



Best Buys

September 2019

Analyst
Various

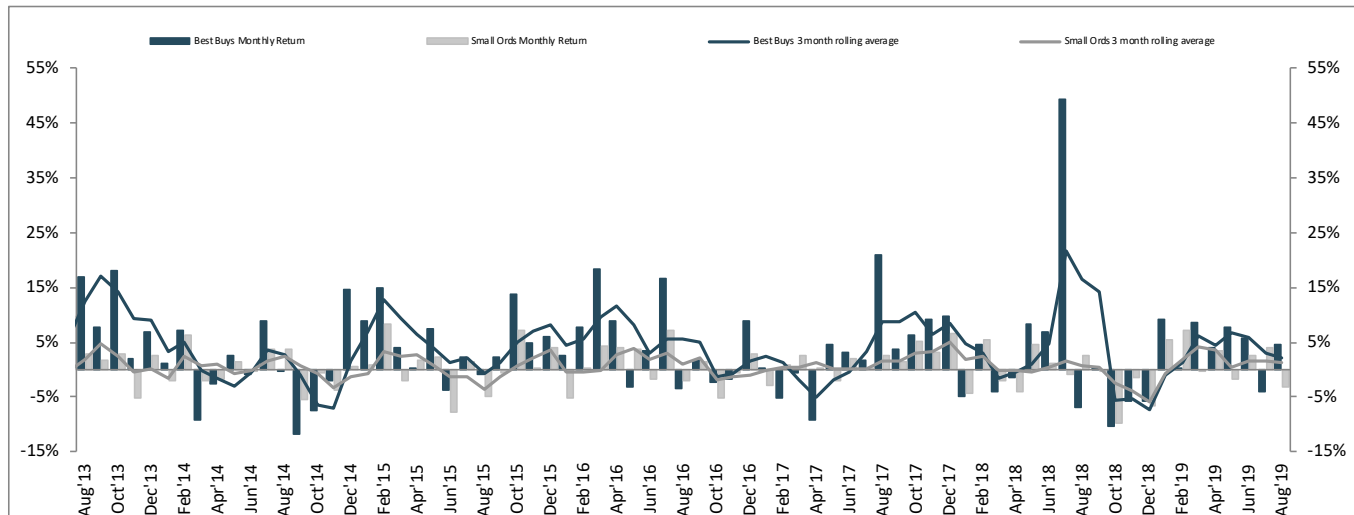
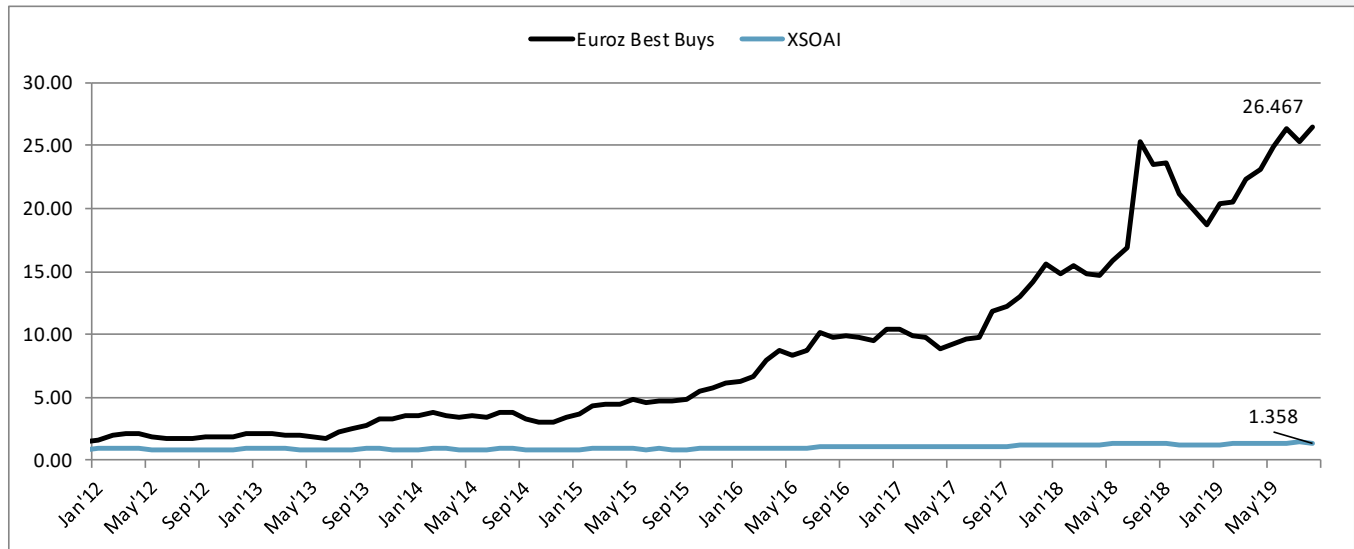
Date
2nd September 2019

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Euroz Securities Best Buys note highlights the best trading ideas as recommended by the research analysts from our coverage universe at the beginning of each month. Best Buys recognises the catalysts and fundamental value that are expected to drive outperformance in the SHORT TERM.

Our Best Buys for September 2019 are:

- Cooper Energy Ltd (COE \$0.58)
- Genex Power Ltd (GNX \$0.22)
- Silver Lake Resources Ltd (SLR \$1.04)
- Zenith Energy Ltd (ZEN \$0.58)



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Best Buys

September 2019

Cooper Energy (COE \$0.58) Buy

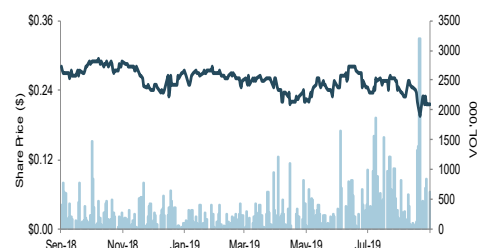
Analyst: Jon Bishop

- Sole commissioning expected to commence this month ahead of full rates from start of Oct;
- The 5-fold step change in fixed margin, stable earnings, will attract passive (quant) and large cap interest in due course as a consequence;
- First Otway exploration well, Annie-1 is drilling ahead. Results this month;
- Success at Annie or the follow-up Elanora well, combined with handover of the Minerva Plant from mid FY'21, can nearly triple Otway output (currently circa 45TJ/d gross);
- Combined with lower tolling charges, stronger contract prices, higher plant reliability and more favourable domestic gas price markets, Otway can deliver EBITDA net to COE 50% above our Sole forecast (circa \$140m/yr at full rates);
- Minerva Plant has significant strategic value as a consequence;
- Equally, alignment with the APA operated Orbost Plant can attract low risk development bolt-on opportunities within large E&P Gippsland portfolios in time;
- Price Target \$0.75/sh BUY

**Genex Power Ltd (GNX \$0.22) Buy**

Analyst: Jon Bishop

- We view GNX entering into the final stages before taking FID for the Pumped Hydro stage 2 development this H;
- Near-term catalysts include:
 - EGM Approval of J-Power Subscription Agreement;
 - Closing of the Jemalong-Kidston Stage 1 refinancing;
 - ARENA Grant for Kidston Pumped Hydro Stage 2;
 - Finalisation of the EnergyAustralia Pumped Hydro equity and offtake agreements;
 - Powerlink connection approval by the Qld State Govt;
 - Powerlink Transmission Line upgrade commitment;
 - Financial close on both Pumped Hydro and Jemalong projects as a consequence and commencement of development; (Sep Q)
 - Power Purchase Agreements/Oftake for Solar Stage 2.
- We validate our Price Target noting fully commissioned EV:EBITDA of 5.0x vs:
 1. Renewable peer multiples are closer to 12x;
 2. Pacific Hydro and Duet transactions capitalised future earnings at 15x
- Price Target \$0.70/sh BUY

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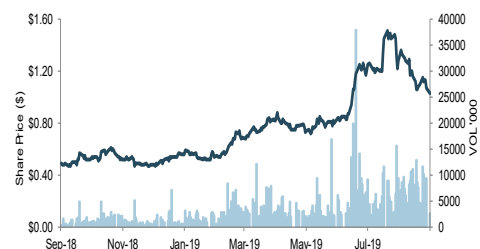
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Silver Lake Resources Ltd (SLR \$1.04) Buy

