Power Generation & Distribution Companies

HUBC: FY26 Management Call Takeaways

- The Hub Power Company Limited (HUBC) held a corporate briefing session to discuss the FY26 financial results and provide key insights on the future outlook for the Company.
- HUBC reported consolidated 2QFY26 earnings attributable to HUBC of PKR 16.57bn (EPS PKR 12.77), up by +41%y/y compared to PKR 11.77bn (EPS PKR 9.07) in the similar period last year. This was supported by higher share of profit from associates mainly due to higher profit from Mega Motors and higher other income. This brings total profitability for FY26 to PKR 49.63bn (EPS PKR 38.26), up by +8%y/y. The Company announced cash dividend of PKR 5/share along with the result bringing total cash payout for FY26 to PKR 20/share.
- Management has reiterated its stance, highlighting that the upfront tariff mechanism was designed to provide investors with visibility through pre-established adjustments for CPI, foreign exchange, and the debt-equity mix. The case is currently under review, with appeals pending at the tribunal.
- HUBC's BYD assembly facility is targeted to commence commercial operations in 2HCY26, with initial capacity of 25,000 units p.a., expandable to 50,000 units with limited incremental investment.

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Key highlights from Corporate Briefing

- HUBC reported consolidated 2QFY26 earnings attributable to HUBC of PKR 16.57bn (EPS PKR 12.77), up by +41%y/y compared to PKR 11.77bn (EPS PKR 9.07) in the similar period last year. This was supported by higher share of profit from associates mainly due to higher profit from Mega Motors and higher other income. On quarterly basis, profitability was up by +53%q/q during 2QFY26. This brings total profitability for FY26 to PKR 49.63bn (EPS PKR 38.26), up by +8%y/y, compared to PKR 46.13bn (EPS PKR 35.56) in the same period last year. The Company announced cash dividend of PKR 5/share along with the result bringing total cash payout for FY26 to PKR 20/share.

- The ongoing true-up tariff issue at CPHGC significantly impacts the regulatory outlook. Management has reiterated its stance, highlighting that the upfront tariff mechanism was designed to

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provide investors with visibility through pre-established adjustments for CPI, foreign exchange, and the debt-equity mix. They contend that NEPRA's interpretation should align with the originally agreed framework and prior rulings. The case is currently under review, with appeals pending at the tribunal. Although management anticipates a favorable outcome, uncertainty remains, marking this as a key regulatory risk.

- BYD remains the key growth driver under HUBC's diversification strategy, with management targeting a 30% share of Pakistan's new-energy vehicle market by 2030. The Shark 6 and Atto 2 have received encouraging market response, while additional EV and PHEV models are expected following the start of local production.

- HUBC's BYD assembly facility is targeted to commence commercial operations in 2HCY26, with initial capacity of 25,000 units p.a., expandable to 50,000 units with limited incremental investment. Local production is expected to improve vehicle cost economics by reducing reliance on CBU imports and associated duties.

- E&P represents another long-term growth avenue, with Prime Energy expanding its portfolio through two onshore blocks and interests in four shallow offshore blocks, including operatorship of one. Management highlighted the E&P business carries lengthy 6 - 8 year exploration-to-development cycle and relatively low success rates.

- Mining provides additional growth optionality, with Arc Metals completing its initial reserve assessment for its Balochistan block and undertaking further drilling to evaluate the potential for a bankable feasibility study. Encouraging lithium scoping results were also noted, although further investment remains dependent on greater policy harmonization.

- HUBC continues to explore opportunities in the DISCO privatization space, with its consortium shortlisted for FESCO and an EOI submitted for GEPCO. Management believes lower distribution losses, improved recoveries, infrastructure upgrades and stronger industrial demand will be critical for successful privatization.

- Following the early termination of the Base Plant PPA, HUBC is evaluating alternative uses for its ~1,100-acre site. Discussions with Middle Eastern parties are ongoing for a potential oil storage terminal, while the aluminium smelter project is progressing. Data-centre opportunities have also been assessed, although management does not currently intend to pursue the segment aggressively.

- TEL and TNPTL generated a combined 3,646GWh in FY26 and commenced dividend payouts after achieving their respective project completion milestones. CPHGC and Narowal also recorded higher load factors on improved dispatch, while management continues to identify plant availability as the key operational KPI.

- Circular debt settlements and late payment charges related to CPEC projects remain under discussion, with management noting that the matter is primarily being addressed at the government-to-government level.

- Receivables across the power portfolio remained broadly stable, with no material buildup in outstanding balances. Overdue receivables stood at ~PKR 65bn for CPHGC, PKR 8.3bn for TEL, PKR 7.5bn for TNPTL, PKR 5.0bn for LEL and PKR 1.0bn for NEL.

- HUBC is also expanding its EV charging infrastructure, currently operating 24 DC fast chargers across Pakistan. The Company plans to gradually reduce charging intervals along the Karachi-Peshawar motorway corridor from ~200km to 150km and eventually 100km.

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