

Genex Power Ltd

(GNX \$0.27) Buy, Upgrade from Speculative Buy

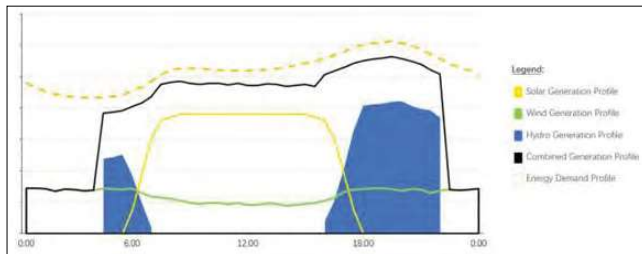
Analyst
Jon Bishop

Date
September 2018

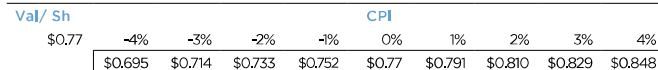
Price Target
\$0.80/sh

Comments

- NAIF due diligence complete as is independent community benefit analysis - we expect NAIF to commit shortly;
- Power Purchase Agreement for Hydro likely in the coming weeks;
- Company reviewing offtake proposals for Stage 2 Solar;
- Company taken an option on Stage 3 Kidston Wind Project and the Jemalong 50MW Solar Farm in NSW;
- Japanese utility Electric Power Development Co is in talks to invest in and operate pumped hydro plants in Australia;
- Peer multiples circa 12x whilst Pac-Hydro & Duet transactions capitalised future earnings at 15x



Technology	State	Owner	Location	Capacity (MW)	Capital cost* (\$m)	Capital efficiency (A\$/MW)
Commissioned						
Wind	Vic	RES (Renewable Energy Systems) Australia	Ararat	240	450	1.9
Actively constructing						
Wind	SA	Neoen and Megawatt Capital	Hornsacle Stage 2	100	800	8.0
Wind	SA	Neoen and Megawatt Capital	Hornsacle Stage 3	109		
Wind	NSW	Goldwind	White Rock - Stage 1	175	400	2.3
Wind	Qld	RATCH	Mt Emerald	180	380	2.1
Wind	NSW	Partners Group and CWP Renewables	Sapohre	270	588	2.2
Wind	NSW	Global Power Generation Australia	Crookwell 2	91	200	2.2
Financial commitment and will start in 2017						
Wind	NSW	Infigen Energy	Bodangora Wind Farm	113	236	2.1
Wind	NSW	PARP	Sijberton	200	460	2.3
Solar	Qld	ESCO Pacific/ Palisade	Roads River	148	225	1.5
Solar	Qld	FRV	Lilyvale	100	400	4.0
Solar	SA	Snowy Hydro	Tallem Bend	100	200	2.0
Solar	NSW	Neoen	Griffith, Parkes, Dubbo	95	230	2.4
Solar	Vic	Overland Sun Farming	Yatpool, Iraak, Wemen	320	500	1.6
Solar	SA	Lyon Group	Riverland Solar Farm	330	700	2.1
Solar	Qld	APA group	Darling Downs	107	217	2.0
Solar	Qld	Genex Power	Kidston, FNG	50	100	2.0
Announced but no financial base						
Wind	Vic	Goldwind	Stockyard Hill Wind Farm	500	n/a	
Solar + Battery	Qld	Genex Power	Kidston Renewables Hub	520	750	1.4
Solar + Battery	Vic	Lyon Group	Nowingi Solar + Battery Farm	250	660	2.6



Market Statistics

Share Price	\$0.27	A\$/sh
Issued Capital		
Fully Paid Ord	287.8	m
Opts (var)	44.4	m
Perf Rights		m
Total Dil. FPOrd	318.1	m
Market Cap. (dil)	79	\$m
Enterprise Value	164	\$m
Debt	-100	\$m
Cash	15	\$m

Year End 30 June

Directors	
Dr R Craven	NE Chair
J Harding	CEO
S Kidston	Exec Dir
B Guo	Fin Dir
A du Mee	NE Dir
Yongqing Yu	NE Dir
M Addison	MD
Shareholders	
Zhefu Hydropower	11.0%
Board & Mgmt	20.0%

Investment Case

GNX is growing renewable energy generator. A third phase of renewable generation will only add to the attractiveness of its Kidston Renewable Power Hub in far north Queensland. Kidston already comprises a two-stage solar farm (50MW Stage 1 commissioning; 270MW Stage 2 - CY'19) as well as a 250MW Pumped Hydro power storage solution. Stage 1 and 2 are designed to meet peaking electricity demand in a rising NEM price environment. Stage3 wind will enhance baseline, 24/7365 generation and revenue profile of the business. GNX will benefit from Federal Government policy and economic incentives, via 'green certificates', to drive investment in grid scale, environmentally friendly electricity generation. A guaranteed revenue base, low borrowing costs and generous financing terms, combined with retained exposure to peak pricing will provide a stable, defensible recurring earnings base with considerable upside potential. Longer term, with astute financial engineering, we view that GNX's Kidston portfolio will be of increasing attraction to infrastructure funds and/or large utilities.

Our Market Sensitivity

Price Target: \$0.80/sh
Valuation: \$0.77/sh

Bull Scenario - \$1.50

GNX successfully funds Stage 2 and 3 into development and/or attracts corporate interest per Duet Group and Pacific Hydro.

Base Scenario: \$0.80/sh

GNX successfully sources project funding for Stage 2 within the coming months.

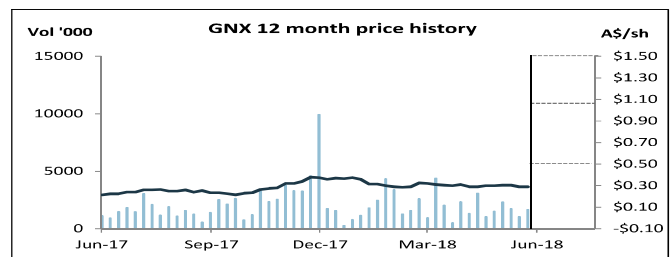
Bear Scenario: \$0.25/sh

Electricity prices received are below long term projections and/or Stage 2 does not proceed.

Company Summary

Genex Power Ltd (ASX: GNX) is an emerging renewable energy power generator. A third phase of renewable generation will only add to the attractiveness of its Kidston Renewable Power Hub in far north Queensland. Kidston already comprises a two-stage solar farm (50MW Stage 1 due end CY'17; 270MW Stage 2 - CY'19) as well as a 250MW Pumped Hydro power storage solution. Stage 1 and 2 are designed to meet peaking electricity demand in a rising NEM price environment. Stage 3 wind will enhance baseline, 24/7365 generation and revenue profile of the business.

Share Price Performance



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RESOURCES QUARTERLY SEPTEMBER 2018

Euroz Securities Limited

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Asset Valuation	A\$m	A\$/sh
Kidston Solar PV (50MW)	160	0.48
Pumped Storage Hydro (250MW) - risked 80%	63	0.19
Kidston Solar PV (270MW) - risked 80%	80	0.24
LGCs - risked 50%	51	0.15
Corporate	(18)	(0.06)
Unpaid Capital	7	0.02
Debt	(100)	(0.30)
Cash	15	0.04
	-	-
Total	258	0.77

F/Cast Production	2018a	2019f	2020f	2021f
Attrib. Power Generation (GwH)				
Kidston Solar PV (50MW)	146	145	143	142
Kidston Solar PV (270MW)			77	765
Pumped Storage Hydro (250MW)			-	78
Total Power (GwH)	146	145	220	907

Op. Costs (O&M plus pumping tariff) - (\$/MWh) 41.06 42.06 43.09 44.15

Assumptions	2.5%	2.5%	2.5%	2.5%
Inflation	2.5%	2.5%	2.5%	2.5%
Guaranteed Price Received (\$/MWh)	88.0	88.0	88.0	88.0
Peak Pricing (\$/MWh)	100.0	100.0	100.0	100.0
Pumping Tariff (\$/MWh)	35.0	35.0	35.0	35.0

Ratio Analysis (A\$m)	2018a	2019f	2020f	2021f
CF (A\$m)	(10)	1	66	45
CF / Sh (Ac/sh)	(2)	0	15	10
CF Ratio (x)	na	116	2	3
Earnings (A\$m)	(4)	(6)	45	37
EPS (Ac/sh)	(1)	(1)	10	9
EPS Growth (%)	na	na	na	(0)
Earnings Ratio (x)	na	na	3	3
E'prise Val. (A\$m)	210	406	527	667
EV : EBITDA (x)	35,038	34	6	9
EV : EBIT (x)	na	103	7	10
Net Debt / ND+Eq (%)	6%	13%	8%	8%
Interest Cover (x)	na	0	6	3
EBIT Margin (%)	na	0	1	1
ROE (%)	(0)	(0)	0	0
ROA (%)	(0)	0	0	0

Profit and Loss (A\$m)	2018a	2019f	2020f	2021f
Energy Sales	7	19	95	87
Deferred Revenue	-	-	-	-
Interest Revenue	0	9	15	12
Other Revenue	-	-	-	-
TOTAL REVENUE	7	27	110	99
Operating Costs	2	3	6	6
Dep/Amort	-	8	11	11
Writeoffs (explor)	-	-	-	-
Corp O/H	4	3	3	3
Provisions	1	-	-	-
EBITDA	0	12	87	78
EBIT	(1)	4	76	67
Interest Expense	3	22	26	26
NPBT	(4)	(9)	64	53
Tax	1	(3)	19	16
NPAT	(4)	(6)	45	37
Minority Interest	-	-	-	-
NET PROFIT	(4)	(6)	45	37
Net Abnormal Profit/(Loss) after Tax	-	-	-	-
Net Profit After Abnormal	(4)	(6)	45	37

Cash Flow (A\$m)	2018a	2019f	2020f	2021f
+ Net Profit	(4)	(6)	45	37
+ Working Capital Adjustment	(7)	-	-	-
+ Dep/Amort	-	8	11	11
+ Provisions, W/O	1	-	-	-
+ Tax Expense	1	(3)	19	16
- Tax Paid	-	(2)	9	19
- Deferred Revenue	-	-	-	-
= Operating Cashflow	(10)	1	66	45
-Capex + Development	100	242	184	184
-Exploration	1	1	1	1
-Assets Purchased	-	-	-	-
+Asset Sales	-	-	-	-
+Other	-	-	-	-
= Investing Cashflow	(101)	(243)	(185)	(185)
+ Equity Issues (Rts,plc,opts)	0	50	-	-
+Loan Drawdown/Receivable	100	516	125	-
+Other	0	-	-	-
-Loan Repayment	-	-	5	5
-Dividends	-	-	-	-
= Financing Cashflow	109	566	120	(5)
Period Surplus	(2)	324	1	(145)
Adj. FX effects	-	-	-	-
CASH	9	333	334	189

Balance Sheet (A\$m)	2018a	2019f	2020f	2021f
Assets				
Cash	9	333	334	189
Current Receivables	2	2	2	2
Other Current Assets	0	0	0	0
Non-Current Assets	153	387	560	733
Total Assets	164	722	896	924
Liabilities				
Borrowings	109	625	745	740
Current Accounts Payable	5	5	5	5
Non-Current Liabilities	9	9	9	9
Other Liabilities	-	-	-	-
Total Liabilities	123	639	759	754
Net Assets	42	84	137	170