

China Telecom Sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity

21 Jan 2022

CT continued market share gain in 5G sub

- Overall 5G penetration rate reached 44% in 2021, in line with our expectation
- Stable mobile sub market share; China Telecom (CT) gained 5G sub market share
- Maintain BUY calls with pecking order [China Unicom \(CU, 762 HK\)](#)>[China Telecom \(CT, 728 HK\)](#)>[China Mobile \(CM, 941 HK\)](#), on stable outlook and undemanding valuation

China Mobile's (CM, 941 HK) mobile subscriber (sub) net adds was 0.1m in Dec 21, and total mobile subs reached 956.9m. 5G package sub net adds fell 34.2% m-o-m to 12.4m in Dec 21, lower than the 19.0m monthly run-rate for 11M21. 5G package subs reached 386.8m. 5G penetration rose 1.3ppts m-o-m to 40.4%.

China Telecom's (CT, 728 HK) mobile sub net adds dropped 30% m-o-m to 0.5m in Dec 21, and total mobile subs reached 372.4m. 5G package sub net adds decreased 12% m-o-m to 9m in Dec 21, yet still higher than the 8.4m monthly run-rate for 11M21. 5G package subs reached 187.8m. 5G penetration rose 2.3ppts m-o-m to 50.4%.

China Unicom's (CU, 762 HK) mobile sub net adds was -0.2m in Dec 21, and total mobile subs was 317.1m. 5G package sub net adds fell 10.7% m-o-m to 5.4m in Dec 21 vs the 7.2m monthly run-rate for 11M21. 5G package subs reached 154.9m. 5G penetration rose 1.8ppts m-o-m to 48.9%.

5G sub net add largely in line. CM, CT and CU's 5G sub net adds were 221.8m, 101.3m, and 84.1m, respectively, in FY21, with the 5G penetration rate reaching 40.4%, 50.4%, and 48.9%. The overall 5G penetration rate was 44.3%, in line with our forecast.

CT gained market share in 5G submarket. Total mobile subs remained stable at 1,646m in Dec 2021. Mobile sub market share was similar to the previous month. CM, CT, and CU have 53.0%, 25.7%, and 21.2% of the 5G sub market share respectively, with CT gaining 0.3ppt market share.

Maintain BUY call on CU, CT, and CM, on stable outlook and undemanding valuation. Our pecking order is CU>CT>CM.

HSI: 24,952

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Recommendation & valuation

Company	Price	Target Price	Rec	Mkt Cap
	Local\$	Local\$		US\$m
ChinaMobile (941HK)	50.50	68.60	BUY	143,769
ChinaTelecom (728HK)	2.85	4.20	BUY	33,495
ChinaUnicom (762HK)	4.05	7.90	BUY	15,915

Source: Thomson Reuters, DBS Bank (Hong Kong) Limited ("DBS HK")

Closing price as of 20 Jan 2022



Live more, Bank less

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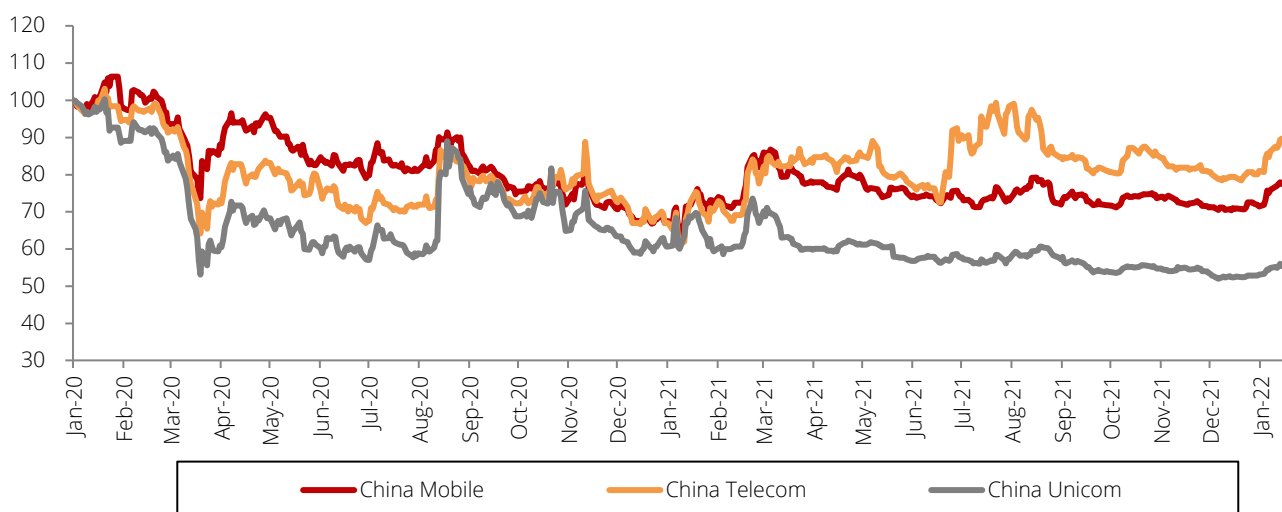
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China Telecom Sector

Share price performance

Share price performance - Telecom operators

Rebased (1 Jan 20 = 100)



Share price performance table

Share price performance (%)	1-mth	3-mth	6-mth	12-mth	YTD
China Mobile	9.0	3.5	4.8	3.1	7.9
China Telecom	13.1	1.8	(8.7)	22.3	9.6
China Unicom	5.2	(1.0)	(2.9)	(18.5)	3.8
HSI	9.7	(4.5)	(8.5)	(16.7)	6.6

Source: Thomson Reuters

Valuation

Company Name	Code	Currency	Target		Mkt Cap	Fiscal Yr	PE		Yield		P/Bk	P/BkEV/EBITDA		ROE				
			Price Local\$	Price Local\$			21F	22F	21F	22F		21F	22F	21F	22F			
China Telecom operators																		
China Mobile*	941	HK	HKD	50.5	68.60	BUY	143,769	Dec	7.7	7.2	7.8	9.0	0.7	0.7	1.0	0.8	9.6	9.6
China Telecom*	728	HK	HKD	2.85	4.20	BUY	33,495	Dec	8.4	8.0	7.1	8.1	0.5	0.5	1.6	1.3	6.4	6.1
China Unicom*	762	HK	HKD	4.05	7.90	BUY	15,915	Dec	6.8	6.0	8.9	10.0	0.3	0.3	0.5	0.4	4.5	4.9

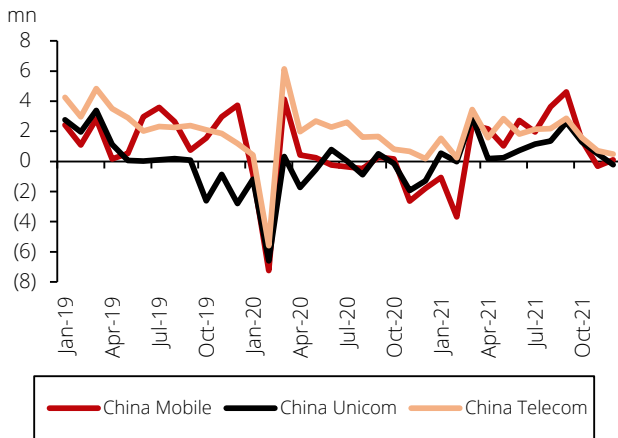
FY20: FY21; FY21: FY22

Source: Thomson Reuters, *DBS HK

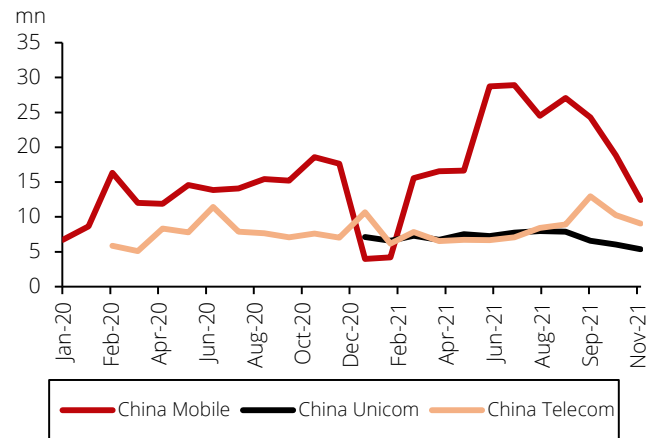
Closing price as of 20 Jan 2022

How has mobile market share changed?

