

'PAS' Performance Analysis Score



PAS has the amazing record of having indicated all 20 LSE fully-listed bankruptcies since 2010

September 2018

Equity Development's parent company, NGR Capital (NGRC), is delighted to announce that it has secured the license to use and to develop Performance Analysis Score (PAS) from Professor Richard Taffler.

The PAS system has the amazing record of having indicated all of the 20 LSE fully-listed failures since 2010.

As an introductory offer, NGRC will send the PAS charts for three UK quoted companies that score materially below the PAS financial strength measurement threshold to those interested who register by sending their name to info@ngrcapitaltd.com

NGR stands for 'Next Generation Research' and NGRC plans to develop a range of enhanced or new company research tools across a wide range of markets with Professor Taffler and Dr. Agarwal, who will join the NGRC Board.

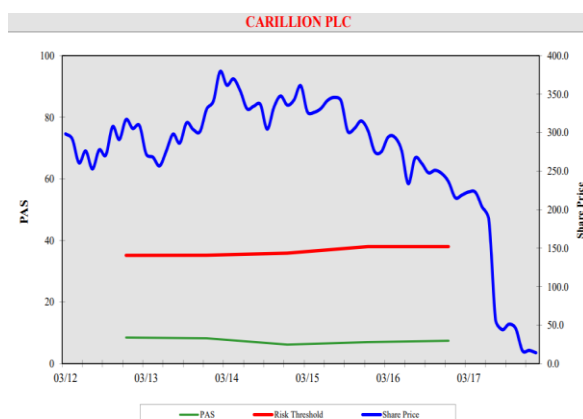
The PAS is an indicator of a company's financial strength. Its most attractive characteristic is that it produces graphics, the significance of which can be instantly absorbed - as can be seen from the following charts for Carillon and Conviviality.

On the charts, **Red** represents the average 'solvency threshold' for the company. **Green** is the PAS. **Blue** is the superimposed share price. As a rule of thumb, we say 'Green above blue may be time to accrue. Red above green, may be time to go lean.'

A company's share price is strongly inclined to rise or fall over time to meet the company's financial strength as indicated by the PAS. Companies where the PAS is below the financial strength threshold for a year are rated as 'at risk' by PAS.

Examples

We hear tell of a single bank that lost £100m when **Carillion** collapsed and our hearts go out to its employees, sub-contractors and shareholders whose equity was wiped out, as also happened at **Conviviality**. PAS' warning signals were all too apparent, as their charts show:

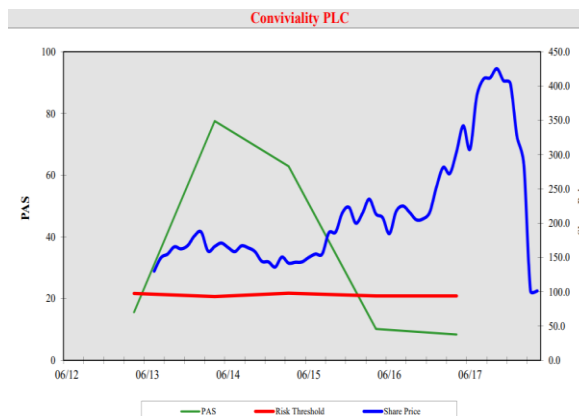


What is PAS?

Performance Analysis Score is a proven tool for money managers who look to exploit market ignorance of underlying company financials when making major investment decisions.

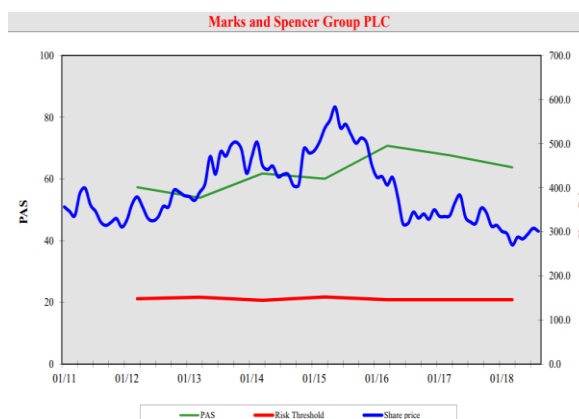
Moreover, it generates warnings when financial risk is not being adequately reflected in share prices. This can help investors to avoid owning companies that sink into trouble or help them to identify "short-selling" opportunities, something which conventional equity research fails to do.

