



Anexo

Anexo Group plc 2019 Final Results June/July 2020

'Record results in line with expectations; increased capacity leading to strong cash generation'

▼ Presentation team

Alan Sellers
Executive Chairman



Mark Bringloe
Chief Financial Officer



Introduction

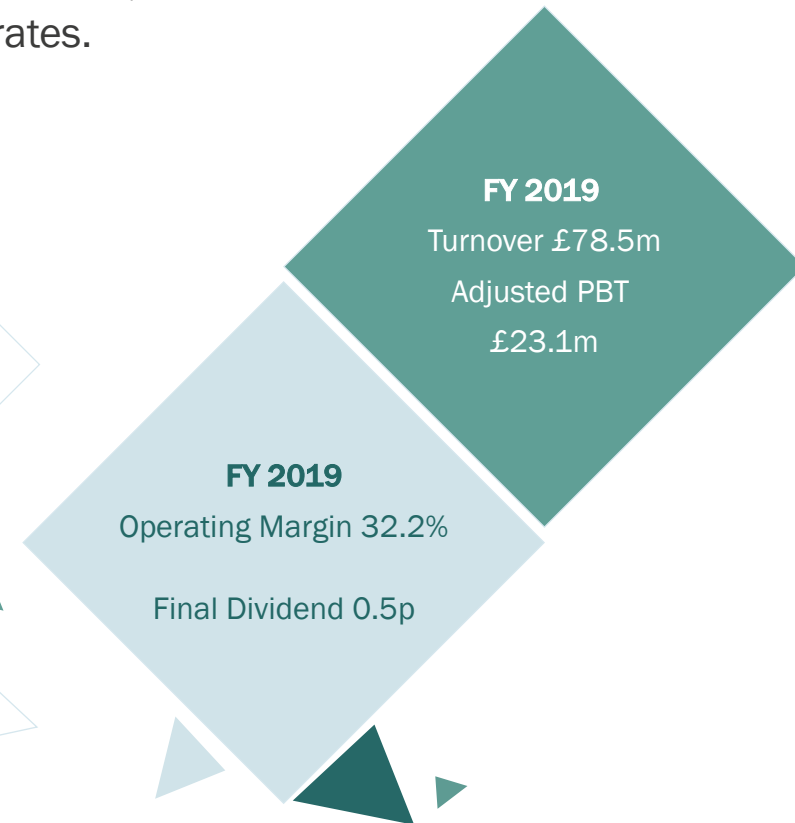
Record results as increased capacity leads to strong cash generation

Anexo is an integrated credit hire and legal services group which acts for the Non Fault Motorist, particularly ‘impecunious’ claimants, by providing replacement vehicles at commercial credit hire rates.



The Group uses its in-house litigators to recover **hire and repair charges** from the at-fault motorist’s insurers

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.



Financial Highlights FY 2019

- Revenue increased by 39% to £78.5 million (2018: £56.5 million)
- Operating profit reported at £24.6 million (2018: £15.4 million), an increase of 60%
- Adjusted¹ operating profit before exceptional items in line with market expectations, rising by 47% to £25.2 million (2018: £17.2 million)
- Adjusted¹ operating profit margin increased to 32.2% (2018: 30.4%)
- Profit before tax of £22.4 million (2018: £14.3 million), an increase of 57%
- Adjusted¹ profit before tax and exceptional items increased to £23.1 million, (2018: £16.1 million), an increase of 43%
- Adjusted² basic EPS at 17.0 pence (2018: 12.0 pence)
- Proposed final dividend of 0.5p per share giving a total dividend for the year of 1.5 pence per share (2018: 1.5 pence per share)
- Net assets reported at £91.7 million (2018: £75.8 million) representing an increase of 21%
- Significant reduction in net cash outflows from operating activities which reached £0.8 million in 2019 (2018: net cash outflow: £7.9 million)
- Net debt balance at 31 December 2019 was £27.7 million (31 December 2018: £17.3 million)

1. Adjusted operating profit and profit before tax: excludes the costs of Admission to AIM in 2018 and share-based payment charges in 2018 and 2019. A reconciliation to reported (IFRS) results is included in the Financial Review.
2. 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.

