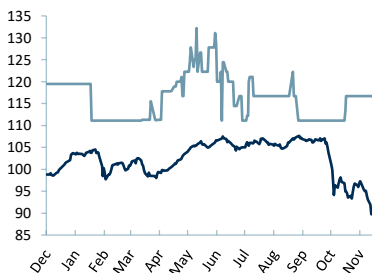


FLASH NOTE

VALUE RANGE

GBP 125 – 132



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

Monday, 26 November 2018

Intrinsic Price	128p
Value Range Low	125p
Value Range High	132p
Implied MCAP (m)	£52.06
Implied EV (m)	£84.04
NEX Index	ALSP ISD
Financial YE	30-Apr
Currency	GBP

Business Activity

Commercial & retail property investment

Key Metrics

Close Price	105p
MCAP (m)	£42.57
Net Debt (Cash) (m)	£31.98
EV (m)	£74.55
52 Wk Hi	119p
52 Wk Lo	100p
NAV trailing	47.95p

Key Ratios

S/P premium to NAV	119.00%
LTV	80.60%
Net Debt / Shareholder Equity %	285.11%

Real Estate Sector Research

NEX Growth Market Index

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ACE Chesterfield acquisition

Chesterfield acquisition

We raised our value range for ACE Liberty & Stone (ALSP ISD) 16th October after the company comfortably beat our FY18 estimates and exceeded its FY20E property portfolio valuation target of GBP 50m two years early. This morning ALSP announced the acquisition of Mecca Bingo Hall in Chesterfield for £4m. Mecca has signed a 10 year re-gear lease, which shows the performance of the unit and confidence Mecca has in the area of Chesterfield. The acquisition adds 36k sq ft to ALSP's estate and will add annual rental income of £388k to ALSP's revenues. Our valuation is a 25% premium to close price. See our note [ALSP FY18A post results note 16th Oct 2018](#).

- Chesterfield adds annual rental revenue of £338.2k;
- Annual rental yield on acquisition price £3.99m of 9.7%;
- ALSP dividend pay-outs 3x per year – Oct, Apr, Jul;
- FY18A net Income adj. up 8.38pp to 34.19% vs. 25.81% y/y;
- Post FY18A close ALSP has bought GBP 14.79m 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	21.21x	39.72x	40.19x	115.78x	170.83x
2019E	14.41x	23.72x	35.15x	28.87x	41.85x

26/11/2018	No. of Shares	
	in issue	Fully diluted
Share Price History		
NoSh (m)	40.5	58.8
Implied Intrinsic Price	128p	88p
Value Range Low	125p	86p
Value Range High	131p	90p
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)	£42.6	£42.6
Net Debt (Cash) (m)	£31.98	£31.98
EV (m)	£74.6	£74.6
52 Wk Hi	119p	82p
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	27.97x	16.87x
P/CPS (Exp D)	40.55x	24.46x
P/CPS (FD)	40.55x	24.46x

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) FY18A

Dividend pay-out of 1.25p p/s. Purchase of four properties for a total of GBP 14.796m including the now completed purchase of 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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