Chris Wickham
0207 065 2690
chris@equitydevelopment.co.uk



'Green above blue may be time to accrue'

The PAS also indicates potentially undervalued companies where assumed risk appears too high, such as **Marks & Spencer** and **Premier Foods** - see charts below. 'Indicates' is an important word and we have supported the charts with 'fundamental' analysis from our own leading sector analyst Chris Wickham and award-winning commentator Paul Scott.



Marks & Spencer (MKS) is one of Paul's core positions because of:

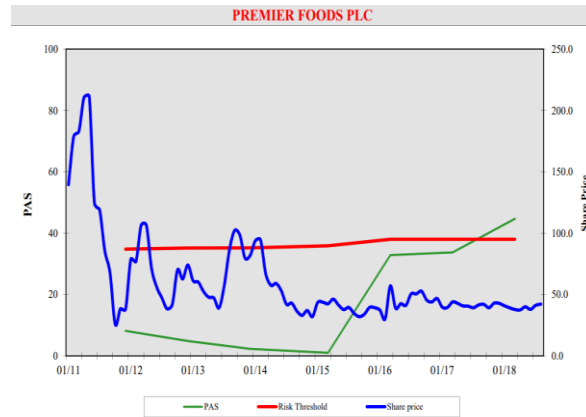
Turnaround - previous management have talked about turnaround, but not bitten the bullet on store closures. Archie Norman (with a proven track record of rescues under his belt) has announced 100 MKS stores to close. This should increase profitability, and free up capital.

Freeholds - many MKS stores are freeholds, which increases profitability compared with leases, and gives more flexibility. So MKS doesn't have much of a problem with exiting problem leases (as do many others, e.g. House of Fraser and Debenhams)

Cashflow - this is the most remarkable part of MKS's accounts. Despite all the well-known problems, it remains an absolute cash-cow.

Bid target? - MKS is probably the best brand on the High Street. Certainly the best food brand. Amazon has already bought Whole Foods in the USA, a premium food retailer. I imagine MKS could be attractive to them as a takeover target - buy it, and sort out its logistics.

Scale - the most recent statement says that c.20% of business has transferred to existing stores. So that increases benefit of closures. Sad though it is.



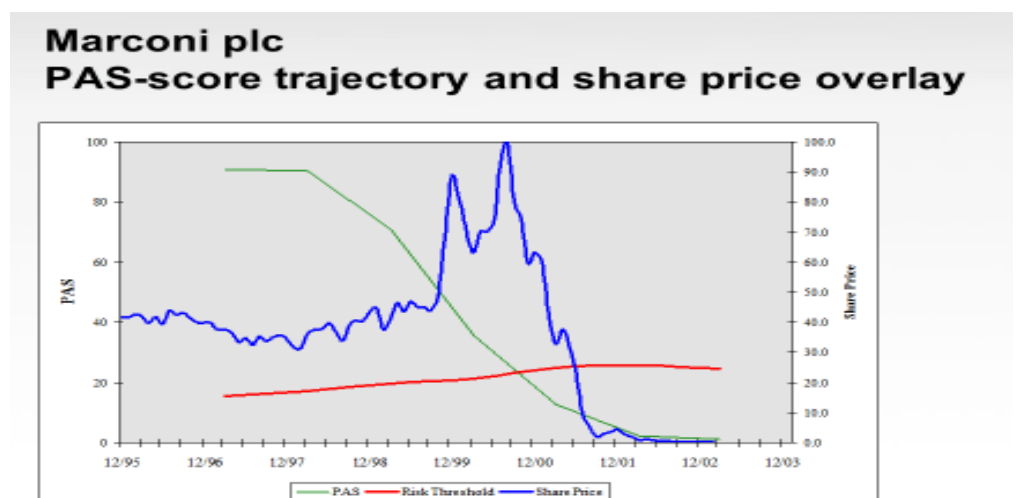
Chris sees **Premier Foods** as a classic example of a listed company where PAS should add significant value to a stock picker. The company's reputation of being a "good food company attached to a bad bank" plays to PAS's strengths. PAS isolates any debate about the efficacy of the company's brands and the UK food industry as a whole from its financial position.

Premier Foods has well-documented challenges related to its historic pension fund liabilities and substantial debt. It has been successful in reducing its stated pension deficit while some debt reduction was facilitated by a past share issue. As a result, it is less of a "bad bank" than it was in the past.

The PAS score suggests that the market is yet to recognise Premier Foods' underlying gains in financial strength. A score of close to zero three years ago is now up over 40. However, the share price did not appreciate in that period, which should interest potential investors.

