

**27 August 2009**  
**Equity Research**

## MORNING NOTE

**Buy** **645p**  
(Remains Unchanged) (Priced at close 26/8/09)

Target Price: 725p

Stock Codes: CKN.L / CKN.LN

**Panmure Gordon EPS Estimates**

Dec 2008 A		122.90p
Dec 2009 E	(77.20p)	80.20p
Dec 2010 E	(89.74p)	92.88p

Market Cap: £122m

Last published research 30 June 2009

**Analyst**

**Gert Zonneveld** +44 (0)20 7614 8339  
gert.zonneveld@panmure.com

**Specialist Sales**

**James Cooke** +44 (0)20 7614 8361  
james.cooke@panmure.com

### Clarkson

**Despite the challenging market conditions in the shipping industry, with both freight rates and asset values falling dramatically, the group has traded in line with the board's expectations. We have increased our EPS forecasts slightly to reflect a lower tax rate. We retain our Buy recommendation.**

- Despite the challenging market conditions in the shipping industry, with both freight rates and asset values falling dramatically, the group has traded in line with the board's expectations.
- Interim revenues fell by 25% to £88.9m, reflecting lower charter rates and asset values across broking and financial activities partly offset by a stronger US dollar and the forward order book. Segmental results (excluding exceptional items) fell 43% to £14.5m. The broking operations contributed £14.4m, Research £0.8m, the Support £0.3m, while the financial operations lost £1.0m. Clean EPS fell 42% to 42.1p, and the interim dividend remains unchanged at 16.0p.
- The financial position of the company remains strong. Net cash, after stripping out the appropriate bonus and interim dividend payments, was £38.1m or 205p per share (up from £33.5m at the end of last year).
- The recent recovery in global markets remains uncertain and it is difficult to predict when and how strongly volumes, charter rates and asset values will recover. Trading since the end of June has continued in line with expectations.
- Our pre-tax forecasts for the current year and beyond remain unchanged. We have, however, reduced our tax rate to reflect recent changes in tax legislation. Our new EPS is 80.2p for 2009E (from 77.2p), 92.9p for 2010E (from 89.7p) and 94.7p for 2011E (from 91.4p). We expect annual dividends to remain unchanged at 42p over this period.
- The shares have bounced about 10% over the past three months but they remain attractively valued. After stripping out the net cash (after bonuses and dividend payments) the shares are trading on a P/E of 5.7x 2009E and 4.9x 2010E, compared with about 6.5-7.0x for its largest UK competitor. The dividend yield of 6.4% is equally attractive. Clarkson's leading global position in the shipping services, strong balance sheet and attractive order book in our view justify a substantially higher valuation. We retain our Buy recommendation with a target price of 725p.

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## Distribution of investment ratings for equity research (as of 30 Jun 09)

Overall Global Distribution (Banking Client*)		
Buy	Hold	Sell
53% (29%)	27% (8%)	20% (4%)

\* Indicates the percentage of each category in the overall distribution that were banking and/or corporate broking clients

## Rating: **GUIDELINE** (return targets may be modified by risk or liquidity issues)

Buy	Expected to produce a total return of 15% or better in the next 12 months
Hold	Fairly valued: total return in the next 12 months expected to be $\pm 10\%$
Sell	Stock is expected to decline by 10% or more in the next 12 months

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*Panmure Gordon (UK) Limited*

Moorgate Hall, 155 Moorgate, London EC2M 6XB  
+44 (0)20 7459 3600

20 Chapel Street, Liverpool, L3 9AG  
+44 (0)151 243 0960

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