

# Flash Note

Monday, 20 February 2017

## Power Generation and Distribution Companies

### HUBC: Unconsolidated earnings reported at PKR 1.98/share in 2QFY17, down by 7%YoY

- Hub Power Company Limited's (HUBC) announced financial results for 2QFY17 with earnings clocking in at PKR 2.3bn (EPS PKR 1.98) down by 7%YoY as compared to PKR 2.5bn (EPS PKR 2.14) in the same period last year. Cumulative earnings for 1HFY17 stand at PKR 4.2bn (EPS PKR 3.63) as compared to PKR 4.5bn (EPS PKR 3.91) in the corresponding period last year.
- The company announced cash dividend of PKR 1.5/share for 2QFY17, taking cumulative dividend for 1HFY17 to PKR 3.0/share.
- Revenues for 2QFY17 increased by +4%YoY to PKR 23.2bn as compared to PKR 22.2bn in the corresponding period last year owing to rise in FO prices.
- Operating costs leaped up by +7%YoY to PKR 19.9bn during 2QFY17 as compared to PKR 18.7bn in the corresponding period last year.
- Gross margins declined by 202bps to 14% during 2QFY17 as compared to 16% in the corresponding period last year likely owing to higher maintenance cost incurred at Hub and Narowal Plant as a result of overhauling which commenced in 1QFY17.
- Finance costs remained flat at PKR 813mn during 2QFY17 as compared to PKR 809mn in the same period last year.

#### Recommendation

We maintain our "BUY" call on HUBC with our Dec-17 target price of PKR 136/share. The company is currently trading at a FY17E P/E of 12.8x and offers a healthy dividend yield of 8%.

Exhibit:

#### Financial Highlights

PKRmn	2QFY17	2QFY16	YoY	1HFY17	1HFY16	QoQ
Revenue	23,210	22,239	4%	45,652	47,901	-5%
Operating Costs	19,991	18,706	7%	39,516	40,889	-3%
Gross Profit	3,220	3,533	-9%	6,136	7,012	-12%
General & Admin	130	264	-51%	382	532	-28%
Other Operating Expenses	-	2	N/A	-	366	N/A
Financial Charges	813	809	0%	1,580	1,620	-2%
Other Income	19	22	-17%	26	29	-12%
PAT	2,296	2,480	-7%	4,200	4,522	-7%
EPS	1.98	2.14		3.63	3.91	
DPS	1.50	4.50		3.00	4.50	

Source: IGI Research, Company Financials

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**Time Horizon:** Dec - 2017

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