

Quick Comment

Genex Power Ltd (GNX \$0.20) Buy



Analyst	Date	Price Target
Jon Bishop	9 th December 2020	\$0.35/sh

Jemalong 50MW Solar Operational

Key Points

- The Company's second 50MW Solar Project at Jemalong in NSW, has been completed on time and to schedule;
- The Project effectively doubles GNX current business to 267,000MWh of solar energy per annum thereby providing grounds to double revenues;
- Initial sales will be to the National Electricity Market on a merchant basis;
- Revenues from the spot market will be augmented by the sale of the Large Scale Generation Certificates created via operation of Jemalong;
- GNX continues to work towards FID for its Pumped Hydro development at Kidston. We expect finalisation of Operating & Maintenance charge agreement with Powerlink shortly;
- In parallel, GNX is working to realign the outstanding pricing agreements from the major contractors with the implied new development schedule;
- Final negotiations with the preferred equity partner are due to conclude ahead of FID;
- We note that NAIF has already reaffirmed its financial support of the Pumped Hydro Project, extending its Offer of Funding to Jan 31, 2021 and we would expect ARENA to follow suit;
- J-Power's recent commitment to Phase 3 Wind power generation suggests that it remains comfortable the FID will be taken noting that the Wind Project requires the upgraded transmission line (supporting the Hydro development) to be operational;
- The market is already discounting the battery storage projects on our analysis ie Valuation is 19cps ex both battery projects at current Balance Sheet (net debt \$130m or -20cps):

ASSET VALUATION	A\$m	A\$/sh
Kidston Solar PV (50MW)	133	0.21
Jemalong Solar PV (50MW)	80	0.13
Pumped Storage Hydro (250MW) risked 50%	35	0.06
Kidston Solar PV (270MW) - risked 50%	-	-
Como Battery & Kidston Wind	15	0.02
Corporate	(28)	(0.04)
Tax Credit	40	0.06
Debt	(200)	(0.32)
Cash	120	0.19
Total	195	0.31

- Consequently our 31cps Valuation and 35cps Price Target remain unchanged.

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Investment Thesis

Jemalong 50MW Solar has been executed well and provides capacity to double Group earnings from CY'21. The key catalyst for re-rate remains the Pumped Hydro development. FID is slated for end CY. Circumstantially, there remains data points suggesting momentum is being maintained to financial close, though until complete: Never say 'never'. Beyond which, the Project is a key initiative for the State in terms of meeting renewables targets; improving grid stability; and in a COVID impacted world, providing major infrastructure related employment opportunities. The current share price is underwritten by the two solar projects in operation/hearing first generation and the broader portfolio continues to mature with battery based grid stability and market arbitrage opportunities. Buy and 35cps Price Target remain.

Genex Power Ltd (GNX)

Share Price	0.20	A\$/sh	Enterprise Value	233	A\$m
Price Target	0.31	A\$/sh	Debt	193	A\$m
Valuation	0.35	A\$/sh	Cash	62	A\$m
Shares on issue	512	m(dil)	Largest ShareholderBoard&Mgmt	14%	
Market Capitalisation	102	A\$m			

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