

Highlights

Together Financial Services Limited

Q2 2019 Results

21 February 2019

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 quarter ended 31 December 2018.

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

"Together achieved strong lending volumes in the second quarter, with our Commercial Finance and Personal Finance businesses both achieving increased levels of originations to drive the loan book to a new high of £3.25bn.

"Average monthly loan originations were £171.7m, up 24.9% on the seasonally lower previous quarter while origination LTVs remained conservative at 58.9% and principal losses remained very low at less than 0.1%. We further extended our reach into the mortgage networks and clubs during the quarter, launching our bridging products via these channels and, since the period end, we have launched Together+, offering exclusive products, marketing support and enhanced services to our key packaging brokers.

"The Group remained highly profitable and cash generative with profit before tax of £31.2m, up 2.8% on the previous quarter, and cash receipts of £363.0m for the quarter. We also added additional breadth and maturity to our funding structure with the successful completion of our second public residential mortgage backed security issue for £287m, which received strong support from investors. This brought our total funds raised or refinanced in the last 12 months to over £2.8bn.

"With the March 29, 2019 Brexit deadline looming and the UK parliament remaining divided over the best way forward, the UK's economic outlook remains uncertain. Lead indicators are also mixed, with weaker consumer spending and UK house price inflation forecast to slow, while average weekly earnings are up 3.4% year-on-year and employment running at its highest level since 1971. Against this backdrop, we are continuing to see strong demand for our products and, with the additional headroom we have in our facilities, we believe Together remains well placed to deliver on our continued growth plans."

Highlights

Higher lending volumes drive continued robust loan book growth

- Average monthly loan originations of £171.7m, up 24.9% on Q1'19 (£137.5m) and up 28.3% on Q2'18 (£133.9m)
- Increased levels of originations in both Commercial Finance and Personal Finance
- Group weighted average LTV of new originations in the quarter has remained conservative at 58.9% compared with 58.1% in Q1'19 and 58.7% in Q2'18
- Loan book reached new high of £3.25bn at December 31, 2018, up 7.9% compared with September 30, 2018 (£3.01bn) and up 27.6% compared with December 31, 2017 (£2.55bn)

Strong profitability and cash generation maintained

- Interest receivable and similar income at £84.1m, up 2.4% on Q1'19 (£82.2m) and up 18.1% on Q2'18 (£71.2m) driven by interest earned on the growing loan book
- Net interest margin remains highly attractive at 7.1%, in line with Q1'19 (7.2%) although down on Q2'18 (8.0%), reflecting competitive market conditions, redemption of higher yielding legacy products and changes in product mix
- IFRS 9 net impairment charge of £3.8m, compared with £4.3m in Q1'19 and £2.6m for Q2'18 (presented under IAS 39). IFRS 9 incorporates provisions for increased economic uncertainty.

- EBITDA increased slightly to £60.5m compared with £59.8m in Q1'19, and was up 11.4% compared with £54.3m in Q2'18
- PBT remains strong at £31.2m, up 2.8% on Q1'19 (£30.4m), although down 1.0% on Q2'18 (£31.5m) reflecting the impact of the adoption of IFRS 9, net interest margin compression and ongoing cost of investment to support future growth
- Group remains highly cash generative with receipts of £363.0m, up 21.2% compared with £299.5m in Q2'18, although lower than £414.7m in Q1'19 reflecting seasonal factors

Significant additional liquidity raised to support lending growth

- Successful completion of a second residential backed securitisation, Together Asset Backed Securitisation 2018-1 PLC ("TABS 2") completed in November 2018 for £287m

Continued investment in platform and governance

- Richard Gregory, OBE, announced as Chairman of Together Personal Finance

Key metrics

	Q2 2019 IFRS 9	Q1 2019 IFRS 9	Q2 2018 IAS 39
Interest receivable and similar income (£m)	84.1	82.2	71.2
Net interest margin (%)	7.1	7.2	8.0
Profit before taxation (£m)	31.2	30.4	31.5
Impairment (£m)	3.8	4.3	2.6
Net debt gearing ratio	3.33:1	3.19:1	2.65:1
Interest cover ratio	2.14:1	2.10:1	2.47:1
Loans and advances to customers (£m)	3,248.4	3,011.4	2,545.8
Shareholder funds (£m) ¹	746.4	718.8	694.7

[1] Includes shareholder loans and notes of £26.1m (Q1 2019: £25.6; Q2 2018: £24.1m)

Basis of preparation

- The results for Q1 and Q2 2019 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 statement included within this report.

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.