

Together Financial Services Limited

16th September 2021

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 year ended June 30, 2021.

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

"Together continued to build on our strong momentum during the year, with lending levels in the second half up 130.8% on H1 and returning to pre-pandemic levels in June and July. We also delivered increased profitability and cash flows, while accelerating our modernisation and transformation projects and adding significant funding headroom as we shape our business for an exciting future.

"At the start of our financial year the UK was still in its first lockdown, the property market was only just reopening, millions were furloughed, millions more deferring their mortgage payments and development activity had all but ceased. Against this backdrop, we have continued to increase our lending levels during the year, with average monthly originations rising from £59.0m in the first half to £136.2m in the second half and reaching £190.3m in June. This contributed to the Group delivering increased underlying profit before tax of £149.7m and annual cash receipts of £1.7bn in the year. It has taken common sense, logic, a calm approach and decisive actions to navigate through this unprecedented time and these results are a testament to the extraordinary efforts of our colleagues over the last 12 months.

"We have also added significant additional scale and depth to our funding structure, raising or refinancing over £1.3bn of facilities in five transactions during the financial year, including issuing the first small balance commercial real estate mortgage backed securitisation in the UK since the Global Financial Crisis. Since the year end, the Group has issued its first dedicated facility for non-performing loans, Brooks ABS, and in September we refinanced our HABS warehouse facility and priced our inaugural first-charge only RMBS to leave the Group with funding headroom of over £1.4bn¹.

"While the economy is performing much better than expected and is forecast to grow strongly, we expect that following government Covid-19 support schemes being withdrawn and increased changes in employment status many people may find themselves in a different position to how they entered the pandemic. With robust levels of capital and liquidity, Together is well placed to help increasing numbers of customers to realise their ambitions and to play our part in supporting the UK's economic recovery."

Financial performance: year ended June 30, 2021

- Group loan book of £4.0bn, down 3.6% compared with 2020 (£4.2bn), with weighted average indexed LTV² remaining very conservative at 52.1% (2020: 54.9%)
- Continued to build momentum in lending levels throughout the year following temporary pause in new lending at onset of the pandemic
 - Average monthly loan originations of £136.2m in the second half of the year, up 130.8% on £59.0m in the first half, with quarter-on-quarter growth throughout the year
 - Lending returned to pre-pandemic levels in June and July 2021, at £190.3m and £172.9m respectively
 - Average monthly loan originations for the year down 30.6% to £97.6m (2020: £140.7m)
- Weighted average origination LTVs remain conservative at 59.8% (2020: 57.7%)
- Interest receivable and similar income down 4.5% at £370.9m (2020: £388.4m) as a reduction in the size of the loan book and a reduction in yield across the loan portfolio

¹ Pro-forma including (i) Brooks ABS facility executed in Jul'21, and (ii) refinancing of HABS facility and re-instatement of headroom executed in Sept '21 (at June 30, 2021 HABS had entered into an amortising period prior to refinancing)

² During the year (Q2'21) the Group transitioned to an updated house-price index applied to collateral valuations resulting from an update to the methodology applied by IHT Markit, the owner and administrator of the Halifax House Price Index. Comparatives for the prior year have not been updated.

- Underlying net interest margin remained attractive at 6.2% (2020: 6.6%) despite continued competitive market conditions and reflecting the shape of the loan book throughout the period
- Annualised cost of risk has decreased to 0.4% (2020: 1.7%) due to a reduced impairment charge during the year as a result of the improved macroeconomic outlook
- Underlying profit before tax was up 26.3% to £149.7m (2020: £118.5m)
- Cash generation remained robust, with cash receipts of £1.7bn (2020: £1.6bn) as redemption levels remained strong

