

# ENN Energy (2688 HK)

## 3Q22 operational data in line; smooth progress towards net-zero target

ENN Energy (ENN) announced inline 3Q22 operational data. Retail gas sales volume maintained low-single-digit growth and gas dollar margin stabled at RMB0.53/cbm due to increasing cost and shrinking demand during Covid-19 pandemic controls; IE business and value-added segment continued its robust growth. Looking ahead, ENN's mgmt. guided optimistic gas sales volume growth and stabilizing dollar margin in Q4. Meanwhile, they maintain strong faith on IE business and value-added business surge. **Currently, ENN is trading at 10x FY23PE. To factor in ENN's resilient fast-growing IE business and VAS business, our SOTP TP is HK\$132.2/per share, reflecting 18.7x forward PE (around +1SD of 5-year avg. PE). We transfer coverage with BUY rating.**

- **In line 3Q22 retailed gas sales growth and dollar margin.** ENN's retail gas sales volume rose by 4.4% YoY to 18.83bcm, which was in line with the previous mgmt.'s guidance and our expectation. As C&I's operations were affected seriously by Covid-19 pandemic controls, C&I's gas sales volume increased only 4.4% YoY. But meanwhile, ENN has an optimistic view on its 4Q gas sales for the upcoming heating season, and maintains full-year retailed gas sales growth target at 5-8% YoY. In terms of 3Q dollar margin, ENN recorded RMB0.53/cbm, thanks to the diversified gas sources and effective price pass-through measures. For 4Q, mgmt. mentioned that they have agreed on reasonable winter gas prices with upstream suppliers and was confident to reach the full-year target of RMB0.5/cbm. Given the improved gas price pass-through measures and stable gas cost outlook, we estimate dollar margin to achieve RMB0.5/0.53/0.58cbm for FY22/23/24E.
- **Fast-growing core Integrated Energy (IE) business with a better ESG image.** As the pioneer of energy transformation, ENN has dedicated to help clients with better energy conservation and emission reduction via IE business. As of 3Q22, 189 integrated energy projects have been operated. The cumulative sales volume of integrated energy went up 29.5% YoY to 18,208mn kWh, in which renewable energy accounted for around 21% (~36% as the long-term goal). For 2022, mgmt. guided the revenue of IE segment to surge by 50% YoY. Besides, ENN values ESG development and its ESG ratings has been upgraded by MSCI for four years.
- **Value-added service (VAS) achieved significant growth.** Under the consumption upgrading trend, ENN actively promoted low-carbon heating, household products and services, which boosted 8% and 34% YoY increases. Currently, the penetration rate of value-added business in ENN's new customer base is about 33%. We believe VAS will maintain robust growth momentum in 4Q.
- **Our TP is HK\$132.2. Maintain BUY rating.** ENN is trading at 10x FY23 PE. As we believe ENN has a better ESG image than peers for its leading IE business, and ENN's mgmt. also guided stable gas dollar margin and increasing gas demand in Q4, our SOTP target price is HK\$132.2/per share, reflecting around 18.7x forward P/E (around+ 1SD of 5-year average PE). We maintain BUY rating on ENN Energy.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	71,617	93,113	113,533	120,655	131,073
YoY growth (%)	2.0	30.0	21.9	6.3	8.6
Net profit (RMB mn)	6,278.0	7,755.0	7,982.1	9,105.7	9,613.9
YoY growth (%)	10.7	23.5	2.9	14.1	5.6
EPS (Reported) (RMB)	5.59	6.87	7.06	7.13	7.50
YoY growth (%)	10.7	23.0	2.7	1.0	5.2
Consensus EPS (RMB)	na	na	6.86	7.68	8.63
P/E (x)	14.4	16.6	10.9	9.8	8.8
P/B (x)	3.0	3.6	2.2	1.9	1.7
ROE (%)	22.3	23.4	20.7	20.5	19.0

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** HK\$132.20  
**Up/Downside** 61.51%  
**Current Price** HK\$81.85

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### Stock Data

Mkt Cap (HK\$ mn)	9,254.0
Avg 3 mths t/o (HK\$ mn)	110.8
52w High/Low (HK\$)	155.50/78.05
Total Issued Shares (mn)	100.0

Source: FactSet

### Shareholding Structure

Xinneng (Hong Kong) Energy Investment	32.7%
The Capital Group	14.0%

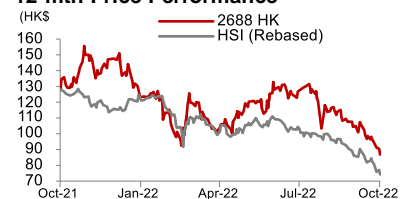
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-25.7%	-12.8%
3-mth	-39.0%	-16.3%
6-mth	-26.3%	5.8%

Source: FactSet

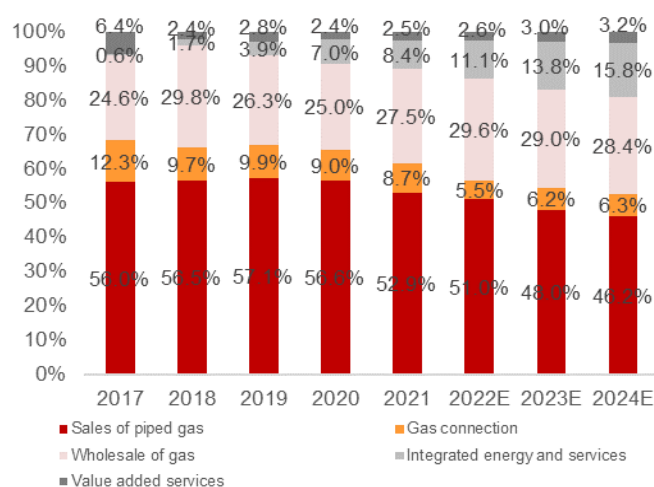
### 12-mth Price Performance



Source: FactSet

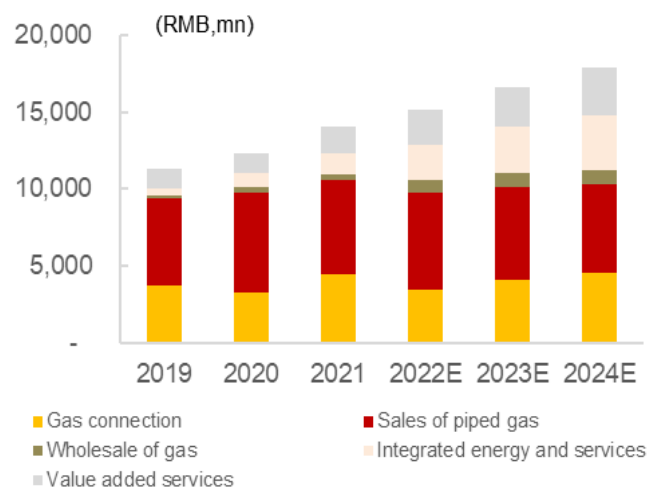
## Focus charts

Figure 1: ENN's revenue mix



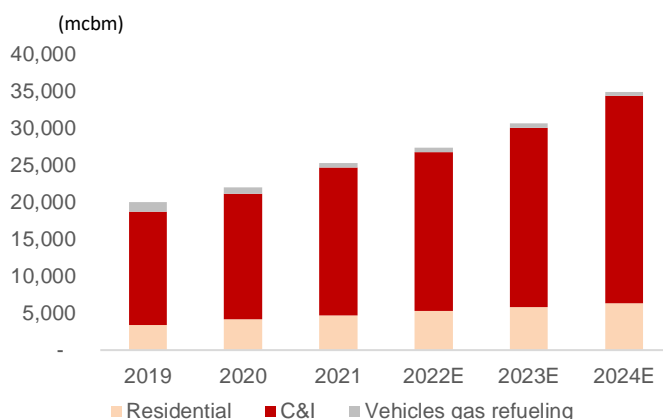
Source: Company data, CMBIGM estimates

Figure 2: ENN's gross profit trend and contribution from each business segment



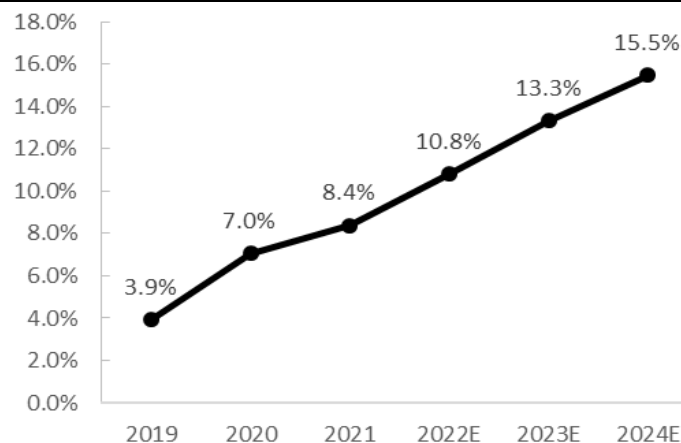
Source: Company data, CMBIGM estimates

Figure 3: ENN's retail gas sale volume mix



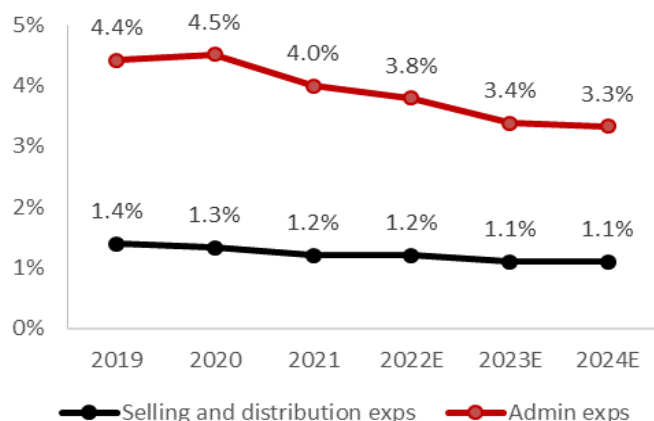
Source: Company data, CMBIGM estimates

Figure 4: ENN's integrated energy in revenue mix



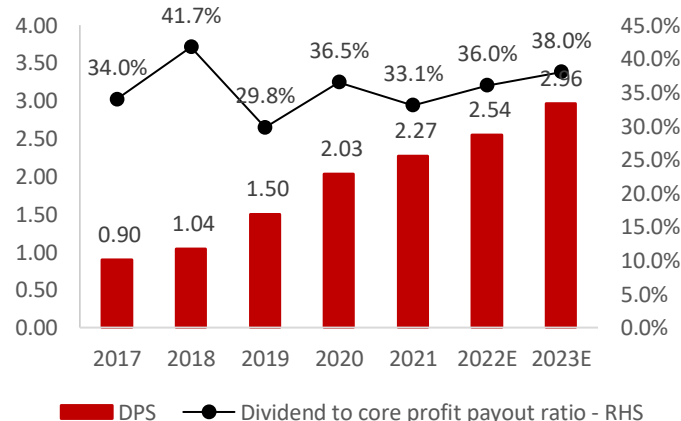
Source: Company data, CMBIGM estimates

Figure 5: ENN's selling and admin expenses



Source: Company data, CMBIGM estimates

Figure 6: ENN's DPS and dividend payout ratio

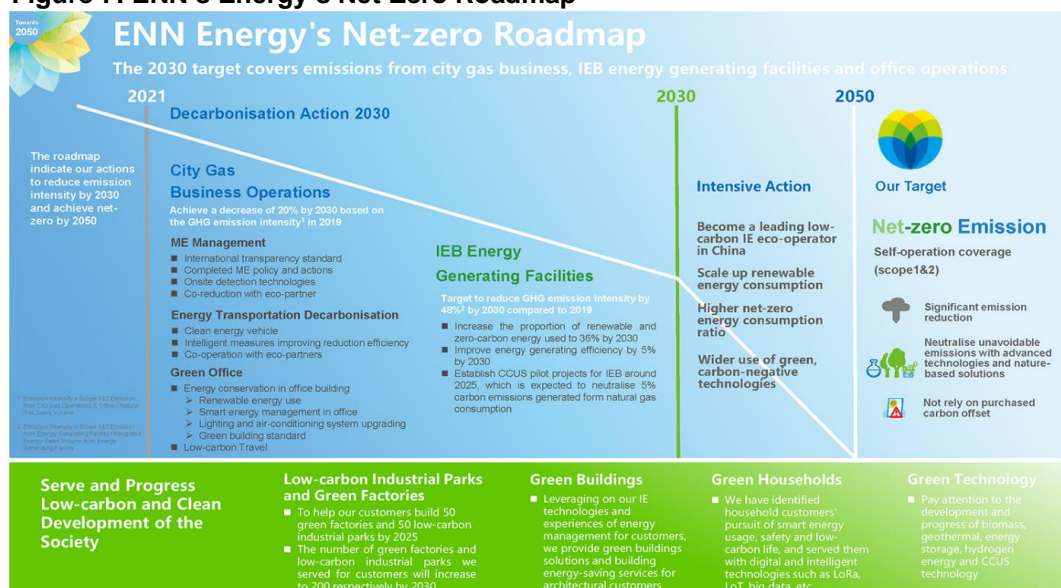


Source: Company data, CMBIGM estimates

### 3Q22 Operational Data Highlight:

- **IE Segment:** sales volumes of integrated energy surged by 29.5% YoY to 18,208mn kWh., including cooling, heating, electricity and steam
- **Natural Gas Sales Business:**
  - Retailed gas sales volume rose 4.4% YoY to 18.83bcm
  - Gas dollar margin recorded RMB0.53/cbm
- **Value-added services:** the sales of safety and security products went up 64% YoY, and the penetration rate of value added business in the ENN's new customer achieved around 33%
- **ESG Ratings:** ENN's ESG rating has been upgraded by MSCI for four consecutive years, and it is now one of the highest-rated companies in the gas sector in the Greater China.

