

# ENN Energy (2688 HK)

## 1H21 results in line; accelerating path towards net-zero

ENN realized 1H21 core profit of RMB3,685mn YoY, up 18.4% YoY, on track to our full year projection. City gas sales volume increased 22.3% YoY to 12.4bcm, faster than mgmt. guidance, but gas dollar margin experienced slight squeeze to RMB0.56/cbm. Looking ahead, ENN lifted full year gas sales volume growth from 15% to 20% mainly on strong C&I gas volume outlook, and expects gas dollar margin to remain stable in 2H21E. **We lifted FY21E EPS slightly by 2.8% to RMB6.84/share. We also raise our SOTP TP by 36% to RMB183.30 on higher Integrated Energy value. Upgrade ENN to BUY rating.**

- 1H21 core profit surged 18.4% YoY.** Revenue surged 30.7% YoY to RMB41.2bn as all segments recorded rapid sale growth. GP grew by 25.7% YoY with GPM declined 0.7ppt to 17.1%. Major expenses and share profits were in line with estimates. ENN recorded positive free cash flow of RMB1.47bn during the period. Net profit was RMB3.765bn, up 39.8%YoY. Stripping out non-recurring items, core profit was RMB3,685mn, up 18.4% YoY. ENN declared interim dividend of HK\$`0.59/share for the first time, and maintained full year dividend payout guidance at 35%.
- Dollar margin to stabilize in 2H21E.** City gas sales volume surged 22.3% YoY to 12.4bcm in the period, while gas dollar margin exhibited a slight squeeze to RMB0.56/cbm, which market may find a bit disappointing. Mgmt. explained the squeeze was driven by 1) higher large-scale customers in gas sales mix and 2) gas price pass-through. Looking ahead in 2H21E, ENN guided higher retail gas target to 20% YoY growth and expected gas dollar margin to stabilize at RMB0.56/cbm on well prepared gas supply plan.
- Carbon emission road map: to realize net-zero by 2050.** ENN is leading the path in carbon reduction among peers. Integrated Energy (IE) business will be a key segment for ENN in the coming 10 years helping industrial clients improve energy structures for costs benefit, and mgmt. saw carbon emission control an additional opportunity to boost IE revenue and profitability. ENN generated 80.49bn KWh IE energy sales, and realized revenue of RMB36.6bn during 1H21, up 74.3% YoY.
- Trading at premium for leading ESG image.** We lifted ENN's FY21E earnings by 2.8% to RMB7,709mn on higher gas sales outlook. We think market has preference on ENN for its leading energy transformation path and better ESG image compared with peers. We revised up profitability outlook for IE business, and removed valuation discount for the segment given its prospects become highly visible. Our TP is lifted by 36% to HK\$183.30, reflecting 19.5x FY22E PER. We think ENN deserves a valuation premium, and lift rating from Hold to **BUY**.

### Earnings Summary

(YE 31 Mar)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	70,183	71,617	91,617	106,505	124,405
YoY growth (%)	15.63	2.04	27.93	16.25	16.81
Net income (RMB mn)	5,670	6,278	7,709	8,804	10,581
EPS (RMB)	5.05	5.59	6.84	7.80	9.34
YoY growth (%)	97.03	10.67	22.41	14.11	19.62
Consensus EPS (RMB)	N/A	5.36	6.49	7.36	8.48
P/E (x)	26.66	24.09	19.68	17.25	14.42
P/B (x)	5.86	4.96	4.21	3.59	3.05
Yield (%)	1.11	1.51	1.63	2.08	2.64
ROE (%)	22.0	20.5	21.4	20.8	21.2
Net gearing (%)	45	41	28	16	5

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Up)**

Target Price	HK\$183.3
(Target Price)	HK\$135.0)
Up/Downside	+13.0%
Current Price	HK\$162.20

### China Gas Distribution Sector

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### Stock Data

Mkt Cap (HK\$ mn)	181,343
Avg 3 mths t/o (HK\$ mn)	299.17
52w High/Low (HK\$)	178.8/78.24
Total Issued Shares (mn)	1,130

