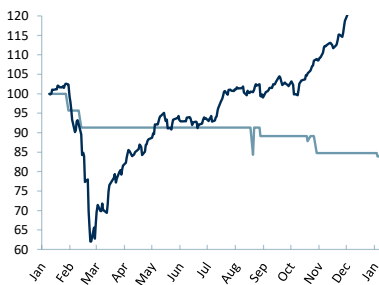


POST RESULTS

VALUE RANGE

GBp 102 – 107



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

Wednesday, 03 February 2021

Intrinsic Price	104p
Value Range Low	102p
Value Range High	107p
Implied MCAP (m)	£60.90
Implied EV (m)	£104.13
AQSE Index	ALSP LN
Financial YE	30-Apr
Currency	GBP

Business Activity

Commercial & retail property investment

Key Metrics

Close Price	96.5p
MCAP (m)	£56.42
Net Debt (Cash) (m)	£43.23
EV (m)	£99.65
52 Wk Hi	110p
52 Wk Lo	80p
NAV FD YE21E	43.87p

Key Ratios

S/P premium to NAV	119.96%
% LTV ALSP adj.	49.55%
Net Debt / Shareholder	304.02%

Equity %

Real Estate Sector Research

AQSE Growth Market Index

Analyst Team

ACF Real Estate Team

+44 20 7419 7928

realestate@acfequityresearch.com

ACE Liberty & Stone 1H21 Results

Outperforms sector

ACE Liberty & Stone (ALSP ISD), an Aquis Apex market listed property trading company, released a very strong set of results for 1H21 in the shadow of Covid, beating our interim forecasts very comfortably. We maintain our year end forecasts. We expect ACE to continue to outperform the commercial property sector, which has suffered stock declines averaging ~30%. Greater than 80% of rents collected vs. our 70% expectation. Rent deferrals written down £130k vs. our ~£250k expectation for the 1H21. Suspended the dividend against our expectation but prudent decision to contribute toward acquisition opportunities. LTV adjusted 53% vs. 54% y/y. 57% of rental is government backed vs. 58% y/y and 42% is triple-A commercial vs. 41% y/y. WAULB 6.94 vs. 8.08 years y/y. We have increased our VR to 102-107p

- Rental 1H21A £2.99m vs. £3.22m y/y -7% cf. our 1H21E £2m, 51% beat;
- EBITDA 1H21A £2.2m vs. £2.5m y/y -10% cf. 1H21E £1.4m, 57% beat;
- EPS fully diluted 1H21A 0.78p vs. 0.30p y/y +160%, beat our estimates;
- Portfolio not for sale 1H21A 78.4m vs. YE20A £76.9m up 2%;
- Acquired two properties since YE20 – rental income run rate £237k p.a.

ACF est. GBP (k)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2020A	6,379	4,573	4,464	0.97	0.75
2021E	6,483	4,636	2,629	1.05	0.76

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2021E	15.37x	21.49x	37.91x	92.15x	126.35x
2022E	13.97x	19.24x	21.02x	32.23x	44.20x

03/02/2021

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	58.5	80.2
Implied Intrinsic Price	104p	76p
Value Range Low	102p	74p
Value Range High	107p	78p
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.
MCAP (m)	£56.4	£56.4
Net Debt (Cash) (m)	£43.23	£43.23
EV (m)	£99.6	£99.6
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	13.64x	16.90x
P/CPS (Exp D)	18.71x	23.17x
P/CPS (FD)	18.71x	23.17x

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%

We have raised our forecasts for 2023E very modestly with an expectation of a return to growth for ACE after a period of consolidation and the effects of the pan-demic

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 57% of rental revenues 1H21A vs. 1H20A 58% and 59% FY19A. Major industrial and commercial companies account for the balance of revenues. ACE collected over 80% of revenues in the face of Covid for the 6-month period and wrote off Just £130k of rental income in 1H. ACE expects to collect the back log of deferred rents 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. ACE's peers are still between 15% and 50% below their pre-Covid valuations.

• Dividend Policy Suspended

ALSP has recently been paying out dividends three times per year. However, considering the Covid crisis that has now dragged on for 12 months management has made, in our view, the correct and prudent decision to suspend the dividend to conserve cash to be put to acquisition opportunities for growth and other general items.

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.

• Post Balance Sheet Events (PBSE)

Acquisition of 78-82 English Street and 49-53 Blackfriars Street, Carlisle for £1.71m and annualised rental income of £120k (deal close 7th Dec 20). Yield 7%, tenant Clydesdale Bank.

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; stock specific defensive investment due to Brexit or threats to global GDP growth (pandemic); removal of remaining 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.

ALSP’s trading company status and active asset management continues to generate value. Currently a safe haven stock during its current consolidation phase after two years of rapid growth in rental revenues and assets.