Figure 7: ENN's Energy's Net-Zero Roadmap



Source: The Company, CMBIGM estimates

Figure 8: Peers Tables

Company	Ticker	Closing Price (HK\$)	Mkt cap (HK\$m)	EPS				20-22E CAGR	PER			PBR		
				21A	22E	23E			FY0	FY1	FY2	FY0	FY1	FY2
ENN ENERGY	2688 HK	81.60	92257.00	6.32	6.93	7.68	10.2%		11.95	10.90	9.84	2.40	2.08	1.81
TIAN LUN GAS HOL	1600 HK	2.92	2949.28	1.04	0.58	0.76	-14.6%		2.61	4.68	3.58	0.49	0.47	0.42
CHINA GAS HOLDIN	384 HK	7.26	39496.84	2.07	1.53	1.48	-15.5%		3.51	4.76	4.92	0.78	0.60	0.57
CHINA RES GAS	1193 HK	21.55	49866.98	2.72	2.77	3.03	5.5%		7.91	7.78	7.12	1.23	1.11	1.02
TOWNGAS SMART EN	1083 HK	2.90	9449.99	0.57	0.44	0.48	-8.2%		5.05	6.64	5.99	0.40	0.38	0.39
KUNLUN ENERGY	135 HK	5.04	43640.36	0.58	0.72	0.75	13.8%		8.03	6.53	6.20	0.71	0.67	0.63
<b>Average</b>									<b>5.4</b>	<b>6.1</b>	<b>5.6</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>

Source: Company data, Bloomberg, CMBIGM estimates

**Figure 9: Summary of 1H22 segment performance and operating results**

RMB, mn	1H21	2H21	FY21	1H22	FY22E	1H22 YoY
<b>Revenue</b>	<b>41,232</b>	<b>51,881</b>	<b>93,113</b>	<b>58,332</b>	<b>113,403</b>	<b>41.5%</b>
Gas connection	3,827	4,259	8,086	2,790	6,285	-27.1%
Sales of piped gas	23,138	26,109	49,247	30,316	57,882	31.0%
Wholesale gas	9,768	15,866	25,634	18,696	33,613	91.4%
Integrated energy and services	3,662	4,143	7,805	5,365	12,637	46.5%
Value added services	837	1,504	2,341	1,165	2,986	39.2%
Cost of sales	-34,190	-44,867	-79,057	-51,438	-98,300	50.4%
<b>Gross profit</b>	<b>7,042</b>	<b>7,014</b>	<b>14,056</b>	<b>6,894</b>	<b>15,103</b>	<b>-2.1%</b>
Gross profit margin	17.1%	13.5%	15.1%	11.8%	13.3%	-5.3ppt
Other income	552	525	1,077	463	1,259	-16.1%
Other gains and losses	214	770	984	-780	1,042	-464.5%
Distribution and selling exps	-535	-587	-1,122	-569	-1,361	6.4%
Admin exps	-1,655	-2,070	-3,725	-1,907	-4,309	15.2%
Share profit of associates	166	95	261	85	366	-48.8%
Share profit of JVs	301	137	438	-142	504	-147.2%
Finance costs	-304	-272	-576	-320	-574	5.3%
<b>Profit before tax</b>	<b>5,781</b>	<b>5,612</b>	<b>11,393</b>	<b>3,724</b>	<b>12,030</b>	<b>-35.6%</b>
Income tax exps	-1,351	-1,047	-2,398	-1,302	-2,767	-3.6%
Effective tax rate	23.4%	18.7%	21.0%	35.0%	23.0%	11.6ppt
<b>Profit after tax</b>	<b>4,430</b>	<b>4,565</b>	<b>8,995</b>	<b>2,422</b>	<b>9,263</b>	<b>-45.3%</b>
Less: minority interests	665	575	1,240	397	1,376	-40.3%
<b>Net profit</b>	<b>3,765</b>	<b>3,990</b>	<b>7,755</b>	<b>2,025</b>	<b>10,050</b>	<b>-46.2%</b>
Net profit margin	9.1%	7.7%	8.3%	3.5%	7.2%	-5.7ppt

