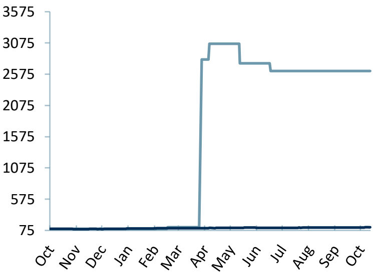
ESTIMATES

VALUE RANGE

GBp 114 – 120



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

Tuesday, 24 October 2017

Intrinsic Price	117p
Value Range Low	114p
Value Range High	120p
Implied MCAP (m)	£46.81
Implied EV (m)	£62.75
NEX Index	ALSP ISD
Financial YE	30-Apr
Currency	GBP

Business Activity

Commercial & retail property investment

Key Metrics

Close Price	105p
MCAP (m)	£42.08
Net Debt (Cash) (m)	£15.940
EV (m)	£58.02
52 Wk Hi	125p
52 Wk Lo	100p
NAV trailing	45.25p

Key Ratios

S/P premium to NAV	132.05%
LTV	55.31%
Net Debt / Shareholder Equity %	151.51%

Real Estate Sector Research

NEX Growth Market Index

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ACE Liberty & Stone YE17A

Solid delivery - more growth to come

We raise our value range after ACE Liberty & Stone (ALSP ISD) came close to our estimates for FY17A and set new ambitious targets to grow its property portfolio. ALSP also reiterated its progressive dividend policy. Our perpetuity FCF analysis suggests a valuation between 128p and 131p following the 25:1 share consolidation (reflected in price relative chart). A GBP 50m fixed asset value FY20E is within reach with support either from ALSP's bankers, which we believe is strong, or by raising further equity, which would bring ALSP closer to optimal balance sheet gearing. Post the YE17A balance sheet close, ALSP bought Grosvenor Casino and Princess house and raised GBP 10m through a convertible debt instrument.

- Rental income YE17A up 12.63% y/y;
- Investment property flat y/y due to sale and purchase timing changes;
- EBT margin up 13pp to 43% y/y;
- Net Income margin up 24pp to 37% y/y;
- Post YE17A close ALSP has bought GBP 15.6m of property assets.

ACF est. GBP (k)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2017A	2,632	1,065	997	2.45	2.22
2018E	3,112	1,953	937	2.38	2.16

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2017A	22.04x	54.49x	61.80x	42.85x	47.32x
2018E	18.64x	29.71x	61.89x	44.07x	48.66x

24/10/2017

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	39.3	43
Implied Intrinsic Price	117p	108p
Value Range Low	114p	103p
Value Range High	120p	108p
NEX Growth Market	ALSP	
Financial YE	30-Apr	
Reporting Currency	GBP	

NoSh (m)	39.3
NoSh (m) expected dilution (Exp D)	57
NoSh (m) full dilution (FD)	43

Key Metrics		adj.
MCAP (m)	£42.1	£42.1
Net Debt (Cash) (m)	£15.94	£15.94
EV (m)	£58.0	£58.0
52 Wk Hi	125p	113p
52 Wk Lo	100p	91p
Free Float	33%	33%

*Key Metrics FCF adj.	2017A	2018E
CPS (GBp)	2.49	2.34
CPS (Exp D) (GBp)	1.74	1.64
CPS (FD) (GBp)	2.30	2.16
P/CPS	46.97x	46.13x
P/CPS (Exp D)	67.09x	65.90x
P/CPS (FD)	50.85x	49.94x

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 by FY2020E up from 28.5m FY16A This could be achieved without the need for further equity raises, and so dilution (ex-options), however we would encourage management to work toward optimising balance sheet gearing by aiming for 40/60 debt to equity vs. the current 55% debt to equity. ALSP's cost of equity is 4.1%, whilst cost of debt is we estimate, 5.4% pre-tax and 4.3% after-tax.

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. However, the commercial property market has, in general, stabilised after initial panic from investors following the Brexit vote outcome. Deals are taking longer to execute. In spite of this challenging environment, ALSP's management has performed well with a host of post balance sheet events enhancing the company's outlook. The greater than 20% drop in the value of Sterling continues to support the UK property market as assets look cheap to foreign investors.

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

- **Post balance sheet events (PBSE) YE17A**

Purchase of Grosvenor Casino, Manchester for GBP 4m (annual rental GBP 400k); Purchase of Princess House, Barnstaple for GBP 2.33m (annual rental 190k) and purchase of College Square, Margate for GBP 8.3m (annual rental 630k). ALSP disposed of declining outlook assets Silverdale Worldwide and ACE Barnsley for GBP 3.25m booking a loss of approximately GBP 600k before rental income of GBP 1m over 10 years.

- **Funding PBSEs**

GBP 10m funding via a convertible loan note at 6%. ACE Issued 80k shares at 75p per share to Bijan Daneshmand, who now owns 5.16% of ALSP. Announcement of 1p interim dividend bringing the dividend yield to around 4%.

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 largely invested in the commercial segment. 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.

Historically ALSP was dominated by debt funding (debt/equity ratio FY17A 55% vs. FY15A 70%. The GBP convertible note at 6% is quasi equity and would currently convey a 26% equity stake (14.035m shares) to the holder if converted.). 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. If we include the post balance sheet purchases, growth y/y was over 30%.

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

GBP (k)	YE15A	1H16A	YE16A	1H17A	YE17A
Investment property	23,964.4	20,164.4	29,488.4	28,499.4	29,453.3
gr% sequential		-15.86%	46.24%	-3.35%	3.35%
gr% y/y			**23.05%**	**41.34%**	**-0.12%**
Annual rental income	2,231.0	2,261.0	2,336.8	2,310.4	2,632.0
gr% sequential		1.34%	3.35%	-1.13%	13.92%
gr% y/y			**4.74%**	**2.18%**	**12.63%**
Rental income Qtrly	300.3	494.8	509.3	591.9	658
gr% sequential		64.77%	2.94%	16.21%	11.17%
gr% y/y			**69.61%**	**19.62%**	**29.19%**
EAT Qtrly	189.8	205.6	65.0	243.6	240.7
gr% sequential		8.37%	-68.39%	274.83%	-1.21%
gr% y/y			**-65.75%**	**18.48%**	**270.28%**
Equity to owners	12,410.4	13,768.6	17,946.6	18,251.6	18,132.7
gr% sequential		10.94%	30.34%	1.70%	-0.65%
gr% y/y			**44.61%**	**32.56%**	**1.04%**

Source: Company Reports;

Opex analysis

Exhibit 2: **ALSP opex analysis and forecasts**

SGA GBP (k)	2015A	2016A	2017A	2018E	2019E
Revs	**1,201**	**2,037**	**2,632**	**3,112**	**4,041**
%Growth		70%	29%	18%	30%
EBITDA	314	836	1,065	1,953	2,823
%Growth		166%	27%	83%	45%
Total SGA	**887**	**1,202**	**1,567**	**1,159**	**1,218**
%Growth		35%	30%	-26%	5%
Directors costs	**161**	**291**	**553**	**664**	**704**
%Growth	N/A	81.2%	90.2%	20.0%	6.0%
%of Revs	13.4%	14.3%	21.0%	21.3%	17.4%
%of SGA	18.1%	24.2%	35.3%	57.3%	57.8%
Opex of Inv Props	**212**	**235**	**204**	**103**	**113**
%Growth	N/A	11.0%	-13.3%	-49.5%	10.0%
%margin	17.6%	11.6%	7.8%	3.3%	2.8%
%of SGA	23.9%	19.6%	13.0%	8.9%	9.3%
Prof. costs	**431**	**492**	**383**	**350**	**357**
%Growth	14.2%	-22.2%	-8.6%	2.0%	2.0%
%margin	24.1%	14.5%	11.2%	8.8%	6.5%
%of SGA	40.9%	24.4%	30.2%	29.3%	28.5%
Other Opex	**84**	**183**	**427**	**42**	**44**
%Growth	N/A	117.8%	133.0%	-90.2%	5.0%
%margin	7.0%	9.0%	16.2%	1.4%	1.1%
%of SGA	26.8%	15.3%	27.3%	3.6%	3.6%

Source: ACF Research Estimates; Company reports.

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.

We expect EBITDA margins to increase substantively during FY18E leading to an 85% improvement in EBITDA when combined with 18% revenue growth for the same forecast period.

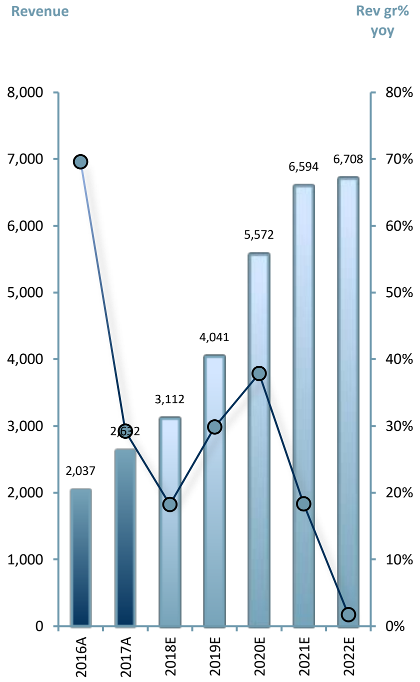
Administrative expenses including non-cash items FY17A came in at GBP 1.567m exceeding our forecast of GBP 950k by GBP 235k, which we based upon an expected decline in corporate finance costs. However, we estimate that the Lloyds facility incurred financing costs of approximately GBP 300k and these could no longer be deferred. In addition, a GBP 100k one-off cost was incurred on residential costs.

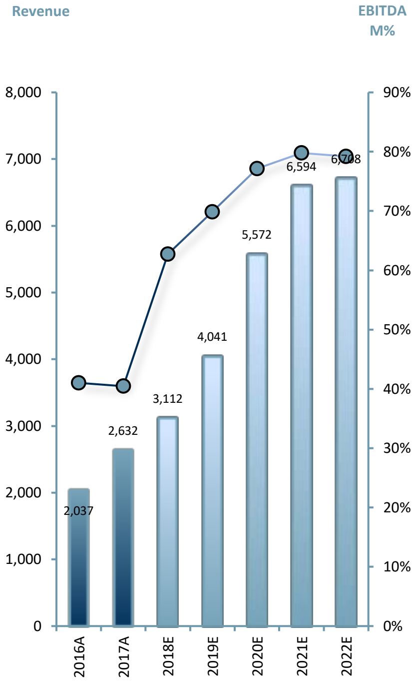
Forecasts 5-year annual

Revenue growth rate rises and declines aggressively in line with the lumpy nature of capital raising to expand the property portfolio and so rental income. Our long run rental growth rate base case assumes rents grow over time in line with long-run UK GDP growth,

Note lines represent margins or growth in %

Bars represent actual for forecast values for line item e.g. Revenues





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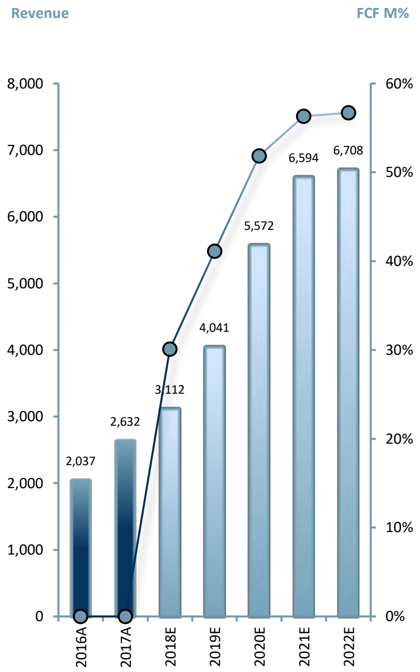

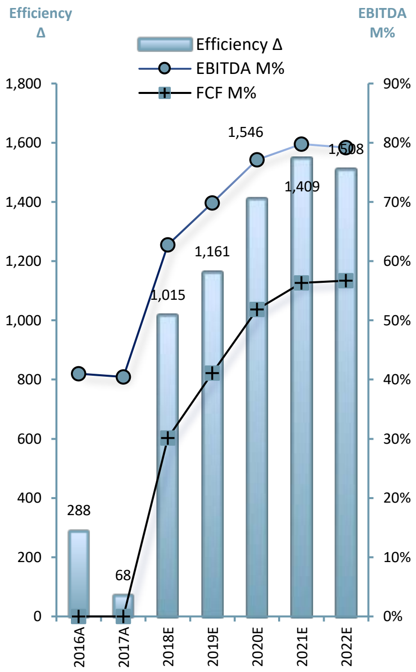

Our forecasts are based upon management guidance and our own sensitivity analysis. We focus on cash proxies (EBITDA) and free cash flow (FCF). However Net Income remains important in the property sector, nevertheless we are strongly of the view that only cash matters.

Valuation

ACF est. GBP (k)	2016A	2018E	2019E	2020E	2021E
Revenue	2,632	3,112	4,041	5,572	6,594
EBITDA	1,065	1,953	2,823	4,298	5,261
Net Income	963	937	1,416	2,393	3,219
FCF	997	937	1,662	2,889	3,714
CPS (diluted)	2.30	2.16	3.83	6.66	8.56

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

We have raised our cost of debt expectations by 1.2 % to around 5.4% to reflect both the balance sheet D/E mix and interest rate trends.

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	38.7%
Equity	42,078
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.	1.00%
WACC	5.18%

*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.

Valuation Range		
NPV FCF (k)	9,566	
NPV TV FCF (k)	53,186	
EVF (k)	62,752	
TV Mulitple	18.0x	
% TV of total NPV	84.76%	
Net Debt (k)	15,940	
Fair Value (k)	46,813	
NoSh (m)	40.07	
NoSh (diluted) (m)	43.38	
Intrinsic Value Per Share	116.82	
Close Price £	105.00	
VR (low - high)	**113.90**	**119.74**
VR Spread	5.00%	
Implied VR Return (low - high)	8.5%	14.0%

Note: Close price on front page of this ACF research note is based on shares in issue (NoSh) on 24/10/2017 of 40,073,825 following the 25:1 share consolidation 31st March 2017 and further issue of equity post balance sheet close.

Sensitivity Analysis

Our FCF perpetuity valuation check suggests a Value Range (VR) GBp 129-131 per share…we have opted for a more conservative DCF with a terminal value for this note, suggesting a Value Range (VR) of GBp 114-120 p/s.

Our aggressive growth rate hypothesis continues to be supported by the FY17A rental income growth of 12.63% y/y. We noted in the 1H17A post results 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 it did, and has since close of the FY17A balance sheet, secured a further GBP 10m of funding via a convertible instrument at 6%. We continue to expect sterling's 20% downward revaluation to support the UK property market, but with a slower rate of transactions (property deals take longer to close). We take the view that the re-emergence of inflation expectations will in time serve to reduce the real cost of capital for balance sheet debt already in place. Our terminal FCF multiple is 18x reflecting current peer group multiples and ACE's superior growth rate. Our organic perpetuity real growth rate forecast for FCF is 2.5% giving an implied new higher VR of GBp 129 to 131 p/s, compared to our new published TV multiple DCF Valuation Range of GBp 114 to 120.

Exhibit 3: **ALSP multiples based on close price**

ACF est. GBP (k)	Revenue	EBITDA	FCF	EPS	EPS (diluted)	CPS	CPS (diluted)
2017A	2,632	1,065	997	2.45	2.22	2.54	2.30
2018E	3,112	1,953	937	2.38	2.16	2.39	2.16

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)	P/ CPS	P/ CPS (diluted)
2017A	22.04x	54.49x	61.80x	42.85x	47.32x	41.39x	45.70x
2018E	18.64x	29.71x	61.90x	44.05x	48.64x	44.01x	48.60x

Source: ACF Research Estimates.

Exhibit 4: **WACC/Multiple table shows longer-term valuation potential**

Share Price

Terminal FCF Growth \ WACC	2.18%	3.18%	4.18%	5.18%	6.18%	7.18%
-0.50%	321	215	160	126	103	86
0.50%	324	217	161	127	104	87
1.50%	327	219	163	**129**	**105**	88
2.50%	331	222	165	**130**	**106**	89
3.50%	334	224	167	**131**	**108**	90
4.50%	338	226	168	133	109	91
5.50%	341	229	170	134	110	92

Source: ACF Research Estimates.

