FAIRPOINT.

2015 Final Results

2015 Final results presentation

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Fairpoint – a rapidly changing business

Chris Moat

2015 Financial Highlights

Revenue	Adjusted PBT**	Loss before tax*	Adjusted EPS**
£54.1m	**£10.5m**	**£5.7m**	**19.29p**
+ 41%	+ 13%	After £9m impairment	+ 12%
2014: £38.3m	2014: £9.3m	2014: £3.4m profit	2014: 17.17p

Cash generation	Net debt***	Final dividend	Total dividend
£7.9m	**£13.6m**	**4.35p**	**6.8p**
Net cash generated from operating activities	After £11m spent on acquisitions	+ 6%	+ 6%
2014: £5.7m	2014: £7.6m	2014: 4.1p	2014: 6.4p

** Loss before tax of £5.65m (2014: profit of £3.45m) plus amortisation of acquired intangible assets of £4.78m (2014: £3.27m), impairment of goodwill of £9.01m (2014: nil), unwinding of the discount on contingent consideration of £0.88m (2014: nil) and exceptional items of £1.44m (2014: £2.53m). This therefore reflects a non-statutory measure.*

*** Adjusted for the net of tax effect of amortisation of acquired intangible assets, goodwill impairment, unwinding of the discount on contingent consideration and exceptional items. This therefore reflects a non-statutory measure.*

**** Net debt is bank borrowings less cash.*

Introduction & Overview

- Double digit growth of adjusted profit and revenues

- Legal services now accounts for the majority of group revenues:
  - Operating platform established and prepared for further growth
  - Progress on the organic growth agenda which delivered 4% underlying year on year growth
  - Acquisition of Colemans which adds around £19m pro forma revenues

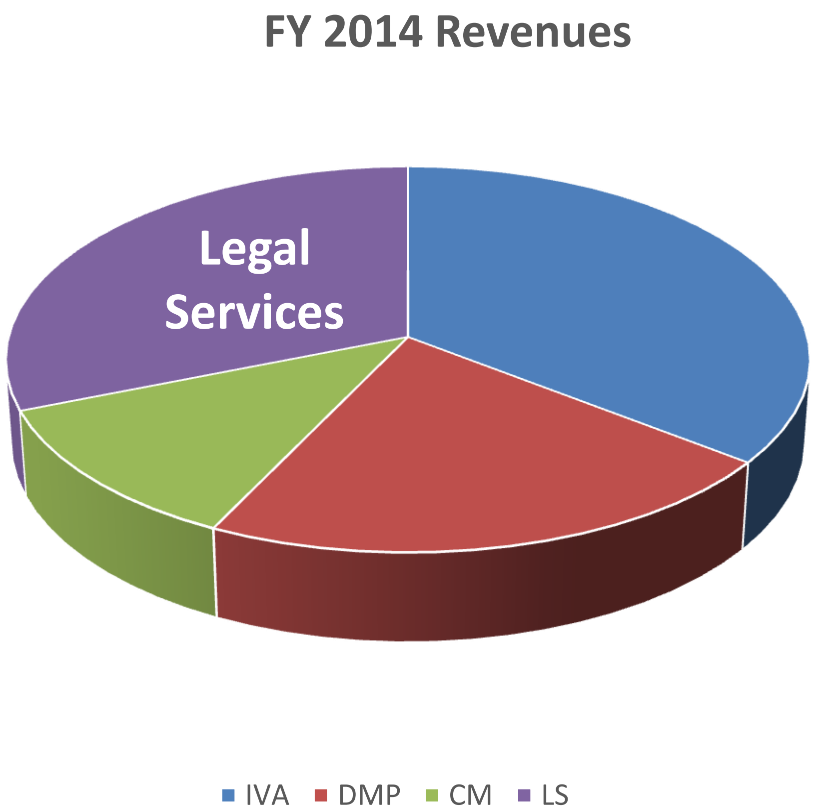
- Debt solutions businesses continue to be profitable and cash generative:
  - Continued difficult market conditions in IVAs resulted in goodwill impairment

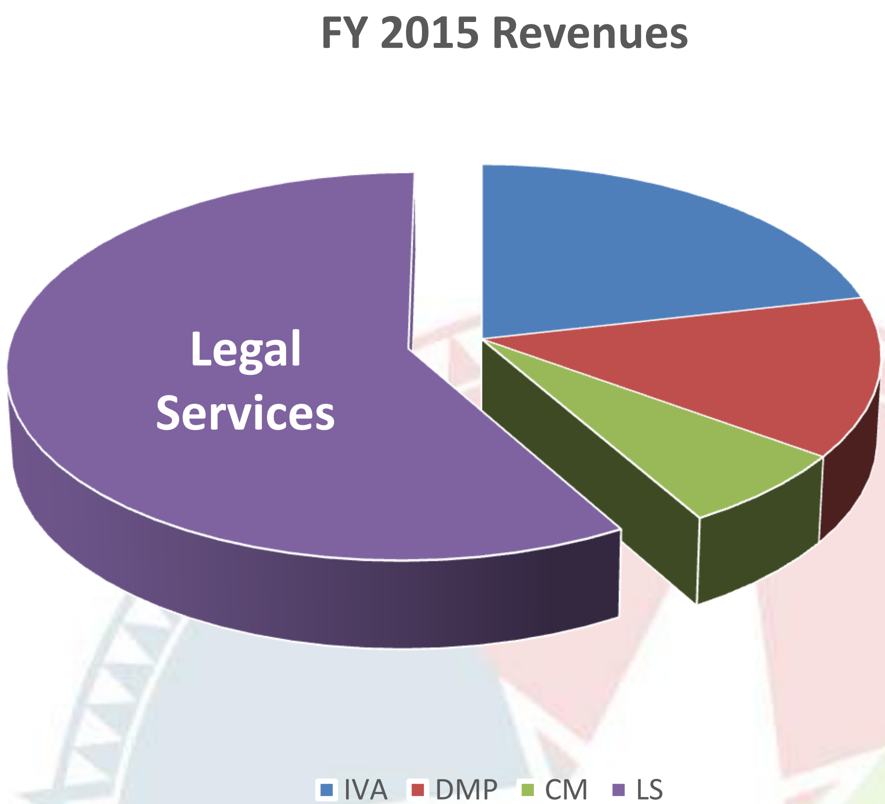
- A strong balance sheet, significant cash generation and long term bank facilities support further growth

- Increased proposed final dividend reflecting strong financial performance and confidence in the future

- Significant growth opportunities expected in legal services

Transformation in numbers





Legal Services revenues:

- 58% of Group revenues in 2015
- 67% of Group revenues in 2015 on a pro forma basis

Redefining the target operating model

Marketing & Distribution	Product Portfolio Management	Platform Capability
Towards a single legal brand (Simpson Millar) Development of a consumer franchise	Harnessing the opportunities presented by regulatory landscape	Delivering the integration programme Utilising organic and acquisition activity to develop the platform

Financial Results 2015

John Gittins

Income statement highlights

£m	2015	2014
Revenue	54.1	38.3
Gross profit	28.6	20.3
Adjusted profit before tax	10.5	9.3
(Loss) profit before tax	(5.7)	3.4
Adjusted basic EPS	19.29p	17.17p

- Revenue up 41%, driven by growth in consumer legal services
- Adjusted profit before tax up by 13% to £10.5m (2014: £9.3m)
- Finance costs of £0.7m (2014: £0.5m)
- Effective tax rate on adjusted PBT of 18% (2014: 20%), the lower tax rate relating to adjustments to prior periods
- Adjusted basic EPS of 19.29p (2014: 17.17p), up by 12%
- Final dividend proposed of 4.35p, up by 6%

Reconciliation of adjusted to reported results

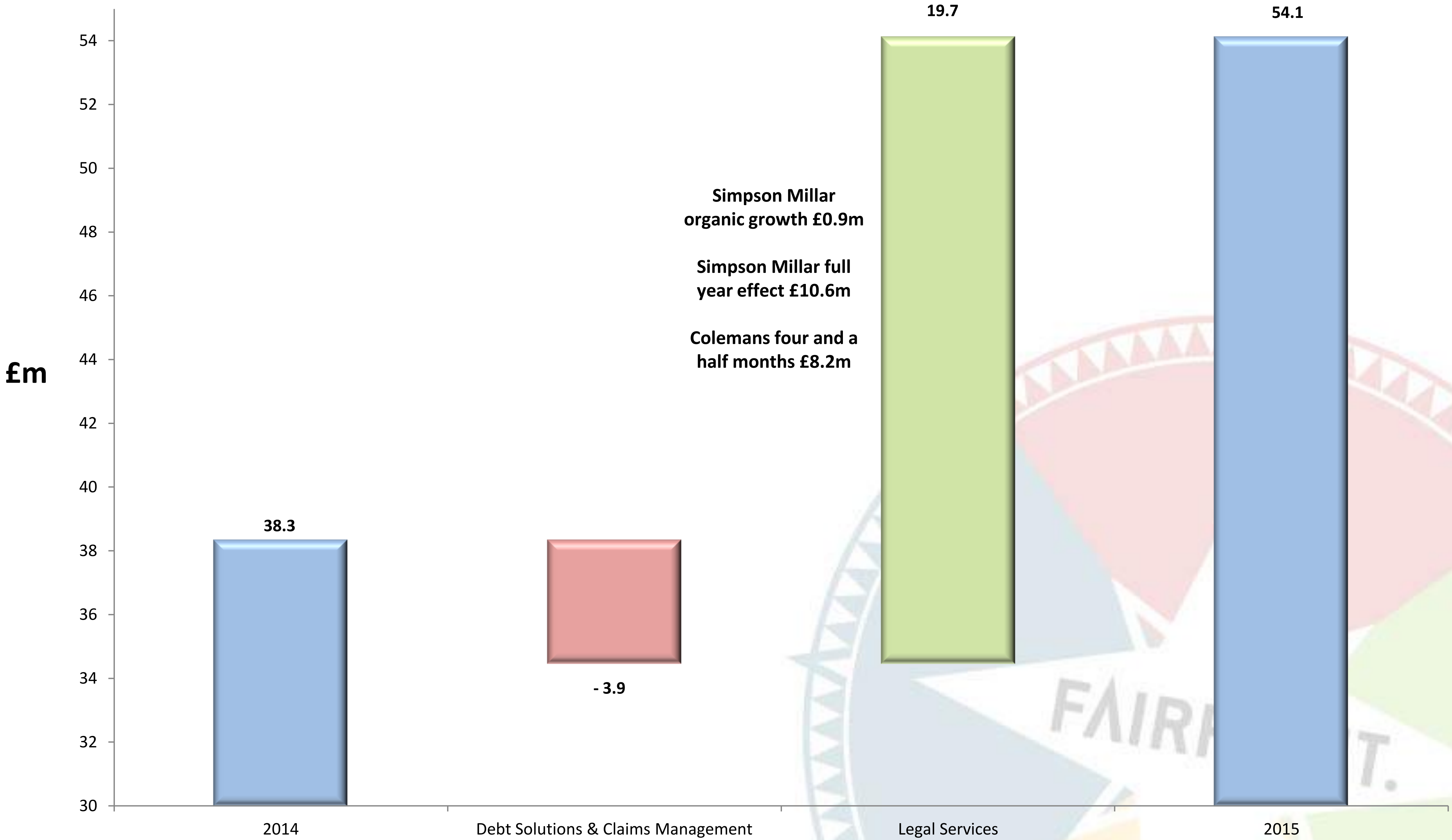
£m	2015	2014	2015 comments
Adjusted profit before tax	10.5	9.3	-
Exceptional items	(1.4)	(2.5)	*Colemans acquisition, restructuring and regulatory costs*
Amortisation of acquired intangibles	(4.8)	(3.3)	*£20m of acquired intangibles since 2014*
Unwind of discount on contingent consideration	(0.9)	-	*£7.3m of contingent consideration liabilities*
Impairment of IVA goodwill	(9.0)	-	*23% market decline in 2015; lowest volumes since 2008*
Reported (loss) profit before tax*	(5.7)	3.4	-

**subject to rounding*

IVA Impairment explained

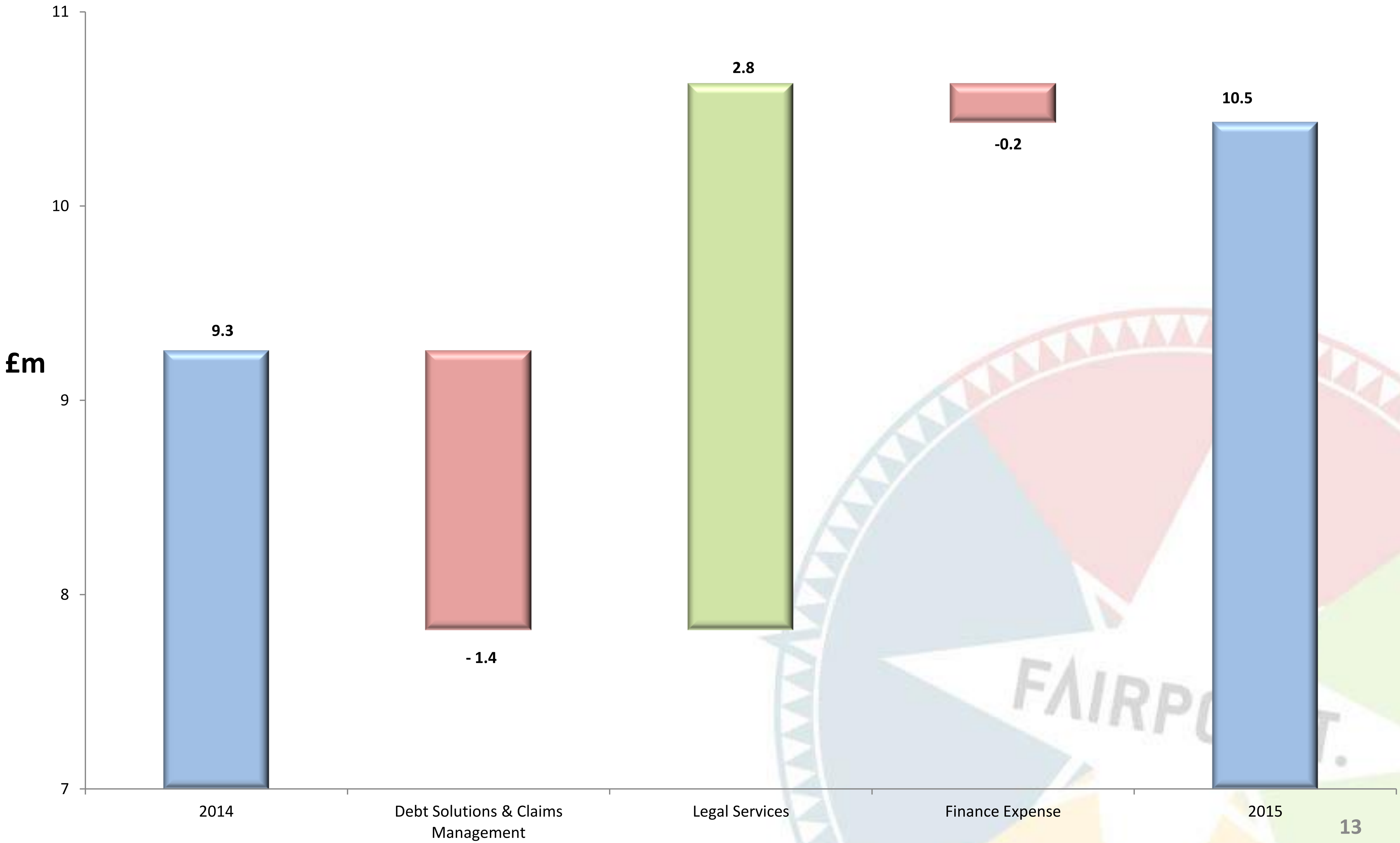
- IVA goodwill totalling £11.3m mostly created in 2007 on the acquisition of Clear Start UK
- Since 2009, the Group's IVA business has generated £28.8m of adjusted pre-tax profit
- International Financial Reporting Standards (IAS 36) require that goodwill is not amortised systemically, but subject to annual impairment test
- Despite historic performance, IVA medium term outlook is challenging, and market inceptions in 2015 were at lowest since 2008 (source: The Insolvency Service)
- Non cash impairment recognised of £9.0m resulting in equivalent reserves transfers from merger reserve created in 2007
- Remaining IVA goodwill of £2.3m

Revenue bridge*



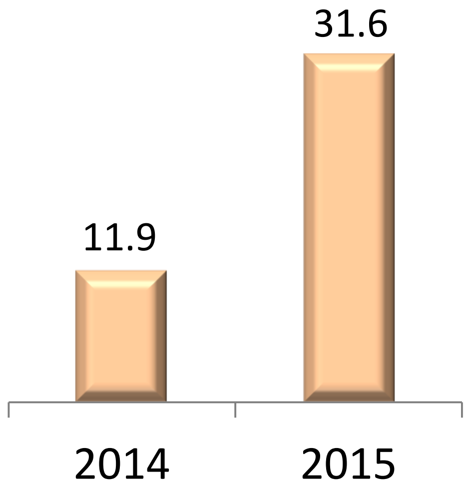
** Subject to rounding*

Adjusted PBT bridge



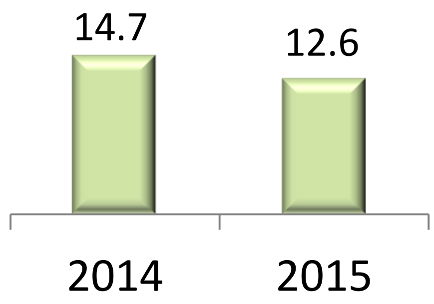
Segment summary – revenue

Legal Services (£m)



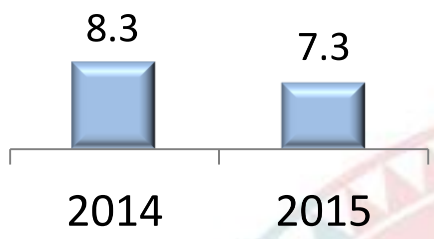
- Acquisition of Colemans plus full year effect of Simpson Millar
- Underlying organic growth of approx. 4%
- Further opportunities for acquisitions or partnerships are being explored

IVA[1] (£m)



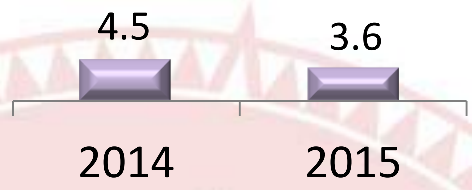
- 1,268 new cases (2014: 2,716)
- Average gross fee per new case £3,045 (2014: £3,437)
- 14,841 fee paying cases under management (2014: 17,628)

DMP (£m)



- 16,925 cases under management (2014: 25,462)
- No acquisitions made in the year and none expected in 2016

Claims Management (£m)

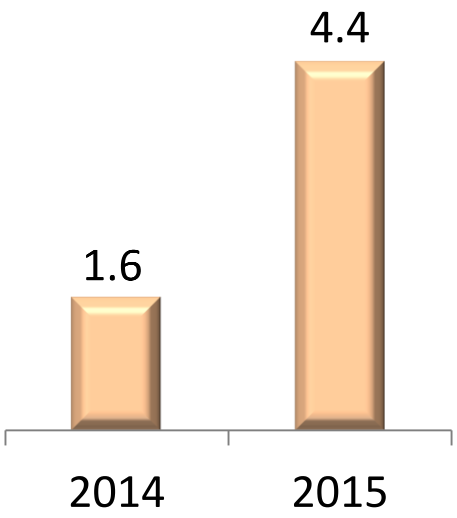


- PPI claims from IVA clients have declined in line with expectations
- New claims opportunities continue to be explored

