

Genex Power Ltd (GNX \$0.24) Buy

Analyst	Date	Price Target
Jon Bishop	15 th /04/19	\$0.80/sh

Binding Connection Agreement Signed for Jemalong 50MW Solar

Key Points

- GNX has signed a binding connection agreement with Essential Energy to provide access to the National Electricity Market for the Jemalong 50MW Solar Project ;
- Connection is via the West Jemalong Substation, located proximal to the Jemalong Solar Project site thereby ensuring low construction cost and short lead time to first generation;
- We have not previously included Jemalong in our unrisksed, 76cps valuation, awaiting financing terms and final capex estimates;
- However, we see pathway to commercialisation relatively cost effective (C/F Kidston Stage 1), anticipating total capex to be circa 70% of Kidston;
- Financing should also be relatively straight forward via refinancing of the Kidston Stage 1 Solar Project with the existing banking syndicate;
- Combined with additional Govt finance support (via ARENA and/or Clean Energy Fund), we anticipate that the effective equity portion required to be circa \$5m;
- Due to the ability to cross-collateralise financing of the project, we expect Jemalong to sell on a merchant basis;
- Project NPV (back of the envelope) should be at least equivalent to Kidston Stage 1 (or ~\$150m Euroz est) at current NEM electricity prices (<https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM>)
- Jemalong financial close is targeting mid CY'19.

Investment Case

GNX continues to build out its renewables' portfolio. More broadly, GNX will continue to benefit from accommodative Federal Government policy and economic incentives, as well as a market that is desperate for base load electricity generation that – via the Pumped Hydro battery storage – can meet peaking demand. We view that the strategic benefit of this infrastructure in a market that is increasingly reliant upon intermittent renewable electricity generation makes GNX an obvious candidate for patient money looking for 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. Simply the business offers +80yrs of despatchable renewable electricity with a financial structure that boasts long term low tenor. We believe that GNX can re-rate inline with utility style multiples per the major infrastructure and utility players in the market. BUY.

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Share Price	0.24	A\$/sh	Enterprise Value	167	A\$/m
Price Target	0.80	A\$/sh	Debt	100	A\$/m
Valuation	0.76	A\$/sh	Cash	8	A\$/m
Shares on issue	312	m(dil)	Largest Shareholder	Zhefu	11%
Market Capitalisation	75	A\$m			

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