

Genex Power (GNX) – ADD, TP 31cps**Strong results for GNX but offer is a bit cheeky**

GNX reports it has delivered record revenue in FY22 driven by strong solar prices. GNX also delivered positive operating cashflow of \$4m, in-line with our forecast (\$4.1m).

Kidston Hydro is continuing to progress well and activity will soon commence on the Bouldercombe Battery Project (BBP). We continue to see significant value in Kidston Hydro that we think is being heavily discounted by the market because of the uncertainties during construction. We are confident that the financial health of GNX' s contractors is sound and that the project will be delivered on time and on budget.

We think the 23cps offer from Skip looks very opportunistic in that context. Kidston Hydro' s revenues following construction will be well defined and consistent due to the long term offtake agreement with EnergyAustralia. Both the Kidston Solar farm and BBP have downside protection for their revenue streams as well. We think 23cps materially undervalues the company which we expect will rerate towards our 31cps price target as higher risk construction items are completed during FY23.

We maintain our ADD rating and our financial forecasts are under review.

Disclosures

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

Corporate disclosure: Morgans Corporate Limited was Joint Lead Manager to the Placement and Share Purchase Plan of shares in Genex Limited announced to market on 23 February 2022 and received fees in this regard.