

21 April 2015

Underperform Upgrade

中国移动 1 季报点评

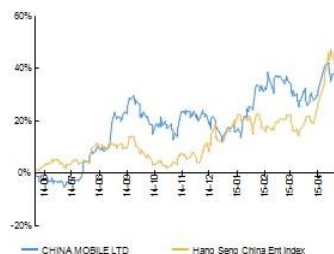
考虑港股市场情绪高涨和资金南下，上调至减持

中国移动 (941:HK)

Market Data: Apr,20

Closing Price (HK\$)	107.70
Price Target (HK\$)	90
HSCEI	14,111
HSCCI	5,207
52-week High/Low (HK\$)	118.00/70.00
Market Cap (USD Mn)	284,598
Market Cap (HK\$ Mn)	2,205,153
Shares Outstanding (Mn)	20,475
Exchange Rate (RMB-HK\$)	1.27

Price Performance Chart:



Source: Bloomberg

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Related Reports

"CHINA MOBILE (941:HK)-

Deteriorating future" Mar 20,2015

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (RMB million)	630,177.00	641,448.00	654,482.70	669,180.42	683,722.11
YOY (%)	8.31	1.79	2.03	2.25	2.17
Net income (RMB million)	121,692.00	109,279.00	100,367.34	100,065.48	97,944.95
YOY (%)	(5.87)	(10.20)	(8.16)	(0.30)	(2.12)
EPS (RMB)	6.05	5.38	4.94	4.92	4.82
Diluted EPS (RMB)	5.98	5.33	4.90	4.88	4.78
ROE (%)	15.40	12.77	11.56	11.00	10.27
Debt/asset (%)	32.27	33.77	31.23	31.23	30.67
Dividend Yield (%)	3.04	2.70	2.48	2.47	8.05
P/E (x)	14.13	15.92	17.33	17.38	17.76
P/B (x)	2.17	2.03	2.00	1.91	1.82
EV/EBITDA (x)	5.57	5.35	4.55	4.13	3.64

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

15 年 1 季度业绩略超预期。中国移动发布 15 年 1 季度年业绩，营运收入为人民币 1609 亿元（同比增长 3.9%，环比增长 0.4%），其中通信服务收入估计为人民币 1434 亿元（同比下降 0.4%，环比增加 2.7%），话机及电信产品销售收入为人民币 174 亿元（同比上升 60.3%，环比下降 15.3%）。15 年 1 季度净利润为人民币 238 亿元（同比下降 5.6%，环比下降 10.7%），略超出市场分析师预测的 225 亿元到 237 亿元的净利润区间。主要原因是 2015 年 3 月单月净增 4G 用户数 1970 万超预期和 1 季度资费折让力度有所控制。

股价表现如预期弱。自从 2 月 17 日我们下调中国移动评级时至 4 月 20 日收盘，中移动 2 个月内上涨 1%，而同期中国联通（762.HK）上涨 6%，中国电信（728.HK）上涨 15%，符合我们之前对于三大运营商的推荐顺序，即电信>联通>移动。同期恒生综合指数上涨 13%。

Arpu 之争。15 年 1 季度 Arpu 为人民币 59 元（同比下降 4.8%），相比 14 年 1 季度 Arpu 62 元，14 年 2 季度 Arpu 66 元，14 年 3 季度 Arpu 59 元和 14 年 4 季度 Arpu 58 元。尽管市场一致预期 15 年下半年 Arpu 将同比企稳甚至反转，我们认为 15 年下半年 Arpu 将同比继续下滑，主要原因是 4G 用户人均流量将面临瓶颈，且流量单价将继续下滑。我们维持之前的 Arpu 预测，即 15 年 Arpu 人民币 58.5 元（同比下降 4.8%），16 年 Arpu 人民币 56.5 元（同比下降 3.3%），17 年 Arpu 人民币 55.1 元（同比下降 2.5%）。

流量经营的挑战。中移动期望流量经营可以弥补 OTT 的负面影响和营销模式转变带来的资费折让。但是，我们认为现有的流量经营很难完全抵消掉这两方面的负面影响，主要原因是 4G 发牌后我们预期中国联通和中电信会推出更有竞争力的套餐资费，并且工信部领导也表态要加快下调流量资费。如果不采取和互联网企业（优酷、YY、腾讯等）进行移动视频业务的后向流量合作的模式，我们认为 4G 用户的流量使用将会逐步达到瓶颈。

