



NAHL Group plc

Preliminary Results 2017

March 2018

# Agenda

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- 2017 Group Highlights
- Divisional Review
- Financial Performance
- Growth Strategy and Outlook
- Questions
- Appendices

# 2017 Group Highlights



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## Financial

- Trading performance in line with expectations
- Underlying revenue up 3.3% to £51.0m (2016: £49.4m)
- As expected, underlying operating profit down 19.4% to £14.5m (2016: £18.0m)
- Underlying operating profit margin 28.4% (2016 36.4%)
- Cash generation at 54.8% (2016: 79.7%)
- Recommended final dividend of 10.6p, resulting in a total dividend for the year of 15.9p (2016: 19.05p)

## Operational

- A year of strategic progress with continued evolution of PI division
- Establishment and operational launch of two ABS ventures, with early signs encouraging
- Successful relaunch of the National Accident Helpline brand, generating positive results
- Critical Care division ahead of last year with continued growth in market share
- Solid trading performance from Residential Property division against a challenging market backdrop

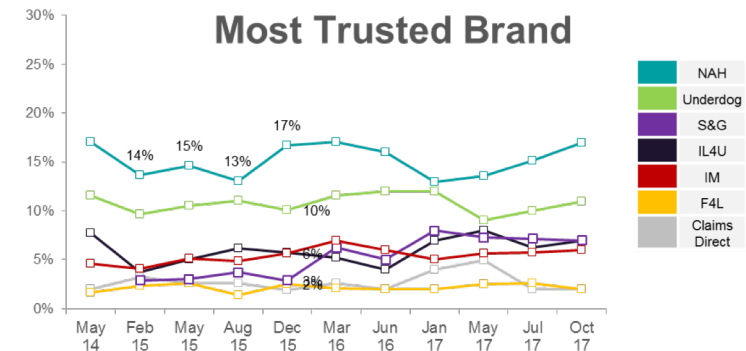
# Divisional Review



# Personal Injury – Re-engineering of division on track



- Revenue up by 5.4% to £31.7m, underlying operating profit down by 22% to £11.0m, in line with expectations
- Change in profit principally due to investment in cases with PLFs and establishment of ABS ventures, as guided
- Early indications from setting up of two ABS ventures have been positive, giving Group greater flexibility to manage demand and invest in the brand with confidence
- Successful relaunch of National Accident Helpline brand, with strong trust scores generated under the theme “making it right”
- Investment in improving digital functionality has contributed to growth in enquiries
- NAH remains the leading brand in PI with market leading metrics for trust, search and click through
- Traditional panel model remains an important part of Group’s strategy with processing of cases through ABS partnerships offering further opportunity



# Critical Care – continued progress and market share growth



- A year of continued progress with revenue up by 6.6% to £11.0m (2016: £10.4m), though slightly softer Q4
- Operating profits up 2.5% at £3.9m (2016: £3.8m).
- Division has gained market share, securing number of strategic business development opportunities
- Credibility as brand leader enhanced by winning Lawyer Monthly magazine's rehabilitation provider of the year
- Pipeline of commercial opportunities expected to contribute to growth in second half of FY2018
- Division remains well positioned and is contributing meaningfully to Group performance



Rehabilitation provider of the year – Lawyer Monthly  
Case manager of the year – CMSUK

