

# China / Hong Kong Industry Focus

## China Telecom Sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity

22 Feb 2022

### 5G sub net adds off to solid start in 2022

HSI: 24,170

- **Solid mobile and 5G sub net adds in Jan 2022; steady increase in 5G penetration**
- **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 were 4.5m in Jan 22**, compared to 0.1m in Dec 21. Total mobile subs reached 961.4m. 5G package sub net adds rose 16.5% m-o-m to 14.5m in Jan 22, lower than the 18.5m monthly run rate for FY21. 5G package subs reached 401.3m. 5G penetration rose 1.3ppts m-o-m to 41.7%.

**China Telecom's (CT, 728 HK) mobile sub net adds surged 527% m-o-m to 3.1m in Jan 22**, and total mobile subs reached 375.5m. 5G package sub net adds decreased 8.6% m-o-m to 8.3m in Jan 22, similar to the 8.4m monthly run rate for FY21. 5G package subs reached 196.1m. 5G penetration rose 1.8ppts m-o-m to 52.2%.

**China Unicom's (CU, 762 HK) mobile sub net adds were 1.1m in Jan 22**, vs. -0.2m in Dec 21. Total mobile subs reached 318.2m. 5G package sub net adds increased 3.4% m-o-m to 5.6m in Jan 22, vs. the 7.0m monthly run rate for FY21. 5G package subs reached 160.5m. 5G penetration rose 1.5ppts m-o-m to 50.4%.

**CT ahead in 5G sub net adds.** CT's 5G sub net adds of 8.3m exceeded our estimation of the 7.4m monthly run rate for FY22. The 5G sub net adds for CM and CU are lower than our monthly run rate forecast of 16.9m and 6.7m, respectively, while we believe it will bounce back in subsequent months. We maintain our forecast of the overall 5G penetration rate at 66% for FY22.

**CT gained market share in 5G sub market.** Total mobile subs increased 0.5% m-o-m to 1,655m in Jan 2022. Mobile sub market share was similar to the previous month. CT continued its market share gain in the 5G sub market, with a 0.2ppt increase in market share.

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

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#### Recommendation & valuation

Company	Price	Target Price	Rec	Mkt Cap
	Local\$	Local\$		US\$m
<a href="#">China Telecom (728 HK)</a>	3.13	4.20	BUY	36,720
<a href="#">China Unicom (762 HK)</a>	4.38	7.90	BUY	17,182
<a href="#">China Mobile (941 HK)</a>	55.90	68.60	BUY	153,209

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



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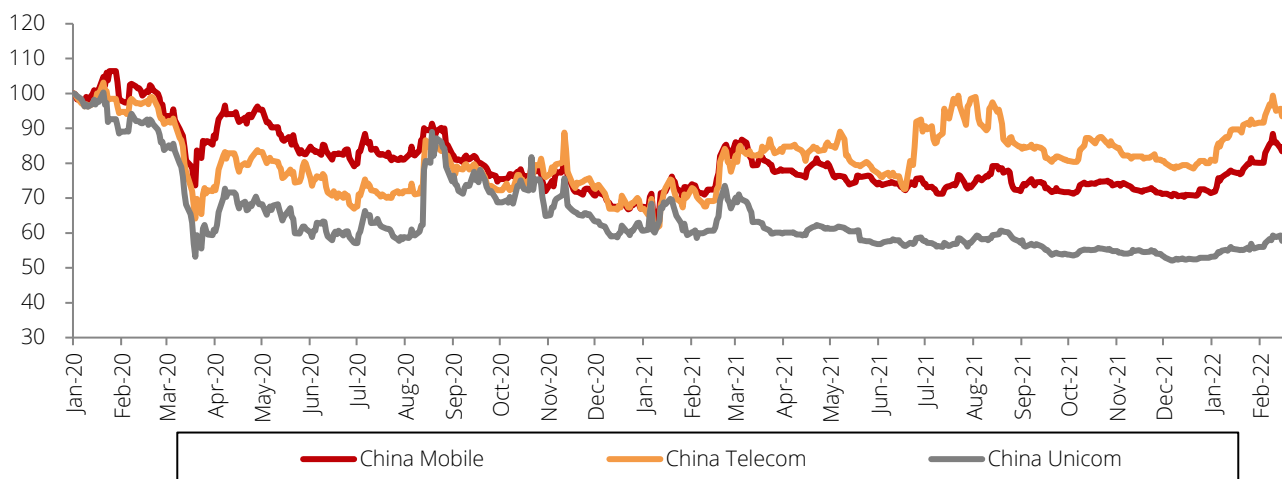
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China Telecom Sector

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	9.1	18.1	10.5	4.0	19.4
China Telecom	7.2	19.5	12.2	21.3	20.4
China Unicom	8.4	9.5	(1.1)	(13.8)	12.3
HSI	(3.2)	(3.5)	(2.7)	(21.1)	3.3

