



Anexo

Anexo Group plc 2021 Final Results May 2022

‘Significant growth in profits driven by increased cash collections’

Presentation team

Alan Sellers

Executive Chairman



Mark Bringloe

Chief Financial Officer



Introduction

Increased capacity leads to revenue growth and increased cash collections

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 2021
Turnover £118.2m
Adjusted PBT
£24.1m

FY 2021
Operating Margin 23.5%
Final Dividend 1p

Financial Highlights FY 2021

| | FY2021 | FY2020 | Movement |
|--|----------------|---------|----------|
| Total revenues (£'000s) | 118,237 | 86,752 | +36.2% |
| Operating profit (£'000s) | 27,350 | 18,050 | +51.4% |
| Adjusted ¹ operating profit before exceptional items (£'000s) | 27,728 | 18,708 | +48.1% |
| Adjusted ¹ operating profit margin (%) | 23.5 | 21.6 | +10.9% |
| Profit before tax (£'000s) | 23,746 | 15,488 | +52.9% |
| Adjusted ¹ profit before tax and exceptional items (£'000s) | 24,124 | 16,146 | +49.7% |
| Adjusted ² basic EPS (pence) | 16.8 | 11.4 | +48.2% |
| Total dividend for the year (pence) | 1.5 | 1.5 | - |
| Equity attributable to the owners of the Company (£'000s) | 128,224 | 110,438 | +16.1% |
| Net cash flow (£'000s) | -7,300 | +200 | - |
| Net debt balance (£'000s) | 62,000 | 40,500 | +53.1% |

- Adjusted operating profit and profit before tax: excludes share-based payment charges in 2020 and 2021. A reconciliation to reported (IFRS) results is included in the Financial Review
- Adjusted EPS: adjusted PBT less tax at statutory rate divided by the weighted number of shares in issue during the year

KPIs

for the twelve months ended 31 December 2021

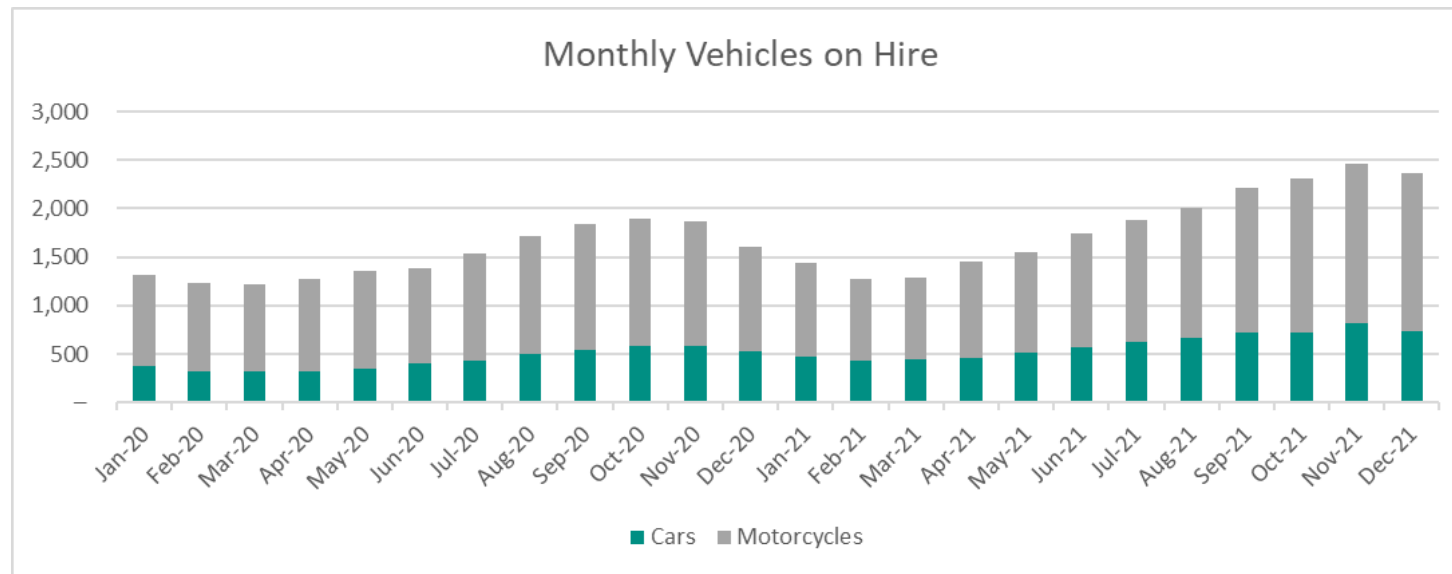
| | FY2021 | FY2020 | Movement |
|--|---------|--------|----------|
| Utilisation (%) | 70.4 | 62.7 | 12.3% |
| Vehicles on hire at the year-end(no) | 2,366 | 1,613 | 46.7% |
| Average vehicles on hire for the year (no) | 1,834 | 1,515 | 21.1% |
| Completed Vehicle Hires | 9,512 | 7,230 | 31.6% |
| Hire Cases Settled (no) | 6,187 | 5,236 | 18.2% |
| Cash Collections from Settled Cases (£'000s) | 119,007 | 97,977 | 21.5% |
| Legal staff employed at year end (no) | 634 | 518 | 22.4% |
| Senior fee earners at year end (no) | 237 | 163 | 45.4% |
| Average number of senior fee earners | 201 | 144 | 39.6% |
| New cases funded | 10,265 | 7,535 | 36.2% |
| | | | |
| | | | |
| | | | |

