

24 June 2010

ACM Shipping Group

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/09	30.1	8.72	36.9	8.5	5.1	4.5
03/10	25.9	6.60	26.8	9.5	7.0	5.1
03/11e	31.0	6.75	25.9	10.0	7.2	5.3
03/12e	35.0	8.00	29.8	11.0	6.3	5.9

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

Investment summary: Real value

The manner in which ACM has come through the global recession reflects highly on the business model and the teamwork ethic established by management. The group consistently generates cash, even in the toughest of years, and has a clear investment strategy for moving forward. These features indicate a quality of earnings which is not recognised in the share price. The shares offer real value.

Ahead of expectations

While a profit shortfall over the previous year was always inevitable, the underlying pre-tax profit of £6.6m earned in the year to March 2010 was comfortably above City expectations. The most significant aspect of the figures was a 9% rise in spot fixtures in a falling market; the dividend was raised again, reflecting the confidence of the board about future trading.

Diversification strategy being delivered

The current year sees a major investment in broadening the scope of the business into dry cargo broking. A new team has been installed in the UK, supplemented by a £5.8m acquisition of a specialist Australian broker. This move has been foreshadowed for some time and we are confident that, after a settling in period in the current year, the investment will boost earnings over the medium term.

Still cash generative

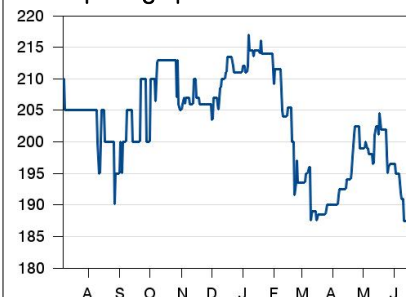
Early payment of the spring staff bonus contributed to a £0.6m cash outflow in the year to March 2010. The group will absorb the £2.3m cash element of the Endeavour consideration in 2010/11, but should increase cash balances by at least £1m.

Valuation: Real value in an undervalued sector

ACM shares are rated at a 25% discount to the other quoted shipbroking companies. While the relative size of the businesses is a factor, we believe that the pure broking nature of the group's earnings justifies a premium rating. This anomaly may start to be reversed as the City starts to recognise the increased potential following the acquisition.

Price 187.5p
Market Cap £33m

Share price graph



Share details

Code ACMG
Listing AIM
Sector Transportation
Shares in issue 17.7m

Price

52 week High 217.5p Low 182.5p

Balance Sheet as at March 2010

Debt/Equity (%) N/A
NAV per share (p) 76
Net cash (£m) 4.3

Business

ACM is a fully integrated shipbroking business focused principally 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

	2010	2011e	2012e
P/E relative	66%	70%	72%
P/CF	12.8	5.6	4.5
EV/Sales	1.1	1.0	0.7
ROE	32%	21%	20%

Revenues by geography

	UK	Europe	US	Other
N/A	N/A	N/A	N/A	N/A

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Investment summary: Real value

Company description: Unique business

ACM Shipping Group is an integrated shipbroking business principally focused on the global oil tanker market. The core business arranges spot business, involving single voyage movements. There is an important time charter business, for longer-term shipping movements typically for a period of six months to three years, but also of significantly longer duration. The group also operates a highly successful Sale & Purchase operation, bringing together parties for trading in new and second-hand vessels and demolition of outdated ships; there is also a small demurrage business, which manages difficulties encountered when journeys are extended beyond the original contract period. Principal group operations are in London, with subsidiary offices in Singapore, Beijing, Shanghai, Mumbai, New Delhi and Moscow.

Valuation

The ACM share price has, inexplicably, under performed that of the other shipbrokers over the past six months. As a pure broker, we believe that ACM should be valued at a premium to its peer group, despite the fact that it is somewhat smaller in revenue terms – the current P/E ratio discount of some 25%, based on prospective profit estimates, is difficult to justify. While profits may stand still for another 12 months, the investment currently being made ought to deliver sharply increased returns over the medium term.

Sensitivities

The main sensitivities relate to movements in spot freight rates and the sterling/dollar exchange rate. Volatile rates will lead to varying gross margins, although with a relatively high proportion of employee costs linked to profits, the impact is lessened. With revenues generated in US dollars and the cost base largely in sterling, the group is a beneficiary when the dollar strengthens and vice-versa. There is also a potential vulnerability to the loss of key personnel, who manage the group's relationships with the oil majors and leading ship owners; however, there are certain lock-in arrangements and the group has an enviable record in terms of staff retention.

Financials

- 2009/10 pre-tax profits slipped back from the exceptional levels earned in the previous year; the current year will be a holding year, with material progress targeted thereafter.
- Early payment of the staff bonus contributed to a modest cash outflow last year; with payments reverting to normal, we expect an inflow of more than £1m in the current year.

Exhibit 1: Estimate changes

Note: Figures in £m except per share data.

	EPS			PBT			EBITDA		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
2010	26.9	26.8	(1)	6.40	6.60	3	6.58	6.86	4
2011e	26.9	25.9	(4)	6.40	6.75	5	6.59	7.05	7
2012e	N/A	29.8	N/A	N/A	8.00	N/A	N/A	8.25	N/A

Source: Company announcements; Edison Investment Research estimates

Company description: Specialist shipbroking

The development of ACM

ACM Shipping Group was established in 1982 and quickly became recognised as a specialist in the oil tanker brokerage market. While two members of the initial four man team have now retired, Johnny Plumbe and Simon Clough are still in place, supported by a strong and effective team, which brings together a broad range of disciplines to create a fully integrated business. The group has grown organically over almost 20 years, taking on a steady flow of individuals or small teams to bolster the original group, quickly assimilating the new members. ACM secured an AIM listing in late 2006.

The group expanded from its initial expertise in arranging spot and time charters in 2001, when it acquired a 30% interest in a Sale & Purchase business managed by a team that had previously operated successfully for Braemar Shipping. The business, subsequently renamed ACM Shipping Services, became wholly owned in 2008, following the acquisition of the remaining 70%, and was absorbed into the main London dealing desk.

ACM entered the financial futures market in 2002, when setting up a 50/50 joint venture with GFI Group, a NASDAQ-listed derivatives inter dealer broker. This business has grown progressively combining the specialist expertise of the two groups.

The first broking acquisition was completed in 2008. Harris & Dixon, broadened the broking base, extending the group expertise into smaller tankers. Again the business was integrated into the overall ACM team, with its brokers working alongside the specialists in larger ships.

Today, ACM is a fully integrated business, combining a range of skills made available to the major oil companies, independent oil traders and tanker owners. It operates in a market which is led by three or four key players, although several other brokers have a keen interest and a viable presence in the market. The other key players are Clarksons, Braemar Shipping and Simpson, Spence & Young, all of which have more broadly spread overall businesses.

The group opened its first overseas office in Singapore in 2005. It now has operations in the US (New York), India (Mumbai, New Delhi), China (Beijing, Shanghai) and Russia (Moscow). Several of the brokers based overseas have worked and been helped to develop their skill base in the group's main London office as part of their general training. They have then returned to their local office, where they are able to combine their local contact base and professional skills to develop a smaller mirror image of the UK business.

Management has been looking, for some time, to extend the business into the dry cargo sector. This is currently being facilitated by the organic development of a UK-based team, to be augmented by the acquisition of Endeavour Shipbrokers, operating out of Sydney and Melbourne in Australia.

The business

- **Spot Charters (42.5% of 2009/10 revenues)** – The spot market has, for many years been the mainstay of the group business. ACM brokers deals between ship-owners and those who wish to transport a particular cargo, for a single journey. The group has strong relationships with virtually all of the major players in both sides of the tanker market and its up-to-date knowledge of the size, cost and availability from a size of 10,000 dead weight tonnes (DWT) to the very large crude carriers (VLCC) makes ACM an ideal broker for any particular deal. The journey is usually priced on a per day basis, with the group earning a typical commission of 1.25% on the overall cost. Day rates can vary quite sharply to reflect supply and demand – rates fell away sharply during the recent global recession, but have recovered well, especially since the beginning of 2010. While the fluctuation in rates will, naturally, have a similar effect on the group's income, ACM is involved in a number of oil markets (clean oil, crude oil, petroleum) where the cycles do not always coincide.
- **Time Charters (31.3% of 2009/10 revenues)** – A time charter differs from a spot charter, in that a ship is hired for a predetermined period of time. The ship remains the property and responsibility of the owner, but the charterer has control of the various destinations and the operation of the ship. The duration of time charters can vary from a few months through to several years; its advantage stems from the reliability of income and availability – the ship-owner can secure a predetermined level of income to justify the order for a new ship, while the oil company can avoid the risks involved in uncertain spot rates. For ACM, time charters provide an order book and a degree of certainty of earnings. The market for time charters had, until recently, been on a rising trend, partially because of the perceived increasing volatility in spot rates. However, it requires both parties to be interested and the weakness in rates seen during the early part of the recession, for example, meant that fewer ship-owners were prepared to commit their ships for any duration of time when rates were low.
- **Demurrage (5.5% of 2009/10 revenues)** – Demurrage represents a small, but useful contribution to earnings. It arises when for various reasons a journey takes longer than planned at the time the charter was agreed – this tends typically to stem from either adverse weather conditions or, more frequently, port delays. The shipbroker negotiates an appropriate fee for the delay and secures a fee (usually 1.25%) for acting as an intermediary.
- **Sale & purchase (20.8% of 2009/10 revenues)** – The sale and purchase business is also a broking operation, putting together buyers and sellers of ships, including both new ships and those sold for demolition. The S & P desk deals with both ship-owners and shipyards, occasionally helping the purchaser to arrange the appropriate finance. It should be emphasised that, while the business can be volatile (markets tend to dry up when prices are low), the group does not take an equity interest in any of the ships for which it acts and, consequently, does not have any capital risk at any time. The group's knowledge base across the sector and its close business relationships with many ship-owners mean that it will frequently have early signals that a particular ship might be

available; indeed the group is constantly on the look-out for ships which may become available, for example, on the conclusion of an extended time charter. While the majority of the business of ACMSS involves oil tankers, there is growing activity in other sectors of the market.

- **Derivatives (20% of underlying 2009/10 pre-tax profit)** – ACM's involvement in the derivatives section of the market commenced in 2002, when it set up the above mentioned 50/50 joint venture with GFI Group. Several financial instruments have become available to the market aimed at reducing the level of risk for the various participants. A typical agreement enables ship-owners and charterers to fix rates for a specified voyage and a defined future period. ACM/GFI is regularly voted the 'best wet freight derivatives broker' in the *Energy Risk* magazine.

Management

ACM has an entrepreneurial style of management, with a highly motivated workforce rewarded largely by results. The original founding team, which brought significant industry experience to the group, has been progressively augmented, usually by either growing appropriately qualified young graduates or by head-hunting high quality individuals from elsewhere in the sector. The group is split into a number of specialist teams with appropriate skills in the various segments of the market; this will reflect either differing types of vessels or the variety of activities mentioned above.

All staff members are remunerated by way of a basic salary plus a substantial bonus, related to the performance of both their own team and the group as a whole. Each team has a great deal of autonomy to encourage entrepreneurial flair, but there are also tight controls to ensure that the group is not placed at unnecessary risk. For example, the dealing desks are in an open plan office, which encourages both a professional and competitive approach to the business.

The quality of many business relationships means that there is a vulnerability to the loss of certain key individuals, especially those dealing with the oil majors. However, experience to date suggests that ACM has an almost impeccable record in terms of retaining the most valued members of its team.

The overseas operations tend to mirror the London dealing strategy, although with smaller teams appropriate to the size of each business. There are strong working relationships between the various offices, simply by virtue of the fact that they can all help each other. Moreover, many of the overseas personnel have worked in London as part of their training.