Source: Thomson Reuters

Valuation

Company Nam	Code	Currency	Target		Mkt Cap	Fiscal Yr	PE 22F	PE 23F	Yield 22F	Yield 23F	P/Bk 22F	P/BkEV 23F	EBITDA 22F	EBITDA 23F	ROE 22F	ROE 23F		
			Price Local\$	Price Local\$													Recom	US\$m
<b>China Telecom operators</b>																		
China Mobile*	941	HK	HKD	55.9	68.60	BUY	153,209	Dec	7.9	7.6	8.2	9.2	0.7	0.7	1.1	1.0	9.6	9.7
China Telecom*	728	HK	HKD	3.13	4.20	BUY	36,720	Dec	8.8	8.1	7.4	8.6	0.5	0.5	1.5	1.2	6.1	6.4
China Unicom*	762	HK	HKD	4.38	7.90	BUY	17,182	Dec	6.5	5.8	9.3	10.3	0.3	0.3	0.5	0.4	4.9	5.3

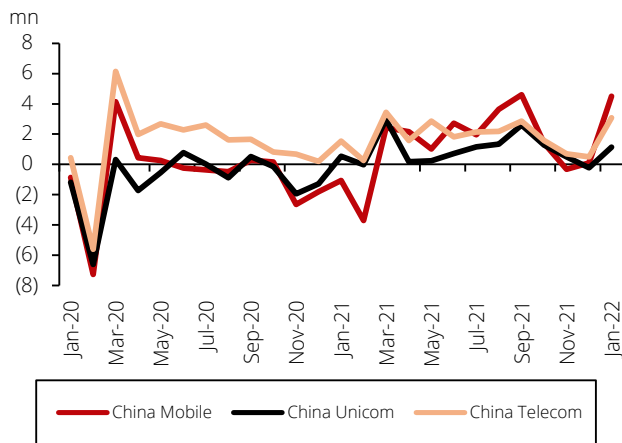
# FY22: FY23; FY23: FY24

Source: Thomson Reuters, \*DBS HK

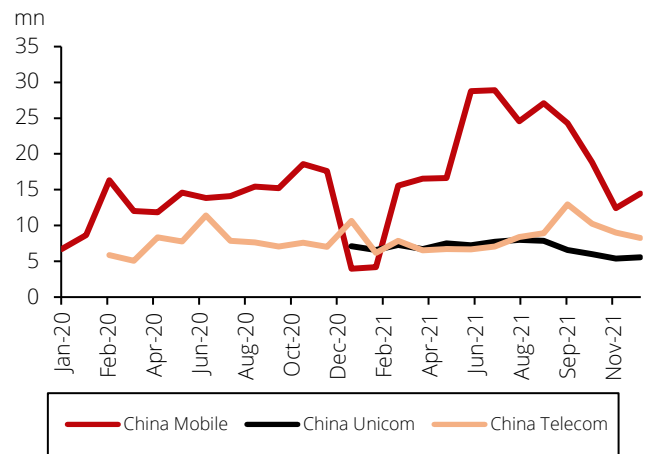
Closing price as of 21 Feb 2022

How has mobile market share changed?

Total mobile sub net-adds (Jan 22)

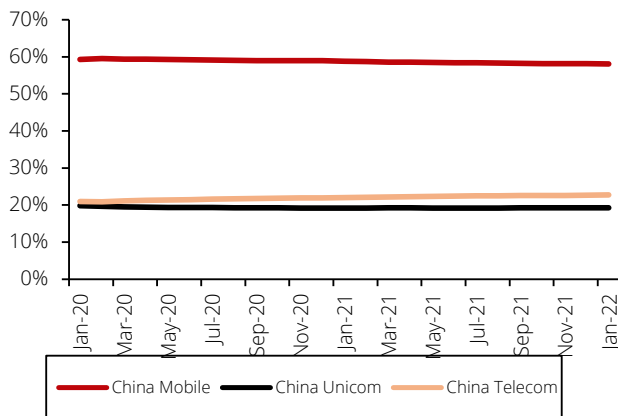


5G sub net-adds (Jan 22)

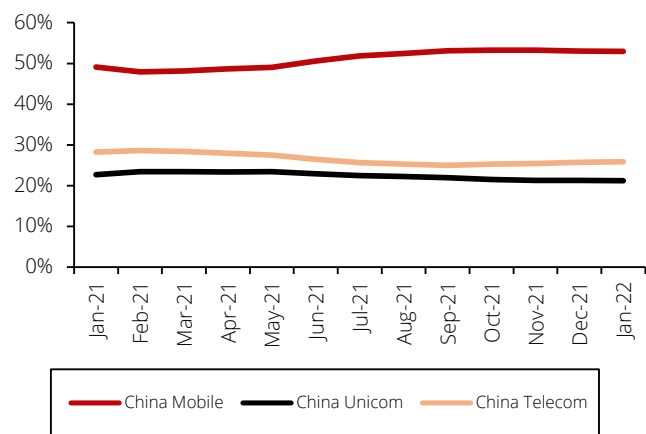


Note: China Unicom started to disclose 5G subscribers from Jan 2021

Market share - Total mobile sub number (Jan 22)

