

Presentation to Analysts 2009 Preliminary Results

16 March 2010

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 - Market place
 - Positive outlook
- The numbers behind the story
- Broadening the business for growth
 - Strategic Themes
 - Deepening Customer Relationships
 - Distribution Capability
 - More from the Core Business
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Executive Summary

Matthew Peacock
Chairman

- Significantly improved results
- Revenues grown by 9%
- Adjusted PBT more than doubled to £6.1m
- Ahead of our borrowing targets
- Diversifying revenue stream giving a strong base into 2010
- Pleased to announce a reintroduction of dividends

Delivering returns

Chris Moat
CEO

FY09 Performance Overview

FAIRPOINT.

- Trading strongly improved from 2008 at £6.1m adjusted PBT in the period and revenue of £28.9m
- Operational effectiveness programme continues to deliver results
- Revenues growing
- Reintroduction of dividend

Key Focus Areas	Objective	Progress
Cost effectiveness	Maintain ratio of direct marketing and costs to revenue of below 55% for the full year	Ratio has fallen from 63% in FY08 to 54% in FY09
Fee stability	Strong creditor relationships	Fee structures stable and IVA approval rates stable at 95%
Diversified revenue	Build strong debt management proposition. Initiate further revenue streams	Debt management revenues grew 35% on FY08 to £3.1m. Significant numbers now taking advantage of our Value Added Services
Cash generation	Reduce borrowings to below annualised adjusted profit before tax.	Target met with year end bank borrowings at £4.5m. Reintroduction of dividend with initial 2p

2009 Continued Growth

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	H1 FY08	H2 FY08	H1 FY09	H2 FY09	Comments
IVA contribution ¹	£3.6m	£5.2m	£5.1m	£6.7m	First half marketing investment coming through in H2. Conversions helped by greater penetration of less indebted market segments. Focus on profitable business with stable market share
DMP contribution ¹	£0.2m	£0.7m	£0.8m	£0.9m	Back book providing strong recurring revenues
Adjusted PBT	£0.3m	£2.5m	£2.4m	£3.7m	£6.1m for FY09 significantly ahead of FY08
Cash generation	£(4.3)m	£2.3m	£2.1m	£2.0m	Improved acquisition margins, strict cost control and robust back book. Allows for dividend in 2010

¹ Contribution comprises Gross Profit adjusted for the unwinding of discounts on IVA revenues and bad debts.

Operational & Marketing effectiveness

- Improved marketing acquisition model
- Improved sales capability
- Lower cost operating model

Product diversification

- Debt management business firmly established
- Value Added Services successfully piloted

Route to Market

- Significant migration to online distribution
- Partnership capability developed and pipeline building

Target Market

- Extended distribution to lower value cases
- Product solutions for less distressed consumers

Debt solutions market stabilising at historic high

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Competitive environment

- Fewer but larger competitors
- Regulatory change likely to impact smaller market players
- Growing number of consolidation opportunities

Market Dimensions

2009 insolvency solutions:

- At record levels
- 22% growth in IVA volumes (mainly from lower value cases)

2010 outlook is for the market to remain at or around 2009 level

Creditor attitudes

- IVA fee levels stable
- Approval rates stable
- Distributions continue to accelerate
- Debt sale returns are poor but some early indications of a recovering market

Consumer need

- Debt burden reducing slightly
- Refinance options remain limited
- Home equity lower and no recovery in sight
- Interest rate rises may be next catalyst for continued high demand

Unemployment

- Fuelled growth in 2009
- Now stabilised
- Further growth through public sector spending cuts

We ended 2009 with strong business fundamentals:

- Much improved operational performance
- Strongly cash generative business through the period
- Progress in product diversification
- Conducive market conditions

We now have momentum in the business to deliver:

- Continued operational efficiency improvements
- Further product diversification
- Deepening of our customer relationships
- Our cash position and balance sheet allow us to take advantage of selected acquisition opportunities

Financials

2009 Interim Results

Andrew Heath
Finance Director

Key points

- | | |
|-------------------------|--|
| • Revenue growth | Annual growth of 9% to £28.9m |
| • Improved margins | Gross margin improves from 37% to 47% with greater operational efficiency and improved marketing |
| • Earnings growth | Basic EPS of 9.5p (FY08 : 1.5p) |
| • Cash generative | Bank borrowings fell from £8.6m to £4.5m in the year |
| • Dividend reintroduced | Interim dividend of 2p |

Profit Before Tax

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Headline results

£'000	6 Months to Jun 09	6 Months to Dec 09	FY09	Variance to prior year
Revenue	13,759	15,141	28,900	2,441
Cost of sales	<u>(8,023)</u>	<u>(7,423)</u>	<u>(15,446)</u>	<u>1,160</u>
Gross profit	5,736	7,718	13,454	3,601
Net breakage	144	(133)	11	(385)
Overhead	<u>(2,875)</u>	<u>(3,218)</u>	<u>(6,093)</u>	<u>(378)</u>
Recurring EBITDA	3,005	4,367	7,372	2,838
Depreciation and Amortisation	(445)	(457)	(902)	(13)
Net finance costs	(199)	(170)	(369)	423
Adjusted PBT	<u>2,361</u>	<u>3,740</u>	<u>6,101</u>	<u>3,248</u>

The above table excludes amortisation and impairment of intangibles arising on consolidation and exceptional items.

