



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

China Mobile Limited (00941 HK/600941 CH)

China Telecom Sector

Jan 31, 2022

# China Mobile (941 HK/600941 CH)

## Attractive valuation in 2022

- China Mobile ("the Group") introduced a share repurchase plan on Jan 4, 2022, to buy back up to 2.05 bn HK share, which is equivalent to 10% of HK share
- We estimate its revenue to grow 6.7%/ 4.7% in 2022E-23E on increased 5G network contributions and ARPU growth
- We forecast 2022E net profit to grow 6.3% YoY
- Recommend **BUY** with TP of HK\$ 85.0 for China Mobile-HK (941 HK), which implies 4.2x/ 4.1x 2022-23E EV/EBITDA, and **BUY** for China Mobile-A (600941 CH) with TP of RMB 93.0, equivalent to 5.6x/ 5.4x 2022-23E EV/EBITDA

**We expect the Group's 5G users to grow 63.3%/26.6% in 2022-23E.** China Mobile added 221.8mn 5G users in 2021, outpacing China Unicom's (762 HK) 84.1mn and China Telecom's (728 HK) 101.3mn. The increase can be attributed to its widening 5G network coverage and launch of competitive 5G smartphones.

**2022E net profit to grow 6.3% YoY.** Driven by the economies of scale, stringent costs control, and rising 5G contributions, we expect net profit to grow 6.3% YoY for 2022E.

**Valuation.** We recommend **BUY** for both HK/A-share with TP at HK\$ 85.0/ RMB 93.0. HK-share TP implies 4.2x/4.1x FY22-23E EV/EBITDA, while A-share TP represents 5.6x/5.4x FY22-23E EV/EBITDA.

**Risk factors:** 1) Fierce market competition may lower mobile ARPU; 2) User saturation; 3) Higher CAPEX for 5G network expansion.

### Results and Valuation

FY ended Dec 31	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	745,917	768,070	844,914	901,212	943,668
Chg (%YoY)	1.2	3.0	10.0	6.7	4.7
Net profit (RMB mn)	106,641	107,843	114,708	121,945	128,306
Chg (%YoY)	(9.5)	1.1	6.4	6.3	5.2
EPS (RMB)	5.21	5.27	5.60	5.72	6.02
Chg (%YoY)	(9.5)	1.1	6.4	2.1	5.2
BPS (RMB)	53.90	56.11	59.43	62.04	64.87
Chg (%YoY)	4.9	4.1	5.9	4.4	4.6
P/E (x) –HK shr	8.98	8.38	7.69	7.53	7.16
P/E (x) –A shr	11.06	10.93	10.28	10.07	9.57
P/B (x) –HK shr	0.87	0.79	0.73	0.69	0.66
P/B (x) –A shr	1.07	1.03	0.97	0.93	0.89
ROAE (%)	9.9	9.6	9.7	9.6	9.5
ROAA (%)	6.8	6.4	6.5	6.5	6.5
DPS (RMB)	2.92	2.83	3.08	3.15	3.31
Dividend Yield (%) –HK shr	6.25	6.56	7.15	7.30	7.68
Dividend Yield (%) –A shr	5.07	4.91	5.35	5.46	5.75

\*Exchange rate assumption for FY21E-23E: 1 HKD = 0.82 RMB

Source(s): Bloomberg, ABCI Securities estimates

## Company Report

Jan 31, 2022

Rating (HK): BUY  
Rating (A): BUY  
TP(HK): HK\$ 85.0  
TP(A): RMB 93.0

Analyst : Ricky Lai

Tel: (852) 2147 8895

rickylai@abci.com.hk

Price (HK/A shr)	HK\$52.55/ RMB57.58
Est. price return (HK/A shr)	61.8%/61.5%
Est. dividend yield (HK/A shr)	7.3%/5.5%
Est. total return (HK/A shr)	69.1%/67.0%
Last Rating & TP (HK/A shr)	BUY HK\$82.0/ N/A
Previous Report Date	Mar 26, 2020

