FAIRPOINT.

Presentation to analysts
2011 final results

15 March 2012

Agenda

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- Introduction
- A revitalised business with more income breadth
- Financial review
- A strategy for growth and diversity
- A positive outlook
- Appendices

Introduction

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- Overview
  - A much stronger second half
  - Delivered on all key focus areas
  - Diversification agenda continues
  - Enhanced dividend proposed

- Prospects
  - A platform for further growth in 2012
  - Positive about diversification prospects

A revitalised business with more income breadth

H2 2011 update

A stronger second half

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- Adjusted PBT was £4.0m in H2 2011 which compares to £4.3m in H2 2010 and breakeven as at the half year point.
- Non-IVA income now represents 30% of revenues, up from 17% in 2010.

Key Focus Area	Objective from May update	Progress
IVA cost agenda	Restore IVA margins in H2 2011	IVA direct costs were reduced by £1.5m in 2011 vs. 2010. There will be a recurring benefit exceeding £1m in 2012.
Growth of Debt Management Plans	Grow debt management	Debt Management revenues and contribution both grew by over 31% in 2011 vs. 2010 with a further 4 acquisitions completed in the period.
Development of Financial services	At least 25% sales penetration to debt enquirors	Non-IVA revenues excluding debt management were at 9% of total revenue, growing by 119% in the period. Including debt management, 2011 non-IVA revenues were 30% vs. 17% in 2010.
Introduction of short term lending	Launch the pilot in H2 2011	The lending pilot was launched in H2 2011 and roll out is anticipated from Q2 2012

Financial review

Income statement

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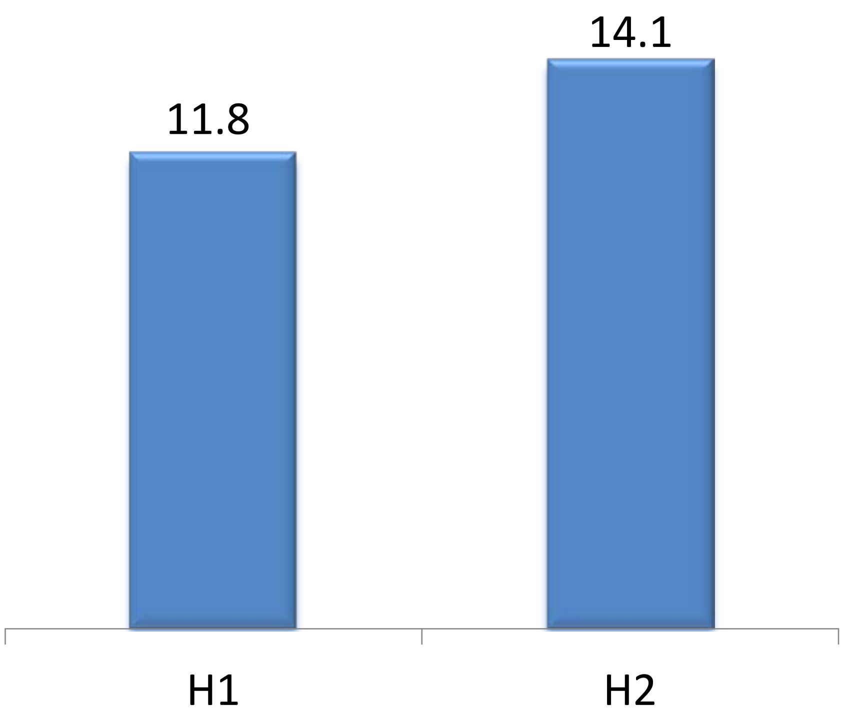
£'m	2011	2010
Revenue	25.9	29.4
Adjusted profit before tax	4.0	6.9
(Loss) profit before tax	(1.0)	5.8
Adjusted EPS on continuing operations	6.82p	11.29p

