Together Financial Services Limited

25th February 2021

Together Financial Services Limited ('Together' or 'the Group'), one of the UK's leading specialist mortgage and secured loan providers, announces its results for the quarter ended December 31, 2020.

Commenting on today's results, Gerald Grimes, Group CEO Designate of Together, said:

"Together delivered another robust performance in the quarter to 31 December, as we remained focused on supporting our customers, protecting our colleagues and shaping our business for the future.

"Average monthly lending rose to £74.4m as we continued to cautiously increase originations, with the loan book ending the quarter at £3.9bn with a very conservative LTV of 52.2%. We remained highly profitable and cash generative, with underlying profit before tax increasing to £38.2m and cash receipts increasing to £430.6m as redemptions continued to be strong during the quarter and, at 8 February, the Group had accessible liquidity of £366m.

"We also further extended our funding headroom with the successful issuance of a £500m bond in January, the first sterling corporate bond issuance in 2021 and since the formal completion of the Brexit process. The issuance was upsized by £50 million on the back of strong investor support and contributed to the Group having undrawn facility headroom of £1,127m at 8 February.

"While we expect economic conditions to remain uncertain for some time, with strong levels of capital and liquidity and our modernisation and transformation programmes underway, we believe the Group is well positioned to take advantage of future market opportunities and to play our part in supporting the UK's economic recovery."

Financial performance: quarter ended December 31, 2020

- Group loan book of £3.9bn at December 31, 2020, down 6.6% compared with £4.2bn at December 31, 2019 (Q2'20) and down 2.9% compared with £4.0bn at September 30, 2020 (Q1'21), as redemption levels remained strong while the Group continued to cautiously increase new lending
- Loan book weighted average indexed LTVs reduced to 52.2%[1] compared with 54.9% at Q2'20 and 52.4% at Q1'21
- Average monthly loan originations of £74.4m, down 63.8% compared with £205.8m in Q2'20 however up 70.6% from £43.6m in Q1'21 as the Group continued its cautious growth in new lending
- Loan originations continued to increase in January 2021 to £104m
- Weighted average origination LTVs remain very conservative at 58.5% (Q2'20: 58.0%; Q1'21: 56.4%)
- Interest receivable and similar income of £92.9m down 4.0% compared with £96.8m in Q2'20 and down 2.5% compared with £95.3m in Q1'21, broadly consistent with the decrease in the size of the loan book
- Net interest margin remained highly attractive at 6.5% (Q2'20: 6.3%; Q1'21: 6.4%) particularly given the conservative LTVs and consequent high levels of collateral underpinning the quality of the loan book
- Annualised cost of risk for the quarter was 0.6%, up only slightly from 0.5% in Q2'20 which was prior to the impact of Covid-19 and lower than 1.3% in Q1'21, where additional charges were recognised due to impact of Covid-19 on the macroeconomic conditions and outlook
- Underlying profit before tax was £38.2m, up 4.7% compared with £36.5m in Q2'20 and up 12.7% compared with £33.9m in Q1'21 due mainly to a reduction in impairment charge during the quarter
- Cash generation remained robust, with cash receipts of £430.6m (Q2'20: £432.6m; Q1'21: £377.3m) as redemption levels remained strong

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1 During the quarter the Group transitioned to an updated house-price index applied to collateral valuations resulting from an update to the methodology applied by IHT Markit, the owner and administrator of the Halifax House Price Index. The impact of the transition was to increase LTV by 0.8% as at 31st December 2020 compared to the previous methodology (Senior Borrower Group LTV was increased by 0.7%). Comparatives for previous quarters have not been updated.

- Dividend paid in Q2'21 (declared Q1 '21) primarily to cash service the interest due on the Senior PIK Toggle Notes of Bracken Midco1 PLC

Key metrics	Q2 2021	Q2 2020	Q1 2021
Interest receivable and similar income* (£m)	92.9	96.8	95.3
Interest cover ratio*	2.4:1	1.8:1	2.1:1
Net interest margin** (%)	6.5	6.3	6.4
Underlying cost-to-income ratio*[2] (%)	31.3	35.1	29.6
Cost-to-income ratio* (%)	29.6	52.4	31.8
Cost of risk** (%)	0.6	0.5	1.3
Underlying profit before taxation* (£m)	38.2	36.5	33.9
Profit before taxation* (£m)	39.3	25.5	32.4
Underlying EBITDA*	68.8	71.6	65.4
Loans and advances to customers (£m)	3,883.8	4,159.2	4,000.8
Net debt gearing (%)	75.9	79.5	77.2
Shareholder funds[3] (m)	892.1	823.2	858.3
Underlying return on equity* (%)	14.9	15.7	13.8
Return on equity* (%)	15.3	11.1	13.2

*Calculation based on a 3 month period
**Calculation based on a 3 month period and annualised

Shaping the business for the future

- Number of key modernisation projects now underway to streamline the application journey, increasing efficiency, reducing costs and improving user experience for customers and intermediaries including:
  - Automating ID and validation, income verification, affordability assessments, asset valuations and enhancements to risk-based product pricing;
  - Providing digital document uploads, paperless direct debits and E-Disbursements;
  - Improving the layout and user experience of our intermediary platform, My Broker Venue; and
  - Rolling out the Together app to all of our direct customers, offering a new messaging and data-sharing platform to make it quicker and easier for them to do business with Together
- Focus on automating processes and easy decisions while using our experienced underwriters more efficiently
- Continued to strengthen our capital and liquidity positions to support future growth
  - Successfully issued £500m Senior Secured Notes at 5.25%, due 2027. Proceeds used to redeem the £350m Senior Secured Notes at 6⅛%, due to mature in 2024 and support further growth in lending
  - Undrawn facility headroom £1,127m at February 8, 2021 (December 31, 2020: £997m; September 30, 2020: £872m)
  - Immediate accessible liquidity £366m at February 8, 2021 (December 31, 2020: £300m; September 30, 2020: £285m)
  - S&P revised outlook from Negative to Stable on Together Financial Services Limited and Bracken Midco1 PLC

2 Underlying metrics include adjustments to exclude £1.4m customer redress provision release and £0.3m redundancy costs in Q2'21 (£11.0m additional customer redress provisions in Q2'20, £1.5m redundancy costs in Q1'21)

3 Includes subordinated shareholder loans of £29.3m (Q2'20: £28.2m, Q1'21: £28.8).

Covid-19 update

- Supported our customers throughout the pandemic, providing mortgage-payment deferrals to c.7,800 customers. At February 15, 2021, 2.1% of customers by value remained within a payment deferral (November 5, 2020: 3%). Of the accounts who have exited payment deferrals 82% have resumed full payments, 14% are making part payments and 4% making no payments

For further information:

Together

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About Together

Established in 1974, Together has been bringing common sense to the UK specialist lending market for over 45 years. Our expertise in lending means we can look beyond mainstream lending criteria to take an individual view of customers' needs and treat each application on its own merits.

We offer a wide range of specifically designed products, including short-term finance, auction finance, residential, buy-to-let and commercial mortgages and secured loans through our established distribution network.

In 2019, we placed 52nd in the Sunday Times Top 100 Best Companies to Work for and were also named in the Sunday Times Top Track 250 for the fourth time, placing 111th in the league table for growth and 4th for profitability. Together is the trading name of Together Financial Services Limited, which has its registered office address at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW.