

Highlights

Together Financial Services Limited

Q1 2019 Results

Together Financial Services Limited ('Together' or 'the Group'), one of the UK's leading specialist mortgage lenders, is pleased to announce its results for the year ended 30 September 2018.

Commenting on today's results, Mike McTighe, Group Chairman of Together, said:

"Together achieved another solid performance in the first quarter, with the loan book reaching a new record level of £3.01bn driven by robust lending volumes at conservative LTVs.

"Average monthly loan originations at £137.5m were 9.7% ahead of the first quarter last year, although they were lower than the prior quarter given the seasonally lower levels of activity over the holiday period. We continued to increase our market reach, adding two further relationships with influential mortgage networks and clubs during the quarter, while also strengthening our broker relationships and direct marketing capabilities. The Group remained highly profitable and cash generative, with profit before tax of £30.4m and cash receipts of £414.7m for the quarter.

"We continued to add significant additional liquidity to support our growth plans, successfully refinancing and extending our AA rated CABS facility to £1.25bn on more favourable terms, and issuing £350m of 8.875% Senior PIK Toggle Notes as part of refinancing the existing 10.5% Senior PIK Toggle and Vendor Notes. Since the period end, we have also announced the completion of our second public residential mortgage backed securitisation for £287m.

"As Brexit negotiations enter a crucial phase, the UK's economic outlook remains uncertain with a number of contradictory indicators. Despite these uncertainties we continue to see strong demand from customers with record levels of originations in October of £170.9m, and along with our recent work to increase and extend our funding lines, we believe Together remains well placed to deliver on our ambitious growth plans."

Highlights

Strong loan book growth driven by robust lending volumes at conservative LTVs

- Loan book reaches new record level of £3.01bn at September 30, 2018, up 1.8% compared with £2.96bn at June 30, 2018 (Q4 '18) and up 27.1% compared with £2.37bn at September 30, 2017 (Q1 '18)
- Average monthly loan originations of £137.5m, while lower than the record £153.3m in Q4'18 given lower levels of activity over the summer period, they were up 9.7% compared with £125.4m in Q1'18
- Group weighted average LTV of new originations in the quarter has remained conservative at 58.1% compared with 56.8% in Q4'18 and 57.8% in Q1'18

Group remains highly profitable and cash generative

- Interest receivable and similar income up 2.7% at £82.2m, compared with £80.0m in Q4'18 and up 20.8% compared to £68.0m in Q1'18, driven by interest earned on increased loan book levels
- Net interest margin remains attractive at 7.2%, although lower than 7.5% at Q4'18 and 8.1% in Q1'18 reflecting competitive market conditions, redemption of higher yielding legacy products and changes in product mix
- Net impairment charge for the quarter of £4.3m incorporating the recent transition to IFRS 9, compared with £4.2m in Q4'18 and £1.6m in Q1'18 presented under IAS 39
- IFRS 9 replaces the 'incurred loss' model of IAS 39 with an 'expected loss' model. IFRS 9 therefore recognises credit losses earlier than IAS 39
- EBITDA up 2.0% to £59.8m compared with £58.6m in Q4'18 and up 13.2% compared with £52.8m in Q1'18

- PBT up 0.5% to £30.4m compared with £30.2m in Q4'18, although 2.1% lower compared with £31.0m in Q1'18 reflecting the impact of the adoption of IFRS 9, net interest margin compression and ongoing cost of investment to support future growth
- High levels of cash generation maintained, with cash receipts of £414.7m up 12.1% compared with £370.0m in Q4'18 and up 29.9% compared with £319.3m in Q1'18

Significant additional liquidity raised to support lending growth

- AA rated revolving Charles Street ABS programme successfully refinanced in September, increasing the size of the facility from £1bn to £1.25bn, improving the terms and extending its maturity to September 2023. Senior commitments increased from £1bn to £1.15bn and a further £104.5m added through two fully drawn tranches of mezzanine finance, both rated by Moody's and DBRS
- Successful completion of its second residential backed securitisation, Together Asset Backed Securitisation 2018-1 PLC ("TABS 2") completed in November for £287m
- Weighted average maturity of the Group's debt facilities extended from 3.3 years at June 30, 2018 to 4.1 years at September 30, 2018

Refinancing of Holdco Structure extending maturity and reducing margin

- Successfully issued £350m of 8.875% Senior PIK Toggle Notes at Bracken Midco1 as part of refinancing the existing £220m of 10.5% Senior PIK Toggle Notes held at Bracken Midco1 and £100m of 12.5% (escalating premium) Vendor Loan Notes held at Bracken Topco extending maturity from 2021 until 2023

[1] Includes shareholder loans and notes of £25.6m (Q4 2018: £25.1; Q1 2017: £23.7m.)

Key metrics

	Q1 2018 IFRS 9	Q1 2017 IAS 39	Q4 2018 IAS 39
Interest receivable and similar income (£m)	82.2	68.0	80.0
Net interest margin (%)	7.2%	8.1%	7.5%
Profit before taxation (£m)	30.4	31.0	30.2
Impairment (£m)	4.3	1.6	4.2
Net debt gearing ratio	3.19:1	2.49:1	3.0:1
Interest cover ratio	2.10:1	2.50:1	2.26:1
Loans and advances to customers (£m)	3,011.4	2,369.4	2,958.2
Shareholder funds (£m) ¹	718.8	678.7	737.0

Basis of preparation

- The results for the current period are reported under IFRS 9, while those for prior periods are reported under IAS 39. We have elected not to restate comparative figures. An explanation of the impact of transition to IFRS 9 is given in Notes 2 and 6 to the financial statements included within this report.

¹ Includes shareholder loans notes of £25.6m (Q4 2018: £25.1; Q1 2018: £23.7m.)

For further information:

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About Together

Established in 1974, Together has been bringing common sense to the UK specialist secured lending market for over 40 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 2018 we placed 34th in the Sunday Times Top 100 Best Companies to Work for, and received its special award for "Giving something back", placing 9th for charity and 10th for community in the UK. We were also named in the Sunday Times Top Track 250 for the third time this year, placing 82nd in the 2018 league table. Together is the trading name of Together Financial Services Limited, which has its registered office address at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW.