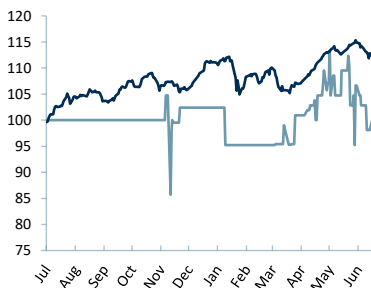


# FLASH NOTE

## VALUE RANGE

GBp 119 – 126



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

Thursday, 05 July 2018

Intrinsic Price	122p
Value Range Low	119p
Value Range High	125p
Implied MCAP (m)	£49.28
Implied EV (m)	£69.91
NEX Index	ALSP ISD
Financial YE	30-Apr
Currency	GBP

### Business Activity

Commercial & retail property investment

### Key Metrics

Close Price	105p
MCAP (m)	£42.27
Net Debt (Cash) (m)	£20.62
EV (m)	£62.89
52 Wk Hi	115p
52 Wk Lo	100p
NAV trailing	48.58p

### Key Ratios

S/P premium to NAV	116.15%
LTV	74.41%
Net Debt /	193.54%
Shareholder Equity %	

### Real Estate Sector Research

### NEX Growth Market Index

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## ACE Liberty & Stone

### Revenues ahead of YE18 and YE19 expectations

ACE Liberty & Stone (ALSP ISD) delivered further new rentals that mean it will now exceed both our YE18 and YE19 revenue forecasts and will lead us to revisit our valuation. This week ALSP announced that it had completed on two new property purchases bringing in an additional annualised revenue of GBP 597.5k. The tenant in both properties is The Secretary of State for the Department of Communities and Local Government, giving us a high degree of confidence in the ability of the tenant to pay – in the end the government can print its own money, making it a unique UK tenant. At 1H18A 78% of rentals were paid by HM Government and City councils. We have a marginally wider value spread due to share issue 7<sup>th</sup> Mar moving down to GBp 119-126 vs. 120-126 – [see ALSP post-results 1H18 note 14 Jun 18](#). This remains a 20% premium to yesterday's close.

- Acquisition cost totalled £6.4m of which Coutts & Co lent 4.16m;
- Rental Income on King Street, Wigan £352.3k annualised;
- Rental income on Union Street Oldham 245.1k annualised;
- Investment property on balance sheet estimated at over £60m;
- EBITDA adj. IH18A £0.767m, margin 52.21% vs. 35.62% y/y.

ACF est. GBP (k)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2017A	2,632	1,065	997	2.45	2.22
2018E	3,127	925	1,087	0.28	0.26

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2017A	23.89x	59.06x	66.99x	42.85x	47.32x
2018E	20.11x	67.98x	57.88x	380.46x	410.03x

05/07/2018

No. of  
Shares  
in  
Fully  
diluted

Share Price History

NoSh (m)	40.3	43.4
Implied Intrinsic Price	122p	114p
Value Range Low	119p	111p
Value Range High	125p	116p
NEX Growth Market	ALSP	
Financial YE	30-Apr	
Reporting Currency	GBP	

NoSh (m)	40.3	
NoSh (m) expected dilution (Exp D)	43.4	
NoSh (m) full dilution (FD)	43.4	

Key Metrics

		adj.
MCAP (m)	£42.3	£42.3
Net Debt (Cash) (m)	£20.62	£20.62
EV (m)	£62.9	£62.9
52 Wk Hi	115p	107p
52 Wk Lo	100p	93p
Free Float	33%	33%

\*Key Metrics FCF adj. 2017A 2018E

CPS (GBp)	2.48	2.70
CPS (Exp D) (GBp)	2.30	2.50
CPS (FD) (GBp)	2.30	2.50
P/CPS	49.45x	42.09x
P/CPS (Exp D)	53.29x	45.36x
P/CPS (FD)	53.29x	45.36x

## 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 FY20E up from 28.5m FY16A. Recent asset growth has been funded by a mixture of CLNs and commercial debt from ACE's bankers. Current net debt to shareholder equity ratio is 193%, though this should change if, as we expect, around GBP 15m of CLNs are converted to equity over our current 5-year horizon. We would continue to encourage management to keep focussed on optimisation of balance sheet gearing by aiming for 40/60 debt to equity. The current 36% (including post balance sheet events) suggests equity is the next funding mechanism.

The UK property market (commercial, retail and residential) has slowed in terms of the rate at which transactions are completed and we expect continued Brexit uncertainty as we approach the "leave" deadline to weigh on the rate at which transactions can be completed. However, the commercial property market, in general, continues to function reasonably well. We see opportunities arising for ACE property acquisitions as technology changes drives change in commercial property use. Recent weakness in sterling is likely to continue to keep foreign investors interested in opportunities in the UK property market.

ALSP's active asset management strategy continues to deliver growth in the current bull market.

### ● Post balance sheet events (PBSE) 1H18A

ALSP closed the purchase of Worth Bridge Road. Keithley for GBP 4.75m generating annual rental on 26,932 sq. ft over three stories of GBP 383k.

