

Genex Power Ltd

(GNX \$0.22) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Jon Bishop	8 th September 2021	\$0.35/sh

Renewables M&A Market Strong: Battery Storage a Strategic Point of Difference

Event

We have screen global M&A relating to renewable electricity generation (wind, solar) and storage (pumped hydro, battery) since 2010

There is a both a trend of rising market valuation for these assets (EV:EBITDA and \$/MW of installed capacity) as well as frequency

Three recent deals price installed generation capacity at over \$3.5m/MW and EV:EBITDA trailing of 16-29x

Impact

GNXs current fully financed 100MW of solar generates \$20m/yr EBITDA

The earnings are particularly notable given 50% of the generation capacity is contracted (under 20yr govt guaranteed floor price of +\$80/MWhr) with the Jemalong project to be 50% contracted shortly

The Company also offers a fully financed 250MW battery storage project with 30yr guaranteed standby agreement for \$50m/yr (with a \$250m purchase option after yr 30)

The Pumped Hydro Project therefore has meaningful strategic value in its ability to meet market demand at peak pricing periods

Applying recent transaction metrics of 16-29x EV:EBITDA supports \$1.1-2.0Bn EV (vs fully financed EV of \$900m for GNX today)

GNX is due to announce JV and FID for Bouldercombe 50MW battery storage project in the coming H.

Action

Buy retained with an unchanged 37cps Valuation

We retain a 35cps Price Target

Key Catalysts

- Financing and JV terms plus project scope for Bouldercombe battery storage project
- Identification and maturation of similar opportunities
- Progress in the construction of the Pumped Hydro development (Sept update: <https://youtu.be/geuz1HJmh-E>)
- Long term offtake agreement for Jemalong
- LGC pricing dynamics
- M&A

Genex Power Ltd	Year End 30 June	
Share Price	0.22	A\$/sh
Price Target	0.35	A\$/sh
Valuation	0.37	A\$/sh

Shares on issue	1069	m, diluted
Market Capitalisation	246	A\$m
Enterprise Value	389	A\$m
Debt	-188	A\$m
Cash	45	A\$m
Largest Shareholder		Paradice 8.9%

Production F/Cast	2021A	2022F	2023F
Attrib. Power Generation (GWh)	183.22	363.3	234.0

Assumptions	2021A	2022F	2023F
Guaranteed Price Rec (\$/MWh)	88	88	88
Electricity Price inflation	1.5%	1.5%	1.5%

Key Financials	2021A	2022F	2023F
Revenue (A\$m)	22	22	27
EBITDA (A\$m)	10	14	15
NPAT (A\$m)	-19	-18	-29
Cashflow (A\$m)	-5	-11	-22

CFPS (Ac)	0	-1	-2
P/CFPS (x)	na	na	na

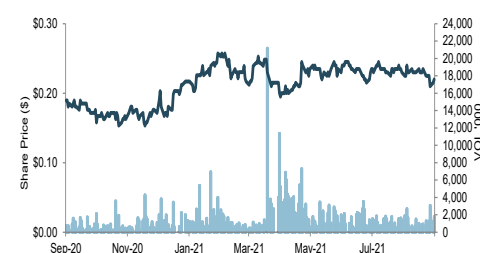
EPS (Ac)	-2	-2	-3
EPS growth (%)	na	na	na
PER (x)	na	na	na

EV:EBITDA (x)	39.1	39.1	62.1
EV:EBIT (x)	na	76.2	113.0

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	4%	9%	14%
Interest Cover (x)	na	na	na

Share Price Chart



Disclaimer

Euroz Hartleys declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to Genex Power Ltd during the last year. Euroz Hartleys has received a fee for these services.

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Analysis

We outline over 40 public disclosed global M&A transactions in the renewables sector since 2010 in our Sensitivity page

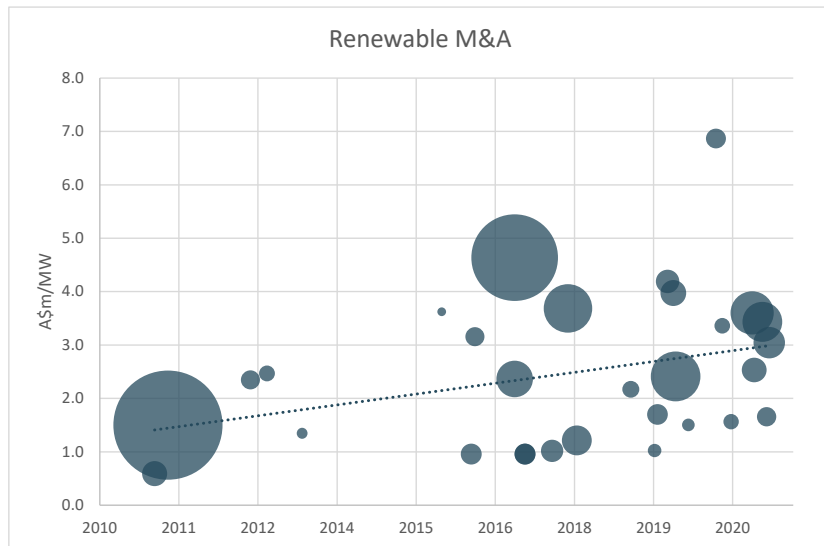
We have added the recent Tilt 'Snowtown 2', Tilt Renewables and Macarthur Windfarm transactions.

And highlight new active deals: <https://www.afr.com/street-talk/lazard-australia-signs-up-buyers-for-meridian-energy-20210818-p58jvp>

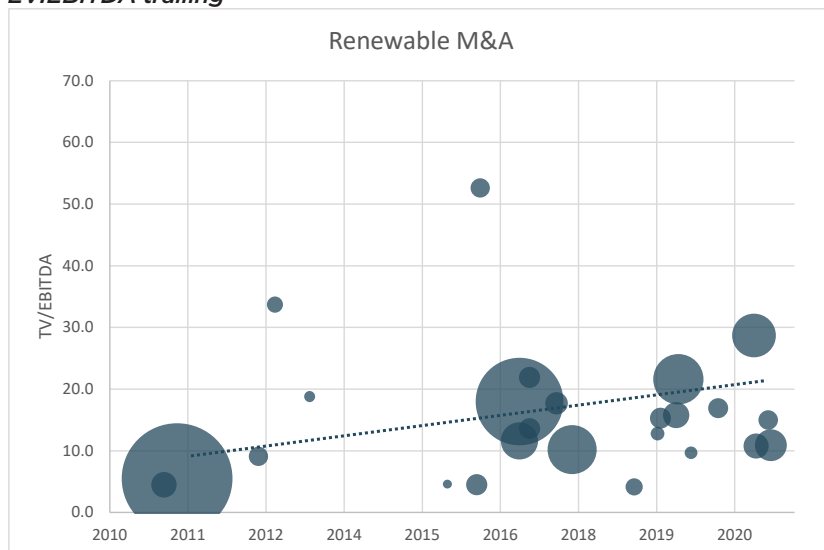
<https://www.afr.com/street-talk/elliott-green-power-s-project-apollo-hits-lift-off-20210831-p58ng1>

Broad trends of rising price and frequency are highlighted in the following charts:

A\$/MW installed capacity



EV:EBITDA trailing



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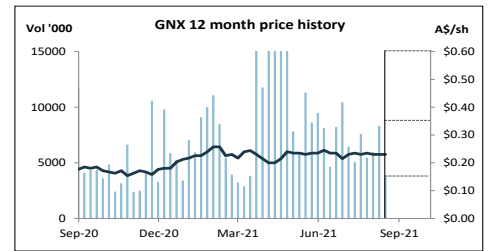
Key Variables

Val/ Sh	CPI									
\$0.37	-4%	-3%	-2%	-1%	0%	1%	2%	3%	4%	
\$0.363	\$0.366	\$0.368	\$0.371	\$0.37	\$0.376	\$0.378	\$0.380	\$0.383		

Global renewable Energy transactions, M&A, pending or Completed, 10yr. All figures in USD

