

Presentation to analysts 2013 Final results

13 March 2014

- Initial observations
- From turnaround to growth agenda
- Some pronounced competencies
 - Cost leadership
 - Process orientation
 - Core acquisitions
 - Early stage diversification
- Results in line with expectations:
 - Adjusted PBT up 7%
 - Diversified activities rose to 42% of group revenues
 - Net cash of £2.8m helped support additional acquisitions and a proposed dividend of 6.0p

Continuing to diversify

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- Adjusted PBT was £8.1m in FY2013, up 7% from FY2012
- Diversified activities now account for 42% of total revenue, up from 36% during FY 2012
- Net cash was £2.8m at the year end, up from £1.6m in FY2012 and operating cash flows have supported further growth through acquisition

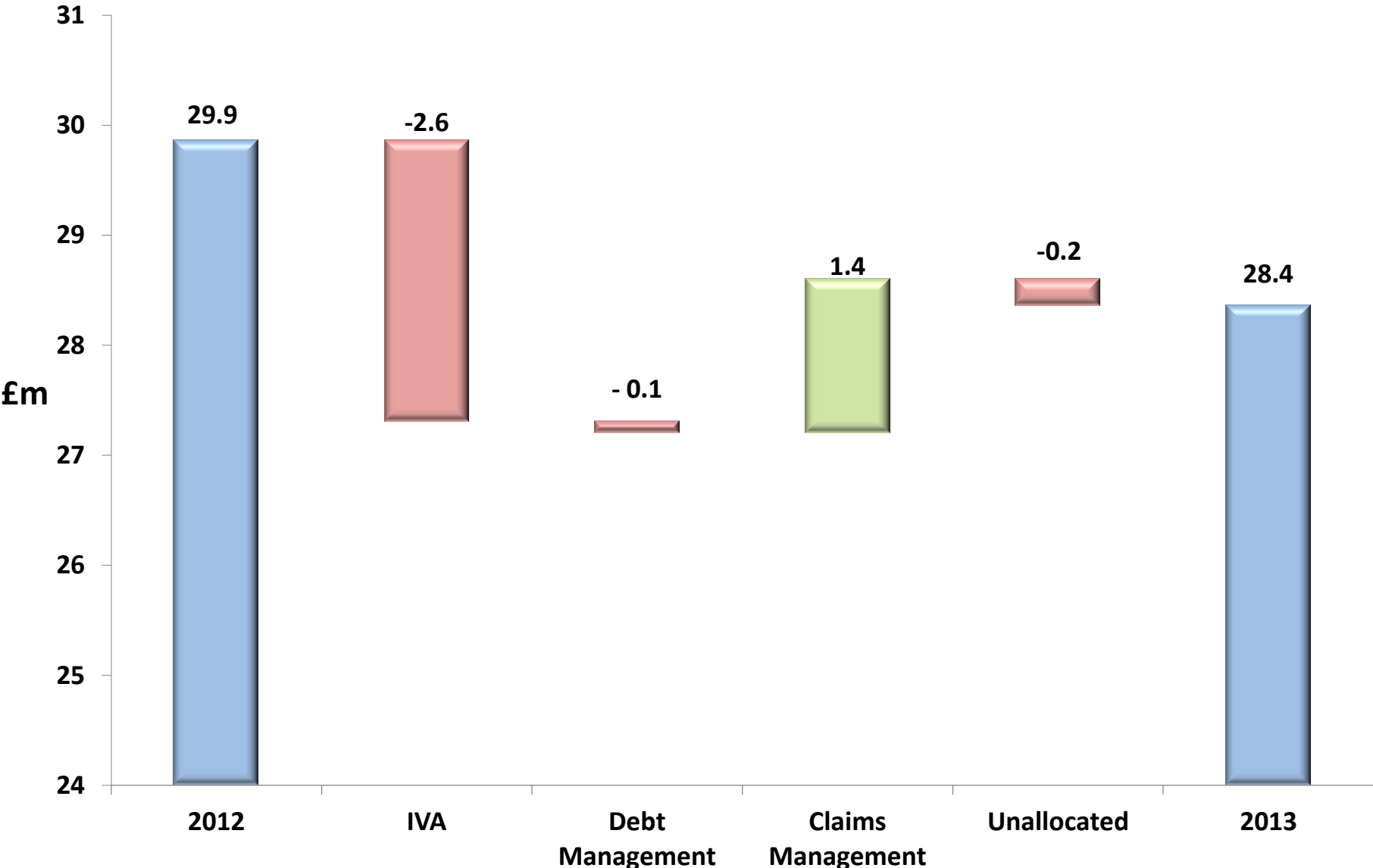
Key Focus Area	Objective from HY results	Progress
Cost Leadership	IVA margins stable at 25% of revenues 'v' 26% during FY2012	Margins were maintained in challenging market conditions as the benefits from process improvement initiatives were delivered.
Debt Solutions acquisitions	Four back books were acquired in FY2013 'v' one in FY2012	We added c.3,400 new cases during the reporting period and our robust acquisition pipeline has provided continued momentum with a further c.9,000 cases added since the start of the year for an initial consideration of £4.0m
Claims Management	Claims management revenues grew by 28% to £6.4m from £5.0m in FY 2012	We established our in house claims business, Writefully Yours, to secure Claims from existing Debt Management customers and this added to the income received from our IVA claims activity. New claims types have also been introduced and we secured our first PPI back book acquisition.
Process into professional services	Identify opportunities to apply process management expertise to other professional services	We have undertaken significant activity to identify opportunities in this area and are developing our approach to building a presence in this area.

Financial review

£m	2013	2012
Adjusted revenue	28.4	29.9
Adjusted gross profit	15.1	15.0
Adjusted profit before tax	8.1	7.6
Profit before tax	5.9	10.5
Adjusted basic EPS (pence)	15.03p	13.44p

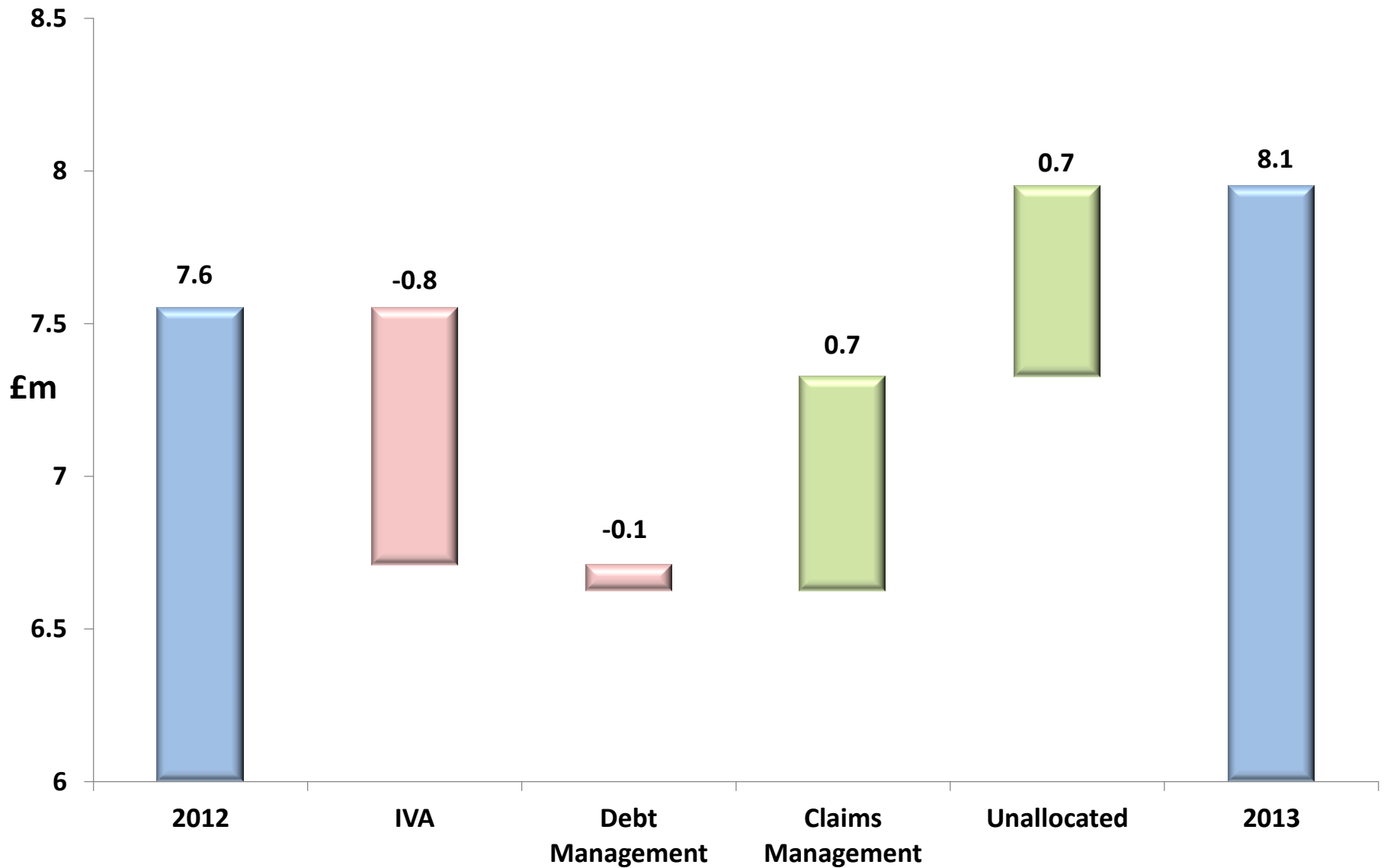
- Subdued debt solutions market partially offset by claims management growth
- Adjusted profit before tax up by 7% to £8.1m (2012: £7.6m):
 - Adjusted for amortisation of acquired intangible assets of £1.5m (2012: £1.3m) and exceptional charge of £0.6m (2012: exceptional credit of £4.3m)
- Finance costs of £0.3m (2012: £0.4m)
- Effective tax rate on adjusted PBT of 21.0% (2012: 23.8%)
- Adjusted basic EPS of 15.03p (2012: 13.44p), up by 12%
- Dividend of 6.0p, increase of 9% (2012: 5.5p)

Revenue bridge

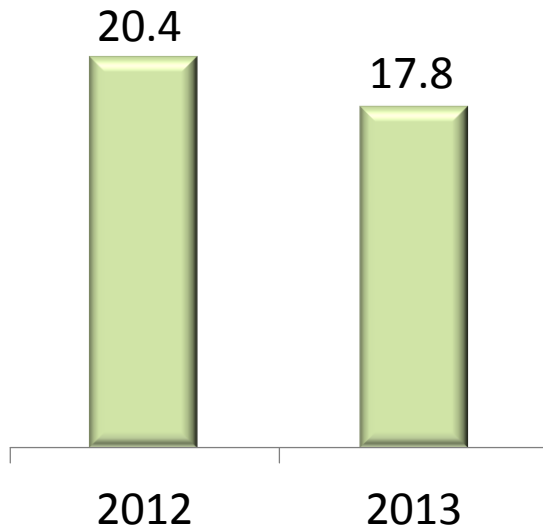


Adjusted profit bridge

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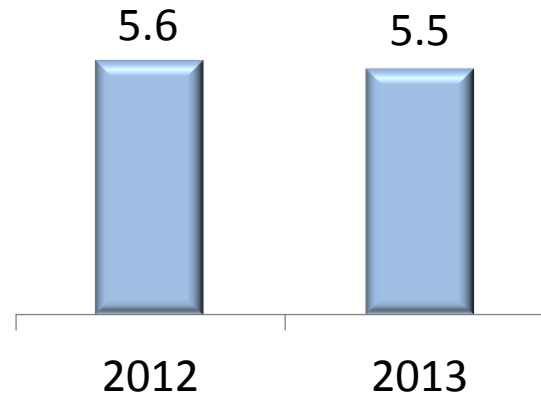


IVA¹ (£m)



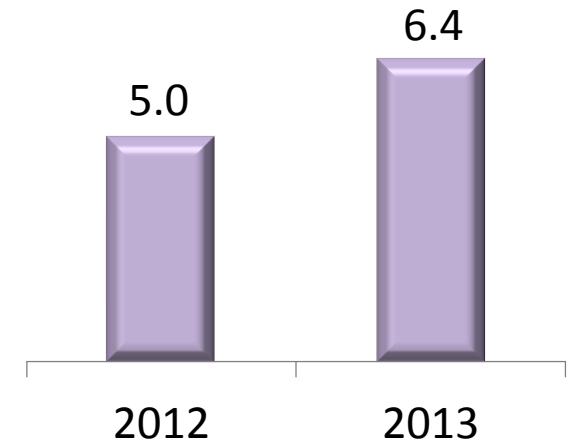
- 4,491 new cases (2012: 5,391)
- Average gross fee per new case £3,239 (2012: £3,299)
- 19,337 fee paying cases under management (2012: 20,117)

DMP (£m)



- Acquisition of four back books in 2013 adding over 3,400 cases
- 15,688 cases under management (2012: 14,880)
- Two back books acquired post year end bringing total book to c.24,000 cases

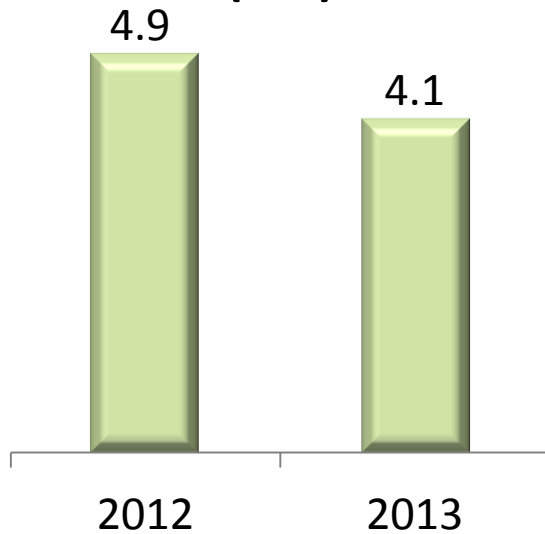
Claims Management (£m)



- Increased revenue on claims relating to DMP portfolio
- Several new claims management activities under development
- Small PPI back book acquisition in December 2013

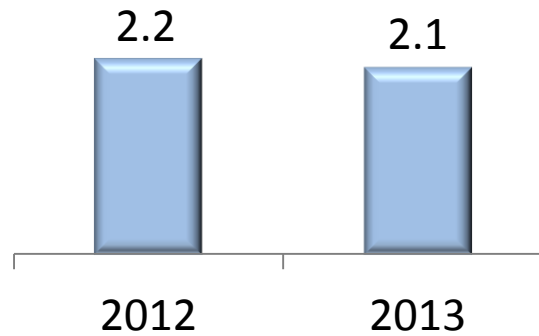
¹ Includes TVOM of £3.1m (2012: £3.8m) less bad debt charge of £1.7m (2012: £2.4m)

IVA (£m)



