

ANEXO GROUP

BUSINESS SUPPORT SERVICES

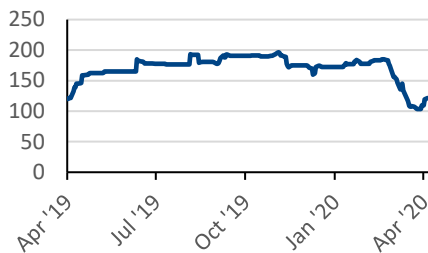
8 April 2020

ANX.L

121.5p

Market Cap: £133.6m

SHARE PRICE (p)



12m high/low 197p/104p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£(24.6)m
Enterprise value	£158.3m
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.

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ANEXO GROUP IS A RESEARCH CLIENT OF
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VW emissions case holds significant potential

Highlights Anexo's advocacy practice

As well as its credit hire and related legal practice businesses, Anexo also operates an advocacy practice, with in-house barristers, which is headed by Executive Chairman, Alan Sellers. That team is involved in the high-profile Aston Hall abuse case and today's announcement brings news of its significant role in the group litigation against Volkswagen (VW). Although no specific revenue or profit numbers are mooted, Anexo currently has around 8,000 clients and expects to gain more (while mitigating its exposure to the cost of acquiring new claimants). Litigation is ongoing so there is no guarantee of success, but the potential level of the impact on profits and cash flow clearly warrants an announcement from Anexo. Although Anexo withdrew forward estimate guidance recently, we note the very positive impact that a case settlement would bring.

- About 91,000 claimants are involved in the current Group Litigation Order (to which Anexo is not a party) against Volkswagen in the High Court. In 2017, VW agreed to pay \$4.3bn in civil and criminal penalties in the US. Compensation varied with the age and model of vehicles involved, with the sums ranging from \$5,100 (£4,150) to over \$40,000 (£32,520). Anexo notes lower ranges of compensation in Germany and Australia.
- In the event of a settlement being agreed, Anexo would be entitled to claim a percentage of damages awarded to each of its clients, as well as legal costs. Given the wide range of possible outcomes, understandably there is no guidance on the quantum from management other than to refer to 'a significant positive impact'.
- On Monday this week, in the preliminary finding by Mr Justice Waksman, he wrote that he found that "the software function in the vehicles here did indeed amount to a prohibited 'defeat device'" and concluded that VW's "attempt to relitigate the issue here was an abuse of the process." VW maintains that the claimants did not suffer any loss and may appeal, emphasising that the case is not yet decided.
- Following publicity around the ruling by the High Court, Anexo expects to add to its existing 8,000 clients through a further marketing campaign. That and other case-related working capital will be funded by a third party at an agreed rate. Discussions with a potential funder are 'advanced'. Although this would reduce Anexo's earnings, it would mitigate any call on the Group's cash resources while insulating it from those further costs should the case eventually not succeed.

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)	3.5x	2.8x	2.0x
EV/EBITDA (x)	10.0x	8.4x	5.9x
PER (x)	10.9x	10.3x	7.2x

Source: Company Information and Progressive Equity Research estimates

This publication should not be seen as an inducement under MiFID II regulations.

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

Financial Summary: Anexo Group

Year end: December (£m unless shown)

	2017	2018	2019E
PROFIT & LOSS			
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
CASH FLOW & BALANCE SHEET			
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)
NAV AND RETURNS			
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%
METRICS			
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%
VALUATION			
EV/Sales (x)	3.5	2.8	2.0
EV/EBITDA (x)	10.0	8.4	5.9
EV/NOPAT (x)	10.5	9.2	7.8
PER (x)	10.9	10.3	7.2
Dividend yield	N/A	1.2%	1.8%
FCF yield	(3.0%)	(10.1%)	(5.5%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

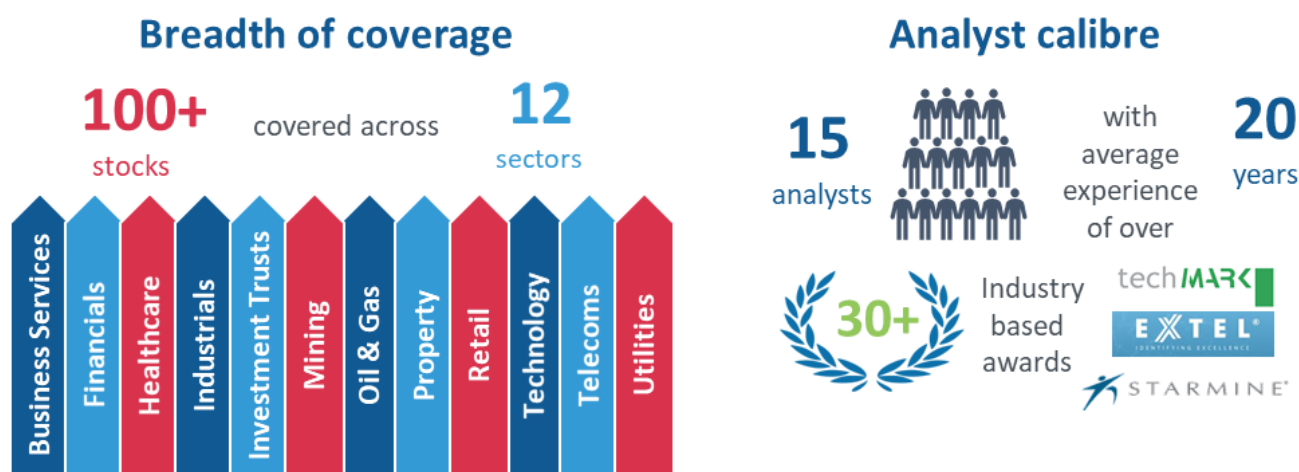
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