

21 April 2010

## ACM Shipping Group

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/08	19.6	5.5	22.2	6.00	8.8	3.1
03/09	30.1	8.7	36.7	8.50	5.3	4.3
03/10e	27.0	6.4	26.9	9.35	7.3	4.8
03/11e	27.3	6.4	26.9	10.30	7.3	5.3

Note: \* PBT and EPS (fully diluted) are normalised, excluding goodwill amortisation and exceptional items.

### Investment summary: Qualities not recognised

ACM's share price has drifted in recent weeks, reflecting a lack of interest across the sector. ACM is a cash generative, highly focused business, which has consistently delivered organic underlying growth in almost every year since its incorporation. The strategy for the next stage of growth is emerging, with more news planned during the course of 2010. The share price fails to recognise the potential.

#### Ahead of expectations

Group trading in the year to March 2010 is ahead of management expectations. At the time of the interim statement, it was clear that the terms of trade had deteriorated and a downturn in profits was inevitable. However, the number of spot fixtures has continued to rise and there was a better than budgeted throughput in the Sale & Purchase operation. We have adjusted our 2009/10 target accordingly.

#### Conditions remain challenging

While there are early signs of global recovery, especially in the Far East, it is too early to start lifting our medium-term targets. The core brokerage business shows every sign of again lifting the number of fixtures, but we cannot yet be confident that the momentum in Sale & Purchase can be sustained. Nevertheless, we remain optimistic of sustained underlying growth over the medium term.

#### Still generating cash

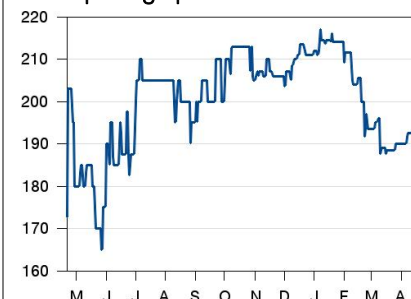
The group continues to generate cash. With little requirement for working capital and fixed assets, the majority of earnings are available for investment. Early payment of employee bonuses suggests that year end cash balances will be below earlier targets at around £4.5m.

#### Valuation: Sector misunderstood

The shipbroking sector appears undervalued, reflecting fears about the shipping cycle, rather than the secure cash-generative nature of the businesses. ACM's main asset is largely its team, which continues to deliver strongly in a tough market. The stock trades at a discount to its peers, although we believe the quality of earnings justifies a premium rating.

Price 195.5p  
Market Cap £35m

#### Share price graph



#### Share details

Code ACMG  
Listing AIM  
Sector Transportation  
Shares in issue 17.7m

#### Price

52 week High 217p Low 165p

#### Balance Sheet as at 30 September 2009

Debt/Equity (%) N/A  
NAV per share (p) 71  
Net cash (£m) 6.4

#### Business

ACM is a fully integrated shipbroking business focused on the global oil tanker market. It arranges spot and time charters, also offering a number of other services, including the sale and purchase of ships.

#### Valuation

	2009	2010e	2011e
P/E relative	37%	63%	76%
P/CF	3.8	16.0	5.4
EV/Sales	1.0	1.1	1.0
ROE	48%	27%	21%

