

Presentation to analysts 2014 half year results

September 2014

- Results in line with expectations
- Delivered upon diversification and cost management strategy
- Strong financial position with new enlarged long term bank facilities
- Increased dividend reflecting robust set of half year results
- Well placed for strong growth in H2
- Confident outlook as business is reshaped

Accelerating business transformation **FAIRPOINT.**

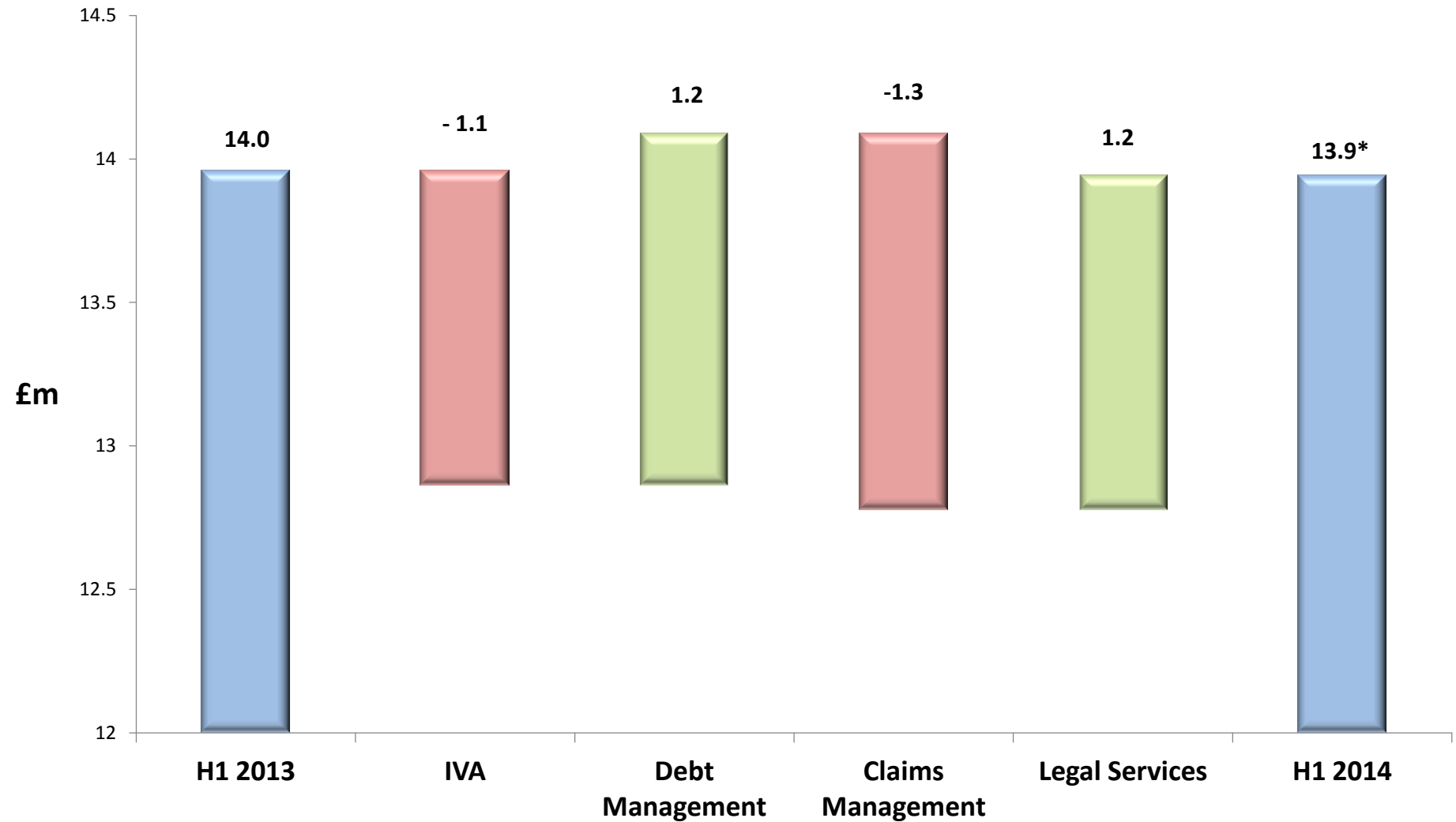
- Adjusted PBT was £3.4m in H1 2014, up 4% from H1 2013
- Diversified activities now account for 52% of total revenue (H1 2013: 44%)
- £9.6m cash investment in acquisitions and associated exceptionals in H1 2014 with net debt now £7.1m (£2.8m net cash in H1 2013) within a lending facility of £20m

Key Focus Area	Key Metrics	Progress
Cost Leadership	IVA Margins improved to 19% of revenues 'v' 15% during H1 2013.	Market conditions remain challenging in the IVA segment and a disciplined approach to marketing and operational investment is supporting margin improvements.
Debt Solutions acquisitions	21,422 cases were under management by H1 2014 'v' 15,850 in H1 2013.	Performance in the debt management segment has been strong on all measures with case load increasing by 35%; revenues up 45% and margins improving to 40% in H1 2014 (37% in H1 2013) as economies of scale are delivered. All leading to contribution growth of 58% against H1 2013. Furthermore, shortly after the half year end an additional 9,000 case load was acquired.
Claims Management	Diversify claims types to replace anticipated decline in IVA PPI revenues. Revenues fell to £2.1m from £3.4m in H1 2013.	PPI claims are falling as IVA claims decline is only partially offset by Writefully Yours PPI growth. New claims lines pre-Simpson Millar acquisition remain unproven. However, their expertise combined with Group distribution adds to our integration opportunities.
Industrialise professional services	Develop a presence on the legal services market place.	Completed the acquisition of our platform legal business - Simpson Millar and using this platform subsequently secured a further acquisition of Foster & Partners. Integration workstreams and early activities underway.

Financial review

£m	H1 2014	H1 2013
Revenue	13.9	14.0
Gross profit	6.9	6.7
Adjusted profit before tax	3.4	3.2
Profit before tax	1.0	2.5
Adjusted basic EPS	6.20p	5.87p

- Growth in DMP and legal services offset by reductions in IVA and claims management
- Adjusted profit before tax up by 4% to £3.4m (H1 2013: £3.2m):
 - Adjusted for amortisation of acquired intangible assets of £1.12m (H1 2013: £0.7m) and exceptional acquisition and refinance charges of £1.2m (H1 2013: £nil)
- Finance costs of £0.2m (H1 2013: £0.2m)
- Effective tax rate on adjusted PBT of 21.5% (H1 2013: 23.2%)
- Adjusted basic EPS of 6.20p (H1 2013: 5.87p), up by 6%
- Interim dividend of 2.30p, up by 7%



* Subject to rounding

Adjusted profit bridge

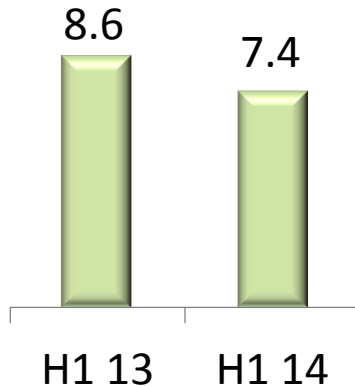
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Segment summary – revenue

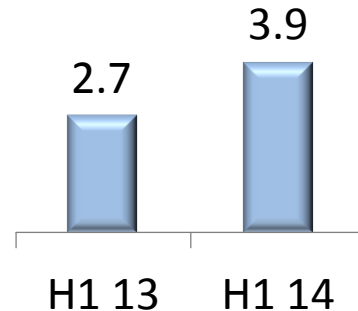
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IVA¹ (£m)



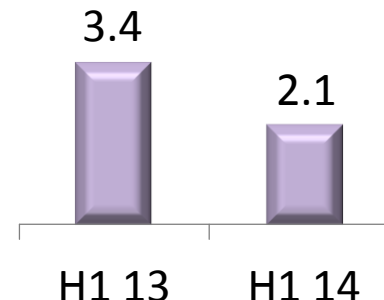
- 1,464 new cases (H1 2013: 2,179)
- Average gross fee per new case £3,458 (H1 2013: £3,109)
- 18,717 fee paying cases under management (H1 2013: 20,324)

DMP (£m)



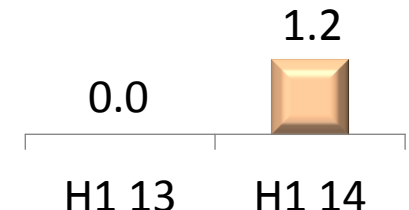
- Acquisition of two back books adding approximately 9,000 cases
- 21,422 cases under management (H1 2013: 15,850)
- Further 9,000 cases acquired in August 2014

Claims Management (£m)



- Claims levels from existing IVA clients reaching maturity
- Claims from DMP portfolio being developed

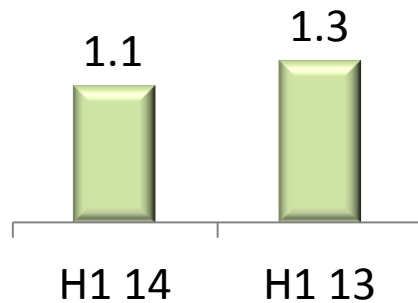
Legal Services (£m)



- Acquisition of Simpson Millar completed 16 June 2014
- Good progress made on integration planning (sales, marketing and support services)
- Further acquisition of Bristol based family law specialists in July 2014

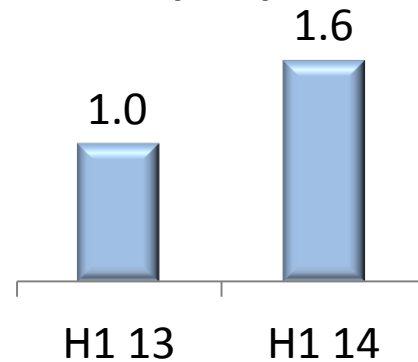
¹ Includes unwind of discount of £1.3m (H1 2013: £1.6m) less bad debt charge of £0.6m (H1 2013: £0.9m)

IVA (£m)



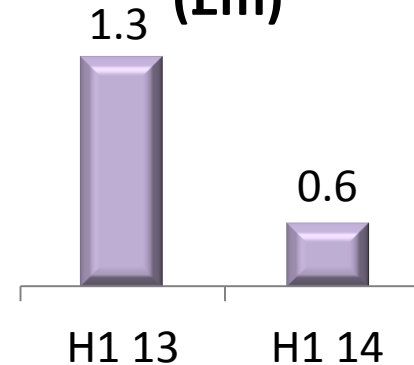
- Focus on cost control has ensured margins increased

DMP (£m)



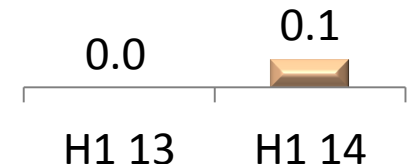
- Margin improvement due to economies of scale
- Regulatory changes expected to result in further acquisition opportunities

Claims Management (£m)

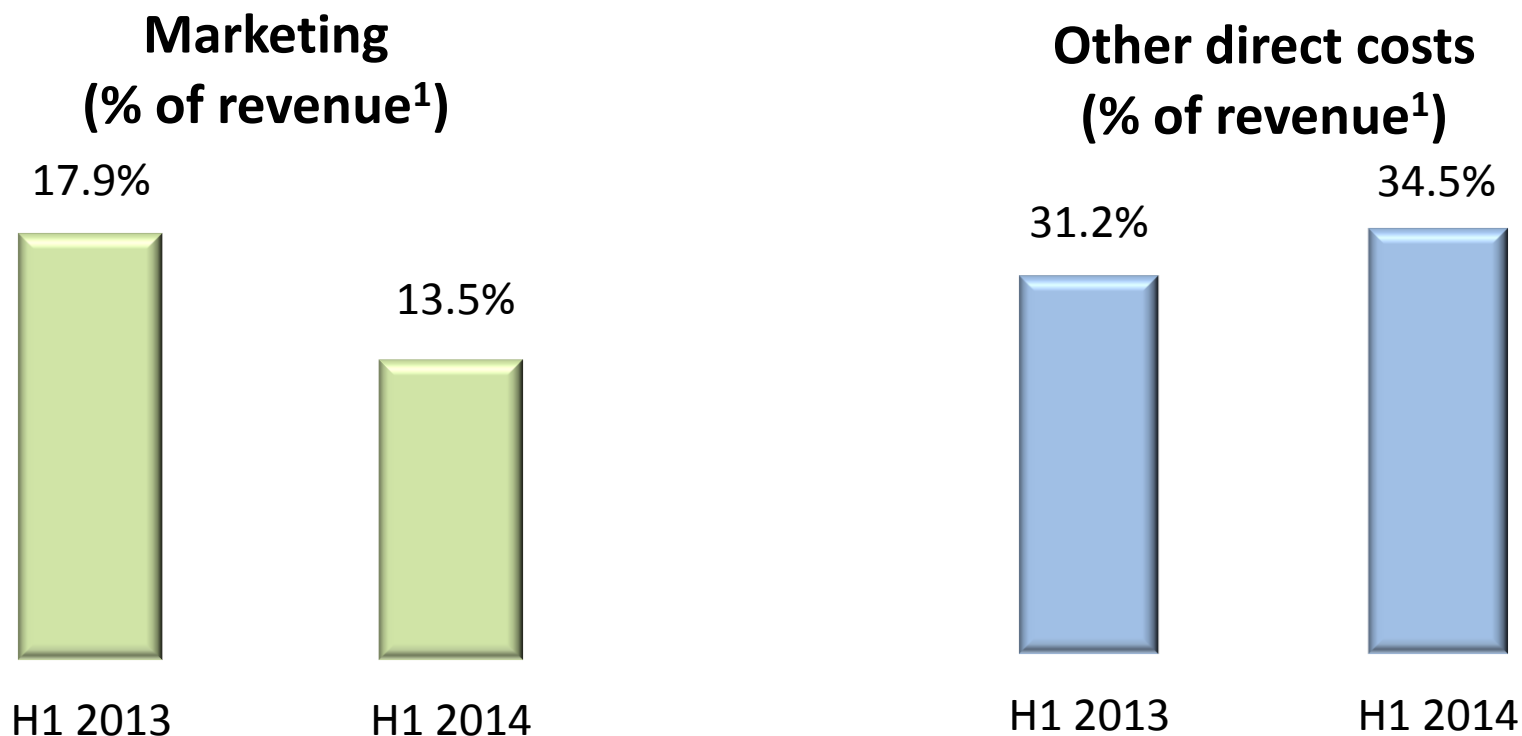


- Revenue reduction impacted profitability
- 'Writefully Yours' brand being further developed
- Simpson Millar expected to support more sustainable claims activity products

Legal Services (£m)



- Good first time contribution from newly acquired Simpson Millar



- Continued focus on cost efficient marketing and cost control
- Overall direct costs fallen to 48.0% of revenue (H1 2013: 49.1%)

¹ Includes unwind of discount of £1.3m (H1 2013: £1.6m) less bad debt charge of £0.6m (H1 2013: £0.9m)

Balance sheet

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£m	30 Jun '14	31 Dec '13	30 Jun '13
Property, plant & equipment	1.3	1.0	1.2
Goodwill	16.0	12.0	12.0
Other intangible assets	17.2	7.3	7.1
Total non-current assets	34.5	20.3	20.3
Trade receivables & amounts recoverable on IVA	24.8	23.7	25.6
Other current assets	2.6	2.2	2.7
Unbilled income	4.6	-	-
Cash	4.6	2.9	3.0
Total assets	71.1	49.1	51.6

Equity & reserves	45.1	43.8	41.9
Non-current financial liabilities	11.5	-	0.1
Deferred tax	1.8	0.2	0.2
Contingent consideration	5.1	-	-
Total non-current liabilities	18.4	0.2	0.3
Trade and other payables	7.0	4.3	6.5
Current financial liabilities	0.2	0.1	0.1
Corporation tax	0.4	0.7	2.8
Total current liabilities	7.6	5.1	9.4
Total equity and liabilities	71.1	49.1	51.6

- Acquisition of Simpson Millar has introduced the following net assets:

	£m
Goodwill	4.0
Tangible and intangible assets	7.2
Trade receivables	1.6
Unbilled income	4.6
Cash	0.7
Trade and other payables	(3.7)
Deferred and current tax	(1.7)
Total net assets	12.7

- Simpson Millar acquisition satisfied by £5.7m of cash (funded by new facility), £2.0m in new shares and contingent consideration of £5.1m
- Contingent consideration of up to £6.0m dependent on financial performance of Simpson Millar over two years ending June 2016 and funded 50% in cash and 50% in shares

£m	H1 2014	H1 2013
Operating	1.0	3.8
Investing	(9.3)	(1.3)
Financing	10.1	(1.3)

- Operating includes:
 - Outflows associated with exceptional costs of £0.7m
 - First time working capital outflows associated with Simpson Millar of £1.2m
 - Increased tax payments of £0.5m
- Investing includes:
 - £8.9m of acquisitions (H1 2013: £0.8m), of which £5.0m for Simpson Millar, £3.9m for DMP transactions (one corporate, one back book)
- Financing includes:
 - £1.6m dividends paid (H1 2013: £1.5m)
 - Repayment of PNC facility and refinancing with AIB

Cash position and new bank facilities **FAIRPOINT.**

£m	30 June 2014	31 Dec 2013	30 June 2013
Principal bank debt	(11.7)	-	-
Cash	4.6	2.9	3.0
Net bank (debt) cash	(7.1)	2.9	3.0
Other asset related finance	-	(0.1)	(0.2)
Net (debt) cash	(7.1)	2.8	2.8

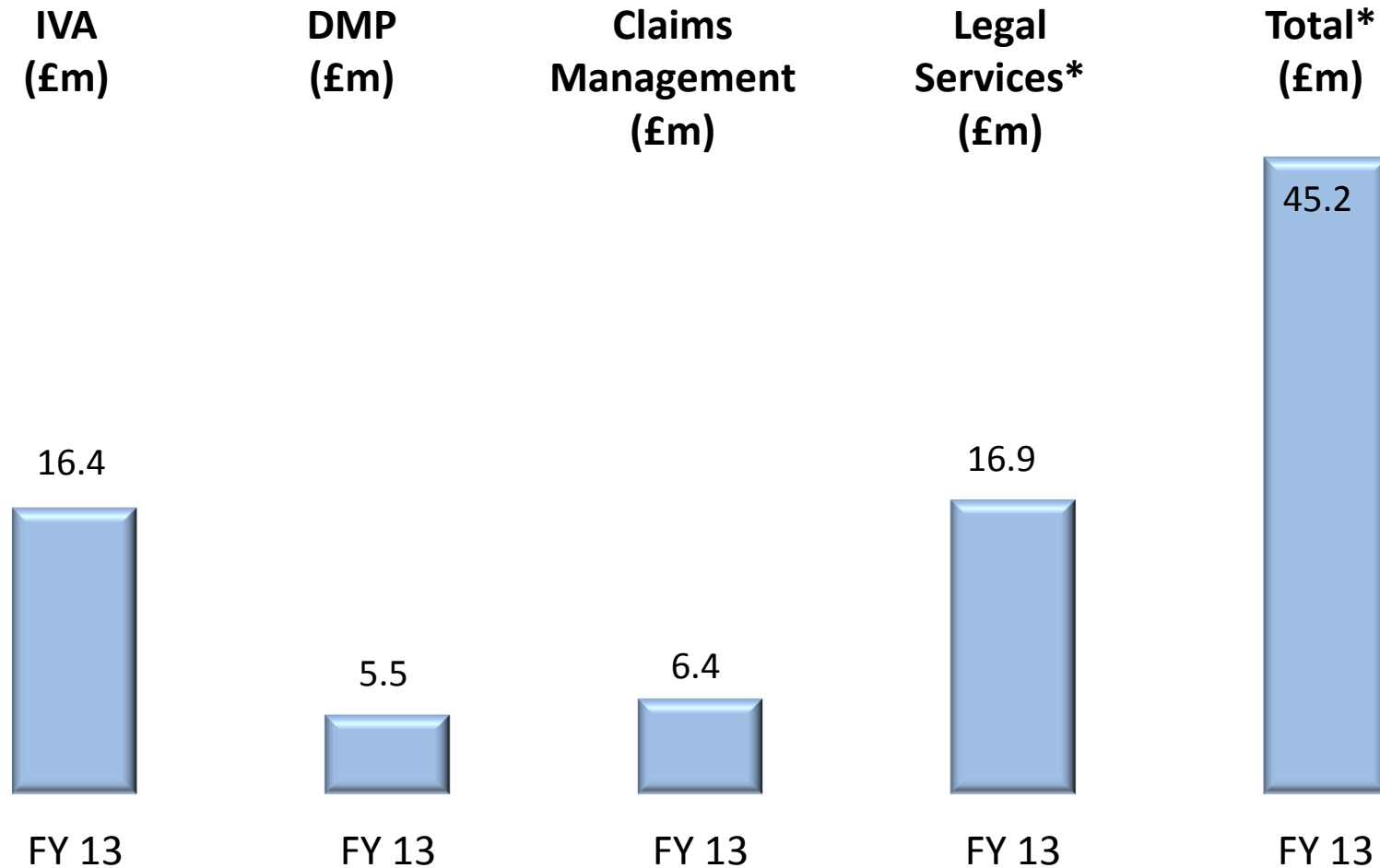
- New 5 year £20m banking facility signed with AIB, comprising £12m revolving credit facility and an £8m term loan
- £5m of the term loan repayable during 5 year term; £3m repayable at end of 5 year term
- Replaces £13m asset based PNC facility which was due to expire April 2016
- Refinancing incurred one-off legal, professional and other charges of £0.5m
- Movement in net debt during the period reflects £9.6m cash investment (including expenses) in Simpson Millar and two DMP back books
- A number of potential DMP and legal services acquisition opportunities currently being explored
- Net debt at end August was £8.4m, following two further post period end acquisitions

- Segmental trends:
 - IVA segment – expected to remain challenging with focus on efficiency
 - DMP segment – strong revenue growth anticipated following acquisitions to date
 - Claims management – continuing important contribution expected as new products and services explored
 - Legal services – platform for growth has been established with the acquisition of Simpson Millar and outlook positive
- 2014 full year effective tax rate expected to be 21-22%
- Interim dividend of £1.0m payable in October 2014
- £3.0m acquisition expenditure in August 2014 on Debt Line
- £0.7m initial consideration adjustment due following Simpson Millar completion accounts anticipated in H2
- Debt Line acquisition costs of £0.2m and restructuring costs of £1.1m anticipated in H2
- H2 acquisition related amortisation expected to be £2.0m

A New Chapter

A more balanced business

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* Pro forma, based on FY to 30 June 2013 results of Simpson Millar and Fairpoint's FY results to 31 December 2013

