

Together Fin. Svc.
Q2 Results
RNS Number: 6344C
Together Financial Services Limited
24 February 2022

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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, 2021.

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

"Q2 has seen sustained growth for Together, with our loan book up 4.6% on the previous quarter and up 13.8% on the same period last year, at £4.4bn. Our average monthly lending volumes increased by 11.7% on Q1 to £200m, with originations in November and December exceeding £200m and rising above pre-pandemic levels.

"In line with our growth strategy, we have raised or refinanced £900m across 3 transactions since September, adding to the diversity and maturity of our funding structure. Most recently, in December we refinanced and doubled the size of our Delta ABS facility for unregulated bridging loans from £200m to £400m.

"Although the UK economy is continuing to recover at a rapid rate, it is likely that consumers will be impacted by rising inflation, higher interest rates, and fiscal changes. While economists are forecasting a slowdown in economic growth in 2022, Together remains well placed to help increasing numbers of customers realise their ambitions and to play our part in supporting the UK's economic recovery."

Financial performance: quarter ended December 31, 2021

- Group loan book of £4.4bn, up 13.8% compared with £3.9bn at December 31, 2020, and up 4.6% compared with £4.2bn at September 30, 2021
- Weighted average indexed LTV remaining very conservative at 51.6% (Q2'21: 52.2%; Q1'22: 52.4%)
- Average monthly loan originations of £199.9m, up 168.7% in the quarter compared with £74.4m in Q2'21 and up 11.7% when compared with £179.0m in Q1'22 as the Group continued to increase lending volume
 - In November and December 2021 loan originations exceeded £200m, being above pre-pandemic levels
 - Weighted average origination LTVs remain conservative at 61.4% (Q2'21: 58.5%; Q1'22: 60.1%)
- Interest receivable and similar income of £95.3m, up 2.6% compared with £92.9m in Q2'21 and up 2.2% compared with £93.3m in Q1'22 reflecting a growing loan book
- Underlying net interest margin¹ remained attractive at 5.8%, compared with 6.5% in Q2'21 and 6.1% in Q1'22 with the reduction from the prior quarter largely due to product mix and is reflective of growth in some of the Groups lower yielding products as it pursues strategic opportunities in areas such as residential term and buy to let lending.
- Annualised cost of risk has decreased to 0.03% when compared with 0.6% in Q2'21 due to a reduced impairment charge during the quarter primarily as a result of continued strong growth in property values
- Underlying profit before tax¹ was up 12.4% to £43.0m when compared with £38.2m in Q2'21 and up 10.8% when compared with £38.8m in Q1'22

¹ Q2'22 underlying metrics include adjustments to £4.2m share incentive scheme charges and releases of £1.3m customer redress provisions (Q2'21 excluded £0.3m redundancy costs and a release of £1.4m in relation to customer redress), Q1'22 excluded £0.1m customer redress provisions charge)

- Cash generation remained robust, with cash receipts of £507.4m, up 17.8% compared with £430.6m in Q2'21 and up 20.6% compared with £420.8m in Q1'22 mainly due to increased redemptions during the period.

Key metrics	Q2 2022	Q2 2021	Q1 2022
Interest receivable and similar income (£m)	95.3	92.9	93.3
Underlying interest cover ratio** ²	2.4:1	2.4:1	2.3:1
Interest cover ratio*	2.3:1	2.4:1	2.3:1
Underlying net interest margin** ² (%)	5.8	6.5	6.1
Net interest margin** (%)	5.8	6.5	6.1
Underlying cost-to-income ratio** ² (%)	31.9	31.3	36.9
Cost-to-income ratio* (%)	36.5	29.6	37.1
Cost of risk** (%)	0.03	0.6	0.1
Underlying profit before taxation ² (£m)	43.0	38.2	38.8
Profit before taxation (£m)	40.1	39.3	38.7
Underlying EBITDA* ² (£m)	76.5	68.8	70.9
Loans and advances to customers (£m)	4,421.5	3,883.8	4,227.8
Net debt gearing (%)	76.9	75.9	76.2
Shareholder funds ¹ (m)	984.4	892.1	942.8
Underlying return on equity** ² (%)	15.6	14.9	13.6
Return on equity** (%)	14.6	15.3	13.5

*Calculation based on a 3 month period

**Calculation based on a 3 month period and annualised

Shaping the business for the future

- With demand for specialist lending products expected to grow strongly over the medium-term, we have been shaping our business to ensure Together is well placed to take advantage of significant potential growth opportunities in our markets. This ongoing process includes:
 - Enhancing the customer experience through investing in our people and digital capabilities;
 - Investing in and optimising our business processes to enable us to efficiently scale our business;
 - Leveraging our established brand to expand distribution and addressable markets; and
 - Building capability for agility and flexibility to capture opportunities.
- As part of this process, we are working with our advisors and our shareholder to explore a range of strategic options in relation to our ownership structure.

ESG update

- Following appointment of an ESG consultancy in September 2021 and consultation with colleagues, customers, investors and other key stakeholders we have developed our ESG strategy:
 - This strategy is now being reviewed and prioritised in line with our Purpose and Vision before going through our internal governance processes for approval; and
 - We have also formalised our Diversity & Inclusion strategy and signed up to the Women in Finance Charter.

² Q2'22 underlying metrics include adjustments to £4.2m share incentive scheme charges and releases of £1.3m customer redress provisions (Q2'21 excluded £0.3m redundancy costs and a release of £1.4m in relation to customer redress), Q1'22 excluded £0.1m customer redress provisions charge)

¹ Includes subordinated shareholder loans of £30.4m (Q2'21: £29.3m, Q1'22: £29.8)

Continued increase in diversity, liquidity and maturity of funding

- £900m raised or refinanced across 3 transactions since Sep '21:
 - Nov'21 Bracken Midco1 PLC successfully issued £380m 2027 Senior PIK Toggle Notes as part of the refinancing of its existing £368.2 million aggregate principal amount of Senior PIK Toggle Notes due 2023, reducing cash coupon from 8.875% to 6.75%;
 - Nov'21 issued additional £120 million in aggregate principal amount of 4 7/8% Senior Secured Notes due 2026 at issue price of 100.5%, upsized in market from £100 million.
 - Dec'21 Delta ABS 2 upsized from £200m to £400m.
- Facility Headroom increased to £1,495.5m at 31 Dec'21 (31 Dec'20: £1,021.9m) and accessible liquidity of £419.1m at 31 Dec'21 (31 Dec'20: £300m).

Q2 2021/22 results presentation

Together will be presenting its Q2 2021/22 results via audio webcast today at 14:00 GMT (9:00 EST), for the quarter ended December 31, 2021.

The presentation is expected to last for approximately 30 minutes, followed by a Q&A.

The slides will be available on the Investor Relations website (<https://investors.togethermoney.com/>) ahead of the presentation.

The live audio webcast for the results will be available via the following link:

<https://www.investis-live.com/together/620a184d03c5201200348b77/terr>

The webcast will also be accessible via a live conference call:

- Access code: 436132
- From the UK: +44 (0) 20 3936 2999/ 0800 640 6441
- From outside the UK: +44 20 3936 2999

For further enquires please contact:

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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.