

Research Flash

Genex Power (GNX), SPECULATIVE BUY – TP 36cps vs 21cps last close

Our View

Genex has announced that it doesn't expect to reach financial close on Kidston Hydro (K2-H) by 30 September 2020. We understand that despite the renewed commitment by the Queensland Government to funding \$132m in capital of the estimated total of \$232m capital required, there are further discussions being had over ongoing maintenance costs. This means that financial close will most likely be deferred until after the Queensland election (31 October 2020). The Northern Australia Infrastructure Facility (NAIF) has extended its offer to 31 January 2021 and GNX is seeking to extend a number of its other agreements.

We think this will weigh on the share price in the short term given the delay and added uncertainty from the election. We think that GNX will be successful in extending a number of its other agreements (J-Power, EPC) and the fundamentals of the project remain sound. We retain our SPECULATIVE BUY rating and 36cps price target and will have more to say in a formal note.

Key points

- The Queensland Government renewed its \$132m capital funding commitment to the transmission line but we understand that agreement has not been reached on the ongoing operational costs.
- GNX is not expecting to achieve financial close by 30 September 2020.
- NAIF has extended its offer for debt funding to 31 January 2021.
- GNX is seeking extensions to its approval from AEMO for Kidston Hydro as well as its agreements with Powerlink and engineering contractors and suppliers.

Disclosures

Analyst(s) own shares in the following stock(s) mentioned in this report: GNX

Corporate disclosure: Morgans Corporate Limited was a Participating Broker to the placement of shares in Genex Power Limited and may have received fees in this regard.