- Revenue fell by £3.5m (12%) driven by reduced IVA revenues partially offset by increases in DMP and financial services revenues
- Adjusted profit before tax was £4.0m (2010: £6.9m), all of which arose in H2
- Exceptional costs of £4.1m (2010: £0.5m) consisting of non-cash impairments (£3.6m) and restructuring costs (£0.5m)
- Finance costs of £0.3m (2010: £0.2m)
- Effective tax rate on adjusted PBT of 26% (2010: 29%)
- Final proposed dividend of 2.75p (2010: 2.5p), making total 2011 dividend 4.5p (2010: 4.0p), an increase of 13%

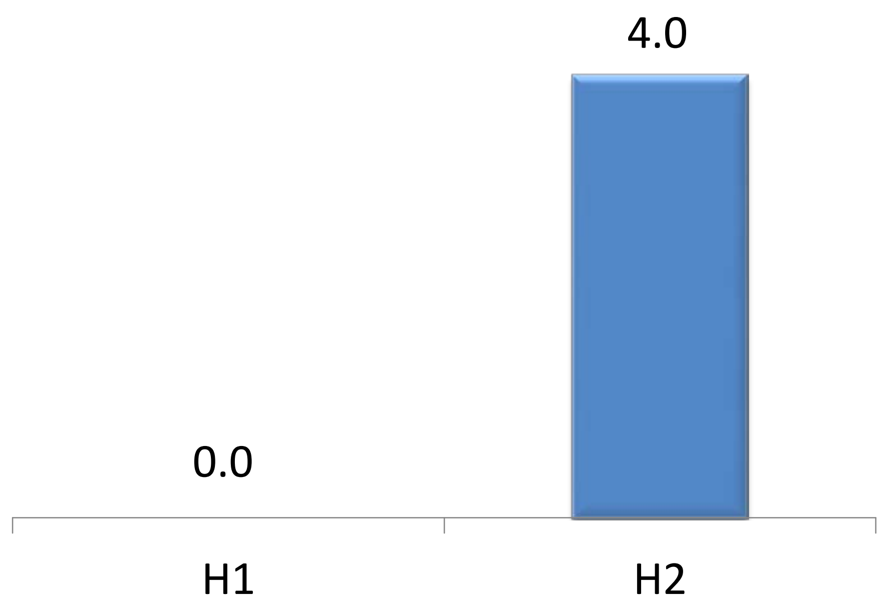
H1 vs. H2

H1 vs. H2 revenue 2011 (£m)



- 19% increase in H2 vs. H1
- Increases across all business segments

H1 vs. H2 adjusted PBT (£m)



- IVA segment returned to profitability in H2 due largely to cost savings
- DMP segment continued to perform well
- Diversification strategy in Financial Services saw move to profitability in H2 vs. loss in H1

Segment summary - revenue

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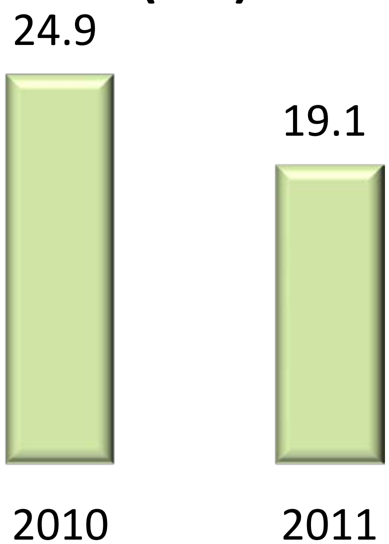
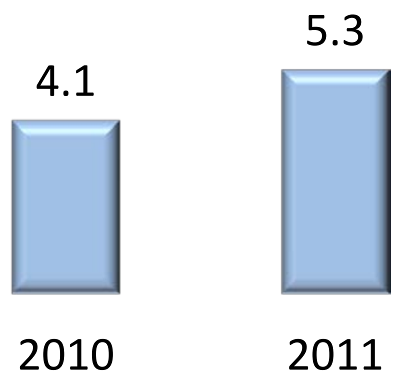
IVA[1] (£m)



