

Together Financial Services Limited

29th May 2020

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 31st March, 2020.

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

"The COVID-19 pandemic has had an enormous impact on economies across the globe. During these extraordinarily challenging times we have focused on supporting our customers, protecting and enabling our people and enhancing the future resilience of our business. I am immensely proud of the way all my colleagues have risen to the challenges of the crisis.

"Together reacted quickly to the evolving situation, with almost all colleagues working effectively from home by the end of March. In addition to providing mortgage payment holidays to around 17% of the Group's customers by value and redeploying and retraining colleagues to help with increased customer call volumes, we also temporarily paused accepting new loan applications as we prioritised supporting our existing customers and re-assessed our pipeline against tighter lending criteria. We also took additional, prudent measures on commencement of the lockdown to preserve capital and liquidity and to enhance our financial flexibility, including our parent holding company paying the interest on our Senior PIK Toggle Notes as payment in kind.

"The disruption resulting from the coronavirus pandemic has had an adverse impact on an otherwise strong quarter. Average monthly lending reduced by 5.2% compared with the same period last year, as we moved quickly to adopt more conservative underwriting requirements and reduced origination levels, and underlying profit before tax was 55.8% lower at £13.9m as our credit impairment charge increased substantially to reflect a deterioration in the macroeconomic outlook due to COVID-19. However since March, cash inflows from repayments and redemptions have been better than we had prudently expected and, due to the measures we have taken to preserve liquidity, our total accessible liquidity increased from £81m at 31st March to £126m at 22nd May. In addition we have also agreed with our funding partners, and in line with the government guidance, to treat customers requiring forbearance due to COVID-19 separately to our normal forbearance arrangements.

"While it is too early to reliably estimate the full economic impact of COVID-19, we expect the remainder of 2020 to be challenging. The gradual easing of the national lockdown will not signal a return to the 'old normal' but rather the first stage of moving towards the 'next normal' with an expected significant increase in the number of borrowers who require support from specialist lenders. With a resilient business model proven through several economic cycles, a diversified funding structure and robust levels of liquidity, we believe Together will emerge from this crisis well placed to support our customers and to play our part in supporting the UK's economic recovery."

Financial performance: quarter ended 31 March '20 (Q3'20)

- Average monthly loan originations of £160.8m, down 5.2% compared with quarter ended 31 March '19 (Q3'19: £169.7m) and down 21.9% from quarter ended 31 December '19 (Q2'20: £205.8m) including reduced lending in March of £130m
 - Weighted average origination LTVs remain very conservative at 58.0% (Q3'19: 58.0%; Q2'20: 58.0%)
- Group loan book reaches £4.3bn, up 24.4% compared with 31 March '19 (£3.5bn) and up 3.9% compared with 31 December '19 (£4.2bn)
 - Loan book weighted average indexed LTVs reduced to 53.9% (Q3'19: 55.1%; Q2'20: 54.9%)

- Interest receivable and similar income of £100.1m, up 16.1% on Q3'19 (£86.3m) and up 3.4% compared with Q2'20 (£96.8m), driven by interest earned on the growing loan book
- Underlying NIM remains attractive at 6.2%, although lower than 6.3% in Q2'20 and 6.8% in Q3'19 reflecting ongoing competitive margin pressure, redemption of higher yielding back-book loans and increased gearing
- Annualised cost of risk at 3.8% compared with 0.4% in Q3'19 and 0.5% in Q2'20 due to a significant increase in impairment charges to £40.1m (Q3 '19: £3.1m) principally to reflect deterioration in the macroeconomic outlook due to COVID-19
- Underlying EBITDA of £48.5m, compared with £61.9m in Q3'19 and £71.6m in Q2'20 due mainly to the increase in impairment charges
- Underlying PBT of £13.9m, down 55.8% on Q3'19 (£31.4m) and down 62.0% compared with Q2'20 (£36.5m) due mainly to the increase in impairment charges
- Cash generation remained robust, with cash receipts of £392.0m, up 4.1% compared with Q3'19 (£376.7m), although lower than Q2'20 (£432.6m) partly reflecting seasonal factors as well as some potential impact of COVID-19 in the month of March.
- Successfully issued £435m of 4% Senior Secured Notes, due 2026, using proceeds to redeem former 6¼% 2021 notes and repay amounts drawn under revolving credit facility

Key metrics	March 31, 2020	March 31, 2019	December 31, 2019
Interest receivable and similar income* (£m)	100.1	86.3	96.8
Underlying interest cover ratio*	1.5:1	2.1:1	1.8:1
Underlying net interest margin** (%)	6.2	6.8	6.3
Underlying cost-to-income ratio* ¹ (%)	19.8	39.8	35.1
Cost of risk** (%)	3.8	0.4	0.5
Underlying profit before taxation ¹ * (£m)	13.9	31.4	36.5
Loans and advances to customers (£m)	4,315.9	3,470.7	4,159.2
Net debt gearing (%)	80.5	77.4	79.5
Shareholder funds (£m) ²	829.2	773.6	823.2
Underlying return on equity ¹ ** (%)	7.1	14.2	15.5

*Calculation based on a 3 month period

**Calculation based on a 3 month period and annualised

COVID-19 update:

- *Supporting our customers*
 - Provided mortgage payment holidays and other COVID-19 forbearance to around 17% of Group customers by value, in line with government and industry guidance
 - Colleagues redeployed and retrained to help handle increased customer call volumes
 - Funded c. £55m of lending from within pipeline during lockdown
- *Protecting and enabling our colleagues*
 - 98% of colleagues working from home to support customers by end of March with regular communications to keep them informed and supported

¹ Underlying metrics include adjustments to exclude £0.4m customer provisions in Q3'20 (Q2'20: £11.0m), £7.4m interest payable relating to the refinance of the 2021 Senior Secured Notes in Q3'20.

² Includes subordinated shareholder loans of £27.9m (Q3'19: £26.6m, Q2'20: £28.2).

- Topped up payments for colleagues placed on furlough, as lending activity reduced, to 100% of full salary for lower paid and 80% for all colleagues
- Strengthened governance with additional Executive and Board meetings and Gerald Grimes, Group CEO Designate, joining Group Board on 17th May
- *Enhancing the future resilience of our business*
 - Early prudent actions to preserve headroom in facilities and enhance financial flexibility in long-term best interests of our customers, the business and our bondholders:
 - Temporarily paused accepting new loan applications until we had greater visibility on impact of COVID-19, in order to preserve liquidity, manage credit risk, support our existing customers and re-assess pipeline applications against tighter lending criteria
 - Board of Bracken Midco1 elected to satisfy Senior PIK Toggle interest in form of payment in kind
 - Agreed COVID-19 facility covenant waivers for the provision of mortgage payment holidays with banks in all four private securitisations
 - Further strengthened total accessible liquidity to £126m at 22nd May, (31st March: £81m)

For further information:

Together

Mike Davies, Director of Corporate Affairs

+ 44 7753 138185

mike.davies@togethermoney.com

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.