Strategy

The basic philosophy is more of the same. ACM has proved consistently successful by sticking to broking and ensuring that significant due diligence is undertaken before each new venture. Every deal has involved businesses and people already well known to group management, while diversification tends to be into adjacent segments of the market, where there is already a material level of knowledge in the group.

The first two acquisitions since flotation typify this approach. ACMSS was already 30% owned by the group with the knowledge which that implied. Similarly, the team at Harris & Dixon was already

well known to group management, with the deal representing the most logical way of entering the adjacent market for smaller ships – the larger ships already handled by the group were largely involved in inter-continental voyages, whereas the group wanted to become involved in the transfer of oil between the major ports (ie Rotterdam) and regional ports closer to the ultimate user.

The current move into dry cargos was foreshadowed in the prospectus back in 2006. Management has examined a number of opportunities, but only recently has it found what is perceived to be the right way to enter the market.

Sound result in the year to March 2010

After the remarkable set of circumstances which lifted the previous year's figures, the year to March 2010 was always going to show a profits shortfall. However, the basic fundamentals were all positive: the number of fixtures was raised substantially; early profit estimates were comfortably beaten; the group was again operationally cash positive; and diversification into the dry cargo market began. Management remains positive and we can look ahead with confidence, despite the fragile recovery in the global economy.

Ahead of expectations

The previous year to March 2009 had benefited from a combination of high spot rates and a very positive sterling/dollar exchange rate. It was already apparent 12 months ago that it would be virtually impossible for the group to match that result. We had pencilled growth in the underlying business, when looking for pre-tax profits (before amortisation of intangibles) of £6.1m; we raised our target following the trading statement in April, but the delivery of £6.6m represents a remarkably sound performance and prompts us to look confidently towards the medium term.

Exhibit 2: Results to March 2009

Note: Figures before exceptional items and amortisation of intangibles.

Year to March	2009 £'000s	2010 £'000s	Change %
Revenue			
– Spot brokerage	15,750	10,997	(30)
– Time charter	8,339	8,073	(3)
– Demurrage	1,103	1,419	29
– Sale and purchase	4,951	5,363	8
	30,143	25,852	(14)
Operating profit	7,236	5,305	(27)
Associates/joint ventures	1,490	1,325	(11)
Interest	(5)	(27)	
Pre-tax profit	8,721	6,603	(24)

Source: ACM Shipping Group

Underlying growth

In theory a 30% drop in income from **Spot Brokerage** looks disappointing, but the shifts in currency movements and freight rates meant that the average income per fixture fell year-on-year by 42%.

The best measure of the ACM performance can be gauged by the fact that the group actually raised the number of fixtures by 9% to around 1,450 in one of the toughest ever years for the industry. This follows increases of 19%, 12% and 15% in each of the previous three years, providing a clear indication of consistent underlying growth in the overall spot business and it also

represents a progressive rise in market share. The current year has started encouragingly and, with higher average freight rates, so far, we look for a recovery in revenues to at least £12m.

There was a much less marked reduction in income from **Time Charters** of just 3%. This reflects the substantial order book which was outstanding at the beginning of the year, on which rates had already been negotiated. However, the order book at March 2010 is almost 30% lower than it was a year ago, stemming principally from the reluctance of ship-owners to tie their ships up for long periods when rates were at such a low level. There are already more positive signs, but it will take time for this improvement to be reflected in revenue figures and we look for a more modest recovery in the current year.

Income from **Demurrage** rose by 29%. This small activity tends to be counter cyclical because the income tends to be negotiated some time after voyages have been completed. The rise in income almost certainly relates to a period when freight rates were somewhat higher. The business will do well to match its 2009/10 rate of income in the current year.

The group's **Sale & Purchase** business lifted revenues by 8%. The first half result had been surprisingly good, benefiting from a number of dry cargo ship transactions. However, there was a useful recovery in the core wet market during the second six months, which has continued into the current year. There should be a useful rise in revenue in 2010/11, which looks sustainable for the foreseeable future.

