

PRE-RESULTS

VALUE RANGE

GBp 94 – 99



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

Wednesday, 27 January 2021

Intrinsic Price	96p
Value Range Low	94p
Value Range High	99p
Implied MCAP (m)	£55.54
Implied EV (m)	£102.54
AQSE Index	ALSP LN
Financial YE	30-Apr
Currency	GBP

Business Activity

Commercial & retail property investment

Key Metrics

Close Price	97.5p
MCAP (m)	£57.00
Net Debt (Cash) (m)	£47.00
EV (m)	£104.00
52 Wk Hi	110p
52 Wk Lo	80p
NAV FD YE21E	40.85p

Key Ratios

S/P premium to NAV	138.67%
% LTV ALSP adj.	49.55%
Net Debt / Shareholder	304.02%
Equity %	

Real Estate Sector Research

AQSE Growth Market Index

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ACE Liberty & Stone 1H21E

It's property but not much Covid here...?

ACE Liberty & Stone (ALSP ISD), an Aquis growth market listed property trading company, is due to release a positive set of 1H21E results in the shadow of Covid. We expect it to outperform the commercial property sector. We are looking for greater than 70% of rents collected 6-month period since YE 30 Apr 20 and deferrals of less than £250k for 31 Dec 21. A dividend yield vs. nominal share value (25p) above 10%, and an NAVPS that continues to justify ALSP's growth stock character, which is essentially that of a trading company. The 2020 consolidation year strengthened the balance sheet whilst Covid is opening up a range of property acquisition opportunities.

- Rental revenue 1H21E £1.978m vs. £1.946m up 1.64% yoy;
- Rental revenue 1H21E seasonality weighting 28%
- EBITDA 1H21E £1.414m vs. 1.415m yoy;
- EBITDA 1H21E seasonality weighting 30.5%;
- EPS 1H21E 0.32p vs. 0.437p yoy.

ACF est. GBP (k)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2020A	6,379	4,573	4,464	0.97	0.75
2021E	6,483	4,637	2,629	1.05	0.76

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2021E	16.04x	22.43x	39.56x	93.06x	127.60x
2022E	14.58x	20.09x	21.94x	32.57x	44.66x

27/01/2021

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	58.5	80.2
Implied Intrinsic Price	95p	69p
Value Range Low	93p	68p
Value Range High	97p	71p
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		adj.
MCAPE (m)	£57.0	£57.0
Net Debt (Cash) (m)	£47.00	£47.00
EV (m)	£104.0	£104.0
52 Wk Hi	110p	80p
52 Wk Lo	80p	58p
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	12.44x	15.41x
P/CPS (Exp D)	17.06x	21.13x
P/CPS (FD)	17.06x	21.13x

Shareholders	> 3%
LiBank S.A.L	23.6%
Dr. El-Rousstom	16.6%
HSBC GIBL 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 are 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. ALSP announced in April 2020 that post Brexit (i.e., 31 Dec 2020) it would be looking for entire portfolios to acquire, signalling a potential nuancing of strategy.

The UK property market (commercial, retail and residential) slowed in terms of the rate at which transactions are completed post the Brexit vote and now Covid is slowing all bar fire sales - this is part of the property landscape for now. In our view, property portfolios (as opposed to individual properties) attractive to ALSP are more rather than less likely to become available, because of the extended Covid crisis.

• Progressive Dividend Policy

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

ALSP has proved that it can weather economic storms through Brexit and Covid. This is a combination of clear well executed long-term company strategy and an effective management team that knows the sector intimately and works closely together.

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, well-priced property acquisition opportunities due to Covid.

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 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.

