

20 March 2015

SELL
Unchanged

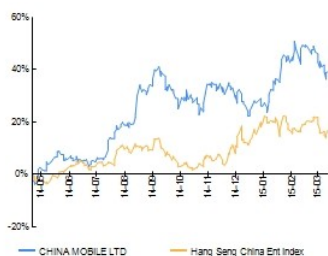
年报点评，前景不容乐观，维持卖出

中国移动 (941:HK)

Market Data: Mar,19

Closing Price (HK\$)	100.10
Price Target (HK\$)	80
HSCXI	12,122
HSCCI	4,471
52-week High/Low (HK\$)	108.50/66.85
Market Cap (US\$m)	263,281
Market Cap (HK\$m)	2,042,331
Shares Outstanding (m)	20,475
Exchange Rate (Rmb-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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Related Reports

"CHINA MOBILE (941:HK)- Dial down"

Mar 3,2015

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (Rmbm)	630,177.00	641,448.00	652,781.15	665,891.47	680,512.26
YoY (%)	8.31	1.79	1.77	2.01	2.20
Net income (Rmbm)	121,692.00	109,279.00	99,232.86	97,859.59	95,777.99
YoY (%)	(5.87)	(10.20)	(9.19)	(1.38)	(2.13)
EPS (Rmb)	6.05	5.38	4.88	4.81	4.71
Diluted EPS (Rmb)	5.98	5.33	4.84	4.77	4.67
ROE (%)	15.40	12.77	11.44	10.80	10.10
Debt/asset (%)	32.27	33.77	31.21	31.21	30.70
Dividend Yield (%)	3.28	2.91	2.64	2.61	8.48
PE (x)	13.12	14.78	16.28	16.50	16.86
PB (x)	2.02	1.89	1.86	1.78	1.70
EV/Ebitda (x)	5.16	4.96	4.22	3.85	3.39

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.

2014 年业绩。中国移动发布 2014 年业绩，营运收入为人民币 6415 亿元（同比增加 1.8%，与彭博一致预期 6448 亿元基本吻合），其中通信服务收入为 5818 亿元（同比下降 1.5%）主要是由于营改增影响和从营销方式转变成资费折让。全年净利润为 1093 亿元（同比下滑 10.2%，与彭博一致预期 1091 亿吻合）。

Arpu 恶化。2014 年全年平均 Arpu 为 61.4 元（同比下滑 7.7%），代表 14 年 4 季度 Arpu 显著下滑到 56.8 元（13 年 4 季度为 68.1 元，14 年 3 季度约为 61.7 元）。快速下滑的 Arpu 主要原因是加速的 OTT 对语音短彩信业务收入的侵蚀、营改增的影响，特别是 4 季度开始存费送费和存费送业务对 Arpu 的影响。我们继续维持 15 年中移动的 Arpu 将继续下滑，这也是不同于市场一致预期。

费用压缩对净利润提升有限。2014 年公司压缩了 235 亿营销费用和话机补贴，并且指引 2015 年将继续压缩约 200 亿营销费用和话机补贴。但是，我们估计约 9 成压缩的营销费用和话机补贴都以存费送费和存费送业务的方式返还给了用户。转变营销方式对于公司快速的 4G 用户迁移有相当的贡献，也满足了国资委对于公司营销费用和话机补贴科目削减的要求，但是对净利润的正面效益远低于市场预期。我们相信费用压缩一定是存在某种代价，甚至压缩的部分通过其他形式支出了。根据我们渠道调研，3 月开始按照中纪委巡视组的建议，中移动集团公司要求各省分公司压缩管理费用和人员成本，例如出差住宿标准、客户经理的交通补贴和工作电话报销额度。我们认为这些费用削减将或多或少影响基层员工的工作积极性，甚至拖慢 4G 迁移的进度。管理层一定会把 4G 迁移和 4G 网络建设优化列为公司的头等大事，如果费用削减会阻碍 4G 用户数和建网目标的实现，那很有可能会将节省下来的费用通过其他形式再支出，甚至会适度放缓减少费用削减的计划。

高企的网络相关刚性费用。14 年营运用费用占营运收入占比历史性地达到了 81.7%，较 13 年上升 3.3 个百分点。管理层同时指引了 15 年折旧和摊销费用同比上升幅度将高于 14 年的上升幅度（11%）。我们维持之前观点，即占营运用费用超过 8 成的网络相关的刚性费用将持续高企，并对利润进行压缩。

艰难的战略转型。管理层演示了运营商战略转型遵循的三条收入曲线，代表语音收入下滑时可以用数据流量收入增长来弥补，未来数据流量收入下滑可以用数字化服务收入增长来弥补。但是我们认为在流量资费快速下滑和中移动语音收入占比仍然较高的背景下，数据流量收入的增长并不能完全抵消语音收入的下滑。更为艰难的是，未来和互联网企业的竞争中，运营商存在劣势。如果没有开放合作的心态和互联网企业进行后向流量等合作，那运营商自有的数字化服务收入（例如咪咕平台）增长将不太可能弥补未来下滑的数据流量收入。

维持卖出评级。考虑到资本开支预期 15 年为 2000 亿、16 年资本开支不高于 15 年和费用削减的调整，我们将 15 年 EPS 从 4.74 元上调到 4.88 元（同比下滑 9.2%），将 16 年 EPS 从 4.86 元下调到 4.71 元（同比下滑 1.4%），预期 16 年 EPS 为 4.71 元（同比下滑 2.1%）。我们维持目标价 80 港币，对应 12.9 倍 15 年 PE，13.0 倍 16 年 PE 和 13.3 倍 17 年 PE。我们维持中移动 4G 业务反转无法转化为财务反转的观点。对应 20% 的下降空间，我们维持卖出评级。中移动继续作为三大运营商中我们最不看好的标的。

Investment Highlights:

Results announced. China Mobile reported 2014 full-year operating revenue of Rmb641.5bn (+1.8% YoY, in line with Bloomberg consensus of Rmb644.8bn and better than our expectation of Rmb626.9bn). Of which, revenue from telecommunication services reached Rmb581.8bn (-1.5% YoY), due to the impact of VAT reform and the company's shift in marketing from subsidising handsets to subsidising tariff rates. In addition, net profit reached Rmb109.3bn (-10.2% YoY, in line with Bloomberg consensus Rmb109.1bn and exceeding our forecast of Rmb103.0bn).

Average revenue per user (Arpu) deterioration expected. Full year blended Arpu stood at Rmb61.4 (-7.7% YoY), vs Rmb61.7 in 3Q14, Rmb56.8 in 4Q14, Rmb68.1 in 4Q13. The major reason for the rapid decline is over-the-top (OTT) substitution, tariff subsidy and VAT reform. We maintain our previous view that the Arpu will continue to decline in 2015, this is a different view from street consensus.

Limited benefits. The company cut Rmb23.5bn selling expenses and handset subsidy in 2014, and guided Rmb20bn selling expenses and handset subsidy cut in 2015. However, we expect c.90% of the cuts to be returned to customers via tariff subsidy. Its marketing transformation enabled it to achieve rapid 4G migration, meeting the SASAC's requirements, but providing a less-than-expected boost for net profit. The possible cut in the administrative and personnel expenses began in March 2015 according to our channel checks, this may receive less-than-expected actual results. Expense cut may discourage daily working incentives of rank-and-file employees, and drag the 4G migration. Management will ensure 4G migration and network construction is of top priority.

High network related expenses. The operating expenses to operating revenue reached 81.7% (+3.3ppt) in 2014, a historical high level. The management team also guided higher YoY growth for depreciation & amortisation in 2015 than 11% YoY growth in 2014. We believe the network related expenses, which constitute over 80% of total operating expenses, will still be increasing and pressure on net profit.

Difficult transformation. Management presented three curves for strategic transformation. However, we expect increasing mobile data service revenue to not fully offset the declining voice revenue. Digital service revenue can hardly offset the declining mobile data service revenue in the future, when the company directly competes with internet service companies. Without strategic and full cooperation with internet service companies, China Mobile may face challenges when data service revenue declines.

Maintain SELL. Considering the updated Capex guidance and adjustment of expenses, we revise up our EPS forecasts from Rmb4.74 to Rmb4.88 (-9.2% YoY) in 15E and revise down our EPS from Rmb4.86 to Rmb4.81 (-1.4% YoY) in 16E. We expect EPS of Rmb4.71 (-2.1% YoY) in 17E. We maintain our target price of HK\$80, representing 12.9x 15E, 13.0x 16E PE and 13.3x 17E PE. With 20% downside, we maintain our SELL rating. China Mobile remains our least favourable pick among the three operators.

APPENDIX

Table 1: Consolidated Income Statement

Rmbm	2013	2014	2015E	2016E	2017E
Revenue	630177.00	641448.00	652781.15	665891.47	680512.26
CostofSales	183800.00	197527.00	214077.05	224972.70	233827.87
GrossProfit	446377.00	443921.00	438704.11	440918.78	446684.39
OtherIncome	0.00	0.00	0.00	0.00	0.00
SGAExpenses	249365.00	252123.00	220184.37	204842.65	190107.49
EBITDA	302174.00	310212.13	352223.81	381796.76	413187.78
EBIT	197012.00	191798.00	218519.74	236076.12	256576.89
FinanceCosts	(14958.00)	(15921.00)	(14034.79)	(17313.18)	(17693.32)
ProfitBeforeTax	158579.00	142592.00	143562.85	145825.43	147116.88
IncomeTaxExpense	36776.00	33187.00	44195.74	47814.60	51172.39
MinorityInterests	111.00	126.00	134.25	151.24	166.50
ProfitfortheYear	121692.00	(263.00)	718.67	863.52	1011.07