Source: Anexo Group plc – Historical Financial Information

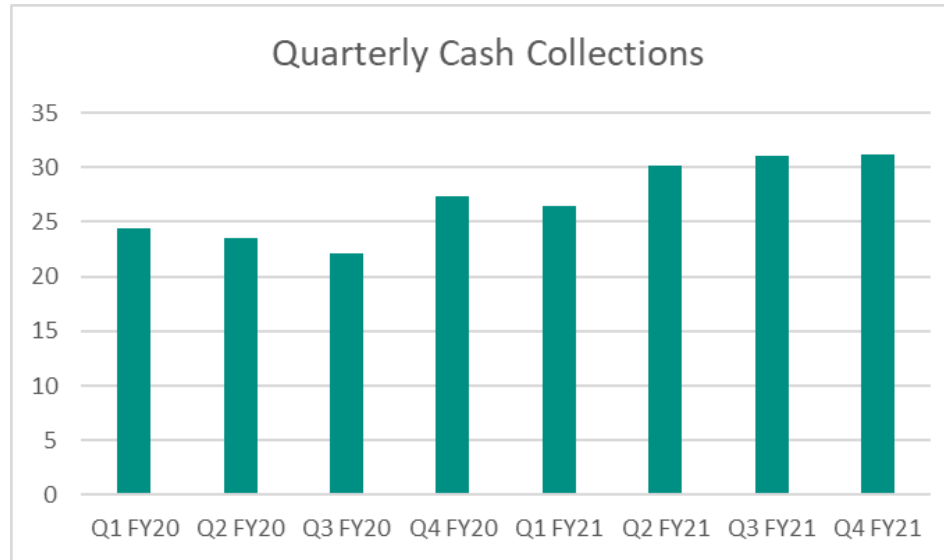
Credit Hire 2021



- Average number of vehicles on the road during 2021: 1,834 (2020: 1,515), a 21.1% increase on the previous year
- Vehicles on hire at end 2021 rose 46.7% to 2,366 (end 2020: 1,613)
- Fleet utilisation during FY 2021 averaged 70.4%
- Completed hires up 31.6% at 9,512 (FY 2020: 7,230)
- Focus remains firmly on McAMS (motorcycles), reflecting the better value metrics



Claims Funded and Cash Collections



- Number of new hire cases funded in FY 2021 increased by 36.2% to 10,265 (FY 2020: 7,535)
- Bond Turner settled 6,187 hire cases in FY 2021, a monthly average of 515 (2020: 436)
- Overall cash collections up 21.5% YOY to £119.0m vs £98.0m

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.13,000 confirmed clients
- 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
- Court Date set for January 2023
- The Board will seek to negotiate settlement ahead of this date
- Beginning to source claims against Mercedes Benz, on similar grounds
- Litigation funding secured and more being negotiated

Housing Disrepair - Market Context

- Housing standards
- Number of homes that failed to meet the Decent Homes Standard:
 - 12% of social housing dwellings (480,000 homes)
 - 25% of private rented dwellings (1.15m homes)
- Number of homes with a HHSRS Category 1 hazard (Damp and mould growth):
 - 5% of social housing (200,000 homes)
 - 14% of private rented dwellings (644,000 homes)
- The Homes (Fitness for Human Habitation) Act 2019 came into force to make sure that rented houses and flats are fit for human habitation. The Act has given more power to tenants to take action against irresponsible landlords.
- Source: Gov.uk English Housing Survey 2018-19
- An estimate that 25% of renters will make a damp claim suggests there are potentially 200,000 claims each year.
- An estimate that 25% of renters will make a housing claim (dwelling does not meet the Decent Homes Standard) suggests there are potentially 400,000 claims each year.

