MILLER HOMES GROUP HOLDINGS PLC

Quarterly Financial Report for the

3 and 9 months ended 30 September 2019

5.5% Senior Secured Notes due 2024

Senior Secured Floating Rate Notes due 2023

Contents

Introduction

- In accordance with the reporting requirements of its offering of £425m Senior Secured Notes (of which £405m are currently outstanding), Miller Homes Group Holdings plc ("the Group") is pleased to present its Quarterly Financial Report for the 3 and 9 months ended 30 September 2019.
- The figures for the 3 and 9 month periods to 30 September 2019 and 2018 are unaudited.

Financial and operational highlights for the 9 months to 30 September 2019

Trading

- EBITDA for 9 months ended 30 September 2019 is £114.8m, a 13% increase on 2018.
- 11% increase in private net reservations driven by a 15% increase in outlet numbers. The private sales rate is 0.69 net reservations per site per week (2018: 0.73).
- Average selling price for the 9 months ended 30 September 2019 is £245,000 (2018: £247,000). The decrease has been driven by the sale of 89 apartments at our Telford NHT development in Edinburgh. Excluding these 89 units, ASP for the 9 months ended 30 September 2019 is £249,000.

Land investment and leverage

- 4% increase in the consented landbank to 13,023 plots (Dec 2018: 12,524 plots), representing 4.0 years' supply, based on last 12 months' completions. This reflects an increase in the owned landbank to 9,340 plots (Dec 2018: 9,174 plots) and an increase in the controlled landbank to 3,683 plots (Dec 2018: 3,350 plots).
- Continued investment in new strategic options resulting in a 7% increase in the strategic landbank to 18,509 plots (Dec 2018: 17,331 plots), representing 5.7 years' supply.
- Net LTV[1] of 47.3%, based on net inventory of £714.2m and net debt of £337.9m[2]. Net LTV has decreased from 50.0% in the previous quarter and compares to 51.8% at 30 September 2018.
- Net leverage of 2.1x, based on LTM EBITDA of £164.3m and net debt of £337.9m. This compares to net leverage of 2.1x in the previous quarterly report and 2.2x at 30 September 2018.

Outlook

- At 30 September 2019, forward sales for the following 12 months are £381m, 8% ahead of the prior year.

[1] LTV: Loan to value is net debt divided by net inventory (inventory less land payables).
[2] Excludes the capitalisation of bond financing costs (£14.4m).

The key financial highlights for the 3 and 9 month periods ended 30 September 2019, together with prior period comparatives, are set out below:

Table 1	**3 months ended 30 Sep 2019 £m**	**3 months ended 30 Sep 2018 £m**	**% change**	**9 months ended 30 Sep 2019 £m**	**9 months ended 30 Sep 2018 £m**	**% change**
Revenue	192.5	162.2	18.7	581.7	517.4	12.4
Cost of sales	(144.9)	(120.6)	20.1	(436.1)	(386.2)	12.9
Gross profit	47.6	41.6	14.4	145.6	131.2	11.0
Other operating income	0.4	0.5	(20.0)	1.2	1.5	(20.0)
Administrative expenses	(12.0)	(12.2)	(1.6)	(34.7)	(34.1)	1.8
Group operating profit	36.0	29.9	20.4	112.1	98.6	13.7
Share of result in joint ventures	0.8	1.0	(20.0)	2.5	3.3	(24.2)
Operating profit	36.8	30.9	19.1	114.6	101.9	12.5
Net finance costs	(11.5)	(12.2)	(5.7)	(34.0)	(36.9)	(7.9)
Profit before taxation	25.3	18.7	35.3	80.6	65.0	24.0
Taxation	(5.0)	(3.9)	28.2	(15.4)	(12.6)	22.2
Profit for the period	**20.3**	**14.8**	**37.2**	**65.2**	**52.4**	**24.4**
Gross margin %	*24.7%*	*25.6%*	*-90bps*	*25.0%*	*25.4%*	*-40bps*
Operating margin %	*19.1%*	*19.1%*	-	*19.7%*	*19.7%*	-

Reconciliation of EBITDA

Table 2	**3 months ended 30 Sep 2019 £m**	**3 months ended 30 Sep 2018 £m**	**9 months ended 30 Sep 2019 £m**	**9 months ended 30 Sep 2018 £m**
Profit for the period	20.3	14.8	65.2	52.4
Taxation	5.0	3.9	15.4	12.6
Net finance costs	11.5	12.2	34.0	36.9
Depreciation	0.1	-	0.2	0.1
EBITDA	**36.9**	**30.9**	**114.8**	**102.0**

Analysis of revenues

Table 3	**3 months ended 30 Sep 2019 £m**	**3 months ended 30 Sep 2018 £m**	**9 months ended 30 Sep 2019 £m**	**9 months ended 30 Sep 2018 £m**
Private revenue	171.2	147.0	521.7	467.8
Affordable revenue	20.2	14.9	58.3	39.8
Land sales	1.1	-	1.5	8.5
Other	-	0.3	0.2	1.3
Total revenue	**192.5**	**162.2**	**581.7**	**517.4**

Analysis of completions and ASP

Table 4	**3 months ended 30 Sep 2019 No.**	**3 months ended 30 Sep 2018 No.**	**9 months ended 30 Sep 2019 No.**	**9 months ended 30 Sep 2018 No.**
Private completions	596	529	1,843	1,684
Affordable completions	173	134	526	372
Core completions	**769**	**663**	**2,369**	**2,056**

	£000	**£000**	**£000**	**£000**
Private ASP	287	278	283	278
Affordable ASP	116	112	111	107
Total ASP	**249**	**244**	**245**	**247**

Financial summary

Results of operations for the 3 months ended 30 September 2019

Revenue

- Revenue for the 3 months to 30 September 2019 increased by 18.7% to £192.5m (Q3 2018: £162.2m), representing a 16.0% increase in core completions and a 2.0% increase in ASP.
- Core completions in the 3 months to 30 September 2019 increased by 16.0% to 769 units (Q3 2018: 663 units). Private completions increased by 12.7% to 596 units (Q3 2018: 529 units), driven by an increase in the number of active live sites in the current year period.
- ASP for the 3 months to 30 September 2019 increased by 2.0% to £249,000 (Q3 2018: £244,000). This reflects a 3.2% increase in the private ASP to £287,000 (Q3 2018: £278,000) and a 3.6% increase in the affordable ASP to £116,000 (Q3 2018: £112,000). The increase in private ASP reflects a year on year increase in average unit size rather than underlying price inflation.

Gross profit

- Gross profit for the 3 months to 30 September 2019 increased by 14.4% to £47.6m (Q3 2018: £41.6m). Gross margin in the 3 month period was 24.7% (Q3 2018: 25.6%).

Administrative expenses

- Administrative expenses for the 3 months to 30 September 2019 totalled £12.0m (Q3 2018: £12.2m). The decrease of £0.2m has primarily been the result of lower staff incentive costs partially offset by increased headcount.

EBITDA

- EBITDA for the 3 months to 30 September 2019 increased by 19.4% to £36.9m (Q3 2018: £30.9m) primarily reflecting the increase in gross profit.

Finance costs and income

- Net finance costs in the 3 month period ended 30 September 2019 were £11.5m (Q3 2018: £12.2m). The decrease of £0.7m reflects the repayment of £43.5m intercompany loan notes in November 2018. The interest charge includes £3.0m (Q3 2018: £3.7m) relating to the shareholder loan notes.

Taxation

- The tax charge of £5.0m (Q3 2018: £3.9m) excludes a further charge of £0.2m for joint ventures which is reflected within the share of result in joint ventures. The tax charge represents an effective tax rate of 20.4%. The deferred tax asset has fallen to £7.8m (Dec 2018: £15.9m).