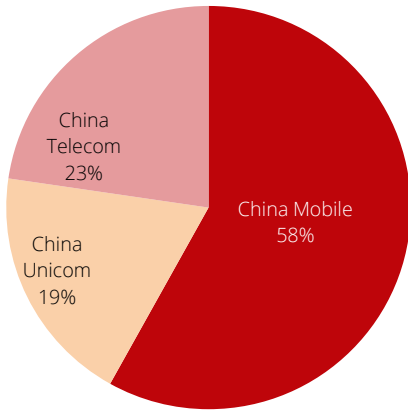


Market share - 5G sub (Jan 22)

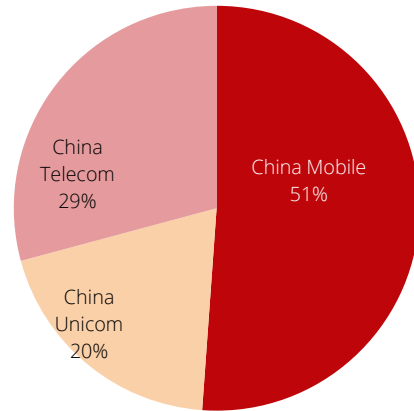


Source: Companies

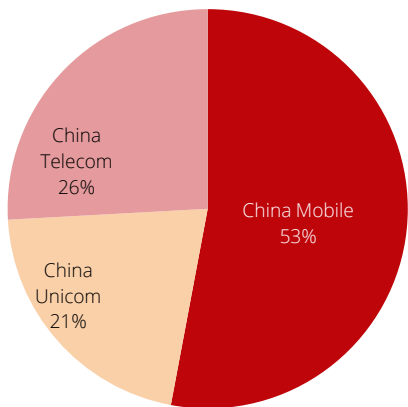
Market share - Total mobile sub number (Jan 22)



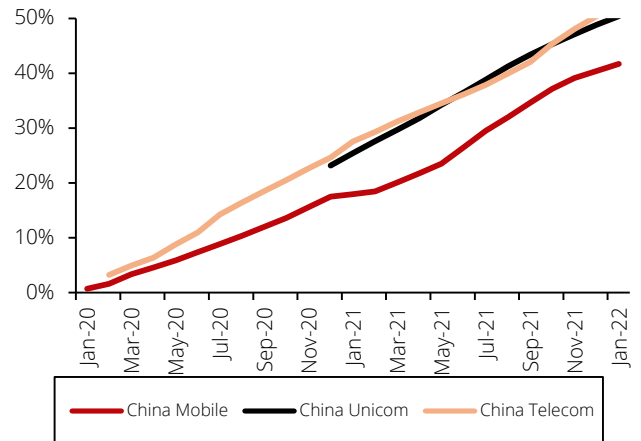
Market share - Cumulative 5G sub net adds (1M22)



Market share - 5G sub number (Jan 22)

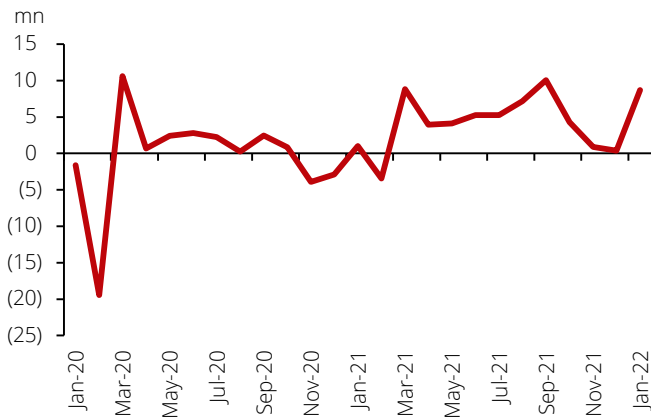


5G penetration rate (Jan 22)

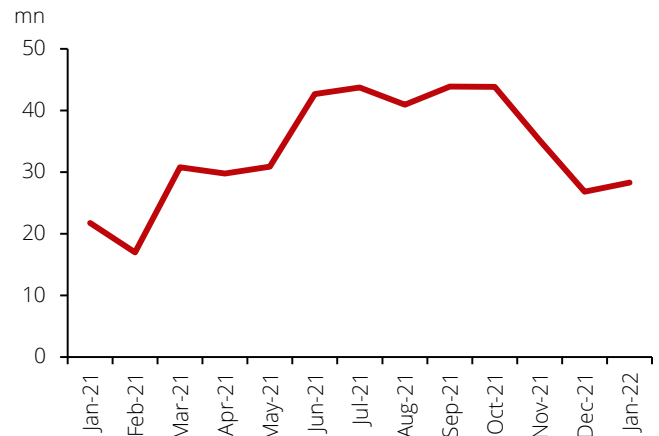


Source: Companies

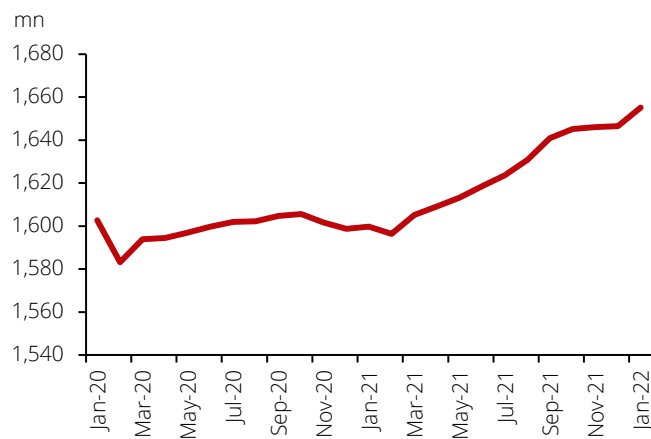
Aggregated mobile sub net adds (Jan 22)



