



NAHL Group plc

Preliminary Results 2015

22 March 2016

Agenda



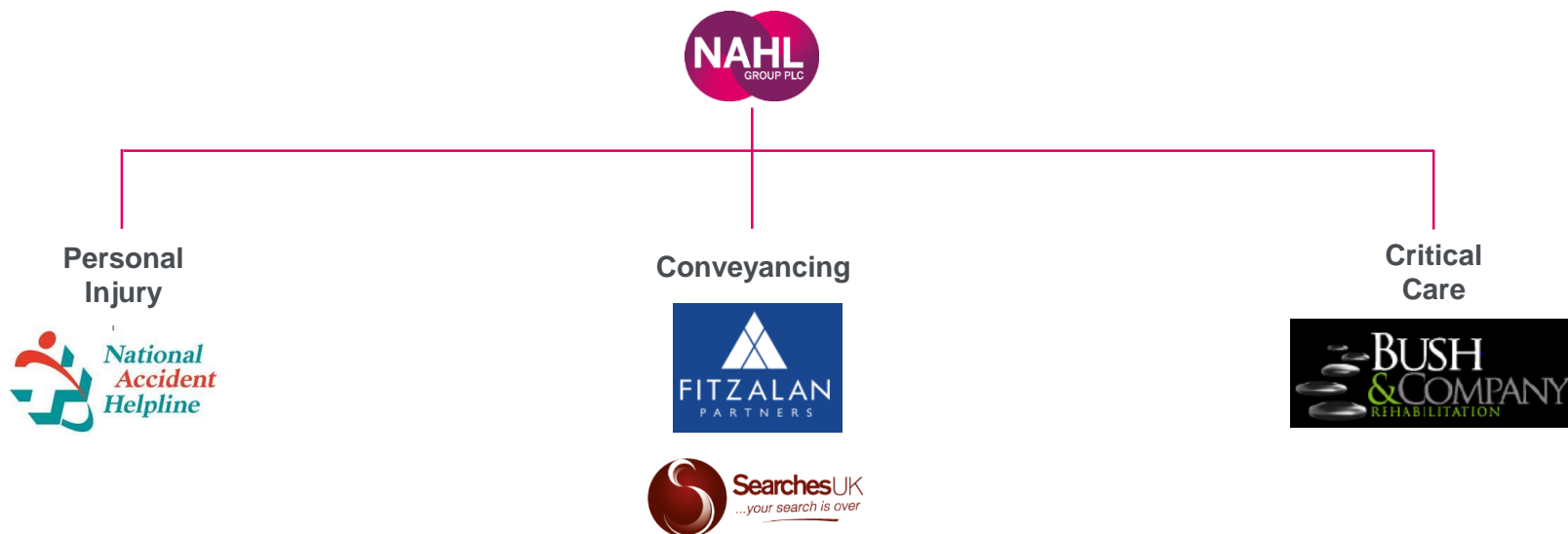
- Overview
- Financial Performance
- Divisional Review
- Growth Strategy and Outlook
- Questions

Overview

NAHL Group plc – a broader, more diversified business



- **NAHL Group plc** is a leading UK consumer marketing and services business focused on the UK consumer legal services market
- The Group comprises three divisions:
 - **Personal Injury** via NAH which provides outsourced marketing services and products to law firms
 - **Conveyancing** via Fitzalan Partners and Searches UK which provides marketing services to law firms and conveyancers as well as property searches and surveys
 - **Critical Care** via Bush & Company which provides a range of specialist services in the catastrophic and serious injury market to both claimants and defendants



2015 Group Highlights



- Robust revenue growth – up 15.7% to £50.7m (2014: £43.8m)
- Continued improvement in profitability
 - Underlying operating profit up 22.9% to £15.6m (2014: £12.7m)
 - Underlying operating profit margin up 1.8% to 30.8% (2014: 29.0%)
- Highly cash generative - operating cash generation in line with prior year at 97.4% (2014: 97.6%)
- Strong balance sheet - adjusted net debt of £8.3m (2014: net cash £1.2m) following acquisitions
- Final dividend of 12.50p per share, giving total dividend of 18.75p per share (2014: 15.70p)
- Group has continued to diversify into complementary legal services markets through acquisitions

