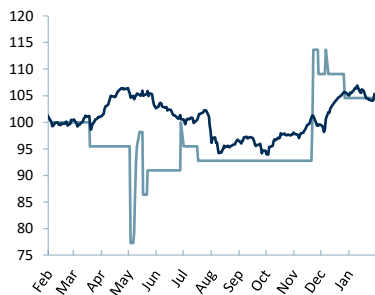


POST RESULTS

VALUE RANGE

GBp 103 – 108



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

Tuesday, 11 February 2020

Intrinsic Price	106p
Value Range Low	103p
Value Range High	108p
Implied MCAP (m)	£57.15
Implied EV (m)	£125.25
NEX Index	ALSP NEX
Financial YE	30-Apr
Currency	GBP

Business Activity

Commercial & retail property investment

Key Metrics

Close Price	115p
MCAP (m)	£62.15
Net Debt (Cash) (m)	£68.11
EV (m)	£130.26
52 Wk Hi	125p
52 Wk Lo	85p
NAV trailing	49.82p

Key Ratios

S/P premium to NAV	130.82%
% LTV ALSP adj.	56.13%
Net Debt /	517.24%

Shareholder Equity %

Real Estate Sector Research

NEX Growth Market Index

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ACE Margins Growth

Margins rise, growth on track

ACE Liberty & Stone (ALSP ISD), a NEX growth market listed property trading company delivered strong operational results with a rise in EBITDA margin as the company digests and consolidates a significant number of property acquisitions over recent periods. Since balance sheet close the share overhang has been significantly eroded by the exercise of warrants and conversion of CLNs leading to a significant increase in shares in issue (hence our lower value range). ACE has also raised over £4.55m in cash through the exercise of options at an average price of 65p per share. We expect these funds to be used for further property investment. Rental run rate now exceeds £6m p.a. The overall strategy to grow the business remains in place after this consolidation phase, if at a potentially less exuberant pace.

- Rental revenue 1H20A £3.22m up 65% vs. £1.95m yoy, estimate beat;
- EBITDA 1H20A £2.49m up 76% vs. £1.42m yoy, estimate beat;
- Net Income (unadjusted) 1H20A £0.397m up 47% vs. £0.270m yoy;
- Portfolio not for sale 1H20A £79.5m up 29% vs. £61.7m yoy, in line;
- Raised £4.55m equity via sale of warrants (post 1H20A balance sheet).

ACF est. GBP (k)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2019A	5,357	3,529	4,708	1.92	1.41
2020E	6,183	5,082	4,560	3.75	2.24

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2019A	24.32x	36.91x	27.67x	59.99x	81.63x
2020E	21.07x	25.63x	28.56x	30.69x	51.34x

11/02/2019	No. of Shares in issue	Fully diluted
Share Price History		
NoSh (m)	54.0	71.1
Implied Intrinsic Price	106p	80p
Value Range Low	103p	78p
Value Range High	108p	82p
NEX Growth Market	ALSP	
Financial YE	30-Apr	
Reporting Currency	GBP	
NoSh (m)		54.0
NoSh (m) expected dilution (Exp D)		71.1
NoSh (m) full dilution (FD)		71.1
Key Metrics		
MCAP (m)	£62.2	£62.2
Net Debt (Cash) (m)	£68.11	£68.11
EV (m)	£130.3	£130.3
52 Wk Hi	125p	95p
52 Wk Lo	85p	65p
Free Float	33%	33%
*Key Metrics FCF adj.		
	2019A	2020E
CPS (GBp)	8.71	8.44
CPS (Exp D) (GBp)	6.62	6.42
CPS (FD) (GBp)	6.62	6.42
P/CPS	12.14x	9.53x
P/CPS (Exp D)	15.96x	12.53x
P/CPS (FD)	15.96x	12.53x

ALSP's trading company status and active asset management continues to generate value.

Investment Case

Competitive background

ACE (ALSP) acquires and rents secondary assets largely in regional cities in the UK. HM government and city councils' contribution to rental income accounted for 58% of rental revenues 1H20A vs. 59% FY19A, 51% FY18A and 60% FY17A. Major industrial and commercial companies account for the balance of revenues. Of the remaining non-government income 41% is from AAA rated commercial rental revenues vs. 45% yoy. The change in mix reflects the up-tick in the contribution of Government rentals. Therefore, AAA rental income accounts for 99% of total ALSP revenues. ACE traditionally 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 2) longer-term tenancies (weighted average life of tenancy agreements is greater than 8 years) to underpin cash flows. This year ALSP has announced that it is also looking for entire portfolios to buy post Brexit, signalling a potential nuancing of strategy.

