

Hong Kong

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

| | |
|-------------------------|-------------|
| Current price: | HK\$2.76 |
| Target price: | HK\$3.79 |
| Previous target: | HK\$3.82 |
| Up/downside: | 37.3% |
| CGS-CIMB / Consensus: | na |
| Reuters: | 1883.HK |
| Bloomberg: | 1883 HK |
| Market cap: | US\$1,299m |
| | HK\$10,167m |
| Average daily turnover: | US\$1.04m |
| | HK\$8.98m |
| Current shares o/s: | 3,683m |
| Free float: | 41.0% |

*Source: Bloomberg

Key changes in this note

- FY22F/23F revenue decreased by 6.5%/7.5%
- FY22F/23F EBITDA decreased by 5.8%/4.3%
- FY22F/23F EPS decreased by 5.8%/7.9%



Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|-------------------|------|------|------|
| Absolute (%) | -1.1 | 5.3 | -0.7 |
| Relative (%) | 23.3 | 26.7 | 35.4 |

| Major shareholders | % held |
|--------------------|--------|
| CITIC Limited | 59.0 |

Analyst



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CITIC Telecom

Sustainable DPS growth telecom play

- CITICTel's FY21 net profit grew 2% yoy to HK\$1.05bn, and formed 94% of our forecast due to lower-than-expected enterprise solution revenue.
- FY22F business outlook remains resilient, driven by strong SMS services, launch of 5G services in Macau and recovery of enterprise solutions.
- Maintain Add due to its solid EPS growth (5%/7% in FY22F/23F) and attractive dividend yield (8.6% in FY22F).

FY21 net profit grew 2%, led by Internet services and SMS

CITIC Telecom's (CITICTel) FY21 core net profit, which excludes the revaluation gain/loss in investment property, grew by 2% yoy to HK\$1.05bn, mainly driven by strong performance in Internet services (+10.7% yoy) and SMS services (+33% yoy). Meanwhile, other business segments: enterprise solutions (-1.9% yoy), voice services (-36.4% yoy) and mobile services (-10.3% yoy) recorded negative growth due to Covid-19 impact. CITICTel declared a final dividend of HK\$0.17 per share; together with interim dividend of HK\$0.055, FY21 DPS increased by 7% yoy to HK\$0.225 (payout ratio at 79%).

Generous dividend policy likely and lower bank borrowing

Supported by strong operating cashflow of HK\$2.4bn, net debt decreased by HK\$696m to HK\$3.65bn (HK\$1.79bn cash and HK\$5.45bn bank borrowings), with a net gearing ratio of 36% in FY21 (45% in FY20). Capex significantly decreased to HK\$532m in FY21F (HK\$787m in FY20F) as 5G-related capex was only HK\$81m. We believe the company will continue to pay down bank borrowings in FY22F to reduce interest burden on the back of a rising interest rate environment. Nevertheless, we expect CITICTel to maintain a generous dividend policy (Figure 3) given that there is no major outstanding capex.

FY22F outlook remains solid on strong SMS/5G/enterprise solution

We believe CITICTel's overall business remains resilient in FY22F despite prolonged Covid-19 disruptions due to strong demand for SMS services in HK, launch of 5G services in Macau and recovery in enterprise solutions. We believe corporates' demand for identity authentication will remain robust, aided by fast-growing e-commerce, mobile payment and online banking activities. We expect government projects and resort/casino constructions to accelerate in FY22F on the back of easing social-distancing measures in Macau and Southeast Asia and strong demand growth in China. We believe Macau's government will grant a 5G licence to CTM as the latter is the only operator that has completed its 5G network.

Maintain Add with a lower TP of HK\$3.79

We maintain Add on CITICTel due to its solid earnings growth prospects (5%/7% EPS growth in FY22F/23F) and attractive yield of 8.6% in FY22F at 79% payout ratio. We cut our FY22F/23F EPS by c.6%/8% on lower enterprise solutions and voice services revenue. Our TP is slightly lower at HK\$3.79 as we roll over to FY23F EV/EBITDA (still based on 7.5x, a 20% discount to HK telcos) and cut EPS estimates. Potential share price catalysts are recovery of Macau's gaming and tourism industry and accelerating enterprise solutions and mobile services. Downside risks: further Covid-19 variants.

