

Presentation to Analysts 2010 Preliminary Results

15 March 2011

- Chairman's introduction
- Profit growth through diversity
- Fairpoint today
 - The Fairpoint franchise
 - Developing the franchise
 - Market dynamics
 - A portfolio of options
- Financial review
- Making money go further
- Summary and outlook

- Performance
 - Double digit profit outturn
 - Significant steps to diversify earnings
 - Enhanced cash flow
 - Increased dividend
- Prospects
 - Headwinds in debt solutions in short term
 - Mid term debt solutions demand expected to be strong
 - Further consolidation options in DMP to drive near term growth
 - Continued diversification agenda to build earnings resilience

Profit growth through diversity

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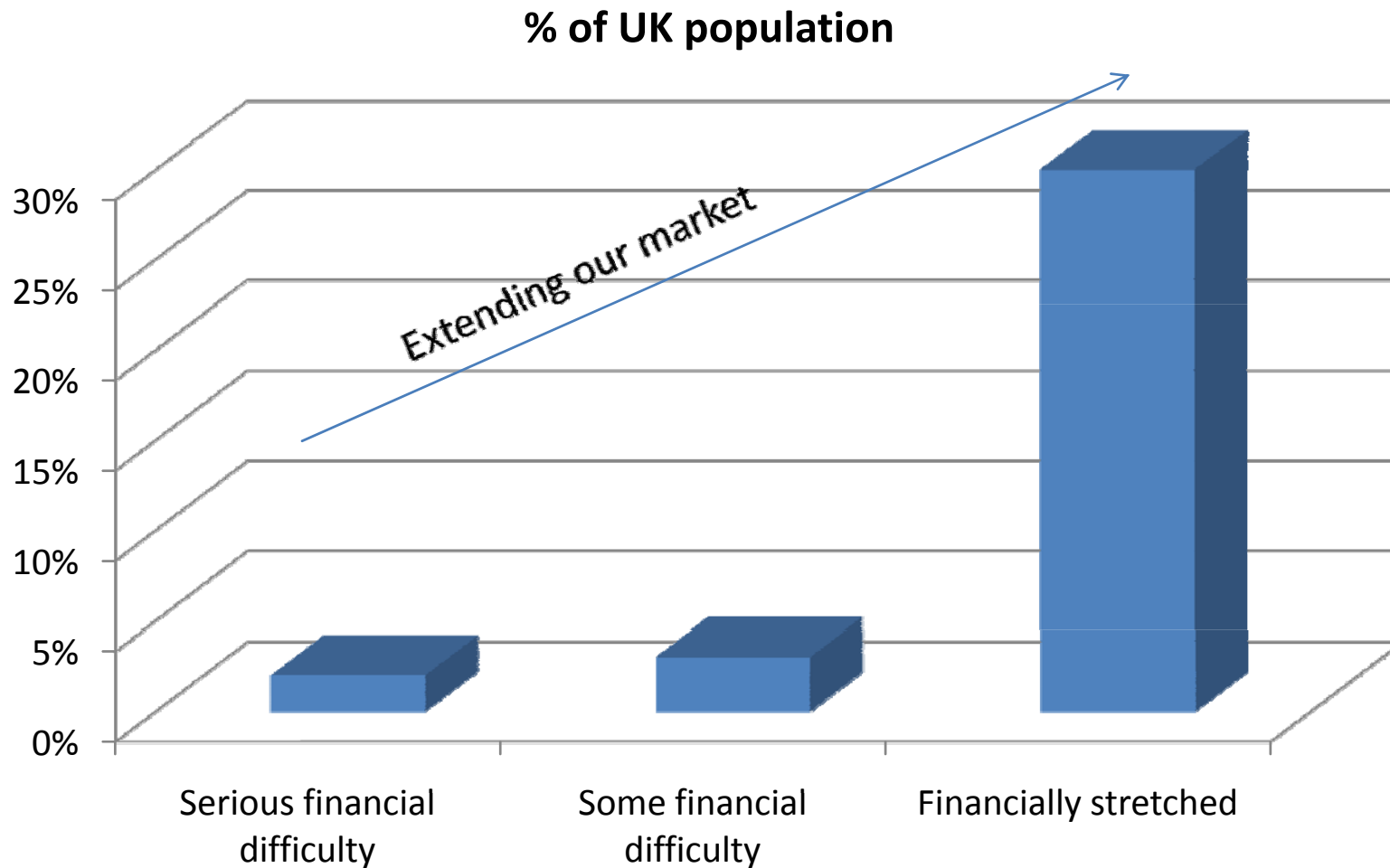
- 13% profit growth to £6.9m adjusted PBT
- 20% of H2 revenues coming from non IVA sources
- Customer numbers more than doubled

Key Focus Area	2010 Objective	Progress
Building on the core	Cost leadership in IVAs	Continued growth in profits and cash generation from debt solutions allowing the group to invest over £3.0m in acquisitions and £1.5m in dividends whilst maintaining borrowing levels of £5m
Broadening the business	20% of revenue from non IVA sources by the year end	20% of business achieved from Financial Services and Debt Management
Growing the customer franchise	Double customer numbers by the year end	Roll out of Value Added Services with 26,266 solutions provided in 2010 compared to 4,706 in 2009. Acquisition of Moneyextra to support additional momentum
Acquisitions	Supplement growth of debt management business through an active role in consolidation	4 debt management acquisitions completed in 2010 supporting growth in debt management plans from 5,539 to 12,541 by the year end

