

China Mobile Limited

4G not the knight in shining armour, yet

Neutral

0941.HK, 941 HK

Price: HK\$100.10

Price Target: HK\$102.00

We see downside to market expectations for CM's revenue and earnings in light of the weaker-than-expected ARPU trend, continued pressure on margin and double-digit growth in depreciation. Focusing on the strong 4G subs growth and high 4G ARPU will likely lead to over-optimization on ARPU, as we believe what matters more is the ARPU change on the same user basis when someone switches from 2G/3G to 4G. We think such ARPU uplift has been and in the medium term will continue to be very limited due to sharp declines in data pricing. We remain Neutral on the stock given the downside risk to Street numbers and limited scope for multiple expansion we think.

- Worsening ARPU trend despite fast migration to 4G:** CM's ARPU showed the worst decline of the three operators of -16% yoy in 4Q14 (vs CT's -4% and CU's -15%), vs -9% in 3Q14. Service revenue also accelerated the downfall, down 11.7% in 4Q14 from -3% in 3Q14. Besides VAT impact, we think this worsening trend is also attributable to: (1) more tariff rebate amid aggressive handset subsidy reduction, which decreased by 76% hoh to Rmb3.6bn in 2H14; (2) bonus data allowance and lowered pricing aiming to encourage 4G adoption, with data unit price down 42% yoy in 2H14 vs. 21% yoy in 1H14, and (3) accelerating data usage growth (up 139% yoy to 169MB in 4Q14) weighing on spending on traditional services. Management guides ARPU to likely be stable yoy or reverse the downward trend in 2H15.
- EBITDA reverses while earnings continue downward drift:** EBITDA went up 8%, with margins up 4pp in 4Q14 as the growth of a few cost lines slowed down, strict marketing cost control was implemented and 4Q13 was a very low base. S&M cost savings of Rmb23.5bn were achieved and CM plans to cut Rmb20bn further this year. Mgmt still sees margin pressure in 2015 but expects the decline, if any, will be less than that in 2014. Earnings declined by 12% yoy in 4Q14 despite higher EBITDA, due to fast depreciation growth in the mid-teens, and growth of depreciation is expected to be faster than 11% this year.
- Capex has peaked, FDD won't cause another hike:** Capex is expected to trend down to Rmb200bn this year (Rmb214bn in 2014), with Rmb72bn for 4G (Rmb81bn in 2014). 4G BTS count jumped from 73K to 720k in 2014 and will increase to 1mn this year. New areas of focus this year include indoor coverage and rural coverage in high traffic places such as highways and tourist spots. Mgmt believes that capex will not see significant increase even if the company receives FDD license, as existing TDD network is compatible with FDD.
- Payout ratio remained at 43%** in 2014 and is guided to be the same in 2015. Management points out the need for spending on overseas investment and also new services development.

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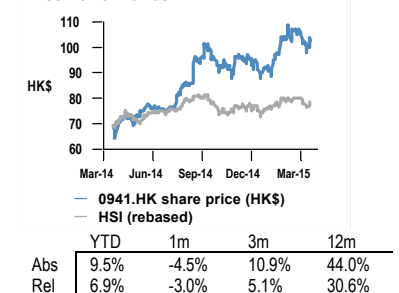
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Price Performance



China Mobile Limited (Reuters: 0941.HK, Bloomberg: 941 HK)

Rmb in mn, year-end Dec	FY12A	FY13A	FY14A	FY15E	FY16E
Revenue (Rmb mn)	560,413	630,177	641,448	650,286	687,415
EBITDA (Rmb mn)	253,578	240,426	235,259	239,694	260,960
EBITDA Growth	1.0%	(5.2%)	(2.1%)	1.9%	8.9%
Net Profit (Rmb mn)	129,274	121,692	109,279	105,774	114,282
EPS (Rmb)	6.43	6.05	5.38	5.21	5.63
EPS growth (%)	2.6%	(5.9%)	(11.1%)	(3.2%)	8.0%
DPS (Rmb)	2.77	2.62	2.32	2.24	2.42
EV/EBITDA (x)	5.0	5.1	5.2	5.0	4.4
P/E (x)	12.5	13.3	14.9	15.4	14.3
Dividend Yield	3.4%	3.3%	2.9%	2.8%	3.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data

52-week Range (HK\$)	108.50-63.65
Market Cap (Rmb mn)	1,637,744
Market Cap (\$ mn)	262,906
Shares O/S (mn)	20,380
Free Float(%)	25.8%
3M - Avg daily vol (mn)	17.94
3M - Avg daily val (HK\$ mn)	1,797.81
3M - Avg daily val (\$ mn)	231.7
HSI	2,4468.89
Exchange Rate	7.76
Price (HK\$)	100.10
Date Of Price	19 Mar 15
Price Target End Date	31-Dec-15

See page 11 for analyst certification and important disclosures, including non-US analyst disclosures.

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Key catalysts for the stock price:	Upside risks to our view:	Downside risks to our view:
<ul style="list-style-type: none"> TD-LTE narrows the network gap and its early-mover advantage should help CM gain back some high-end market share in the 4G era. Earnings remain under pressure partly due to OTT cannibalization and fast increase in depreciation. 	<ul style="list-style-type: none"> ARPU rebounds meaningfully in 2H15. CM gets a FDD license. 	<ul style="list-style-type: none"> Competition intensifies after CU and CT receive full FDD licenses. New asymmetrical policies against CM.

Key financial metrics (Rmb mn)	FY13A	FY14A	FY15E	FY16E
Total revenue	630,177	641,448	650,286	687,415
yoy growth	8.3%	1.8%	1.4%	5.7%
EBITDA	240,426	235,259	239,694	260,960
yoy growth	-5.2%	-2.1%	1.9%	8.9%
EBITDA margin	38%	37%	37%	38%
yoy change	-7.1%	-1.5%	0.2%	1.1%
Net profit	121,692	109,279	105,774	114,282
yoy growth	-5.9%	-10.2%	-3.2%	8.0%
EPS (Rmb)	6.05	5.38	5.21	5.63
DPS (Rmb)	2.62	2.32	2.24	2.42

Key model assumptions	FY13A	FY14A	FY15E	FY16E
Wireless subscribers	1,229,113	1,286,093	1,333,790	1,375,836
Wireless ARPU (Rmb)	67	62	59	61
Capex (Rmb mn)	184,900	213,500	196,916	166,102

Source: Bloomberg, Company data and J.P. Morgan estimates.

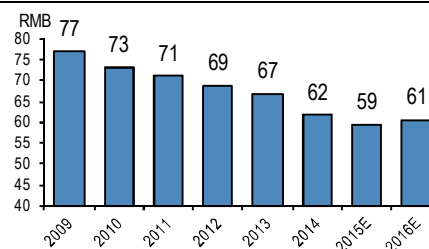
Sensitivity analysis	EBITDA		EPS	
	FY15E	FY16E	FY15E	FY16E
5% chg in wireless subscribers	5%	5%	8%	8%
5% chg in wireless ARPU	4%	4%	8%	8%
1% chg in EBITDA margin	0%	-4%	-1%	-8%
5% chg in Capex	0%	0%	-1%	-1%

Source: J.P. Morgan estimates.

Valuation and price target basis

Our Dec-15 price target is based upon a 10-year DCF model. We assume a WACC of 11.0% derived from a cost of equity of 11.4%, cost of debt of 5.0%, equity risk premium assumption of 7.0% and a risk-free rate of 4.0% with 5.0% target gearing. Our price target of HK\$102 implies a P/E of 15.6x and EV/EBITDA of 5.1x for FY15E.

China Mobile ARPU outlook



Source: J.P. Morgan estimates.

JPM vs. consensus, change in estimates

Net profit (Rmb mn)	FY15E	FY16E
JPM old	107,464	114,387
JPM new	105,774	114,282
% chg	-2%	0%
Consensus	113,435	117,702

Source: Bloomberg and J.P. Morgan estimates.

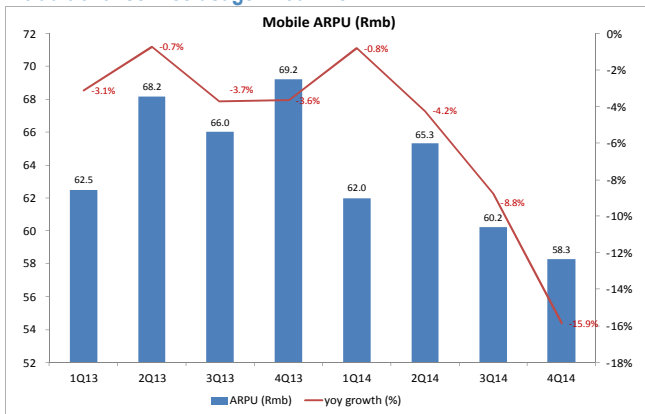
Chinese telco comp table

Company	Stock code	Rating	Price (HK\$) Index Level	PT (HK\$)	% to Target	EV/EBITDA		P/E		Dividend yield		P/B (x)		ROE (%)	EBITDA CAGR
						2015E	2016E	2015E	2016E	2015E	2016E	2015E	2016E		
China Mobile	941 HK	N	100.10	102.00	2%	5.0	4.4	15.4	14.3	2.8%	3.0%	1.8	1.6	11.5	-0.2%
China Telecom	728 HK	OW	5.03	5.40	7%	4.3	4.1	16.4	14.2	2.1%	2.4%	1.1	1.0	6.5	1.7%
China Unicom	762 HK	OW	11.94	13.40	12%	3.5	3.1	16.7	13.7	2.4%	2.9%	1.0	0.9	5.8	9.5%
MSCI China	MXCN	N/A	69.00	N/A	N/A	6.6	N/A	9.1	8.1	3.4%	4.3%	1.2	1.1	N/A	N/A
HSI	HSI	N/A	24,469	N/A	N/A	5.5	N/A	10.5	9.5	3.7%	N/A	1.2	1.1	N/A	N/A

Source: Bloomberg and J.P. Morgan estimates. Note: Share prices and valuations are as of March 19, 2015.

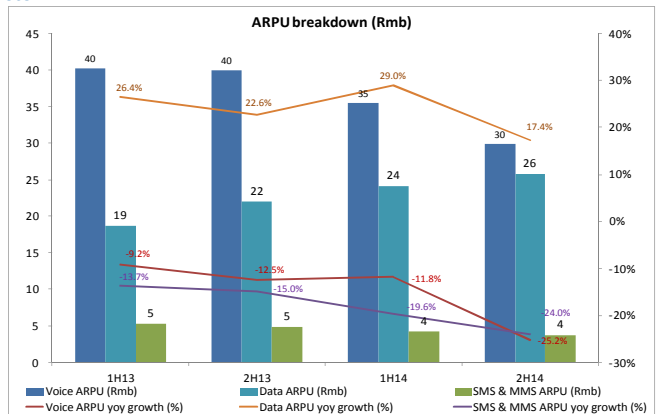
4Q14 result highlights

Figure 1: ARPU dropped significantly by 16% yoy in 4Q14 partly due to more tariff rebates and bonus service offerings, and faster decline in traditional service usage in our view.



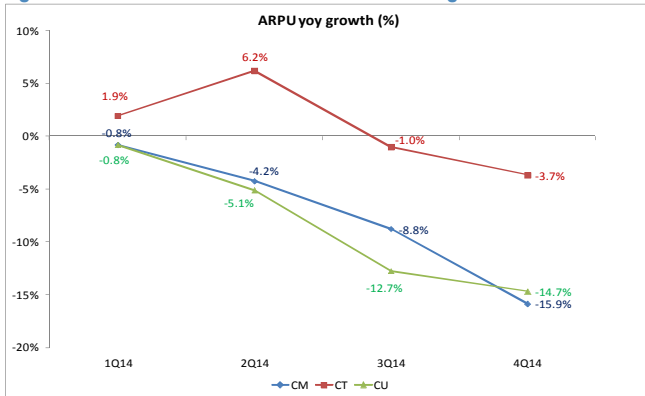
Source: Company data and J.P. Morgan estimates.

Figure 2: Traditional service ARPU decline accelerated in 2H14 due to VAT, more OTT cannibalization impact and also more tariff rebates etc.



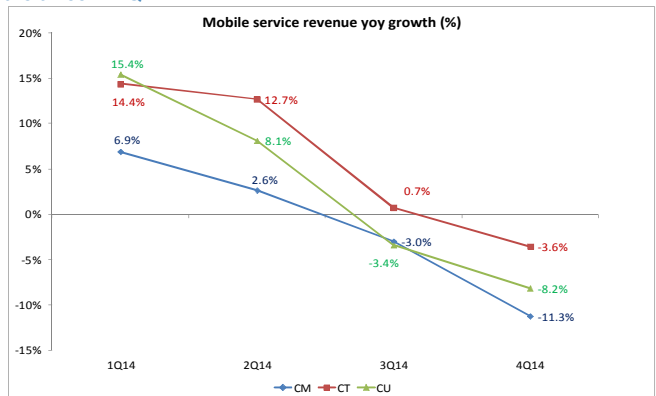
Source: Company data and J.P. Morgan estimates.

Figure 3: CM's ARPU trend was the worst among the three in 4Q14.



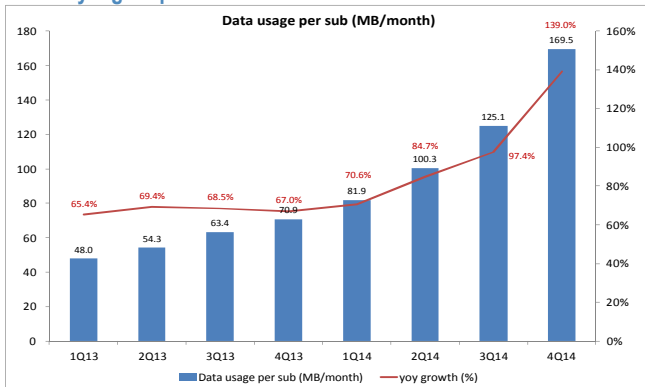
Source: Company data and J.P. Morgan estimates.

Figure 4: CM's mobile service revenue trend was the worst among the three in 4Q14.



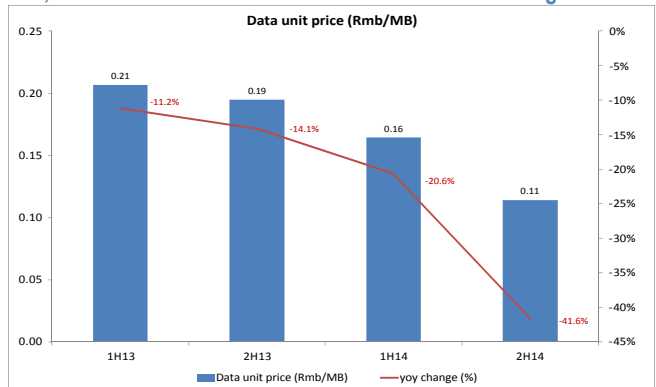
Source: Company data and J.P. Morgan estimates.

Figure 5: Per user mobile data usage growth accelerated in 4Q14 driven by higher penetration of 4G.



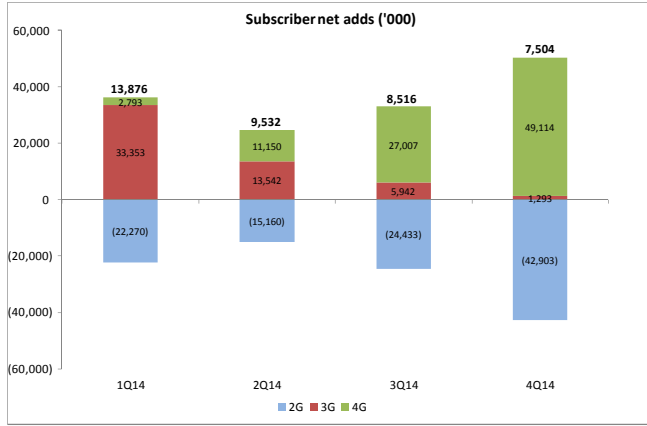
Source: Company data and J.P. Morgan estimates.

Figure 6: However, data unit price slumped by 42% yoy due to price cuts, more tariff rebates and bonus data allowance offerings.



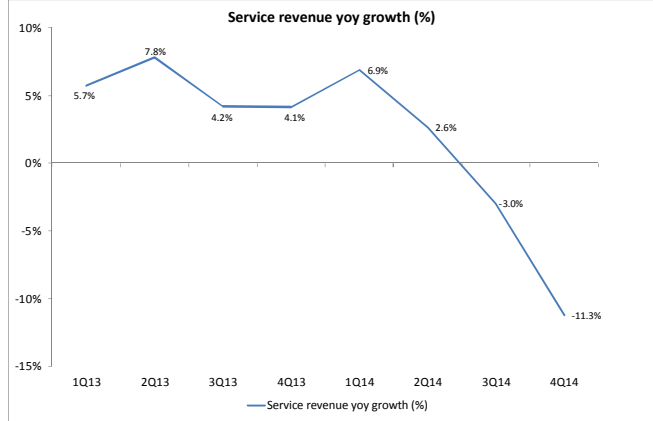
Source: Company data and J.P. Morgan estimates.

Figure 7: 4G subs growth momentum picked up in 4Q14 driven by more tariff rebates and bonus allowance offerings, and better selection of terminals in our view.



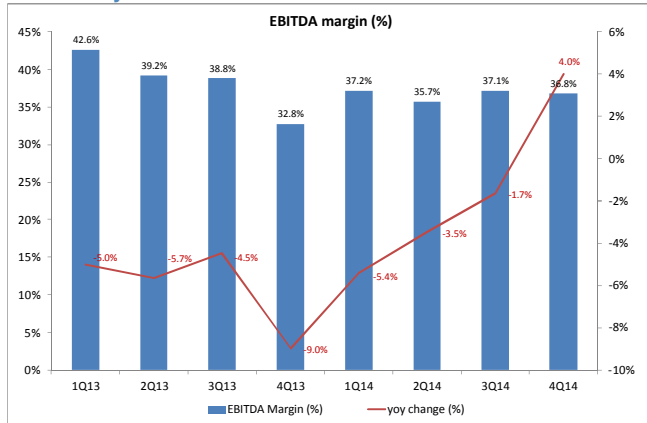
Source: Company data.

Figure 8: Mobile service revenue decline accelerated to 11% yoy in 4Q14 on the back of poor ARPU.



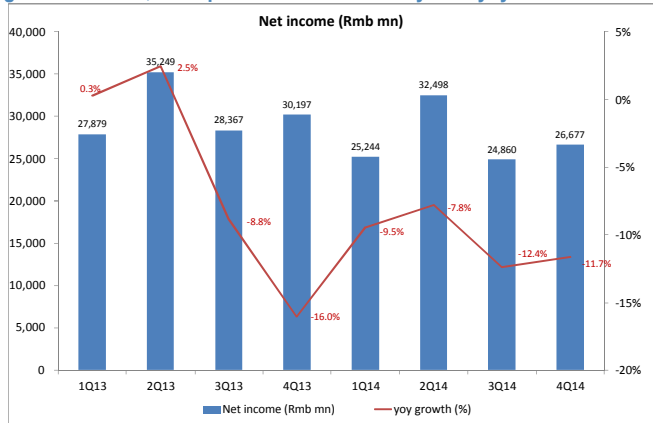
Source: Company data and J.P. Morgan estimates.

Figure 9: EBITDA margin looks good on a yoy basis in 4Q14, partly due to a very low base of 4Q13.



Source: Company data and J.P. Morgan estimates.

Figure 10: Earnings decline remained at double digit despite EBITDA growth in 4Q14, as depreciation increased by 15% yoy.



Source: Company data and J.P. Morgan estimates.

Results

Table 1: Quarterly results

Rmb mn, YE Dec	1Q14A	2Q14A	3Q14A	4Q14A	yoy %	qoq%
P&L						
Service revenues	143,991	153,919	143,598	140,309	-11.3%	-2.3%
<i>yoy growth</i>	6.9%	2.6%	-3.0%	-11.3%		
Handset sales revenue	10,837	15,934	12,956	19,904	119.5%	53.6%
<i>yoy growth</i>	21.3%	67.7%	9.2%	119.5%		
Operating revenue	154,828	169,853	156,554	160,213	-4.2%	2.3%
<i>yoy growth</i>	7.8%	6.5%	-2.1%	-4.2%		
EBITDA	57,592	60,630	58,116	58,921	7.6%	1.4%
<i>yoy growth</i>	-5.9%	-2.9%	-6.3%	7.6%		
Margin	37.2%	35.7%	37.1%	36.8%	4.0%	-0.3%
<i>yoy change</i>	-5.4%	-3.5%	-1.7%	4.0%		
Net income	25,244	32,498	24,860	26,677	-11.7%	7.3%
<i>yoy growth</i>	-9.5%	-7.8%	-12.4%	-11.7%		
KPIs						
Total CM subscriber('000)	781,082	790,614	799,130	806,634	5.1%	0.9%
GSM subs ('000)	553,313	538,153	513,720	470,817	-18.2%	-8.4%
GSM monthly net adds ('000)	(7,423)	(5,053)	(8,144)	(14,301)	324.7%	75.6%
TD-SCDMA subs ('000)	224,976	238,518	244,460	245,753	28.2%	0.5%
TD monthly net adds ('000)	11,118	4,514	1,981	431	-94.2%	-78.2%
TD-LTE subs ('000)	2,793	13,943	40,950	90,064	n/a	119.9%
TD-LTE monthly net adds ('000)	931	3,717	9,002	16,371	n/a	81.9%
MOU per sub (monthly)	456	463	452	450	-6.3%	-0.5%
<i>yoy growth</i>	-6.6%	-7.5%	-6.4%	-6.3%		
Total MOU (mn)	1,043,300	1,090,800	1,077,000	1,082,800	-1.2%	0.5%
<i>yoy growth</i>	0.6%	-0.8%	-0.5%	-1.2%		
SMS per sub (monthly)	66	65	63	65	-9.6%	3.4%
<i>yoy growth</i>	-26.3%	-24.6%	-25.4%	-9.6%		
Total message SMS (mn)	153,000	152,800	149,500	156,100	-4.7%	4.4%
<i>yoy growth</i>	-20.6%	-19.2%	-20.7%	-4.7%		
Mobile data traffic (MB bn)	190.1	236.4	298.2	408.2	152.1%	36.9%
Blended ARPU (Rmb)	62	65	60	58	-15.9%	-3.3%
<i>yoy growth</i>	-0.8%	-4.2%	-8.8%	-15.9%		

