

Hub Power Company (HUBC)

4QFY18 EPS Rs2.4, -9% YoY (-7%QoQ); FY18 EPS 9.6, +3% YoY

Cash Dividend Rs 2.8/share

In-line with expectations

Syed Daniyal Adil^{AC}
daniyal@topline.com.pk
Tel: +9221-35303330
Topline Securities, Pakistan



www.jamapunji.pk

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Higher finance cost and taxation drag EPS down

HUBC Financial highlights (Consolidated)						
Rsmn	4QFY18	4QFY17	YoY	QoQ	FY18	YoY
Revenue	26,213	27,049	-3%	34%	99,999	-1%
Operating cost	21,325	22,220	-4%	43%	81,720	-3%
Gross profits	4,889	4,829	1%	6%	18,279	6%
General, admin & other expense	471	403	17%	41%	1,635	13%
Other income	100	14	626%	164%	219	40%
Operating Profit	4,517	4,439	2%	4%	16,863	6%
Finance cost	1,185	998	19%	9%	4,432	9%
Share of loss from associate	86	34	151%	-1%	280	51%
Profit / (loss) before tax	3,246	3,407	-5%	3%	12,150	4%
Tax	223	122	82%	229%	486	35%
Profit / (loss) after tax	3,022	3,284	-8%	-2%	11,665	3%
Profit attributable to holding Co.	2,779	3,061	-9%	-7%	11,057	3%
EPS	2.4	2.6			9.6	

Source: PSX, Topline Research

- For 4QFY18, HUBC's consolidated earnings declined by 9% YoY, primarily due rise in finance cost and higher effective tax rate. The company also announced dividend of Rs 2.8/share along with the result.
- Revenue declined 3% YoY due to lower generation and on the other hand operating expenses decreased by 4% YoY in 4QFY18. We attribute this decline in expenses to absence of any major overhaul and lower O&M expenses.
- HUBC recorded gross margins at 18.6% in 4QFY18, up by 80bps YoY. The improvement in gross margins can be attributed to PKR depreciation and lower maintenance cost.

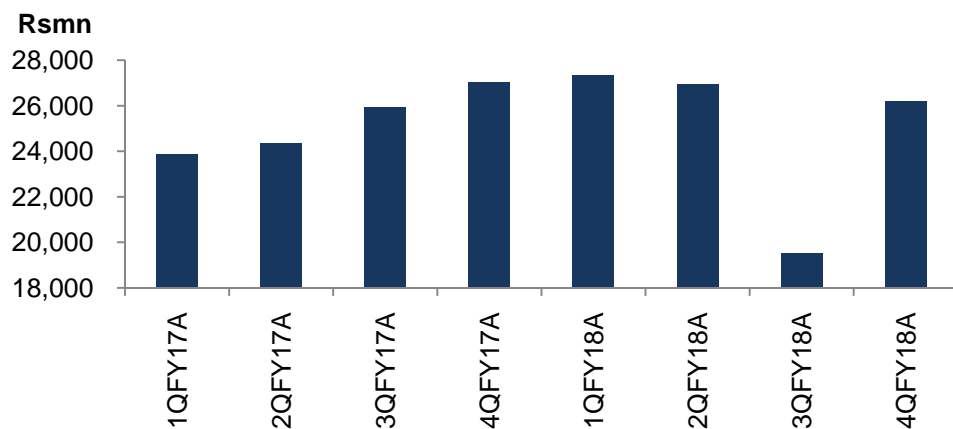
Higher finance cost and taxation drag EPS down

- Finance cost has increased by 19% YoY to Rs 1.2bn, as the company has been relying on short term borrowing in a rising interest rate environment.
- Further dent to profitability came from 82% YoY higher taxation, which took HUBC's effective tax rate for 4QFY18 to 6.9% compared to 3.6% in the same period last year.
- FY18 earnings grew by 3% YoY which were primarily driven by PKR depreciation, lower repairs and maintenance cost.
- Keys risks to our investment thesis are 1) lower than expected rupee devaluation; 2) delay in commissioning of upcoming projects, and 3) circular debt pileup.