The rise in lending rates effect is somewhat dampened by recent rises in inflation, which we have been forecasting on the back of the greater than 20% devaluation in Sterling post the Brexit referendum.

Exhibit 4 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 new higher WACC of 5.4% up from 4.18% reflecting our short run expectations that the cost of debt will rise.

Peer Group Comparators

Exhibit 5: **Trailing ACE Liberty & Stone peer group metrics**

Excluding ALSP the rest of the peer group yields are based on FY17 or FY16 final dividend.

Trailing 16A Metrics / Company Name	Market	MCAP (m)	Div %	EBITDA / M%	MCAP / REVS	MCAP / EBITDA	MCAP / NI
ACE Liberty & Stone	**NEX Growth**	**42.08**	**4.1%**	**40.45**	**15.99x**	**39.52x**	**43.71x**
Palace Capital	AiM	145.46	5.2%	65.3	10.19x	15.61x	15.49x
Panther Securities	AiM	56.22	3.8%	52.38	3.83x	7.31x	-59.18x
Grainger	FTSE 250	1,145.25	1.5%	21.58	22.07x	102.25x	15.37x
First Property Gp	AiM	62.65	3.8%	52.2	2.65x	5.07x	7.29x
Fletcher King	AiM	6.51	6.6%	18.34	1.59x	8.68x	11.22x
Average			**4.15%**	**41.96%**	**8.07x**	**27.79x**	**-1.96x**
Median			**3.80%**	**52.20%**	**3.83x**	**8.68x**	**11.22x**

Source: ACF Research Estimates; Companies reports; Factset.

Exhibit 6: **Trailing ACE peer group real estate metrics**

Note that ALSP is acquiring properties during the comparison period e.g. Grosvenor Casino, Manchester, acquired April 2017, which cost GBP 4m and so has only contributed a few days rental income. This timing distorts downwards the RoA, RoI and RoE, for ALSP vs. peers for the period.

Trailing 16A Metrics / Company Name	Market	MCAP (m)	Gross Debt / Assets	Gross Debt / Equity	RoA %	RoE %	RoI %
ACE Liberty & Stone	**NEX Growth**	**42.08**	**41.23**	**89.84**	**2.76**	**5.31**	**5.00**
Palace Capital	AiM	145.46	40.35	72.79	4.87	8.68	5.10
Panther Securities	AiM	56.22	41.00	106.81	-0.51	-1.31	-0.67
Grainger	FTSE 250	1,145.25	52.31	124.97	4.22	12.02	4.73
First Property Gp	AiM	62.65	67.82	296.15	5.09	21.58	5.98
Fletcher King	AiM	6.51	N/A	N/A	10.62	14.11	14.11
Average			**50.37%**	**150.18%**	**4.86%**	**11.02%**	**5.85%**
Median			**46.66%**	**115.89%**	**4.87%**	**12.02%**	**5.10%**

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 5 and 6. 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 FY17A trailing metrics in Exhibit 5 with the forward multiples FY18E in our sensitivity analysis and on the front page of this note.

Financial Analysis

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 FY17A was 14%; FY16A was 58%; FY15A 28% and FY14A 21.3%.

● **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 the property investment line. 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. The net interest payable is subtracted from FCF - this is because net interest payable is not a cost the company can choose to dispense with and so is not available for potential distribution to equity holders.

Revenue Projections

We assume for our base case that rentals rise in line with long run UK GDP growth.

In reality rentals will be fixed for certain periods and jump to compensate.

Our approach captures the value of rental rises over time in the terminal value and or the perpetuity growth rate.

Our ALSP group revenue growth rate declines aggressively to reflect the lumpy nature of capital raises to grow the balance sheet.

The full impact of an increase in property assets has a 1-2 year lag reflecting the time taken to close purchases and timing differences before full annual rentals are included in our forecasts.

The "Other" line in these projections reflects our estimates for revenue increases expected from increases in the balance sheet property assets funded by debt or equity.

