

1 October 2009

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	6.0	9.5	2.9
03/09	30.1	8.7	36.7	8.5	5.7	4.0
03/10e	25.1	6.1	25.1	9.4	8.4	4.5
03/11e	26.2	6.4	26.3	10.3	8.0	4.9

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

Investment summary: Choppy waters

While the wet cargo market is proving far less volatile than that for dry cargoes, weak spot rates, combined with a recovery in sterling against the US\$, are undoubtedly having their effect on profits. However, ACM seems to be passing soundly through the choppy waters, gaining further market share. We look for interim figures showing the group on course to deliver our earlier full year estimates.

External pressure on margins

Following the fundamental shifts in the terms of trade, ACM was never going to be able to repeat the impressive results delivered in the year to March 2009. The slow-down in the global economy has had a predictable impact on spot rates; after an encouraging recovery in Q2 2009, they have fallen away again. Similarly, with a sterling cost-base, the surprising recovery relative to the US\$ will also be unhelpful.

Interim PBT excess of £3m

The group will have benefited during the first quarter from the carry-over of some forex cover, while the number of movements managed by the group continues to rise, suggesting a further increase in market share. We look for interim pre-tax profits down by up to 10%, implying a figure of just over £3m, indicating ACM to be on course to deliver our £6.1m full year target.

Cash generation continues

As a broking business, there are no inventories and a limited need for capital investment. In the absence of acquisitions, we would expect the group to generate some £2m over the full year, lifting net balances towards £7m.

Valuation: Discount not justified

ACM shares are valued at a 12% discount to sector leader Clarkson and a modest discount to Braemar. While both companies are larger and more broadly based, we believe that ACM's focus on the energy sector warrants at least an average sector rating.

Price 210p
Market Cap £37m

Share price graph



Share details

Code ACMG
Listing AIM
Sector Transportation
Shares in issue 17.5m

Price

52 week High 210p
Low 115p

Balance Sheet as at 31 March 2009

Debt/Equity (%) N/A
NAV per share (p) 69.6
Net cash (£m) 4.9

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	54%	91%	96%
P/CF	4.1	8.2	5.8
EV/Sales	1.1	1.2	1.0
ROE	48%	25%	21%

Revenues on geography

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

Analyst

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Exhibit 1: Financials

	£'000s	2007	2008	2009	2010e	2011e
Year end 31 March		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		13,180	19,638	30,143	25,054	26,216
Cost of Sales		(3,954)	(5,891)	(9,043)	(8,268)	(7,865)
Gross Profit		9,226	13,747	21,100	16,786	18,351
EBITDA		3,604	5,377	8,926	6,238	6,527
Operating Profit (before GW and pre bonus)		3,461	5,237	8,726	6,003	6,285
Goodwill Amortisation		0	(664)	(606)	(630)	(600)
Exceptionals		0	0	0	0	0
Other		0	0	0	0	0
Operating Profit		3,461	4,573	8,120	5,373	5,685
Net Interest		215	242	(5)	50	70
Profit Before Tax (norm)		3,676	5,479	8,721	6,053	6,355
Profit Before Tax (FRS 3)		3,676	4,815	8,115	5,423	5,755
Tax		(1,432)	(1,744)	(2,275)	(1,627)	(1,727)
Profit After Tax (norm)		2,244	3,549	6,446	4,426	4,629
Profit After Tax (FRS3)		2,244	3,071	5,840	3,796	4,029
Average Number of Shares Outstanding (m)		15.1	15.9	17.5	17.5	17.5
EPS - normalised fully diluted (p)		14.9	22.2	36.7	25.1	26.3
EPS - normalised (p)		14.9	22.3	36.9	25.3	26.5
EPS - FRS 3 (p)		14.9	19.3	33.4	21.7	23.0
Dividend per share (p)		2.0	6.0	8.5	9.4	10.3
Gross Margin (%)		70.0%	70.0%	70.0%	67.0%	70.0%
EBITDA Margin (%)		27.3%	27.4%	29.6%	24.9%	24.9%
Operating Margin (before GW and except.) (%)		26.3%	26.7%	28.9%	24.0%	24.0%
BALANCE SHEET						
Fixed Assets		2,883	10,988	13,000	12,335	11,693
Intangible Assets		0	8,702	10,619	9,989	9,389
Tangible Assets		445	484	550	515	473
Investment in associates		1,981	1,509	1,493	1,493	1,493
Unquoted investments		457	293	338	338	338
Current Assets		3,373	7,544	10,932	11,856	15,844
Stocks		0	0	0	0	0
Debtors		2,807	3,979	5,997	4,985	5,216
Cash		566	3,565	4,935	6,871	10,628
Other		0	0	0	0	0
Current Liabilities		(3,240)	(9,228)	(10,331)	(7,647)	(7,973)
Creditors		(2,669)	(8,097)	(9,014)	(6,492)	(6,793)
Other creditors		(571)	(1,131)	(1,317)	(1,155)	(1,180)
Short term borrowings		0	0	0	0	0
Minority interests		0	0	0	0	0
Long Term Liabilities		(1,556)	(1,439)	(1,414)	(1,114)	(814)
Long term borrowings		0	0	0	0	0
Other long term liabilities		(1,556)	(1,439)	(1,414)	(1,114)	(814)
Net Assets		1,460	7,865	12,187	15,430	18,750
CASH FLOW						
Operating Cash Flow		283	4,675	8,988	4,494	6,355
Net Interest		110	125	(29)	(50)	(70)
Tax		(1,007)	(2,063)	(2,137)	(1,789)	(1,702)
Capex		(64)	(195)	(267)	(200)	(200)
Acquisitions/disposals		(1,006)	(6,700)	(5,599)	0	0
Financing		3	4,000	0	0	0
Dividends		(500)	(652)	(1,139)	(1,636)	(1,800)
Other		1,421	3,809	1,553	1,118	1,173
Net Cash Flow		(760)	2,999	1,370	1,936	3,757
Opening net debt/(cash)		(1,326)	(566)	(3,565)	(4,935)	(6,871)
HP finance leases initiated		0	0	0	0	0
Other		0	0	0	0	0
Closing net debt/(cash)		(566)	(3,565)	(4,935)	(6,871)	(10,628)

Source: Company accounts/Edison Investment Research

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