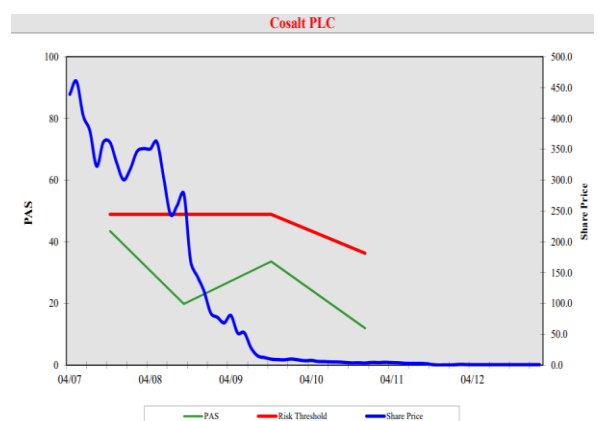
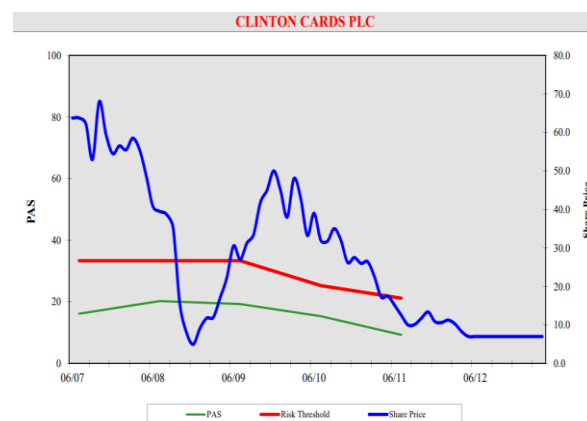
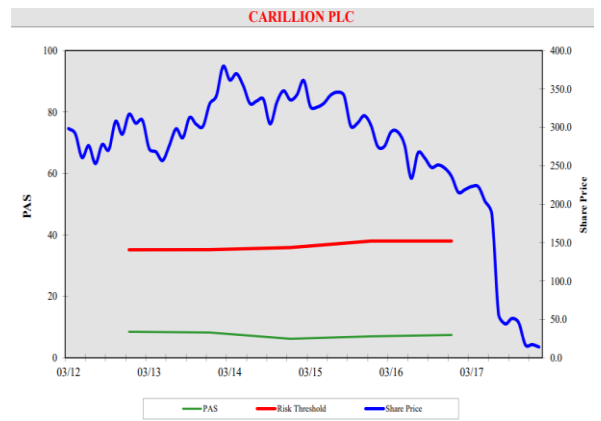
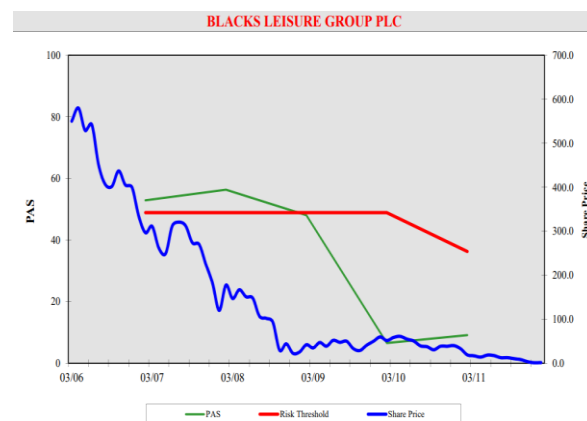
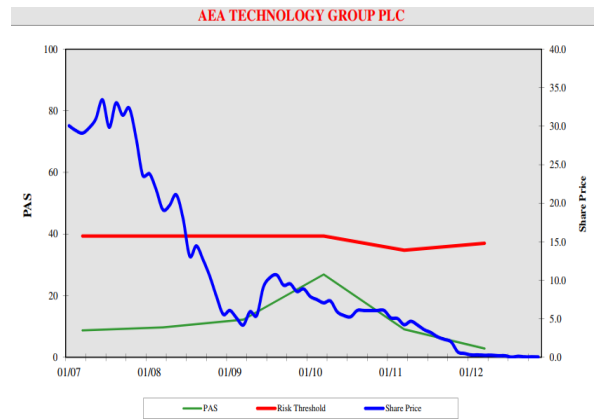
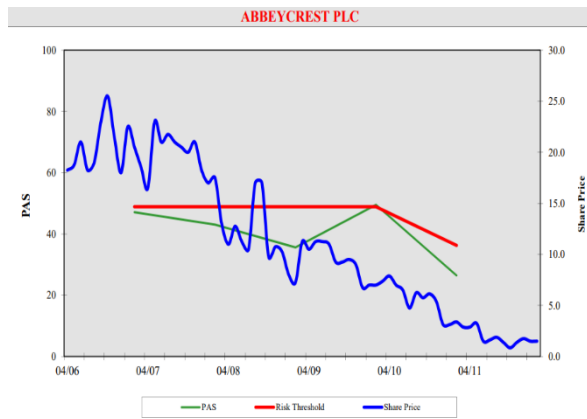
PAS is a proven system

