

HUBC & KAPCO: 1HFY19 Result Previews

Hub Power Company Ltd (HUBC) is expected to announce 2QFY19 earnings on 21st Feb'19. The company is expected to post NPAT of Pkr2.6bn (2QFY19 EPS: Pkr2.26), down 10/12% YoY/QoQ. This will take the 1HFY19 earnings to Pkr5.5bn (1HFY19 EPS: Pkr4.81), up 5% YoY. The company is also expected to announce its first interim cash dividend of Pkr2.5/sh. Recall, that HUBC has recently changed its payout policy to half yearly, vs. quarterly since FY16. The decline in earnings is driven by: (i) 49% YoY lower topline, (ii) 8% YoY lower gross profits, and (iii) higher finance cost. To note, HUBC has withdrawn 30% of its financing agreement of Pkr26bn as of Sep'18, where higher drawdowns during the quarter could result in lower than expected earnings for the quarter. The company has also earlier hinted at right issue to finance its increased stake of 46% in 2x660MW coal power plant. As per our calculations, Pkr10bn financing gap, and assuming right issue at 25% discount to last day close, could result in 12% right issue. We have a Buy stance on HUBC with our TP of Pkr145/sh, where upside triggers include: (i) timely commissioning of 1x660MW power plant, and (ii) circular debt resolution easing liquidity situation.

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HUBC: 1HFY19 Result Preview

(PKRmn)	2QFY19	1QFY19	YoY	QoQ	1HFY19	1HFY18	yoy
Sales	13,820.82	17,945.91	-49%	-23%	31,766.73	54,291.10	-41%
COGS	9,595.52	13,108.30	-57%	-27%	22,703.82	45,524.78	-50%
Gross Profit	4,225.31	4,837.60	-8%	-13%	9,062.91	8,766.31	3%
Admin Cost	251.43	313.51	-28%	-20%	564.93	788.43	-28%
Other Income	73.58	50.93	51%	44%	124.51	82.63	51%
Other Exp	0.01	1.08	-97%	-99%	1.10	42.27	-97%
Finance Cost	1,172.04	1,322.45	3%	-11%	2,494.49	2,155.64	16%
PBT	2,814.64	3,190.73	-9%	-12%	6,005.38	5,755.80	4%
Taxation	58.85	66.72	-18%	-12%	125.57	194.33	-35%
PAT	2,611.35	2,960.28	-10%	-12%	5,571.63	5,297.69	5%
EPS (Pkr)	2.26	2.56	-10%	-12%	4.81	4.58	5%
DPS (Pkr)	2.50	0.00	-	-	-	-	-

Source: Company Report & AKD Research

Kot Addu Power Company Ltd (KAPCO) is expected to announce its 2QFY19 results on 19th Feb'19. We expect KAPCO to post 2QFY19 NPAT of Pkr2.98bn (EPS: Pkr3.38), up 34% YoY, but down 4% QoQ. This will take 1HFY19 earnings to Pkr6.09bn (EPS Pkr6.92), up 39% YoY, majorly attributable to (i) 21% YoY weaker Pkr inflating ROE payments, and (ii) 90% YoY higher other income (true-up income). For 2QFY19 only, the increase in earnings on a YoY basis is attributable to Pkr devaluation, while sequential decline is expected to be led by 16% QoQ lower other income. The result is also expected to accompany first interim cash dividend of Pkr4.5/sh. KAPCO stands out the in the IPP Universe offering a FY19/20F D/Y of 18.23/18.72%. However, our Sell stance on the scrip emanates from PPA expiry in FY21.

KAPCO: 1HFY19 Result Preview

(PkrRmn)	2QFY19	1QFY19	YoY	QoQ	1HFY19	1HFY18	YoY
Sales	14,425	31,595	-22%	-54%	46,020	40,016	15%
Cost of Sales	10,200	27,978	-33%	-64%	38,178	33,365	14%
Gross Profit	4,225	3,617	32%	17%	7,843	6,651	18%
Administration & General Expenses	140	177	39%	-21%	317	229	39%
Other Operating expense	1	1	-98%	0%	2	64	-97%
Other Operating Income	2,587	3,073	63%	-16%	5,659	2,983	90%
Finance Cost	2,477	2,099	67%	18%	4,576	3,085	48%
PBT	4,194	4,413	34%	-5%	8,607	6,257	38%
Taxation	1,216	1,299	31%	-6%	2,515	1,861	35%
PAT	2,978	3,115	34%	-4%	6,092	4,395	39%
EPS (Pkr)	3.38	3.54	34%	-4%	6.92	4.99	39%
DPS (Pkr)	4.50	-	-	-	4.5	4.35	-

Source: Company Report & AKD Research



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Buy	> 19% expected total return (Rf: 13% + Rp: 6%)
Neutral	> 13% to < 19% expected total return
Sell	< 13% expected total return (Rf: 13%)

Old Rating Definitions (Discontinued)

Buy	> 20% upside potential
Accumulate	> 5% to < 20% upside potential
Neutral	< 5% to > -5% potential
Reduce	< -5% to > -20% downside potential
Sell	< -20% downside potential
Not Rated	No investment opinion or recommendation

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