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Fairpoint today

Financially stressed consumers



Developing the franchise

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Market segment

Market size

Market position

Objectives

Product fit

Consumers in serious financial difficulty

2% of UK population

Market leader - 16% market share

Protect share & margin through cost leadership

IVA supplemented by Moneyextra Value Added Services

Consumers in some financial difficulty

3% of UK population

"Rapid growth" from 3% market share

Grow market share through acquisition and organic growth

Debt management plans supplemented by Value Added Services

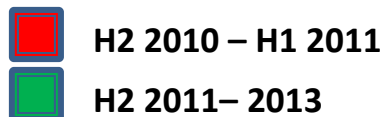
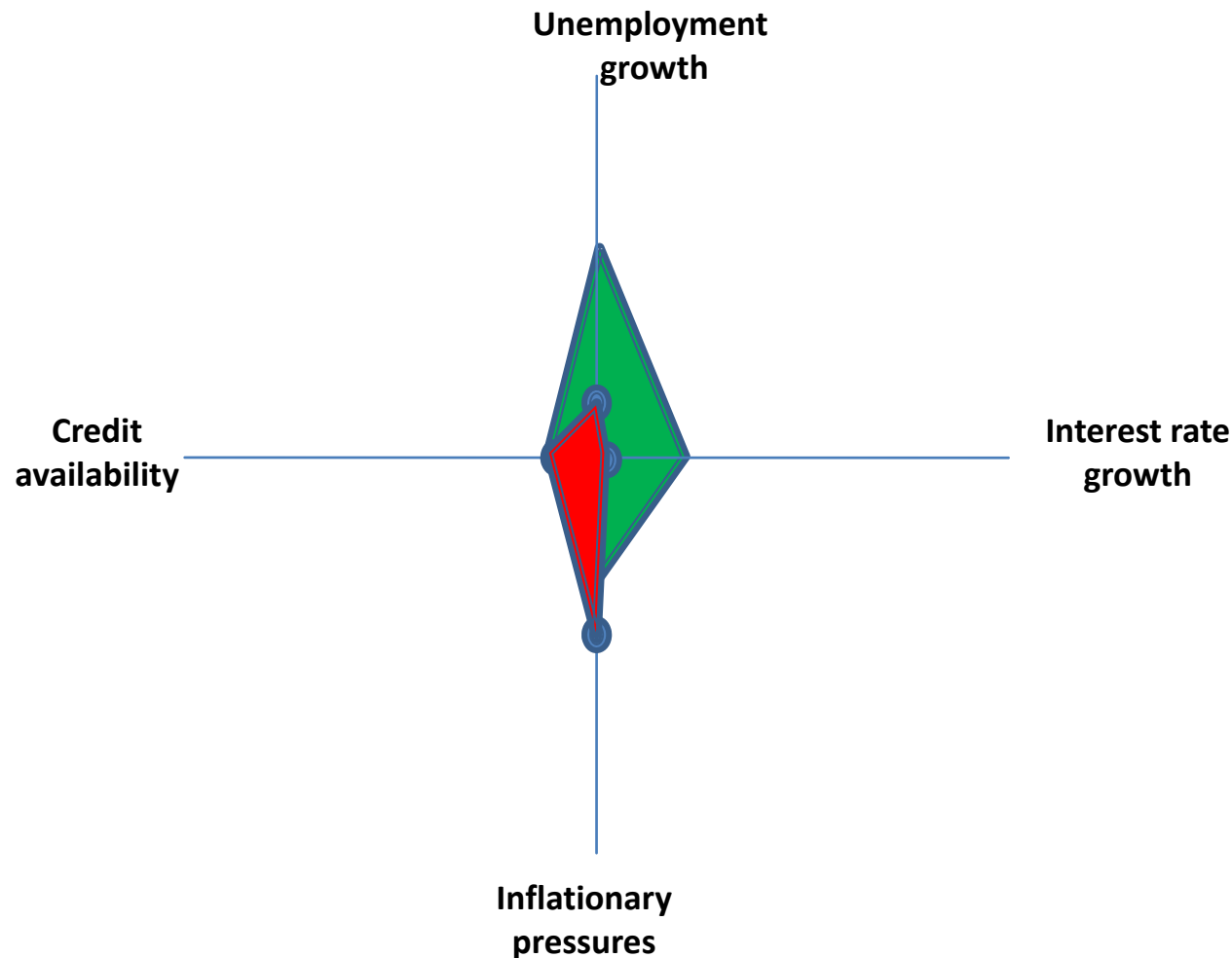
Financially stretched

30% of UK population

Building position

Grow market share through acquisition and organic growth

Value Added Services, Cash management Funding solutions



Adverse economic conditions are positive for debt solutions

Buoyant economic conditions are positive for credit solutions

Changing economic conditions are a stimulus for either credit or debt solutions

Benign economic conditions lack stimulus for demand

Adapting to changing cycles

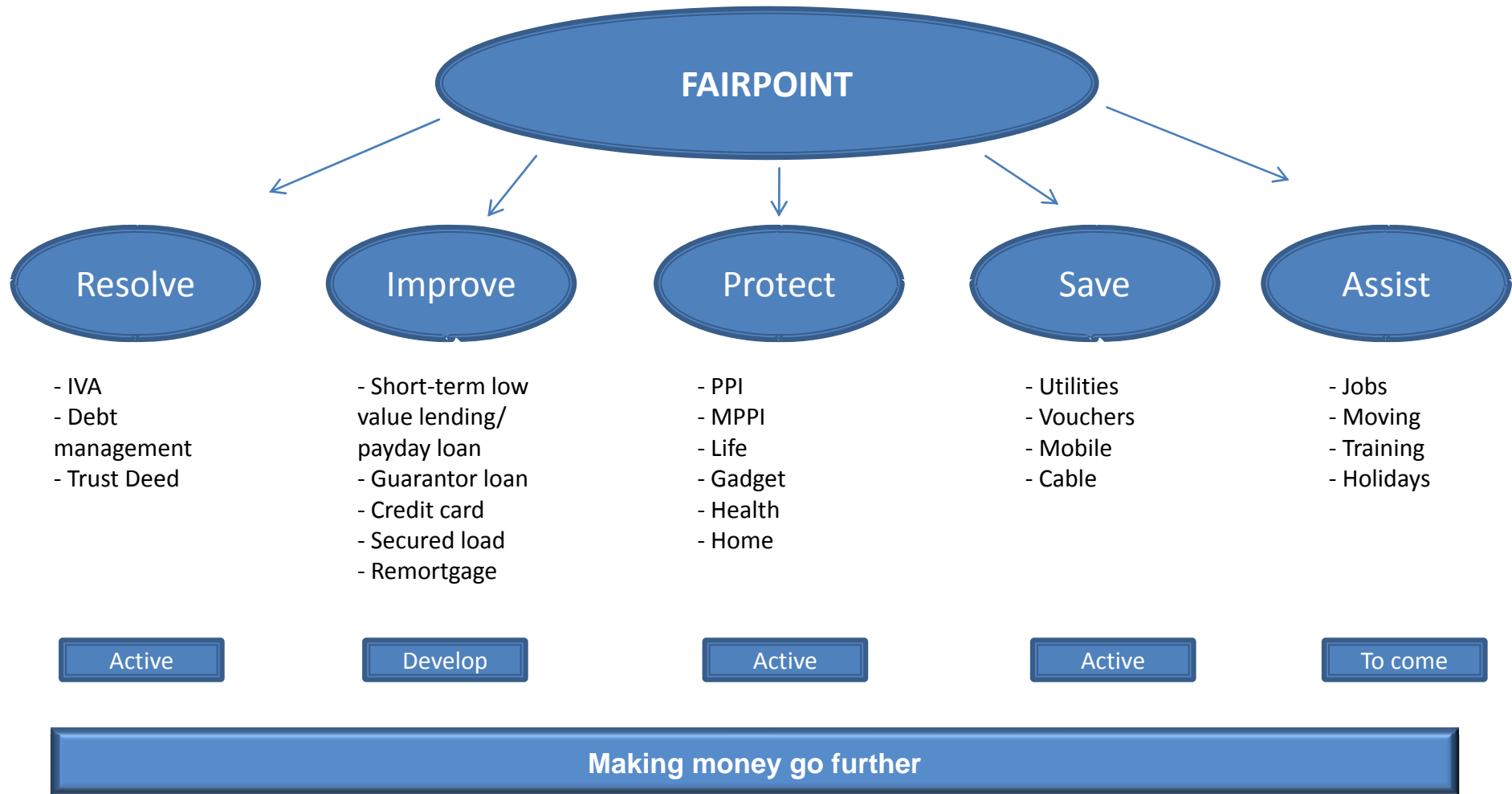
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	Typical conditions	Customer demand	Growth products
Economic prosperity	<ul style="list-style-type: none">•Wide credit availability•Growing debt levels•Growing asset levels•Increasing disposable income•High consumption	<ul style="list-style-type: none">•Debt solutions for the over extended•Loan consolidation•Remortgage/refinance	<ul style="list-style-type: none">•IVA•Debt management•Secured lending•Consolidation lending
Economic decline	<ul style="list-style-type: none">•Limited credit availability•Static debt levels•Falling asset levels•Falling disposable income•Falling consumption	<ul style="list-style-type: none">•Debt solutions for the over extended•Discounting and expenditure reduction•Help with short term working capital problems	<ul style="list-style-type: none">•IVA•Debt management•Short term lending•Value added services•Short term loans

