

## Interim Results for the six months ended 31 December 2010

21 February 2011

# Presenting Team



**Martin Ward**  
Group Managing Director

Martin joined Helpfire Group plc in August 2005 as Managing Director of its subsidiary business, Albany Assistance Limited. In April 2009, Martin became Group Managing Director and was appointed to the Board. Martin has extensive insurance industry experience, having jointly founded the Rarrigini & Rosso Group in 1994, a leading wholesaler of commercial insurance and risk management solutions distributed through a network of 500 leading insurance brokers. The business was later acquired in 2003 by an AIM plc. Martin has an MBA from Durham University.



**Ian Wardle**  
Chief Financial Officer

Ian joined Helpfire Group plc in May 2009 from Camden Group Services, a Barclays Private Equity sponsored business where he was Chief Executive. Ian is a Chartered Management Accountant and has held a number of senior finance and general management roles within various business sectors. Prior to Camden Group Services, Ian was Chief Operating Officer of Vanguard EMEA (operators and franchisor of the Alamo Rent a Car, National Car Rental and the Guy Salmon rent a car businesses in Europe, Middle East and Africa) having joined as Senior Vice President of Finance for International Operations. Vanguard EMEA was successfully grown and subsequently sold to the Europcar Group having been acquired as part of Vanguard Rental Group by funds of Cerberus Capital Management. Prior to that he was Director of Group Financial Control for Lex Service and Director of Finance and Deputy MD for Avis Rent a Car UK.

# Martin Ward – Introduction

## FINANCIAL HIGHLIGHTS

- Adjusted\* operating profit of £7.3m (2009: £10.0m)
- Adjusted\* profit before tax of £3.6m (2009: £5.7m)
- Statutory profit before tax of £1.6m (2009: £0.4m loss) inclusive of exceptional items
- Net cash inflow of £6.3m (2009: £3.1m)
- Debtor days reduced to 223 days (2009: 234 days) with 'Legacy' ABI receivables representing 33 days and all other receivables representing 190 days
- Net debt reduced by £18.7m since 30 June 2010 and by £204.4m since December 2008 when the recovery plan commenced
- Unutilised fleet and working capital bank facilities of £31.5m at 31 December 2010
- Statutory diluted EPS 0.61p (2009: 0.06p loss)

## OPERATIONAL HIGHLIGHTS

- Two new Partner referrals contract wins, commenced trading October 2010 and January 2011
- Bi-lateral protocol arrangements with 26% of the at-fault claims market
- Open case count reduced by 28% to approximately 66,000 cases (2009: 92,000 cases)
- Credit and standard hire revenue generating fleet utilisation of 78.4% (2009: 78.2%)
- Consolidation of operational centres, management teams and IT platforms substantially complete
- Annualised overhead reduction of £61.7m for the three months to December 2010 versus the December 2008 baseline
- £146.0 operational working capital reduction, including fleet, since the February 2009 baseline under Project Century

\* Adjusted measures exclude the impact of the items described as exceptional in note 5 on page 19 of the Interim Report and Accounts

# Progress to Date – On Course and In ‘Drive’

- Operational

- Closure /Sale of Non-Core Businesses (Legal Services, Spain and “Chesterfield” Group)
- 33% reduction in open case count at Dec 10 vs. Dec 08
- Migration from 4 to 2 contact centres
- Migration from 5 to 1 core operating system for Credit Hire
- Right-sizing of fleet from 20k units at Dec 08 to 9k at Dec 10
- 6.8pts improvement in utilisation in 6 months to Dec 10 vs. 6 months to Dec 08
- 51% reduction in FTE at Dec 10 vs. Dec 08
- One Management Team; One Core Credit Hire Business; One Company

- Financial

- £205m/59% reduction in net debt (£348m to £143m) at Dec 10 vs. Dec 08
- Restructuring complete - £60m overhead reduction on annualised basis since Dec 08
- £30.7m turnaround in Operating Cash Flow
  - £12m **Inflow** vs. £18.7m **Outflow** in 12 months to Jun 10 vs. Jun 09
  - £9.9m Operating Cash Inflow (£6.3m net cash inflow) in 6 months to Dec 10
- 37 day reduction in DSOs at Dec 10 vs. Dec 08 over and above a 29% reduction in underlying revenues
- Protocols in place with 26% of at-fault claims market

# Ian Wardle – Financial Overview



# Income Statement

- 1H revenues down £26m vs. prior year
  - 19% less hires (Acromas/weaker Q1)
  - 0.9 day shorter hire length
  - £1.1m discontinued businesses
- Gross Margin down 4.8% pts vs. prior year
  - Increased mix of lower margin Credit Repair & PI
  - 0.9 day lower hire length
  - Normalised fleet holding cost
  - 0.5% pts discontinued businesses
- Overheads down £10.9m vs. prior year, run-rate now levelled out (+£60m pa reduction since Q4/08)
- 2H seasonally stronger period, new accounts volume growing

		1H FY11	2H FY10	1H FY10	2H FY09	1H FY09*
		6 mths	6 mths	6 mths	6 mths	6 mths
		<u>31/12/10</u>	<u>30/06/10</u>	<u>31/12/09</u>	<u>30/06/09</u>	<u>31/12/08</u>
Accident Management	£m	81.7	107.5	108.1	120.8	144.3
Credit Repair	£m	44.8	44.2	44.4	48.0	61.0
<b>Adj Revenues</b>	£m	<b>126.5</b>	<b>151.7</b>	<b>152.5</b>	<b>168.8</b>	<b>205.3</b>
<b>Adj Gross Profit</b>	£m	<b>30.6</b>	<b>42.6</b>	<b>44.2</b>	<b>44.1</b>	<b>59.9</b>
<b>% Gross Margin</b>		<b>24.2%</b>	<b>28.1%</b>	<b>29.0%</b>	<b>26.1%</b>	<b>29.2%</b>
<b>Overheads</b>	£m	<b>23.3</b>	<b>31.2</b>	<b>34.2</b>	<b>48.3</b>	<b>51.0</b>
<b>Adj Operating Profit</b>	£m	<b>7.3</b>	<b>11.4</b>	<b>10.0</b>	<b>-4.2</b>	<b>8.9</b>
<b>% Operating Margin</b>		<b>5.8%</b>	<b>7.5%</b>	<b>6.6%</b>	<b>-2.5%</b>	<b>4.3%</b>
<b>KPIs</b>						
Hire Cases '000s		62.9	72.0	77.5	88.2	98.8
Hire Days '000s		1205.7	1657.1	1557.2	1799.2	2187.7
Hire Length		19.2	23.0	20.1	20.4	22.1
% Fleet Holding Cost to Hire Revenue		22.7%	22.4%	19.0%	23.9%	28.5%
% Credit/Std Hire Revenue Utilisation		78.4%	80.4%	78.2%	68.6%	71.3%

\* Revenue Recognition under previous accounting policy; Revenue/Gross Profit overstated

# Balance Sheet

- Further £15.7m reduction in Operating Working Capital
  - Fleet NBV will rise due to new purchases
  - Future Receivable reduction driven by Legacy/Legal resolution
- 11 day reduction in DSOs against same prior year seasonal point
  - 38% of Receivables in Legal (vs. 30%/June 10 and 24%/Dec 09)
  - 51% of ABI cases in Legal (vs. 40%/June 10 and 26%/Dec 09)
- 223 DSO splits
  - 33 days Legacy Debt/£26m i.e. pre April 09 cases
  - 190 days non-Legacy Debt/£146m i.e. go forward
- Net Debt exc fees down £19.5m

	31/12/10	30/06/10	vs 6M	31/12/09	vs 12M
	£m	£m		£m	
Goodwill/Intangibles	44.6	44.6		44.9	
Fixed Assets exc Fleet	13.0	14.0		15.8	
Other/Deferred Tax	<u>3.7</u>	<u>3.3</u>		<u>2.1</u>	
Total Non-Current exc Fleet	61.3	61.9		62.8	
<b>Fleet</b>	<b>62.3</b>	<b>77.3</b>	<b>-15.0</b>	<b>109.7</b>	<b>-47.4</b>
<b>Receivables</b>	<b>179.1</b>	<b>190.5</b>	<b>-11.4</b>	<b>198.6</b>	<b>-19.5</b>
<b>DSOs</b>	<b>223</b>	<b>219</b>	<b>4</b>	<b>234</b>	<b>-11</b>
<b>£m of ABI Debt in Legal</b>	<b>67.7</b>	<b>58.0</b>	<b>9.7</b>	<b>47.5</b>	<b>20.2</b>
<b>% of ABI Cases in Legal</b>	<b>51.0%</b>	<b>40.0%</b>	<b>11%</b>	<b>26.4%</b>	<b>25%</b>
<b>Trade Payables/Accruals</b>	<b><u>-54.7</u></b>	<b><u>-65.4</u></b>	<b>10.7</b>	<b><u>-69.8</u></b>	<b>15.1</b>
<b>Operating Working Capital</b>	<b>186.7</b>	<b>202.4</b>	<b>-15.7</b>	<b>238.5</b>	<b>-51.8</b>
Other Assets/Liabilities	-11.3	-10.7		-4.6	
Total Assets/Liabilities	236.7	253.6		296.7	
<b>Net Debt exc unamortised fees</b>	<b>145.8</b>	<b>165.3</b>	<b>-19.5</b>	<b>212.1</b>	<b>-66.3</b>
<b>Net Assets</b>	<b>90.9</b>	<b>88.3</b>		<b>84.6</b>	

# Exceptional Items

- £2.0m Pre-Tax Exceptionals in 1H
  - £3.2m gain on recovery of previously impaired Legal Services receivables
  - £5.1m expense for Operational Restructuring
  - £0.1m other
- Operational Restructuring now completed
- £11.6m of exceptional provisions at 31/12/10 to unwind against 2H/FY11 redundancy and multi-year impaired property lease obligations
  - £2.9m cash in 2H/FY11
  - £2.8m cash in FY12

# Cash Flow – Cash Conversion

- High conversion of Operating Profit into Operating Cash Flow due to Working Capital improvements and depreciation/capex
- Cash Exceptionals reducing and increasing Net Direct Operating Cash Flow
- £1.3m Free Cash Flow

	6m 31/12/10 £m	12m 30/06/10 £m
<b>Adj Operating Profit</b>	<b>7.3</b>	<b>21.4</b>
<b>Adj Direct Operating Cash Inflow</b>	<b>11.6</b>	<b>21.1</b>
<b>Conversion</b>	<b>158.9%</b>	<b>98.6%</b>
<b>Exceptionals Net Cash Outflow</b>	<b>-1.7</b>	<b>-9.1</b>
<b>Net Direct Operating Cash Inflow</b>	<b>9.9</b>	<b>12.0</b>
<b>Non-Operating Flows</b>		
<b>Bank/Non-Fleet Interest Paid</b>	<b>-3.7</b>	<b>-7.5</b>
<b>Tax Refund Received</b>	<b>0</b>	<b>4.6</b>
<b>ESOP Shares Sold</b>	<b>0</b>	<b>1.3</b>
<b>Net Cash Flow</b>	<b>6.2</b>	<b>10.4</b>
<b>Term Debt Amortisation</b>	<b>-4.9</b>	<b>-7.6</b>
<b>Free Cash Flow</b>	<b>1.3</b>	<b>2.8</b>

