

Genex Power ^{GNX}

Recommendations

Rating	BUY
Risk	Speculative
Price Target	\$0.33
Share Price	\$0.19

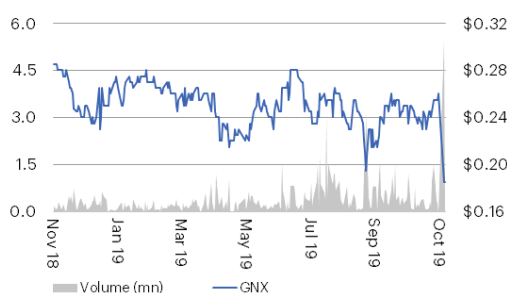
Snapshot

Monthly Turnover	\$2.6mn
Market Cap	\$91mn
Shares Issued	401.8mn
52-Week High	\$0.30
52-Week Low	\$0.17
Sector	Utilities

Business Description

GNX is a renewable energy developer, with its flagship location in Kidston, North Queensland. This consists of: a 50MW solar farm (operational), a 270MW solar farm (pre-financial close), a 250MW pumped storage hydro project (near financial close) and a 150MW wind farm (pre-feasibility study). They are also developing a 50MW solar project (near financial close) in Jemalong, NSW.

12 Month Price & Volume



Research Analyst

Luke Macnab, CFA
+ 612 9250 8930
lmacnab@baillieu.com.au

Nicolas Burgess, CFA
+ 613 9602 9379
nburgess@baillieu.com.au

Disclosure

The author owns no shares in GNX.

E.L. & C. Baillieu Limited has acted in a corporate advisory role and raised capital in a placement for GNX, and earned fees in relation to that activity in the past 12 months.

Company Report

Hit the last hurdle but still going

Hydro project delayed: Energy Australia (EA) has advised GNX that it will not be able to sign off on investing in the Kidston Stage 2 Pumped Storage Hydro project (K2H) as currently structured. The previous timetable had envisaged a final decision by EA in the coming weeks, followed by project financial close and then commencement of construction by the end of CY19. We understand the issue was that the parent company of EA (Hong Kong-listed CLP Group) could not accommodate the lease liability which would have been recognised under accounting rules on their balance sheet.

Delay impacts funding: As a result of this delay, the J-POWER share subscription agreement (\$25m equity) and the NAIF Concessional Loan facility agreement (\$610m) will both lapse prior to 31 December 2019, unless extended. GNX will be working with the aforementioned stakeholders (and others including the Queensland and Federal Governments) to come up with a financial structure that is able to be signed off by EA in CY20.

Stakeholders still committed: We understand that the key stakeholders are still highly committed to the project and believe that their motivation to finalise a deal remains unchanged. This is due to: 1) EA having a large, renewable source of stored power in the east coast energy market would be a key competitive advantage; 2) J-POWER remaining interested in expanding its Australian interests in areas where it has existing expertise (hydro, renewable generation); and 3) NAIF has \$5bn of funding available and the K2H project remains an attractive project for them (it is one of the largest being considered for funds).

Forecast changes: No changes at this time. We have reduced our valuation and target price to \$0.33 (from \$0.47), reflecting the increased uncertainty around the timing and structure of the K2H deal.

Investment view: Whilst this is disappointing news, we remain confident that the K2H project will proceed in CY20 and add significant potential upside to GNX. With financial close of the Jemalong project imminent (next few weeks) and construction expected to commence in CY19, this should provide a positive catalyst in the short term. BUY maintained.

