



Anexo

Anexo Group plc 2020 Final Results April/May 2021

‘Continued growth in capacity underpins full year of net cash generation’

Presentation team

Alan Sellers

Executive Chairman



Mark Bringloe

Chief Financial Officer



Introduction

Increased capacity leads to revenue growth and full year 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
with operating margins in excess of 20% underpinned by UK case law that has affirmed the impecunious claimants' legal right to recover credit hire costs.

FY 2020
Turnover £86.8m
Adjusted PBT
£16.1m

FY 2020
Operating Margin 21.6%
Final Dividend 1p

Financial Highlights FY 2020

- Revenue increased by 10.5% to £86.8 million (2019: £78.5 million)
- Operating profit reported at £18.1 million (2019: £24.6 million), a reduction of 26.6%
- Adjusted¹ operating profit before exceptional items in line with market expectations, declining by 25.9% to £18.7 million (2019: £25.3 million)
- Adjusted¹ operating profit margin reduced to 21.6% (2019: 32.2%)
- Profit before tax of £15.5 million (2019: £22.4 million), a reduction of 30.8%
- Adjusted¹ profit before tax and exceptional items reported at £16.1 million, (2019: £23.0 million), a decline of 29.9% after £6.5m of investment in staff, VW case acquisition costs and associated IT costs
- Adjusted² basic EPS at 11.4 pence (2019: 17.0 pence)
- Proposed final dividend of 1 penny per share giving a total dividend for the year of 1.5 pence per share (2019: 1.5 pence per share)
- Net assets reported at £110.4 million (2019: £91.7 million) representing an increase of 20.4%
- Reduction in net cash outflows from operating activities, reporting a net cash inflow of £0.2 million in 2020 (2019: net cash outflow: £0.8 million)
- Net debt balance at 31 December 2020 was £40.5 million (31 December 2019: £36.2 million)

1. Adjusted operating profit and profit before tax: excludes share-based payment charges in 2019 and 2020. 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 in issue during the year.

KPIs

for the twelve months ended 31 December 2020

	FY2020	FY2019	Movement
Available fleet size	2,097	1,868	12.3%
Utilisation (%)	62.7	73.8	-15.0%
Vehicles on hire at period end(no)	1,613	1,308	23.3%
Average vehicles on hire for the period (no)	1,515	1,454	4.2%
Completed Vehicle Hires	7,230	7,182	0.67%
Hire Cases Settled	5,236	4,938	6.0%
Cash Collections from Settled Cases (£'000s)	97,977	84,140	16.4%
Legal staff employed at period end	518	442	17.2%
Senior fee earners at period end (no)	145	127	14.2%
Average number of senior fee earners	140	111	26.1%
New cases funded	7,535	6,959	8.3%

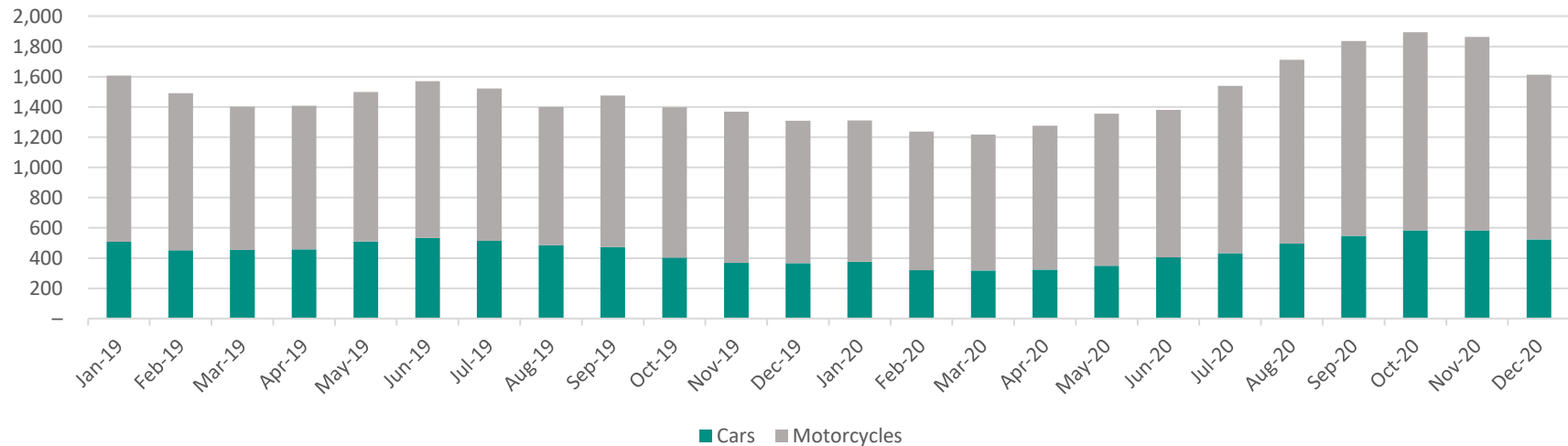
Source: Anexo Group plc – Historical Financial Information

