NAHL Group plc

Preliminary Results 2016

21 March 2017

Agenda

- 2016 Group Highlights
- Financial Performance
- Divisional Review
- Growth Strategy and Outlook
- Questions
- Appendices

2016 Group Highlights

Financial

- Trading in line with expectations
- Underlying revenue declined 2.6% to £49.4m (2015: £50.7m)
- Underlying operating profit up 15.1% to £18.0m (2015: £15.6m)
- Underlying operating profit margin increased by 5.6 percentage points to 36.4% (2015: 30.8%)
- Cash generation at 79.7% (2015: 97.4%)
- Recommended final dividend of 12.7p, increasing the total dividend for the year by 1.6% to 19.05p (2015: 18.75p)

Operational

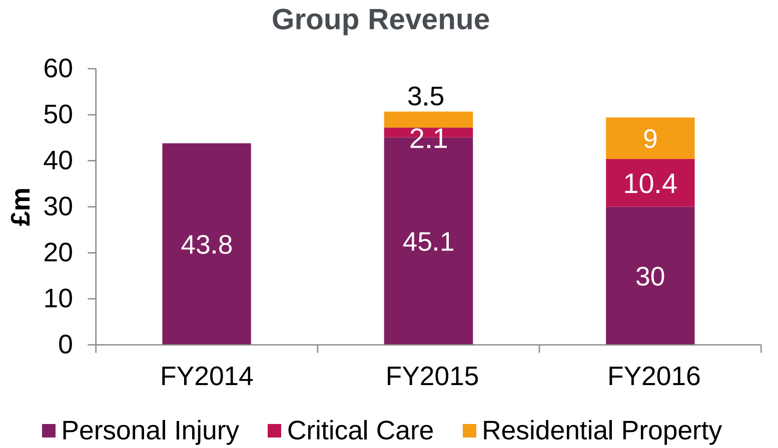
- First full year as a more strategically diversified business operating in aligned legal services markets
- Continued focus on sourcing high quality enquiries in Personal Injury (PI) division
- Accelerated investment in PI cases under new commercial and structural arrangements in light of regulatory changes
- Strong contribution from Critical Care division which has continued to trade ahead of plan
- Solid revenue and profit growth in Residential Property division despite challenging market backdrop

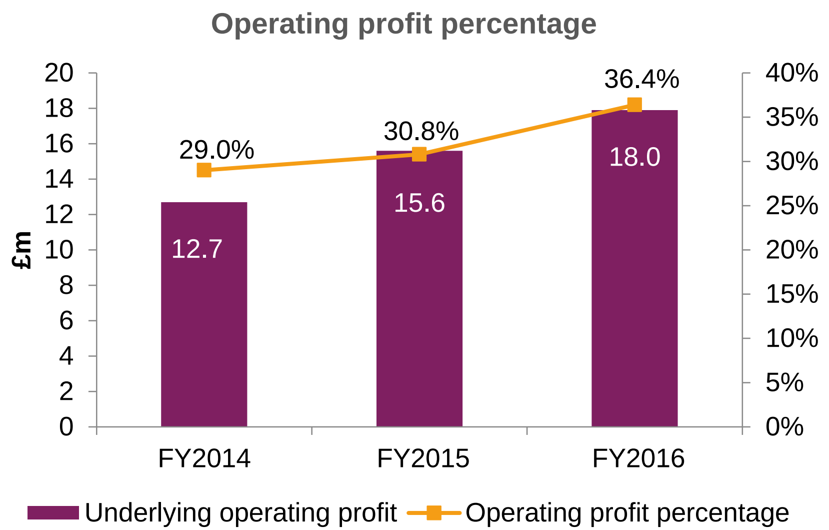
Financial Performance

Income Statement

Strong margin performance

£'000	% change	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Revenue			
Personal Injury	**(33.4)**	**30,011**	45,081
Critical Care	**390.0**	**10,353**	2,113
Residential Property	**156.1**	**9,021**	3,522
Total+	**(2.6)**	**49,385**	50,716
Cost of sales	**(19.3)**	**(20.809)**	(25,785)
Gross profit+	**14.6**	**28,576**	24,931
Gross margin		***57.9%***	*49.2%*
Administrative expenses*	**13.8**	**(10,591)**	(9,309)
Underlying operating profit*	**15.1**	**17,985**	15,622
Operating profit margin		***36.4%***	*30.8%*





+ excluding one off item relating to release of previously recognised liability for pre-LASPO ATE commission
* excluding share based payments £1,052,000 (2015: £833,000), amortisation on intangibles assets acquired on business combinations £1,327,000 (2015: £259,000) and one off items of £555,000 (2015: (411,000))

