



Anexo

Interim Results – August 2020

“Increased cash collections lead to milestone of net cash generation”



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Presentation team

Alan Sellers

Executive Chairman



Mark Bringloe

Chief Financial Officer



Interim Results 2020

Increased cash collections lead to milestone of net 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
underpinned by UK case law that has affirmed the impecunious claimants' legal right to recover credit hire costs.

H1 2020
Turnover £36.6m,
PBT £6.7m

Target achieved
of net cash
generation
throughout the
period

▼ 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

Financial Highlights

For the six months ended 30 June 2020

	H1 2020	H1 2019	Movement
Revenue	£36.6m	£36.7m	-0.3%
Adjusted operating profit ¹	£7.8m	£11.8m	-33.9%
Adjusted profit before tax ^{1,2}	£6.7m	£10.8m	-38.0%
Net assets	£103.9m	£82.9m	+25.4%
Cash collection	£48.0m	£36.6m	+30.9%
Basic EPS	4.5p	7.6p	-40.7%

- Net cash inflow from operating activities of £6.2 million (H1 2019: net cash inflow £2.5 million)
- Overall net cash inflow (excluding the recent fundraise) of £2.4 million (H1 2019: net cash outflow £7.0 million)
- Significant reduction in cash absorbed into working capital reducing from £13.0 million in H1 2019 to £4.5 million in H1 2020, supporting the cash generative nature of the Group during the period
- Overall reduction of £4.0 million in adjusted operating profit, largely as a result of investment in staff to drive settlements and cash receipts in FY 2021 (£2.6 million), investment in the VW case acquisition (£0.7 million) and office and IT associated with the headcount increase (£0.5 million)
- Proposed interim dividend of 0.5p per share (H1 2019: 1 penny per share)
- Net debt balance at 30 June 2020 stood at £19.6 million (30 June 2019: net debt of £23.4 million)

¹ Adjusted results exclude share based payments.

² After expenditure of £4.0m on staff expansion, VW case acquisition and associated costs



Operational Highlights

For the six months ended 30 June 2020

- Anexo has attained its target of net cash generation throughout the period in line with the strategy set out at IPO
- Strengthened balance sheet:
 - Placing in May 2020 to raise £7.0 million
 - Raised additional £2.1 million from a litigation funder for additional investment in VW emissions case without detracting from core business
 - Capital base further increased with £5.0 million drawn from the Governments CBILS scheme in July 2020
- COVID-19 serves to amplify how a downturn in revenue growth leads directly to increased cash generation
- Number of vehicles on the road declined markedly in March and April. Now ahead of internal targets and currently standing at 1,575 vehicles
- Decrease in cash receipts and fee income in Legal Services division due to reduced settlement activities across the chain
- Anexo expects a return to previous efficiencies and increases in settlements and cash collections in H2 2020