Source(s): Bloomberg, ABCI Securities estimates

### Key Data

52Wk H/L (HK\$) (HK shr)	55.81/41.96
52Wk H/L (RMB) (A shr)	63.58/57.58
Total issued shares (mn)	21,321.2
Issued HK shr (mn)	20,475.5
Issued A shr (mn)	845.7
HK-shr market cap (HK\$ mn)	1,075,987
A-shr market cap (RMB mn)	48,695

Source(s): Bloomberg, ABCI Securities estimates

### Major shareholder(s) :

China Mobile Comm. Group Co., Ltd.	69.8%
Foresight Fund	0.4%
Vanguard	0.3%

Source(s): Company, ABCI Securities estimates

## Completion of A-share listing on Jan 5, 2022

China Mobile (600941 CH) was listed on the Shanghai Stock Exchange on Jan 5, 2022. A total of 845mn new A-shares were issued, representing 4.13% of the Group's issued shares before. Capital raised was RMB 48.7bn and net proceeds were RMB48.12bn. The proceeds, according to the Group, will be used to develop 5G network, cloud computing, and new applications.

## Launch share repurchase program

On Jan 4, 2022, China Mobile announced to launch a HK-share repurchase plan with the total repurchased shares not exceeding 2.05 bn, which is equivalent to 10% of HK shares. However, we expect there will be no share repurchase in 2022-23E.

## A-shares acquisition plan from its controlling shareholder

On Jan 24, 2022, the Group's controlling shareholder China Mobile Communications Group Co., Ltd. announced that they have acquired 12.32 mn A-shares on 21 Jan 2022 with the amount of RMB0.71bn, representing 0.058% of the Company's total number of issued shares or 1.457% of the Company's total number of issued A Shares.

China Mobile Communications Group Co., Ltd. also plans to increase its shareholding in A-shares of the Group by an aggregate amount not less than RMB3.0 bn and not exceeding RMB5.0 bn during the period from 21 Jan 2022 to 31 Dec 2022.

The A-share acquisition plan is expected to support the Group's share performance and improve investors' confidence for investing.

## Outperformed 5G user additions

China Mobile added 221.8mn 5G users in 2021, outpacing China Unicom's 84.1mn and China Telecom's 101.3mn. The increase can be attributed to the Group's widening 5G network coverage and the launch of competitive 5G smartphones. We expect the Group to maintain strong 5G user additions in 2022 thanks to the expanded distribution channel and increasing varieties of 5G service packages. Since the proportion of 5G user will increase, we forecast mobile ARPU to edge up 2.0% YoY for 2022E, and overall revenue would grow 6.7%/4.7% for FY22E-23E.

### Exhibit 1: User additions for the major telecom operators in China (2021)

mn	5G User additions			Mobile User additions			Fixed-line broadband user additions		
	2021	2020	YoY	2021	2020	YoY	2021	2020	YoY
China Mobile	221.8	158.3	40.1%	15.0	(8.4)	N/A	29.8	23.3	27.9%
China Unicom	84.1	N/A	N/A	11.3	(12.7)	N/A	9.0	2.6	246.2%
China Telecom	101.3	81.9	23.7%	21.4	15.5	38.1%	11.2	5.4	107.4%

Source(s): the Companies, ABCI Securities



**Exhibit 2: Major assumptions for our forecasts**

	FY19	FY20	FY21E	FY22E	FY23E
Overall mobile users (mn)	950	942	957	967	974
YoY	2.7%	(0.9%)	1.6%	1.0%	0.7%
5G users (mn)	N/A	165.0	386.8	631.6	799.7
YoY	N/A	N/A	134.4%	63.3%	26.6%
Mobile ARPU (RMB)	49.1	47.4	49.9	50.9	51.7
YoY	(7.5%)	(3.5%)	5.3%	2.0%	1.5%
Fixed line users (mn)	187.0	210.3	240.1	265.1	291.1
YoY	19.4%	12.4%	14.2%	10.4%	9.8%
Fixed line ARPU (RMB)	32.8	34.0	36.4	37.5	38.2
YoY	(2.1%)	3.7%	7.0%	3.0%	2.0%

Source(s): the Company, ABCI Securities estimates

We revise up China Mobile's 2022E revenue by 9.2% and 2022E net profit by 7.0% due to the higher mobile user and ARPU forecasts.

**Exhibit 3: Change in our financial estimates**

	OLD			NEW			CHANGE		
(RMB Bn)	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	793,843	824,930	N/A	844,914	901,212	943,668	6.4%	9.2%	N/A
Operating profit	126,200	128,226	N/A	127,283	133,726	138,316	0.9%	4.3%	N/A
Net Profit	110,489	113,970	N/A	114,708	121,945	128,306	3.8%	7.0%	N/A

Source(s): Company, ABCI Securities estimates

**Recommend BUY with HK/A share (941 HK/600941 CH)**

Our valuations for China Mobile-HK/A (941 HK/600941 CH) are based on DCF model (WACC: 12.9%/12.5%; perpetuity growth rate: 2.0%/2.0%). We recommend **BUY** for with HK-share TP at HK\$ 85.0, which implies 4.2x/4.1x FY22-23E EV/EBITDA; A-share TP at RMB 93.0 represents 5.6x/ 5.4x FY22-23E EV/EBITDA.



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

China Mobile Limited (00941 HK/600941 CH)

China Telecom Sector

Jan 31, 2022

Exhibit 4: Peer comparison table

			P/E				P/B				ROE	ROA	EV/EBITDA
	Ticker	Price	19A	20A	21E	22E	19A	20A	21E	22E	22E	22E	22E
<b>HK Market</b>													
China Unicom	762 HK	4.08	8.8	6.8	6.2	5.6	0.3	0.3	0.3	0.3	5.0	2.8	0.8
China Mobile	941 HK	52.55	8.6	7.5	7.1	6.6	0.8	0.7	0.7	0.6	9.9	6.6	1.4
China Telecom	728 HK	2.93	9.9	8.0	7.8	7.0	0.5	0.5	0.5	0.5	6.5	3.6	2.8
China Tower	788 HK	0.93	21.7	16.7	13.4	11.7	0.7	0.7	0.7	0.7	4.7	2.5	2.8
Simple Average			12.3	9.7	8.6	7.7	0.6	0.5	0.5	0.5	6.5	3.9	2.0
Weighted Average			10.1	8.3	7.7	7.1	0.7	0.6	0.6	0.6	8.3	5.3	1.8
<b>A-Share Market</b>													
China Unicom	600050 CH	3.71	22.4	19.0	16.6	14.3	0.8	0.8	0.8	0.8	4.4	1.8	2.6
China Mobile	600941 CH	57.58	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.3	n.a.	2.0
China Telecom	601728 CH	4.15	16.5	14.6	13.3	11.5	1.0	0.9	0.9	0.9	6.9	3.6	2.6
Simple Average			19.5	16.8	14.9	12.9	0.9	0.9	0.8	0.8	6.9	2.7	2.4
Weighted Average			18.0	15.7	14.1	12.2	0.9	0.9	0.9	0.8	8.3	3.2	2.2

Priced at Jan 28, 2022

Source(s): Bloomberg



Consolidated income statement (2019A-2023E)

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Service revenue	674,392	695,692	703,777	741,727	773,019
Sales of products and others	71,525	72,378	141,137	159,485	170,649
<b>Total revenue</b>	<b>745,917</b>	<b>768,070</b>	<b>844,914</b>	<b>901,212</b>	<b>943,668</b>
Network operation and support expenses	(175,810)	(206,424)	(194,330)	(207,279)	(217,044)
Depreciation	(182,818)	(172,401)	(171,722)	(179,498)	(186,298)
Personnel	(102,518)	(106,429)	(106,270)	(112,001)	(116,726)
Selling expenses	(52,813)	(49,943)	(53,487)	(55,630)	(57,203)
Cost of products sold	(72,565)	(73,100)	(141,961)	(160,226)	(172,057)
Other operating expenses	(46,244)	(47,039)	(49,861)	(52,853)	(56,024)
<b>Total operating expenses</b>	<b>(632,768)</b>	<b>(655,336)</b>	<b>(717,632)</b>	<b>(767,486)</b>	<b>(805,352)</b>
<b>Operating Profits</b>	<b>113,149</b>	<b>112,734</b>	<b>127,283</b>	<b>133,726</b>	<b>138,316</b>
non-operating income	4,029	5,602	7,182	7,210	7,549
Interest income	15,560	14,341	7,491	7,246	6,473
Finance costs	(3,246)	(2,996)	(3,719)	(3,688)	(3,568)
Share of profit in investments	12,641	12,678	13,185	16,481	20,602
<b>Profit before tax</b>	<b>142,133</b>	<b>142,359</b>	<b>151,421</b>	<b>160,974</b>	<b>169,372</b>
Tax	(35,342)	(34,219)	(36,397)	(38,694)	(40,712)
<b>Profit after tax</b>	<b>106,791</b>	<b>108,140</b>	<b>115,024</b>	<b>122,281</b>	<b>128,660</b>
<b>Shareholders' profit</b>	<b>106,641</b>	<b>107,843</b>	<b>114,708</b>	<b>121,945</b>	<b>128,306</b>
MI	150	297	316	336	353
<b>EBITDA</b>	<b>298,593</b>	<b>287,967</b>	<b>302,252</b>	<b>317,107</b>	<b>328,803</b>
<b>EPS (RMB)</b>	<b>5.208</b>	<b>5.267</b>	<b>5.602</b>	<b>5.719</b>	<b>6.018</b>
<b>DPS (RMB)</b>	<b>2.921</b>	<b>2.827</b>	<b>3.081</b>	<b>3.146</b>	<b>3.310</b>

Source(s): Company, ABCI Securities estimates



Consolidated balance sheet (2019A-2023E)

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
PPE	674,832	705,547	716,130	724,724	733,420
Interest in associates	155,228	161,811	166,665	171,665	176,815
Others	269,314	280,781	266,252	268,448	271,194
<b>Total non-current assets</b>	<b>1,099,374</b>	<b>1,148,139</b>	<b>1,149,048</b>	<b>1,164,838</b>	<b>1,181,430</b>
Cash & cash equivalents	175,933	212,729	242,585	321,725	352,696
Deposits in bank	130,799	110,382	105,967	101,728	97,659
Others	223,134	256,632	316,653	350,647	401,889
<b>Total current assets</b>	<b>529,866</b>	<b>579,743</b>	<b>665,205</b>	<b>774,100</b>	<b>852,244</b>
<b>Total assets</b>	<b>1,629,240</b>	<b>1,727,882</b>	<b>1,814,253</b>	<b>1,938,938</b>	<b>2,033,674</b>
Accounts payable	164,818	167,990	175,550	183,449	191,704
Accrued expenses and other payable	182,368	200,952	206,981	213,190	219,586
Others	114,881	148,332	153,770	158,911	179,053
<b>Total current liabilities</b>	<b>462,067</b>	<b>517,274</b>	<b>536,300</b>	<b>555,550</b>	<b>590,343</b>
Deferred revenue	6,861	8,601	9,031	9,483	9,957
Others	53,023	49,235	47,859	46,566	45,354
<b>Total non-current liabilities</b>	<b>59,884</b>	<b>57,836</b>	<b>56,890</b>	<b>56,048</b>	<b>55,311</b>
<b>Total liabilities</b>	<b>521,951</b>	<b>575,110</b>	<b>593,190</b>	<b>611,599</b>	<b>645,654</b>
Equity attributable to shareholders	1,103,773	1,148,916	1,216,891	1,322,831	1,383,158
Non-controlling interests	3,516	3,856	4,172	4,508	4,861
<b>Total equity</b>	<b>1,107,289</b>	<b>1,152,772</b>	<b>1,221,063</b>	<b>1,327,339</b>	<b>1,388,020</b>
<b>Issued shares at the end of period (mn shares)</b>	<b>20,476</b>	<b>20,476</b>	<b>20,476</b>	<b>21,321</b>	<b>21,321</b>
<b>NBV (RMB/share)</b>	<b>53.9</b>	<b>56.1</b>	<b>59.4</b>	<b>62.0</b>	<b>64.9</b>

