

Comparative Analysis of Investment Value of Communication Service Enterprises

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Abstract. This paper mainly focuses on the analysis and comparison of the investment value in the communication service industry. Three companies are chosen as examples to examine whether the companies in this sector have the potential as investments. This essay studies the calculation formula of the company's financial situation combined with the financial analysis and uses multiple indicators to consider and analyze comprehensively, so as to draw a conclusion. The data show that the investment value of Tencent Holdings is the highest, the overall development trend is good and the market is large and has a high development space. China Unicom is a good option for new investors because it is state-controlled, its price is more stable, and as long as they manage the entry period, it should see some returns. Veterans can choose to invest in Meta, but it's essential to grasp the timing since there is still potential for further development after the sector's transition to the metaverse. The field of communication services is still worthwhile as a whole to engage in.

Keywords: Investment; value analysis; communication service.

1. Introduction

The entire communication network, which is present in people's lives everywhere yet is invisible, is the foundation upon which the communication services business is formed. People find it quite difficult to leave, especially in the present era of big data. Yet, since the majority of telecommunications businesses are governed by the government (particularly in China), the price of their products is not too high. How do they make money? Is it worthwhile to invest in them? At the same moment, people now recognize that investments in money can result in larger earnings under the correct conditions and have significant advantages for both individuals and businesses. And thereby, while investing in finance, will people choose the communication service business for the beneficial development of many aspects? Is the investment worthwhile? Which stock of the company should you choose if you wish to invest? It's important to consider and discuss this.

Before conducting research and analysis, it is necessary to understand the relevant investment analysis data and formulas that may be used, as well as the importance of related relationships and investment analysis. For instance, a common postulate among investors is that there is a positive relationship between stock returns and risk (volatility), meaning that investors expect higher returns on investments with higher exposure to risk and vice versa [1]. In that sense, investors can determine whether a company is appropriate for investment by examining its risks and contrasting them with its financial situation.

Impact investing refers to investing in funds, organizations, projects, and activities with a strong intent to bring measurable social and/or financial benefits to the beneficiaries, which include economically and socially marginalized people and communities [2-4]. This viewpoint indicates that before making investment decisions, some investors also give consideration to real-time market data and investigations of stock news and celebrity movements [5-7].

Three representative companies are chosen for this paper's value analysis; they are listed as A shares, Hong Kong stocks, and US stocks, separately, and each has a unique growth path. The text will thoroughly calculate and analyze the company's stock value using the data points collected, and it will offer investment advice based on the three factors of risk, profitability, and market ratio.

2. Firm description

2.1. China Unicom

China Unicom is a large state-controlled central enterprise and one of the world's top 500 enterprises. China Unicom offers a variety of services, including phone services, Internet access and application services, data communication services, video services, international communication services, and services for Hong Kong, Macao, Taiwan, and other countries.

The primary revenue streams are basic communications services and commercial Internet application offerings.

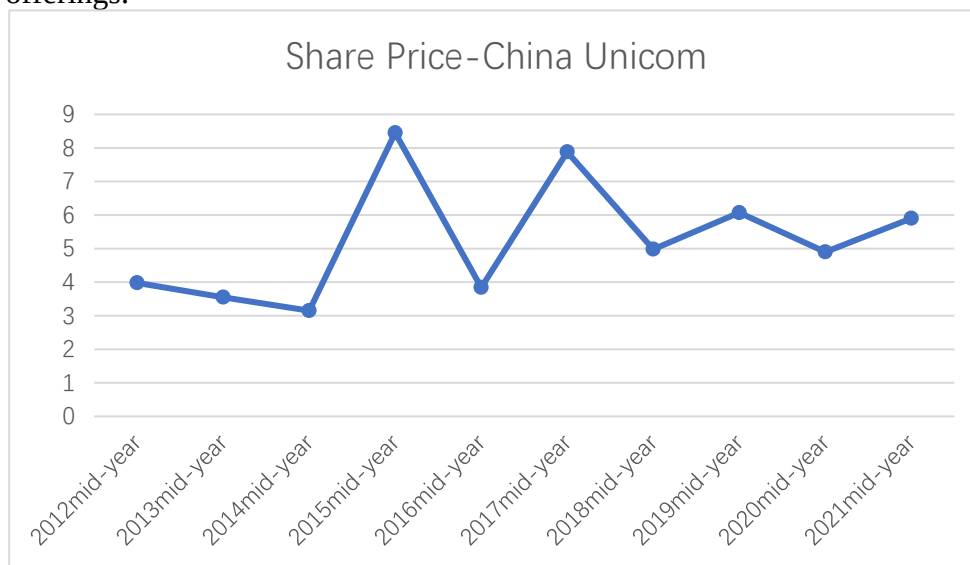


Fig 1. Share Price-China Unicom

Stock price analysis: Considering the stock price in the past decade, we can see that the overall stock price of China Unicom is not high and the trend is relatively stable [8-9], and there is an average value. This may be because China Unicom is controlled by the state, so the stock price will not fluctuate too much. However, in 2015 and 2017, the highest unit price reached 8.45; in 2016, the low price was reached and the lowest unit price was 3.84 (see fig 1).

2.2. Tencent

Tencent Holdings Limited is a private IT company. Communication and social media services are among its wide range of offerings. QQ and WeChat, the social network QQ Space, the QQ game platform from Tencent Games, the portal Tencent, the Tencent News client, and the online video service Tencent Video, among others.

The four main businesses of Tencent Holdings are enterprise services, value-added services, online advertising, and fintech.

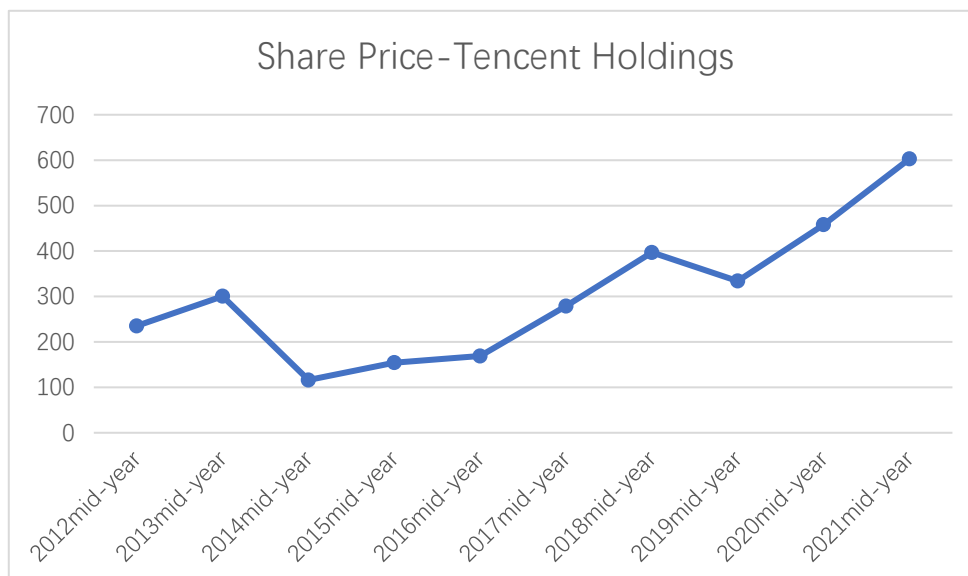


Fig 2. Share Price-Tencent Holdings

Stock price analysis: based on figure 2, after observing the stock price in the past decade, we can see that the stock price of Tencent Holdings shows a fluctuating upward trend. There was a significant decline in 2013-2014, then a steady rise for two years, and a sharp rise in 2016; There was also a slight dip in 2018-19 before the stock rose sharply to 603.

2.3. Meta

The American Internet company, formerly known as Facebook, changed its name to "META" on Thursday, October 28, 2021, to focus on a shift to emerging computing platforms based on virtual reality. The company's main Internet products are- -Facebook, Instagram, WhatsApp Messenger, and Oculus.

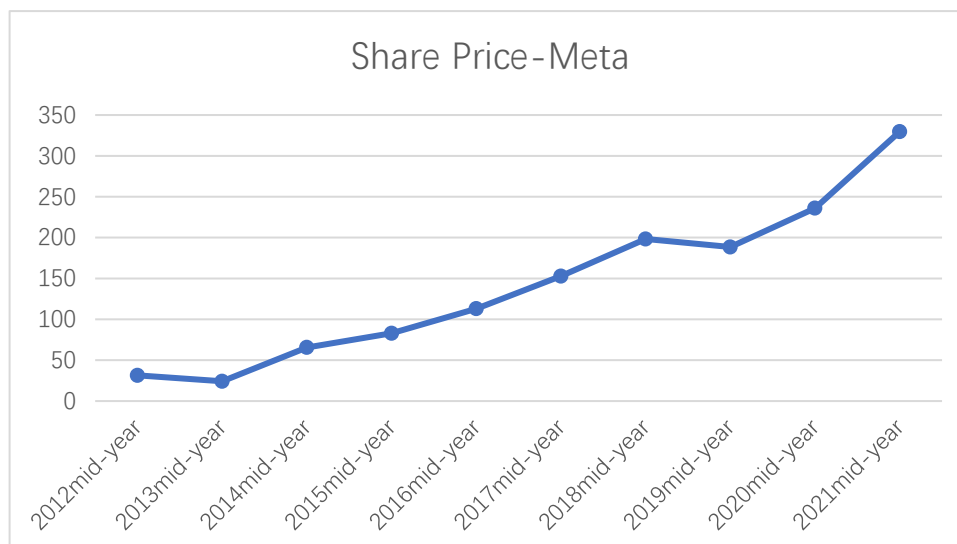


Fig 3. Share Price-Meta

Stock price analysis: Looking at the stock price in the past decade, the overall trend of Meta stock price is going steadily up. In 2012-2013 and 2018-2019, there was a brief slight decline, while other years were a modest slow rise. The biggest rise was in 2020-2021 and pushed the share price above 300 in 2021 (see fig 3).

3. Company stock analysis

3.1. Risk analysis

Table 1. Risk analysis of the three stocks

1/31/2023	China Unicom (A600050)	Tencent Holdings (HK0700)	Meta (MVRs)
Market Cap	1663.37B ¥ =246.44B \$	3656.97B HK\$ =466.39B \$	385.62B \$
Beta(5Y monthly)	0.99	0.98	1.16
Leverage	0.77	0.80	0.47
Total Debt Ratio	0.43	0.44	0.30
Current Ratio	2.28	1.45	2.57
Quick Ratio	2.27	1.44	N/A

First, look at the market cap of the three stocks (Table 1). In the case of a unified currency, we can show that China Unicom has the smallest market cap and Tencent has the largest market cap. However, the overall size of the three stocks is similar, so the size risk of these three is similar.

Looking at the Beta, China Unicom, and Tencent Holdings are very close, and both are lower than 1, relatively stable. Only Meta has a Beta value of 1.16, so for Beta risk: Meta> China Unicom> Tencent Holdings. Meta has the highest beta risk.

And for the leverage and the total debt ratio—the higher the debt ratio, the greater the leverage ratio. When a company profits from its debt, it only needs to pay interest on time and repay the principal when due. Thus, the higher the debt ratio, the greater the shareholder profit. At the same time, the greater the financial leverage coefficient [10], the greater the financial risk, and vice versa. For Leverage risk: Tencent Holdings> China Unicom> Meta. Tencent Holdings has the highest leverage risk and Meta has the lowest.

3.2. Profitability

Table 2. Profitability analysis of the three stocks

1/31/2023	China Unicom (A600050)	Tencent Holdings (HK0700)	Meta (MVRs)
Total asset turnover (times per year) TTM	0.58	0.36	0.68
Profit Margin	2.58%	19.97%	24.41%
ROA (TTM)	2.80%	11.7%	17.00%
ROE (TTM)	4.90%	21.3%	23.20%

The profit margin is the ratio of the surplus value and all the prepaid capital and is the transformation form of the surplus value rate. The profit rate index can not only assess the completion of the enterprise profit plan but also compare the operation and management level between enterprises in different periods, so as to improve the economic benefits. So of the three stocks Meta has the highest profit margin and could generate the highest economic profit (Table 2).

For ROA and ROE: ROA is the ratio of the profits of the enterprise in a certain period and the core index of the comprehensive utilization of the assets and an important indicator to measure the profitability of the total assets. ROE measures whether the utilization efficiency of the capital invested by shareholders is high or low, and can reflect the long-term true profitability of the company. Meta has the highest and best feedback for both reference values.

Compared with these data, the values of Meta are the highest, followed by Tencent Holdings and China Unicom. Therefore, in terms of profitability, Meta has the strongest profitability, while China Unicom has the weakest profitability.

3.3. Market ratio

Table 3. Market ratio data for the three stocks

1/31/2023	China Unicom (A600050)	Tencent Holdings (HK0700)	Meta (MVR5)
PB Ratio (TTM)	1.03	4.39	2.68
PE Ratio (TTM)	19.32	17.72	13.63
PEG Ratio (TTM)	1.09	0.55	0.53
EPS (TTM)	0.25	21.86	10.49
Dividend Yield (TTM)	5.55%	0.35%	0
Insider Buying (yes or no)	yes	yes	yes
Momentum MA 50>MA 200?	yes	yes	no

PB Ratio: China Unicom is closest to 1, so value investors are likely to buy this stock. By contrast, the PB ratio of Tencent Holdings and Meta both exceeds 2, among which Tencent Holdings has the largest value--4.39, indicating that this stock may be overvalued (Table 3).

PE Ratio: The value of China Unicom is the largest, while the Meta value is the smallest. But these three values are all higher than 10, indicating that the stock is not very stable and is a little bit risky.

PEG Ratio: The highest value of China Unicom is 1.09, while the value of Tencent Holdings is very close to that of Meta and both are lower than 1. So PEG investors will choose Tencent Holdings and Meta.

Dividend Yield: Only China Unicom has a figure higher than 0.5, so income investors will choose China Unicom. Tencent pays a low dividend, while Meta does not.

Other data collected show that momentum investors would invest in these stocks except Meta. And because all three companies have public buyback programs, buyback investors will buy all three stocks.

It can be concluded from the data of the above three charts that the overall market value of China Unicom is small, and the price and profit are low because the state holding is not volatile. The overall trend is a steady rise, more suitable for novice investment and long-term holding of its shares. Other investors can also watch the market and policy dynamics, buying low and selling high, but may make little profit. Tencent Holdings's market value is large but its Beta value is lower than 1, and its profitability is also strong. Although the stock price sometimes declining fluctuations, the overall trend is still steadily rising. So Tencent Holdings is a better choice for investors. Meta's overall performance is good, with a large market value and more famous, but more vulnerable to the environment and volatile. But its profitability is still the strongest of the three stocks, and experienced investors can choose to invest. In addition, while Meta's stock price is rising overall, many investors are staying on the sidelines as recent cross-industry decisions have also led to changes.

4. Conclusion

Based on the interest and discussion in the communication service industry, this paper makes a more specific investigation and comparative analysis of the three companies in the industry and gives relative investment suggestions at the end. Mainly involved in the analysis of risk analysis (including market value, Beta, debt ratio, current ratio, quick ratio, etc.), profitability analysis (including total asset turnover, profit margin, ROA, ROE, etc.) and market ratio (including price-to-book ratio, earnings ratio, PEG Ratio, earnings per share, dividend yield and other related indicators).

According to the relevant analysis, it is concluded that the communication service industry still has certain prospects, but it should pay more attention to screening before investment. A good company doesn't mean it has good stock. Of these three stocks, the most recommended and

worthwhile investment is Tencent Holdings, which has a large market value and a relatively stable response to market volatility, usually without significant volatility. Financial position and debt repayment ability are also relatively excellent, and profitability in the profit margin performance is also very good. It can be seen from the market ratio data that PEG investors, insider buying investors, momentum investors, and other investors may all invest in Tencent Holdings. Looking at China Unicom, the overall trend belongs to the state of stable fluctuation, because it belongs under state control. It seems not risky but not profitable, can invest but not a priority. As for Meta, it has strong profitability but high risk. Although the overall trend has the potential for continuous upward development, it also has a large risk of loss.

There are also some deficiencies in this paper, such as the lack of the establishment and use of data model (for example, trend line, prediction model, regression model, etc.), although supported by data and ratio, it is not perfect. In future research, more measurement models in the field of finance may be used for analysis and calculation, and information such as financial statements, balance sheets, and other information supported by public data will also be added in the face of corporate problems.

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