

Research Flash

Genex Power (GNX) - SPECULATIVE BUY TP 30cps vs 25cps

What happened:

- Quarterly report flags 2Q capex expected to jump \$8m on commencement of 50MW Jemalong solar project in NSW but financial close has not yet been announced.
- Available cash rose to \$21m following the equity raised in FY19.
- 1Q KS1 revenue (\$2.3m) and generation output (32GWh) was in-line with our seasonal expectations
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The implications:

GNX looks to be more certain on the Jemalong project proceeding by flagging an \$8m spend in the current quarter. The bulk of the capex spend is likely to fall into 2HFY20 with first production in FY21. Jemalong will be funded with new debt and the previous equity raised. The 50MW project will be exposed to merchant prices rather than contracting its output which means higher expected prices in the short term but greater potential for volatility. We estimate that upon completion Jemalong could increase EBITDA by up to \$13m pa but this impact will decline as LGC prices do.

Our view:

It's positive to see GNX is confident that it will soon achieve financial close on Jemalong and commence construction but we don't see this announcement on its own moving the dial much. The bigger issue still remains the K2-H pumped hydro project which is waiting for FID from EnergyAustralia before it can proceed. We remain confident that GNX will achieve financial close in the near future given the timing of the fixed price engineering offers that we understand will expire by the end of the year if not acted on.

We maintain our 30cps target price and SPECULATIVE BUY rating.

Regards,

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