

26 March 2007
Equity Research

MORNING NOTE

Buy 1005.5p
(Remains Unchanged)
Target Price: 1300.0p

Stock Codes: CKN.L / CKN.LN
EPS
Dec 2006 A 83.04p
Dec 2007 E (80.4p) 90.23p
Dec 2008 E (83.4p) 98.36p

Panmure Gordon Estimates
Market Cap: £189m

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Clarkson

Solid preliminary results

We raise our earnings forecasts upgraded on the back of a solid set of preliminary results.

- **Solid prelims.** Headline numbers were in line with our forecasts, although the underlying performance was a little better than we anticipated because profit numbers included a negative currency hit of £2m. Even without the currency impact, however, numbers deteriorated reflecting the challenging market conditions in 2006. The EPS of 83p was in line with our forecast and the proposed full year dividend of 36p was 1p higher than we had anticipated.
- **Sales and purchase business strengthened.** The key reason for the decline in earnings is the nearly £6m reduction in profits from the sale and purchase broking business. It suffered from a weaker second hand market and a lack of significant corporate deals. Clarkson strengthened its team substantially during the year by adding a number of senior, highly-respected industry figures to its global team. It has already seen a rebound in the performance of its sales and purchase business in 2007.
- **Acquisitions.** Other important developments during the year included the acquisition of three companies, which diversified and strengthened Clarkson's core broking business into specialised chemicals and dry bulk chartering, and the introduction of financial and technical services in 2006 with the recruitment of new personnel, particularly experienced in the German KG market.
- **Record order book.** Market conditions were more challenging in 2006, particularly in the first half of the year. The performance in the second half, however, showed a marked improvement with all businesses reporting higher revenues than H1 (except for sales & purchase and futures broking). The order book for the next 12 months is significantly stronger than at the beginning of last year and currently stands at \$80m (up 23% from \$65m a year ago).
- **Forecasts and recommendation.** Clarkson has started the year strongly and has a record order book. Results should benefit from a full year contribution from last year's acquisitions and the strengthened sales & purchase team. We have increased our earnings to reflect the solid growth prospects. Our 2007E and 2008E EPS forecasts rise by 11% and 12% respectively to 90p and 98p respectively. Our dividend forecasts for 2007 rise from 38.5p to 40p and for 2008E from 42.4 to 44p, giving the shares an attractive prospective dividend yield of 4% and 4.4% respectively. We retain our Buy recommendation with a 1300p target price.

Gert Zonneveld

26/03/2007

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Distribution of investment ratings for equity research (as of 31 Dec 06)

Overall Global Distribution (Banking Client*)		
Buy	Hold	Sell
54% (38%)	29% (8%)	17% (0%)

* 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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