

Riverfort Global Opportunities PLC

11:00 27 Sep 2018

Paternoster Resources sees good returns in small company funding gap

It's not just people who need the occasional top-up loan, companies do too.

And just like borrowers with poor credit records, there is a raft of small, listed companies that can't get bank finance.

Watch: Paternoster Resources sees big opportunities to move company to next level

Start-ups, businesses or resource companies with no income until a project is up and running are a case in point.

Usually, companies tee up the finance for a project through equity funding at the start but when (almost inevitably) delays occur, trying to get funds to tide things over can be a nightmare.

Paternoster Resources PLC (LON:PRS) aims to fill the gap and has teamed up with RiverFort Capital to invest in just these situations.

RiverFort is hugely experienced in this type of finance package having been formed by Brian Kinane, ex-of small cap financier Yorkville, and James Lewis, who founded stockbroker Shard Capital.

RiverFort will act as an advisor to Paternoster, suggesting investments, deals, package structures and advice, though the final investment decision rests with Paternoster, says Nicholas Lee, chairman.

It is not a trust, he adds, where there is an investment manager, but the portfolio will nonetheless have a very strong RiverFort feel.

Variety of instruments

Investments will be straight debt, mezzanine finance, convertible loans and other instruments.

Equity is unlikely to figure as in the event of something going badly awry it bears the brunt of the risks, says Lee

There are still some equities in the portfolio: North Sea producer I3 Energy; Pires Investment; Arc Minerals and Plutus PowerGen, but these will become much less significant as the RiverFort-inspired portion of portfolio grows.

One thing in Paternoster's favour is that it is an investment company, not a fund, and that has allowed other fund managers to invest.

Small cap specialist Miton for example took a sizeable chunk of a funding at the start of the year that raised £5.4m through an issue of new shares.

In future, therefore the portfolio will generate cash-backed returns from interest payments, fees and debt principal

Price: 0.075

Market Cap: £5.09 m

1 Year Share Price Graph



Share Information

Code: RGO

Listing: AIM

52 week High Low
0.102 0.06

Sector: Investments and investor services

Website: riverfortcapital.net

Company Synopsis:

RiverFort Global Opportunities plc is a investment company listed on AIM, part of the London Stock Exchange, seeking to generate returns for shareholders through capital growth and income by way of dividends. Invests by providing equity-linked debt funding to public and private small cap growth companies in the technology, natural resources, energy, financial and healthcare industry sectors.

action@proactiveinvestors.com

repayments rather than having to rely on the value of the investee companies going up.

Good returns with low volatility

That way Paternoster can generate good returns but without the volatility, he says, and have the scope to pay dividends.

And if a business does run into real difficulty, holding debt rather than equity makes Paternoster's position more secure.

The returns may be lost but principal is protected, says Lee.

"It's equity that gets hit in a restructuring."

He denies it is just distressed lending, rather a gap in the market that requires funding solutions.

"We'll provide funding to companies without earnings that want to do an acquisition - or need a bit of short-term working capital but don't want to raise equity."

But there is a stigma attached to this form of lending, especially stand-by facilities that have come to be known among investors as 'rolling shorts' or even 'death spirals'.

Lee says that while certain investments may include variable term convertibles, there are a range of other investment structures that can be provided, dependent on a company's needs.

For Paternoster investors, however, the proposition offers a steady way to play the junior company funding space.

On a 12-month loan, for instance, fees, interest and repayments means half the money can be paid back within six months.

Change starts to show

Half-year results out recently showed the first signs of the change in strategy.

Fees and income from the RiverFort-recommended investments jumped to £181,000 from almost nothing a year earlier, outweighing the drop in the value of the investment portfolio.

Over £1mln has now been invested in recommendations made by RiverFort.

By the end of the year, the majority of the portfolio will comprise debt and equity-linked investments.

"Interim results showed the first signs of the shift in the portfolio, with cash income rising and that will be the pattern going forward," said Lee.

At 0.1p the business is valued at around £6.5mln.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a

security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.