A portfolio of options

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Extending the offer to financially stressed consumers

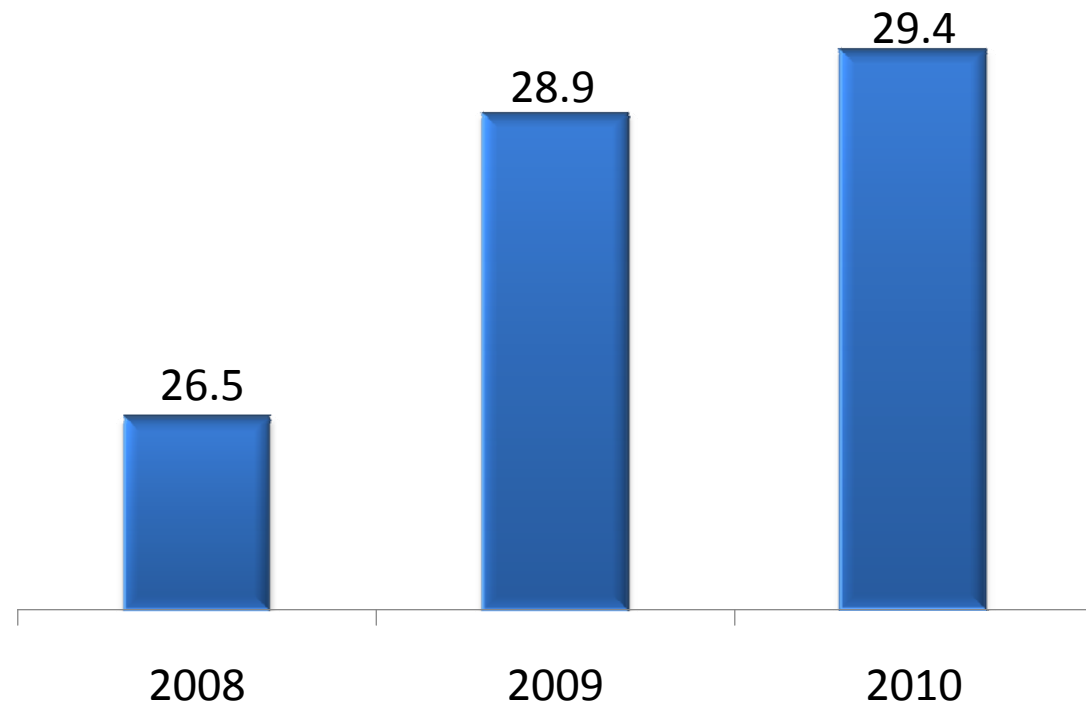


Financials
2010 Annual Results

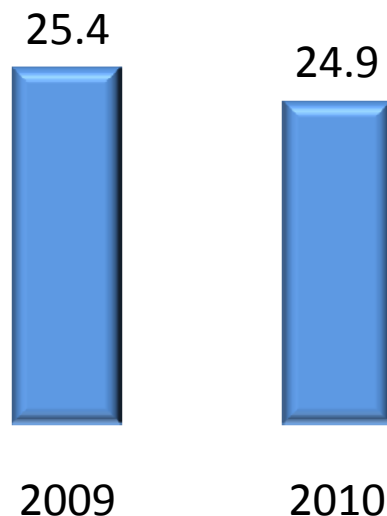
- Diversified revenues
- Margin discipline
- Asset backed acquisitions
- Profit and earnings growth
- Strong cash flow
- Increase in dividend

Revenue (£m)

- H2 revenue up 3% to £15.5 million
- IVA revenue is subdued
 - Cases up 9%
 - Average fees falling
- Driven by strong growth in non IVA revenues: rising by 47% to £5.1 million in the year
- Non-IVA now represents 20% of all revenue

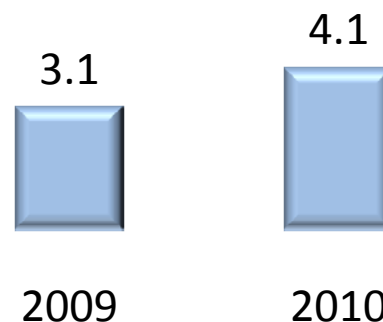


IVA¹ (£m)



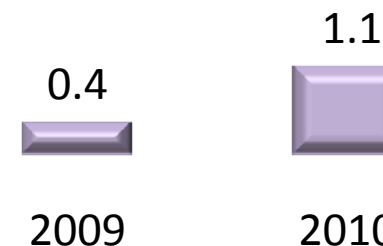
- 8,331 new cases
- Average fee down 1% to £2,083
- Ongoing cases rise 9% to 22,661
- Monthly fee falls from £33 to £29
- Strong breakage performance as macro economic environment supports customers ability to pay