Key metrics	2021	2020
Interest receivable and similar income (£m)	370.9	388.4
Underlying interest cover ratio ³	2.3:1	2.0:1
Interest cover ratio	2.3:1	1.7:1
Underlying net interest margin ³ (%)	6.2	6.6
Net interest margin (%)	6.1	6.4
Underlying cost-to-income ratio ³ (%)	35.9	29.0
Cost-to-income ratio (%)	34.1	36.5
Cost of risk (%)	0.4	1.7
Underlying profit before taxation ³ (£m)	149.7	118.5
Profit before taxation (£m)	150.3	94.6
Underlying EBITDA ³ (£m)	272.6	255.6
Loans and advances to customers (£m)	4,011.9	4,162.2
Net debt gearing (%)	75.6	78.6
Shareholder funds ⁴ (m)	937.0	856.4
Underlying return on equity ³ (%)	14.5	12.6
Return on equity (%)	14.7	10.4

Shaping the business for the future

- Continued to progress a number of key modernisation and transformation projects to streamline application journeys, improve user experiences for our customers and intermediaries and increase operational efficiency including:
 - An ‘affordability unlock’ tool to allow underwriters to easily identify and track changes to affordability information provided by brokers or customers, providing process efficiencies for the business.
 - The implementation of an electronic underwriting file (e-file), superseding the need for paper files to be created, distributed and sequentially updated. This has led to operational efficiencies and more robust data and operational controls, and enhanced dashboards to monitor service levels.
- In parallel, strategic projects are also underway to update specific core systems
- Appointed an ESG consultancy to formalise our ESG strategy in line with our purpose and vision for the future

³ Underlying metrics include adjustments to exclude £8.2m customer redress provision release, £1.7m redundancy costs and £5.9m interest payable relating to the refinance of the 2024 Senior Secured Notes (2020: £17.2m customer provisions and £6.7m interest payable relating to the refinance of the 2021 Senior Secured Notes)

⁴ Includes subordinated shareholder loans of £29.3m (2020: £28.4)

Significantly increased scale, diversity and maturity of funding

- Successfully raised or refinanced over £1.3bn of facilities to support the Group's lending activities:
 - Jul'20: issued Together ABS 4, our fourth and largest RMBS, raising external funding of £360.5m with 81% of the notes rated AAA on issuance
 - Sep'20: maturity date on the undrawn £71.9m revolving credit facility was successfully extended from June 2021 to June 2023
 - Jan'21: successfully issued £500m 5.25% Senior Secured Notes due 2027, to redeem £350m 6.125% Senior Secured Notes due 2024 and support further growth in lending
 - Mar'21: issued £200m small balance commercial real estate mortgage backed securitisation, the first such issuance in the UK since the Global Financial Crisis 79.75% of the issued notes were AAA rated
 - Jun'21: completed Together CRE 2 transaction, raising external funding of £241.6m with 80% of the notes AAA rated following the demand arising from the first small balance commercial real estate mortgage backed securitisation
- Maintained fund raising and refinancing momentum post year end:
 - Jul'21: launched Brooks ABS, the Group's first dedicated facility for non-performing loans, for £96.2m
 - Sep'21: refinanced £525m HABS small balance commercial real estate warehouse facility extending maturity to September 2025
 - Sep'21: priced inaugural 1st charge only RMBS, TABS 2021 1st, for £318m
- Pro forma Facility Headroom¹ increased to £1,435m at 30 June 2021 (30 June 2020: £406m) and immediately accessible liquidity of £453m at 30 June 2021 (30 June 2020: £145m)
- S&P revised outlook from Negative to Stable on Together Financial Services Limited and Bracken Midco1 PLC

Q4/Full Year 2020/21 results presentation

Together will be hosting its Q4/full year results webcast at 14:00 BST (9:00 EST) today, for the year ended June 30, 2021.

The presentation is expected to last for approximately 30 minutes, followed by a Q&A, and will be hosted by Gary Beckett (Group Managing Director & Chief Treasury Officer) and Mike Davies (Director of Corporate Affairs).

The slides will be made available prior to the webcast via the Investor Relations section of the Together website at <https://investors.togethermoney.com/>.

Step 1: Access the Q4 /full year 20/21 results webcast

<https://slideassist.webcasts.com/starthere.jsp?ei=1494584>

Step 2: Dial in to the audio for the webcast using the following details:

- Passcode: 744765
- From the UK: +44 (0)330 336 9401 / 0800 279 4827
- From outside the UK: +1 646-828-8199 / 888-632-5004

Please follow both steps above in order to access the audio and visual for the year.

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.