The UK property market (commercial, retail and residential) has slowed in terms of the rate at which transactions are completed after the Brexit vote and this is now part of the landscape and may intensify once the UK leaves the EU 'aegis' in 2020/21. We don't expect any panic in the commercial property market (compared to the vote announcement, which was a market shock). In our view, property portfolios (as opposed to individual properties) attractive to ALSP may become available, as a result of Brexit. Management again performed very well operationally during 1H20A, raising margins and continuing a strong track record.

● Progressive Dividend Policy

Three dividend pay-outs p.a.. 1H20A dividend 0.83p Dividend pay-out of 2.5p FY19A, double YE18A's 1.25p p/s.

● Post Balance Sheet Events 1H20A - Funding

The Company has raised GBP 4.55m of new cash through the exercise of warrants at an average option price of 65 pence. It is our current expectation that these new funds will be used for property acquisitions to grow rental income. Based on ALSP's leverage capability, GBP 4.55m equates to ~GBP 10m of property acquisition at an average >7% yield, leading to another potential GBP 700k of run rate income. During FY19A ACE purchased eight properties for a total of GBP 32.95m generating 2.5m rental income or an average 7.6% rental yield.

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

Catalysts

Further funding activity via significant equity raise; Acquisition of new portfolios; uplift in rental yield through active management; Re-rating of the property sector; defensive investment environment due to Brexit or threats to global GDP growth; removal of share overhang.

Operational Strategy

ACE (ALSP) is a property investment company focussed exclusively on the UK property market and almost entirely invested in the commercial property segment, with rental income dominated by gilt-edged government or government backed and AAA company 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 is significantly de-risked compared with many property investment vehicles.

The dividend policy remains “progressive” with ACE paying out three times p.a., according to annual performance.

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

GBP (k)	2016A	1H17A	2017A	1H18A	2018A	2019A
Investment property	29,488	28,499	38,979	49,378	58,222	88,323
gr% sequential		-3.35%	36.77%	26.68%	17.91%	51.70%
gr% y/y			32.19%	73.26%	49.37%	78.87%
Annual rental income	2,337	2,310	2,632	2,944	3,515	5,072
gr% sequential		-1.13%	13.92%	11.87%	19.38%	44.29%
gr% y/y			12.63%	27.44%	33.55%	72.26%
Rental income Qtrly	584	578	658	736	879	1,268
gr% sequential		-1.13%	13.92%	11.87%	19.38%	44.29%
gr% y/y			12.63%	27.44%	33.55%	72.26%
EAT Qtrly	65	244	241	109	90	203.6
gr% sequential		274.83%	-1.21%	-54.70%	-17.15%	125.46%
gr% y/y			270.28%	-55.25%	-62.47%	86.78%
Equity to owners	17,947	18,252	18,133	19,555	19,439	21,170
gr% sequential		1.70%	-0.65%	7.84%	-0.59%	8.90%
gr% y/y			1.04%	7.14%	7.21%	8.26%

Source: ACF Estimates; Company Reports.

Key Results Metrics

Exhibit 2: Trailing annual performance - actuals vs. ACF forecasts

ACF est. GBP (k)	2019A
Revenue	5,357
Forecast Delta	111
Delta %	2.1%
EBITDA	3,529
Forecast Delta	-616
Delta %	-14.9%
Net Income	815
Forecast Delta	147
Delta %	22.1%
FCF	4,708
Forecast Delta	2,978
Delta %	172.1%
CPS (diluted)	8.143
Forecast Delta	5.150
Delta %	172.1%

Source: ACF Estimates; Company Reports.

Exhibit to the left shows the delivery by the company compared to our forecasts. The forecast delta describes how far the actual numbers based upon the reported numbers are above or below our forecasts. The delta % expresses the forecast delta in percentage terms.

Note that **variances in our EBITDA, FCF and CPS forecasts** are heavily subjected to changes in working capital, itself influenced by finance charges and the sale or purchase of properties and so lumpy timing differences.

