

7 December 2006

ACM Shipping Group

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	PE (x)	Yield (%)
03/05	13.8	0.4	1.21	0.0	N/A	N/A
03/06	13.6	0.5	0.12	0.0	N/A	N/A
03/07e	14.7	4.2	16.85	6.00**	10.2	3.5
03/08e	16.1	4.8	19.41	6.80	8.8	4.0

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items; EPS based on current issued capital; **pro rata payment (c.1.5p) expected for 2006/07.

Investment summary: Good start

ACM has established a strong franchise in the tanker broking market, building high quality long term relationships across its sector. The business is debt free and cash generative, with a progressive dividend policy. A modest discount rating to its peer group and a positive growth strategy justify the premium achieved in early dealings.

Building on an impressive track record

ACM's impressive record, involving a 20% compound growth over the past 14 years, reflects high management and employee retention, which has enabled the group to establish a diverse customer base across the global tanker market. Future growth is expected to stem from organic development of the core business, supplemented by further expansion in Asia and diversification into other segments of the market.

Cash generative trading

The underlying business is highly cash generative, with virtually all past earnings paid out by way of bonuses. Such payments are to be scaled back by some 50%, leaving scope for a progressive dividend policy with a 35-40% pay out ratio.

Volatile sector but

The main sensitivities relate to shifts in the shipping cycle and the £/US\$ exchange rate. Experience has shown that, in most years, the challenges posed by these factors can lead to alternative opportunities, especially in the sale and purchase of tankers, and also in time charter where shortfalls in spot shipbroking earnings are balanced by increasing time charter income and higher returns from smaller group activities.

Valuation: Undemanding rating

The prospective rating for the current year is just below the average of competitors Braemar Seascopes and Clarksons. Although ACM's peers are larger and more diversified, the group has stronger operational metrics and a positive platform for continued organic growth.

Price 171.5p
Market Cap £26m

Share details

Code ACMG
Listing AIM
Sector Transport
Shares in issue 15.3m

Balance Sheet as at 31 Mar 06

Debt/Equity (%) N/A
NAV per share (p) N/A
Net cash (£m) 1.3

Business

ACM is a shipbroker with a focus on the global tanker market, offering spot freight, time charter and, ship sale and purchase, broking to a broad global customer base.

Valuation

	2006	2007e	2008e
P/E relative	N/A	73%	74%
P/CF	N/A	10.2	11.8
EV/Sales	N/A	1.5	1.3
ROE	N/A	113%	83%

Geography based on revenues

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

Analyst

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Exhibit 9: Financials

Year ending March 31	£'000s	2004	2005	2006	2007e	2008e	2009e
		UK GAAP	UK GAAP	UK GAAP	UK GAAP	UK GAAP	UK GAAP
PROFIT & LOSS							
Revenue		9,333	13,848	13,552	14,662	16,109	17,142
Cost of Sales		(3,184)	(2,953)	(4,116)	(4,251)	(5,186)	(5,860)
Gross Profit		6,149	10,895	9,436	10,411	10,923	11,282
EBITDA		5,701	11,335	9,471	9,543	10,492	10,866
Operating Profit (before GW and pre bonus)		5,654	11,223	9,327	9,392	10,333	10,699
Goodwill Amortisation		0	0	0	0	0	0
Bonus payments		(5,420)	(10,814)	(8,853)	(5,297)	(5,828)	(6,034)
Other		0	0	0	0	0	0
Operating Profit		235	409	474	4,095	4,505	4,665
Net Interest		12	1	(2)	106	257	441
Profit Before Tax (ex bonuses)		5,666	11,224	9,325	9,498	10,591	11,140
Profit Before Tax (norm)		247	410	472	4,201	4,762	5,106
Profit Before Tax (FRS 3)		247	410	472	4,201	4,762	5,106
Tax		(102)	(224)	(453)	(1,620)	(1,789)	(1,892)
Profit After Tax (ex bonuses)		5,564	11,000	8,872	7,878	8,802	9,248
Profit After Tax (norm)		145	186	19	2,581	2,974	3,214
Profit After Tax (FRS3)		145	186	19	2,581	2,974	3,214
Average Number of Shares Outstanding (m)		N/A	N/A	N/A	15.3	15.3	15.3
EPS - normalised ex bonuses (p)		N/A	N/A	N/A	51.4	57.5	60.4
EPS - normalised (p)		N/A	N/A	N/A	16.8	19.4	21.0
EPS - FRS 3 (p)		N/A	N/A	N/A	16.8	19.4	21.0
Gross Margin (%)		65.9%	78.7%	69.6%	71.0%	67.8%	65.8%
EBITDA Margin (%)		61.1%	81.9%	69.9%	65.1%	65.1%	63.4%
Operating Margin (before GW and except.) (%)		60.6%	81.0%	68.8%	64.1%	64.1%	62.4%
BALANCE SHEET							
Fixed Assets		554	1,355	944	1,017	1,097	1,184
Intangible Assets		0	0	0	0	0	0
Tangible Assets		103	603	524	576	634	697
Investment in associates		451	752	420	441	463	486
Current Assets		2,152	3,441	4,418	7,605	9,379	10,980
Stocks		0	0	0	0	0	0
Debtors		1,454	2,616	3,092	3,372	3,705	3,943
Cash		698	825	1,326	4,233	5,674	7,037
Other		0	0	0	0	0	0
Current Liabilities		(2,217)	(3,983)	(4,453)	(4,838)	(5,316)	(5,657)
Creditors		(2,217)	(3,983)	(4,453)	(4,838)	(5,316)	(5,657)
Long Term Liabilities		(1,852)	(2,591)	(1,421)	(1,492)	(1,567)	(1,645)
Long term borrowings		0	0	0	0	0	0
Other long term liabilities		(1,852)	(2,591)	(1,421)	(1,492)	(1,567)	(1,645)
Net Assets		(1,363)	(1,778)	(512)	2,292	3,594	4,862
CASH FLOW							
Operating Cash Flow		(487)	(1,842)	(1,842)	2,567	2,232	2,182
Net Interest		120	57	61	106	257	441
Tax		(89)	(32)	(42)	(1,620)	(1,789)	(1,892)
Capex		(33)	(635)	(65)	(68)	(72)	(75)
Acquisitions/disposals		(5)	0	0	0	0	0
Financing		0	0	0	0	0	0
Dividends		0	0	0	0	(903)	(1,041)
Other		1,105	2,579	2,389	1,765	1,652	1,690
Net Cash Flow		611	127	501	2,749	1,378	1,305
Opening net debt/(cash)		0	(698)	(825)	(1,326)	(4,233)	(5,674)
HP finance leases initiated		0	0	0	0	0	0
Other		0	0	0	0	(0)	0
Closing net debt/(cash)		(611)	(825)	(1,326)	(4,075)	(5,611)	(6,979)

Sources: Company accounts / Edison Investment Research

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