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BATS has compelling valuation, reckons Jefferies

Fags maker British American Tobacco(LON:BATS) is a 'buy', reckons US house Jefferies today, which says the group's valuation is "compelling".

"Q3 sales beat and firmer pricing duly arrived. BATS chose only to reaffirm FY guidance, but the tone was confident, a mood which persisted into September's Investor Seminar. We don't expect Q4 top line to be as good as Q3, but it should be ahead of H1. Despite this, the shares continue to languish," noted analyst Martin Deboo.

"BATS is now on a 25% discount to PMI and a modest one to IMT. This feels wrong to us," he added.

He has a target price of 4,200p on the shares - a good deal higher than the current price of 3,637p.

Meanwhile, Deutsche Bank has been busy today and produced notes on several stocks, including WH Smith (LON:SMWH) , the stationer's, which it has pushed the target price up on to 1850p from 1700p.

The rating is a repeated 'buy'.

It is less upbeat on cycle and car parts specialist Halfords (LON:HFD) however, which it downgraded to 380p from 425p currently and repeats a 'hold' stance.

It has also given a fairly hefty downgrade to budget High Street retailer Poundland (LON:PLND) , which it moves to 250p from 325p.

German bank Berenberg takes a look at defence manufacturing firm Cobham (LON:COB) and has cut its rating on the shares to 'sell' from 'hold'.

The target price has also been clipped down to 260p from 300p a share previously due to persistent headwinds, a stretched balance sheet and slower than expected working cap.

Following a third quarter trading update and revisiting trends in Cobham's end-markets, notably in marine and aviation, analyst Charlotte Keyworth assumes only 1% organic growth in 2016.

The broker has also cut its full year 2015/16 and 2017 EPS by 2% year-on- year to reflect these persisting headwinds.

Shore Capital looks at supermarket Morrison's (LON:MRW) today, noting that Andrew Higginson has completed the time -consuming rebuild of the non-executive team at the Yorkshire based group.

The house broker welcomes news today of the appointment of Rooney Annand as the senior independent director from the beginning of next year.

"We see the further development of the group board through the appointment of Mr. Anand as another welcome step forward in the re-building of this once, but still aspiring to be, great business."

"Against the backdrop of tough competition, particularly from the limited assortment discounters (LADs) in the UK, deflation, changing consumer behaviour (e.g. lower waste, easing calorific intake and more food consumer outside the

home) and channel shift within grocery, Morrison's is seeking to self-improve and so make the business fit for the future."

Cantor Fitzgerald says Flowgroup (LON:FLOW) has announced that it will prelaunch the Flow Boiler on January 4 next year.

"While this was expected, it is good to see the company's core product back on track. We reiterate our BUY recommendation and target price of 60p," said analyst Adam Forsyth.

The group's micro combined heat and power boiler was delayed when the European Court of Justice ruled against the UK's reduced VAT rate on energy saving products.

Metals miner Rambler (LON: RMM) revealed today it had swung back into profit in its latest quarter as copper grades recovered at its mine in Newfoundland.

Asa Bridle at broker Cantor said: "As previously announced, RMM reported a good operational performance in 1Q/2016 and this has been followed by a solid set of financials which show a significant improvement in cash generation vs. 4Q/2015, despite the continuing decline in the copper price." The broker targets 24p a share.

Shares today were unchanged at 3p each.

Elsewhere, broker Liberum reckons the PureCircle (LON:PURE) stock is worth 600p each compared to a current price of 389p. "The recent share price weakness presents a compelling entry point in our view," it said in a brief note to clients. The group today announced the launch of a new range of ingredients derived from the natural sweetener stevia. Called the Zeta Family, they close the taste gap for low to no calorie applications and are made with steviol glycosides with the most sugar-like taste, including Reb M and Reb D, the company said.

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