Indeed, go back to the turn of the century and one of the largest and most catastrophic bankruptcies that the UK has seen occurred: **GEC - Marconi**, representing 6% of the entire UK market at its peak. All the PAS warning signs were saying 'beware' as cash reserves were spent, and debt taken on for deals. The fact that the Marconi share price continued to rise as the financial strength plunged seems to show the dominance of the prospective price earnings ratio as a measure of a share's value and illustrates the danger of over-reliance upon it.

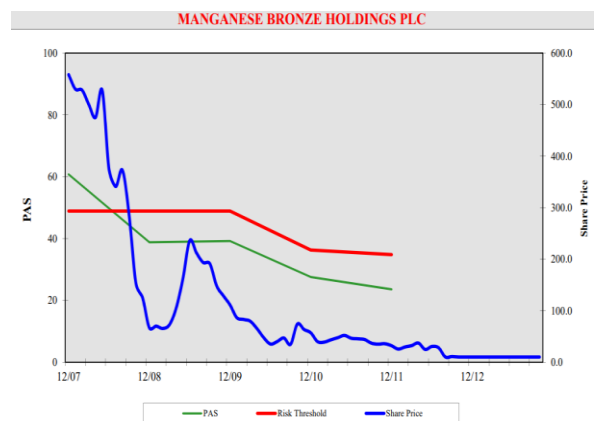
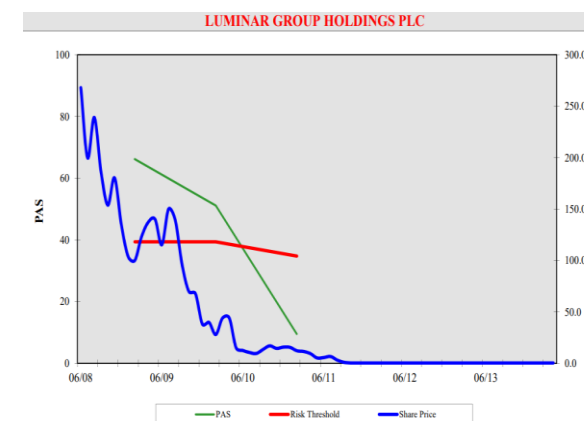
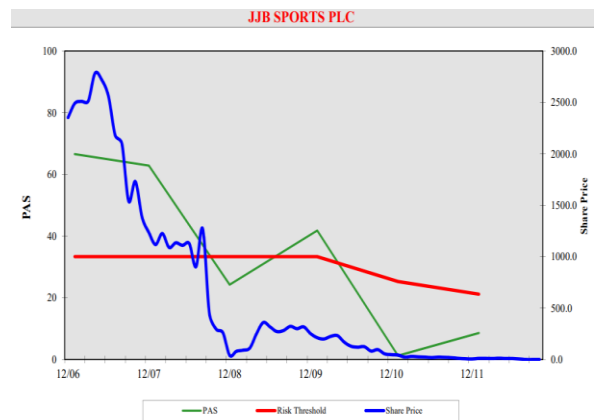
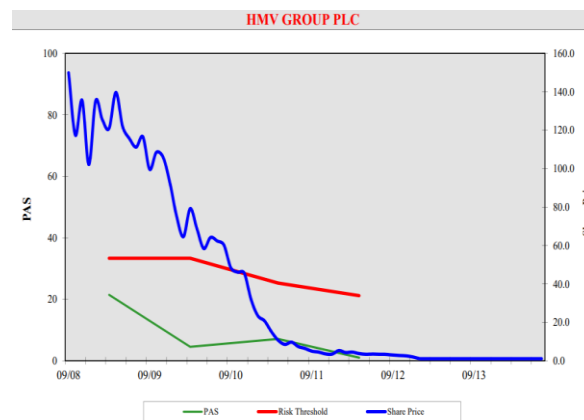
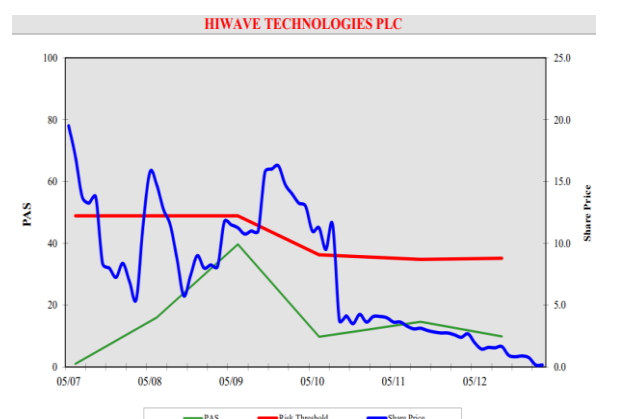
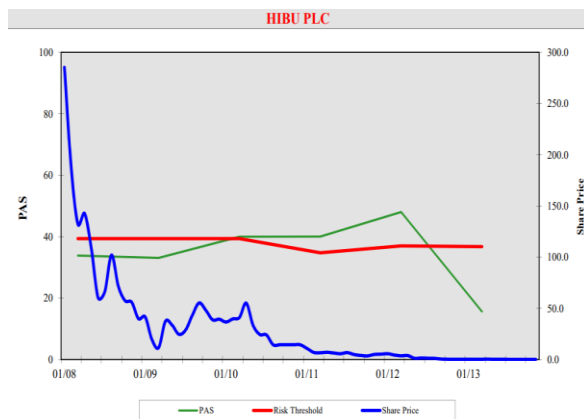
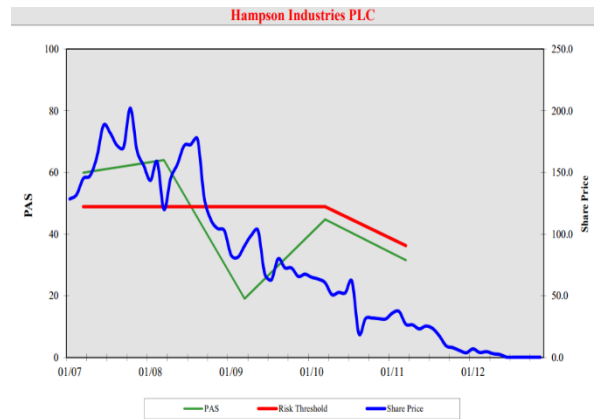
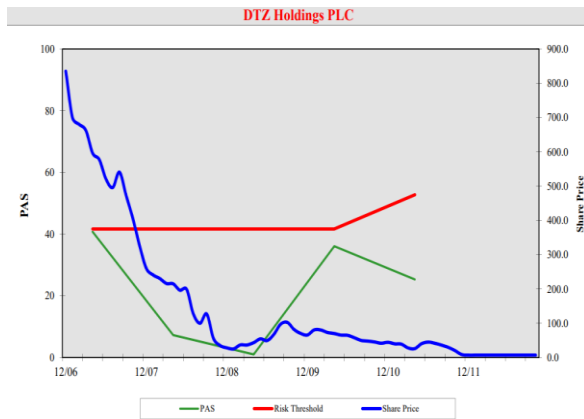


APPENDIX

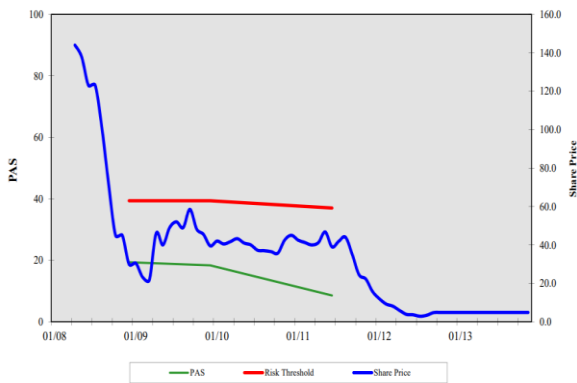
LSE fully-listed corporate bankruptcies 2010-2018



