

NAHL Group plc

Interim Results Presentation

23<sup>rd</sup> September 2015



# 2015 H1 Highlights – A Strong First Half

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- Continued revenue growth – up 15.0% to £25.4m (2014 H1: £22.1m)
- Strong performance from Fitzalan acquisition - contributing £1.5m of total Group revenue (H1 2014: £nil)
- Operating profit - £6.5m up 21.1% (2014 H1: £5.4m)
- Enquiry growth up 9.4% in the period driven by higher margin non-RTA and medical negligence cases
- Product income impacted in short term by introduction of Medco – continuing product income expected to return to growth in 2016
- Basic and diluted earnings per share of 12.5p and 12.3p respectively (2014 H1: 8.5p and 8.2p)
- Robust balance sheet - £1.2m of adjusted net debt (2014 H1: £2.0m)
- Highly cash generative - 95.5% operating cash conversion (2014 H1: 94.4%)
- Interim dividend of 6.25p per share payable on 30 October 2015 (2014 H1: 5.0p)
- H2 commenced well with further profits growth expected

## Enquiries

- Enquiry growth up 9.4%
- 76% of enquiries derived from higher margin non-RTA and medical negligence cases
- CPE increased by 1.0% reflecting rising marketing costs

Enquiries	% change	Six months to 30 June 2015	Six months to 30 June 2014	Twelve months to 31 Dec 2014
RTA	5.9%	11,019	10,408	20,114
Non-RTA	5.7%	23,396	22,124	44,544
Medical Negligence	23.9%	8,186	6,609	13,620
Specialist	19.2%	2,652	2,224	4,615
<b>Total</b>	<b>9.4%</b>	<b>45,253</b>	<b>41,365</b>	<b>82,893</b>

## Conversion

- Conversion of clean leads to enquiries remains above 70%
- Increasing trend towards enquiries driven by social media
- Remain well positioned to respond to changing consumer behaviours

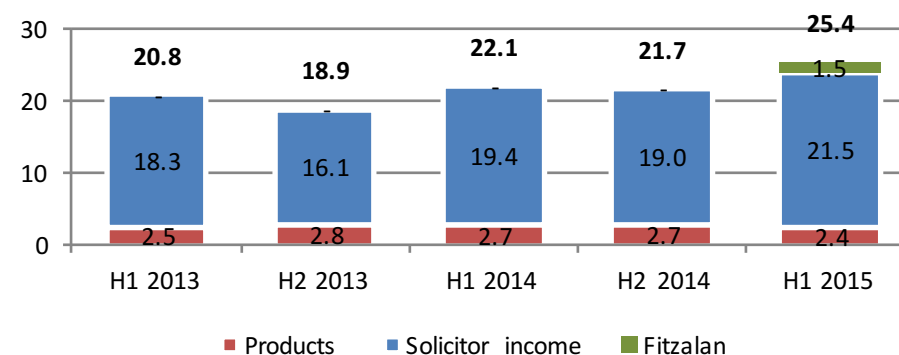
### Conversion (%)

Gross leads to clean leads	36.79%	44.50%	44.40%
Clean leads to Enquiries	72.06%	78.30%	75.30%

