

MORNING COMMENT

Buy Nature Group*#

Unchanged

Price 26p
Price Target 46p

Reuters/BBG Index NGR.L / NGR LN
Sector FTSE AIM Support Services
Market Cap £20.8m

Interims - forecasts held on positive pipeline

Nature Group's interim results demonstrate challenges being offset by continued progress and a more positive outlook across each of the Group's segments. The necessity for customers to comply with environmental legislation, combined with Nature's proprietary technology, are leading to increased customer enquiries and the Group's growth potential over the next few years remains sizeable. Although the final outcome for FY 2012E remains dependent upon a number of specific orders coming through over the course of the next three months, at this stage we are happy to leave our forecasts unchanged. Following the results, we maintain our Buy recommendation and 46p share price target.

- A challenging first six months but progress being made** Across the Group, H1 2012A revenue declined by 3.6% to £8.1m, resulting in PBT of £1.0m and EPS of 1.2p. Net cash at 30 June stood at £1.2m following capital expenditure in the period of £1.0m. No interim dividend has been declared but the Board expects to pay a final dividend. The Maritime division suffered, both following the incident in Gibraltar and as a result of depressed shipping volumes in Rotterdam. However, progress has been made with the Portugal JV and two further contracts have been signed in South West and Northern Europe. In Oil & Gas, the CTU contract in Brazil has been completed with further interest in the region, the CTU in the North Sea remains under a long term contract, two new CTUs were delivered in June and the Norwegian operations have been restructured. Ecoscrub received a firm order in the period to supply a large multi-national chemical company, along with a three month contract for an oil storage facility in Rotterdam. Investment has also been made in a second unit to meet demand.
- A resolution in Gibraltar is getting closer** Nature has been given permission to undertake preparatory work to clean out the storage tanks and the removal of components beyond repair. Management expect to be in a position to announce the time frame for repairs and reinstatement of operations later this year. The Group continues to work to counter the decision of the insurance company to deny cover.
- Panama JV progressing well** The JV in Panama with Sociedad Latino Americana de Inversiones to build and operate a maritime waste logistics and processing company is progressing to plan. The Group is also in discussions to establish a similar facility in the US region of the Gulf of Mexico.
- Trading on a PER of 8.4x falling to 5.6x and EV/EBITDA of 4.3x falling to 3.0x** Whilst investors are likely to want to see further evidence of progress for a substantial re-rating, good progress is being made and the valuation multiples ascribed remain undemanding given the sizeable growth potential across each of Nature's markets.

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)	11.2	8.4	5.6	4.2
DPS (p)	0.5	0.8	1.2	1.5
Dividend Yield (%)	1.9	3.0	4.4	5.9

Source: WH Ireland estimates

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*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

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