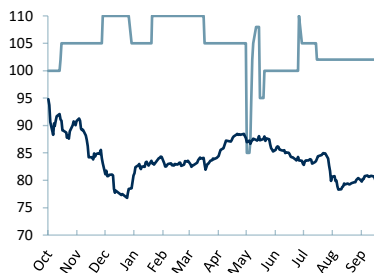


PRE-RESULTS

VALUE RANGE

GBp 125 – 131



ALSP ISD 12m Price Rel (light) Chart vs. FTSE AIM AS (dark)

Thursday, 26 September 2019

Intrinsic Price	128p
Value Range Low	125p
Value Range High	131p
Implied MCAP (m)	£54.45
Implied EV (m)	£95.67
NEX Index	ALSP NEX
Financial YE	30-Apr
Currency	GBP

Business Activity

Commercial & retail property investment

Key Metrics

Close Price	102p
MCAP (m)	£43.34
Net Debt (Cash) (m)	£41.21
EV (m)	£84.55
52 Wk Hi	110p
52 Wk Lo	85p
NAV trailing	45.75p

Key Ratios

S/P premium to NAV	122.96%
% LTV ALSP adj.	48.57%
Net Debt /	285.11%
Shareholder Equity %	

Real Estate Sector Research

NEX Growth Market Index

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ACE We're Expecting Beats

A record year

ACE Liberty & Stone (ALSP ISD), a NEX growth market listed property trading company has had another active year and we are expecting a number of beats to our estimates. ACE has made 8 acquisitions for GBP 32.95m generating GBP 2.49m in annual rental revenues (average 7.6% rental yield) and sold Hume Ho. for a 133% capital return over 5 years. ACE has raised GBP 1.98m equity, GBP 3.2m debt and is negotiating a GBP 10m Convertible Loan Note (CLN) extension, likely to be on new terms. The investment portfolio has reached GBP 86.9m up from 50.5m YE18 and outperformed our YE19E target of GBP 76.3m by 13.9%. Revenue run rate now exceeds GBP 6m vs. our YE19 target of GBP 5.2m. An equity offer would serve to push the NAV towards the equity valuation as would using FCF to pay down debt..

- Annual rental revenue run rate forecast £6m up 15% vs. £5.2m 1H19A;
- Portfolio £86.9m up 13.9% vs. our £76.3m YE19 forecast;
- Disposal Hume Ho. 133% capital return over 5yrs or CAGR 18.5% p.a.;
- Acquisitions £33m generating 7.6% rental income yield;
- ALSP dividend pay-outs 3x per year – Oct, Apr, Jul.

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	24.05x	34.20x	45.58x	116.72x	165.95x
2019E	16.12x	20.40x	48.87x	64.97x	88.40x

26/09/2019	No. of Shares	Fully diluted
Share Price History		
NoSh (m)	42.5	57.8
Implied Intrinsic Price	128p	94p
Value Range Low	125p	92p
Value Range High	131p	97p
NEX Growth Market	ALSP	
Financial YE	30-Apr	
Reporting Currency	GBP	
NoSh (m)		42.5
NoSh (m) expected dilution (Exp D)		57.8
NoSh (m) full dilution (FD)		57.8
Key Metrics		
MCAP (m)	£43.3	£43.3
Net Debt (Cash) (m)	£41.21	£41.21
EV (m)	£84.6	£84.6
52 Wk Hi	110p	81p
52 Wk Lo	85p	62p
Free Float	33%	33%
*Key Metrics FCF adj.		
	2018A	2019E
CPS (GBP)	4.37	4.07
CPS (Exp D) (GBP)	3.21	2.99
CPS (FD) (GBP)	3.21	2.99
P/CPS	29.36x	23.13x
P/CPS (Exp D)	39.95x	31.47x
P/CPS (FD)	39.95x	31.47x

Shareholders	> 3%
Dr. El-Roussom	17.7%
HSBC GIBI Nom	13.2%
Dinama Hldgs	7.6%
Libank	7.0%
D Waylett	5.8%
I Ghandour	5.0%
Total	56.2%

Investment Case

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 FY18A vs. 33% FY17A. 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 (weighted average life of tenancy agreements is greater than 8 years) to underpin cash flows. ALSP does not undertake development work, thereby de-risking its revenues compared to many of its listed peer group.

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 and continued uncertainty over the nature of the UK's withdrawal from the European Union. 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 management has again performed well during FY19E and has combined this with a further 8 new property acquisitions and another highly successful property sale for investors. The property sale delivered capital growth on the asset with a CAGR of 18.5% p.a. over 5 years.

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

● Post balance sheet events (PBSEs) FY18A

Dividend pay-out of 1.25p p/s. Purchase of eight properties for a total of GBP 32.95m generating 2.5m rental income or an average 7.6% rental yield.

● Funding Post Balance Sheet Events (PBSEs) YE18A

The Company has raised new equity GBP 1.983m via the conversion of GBP 1.179m of CLNs, the payment of GBP 117.87k CLN coupons (interest) using equity and the issue of 858k warrants at 80p. ACE has raised debt GBP 3.2m at 7% over a 2-yr term from existing investors and we forecast that ACE will extend its 10m CLN note by a further 2 years on new terms - we forecast 6% interest, conversion to equity option, and or as a GBP 10m part payment toward the acquisition of properties for or from ACE.

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 via commercial debt or a significant equity raise.

Operational Strategy

ACE (ALSP) is a property investment company focussed exclusively on the UK property market and almost entirely invested in the commercial segment, with rental income dominated by gilt-edged government or government backed entities. The **value generator is** – rental income supported in turn by financing and asset appreciation.

- **Rental income** – ACE's revenue line is entirely rental income derived 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 that create a balanced portfolio of opportunities with short unexpired tenancies and longer-term leases. Over 50% of rental income is from tenants 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 near future in order to maximise the property value. The longer-term tenancies underpin future cash flows. ACE does not engage in property development and therefore the company is significantly de-risked compared to many property investment vehicles.

ALSP's net debt/equity ratio has risen strongly reflecting the growth in rental income, the benefits of which fall through the P&L over 24 months from purchase of the properties. Net debt/equity FY18A 94% vs. 47% y/y (MCAP GBP 45.48m). The GBP convertible loan note (CLN) at 6% is quasi equity and would currently convey a 26% equity stake (14.035m shares) to the holder if converted. The dividend policy remains "progressive" with ACE paying out three times p.a., according to annual performance.

