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Beaufort Securities Breakfast Alert - Kefi Minerals, CityFibre Infrastructure Holdings, BP, Central Asia Metals, Ferrexpo

The Markets

Market opening: Markets are likely to open lower today. FTSE 100 futures were trading 109.1 points down at 7:00 am.

New York: Wall Street remained closed for the Independence Day holiday.

Asia: Equities are trading sharply lower despite supportive policy measures in China, as Greece voted a 'No' to the bailout deal. The Nikkei 225 shed 2.1%, while the Hang Seng was trading 4.5% down at 7:00 am.

Continental Europe: Markets ended in the red ahead of Greece's referendum due to increased uncertainty over the country's future in the Eurozone. France's CAC 40 and Germany's DAX fell 0.6% and 0.4%, respectively.

Crude Oil: On Friday, Brent Crude Oil prices decreased 2.8% whereas the WTI crude oil did not trade due to a holiday. The spread between the two varieties stood at US\$3.4 per barrel.

UK small caps: The FTSE AIM All-Share index closed 0.35% higher on Friday at 761.31. To read our latest research click [here](#).

Today's breakfast menu:

- Beaufort Securities on Kefi Minerals - Speculative Buy; CityFibre Infrastructure Holdings - Speculative Buy; BP - Buy; Central Asia Metals - Buy; and Ferrexpo - Buy;

- UK services PMI

Today's news

Greece votes 'No' in the referendum

Yesterday, Greece voted a decisive 'No' to reject the reform package from its international creditors. The vote not only heightens the country's confrontation with its lenders but also creates uncertainty over Greece's future membership status in the single-currency bloc.

Osborne finds welfare cuts in budget

The UK's Chancellor George Osborne informed he found welfare savings worth £12bn as part of his plan to balance the current budget by 2017-18. The other savings for the budget are expected to come from reductions in departmental spending (£13bn) and decreasing tax evasion and avoidance (£5bn).

Kefi Minerals (LON:KEFI, 0.88p) - Speculative Buy

On Thursday, Kefi Minerals announced one of company's directors's, Mr. Jeffrey Rayner, has purchased 1 million ordinary shares of 1p each at 0.845p per share on 29th June 2015. Further, 370,000 Shares were purchased by him at

0.84p per share on 30th June 2015 and over 1.2 million shares at 0.845p per share on 1st July 2015. Henceforth, with the purchase of over 2.6 million shares in the past few days, Mr Rayner now holds 14,676,083 shares, representing approximately 0.84% of the company's issued share capital. He also holds 20,333,000 incentive options which have exercise prices ranging from 1.32p to 4p per ordinary share.

Our view: Purchase of more company shares by its director is an encouraging sign and instils confidence that Kefi is headed in the right direction. The company has done exceedingly well in the past few months if the recent quarterly results are anything to go by. Its flagship Tulu Kapi project made material progress towards production and remains on track to start mine construction by the end of this year and gold production by 2017. The support from the Ethiopian government has been encouraging and the completion of the DFS and an advanced stage project financing bodes well for the company. In a short span of two years, Kefi Minerals has managed to enhance its Mineral Resources and Ore Reserves from 200,000 oz and nil respectively to approximately 2 million ounces and 1 million ounces. The company's two major prospects - Tulu Kapi and Jibal Qutman - are expected to commence production over the next two years. Kefi is the operator of these two advanced gold development projects within the highly prospective Arabian-Nubian Shield and expects them to be cash generative in the near term. With the current market capitalisation approximately £14m compared with an NPV of US\$156m at a discount rate of 8% for the Tulu Kapi project, the company seems to be significantly undervalued. We expect a considerable upside in the share prices going forward and therefore reiterate a Speculative Buy on the stock.

Beaufort Securities acts as corporate broker to Kefi Minerals plc

CityFibre Infrastructure Holdings (LON:CFHL 58.0p) - Speculative Buy

On Friday, CityFibre Infrastructure Holdings reported that over 200 local businesses have registered for the company's 'Gig-Up Edinburgh' campaign. These new connections are in addition to the connections committed under CityFibre's anchor tenant agreement with local service provider, Commsworld. The local partner has also signed contracts with a number of new customers, including The Edinburgh International Conference Centre, Apex Hotels and The Law Society of Scotland, to use CityFibre CORE network.

Our view: CityFibre has started its Edinburgh campaign on a positive note as the demand for the ultra-fast connectivity is gathering momentum in the city. The company has been particularly benefited by its partner's ability to expand its presence in the city as is evident from the high customer response to the 'Gig-Up Edinburgh' campaign. Recently, the company reported a similar uptake success of its network services in Peterborough where the company boasted of a market penetration of 3.2% since taking the project to the ground in 2014. Further, the above update indicates that CityFibre remains well on track in progressing towards commercialisation and providing future-proof internet connectivity through its fibre optic infrastructure. The company already has some impressive contracts and national level partners, and joint ventures with UK's leading broadband service providers to cover a large customer base. In addition, the company has also deployed around 20% of fibre network in Kirklees where the company aims to bring the gigabit connectivity by September 2015. The company's strong financial position is likely to facilitate the future growth of the fit-for-purpose local access broadband infrastructure. Thus in view of the above developments, we retain a Speculative Buy on the stock.

