

Together Financial Services Limited

28 February 2020

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 December 31, 2019.

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

"Together continued to achieve strong growth in new lending during the quarter, with the loan book reaching a new high of £4.2bn, driving robust increases in underlying profitability and cash generation.

"Average monthly loan originations were up 19.8% on the same quarter last year, while weighted average origination LTVs remained very conservative at 58.0% for new lending and 54.9% across the whole loan book. The Group continued to deliver a strong financial performance, with underlying profit before tax up 17% on Q2 last year at £36.5m and cash receipts up 19.2% at £432.6m.

"We further enhanced our governance with the recent appointments of John Hooper to the Board of our Personal Finance business and Gerald Grimes as Group CEO Designate to add additional breadth and bandwidth of the Executive team and to provide a clear succession plan. We continued to strengthen and diversify our funding during the quarter, completing our third public residential mortgage backed securitisation and upsizing our private revolving Lakeside securitisation to £500m. Earlier this month, we also successfully issued £435m of 4% Senior Secured Notes, upsizing from the initial £385m to meet the significant levels of demand from investors.

"While lead indicators continue to be mixed, a recent pick up in business confidence following the UK general election result and the passing of the EU Withdrawal Agreement Bill by Parliament has led some economists to highlight possible early signs of a recovery in the UK economy. Unemployment is at its lowest level since the mid-1970s, wage growth has accelerated to its highest levels in a decade and the Bank of England's Monetary Policy Committee has recently maintained UK base rates at 0.75%. However, the continued spread of the coronavirus and ongoing tensions between the US and Iran have contributed to financial markets remaining volatile. Despite this macroeconomic uncertainty, we continue to see strong demand from our customers and believe the Group remains well placed to deliver on its growth plans."

Highlights

- **Strong new lending volumes drive loan book to over £4bn while credit quality maintained**
 - Record average monthly loan originations of £205.8m in the quarter ended December 31, 2019 (Q2'20), up 19.8% compared with £171.7m in quarter ended December 31, 2018 (Q2'19), and up 16.8% from £176.2m in quarter ended 31 September, 2019 (Q1'20)
 - Weighted average LTVs of new originations remained conservative at 58.0% (Q2'19: 58.9%; Q1'20: 58.1%)
 - Loan book reaches new high of £4.2bn, up 28.0% compared with £3.2bn at December 31, 2018 and up 7.2% compared with £3.9bn at September 30, 2019
 - Loan book weighted average indexed LTVs remained very conservative at 54.9% (Q2'19: 55.6%; Q1'20: 55.0%)
- **Loan book growth drives increased profitability and strong cash generation**
 - Interest receivable and similar income of £96.8m up 15.1% compared to £84.1m in Q2'19 and up 4.7% compared with £92.5m in Q1'20, driven by interest earned on the growing loan book
 - Net interest margin remains attractive at 6.3% for the quarter ended December 31, 2019, although lower than 7.1% in Q2'19 and 6.4% at Q1'20, reflecting continued competitive market conditions, redemption of higher yielding back-book loans, higher gearing and product mix changes

- Annualised cost of risk was 0.47%, consistent with 0.47% in Q2'19 but slightly lower than 0.58% in Q1'20, mainly reflecting the impact of favourable changes in property values and macroeconomic scenarios which reduced the current quarter impairment charge
- Underlying EBITDA of £71.6m, up 18.3% compared with £60.5m in Q2'19 and up 5.9% compared with £67.6m in Q1'20
- Underlying PBT up 17.0% to £36.5m compared with £31.2m in Q2'19 and up 5.8% compared with £34.5m in Q1'20, predominantly due to increase in interest receivable and similar income
- Strong cash generation with cash receipts of £432.6m, up 19.2% compared with £363.0m in Q2'19, although slightly lower than £437.6m in Q1'20 reflecting seasonal factors
- **Continued to enhanced governance model**
 - Gerald Grimes to be appointed Group CEO Designate, effective from April 6, 2020
 - John Hooper joined Personal Finance board as NED
 - SM&CR adopted since December 2019
 - Ernst & Young LLP replaced Deloitte as auditor of the Group supporting rotation and independence
- **Further strengthened and diversified funding structure, extending maturities and improving cost efficiencies**
 - Completed third public residential backed securitisation ("TABS 3") in October, issuing £315m of rated notes against a loan portfolio of £332m, with 79.0% of the notes AAA rated
 - Refinanced Lakeside ABS, increasing facility from £255m to £500m and extending its maturity to November 2023
 - Successfully issued £435m of 4⁷/₈% Senior Secured Notes, due 2026, upsized from £385m due to investor demand. Proceeds used primarily to redeem former 6¹/₄% 2021 notes and to repay amounts drawn under the revolving credit facility
 - S&P revised their outlook from Stable to Positive on Together Financial Services Limited and Bracken Midco 1 PLC. Fitch has also upgraded the rating on the senior PIK Toggle notes issued by Midco 1 to 'B+' from 'B'.

Key metrics	December 31, 2019	December 31, 2018	September 30, 2019
Interest receivable and similar income* (£m)	96.8	84.1	92.5
Interest cover ratio*	1.8:1	2.1:1	2.0:1
Net interest margin** (%)	6.3	7.1	6.4
Underlying cost-to-income ratio* ¹ (%)	35.1	38.0	34.4
Cost of risk** (%)	0.47	0.47	0.58
Underlying profit before taxation ¹ * (£m)	36.5	31.2	34.5
Loans and advances to customers (£m)	4,159.2	3,248.4	3,878.4
Net debt gearing (%)	79.5	76.5	78.6
Shareholder funds (£m) ²	823.2	746.4	814.9
Underlying return on equity ¹ ** (%)	15.5	14.7	15.0

*Calculation based on a 3 month period

**Calculation based on a 3 month period and annualised

¹ Underlying metrics include adjustments to exclude £11.0m additional customer provisions in Q2'20 (Q1'20: £3.0m).

² Includes subordinated shareholder loans of £28.2m (Q2'19: £26.1m, Q1'20: £27.6).

For further information:

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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.

¹ Underlying metrics include adjustments to exclude £11.0m additional customer provisions in Q2'20 (Q1'20: £3.0m).

¹ Includes subordinated shareholder loans of £28.2m (Q2'19: £26.1m, Q1'20: £27.6).