

NAHL Group plc 2018 Full Year Results Presentation

March 2019



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Overview and highlights



As we progress through our transition we remain on track

Financial

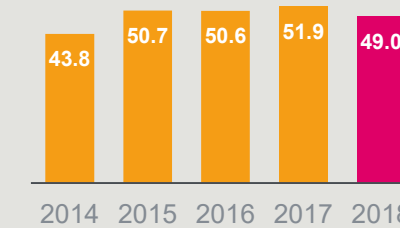
- Revenue of £49.0 million (2017: £51.9m)
- Underlying operating profit down 16.3% to £12.1m (2017: £14.5m) primarily as a result of our transformation strategy
- As anticipated, profit before tax of £9.8m (2017: £12.4m)
- Underlying EPS of 18.2p (2017: 25.0p)
- Recommended final dividend of 5.7p, providing a total dividend for the year of 8.9p (2017: 15.9p).

Operational

- Continued progress in transforming Personal Injury (PI) division to deliver long-term growth
- Alternative Business Structure ("ABS") strategy developing well, with both firms trading profitably
- Licence granted from Solicitors Regulation Authority ("SRA") to launch wholly owned law firm, National Accident Law, expected to start trading in April 2019
- Strong performance from Critical Care division, delivering double-digit profit growth and increased market share
- New management team in place at Residential Property division, with initiatives in place designed to return the division to growth

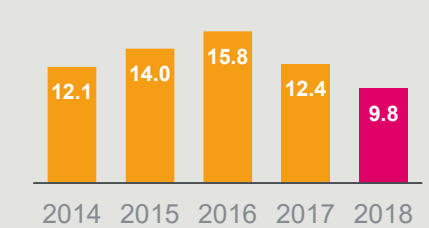
Revenue (£m)

£49.0m -5.7%



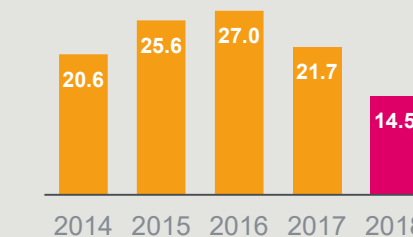
Profit before tax (£m)

£9.8m -21.3%



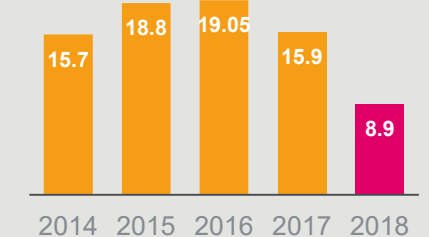
Basic EPS

14.5p -33.2%



Dividend per share (p)

8.9p -44.0%



Financial performance

Income statement



£m	2018	2017	Variance
Personal Injury	30.2	32.5	-7.2%
Critical Care	12.4	11.0	12.2%
Residential Property	6.4	8.3	-23.4%
Revenue	49.0	51.9	-5.7%
Personal Injury	8.4	11.0	-23.6%
Critical Care	4.5	3.9	16.4%
Residential Property	0.7	1.4	-52.6%
Group Costs	(1.5)	(1.8)	-14.9%
Underlying operating profit	12.1	14.5	-16.3%
Exceptional items	(0.4)	(0.4)	-3.8%
Other adjustments	(1.7)	(1.5)	16.0%
Net interest	(0.2)	(0.2)	37.0%
PBT (stated)	9.8	12.4	-21.4%
Taxation	(1.4)	(2.5)	-43.7%
Minority interest	(1.7)	(0.1)	2091.0%
Retained earnings	6.7	9.9	-32.4%
Underlying operating profit margin	24.8%	27.9%	
Underlying basic EPS (pence)	18.2	25.0	-27.2%
DPS (pence)	8.9	15.9	-44.0%

- Revenue of £49.0m
 - £4.6m revenue from ABSs
 - £1.4m organic growth in Critical Care
 - Residential Property facing into market challenges
- Underlying operating profit of £12.1m
 - Anticipated delay of profits from ABS strategy in PI
 - 16.4% organic growth in Critical Care
 - Residential Property remains a profitable business
- Minority interest increased to £1.7m, as planned
- Exceptional costs £0.4m. We remain on track to spend our stated £4m of exceptional costs as part of our transformation
- Underlying EPS 18.2p , a decrease of 27.2%
- Recommended final dividend of 5.7p resulting in a total dividend for the year of 8.9p (2.0x cover)
 - 2.0x cover – consistent with guidance
 - Final dividend paid 31 May 2019; register date 26 April

Balance sheet



£m	2018	2017	Variance
Goodwill and intangibles	66.8	67.6	(0.8)
Property, plant and equipment	0.2	0.3	(0.1)
Trade and other receivables	28.8	22.3	6.5
Trade and other payables	(15.1)	(12.4)	(2.7)
	13.7	9.9	3.8
Cash at bank	1.6	0.9	0.7
Borrowings	(17.1)	(12.9)	(4.2)
Net debt	(15.5)	(12.0)	(3.5)
Other	(2.5)	(4.0)	1.5
Net assets	62.7	61.8	0.9
Net debt / EBITDA	1.45x	0.83x	

- ABS strategy requires investment in working capital to build a sustainable and growing earnings stream in Personal Injury
- Trade and other receivables increases £6.5m to £28.8m.
Includes:
 - £5.9m of guaranteed revenue related to Your Law ABS (2017: £2.2m)
 - £3.6m of recoverable disbursements (2017: £0.9m)
 - £1.6m of legacy profit share deals (2017: £3.4m), of which £1.3m guaranteed
 - £1.4m of ABS work-in-progress (2017: £0.2m)
 - IFRS 9 doubtful debt provision £0.9m
- Borrowings £17.1m at year-end
 - £25m RCF with Yorkshire Bank, runs to December 2021
 - £7.8m headroom at 31 December 2018
- Net debt £15.5m, below Board's initial expectations
 - No change to planned £20m peak net debt (Q4 2019)
 - Net debt / EBITDA within our target range at 1.45x

Cash flow

£m	2018	2017	Variance
Underlying operating profit	12.1	14.5	(2.4)
Depreciation and amortisation	0.4	0.3	0.1
Working capital movements	(4.5)	(6.9)	2.3
Underlying operating cash flow	8.0	7.9	0.0
Exceptional items	(0.8)	(1.8)	1.0
Interest paid (net)	(0.4)	(0.2)	(0.3)
Tax paid	(2.2)	(3.1)	0.9
Capital expenditure	(0.8)	(0.4)	(0.3)
Minority interest drawings	(0.9)	0.0	(0.9)
Free cash flow	2.9	2.4	0.4
New borrowings (net)	4.1	1.9	2.3
Share issue	0.1	0.0	0.1
Dividends	(6.4)	(8.2)	1.8
Change in cash	0.7	(4.0)	4.7
Closing net debt	15.5	12.1	3.4
Underlying cash conversion	65.6%	54.8%	

- Free cash flow increased by 18.4% to £2.9m
 - £1.5m of free cash flow generated by ABSs before deduction of MI drawings
 - Underlying cash conversion 65.6%, an improvement on last year (54.8%)
- £0.9m minority interest drawings covered by cash in the ABSs
- No change to net debt guidance - Forecast peak net debt unchanged at £20m (Q4 2019)

Our business

NAHL Group plc – our business



Personal Injury



NATIONAL LAW
PARTNERS

YOUR
LAW

Personal Injury provides outsourced marketing services and products to law firms through National Accident Helpline and claims processing services to individuals through Your Law and National Law Partners



Critical Care



BUSH & CO

Critical Care provides a range of specialist services in the catastrophic and serious injury market to both claimants and defendants through Bush & Company Rehabilitation



Residential Property



Residential Property provides marketing services to law firms and conveyancers as well as surveys to individuals through Fitzalan Partners. It also provides property searches through Searches UK

Our services



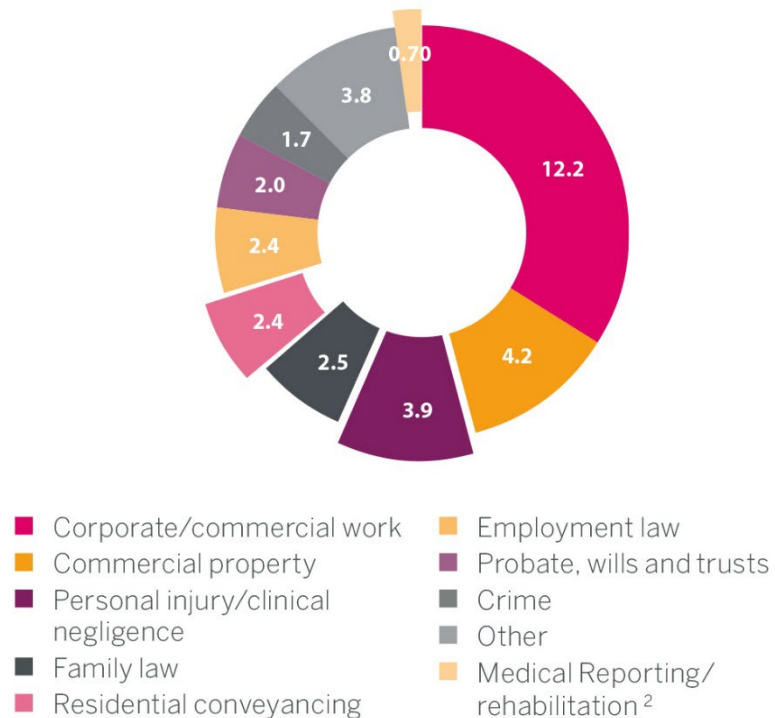
	Personal Injury	Critical Care	Residential Property
Marketing Services	Fees charged to law firms for PI enquiry generation		Fees charged to law firms for conveyancing instructions
Service Provision	Legal and service fees charged to individual consumers for processing PI claims	Case management fees charged 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 markets

Our markets

NAHL Group operates in the UK Consumer Legal Services (CLS) market

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



- CLS is a highly fragmented subset of the UK Legal Services market
- NAHL operates in personal injury, residential conveyancing and medical reporting / rehabilitation sectors
- Consumers are confused by how the legal process works
- NAHL Group aims to provide clarity and guidance for consumers
- 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

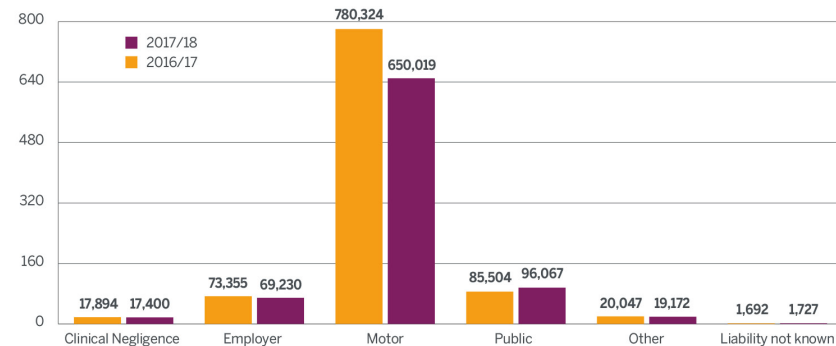
¹ Source: IRN Research, UK Legal Services Market Report, March 2019

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

The personal injury market

- The PI market, worth £3.9bn, is typically segmented by claim type and heavily weighted towards Road Traffic Accident claims (RTA)
- RTA market volumes are declining and this is expected to continue
- NAH has always focused on non-RTA (Employers Liability, Public Liability, Other Liability). Non-RTA volumes remain robust
- NAH operates in the claims management (CMC) sector of the market which is valued at £157m* where it has a 19% share
- **National Accident Helpline (NAH) is a market leader in non-RTA and is growing market share**

Number of cases registered to the CRU (Compensation Recovery Unit)



Total 2017/18

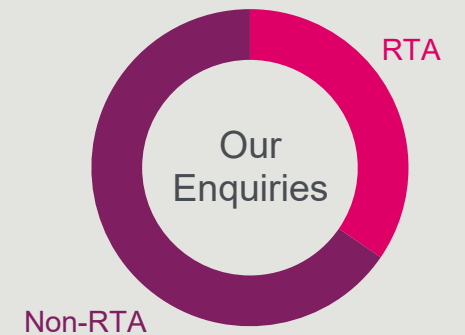
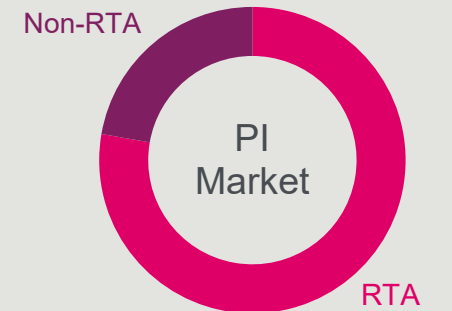
853,615

Total 2016/17

978,816

* Market data from Compensation Recovery Unit (Department for Work & Pensions)

Market Segmentation by Claim Type *



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
- Awaiting further clarification of the detail surrounding implementation of legislation

Impact of Reforms on the Industry

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

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.

Our response to PI reforms

Create the UK's leading Personal Injury provider...

- Panel law firm demand for our traditional model is diminishing 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

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

...and participate 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.

Divisional performance

Personal Injury | Critical Care | Residential Property

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Personal Injury - a year of continued progress



2018 Performance

- Traded well through the year in a competitive market
- As anticipated, continued erosion in panel demand led to further investment in self-processing
- Faced some challenges in late 2018 as a result of market forces
- ABS operations scaling well (see next slide)
- NAH continues to be the UK's most trusted PI brand

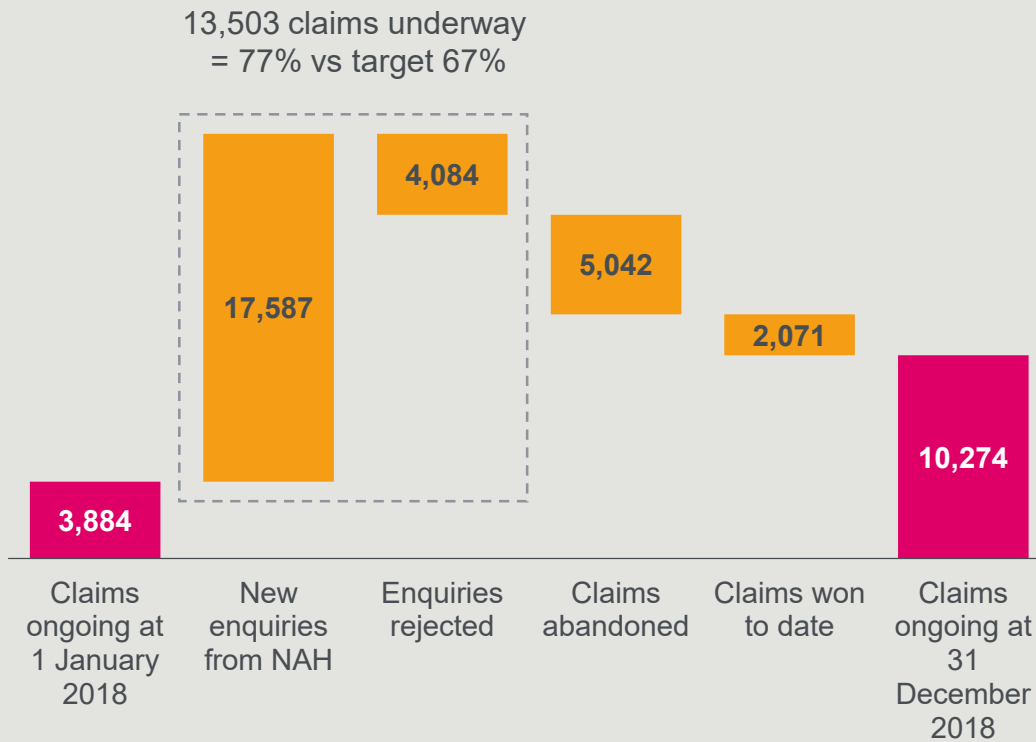
Strategic Progress

- Our first, wholly owned law firm, National Accident Law, to launch in April 2019
- First stage of technology platform delivered and tested
- Project on time and on budget
- Insourcing of marketing and agency consolidation progressing well
- Awaiting final details on regulatory implementation to finalise small claims model
- Further refinement of the ABS model continues

“ Our Personal Injury division is navigating through a turbulent market but continues to make excellent progress on implementing our strategy. ”

ABS performance in 2018 is encouraging

Claim volumes across ABSs during 2018



2018 - first full year of operation for both ABSs

In the ABSs...

- £4.6m revenue recognised in the year
- £0.5m profit generated after deduction of £1.7m of MI
- £7.0m of damages won during the year for our consumers
- 10,274 ongoing claims still being processed

In National Accident Helpline...

- £5.0m of investment in enquiry generation for the ABSs
- £4.2m of revenue recognised where guarantee allows (net investment £0.8m)
- 17,587 enquiries converting to 13,503 claims underway (significantly ahead of target)

Since inception (Your Law July 2017; NLP November 2017)

- Approaching £10m damages won for consumers to date
- 54% of claims won or still to win vs target 40%

Critical Care - strong performance with double-digit profit growth



2018 Performance

- Operating profit growth of 16.4%
- Continued growth in market share, No.1 brand in our sector
- Strong trading from existing customer base
- Supported by contributions from our two charity partnerships and an important new insurer contract
- Further investment in people and team
- Grew to 114 case managers and 76 expert witnesses

Strategic Progress

- Brand and website audit completed in preparation for a brand refresh in Q2 2019
- Addition of a further strategic partnership, The Thalidomide Trust
- Scoping of a new technology platform designed to:
 - Take advantage of further growth opportunities
 - Create efficiencies and process improvements
 - Provide greater value to our case managers and experts

“ Critical Care has once again performed strongly delivering significant profit and market share growth. ”

Residential Property – new management team in place to drive growth



2018 Performance

- The market remains challenging
- Volume of core conveyancing and surveys has reduced and we have lost some market share
- Retained a strong customer base in Searches but volume per customer has dropped
- A change in leadership has seen us refocus on marketing and business development
- Residential Property remains a profitable cash generative part of the group

Strategic Progress

- New B2B platform, The Conveyancing Exchange, launched
- Web site optimisation yielding positive early results
- Paid search trials (PPC) showing promise
- Product range enhanced with higher margin products
- New management team settling well and identifying opportunities to grow share in a large, fragmented but challenging market

“ Despite the ongoing challenges of the market our we are confident that our Residential Property division has the people and plans in place to return to growth. ”

Corporate and social responsibility

We have a strong, embedded culture that underpins our strategy

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

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

Communities

We believe it's within the strength of local communities that lives can be improved. As such, we invest heavily in our local communities by helping to provide 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.

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

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

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

¹ Source: Assessment Report NAH 2018: Investors in People

Summary and outlook

Summary and outlook

2018

- A year of continued progress with significant steps forward in transforming core PI business to take advantage of opportunities
- Both ABS ventures trading profitably and developing well, validating Group's strategic response to regulatory changes
- Critical Care division going from strength to strength, delivering double-digit profit growth with plans in place to grow market share
- New management team in place in Residential Property division, focused on driving growth in fragmented market

2019

- Trading in the early part of 2019 year has improved, albeit our markets remain competitive
- Strength of NAHL's recognised and trusted brands, experienced management team, digital capabilities and talented people gives us confidence for the year ahead
- Focused on leveraging our strengths to become the UK's leading volume PI processor
- April launch of wholly owned ABS, National Accident Law, bringing full economic interest in the success of a whole claim

