16 January 2012

Fairpoint Group plc

Trading Update

Fairpoint Group plc ("Fairpoint" or "the Group") , the leading provider of advice and solutions to financially stressed consumers, today issues a trading update for the financial year ended 31 December 2011, ahead of announcing its final results on Thursday, 15 March 2012.

Group trading update

Adjusted profit before tax for the financial year ended 31 December 2011 is expected to be in line with current consensus market expectations. As anticipated in our interim results announcement in September 2011, the Group has experienced a significant improvement in its financial performance in the second half of the financial year. Progress has been made across all key priority areas, namely:

- significant reductions in the IVA cost base through the productivity improvement programme;
- continued progress on acquisition activity with the purchase of four debt management and one IVA portfolios in the year;
- accelerated growth in other revenue streams, in particular payment protection insurance (PPI) reclaim activity; and
- continued investment in the Group's pilot activity in short term lending, which is expected to be a further platform for growth in the future.

VAT

The Group submitted a VAT refund claim to HMRC of £9million in August 2011 following the HMRC vs Paymex ruling. Management continues to expect that a material part of this claim will be retained by the Group as fee income, although there remains uncertainty as to the timing and value of any future revenue benefit.

Exceptional costs

The Group incurred £1.7million of exceptional costs in the first half of the financial year, of which £1.5million was a non-cash impairment of its outgoing IVA systems and, as anticipated at the time of the interim results announcement, further reorganisation costs of £0.4m have been incurred during the second half of the financial year associated with cost reduction activities. In addition, the trading performance of Moneyextra has not met management expectations in the second half and in line with our statement in September 2011, there will be a non-cash impairment charge of £2.0million in respect of the brand and goodwill previously recognised on the acquisition of this business.

Financing

Group net debt as at 31 December 2011, excluding asset related finance, was £6.0million, consistent with management's expectations. This is financed by an £8million revolving credit facility with Royal Bank of Scotland, which extends to 31 December 2012. The Group is currently involved in negotiations to secure new bank facilities and an update will be provided at the time of announcement of the final results on 15 March 2012.

Outlook

The Board remains confident about the future prospects of the Group, as a result of –

- the full year effect in 2012 of cost reduction initiatives in its core IVA activities
- consolidation in the debt management sector, which will provide growth opportunities through back book acquisitions
- the continued diversification into new, but related income streams, in particular PPI claims in the near term, and lending in the longer term.

Chris Moat, CEO of Fairpoint, commented:

"We have made solid progress in the second half of last year and achieved much of what we set out to do at the interims, including the successful implementation of our cost reduction programme in our core IVA activities and continued diversification of the business into new revenue streams. We enter 2012 with confidence, as we expect the results of these initiatives to continue to deliver benefits in the current and future years ."

Enquiries

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