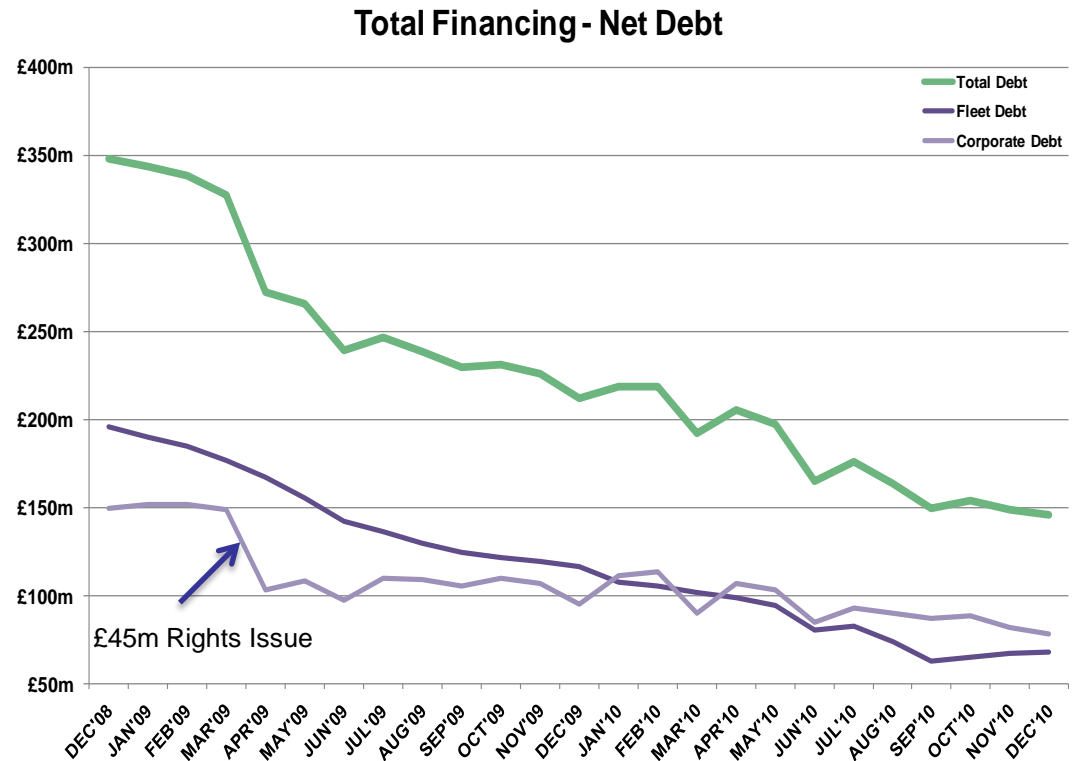
# Net Debt

- Net Debt (excl. fees) down £19.5m since June 10
- Maturity of Asset Finance Debt (i.e. Fleet) lengthened due to replacement purchasing of new units on 24 month life
- £117.3m Committed Bank Facilities at 31/12/10, £31.5m RWC/Fleet unutilised
- In process to extend April 12 maturity of existing Committed Bank Facilities

	31/12/10	30/06/10	31/12/09
	£m	£m	£m
Cash/Cash Equivalents	6.4	9.2	1.0
Corporate Debt Due <1 Yr	-9.8	-9.8	-8.7
Asset Finance Debt Due <1 Yr	-31.3	-53.3	-65.6
<b>Net Current Debt</b>	<b>-41.1</b>	<b>-63.1</b>	<b>-74.3</b>
Mix	27.0%	36.2%	34.9%
Corporate Debt >1 Yr	-82.4	-91.5	-103.6
Asset Finance Debt Due >1 Yr	-28.7	-19.9	-35.2
<b>Net Non-Current Debt</b>	<b>-111.1</b>	<b>-111.4</b>	<b>-138.8</b>
Mix	73.0%	63.8%	65.1%
<b>Total Net Debt exc unamortised fees</b>	<b>-145.8</b>	<b>-165.3</b>	<b>-212.1</b>
<i>Fleet Asset Related</i>	<i>67.8</i>	<i>81.1</i>	<i>116.6</i>
<i>Non-Fleet Related</i>	<i>78.0</i>	<i>84.2</i>	<i>95.5</i>

