

NetLink NBN Trust

More leverage needed

SINGAPORE | TELECOMMUNICATIONS | 2H25 RESULTS

- 2H25 results were within expectations. Both revenue and EBITDA were 99% of our FY25e forecast. FY25 DPU of 5.36 cents, up 1% YoY, met our expectations.
- The ramp in capital expenditure has required NetLink to tap more on borrowings to fund distributions in the near term. An additional S\$91mn of borrowings was drawn to distribute the FY25 S\$208mn payout.
- We maintain our FY26e forecast. Our target price of S\$0.87 and NEUTRAL recommendation is maintained. Operations were stable except for non-residential connections. Consolidation is leading to a loss of customer share. Capital expenditure remains elevated in FY26e with the upgrade of the network and IT systems. Higher capital expenditure is positive in the medium term with guaranteed returns under the regulatory framework. Refinancing of the S\$510mn middle next year could raise interest expenses by S\$10mn. Current yield is 5.9%.

Results at a glance

SGD '000	2H25	2H24	YoY	Comments
Revenue	202,152	205,960	-1.8%	Lower ancillary project revenue.
- Residential	123,035	124,232	-1.0%	Lower connection price from S\$13.80 to S\$13.50.
- Non-Residential	17,018	16,946	0.4%	
- Co-location	10,491	10,044	4.5%	Demand for space, cooling, power from 10GBps.
Residential (000's)	1,524	1,507	1.1%	
EBITDA	146,573	143,281	2.3%	Includes S\$6.2mn O&M reversal in 2H24.
Net finance charge	-11,366	-10,832	4.9%	Avg. interest rate FY25: 2.72% (FY24: 2.75%).
Profit after tax	46,864	50,324	-6.9%	Lower one-off S\$6.2mn O&M in 2H24.
DPU (cents)	2.68	2.65	1.1%	Within our expectations.

Source: Company, PSR

The Positive

+ Stable climb in residential connections. Key residential connections continue to rise, climbing 1.1% YoY to 1.523mn. 2H25 connections were a slower 3,719 due to a delay in housing developments. We assume residential connections of 20,000 p.a. (FY25: +16,727).

The Negative

- Capex almost doubles. Capital expenditure over the past two years averaged S\$138mn p.a. This is almost double the historical average of S\$75mn (FY19-23). The higher capex is guaranteed a regulatory revenue, but no incremental revenue. Returns are from maintaining current connection rates. The new central office in Seletar will not generate rental revenue, unlike existing locations.

Outlook

FY25 bore the full-year impact of lower connection prices. Growth is expected to improve in FY26e with higher residential and non-residential connections. FCF will remain negative due to elevated capital expenditures in the near term for network upgrades (to support higher 10GB bandwidth) and IT systems. The S\$510mn term loan at a 1.1% interest rate will be refinanced in mid-2026. If we assume a 2% point rise in interest cost, the incremental interest expenses are around S\$10mn.

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



StocksBnB.com

19 May 2025

NEUTRAL (Maintained)

CLOSING PRICE	SGD 0.910
FORECAST DIV	SGD 0.0540
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) :	2737 / 3546
52 - WK HI/LO (SGD) :	0.94 / 0.82
3M Average Daily T/O (mn) :	5.10

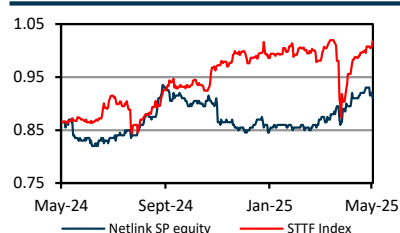
MAJOR SHAREHOLDERS

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

TOTAL PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	2.2	7.6	5.7
STTF	8.5	1.7	4.7

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar, SGD mn	FY24	FY25	FY26e	FY27e
Revenue	411.3	407.0	411.1	417.2
EBITDA	292.4	288.1	294.5	297.6
Net Profit	103.2	95.4	99.1	94.5
Distribution Yield	5.8%	5.9%	5.9%	6.0%
DPU (cents)	5.30	5.36	5.40	5.44
ROE	4.1%	4.0%	4.3%	4.4%
ROA	2.6%	2.5%	2.6%	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	FY23	FY24	FY25	FY26e	FY27e
Revenue	403,460	411,276	406,996	411,138	417,190
Operating Profit	120,086	113,545	106,581	111,604	112,367
EBITDA	294,979	292,399	288,113	294,485	297,646
Depreciation & Amortisation	-170,617	-172,928	-177,565	-178,769	-181,107
EBIT	124,362	119,471	110,548	115,716	116,539
Net Finance Inc/(Exp)	-16,725	-21,752	-22,595	-23,658	-29,572
Profit before tax	109,217	101,066	92,118	95,058	90,467
Taxation	36	2,143	3,236	4,000	4,000
Net profit, reported	109,253	103,209	95,354	99,058	94,467