Financial Summary

| | Dec-20A | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
|--------------------------------------|---------|---------|---------|---------|---------|
| Revenue (HK\$m) | 8,923 | 9,486 | 9,812 | 10,374 | 11,008 |
| Operating EBITDA (HK\$m) | 2,439 | 2,457 | 2,518 | 2,599 | 2,700 |
| Operating EBITDA Margin | 27.3% | 25.9% | 25.7% | 25.1% | 24.5% |
| Net Profit (HK\$m) | 1,023 | 1,076 | 1,106 | 1,187 | 1,294 |
| Normalised EPS (HK\$) | 0.28 | 0.29 | 0.30 | 0.32 | 0.35 |
| Normalised EPS Growth | 3.68% | 1.66% | 5.34% | 7.38% | 9.01% |
| FD Normalised P/E (x) | 9.86 | 9.69 | 9.20 | 8.57 | 7.86 |
| DPS (HK\$) | 0.21 | 0.23 | 0.24 | 0.25 | 0.28 |
| Dividend Yield | 7.6% | 8.2% | 8.6% | 9.2% | 10.1% |
| EV/EBITDA (x) | 5.95 | 5.65 | 5.32 | 4.95 | 4.56 |
| P/FCFE (x) | 5.14 | 6.20 | 5.98 | 5.76 | 5.51 |
| Net Gearing | 44.3% | 35.9% | 30.3% | 24.5% | 18.6% |
| ROE | 10.7% | 10.6% | 10.8% | 11.3% | 12.0% |
| % Change In Normalised EPS Estimates | | | (5.78%) | (7.93%) | |
| Normalised EPS/consensus EPS (x) | | | 0.96 | 1.01 | |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Sustainable DPS growth telecom play

FY21 results highlights ►

Telecommunication revenue (ex-handset sales) dropped 0.9% yoy to HK\$7.9bn in FY21, driven by international telecommunication services (-0.8% yoy), enterprise solutions (-1.9% yoy) and fixed line services (-6.3% yoy). Only Internet services recorded positive growth of 10.7% yoy.

FY21 reported net profit growth of 5.2% yoy to HK\$1.08bn. Core net profit, which excludes revaluation gain/loss of investment property, increased 2.0% yoy to HK\$1.05bn.

Capex was HK\$491m in FY21, of which HK\$81m was invested in the 5G network in Macau, HK\$94m was used for data centre expansion, and the remainder mainly for network system upgrades and expansion.

Interest expenses decreased by HK\$26m to HK\$270m as the company paid down debt by HK\$696m and lower bank borrowing costs during this year.

CITICTel declared a final dividend of HK\$0.17 per share (HK\$0.16 for FY20). This, plus the interim dividend of HK\$0.055 per share, raised FY21 DPS to HK\$0.225 (HK\$0.21 for FY20), a 7% yoy increase.

- Enterprise solutions revenue dropped 1.9% yoy to HK\$3.17bn. This was a result of various lockdown measures implemented by governments in CITICTel's operating regions. These measures caused delays in projects and thus, led to lower project revenue.
- International telecommunication services decreased by 0.8% yoy to HK\$2.46bn. Among the three services provided: SMS services, voice services, and DataMall, SMS services remained strong, surging 33.4% yoy to HK\$1.68bn, but was offset by a drop of 36.4% yoy in voice services revenue to HK\$750m. DataMall revenue also decreased to HK\$33m because of lockdown measures implemented by many governments.
- Internet services surged 10.7% yoy to HK\$1.24bn, driven by increasing service upgrades of existing customers and an increasing number of broadband users. This was a result of a hybrid work-from-home model where certain business activities were conducted online, leading to higher demand for Internet and data centre requirements.
- Mobile services revenue fell 10.3% yoy to HK\$858m as a result of pandemic-related disruptions, which adversely impacted roaming-related services revenue.