# Fleet and Corporate Debt

- Net Debt down £205m since Dec 08
- £128m reduction in fleet debt due to right-sizing of fleet
- Net Cash Flow has paid down £25.1m of Corporate Non-Fleet Debt post April 09 Rights Issue



# Financial Summary

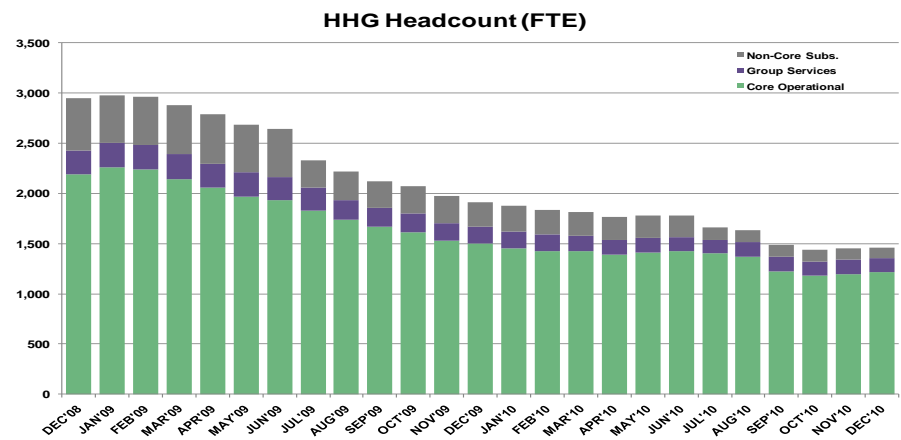
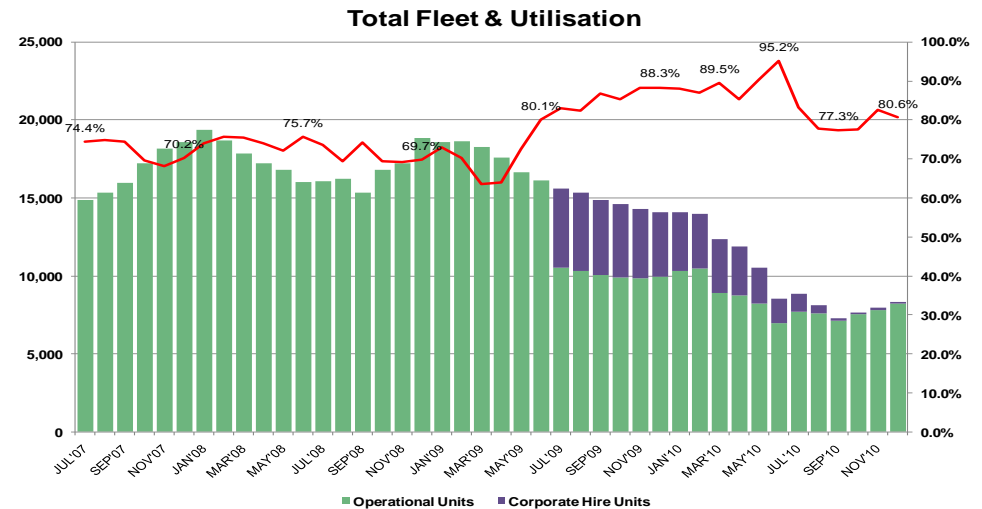
- Business activity/volumes levelled out post discontinued Referral Partners; underlying growth from new accounts
- Gross Margins lower than historically reported due to hire length, revenue mix, discontinued high margin/high overhead businesses
- Restructuring completed
  - Overheads at go forward run rate
  - Exceptional charges booked, lower cash outflow but still property lease liabilities
- Working Capital/Receivable DSO improvements to come; Legal/Legacy ABI debts dragging performance
- Business is cash flow positive
  - Reduced exceptional cash items increases net cash flow
  - Increased net cash flow will accelerate de-leveraging of non-fleet debt