Post Period End

- Acquisition of Searches UK extends our conveyancing offering to our customers

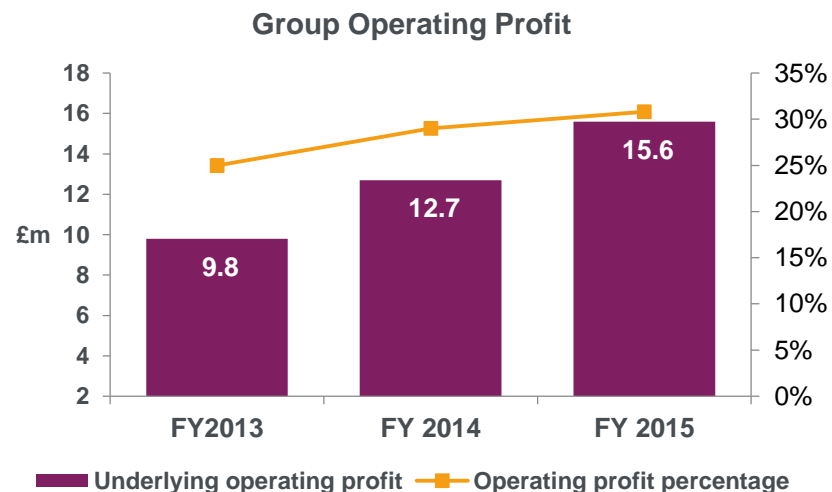
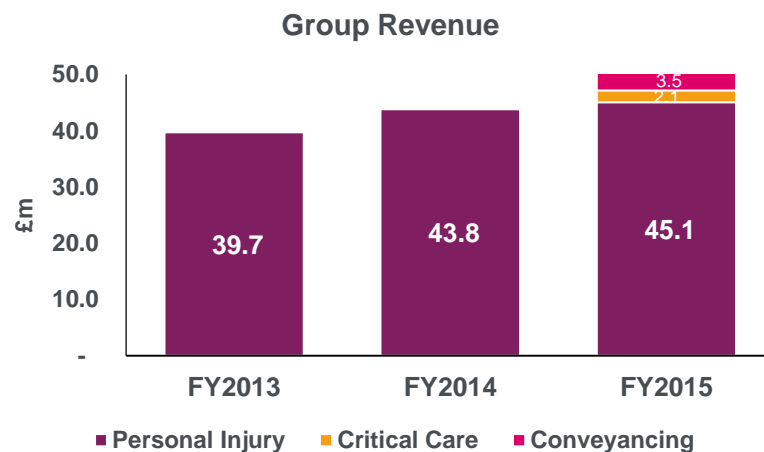
Financial Performance

Income Statement



Continued profit growth

£'000	% change	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Revenue			
Personal Injury		45,081	43,848
Conveyancing ⁺		3,522	0
Critical Care ⁺		2,113	0
Total	15.7%	50,716	43,848
Cost of sales		(25,785)	(23,855)
Gross profit	24.9%	24,931	19,963
Gross margin		49.2%	45.5%
Administrative expenses*		(9,309)	(7,250)
Underlying operating profit*	22.9%	15,622	12,713
Operating profit margin		30.8%	29.0%



+ Conveyancing division was acquired in Feb 2015 and Critical Care division in Oct 2015

* Excluding share based payments £833,000 (2014: £288,000), amortisation of intangible assets acquired on business combination £259,000 (2014: £nil) and one-off items £411,000 (2014: £652,000)

Balance Sheet and Cash Flow

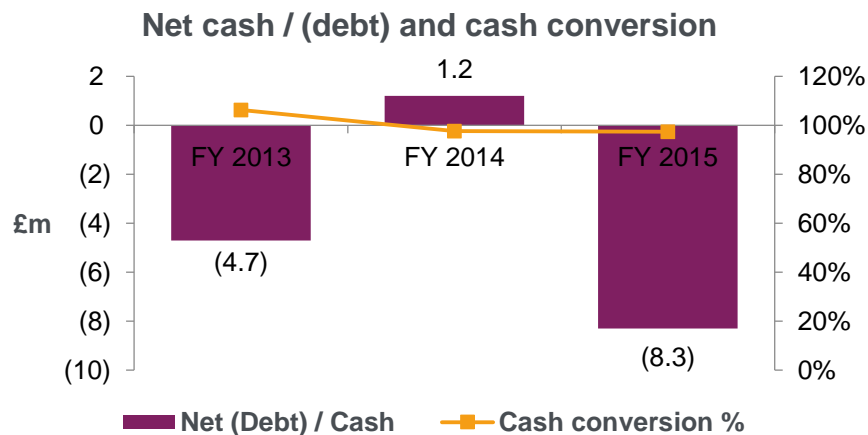


Robust balance sheet

£'000	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Fixed assets	259	186
Goodwill / Intangible assets	67,690	39,897
Working capital	(4,551)	(5,134)
Cash & cash equivalents	10,056	13,637
Bank loans	(14,782)	(5,901)
Pre-LASPO ATE product liability	(3,601)	(6,511)
Adjusted net (debt)/cash	(8,327)	1,225
Net assets	55,071	36,174

