

Company Update

The Hub Power Company Limited (HUBC)

Target Price: PKR 131/share;

Upside: 85%

2022: Dividend yld: 14%, P/E: 3.2x

Market Price: PKR 70.6

52 weeks: 70.6 — 73

Return: (3M) -0.1%, (6M) -3.2%,

(12M) -1.9%

Outstanding Shares: 1.3bn (FF%: 75)

Market Capitalisation: PKR 91.6bn,

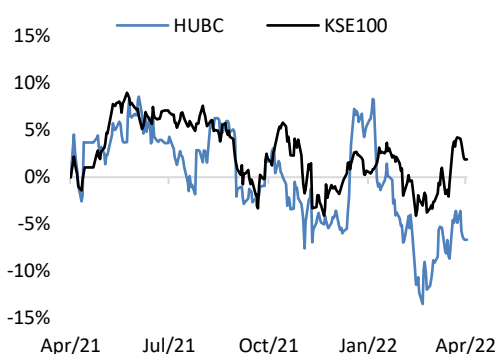
US\$ 0.49bn

Exchange: KSE100, KSEALL, MSCI FM

Key Financial Highlights

PKR/ Share	2021a	2022e	2023f
EPS	26.0	22.0	29.8
DPS	12.0	10.0	15.0
BVPS	77.7	90.4	106.4
ROE%	33%	24%	28%
P/E	2.7x	3.2x	2.4x
DY	17.0%	14.2%	21.2%
P/B	0.9x	0.8x	0.7x

Relative Price performance



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Power Generation & Distribution

HUBC: EPS to clock in at PKR 5.59 during 3QFY22, down by 15%/y

- The Hub Power Company Limited's (HUBC) board meeting is scheduled on 28th-Apr-22 to announce financial results for 3QFY22 where we expect the Company to report earnings of earnings of PKR 7.25bn (EPS PKR 5.59) during 3QFY22, down by 15%/y.
- This will bring total 9MFY22E earnings to PKR 19.46bn (EPS PKR 15.0), down by 22%/y, against PKR 24.92bn (EPS PKR 19.21) same period last year. We expect HUBC to announce cash dividend of PKR 2/share.
- We attribute this decline in earnings primarily on the back of lower share of profit from CPHGC and higher finance cost amid higher interest rates. Furthermore, application of tariff discount under MoU signed with Government is likely further dent earnings.

Earnings to clock in at PKR 7.69/share during 3QFY22

The Hub Power Company Limited's (HUBC) board meeting is scheduled on 28th-Apr-22 to announce financial results for 3QFY22 where we expect the Company to report earnings of earnings of PKR 7.25bn (EPS PKR 5.59) during 3QFY22, down by 15%/y, compared to profitability of PKR 8.58bn (EPS PKR 6.61) in the same period last year. On quarterly basis, earnings are expected to improve by +51%q/q. This will bring total 9MFY22E earnings to PKR 19.46bn (EPS PKR 15.0), down by 22%/y, against PKR 24.92bn (EPS PKR 19.21) same period last year. We expect company to announce cash dividend of PKR 2/share along with the result.

Earnings to drop amid lower profit from CPHGC and higher finance cost

We attribute this decline in earnings primarily on the back of lower share of profit from CPHGC and higher finance cost amid higher interest rates. Furthermore, application of tariff discount under MoU signed with Government is likely further dent earnings. On quarterly basis earnings are expected to improve as the Company reported loss from China Power Hub Generation Company (CHPGC) due to fire incident caused by lightning. Load factor from Hub and Narowal remained higher compared same period last year.

Exhibit: HUBC Financial Highlights For the period 3QFY22

PKRmn	3QFY22E	3QFY21	y/y	2QFY22	q/q	9MFY22E	9MFY21	q/q
Turnover	16,570	12,023	38%	19,928	-17%	62,837	38,815	62%
Operating Costs	8,543	3,883	2.2x	11,918	-28%	39,003	14,796	2.6x
Gross Profit	8,027	8,141	-1%	8,009	0%	23,835	24,018	-1%
Financing Cost	2,352	1,928	22%	1,738	35%	5,749	5,659	2%
Share of profit/(loss)	3,108	4,078	-24%	(1,462)	n/m	3,939	11,683	-66%
PBT	8,467	9,974	-15%	4,817	76%	21,685	28,895	-25%
PAT	7,510	8,818	-15%	5,020	50%	20,226	25,706	-21%
PAT - Attributable to	7,248	8,576	-15%	4,796	51%	19,460	24,918	-22%
EPS (PKR)	5.59	6.61		3.70		15.00	19.21	
DPS (PKR)	2.00	-		6.50		8.50	7.00	

Source: IGI Research, Company Financials

No of Shares: 1,297.15

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