

NetLink NBN Trust

Resilient cash flows

SINGAPORE | TELECOMMUNICATIONS | 1H25 RESULTS

- 1H25 results were within expectations. 1H25 revenue and EBITDA were 49%/48% of our FY25e forecast, respectively. 1H25 DPU increased 1.1% YoY to 2.68 cents (1H24: 2.65 cents).
- 1H25 revenue was flat despite higher residential connections due to lower connection charges (effective Apr 24) and a decline in project revenue. EBITDA declined due to higher staff costs, operation and maintenance expenses, and equipment write-offs.
- 1H25 DPU is still dependent on S\$45mn borrowing to sustain dividends. This is due to the jump in capex for the new Seletar central office. When capex normalises from the current S\$130mn to S\$70mn, we expect a free cash flow of S\$210mn to sustain DPU without utilising debt. We lower our FY25e EBITDA by 4% due to higher operating expenses and 2% weaker revenue. Our target price of S\$0.87 and NEUTRAL rating are unchanged. We expect distribution to be stable despite lower residential prices as connections continue to grow, supported by household formations and demand for higher fibre bandwidth.

Results at a glance

SGD '000	1H25	1H24	YoY	Comments
Revenue	204,844	205,316	-0.2%	
- Residential	123,322	123,310	0.0%	Lower connection price from S\$13.80 to S\$13.50.
- Non-Residential	16,924	16,506	2.5%	
- Co-location	10,389	9,852	5.5%	Demand for space, cooling, power from 10GBps.
Residential (000's)	1,520	1,492	1.9%	
EBITDA	143,516	149,118	-3.8%	Includes S\$1.95mn asset write off (1H24: S\$50k).
Net finance charge	(11,229)	(10,920)	2.8%	Avg. interest rate 1H25: 2.7% (1H24: 2.76%).
Profit after tax	48,490	52,885	-8.3%	
DPU (cents)	2.68	2.65	1.1%	Within our expectations.

Source: Company, PSR

The Positive

+ Higher residential bandwidth. With promotional activities, residents switch from 1GBps to 10GBps (with WiFi 7) fibre bandwidth plans. NetLink benefits from increased installation revenue and telcos requiring more space, cooling, and power at the co-location centres. It also necessitates adding a central office in Seletar where NetLink can generate (regulated) returns from the additional capex.

The Negative

- Higher operating cost. Operating costs (opex) inched up despite the unchanged revenue. The higher cost was in operation and maintenance from fibre splicing (due to 10GBps), and staff cost due to increased headcount. Of the S\$5mn rise in opex, S\$1.9mn was a fibre asset write-off due to buildings being torn down. Normalised opex rose 2.1% YoY in 1H24.

Outlook

We expect incremental growth in DPU for FY25e. Cash flows this year are under pressure from lower residential connection prices (following the regulatory review in November 23) and higher capex for the new central office. The additional capex, plus related interest expenses, places a near-term burden on cash available for distribution. NetLink benefits longer-term, and it generates a return on this capex through the regulated pricing of its fibre connections.

Maintain NEUTRAL with an unchanged target price of S\$0.87



StocksBnB.com

6 November 2024

NEUTRAL (Maintained)

CLOSING PRICE	SGD 0.910
FORECAST DIV	SGD 0.0536
TARGET PRICE	SGD 0.870
TOTAL RETURN	1.5%

COMPANY DATA

BLOOMBERG CODE:	NETLINK SP
O/S SHARES (MN) :	3,897
MARKET CAP (USD mn / SGD mn) :	2668 / 3546
52 - WK HI/LO (SGD) :	0.94 / 0.81
3M Average Daily T/O (mn) :	4.84

