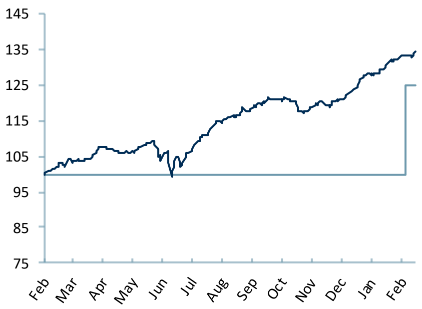
ESTIMATES

VALUE RANGE

GBp 4.17 – 4.39



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

Monday, 06 March 2017

Intrinsic Price	4.28p
Value Range Low	4.17p
Value Range High	4.39p
Implied MCAP (m)	£42.03
Implied EV (m)	£52.09
ISDX Index	ALSP ISD
Financial YE	30-Apr
Currency	GBP

Business Activity

Commercial & retail property investment

Key Metrics

Close Price	5.00p
MCAP (m)	£49.11
Net Debt (Cash) (m)	£10.060
EV (m)	£59.17
52 Wk Hi	5.00p
52 Wk Lo	4.00p
NAV trailing	1.83p

Key Ratios

S/P premium to NAV	173.63%
LTV	48.59%
Net Debt / Shareholder Equity %	97.35%

Real Estate Sector Research

ISDX Growth Market Index

Analyst Team

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ACE Liberty & Stone 1H17A

In sight 17E targets and value range >GBP 5.50

We raise our value range after ACE Liberty & Stone's (ALSP ISD) hit our estimates for 1H17A and is in line to hit our FY17 estimates, based on recent discussions with management. ALSP's transformation plan progressed during 1H17A. ACE shares are up 25% since our YE16 note as the effects of dilution wear off (MCAP is up 112.6% since initiation 07/10/15). ALSP is on target to grow revenues over 30% FY17E. Our perpetuity FCF analysis suggests a new valuation between GBp 5.50 and 7.00 and we shall examine that scenario in more detail in the next note due out before June. A GBP 50m assest value remains very much on target now that a GBP 13.75m loan facility is finally in place financing 1-5 Upper Market Square, complementing FY16's over-subscribed (25.6%), GBP 6.5m equity raise.

- Revenues 1H17A up 19.62% y/y and up 12.98% vs. 2H16A;
- Investment property up 41.34% y/y (down 3.35% vs. 2H16A);
- Rental income 2Q17A up 16.21% vs. 4Q16A;
- EAT 2Q17A up 18.48% y/y and 275% vs. 4Q16A;
- Post 1H17A close Luton sale for £1.8m return; Hanley bought for £9m.

	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2016A	2,037	836	519	0.03	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	29.04x	70.80x	113.97x	164.04x	183.72x
2017E	21.91x	33.81x	30.29x	40.62x	44.85x

06/03/2017	No. of Shares in issue	Fully diluted
Share Price History		
NoSh (m)	982.2	1,084
Implied Intrinsic Price	4.28p	3.88p
Value Range Low	4.17p	3.78p
Value Range High	4.39p	3.97p
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)	£49.1	£49.1
Net Debt (Cash) (m)	£10.06	£10.06
EV (m)	£59.2	£59.2
52 Wk Hi	£5.00	£4.53
52 Wk Lo	£4.00	£3.62
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	80.96x	24.84x
P/CPS (Exp D)	82.44x	25.30x
P/CPS (FD)	89.40x	27.43x

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. The sector on balance remains lower risk, cyclical and defensive, and is bought by investors primarily for yield via rental incomes.

ALSP's active asset management strategy continues to prove value-generating in the current bull market. The value of the company has risen 112% since our initiation note in 2015 and 25% since our YE16A note.

Timing items

ACE secured a GBP 13.75m loan facility from Lloyds bank, it was this loan we had originally expected to be in place mid FY16A, though the delays were outside managements control. The Lloyds facility has permitted the refinancing of five properties and the purchase of Upper Market Square, Hanley Since the 1H17A close, ACE has sold Bridge House, Luton, for GBP 4.55m booking a GBP 1.8m profit on the purchase price. On the other hand, the GBP 3.55m sale of Hume House, Leeds has fallen through because the buyer was unable to complete. We expect a sale of Hume House over the following 12m.

● IH17A results – ACE property assets are up 41% y/y. Property assets temporarily fell 3.35% on a sequential basis, i.e. since YE16A - a timing difference, and since the post-close purchase of Upper Market Sq., Hanley, the trend is back to uninterrupted growth. We still expect FY17E property assets to grow from GBP 29.5m to 50m. 2Q rental revenues run-rate grew 16.2% over 1H17A to average GBP 592k per quarter. Following discussions with management we maintain our FY17E revenue forecast GBP 2.7m and our Net Income and undiluted EPS forecasts.

Catalysts

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

Operational Strategy

ACE (ALSP) is a property investment company focussed almost exclusively on the UK. The **value generator is** – rental income supported in turn by financing and asset appreciation.

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

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.

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.

The sale of Colebrook Court, (announced 21st November, 2016), 1H17A created a temporary decline of 3.5% in the investment property line, however the post-close purchase of 1-5 Upper Market Square, Hanley for GBP 9m, (announced 5th October, 2016), has reinstated the positive sequential growth trend. Growth y/y was 41%.

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

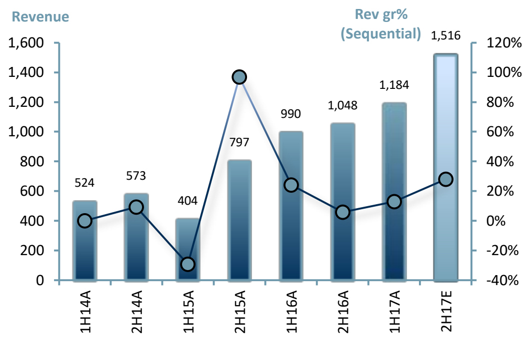
GBP (k)	1H15A	YE15A	1H16A	YE16A	1H17A
Investment property	11,883.7	23,964.4	20,164.4	29,488.4	28,499.4
gr% sequential		101.66%	-15.86%	46.24%	-3.35%
gr% y/y			69.68%	23.05%	41.34%
Annual rental income	1,687.0	2,231.0	2,261.0	2,336.8	2,310.4
gr% sequential		32.25%	1.34%	3.35%	-1.13%
gr% y/y			34.02%	4.74%	2.18%
Rental income Qtrly	202.2	300.3	494.8	509.3	591.9
gr% sequential		48.48%	64.77%	2.94%	16.21%
gr% y/y			144.64%	69.61%	19.62%
EAT Qtrly	111.3	189.8	205.6	65.0	243.6
gr% sequential		70.50%	8.37%	-68.39%	274.83%
gr% y/y			84.77%	-65.75%	18.48%
Equity to owners	9,814.2	12,410.4	13,768.6	17,946.6	18,251.6
gr% sequential		26.45%	10.94%	30.34%	1.70%
gr% y/y			40.29%	44.61%	32.56%

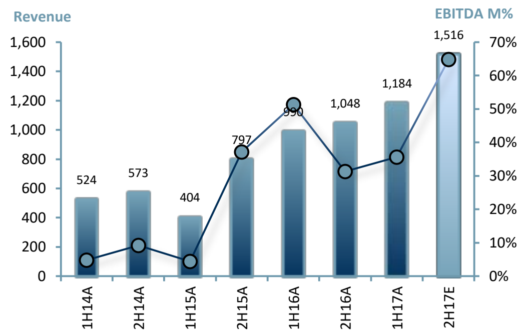
Source: Company Reports;

