

Anexo Group plc

Final Results

for the year ended 31 December 2018

9 April 2019

Alan Sellers

Executive Chairman

Mark Bringloe

Chief Financial Officer

Anexo

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Operational Highlights

- Bolton office opened on 3 December 2018 with recruitment of 20 experienced litigators significantly increasing capacity within Bond Turner
- Significantly increasing total number of lawyers with 267 employed at 31 December 2018 (FY 2017: 187), the increase of 30% adding to our settlement and cash recovery capacity
 - Number of senior fee earners at period end reaching 89 (FY 2017: 66)
- Number of new cases funded increased 31.2% to 5,930 (FY 2017: 4,520)
- Focus on settlement rate which continues to move upwards further driving increasing cash collections
- Considerable increase in vehicle fleet by 82.6% to 1,946 available for hire (FY 2017: 1,066)
 - In particular, growth in motorcycle business driven by strategic investment in fleet
- 87.9 % rise of vehicles on hire at year end reaching 1,531 at 31 December 2018 (FY 2017: 815)
- Maintained utilisation rates around target of between 75% - 80%

Financial Highlights

- Successfully raised £25.0 million¹ (before expenses) and admitted to trading on AIM in June 2018
- Revenue increased by 24.7% to £56.5 million (FY 2017: £45.3 million)
- Operating profit reported at £15.4 million (2017: £15.1 million), an increase of 2.7%
- Adjusted² operating profit before exceptional items slightly ahead of market expectations, rising by 13.9% to £17.2 million (FY 2017: £15.1 million)
- Adjusted² operating profit margin reduced marginally to 30.4% (FY 2017: 33.3%)
- Profit before tax reported at £14.3 million (2017: £14.6 million), a reduction of 2.0%
- Adjusted² profit before tax and exceptional items increased to £16.1 million, (2017: £14.6 million), an increase of 10.3%
- Adjusted³ basic EPS at 12 pence (FY 2017: 11.4 pence)
- Proposed final dividend of 1.5 pence per share (FY 2017: Nil)
- Net assets reported at £75.8 million (FY 2017: £55.6 million) representing an increase of 36.3%
- Net cash outflow from operating activities to fund growth of £7.9 million (FY 2017: net cash inflow: £1.1 million)
- Strong cash balance of £5.5 million at 31 December 2018 (31 December 2017: £0.2 million)
- Net debt balance at 31 December 2018 was £17.3 million (31 December 2017: £15.0 million)

1. The placing that accompanied Anexo's admission to AIM raised £25.0 million before expenses, of which £10.0 million was raised for the Group, and £15.0 million for the Selling Shareholders, of which not less than £5.0 million was repaid to the Group.

2. Adjusted operating profit and profit before tax: excludes the costs of Admission to AIM and share-based payment charges. A reconciliation to reported (IFRS) results is included in the Financial Review on page 9.

3. Adjusted EPS: adjusted PBT less tax at statutory rate divided by the number of shares on a pro forma basis, i.e. assuming that the number of shares in issue immediately post-IPO were in issue through the entire comparative period.

Investment Highlights

- **Anexo is an integrated litigation focused group – acting for the Non Fault Motorist, particularly ‘impecunious’ claimants, providing hire at commercial credit hire rates**
- **Provision of replacement vehicles supported by Legal services to recover hire charges, repair and recovery charges from at-fault insurers**
- **FY 2018 – Turnover £56. 5m, Profit Before Tax £16.1m and 30.4% operating margin**
- **Organic growth of c. 10% since 2015 despite capital constraints**
- **Established Direct Capture business model with operating margins in excess of 30% underpinned by UK case law that has affirmed the impecunious claimants’ legal right to recover credit hire costs**