Balance Sheet and Cash Flow

Robust balance sheet

£'000	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Fixed assets	**327**	259
Goodwill / Intangible assets	**68,836**	67,690
Working capital	**(1,157)**	(4,551)
Cash & cash equivalents	**4,814**	10,056
Bank loans	**(11,089)**	(14,782)
Pre-LASPO ATE product liability	**(1,912)**	(3,601)
Adjusted net debt	**(8,187)**	(8,327)
Net assets	**59,819**	55,071

Solid cash conversion

£'000	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Underlying operating profit	**17,985**	15,622
Depreciation	**195**	177
Working capital movements	**(3,845)**	(587)
Net cash flow from operating activities	**14,335**	15,212
Cash generation	***79.7%***	*97.4%*

- Growth in net assets of £4.8m
- Reduced net debt despite lower conversion thanks to reduced pre-LASPO liability
- Lower cash generation reflects case investment trials in second half
- Conversion for the transition period of 2017 and 2018 expected to reduce as investment continues

Dividend and EPS

Dividend

£'000	Interim Dividend	Final Dividend	Total Dividend
Dividend per share	6.35p	12.70p	**19.05p**
Total dividends	£2,880k	£5,760k	**£8,640k**
Share price at period end*	193.0p	134.0p	134.0p
Dividend as % of share price*	3.3%	9.5%	14.2**%**

EPS

Pence	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Group Basic EPS	**27.0**	25.6
Group Diluted EPS	**26.5**	25.0

- Group basic EPS shows a 5.5% increase on 2015
- Dividend up 1.6% to 19.05p (2015: 18.75p) reflecting continued good cash generation and a robust balance sheet
- Proposed final dividend to be paid on 31 May 2016 to those on register at 28 April 2016
- Dividend per share to be maintained at current policy of 1.5x earnings dividend cover

* Based on share price as at 30 June 2016 and 31 December 2016

Divisional Review

PI – resilient performance against a challenging backdrop

- Revenue declined by 33.4% to £30.0m, operating profit down by 9.1% to £14.1m
- Controlled decline mainly due to focus on a smaller number of higher value enquiries
- Increased operating profit returns (47.0% v 34.4%)
- Significantly lower marketing spend reduced the cost of enquiry acquisition
- NAH remains the leading brand in PI with market leading metrics for trust, search and click through
- PI market remains at approximately one million claims per annum
- During the year the division tested operating different models:-
  - Deferred terms
  - Longer term involvement in the conduct and financing of a case
- The division also commenced work on the following initiatives incurring a one off cost of £0.5m – additional £1.2m in 2017
  - Digitisation
  - Brand relaunch

PI – the post-consultation landscape

- In February 2017 the Government confirmed its response to the PI consultation it announced in November 2015
- Two key outcomes:
  - Restriction of compensation for sufferers of minor whiplash injuries to small pre-defined amounts depending on length of injury
  - Raised upper limit for the small claims track for RTA claims from £1,000 to £5,000 and for non-RTA claims to £2,000
- Outcome represents fundamental change for PI market as a whole, though changes lower than had been proposed for non-RTA claims
- New regulatory regime scheduled to come into effect from October 2018
- < 30% of the Group's total enquiry volumes generated will fall below thresholds and have to be processed through small claims track
- Approach to processing these claims will require further refinement and a pricing adjustment for those claims that will be subject to lower settlements
- Group has been planning for these changes since the initial proposals were announced in 2015

PI – adapting to change

- Group took strategic decision in 2016 to invest in a proportion of our enquiries through different commercial and structural arrangements
- Outcome of these initial trials has proved very encouraging and we are progressing these arrangements into longer term agreements
- In future, enquiries will be handled in a number of ways:
  - Using our traditional panel model;
  - Offering deferred payments for incremental volumes; and
  - Investing in cases using alternative business structures
- Elements of profit recognition and some of the cash received will be deferred until case settlement
- Market leading brand strength, expertise and experience in adapting to regulatory change leaves the Group well positioned
- Board remains encouraged by the medium and long term opportunity that the new regulatory environment will present

Critical Care – strong performance, ahead of plan

- Strong performance with division trading ahead of plan, making an important contribution to Group revenues
- Revenue of £10.4m delivered operating profit of £3.8m in its first full year of trading
- Group continues to see a good return on its investment in marketing and business development
- Strengthened management team
- Growth in market share (10% to 12%) as leadership position enhanced and service offering expanded
- Division well placed going into 2017 and opportunities exist to gain further market share