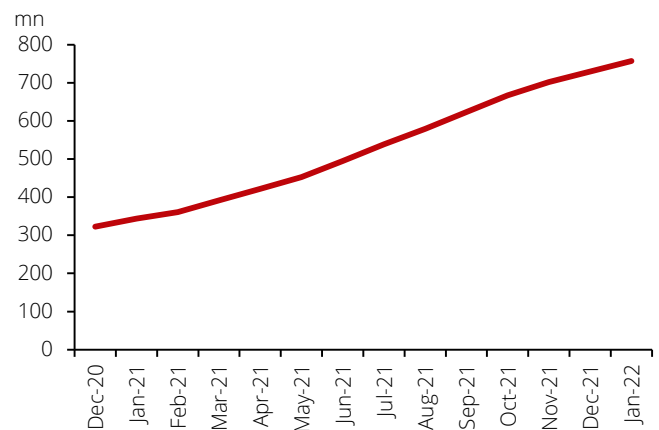
Aggregated 5G sub net adds (Jan 22)



Aggregated mobile sub number (Jan 22)



Aggregated 5G sub number (Jan 22)

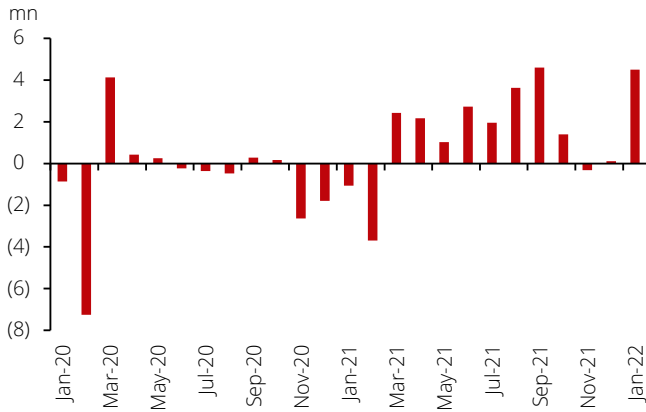


Source: Companies

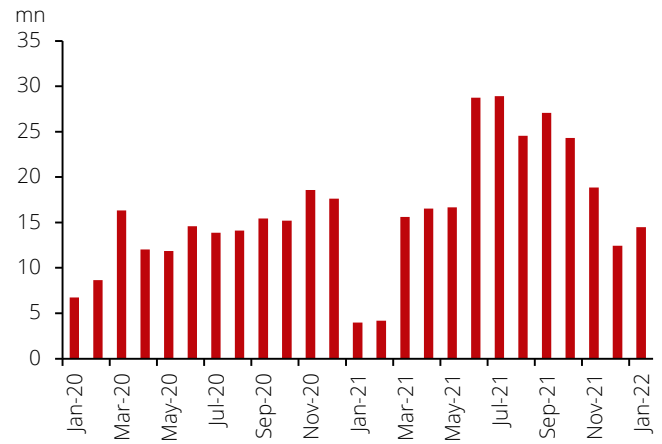
Monthly subscriber growth of individual operators

Monthly subscriber net adds - China Mobile

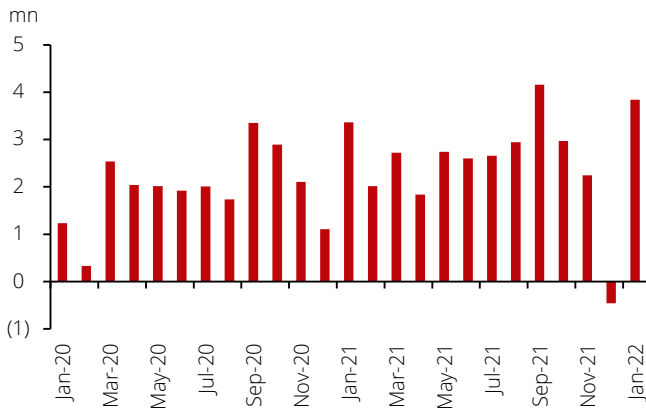
Mobile (Jan 22)



5G (Jan 22)