Figure 1: Results comparison

| FYE 31 Dec (HK\$ m) | 2HFY21 | 2HFY20 | yoy % chg | hoh % chg | 2HFY21 Cum | 2HFY20 Cum | yoy % chg | Prev. FY21F | Comments |
|------------------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|----------------|--|
| Revenue | 4,691 | 4,539 | 3.3 | (2.2) | 9,486 | 8,923 | 6.3 | 9,726 | FY21 telecommunication services revenue increased 6.3% yoy, driven by Internet services (+10.7%), Intl telecommunication services (-0.8%), enterprise solutions (-1.9%), mobile services (-10.3%). |
| Operating costs | (3,645) | (3,487) | 4.5 | 2.4 | (7,206) | (6,649) | 8.4 | (7,337) | |
| EBITDA | 1,046 | 1,052 | (0.5) | (15.2) | 2,280 | 2,274 | 0.3 | 2,390 | |
| EBITDA margin (%) | 22.3 | 23.2 | - | - | 24.0 | 25.5 | - | 24.6 | |
| Depn & amort. | (266) | (297) | (10.3) | (41.4) | (720) | (750) | (3.9) | (750) | |
| EBIT | 780 | 755 | 3.3 | - | 1,560 | 1,524 | 2.4 | 1,625 | |
| Interest expense | (138) | (140) | (1.4) | 4.5 | (270) | (296) | nm | (277) | Decreased in total bank borrowings by HK\$696m. |
| Interest & invt inc | 18 | 22 | (18.2) | nm | 36 | 39 | (7.7) | 31 | |
| Associates' contrib | 1 | - | nm | nm | 1 | - | nm | - | |
| Exceptionals | 20 | (1) | nm | - | 28 | (4) | - | - | Revaluation gain/loss of investment property. |
| Pretax profit | 681 | 636 | 7.1 | 1.0 | 1,355 | 1,263 | 7.3 | 1,380 | |
| Tax | (120) | (112) | nm | (6.3) | (248) | (224) | 10.7 | (248) | |
| Tax rate (%) | 17.6 | 17.6 | - | - | 18.3 | 17.7 | - | 18.0 | |
| Minority interests | (19) | (9) | 111.1 | 58.3 | (31) | (16) | nm | (17) | |
| Net profit | 542 | 515 | 5.2 | 1.5 | 1,076 | 1,023 | 5.2 | 1,114 | |
| Core net profit | 522 | 516 | 1.2 | (0.8) | 1,048 | 1,027 | 2.0 | 1,114 | FY21 core net profit grew 2.0% yoy to HK\$1.05bn. |
| EPS (HK\$ cts) | 14.7 | 14.1 | 4.7 | 1.3 | 29.2 | 27.9 | 4.6 | 30.4 | FY21 core net profit formed 94% of our FY21F forecast, the key discrepancy came from lower-than-expected enterprise solutions. |
| Core EPS (HK\$ cts) | 14.2 | 14.1 | 0.6 | (0.9) | 28.5 | 28.0 | 1.5 | 30.4 | |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Revenue breakdown and operational metrics (FY16 to FY21)

