

China Unicom

Shareholder returns to normalise

16 September 2026

Company Overview

China Unicom (CU) is an integrated telecom operator in Mainland China with a market share of c.20% in the mobile market and the broadband market. It provides 2G/3G services based on GSM/WCDMA technologies and 4G services mainly based on FD-LTE technology, as well as 5G service based on 5G SA network. Its fixed-line business mainly covers northern China.

Investment Overview

An integrated telecommunications leader with a solid market position. China Unicom is a key integrated operator, particularly in Northern China. As of 1H26, it had c.249 mn 5G package subscribers and 129 mn fixed-line broadband subscribers, each holding a stable share of c.20%. The company co-builds and co-shares its 5G network with China Telecom to narrow the competitive gap with China Mobile.

Connectivity is now modestly declining, with computing power the growth engine. Service revenue fell 0.2% y/y in 1H26, partly due to the new VAT reclassification. That said, integrated penetration has exceeded 78% and package ARPU remains above RMB100, suggesting the core business is stabilising. Computing power revenue grew 13% y/y to RMB41.9bn, with data centre revenue up 11% and computing services up 9%. International revenue also grew 14% to RMB7.7bn and is becoming an increasingly meaningful contributor.

The VAT headwind is now realised, and cost timing has amplified it. Amid the VAT reclassification on core connectivity from 1 Jan 2026 and 19.3% y/y growth in employee benefit expenses, 1H26 net profit fell 34.6% y/y. Management guides FY26 staff costs to grow by 2-3% y/y, implying a double-digit decline in 2H. We expect earnings growth of 12.3%/+5.6%/+6.3% in FY26-28F, versus -7.7%/+8.7%/+9.0% previously.

Maintain BUY on an attractive dividend yield. Management views the interim dividend suspension as a one-off due to front-loaded capex, with FY26 capex guidance unchanged at c.RMB50bn. We expect the payout ratio to remain above 65% in FY26F, implying a 7.9% yield. The stock is now trading at c.8.1x FY26/27F PE, below the 5Y average of 8.8x. Our new TP of HKD8.0 (prev: HKD8.7) is based on a rolled-forward FY26/27F PE of 12x, supported by a strong balance sheet and continued growth in computing power, AI and international business.

Risks

Policy risks. China's telecom sector is exposed to policy risks such as management reshuffle and tariff cuts. This could be unfavourable to its performance.

Price war in the mobile market. Irrational competition for mobile subscriber market share could lead to higher ARPU pressure.

Andy YU | Vanessa LEE

Analysts

andyuakh@dbs.com | vanessaszechunl@dbs.com

Key Financial Data

Bloomberg Ticker	762 HK
Sector	Telecommunication Services
Share Price (HKD)	6.02
DBS Rating	BUY
12-mth Target Price (HKD)	8.00
Market Cap (USDbn)	23.49
Volume (mn shares)	69.67
Free float (%)	na
Dividend yield (%)	7.71
Net Debt/Equity (%)	na
Fwd. P/E (x)	8.42
P/Book (x)	0.45
ROE (%)	5.71

Closing Price as of 14 Sep 2026
Source: Twelve Data, DBS, Visible Alpha

Indexed Share price vs Composite Index Performance



Source: S&P

Financial Summary (CNYmn)

FY Dec	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)	FY2028(F)
Sales	389,589	392,223	391,920	396,578	403,054
% y/y	5.1	0.7	(0.1)	1.2	1.6
Gross Profit	389,589	392,223	391,920	396,578	403,054
% y/y	5.1	0.7	(0.1)	1.2	1.6
EBITDA	108,449	105,789	103,508	104,684	104,535
% y/y	2.5	(2.5)	(2.2)	1.1	(0.1)
Net Profit (Loss)	20,613	20,816	18,016	19,022	20,215
% y/y	22.0	1.0	(13.4)	5.6	6.3
FCF	15,638	24,285	30,184	30,431	28,405
% y/y	(35.9)	55.3	24.3	0.8	(6.7)
CAPEX	(73,764)	(65,890)	(49,353)	(48,353)	(47,853)
% y/y	(5.4)	(10.7)	(25.1)	(2.0)	(1.0)
EBITDA Margin (%)	27.8	27.0	26.4	26.4	25.9
Net Margin (%)	5.3	5.3	4.6	4.8	5.0
ROA (%)	3.1	3.1	2.7	2.8	2.9
ROE (%)	5.8	5.7	4.9	5.0	5.3
Tax Rate (%)	17.9	17.8	17.8	17.8	17.8

Source: DBS

Valuation Metrics

FY Dec	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)	FY2028(F)
PE (x)	7.2	7.1	8.2	7.8	7.3
P/B (x)	0.4	0.4	0.4	0.4	0.4
Dividend Yield (%)	8.3	8.6	7.9	8.5	9.1
EV/EBITDA (x)	1.2	1.1	0.9	0.7	0.5
FCF Yield (%)	12.2	20.8	32.5	43.2	54.6
Net DPS (HKD)	0.4	0.5	0.4	0.5	0.5
BV Per Share (HKD)	12.6	13.4	14.3	14.5	14.8

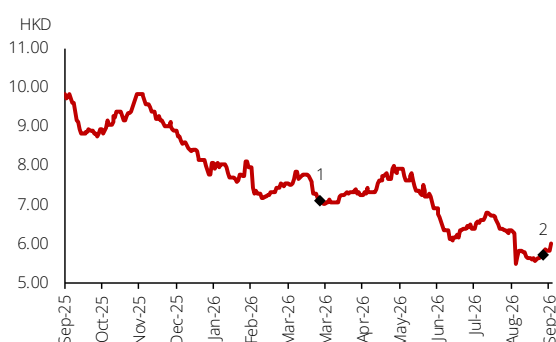
Source: DBS

Credit & Cashflow Metrics

FY Dec	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)	FY2028(F)
Debt / Equity (x)	0.1	0.1	0.1	0.1	0.1
Net Debt / Equity (x)	cash	cash	cash	cash	cash
Debt / Assets (x)	0.1	0.1	0.0	0.0	0.0
EBITDA / Int Exp (x)	nm	nm	nm	nm	nm
Debt / EBITDA (x)	0.4	0.3	0.3	0.3	0.3
Receivables Days	43.6	56.1	68.2	80.8	95.3
Days Payable	(963.7)	(1,068.3)	(1,141.5)	(1,154.0)	(1,193.2)
Inventory Days	(10.2)	(11.0)	(11.4)	(12.5)	(14.0)

Source: DBS

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1	25-Mar-26	HKD7.17	HKD8.70	BUY
2	8-Sep-26	HKD5.67	HKD8.00	BUY

Note: Share price and Target price are adjusted for corporate actions

Source: DBS

Analysts: Andy YU
Vanessa LEE

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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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DBS REGIONAL RESEARCH OFFICES

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Derek Tan
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: William Simadiputra
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: DBSVTresearch@dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand