

# ANEXO GROUP

## BUSINESS SUPPORT SERVICES

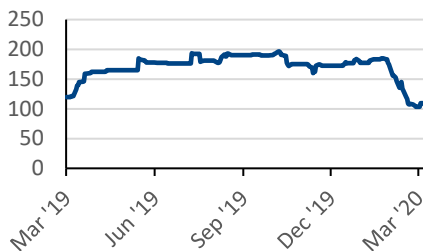
3 April 2020

### ANX.L

110p

Market Cap: £120.4m

#### SHARE PRICE (p)



12m high/low 197p/104p

Source: LSE Data

#### KEY DATA

Net (Debt)/Cash	£(24.6)m
Enterprise value	£145.1m
Index/market	AIM
Next news	Prelims, TBC
Shares in Issue (m)	110.0
Executive Chairman	Alan Sellers
CFO	Mark Bringloe
Bond Turner MD	Samantha Moss

#### COMPANY DESCRIPTION

Anexo is a specialist integrated credit hire and legal services group.

[www.anexo-group.com](http://www.anexo-group.com)

ANEXO GROUP IS A RESEARCH CLIENT OF  
PROGRESSIVE

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## Cash remains king

Anexo's trading update confirms that FY 2019E adjusted PBT will be in line with market expectations but that forward guidance is withdrawn given the current uncertainty over COVID-19 – although trading so far in FY-2020 looks relatively unaffected. Accordingly, we make no changes to our FY 2019E numbers and withdraw those for future years until the outlook is clearer. The timing of the FY 2019E results announcement will be confirmed in due course. Like others, Anexo is taking measures to preserve cash. Crucially, it continues to operate as an essential business under the current government restrictions. Staff are following the appropriate guidelines while providing a service to many key workers. Obviously, there is uncertainty over the long term impact of COVID-19 and therefore the focus on collections remains vital. In our view, the group remains in a strong position to drive cash out of its backlog of cases without necessarily committing further new working capital.

- Key Performance Indicators for FY 2019E confirm the anticipated strong performance and reflect the focus on settling cases and increasing cash collections. Importantly, the credit hire operation has been net cash generative for the first two months of FY 2020E.
- As for most companies, cash preservation is key and we note that Anexo has a strong balance sheet and good liquidity. The update reiterates the Group's financial position and the headroom within its funding facilities. Those attributes will be augmented by the decisions to delay the discussion on any final dividend for FY 2019E and to defer certain cash bonuses to senior Executive Directors. The opening of the Leeds office has also been postponed.
- Anexo continues to provide services to many key workers who include couriers and frontline medical and retail staff.
- As previously announced, monthly cash collections during H2 2019E exceeded the levels achieved in H1 and the update confirms that monthly cash collections for Q1 2020 saw that trend continue as the Board's strategy to focus on investment in the legal services division to support cash generation bears fruit.

Given the Group's focus on driving cash generation, the processing of its significant caseload portfolio by litigators within Bond Turner is being fully maintained by staff who have transitioned to remote working. We view this as an important attribute in the current environment.

FYE DEC (£M)	2017	2018	2019E
Revenue	45.3	56.5	78.0
Adj EBITDA	15.8	18.7	26.9
Fully Adj PBT	14.6	16.1	23.2
Fully Adj EPS (p)	11.1	11.8	16.9
EV/Sales (x)	3.2x	2.6x	1.9x
EV/EBITDA (x)	9.2x	7.7x	5.4x
PER (x)	9.8x	9.3x	6.5x

Source: Company Information and Progressive Equity Research estimates

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Please refer to important disclosures at the end of the document.

**Financial Summary: Anexo Group**

Year end: December (£m unless shown)

	2017	2018	2019E
<b>PROFIT &amp; LOSS</b>			
Revenue	45.3	56.5	78.0
Adj EBITDA	15.8	18.7	26.9
Adj EBIT	15.1	17.2	24.9
Reported PBT	14.6	14.3	22.8
Fully Adj PBT	14.6	16.1	23.2
NOPAT	15.1	17.2	20.4
Reported EPS (p)	11.1	10.2	16.6
Fully Adj EPS (p)	11.1	11.8	16.9
Dividend per share (p)	0.0	1.5	2.2
<b>CASH FLOW &amp; BALANCE SHEET</b>			
Operating cash flow	3.1	(2.1)	4.1
Free Cash flow	(4.0)	(13.5)	(7.3)
FCF per share (p)	(3.7)	(12.3)	(6.6)
Acquisitions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Shares issued	0.0	9.2	0.0
Net cash flow	(3.8)	(2.2)	(7.3)
Overdrafts / borrowings	(15.2)	(22.8)	(25.8)
Cash & equivalents	0.2	5.5	1.2
Net (Debt)/Cash	(15.0)	(17.3)	(24.6)
<b>NAV AND RETURNS</b>			
Net asset value	55.6	75.8	91.7
NAV/share (p)	50.6	68.9	83.3
Net Tangible Asset Value	1.5	3.3	5.0
NTAV/share (p)	1.4	3.0	4.6
Average equity	27.8	65.7	83.8
Post-tax ROE (%)	57.8%	35.2%	31.2%
<b>METRICS</b>			
Revenue growth		24.7%	38.0%
Adj EBITDA growth		18.4%	43.7%
Adj EBIT growth		14.0%	44.8%
Adj PBT growth		10.3%	44.0%
Adj EPS growth		5.7%	43.9%
Dividend growth		N/A	46.7%
Adj EBIT margins		30.4%	31.9%
<b>VALUATION</b>			
EV/Sales (x)	3.2	2.6	1.9
EV/EBITDA (x)	9.2	7.7	5.4
EV/NOPAT (x)	9.6	8.4	7.1
PER (x)	9.8	9.3	6.5
Dividend yield	N/A	1.4%	2.0%
FCF yield	(3.3%)	(11.2%)	(6.0%)

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

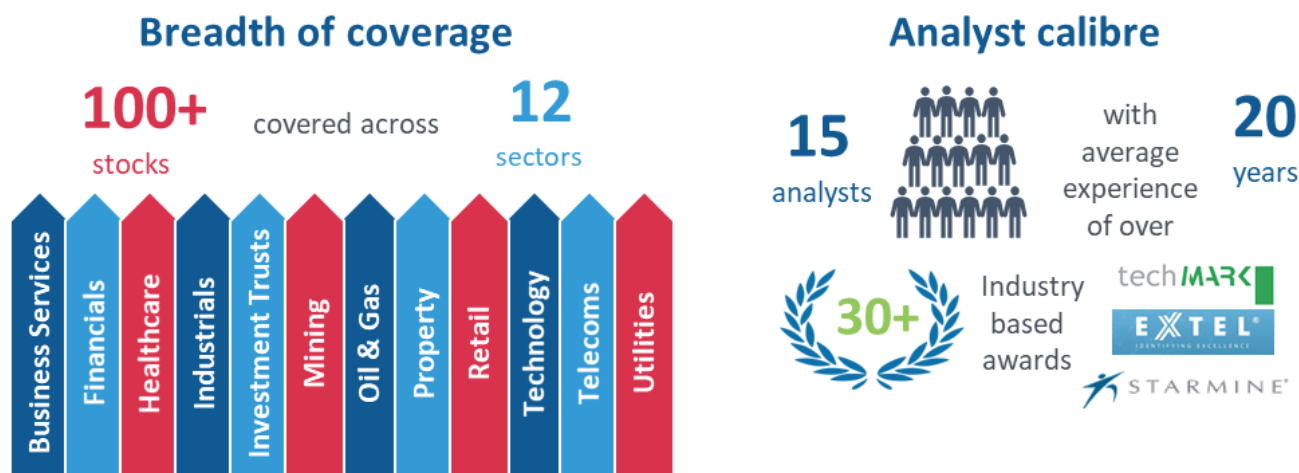
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