ACM's **Overseas** operations continue to progress largely in line with management expectations. We were particularly encouraged by the performances in Beijing and Singapore, although we understand that progress was achieved across the board. This positive trend should continue as the various teams become more established in their local markets.

Acquisition of Endeavour Shipbrokers

Management has spoken for some time about diversifying the business into the dry cargo market. While freight rates tend to be more volatile, the market is significantly larger than the wet market and provides considerable opportunities for the professional operator. ACM has approached the market from two distinct directions, setting up a small team in the UK, which is developing an expertise in larger ships, while it has agreed terms for a strategic acquisition of Endeavour Shipbrokers, an Australian broker specialising in the Asia-Pacific dry cargo market.

The consideration for Endeavour of A\$10.0m (£5.8m) comprises A\$4.0m (£2.3m) in cash, with the balance satisfied by the issue of 1.815m shares.

We view the deal optimistically. The Endeavour business, which has been in place for some six years, has achieved consistent progress since its inception, building up relationships with an important list of global customers, including Rio Tinto and BHP Billiton. Endeavour has been a prime beneficiary of the growing business between the basic materials mines, industrial groups and agricultural businesses in Australia and their major customers in China and other parts of the Far East. It also has key and growing relationships with major ship-owners operating in the region.

Figures about the profitability of Endeavour are of limited value because of staff bonuses, but on the basis of revenues running at an annual rate of \$A6.0m (£3.5m), we understand the acquisition

ought to be immediately earnings enhancing. Moreover, its offices in Sydney and Melbourne extend the group's overseas reach. We expect to see these offices broadening their base, supporting ACM's core wet market business over the medium term.

The team in the UK will take time to bed down and will incur significant revenue costs in its early stages; the investment in the team, quite naturally, takes place ahead of the production of revenues. In terms of the group bottom line, we view the likely current year losses in the UK as a fundamental investment in future profits and, consequently, we believe that it will be at least a year before the overall dry cargo business makes a meaningful net contribution to group profits.

Sensitivities

The main sensitivities relate to the volatility of freight rates and the sterling/dollar exchange rate. While dry cargo rates have tended to be more volatile, wet rates have moved much more widely than usual over the past two years, with the intensity of the global recession. Similarly, with the vast majority of revenues generated in US dollars and the cost base largely in sterling, currency movements will also be fundamental. Other factors are the key personnel, who control the group's relationships with the oil majors and leading ship owners, while certain aspects of the business (Sale & Purchase) do experience an intermittent flow of business.

Currencies

ACM uses foreign exchange instruments in an attempt to manage the risk in relation to the sterling/dollar situation; the board introduced a new policy during 2007/08 to have forward cover in place. At March 2010, there were forward exchange contracts in place to sell \$9.0m at an average rate of \$1.60/£. The average effective exchange rate for the year to March 2009 was \$1.60/£, compared with \$1.67/£ in the previous year. It is virtually impossible to assess likely movements in the current year and our profit estimates are based on there being little change from current levels.

Key personnel

The business has few tangible assets. Its strengths lie in the strong relationships that the group and certain key individuals have with the major oil companies, oil dealers and ship owners. The defection of specific individuals or teams to another broker could have an adverse impact on profits, especially in the short term. Management is fully aware of this risk and invests considerable time on staff motivation and retention. ACM has an impressive record in terms of retaining its key staff, the majority of whom are motivated by substantial share holdings and a generous bonus scheme. Obviously, the risks increase as the group becomes larger, but they should not be overstated.

The shipping cycle

The shipping cycle is seen by investors to be a major factor for shipbroking shares. However, experience has shown that the impact on ACM has been far less marked than is generally assumed, partially because dry cargo rates tend to be far more volatile than wet rates. Ironically, the past two years have seen extremes with rates for both sectors moving more sharply than for many years, reflecting the uncertainty about the depth and extent of the global trading downturn.

