13 Aug 2026

CMB International Global Markets | Equity Research | Company Update

China Tower (788 HK)

1H26 results: D&A roll-off drove earnings amid revenue decline; Maintain HOLD

China Tower released its 1H26 results. Revenue declined 1.8% YoY to RMB48.7bn, and Tower business revenue fell 6.7% YoY on telcos' network optimization. During the period, DAS / Two Wings business revenue increased by 9.2% / 14.2%, ramping up to 27% of total revenue (1H25: 23%). Net profit went up by 30.1% YoY to RMB7.5bn, with net margin up 3.8ppts YoY to 15.4%, primarily driven by a lower D&A expense ratio (39.3% of revenue in 1H26 vs. 51.6% in 1H25), as acquired tower assets were fully depreciated with the adjustment to the estimated useful lives of DAS assets. The Company declared a 1H26 dividend of RMB0.19 per share, up 44.3% YoY, increasing shareholder returns. **Maintain HOLD, with TP adjusted to HK$11.50.**

- **Tower business decline deepened; while DAS and Two Wings business sustained growth.** By segment, Tower revenue (72% of 1H26 revenue) fell 6.7% YoY to RMB35.3bn in 1H26 (FY25: -0.3% YoY), due to telcos' network optimization, simplified base station upgrades, and the CT-CU unified 4G network arrangement. Tower sites grew 2.5% YoY to 2.17mn, while TSP tenants declined 0.4% YoY and the average tenancy ratio slipped to 1.78 (1H25: 1.81). Mgmt. guided Tower revenue to resume growth from 2027E, driven by the 15th Five-Year Plan's target of 55 5G base stations per 10,000 people by 2030E. DAS revenue (10% of 1H26 revenue) grew 9.2% YoY to RMB5.1bn, and within Two Wings (16% of 1H26 revenue), Smart Tower/Energy grew 12.8%/17.3% YoY to RMB5.3bn/RMB2.6bn; **We expect the overall revenue to be RMB100bn/104bn in 2026E/2027E (flat/4.0% YoY, vs. BBG consensus 102bn / 103bn) with the tower business under near-term pressure and DAS and Two Wings driving growth.**
- **D&A roll-off drove earnings with a higher OpEx, cash flow deteriorated from receivables buildup.** D&A declined 25.2% YoY to RMB19.1bn in 1H26, and we expect the tailwind to persist in 2H26E (FY26E D&A: -20.8% YoY). 1H26 EBITDA declined by 11.6% YoY to RMB30.3bn. EBITDA margin was 62.1%, 6.9ppts lower than 1H25, as repairs and maintenance costs rose 19.0% YoY and other OpEx went up by 41.6% YoY, which was primarily driven by higher bad debt provisions amid the receivables build-up, increasing cost relevant to Two Wings business and integrated service. CFO declined 75.1% YoY to RMB7.1bn on a receivables build-up, and FCF turned negative at -RMB4.5bn (1H25: +RMB16.3bn).
- **Maintain HOLD, with TP adjusted to HK$11.5 (previous: HK$12.1), based on 3.68x 2027E EV/EBITDA as we roll over our valuation base, with the multiple kept at ~1SD above its 5-year average forward multiple.** Given the flat topline and EBITDA downside this year (flat/-7.6% YoY in 2026E by our estimates), together with pressure on receivables collection, we slightly revise down our 2026E/2027E EBITDA forecasts by 2.7%/0.8% to reflect continued industry headwinds and lagging legacy business. **Upside risks** include better-than-expected macro recovery, increased spending from the domestic telcos, and further shareholder return enhancement. **Downside risks** include continued cost optimization from domestic telcos, and deteriorating dividend payout ratio, etc.

HOLD (Maintain)

Target Price	**HK$11.50**
(Previous TP	HK$12.10)
Up/Downside	**23.5%**
Current Price	**HK$9.32**

China Semiconductors

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Stock Data

Mkt Cap (HK$ mn)	43,467.4
Avg 3 mths t/o (HK$ mn)	155.9
52w High/Low (HK$)	12.78/8.81
Total Issued Shares (mn)	4666.4

Source: FactSet

Shareholding Structure

Blackrock	6.1%
GIC	5.0%

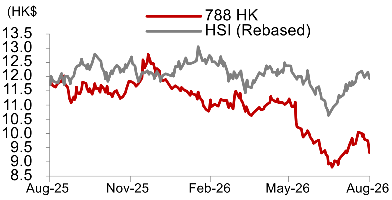
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	1.6%	-3.5%
3-mth	-17.0%	-14.0%
6-mth	-14.9%	-9.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	97,772	100,411	100,374	104,426	108,122
YoY growth (%)	4.0	2.7	(0.0)	4.0	3.5
EBITDA (RMB mn)	66,559.0	65,814.0	60,832.6	62,668.4	64,419.3
Net profit (RMB mn)	10,726.0	11,628.0	15,364.9	16,040.5	16,655.2
YoY growth (%)	9.9	8.4	32.1	4.4	3.8
EPS (Reported) (RMB)	0.61	0.67	0.88	0.92	0.95
ROE (%)	5.4	5.8	7.4	7.6	7.7

Source: Company data, Bloomberg, CMBIGM estimates

Focus Chart

Figure 1: Earnings revision

	New			Old			Diff (%)		
RMBmn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	100,374	104,426	108,122	102,132	103,249	103,351	-1.7%	1.1%	4.6%
EBITDA	60,331	61,885	63,879	62,510	63,143	63,381	-3.5%	-2.0%	0.8%
Net profit	15,148	15,740	15,897	15,362	15,694	15,765	-1.4%	0.3%	0.8%
EPS (RMB)	0.87	0.90	0.91	0.88	0.90	0.90	-1.4%	0.3%	0.8%
EBITDA margin	60.1%	59.3%	59.1%	61.2%	61.2%	61.3%	-1.1 ppt	-1.9 ppt	-2.2 ppt
Net margin	15.1%	15.1%	14.7%	15.0%	15.2%	15.3%	0.0 ppt	-0.1 ppt	-0.6 ppt

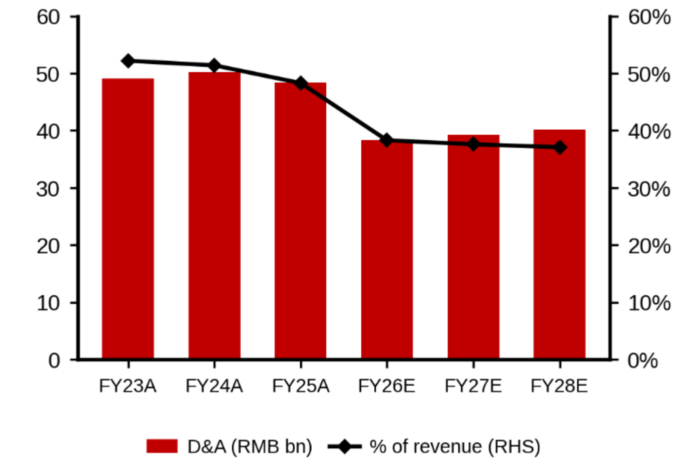
Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs. BBG consensus

	CMBIGM			BBG Consensus			Diff (%)		
RMBmn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	100,374	104,426	108,122	102,132	103,249	103,351	-1.7%	1.1%	4.6%
EBITDA	60,833	62,668	64,419	62,510	63,143	63,381	-2.7%	-0.8%	1.6%
Net profit	15,365	16,040	16,655	15,362	15,694	15,765	0.0%	2.2%	5.6%
EPS (RMB)	0.88	0.92	0.95	0.88	0.90	0.90	0.0%	2.2%	5.6%
EBITDA margin	60.6%	60.0%	59.6%	61.2%	61.2%	61.3%	-0.6 ppt	-1.1 ppt	-1.7 ppt
Net margin	15.3%	15.4%	15.4%	15.0%	15.2%	15.3%	0.3 ppt	0.2 ppt	0.1 ppt

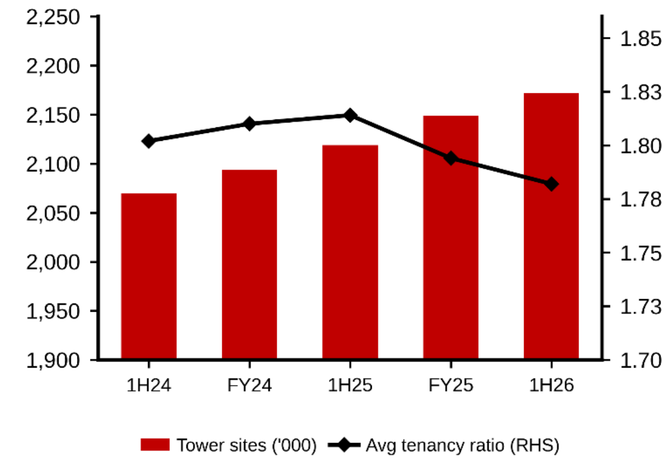
Source: Company data, CMBIGM estimates

Figure 3: D&A and D&A as % of revenue



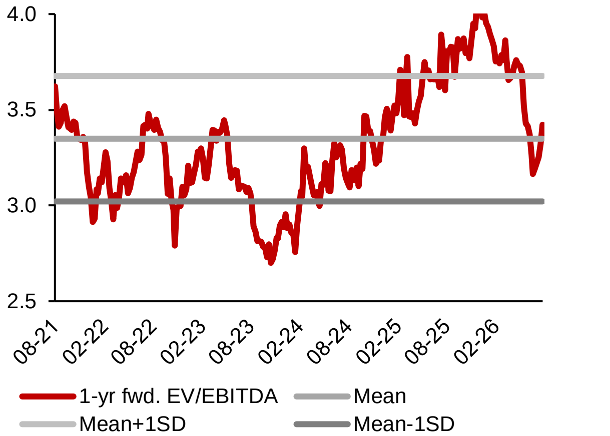
Source: Company data, CMBIGM estimates

Figure 4: Tower sites and average tenancy ratio



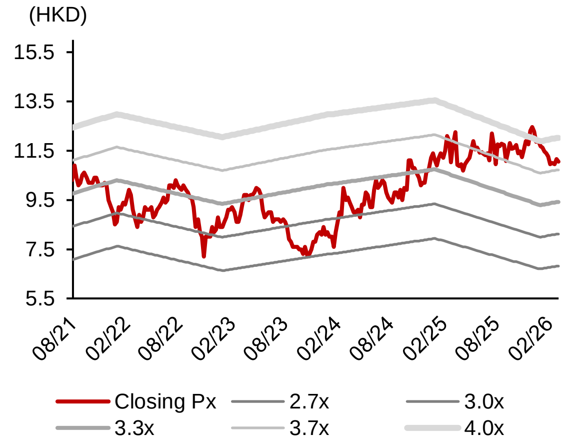
Source: Company data, CMBIGM estimates

Figure 5: Forward EV/EBITDA chart



Source: Company data, CMBIGM estimates

Figure 6: EV/EBITDA band



Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**94,009**	**97,772**	**100,411**	**100,374**	**104,426**	**108,122**
Operating expenses	**(79,507)**	**(81,442)**	**(83,051)**	**(77,937)**	**(80,988)**	**(83,835)**
Selling expense	(49,049)	(50,229)	(48,454)	(38,395)	(39,231)	(40,132)
Other rental related expenses	(5,393)	(5,504)	(6,125)	(6,524)	(6,788)	(7,028)
Others	(25,065)	(25,709)	(28,472)	(33,017)	(34,970)	(36,675)
Operating profit	**14,502**	**16,330**	**17,360**	**22,437**	**23,438**	**24,288**
Other income	1,114	365	415	415	432	447
EBITDA	**63,551**	**66,559**	**65,814**	**60,833**	**62,668**	**64,419**
Interest income	43	63	36	59	78	106
Interest expense	(2,827)	(2,639)	(2,446)	(2,507)	(2,645)	(2,722)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	**12,832**	**14,119**	**15,365**	**20,405**	**21,302**	**22,118**
Income tax	(3,082)	(3,389)	(3,734)	(5,040)	(5,262)	(5,463)
Others	6	(3)	(2)	0	0	0
After tax profit	**9,756**	**10,727**	**11,629**	**15,365**	**16,040**	**16,655**
Minority interest	0	1	1	0	0	0
Net profit	**9,756**	**10,726**	**11,628**	**15,365**	**16,040**	**16,655**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**78,083**	**91,360**	**104,069**	**115,927**	**130,776**	**135,271**
Cash & equivalents	3,955	2,598	12,312	12,189	20,013	23,924
Account receivables	71,685	85,907	88,510	100,689	107,591	108,061
Inventories	0	0	0	0	0	0
Prepayment	2,443	2,855	3,247	3,050	3,173	3,285
Other current assets	0	0	0	0	0	0
Contract assets	0	0	0	0	0	0
Non-current assets	**247,924**	**241,474**	**232,510**	**231,980**	**232,132**	**232,685**
PP&E	201,542	192,770	184,099	182,961	181,312	179,413
Right-of-use assets	31,083	32,247	31,873	32,263	33,322	34,956
Intangibles	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0
Other non-current assets	15,299	16,457	16,538	16,755	17,498	18,316
Total assets	**326,007**	**332,834**	**336,579**	**347,907**	**362,908**	**367,955**
Current liabilities	**63,934**	**75,799**	**80,565**	**91,890**	**99,803**	**97,904**
Short-term borrowings	23,786	28,525	31,409	42,583	43,868	45,094
Account payables	28,286	33,269	34,545	34,205	40,181	36,838
Other current liabilities	4,825	6,280	6,818	7,047	7,351	7,454
Lease liabilities	6,864	7,378	7,376	7,624	7,953	8,064
Contract liabilities	0	0	0	0	0	0
Accrued expenses	173	347	417	431	450	456
Non-current liabilities	**64,379**	**57,056**	**52,106**	**47,039**	**48,673**	**49,790**
Long-term borrowings	49,329	41,084	36,025	30,416	31,334	32,210
Other non-current liabilities	15,050	15,972	16,081	16,622	17,339	17,580
Total liabilities	**128,313**	**132,855**	**132,671**	**138,929**	**148,476**	**147,694**
Share capital	176,008	176,008	17,601	17,601	17,601	17,601
Retained earnings	21,686	23,970	186,305	191,375	196,829	202,658
Total shareholders equity	**197,694**	**199,978**	**203,906**	**208,976**	**214,430**	**220,259**
Minority interest	0	1	2	2	2	2
Total equity and liabilities	**326,007**	**332,834**	**336,579**	**347,907**	**362,908**	**367,955**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**12,832**	**14,119**	**15,365**	**20,405**	**21,302**	**22,118**
Depreciation & amortization	49,049	50,229	48,454	38,395	39,231	40,132
Tax paid	(3,400)	(3,606)	(4,098)	(5,460)	(5,677)	(5,891)
Change in working capital	(29,777)	(14,831)	(7,874)	(14,696)	(3,733)	(6,975)
Others	4,136	3,557	4,269	5,213	5,820	6,206
Net cash from operations	**32,840**	**49,468**	**56,116**	**43,857**	**56,942**	**55,591**
Investing						
Capital expenditure	(33,464)	(29,783)	(30,510)	(27,603)	(28,717)	(29,734)
Acquisition of subsidiaries/ investments	(14)	(6)	(9)	0	0	0
Others	1,573	1,810	1,212	1,170	1,111	1,045
Net cash from investing	**(31,905)**	**(27,979)**	**(29,307)**	**(26,433)**	**(27,606)**	**(28,689)**
Financing						
Dividend paid	(5,653)	(8,442)	(7,700)	(10,294)	(10,587)	(10,826)
Net borrowings	15,997	(1,905)	2,561	5,565	2,203	2,101
Proceeds from share issues	(358)	0	0	0	0	0
Others	(12,082)	(12,498)	(11,951)	(12,818)	(13,129)	(14,266)
Net cash from financing	**(2,096)**	**(22,845)**	**(17,090)**	**(17,548)**	**(21,512)**	**(22,990)**
Net change in cash						
Cash at the beginning of the year	5,117	3,955	2,598	12,312	12,189	20,013
Exchange difference	(1)	(1)	(5)	0	0	0
Cash at the end of the year	**3,955**	**2,598**	**12,312**	**12,189**	**20,013**	**23,924**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	2.0%	4.0%	2.7%	(0.0%)	4.0%	3.5%
Operating profit	8.9%	12.6%	6.3%	29.2%	4.5%	3.6%
EBITDA	1.1%	4.7%	(1.1%)	(7.6%)	3.0%	2.8%
Net profit	11.0%	9.9%	8.4%	32.1%	4.4%	3.8%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Operating margin	15.4%	16.7%	17.3%	22.4%	22.4%	22.5%
EBITDA margin	67.6%	68.1%	65.5%	60.6%	60.0%	59.6%
Return on equity (ROE)	5.0%	5.4%	5.8%	7.4%	7.6%	7.7%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.2	1.2	1.3	1.3	1.3	1.4

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	14.3	13.1	12.0	9.1	8.7	8.4

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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