

# Genex Power Ltd

(GNX \$0.26) Buy

**Analyst**  
Jon Bishop

**Date**  
March 2021

**Price Target**  
\$0.35/sh

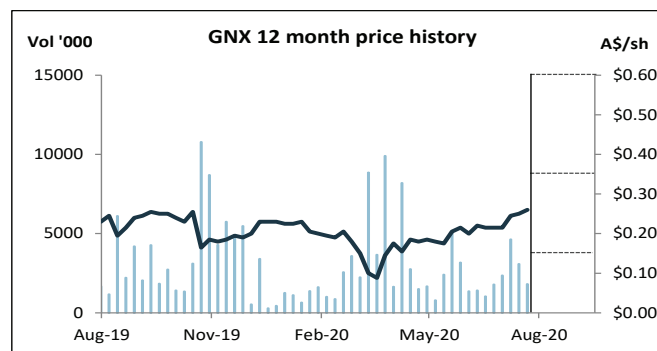
## Investment Case

Recent announcements regarding the key Pumped Hydro Project indicate that the project is going ahead, with Financial Close 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.

## Comments

- Powerlink has committed additional funding (\$147m from \$132m) to upgrade the transmission line, supporting Stage 2 Pumped Hydro (plus Stage 3 Wind and Solar expansion) development;
- We see this as another positive leading indicator ahead of Financial Close to the Pumped Hydro development expected Jun Q;
- Final negotiations with the preferred equity partner are due to conclude ahead of Financial Close;
- NAIF has reaffirmed its \$610m of concessional financial support of the Pumped Hydro Project, and its Investment Decision is subject only to Financial Close;
- We expect ARENA to follow suit particularly following the increased Powerlink commitment;
- EnergyAustralia has agreed to amend the Energy Storage Services Agreement (ESSA) to align with Financial Close as has J-Power in terms of its Share Subscription Agreement;
- Further to which, J-Power's commitment to Phase 3 Wind power generation suggests that it remains comfortable that the Pumped Hydro Project will proceed;
- 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';

## Share Price Performance



## Market Statistics

<b>Share Price</b>	<b>\$0.26A\$/sh</b>
Issued Capital	
FP Ord	511.5 m
Opt. (var)	42.5 m
Perf Rights	m
<b>Total Dil. FPOrd</b>	<b>516.5 m</b>
<b>Market Capitalisation</b>	<b>\$130 m</b>
Enterprise Value	\$278 m
Debt**	-\$189 m
Cash	\$41 m

## Year End 30 June

<b>Directors</b>	
Dr R Craven	NE Chair
J Harding	CEO
S Kidston	Exec Dir
B Guo	Fin Dir
T Dyson	NE Dir
Yongqing Yu	NE Dir
M Addison	NE Dir
K Seshimo	NE Dir
<b>Shareholders</b>	
Zhefu Hydropower	8.9%
First Sentia	7.9%

## Our Market Sensitivity

**Price Target: \$0.35/sh**  
**Valuation: \$0.34/sh**

### Bull Scenario - \$0.60

GNX is successful in restructuring financial and offtake terms to enable FID to be taken at Kidston Stage 2 Pumped Hydro. Therefore, Stage 2 Solar can also be advanced. Como Battery Project matures to commercialisation

### Base Scenario: \$0.35/sh

Jemalong 50MW Solar development commences generation from FY'21 and Pumped Hydro achieves FID.

### Bear Scenario: \$0.15/sh

Jemalong project stalls. The mkt values Kidston Stage 1 and the current Balance Sheet only.

## 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.

Val/ Sh	CPI									
\$0.34	-4%	-3%	-2%	-1%	0%	1%	2%	3%	4%	
	\$0.296	\$0.300	\$0.304	\$0.308	\$0.31	\$0.316	\$0.320	\$0.324	\$0.328	

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RESOURCES COMPENDIUM MARCH 2021

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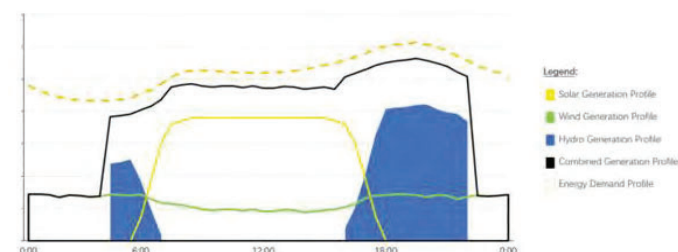
Asset Valuation	A\$m	A\$/sh
Kidston Solar PV (50MW)	136	0.26
Jemalong Solar PV (50MW)	124	0.24
Pumped Storage Hydro (250MW) risked 50%	35	0.07
Kidston Solar PV (270MW) - risked 50%	-	-
Como Battery & Kidston Wind	15	0.03
Corporate	(28)	(0.05)
Tax Credit	40	0.08
Debt	(189)	(0.37)
Cash	41	0.08
<b>Total</b>	<b>175</b>	<b>0.34</b>