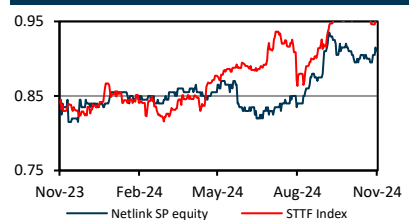
MAJOR SHAREHOLDERS

Temasek Holdings Pte Ltd	24.8%
M&G Plc	4.9%

TOTAL PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	0.0	9.0	11.8
STTF	0.0	12.3	15.5

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar, SGD mn	FY23	FY24	FY25e	FY26e
Revenue	403.5	411.3	410.8	417.1
EBITDA	295.0	292.4	285.9	294.7
Net Profit	109.3	103.2	91.6	95.9
Distribution Yield	5.8%	5.8%	5.9%	5.9%
DPU (cents)	5.24	5.30	5.36	5.36
ROE	4.2%	4.1%	3.8%	4.2%
ROA	2.7%	2.6%	2.4%	2.6%

Source: Company, PSR

VALUATION METHOD

DCF (WACC:7%, Terminal growth: 1%)

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Financials

Income Statement

Y/E Mar, SGD '000	FY22	FY23	FY24	FY25e	FY26e
Revenue	377,611	403,460	411,276	410,783	417,051
Operating Profit	94,362	120,086	113,545	106,100	112,571
EBITDA	266,941	294,979	292,399	285,851	294,722
Depreciation & Amortisation	-169,723	-170,617	-172,928	-175,643	-177,981
EBIT	97,218	124,362	119,471	110,208	116,741
Net Finance Inc/(Exp)	-10,479	-16,725	-21,752	-23,947	-26,821
Profit before tax	87,078	109,217	101,066	88,561	91,920
Taxation	4,184	36	2,143	3,000	4,000
Net profit, reported	91,262	109,253	103,209	91,561	95,920

Per unit data (SGD Cents)

Y/E Mar	FY22	FY23	FY24	FY25e	FY26e
EPU, reported	2.34	2.80	2.65	2.35	2.46
DPU	5.13	5.24	5.30	5.36	5.36
BVPU	69.7	67.5	64.7	61.8	58.9

Cash Flow

Y/E Mar, SGD '000	FY22	FY23	FY24	FY25e	FY26e
CFO					
Profit before tax	87,078	109,217	101,066	88,561	91,920
Adjustments	193,964	188,874	200,024	197,291	202,802
WC changes	-11,133	10,518	14,922	-11,422	-1,335
Cash generated from ops	269,909	308,609	316,012	274,429	293,387
Tax paid	-3,929	-9,533	-10,929	-900	-1,200
Others	-7,249	-13,384	-16,471	-21,647	-24,821
Cashflow from ops	258,731	285,692	288,612	251,882	267,366
CFI					
CAPEX, net	-73,879	-96,739	-132,318	-130,000	-85,000
Others	14.00	6.00	4,688.00	-	-
Cashflow from investments	-73,865	-96,733	-127,630	-130,000	-85,000
CFE					
Share issuance, net	-	-	-	-	-
Loans, net of repayments	0	69,000	30,000	0	0
Distributions	-199,135	-202,253	-205,371	-207,709	-208,878
Others	-	-	-	-	-
Cashflow from financing	-205,584	-138,073	-178,772	-207,709	-208,878
Net change in cash	-20,718	50,886	-17,790	-85,826	-26,511
CCE, end	149,818	200,704	182,914	97,088	70,576

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Mar, SGD '000	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Accounts receivables	66,020	49,953	36,495	52,200	53,639
Cash	149,818	200,704	182,914	97,088	70,576
Inventories	4,100	6,762	4,331	5,356	5,337
Finance lease receivables	201	211	224	224	224
Total current assets	255,285	309,100	273,774	204,678	179,586
PPE	2,830,678	2,734,283	2,679,088	2,633,445	2,540,464
Others	945,929	969,397	963,705	963,705	963,705
Total non-current assets	3,776,607	3,703,680	3,642,793	3,597,150	3,504,169
Total Assets	4,031,892	4,012,780	3,916,567	3,801,828	3,683,755

