

MORNING COMMENT

Buy

Unchanged

Price 36.5p
Price Target 46p (80p)

Reuters/BBG Index Sector Market Cap
NGR.L / NGR LN FTSE AIM Support Services £28.5m

Nature Group*#

Prelims in line; Panama JV signed; forecasts rebased

Nature Group's results for the year to December 2011 were marred by the incident in Gibraltar but progress has been made elsewhere. FY 2011A underlying PBT of £2.2m was in line with our estimate but we have rebased our forecasts, driven by investment being made for medium term growth, along with taking account of volume and margin pressures. Whilst the shares may come under pressure in the short term, we believe that Nature's growth potential over the next few years remains sizeable. We maintain our Buy recommendation and reduce our 12 month share price target to 46p (80p) to reflect the change to estimates.

- **FY 2011A underlying PBT of £2.2m was in line with the detailed trading update provided at the end of January.** Revenue in the year stood at £15.1m (WHI est. £15.0m), with underlying EPS of 2.3p (WHI est. 2.3p). The key variation from our estimates was that the net cash position, at £0.9m (WHI est. £3.5m), was lower than anticipated, principally due to working capital timing differences.
- **Nature is still working with the authorities in Gibraltar**, which is reported to be progressing positively and management are hopeful of a return to operation in the 'short to medium' term. The Group continue to work to counter the decision of the insurance company to deny cover. We have not included the resumption of the Gibraltar operations in our FY 2012E forecasts. The total impact for loss of revenue, repairs and other related costs is estimated to stand at £3.5m, which compares to the revised claim with the insurers of £3.1m.
- **Panama JV signed** Also announced is that Nature has entered into a JV in Panama with Sociedad Latino Americana de Inversiones. The JV will build and operate a maritime waste logistics and processing company. Panama is the first step in expanding the Group's footprint to become a global supplier of waste services. Operations are expected to begin in H2 2013E, with the processing facility expected to be operational by the end of FY 2013E. Given the time frame involved we have not included this in our estimates at this stage.
- **We have rebased our forecasts, now looking for a PBT of £3.0m (£6.0m) in FY 2012E and £4.5m (£8.3m) in FY 2013E** However, the Group's unique Compact Treatment Unit technology is a potential game changer in the offshore Rig and FPSO market. In the maritime business, progress is being made to bring Gibraltar back online, volumes in Rotterdam have stabilised, and the JV in Panama is the next step in developing a global port reception footprint.

Y/E Dec	2011A	2012E	2013E	2014E
Revenue (£m)	15.1	18.1	20.9	23.7
PTP (£m)	2.2	3.0	4.5	6.1
EPS (p)	2.3	3.1	4.6	6.1
PER (x)	15.5	11.7	7.8	5.9
DPS (p)	0.5	0.8	1.2	1.5
Dividend Yield (%)	1.4	2.1	3.2	4.3

Source: WH Ireland estimates

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*WH Ireland acts as Broker and Nomad.

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Disclosures

WH Ireland Recommendation Definitions

Buy

Expected to outperform the FTSE All Share by 15% or more over the next 12 months.

Outperform

Expected to outperform the FTSE All Share by 5/15% over the next 12 months.

Market Perform

Expected to perform in line with the FTSE All Share over the next 12 months.

Underperform

Expected to underperform the FTSE All Share by 5/15% or more over the next 12 months.

Sell

Expected to underperform the FTSE All Share by 15% or more over the next 12 months.

Speculative Buy

The stock has considerable level of upside but there is a higher than average degree of risk.

Share Price Target

The share price target is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon.

Stock Rating Distribution

As at the quarter ending 31 March 2012 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	59	83%	36
Speculative Buy	6	9	3
Outperform	5	7	4
Market Perform	1	1	1
Underperform	0	0	0
Sell	0	0	0
Total	71	100	44

This table demonstrates the distribution of WH Ireland recommendations. The first column illustrates the distribution in absolute terms with the second showing the percentages.

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