

GNP, HUMELINK SHORTLIST

GNP.ASX | GENUSPLUS GROUP LIMITED | INDUSTRIALS

PRICE
A\$ 0.99

TARGET PRICE
A\$ 1.39
(FROM A\$ 1.39)

RECOMMENDATION
BUY
(FROM BUY)

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Event

- GNP, in a consortium JV, has been placed on the shortlist to tender and deliver the Humelink transmission project for Transgrid.
- In addition, Blue Tongue Energy's contingent consideration has been finalised and acquired Pole Foundations Australia (PFA) has met performance hurdles triggering earn-out.

Impact/initial impressions

- The Humelink transmission project, a new 500kV transmission line in Southern NSW will connect Snowy Hydro's 2.0 expansion to the network as part of a \$10b transmission upgrade.
- This project, and others like it, are massive undertakings and can be considered in the context of the \$20b in equity funding proposed as part of the Governments "Rewiring the Nation" ambitions.
- Genusplus are in JV with ACCIONA and Kalpatura and competing against Downer in JV with Consolidated Power and UGL.
- Why is this important; primarily because of the amount of work that will be required to built (and transmit from) the renewable energy projects required to meet expanding power requirements within a clean energy (coal phase out) agenda.
- If GNP don't win this work, there is plenty more behind it, the associated spend is gathering momentum and in the case of Snowy Hydro, as a "clear and present" source of meaningful additional renewable power the ability to transmit begins to take on a critical path.
- In the meantime GNP has issued 972k in shares pursuant to purchase of Blue Tongue and will pay \$3m to PFA vendors having met 2022 performance hurdles.
- While we see 2023 as flat on 2022 (perhaps at best), the bigger picture available in the GNP investment case is beginning to emerge.

Action

- Buy, PT \$1.39

Catalyst

- Clearly success in winning this contract would be a catalyst.
- If unsuccessful, there will be more behind it
- Ultimately the ability to deliver and make return on these projects is the prize however the opportunity in renewable energy transmission is enormous and until very recently, wasn't easy to quantify.
- Catalyst above \$1.00 perhaps requires a line in the sand around 2023 earnings as there are a number of moving parts playing out; perhaps by the half year results.
- Nonetheless, the Humelink is an enormous prospect for GNP, particularly in terms of credentials.

Genus Plus			
Share Price	0.99	A\$/sh	
Price Target	1.39	A\$/sh	
Valuation (DCF)	1.50	A\$/sh	
WACC	10.0%		
Terminal Growth	3.0%		
Shares on issue	176.7	m	
Market Capitalisation	174.9	A\$m	
Enterprise Value	168.2	A\$m	
Cash	27.9	A\$m	
Debt (exc leases)	21.1	A\$m	
Key Financial Metrics			
	2022A	2023F	2024F
Revenue (A\$m)	450.9	450.5	495.7
EBITDA Norm (A\$m)	35.1	35.0	42.0
EBITNorm (A\$m)	23.2	20.1	26.2
Reported NPAT (A\$m)	13.6	13.3	17.6
Normalised *	15.5	15.8	20.1
Gross Cashflow (A\$m)	18.8	22.0	27.1
Capex (A\$m)	-15.0	-10.0	-10.0
Op. Free Cashflow (A\$m)	-10.9	11.7	12.6
* NPATA			
Revenue Growth (%)	40%	0%	10%
EBITDA Growth (%)	21%	6%	20%
Norm. NPAT Growth (%)	0%	0%	0%
Normalised EPS (Ac)	8.8	8.9	11.4
Norm. EPS growth (%)	-10%	-2%	32%
PER (x)	11.2	11.1	8.7
EV:EBITDA (x)	5.1	4.8	4.0
EV:EBIT (x)	7.2	8.4	6.4
EV:Rev (x)	0.4	0.4	0.3
DPS (Ac)	1.80	2.00	3.00
Dividend Yield (%)	1.8%	2.0%	3.0%

Performance



Source: Euroz Hartleys

Company disclosures

The companies and securities mentioned in this report, include:

GenusPlus Group Limited (GNP.ASX) | Price A\$0.99 | Target price A\$1.39 | Recommendation Buy;

Price, target price and rating as at 12 December 2022 (not covered)*

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