F/Cast Production	2020a	2021f	2022f	2023f
Attrib. Power Generation (Gwh)				
Kidston Solar PV (50MW)	114	113	121	120
Jemalong Solar PV (50MW)	-	70	116	114
Kidston Solar PV (270MW)	-	-	-	-
Pumped Storage Hydro (250MW)	-	-	-	-
<b>Total Power (GWh)</b>	<b>114</b>	<b>183</b>	<b>236</b>	<b>234</b>

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
AvNEM 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)	2020a	2021f	2022f	2023f
CF (A\$m)	(8)	6	6	8
CF / Sh (Ac/sh)	(2)	1	1	1
CF Ratio (x)	na	23	22	18
Earnings (A\$m)	(11)	(3)	1	2
EPS (Ac/sh)	(3)	(1)	0	0
EPS Growth (%)	na	na	na	1
Earnings Ratio (x)	na	na	106	59
E'prise Val. (A\$m)	236	244	258	252
EV : EBITDA (x)	305	25	17	15
EV : EBIT (x)	na	58	25	22
Net Debt / ND+Eq (%)	37%	6%	7%	7%
Interest Cover (x)	na	1	1	1
EBIT Margin (%)	na	0	0	1
ROE (%)	(1)	(0)	0	0
ROA (%)	(0)	0	0	0

Div. (Ac/sh)	-	-	-	-
Div. payout ratio	-	-	-	-
Div. Yield	-	-	-	-
Div. Franking	-	-	-	-



Profit and Loss (A\$m)	2020a	2021f	2022f	2023f
Energy Sales	11	21	22	23
Deferred Revenue	1	-	-	-
Interest Revenue	0	0	1	1
Other Revenue	-	(3)	-	-
<b>TOTAL REVENUE</b>	<b>12</b>	<b>18</b>	<b>22</b>	<b>23</b>
Operating Costs	4	3	1	1
Dep/Amort	8	6	5	5
Writeoffs (explor)	-	-	-	-
Corp O/H	8	6	5	5
Provisions	1	-	-	-
<b>EBITDA</b>	<b>1</b>	<b>10</b>	<b>15</b>	<b>16</b>
<b>EBIT</b>	<b>(9)</b>	<b>4</b>	<b>10</b>	<b>11</b>
Interest Expense	7	7	9	9
NPBT	(15)	(3)	2	3
Tax	(5)	0	1	1
NPAT	(11)	(3)	1	2
Minority Interest	-	-	-	-
<b>NET PROFIT</b>	<b>(11)</b>	<b>(3)</b>	<b>1</b>	<b>2</b>
Net Abnormal Profit/(Loss) after Tax	9	-	-	-
<b>Net Profit After Abnormal</b>	<b>(20)</b>	<b>(3)</b>	<b>1</b>	<b>2</b>

Cash Flow (A\$m)	2020a	2021f	2022f	2023f
+ Net Profit	(11)	(3)	1	2
+ Working Capital Adjustment	(1)	3	-	-
+ Dep/Amort	8	6	5	5
+ Provisions, W/O	1	-	-	-
+ Tax Expense	(5)	0	1	1
- Tax Paid	(1)	-	0	1
- Deferred Revenue	2	-	-	-
<b>= Operating Cashflow</b>	<b>(8)</b>	<b>6</b>	<b>6</b>	<b>8</b>
-Capex + Development	35	82	10	1
-R&D	3	1	1	1
-Assets Purchased	-	-	-	-
+Asset Sales	-	-	-	-
+Other	0	-	-	-
<b>= Investing Cashflow</b>	<b>(38)</b>	<b>(83)</b>	<b>(11)</b>	<b>(2)</b>
+ Equity Issues (Rts,plc,opts)	20	55	-	-
+Loan Drawdown/Receivable	184	-	-	-
+Other	2	-	-	-
-Loan Repayment	103	5	5	10
-Dividends	-	-	-	-
<b>= Financing Cashflow</b>	<b>104</b>	<b>85</b>	<b>(5)</b>	<b>(10)</b>
<b>Period Surplus</b>	<b>58</b>	<b>8</b>	<b>(10)</b>	<b>(4)</b>
Adj. FX effects	-	-	-	-
<b>CASH</b>	<b>66</b>	<b>73</b>	<b>63</b>	<b>59</b>

Balance Sheet (A\$m)	2020a	2021f	2022f	2023f
<b>Assets</b>				
Cash	66	73	63	59
Current Receivables	4	4	4	4
Other Current Assets	0	0	0	0
Non-Current Assets	185	261	267	262
<b>Total Assets</b>	<b>254</b>	<b>338</b>	<b>334</b>	<b>325</b>
<b>Liabilities</b>				
Borrowings	190	185	180	170
Current Accounts Payable	22	22	22	22
Non-Current Liabilities	23	23	23	23
Other Liabilities	1	1	1	1
<b>Total Liabilities</b>	<b>243</b>	<b>232</b>	<b>227</b>	<b>217</b>
<b>Net Assets</b>	<b>11</b>	<b>107</b>	<b>107</b>	<b>109</b>