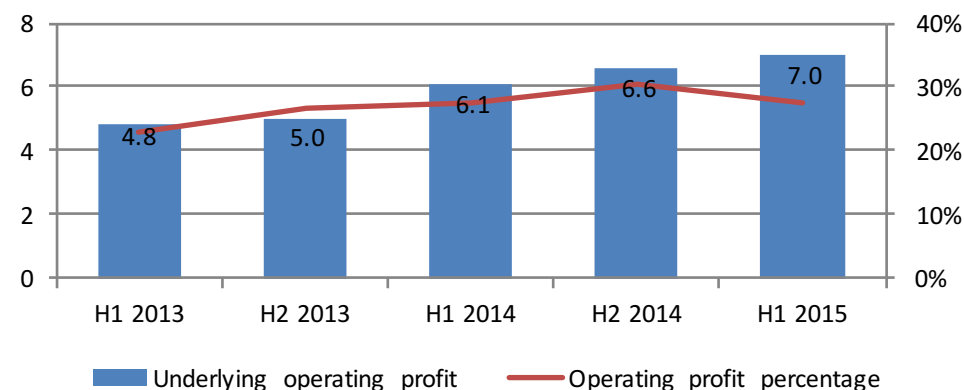
## Income Statement

£'000	% change	Six months to 30 June 2015	Six months to 30 June 2014	Twelve months to 31 Dec 2014
<b>Revenue</b>				
<i>Solicitor Income</i>	10.5%	21,467	19,425	38,445
<i>Ongoing Products</i>	(7.6)%	1,984	2,148	4,342
<i>Declining Products</i>	(10.6)%	462	517	1,061
<i>NAH</i>	8.3%	23,913	22,090	43,848
<i>Fitzalan</i>	100.0%	1,498	0	0
<b>Total</b>	<b>15.0%</b>	<b>25,411</b>	<b>22,090</b>	<b>43,848</b>
<b>Gross Profit</b>				
	19.3%	11,500	9,640	19,963
<b>Underlying operating profit</b>				
	16.1%	7,030	6,057	12,713
<i>Gross margin</i>		45.3%	43.6%	45.5%
<i>Operating profit margin</i>		27.7%	27.4%	29.0%

## Group Revenue



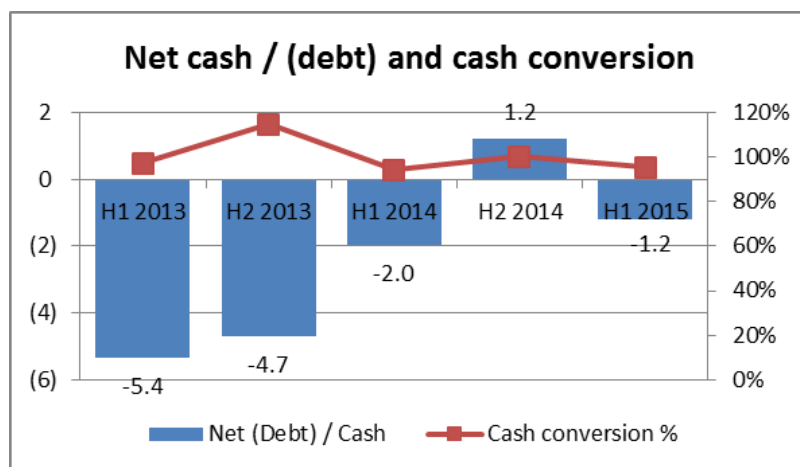
## Group Operating Profit



# Robust Balance Sheet & Excellent Cash Conversion

£'000	Six months to 30 June 2015	Six months to 30 June 2014	Twelve months to 31 Dec 2014
Total fixed assets	44,315	40,165	40,083
Working capital	(4,497)	(4,076)	(3,963)
Cash & cash equivalents	9,324	12,800	13,637
Bank loan and loan notes	(5,901)	(5,901)	(5,901)
Pre-LASPO ATE product liability	(4,610)	(8,855)	(6,511)
<b>Adjusted net debt</b>	<b>(1,187)</b>	<b>(1,956)</b>	<b>1,225</b>
Taxation	(1,342)	(1,142)	(1,171)
<b>Net assets</b>	<b>37,289</b>	<b>32,991</b>	<b>36,174</b>

£'000	Six months to 30 June 2015	Six months to 30 June 2014	Twelve months to 31 Dec 2014
<b>Underlying operating profit</b>	<b>7,030</b>	6,057	12,713
Depreciation and amortisation	104	115	212
Working capital movements (excluding discontinued operations)	(420)	(453)	(517)
<b>Net cash flow from operating activities</b>	<b>6,714</b>	5,719	12,408
<b>Cash Conversion</b>	<b>95.5%</b>	94.4%	97.6%



