

Genex Power ^{GNX}

J-Power to take equity stake

Rating*:	BUY	Price Target*:	\$0.45	Analyst:	Luke Macnab
Risk:	High	Share Price:	\$0.27		+61 2 9250 8930
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*Note: Rating and Price Target recorded at pre-announcement levels as detailed in our research report dated 14 May 2019.

- **J-Power to take equity stake:** GNX has signed an agreement with J-Power for them to subscribe to new shares worth up to \$25m and take a 15-20% stake in the enlarged company. The agreement is subject to a number of conditions, including (1) the approval of GNX shareholders, (2) formal agreement on NAIF funding, and (3) financial close on the K2-Hydro project occurring prior to 31 December 2019. The proceeds from J-Power's investment will be applied primarily to the funding of GNX's portion of the equity in the K2-Hydro project.
- **Agreement details:** The investment by J-Power is capped at \$25m, with the equity stake in GNX limited to between 15% and 20% of the company. The subscription price will be the higher of the VWAP over (1) the 5 days leading up to financial close of K2-Hydro, or (2) the 5 days after the financial close of K2-Hydro. J-Power will also appoint a director to the Board of GNX and will be engaged to provide advisory services to the K2-Hydro project.
- **Implications for GNX:** Assuming J-Power makes the full \$25m investment (which we believe is likely), this implies a price range of \$0.32 (for 20%) to \$0.45 (for 15%) per share. Based on our estimates, this would almost certainly cover the equity requirement for both K2-Hydro (which we estimate at \$18-20m) and Jemalong (which we estimate at \$1-5m). With their equity portion now funded, GNX can focus on finalising the financing of for K2-Hydro and Jemalong and moving to the construction phase. In addition, having a strategic investor with global reach and significant expertise in the renewable space may open up additional future opportunities for GNX.
- **Investment view:** GNX is close to reaching financial close on the K2H and Jemalong projects, which will reduce uncertainty and crystallise significant value for shareholders. We believe GNX is well positioned to capitalise on the transition to renewable power generation and the increasing demand for large-scale energy storage in the medium term. BUY maintained.

Disclaimer

The information in this email is to provide an update on the relevant security. There are no changes to the recommendation of the security. You should refer to our published research (where applicable) for further information including financials and valuations.

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