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NAHL Group plc

# Interim Results Presentation

23 September 2014



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## Executive Directors



**Russell Atkinson**  
CEO

- Joined October 2012
- Formerly UK Managing Director of Lebara Mobile
- Previous senior roles within Safeway Inc. group and Travelex group



**Steve Dolton**  
CFO

- Joined February 2012
- Formerly NSL Services Group - CFO
- Azzurri Communications - CFO
- ACA qualified 1988

## The Business

The leading UK consumer business in the UK Personal Injury market

- A £3bn market with one million claims per annum
  - NAHL estimated share 4.4%
- NAHL is the most trusted brand; most recognised and most searched online
- £200m investment in marketing over the past 20 years
- Significant barriers to entry:
  - Brand
  - Marketing know how
  - Panel management and law firm relationships
- LASPO 2013 regulation fully embedded – business model is fully compliant
- Market leader; benefitting from market consolidation
- Experienced management team with further key hires expected

## Admission to AIM – 29 May 2014

Placing Price : **200p**

Shares placed : **17.5m**

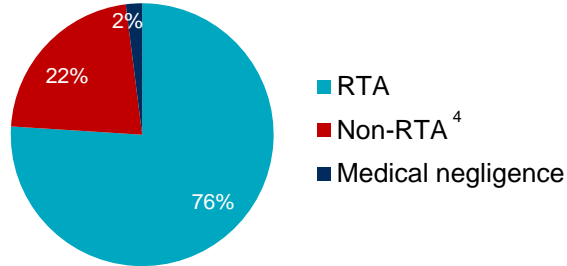
Shares on Admission : **41.1m**    Market Cap on Admission : **£82.3m**

- Good revenue growth in 2014 H1 – 6% overall to £22.1m (2013 H1: £20.8m)
- 2014 H1 Operating Profit – £6.1m (2013: £4.8m) – up 25.8%
- 2014 H1 Operating Profit margin – 27% (2013: 23%) – up 4 percentage points
- Market consolidation and increasingly efficient digital marketing strategy has driven enquiry growth of 10.6%
- Continued focus on larger more efficient panel law firms
- New pricing model introduced in April 2013 now fully embedded and 2014 H1 Gross Profit margin increased to 44%
- Excellent cash generation – 94% Operating Cash conversion in 2014 H1
- Robust balance sheet – adjusted net debt of £2.0m at 30 June 2014
- Targeted dividend pay-out of 66% of retained earnings in each financial year – interim dividend declared of 5.0p per share payable on 31 October 2014
- Current trading is strong

# The UK PI litigation market and how we operate

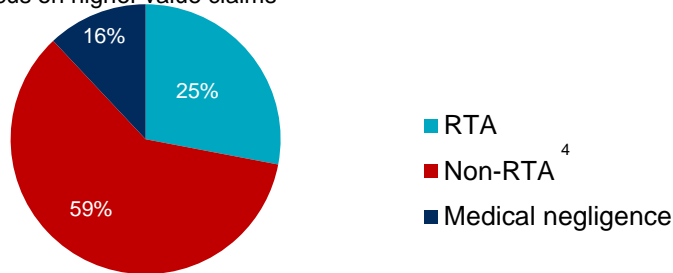
## Segmental breakdown of the market<sup>1</sup>

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



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

- RTA represents only 25% of NAHL's enquiries passed to Panel Law Firms
- Focus on higher value claims



Segment	Description	NAHL market share <sup>2</sup>	Market 11-14 CAGR <sup>1</sup>
RTA	Road Traffic Accident	1.6%	-0.8%
Non RTA	Includes employer and public liability	11.2%	7.1%
Med. Neg.	Clinical negligence or misconduct	9.9%	12.4%

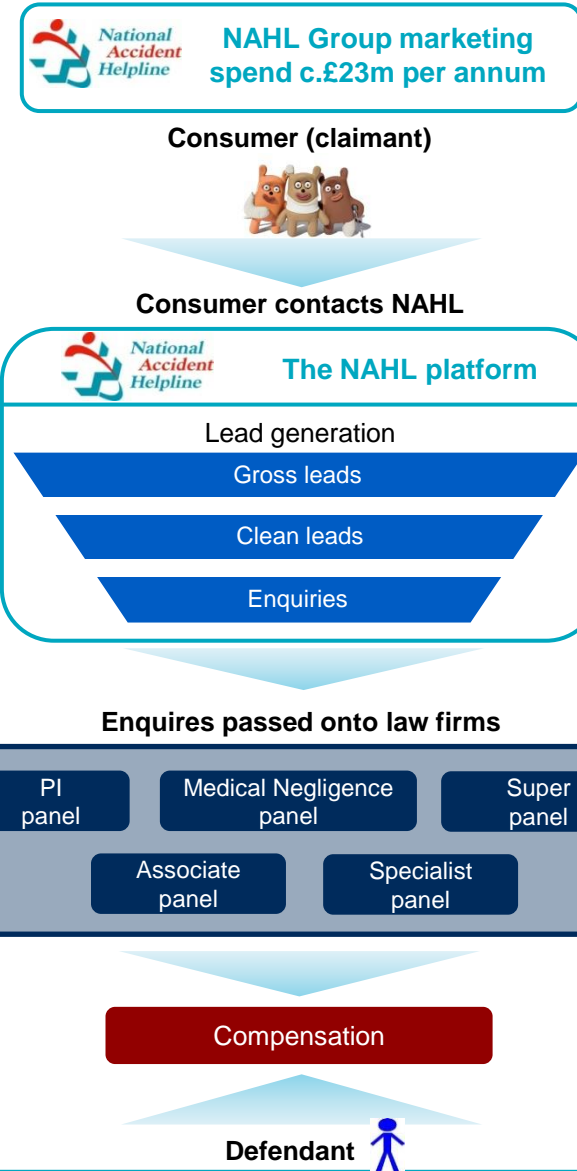
**NAHL focus**

1. CRU analysis 2014 (by number of claims)

2. CRU analysis 2014 and Management estimates 2014

3. For the 6 months to 30 June 2014 – company values

4. Non RTA includes specialist enquiries



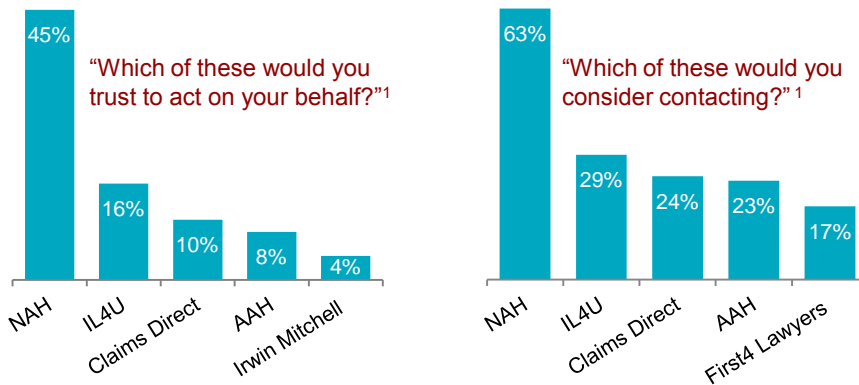


## Most trusted brand<sup>1</sup>

- Research shows that many consumers are reluctant to approach solicitors in the UK personal injury litigation market<sup>1</sup>
- A trusted brand appeals to them

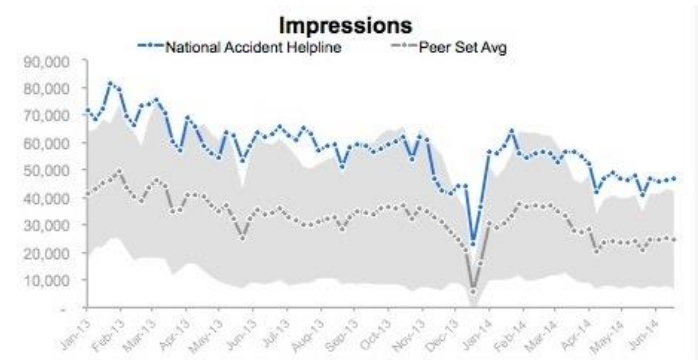
Within the UK personal injury litigation market NAHL is regarded as:

- ✓ **Most trusted** brand on TV<sup>2</sup>
- ✓ **Most searched for** personal injury brand by name<sup>3</sup>
- ✓ **Number 1** TV and online spender<sup>4</sup>
- ✓ **Number 1** internet hits<sup>5</sup>



## Direct response consumer marketing

- Experienced at driving brand awareness and growth in lead generation
- Integrated marketing strategy constantly fine-tuned to drive EBITDA
- Annual marketing spend of c.£23m per year, higher than peers; c. 35% TV, 50% online
- New marketing campaign rolled out across media channels, including national TV advertisements
- Approximately 40% of people remember NAHL’s adverts<sup>6</sup>
- Most paid ad appearances in Google search at no higher cost:



1. Scale of Injustice Report, 2010  
 2. Independent Brand Tracking Research 2013  
 3. Google, April 2013  
 4. Nielsen Media Research

5. UK Legal Services online PI report 2013, Sticky Eyes  
 6. Adwatch research, February 2014

- Good growth in enquiries and conversion reaching optimal levels

## Enquiries

- Enquiries increased by 10.6% compared to H1 2013 with similar growth in the higher value non-RTA and medical negligence categories

Enquiries	% change H1 2014 vs H1 2013	Six months to 30 June 2014	Six months to 30 June 2013	Twelve months to 31 Dec 2013
RTA	13.5%	10,408	9,164	17,480
Non-RTA	10.6%	22,124	19,996	38,720
Specialist	(2.8%)	2,224	2,287	4,107
Medical Negligence	10.8%	6,609	5,965	11,561
<b>Total</b>	<b>10.6%</b>	<b>41,365</b>	<b>37,412</b>	<b>71,868</b>

## Conversion

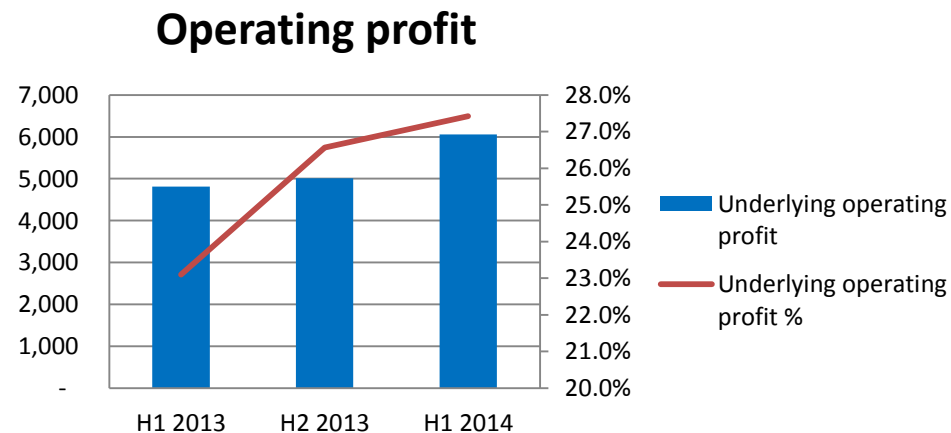
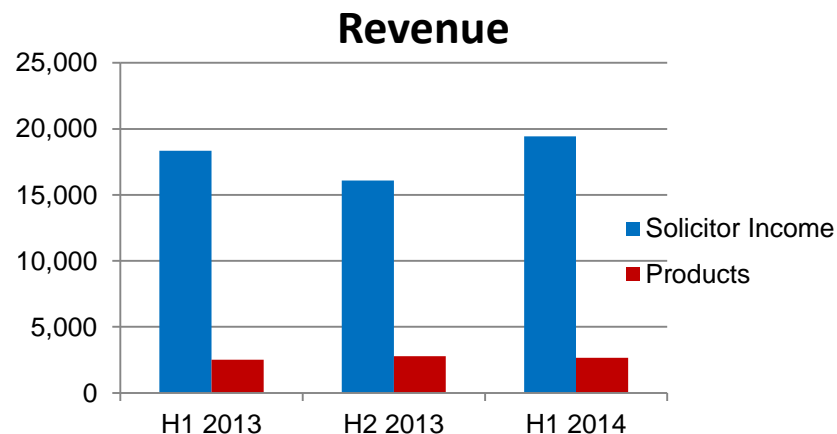
- Electronic data call transfer and enhanced data capture continues to deliver significant benefits to PLFs
- Good improvement in conversion stats:
  - Continued focus on eliminating hoax/spurious calls
  - 9 percentage point improvement in clean leads to enquires year on year - now reaching optimal levels

