



# Anexo

## Interim Results - September 2019

‘Successful investment in Legal Services driving case settlement and cash collection’

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# Introduction

Successful investment in Legal Services driving case settlement and cash collection

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.

**FY 2018**  
Turnover £56.5m,  
Profit Before Tax  
£16.1m and 30.4%  
operating margin

**H1 2019**  
Turnover £36.7m,  
Profit Before Tax  
£11.0m and 32.2%  
operating margin

# Financial Highlights

For the six months ended June 30 2019

Strong set of results with all key financial metrics ahead of the comparative period last year

	H1 2019	H1 2018	Movement
Revenue	£36.7m	£23.6m	+55.5%
Adjusted operating profit <sup>1</sup>	£11.8m	£7.3m	+61.8%
Adjusted profit before tax <sup>1</sup>	£11.0m	£6.8m	+62.6%
Net assets	£82.9m	£68.6m	+20.8%
Cash collection	£36.6m	£28.2m	+29.8%
Basic EPS	7.6p	4.1p	+85.4%

- Adjusted<sup>1</sup> operating profit margin increased to 32.2% (H1 2018: 30.9%)
- Net cash outflow from operating activities<sup>2</sup> to fund growth of £3.3m (H1 2018: net cash inflow £0.5m)
- Proposed interim dividend of 1.0p per share (H1 2018: Nil)
- Net debt balance at 30 June 2019 stood at £23.4m (30 June 2018: net debt post listing of £2.4m)
- Post period end, Anexo successfully renegotiated its working capital facilities, securing considerable improvements in its financing arrangements, and agreed new terms with fleet insurance providers to deliver enhanced savings in remainder of FY 2019 and FY2020
- Anexo on track to meet FY 2019 market expectations of adjusted profit before tax of £23.0m

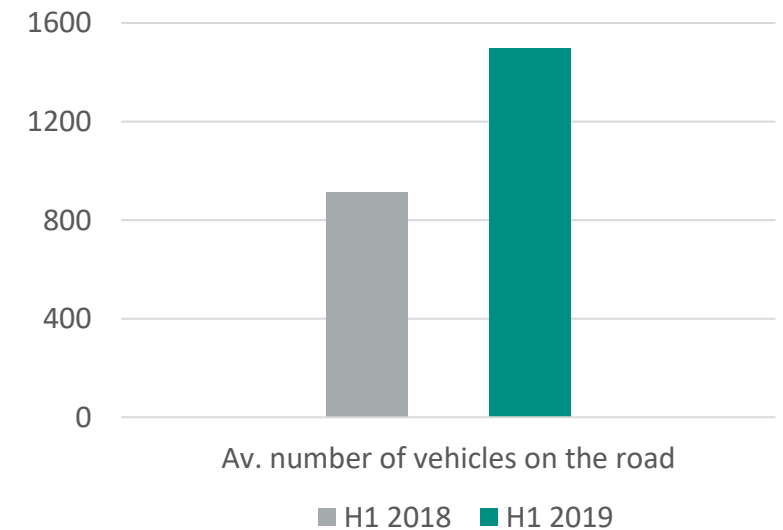
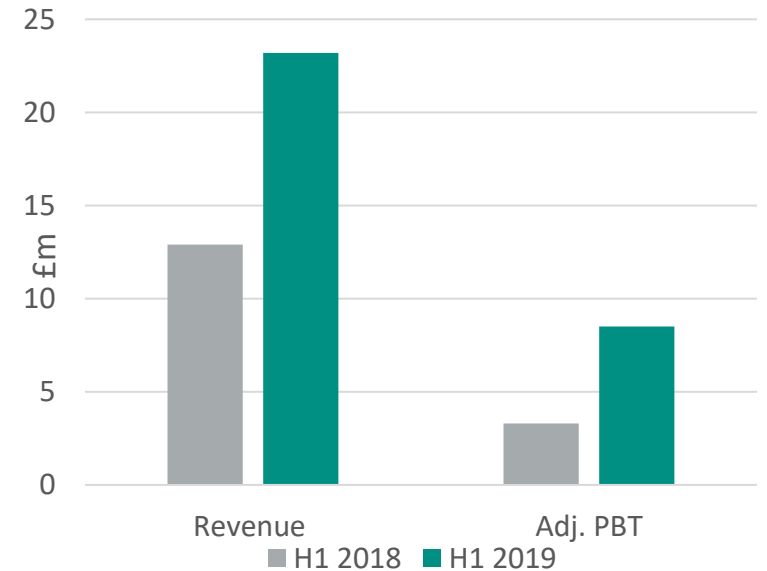
<sup>1</sup> Adjusted results exclude certain expenses incurred as part of the AIM listing, share based payments and the transition to IFRS 16 – Leases

<sup>2</sup> Cash flows from operations exclude movements in Directors' loans and the impact of IFRS 16

# Credit Hire



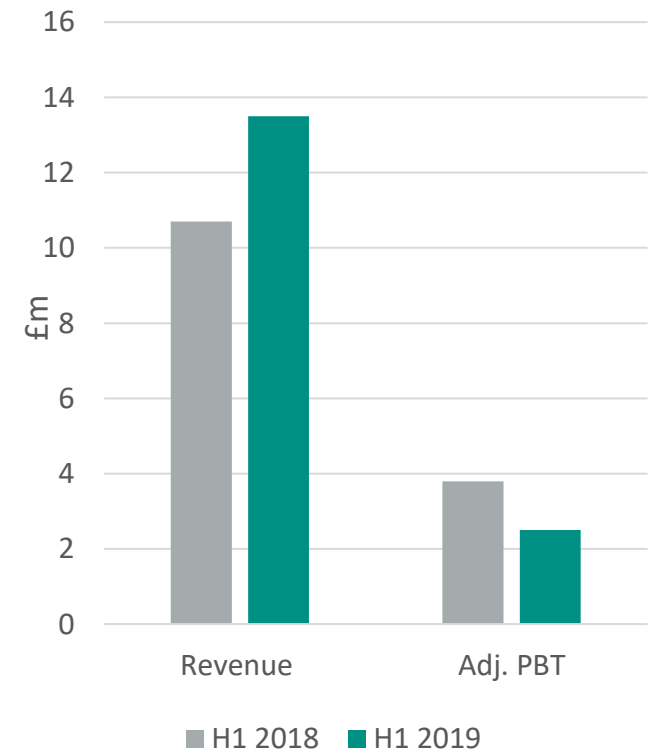
- Average number of vehicles on the road reached 1,496 in H1 2019 (H1 2018: 912), a 64.0% increase on the prior year
- Board taken decision to retain number of vehicles on road at year end levels to concentrate on expansion of litigation team and increased cash collection
- As a result, revenue growth of 80.3%, rising from £12.9m in H1 2018 to £23.2m in H1 2019
- PBT rising by 152% to £8.3m (H1 2018: £3.3m)
- Fleet expansion has been more measured to optimise margin and cash collections
- Fleet size now 979 cars/vans (706 available for hire) and 1,938 motorcycles (1,198 available for hire)



# Legal Services

## BOND ▼ TURNER

- New Bolton office achieved break even within four months
- Bolton headcount increased to 63 as of June 30 2019, of which 28 were experienced litigators. A further 10 joining shortly
- Number of new hire cases increased by 31.1% to 3,392 (H1 2018: 2,588)
- Bond Turner settled 2066 hire cases in H1 2019, a monthly average of 344.
- Revenues for the Legal Services Division up 26.2% to £13.5m in H1 2019 (H1 2018: £10.7m)
- Cash collections in July 2019 a new monthly record for the Group
- PBT of £2.3m (H1 2018: £3.8m), reflecting costs of new office and recruitment
- Finalised lease of an additional floor of office space

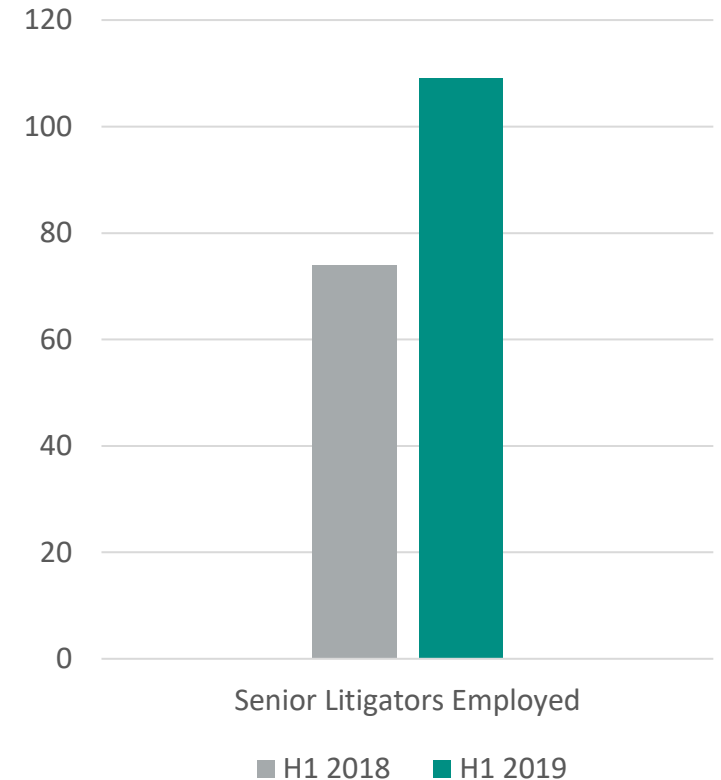




# Legal Services

## BOND ▼ TURNER

- Senior litigators employed at period end 109 vs 74 end H1 FY2018
- As previously outlined at the time of the Group's AIM IPO, Bond Turner also operates an in-house advocacy and specialist litigation team
- High profile cases include class action concerning historic abuse at Aston Hall psychiatric hospital



# KPIs

## for the six months ended 30 June 2019

	H1 2019	H1 2018	Movement
Available fleet size	<b>2,864</b>	2,293	+24.9%
Utilisation (%)	<b>74</b>	76	-3.0%
Vehicles on hire at period end(no)	<b>1,571</b>	1,240	+26.7%
Average vehicles on hire for the period (no)	<b>1,496</b>	912	+64.0%
Completed Vehicle Hires	<b>3,363</b>	2,146	+56.7%
Hire Cases Settled	<b>2,066</b>	1,730	+19.4%
Cash Collections from Settled Cases (£'000s)	<b>36,628</b>	28,230	+29.7%
Legal staff employed at period end	<b>344</b>	215	+60.0%
Senior fee earners at period end (no)	<b>109</b>	74	+47.3%
Average number of senior fee earners	<b>98</b>	71	+38.0%
New cases funded	<b>3,392</b>	2,588	+31.1%

Source: Anexo Group plc – Historical Financial Information



# ▼ Outlook

- Board remains positive on the outlook for the remainder of FY 2019
- Confident in decision to hold the number of vehicles on the road steady in order to focus on expansion in Legal Services
- Recruitment within Legal Services continues to progress better than anticipated. The Board is considering options for additional locations for further investment opportunities
- The Board intends to expand advocacy and specialist litigation team in H2 2019 and FY 2020 and is exploring opportunities to secure new business in all areas of compensation claims through both targeted recruitment and digital marketing and direct capture
- The Board will continue to review strategy to ensure Anexo continues to leverage its case book and to realise the potential of the investment as a significant cash generating asset
- Group remains extremely well positioned to grow its market share and take advantage of the opportunities available to it

# Income Statement

for the six months ended 30 June 2019

	HY 2019 (£000)	HY 2018 (£000)
Revenue	36,717	23,588
Cost of sales	(7,225)	(6,880)
<b>Gross profit</b>	<b>29,492</b>	<b>16,708</b>
Depreciation & loss on disposal	(1,192)	(606)
Depreciation on right of use assets	(2,849)	-
Administrative expenses before exceptional items	(13,638)	(8,801)
<b>Operating profit before exceptional items</b>	<b>11,813</b>	<b>7,301</b>
Share based payment charge	(329)	-
Non-recurring administrative expenses	-	(1,438)
<b>Operating profit</b>	<b>11,484</b>	<b>5,863</b>
Finance income	-	-
Finance costs	(762)	(525)
Lease finance costs	(292)	-
Net financing expense	(1,054)	(525)
<b>Profit before tax</b>	<b>10,430</b>	<b>5,338</b>
Taxation	(2,045)	(790)
<b>Profit and total comprehensive income for the year attributable to the owners of the company</b>	<b>8,385</b>	<b>4,548</b>
<b>Earnings per share</b>		
Basic earnings per share (pence)	7.6	4.1
Diluted earnings per share (pence)	7.4	4.1

# Balance Sheet

for the six months ended 30 June 2019

	HY 2019 (£000)	HY 2018 (£000)
<b>Non-current assets</b>		
Property, plant and equipment	3,233	1,918
Right-of-use asset	9,815	-
	<b>13,048</b>	<b>1,918</b>
<b>Current Assets</b>		
Trade and other receivables	116,841	81,174
Cash and cash equivalents	491	11,121
	<b>117,332</b>	<b>92,295</b>
<b>Total assets</b>	<b>130,380</b>	<b>94,213</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	55	55
Share premium	9,235	9,310
Share based payments reserve	713	-
Retained earnings	72,862	59,191
<b>Equity attributable to the owners of the Group</b>	<b>82,865</b>	<b>68,556</b>
<b>Non-current liabilities</b>		
Other interest-bearing loans and borrowings	-	5,566
Lease Liability	5,150	-
Deferred tax liabilities	20	20
	<b>5,170</b>	<b>5,586</b>
<b>Current liabilities</b>		
Bank overdraft	14,532	5,080
Other interest-bearing loans and borrowings	9,382	2,835
Lease Liabilities	4,927	-
Trade and other payables	9,118	6,439
Corporation tax liability	4,386	5,717
	<b>42,345</b>	<b>20,071</b>
<b>Total liabilities</b>	<b>47,515</b>	<b>25,657</b>
<b>Total equity and liabilities</b>	<b>130,380</b>	<b>94,213</b>

# Cashflow

for the six months ended 30 June 2019

	HY 2019 (£000)	HY 2018 (£000)
<b>Cash flows from operating activities</b>		
Profit for the period / year	8,385	4,548
Adjustments for:		
Depreciation and loss on disposal	4,041	606
Financial expense	1,054	525
Taxation	2,045	795
	<b>15,525</b>	<b>6,474</b>
<b>Working capital adjustments</b>		
(Increase)/ decrease in trade and other receivables	(15,211)	(1,012)
(Decrease)/increase in trade and other payables	2,225	1,581
Cash generated from operations	<b>2,539</b>	<b>7,043</b>
Interest paid	(762)	(525)
Tax paid	(2,240)	(1,013)
Net cash from operating activities	<b>(463)</b>	<b>5,505</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	195	104
Acquisition of property, plant and equipment	(1,349)	(1,107)
Net cash from investing activities	<b>(1,154)</b>	<b>(1,003)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from the issue of share capital	-	9,325
Proceeds from new loan	-	609
Dividends	(1,650)	(1,015)
Repayment of borrowings	(210)	(81)
Lease Payments	(2,879)	-
Payment of finance lease liabilities	(681)	(524)
New finance lease arrangements	-	712
Net cash from financing activities	<b>(5,420)</b>	<b>9,026</b>
Net increase in cash and cash equivalents	<b>(7,037)</b>	<b>13,528</b>
<b>Cash and cash equivalents at 1 January</b>	<b>(7,004)</b>	<b>(7,486)</b>
<b>Cash and cash equivalents at period end</b>	<b>(14,041)</b>	<b>6,042</b>



