

NAHL Group plc 2019 Interim Results Presentation

September 2019



Agenda



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Financial highlights



Revenue +3.9%
to £25.8m

2018 H1: £24.9m

Underlying operating
profit +1.7%
to £6.5m ¹

2018 H1: £6.4m

Profit before tax of
£4.6m after
exceptional costs

2018 H1: £5.3m

Interim dividend of
2.6p per share, in
line with expectation

2018 H1: 3.2p

Cash generation
from operations
ahead at £3.5m

2018 H1: £1.3m

Net debt flat
at £17.6m

2018 H1: £17.4m

¹ Includes £0.5m of planned start-up losses of new ABS law firm, National Accident Law ("NAL"). Before these losses, up 10.6% to £7.0m

Continued strategic progress

- Strategic transformation of Personal Injury (PI) division yielding positive results
 - ✓ National Accident Helpline marketing and placement tactics being adapted to respond to continuing competitive pressures
 - ✓ Successful launch of wholly owned law firm - National Accident Law - which is scaling and performing well
 - ✓ Announced the launch of a new ABS law firm - Law Together - operated in partnership with panel law firm
- Residential Property performance reflective of continuing difficult wider market conditions; leadership changes having a positive impact
- Continued strong progress from Critical Care, with double digit revenue and profit growth; now planning new initiatives to accelerate growth



Financial review

Income statement



| £m | H1 2019 | H1 2018 | Variance | FY 2018 |
|--|-------------|-------------|---------------|-------------|
| Personal Injury | 16.3 | 15.5 | 5.1% | 30.2 |
| Critical Care | 6.6 | 6.0 | 10.4% | 12.4 |
| Residential Property | 3.0 | 3.4 | -12.8% | 6.4 |
| Revenue | 25.8 | 24.9 | 3.9% | 49.0 |
| Personal Injury | 4.8 | 4.6 | 2.8% | 8.4 |
| Critical Care | 2.3 | 2.1 | 12.6% | 4.5 |
| Residential Property | 0.1 | 0.6 | -83.7% | 0.7 |
| Group Costs | (0.7) | (0.9) | -21.9% | (1.5) |
| Underlying operating profit | 6.5 | 6.4 | 1.7% | 12.1 |
| Start-up costs associated with NAL | 0.5 | - | n/a | - |
| Underlying operating profit before start-up costs associated with NAL | 7.0 | 6.4 | 10.6% | 12.1 |
| Exceptional items | (0.8) | (0.1) | 466.9% | (0.5) |
| Other adjustments | (0.9) | (0.8) | 8.5% | (1.7) |
| Net interest | (0.2) | (0.1) | 77.8% | (0.2) |
| PBT (stated) | 4.6 | 5.3 | -13.5% | 9.8 |
| Taxation | (0.4) | (1.0) | -55.5% | (1.4) |
| Minority interest | (2.6) | (0.6) | 359.5% | (1.7) |
| Retained earnings | 1.6 | 3.8 | -58.5% | 6.7 |
| Underlying operating profit margin | 25.0% | 25.6% | | 24.7% |
| Underlying basic EPS (pence) | 7.4 | 9.9 | -25.3% | 18.2 |
| DPS (pence) | 2.6 | 3.2 | -18.8% | 8.9 |

- Revenue growth of +3.9% to £25.8m
- Underlying operating profit growth of +1.7% to £6.5m
 - +10.6% growth before £0.5m of start-up losses associated with NAL
- Exceptional costs £0.8m, as planned. We remain on track to spend £4m in total, as set out in our transformation strategy
- Effective tax rate of 9.3% due to minority interest
- Minority interest increased to £2.6m, as planned
- Underlying EPS 7.4p, in line with Board expectations
- Interim dividend of 2.6p
 - Consistent with dividend policy (2x); one third at interim
 - Paid 31 October 2019 to shareholders on the register on 27 September 2019

Balance sheet and working capital

| £m | H1 2019 | H1 2018 | Variance | FY 2018 |
|-----------------------------|---------------|---------|----------|---------|
| Non-current assets | 67.2 | 67.3 | (0.0) | 67.1 |
| Trade and other receivables | 33.0 | 30.0 | 3.0 | 28.8 |
| Trade and other payables | (17.5) | (14.8) | (2.7) | (15.1) |
| | 15.5 | 15.2 | 0.3 | 13.7 |
| Cash at bank | 2.0 | 0.9 | 1.1 | 1.6 |
| Borrowings | (19.7) | (18.3) | (1.3) | (17.1) |
| Net debt | (17.6) | (17.4) | (0.2) | (15.5) |
| Other | (1.9) | (3.7) | 1.7 | (2.6) |
| Net assets | 63.2 | 61.4 | 1.8 | 62.7 |

- ABS strategy requires controlled investment in working capital to build a sustainable and growing earnings stream for future years
- Growth in receivables and payables driven by increase in recoverable disbursements linked to claims processed by Legal Services (£2.8m increase in receivables disbursements; £3.0m increase in disbursements payables)
- Net debt £17.6m, in line with Board's expectations. Peak net debt guidance unchanged at c.£20m in Q4 2019

Cash generation



| £m | H1 2019 | H1 2018 | Variance | FY 2018 |
|------------------------------------|------------|--------------|------------|------------|
| Underlying operating profit | 6.5 | 6.4 | 0.1 | 12.1 |
| Depreciation and amortisation | 0.4 | 0.2 | 0.3 | 0.4 |
| Exceptional items | (0.8) | (0.1) | (0.7) | (0.4) |
| IFRS9 provision movements | 0.1 | - | 0.1 | 0.2 |
| Working capital movement | (2.7) | (5.1) | 2.4 | (5.2) |
| Cash generation from operations | 3.5 | 1.3 | 2.2 | 7.1 |
| Tax paid | (0.8) | (1.3) | 0.5 | (2.2) |
| Net interest paid | (0.2) | (0.2) | (0.1) | (0.4) |
| Net cash from operating activities | 2.5 | (0.2) | 2.7 | 4.5 |
| Capital expenditure | (0.3) | (0.2) | (0.1) | (0.7) |
| Minority interest drawings | (1.4) | (0.1) | (1.3) | (0.9) |
| Free cash flow | 0.8 | (0.5) | 1.3 | 2.9 |
| New borrowings (net) | 2.5 | 5.4 | (2.9) | 4.1 |
| Dividends | (2.6) | (4.9) | 2.3 | (6.4) |
| Other | (0.2) | 0.1 | (0.3) | 0.1 |
| Change in cash | 0.4 | 0.1 | 0.4 | 0.7 |
| Underlying cash conversion | 66.5% | 20.3% | +46.2 pts | 65.6% |

- Cash generation from operations ahead of last year at £3.5m (H1 2018: £1.3m)
- Operating cash conversion improving at 66.5% (H1 2018: 20.3%)
- Free cash flow of £0.8m ahead of last year (H1 2018: net outflow of £0.5m)
- Cash priority is to invest in the business to drive sustainable, profitable growth

Our business and markets

NAHL Group - Trusted when it matters



NAHL Group plc stands alongside consumers at key stages of their lives, when it really matters. When moving house, recovering from an injury or coming to terms with sustaining a life changing injury, you need to know that the people you choose to support you are capable and trustworthy

Our mission

To provide exceptional service to our consumers and customers by being outstanding at everything we do

Our vision

To become the leading provider in our chosen consumer legal services markets by:

- Creating trusted brands that enable consumers to access the law
- Forging strategic customer partnerships that create mutual value
- Embracing developing technologies to reach and interact with our consumers and customers

Our values

- We are curious
- We are driven
- We are passionate
- We are unified

Our divisions

Personal Injury



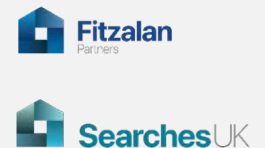
We provide outsourced marketing services and products to law firms through National Accident Helpline and claims processing services to individuals through National Accident Law, Your Law, Law Together and National Law Partners

Critical Care



We provide a range of specialist services in the catastrophic and serious injury market to both claimants and defendants through Bush & Co

Residential Property



We provide marketing services to law firms and conveyancers as well as surveys to individuals through Fitzalan Partners. We also provide property searches through Searches UK

We have a sustainable business model that creates value for our stakeholders

| <u>What we do</u> | Personal Injury | Critical Care | Residential Property |
|---------------------------|---|--|---|
| Marketing Services | Fees charged to law firms for PI enquiry generation | | Fees charged to law firms for conveyancing instructions |
| Service Provision | Legal and service fees charged to individual consumers for processing PI claims | Case management fees charged to law firms acting on behalf of severely injured individuals | |
| Expert Reports | | Fees charged for one-off initial need assessments or expert witness reports | Fees charged for survey or search reports |
| Product Provision | Product commissions earned from insurance and medical providers | | Product commissions earned from insurance providers |

Our strategy is underpinned by a strong, embedded culture

Social Purpose

We began our mission to bring justice to those affected by accidents back in 1993, with a 'people-first' ethos that has remained steadfast. Ours is a service which genuinely brings support and comfort to those who have experienced the worst and we aim to maintain access to justice for all.

