TextScore®

Analyse the text in published financial reports, using advanced machine-learning, for signs of corporate distress

The power of TextScore®

Built on a natural language processing (NLP) approach, TextScore® analyses the text in a company's annual and interim financial report* and looks at the frequency of thousands of words and phrases.

> 1000's of reports analysed

The TextScore® algorithm

If the words and phrases found in a company's financial report are similar to the language used by companies which have subsequently failed, the company in question may be at risk too.

Well tested

We have put thousands of financial reports through this process so our machine-learning models can learn the difference between companies that went on to become financially distressed and those that did not.
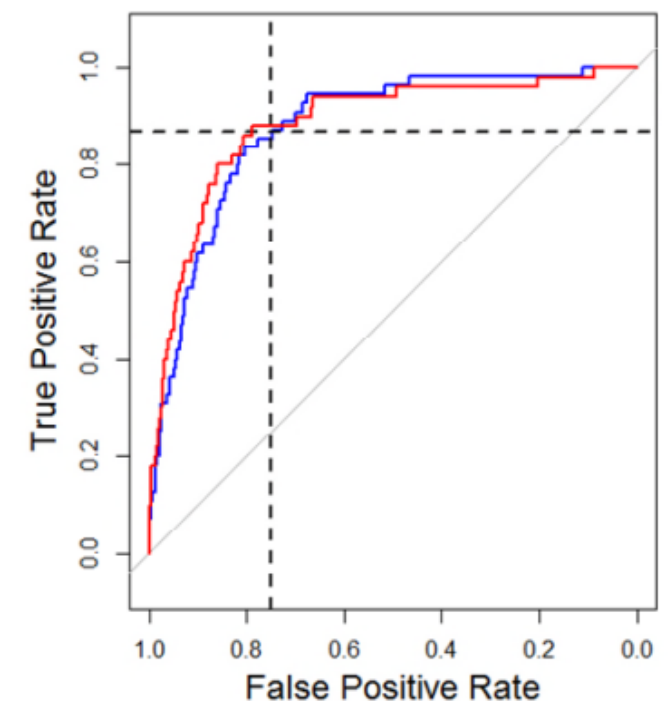
Time-saving

TextScore® enables you to cut through the corporate jargon found in financial reports and understand the key components of financial reports at a glance.

Interpreting the data

Phrases the machine-learning model decides are important for calculating the score are displayed for each company. Individual words and phrases are not defined as 'good' or 'bad', the combination of all of them together leads to the score.

Model accuracy

In out-of-time sample testing (from Jan 2016 - March 2019), TextScore® achieved a Gini coefficient of 0.75. Based on a sample of 1500 UK publicly listed companies, 55 went on to fail, and all but seven were in the TextScore® warning area (a type-1 error of 13%). The type-2 error (the percentage of companies in the warning area that did not fail) was 20%.

In tests, TextScore® achieved a Gini coefficient of 0.75

*For the UK, annual filings submitted to Companies House are used, together with interim reports for publicly listed companies. For the US publicly listed companies, 10-K and 10-Q SEC filings are used.

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TextScore®

Use TextScore® alongside H-Score® for a Combined Score that gives an even better indication of corporate distress

Combined Score

Combined Score is a weighted combination of the H-Score® and TextScore® with the weighting determined by the industry sector of each company.

The Warning Area is a score less than 25

Accurate prediction

The resulting Combined Score is more accurate at predicting financial distress than the TextScore® or H-Score® alone, as it combines two different distinct evaluations of a company's financial report.

Warning Area

All scores are ranked from 0 (weakest) to 100 (strongest). Companies with a score of 25 or less are in the 'Warning Area'. Almost all companies that go into distress were flagged in the 'Warning Area' well in advance of the distress event.

Company Name	Insolvency Date	Primary SIC description	Sales - Total (Annualised) In Latest Period £'000s	H-Score® In Latest Period	TextScore® in Latest Period	Combined Score in Latest Period
TAILOR MADE SOURCING LIMITED	26/10/2021	ACTIVITIES OF EMPLOYMENT PLACEMENT AGENCIES (NON-THEATRICAL)	24,640	15	0	3
PURE PLANET LIMITED	22/10/2021	TRADE OF ELECTRICITY	157,320	3	6	1
BLUE MARBLE HOLDINGS LIMITED	22/10/2021	TRADE OF ELECTRICITY	157,320	3	21	4
PFP ENERGY LIMITED	30/09/2021	TRADE OF ELECTRICITY	65,769	4	2	1
HYDRODEC GROUP PLC	29/07/2021	MINERAL OIL REFINING	11,300	4	3	2
FL REALISATIONS 2021 LIMITED	20/07/2021	OTHER MANUFACTURING N.E.C.	62,852	23	0	5
TAVETA INVESTMENTS LIMITED	09/07/2021	OTHER BUSINESS SUPPORT SERVICE ACTIVITIES	1,818,817	5	23	5
N.R. EVANS AND SON LIMITED	08/07/2021	FREIGHT TRANSPORT BY ROAD	36,557	4	4	1
BERTRAM GROUP LIMITED	17/06/2021	ACTIVITIES OF OTHER HOLDING COMPANIES	1,100	1	0	0
DUNE GROUP LIMITED	10/03/2021	RETAIL SALE OF FOOTWEAR IN SPECIALISED STORES	131,788	16	18	7
ANN SUMMERS LTD.	04/01/2021	RETAIL SALE OF CLOTHING IN SPECIALISED STORES	93,720	21	8	6

Recent UK publicly listed companies (Turnover > £50Mn) in financial distress showing TextScore®, H-Score® (and a Combined Score) before the distress event

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