Total mobile sub net-adds (Nov 21)

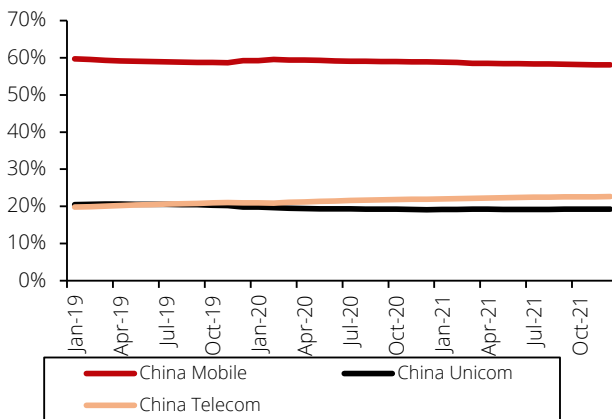


5G sub net-adds (Dec 21)

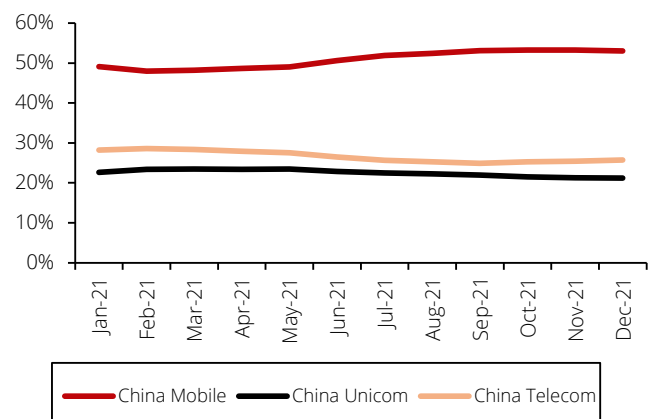


Note: China Unicom started to disclose 5G subscribers from Jan 2021

Market share - Total mobile sub number (Dec 21)

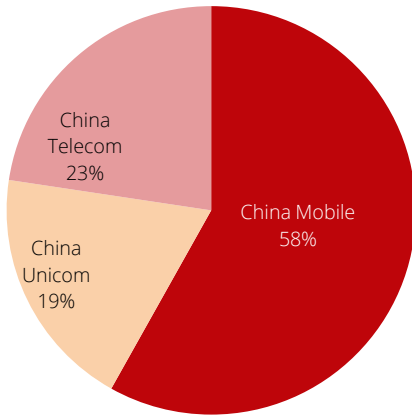


Market share - 5G sub (Dec 21)

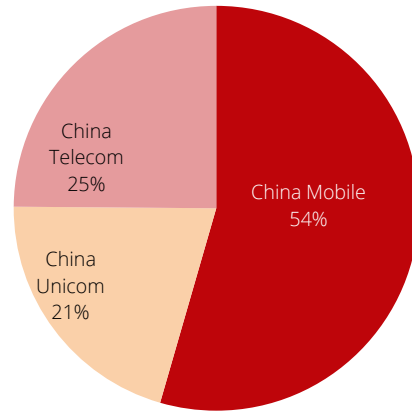


Source: Companies

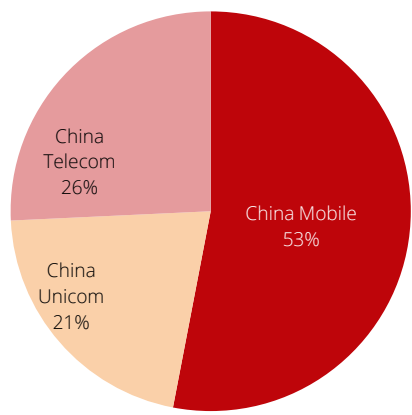
Market share - Total mobile sub number (Dec 21)



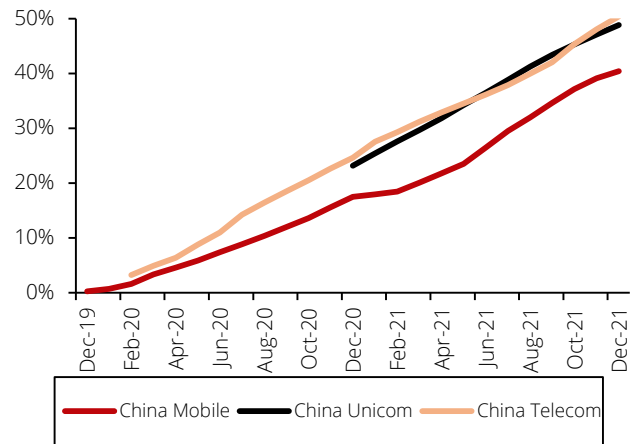
Market share - Cumulative 5G sub net adds (2021)



Market share - 5G sub number (Dec 21)

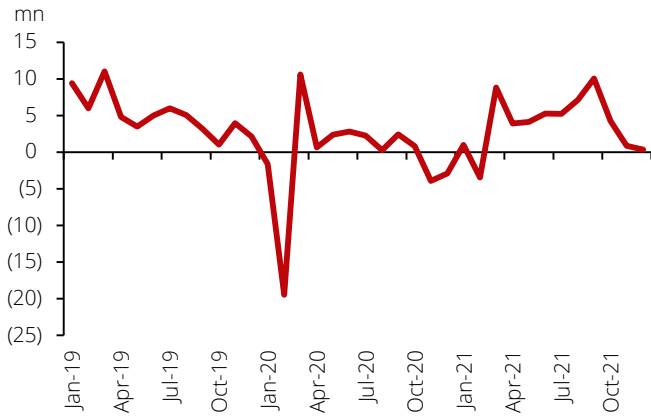


5G penetration rate (Dec 21)

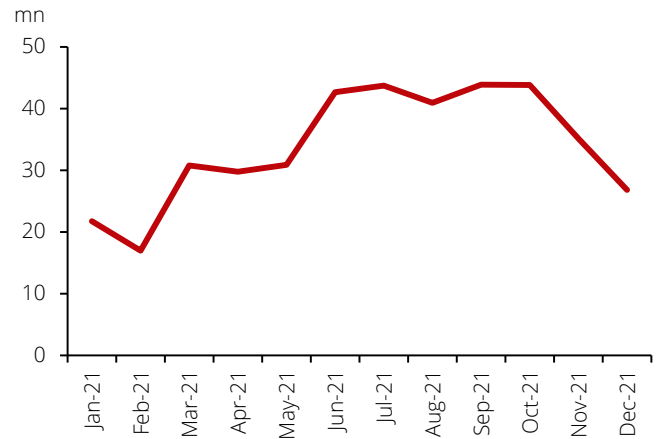


Source: Companies

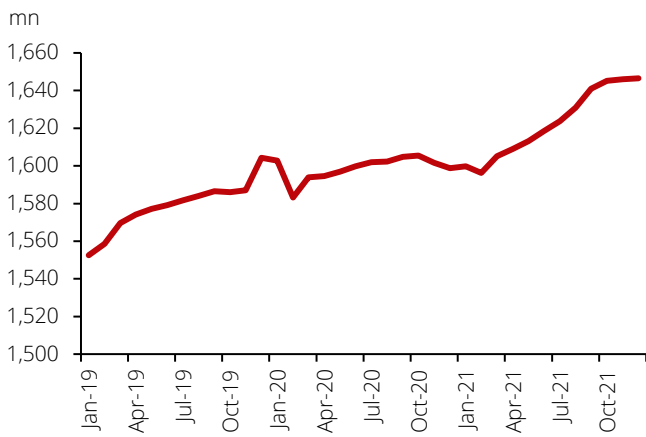
Aggregated mobile sub net adds (Dec 21)



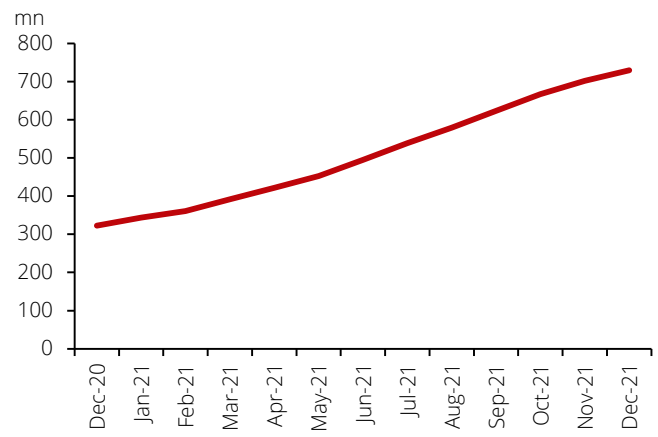
Aggregated 5G sub net adds (Dec 21)



Aggregated mobile sub number (Dec 21)



Aggregated 5G sub number (Dec 21)

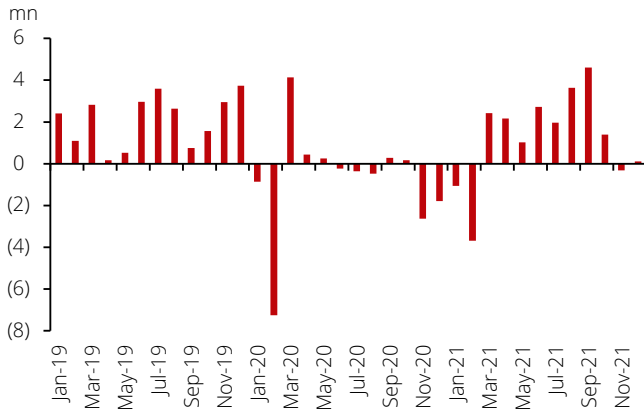


Source: Companies

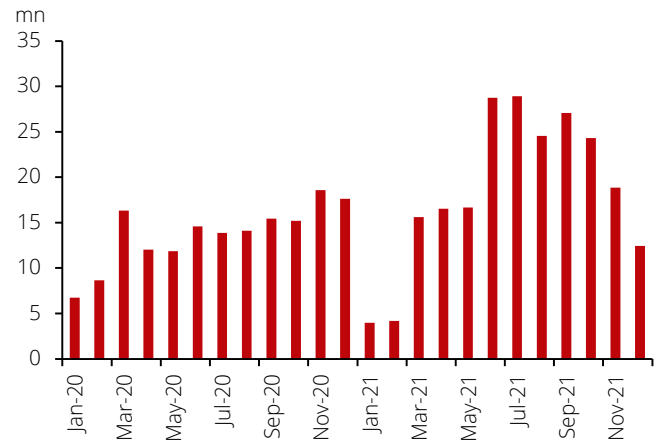
Monthly subscriber growth of individual operators

Monthly subscriber net adds - China Mobile

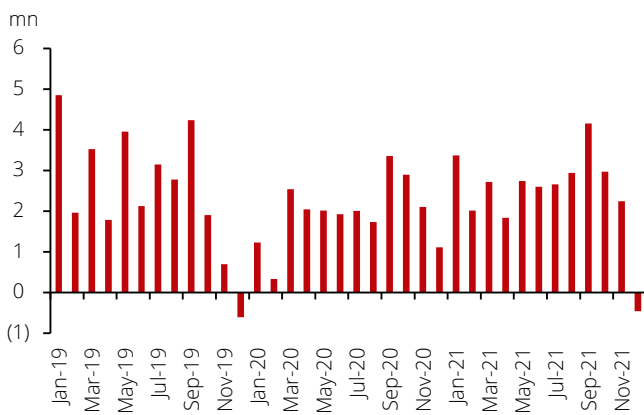
Mobile (Dec 21)



5G (Dec 21)



