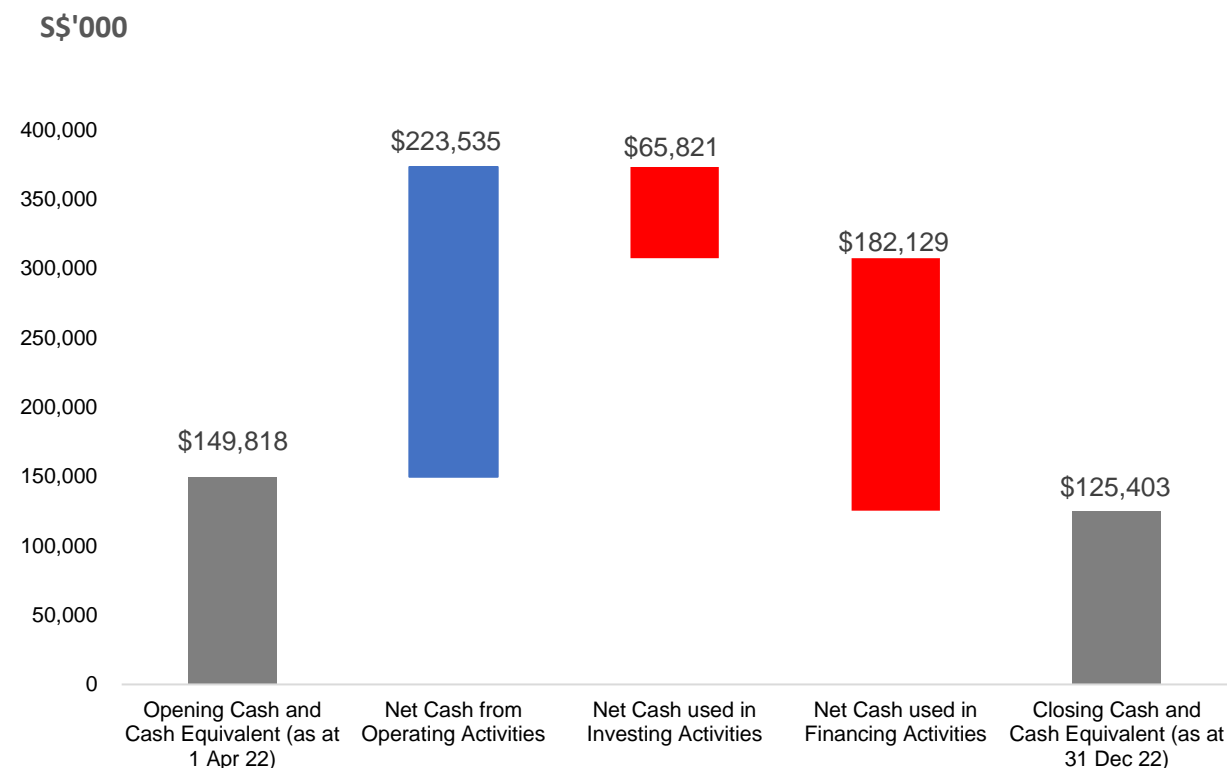
- Lower operating expenses, and higher revenue net of related costs.
- Operating expenses was significantly lower because of the \$12.4 million remeasurement loss recorded in 9M FY22 due to the change in rental rates upon the renewal of the CO lease agreements

Strong credit metrics and cashflow

	9M FY23	9M FY22
Gross Debt	S\$690m	S\$666m
Weighted average debt maturity	3.7yrs	3.6yrs
Net debt/EBITDA ⁽²⁾	1.95x	2.15x
EBITDA Interest cover ⁽²⁾	20.6x	17.5x
Borrowings at Fixed Rate	73.9%	50.0%
Effective average interest rate	2.0%	1.1%

