

Genex Power ^{GNX}

Financial close delayed

Rating*:	BUY	Price Target*:	\$0.33	Analyst:	Luke Macnab
Risk:	High	Share Price:	\$0.20		+61 2 9250 8930 lmacnab@baillieu.com.au

*Note: Rating and Price Target recorded at pre-announcement levels as detailed in our research report dated 28 August 2020. This may be subject to review or change.

- **Financial close delayed:** GNX has announced that financial close on K2-Hydro will not occur by 30 September as previously expected. This was not surprising, given that announcements on finalising the two remaining pieces of the puzzle (transmission line funding and equity investment) have not been made as yet. These items need to be finalised in order to proceed to the wider completion of the project financing package, drawing in all the relevant stakeholders. No updated completion date has been provided, though our guess is that the target would certainly be pre-Christmas.
- **Stakeholders still keen:** Despite the delay, key stakeholders have indicated their continuing commitment to the project. The Queensland Government has reaffirmed its intention to provide \$132m towards the funding of the transmission line and GNX has indicated that negotiations with their preferred equity partner at the SPV level have commenced. The NAIF has already extended its debt funding offer to 31 January 2021 and GNX is working with the AEMO, Powerlink, key contractors and other stakeholders to extend their previous commitments as well.
- **Investment view:** Although the delay is disappointing, the continued commitment of all key stakeholders to the project gives us a high degree of confidence that the project will proceed. We continue to believe that the crystallisation of value for GNX shareholders from financial close on K2-Hydro remains relatively close (6-10 weeks in our estimation) and we maintain a BUY rating.

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