

September 25, 2013

Our experience with fibre connection Me, my kids and Singapore NBN...

Fibre connection challenges – our experience

We had published our *personal* fibre **installation experience** in Singapore back in 2011 ([Me, my wife and Singapore NBN – why is fibre take-up so slow?](#)). Today we provide an update on our fibre **connection experience**, which turned out to be more complicated than we had anticipated, and we *now have a better understanding why the take-up rates are low and slow*. The net result is that we had to re-contract on cable despite the house being completely wired and compelling fibre pricing and speeds.

The process and the issues

We recently moved into a new house, which has an OpenNet termination point. We decided to upgrade from cable to fibre on MyRepublic's promotional plan of SGD28/mth for 100Mbps. But we were informed that there are porting/resourcing issues and the *fibre activation could take a few weeks* based on many back-and-forth discussions with OpenNet, StarHub and MyRepublic. The previous tenants had terminated their fibre account "but RSPs (retail service providers, StarHub in this case) still hold onto the fibre resources from the premise to the OpenNet switches" (in hope that new occupants might sign up with the same RSP). This is surprising that even though the service is considered terminated, the connection is still not deactivated essentially.

We had three choices: 1) ask OpenNet to activate a 2nd port, or 2) request StarHub to release the fibre resource, or 3) sign up with StarHub. The first option could have taken "months", the second "days to weeks", and the third "a few days". *Even six-year-old kids need internet to do homework these days; so we had little choice but to re-contract on StarHub cable, which offers a decent discount on a bundle*. Hence, still no fibre for us.

What does this mean?

- There have been issues and complaints about fibre installation within buildings. Clearly, the connection set-up is complex too even if there is a fibre termination point. With cable and DSL, these issues are less common as there is a separate operator for each. With fibre, there are many. This may continue to cause delays in take-up rates, we believe.
- Fibre goes past 95% of premises in Singapore, and the take-up rate is around 400k now vs. 900k+ DSL/cable subs. SingTel has ~58% share, StarHub and M1 ~17% and MyRepublic ~4%, we estimate.
- The incumbent operators remain better positioned to maintain a dominant share in fibre broadband and smaller operators may only capture a niche segment – bundling remains critical, we think.
- It is no surprise that SingTel is looking to extend its divestment in NetLink Trust by up to four years, as it could take a while to get decent take-up rates to generate consistent cash flows/dividends to better monetize this asset (book value is SGD1.9bn).

Anchor themes

Fibre rollout and content cross-carriage open up the competitive landscape. But data re-pricing is a positive for all operators.

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

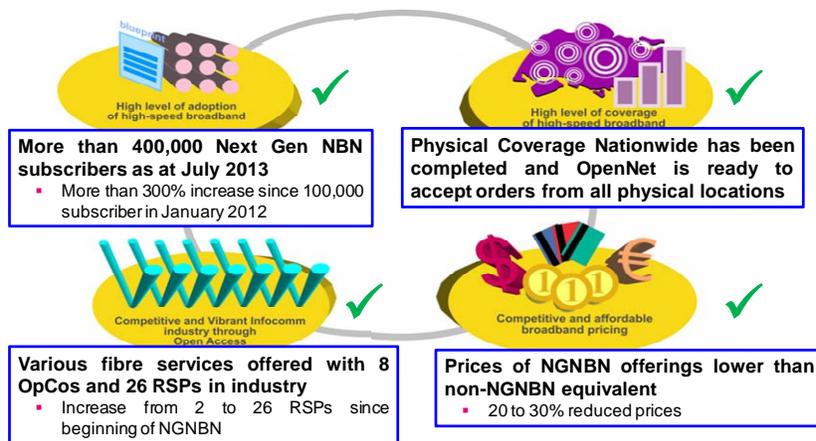
Singapore – my NBN experience

- Back in April 2011, we had published a report on our fibre *installation* experience in Singapore ([Me, my wife and Singapore NBN – why is fibre take-up so slow?](#)). At that time we decided not to sign up to a fibre broadband connection given high prices, high break-fee and no real need for >30Mbps speeds.
- We recently moved houses and thought of getting a fibre broadband connection this time as we were out-of-contract on our StarHub cable connection. The bottom line is that signing up to a fibre broadband is still a cumbersome process and can take up to weeks even – and given the urgency these days (more for kids' homework and other activities), we had to re-contract on StarHub 50Mbps cable, which offers a decent discount on a bundle.
- We are also a mio-TV customer and could've signed up for a SingTel bundle too – but again, the installation issues were complex (discussed below).
- NBN now goes past 95% of households in Singapore, but take-up rates are still low at around 400k and there are constant complains about installation issues – we understand these better now!



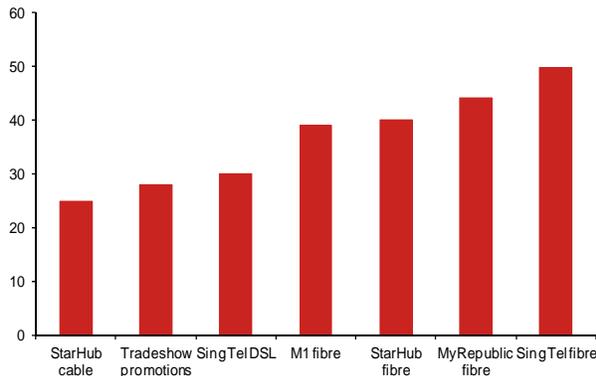
Fig. 1: NBN status in Singapore

"NBN outcomes achieved"



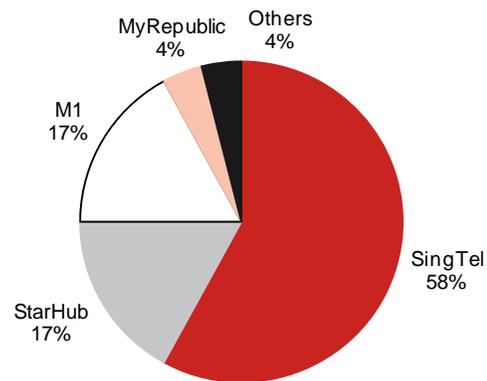
Source: IDA

Fig. 2: Various broadband prices in Singapore (SGD)



Source: Company websites, Nomura estimates

Fig. 3: Fibre broadband market share in Singapore (June-13)



Source: Nomura research

Fig. 4: RSP and OpCos in Singapore



Source: IDA

What happened?

This note is written based on our own personal experience and we completely acknowledge that it cannot be widely applied – each customer, property, operator will have different issues, or even none at all.

- We recently moved into a new rental property. There is an OpenNet termination point in the store-room downstairs – which is hardly practical to begin with (it is around 12 metres from the main gate, hence would have been free to install). We need to rely on wireless routers and boosters for internet coverage.
- We have been a StarHub cable and pay-TV customer for over five years, and this time, we decided to upgrade to fibre with MyRepublic on its promotional offer of SGD28 per month for 100Mbps and an one-time installation fee of SGD128 (includes wireless router).
- We were informed by MyRepublic that it can't activate this connection as the previous tenants had a fibre connection with another RSP. They weren't able to tell us who this RSP was, but the previous tenants had terminated their account when they moved out (and returned the equipment/ STB, etc, we understand). But based on our discussions, we understood that "the RSPs still hold onto the fibre resources from the premise to the OpenNet switches" (meaning not completely de-activated, in the hope that new tenants might sign up with the same RSP).
- Then we had to call up OpenNet to enquire who this RSP was, which turned out to be StarHub (but even OpenNet wasn't 100% sure on this). Then we had to call StarHub to address this further.
- We then had three choices:
 - 1) Ask OpenNet to activate a 2nd port, or
 - 2) Call StarHub to release the fibre resource, or
 - 3) Sign up with StarHub fibre (or cable).
 - The first option could have taken "months", and the second option "days to weeks", and the third would be the fastest, "a few days".
 - To install a 2nd port, OpenNet wasn't sure if there maybe any on-site issues such as "insufficient fibre resources", but if we commit and then decide to cancel during the process, there would be a penalty (around SGD500).
- Therefore, connecting to MyRepublic fibre could have taken a few weeks at least, the same thing with SingTel even – the quickest option was re-contracting with StarHub cable, which we finally did.
- We are a SingTel mio-TV customer, too (over DSL), which can only be installed where there is a phone line. But there is also a wireless solution (see pictures below), but the user experience is not good on this. Installing additional phone lines are expensive.

Fig. 5: OpenNet termination point in store room...hardly practical



Source: Nomura research

Fig. 6: Wireless solution for mio-TV



Source: Nomura research

Any stock implications?

There are a few observations:

- There have been a lot of complaints in recent years about the installation process within buildings, etc. Clearly there are issues with the connection set-up too even if there is an OpenNet termination point. With cable and DSL, these issues are less common as there is only entity involved in each – StarHub and SingTel respectively; whereas with fibre, there are many. This may continue to cause further delays in take-up rates we believe.
- The incumbent operators remain better positioned to maintain a dominant share in fibre broadband and smaller independent operators may only capture a niche segment – bundling remains critical.
- Delays in fibre broadband take-up rates may impact SingTel's ability to monetise any value from divestment in NetLink Trust, in our view. SingTel recently announced that it is seeking IDA's (Infocomm Development Authority of Singapore) approval to extend the divestment timing by up to four years.
- The recent announcement of various entities selling their stakes in OpenNet selling to NetLink Trust and it being allowed to use different sub-contracts may simplify the process somewhat, but it will still take time, we believe.
- See our note, [What does this OpenNet sale mean?](#), dated 23 August 2013 for more details on recent announcement by SingTel.

SingTel announced on 23rd August that it intends to sell its 30% stake in OpenNet to NetLink Trust (NLT) for SGD38mn.

OpenNet is the entity building and operating fibre in Singapore and NLT was set up two years ago, and its assets include all the ducts, manholes and exchanges.

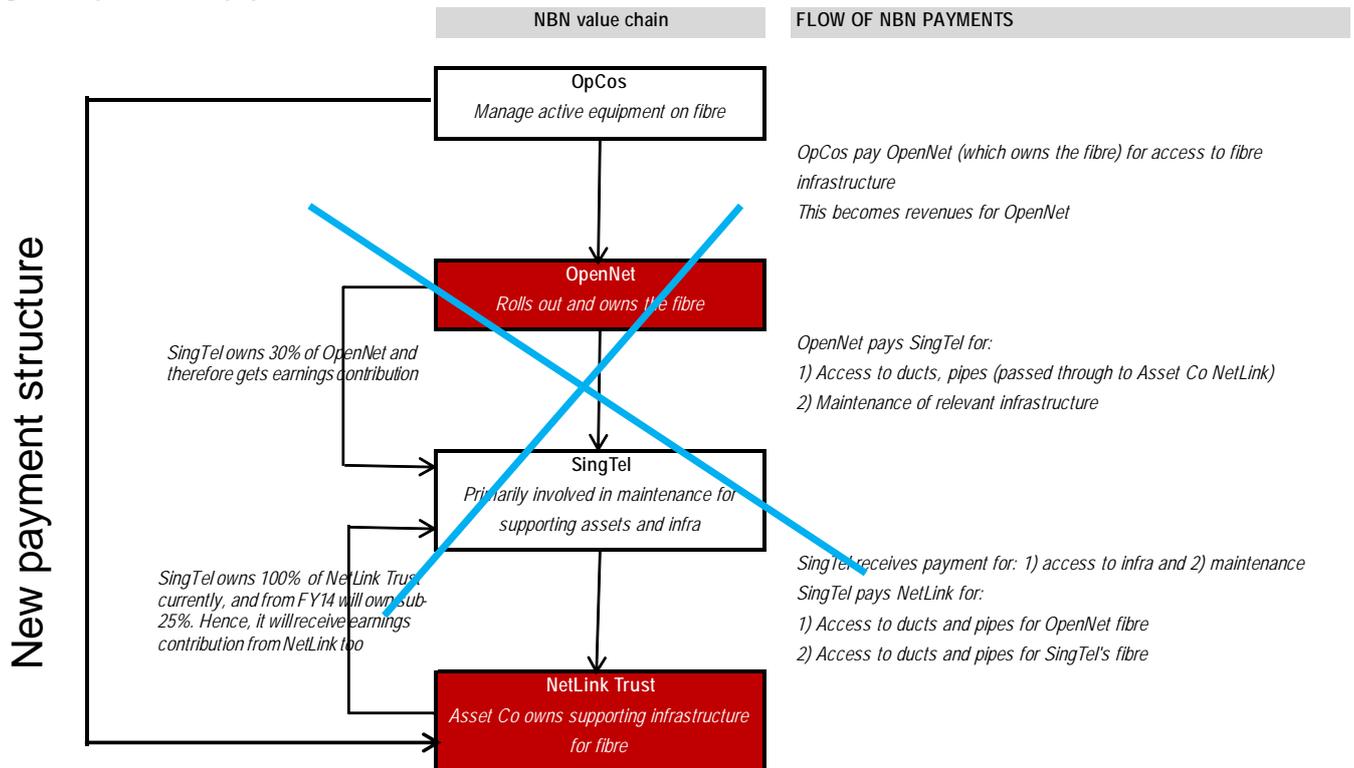
SingTel currently is the sole unit-holder of NLT with a 100% economic interest.

