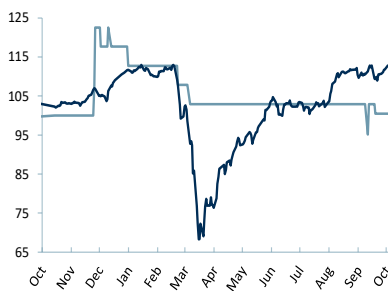


POST RESULTS

VALUE RANGE

GBp 94 – 99



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

Monday, 12 October 2020

Intrinsic Price	96p
Value Range Low	94p
Value Range High	99p
Implied MCAP (m)	£56.27
Implied EV (m)	£103.27
AQSE Index	ALSP LN
Financial YE	30-Apr
Currency	GBP

Business Activity

Commercial & retail property investment

Key Metrics

Close Price	103p
MCAP (m)	£59.93
Net Debt (Cash) (m)	£47.00
EV (m)	£106.93
52 Wk Hi	125p
52 Wk Lo	92p
NAV FD YE21E	40.85p

Key Ratios

S/P premium to NAV	150.91%
% LTV ALSP adj.	49.55%
Net Debt /	304.02%

Shareholder Equity %

Real Estate Sector Research

AQSE Growth Market Index

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ACE Four Beats to our Bar

Exceeds Expectations Again

ACE Liberty & Stone (ALSP ISD), an Aquis growth market listed property trading company, delivered a strong YE. ACE's YE is 30 Apr, inside the Covid crisis. ACE collected 82% of rents due end Mar and all but £78k of deferrals are currently collectible by 31 Dec 21. ALSP has been resilient two crises in row - Brexit and Covid. The dividend yield vs. nominal share value (25p) is 13.3%, ranged 3.62% to 2.66% on the c/p and is 8.44% on fully diluted NAVPS up from 7.6% yoy, which suggests a s/p premium to NAVPS remains justified particularly when combined with the long term growth and trading company characteristics of ALSP. The 2020 consolidation year has strengthened the balance sheet, whilst Covid is providing property acquisition opportunities.

- Rental revenue YE20A £6.392m vs. £5.072m up 26% yoy, a 10% beat;
- Rental Yield YE20A 7.32% vs. 5.74% up 158 bps, a 66 bps beat;
- EBT adjusted YE20 £2.288m vs. £1.668m up 37% yoy, a beat;
- FCFE £4.464m vs. 4.708m yoy, vs. our £2.777m YE20E, a £1.687m beat;
- Portfolio YE20A £88.3m vs. £87.3m yoy, in line vs. our £88.4m YE20E.

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	20.81x	31.58x	23.67x	53.21x	72.40x
2020E	18.02x	21.93x	24.44x	27.22x	45.54x

12/10/2020	No. of Shares	Fully diluted
Share Price History		
NoSh (m)	58.5	80.2
Implied Intrinsic Price	96p	70p
Value Range Low	94p	68p
Value Range High	99p	72p
NEX Growth Market	ALSP	
Financial YE	30-Apr	
Reporting Currency	GBP	
NoSh (m)	58.5	
NoSh (m) expected dilution (Exp D)		80.2
NoSh (m) full dilution (FD)		80.2
Key Metrics		
MCAP (m)	£59.9	£59.9
Net Debt (Cash) (m)	£47.00	£47.00
EV (m)	£106.9	£106.9
52 Wk Hi	125p	91p
52 Wk Lo	92p	67p
Free Float	29.3%	29.3%
*Key Metrics FCF adj.		
	2020A	2021E
CPS (GBp)	7.64	4.50
CPS (Exp D) (GBp)	5.57	3.28
CPS (FD) (GBp)	5.57	3.28
P/CPS	12.61x	15.61x
P/CPS (Exp D)	17.29x	21.41x
P/CPS (FD)	17.29x	21.41x
Shareholders		
	> 3%	
LiBank S.A.L	23.6%	
Dr. El-Rousstom	16.6%	
HSBC Gbl Nom	9.6%	
Dinama Hldgs	8.9%	
D Waylett	5.8%	
I Ghandour	6.3%	
Total	70.7%	

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. Major industrial and commercial companies account for the balance of revenues. ACE collected 82% of revenues in the face of Covid at the end of March. Just £78k of deferrals have entered into CVAs. The remaining £672k of deferred rents have been renegotiated and ALSP expects to collect this back log by Dec 2021. 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 greater than 8 years) to underpin cash flows. In our last note - Covid-19 Update 29 Apr 2020 - ALSP announced 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 now Covid, this is now part of the landscape and may intensify once the UK leaves the EU 'aegis' in 2020/21. In our view, property portfolios (as opposed to individual properties) attractive to ALSP are becoming available, as a result of Brexit and now Covid.

● Progressive Dividend Policy

Three dividend pay-outs p.a.. Total dividend FY20A 3.33p vs. 2.5p FY19A and 1.25p FY18A.

● Post Balance Sheet Events YE20A - Funding

6% Convertible Loan Notes £300k repayment leaving an outstanding balance of £575k. ALSP exchanged contracts for the purchase of 78/82 English Street and 49/53 Blackfriar Street, Carlisle for £1.71m with completion expected 7th Dec 2020. The anchor tenant is Clydesdale Bank plc at a rent of £120k p.a.. ALSP also completed the purchase of 16-17 Westborough, Scarborough, North Yorkshire to £1.43m attracting a passing rent of £131k p.a., the tenant is the Skipton building society. The rental yield over acquisition price is ~8.0%. ALSP has historically delivered >7% yields on property acquisitions. During FY19A ACE's eight new properties yielded 7.6% rental income of £2.5m on £32.95m of acquisition cost.

We argue that ALSP, if anything, is improving its ability to use investors' equity capital to find property rental returns.

Catalysts

Acquisition of new portfolios; uplift in rental yield through active management; Re-rating of the property sector; further funding activity via significant equity raise; Chaos due to Brexit, property acquisition opportunities due to Covid.

Operational Strategy

We expect to issue new forecasts for 2021E before the end of October 2020.

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 promised a year of consolidation during 2020 before returning to growth with a strengthened balance sheet. This has been delivered and we believe there is more to come.

(Net debt/shareholder equity FY20A is 304% as per front page metrics table vs. 517% FY19A and 285% FY18A.

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.

In a consolidation year the dividend grew 33% to 3.33p p/s FY20A vs. 2.5p FY19A, which during an aggressive growth year was up 100% or 2x vs. 1.25p FY18A.

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. 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)	1H17A	2017A	1H18A	2018A	2019A	2020A
Investment property	28,499	38,979	49,378	58,222	88,323	87,318
gr% sequential		36.77%	26.68%	17.91%	51.70%	-1.14%
gr% y/y			73.26%	49.37%	78.87%	49.97%
Annual rental income	2,310	2,632	2,944	3,515	5,072	6,392
gr% sequential		13.92%	11.87%	19.38%	44.29%	26.03%
gr% y/y			27.44%	33.55%	72.26%	81.84%
Rental income Qtrly	578	658	736	879	1,268	1,598
gr% sequential		13.92%	11.87%	19.38%	44.29%	26.03%
gr% y/y			27.44%	33.55%	72.26%	81.84%
Equity to owners	18,252	18,133	19,555	19,439	21,170	31,647
gr% sequential		-0.65%	7.84%	-0.59%	8.90%	49.49%
gr% y/y			7.14%	7.21%	8.26%	62.80%

Source: ACF Estimates; Company Reports.

We expect to issue new forecasts for 2021E before the end of October 2020.

Key Results Metrics

Exhibit 2:

ACF est. GBP (k)	2020A
Revenue	6,379
Forecast Delta	495
Delta %	8.4%
EBITDA	4,573
Forecast Delta	-234
Delta %	-4.9%
Net Income	462
Forecast Delta	-287
Delta %	-38.3%
FCF	4,464
Forecast Delta	1,687
Delta %	60.7%
CPS (diluted)	7.209
Forecast Delta	3.745
Delta %	108.1%

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.

Strong forecast beats

Exhibit 3:

Adj. Metrics GBP (k)	2018A	2019A	2020A	2021E
EBITDA Adjusted	2,830	3,857	4,926	4,961
%Growth		36%	28%	1%
%Margin	81%	72%	77%	77%
EV/EBITDA adj.	38x	28x	22x	22x
EV/EBITDA	43x	30x	23x	23x
EBT Adjusted	1,056	1,668	2,286	1,090
%Growth		58%	37%	-52%
%Margin	30%	31%	36%	17%
NI Adjusted	933	1,487	2,739	937
%Growth		59%	84%	-66%
%Margin	27%	28%	43%	14%
EPS Adjusted	2.20	3.50	5.75	1.60
%Growth		59%	64%	-72%
PE adj.	47x	29x	18x	64x
PE	479x	30x	106x	98x
EPS FD Adjusted	1.61	1.97	4.42	1.17
%Growth		22%	124%	-74%
PE adj.	64x	52x	23x	88x
PE	652x	54x	137x	134x

Source: ACF Estimates; Company Reports.

We expect to issue new forecasts for 2021E before the end of October 2020.

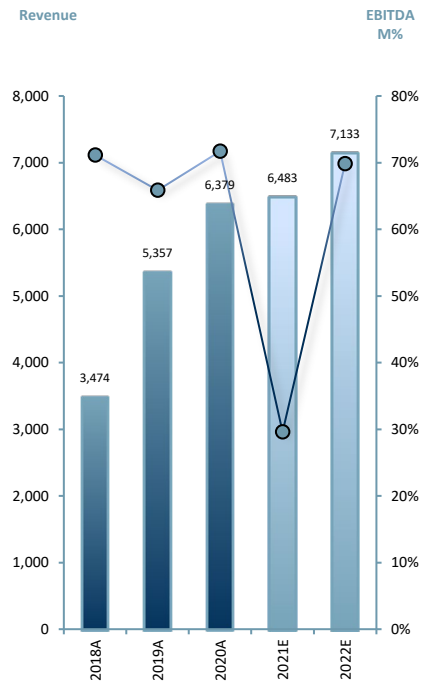
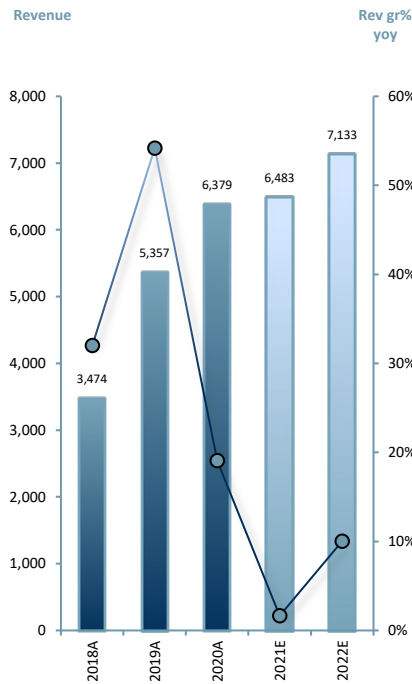
Forecasts 2-year annual

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 %.

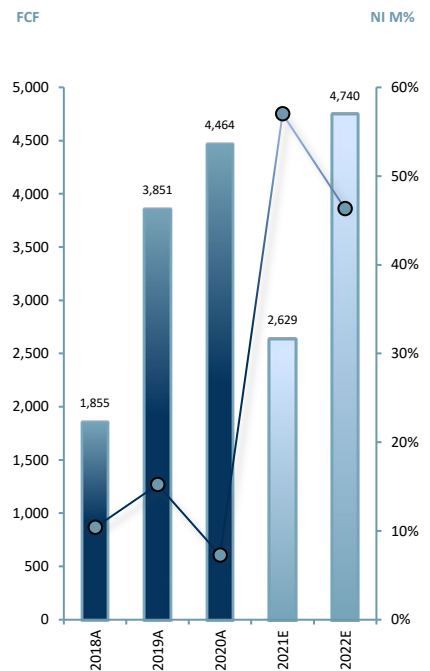
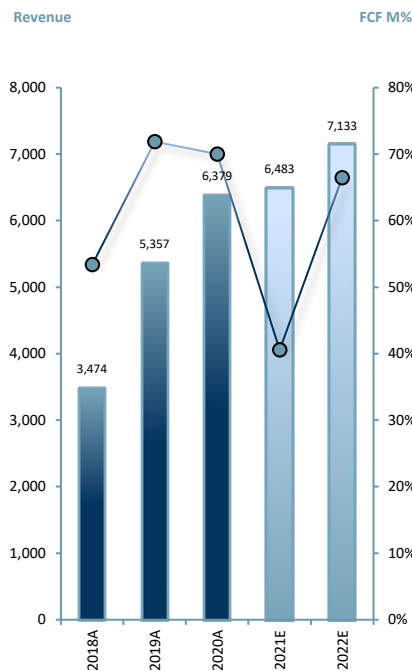
Bars represent actual for forecast values for line item e.g. Revenues.



