

Genex Power Ltd (GNX \$0.19) Buy

Analyst	Date	Price Target
Jon Bishop	30 th /11/20	\$0.35/sh

Kidston Stage 3 Wind Power Development: JV with J-Power

Key Points

- GNX has announced that J-Power will Joint Venture on the Stage 3 Wind development at the Kidston Renewable Energy Hub;
- J-Power will earn up to 50% of the proposed wind development by initially funding \$1.5m to expedite early stage feasibility works including project planning, data collection and monitoring, as well as advancing permitting over the next 2yrs;
- Timing for first construction is notionally from mid CY'22 ahead of connection to the upgraded transmission line, targeting 2023;
- Whilst immaterial from a valuation perspective at this point, it is validation of the potential for a wind development from an industry leader in wind renewable energy generation;
- Moreover it indirectly suggests momentum is being maintained on finalising the Pumped Hydro development, noting the conceptual Stage 3 Wind Farm requires the 275KV transmission line to be in operation;
- This is key outstanding item remaining (O&M Contract finalisation) ahead of 3rd Party finance, JV Equity Partner Agreement and Equity Subscription Agreement (also by J-Power) to enable FID by CY'20 end;
- This is notable given that 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
**assumes Jemalong fully developed		
Total	195	0.31

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

Investment Case

Delays to the timing of FID of the Pumped Hydro Project are frustrating, however, the announcement today should be viewed ultimately as a positive as we believe that this alludes to a nearing of a close to the Pumped Hydro financing processes ahead of FID by end CY'20. We remain attracted to the GNX proposition noting that the mkt has effectively discounted the Pumped Hydro development to \$0. This represents a good option noting that 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/nearing first generation and the broader portfolio continues to mature with battery based grid stability and market arbitrage opportunities. Buy and 35cps Price Target remain.

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Share Price	0.19	A\$/sh
Price Target	0.31	A\$/sh
Valuation	0.35	A\$/sh
Shares on issue	512	m(dil)
Market Capitalisation	95	A\$m

Enterprise Value	225	A\$m
Debt	193	A\$m
Cash	62	A\$m
Largest Shareholder	Zhefu	7%

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