

## Together Financial Services Limited

28 November 2019

Together Financial Services Limited ('Together' or 'the Group'), one of the UK's leading specialist mortgage and secured loan providers, is pleased to announce its results for the quarter ended September 30, 2019.

### Commenting on today's results, Mike McTighe, Group Chairman of Together, said:

"Together achieved strong growth in new lending in the quarter, as we increased the loan book to a new high of £3.9bn with consistently low LTVs, while also maintaining robust profitability and delivering record levels of cash generation.

"Average monthly loan originations were up 28.1% on the same period last year, although they were slightly down on the quarter to June, reflecting the seasonally slower summer holiday period. The Group remained highly profitable and cash generative, with underlying profit before tax of £34.5m and cash receipts of £437.6m for the quarter.

"We have continued to add significant additional liquidity to support our growth plans, successfully completing our third public residential mortgage backed securitisation issuing £315m of rated notes on a portfolio of £332m and upsizing our private revolving Lakeside securitisation to £500m in October.

"The UK's economic outlook continues to be uncertain, with the ongoing Brexit negotiations and delays impacting sentiment, lead indicators remaining mixed and a General Election on 12<sup>th</sup> December. Despite the macroeconomic uncertainty, we continue to see strong demand from our customers, with record monthly originations of £207m in October, and believe the Group remains well placed to deliver on its growth plans, underpinned by our robust asset quality, strong diversified funding base and through-the-cycle experience."

- **Strong new lending volumes drive loan book to new high while LTVs remain low**

- Average monthly loan originations of £176.2m in the quarter ended September 30, 2019 (Q1'20), up 28.1% compared with £137.5m in quarter ended September 30, 2018 (Q1'19), and only marginally lower compared with £182.0m in quarter ended 30 June, 2019 (Q4'19), despite the seasonally lower levels of activity over the summer months of July and August
  - Weighted average LTVs of new originations remained conservative at 58.1% (Q1'19: 58.1%; Q4'19: 57.1%)
- Loan book reaches new record level of £3.9bn, up 28.8% compared with £3.0bn at September 30, 2018 and up 5.0% compared with £3.7bn at June 30, 2019
  - Loan book weighted average indexed LTVs remained very conservative at 55.0% (Q1'19: 54.4%; Q4'19: 54.3%)

- **Attractive net interest margin, with robust profitability and strong cash generation maintained**

- Interest receivable and similar income of £92.5m up 12.6% compared to £82.2m in Q1'19 and up 2.1% compared with £90.6m in Q4'19, driven by interest earned on the growing loan book
- Net interest margin remains attractive at 6.4%, although lower than 7.2% in Q1'19 and 6.7% at Q4'19, reflecting continued competitive market conditions, redemption of higher yielding back-book loans, higher gearing and product mix changes
- Cost of risk for the quarter was 0.58% on an annualised basis which remained broadly consistent compared to 0.57% in Q1'19 and slightly higher when compared with 0.45% in Q4'19, principally reflecting the impact of favourable changes in property values which reduced the impairment charge in the prior quarter

- Underlying EBITDA of £67.6m, up 13.0% compared with £59.8m in Q1'19 but down 2.6% compared with £69.4m in Q4'19 (which included certain year end beneficial adjustments of £3.9m)
  - Underlying PBT of £34.5m is up 13.6% compared with £30.4m in Q1'19, predominantly due to increase in interest receivable and similar income, and down 7.6% compared with £37.3m in Q4'19 (which included certain year-end beneficial adjustments of £3.9m)
  - PBT and EBITDA of £31.5m and £64.6m respectively in Q1'20 including additional charges for customer provisions of £3.0m
  - Strong cash generation achieved with cash receipts of £437.6m, up 5.5% compared with £414.7m in Q1'19 and up 5.3% compared with £415.7m in Q4'19
- **Enhanced operations and governance**
    - Further extended distribution channels, signing up four more mortgage networks and clubs, expanding Digital Sales channel and establishing affinity relationships with key industry associations and professional bodies. Completed recruitment of Corporate Relationships team to deepen relationships with larger customers and launched BTL Tech Hub to enhance experience for brokers with portfolio landlord cases
    - Liz Blythe joined Personal Finance board as NED and Audit Chair
    - Well prepared for the implementation of the Senior Managers and Certification Regime (SM&CR) within Personal Finance division, with applications to the FCA submitted
    - Personal Finance division has continued to focus on resolution of certain regulatory matters. Changes to operational processes for application of forbearance and for communicating more clearly with customers have already been implemented.
  - **Further increased scale and diversity of funding on improved terms and extended maturities**
    - Successfully completed third residential mortgage-backed securitisation, Together Asset Backed Securitisation 2019 – 1 PLC, in October issuing rated notes of £315m on a mortgage portfolio of £332m
    - Increased revolving Lakeside securitisation from £255m to £500m on improved terms and extended maturity, adding two further banks

Key metrics	Q1 2020	Q1 2019	Q4 2019
Interest receivable and similar income* (£m)	92.5	82.2	90.6
Interest cover ratio*	2.0:1	2.1:1	2.3:1
Net interest margin** (%)	6.4	7.2	6.7
Underlying cost-to-income ratio* <sup>1</sup> (%)	34.4	36.2	31.2
Cost of risk** (%)	0.58	0.57	0.45
Underlying profit before taxation <sup>1</sup> * (£m)	34.5	30.4	37.3
Loans and advances to customers (£m)	3,878.4	3,011.4	3,694.5
Net debt gearing (%)	78.6	76.0	78.0
Shareholder funds (£m) <sup>2</sup>	814.9	718.8	789.9
Underlying return on equity <sup>1**</sup> (%)	15.0	14.9	16.0

\*Calculation based on a 3 month period

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

<sup>1</sup> Underlying metrics include adjustments to exclude £3.0m additional customer provisions in Q1'20

<sup>2</sup> Includes subordinated shareholder loans of £27.6m (Q1'19: £25.6m, Q4'19: £27.1).

**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 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 4<sup>th</sup> 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.