

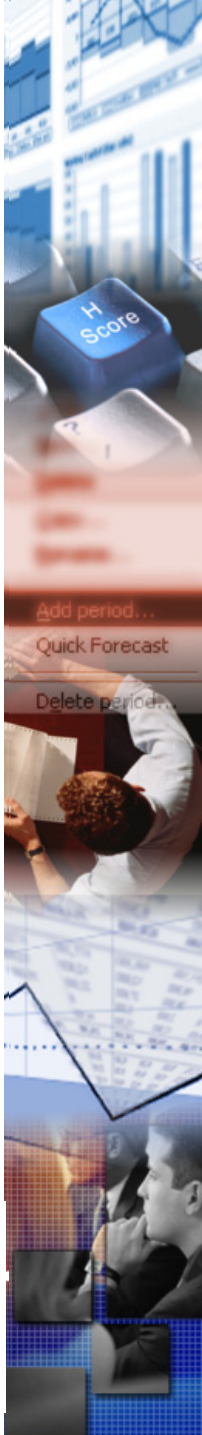


Company

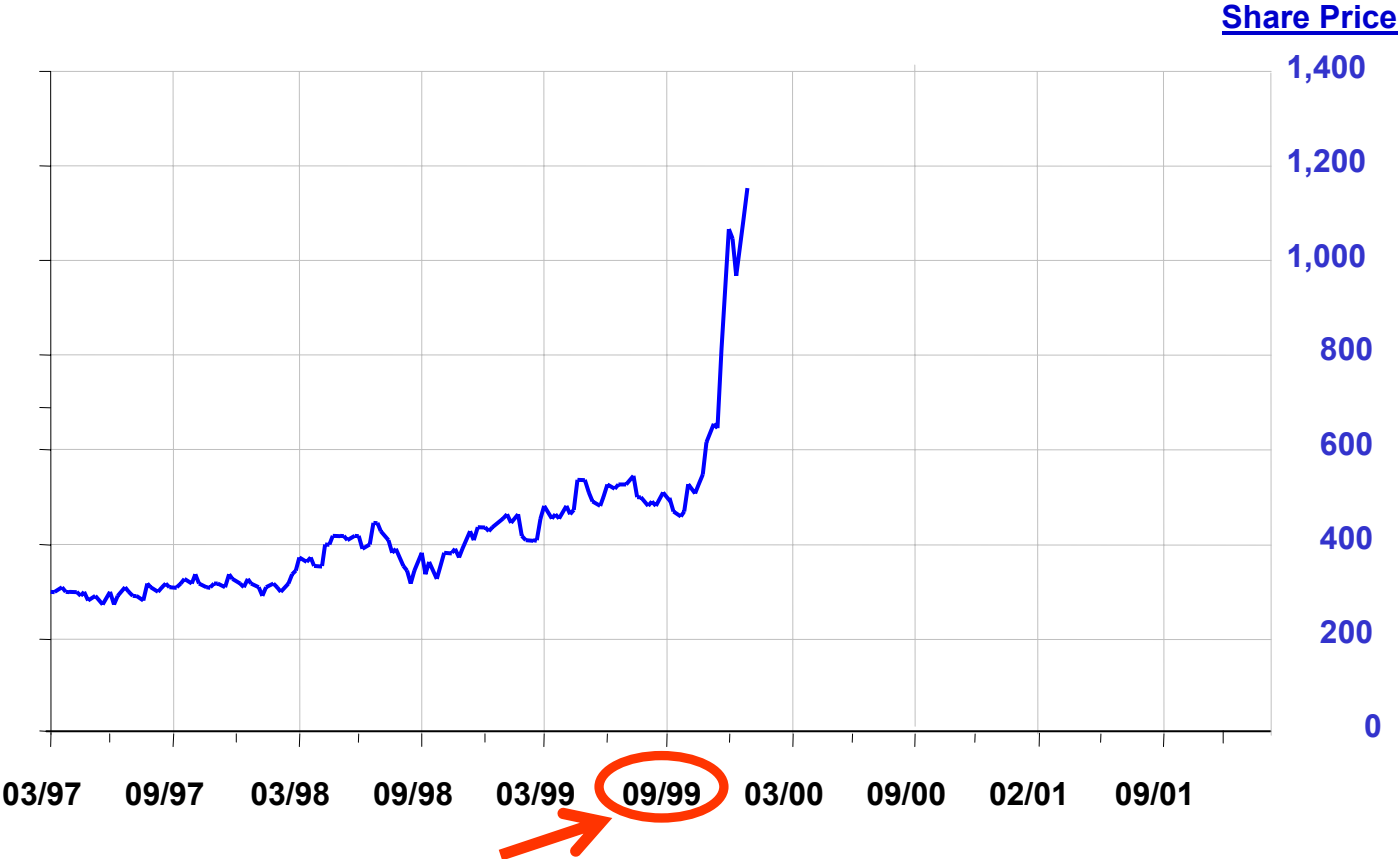
Watch tracking corporate financial health

The rise and fall of Marconi

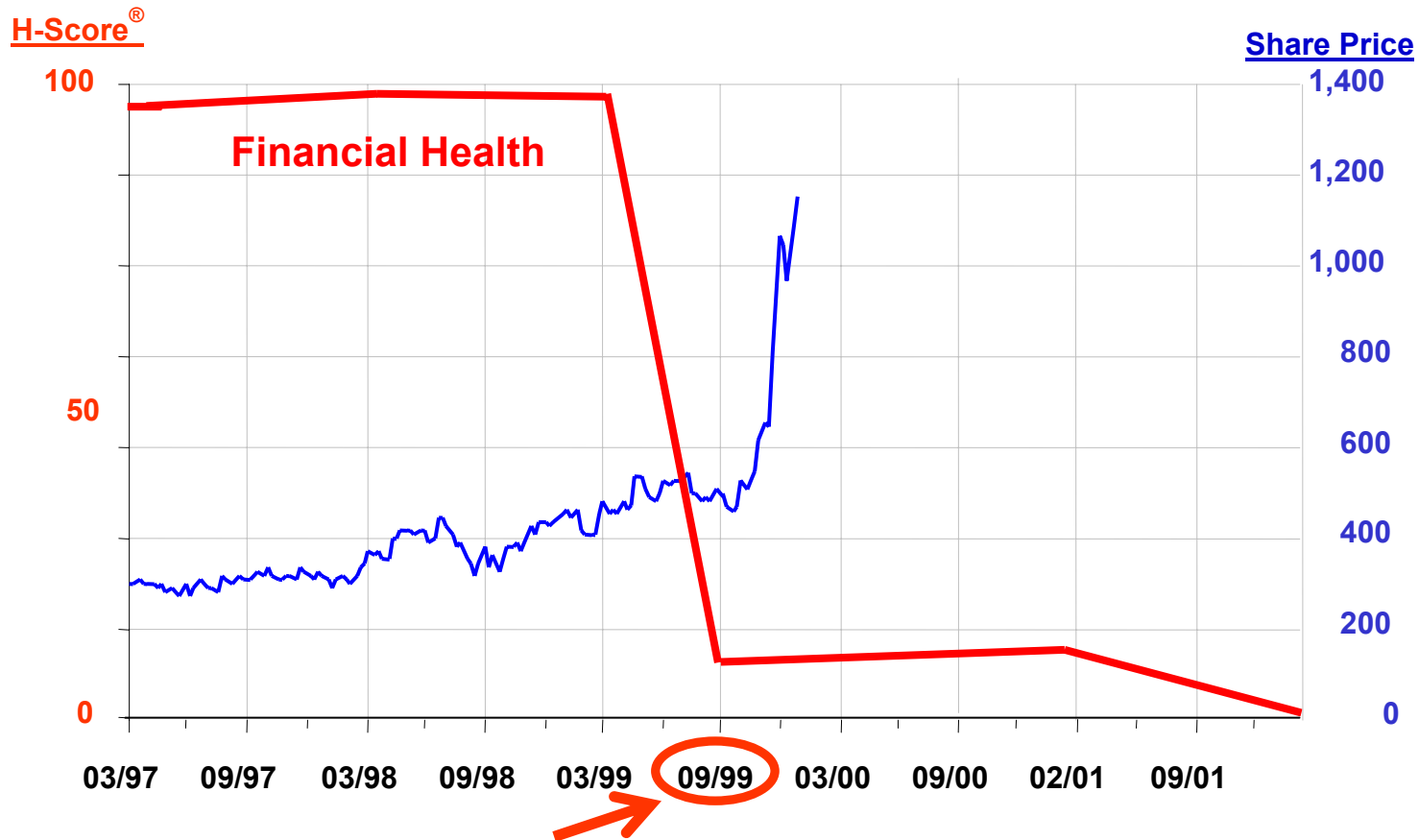
Marconi, formerly GEC was one of the most highly regarded UK companies for many years. Yet in September 2001 the business failed which took the world by surprise including the market, the banks, the suppliers and the customers. The review below shows how the Company Watch models identified the collapse in its fundamental health almost two years in advance of the September 2001 demise.



