

Flash Note

Friday, 26 February 2021

Power Generation and Distribution Companies

The Hub Power Company Limited (HUBC)

Lower finance cost and higher CPHGC contribution lifts 2QFY21 EPS to PKR 6.32 despite higher taxation; Another surprise cash dividend of PKR 3.0/share

- The Hub Power Company Limited (HUBC) announced financial results for 2QFY21 with earnings clocking in at PKR 8.20bn (EPS PKR 6.32) up by +49% y/y compared to PKR 5.48bn (EPS PKR 4.23) in the same period last year. On a sequential basis, earnings are up by +1% q/q during 2QFY21. This brings total profitability for 1HFY21 to PKR 16.34bn (EPS PKR 12.60) against PKR 11.05bn (EPS PKR 8.52) reported in the corresponding period last year.
- The Company did announced surprise cash dividend for 2QFY21 of PKR 3.0/share, bringing total cash payout to PKR 7.0/share for 1HFY21.
- We attribute this growth in earnings during 2QFY21 primarily on the back of a) +11% y/y rise in gross profit led by PKR depreciation and likely higher penal income, b) PKR 4.12bn share of profit from associate post commencement of operations from China Power Hub Generation Company Limited (CPHGC) in Aug-19 and c) lower finance cost. Earnings were also higher as loss on share transfer to Government of Balochistan (GoB) was recorded in 2QFY20. However, earnings growth was limited by higher taxation on account of withholding tax recorded on share of profit from CPHGC.
- Net Revenues improved by +4% y/y to PKR 11.0bn during 2QFY21 compared to PKR 10.57bn in the same period last year as generation remained relatively flat.
- Finance cost dropped by 43% y/y to PKR 1.83bn during 2QFY21 compared to PKR 3.19bn in the same period last year likely owing to drop in mark-up expense amid drop in interest rates.
- Share of profit from associate stood at PKR 4.12bn during 2QFY21 as against PKR 3.28bn in the same period last year owing to higher share of profit from CPHGC.
- Effective tax stood at 11.5% during 2QFY21 compared to 1.4% (1QFY21: 9.14%) reported in the corresponding period last year likely on account of withholding tax recorded on income from CPHGC due to changes introduced in Federal Budget 2021. This brings total effective tax rate for 1HFY21 to 10.3% compared to 1.4% in the same period last year.

Exhibit: HUBC Financial Highlights (Consolidated)

PKR mn	2QFY21	2QFY20	y/y	1QFY21	q/q	1HFY21	1HFY20	y/y
Turnover	10,997	10,573	4%	15,794	-30%	26,791	24,654	9%
Operating Costs	3,258	3,592	-9%	7,655	-57%	10,913	10,182	7%
Gross Profit	7,739	6,980	11%	8,139	-5%	15,878	14,472	10%
General & Admin expenses	366	381	-4%	386	-5%	752	830	-9%
Financing Cost	1,827	3,192	-43%	1,904	-4%	3,731	6,251	-40%
Share of profit/(loss) from associates	4,123	3,280	26%	4,336	-5%	8,458	5,153	n/m
Loss on shares transferred to GoB	-	(1,009)	n/m	-	n/m	-	(1,009)	n/m
PBT	9,545	5,767	66%	10,230	-7%	19,775	11,669	69%
PAT	8,447	5,687	49%	9,295	-9%	17,742	11,511	54%
PAT - Attributable to HUBC	8,198	5,484	49%	8,144	1%	16,342	11,052	48%
EPS (PKR)	6.32	4.23	49%	6.28		12.60	8.52	48%
DPS (PKR)	3.00	-		4.00		7.00	-	

Source: IGI Research, Company Financials No of Shares: 1,297.15

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