

# HOT STOCKS

At the start of the year we briefly covered what you could call a “hot stock” related to renewable energy called Redflow (RFX). The company has developed an energy storage technology which could rival Elon Musk’s Powerwall battery for homes.

Redflow’s price back in January was 20 cents and it since climbed as high as 68 cents in June and now trades at 35 cents. We’ve fallen out of love with Redflow, which is in danger of being made irrelevant by the Powerwall. In its place we’ve found another company with an innovative take on renewable energy, whose stock is climbing quickly, Genex Power (GNX).

We also cover in depth a new company, Seymour Whyte (SWL) which meets our value criteria, with a strong balance sheet, earnings that are fast recovering, and a stock price in which you’re not paying for this improvement. The company is benefiting from Eastern Australia’s fast growing infrastructure spend.

On the Best Ideas front, we are removing Ruralco (RHL) after its share price improvement of 10% since we put it on the list in August. Two of the stocks we have updated in this week’s issue, Quickstep (QHL) and Smart Parking (SPZ) are knocking on the door of this list – all they need are some big contracts for their new technologies. ■



Richard Hemming  
Editor

## the issue

### A HOT STOCK

02

#### Genex Power (GNX)

The company has a long way to go to fulfil its ambition, but it has a great deal to recommend it. There is a great need for backup power supply for the electricity grid as we move towards intermittent energy sources such as solar and wind.

### SHARE RESEARCH TIP

03

#### Seymour Whyte (SWL)

An investment in SWL gives you the kind of leverage to the record spend of \$16.7bn to 2020 on east coast infrastructure that you can’t get anywhere else.

### RESEARCH TIP UPDATES

05

#### Quickstep (QHL)

#### Smart Parking (SPZ)

#### Oroton Group (ORL)

#### Mobile Embrace (MBE)

#### Silver Chef (SIV)

#### BigAir (BGL)

### BEST MONEY MAKING IDEAS

10

## Small Talk

“There are no other small caps that are exposed purely to infrastructure, and an investment in Seymour Whyte gives you leverage to the record spend of \$16.7bn to 2020 on the East coast of Australia.”

UNDER THE  
RADAR REPORT

99% of all financial news relates to the 40 to 50 biggest companies. So what about the rest? They’re Under the Radar.

## A HOT STOCK

At the start of the year we briefly covered what you could call a “hot stock” related to renewable energy called Redflow (RFX). The company has developed an energy storage technology which could rival Elon Musk’s Powerwall battery for homes. Its price back then was 20 cents and it since climbed as high as 68 cents in June but now trades at 35 cents. We’ve fallen out of love with Redflow, which is in danger of being made irrelevant by the Powerwall. We’ve found another company with an innovative take on renewable energy.

### GENEX POWER

#### Renewable energy developer

The company has a long way to go to fulfil its ambition, but it has a great deal to recommend it because there is a great need for backup power supply for the electricity grid as we move towards intermittent energy sources such as solar and wind.

Gas fired generators have traditionally offered supply during peak demand periods, but due to the price of gas trebling over the past year in Queensland in connection with the rise and rise of the exportable liquefied natural gas (LNG) industry, this is no longer as cost effective.

Genex Power listed in July 2015 at an issue price of 20 cents having raised \$8m. It bought a disused gold mine in Kidston North Queensland and has the opportunity to provide lower cost clean energy supply through solar and hydro in two stages.

The first stage involves establishing a 50MW solar energy farm to be built quickly, with cash flow by the end of 2017. The project is facilitated by the mine’s existing transmission line and should cost \$120m, of which \$105m or thereabouts will come from a debt funding provided by SocGen. Another \$9m will come from the ARENA grant, which leaves a gap of \$6m, which may involve an equity capital raising.

The solar project is cash flow positive and is valued at about \$44m, which is slightly above the company’s current market valuation.

The real potential for this company is from its planned 250MW hydro project, which provides a cheap alternative to gas fired power stations as a back up power source. The project should cost \$300m and involves using hydro power as a giant battery. Water is pumped to the upper reservoir of the mine when prices are low, which is charging. The generation occurs when prices are high and the water flows down the mine i.e. discharging.

This, it should be emphasised, is not a new technology, but its innovation is that it can be combined with cheaper coal fired generators, or if this isn’t possible, with the solar generators. There are two adjacent reservoirs, or open pits, which enables excess water to be stored, or distributed. ■

**RADAR RATING:** There may need to be capital raised in the short-term, but it will not be dilutive. The company is trading at a slight discount to its fair value on the basis of its solar project. If you include the hydro development, the broker Canaccord has come up with a 70 cent risk adjusted valuation, although there are obviously a great deal of variables in the absence of current cash flow. **SPEC BUY.**

**RADAR RATING SPEC BUY**

**ASX CODE GNX**

**CURRENT PRICE \$0.265**

**MARKET CAP \$48M**

**NET CASH \$6M\***

\* plus \$2m undrawn ARENA facility & \$8.85m solar grant

GNX - Share Price

