

# Singapore Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

28 Feb 2020

## NetLink NBN Trust (NETLINK SP) : **BUY**

**Mkt. Cap:** US\$2,737m | **3m Avg. Daily Val:** US\$5.0m

**Last Traded Price ( 28 Feb 2020):** S\$0.98

**Price Target 12-mth:** S\$1.05 (7% upside)

### Analyst

Sachin MITTAL +65 66823699; sachinmittal@db.com

Rui Wen LIM +65 66823720; ruiwenlim@db.com

### Mutual discharge of contract with vendor

- Expect to write-off S\$15.4m of capitalised project costs
- No material impact on distribution in FY20F
- Continue to like NLT for earnings visibility and decent yield
- Maintain BUY, TP S\$1.05

#### Forecasts and Valuation

FY Mar (\$m)	2019A	2020F	2021F	2022F
Revenue	354	369	381	393
EBITDA	250	267	278	288
Pre-tax Profit	69.8	82.2	93.6	103
Net Profit	77.4	86.1	97.3	105
Net Pft (Pre Ex.)	77.4	86.1	97.3	105
Net Pft Gth (Pre-ex) (%)	54.9	11.3	13.0	7.8
EPS (S cts)	1.99	2.21	2.50	2.69
EPS Pre Ex. (S cts)	1.99	2.21	2.50	2.69
EPS Gth Pre Ex (%)	55	11	13	8
Diluted EPS (S cts)	1.99	2.21	2.50	2.69
Net DPS (S cts)	4.88	5.07	5.20	5.32
BV Per Share (S cts)	77.7	75.0	72.3	69.8
PE (X)	49.4	44.3	39.2	36.4
PE Pre Ex. (X)	49.4	44.3	39.2	36.4
P/Cash Flow (X)	16.6	12.1	14.8	14.3
EV/EBITDA (X)	17.2	16.0	15.4	14.8
Net Div Yield (%)	5.0	5.2	5.3	5.4
P/Book Value (X)	1.3	1.3	1.4	1.4
Net Debt/Equity (X)	0.2	0.2	0.2	0.2
ROAE (%)	2.5	2.9	3.4	3.8

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

### Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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### What's New

**Expect to write-off S\$15.4m of capitalised project costs, no material impact on distribution in FY20F.** NLT has mutually discharged a project contract with its vendor, due to differences between the two parties. This contract is in relation to the design and implementation of a new generation business support systems and operation support systems. NLT expects S\$15.4m of capitalised project costs (S\$6.1m internal staff cost and S\$9.3m third-party costs) to be written off. According to management, NLT will seek a replacement vendor at a similar or lower cost structure. As the capitalised project costs are non-cash, there is no material impact expected on NLT's FY20F distributions.

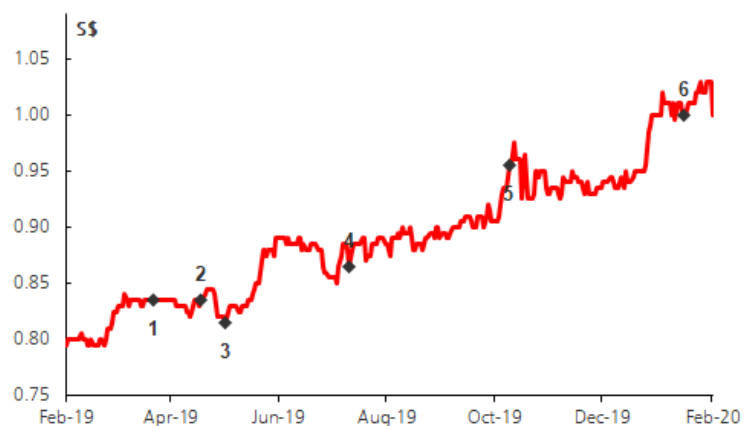
**Maintain BUY, TP of S\$1.05; continue to like NLT for earnings visibility and decent yield.** We continue to like NLT for its decent yield of c.5.1%, which is higher than large-cap industrial REITs' (AREIT, MLT and MINT) average yield of c.4.3%. We argue that NLT should trade at a lower yield than S-REITs as (1) NLT's asset life is much longer than S-REITs' as it incurs annual capex of >S\$55-60m to replenish its regulated asset base (RAB); (2) NLT's gearing is less than half of S-REITs' with ample debt headroom to fund future growth; and (3) NLT's distributions are largely independent of the economic cycle due to the regulated nature of its business.



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### Target Price & Ratings History



**Note:** Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Sachin MITTAL

Rui Wen LIM

**Flash Note**

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**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*\*Share price appreciation + dividends*

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**Flash Note**

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**Flash Note****DBS Regional Research Offices**

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**HONG KONG****DBS (Hong Kong) Ltd**

Contact: Carol Wu  
13th Floor One Island East,  
18 Westlands Road,  
Quarry Bay, Hong Kong  
Tel: 852 3668 4181  
Fax: 852 2521 1812  
e-mail: dbsvhk@dbs.com

**THAILAND****DBS Vickers Securities (Thailand) Co Ltd**

Contact: Chanpen Sirithanarattanakul  
989 Siam Piwat Tower Building,  
9th, 14th-15th Floor  
Rama 1 Road, Pathumwan,  
Bangkok Thailand 10330  
Tel. 66 2 857 7831  
Fax: 66 2 658 1269  
e-mail: research@th.dbs.com  
Company Regn. No 0105539127012  
Securities and Exchange Commission, Thailand

**MALAYSIA****AllianceDBS Research Sdn Bhd**

Contact: Wong Ming Tek (128540 U)  
19th Floor, Menara Multi-Purpose,  
Capital Square,  
8 Jalan Munshi Abdullah 50100  
Kuala Lumpur, Malaysia.  
Tel.: 603 2604 3333  
Fax: 603 2604 3921  
e-mail: general@alliancedbs.com

**INDONESIA****PT DBS Vickers Sekuritas (Indonesia)**

Contact: Maynard Priajaya Arif  
DBS Bank Tower  
Ciputra World 1, 32/F  
Jl. Prof. Dr. Satrio Kav. 3-5  
Jakarta 12940, Indonesia  
Tel: 62 21 3003 4900  
Fax: 6221 3003 4943  
e-mail: indonesiaresearch@dbs.com

**SINGAPORE****DBS Bank Ltd**

Contact: Janice Chua  
12 Marina Boulevard,  
Marina Bay Financial Centre Tower 3  
Singapore 018982  
Tel: 65 6878 8888  
Fax: 65 65353 418  
e-mail: equityresearch@dbs.com  
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