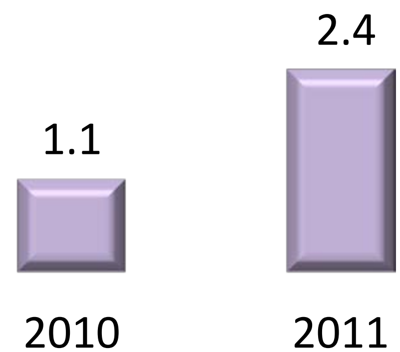
- 5,840 new cases (2010: 8,331)
- Average fee per new case £2,034 (2010: £2,083)
- Ongoing cases rose 2% to 20,961

DMP (£m)



- Four back book acquisitions during the year, added 4,377 cases
- Total cases under management rose 26% to 15,838

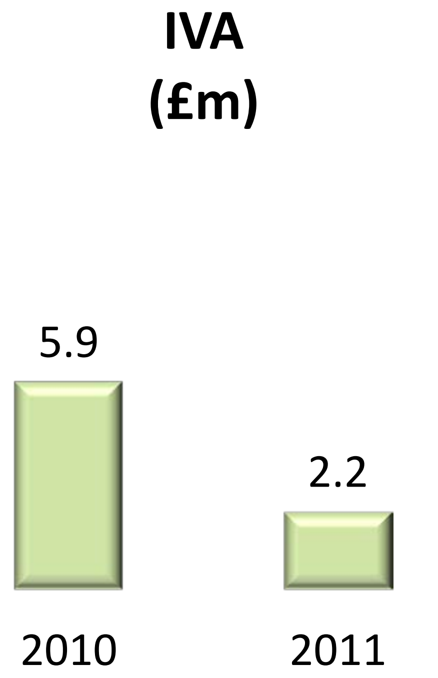
Financial Services (£m)



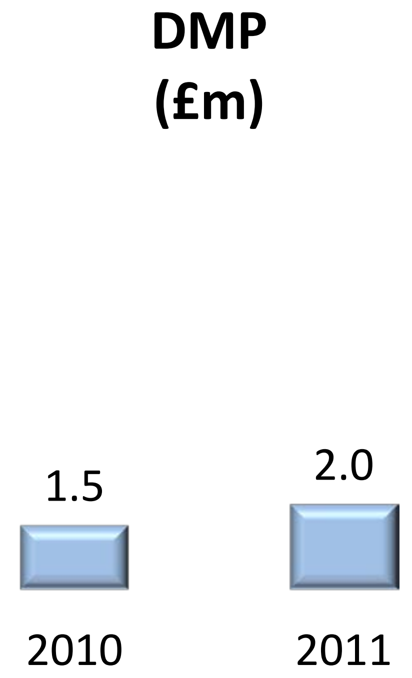
- Continued focus on diversification resulted in >100% increase in revenues

[1] Includes TVOM of £4.3m (2010: £4.5m) and bad debt charge of £3.4m (2010: £3.8m)

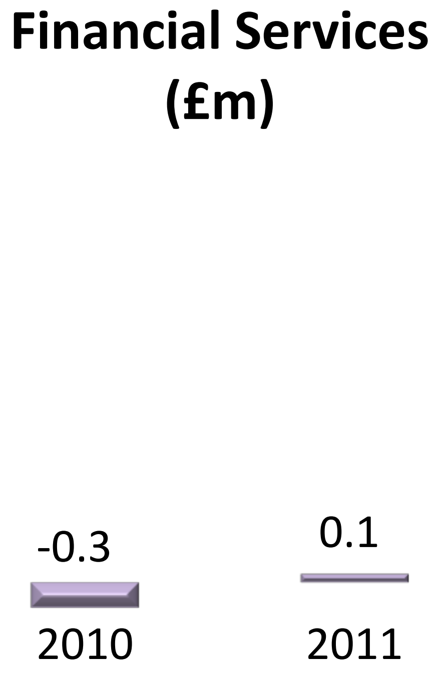
Segment summary – adjusted PBT



- Lower PBT driven largely by volume shifts
- Cost base addressed in H2



- Successful integration of acquired back books
- Continued focus on customer contact led to reduced arrears %
- Net margin improvement