KPIs

for the twelve months ended 31 December 2019

	FY2019	FY 2018	Movement
Available fleet size	1,868	1,946	-4.0%
Utilisation (%)	73.8	77.5	-4.8%
Vehicles on hire at period end(no)	1,308	1,531	-14.6%
Average vehicles on hire for the period (no)	1,454	1,155	25.9%
Completed Vehicle Hires	7,182	5,215	37.7%
Hire Cases Settled	4,938	3,710	33.1%
Cash Collections from Settled Cases (£'000s)	84,140	58,100	44.8%
Legal staff employed at period end	442	267	65.5%
Senior fee earners at period end (no)	127	89	42.7%
Average number of senior fee earners	111	76	46.1%
New cases funded	6,959	5,930	17.4%

Source: Anexo Group plc – Historical Financial Information

Business Overview

Credit Hire Division

EDGE

- Established in 1996
 - complete solution for Non Fault Motorist
- Three key business units:
 - DAMS – Provision of car and light commercial vehicles;
 - McAMS – provision of motorcycles
 - CAMS – provision of bicycles
- National coverage via sales network
- Key route to market via c. 1150 local body shops and repairers

Legal Services Division

BOND ▾ TURNER

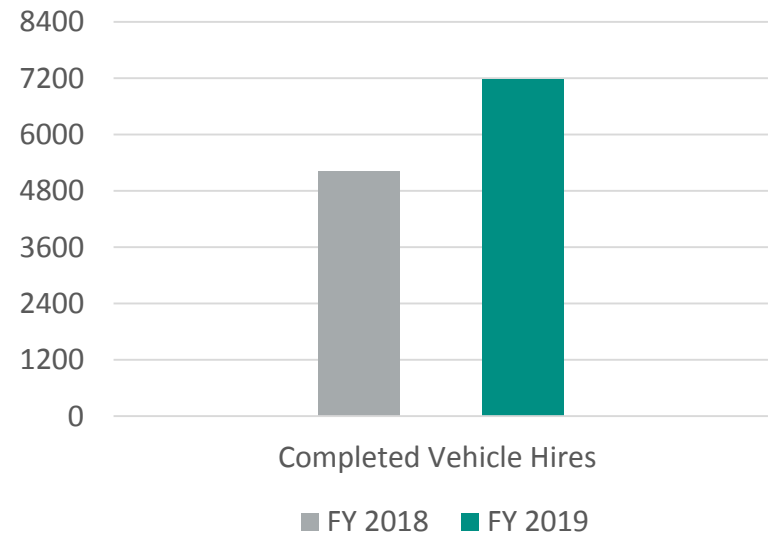
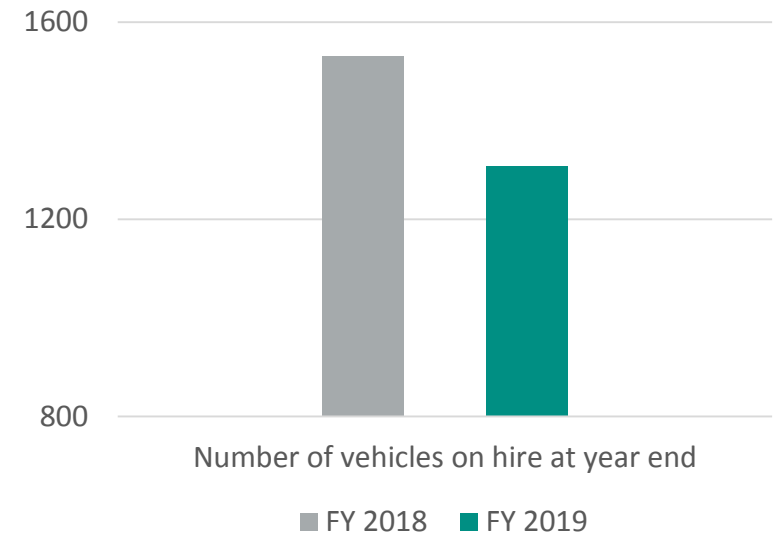
- Legal practice including:
 - Recovery of hire charges, repair from At Fault Insurer
 - PALS specialist reports
 - Personal Injury / IGCA
- Bond Turner acts on all claims generated by Edge
- Advocacy led by Alan Sellers

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

Credit Hire 2019



- Average number of vehicles on the road 1,454 at end 2019 (end 2018: 1,155), a 25.9% increase on the prior year
- Vehicles on hire at end 2019 down 14.6% at 1,308 (end 2018: 1,531)
- Fleet utilisation during FY 2019 averaged 73.8%
- Completed hires up 37.7% YOY to 7,182 (FY 2018: 5,215)



Credit Hire Now



- Fleet size as of April 2020: 865 cars/vans (606 available for hire) and 1,756 motorcycles (1,125 available for hire).
- Available fleet size down 7.3% from end FY 2018
- Motorcycles comprise 65% of total fleet
- Fleet numbers in line with Group strategy of focussing on cash generation



Legal Services 2019

BOND ▾ TURNER

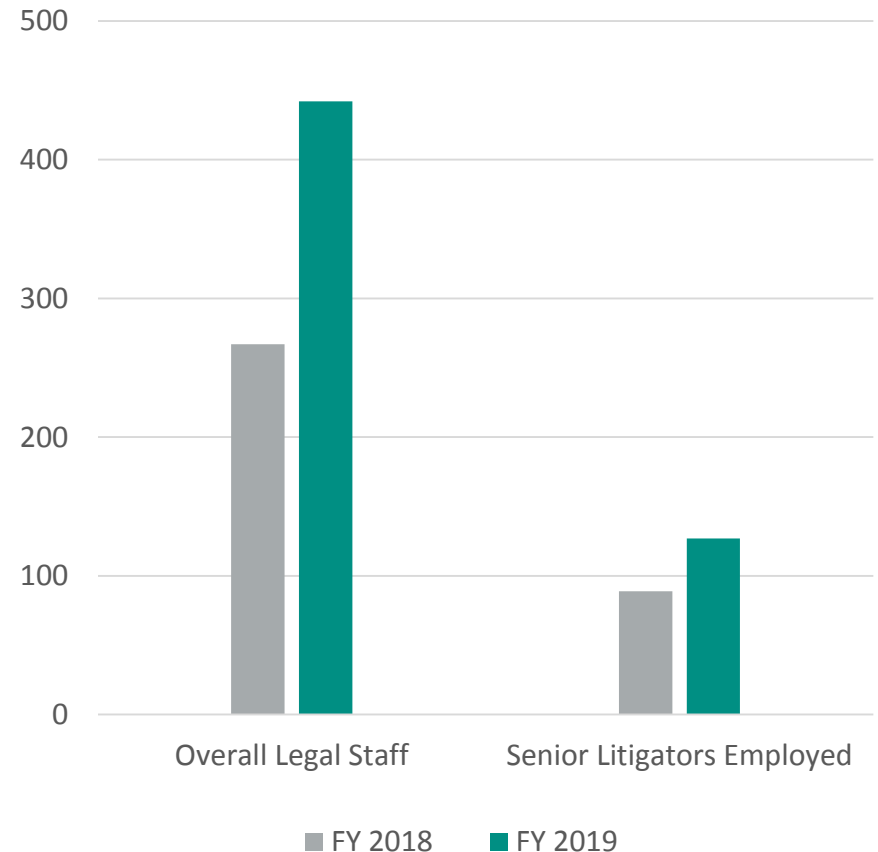
- New Bolton office achieved break even within four months
- Finalised lease of an additional floor of office space
- Number of new hire cases funded in FY 2019 increased by 17.4% to 6,959 (FY 2018: 5,930)
- Bond Turner settled 4,938 hire cases in FY 2019, a monthly average of 411
- Case settlements for FY 2019 increased by 33.1% (FY 2018: 3,710)
- Monthly cash collections in H2 2019 consistently exceeded H1



Legal Services 2019

BOND ▼ TURNER

- Senior litigators employed at end FY 2019 127 vs 89 end FY 2018
- Average number of senior fee earners in FY 2019 111 vs 76 in FY 2018 , an increase of 46.1%
- Expansion of in-house advocacy and specialist litigation team
- High profile cases include class action concerning historic abuse at Aston Hall psychiatric hospital



VW Emissions Case

- Anexo recently announced involvement in VW emissions class action
- High Court ruling that VW subverted key air pollution tests
- Previous settlements in overseas jurisdictions including the US, Germany, Australia and Brazil
- Bond Turner currently acting for c.8,000 confirmed clients
- Continuing to attract customers through Group records and social media
- Action being administered by specialist advocacy team distinct from normal claims division
- No guarantee of settlement amid ongoing legal proceedings
- A settlement would result in Bond Turner receiving a proportion of any damages awarded and legal costs
- Any settlement unlikely to contribute to earnings before FY 2021