Excellent cash conversion

£'000	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Underlying operating profit	15,622	12,713
Depreciation	177	212
Working capital movements (excluding discounted operations)	(587)	(517)
Net cash flow from operating activities	15,212	12,408
Cash conversion	97.4%	97.6%



Dividend and EPS



Dividend

£'000	Interim Dividend	Final Dividend	Total Dividend
Dividend per share	6.25p	12.5p	18.75p
Total dividends	£2,571,875	£5,658,125	£8,230,000
Share price at period end*	322.0p	224.8p	224.8p
Dividend as % of share price*	1.9%	5.6%	8.3%

EPS

Pence	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Group Basic EPS	25.6	20.6
Group Diluted EPS	25.0	20.2

- Dividend up 19.4% to 18.75p (2014: 15.7p) reflecting excellent cash generation and a robust balance sheet
- Policy remains to pay 66% of retained earnings on 1/3rd interim & 2/3rd final basis
- Proposed final dividend to be paid on 31 of May 2016 to those on register at 22 April 2016
- Group basic EPS shows a 24.3% increase on 2014

* Based on share price as at 30 June 2015 and 31 December 2015

Divisional Review

NAH – focus on quality



- 2015 results reflect a strong trading performance; PBT of £15.6m (up 8.8%) from revenue of £45.1m (up 2.8%)
- Control of volume and focus on smaller number of cost effective, higher quality enquiries has increased profitability and improved enquiry quality
- Enquiries mix: continue to deliver a rich mix of enquiries focused on higher value categories
- Continued to work with our key, larger panel law firms (PLFs) to develop more significant relationships
- Currently work with 37 PLFs: 22 in PI and 15 specialist
- Developing relationships with specialist firms who will process different enquiry types e.g. Med Neg; Industrial Disease and Previous Legal
- NAH remains the leading brand in PI and continues to have market leading metrics for trust, search and click through rates
- Experienced Managing Director appointed in December 2015 to ensure full time focus on core business

NAH – proposed regulatory change



Chancellor's Autumn Statement outlined proposed changes in two areas:

- Removal of general damages for “low value” RTA claims involving soft tissue injuries
- Increase to the small claims limit (“SCL”) for personal injury claims. May apply to all RTA claims with consultation on increases in other areas of PI. (SCL currently £1,000)

Potential Implications for the PI market:

- Reduction in legal revenue on RTA claims
- Consumers having to represent themselves

Lack of clarity on Government's plans has generated some uncertainty

- Which claims will be affected by increases to SCL?
- How much will the SCL be raised by?
- How the change will be implemented?

Next steps

- Law firms are being prudent until the situation is clarified
- Detailed period of consultation to be undertaken in Q2 - changes anticipated to be introduced in 2017
- Additional consultation is also proposed covering fixed fees in medical negligence

NAH – adapting to proposed regulatory change



- NAH has modelled and considered its strategic response to a range of possible outcomes which may impact revenue, profit and possibly cash profile
- NAH's brand recognition, trust and marketing strength leaves it ideally placed to address how small claims could be processed
- NAH has a long history of adapting to regulatory changes and is well placed to evolve to meet new market conditions
- NAH estimates its higher value non-RTA and medical negligence cases (c.50% of 2015 solicitor value) will be largely unaffected even in the event that the small claims limit rises to £5,000
- For smaller value and RTA cases, NAH believes its brand positioning will create options for continued profitable volumes, but may necessitate a revised or different business model
- Claimants will continue to require access to justice and as the largest initial contact point for claimants, NAH should remain the most significant first point of contact for people needing assistance
- NAH's role in the market should only become more prominent in supporting customers with small claims

Fitzalan – strong performance since acquisition



- Strong performance since acquisition in Feb 2015; delivering £0.8m operating profit on £3.5m revenue
- Fits with existing strategy of applying marketing, digital and call handling expertise to complementary markets within the broader consumer legal services industry
- Investment in people, brand and office to support growth
- Post period end acquisition of Searches UK provides opportunities for further growth through enhanced service offering, moving towards a 'one-stop shop' model with B2B as well as B2C
- Searches UK will help to create an integrated conveyancing business for the Group
- Conveyancing sector remains highly fragmented with significant opportunities for new players offering innovative solutions to grow market share
- New product offerings being developed around White Label Solutions, Solicitors Pre Auction Reports (SPAR), lease extensions
- Board anticipates an exciting year ahead for this business