# Residential Property – solid performance in challenging market

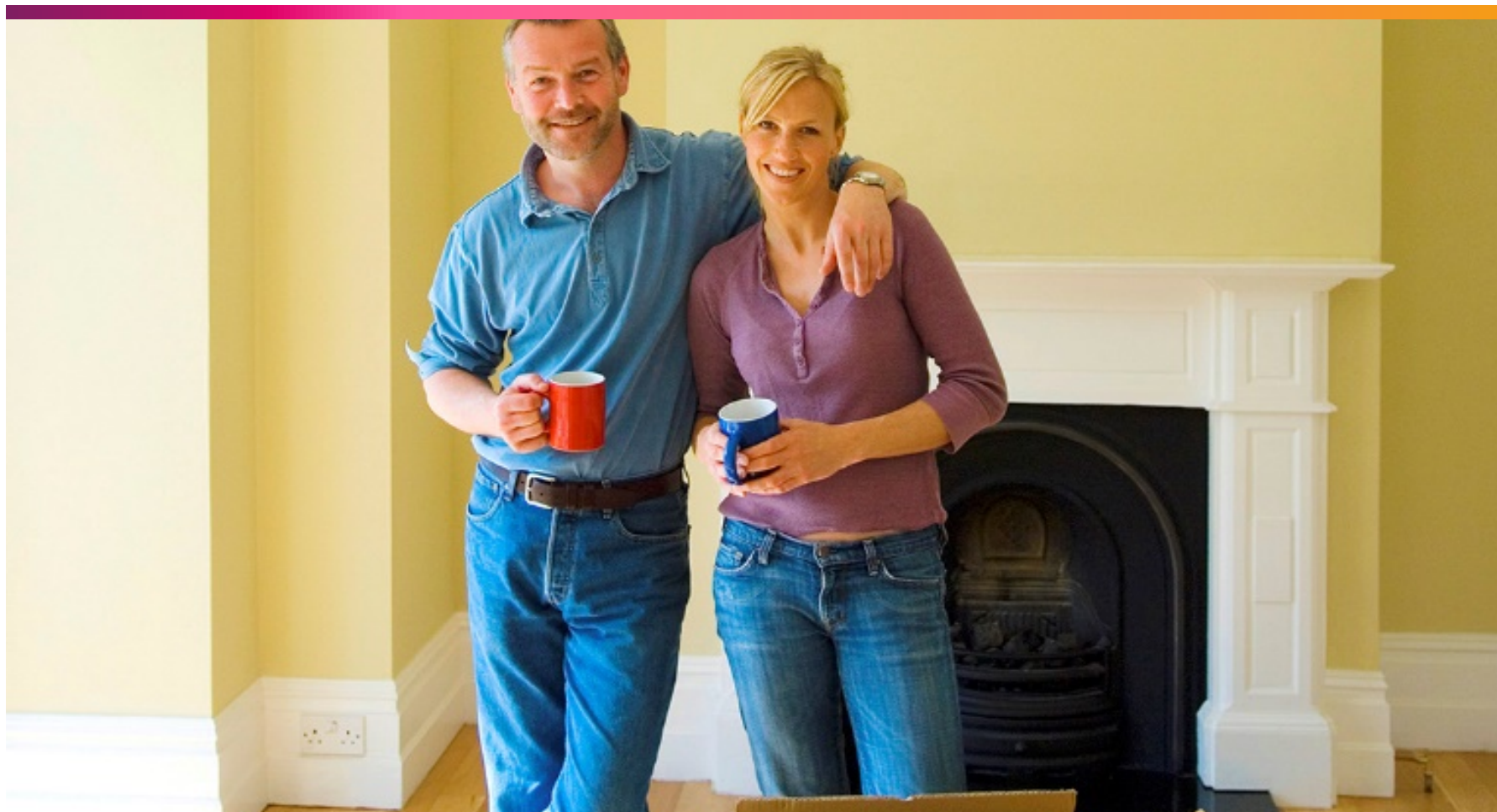


- Revenue down 7.5% to £8.3m (2016: £9.0m), but increased margin and reduced costs resulted in operating profits flat at £1.4m
- Performance reflects difficult market conditions, impacting residential conveyancing volumes :
  - Low supply of property
  - Weaker consumer confidence
  - Falls in new mortgage approvals
- Government action to stimulate first time buyer transactions will take time to feed through
- Management has responded by focusing on operational efficiencies
- Division is well positioned to leverage any market recovery





# Financial Performance

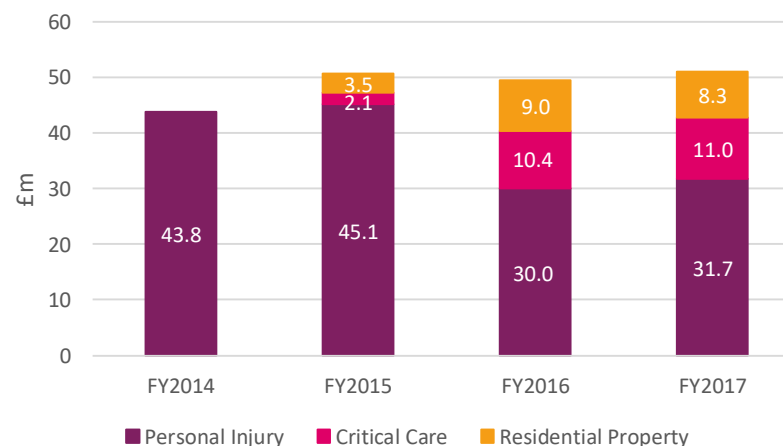




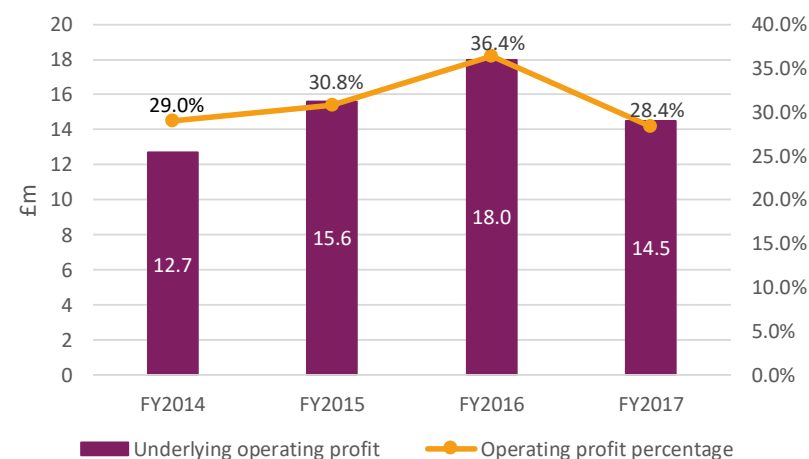
# Income Statement



Group Revenue



Operating profit percentage



£'000	% change	Year ended 31 Dec 2017	Year ended 31 Dec 2016
<b>Revenue</b>			
<i>Personal Injury</i>	5.5	31,660	30,011
<i>Critical Care</i>	6.6	11,037	10,353
<i>Residential Property</i>	(7.5)	8,340	9,021
<b>Total<sup>+</sup></b>	<b>3.3</b>	<b>51,037</b>	<b>49,385</b>
Cost of sales	21.2	(25,224)	(20,809)
<b>Gross profit<sup>+</sup></b>	<b>(9.7)</b>	<b>25,813</b>	<b>28,576</b>
<i>Gross margin</i>		<b>50.6%</b>	<b>57.9%</b>
Administrative expenses*	6.9	(11,322)	(10,591)
<b>Underlying operating profit*</b>	<b>(19.4)</b>	<b>14,491</b>	<b>17,985</b>
<i>Operating profit margin</i>		<b>28.4%</b>	<b>36.4%</b>

+ excluding one off item relating to release of previously recognised liability for pre-LASPO ATE commission

\* excluding share based payments £182,000 (2016: £1,052,000), amortisation on intangibles assets acquired on business combinations £1,307,000 (2016: £1,327,000) and one off items of £400,000 (2016: (£555,000))

# Balance Sheet and Cash Flow



## Robust balance sheet

£'000	2017	2016
Fixed assets	267	327
Goodwill / Intangible assets	67,579	68,836
Working capital	6,705	(1,157)
Cash & cash equivalents	858	4,814
Bank loans*	(12,922)	(11,089)
Pre-LASPO ATE product liability	(676)	(1,912)
Adjusted net debt	(12,740)	(8,187)
<b>Net assets</b>	<b>61,811</b>	<b>59,819</b>

- Increase in net debt and decrease in cash generation reflects investment in working capital
- Refinanced during 2017 to new £25m RCF with £11.9m headroom at 31 December 2017
- Low levels of leverage provides a solid foundation to the balance sheet

\* Bank loans are stated net of £203k (2016: £161k) of loan arrangement fees

## Investing for the future

£'000	2017	2016
Underlying operating profit	14,491	17,985
Depreciation	301	195
Working capital movements	(6,845)	(3,845)
<b>Cash flow from operations</b>	<b>7,938</b>	<b>14,335</b>
<b>Cash generation</b>	<b>54.8%</b>	<b>79.7%</b>