Deal Type	Announce Date	Target Name	Acquirer Name	Payment Type	TV/EBITDA	Deal Status	Target EV	Energy Type			Renew. Capacity (estimates)	EV/MW	Country
								Wind	Solar	Hydro			
M&A	2/08/2021	ERG Hydro Srl	Enel SpA	Cash	10.9x	Pending	1,604.05			X	527	3.0x	Italy
M&A	16/07/2021	AES Andes SA	Global Infrastructure Partners	Cash	15x	Completed	595.95	X	X		360	1.7x	Chile
M&A	20/06/2021	Vattenfall AB	BAF Venture Capital GmbH	Cash		Pending	2,550.0	X			743	3.4x	
M&A	29/04/2021	Brookfield Renewable Partners LP	NextEra Energy Partners LP	Cash	10.8x	Pending	990.54		X		391	2.5x	US
M&A	30/08/2020	SSE PLC	Greencoat UK Wind PLC/Funds	Cash	16.9x	Pending	632.43	X			92	6.9x	UK
M&A	4/12/2020	SSE PLC/Equinor ASA	Eni SpA	Cash		Pending	375.08	X			240	1.6x	UK
M&A	9/03/2020	Zenith Energy Limited	Pacific Equity Partners	Cash	9.7x	Completed	251.39		X	X	167	1.5x	Australia
M&A	19/12/2019	Scatec Solar ASA	Equinor ASA	Cash		Completed	3,993.7		X		1655	2.4x	Norway
M&A	26/08/2019	PNE AG	Photon Energy Operations DE GmbH	Cash	15.3x	Completed	686.79	X			404	1.7x	Germany
M&A	8/08/2019	Prime Road Power Public Company Limited	PRG Development Company Limited	Cash	12.8x	Completed	294.21		X		287	1.0x	Vietnam
M&A	11/03/2019	Sky Solar Holdings, Ltd.	Japan NK Investment K.K.	Cash or Stock	4.15x	Completed	458.16		X		211	2.2x	Hong Kong
M&A	4/04/2018	Mytrah Energy Ltd	R&H Trust Co Jersey Ltd	Cash	0.8x	Completed	1433.4	X	X		1180	1.2x	India
M&A	15/02/2018	Solar Park Luminio Srl	Aegix KSA	Stock & Debt	1.5x	Completed			X		0.8	0.0x	Italy
M&A	7/02/2018	Sacta Yield SA	TerraForm Power Inc	Cash	10.2x	Completed	3787.9	X	X		1038	3.7x	Spain
M&A	30/10/2017	Alterra Power Corp	Innereges Renewable Energy Inc	Cash or Stock	17.7x	Completed	791.9	X	X	X	777.5	1.0x	Canada
M&A	16/10/2017	SolarTech Energy Corp	United Renewable Energy Co Ltd/Taiwan	Stock	15.7x	Completed	331.6		X		na	na	Taiwan
M&A	26/06/2017	Alerion Cleanpower SpA	FRI-EL Green Power SpA	Cash	8.6x	Completed	504.8	X			na	na	Italy
M&A	23/06/2017	ENCAVIS Asset Management AG	Encavis AG	Cash	7.2x	Completed		X	X		na	na	Germany
M&A	11/05/2017	Futuren SA	EDF Energies Nouvelles SA	Cash	21.9x	Completed	702.5	X			732	1.0x	France
M&A	11/05/2017	Futuren SA	Electricite de France SA	Cash	13.6x	Completed	702.5	X			732	1.0x	France
M&A	7/03/2017	TerraForm Power Inc	Brookfield Asset Management Inc	Cash or Stock	18.0x	Completed	12086.3	X	X		2606.4	4.6x	United States
M&A	7/03/2017	TerraForm Global Inc	Brookfield Asset Management Inc	Cash	11.6x	Completed	2173.5	X	X		919	2.4x	United States
M&A	25/11/2016	SPIC Jiangsu Electric Power Co Ltd	Shanghai Electric Power Co Ltd	Cash and Stock	7.4x	Completed		X	X		na	na	China
M&A	31/10/2016	Infinis PLC	3i Infrastructure PLC	Cash	5.1x	Completed			X	X	na	na	United Kingdom
M&A	29/06/2016	Audax Renewables SA	Audax Energia SA	Cash	52.6x	Completed	584.2		X		185	3.2x	Spain
M&A	6/06/2016	Futuren SA	Management LLP	Cash	4.5x	Completed	702.5	X			732	1.0x	
M&A	30/05/2016	ENCAVIS Asset Management AG	Encavis AG	Stock	13.7x	Completed		X	X		na	na	Germany
M&A	20/01/2016	Capstone Infrastructure Corp	ICON Infrastructure LLP	Cash	11.6x	Completed		X	X	X	541	0.0x	Canada
M&A	2/12/2015	Renewable Energy Generation Ltd	Renewable Power Fund II LP	Cash	4.6x	Completed	125.7	X	X		34.7	3.6x	United States
M&A	3/07/2013	Renewable Energy Developers Inc	Capstone Infrastructure Corp	Cash and Stock	18.8x	Completed	191.1	X			143.2	1.3x	Canada
M&A	23/11/2012	Western Wind Energy Corp	Brookfield Renewable Partners LP	Cash	33.7x	Completed	407.2	X	X		165	2.5x	Canada
M&A	10/08/2012	Polenergia SA	Kulczyk Investments SA	Cash	9.1x	Completed	585.7	X	X		249.3	2.3x	Poland
M&A	8/08/2012	Shear Wind Inc	Renewable Energy Developers Inc	Cash	9.8x	Completed	150.9		X		na	na	Canada
M&A	1/08/2012	Aerowatt	JMB Energie Group	Cash	12.6x	Completed	227.4	X	X		na	na	France
M&A	19/06/2012	SPP Five Co Ltd	Electricity Generating PCL	Cash	0.4x	Completed		X			8	0.0x	Thailand
M&A	8/04/2011	EDF Energies Nouvelles SA	Electricite de France SA	Cash or Stock	15.3x	Completed	885	X	X		na	na	France
M&A	8/03/2011	Iberdrola Renewables SA	Iberdrola SA	Stock	5.5x	Completed	19266.2	X	X	X	12684	1.5x	Spain
M&A	14/12/2010	ERG Renew SpA	ERG SpA	Cash	4.5x	Completed	1019.4	X	X	X	1720	0.6x	Italy
M&A	20/07/2009	Canadian Hydro Developers Inc	TransAlta Corp	Cash	29.6x	Completed	1497				na	na	Canada
					Average		13.2x				2036.1		2.0
					Median		11.6x				694.6		1.5
					Max		52.6x				19266.2		4.6
					Min		0.4x				125.7		0.0

Our Share Price Sensitivity



Our Market Sensitivity

Price Target: \$0.35/sh

Valuation: \$0.37/sh

Bull Scenario - \$0.60

GNX is successful in executing Kidston Stage 2 Pumped Hydro. Therefore, Stage 2 Solar & Stage 3 Wind Projects can be advanced at Kidston Renewables Hub. Como Battery Project matures to commercialisation and strategy is adopted at additional sites.

Base Scenario: \$0.35/sh

Pumped Hydro Project is delivered on time and budget.

Bear Scenario: \$0.15/sh

Capex blow-out and/or major timeline delays to execution of Pumped Hydro

Company Summary

Genex Power Ltd (ASX: GNX) is an emerging renewable energy power generator. It the Kidston 50MW Solar Farm generating and has financed the 50MW Jemalong Solar Farm. The Kidston Stage 2 Pumped Hydro 250MW development is nearing financial close. Stage 1 and 2 are designed to meet peaking electricity demand in a rising NEM price environment. Stage 3 wind will enhance baseline, 24/7, 365 generation and revenue profile of the business.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz Hartleys.

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Market Statistics				Year End 30 June			
Share Price	\$0.22	A\$/sh	Directors				
Issued Capital			Dr R Craven	NE Chair			
FP Ord	1,068.6	m	J Harding	CEO			
Opt. (var)	42.5	m	S Kidston	Exec Dir			
Perf Rights		m	B Guo	Fin Dir			
Total Dil. FPOrd	1,068.6	m	T Dyson	NE Dir			
			Yongqing Yu	NE Dir			
Market Capitalisation	\$246	m	M Addison	NE Dir			
Enterprise Value	\$389	m	K Seshimo	NE Dir			
Debt**	-\$188						
Cash	\$45	m	Shareholders				
**assumes Jemalong fully developed			Paradice	8.9%			

Asset Valuation		A\$m	A\$/sh
Kidston Solar PV (50MW)		139	0.13
Jemalong Solar PV (50MW)		124	0.12
Pumped Storage Hydro (250MW) risked 65%	234		0.22
Kidston Solar PV (270MW) - risked 50%	-		-
Como Battery & Kidston Wind		30	0.03
Corporate	(26)		(0.02)
Tax Credit	40		0.04
Debt	(188)		(0.18)
Cash	45		0.04
Total		399	0.37

