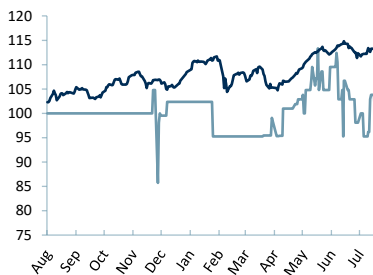


# FLASH NOTE

## VALUE RANGE

GBP 119 – 125



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

### Wednesday, 18 July 2018

Intrinsic Price	122p
Value Range Low	119p
Value Range High	125p
Implied MCAP (m)	£49.25
Implied EV (m)	£69.87
NEX Index	ALSP ISD
Financial YE	30-Apr
Currency	GBP

#### Business Activity

Commercial & retail property investment

#### Key Metrics

Close Price	105p
MCAP (m)	£42.46
Net Debt (Cash) (m)	£20.62
EV (m)	£63.08
52 Wk Hi	115p
52 Wk Lo	100p
NAV trailing	48.36p

#### Key Ratios

S/P premium to NAV	117.14%
LTV	74.41%
Net Debt /	193.54%

Shareholder Equity %

#### Real Estate Sector Research

#### NEX Growth Market Index

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## ACE Liberty & Stone

### Divs and Director “buying” confidence

ACE Liberty & Stone (ALSP ISD) announced its interim dividend 6<sup>th</sup> July of 1.25 pence p/s or GBP 500,000 up 25% y/y and representing a progressive dividend policy over the last 5 years in which ALSP aims to raise its dividend year on year but strictly on the basis of performance and affordability. The 25% increase in the interim dividend reflects ALSPs strong balance sheet asset and underlying cash flow growth over the last six months. In addition ALSP issued 161k shares to on 9<sup>th</sup> July after a director converted a CLN to equity and a supplier took payment in shares. The board also approved 2.89m options to itself expiring 15<sup>th</sup> June 2025. Our value range has changed marginally due to the issue of new shares 9<sup>th</sup> July to GBP 119-125 vs. 119-126 – [see ALSP post-results 1H18 note 14 Jun 18](#). Our VR suggest a 16% premium to yesterday’s close.

- Interim dividend 1.25p up 25% y/y - implied 1H17/18 yield 1.19%;
- Director converts CLN £95k + 9.5k interest to 104.5k equity at 1.0 p/s;
- Suppliers take 19.346k shares for payment at 107p p/s;
- Board issues 2.890m share options to itself exercisable at 0.72p p/s;
- 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	0.27	0.24

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2017A	23.97x	59.25x	67.20x	42.85x	47.32x
2018E	20.18x	68.19x	58.06x	382.21x	446.70x



18/07/2018	No. of Shares in Fully diluted	
<b>Share Price History</b>		
NoSh (m)	40.4	47.3
Implied Intrinsic Price	122p	104p
Value Range Low	119p	102p
Value Range High	125p	107p
NEX Growth Market	ALSP	
Financial YE	30-Apr	
Reporting Currency	GBP	
NoSh (m)		40.4
NoSh (m) expected dilution (Exp D)		47.3
NoSh (m) full dilution (FD)		47.3
<b>Key Metrics</b>		
		adj.
MCAP (m)	£42.5	£42.5
Net Debt (Cash) (m)	£20.62	£20.62
EV (m)	£63.1	£63.1
52 Wk Hi	115p	98p
52 Wk Lo	100p	86p
Free Float	33%	33%
<b>*Key Metrics FCF adj.</b>		
	2017A	2018E
CPS (GBp)	2.46	2.69
CPS (Exp D) (GBp)	2.11	2.30
CPS (FD) (GBp)	2.11	2.30
P/CPS	49.41x	38.78x
P/CPS (Exp D)	57.74x	45.33x
P/CPS (FD)	57.74x	45.33x

## 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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