

Together Financial Services Limited

23rd November 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 September 30, 2023.

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

"Together delivered another strong and sustainable performance in the quarter to 30 September, growing the loan book to £6.6bn with low LTVs and headline arrears, while remaining highly profitable and cash generative.

"Originations increased slightly against the previous quarter, as we delivered interest receivable and similar income of £182.9m, underlying profit before tax of £47.3m and cash receipts of £653.8m, in spite of the wider macroeconomic volatility. We continued to further strengthen and diversify our funding, raising or refinancing around £1bn of facilities and ending the quarter with £1.2bn of funding headroom, leaving us well placed for future growth. We also achieved a rating upgrade to 'BB' from Fitch in October, Based on our financial performance and resilient business profile.

"The UK economy continues to face headwinds, with GDP growth forecast to remain subdued as interest rates remain higher well into 2024. Against this backdrop, many more customers may find themselves underserved and look to specialist lenders for support. With a clear purpose, a proven and well-funded business model and a successful multicycle track record, Together will be there to help customers solve problems and realise opportunities, as we have been for the last 50 years."

Financial highlights: quarter ended September 30, 2023

- Robust loan book growth at conservative LTVs with low arrears
 - Average monthly lending of £223.5m, down 22.9% on Q1'23 (£289.7m), up 2.3% on Q4'23 (£218.6m)
 - Conservative weighted average origination LTVs of 58.6% (Q1'23: 62.0%; Q4'23: 60.6%)
 - Group net loan book increased to £6.6bn, up 16.3% on Q1'23 (£5.7bn) and up 3.1% on Q4'23 (£6.4bn)
 - Weighted average indexed LTV remains very low at 56.2% (Q1'23: 51.9%; Q4'23: 55.3%)
 - While arrears remain below pre-pandemic levels, in line with the wider industry we are seeing a gradual increase and continue to monitor carefully
 - Impairment coverage of 1.8%, up from 1.7% in Q4'23 (Q1'23: 1.6%)
- Strong and sustainable financial performance
 - Interest receivable and similar income of £182.9m, up 53.7% on Q1'23 (£119.0m) and up 6.7% on Q4'23 (£171.5m)
 - Underlying net interest margin of 5.5% (Q1'23: 4.9%; Q4'23: 5.7%), with compression during the period reflecting the impact of the extent and timing of interest rates rises
 - Annualised cost of risk of 0.8% (Q1'23: 0.9%; Q4'23: 0.3%), with change due to a higher impairment charge as a result of increased IFRS 9 provisioning
 - Group remains highly profitable and cash generative
 - Underlying profit before tax of £47.3m, up 36.2% on Q1'23 (£34.7m) and down 23.7% on Q4'23 (£61.9m) primarily due to higher charges this quarter relating to impairment, a discretionary staff bonus accrual and temporary fair value movements whilst the previous quarter benefitted from both a release in staff bonus cost accruals and an adjustment to how we spread upfront fee income over the life of our loans
 - Cash receipts of £653.8m (Q1'23: £541.8m; Q4'23: £583.1m) as redemptions remained strong

Key metrics	Q1 2024	Q1 2023	Q4 2023
Interest receivable and similar income (£m)	182.9	119.0	171.5
Underlying interest cover ratio ¹	1.5:1	1.7:1	1.8:1
Interest cover ratio	1.5:1	1.8:1	1.8:1
Underlying net interest margin ² (%)	5.5	4.9	5.7
Net interest margin (%)	5.5	4.9	5.7
Underlying cost-to-income ratio ¹ (%)	31.6	32.3	25.9
Cost-to-income ratio (%)	31.6	28.0	25.9
Underlying cost-to-asset ratio (%)	1.6	1.6	1.4
Cost-to-asset ratio (%)	1.6	1.3	1.4
Cost of risk (%)	0.8	0.9	0.3
Underlying profit before taxation ¹ (£m)	47.3	34.7	61.9
Profit before taxation (£m)	47.3	37.7	61.9
Underlying EBITDA ¹	142.8	88.3	145.4
Loans and advances to customers ⁴ (£m)	6,610.2	5,684.9	6,410.2
Net debt gearing (%)	83.0	81.2	82.9
Shareholder funds ³ (£m)	1,133.7	1,093.5	1,118.0
Underlying return on equity ¹ (%)	13.0	11.1	18.3
Return on equity (%)	13.0	12.0	18.3

Operational highlights

- Further strengthened and enhanced Executive team
 - Appointed John Barker as Group Chief Operations Officer and Andrea Dalton as Chief Transformation Officer
- Maintained funding momentum to support growth plans
 - Issued TABS8 RMBS, raising £426m in July 2023
 - Issued second RMBS in three months, TABS 9, raising £443m in September 2023
 - Upsized and extended BABS facility, securing additional £42m of funding in September and extending maturity to September 2027
 - Successfully priced £380.4m CRE4 small balance commercial real estate MBS on 22 November

¹ There are no exceptional items during the current quarter. (Q1'23 Exceptional items consisted of £3.0m costs relating to the group's strategic options review (Q4'23 had no exceptional costs).

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 £34.3m (Q1'23: £32.0m, Q4'23: 33.7m)

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

Q1 2023/24 results presentation

Together will be presenting its Q1 2023/24 results via audio webcast on Thursday 23rd November 2023, at 14:00 GMT (9:00 EST), for the quarter ended September 30, 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://togethermoney.com/investors>) ahead of the presentation.

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

<https://www.investis-live.com/together/653f670d464d140d001ea401/dbtt>

It will also be accessible via a live conference call:

- Access code: 135838
- From the UK: +44 (0) 20 4587 0498/ 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.