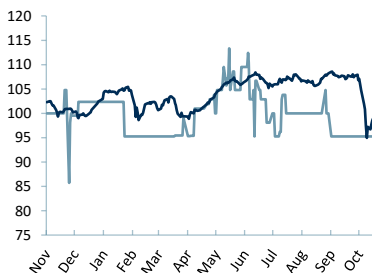


ESTIMATES

VALUE RANGE

GBP 125 – 132



ALSP ISD (lighter) 12m Price Relative Chart vs. FTSE AIM AS (darker)

Monday, 22 October 2018

Intrinsic Price	129p
Value Range Low	125p
Value Range High	132p
Implied MCAP (m)	£52.11
Implied EV (m)	£84.09
NEX Index	ALSP ISD
Financial YE	30-Apr
Currency	GBP

Business Activity

Commercial & retail property investment

Key Metrics

Close Price	100p
MCAP (m)	£40.54
Net Debt (Cash) (m)	£31.98
EV (m)	£72.53
52 Wk Hi	115p
52 Wk Lo	100p
NAV trailing	47.95p

Key Ratios

S/P premium to NAV	108.57%
LTV	80.60%
Net Debt / Shareholder Equity %	285.11%

Real Estate Sector Research

NEX Growth Market Index

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ACE Liberty & Stone Dividend

Dividends more often

We raised our value range for ACE Liberty & Stone (ALSP ISD) after the company comfortably beat our FY18 estimates and reached its FY20E property portfolio valuation of GBP 50m two years early. This morning the Company's board confirmed a well signalled increase in dividend payment frequency. Previously the dividend was paid annually, it will now be paid three times per year, with the first instalment in October, then April and July. The earlier receipt of dividends adds support to our new value range by reducing risk and improving the time value of money for investors. Our valuation is a 25% premium to close price. See our note [ALSP FY18A post results note 16th Oct 2018](#).

- Interim DPS of 0.83p to be paid 9th Nov, ex-div 25th Oct;
- Interim Dividend payment totals £338k agreed by board;
- Future dividend pay-outs 3x per year – Oct, Apr, Jul;
- Net Income adj. up 8.38pp to 34.19% vs. 25.81% y/y;
- Post FY18A close ALSP has bought GBP 10.8m of property assets.

ACF est. GBP (k)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2018A	3,515	1,877	1,855	0.91	0.61
2019E	5,175	3,143	2,121	3.64	2.51

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2018A	20.63x	38.64x	39.10x	110.26x	162.69x
2019E	14.01x	23.08x	34.19x	27.49x	39.86x

22/10/2018

Share Price History	No. of Shares	
	in issue	Fully diluted
NoSh (m)	40.5	58.8
Implied Intrinsic Price	128p	89p
Value Range Low	125p	86p
Value Range High	132p	91p
NEX Growth Market	ALSP	
Financial YE	30-Apr	
Reporting Currency	GBP	

NoSh (m)	40.5
NoSh (m) expected dilution (Exp D)	58.8
NoSh (m) full dilution (FD)	58.8

Key Metrics		adj.
MCAP (m)	£40.5	£40.5
Net Debt (Cash) (m)	£31.98	£31.98
EV (m)	£72.5	£72.5
52 Wk Hi	115p	79p
52 Wk Lo	100p	69p
Free Float	33%	33%

*Key Metrics FCF adj.	2018A	2019E
CPS (GBp)	4.58	5.23
CPS (Exp D) (GBp)	3.16	3.61
CPS (FD) (GBp)	3.16	3.61
P/CPS	28.09x	16.94x
P/CPS (Exp D)	40.72x	24.56x
P/CPS (FD)	40.72x	24.56x

Investment Case

Competitive background

ACE (ALSP) acquires and rents secondary assets largely in regional cities in the UK with over 50% of rental income from gilt-edged tenants. HM government and city councils accounted for 51% of rental revenues FY18A vs. 60% y/y. Major industrial and commercial companies accounted for 45% of revenues vs. 33% FY17A. ACE looks for two types of core opportunities – 1) end of life tenancies to provide rental uplift via change of use and, in time, capital appreciation and longer-term tenancies to underpin cash flows. ALSP does not undertake development work, thereby de-risking its revenues compared to many of its listed peer group.

