

Quick Comment

Genex Power Ltd (GNX \$0.29) Speculative Buy

Analyst	Date	Price Target
Jon Bishop	17 th November 2017	\$0.35/sh

\$5m Funding from ARENA for Stage 2

Key Points

- GNX has secured Federal Government funding via the Australian Renewable Energy Agency ("ARENA");
- Up to \$5m has been made available to assist in expediting Financial Close for Stage 2 of the Kidston 250MW Pumped Hydro Storage and 270MW Solar PV developments;
- Key Terms of the Agreement:
 - Up to \$5m available to 31/08/2018;
 - Unsecured, unlisted convertible, redeemable (at ARENA's election at the earlier of Financial Close of 31/12/2018) notes issued in tranches per payments received by GNX from ARENA;
 - Conversion at the higher of \$0.2865/sh or the 20 day VWAP prior to date of Financial Close;
 - Escrowed to 30/06/2019 unless there is a change of control;
 - 0% Coupon;
 - Payments made subject to pre-approved budget and agreed milestones;
- 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 Thesis

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	0.29	A\$/sh	Enterprise Value	184	A\$/m
Price Target	0.35	A\$/sh	Debt	100	A\$/m
Valuation	0.36	A\$/sh	Cash	8	A\$/m
Shares on issue	288	m(dil)	Largest Shareholder	Zhefu Hydro	13.3%
Market Capitalisation	84	A\$m			

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