KPIs

for the six months ended 30 June 2020

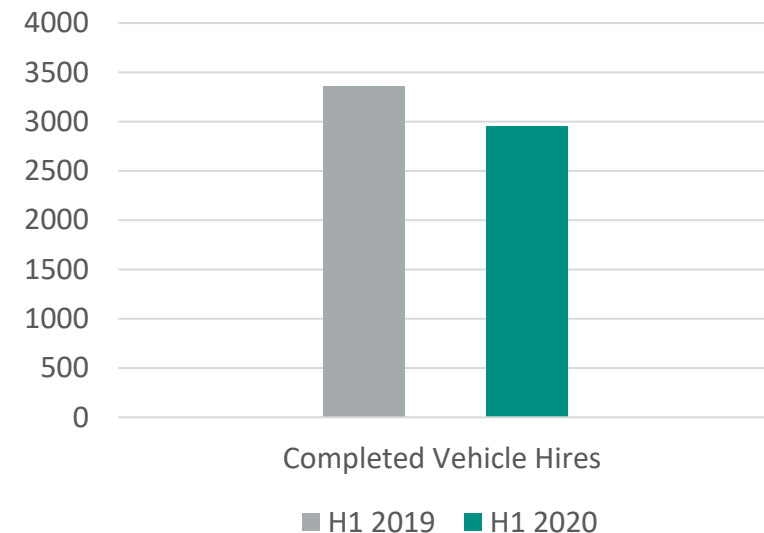
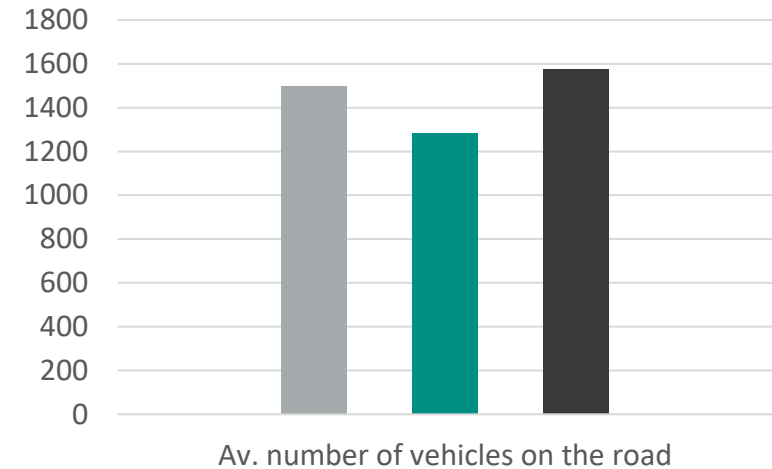
	H1 2020	H1 2019	Movement
Vehicles on hire at period end(no)	1,380	1,571	-12.2%
Average vehicles on hire for the period (no)	1,286	1,496	-14.0%
Completed Vehicle Hires	2,953	3,363	-12.2%
Hire Cases Settled	2,622	2,066	+26.9%
Cash Collections from Settled Cases (£'000s)	47,961	36,628	+30.9%
Legal staff employed at period end	450	344	30.8%
Senior fee earners at period end (no)	137	109	25.7%
Average number of senior fee earners	134	98	36.7%
New cases funded	3,025	3,392	-10.8%

Source: Anexo Group plc – Historical Financial Information

Credit Hire H1 2020



- Impact of the COVID-19 pandemic particularly apparent between H2 2019 (completed hires: 3,819) and H1 2020 (completed hires: 2,953), a decline of 22.7%
- Revenues declining by 10.7% to £20.7 million in H1 2020 (H1 2019: £23.2 million; profit before tax declining from £8.3 million in H1 2019 to £6.8 million in H1 2020)
- Average number of vehicles on the road declined by 14.0% period to period to 1,286 in H1 2020 (H1 2019: 1,496)
- Total vehicles on road end H1 2020 1,380
- Total vehicles on road increased to 1,575 as at 12 August 2020





