NetLink NBN Trust (NETLINK SP)

1HFY27: EBITDA In Line; Higher Depreciation A Drag To Earnings

Highlights

- 1HFY27 revenue moderated by 2% yoy but good cost discipline and lower O&M help shore up EBITDA of S$145m (EBITDA margin 71%). That said, net profit fell 7% yoy, dragged by higher depreciation and came in below expectations.
- The discrepancy on our end is due to higher-than-expected depreciation charges, leading us to cut FY27-28 earnings estimates by 10-15%. Netlink declared an interim dividend of 2.74 S cents/share (1HFY26: 2.71 S cents/share). This implies an annualised dividend yield of 6.2%.
- Maintain HOLD with a DCF-based target price of S$1.01.

1HFY27 & 1HFY27 Results

Year to 31 Mar (S$m)	2QFY27	qoq % chg	yoy % chg	1HFY27	yoy % chg
Revenue	**101.3**	**(0.0)**	**(2.9)**	**202.6**	**(2.2)**
EBITDA	75.5	9.3	5.6	144.7	0.8
EBITDA margin (%)	74.6	6.3	6.0	71.4	2.1ppt
Profit After Tax	**22.4**	**23.9**	**10.7**	**40.5**	**(7.0)**
Net Margin (%)	22.1	4.3ppt	2.7ppt	20.0	(1ppt)

Source: Netlink, UOB Kay Hian

Analysis

- **1HFY27: Earnings below expectations.** NetLink NBN Trust (Netlink) reported a weaker 1HFY27 revenue (-2% yoy), but managed to deliver stable EBITDA (+1% yoy) with healthy margin expansion (+2.1 ppt) from lower operations and maintenance (O&M) expenses. 1HFY27 net profit, however, fell 10% yoy due to elevated depreciation from the Nationwide Broadband Network (NBN) upgrade and internal IT system upgrades. Accounting for 40% of our full-year forecasts, we deem the results to be below expectations.
- **For 2QFY27, revenue was flat qoq,** but fell 2% yoy given lower ancillary project revenue (-32% qoq, -37% yoy) as projects were delayed. This was cushioned by a sequential pickup in installation (+17% qoq) and co-location segment (+7% qoq) revenue contribution. 2QFY27 net profit improved to RM22.1m (+24% qoq, +11% yoy), driven by healthy EBITDA growth (+9% qoq, +6% yoy) from lower PPE write-off and easing lease expenses, coupled with a higher income tax credit during the quarter.

Key Financials

Year to 31 Mar (S$m)	2025	2026	2027F	2028F	2029F
Net turnover	411.3	407.0	413.4	418.4	427.3
EBITDA	295.7	292.3	286.0	298.8	302.2
Operating profit	113.5	106.6	93.4	97.9	107.3
Net profit (rep./act.)	103.2	95.4	83.3	86.7	96.9
Net profit (adj.)	103.2	95.4	83.3	86.7	96.9
EPS	2.6	2.4	2.1	2.2	2.5
PE (x)	36.0	41.2	39.6	35.4	31.0
P/B (x)	1.4	1.5	1.6	1.7	1.8
EV/EBITDA (x)	14.3	14.8	14.3	14.2	14.0
Dividend yield (%)	6.1	6.2	6.2	6.3	6.6
Net margin (%)	25.1	23.4	20.2	20.7	22.7
Net debt/(cash) to equity (%)	23.0	28.3	32.8	38.4	44.5
Interest cover (x)	13.2	12.6	11.5	11.4	11.5
ROE (%)	3.9	3.7	3.3	3.5	4.1
Consensus net profit			98.3	102.7	103.7
UOBKH/Consensus (x)			0.9	0.9	1.1

Source: Netlink, Bloomberg, UOB Kay Hian

Analyst(s)

Chong Lee Len
leelen@uobkh.com
+603-21471992

HOLD (Maintained)

Share Price	S$0.935
Target Price	S$1.01
Upside	+8.0%

Stock Data

Sector	Communication Services
Bloomberg ticker	NETLINK SP
Shares issued (m)	3,897.0
Market cap (S$m)	3,643.7
Market cap (US$m)	2,852.2
3-mth avg daily t'over (US$m)	4.6

Price Performance (%)

52-week high/low				S$1.03/S$0.925
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(2.1)	(6.5)	(7.4)	(4.6)	(3.1)

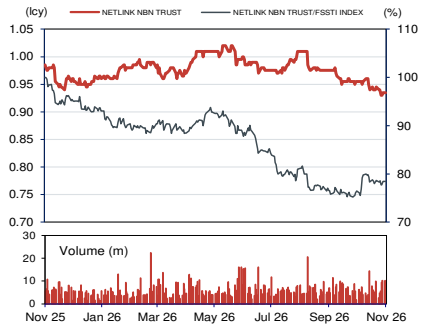
Major Shareholders (%)

