

Genex Power ^{GNX}

Secures site for battery project

Rating*:	BUY	Price Target*:	\$0.33
Risk:	High	Share Price:	\$0.20

*Note: Rating and Price Target recorded at pre-announcement levels as detailed in our research report dated 28 August 2020. This may be subject to review or change.

- **Battery site secured:** GNX has reached an agreement to access land adjacent to Powerlink's Bouldercombe substation for its first battery project. The 275kV/132kV substation is located near Rockhampton in Central Queensland, around 520km north of Brisbane. We also understand that GNX has selected its preferred battery supplier, which is a Tier 1 provider with previous experience in Australia. This project will be the first utility-scale battery project in Queensland.
- **Project details:** The Bouldercombe battery project will initially be sized at 50MW/75MWh capacity, with potential for expansion in the future. It will connect into the 132kV bays of the adjacent substation and we estimate a total construction cost of around \$50m based on similar existing projects. Estimated gearing is 40-60%, depending on the revenue model, which we speculate may be a hybrid (similar to Jemalong). This would involve a guaranteed minimum of revenue to support debt payments and a sharing of potential upside. We estimate that financial close will occur in mid-CY21, with operations commencing in early CY22.
- **K2-Hydro a key catalyst:** We believe financial close will be a significant positive catalyst for GNX as it will crystallise a large amount of value for shareholders. Work is continuing on the two remaining pieces of the puzzle: (1) the transmission line agreement (with the Queensland Government) and (2) the SPV equity investment agreement (for a partner up to 50%). We anticipate that both will be finalised imminently and that overall financial close will be completed in the next few weeks (previous expectation was by 30 September, but that seems unlikely at this point).
- **Investment view:** With the K1S and Jemalong projects running smoothly, the primary focus for GNX is on the K2-Hydro project, which should provide a short-term catalyst within weeks. In addition, the Jemalong project is expected to start contributing cashflows in a couple of months. In the longer term, GNX has a full pipeline of solar (K2-Solar 270MW), wind (K3-Wind 150MW) and battery (Bouldercombe 50MW) projects to deliver future growth. BUY maintained.

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