Source: SWS Research

Table 2: Consolidated Cash Flow Statement

Rmbm	2013	2014	2015E	2016E	2017E
ProfitBeforeTaxation	158579.00	142592.00	143562.85	145825.43	147116.88
DeprAndAmortisation	105162.00	118414.13	133704.08	145720.64	156610.88
FinanceCost	331.00	320.72	326.39	332.95	340.26
LossesFromInvestments	0.00	0.00	0.00	0.00	0.00
ChangeInWorkingCapital	19204.00	50710.00	(37794.56)	15088.21	7543.69
Others	(58291.00)	(48917.78)	(65496.19)	(77811.96)	(79170.01)
CFFFromOperatingActivities	224985.00	263119.07	174302.56	229155.28	232441.70
CAPEX	(140440.00)	(218620.00)	(190230.00)	(184550.00)	(137508.00)
OtherCFFFromInvestingActivities	57985.00	(7432.14)	(81304.81)	19236.12	19725.57
CFFFromInvestingActivities	(171123.00)	(180034.14)	(77072.81)	(165163.88)	(117632.43)
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	52621.31	47289.62	42976.36
OtherCFFFromFinancingActivities	43.00	500.00	0.00	0.00	0.00
CFFFromFinancingActivities	(79407.00)	(55373.47)	(52621.31)	(47289.62)	(42976.36)
NetCashFlow	(25545.00)	27711.46	44608.43	16701.78	71832.92
FCFF	144162.00	109115.13	80003.51	164520.37	232051.07
FCFE	120201.00	4928.00	(1577.52)	920.29	637.99

Source: SWS Research

Table 3: Consolidated Balance Sheet

Rmbm	2013	2014	2015E	2016E	2017E
CurrentAssets	467189.00	475583.00	421150.90	440391.18	513410.45
BankBalancesAndCash	44931.00	66744.00	117250.89	133952.66	205785.58
TradeAndOtherReceivables	25556.00	30738.00	26764.03	28799.81	29432.16
Inventories	9152.00	9130.00	9546.92	9738.66	9952.49
OtherCurrentAssets	12479.00	16046.00	12482.06	12793.05	13132.22
LongTermInvestment	54067.00	70571.00	60629.00	67205.00	73784.00
PPE	479227.00	564795.00	616101.21	645894.24	664130.16
IntangibleAndOtherAssets	37957.00	36066.00	37964.85	38033.80	0.00
TotalAssets	1167392.00	1296449.00	1265297.96	1322476.22	1373778.61
CurrentLiabilities	370913.00	431876.00	389125.57	406927.69	415860.99
Borrowings	0.00	0.00	0.00	0.00	0.00
TradeAndOtherPayables	300350.00	363173.00	311376.61	327618.60	334812.03
OtherCurrentLiabilities	61857.00	62683.00	65346.12	66657.15	68119.23
LongTermLiabilities	5651.00	5832.00	5644.78	5657.89	5672.51
TotalLiabilities	376668.00	437806.00	394899.35	412724.58	421683.50
MinorityInterests	1951.00	2067.00	2009.00	2019.00	2030.00
ShareholderEquity	788773.00	856576.00	912788.20	968568.16	1023163.62
ShareCapital	2142.00	400737.00	2142.00	2142.00	2143.00
Reserves	272227.00	305133.00	313263.76	(68889.37)	339278.39
EquityAttributable	473367.24	524728.37	571367.81	617361.82	662377.47
TotalLiabilitiesAndEquity	1167392.00	14156.00	16294.58	17145.87	18272.30

Source: SWS Research

Table 4: Key Financial Ratios

	2013	2014	2015E	2016E	2017E
Ratios per share (Rmb)					
Earnings per share	6.0540	5.3753	4.8811	4.8136	4.7112
OperatingCFPerShare	11.1926	12.9424	8.5737	11.2718	11.4334
DividendPerShare	2.6032	2.3114	2.0989	2.0698	6.7370
Key Operating Ratios(%)					
NetAssetsPerShare	39.3371	42.1369	42.7151	44.6508	46.7337
ROIC	61.2907	57.2768	51.9175	48.2431	52.6819
ROE	15.4040	12.7714	11.4426	10.7971	10.0984
GrossProfitMargin	70.8336	69.2061	67.2054	66.2148	65.6394
EBITDAMargin	47.9507	48.3612	53.9574	57.3362	60.7172
EBITMargin	31.2630	29.9008	33.4752	35.4526	37.7035
GrowthRateOfRevenue	8.3085	1.7885	1.7668	2.0084	2.1957
GrowthRateOfProfit	(5.8651)	(10.2003)	(9.1931)	(1.3839)	(2.1271)
DebtToAssetRatio	32.2658	33.7696	31.2100	31.2085	30.6952
TurnoverRateOfNetAssets	0.7970	0.7470	0.7136	0.6861	0.6638
TurnoverRateOfTotalAssets	1.8525	2.0211	1.9383	1.9860	2.0187
EffectiveTaxRate	17.3496	15.9769	19.0045	18.8700	19.9973
DividendYield	3.2768	2.9094	2.6419	2.6054	8.4801
Valuation Ratios (X)					
PE	13.1227	14.7797	16.2759	16.5043	16.8630
PB	2.0196	1.8854	1.8599	1.7792	1.6999
EVSale	2.4748	2.3978	2.2784	2.2085	2.0556
EVEBITDA	5.1612	11.7514	2.9051	2.7304	2.4550

Source: SWS Research

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