

21 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**	11.4	3.1
03/08e	16.1	4.8	19.41	6.80	9.9	3.5

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: On course

Interim results are in line with the indication given in the admission document published late last month. The shares have performed encouragingly during ACM's first few weeks as a public company, despite the uncertainties posed by a strengthening US\$. The improved rating is fully justified by the group's impressive and consistent long term record in what is perceived to be a volatile market place.

Interim results in line with targets

Interim results show revenue ahead by 10.4% to £7.46m, suggesting the group is well on course to deliver our full year 8% growth target. The pre-tax figure of £1.17m is not strictly comparable with the £0.43m earned in 2005 because of the revised staff bonus scheme. Moreover, for technical reasons, the profit contribution from associates will be heavily biased towards the second half in the current year.

Estimates unchanged

The main change in the underlying trading position since flotation relates to the downward movement in the US\$. With earnings largely US\$-based and costs mostly in sterling, the potential impact of large swings can be considerable. We did build some conservatism in our estimates and, on the basis of Edison view that the dollar will recover during 2007, we have left our estimates unchanged.

Strong cash generation

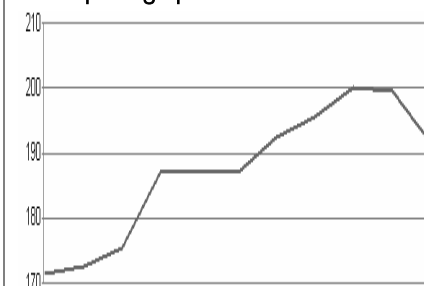
Group operations were highly cash generative over the half year; net funds increased by £0.93m to £2.23m. The timing of certain cash payments is difficult to predict, but our estimate of just over £4m at March 2007 remains realistic.

Valuation: Ahead of peer group

The consistent performance of the shares since flotation has lifted the rating close to that of Braemar Seascope, but some 20% above Clarksons. However, the latter's poor interim results may have undermined City confidence in market estimates.

Price 192.5p
Market Cap £29m

Share price graph



Share details

Code ACMG
Listing AIM
Sector Transport
Shares in issue 15.3m

Price

1 month High 200p Low 172.5p

Balance Sheet as at 30 Sept 2006

Debt/Equity (%) N/A
NAV per share (p) N/A
Net cash (£m) 2.3

Business

ACM is a shipbroker, with a focus on the global oil tanker market. It arranges spot freight, time charter, and ship sale and purchase, broking to an international customer base.

Valuation

	2006	2007e	2008e
P/E relative	N/A	85%	86%
P/CF	N/A	11.9	13.7
EV/Sales	N/A	1.8	1.5
ROE	N/A	113%	83%

Geography based on revenues

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

Analyst

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Exhibit 1: Financials

Year ending March 31	£'000s	2004 UK GAAP	2005 UK GAAP	2006 UK GAAP	2007e UK GAAP	2008e UK GAAP	2009e 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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