

# Flash Note

Thursday, 17 August 2017

## Power Generation and Distribution Companies

### HUBC: Earnings reported at PKR 9.24/share, down by 10%YoY owing to ongoing maintenance at Narowal Plant

- Hub Power Company Limited (HUBC) announced financial results for 4QFY17 with consolidated earnings (attributable to HUBC) clocking in at PKR 3.06bn (EPS PKR 2.65) down by 14%YoY compared to PKR 3.56bn (EPS PKR 3.08) in the same period last year. This brings cumulative earnings for FY17 at PKR 10.69bn (EPS PKR 9.24) as compared to PKR 11.90bn (EPS PKR 10.29) in the corresponding period last year.
- The company announced cash dividend of PKR 2.5/share along with the result, taking cumulative dividend for FY17 to PKR 7.5/share.
- Revenues for 3QFY17 increased by +24%YoY to PKR 27.05bn as compared to PKR 21.84bn in the corresponding period last year owing to +36%YoY rise in FO prices.
- Gross margins declined by 6.6ppts to 17.9% during 4QFY17 as compared to 24.4% in the corresponding period last year likely owing to higher repairs and maintenance cost incurred at Narowal plant.
- Finance costs inched up by +1%YoY to PKR 998mn during 4QFY17 as compared to PKR 987mn in the corresponding period last year likely owing to increased short term borrowing leading to higher interest cost.
- Effective tax rate stood at 3.6% during 4QFY17 as compared to 2.98% in the same period last year.

#### Recommendation

We maintain a 'HOLD' call on HUBC with Dec-17 TP of PKR 137/share offering an upside of +18.5% from its last close. The company is currently trading at FY18E P/E of 10.6x and dividend yield of 8.6%.

Exhibit:

#### Financial Highlights (Consolidated)

PKR mn	4QFY17	4QFY16	YoY	FY17	FY16	YoY
Turnover	27,049	21,843	24%	101,188	91,595	10%
Operating Costs	22,220	16,507	35%	83,929	73,013	15%
Gross Profit	4,829	5,336	-10%	17,260	18,582	-7%
General & Admin expenses	385	388	-1%	1,365	1,262	8%
Other Income	14	36	-62%	156	167	-6%
Other expenses	18	58	-69%	77	473	-84%
Financing Cost	998	987	1%	4,081	4,135	-1%
Share of Profit from associate	(36)	3	N/M	(186)	(108)	73%
EBT	3,407	3,942	-14%	11,708	12,771	-8%
PAT	3,284	3,825	-14%	11,348	12,501	-9%
PAT - Attributable to HUBC	3,061	3,560	-14%	10,689	11,903	-10%
EPS (PKR)	2.65	3.08		9.24	10.29	
DPS (PKR)	2.50	3.00		7.50	11.00	

Source: Company Financials & IGI Research

No of Shares: 1,157.15 mn

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**Time Horizon:** Dec - 2017

**Valuation Methodology:** The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DDM (Dividend Discount Model)

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