[1] *Includes unwind of discount on IVA revenue of £1.6m (2014: £2.3m) less bad debt charge of £0.6m (2014: £1.2m)*

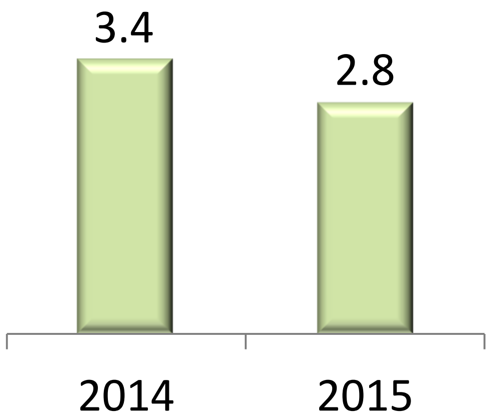
Segment summary – adjusted PBT

Legal Services (£m)



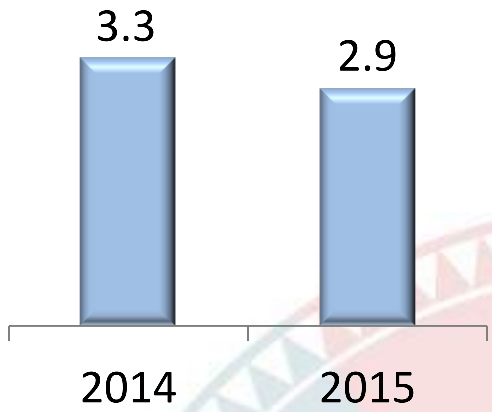
- Acquisition of Colemans plus full year effect of Simpson Millar
- Good progress on integration of offices, marketing and systems

IVA (£m)



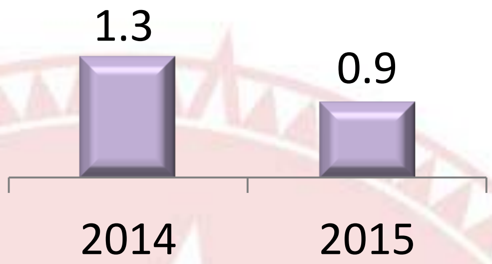
- Focus on cost control has ensured margins have been broadly maintained despite reduced revenues
- Further margin decline in 2016 as revenues reduce

DMP (£m)



- Margins maintained despite lower revenue
- Regulatory changes expected to increase cost base during 2016

Claims Management (£m)



- Emphasis continues to be on DMP clients as IVA portfolio matures
- New claims products in development

Balance sheet

£m	31 Dec '15	31 Dec '14
Property, plant & equipment	1.6	1.2
Goodwill	15.0	16.8
Other intangible assets	19.7	17.4
Trade receivables & amounts recoverable on IVA	6.4	8.3
Total non-current assets	**42.7**	**43.7**
Trade receivables & amounts recoverable on IVA	16.1	15.4
Other current assets	11.5	3.6
Unbilled income	10.6	5.3
Cash	4.8	2.4
Total assets	**85.7**	**70.4**
Equity & reserves	**39.6**	**46.2**
Non-current financial liabilities	17.4	9.3
Contingent and deferred consideration	1.8	2.3
Deferred tax	2.0	1.3
Total non-current liabilities	**21.2**	**12.9**
Trade and other payables	17.8	7.7
Contingent and deferred consideration	5.6	2.7
Current financial liabilities	0.9	0.6
Corporation tax	0.6	0.3
Total current liabilities	**24.9**	**11.3**
Total equity and liabilities	**85.7**	**70.4**

- Acquisition of Colemans has introduced the following net assets:

	£m
Property, plant & equipment	0.1
Other intangible assets	7.3
Goodwill	6.7
Trade and other receivables	6.2
Unbilled income	3.0
Trade and other payables	(8.7)
Deferred and current	(1.0)
Net assets	**13.6**

- Acquisition satisfied by £8.3m cash, £1.0m shares and contingent consideration of £4.3m (value at the point of acquisition)

- Contingent consideration of up to £7.0m is payable dependent on performance conditions over two years ending June 2017

- Contingent consideration is to be settled 50% cash and 50% in shares

Cash flow

£m	2015	2014
Operating	7.9	5.7
Operating pre exceptionals	9.3	7.3
Investing	(11.0)	(13.4)
Financing	5.6	7.2

- Operating includes:
  - Strong cash generation, particularly from debt activities
  - Operating cash flow conversion 104% (2014 : 102%)
  - WIP lock up remained at 104 days (2014 : 104 days)
- Investing includes:
  - £8.3m outflows in relation to the Colemans acquisition
  - £1.5m of contingent consideration relating to Simpson Millar
  - £1.1m of mostly IT infrastructure investment
- Financing includes:
  - £2.9m dividends paid (2014: £2.6m)
  - Net draw down of existing AIB facility

