

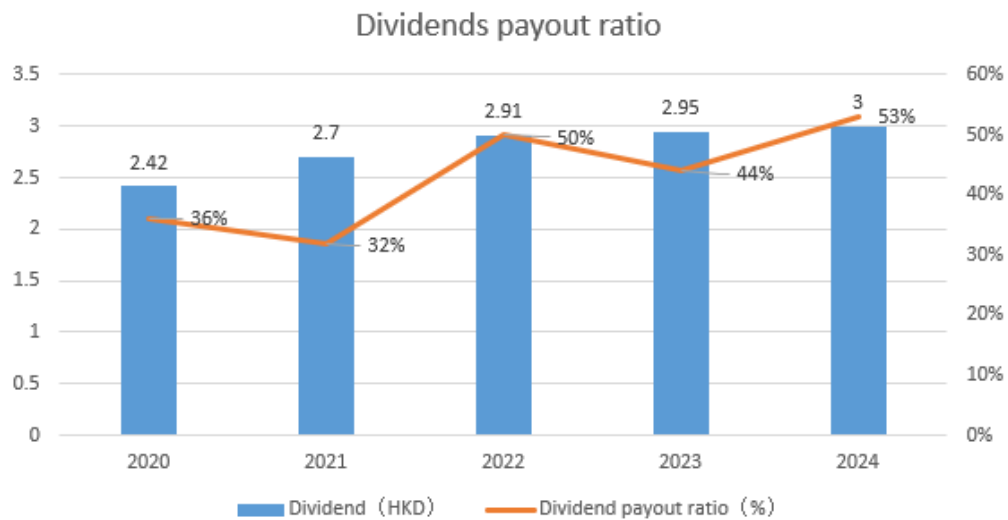
ENN ENERGY (2688.HK)

Value-added business has great potential for growth, and privatization plan is progressing steadily  
China | Gas |

Investment Summary

In 2024, the company's revenue was 109.85 billion yuan (RMB, the same below) with a year-on-year decrease of 3.5%, mainly due to the company's gas wholesale business focusing more on the domestic market and the engineering installation business being affected by the continuous bottom adjustment of the Chinese real estate market. In terms of business, the revenue of retail gas sale business was 60.75 billion yuan, basically keeping the same compared with the same period of last year; the revenue of integrated energy business was 15.27 billion yuan with a year-on-year increase of 5.2%; the revenue of gas wholesale business was 25.14 billion yuan with a year-on-year decrease of 15.3%; the revenue of engineering installation business was 4.1 billion yuan with a year-on-year decrease of 23.3%; the revenue of value-added business was 4.59 billion yuan with a year-on-year increase of 24.1%, the comprehensive customer unit price increased to 612 yuan/household, the comprehensive customer penetration rate reached 23.9%, and the city gas business has accumulated 31.38 million household users. We believe that this business has a large potential for growth, and it is expected that the revenue growth rate will remain above 20% in 2025. The sales and administrative expense rates were the same as last year, showing that the company has successfully carried out cost control. Thanks to the continuous promotion of the gas price adjustment policy, the profits of associates and joint ventures improved significantly, reaching 912 million yuan with a year-on-year increase of 90.8%. Net profit attributable to the parent company was 5.99 billion yuan with a year-on-year decrease of 12.2%; EPS was 5.35 yuan with a year-on-year decrease of 11.6%. In 2024, the company paid a dividend of HK\$3 per share. The company has been paying dividends since 2004, and the dividend amount has been steadily increasing for most of the time, and the shareholder return is attractive.

Chart 1: Dividend payout ratio



Resources : Annual Report · PSHK

2025 Q1 operating results

Retail gas sale business

In the first quarter, the company's retail gas volume was 7.26 billion cubic meters with a year-on-year increase of 0.3%, of which the gas sales volume to industrial and commercial

15 Jul 2025

Accumulate

CMP HK\$63.4  
(Closing price as of 10 Jul))  
Target 72.86 HKD (+14.9%)

COMPANY DATA

O/S SHARES (MN) :	1131
MARKET CAP (HKD bn) :	72.74
52 - WK HI/LO (HKD):	67.4/41.80

SHARE HOLDING PATTERN, %

ENN Natural Gas Co., Ltd	34.89%
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PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

RMB mn	FY24	FY25E	FY26E	FY27E
Revenue	109853	111389	113498	115876
Net profit	5987	7312	7450	7606
Diluted EPS (RMB)	5.35	6.53	6.66	6.80
P/E ratio, x	10.8	8.9	8.7	8.5
Dividend Yield, %	4.7%	5.0%	5.1%	5.2%

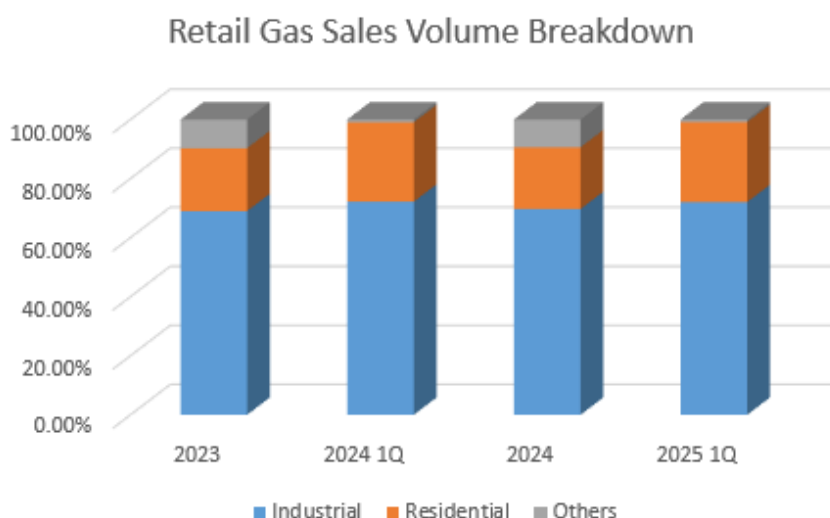
Source: Company reports, Phillip Securities Est.

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users were 5.23 billion cubic meters with a year-on-year increase of 0.1%, and the sales volume for people's livelihood was 1.97 billion cubic meters. The daily gas volume of newly developed industrial and commercial users was 2.5 million cubic meters, and the number of newly developed household users who completed engineering installation was 287,000, all of which remained stable. The company continued to expand its gas volume base. The company actively signed contracts with the three major oil companies to increase gas volume and steadily obtained long-term contract resources from PetroChina to meet customer needs. At the same time, the company continued to optimize the transfer of resources from cooperative manufacturers and strengthen cooperation with local provincial gas companies and other resource parties.

**Chart 2: Retail Gas Sales Volume Breakdown**



Resources : Annual Report · PSHK

### Integrated energy business

As of March 31, 2025, the company has put into operation 367 large-scale integrated energy projects and 73 large-scale projects under construction, with a maximum energy consumption of more than 63.9 billion kWh. The company's cumulative integrated energy sales volume is 10.04 billion kWh with a year-on-year increase of 9.9%. The cumulative grid-connected photovoltaic + under-construction installed capacity reached 1,029 MW; the cumulative grid-connected energy storage + under-construction installed capacity reached 200 MWh.

### Value-added business

The penetration rate of existing customers of the value-added business was 3.7%, and the penetration rate of new customers was 49.8%. A total of 12 new projects were put into operation (including 1 urban gas project), with 287,000 new household customers, and the business base continued to expand.

### Privatization plan is progressing steadily

In May 2025, the parent company of the company, ENN Natural Gas (600803.SH), announced that the shareholders' meeting had approved by a high vote that ENN Natural Gas intended to privatize ENN Energy by way of an arrangement, and that ENN Natural Gas would be listed on the main board of the Hong Kong Stock Exchange by way of introduction. The evaluation company gave a total consideration of HK\$80.00 per share for the privatization plan of ENN Energy, corresponding to a market value of HK\$90.5 billion, which still has room for an increase of about 24% compared with the current share price. After the completion of this transaction, the parent company ENN Natural Gas can give full play to its advantages in natural gas resource pools and the storage and transportation capacity of LNG receiving stations,

providing effective support for ENN Energy to cope with changes in downstream customer demand. At the same time, ENN Natural Gas can match upstream gas sources with ENN Energy's customer needs, further expand the resource pool, and improve the efficiency of Zhoushan LNG receiving stations, forming a growth model of "internal and external double loops" of coordinated development.

### Investment Thesis

In Jun, 2024, the National Development and Reform Commission released the National Natural Gas Operation Express Report for May 2025. According to the statistics, in May 2025, the apparent consumption of natural gas nationwide was 36.42 billion cubic meters with a year-on-year increase of 2.4%. From January to May 2025, the apparent consumption of natural gas nationwide was 176.89 billion cubic meters with a year-on-year decrease of 1.3%. China Petroleum Economics and Technology Research Institute predicts that China's natural gas demand will continue to grow in the future, and China's natural gas demand will be 610 billion cubic meters in 2035. In 2023, the National Development and Reform Commission issued the "Guiding Opinions on Establishing and Improving the Upstream and Downstream Price Linkage Mechanism for Natural Gas." Under this guidance, different cities have continuously introduced and improved local natural gas upstream and downstream price linkage mechanisms based on the development of the local natural gas industry and economic conditions and have launched or accelerated price linkage reforms. The company has actively followed the reform trend and promoted price adjustments for residents. As of the end of December 2024, the company's cumulative completion rate for gas price adjustment was approximately 63% of residential gas volume. Since 2025, the old-for-new policy had continued to gain momentum, involving more and more products, and consumers' enthusiasm for participation had been high. The company has continuously consolidated its basic products and services. We believe that as the old-for-new policy continues to gain momentum, the value-added business is expected to become an important business growth engine for the company.

We predict that the company's operating income will be 111.39 billion yuan, 113.50 billion yuan and 115.88 billion yuan respectively in 2025-2027. EPS will be 6.53/6.66/6.80 yuan, corresponding to the P/E of 8.9x/8.7x/8.5x. The slight increase in the company's gas sales in the first quarter was mainly due to the warm winter. We believe that the company's gas sales are expected to improve in the winter of 2026. We give the company a target price of HK\$72.86, corresponding to a P/E of 10 times in 2026., and we maintain our investment rating of "Accumulate". (Current price as of Jul 10)

### Risk factors

Supply and demand adjustments, real estate industry downturn, natural gas price fluctuations, and national policies.

## Financial

### Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Revenue</b>	113858	109853	111389	113498	115876
Cost of sales	-99520	-96448	-95476	-97284	-99322
Gross profit	14338	13405	15912	16214	16553
Operating expenses	-5315	-5191	-5654	-5761	-5882
Finance costs	-786	-733	-756	-770	-787
<b>Profit before tax</b>	10005	8797	9502	9682	9885
Income tax expense	-2273	-1921	-2190	-2232	-2279
<b>Profit for the year</b>	7732	6876	7312	7450	7606
<b>Profit for the year attributable to</b>					
– Owners of the Company	6816	5987	7312	7450	7606
<b>EPS(RMB)</b>	6.04	5.35	6.53	6.66	6.80
<b>DPS(HKD)</b>	2.95	3.00	3.20	3.24	3.30
<b>Dividend payout ratio</b>	45%	53%	53%	53%	53%
<b>Weighted shares outstanding</b>	1128	1119	1119	1119	1119

### Key Financial Data

Dec Y/E	FY23	FY24	FY25E	FY26E	FY27E
<b>Valuation Ratio</b>					
P/E ratio	9.6	10.8	8.9	8.7	8.5
Dividend Yield, %	4.7%	4.7%	5.0%	5.1%	5.2%
<b>Per share data(RMB)</b>					
EPS	6.04	5.35	6.53	6.66	6.80
BVPS	37.83	40.30	44.06	47.26	50.55
DPS(HKD)	2.95	3.00	3.20	3.24	3.30
<b>Growth &amp; Margin</b>					
<b>Growth</b>					
Revenue Growth	3.5%	-3.5%	1.4%	1.9%	2.1%
Gross Profit Growth	-9.0%	-6.5%	18.7%	1.9%	2.1%
Net Profit Growth	16.2%	-12.2%	22.1%	1.9%	2.1%
<b>Margin</b>					
Gross Profit Margin	12.6%	12.2%	14.3%	14.3%	14.3%
Net Profit Margin	6.0%	5.5%	6.6%	6.6%	6.6%
<b>Key Ratios</b>					
ROE	17.4%	13.6%	15.5%	14.6%	13.9%
ROA	6.7%	5.8%	6.9%	6.7%	6.5%

## Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
<b>Current assets</b>					
Inventories	1682	1513	1647	1573	1714
Accounts receivable	11091	9828	10650	10852	11079
Cash and cash equivalents	9689	7693	10274	11648	13332
Others	3913	3150	3150	3150	3150
<b>Total current assets</b>	<b>26375</b>	<b>22184</b>	<b>25721</b>	<b>27223</b>	<b>29276</b>
<b>Non-current assets</b>					
PPE	50330	53151	55979	58773	61548
Others	26426	27885	27679	27835	27633
<b>Total non-current assets</b>	<b>76756</b>	<b>81036</b>	<b>83657</b>	<b>86608</b>	<b>89181</b>
<b>Total Assets</b>	<b>103131</b>	<b>103220</b>	<b>109379</b>	<b>113831</b>	<b>118457</b>
<b>Current liabilities</b>					
Accounts and bills payables	8171	8203	8712	8877	9063
Short-term Bank and other loans	8767	6464	7183	7319	7472
Others	17985	17835	18069	18094	18121
<b>Total current liabilities</b>	<b>34923</b>	<b>32502</b>	<b>33965</b>	<b>34290</b>	<b>34657</b>
<b>Non-current liabilities</b>					
Long-term Bank& other loans	5428	5648	6144	6685	7258
Others	14518	13994	13994	13994	13994
<b>Total non-current liabilities</b>	<b>19946</b>	<b>19642</b>	<b>20138</b>	<b>20679</b>	<b>21252</b>
<b>Total liabilities</b>	<b>54869</b>	<b>52144</b>	<b>54102</b>	<b>54968</b>	<b>55909</b>
Equity attributable to equity holders of the Company	42660	45101	49302	52888	56573
Non-controlling interests	5602	5975	5975	5975	5975
<b>Total equity</b>	<b>48262</b>	<b>51076</b>	<b>55277</b>	<b>58863</b>	<b>62548</b>
<b>Total liabilities and equity</b>	<b>103131</b>	<b>103220</b>	<b>109379</b>	<b>113831</b>	<b>118457</b>

## Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
<b>CFO</b>	<b>9612</b>	<b>10294</b>	<b>10789</b>	<b>11334</b>	<b>11436</b>
Profit before income tax expense	10005	8797	9502	9682	9885
Change in working capital	-2266	1999	-2403	-2170	-2434
Depreciation and Amortization	2840	3106	2935	3051	3199
Others	-967	-3608	756	770	787
<b>CFI</b>	<b>-4849</b>	<b>-4438</b>	<b>-5556</b>	<b>-6002</b>	<b>-5772</b>
Purchase of PP&E	-6769	-6686	-5556	-6002	-5772
Short term and long term investment,net	1920	2248	0	0	0
<b>CFF</b>	<b>-3143</b>	<b>-7853</b>	<b>-2652</b>	<b>-3958</b>	<b>-3980</b>
Dividends paid	-2977	-3010	-3111	-3864	-3920
Cash received from financing	-166	-4843	459	-94	-60
<b>Net increase in cash and cash equivalents</b>	<b>1620</b>	<b>-1997</b>	<b>2581</b>	<b>1374</b>	<b>1684</b>
<b>Cash and cash equivalents at 31 December</b>	<b>9689</b>	<b>7693</b>	<b>10274</b>	<b>11648</b>	<b>13332</b>

Current Price as of: 10 Jul

Source : PSHK Est.

**PHILLIP RESEARCH STOCK SELECTION SYSTEMS**

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm$ 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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