

## Research Flash

### Genex Power (GNX) – SPECULATIVE BUY, TP 25cps

#### Result reaction

This is a weak result from GNX however there are some one off issues that have weighed heavily in this half.

We were anticipating lower commodity sales given that GNX flagged production issues in its last quarterly report however we were expecting GNX to have claimed for lost revenue with its contractor. We think it's likely that this will resolve in GNX's favour in the second half. Realised prices for KS1 are down (~\$79/MWh) because of the timing of revenue under its contract and higher grid services fees (FCAS) being netted off revenue. Depreciation is also unexpectedly higher but we understand this a once-off related to refinancing.

Otherwise, we are waiting for more detail on the progress on negotiating the K2-H pumped hydro offtake agreement. This project is still the major driver of the value we see in the stock and we still see the fundamentals of the project stacking up.

We maintain our SPECULATIVE BUY rating and our target price is under review.

#### Result detail:

- Electricity and environmental products revenue: Down significantly on Morgans forecast (-25%) and pcp (-27%) to \$4.5m because of the October outage and higher FCAS costs.
- Total revenue: Down significantly on Morgans forecast (-39%) and pcp (-44%) to \$4.9m on settlement being reached with UGL of prior claims and no claim yet for the October outage.
- EBITDA: Down significantly on Morgans forecast (-\$7m) and pcp (-\$5m) to -\$1.3m.
- Net profit after tax: Down significantly on Morgans forecast (-\$8m) and pcp (-\$7m) to -\$1.3m.

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#### Disclosures

Analyst(s) own shares in the following stock(s) mentioned in this report: GNX

Corporate disclosure: Morgans has previously acted as manager or co-manager of a public offering of GNX securities.