Investment Summary

Year End: 30 June		2018A	2019A	2020E	2021E	2022E
Revenue	\$mn	8.3	10.8	13.1	24.9	24.9
EBITDA	\$mn	-1.7	5.6	0.8	13.7	13.7
EBIT	\$mn	-4.7	-0.8	-5.6	4.6	4.6
Reported Profit	\$mn	-7.5	-5.5	-7.3	-3.1	-6.0
Adjusted Profit	\$mn	-7.5	-5.5	-7.3	-3.1	-6.0
EPS (Reported)	¢	-2.3	-1.6	-1.6	-0.6	-1.2
EPS (Adjusted)	¢	-2.3	-1.6	-1.6	-0.6	-1.2
EPS Growth	%	N/A	N/A	N/A	N/A	N/A
PER (Adjusted)	x	N/A	N/A	N/A	N/A	N/A
EV/EBITDA	x	-104.7	33.6	342.0	26.3	32.7
Dividend	¢	0.0	0.0	0.0	0.0	0.0
Yield	%	0.0	0.0	0.0	0.0	0.0
Franking	%	0	0	0	0	0

Financial Summary

GENEX POWER	
Code:	GNX
Analyst:	Luke Macnab
Date:	6 November, 2019
Share Price:	\$0.185
Market Capitalisation:	\$89m
Financial Year End:	June

PROFIT & LOSS (A\$m)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating revenue	8.3	10.8	13.1	24.9	24.9
COGS	0.0	0.0	0.0	0.0	0.0
Gross profit	8.3	10.8	13.1	24.9	24.9
Expenses	-10.0	-5.2	-12.3	-11.3	-11.3
EBITDA	-1.7	5.6	0.8	13.7	13.7
Depreciation	-3.0	-6.4	-6.4	-9.0	-9.0
EBITA	-4.7	-0.8	-5.6	4.6	4.6
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	-4.7	-0.8	-5.6	4.6	4.6
Net Interest expense	-2.7	-4.7	-4.9	-9.1	-13.3
Minorities	0.0	0.0	0.0	0.0	0.0
Underlying PBT	-7.5	-5.5	-10.5	-4.5	-8.6
Tax	0.0	0.0	3.1	1.3	2.6
Underlying NPAT	-7.5	-5.5	-7.3	-3.1	-6.0
Underlying NPATA	-7.5	-5.5	-7.3	-3.1	-6.0
Significant items (net of tax)	0.0	0.0	0.0	0.0	0.0
Reported profit	-7.5	-5.5	-7.3	-3.1	-6.0

BALANCE SHEET (A\$m)	FY18A	FY19A	FY20E	FY21E	FY22E
Assets					
Cash	11.0	3.5	19.4	17.0	14.6
Receivables	0.9	2.0	1.8	3.5	3.5
PPE	118.4	118.5	217.4	298.9	380.3
Goodwill & Intangibles	4.5	4.6	4.6	4.6	4.6
Investments	0.0	0.0	0.0	0.0	0.0
Other assets	0.9	6.0	31.0	31.0	31.0
Total Assets	135.6	134.5	274.2	354.9	434.0
Liabilities					
Payables	1.5	2.3	2.5	2.3	2.3
Debt	100.2	99.8	200.0	285.2	370.4
Provisions	3.8	3.9	3.9	3.9	3.9
Tax payable	0.4	0.4	0.4	0.4	0.4
Deferred Revenue	3.8	3.9	3.9	3.9	3.9
Other liabilities	10.6	15.8	16.5	15.3	15.3
Total Liabilities	120.4	126.1	227.1	310.9	396.1
Equity					
Share capital	40.0	41.9	87.9	87.9	87.9
Retained earnings	-24.8	-30.3	-37.6	-40.8	-46.8
Other equity	0.1	-3.2	-3.2	-3.2	-3.2
Total shareholders equity	15.3	8.4	47.1	44.0	37.9
BV per share (cps)	4.7	2.5	10.0	8.6	7.4
NTA per share (cps)	3.3	1.1	9.0	7.7	6.5