Source: Company data and J.P. Morgan estimates.

Table 2: Interim results

Rmb mn, YE Dec	1H13A	2H13A	1H14A	2H14A	yoy %	hoh %
Service revenue	284,671	306,140	297,910	283,907	-7.3%	-4.7%
<i>yoy growth</i>	6.8%	4.2%	4.7%	-7.3%		
Total revenues	303,104	327,073	324,681	316,767	-3.2%	-2.4%
<i>yoy growth</i>	10.4%	6.4%	7.1%	-3.2%		
Operating costs						
Leased lines	(8,857)	(9,870)	(10,235)	(10,848)	9.9%	6.0%
Interconnection	(12,833)	(13,165)	(12,116)	(11,273)	-14.4%	-7.0%
Personnel	(16,534)	(17,842)	(18,115)	(18,715)	4.9%	3.3%
SG&A	(110,632)	(138,733)	(125,470)	(126,653)	-8.7%	0.9%
Total costs	(179,457)	(210,372)	(206,459)	(201,430)	-4.3%	-2.4%
EBITDA	123,647	116,779	118,222	117,037	0.2%	-1.0%
<i>yoy growth</i>	0.5%	-10.6%	-4.4%	0.2%		
Margin	40.8%	35.7%	36.4%	36.9%	1.2%	0.5%
<i>yoy growth</i>	-4.0%	-6.8%	-4.4%	1.2%		
Depreciation & Amortization	(52,223)	(52,476)	(55,868)	(60,357)	15.0%	8.0%
EBIT	71,424	64,225	62,354	54,980	-14.4%	-11.8%
Non-operating income	387	523	332	757	44.7%	128.0%
Associate income	3,308	3,754	3,966	4,282	14.1%	8.0%
Net finance cost	7,157	7,801	7,756	8,165	4.7%	5.3%
Interest income	7,324	7,965	7,870	8,279	3.9%	5.2%
Finance costs	(167)	(164)	(114)	(114)	-30.5%	0.0%
PBT	82,276	76,303	74,408	68,184	-10.6%	-8.4%
Tax	(19,095)	(17,681)	(16,619)	(16,568)	-6.3%	-0.3%
Rate (%)	24.2%	24.4%	23.6%	25.9%		
Minority interest	(53)	(58)	(47)	(79)	36.2%	68.1%
Net income	63,128	58,564	57,742	51,537	-12.0%	-10.7%
<i>yoy growth</i>	1.5%	-12.7%	-8.5%	-12.0%		
Basic EPS (HK\$)	3.94	3.71	3.62	3.23	-12.8%	-10.7%
<i>yoy growth</i>	3.8%	-10.0%	-8.1%	-12.8%	-2.8%	-4.6%
Interim DPS (HK\$)	1.70	1.63	1.54	1.38	-15.5%	-10.4%
Payout ratio (%)	43.0%	44.1%	42.5%	42.7%	-0.5%	-1.5%

Source: Company data and J.P. Morgan estimates.

Revisions

Table 3: Key forecasts and revisions

Rmb MM	2015E	2016E		2015E	2016E
Service revenue			Capex		
Old	607,556	640,137	Old	197,456	160,034
New	584,321	615,194	New	196,916	166,102
Change (%)	-4%	-4%	Change (%)	0%	4%
YOY growth (%) -New	1%	6%	YOY growth (%) -New	-8%	-16%
EBITDA			Blended mobile ARPU (Rmb)		
Old	239,281	256,602	Old	61.7	63.0
New	239,694	260,960	New	59.3	60.6
% Change	0%	2%	% Change	-4%	-4%
YOY growth (%) -New	2%	9%	YOY growth (%) -New	-4%	2%
EBITDA Margin (%)			MOU		
Old	36.5%	37.3%	Old	422	389
New	36.9%	38.0%	New	419	385
% Change	0%	1%	% Change	-1%	-1%
YOY growth (%) -New	0%	1%	YOY growth (%) -New	-7%	-8%
Net Profit			3G and 4G subscribers ('000)		
Old	107,464	114,387	Old	546,498	724,639
New	105,774	114,282	New	546,498	724,639
% Change	-2%	0%	% Change	0%	0%
YOY growth (%) -New	-3%	8%	YOY growth (%) -New	63%	33%
D&A			Total subscribers ('000)		
Old	(125,954)	(136,510)	Old	834,775	857,901
New	(129,194)	(141,982)	New	834,775	857,901
% Change	3%	4%	% Change	0%	0%
YOY growth (%) -New	11%	10%	YOY growth (%) -New	6%	5%

Source: J. P. Morgan estimates.