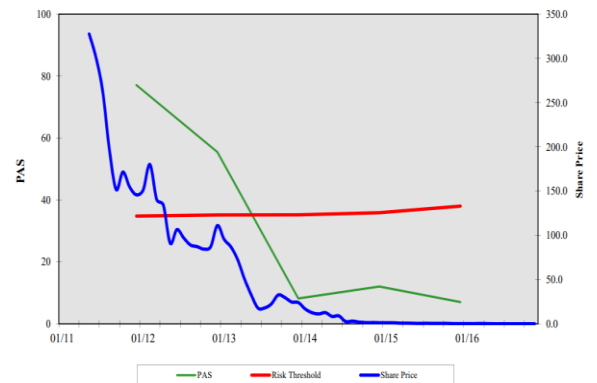
d



MWB GROUP HOLDINGS PLC



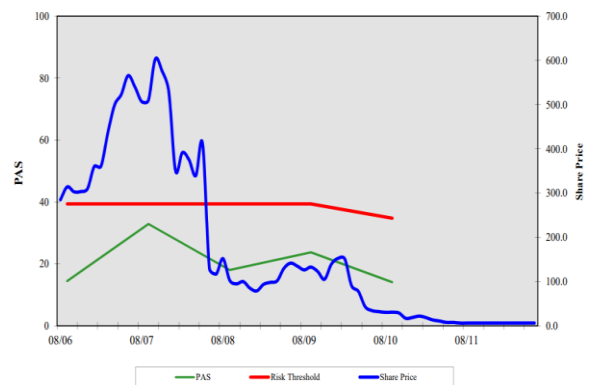
NEW WORLD RESOURCES PLC



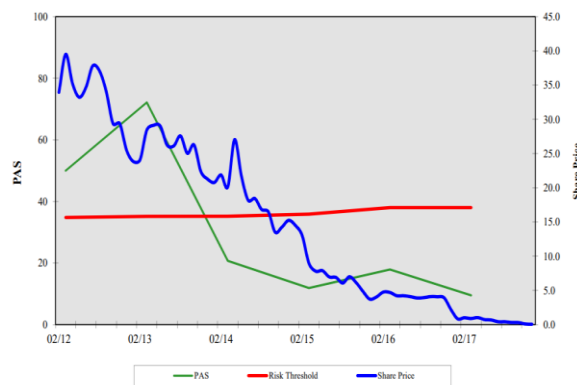
RSM TENON GROUP PLC



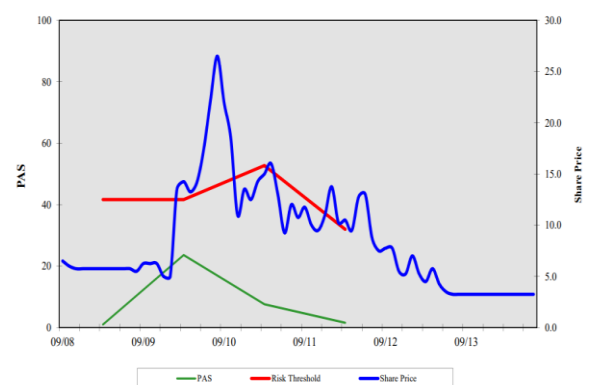
SOUTHERN CROSS HEALTHCARE GROUP PLC



TOROTRAK PLC



WORTHINGTON GROUP PLC





CEO

Andy Edmond

Direct: 0207 065 2691
Tel: 0207 065 2690
andy@equitydevelopment.co.uk

Investor Access

Hannah Crowe

Direct: 0207 065 2692
Tel: 0207 065 2690
hannah@equitydevelopment.co.uk

Felix Grant-Rennick

Direct: 0207 065 2697
Tel: 0207 065 2690
felix@equitydevelopment.co.uk

Equity Development Limited is regulated by the Financial Conduct Authority

Equity Development Limited ('ED') is retained to act as financial adviser for various clients, some or all of whom may now or in the future have an interest in the contents of this document and/or in the Company. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but make no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any person who is not a relevant person under this section should not act or rely on this document or any of its contents. Research on its client companies produced and distributed by ED is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent, as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

This report is being provided to relevant persons by ED to provide background information about the subject matter of the note. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Self certification by investors can be completed free of charge at www.fisma.org

ED may in the future provide, or may have in the past provided, investment banking services to the Company. ED, its Directors or persons connected may have in the future, or have had in the past, a material investment in the Company.

More information is available on our website

www.equitydevelopment.co.uk

Equity Development, 15 Eldon Street, London, EC2M 7LD. Contact: info@equitydevelopment.co.uk 0207 065 2690