- Claims management revenue generated strong margins
- Payday lending pilot commenced in H2

Operational efficiency

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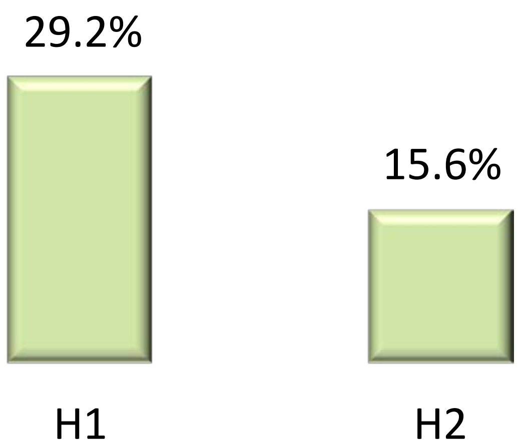
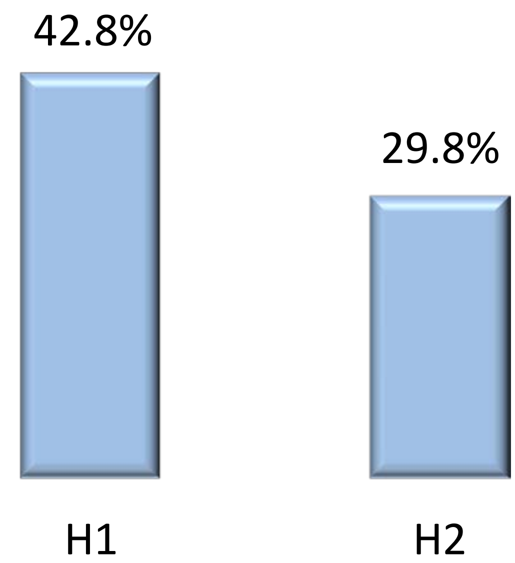
Marketing (% of revenue)



- Analysis of campaign results resulted in more focussed marketing spend
- Focus on maximising revenue from current cases allowed reduction in some costs

Other direct costs (% of revenue)



- Significant cost reduction programme undertaken
- 14% reduction in average employee numbers (H1 vs. H2)

Exceptional items

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	2011			2010
£'m	**Non-Cash**	**Cash**	**Total**	**Total**
IVA system write off	1.6		1.6	-
Moneyextra.com impairment:				
- Goodwill	1.9	-	1.9	-
- Brand	1.3	-	1.3	-
- Deferred tax	(0.4)	-	(0.4)	-
- Deferred consideration	(0.8)	-	(0.8)	-
Restructuring	-	0.5	0.5	0.5
Total	**3.6**	**0.5**	**4.1**	**0.5**

Cash flow

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£'m	2011	2010
Operating	4.6	4.2
Investing	(3.7)	(3.2)
Financing	(0.4)	(0.8)

- Operating includes:
  - Cash generated from operations increased by 9%
  - Continued focus on working capital management
- Investing includes:
  - £2.9m of IVA and DMP back book acquisitions (2010: £0.7m)
  - £0.6m investment in software assets, including new IVA platform (2010: £0.8m)
- Financing includes:
  - £1.8m dividend payments (2010: £1.5m)
  - £1.5m increase in bank borrowings (2010: £0.7m)

Borrowings

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£'m	31 December 2011	31 December 2010
Principal bank debt	7.5	6.0
Cash	(1.5)	(1.0)
Principal bank net debt	6.0	5.0
Other asset related finance	0.4	0.4
Net borrowings	6.4	5.4

