

Highlights

Together Financial Services Limited

Q3 2019 Results

16 May 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 March 2019.

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

"Together delivered another solid performance in the third quarter, with robust lending volumes at low LTVs growing the loan book to £3.47bn, as profitability and cash generation remained strong.

"Average monthly loan originations were in line with the second quarter of this year and up 20.5% on the same period last year, while origination LTVs remained conservative at 58.0% and principal losses very low at less than 0.1%. We further extended our distribution capabilities during the quarter, appointing a Head of Corporate Relationships and building out our team to further support our larger corporate customers, while also increasing the number of strategic broking partners in our Together+ platform to 40.

"Profit before tax remained strong at £31.4m, up 8.8% on the same quarter last year and in line with the previous quarter and the Group remained highly cash generative, with cash receipts of £376.7m Net interest margin fell slightly to 6.8% during the quarter, although it remains highly attractive within our peer group. We have also added further depth of maturity across our funding platform having successfully completed the refinancing of our Delta securitisation facility in March, increasing the size by £110m and extending the maturity to 2023.

"The UK's economic outlook remains uncertain with the Brexit deadline extended until the end of October. Lead indicators are also mixed with continued wage growth, unemployment at a 44 year low and the annual rate of growth in house prices remaining stable, being offset partially by weaker consumer spending. Despite the continuing uncertainty, we are seeing strong ongoing demand for our products and believe that Together remains well placed to deliver on our future growth plans.

"Finally, we are pleased to announce that for the second year running we have been recognised as one of the UK's best companies to work for, by being names in the Sunday Times 100 Best Companies To Work For."

Highlights

Robust lending volumes drive continued growth in the loan book with conservative LTVs

- Average monthly loan originations of £169.7m, up 20.5% on Q3'18 (£140.8m), remaining in-line with Q2'19 (£171.7m)
- Group weighted average LTV of new originations in the quarter has remained conservative at 58.0% compared with 58.8% in Q3'18 (Q2'19: 58.9%)
- Loan book reached £3.47bn in Q3'19, up 24.6% compared with Q3'18 (£2.78bn) and up 6.8% compared with Q2'19 (£3.25bn)
- LTVs of the loan portfolio on a weighted average indexed basis remain conservative at 55.1% compared with 55.4% in Q3'18 (Q2'19: 55.6%)

Strong profitability and cash generation maintained

- Interest receivable and similar income at £86.3m, up 18.3% on Q3'18 (£72.9m) and up 2.5% on Q2'19 (£84.1m), driven by interest earned on the growing loan book
- Net interest margin remains highly attractive at 6.8%, compared with 7.4% at Q3'18 and 7.1% at Q2'19, reflecting competitive market conditions, redemption of higher yielding legacy products, increased gearing and changes in product mix

- IFRS 9 net impairment charge of £3.1m, compared with £3.0m in q3 '18 (presented under IAS 39) and £3.8m for Q2 '19
- EBITDA increased by 15.7% to £61.9m compared with £53.5m in Q3 '18 (Q2 '19: £60.5m)
- PBT remains strong at £31.4m, up 8.8% on Q3'18 at £28.9m (Q2'19: £31.2m)
- Group remains highly cash generative with receipts of £376.7m, up 45.2% compared with £259.4m in Q3'18 (Q2'19: £363.0m)

- **Ratings update and significant additional liquidity raised to support lending growth**

- Two of the notes within Together Asset Backed Securitisation 1 ("TABS 1") upgraded by Moody's
- Delta Asset Backed Securitisation facility successfully refinanced from £90m to £200m and maturity extended until 2023 in April
- Together is proud to have won 'Overall Best Securitization Issuer of the Year' at the inaugural Global Capital European Securitization Awards', as well as being shortlisted for 'RMBS issuer of the Year', and 'RMBS Deal of the Year' for Together Asset Backed Securitisation 2018-1

- **Continued investment**

- Appointed a Head of Corporate Relationships and Corporate Relationship Directors appointed to support increased engagement with large corporate customers
- Together+ has now formed strategic partnerships with around 40 key packaging brokers since launching in January
- Implemented market leading security information, event management, disaster recovery and data analytics solution to enhance systems and further improve the customer journey

Key metrics

	Q3 2019 IFRS 9	Q3 2018 IAS 39	Q2 2019 IFRS 9
Interest receivable and similar income (£m)	86.3	72.9	84.1
Net interest margin (%)	6.8	7.4	7.1
Profit before taxation (£m)	31.4	28.9	31.2
Impairment (£m)	3.1	3.0	3.8
Net debt gearing ratio	3.48:1	2.86:1	3.33:1
Interest cover ratio	2.11:1	2.26:1	2.14:1
Loans and advances to customers (£m)	3,470.7	2,784.8	3,248.4
Shareholder funds (£m) ¹	773.6	720.0	746.4

[1] Includes shareholder loans and notes of £26.6m (Q3 2018: £24.6m; Q2 2019: £26.1m)

Basis of preparation

- The results for Q2 and Q3 2019 are reported under IFRS 9, while those for Q3 2018 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 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 third time in 2018, placing 82nd in the 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.