J.P. Morgan vs. consensus

Table 4: J.P. Morgan forecasts vs. consensus

	2015E	2016E
Sales (RMB mn)		
Consensus	681,027	729,253
J.P. Morgan	650,286	687,415
Difference	-5%	-6%
EBITDA (RMB mn)		
Consensus	254,574	267,964
J.P. Morgan	239,694	260,960
Difference	-6%	-3%
EBITDA margin (%)		
Consensus	37.4%	36.7%
J.P. Morgan	36.9%	38.0%
Difference	-1%	1%
Net profit (RMB mn)		
Consensus	113,435	117,702
J.P. Morgan	105,774	114,282
Difference	-7%	-3%
DPS (RMB)		
Consensus	2.39	2.56
J.P. Morgan	2.24	2.42
Difference	-6%	-5%
Dividend payout (%)		
Consensus	43.3%	43.9%
J.P. Morgan	43.0%	43.0%
Difference	0%	-1%

Source: Bloomberg and J.P. Morgan estimates.

Valuation

Our DCF based Dec-15 PT stands at HK\$102

Our Dec-15 price target is based on a 10-year DCF valuation that assumes a market risk premium of 7.0% and a risk-free rate of 4.0%. We assume a beta of 1.1 and terminal growth rate of 1.5%. The resulted WACC is 11.0%. Our DCF-based Dec-15 PT of CM stands at HK\$102, implying 2% potential upside from the current price.

Table 5: CM - DCF analysis

Rmb in millions, year-end Dec	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
EBIT * (1-tax rate)	83,203	89,587	94,116	97,296	101,096	104,777	107,980	110,039	112,823
Depreciation & Amortization	129,194	141,982	151,756	160,477	167,636	173,190	178,360	183,683	186,959
Change in working capital	23,830	21,590	27,156	23,062	26,644	24,594	28,123	23,571	27,178
Capital expenditure	(196,916)	(166,102)	(152,904)	(138,743)	(136,839)	(133,980)	(134,022)	(133,517)	(132,528)
Free cash flows	39,311	87,057	120,124	142,092	158,538	168,580	180,442	183,776	194,433
One Year Forward DCF									
NPV of cash flows (2015E-2023E)	794,141								
Perpetual growth (%)	1.5%								
Implied terminal value FCF exit multiple (10.6								
Implied Exit EBITDA multiple (X)	5.7								
PV of terminal value	397,769								
Enterprise Value (EV)	1,191,910								
Terminal value as % of EV	33%								
Net (debt)/cash	413,496								
Equity value (Rmb mn)	1,605,406								
Number of shares (mn)	20,293								
Equity value (Rmb/share)	79								
Equity value (HK\$/share)	102								
WACC Assumptions									
		Cost of equity =	11.4%						
		Cost of debt =	5.0%						
		Tax =	25.0%						
		Risk free rate =	4.0%						
		Beta =	1.1						
		Equity risk premium =	7.0%						
		Required equity market return =	11.0%						
		Debt/capital =	5%						
		Equity/capital =	95%						
		WACC =	11.0%						

Source: J.P. Morgan estimates.

Investment Thesis, Valuation and Risks

China Mobile Limited (Neutral; Price Target: HK\$102.00)

Investment Thesis

CM has the largest mobile customer base in the world, undergoing a business model shift from voice to data, and a migration from 3G to 4G. TD-LTE narrows the network gap and its early-mover advantage should help CM gain back some high-end market share in the 4G era. Earnings remain under pressure partly due to slower top-line growth and increase in depreciation.

Valuation

Our Dec-15 price target is based upon a 10-year DCF model. We assume a WACC of 11.0% derived from a cost of equity of 11.4%, cost of debt of 5.0%, equity risk premium assumption of 7.0% and a risk-free rate of 4.0% with 5.0% target gearing. Our price target of HK\$102 implies a P/E of 16x and EV/EBITDA of 5x for FY15E.

Risks to Rating and Price Target

Upside risks: (1) ARPU rebounds meaningfully in 1H15 and (2) CM gets FDD license. Downside risks: (1) Competition intensifies since CU and CT received full FDD licenses and (2) New asymmetrical policies against CM.