#### Geography based on revenues (2008)

UK	Europe	US	Other
96%	0%	0%	4%

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## Exhibit 1: Financials

Year end 31 March	£'000s	2006	2007	2008	2009	2010e	2011e
			IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>							
<b>Revenue</b>		<b>13,552</b>	<b>13,180</b>	<b>19,638</b>	<b>30,143</b>	<b>27,000</b>	<b>27,278</b>
Cost of Sales		(4,116)	(3,954)	(5,891)	(9,043)	(8,100)	(8,183)
Gross Profit		9,436	9,226	13,747	21,100	18,900	19,095
<b>EBITDA</b>		<b>618</b>	<b>3,604</b>	<b>5,377</b>	<b>8,926</b>	<b>6,575</b>	<b>6,588</b>
<b>Operating Profit (before GW and pre bonus)</b>		<b>474</b>	<b>3,461</b>	<b>5,237</b>	<b>8,726</b>	<b>6,350</b>	<b>6,356</b>
Goodwill Amortisation		0	0	(664)	(606)	(420)	(600)
Exceptionals		0	0	0	0	0	0
Other		0	0	0	0	0	0
<b>Operating Profit</b>		<b>474</b>	<b>3,461</b>	<b>4,573</b>	<b>8,120</b>	<b>5,930</b>	<b>5,756</b>
Net Interest		(2)	215	242	(5)	50	70
<b>Profit Before Tax (norm)</b>		<b>472</b>	<b>3,676</b>	<b>5,479</b>	<b>8,721</b>	<b>6,400</b>	<b>6,426</b>
<b>Profit Before Tax (FRS 3)</b>		<b>472</b>	<b>3,676</b>	<b>4,815</b>	<b>8,115</b>	<b>5,980</b>	<b>5,826</b>
Tax		(453)	(1,432)	(1,744)	(2,275)	(1,654)	(1,690)
Profit After Tax (norm)		19	2,244	3,549	6,446	4,746	4,737
Profit After Tax (FRS3)		19	2,244	3,071	5,840	4,326	4,137
Average Number of Shares Outstanding (m)		N/A	15.1	15.9	17.5	17.5	17.5
<b>EPS - normalised fully diluted (p)</b>		<b>N/A</b>	<b>14.9</b>	<b>22.2</b>	<b>36.7</b>	<b>26.9</b>	<b>26.9</b>
<b>EPS - normalised (p)</b>		<b>N/A</b>	<b>14.9</b>	<b>22.3</b>	<b>36.9</b>	<b>27.1</b>	<b>27.1</b>
<b>EPS - FRS 3 (p)</b>		<b>N/A</b>	<b>14.9</b>	<b>19.3</b>	<b>33.4</b>	<b>24.7</b>	<b>23.6</b>
Dividend per share (p)		0.0	2.0	6.0	8.5	9.4	10.3
Gross Margin (%)		69.6%	70.0%	70.0%	70.0%	70.0%	70.0%
EBITDA Margin (%)		4.6%	27.3%	27.4%	29.6%	24.4%	24.2%
Operating Margin (before GW and except.) (%)		3.5%	26.3%	26.7%	28.9%	23.5%	23.3%
<b>BALANCE SHEET</b>							
<b>Fixed Assets</b>		<b>944</b>	<b>2,883</b>	<b>10,988</b>	<b>13,000</b>	<b>12,555</b>	<b>11,923</b>
Intangible Assets		0	0	8,702	10,619	10,199	9,599
Tangible Assets		524	445	484	550	525	493
Investment in associates		420	1,981	1,509	1,493	1,493	1,493
Unquoted investments		0	457	293	338	338	338
<b>Current Assets</b>		<b>4,418</b>	<b>3,373</b>	<b>7,544</b>	<b>10,932</b>	<b>9,864</b>	<b>13,687</b>
Stocks		0	0	0	0	0	0
Debtors		3,092	2,807	3,979	5,997	5,372	5,427
Cash		1,326	566	3,565	4,935	4,493	8,260
Other		0	0	0	0	0	0
<b>Current Liabilities</b>		<b>(4,453)</b>	<b>(3,240)</b>	<b>(9,228)</b>	<b>(10,331)</b>	<b>(5,336)</b>	<b>(5,388)</b>
Creditors		(4,453)	(2,669)	(8,097)	(9,014)	(4,174)	(4,217)
Other creditors		0	(571)	(1,131)	(1,317)	(1,162)	(1,171)
Short term borrowings		0	0	0	0	0	0
Minority interests		0	0	0	0	0	0
<b>Long Term Liabilities</b>		<b>(1,421)</b>	<b>(1,556)</b>	<b>(1,439)</b>	<b>(1,414)</b>	<b>(1,114)</b>	<b>(814)</b>
Long term borrowings		0	0	0	0	0	0
Other long term liabilities		(1,421)	(1,556)	(1,439)	(1,414)	(1,114)	(814)
<b>Net Assets</b>		<b>(512)</b>	<b>1,460</b>	<b>7,865</b>	<b>12,187</b>	<b>15,970</b>	<b>19,408</b>
<b>CASH FLOW</b>							
<b>Operating Cash Flow</b>		<b>(1,842)</b>	<b>283</b>	<b>4,675</b>	<b>8,988</b>	<b>2,135</b>	<b>6,344</b>
Net Interest		61	110	125	(29)	(50)	(70)
Tax		(42)	(1,007)	(2,063)	(2,137)	(1,809)	(1,681)
Capex		(65)	(64)	(195)	(267)	(200)	(200)
Acquisitions/disposals		0	(1,006)	(6,700)	(5,599)	0	0
Financing		0	3	4,000	0	0	0
Dividends		0	(500)	(652)	(1,139)	(1,636)	(1,800)
Other		2,389	1,421	3,809	1,553	1,118	1,173
Net Cash Flow		501	(760)	2,999	1,370	(442)	3,767
<b>Opening net debt/(cash)</b>		<b>(825)</b>	<b>(1,326)</b>	<b>(566)</b>	<b>(3,565)</b>	<b>(4,935)</b>	<b>(4,493)</b>
HP finance leases initiated		0	0	0	0	0	0
Other		0	0	0	0	0	(0)
<b>Closing net debt/(cash)</b>		<b>(1,326)</b>	<b>(566)</b>	<b>(3,565)</b>	<b>(4,935)</b>	<b>(4,493)</b>	<b>(8,260)</b>

Source: ACM Shipping Group, Edison Investment Research

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