

PRE-RESULTS

VALUE RANGE

GBP 126 – 133



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

Monday, 28 January 2019

Intrinsic Price	129p
Value Range Low	126p
Value Range High	133p
Implied MCAP (m)	£53.52
Implied EV (m)	£85.50
NEX Index	ALSP ISD
Financial YE	30-Apr
Currency	GBP

Business Activity

Commercial & retail property investment

Key Metrics

Close Price	105p
MCAP (m)	£43.41
Net Debt (Cash) (m)	£31.98
EV (m)	£75.39
52 Wk Hi	115p
52 Wk Lo	100p
NAV trailing	47.02p

Key Ratios

S/P premium to NAV	123.31%
LTV	80.60%
Net Debt /	285.11%

Shareholder Equity %

Real Estate Sector Research

NEX Growth Market Index

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ACE Liberty & Stone 1H19 Expected

Positive performance

We expect ACE Liberty & Stone (ALSP NEX) to deliver a positive set of 1H19 results ahead of our estimates. Note our 1H seasonality forecast with a stronger 2H. ALSP comfortably beat our FY18 estimates and exceeded its FY20E property portfolio valuation target of GBP 50m two years early. We expect further revenue development during the 2nd half of the financial year. During November 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 22.6% premium to close price.

- Revenues expected 1H19 £1,742k up 47.23% y/y;
- EBITDA underlying 1H19 £1,058k;
- Net Income underlying 1H19 £496k;
- EPS underlying 1H19 1.201p;
- Further property acquisitions likely 2H19.

ACF est. GBP (k)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2018A	3,515	1,877	1,855	0.87	0.61
2019E	5,175	3,143	2,121	3.57	2.51
Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2018A	21.45x	40.17x	40.64x	120.15x	170.83x
2019E	14.57x	23.99x	35.54x	29.43x	41.85x

28/01/2018

No. of
Shares
in
Fully
diluted

Share Price History

NoSh (m)	41.3	58.8
Implied Intrinsic Price	129p	91p
Value Range Low	126p	89p
Value Range High	133p	93p
NEX Growth Market	ALSP	
Financial YE	30-Apr	
Reporting Currency	GBP	

NoSh (m)	41.3	
NoSh (m) expected dilution (Exp D)		58.8
NoSh (m) full dilution (FD)		58.8

Key Metrics

		adj.
MCAP (m)	£43.4	£43.4
Net Debt (Cash) (m)	£31.98	£31.98
EV (m)	£75.4	£75.4
52 Wk Hi	115p	81p
52 Wk Lo	100p	70p
Free Float	33%	33%

*Key Metrics FCF adj. 2018A 2019E

CPS (GBp)	4.49	5.13
CPS (Exp D) (GBp)	3.16	3.61
CPS (FD) (GBp)	3.16	3.61
P/CPS	28.85x	17.75x
P/CPS (Exp D)	41.02x	25.23x
P/CPS (FD)	41.02x	25.23x

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 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.

Operational Strategy

ACE (ALSP) is a property investment company focussed exclusively on the UK property market and almost entirely invested in the commercial segment. ALSP revenues are dominated by rental income from gilt-edged government or government backed entities. The tenants have “gilt edged” credit ratings. Tenants are dominated by organisations such as HMRC (UK tax authority and collection agency) and local authorities.

Exhibit 1: ACE Liberty & Stone key operational metrics

GBP (k)	2016A	1H17A	2017A	1H18A	2018A
Investment property	29,488.4	28,499.4	38,979.3	49,378.1	58,221.9
gr% sequential		-3.35%	36.77%	26.68%	17.91%
gr% y/y			32.19%	73.26%	49.37%
Annual rental income	2,336.8	2,310.4	2,632.0	2,944.4	3,515.1
gr% sequential		-1.13%	13.92%	11.87%	19.38%
gr% y/y			12.63%	27.44%	33.55%
Rental income Qtrly	584.2	577.6	658.0	736.1	878.8
gr% sequential		-1.13%	13.92%	11.87%	19.38%
gr% y/y			12.63%	27.44%	33.55%
EAT Qtrly	65.0	243.6	240.7	109.0	90.3
gr% sequential		274.83%	-1.21%	-54.70%	-17.15%
gr% y/y			270.28%	-55.25%	-62.47%
Equity to owners	17,946.6	18,251.6	18,132.7	19,554.8	19,439.3
gr% sequential		1.70%	-0.65%	7.84%	-0.59%
gr% y/y			1.04%	7.14%	7.21%

Source: Company Reports.