Exhibit 7: ACE Liberty & Stone revenue forecasts

Revenue Model GBP (k)	2018E	2019E	2020E	2021E	2022E
Group Rental Income	**3,112**	**4,041**	**5,572**	**6,594**	**6,708**
%Growth		30%	38%	18%	2%
Hilcrest Ho. Leeds	**178**	**178**	**182**	**187**	**192**
Growth	2.5%	0.0%	2.5%	2.5%	2.5%
%Total group revenue	5.7%	4.4%	3.3%	2.8%	2.9%
Fawcett Ho. Sunderland	**390**	**390**	**400**	**410**	**420**
Growth	2.5%	0.0%	2.5%	2.5%	2.5%
%Total group revenue	12.5%	9.7%	7.2%	6.2%	6.3%
Bridge Ho. Merry Hill	**544**	**544**	**558**	**572**	**586**
Growth	2.5%	0.0%	2.5%	2.5%	2.5%
%Total group revenue	17.5%	13.5%	10.0%	8.7%	8.7%
Shildon Ho. Gateshead	**175**	**175**	**179**	**184**	**188**
Growth	2.5%	0.0%	2.5%	2.5%	2.5%
%Total group revenue	5.6%	4.3%	3.2%	2.8%	2.8%
Marsh Mills Plymouth	**205**	**205**	**212**	**217**	**222**
Growth	6.0%	0.0%	3.4%	2.5%	2.0%
%Total group revenue	6.6%	5.1%	3.8%	3.3%	3.3%
Upper Market Sq. Hanley	**591**	**591**	**609**	**627**	**646**
Growth	1.0%	0.0%	3.0%	3.0%	3.0%
%Total group revenue	19.0%	14.6%	10.9%	9.5%	9.6%
Grosvenor Casino Mancs	**300**	**300**	**309**	**319**	**328**
Growth	0.1%	0.0%	3.0%	3.0%	3.0%
%Total group revenue	9.7%	7.4%	5.6%	4.8%	4.9%
Princess Ho. Barnstaple	**143**	**190**	**195**	**200**	**205**
Growth	0.2%	33.3%	2.5%	2.5%	2.5%
%Total group revenue	4.6%	4.7%	3.5%	3.0%	3.1%
College Sq. Margate	**315**	**630**	**646**	**662**	**678**
Growth	2.5%	100.0%	2.5%	2.5%	2.5%
%Total group revenue	10.1%	15.6%	11.6%	10.0%	10.1%
Hume House	**188**	**188**	**193**	**198**	**202**
Growth	2.5%	0.0%	2.5%	2.5%	2.5%
%Total group revenue	6.0%	4.7%	3.5%	3.0%	3.0%
New Property 1	**83**	**500**	**600**	**615**	**630**
Growth	2.5%	500.0%	20.0%	2.5%	2.5%
%Total group revenue	2.7%	12.4%	10.8%	9.3%	9.4%
New Property 2	**0**	**150**	**200**	**205**	**210**
Growth	N/A	N/A	33.3%	2.5%	2.5%
%Total group revenue	0.0%	3.7%	3.6%	3.1%	3.1%
Other	**0**	**0**	**1,290**	**2,200**	**2,200**
Growth	N/A	N/A	N/A	70.5%	0.0%
%Total group revenue	6.0%	4.7%	3.5%	3.0%	3.0%
Total Rental Income	3,112	4,041	5,572	6,594	6,708
Growth	18.2%	29.9%	37.9%	18.3%	1.7%

Source: ACF Research Estimates; Company reports.