DMP (£m)



- 9,324 new cases
- Ongoing cases rise 126% to 12,541
- Monthly fee falls from £28 to £27

Financial Services (£m)

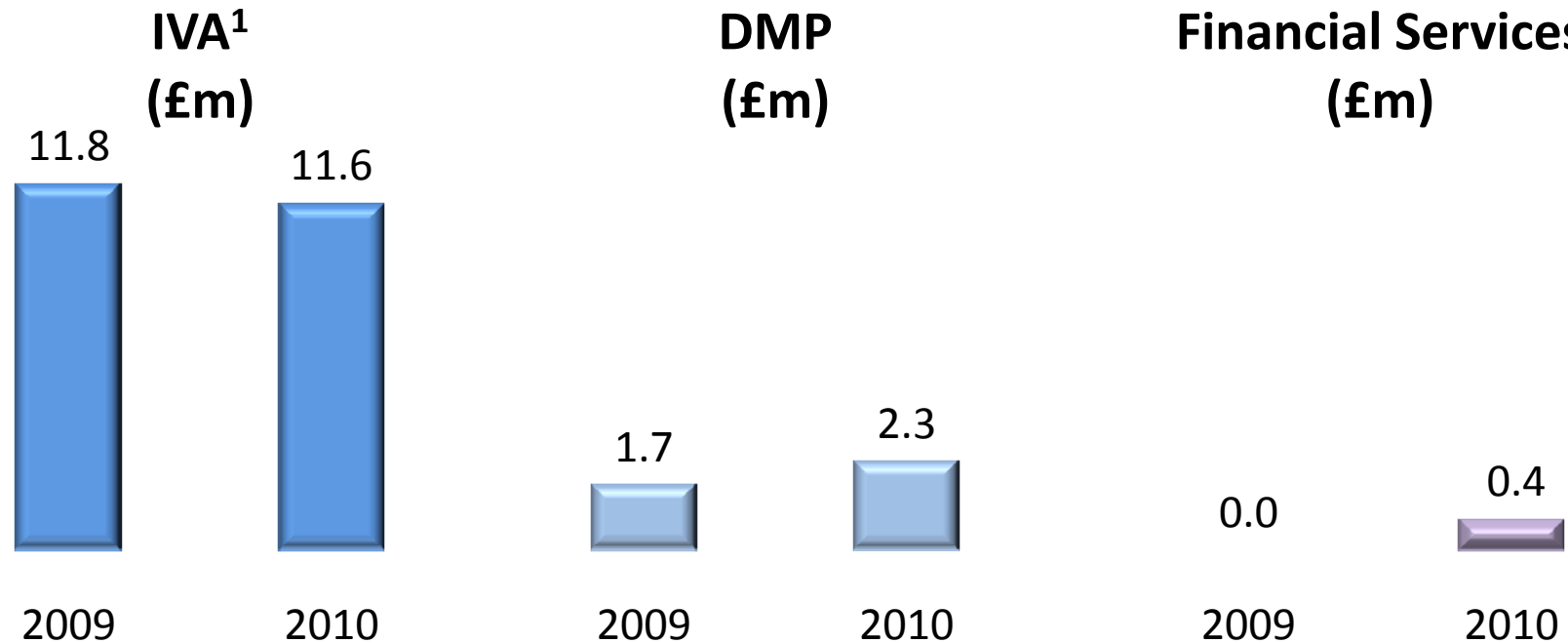


- Roll out of Value Added Services (VAS)
- 26,266 new sales
- Addition of Moneyextra

¹ Includes TVOM of £4.5m and bad debt charge of £3.9m

Gross margin

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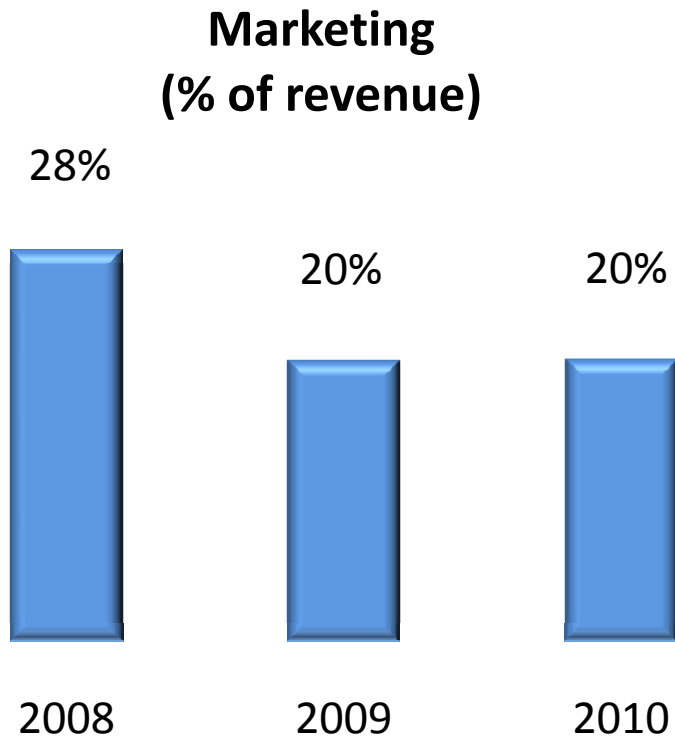


- Strong marketing control
- Direct costs fall 2% to £637 per new case and 15% to £11 per ongoing case
- Lower bad debt charge
- Unit profitability maintained

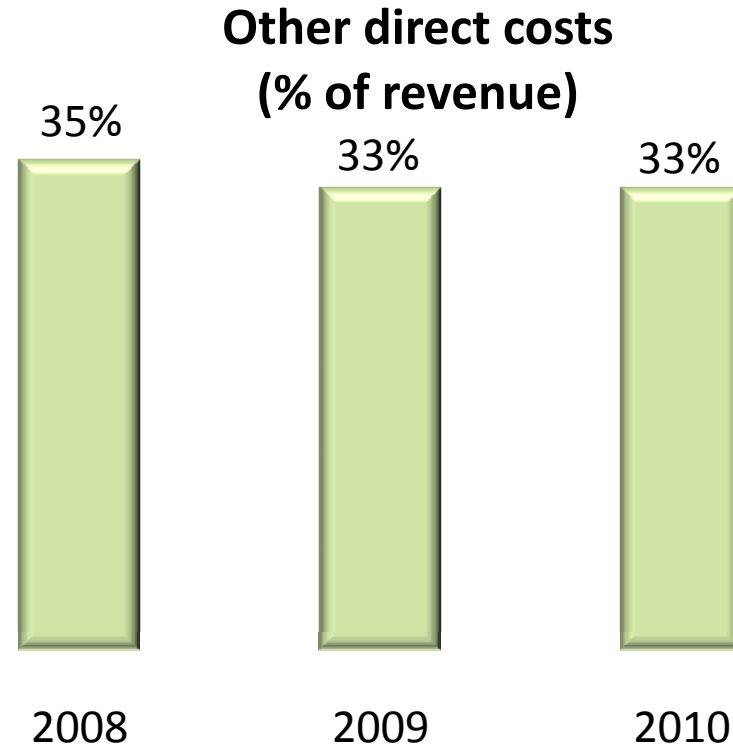
- Achieving scale benefits
- All cases migrated to single site and platform