Nevertheless, oil demand has been shown to be remarkably stable. The weakness in rates tended to reflect a far greater fall in consumption than actually happened, while the more recent recovery in spot rates stems from IEA forecasts that consumption will be running at higher rates than those appertaining prior to the onset of recession. Considerable ageing shipping capacity has been retired earlier than was originally planned, suggesting that the supply and demand balance may favour a further firming up of rates in the coming months.

Valuation

There are three quoted companies in the shipbroking sub-sector. Each has seen share price volatility in the face of the uncertain trading conditions in the shipping market. Quite amazingly, the ACM share price has drifted by 9% since our report last December, while the other two have risen by an average of 16%. We consider ACM, as a pure broker, to be unique within its sub-sector; we believe this focus justifies a higher rating relative to the market.

Peer group comparison

Exhibit 3: Peer group comparison

Note: Figures before exceptional items. Priced as at 23 June 2010.

	Price	Market cap	Revenue	P/E Hist	P/E Pros 1	P/E Pros 2
	p	£m	£m	x	x	x
ACM Shipping Group	187.5	33	26	7.0	7.2	6.3
Braemar Shipping Services	535.0	113	119	9.0	9.4	8.5
Clarkson	898.5	171	177	8.2	9.6	8.6

Source: Thompson Reuters; Edison Investment Research estimates

ACM shares stand at a discount of around 25% relative to the average of the other two groups on the basis of prospective earnings for each of the next two years. We acknowledge that the heavy involvement of both Clarkson and Braemar in dry cargoes may suggest a greater recovery potential, but we prefer the greater stability available in the wet market. We also prefer the fact that ACM is entirely a broking/agency business, whereas each of the others has diversified into adjacent business areas such as port and shipping services; broking operations are highly cash generative, with employee costs varying to reduce the likely impact of fluctuating profits. We accept that marketability is a factor to bear in mind, but this disparity in ratings is unjustified.

Sector undervalued

There is natural concern from investors about the shipping cycle, but the shift in global manufacturing capacity to lower-cost regions has transformed the prospects for the shipping market. The global recession has interrupted growth, but the fundamental shift in market parameters appears irreversible. Moreover, experience has shown that, by deferring some orders, the temporary slowdown in the global movement in goods was partially balanced by a reduction in new shipping capacity coming on stream. The unique nature of shipbroking, involving cash generation, close involvement with the growth in world trade and stiff barriers to entry, warrant a premium rating to the market, rather than the current large discount.

Financials

After the predicted profits reversal of last year, ACM is moving firmly in the right direction. Start-up costs associated with the UK dry cargo venture will limit progress in the current year, but we are confident of a big boost to profits in 2011/12. Meanwhile, ACM has a cash rich balance sheet.

EPS to move ahead in 2011/12

ACM has delivered consistent growth since its inception in 1982, with few setbacks, as was seen in the last year. As explained, the previous year benefited from exceptional trading conditions, with freight rates at peak levels and a favourable sterling/dollar exchange rate. While profits did fall back, the underlying business grew by just under 10% in a market which probably slipped back by a few percentage points – the fall in profits related entirely to exceptionally low freight rates, which are unlikely to be repeated in the immediate future. Moreover, operational gearing was muted by the impact of correspondingly lower staff bonuses.

The current year is reported to have started well, with firmer rates across the board. As mentioned above, there should be a useful rise in Spot Rate revenues, while we are hopeful of progress being delivered in the other business segments and there ought to be a positive contribution from the Endeavour acquisition. On the other hand, a new dry cargo team has been installed in the UK, which will be costly and is unlikely to be generating any meaningful income for several months yet. We have set an underlying pre-tax target of £6.75m, for a modest increase over last year's result, although dilution from the equity issued as part consideration for the Endeavour acquisition will leave EPS marginally below last year's figure. On the other hand, this year's investment ought to pay off handsomely in the future. We look for £8.0m pre-tax in the year to March 2012, to be followed by continuing underlying progress thereafter. A measure of management confidence can be gained from last year's increase in the dividend, despite the drop in EPS; we expect the progressive policy on dividend payments to continue in the current year.