Bush & Company – building on market leadership



- Business has performed well since acquisition in Oct 2015 delivering £0.6m operating profit on revenue of £2.1m
- Market leading provider of specialist services in the c£85m serious and catastrophic injury market. Market leader with a share of c10%
- A profitable business with good cash generation that is earnings enhancing from 2016
- Growth can be accelerated using NAH's marketing and business development skill sets – investment has been made in this area of the business in Q1 2016
- Bush has significant ability to develop its market share and also expand into adjacent markets with a simplified service offering
- Business has the opportunity to deliver strong bottom line growth driven by focused approach to business development
- Acquisition will allow Group to build stronger panel firm relationships where there is client overlap

Growth Strategy & Outlook

Group strategic priorities – significant opportunities



Market development

Continue to target higher value cases in NAH

Grow market share in conveyancing and critical injury divisions through infrastructure investment and broadening our proposition

Panel development

Determine regulatory outcome in NAH and then continue to develop long term relationships with panel customers

Drive further revenue in Fitzalan and Bush from existing product offerings and associated products and more proactive selling

Small claims processing via a combination of outsourcing and/or joint venture

Product and service development

Move Bush into lower value claims (£250k - £500k) utilising current strong brand reputation

Test and roll out white label opportunity with Fitzalan. Review and test pre-auction reports

Broaden the appeal of the NAH brand to more potential claimants aligned with regulatory opportunity

Develop the Fitzalan portfolio – through enhanced digital marketing

Targeted acquisitions

Consider opportunity provided by consolidation across all three sectors

Review further opportunities for infill acquisitions

Summary & Outlook



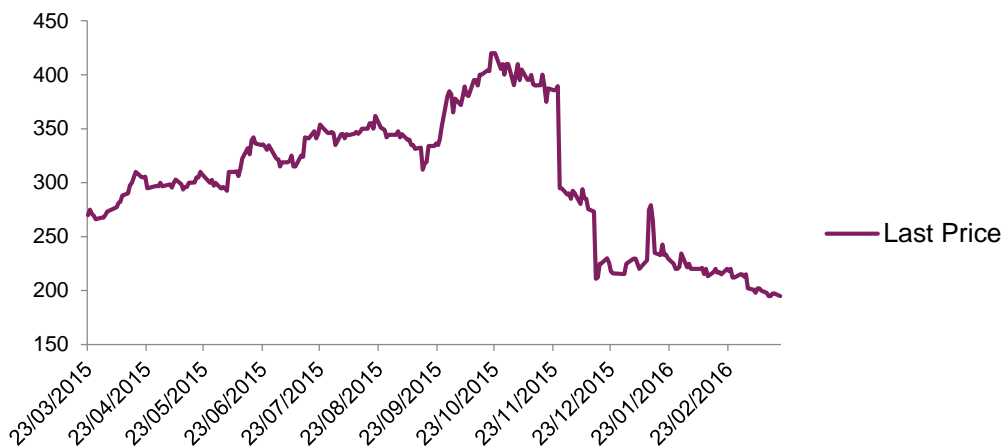
- Results in line with expectations
- Group has continued to diversify into complementary legal services markets through acquisitions
- Operating across a number of highly fragmented markets, giving rise to compelling growth opportunities
- Group well positioned to respond to regulatory changes and to deliver shareholder value over medium term
- Board remains committed to a progressive dividend policy
- The anticipated continued strong performance of Fitzalan and Bush combined with the expected performance in our core NAH business should deliver strong earnings growth in the current financial year for the Group overall, albeit marginally below market expectations

Questions

NAHL at a glance



Twelve month share price



Significant shareholders

Name	Holding (%)
Schroder Investment Management	14.02
AXA Framlington	9.50
Hargreave Hale	8.86
Miton Asset Management Limited	7.40
JP Morgan Asset Management	7.20
River & Mercantile Asset Management	6.76
Investec Asset Management	6.14
Polar Capital Partners	4.53
Old Mutual Global Investors	3.88
Baillie Gifford & Co Limited	3.53

Industry data & sector

Current index	FTSE AIM All-Share
Sector	Media
Market capitalisation	£88.27 million
Shares in issue	45.27m
Free float	42.87m
Share Price Year High	425.00p
Share Price Year Low	190.00p
Total 2015 Dividend	18.75p

The Board

Russell Atkinson	CEO
Steve Dolton	CFO
Steve Halbert	Non-executive Chairman
Gillian Kent	Independent Non-executive Director

Analyst coverage

Broker	Target Price	Recommendation
Investec	490p	BUY
Arden	N/A	BUY