

Genex Power ^{GNX}

Credit approval received for Jemalong

Rating*:	BUY	Price Target*:	\$0.33	Analyst:	Luke Macnab
Risk:	High	Share Price:	\$0.18		+61 2 9250 8930 lmacnab@baillieu.com.au

*Note: Rating and Price Target recorded at pre-announcement levels as detailed in our research report dated 6 November 2019.

- **Credit approval received:** GNX has received credit approval from its banking syndicate for \$175m of debt funding which will be used for (1) refinancing \$99m of existing debt from the 50MW Kidston Stage 1 solar project (K1S, currently operational), and (2) the construction of the 50MW Jemalong solar project (JSP). The syndicate comprises DZ Bank, NORD/LB and Westpac.
- **Improved terms expected:** We expect that the interest rate on the new facility will be significantly lower than the 4.8% on the existing K1S facility. This was derived from terms of BBSY + 1.75% and (1) we would expect a lower margin given that K1S is currently operational with a very attractive PPA, and (2) BBSY has dropped roughly 1% since financial close on the K1S project. This would imply savings of c.\$1m per annum on the existing debt.
- **Financial close imminent:** This was one of the final hurdles remaining before financial close of the Jemalong project. We would expect the documentation and conditions precedent to be signed off within weeks, with commencement of construction then occurring. JSP is expected to commence operations in 4QCY20 on a fully merchant basis, although GNX retains the flexibility to sign a Power Purchase Agreement (PPA) if a suitable opportunity arises. (Note that any PPA would be independent of the project's financing process.)
- **Investment view:** The financial close of JSP will be a significant de-risking milestone for GNX and once complete, the project is expected to generate \$13-15m pa, doubling GNX's revenue. Financial close on the K2H project is expected in CY20, which would also add significant potential upside to GNX. We believe the stock represents good value at current levels, with minimal value for the option upside from K2H and JSP being factored in. BUY maintained.

Disclosure: E.L. & C. Baillieu Limited has acted in a corporate advisory role and raised capital in a placement for GNX, and earned fees in relation to that activity in the past 12 months.

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The information in this email is to provide an update on the relevant security. There are no changes to the recommendation of the security. You should refer to our published research (where applicable) for further information including financials and valuations.

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