Temasek Holdings	24.8
Vanguard Group	3.3
Blackrock	1.9

Balance Sheet Metrics

FY27F NAV/Share (S$)	0.6
FY27F Net Debt/Share (S$)	0.2

Price Chart



Source: Bloomberg

Company Description

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

- **Higher interim dividends, in line with expectations.** Netlink declared an interim dividend of 2.74 S cents/share (1HFY26: 2.71 S cents/share), accounting for 50% of our full-year forecast and in line with our expectation. This implies an annualised dividend yield of 6.2%.

Revenue By Segment

Revenue Breakdown (S$M):	2QFY27	qoq % chg	yoy% chg	1HFY27	yoy% chg
Residential connections	61.7	0.3	0.6	123.2	0.2
Non-residential connections	8.3	(1.1)	(1.9)	16.7	(2.3)
NBAP and segment connections	4.6	(1.5)	0.3	9.3	2.8
Installation related revenue	6.4	17.1	(12.5)	11.9	(19.3)
Ancillary project revenue	3.6	(31.6)	(36.5)	8.9	(14.7)
Co-location revenue	6.3	7.3	4.7	12.2	4.3
Total Fibre Business Revenue	**90.9**	**(0.3)**	**(2.7)**	**182.1**	**(2.0)**
Ducts and manhole service revenue	6.4	2.4	(0.4)	12.7	(0.9)
Central Office revenue	4.0	3.5	(11.0)	7.8	(7.7)
Total Ducts, Manholes and Central	**10.4**	**2.8**	**(4.8)**	**20.5**	**(3.6)**
Total Revenue	**101.3**	**(0.0)**	**(2.9)**	**202.6**	**(2.2)**

Source: Netlink, UOB Kay Hian

- **Promising residential net adds, non-residential sees a positive turnaround.** In 2QFY27, there was a total of 5,450 residential connection net adds and 59 non-residential new connections. The non-residential segment reported a promising turnaround following a year-long downtrend due to end-user churn between Requesting Licensees. Positively, Non-Building Address Points (NBAP) and segment connections demand remain robust (+550 qoq) driven by ongoing demand from mobile network rollout.
- **A safe haven and an attractive 6.2% dividend yield.** As Netlink is armed with predictable revenue streams (90% of group revenue is recurring and contracted), management remains cognisant of the company's profile as a high-yielding, safe haven stock. We expect the company to deliver a 6.2% dividend yield given strong EBITDA flow through for the rest of the year.
- **New investments.** Key criteria for any potential new investment in the medium term includes: a) country risk premium, and b) a preferably stable cash flow via an asset sale-and-leaseback model. Importantly, Netlink has sufficient debt headroom (2.8x net debt/ EBITDA) 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.

Valuation/Recommendation

- **Maintain HOLD with a DCF-based fair value of S$1.01** (WACC: 4.9%, terminal growth: 1%). At our target price, the stock trades at around 16x FY27 EV/EBITDA, reflecting its long-term mean EV/EBITDA. Backed by its decent 6.2% yield, we continue to see the stock as a good shelter amid market volatility given its strong cashflow visibility.

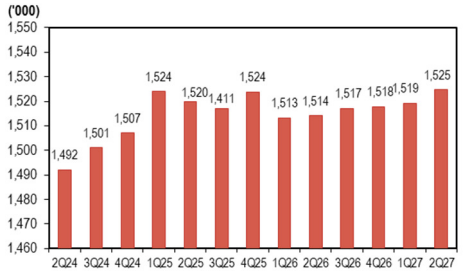
Earnings Revision/Risk

- We cut our FY27-28 earnings estimates by 10-15%, on the back of higher depreciation arising from higher asset base.

Share Price Catalyst

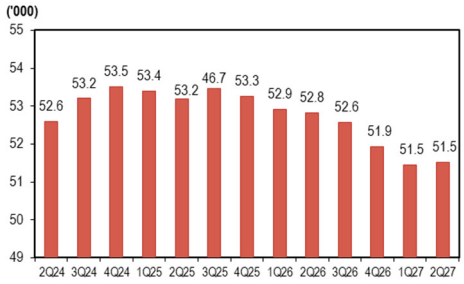
- **Key re-rating catalysts** include: a) more opportunities arising from mobile operators' fibre network densification demand; b) growth in demand for NBAP connections with the rollout of Smart Nation initiatives; c) investors seeking defensive yield from Netlink's resilient, predictable, transparent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

