

Genex Power Ltd (GNX \$0.255) Speculative Buy

Analyst	Date	Price Target
Jon Bishop	20 th /10/2017	\$0.35/sh

Pumped Hydro Optimisation Study

Key Points

- GNX has advanced optimisation work on the Stage 2 Pumped Hydro Storage development highlighting:
 - Despatchability of 8hrs continuous generation capacity, a 33% improvement on the Nov 16 technical feasibility study;
 - A 6mth reduction in development timeframe;
 - Utilisation of the Wises pit as the upper reservoir, lowers storage requirement and possibly capital cost;
 - Utilisation of variable speed turbines to improve operational flexibility and lower excavation/civil works costs;
 - The optimisation work has firmed \$330m capital cost estimate, inclusive on contingency, to deliver the Stage 2 Hydro Project.
- We believe that the results of the optimisation study will favourable enhance the Kidston Stage 2 development from the Northern Australian Infrastructure Finance perspective;
- NAIF due diligence is well advanced. This would provide the balance of Stage 2 funding at low cost;
- Similarly, we understand that offtake/Power Purchase Agreements are well advanced, aware that strong demand exists within the existing utilities (Origin, AGL etc);
- Timing for offtake is targeted for as early as CY end;
- This would trigger bankability and hence project finance (per the SocGen syndicate achieved for Stage 1) delivering financial close in 2018;
- It is at this point that we foresee significant interest emerging from infrastructure funds (refer Pac Hydro, Duet and Zhefu Hydro as the major GNX shareholder) for a project offering stable rates of return over a 30+ yr period. Hence PPA-offtake in the coming months is a significant value catalyst.

Investment Case

Genex Power Ltd (ASX: GNX) is an emerging renewable energy power generator. Its Kidston Renewable Power Hub in far north Queensland is the location of 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. Designed to meet peaking electricity demand, GNX's current timelines encourage us that they are well placed meet rising electricity prices. GNW should also 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. We retain a Speculative Buy recommendation and a \$0.35/sh Price Target.

Genex Power Ltd (GNX)

Share Price	0.255	A\$/sh
Price Target	0.35	A\$/sh
Valuation	0.36	A\$/sh
Shares on issue	288	m(dil)
Market Capitalisation	72	A\$m

Enterprise Value	163	A\$/m
Debt	100	A\$/m
Cash	8	A\$/m
Largest Shareholder	Zhefu Hydro	13.3%

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