Per unit data (SGD Cents)

Y/E Mar	FY23	FY24	FY25	FY26e	FY27e
EPU, reported	2.80	2.65	2.45	2.54	2.42
DPU	5.24	5.30	5.36	5.40	5.44
BVPU	67.5	64.7	61.4	58.6	55.6

Cash Flow

Y/E Mar, SGD '000	FY23	FY24	FY25	FY26e	FY27e
CFO					
Profit before tax	109,217	101,066	92,118	95,058	90,467
Adjustments	188,874	200,024	200,903	199,427	207,179
WC changes	10,518	14,922	24,756	-7,126	-7,997
Cash generated from ops	308,609	316,012	317,777	287,359	289,648
Tax paid	-9,533	-10,929	-42,199	-3,200	-3,200
Others	-13,384	-16,471	-16,871	-20,658	-26,072
Cashflow from ops	285,692	288,612	258,707	263,501	260,376
CFI					
CAPEX, net	-96,739	-132,318	-143,678	-100,000	-85,000
Others	6.00	4,688.00	25.00	-	-
Cashflow from investments	-96,733	-127,630	-143,653	-100,000	-85,000
CCF					
Share issuance, net	-	-	-	-	-
Loans, net of repayments	69,000	30,000	91,000	0	0
Distributions	-202,253	-205,371	-207,709	-209,657	-211,216
Others	-	-	-	-	-
Cashflow from financing	-138,073	-178,772	-120,393	-209,657	-211,216
Net change in cash	50,886	-17,790	-5,339	-46,156	-35,840
CCE, end	200,704	182,914	177,575	131,419	95,580

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Mar, SGD '000	FY23	FY24	FY25	FY26e	FY27e
ASSETS					
Accounts receivables	49,953	36,495	30,913	32,891	38,434
Cash	200,704	182,914	177,575	131,419	95,579
Inventories	6,762	4,331	3,101	4,111	4,684
Finance lease receivables	211	224	238	238	238
Total current assets	309,100	273,774	270,416	227,248	197,524
PPE	2,734,283	2,679,088	2,649,838	2,571,069	2,474,962
Others	969,397	963,705	941,667	941,667	941,667
Total non-current assets	3,703,680	3,642,793	3,591,505	3,512,736	3,416,629
Total Assets	4,012,780	3,916,567	3,861,921	3,739,984	3,614,153

LIABILITIES

Accounts payables	60,042	54,312	69,920	65,782	63,900
Deferred revenue	36,921	37,990	50,801	50,801	50,801
Tax payable	43,312	42,828	12,673	12,673	12,673
Total current liabilities	141,910	137,403	301,283	297,145	295,263
Long term loans	732,016	763,124	689,079	689,079	689,079
Deferred tax liabilities	468,832	456,244	440,964	433,764	426,564
Total non-current liabilities	1,239,039	1,256,499	1,167,119	1,159,919	1,152,719
Total Liabilities	1,380,949	1,393,902	1,468,402	1,457,064	1,447,982

Unitholders' funds

Unitholders' funds	2,631,831	2,522,665	2,393,519	2,282,920	2,166,171
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Valuation Ratios

Y/E Mar	FY23	FY24	FY25	FY26e	FY27e
P/E (X)	32.5	34.4	37.2	35.8	37.5
P/B (X)	1.3	1.4	1.5	1.6	1.6
EV/EBITDA (X)	13.8	14.1	14.1	13.9	13.9

Growth & Margins

Growth					
Revenue	6.8%	1.9%	-1.0%	1.0%	1.5%
EBITDA	10.5%	-0.9%	-1.5%	2.2%	1.1%
EBIT	27.9%	-3.9%	-7.5%	4.7%	0.7%
Net profit, adj.	19.7%	-5.5%	-7.6%	3.9%	-4.6%
Margins					
Gross margin	29.8%	27.6%	26.2%	27.1%	26.9%
EBITDA margin	73.1%	71.1%	70.8%	71.6%	71.3%
EBIT margin	30.8%	29.0%	27.2%	28.1%	27.9%
Net profit margin	27.1%	25.1%	23.4%	24.1%	22.6%

Key Ratios

ROE	4.2%	4.1%	4.0%	4.3%	4.4%
ROA	2.7%	2.6%	2.5%	2.6%	2.6%
Distribution yield	5.8%	5.8%	5.9%	5.9%	6.0%
Net debt/EBITDA (X)	2.5	2.6	2.4	2.3	2.3



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