| FYE 31 Dec (HK\$m) | Dec-16A | Dec-17A | Dec-18A | Dec-19A | 1H20 | 2H20 | Dec-20A | 1H21 | 2H21 | Dec-21A |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Fixed line services | 322 | 281 | 244 | 225 | 97 | 93 | 190 | 92 | 86 | 178 |
| Enterprise solution | 2,256 | 2,684 | 2,954 | 3,088 | 1,718 | 1,509 | 3,227 | 1,583 | 1,582 | 3,165 |
| - VPN, Cloud computing in other markets | 1,458 | 2,082 | 2,366 | 2,437 | 1,293 | 1,134 | 2,427 | 1,241 | 1,374 | 2,615 |
| - CTM | 798 | 602 | 588 | 652 | 425 | 375 | 800 | 342 | 208 | 550 |
| International telecommunication services | 1,341 | 1,341 | 1,656 | 1,775 | 1,165 | 1,316 | 2,481 | 1,287 | 1,174 | 2,461 |
| - Voice | 1,113 | 991 | 1,156 | 1,007 | 588 | 591 | 1,179 | 432 | 318 | 750 |
| - SMS | 212 | 280 | 387 | 674 | 560 | 698 | 1,258 | 836 | 842 | 1,678 |
| Internet services | 922 | 934 | 1,010 | 1,066 | 552 | 571 | 1,123 | 604 | 639 | 1,243 |
| Mobile sales and services | 2,858 | 2,331 | 3,601 | 2,861 | 852 | 1,050 | 1,902 | 1,229 | 1,210 | 2,439 |
| - Handset sales | 1,693 | 1,110 | 2,325 | 1,618 | 359 | 586 | 945 | 802 | 779 | 1,581 |
| - Mobile telecom services | 1,165 | 1,221 | 1,277 | 1,243 | 493 | 464 | 957 | 427 | 431 | 858 |
| Total revenue | 7,699 | 7,451 | 9,464 | 9,014 | 4,384 | 4,539 | 8,923 | 4,795 | 4,691 | 9,486 |
| Total revenue (ex-handset sales) | 6,006 | 6,341 | 7,139 | 7,396 | 4,025 | 3,953 | 7,978 | 3,993 | 3,912 | 7,905 |
| YoY growth (%) | | | | | | | | | | |
| Fixed line services | -10% | -13% | -13% | -8% | -15% | -16% | -16% | -5% | -8% | -6% |
| Enterprise solution | 7% | 19% | 10% | 5% | 13% | -4% | 4% | -8% | 5% | -2% |
| - VPN, Cloud computing in other markets | 15% | 43% | 14% | 3% | 7% | -7% | 0% | -4% | 21% | 8% |
| - CTM | -4% | -25% | -2% | 11% | 40% | 8% | 23% | -20% | -45% | -31% |
| International telecommunication services | -14% | 0% | 23% | 7% | 39% | 41% | 40% | 10% | -11% | -1% |
| - Voice | -10% | -11% | 17% | -13% | 6% | 30% | 17% | -27% | -46% | -36% |
| - SMS | -33% | 32% | 38% | 74% | 137% | 59% | 87% | 49% | 21% | 33% |
| Internet services | 11% | 1% | 8% | 6% | 4% | 7% | 5% | 9% | 12% | 11% |
| Mobile sales and services | -18% | -18% | 54% | -21% | -38% | -29% | -34% | 44% | 15% | 28% |
| - Handset sales | -25% | -34% | 109% | -30% | -53% | -32% | -42% | 123% | 33% | 67% |
| - Mobile telecom services | -6% | 5% | 5% | -3% | -20% | -26% | -23% | -13% | -7% | -10% |
| Total revenue | -8% | -3% | 27% | -5% | 0% | -2% | -1% | 9% | 3% | 6% |
| Total revenue (ex-handset sales) | -1% | 6% | 13% | 4% | 11% | 5% | 8% | -1% | -1% | -1% |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: DPS (FY18 to FY21)



| | Dec-08A | Dec-09A | Dec-10A | Dec-11A | Dec-12A | Dec-13A | Dec-14A | Dec-15A | Dec-16A | Dec-17A | Dec-18A | Dec-19A | Dec-20A | Dec-21A |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| EPS | 0.168 | 0.188 | 0.179 | 0.192 | 0.193 | 0.365 | 0.217 | 0.238 | 0.249 | 0.249 | 0.267 | 0.275 | 0.313 | 0.313 |
| core EPS | 0.168 | 0.188 | 0.179 | 0.192 | 0.193 | 0.191 | 0.217 | 0.238 | 0.249 | 0.244 | 0.258 | 0.270 | 0.313 | 0.313 |
| DPS | 0.084 | 0.095 | 0.095 | 0.096 | 0.096 | 0.100 | 0.113 | 0.125 | 0.132 | 0.160 | 0.180 | 0.200 | 0.210 | 0.225 |
| Payout ratio (%) - I | 50.0% | 50.6% | 53.2% | 50.0% | 49.7% | 52.3% | 52.2% | 52.5% | 53.0% | 65.6% | 67.4% | 74.0% | 74.9% | 78.9% |
| core EPS (yoy %) | n.a. | 11.9% | -4.9% | 7.5% | 0.7% | -1.0% | 13.2% | 9.8% | 4.7% | -2.1% | 5.6% | 5.0% | 15.7% | 0.0% |
| DPS (yoy %) | n.a. | 13.1% | 0.0% | 1.1% | 0.0% | 4.2% | 13.0% | 10.6% | 5.6% | 21.2% | 12.5% | 11.1% | 5.0% | 7.1% |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Peers comparison

