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"Minority shareholders should be highly sceptical of the opportunistic takeover that has arisen at the same time Neptune Marine Services Limited announces a strong second half performance and a return to strong pre-tax profitability, after seeing its share price collapse from a high of \$0.55 to less than \$0.03 per share," says Josh Wilson, Portfolio Manager at Auckland based New Zealand Funds Management Ltd (NZ Funds Management) which has approximately \$1 billion of funds under administration, on behalf of around 10,000 New Zealand investors.

The announcement by the Australian Stock Exchange listed offshore oil and gas service company, Neptune Marine Services, that it has received a "unsolicited, highly conditional indicative proposal" to acquire the company is, in major shareholder NZ Funds Management's view, "opportunistic, predatory and entirely unwelcome".

Neptune Marine Services was recently recapitalised by a group of shareholders, including NZ Funds Management, at \$0.05 per share. This enabled the company to undergo a significant restructuring which has seen it emerge with all bank debt repaid and a cash position of \$11 million.

The full year result for the year ended 30 June 2011 showed continued operations generated earnings before interest and tax (EBIT) of \$3.0 million in the second half of the period, showing a significant turnaround from the first half. Wilson says over the medium term it would not be unreasonable to see operating earnings return to \$8-\$10 million pa in his opinion.

"Based on our forecasts (which may need to be upgraded following this announcement), Neptune Marine Services is trading at a forecast operating profit multiple of 3.4x, and while there is no direct listed competitor in Australia, the European and United States comparative companies trade in the 6-8x range, which is approximately 120% higher" says Wilson.

What is more, Wilson expects Neptune Marine's new world class management team has lots of easy gains to post before earnings normalise at substantially higher levels, at which time Wilson expects wider interest from institutional investors and a re-rating of the company's earnings multiple from the current "derisively low levels".

"The idea that shareholders would consider selling out at these levels because of a passing period of volatility, when the underlying business has established a foundation from which the share price could double or triple is, in my opinion, a grave misjudgement of the average investor's intelligence. If it turns out that the unsolicited discussions were from an insider, it would, in my opinion, be even more grounds for a high degree of scepticism".

Wilson says portfolios managed by NZ Funds Management own approximately 80 million shares and have recently been purchasing additional shares.

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