

Genex Power Limited Utilities

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Rating
SPECULATIVE BUY

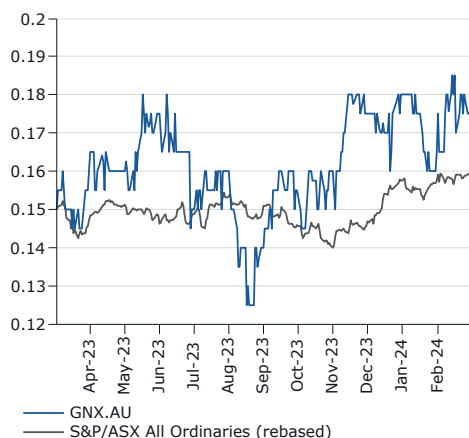
Price Target
A\$0.26

GNX-ASX

Price
A\$0.18

Market Data

52-Week Range (A\$) :	0.12 - 0.19
Avg Daily Vol (000s) :	453.46
Shares Out. (M) :	1,385.2
Market Cap (A\$M) :	256.3
Dividend /Shr (AUc) :	0.00
Dividend Yield (%) :	0.0



Priced as of close of business 1 March 2024

Genex Power Limited is a power generation development company, which focuses on the production and storage of renewable energy. Its projects includes Kidston Solar, Kidston Pumped Hydro and Jemalong Solar.

Back in play, J-POWER bids

GNX has received a non-binding, indicative and conditional proposal (Proposal) from J-POWER to acquire GNX by way of a scheme of arrangement for A\$0.275ps. The Proposal also contains an alternative structure, under which J-POWER will potentially also, concurrently with the Potential Scheme, make an off-market takeover bid for Genex Shares for A\$0.270ps subject to a 50.1% minimum acceptance.

8-10% premium vs. prior SKIP/Stonepeak bid

The dual structure is likely designed to try and accommodate major holder SKIP whom, in conjunction with Stonepeak, previously made a bid for GNX at A\$0.25ps before pulling the bid after a water influx impacted construction of the Main Access Tunnel (MAT).

Consequently, the 46-49% premium to the last closing price and 56-58% premium to the 3-month VWAP appears attractive in light of 1) the de-risking at K2H; 2) commissioning of Bouldercomb; and 3) development p/l progression is an 8-10% premium vs. the previous 2022 bid.

Pumped hydro de-risking has been fast and furious

GNX expects underground excavation and surface works to be fully concluded in Q1 CY24, except for the tailrace excavations into Eldridge Pit. Underground excavation is, by far, the highest risk component of a pumped hydro development. Conclusion of these works will allow for commencement of projects final stage, the underground fit-out works.

With regard to Wises Dam, the 6km embankment is complete and the placement of the HDP liner is 90% complete. The 275kV transmission line from Kidston to Guybal Munyan (Mt Fox), which is being constructed by Powerlink, continues to progress with tower assembly and erection well advanced.

We estimate that the company has ~\$130mn in capex remaining to be spent (incl. capitalised interest, but excl. working capital and commissioning costs).

The project is on track for energisation in 2H CY24 with first revenue by mid-CY25.

J-POWER knows the business well

J-Power first subscribed for GNX shares in Jun-19 (max \$25mn investment as that stage) to support the development of K2H. Since then, it has 1) signed JV agreements around K2W & Bulli; and 2) extended a \$35mn corporate loan to GNX post the water influx event.

GNX board willing to recommend bid

J-POWER has been provided with what we would describe as "soft" exclusivity and the board has indicated that should a binding bid eventuate, it would recommend the transaction to shareholders in the absence of a superior proposal.

We have a SPEC BUY rating and \$0.26 price target.

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: March 03, 2024, 18:28 ET

Date and time of production: March 03, 2024, 18:28 ET

Target Price / Valuation Methodology:

Genex Power Limited - GNX

Our price target is based on a sum-of-the-parts analysis.