Pointing you towards better solutions

Developing the consumer franchise

Leveraging process & expertise

Growth through consolidation

Building our legal platform

Developing the consumer franchise **FAIRPOINT.**



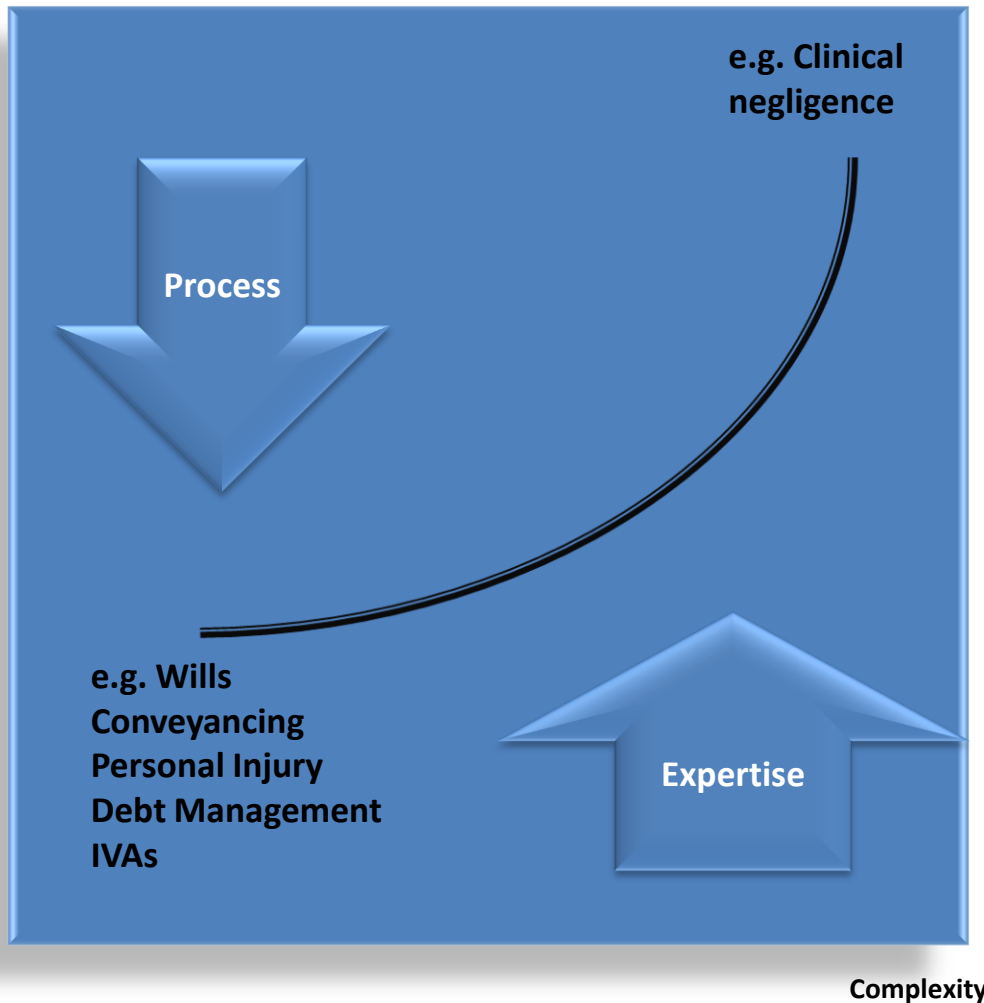
Serving:

- a broader market
- with more products
- to meet more needs
- through more channels

Leveraging process and expertise

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Value



- Process is a source of competitive advantage driven through:
 - Consistent service delivery
 - Fixed price work
 - Lower costs to serve
- Regulatory drivers for more process
 - Protocols
 - Portals
 - Fixed fee work
 - Legal aid
- Expertise is critical to:
 - Drive success rates
 - Contingent and conditional fees
 - Complex case work