Cash position and facilities

£m	31 Dec 2015	31 Dec 2014
Principal bank debt	(18.4)	(10.0)
Cash	4.8	2.4
Net debt	(13.6)	(7.6)

- Movement in net debt during the year reflects £8.3m cash investment on the Colemans acquisition
- £5m extension to banking facility signed with AIB in August 2015, taking total facility to £25m, comprising £17m revolving credit facility and an £8m term loan
- Facility extends to May 2019
- Extended facility supported the acquisition of Colemans and provides long term financing to underpin the Group’s growth and acquisition strategy
- Net debt to adjusted EBITDA ratio 1.07x as at 31 December 2015 (2014 : 0.7x)
- Ample capacity for further acquisition activity

Financial trends

- Segmental trends:
  - Legal services: continued organic growth expected and further acquisition or partnership activities are being explored
  - Debt solutions: expected to remain challenging with focus on cash generation and cost control
- Contingent consideration to be settled in Q3 2016 of up to £6.5m, being up to £3.0m final payment in relation to Simpson Millar and £3.5m first year payment in relation to the Colemans acquisition. Both settlements are 50% cash and 50% shares
- 2016 full year effective tax rate expected be 20-21%
- Expected amortisation of acquired intangibles of £5.0m
- Unwinding of discount on contingent consideration of £0.5m
- Term loan repayment of c.£1m in 2016
- Final dividend of £2.0m payable in June 2016

Building the platform

Chris Moat

Product portfolio – overview

Cycle time to cash	Cash generative debt products Fixed fee legal services Case management
Towards value and choice	Unbundled legal services Electronic documents
The small claims landscape	Proposed change to raise the small claims limit Justification centred around whiplash personal injury Likely to switch distribution towards insurer partnerships
Blend of growth markets and defensive plays	Growth in legal services Innovation in claims management Managed decline in debt solutions

Product portfolio – market dynamics (small personal injury claims)

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Current claims models	Predicted claims models
Volume growth on simple claims	Financial opportunities have subsided
Drive towards profit pool	Profit pool opportunity has reduced and potentially ended
Legal ownership or commission participation	Drive towards business simplification
Drive to control the claim for: - Customer service, and - Financial benefits	Outsource model for new business
	Run off or exit for work in progress

Group well positioned to manage such work at low cost

Redefining the target operating model

Marketing & Distribution	Product Portfolio Management	Platform Capability
Towards a single legal brand (Simpson Millar) Development of a consumer franchise	Harnessing the opportunities presented by regulatory landscape	Delivering the integration programme Utilising organic and acquisition activity to develop the platform