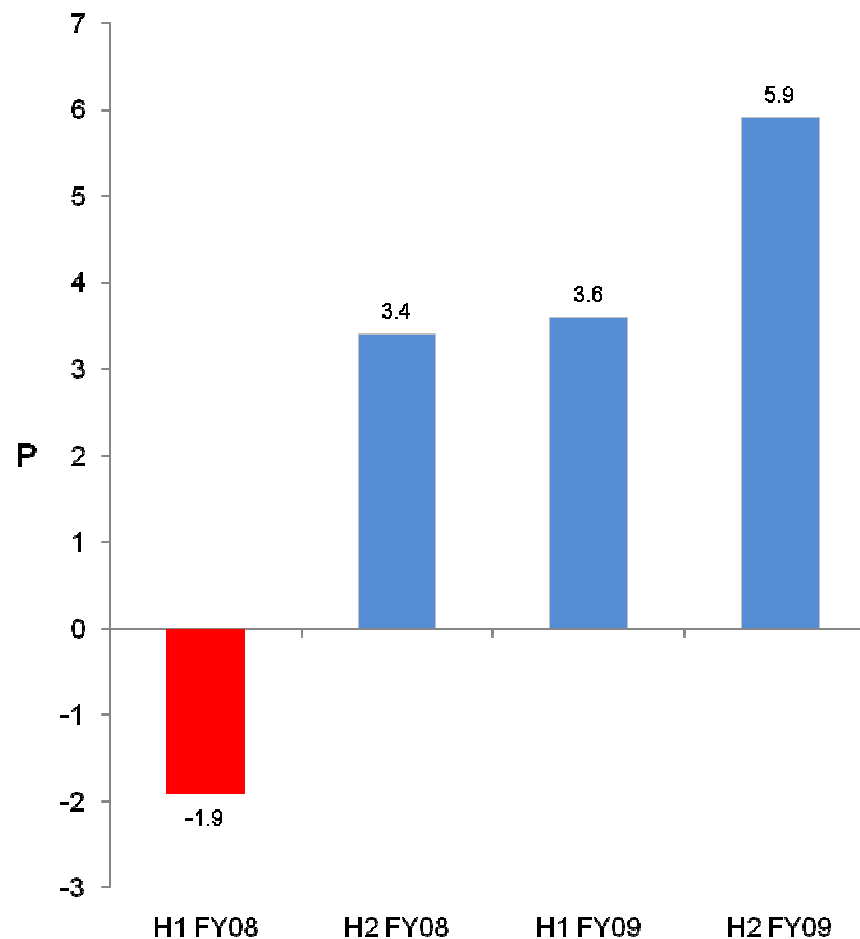
Earnings

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Earnings from continuing operations

£'000	6 Months to June 09	6 Months to Dec 09	FY09	Variance to prior year
Adjusted PBT	2,361	3,739	6,101	3,248
Exceptional items	-	-	-	1,352
Brand amortisation	<u>(186)</u>	<u>(192)</u>	<u>(378)</u>	<u>(1)</u>
Profit before tax	2,175	3,548	5,723	4,599
Tax	(647)	(1,015)	(1,662)	(1,183)
<i>Effective Rate</i>	30%	29%	29%	
PAT from Continuing Operations	1,528	2,533	4,061	3,416
Basic EPS	<u>3.58</u>	<u>5.89</u>	<u>9.47</u>	<u>7.96</u>

EPS trend

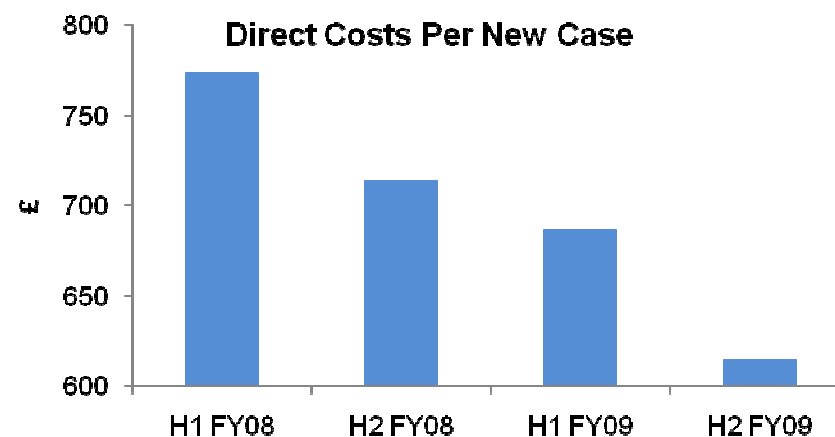
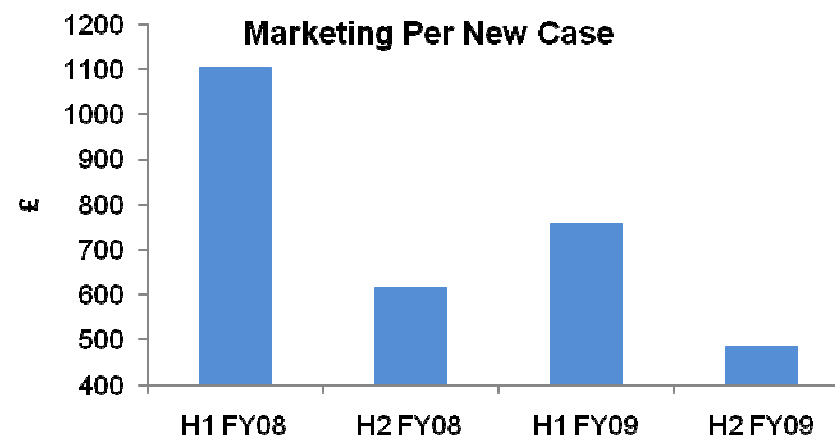


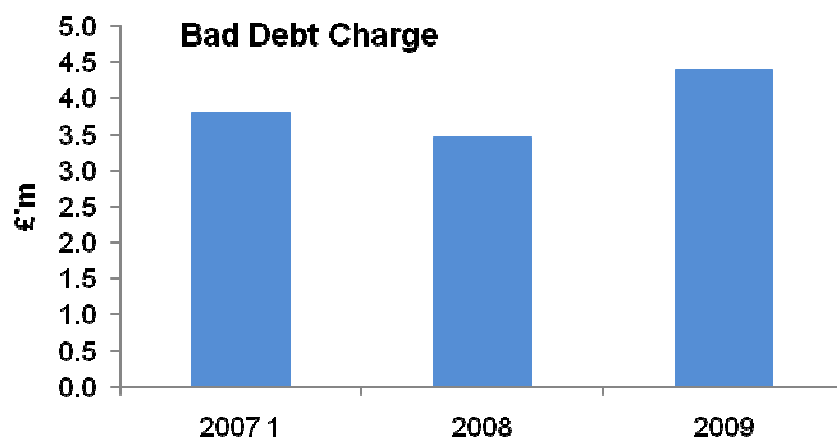
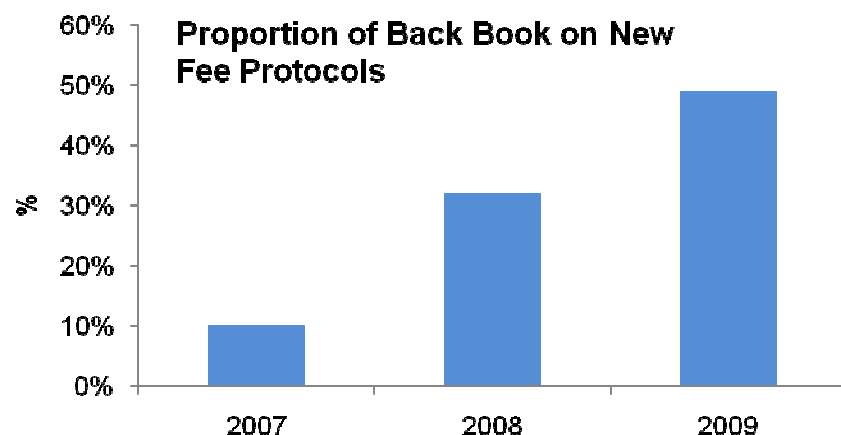
Headline results

£'000	6 Months to Jun 09	6 Months to Dec 09	FY09	Variance to prior year
New Business				
Revenues ¹	8,308	9,622	17,930	1,300
Marketing	(2,936)	(2,241)	(5,177)	1,149
Direct costs	<u>(2,670)</u>	<u>(2,845)</u>	<u>(5,515)</u>	<u>(70)</u>
Contribution to profit	<u>2,702</u>	<u>4,536</u>	<u>7,238</u>	<u>2,379</u>
Ongoing Business				
Revenues ¹	3,895	3,589	7,484	827
Direct costs	<u>(1,453)</u>	<u>(1,464)</u>	<u>(2,917)</u>	<u>(160)</u>
Contribution to profit	<u>2,442</u>	<u>2,125</u>	<u>4,567</u>	<u>667</u>
Total contribution from IVA	<u>5,144</u>	<u>6,661</u>	<u>11,805</u>	<u>3,046</u>
Volumes				
New cases	3,886	4,634	8,520	1,220
-Recurring cases	2,664	3,162	5,826	697
Closing cases on file	18,771	20,803	20,803	3,226

¹ Net Breakage has been allocated to IVA segmental revenues

Operational efficiency





¹2007 bad debt charge annualised

- Book is yet to reach full maturity
 - Expectations for 10% growth in FY10
 - Increasing number of cases successfully concluding
 - 2007 fee protocols feed through to average monthly case revenues
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- Breakage in line with expectations
 - Growth in charge
 - Growth in new cases
 - Higher back book
 - Unemployment
 - Average expected recovery remains at 76% of contracted fees
 - FY10 charge expected to be in line with FY09

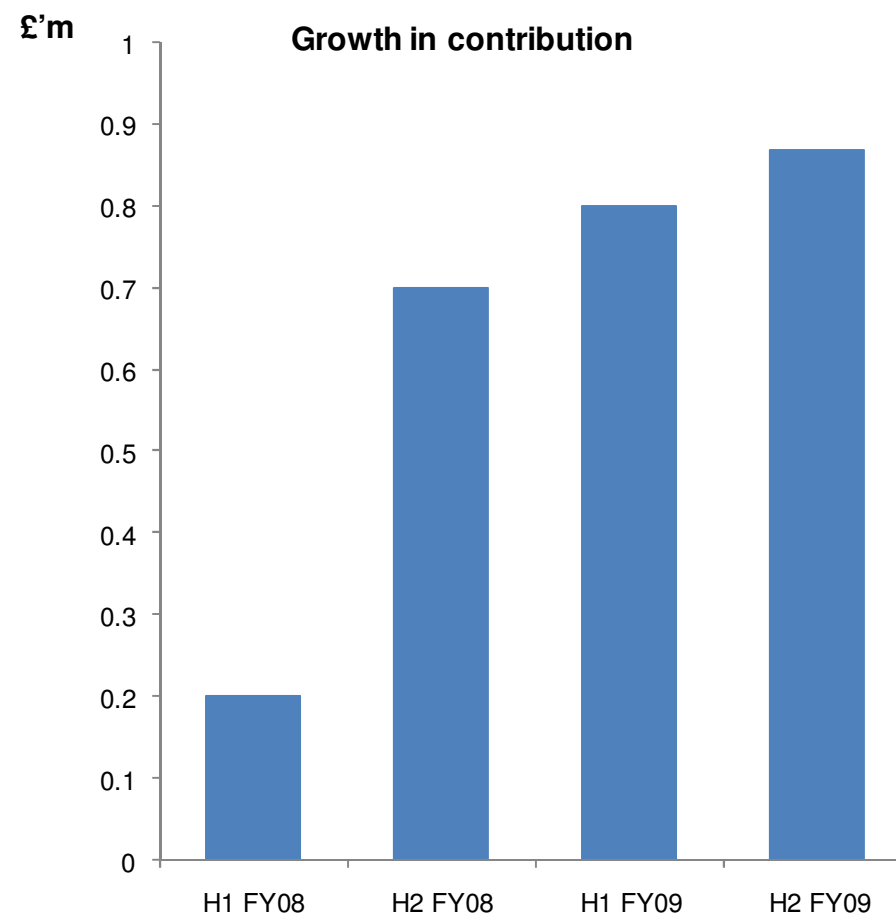
Debt Management

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Headline results

£'000	6 Months to Jun 09	6 Months to Dec 09	FY09	Variance to Prior Year
New Business				
Revenues	845	740	1,585	(150)
Marketing	(259)	(243)	(502)	273
Direct costs	<u>(257)</u>	<u>(231)</u>	<u>(488)</u>	<u>(140)</u>
Contribution to profit	<u>329</u>	<u>266</u>	<u>595</u>	<u>(17)</u>
Ongoing Business				
Revenues	682	838	1,520	949
Direct costs	<u>(203)</u>	<u>(237)</u>	<u>(440)</u>	<u>(212)</u>
Contribution to profit	<u>479</u>	<u>601</u>	<u>1,080</u>	<u>737</u>
Total contribution from DMP	<u>808</u>	<u>867</u>	<u>1,675</u>	<u>720</u>
Volumes				
New cases	2,187	2,042	4,229	(2,227)
- In-house cases	2,107	2,025	4,132	39
Closing cases on file	4,516	5,539	5,539	1,973

Back book drives increased returns



Headline results

£'000	6 Months to Jun 09	6 Months to Dec 09	FY09	Variance to Prior Year
New Business				
Revenues	173	219	392	(872)
Marketing	(32)	(34)	(66)	236
Direct costs	<u>(213)</u>	<u>(128)</u>	<u>(341)</u>	<u>87</u>
Contribution to profit	<u>(72)</u>	<u>57</u>	<u>(15)</u>	<u>(549)</u>
Volumes				
New cases (Mortgages)	65	62	127	(463)
New Cases (Value Added Services)	1,079	3,627	4,706	4,176

Value Added Services

- Prepaid Card & Utility Switching
- Rapid growth in take up
- On average clients save £231 per annum
- Strong customer satisfaction
- Seeking a 25% penetration on leads into the business
- Potential for further income generating products

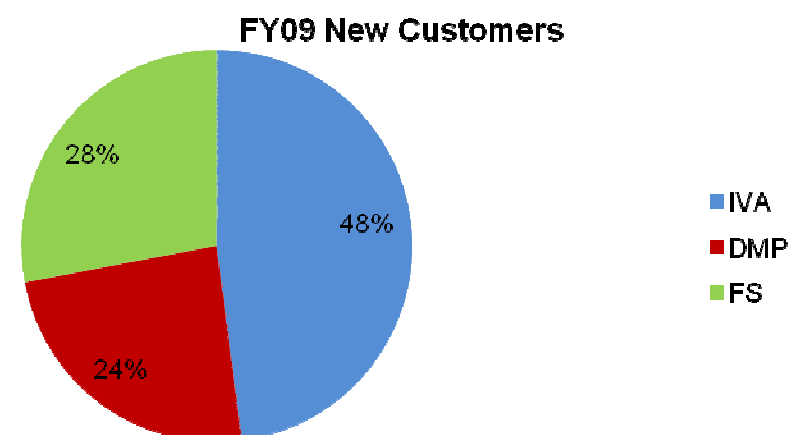
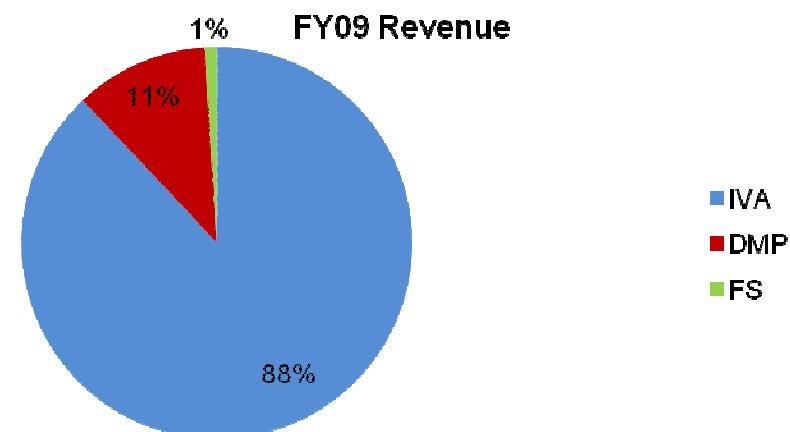
Segmental Review

FAIRPOINT.

Headline results

Diversifying the Business

£'000	6 months to Jun 09	6 months to Dec 09	FY09	Variance to prior year
IVA revenue ¹	12,203	13,211	25,414	2,128
Contribution to profit	<u>5,144</u>	<u>6,661</u>	<u>11,805</u>	<u>3,046</u>
DMP revenue	1,527	1,578	3,105	799
Contribution to profit	<u>808</u>	<u>867</u>	<u>1,675</u>	<u>720</u>
Financial services revenue	173	219	392	(871)
Contribution to profit	<u>(72)</u>	<u>57</u>	<u>(15)</u>	<u>(550)</u>
Overheads	(2,875)	(3,218)	(6,093)	(378)
Depreciation, Amortisation & Interest	(644)	(628)	(1,271)	409
Adjusted PBT	2,361	3,739	6,101	3,248



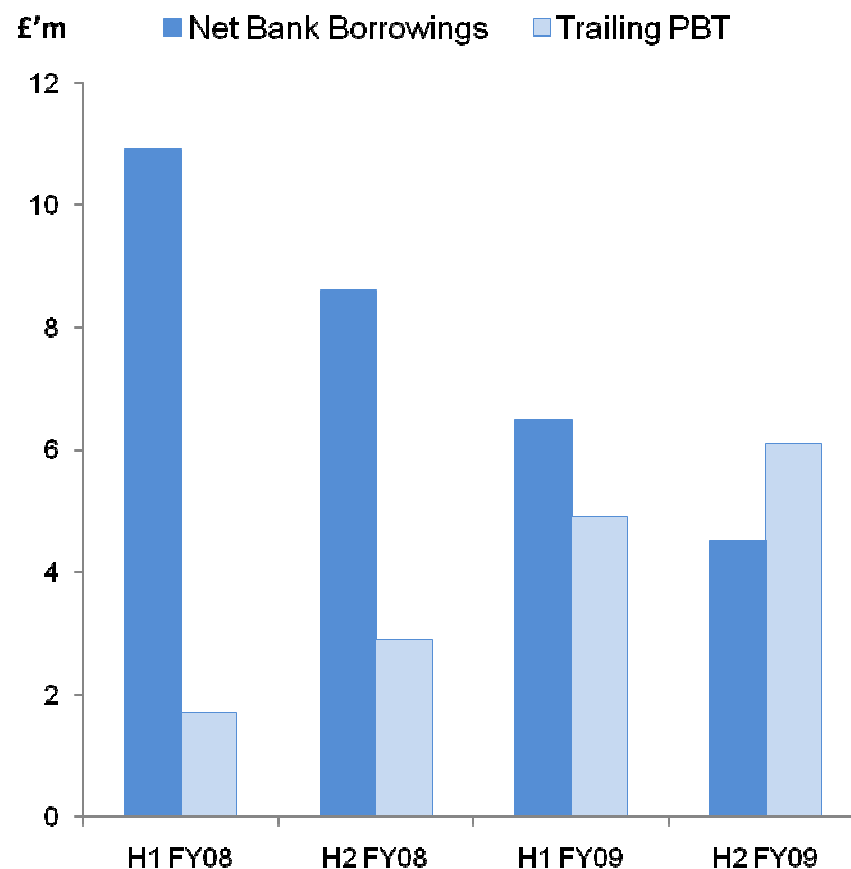
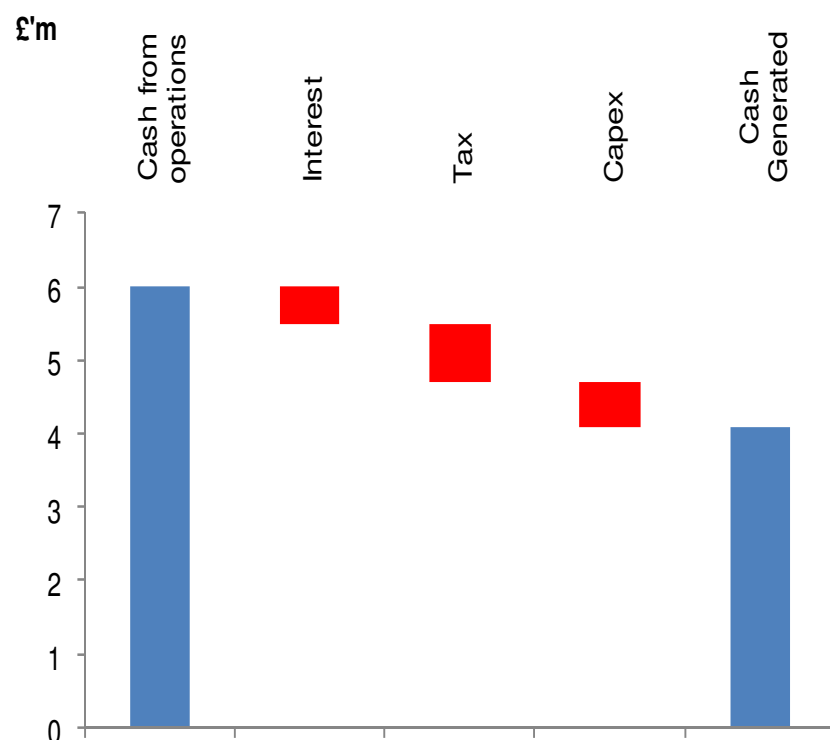
¹ Net Breakage has been allocated to IVA segmental revenues

Cash Generation

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Strong operational cash flow allows us to repay £4.1m of bank borrowings

Year end gearing target achieved



Funding Position and Balance Sheet

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Improving balance sheet with £11.5m funding headroom allowed us to reintroduce dividend

Funding position

£'m	Revolving credit facility
Utilised	4.5
Unutilised	11.5
	<u>16.0</u>
Repayment schedule	
December 2011	8.0
December 2012	8.0
	<u>16.0</u>
Pricing	LIBOR
	+ 150 bps

Balance sheet

£'m	December 2009	June 2009	December 2008
Non current assets	18.3	18.5	18.9
Debtors	26.4	24.1	24.8
Creditors	(3.0)	(1.6)	(2.1)
Deferred tax	(1.0)	(0.8)	(0.9)
Net bank borrowings	(4.5)	(6.5)	(8.6)
	36.2	33.7	32.1
Equity	0.4	0.4	0.4
Distributable reserves	23.7	21.2	29.6
Other reserves	12.1	12.1	12.1
Net assets	36.2	33.7	32.1