Covid-19 Update

- Car rental is an “essential business” under government guidelines and EDGE has remained fully operational
- Initial decline in the number of overall accidents due to falls in traffic levels
- Business levels returning to normal as roads become busier
- Many of our customers are key workers and will still be on the road
- Possible lengthening of hire periods as a consequence of:
 - a) Delays in supply and fitting of spare parts
 - b) Disruption of repair schedules due to staff shortages and garage closures

- Courts have remained open for issuing of proceedings and hearings are proceeding via telephone or Skype
- Bond Turner remains fully operational with many staff working remotely
- Insurance companies and defendant solicitor counterparties also fully operational
- Significant case backlog of over 20,000 files underpins resilience of business model

Income Statement

for the year ended 31 December 2019

	FY 2019 (£000)	FY 2018 (£000)
Revenue	78,510	56,505
Cost of sales	(15,703)	(16,168)
Gross profit	62,807	40,337
Depreciation & loss on disposal	(2,327)	(1,574)
Depreciation on right of use assets	(4,220)	-
Amortisation	(35)	-
Administrative expenses before exceptional items	(30,975)	(21,594)
Operating profit before exceptional items	25,250	17,169
Share based payment charge	(657)	(384)
Non-recurring administrative expenses	-	(1,411)
Operating profit	24,593	15,374
Lease finance costs	(401)	-
Finance costs	(1,801)	(1,090)
Net financing expense	(2,202)	(1,090)
Profit before tax	22,391	14,284
Taxation	(4,403)	(2,879)
Profit and total comprehensive income for the year attributable to the owners of the company	17,988	11,405
Earnings per share		
Basic earnings per share (pence)	16.4	10.4
Diluted earnings per share (pence)	16.0	10.2

▼ Balance Sheet

for the year ended 31 December 2019

	FY 2019 (£000)	FY 2018 (£000)
Non-current assets		
Property, plant and equipment	3,673	3,270
Right of use assets	7,821	-
Intangible assets	175	-
	11,669	3,270
Current assets		
Trade and other receivables	127,768	101,445
Cash and cash equivalents	2,270	5,532
	130,038	106,977
Total assets	141,707	110,247
Equity and liabilities		
Equity		
Share capital	55	55
Share premium	9,235	9,235
Share based payments reserve	1,041	384
Retained earnings	81,365	66,127
Equity attributable to the owners of the Company	91,696	75,801
Non-current liabilities		
Other interest-bearing loans and borrowings	393	870
Lease liabilities	5,029	-
Deferred tax liabilities	32	-
	5,454	870
Current liabilities		
Bank overdraft	17,784	12,536
Other interest-bearing loans and borrowings	12,144	9,402
Lease liabilities	3,124	-
Trade and other payables	7,915	7,223
Corporation tax liability	3,590	4,415
	44,557	33,576
Total liabilities	50,011	34,446
Total equity and liabilities	141,707	110,247

▼ Cashflow

for the year ended 31 December 2019

	FY 2019 (£000)	FY 2018 (£000)
Cash flows from operating activities		
Profit for the year	17,988	11,405
Adjustments for:		
Depreciation and loss on disposal	6,547	1,574
Amortisation	35	-
Financial expense	2,202	1,090
Taxation	4,403	2,879
	31,175	16,948
Working capital adjustments		
(Increase)/decrease in trade and other receivables	(26,294)	(20,871)
(Decrease)/increase in trade and other payables	1,351	1,828
Cash generated from operations	6,232	(2,095)
Interest paid	(1,797)	(1,090)
Tax paid	(5,230)	(4,738)
Net cash from operating activities	(795)	(7,923)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	374	170
Acquisition of property, plant and equipment	(3,104)	(3,493)
Investment in intangible fixed assets	(210)	-
Net cash from investing activities	(2,940)	(3,323)
Cash flows from financing activities		
Net proceeds from the issue of share capital	-	9,235
Proceeds from new loan	13,107	4,016
Repayment of borrowings	(10,920)	(1,931)
Payment of finance lease liabilities	(2,225)	(1,362)
Lease payments	(4,289)	-
New finance lease arrangements	2,302	2,590
Dividends paid	(2,750)	(820)
Net cash from financing activities	(4,775)	11,728
Net increase/(decrease) in cash and cash equivalents	(8,510)	482
Cash and cash equivalents at 1 January	(7,004)	(7,486)
Cash and cash equivalents at 31 December	(15,514)	(7,004)