We expect to issue new forecasts for 2021E before the end of October 2020.

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

We expect to issue new forecasts for 2021E before the end of October 2020.

P&L GBP (k)	2019A	2020A	2021E	2022E	2023E
Revs	5,357	6,379	6,483	7,133	7,198
gr%	54%	19%	2%	10%	1%
SGA	1,828	1,806	1,847	1,955	2,072
EBITDA	3,529	4,573	4,637	5,178	5,126
% Revs	66%	72%	72%	73%	71%
FV adj.	927	-800	0	0	0
% Revs	17%	-13%	0%	0%	0%
EBIT	4,456	3,773	4,637	5,178	5,126
EBT	1,616	9	766	2,188	2,274
% Revs	30%	0%	12%	31%	32%
ETR	14%	0%	20%	20%	20%
NI	1,435	462	613	1,750	1,819
% Revs	27%	7%	9%	25%	25%
Adj EPS (p)	4.15	1.92	2.20	4.90	5.08
Basic EPS (p)	3.38	0.97	1.29	3.68	3.82
Diluted EPS (p)	1.90	0.75	0.99	2.83	2.94
Balance Sheet GBP (k)	2019A	2020A	2021E	2022E	2023E
Investments	79,538	76,888	79,743	94,743	119,743
Rev Yield	6.73%	8.30%	8.13%	7.53%	6.01%
Rev Yield 1 yr fwd	8.02%	8.43%	8.95%	7.60%	6.30%
Total Fixed Assets	79,538	76,895	79,750	94,750	119,750
Current assets	510	789	0	0	0
Assets held for sale	8,785	10,430	8,580	0	0
Cash	1,957	7,433	10,844	13,457	16,139
Total Current Assets	11,252	18,652	19,424	13,457	16,139
Total Assets	90,790	95,547	99,174	108,207	135,889
Creditors	4,833	5,536	5,627	6,191	6,247
Liabs held for sale	1,440	1,351	1,395	0	0
Deferred Tax	116	0	116	0	0
Loans	64,272	56,913	59,100	44,100	44,100
Total Liabilities	70,759	63,900	66,423	50,291	50,347
Net Assets	20,032	31,647	32,751	57,916	85,541
Share Capital	10,608	14,626	15,183	15,183	15,183
Accum. Profit/(loss)	775	517	1,129	2,879	4,699
Total Equity	20,032	31,647	32,751	57,916	85,541
Total Equity & Liabilities	90,790	95,547	99,174	108,207	135,889
Basic NAV (p)	34.3	54.1	56.0	99.1	146.3
Diluted NAV (p)	25.0	39.5	40.9	72.2	106.7
% LTV ALSP adj.	74.4%	49.5%	51.5%	30.7%	24.3%
Cash Flow GBP (k)	2019A	2020A	2021E	2022E	2023E
EBT Profit/(loss)	1,616	9	766	2,188	2,274
Finance costs	2492	3937	3009	2128	1990
FV adj. + Other adj.	-927	800	0	0	0
Cash Taxes	-157	-9	-1,016	425	408
WCap change	1,983	494	-130	0	0
Net CFO	4,865	4,473	3,645	4,315	4,264
% Revs	1	1	1	1	1
FCFE	4,708	4,464	2,629	4,740	4,672
uFCF	6,151	6,976	5,871	6,868	6,661
Capex/Prprty Assets %	36%	0%	7%	16%	21%
CF from Financing	22,407	3,354	9,860	15,000	25,000
Net Cash In/(Out)	-3,223	5,476	3,411	2,613	2,682
Cash previous YE	5,180	1,957	7,433	10,844	13,457
Cash & CE	1,957	7,433	10,844	13,457	16,139

Source: Company reports; ACF Estimates.

Notes [Intentionally Blank]

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