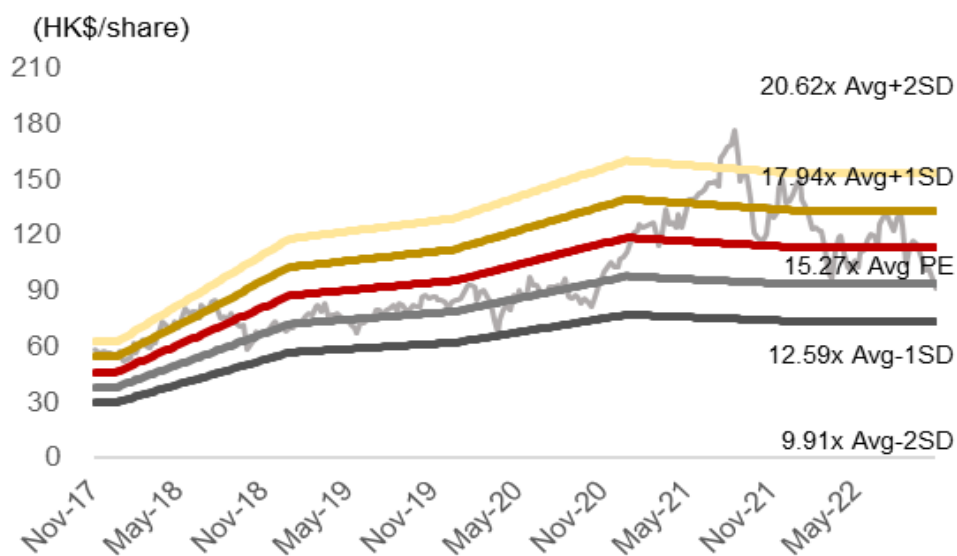
<b>Gross profit summary</b>						
<b>Gross profit</b>	<b>7,042</b>	<b>7,014</b>	<b>14,056</b>	<b>6,894</b>	<b>15,103</b>	<b>-2.1%</b>
Gas connection	2,063	2,383	4,446	1,350	3,457	-34.6%
Sales of piped gas	3,369	2,795	6,164	3,158	6,262	-6.3%
Wholesale of gas	357	1	358	815	840	128.3%
Integrated energy and services	598	767	1,365	698	2,346	16.7%
Value added services	655	1,068	1,723	873	2,198	33.3%
Gross profit margin	17.1%	13.5%	15.1%	11.8%	13.3%	
Gas connection	53.9%	56.0%	55.0%	48.4%	55.0%	
Sales of piped gas	14.6%	10.7%	12.5%	10.4%	10.8%	
Whole sale of gas	3.7%	0.01%	1.4%	4%	3%	
Integrated energy and services	16.3%	18.5%	17.5%	13.0%	18.6%	
Value added services	78.3%	71.0%	73.6%	74.9%	73.6%	

Source: CMBIGM estimates

**Figure 10: Key data estimation**

	2022E	2023E	2024E
Total gas sales volume (mcbm)	35,751	39,466	44,823
Retail gas sales volume (mcbm)	26,905	29,470	33,528
Residential connection (CTG incl. mm HH)	2.45	2.38	2.58
Revenue (HK\$, mn)	113,403	120,655	131,073
Net Income (HK\$,mn)	7,886	9,105	9,614
EPS (HK\$)	6.97	7.13	7.50

Source: CMBIGM estimates

**Figure 11: PE Band**

Source: Wind, CMBIGM estimates

**Figure 12: SOTP value of ENN****SOTP Valuation**

Traditional business value - RMB	63.87
IE value - RMB	47.14
ENN's Total value	111.02
FX rate HK/RMB	0.84
<b>Target price- HK\$</b>	<b>132.20</b>

Source: CMBIGM estimates

**Figure 13: Our DCF valuation for ENN's Pan-Energy Segment**

DCF Valuation for IE Segment	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
ENN's IE sales (bn KWh)	33.00	44.12	55.28	61.23	71.95	82.81	93.78	104.85	115.99	126.80
Implied market share	1.08%	1.44%	1.81%	2.00%	2.24%	2.46%	2.65%	2.82%	2.97%	3.10%
ENN's IE revenue (RMB mn)	<b>12,637</b>	<b>16,691</b>	<b>20,763</b>	<b>22,931</b>	<b>26,841</b>	<b>30,801</b>	<b>34,803</b>	<b>38,840</b>	<b>42,905</b>	<b>46,847</b>
<b>Gross profit (RMB mn)</b>	<b>2,346.4</b>	<b>2,975.6</b>	<b>3,566.9</b>	<b>3,985.3</b>	<b>4,718.4</b>	<b>5,476.2</b>	<b>6,257.3</b>	<b>7,060.8</b>	<b>7,885.5</b>	<b>8,703.7</b>
Gross profit margin (%)	18.6%	17.8%	17.2%	17.4%	17.6%	17.8%	18.0%	18.2%	18.4%	18.6%
<b>EBIT (RMB mn)</b>	<b>1,677</b>	<b>2,127</b>	<b>2,556</b>	<b>2,918</b>	<b>3,527</b>	<b>4,175</b>	<b>4,862</b>	<b>5,587</b>	<b>6,350</b>	<b>7,127</b>
EBIT Margin	13.3%	12.7%	12.3%	12.7%	13.1%	13.6%	14.0%	14.4%	14.8%	15.2%
Tax rate(%)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Depreciation (RMB mn)	627	825	1,022	1,124	1,310	1,497	1,684	1,872	2,059	2,239
Change in working capital	-919	-608	-611	-325	-586	-594	-600	-606	-610	-658
CAPEX (RMB mn)	-2,400	-2,400	-2,000	-2,500	-3,000	-3,000	-3,000	-3,000	-3,000	-2,400
<b>Free cash flow</b>	<b>-1,435</b>	<b>-589</b>	<b>328</b>	<b>487</b>	<b>368</b>	<b>1,034</b>	<b>1,730</b>	<b>2,457</b>	<b>3,212</b>	<b>4,526</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	0.86	0.80	0.74	0.69	0.64	0.59	0.55	0.51	0.47
Discounted free cash flow (RMB mn)	<b>-1,332</b>	<b>-507</b>	262	361	253	660	1,024	1,350	1,637	2,141
Terminal value (RMB mn)	97,625									
Terminal EV/EBITDA (x)	10.42									
Discounted Terminal value (RMB mn)	46,169									
Terminal perpetual growth	3.00%									