F/Cast Production (A\$m)	2021A	2022F	2023F	2024F
Attrib. Power Generation (Gwh)				
Kidston Solar PV (50MW)	113	121	120	118
Jemalong Solar PV (50MW)	70	116	114	113
Kidston Solar PV (270MW)	-	-	-	-
Pumped Storage Hydro (250MW)	-	-	-	-
Total Power (Gwh)	183	236	234	232

Assumptions (prices 2019 real esc. at inflation)				
Inflation	1.5%	1.5%	1.5%	1.5%
Guaranteed Price Received (\$/MWh)	88.0	88.0	88.0	88.0
Av NEM Pricing - Solar stage 2 & Jem (\$/MWh)	50.0	50.0	50.0	50.0
Pumping Rental Fee (\$/yr gross)	80.0	80.0	80.0	80.0

Ratio Analysis (A\$m)	2021A	2022F	2023F	2024F
CF (A\$m)	(5)	(11)	(22)	30
CF / Sh (Ac/sh)	(0)	(1)	(2)	3
CF Ratio (x)	na	na	na	8
Earnings (A\$m)	(19)	(18)	(29)	(14)
EPS (Ac/sh)	(2)	(2)	(3)	(1)
EPS Growth (%)	na	na	na	na
Earnings Ratio (x)	na	na	na	na
E'prise Val. (A\$m)	385	548	940	912
EV : EBITDA (x)	39	39	62	13
EV : EBIT (x)	na	76	113	36
Net Debt / ND+Eq (%)	4%	9%	14%	15%
Interest Cover (x)	na	na	na	1
EBIT Margin (%)	na	0	0	0
ROE (%)	(0)	(0)	(0)	(0)
ROA (%)	(0)	0	0	0
Div. (Ac/sh)	-	-	-	-
Div. payout ratio	-	-	-	-
Div. Yield	-	-	-	-
Div. Franking	-	-	-	-

Profit and Loss (A\$m)	2021A	2022F	2023F	2024F
Energy Sales	21	22	23	82
Deferred Revenue	-	-	-	-
Interest Revenue	0	0	4	1
Other Revenue	-	-	-	-
TOTAL REVENUE	22	22	27	84
Operating Costs	3	3	3	8
Dep/Amort	7	7	7	44
Writeoffs (explor)	17	-	-	-
Corp O/H	9	5	5	5
Provisions	-	-	-	-
EBITDA	10	14	15	69
EBIT	(13)	7	8	25
Interest Expense	6	26	41	41
NPBT	(19)	(18)	(29)	(14)
Tax	-	-	-	-
NPAT	(19)	(18)	(29)	(14)
Minority Interest	-	-	-	-
NET PROFIT	(19)	(18)	(29)	(14)
Net Abnormal Profit/(Loss) after Tax	-	-	-	-
Net Profit After Abnormal	(19)	(18)	(29)	(14)

Cash Flow (A\$m)	2021A	2022F	2023F	2024F
+ Net Profit	(19)	(18)	(29)	(14)
+ Working Capital Adjustment	(9)	-	-	-
+ Dep/Amort	7	7	7	44
+ Provisions, W/O	17	-	-	-
+ Tax Expense	-	-	-	-
- Tax Paid	-	-	-	-
- Deferred Revenue	-	-	-	-
= Operating Cashflow	(5)	(11)	(22)	30
-Capex + Development	152	289	369	1
-R&D	1	1	1	1
-Assets Purchased	-	-	-	-
+Asset Sales	-	-	-	-
+Other	-	-	-	-
= Investing Cashflow	(153)	(290)	(370)	(2)
+ Equity Issues (Rts,plc,opts)	139	-	-	-
+Loan Drawdown/Receivable	10	657	-	-
+Other	(6)	147	-	-
-Loan Repayment	5	5	10	20
-Dividends	-	-	-	-
= Financing Cashflow	138	799	(10)	(20)
Period Surplus	(20)	498	(402)	8
Adj. FX effects	-	-	-	-
CASH	46	544	142	150

Balance Sheet (A\$m)	2021A	2022F	2023F	2024F
Assets				
Cash	46	544	142	150
Current Receivables	1	1	1	1
Other Current Assets	3	3	3	3
Non-Current Assets	310	592	954	911
Total Assets	360	1,140	1,100	1,065
Liabilities				
Borrowings	185	837	827	807
Current Accounts Payable	12	12	12	12
Non-Current Liabilities	21	21	21	21
Other Liabilities	3	3	3	3
Total Liabilities	225	873	863	843
Net Assets	134	267	237	223

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