Product
excellence

Integration capability

Valuation capability

A systemised operating platform

A catalyst for consolidation

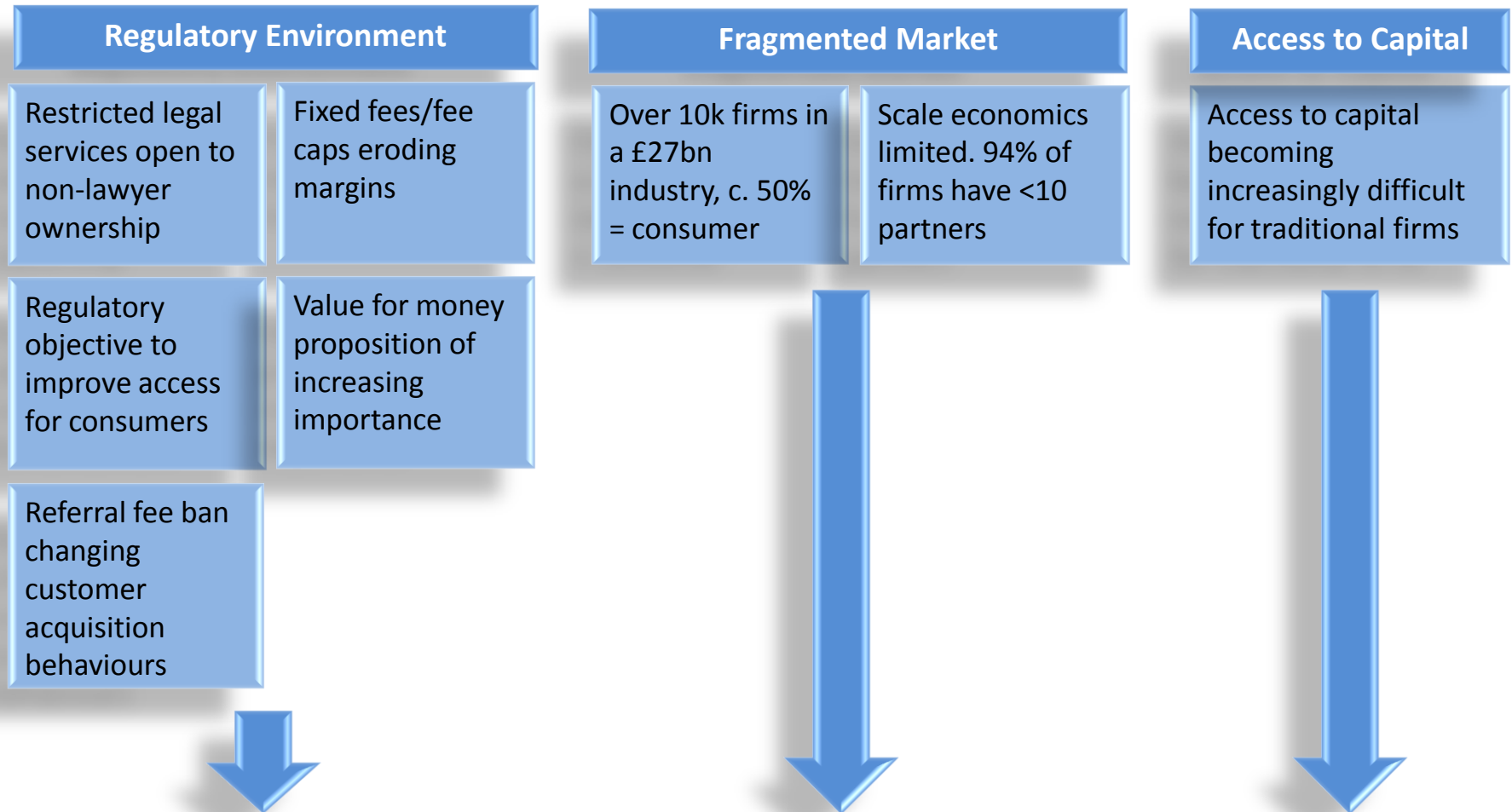
Catalysts for growing consolidation options:

- Regulation:
 - FCA regulation of Debt Management
 - Jackson reforms in Law
- Market activity:
 - Established consolidator markets
 - Growing need for scale
 - New business pressure

A well trodden path for Fairpoint businesses:

- 16 debt management acquisitions
- 3 in 2014
- 6 legal acquisitions (by Simpson Millar)
- 2 in 2014

Building our legal platform



- ⇒ **The regulatory environment is driving consolidation**
- ⇒ **New entrants, new business models and access to capital are key to achieving the consumer objective**
- ⇒ **New model requires efficiency, delivery innovation and change acceptance**

- An ABS approved full service consumer legal firm
- A strong financial base overseen by a long standing and experienced management team
 - Track record of revenue growth - £11.5m in 2009 to £16.9m in 2013
 - Critical mass - c. 250 employees with excellent UK coverage
- A commitment to operational efficiency, and further innovation
- Nationally recognised and highly regarded for quality consumer legal services
- A proven appetite and capability to acquire caseloads, teams and firms and to successfully integrate those acquisitions on to the existing platform
- A focus on process and quality, demonstrated by the fact that the business has held the Law Society's practice management standard "Lexcel" longer than any other firm of solicitors
- An excellent cultural fit with Fairpoint Group plc

A proven track record

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Success achieved through:

- **a clear direction**, supported by
- **innovative operations** underpinned by
- a real focus on **quality of service and skills**

Clear direction

- Anticipating market opportunities and threats through creation of a full service Legal business
- Progressive and innovative approach to operational processes
- Solid organic growth in addition to a number of business and WIP acquisitions
- Ethical and progressive culture

Innovative operations

- Sector leading digital marketing platform
- Call centre sales team
- Case management technologies
- Volume wills production software
- Spoke and hub structure with Leeds at the centre
- Vertical integration – medical reporting, financial services, costs drafting