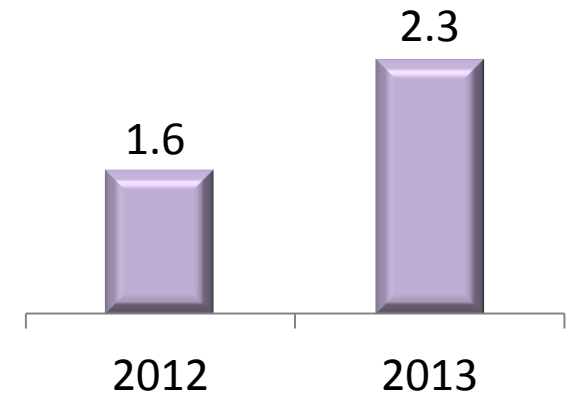
- IVA supervisory fees continue to be enhanced by claims management activities
- Focus on cost control has ensured margins broadly maintained

DMP (£m)



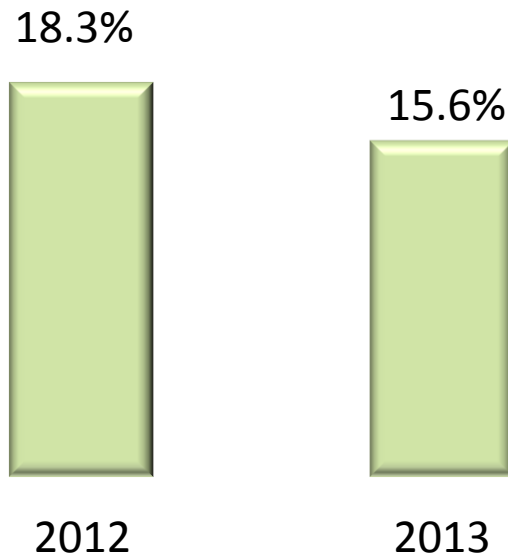
- Regulatory changes expected to result in further acquisition opportunities
- Continued focus on managing attrition and arrears
- Margins held despite one off transition costs

Claims Management (£m)

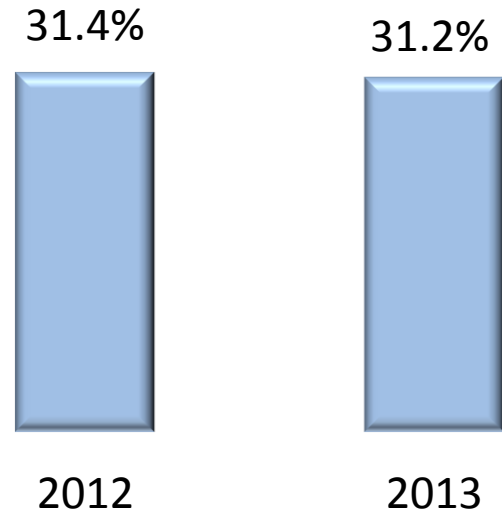


- New products and services under consideration, including legal services

Marketing (% of revenue)



Other direct costs (% of revenue)



- Continued focus on cost efficient marketing and cost control
- Headcount reduction in IVA

Balance sheet

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£m	31 Dec '13	31 Dec '12
Property, plant & equipment	1.0	1.4
Goodwill	12.0	12.0
Other intangible assets	7.3	6.9
Total non-current assets	20.3	20.3
Trade receivables & amounts recoverable on IVA	23.7	25.0
Other current assets	2.2	4.7
Cash	2.9	1.9
Total assets	49.1	51.9
Equity & reserves	43.8	41.2
Non-current financial liabilities	-	0.1
Deferred tax	0.2	0.2
Total non-current liabilities	0.2	0.3
Trade and other payables	4.3	7.9
Current financial liabilities	0.1	0.1
Corporation tax	0.7	2.4
Total current liabilities	5.1	10.4
Total equity and liabilities	49.1	51.9

- Cash generated from operations continues to be strong, resulting in significant increase in cash
- Small decrease in net working capital
- Lending facility and strong cash position allow the Group to evaluate a wide range of acquisition opportunities

£m	2013	2012
Operating	6.0	12.6
Investing	(2.7)	(1.6)
Financing	(2.3)	(10.6)