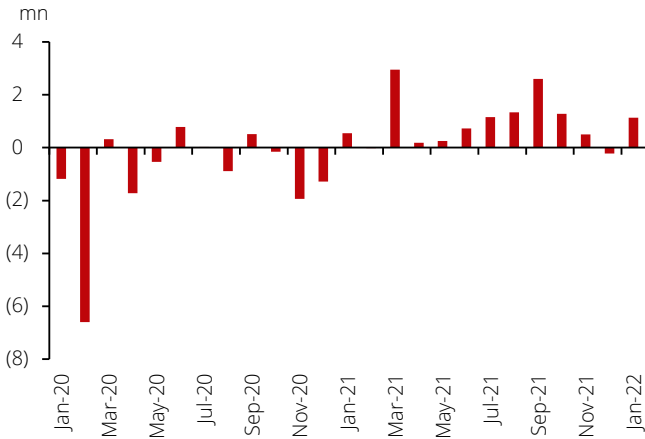
Broadband (Jan 22)



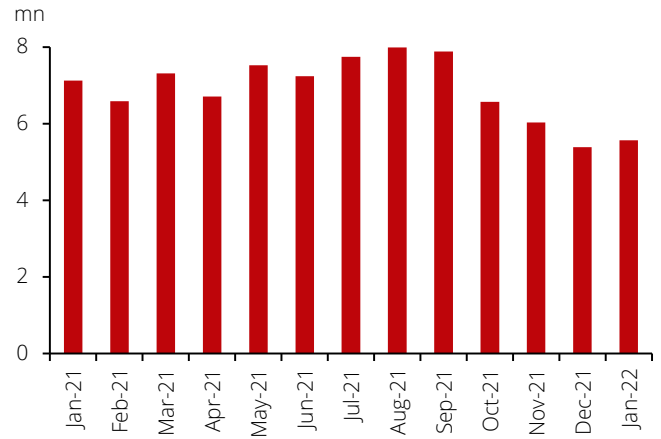
Source: Company

Monthly subscriber net adds- China Unicom

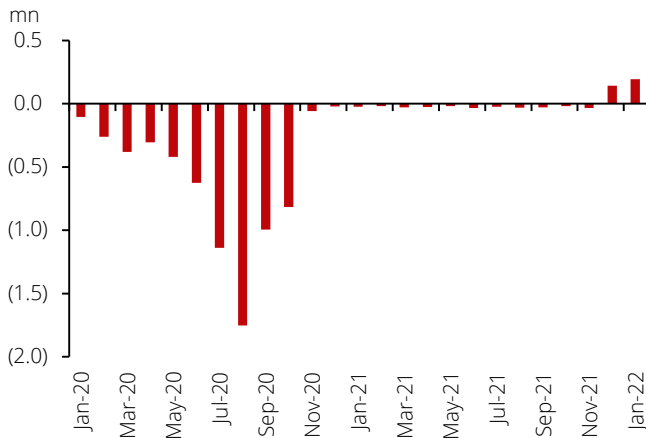
Mobile (Jan 22)



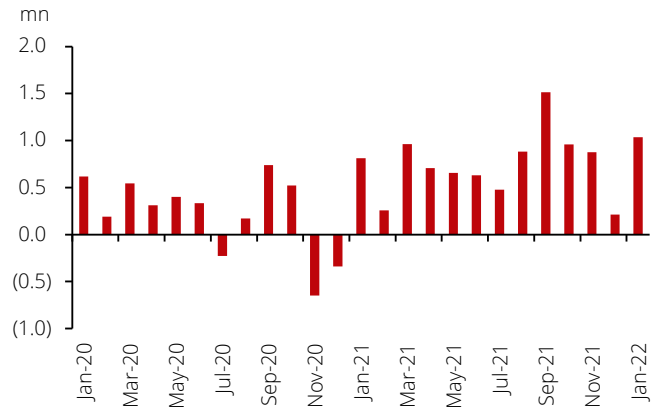
5G (Jan 22)



Fixed-line (Jan 22)



Broadband (Jan 22)