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

Appendix

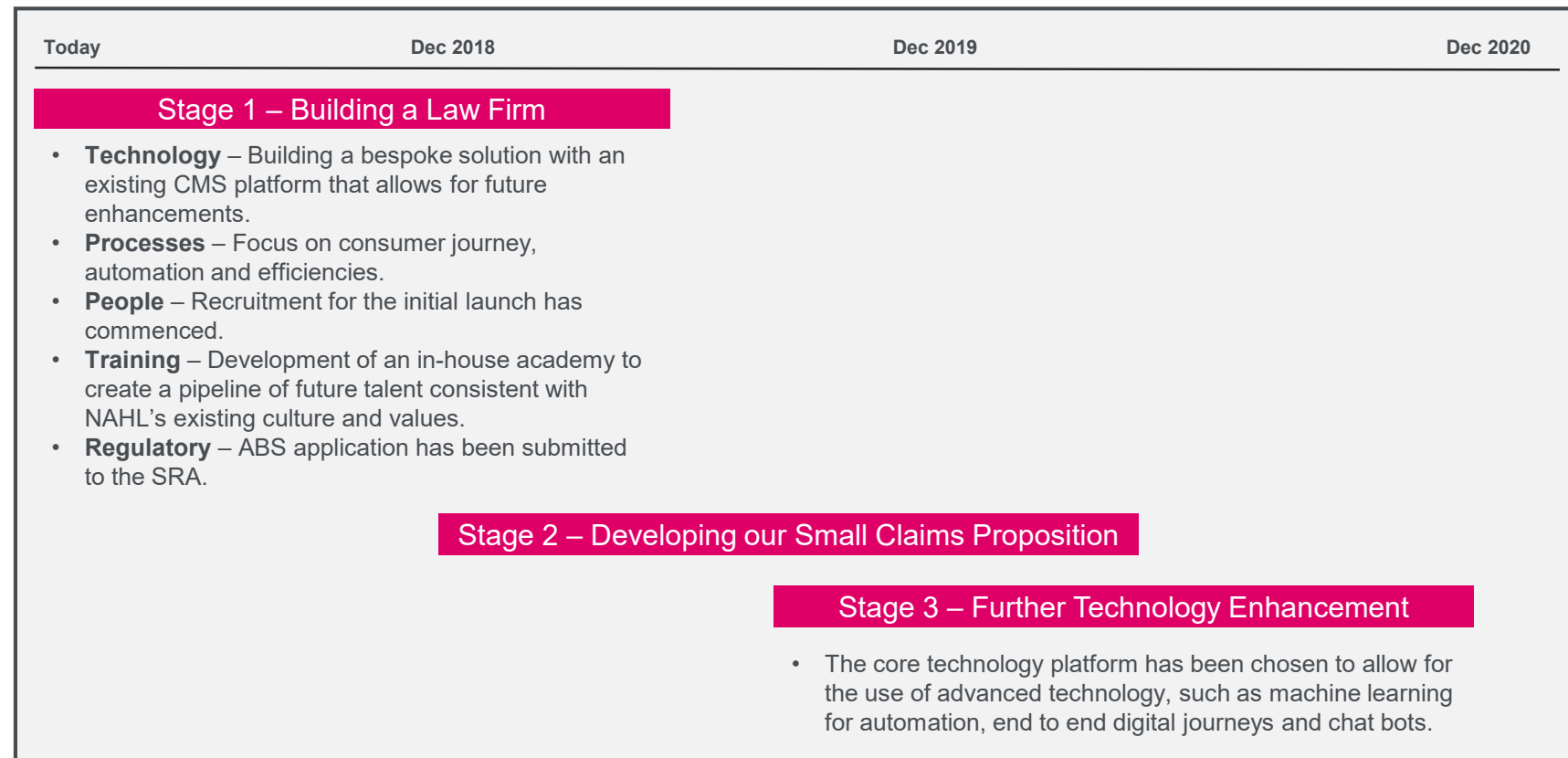
Personal injury – channel economics

	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	40%	25% after minority interest (same £ profit as panel model)	Planned 35 – 40%
Relative Net Present Value *	100%	75%	125%
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

* At 8% discount rate

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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