HUBC: Key Numbers					
	FY14A	FY15A	FY16A	FY17A	FY18A
EPS	6.5	9.6	10.3	9.2	9.6
Earnings Growth	-26%	48%	7%	-10%	3%
PE at Rs96.4	14.9	10.1	9.4	10.4	10.1
Dividend Yield	7%	10%	11%	8%	8%
ROE	22%	33%	36%	33%	30%
PBV	3.3	3.3	3.4	3.5	3.1

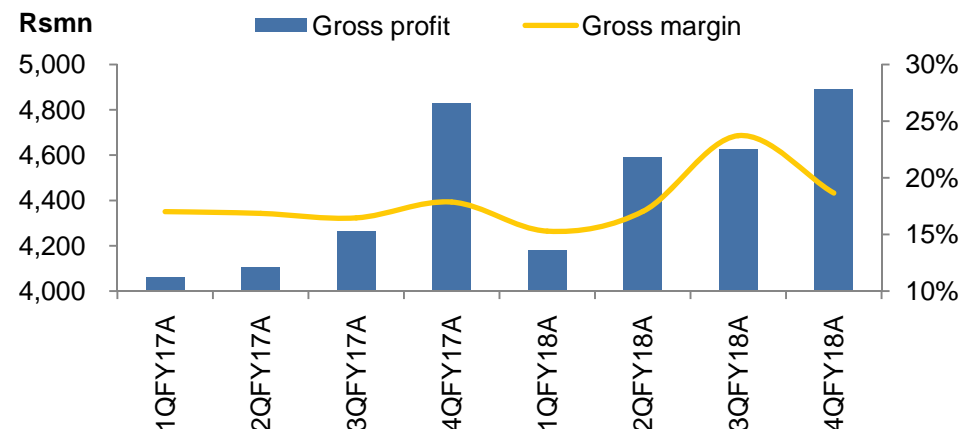
Source: Company Accounts, Topline Research

HUBC: Quarterly Sales



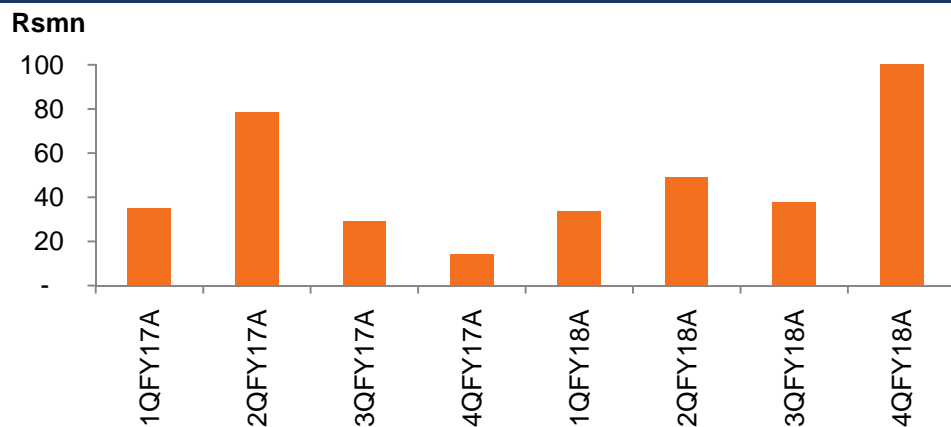
Source: Company Accounts, Topline Research

HUBC: Quarterly Gross Profit & Gross Margins



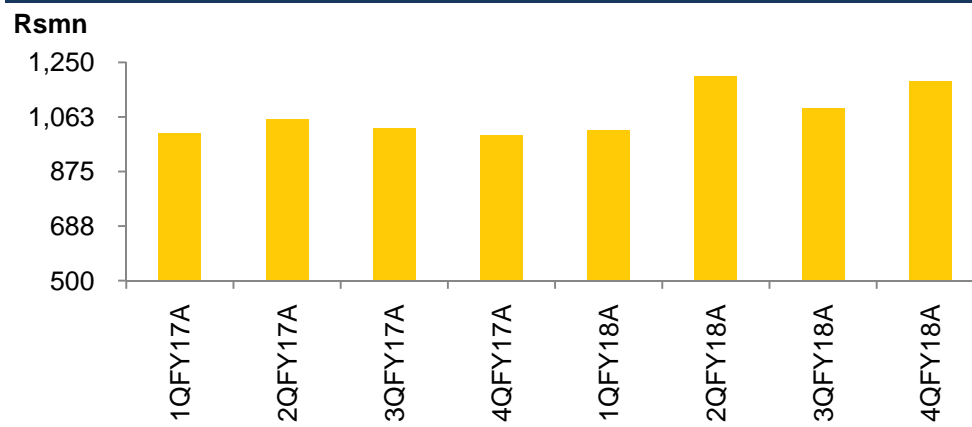
Source: Company Accounts, Topline Research

HUBC: Quarterly Other Income



Source: Company Accounts, Topline Research

HUBC: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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