Marketing & Distribution

Brand framework, local ownership

Direct to consumer and partnerships

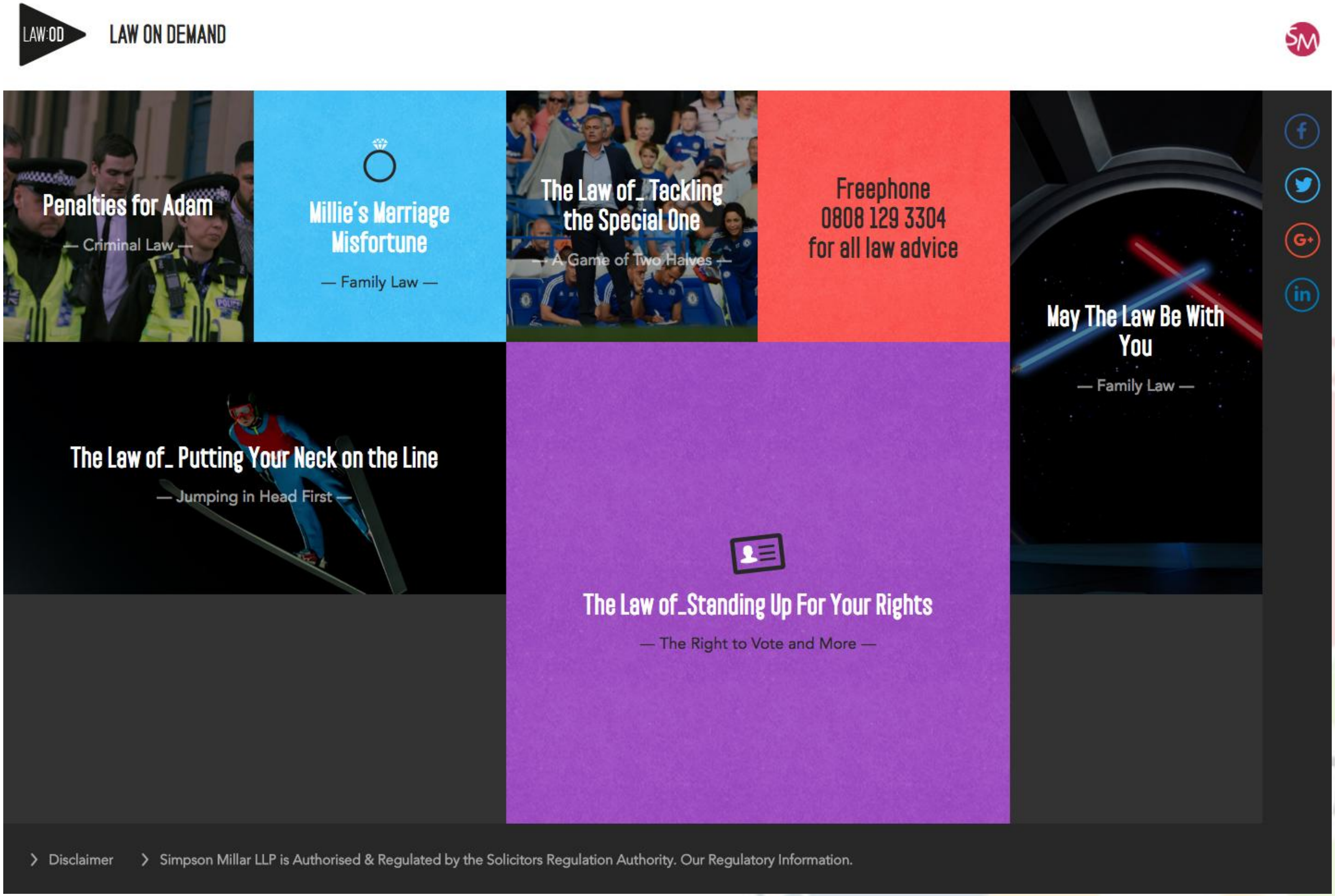
Marketing Legal brand harmonisation

Marketing expenditure directed towards legal services

Bringing the brand to life – overview

- Legal firms look similar
- Consumers want:
  - Transparency
  - Value
  - Approachability
- In general, legal firms find it difficult to connect with consumers
- Simpson Millar is launching its first major unified marketing campaign this Spring

Bringing the brand to life – microsite



Bringing the brand to life – Blog and Vlog

LAW:OD LAW ON DEMAND

17/02/16

The Law of_ Tackling the Special One

Jose Mourinho and Chelsea Football Club appear set to plan a defence strategy – yet this time it's not on the football pitch, but the courtroom.

The turn of events was sparked by a very heated on-pitch disagreement between the former Chelsea FC Manager and the club's female team doctor Eva Carnerio over her decision to provide medical assistance to an injured player. Carnerio was banned from travelling with the team before allegedly being forced out.

Chelsea FC: Caught Offside?

It wasn't long after Mourinho's very public outburst that concerns were raised about the true motivations behind it – was this just anger at losing another player from an already stretched team? Or is this more to do with sex discrimination and bullying in a male dominated sporting environment?

Carneiro and her legal team certainly think so – as she's decided to bring two separate cases; one against the football club for constructive dismissal, and another against Mourinho personally for victimisation and discrimination.

A Game of Two Halves

This case has been played out under the scrutiny of the public eye – with Carneiro herself calling for a public apology from Mourinho. But, issues like this aren't just reserved for those who are well-known; all employers need to play fair and observe their employees' rights.

Zee Hussain, Partner and Employment law specialist, has been keeping up with the news around Carneiro's case. Zee comments:

Bringing the brand to life – Blog and Vlog

LAW:OD LAW ON DEMAND

16/02/16

The Law of_Putting Your Neck on the Line

Producers of Channel 4's winter sports series The Jump have found themselves skating on thin ice as one by one, numerous celebrities have been taken out in skiing mishaps.

Contestants have dropped like flies throughout the series, with seven in 12 of the celebrities left injured or in hospital; with some even undergoing multiple surgeries. The sheer number of casualties inspires little confidence in the safety of the show.

So which celebrity contestants are amongst those injured, and what's the lasting cost of The Jump?

1. **Rebecca Adlington, Olympic Swimmer**

The Olympic swimmer with two gold medals under her belt was left in agony during a ski jump at 30mph down a 100 metre slope. She lost balance when trying to land and fell, dislocating her shoulder.

Adlington said that she was left lying injured for 40 minutes and that the pain was "worse than childbirth".

1. **Beth Tweddle, Professional Gymnast**

She's Britain's most successful gymnast, holding six European titles and a Commonwealth Games gold medal, and went on to suffer some of the most serious injuries seen on The Jump.

During training for the show, Beth fell and crashed into a barrier, fracturing the vertebrae in her neck. She underwent surgery which involved taking bone from her hip to fuse together the damaged vertebrae. It was days before Beth was able to walk and her rehabilitation continues.

