



Rating  
**Hold**

Asia  
China

Telecommunications  
Wireless

Company  
**China Mobile Alert**

Reuters 0941.HK	Bloomberg 941 HK	Exchange HKG	Ticker 0941
ADR Ticker CHL	ISIN US16941M1099		

Date  
19 March 2015

## Results

Price at 19 Mar 2015 (HKD)	100.10
Price target - 12mth (HKD)	89.00
52-week range (HKD)	108.30 - 64.50
HANG SENG INDEX	24,120

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## 4Q slight miss; data growth expectations

### 4Q slight miss; data likely to drive 2015

China Mobile reported 4Q14 operating rev of RMB160b (-4%YoY/+2%QoQ), 2%/3% behind DBE/consensus. Net profit was RMB26.7b (-12%YoY/+7%QoQ), 2%/1% behind DBE/consensus. 2014 blended ARPU was RMB61 (-9.0%YoY/-4.7%HoH) mainly due to VAT and data tariff subsidies. Data rev saw strong 42% YoY growth driven by the 4G ramp. Further network deployment and confidence in 4G user expansion should allow data to drive 2015 rev growth.

### Company sees network deployment enabling data traffic boom

CM plans to expand its 4G networks to over 1m base stations (+280k YoY) by 2015-end to realize seamless nationwide coverage and extensive indoor coverage. CM's 4G network should cover 1b in population by 2015-end. The company intends to continue upgrading its 2G/3G users to 4G services. 4G users reached 123m by Feb-2015, and the co seeks to bring on a total of 250m 4G users by 2015-end. 4G data traffic grew fast to contribute to 44% of overall traffic in 2014 and has now surpassed total 2G and 3G data traffic. 4G DOU (monthly data traffic) of 780M is some 5x the blended DOU, and ARPU of ~RMB104 is 1.7x its blended ARPU. The co expects further 4G ARPU decline as mid-low end users upgrade to 4G, but it should indeed still drive 2015 revs.

### Capex and cost control update; supply chain maturing fast

The company guided to a 2015 capex budget of RMB200b (-6.5%YoY) with RMB72b (-10% YoY) dedicated to 4G. The number excludes tower capex (to be carried by the towerco.) Selling and mktg and handset subsidies should continue to trend down in 2015. CM has largely overcome obstacles encountered during the 3G era, having driven the smartphone supply chain toward maturity, etc. The co current has 600 4G smartphone models available, with prices as low as RMB400.

### Seeking FDD from the government

CM is also pursuing an FDD license. We, however, do not expect the MIIT to grant one in the near future since CT/CU only recently obtained their full licenses; they have yet to ramp up their networks and add substantial users.

### Maintain TP and Hold recommendation

We cut 2015/16E operating rev forecasts by 2%/1% and maintain our net profit forecast, while launching our 2017 forecast. We derive our TP from DCF, which utilizes an 8.9% WACC (risk free of 3.9%, risk premium of 5.6%, beta of 1.0) and a 0% perpetual growth. Our cost of debt and target Debt/Equity ratio remain unchanged at 4.5% and 10/90, respectively. Upside risks: faster 4G deployment, better user growth, less capex and mktg spend. Downside risks: slower 4G deployment, slower user growth, more capex and mktg spend.

### Key changes

Sales (FYE)	715,552 to 703,163	↓	-1.7%
Op prof margin (FYE)	19.4 to 20.1	↑	3.2%
Net profit (FYE)	118,359.7 to 118,057.5	↓	-0.3%

Source: Deutsche Bank

### Stock data

Market cap (HKDm)	2,008,549
Market cap (USDm)	258,897
Shares outstanding (m)	20,102.5
Major shareholders	Government (75.7%)
Free float (%)	26
Avg daily value traded (USDm)	231.7

Source: Deutsche Bank

### Key data

FYE 12/31	2014A	2015E	2016E
Sales (CNYm)	641,448	703,163	761,842
Net Profit (CNYm)	109,279.0	118,057.5	125,140.1
DB EPS (CNY)	5.38	5.82	6.17
PER (x)	12.2	13.8	13.0
Yield (net) (%)	3.6	3.2	3.3

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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