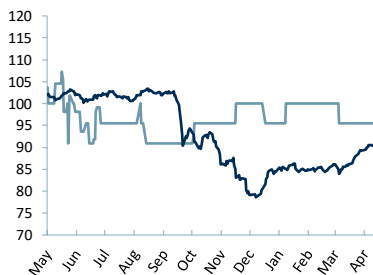


# FLASH NOTE

## VALUE RANGE

GBP 123 – 129



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

Tuesday, 07 May 2019

Intrinsic Price	126p
Value Range Low	123p
Value Range High	129p
Implied MCAP (m)	£53.57
Implied EV (m)	£94.78
NEX Index	ALSP NEX
Financial YE	30-Apr
Currency	GBP

### Business Activity

Commercial & retail property investment

### Key Metrics

Close Price	105p
MCAP (m)	£44.56
Net Debt (Cash) (m)	£41.21
EV (m)	£85.77
52 Wk Hi	115p
52 Wk Lo	100p
NAV trailing	45.81p

### Key Ratios

S/P premium to NAV	129.20%
% LTV ALSP adj.	48.57%
Net Debt /	285.11%
Shareholder Equity %	

### Real Estate Sector Research

#### NEX Growth Market Index

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## ACE £10m of Acquisitions

Growth with yield 19E >2%

ACE Liberty & Stone (ALSP NEX) announced the acquisition of two additional properties: Nolan House in Warrington and James Cook House, Middlesbrough. The tenant is the government in the form of the Secretary of State for Communities and Local Government. The sites are Job Centre Plus buildings with long term tenants and upward revisable rents. The properties could be attractive to commercial tenants in the future. In past notes we showed remodelled NAV expectations based upon conversion of GBP 15m of CLNs (now below GBP 5m) and using equity rather than debt to fund further growth. Thus our underlying NAV trend points up toward our growth stock DCF valuation. Additional shares issued via the CLN conversion programme leads to share price dilution but leaves our EV at GBP 95m.

- Cook House acquisition for £7.125m, rental agreement to 2027;
- Middlesbrough acquisition for 2.9m, rental agreement to 2027;
- CLNs continue to convert to equity and new cash;
- Interim Dividend, 2<sup>nd</sup> of Y19E 0.83p, Yield YE19E 2%;
- 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	1.57	1.15

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2018A	24.40x	34.69x	46.24x	120.15x	170.83x
2019E	16.35x	20.69x	49.57x	66.79x	90.91x

15/04/2019	No. of Shares	Fully diluted
<b>Share Price History</b>	<b>in issue</b>	<b>diluted</b>
NoSh (m)	42.4	57.8
Implied Intrinsic Price	126p	93p
Value Range Low	123p	90p
Value Range High	129p	95p
NEX Growth Market	ALSP	
Financial YE	30-Apr	
Reporting Currency	GBP	

NoSh (m) 42.4

NoSh (m) expected dilution (Exp D) 57.8

NoSh (m) full dilution (FD) 57.8

Key Metrics		adj.
MCAP (m)	£44.6	£44.6
Net Debt (Cash) (m)	£41.21	£41.21
EV (m)	£85.8	£85.8
52 Wk Hi	115p	84p
52 Wk Lo	100p	73p
Free Float	33%	33%

*Key Metrics FCF adj.	2018A	2019E
CPS (GBP)	4.37	4.08
CPS (Exp D) (GBP)	3.21	3.00
CPS (FD) (GBP)	3.21	3.00
P/CPS	28.88x	22.74x
P/CPS (Exp D)	39.31x	30.96x
P/CPS (FD)	39.31x	30.96x

Above we show full dilution (FD) and expected dilution (Exp D). ALSP shares in issue at the date of this note are 42,433,368. 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 1H19A 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
<b>Revs</b>	<b>2,632</b>	<b>3,515</b>	<b>5,246</b>	<b>6,183</b>	<b>6,633</b>
gr%	29%	34%	49%	18%	7%
SGA	1,567	1,043	1,102	2,049	2,700
<b>EBITDA</b>	<b>1,065</b>	<b>2,472</b>	<b>4,144</b>	<b>4,134</b>	<b>3,933</b>
% Revs	40%	70%	79%	67%	59%
FV adj.	-391	0	0	0	0
% Revs	-15%	0%	0%	0%	0%
<b>EBIT</b>	<b>674</b>	<b>2,472</b>	<b>4,144</b>	<b>4,134</b>	<b>3,933</b>
EBT	1,122	214	834	2,081	2,046
% Revs	43%	6%	16%	34%	31%
ETR	14%	-69%	20%	20%	20%
<b>NI</b>	<b>963</b>	<b>361</b>	<b>667</b>	<b>1,665</b>	<b>1,637</b>
% 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
<b>Balance Sheet GBP (k)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
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%
<b>Total Fixed Assets</b>	<b>29,453</b>	<b>50,488</b>	<b>69,426</b>	<b>84,426</b>	<b>109,426</b>
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
<b>Total Current Assets</b>	<b>10,055</b>	<b>13,849</b>	<b>6,943</b>	<b>2,207</b>	<b>1,956</b>
<b>Total Assets</b>	<b>39,508</b>	<b>64,337</b>	<b>76,369</b>	<b>86,633</b>	<b>111,382</b>
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
<b>Total Liabilities</b>	<b>21,376</b>	<b>44,897</b>	<b>57,008</b>	<b>40,338</b>	<b>40,497</b>
<b>Net Assets</b>	<b>18,133</b>	<b>19,439</b>	<b>19,362</b>	<b>46,294</b>	<b>70,885</b>
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
<b>Total Equity</b>	<b>18,133</b>	<b>19,439</b>	<b>19,362</b>	<b>46,294</b>	<b>70,885</b>
<b>Total Equity &amp; Liabilities</b>	<b>39,508</b>	<b>64,337</b>	<b>76,369</b>	<b>86,633</b>	<b>111,382</b>
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%
<b>Cash Flow GBP (k)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
EBT Profit/(loss)	1,122	214	834	2,081	2,046
Finance costs	570	2218	1168	0	0
<b>FV adj. + Other adj.</b>	<b>391</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash Taxes	-22	-337	-167	-416	-409
WCap change	-104	-280	-105	0	0
<b>Net CFO</b>	<b>961</b>	<b>2,192</b>	<b>1,897</b>	<b>2,081</b>	<b>2,046</b>
% 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
<b>Capex/Prprty Assets %</b>	<b>30%</b>	<b>38%</b>	<b>11%</b>	<b>18%</b>	<b>23%</b>
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
<b>Cash &amp; CE</b>	<b>351</b>	<b>5,180</b>	<b>2,594</b>	<b>2,207</b>	<b>1,956</b>

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