

Buy **990.0p**
(Remains Unchanged)
Target Price: 1300.0p

Stock Codes: CKN.L / CKN LN

EPS
Dec 2006 A 83.04p
Dec 2007 E 90.23p
Dec 2008 E 98.36p

Panmure Gordon Estimates
Market Cap: £184m

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Clarkson

Strong interim results

- Dry bulk chartering operations benefited from strong market conditions and segmental results in H1 more than doubled to £4.9m. Operating profit in the sale and purchase broking business also doubled (to £3.5m), as it benefited from higher volumes and prices and the recent addition to its global team of several senior industry specialists. Not all shipping markets, however, performed well. Profits in deep sea chartering (tankers) remained flat while the contribution from gas chartering declined. It is also worth mentioning that the fund management business reported its first positive contribution to the company's operating profit. Funds under management have risen to more than US\$80m, with the 12 month rolling fund performance rising to 25% in July.
- Overall segmental results for the Group rose 70% to £14.8m. Head office costs also rose strongly, up from £1.9m to £5.2m, although this was largely attributable to one-off costs - legal fees amounted to £1.4m and expenses relating to the acquisition cost of new teams totalled £1.2m. Group operating profit after head office costs rose 41% to £9.6m.
- Clarkson is optimistic that 2007 will be a strong year and given the company's strategy to increase the spread of its global businesses and the strength of the forward order book, it is confident full year profits should be in line with management expectations.
- We are keeping our profit forecast unchanged for the full year, despite this strong interim performance. Firstly, we expect total one-off costs of c.£5.2m for the full year; and these were not included in our previous forecasts. Our underlying operating profit forecast excluding head office costs has therefore gone up by about 20%. Secondly, shipping markets can be both cyclical and volatile and we believe it is prudent to assume that the company is likely to encounter some headwind in the second half of the year.
- There is no news to report on two legal claims by Russian shipping parties. Clarkson continues to defend its position strongly in both cases.
- In summary, a strong performance by Clarkson with profits, EPS and dividends all up sharply. We retain our Buy recommendation on the stock with a target price of 1300p. The shares trade a significant discount to Braemar and ACM Shipping, which we believe is unjustified. The shares are trading at a P/E of 10.9x 2007E, 10.3x 2008E and 9.9x 2009E and this is based on what we consider to be conservative estimates. The dividend yields rise from 4.0% in 2007E to 4.7% in 2009E.

Gert Zonneveld

5/09/2007

From time to time, we offer investment banking and other services (IBS) to Clarkson. Within the past 12 months, we have received compensation for IBS from Clarkson. Panmure Gordon & Co acts as corporate broker to Clarkson in the UK. We buy and sell these securities from customers on a principal basis. Accordingly, we may at any time have a long or short position in any such securities. We make a market in the securities of Clarkson.

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