

# Flash Note

Wednesday, 28 October 2020

Power Generation and Distribution Companies

## The Hub Power Company Limited (HUBC)

### Higher share of profit from CPHGC and lower finance cost lifts 1QFY21 EPS to PKR 6.28 despite higher taxation; Surprise cash dividend of PKR 4.0/share

- The Hub Power Company Limited (HUBC) announced financial results for 1QFY21 with earnings clocking in at PKR 8.14bn (EPS PKR 6.28) up by +46% YoY compared to PKR 5.57bn (EPS PKR 4.29) in the same period last year. On a sequential basis, earnings are up by +20% QoQ during 1QFY21.
- The Company did announced surprise cash dividend for 1QFY21 of PKR 4.0/share. To note, HUBC has paid out cash dividend after 2 years.
- We attribute this growth in earnings during 1QFY21 primarily on the back of a) +9% YoY rise in gross profit led by PKR depreciation, b) PKR 3.48bn 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. However, earnings growth was limited by higher taxation on account of withholding tax recorded on share of profit from CPHGC.
- Net Revenues improved by +12% YoY to PKR 15.79bn during 1QFY21 compared to PKR 14.08bn in the same period last year likely owing to higher generation from Hub, Narowal and Laraib plant.
- Finance cost dropped by 38% YoY to PKR 1.90bn during 1QFY21 compared to PKR 3.06bn 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 3.48bn during 1QFY21 as against loss of PKR 1.87bn in the same period last year owing to higher share of profit from CPHGC.
- Effective tax stood at 10.0% during 1QFY21 compared to 1.3% (4QFY20: 31.4%) 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.

#### Exhibit: HUBC Financial Highlights (Consolidated)

PKR mn	1QFY21	1QFY20	YoY	4QFY20	QoQ
Turnover	15,794	14,081	12%	11,848	33%
Operating Costs	7,655	6,590	16%	3,333	130%
Gross Profit	8,139	7,491	9%	8,515	-4%
General & Admin expenses	386	449	-14%	327	18%
Financing Cost	1,904	3,059	-38%	2,549	-25%
Share of profit/(loss) from associates	3,482	1,873	86%	4,740	-27%
PBT	9,376	5,902	59%	10,435	-10%
PAT	8,441	5,823	45%	7,161	18%
PAT - Attributable to HUBC	8,144	5,568	46%	6,791	20%
EPS (PKR) @ 1,297.15mn shares	6.28	4.29		5.24	
DPS (PKR)	4.00	-		-	

Source: IGI Research, Company Financials

No of Shares: 1,297.15

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IGI Finex Securities Limited

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Research Identity Number: BRP009

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