When Marconi released their 1999 interims, their share price trebled

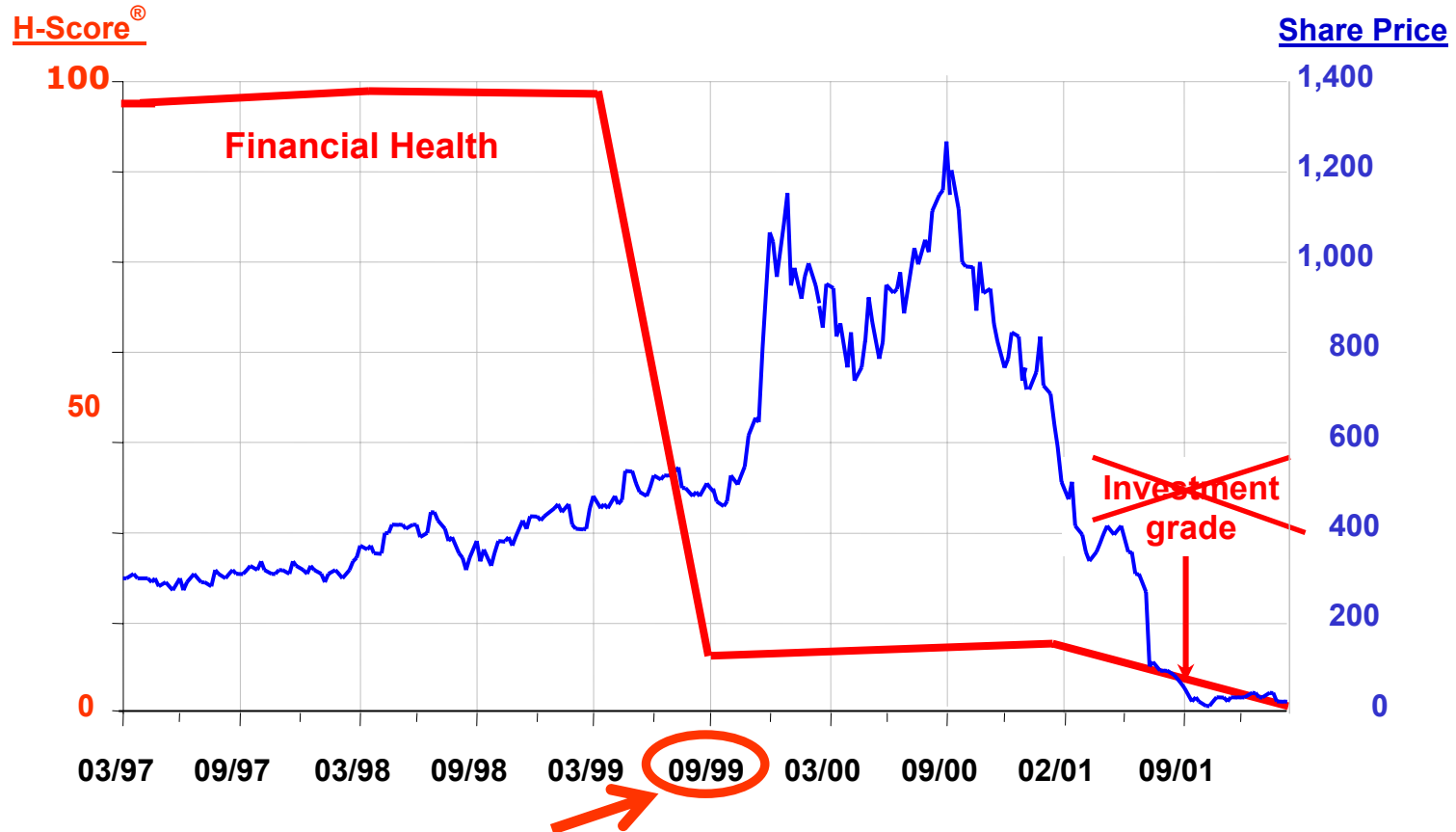


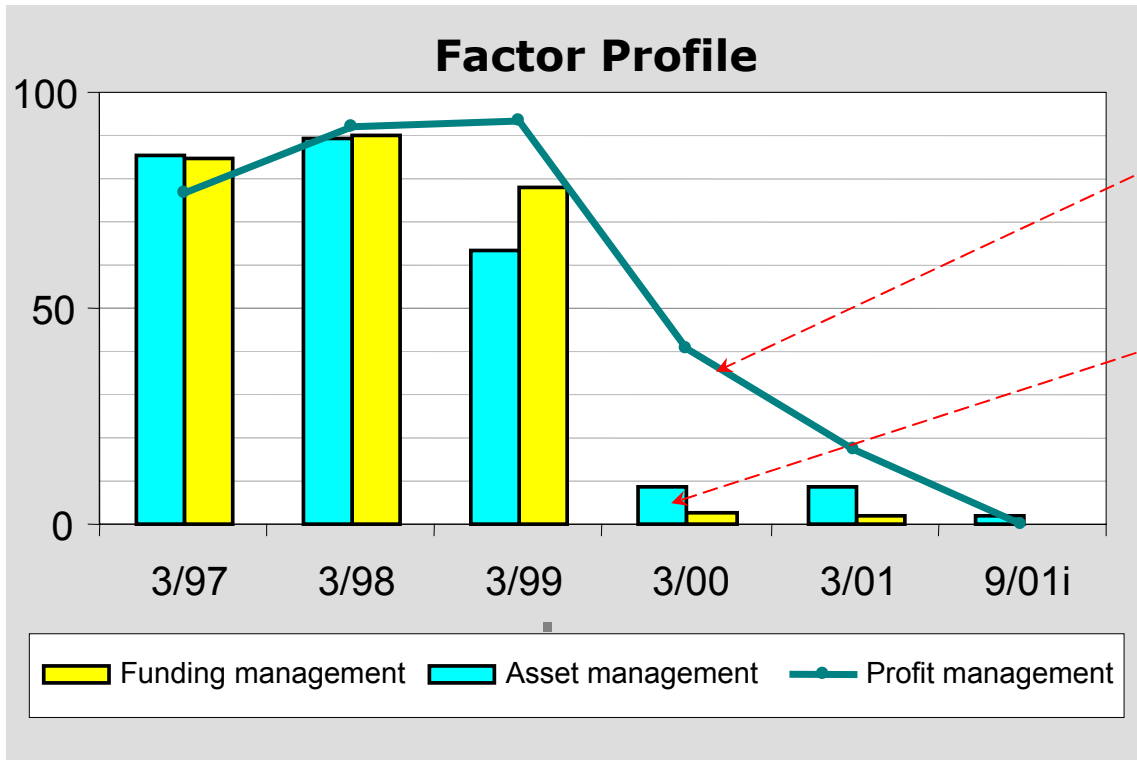
Company Watch models detected the collapse of Marconi's Health Profile as soon as the 1999 interims were released.



The rise and fall of **Marconi**

It took almost two years for the market to reach the conclusion that was available from the Company Watch models in 1999 and it was only in September 2001 that the rating agencies took them out of investment grade