The UK property market (commercial, retail and residential) has slowed in terms of the rate at which transactions are completed after the unexpected UK vote to leave the EU. Although the commercial property market stabilised relatively quickly after an initial panic from investors following the Brexit vote outcome, deals are now taking longer to execute and commercial debt arrangements have become a more laborious process. In spite of this environment, ALSP's management has again performed well during FY18A and has combined this with another host of post balance sheet events enhancing the company's FY19E outlook.

ALSP's active asset management strategy continues to prove value-generating in current market conditions.

● Post balance sheet events (PBSE) FY17A

Dividend pay-out of 1.25p p/s. Purchase of three properties for a total of GBP 10.797m and exchanged unconditional contracts to buy Mecca Bingo Hall, Chesterfield for GBP 3.999m. ALSP issued 2.890m options to directors at a strike price of GBP 0.72 expiring 15 June 2025.

● Funding PBSEs

Draw down of a GBP 6.950m commercial loan from Coutts & Co.

Catalysts

Acquisition of new properties and sale of existing properties; Uplift in rental yield through active management; Re-rating of the property sector; Further funding activity.

Financial Projections

P&L GBP (k)	2017A	2018A	2019E	2020E	2021E
Revs	2,632	3,515	5,175	6,183	6,560
gr%	29%	34%	47%	19%	6%
SGA	1,567	1,638	2,033	1,602	1,660
EBITDA	1,065	1,877	3,143	4,581	4,900
% Revs	40%	53%	61%	74%	75%
FV adj.	-391	0	0	0	0
% Revs	-15%	0%	0%	0%	0%
EBIT	674	1,877	3,143	4,581	4,900
EBT	1,122	214	1,844	3,835	4,214
% Revs	43%	6%	36%	62%	64%
ETR	14%	-69%	20%	20%	20%
NI	963	361	1,475	3,068	3,371
% Revs	37%	10%	28%	50%	51%
Adj EPS (p)	3.42	1.83	7.23	10.08	10.90
Basic EPS (p)	2.45	0.91	3.70	7.70	8.46
Diluted EPS (p)	2.22	0.61	2.51	5.22	5.74
Balance Sheet GBP (k)	2017A	2018A	2019E	2020E	2021E
Investments	29,453	50,488	76,283	89,333	111,083
Rev Yield	8.94%	6.96%	6.78%	6.92%	5.91%
Rev Yield 1 yr fwd	11.93%	10.25%	8.11%	7.34%	6.81%
Total Fixed Assets	29,453	50,488	76,283	89,333	111,083
Current assets	178	934	0	0	0
Assets held for sale	9,526	7,734	5,980	0	0
Cash	351	5,180	6,957	9,280	11,964
Total Current Assets	10,055	13,849	12,937	9,280	11,964
Total Assets	39,508	64,337	89,220	98,613	123,047
Creditors	788	1,240	1,825	2,181	2,314
Liabs held for sale	3,436	2,587	2,500	0	0
Deferred Tax	298	215	335	0	0
Loans	16,291	40,694	39,986	53,036	74,786
Total Liabilities	21,376	44,897	44,647	55,217	77,100
Net Assets	18,133	19,439	44,573	43,396	45,947
Share Capital	9,822	10,066	10,066	10,066	10,066
Accum. Profit/(loss)	1,180	1,152	2,627	5,695	9,066
Total Equity	18,133	19,439	44,573	43,396	45,947
Total Equity & Liabilities	39,508	64,337	89,220	98,613	123,047
Basic NAV (p)	44.7	47.9	109.9	107.0	113.3
Diluted NAV (p)	30.8	33.1	75.8	73.8	78.2
% LTV	55.3%	80.6%	52.4%	59.4%	67.3%
Cash Flow GBP (k)	2017A	2018A	2019E	2020E	2021E
EBT Profit/(loss)	1,122	214	1,844	3,835	4,214
Finance costs	570	2,218	500	0	0
FV adj. + Other adj.	391	0	0	0	0
Cash Taxes	-22	-337	-369	-767	-843
WCap change	-104	-280	-104	0	0
Net CFO	961	2,192	2,490	3,835	4,214
% Revs	0	1	0	1	1
FCFE	939	1,855	2,121	3,068	3,371
uFCF	1,570	3,477	3,420	3,814	4,058
Capex/Prprty Assets %	30%	38%	22%	17%	23%
CF from Financing	8,334	23,776	17,618	15,000	25,000
Net Cash In/(Out)	-167	4,728	1,878	2,323	2,684
Cash previous YE	518	351	5,079	6,957	9,280
Cash & CE	351	5,079	6,957	9,280	11,964

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