- We've helped nearly 2,000 people make official complaints about cold calling in our industry

"75% of our people agreed that 'My organisation has a positive impact on society' for 2018"¹

Employees

It is our people and their talents, dedication and vision which has created a Group which continues to grow and touch the lives of others. This fact shapes how we interact with our employees and how we can support them to achieve their full potential.

- Sunday Times Top 100 Small Companies to Work for in 2019
- Awarded Gold and Silver awards by Investors in People
- Launched our learning academy

"84% of our people agreed that 'There is a strong sense of team work, co-operation and fun across the company'"¹

Communities

We believe it's within the strength of local communities that lives can be improved. As such, we invest by helping to provide local charities with the resources they need to continue their outstanding and vital work.

- Supporting young adults through our annual Future Legal Minds competition
- Supporting a range of charities, including The Paul Bush Foundation, ParaDance UK and Breast Cancer Research

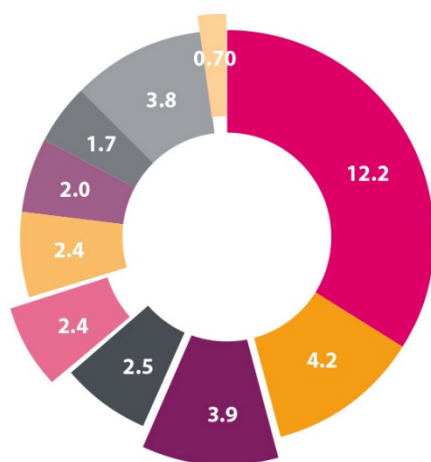
"84% of our people say 'The company encourages community and charitable activities'"¹

¹ Source: Assessment Report NAH 2018: Investors in People

We operate in the UK Consumer Legal Services market



UK Legal Services Market by Key Practice Area, 2018 (£bn)¹



Consumer Legal Services (CLS) market

- CLS is a highly fragmented subset of the UK Legal Services market
- NAHL operates in personal injury, residential conveyancing and medical reporting / rehabilitation sectors
- The personal injury market has been impacted by regulatory change with further changes planned in April 2020
- The residential property market has been challenging in recent years
- NAHL's market was valued at £7bn¹ in 2018

Market growth

- After five years of decline, overall PI claims grew by 1% (primarily from RTA)
- Residential conveyancing growth of -4% YTD
- Medico-Legal showed no growth

¹ Source: IRN Research, UK Legal Services Market Report, March 2019

² Source: IRN Medico-Legal Insurance Services Report, February 2018

Regulatory changes in personal injury

PI reforms are contained in the Civil Liabilities Bill which received royal assent in December 2018, implementation planned for April 2020

- Small Claims limit increasing from £1,000 to £5,000 (RTA) and £2,000 (non-RTA)
- Reduced consumer damages and reduced cost recovery for whiplash claims
- Important details remain to be clarified by the MoJ
- Some industry speculation that reform implementation could be delayed until October 2020

Impact of Reforms on the Industry

1. Significantly lower levels of damages for the consumer in successful RTA claims.
2. A large proportion of consumers, who have historically depended on law firms, would be expected to represent themselves. They may find this confusing and burdensome.
3. Significantly less revenue per claim available for law firms and no legal fees recoverable on small claims resulting in reduced cash flow to fund further work acquisition and non RTA work.

“Reforms will have no bearing on the number of accidents that occur, but will have a significant impact on both consumers and law firms.”

Divisional performance

Personal Injury | Critical Care | Residential Property

Our response to market reforms is to create the UK's leading Personal Injury provider

- Panel law firm demand for our traditional model has diminished and a number of law firms are withdrawing from the market or focusing on higher value work
- Consumers will still need advice and support on how the legal process works
- We are uniquely placed to provide that service due to the strength of our brand, deep understanding of PI, technological expertise and levels of trust we enjoy with consumers
- We are developing the ability to efficiently process large volumes of RTA small claims

Traditional law firms require significant investment in technology, process and brand to achieve profitability post reform, many will not adapt



We are leveraging our brand, technology and processes to create a wholly owned law firm that will process a proportion of the claims we generate

Technologically enabled

Efficient, digitised process

Consumer focused

Brand leader

Small claims ready

Personal Injury – delivering tangible progress with its transformation strategy



Performance

- Performance in line with plan - revenue increased 5.1% to £16.3m and underlying operating profit increased 2.8% to £4.8m
- Maintained demand from the panel and negotiating a small number of deals to extend placement beyond the implementation of reforms
- NAH continues to be the UK's most trusted PI brand
- NAH continues to operate in challenging market conditions, driven by competitive pressures and we expect this to persist until the implementation of the legal reforms

Growth drivers

- Launched National Accident Law, the Group's wholly owned law firm, bringing full economic interest in the success of a claim
- Continue to scale volume in NAL and build efficiencies
- Finalising our small claims proposition and preparing for implementation
- Re-platforming the NAH website in early 2020 to keep us at the forefront of digital marketing performance
- Launch of new ABS law firm (*Law Together LLP*) in partnership with Horwich Cohen Coghlan Solicitors in October 2019

“ The strategic transformation of our Personal Injury (PI) business continues and the changes put in place are now yielding positive results. ”

Legal Services – building the UK’s leading volume processor

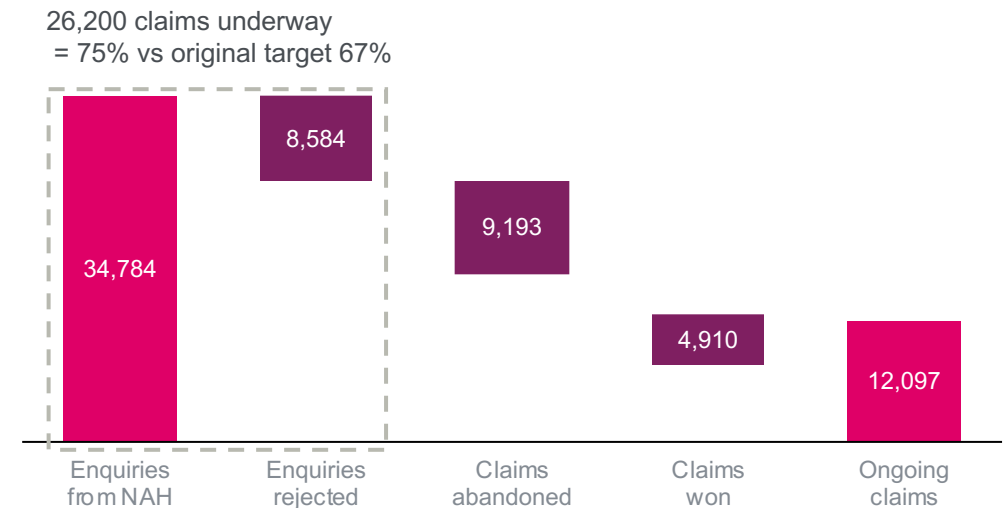
Joint-venture law firms continue to mature

- 33,650 enquiries processed (to August 2019)
- 4,889 claims won - £19m of damages recovered for consumers
- £0.3m of profit earned to date after deduction of acquisition and processing costs and minority interest
- 11,216 ongoing claims

National Accident Law performing well

- Scaling up and refining its processes
- 1,134 enquiries processed (to August 2019)
- 1,010 claims underway (84%)
- 21 claims won
- 881 ongoing claims (274 claims with liability admitted)

Legal Services volumes since inception



“ We are continuing to grow the number of enquiries being placed through our Legal Services business unit. Our focus remains on taking an economic interest in the success of the whole claim and capturing more value over the long-term. ”

Critical Care – growing operating profit by 12.6%



Performance

- Organic revenue growth of 10.4% to £6.6m, built on strong performance from case management and charity partnerships
- Operating profit growth of 12.6% to £2.3m
- Margin maintained at 35.6% (H1 2018: 35.0%)
- Ongoing challenges of retaining and growing consultant numbers in a competitive market
- The No.1 brand in our sector, with continued growth in market share

Growth drivers

- Successful relaunch of the Bush & Co brand in May 2019 and increased investment in sales and marketing capability is driving organic growth
- Continue to grow the number of case managers and expert witnesses
- New initiatives planned to accelerate growth including a new technology platform to create efficiencies and process improvements and provide greater utility to our case managers and experts
- Revenue generated by strategic partnerships is growing

“ Critical Care has delivered another strong performance as we begin the process of investing in the technology platform to position it for further growth. ”

Residential Property – further deterioration in market



Performance

- The market remains challenging, impacting revenue - down 12.8% to £3.0m – but covered its costs and was cash generative (£0.1m of operating profit; £0.2m of cash generated)
- Focus on share growth in a large, fragmented market, with early results encouraging
- New leadership is starting to have a positive effect, with a focus on marketing and business development

Growth drivers

- Establish our introducer business (*The Conveyancing Exchange*). Launched Q1 but adoption has been slower than anticipated
- Optimise online conversion by re-platforming websites (Q3) and incorporating paid search (PPC)
- Start self-processing some conveyancing instructions in partnership with established processor

“ The residential property market has deteriorated further in H1 and this has impacted our result. However, we are progressing initiatives to drive growth and these are beginning to yield market share gains. ”

Summary and outlook

Summary and outlook



Summary

- Tangible progress with our PI transformation strategy, with the launch of NAL bringing full economic interest in the success of a claim; and retention of panel demand
- Another strong performance from Critical Care, delivering double-digit profit growth and expanded market share
- Challenging market conditions for Residential Property impacted results but we are starting to see some modest market share gains
- Underlying earnings expectation for FY19 remains unchanged
- We remain excited about the opportunities ahead

2019 outlook

- We do not expect a noticeable improvement in market conditions in our Personal Injury and Residential Property divisions, but plan to continue to adapt our marketing and placement tactics to respond and optimise performance
- We are investing in re-platforming the NAH website in early 2020 which will keep us at the forefront of digital marketing performance
- Continued evolution of the ABS strategy including the launch of a new ABS firm, called Law Together, in September will deliver long-term growth and allow us to maintain enquiry volumes
- Development of plans for technology investment in Critical Care to accelerate future growth

“ We are encouraged by the progress made in the year so far, and although fully cognisant of the challenges ahead, we remain confident of achieving a full year result in line with our underlying earnings expectations. ”

Appendix

Investment case



We are primed for new opportunities in evolving markets

Investing in innovative solutions, underpinned by technology, to maximise the growth opportunity across all our businesses



We have a clear brand proposition

Nationally recognised in the market with strong leadership and trust in our individual businesses



We are led by a strong, experienced and collaborative leadership team

Dedicated to operational excellence with a track record of delivering sustainable growth when faced with market reforms



We live by a strong set of embedded of company values

Our values of Curious, Unified, Driven, Passionate drive positive behaviours and support business objectives



We have a robust and sustainable financial model

Long-term revenue streams and developing growth on investor returns through the cycle

Personal injury – channel economics



| | Traditional Panel Model | Self Processing – Joint Venture | Self Processing – In House |
|----------------------|--|---|---|
| Profit Timing | 100% of profit recognised in month enquiry passed to law firm | Profits recognised at liability admission (typically 15-18 months after enquiry generated) | Processing costs written off on incurred basis and therefore loss-making until liability admission |
| Cash Timing | Received month following enquiry passed to law firm | On case settlement (typically 3-6 months post liability admission) | On case settlement (typically 3-6 months post liability admission) |
| Profit Margin | 35% | 11% after minority interest | Planned 35 – 40% |
| ROI * | 54% | 47% | 70% |
| Comments | <ul style="list-style-type: none"> • Highly cash generative • No risk on case performance for NAHL | <ul style="list-style-type: none"> • Shared risk and reward on case performance • Working capital contribution from partner | <ul style="list-style-type: none"> • Entire risk and reward on case performance • Deeper case involvement and control of consumer journey • Bear full acquisition and processing costs |

* ROI is based on initial acquisition cost

Personal Injury – participating in the entire claims process



| 1. Non-Fault Accident | 2. Marketing Activity | 3. NAH Legal Support Centre | 4. Claim Processing | 5. Successful Outcome for Consumer |
|--|--|---|--|---|
| <ul style="list-style-type: none"> Consumers unsure if they have a claim and confused by how the legal process works. | <ul style="list-style-type: none"> NAH attracts these consumers through its brand and digital marketing activity, | <ul style="list-style-type: none"> Over 280,000 contacts with consumers each year Our highly trained team recommends appropriate course of action Only c.25% of contacts become qualified enquiries after strict vetting | <ul style="list-style-type: none"> Consumers are connected to an appropriate law firm Enquiries processed in one of 3 ways: <ul style="list-style-type: none"> 1. Panel Law Firms 2. ABS Joint Venture 3. ABS Wholly Owned (planned launch April 2019) | <ul style="list-style-type: none"> Liability is admitted Claim is settled A very small proportion of cases go to court |

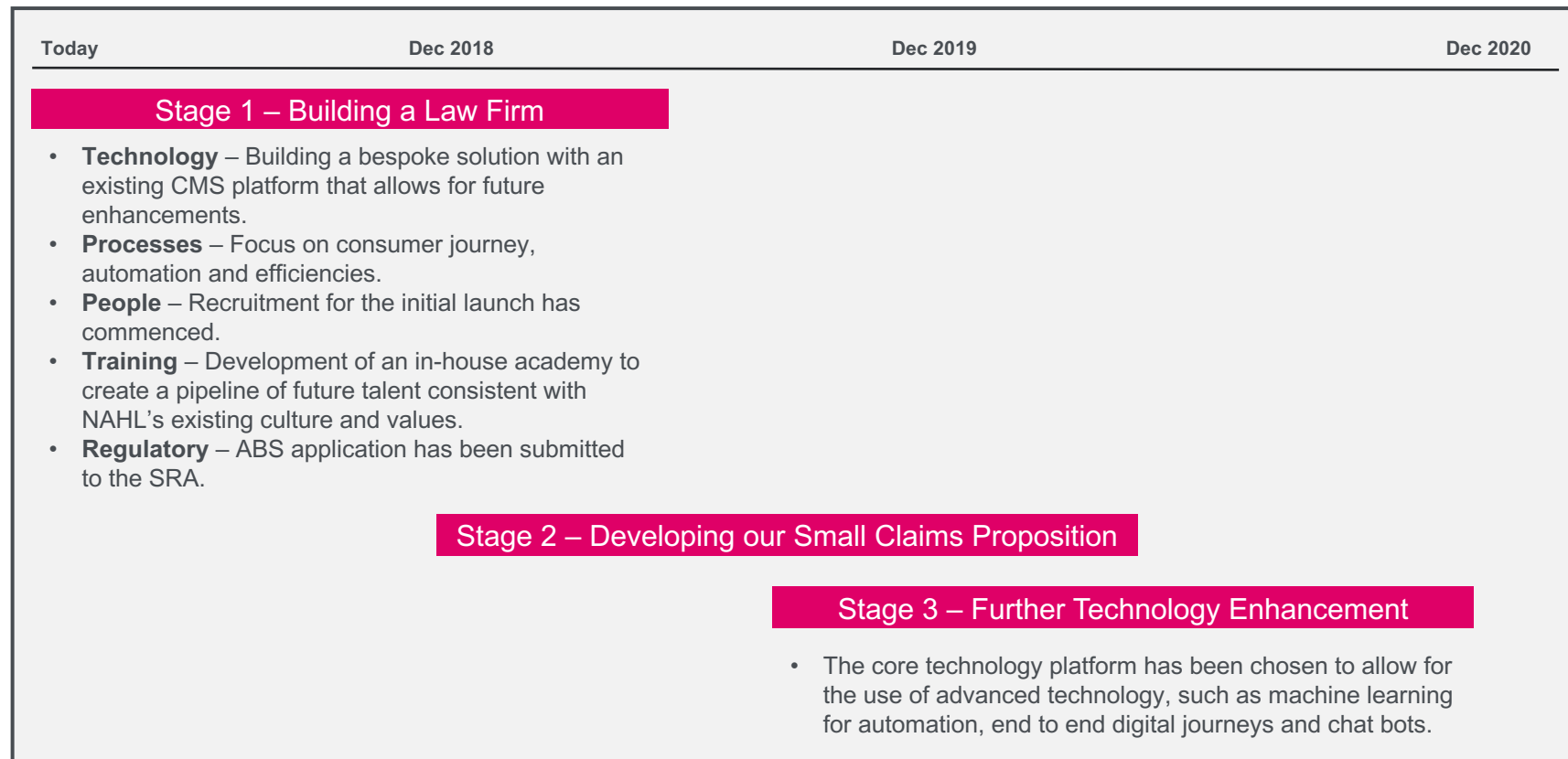


Our strategy enables us to:-

- Grow market share in the larger PI market (£3.9bn) rather than just the smaller CMC sub-sector (£157m);
- Take an economic interest in the success of the whole claim and capture value previously unavailable to us;
- Develop technological and end-to-end process efficiencies to optimise the consumer experience and deliver profitable growth; and
- Support consumers with a valid and worthwhile claim, irrespective of its size.

Personal injury – self processing in house

Development of our new, wholly-owned, venture is progressing well and due for launch in H1 2019. There are three phases to the build.



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