



# NAHL Group plc

## Interim Results 2017

19 September 2017

# Agenda

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

# Overview

# H1 Highlights – Performance in line with expectations



## Financial Highlights

- Revenue of £24.9m (2016 H1: £25.8m)
- Underlying operating profit of £7.3m (2016 H1: £8.8m)
- Underlying operating profit margin of 29.5% (2016 H1: 34.0%)
- Profit before tax of £5.3m after £1.0m brand repositioning charge in PI business (2016 H1: £7.5m)
- Basic earnings per share of 9.0p (2016 H1: 13.2p)
- Interim dividend of 5.3p per share (2016 H1: 6.35p)

## Operational Highlights

- PI division brand relaunch for NAH
- Successful establishment of Alternative Business Structure (“ABS”) venture with NewLaw
- Strong margin performance from Residential Property division
- Critical Care division continues to perform well with new strategic business opportunities being pursued

**Developed PI proposition complemented by growth in Critical Care & Residential Property**

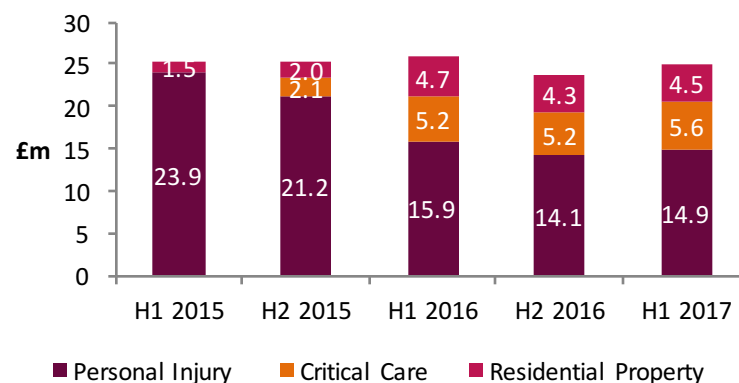
# Financial Performance

# Income Statement – Profit meets expectations

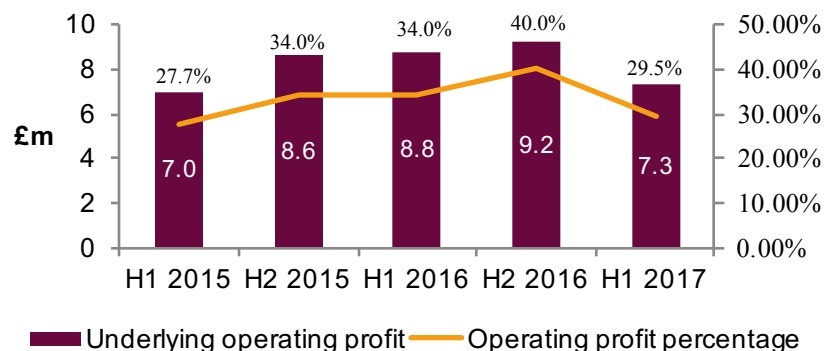


£'000	% change	Six months to 30 June 2017	Six months to 30 June 2016	Twelve months to 31 December 2016
<b>Underlying Revenue</b>				
<i>Personal Injury</i>	(6.4%)	14,854	15,864	30,011
<i>Critical Care</i>	6.3%	5,564	5,234	10,353
<i>Residential Property</i>	(3.1%)	4,512	4,655	9,021
<b>Total</b>	<b>(3.2%)</b>	<b>24,930</b>	<b>25,753</b>	<b>49,385</b>
Cost of sales	(9.3%)	(12,014)	(10,991)	(20,809)
<b>Gross profit</b>	<b>(12.5%)</b>	<b>12,916</b>	<b>14,762</b>	<b>28,576</b>
<i>Gross margin</i>		<b>51.8%</b>	57.3%	57.9%
Administrative expenses	7.4%	(5,569)	(6,012)	(10,591)
<b>Underlying operating profit</b>	<b>(16.0%)</b>	<b>7,347</b>	<b>8,750</b>	<b>17,985</b>
<i>Operating profit margin</i>		<b>29.5%</b>	34.0%	36.4%

## Group revenue



## Group Operating Profit



# Balance Sheet and Cash flow - Robust balance sheet and solid cash conversion



£'000	Six months to 30 June 2017	Six months to 30 June 2016	Twelve months to 31 Dec 2016	£'000	Six months to June 2017	Six months to 30 June 2016	Twelve months to 31 December 2016
Total fixed assets	68,473	69,549	69,201	<b>Underlying operating profit</b>	7,347	8,750	17,985
Working capital	1,436	(4,147)	(1,195)	Depreciation and amortisation	154	86	195
Cash & cash equivalents	799	6,522	4,814	Working capital movements	(2,154)	(459)	(3,845)
Bank loans	(10,243)	(12,936)	(11,089)	<b>Net cash from operating activities</b>	5,347	8,377	14,335
Pre-LASPO ATE product liability	(2,026)	(3,167)	(1,912)	<b>Cash conversion</b>	72.8%	95.7%	79.7%
Adjusted net debt	(11,470)	(9,581)	(8,187)				
<b>Net assets</b>	<b>58,439</b>	<b>55,821</b>	<b>59,819</b>				

- Adjusted net debt increased reflecting investment in PI cases
- Overall cash conversion impacted as anticipated but ahead of target due to continued strong cash generation in Residential Property and Critical Care
- As previously outlined, increased investment in PI cases in H2 will result in a lower cash conversion in the second half of the year
- Additional funding available from bank refinancing

# Dividend and EPS – Attractive dividend yield



	Interim Dividend 2017	Interim Dividend 2016	Total Dividend 2016		Six months to 30 June 2017	Six months to 30 June 2016	Twelve months to 31 December 2016
Dividend per share	<b>5.30p</b>	6.35p	19.05p	Group Basic EPS	<b>9.0p</b>	13.2p	27.0p
Total dividends	<b>£2,412k</b>	£2,880k	£8,640k	Group Diluted EPS	<b>8.9p</b>	12.9p	26.5p
Share price at period end*	<b>130.50p</b>	206.50p	136.50p				
Dividend as % of share price*	<b>4.1%</b>	3.1%	14.0%				

- Interim dividend 5.30p per share (2016 H1: 6.35p)
- Policy remains to pay 66% of retained earnings on 1/3rd interim & 2/3rd final basis
- Dividend payable 31 October 2017 to shareholders registered 29 September 2017
- Basic earnings per share of 9.0p (2016 H1: 13.2p)

\* Based on share price as at 30 June 2017 and 31 December 2016



# Divisional Review

# Personal Injury – Progress made on evolution of business model



- H1 performance in line with plan
- Revenue declined by 6.4% to £14.9m, operating profit down by 23.3% to £5.4m
- Good progress made with our strategy of implementing new commercial and structural arrangements, relaunching the brand and preparing for regulatory changes:
  - Relunched NAH brand in June to help generate enhanced enquiry volumes and support market leadership position - early indications are positive
  - Commenced trading with our first Alternative Business Structure (ABS) in July with NewLaw
  - Continued to invest in cases with strategic Panel Law Firm (PLF) partners who have been supportive of our strategy
  - Progress made on concluding second ABS by Q4



# Personal Injury – ABS update



- Part of Group's strategic plans to prepare the Group for market changes announced by Government in Feb17
- Alternative Business Structure (ABS) with NewLaw, subsidiary of Redde plc, commenced Jul17
- ABS trades under the name Your Law LLP – it provides NAH with ownership interest in a company providing legal services and allows us to take a share of profit from work processed by the ABS
- NAH has overall control of the ABS – this is managed via an operating board
- Elements of profit recognition and some of the cash received will be deferred until case settlement
- Whilst still early, Your Law has delivered the agreed metrics to date and initial signs are encouraging
- ABS2 is in contract discussion stage and is still expected to be launched Q4
- Government reforms currently scheduled for Oct18 implementation, delay probable but no significant impact expected as a result
- Board remains confident in the medium and long term opportunity that the new regulatory environment will present



# Critical Care – continued strong performance

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- Positive contribution from division
- Revenue of £5.6m, up 6.3% with operating profit of £2.0m, up 10.2%
- Enquiry volumes have remained strong
- Benefits of focus on sales and marketing starting to reap benefits
- Continued focus on new strategic business development opportunities:
  - Strategic partnerships
  - Technology improvement
  - Efficiency initiatives
  - Investment in quality
- Division well placed going into H2 to continue gaining market share
- Continued to invest in quality



# Residential Property – strong margin performance

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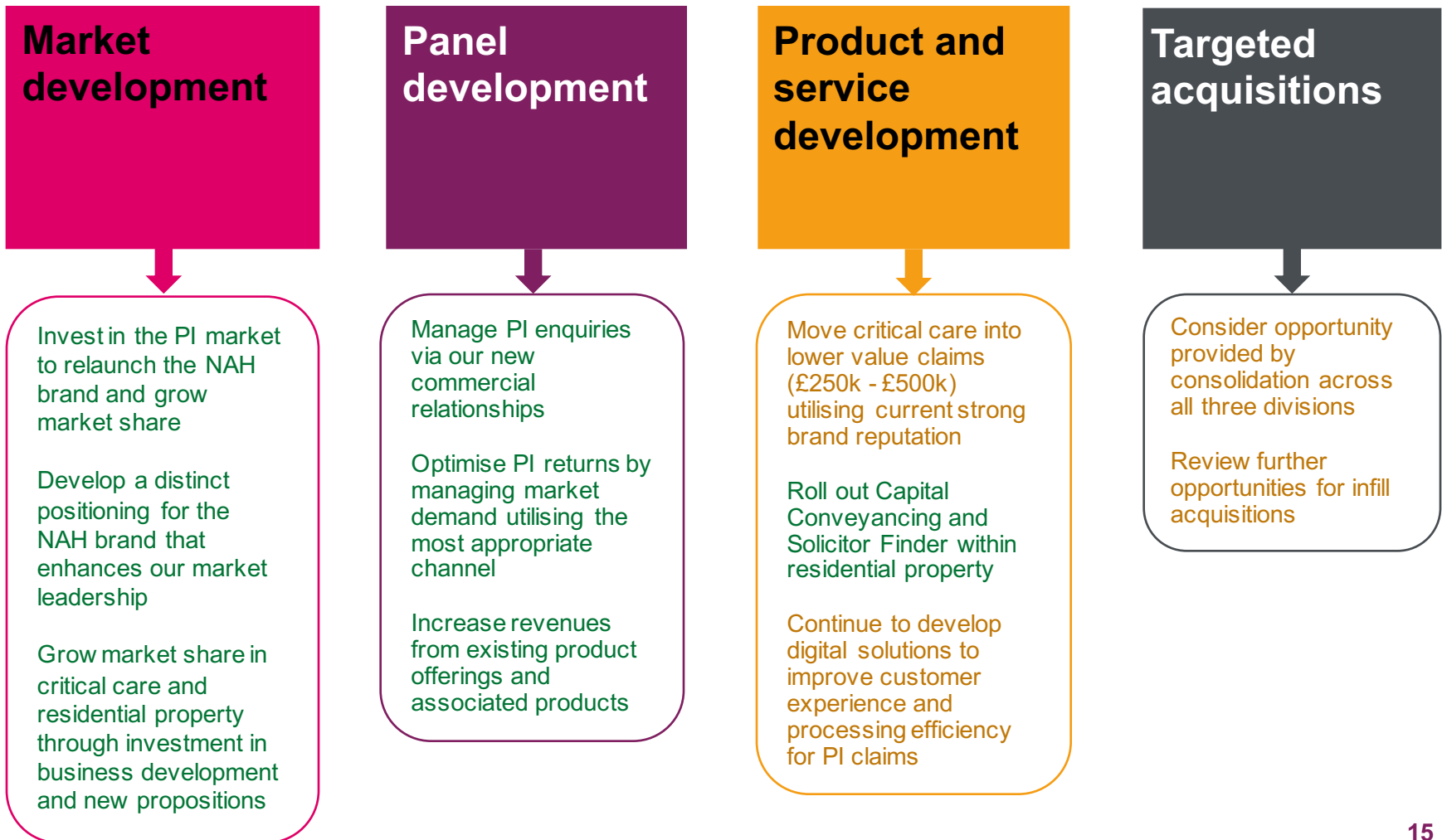


