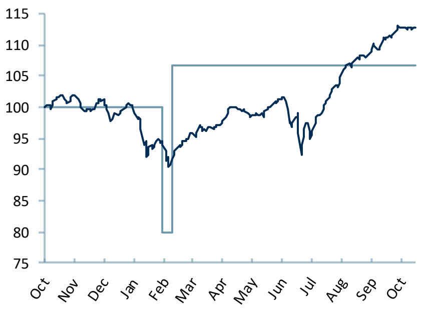
ESTIMATES

VALUE RANGE

GBp 4.06 – 4.26



ALSP ISD 12m Price Relative Chart vs. FTSE AIM AS

Monday, 24 October 2016

Intrinsic Price	4.16p
Value Range Low	4.06p
Value Range High	4.26p
Implied MCAP (m)	£40.86
Implied EV (m)	£50.92
ISDX Index	ALSP ISD
Financial YE	30-Apr
Currency	GBP

Business Activity

Commercial & retail property investment

Key Metrics

Close Price	4.00p
MCAP (m)	£39.29
Net Debt (Cash) (m)	£10.060
EV (m)	£49.35
52 Wk Hi	4.03p
52 Wk Lo	2.83p
NAV trailing	1.83p

Key Ratios

S/P premium to NAV	118.91%
LTV	48.59%
Net Debt / Shareholder Equity %	97.35%

Real Estate Sector Research

ISDX Growth Market Index

Analyst Team

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ACF EQUITY RESEARCH

ACE Liberty & Stone Results FY16

Activity Below the Surface

ACE Liberty & Stone's (ALSP ISD) has driven its transformation plan very successfully in most respects. ACE MCap is up 87.6% in value since our initiation note 07/10/15, however dilution has kept the share price flatish. We expect aggressive rental revenue growth to continue FY17E. ACE announced an interim dividend of 0.033p, up 10% y/y. Net Assets increased from GBP 13m to 19m. Company guidance suggests a strategic balance sheet target of GBP 50m of assets will be achieved in spite of debt funding delays and a downward revaluation on property assets this year. Feb 16's Open Offer was over-subscribed 25.6%. GBP 6.5m equity was raised for revenue generating asset purchases.

- Revenues up over 69.6% y/y and SGA/Sales down 14.97pp;
- Net Assets up £4.9m or 37.3%;
- Dividend interim 0.033p - trailing yield 8.3%;
- Credit risk falls further - 78% of revs from "gilt" clients vs. 73% y/y;
- Post YE16 close £9m purchase of 1-4 Market Sq., Hanly.

	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2016A	2,037	836	519	0.04	0.03
2017E	2,700	1,750	1,532	0.12	0.11

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2016A	24.22x	59.05x	95.05x	105.16x	117.78x
2017E	18.28x	28.20x	25.26x	32.49x	35.88x

23/10/2016	No. of Shares in issue	Fully diluted
Share Price History		
NoSh (m)	982.2	1,084
Implied Intrinsic Price	4.16p	3.77p
Value Range Low	4.06p	3.67p
Value Range High	4.26p	3.86p
ISDX Growth Market	ALSP	
Financial YE	30-Apr	
Reporting Currency	GBP	
NoSh (m)		982.2
NoSh (m) expected dilution (Exp D)		1,000
NoSh (m) full dilution (FD)		1,084

Key Metrics		adj.
MCAP (m)	£39.3	£39.3
Net Debt (Cash) (m)	£10.06	£10.06
EV (m)	£49.3	£49.3
52 Wk Hi	£4.03	£3.65
52 Wk Lo	£2.83	£2.56
Free Float	49%	49%

*Key Metrics FCF adj.	2016A	2017E
CPS (GBp)	0.05	0.16
CPS (Exp D) (GBp)	0.05	0.15
CPS (FD) (GBp)	0.05	0.14
P/CPS	78.71x	24.15x
P/CPS (Exp D)	80.15x	24.59x
P/CPS (FD)	86.91x	26.67x

Above we show full dilution (FD) and expected dilution (Exp D). ALSP shares in issue at the date of this note are 982,151,750. Dilutive elements are convertibles 18,181,818 and Options 102,333,333. For our Exp Dilution we assume the exercise of options is averaged over 5 and 7 years respectively. We assume no convertibles are exercised over the next 12m.

Investment Case

Competitive background

ACE (ALSP) acquires and rents secondary assets largely in regional cities in the UK with reliable tenants. HM government and city councils accounted for 78% of rental revenues. ACE looks for opportunities primarily with end of life tenancies to provide rental uplift via change of use and, in time, capital appreciation. FY17E should see ACE's property assets reach GBP 50m up from 28.5m FY16A without the need for further equity raises, and so dilution (ex-options).

The UK property market (commercial, retail and residential) stalled after the unexpected UK vote to leave the EU. Investors attempted to withdraw money on mass from property investment funds amidst a wave of fear that stopping migration into the UK and leaving the EU would lead to a collapse in demand for property. Two factors make this scenario unlikely – the 20% drop in the value of Sterling making property assets attractive to international investors in the commercial and retail property market; and a structural shortage of homes in the residential market. Though the sector risk is higher y/y due to added uncertainty, we believe there will be significant asset buying opportunities YE17E for ACE. The sector on balance remains lower risk, cyclical and defensive, and is bought by investors primarily for yield via rental incomes. UK super-prime (central London) retail and commercial property is in our view more vulnerable from UK GDP slow down than FX volatility itself. (Note that super-prime does not necessarily outperform indices).

ALSP's active asset management strategy has again proven value-generating in these volatile conditions, the value of the company having risen 87.6% since our initiation note 12 months ago.

Change in conditions creating timing opportunity

Business confidence was hit during August thanks to Brexit but has since rebounded.

● **FY16A results** – ACE increased property assets 22.9% and during FY17E expects to grow from GBP 29.5m to 50m of property assets, up 70%. Rental revenues FY16A were up 69.6% y/y and although missing our 2.6m target, the annual run rate was at GBP 2.4m at YE. The revenue miss is due to delays outside of managements control in the setting up of new and expanded debt financing lines, which included changing banks. We therefore see the revenue miss as a timing difference that ought to be recaptured FY17E

Catalysts

Acquisition of new properties; Uplift in rental yield through active management; Raising new debt during FY17E.

Operational Strategy

ACE (ALSP) is a property investment company focussed almost exclusively on the UK. There are **two key value generators** – rental income and asset appreciation.

● **Rental income** – ACE's revenue line is dominated by rental income from its wholly owned subsidiaries.

● **Asset appreciation** Asset appreciation achieved by the buying and re-purposing and then future sale of commercial property. ACE is able to achieve asset appreciation in commercial property because of the skills of its highly experienced management team.

The strategic model remains unchanged and successful in spite of current market conditions. ACE's strategy is to acquire properties that deliver high yield combined with the opportunity to create or capture capital value. The management team identify properties available for acquisition with short unexpired tenancies. The tenants have "gilt edged" credit ratings (pay on time and reliably) and are largely immune to the business cycle. Tenants are dominated by organisations such as HMRC (UK tax authority and collection agency) and local authorities. The short remaining tenancy periods lower acquisition prices commensurately, whilst providing the opportunity for change-of-use (rental uplift) in the nearish future in order to maximise the property value.

ACE does not engage in property development and therefore the company is significantly de-risked compared to many property investment vehicles. In addition, though it is not a super-prime player it has during FY16A dipped its toe into the water with two super-prime residential purchases in Sloan Avenue and Tite Street (Chelsea, London). Properties with longer-term tenancies are also acquired to underpin ACE's long-term cash flows.

During FY16A ACE began using equity to fund its acquisitions along with debt, which is in line with our forecasts from our initiation note and is a welcome development as historically ALSP was dominated by debt funding (debt/equity ratio FY16A 56% vs. FY15A 70%). ACE plans to continue to fund future growth via debt and equity and we expect the company to target a debt/equity ratio of 40% over the medium term. The dividend policy remains "progressive" with ACE paying out according to annual performance. ACE raised its dividend yield on nominal capital by 50 bps to 3.5% up from 3% 15A and 2.4% 14A.