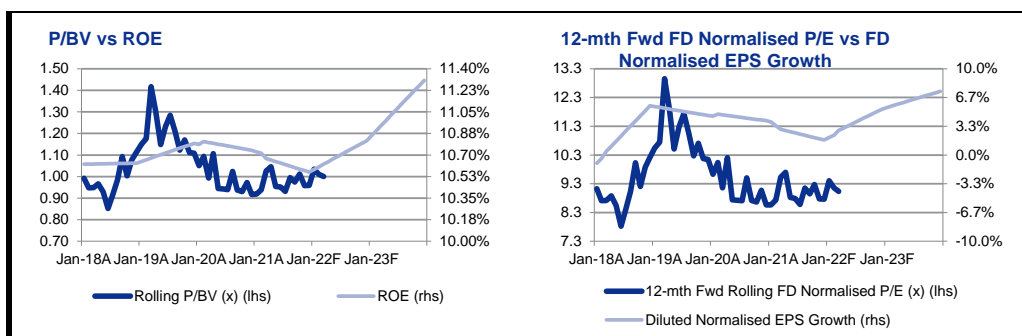
| Company | Bloomberg | | Price | Target Price | Market Cap | P/E (x) | | | P/BV (x) | | Recurring ROE (%) | | EV/EBITDA (x) | | Dividend Yield (%) | |
|---|-----------|---------------------|-------|--------------|------------|--------------|-------------|-------------|------------|------------|-------------------|-------------|---------------|------------|--------------------|-------------|
| | Ticker | Recom. (local curr) | | | | (local curr) | (US\$m) | CY2021F | CY2022F | CY2023F | CY2021F | CY2022F | CY2021F | CY2022F | CY2021F | CY2022F |
| Integrated telecom operators - Hong Kong and Macau | | | | | | | | | | | | | | | | |
| CITIC Telecom | 1883 HK | Add | 2.76 | 3.79 | 1,299 | 9.6 | 9.2 | 8.6 | 1.0 | 1.0 | 10.6% | 10.8% | 5.6 | 5.3 | 8.2% | 8.6% |
| HKT Trust | 6823 HK | Not Rated | 10.4 | N/A | 10,154 | 16.5 | 15.5 | 15.4 | 2.1 | 2.1 | 12.8% | 13.8% | 9.6 | 9.2 | 6.9% | 7.1% |
| Hutchison Telecom HK | 215 HK | Not Rated | 1.2 | N/A | 746 | N/M | 61.5 | 34.1 | 0.6 | 0.6 | 0.0% | 1.8% | 1.5 | 1.6 | 6.0% | 6.0% |
| HKBN | 1310 HK | Not Rated | 8.7 | N/A | 1,488 | 64.6 | 22.5 | 16.2 | 2.1 | 2.7 | 3.5% | 11.4% | 8.6 | 8.0 | 8.5% | 9.3% |
| Average | | | | | | 30.2 | 27.2 | 18.6 | 1.5 | 1.6 | 6.7% | 9.4% | 6.3 | 6.0 | 7.4% | 7.7% |
| Integrated telecom operators - China | | | | | | | | | | | | | | | | |
| China Mobile | 941 HK | Not Rated | 48.30 | N/A | 140,677 | 7.4 | 6.9 | 6.5 | 0.7 | 0.7 | 9.7% | 9.8% | 1.4 | 1.3 | 7.3% | 7.9% |
| China Telecom | 728 HK | Not Rated | 2.76 | N/A | 52,751 | 7.7 | 7.4 | 6.6 | 0.5 | 0.5 | 6.6% | 6.6% | 2.4 | 2.3 | 7.5% | 8.4% |
| China Unicom | 762 HK | Not Rated | 3.66 | N/A | 15,184 | 6.8 | 5.8 | 5.4 | 0.3 | 0.3 | 4.4% | 4.8% | 0.6 | 0.6 | 3.7% | 8.3% |
| Average | | | | | | 7.3 | 6.7 | 6.1 | 0.5 | 0.5 | 6.9% | 7.1% | 1.5 | 1.4 | 6.2% | 8.2% |

