

# Genex Power Ltd

## (GNX \$0.25) Buy

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**Analyst**  
Jon Bishop

**Date**  
September 2019

**Price Target**  
\$0.70/sh

### Investment Case

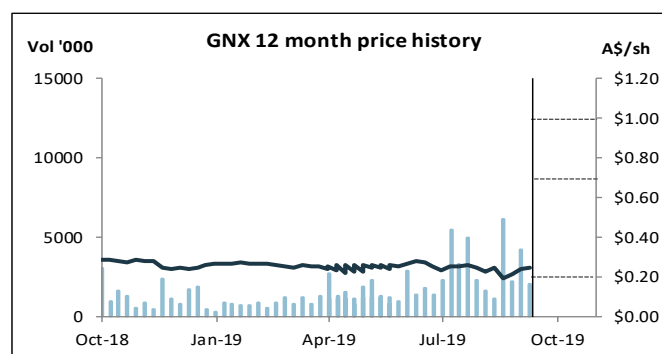
The Qld Govt's commitment to upgrading the transmission infrastructure to link subsequent stages of renewables electricity generation, particularly the Pumped Hydro storage development, is a key enabler to see Stage 2 reach FID later this H. We remain convinced that the Pumped Hydro - as a renewable-energy 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.

### Comments

- GNX is into the final stages ahead of FID this H for the Pumped Hydro Stage 2 development with recent shareholder approval of the \$25m J-Power Subscription Agreement;
- On top of which the Qld Government has just committed \$140m to upgrade the Powerlink Transmission line, supporting the Kidston Stage 2 transmission capacity;
- Near-term catalysts include:
  - Closing of the Jemalong-Kidston Stage 1 refinancing;
  - ARENA Grant for Kidston Pumped Hydro Stage 2;
  - Finalisation of the EnergyAustralia Pumped Hydro equity and offtake agreements;
  - Financial close on both Pumped Hydro and Jemalong projects as a consequence and commencement of development; (Dec H)
  - Power Purchase Agreements/Offtake for Solar Stage 2.
- We validate our Price Target noting fully commissioned EV:EBITDA of 5.0x vs:
  1. Renewable peer multiples are closer to 12x;
  2. Pacific Hydro and Duet transactions capitalised future earnings at 15x

Val/ Sh	CPI									
\$0.70	-4%	-3%	-2%	-1%	0%	1%	2%	3%	4%	
	\$0.640	\$0.656	\$0.671	\$0.686	\$0.70	\$0.716	\$0.731	\$0.746	\$0.761	

### Share Price Performance



### Market Statistics

		Year End 30 June	
<b>Share Price</b>	<b>\$0.25A\$/sh</b>	<b>Directors</b>	
Issued Capital		Dr R Craven	NE Chair
FP Ord*	499.9 m	J Harding	CEO
Opt. (var)	27.8 m	S Kidston	Exec Dir
Perf Rights	m	B Guo	Fin Dir
<b>Total Dil. FPOrd*</b>	<b>499.9 m</b>	A du Mee	NE Dir
		Yongqing Yu	NE Dir
<b>Market Capitalisation</b>	<b>\$125 m</b>	M Addison	NE Dir
Enterprise Value	\$581 m	<b>Shareholders</b>	
Debt**	-\$500	J-Power	19.9%*
Cash*	\$44 m	Zhefu Hydropower	6.0%*
		Board & Mgmt	-13.5%*

\*assumes J-Power Subscription Agreement at 25.5c  
\*\*assumes financial close of Kidston Stage2 Pumped Hydro & Jemalong refinancing

### Our Market Sensitivity

**Valuation: \$0.70/sh**  
**Price Target: \$0.70/sh**

#### Bull Scenario - \$1.00

GNX successfully funds Stage 2 and 3 into development and/or attracts corporate interest per Duet Group and Pacific Hydro.

#### Base Scenario: \$0.70/sh

GNX successfully sources project funding for Stage 2 within the coming months.

#### Bear Scenario: \$0.20/sh

Electricity prices received are below long term projections and/or Stage 2 does not proceed.

### 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.

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RESOURCES QUARTERLY SEPTEMBER 2019

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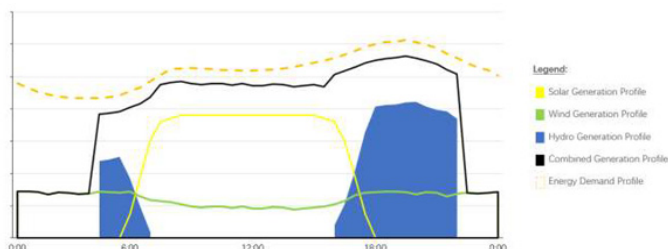
Asset Valuation	A\$m	A\$/sh
Kidston Solar PV (50MW)	163	0.33
Jemalong Solar PV (50MW)	159	0.32
Pumped Storage Hydro (250MW)	310	0.62
Kidston Solar PV (270MW) - risked 50%	143	0.29
LGCs - risked 50%	10	0.02
Corporate	(20)	(0.04)
Tax Credit	40	0.08
Peak Debt and Working Capital	(500)	(1.00)
Cash*	44	0.09
<b>Total</b>	<b>350</b>	<b>0.70</b>