Credit Hire Now

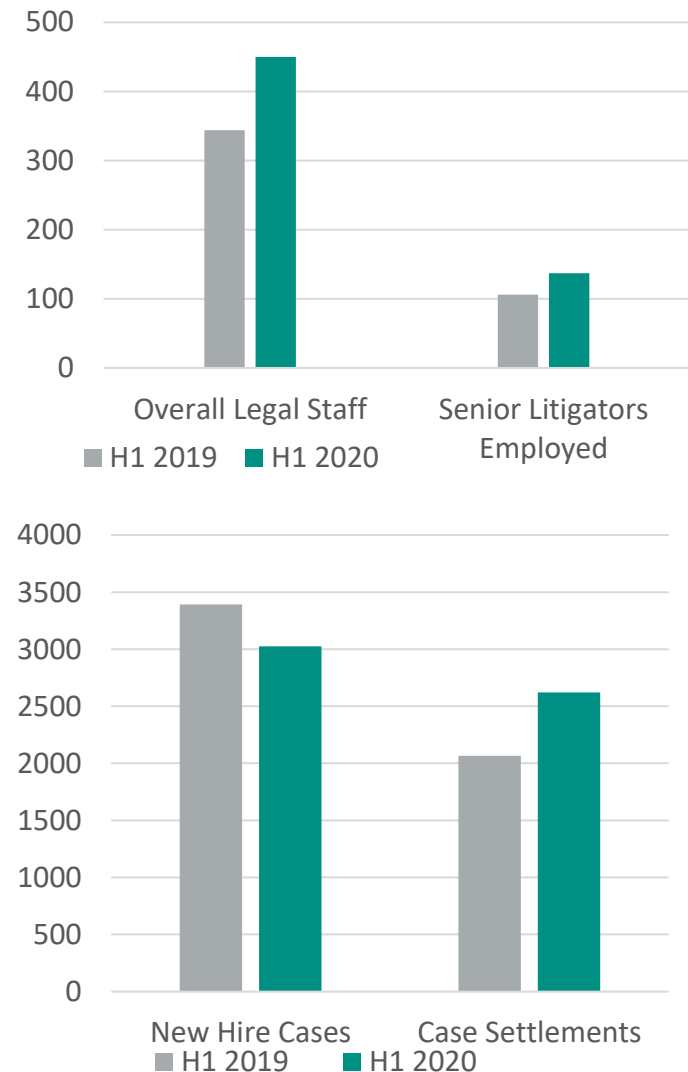
EDGE

- Number of vehicles on the road exceeding Group's own post COVID-19 expectations
 - Reflects strong market position and increased market share due to a number of competitors reducing or ceasing activity in the sector
- Particularly high activity levels for McAMS, the Group's motorcycle accident management business due to growth in the courier market
- Continued careful management of growth to focus investment on increasing settlement capacity within the Legal Services division
- The “two lever” nature of the business enables management to control fleet numbers and thereby simultaneously influence cash collection
- CAMS, the Group bicycle accident management business, is seeing an increase in activity due to record sales of bicycles in the UK

Legal Services H1 2020

BOND ▾ TURNER

- Revenues increased 17.8% to £15.9 million in H1 2020 (H1 2019: £13.5 million)
- Cash collections increased by £11.3 million (30.9%) between H1 2019 and H1 2020, rising to £48.0 million from £36.6 million
- Profit before taxation declined to £0.9 million (H1 2019: £2.3 million) as a result of investment in second floor of Bolton office and increased staffing costs
- Number of senior fee earners rose from 106 (end H1 2019) to 127 (end FY 2019) and now stands at 137 at the end of H1 2020
- Continue to plan for Leeds office opening in FY 2020



VW Emissions Case

- Anexo continues involvement in VW emissions class action through Legal Services division, Bond Turner, with over 10,700 actively engaged cases
- High Court ruling that VW subverted key air pollution tests
- In August 2020 High Court refused VW leave to appeal against judgment of liability
- Previous settlements in overseas jurisdictions including the US, Germany, Australia and Brazil
- Attracting customers through social media and Group records
- Group has established new terms for marketing campaign to reduce acquisition costs
- Action being administered by specialist advocacy team separated from normal claims division
- No guarantee of settlement amid ongoing legal proceedings
- Any settlement would result in Bond Turner receiving a proportion of any damages awarded and legal costs

Income Statement

for the six months ended 30 June 2020

	H1 2020 (£000)	H1 2019 (£000)
Revenue	36,625	36,717
Cost of sales	(7,560)	(7,225)
Gross profit	29,065	29,492
Depreciation & loss on disposal	(1,122)	(1,192)
Depreciation on right of use assets	(2,041)	(2,849)
Amortisation	(44)	-
Administrative expenses before exceptional items	(18,044)	(13,638)
Operating profit before exceptional items	7,814	11,813
Share based payment charge	(329)	(329)
Non-recurring administrative expenses	-	-
Operating profit	7,485	11,484
Finance income	-	-
Finance costs	(965)	(762)
Lease finance costs	(176)	(292)
Net financing expense	(1,141)	(1,054)
Profit before tax	6,344	10,430
Taxation	(1,374)	(2,045)
Profit and total comprehensive income for the year attributable to the owners of the company	4,970	8,385
Earnings per share		
Basic earnings per share (pence)	4.5	7.6
Diluted earnings per share (pence)	4.4	7.4