Net debt, liquidity and cashflow

Table 5	As at 30 Sep 2019 £m	As at 31 Dec 2018 £m	As at 30 Sep 2018 £m
Senior secured notes	(405.0)	(405.0)	(405.0)
Deferred financing costs	14.4	16.8	17.2
Long term borrowings	-	(10.3)	(10.3)
Cash and cash equivalents	67.1	98.6	97.1
Total external net debt	**(323.5)**	**(299.9)**	**(301.0)**

Table 6	3 months ended 30 Sep 2019 £m	3 months ended 30 Sep 2018 £m	9 months ended 30 Sep 2019 £m	9 months ended 30 Sep 2018 £m
Net cash flow from operating activities	(1.5)	(14.6)	(26.3)	6.6
Net cash flow from investing activities	2.9	1.8	5.1	(1.9)
Net cash flow from financing activities	-	-	(10.3)	(20.0)
Movements in cash and cash equivalents	1.4	(12.8)	(31.5)	(15.3)
Cash and cash equivalents at beginning of period	65.7	109.9	98.6	112.4
Cash and cash equivalents at end of period	**67.1**	**97.1**	**67.1**	**97.1**

- Net cash flow from operating activities for the 3 months ended 30 September 2019 was an outflow of £1.5m compared to an outflow of £14.6m for the 3 months ended 30 September 2018. This principally reflects lower development spend, as well as higher unit completions in the 3 months ended 30 September 2019.
- Net cash flow from investing activities for the 3 months ended 30 September 2019 was an inflow of £2.9m compared to an inflow of £1.8m for the 3 months ended 31 September 2018. The inflow represents partial repayment of shareholder loans by joint ventures.
- Net cash flow from financing activities for the 3 months ended 30 September 2019 and 2018 was nil. The year to date outflow of £10.3m represents the disinvestment of the Group's interest in Telford NHT (2011) LLP, an entity which had external funding. The outflow of £20.0m in the prior year period reflects the early buy back and cancellation of senior secured notes.

Table 7	3 months ended 30 Sep 2019 £m	3 months ended 30 Sep 2018 £m	9 months ended 30 Sep 2019 £m	9 months ended 30 Sep 2018 £m
EBITDA	**36.9**	**30.9**	**114.8**	**102.0**
Net land investment (in excess of) / less than cost of sales	(18.6)	(12.4)	(78.1)	(38.5)
Development spend less than / (in excess of) cost of sales	(23.1)	(41.3)	(37.9)	(41.0)
Change in working capital	4.5	9.3	(6.1)	0.8
Cash flows from JVs (not included in EBITDA)	2.1	0.9	2.8	(4.5)
Shared equity loan receivables	2.1	1.8	5.6	4.4
Other	2.8	2.8	(2.0)	1.4
Free cash flow[1]	**6.7**	**(8.0)**	**(0.9)**	**24.6**
Net land spend (included in cost of sales)	33.7	26.8	100.2	85.1
Net land investment in excess of cost of sales	18.6	12.4	78.1	38.5
Total net land spend	**52.3**	**39.2**	**178.3**	**123.6**
Free cash flow pre net land spend	**59.0**	**31.2**	**177.4**	**148.2**

- The business continues to be highly cash generative, with £59.0m (Q3 2018: £31.2m) of cash generated pre net land spend in the 3 month period, increasing to £177.4m (Q3 2018: £148.2m) in the 9 month period.
- Free cash flow in the 3 months ended 30 September 2019 was £6.7m compared to an outflow of £8.0m in the 3 months ended 30 September 2018.

[1] Free cashflow represents the cash movement per the consolidated cashflow statement but excluding cashflows from financing activities, investing activities (other than movement in loans to joint ventures), corporation tax paid, interest paid and transaction costs.

Capital employed, inventory and landbank

Return on underlying capital employed

Table 8	As at and for the 12 months ended 30 Sep 2019 £m	As at and for the 12 months ended 31 Dec 2018 £m	As at and for the 12 months ended 30 Sep 2018 £m
Net assets	304.8	239.6	210.2
Net external debt	323.5	299.9	301.0
Intercompany debt	128.2	119.4	159.3
Capital employed	756.5	658.9	670.5
Less			
Intangible assets	(146.2)	(146.2)	(146.2)
Shared equity loan receivables	(8.1)	(13.7)	(17.6)
Deferred tax	(7.8)	(15.9)	(19.2)
Underlying capital employed	**594.4**	**483.1**	**487.5**
Operating profit	163.8	151.1	142.2
Less			
Credit to operating profit in respect of shared equity loan receivables	(0.5)	(0.8)	(2.6)
Underlying operating profit	**163.3**	**150.3**	**139.6**
Underlying ROCE (%)	**30.2**	**33.4**	**29.9**

- Capital employed increased to £756.5m as of 30 September 2019 (Dec 2018: £658.9m), of which £146.2m relates to intangible assets established following the acquisition. The increase in underlying capital employed to £594.4m (Dec 2018: £483.1m) reflects an increase in net inventory which has risen by £112.2m to £714.2m (Dec 2018: £602.0m). An analysis of net inventory and the landbank is set out on the next page.

Table 9	As at 30 Sep 2019 £m	As at 31 Dec 2018 £m	As at 30 Sep 2018 £m
Land	471.3	448.3	450.0
Work in progress	320.0	281.2	291.3
Part exchange properties	18.8	16.0	9.9
Inventory	**810.1**	**745.5**	**751.2**
Land payables	(95.9)	(143.5)	(137.5)
Net inventory	**714.2**	**602.0**	**613.7**
Landbank	**Plots**	**Plots**	**Plots**
Owned / unconditional	9,340	9,174	9,235
Controlled	3,683	3,350	3,758
Consented	13,023	12,524	12,993
Strategic	18,509	17,331	17,467
Total	**31,532**	**29,855**	**30,460**

- The Group acquired or unconditionally contracted on 6 sites during the 3 months ended 30 September 2019 adding 508 plots to the owned landbank. 18 sites, totalling 2,598 plots were acquired or unconditionally contracted in the 9 months ended 30 September 2019 (Q3 2018: 20 sites and 3,083 plots).
- The owned landbank at 30 September 2019 has increased to 9,340 plots (Gross development value: £2.6bn). All owned land which has a detailed planning permission is being developed.
- The consented landbank has increased by 4% to 13,023 plots (Dec 2018: 12,524 plots). Based on the last 12 months' completions of 3,267 units, this represents 4.0 years' supply (Dec 2018: 4.2 years).
- The strategic landbank has increased by 7% to 18,509 plots (Dec 2018: 17,331 plots) and represents 5.7 years' supply.
- The decrease in land payables reflects the timing of contracted payments and the specific nature of individual deals and is expected to increase to prior year levels by year end.

MILLER HOMES GROUP HOLDINGS PLC

Group condensed consolidated financial statements

3 and 9 month periods ended 30 September 2019

CONSOLIDATED INCOME STATEMENT
for the 3 and 9 month periods ended 30 September 2019

	Note	3 months ended 30 Sep 2019 £m	3 months ended 30 Sep 2018 £m	9 months ended 30 Sep 2019 £m	9 months ended 30 Sep 2018 £m
Revenue		192.5	162.2	581.7	517.4
Cost of sales		(144.9)	(120.6)	(436.1)	(386.2)
Gross profit		47.6	41.6	145.6	131.2
Other operating income		0.4	0.5	1.2	1.5
Administrative expenses		(12.0)	(12.2)	(34.7)	(34.1)
Group operating profit		36.0	29.9	112.1	98.6
Share of result in joint ventures		0.8	1.0	2.5	3.3
Operating profit		36.8	30.9	114.6	101.9
Finance costs	*4*	(11.7)	(12.8)	(34.8)	(38.6)
Finance income	*5*	0.2	0.6	0.8	1.7
Net finance costs		(11.5)	(12.2)	(34.0)	(36.9)
Profit before taxation		25.3	18.7	80.6	65.0
Income taxes		(5.0)	(3.9)	(15.4)	(12.6)
Profit for the period		**20.3**	**14.8**	**65.2**	**52.4**

The results for the 3 and 9 month periods ended 30 September 2019 and 30 September 2018 are unaudited.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 Sep 2019 £m	As at 31 Dec 2018 £m	As at 30 Sep 2018 £m
Assets				
Non-current assets				
Intangible assets (incl goodwill)	*6*	146.2	146.2	146.2
Property, plant and equipment		1.3	1.3	1.3
Investments		18.8	21.6	23.9
Shared equity loan receivables		8.1	13.7	17.6
Deferred tax		7.8	15.9	19.2
		182.2	**198.7**	**208.2**
Current assets				
Inventories	*7*	810.1	745.5	751.2
Trade and other receivables		25.0	20.0	32.2
Cash and cash equivalents		67.1	98.6	97.1
		902.2	**864.1**	**880.5**
Total assets		**1,084.4**	**1,062.8**	**1,088.7**
Liabilities				
Non-current liabilities				
Loans and borrowings	*8*	(518.8)	(507.6)	(557.4)
Trade and other payables		(31.6)	(45.2)	(49.7)
Retirement benefit obligations		(9.7)	(13.0)	(19.0)
Provisions and deferred income		(2.4)	(3.0)	(2.8)
		(562.5)	**(568.8)**	**(628.9)**
Current liabilities				
Loans and borrowings	*9*	-	(10.3)	-
Trade and other payables		(217.1)	(244.1)	(249.6)
		(217.1)	**(254.4)**	**(249.6)**
Total liabilities		**(779.6)**	**(823.2)**	**(878.5)**
Net assets		**304.8**	**239.6**	**210.2**
Equity				
Share capital		151.0	151.0	151.0
Retained earnings		153.8	88.6	59.2
Total equity attributable to owners of the parent		**304.8**	**239.6**	**210.2**

The December 2018 figures represent the audited financial statements of Miller Homes Group Holdings plc. The September 2019 and September 2018 figures are unaudited.

CONSOLIDATED CASHFLOW STATEMENT
for the 3 and 9 month periods ended 30 September 2019

	3 months ended 30 Sep 2019 £m	**3 months ended 30 Sep 2018 £m**	**9 months ended 30 Sep 2019 £m**	**9 months ended 30 Sep 2018 £m**
Cash flows from operating activities				
Profit for the period	20.3	14.8	65.2	52.4
Depreciation	0.1	-	0.2	0.1
Finance income	(0.2)	(0.6)	(0.8)	(1.7)
Finance cost	11.7	12.8	34.8	38.6
Share of post tax result from joint ventures	(0.8)	(1.0)	(2.5)	(3.3)
Taxation	5.0	3.9	15.4	12.6
Operating profit before changes in working capital	36.1	29.9	112.3	98.7
Working capital movements:				
Movement in trade and other receivables	(0.7)	5.6	0.6	1.0
Movement in inventories	(17.4)	(60.5)	(66.8)	(137.7)
Movement in trade and other payables	(14.2)	15.1	(52.3)	63.8
Cash generated from operations	3.8	(9.9)	(6.2)	25.8
Interest paid	(2.5)	(2.4)	(14.1)	(15.3)
Corporation tax paid	(2.8)	(2.3)	(6.0)	(3.9)
Net cash (outflow) / inflow from operating activities	**(1.5)**	**(14.6)**	**(26.3)**	**6.6**
Cash flows from investing activities				
Acquisition of property, plant and equipment	-	(0.1)	(0.2)	(0.7)
Movement in loans with joint ventures	2.9	1.9	5.3	(1.2)
Net cash inflow / (outflow) from investing activities	**2.9**	**1.8**	**5.1**	**(1.9)**
Cash flows from financing activities				
Decrease in senior secured notes	-	-	-	(20.0)
Decrease in other long term borrowings	-	-	(10.3)	-
Net cash outflow from financing activities	**-**	**-**	**(10.3)**	**(20.0)**
Increase / (decrease) in cash and cash equivalents	1.4	(12.8)	(31.5)	(15.3)
Cash and cash equivalents at beginning of period	65.7	109.9	98.6	112.4
Cash and cash equivalents at end of period	**67.1**	**97.1**	**67.1**	**97.1**

Notes to the condensed consolidated financial statements

1. Reconciliation of net cash flow to net debt

	3 months ended 30 Sep 2019 £m	3 months ended 30 Sep 2018 £m	9 months ended 30 Sep 2019 £m	9 months ended 30 Sep 2018 £m
Movement in cash and cash equivalents	1.4	(12.8)	(31.5)	(15.3)
Decrease in senior secured notes	-	-	-	20.0
Decrease in other long term borrowings	-	-	10.3	-
Non cash movement[1]	(3.8)	(4.5)	(11.2)	(13.1)
Movement in net debt in period	(2.4)	(17.3)	(32.4)	(8.4)
Net debt at beginning of period	(449.3)	(443.0)	(419.3)	(451.9)
Net debt at end of period	**(451.7)**	**(460.3)**	**(451.7)**	**(460.3)**

Net debt comprises:

	As at 30 Sep 2019 £m	As at 31 Dec 2018 £m	As at 30 Sep 2018 £m
External net debt	(323.5)	(299.9)	(301.0)
Intercompany loans	(128.2)	(119.4)	(159.3)
Net debt at end of period	**(451.7)**	**(419.3)**	**(460.3)**

2. Reporting entity

Miller Homes Group Holdings plc is a Company domiciled in England and Wales. The condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and reflect the underlying trading results of Miller Homes Holdings Limited.