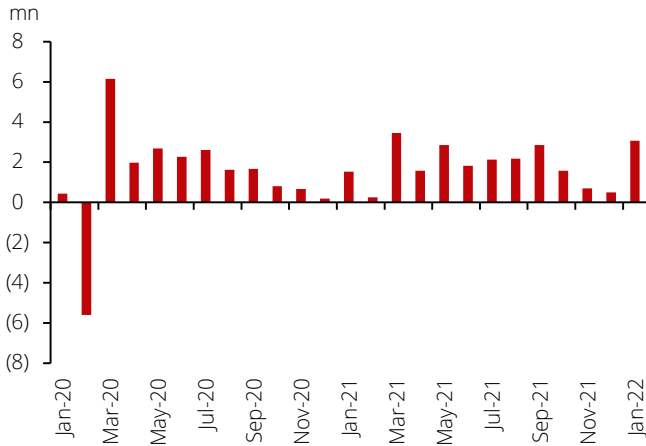


Source: Company

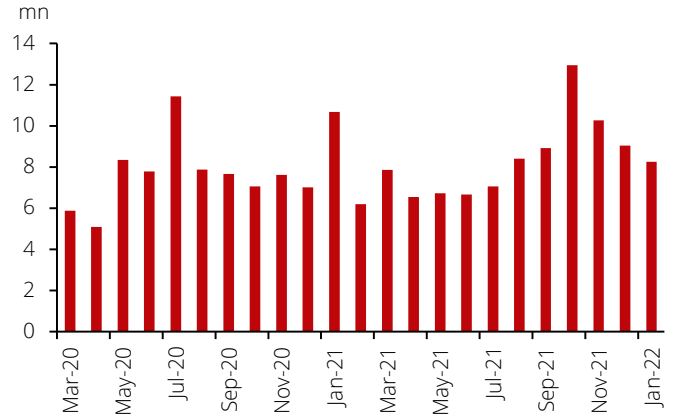


Monthly subscriber net adds – China Telecom

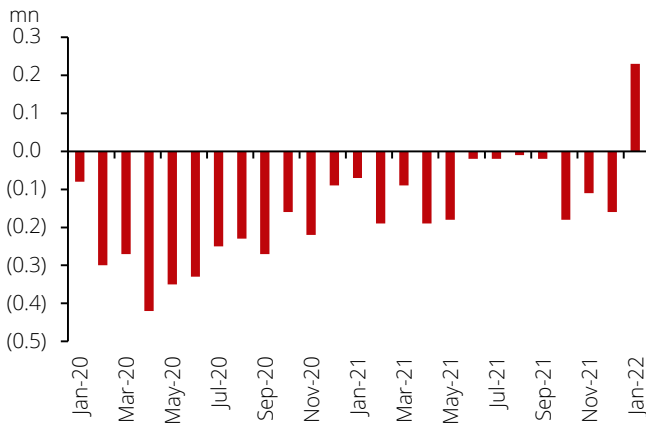
Mobile (Jan 22)



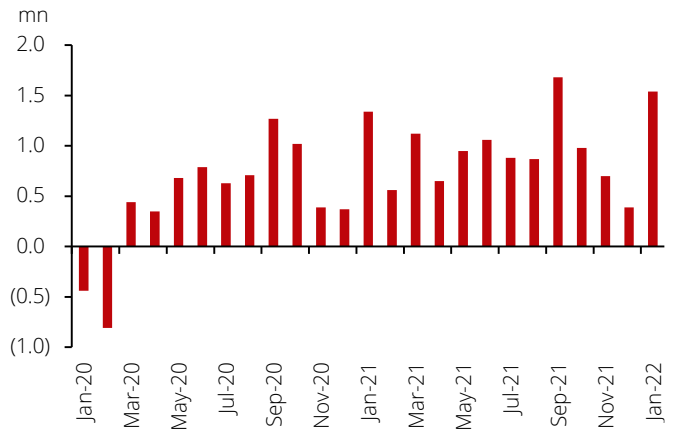
5G (Jan 22)



Fixed-line (Jan 22)



Broadband (Jan 22)



Source: Company

China Telecom Sector

Monthly subscriber growth – China Mobile

Million	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
Mobile sub net-adds	(1.1)	(3.7)	2.4	2.2	1.0	2.7	2.0	3.6	4.6	1.4	(0.3)	0.1	4.5
Total mobile sub base	940.9	937.2	939.6	941.8	942.8	945.5	947.5	951.1	955.7	957.1	956.8	956.9	961.4
5G sub net-adds	4.0	4.2	15.6	16.5	16.7	28.7	28.9	24.5	27.1	24.3	18.9	12.4	14.5
5G sub base	169.0	173.2	188.8	205.3	222.0	250.7	279.6	304.1	331.2	355.5	374.4	386.8	401.3
Broadband net-adds	3.4	2.0	2.7	1.8	2.7	2.6	2.7	2.9	4.2	3.0	2.2	(0.5)	3.8
Broadband sub base	213.7	215.7	218.4	220.3	223.0	225.6	228.3	231.2	235.4	238.3	240.6	240.1	243.9

Source: Company

Monthly subscriber growth – China Unicom

Million	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
Mobile sub net-adds	0.5	(0.0)	3.0	0.2	0.2	0.7	1.2	1.3	2.6	1.3	0.5	(0.2)	1.1
Total mobile sub base	306.4	306.3	309.3	309.5	309.7	310.5	311.6	313.0	315.6	316.8	317.3	317.1	318.2
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	5.6
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	160.5
Broadband net-adds	0.8	0.3	1.0	0.7	0.7	0.6	0.5	0.9	1.5	1.0	0.9	0.2	1.0
Broadband sub base	86.9	87.2	88.1	88.8	89.5	90.1	90.6	91.5	93.0	94.0	94.8	95.0	96.1
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)	0.1	0.2
Fixed line sub base	47.3	47.3	47.3	47.2	47.2	47.2	47.2	47.1	47.1	47.1	47.1	47.2	47.4

Source: Company

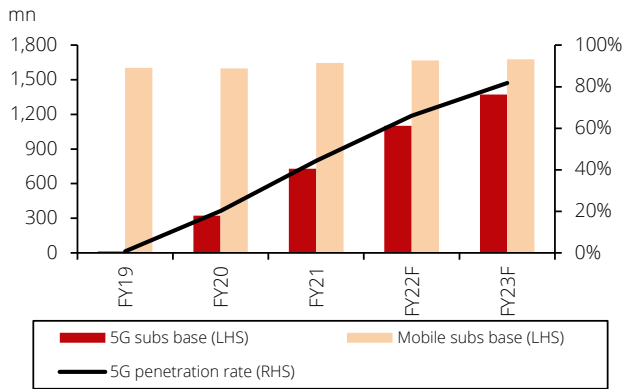
Monthly subscriber growth – China Telecom