Source(s): Company, ABCI Securities estimates



Consolidated Cash Flow Statement (2019A-2023E)

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Operating profit before change in working capital	308,904	297,701	292,898	309,147	323,827
Change in working capital	(24,000)	46,167	12,597	12,754	12,899
Tax	(37,300)	(35,776)	(36,397)	(38,694)	(40,712)
Others	(13)	(331)	(341)	(351)	(362)
<b>Operating cash flow</b>	<b>247,591</b>	<b>307,761</b>	<b>268,757</b>	<b>282,856</b>	<b>295,653</b>
CAPEX	(202,365)	(189,577)	(197,160)	(205,046)	(213,248)
Change in available-for-sale financial asset	153,206	14,673	4,146	4,023	3,906
Others	(15,047)	(13,202)	16,630	16,100	14,980
<b>Investing cash flow</b>	<b>(64,206)</b>	<b>(188,106)</b>	<b>(176,384)</b>	<b>(184,923)</b>	<b>(194,362)</b>
Dividend paid	(53,265)	(59,726)	(63,089)	(67,070)	(70,569)
A-shares issuance	0	0	0	48,120	0
Others	(11,636)	(22,526)	1,088	596	622
<b>Financing cash flow</b>	<b>(64,901)</b>	<b>(82,252)</b>	<b>(62,001)</b>	<b>(18,354)</b>	<b>(69,947)</b>
Net increase in cash & cash equivalents	<b>118,484</b>	<b>37,403</b>	<b>30,372</b>	<b>79,579</b>	<b>31,344</b>
Cash & cash equivalents at beginning of year	57,302	175,933	212,729	242,585	321,725
Effect of changes in foreign exchange rate	147	(607)	(516)	(439)	(373)
<b>Cash &amp; cash equivalents at end of year</b>	<b>175,933</b>	<b>212,729</b>	<b>242,585</b>	<b>321,725</b>	<b>352,696</b>
<b>Financial Ratios:</b>					
EBITDA / service revenue margin (%)	<b>40.0</b>	<b>37.5</b>	<b>35.8</b>	<b>35.2</b>	<b>34.8</b>
Operating profit / service revenue margin (%)	<b>16.8</b>	<b>16.2</b>	<b>18.1</b>	<b>18.0</b>	<b>17.9</b>
Net profit / total revenue margin (%)	<b>14.3</b>	<b>14.0</b>	<b>13.6</b>	<b>13.5</b>	<b>13.6</b>
ROAA (%)	<b>6.8</b>	<b>6.4</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>
ROAE (%)	<b>9.9</b>	<b>9.6</b>	<b>9.7</b>	<b>9.6</b>	<b>9.5</b>
<b>YoY Growth:</b>					
Revenue (%)	<b>1.2</b>	<b>3.0</b>	<b>10.0</b>	<b>6.7</b>	<b>4.7</b>
EBITDA (%)	<b>7.4</b>	<b>(3.6)</b>	<b>5.0</b>	<b>4.9</b>	<b>3.7</b>
Net profit (%)	<b>(9.5)</b>	<b>1.1</b>	<b>6.4</b>	<b>6.3</b>	<b>5.2</b>

Source(s): Company, ABCI Securities estimates



## Disclosures

### Analyst Certification

The analyst, LAI Pak Kin, primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company(ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

### Disclosures of Interests

ABCI Securities Company Limited and/or its affiliates may pursue financial interests to the companies mentioned in the report.

### Definition of equity rating

Rating	Definition
Buy	Stock return rate $\geq$ Market return rate ( $\sim 10\%$ )
Hold	- Market return rate ( $\sim 10\%$ ) $\leq$ Stock return rate $<$ Market return rate ( $\sim +10\%$ )
Sell	Stock return $<$ - Market return ( $\sim 10\%$ )

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2008 (HSI total return index 2008-20 CAGR at 9.2%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

### Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, groups or affiliates of ABCI Securities Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2022 ABCI Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

Office address: ABCI Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

Tel: (852) 2868 2183