Credit Hire 2020

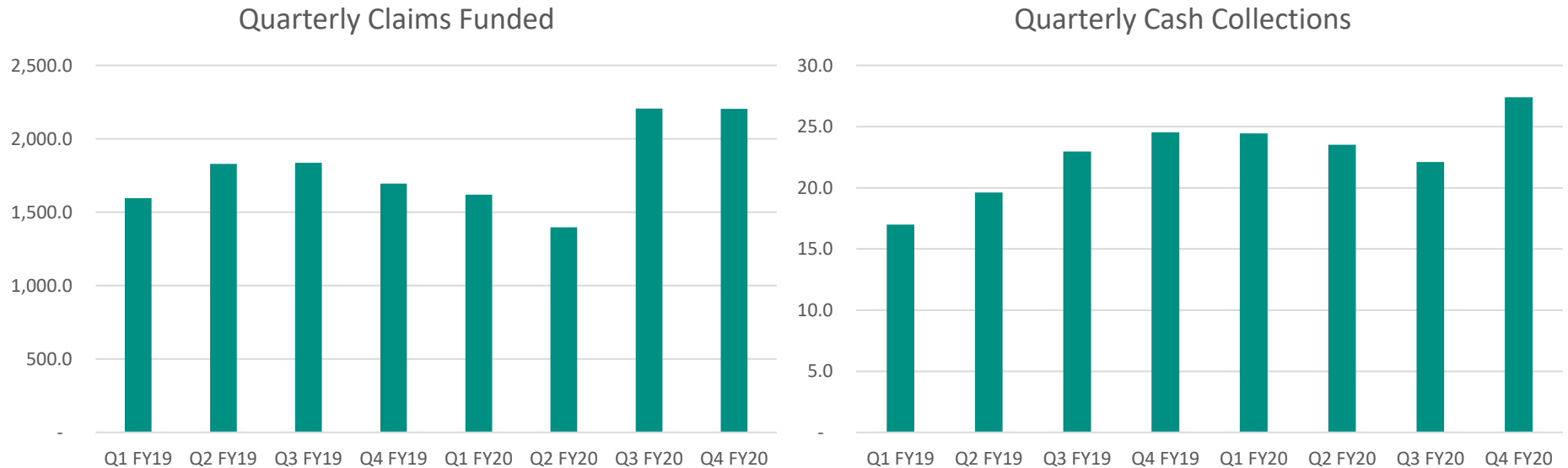


- Average number of vehicles on the road during 2020: 1,515 (2019: 1,454), a 4.2% increase on the previous year
- Vehicles on hire at end 2020 rose 23.3% to 1,613 (end 2019: 1,308)
- Fleet utilisation during FY 2020 averaged 62.7%
- Completed hires level YOY at 7,230 (FY 2019: 7,182)
- Recruitment of new sales staff in line with strategic expansion of geographical coverage

Monthly Vehicles on Hire



Claims Funded and Cash Collections



- Number of new hire cases funded in FY 2020 increased by 8.3% to 7,535 (FY 2019: 6,959)
- Bond Turner settled 5,236 hire cases in FY 2020, a monthly average of 436 (2019: 411)
- Case settlements for FY 2020 increased by 6.0% (FY 2019: 4,938)
- Overall cash collections up 16.4% YOY to £98.0m vs £84.1m