上调至减持评级。考虑到 15 年 1 季度 4G 迁移进度强劲，我们将 15 年 EPS 从 4.88 元上调到 4.94 元（同比下滑 8.2%），将 16 年 EPS 从 4.81 元上调到 4.92 元（同比下滑 0.3%），将 17 年 EPS 从 4.71 元上调到 4.82 元（同比下滑 2.1%）。考虑到港股市场情绪最近几周高涨，且未来通过沪港通和深港通会有持续进入香港的内地资金，我们将目标价从 80 港币上调至 90 港币，对应 14.4 倍 15 年 PE，14.4 倍 16 年 PE 和 14.7 倍 17 年 PE。对应 16.5% 的下降空间，我们从卖出评级上调至减持评级。考虑到资金层面的流动，我们预期中国移动股价的表现将会是长期缓慢的下降通道，所以与其做空中国移动，我们更建议减仓中国移动。中移动仍然是三大运营商中我们最不喜欢的标的。

Investment Highlights:

Results beat. China Mobile reported 1Q15 revenue of Rmb160.9bn (+3.9% YoY, +0.4% QoQ). Of this, revenue from telecommunication services reached c.Rmb143.4bn (-0.4% YoY, +2.7% QoQ), and revenue from sales of handsets came to c.Rmb17.4bn (+60.3% YoY, -15.3% QoQ). Net profit reached Rmb23.8bn (-5.6% YoY, -10.7% QoQ), vs the high end of the consensus range of Rmb23.7bn; the beat is due to a combination of tariff subsidy controls and strong growth in the company's 4G subscriber base, with net additions of 19.7m in March 2015.

Weak stock price performance. Since we downgraded China Mobile on 17 February 2015, the company's stock has risen just 1% while China Unicom (762.HK) stock gained 6% and China Telecom (728.HK) increased 15%, in line with our view that China Telecom is the top pick in the sector. Over the same period, the broader increase gained significantly, with the Hang Seng Composite Index (HSCI) gaining 13%.

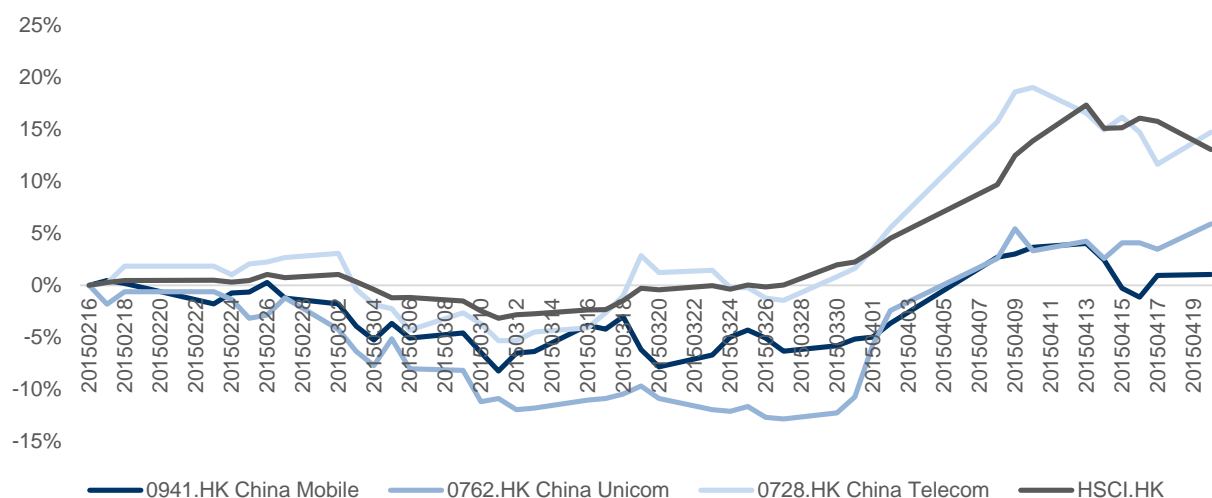
Arpu decline. China Mobile 1Q15 blended average revenue per user (Arpu) stood at Rmb59 (-4.8% YoY), vs Rmb62 in 1Q14, Rmb66 in 2Q14, Rmb59 in 3Q14 and Rmb58 in 4Q14. While the consensus view is that Arpu will stabilise or even improve YoY in 2H15, we believe Arpu will continue to decline YoY in 2H15 mainly because we see limited further growth in data usage per 4G subscriber whereas we expect unit rate to decline significantly. We maintain our Arpu forecast of Rmb58.5 (-4.8% YoY) for 15E, Rmb56.5 (-3.3% YoY) in 16E and Rmb55.1 (-2.5% YoY) in 17E.