Housing Disrepair Team – Growth and Opportunity

- Rapid expansion of team during 2021
- At year end, portfolio of around 1,500 ongoing cases
- During 2021 we settled around 500 claims
- Average settlement period significantly less than credit hire division
- Excellent returns on case completion
- Further significant expansion planned during 2022



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
- MCE Insurance contract continues to provide new cases
- Targeted approach to vehicle hire, concentrating on:
 - Quality claims
 - High service standards
 - High success rates
- Housing Disrepair Team continuing to expand via social media and internal database
- Marketing for Mercedes Emissions claims due to start shortly



Income Statement

for the year ended 31 December 2021

| | FY 2021 (£000) | FY 2020 (£000) |
|--|----------------|----------------|
| Revenue | 118,237 | 86,752 |
| Cost of sales | (26,756) | (18,800) |
| Gross profit | 91,481 | 67,952 |
| Depreciation & loss on disposal | (8,504) | (6,571) |
| Amortisation | (137) | (92) |
| Administrative expenses before exceptional items | (55,112) | (42,581) |
| Operating profit before exceptional items | 27,728 | 18,708 |
| Share based payment charge | (378) | (658) |
| Operating profit | 27,350 | 18,050 |
| Finance costs (net) | (3,604) | (2,562) |
| Profit before tax | 23,746 | 15,488 |
| Taxation | (4,598) | (3,173) |
| Profit and total comprehensive income for the year attributable to the owners of the company | 19,148 | 12,315 |
| Earnings per share | | |
| Basic earnings per share (pence) | 16.5 | 10.8 |
| Diluted earnings per share (pence) | 16.2 | 10.6 |

Balance Sheet

for the year ended 31 December 2021

| Balance Sheet | FY 2021 (£000) | FY 2020 (£000) |
|---|----------------|----------------|
| Non-current assets | | |
| Property, plant and equipment | 2,071 | 2,187 |
| Right of use assets | 16,896 | 13,081 |
| Intangible assets | 188 | 234 |
| Deferred tax assets | 112 | 112 |
| | 19,267 | 15,614 |
| Current assets | | |
| Trade and other receivables | 188,134 | 147,931 |
| Corporation tax receivable | - | 439 |
| Cash and cash equivalents | 7,562 | 8,220 |
| | 195,696 | 156,590 |
| Total assets | 214,963 | 172,204 |
| Equity and liabilities | | |
| Equity | | |
| Share capital | 58 | 58 |
| Share premium | 16,161 | 16,161 |
| Share based payments reserve | 2,077 | 1,699 |
| Retained earnings | 109,928 | 92,520 |
| Equity attributable to the owners of the Company | 128,224 | 110,438 |
| Non-current liabilities | | |
| Other interest-bearing loans and borrowings | 13,814 | 3,681 |
| Lease liabilities | 8,430 | 8,945 |
| Deferred tax liabilities | 32 | 32 |
| | 22,276 | 12,658 |
| Current liabilities | | |
| Other interest-bearing loans and borrowings | 38,499 | 31,294 |
| Lease liabilities | 8,833 | 4,753 |
| Trade and other payables | 12,635 | 9,505 |
| Corporation tax liability | 4,496 | 3,556 |
| | 64,463 | 49,108 |
| Total liabilities | 86,739 | 61,766 |
| Total equity and liabilities | 214,963 | 172,204 |

Cashflow

for the year ended 31 December 2021

| | FY 2021 (£000) | FY 2020 (£000) |
|--|----------------|----------------|
| Cash flows from operating activities | | |
| Profit for the year | 19,148 | 12,315 |
| Adjustments for: | | |
| Depreciation and profit / loss on disposal | 8,504 | 6,571 |
| Amortisation | 137 | 92 |
| Financial expense | 3,604 | 2,562 |
| Share based payment charge | 378 | 658 |
| Taxation | 4,598 | 3,173 |
| | <u>36,369</u> | <u>25,371</u> |
| Working capital adjustments | | |
| (Increase)/decrease in trade and other receivables | (40,224) | (20,686) |
| (Decrease)/increase in trade and other payables | 3,131 | 1,588 |
| Cash generated from operations | <u>(724)</u> | <u>6,273</u> |
| Interest paid | <u>(3,364)</u> | <u>(2,422)</u> |
| Tax paid | <u>(3,219)</u> | <u>(3,646)</u> |
| Net cash from operating activities | <u>(7,307)</u> | <u>205</u> |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant and equipment | 941 | 853 |
| Acquisition of property, plant and equipment | (1,439) | (223) |
| Investment in intangible fixed assets | (91) | (150) |
| Receipt of Directors loan receivable | - | 415 |
| Net cash from investing activities | <u>(589)</u> | <u>895</u> |
| Cash flows from financing activities | | |
| Net proceeds from the issue of share capital | - | 6,929 |
| Proceeds from new loans | 25,039 | 12,924 |
| Repayment of borrowings | (7,951) | (6,257) |
| Lease payments | (8,110) | (7,586) |
| Dividends paid | (1,740) | (1,160) |
| Net cash from financing activities | <u>7,238</u> | <u>4,850</u> |
| Net increase/(decrease) in cash and cash equivalents | (658) | 5,950 |
| Cash and cash equivalents at 1 January | <u>8,220</u> | <u>2,270</u> |
| Cash and cash equivalents at 31 December | <u>7,562</u> | <u>8,220</u> |



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

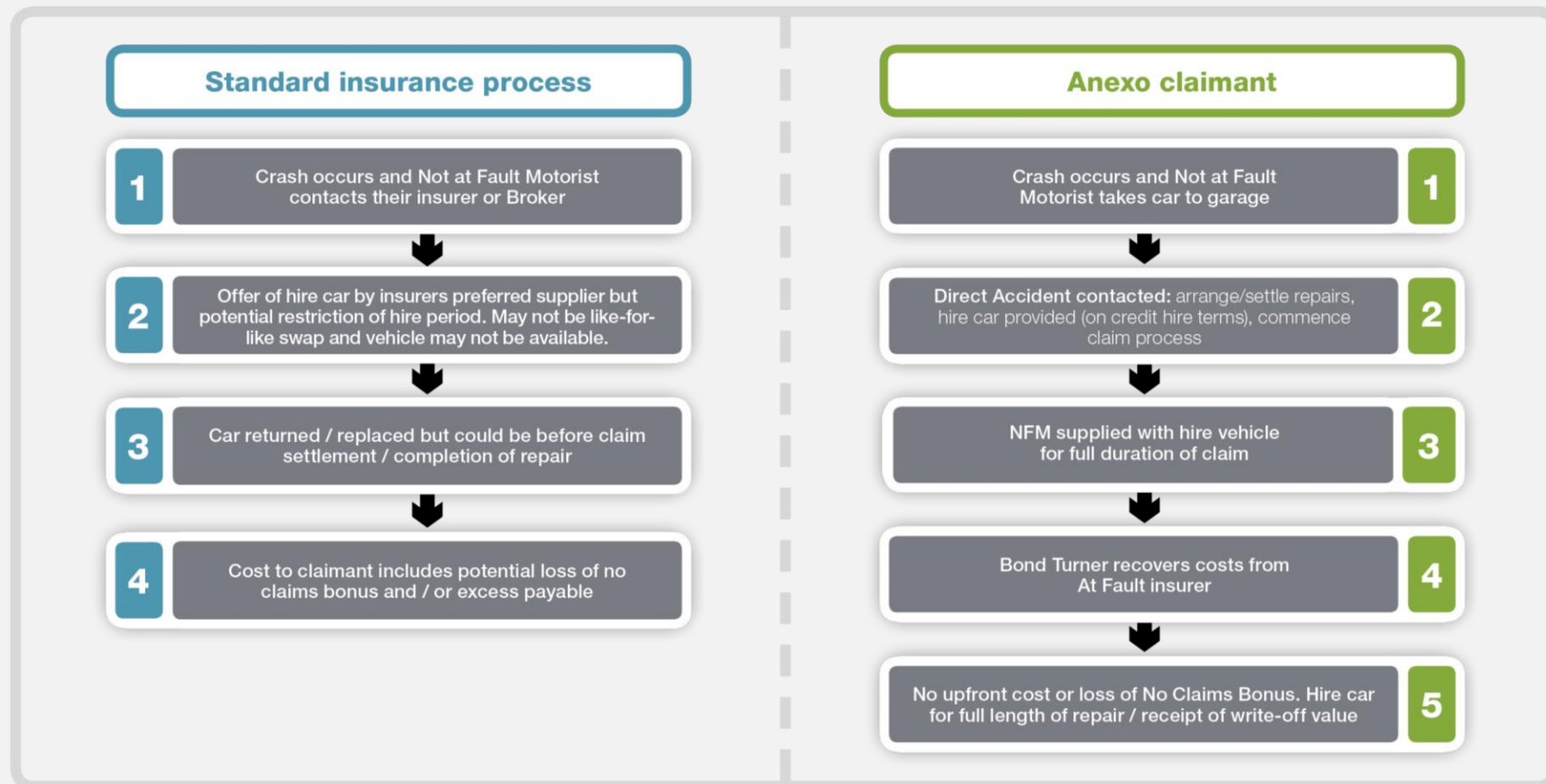
Legal Services Division

BOND ▼ TURNER

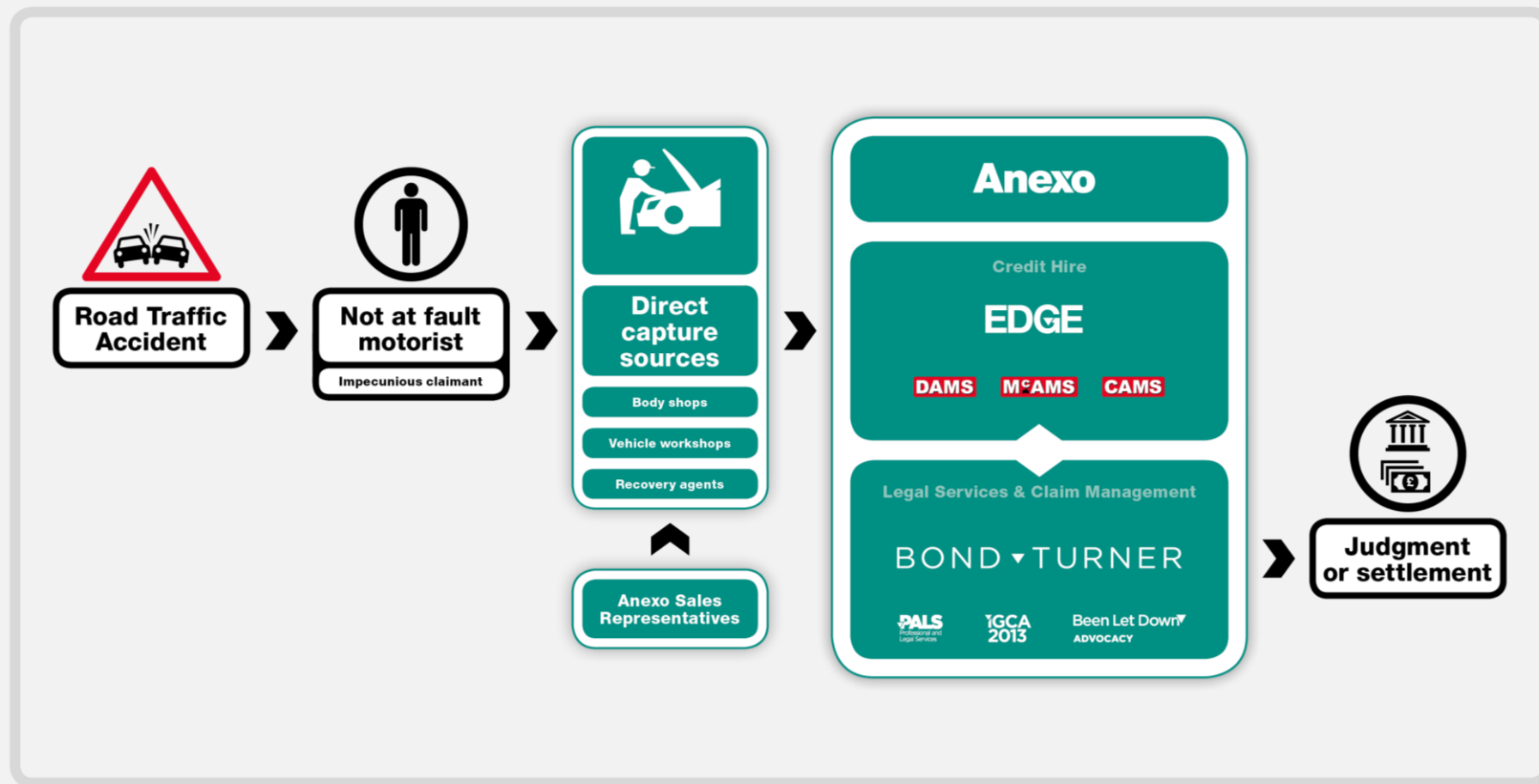
- Legal practice including:
 - Recovery of hire charges, repair from At Fault Insurer
 - PALS specialist reports
 - Personal Injury / IGCA
- Bond Turner acts on all claims generated by Edge
- Advocacy led by Alan Sellers

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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