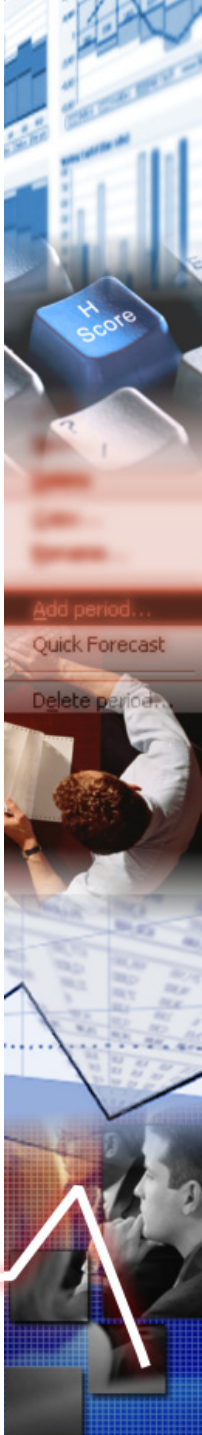




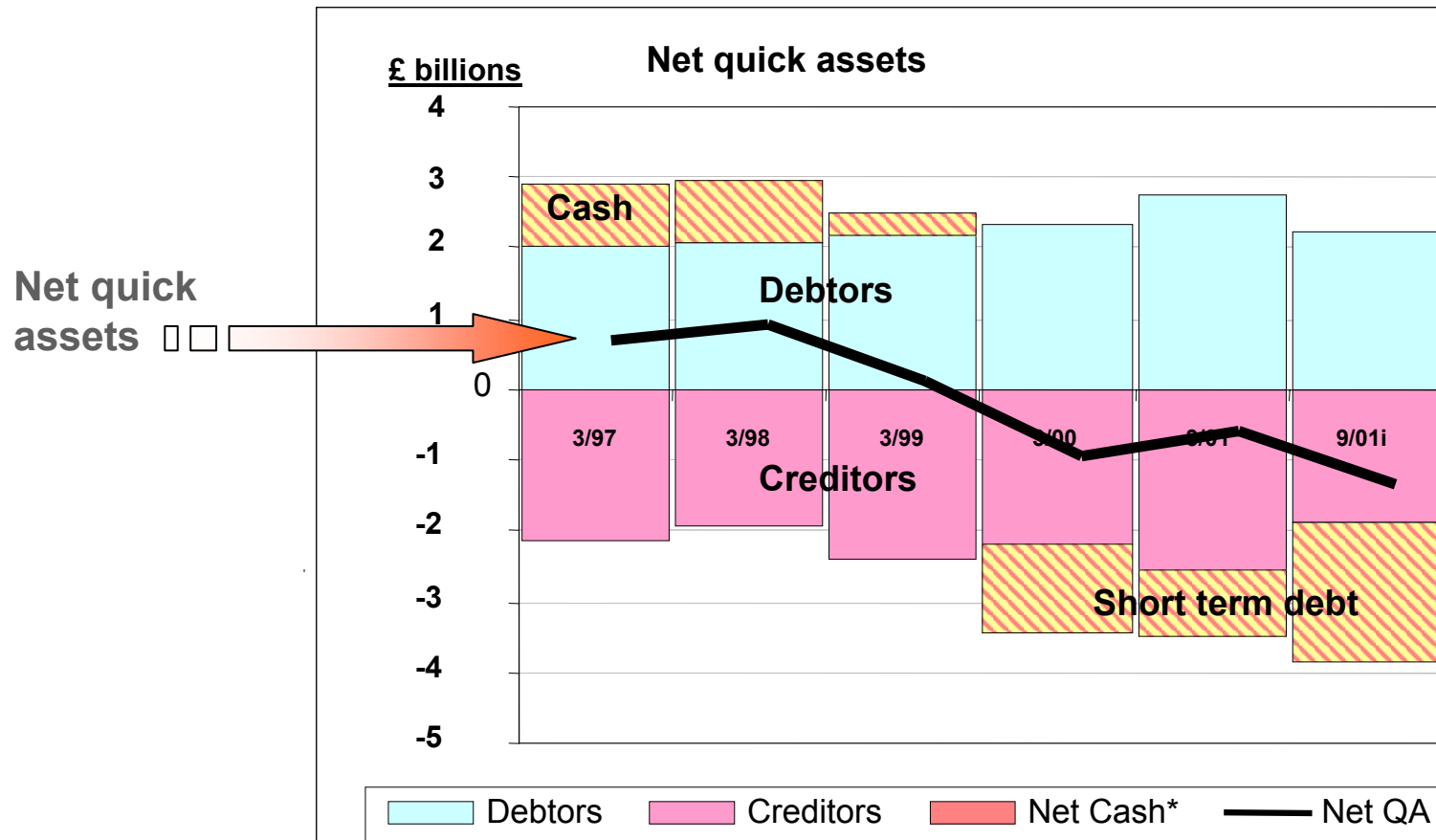
The model had detected...