Million	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
Mobile sub net-adds	1.5	0.3	3.5	1.6	2.9	1.8	2.1	2.2	2.9	1.6	0.7	0.5	3.1
Total mobile sub base	352.6	352.8	356.3	357.8	360.7	362.5	364.6	366.8	369.7	371.2	371.9	372.4	375.5
5G sub net-adds	10.7	6.2	7.9	6.5	6.7	6.7	7.1	8.4	8.9	13.0	10.3	9.0	8.3
5G sub base	97.2	103.4	111.2	117.8	124.5	131.2	138.2	146.6	155.5	168.5	178.8	187.8	196.1
Broadband net-adds	1.3	0.6	1.1	0.7	1.0	1.1	0.9	0.9	1.7	1.0	0.7	0.4	1.5
Broadband sub base	159.9	160.4	161.6	162.2	163.2	164.2	165.1	166.0	167.6	168.6	169.3	169.7	171.3
Fixed line net-adds	(0.1)	(0.2)	(0.1)	(0.2)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.1)	(0.2)	0.2
Fixed line sub base	107.8	107.6	107.5	107.3	107.2	107.1	107.1	107.1	107.1	106.9	106.8	106.6	106.9

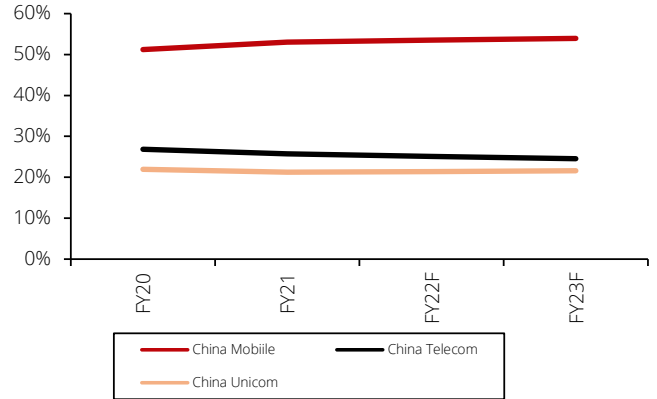
Source: Company

Mobile market outlook

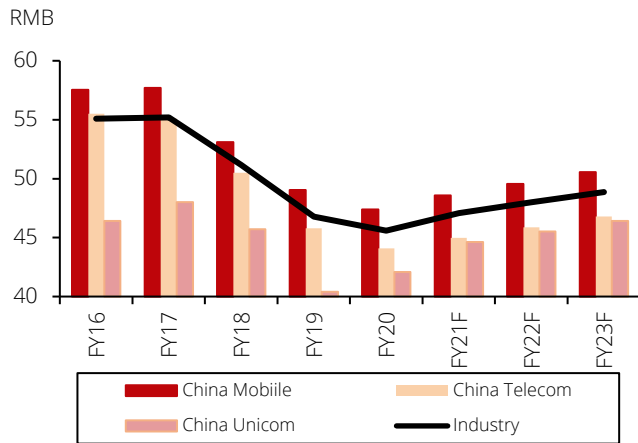
Mobile sub base



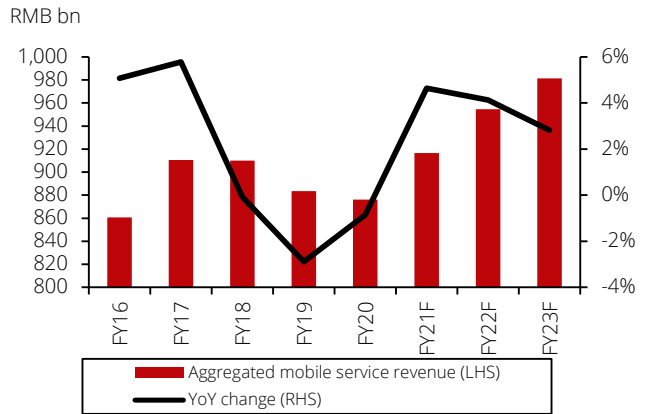
Market share of 5G sub base



Mobile ARPU of individual operators



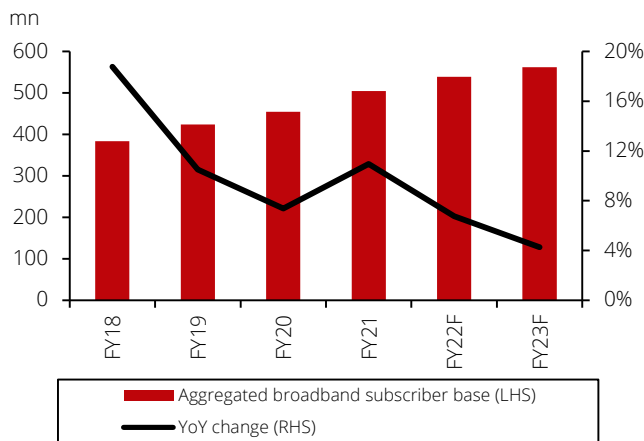
Aggregated mobile service revenue



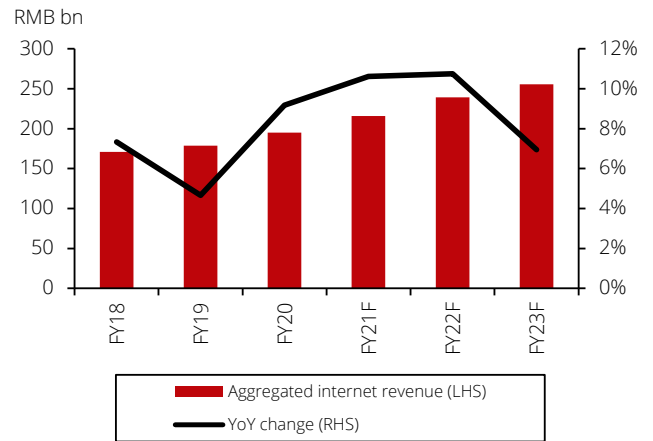
Source: Companies, DBS HK

Fixed-line market outlook

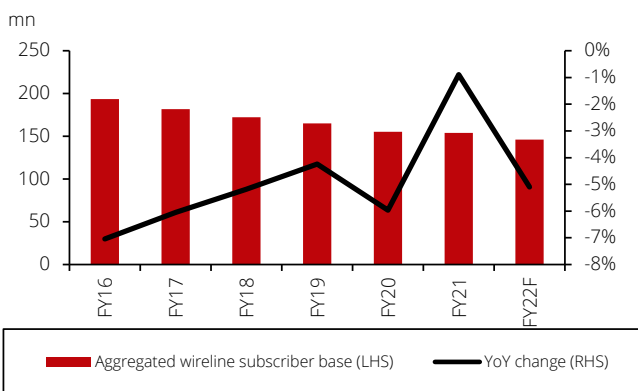
Aggregated broadband subscriber base