### Conversion (%)

Gross leads to clean leads	44.5%	46.8%	45.3%
Clean leads to Enquiries	78.3%	68.9%	72.1%

## Continued profit growth

£'000	% change H1 2014 vs H1 2013	Six months to 30 June 2014	Six months to 30 June 2013*	Twelve months to 31 Dec 2013*
<b>Revenue</b>				
<i>Solicitor Income</i>	5.9%	19,425	18,336	34,423
<i>Products</i>	6.0%	2,665	2,513	5,294
<b>Total</b>	<b>6.0%</b>	<b>22,090</b>	20,849	39,717
Cost of sales		(12,450)	(12,593)	(23,090)
<b>Gross Profit</b>	<b>16.8%</b>	<b>9,640</b>	8,256	16,627
<i>Gross margin</i>		<b>44%</b>	40%	42%
Administrative expenses **	4.2%	(3,583)	(3,440)	(6,798)
<b>Underlying operating profit **</b>	<b>25.8%</b>	<b>6,057</b>	4,816	9,829
<i>Operating profit margin</i>		<b>27%</b>	23%	25%



\* Excluding pre-LASPO ATE

\*\* Excluding share based payments (£47,000) and one-off items (£652,000)



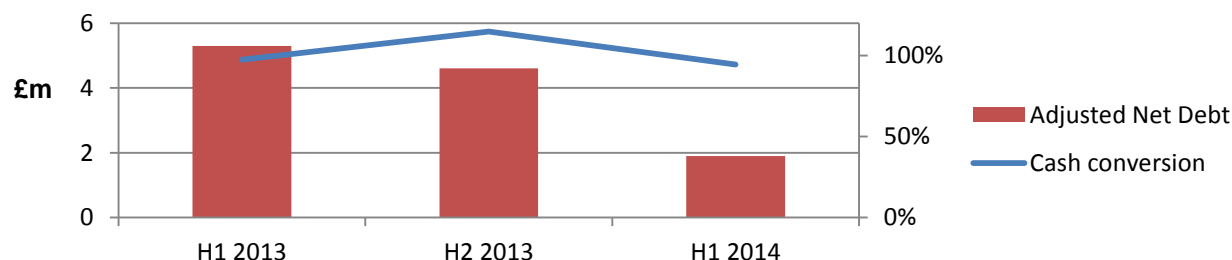
## Robust balance sheet

£'000	Six months to 30 June 2014	Six months to 30 June 2013	Twelve months to 31 Dec 2013
Fixed assets	268	580	371
Goodwill	39,897	46,042	39,897
Working capital	(4,076)	(4,299)	(4,670)
Cash & cash equivalents	12,800	47,319	14,249
Bank loan and loan notes	(5,901)	(32,058)	(6,859)
Pre-LASPO ATE product liability	(8,855)	(20,612)	(12,086)
Adjusted net debt	(1,956)	(5,351)	(4,696)
Other	(1,142)	(3,067)	(751)
<b>Net assets</b>	<b>32,991</b>	<b>33,975</b>	<b>30,151</b>

## Excellent cash conversion

£'000	Six months to 30 June 2014	Six months to 30 June 2013	Twelve months to 31 Dec 2013
<b>Underlying operating profit</b>	<b>6,057</b>	4,816	9,829
Depreciation	115	124	245
Working capital movements (excluding discontinued operations)	(453)	(249)	374
<b>Net cash flow from operating activities</b>	<b>5,719</b>	4,691	10,448
<b>Cash Conversion</b>	<b>94.4%</b>	97.4%	106.3%

## Net Debt and cash conversion



- Declared Interim dividend of 5.0p per share payable on 31 October 2014 to those on the register on 3 October 2014
- Will continue to pursue progressive dividend policy based on:
  - The anticipated future underlying earnings of the Group
  - Its ongoing capital requirements and low interest payments
  - The Group's historically high cash conversion ratio
- Intend to pay a dividend of approximately 66% of retained profits in each financial year, including the year ending 31 December 2014
  - Dividend payments to be made on a 1/3 : 2/3 split for interim and final dividends respectively
  - The final dividend payment is expected to be paid in April 2015

## Goals

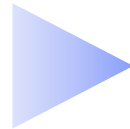
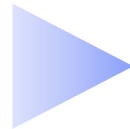
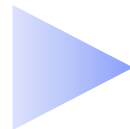
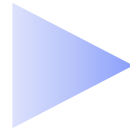
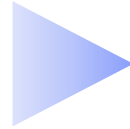
Market share development

Profit enhancement

Product and brand extension

Process outsourcing

Targeted acquisitions



## Enablers

- Positioned in high growth segments of PI market
- Market consolidation is taking place – as the market leader, we are benefitting

- Data call transfer and enhanced capture continues to improve conversion rates for PLFs
- Tailored marketing activities driving higher conversions

- Development of new product offerings (including ATE and Med Neg)
- Increased revenue opportunity

- Leverage systems and processes to extend services up the value chain
- Outsource more work from PLFs

- Consolidating market – targeted M&A
- Utilise core marketing and processing skills

- Strong 2014 H1 financial performance with continued high cash generation and a robust balance sheet
- Maiden Interim dividend of 5.0p per share
- The well recognised, trusted brand and differentiated marketing has delivered good enquiry growth
- Focus remains on the high growth segments of a large and growing market
- Continued strong relationships with Panel Law Firms
- Barriers to entry resulting from its brand media spend, marketing know-how and Panel Law Firm relationships
- Well positioned, as a market leader, to benefit from continued market consolidation
- Experienced management team with proven ability to manage change and take on new opportunities as they arise
- Performance in H2 to date continues to be positive



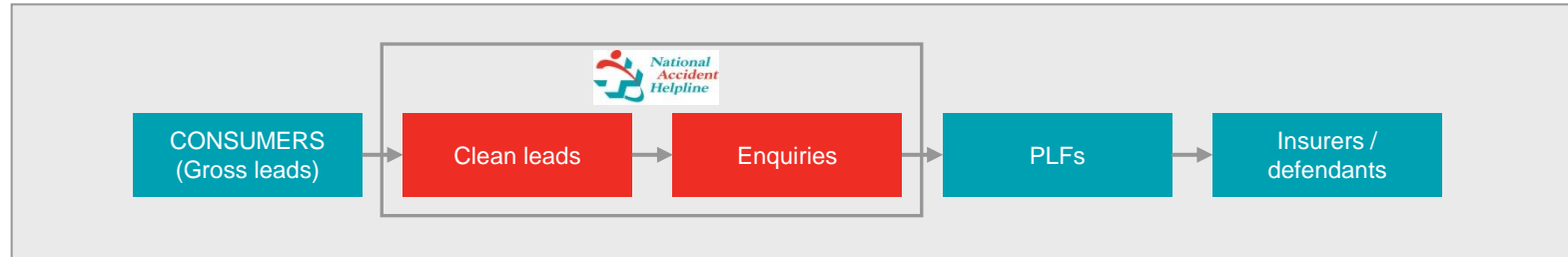
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# Appendices



<b>Top NAHL Group Shareholders (September'14)</b>		<b>Lock-in</b>
Lloyds Development Capital	15.02%	6m + 6m
Inflexion	15.02%	6m + 6m
Alan Kennedy	9.15%	12m + 12m
Sam Porteous	7.54%	12m + 12m
AXA Investment Managers UK Limited	8.93%	
Investec Asset Management Limited	8.02%	
Old Mutual Asset Managers (UK) Limited	6.83%	
River & Mercantile Asset Management	5.47%	
<b>Sub-total</b>	<b>75.98%</b>	