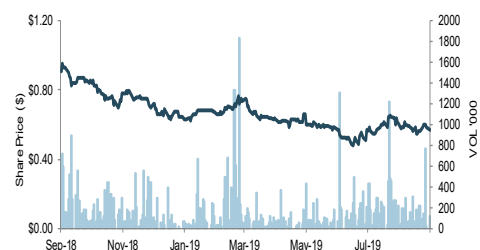
Analyst: Andrew Clayton

- SLR reported a solid FY'19 result with EBITDA of \$80m based on production of 176koz. This is forecast to increase to 233koz in FY'20 with a full yr contribution from Deflector. We forecast FY'20 EBITDA of \$156m.
- Deflector reserve increased by 91koz to 343koz. This supports a minimum of +4yrs life. In addition the M&I resource increased by 64% to 636koz and includes newly defined westerly domains with potentially stacked lodes to the south and west.
- The new Deflector reserve is located within the existing 600m strike length of the mine and we see excellent potential for continued reserve growth. This has been a very good acquisition.
- FY'20 exploration budget has increased to \$18m, up from \$14.9m.
- Our valuation remains at \$1.16/sh and PT \$1.60/sh and we would view the recent weakness as a good buying opportunity.
- Price Target \$1.60/sh Buy

**Zenith Energy Ltd (ZEN \$0.58) Buy**

Analyst: Ben Laird

- With the equity financing and a solid FY'19 result behind the company we believe ZEN can track up as the market looks to FY'20 and beyond
- ZEN recently reiterated recent FY'20 guidance of \$24-26m (ESL forecast is \$26.4m)
- ZEN's currently contracted BOO asset base is 219MW and sees our FY'20 forecast underpinned from existing contracts
- On our FY'20 forecasts we see ZEN trading on a P/E of 9.4x
- We see this as cheap considering ZEN's track record of earnings delivery, robust pipeline of growth opportunities and long tail of earnings
- Price Target \$0.82/sh. BUY

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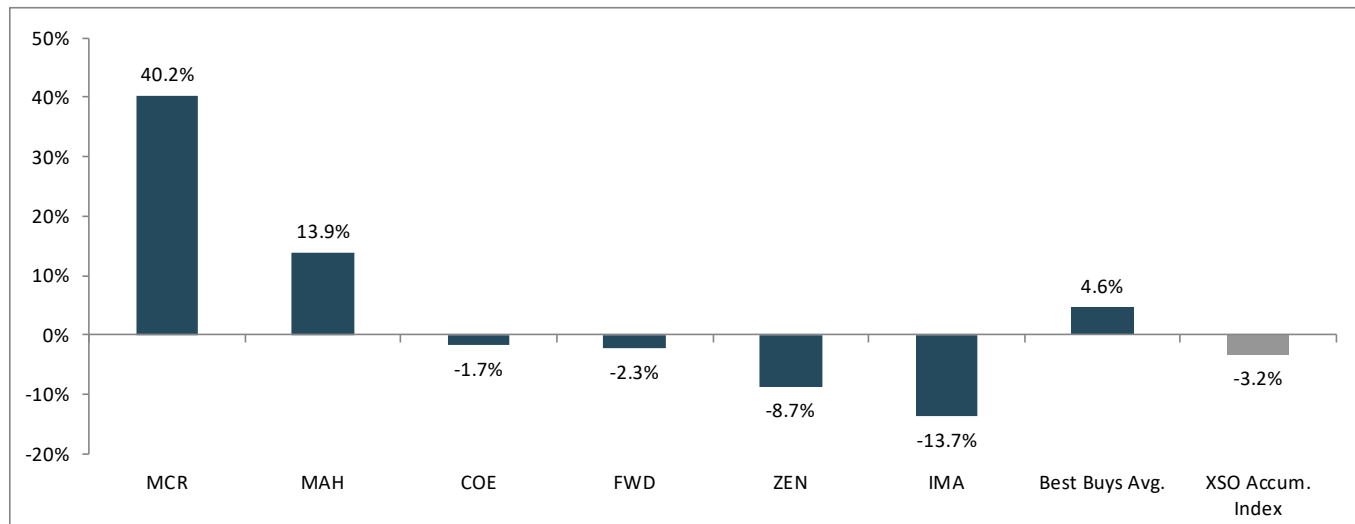
Best Buys

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Best Buys Historical Performance

The Euroz Best Buys portfolio performance is the simple average performance of the stocks selected for that month from date of publish until end of month.

The Euroz Best Buys portfolio returned 4.62% in August against the ASX:XSOAI index return of -3.18% an outperformance of 7.80% for the month.



The outperformance of the Euroz Best Buys since inception comes despite a generally poor period of returns from WA oriented stocks.

Future returns from WA oriented companies could be expected to be greatly improved compared the 2011-2015 period as the economic cycle recovers.

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