

# ANEXO GROUP

## BUSINESS SUPPORT SERVICES

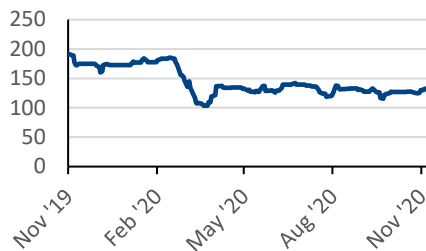
12 November 2020

### ANX.L

132.5p

Market Cap: £153.7m

#### SHARE PRICE (p)



12m high/low

191p/104p

Source: LSE Data

#### KEY DATA

Net (Debt)/Cash	£(19.6)m (at 30/06/20)
Enterprise value	£181.5m
Index/market	AIM
Next news	Trading update Jan 21
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](http://www.anexo-group.com)

ANEXO GROUP IS A RESEARCH CLIENT OF  
PROGRESSIVE

#### ANALYSTS

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## Opportunity knocks

### New major shareholder and business growth

Anexo has announced that private equity firm DBAY Advisors (DBAY) is to acquire a 29% stake in the Company at 150p per share (in two tranches) from Directors Alan Sellers and Samantha Moss and co-founder Valentina Slater. The purchase, at a 13% premium to last night's closing share price, is a significant support for Anexo's growth strategy, in our view. There is no change to the sellers' roles within Anexo but, upon completion of the purchase, DBAY will have the right to appoint up to three Non-Executive Directors (NEDs). The update on trading focuses on the opportunity presented by competitors' woes in the current operating environment for Anexo to expand its introducer network more quickly than previously envisaged. While this means cash absorption rather than generation in H2 20E, we note the resulting rapid increase in vehicles on the road. Aside from reflecting the cash position, we make no changes to estimates at present.

- Alan Sellers will continue as Executive Chairman. Samantha Moss will remain as Managing Director of Bond Turner, and Valentina Slater will remain as Sales Director, Direct Accident Management Limited.
- DBAY will acquire an initial 9.9% and will then seek approval from the Financial Conduct Authority (FCA) and the Solicitors' Regulatory Authority (SRA), before acquiring an additional 19.1% shareholding in the Group to bring its total purchase to 29%.
- As well as being able to appoint up to three NEDs, DBAY's investment comes with an agreement which restricts "any material changes to the Group's existing business model, including acquisitions, disposals and/or debt finance, without the majority consent of DBAY's representatives on the Board of Directors".
- Given the opportune expansion of Anexo's introducer network, as at 10 November 2020, it had 1,902 vehicles on the road compared to 1,380 at the end of the first half. Consequently, management expects the average number of vehicles on the road for FY 2020 to exceed the FY 2019 figure of 1,454.
- The new Leeds office is now expected to become operational in Q1 2021.
- Anexo now has around 13,155 claimants in the VW emissions case compared to c. 10,700 at the interim stage.

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)	11.5x	9.7x	5.7x	7.3x	5.9x
PER (x)	11.9x	11.3x	8.0x	11.9x	9.0x

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.

## Share sale to DBAY

Aside from the points noted on the previous page, the announcement states that it is anticipated that Alan Sellers, Samantha Moss and Valentina Slater will give undertakings not to make further disposals of their remaining shareholdings for a period of eighteen months following completion of the second part of the transaction. Following that, they will undertake not to sell any part of their individual or collective holdings below the price of the transaction for a further twelve-month period.

Subject to regulatory approval from the FCA and SRA, the second part of the transaction is expected to be completed within three months of today's announcement. The resulting shareholdings are shown in the table below.

### Share transactions (millions of ordinary shares unless stated)

Shareholder	Selling shareholders		Ordinary Shares to be transferred to DBAY				Selling shareholders	
	Current holdings	Percentage of issued share capital	Tranche 1	Tranche 2	Total to DBAY	DBAY resulting holding	Resulting holding after sale of both tranches	Percentage of issued share capital
Alan Sellers	35.1	30.3%	5.2	9.9	15.1	13.0%	20.0	17.3%
Samantha Moss	36.1	31.1%	5.3	10.2	15.5	13.4%	20.6	17.7%
Valentina Slater	7.1	6.1%	1.0	2.0	3.1	2.6%	4.1	3.5%
		67.5%				29.0%		38.5%

Source: Company information and Progressive Equity Research

## Current trading

The announcement states that the Board continues to expect H2 2020 underlying profit before tax (before investment in VW Emissions Case acquisition) to recover strongly from H1 2020 levels – and that Anexo is trading in line with management expectations.