**NAHL never cold-calls or cold-texts: all leads are in-bound in response to marketing**



## Consumer lead origination and validation

- NAHL originates and validates in-bound PI enquiries from consumers who have suffered an injury through no fault of their own, and who usually feel uncomfortable contacting a lawyer directly
- NAHL uses direct response marketing to attract consumers. This may be inbound via telephone, email, website, social media or through live chat including a response call for any completed online enquiries
- NAHL has a strict policy of never cold calling or cold texting consumers and actively campaigns against these practices

## Referral of enquiries to specialist panel of PI law firms

- NAHL's revenue model (billing of panel firms) is fully LASPO compliant (audited February 2014)
- Enquiries are assigned to panel firms on a territory basis. Each is recharged their proportion of NAHL costs incurred plus an appropriate margin that is decided by NAHL each month. Panel firms therefore assume full case profitability and cash risk
- NAHL has no financial interest in passing on spurious or unwarranted cases to PLFs

## A process continually reviewed for improvements to efficiency and customer service

**Step 1: Get In Touch**
▲ Less

When you first contact us, a legally trained advisor will ask for details about your accident and assess whether you can make a claim. We'll then assign you a solicitor firm.

**Ways to get your claim started**

Call 0800 376 0150

Live Chat

Online Form

▶ Video - Legally trained advisors explain what happens when you call

**Step 2: Solicitor Consultation**
▲ Less

Your solicitor evaluates your situation, and calculates your claim. Evidence is also gathered in support of your claim.

**Solicitor Consultation**

Your solicitor will gather more details about your accident. This may be face to face or over the phone.

**Medical Assessment**

If necessary, your solicitor will instruct a medical expert to assess your injuries. [Read more about medical assessments](#)

**Schedule of Losses Prepared**

Your solicitor will prepare a Schedule of Losses listing all of the financial losses that you wish to claim.

**Solicitor Advice**

Your solicitor will set out your case to you and help you decide whether to proceed.

▶ Video Solicitor Consultation Explained  
▶ Video Medical Assessment Explained

**Step 3: Claim Proceeds**
▲ Less

Your solicitor handles contact with the other party and negotiates on your behalf. Only if an agreement cannot be reached might the case go to court.

**Letter of Claim**

Your solicitor will send the defendant a Letter of Claim stating that you intend to claim compensation for the injuries caused by their fault.

**Claim Accepted**

If the defendant accepts responsibility, your solicitor negotiates your compensation amount.

**Claim Disputed**

The case goes to court as a "no win no fee" agreement only if an agreement cannot be reached.

**Case Won**

You will receive your compensation.

**Case Lost**

If you lose the claim, your solicitor's costs are paid by their insurance.

### The process:




1. Gross leads are all contacts into NAH's call centre. Generated through tailored marketing activity (online, TV, affinity and directories)
2. NAH remove the 'noise' of customer service calls, hoaxes, duplicated calls and similar to arrive at clean leads
3. Each net lead is screened to ensure there is a valid claim (check for genuine injury and no fault)
4. Once screened, each enquiry is passed to the panel of solicitors on a territory basis
5. The solicitors perform further legal assessment and take on the claims

### From the consumers' perspective:

1. The majority of cases are handled in one call (inbound / outbound and then directly transferred to a panel solicitor). If a consumer first consults the website, NAH returns their call within 30 minutes
2. NAH is remunerated by the panel of solicitors. There is no interaction with the consumer following the validation of the enquiry apart from for marketing purposes, although we support customers who are unhappy with their solicitor performance
3. NAH's average consumer rating for customer service is 9/10 (Source – Trust pilot)



NAHL is the largest and most successful ‘enquiry originator’ in the UK

Type	Marketing collectives “enquiry originators”	Consumer legal firms with captive marketing brand	Consumer legal firms
Description	Direct response consumer facing brands	Consumer facing legal firms that take work from insurers, banks and others (including marketing collectives)	
Interaction with consumers	Identifiable brands and marketing presence across radio, TV and on-line media		Process cases, limited active lead sourcing
Examples			
Regulator	The Ministry of Justice (MOJ)	Solicitors’ Regulation Authority (SRA)	

## High barriers to entry prevent others from entering NAHL's core market