**WACC Calculations**

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>

**Valuations (RMB mn)**

<b>Discounted Terminal Value</b>	<b>46,169</b>
Terminal perpetual growth(%)	3%
Terminal EV/EBITDA	10.4
Total discount FCF	7,181
Pan Energy Value	53,350
Discount FCF(% of total)	13.5%
Terminal value (% of total)	86.5%
<b>IE value per share (RMB)</b>	<b>47.14</b>
<b>IE value per share (HK\$)</b>	<b>56.80</b>

Source: CMBIGM estimates



Figure 14: 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)	26,905	29,470	32,417	35,659	39,225	42,363	45,752	49,412	53,365	57,634
YoY change (%)	6.5%	9.5%	10.0%	10.0%	10.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Wholesales gas volume (mcbm)	8,846	9,996	10,995	12,095	13,304	14,368	15,518	16,759	18,100	19,548
YoY change (%)	13.0%	13.0%	10.0%	10.0%	10.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Annual residential connection	2.5	2.4	2.3	2.2	2.1	2.0	1.9	1.9	1.8	1.7
YoY change (%)	-6.4%	-3.2%	-4.0%	-4.0%	-4.0%	-4.0%	-4.0%	-4.0%	-4.0%	-4.0%
Accumulated residential customer	28.3	30.7	32.9	35.1	37.2	39.3	41.2	43.1	44.8	46.6
Turnover (HK\$ mn)	113,403	120,655	131,073	140,385	147,550	154,344	160,678	166,470	171,637	176,107
Turnover growth (%)	21.8%	6.4%	8.6%	7.1%	5.1%	4.6%	4.1%	3.6%	3.1%	2.6%
EBIT (HK\$ mn)	12,603	14,583	15,474	16,289	16,383	17,446	18,483	19,482	20,430	21,315
EBIT margin	11.1%	12.1%	11.8%	11.6%	11.1%	11.3%	11.5%	11.7%	11.9%	12.1%
Tax rate	23.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
DD&A - HK\$ mn	2,595	2,886	3,174	3,459	3,642	3,816	3,979	4,129	4,264	4,382
CAPEX (HK\$ mn)	-10,342	-9,033	-9,031	-9,035	-9,215	-9,400	-9,588	-9,779	-9,975	-10,174
Invest in working capital	2,376	1,249	1,396	1,574	-437	-414	-386	-353	-315	-273
<b>Free cash flow</b>	<b>4,334</b>	<b>6,186</b>	<b>7,300</b>	<b>8,378</b>	<b>6,440</b>	<b>7,261</b>	<b>8,052</b>	<b>8,803</b>	<b>9,501</b>	<b>10,134</b>
IE FCF	-1,435	-589	328	487	368	1,034	1,730	2,457	3,212	4,526
<b>Non IE FCF</b>	<b>5,769</b>	<b>6,775</b>	<b>6,972</b>	<b>7,892</b>	<b>6,072</b>	<b>6,227</b>	<b>6,322</b>	<b>6,346</b>	<b>6,289</b>	<b>5,608</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	0.86	0.80	0.74	0.69	0.64	0.59	0.55	0.51	0.47
Discount free cash flow	5,353	5,832	5,569	5,849	4,176	3,973	3,743	3,486	3,205	2,652
<b>Terminal value</b>	<b>104,638</b>									
<b>Terminal perpetual growth</b>	<b>2%</b>									
<b>Terminal EV/EBITDA(excl IE)</b>	<b>6.41</b>									

