

Flash Note

Friday, 16 March 2018

Power Generation and Distribution Companies

HUBC: Sale of entire shareholding by DAWH of 14.91% in HUBC to Mega Conglomerate at a price of PKR 105.12/share

- Dawood Hercules Corporation Limited (DAWH) in its notice through Pakistan Stock Exchange (PSX) has notified that the company has executed the sale of entire shareholding of 14.91% (172.58mn shares) in The Hub Power Company Limited (HUBC) to Mega Conglomerate (Private) Limited for PKR 106.5/share (PKR 105.12/share after tax adjustment on recent dividend of PKR 1.5/share).
- At selling price of PKR 105.12/share the transaction amount comes at PKR 18.14bn.
- To recall, investment in HUBC is currently recorded at cost in DAWH's balance sheet at a price of PKR 82.10/share which may lead to a one-time pre-tax gain on sale of investment of PKR 8.75/share (or PKR 4.21bn) at sale price of PKR 106.50/share.
- We have a **'BUY'** call on HUBC with our Dec-18 target price of PKR 133.3/share, offering +36.8% upside from its last close. The company offers a healthy dividend yield of 8.2%.

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| Recommendation | Rating System |
|----------------|--|
| Buy | If target price on aforementioned security(ies) is more than 10%, from its last closing price(s) |
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Time Horizon: Dec – 2018

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)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

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