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Bringing the brand to life – social media

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Former Chelsea doctor Eva Carneiro wants a public apology from Jose Mourinho, but should she get one? www.thelawof.co.uk #TheLawOf

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Did C4 make this year's celebs hit the slopes too hard in The Jump? We investigate www.thelawof.co.uk #TheLawOf

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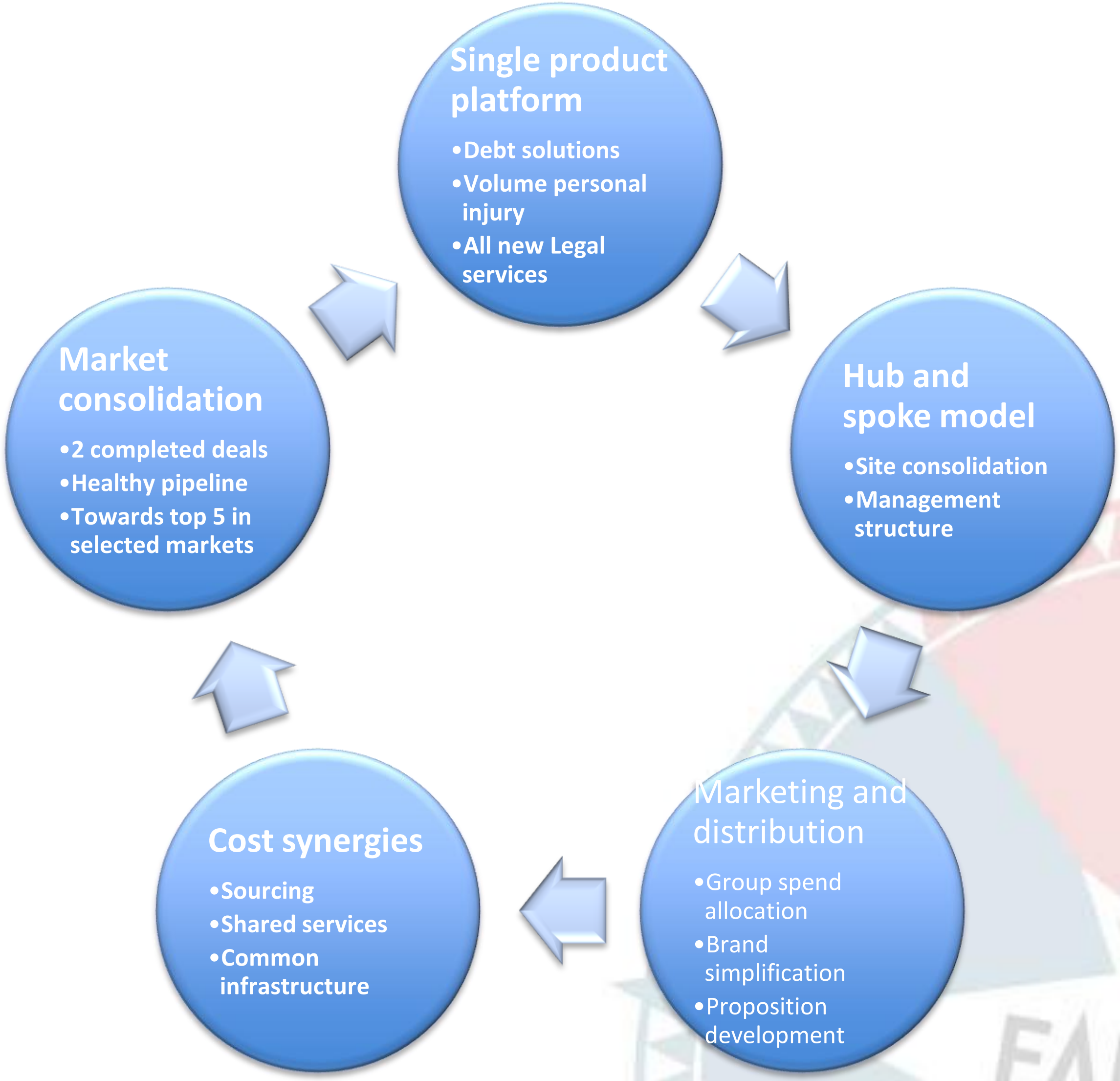
Platform capability – integration progress



Strong platform for further organic and acquisitive growth

Summary and questions

Chris Moat

Outlook

- Legal Services now represents 67% of the Group's revenue on a pro forma basis
- 2016 will benefit from:
  - Full year contribution from Colemans
  - Integration, marketing and new product initiatives
  - Targeting further value enhancing acquisitions
- Debt solutions businesses:
  - Market conditions expected to remain challenging
  - Continue to focus on margin management and cash generation
  - Expect these businesses to continue to make useful contributions to Group earnings
- The Board expects to make good progress in 2016 and beyond

Investment Summary

- A growing business with majority of revenues derived from legal services
- Delivering value from legal services acquisitions
- A unique model in the professional services arena:
  - Access to customers
  - Balanced product portfolio
  - Platform capability in target markets
- Growing well both organically and through acquisition, offsetting headwinds in debt markets
- Conservative gearing at 1x EBITDA, with strong balance sheet, bank facility and cash generation to enable continued progress
- Attractive and growing dividend
- Continued growth through development of legal services anticipated

Strong progress and momentum into 2016

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FY2015
Final Results