- Increase in bank debt principally to fund back book acquisitions
- Finance lease borrowing consistent with prior year
- Cash generation has continued in 2012 with net borrowings at February of £4.9m
- Credit approved terms received to extend the maturity of financing facilities and currently in legal documentation

A strategy for growth and diversity

Strategic Themes

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Cash generation

IVA cost leadership

Debt solutions acquisitions

Near term diversification

Value added services cross sell

Claims management services

Further diversification

Lending roll out

Further product diversification

Cash generation

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Core operation

Lower cost base through process efficiency and system replacement

Strong focus on collections activity to ensure maximum cash recovery

- Savings in excess of £1m anticipated from actions taken in 2011

VAT reclaim

Gross claim and principles of cash distribution agreed

Benefits will be realised during 2012

- £9m gross claim anticipated
- Material part to be retained by the Group

Acquisition flow

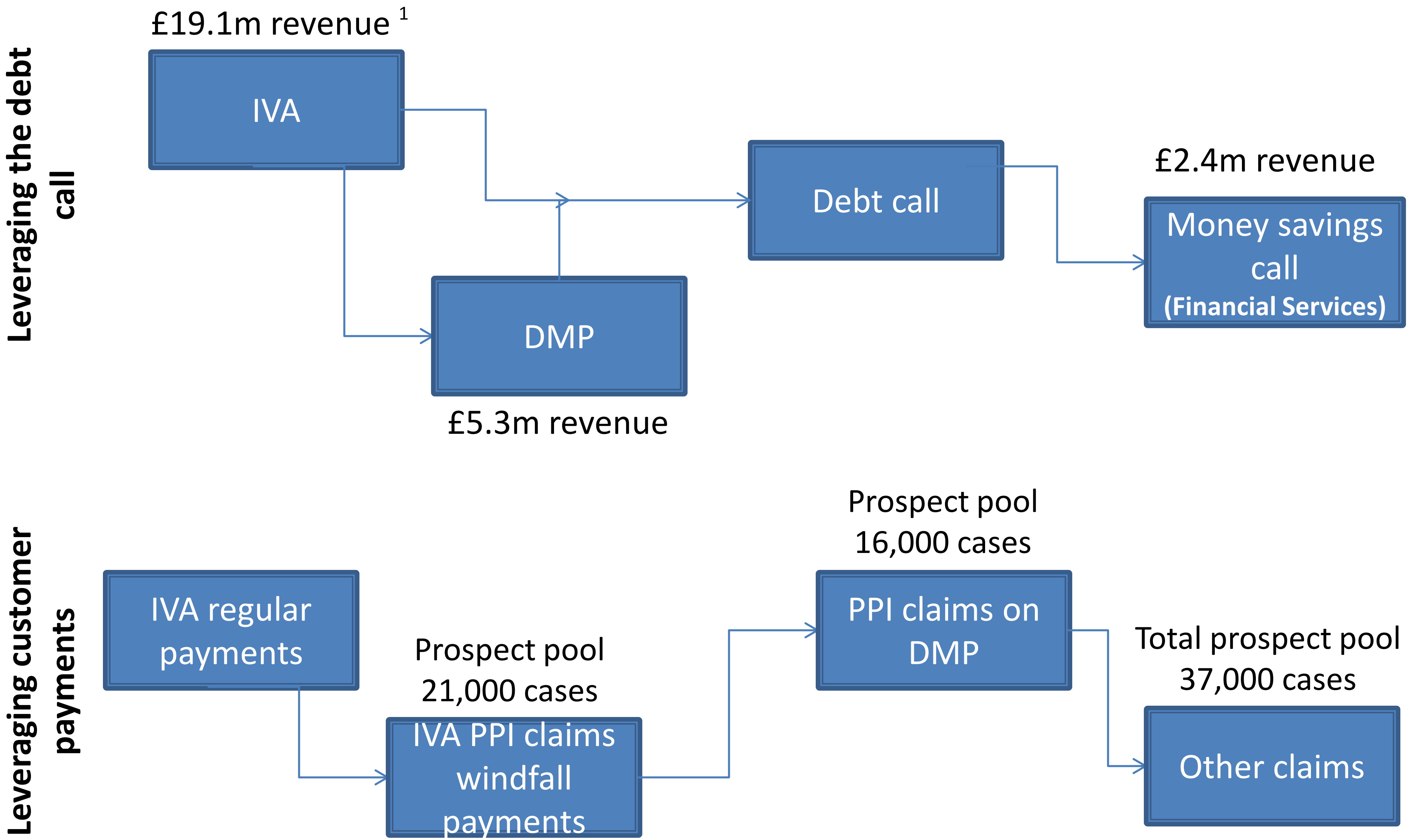
Acquired DMP cases provide annualised benefits in 2012