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

GBP (k)	2017A	1H18A	2018A	2019A	2020A	1H21A
Investment property	38,979	49,378	58,222	88,323	87,318	78,391
gr% sequential	36.77%	26.68%	17.91%	51.70%	-1.14%	-10.22%
gr% y/y			49.37%	78.87%	49.97%	-11.25%
Annual rental income	2,632	2,944	3,515	5,072	6,392	6,483
gr% sequential	13.92%	11.87%	19.38%	44.29%	26.03%	1.42%
gr% y/y			33.55%	72.26%	81.84%	27.82%
Rental income Qtrly	658	736	879	1,268	1,598	1,621
gr% sequential	13.92%	11.87%	19.38%	44.29%	26.03%	1.42%
gr% y/y			33.55%	72.26%	81.84%	27.82%
EAT Qtrly	241	109	90	191	120	337
gr% sequential	-1.21%	-54.70%	-17.15%	111.94%	-37.12%	179.78%
gr% y/y			-62.47%	75.58%	33.26%	75.92%
Equity to owners	18,133	19,555	19,439	21,170	31,647	32,229
gr% sequential	-0.65%	7.84%	-0.59%	8.90%	49.49%	1.84%
gr% y/y			7.21%	8.26%	62.80%	52.24%

Source: ACF Estimates; Company Reports.

Forecasts 3-year annual

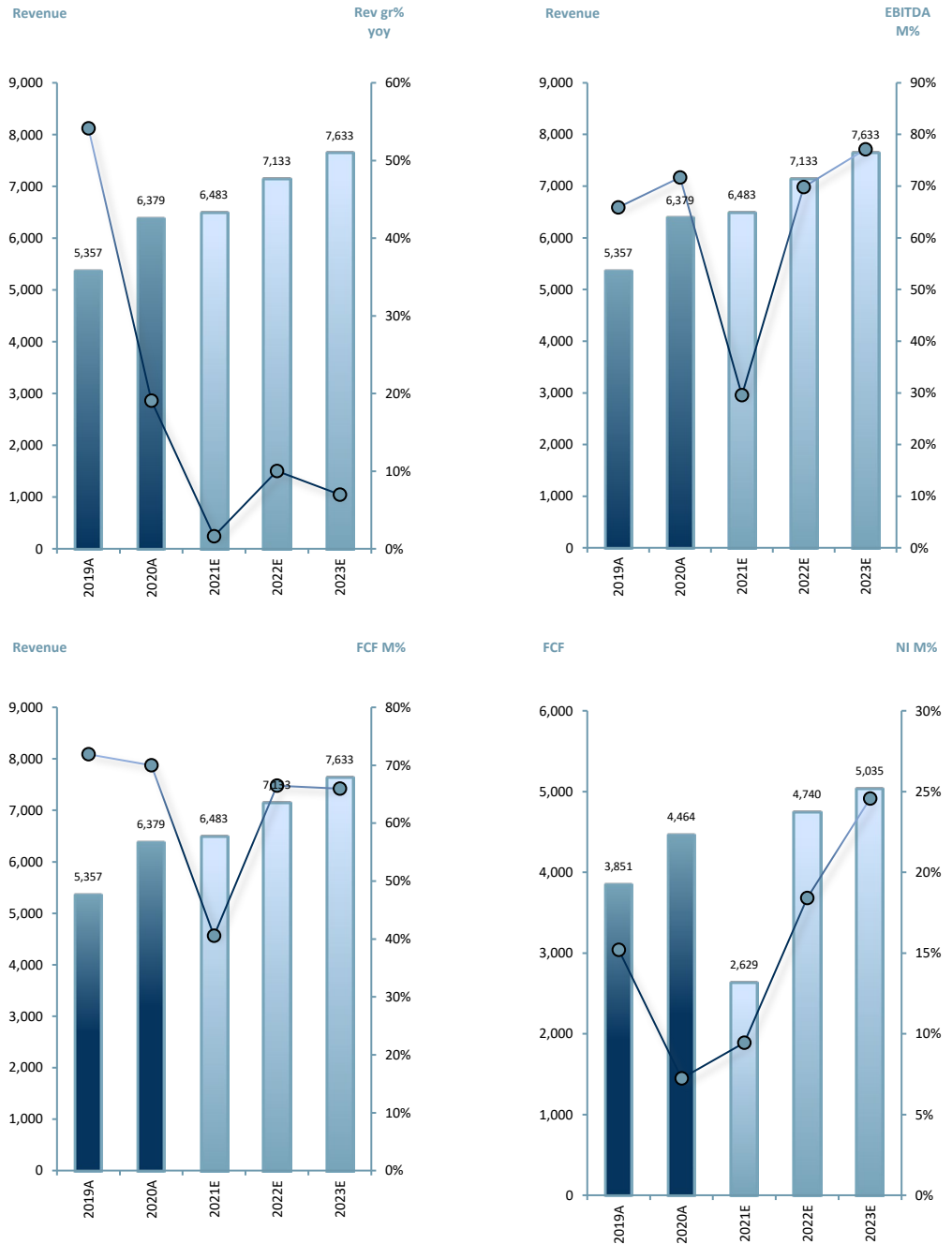
Darker bars represent historical numbers.
Lighter bars represent forecast numbers.

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.