Exhibit 1: **ACE Liberty & Stone key operational metrics**

Underlying Market Maturity	FY16A GBP '000	FY15A GBP '000	FY14A GBP '000
Investment property	29,448	23,964	10,032
Portfolio rental income p.a.	2,337	2,231	847
Annual rental income	2,037	1,201	1,097
Equity to owners	17,947	12,410	8,244
Earnings after tax (EAT)	260	759	408

Source: Company Reports;

Management Team Changes

➢ Non-Executive Chairman and Investor Relations, Dr Tony Ghorayeb.

Dr. Tony Ghorayeb replaced Keith Pankhurst as Non-Executive Chairman. Keith Pankhurst returned to the board as a Senior Independent Director. Effectively Dr. Ghorayab and Mr. Pankhurst swapped positions during FY16A.

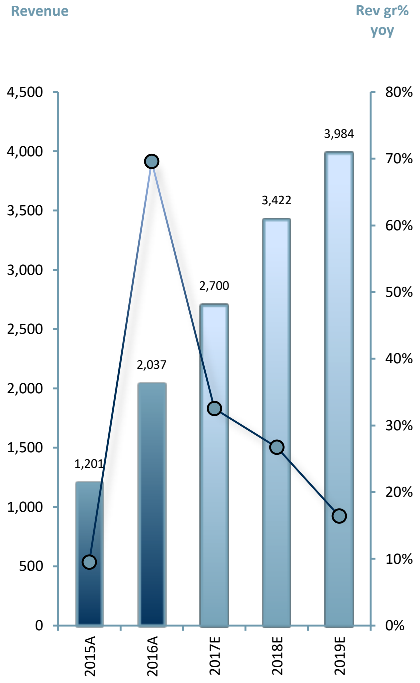
Mr. Ghorayeb has for over 35 years' blue chip and entrepreneurial international experience in banking and legal consulting in London, Geneva and New York and is well placed to use his experience and connections to generate interest and raise money for ACE's UK property investment plans. He is Chairman and co-founder of LiBank, the Lebanese investment bank offering services tailored to HNW clients. LiBank is an early lender and investor in ACE. Tony is also a founding member and secretary general of the Levant Business Union. He previously held senior positions at HSBC, credit Commercial de France, Banque Indosuez and BSI.

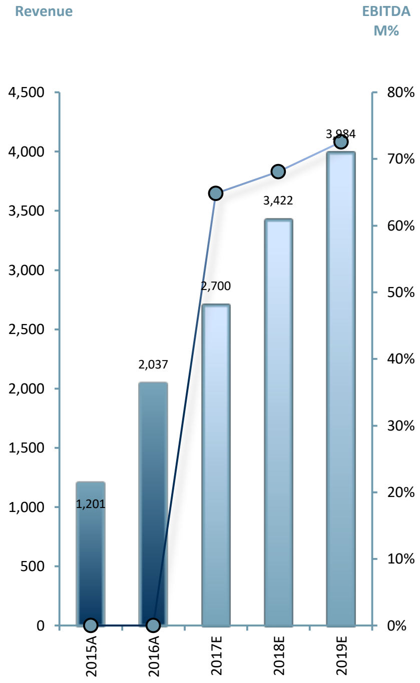
Tony became a director of ACE in September 2013 and took on responsibility during 2015 to act as the internal point of contact for investor queries.

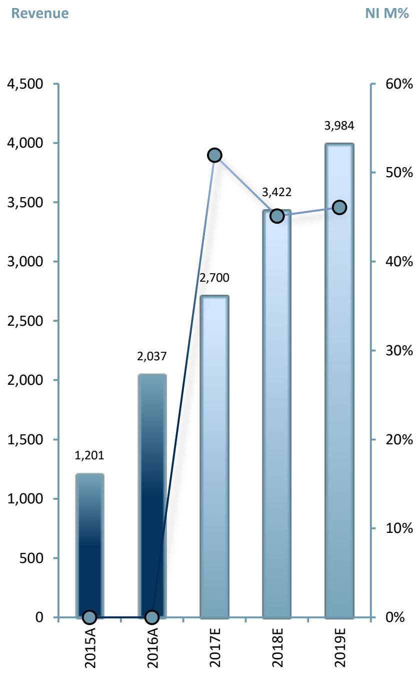
➢ Senior Independent Director, Keith Pankhurst.