Previous acquisitions now strongly contributing

Further acquisition opportunities available

- Over £0.5m additional revenue contribution in 2012

Building on capability



[1] Includes TVOM of £4.3m (2010: £4.5m) and bad debt charge of £3.4m (2010: £3.8m)

Lending pilot update

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Proven	In control	In progress
Lead generation efficiency	Loss rate	Term loan
Web site and lead to application efficiency	Payment profile	Revolving credit facility
Approval rate	Affordability and scorecard development	Secured loan derivatives
Average loan size	Lending business rules	
Repeat loan	Collections practice	
Operating infrastructure and costs		
Demand model		

Anticipate decision to roll out in Q2.

A positive outlook

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- Momentum from H2 improvements provides a platform for 2012
- Strong cash generation further supported by VAT claim underpins our plans
- Lower cost base restores core product margins
- DMP acquisitions available and are expected to bolster core growth
- Value added services through extension of claims services accelerates growth and as a complimentary service offers scope for ongoing growth
- Lending pilot offers further diversification to improve business resilience

Appendices

Market indicators

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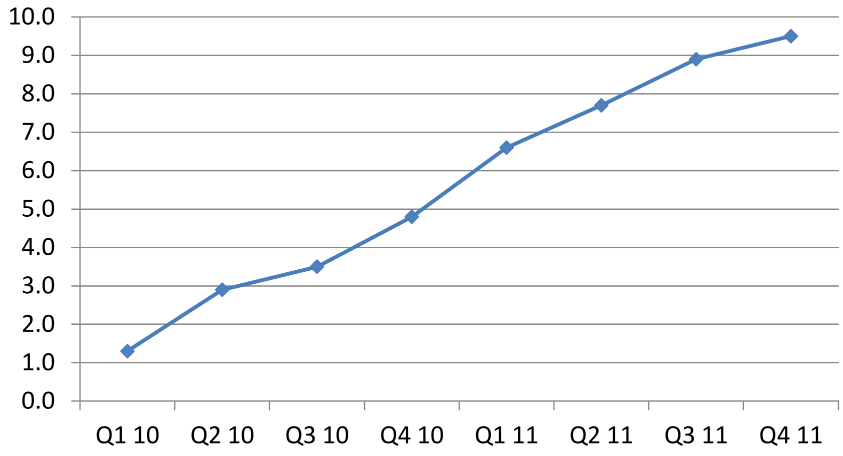
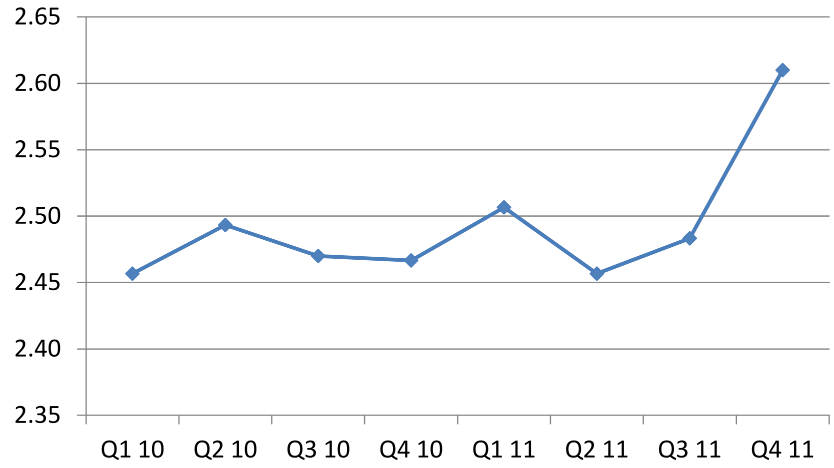
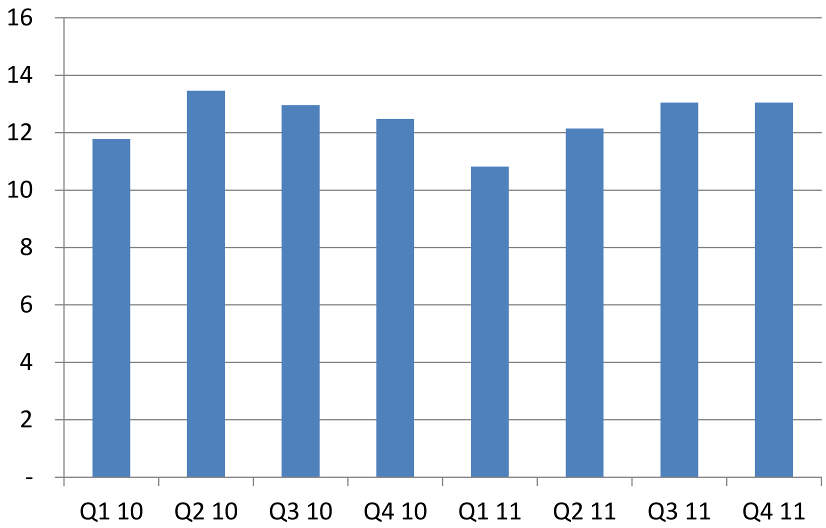
RPI (% increase from Dec '09)