VW Emissions Case

- 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.15,000 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
- Further developments expected in H2 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 have been on the road throughout both lockdowns
- 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 nearly all staff now back to office working
- Insurance companies and defendant solicitor counterparties also fully operational
- Significant case backlog of over 20,000 files underpins resilience of business model



Current Trading

- Group has a strong balance sheet with conservative gearing and sufficient headroom within its funding facilities
- Recruitment continues throughout Bond Turner and EDGE
- New EDGE depot in Newcastle to facilitate expansion in North East – fifth depot location
- Expansion of introducer network with 48 new garages
- New Bond Turner office in Leeds with 10 senior fee earners out of 25 total staff
- Establishment of new Housing Disrepair team
- Many competitor firms closing following introduction of Civil Liability Act end May 2021
- CAMS bicycle division continues growth – sponsors of UK Women's Cycling Team



Income Statement

for the year ended 31 December 2020

	FY 2020 (£000)	FY 2019 (£000)
Revenue	86,752	78,510
Cost of sales	(18,800)	(15,703)
Gross profit	67,952	62,807
Depreciation & loss on disposal	(6,571)	(6,547)
Amortisation	(92)	(35)
Administrative expenses before exceptional items	(42,581)	(30,975)
Operating profit before exceptional items	18,708	25,250
Share based payment charge	(658)	(657)
Operating profit	18,050	24,593
Net financing expense	(2,562)	(2,202)
Profit before tax	15,488	22,391
Taxation	(3,173)	(4,403)
Profit and total comprehensive income for the year attributable to the owners of the company	12,315	17,988
Earnings per share		
Basic earnings per share (pence)	10.8	16.4
Diluted earnings per share (pence)	10.6	16.0

Balance Sheet

for the year ended 31 December 2020

Balance Sheet	FY 2020 (£000)	FY 2019 (£000)
Non-current assets		
Property, plant and equipment	2,187	1,637
Right of use assets	13,081	9,857
Intangible assets	234	175
Deferred tax assets	112	112
	15,614	11,781
Current assets		
Trade and other receivables	147,931	127,656
Corporation tax receivable	439	-
Cash and cash equivalents	8,220	2,270
	156,590	129,626
Total assets	172,204	141,707
Equity and liabilities		
Equity		
Share capital	58	55
Share premium	16,161	9,235
Share based payments reserve	1,699	1,041
Retained earnings	92,520	81,365
Equity attributable to the owners of the Company	110,438	91,696
Non-current liabilities		
Other interest-bearing loans and borrowings	3,681	-
Lease liabilities	8,945	5,422
Deferred tax liabilities	32	32
	12,658	5,454
Current liabilities		
Other interest-bearing loans and borrowings	31,294	28,167
Lease liabilities	4,753	4,885
Trade and other payables	9,505	7,915
Corporation tax liability	3,556	3,590
	49,108	44,557
Total liabilities	61,766	50,011
Total equity and liabilities	172,204	141,707

Cashflow

for the year ended 31 December 2020

	FY 2020 (£000)	FY 2019 (£000)
Cash flows from operating activities		
Profit for the year	12,315	17,988
Adjustments for:		
Depreciation and profit / loss on disposal	6,571	6,547
Amortisation	92	35
Financial expense	2,562	2,202
Share based payment charge	658	657
Taxation	3,173	4,403
	25,371	31,832
Working capital adjustments		
(Increase)/decrease in trade and other receivables	(20,686)	(26,294)
(Decrease)/increase in trade and other payables	1,588	694
Cash generated from operations	6,273	6,232
Interest paid	(2,022)	(1,797)
Tax paid	(3,646)	(5,230)
Net cash from operating activities	205	(795)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	853	374
Acquisition of property, plant and equipment	(223)	(802)
Investment in intangible fixed assets	(150)	(210)
Receipt of Directors loan receivable	415	
Net cash from investing activities	895	(638)
Cash flows from financing activities		
Net proceeds from the issue of share capital	6,929	-
Proceeds from new loans	12,924	18,355
Repayment of borrowings	(6,257)	(10,920)
Lease payments	(7,586)	(6,514)
Dividends paid	(1,160)	(2,750)
Net cash from financing activities	4,850	(1,829)
Net increase/(decrease) in cash and cash equivalents	5,950	(3,262)
Cash and cash equivalents at 1 January	2,270	5,532
Cash and cash equivalents at 31 December	8,220	2,270



