

## MORNING COMMENTS

**Monday, 18 March 2013**

Company	Reason
Nature Group* (BUY)	Further CTU contract wins in Norway and Brazil
Tribal Group (BUY)	Post-results meeting highlights broad range of opportunities

### Forthcoming meetings

Company	Event	Date	Location
Pittards*	Company presentation	Wed, 20 Mar	WHI London
Kea Petroleum*	Investor road show	Thur, 21 Mar	WHI Manchester
Ultimate Finance*	Interim results	Thur, 21 Mar	WHI London
Robinson*	Preliminary results	Thur, 21 Mar	WHI London
Kea Petroleum*	Investor road show	Fri, 22 Mar	WHI Manchester

\* WH Ireland act as NOMAD and/or Broker

#### Marketing Communication

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18 March 2013

## MORNING COMMENT

**Buy**

Unchanged

Price 32p  
Price Target 42p (34p)

Reuters/BBG Index Sector Market Cap  
NGR.L / NGR LN FTSE AIM Support Services £25.6m

### Nature Group\*#

#### Further CTU contract wins in Norway and Brazil

Nature Group has this morning released details of two separate orders for its Compact Treatment Units. The first is for a one year contract with North Atlantic Drilling AS (Seadrill) and the second with Ocean Rig in Brazil on a short-term basis, with the potential to move to a three year contract in time. These latest contract wins follow on from the order from IKM for two units last month and the rental agreement with Statoil in Tanzania in January. The last couple of years have clearly been extremely disappointing for Nature but the business now appears to be gaining traction and recent momentum is highly encouraging. We cautiously leave our full year earnings expectations unchanged ahead of full year results next month but see scope for these to be raised as the year progresses. We maintain our Buy recommendation and raise our share price target to 42p (34p), reflecting our increased confidence in the pipeline.

- **North Atlantic Drilling AS (Seadrill)** The first contract is with North Atlantic Drilling AS, a subsidiary of Seadrill, for a one year equipment rental and operational contract, expected to be worth around £1.4m. The contract encompasses the processing of liquid waste generated on the West-Hercules rig in the Barents Sea. In addition to the CTU, an STU or Sludge Treatment Unit has been developed specifically for this project, providing the ability to treat drilling mud prior to processing waste water through the CTU. The development of the STU may also lead to further demand for this combined service.
- **Ocean Rig – Brazil** The second contract is with Ocean Rig in Brazil, for use on an ultra-deep water drill ship. Under the contract, Nature will provide a CTU and operators under a short-term test agreement to treat the existing 1,000m<sup>3</sup> of collected waste, which if successful, is expected to lead to a further three year contract.
- Ahead of the prelims next month, we leave our forecasts unchanged but see scope for these to be raised, should the current positive momentum continue. We maintain our Buy recommendation and raise our share price target to 42p (34p), based on an FY 2014E PER of 15x, reflecting our increased confidence in the pipeline and the recovery potential in the business.

\*WH Ireland acts as Broker and Nomad. This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research. # WH Ireland makes markets in Nature Group

Y/E Dec	2011A	2012E	2013E	2014E
Revenue (£m)	15.1	15.8	18.2	19.6
PBT (£m)	2.2	0.7	1.8	2.8
EPS (p)	2.3	0.7	1.9	2.8
PER (x)	13.9	44.8	17.3	11.6
DPS (p)	0.5	0.2	0.5	0.7
Dividend Yield (%)	1.6	0.6	1.4	2.1

Source: WH Ireland estimates

WH Ireland is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority.

#### Analyst

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18 March 2013

## MORNING COMMENT

### Buy Tribal Group

Unchanged

Price 134p  
Target price 185p (160p)

Reuters/BBG TRB.L / TRB LN  
Index FTSE Fledgling  
Sector Support Services  
Market Cap £125m

### Post-results meeting highlights broad range of opportunities

A recent set of positive results showed strength for TRB across a variety of metrics, not just the very strong £12.8m PBT number which had already been released into the market. Notably EPS was 30% ahead, cash conversion was positive at 87% and net debt reduced more than expected, by 38% to <£10m. A 25% rise in the dividend was an added bonus. Our key take-away from the post results meeting was the scope of opportunities – set against a conservative range of forecasts. We see good upside in the growing internationalisation of the business, in the cross sells from a recent acquisition, in the contract model post SALM, and for the Solutions business. Buy, raised target price of 185p.

- **Good results show the model is working well** A good set of results showed the impact of a strong management plan being well implemented. £12.8m PBT / 10.9p EPS played £10.1m / 8.4p, +27% and +30% respectively.
- **International opportunity** The evidence so far suggests overseas markets are very open to TRB's product and services – and we believe that as in the UK, the competitive dynamics strongly favour them. We believe last year's rise from 16% to 21% overseas revenues (at higher margins) could trend further to say 30% or 35% international in due course, as TRB adds a further dozen geographies to the three or four it already operates in.
- **SALM as a significant reference point** This is even more the case given the strong showing of the proactive and sizeable SALM contract in Australia which is fast becoming a global reference point for TRB's product, and where Australia alone offers many further opportunities.
- **Acquisition strategy** The meeting emphasised the company's aspiration to grow organically and to make small "expert" acquisitions if any. I-graduate exemplifies this. With close relations with some hundreds of educational establishments, we believe this relatively small acquisition, made three months ago, could provide a significant boost in enabling TRB to sell its value-rich software technology into some of this new base.
- **Valuation** With minor adjustments to our forecasts (lower anticipated tax charge), the scope of the opportunities for the business cause us to raise our target price to 185p this morning in line with the clearly good momentum in the business. Buy.

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#### Analyst

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Y/E Dec.	2010A	2011A	2012A	2013E	2014E
Revenue (£m)	104.1	108.2	113.4	121.5	127.8
PTP (£m)*	6.8	9.5	12.8	13.7	14.8
EPS (p)*	5.6	7.9	10.9	11.4	12.4
P/E (x)	24.0	17.2	12.5	11.8	11.0
EV/EBITDA (x)	13.1	9.8	7.4	6.8	6.1
DPS (p)	2.5	1.0	1.1	1.4	1.8
Yield (%)	1.8%	0.7%	0.8%	1.0%	1.3%

Source: Company / WH Ireland estimates \* Fully adjusted

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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.

#### Disclaimer

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### 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 Dec 2012 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	57	76	42
Speculative Buy	11	15	8
Outperform	2	3	2
Market Perform	5	6	4
Underperform	0	0	0
Sell	0	0	0
<b>Total</b>	<b>75</b>	<b>100</b>	<b>56</b>

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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\*WH Ireland acts as NOMAD and/or Broker  
#WH Ireland makes markets in this stock

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The research analyst or analysts attest that the views expressed in this research report accurately reflect his or her personal views about the subject security and issuer.

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