F/Cast Production	2019a	2020f	2021f	2022f
<b>Attrib. Power Generation (GWh)</b>				
Kidston Solar PV (50MW)	145	143	142	151
Jemalong Solar PV (50MW)	-	-	88	145
Kidston Solar PV (270MW)	-	-	-	-
Pumped Storage Hydro (250MW)	-	-	-	-
<b>Total Power (GWh)</b>	<b>145</b>	<b>143</b>	<b>229</b>	<b>296</b>

Assumptions (prices 2019 real esc. at inflation)	2019a	2020f	2021f	2022f
Inflation	1.5%	1.5%	1.5%	1.5%
Guaranteed Price Received (\$/MWh)	88.0	88.0	88.0	88.0
Av NEM Pricing (\$/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)	2019a	2020f	2021f	2022f
CF (A\$m)	0	(3)	8	33
CF / Sh (Ac/sh)	0	(1)	2	6
CF Ratio (x)	249	na	15	4
Earnings (A\$m)	(7)	(7)	1	21
EPS (Ac/sh)	(1)	(1)	0	4
EPS Growth (%)	na	na	na	13
Earnings Ratio (x)	na	na	87	6
E'prise Val. (A\$m)	225	291	438	623
EV : EBITDA (x)	64	19	16	11
EV : EBIT (x)	na	29	20	12
Net Debt / ND+Eq (%)	33%	42%	40%	26%
Interest Cover (x)	0	na	0	2
EBIT Margin (%)	na	1	1	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)	2019a	2020f	2021f	2022f
Energy Sales	13	20	31	67
Deferred Revenue	-	-	-	-
Interest Revenue	1	1	1	1
Other Revenue	2	-	-	-
<b>TOTAL REVENUE</b>	<b>16</b>	<b>21</b>	<b>33</b>	<b>68</b>
Operating Costs	7	1	1	9
Dep/Amort	6	5	5	5
Writeoffs (explor)	-	-	-	-
Corp O/H	5	3	3	3
Provisions	-	-	-	-
EBITDA	4	15	27	55
EBIT	(3)	10	22	50
Interest Expense	5	21	21	21
NPBT	(7)	(10)	2	30
Tax	(0)	(3)	1	9
NPAT	(7)	(7)	1	21
Minority Interest	-	-	-	-
<b>NET PROFIT</b>	<b>(7)</b>	<b>(7)</b>	<b>1</b>	<b>21</b>
<b>Net Abnormal Profit/(Loss) after Tax</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>-</b>
<b>Net Profit After Abnormal</b>	<b>(9)</b>	<b>(7)</b>	<b>1</b>	<b>21</b>

Cash Flow (A\$m)	2019a	2020f	2021f	2022f
+ Net Profit	(9)	(7)	1	21
+ Working Capital Adjustment	3	-	-	-
+ Dep/Amort	6	5	5	5
+ Provisions, W/O	-	-	-	-
+ Tax Expense	(0)	(3)	1	9
- Tax Paid	0	(1)	(1)	2
- Deferred Revenue	-	-	-	-
<b>= Operating Cashflow</b>	<b>0</b>	<b>(3)</b>	<b>8</b>	<b>33</b>
-Capex + Development	0	80	154	211
-Exploration	1	1	1	1
-Assets Purchased	11	-	-	-
+Asset Sales	-	-	-	-
+Other	-	-	-	-
<b>= Investing Cashflow</b>	<b>(12)</b>	<b>(81)</b>	<b>(155)</b>	<b>(212)</b>
+ Equity Issues (Rts,plc,opts)	7	25	-	-
+Loan Drawdown/Receivable	-	500	-	-
+Other	1	-	-	-
-Loan Repayment	1	5	5	5
-Dividends	-	-	-	-
<b>= Financing Cashflow</b>	<b>6</b>	<b>520</b>	<b>(5)</b>	<b>(5)</b>
<b>Period Surplus</b>	<b>(6)</b>	<b>435</b>	<b>(152)</b>	<b>(184)</b>
Adj. FX effects	-	-	-	-
<b>CASH</b>	<b>3</b>	<b>439</b>	<b>287</b>	<b>103</b>

Balance Sheet (A\$m)	2019a	2020f	2021f	2022f
<b>Assets</b>				
Cash	3	439	287	103
Current Receivables	2	2	2	2
Other Current Assets	0	0	0	0
Non-Current Assets	129	204	353	559
<b>Total Assets</b>	<b>135</b>	<b>645</b>	<b>642</b>	<b>664</b>
<b>Liabilities</b>				
Borrowings	109	604	599	594
Current Accounts Payable	2	2	2	2
Non-Current Liabilities	12	12	12	12
Other Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>126</b>	<b>618</b>	<b>613</b>	<b>608</b>
<b>Net Assets</b>	<b>8</b>	<b>27</b>	<b>29</b>	<b>56</b>

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