

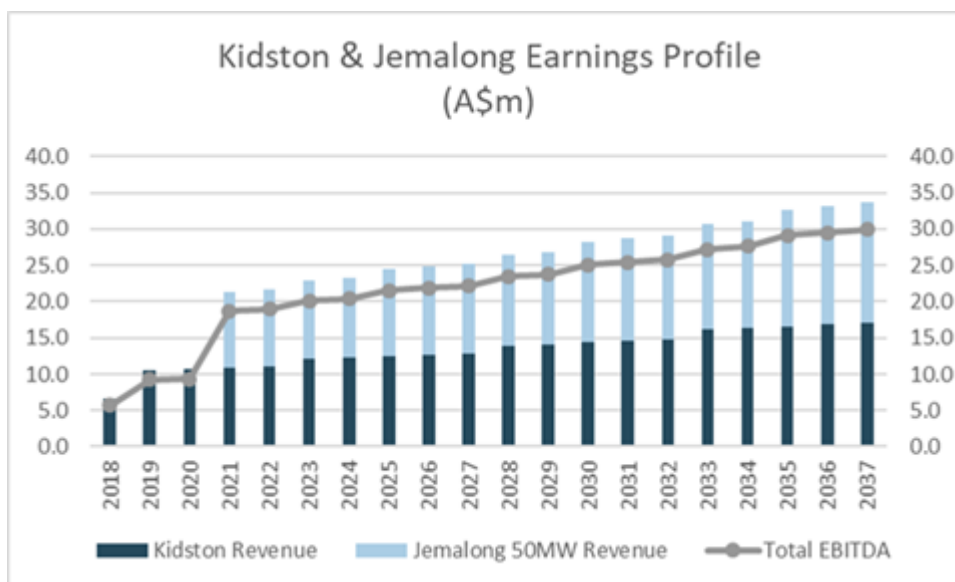
Genex Power Ltd (GNX \$0.22) Buy

Analyst	Date	Price Target
John Bishop	18 th December 2019	\$0.30/sh

Jemalong 50MW Solar Project Reaches Financial Close

Key Points

- GNX has achieved financial close for the Jemalong 50MW Solar development in NSW;
- Total debt funding of \$192m has been secured via a senior loan facility and a structurally subordinated 'Holdco' facility;
- The senior facility has been arranged by a syndicate of banks: Westpac; DZ Bank; and Nord/LB, and verified as a 'Green Loan' and certified under the internationally recognised Climate Bonds Standard v3.0;
- Clean Energy Finance Corporation has provided the Holdco facility;
- Financing of the project is structured on offtake of Jemalong generation on a fully merchant basis;
- This has entailed refinancing of the existing Kidston Stage 1 50MW Solar Project facility effectively enabling the Jemalong project finance to be underwritten by the Qld State minimum pricing guarantee;
- This is a material announcement as generation from Jemalong – expected Q4 CY'20 – will effectively double Group Revenues and EBITDA:



- Financial close of Jemalong 50MW Solar justifies a further 10cps in value above the current share price:

ASSET VALUATION		
	A\$m	A\$/sh
Kidston Solar PV (50MW)	133	0.33
Jemalong Solar PV (50MW)	123	0.31
Pumped Storage Hydro (250MW)	-	-
Kidston Solar PV (270MW) - risked 50%	(1)	(0.00)
LGCs - risked 50%	0	0.00
Corporate	(20)	(0.05)
Tax Credit	40	0.10
Peak Debt and Working Capital	(180)	(0.45)
Cash	19	0.05
Total	115	0.28

- GNX has subsequently executed an Engineering, Procurement and Construction Contract with Beon Energy. Beon has also been contracted to provide Operation and Maintenance services for Jemalong;
- Beyond this, we believe that the Pumped Hydro development at Kidston, will be reached FID in CY'20 noting that the Northern Australia Infrastructure Fund has agreed to extend the offer of long term concessional funding to Jun 30, 2020;
- Additionally, J-Power have clearly showed interest in the project and therefore we feel it safe to assume that they will continue to remain supportive and engaged to resurrect the development;
- Whilst EA were looking publicly towards Kidston Pumped Hydro as a significant plank in its growth ambitions in Australia to replace its coal fired power assets;
- We view that GNX remains oversold given the underlying value of the business on our assessments particularly noting that the current share price reflects our NPV10 of the Kidston Stage 1 Solar Project;

Investment Case

Fundamentally, GNX remains oversold. Jemalong financing material boosts the Business' earnings profile from CY'21. Despite the recent setback to the Pumped Hydro project, the extension of the NAIF funding package is evidence supporting our view that the Project has the groundswell of support by all existing stakeholders to realise development. We see greater upside than downside risk based on our SOTP Valuation for the operating Kidston Stage 1 Solar Project and the Jemalong 50MW Solar Project. Longer term, and per recent announcements, we believe that GNX will increasingly understand the framework and therefore timing to restructure the Project and its funding. The market will then start to re-impute value for Kidston Stage 2. This will be ahead of the current share price and the fair value for the remaining assets, based on our analysis. We retain our Buy recommendation as a consequence.

Genex Power Ltd (GNX)

Share Price	0.22	A\$/sh
Price Target	0.30	A\$/sh
Valuation	0.28	A\$/sh
Shares on issue	402	m(dil)
Market Capitalisation	88	A\$m

Enterprise Value	260	A\$m
Debt	192	A\$m
Cash	19	A\$m
Largest Shareholder	Mgmt	c.17%

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