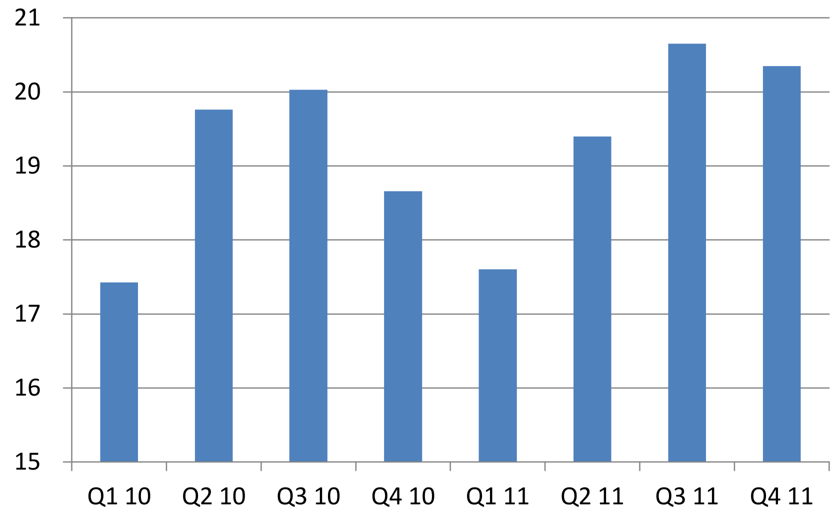
UK Unemployment (millions)



IVAs (thousands)



Total IVAs and DROs (thousands)



Reconciliation to reported profits

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£'000	2011	2010
Adjusted profit before tax on continuing operations	4,036	6,898
Amortisation of acquired intangible assets	(946)	(515)
Exceptional items	(4,133)	(537)
(Loss) profit before tax	(1,043)	5,846
Tax on adjusted profit	(1,063)	(1,975)
Tax on adjusting items	1,148	295
Loss on discontinued operations	-	(154)
Reported (loss) profit after tax	(958)	4,012