

Q1 - trading on track

9 May 2016

Fairpoint's AGM statement confirmed performance in line with management expectations in the first three months of the financial year. That completes what is typically the group's quietest and arguably least illuminating quarter, but we take reassurance in **confirmation that finances are on track**, which is at odds with the dip in the share price which followed the announcement.

The detail doesn't justify the negative response either. Growth in Legal Services generally compensated for slower than anticipated growth in conveyancing (c 10% of divisional revenues). That area of the business still growing, albeit currently more slowly than expected on the back of below forecast housing transactions.

A more detailed update – covering the first six months - is due in July. That is expected to reveal the benefits to the Legal Services division of the successful integration of Colemans and Simpson Millar. Recent investment in that division's infrastructure is specifically designed to support acquisitions that broaden and develop the Legal Services platform. Debt solutions continue to be run to generate cashflow and contribute to adjusted profit. While market conditions remain challenging the main focus there is cost control.

The group also announced the CFO's decision to step down and pursue a portfolio career of NED positions. John will work with the Board to ensure a smooth handover, and a process has commenced to identify a replacement.

Valuation

The decline in the price today leaves the shares on a prospective **FY16 PER of 6.5x and 5.6% yield** which looks overly pessimistic. **We have not adjusted our forecasts** since we had already built in materially lower IVA volumes, modest growth in legal services division revenues and no new acquisitions.

Group finances remain robust: long term facilities are available to fund organic growth and acquisitions, and the dividend is very well covered.

Company Data

EPIC	FRP
Price	128p
52 week Hi/Lo	195/117p
Market cap	£54m

Share Price, p



Source: ADVFN

Description

Fairpoint Group provides a range of retail consumer targeted professional services pivoted on debt solutions and legal services. The group's four core business segments are: consumer legal services, IVA, debt management plan and claims management services.

Summary forecasts

Year end 31 Dec	2013A	2014A	2015A	2016E	2017E
Adj Pre-tax, £'000s	8,051	9,255	10,464	11,100	11,500
EPS, p	15.0	17.2	19.3	19.6	19.8
PER	8.5	7.4	6.6	6.5	6.5
Div, p	6.0	6.4	6.8	7.2	7.6
Yield, %	4.7	5.0	5.3	5.6	5.9

Source: Group report & accounts and ED estimates

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