## Careful balance sheet management

£'000	2017	2016
Underlying EBITDA	14,792	18,180
Adjusted Net debt	12,922	11,089
<b>Leverage</b>	<b>0.9x</b>	<b>0.6x</b>

# Dividend and EPS



## Dividend

£'000	Interim Dividend	Final Dividend	Total Dividend
Dividend per share	5.3p	10.6p	<b>15.9p</b>
Total dividends	£2,412k	£4,888k	<b>£7,300k</b>
Share price at period end*	130.5p	165.4p	165.4p
Dividend as % of share price*	4.1%	6.4%	9.6%

## Earnings per share

Pence	31 Dec 2017	31 Dec 2016
Reported Basic	<b>21.7</b>	27.0
Reported Diluted	<b>21.6</b>	26.5

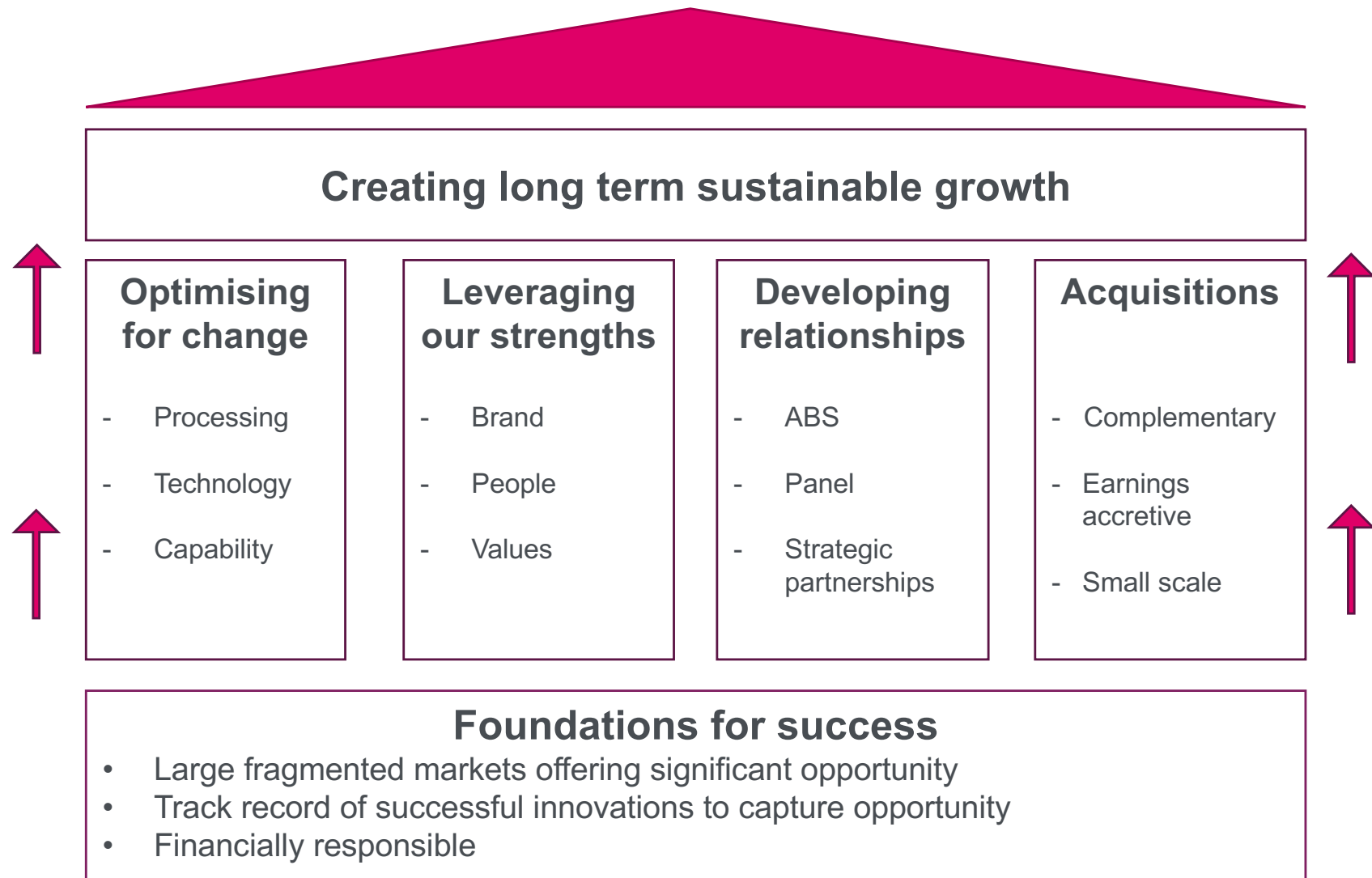
- Recommended final dividend of 10.6p, providing a total dividend for the year of 15.9p (2016: 19.05p)
- Reported Basic EPS of 21.7p, ahead of expectation