- Delivered growth in profitability despite challenging market conditions, operating profit up 17.5% to £0.8m
- Solid margin improvement as a result of:
  - Panel rationalisation
  - New product development
  - Localised pricing initiatives
- Continued focus on cost and efficiency will ensure margins maintained whilst volumes remain at lower levels
- Broadened service offering across conveyancing, surveys and searches leaves division well placed to grow as market recovers



# Group Strategy and Outlook

# Group strategic priorities – opportunities from change



# Summary & Outlook

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- Results in line with expectations
- Good progress made on preparations for regulatory changes in PI division
- Delivery on NAH brand relaunch, conclusion of ABS with NewLaw and progress on second ABS
- Critical Care division growing market share and pursuing new strategic business development opportunities
- Residential Property division well positioned for any market recovery
- Important contributions from all three business divisions
- Additional funding available from bank refinancing
- Board remains committed to its dividend policy
- Second half trading has commenced in line with expectations

**Group well positioned, second half trading has commenced in line with expectations**



# Questions

# NAHL Group plc – a Broader, More Diversified Business



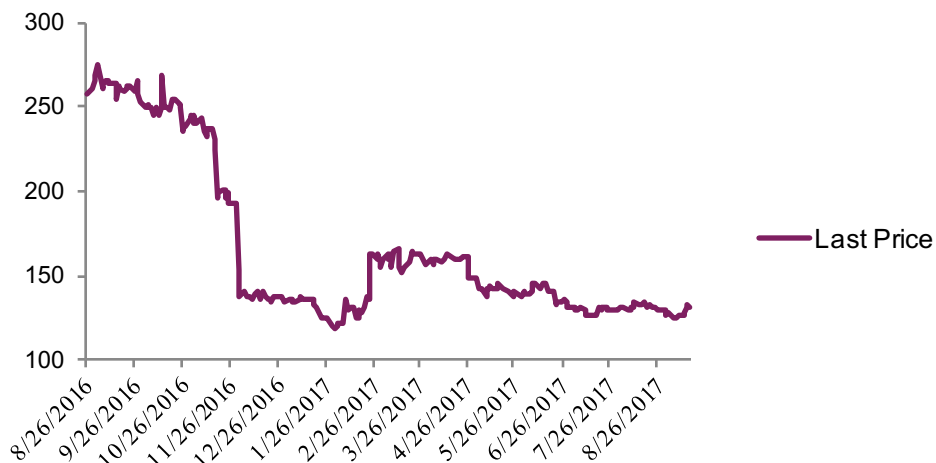
- **NAHL Group plc** is a leading UK consumer marketing and services business focused on the UK consumer legal services market
- The Group comprises three divisions:
  - **Personal Injury** via NAH which provides outsourced marketing services and products to law firms
  - **Critical Care** via Bush & 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 At a Glance



## Twelve month share price



## Significant shareholders

Name	Holding (%)
Schroder Investment Management	16.62
Hargreave Hale	9.22
Miton Asset Management Limited	9.08
Invesco Advisors, Inc.	5.11
AXA Investment Managers UK	4.45
Hargreaves Lansdown Asset Mgt	3.88
Investec Asset Management	3.70
Baillie Gifford & Co Limited	3.52
Polar Capital LLP	3.04
Sacisa Limited	2.98

## Industry data & sector

Current index	FTSE AIM All-Share
Sector	Media
Market capitalisation	£59.62 million
Shares in issue	45.51m
Free float	42.96m
Share Price Year High	270.25p
Share Price Year Low	118.50p
Total 2016 Dividend	19.05p

## The Board

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

## Analyst coverage

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