

Together Financial Services Limited

16th November 2020

Together Financial Services Limited ('Together' or 'the Group'), one of the UK's leading specialist mortgage and secured loan providers, announces its results for the quarter ended September 30, 2020.

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

"Together delivered a resilient performance in the quarter to 30 September, despite the ongoing challenges of Covid-19, as we continued to focus on supporting our customers, protecting our colleagues and shaping our business for the future.

"We prudently increased originations, lending £130.7m as the loan book ended the quarter at £4bn, while maintaining very conservative portfolio LTVs of 52.4%. The Group remained robustly profitable and cash generative, with underlying profit before tax of £33.9m and cash receipts of £377.3m. We also further strengthened our liquidity and capital positions including issuing our fourth public RMBS, the £366m TABS 4, and extending our revolving credit facility. At 6 November, the Group had undrawn facility headroom of £937m and accessible liquidity of £287m.

"While we expect conditions to remain challenging for some time, as we deliver our modernisation and transformation programmes and with strong levels of capital and liquidity, we believe Together is well positioned for the future and to play our part in supporting the UK's economic recovery."

Financial performance: quarter ended September 30, 2020

- Group loan book for the quarter of £4.0bn, up 3.2% compared with £3.9bn at September 30, 2019 and down 3.9% compared with £4.2bn at June 30, 2020
 - Loan book weighted average indexed LTVs reduced to 52.4% compared with 55% at September 30, 2019 and 54.9% at June 30, 2020
- Average monthly loan originations of £43.6m down 75.3% compared with £176.2m in quarter ended September 30, 2020 (Q1'20), although up 118% from £20.0m in quarter ended June 30, 2020 (Q4'20)
 - Weighted average origination LTVs remain conservative at 56.4% (Q1'20: 58.1%; Q4'20: 46.9%)
- Interest receivable and similar income of £95.3m up 3.0% compared with £92.5m in Q1'20, driven by interest earned on the growing loan book, however down 3.7% compared with £99.0m in Q4'20, consistent with the decrease in the size of the loan book
- Net interest margin remained highly attractive at 6.4%, in line with 6.4% in Q1'20 and 6.5% at Q4'20, particularly given the low LTVs and consequent high levels of collateral underpinning the quality of the loan book
- Cost of risk for the quarter was 1.31% on an annualised basis which was an increase compared with 0.58% in Q1'20 principally reflecting the deterioration in the macroeconomic conditions and outlook since the Covid-19 outbreak and the resulting impact on loan book performance, although slightly lower when compared with 1.55% in Q4'20
- Despite the challenging climate, the Group's underlying EBITDA has decreased only slightly to £65.4m compared with £67.6m reported in Q1'20 and £67.7m in Q4'20
- Cash generation remained robust, with cash receipts of £377.3m, although down 13.8% compared with £437.6m in Q1'20 but up 25.6% compared with £300.4m in Q4'20
- Dividend declared in Q1'21 primarily to cash service the interest due on the Senior PIK Toggle Notes of Bracken Midco1 plc

Key metrics	Q1 2021	Q1 2020	Q4 2020
Interest receivable and similar income* (£m)	95.3	92.5	99.0
Interest cover ratio*	2.1:1	2.0:1	2.2:1
Net interest margin** (%)	6.4	6.4	6.5
Underlying cost-to-income ratio* ¹ (%)	29.6	34.3	28.1
Cost-to-income ratio* (%)	31.8	39.2	32.2
Cost of risk** (%)	1.31	0.58	1.55
Underlying profit before taxation Error! Bookmark not defined. * (£m)	33.9	34.5	34.4
Profit before taxation (£m)	32.4	31.5	31.5
Loans and advances to customers (£m)	4,000.8	3,878.4	4,162.2
Net debt gearing (%)	77.2	78.6	78.6
Shareholder funds ² (m)	858.3	814.9	856.4
Underlying return on equity Error! Bookmark not defined. ** (%)	13.8	15.0	14.4
Return on equity* (%)	13.2	13.7	13.2

*Calculation based on a 3 month period

**Calculation based on a 3 month period and annualised

Covid-19 update: Supporting our customers and enhancing the resilience of our business

- Continued to support our customers: 23% of customers by value have taken a payment deferral since the onset of Covid-19. At November 5, 2020, 3% of customers by value remained within a payment deferral (September 18, 2020: 7%). Of the accounts who have exited payment deferrals 80% have resumed payments, 15% are making part payments and 5% making no payments
- On October 31, 2020, the government announced new national restrictions for England which were implemented from November 5, 2020
 - In addition, on November 1, 2020 the window for mortgage payment deferrals was extended to the end of January 2021 and on November 5, 2020 the coronavirus job retention scheme was extended to the end of March 2021
- Successfully increased facility headroom and accessible liquidity
 - Further extended scale, diversity and maturity of funding with issuance of fourth residential mortgage securitisation ('RMBS'), TABS 4, for £366m with 79.5% of the notes AAA rated and refinancing of revolving credit facility, extending maturity to June '23
 - Undrawn facility headroom £937m at November 6, 2020 (September 30, 2020: £872m; June 30, 2020: £406m)
 - Immediate accessible liquidity £287m at November 6, 2020 (September 30, 2020: £285m; June 30, 2020: £145m)

Shaping the business for the future

- Continued progression on modernisation and transformation programmes:

¹ Underlying metrics include adjustments to exclude £1.5m redundancy costs in Q1'21 (£3.0m additional customer provisions in Q1'20, £2.9m additional customer provisions in Q4'20)

² Includes subordinated shareholder loans of £28.8m (Q1'20: £27.6m, Q4'20: £28.4).

- Extended 'e-files' to Commercial Finance, having previously rolled-out to Personal Finance, saving significant colleague time and around 450 trees per year
- Commenced projects to roll-out paperless direct debits, electronic disbursements and automatic income validation across the business
- Launched Together app to Commercial Finance direct customers to transform the way they process their applications (October 2020)
- Completed thorough review of our operating model to ensure our cost base remains appropriate including completion of an employee consultation process which resulted in reducing colleague numbers by 175 and savings of c. £9m per annum
- Awarded Best Specialist Lender at Mortgage Strategy Awards 2020
- UK TV advertising campaign supporting Channel 4 "The Great House Giveaway" to increase brand awareness
- Gradually increasing lending with simplified product offering and reduced LTVs and loan sizes
 - Expect lending volumes to continue to increase cautiously, but remaining below pre-Covid-19 levels in the near term while credit risk becomes more transparent and measurable and we deliver efficiency benefits from our modernisation and transformation projects
- Positioning business to help support UK economic recovery as one of the UK's largest specialist lenders

For further information:

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About Together

Established in 1974, Together has been bringing common sense to the UK specialist lending market for over 45 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 fourth time, placing 111th in the league table for growth and 4th for profitability. Together is the trading name of Together Financial Services Limited, which has its registered office address at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW.