

# British American Tobacco PLC

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## Compass and BAT on the menu in coming week

Alongside the political debate that will continue to ramp up with less than three weeks to go before the general election, the corporate news agenda remains fairly full, with companies large and small for investors to peruse.

The tobacco industry is somewhat of a political football across the pond, but British American Tobacco PLC (LON:BATS) received a boost from that direction in the past week.

Potential tighter nicotine regulations were put on the back burner by the US Food and Drug Administration, which analysts said should provide one area of respite for the sector from regulatory pressures, with BAT shares sent higher on the news.

In September, while rival Imperial Brands issued a profit warning, new BAT chief executive Jack Bowles unveiled a plan to streamline management and cut around 2,300 jobs as part of a turnaround plan that includes a target of generating US\$5bn in sales from new category products such as vaping.

Current full year forecasts are targeting sales growth of 3-5% for 2019, as well as any reduction in the firm's US\$50.3bn debt pile that may provide more room for dividend payments.

After vaping rival JUUL halted sales of its mint flavoured e-cigarette earlier this month, analysts at Liberum said it was a positive for the UK tobacco giants "as JUUL has broadly stolen the opportunity for the tobacco companies to bring under 35 year-olds into the profitable tobacco category. As the vapour category becomes less vibrant, we believe there is material scope for tobacco volume declines to improve and for BAT and IMB to win back share of the nicotine category with their own products."

Compass still pointing north?

Market watchers are expecting the world's biggest catering company, Compass Group PLC (LON:CPG), to serve up a treat in its final results on Tuesday.

Shares reached an all-time high in July after the FTSE 100 food services group's third-quarter trading statement showed organic sales were up 8.5% in its largest market, the US.

Full-year organic growth across its regions is expected to come in toward the top end of the company's targeted range of 4% to 6%, and analysts are anticipating a pre-tax profit for the whole year of £1.75bn, up 15% against last year.

Elsewhere, investors will be scanning the statement for any updates on EU Competition Commission approval, which Compass is seeking as it moves to acquire Nordic firm Fazer Foods for €475mln.

Compass spent a total of £470mln on bolt-on acquisitions in the year so far.

On The Beach attempts to surf Thomas Cook wave

**Price:** 3362.5

**Market Cap:** £771.62 m

### 1 Year Share Price Graph



### Share Information

**Code:** BATS

**Listing:** LSE

**52 week High Low**  
3507 34.85

**Sector:** Fashion & brands

**Website:** www.bat.com

### Company Synopsis:

*British American Tobacco is the world's second largest quoted tobacco group by global market share, with brands sold in more than 180 markets.*

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On The Beach PLC (LON:OTB) will show in Wednesday's full-year results how it is doing at grabbing market share since sector-mate Thomas Cook's demise in August.

In October, the online package holiday seller gave a sunny outlook for the year ahead, saying it now had "an unprecedented opportunity to take additional market share at an increased rate", having started to ramp up its marketing investment in its luxury holiday portfolio and its websites.

Others in the sector recently reported beating market expectations but OTB has already announced that trading remained in line with August's scaled-back expectations because of the weakening of sterling against the euro.

It's also worth remembering that the short-term downside from Thomas Cook's liquidation, which landed On The Beach with immediate holiday cancellations since it relied on the travel firm's aircraft for 15% of its overall flight capacity, might still eat into the yearly figures.

"We do not expect detailed guidance on the prospects for the current year; only circa 15% of annual bookings are made before January," noted broker Peel Hunt, instead expecting updates early stages of Classic Package and its relationships with travel agents, as well as long haul and international business.

Topps Tiles shows off home improvements

Topps Tiles PLC (LON:TPT) shareholders will be hoping the company can scrub up better when it publishes full-year results on Tuesday, with a boost from commercial tiling sales expected after the acquisition of Strata in April.

However, the tile maker, which mainly focuses on domestic wall and floor tiles, complained in October that a "tough market backdrop" had contributed to a 1.9% fourth-quarter decline in sales.

Full-year sales are expected to be in the region of £214m versus last year's £214.8m, up 0.6% on a LFL basis

Analysts at Liberum stayed cheerful, saying that the group's entry into the UK commercial tile space "doubles its total addressable market size to over £700m".

Underlying profits are expected to be between £15.5m and £16m, in line with market expectations.

Tuesday's results will also be the company's final period with chief executive Matt Williams at the helm after 20 years, due to step down on Friday to be replaced by the current chief financial officer, Rob Parker.

Has Pets at Home kept customers on a leash?

Pets at Home Group PLC (LON:PETS) has seen sales rising driven by the decision to slash prices in the face of online competition, albeit sacrificing margins.

The retailer has also been transforming its stores into full pet care destinations, rather than just shops, to make the most of each customer coming through the door who would not get the same service online.

The interim results out on Tuesday should prove investors the momentum has not stopped and there is room for profits to grow.

Marston's beer sales may be diluted by rain

On Wednesday, Marston's PLC (LON:MARS) is publishing final results which should not surprise investors following the detailed trading update published last month.

Some growth in Christmas bookings could be served up, as well as news on plans to reduce debt by £55m annually.

Like-for-like sales may be held back by October's cold, wet weather and ongoing weakness of the eating out market, considering half of its pub profits are from food-led venues.

"We expect the wet-led Taverns estate to continue to outperform the food-led Destination & Premium estate, with pub profits being almost equally split between the two estates," said analysts at Peel Hunt.

The broker's 2020 forecasts assume LFL sales rise 1.7%, assisted by extra investment in pub training, pub team incentives and digital marketing, with a forecast for 3% EBITDA growth and 8% net debt reduction.

LondonMetric measures the value of new subsidiary

LondonMetric Property PLC's (LON:LMP) interims out on Wednesday will include the first financial results since the £415mIn acquisition of A & J Mucklow Group earlier this year.

The FTSE 250-listed property developer is expected to have extracted value from the new subsidiary, which analysts describe as "well-managed".

Consensus adjusted profit before tax is £71mIn with net asset value of 181.7p.

Who needs friends when you have Amigos like this?

Amigo Holdings PLC (LON:AMGO) shares have lost three quarters of their value over the past 12 months.

Ahead of the guarantor loans provider's half-year results on Thursday, 61% shareholder Richmond Group has made it clear he intends to play a more active role, proposing the appointment of a non-executive director of the company.

This "suggests that the situation has changed", says broker Shore Capital.

"It is possible that this could be a precursor to corporate action and we wonder whether Richmond may be wanting closer involvement with the group ahead of potentially taking the Company private again or seeking a third-party buyer.

"However, the latter may be difficult to achieve, in our view, given ongoing regulatory uncertainty facing the guarantor lending sector where Amigo is the clear market leader."

The ShoreCap analysts said they "would not be surprised" to see the interim results accompanied by another profit warning "given difficult trading conditions and potentially increasing consumer complaints".

Go-Ahead make my day

A trading update from Go-Ahead Group PLC (LON:GOG) on the period since the end of June should keep the show on the road.

At final results in September the bus and rail group said its Southeastern UK rail franchise's profitability will be lower year on year but GTR (Govia Thameslink Railway) is expected to generate a "modest" profit margin.

No new news on franchises is expected in this update, but rather it should show a continuation of the solid trading trends.

"We expect that full year expectations will remain unchanged, that London Bus will continue to deliver strong quality incentive contract (QIC) income, regional bus will continue to deliver passenger and revenue growth, and that Southeastern and GTR are performing well," said broker Peel Hunt.

London Bus should deliver a slight increase in mileage and peak vehicle requirement, while regional bus should deliver LFL revenue growth and there should be an update on the German rail franchises that began in June and are due to expand in December.

Codemasters aims to retain pole position

Having reported a 0.2% revenue rise to £39.8mIn revenue rise for its half-year in a trading update in October, video game developer Codemasters Group Holdings PLC (LON:CDM) will be expected to shoot off more positive news in its full interim results on Tuesday.

Instead, all eyes will be on the performance of the company's latest Formula 1 racing game, which was released in June, as well as the potential impact of the crucial Black Friday and Christmas periods.

Investors will also be hoping for information on the performance of the group's new GRID racing game, which hit the shelves on 4 October.

#### Reaching out

A Friday trading update from Mirror and Express newspapers owner Reach PLC (LON:RCH) "should be interesting", say Peel Hunt analysts.

Over and above the usual issues about the performance of the advertising market and cost cutting, the "real story" is whether the group is interested another potential deal.

On Tuesday, Johnston Press, the owner of the i newspaper and The Scotsman, called in the administrators and will be taken over by its lenders after a formal sale process received no offers of "sufficient value".

There has been speculation that Reach was one of those involved in the auction, which the company pretty much confirmed.

"Such deals facilitate the cost management process more than delivering top line growth. Previous deals have not transformed the perception of the group. Repeating the process and hoping for a different outcome is the definition of something, I believe," opined Peel Hunt's Malcolm Morgan in a note.

Significant announcements expected for week ending November 29:

Monday November 25:

Finals: Cerillion PLC (LON:CER)

Interims: Cake Box Holdings PLC (LON:CBOX), D4t4 Solutions PLC (LON:D4T4), Sirius Real Estate Limited (LON:SRE), Sysgroup PLC (LON:SYS)

Trading announcement: Restaurant Group PLC (LON:RTN)

Economic data: BBA Mortgage Lending Figures, CBI Distributive Trades Surveys

Tuesday November 26:

Finals: Compass Group PLC (LON:CPG), Greencore Group PLC (LON:GNC), Paragon Banking Group PLC (LON:PAG), Shaftesbury PLC (LON:SHB), Topps Tiles PLC (LON:TPT), Ten Lifestyle Group PLC (LON:TENG), Treatt PLC (LON:TET), UDG Healthcare PLC (LON:UDG) ,

Interims: Augmentum Fintech Plc (LON:AUGM), Caledonia Investments PLC (LON:CLDN), Codemasters Group Holdings PLC (LON:CDM), Cranswick plc (LON:CWK), De La Rue PLC (LON:DLAR), Draper Esprit PLC (LON:GROW), GB Group PLC (LON:GBG), IG Design Group PLC (LON:IGR), Imimobile PLC (LON:IMO), LXI REIT (LON:LXI), Pennon Group PLC (LON:PNN), Pets at Home Group PLC (LON:PETS), Schroder Real Estate Investment Trust (LON:SREI), Victoria PLC (LON:VCP)

Trading announcements: Intertek Group PLC (LON:ITRK)

Economic data: US Consumer confidence, US house price index, US new home sales

Wednesday November 27:

Finals: AB Dynamics PLC (LON:ABDP), Brewin Dolphin (LON:BRW), Britvic PLC (LON:BVIC), Grainger PLC (LON:GRI), Marston's PLC (LON:MARS), On The Beach Group PLC (LON:OTB),

Interims: Iomart Group PLC (LON:IOM), LondonMetric Property PLC (LON:LMP), Sosandar PLC (LON:SOS)

Trading update: Softcat PLC (LON:SCT), British American Tobacco PLC (LON:BATS)

Economic data: US GDP, US personal incomes, US personal expenditure, US jobless claims

Thursday November 28:

Finals: Premier Miton Group PLC (LON:PMI), Urban&Civic PLC (LON:UANC), Virgin Money UK PLC (LON:VMUK)

Interims: OPG Power Ventures PLC (LON:OPG), Amigo Holdings PLC (LON:AMGO), DiscoverIE Group PLC (LON:DSCV), The Ince Group PLC (LON:INCE), Motorpoint Group PLC (LON:MOTR), Redcentric PLC (LON:RCN)

Third-quarter results: Go-Ahead Group (LON:GOG), Jadestone Energy Inc (LON:JSE)

Ex-dividends to knock 8 points off FTSE 100 index: International Consolidated Airlines Group SA (LON:IAG), Johnson Matthey PLC (LON:JMAT), JD Sports Fashion PLC (LON:JD.), National Grid PLC (LON:NG.), Vodafone Group plc (LON:VOD), Land Securities Group PLC (LON:LAND), Severn Trent PLC (LON:SVT),

Economic data: UK house price index

Friday November 29:

Trading announcements: McColl's Retail Group PLC (LON:MCLS), Reach PLC (LON:RCH)

Economic data: GfK UK consumer confidence, UK mortgage approvals

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