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 via sales network
- Key route to market via c. 1150 local body shops and repairers

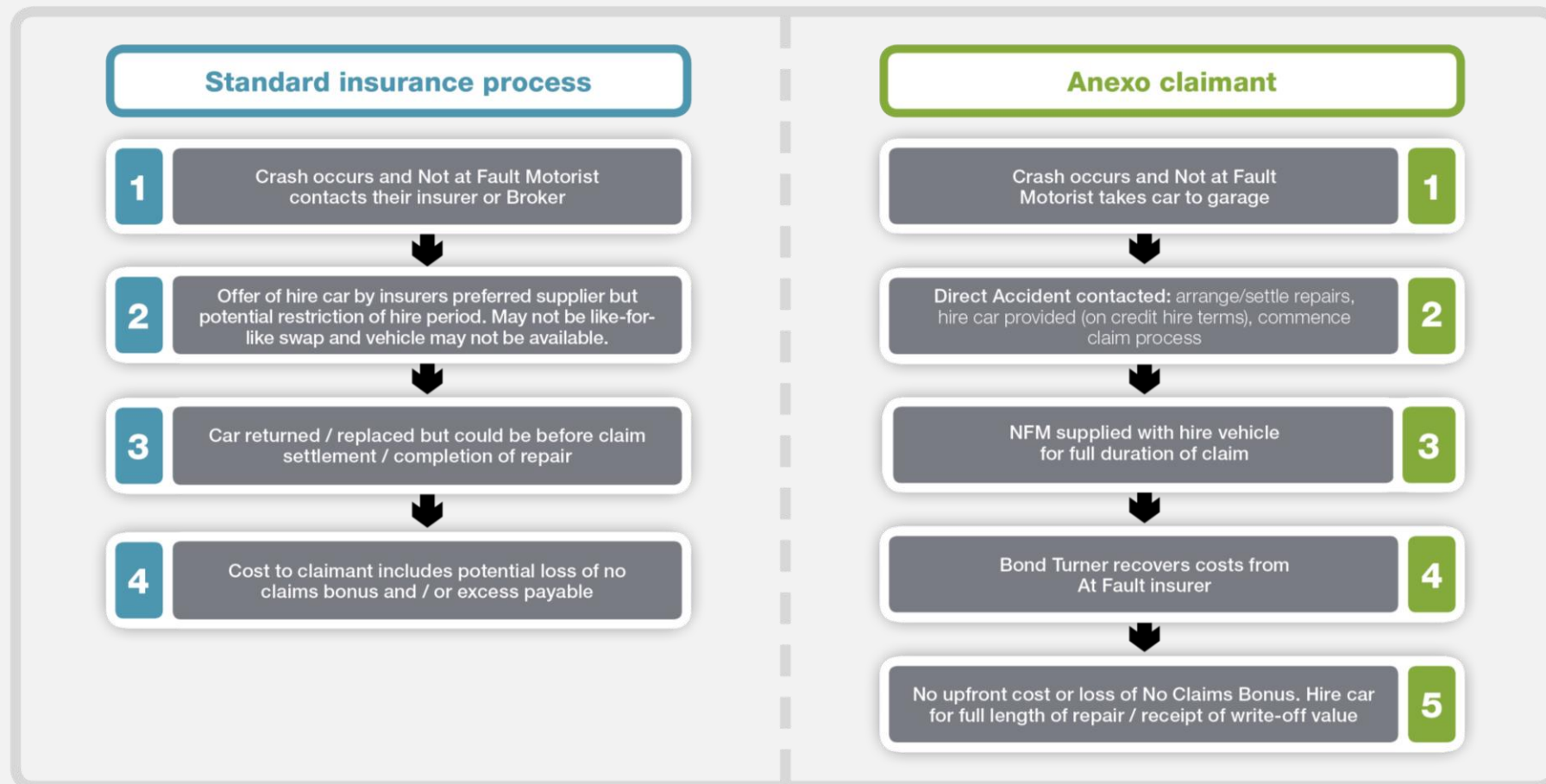
Legal Services Division

BOND ▼ TURNER

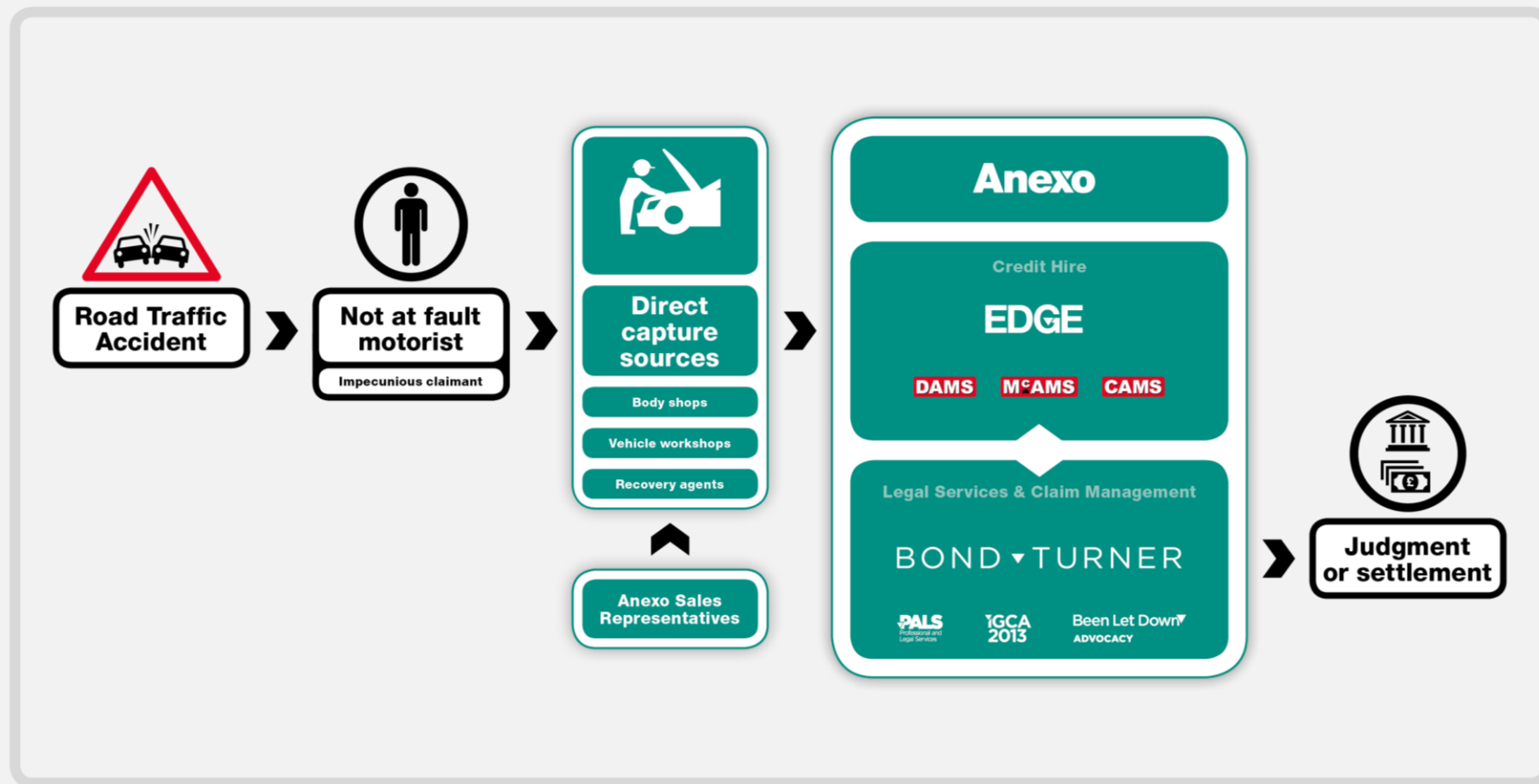
- Legal practice including:
 - Recovery of hire charges, repair from At Fault Insurer
 - PALS specialist reports
 - Personal Injury / IGCA
- Bond Turner acts on all claims generated by Edge
- Advocacy led by Alan Sellers

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

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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