

20 July 2016

Fairpoint Group plc

Trading update, appointment of Finance Director and Notice of Half Year Results

This announcement contains inside information

Fairpoint Group plc ("Fairpoint" or "the Group"), one of the UK's leading providers of consumer professional services, today issues a trading update on the Group's performance for the six months ended 30 June 2016, ahead of announcing its half year results on Thursday, 15 September 2016.

Half year trading update

Overall Group trading for the first half of 2016 has been in line with the Board's expectations.

Summary

- Overall revenues have increased in excess of 20% compared to the prior period
- The principal driver of the revenue increase is the Legal Services business, which has almost doubled in size, benefiting from the contribution of the Colemans business acquired by the Group in August 2015
- Legal Services now represents 75% of Group revenues
- As expected, the Debt Solutions and Claims business areas continue to show declining revenues and profits due to adverse market conditions
- Group adjusted* profit before tax is expected to be flat compared to the prior period (H1 2015: £4.1m). This reflects the continued transition of the Group from a low growth, higher margin debt solutions company towards a higher growth, lower margin Legal Services business
- Decision to exit debt management plan (DMP) services due to regulatory changes impacting the whole sector with consequent impact on Group second half expectations

Segmental updates

Legal Services:

- Strong progress has been made on the integration programme with 80% of Legal Services revenues now administered on a common IT platform and encouraging early results being generated from our new marketing approach.
- During the period the Group acquired a small market leading practice specialising in child abuse actions in order to expand further its range of legal services. This resulted in one-off transaction and related costs of £0.3m.
- Conveyancing represented 6% of Group first half revenues; as reported at the AGM in May, it has experienced quieter trading relative to original expectations, offset by performance in other product lines.
- Consultation regarding the Chancellor's proposed changes to small claims limits on whiplash claims has yet to commence. As a consequence, it is not anticipated that any changes will

be implemented before Autumn 2017 and therefore no impact is expected on 2016 or 2017 trading. Small whiplash claims represented 9% of Group revenues in the first half.

Debt Solutions and Claims:

- **IVA:** As expected, market conditions in the Group's debt solutions market remain challenging. The Group therefore continues to focus on delivering good margins and cash generation and avoiding uneconomic business. Given the reduced prospect of upwards interest rate movement, traditionally a catalyst for customer demand for debt solutions, the Group has put marketing activity in support of this segment on hold.

- **DMP:**
 - As reported at the time of the final results in March 2016, the FCA is driving a rigorous regulatory agenda in the DMP sector. This resulted in the Board's decision to halt acquisition activity last year.
 - The regulatory regime has already severely impacted the commerciality of the whole of the industry, including Fairpoint's DMP business and has resulted in a reduction in DMP's profitability in the first half.
 - The ultimate outcome of the revised regulatory regime is expected to transfer competitive advantage to the charitable DMP sector from the commercial DMP sector, thus rendering the commercial DMP business model as unsustainable.
 - As a consequence, the Group has decided to simplify its range of business activities and intends to complete an orderly wind down of its DMP operations during the second half of 2016.
 - This will materially affect the results of the Group's DMP segment in the second half of 2016, as well as those of the Claims segment, given its dependency on selling services to DMP clients.
 - DMP is now expected to make little or no profit contribution to the Group for the second half of the current financial year.
 - The Board expects the restructuring will give rise to exceptional charges in the second half of approximately £2m (£1m of which will be cash costs in 2016), and a non-cash impairment of the debt management intangible asset of £5m.

From 2017 the Group will implement and benefit from a reduced cost base and a simplified business model, focused on its higher growth Legal Services segment.

Director succession planning update

Good progress has been made on the recruitment of a new Chief Financial Officer and we are delighted to announce the appointment of David Broadbent, who will join the Group from 1 August 2016.

David has over 20 years' experience in professional and financial services. He was previously on the board of International Personal Finance plc from its initial listing in 2007 through to 2016, serving as Finance Director and more recently as Chief Commercial Officer. Earlier in his career, David held the role of Finance Director of the International Division of Provident Financial Plc and was a Senior Manager with PwC. He graduated in Classics at Durham University, has an MBA and is a Chartered Accountant. He will commence an orderly transfer of responsibilities from John Gittins, who has previously announced his intention to step down from the Board to pursue a portfolio career. We

expect to complete the hand-over by the end of September. We would like to thank John for his significant contribution to the Group over the last 4 years.

Notice of Half year results

The Group will release its half year results for the six months ended 30 June 2016 on 15 September 2016.

Chris Moat, Fairpoint's Chief Executive said:

"We are pleased with the progress the Group is making as it transitions to a Legal Services focused business. By simplifying the business by exiting the DMP segment we will be better placed to focus our resources on making continued progress in Legal Services which offers more attractive growth opportunities. We therefore believe the long term gain of being a focused business will outweigh any short term negative impact from our decision."

Enquiries please contact:

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*profit before tax adjusted for amortisation of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items

Additional Information:

The following information is disclosed under Schedule 2 (g) of the AIM Rules.

- (i) David Edward Spencer Broadbent is 47, was formerly a director or partner of:

International Personal Finance Plc

International Personal Finance Investments Limited

IPF Development (2003) Limited

IPF Financing Limited

IPF Holdings Limited

IPF International Limited

IPF Financial Services Limited

David Broadbent has confirmed that there is no other additional information to be disclosed under Schedule 2 (g) of the AIM Rules