

# Research Flash

## Genex Power (GNX) - SPECULATIVE BUY (TP: 25cps)

### What happened:

- GNX signed a new Memorandum Of Understanding (MOU) with J-Power for equity:
  - in GNX under similar terms to the previous arrangement with a cap and a floor on price paid based on VWAP and subject to approval of K2-H.
  - in the K2-H project itself by investing in the Special Purpose Corporation (SPC) which GNX will also invest in and that will be used to fund the project along with the NAIF debt.
- J-Power could also potentially offer operations and maintenance (O&M) services to the K2-H project upon completion.
- J-Power will offer technical services and advice during construction of K2-H.

### Our View:

It's another positive step for GNX in rebuilding the momentum of the K2-H project to proceed towards financial close. We have more work to do on understanding the possibilities of how the project will be structured and it appears that J-Power could potentially take on some of the roles that EA were going to play, e.g. a portion of the equity investments required in the SPC and providing O&M services. Today's announcement should give the market more confidence though that GNX is on track to restructure its offer to EA such that the project could proceed towards financial close in H2 FY20.

We maintain our SPECULATIVE BUY rating and price target of 25cps.

### Disclaimer:

The analyst, or an associate, owns shares in GNX.

Morgans Corporate Limited is a Participating Broker to the placement of shares in Genex Power Limited and may receive fees in this regard.

Regards,

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