Source: Bloomberg

### Shareholding Structure

ENN Ecological	32.8%
The Capital Group	14.0%
Free float	53.2%

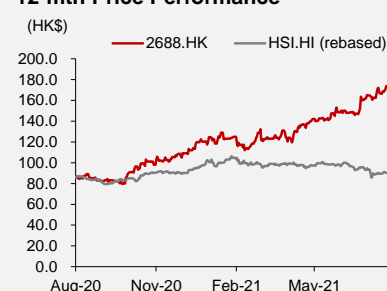
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-2.8%	8.4%
3-mth	13.0%	29.4%
6-mth	28.5%	56.8%
12-mth	87.0%	89.0%

Source: Bloomberg

### 12-mth Price Performance



Source: Wind

Auditor: Deloitte

### Related report:

China Gas Sector – City Gas 3.0: Differentiating Growth Paths – 8 Dec 2020 ([link](#))

**Figure 1: Summary of 1H20 results**

<b>RMB, mn</b>	<b>1H20</b>	<b>2H20</b>	<b>FY20</b>	<b>1H21</b>	<b>2H21E</b>	<b>FY21E</b>	<b>1H21 YoY</b>
<b>Revenue</b>	<b>31,543</b>	<b>40,074</b>	<b>71,617</b>	<b>41,232</b>	<b>50,385</b>	<b>91,617</b>	<b>30.7%</b>
Gas connection	2,669	3,775	6,444	3,827	2,947	6,774	43.4%
Sales of piped gas	18,191	22,319	40,510	23,138	30,124	53,262	27.2%
Wholesale gas	7,919	10,017	17,936	9,768	10,338	20,106	23.3%
Integrated energy and services	2,101	2,941	5,042	3,662	5,496	9,158	74.3%
Value added services	663	1,022	1,685	837	1,480	2,317	26.2%
Cost of sales	-25,941	-33,344	-59,285	-34,190	-42,380	-76,570	31.8%
<b>Gross profit</b>	<b>5,602</b>	<b>6,730</b>	<b>12,332</b>	<b>7,042</b>	<b>8,005</b>	<b>15,047</b>	<b>25.7%</b>
Gross profit margin	17.8%	16.8%	17.2%	17.1%	15.9%	16.4%	-0.7ppt
Other income	421	531	952	552	358	910	31.1%
Other gains and losses	-234	516	282	214	241	455	-191.5%
Distribution and selling exps	-435	-516	-951	-535	-674	-1,209	23.0%
Admin exps	-1,392	-1,838	-3,230	-1,655	-2,239	-3,894	18.9%
Share profit of associates	166	140	306	166	203	369	0.0%
Share profit of JVs	266	210	476	301	332	633	13.2%
Finance costs	-320	-289	-609	-304	-339	-643	-5.0%
<b>Profit before tax</b>	<b>4,074</b>	<b>5,484</b>	<b>9,558</b>	<b>5,781</b>	<b>5,886</b>	<b>11,667</b>	<b>41.9%</b>
Income tax exps	-909	-1,318	-2,227	-1,351	-1,449	-2,800	48.6%
Effective tax rate	22.3%	24.0%	23.3%	23.4%	24.6%	24.0%	1.1ppt
<b>Profit after tax</b>	<b>3,165</b>	<b>4,166</b>	<b>7,331</b>	<b>4,430</b>	<b>4,437</b>	<b>8,867</b>	<b>40.0%</b>
Less: minority interests	472	581	1,053	665	493	1,158	40.9%
<b>Net profit</b>	<b>2,693</b>	<b>3,585</b>	<b>6,278</b>	<b>3,765</b>	<b>3,944</b>	<b>7,709</b>	<b>39.8%</b>
Net profit margin	8.5%	8.9%	8.7%	9.1%	7.8%	8.0%	0.6ppt

Source: Company data, CMBIS estimates

**Figure 2: Summary of segment performance and operating results**

RMB, mn	1H20	2H20	FY20	1H21	2H21E	FY21E	1H21 YoY
<b>Gross profit summary</b>							
<b>Gross profit</b>	<b>5,602</b>	<b>6,730</b>	<b>12,332</b>	<b>5,602</b>	<b>9,445</b>	<b>15,047</b>	<b>0.0%</b>
Gas connection	1,453	1,811	3,264	2,063	1,663	3,726	42.0%
Sales of piped gas	3,036	3,455	6,491	3,369	4,018	7,387	11.0%
Wholesale of gas	136	226	362	357	246	603	162.5%
Integrated energy and services	411	492	903	598	926	1,524	45.5%
Value added services	566	746	1,312	655	1,152	1,807	15.7%
<b>Gross profit margin</b>	<b>17.8%</b>	<b>16.8%</b>	<b>17.2%</b>	<b>13.6%</b>	<b>18.7%</b>	<b>16.4%</b>	<b>-23.5%</b>
Gas connection	54.4%	48.0%	50.7%	53.9%	56.4%	55.0%	-1.0%
Sales of piped gas	16.7%	15.5%	16.0%	14.6%	13.3%	13.9%	-12.8%
Whole sale of gas	1.7%	2.3%	2.0%	3.7%	2.4%	3.0%	112.8%
Integrated energy and services	19.6%	16.7%	17.9%	16.3%	16.8%	16.6%	-16.5%
Value added services	85.4%	73.0%	77.9%	78.3%	77.9%	78.0%	-8.3%
<b>Operating figures</b>							
<b>City gas sales - mcbm</b>	<b>10,163</b>	<b>11,790</b>	<b>21,953</b>	<b>12,431</b>	<b>14,695</b>	<b>27,126</b>	<b>22.3%</b>
Residential	2,139	2,046	4,185	2,455	2,304	4,759	14.8%
C&I	7,613	9,265	16,878	9,616	11,865	21,481	26.3%
Vehicle	411	479	890	360	526	886	-12.4%
Whole sale gas - mcbm	3,669	3,947	7,616	3,580	4,798	8,378	-2.4%
Residential connection - k HH	1,025	1,268	2,293	1,182	1,232	2,414	15.3%
Integrated Energy - mn kWh	4,806	7,236	12,042	8,049	15,415	23,464	67.5%

Source: CMBIS estimates

**Figure 3: Earnings revision**

	Old			New			Change(%)		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Total gas sales volume (mcbm)	34,571	39,085	43,682	35,503	40,738	46,202	2.7%	4.2%	5.8%
Retail gas sales volume (mcbm)	26,193	29,870	33,545	27,126	31,522	36,065	3.6%	5.5%	7.5%
Residential connection (CTG incl. mm HH)	2.41	2.36	2.35	2.41	2.36	2.35	0.0%	0.0%	0.0%
Revenue (HK\$, mn)	86,605	100,138	115,543	91,617	106,505	124,405	5.8%	6.4%	7.7%
Net Income (HK\$,mn)	7,496	8,827	10,324	7,709	8,804	10,581	2.8%	-0.3%	2.5%
EPS (HK\$)	6.65	7.83	9.10	6.84	7.80	9.34	2.8%	-0.3%	2.5%
<b>Consensus estimates</b>							<b>CMBIS vs. Consensus</b>		
Net Income (HK\$,mn)				7,277	8,302	9,538	5.9%	6.0%	10.9%
EPS (HK\$)				6.49	7.36	8.48	5.4%	6.0%	10.1%

Source: CMBIS estimates

**Figure 4: SOTP value of ENN**

<b>SOTP Valuation</b>	
Traditional business value - RMB	70.40
IE value - RMB	81.72
ENN's Total value	152.11
FX rate HK/RMB	0.83
<b>Target price- HK\$</b>	<b>183.30</b>

