Morgan Stanley | RESEARCH

UPDATE

October 22, 2026 05:37 PM GMT

China Telecom | Asia Pacific

3Q26 quick take

AlphaSignals Earnings Reaction

Unchanged	In-line	Largely unchanged
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- Service revenue was down 1.7% YoY, to Rmb115bn.
- EBITDA was down 3.9% YoY, to Rmb33.7bn, narrowed from the 1H26 decline.
- Net profit was down 14.7% YoY, to Rmb6.6bn, largely in line with the trend.

Exhibit 1: CT – 3Q26 results summary

Rmb mn	3Q25	2Q26	3Q26	% YoY	% QoQ
Total revenue	**125,529**	**128,504**	**121,931**	**-2.9%**	**-5.1%**
Service revenue	**117,188**	**121,400**	**115,200**	**-1.7%**	**-5.1%**
Total operating expenses	**90,485**	**88,022**	**88,249**	**-2.5%**	**0.3%**
EBITDA	**35,044**	**40,482**	**33,682**	**-3.9%**	**-16.8%**
% margin	27.9%	31.5%	27.6%	-0.3ppt	-3.9ppt
% margin on service revenue	29.9%	33.3%	29.2%	-0.7ppt	-4.1ppt
Depreciation and amortization	25,854	25,654	25,785	-0.3%	0.5%
Operating profit	**9,190**	**14,828**	**7,897**	**-14.1%**	**-46.7%**
% margin	7.3%	11.5%	6.5%	-0.8ppt	-5.1ppt
Non-operating items	**665**	**1,611**	**708**		
Net finance costs	(160)	(76)	(103)		
Share of profit/(loss) of associates	825	1,687	811		
Extraordinary items	-	-	-		
Profit before taxation	**9,855**	**16,439**	**8,605**	**-12.7%**	**-47.7%**
% margin	7.9%	12.8%	7.1%	-0.8ppt	-5.7ppt
Income tax	2,103	4,227	1,903		
% of PBT	23.3%	28.7%	24.4%		
Minority interests	(4)	(26)	83		
Net profit	**7,756**	**12,238**	**6,619**	**-14.7%**	**-45.9%**
% margin	6.2%	9.5%	5.4%	-0.8ppt	-4.1ppt
Net profit (normalized)	**7,756**	**12,238**	**6,619**	**-14.7%**	**-45.9%**
% margin	6.2%	9.5%	5.4%	-0.8ppt	-4.1ppt

Source: Company data, Morgan Stanley Research estimates.

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China Telecom (601728.SS, 601728 CH)

Greater China Telecoms | China

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	Rmb5.80
Up/downside to price target (%)	(14)
Shr price, close (Oct 22, 2026)	Rmb6.72
52-Week Range	Rmb7.39-5.15
Sh out, dil, curr (mn)	77,630
Mkt cap, curr (mn)	Rmb573,201.7
EV, curr (mn)	Rmb483,982.7
Avg daily trading value (mn)	Rmb928

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	0.4	0.3	0.3	0.4
Prior EPS (Rmb)**	-	-	-	-
EPS (Rmb)§	0.4	0.3	0.3	0.3
Revenue, net (Rmb mn)	529,559.0	526,648.1	537,933.5	550,177.0
EBITDA (Rmb mn)	124,621.2	118,772.1	121,766.2	122,611.2
ModelWare net inc (Rmb mn)	33,185.0	29,315.3	29,784.1	32,447.6
P/E	17.4	21.0	20.6	19.0
P/BV	1.3	1.3	1.3	1.3
RNOA (%)	8.7	6.9	7.0	8.0
ROE (%)	7.3	6.4	6.4	6.9
EV/EBITDA	3.7	4.0	3.7	3.4
Div yld (%)	4.3	3.7	3.8	4.3
FCF yld ratio (%)**	5.3	7.1	8.9	10.0
Leverage (EOP) (%)	(11.1)	(13.1)	(17.5)	(22.8)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

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China Telecom (0728.HK)

Base case scenario value, DCF, in which we assume a WACC of 10.1% and terminal growth rates of 2% for both the mobile and fixed-line businesses.