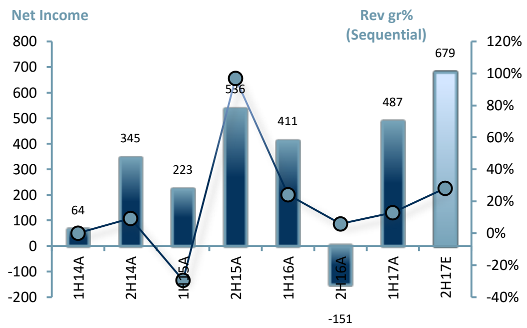
Forecasts semi-annual

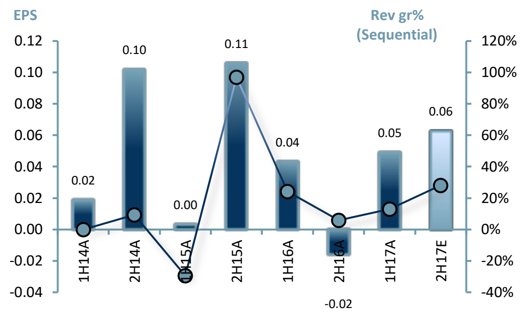
ACF est. GBP (k)	1H14A	2H14A	1H15A	2H15A	1H16A	2H16A	1H17A	2H17E
Revenue	524.33	572.72	404.49	796.69	989.57	1,047.74	1,183.73	1,516.27
Rev gr% (Sequential)		9.23%	-29.37%	96.96%	24.21%	5.88%	12.98%	28.09%
Rev gr% yoy		0.00%	-22.86%	39.11%	144.64%	31.51%	19.62%	44.72%
Rev 1H/2H Mix %	47.79%	52.21%	33.67%	66.33%	48.57%	51.43%	43.84%	56.16%
EBITDA	25.19	52.50	18.02	295.75	507.75	327.91	421.69	982.77
EBITDA M%	4.80%	9.17%	4.45%	37.12%	51.31%	31.30%	35.62%	64.81%
EBITDA 1H/2H Mix %	32.42%	67.58%	5.74%	94.26%	60.76%	39.24%	30.03%	69.97%
Net Income	63.67	344.54	22.59	736.43	411.27	-151.28	487.26	678.95
NI M%	12.14%	60.16%	5.59%	92.44%	41.56%	-14.44%	41.16%	44.78%
NI gr%		441%	-93%	3160%	-44%	-137%	-422%	39%
EPS	0.019	0.102	0.003	0.106	0.043	-0.016	0.049	0.063

Source: ACF Research Estimates; Companies reports; Factset.



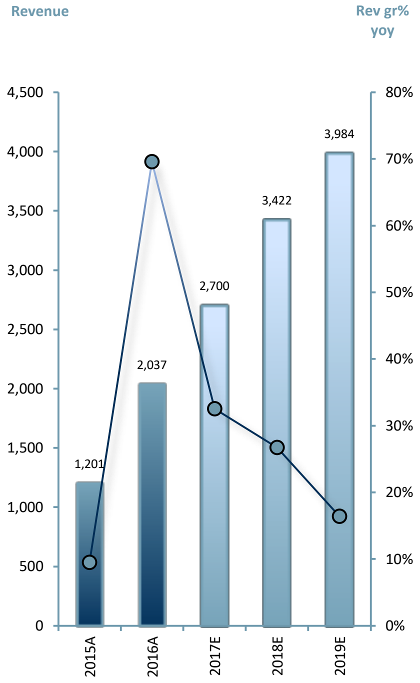


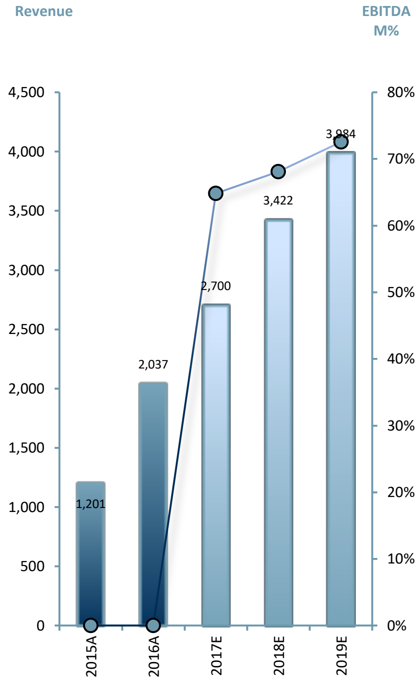


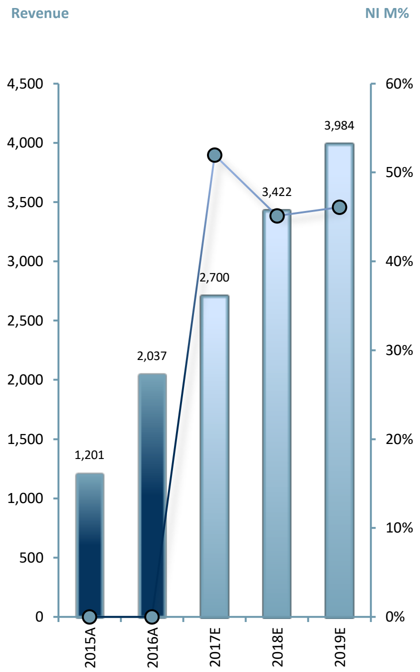


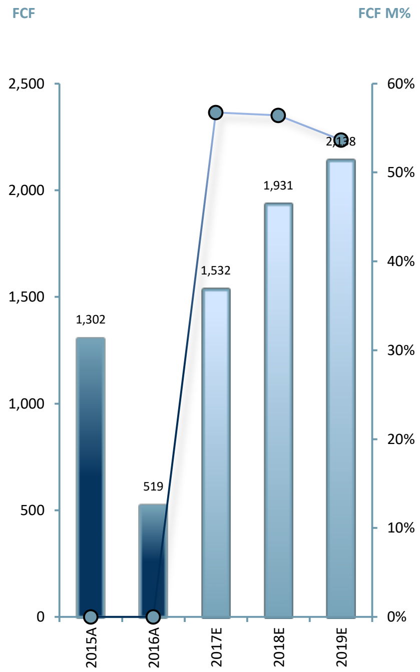
Our forecasts are based upon management guidance and our own sensitivity analysis. We focus on cash proxies (EBITDA) and free cash flow (FCF). However, Net Income remains important in the property sector, nevertheless we are strongly of the view that only cash matters.

Forecasts annual









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	260	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.

The interim dividend yield is 6.6%.

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	21.5%
Equity	49,108
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 a lower WACC for ACE, supporting our valuation.

Valuation Range		
NPV FCF (k)	11,704	
NPV TV FCF (k)	40,390	
EVF (k)	52,094	
TV Mulitple	23.0x	
% TV of total NPV	77.53%	
Net Debt (k)	10,060	
Fair Value (k)	42,033	
NoSh (m)	982.15	
NoSh (diluted) (m)	1,084.49	
Intrinsic Value Per Share	4.28	
Close Price £	5.00	
VR (low - high)	**4.17**	**4.39**
VR Spread	5.00%	
Implied VR Return (low - high)	-16.5%	-12.3%

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

Our FCF perpetuity valuation check suggests a Value Range (VR) GBp 5.69 - 7.01 per share…somewhat higher than our published VR in this note of GBp 4.17 – 4.39 p/s.

Our aggressive growth rates hypothesis remains intact after 1H17A revenues increased 19.62% y/y. We argued in our previous note that rebasing our forecasts from FY16A to FY17E was justified on the basis that ACE managed to secure a further GBP 13.5m of debt funding, which has been achieved via a GBP 13.75m loan facility from Lloyds Bank announced 22/11/16. We continue to expect sterling's 20% downward revaluation to support the UK property market, whether or not the general economy falters (which it has not). We continue to take the view that the re-emergence of inflation expectations will serve to push the real cost of capital for balance sheet debt already in place, down further. Our terminal FCF multiple is 23x reflecting current peer group multiples and ACE's superior growth rate. Our organic perpetuity real growth rate forecast for FCF remains at 0.08% giving an implied new higher VR of GBp 5.69 – 7.01 p/s, when compared to our new TV multiple DCF Valuation Range of GBp 4.17 – 4.39.

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	21.91x	33.81x	30.29x	40.62x	44.85x	32.05x	35.39x
2018E	17.29x	25.40x	22.12x	31.80x	35.12x	25.43x	28.08x

Source: ACF Research Estimates.

