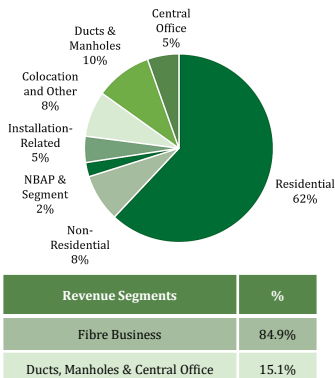


Company Overview

Figure 1. NetLink Revenue Contribution by Segment



NetLink NBN Trust ("NLT" or the "Company") is the sole operator of Singapore's nationwide fibre network. NLT and its subsidiaries design, build, own and operate passive fibre network infrastructure of Singapore's "Next Gen NBN". A virtual monopoly with 62% of revenue streams from Residential Connections, NLT has a 100% payout policy of its distributable cash. With sustained government initiatives to improve productivity via digitalisation, we expect to see NLT succeed in growing its non-residential segments.

(\$ M)	FY18A	FY19A	FY20E	FY21E
Revenue	228.6	353.6	369.0	385.9
Gr Rate (%)	-	55%	4%	5%
Depreciation	(111.8)	(160.8)	(163.6)	(166.8)
% of Revenue	49%	45%	44%	43%
Net Income	50.0	77.4	84.1	93.6
Margin (%)	22%	22%	23%	24%
ROA	1.14%	1.81%	2.01%	2.29%
ROE	1.58%	2.55%	2.88%	3.34%
EV/EBITDA	21.6	15.1	16.1	15.4
P/E Ratio	64.3	39.4	43.3	38.9

Investment Thesis

Figure 4. Residential Connections

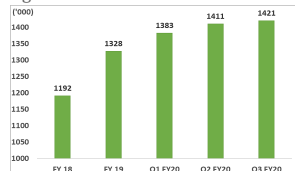
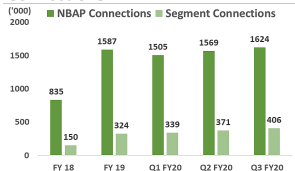


Figure 5. NBAP and Segment Connections



- Monopoly in the residential fibre market with regulated, stable cash flows.** NLT is a monopoly in the residential fibre market, which contributes 62% of its annual revenue. Its regulatory asset based model where prices are regulated by IMDA and reviewed every 5 years provides a downturn resistant stream of defensive earnings.
- 5G as a synergy, not a threat.** NLT is poised to leverage on the 5G developments. While 5G networks may appear to compete with fibre, fibre's capabilities will improve with time, and the cost of transmitting data via 5G mobile networks exceeds that of using traditional fibre networks. The rollout of 5G involves setting up many micro stations using fibre, creating new opportunities for NLT.
- Expansion and Decentralization of businesses beyond the CBD.** NLT's non-residential end-user connections has grown 5.4% along with a 90% y-o-y growth in the non-building address point ("NBAP") connections. Smart Nation projects such as Punggol Digital District and Jurong Innovation District are slated to be completed by 2023, empowering companies to shift their operations beyond the CBD, driving the increased demand for enterprise connections.

Sources: Company Filings, NUS Investment Society Estimates and Research

12M Industry Outlook

Figure 2. Pipeline Supply of Private Residential Units by Completion Year

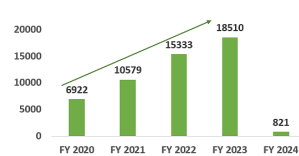
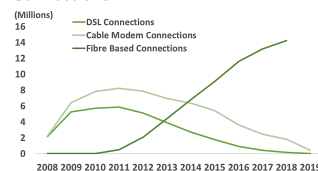


Figure 3. Types of Broadband Connections



- Demand** for fibre optic networks is expected to increase due to the planned development and completion of residential and commercial properties. 22,284 HDB units and 6,922 private residential units are set to be completed in 2020. A healthy pipeline supply and planned launch of 17,000 BTO flats is set to be completed in the medium term providing opportunities to expand NLT fibre offerings.
- Supply** of alternative older broadband networks such as DSL and cable modem connections is set to recede as local telecommunications service providers migrate to fibre networks which offer greater speeds and robust connectivity. Singtel has successfully migrated to fibre in April 2018 and Starhub in September 2019. NLT's FY20 top line figures are set to improve from the latter's accelerated migration.
- Risks:** SP Tel's (JV between ST Engineering & SP Group) new business-grade fibre network is slated to fully roll out in Q1 2020. The network's usage-based pricing model and planned use of AI and machine learning to predict and prevent network congestion may pose a threat to NLT's non-residential business segments. However, this is mitigated by NLT widest coverage nationwide.

Valuations

Figure 6. Relative Valuation

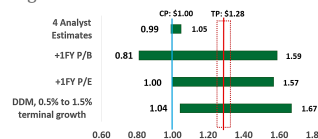
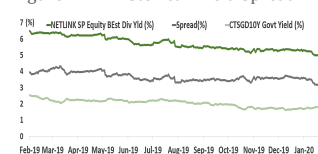


Figure 7. 1Y Historical Yield Spread



Key assumptions for Dividend Discount Model (DDM):

- Final year dividend: \$0.053
- Terminal dividend growth rate: 1%
- Cost of equity: 5%

Primary valuation method: DDM, price target of \$1.28 (+26.7%) based on last closing price of \$1.01. We assume a 1% y-o-y growth of distributable income. This is in line with forecasted long-term GDP growth in Singapore. We assume a constant dividend payout ratio of 100% of distributable income based on historical data.

Secondary valuation method: Blended +1FY P/B and P/FFO price target stands at \$1.33. (average of both valuation methods) Currently, NLT is trading at 20.4x forward P/FFO. Expectation of a reversion to the mean of 24.9x.

Dividend yield analysis: NLT's current dividend yield is 4.95% versus a current SGS yield of 1.75%. This implies a current yield spread of 3.20% that is below the average historical yield spread of 3.66%. The spread compression is justifiable given the scaling back of its payout to sustain its capital expenditure.

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