Quality of service and skills



Mission & Themes

Developing the consumer
franchise

Process & Expertise

Growth through consolidation

Delivering Group synergies

Workstreams

Direct to consumer
Partner distribution

Reengineering the sales process
A new model for family law

Towards scale in selected markets

Buying power
Organisation design
Infrastructure

H1 Progress

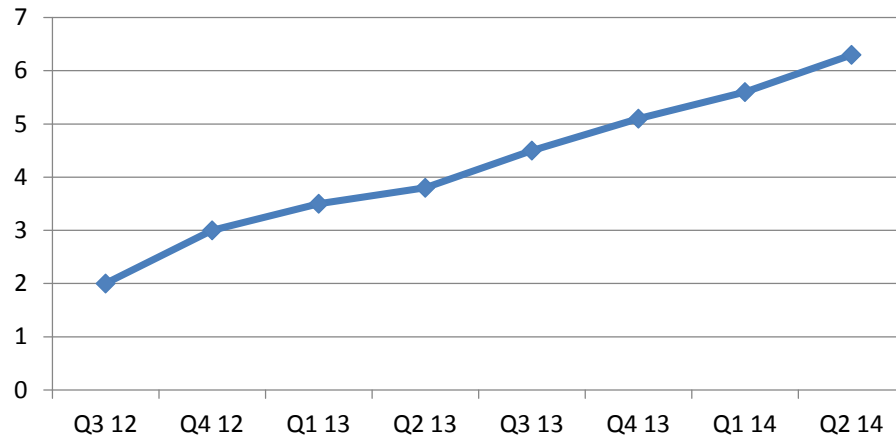
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- Strong financial position with new enlarged long term bank facilities
- Increased dividend reflecting robust set of half year results

Confident outlook

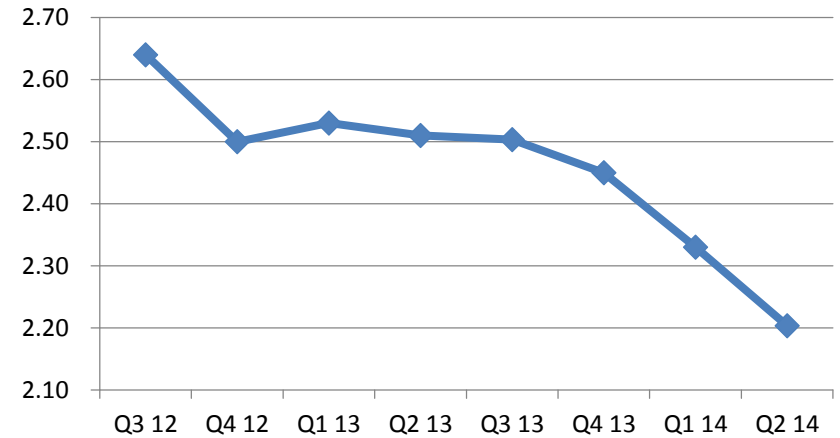
- Strong second half seasonality expected to be repeated
- Acquisitions made to date will benefit second half
- Further acquisition opportunities within legal services and debt management being sought
- Enhanced cash generation leaves net debt at end August of £8.4m after significant post period end acquisition outlays

Appendices

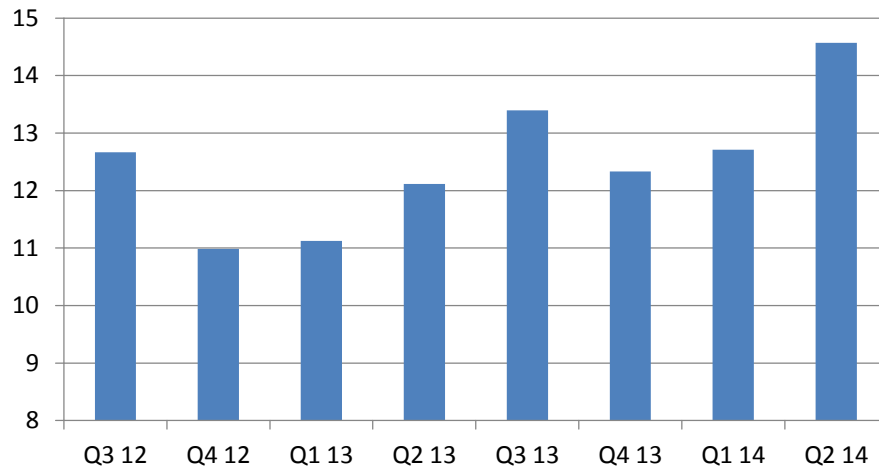
UK RPI Inflation
(% change in prices since Jan 2012)



UK Unemployment (millions)



Total IVAs (thousands)



Total IVAs and DROs (thousands)