Risks to Upside

- Better-than-expected industry revenue trend
- Less-than-expected capex
- Faster-than-expected 5G adoption

Risks to Downside

- Intensifying mobile and/or broadband competition
- Announcement of an aggressive 5G capex plan
- Further delays in 5G value chain development

China Telecom (601728.SS)

CT-A and CT-H have identical asset structures. Our price target is derived from our price target for CT-H, with a 30% A-H premium applied, in line with Hang Seng China AH Premium Index's average over the past three years.

Risks to Upside

- Better-than-expected industry revenue trend
- Less-than-expected capex
- Faster-than-expected 5G adoption
- A-H premium expansion

Risks to Downside

- Intensifying mobile and/or broadband competition
- Announcement of an aggressive 5G capex plan
- Further delays in 5G value chain development
- A-H premium compression



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(as of September 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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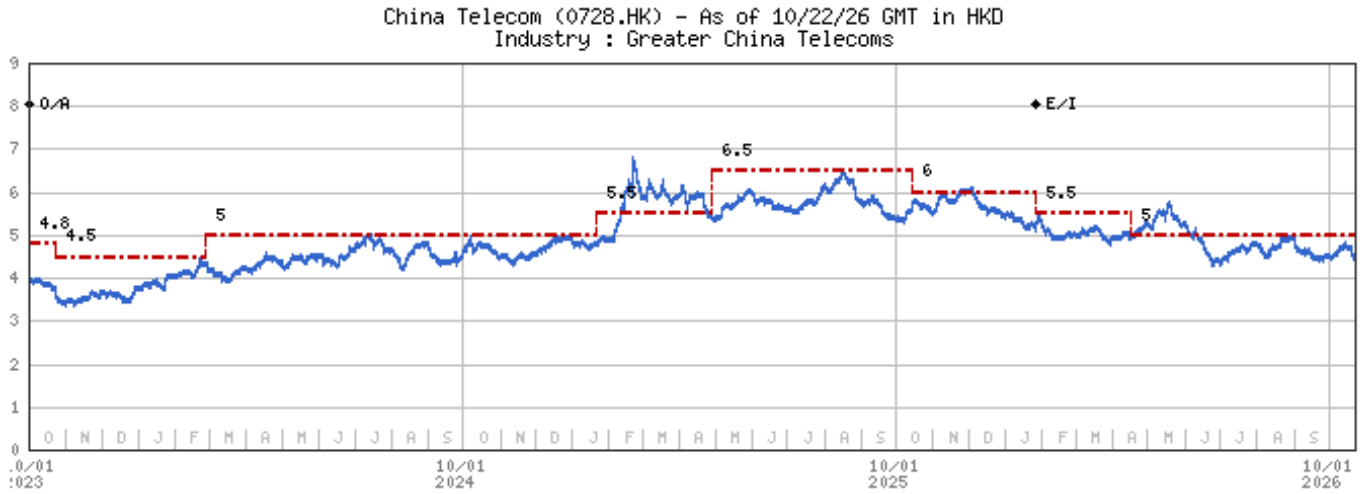
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Stock Price, Price Target and Rating History (See Rating Definitions)