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG (PRICE AS AT 15 MAR, 2022)

| Refinitiv ESG Scores | |
|--|--|
|  |  |
| ESG in a nutshell | |
| <p>In 2020, CITICTel received an overall ESG score of 40.38 (Grade C) from Refinitiv, up 8.8% yoy. Product Responsibility, Management and Shareholder categories were the key drivers of this year's improving ESG performance. Also, the company has a controversies score of 100 (Grade A+), implying no significant controversies over the ESG performance of USI. In our view, CITICTel is not involved in any environmentally-detrimental industry practices and takes effort to minimise the environmental impact of its operations.</p> | |
| <p>Keep your eye on</p> <p>CITICTel had a relatively strong performance in the Social pillar in the past two years, followed by the Governance pillar, and then Environmental pillar.</p> | <p>Implications</p> <p>By category and on average, Product Responsibility, Resource Use, and Shareholders are the three best performing categories over the last two years while Env. Innovation, Human Rights, and CSR Strategy were laggards during the same period.</p> |
| <p>ESG highlights</p> <p>CITICTel's ESG score is mainly driven by the company's ranking relative to peers, and changes in underlying data as reported by company.</p> | <p>Implications</p> <p>CITICTel's ESG score changed from the previous year's 31.59 to 40.38, improving materially, driven by changes in 9 of the 10 ESG categories.</p> <p>Within the 10 categories, 66 metrics are identified, changes in ranking relative to peers led to 40 of the changes while changes in underlying reported metric values drove the rest.</p> |
| <p>Trends</p> <p>CITICTel has performed well in the Social and Governance pillar this year, as well as the Environmental pillar.</p> | <p>Implications</p> <p>Within the Environmental pillar, the only metric shown was Climate Change Commercial Risk Opportunities which received a score of 71.94 in FY20.</p> <p>Under the Social pillar, it scored the highest in Customer Satisfaction with a 98.28 rating, followed by Internal Performance with a 80.56 rating.</p> <p>For the Governance pillar, it performed the best in CEO Compensation Link to TSR with a 94.20 rating, and second best in Auditor Tenure with a 92.75 rating.</p> |

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

| (HK\$m) | Dec-20A | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
|--|--------------|--------------|--------------|---------------|---------------|
| Total Net Revenues | 8,923 | 9,486 | 9,812 | 10,374 | 11,008 |
| Gross Profit | 3,883 | 4,027 | 4,178 | 4,362 | 4,577 |
| Operating EBITDA | 2,439 | 2,457 | 2,518 | 2,599 | 2,700 |
| Depreciation And Amortisation | (915) | (897) | (900) | (887) | (876) |
| Operating EBIT | 1,524 | 1,560 | 1,618 | 1,712 | 1,823 |
| Financial Income/(Expense) | (282) | (257) | (246) | (235) | (210) |
| Pretax Income/(Loss) from Assoc. | 0 | 1 | 0 | 0 | 0 |
| Non-Operating Income/(Expense) | 25 | 23 | 21 | 21 | 21 |
| Profit Before Tax (pre-EI) | 1,267 | 1,327 | 1,393 | 1,499 | 1,634 |
| Exceptional Items | (4) | 28 | 0 | 0 | 0 |
| Pre-tax Profit | 1,263 | 1,355 | 1,393 | 1,499 | 1,634 |
| Taxation | (224) | (248) | (255) | (277) | (302) |
| Exceptional Income - post-tax | | | | | |
| Profit After Tax | 1,039 | 1,107 | 1,138 | 1,222 | 1,332 |
| Minority Interests | (16) | (31) | (32) | (34) | (37) |
| Preferred Dividends | | | | | |
| FX Gain/(Loss) - post tax | | | | | |
| Other Adjustments - post-tax | | | | | |
| Preference Dividends (Australia) | | | | | |
| Net Profit | 1,023 | 1,076 | 1,106 | 1,187 | 1,294 |
| Normalised Net Profit | 1,043 | 1,079 | 1,138 | 1,222 | 1,332 |
| Fully Diluted Normalised Profit | 1,027 | 1,048 | 1,106 | 1,187 | 1,294 |