<b>Valuations (HK\$ mn)</b>		<b>WACC Calculations</b>	
Terminal value	104,638	Cost of debt	4.0%
Terminal perpetual growth	2%	Tax rate	25.0%
Terminal EV/EBITDA	6.41	After tax cost of debt	3.0%
Total discount FCF	43,839	Cost of equity	9.8%
Discount terminal value	49,486	Adjusted beta	0.70
Firm value	93,324	Market risk premium	11.5%
Discount FCF(% of total)	53.0%	Risk free rate	1.8%
Terminal value (% of total)	47.0%	% of debt financing	30.0%
Add: Cash & cash equivalent	8,684	<b>WACC</b>	<b>7.8%</b>
Less: Debt	23,682		
Non-controlling interest	6,373		
Equity Value - (RMB, mn)	71,953		
Number of shares	1,126		
<b>Share fair value (RMB)</b>	<b>63.87</b>		
<b>Share fair value (HK\$)</b>	<b>72.80</b>		
<b>2022E PER</b>	<b>9.16</b>		
<b>2023E PER</b>	<b>7.94</b>		

Source: CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Revenue	70,183	71,617	93,113	113,403	120,655	131,073
Cost of goods sold	(58,918)	(59,285)	(79,057)	(98,300)	(104,023)	(113,172)
Gross profit	11,265	12,332	14,056	15,103	16,632	17,902
Operating expenses	(4,075)	(4,181)	(4,847)	(5,670)	(5,405)	(5,807)
Selling expense	(976)	(951)	(1,122)	(1,361)	(1,327)	(1,442)
Admin expense	(3,099)	(3,230)	(3,725)	(4,309)	(4,078)	(4,365)
Operating profit	15,340	16,513	18,903	20,773	22,037	23,708
Other income	861	952	1,077	1,259	1,374	1,231
Other gains/(losses)	644	282	984	1,042	1,037	1,120
Share of (losses)/profits of associates/JV	873	782	699	870	946	1,028
EBITDA	11,352	12,248	14,228	15,198	17,470	18,649
Depreciation	1,784	2,081	2,259	2,595	2,886	3,174
EBIT	9,568	10,167	11,969	12,603	14,583	15,474
Interest income	(727)	(609)	(576)	(574)	(593)	(613)
Pre-tax profit	8,841	9,558	11,393	12,030	13,990	14,861
Income tax	(1,980)	(2,227)	(2,398)	(2,767)	(3,358)	(3,567)
After tax profit	6,861	7,331	8,995	9,263	10,633	11,294
Minority interest	1,191	1,053	1,240	1,376	1,528	1,681
Discontinued operations	5,670	6,278	7,755	7,886	9,105	9,614
Net profit	5,670	6,278	7,755	7,886	9,105	9,614

BALANCE SHEET	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Current assets	19,515	23,568	27,558	34,967	39,147	44,581
Cash & equivalents	7,373	8,630	8,684	13,553	16,409	20,032
Restricted cash	566	116	363	294	304	314
Account receivables	7,492	9,053	10,568	12,205	12,986	14,109
Inventories	1,169	1,285	1,508	2,041	2,172	2,359
Prepayment	0	0	0	0	0	0
Financial assets at FVTPL	361	406	1,737	1,737	1,737	1,737
Other current assets	1,797	3,346	3,923	4,534	4,824	5,241
Contract assets	757	732	775	602	715	789
Non-current assets	61,730	66,475	72,430	81,086	87,476	93,630
PP&E	37,955	41,861	46,793	53,824	59,188	64,214
Right-of-use assets	2,185	2,129	2,119	2,216	2,305	2,387
Deferred income tax	1,292	1,370	1,212	2,155	2,292	2,490
Investment in JVs & assos	7,149	7,760	8,718	9,462	10,285	11,168
Intangibles	4,175	4,446	4,311	4,148	3,973	3,785
Goodwill	2,379	2,511	2,520	2,640	2,760	2,880
Financial assets at FVTPL	5,169	5,052	5,352	5,352	5,352	5,352
Other non-current assets	1,426	1,346	1,405	1,289	1,321	1,353
Total assets	81,245	90,043	99,988	116,053	126,623	138,211
Current liabilities	31,288	33,233	41,579	44,468	47,123	50,576
Short-term borrowings	7,495	4,590	6,150	9,730	10,062	10,394
Account payables	7,635	8,302	10,172	12,771	13,580	14,755
Tax payable	962	971	909	1,322	1,292	1,466
Other current liabilities	2,483	5,039	9,365	4,600	4,756	5,126
Lease liabilities	100	89	75	75	75	75
Contract liabilities	12,613	14,242	14,908	15,969	17,358	18,759
Non-current liabilities	18,937	20,638	16,259	23,525	24,568	25,738
Long-term borrowings	3,302	3,212	2,993	2,967	3,225	3,485
Convertible bonds	0	0	0	0	0	0
Obligations under finance leases	0	0	0	0	0	0
Deferred income	1,820	2,562	2,785	3,402	3,620	3,932
Other non-current liabilities	13,815	14,864	10,481	17,157	17,723	18,320
Total liabilities	50,225	53,871	57,838	67,993	71,691	76,313
Share capital	116	117	117	117	118	118
Other reserves	25,752	30,444	35,660	41,018	47,280	53,573
Total shareholders equity	25,868	30,561	35,777	41,136	47,397	53,691
Minority interest	5,152	5,611	6,373	6,924	7,535	8,207
Total equity and liabilities	81,245	90,043	99,988	116,053	126,623	138,211