Cash generation in the current year

ACM has generated cash from operations in virtually every year since its inception. There are no inventories, while a major part of creditors in the year end balance sheet comprises an accrued bonus payable to employees. Ironically, last year saw the first reduction in net cash (other than to reflect the impact of acquisitions) for many years – there were sound reasons.

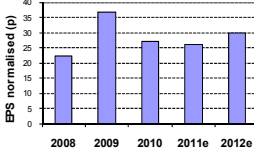
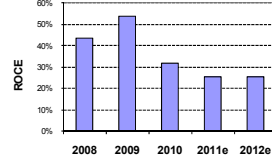
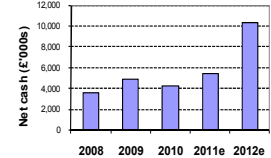
Working capital movements provide part of the clue. A £3.1m decrease in creditors stemmed partially from a decision to pay the employee bonus early, while the group also invested £1m in its ESOP. Elsewhere, operating cash flow before working capital movements was a healthy £5.9m, despite the reduced profits. The net effect was a reduction in year end net cash balances from £4.9m to £4.3m.

We expect the group to revert to normal payment dates on the bonus next year, which should lead to a useful rise in net cash at the year end, despite the £2.3m cash element of the consideration for Endeavour. We look for net cash of around £5.4m at March 2011.

Exhibit 4: Financials

	£'000s	2008	2009	2010	2011e	2012e
Year end 31 March		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		19,638	30,143	25,852	31,000	35,000
Cost of Sales		(5,891)	(9,043)	(7,756)	(9,300)	(10,500)
Gross Profit		13,747	21,100	18,096	21,700	24,500
EBITDA		5,377	8,926	6,857	7,050	8,250
Operating Profit (before GW and pre bonus)		5,237	8,726	6,630	6,850	8,050
Goodwill Amortisation		(664)	(606)	(436)	(650)	(650)
Exceptionals		0	0	0	0	0
Other		0	0	0	0	0
Operating Profit		4,573	8,120	6,194	6,200	7,400
Net Interest		242	(5)	(27)	(100)	(50)
Profit Before Tax (norm)		5,479	8,721	6,603	6,750	8,000
Profit Before Tax (FRS 3)		4,815	8,115	6,167	6,100	7,350
Tax		(1,744)	(2,275)	(1,870)	(1,830)	(2,200)
Profit After Tax (norm)		3,549	6,446	4,733	4,920	5,800
Profit After Tax (FRS3)		3,071	5,840	4,297	4,270	5,150
Average Number of Shares Outstanding (m)		15.9	17.5	17.5	18.9	19.3
EPS - normalised fully diluted (p)		22.2	36.7	26.8	25.9	29.8
EPS - normalised (p)		22.3	36.9	27.0	26.1	30.0
EPS - FRS 3 (p)		19.3	33.4	24.5	22.7	26.7
Dividend per share (p)		6.0	8.5	9.5	10.0	11.0
Gross Margin (%)		70.0%	70.0%	70.0%	70.0%	70.0%
EBITDA Margin (%)		27.4%	29.6%	26.5%	22.7%	23.6%
Operating Margin (before GW and except.) (%)		26.7%	28.9%	25.6%	22.1%	23.0%
BALANCE SHEET						
Fixed Assets		10,988	13,000	12,382	17,672	17,172
Intangible Assets		8,702	10,619	10,183	15,333	14,683
Tangible Assets		484	550	393	393	393
Investment in associates		1,509	1,493	1,208	1,348	1,498
Unquoted investments		293	338	598	598	598
Current Assets		7,544	10,932	10,114	14,058	20,042
Stocks		0	0	0	0	0
Debtors		3,979	5,997	5,848	8,613	9,724
Cash		3,565	4,935	4,266	5,445	10,318
Other		0	0	0	0	0
Current Liabilities		(9,228)	(10,331)	(7,060)	(9,254)	(10,411)
Creditors		(8,097)	(9,014)	(6,046)	(8,250)	(9,314)
Other creditors		(1,131)	(1,317)	(1,014)	(1,004)	(1,097)
Short term borrowings		0	0	0	0	0
Minority interests		0	0	0	0	0
Long Term Liabilities		(1,439)	(1,414)	(2,089)	(1,789)	(1,489)
Long term borrowings		0	0	0	0	0
Other long term liabilities		(1,439)	(1,414)	(2,089)	(1,789)	(1,489)
Net Assets		7,865	12,187	13,347	20,687	25,314
CASH FLOW						
Operating Cash Flow		4,675	8,988	2,567	6,289	8,003
Net Interest		125	(29)	26	(100)	(50)
Tax		(2,063)	(2,137)	(2,247)	(1,840)	(2,108)
Capex		(195)	(267)	(70)	(200)	(200)
Acquisitions/disposals		(6,700)	(5,599)	(44)	(5,800)	0
Financing		4,000	0	(1,025)	3,500	0
Dividends		(652)	(1,139)	(1,531)	(1,930)	(2,123)
Other		3,809	1,553	1,655	1,260	1,350
Net Cash Flow		2,999	1,370	(669)	1,179	4,873
Opening net debt/(cash)		(566)	(3,565)	(4,935)	(4,266)	(5,445)
HP finance leases initiated		0	0	0	0	0
Other		0	0	0	0	0
Closing net debt/(cash)		(3,565)	(4,935)	(4,266)	(5,445)	(10,318)

