

**3 August 2015**

## **Fairpoint Group plc**

### **Acquisition of Colemans-CTTS legal services business**

#### **Enlarged financing facilities**

Fairpoint Group plc ("**Fairpoint**" or "**the Group**"), one of the UK's leading providers of consumer professional services, announces that it has reached an agreement to acquire the trade and assets of Colemans-CTTS LLP, CT Support Services Limited and the entire ordinary share capital of Holiday TravelWatch Limited (together referred to as "**Colemans**"), a consumer legal services business (the "**Acquisition**") for an initial consideration of £9.0 million payable in cash and shares (the "**Initial Consideration**"). The Acquisition is expected to be immediately earnings enhancing on an adjusted basis.

#### **Highlights of the Acquisition:**

- Adds complementary class leading expertise in volume personal injury, volume conveyancing and travel law, with significant processing capability
- Provides the opportunity for scale efficiencies to be realised and market-leading positions in sectors such as travel law to be established
- Funded from the Group's existing financial resources (net cash balances and current financing facilities)
- Expected to be immediately earnings enhancing on an adjusted basis

#### **Information on Colemans and rationale for the Acquisition**

Colemans is a provider of consumer-focused legal services with particular class leading expertise in volume personal injury, volume conveyancing and travel law, having invested significantly in processing capability since 2010. Established in 1984, it has over 200 employees (of which 67 are fee earners) based in three offices in Manchester, Kingston and Acton. Colemans has a strong track record and a well-regarded senior team.

Colemans' volume capabilities complement the range of services already offered by the Group's legal services business, Simpson Millar LLP, and the addition of Colemans to the Group represents a significant step in the development of our legal services platform in line with our strategy to grow this business unit through acquisition. The combination of common service lines will provide the opportunity for scale efficiencies to be realised and market-leading positions in certain sectors such as travel law to be established.

In its financial year ended 30 April 2015 Colemans generated unaudited consolidated revenues of £19.0 million and unaudited pre-tax profits of £2.3 million. Fairpoint estimates that Colemans' consolidated EBITDA adjusted to account for agreed partner salaries and bonuses, would have totalled, under the Group's ownership, £2.5 million for the year ended 30 April 2015. On a pro forma basis, legal services is now expected to represent 62% of the Group's revenues.

Colemans is being acquired on a cash free/debt free basis. As at 30 April 2015, the unaudited gross assets of Colemans were £18.4 million.

Colemans will be integrated within Fairpoint's consumer legal services segment, with Colemans' existing senior team taking management roles within the enlarged legal services business unit.

#### **Terms of the Acquisition**

The Initial Consideration will be satisfied by the payment of £8.0 million in cash and a further £1.0 million through the issue of 755,516 ordinary shares ("**Initial Consideration Shares**") at an effective price of 132p per ordinary share at completion. The share price has been calculated based on the average closing mid-market price of Fairpoint's ordinary shares for the seven business days ending 30 July 2015.

Further contingent consideration of up to £7.0 million may be payable subject to the achievement of certain performance criteria (the “**Earn-out Consideration**”). The Earn-out Consideration consists of two payments of up to £3.5 million each, based upon the financial performance of Colemans and the achievement of certain integration targets for the 11 month period ending 30 June 2016 and the 12 month period ending 30 June 2017. Upon achievement of all performance criteria the Earn-out Consideration will be satisfied 50% in cash and 50% through the issue of new ordinary shares (“**Earn-out Shares**”). The Earn-out Shares will be issued at an effective fixed price of 132p per ordinary share.

The Acquisition is expected to be immediately earnings enhancing on an adjusted basis. The Earn-out Consideration if payable is expected to be self-funding based on the challenging financial hurdles set.

The Initial Consideration Shares and each tranche of the Earn-out Shares will be subject to a 12 month lock-in from the date of issue.

The Acquisition is expected to incur £1.0 million of legal, professional and integration costs in the second half of 2015.

### **Completion**

Legal completion of the Acquisition is expected to take place on 14 August, following completion of the Colemans’ employee consultation process.

### **Enlarged financing facilities**

Fairpoint will fund the Initial Consideration from its existing financial resources, comprising net cash balances and current financing facilities. To ensure appropriate funding for the Group following completion, the Group has extended its current 5 year debt facility with AIB from £20 million to £25 million. Immediately following the Acquisition, the net debt of the Group is expected to be £13.2 million.

### **Chris Moat, Chief Executive Officer, said:**

“The acquisition of Colemans is an important step in the development of the Group’s fast growing legal services platform. It brings particular class leading expertise in the areas of volume personal injury, conveyancing and travel services and gives strong impetus to our agenda of reshaping the Group towards a broader professional services organisation. The acquisition is expected to be earnings enhancing on an adjusted basis and will raise the consumer legal services segment to 62% of Group revenues on a pro forma basis. We are delighted to welcome our new colleagues to the Group.”

### **Janet Tilley, Managing Partner of Colemans said:**

“We share Fairpoint’s vision of a rapidly evolving consumer legal services market and are pleased that this has presented the opportunity for Colemans to become part of a larger and dynamic Group, leading the transformation of this industry segment. We expect to take advantage of being part of a larger platform with a strong focus on process. We are delighted to become part of the Fairpoint Group.”

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**Notes to editors:**

**Fairpoint Group** plc is an AIM listed consumer professional services business specialising in the provision of consumer-focused legal services, personal debt solutions and claims management. The Group is structured into the following primary business lines:

1. Legal Services
2. Debt Management Plans (DMPs)
3. Claims Management
4. Individual Voluntary Arrangements (IVAs)

[www.fairpoint.co.uk](http://www.fairpoint.co.uk)

**Colemans** is a provider of consumer-focused legal services with particular class leading expertise in volume personal injury, volume conveyancing and travel law.

[www.colemans-ctts.co.uk](http://www.colemans-ctts.co.uk)  
[www.holidaytravelwatch.com](http://www.holidaytravelwatch.com)