

Flash Note

Thursday, 28 April 2016

Power Generation

HUBC: Earnings Mount by 1.1xYoY to PKR 3.25 in 3QFY16

- Hub Power Company Limited's (HUBC) earnings surged by 1.1xYoY to PKR 3.8bn (EPS PKR 3.25) in 3QFY16 as compared to PKR 1.8bn in the corresponding period last year, taking 9MFY16 profitability to PKR 8.3bn (EPS PKR 7.16). Along with the result the company announced cash dividend of PKR 3.5/share taking 9MFY16 cumulative dividend to PKR 8.0/share.
- HUBC's revenues witnessed a dip 28%YoY to PKR 18.6bn in 3QFY16 on the back of 42%YoY reduction in fuel cost.
- Admin expense fell by 45%YoY to PKR 139mn in 3QFY16 as compared to PKR 251mn in the corresponding period last year.
- Furthermore, finance cost plummeted by 26%YoY to PKR 753mn owing to lower interest rate environment.
- HUBC's other operating expense nosedived massively by 88%YoY to PKR 45mn as compared to PKR 382mn in the corresponding period last year.
- Company's earnings leaped up significantly owing to 113xYoY rise in other income (PKR 0.79/share) likely due to dividend income from Laraib Energy.

Recommendation

We currently have a **"BUY"** call on HUBC with our Dec-16 TP of PKR 119/share, offering +13% upside from its last closing of PKR 106/share. The company is currently trading at a FY16E P/E of 11.2x and offers a dividend yield of 9.0%.

Exhibit: Financial Highlights

PKRmn	3QFY16	3QFY15	YoY	9MFY16	9MFY15	YoY
Revenue	18,565	25,801	-28%	66,466	104,121	-36%
Operating Costs	14,712	22,340	-34%	55,601	93,010	-40%
Gross Profit	3,853	3,461	11%	10,865	11,111	-2%
General & Admin	139	251	-45%	671	617	9%
Other Operating Expenses	45	382	-88%	411	382	8%
Financial Charges	753	1,020	-26%	2,373	3,577	-34%
Other Income	910	8	11329%	940	28	3272%
Post-Tax Profits	3,758	1,816	107%	8,280	6,561	26%
EPS	3.25	1.57		7.16	5.67	
DPS	3.50	-		8.00	4.00	

Source: IGI Research, Company Financials

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Analyst Certification

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Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- DDM(Dividend Discount Model)

Time Horizon

- Dec - 2016

Risk

- Changes in State Bank of Pakistan Policy Rate
- Changes in country (Pakistan) macro-economic environment
- Changes in Company(ies) operating structure
- Change in Exchange Rate (USDPKR)

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