

Beaufort Securities

08:11 10 May 2017

Beaufort Securities Breakfast Alert: MySQUAR Limited, AFC Energy plc

Today's edition features:

- **MySQUAR Limited (LON:MYSQ)**
- **AFC Energy (LON:AFC)**

"Markets so far have expressed a muted reaction to Trump's shock firing of James Comey, the director of the Federal Bureau of Investigation. Whether this 'Nixonian' moment receives greater scrutiny and criticism during the European and US sessions later today is the question on investors' minds, although Asia markets ended broadly higher Wednesday morning, with local drivers seemingly taking precedence over global geopolitical concerns. Japan's Nikkei Stock Average rose as much as 0.4% before losing almost half of its gains as the US\$ gave back some earlier strength it had been won from hawkish comments from the FOMC's Loretta Mester, while Hong Kong's Hang Seng closed strongly to reach a 21-month high and the ASX reversed early losses to also chalk up a firm close. US trading had ended hours before news of the US Attorney General accepting the President's decision, with trading activity remaining subdued during the session as traders instead looked ahead to the release of key reports on retail sales and producer and consumer prices later this week. Major stock indexes have risen the past few weeks as stronger-than-expected corporate earnings helped offset a steep decline in commodity prices. With over than 87% of S&P 500 firms having now reported their quarterlies, companies are on track to post their highest number of consensus beating revenue and earnings figures in 13 years. What activity there was on Tuesday started with the principal U.S. stock indices edging higher, with advances in technology stocks offsetting losses in the energy sector. By the close, however, only the NASDAQ had held on to a modest gain, as Apple became the first company in market history to break the US\$800bn value by capitalisation, while the two other principal markets closed with fractional losses. US government bonds slipped Tuesday, with the yield on the 10-year U.S. Treasury note rising as high as 2.403%, from 2.376% Monday, before closing at 2.387%. In London yesterday, trading 'ebb and flow' resulted in a reversal of Monday's main movements, as heavyweight miners which have been under pressure from declining commodity prices for the past several days rebounded following Glencore's signing of a significant industry contract with a big Japanese utility company, agreeing to pay almost US\$10/tonne more than the market price to secure supplies of high-grade Australian coal sector. This helped the FTSE-350 Mining sector index recover the 1.6% lost the previous day and helped the FTSE-100 to notch-up a fourth consecutive day of gains, while Microfocus fell on disappointing results and energy suppliers, Centrica and SSE, retrenched on further consideration of an anticipated price-cap to be imposed on residential supplies in the forthcoming Tory manifesto. Both the FTSE-100 and the STOXX 600 still managed to rise convincingly yesterday, the latter being led by rebounds in the CAC40 and Xetra Dax, pausing only in response to the lacklustre tenor coming from Wall Street. There are no significant UK macro events scheduled for today other than the PICS Housing Price Balance due late this evening although the influential quarterly National Institute Economic Review is due to be published, while the only EU release of note will be a speech to be delivered by ECB President, Mario Draghi. The US is due to contribute Import and Export Prices along with its Budget Statement for April, its weekly MBA Mortgage Applications and EIA Crude Oil Stocks Change. The Federal Reserve Bank of Boston's President, Eric Rosengren is also due to make a speech. UK corporates due to publish earnings or trading updates include Barratt Developments (BDEV.L), ITV (ITV.L), Cape (CIU.L), Compass Group (CPG.L), National Express (NEX.L), Renishaw (RSW.L), Talk Talk (TALK.L) and Marshalls (MSLH.L). London will open in a cautious manner this morning, looking over its shoulder for reaction from international markets in response to President Trump's latest surprise action. Trading will also be hindered by media reports that North Korea is preparing today to conduct its sixth nuclear test in just over a

decade. In anticipation, the FTSE-100 is seen down between 10 and 15 points during early trade."

- Barry Gibb, Research Analyst

Markets

Europe

The FTSE-100 finished yesterday's session 0.57% higher at 7,342.21 whilst the FTSE AIM All-Share index was up 0.15% at 968.61. In continental Europe, the CAC-40 finished up 0.28% at 5,398.01 whilst the DAX was 0.43% higher at 12,749.12.

Wall Street

In New York last night, the Dow Jones Industrial Average fell 0.17% to 20,975.78, the S&P 500 slipped 0.10% to 2396.92 and the Nasdaq gained 0.29% to 6120.59.

Asia

In Asian markets this morning, the Nikkei 225 had gained 0.18% to 19,879.38, while the Hang Seng firmed 0.8% to 25,088.27.

Oil

In early trade today, WTI crude was up 0.74% to \$46.22/bbl and Brent was up 0.66% to \$49.05/bbl.

Headlines

Investors 'need bigger say in exec pay'

Investors should be given a bigger say over executive pay to help rebuild trust in business, the Institute of Directors (IoD) has said. The IoD is calling for pay strategies to be rethought, if they are rejected by 30% of shareholders. Remuneration should then be put to a fresh vote, it said. Despite some high profile rebellions in recent months, executive pay is usually approved at annual general meetings, the IoD added. "There is still a pressing need to rebuild public trust in big business, to work in the long-term interests of investors and employees, rather than the short-term interests of managers," said Oliver Parry, head of corporate governance at the IoD. "Now is the time for sensible reforms which increase transparency and draw more engagement from shareholders." At present, shareholders have a binding vote on future remuneration policy once every three years. If the policy is rejected by 51% of shareholders, it must be revisited. The IoD is arguing that threshold should be lowered to 30%.

Source: BBC News

Company news

MySQUAR Limited (LON:MYSQ, 4.08p) - Speculative Buy

The Myanmar-language social media, entertainment and payments platform whose principal activity is to design, develop and commercialise Myanmar-focused internet-based mobile applications, yesterday announced that it has

achieved a milestone in average daily revenue and updated shareholders on recent product launches. The Company reported significant progress toward achieving monetisation targets. Average daily revenue reached US\$5,000 during the first week of May 2017, an increase from an average of approximately US\$3,900 in April 2017. The majority of current daily revenue is generated from gaming and mobile payment application development services. The increase has been achieved due to both the integration with Telenor Myanmar's carrier billing services and recent product releases (such as the casual gaming platform Lucky Wingabar). Revenue generated from premium content in MyChat and other apps is not yet material to the business, but is expected to underpin future growth. On 5 May, the Company released an updated version of its VoIP service, CallHome, which has been expanded to target a larger regional base, including India and Pakistan, for example. By the end of May, the Company expects to release a new hard core game called My Hero - Bo Lattae (as a substitute for WuKong which has been delayed due to unexpected software localisation issues with the game licensor) and an updated version of MyChat that includes a dating feature where users have to pay to chat.

Our view: Momentum is building; opportunities to monetise value-added products through an expanding and loyal customer base are now being realised. May's daily revenue growth validates MySQUAR's business model and anticipate further healthy revenue growth coming from its existing multiple revenue streams as products gain in popularity, familiarity and dependence in conjunction with the release of new products and features that are currently in the pipeline. Indeed, following the same trajectory as its peers in more developed territories, MySQUAR's position as the go-to local-language site for such on-line products and services, suggests revenue-take now has potential to commence a dramatic, almost unstoppable expansion as the Burmese population becomes increasingly dependent on mobile communications and banking/credit card facilities proliferate amid the country's quite dramatic economic expansion. Having raised £2m (gross) last month in order to plug its near-term funding gap, while also closing the Sandabel CLN facility, the Company should be able to finance its future expansion from cash flows and outstanding accounts receivable. Thereafter there should be available headroom on the credit facility provided by Rising Dragon Singapore Pte. Ltd for all reasonable needs. Beaufort considers current activity within MySQUAR, which has been boosted by the recent Telenor agreement, with similar arrangements also potentially being signed with MPT and Ooredoo in coming months, will shortly carry this low-cost operation to profits on a monthly basis. Recent news has already kicked off a significant re-rating of MySQUAR equity although Beaufort considers it still has a long way to go, notwithstanding which a predatory approach offering something like its target price of 21p/share could potentially be forthcoming. Beaufort retains its Speculative Buy rating on MySQUAR.

Beaufort Securities acts as Corporate Broker to MySQUAR Limited plc

AFC Energy (LON:AFC, 12.25p) - Speculative Buy

The industrial fuel cell power company, yesterday announced that it has entered into the German power market following commencement of engineering works at the Covestro Industrial Park Brunsbüttel, owned by the Covestro Deutschland AG ('Covestro'). The engineering work was commenced on the 6 April 2017 and the review is expected to be conducted for several months. This work is led by the Group and will assesses the 1) utilisation of Covestro's hydrogen sources to generate an initial 1MW of power using AFC Energy's alkaline fuel cell systems, 2) potential further expansion of the fuel cell plant into a larger-scale commercial installation and power output therefrom, and 3) integration of the Group's fuel cell system with other innovative third party technologies. AFC Energy's CEO, Adam Bond, commented "...we hope to see this relationship extend over many years and be a catalyst that will drive momentum behind fuel cell deployment not only in Germany, but also the rest of Europe".

Our view: The new partnership with Covestro is in line with the Group's strategy to work with large energy intensive industrial players to utilise surplus industrial grade hydrogen from localised facilities to generate long term, clean power with a resultant reduction in environmental greenhouse emissions. The power generated from Covestro Industrial Park Brunsbüttel would be sold into the local power grid under long term power purchase agreements. This extended the Group's presence in European Power Market, after recently strengthened its partnership with industrie De Nora S.p.A in Italy, expanded its Joint Development Agreement collaboration into Phase 2 following successful Phase 1 completion. Given ongoing progress, Beaufort repeats its Speculative Buy recommendation with a price target of 23p/share.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)1202 770386 action@proactiveinvestors.com

No investment advice

Proactive Investors is a publisher and is not registered with or authorised by the Financial Conduct Authority (FCA). You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior columns and opinions we have published. These references may be selective, may reference only a portion of an column or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.