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

Share Price

Terminal FCF Growth \ WACC	1.18%	2.18%	3.18%	**4.18%**	5.18%	6.18%
-2.92%	23.68	12.89	8.89	6.80	5.52	4.66
-1.92%	23.92	13.02	8.98	6.87	5.58	4.70
-0.92%	24.16	13.15	9.07	**6.94**	**5.63**	4.75
0.08%	24.40	13.29	9.16	**7.01**	**5.69**	4.79
1.08%	24.64	13.42	9.25	**7.08**	**5.74**	4.84
2.08%	24.89	13.55	9.34	7.15	5.80	4.89
3.08%	25.13	13.68	9.43	7.21	5.85	4.93

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**

Trailing 16A Metrics / Company Name	Market	MCAP (m)	Div %	EBITDA / M%	MCAP / REVS	MCAP / EBITDA	MCAP / NI
ACE Liberty & Stone	**ISDX Growth**	**49.11**	**6.6%**	**41.02**	**24.10x**	**58.77x**	**188.88x**
Palace Capital	AiM	90.37	4.6%	75.04	6.19x	8.25x	8.37x
Panther Securities	AiM	55.02	3.7%	51.98	3.81x	7.33x	8.08x
Grainger	FTSE 250	1,071.03	1.6%	5.09	4.87x	95.63x	14.38x
First Property Gp	AiM	55.21	4.2%	50.1	2.51x	5.02x	9.75x
Fletcher King	AiM	4.56	4.1%	16.47	0.98x	6.00x	4.30x
Average			**3.64%**	**39.74%**	**3.67x**	**24.45x**	**8.98x**

Source: ACF Research Estimates; Companies reports; Factset.

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.

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**	**49.11**	**35.10**	**58.94**	**0.93**	**1.45**	**32.00**
Palace Capital	AiM	90.37	39.44	69.29	7.02	11.56	7.32
Panther Securities	AiM	55.02	41.38	101.80	3.64	9.24	4.86
Grainger	FTSE 250	1,071.03	52.31	124.97	4.22	12.02	4.73
First Property Gp	AiM	55.21	72.34	362.48	3.62	16.13	4.13
Fletcher King	AiM	4.56	N/A	N/A	21.12	27.72	27.72
Average			**51.37%**	**164.64%**	**7.92%**	**15.33%**	**9.75%**

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.

● **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 of GBP 352.3k booked to the P&L FY16A: GBP 286.4k, or 81.3%, of that tax bill 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 from property sales, 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.

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	297	352	266	317	363
NI	**759**	**260**	**1,063**	**1,268**	**1,453**
% Revs	63%	13%	39%	37%	36%

Source: Company reports; ACF Estimates.

Exhibit 7: **ACE Liberty & Stone Balance Sheet and forecasts**

Balance Sheet GBP (k)	2015A	2016A	2017E	2018E	2019E
Investments	23,964	21,788	30,488	39,188	47,888
Other Tangible Assets			0	0	0
Total Fixed Assets	**23,964**	**21,788**	**30,488**	**39,188**	**47,888**
Current assets	128	7,834	10,383	13,159	15,320
Cash	1,947	518	2,637	4,222	6,039
Total Current Assets	**2,076**	**8,352**	**13,019**	**17,381**	**21,359**
Creditors	2,019	3,795	5,029	6,374	7,421
Accruals & Loans	10,950	8,399	8,700	17,400	26,100
Net Assets	**13,071**	**17,947**	**29,778**	**32,795**	**35,726**
Share Capital	5,238	9,822	9,824	9,824	9,824
Reserves	942	479			
Share Premium	6,063	7,133	18,378	20,127	21,604
Accum. Profit/(loss)	828	513	1,576	2,845	4,298
Total Equity	**13,071**	**17,947**	**29,778**	**32,795**	**35,726**

Source: Company reports; ACF Estimates.

Financial Projections

Exhibit 8: **ACE Liberty & Stone Cash Flow and forecasts**

Cash Flow GBP (k)	2015A	2016A	2017E	2018E	2019E
CFO					
Profit/(loss) for period	**1,056**	**612**	**1,329**	**1,586**	**1,817**
Depreciation	-1,187	-283	0	0	0
WCap change	662	-37	0	0	0
Net CFO	**742**	**481**	**1,329**	**1,586**	**1,817**
Cash Taxes	45	27	266	317	363
Capex	12,745	5,143	10,000	10,000	10,000
FCF	**-12,048**	**-4,689**	**-8,937**	**-8,415**	**-8,183**
CF from Financing	10,873	3,259	11,056	10,000	10,000
Net Cash In/(Out)	-1,175	-1,430	2,119	1,586	1,817
Cash previous YE	3,122	1,947	518	2,637	4,222
Cash & CE	**1,947**	**518**	**2,637**	**4,222**	**6,039**

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).

Disclaimer

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