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

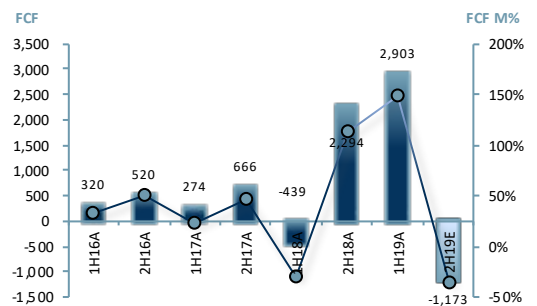
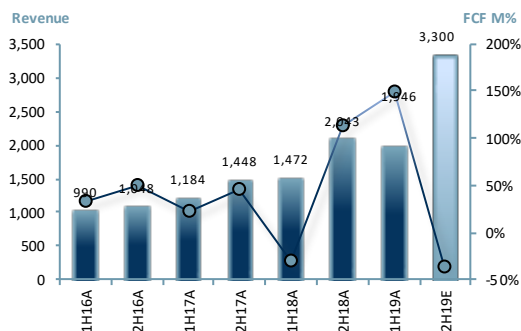
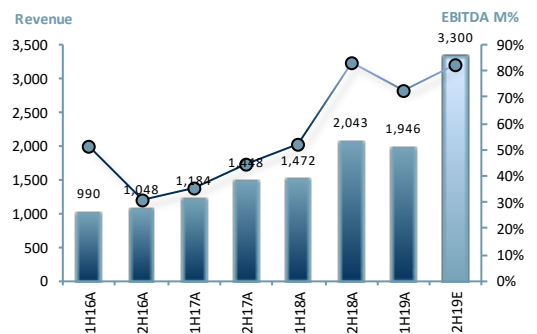
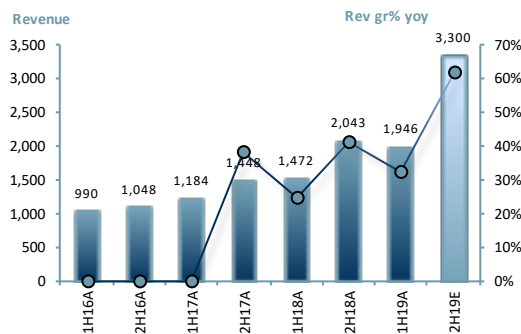
GBP (k)	2016A	1H17A	2017A	1H18A	2018A
Investment property	29,488	28,499	38,979	49,378	58,222
gr% sequential		-3.35%	36.77%	26.68%	17.91%
gr% y/y			32.19%	73.26%	49.37%
Annual rental income	2,337	2,310	2,632	2,944	3,515
gr% sequential		-1.13%	13.92%	11.87%	19.38%
gr% y/y			12.63%	27.44%	33.55%
Rental income Qtrly	584	578	658	736	879
gr% sequential		-1.13%	13.92%	11.87%	19.38%
gr% y/y			12.63%	27.44%	33.55%
EAT Qtrly	65	244	241	109	90
gr% sequential		274.83%	-1.21%	-54.70%	-17.15%
gr% y/y			270.28%	-55.25%	-62.47%
Equity to owners	17,947	18,252	18,133	19,555	19,439
gr% sequential		1.70%	-0.65%	7.84%	-0.59%
gr% y/y			1.04%	7.14%	7.21%

Source: Company Reports;

Forecasts semi-annual

ACF est. GBP (k)	1H17A	2H17A	1H18A	2H18A	1H19A	2H19E
Revenue	1,184	1,448	1,472	2,043	1,946	3,300
Rev gr% (Sequential)			1.64%	38.77%	-4.75%	69.60%
Rev gr% yoy			24.37%	41.04%	32.17%	61.54%
Rev Seasonal Mix	44.97%	55.03%	41.88%	58.12%	37.09%	62.91%
EBITDA	422	643	769	1,704	1,415	2,730
EBITDA M%	35.62%	44.40%	52.21%	83.41%	72.71%	82.71%
EBITDA Seasonal Mix %	39.60%	60.40%	31.09%	68.91%	34.14%	65.86%
Net Income	487	475	218	143	271	396
NI M%	41.16%	32.82%	14.81%	7.01%	13.92%	12.01%
NI gr%		-2%	-54%	-34%	89%	46%
EPS	1.123	1.096	0.371	0.244	0.582	0.988

Source: ACF Research Estimates; Companies reports; Factset.