Cash Flow

| (HK\$m) | Dec-20A | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| EBITDA | 2,439 | 2,457 | 2,518 | 2,599 | 2,700 |
| Cash Flow from Inv. & Assoc. | 0 | (1) | 0 | 0 | 0 |
| Change In Working Capital | 313 | 2 | 10 | 16 | 19 |
| (Incr)/Decr in Total Provisions | | | | | |
| Other Non-Cash (Income)/Expense | | | | | |
| Other Operating Cashflow | 933 | 516 | 474 | 462 | 439 |
| Net Interest (Paid)/Received | (296) | (270) | (261) | (250) | (227) |
| Tax Paid | (238) | (248) | (255) | (277) | (302) |
| Cashflow From Operations | 3,151 | 2,456 | 2,485 | 2,550 | 2,628 |
| Capex | (788) | (532) | (500) | (500) | (500) |
| Disposals Of FAs/subsidiaries | 0 | 0 | 0 | 0 | 0 |
| Acq. Of Subsidiaries/Investments | 1 | 0 | 0 | 0 | 0 |
| Other Investing Cashflow | 14 | 13 | 15 | 16 | 16 |
| Cash Flow From Investing | (773) | (519) | (485) | (484) | (484) |
| Debt Raised/(repaid) | (407) | (300) | (300) | (300) | (300) |
| Proceeds From Issue Of Shares | 14 | 0 | 0 | 0 | 0 |
| Shares Repurchased | 0 | 0 | 0 | 0 | 0 |
| Dividends Paid | (733) | (770) | (829) | (873) | (937) |
| Preferred Dividends | | | | | |
| Other Financing Cashflow | (454) | (304) | (307) | (292) | (272) |
| Cash Flow From Financing | (1,580) | (1,374) | (1,436) | (1,465) | (1,510) |
| Total Cash Generated | 798 | 563 | 565 | 601 | 635 |
| Free Cashflow To Equity | 1,971 | 1,637 | 1,701 | 1,766 | 1,844 |
| Free Cashflow To Firm | 2,674 | 2,207 | 2,262 | 2,317 | 2,371 |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

| (HK\$m) | Dec-20A | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Cash And Equivalents | 1,519 | 1,793 | 1,847 | 1,902 | 1,959 |
| Total Debtors | 1,104 | 1,248 | 1,291 | 1,365 | 1,448 |
| Inventories | 61 | 103 | 106 | 113 | 121 |
| Total Other Current Assets | 353 | 268 | 268 | 268 | 268 |
| Total Current Assets | 3,037 | 3,412 | 3,512 | 3,648 | 3,797 |
| Fixed Assets | 2,705 | 2,625 | 2,563 | 2,514 | 2,476 |
| Total Investments | 9 | 11 | 11 | 11 | 11 |
| Intangible Assets | 1,219 | 1,064 | 896 | 729 | 561 |
| Total Other Non-Current Assets | 11,367 | 11,270 | 11,274 | 11,280 | 11,287 |
| Total Non-current Assets | 15,300 | 14,970 | 14,744 | 14,534 | 14,335 |
| Short-term Debt | 240 | 500 | 475 | 451 | 429 |
| Current Portion of Long-Term Debt | | | | | |
| Total Creditors | 1,457 | 1,645 | 1,701 | 1,799 | 1,909 |
| Other Current Liabilities | 524 | 512 | 512 | 512 | 512 |
| Total Current Liabilities | 2,221 | 2,657 | 2,688 | 2,762 | 2,850 |
| Total Long-term Debt | 5,628 | 4,946 | 4,531 | 4,080 | 3,596 |
| Hybrid Debt - Debt Component | | | | | |
| Total Other Non-Current Liabilities | 453 | 392 | 393 | 394 | 396 |
| Total Non-current Liabilities | 6,081 | 5,338 | 4,924 | 4,474 | 3,992 |
| Total Provisions | 226 | 211 | 211 | 211 | 211 |
| Total Liabilities | 8,528 | 8,206 | 7,824 | 7,448 | 7,053 |
| Shareholders' Equity | 9,751 | 10,095 | 10,351 | 10,653 | 10,998 |
| Minority Interests | 58 | 81 | 81 | 81 | 81 |
| Total Equity | 9,809 | 10,176 | 10,432 | 10,734 | 11,079 |