The financial statements did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 and were given an unqualified audit opinion.

3. Accounting policies

The preparation of these condensed consolidated financial statements is based on the accounting policies set out in the audited 2018 financial statements of Miller Homes Group Holdings plc.

[1] The non-cash movement for the 3 months ended 30 September 2019 represents £0.8m (Q3 2018: £0.8m) of arrangement fee amortisation and £3.0m (Q3 2018: £3.7m) of rolled up interest on the unsecured shareholder loan notes.

[2] The non-cash movement for the 9 months ended 30 September 2019 represents £2.4m (H1 2018: £2.3m) of arrangement fee amortisation and £8.8m (Q3 2018: £10.8m) of rolled up interest on the unsecured shareholder loan notes.

4. Finance costs	3 months ended 30 Sep 2019 £m	3 months ended 30 Sep 2018 £m	9 months ended 30 Sep 2019 £m	9 months ended 30 Sep 2018 £m
Interest payable on senior secured notes, bank loans and overdrafts	6.9	7.0	20.6	21.2
Interest payable on amounts owed to immediate parent company	3.0	3.7	8.8	10.8
Imputed interest on land payables on deferred terms	1.8	1.7	5.2	5.6
Finance costs related to employee benefit obligations	-	0.4	0.2	1.0
	11.7	**12.8**	**34.8**	**38.6**

5. Finance income	3 months ended 30 Sep 2019 £m	3 months ended 30 Sep 2018 £m	9 months ended 30 Sep 2019 £m	9 months ended 30 Sep 2018 £m
Imputed interest on land receivables on deferred terms	-	0.2	-	0.6
Interest on loans to joint ventures	0.1	0.2	0.4	0.6
Other	0.1	0.2	0.4	0.5
	0.2	**0.6**	**0.8**	**1.7**

6. Intangible assets	As at 30 Sep 2019 £m	As at 31 Dec 2018 £m	As at 30 Sep 2018 £m
Goodwill	92.2	92.2	92.2
Brand value	54.0	54.0	54.0
	146.2	**146.2**	**146.2**

7. Inventories	As at 30 Sep 2019 £m	As at 31 Dec 2018 £m	As at 30 Sep 2018 £m
Land	471.3	448.3	450.0
Work in progress	320.0	281.2	291.3
Part exchange properties	18.8	16.0	9.9
	810.1	**745.5**	**751.2**

8.	Loans and borrowings – non-current	As at 30 Sep 2019 £m	As at 31 Dec 2018 £m	As at 30 Sep 2018 £m
	Senior secured notes	(405.0)	(405.0)	(405.0)
	Deferred financing costs	14.4	16.8	17.2
	Long term borrowings	-	-	(10.3)
	Intercompany loan (unsecured)	(128.2)	(119.4)	(159.3)
		(518.8)	**(507.6)**	**(557.4)**

9.	Loans and borrowings – current	As at 30 Sep 2019 £m	As at 31 Dec 2018 £m	As at 30 Sep 2018 £m
	Long term borrowings	-	(10.3)	-
		-	**(10.3)**	**-**

Senior secured notes: Following the Group's acquisition of Miller Homes Holdings Limited on 5 October 2017 the Group issued £425m of senior secured notes, and repaid existing bank loans. The Group bought back and cancelled £20m of its senior secured notes in June 2018 (£14m FRN, £6m fixed).

Long term borrowings: Long term borrowings related to the Group's interest in Telford NHT (2011) LLP, an entity established to provide residential property for rental purposes which was divested in January 2019.

Intercompany loan: The intercompany loan is payable to Miller Midco 2 Limited, a company ultimately controlled by Bridgepoint funds. The loan is unsecured and repayable in October 2027. On 27 November 2018, £43.5m of this loan was repaid.