# Anexo

## Appendices

# Business Overview

## Credit Hire Division

### EDGE

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

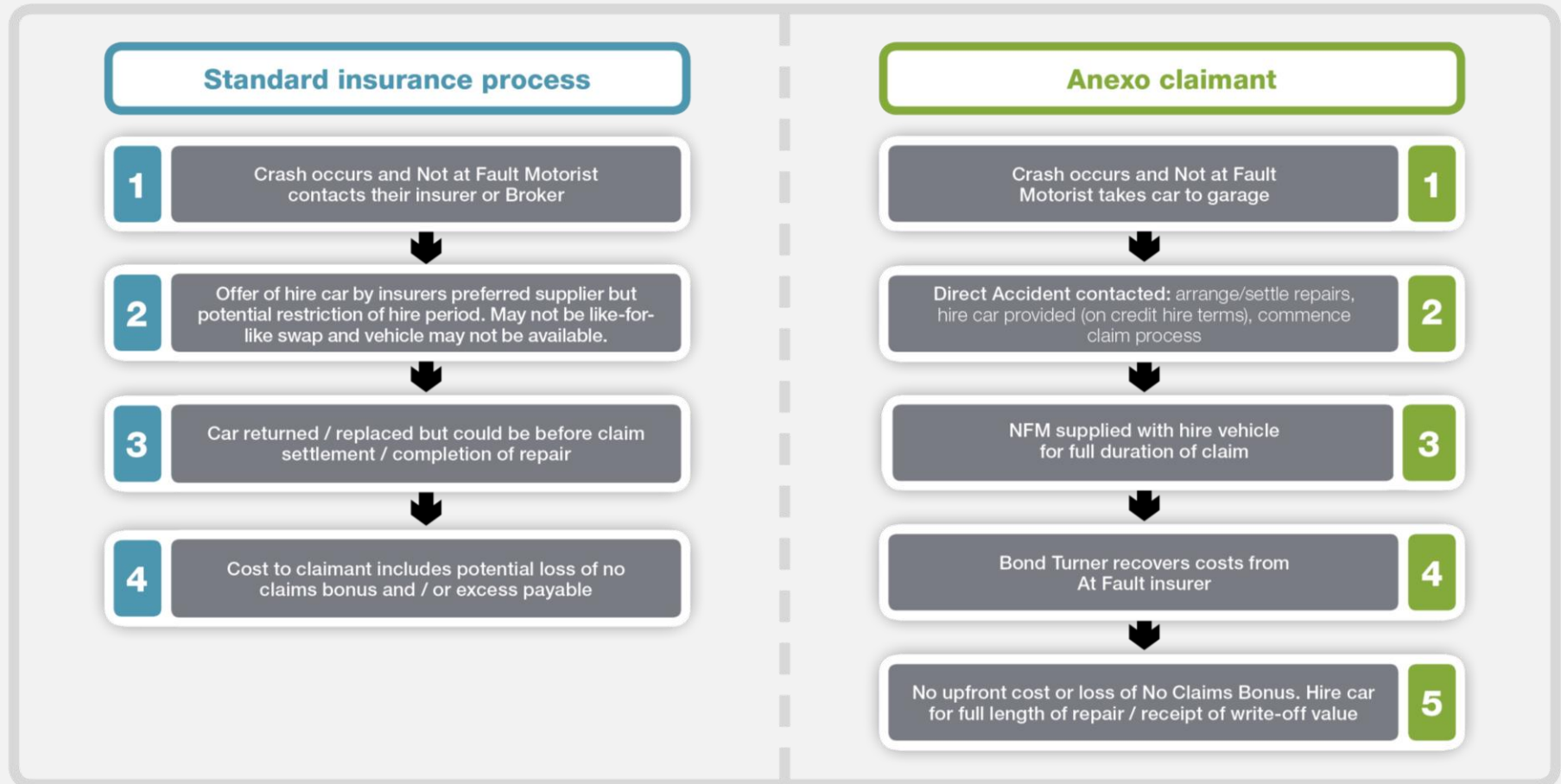
## Legal Services Division

### BOND • TURNER

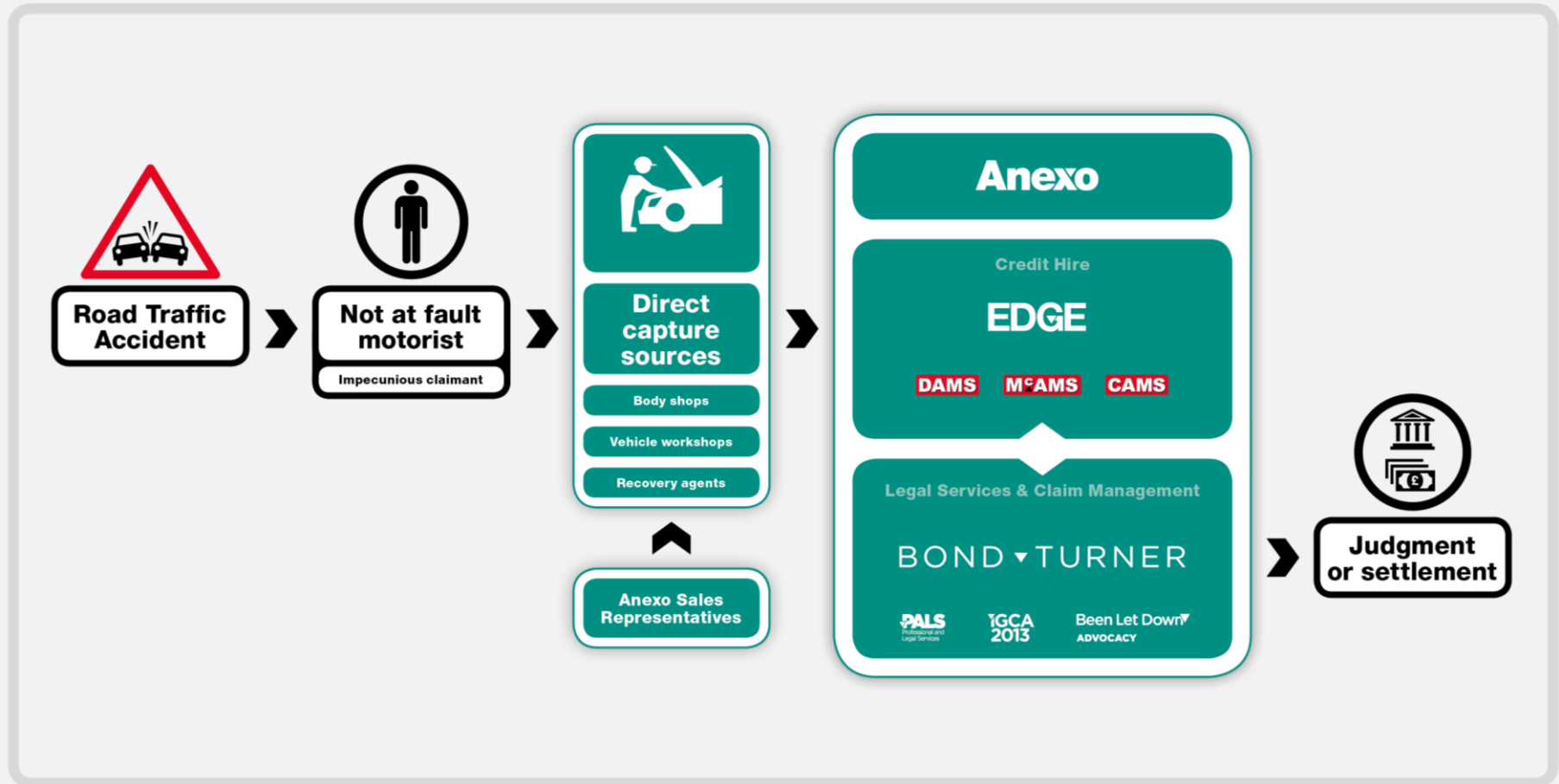
- Legal practice including:
  - Recovery of hire charges, repair from At Fault Insurer
  - PALS specialist reports
  - Personal Injury / IGCA
- Bond Turner acts on all claims generated by Edge
- Advocacy led by Alan Sellers

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

# Two Different Insurance Processes



# Anexo: The Direct Capture Model





# ▼ 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
- 98.5% of cases settle before court appearance



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