Source: ACM Shipping Group accounts/Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
			Litigation/regulatory	○
			Pensions	◐
			Currency	●
			Stock overhang	○
			Interest rates	○
			Oil/commodity prices	◐

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	Company details	
EPS CAGR 08-12e	7.8	ROCE 11e	25.7	Gearing 11e	N/A	Address:
EPS CAGR 10-12e	5.5	Avg ROCE 08-12e	36.0	Interest cover 11e	N/A	Kinnaird House, 1 Pall Mall, London, SW1Y 5AU
EBITDA CAGR 08-12e	11.3	ROE 11e	20.6	CA/CL 11e	1.5	Phone 020 7930 7666
EBITDA CAGR 10-12e	9.7	Gross margin 11e	62.6	Stock turn 11e	0.0	Fax 020 7930 0115
Sales CAGR 08-12e	15.5	Operating margin 11e	22.1	Debtor days 11e	101	www.acmshippinggroup.com
Sales CAGR 10-12e	16.4	Gr mgn / Op mgn 11e	2.8	Creditor days 11e	97.1	

Principal shareholders	%	Management team
GFI Holdings	8.2	CEO: Johnny Plumbe
William Stanley Middleton	7.1	Johnny Plumbe has been a shipbroker for some 35 years and was one of the original team which set up ACM in 1982. He has been chief executive since the flotation in 2006. Johnny manages the crude and fuel oil desk, employing his strong relationships with major oil companies and ship-owners.
James Christopher Gundy	7.1	
Michael Amyas Charles Rudd	7.1	
Benjamin Andrew Lasetter Peck	5.8	
John Lawrence Plumbe	4.5	
Andrew Philip Grant Wakely	3.6	FD: Ian Hartley
Lee Maze	3.6	Ian Hartley joined ACM as finance director in March 2007. He is a qualified chartered accountant, who spent some 20 years at Mayborn Group, where he was finance director for eight years prior to its takeover.
Forthcoming announcements/catalysts	Date *	Chairman: Peter Sechiari
AGM	Early Sept	Peter Sechiari has been chairman of ACM since 2000. He brings a wealth of experience from the public company arena, following spells at Rio Tinto, Steele Brothers and Mayborn Group. Peter advises the group in a number of strategic areas.
Interim results announcement	Early Dec	
Trading update	Late Mar	
Preliminary results announcement	Late June	
<i>Note: * = estimated</i>		
Companies named in this report		
Braemar Shipping Services, Clarkson		

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