Residential Property – solid revenue & profit performance

- Division has delivered growth in revenue and operating profit, at £9.0m and £1.4m respectively
- Successful integration of Searches, acquired in January 2016
- Property market faced disruption following changes to stamp duty and mortgage interest relief, in addition to uncertainty generated by EU referendum
- Tendering work to panel has increased margins and full benefit of placing all searches in the Group is now being seen
- Strategy of broadening range of service offerings leaves division well placed to benefit from recovery in the market and to continue growth

Growth Strategy & Outlook

Group strategic priorities – opportunities from change

Market development

Invest in the PI market to relaunch the NAH brand and grow market share

Develop a distinct positioning for the NAH brand that enhances our market leadership

Grow market share in critical care and residential property through investment in business development and new propositions

Panel development

Manage PI enquiries via our new commercial relationships

Optimise PI returns by managing market demand utilising the most appropriate channel

Increase revenues from existing product offerings and associated products

Product and service development

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

Roll out Capital Conveyancing and Solicitor Finder within residential property

Continue to develop digital solutions to improve customer experience and processing efficiency for PI claims

Targeted acquisitions

Consider opportunity provided by consolidation across all three divisions

Review further opportunities for infill acquisitions

Outlook

- First full year as a more strategically diversified business operating in aligned legal services markets
- Group's proven track record of responding to change and underlying brand strength leave it well positioned to succeed in the new regulatory landscape
- The changes in PI have been planned and we have a clear strategy to develop our business model going forward
- Critical Care division continuing to build market share from a position of strength
- Residential Property division is well placed to benefit from recovery in the market in 2017
- Board intends to maintain Group dividend policy of 1.5x cover
- Group has started 2017 on plan

Questions

Appendices

NAHL Group plc – a strategically 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
  - **Critical Care** via Bush & Company which provides a range of specialist services in the catastrophic and serious injury market to both claimants and defendants
  - **Residential Property** via Fitzalan Partners and Searches UK which provides marketing services to law firms and conveyancers as well as property searches and surveys

NAHL GROUP PLC

Personal Injury

National Accident Helpline

Critical Care

Bush & Company Rehabilitation

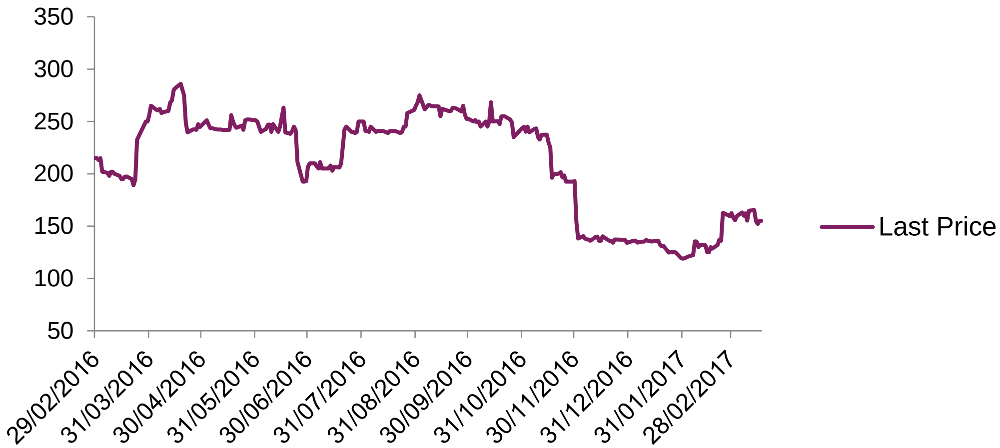
Residential Property

Fitzalan Partners

Searches UK ...your search is over

NAHL at a glance

Twelve month share price



Industry data & sector

Current index	FTSE AIM All-Share
Sector	Media
Market capitalisation	£70.92 million
Shares in issue	45.34m
Free float	43.36m
Share Price Year High	290.00p
Share Price Year Low	118.50p
Total 2016 Dividend	19.05p

Significant shareholders

Name	Holding (%)
Schroder Investment Management	16.68
Hargreave Hale	8.96
Miton Asset Management Limited	8.93
JP Morgan Asset Management	7.15
River & Mercantile Asset Management	6.05
Spreadex Ltd	5.13
Invesco AIM Capital Management	5.13
Investec Asset Management	4.67
AXA Investment Managers UK	4.47
Baillie Gifford & Co Limited	3.53

The Board

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

Analyst coverage

Broker	Target Price	Recommendation
Investec	300p	BUY
Arden	N/A	BUY