

## COMPANY RESULTS

### NetLink NBN Trust (NETLINK SP)

3QFY25: Soft Results On Lower Prices And Higher Operating Costs

Netlink posted lower 3QFY25 revenue (-0.8% yoy), EBITDA (-7.6% yoy) and PATMI (-20.4% yoy), in line with our expectations. The soft performance was largely due to lower interconnection prices and higher operating costs. Despite lower prices, 9MFY25 RAB revenue was stable as overall connections continued to grow. With its stable revenue streams and operating cash flows, we continue to like Netlink as a high-yielding, safe-haven stock. Maintain BUY with the same target price of S\$0.98.

#### 3QFY25 RESULTS

Year to 31 Mar (\$m)	3QFY25	3QFY24	yoy % chg	9MFY25	yoy % chg
Revenue	103.3	104.1	(0.8)	308.2	(0.4)
EBITDA	73.3	79.4	(7.6)	216.8	(5.1)
EBITDA Margin (%)	71.0	76.2	(5.2ppt)	70.4	(3.4ppt)
Profit After Tax	25.6	32.2	(20.4)	74.1	(12.9)
Net Margin (%)	24.8	30.9	(6.1ppt)	24.1	(3.4ppt)

Source: NetLink, UOB Kay Hian

#### RESULTS

- 9MFY25: Soft results in line.** For 9MFY25, NetLink NBN Trust (Netlink) reported lower revenue (-0.4% yoy), EBITDA (-5.1% yoy) and PATMI (-12.9% yoy), forming 74%/73%/74% of our full-year forecasts respectively. The lower yoy revenue was largely due to reduced interconnection prices and decreased ancillary project revenue, offset by higher installation-related revenue. 9MFY25 regulated asset base (RAB) revenue was largely stable (-0.1% yoy) as overall connections continued to grow. The weaker EBITDA and PATMI were largely due to lower revenue and non-operating income, coupled with higher operating costs. Also, there was a one-off reversal gain of around S\$6.2m in 3QFY24. Excluding the one-off gain, 9MFY25 EBITDA and PATMI would have only dropped by around 2% and 5% yoy respectively based on our estimates.
- Soft quarter.** 3QFY25 revenue (-0.8% yoy, -0.6% qoq) was slightly lower yoy, largely dragged by lower ancillary project revenue (-14.8% yoy, +27.2% yoy). Also, 3QFY25 EBITDA (-7.6% yoy, +4.5% qoq) and PATMI (-20.4% yoy, +12.3% qoq) were softer yoy, dragged by higher operating costs and the S\$6.2m asset write-off as mentioned previously. Excluding the one-off gain, 3QFY25 EBITDA and PATMI would have dropped by only 1-2% yoy based on our estimates.
- Lower interest costs.** For 9MFY25, net finance costs fell 0.7% yoy. Netlink's 3QFY25 effective average interest rate was stable at 2.72% (2QFY25: 2.70%) while the group also increased its borrowings to S\$835m (2QFY25: S\$810m) with 71.9% (2QFY25: 74.1%) now on fixed rates. With lower interest rates, management is positive about refinancing opportunities. We maintain our expectation that Netlink would lower its effective average interest rate moving forward.

#### KEY FINANCIALS

Year to 31 Mar (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	403	411	416	426	437
EBITDA	291	286	290	298	305
Operating profit	120	114	114	119	127
Net profit (rep./act.)	109	103	100	105	113
Net profit (adj.)	109	103	100	105	113
EPS (S\$ cent)	2.8	2.6	2.6	2.7	2.9
PE (x)	30.3	32.1	33.1	31.5	29.4
P/B (x)	1.3	1.3	1.4	1.4	1.5
EV/EBITDA (x)	13.6	13.8	13.7	13.3	13.0
Dividend yield (%)	6.2	6.2	6.3	6.4	6.5
Net margin (%)	27.1	25.1	24.1	24.7	25.8
Net debt/(cash) to equity (%)	20.2	23.0	27.0	30.5	32.3
Interest cover (x)	17.4	13.2	12.6	12.7	13.0
ROE (%)	4.1	4.0	4.1	4.5	5.0
Consensus net profit	-	-	104	109	115
UOBKH/Consensus (x)	-	-	0.97	0.97	0.98

Source: NetLink NBN Trust, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$0.85
Target Price	S\$0.98
Upside	+16.5%

#### COMPANY DESCRIPTION

NetLink NBN Trust (NLNBNBNT) builds, owns and operates the passive fibre network infrastructure of Singapore's Next Gen NBN.

#### STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	NETLINK SP
Shares issued (m):	3,897.0
Market cap (S\$m):	3,312.4
Market cap (US\$m):	2,446.2
3-mth avg daily t'over (US\$m):	2.5

#### Price Performance (%)

52-week high/low S\$0.940/S\$0.820

1mth	3mth	6mth	1yr	YTD
(1.2)	(5.0)	1.2	0.6	(2.3)

#### Major Shareholders

	%
Singtel	24.8
-	-
-	-
FY25 NAV/Share (S\$)	0.62
FY25 Net Debt/Share (S\$)	0.17

#### PRICE CHART



Source: Bloomberg

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### REVENUE BY SEGMENT

	3QFY25	qoq % chg	yoy % chg
Revenue Breakdown ('000):			
Residential connections	61,576	(0.6)	(0.6)
Non-residential connections	8,471	1.8	(2.0)
NBAP and segment connections	4,856	(0.6)	(4.8)
Installation related revenue	7,232	(7.0)	15.7
Ancillary project revenue	5,673	27.2	(14.8)
Co-location revenue	4,961	(6.4)	5.8
Total Fibre Business Revenue	92,768	0.1	(0.6)
Ducts and manhole service revenue	6,612	0.9	(3.8)
Central Office revenue	3,929	(15.9)	(0.8)
Total Ducts, Manholes and Central	10,541	(6.2)	5.8
Total Revenue	103,309	(0.6)	(0.8)

Source: NetLink, UOB Kay Hian

- Mixed segmental performance.** Both 3QFY25 RAB revenue (-0.6% qoq, -0.9% yoy) and non-RAB revenue (-0.5% qoq, -0.2% yoy) softened sequentially, dragged by lower residential connections and installation-related revenue respectively. As mentioned in our previous update, the termination of dormant connections and delayed termination of lower-speed broadband plans by users who had earlier upgraded to higher-speed broadband plans led to a small drop in residential connections (-0.2% qoq, +1.1% yoy). Excluding these terminations, 9MFY25 residential connections grew 0.7% from end-FY24. Connections for non-residential (+0.5% qoq, +0.5% yoy) rose higher while both non-building address points (NBAP) (+1.8% qoq, +5.0% yoy) and segmental (+1.5% qoq, +12.8% yoy) connections also increased.

### STOCK IMPACT

- Safe haven; attractive 6.3% dividend yield.** As Netlink is armed with predictable revenue streams, management remains cognisant of the company's profile as a high-yielding, safe-haven stock. As such, key criteria of any potential new investments in the near horizon would have to include: a) country risk premium, and b) a preferably stable cash flow via an asset sale-and-leaseback model. Importantly, Netlink has sufficient debt headroom (30.6% net gearing) to drive its acquisition ambition without compromising on cash flow and dividends. There is, however, no fixed timeline in terms of M&A activities and management may even consider a JV or consortium outfit in its acquisition strategy. Netlink sees growth opportunities arising from the digital economy, 5G rollout, connectivity into data centres and Singapore's Smart Nation initiatives. The group is also well-positioned to support IMDA and its customers in their technology upgrade to deliver a 10Gbps-enabled national broadband network.

### EARNINGS REVISION/RISK

- We maintain our FY25-27 PATMI estimates.**

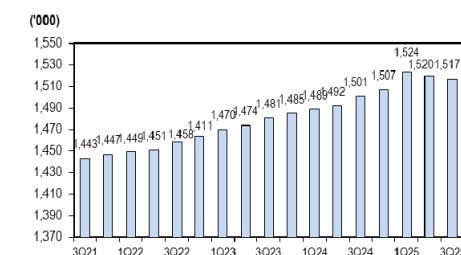
### VALUATION/RECOMMENDATION

- Maintain BUY with the same DCF-based target price of S\$0.98** (WACC: 5%, terminal growth: 1%). At our target price, the stock trades at around 14x FY25 EV/EBITDA, its long-term mean EV/EBITDA. We continue to see the stock as a good shelter amid market volatility given its strong earnings visibility, healthy balance sheet and cautious approach in terms of overseas/domestic acquisitions.

### SHARE PRICE CATALYST

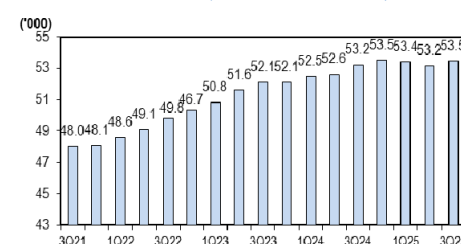
- Key catalysts** include: a) 5G beneficiary – more opportunities arising from mobile operators' fibre network densification demand; b) growth in demand for NBAP connections with the rollout of 5G/Smart Nation initiatives; c) investors seeking defensive yield from Netlink's resilient, predictable, transparent and regulated cash flow; and d) earnings-accretive M&As.