Challenges for data traffic monetisation. China Mobile expects rising data usage could offset the negative impact of over-the-top (OTT) competition and margin pressure from tariff subsidies. However, we see offsets as likely to be only partial, as we expect China Unicom and China Telecom to release more competitive tariffs in the following quarters, and the Ministry of Industry and Information Technology (MIIT) has directed more aggressive data unit rate cuts. In the absence of new models cooperating with Internet service providers such as online video or social media companies, we believe carriers will see data traffic per 4G subscriber gradually level off.

Upgrade to underperform. Considering the strong 4G migration in 1Q15, we revise up our EPS forecasts from Rmb4.88 to Rmb4.94 in 15E (-8.2% YoY), from Rmb4.81 to Rmb4.92 in 16E (-0.3% YoY) and from Rmb4.71 to Rmb4.82 in 17E (-2.1% YoY). Furthermore, given the recovery in Hong Kong market sentiment and likelihood of further fund inflows through the Shanghai-Hong Kong Stock Connect, as well as in an anticipated Shenzhen-Hong Kong Stock Connect, we revise up our target price from HK\$80 to HK\$90, representing 14.4x 15E PE, 14.4x 16E PE and 14.7x 17E PE. With 16.5% downside, we upgrade from SELL to Underperform. We maintain our view that China Mobile remains our least preferred stock among the three mobile operators in China.

Appendix

Fig.1: Stock price performance of China Mobile, China Unicom and China Telecom since Feb.16 2015



Source: Wind, SWS Research

Table 1: Consolidated Income Statement

million RMB	2013	2014	2015E	2016E	2017E
Revenue	630177.00	641448.00	654482.70	669180.42	683722.11
CostofSales	183800.00	197527.00	214077.05	224972.70	233827.87
GrossProfit	446377.00	443921.00	440405.65	444207.72	449894.24
OtherIncome	0.00	0.00	0.00	0.00	0.00
SGAExpenses	249365.00	252123.00	220660.80	205763.56	190990.20
EBITDA	302174.00	310211.89	353448.92	384164.81	415514.92
EBIT	197012.00	191798.00	219744.85	238444.16	258904.04
FinanceCosts	(14958.00)	(15921.00)	(14071.38)	(17398.69)	(17776.77)
ProfitBeforeTax	158579.00	142592.00	144824.54	148278.99	149527.48
IncomeTaxExpense	36776.00	33187.00	44322.64	48061.67	51415.44
MinorityInterests	111.00	126.00	134.56	151.84	167.09
ProfitfortheYear	121692.00	109279.00	100367.34	100065.48	97944.95

Table 2: Consolidated Cash Flow Statement

million RMB	2013	2014	2015E	2016E	2017E
ProfitBeforeTaxation	158579.00	142592.00	144824.54	148278.99	149527.48
DeprAndAmortisation	105162.00	118413.89	133704.08	145720.64	156610.88
FinanceCost	331.00	320.72	327.24	334.59	341.86
LossesFromInvestments	0.00	0.00	0.00	0.00	0.00
ChangeInWorkingCapital	19204.00	50710.00	(36938.22)	15929.05	7502.88
Others	(58291.00)	(48917.78)	(65519.38)	(77869.10)	(79225.78)
CFFFromOperatingActivities	224985.00	263118.83	176398.26	232394.17	234757.32
CAPEX	(140440.00)	(218620.00)	(190230.00)	(184550.00)	(137508.00)
OtherCFFFromInvestingActivities	57985.00	(7432.14)	(81267.38)	19323.28	19810.64
CFFFromInvestingActivities	(171123.00)	(180034.14)	(77035.38)	(165076.72)	(117547.36)
EquityFinancing	0.00	0.00	0.00	0.00	0.00
NetChangeInLiabilities	(23630.00)	3.00	0.00	0.00	0.00
DividendAndInterstPaid	55820.00	55876.47	52622.08	47291.10	43465.63
OtherCFFFromFinancingActivities	43.00	500.00	0.00	0.00	0.00
CFFFromFinancingActivities	(79407.00)	(55373.47)	(52622.08)	(47291.10)	(43465.63)
NetCashFlow	(25545.00)	27711.21	46740.80	20026.35	73744.32
FCFF	144162.00	109114.89	81958.06	167482.19	234094.35
FCFE	120201.00	108797.16	81630.82	167147.60	233752.49