Market Update/Highlights

- Recent legislative reforms to PI market bedding down and negative effects beginning to impact smaller “high street” firms
- Ongoing retreat of smaller peers in PI and Credit Hire markets following changes in regulatory environment and the ban on referral fees
- No changes to Credit Hire market with legal precedents underpinning impecunious claimant's cases remaining robust and embedded
- Direct capture specialists are prospering, NAHL recovering, Irwin Mitchell strong consumer performance. Contrast with cost pressures of insurance supply chain (Redde).
- Strong trends for bikes / cars market share consolidation on stable number of accidents etc
- Listed consumer law market “coming of age”
 - DWF large consumer platform
 - Winns/Keoghs looking at investment

Business Overview

EDGE

(Formerly Direct Accident Management)

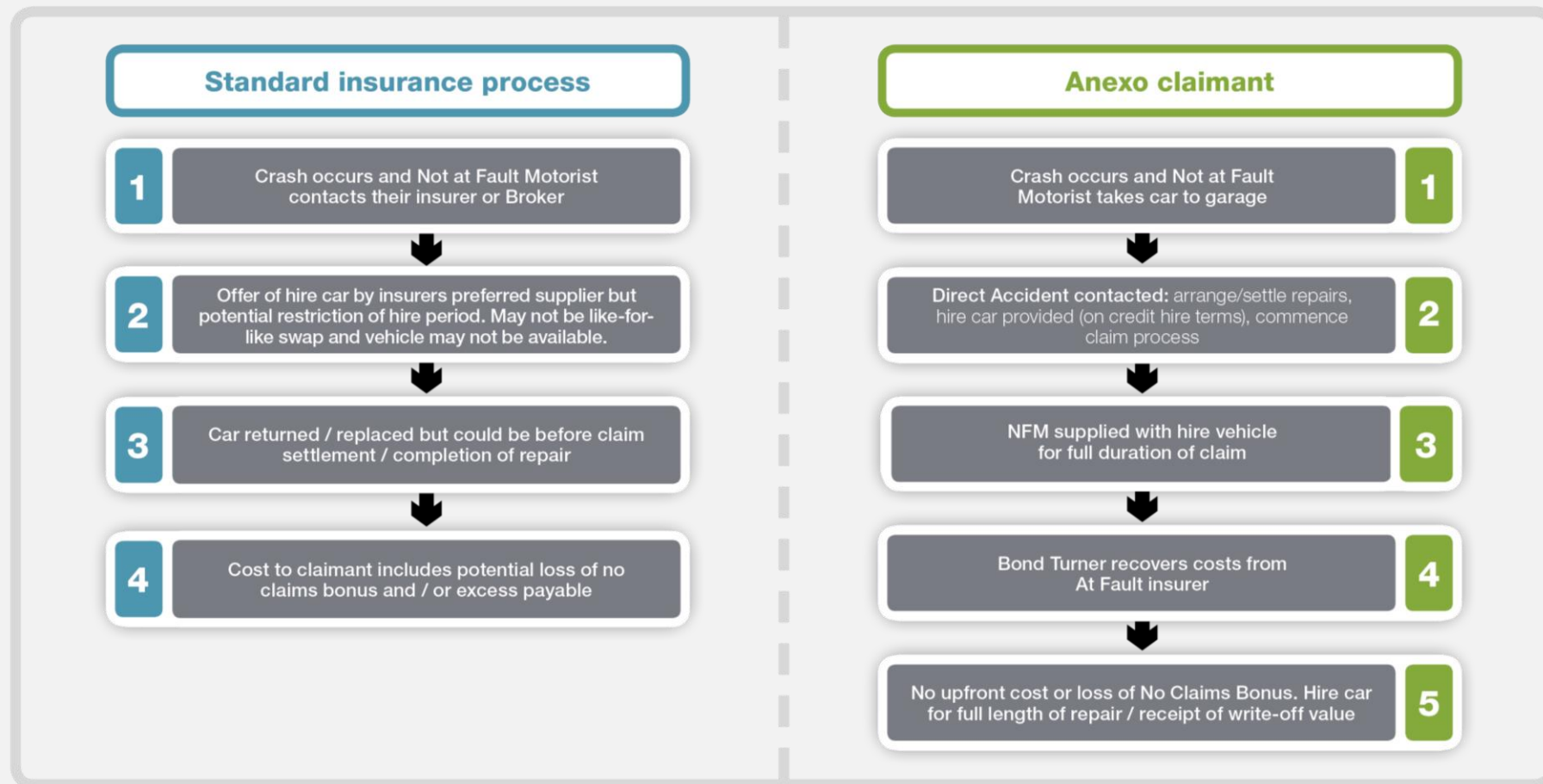
- Established in 1996
 - Complete solution for Non Fault Motorist
- Two key divisions:
 - DAMS – Provision of car and light commercial vehicles;
 - McAMS – provision of motorcycles
- National coverage
- Key route to market via local bodyshops and repairers

