

Together Financial Services Limited

25th May 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 March 31, 2023.

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

"Together delivered another strong performance in the quarter to 31 March, as we successfully grew our loan book to £6.2bn while maintaining a prudent approach to originations, conservative LTVs and headline arrears levels remaining well below pre-pandemic levels. As the pace of interest rate rises slowed, our net interest margin recovered to 5% and the Group has remained highly profitable and cash generative. We have also made good progress in shaping our business for the future, strengthening and diversifying our group and operational management teams, maintaining leading positions in key markets, developing talent across the organisation and delivering on our Sustainability strategy.

"While the UK's economic outlook is showing signs of improvement with inflation forecast to reduce over the next six months and interest rates to stabilise, the environment remains challenging for many households and businesses. With a clear purpose, a successful multi-cycle track record and a proven and well-funded model, Together is well placed to help increasing numbers of customers realise their ambitions and to play our part in supporting the UK's economic recovery."

Financial highlights: Quarter ended March 31, 2023

- Robust loan book growth at conservative LTVs with low arrears
 - Average monthly lending of £211.7m, broadly in line with Q2'23 (£212.5m) and down 9.8% on Q3'22 (£234.7m), reflecting a continued controlled approach to originations
 - Weighted average origination LTVs remain conservative at 60.2% (Q3'22: 60.3%; Q2'23: 60.8%)
 - Group net loan book increased to £6.2bn, up 29.1% on Q3'22 (£4.8bn) and up 4.6% on Q2'23 (£5.9bn)
 - Weighted average indexed LTV remains very low at 54.6% (Q3'22: 51.7%; Q2'23: 53.4%)
 - Arrears remain low and well below pre-pandemic levels, reflecting robust loan book quality. As anticipated we have noted some marginal increases in some early-stage arrears within certain segments of the loan book and which we are proactively managing
 - Impairment coverage remained broadly consistent at 1.74% (Q3'23: 1.84%; Q2'23: 1.85%), providing sufficient coverage of a growing loan book in the face of ongoing macroeconomic uncertainty
- Robust and sustainable financial performance
 - Interest receivable and similar income of £148.8m, up 50.8% on Q3'22 (£98.7m) and up 11.4% on Q2'23 (£133.6m)
 - Underlying net interest margin increased to 5.0% from 4.8% at Q2'23 (Q3'22: 5.4%), as the pace and timing of rising interest rates slowed, thereby allowing interest rate pass-ons to customers to catch up relative to our funding costs
 - Annualised cost of risk of 0.5% (Q3'22: 0.05%; Q2'23: 1.3%)
 - Underlying cost-to-income ratio remains low at 34.6% (Q3'22: 33.6%; Q2'23: 35.7%).
 - Group remains highly profitable and cash generative
 - Underlying profit before tax of £41.3m, in line with Q3'22 (£41.3m) and up 60.1% on Q2'23 (£25.8m) due to the impact of increased impairment provisions and one-off expenses in the prior quarter
 - Cash receipts of £515.7 (Q3'22: £456.0; Q2'23: £559.9m) as redemptions remain strong

- Maintained strength and diversity of funding with £940m facility headroom and £326m immediately available liquidity at March 31, 2023

Key metrics	Q3 2023	Q3 2022	Q2 2023
Interest receivable and similar income (£m)	148.8	98.7	133.6
Underlying interest cover ratio ¹	1.6:1	2.2:1	1.4:1
Interest cover ratio	1.6:1	2.1:1	1.3:1
Underlying net interest margin ² (%)	5.0	5.4	4.8
Net interest margin (%)	5.0	5.4	4.8
Underlying cost-to-income ratio ¹ (%)	34.6	33.6	35.7
Cost-to-income ratio (%)	34.6	39.6	47.2
Underlying cost-to-asset ratio ¹ (%)	1.6	1.7	1.6
Cost-to-asset ratio (%)	1.6	2.0	2.2
Cost of risk (%)	0.5	0.05	1.3
Underlying profit before taxation ¹ (£m)	41.3	41.3	25.8
Profit before taxation (£m)	41.3	37.5	17.8
Underlying EBITDA ¹	116.7	78.8	91.0
Loans and advances to customers ³ (£m)	6,161.9	4,774.7	5,891.9
Net debt gearing (%)	82.8	78.1	82.3
Shareholder funds ⁴ (£m)	1,075.4	1,020.4	1,046.0
Underlying return on equity ¹ (%)	12.9	13.7	8.3
Return on equity (%)	12.9	12.5	5.8

Operational highlights

- Shaping our business for a successful future
 - Enhanced and diversified our Group Executive management team with promotions of Julie Twynholm to Group Chief Risk Officer, Ryan Etchells to Chief Commercial Officer and Sarah Nield to Group Chief Compliance Officer in February
 - Further strengthened operating businesses with appointment of Jon Hogan to Board of Together Personal Finance in January, recruitment of Martin Souter as Commercial Credit and Risk Director in February and promotion of Chloe Cotgrave to Personal Finance Chief Operating Officer in March
 - Continued to promote development of talent across Together with the launch of group mentoring scheme to support younger colleagues

¹ There are no exceptional items during the current quarter. (Q3'22 Exceptional items consisted of £0.1m share-based payment costs and £3.7m strategic review costs. Q2'23: Exceptional items consisted of £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).

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 £33.1m (Q3'22: £30.8m, Q2'23: £32.5m)

- Maintaining leading positions in key markets
 - Completed £115m in bridging lending in March, highlighting the demand from businesses for specialist short-term finance to meet their ambitions
 - Awarded ‘Best Bridging Finance Provider’ at Moneyfacts Awards 2023
 - Published ‘Together Market Report 2023’, exploring commercial and residential property market trends backed by our own research and industry partner contributors
- Delivering on our Sustainability strategy
 - Partnered with UK’s leading energy and sustainability consultancy, Inspired PLC, in April to support Together in reaching net zero and achieving our long-term sustainability ambitions
 - Received planning permission for sustainable scheme to connect our two offices in Cheadle, increasing space, improving facilities and utilising thermal modelling to minimise embodied carbon impact

Q3 2022/23 results presentation

Together will be presenting its Q3 2022/23 results via audio webcast on Thursday 25th May 2023, at 14:00 BST (09:00 EST), for the quarter ended March 31, 2023.

The presentation for analysts and investors is expected to last for approximately 35 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 Q3 22/23 results will be available via the following link: <https://www.investis-live.com/together/6454d3a34170900d00242c27/aweq>

It will also be accessible via a live conference call:

- Access code: 798372
- From the UK: +44 (0) 20 3966 7028/ 800 358 1035
- [Global Dial-In Numbers](#)

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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.