LIABILITIES

Accounts payables	55,368	60,042	54,312	59,621	59,705
Deferred revenue	26,473	36,921	37,990	37,990	37,990
Tax payable	37,287	43,312	42,828	42,828	42,828
Total current liabilities	277,164	141,910	137,403	142,712	142,796
Long term loans	507,890	732,016	763,124	763,124	763,124
Deferred tax liabilities	484,638	468,832	456,244	452,344	447,144
Total non-current liabilities	1,038,282	1,239,039	1,256,499	1,252,599	1,247,399
Total Liabilities	1,315,446	1,380,949	1,393,902	1,395,311	1,390,195

Unitholders' funds

Unitholders' funds	2,716,446	2,631,831	2,522,665	2,406,517	2,293,560
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Valuation Ratios

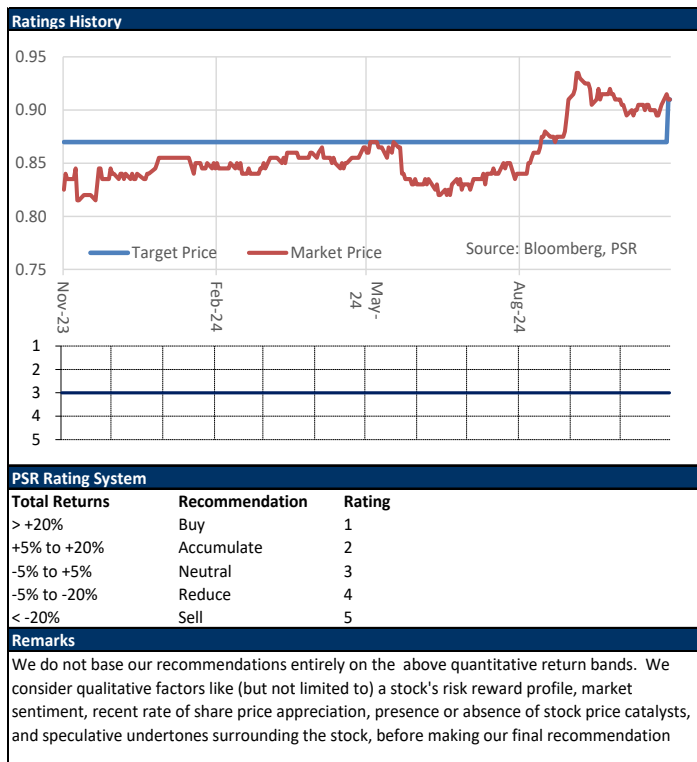
Y/E Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (X)	38.9	32.5	34.4	38.7	37.0
P/B (X)	1.3	1.3	1.4	1.5	1.5
EV/EBITDA (X)	14.6	13.8	14.1	14.7	14.4

Growth & Margins

Growth					
Revenue	2.5%	6.8%	1.9%	-0.1%	1.5%
EBITDA	-1.2%	10.5%	-0.9%	-2.2%	3.1%
EBIT	-5.1%	27.9%	-3.9%	-7.8%	5.9%
Net profit, adj.	-3.7%	19.7%	-5.5%	-11.3%	4.8%
Margins					
Gross margin	25.0%	29.8%	27.6%	25.8%	27.0%
EBITDA margin	70.7%	73.1%	71.1%	69.6%	70.7%
EBIT margin	25.7%	30.8%	29.0%	26.8%	28.0%
Net profit margin	24.2%	27.1%	25.1%	22.3%	23.0%

Key Ratios

ROE	3.4%	4.2%	4.1%	3.8%	4.2%
ROA	2.3%	2.7%	2.6%	2.4%	2.6%
Distribution yield	5.6%	5.8%	5.8%	5.9%	5.9%
Net debt/EBITDA (X)	1.9	2.5	2.6	2.7	2.6



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