OpenNet's other shareholders (Axia, SPH and SPT) will also sell their combined 70% stake to NLT for SGD88mn.

SingTel has also extended the timing of reducing its stake in NLT to sub-25% by up to four years.

This deal/structure are conditional on IDA approval.

Fig. 7: Proposed NBN payment structure



Source: Nomura research

Fig. 8: Promotional prices at IT fairs in Singapore

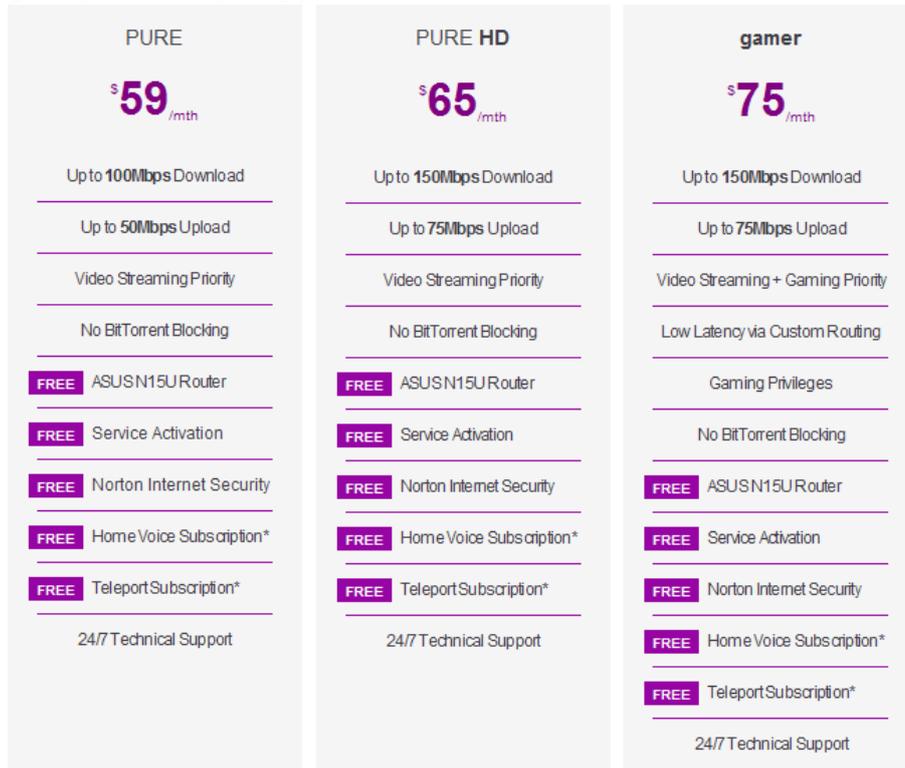
Operator	Promotional Prices at IT Fairs		
	Nov 2012	Mar 2013	Jun 2013
SingTel	150 Mbps at \$47 to \$50	150/300 Mbps at \$49.90/\$79.90 (Bundled)	150 Mbps at \$49.90 (Bundled)
StarHub		150 Mbps at \$49.90 (Bundled)	100 to 300 Mbps from \$39.90 to \$79.90 (Bundled)
M1	200 Mbps at \$49.90 (Bundled)	100 to 250 Mbps from \$39.00 to \$51.00 (Bundled)	200/300 Mbps at \$39.00/\$49.00 (Bundled)
Viewqwest	200 Mbps at \$79.95 (Bundled)	150Mbps at \$65.00 (Bundled)	150Mbps at \$65.00 (Bundled)
MyRepublic	100 Mbps from \$59 - \$89 (Free 6 months)	100/150 Mbps at \$38.88/\$48.88 (Bundled)	100/150 Mbps at \$38.88/\$48.88 (Bundled)

