



Stock Focus

CONIVAL PLC

Marketing communication, please read the disclosure and risk notices on the back page

Food for thought at Conival

The major growth areas for food retail are gourmet, speciality and premium and it is no accident that Conival has placed itself right in the middle of this lucrative niche. Strategically, the company is bang on target, and if it can ride out its cash flow problems, we believe there is inherent value in its product portfolio.

According to the Institute of Grocery Distribution, the total market for UK premium food is worth £11.6bn – this figure includes organic and local produce and represents 10% of the UK grocery sector. Premium foods can produce better margins than many other food groups and, more importantly, the sector is thriving – consumers want fresh, gourmet products.

Conival, through its subsidiary Portfolio Products Ltd, has created a number of food and beverage products with health benefits and/or with celebrity-endorsement.

Jeremy Scwhartz, Chief Executive of Conival, commented “all the analysts are forecasting continued growth in chilled, health, fresh and gourmet food – our products fulfil all these criteria. We’ve created high-quality products at affordable prices. The challenge now is to expand distribution and gain consumer brand recognition.”

Evidence that the upmarket food sector is prospering abounds. Waitrose has expanded into a national player over the last five years and M&S Simply Food stores have done exceptionally well. Product ranges such as Tesco’s Finest, Sainsbury’s Taste the Difference and Asda’s Extra Special are now extremely important to the supermarkets. According to the Institute of Grocery Distribution (2006) and the Private Label Manufacturers Association (2007), these brands are worth £480m, £370m and £90m respectively.

Company finance and funding

Conival reported sales of £1m in the year up to June 2007, but losses were almost double this figure. The company requires additional funding from its major shareholder, Corvus Capital, in the next few months. Obtaining these funds is conditional upon Conival achieving its trading forecasts. The company is likely to issue a trading statement in the next month, which would clarify whether its sales are on target and whether the additional funding has been made available. If Conival’s sales forecasts are met, we predict that investors will be nicely rewarded. Conversely, if the sales targets are not met, the company may fail. This stock is not without considerable risk but, for the right investor, the potential rewards may be worth it.

Continued over

10 March 2008

Conival Plc	
Market	AIM
Code	CVL
Listing date	11-Aug-04
Price (7-Mar-08)	0.95p
52 week high	2.4p
52 week low	0.25p
Market cap	£3.50m

Registered address:

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Company registration no: 05132633

Conival Plc:
Share price performance since listing on AIM



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10 March 2008

Conival's future is dependent upon further funds from its major shareholder

A recent trading statement indicated that Glorious! sales had exceeded management expectations

Jeremy Schwartz Conival CEO

Jeremy Schwartz is a Cambridge postgraduate. His career has been in FMCG marketing, including Marketing Director with L'Oreal and The Coca Cola Company. Prior to his position at Conival, he was Brand Marketing Director of Sainsbury's PLC, where he was responsible for repositioning the Sainsbury's brand.

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The brands

Sparky is a range of fresh and convenience products enriched with "superfoods", such as the anti-oxidant Acai berry, and 20% of the recommended daily intake of Omega 3. While Sparky was the first "Omega 3" brand to launch in the UK, it has endured heavy competition from the multinational food producers and this has affected sales. The product is available in Sainsbury's and Spar supermarkets.



Blenheim Palace Provisions launched in April 2007 and is currently available in Sainsbury's supermarkets. The brand represents a number of luxury fruit deserts that exploit the cachet of Blenheim Palace, the Duke of Marlborough's estate. Key to the story of this brand is the provenance of its ingredients, which is increasingly important to consumers.

Glorious! by **Marco Pierre White** launched in January this year and is currently available in Morrison's supermarkets. The range of fresh chilled soups, approved by Marco Pierre White, have been well-received and, according to a trading statement on 29th February 2008, sales have exceeded management expectations. Marco Pierre White was the first Briton to be awarded three Michelin stars and appeared as Head Chef in ITV's Celebrity Hell's Kitchen in September 2007. He is scheduled to appear in further ITV programmes in 2008.



Basis of our recommendation

We are not unrealistic about the challenges Conival faces, celebrity brands have come and gone, but the chilled food sector has less competition than other food sectors and it is where consumers expect to find superior convenience products. Conival has also managed to create a brand that Marco Pierre White, one of the UK's most charismatic chefs, is willing to endorse and the potential of the Glorious! brand is the main driver behind our recommendation. Marco Pierre White is back with the new series of Celebrity Hell's Kitchen in the Autumn of 2008, just as the soup season starts. We believe that consumers will buy into this brand. We also believe that the range of products could be expanded to include other convenience products with similar appeal.

It is worth noting that the brand's potential does not obscure the company's lack of working capital. However, investors can choose to buy stock now at a depressed price or wait until the new funding is confirmed. There are undeniable risks but the potential rewards could be very good.

Consultant Researcher, Celia Di Cicco

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ABOUT THE AUTHOR

Celia Di Cicco is a leading information scientist, specialising in business research. Celia studied for a BSc Honours at Bristol University and obtained an MA in Information Science at University College London. She has held research positions at The Press Association, Exel Information and the Financial Times, where she specialised in statistical analysis and report writing. She is married with two children.

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