A series of strong forecast beats for the full year 2019. We are looking for further beats and improved EBITDA margin FY20E

Exhibit 3: Adjusted EBITDA, EBT, NI, EPS, adjusted fully diluted EPS

Adj. Metrics GBP (k)	2017A	2018A	2019A	2020E	2021E
EBITDA Adjusted	1,447	2,830	3,886	5,448	5,859
%Growth		96%	37%	40%	8%
%Margin	55%	81%	73%	88%	88%
EV/EBITDA adj.	77x	39x	29x	20x	19x
EV/EBITDA	105x	45x	32x	22x	20x
EBT Adjusted	1,505	571	1,116	2,356	3,657
%Growth		-62%	95%	111%	55%
%Margin	57%	16%	21%	38%	55%
NI Adjusted	859	541	1,172	1,958	3,001
%Growth		-37%	117%	67%	53%
%Margin	33%	16%	22%	32%	45%
EPS Adjusted	2.19	1.27	2.76	4.61	7.06
%Growth		-42%	117%	67%	53%
PE adj.	47x	80x	37x	22x	14x
PE	84x	236x	53x	27x	17x
EPS FD Adjusted	1.98	0.94	2.03	2.75	4.22
%Growth		-53%	117%	36%	53%
PE adj.	52x	109x	50x	37x	24x
PE	93x	321x	72x	46x	28x

Source: ACF Estimates; Company Reports.

Forecasts Semi-annual

Exhibit 4: Semi-annual growth and margins Revenue, EBITDA, EPS

ACF est. GBP (k)	1H18A	2H18A	1H19A	2H19A	1H20A	2H20E
Revenue	1,472	2,002	1,946	3,411	3,216	2,968
Revgr% (Sequential)			-2.81%	75.28%	-5.71%	-7.72%
Revgr% yoy			32.17%	70.35%	65.26%	-12.99%
Rev Seasonal Mix	42.37%	57.63%	36.33%	63.67%	52.01%	47.99%
EBITDA	769	1,704	1,415	2,114	2,490	2,592
EBITDA M%	52.21%	85.10%	72.71%	61.98%	77.42%	87.34%
EBITDA Seasonal Mix %	31.09%	68.91%	40.10%	59.90%	48.99%	51.01%
Net Income	218	143	271	544	397	1,195
NI M%	14.81%	7.15%	13.92%	15.94%	12.34%	40.28%
NI gr%		-34%	89%	101%	-27%	201%
EPS	0.377	0.248	0.468	0.940	1.949	1.798

Darker bars represent historical numbers.
Lighter bars represent forecast numbers.

Note lines represent margins or growth in %.

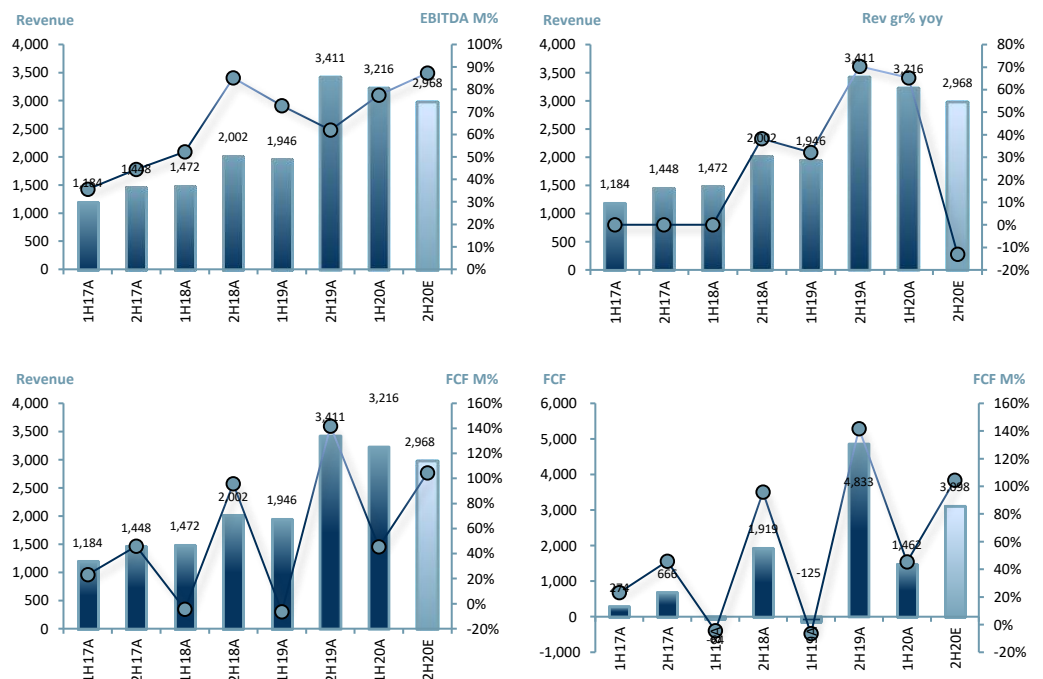
Bars represent actual for forecast values for line item e.g. Revenues.