Key Ratios

| | Dec-20A | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
|---------------------------|---------|---------|---------|---------|---------|
| Revenue Growth | (1.01%) | 6.31% | 3.43% | 5.73% | 6.12% |
| Operating EBITDA Growth | (1.11%) | 0.74% | 2.47% | 3.23% | 3.86% |
| Operating EBITDA Margin | 27.3% | 25.9% | 25.7% | 25.1% | 24.5% |
| Net Cash Per Share (HK\$) | (1.19) | (0.99) | (0.86) | (0.71) | (0.56) |
| BVPS (HK\$) | 2.66 | 2.74 | 2.81 | 2.89 | 2.99 |
| Gross Interest Cover | 5.15 | 5.78 | 6.19 | 6.84 | 8.05 |
| Effective Tax Rate | 17.7% | 18.3% | 18.3% | 18.5% | 18.5% |
| Net Dividend Payout Ratio | 74.9% | 79.1% | 78.9% | 78.9% | 78.9% |
| Accounts Receivables Days | 50.09 | 45.25 | 47.22 | 46.72 | 46.76 |
| Inventory Days | 7.44 | 5.48 | 6.78 | 6.67 | 6.68 |
| Accounts Payables Days | 106.3 | 103.7 | 108.4 | 106.3 | 105.5 |
| ROIC (%) | 7.57% | 7.89% | 8.41% | 9.05% | 9.80% |
| ROCE (%) | 9.7% | 9.9% | 10.4% | 11.1% | 11.9% |
| Return On Average Assets | 6.83% | 6.93% | 7.22% | 7.67% | 8.20% |

Key Drivers

| | Dec-20A | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
|--|---------|---------|---------|---------|---------|
| Enterprise solution (yoy change %) | 4.5% | -1.9% | 4.2% | 5.1% | 5.1% |
| Intl telecommunication services (yoy change %) | 39.8% | -0.8% | 11.2% | 11.8% | 12.4% |
| Mobile services (yoy change %) | -23.0% | -10.3% | -10.0% | 1.0% | 1.0% |

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| | | | | | |
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| Description: | Excellent | Very Good | Good | N/A | N/A |

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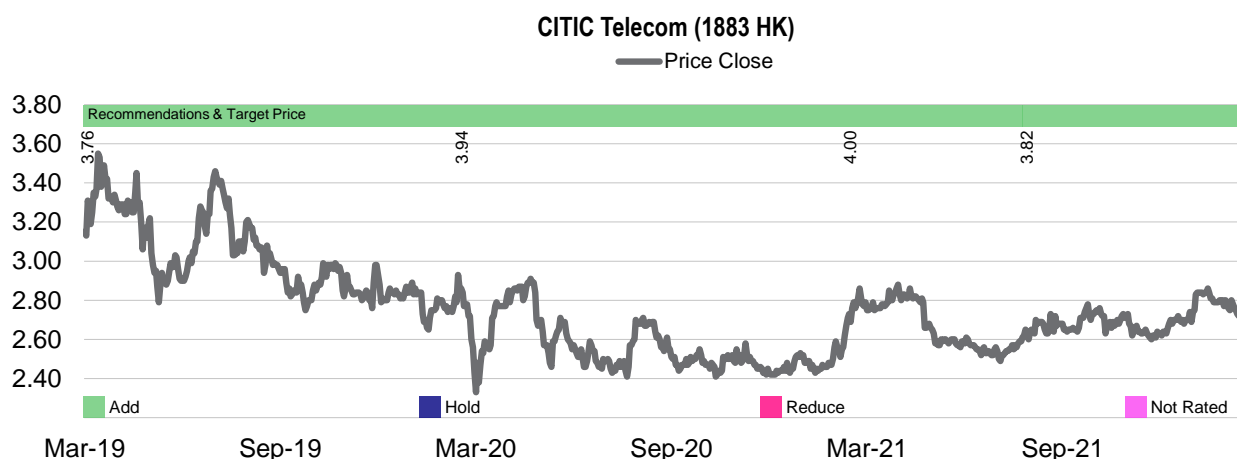
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| | | |
|--|-------------------------|--------------------------------|
| Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021 | | |
| 619 companies under coverage for quarter ended on 31 December 2021 | | |
| | Rating Distribution (%) | Investment Banking clients (%) |
| Add | 71.1% | 1.5% |
| Hold | 21.8% | 0.0% |
| Reduce | 7.1% | 0.0% |

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

| Recommendation Framework | |
|--|--|
| Stock Ratings | Definition: |
| Add | The stock's total return is expected to exceed 10% over the next 12 months. |
| Hold | The stock's total return is expected to be between 0% and positive 10% over the next 12 months. |
| Reduce | The stock's total return is expected to fall below 0% or more over the next 12 months. |
| <i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i> | |
| Sector Ratings | Definition: |
| Overweight | An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation. |
| Neutral | A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation. |
| Underweight | An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation. |
| Country Ratings | Definition: |
| Overweight | An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark. |
| Neutral | A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark. |
| Underweight | An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark. |