- VAS benefits
- 5 months of Moneyextra

¹ Includes TVOM of £4.5m and bad debt charge of £3.9m



- Continued drift online from traditional media
- Tight investment control

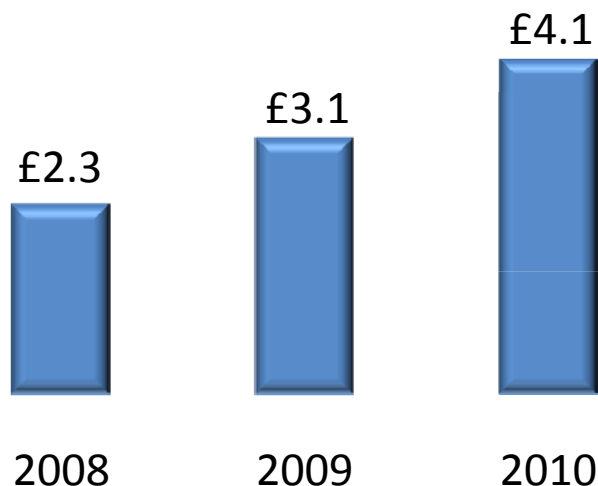


- Continued operating efficiency progress
- Significant opportunity identified through new IT infrastructure

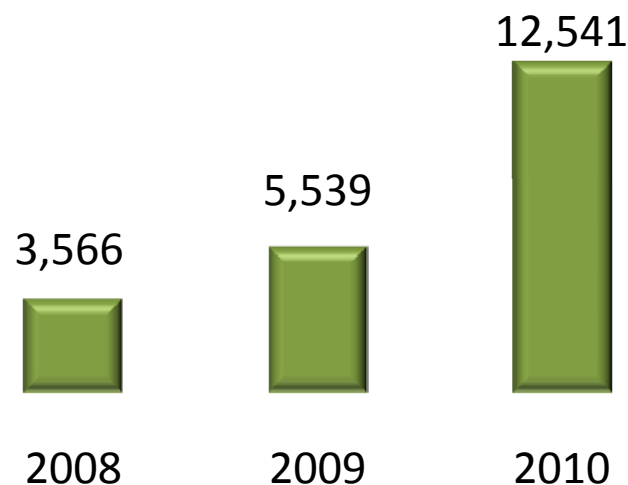
Debt management growth

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DMP Revenue £M



Closing DMP cases



- Debt Management offers growth both organically and by acquisition.

- The catalyst for market consolidation is a combination of increased regulation; increased competitive intensity; the ability of larger players to benefit from scale economies.

- Fairpoint is now trending towards the 5th largest player in the fee charging market.

- Growth in 2010 has supported a significant improvement in operational efficiency.

- We have a platform to take advantage of further market consolidation.

- Acquired books are yield enhancing.

Group profit

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£'000 (adjusted)	2008	2009	2010	CAGR
Revenue	26,459	28,900	29,404	5.3%
Direct costs	(16,606)	(15,446)	(15,776)	
Gross margin	9,853	13,454	13,628	18%
Net breakage	396	11	640	
Overheads	(5,715)	(6,093)	(6,309)	
Amortn, depn & interest	(1,681)	(1,271)	(1,061)	
Adjusted profit before tax	2,853	6,101	6,898	56%
Tax	(798)	(1,662)	(1,931)	
Adjusted profit after tax	2,055	4,439	4,967	
Adjusted basic EPS	4.8p	10.4p	11.4p	
Dividend	-	2.0p	4.0p	56%

Adjusted for exceptionals, brand and other intangible amortisation, from continuing operations

Cash flow

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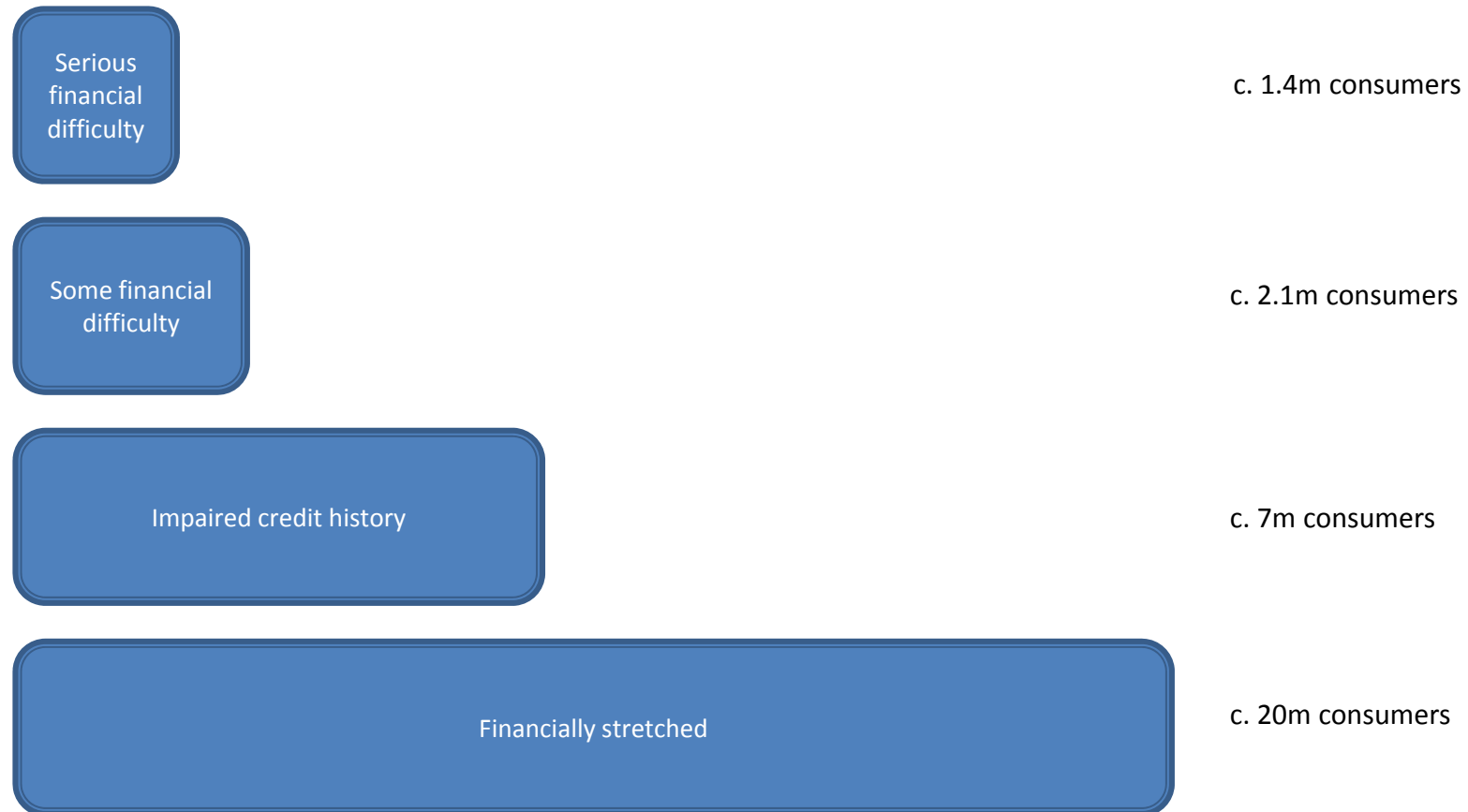
£'000 (adjusted)	2009	2010	Change
EBITDA	7,348	7,491	
Working capital	(1,302)	395	
Cash from operations	6,046	7,886	1,840
Capex	(570)	(1,252)	
Interest and tax	(1,366)	(1,749)	
Free cash flow	4,110	4,885	775
Free cash flow per share	9.6p	11.2p	
Dividends	-	1,512	1,512
Acquisitions	-	3,940	3,940
Closing debt levels	4,468	5,022	554
as a % of net assets	12.3%	12.9%	

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Making money go further

For the financially stressed

The Fairpoint market franchise FAIRPOINT.



Strategic Direction

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Extending the offering to financially stressed consumers

FROM: Market leading IVA business

- Market leadership and cash generative core

TO: Extending debt solutions with growth of debt management business

- Top 5 cases under management
- Further consolidation opportunities and new business growth

TO: Broadening products and services

- Introduction of Value Added Services
- Acquisition of Moneyextra.com

NEXT: Introduce short term lending

- Strong demand from customer base
- Enter growth market with differentiated proposition

Making money go further

Core business

Organic business development with rapid scale through acquisition

Organic business development with acceleration through acquisition

Organic business development with fast and low cost market entry

Detailed
business/process
review

- Cost savings identified expected to yield over £300,000 per year

Key opportunity
areas

- Duplicate and redundant process steps
- Online functionality

Improvement
approach
&
timings

- Benefits realisation expected in H2 2011 with migration of IT platform
- H1 2011 will reflect exceptional change of £1.5 million relating to the write off of the existing platform

Opportunity

- Debt management has grown to 14% of revenue in H2 2010
- Consolidation continues in the sector driven by regulatory costs and increasing competition for new business

Activities

- Established integration methodology in place
- 2 deals completed so far in Q1
- Continuing pipeline development

Impact

- Opportunity to grow debt management by at least 50% in 2011
- Enhances the customer database for on sell of additional products and services yielding incremental income flow
- Drives unit cost to serve down as scale is achieved

Single product
distribution

- Single product “switching” service yields equivalent of 25% penetration in new business leads
- Strong appetite for additional product types identified

Multi product
distribution

- Multi product switching interface built
- Provides indicative cost savings for several products instantly
- Roll out over Q2

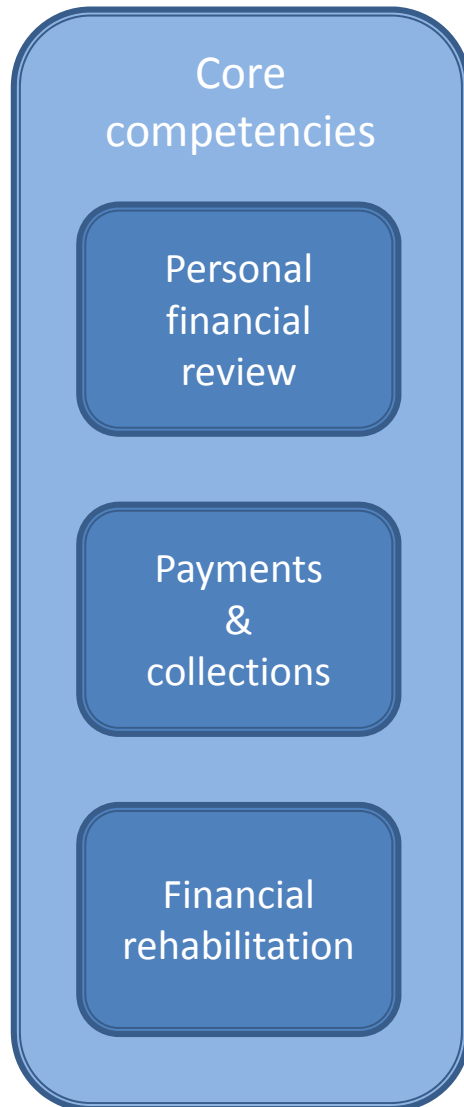
Broader capability

- Contact centre interface adapted for the online environment
- Debt callers access a managed service by phone or an online facility available to wider public

Short term lending

Competitive advantage from our core competencies

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- Detailed understanding of financially stressed consumers
- Extensive data on consumer income and expenditure patterns
- Objective non judgemental sales process which builds customer engagement

- Significant experience of consumer payment and repayment patterns
- Ability to discriminate between “can’t pays” and “won’t pays”
- Pronounced collections capability to return dividends to creditors from non performing borrowers

- Core product provides debt free customer with new found disposable income
- Ancillary products support managed repayment plans

The lending opportunity

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Key milestones

Q2-Q4

MD hired

Test and develop proposition / scorecard on existing lead flow

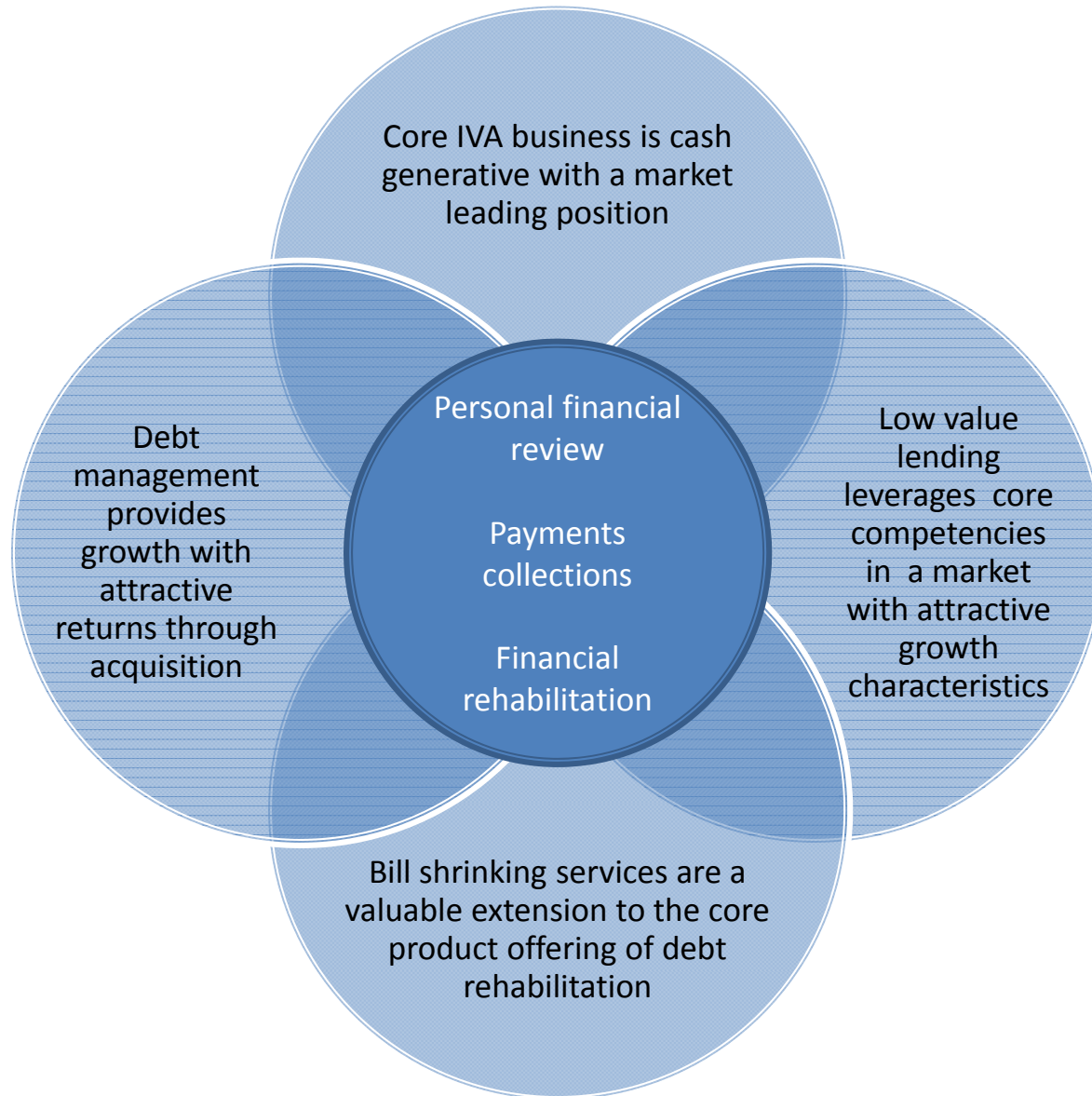
By end 2011

Launch, refine proposition and fund business growth

To 2013

Build lending business to represent a significant proportion of enlarged group profits