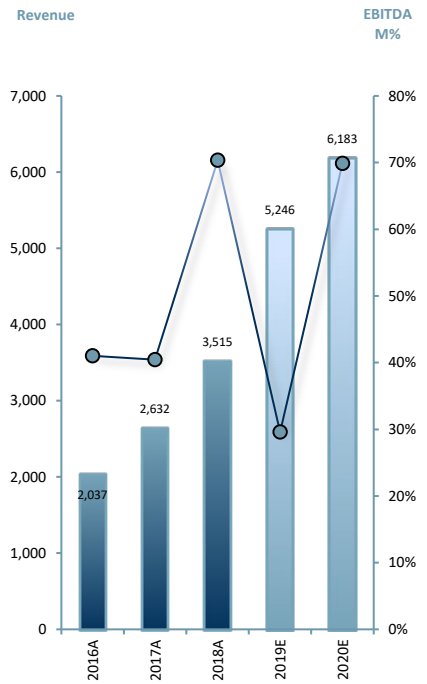
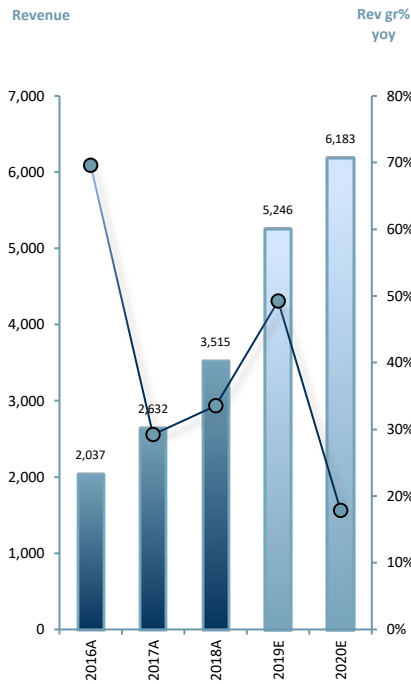
Our forecasts are based upon management guidance and our own sensitivity analysis. We focus on cash proxies (EBITDA) and free cash flow (FCF). However, Net Income remains important in the property sector, nevertheless we are strongly of the view that only cash matters.

Forecasts 2-year annual

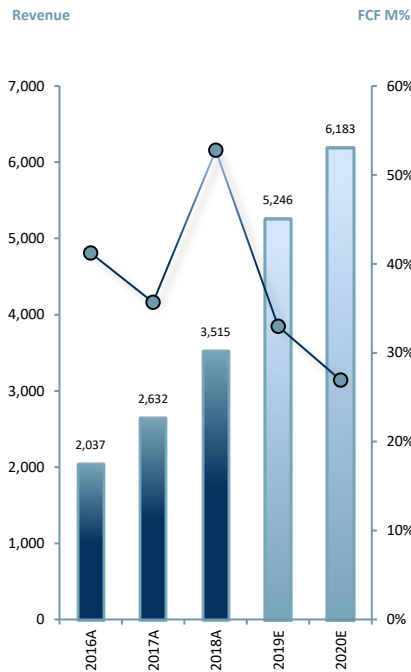
Revenue growth rate rises and declines aggressively in line with the lumpy nature of capital raising to expand the property portfolio and so rental income. Our long run rental growth rate base case assumes rents grow over time in line with long-run UK GDP growth.

Note lines represent margins or growth in %.

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

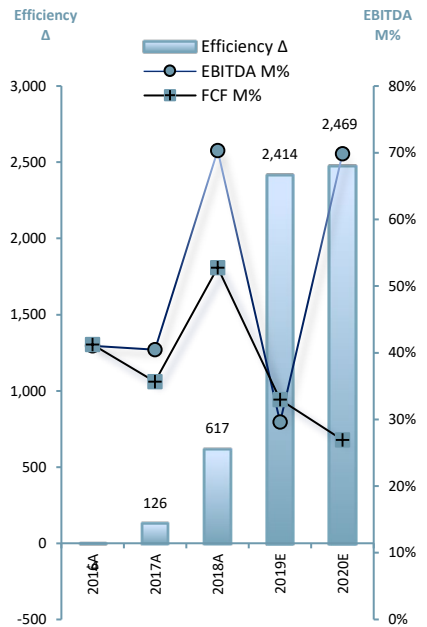


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Note lines represent margins or growth in %.

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



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.

Financial Projections

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	10,623	10,623	10,623
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)	42.7	45.7	45.6	108.9	166.8
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

Source: Company reports; ACF Estimates.

Notes [Intentionally Blank]

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