Source: CMBIS estimates

**Figure 5: Our DCF valuation for ENN's Pan-Energy Segment**

<b>DCF Valuation for IE Segment</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>
ENN's IE sales (bn KWh)	36.27	53.64	74.46	86.00	100.55	115.19	129.88	144.62	159.37	173.53
Implied market share	1.19%	1.76%	2.44%	2.81%	3.13%	3.42%	3.67%	3.89%	4.09%	4.24%
ENN's IE revenue (RMB mn)	<b>13,829</b>	<b>20,162</b>	<b>27,757</b>	<b>31,965</b>	<b>37,274</b>	<b>42,612</b>	<b>47,972</b>	<b>53,345</b>	<b>58,725</b>	<b>63,889</b>
<b>Gross profit (RMB mn)</b>	<b>2,555.0</b>	<b>3,565.5</b>	<b>4,721.0</b>	<b>5,500.6</b>	<b>6,488.6</b>	<b>7,503.1</b>	<b>8,542.8</b>	<b>9,606.4</b>	<b>10,692.6</b>	<b>#####</b>
Gross profit margin (%)	18.5%	17.7%	17.0%	17.2%	17.4%	17.6%	17.8%	18.0%	18.2%	18.4%
<b>EBIT (RMB mn)</b>	<b>1,822</b>	<b>2,540</b>	<b>3,369</b>	<b>4,013</b>	<b>4,834</b>	<b>5,703</b>	<b>6,619</b>	<b>7,582</b>	<b>8,590</b>	<b>9,611</b>
EBIT Margin	13.2%	12.6%	12.1%	12.6%	13.0%	13.4%	13.8%	14.2%	14.6%	15.0%
Tax rate(%)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Depreciation (RMB mn)	686	996	1,366	1,566	1,819	2,071	2,322	2,571	2,819	3,054
Change in working capital	-780	-950	-1,139	-631	-796	-801	-804	-806	-807	-862
CAPEX (RMB mn)	-2,400	-2,400	-2,400	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-2,400
<b>Free cash flow</b>	<b>-1,128</b>	<b>-449</b>	<b>353</b>	<b>945</b>	<b>1,648</b>	<b>2,547</b>	<b>3,482</b>	<b>4,452</b>	<b>5,455</b>	<b>7,000</b>
<b>Discount year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
Discount factor	0.93	0.87	0.81	0.75	0.70	0.65	0.61	0.57	0.53	0.49
Discounted free cash flow (RMB mn)	<b>-1,051</b>	<b>-390</b>	286	712	1,157	1,666	2,123	2,528	2,886	3,451
Terminal value (RMB mn)	166,589									
Terminal EV/EBITDA (x)	13.15									
Discounted Terminal value (RMB mn)	82,134									
Terminal perpetual growth	3%									

<b>WACC Calculations</b>	
Cost of debt	4.00%
Tax rate	25.00%
After tax cost of debt	3.00%
Cost of equity	9.82%
Adjusted beta	0.70
Market risk premium	11.51%
Risk free rate	1.76%
% of debt financing	30.00%
<b>WACC</b>	<b>7.8%</b>

<b>Valuations (RMB mn)</b>	
<b>Discounted Terminal Value</b>	<b>82,134</b>
Terminal perpetual growth(%)	3%
Terminal EV/EBITDA	13.2
Total discount FCF	9,918
Pan Energy Value	92,053
Discount FCF(% of total)	10.8%
Terminal value (% of total)	89.2%
<b>IE value per share (RMB)</b>	<b>81.72</b>
<b>IE value per share (HK\$)</b>	<b>98.45</b>

Source: CMBIS estimates

**Figure 6: DCF valuation for ENN's traditional gas distribution business**

DCF Valuation	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
<b>Key operating forecasts</b>										
City gas sales volume (mcbm)	31,522	36,065	39,672	43,639	48,003	51,843	55,991	60,470	65,308	70,532
YoY change (%)	16.2%	14.4%	10.0%	10.0%	10.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Wholesales gas volume (mcbm)	9,215	10,137	11,151	12,266	13,492	14,572	15,737	16,996	18,356	19,824
YoY change (%)	10.0%	10.0%	10.0%	10.0%	10.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Annual residential connection	2.4	2.4	2.3	2.2	2.1	2.0	1.9	1.8	1.8	1.7
YoY change (%)	-2.3%	-0.3%	-4.0%	-4.0%	-4.0%	-4.0%	-4.0%	-4.0%	-4.0%	-4.0%
Accumulated residential customer	28.0	30.3	32.6	34.8	36.8	38.8	40.8	42.6	44.4	46.1
<b>Turnover (HK\$ mn)</b>	<b>106,505</b>	<b>124,405</b>	<b>142,824</b>	<b>161,114</b>	<b>178,525</b>	<b>194,603</b>	<b>208,626</b>	<b>219,905</b>	<b>227,835</b>	<b>231,950</b>
Turnover growth (%)	16.3%	16.8%	14.8%	12.8%	10.8%	9.0%	7.2%	5.4%	3.6%	1.8%
<b>EBIT (HK\$ mn)</b>	<b>13,929</b>	<b>16,459</b>	<b>18,325</b>	<b>20,027</b>	<b>21,477</b>	<b>22,633</b>	<b>23,429</b>	<b>23,816</b>	<b>23,763</b>	<b>23,265</b>
EBIT margin	13.1%	13.2%	12.8%	12.4%	12.0%	11.6%	11.2%	10.8%	10.4%	10.0%
Tax rate	24.0%	24.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
DD&A - HK\$ mn	2,691	2,992	3,441	3,888	4,315	4,712	5,059	5,342	5,543	5,653
CAPEX (HK\$ mn)	-9,444	-9,487	-9,677	-9,870	-10,068	-10,269	-10,474	-10,684	-10,898	-11,115
Invest in working capital	2,995	2,314	-1,124	-1,116	-1,062	-981	-855	-688	-484	-251
<b>Free cash flow</b>	<b>6,828</b>	<b>8,328</b>	<b>6,384</b>	<b>7,922</b>	<b>9,293</b>	<b>10,436</b>	<b>11,301</b>	<b>11,832</b>	<b>11,985</b>	<b>11,735</b>
IE FCF	-1,128	-449	353	945	1,648	2,547	3,482	4,452	5,455	7,000
<b>Non IE FCF</b>	<b>7,956</b>	<b>8,777</b>	<b>6,031</b>	<b>6,977</b>	<b>7,645</b>	<b>7,889</b>	<b>7,819</b>	<b>7,380</b>	<b>6,530</b>	<b>4,735</b>
<b>Years</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
Discount factor	0.93	0.87	0.81	0.75	0.70	0.65	0.61	0.57	0.53	0.49
Discount free cash flow	7,413	7,619	4,878	5,258	5,368	5,161	4,766	4,192	3,456	2,335
<b>Terminal value</b>	<b>95,396</b>									
Terminal perpetual growth		2%								
<b>Terminal EV/EBITDA(excl IE)</b>	<b>5.87</b>									

Valuations (HK\$ mn)		WACC Calculations	
Terminal value	95,396	Cost of debt	3.8%
Terminal perpetual growth	2.0%	Tax rate	25.0%
Terminal EV/EBITDA	5.87	After tax cost of debt	2.9%
Total discount FCF	50,445	Cost of equity	9.2%
Discount terminal value	47,034	Adjusted beta	65.0%
Firm value	97,479	Market risk premium	11.5%
Discount FCF(% of total)	48.3%	Risk free rate	1.8%
Terminal value (% of total)	51.7%	% of debt financing	30.0%
Add: Cash & cash equivalent	8,630	<b>WACC</b>	<b>7.3%</b>
Less: Debt	21,199		
Non-controlling interest	5,611		
Equity Value - (RMB, mn)	79,299		
Number of shares	1,126		
<b>Share fair value (RMB)</b>	<b>70.40</b>		
<b>Share fair value (HK\$)</b>	<b>80.23</b>		
<b>2021E PER</b>	<b>10.29</b>		
<b>2022E PER</b>	<b>9.02</b>		