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: Forecasts adjusted annual

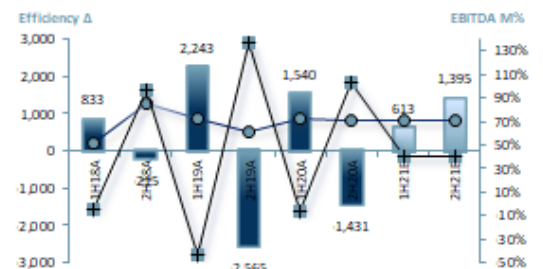
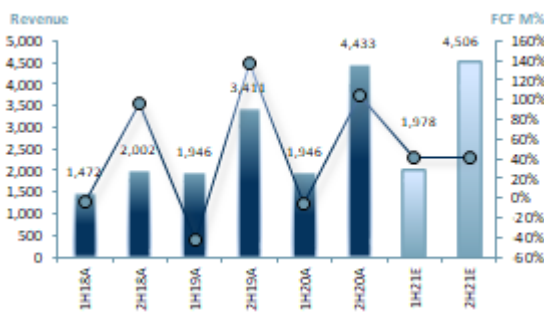
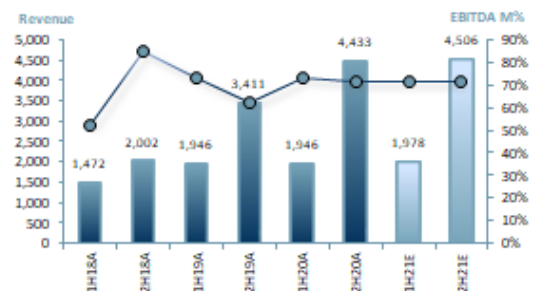
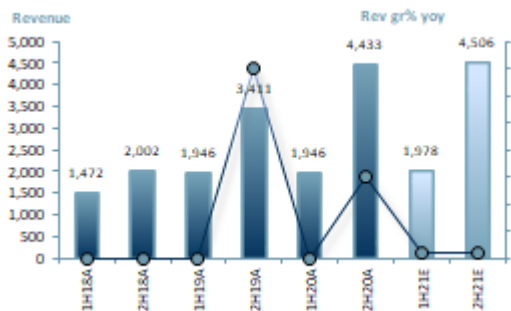
Adj. Metrics GBP (k)	2018A	2019A	2020A	2021E	2022E
EBITDA Adjusted	2,830	3,857	4,926	4,961	5,510
%Growth		36%	28%	1%	11%
%Margin	81%	72%	77%	77%	77%
EV/EBITDA adj.	37x	27x	21x	21x	19x
EV/EBITDA	42x	29x	23x	22x	20x
EBT Adjusted	1,056	1,668	2,286	1,090	2,520
%Growth		58%	37%	-52%	131%
%Margin	30%	31%	36%	17%	35%
NI Adjusted	933	1,487	2,739	937	2,083
%Growth		59%	84%	-66%	122%
%Margin	27%	28%	43%	14%	29%
EPS Adjusted	2.20	3.50	5.75	1.60	3.56
%Growth		59%	64%	-72%	122%
PE adj.	44x	28x	17x	61x	27x
PE	456x	29x	100x	93x	33x
EPS FD Adjusted	1.61	1.97	4.42	1.17	2.60
%Growth		22%	124%	-74%	122%
PE adj.	60x	49x	22x	83x	38x
PE	620x	51x	131x	128x	45x

Source: ACF Estimates, Company Reports.

Forecasts Semi-annual

ACF est. GBP (k)	1H19A	2H19A	1H20A	2H20A	1H21E	2H21E
Revenue	1,946	3,411	1,946	4,433	1,978	4,506
Rev gr% (Sequential)			-42.95%	127.82%	-55.39%	127.82%
Rev gr% yoy			0.00%	29.97%	1.64%	1.64%
Rev Seasonal Mix	36.33%	63.67%	30.50%	69.50%	30.50%	69.50%
EBITDA	1,415	2,114	1,415	3,158	1,414	3,222
EBITDA M%	72.71%	61.98%	72.71%	71.25%	71.52%	71.52%
EBITDA Seasonal Mix %	40.10%	59.90%	30.94%	69.06%	30.50%	69.50%
Net Income	271	544	271	191	187	426
NI M%	13.92%	15.94%	13.92%	4.31%	9.45%	9.45%
NI gr%		101%	-50%	-29%	-2%	128%
EPS	0.359	0.722	0.437	0.309	0.320	0.728

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.

Financial Projections Annual

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

Notes – [Intentionally Blank]

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