

Anexo Group plc
(‘Anexo’ or the ‘Group’)

Interim Results for the six months ended 30 June 2022

“Significant revenue and profit growth with unchanged outlook for the year”

Anexo Group plc (AIM: ANX), the specialist integrated credit hire and legal services provider, is pleased to report its Interim Results for the six months ended 30 June 2022 (‘H1 2022’ or the ‘period’)

Financial Highlights

	H1 2022	H1 2021	Movement
Revenue	£68.6 million	£48.3 million	+42.0%
Operating profit	£16.1 million	£10.4 million	+54.8%
Profit before tax	£13.6 million	£8.9 million	+52.8%
Net assets	£137.8 million	£117.8 million	+17.0%
Cash collection	£67.9 million	£56.7 million	+19.8%
Basic EPS	9.3 pence	6.1 pence	+52.5%

- Revenue increased 42% to £68.6 million (H1 2021: £48.3 million) from increased vehicles on hire and growth in legal fee earners
- Operating profit increased 55% per cent to £16.1 million (H1 2021: £10.4 million) from improved cash collections, leverage of overhead, maximising opportunities within credit hire and an improved vehicle mix
- Cash collections from settled cases increased 20% to £67.9 million (H1 2021: £56.7 million) with strong sales growth driving an increase in Trade Receivables to £209.8 million (30 June 2021: £160.5 million, 31 December 2021: £188.1 million)
- Net debt (including lease liabilities) as 30 June 2022: £74.2 million (30 June 2021: £44.4 million, 31 December 2021: £62.0 million)

Operational Highlights

- The Group has shown robust growth across both its divisions with strong growth in Group vehicle numbers and high-quality senior fee earner recruitment in the legal division
- Vehicle numbers which grew rapidly in the first half of the year are now being carefully managed to maximise efficient use of working capital
- The number of Group vehicles on the road on 31st August 2022 was 1,828
- The proportion of the vehicle fleet composed of motorcycles continues to increase following the agreement with MCE Insurance in the fourth quarter of 2021
- Good progress is being made with the Volkswagen AG (“VW”) emissions case ahead of the scheduled court date in early 2023. The Group has committed the £2 million of funding raised at the end of 2021 towards the acquisition of Mercedes emissions cases. Total cumulative investment in both VW and Mercedes cases is £5.8 million, all of which has been expensed including £1.3 million in the first half of 2022 (H1 2021: £0.5 million)
- The Group’s burgeoning Housing Disrepair (“HDR”) business has gained significant traction in the first half, with approximately 2,300 cases overall, of which almost 600 settled in the first half of the year. HDR revenue more than doubled in the first half to £4.7 million (2021: £2.2 million), with profit of £2.4 million (2021 H1: £1.1 million).

Outlook

The Group has shown robust growth during the period and plans to optimise cash generation in the second half year. The Board has confidence in meeting market expectations for the year with a focus on improving the vehicle mix, building on the strong progress in Housing Disrepair and maximising the emissions opportunities.

KPIs	H1 2022	H1 2021	Movement
Number of vehicles on hire at the period end	1,947	1,740	+11.9%
Average number of vehicles on hire for the period	2,043	1,461	+39.8%
Completed vehicle hires	5,501	4,081	+34.8%
Number of hire cases settled	3,563	2,924	+21.9%
Number of new cases funded	5,082	4,208	+20.8%
Cash collections from settled cases (£'000s)	67,931	56,665	+19.9%
Legal staff employed at period end	633	578	+9.5%

Commenting on the Interim Results, Alan Sellers, Executive Chairman of Anexo Group plc, said:

“I am delighted to report that the Group has continued its strong performance during the first half of the year. Business activity in both our credit hire and legal services divisions has grown strongly.

“We are proud of the social value of the services we offer. Anexo provides assistance to people who find themselves in an invidious position through no fault of their own, whether through being deprived of an essential vehicle or through living in substandard housing conditions, along with the other problems which may be exacerbated by such situations. We remain committed to providing help to those who might otherwise be unable to obtain redress.

“We continue to manage our vehicle fleet carefully and to maximise cash collections by identifying appropriate hire opportunities, particularly within the motorcycle sector; this allows for more efficient use of working capital whilst also increasing the overall number of case settlements.

“The strong progress being made in housing disrepair and emissions will underpin the continued growth in the core business, and the Board remains confident in meeting market expectations for the year.”

- Ends -

Results Conference Call

An analyst conference call will be held at 09:30 BST today, 20 September 2022. Retail investors will also be able to listen to the call but will not be eligible to ask questions. A copy of the Interim Results presentation is available at the Group's website: <https://www.anexo-group.com/>. Please contact Nick Dashwood Brown, Head of Investor Relations, at nick@anexo-group.com if you would like to join the call.

An audio webcast of the conference call with analysts will be available after 12:00 BST today on the Company's website: <https://www.anexo-group.com/>.

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Notes to Editors:

Anexo is a specialist integrated credit hire and legal services provider. The Group has created a unique business model by combining a direct capture Credit Hire business with a wholly owned Legal Services firm. The integrated business targets the impecunious not at fault motorist, referring to those who do not have the financial means or access to a replacement vehicle.

Through its dedicated Credit Hire sales team and network of over 1,100 active introducers around the UK, Anexo provides customers with an end-to-end service including the provision of Credit Hire vehicles, assistance with repair and recovery, and claims management services. The Group's Legal Services division, Bond Turner, provides the legal support to maximise the recovery of costs through settlement or court action as well as the processing of any associated personal injury claim. Bond Turner is also involved in litigation relating to Housing Disrepair and emissions claims against major motor manufacturers.

For additional information please visit: www.anexo-group.com. To subscribe to our investor alert service and receive all press releases, financial results and other key shareholder messages as soon as they become available, please visit: <https://www.anexo-group.com/content/investors/alert.asp>.

Executive Chairman's Statement

On behalf of the Board, I am pleased to introduce Anexo's results for the six-month period ended 30 June 2022. The Group has continued to demonstrate the effectiveness of its business model. Vehicle numbers within the credit hire division have grown, while increased case settlements within the legal services division have ensured a good rise in cash collections.

Demand for hire vehicles shows no signs of abating. We continue to recruit staff in targeted areas within the legal services division, while case settlements and cash collections continue to grow. This points to plenty of opportunities for the Group, albeit at lower levels of growth to ensure that cash generation can be further improved.

H1 2022 Group Performance

Anexo has delivered a strong performance across all key Group financial metrics and KPIs over the first six months of the year. Group revenues in H1 2022 increased by 42% to £68.6 million (H1 2021: £48.3 million) and profit before tax rose by 52% to £13.5 million (H1 2020: £8.9 million).

Credit Hire Division

Demand for vehicles has remained strong throughout the period following the decisive return of traffic levels to pre-pandemic levels. The average number of vehicles on the road during H1 2022 reached 2,043 (H1 2021: 1,461), a 40% increase on the prior year. The Group is committed to careful management of vehicle numbers to maximise efficient use of working capital; as a consequence, the overall number of vehicles on the road has been declining toward the end of the first half of the year and at the period end the number stood at 1,947. This still represents an 11.9% increase on the H1 2021 number but shows a reduction of 17.7% on the 2,366 vehicles on the road at the end of FY 2021.

This performance led to growth in Credit Hire revenue of 62%, up from £26.3 million in H1 2021 to £42.5 million in H1 2022. Profit before tax in the Credit Hire division rose by 36% to £10.9 million in H1 2022 (H1 2021: £8.0 million). Completed vehicle hires rose by 35% to 5,501 in H1 2022 (H1 2021: 4,081). This increase has been supported by the agreement with MCE Insurance announced on 25 November 2021 as well as by a number of protocols with insurance counterparties.

Legal Services Division

Credit Hire

The Group remains committed to its strategy of increasing its claim settlement capacity, thereby maximising cash collections. The number of senior fee earners employed at the end of H1 2022 rose by 41% to 247 (H1 2021: 175) and the overall number of legal staff rose from 578 in H1 2021 to 633 in H1 2022, an increase of 10%.

This investment has underpinned continued growth in cash collections, which rose 20% in H1 2021 to a total of £67.9 million (H1 2021: £56.7 million). Revenues from the Legal Services division, which strongly converts to cash, increased by 8.1% to £21.4 million in H1 2022 (H1 2021: £19.8 million). Profit before taxation rose from £1.5 million in H1 2021 to £2.5 million in H1 2022, an increase of 67%. The Group expects this revenue trend to continue as more of our staff reach maturity from a cash collection and settlement position.

Housing Disrepair

The Group's Housing Disrepair ("HDR") division continues to show significant growth. The number of ongoing claims currently stands at approximately 2,300 cases. HDR continues to require additional

cash funding; this amounted to £0.3 million in the first half year, with profit of £2.4 million (2021 H1: £1.1 million).

Emissions Litigation

The advocacy team continues to act on behalf of a number of individuals in the pursuit of a claim against VW and its subsidiaries (the “VW Emissions case”). The Group announced on 26 May 2022 that it is engaged in approximately 13,000 cases. The Group remains in discussions with VW and its representatives around a possible settlement of these claims.

The Group continues to pursue other emissions cases, particularly in relation to Mercedes Benz. Total expenditure that has been expensed in the H1 2022 is £1.3 million (H1 2021: £0.5 million). The Group currently has approximately 4,000 Mercedes cases.

The Board believes there is a significant short-term opportunity to accelerate growth in emissions claims against specific vehicle manufacturers, as well as HDR claims. Accordingly, the Group has negotiated an increase in its loan agreement with Blaze Hill Capital, first announced on 11 May 2022, from £7.5 million to £15 million. The funds will be drawn down immediately to take advantage of this opportunity. The costs in targeting further emissions claims will be expensed in the normal way and the Group will update the market with details of emissions expenditure on a regular basis.

Dividend

The Board believes that the emissions opportunity warrants significantly increased investment over the next few months and has therefore resolved that the interests of the Group and its shareholders would be best served by paying an annual dividend following the announcement of the Group’s full year results.

Outlook

The Group has shown robust growth in the first half and plans to optimise cash generation in the second half year with a focus on improving the vehicle mix. The Board has confidence in meeting market expectations for the year with a focus on continuing the strong progress in Housing Disrepair and maximising the emissions opportunities.

Alan Sellers
Executive Chairman
20 September 2022

Consolidated Statement of Comprehensive Income
For the unaudited period ended 30 June 2022

	Note	Unaudited Half year ended 30-Jun-22 £'000s	Unaudited Half year ended 30-Jun-21 £'000s	Audited Year ended 31-Dec-21 £'000s
Revenue	2	68,610	48,316	118,237
Cost of sales		(16,253)	(10,668)	(26,756)
Gross profit		52,357	37,648	91,481
Depreciation & profit / loss on disposal		(5,561)	(3,809)	(8,504)
Amortisation		(74)	(65)	(137)
Administrative expenses		(30,759)	(23,171)	(55,112)
Operating profit before share based payments		15,963	10,603	27,728
Share based payment charges		175	(236)	(378)
Non-recurring administrative expenses		-	-	-
Operating profit		16,138	10,367	27,350
Net financing expense		(2,500)	(1,456)	(3,604)
Profit before tax		13,638	8,911	23,746
Taxation		(2,734)	(1,810)	(4,598)
Profit and total comprehensive income for the year attributable to the owners of the company		10,904	7,101	19,148
Earnings per share				
Basic earnings per share (pence)		9.3	6.1	16.5
Diluted earnings per share (pence)		9.3	6.0	16.2

The above results were derived from continuing operations.

Consolidated Statement of Financial Position
Unaudited at 30 June 2022

		Unaudited 30-Jun-22 £'000s	Unaudited 30-Jun-21 £'000s	Audited 31-Dec-21 £'000s
Assets	Note			
Non-current assets				
Property, plant and equipment	3	2,323	2,217	2,071
Right-of-use assets		16,816	13,337	16,896
Intangible assets		112	238	188
Deferred tax assets		112	112	112
		19,363	15,904	19,267
Current assets				
Trade and other receivables	4	209,817	160,485	188,134
Corporation tax receivable		-	439	-
Cash and cash equivalents		1,247	1,418	7,562
		211,176	162,342	195,696
Total assets		230,427	178,246	214,963
Equity and liabilities				
Equity				
Share capital		59	58	58
Share premium		16,161	16,161	16,161
Share based payment reserve		-	1,935	2,077
Retained earnings		121,554	99,621	109,928
Equity attributable to the owners of the Group		137,774	117,775	128,224
Non-current liabilities				
Other interest-bearing loans and borrowings	5	20,710	3,029	13,814
Lease liabilities		8,462	7,382	8,430
Deferred tax liabilities		-	32	32
		29,172	10,443	22,276
Current liabilities				
Other interest-bearing loans and borrowings	5	37,235	28,781	38,499
Lease liabilities		9,018	6,619	8,833
Trade and other payables		9,966	9,108	12,635
Corporation tax liability		7,262	5,520	4,496
		63,481	50,028	64,463
Total liabilities		92,653	60,471	86,739
Total equity and liabilities		230,427	178,246	214,963

Consolidated Statement of Changes in Equity
For the unaudited period ended 30 June 2022

	Share capital £'000s	Share premium £'000s	Share based payment reserve £'000s	Retained earnings £'000s	Total £'000s
At 1 January 2022	58	16,161	2,077	109,928	128,224
Profit for the period and total comprehensive income	-	-	-	10,904	10,904
Issue of share capital	1	-	-	-	1
Share based payment charge	-	-	(175)	-	(175)
Transfer of share based payment reserve	-	-	(1,902)	1,902	-
Dividends	-	-	-	(1,180)	(1,180)
At 30 June 2022	59	16,161	-	121,554	137,774
At 1 January 2021	58	16,161	1,699	92,520	110,438
Profit for the period and total comprehensive income	-	-	-	7,101	7,101
Issue of share capital	-	-	-	-	-
Share based payment charge	-	-	236	-	236
Dividends	-	-	-	-	-
At 30 June 2021	58	16,161	1,935	99,621	117,775
Profit for the period and total comprehensive income	-	-	-	12,047	12,047
Share based payments charge	-	-	142	-	142
Adjustment	-	-	-	-	-
Dividends	-	-	-	(1,740)	(1,740)
At 31 December 2021	58	16,161	2,077	109,928	128,224

Anexo Group Plc
Consolidated Statement of Cash Flows
For the unaudited period ended 30 June 2022

	Unaudited Half year ended 30-Jun-22 £'000s	Unaudited Half year ended 30-Jun-21 £'000s	Audited Year ended 31-Dec-21 £'000s
Cash flows from operating activities			
Profit for the year	10,904	7,101	19,148
Adjustments for:			
Depreciation and profit / loss on disposal	5,561	3,809	8,504
Amortisation	74	65	137
Financial expense	2,500	1,456	3,604
Share based payment charge	(175)	-	378
Taxation	2,734	1,810	4,598
	21,598	14,241	36,369
Working capital adjustments			
Increase in trade and other receivables	(21,682)	(12,577)	(40,224)
Increase in trade and other payables	(2,667)	(160)	3,131
Cash generated from operations	(2,751)	1,504	(724)
Interest paid	(2,380)	(1,335)	(3,364)
Tax repaid	-	154	(3,219)
Net cash from operating activities	(5,131)	323	(7,307)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	722	448	941
Acquisition of property, plant and equipment	(1,285)	(497)	(1,439)
Investment in intangible fixed assets	-	(70)	(91)
Net cash from investing activities	(563)	(119)	(589)
Cash flows from financing activities			
Proceeds from new loans	10,265	908	25,039
Dividends paid	(1,180)	-	(1,740)
Repayment of borrowings	(4,753)	(4,171)	(7,951)
Lease payments	(4,953)	(3,743)	(8,110)
Net cash from financing activities	(621)	(7,006)	7,238
Net decrease in cash and cash equivalents	(6,315)	(6,802)	(658)
Cash and cash equivalents at 1 January	7,562	8,220	8,220
Cash and cash equivalents at period end	1,247	1,418	7,562

Anexo Group Plc
Notes to the Interim Statements
For the unaudited period ended 30 June 2022

1. Basis of preparation and significant accounting policies

The condensed consolidated financial statements are prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard ('IAS') 34, 'Interim Financial Reporting'.

The information for the year ended 31 December 2021 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on these accounts was not qualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The condensed unaudited financial statements for the six months to 30 June 2022 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

The condensed consolidated financial statements have been prepared under the going concern assumption.

The Directors have assessed the future funding requirement of the Group and have compared them to the levels of available cash and funding resources. The assessment included a review of current financial projections to December 2023. Having undertaken this work, the Directors are of the opinion that the Group has adequate resources to finance its operations for the foreseeable future and accordingly, continue to adopt the going concern basis in preparing the Interim Report.

2. Segmental Reporting

The Group's reportable segments are as follows:

- the provision of credit hire vehicles to individuals who have had a non-fault accident, and
- associated legal services in the support of the individual provided with a vehicle by the Group and other legal service activities, and
- vehicle emissions litigation, and
- Group and central costs.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Half year ended 30 June 2022

	Credit Hire £'000s	Legal Services £'000s	Housing Disrepair £'000s	Emissions £'000s	Group and Central Costs £'000s	Consolidated £'000s
Revenues						
Third party	42,503	21,392	4,715	-	-	68,610
Total revenues	42,503	21,392	4,715	-	-	68,610
Profit before taxation	10,941	2,527	2,353	(1,278)	(905)	13,638
Net cash from operations	(3,990)	2,228	(257)	(1,278)	(1,834)	(5,131)
Depreciation	4,990	645	-	-	-	5,635
Segment assets	176,822	46,927	6,358	-	320	230,427
Capital expenditure	1,198	87	-	-	-	1,285
Segment liabilities	61,320	25,278	-	5,801	254	92,653

Half year ended 30 June 2021

	Credit Hire £'000s	Legal Services £'000s	Housing Disrepair £'000s	Emissions £'000s	Group and Central Costs £'000s	Consolidated £'000s
Revenues						
Third party	26,306	19,795	2,215	-	-	48,316
Total revenues	26,306	19,795	2,215	-	-	48,316
Profit before taxation	7,970	1,536	1,054	(477)	(1,172)	8,911
Net cash from operations	284	1,744	(531)	(477)	(697)	323
Depreciation	3,138	736	-	-	-	3,874
Segment assets	130,723	44,514	2,293	-	716	178,246
Capital expenditure	243	254	-	-	-	497
Segment liabilities	37,681	20,224	-	2,351	215	60,471

Year ended 31 December 2021

	Credit Hire £'000s	Legal Services £'000s	Housing Disrepair £'000s	Emissions £'000s	Group and Central Costs £'000s	Consolidated £'000s
Revenues						
Third party	71,338	41,823	5,076	-	-	118,237
Total revenues	71,338	41,823	5,076	-	-	118,237
Profit before taxation	19,811	4,423	2,592	(819)	(2,261)	23,746
Net cash from operations	(10,654)	5,637	(568)	(819)	(903)	(7,307)
Depreciation	7,205	1,436	-	-	-	8,641
Segment assets	161,578	49,545	3,648	-	192	214,963
Capital expenditure	998	441	-	-	-	1,439
Segment liabilities	55,415	25,413	-	5,501	410	86,739

3. Property, Plant and Equipment

	Property Improvement £'000s	Fixtures Fittings & Equipment £'000s	Right of Use assets £'000s	Office Equipment £'000s	Total £'000s
Cost or valuation					
At 1 January 2021	492	2,675	24,693	878	28,738
Additions	-	287	4,213	57	4,557
Disposals	-	-	(6,084)	-	(6,084)
At 30 June 2021	492	2,962	22,822	935	27,211
Additions	2	163	8,394	28	8,587
Disposals	-	-	(1,572)	(334)	(1,906)
At 31 December 2021	494	3,125	29,644	629	33,892
Additions	152	193	5,845	266	6,456
Disposals	-	-	(3,976)	-	(3,976)
At 30 June 2022	646	3,318	31,513	895	36,372
Depreciation					
At 1 January 2021	297	859	11,612	702	13,470
Charge for year	13	270	3,560	31	3,874
Eliminated on disposal	-	-	(5,687)	-	(5,687)
At 30 June 2021	310	1,129	9,485	733	11,657
Charge for the year	12	289	4,479	38	4,818
Disposals	-	-	(1,216)	(334)	(1,550)
At 31 December 2021	322	1,418	12,748	437	14,925
Charge for the year	16	288	5,300	55	5,659
Adjustment / disposals	-	-	(3,351)	-	(3,351)
At 30 June 2022	338	1,706	14,697	492	17,233
Carrying amount					
At 30 June 2022	308	1,612	16,816	403	19,139
At 31 December 2021	172	1,707	16,896	192	18,967
At 30 June 2021	182	1,833	13,337	202	15,554

4. Trade and Other Receivables

	Jun-22	Jun-21	Dec-21
	£'000s	£'000s	£'000s
Trade receivables - gross claim value	370,433	289,030	325,260
Settlement/impairment provision	(205,966)	(160,011)	(178,867)
Net trade receivables	164,467	129,019	146,393
Accrued income	44,177	30,258	39,431
Prepayments	821	1,093	1,849
Other debtors	352	95	461
	209,817	160,465	188,134

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment of financial assets note.

Trade receivables stated above include amounts due at the end of the reporting period for which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there has been no significant change in credit quality.

5. Borrowings

	Jun-22	Jun-21	Dec-21
	£'000s	£'000s	£'000s
Non-current loans and borrowings			
Revolving credit facility	10,000	-	10,000
Other borrowings	10,710	3,029	3,814
Lease liabilities	8,462	7,382	8,430
	29,172	10,411	22,244
Current loans and borrowings			
Invoice discounting facility	31,364	15,449	29,258
Revolving credit facility	-	8,000	-
Other borrowings	5,871	5,332	9,241
Lease liabilities	9,018	6,619	8,833
	46,253	35,400	47,332

Direct Accident Management Limited uses an invoice discounting facility which is secured on the trade receivables of that company. Security held in relation to the facility includes a debenture over all assets of Direct Accident Management Limited dated 11 October 2016, extended to cover the assets of Anexo Group Plc and Edge Vehicles Rentals Group Limited from 20 June 2018 and 28 June 2018 respectively, as well as a cross corporate guarantee with Professional and Legal Services Limited dated 21 February 2018.

In July 2020 Direct Accident Management Limited secured a £5.0m loan facility from Secure Trust Bank Plc, under the Government's CLBILS scheme. The loan was secured on a repayment basis over the three year period, with a three month capital repayment holiday.

Direct Accident Management Limited is also party to a number of leases which are secured over the respective assets funded.

The revolving credit facility is secured by way of a fixed charge dated 26 September 2019, over all present and future property, assets and rights (including uncalled capital) of Bond Turner Limited. The loan is structured as a revolving credit facility which is committed for a three-year period, until 13 October 2024, with no associated repayments due before that date. Interest is charged at 3.25% over the Respective Rate.

In July 2020 Anexo Group Plc secured a loan of £2.1m from a specialist litigation funder to support the investment in marketing costs associated with the VW Emissions Class Action. The terms of the loan are that interest accrues at the rate of 10% per annum, with maturity three years from the date of receipt of funding with an option to repay early without charge. In addition to the interest charges the loan attracts a share of the proceeds to be determined by reference to the level of fees generated for the Group.

In November 2021 a further £3.0m loan was sourced from certain of the principal shareholders and directors of the Group to support the investment in 2022 of the Mercedes Benz emissions claim. The terms of the loan are that interest accrues at the rate of 10% per annum, with maturity two years from the date of receipt of funding with an option to repay early without charge. In addition to the interest charges the loan attracts a share of the proceeds to be determined by reference to the level of fees generated for the Group.

- Ends -