

Genex Power ^{GNX}

September quarter update

Rating*:	BUY	Price Target*:	\$0.33	Analyst:	Luke Macnab
Risk:	High	Share Price:	\$0.19		+61 2 9250 8930 lmacnab@baillieu.com.au

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

- **K1-Solar operating smoothly:** The K1S project produced 30.7GWh of electricity during the September quarter, generating revenue of \$2.8m. This compared with 28.6GWh/\$2.9m in the June quarter and 32.3GWh/\$2.3m in the pcp (which was adversely affected by operational issues). GNX also announced that O&M provider UGL will pay \$2.5m related to these operational issues and also end its involvement with KS1. GNX is running a tender process to secure a replacement contractor.
- **K2-Hydro agreements extended:** After announcing a delay in financial close on K2-Hydro into the December quarter, GNX has reiterated that key stakeholders remain committed to the project, including:
 - Queensland Government committing \$132m towards the transmission line;
 - The equity partner at the SPV level being in final negotiations;
 - NAIF extending its \$610m debt funding offer to 31 January 2021;
 - AEMO extending its GPS approval to 31 December 2020;
 - Powerlink extending its Offer to Connect; and
 - Key contractors and other stakeholders also extending their previous commitments.
- **Jemalong on track:** Construction has been largely unaffected by COVID-19 and around 85% of the tasks on the schedule are ongoing or complete. First generation is still expected to occur in the December quarter, with an estimated average of 32GWh of electricity to be produced each quarter.
- **Bouldercombe Battery in early stages:** GNX recently secured access to land adjacent to Powerlink's Bouldercombe substation for its first battery project, initially sized at 50MW/75MWh. GNX has also selected its preferred battery supplier, which is a Tier 1 provider with previous experience in Australia. We estimate a total construction cost of around \$50m and that financial close will occur in mid-CY21, with operations commencing in early CY22.
- **Strong financial position:** GNX has around \$61m of cash on balance sheet, although we understand that a majority of this (around \$40m) is earmarked for the construction of Jemalong. The remainder (around \$20m) is available for GNX operations, including the ongoing development of the K2-Solar and Bouldercombe Battery projects.
- **Investment view:** The continued commitment of all key stakeholders to the K2H project gives us a high degree of confidence that the project will proceed. We continue to believe that the crystallisation of value for GNX shareholders from this remains relatively close (6-10 weeks in our estimation) and will be a significant positive catalyst for the stock. BUY rating maintained.

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