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## UBS upgrades Micro Focus, eyes spin-out of Linux unit

UBS eyed a possible spin-off of Micro Focus's (LON:MCRO) open-source and Linux arm SUSE as it upgraded the FTSE 250 technology company to 'buy' from 'neutral'.

The upgrade comes ahead of an analyst day at the SUSE base in Germany next week, and UBS analyst Michael Briest highlights that more info about the unit's profitability could also come in December when group financial results are released.

"SUSE's high growth profile is somewhat at odds with the rest of Micro Focus and management has indicated that if it doesn't believe SUSE's value is adequately reflected in its share price, a sale or spin-off will be considered," the analyst said in a note.

He added that the fact SUSE is being run on a standalone basis adds weight to the comments from management.

Elsewhere, Jefferies has upgraded APR Energy (LON:APR) to 'hold' from 'underperform' as analyst Will Kirkness acknowledged that a proposed buy-out by existing investors, priced at 175p per share, was "some way" better than expectations.

Credit Suisse was the latest City broker to downgrade publisher Pearson (LON:PERSON) following its recent disappointing financial results.

"Whilst we continue to see the potential for longer term upside for the group as it makes the digital migration, we believe these results demonstrate that it is no longer possible to have any meaningful conviction in the group's short-medium term trading and as such we no longer believe its assets deserve a premium to its more stable professional publishing peers," analyst Joseph Barnet-Lamb said in a note.

The Swiss bank now rates Pearson as 'neutral', down from 'outperform', and the price target drops sharply to 970p from 1455p.

Movie and TV distributor Entertainment One (LON:ETO) was cut by Peel Hunt to 'hold' from 'buy'.

Meanwhile, Liberum Capital downgraded builders supplier SIG (LON:SHI) to 'hold' from 'buy'. It marks a rather quick re-think from the broker.

"We moved SIG to BUY in August having been cautious for over 7 years," analyst Charlie Campbell said in a note.

"Within three months, the positive investment case has disintegrated as sales fall in Europe and margin progress has stopped."

Liberum's target price comes down to 135p from 220p.

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