# Martin Ward – Operational Review



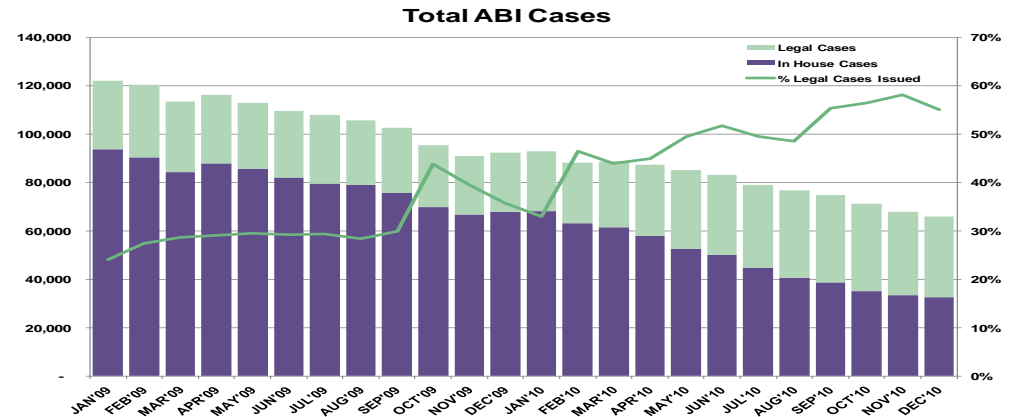
# Operational Review

- Fleet right sized and utilisation good
- Referrer contracts secured through 2H
- Operating sites consolidated
- Run rates at expected levels
- Lower cost base delivered

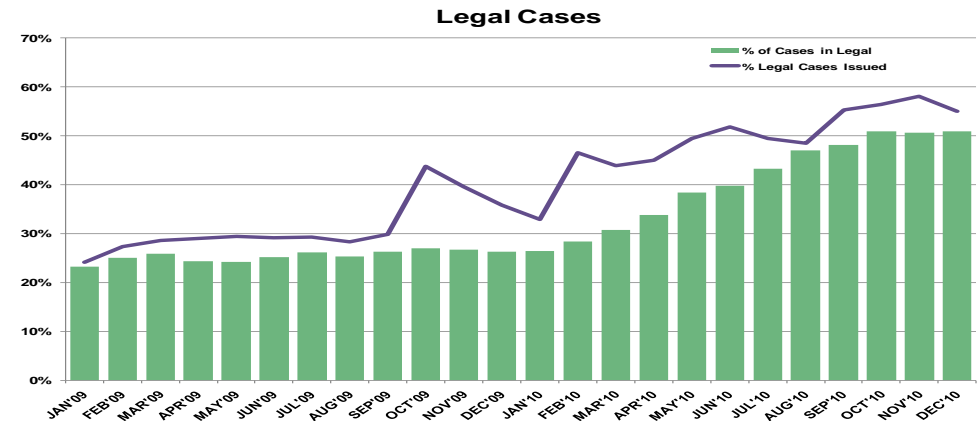


# Operational Review – FY to June 2011

- Open debt cases:
  - Overall open cases managed down
  - Cases in legal peaked
  - Legal cases generating £5m-£6m cash per month
  - Faster settlement of newer claims



- Operational process improvements:
  - Delivering better productivity
  - Improving quality of risk
  - Improving case presentation



# Summary and Outlook

- 1H FY2011 - Profitable and cash generative
- Net Debt continuing to reduce
- Strong market position
- Growth expected 2011/2012
  - New product development
  - New Partner contracts
  - Insurer relationship focus