Table 3: Consolidated Balance Sheet

million RMB	2013	2014	2015E	2016E	2017E
CurrentAssets	467189.00	475583.00	423408.30	446097.43	521022.10
BankBalancesAndCash	44931.00	66744.00	119383.01	139409.36	213153.68
TradeAndOtherReceivables	25556.00	30738.00	26833.79	28942.05	29570.98
Inventories	9152.00	9130.00	9571.81	9786.76	9999.44
OtherCurrentAssets	12479.00	16046.00	12512.69	12852.25	13190.00
LongTermInvestment	54067.00	70571.00	60629.00	67205.00	73784.00
PPE	479227.00	564795.00	616101.57	645894.60	664130.53
IntangibleAndOtherAssets	37957.00	36066.00	37964.85	38033.80	0.00
TotalAssets	1167392.00	1296449.00	1267555.73	1328182.83	1381390.63
CurrentLiabilities	370913.00	431876.00	390139.69	408937.24	417822.21
Borrowings	0.00	0.00	0.00	0.00	0.00
TradeAndOtherPayables	300350.00	363173.00	312188.25	329236.77	336391.28
OtherCurrentLiabilities	61857.00	62683.00	65516.27	66986.04	68440.21
LongTermLiabilities	5651.00	5832.00	5646.48	5661.18	5675.72
TotalLiabilities	376668.00	437806.00	395915.17	414737.42	423647.93
MinorityInterests	1951.00	2067.00	2009.00	2019.00	2030.00
ShareholderEquity	788773.00	856576.00	913434.85	970472.18	1026302.80
ShareCapital	2142.00	400737.00	2142.00	2142.00	2143.00
Reserves	272227.00	305133.00	313263.76	(68889.37)	339391.83
EquityAttributable	473367.24	524728.37	571901.02	618931.80	664965.92

TotalLiabilitiesAndEquity	1167392.00	1296449.00	1311359.03	1387228.60	1451980.74
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Table 4: Key Financial Ratios

	2013	2014	2015E	2016E	2017E
Ratios per share (RMB)					
Earnings per share	6.0540	5.3753	4.9369	4.9221	4.8178
OperatingCFPerShare	11.1926	12.9424	8.6767	11.4311	11.5473
DividendPerShare	2.6032	2.3114	2.1229	2.1165	6.8894
Key Operating Ratios(%)					
NetAssetsPerShare	39.3371	42.1369	42.7762	44.8325	47.0114
ROIC	61.2907	57.2768	52.3148	48.9624	53.4645
ROE	15.4040	12.7714	11.5567	10.9954	10.2655
GrossProfitMargin	70.8336	69.2061	67.2906	66.3809	65.8007
EBITDAMargin	47.9507	48.3612	54.0043	57.4083	60.7725
EBITMargin	31.2630	29.9008	33.5753	35.6323	37.8669
GrowthRateOfRevenue	8.3085	1.7885	2.0321	2.2457	2.1731
GrowthRateOfProfit	(5.8651)	(10.2003)	(8.1550)	(0.3008)	(2.1191)
DebtToAssetRatio	32.2658	33.7696	31.2345	31.2259	30.6682
TurnoverRateOfNetAssets	0.7970	0.7470	0.7149	0.6881	0.6649
TurnoverRateOfTotalAssets	1.8525	2.0211	1.9367	1.9848	2.0204
EffectiveTaxRate	17.3496	15.9769	18.9562	18.7856	19.9115
DividendYield	3.0427	2.7016	2.4813	2.4738	8.0525
Valuation Ratios (X)					
PE	14.1322	15.9165	17.3298	17.3821	17.7584
PB	2.1749	2.0304	2.0001	1.9083	1.8199
EVSale	2.6698	2.5893	2.4569	2.3731	2.2148
EVEBITDA	5.5677	5.3541	4.5495	4.1337	3.6444

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