- Interim dividend of 6.25p per share payable on 30 October 2015 (H1 2014: 5.0p)
- Basic and diluted earnings per share of 12.5p and 12.3p respectively (2014 H1: 8.5p and 8.2p)

- Law firms adapting to maturing post LASPO marketplace
- Currently work with 42 PI PLFs and a further 14 specialist PLFs
- Continued investment in information and support designed to improve case conversion so that effective cost per running case is optimised
- Continue to enhance the number of key strategic long-term relationships
- Focus remains on working with larger more efficient firms
  - Two major new long-term contracts signed with significant players in PI
  - Further negotiations ongoing with other notable providers
- Fitzalan panel growing in line with business growth

- Introduction of Medco impacted product revenue in H1
- New ATE product launched during first half with initial response very encouraging
- Opportunity to increase volume and sell to associate panel
- Continuing product revenues expected to return to growth in 2016 driven by new products offerings as well as growth in core products
- Significant opportunities to develop Fitzalan product offering
  - Improved revenue generation from existing activity e.g. Searches
  - Utilise existing platforms to drive further growth e.g. White Label

- Strong performance since acquisition; ahead of management plan delivering 21.4% operating margin on revenue of £1.5m
- Investment in people, brand & infrastructure with new leadership team in place
- Programme of development underway to improve end to end consumer journey and increase conversion
- Opportunities identified to develop specific new projects that will expand our range of services
- Conveyancing sector remains highly fragmented with significant opportunities to grow market share
- Continued assessment of opportunities to undertake infill acquisitions that broaden our offering, enabling us to appeal to a wider market





# Growth Strategy – Significant Opportunities

## Market share development



- Continue to target controlled growth in NAH
- Grow market share in Conveyancing sector through infrastructure investment and broadening our proposition

## Panel development



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

## Product and brand extension



- Further 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 pre-auction reports

## Brand Development



- Broaden the appeal of the NAH brand to more potential claimants
- Develop the Fitzalan portfolio – through enhanced digital marketing

## Targeted acquisitions



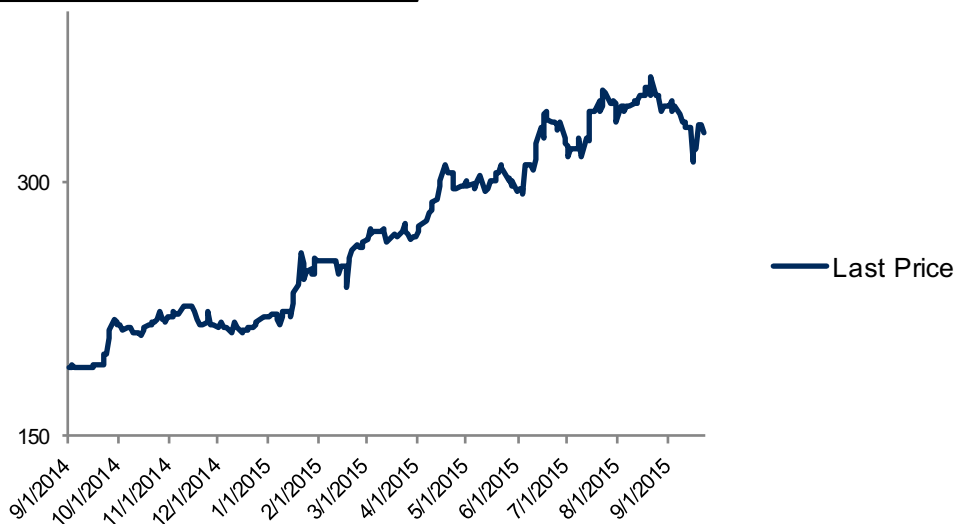
- Consider opportunity provided by consolidating PI market
- Review further opportunities in conveyancing
- Review further legal markets for wider opportunities
- Managed services

- Strong financial performance, in line with market expectations
- Robust NAH operational performance: sustained enquiry growth & market share gains
- Impressive start from Fitzalan Partners
- Market leading position & fragmented legal services market present opportunities to gain further share
- Continue to see and assess complementary acquisition opportunities
- Current trading strong, expect to deliver results at least in line with market expectations for FY 2015

# Questions

# Appendices

## Twelve month share price



## Significant shareholders

Name	Holding (%)
Schroder Investment Management	12.90
AXA Investment Managers UK Limited	9.90
Investec Asset Management	7.84
Old Mutual Asset Managers (UK) Limited	7.34
River & Mercantile Asset Management	6.32
Miton Asset Management Limited	6.04
Hargreave Hale Limited	5.82
SFM UK Management LLP	5.49
Polar Capital Partners	4.49
JP Morgan Asset Management	4.26

## Industry data & sector

Current index	FTSE AIM All-Share
Sector	Media
Market capitalisation	£141.76m
Shares in issue	41.15m
Free float	38.35m
Share Price Year High	362.00p
Share Price Year Low	191.00p
Total 2014 Dividend	15.7p
Interim 2015 Dividend	6.25p

## The Board

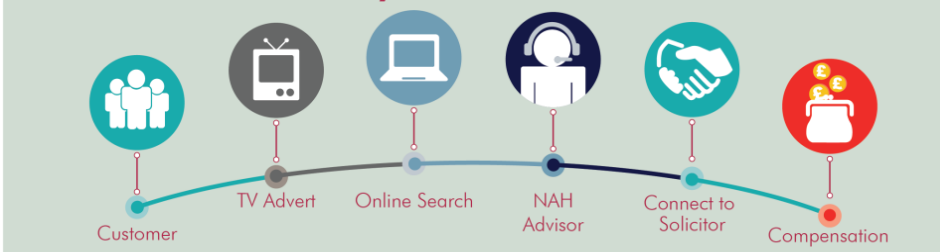
Russell Atkinson	CEO
Steve Dolton	CFO
Steve Halbert	Non-executive Chairman
Gillian Kent	Independent Non-executive Director

Dividend					EPS			
£'000	2015 Interim dividend	2014 Interim dividend	2014 Final dividend	2014 total dividend		Six months to 30 June 2015	Six months to 30 June 2014	Twelve months to 31 Dec 2014
<b>Revenue</b>								
<i>Dividend per share</i>	<b>6.25</b>	5.0	10.7	15.7	<i>Continuing Basic EPS (p)</i>	<b>12.5</b>	<b>10.9</b>	<b>23.0</b>
<i>Total dividends paid</i>	<b>2,674,750</b>	2,057,500	4,403,050	6,460,550	<i>Group Basic EPS (p)</i>	<b>12.5</b>	<b>8.5</b>	<b>20.6</b>

- Dividend payout reflecting continued robust cash generation & strong balance sheet
- Interim dividend payable on 30 October 2015 to those on the register on 2 October 2015
- Policy remains to pay 66% of retained earnings on 1/3<sup>rd</sup> & 2/3<sup>rd</sup> basis

# The UK PI litigation market and how we operate

## The Consumer Journey



The PI market is large and fragmented with approximately one million claims per annum.

Claims are divided into four segments:

- Road Traffic Accident (RTA)
- Non-Road Traffic Accident (non-RTA)
- Medical negligence
- Specialist

Whilst over three quarters of the overall PI market comprises RTA claims, NAH's focus remains on the higher margin, faster growing segments of medical negligence and non-RTA claims from where we receive c.76% of our enquiries.

In July 2015 we launched the Ethical Marketing Charter which is an industry-led initiative launched in conjunction with seven inaugural law firm signatories and widespread backing from across political and regulatory bodies. The Charter now has over 40 signatories aimed at positively reducing bad practice by rogue operators and ensures consumers are more adequately protected.

