

Beaufort Securities

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Beaufort Securities Breakfast Alert: Ashtead Group, Bezant Resources plc

Today's edition features:

- **Bezant Resources (LON:BZT)**
- **Ashtead Group (LON:AHT)**

"At 12:30hrs today the Chancellor will deliver his first and last spring Budget. Having moved the date for future Budgets to the autumn, he has pledged to minimise tax changes this time round. The economic outlook, however, is anything but dull, having altered quite significantly since Philip Hammond's Autumn Statement last November. Hard on the heels of the influential Paris-based OECD raising its UK GDP growth target to 1.6% for this year, up from 1% in September, Philip Hammond will also raise his own 2017 headline forecast from 1.4% to as much as 2%, albeit heeding warnings from the Office of Budget Responsibility that growth remains vulnerable to a potential squeeze in household finances as and when higher inflation finally emerges. He will also state that Public Finances have improved, with the deficit expected to be around £12bn smaller than previously suggested, although a desire to ensure strict fiscal discipline means he intends to keep his financial war chest full ahead of Article 50 being invoked and so there will be no net giveaways for the electorate to celebrate. Items that he does offer, such as help on business rates, a boost to social care funding or the possible unfreezing of working-age benefits, could be taken back through other adjustments such as on national insurance for the self-employed or even an increase in dividend taxation. Elsewhere, with little on the economic or earnings calendar to steer market direction, many investors remain focused on upcoming global central bank meetings, such as the FOMC (14th & 15th March) and the EBC policy meeting this Thursday (with investors hoping it will help gauge when it will start tapering its EUR2.3 trillion bond-purchase program). US equity indices were all lacklustre, ending down similarly across the board with pharmaceutical stocks under pressure following Trump's latest tweets regarding high drug pricing and the NASDAQ suffering from Snap's second consecutive daily fall. The parent of the popular disappearing-message app Snapchat, which made its stock market debut last week, fell another 11% and although it is still trading above its IPO price of US\$17 has now tumbled over 20% in the last couple of days. Asian equities were cautiously mixed, taking their cue from Wall Street; the Shanghai Composite reversed early gains on poor import/export data, leaving only the Hang Seng amongst the region's principal indices to put in a modest gain; the Nikkei chose to ignore better than forecast Q4 economic growth, instead drifting downward in response to more safe haven buying of the Yen while the ASX trod water. Concerns about France's spring presidential elections along with background clamouring for an early dissolution of the Italian parliament continued to weigh on European shares and worry bond markets. Benchmark 10-year German bund yields fell to 0.322% from 0.345% Monday, while their French counterparts rose to 0.975% from 0.959%. Setting a cautious scene for Mr Hammond later today, the Halifax index of UK House Prices rose in February, albeit slightly below market expectations, while BRC Retail Sales fell, adding to signs that Britons are reining in their spending amid accelerating inflation. Neither the EU nor the UK are due to release any significant macro data today, although the US will provide MBA Mortgage Applications, Unit Labor Costs and Wholesale Inventories. UK corporates due to release earnings or trading updates include Legal & General (LGEN.L), Admiral Group (ADM.L), Foxtons (FOXT.L), Equiniti (EQN.L), Dignity (DTY.L) and Hill & Smith Holdings (HILS.L). Although Theresa May suffered a second defeat in the Lords as a further amendment was added to the Brexit bill, this is expected to be voted down in the Commons next week and so is unlikely to alter the Prime Minister's schedule to trigger Article 50 by the end of this month. Save for any drama amongst reporting companies this morning, London is seen sharing sentiment similar to the overnight markets, with the FTSE-100 expected down around 10 to 15 points in early trading. "

- Barry Gibb, Research Analyst

Markets

Europe

The FTSE-100 finished yesterday's session 0.15% lower at 7,338.99, whilst the FTSE AIM All-Share index lost 0.04% to stand at 915.22. In continental Europe, the CAC-40 finished down 0.35% at 4,955.00 whilst the DAX was 0.06% higher at 11,966.14.

Wall Street

In New York last night, the Dow Jones fell 0.14% to 20,924.76, the S&P-500 lost 0.29% to 2368.39 and the Nasdaq eased 0.26% to stand at 5833.93.

Asia

In Asian markets this morning, the Nikkei 225 had fallen 0.47% to 19,254.03, while the Hang Seng firmed 0.29% to 23,750.36.

Oil

In early trade today, WTI crude was down 0.62% to \$52.81/bbl and Brent was down 0.55% to \$55.61/bbl.