China Mobile Limited: Summary of Financials

Income Statement					Balance sheet				
Rmb in millions, year end Dec	FY14	FY15E	FY16E	FY17E	Rmb in millions, year end Dec	FY14	FY15E	FY16E	FY17E
Revenue	641,448	650,286	687,415	720,582	Cash and cash equivalents	418,862	441,225	506,597	599,805
EBITDA	235,259	239,694	260,960	276,750	Accounts receivable	30,738	25,562	25,682	25,535
Depreciation	(116,225)	(129,194)	(141,982)	(151,756)	Inventories	9,130	6,309	7,485	4,993
Amortization	(1,700)	0	0	0	Others	18,853	18,919	19,733	20,452
EBIT	117,334	110,500	118,978	124,993	Total current assets	477,583	492,015	559,498	650,785
Interest income	16,149	16,336	17,208	19,757	Net fixed assets	564,795	675,226	718,230	721,507
Interest expense	(228)	(273)	(275)	(298)	Other long term assets	218,005	166,086	147,545	145,612
Profit before tax	142,592	137,429	148,256	158,071	Total non-current assets	818,866	877,378	901,841	903,184
Tax	(33,187)	(31,534)	(33,843)	(35,953)	Total Assets	1,296,449	1,369,393	1,461,339	1,553,969
Minorities	(126)	(121)	(131)	(140)	ST loans	742	1,842	6,916	2,020
Net profit	109,279	105,774	114,282	121,978	Others	72,906	75,002	79,157	82,880
Shares O/S (mn)	20,293	20,293	20,293	20,293	Total current liabilities	431,876	442,393	472,142	493,358
EPS (Rmb)	5.38	5.21	5.63	6.01	Long-term debt	4,992	4,984	0	0
DPS (Rmb)	2.32	2.24	2.42	2.58	Other long-term liabilities	938	950	998	1,042
DPS payout ratio	43.4%	43.2%	43.2%	43.2%	Total Liabilities	437,806	448,326	473,140	494,400
Revenue growth	1.8%	1.4%	5.7%	4.8%	Shareholders' equity	858,643	921,067	988,198	1,059,569
EBITDA growth	(2.1%)	1.9%	8.9%	6.1%	Total liabilities and equity	1,296,449	1,369,393	1,461,339	1,553,969
Pre-tax profit growth	(10.1%)	(3.6%)	7.9%	6.6%	Net debt/(cash)	(413,128)	(434,399)	(499,682)	(597,784)
Net profit growth	(10.2%)	(3.2%)	8.0%	6.7%	Book value per share	42.21	45.28	48.58	52.09
EPS growth	(11.1%)	(3.2%)	8.0%	6.7%					
DPS growth	(11.2%)	(3.6%)	8.0%	6.7%					
Ratio Analysis					Cash flow statement				
%, year end Dec	FY14	FY15E	FY16E	FY17E	Rmb in millions, year end Dec	FY14	FY15E	FY16E	FY17E
EBITDA margin	36.7%	36.9%	38.0%	38.4%	Cash flow from operations	263,891	250,919	269,390	290,146
FCF margin	6.0%	6.4%	13.1%	17.0%	Capex	(213,500)	(196,916)	(166,102)	(152,904)
ROE	13.3%	11.9%	12.0%	11.9%	Cash flow from other investing	(7,396)	20,739	16,127	18,803
ROC	10.9%	9.5%	9.6%	9.4%	Cash flow from financing	(56,065)	(52,379)	(54,042)	(62,838)
ROA	8.9%	7.9%	8.1%	8.1%	FX effect	0	0	0	0
Tax rate	23.3%	22.9%	22.8%	22.7%	Change in cash for year	(13,070)	22,363	65,372	93,207
Capex to sales	33.3%	30.3%	24.2%	21.2%	Beginning cash	44,931	66,744	89,107	154,479
Debt/Capital	(92.7%)	(89.3%)	(102.3%)	(129.5%)	Closing cash	31,861	89,107	154,479	247,687
Net debt/equity	(48.1%)	(47.2%)	(50.6%)	(56.4%)					
Interest coverage (x)	NM	NM	NM	NM					

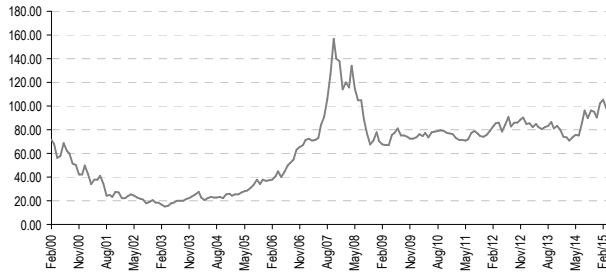
Source: Company reports and J.P. Morgan estimates.

JPM Q-Profile
China Mobile Limited (HONG KONG / Telecommunication Services)
 As Of: 13-Mar-2015

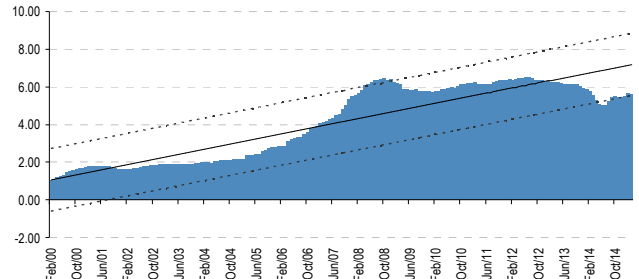
Global Equity Quantitative Analysis

Quant_Strategy@jpmorgan.com

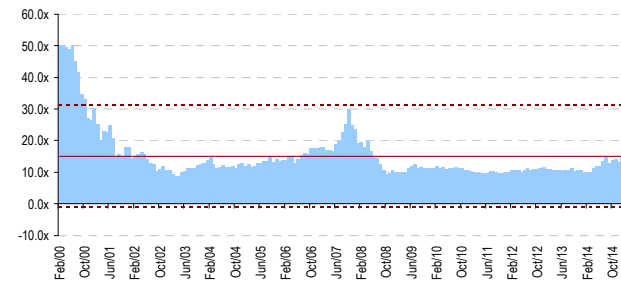
Local Share Price Current: **97.90**



12 Mth Forward EPS Current: **5.61**



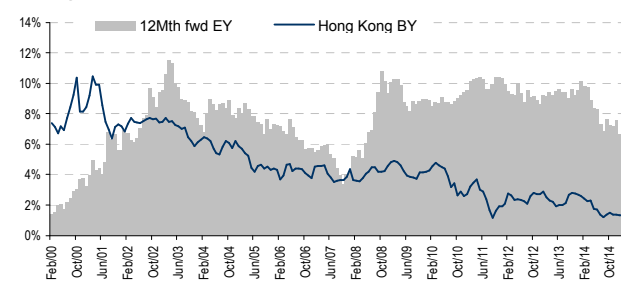
PE (1Yr Forward) Current: **14.1x**



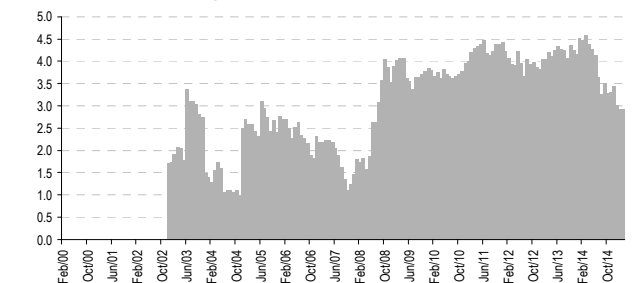
P/E Relative to Hong Kong Index Current: **0.90**