Source: CMBIS estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>70,183</b>	<b>71,617</b>	<b>91,617</b>	<b>106,505</b>	<b>124,405</b>
Gas connection	6,932	6,444	6,774	6,634	6,718
Sales of piped gas	40,049	40,510	53,262	60,986	69,696
Whole sale of gas	18,465	17,936	20,106	22,117	24,329
Integrated energy	2,749	5,042	9,158	13,829	20,162
Value added services	1,988	1,685	2,317	2,940	3,500
<b>Cost of sales</b>	<b>(58,918)</b>	<b>(59,285)</b>	<b>(76,570)</b>	<b>(88,986)</b>	<b>(103,812)</b>
<b>Gross profit</b>	<b>11,265</b>	<b>12,332</b>	<b>15,047</b>	<b>17,519</b>	<b>20,593</b>
Other income	861	952	910	1,115	1,329
Other gains and losses	644	282	455	48	40
Selling & distribution costs	(976)	(951)	(1,209)	(1,385)	(1,555)
Admin expenses	(3,099)	(3,230)	(3,894)	(4,473)	(5,163)
Share results of Assos	326	306	369	411	457
Share results of JVs	547	476	633	694	758
Finance costs	(727)	(609)	(643)	(668)	(693)
<b>Profit before tax</b>	<b>8,841</b>	<b>9,558</b>	<b>11,667</b>	<b>13,260</b>	<b>15,766</b>
Taxation	(1,980)	(2,227)	(2,800)	(3,183)	(3,784)
<b>Profit for the year</b>	<b>6,861</b>	<b>7,331</b>	<b>8,867</b>	<b>10,078</b>	<b>11,982</b>
Less: minority interests	1,191	1,053	1,158	1,274	1,402
<b>Net profit</b>	<b>5,670</b>	<b>6,278</b>	<b>7,709</b>	<b>8,804</b>	<b>10,581</b>
<b>Core profit</b>	<b>5,278</b>	<b>6,237</b>	<b>7,289</b>	<b>8,791</b>	<b>10,575</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Profit before tax</b>	<b>8,841</b>	<b>9,558</b>	<b>11,667</b>	<b>13,260</b>	<b>15,766</b>
Depreciation and amortization	1,784	2,165	2,380	2,691	2,992
Change in working capital	2,664	(208)	2,034	2,995	2,314
Taxation	(1,114)	(1,554)	(2,706)	(2,820)	(3,341)
Others	(485)	(265)	(27)	(1,274)	(1,402)
<b>Operating cash flow</b>	<b>11,690</b>	<b>9,696</b>	<b>13,347</b>	<b>14,853</b>	<b>16,329</b>
Capex & investments	(11,012)	(6,882)	(9,392)	(9,444)	(9,487)
Others	4,216	-	-	-	-
<b>Investment cash flow</b>	<b>(6,796)</b>	<b>(6,882)</b>	<b>(9,392)</b>	<b>(9,444)</b>	<b>(9,487)</b>
Equity raised	(16)	103	36	36	36
Change of debts	(111)	1,504	850	830	830
Dividend paid	(1,176)	(1,688)	(2,290)	(2,479)	(3,166)
Others	556	(1,476)	463	510	561
<b>Financing cash flow</b>	<b>(5,447)</b>	<b>(1,557)</b>	<b>(940)</b>	<b>(1,103)</b>	<b>(1,739)</b>
<b>Net change in cash</b>	<b>(553)</b>	<b>1,257</b>	<b>3,015</b>	<b>4,306</b>	<b>5,103</b>
Cash at the beginning	7,923	7,373	8,630	11,645	15,951
Exchange difference	3	-	-	-	-
<b>Cash at the end of the year</b>	<b>7,373</b>	<b>8,630</b>	<b>11,645</b>	<b>15,951</b>	<b>21,054</b>
<b>Cash at balance sheet</b>	<b>7,373</b>	<b>8,630</b>	<b>11,645</b>	<b>15,951</b>	<b>21,054</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>61,730</b>	<b>66,475</b>	<b>74,066</b>	<b>81,207</b>	<b>88,143</b>
PPE	37,955	41,861	48,273	54,144	59,697
Intangible assets	4,175	4,446	3,928	3,787	3,633
Interests in associates	3,308	3,619	4,108	4,568	5,075
Interests in JVs	3,841	4,141	4,625	5,052	5,505
Others	12,451	12,408	13,132	13,656	14,232
<b>Current assets</b>	<b>19,515</b>	<b>23,568</b>	<b>25,846</b>	<b>31,780</b>	<b>38,802</b>
Trade and other	7,492	9,053	8,920	9,921	11,059
Contract assets	757	732	711	697	705
Amounts due from	1,797	3,346	2,249	2,615	3,054
Cash & equivalents	7,373	8,630	11,645	15,951	21,054
Others	2,096	1,807	2,320	2,598	2,930
<b>Current liabilities</b>	<b>31,288</b>	<b>33,233</b>	<b>36,248</b>	<b>40,856</b>	<b>45,22</b>
Trade and other payables	7,635	8,302	10,155	11,915	13,854
Contract liabilities	12,61	14,24	12,81	14,62	15,95
Borrowings	7,495	6,970	4,791	9,063	9,395
Amounts due to	2,034	2,220	2,748	3,248	3,762
Others	1,511	1,499	5,740	2,006	2,261
<b>Non-current liabilities</b>	<b>18,937</b>	<b>20,638</b>	<b>21,574</b>	<b>23,170</b>	<b>24,750</b>
Borrowings	12,100	13,024	13,229	13,727	14,225
Contract liabilities	3,302	3,212	3,614	4,125	4,499
Others	3,535	4,402	4,730	5,318	6,025
<b>Minority Interest</b>	<b>5,152</b>	<b>5,611</b>	<b>6,074</b>	<b>6,584</b>	<b>7,145</b>
<b>Shareholders' equity</b>	<b>25,868</b>	<b>30,561</b>	<b>36,016</b>	<b>42,377</b>	<b>49,827</b>
<b>Total Equity</b>	<b>31,020</b>	<b>36,172</b>	<b>42,090</b>	<b>48,961</b>	<b>56,972</b>

### Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales mix (%)</b>					
Gas connection	9.9	9.0	7.4	6.2	5.4
Sales of piped gas	57.1	56.6	58.1	57.3	56.0
Whole sale of gas	26.3	25.0	21.9	20.8	19.6
Integrated energy and services	3.9	7.0	10.0	13.0	16.2
Value added services	2.8	2.4	2.5	2.8	2.8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>P&amp;L ratios (%)</b>					
Gross profit margin	16.1	17.2	16.4	16.4	16.6
Operating margin	11.5	12.7	11.8	12.0	12.2
Pre-tax margin	12.6	13.3	12.7	12.5	12.6
Net margin	8.1	8.8	8.4	8.3	8.5
Effective tax rate	22.4	23.3	24.0	24.0	24.0
<b>Balance sheet ratios</b>					
Current ratio (x)	0.62	0.71	0.71	0.78	0.86
Quick ratio (x)	0.59	0.67	0.67	0.73	0.81
Cash ratio (x)	0.24	0.26	0.32	0.39	0.47
Debtors turnover days	41.7	42.2	35.8	32.3	30.8
Total debt / equity ratio (%)	76.1	69.4	61.2	54.0	47.6
Net debt / equity ratio (%)	45.4	40.7	28.2	15.7	4.8
<b>Returns (%)</b>					
ROE	21.9	20.5	21.4	20.8	21.2
ROA	7.0	7.0	7.7	7.8	8.3
<b>Per share</b>					
EPS (RMB)	5.0	5.6	6.8	7.8	9.3
DPS (RMB)	1.50	2.03	2.20	2.81	3.56
BVPS (RMB)	23.0	27.1	31.9	37.6	44.1

Source: Company data, CMBIS estimates

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