CASH FLOW (A\$m)	FY18A	FY19A	FY20E	FY21E	FY22E
Cash at Start	11.1	11.0	3.5	19.4	17.0
Cash from operations	-6.1	0.5	41.0	2.9	3.0
Capex	-83.0	-6.4	-0.3	-0.5	-0.5
Free cash flow	-89.1	-5.9	40.7	2.4	2.5
Cash flow from investing	0.6	-5.9	-171.0	-90.0	-90.0
Cash flow from financing	88.3	4.3	146.2	85.2	85.2
Cash at end	11.0	3.5	19.4	17.0	14.6
Free cash flow per share (cps)	-27.3	-1.7	8.6	0.5	0.5
GOCF / EBITDA	129%	86%	248%	116%	116%
FCF / Underlying cash NPAT	1194%	108%	-555%	-76%	-41%

Rating:	BUY
Price Target:	\$0.33
Upside/downside:	78%
Valuation:	\$0.33
Valuation method:	DCF/Multiple
Risk:	Speculative

EARNINGS	FY18A	FY19A	FY20E	FY21E	FY22E
EPS - Underlying (cps)	-2.3	-1.6	-1.6	-0.6	-1.2
EPS Growth - Underlying	-13%	-29%	-3%	-61%	93%
EPS - Reported (cps)	-2.3	-1.6	-1.6	-0.6	-1.2
Diluted shares (m)	325.8	339.2	471.2	513.1	513.1
DPS (cps)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Payout Ratio	0%	0%	0%	0%	0%
Franking	0%	0%	0%	0%	0%
VALUATION	FY18A	FY19A	FY20E	FY21E	FY22E
P/E - Underlying (x)	-8.1	-11.5	-11.9	-30.2	-15.7
EV/EBIT (x)	-37.5	-237.0	-48.3	77.1	95.9
EV/EBITA (x)	-37.5	-237.0	-48.3	77.1	95.9
EV/EBITDA (x)	-103.3	33.1	339.0	26.1	32.5
Price/Book (x)	3.9	7.4	1.9	2.2	2.5
Price/NTA (x)	5.6	16.4	2.1	2.4	2.9
Price/FCF	-0.7	-10.6	2.1	39.8	38.1

GROWTH	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue growth	na	nm	21%	91%	0%
COGS growth	na	nm	0%	0%	0%
Expenses growth	40%	-48%	134%	-8%	0%
EBITDA growth	-76%	-424%	-86%	1620%	0%
PBT growth	8%	-27%	92%	-57%	93%
Underlying NPAT growth	8%	-27%	34%	-57%	93%
Reported NPAT growth	8%	-27%	34%	-57%	93%

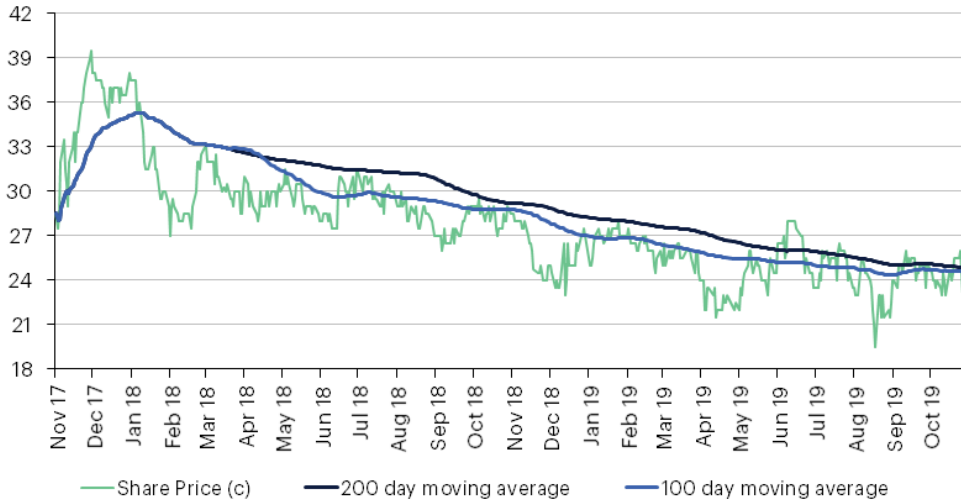
MARGINS & RETURNS	FY18A	FY19A	FY20E	FY21E	FY22E
EBITDA Margin	na	51.7%	6.1%	54.8%	54.8%
EBITA Margin	na	-7.2%	-42.7%	18.6%	18.6%
NPBT Margin	na	-50.6%	-80.4%	-18.0%	-34.7%
ROIC	-4.9%	-0.5%	-2.3%	1.2%	0.9%
ROE	-43.3%	-46.2%	-26.5%	-6.9%	-14.8%
ROA	-4.7%	-0.6%	-2.7%	1.5%	1.2%
Effective Tax Rate	30.0%	30.0%	30.0%	30.0%	30.0%