The charts show the improvement in EBITDA and Free Cash Flow (FCF) margins through the consolidation period.

Revenue growth declines for our 2H20E forecast due to seasonality factors and our assumption that properties held for sales on the balance sheet may be sold 2H20E, a factor we capture in our overall 21E annual forecasts for revenues.

If ALSP did not sell any properties during 2H20E then revenues will beat our 2H forecast without any further new property purchases.

Exhibit 5: Semi-annual Revenue, EBITDA, FCF



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

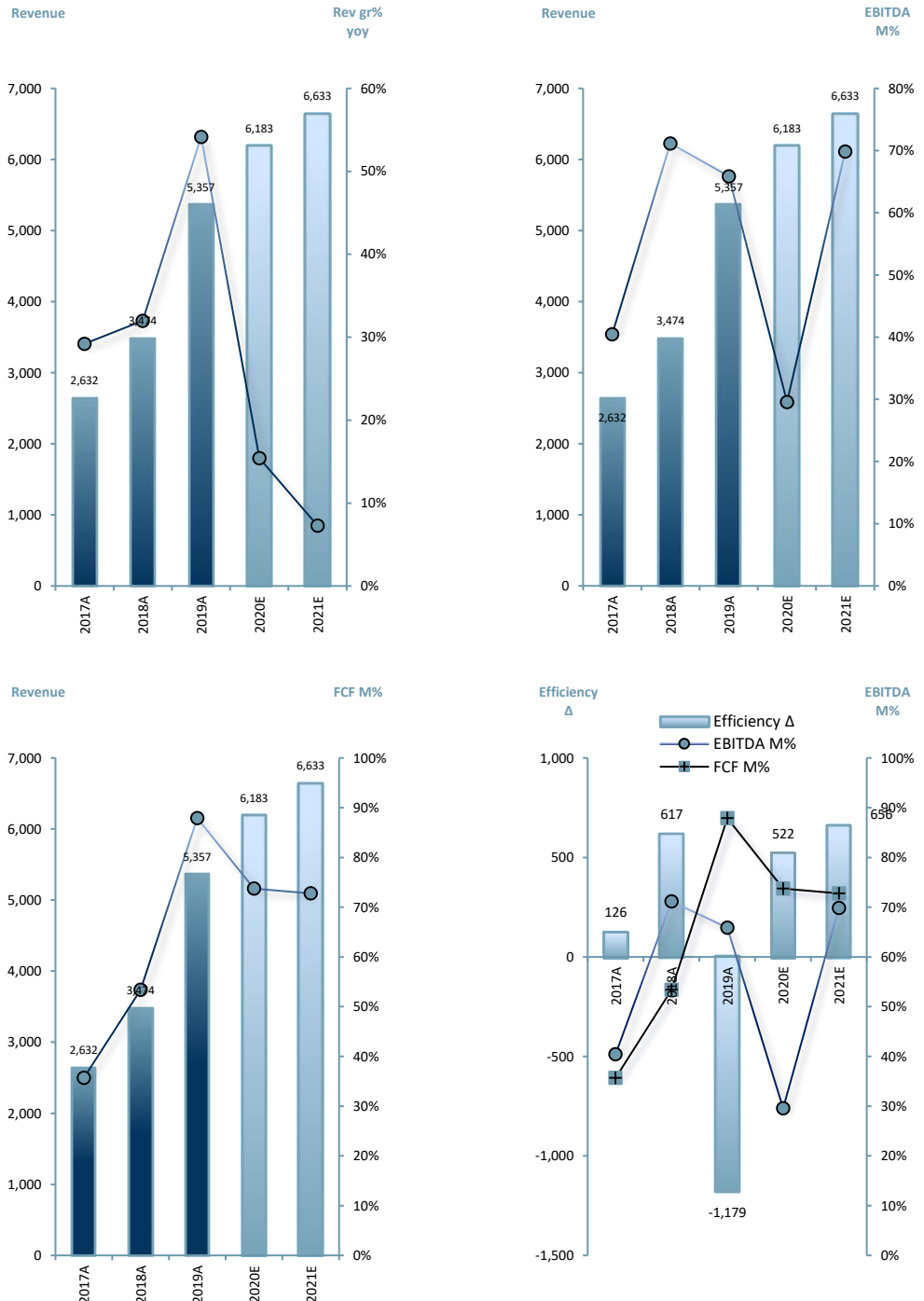
Darker bars represent historical numbers.
Lighter bars represent forecast numbers.