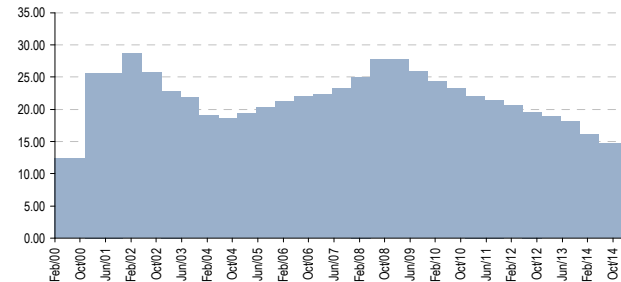
Earnings Yield (& Local Bond Yield) Current: **7%**



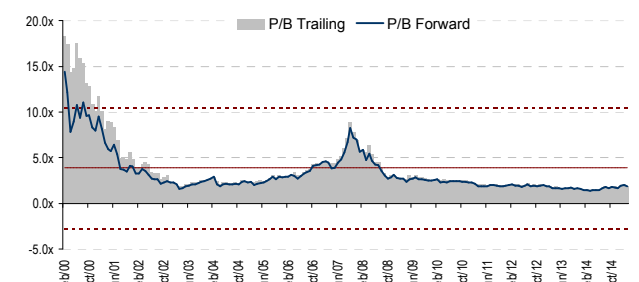
Dividend Yield (Trailing) Current: **2.93**



ROE (Trailing) Current: **14.68**



Price/Book (Value) Current: **1.9x**



Summary

China Mobile Limited		TICKER		941 HK		As Of:		13-Mar-15			
HONG KONG						Local Price:		97.90			
Telecommunication Services						EPS:		5.61			
	Latest	Min	Max	Median	Average	2 S.D.+	2 S.D. -	% to Min	% to Max	% to Med	% to Avg
12mth Forward PE	14.07x	8.68	50.00	12.13	15.09	31.24	-1.06	-38%	255%	-14%	7%
P/BV (Trailing)	1.94	1.45	18.26	2.59	3.87	10.45	-2.72	-25%	841%	33%	99%
Dividend Yield (Trailing)	2.93x	0.00	4.59	2.70	2.51	5.56	-0.54	-100%	57%	-8%	-14%
ROE (Trailing)	14.68	12.29	28.65	21.84	21.49	29.78	13.19	-16%	95%	49%	46%

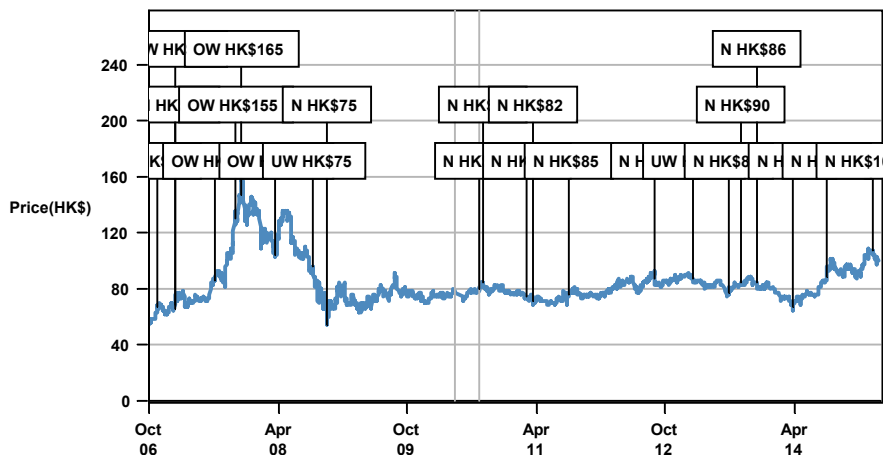
Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, JPMorgan Quantitative & Derivative Strategy

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China Mobile Limited (0941.HK, 941 HK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Nov 08, 2006.

Date	Rating	Share Price (HK\$)	Price Target (HK\$)
08-Nov-06	N	67.05	62.00
15-Jan-07	N	65.95	70.00
18-Jan-07	OW	68.00	83.00
11-Jul-07	OW	85.90	97.00
03-Oct-07	OW	129.80	155.00
22-Oct-07	OW	147.90	165.00
20-Mar-08	OW	104.20	150.00
28-Aug-08	UW	96.55	75.00
26-Oct-08	N	53.80	75.00
02-Aug-10	N	79.45	83.00
20-Aug-10	N	84.30	87.00
20-Feb-11	N	73.80	84.00
17-Mar-11	N	71.05	82.00
19-Aug-11	N	75.60	85.00
17-Aug-12	N	86.85	92.00
24-Jan-13	UW	86.95	78.00
27-Jun-13	N	77.25	85.00
16-Aug-13	N	83.95	90.00
22-Oct-13	N	85.05	86.00
21-Mar-14	N	67.00	75.00
15-Aug-14	N	88.30	94.00
27-Feb-15	N	107.00	102.00

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IB clients*	56%	49%	33%
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