▼ Balance Sheet

for the six months ended 30 June 2020

	H1 2020 (£000)	H1 2019 (£000)
Non-current assets		
Property, plant and equipment	4,056	3,233
Right-of-use asset	7,129	9,815
Intangible assets	191	-
	11,376	13,048
Current Assets		
Trade and other receivables	132,379	116,841
Cash and cash equivalents	11,211	491
	143,590	117,332
Total assets	154,966	130,380
Equity and liabilities		
Equity		
Share capital	58	55
Share premium	16,180	9,235
Share based payments reserve	1,370	713
Retained earnings	86,334	72,862
Equity attributable to the owners of the Group	103,942	82,865
Non-current liabilities		
Other interest-bearing loans and borrowings	2,712	-
Lease Liability	4,885	5,150
Deferred tax liabilities	-	20
	7,597	5,170
Current liabilities		
Bank overdraft	17,320	14,532
Other interest-bearing loans and borrowings	10,813	9,382
Lease Liabilities	2,599	4,927
Trade and other payables	7,726	9,118
Corporation tax liability	4,969	4,386
	43,427	42,345
Total liabilities	51,024	47,515
Total equity and liabilities	154,966	130,380

Cashflow

for the six months ended 30 June 2020

	H1 2020 (£000)	H1 2019 (£000)
Cash flows from operating activities		
Profit for the period / year	4,970	8,385
Adjustments for:		
Depreciation and loss on disposal	3,163	4,041
Amortisation	44	-
Financial expense	1,141	1,054
Taxation	1,374	2,045
	10,692	15,525
Working capital adjustments		
(Increase)/ decrease in trade and other receivables	(4,611)	(15,211)
(Decrease)/increase in trade and other payables	137	2,225
Cash generated from operations	6,218	2,539
Interest paid	(965)	(762)
Tax paid	(27)	(2,240)
Net cash from operating activities	5,226	(463)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	476	195
Acquisition of property, plant and equipment	(1,981)	(1,349)
Investment in intangible fixed assets	(59)	-
Net cash from investing activities	(1,564)	(1,154)
Cash flows from financing activities		
Net proceeds from the issue of share capital	6,947	-
Proceeds from new loan	3,324	-
Dividends	-	(1,650)
Repayment of borrowings	(2,706)	(210)
Lease Payments	(2,193)	(2,879)
Payment of finance lease liabilities	(1,098)	(681)
New finance lease arrangements	1,469	-
Net cash from financing activities	(5,743)	(5,420)
Net increase in cash and cash equivalents	(9,405)	(7,037)
Cash and cash equivalents at 1 January	(15,514)	(7,004)
Cash and cash equivalents at period end	(6,109)	(14,041)

▼ Outlook for FY 2020

- The Board expects the core credit hire and legal services business to continue to be cash generative in H2 2020
- Activity levels in Credit Hire division returning to normal
- Recruitment within Legal Services continues with new office in Leeds expected to open in FY 2020
- Anexo expects earnings to recover strongly in H2 2020
- Strong financial position following:
 - Fundraise of £7.0 million in May alongside
 - £2.1 million secured for VW emissions case
 - £5.0 million drawn from Secure Trust Bank Plc in July 2020, under the Government backed CBILS scheme
- Many competitors seeking exit from the market
- Group remains extremely well positioned to grow existing market share and take advantage of new opportunities



Anexo

Appendices

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
- Key route to market via local body shops and repairers