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

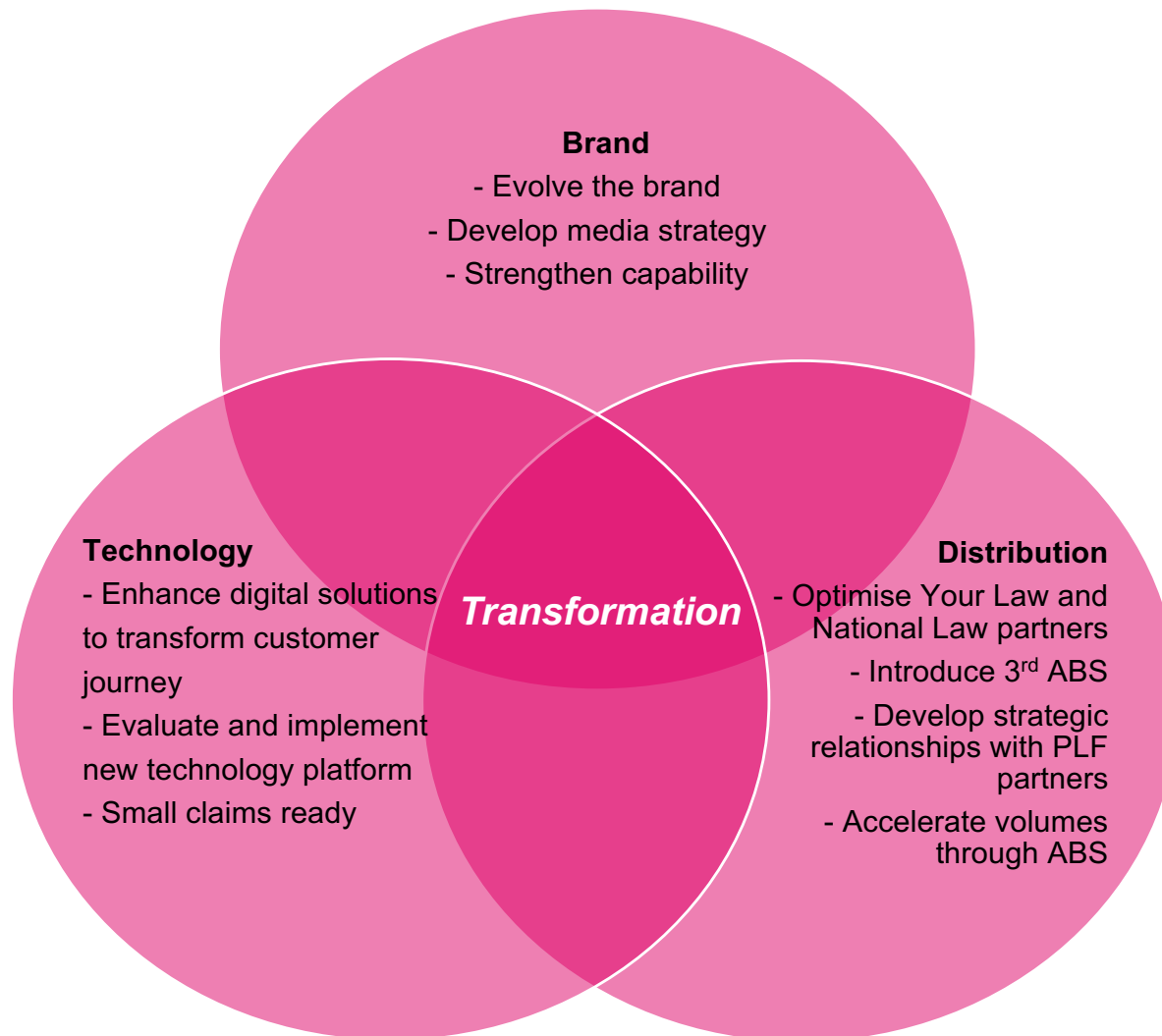
# Growth Strategy & Outlook



# Group Strategy – long term value creation



# Personal Injury – building on strategic success



- Regulatory implementation anticipated Q2 2019
- Increasing investment in enquiries means further deferment of profit and cash
- ABS set up costs, including capital expenditure, of up to £4m over the next 2 years
- During this investment phase, we consider it prudent to manage debt levels and will increase dividend cover from 1.5x to 2x, to be reviewed again in 2020
- Business able to absorb the financial impact of reforms within our growth agenda



# Outlook

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- Building on 2017 which was a year of continued progress and evolution
- Group's proven track record of responding to change, underlying brand strength and deep knowledge leave it well positioned to succeed in the new regulatory landscape
- ABS venture learnings provide insight and confidence for further investment into in-house processing
- Further growth expected from Critical Care division, with an active pipeline of commercial opportunities
- Residential Property will remain challenging and focus is on growing market share through business development initiatives.
