Update

6 October 2011

ACM Shipping Group

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/10	25.9	6.60	26.3	9.5	5.6	6.5
03/11	29.3	6.10	24.8	10.0	5.9	6.8
03/12e	26.0	4.50	18.2	10.0	8.0	6.8
03/13e	29.0	4.80	18.5	10.0	7.9	6.8

Note: * PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: Profits warning

The ACM share price has naturally reacted adversely to the announcement of defections from its S&P team and the attendant profit warning. However, the price has been on the drift since the beginning of August, losing more than a third of its value. While this related to fears about global trading, we sense that a large element of the impact of the announcement is already discounted. The shares may drift lower in the immediate future, but we view any further weakness as a buying opportunity.

Defections from S&P team

ACM has announced the defection of several key members of its Sale & Purchase team. There will be an immediate adverse impact on the division's trading performance and there will also be a substantial goodwill write-off (est £7m). Steps are being taken to rebuild the team, but securing the right people will take time.

Interim profits to be reduced

The core tanker business is reported to be on track, but progress at the UK end of the new dry cargo operation is slower than expected. We have decided to reduce our current year pre-tax estimate by £1.8m to £4.5m and are also cutting our target for next year. Interim results are due to be announced on 29 November; for the group to be on course to deliver our revised estimates, we hope to see underlying pre-tax profits of around £2.2m. An unchanged full year dividend can be expected.

Still generating cash

The goodwill write-off is a non-cash adjustment and the group remains operationally cash generative. We now look for net cash close to £6.0m at March 2012.

Valuation: Finding a value

The well above average and well covered yield is a major prop for the share price, although it may drift in the short term before finding its true value.

Price	146.5p
Market Cap	£29m

Share price graph

Share details

Code	ACMG
Listing	AIM
Sector	Transportation
Shares in issue	19.4m

Price

	High	Low
52 week	240.5p	146.5p

Balance Sheet as at 31 March 2011

Debt/Equity (%)	N/A
NAV per share (p)	103
Net cash (£m)	5.0

Business

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

Valuation

	2011	2012e	2013e
P/E Relative	56%	87%	97%
P/CF	4.2	7.3	5.5
EV/Sales	0.7	1.0	0.6
ROE	20%	N/A	20%

Geography based on revenues (2011)

UK	Europe	US	Other
90%	0%	0%	10%

Analyst
Nigel Harrison +44 (0)20 3077 5723
Roger Johnston +44 (0)20 3077 5721
industrials@edisoninvestmentresearch.co.uk

ACM Shipping Group is a research client of Edison Investment Research Limited

Exhibit 1: Financials

£'000s	2008	2009	2010	2011	2012e	2013e
Year end 31 March	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue	19,638	30,143	25,852	29,257	26,000	29,000
Cost of Sales	(5,891)	(9,043)	(7,756)	(8,777)	(7,800)	(8,700)
Gross Profit	13,747	21,100	18,096	20,480	18,200	20,300
EBITDA	5,377	8,926	6,857	6,195	4,650	4,950
Operating Profit (before GW and pre bonus)	5,237	8,726	6,630	5,962	4,400	4,700
Goodwill Amortisation	(664)	(606)	(436)	(800)	(400)	(300)
Exceptionals	0	0	0	0	(7,000)	0
Other	0	0	0	0	0	0
Operating Profit	4,573	8,120	6,194	5,162	(3,000)	4,400
Net Interest	242	(5)	(27)	138	100	100
Profit Before Tax (norm)	5,479	8,721	6,603	6,100	4,500	4,800
Profit Before Tax (FRS 3)	4,815	8,115	6,167	5,300	(2,900)	4,500
Tax	(1,744)	(2,275)	(1,870)	(1,558)	(1,200)	(1,300)
Profit After Tax (norm)	3,549	6,446	4,733	4,542	3,300	3,500
Profit After Tax (FRS3)	3,071	5,840	4,297	3,742	(4,100)	3,200
Average Number of Shares Outstanding (m)	15.9	17.5	17.5	18.5	19.3	19.3
EPS - normalised fully diluted (p)	22.2	36.7	26.1	24.7	18.1	18.4
EPS - normalised (p)	22.3	36.9	26.3	24.8	18.2	18.5
EPS - FRS 3 (p)	19.3	33.4	24.5	21.7	(19.2)	17.6
Dividend per share (p)	6.0	8.5	9.5	10.0	10.0	11.0
Gross Margin (%)	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
EBITDA Margin (%)	27.4%	29.6%	26.5%	21.2%	17.9%	17.1%
Operating Margin (before GW and except.) (%)	26.7%	28.9%	25.6%	20.4%	16.9%	16.2%
BALANCE SHEET						
Fixed Assets	10,988	13,000	12,382	17,678	11,348	11,118
Intangible Assets	8,702	10,619	10,183	15,805	8,405	8,105
Tangible Assets	484	550	393	450	1,400	1,350
Investment in associates	1,509	1,493	1,208	1,050	1,170	1,290
Unquoted investments	293	338	598	373	373	373
Current Assets	7,544	10,932	10,114	10,246	10,703	13,633
Stocks	0	0	0	0	0	0
Debtors	3,979	5,997	5,848	5,291	4,702	5,245
Cash	3,565	4,935	4,266	4,955	6,001	8,388
Other	0	0	0	0	0	0
Current Liabilities	(9,228)	(10,331)	(7,060)	(7,071)	(6,278)	(6,951)
Creditors	(8,097)	(9,014)	(6,046)	(6,321)	(5,617)	(6,265)
Other creditors	(1,131)	(1,317)	(1,014)	(750)	(661)	(686)
Short term borrowings	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0
Long Term Liabilities	(1,439)	(1,414)	(2,089)	(968)	(668)	(368)
Long term borrowings	0	0	0	0	0	0
Other long term liabilities	(1,439)	(1,414)	(2,089)	(968)	(668)	(368)
Net Assets	7,865	12,187	13,347	19,885	15,105	17,432
CASH FLOW						
Operating Cash Flow	4,675	8,988	2,567	5,942	4,285	4,806
Net Interest	125	(29)	26	19	100	100
Tax	(2,063)	(2,137)	(2,247)	(1,922)	(1,290)	(1,275)
Capex	(195)	(267)	(70)	(219)	(1,200)	(200)
Acquisitions/disposals	(6,700)	(5,599)	(44)	(2,342)	0	0
Financing	4,000	0	(1,025)	(264)	0	0
Dividends	(652)	(1,139)	(1,531)	(1,851)	(1,930)	(2,123)
Other	3,809	1,553	1,655	1,326	1,080	1,080
Net Cash Flow	2,999	1,370	(669)	689	1,046	2,388
Opening net debt/(cash)	(566)	(3,565)	(4,935)	(4,266)	(4,955)	(6,001)
HP finance leases initiated	0	0	0	0	0	0
Other	0	0	0	0	0	0
Closing net debt/(cash)	(3,565)	(4,935)	(4,266)	(4,955)	(6,001)	(8,388)

Source: Edison Investment Research, company accounts

Edison Investment Research

Lincoln House, 296-302 High Holborn, London, WC1V 7JH ■ tel: +44 (0)20 3077 5700 ■ fax: +44 (0)20 3077 5750 ■ www.edisoninvestmentresearch.co.uk
Registered in England, number 4794244. Edison Investment Research is authorised and regulated by the Financial Services Authority.