Exhibit 2: ACE Liberty & Stone EPS, NAV, LTV

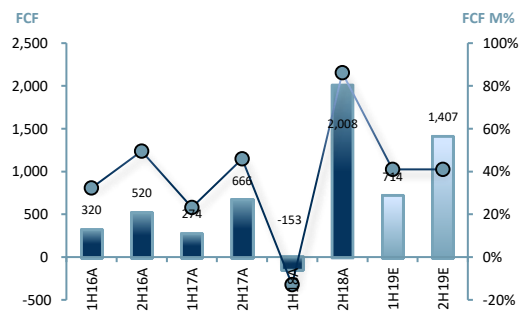
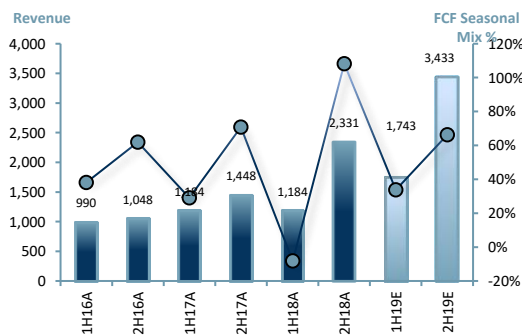
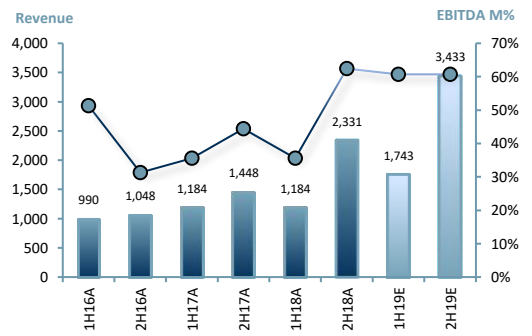
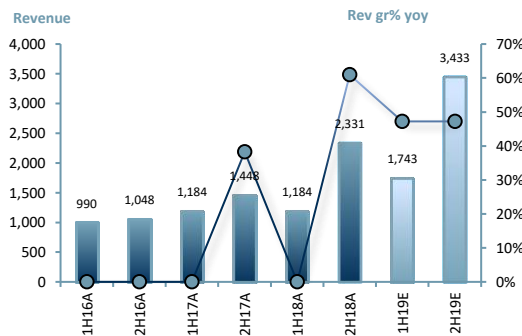
Adj. Metrics GBP (k)	2016A	2017A	2018A	2019E	2020E
EBITDA Adjusted	1,328	1,447	2,234	4,509	5,474
%Growth		9%	54%	102%	21%
%Margin	65%	55%	64%	87%	89%
EV/EBITDA adj.	58x	54x	35x	17x	14x
EV/EBITDA	93x	73x	41x	25x	17x
EBT Adjusted	1,104	1,505	571	3,210	4,729
%Growth		36%	-62%	462%	47%
%Margin	54%	57%	16%	62%	76%
NI Adjusted	752	1,345	718	2,841	3,962
%Growth		79%	-47%	295%	39%
%Margin	37%	51%	20%	55%	64%
EPS Adjusted	1.91	3.42	1.74	6.87	9.58
%Growth		79%	-49%	295%	39%
PE adj.	57x	32x	63x	16x	11x
PE	166x	45x	126x	31x	15x
EPS FD Adjusted	1.73	3.10	1.22	4.83	6.74
%Growth		79%	-61%	295%	39%
PE adj.	63x	35x	90x	23x	16x
PE	184x	50x	179x	44x	21x

Source: ACF Estimates, Company Reports.

Forecasts semi-annual

ACF est. GBP (k)	1H17A	2H17A	1H18A	2H18A	1H19E	2H19E
Revenue	1,183.73	1,448.49	1,183.73	2,331.36	1,742.83	3,432.51
Rev gr% (Sequential)			-18.28%	96.95%	-25.24%	96.95%
Rev gr% yoy			0.00%	60.95%	47.23%	47.23%
Rev Seasonal Mix	44.97%	55.03%	33.68%	66.32%	33.68%	66.32%
EBITDA	421.69	643.06	421.69	1,455.22	1,058.27	2,084.27
EBITDA M%	35.62%	44.40%	35.62%	62.42%	60.72%	60.72%
EBITDA Seasonal Mix %	39.60%	60.40%	22.47%	77.53%	33.68%	66.32%
Net Income	487.26	475.42	487.26	-125.97	496.66	978.17
NI M%	41.16%	32.82%	41.16%	-5.40%	28.50%	28.50%
NI gr%		-2%	2%	-126%	-494%	97%
EPS	1.123	1.096	0.829	-0.214	1.201	2.366

Source: ACF Research Estimates; Companies reports; Factset.



Our forecasts are based upon management guidance and our own sensitivity analysis. We focus on cash proxies (EBITDA) and free cash flow (FCF). However, Net Income remains important in the property sector, nevertheless we are strongly of the view that only cash matters.

Financial Projections annual

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	0.87	3.57	7.42	8.15
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)	43.9	47.0	107.8	105.0	111.1
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	2218	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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