

19 January 2016

Fairpoint Group plc

Trading Update

Notice of Final Results

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 its financial year ended 31 December 2015, ahead of announcing its final results on Wednesday, 16 March 2016.

Overall, the Group's adjusted* results are expected to show double digit growth against the previous year and are in line with market expectations. This is principally as a result of the continued development of the Group's consumer legal services business, with the second significant acquisition in this area completed during H2 2015. Segmental updates are as follows:

- *Legal Services*: Simpson Millar LLP, the Group's consumer legal services business, has delivered significant double digit increases in segmental revenues and profits, whilst making good progress on margin improvement. Legal Services, which now represents approximately two thirds of Group revenues on a pro forma basis, has benefitted from the acquisition in August 2015 of the trade and assets of Colemans-CTTS LLP ("**Colemans**"), which brings a Legal Processing Centre to the Group for the delivery of volume personal injury, conveyancing and travel law.

Following proposed changes announced by the Chancellor in his Autumn Statement, relating to small claims limits and whiplash claims and subsequent clarification in the Government response to an online petition**, the Group believes that the proposed changes:

- are intended to be focused on whiplash claims relating to road traffic accidents;
- are subject to consultation, with anticipated implementation from April 2017; and
- are expected to follow previous precedent and apply to cases introduced post implementation and not retrospectively.

This category of business, on a pro-forma basis, represented approximately 8% of the Group's revenues in 2015. As noted previously, the Group believes that its recently acquired Legal Processing Centre positions the Group advantageously to manage such legal work at low cost.

- *IVA*: As expected, conditions in the Group's debt solutions market remain challenging, with the volume of new IVA solutions in England and Wales falling by 25.7% in the first three quarters of 2015, compared to the same period last year (source: The Insolvency Service). IVA revenues for 2015 have as a consequence reduced by approximately 15% compared to the previous year and the Group has continued to focus on delivering good margins, strong cash generation and avoiding uneconomic new business.

- *DMP*: Revenues have declined by approximately 15% when compared to last year. This reflects the absence of acquisition activity in 2015 as per our previously outlined plans. Following recent clarification from the Financial Conduct Authority (“**FCA**”) regarding debt management back book acquisitions, we do not intend to resume activity in this field, preferring to deploy capital towards developing the significant opportunities within the Legal Services business, whilst maintaining focus on cost control in DMP.
- *Claims*: As expected, revenues in claims management have declined significantly compared to the prior year as the business transitions from maturing IVA PPI claims to newer lines of activity. Margins have also reduced to reflect this mix change.

Group net debt as at 31 December 2015 was £13.6m (31 December 2014: £7.6m). This largely reflects the acquisition activity undertaken by the Group within its Legal Services business during the year and is comfortably within the Group’s committed bank facilities of £25m.

During the year the Group incurred exceptional acquisition transaction and restructuring costs, as well as additional professional services costs, totalling £1.4m. The former, as previously reported, were associated with the acquisition and integration of Colemans and the latter with the application for full regulatory permission with the new regulator of DMP activities in the UK, the FCA.

Chris Moat, Chief Executive Officer, commented:

"Fairpoint has delivered double digit growth, driven by the strong progress in growing its legal services business, which now represents approximately two thirds of Group revenues.

“Having established our legal services platform, the Group is well placed to take advantage of the considerable opportunities within this market, both organically and by acquisition. We believe our platform provides us with a structural competitive advantage which suits forthcoming market changes. Overall, we are confident of our positioning and our growth prospects.”

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

** online petition “Keep the small claims track limit for personal injury claims at £1,000.” Link <https://petition.parliament.uk/petitions/113810>.

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