



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: NetLink NBN Trust
(**Trustee-Manager:** NetLink NBN Management Pte. Ltd.)

Stock code: CJLU

Meeting details:

Date: 28 September 2020

Time: 4.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As shown in the annual report (page 8; reproduced below), the group’s revenue increased by 4.7% in the financial year to \$370.2 million while distribution per unit increased by 3.5% to 5.05 cents.

STABLE GROWTH

Revenue (S\$m)



EBITDA (S\$m)



Distribution Per Unit (Singapore Cents)



(Source: annual report)

In the section titled “In conversation with the C-Suite” (page 14), it was stated that the increase in residential connections in the past 3 years was driven by a telco’s migration exercise from coaxial to fibre. The number of residential connections at the end of the financial year was 1.427 million, a 94% penetration rate.

- (i) **With the migration exercise completed, can management elaborate further on the strategy to further increase the number of residential connections?**
- (ii) **In particular, how much visibility does management have on the number of new residential units each year? What is that additional “addressable market” for the next 1-2 years?**
- (iii) **In view of the current pandemic, can management help unitholders understand the precautionary measures it has put in place when activating the residential connections? Has the activation “capacity” of the trust been significantly affected by the pandemic?**

- (iv) Similarly, in the Non-Building Address Point (“NBAP”) segment, following the roll-out of the 4G outdoor coverage of a new telco in Singapore, the number of NBAP connections grew by 5.8% to reach 1,679 connections as at 31 March 2020. **Can management help unitholders understand the key growth drivers in the NBAP segment in the next 18-24 months? What is the schedule for the roll-out for the 5G network?**

- (v) At the last annual general meeting, in response to queries from unitholders, the chairman has explained that the trust will likely connect more 5G base stations for telcos as a denser network of 5G base stations is required to support the bandwidth and delivery speed of 5G. However, the trust still earns more than two-thirds of its revenue from residential connections. **Has management evaluated the risk that consumers will give up their residential fibre connections and switch to using 5G connections at home? In the worst case scenario, is the trust anticipating that it will lose more customers than new sign-ups, resulting in a net decrease in the number of residential connections as a result of consumers switching to 5G even at home?**

Q2. In the financial year, the trust has had to write-off capitalised project costs to the tune of \$15.4 million in relation to the discontinuation of an IT contract. For comparison, the group’s total expenses for FY20 were \$305.9 million and the total distribution for the year was \$196.8 million.

As disclosed in the announcement dated 27 February 2020, the majority of costs incurred under the above-mentioned project were paid and capitalised in prior years.

After taking into account the ability of NLT to continue with the use of certain software licences, capitalised project costs amounting to approximately \$15.4 million as at 31 December 2019 (consisting of capitalised internal staff cost of \$6.1 million and third party costs of \$9.3 million) are expected to be written off. The trust will continue to explore options for the upgrade and/or enhancement of NLT’s business support systems and operation support systems.

- (i) **Would management elaborate further on the reasons to terminate the IT development project?**

- (ii) **With the benefit of hindsight, what changes will management make to its project management framework? What guidance did the board provide to management in the trust’s key operational and strategic projects?**

- (iii) **How has the termination of the project affected the group’s strategic objectives, including operational efficiency and cost structure?**

- (iv) **With the termination, what are the trust's plans to upgrade/enhance its business support systems and operation support systems?**

Q3. At the annual general meeting scheduled to be held on 28 September 2020 at 4.00 p.m., the trust has proposed an extraordinary resolution which relates to the Proposed amendment and restatement of Trust Deed (Extraordinary resolution 4).

In the explanatory notes in the Notice of annual general meeting, it is not exactly clear what the amendments to the trust deeds are although it was stated that the proposed amendments will expand the investment mandate of the trust by broadening the scope of authorised businesses that the trust may engage in under the Trust Deed, without specifying the new business.

From the appendix, it would appear that the trust is proposing to, inter alia, expand the current investment mandate to include "Infrastructure Business" as one of the authorised businesses. The trust has also disclosed the following:

"Infrastructure Business" means the ownership, design, construction, installation, operation and/or maintenance outside of Singapore of any infrastructure networks, systems and/or facilities to support telecommunications service providers and others in their provision of telecommunications services.

The inclusion of the Infrastructure Business within the scope of Authorised Businesses will allow the Trust to own, design, construct, install, operate and/or maintain outside of Singapore any infrastructure networks, systems and/or facilities to support telecommunications service providers and others in their provision of telecommunications services. Examples of such infrastructure networks, systems and/or facilities would be fibre networks to support internet service providers and telecommunications towers to support wireless mobile operators.

Due to the pandemic, the AGM will be convened and held by way of electronic means and unitholders would not be able to attend the AGM in person. In addition, the trust has only made arrangements for unitholders to observe and/or listen to the proceedings at the AGMs via "live" audio-visual webcast or "live" audio-only stream with no ability for unitholders to interact with the board/management.

Proxy votes have to be sent before 26 September. In particular, SRS unitholders have to send in their votes by 16 September 2020. While the trust has stated that it will endeavour to post the answers to unitholders' queries one day before the Proxy Deadline, this arrangement is sub-optimal for such an important decision.

- (i) **Given that this is a major decision for unitholders that would significantly alter the risk profile of the trust, is there a reason for the board to propose the extraordinary resolution to amend the trust deed under the current circumstances? Would the board consider delaying the resolution until physical meetings are permitted (and held safely under guidelines provided by the relevant authorities)?**
- (ii) **If the board decides to continue with the proposed agenda, would the board also consider making the AGM interactive and not just a “broadcast” where unitholders have no way to interact with the board and management?**

As stated in the appendix, the risk factors associated with the proposed expansion of investment mandate and authorised businesses are:

- Limited/no prior record and operating history in the Infrastructure Business outside Singapore
 - The expansion into the Infrastructure Business outside Singapore may be costly and could present unforeseen integration difficulties or costs or may not enhance the Trust Group’s business as expected
 - The Trust Group is subject to general risks associated with operating businesses outside Singapore
 - The Trust Group cannot guarantee the performance of its investments in the infrastructure industry outside Singapore
 - The financial and reputational consequences of non-compliance with laws and regulations may be significant
- (iii) **Would the board clarify why it is not seeking a mandate to expand into the infrastructure business in Singapore?** Venturing into a new business in a new geography might be considered a high-risk move by a more conservative board/management.
 - (iv) **How much of the group’s experience and skills are transferable to the new proposed infrastructure business?**
 - (v) **Has management already identified the potential key markets?**
 - (vi) **As the infrastructure business is highly capital intensive, has the board set a limit to the amount that the group will allocate to this new business?** For instance, an established infrastructure business consisting of telecommunication towers owned by a mobile network operator in a developed economy can cost more than \$2 billion.

- (vii) **Can the board elaborate further on the trust's ability to value-add to a foreign infrastructure business?** Firstly, incumbent infrastructure operators/owners would have an advantage over a new operator. Secondly, as a foreign owner, the trust is possibly at a disadvantage due to its lack of familiarity in a new jurisdiction, difference in working culture and a new business network.

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

Join our mailing list [here](#) to receive latest news and upcoming events.

CONNECT WITH US



[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)