The key point from the trading update is the pace with which the Group has been able to grow the Credit Hire business so far during the second half of its current financial year. While activity levels have continued to be high, there has been added impetus from the withdrawal of a number of competitors from the market. Anexo has benefited from this as a number of high-quality introducer garages have sought new partnerships. The result has been the expansion of the number of its vehicles on the road as noted on the prior page.

The result of the unexpected opportunity to pick up the pace of growth in the Credit Hire business means that the balance has shifted back towards growth in new business compared to the view at the time of the interim results. While the Board still expects overall cash collections for FY 2020 to be ahead of the prior year, the increase in vehicles on the road in the second half of the financial year means that it will be a period of cash absorption rather than cash generation. The focus on cash collections was particularly evident in the interim results announcement given the uncertainty that surrounded the initial influence of COVID-19. While uncertainty about the operating environment remains, this seems to us to be too good an opportunity to pass up. Not only does it boost Anexo's growth prospects, but it also prevents quality introductions from going to remaining competitors.

Meanwhile, Bond Turner, has continued to reach case settlements and is maintaining its investment in the planned expansion in staff numbers and supporting infrastructure to support case settlements and cash collections into FY 2021.

**Financial Summary: Anexo Group**

Year end: December (£m unless shown)

	2017	2018	2019	2020E	2021E
<b>PROFIT &amp; LOSS</b>					
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
<b>CASH FLOW &amp; BALANCE SHEET</b>					
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)
<b>NAV AND RETURNS</b>					
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%
<b>METRICS</b>					
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%
<b>VALUATION</b>					
EV/Sales (x)	4.0	3.2	2.3	2.2	2.0
EV/EBITDA (x)	11.5	9.7	5.7	7.3	5.9
EV/NOPAT (x)	12.0	10.6	8.8	12.4	9.6
PER (x)	11.9	11.3	8.0	11.9	9.0
Dividend yield	N/A	1.1%	1.1%	1.1%	1.3%
FCF yield	(2.8%)	(9.2%)	(4.4%)	0.1%	4.0%

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

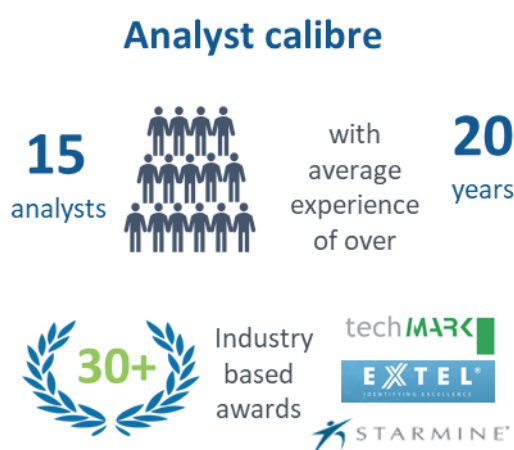
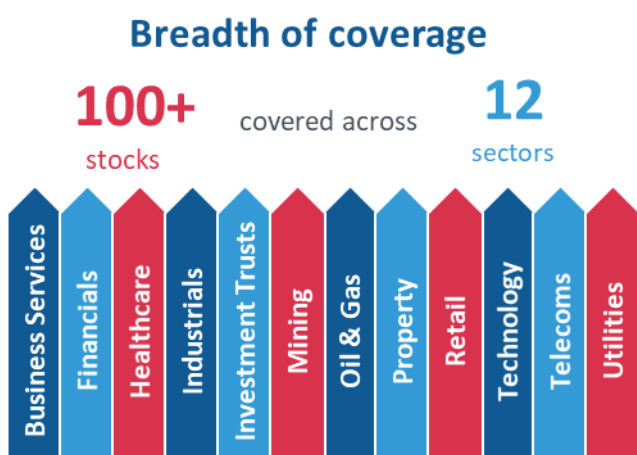
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