

Flash Note

Thursday, 12 September 2019

Power Generation and Distribution Companies

The Hub Power Company Limited (HUBC)

Elevated finance cost despite PKR devaluation restricts earnings growth to +2%YoY in FY19; No cash payout for FY19

- The Hub Power Company Limited (HUBC) announced financial results for 4QFY19 with earnings clocking in at PKR 2.67bn (EPS PKR 2.06) down by 4%YoY compared to PKR 2.78bn (EPS PKR 2.14) in the same period last year. On a sequential basis, earnings are down by 15%QoQ during 4QFY19. This brings total profitability to PKR 11.24bn (EPS PKR 8.67) for FY19, up by +2%YoY, compared to PKR 11.06bn (EPS PKR 8.52) in the corresponding period last year.
- The Company skipped cash payout during 4QFY19 leading to no cash dividend for FY19 owing to weaker cash position amid financing requirement for new projects.
- We attribute this decline in earnings during 4QFY19 primarily on the back of higher finance cost despite 26%YoY PKR depreciation against greenback.
- Load factor stood at 5% and 24% during 4QFY19 against 40% and 94% in the same period last year for Hub and Narowal, bringing total load factor to 8% and 35% respectively.
- Net Revenues dropped by 47%YoY to PKR 13.79bn during 4QFY19, likely on the back of lower generation from Hub and Narowal plants bringing total net revenue to PKR 58.13bn for FY19 compared to PKR 100.0bn in FY18, down by 42%YoY.
- Finance cost increased by +2.1xYoY to PKR 2.47bn during 4QFY19 likely owing to rise in mark up on overdue payments amid rise in interest rates and short term borrowings. This brings total finance cost to PKR 7.40bn in FY19 compared to PKR 4.43bn in FY18, up by +67%YoY.
- Effective tax stood at 7.3% during 4QFY19 compared to 6.9% (3QFY19: 4.1%) reported in the corresponding period last year bringing total effective tax rate for FY19 to 4.2% (FY18: 4.0%).

Exhibit:

HUBC Financial Highlights (Consolidated)

PKR mn	4QFY19	4QFY18	YoY	3QFY19	QoQ	FY19	FY18	YoY
Turnover	13,789	26,213	-47%	13,398	3%	58,129	99,999	-42%
Operating Costs	7,700	21,325	-64%	7,409	4%	36,640	81,720	-55%
Gross Profit	6,089	4,889	25%	5,989	2%	21,489	18,279	18%
General & Admin expenses	526	412	28%	405	30%	1,606	1,525	5%
Financing Cost	2,467	1,185	108%	1,998	23%	7,401	4,432	67%
PBT	3,152	3,246	-3%	3,469	-9%	12,447	12,150	2%
PAT	2,921	3,022	-3%	3,329	-12%	11,930	11,665	2%
PAT - Attributable to HUBC	2,673	2,779	-4%	3,161	-15%	11,241	11,057	2%
EPS (PKR) - @ 1,297.15mn shares	2.06	2.14		2.44		8.67	8.52	
DPS (PKR)	-	2.80		-		-	7.40	

Source: IGI Research, Company Financials, PSX

No of Shares: 1,297.15

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