

CPPGroup Plc  
14 November 2014

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THIS ANNOUNCEMENT IS NOT AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE TAKEOVER CODE) AND THERE CAN BE NO CERTAINTY THAT AN OFFER WILL BE MADE, NOR AS TO THE TERMS ON WHICH ANY OFFER WILL BE MADE

**Trading Update, Strategic Review Update, Commencement of Sale Process  
and Offer Period**

CPPGroup Plc (CPP or the Group), as previously announced, has been evaluating options to restructure its balance sheet and strengthen the Group's capital position to support the future development of the business. The Group has been engaged in discussions with various stakeholders and has made encouraging progress in its negotiations to restructure creditors, secure new equity funding for the business and in addition, evaluating additional options.

**Financial position**

In view of discussions with its stakeholders, the Board believes that there is a reasonable prospect that a satisfactory agreement can be reached with the Group's creditors as a result of the Group raising new equity capital. The Group has received indications of interest to subscribe for £9.0 million of new equity. The Group is engaged in supportive and constructive dialogue with its creditors and the Board anticipates that it will finalise negotiations with its creditors in the coming weeks.

It is expected that any new equity raised would be at a significant discount to the prevailing share price of 10.75p as at the close of business on 13 November 2014, with expressions of interest received to date at an indicative issue price in the region of 3.0p per share. The final issue price and quantum of placing will be determined by the Board following discussions with potential investors. Any potential equity fundraising would be subject to shareholder approval in General Meeting. Certain consents will also be required from the Group's secured and unsecured creditors.

Significant progress has been made in respect of discussions to restructure certain of the Group's liabilities and secure new equity funding, which will provide a stronger platform to support the future development of the Group. However, there can be no certainty that an agreement will be reached with the Group's creditors or that any equity raise will be completed. Both are essential to the future development of the business.

In addition, if new equity is raised, the intention of the Board is that the Group should transfer from the Official List of the London Stock Exchange to AIM.

In view of the Group's current financial circumstances, the Board needs to be mindful of obligations to all stakeholders, including shareholders and creditors. As a result, the Board continues to pursue all options, which includes a potential sale of the Group under a formal sale process. There can be no certainty that any offers will be made as a result of a formal sale process, that any sale will be concluded or as to the terms on which any offer might be made.

Parties interested in participating in a formal sale process should contact Numis Securities Limited (contact details below) and will be required to enter into a non-disclosure agreement with the Group on reasonable terms satisfactory to the Board before being permitted to participate in the process. At the appropriate time, the Group then intends to provide participants who have entered into such non-disclosure agreements with access to information with which to evaluate whether to make, and the terms of, any offer.

The Board reserves the right to alter any aspect of any formal sale process or to terminate it at any time and in such cases will make an announcement as appropriate. The Board reserves the right to reject any approach or terminate discussions with any interested party or participant at any time. A formal sale process is at a preliminary stage and the Board wishes to stress that there can be no certainty that any transaction will be concluded.

The Takeover Panel has granted the Company a dispensation from the requirements of Rules 2.4(a), 2.4(b), and 2.6(a) of the Takeover Code such that any interested party participating in the formal sale process will not be required to be publicly identified as a result of this announcement (subject to Note 3 on Rule 2.2 of the Takeover Code) and will not be subject to the 28 day deadline referred to in Rule 2.6 (a) for so long as it is participating in a formal sale process.

As a consequence of this announcement, an offer period has commenced in respect of the Group in accordance with the rules of the Takeover Code and the dealing disclosure requirements below will apply.

**Brent Escott, Chief Executive Officer, commented:**

“Since I became CEO of CPP in September 2013 we have worked to provide the business with a more stable footing. Most significantly, we worked with the FCA, banks and card providers to agree and complete a successful consumer redress scheme for those customers affected by the Group’s historical issues in the UK. The end of the Scheme represented a very significant milestone for the business. Alongside this, the Group has significantly lowered its cost base, improved processes and made progress in embedding new and enhanced systems. CPP today is providing a much improved service to our 5.2 million customers worldwide.

As we move forward, today we have announced important steps towards securing new equity funding and progress in negotiations with the Group’s creditors. We continue to evaluate all options to restructure the Group’s balance sheet and strengthen the Group’s capital position to support the successful future development of the business. The Board is focused on ensuring the best possible outcome for all of CPP’s stakeholders and further announcements will be made in due course.”

**Trading update**

The Group’s performance during the period since 30 June 2014 to date of publication continues to reflect the trends outlined in the Group’s Half Year Report on 29 August 2014. As expected, Group revenue from continuing operations has declined 37% on a constant currency basis compared to the same period in 2013, reflecting the on-going challenges of the operating environment, primarily affecting trading performance in the UK business. Outside of the UK, performance is broadly consistent with the trends reported in the Half Year Report.

The annual renewal rate has increased marginally from the half year to 70.3%. As noted in the Group’s announcements during 2014, cancellations through the Scheme of Arrangement (Scheme) are not included in the reported renewal rate. If Scheme cancellations were included, the annual renewal rate would be 4.1 percentage points lower at 66.2%. This impact is higher than the half year position and will continue to increase as further Scheme cancellations that were live policies before the Scheme commenced reach their scheduled renewal date. Live policies total 5.2 million, 0.9 million lower than reported at 30 June 2014, mainly reflecting the expected reduction in Packaged and Wholesale policies in the UK. Outside of the UK, the live policy base has increased marginally.

During the period, the Group has identified opportunities and reviewed its existing country presence to determine where the Group can produce sustainable, attractive returns. This has resulted in the decision to close two of its three office sites in the UK and plans have commenced to exit from Hong Kong and Brazil to right-size in accordance with the reduced scale of the business. Plans to implement a new cost-effective IT system have progressed and a service provider has been selected. Once embedded, the new system will increase operational efficiency and meet the needs of customers more effectively. The Group remains focused on tight cost management and is on track to realise cost savings in 2014, with further cost savings expected in 2015.

The Group's net funds position is £9.5 million. This position represents a decrease of £12.1 million from the half year position, principally as a result of the continued settlement of the customer redress provision. Liquidity in the short term relies on either the release of restricted cash from one of the UK regulated entities or other working capital solutions. These will require third party agreement and the Group is engaged in on-going dialogue with its stakeholders. As a result, the outlook continues to reflect the significant challenges and risks ahead and performance for the remainder of 2014 will remain constrained.

As previously announced, the value of Scheme redress claims in respect of direct sales made by the Group at the close date, 30 August 2014, was £32.0 million with £31.8 million of this redress paid to date. Discussions with the Central Bank of Ireland in respect of historical Card Protection sales made by Irish banks to customers in the Republic of Ireland have progressed. The Group is also engaging with the FCA in relation to a customer contact exercise in respect of historic Card Protection sales in the UK between March 2011 and July 2012. The full extent of any redress exercises relating to these discussions has not yet been determined, albeit they represent small customer populations. There can be no guarantee that other claims or matters may not arise against the Group from these discussions. However, at this time, it is unclear that present obligations exist in respect of these claims or matters and as such no provision has been recognised.

### **Outlook**

The Group is focused on its immediate priorities to reshape the business and strengthen its capital position and restructure the balance sheet. Uncertainty remains due to liquidity, the execution and delivery of the Group's longer term plans and trading performance. As a result, the outlook continues to reflect the significant challenges and risks ahead and performance for the remainder of 2014 will remain constrained.

### **Enquiries**

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**Notes to Editors**

CPPGroup Plc (CPP or the Group) is an international assistance business operating in the UK and overseas within the financial services, telecommunications and travel sectors. CPP primarily operates a business-to-business-to-consumer (B2B2C) business model providing services and retail, wholesale and packaged products to customers through Business Partners and direct to consumer. The Group's core assistance and travel service products help to provide security and enhance the experience of travel for customers worldwide, designed to make everyday life easier to manage.

For more information on CPP visit [www.cppgroupplc.com](http://www.cppgroupplc.com)

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**Further Information**

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to this announcement or otherwise. Any offer will be made solely by certain offer documentation which, if published, will contain the full terms and conditions of any offer, including details of how it may be accepted.

A copy of this announcement will be made available subject to certain restrictions relating to persons resident in restricted jurisdictions on CPP's website.

Numis Securities Limited, which is authorised and regulated by the FCA, is acting exclusively as Broker and Sponsor to CPP and for no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than CPP for providing the protections afforded to clients of Numis Securities Limited nor for providing advice in relation to the matters referred to in this announcement.

**Rule 2.10 disclosure**

In accordance with Rule 2.10 of the City Code on Takeovers and Mergers, the Company announces that as at the date of this announcement it has in issue and admitted to trading on the main market of the London Stock Exchange 171,649,941 ordinary shares of 10 pence each. The International Securities Identification Number for the ordinary shares is GB00B5W55H93. All of these shares carry voting rights of one vote per share.

The Company does not hold any shares in treasury.

**Summary of Rule 8**

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being

any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4). Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)207 638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.