Broadening the business

Chris Moat
CEO

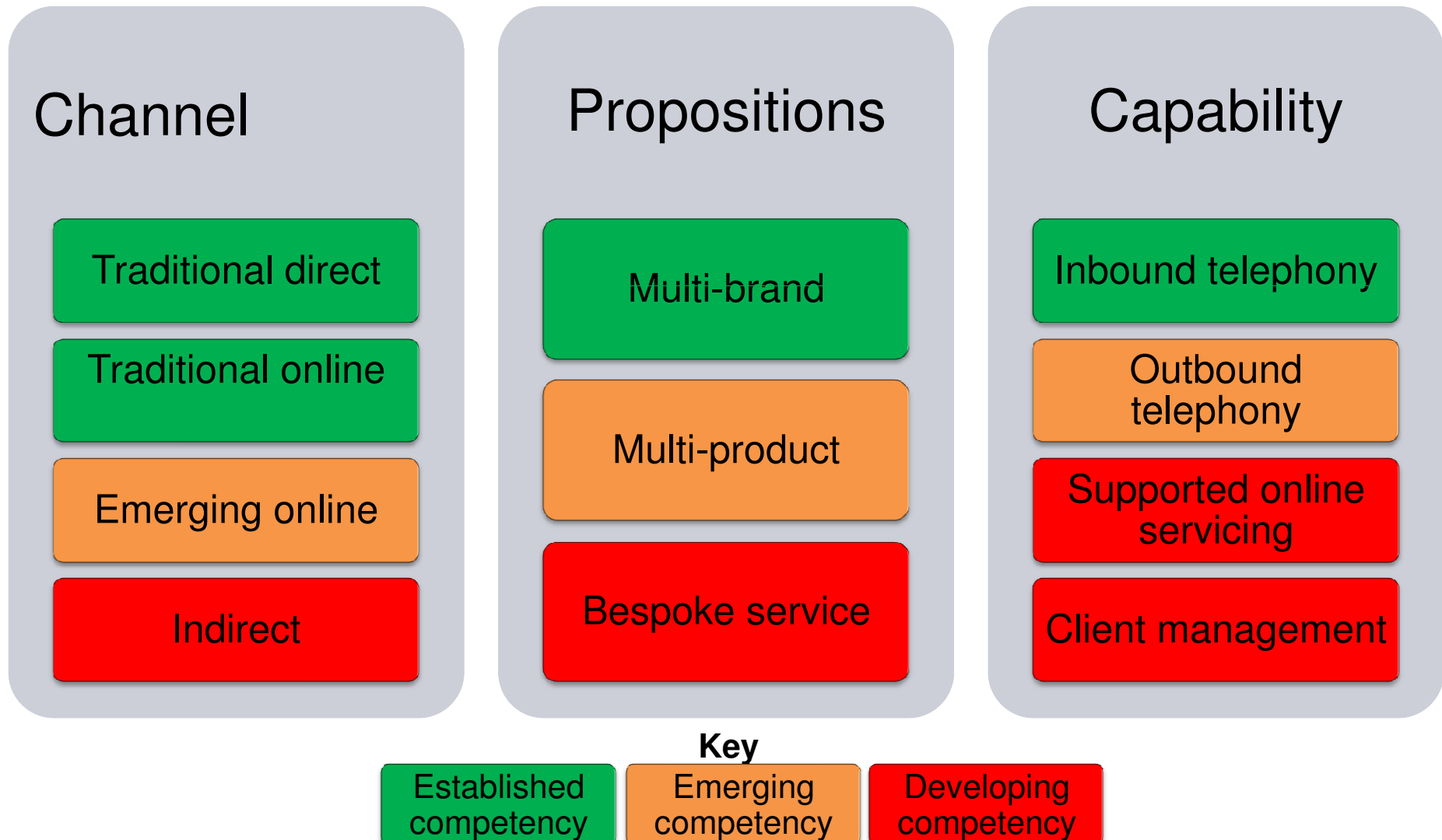
Deepening customer relationships

Distribution capability

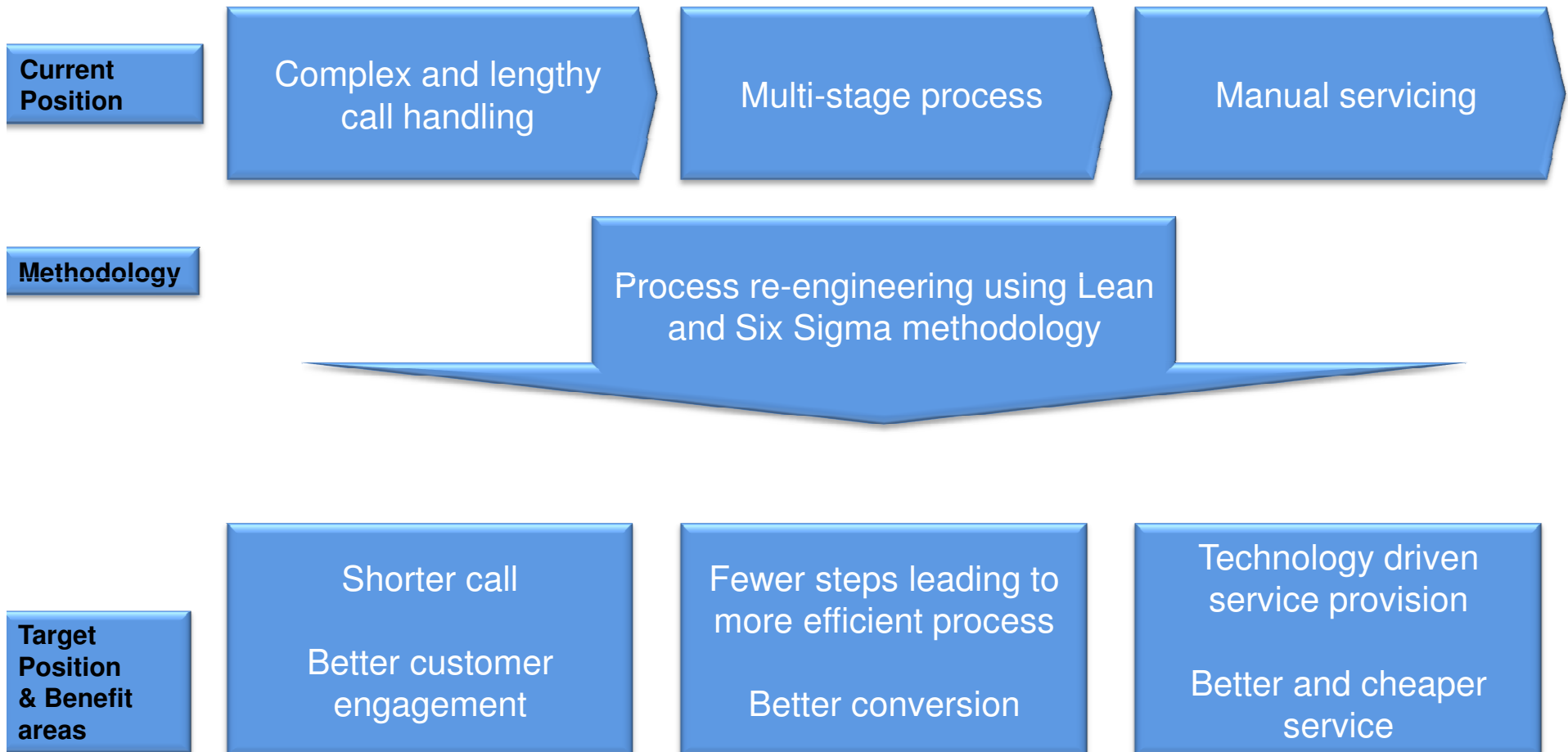
More from the core business



Widening our distribution footprint



Making Life Easier



KPIs

	Year to Dec 2008	6m to 30 June 2009	6m to 31 Dec 2009	Year to Dec 2009	2010 Direction v 2009
Lead volumes	124,300	56,900	44,451	101,351	↔
Total solutions sold	14,346	7,217	10,365	17,582	↑
IVA solutions sold	7,300	3,886	4,634	8,520	↑
Average fee per new IVA	£2,278	£2,138	£2,076	£2,104	↔
Average fee per new DMP	£269	£401	£365	£375	↔
Average fee per other solution	£1,128	£151	£59	£81	↓
Average number of ongoing cases	17,773	22,812	24,815	23,743	↑
Revenue per ongoing case per month	£34	£34	£30	£32	↓
Marketing as a % of revenue	28%	23%	17%	20%	↔
Other cost of sales as a % of revenue	35%	35%	33%	34%	↓
Monthly overheads £'000	£476	£479	£536	£508	↔

Comments

- Focus on improved conversions and channel optimisation
- Money saving to significantly increase volumes
- Increased conversion opportunities
- Fees stable
- Stable fee environment
- Higher numbers of One Card Banking & money savings
- Growing DMP backbook
- Impact of 07 fees on backbook offset by growth in DMP
- Operational improvement
- No cost growth on FY09

- The business foundations are now solid and the market remains supportive
- Our focus is on growth through:
 - Developing a significant customer franchise – doubling customer numbers
 - Diversifying revenue – 20% from non IVA sources
 - Further operational effectiveness – combined ratio better than 54%
 - Acquisition as opportunities for consolidation are presented
- We look forward to 2010 with continued confidence

Appendices

Market Indicators

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