

Together Financial Services Limited

24th February 2023

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 December 31, 2022.

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

"Together delivered another robust performance in the period, against a backdrop of extreme macroeconomic uncertainty, growing the loan book to £5.9bn while controlling origination volumes, increasing rates and maintaining prudent LTVs. The Group remained highly profitable and cash generative, and the successful launch of our £467m FABS warehouse facility in December added further strength and diversity to our funding.

"We continued to deliver our strategic change agenda during the quarter, making further incremental progress on delivering the right experience for our customers and creating a more agile, efficient, and scalable platform. We also rolled out new training programmes to support growth and performance for all of our colleagues and made good progress against our sustainability targets and measures.

"While inflation has started to show signs of trending lower and the pace of interest rate rises has slowed, some economists are forecasting the UK economy could enter recession during 2023, and this continued uncertainty may result in increasing numbers of people looking to specialist lenders for support. With a clear purpose, a proven and well-funded business model and a successful multi-cycle track record, we believe Together is well placed to help many more customers realise their ambitions."

Financial highlights: quarter ended December 31, 2022

- Robust loan book growth at conservative LTVs with low arrears
 - Average monthly lending of £212.5m, up 6.3% on Q2'22 (£199.9m), down 26.5% on Q1'23 (£289.7m), reflecting a controlled approach to originations
 - Conservative weighted average origination LTVs of 60.8% (Q2'22: 61.4%; Q1'23: 62.0%)
 - Group net loan book increased to £5.9bn, up 33.3% on Q2'22 (£4.4bn) and up 3.6% on Q1'23 (£5.7bn)
 - Weighted average indexed LTV remains very low at 53.4% (Q2'22: 51.6%; Q1'23: 51.9%)
 - Arrears profile remains benign, reflecting robust loan book quality
 - Impairment coverage increased slightly from previous quarter at 1.85% (Q1'23: 1.63%) due to increased impairment provisioning resulting from future macroeconomic uncertainty in forward-looking IFRS 9 modelling, however down from prior year comparable quarter (Q2'22: 2.02%)
- Resilient and sustainable financial performance
 - Interest receivable and similar income of £133.6m, up 40.2% on Q2'22 (£95.3m) and up 12.3% on Q1'23 (£119.0m)
 - Underlying net interest margin of 4.8% (Q2'22: 5.8%; Q1'23: 4.9%), reflecting the continued impact of the extent and timing of rising interest rates
 - Annualised cost of risk of 1.3% (Q2'22: 0.03%; Q1'23: 0.9%), with change due to an increased impairment charge as a result of increased IFRS 9 provisioning, due to greater macroeconomic uncertainty
 - Group remains highly profitable and cash generative
 - Underlying profit before tax of £25.8m, down 40.0% on Q2'22 (£43.0m) and down 25.6% on Q1'23 (£34.7m) primarily due to higher impairment charges
 - Cash receipts of £559.9m (Q2'22: £507.4m; Q1'23: £541.8m) as redemptions remain strong

Q2

Q2

Q1

Key metrics	2023	2022	2023
Interest receivable and similar income (£m)	133.6	95.3	119.0
Underlying interest cover ratio ¹	1.4:1	2.4:1	1.7:1
Interest cover ratio	1.3:1	2.3:1	1.8:1
Underlying net interest margin ² (%)	4.8	5.8	4.9
Net interest margin (%)	4.8	5.8	4.9
Underlying cost-to-income ratio ¹ (%)	35.7	31.9	32.3
Cost-to-income ratio (%)	47.2	36.5	28.0
Underlying cost-to-asset ratio ¹ (%)	1.6	1.8	1.6
Cost-to-asset ratio (%)	2.2	2.0	1.3
Cost of risk (%)	1.3	0.03	0.9
Underlying profit before taxation ¹ (£m)	25.8	43.0	34.7
Profit before taxation (£m)	17.8	40.1	37.7
Underlying EBITDA ¹	91.0	76.5	88.3
Loans and advances to customers ³ (£m)	5,891.9	4,421.5	5,684.9
Net debt gearing (%)	82.3	76.9	81.2
Shareholder funds ⁴ (£m)	1,046.0	984.4	1,093.6
Underlying return on equity ¹ (%)	8.3	15.6	11.1
Return on equity (%)	5.8	14.6	12.0

Operational highlights

- Shaping our business for the future
 - Further enhanced customer experience, redesigning and relaunching website, delivering digital portal into alpha testing and improving document management, collections and call handling infrastructure
 - Progressed with embedding new ‘ABS Suite’ securitisation platform and implementing agile change practices as we build an agile and rapidly scalable platform
 - Continued to empower colleagues to grow and deliver value for stakeholders, running a ‘Learnfest’ learning and development week and rolled out new training programmes to support growth and performance for all of our colleagues
- Further strengthened and diversified funding to support growth plans
 - Oct’22: 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+’)
 - Dec’22: successful completion of £467m FABS warehouse facility for first charge owner occupied and buy-to-let loans
 - 31 Dec’22: £1.3bn facility headroom and £344.1m immediately available liquidity
- Continued progress against Sustainability targets
 - Our planet
 - Climate Risk Management Framework approved and Climate Working Group established to progress ambitions to reduce emissions, consumption and become Net Zero

¹ December 31, 2022 excluded a £8.4m one-off discretionary bonus and a £0.4m release of costs accrued in a prior period relating to the Group’s strategic options review (Q2’22: £4.2m accrued share incentive scheme costs and release of £1.3m customer redress provisions, whilst Q1’23 excluded a £3.0m release of costs accrued in a prior period relating to the Group’s strategic options review).

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

³ Net loan book is the net of gross loans and advances to customers and impairment allowances.

⁴ Includes subordinated shareholder loans of £32.5m (Q2’22: £30.4m, Q1’23: £32.0m).

- Signed partnership with Inspired Energy to progress Net Zero ambitions, including disclosure of Scope 3 emissions
- Our customers
 - Maintained over 4 out of 5 star ratings on Feefo, Trustpilot and Google⁵ and received Platinum Trusted Service Award from Feefo for the third year running
 - Achieved ‘Crystal Mark’ accreditation from Plain English for post-completion correspondence and website content
- Our colleagues
 - Signed Race at Work Charter, joined Business Disability Forum and Age Inclusive Accredited by 55/Redefined
 - 30% women in senior management positions at Dec’22, up from 26% at Dec’21
- Our communities
 - Approved plan to support charitable giving in excess of £1m per annum
 - We have now financed 341 social and affordable housing properties, securing homes for 1,207 tenants including key workers, vulnerable women and the elderly

Q2 2022/23 results presentation

Together will be presenting its Q2 2022/23 results via audio webcast today at 14:00 GMT (9:00 EST), for the quarter ended December 31, 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/63e51aacaec340f00952cb6/efcsdc](https://www.investis-live.com/together/63e51aacaec340f00952cb6/efcsdc)

It will also be accessible via a live conference call:

- Access code: 792622
- 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

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.