

Research Flash

Genex Power (GNX) – SPECULATIVE BUY, 36cps

Our View

GNX appears to be increasingly confident that formal execution of all outstanding agreements will take place by February 2021. The company has started an early works program ahead of construction which is planned to commence in 3QFY21 subject to financial close. We see financial close on the Kidston Hydro project being the key catalyst for the stock. We note the muted share price reaction to yesterday's announcement and acknowledge there have been some false starts in the past however given the engagement by Powerlink ahead of formal approval and NAIF reconfirming financing approval we are also increasingly confident that the project will go ahead. The agreements are not yet binding however the share price could rally before all formal execution is achieved on every agreement.

We maintain our SPECULATIVE BUY rating and maintain our target price of 36cps (+80% upside on yesterday's close).

Early works activity scope:

- 275kV transmission line to export power to the grid (Powerlink to commence design, project management processes and contractor engagement).
- Renovation of the construction camp.
- Refurbishment of the airstrip (resealing).
- Communications equipment being ordered to support construction infrastructure.

Disclosures

Analyst(s) own shares in the following stock(s) mentioned in this report: GNX

Corporate disclosure: Morgans Corporate Limited was a Participating Broker to the placement of shares in Genex Power Limited and may have received fees in this regard.