⁽²⁾ Ratios calculated based on NetLink Group's trailing 12 months financial

- \$210 million 3-year RCF was refinanced in Sep 2022 with a \$180 million 5-year Term Loan.
- Debt interest rate substantially hedged
- Stable capital structure with debt headroom to fund future capex

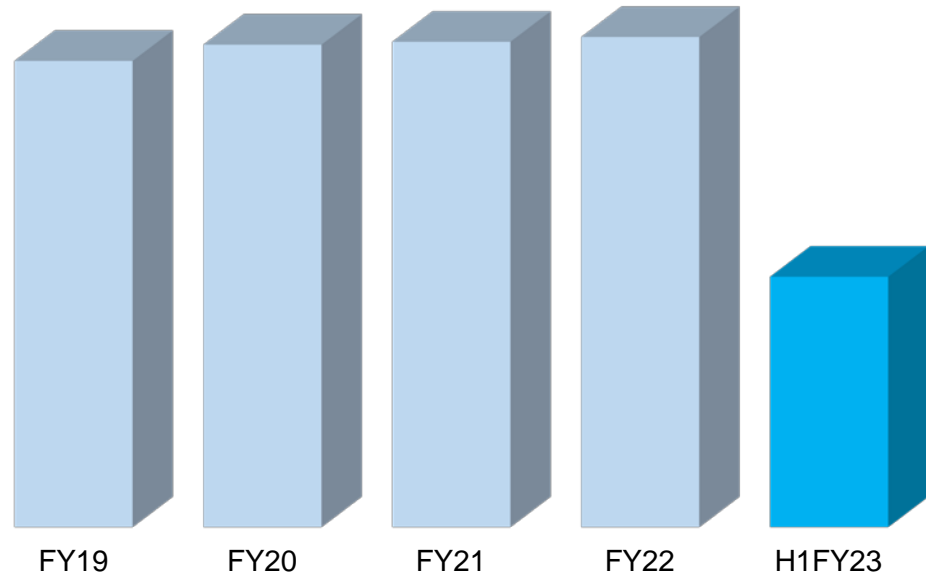


- Strong cashflow generated from operations and cash reserves
- Distribution declared for H1 FY23 paid in this quarter

Attractive distribution yield

Distribution per Unit (Singapore cents)

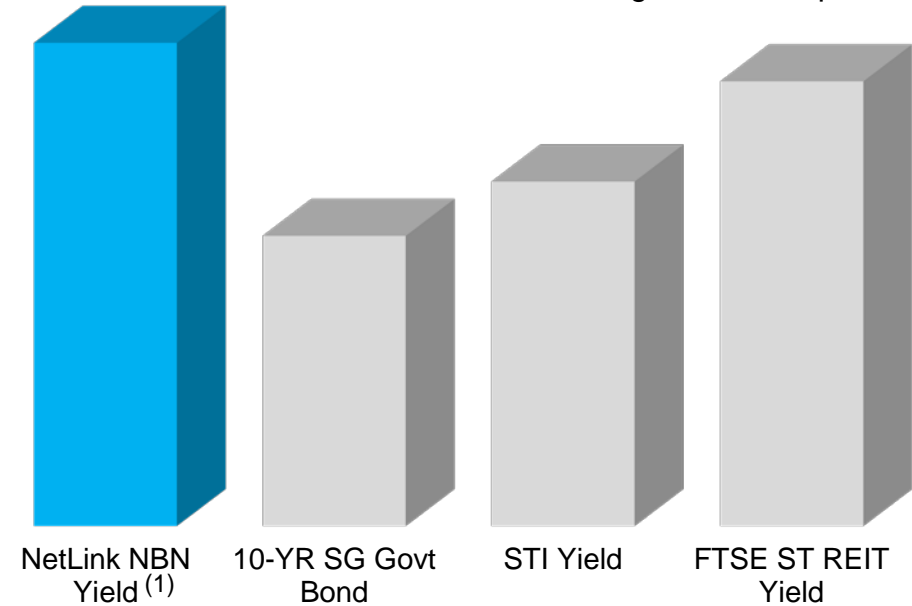
4.88	5.05	5.08	5.13	2.62
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Distribution yield (%)