Summary and outlook

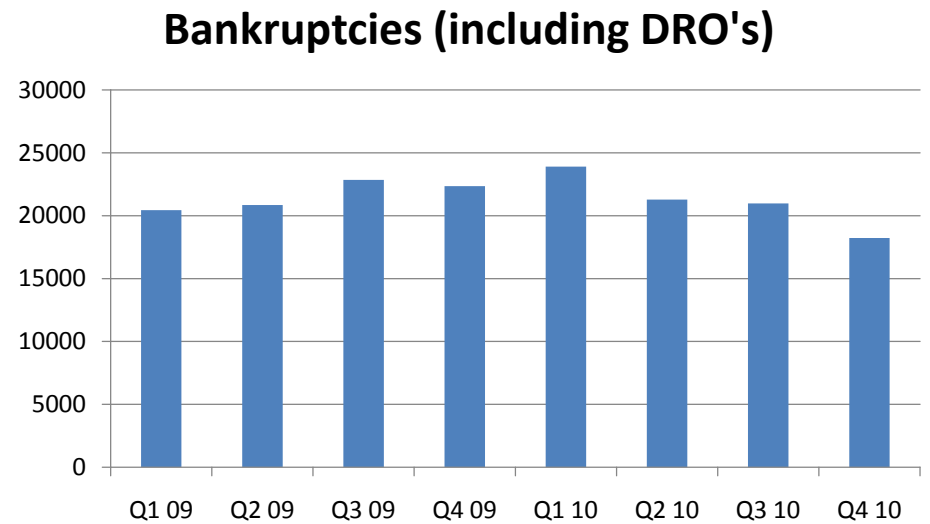
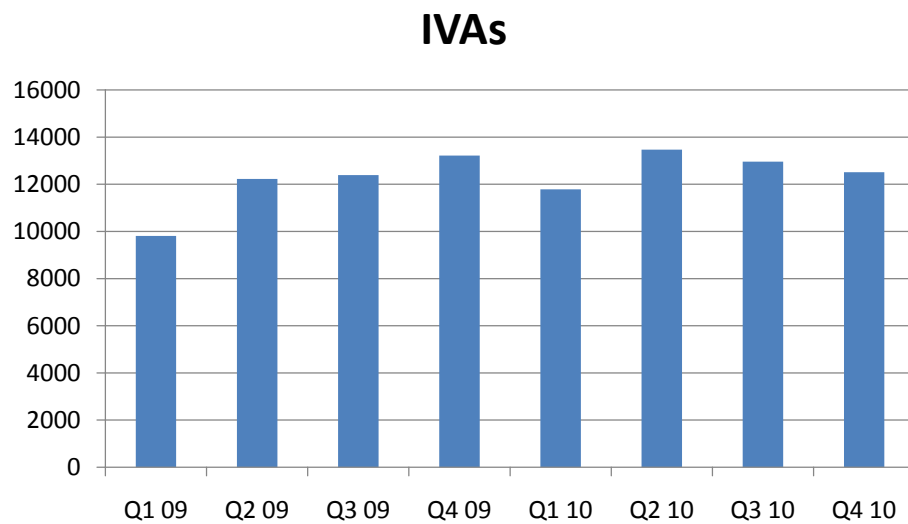
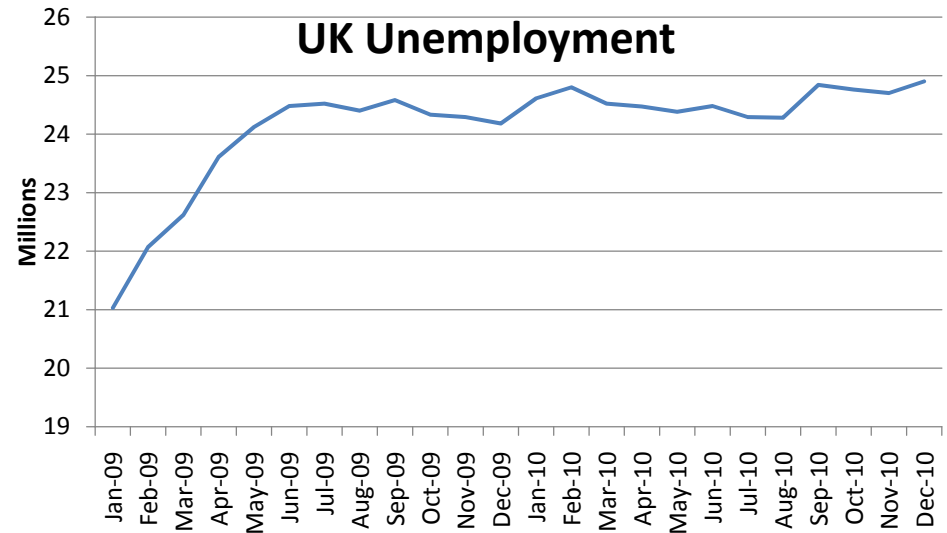
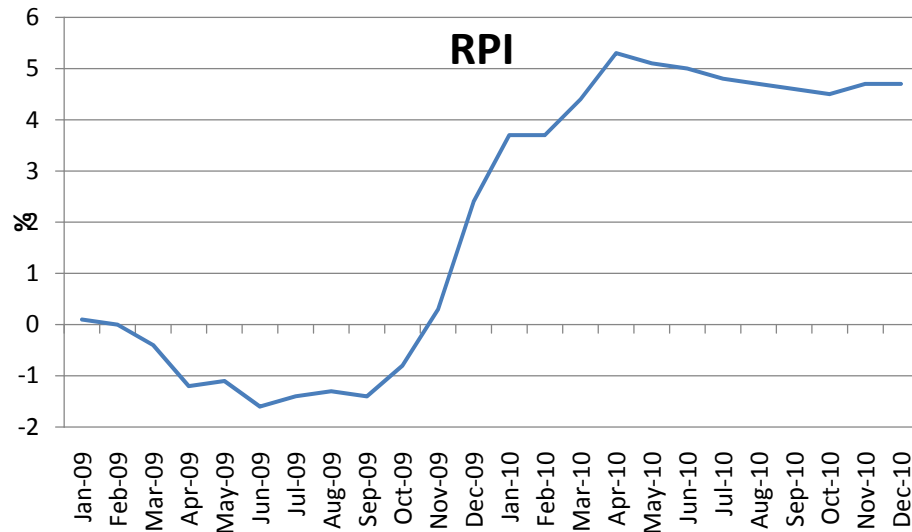


- Short term
 - Market for debt solutions is constrained pre public sector spending cuts impact
- Mid term
 - Market will provide a tailwind as public sector spending cuts/interest rate policy changes
- Impact
 - IVA – protect margin with cost control
 - DMP – Grow with acquisition
 - FS – Grow multi product sale
 - Lending – Pilot and aim to drive scale

Appendices

Market indicators

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Reconciliation to reported profits **FAIRPOINT.**

£'000	2008	2009	2010	
Adjusted profit after tax	2,055	4,439	4,967	
Brand & other intangibles amortisation	(377)	(378)	(515)	
Exceptional items	(1,352)	-	(537)	FY10 acquisitions, with subsequent reorganisation
Discontinued activities	(96)	(66)	(154)	Moneyextra subsidiary
Tax on adjusting items	319	-	251	
Reported profit after tax	549	3,995	4,012	

IVA segment

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£'000	6 months to Jun 10	6 months to Dec 10	FY10	Variance to prior year
New Business				
Revenues ¹	8,126	9,229	17,355	(575)
Marketing	(2,816)	(2,382)	(5,198)	(21)
Direct costs	(2,647)	(2,705)	(5,352)	162
Contribution to profit	2,663	4,142	6,805	(434)
Ongoing Business				
Revenues ¹	3,702	3,883	7,585	101
Direct costs	(1,155)	(1,668)	(2,823)	94
Contribution to profit	2,547	2,215	4,762	195
Total contribution from IVA	5,210	6,357	11,567	(239)
Volumes				
<i>New cases</i>	4,053	4,278	8,331	(189)
<i>-Recurring cases</i>	2,825	2,989	5,814	(12)
<i>Closing cases on file</i>	22,389	22,661	22,661	1,858

¹ Net breakage has been allocated to IVA segmental revenues

Debt management segment

FAIRPOINT.

£'000	6 months to Jun 10	6 months to Dec 10	FY10	Variance to prior year
New business				
Revenues	620	506	1,126	(459)
Marketing	(216)	(189)	(405)	97
Direct costs	(181)	(142)	(323)	165
Contribution to profit	223	175	398	(197)
Ongoing business				
Revenues	1,168	1,769	2,936	1,415
Direct costs	(386)	(604)	(990)	(549)
Contribution to profit	782	1,165	1,946	866
Total contribution from DMP	1,005	1,340	2,344	669
Volumes				
New cases	6,013	3,311	9,324	5,095
In-house cases	5,951	3,311	9,262	5,130
Closing cases on file	11,158	12,541	12,541	7,002

Financial services segment

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£'000	6 months to Jun 10	6 months to Dec 10	FY10	Variance to prior year
New business				
Revenues	297	775	1,072	680
Marketing	(80)	(284)	(364)	(298)
Direct costs	(120)	(216)	(336)	5
Contribution to profit	97	275	372	387
Volumes				
New cases (Mortgages)	73	81	154	27
New cases (Value Added Services)	11,982	14,284	26,266	21,560