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Together Financial Services Limited

21st May 2021

Together Financial Services Limited ('Together' or 'the Group'), one of the UK's leading specialist mortgage and secured loan providers, is pleased to announce its results for the quarter ended March 31, 2021.

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

"I am pleased to report that Together delivered another strong performance in the quarter to 31 March, while continuing to support our customers and shape our business for the future.

"As transaction volumes in the specialist mortgage markets continued their recovery towards pre-pandemic levels, we also maintained the upward momentum in our lending levels, with average monthly originations up 68.5% on Q2 at £125.4m. This contributed to the loan book returning to growth standing at £3.9bn at the end of the quarter. Underlying profit before tax increased to £44.0m and cash receipts remained very robust at £419.4m.

"We added further scale and depth to our funding structure, successfully issuing £500m senior secured notes in January, our largest bond issuance to date and the first sterling corporate bond in 2021. We also issued the first small balance commercial real estate MBS[1] in the UK since the Global Financial Crisis, for £200m in March. These issuances contributed to the Group having undrawn facility headroom of £1,304m at 31 March.

"While the extended lockdown in the first few months of 2021 is expected to dampen the UK economy in the first half of the year, with the rapid rollout of the Covid-19 vaccine programme many commentators are forecasting strong economic growth in the second half of the year and a return to pre-Covid levels in early 2022. With strong levels of capital and liquidity and our modernisation and transformation programmes well underway, we believe Together is well placed to support increasing numbers of customers and to play our part in the UK's economic recovery."

Financial performance: quarter ended March 31, 2021

- Group loan book of £3.93bn at March 31, 2021 (Q3'21), down 8.9% compared with £4.32bn at March 31, 2020 (Q3'20), although up 1.2% on £3.88bn at December 31, 2020 (Q2'21), as whilst redemption levels remained strong these were outpaced by new origination levels
- Loan book weighted average indexed LTV[2] remains very conservative at 52.6% (Q3'20: 53.9%; Q2'21: 52.2%)
- Average monthly loan originations of £125.4m, down 22.0% compared with £160.8m in Q3'20, although up 68.5% from £74.4m in Q2'21 as the Group continued to increase new lending
  - Growth in originations maintained in April 2021 at £120.8m
- Weighted average origination LTVs remain conservative at 59.7% (Q3'20: 58.0%; Q2'21: 58.5%)
- Interest receivable and similar income of £89.9m down 10.2% compared with £100.1m in Q3'20 and down 3.2% compared with £92.9m in Q2'21, as a result of the decrease in the size of the loan book from the previous year, along with changes in origination mix as we increased volumes of some of our more lower yielding products back towards pre Covid-19 levels and received higher redemption levels on higher yielding development loans during the current quarter
- Underlying net interest margin remained highly attractive at 6.3% (Q3'20: 6.2%; Q2'21: 6.5%)
- Annualised cost of risk for the quarter was 0.0% due to a negligible impairment charge during the quarter, compared with 3.8% in Q3'20 which was due to the initial impact of Covid-19, and lower than 0.6% charge reported in Q2'21
- Underlying profit before tax was £44.0m, up 233.3% compared with £13.2m in Q3'20 and up 15.2% compared with £38.2m in Q2'21 due mainly to a reduction in impairment charge during the quarter

1 MBS stands for mortgage backed securitisation

2 During the previous quarter (Q2'21) the Group transitioned to an updated house-price index applied to collateral valuations resulting from an update to the methodology applied by IHT Markit, the owner and administrator of the Halifax House Price Index. Comparatives for the prior year comparable quarter (Q3'20) have not been updated.

- Cash generation remained robust, with cash receipts of £419.4m (Q3‘20: £392.0m; Q2‘21: £430.6m) as redemption levels remained strong

- Dividend declared in Q3‘21 to cash service the interest due on the Senior PIK Toggle Notes of Bracken Midco1 plc and provide for a shareholder distribution of £10m

Key metrics	**Q3 2021**	**Q3 2020**	**Q2 2021**
Interest receivable and similar income* (£m)	89.9	100.1	92.9
Underlying interest cover ratio*[3]	2.6:1	1.4:1	2.4:1
Interest cover ratio*	2.2:1	1.2:1	2.4:1
Underlying net interest margin**[3] (%)	6.3	6.2	6.5
Net interest margin** (%)	5.7	5.6	6.5
Underlying cost-to-income ratio*[3] (%)	29.9	20.1	31.3
Cost-to-income ratio* (%)	30.0	23.0	29.6
Cost of risk** (%)	-	3.8	0.6
Underlying profit before taxation*[3] (£m)	44.0	13.2	38.2
Profit before taxation* (£m)	39.8	6.1	39.3
Underlying EBITDA*[3] (£m)	73.4	48.5	68.8
Loans and advances to customers (£m)	3,930.1	4,315.9	3,883.8
Net debt gearing (%)	75.8	80.5	75.9
Shareholder funds[4] (m)	900.8	829.2	892.1
Underlying return on equity*[3] (%)	17.2	6.8	14.9
Return on equity* (%)	15.6	3.7	15.3

*Calculation based on a 3 month period
**Calculation based on a 3 month period and annualised

Shaping the business for the future

- Progressed a number of modernisation projects to streamline application journeys, improve user experiences for our customers and intermediaries and increase operational efficiency including:
  - Agreed improved pipeline management principles and changes to our product launches and withdrawal process to further improve usability and performance of our intermediary portal, ‘My Broker Venue’
  - Enhanced eligibility screening to allow direct customers to find out whether they meet our criteria in less than a minute, leading to fewer but higher quality leads going through to sales teams, increasing both conversion and operational efficiency
- Several key transformation projects now underway:
  - Commenced project to deliver the core infrastructure for a digital customer service portal
  - Customer journey and experience agreed and high-fidelity prototype produced for development of channel agnostic core system for all products and sales channels
- Number of key senior colleague hires since January including IT Director and Chief Operating Officers for Personal Finance and Commercial Finance

3 Underlying metrics include adjustments to exclude £1.8m customer redress provision release, £0.1m redundancy costs and £5.9m interest payable relating to the refinance of the 2024 Senior Secured Notes in Q3‘21 (£0.4m additional customer redress provisions and £6.7m interest payable relating to the refinance of the 2021 Senior Secured Notes in Q3‘20, £1.4m customer redress provision release and £0.3m redundancy costs in Q2‘21).
4 Includes subordinated shareholder loans of £28.8m (Q3‘20: £27.9m, Q2‘21: £29.3).

- Continued to strengthen our capital and liquidity positions to support future growth
  - Undrawn facility headroom £1,304m at March 31, 2021 (December 31, 2020: £997m; September 30, 2020: £872m)
    - Jan‘21: successfully issued £500m 5.25% Senior Secured Notes due 2027, to redeem £350m 6.125% Senior Secured Notes due 2024 and support further growth in lending
    - Mar‘21: issued £200m small balance commercial real estate mortgage backed securitisation, the first such issuance in the UK since the Global Financial Crisis
  - Immediate accessible liquidity £395m at March 31, 2021 (December 31, 2020: £300m; September 30, 2020: £285m)
  - S&P revised outlook from Negative to Stable on Together Financial Services Limited and Bracken Midco1 PLC

Covid-19 update

- Supported our customers throughout the pandemic, providing mortgage-payment deferrals to c.7900 customers. At May 17, 2021, 0.5% of customers by value remained within a payment deferral (February 15, 2021: 2.1%). Of the accounts who have exited payment deferrals 82% have resumed full payments, 15% are making part payments and 3% making no payments

For further information:

Together

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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.