Fibre Connection (Residential)



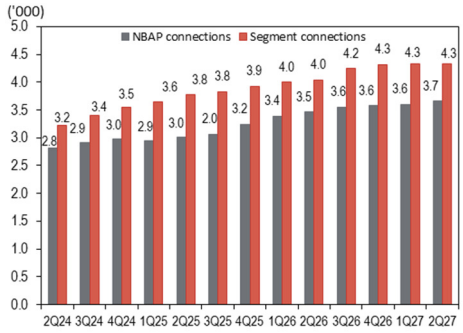
Source: Netlink, UOB Kay Hian

Fibre Connection (Non-Residential)



Source: Netlink, *UOB Kay Hian*

Non-Building Address Point And Segment Connections[1]



[1]*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 (S$m)	2026	2027F	2028F	2029F
Net turnover	**413.4**	**418.4**	**427.3**	**437.6**
EBITDA	286.0	298.8	302.2	309.4
Deprec. & amort.	185.4	193.7	187.7	183.3
EBIT	93.4	97.9	107.3	119.9
Net interest income/(expense)	7.2	7.2	7.2	7.2
Pre-tax profit	**(24.2)**	**(25.7)**	**(25.7)**	**(25.7)**
Tax	76.3	79.4	88.8	101.4
Minorities	(7.0)	(7.3)	(8.1)	(9.3)
Net profit	**83.3**	**86.7**	**96.9**	**110.6**
Net profit (adj.)	83.3	86.7	96.9	110.6

Balance Sheet

Year to 31 Mar (S$m)	2026	2027F	2028F	2029F
Fixed assets	2,563.9	2,478.4	2,401.2	2,332.1
Other LT assets	946.4	946.4	946.4	946.4
Cash/ST investment	247.7	215.5	183.2	149.6
Other current assets	79.1	79.5	80.2	81.0
Total assets	**3,837.1**	**3,719.9**	**3,611.0**	**3,509.2**
ST debt	-	-	-	-
Other current liabilities	123.2	125.4	128.3	131.4
LT debt	987.9	987.9	987.9	987.9
Other LT liabilities	466.6	473.8	481.9	491.2
Shareholders' equity	2,259.4	2,132.7	2,012.9	1,898.6
Total liabilities & equity	**3,837.1**	**3,719.9**	**3,611.0**	**3,509.2**

Cash Flow

Year to 31 Mar (S$m)	2026	2027F	2028F	2029F
Operating	**258.8**	**287.3**	**291.6**	**296.4**
Pre-tax profit	76.3	79.4	88.8	101.4
Tax	-	-	-	-
Deprec. & amort.	185.4	193.7	187.7	183.3
Working capital changes	4.6	0.5	0.8	1.0
Other operating cashflows	(12.5)	13.7	14.2	11.8
Investing	**(106.9)**	**(108.2)**	**(110.5)**	**(113.2)**
Capex (maintenance)	(106.9)	(108.2)	(110.5)	(113.2)
Proceeds from sale of assets	0.1	-	-	-
Financing	**(81.8)**	**(211.2)**	**(213.4)**	**(216.8)**
Dividend payments	(210.0)	(211.2)	(213.4)	(216.8)
Issue of shares	-	-	-	-
Proceeds from borrowings	855.0	-	-	-
Others/interest paid	(720.0)	-	-	-
Net cash inflow (outflow)	**70.1**	**(32.2)**	**(32.3)**	**(33.5)**
Beginning cash & cash equivalent	**177.6**	**247.7**	**215.5**	**183.2**
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	**247.7**	**215.5**	**183.2**	**149.6**
Ending cash & cash equivalent	**258.8**	**287.3**	**291.6**	**296.4**

Key Metric

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	68.0	70.2	69.6	69.6
Pre-tax margin	18.1	18.7	20.4	22.8
Net margin	19.8	20.4	22.3	24.9
ROA	2.2	2.3	2.7	3.2
ROE	3.6	4.0	4.8	5.9
Growth				
Turnover	1.6	1.2	2.1	2.4
EBITDA	(2.2)	4.5	1.1	2.4
Pre-tax profit	(17.1)	4.0	11.9	14.1
Net profit	(12.6)	4.0	11.9	14.1
Net profit (adj.)	(12.6)	4.0	11.9	14.1
EPS	(12.6)	4.0	11.9	14.1
Leverage				
Debt to total capital	30.4	31.7	32.9	34.2
Debt to equity	43.7	46.3	49.1	52.0
Net debt/(cash) to equity	32.8	36.2	40.0	44.2
Interest cover	4.1	4.1	4.5	4.9

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at this link or by scanning the QR code below:

The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full.