- Trading in early part of 2018 in line with the Board's expectations
- Group well placed to seize opportunities resulting from change in year ahead

# Questions and Appendices



# NAHL Group plc – a leader in the UK legal services market



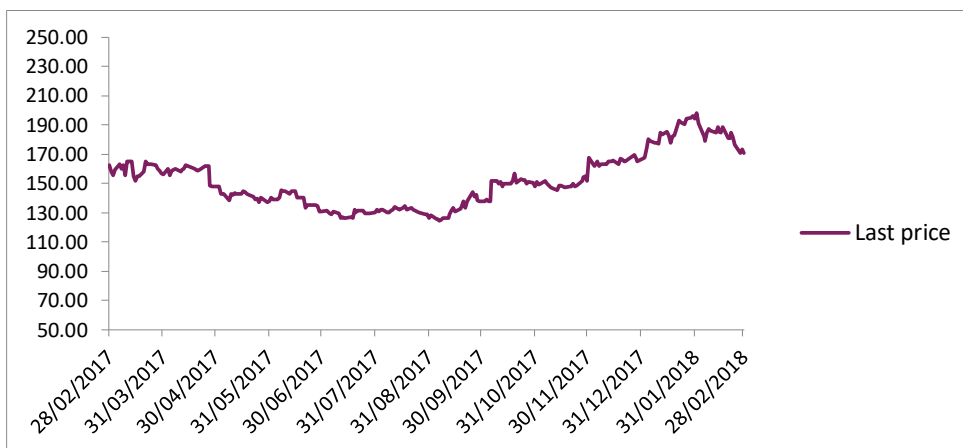
- **NAHL Group plc** is a leading UK consumer marketing and services business focused on the UK consumer legal services market
- The Group comprises three divisions:
  - **Personal Injury** via NAH which provides outsourced marketing services and products to law firms
  - **Critical Care** via Bush & 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	16.40
Milton Asset Management Limited	8.97
Hargreave Hale	8.96
Baillie Gifford & Co Limited	5.42
Invesco Advisers, Inc	5.04
AXA Investment Managers UK	4.39
Hargreaves Lansdown Asset Mgt	4.23
Polar Capital LLP	3.00
Sacisa Limited	2.94
Interactive Brokers	2.75

## Industry data & sector

Current index	FTSE AIM All-Share
Sector	Media
Market capitalisation	£77.96 million
Shares in issue	46.12m
Free float	36.49m
Share Price Year High	198.00p
Share Price Year Low	124.00p
Total 2017 Dividend	15.90p

## The Board

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