Current Trading

- Net cash generative for first four months of 2020
- Group has a strong balance sheet with conservative gearing and sufficient headroom within its funding facilities
- Continuing recruitment within Legal Services including opening of new office in Leeds
- Further fleet investment to reposition fleet numbers towards end 2018 levels
- Expand advocacy and specialist litigation team with specific emphasis on attracting more claimants in the VW emissions case
- Opportunities for acquisition of distressed case books

Strong Balance Sheet

- Raised £7.5m through issue of 6.0 million new shares at 125p in May 2020
- Ample headroom within existing facilities
- New £2.1m lending facility to help finance VW emissions campaign
- Approval from Secure Trust for a further £5.0m loan backed by the government's CBILS scheme



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Appendices

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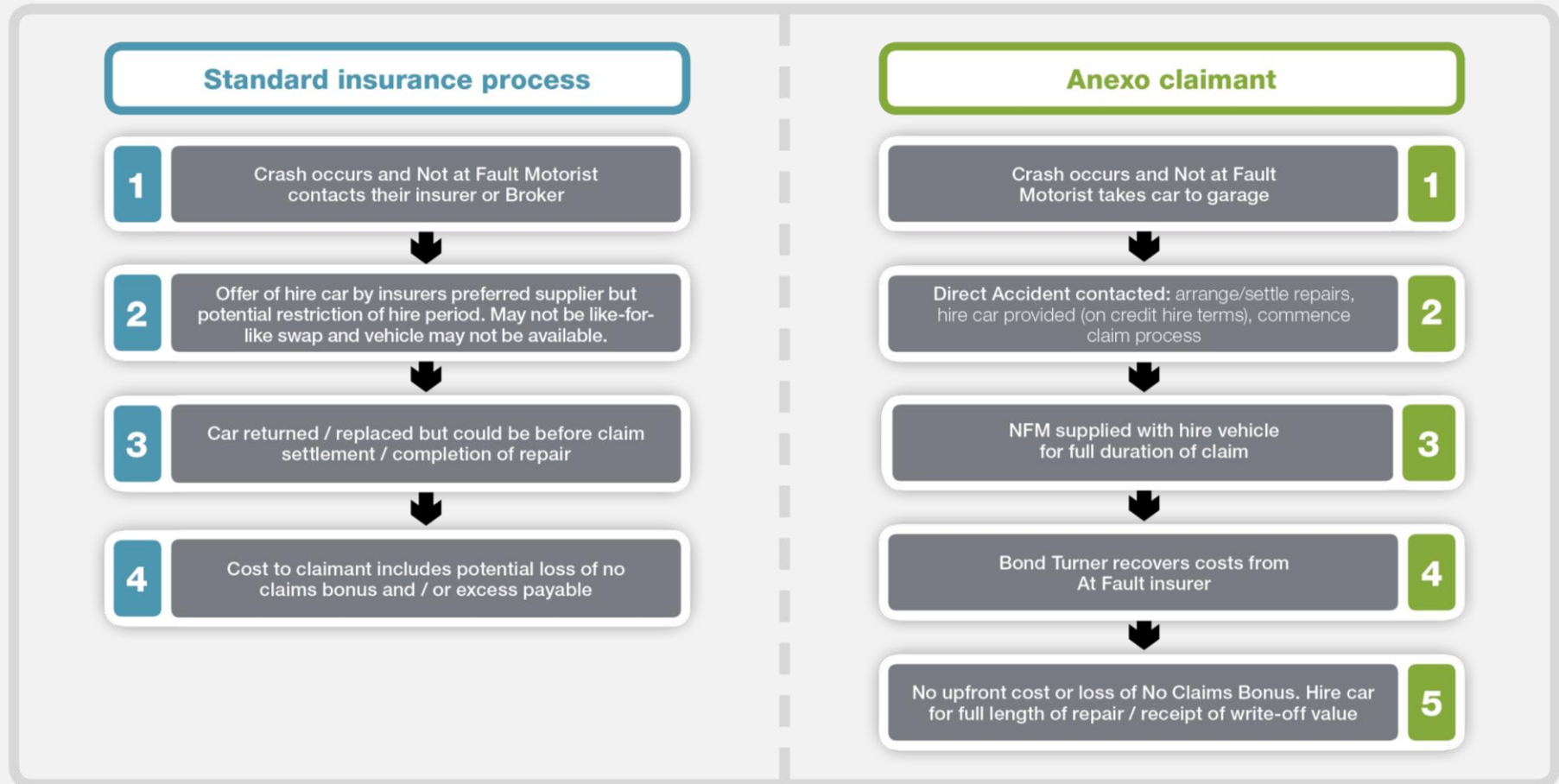
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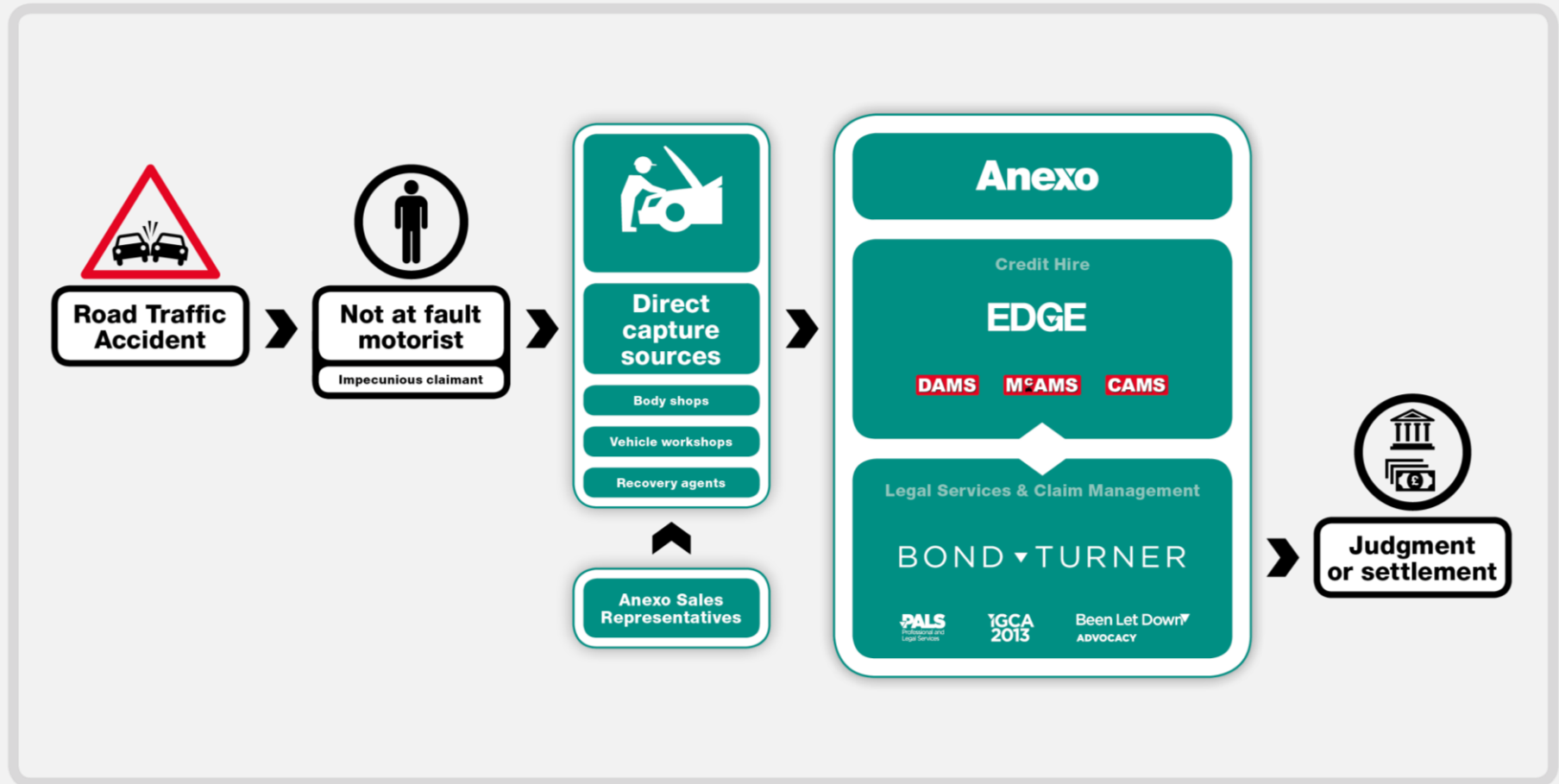
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Two Different Insurance Processes



Anexo: The Direct Capture Model



Market Opportunity

**No. of Motor Vehicles
on the Road**



38.7 million¹

(Ministry of Transport)

**Total Road
Traffic Accidents**



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 End 2019

² PI Claims reported to the police (March 2018)

▼ Anexo's 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
- Vast majority of cases settle before court appearance



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