Risks to achieving Target Price / Valuation:

Genex Power Limited - GNX

Energy policy risk: Australian energy policy has been extremely politicized over the last decade. Policy changes (both at a federal and state level) have occurred on numerous occasions. While we are hopeful that the NEG can provide the certainty craved by industry this outcome is far from certain.

Regulatory approval risk: Kidston is subject to a number of regulatory approvals which could slow the pace of development.

Pricing risk: Electricity and green credit pricing are historically volatile. While this risk can be mitigated by securing long-term offtake agreements for relevant parts of the project, this could result in lower or higher ultimate returns.

Technology risk: Pumped hydro and solar PV are mature technologies. Future advances in other technologies used to generate, manage and store electricity (e.g., large-scale battery storage) may be more efficient and/or more cost-effective and could adversely impact GNX's finances.

Development risk: the construction of a large development in remote QLD carries both budget and schedule risks. We believe the company will seek to minimise these risks through appropriate contracting strategies.

Operational risk: GNX will be subject to operational risks which are beyond its control. Operations may be curtailed or cancelled as a result of adverse weather conditions, mechanical difficulties, shortages or cost increases of consumables, external services failure (including energy and water supply), IT system failures etc. This risk is partially mitigated by having an experienced management team and using experienced contractors to plan for and manage such events.

Key personnel risk: A number of staff in GNX's management team has significant energy and/or hydroelectric industry experience and expertise. If one or more of these key personnel were to depart, it may be difficult to replace them adequately, in which case there could be an adverse effect on GNX's ability to execute its strategic plans.

Financing risk: GNX will require future financing to pursue its development plans. There is no guarantee that funding will be available on satisfactory terms, which could result in the Kidston Project not proceeding.

Distribution of Ratings:

Global Stock Ratings (as of 03/03/24)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	604	65.58%	22.52%
Hold	134	14.55%	9.70%
Sell	12	1.30%	8.33%
Speculative Buy	160	17.37%	48.12%
	921*	100.0%	

*Total includes stocks that are Under Review

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BUY: The stock is expected to generate returns greater than 10% during the next 12 months.

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*As of January 1, 2024, the Ratings History Chart will reflect the new Canaccord Genuity Ratings System as defined above.

Risk Qualifier

SPECULATIVE: The stock bears significantly above-average risk and volatility. Investments in the stock may result in material loss.

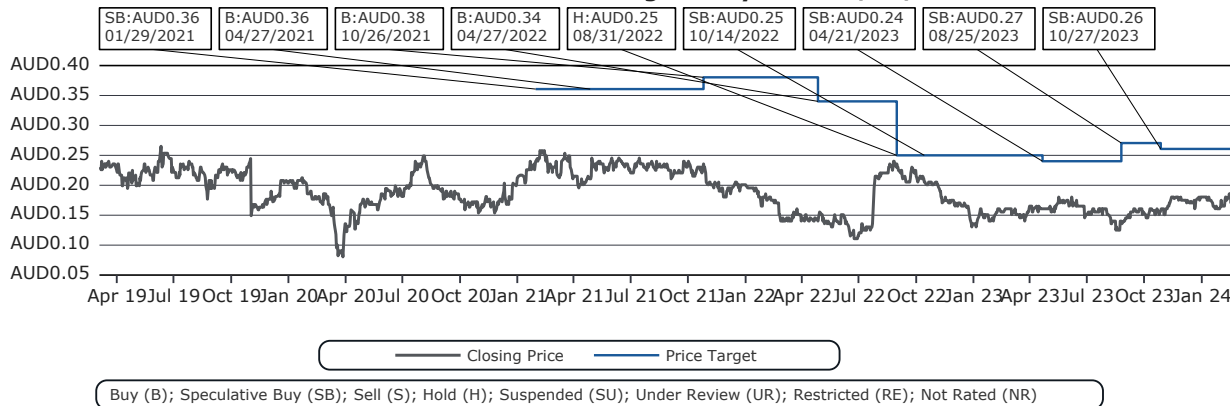
12-Month Recommendation History (as of date same as the Global Stock Ratings table)

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Genex Power Limited Rating History as of 03/01/2024



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