

31 July 2014

## Fairpoint Group plc

### Trading Update

#### Notice of Half Year Results

Fairpoint Group plc (“**Fairpoint**” or “**the Group**”), one of the UK's leading providers of consumer professional services including debt solutions and legal services, today issues a trading update on the Group's performance for the six months ended 30 June 2014, ahead of announcing its half year results on Thursday, 11 September 2014.

Overall Group trading for the first half of 2014 has been in line with management expectations and segmental updates are as follows:

- **DMP:** The acquisition and integration of two debt management books in the first half have resulted in a strong increase in DMP activity compared to the same period in the previous year. We anticipate continued positive progress in the second half as we pursue our market consolidation strategy.
- **IVA:** The expected challenging market conditions for fee levels in the IVA segment have continued; the Group continues to avoid exposure to fee levels which it considers uneconomic and has focused on maintenance of profit margins.
- **Claims:** Claims levels from existing IVA clients have reached maturity, whilst those from our growing number of debt management clients are further developed. This has resulted in an anticipated reduction in claims revenues when compared to the same period last year.

The first half also includes a small contribution for the first time from Simpson Millar LLP Solicitors (“Simpson Millar”), the consumer legal services business, which was acquired on 16 June 2014. Good progress is being made on detailed integration planning of this acquisition in areas including sales, marketing and support services and our outlook for this division is positive. As previously announced, the Group incurred exceptional legal and professional costs associated with this acquisition of £0.7m in the first half of 2014, £0.5m of which was incurred in cash. The Group will benefit from a full six month contribution from Simpson Millar in the second half and the acquisition will be immediately earnings enhancing on an adjusted basis. Following the half year end, we acquired Foster and Partners, representing the commencement of the Group's stated strategy to selectively consolidate the legal service market following the acquisition of Simpson Millar.

Group net debt as at 30 June 2014, including asset related finance, was £7.1m (31<sup>st</sup> December 2013: net cash of £2.8m), which largely reflects acquisition activity, with £10.2m (including expenses noted above) invested in Simpson Millar and 9,000 DMP cases across 2 back books.

To support the Group's growth strategy through consolidation opportunities currently in the market, it announced a new committed five year bank facility of £20m with AIB Group (UK) plc on 20 May 2014. This refinancing incurred one off legal, professional and other costs of £0.5m in the first half, £0.2m of which was incurred in cash during the period.

From a regulatory perspective, the newly formed Financial Conduct Authority (FCA) assumed responsibility for, amongst others, debt management companies from 1 April 2014. As one of the larger operators in this sector, we welcome the increase in regulatory focus that this change will bring and we

expect it will have a positive impact on industry standards, as well as present further consolidation opportunities.

The Board will provide a further update on current trading in its interim results for the 6 months to 30 June 2014, which will be released on 11 September 2014.

**Chris Moat, Chief Executive Officer, commented:**

“The Group has continued to perform in line with expectations and the integration of Simpson Millar is progressing well, providing the opportunity to accelerate the diversification of the Group’s income streams.

“Having secured a new long term bank facility, we are in a strong position to pursue our strategy of selectively consolidating the debt solutions and legal services markets, where we can deploy our core skill of applying process to professional services.”

**Enquiries:**

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