

Genex Power^{GNX}

June quarter sees higher K1S revenue - K2H close approaching

Rating*:	BUY	Price Target*:	\$0.33	Analyst:	Luke Macnab +61 2 9250 8930 lmacnab@baillieu.com.au
Risk:	Speculative	Share Price:	\$0.26		

*Note: Rating and Price Target recorded at pre-announcement levels as detailed in our research report dated 28 February 2020. This may be subject to review or change.

- **K1S revenue higher:** The 50MW K1-Solar (K1S) plant generated electrical output of 28.6GWh and revenue of \$2.9m during the June quarter, up 10% and 23% respectively on the pcp. Results in the pcp were adversely affected by initial teething issues, which were resolved during the second half of CY19. Net operating cash outflows for GNX as a whole were -\$1.5m, with much of the outgoings associated with development costs on K2-Hydro (K2H).
- **K2H financial close next quarter:** Steady progress is being made on the final two major pieces of the financing puzzle for K2H. We estimate that both the SPV equity investment agreement (for a partner up to 50%) and the transmission line agreement (with the Queensland Government) will be finalised over the next 4-6 weeks, with financial close for the project expected to occur by the end of September.
- **Key agreements reached:** The June quarter saw GNX agree final terms and pricing with the contractors responsible for the construction of the K2H project, which is forecast to take 45 months and cost c.\$600m. GNX also received extensions of previous offers from NAIF (debt financing), Powerlink (grid connection and transmission line construction) and AEMO (GPS approval) until 30 September 2020.
- **Jemalong construction on track:** The 50MW Jemalong project remains on track to deliver first cashflows in the December quarter. Construction has been largely unaffected by the COVID-19 situation, either on-site or supply chain-wise. Installation of the steel posts (onto which the mechanised trackers are mounted) is now underway. GNX is also working on a PPA with an as-yet unnamed counterparty to take 50% of the output from the project, with the other 50% to be sold into the spot market.
- **Investment view:** With the K1S and Jemalong projects running smoothly, the primary focus for GNX is on achieving financial close on the K2-Hydro project. The company expects this to occur within the next 6-8 weeks and we believe this will result in a significant uplift in the market value attributed to GNX. BUY maintained.

Disclosure: E.L. & C. Baillieu Limited has acted in a corporate advisory role and raised capital in a placement for GNX, and earned fees in relation to that activity in the past 12 months.

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