

# Quick Comment

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

Analyst	Date	Price Target
Jon Bishop	23 <sup>rd</sup> December 2020	\$0.35/sh

### Pumped Hydro – Full Steam Ahead

#### Key Points

- GNX has commenced early works on the 250MW Pumped Hydro renewable energy storage project in Qld;
- This follows the announcement that GNX Board have taken FID on the Project pending Financial Close (now expected in Feb 2021);
- The early works represents the culmination of a number of work streams that finally bring the Project together; notably the conclusion of the O&M agreement with Powerlink that will see upgrade of the current transmission line to 275kV rating as key focus for the early works;
- Pending Financial close, early works will also result in the upgrade of the airstrip, on site camp and communications;
- In taking FID, GNX has successfully realigned the pricing agreements from the major contractors with the implied new development schedule;
- Final negotiations with the preferred equity partner are due to conclude ahead of FID;
- NAIF has reaffirmed its \$610m of concessional financial support of the Pumped Hydro Project, and its Investment Decision is subject only to Financial Close (and any associated CPs relating to Financial Close and the commitment of the Qld Govt consideration);
- We expect ARENA to follow suit;
- EnergyAustralia has agreed to amend the Energy Storage Services Agreement (ESSA) to 28 Feb 2021 to align with Financial Close;
- J-Power's recent commitment to Phase 3 Wind power generation suggests that it remains comfortable the FID will be taken noting that the Wind Project requires the upgraded transmission line (supporting the Hydro development) to be operational;
- It has consequently aligned execution of the Share Subscription Agreement (to earn up to 19.99% interest in GNX) and Technical Services Agreement to the end Feb sunset date for Financial Close;
- The market continues to discount the battery storage projects on our analysis ie Valuation is 19cps ex both battery projects at current Balance Sheet (net debt \$130m or -20cps):

ASSET VALUATION	A\$m	A\$/sh
Kidston Solar PV (50MW)	133	0.21
Jemalong Solar PV (50MW)	80	0.13
Pumped Storage Hydro (250MW) risked 50%	35	0.06
Kidston Solar PV (270MW) - risked 50%	-	-
Como Battery & Kidston Wind	15	0.02
Corporate	(28)	(0.04)
Tax Credit	40	0.06
Debt	(200)	(0.32)
Cash	120	0.19
<b>Total</b>	<b>195</b>	<b>0.31</b>

- There remains a considerable arbitrage to fair value on our analysis on that basis, noting the strategic value of the Pumped Hydro Project once 'banked';
- Consequently our Buy recommendation, 31cps Valuation and 35cps Price Target remain unchanged.

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### Investment Thesis

The announcements this week regarding the key Pumped Hydro Project indicate that the project is going ahead, with Financial Close – delayed by two months – a formality regarding final documentation and completion of the equity partnership agreements. We see no impediment to completion now, with the only risk at the margin concerning the final equity terms with the preferred partner. The Project is a key initiative for the State in terms of meeting renewables targets; improving grid stability; and in a COVID impacted world, providing major infrastructure related employment opportunities. The current share price is underwritten by the two solar projects in operation and the broader portfolio continues to mature with battery based grid stability and market arbitrage opportunities. Buy and 35cps Price Target remain.

### Genex Power Ltd (GNX)

Share Price	0.22	A\$/sh	Enterprise Value	244	A\$m
Price Target	0.31	A\$/sh	Debt	193	A\$m
Valuation	0.35	A\$/sh	Cash	62	A\$m
Shares on issue	512	m(dil)	Largest Shareholder	Board&Mgmt	14%
Market Capitalisation	113	A\$m			

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