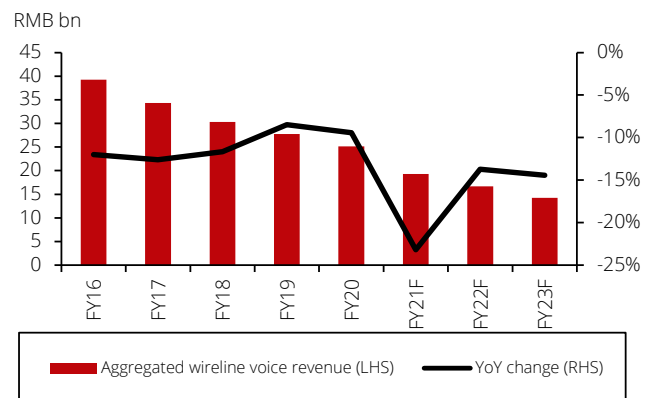
Aggregated broadband revenue



Aggregated wireline subscriber base



Aggregated wireline voice revenue

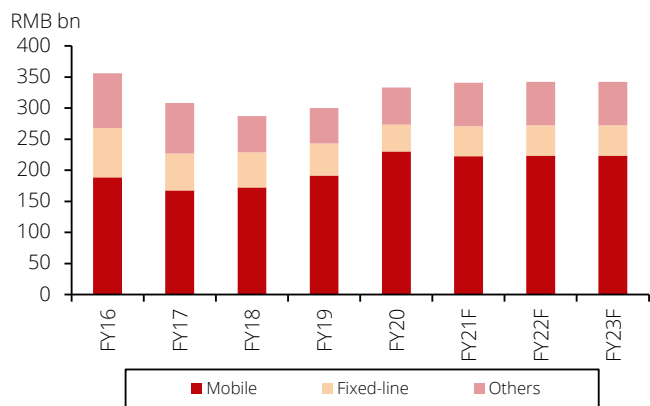


Source: Companies, DBS HK

China Telecom Sector

Capex outlook

Industry Capex



Source: Companies, DBS HK

**China Telecom Sector**

**Key performance indicators**

**Key performance indicators as of 1H21**

	China Mobile	China Telecom	China Unicom
<b>Subscriber base (mn)</b>			
Mobile	945.5	362.5	310.5
5G	250.7	131.2	113.3
Fixed-line	na	107.1	47.2
Broadband	225.6	164.2	90.1
<b>ARPU (RMB)</b>			
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 Jan 2022**

(mn)	China Mobile	China Telecom	China Unicom
Mobile	961.4	375.5	318.2
5G	401.3	196.1	160.5
Fixed-line	na	106.9	47.4
Broadband	243.9	171.3	96.1

Source: Company

DBS HK recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**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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Dissemination Date: 22 Feb 2022 10:26:10 (HKT)

Sources for all charts and tables are DBS HK unless otherwise specified.

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## China Telecom Sector

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