Headlines

Budget 2017: Hammond's 'upbeat' message over Brexit future

Chancellor Philip Hammond will use his first Budget to help prepare Britain for a "new chapter" in its history after Brexit, the Treasury has said. In an "upbeat" speech, he is expected to say the economy has proved resilient since the referendum but admit that many families are "feeling the pinch". Extra money is expected to be found for social care in England and to help firms facing steep business rate rises. A £5m fund will be set up to mark the centenary of female suffrage next year. The Budget, which coincides with International Women's Day, will support projects celebrating the 1918 Representation of the People Act, which gave more than eight million women the vote for the first time and which paved the way for universal suffrage a decade later. With the public finances proving stronger in recent months than expected, and defying forecasts of a post-EU referendum downturn, economists say the chancellor has more room for manoeuvre than he might have expected at the time of last November's Autumn Statement. He has already announced £320m in funding for new free schools and the expansion of existing grammar schools, while the science budget is also expected to be a winner, with funding for electric vehicles, robotics and artificial intelligence.

Source: BBC News

Company news

Bezant Resources (LON:BZT, 1.85p) - Speculative Buy

Bezant has published results of a Scoping Study of its Colombian platinum and gold alluvial project in Choco Province. It confirms the economic potential of an alluvial mining operation with production costs of \$768/oz in year 1, \$716/oz

over 2 years and an average cost of \$693/oz over 5 years. The study was based on a small scale (c.3,500koz platinum and gold) fully commercial processing plant which could be in production within 12 months. Obviously the plan is to build multiple plants across Bezant's large licence area once the first plant has proven to be successful. The Scoping Study was based in recently completed sampling work and historical mining data on one of Bezant's licence areas. This should mean the input data is accurate and these Scoping Study results close to what a real operation will produce.

Our view: This is a very positive RNS which shows Bezant's strategy of introducing a well organised alluvial operation into Choco Province to be viable. Choco is thought to be the place platinum was first discovered and it had been the largest platinum producer pre development of the Bushveld Complex in South Africa. If Bezant can make one small plant a profitable operation, it can then roll out multiple plants and become a significant scale producer. An average production cost of sub \$700/oz is low cost for both platinum and gold (60:40 ratio) and the low capex nature of Bezant's modular approach suits the current mine funding environment. We maintain our Speculative Buy recommendation.

Beaufort Securities acts as Corporate Broker to Bezant Resources

Ashtead Group (LON:AHT, 1,717.67p) - Buy

Ashtead Group, an international equipment rental company with national networks in the US and the UK, yesterday announced its results for the 9 months ended 31 January 2017 ('Q3 FY2017'). During the period, on a statutory and reported basis, revenue advanced by +25.3% to £2,356.2m, pre-tax profit rose +25.6% to £584.5m, leading earnings per share grew by +25.3% to 76.3p, against comparative period (9 months ended-FY2016). At an underlying and reported basis, rental revenue advanced by +29.7% to £2,173.8m, EBITDA rose +29.3% to £1,124.3m, operating profit grew +25.5% to £681.0m and pre-tax profit climbed +25.5% to £604.6m leading earnings per share to improve by +25.2% to 76.3p. Net debt at the period end increased to £2,588m (2016: £2,169m) due to acquisitions and currency impact, while net debt to EBITDA on the other hand reduced to 1.7x (2016: 1.9x) reflecting growth in earnings. Return on investment stood at 18% (2016: 19%). On the operational front, the Group invested £812m of capital in the business (2016: £932m) and in addition, invested £196m on 13 bolt-on acquisitions. Ashtead has also spent £48m to date under the share buyback programme (of up to £200m for FY2017).

Our view: Ashtead delivered a good result for the first 9 months of FY2017. During Q3, the Group demonstrated positive revenue, EBITDA, and earnings per share all ahead of consensus Analysts' estimates. This was helped by strong constant currency growth, with its underlying rental revenue increasing by +13%, pre-tax profit by +9% and earnings per share putting in a similar number, which was then boosted by the translational benefit of weaker Sterling on reported basis. Both the Group's Sunbelt (US and Canada) and A-Plant (UK) divisions performed well with EBITDA for the 9 months up +31.5% and +11.7%, respectively, coming with satisfactory margin improvement in Sunbelt (+1.7%), albeit offset by a -0.9% decline in A-Plant, resulting +0.3% growth overall. Looking ahead, the Group reiterated its full year expectations while the Board stated it remained confident for the medium-term with the anticipation of "double-digit growth" in the US through to 2021. Full year capital expenditure is now expected to be £1.2bn, at upper-end of the previous guidance, while management noted that the FY2018 number is likely to be broadly unchanged. Given maintained full year expectations, medium-term confidence and an encouraging market environment, Beaufort reiterates its Buy rating on the Shares, noting also that US President's proposed US\$1 trillion investment in infrastructure has the potential to create further upside potential for the Ashtead through greater rental activity.

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