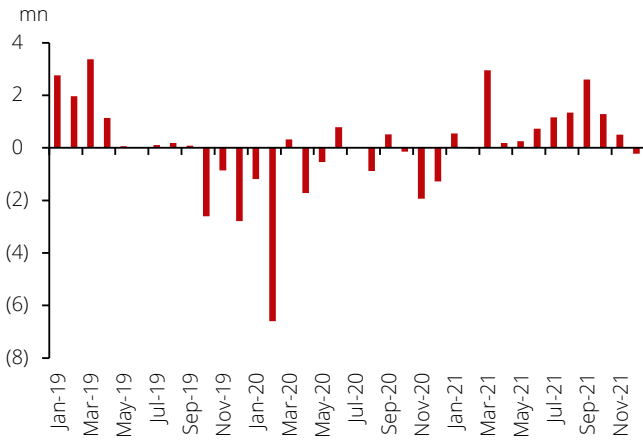
Broadband (Dec 21)



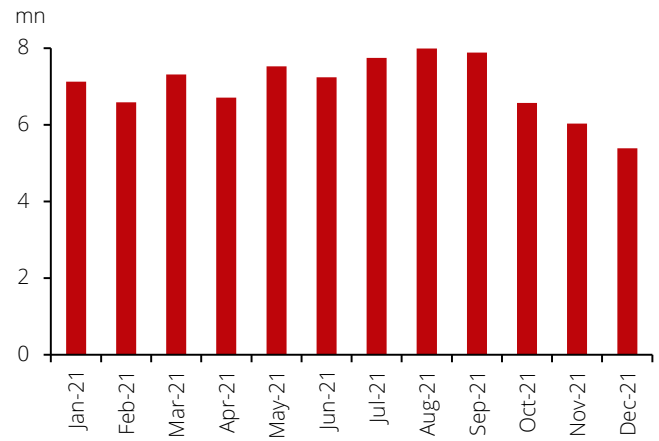
Source: Company

Monthly subscriber net adds- China Unicom

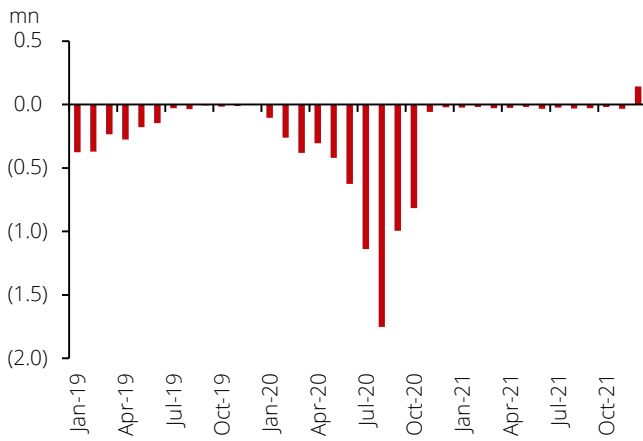
Mobile (Dec 21)



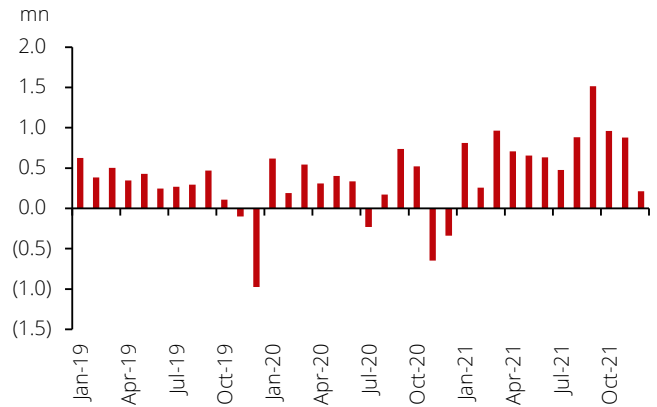
5G (Dec 21)



Fixed line (Dec 21)



