

ANEXO GROUP

BUSINESS SUPPORT SERVICES

25 January 2021

ANX.L

131p

Market Cap: £152m

SHARE PRICE (p)



12m high/low

185p/104p

Source: LSE Data

KEY DATA

| | |
|---------------------|-------------------------|
| Net (Debt)/Cash | £(19.6)m (at 30/06/20) |
| Enterprise value | £179.7m |
| Index/market | AIM |
| Next news | Final results, 27 April |
| Shares in Issue (m) | 116.0 |
| 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

ANEXO GROUP IS A RESEARCH CLIENT OF
PROGRESSIVE

ANALYSTS

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Firm foundations for growth in FY 2021E

Anexo's trading update for the year to the end of December 2020 rounds up a resilient performance from the Group in an operating environment that was influenced by COVID-19 and the associated lockdowns and restrictions. The Board expects to report adjusted PBT in line with current market expectations which we believe is around £16.0m, with our estimate at £16.1m. We make no changes to our numbers. We note the lower than expected spend on the VW emissions case in H2 and assume that other costs have increased faster than we expected in line with growth in the business. The VW case remains a potential significant positive impact on revenue and profits, although we only reflect the costs in our estimates at present. While Anexo has previously flagged cash absorption in H2, we note that cash collections rose 'significantly' in Q4 with a record high in December – usually a quieter month in that respect. Overall, we believe that Anexo remains well set for further growth in FY 2021.

- The spend on acquiring VW claims was lower than flagged to the tune of £1.8m in H2 which we assume reflects Anexo's commercial judgment on the cost of acquiring new cases. Nonetheless, the group has still added around another 1,200 claimants since its mid-November update and is currently actively engaged on approximately 14,356 claims.
- We assume that non-VW wages and vehicle costs – particularly lease, insurance and marketing costs – have been higher than we estimated for the second half on the back of putting more vehicles on the road and expanding the Group's introducer network more quickly than previously envisaged. Despite the second lockdown, average vehicles on the road in FY 2020 will exceed the figure of 1,454 in the prior year.
- In addition, Bond Turner continued to invest in recruiting new litigators who generally take at least nine months before reaching full capacity. The fruits of this investment are seen in increased case settlements and cash collection relative to investment in new cases. This investment is set to continue to support growth and, in addition, the Leeds office is now fully operational with further recruitment still to be undertaken.
- Having acquired an initial 9.9% of Anexo, DBAY Advisors is awaiting regulatory approval before acquiring an additional 19.1% shareholding. DBAY can appoint up to three Non-executive Directors (NEDs) and Anexo has announced the appointment of Saki Riffner, partner and co-founder of DBAY as an NED.

| FYE DEC (£M) | 2017 | 2018 | 2019 | 2020E | 2021E |
|-------------------|-------|-------|------|-------|-------|
| Revenue | 45.3 | 56.5 | 78.5 | 81.5 | 90.6 |
| Adj EBITDA | 15.8 | 18.7 | 31.8 | 24.8 | 30.5 |
| Fully Adj PBT | 14.6 | 16.1 | 23.1 | 16.1 | 21.8 |
| Fully Adj EPS (p) | 11.1 | 11.8 | 16.6 | 11.1 | 14.7 |
| EV/Sales (x) | 4.0x | 3.2x | 2.3x | 2.2x | 2.0x |
| EV/EBITDA (x) | 11.3x | 9.6x | 5.6x | 7.2x | 5.9x |
| PER (x) | 11.8x | 11.1x | 7.9x | 11.8x | 8.9x |

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 | 2019 | 2020E | 2021E |
|--------------------------------------|--------|--------|--------|---------|--------|
| PROFIT & LOSS | | | | | |
| Revenue | 45.3 | 56.5 | 78.5 | 81.5 | 90.6 |
| Adj EBITDA | 15.8 | 18.7 | 31.8 | 24.8 | 30.5 |
| Adj EBIT | 15.1 | 17.2 | 25.3 | 18.3 | 23.8 |
| Reported PBT | 14.6 | 14.3 | 22.4 | 15.4 | 21.1 |
| Fully Adj PBT | 14.6 | 16.1 | 23.1 | 16.1 | 21.8 |
| NOPAT | 15.1 | 17.2 | 20.7 | 14.6 | 19.0 |
| Reported EPS (p) | 11.1 | 10.2 | 16.0 | 10.6 | 14.3 |
| Fully Adj EPS (p) | 11.1 | 11.8 | 16.6 | 11.1 | 14.7 |
| Dividend per share (p) | 0.0 | 1.5 | 1.5 | 1.5 | 1.7 |
| CASH FLOW & BALANCE SHEET | | | | | |
| Operating cash flow | 3.1 | (2.1) | 6.2 | 12.6 | 20.7 |
| Free Cash flow | (4.0) | (13.5) | (6.5) | 0.2 | 6.2 |
| FCF per share (p) | (3.7) | (12.3) | (5.9) | 0.2 | 5.3 |
| Acquisitions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Disposals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Shares issued | 0.0 | 9.2 | 0.0 | 7.5 | 0.0 |
| Net cash flow | (3.8) | (2.2) | (6.5) | 7.7 | 6.1 |
| Overdrafts / borrowings | (15.2) | (22.8) | (29.9) | (34.9) | (34.9) |
| Cash & equivalents | 0.2 | 5.5 | 2.3 | 15.0 | 21.1 |
| Net (Debt)/Cash | (15.0) | (17.3) | (27.7) | (20.0) | (13.8) |
| NAV AND RETURNS | | | | | |
| Net asset value | 55.6 | 75.8 | 91.7 | 110.4 | 125.3 |
| NAV/share (p) | 50.6 | 68.9 | 83.4 | 95.2 | 108.1 |
| Net Tangible Asset Value | 1.5 | 3.3 | 11.5 | 11.0 | 10.8 |
| NTAV/share (p) | 1.4 | 3.0 | 10.4 | 9.5 | 9.3 |
| Average equity | 27.8 | 65.7 | 83.7 | 101.0 | 117.9 |
| Post-tax ROE (%) | 57.8% | 35.1% | 19.2% | 21.5% | 0.0% |
| METRICS | | | | | |
| Revenue growth | | 24.7% | 38.9% | 3.9% | 11.1% |
| Adj EBITDA growth | | 18.4% | 69.8% | (22.0%) | 23.0% |
| Adj EBIT growth | | 14.0% | 47.2% | (27.5%) | 29.9% |
| Adj PBT growth | | 10.3% | 43.3% | (30.2%) | 35.3% |
| Adj EPS growth | | 5.7% | 41.3% | (33.1%) | 32.5% |
| Dividend growth | | N/A | 0.0% | 0.0% | 13.3% |
| Adj EBIT margins | | 30.4% | 32.2% | 22.5% | 26.3% |
| VALUATION | | | | | |
| EV/Sales (x) | 4.0 | 3.2 | 2.3 | 2.2 | 2.0 |
| EV/EBITDA (x) | 11.3 | 9.6 | 5.6 | 7.2 | 5.9 |
| EV/NOPAT (x) | 11.9 | 10.5 | 8.7 | 12.3 | 9.5 |
| PER (x) | 11.8 | 11.1 | 7.9 | 11.8 | 8.9 |
| Dividend yield | N/A | 1.1% | 1.1% | 1.1% | 1.3% |
| FCF yield | (2.8%) | (9.4%) | (4.5%) | 0.1% | 4.1% |

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

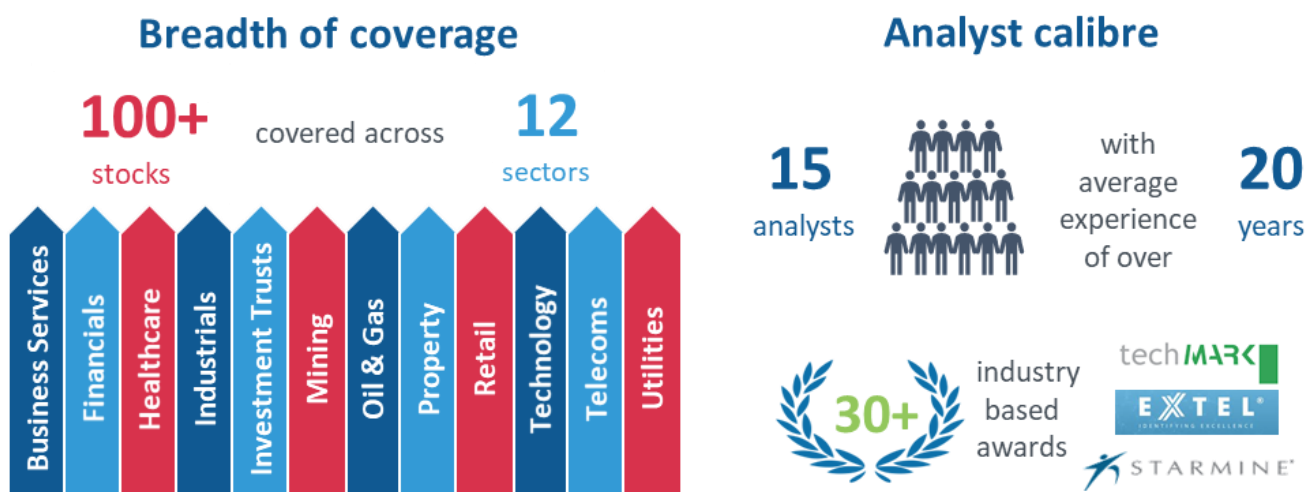
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