BOND TURNER

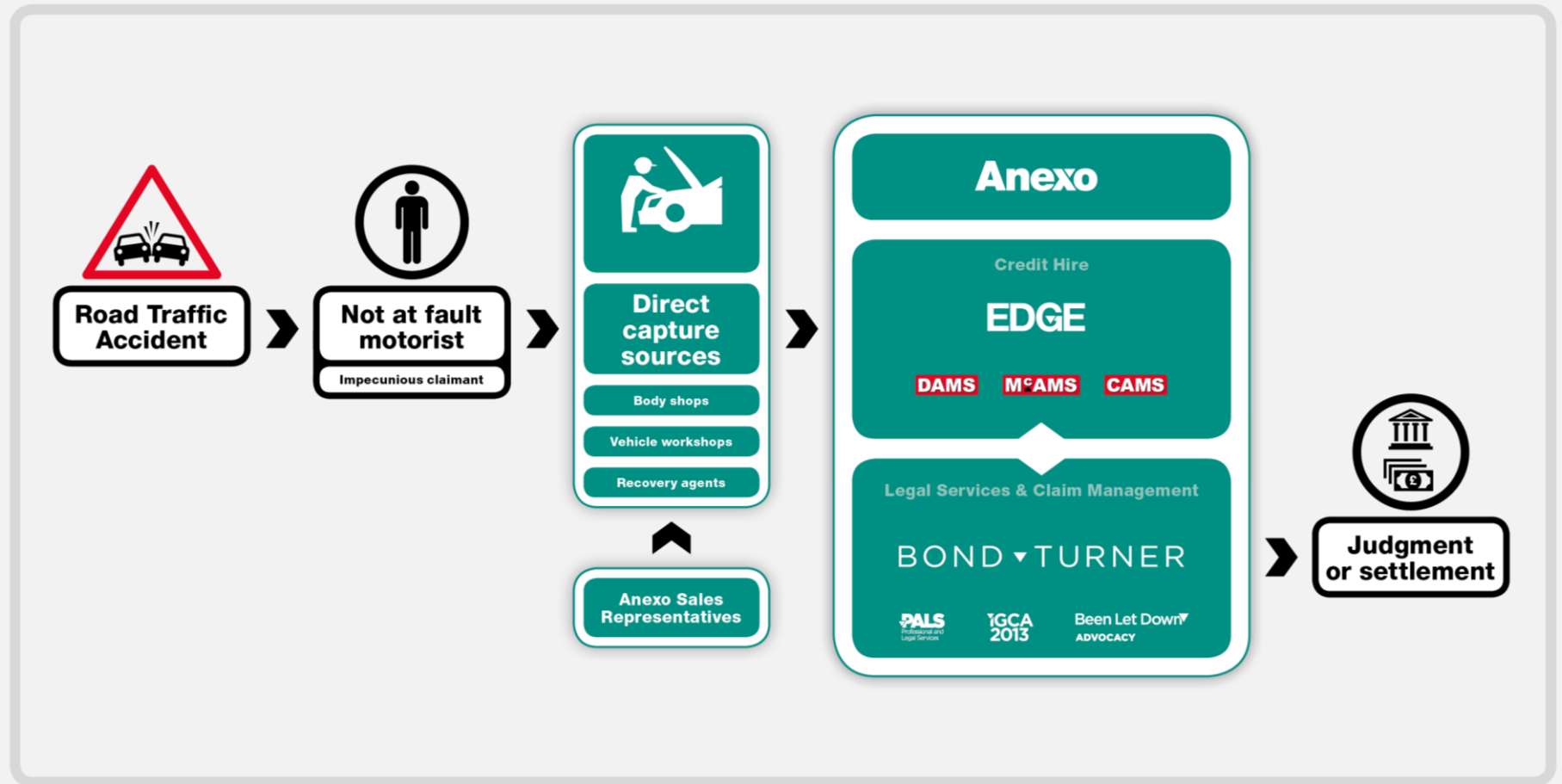
- Legal practice including:
 - Recovery of hire charges, repair from At Fault Insurer
 - PALS specialist reports
 - Personal Injury / IGCA
- Bond Turner acts on all claims generated by Edge
- Advocacy led by Alan Sellers

Anexo Group is an integrated legal services and credit hire business giving the Group a strong business model and competitive advantage

Two Different Insurance Processes



Anexo: The Direct Capture Model



Our Differentiators

- Direct capture of customer from garages etc. – not from insurers / brokers
- Targeting the “impecunious” market: cars, motorcycles (couriers) and cycles
- Integrated approach more efficient: Credit Hire & Legal Services
- Alan Sellers has pioneered this niche – backed by a highly experienced team
- Effective screening and in-house databases - less than 2% failure rate of cases where litigation commenced

Market Overview

No. of Vehicles
on the Road



37.7 million

(Ministry of Transport)

Total Road
Traffic Accidents¹



700,000²

(Ministry of Justice)

Total Credit
Hire 2014



301,000

(CMA)

Anexo's opportunity:

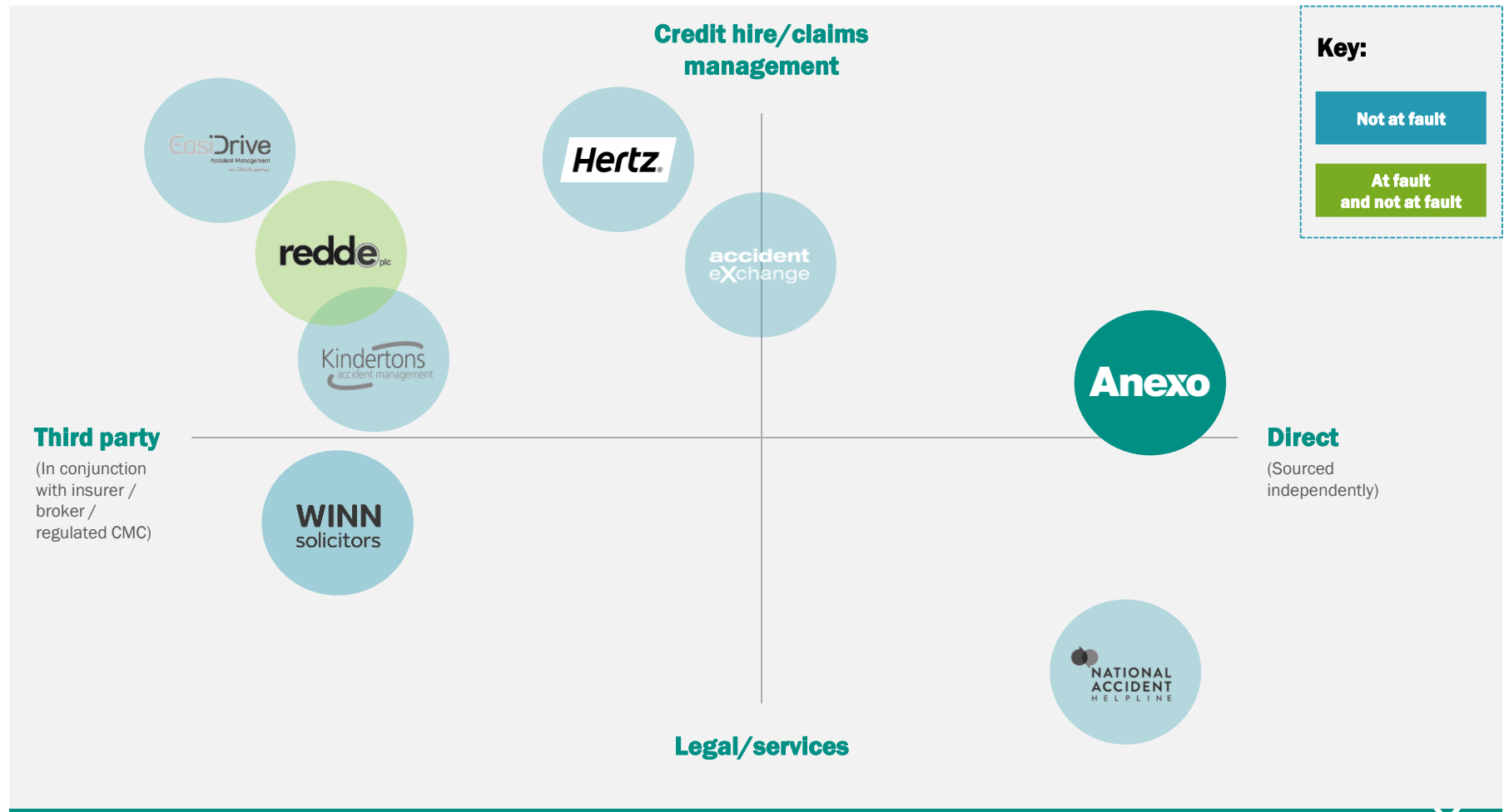
2018: 12,200 RTA applications received & Anexo processed almost 6,000 of these claims

¹ Year to March 2018

² PI claims reported to the police (March 2018)

Competitors

End of competition from the High Street solicitor?



▼ Income Statement

for the year ended 31 December 2018

	FY 2018 (£)	FY 2017 (£)
Revenue	56,505	45,302
Cost of sales	(16,168)	(11,349)
Gross profit	40,337	33,953
Depreciation & loss on disposal	(1,574)	(760)
Administrative expenses before exceptional items	(21,594)	(18,119)
Operating profit before exceptional items	17,169	15,074
Share based payment charge	(384)	
Non-recurring administrative expenses	(1,411)	
Operating profit	15,374	15,074
Finance income	-	-
Finance costs	(1,090)	(492)
Net financing expense	(1,090)	(492)
Profit before tax	14,284	14,582
Taxation	(2,879)	(2,095)
Profit and total comprehensive income for the year attributable to the owners of the company	11,405	12,487
Earnings per share		
Basic earnings per share (pence)	10.4	11.4
Diluted earnings per share (pence)	10.2	11.1

KPIs

for the year ended 31 December 2018

	FY 2018	FY 2017
Available fleet size	1,946	1,066
Utilisation (%)	77.5%	77.9%
Vehicles on hire at the year-end (no)	1,531	815
Average vehicles on hire for the year (no)	1,155	894
Average Hire period (days)	65	70
Average Hire Value (£)	11,580	11,300
Average Settlement (£)	5,830	5,760
Average settlement (%)	56.3	53.9
Completed Vehicle Hires	5,215	4,586
Cases settled	3,710	3,485
Legal staff employed at period end	267	187
Senior fee earners at period end (no)	89	66
Average number of senior fee earners	76	62
New cases funded	5,930	4,520

Source: Company historical financial information

Balance Sheet

for the year ended 31 December 2018

	FY 2018 (£)	FY 2017 (£)
Non-current assets		
Property, plant and equipment	3,270	1,520
Current Assets		
Trade and other receivables	101,445	80,593
Cash and cash equivalents	5,532	202
Total assets	110,247	82,315
Equity and liabilities		
Equity		
Share capital	55	50
Share premium	9,235	40
Share based payments reserve	384	-
Retained earnings	66,127	55,542
Equity attributable to the owners of the Group	75,801	55,632
Non-current liabilities		
Other interest-bearing loans and borrowings	870	5,475
Deferred tax liabilities	-	-
	870	5,475
Current liabilities		
Bank overdraft	12,536	7,688
Other interest-bearing loans and borrowings	9,402	2,085
Trade and other payables	7,223	5,395
Corporation tax liability	4,415	6,040
	33,576	21,208
Total liabilities		
	34,446	26,683
Total equity and liabilities	110,247	82,315