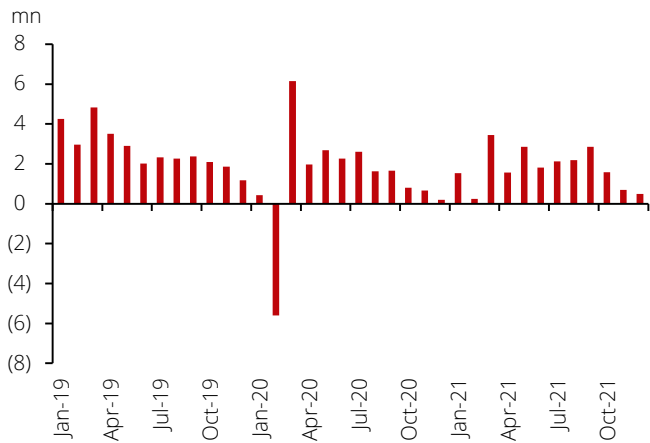
Broadband (Dec 21)



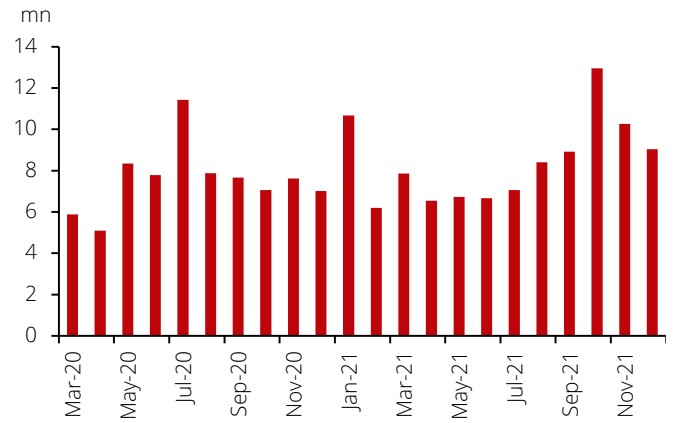
Source: Company

Monthly subscriber net adds – China Telecom

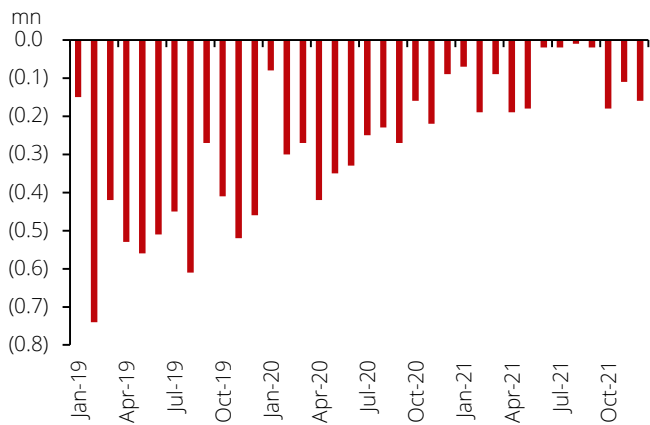
Mobile (Dec 21)



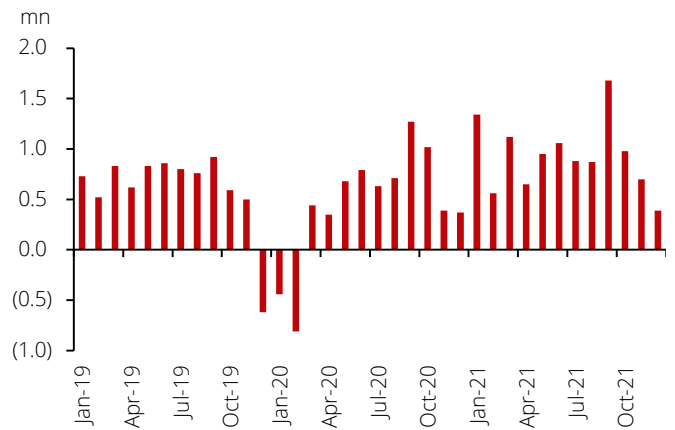
5G (Dec 21)



Fixed line (Dec 21)



Broadband (Dec 21)