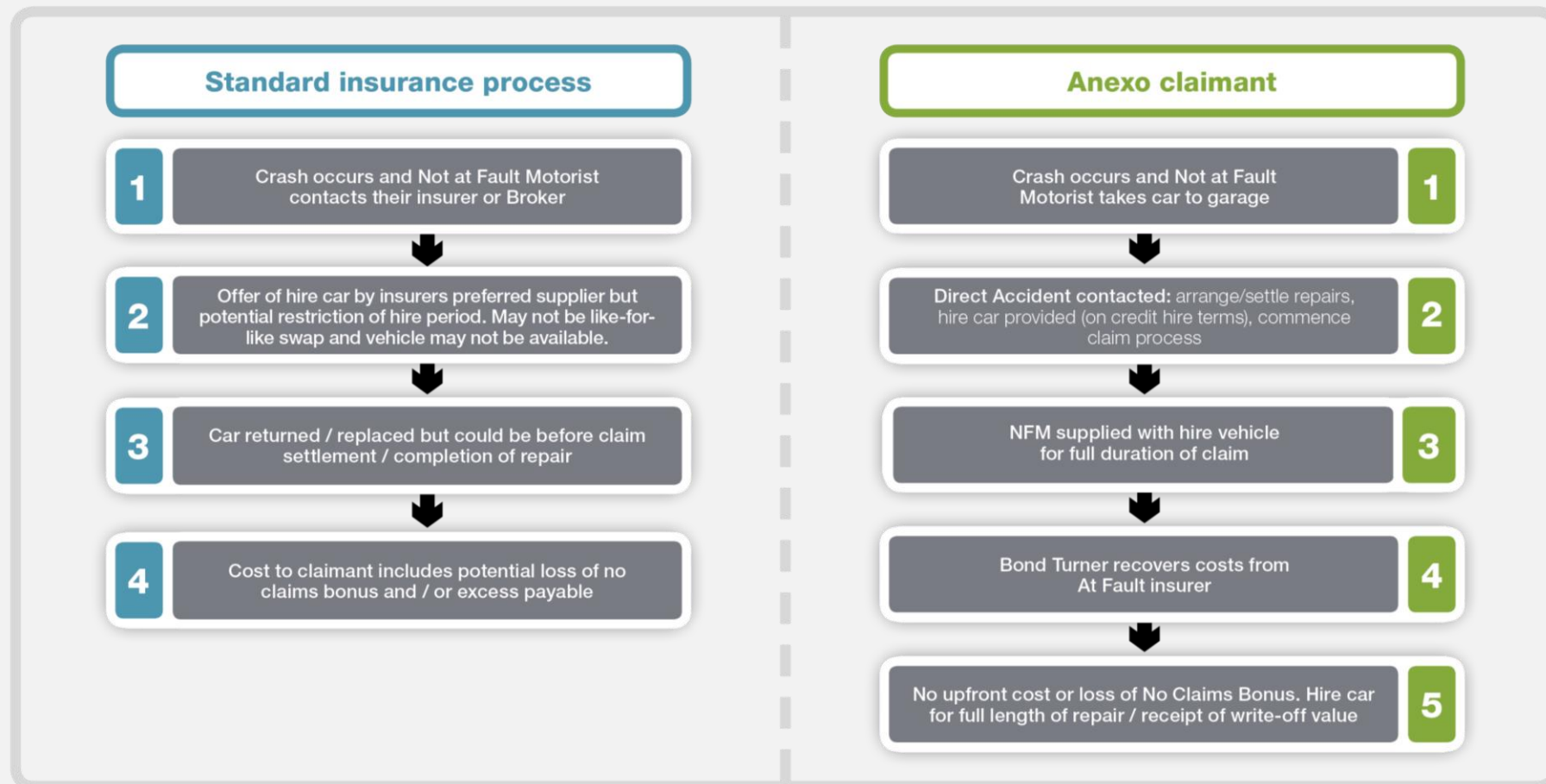
Legal Services Division

BOND ▼ TURNER

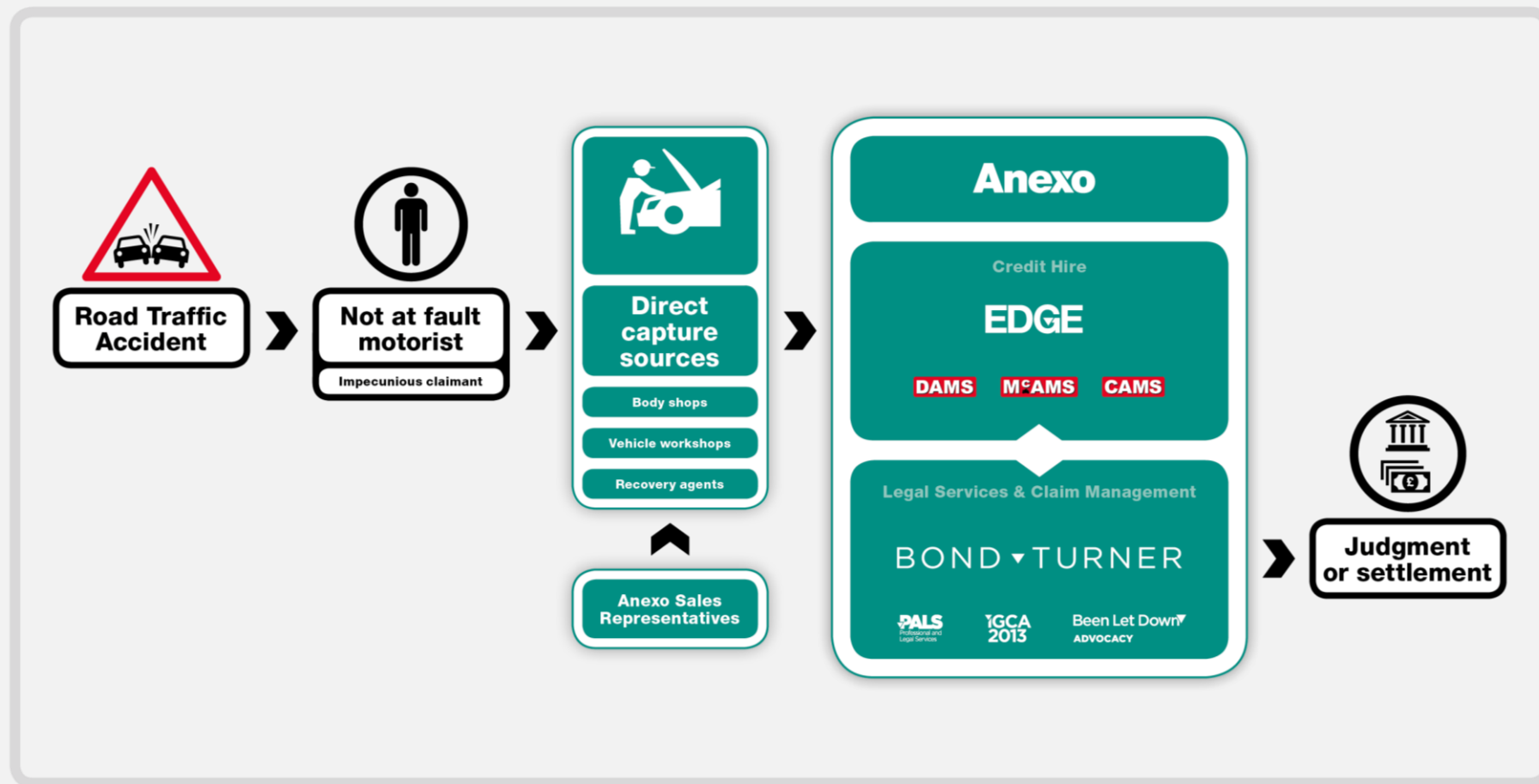
- Legal practice including:
 - Recovery of hire charges, repair from At Fault Insurer
 - PALS specialist reports
 - Personal Injury / IGCA
- Bond Turner acts on all claims generated by Edge
- Advocacy led by Alan Sellers

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





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