- Operating includes:
 - Prior year benefited from one-off VAT and working capital matters
 - Cash conversion of 108% of profit before finance costs
 - Increased tax payments of £2.3m
- Investing includes:
 - £1.9m of DMP back book acquisitions (2012: £0.7m)
- Financing includes:
 - £2.4m dividends paid (2012: £2.0m)
 - Prior year included settlement of borrowings

£m	31 Dec 2013	31 Dec 2012
Principal bank debt	-	-
Cash	2.9	1.8
Net bank cash	2.9	1.8
Other asset related finance	(0.1)	(0.2)
Net cash	2.8	1.6

- £13m asset based credit facility with PNC Financial Services running to April 2016
- £4.0m invested post year end in two further DMP back book acquisitions; Group in modest net debt position currently
- A number of potential DMP and PPI back book acquisition opportunities currently being explored

- Segmental trends:
 - IVA segment – expected to remain subdued with focus on efficiency
 - DMP segment – strong revenue growth anticipated following acquisitions
 - Claims management – continuing important contribution expected as new products and services developed
- 2014 full year effective tax rate expected be 22-23%
- Final dividend of £1.6m payable in June 2014
- £4.0m acquisition expenditure in January 2014

Extending the business model





The Model

Debt Solutions

New options

Valuation of anticipated contracted revenues/ work in progress.

Acquisition of workload

Data mapping and migration to our core operating systems

Centralised administration from product platform



Regulation is driving further consolidation

Pace and scale of acquisitions have increased in Q1 to date

More opportunities available

8 week integration timetable

Good portfolio performance over 3 years



Similar opportunities now arising in PPI claims

Shorter tail and faster payback

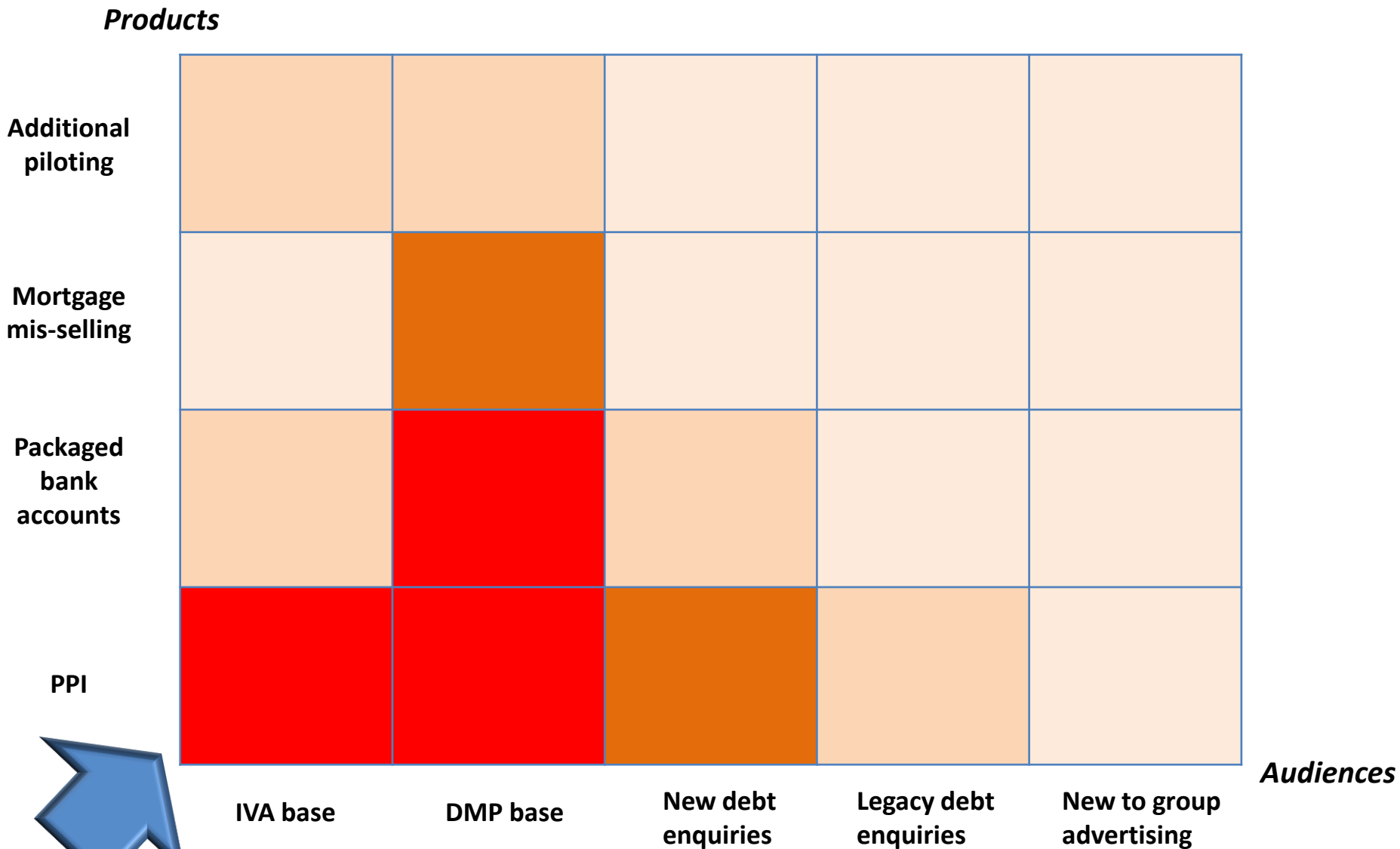
Valuation drivers are dependent upon business processing waterfall

