

Research Flash

Genex Power (GNX) – SPECULATIVE BUY, TP 36cps

Our View

It's good to see GNX adding another string to their bow by taking another step forward on their 50MW/75MWh battery project. We expect that the market will be focused more on the outcome of the Kidston Pumped Hydro (K2-H) project though. GNX will need to renegotiate a number of agreements (NAIF concessional debt, J-Power equity, engineering/procurement/construction contract) if financial close isn't reached by 30 September 2020. GNX needs to finalise its negotiations with its K2-H joint venture partner and Powerlink to complete that process.

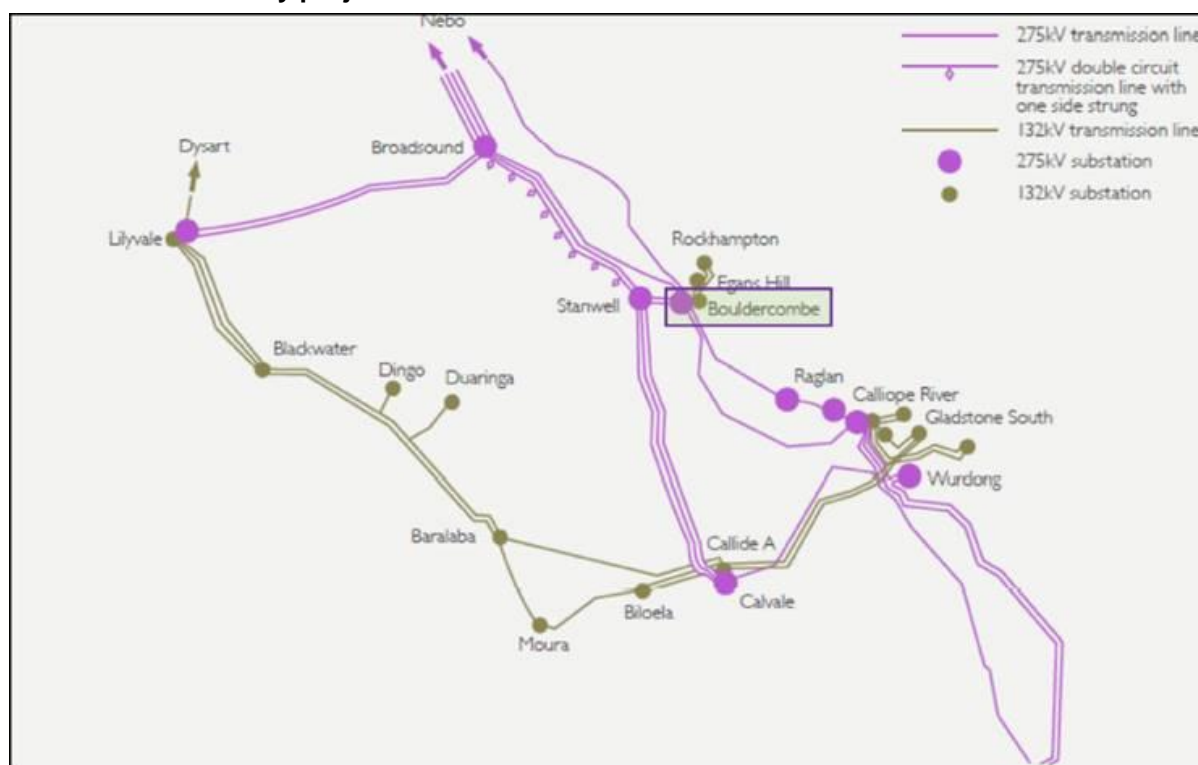
If the company reaches financial close we expect the share price to rally strongly towards our price target however if the deadline isn't met we would expect share price weakness. It's important to note that the offtake agreement with Energy Australia doesn't expire until 31 December 2020 and we would expect that the other agreements (NAIF, J-Power, EPC, etc) could be delayed without major commercial impacts if financial close gets deferred until 2QFY21.

We retain our SPECULATIVE BUY recommendation and our price target of 36cps.

Key points

- Genex has secured an agreement with Powerlink to access land at Bouldercombe adjacent to a 275kV/132kV substation.
- A tier one global supplier with experience in Australia has been selected but no purchase commitment has been entered into yet.
- Revenue is expected to come from wholesale energy arbitrage as well as the eight different Frequency Control and Ancillary Services (FCAS) markets.

Bouldercombe battery project location



Source: POWERLINK, GNX

Disclosures

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

Corporate disclosure: Morgans Corporate Limited was a Participating Broker to the placement of shares in Genex Power Limited and may have received fees in this regard.