### ● Funding PBSEs

ALSP also closed a funding action issuing a GBP 5.2637m of CLNs at 5% and 5.263m warrants at 0.80p representing 22% of current share capital in exchange for GBP 4.7637m cash. This follows ALSPs 20 July 17 announcement of 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.

## Catalysts

YE18 revenue forecasts beat; progressive dividend growth beating YE18 expectations. Further debt and equity raises; acquisition of new properties and sale of existing properties; Uplift in rental yield through active management; Re-rating of the property sector; Further funding activity.

## Financial Projections

P&L GBP (k)	2016A	2017A	2018E	2019E	2020E
<b>Revs</b>	<b>2,037</b>	<b>2,632</b>	<b>3,127</b>	<b>4,241</b>	<b>5,647</b>
gr%	70%	29%	19%	36%	33%
SGA	1,202	1,567	2,201	1,281	1,339
<b>EBITDA</b>	<b>836</b>	<b>1,065</b>	<b>925</b>	<b>2,960</b>	<b>4,308</b>
% Revs	41%	40%	30%	70%	76%
FV adj.	283	-391	0	0	0
% Revs	14%	-15%	0%	0%	0%
<b>EBIT</b>	<b>1,119</b>	<b>674</b>	<b>925</b>	<b>2,960</b>	<b>4,308</b>
EBT	612	1,122	140	2,214	3,622
% Revs	30%	43%	4%	52%	64%
ETR	58%	14%	20%	20%	20%
<b>NI</b>	<b>260</b>	<b>963</b>	<b>112</b>	<b>1,771</b>	<b>2,897</b>
% Revs	13%	37%	4%	42%	51%
Basic EPS (p)	0.66	2.45	0.29	4.51	7.37
Diluted EPS (p)	0.60	2.22	0.26	4.08	6.68
Balance Sheet GBP (k)	2016A	2017A	2018E	2019E	2020E
Investments	21,788	29,453	38,153	46,853	55,553
Rev Yield	9.35%	8.94%	8.19%	9.05%	10.16%
Rev Yield 1 yr fwd	12.08%	10.62%	11.12%	12.05%	12.01%
<b>Total Fixed Assets</b>	<b>21,788</b>	<b>29,453</b>	<b>38,153</b>	<b>46,853</b>	<b>55,553</b>
Current assets	134	178	11,527	15,636	20,818
Assets held for sale	7,700	9,526	8,416	0	0
Cash	518	351	1,422	2,448	4,658
<b>Total Current Assets</b>	<b>8,352</b>	<b>10,055</b>	<b>21,365</b>	<b>18,084</b>	<b>25,477</b>
<b>Total Assets</b>	<b>30,140</b>	<b>39,508</b>	<b>59,518</b>	<b>64,937</b>	<b>81,030</b>
Creditors	1,395	788	937	1,270	1,692
Liabs held for sale	2,400	3,436	2,538	0	0
Deferred Tax	212	298	335	0	0
Loans	8,187	16,291	8,700	17,400	26,100
<b>Total Liabilities</b>	<b>12,194</b>	<b>21,376</b>	<b>12,509</b>	<b>18,670</b>	<b>27,792</b>
<b>Net Assets</b>	<b>17,947</b>	<b>18,133</b>	<b>47,008</b>	<b>46,267</b>	<b>53,239</b>
Share Capital	9,822	9,822	9,822	9,822	9,822
Accum. Profit/(loss)	513	1,180	1,292	3,064	5,961
<b>Total Equity</b>	<b>17,947</b>	<b>18,133</b>	<b>46,528</b>	<b>46,267</b>	<b>53,239</b>
<b>Total Equity &amp; Liabilities</b>	<b>30,140</b>	<b>39,508</b>	<b>59,037</b>	<b>64,937</b>	<b>81,030</b>
Cash Flow GBP (k)	2016A	2017A	2018E	2019E	2020E
EBT Profit/(loss)	612	1,122	140	2,214	3,622
Finance costs	506	570	500	0	0
<b>FV adj.</b>	<b>-283</b>	<b>391</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other adjustments	69	-1019	250	0	0
Cash Taxes	-27	-22	-28	-443	-724
Net Ip / (Ir)	386	631	785	746	687
WCap change	-37	-104	-63	0	0
<b>Net CFO</b>	<b>454</b>	<b>308</b>	<b>15</b>	<b>1,026</b>	<b>2,211</b>
% Revs	0	0	0	0	0
FCFE	454	308	15	1,026	2,211
uFCF	840	939	800	1,771	2,897
<b>Capex/Prprty Assets %</b>	<b>24%</b>	<b>30%</b>	<b>26%</b>	<b>21%</b>	<b>18%</b>
CF from Financing	3,259	8,334	11,056	10,000	10,000
Net Cash In/(Out)	-1,430	-167	1,071	1,026	2,211
Cash previous YE	1,947	518	351	1,422	2,448
<b>Cash &amp; CE</b>	<b>518</b>	<b>351</b>	<b>1,422</b>	<b>2,448</b>	<b>4,658</b>

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