Source: Company

China Telecom Sector

Monthly subscriber growth – China Mobile

Million	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Mobile sub net-adds	(1.8)	(1.1)	(3.7)	2.4	2.2	1.0	2.7	2.0	3.6	4.6	1.4	(0.3)	0.1
Total mobile sub base	941.9	940.9	937.2	939.6	941.8	942.8	945.5	947.5	951.1	955.7	957.1	956.8	956.9
5G sub net-adds	17.6	4.0	4.2	15.6	16.5	16.7	28.7	28.9	24.5	27.1	24.3	18.9	12.4
5G sub base	165.0	169.0	173.2	188.8	205.3	222.0	250.7	279.6	304.1	331.2	355.5	374.4	386.8
Broadband net-adds	1.1	3.4	2.0	2.7	1.8	2.7	2.6	2.7	2.9	4.2	3.0	2.2	(0.5)
Broadband sub base	210.3	213.7	215.7	218.4	220.3	223.0	225.6	228.3	231.2	235.4	238.3	240.6	240.1

Source: Company

Monthly subscriber growth – China Unicom

Million	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Nov-21
Mobile sub net-adds	(1.3)	0.5	(0.0)	3.0	0.2	0.2	0.7	1.2	1.3	2.6	1.3	0.5	(0.2)
Total mobile sub base	305.8	306.4	306.3	309.3	309.5	309.7	310.5	311.6	313.0	315.6	316.8	317.3	317.1
5G sub net-adds		7.1	6.6	7.3	6.7	7.5	7.2	7.7	8.0	7.9	6.6	6.0	5.4
5G sub base		78.0	84.5	91.9	98.6	106.1	113.3	121.1	129.1	136.9	143.5	149.5	154.9
Broadband net-adds	(0.3)	0.8	0.3	1.0	0.7	0.7	0.6	0.5	0.9	1.5	1.0	0.9	0.2
Broadband sub base	86.1	86.9	87.2	88.1	88.8	89.5	90.1	90.6	91.5	93.0	94.0	94.8	95.0
Fixed line net-adds	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.1
Fixed line sub base	47.3	47.3	47.3	47.3	47.2	47.2	47.2	47.2	47.1	47.1	47.1	47.1	47.2

Source: Company

Monthly subscriber growth – China Telecom

Million	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Nov-21
Mobile sub net-adds	0.2	1.5	0.3	3.5	1.6	2.9	1.8	2.1	2.2	2.9	1.6	0.7	0.5
Total mobile sub base	351.0	352.6	352.8	356.3	357.8	360.7	362.5	364.6	366.8	369.7	371.2	371.9	372.4
5G sub net-adds	7.0	10.7	6.2	7.9	6.5	6.7	6.7	7.1	8.4	8.9	13.0	10.3	9.0
5G sub base	86.5	97.2	103.4	111.2	117.8	124.5	131.2	138.2	146.6	155.5	168.5	178.8	187.8
Broadband net-adds	0.4	1.3	0.6	1.1	0.7	1.0	1.1	0.9	0.9	1.7	1.0	0.7	0.4
Broadband sub base	158.5	159.9	160.4	161.6	162.2	163.2	164.2	165.1	166.0	167.6	168.6	169.3	169.7
Fixed line net-adds	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.1)	(0.2)
Fixed line sub base	107.9	107.8	107.6	107.5	107.3	107.2	107.1	107.1	107.1	107.1	106.9	106.8	106.6

Source: Company

China Telecom Sector

Key performance indicators

Key performance indicators as of 1H21

	China Mobile	China Telecom	China Unicom
Subscriber base (mn)			
Mobile	946	362	310
5G	251	131	113
Fixed-line	na	107	47
Broadband	226	164	90
ARPU (RMB)			
Mobile	52.2	45.7	44.4
5G	88.9	57.4	na
Fixed-line	na	11.6	10.9
Broadband	36.1	39.4	41.8

Source: Companies

Subscriber number as of Dec 2021

(mn)	China Mobile	China Telecom	China Unicom
Mobile	957	372	317
5G	387	188	155
Fixed-line	na	107	47
Broadband	240	170	95

Source: Company

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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)

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*Share price appreciation + dividends

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