Cashflow

for the six months ended 31 December 2018

	FY 2017 (£)	FY 2018 (£)
Cash flows from operating activities		
Profit for the period / year	11,405	12,487
Adjustments for:		
Depreciation and loss on disposal	1,574	730
Financial expense	1,090	492
Taxation	2,879	2,095
	16,948	15,804
Working capital adjustments		
(Increase)/ decrease in trade and other receivables	(20,871)	(12,360)
(Decrease)/increase in trade and other payables	1,828	(329)
Cash generated from operations	(2,095)	3,115
Interest paid	(1,090)	(492)
Tax paid	(4,738)	(1,475)
Net cash from operating activities	(7,923)	1,148
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	170	183
Acquisition of property, plant and equipment	(3,493)	(1,473)
Net cash from investing activities	(3,323)	(1,290)
Cash flows from financing activities		
Net proceeds from the issue of share capital	9,235	-
Proceeds from new loan	4,016	6,825
Dividends	(820)	(3,701)
Repayment of borrowings	(1,931)	(1,217)
Payment of finance lease liabilities	(1,362)	(425)
New finance lease arrangements	2,590	1,205
Net cash from financing activities	11,728	2,687
Net increase in cash and cash equivalents	482	2,545
Cash and cash equivalents at 1 January	(7,486)	(10,031)
Cash and cash equivalents at period end	(7,004)	(7,486)

Appendices

Anexo

Board Structure

Executives



Alan Sellers
Executive Chairman

Founder and practicing Barrister.

Instrumental in developing the Group's business model and operational structure, being heavily involved in all legal aspects of the Group.

Acts on behalf of the Group and their clients in Court and is one of the leading experts in credit hire litigation.



Mark Bringloe
Chief Financial Officer

Board member.

Responsible for performance improvement across the Group, management of the Group restructure, liaison with the Group's advisers throughout the IPO process.

Qualified chartered accountant and prior to joining has worked as a consultant to the Group for a number of years.



Samantha Moss
MD Bond Turner

Qualified as a Solicitor in 2008 and has been a Director of Bond Turner since 2009.

Specialist in credit hire and professional and clinical negligence claims.

Responsibilities include Client Care, Complex Claims, Staff Training, Staff Supervision, Accounts, Complaints Handling and Compliance

Board Structure

Non-Executives



Chris Houghton
Senior Independent
Non-Executive Director

Fellow of the Chartered Institute of Management Accountants.

Joined Park Group plc in 1986 rising to Finance Director in 2001. After taking on operational responsibilities became Chief Executive in 2001, retiring from the group at the end of 2017.



Richard Pratt
Independent Non-
Executive Director

Called to the Bar in 1980 and practised in Liverpool, specialising in criminal law.

Appointed a QC in 2006 and has been the head of his chambers since 2012 and leader of the Northern Circuit.

Also a recorder of the Crown Court.



Elizabeth Sands
Independent Non-Executive
Director

Currently Chairman of Great Bowery, a New York based fashion agency back by Private Equity.

Provided independent advice to a number of both private and public companies including a FTSE100 utilities company and an international investment bank.

Previously Head of Organisation and Transformation UK at AT Kearney following which she was Vice Chair of the Finance and Investment, and Workforce committees at the Devon Partnership NHS Trust.



Roger Barlow
Independent Non-
Executive Director

A Chartered Accountant and was a partner with KPMG until 2000.

Currently Chairman of Marsden Building Society and Senior Independent Non-Executive Director and Chair of Audit at Bank & Clients plc.

Also has been CFO and Chairman of two AIM listed companies.