Financial Projections

Exhibit 8: ACE Liberty & Stone P&L and forecasts

P&L GBP (k)	2016A	2017A	2018E	2019E	2020E
Revs	**2,037**	**2,632**	**3,112**	**4,041**	**5,572**
gr%	70%	29%	18%	30%	38%
GP	2,037	2,632	3.112	4,041	5,572
% Revs	100%	100%	100%	100%	100%
SGA	1,202	1,567	1,159	1,218	1,274
% Revs	59%	60%	37%	30%	23%
EBITDA	**836**	**1,065**	**1,953**	**2,823**	**4,298**
% Revs	41%	40%	63%	70%	77%
FV adj.	283	-391	0	0	0
% Revs	14%	-15%	0%	0%	0%
EBIT	**1,119**	**674**	**1,953**	**2,823**	**4,298**
EBT	612	1,122	1,172	2,078	3,612
% Revs	30%	43%	38%	51%	65%
ETR	58%	14%	20%	20%	20%
Tax	352	160	234	416	722
NI	**260**	**963**	**938**	**1,662**	**2,889**
% Revs	13%	37%	30%	41%	52%
Basic EPS (p)	0.66	2.45	2.39	4.23	7.35
Diluted EPS (p)	0.60	2.22	2.16	3.83	6.66

Source: Company reports; ACF Estimates.

Financial Projections

Exhibit 9: **ACE Liberty & Stone Balance Sheet and forecasts**

Balance Sheet GBP (k)	2016A	2017A	2018E	2019E	2020E
Tangible Assets	0	0	0	0	0
Investments	21,788	29,453	38,153	46,853	55,553
Rev Yield	9.35%	8.94%	8.16%	8.63%	10.03%
Rev Yield 1 yr fwd	12.08%	10.57%	10.59%	11.89%	11.87%
Total Fixed Assets	**21,788**	**29,453**	**38,153**	**46,853**	**55,553**
Current assets	134	178	11,474	14,899	20,544
Assets held for sale	7,700	9,526	0	0	0
Cash	518	351	1,563	2,480	4,683
Total Current Assets	**8,352**	**10,055**	**13,037**	**17,379**	**25,226**
Total Assets	**30,140**	**39,508**	**51,190**	**64,232**	**80,780**
Creditors	1,395	788	932	1,211	1,669
Liabs held for sale	2,400	3,436	0	0	0
Accruals	0	563	0	0	0
Deferred Tax	212	298	0	0	0
Loans	8,187	16,291	8,700	17,400	26,100
Total Liabilities	**12,194**	**21,376**	**9,632**	**18,611**	**27,769**
Net Assets	**17,947**	**18,133**	**41,558**	**45,622**	**53,011**
Share Capital	9,822	9,822	9,822	9,822	9,822
Reserves	479	479	479	479	479
Share Premium	7,133	7,133	29,140	31,541	36,041
Accum. Profit/(loss)	513	1,180	2,118	3,780	6,669
Other	0	-481	0	0	0
Total Equity	**17,947**	**18,133**	**41,558**	**45,622**	**53,011**
Total Equity & Liabilities	**30,140**	**39,508**	**51,190**	**64,232**	**80,780**

Source: Company reports; ACF Estimates.

Financial Projections

Exhibit 10: ACE Liberty & Stone Cash Flow and forecasts

Cash Flow GBP (k)	2016A	2017A	2018E	2019E	2020E
CFO					
EBT Profit/(loss)	**612**	**1,122**	**1,172**	**2,078**	**3,612**
% Revs	30%	43%	38%	51%	65%
Finance costs	506	570	0	0	0
FV adj.	-283	391	0	0	0
Other adjustments	69	-1,019	0	0	0
Cash Taxes	-27	-22	-234	-416	-722
Net Ip / (Ir)	386	631	781	746	687
WCap change	-37	-104	0	0	0
Net CFO	**454**	**308**	**157**	**916**	**2,203**
% Revs	22.3%	11.7%	5.0%	22.7%	39.5%
Capex maintenance	0	0	0	0	0
FCFE	**454**	**308**	**157**	**916**	**2,203**
% Revs	22%	12%	5%	23%	40%
uFCF	**840**	**939**	**938**	**1,662**	**2,889**
% Revs	41%	36%	30%	41%	52%
Capex growth net	5,143	8,809	10,000	10,000	10,000
Capex/Prprty Assets %	24%	30%	26%	21%	18%
CF from Financing	3,259	8,334	11,056	10,000	10,000
Net Cash In/(Out)	-1,430	-167	1,213	916	2,203
Cash previous YE	1,947	518	351	1,563	2,480
Cash & CE	**518**	**351**	**1,563**	**2,480**	**4,683**

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).

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Disclaimer

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