the effect of the decline in profits

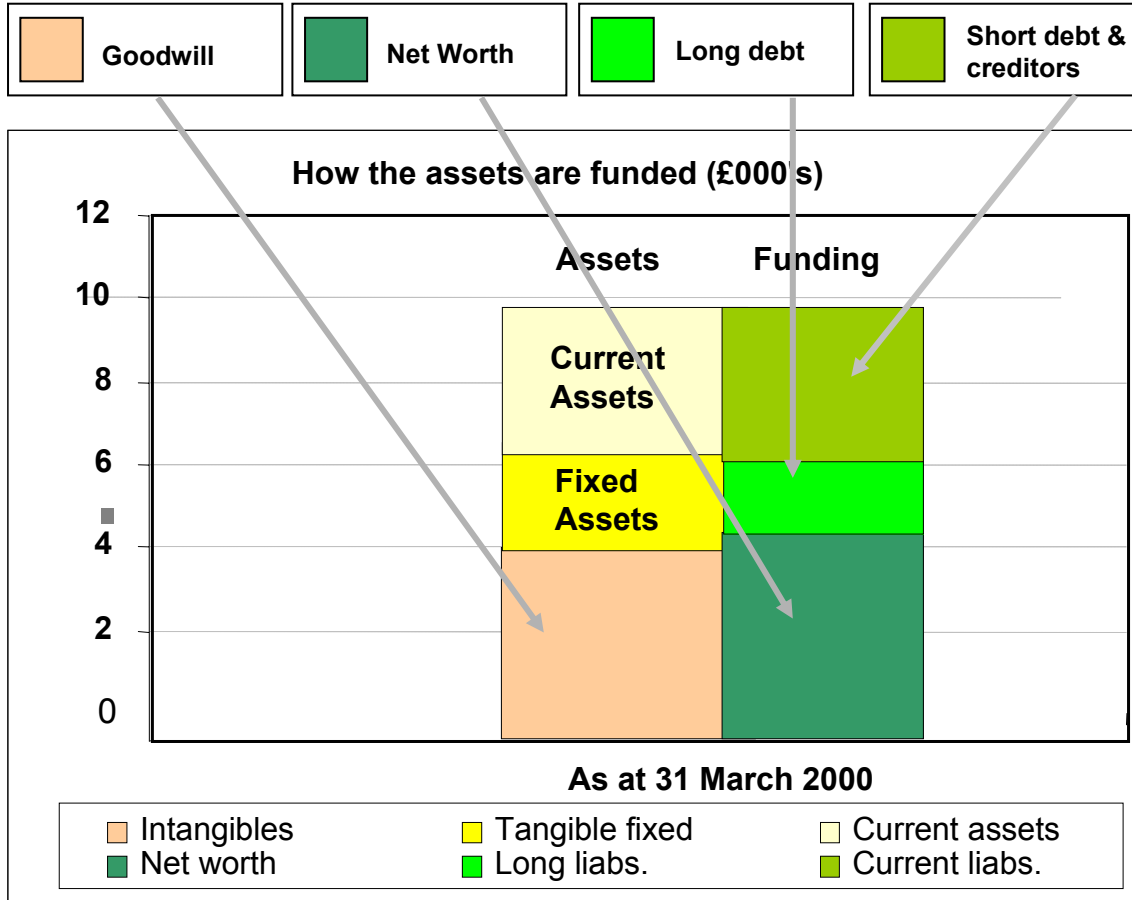
and the collapse of their balance sheet



This weakening was brought about by their major acquisition programme, that not only drained them of cash....



..... but also seriously weakened their balance sheet



The companies they had acquired were for sums considerably higher than the value of the target companies' net assets

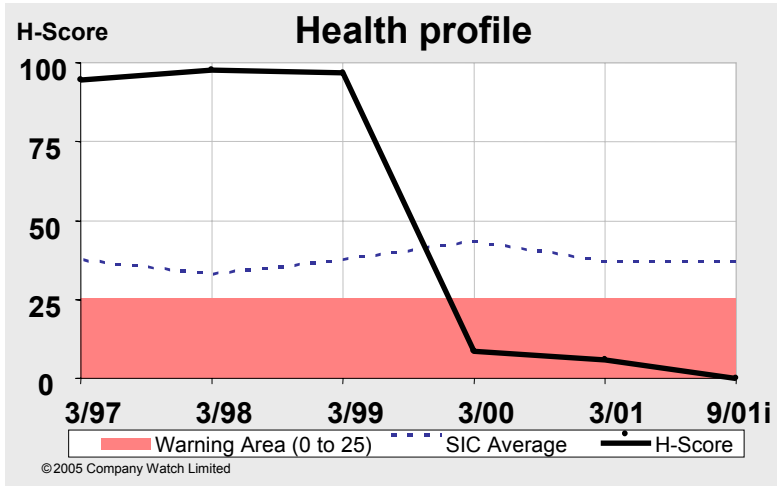
The goodwill on acquisition absorbed Marconi's entire Net Worth.

The company's tangible assets were funded by:

- long term debt,
- short term debt and creditors

a weak funding structure.

Unfortunately the profits never materialised and the business collapsed



From September 1999 onwards, as revealed by Company Watch models, the balance sheet was extremely weak and Marconi's survival depended entirely on high profits and strong cash flow.

Company Watch call companies in that position "Water skiers" - so long as the powerboat of profit continues, such companies can skim across the surface and survive for many years.