BP (LON:BP. 434.40p) - Buy

On Thursday, BP informed that it has reached an agreement for the settlement of all federal and state claims regarding the Deepwater Horizon accident and spill in 2010. BP's US Upstream subsidiary, BP Exploration and Production (BPXP) executed the agreements with the US federal government and five Gulf Coast states. As per the settlement, BPXP would pay a civil penalty of US\$5.5bn under the Clean Water Act (CWA) to the United States and US\$7.1bn to the United States and the five Gulf states over 15 years for Natural Resource Damages (NRD). In addition, the company would also pay a total of US\$4.9bn over 18 years to settle economic and other claims made by the five Gulf Coast states. BPXP will also set aside an additional amount of US\$232m to be added to the NRD interest payment at the end of the payment period to cover any further NRD that are unknown at the time of the agreement. The settlement would bring the company's total obligations to an estimated US\$53.8bn. Further, nearly US\$1bn would be paid to resolve claims made by more than 400 local government entities. The NRD and CWA payments would begin after 12

months from the finalization of the agreement.

Our view: With the repayment of the penalties, the company plans to bring an end to the ongoing legal battle over the oil spill that has impacted the company's reputation and financial well being. The Deepwater Horizon disaster in 2010 had killed 11 rig workers and spewed millions of gallons of crude into the Gulf of Mexico. The historic settlement now limits the company's legal exposure, provides clarity on costs and creates certainty of payment for all parties involved. This would also mark the beginning of a new phase for the company, free of any litigation issues that had been of-late clouding its other endeavours. Moreover, the payments are smoothly spread over a long horizon and may also be tax-deductible in many cases. Thus putting an end to the prolonged legal battle over the Clean Water Act dispute, the company can finally shift focus to its business. Recently, the company beat the profit expectations with surprise profits from Rosneft, that contributes nearly a third of the BP's production and also announced higher dividends despite shrinking cash flows. Hence, in view of the above and the added certainty to the future business, we retain a Buy on the stock.

Central Asia Metals (LON:CAML, 179.0p) - Buy

On Friday, Central Asia Metals provided a production update for the six months ended 30th June 2015 and production guidance for the full year. Copper (Cu) production for the quarter stood at 3,093 tonnes of Cu; for the six month period, production rose 6.9% to 5,444 tonnes of Cu. Sales of Cu for the half year rose 9.5% to 5,120 tonnes. However, in wake of the mechanical incident at Kounrad, the company's production guidance for the fiscal has been downwardly revised to 12,000 tonnes from 13,000 tonnes of Cu. The SX-EW plant now operates at a 45% capacity and its production for the second quarter stood at 3,093 tonnes of cathode Cu while the half yearly production was 5,444 tonnes of cathode Cu, up 6.9% y-o-y. This increase was largely due to the expanded boiler-house capacity at the plant resulting in higher solution volume treatment rates during the winter months. The organic inventory is expected to be replaced by the middle of August and the management expected the overall circuit to be back at design capacity by the beginning of September.

Our view: The first half of the year was quite fruitful to Central Asia Metals as the company did exceedingly well on several counts. The production was up, the expansion of the SX-EW facilities was completed and the costs remained well under control. Barring the incident on 29th June 2015, the Kounrad SX-EW plant has now operated for 38 months achieving an average utilisation rate of 98%. The company acquired the Kounrad project in May 2014 and aims to expand the project's annual production capacity to 15,000 tonnes by 2016. Recently, the company invested an additional US\$3m into Copper Bay Ltd in order to increase its ownership to 75%. In addition, Central Asia Metals enjoys a strong balance sheet with positive cash flows and no debt. Therefore in view of the overall optimism surrounding the company, we recommend a Buy on the stock.

Ferrexpo (LON:FXPO, 64.50p) - Buy

On Friday, Ferrexpo provided a pellet production update for Q2 2015. During the period, total pellet production increased 1.6% y-o-y to 2.9 Mt (million tonnes) led by a 6.4% rise in the production of premium 65% Fe pellets. For the six month ended 30th June, the company reported an 8.3% rise in the total pellet production with a 92.6% surge in the premium 65% Fe pellets. Pellet production from own ore improved 5.6% y-o-y and 100.9% from third party materials.

Our view: Ferrexpo continues to grow strongly and has been in the iron ore pellets business for more than three decades. The company possesses one of the largest iron ore deposits in the world and has global transport and sales operations to provide high quality iron ore pellets to its diversified customer base in the steel industry. In 2014, the company reported a record production of 11 million tonnes of pellets. We expect the company to perform in line with the guidance for this fiscal given its performance in the half year. The company has majority of operations in the Ukraine and benefits from the low cost base and devaluation of the Ukrainian currency. Given the recent fall in the share prices (c. 53% in the past 12 months); we feel the shares are significantly undervalued and therefore retain our Buy rating on the stock.

UK Services PMI

UK Services business activity index rose sharply to 58.5 for the month of June, according to the data released by Markit on Friday. The reading stood at a five-month low of 56.5 during the month of May. The June reading beat the market expectations of 57.5.

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