CASH FLOW	2019A	2020A	2021A	2022E	2023E	2024E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	8,841	9,558	11,393	12,030	13,990	14,861
Depreciation & amortization	1,784	2,081	2,259	2,595	2,886	3,174
Tax paid	(1,114)	(1,554)	(2,079)	(2,679)	(3,308)	(3,278)
Change in working capital	2,664	(208)	187	2,376	1,249	1,396
Others	(485)	(181)	(3)	(1,311)	(1,429)	(1,572)
<b>Net cash from operations</b>	<b>11,690</b>	<b>9,696</b>	<b>11,756</b>	<b>13,011</b>	<b>13,389</b>	<b>14,581</b>
<b>Investing</b>						
Capital expenditure	(6,882)	(3,906)	(4,932)	(7,031)	(5,364)	(5,026)
Others	86	(2,892)	(2,812)	(4,713)	(3,768)	(4,114)
<b>Net cash from investing</b>	<b>(6,796)</b>	<b>(6,798)</b>	<b>(7,744)</b>	<b>(11,743)</b>	<b>(9,132)</b>	<b>(9,140)</b>
<b>Financing</b>						
Dividend paid	(1,176)	(1,688)	(2,290)	(2,564)	(2,880)	(3,356)
Net borrowings	(111)	388	3,599	830	830	830
Others	(5,336)	(3,061)	(1,777)	(1,977)	(2,232)	(2,648)
<b>Net cash from financing</b>	<b>(5,447)</b>	<b>(2,673)</b>	<b>1,822</b>	<b>(1,147)</b>	<b>(1,402)</b>	<b>(1,818)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	7,923	7,373	7,598	13,433	13,553	16,409
Others	(8,476)	(7,148)	(1,763)	(13,312)	(10,698)	(12,785)
<b>Cash at the end of the year</b>	<b>(553)</b>	<b>225</b>	<b>5,835</b>	<b>121</b>	<b>2,855</b>	<b>3,624</b>
GROWTH	2019A	2020A	2021A	2022E	2023E	2024E
<b>YE 31 Dec</b>						
Revenue	15.6%	2.0%	30.0%	21.8%	6.4%	8.6%
Gross profit	18.5%	9.5%	14.0%	7.4%	10.1%	7.6%
Operating profit	18.2%	7.6%	14.5%	9.9%	6.1%	7.6%
EBITDA	50.0%	7.9%	16.2%	6.8%	14.9%	6.7%
EBIT	53.4%	6.3%	17.7%	5.3%	15.7%	6.1%
Net profit	101.2%	10.7%	23.5%	1.7%	15.4%	5.6%
PROFITABILITY	2019A	2020A	2021A	2022E	2023E	2024E
<b>YE 31 Dec</b>						
Gross profit margin	16.1%	17.2%	15.1%	13.3%	13.8%	13.7%
Operating margin	21.9%	23.1%	20.3%	18.3%	18.3%	18.1%
EBITDA margin	16.2%	17.1%	15.3%	13.4%	14.5%	14.2%
Return on equity (ROE)	24.0%	22.3%	23.4%	20.5%	20.6%	19.0%
GEARING/LIQUIDITY/ACTIVITIES	2019A	2020A	2021A	2022E	2023E	2024E
<b>YE 31 Dec</b>						
Current ratio (x)	0.6	0.7	0.7	0.8	0.8	0.9
Receivable turnover days	10.9	10.6	10.9	12.3	13.1	12.7
Inventory turnover days	10.9	10.6	10.9	12.3	13.1	12.7
Payable turnover days	64.2	68.6	72.0	79.8	82.1	79.3
VALUATION	2019A	2020A	2021A	2022E	2023E	2024E
<b>YE 31 Dec</b>						
P/E	13.9	14.4	16.6	11.5	11.3	10.7
P/B	3.1	3.0	3.6	2.2	1.9	1.7

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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