

Together Fin. Svc.
Q1 2022/23
RNS Number: 4189H
Together Financial Services Limited
24 November 2022

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Together Financial Services Limited ('Together' or 'the Group'), one of the UK's leading non-bank relationship lenders, is pleased to announce its results for the quarter ended September 30, 2022.

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

"Together delivered another strong performance in the quarter to 30 September, growing the loan book to £5.7bn while maintaining very low LTVs and arrears. The Group also remained highly profitable and cash generative, with underlying profit before tax of £34.7m and cash receipts of £541.8m.

"We continue to shape our business for the future, with a focus on optimising our distribution strategies, maintaining lending quality and sustainable pricing, and supporting our customers through this challenging economic climate. During the quarter we raised or refinanced over £800m to further strengthen and diversify our funding, leaving us with significant facility headroom to support our growth plans. We also made good progress with our sustainability agenda, achieving silver accreditation from Investors in People 18 months ahead of our plan, maintaining excellent customer reviews and improving our car fleet to 64% electric or hybrid.

"The UK's economic outlook has become increasingly uncertain with high levels of inflation and rising interest rates causing economists to forecast a prolonged recession. Against this backdrop, many more customers may find themselves underserved by mainstream lenders and look to specialists to help them to solve problems and realise opportunities. With a clear purpose, a multi-cycle track record, our transformation programmes well underway and strong diversified funding base, we believe Together remains well placed to deliver on our strategy, to help increasing numbers of underserved customers realise their ambitions and to play our part in supporting the UK economy."

Financial highlights: quarter ended September 30, 2022

- **Strong loan book growth at conservative LTVs with low arrears**
 - Average monthly loan originations of £289.7m, up 61.9% on Q1'22 (£179.0m) down 1.4% on Q4'22 (£293.8m)
 - Conservative weighted average origination LTVs of 62.0% (Q1'22: 60.1%; Q4'22: 61.8%)
 - Group net loan book increased to £5.7bn, up 34.5% on Q1'22 (£4.2bn) and up 8.3% on Q4'22 (£5.2bn)
 - Weighted average indexed LTV remains very low at 51.9% (Q1'22: 52.5%; Q4'22: 51.5%)
 - Arrears profile remains benign, reflecting robust loan book quality
 - Impairment coverage increased slightly from previous quarter at 1.63% (Q1'22: 2.15%; Q4'22: 1.61%) due to increased impairment provisioning resulting from future macroeconomic uncertainty in forward-looking IFRS 9 modelling
- **Robust and sustainable financial performance**
 - Interest receivable and similar income of £119.0m, up 27.5% on Q1'22 (£93.3m) and up 11.9% on Q4'22 (£106.3m)
 - Underlying net interest margin of 4.9% (Q1'22: 6.1%; Q4'22: 5.3%), with compression during the period reflecting the impact of the extent and timing of rising interest rates

Highlights (continued)

- Annualised cost of risk of 0.9% (Q1'22: 0.1%; Q4'22: 0.2%), with change due to an increased impairment charge as a result of increased IFRS 9 provisioning
- Group remains highly profitable and cash generative
 - Underlying profit before tax of £34.7m, down 10.6% on Q1'22 (£38.8m) and down 12.4% on Q4'22 (£39.6m) primarily due to higher impairment charges
 - Cash receipts of £541.8m (Q1'22: £419.4m; Q4'22: £522.2m) as redemptions remained strong

Key metrics	Q1 2023	Q1 2022	Q4 2022
Interest receivable and similar income (£m)	119.0	93.3	106.3
Underlying interest cover ratio ¹	1.7:1	2.3:1	2.0:1
Interest cover ratio	1.8:1	2.3:1	1.9:1
Underlying net interest margin ² (%)	4.9	6.1	5.3
Net interest margin (%)	4.9	6.1	5.3
Underlying cost-to-income ratio ¹ (%)	32.3	36.9	37.8
Cost-to-income ratio (%)	28.0	37.1	44.4
Underlying cost-to-asset ratio ¹ (%)	1.6	2.1	1.9
Cost-to-asset ratio (%)	1.3	2.1	2.2
Cost of risk (%)	0.9	0.1	0.18
Underlying profit before taxation ¹ (£m)	34.7	38.8	39.6
Profit before taxation (£m)	37.7	38.7	35.2
Underlying EBITDA	88.3	70.9	77.8
Loans and advances to customers ⁴ (£m)	5,684.9	4,227.8	5,247.9
Net debt gearing (%)	81.2	76.2	79.7
Shareholder funds ³ (£m)	1,093.6	942.8	1,030.0
Underlying return on equity ¹ (%)	11.1	13.6	12.0
Return on equity (%)	12.0	13.5	14.7

Operational highlights

- Further strengthened and diversified funding to support growth plans
 - Over £800m raised or refinanced across three transactions
 - £1.4bn facility headroom and £389.9m immediately available liquidity at 30 September
 - In October, credit rating agency S&P upgraded Together to 'BB' (previously 'BB-') citing our resilient earnings, capital buffers and asset quality. S&P also upgraded Together's Senior Secured Notes to 'BB' (previously 'BB-') and Bracken Midco1 PLC's PIK Toggle Note to 'BB-' (previously 'B+')
- Continued progress against Sustainability targets
 - Achieved 75% 5 star customer reviews during quarter⁵
 - Awarded silver accreditation from Investors in People, 18 months ahead of plan
 - Funded a further 56 social housing properties securing homes for 187 tenants
 - 64% of car fleet now electric or hybrid

¹ September 30, 2022 excluded a £3.0m release of costs accrued in a prior period relating to the group's strategic options review (Q1'22: £0.1m customer redress provision charge, whilst Q4'22 excluded a £0.2m share based payment charge and £4.2m costs associated with a strategic review of the business.

² There are no exceptional items impacting upon net interest income recorded in the current or comparable prior periods.

³ Includes subordinated shareholder loans of £32.0m (Q1'22: £29.8m, Q4'22: £31.4m)

⁴ Net loan book is the net of gross loans and advances to customers and impairment allowances

⁵ Based on 220 reviews collated by Feefo, Trustpilot and Google Reviews during Q1'23

Highlights (continued)

Q1 2022/23 results presentation

Together will be presenting its Q1 2022/23 results via audio webcast today at 14:00 GMT (9:00 EST), for the quarter ended September 30, 2022.

The presentation for analysts and investors 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 will be available via the following link:

<https://www.investis-live.com/together/637231ab757dae0c007ad3fb/refss>

It will also be accessible via a live conference call:

- Access code: 842450
- From the UK: +44 (0) 20 3936 2999/ 0800 640 6441
- From outside the UK: +44 20 3936 2999

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About Together

One of the UK's leading non-bank relationship lenders, Together has been making finance work to help our customers realise their ambitions for nearly 50 years.

A strong, diverse and financially inclusive lender, we support a wide range of underserved customers including the self-employed, those with more complex incomes, in later life or with thin or impaired credit, landlords and SME and business customers. We offer our customers a wide range of flexible lending products including short-term finance, auction finance, residential, buy-to-let and commercial mortgages, secured loans and development finance.

Our expertise in lending means we can look beyond mainstream lending criteria to consider individual circumstances and treat each application on its own merits to help our customers solve problems and realise opportunities.

Together is the trading name of Together Financial Services Limited, which has its registered office address at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW.