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We recommend buying Genex at current market prices, around \$0.23. Accumulate up to \$0.30 and buy dips, of course. They're a long term buy and hold and the sector has a bright outlook. They'll start generating cashflow next financial year. Their biggest risk, long term, is managing their debt levels and interest rate exposures.

The scientific view on climate change and the lack of security, both price and quantity, of long term fossil fuel supplies are driving the global move away from fossil fuels toward renewable sources of energy. Australia's energy policy is clear. There is a 20% RET (the actual target is 33,000GWh) by 2020, and large CO2 emission reduction targets by 2030. There are State renewable and energy efficiency targets. The economics of new renewable energy generation are better than new fossil fuel generation. It's the same globally. Solve the variability issues as the share of variable renewables reaches 15% of a grid, any grid, and the grid can be 100% renewable. We are at that tipping point now.

You wouldn't think so if you followed the media or minority politics. It is well understood that incumbent industries resist change, whatever the basis for change. The fossil fuel industry and countries that rely on fossil fuel exports have followed the pattern, attacking the science, the policies, the economics, anything, to keep fossil fuels as the main provider of energy globally. It has worked, no doubt. They have bought themselves 30 years of extra production since the 1980s. But the tipping point is here as batteries and other storage start to provide necessary grid functions. The missing links are policy initiatives to better price the wholesale generation markets, storage in particular, and better connect storage to the grid. But these are being worked on right now, by the AEMC for example. They, the AEMC and like institutions, are reluctant to change, of course, as they are used to the old ways, but they are being forced to by the growing amount of renewables on the grid. The Chief Scientist, Dr Finkel, is working to present a report outlining what should be, in our view, a final path to 100% renewable generation (over a few decades, but maybe more quickly than that) later this year. Expect subsidies and other policy initiatives to support storage projects, post the Finkel review.

Genex have secured support from the Queensland Government, who will pay a base price of \$88/MWh for the electricity and LGCs Genex supply from the 50MWac solar farm, but leaving Genex to sell into the wholesale markets (the electricity but not the LGCs) if they wish. Government guaranteed income for 20 years. Queensland wholesale prices have recently been well over \$100 / MWh, all upside for Genex if they stay there. A free option. The Federal government also recently mentioned the Genex pumped hydro project (250 MW), Genex's other business, as vital for Australia.

Solar farms are relatively easy to build and the pumped hydro dams are already at the Genex site.

We've assessed Genex's numbers on their solar production and we agree they can generate 145,000 MWh per annum on average, year in year out. Depreciation will be the largest expense, as operating expenses are low. Revenues will be at least $145,000 \times \$88 = \12.8 million p.a.. Our conservative EBITDA est is \$10 million p.a.. Current EV = \$155 mill (\$55 mill Mkt Cap + \$100 mill debt once solar farm is finished later this year). So that's a 15 X multiple which is fine for a company that will grow as they invest in more farms, but probably a low multiple for a company having government guaranteed revenue.

Genex should also achieve solar farm revenues and EBITDA higher than the base because of their free option, as noted above. They also have the pumped hydro project to develop in a few years, which we'll analyse when more data becomes available. You are getting the wholesale price upside potential and the pumped hydro project for free, in our view. They also have \$39.5 mill of prior losses from the original acquisition they can use as deductions.

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