

## Research Flash

### **Genex Power (GNX) - \$0.18 ps, unrated**

- GNX announced today that it has been awarded \$8.85m in grant funding from the Federal Government's ARENA large-scale solar funding award program. The funding will be applied by GNX to its 50MW Kidston Solar Project.
- ARENA indicated on its website a total project cost of \$126m for the Kidston solar project, implying ~\$2.5m per MW of installed capacity.
- The award of the ARENA grant is an important event, as it triggers award of a fixed price 20-year power purchase agreement from the Queensland Government under its Solar 150 program (includes both electricity and LGCs produced by the solar project). The contract is structured as a one-way contract for differences. While the contract price was not disclosed by GNX, the Qld Government had indicated that prices of \$80-100/MWh were acceptable to it.
- Given the solar project has secured such a high credit quality long-term revenue stream, we expect a high proportion of the construction costs may be funded by project finance debt. This gearing, combined with the ARENA grant, should minimise equity funding requirements.
- The minimal equity contribution, combined with tax efficient stapled security structures, should boost equity returns significantly.
- If GNX involves infrastructure investors in the solar project there may be no need for a capital raising from GNX investors for the equity funding of the project (albeit GNX's share of the project will be diluted).
- Financial close for the solar project is targeted for 4Q16, with construction to commence 1Q16, and first operations in late 2017.
- GNX continues to progress its far larger pumped storage hydro project which GNX says is on track for the completion of the feasibility study in the next few weeks.

### ***Disclosure***

Analyst owns shares in GNX. Morgans was Lead Manager and Underwriter for the IPO of GNX in July 2015 and received fees in this regard.