

Quick Comment

Genex Power Ltd (GNX \$0.245) Buy

Analyst	Date	Price Target
Jon Bishop	6 th June 2019	\$0.70/sh

A\$25m Share subscription with J-Power

Key Points

- GNX has signed a share subscription agreement with Electric Power Development Co Ltd (“J-Power”);
- Provides a conditional investment up to A\$25m;
 - Occurs at the higher of the 5-day VWAP or date 5 days following financial close
 - Minimum 15.00% to a maximum 19.99% of GNX enlarged share capital
- Proceeds to be mostly applied to equity funding of K2-Hydro
- Provides for appointment of a J-Power Nominee director
- Agreement is conditional on:
 - Approval at EGM;
 - Execution of a Facility Agreement between K2-Hydro and NAIF, and;
 - Financial close of K2-Hydro before end CY’19
- We view that the J Power investment suggests a good flow of news to follow quickly with confirmation of NAIF and ARENA funding, plus Transmission Line upgrade and Energy Aust offtake agreements;

Investment Thesis

We remain convinced that the Pumped Hydro – as a renewable-energy storage solution – remains the key differentiator for the GNX story. The recent agreement with Energy Australia is an endorsement of this and moves the project towards imminent financial close. We view that the strategic benefit of this infrastructure in a market that is increasingly reliant upon intermittent renewable electricity generation makes GNX an obvious candidate for patient money looking for stable, defensible recurring earnings base with considerable upside potential. Longer term, with astute financial engineering, we view that GNX’s Kidston portfolio will be of increasing attraction to infrastructure funds and/or large utilities. Simply the business offers +80yrs of dispatchable, renewable electricity with a financial structure that boasts low cost, long tenor. We believe that GNX can re-rate in-line with utility style multiples per the major infrastructure and utility players in the market. BUY.

Genex Power Ltd (GNX)

Share Price	0.245	A\$/sh	Enterprise Value	176.5	A\$/m
Price Target	0.70	A\$/sh	Debt	109	A\$/m
Valuation	0.69	A\$/sh	Cash	9	A\$/m
Shares on issue	312.4	m(dil)	Largest Shareholder		
Market Capitalisation	76.5	A\$m	Zhefu Hydropower	11.0	%

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