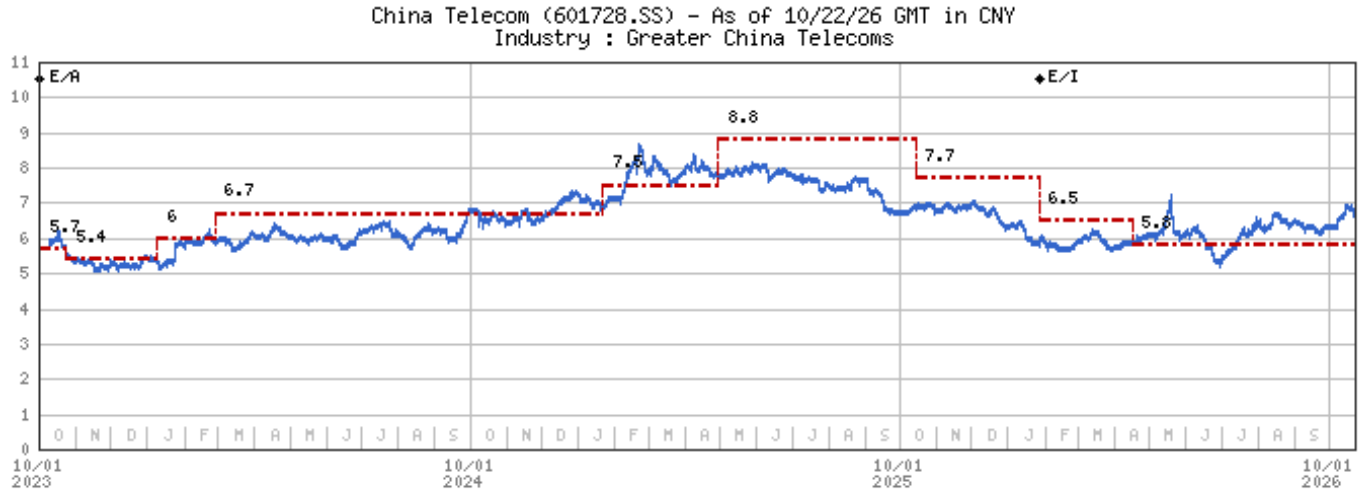
Stock Rating History: 10/1/21 : O/A; 1/27/26 : E/I

Price Target History: 6/24/21 : 3.8; 3/2/22 : 4; 9/13/22 : 3.5; 1/9/23 : 4; 2/27/23 : 5; 8/9/23 : 4.8; 10/23/23 : 4.5; 2/27/24 : 5; 1/21/25 : 5.5; 4/29/25 : 6.5; 10/14/25 : 6; 1/27/26 : 5.5; 4/16/26 : 5

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -·- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ▬
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Stock Rating History: 7/6/23 : E/A; 1/27/26 : E/I

Price Target History: 7/6/23 : 6; 8/9/23 : 5.7; 10/23/23 : 5.4; 1/9/24 : 6; 2/27/24 : 6.7; 1/21/25 : 7.5; 4/29/25 : 8.8; 10/14/25 : 7.7; 1/27/26 : 6.5; 4/16/26 : 5.8

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -·- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ▬
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INDUSTRY COVERAGE: Greater China Telecoms

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/22/2026)
Gary Yu		
China Mobile Limited (0941.HK)	E (01/27/2026)	HK$77.35
China Mobile Limited (600941.SS)	E (07/06/2023)	Rmb99.00
China Telecom (601728.SS)	E (07/06/2023)	Rmb6.72
China Telecom (0728.HK)	E (01/27/2026)	HK$4.37
China Tower Corp Ltd (0788.HK)	O (01/21/2025)	HK$8.77
China Unicom (0762.HK)	E (01/27/2026)	HK$5.27
China United Network Communications (600050.SS)	U (10/30/2016)	Rmb4.29
Tom Tang		
China Communication Service Co Ltd (0552.HK)	E (11/12/2024)	HK$3.72
Chunghwa Telecom (2412.TW)	E (04/29/2025)	NT$158.00
Far Eastone (4904.TW)	O (10/16/2024)	NT$115.00
HKBN Ltd (1310.HK)	E (10/20/2025)	HK$5.60
HKT Trust and HKT Ltd. (6823.HK)	O (12/11/2020)	HK$11.94
PCCW Ltd (0008.HK)	E (09/07/2023)	HK$5.07
SUNeVision Holdings Limited (1686.HK)	O (08/03/2020)	HK$4.93
Taiwan Mobile (3045.TW)	E (01/27/2026)	NT$133.00
VNET Group Inc (VNET.O)	O (10/04/2017)	US$4.14
Yang Liu		
GDS Holdings Ltd (GDS.O)	++	US$23.57

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* Historical prices are not split adjusted.

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