Exhibit 6: Annual Revenue, EBITDA, FCF and Efficiency

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.



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)	2018A	2019A	2020E	2021E	2022E
Revs	3,474	5,357	6,183	6,633	6,756
gr%	32%	54%	15%	7%	2%
SGA	1,002	1,828	1,102	1,149	1,200
EBITDA	2,472	3,529	5,082	5,484	5,556
% Revs	71%	66%	82%	83%	82%
FV adj.	0	927	0	0	0
% Revs	0%	17%	0%	0%	0%
EBIT	2,472	4,456	5,082	5,484	5,556
EBT	214	759	1,990	3,282	3,647
% Revs	6%	14%	32%	49%	54%
ETR	14%	-1%	20%	20%	20%
NI	184	815	1,592	2,625	2,918
% Revs	5%	15%	26%	40%	43%
Adj EPS (p)	1.27	2.76	4.61	7.06	7.77
Basic EPS (p)	0.43	1.92	3.75	6.18	6.87
Diluted EPS (p)	0.32	1.41	2.75	4.54	5.05
Balance Sheet GBP (k)	2018A	2019A	2020E	2021E	2022E
Investments	50,488	79,538	97,075	112,075	137,075
Rev Yield	6.88%	6.73%	6.37%	5.92%	4.93%
Rev Yield 1 yr fwd	10.61%	7.77%	6.83%	6.03%	5.52%
Total Fixed Assets	50,488	79,538	97,075	112,075	137,075
Current assets	934	510	0	0	0
Assets held for sale	7,734	8,785	8,580	0	0
Cash	5,180	1,957	1,355	3,980	6,898
Total Current Assets	13,849	11,252	9,935	3,980	6,898
Total Assets	64,337	90,790	107,009	116,055	143,973
Creditors	1,240	4,833	5,579	5,985	6,096
Liabs held for sale	2,587	1,440	1,395	0	0
Deferred Tax	215	116	116	0	0
Loans	40,694	63,134	53,157	38,157	38,157
Total Liabilities	44,897	69,620	60,433	44,143	44,253
Net Assets	19,439	21,170	46,577	71,912	99,719
Share Capital	10,066	10,608	11,165	11,165	11,165
Accum. Profit/(loss)	1,152	775	2,367	4,992	7,910
Total Equity	19,439	21,170	46,577	71,912	99,719
Total Equity & Liabilities	64,337	90,790	107,009	116,055	143,973
Basic NAV (p)	45.7	49.8	109.6	169.2	234.7
Diluted NAV (p)	27.3	29.8	65.5	101.2	140.3
% LTV ALSP adj.	74.3%	56.1%	37.4%	20.7%	16.9%
Cash Flow GBP (k)	2018A	2019A	2020E	2021E	2022E
EBT Profit/(loss)	214	759	1,990	3,282	3,647
Finance costs	2218	3349	3092	2202	1909
FV adj. + Other adj.	0	-927	0	0	0
Cash Taxes	-337	-157	-398	-656	-729
WCap change	-280	1,983	-124	0	0
Net CFO	2,192	4,865	4,958	5,484	5,556
% Revs	1	1	1	1	1
FCFE	1,855	4,708	4,560	4,828	4,827
uFCF	3,374	6,151	7,652	7,030	6,736
Capex/Prprty Assets %	38%	36%	8%	13%	18%
CF from Financing	23,776	22,407	5,325	15,000	25,000
Net Cash In/(Out)	4,829	-3,223	-602	2,625	2,918
Cash previous YE	351	5,180	1,957	1,355	3,980
Cash & CE	5,180	1,957	1,355	3,980	6,898

Source: Company reports; ACF Estimates.

Notes [Intentionally Blank]

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