

Together Financial Services Limited

23rd September 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 year ended June 30, 2020.

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

"The coronavirus pandemic has had a significant impact on the economy, on businesses and on the way we live our lives. Together entered the crisis in a strong position and we reacted quickly to support our customers, protect our colleagues and enhance the future resilience of our business. I would like to thank all of my colleagues for their commitment and flexibility in adapting to new ways of working to support our customers.

For the first eight months of the financial year, Together continued to perform strongly with robust levels of originations and profitability. Following the announcement of the national lockdown, we temporarily paused accepting new applications as we focused on supporting our existing customers, providing Covid-19 related forbearance to around 23% of customers by value, and took prudent steps to ensure our business was in a strong position to weather the crisis. Despite the impact of Covid-19, we lent around £1.7bn during the year to grow our loan book to £4.2bn, while the portfolio LTV remained low at 54.9%. The business continued to be highly profitable and cash generative with underlying profit before tax of £118.5m and cash receipts of £1.6bn for the year. Our early proactive actions, along with completion of TABS 4 and the refinancing of our revolving credit facility, has resulted in the Group having undrawn facility headroom of over £850m with accessible liquidity of £264m at September 18, 2020. Combined with accelerating our modernisation and transformation programmes, I am confident Together is well positioned for the future.

"While it remains too early to reliably estimate the full economic impact of Covid-19, we expect conditions to remain challenging for some time. Unemployment is already rising and, with government stimulus packages set to unwind over the coming months, many people will find themselves in a very different position to how they entered the crisis. We are shaping our business to meet our customers' evolving needs, to make us more efficient and to help us play our part in supporting the UK's economic recovery."

Financial performance: year ended June 30, 2020

- Average monthly loan originations down 14.9% to £140.7m (2019: £165.2m), while weighted average origination LTV remain conservative at 57.7% (2019: 58.0%)
- Group loan book reaches £4.2bn, up 12.7% compared with 2019 (£3.7bn), with weighted average indexed LTVs slightly increased to 54.9% (2019: 54.3%)
- Interest receivable and similar income up 13.2% at £388.4m (2019: £343.1m), driven by interest earned on the growing loan book
- Underlying NIM remains attractive at 6.6% (2019: 6.8%) despite competitive market conditions, redemption of higher yielding back-book loans and a small increase in gearing
- Annualised cost of risk has increased to 1.7% (2019: 0.5%) due to a significant increase in impairment charges to £66.9m (2019: £15.4m) principally to reflect deterioration in the macroeconomic outlook and the resulting impact on loan book performance
- Underlying EBITDA up 1.6% to £255.6m (2019: £251.5m) and underlying PBT down 9.1% to £118.5m (2019: £130.3m) due mainly to the increase in impairment charges
- Cash generation remained robust with cash receipts of £1.6bn (2019: £1.6bn)

Key metrics	2020	2019
Interest receivable and similar income (£m)	388.4	343.1
Underlying interest cover ratio ¹	2.0:1	2.2:1
Interest cover ratio	1.7:1	2.2:1
Underlying net interest margin ¹ (%)	6.6	6.8
Net interest margin (%)	6.4	6.8
Underlying cost-to-income ratio ² (%)	29.0	36.2
Cost-to-income ratio (%)	36.5	36.2
Cost of risk (%)	1.7	0.5
Underlying profit before taxation ² (£m)	118.5	130.3
Profit before taxation (£m)	94.6	130.3
Loans and advances to customers (£m)	4,162.2	3,694.5
Net debt gearing (%)	78.6	78.0
Shareholder funds ³ (£m)	856.4	789.9
Underlying return on equity ⁴ (%)	12.8	14.8
Return on equity (%)	10.4	14.8

Further strengthened governance structure

- Gerald Grimes joined Group Board on May 17, 2020 as Group CEO Designate
- Liz Blythe (September '19) and John Hooper (January '20) joined the Personal Finance board as NEDs and Chair the Personal Finance Audit Committee and Personal Finance Risk Committee respectively.
- Adopted the 'Wates' corporate governance principles for large private companies and finalised the implementation of the Senior Managers & Certification Regime within the Personal Finance division.
- The directors, having considered the requirements for rotation of auditors voluntarily tendered the audit. After a competitive tender, Ernst & Young LLP has been appointed as the Group's auditors
- A search has commenced for a successor to John Lowe, who resigned as Group Finance Director with effect from the end of September '20 with an Interim Group Finance Director now appointed

¹ Underlying metrics include adjustments to exclude £6.7m interest payable relating to the refinance of the 2021 Senior Secured Notes (2019: £nil). For further details see 'Financial review' section.

² Underlying metrics include adjustments to exclude £17.2m customer provisions (2019: £nil), £6.7m interest payable relating to the refinance of the 2021 Senior Secured Notes (2019: £nil). For further details see 'Financial review' section.

³ Includes subordinated shareholder loans of £28.4m (2019: £27.1m).

⁴ Underlying metric is adjusted for additional customer provisions and refinancing cost incurred during the period along with the associated tax on these exceptional items. These exceptional items are adjusted within profit after tax and shareholder funds.

Increased scale, diversity and maturity of funding

- Undrawn facility headroom increased to £857m at September 18, 2020
- September '20 – Successfully completed the refinancing of revolving credit facility ('RCF') by extending maturity to June '23
- July '20 – Successfully completed fourth residential mortgage backed securitisation ('RMBS'), Together Asset Backed Securitisation 2020 – 1 PLC ('TABS 4'), issuing £360.5m of rated notes against a loan portfolio of £366m, with 79.5% of the notes AAA rated
- February '20 - Issued £435m of 4⁷/₈ % Senior Secured Notes, due 2026, using proceeds to redeem former 6¹/₄% 2021 notes and repay amounts drawn under revolving credit facility
- October '19 - Successfully completed third RMBS, Together Asset Backed Securitisation 2019 – 1 PLC ('TABS 3'), in October issuing rated notes of £315m on a mortgage portfolio of £332m
- September '19 - Increased revolving Lakeside securitisation facility from £255m to £500m on improved terms and extended maturity, adding two further banks

Covid-19 update: Supporting customers, enabling colleagues and enhancing future business resilience

- Provided mortgage-payment deferrals and other Covid-19 forbearance to around 23% of Group customers by value. As at September 18, 2020, we were providing Covid-19 forbearance to c.7% of Group customers. Of the accounts who have exited payment deferrals 79.8% have resumed payments, 17.5% are making part payments and 2.7% making no payments.
- 98% of colleagues supported to work from home by end of March
 - Phased return to office commenced following initial easing of lockdown
- Temporarily paused accepting new loan applications to preserve liquidity, manage credit risk, support existing customers and re-assess pipeline applications against tighter lending criteria
 - Advanced c. £60m of lending from within pipeline during April, May and June, with £33m of lending in July and £49m in August
- Agreed Covid-19 facility covenant waivers for provision of certain concentrations of mortgage-payment deferrals with banks in all four private securitisations
- Further strengthened accessible liquidity to £264m at September 18, 2020 (June 30, 2020: £144.7m)

Shaping the business for the future

- Strategically reviewed future shape of business to best support evolving customer needs
 - Accelerating modernisation and transformation programmes, including introducing new technologies and automating processes to enhance customer journey and deliver operational efficiencies
- Completed thorough review of costs to ensure our cost base remains appropriate
 - Employee consultation process completed, reducing colleague numbers by 191
- While gradually increasing lending, we expect lending volumes to continue to increase cautiously, but remaining below pre-Covid-19 levels in the near term while credit risk becomes more transparent and measurable and we deliver efficiency benefits from our transformational projects
- Positioning business to help support UK economic recovery as one of the UK's largest specialist lenders

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.