

Genex Power ^{GNX}

Completion of Jemalong acquisition

Rating*:	BUY	Price Target*:	\$0.37	Analyst:	Luke Macnab
Risk:	High	Share Price:	\$0.26		+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 29 November 2018.

- **Acquisition completed:** Vast Solar, the vendor of the Jemalong Solar Project (JSP) has satisfied all the conditions precedent and the acquisition has been completed by GNX. The 50MW project is located in Forbes, NSW and is shovel-ready, with all land and planning approvals in place. We understand that \$1.5m was paid by GNX, with an additional sum to be paid at financial close.
- **Construction start mid-2019:** Approval from the AEMO for GPS (Generator Performance Standards) has been received, as has a firm Offer to Connect to the grid from Essential Energy. The final development stages and financing of the project are expected to be completed in mid-2019, after which construction will start.
- **Funding package for JSP...:** The JSP is estimated to involve capex of around \$85m and a 12-month construction timetable, with first generation slated for mid-2020. The funding package is likely to include c.\$60m of debt and the remainder equity, the latter to be partly funded from cash released from the refinancing of KS1.
- **...likely to be tied to KS1 refinancing:** Now that Kidston Stage 1 (KS1) has entered the operational phase and risk has reduced, GNX has commenced talks with banks on a refinancing of the debt package. This is likely to involve lower interest rates and a higher gearing level, with the probability that some cash will be released.
- **Exposure to higher NSW prices:** Jemalong is well placed to take advantage of higher NEM prices in NSW, which could receive a boost if higher renewable targets are set following a change of Federal Government. A number of different financing structures will be available to GNX so the final commitments are uncertain.
- **Investment view:** The market for renewables remains robust and may improve going forward, with Labor proposing a 50% renewable energy target by 2030 and an additional \$10bn for the Clean Energy Finance Corporation (which contributed low-cost debt in the development of KS1). We believe there is significant potential upside from KS2 and additional option upside from KS3 and Jemalong in the medium term. BUY maintained.

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