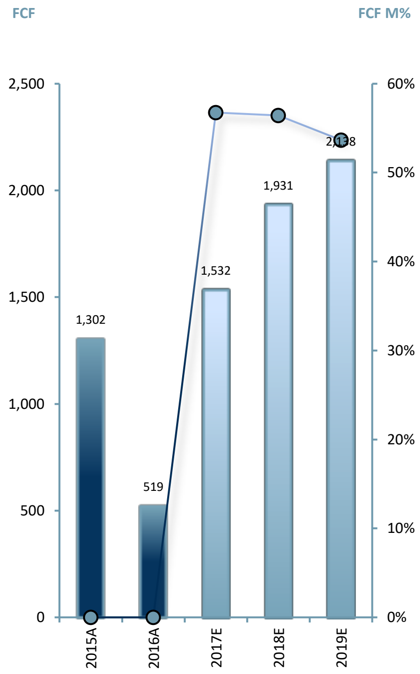
Mr. Pankhurst recently retired as full time MD of Ashdown Marks Ltd., a highly successful independent niche Property Consultants practice. Keith co-founded Marks Ltd. in 1985, which is based in Milner Street, Chelsea SW3 and specialises in residential sales, lettings and investments. Keith brings over 35 years of property experience including 10 years working for blue chip firms such as George Trollope and Sons, William Willett and Hamptons, operating in London's prime real estate quarters of Belgravia, Mayfair, Knightsbridge, Kensington and Chelsea. He has been a director of ACE Liberty & Stone since its flotation in 2007.

Forecasts









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.

Valuation

ACF est. GBP (k)	2016A	2017E	2018E	2019E	2020E
Revenue	2,037	2,700	3,422	3,984	3,903
EBITDA	836	1,750	2,330	2,864	2,755
Net Income	324	1,209	1,544	1,836	2,305
FCF	519	1,532	1,931	2,144	2,658
CPS (diluted)	0.05	0.14	0.18	0.20	0.25

Note: FY19E revenues decline due to forecast asset sales that lead to a rise in EBITDA and FCF.

There is evidence and rational for a lower beta.

This would lead to a reduced equity discount rate (WACC) in the current environment.

A lower WACC would lead to a potential uplift in our valuation.

Our WACC calculation is in the balance as the D/E ratio is currently 56% and the cost of equity is 4.09%, this may change upon announcement of the final dividend.

The interim dividend yield is 8.3%.

ALSP ISD WACC Calc	*ERP Global
Pre-tax cost of debt	5.4%
ETR	20.0%
After-tax cost of debt	4.3%
Current Leverage	
Debt	26.9%
Equity	39,286
Target Leverage	
D / (D+E)	40.0%
ACF β adj levered	0.61
rf	0.80%
Rm	6.2%
ERP	5.4%
Cost of equity	4.09%
Risk adj.	0.00%
WACC	4.18%

*Bloomberg ticker indicates ACF market ERP

Note: We assume the conservative Debt / Equity target mix 40%. However, in the current interest rate environment 50-60% is more likely.

We have used an adjusted beta derived from the median beta of our commercial real estate peer group derived from AiM. Our peer group median beta is 0.06 vs. 0.69 y/y. Our peer group average beta is 0.40 vs. 0.48 y/y. Our analysis suggests that we should use a beta for ACE of 0.61 based on a number of factors including the further de-risking of rental revenues via revenue mix changes. This lowering of beta contributes to of lowering the WACC for ACE, supporting our valuation.

Valuation Range		
NPV FCF (k)	10,535	
NPV TV FCF (k)	40,390	
EVF (k)	50,924	
TV Mulitple	23.0x	
% TV of total NPV	79.31%	
Net Debt (k)	10,060	
Fair Value (k)	40,864	
NoSh (m)	982.15	
NoSh (diluted) (m)	1,084.49	
Intrinsic Value Per Share	4.16	
Close Price £	4.00	
VR (low - high)	**4.06**	**4.26**
VR Spread	5.00%	
Implied VR Return (low - high)	1.4%	6.6%

Note: Close price on front page of this ACF research note is based on shares in issue (NoSh) on 24/10/2016 of 982,151,750 vs. 558,269,157 on 06/10/2015 a 75.93% increase in dilution y/y.

Sensitivity Analysis

Delays in debt funding and changing bankers have been outside of management control.

Our FCF perpetuity valuation check suggests a Value Range (VR) GBp 6.89 – 5.57 per share…somewhat higher than our published VR in this note of GBp 4.06 – 4.26 p/s.

Our aggressive growth rates hypothesis remains intact after FY16A revenues increased 69.61%. However, we have moved some 700k or rental revenues into 2017E and cut our FY17E forecast in the name of prudence though we still take the view that ACE will catch up to our forecasts during FY17E and 18E. The misses have been driven by the time taken to arrange significant debt funding (outside of management control, which we now expect to be confirmed FY17E); and by some softening of demand for property in the run up and immediately post the Brexit referendum. We fully expect demand for commercial property to re-ignite on the back of a 20% fall in GBP vs. the crosses. We have reduced our WACC based upon a reversal of expectations across markets for the cost of capital and ACE's own interest costs. In addition, the re-emergence of inflation expectations will serve to push the real cost of capital for balance sheet debt already in place down further. We have raised our terminal FCF multiple 3x to 23 to reflect the multiples we are seeing in the market for property vehicles and because ACE is growing very strongly. Our organic perpetuity real growth rate forecast for FCF is cut to 0.08% giving an implied VR of GBp 6.89 -5.57 p/s…some way above our TV multiple DCF VR of 4.06 – 4.26.

Exhibit 2: **ALSP multiples based on close price**

ACF est. GBP (k)	Revenue	EBITDA	FCF	EPS	EPS (diluted)	CPS	CPS (diluted)
2017E	2,700	1,750.0	1,532.2	0.123	0.111	0.156	0.141
2018E	3,422	2,329.5	1,930.9	0.157	0.142	0.197	0.178

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)	P/ CPS	P/ CPS (diluted)
2017E	18.28x	28.20x	25.26x	32.49x	35.88x	25.64x	28.31x
2018E	14.42x	21.18x	18.45x	25.44x	28.09x	20.35x	22.47x

Source: ACF Research Estimates.

Exhibit 3: **WACC/Multiple table shows longer-term valuation potential**

Terminal FCF Growth	Share Price WACC 1.18%	2.18%	3.18%	4.18%	5.18%	6.18%
-2.92%	23.56	12.77	8.77	6.68	5.40	4.54
-1.92%	23.80	12.90	8.86	6.75	5.46	4.58
-0.92%	24.04	13.04	8.95	6.82	5.51	4.63
0.08%	24.28	13.17	9.04	6.89	5.57	4.68
1.08%	24.53	13.30	9.13	6.96	5.62	4.72
2.08%	24.77	13.43	9.22	7.03	5.68	4.77
3.08%	25.01	13.56	9.31	7.09	5.73	4.81

Source: ACF Research Estimates.

Exhibit 3 above shows the valuation range based on perpetuity FCF growth, whereas our actual DCF calculation uses a TV multiple derived from discounted FCF. We use a WACC of 4.18% driven by market conditions and further de-risking of rental income.

Peer Group Comparators

Exhibit 4: **Trailing ACE Liberty & Stone peer group metrics**

Note that ACE is the only company in our table with interim dividend yield.

The rest of the peer group yields are based on FY16 or FY15 final dividend.

Trailing 16A Metrics / Company Name	Market	MCAP (m)	Div %	EBITDA / M%	MCAP / REVS	MCAP / EBITDA	MCAP / NI
ACE Liberty & Stone	**ISDX Growth**	**39.29**	**8.3%**	**41.02**	**19.28x**	**47.01x**	**151.11x**
Palace Capital	AiM	89.92	4.6%	75.04	6.16x	8.21x	8.33x
Panther Securities	AiM	55.9	7.2%	51.98	3.87x	7.44x	8.21x
Grainger PLC	FTSE 250	925.32	1.2%	-4.22	3.79x	-89.84x	21.67x
First Property Gp	AiM	54.56	3.2%	50.1	2.48x	4.96x	9.64x
Fletcher King plc	AiM	4.47	19.8%	16.47	0.97x	5.88x	4.22x
Average			**7.20%**	**37.87%**	**3.46x**	**-12.67x**	**10.41x**
Median			**4.60%**	**50.10%**	**3.79x**	**5.88x**	**8.33x**

Source: ACF Research Estimates; Companies reports; Factset.

Exhibit 5: **Trailing ACE peer group real estate metrics**

Trailing 16A Metrics / Company Name	Market	MCAP (m)	Gross Debt / Assets	Gross Debt / Equity	RoA %	RoE %	RoI %
ACE Liberty & Stone	**ISDX Growth**	**39.29**	**35.10**	**58.94**	**0.93**	**1.45**	**5.33**
Palace Capital	AiM	89.92	39.44	69.29	7.02	11.56	7.32
Panther Securities	AiM	55.9	41.38	101.80	3.64	9.24	4.86
Grainger PLC	FTSE 250	925.32	63.82	217.14	2.30	7.75	2.55
First Property Gp	AiM	54.56	72.34	362.48	3.62	16.13	4.13
Fletcher King plc	AiM	4.47	N/A	N/A	21.12	27.72	27.72
Average			**54.25%**	**187.68%**	**7.54%**	**14.48%**	**9.32%**
Median			**52.60%**	**159.47%**	**3.64%**	**11.56%**	**4.86%**

Source: ACF Research Estimates; Companies reports; Factset.

Our ACE Liberty & Stone (ALSP.L) peer group is made up of companies listed on AiM; these are arguably ALSP's closest most relevant peers. We have also included FTSE 250 company Grainger (GRI LN) because of its growth profile and to give some indication of what a property investment company such as ALSP may, in time, resemble.

ALSP does not make up a constituent of our average or median values in the peer group metrics at the bottom of exhibits 4 and 5. We have excluded ALSP from these values to make comparison with the rest of the peer group as clean and undistorted as possible. We have used trailing metrics here and we invite readers to compare the FY16A trailing metrics in Exhibit 4 with the forward multiples FY17E in our sensitivity analysis and on the front page of this note. The message is that FY17E should see another year of transformation, where the balance sheet continues to expand dramatically and revenues continue to grow aggressively falling through to EBITDA, FCF and Net Income.

Financial Analysis

● **Restatement of FY15 EPS** – Under IAS 33 ACE's 2015 EPS and diluted EPS have been restated based on the restatement of the weighted average number (WAN) of shares and the WAN fully diluted number of shares in issue from 454,390,623 and 512,723,956 respectively to 637,840,374 and 696,173,707 respectively for FY15A.

Dilutive effect of share options - there were 58,333,333 options in issue at FY15A, by the end of FY16A a further 44m new options were issued bringing the total number of options in issue FY16A to 102,333,333.

This restatement of the FY15A weighted average number of shares (WAN) is due to the Open Offer rights issue of 26th February 2016 at 1p per share, a 75% discount on the market value of 4p per share. The restatement has been performed as required by IAS 33, paragraph 64.

● **Transition to FRS 101** – ACE has applied IFRS 1 for the first time and adopted the relevant exemptions under FRS 101. In addition FRS 101 provides for certain exemptions from other International Financial Reporting Standards, ACE has adopted the exemptions under IFRS 2, 7 and 13.

Under IFRS 2 exemptions ACE has elected not to disclose Share Based Payments in respect of group settled share based payments.

Under IFRS 7 and 13 financial instrument disclosures have not been provided excepting instruments held at fair value that are not held for trading or are not derivatives.

● **Published standards not yet effective** – IFRS 15 Revenue for contracts with customers and IFRS 16 Leases amendments in preparation by IFRIC for implementation has no impact on the FY16A accounts.

● **Revenue growth and mix assumptions** – Revenue for ALSP is made up of rental income, and to a far lesser extent management fees for the Company (rather than Group) from charges to subsidiary companies.

Under **IFRS 8.34** revenue derived from different UK government departments is booked as one customer. As such 78% of ACE rental revenues are derived from two clients, the UK Government (65% vs. 61% y/y) and City Councils 13% vs. 12% y/y).

● **EBITDA growth** – Our EBITDA calculation assumes forecast SGA of GBP 950k for FY17E. Our cut to FY17E SGA vs. FY16A is based upon lower professional fee expenses related to equity and debt financing. We expect crystallisation of capital growth to occur during FY20E rather than FY19E, as such both revenues and EBITDA continue to expand FY19E. EBITDA margin during FY20E is likely to exceed 100%.

81.3% of P&L booked tax is due to timing differences on property valuations. The underlying operational ETR remains around 20%.

● **Effective Tax Rate (ETR) on EBT** – We estimate the underlying forward ETR for ACE at around 20% over our 5-year forecast horizon. Our estimate is based upon management guidance. However, investors should note that the ETR FY16A was 58%; FY15A 28% and FY14A 21.3%. Of the total tax booked to the P&L FY16A GBP 286.4k or 81.3% of GBP 352.3k is explained by timing differences on property valuations.

● **Working capital** – We continue to assume that changes in working capital although present, are largely negligible.

● **Capex (Capital Expenditure)** – Maintenance capex for ACE is negligible for now though this may change with a larger balance sheet value for property investment. Note that ACE intends to JV with development partners where development opportunities attract the Company, meaning ACE would not face significant maintenance capital requirements.

Growth capex is captured under financing and matches with asset acquisition from which rental yields are derived. Because this capex is funded entirely from loans and new equity in our model, it does not impinge upon the operational FCF that would theoretically be available for distribution to shareholders.

Growth capex is accounted for in our FCF forecasts by the effect new debt has on net interest payable, which is subtracted from FCF - this is not a cost the company can choose to dispense with and so is not available for potential distribution to equity holders.

● **Radcliff asset consolidation under IFRS 10** – Having followed IFRS from inception, ACE Liberty & Stone underwent the process of early adoption of IFRS 10 reporting standard for the FY15A annual accounts as part of its strategy to attract more efficient debt and equity funding to accelerate growth and widen the company's investor appeal.

ACE ROCE for Telephone House assets was 20.7% for the period 2011 to 2016

IFRS 10's de-facto control rules obliged ACE to fully consolidate its 38% stake in Radcliff Property Limited (registered in Anguilla). ACE has consolidated Radcliff during FY16A and now owns 100% of the subsidiary. Located in Sheffield, Radcliff's main remaining assets at Telephone House - retail units 1 and 2 and the car park - were sold for GBP 4m in line with our expectations and management guidance, announced 19th November 2016. ACE received GBP 2.2m in total from Radcliff for the sale of assets equating to a capital return after costs of GBP 456k or 20.7%.

ACE's stake in Radcliff was acquired during 2011 and was the vehicle used to acquire Telephone House in Sheffield, England. The building contained the BT tower, four retail units and a car park leased to NCP. The cost of the property was GBP 6.9m. ACE invested GBP 1.5m. The total capital return from the sale of both tranches of the Telephone House assets was GBP 1.1m.

Financial Projections

Exhibit 6: **ACE Liberty & Stone P&L and forecasts**

P&L GBP (k)	2015A	2016A	2017E	2018E	2019E
Revs	**1,201**	**2,037**	**2,700**	**3,422**	**3,984**
gr%	9%	70%	33%	27%	16%
GP	1,201	2,037	2.700	3,422	3,984
% Revs	100%	100%	100%	100%	100%
SGA	887	1,202	950	1,093	1,120
% Revs	74%	59%	35%	32%	28%
EBITDA	**314**	**836**	**1,750**	**2,330**	**2,864**
% Revs	26%	41%	65%	68%	72%
FV adj.	1,187	283	0	0	0
% Revs	0%	0%	0%	0%	0%
EBIT	**1,501**	**1,119**	**1,750**	**2,330**	**2,864**
EBT	1,056	612	1,329	1,586	1,817
ETR	28%	58%	20%	20%	20%
Tax	296	352	266	317	363
NI	**759**	**260**	**1,063**	**1,268**	**1,453**
% Revs	63%	13%	39%	37%	36%

Source: Company reports; ACF Estimates.

Glossary

CoS	Cost of Sales is, in ACF's financial models, a variable cost linked directly to revenue development, e.g. sales team commissions, but for example, not sales team salaries.
CT	Corporation Tax is the tax owed by corporation on taxable profits less exemptions to HMRC.
EAT	Earnings after tax. Also often expressed as PAT – profit after tax, and post-tax profit.
EBIT	Earnings before interest and tax (also often referred to or equates to operating profit).
EBITDA	Earnings before interest, depreciation and amortisation – the presentation of EBITDA by companies is not a requirement of UK GAAP or IFRS accounting standards. However in certain cases it can act as a close proxy to free cash flow.
EBT	Earnings before tax. Also often expressed as PBT – profit before tax.
FCF	Free Cash Flow generated in ACF's models after all obligatory cash costs have been satisfied such as Interest payable (Ip), cash taxes and maintenance capex (as opposed to investment capex). FCF represents the cash remaining for theoretical distribution or investment after all obligatory cash based costs including net interest payable have been deducted.
HMRC	Her Majesty's Revenue and Customs is amongst other things the UK's tax collecting and enforcement civil service agency.
IFRS	International Financial Reporting Standards are a set of standards developed by the International Accounting Standards Board. IFRS is an internationally recognised standard and in principle means that investors from different legal geographies can compare financial performance between potential competing investments more easily (cheaply) openly and fairly, when compared to say comparing UK GAAP vs. US GAAP or other "regional" accounting standards.
JV	Joint Venture – generally a legal structure between two corporate entities involving participation in equity capital in the JV vehicle. JV can also refer to more informal arrangements.

LTV	Loan to Value is a ration defined as mortgage amount divided by the appraised value of the property. For individual residential buyers mortgage lenders often require an LTV of 75% or greater. Corporates have an enormous competitive advantage with LTVs of for example, around 40%.
NoSh	Number of Shares in issue (NoSh).
REITS	Real Estate Investment Trusts (REITS) are closed-end investment vehicles that can sell stock on exchanges just as companies can. REITS benefit from tax exemptions but must typically have a dividend payout ratio of 90%. In addition at least 75% of assets must be in real estate or cash instruments and 75% of gross income must be derived from real estate.
RoA	Return on Assets is a ratio that provides insight into profitability. RoA is defined as Net Income divided by total assets. RoA is used to help investors understand how well a company management ream is using assets to generate earnings. Like most ratios a low value can also indicate an inflexion point or optimum time to buy rather than sell the related stock. Some analysts like to add back interest expense to net income as this gives a metric to compare operating returns before cost of borrowing. This is most helpful if borrowing costs are the same for the peer group under analysis.
RoE	Return on Equity is a ratio designed to provide insight into the profitability of a company by showing profit generated in comparison to cash invested by equity holders. RoE is defined as net income divided by shareholder's equity (see definitions in this glossary).
RoI	Return on Investment is a ratio that provides insight into the efficiency of an investment. RoI attempts to measure the return on an investment vs. the cost of the investment. The ratio is defined as the gain from investment less cost of investment subsequently divided by cost of investment. Most RoI calculations do not account for the time value of money. This changes investment performance considerably and can easily lead to the wrong conclusions because no account is taken of the rate of return only of the total return.

SGA	Sales, General and Administrative expenses, often equates to or is equivalent to Cost of Sales (CoS) plus operating expenses. However ACF uses SGA to classify relatively invariable expenses as opposed to variable expenses linked more or less directly to revenue generation, as such sales commissions might typically end up in CoS, whereas salaries for sales people would be classed as relatively invariable and be booked under SGA in an ACF model.
Shareholders' Equity	Shareholders equity is a line on the balance sheet calculated from the deduction of total liabilities from total assets and represents the value (or lack of it) available for distribution to shareholders should the entity wind up operations. It differs from the equity value expressed in market capitalisation (MCap), which is number of shares in issue (NoSh) multiplied by share price. The ratio Debt/Equity commonly uses the Debt/MCap formula as opposed to the Debt/Shareholder equity formula.
uFCF	Unlevered Free Cash Flow is FCF from which cash based interest payments are not deducted. It represents the total maximum cash flow available to both bond and equity holders over a given period.
Uplift Potential	Uplift potential is the potential for a re-rating of the value of a stock. For example, a company is valued by market participants at the equivalent of 10x a particular metric such as EBITDA, the value then rises (due to an uplift) to the equivalent of 12x EBITDA, this is the rerating (by 2 turns in our example).

Notes [Intentionally Blank]

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