Benchmarking now developed from in house business

Migration process model on debt management

Diversifying claims – heatmap

FAIRPOINT.



Enablers

Alternative Business Structures

Highly fragmented market place – 11,000 firms in England and Wales

Time based pricing
Inconsistent service

Fairpoint Assets/Competencies

Customer franchise

Adjacent products

Process driven operating methodology

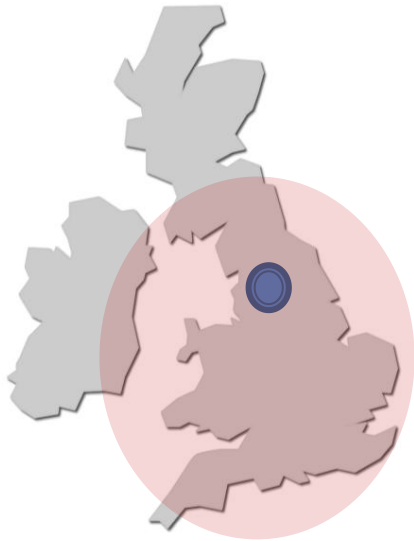
Opportunities

Leverage Group data

Apply process to another professional services

Organic and acquisition options

Fairpoint model



- Serves most of the UK
- No face to face contact
- Single site
- National advertising

Stereotypical legal industry model



- Local service
- Emphasis on face to face contact
- Sales and admin offices
- National advertising and local networks

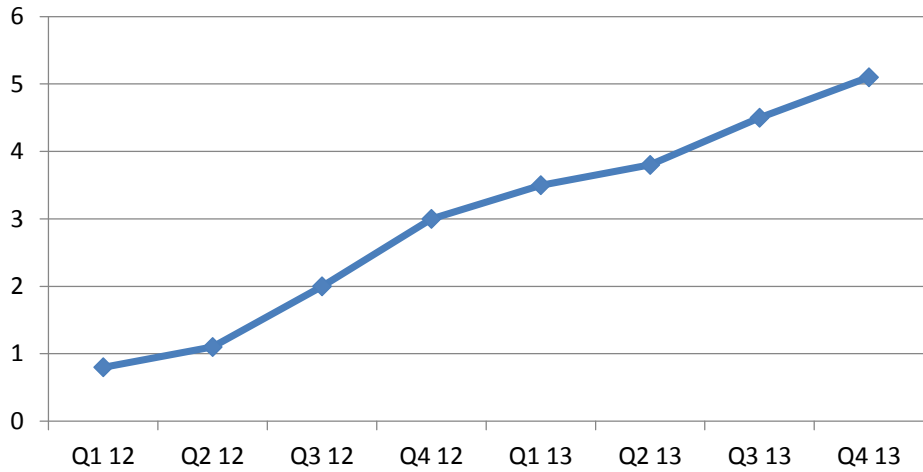
Applying process in professional services

- Cost leadership in our operating platforms
- Broadening our consolidation options
- Diversifying the claims management business
- Exploring legal services

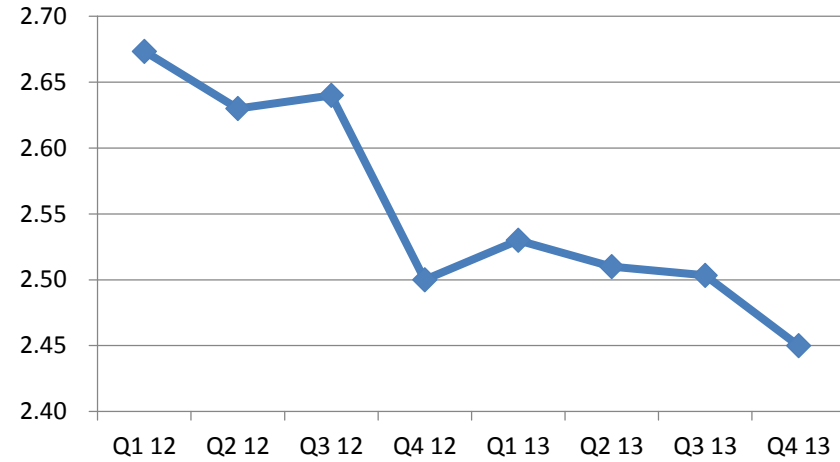
“...confident of delivering solid progress in the current year and continuing the diversification strategy”

Appendices

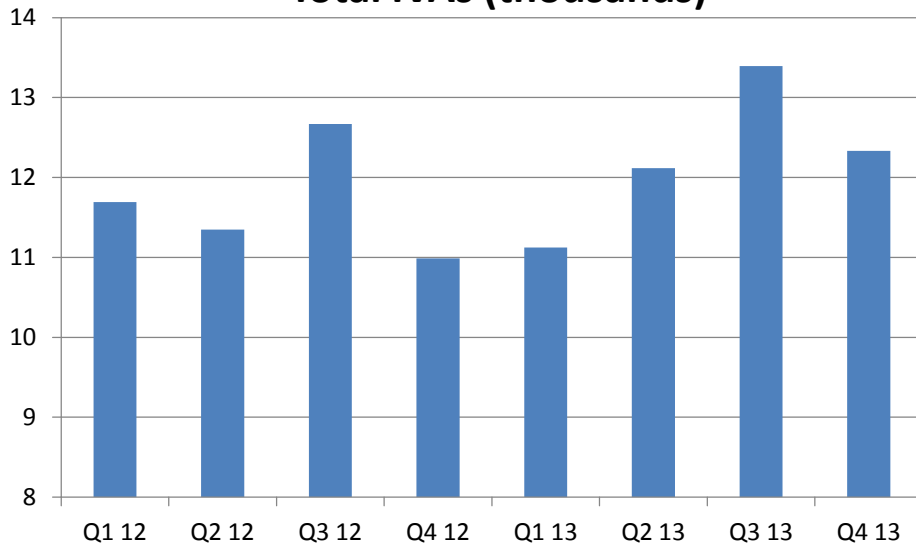
UK RPI Inflation (% change in prices since Jan 2012)



UK Unemployment (millions)



Total IVAs (thousands)



Total IVAs and DROs (thousands)