5.79	3.48	4.13	5.33
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Bloomberg as at 30 Sep 2022



(1) Based on the unit price of \$0.905 as at 30 Sep 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



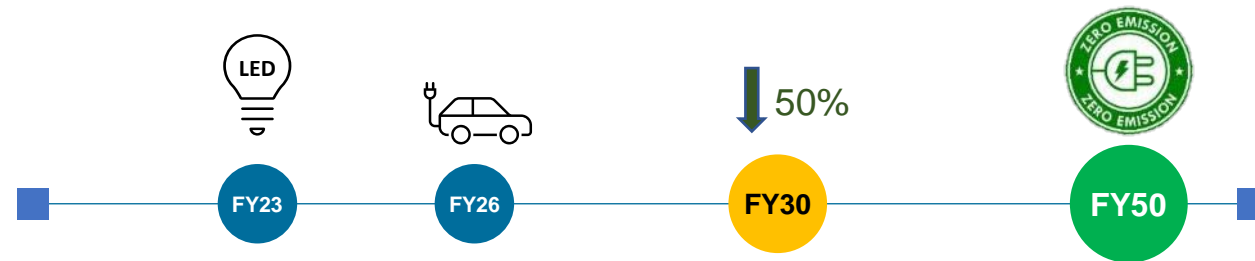
OUR PEOPLE

- 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

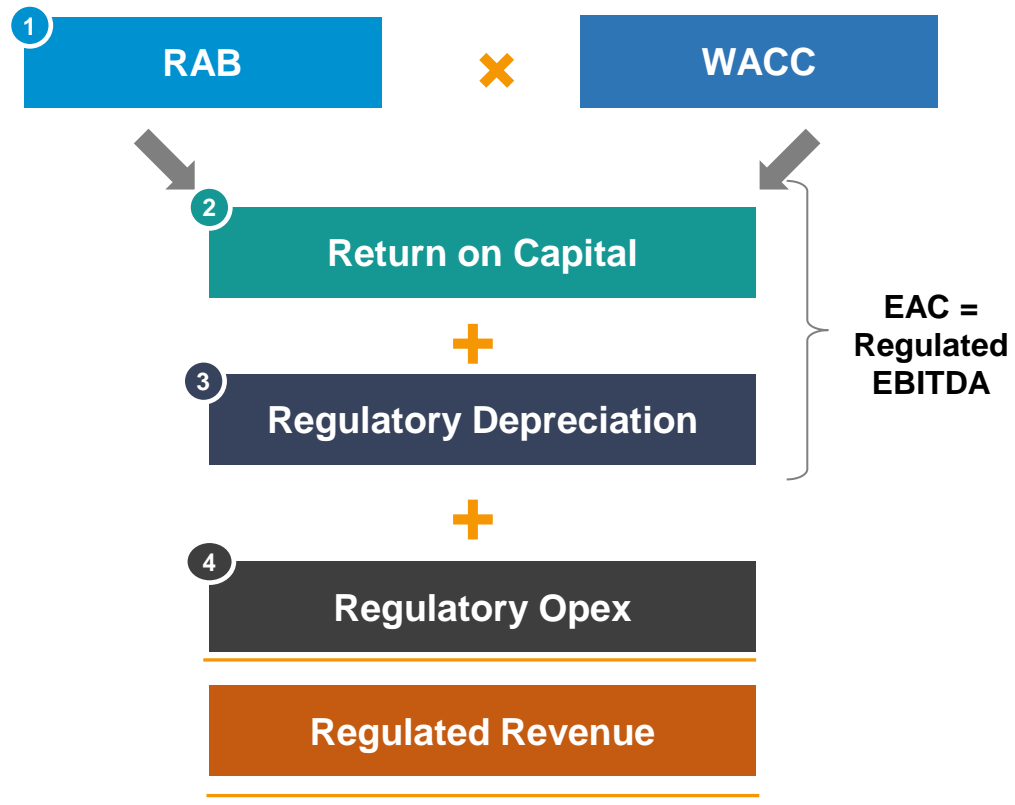
NBAP

S\$73.80

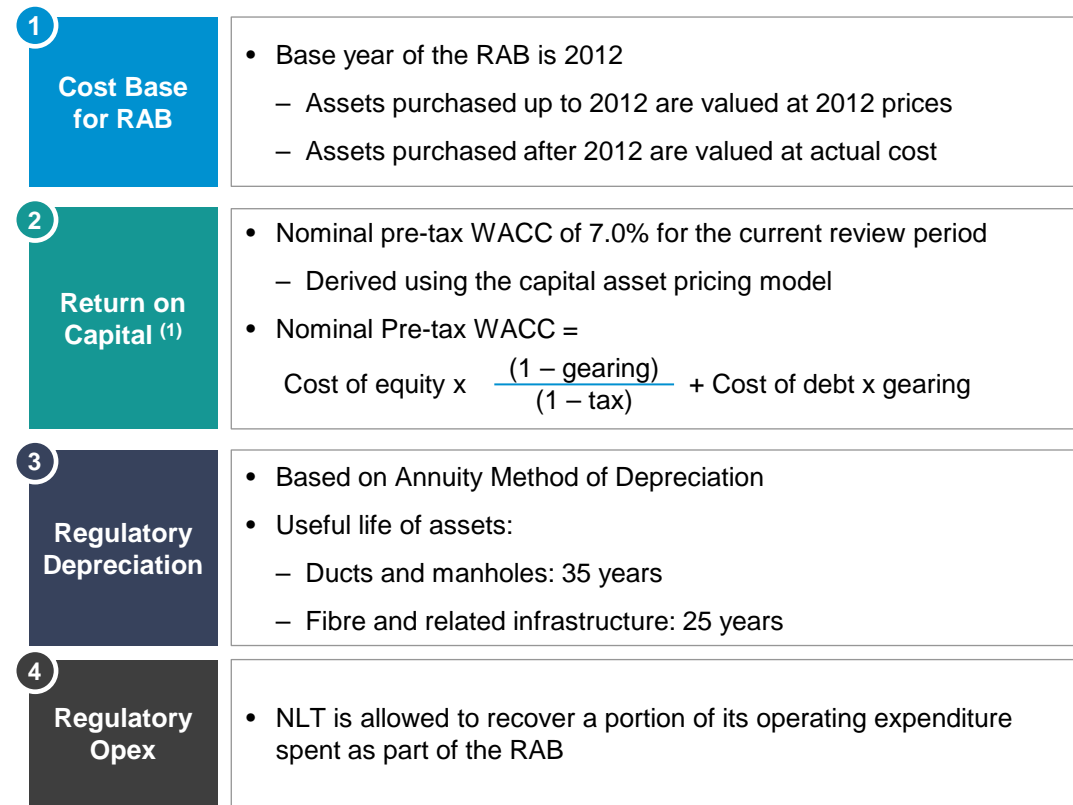
per connection per month

NetLink Trust's pricing for its services

FRAMEWORK FOR RAB BASED PRICING MODEL



METHODOLOGY FOR RAB BASED PRICING MODEL



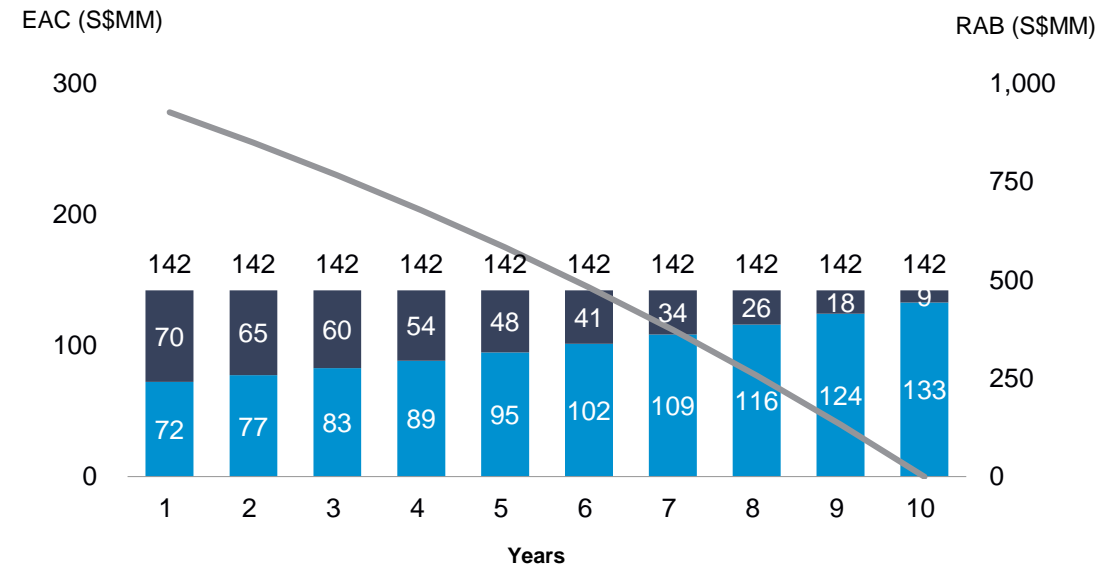
⁽¹⁾ IMDA may change the rate of applicable pre-tax WACC in future review period

Understanding the ICO pricing framework

ILLUSTRATIVE EXAMPLE

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

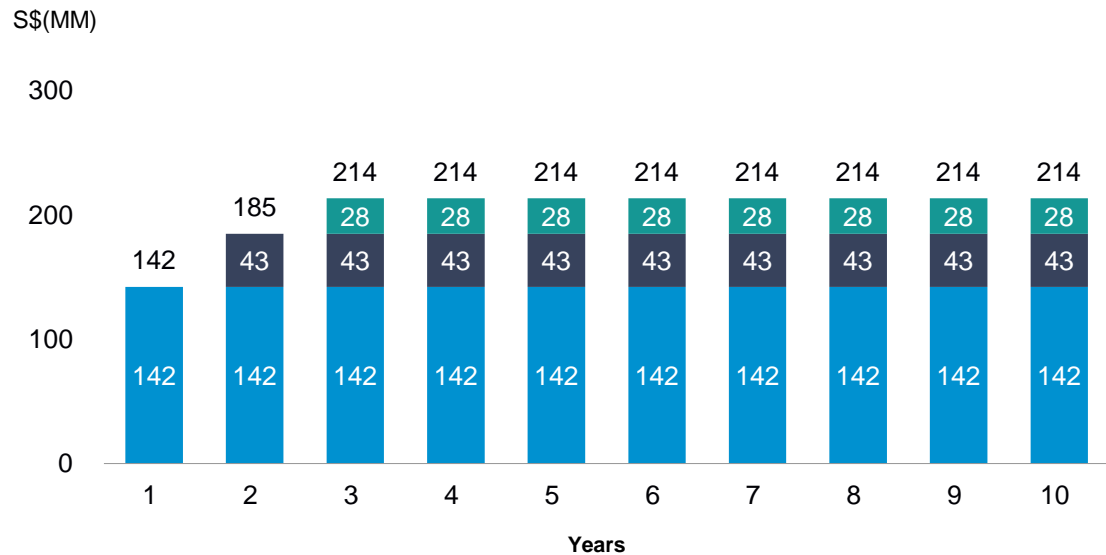
Assuming Opening RAB of S\$1Bn, WACC of 7.0% and Asset Useful Life of 10 Years; the cumulative return is S\$1.42Bn



■ 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)