

NAHL Group plc

FY Results 2014

March 2015



- Overview of 2014
- Financial and Operational Performance
- Growth strategy
- Appendices

## Overview of 2014



# 2014 Highlights – Delivering to Strategy

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- Good revenue growth – 10.4% to £43.8m (2013: £39.7m)
- Significant improvement in profitability
  - Operating Profit – £12.7m (2013: £9.8m) – up 29.3%
  - Operating Profit margin – 29% (2013: 25%)
- Strong enquiry growth of 15.3% delivered from increased market share in all areas
- Excellent cash generation – 97.6% Operating Cash conversion
- Robust balance sheet – Net cash of £1.2m, an improvement of £5.9m from 2013
- Final dividend of 10.7p, giving total dividend of 15.7p

## **Post Period End**

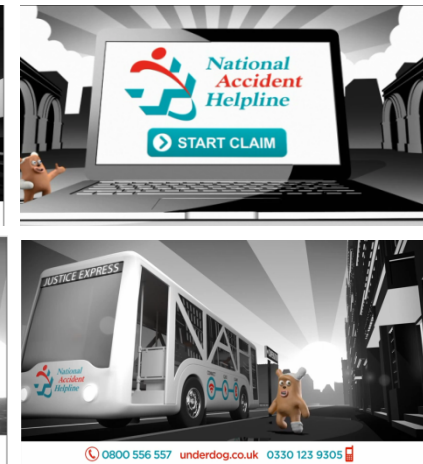
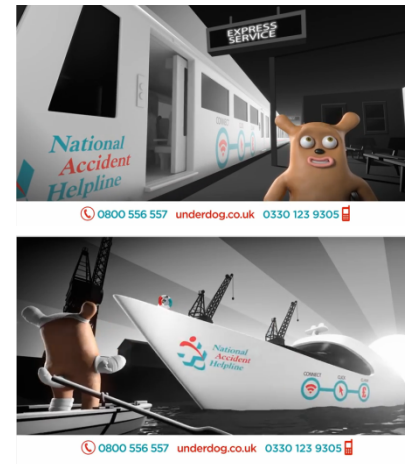
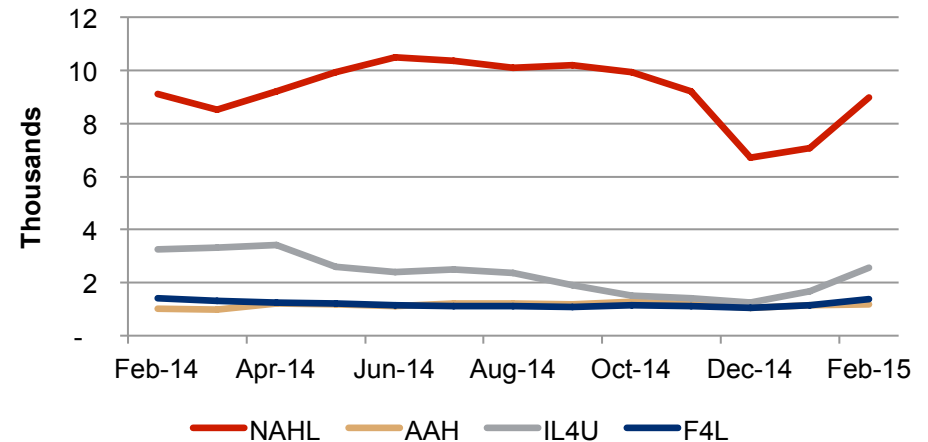
- Acquisition of Fitzalan Partners
- Positive start to 2015

# Brand and marketing : NAH cementing its leadership position

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- NAH remains first choice when searching online
- Over £23 million marketing spend – a significant barrier to entry
- Biggest daytime TV spend<sup>1</sup> and highest internet spend<sup>2</sup> in PI
- New “White Knight” campaign rolled out across media channels in March 2015
- Continued enquiry growth driven by ongoing migration from offline to online searches – 86% of claimants go online
- Strong growth in SEO enquiries (77% increase on 2013)
- Cost Per Click has been relatively stable throughout 2014
- Launched our “Stop Nuisance Calls” campaign to drive out unsolicited texts and calls from the sector

Online Brand Impressions

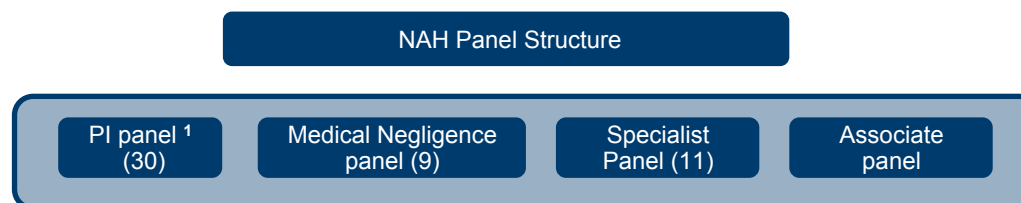


1. Nielsen Media Research 2014  
2. Adthema tracking 2014

# Panel Law Firms – continued evolution of partnerships

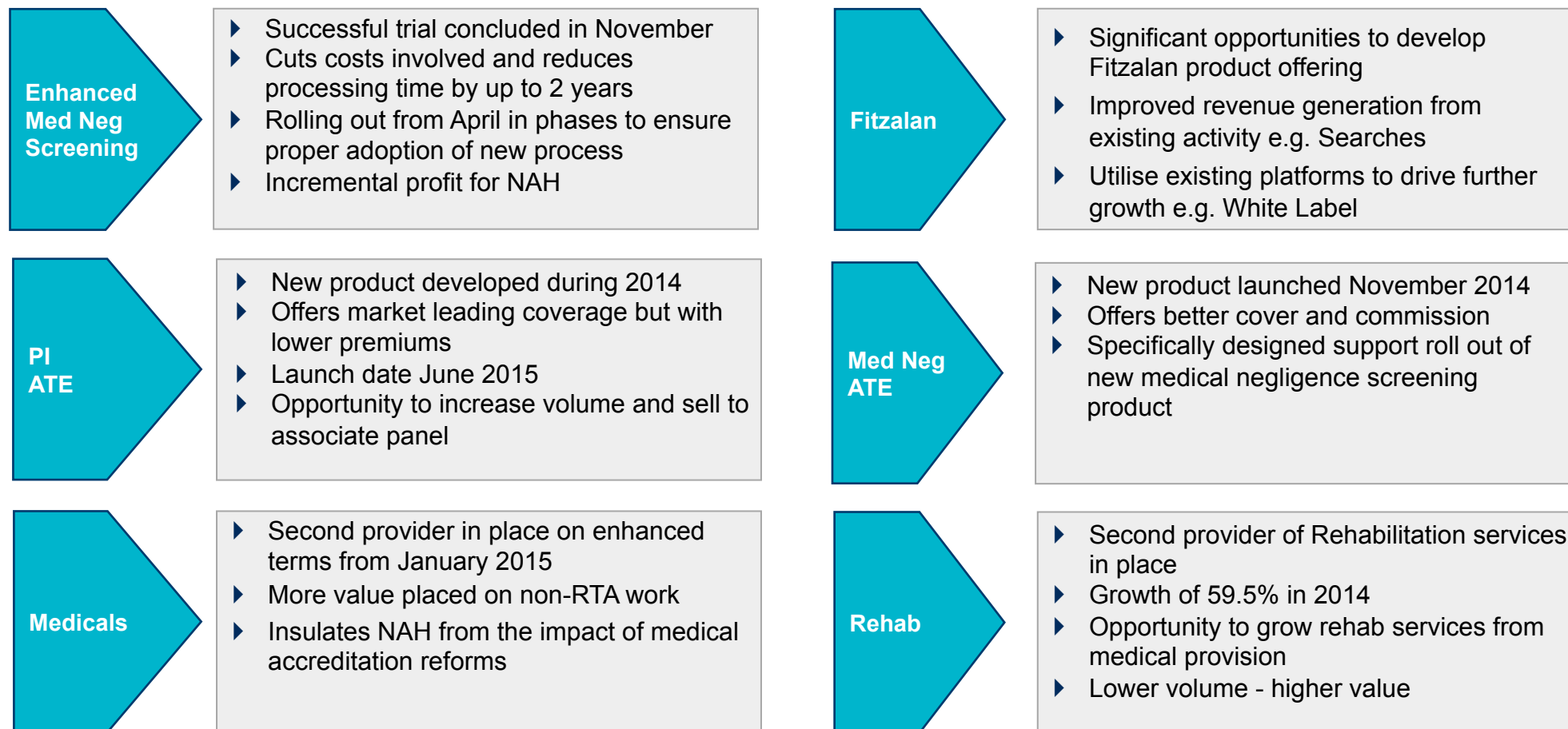
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- Continued strategy of working with larger more efficient firms
- Panel has reduced from 110 to 50 in the last 24 months
- Places on NAH's panels remain in demand as PLFs receive:
  - a predictable and regular volume of enquiries
  - a high quality and profitable mix of enquiries
  - a comprehensive range of legal services products
- Continued focus on data sharing and consultancy to improve Panel Law Firm ("PLF") profitability
- NAH exploring new partnering arrangements to better support our volume growth
- Trials arising out of these new arrangements commenced



1. Included in this total are 7 PLF's who also take Med Neg enquiries

## Products & Services – further development. new opportunities <sup>6</sup>



## Financial and Operational performance





# Enquiries: continuing growth, improved conversion

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## Enquiries

- Enquiry growth accelerated in H2, overall +15.3% vs 2013
- Double digit growth in Medical Negligence and non-RTA, our key focus areas
- RTA growth fuelled by market consolidation

## Conversion

- Conversion remains above target of 70% and shows continued improvement on 2013
- Achieved through better quality of leads, additional training of LSAs and enhanced data capture
- Conversion also improved at PLF level due to positive impact of electronic data call transfer – increases PLF profitability

Enquiries	% change	Year to 31 Dec 2014	Year to 31 Dec 2013
RTA	15.1%	20,114	17,480
Non-RTA	15.0%	44,544	38,720
Specialist	12.4%	4,615	4,107
Medical Negligence	17.8%	13,620	11,561
<b>Total</b>	<b>15.3%</b>	<b>82,893</b>	<b>71,868</b>

## Conversion (%)

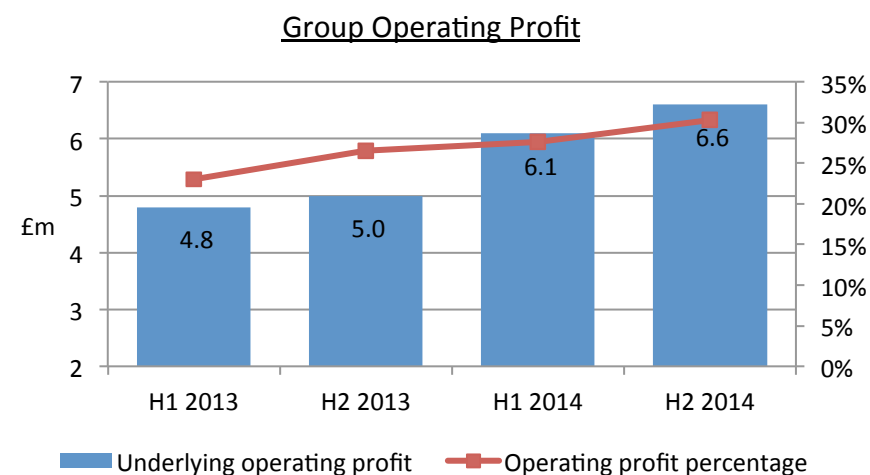
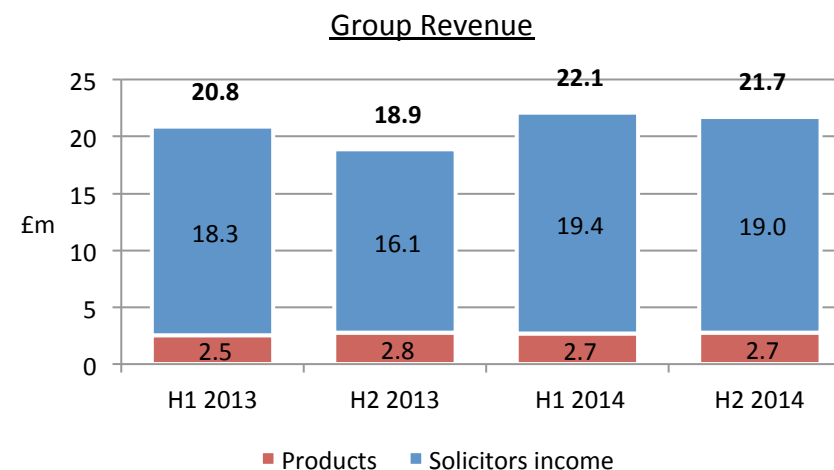
Gross leads to clean leads	44.4%	45.3%
Clean leads to Enquiries	75.3%	72.1%

# Income Statement

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## Continued profit growth

£'000	% change	Year to 31 Dec 2014	Year to 31 Dec 2013*
<b>Revenue</b>			
<i>Solicitor Income</i>	11.7%	38,445	34,423
<i>Ongoing Products</i>	11.2%	4,342	3,904
<i>Declining Products</i>	-23.7%	1,061	1,390
<b>Total</b>	<b>10.4%</b>	<b>43,848</b>	<b>39,717</b>
Cost of sales		(23,885)	(23,090)
<b>Gross Profit</b>	<b>20.1%</b>	<b>19,963</b>	<b>16,627</b>
<i>Gross margin</i>		<b>46%</b>	<b>42%</b>
Administrative expenses**	6.6%	(7,250)	(6,798)
<b>Underlying operating profit</b> */**	<b>29.3%</b>	<b>12,713</b>	<b>9,829</b>
<i>Operating profit margin</i>		<b>29%</b>	<b>25%</b>



\* Excluding pre-LASPO ATE (£9,406,000) for the year to 31 December 2013

\*\* Excluding share based payments (£288,000) and one-off items (£652,000) for the year to 31 December 2014

# Balance sheet and cash flow

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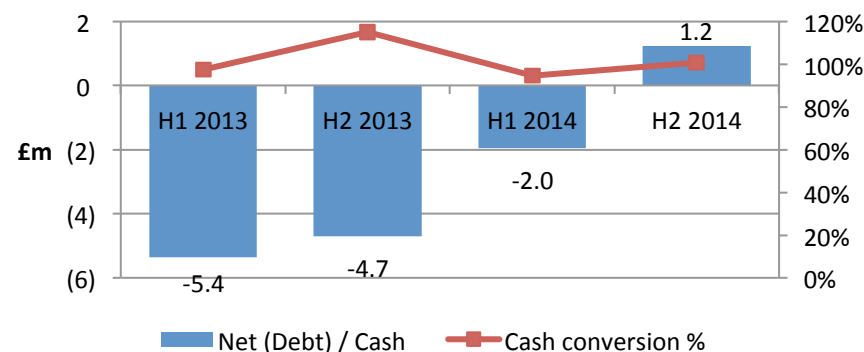
## Robust balance sheet

£'000	31 Dec 2014	31 Dec 2013
Fixed assets	186	371
Goodwill	39,897	39,897
Working capital	(5,134)	(5,421)
Cash & cash equivalents	13,637	14,249
Bank loan and loan notes	(5,901)	(6,859)
Pre-LASPO ATE product liability	(6,511)	(12,086)
Adjusted net cash/(debt)	1,225	(4,696)
<b>Net assets</b>	<b>36,174</b>	<b>30,151</b>

## Excellent cash conversion

£'000	Year to 31 Dec 2014	Year to 31 Dec 2013
<b>Underlying operating profit*</b>	<b>12,713</b>	9,829
Depreciation	212	245
Working capital movements (excluding discontinued operations)	(517)	374
<b>Net cash flow from operating activities</b>	<b>12,408</b>	10,448
<b>Cash Conversion</b>	<b>97.6%</b>	106.3%

## Net cash / (debt) and cash conversion



\* Excluding pre-LASPO ATE £9,378,000 and share based payments income of £7,000 for 2013 and share based payments cost of £288,000 and one off items of £652,000 for 2014.

# Dividend and EPS

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## Dividend

	Interim Dividend	Final Dividend	<b>Total Dividend</b>
Dividend per share	5.0p	10.7p	<b>15.7p</b>
Total dividends paid	£2,057,500	£4,403,050	<b>£6,460,550</b>
Share Price at period end*	202.0p	219.5p	<b>219.5p</b>
Dividends as % of share price*	2.5%	4.6%	<b>6.8%</b>

## EPS

Pence	Year to 31 Dec 2014	Year to 31 Dec 2013
Continuing Basic EPS (p)	<b>23.0</b>	25.1
Group Basic EPS (p)	<b>20.6</b>	23.0

- Dividend payout reflecting robust cash generation & strong balance sheet
- Policy remains to pay 66% of retained earnings on 1/3<sup>rd</sup> & 2/3<sup>rd</sup> basis
- Proposed final dividend to be paid at the end of May to those on register at 24 April

\* Based on share price as at 30 June 2014 and 31 December 2014

## Growth strategy



## Overview

- Online marketing specialists focused on conveyancing and property sector
- Owns & operates four platforms under the Fridaysmove, In-Deed, Homeward Legal & Surveyor Local brands
- NAHL paying up to £4.3m – an initial cash consideration of £3.0m and a further cash of up to £1.3m prior to 31 December 2015 dependent on certain conditions being met
- Acquisition funded from existing cash resources and is expected to be immediately earnings enhancing

## Rationale

- **Aligned with strategy** – providing access to a new market within consumer legal services that broadens NAHL's portfolio
- **Significant opportunity to add value** – early stage NAHL model for property law and supporting services
- **Shared skill sets** – digital marketing, consumer contact centre, panel management and product development
- **Highly fragmented market** – significant potential to grow market share and develop new sources of business



The logo for Fridaysmove, with the word 'fridaysmove' in a lowercase, rounded, blue sans-serif font.

The logo for indeed, with the word 'indeed' in a lowercase, blue sans-serif font, and the tagline 'we make the legal side simple' in a smaller, lowercase, blue sans-serif font below it.



The logo for Surveyor Local, featuring three small house icons in green, yellow, and red, followed by the text 'SURVEYOR' in a bold, uppercase, sans-serif font and 'LOCAL' in a larger, bold, uppercase, sans-serif font below it.

# Growth Strategy – Business Opportunities

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## Goals

Market share development

Panel development

Product and brand extension

Brand Development

Targeted acquisitions

## Enablers

- Continue to target controlled share growth in NAH
- Grow market share in Conveyancing sector through operational improvement and enhancing digital marketing

- New partnering relationships with significant PLFs driving increased revenue and better product usage
- Drive further revenue in Fitzalan from existing product offerings and associated products

- Roll out of new ATE, Med Neg ATE and enhanced screening products. Continued growth of Rehab services
- Test and roll out white label opportunity with Fitzalan. Review and test conveyancer exchange proposition

- Broaden the appeal of the NAH brand to more potential claimants
- Retain Underdog with its current direct response focus
- Develop the Fitzalan portfolio

- Consider opportunity provided by consolidating PI market
- Review further opportunities in property law
- Review further legal markets, e.g. wills and probate

## Appendices

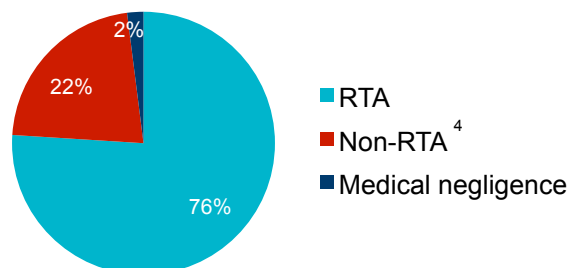


# The UK PI litigation market and how we operate

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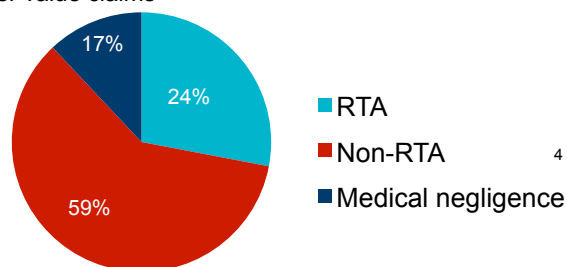
## Segmental breakdown of the market<sup>1</sup>

- Circa 1 million claims per annum
- Lower value road traffic accident (RTA) represents 76% of the market



## NAH's breakdown of enquiries<sup>3</sup>

- RTA represents only 24% (2013: 25%) of NAH's enquiries passed to Panel Law Firms
- Focus on higher value claims



Segment	Description	NAH market share <sup>2</sup>	Market 11-14 CAGR <sup>1</sup>
RTA	Road Traffic Accident	1.9%	-0.8%
Non RTA	Includes employer and public liability	11.6%	7.1%
Med. Neg.	Clinical negligence or misconduct	5.8%	12.4%

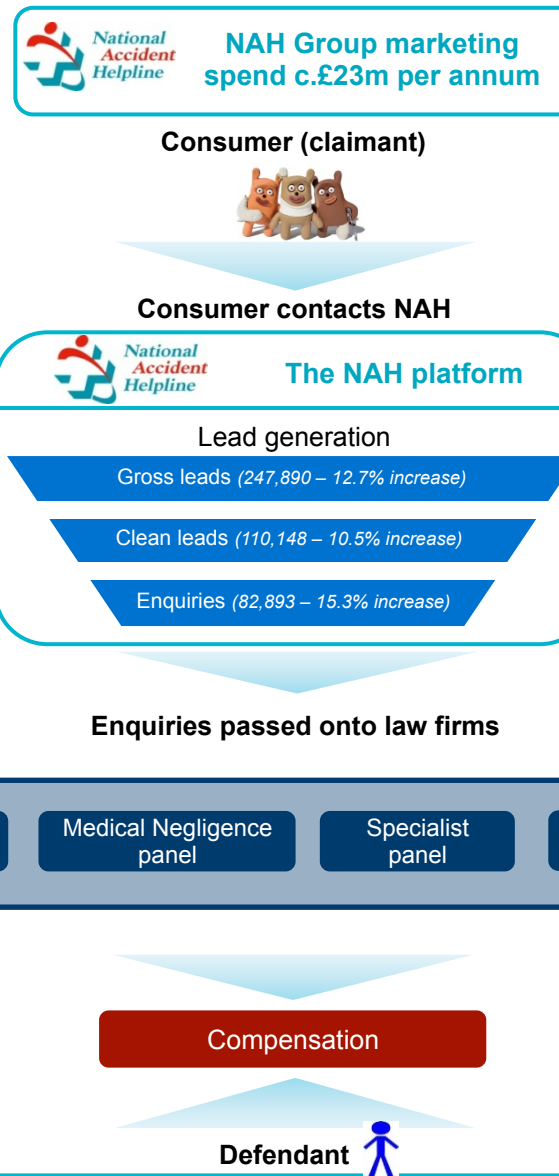
**NAHL focus** (highlighted for Non RTA and Med. Neg.)

1. CRU analysis 2014 (by number of claims)

2. CRU analysis 2014 and Management estimates 2014

3. For the year to 31 December 2014 – company values

4. Non RTA includes specialist enquires



## Good product growth with opportunity to develop further

### Ongoing Products

- A.T.E.
  - Cornerstone of no win, no fee
  - Currently processed by Allianz
  - Paid via commission when policy is taken by PLF for consumer
- Medicals
  - Provided by Premex & Speed Medical
  - Dual provision provides opportunity to ensure best rates
  - Little impact from medical accreditation reforms
  - Commission paid when medical provided to consumer



### Declining products

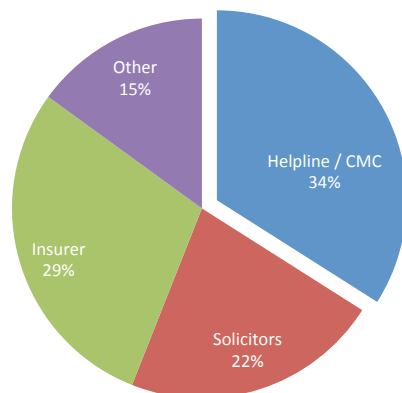
- Costs
- Insight

# Brand and marketing expertise

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## Most trusted and recognised brand<sup>1</sup>

- Research shows that more people would prefer to choose a helpline when making a claim<sup>1</sup>



- Within the UK personal injury litigation market NAHL is regarded as:

- ✓ **The most trusted PI brand<sup>2</sup>**
- ✓ **The most searched for PI brand by name<sup>3</sup>**
- ✓ **The highest PI brand awareness<sup>1</sup>**
- ✓ **The best association of brand to adverts<sup>2</sup>**

	Brand Awareness <sup>1</sup>	Brand Attribution <sup>2</sup>
	85%	64%
	68%	39%
	*	19%
	51%	8%
	*	7%

\* Not a PI brand and therefore not included in brand awareness test sample

1. Independent research The Nursery 2014  
 2. Independent Brand Tracking 'The Nursery' 2014  
 3. Google, Dec 2014

## Significant shareholders

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Name	Holding (%) *
Axa Framlington	9.9
Alan Kennedy	9.2
Investec Asset Management	7.8
Samantha Porteous	7.5
SFM UK Management	6.2
Old Mutual Global Investors	6.1
River & Mercantile Asset Management	5.7
Polar Capital Partners	4.6
Artemis Fund Managers Ltd	4.2
Hargreave Hale	4.0
Schroder Investment Management	3.4

\* As at 10 March 2015