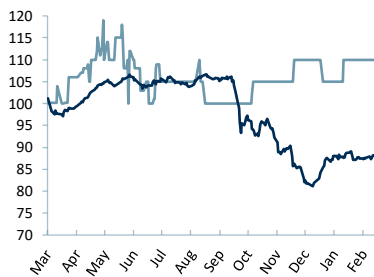


FLASH NOTE

VALUE RANGE

GBP 128 – 131



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

Wednesday, 06 March 2019

Intrinsic Price	128p
Value Range Low	125p
Value Range High	131p
Implied MCAP (m)	£53.90
Implied EV (m)	£95.11
NEX Index	ALSP NEX
Financial YE	30-Apr
Currency	GBP

Business Activity

Commercial & retail property investment

Key Metrics

Close Price	110p
MCAP (m)	£46.39
Net Debt (Cash) (m)	£41.21
EV (m)	£87.60
52 Wk Hi	115p
52 Wk Lo	100p
NAV trailing	46.10p

Key Ratios

S/P premium to NAV	138.62%
% LTV ALSP adj.	48.57%
Net Debt /	285.11%
Shareholder Equity %	

Real Estate Sector Research

NEX Growth Market Index

Analyst Team

ACF Real Estate Team
+44 20 7419 7928
realestate@acfequityresearch.com

ACE Acquisitions & Equity

Activity rate high – Brexit opportunities

ACE Liberty & Stone (ALSP NEX) remains active calendar 2019, so far it has announced a new broker, released its 1H19A, acquired two more properties and issued additional equity as its CLN programme converts, reducing the overhang. We maintain our full year forecasts and recently remodelled our NAV expectations based upon conversion of GBP 15m of CLNs and using equity rather than debt to fund further growth - leading to a significant jump in NAV during FY20E. Thus our underlying NAV trend points up toward our growth stock DCF valuation, (though we have refined down in this note due to cash flow timing differences and equity issuance). Note that we maintain our expectation that 2H19 will be stronger than 1H19A. The Company added GBP 426k in annualised government backed rental income on 25th Feb 19.

- Underlying upward NAV trend reflects growth company character;
- CLN's continue to convert to equity and new cash;
- New properties Bolton and Northampton average rental £9.5 ft²;
- Bolton and Northampton yield 7.00% and 6.75% ft² respectively;
- Balance sheet fixed assets heading north of £70m YE19E.

ACF est. GBP (k)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2018A	3,515	2,472	1,855	0.87	0.61
2019E	5,246	4,144	1,730	1.58	1.15
Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2018A	24.92x	35.43x	47.22x	125.87x	178.96x
2019E	16.70x	21.14x	50.63x	69.53x	95.33x

06/03/2019	No. of Shares	
	in issue	Fully diluted
Share Price History		
NoSh (m)	42.2	57.8
Implied Intrinsic Price	127p	93p
Value Range Low	124p	91p
Value Range High	131p	95p
NEX Growth Market	ALSP	
Financial YE	30-Apr	
Reporting Currency	GBP	
NoSh (m)		42.2
NoSh (m) expected dilution (Exp D)		57.8
NoSh (m) full dilution (FD)		57.8
Key Metrics		
		adj.
MCAP (m)	£46.4	£46.4
Net Debt (Cash) (m)	£41.21	£41.21
EV (m)	£87.6	£87.6
52 Wk Hi	115p	84p
52 Wk Lo	100p	73p
Free Float	33%	33%
*Key Metrics FCF adj.		
	2018A	2019E
CPS (GBp)	4.40	4.10
CPS (Exp D) (GBp)	3.21	2.99
CPS (FD) (GBp)	3.21	2.99
P/CPS	28.97x	22.66x
P/CPS (Exp D)	39.73x	31.06x
P/CPS (FD)	39.73x	31.06x

Above we show full dilution (FD) and expected dilution (Exp D). ALSP shares in issue at the date of this note are 42,168,368. Dilutive elements are convertibles and options/warrants (options 10,800). For our Exp. dilution we assume the exercise of options is averaged over 2 years respectively. We assume convertibles are exercised during 2019.

Investment Case – “Safe” Growth

Competitive background

ACE (ALSP) acquires and rents secondary assets largely in regional cities in the UK with over 50% of rental income from gilt-edged tenants. HM government and city councils accounted for 51% of rental revenues FY18A vs. 60% y/y. Major industrial and commercial companies accounted for 45% of revenues vs. 33% FY17A. We expect government rentals to rise again as a proportion of revenue mix during FY19E. ACE looks for two types of core opportunities – 1) end of life tenancies to provide rental uplift via change of use and, in time, capital appreciation and longer-term tenancies to underpin cash flows. ALSP does not undertake development work, thereby de-risking its revenues vs. its listed peers.

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. Although the commercial property market stabilised relatively quickly after an initial panic from investors following the Brexit vote outcome, deals are now taking longer to execute and commercial debt arrangements have become a more laborious process. In spite of this environment.