GEARING	FY18A	FY19A	FY20E	FY21E	FY22E
Net Debt	89.2	96.4	180.6	268.2	355.7
Enterprise value	178.0	185.2	269.4	357.0	444.5
Net Debt/EV (%)	50.1%	52.0%	67.0%	75.1%	80.0%
Net Debt/EBITDA (x)	-51.8	17.2	227.3	19.6	26.0
EBITDA/Net Interest (x)	-0.6	1.2	0.2	1.5	1.0

SEGMENT REVENUES (A\$m)	FY18A	FY19A	FY20E	FY21E	FY22E
Kidston Stage 1 Solar	8.3	10.8	13.1	13.1	13.1

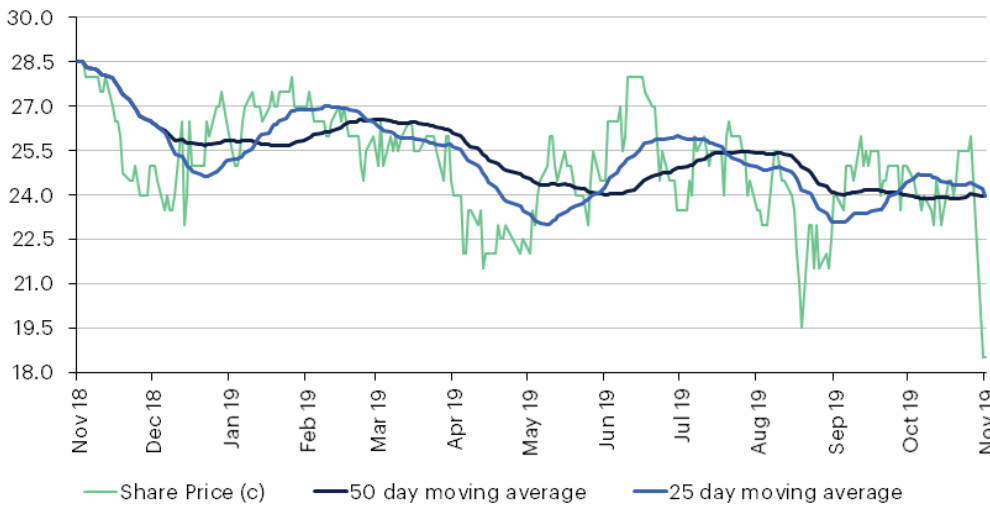
Appendix

Fig.1: Long term momentum indicators



Source: Iress

Fig.2: Short term momentum indicators



Source: Iress

This document has been prepared and issued by:

E.L. & C. Baillieu Limited

ABN 74 006 519 393

Australian Financial Service Licence No. 245421

Participant of ASX Group

Participant of NSX Ltd

Analysts' stock ratings are defined as follows:

Buy: The stock's total return is expected to increase by at least 10-15 percent from the current share price over the next 12 months.

Hold: The stock's total return is expected to trade within a range of \pm 10-15 percent from the current share price over the next 12 months.

Sell: The stock's total return is expected to decrease by at least 10-15 percent from the current share price over the next 12 months.

