21 July 2010

Fairpoint Group plc

Acquisition of Moneyextra.com Limited

Fairpoint Group plc ("Fairpoint" or the "Group") is pleased to announce that it has accelerated its strategy of extending the Group from a debt solutions business for heavily indebted consumers into a broader based financial solutions business for financially stressed consumers by today agreeing to acquire 100% of the share capital of Moneyextra.com Limited ("Moneyextra" or the "company") (the "Acquisition").

Financially stressed consumers show a strong appetite for money savings advice

In March 2010, as part of its preliminary results announcement, Fairpoint outlined a strategy to create a broad based financial solutions business serving the needs of the financially stressed and specifically to generate 20% of revenues and gross profits in FY 2010 from non-IVA sources (FY 2009: 12%).

Progress in the first part of the year has been positive through pursuit of our organic growth agenda and as at the half year point we are on track to meet this target.

This acquisition accelerates the broadening of Fairpoint revenue streams

The acquisition of Moneyextra, together with other initiatives taken this year, should allow Fairpoint to accelerate progress on our strategic objectives. The Acquisition is expected to increase non-IVA revenues to approximately one third of Group revenues on an annualised basis before revenue synergies from the final quarter of FY2010 onwards.

Moneyextra brings to the Group a compelling brand and a product comparison capability. The company's website allows consumers to find lower prices in, inter alia, the markets for insurances, utilities, media, mobile phones, lending products, savings and investments.

Moneyextra is ranked fifth in the market and was a pioneer in the price comparison sector, having been established in 1995. The transaction is structured to bring together Moneyextra's product sourcing and comparison platform with the substantial lead generation of Fairpoint. As part of the Fairpoint Group Moneyextra will avoid the need to fund all of its own lead generation and will benefit from the synergies of shared overheads.

Fairpoint has a strong flow of customer enquiries from financially stressed consumers who are keen to identify ways of reducing their spending and managing their finances better. In the first half of FY 2010 the introduction of money saving products allowed the Group to increase the number of customers to whom we provide a solution to 33% of all leads (FY 2009: 13%). The Acquisition of Moneyextra will enable us to better meet those customer needs.

A new model to bring money saving services to financially stressed consumers

Both businesses believe that by combining web capability and product supply with a receptive customer base we have the potential to create a strong customer franchise for money saving services and reach customers at lower cost than conventional price comparison distribution allows.

Acquisition costs determined by future earnings

The transaction is structured so that Moneyextra is contributing its platform and Fairpoint its lead base and infrastructure with the eventual purchase price being dependent on success in the form of the profits generated in Moneyextra. Initial consideration is £1 with up to a further £1.0million of working capital being made available to Moneyextra in the current financial year to replace existing borrowings, fund integration activity and support revenue growth. Further earnout consideration is payable to the vendors contingent on a multiple of 49% of the future earnings of the Moneyextra business (refer to “Principal Terms of Acquisition” below). On completion the directors expect the ultimate consideration to be approximately £8.0million.

The directors do not expect the Acquisition to alter materially market expectations for FY 2010 profit before tax adjusted for exceptional items and amortisation. It is expected that there will be exceptional costs and reorganisation expenses of approximately £400,000 in the current financial year associated with the Acquisition, including non cash items of approximately £200,000. The reorganisation and addition of Moneyextra is expected to enable the enlarged group to benefit from both increased revenues and operating synergies in 2011and future years.

Chris Moat, CEO of Fairpoint, said:

“The income and expenditure review we undertake with customers gives us a clear insight into where customers can reduce their bills and the addition of Moneyextra to the group provides us with a clear way of delivering savings to customers on a range of product and services.”

Simon Taylor, Chairman of Moneyextra, said:

“This is an exciting deal for Moneyextra and our team. The natural synergies and shared market knowledge between the two companies will enable us to help more consumers improve their finances and for the group to compete on a profitable footing at a time when the price comparison market is commoditising.”

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Principal terms of the Acquisition

Initial consideration is £1 with earnout consideration payable to Henbury Holdings Limited and Moneyextra key management ("the vendors") on the following terms.

The earnout consideration may be calculated and payable in part or in full on 30 April in one or more of the years 2012, 2013 and 2014 based on the financial results of Moneyextra for the financial years ending 31 December 2011, 2012 and 2013 respectively.

The amount of earnout consideration will be calculated using Moneyextra audited annual earnings before interest, tax, depreciation and amortisation adjusted for exceptional items ("EBITDA") for the preceding financial year. The total maximum earnout consideration will be 49% of the "equity value" being relevant EBITDA multiplied by the prevailing Fairpoint EBITDA multiple. This formula is applied at the end of each relevant year and to the extent that the vendors choose to exercise a percentage of the 49% limit (which if exercised must be at least 10/49ths) the percentage exercised reduces that available in future years for exercise. As an example if the vendors exercise 20/49ths in 2013, then that remaining for exercise in 2014 will be 29/49ths. In addition, the Group has agreed to provide working capital facilities to Moneyextra totalling £1.0million in FY10, which will be treated as inter-company debt and deducted from the "equity value".

The earnout consideration will be payable in cash, such cash consideration not to exceed 2.5 times the total Moneyextra EBITDA for the year preceding the period in which the consideration is paid. If the earnout consideration exceeds the maximum cash amount payable, the balance of the consideration will be payable through the issue of Fairpoint shares, at the share price prevailing at the time of the earnout consideration being paid.

Under the terms of the Acquisition, the total earnout consideration payable, including cash and shares may not exceed £15.0million although the Directors believe that the final earnout payable is likely to be closer to £8.0million.

In the 19 month period ended 31 September 2009, Moneyextra recorded an operating loss of £1.0million on revenue of £3.0million. On completion Moneyextra is expected to have net assets of £1.1million. The operating losses stemmed from low revenue streams failing to cover the fixed cost base of the business. Current revenue streams have grown and are expected to cover the existing cost base before the benefits of Group synergies feed through in FY2011 to enhance revenues and leverage management costs.