Exhibit 2: Annual Revenue, EBITDA, FCF and Efficiency



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 have raised our forecasts for 2023E very modestly with an expectation of a return to growth for ACE after a period of consolidation and the effects of the pan-demic.

P&L GBP (k)	2019A	2020A	2021E	2022E	2023E
Revs	5,357	6,379	6,483	7,133	7,633
gr%	54%	19%	2%	10%	7%
SGA	1,828	1,806	1,847	1,955	2,072
EBITDA	3,529	4,573	4,636	5,178	5,561
% Revs	66%	72%	72%	73%	73%
FV adj.	927	-800	0	0	0
% Revs	17%	-13%	0%	0%	0%
EBIT	4,456	3,773	4,636	5,178	5,561
EBT	1,616	9	765	2,188	2,630
% Revs	30%	0%	12%	31%	34%
ETR	14%	0%	20%	20%	20%
NI	1,435	462	612	1,750	2,104
% Revs	27%	7%	9%	25%	28%
Adj EPS (p)	4.15	1.92	2.20	4.90	5.75
Basic EPS (p)	3.38	0.97	1.29	3.68	4.42
Diluted EPS (p)	1.90	0.75	0.99	2.83	3.40
Balance Sheet GBP (k)	2019A	2020A	2021E	2022E	2023E
Investments	79,538	76,888	78,391	93,391	118,391
Rev Yield	6.73%	8.30%	8.27%	7.64%	6.45%
Rev Yield 1 yr fwd	8.02%	8.43%	9.10%	8.17%	6.90%
Total Fixed Assets	79,538	76,895	78,398	93,398	118,398
Current assets	510	789	0	0	0
Assets held for sale	8,785	10,430	10,230	0	0
Cash	1,957	7,433	10,844	13,457	16,423
Total Current Assets	11,252	18,652	21,074	13,457	16,423
Total Assets	90,790	95,547	99,472	106,855	134,821
Creditors	4,833	5,536	5,626	6,191	6,624
Liabs held for sale	1,440	1,351	1,317	0	0
Deferred Tax	116	0	0	0	0
Loans	64,272	56,913	57,130	42,130	42,130
Total Liabilities	70,759	63,900	64,300	48,321	48,754
Net Assets	20,032	31,647	35,172	58,534	86,067
Share Capital	10,608	14,626	15,183	15,183	15,183
Accum. Profit/(loss)	775	517	1,129	2,879	4,983
Total Equity	20,032	31,647	35,172	58,534	86,067
Total Equity & Liabilities	90,790	95,547	99,472	106,855	134,821
Basic NAV (p)	34.3	54.1	60.2	100.1	147.2
Diluted NAV (p)	25.0	39.5	43.9	73.0	107.4
% LTV ALSP adj.	74.4%	49.5%	49.0%	29.1%	22.9%
Cash Flow GBP (k)	2019A	2020A	2021E	2022E	2023E
EBT Profit/(loss)	1,616	9	765	2,188	2,630
Finance costs	2492	3937	3009	2128	2068
FV adj. + Other adj.	-927	800	0	0	0
Cash Taxes	-157	-9	-1,016	425	337
WCap change	1,983	494	-130	0	0
Net CFO	4,865	4,473	3,644	4,315	4,698
% Revs	1	1	1	1	1
FCFE	4,708	4,464	2,629	4,740	5,035
uFCF	6,151	6,976	5,870	6,868	7,103
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	2,966
Cash previous YE	5,180	1,957	7,433	10,844	13,457
Cash & CE	1,957	7,433	10,844	13,457	16,423

Source: Company reports; ACF Estimates.

Notes – [Intentionally Blank]

Notes – [Intentionally Blank]

Disclaimer

The information in this report has been prepared by ACF Equity Research Ltd (ACF). The research is published for information purposes only. It is not intended as an offer or solicitation for the purchase or sale of any securities or any financial instruments.

ACF has based this document on information obtained from sources it believes to be reliable but which it has not independently verified. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of ACF Equity Research Limited. The material should not be regarded by recipients as a substitute for the exercise of their own judgment. Past performance does not guarantee future performance.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of ACF which may, from time to time, solicit business from any of the companies referred to in this report. The analyst(s) responsible for covering securities in this report may not hold a position in any or related securities in this report in ACF's sector universe or in any other sector in which ACF carries out research. The company does not hold any position in the securities mentioned in this report.

This research report and its contents are intended for professional investors and not for retail investors. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of the investment research. ACF Equity Research Limited is authorised and regulated by the Financial Conduct Authority. However the contents of this research report are produced as if ACF Equity Research Limited is unregulated and consequently this report does not contain investment recommendations or ratings.

ACF, its directors, employees and agents accept no liability whatsoever for any loss or damage of any kind arising out of the use of all or part of these materials. The information in this report is provided with the understanding that ACF is not acting in a fiduciary capacity. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall in no way constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Copyright © 2015 ACF Equity Research all rights reserved. Additional information is available upon request.

ACF Equity Research Limited, 125 Old Broad Street, London, EC2N 1AR, U.K.

Tel: +44 (020) 7558 8974

Website: www.acfequityresearch.com