

Flash Note

Thursday, 26 April 2018

Power Generation & Distribution

HUBC: Earnings rise by +16%YoY to PKR 2.58/share amid lower maintenance cost, however dividend payout remained restricted

- The Hub Power Company Limited (HUBC) announced its financial results for 3QFY18 with earnings clocking in at PKR 2.98bn (EPS PKR 2.58) up by +16%YoY compared to PKR 2.56bn (EPS PKR 2.21) in the same period last year. This brings cumulative earnings for 9MFY18 to PKR 8.28bn (EPS PKR 7.15) up by +9%YoY compared to PKR 7.63bn (EPS PKR 6.59) in the corresponding period last year.
- The Company announced cash dividend of PKR 1.60/share along with the result, bringing cumulative cash dividend for 9MFY18 to PKR 4.60/share.
- We attribute this growth in earnings during 3QFY18 to a) lower repairs and maintenance cost and, b) 5% PKR depreciation leading to higher ROE.
- Revenues for 3QFY18 dropped by 25%YoY to PKR 19.50bn as compared to PKR 25.91bn in the similar period last year owing to 57%/22%/14%YoY drop in load factor from Hub Plant/Laraib/Narowal.
- Gross margins declined by 726bps to 23.7% during 3QFY18 as compared to 16.5% in the corresponding period last year likely owing to lower repairs and maintenance cost and 5% PKR depreciation.
- General & Admin expenses declined by 4%YoY to PKR 0.33bn against PKR 0.34bn in the similar period last year.
- Finance costs augmented by +7%YoY to PKR 1.09bn during 3QFY18 as compared to PKR 1.02bn in the corresponding period last year likely owing to heavy reliance on short term borrowings.
- Effective tax rate dropped to 2.16% during 3QFY18 compared to 4.50% in the same period last year.

Exhibit:

Financial Highlights (Consolidated)

PKR mn	3QFY18	3QFY17	YoY	9MFY18	9MFY17	YoY
Turnover	19,495	25,912	-25%	73,786	74,140	0%
Operating Costs	14,871	21,648	-31%	60,396	61,709	-2%
Gross Profit	4,624	4,264	8%	13,390	12,431	8%
General & Admin expenses	325	340	-4%	1,113	980	14%
Other Income	38	29	32%	118	143	-17%
Financing Cost	1,091	1,021	7%	3,247	3,083	5%
PBT	3,149	2,821	12%	8,828	8,301	6%
PAT	3,081	2,694	14%	8,642	8,064	7%
PAT - Attributable to HUBC	2,981	2,559	16%	8,279	7,628	9%
EPS (PKR)	2.58	2.21		7.15	6.59	
DPS (PKR)	1.60	2.00		4.60	5.00	

Source: Company Financials & IGI Research

No of Shares: 1,157.15 mn

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