EL&C Baillieu Analysts' stock ratings distribution as of 11 September 2019:

Buy: 43%

Hold: 49%

Sell: 8%

Disclosure of potential interest and disclaimer:

E.L. & C. Baillieu Limited (EL&C Baillieu) and/or its associates may receive commissions, calculated at normal client rates, from transactions involving securities of the companies mentioned herein and may hold interests in securities of the companies mentioned herein from time to time. Your adviser will earn a commission of up to 55% of any brokerage resulting from any transactions you may undertake as a result of this advice.

When we provide advice to you, it is based on the information you have provided to us about your personal circumstances, financial objectives and needs. If you wish to rely on our advice, it is important that you inform us of any changes to your personal investment needs, objectives and financial circumstances.

If you do not provide us with the relevant information (including updated information) regarding your investment needs, objectives and financial circumstances, our advice may be based on inaccurate information, and you will need to consider whether the advice is suitable to you given your personal investment needs, objectives and financial circumstances. Please do not hesitate to contact our offices if you need to update your information held with us. Please be assured that we keep your information strictly confidential.

No representation, warranty or undertaking is given or made in relation to the accuracy of information contained in this advice, such advice being based solely on public information which has not been verified by EL&C Baillieu.

Save for any statutory liability that cannot be excluded, EL&C Baillieu and its employees and agents shall not be liable (whether in negligence or otherwise) for any error or inaccuracy in, or omission from, this advice or any resulting loss suffered by the recipient or any other person.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

EL&C Baillieu assumes no obligation to update this advice or correct any inaccuracy which may become apparent after it is given.

E.L. & C. Baillieu Limited

ABN 74 006 519 393

Australian Financial Service Licence No. 245421

Participant of ASX Group

Participant of NSX Ltd

www.baillieu.com.au

Melbourne (Head Office)

Address Level 22, 35 Collins Street

Melbourne, VIC 3000 Australia

Postal PO Box 48, Collins Street West

Melbourne, VIC 8007 Australia

Phone +61 3 9602 9222

Facsimile +61 3 9602 2350

Email melbourne@baillieu.com.au

Adelaide Office

Address Ground Floor, 226 Greenhill Road,

Eastwood SA 5063

Postal PO Box 171

Fullarton SA 5063

Phone +61 8 7074 8400

Facsimile +61 8 8362 3942

Email adelaide@baillieu.com.au

Bendigo Office

Address Level 1, 103 Mitchell Street

Bendigo, VIC 3550

Postal PO Box 84

Bendigo, VIC 3552

Phone +61 3 4433 3400

Facsimile +61 3 4433 3430

Email bendigo@baillieu.com.au

Geelong Office

Address 16 Aberdeen Street

Geelong West Vic 3218

Postal PO Box 364

Geelong Vic 3220 Australia

Phone +61 3 5229 4637

Facsimile +61 3 4229 4142

Email geelong@baillieu.com.au

Gold Coast Office

Address Suite 202 Level 2, Eastside Building

6 Waterfront Place, Robina QLD 4226

Phone +61 7 5628 2670

Facsimile +61 7 5677 0258

Email goldcoast@baillieu.com.au

Newcastle Office

Address Level 1, 120 Darby Street

Cooks Hill, NSW 2300 Australia

Postal PO Box 111

The Junction, NSW 2291 Australia

Phone +61 2 4037 3500

Facsimile +61 2 4037 3511

Email newcastle@baillieu.com.au

Perth Office

Address Level 9, 216 St Georges Terrace

Perth WA 6000 Australia

Postal PO Box 7662, Cloisters Square

Perth, WA 6850 Australia

Phone +61 8 6141 9450

Facsimile +61 8 6141 9499

Email perth@baillieu.com.au

Sydney Office

Address Level 40, 259 George Street

Sydney, NSW 2000 Australia

Postal PO Box R1797

Royal Exchange, NSW 1225 Australia

Phone +61 2 9250 8900

Facsimile +61 2 9247 4092

Email sydney@baillieu.com.au