Source: IDA

What is MyRepublic up to?

- **MyRepublic is now the 4th largest ISP in Singapore with around 15k fibre subscribers, or around 4% market share, we estimate.**
- Most of its customers are retail customers at this stage (younger demographic). It also recently launched an SME service. As per the company, it is signing up 40 to 50 enterprise customers per month, which it estimates that this equates to around 4% monthly share and is targeting around 8% total share by year end.
- Its pricing plans range from SGD59/mth to SGD75/mth for 100Mbps to 150Mbps with 6-months free in promotional period/ events such as COMEX.
- **It currently has three self-branded stores and also sells through around 40 other retailers.** It also has a direct-sales based MyRepublic Partner Program.
- It is also planning to be an OpCo too given the cost of equipment/activation (GPON, NTE, etc) has fallen significantly in the past few years (based on our discussion with other OpCos too, the equipment cost has dropped around 50-70% over the past three-four years).
- MyRepublic also intends to gradually expand in other NBN markets such as Australia, New Zealand (expected by early 2013) and Malaysia, but Singapore will be the main focus for now, we understand.
- To date, MyRepublic has been funded exclusively through private angel investors raising over SGD10mn we understand.
- *Website:* www.myrepublic.com.sg

Fig. 9: MyRepublic's pricing plans



Enjoy 6 Months Subscription Free
 COMEX 2013 Limited Time Offer with the above plans

[Order now](#)

Source: MyRepublic website

Fig. 10: MyRepublic's proposition

Frustration-free internet access and broadband-based services for everyone.



Ultra high-speed internet access for consumers and businesses



Value added services such as VoIP and Direct sales opportunities with our one video streaming access



-of-a-kind market channel

TO BE A FORCE FOR GOOD IN THE INDUSTRY.

1. Celebrate Change

We are on the front lines of the biggest transformation the telecommunications industry has seen in decades - and we're loving it. The Next Generation National Broadband Network (NBN) is a great opportunity for small businesses to shake things up and we couldn't be prouder to get involved.

2. Small is Beautiful

The leaner you are, the less obstacles stand in the way for change. That's why we've put everything that isn't essential to our business in the Cloud. It not only makes more economic sense and keeps us flexible, it empowers us to go up against giants.

3. Our Customer is King

You don't have to be evil to be a successful company. We believe that the basics of running a business are what will win our customers' time, money and trust. And that is great service, honest pricing and user-focused improvements.

4. Fortune Favours the Bold

Through innovation and iterative design, we keep things running smoothly while improving on them in sometimes unexpected ways. We remain on the lookout for new and better ways of doing things, drawing inspiration from other industries and gamechangers.

5. Being Yourself

We don't enjoy dealing with a big faceless corporation and we don't believe you do either. Our personal and people-centric approach has informed not only our products but also our social media engagement efforts and our groundbreaking direct sales channel.

6. Focus on What We Do Best

We do fibre broadband. It is what we were built to do and what we want to do really well. The add-on services we offer should build on our core service, rather than take away from it. If there's a better independent application out there, we first look to collaborate - not emulate.

Source: MyRepublic website

Appendix A-1

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STOCKS

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Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan

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