### FIBRE CONNECTION (RESIDENTIAL)



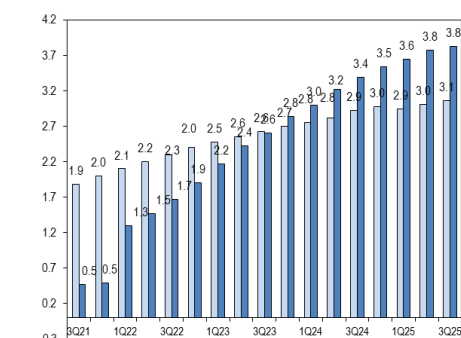
Source: NetLink, UOB Kay Hian

### FIBRE CONNECTION (NON-RESIDENTIAL)



Source: NetLink, UOB Kay Hian

### NON-BUILDING ADDRESS POINT AND SEGMENT CONNECTIONS<sup>1</sup>



<sup>1</sup>Segment connections comprise, inter alia, Central Office to Central Office fibre connections and Central Office to MDF room fibre connections provided to Requesting Licensees.

Source: NetLink, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Net turnover	411.3	415.5	426.1	436.9
EBITDA	286.5	289.6	297.8	305.0
Deprec. & amort.	172.9	175.9	178.5	178.1
EBIT	113.5	113.7	119.3	126.9
Total other non-operating income	9.3	9.3	9.3	9.3
Net interest income/(expense)	(21.8)	(23.0)	(23.5)	(23.5)
Pre-tax profit	101.1	100.0	105.1	112.7
Tax	2.1	0.0	0.0	0.0
Net profit	103.2	100.0	105.1	112.7
Net profit (adj.)	103.2	100.0	105.1	112.7

### CASH FLOW

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Operating	288.6	294.0	283.4	290.2
Pre-tax profit	101.1	100.0	105.1	112.7
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	172.9	176.0	178.6	178.2
Working capital changes	14.9	19.3	0.8	0.9
Other operating cashflows	(0.3)	(1.2)	(1.9)	(1.5)
Investing	(127.6)	(99.7)	(93.7)	(87.4)
Capex (growth)	4.7	0.0	0.0	0.0
Capex (maintenance)	(132.3)	(99.7)	(93.7)	(87.4)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Financing	(178.8)	(169.7)	(208.9)	(211.1)
Distribution to unitholders	(205.4)	(206.5)	(208.9)	(211.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	30.0	36.9	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(3.4)	0.0	0.0	0.0
Net cash inflow (outflow)	(17.8)	(33.6)	(53.3)	(8.3)
Beginning cash & cash equivalent	200.7	182.9	149.3	96.0
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	182.9	149.3	96.0	87.7

### BALANCE SHEET

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Fixed assets	2,679.1	2,661.1	2,610.4	2,519.8
Other LT assets	963.7	963.7	963.7	963.7
Cash/ST investment	182.9	149.3	96.0	87.7
Other current assets	90.9	91.3	92.3	93.4
Total assets	3,916.6	3,865.4	3,762.5	3,664.6
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	137.4	158.2	161.3	164.4
LT debt	763.1	800.0	800.0	800.0
Other LT liabilities	493.4	493.4	493.4	493.4
Shareholders' equity	2,522.7	2,413.8	2,307.8	2,206.8
Total liabilities & equity	3,916.6	3,865.4	3,762.5	3,664.6

### KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	69.7	69.7	69.9	69.8
Pre-tax margin	24.6	24.1	24.7	25.8
Net margin	25.1	24.1	24.7	25.8
ROA	2.6	2.6	2.8	3.0
ROE	4.0	4.1	4.5	5.0
Growth				
Turnover	1.9	1.0	2.5	2.5
EBITDA	(1.5)	1.1	2.8	2.4
Pre-tax profit	(7.5)	(1.0)	5.1	7.2
Net profit	(5.5)	(3.1)	5.1	7.2
Net profit (adj.)	(5.5)	(3.1)	5.1	7.2
EPU	(5.5)	(3.1)	5.1	7.2
Leverage				
Debt to total capital	23.2	24.9	25.7	26.6
Debt to equity	30.3	33.1	34.7	36.3
Net debt/(cash) to equity	23.0	27.0	30.5	32.3
Interest cover (x)	13.2	12.6	12.7	13.0

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