ALSP’s active asset management strategy continues to prove value-generating in current market conditions, whilst political uncertainties between the UK and Europe are providing potential opportunities for ALSP.

• Dividend and balance sheet growth

Dividend pay-out of 0.83p p/s, to be paid out three times p.a. for a total of 2.49p per share. During 1H19A ALSP purchased four properties for a total of GBP 14.796m driving its investment property portfolio to on the balance sheet to 61.8m and we see GBP 70m within 6m as the next milestone target. During IH19A completed purchases include of Mecca Bingo Hall, Chesterfield for GBP 3.999m and the sale of Hume House for GBP 3.9m, acquired in 2014 for GBP 1.67m; including rental revenue ALSP “booked” a 307% return on Hume.

• Funding

ALSP can continue to fund using commercial debt or equity. It is well supported by its commercial bankers. Adjusted LTV 48.6% captures GBP 15m in CLNs and assets and liabilities held for sale. If ALSP uses equity to fund future growth we see potential for a significant uptick in NAV to 122p FY2020E, based upon current full dilution. Nevertheless, this is a company with the characteristics of a strong growth entity (that also pays a dividend). Northampton and Bolton were funded by an additional GBP 4m in commercial debt representing 65% of the purchase price.

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; equity funding closing NAV - DCF valuation gap.

Financial Projections Annual

P&L GBP (k)	2017A	2018A	2019E	2020E	2021E
Revs	2,632	3,515	5,246	6,183	6,633
gr%	29%	34%	49%	18%	7%
SGA	1,567	1,043	1,102	2,049	2,700
EBITDA	1,065	2,472	4,144	4,134	3,933
% Revs	40%	70%	79%	67%	59%
FV adj.	-391	0	0	0	0
% Revs	-15%	0%	0%	0%	0%
EBIT	674	2,472	4,144	4,134	3,933
EBT	1,122	214	834	2,081	2,046
% Revs	43%	6%	16%	34%	31%
ETR	14%	-69%	20%	20%	20%
NI	963	361	667	1,665	1,637
% Revs	37%	10%	13%	27%	25%
Adj EPS (p)	3.42	1.83	2.63	5.19	5.15
Basic EPS (p)	2.45	0.87	1.61	4.03	3.96
Diluted EPS (p)	2.22	0.61	1.13	2.83	2.78
Balance Sheet GBP (k)	2017A	2018A	2019E	2020E	2021E
Investments	29,453	50,488	69,426	84,426	109,426
Rev Yield	8.94%	6.96%	7.56%	7.32%	6.06%
Rev Yield 1 yr fwd	11.93%	10.39%	8.91%	7.86%	6.91%
Total Fixed Assets	29,453	50,488	69,426	84,426	109,426
Current assets	178	934	0	0	0
Assets held for sale	9,526	7,734	4,349	0	0
Cash	351	5,180	2,594	2,207	1,956
Total Current Assets	10,055	13,849	6,943	2,207	1,956
Total Assets	39,508	64,337	76,369	86,633	111,382
Creditors	788	1,240	1,850	2,181	2,340
Liabs held for sale	3,436	2,587	1,560	0	0
Deferred Tax	298	215	278	0	0
Loans	16,291	40,694	53,157	38,157	38,157
Total Liabilities	21,376	44,897	57,008	40,338	40,497
Net Assets	18,133	19,439	19,362	46,294	70,885
Share Capital	9,822	10,066	10,299	10,299	10,299
Accum. Profit/(loss)	1,180	1,152	1,819	3,484	5,121
Total Equity	18,133	19,439	19,362	46,294	70,885
Total Equity & Liabilities	39,508	64,337	76,369	86,633	111,382
Basic NAV (p)	43.0	46.1	45.9	109.8	168.1
Diluted NAV (p)	31.4	33.6	33.5	80.1	122.6
% LTV ALSP adj.	50.6%	48.6%	53.8%	27.4%	21.2%
Cash Flow GBP (k)	2017A	2018A	2019E	2020E	2021E
EBT Profit/(loss)	1,122	214	834	2,081	2,046
Finance costs	570	2218	1168	0	0
FV adj. + Other adj.	391	0	0	0	0
Cash Taxes	-22	-337	-167	-416	-409
WCap change	-104	-280	-105	0	0
Net CFO	961	2,192	1,897	2,081	2,046
% Revs	0	1	0	0	0
FCFE	939	1,855	1,730	1,665	1,637
uFCF	1,570	3,374	3,976	3,718	3,524
Capex/Prprty Assets %	30%	38%	11%	18%	23%
CF from Financing	8,334	23,776	5,325	15,000	25,000
Net Cash In/(Out)	-167	4,829	-2,586	-388	-250
Cash previous YE	518	351	5,180	2,594	2,207
Cash & CE	351	5,180	2,594	2,207	1,956

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ACF Equity Research Limited, 125 Old Broad Street, London, EC2N 1AR, U.K.

Tel: +44 (020) 7558 8974

Website: www.acfequityresearch.com