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Quarterly Financial Report

For the 3 months ended
31 March 2021

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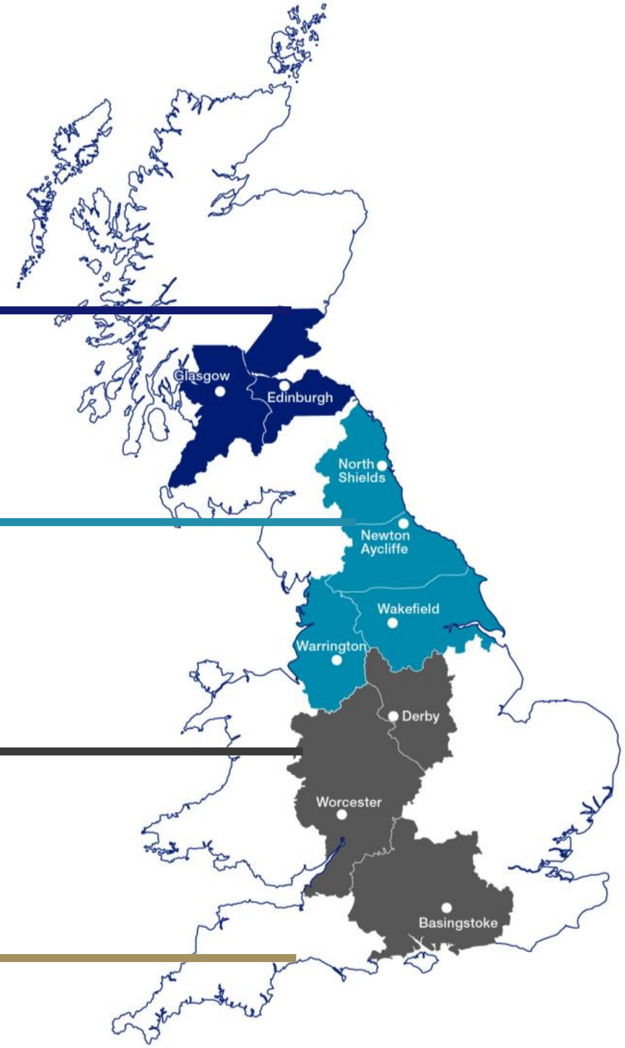
1 Introduction

Introduction

In accordance with the reporting requirements of its offering of £425m Senior Secured Notes (since increased to £455m), Miller Homes Group Holdings plc ("the Group") is pleased to present its Quarterly Financial Report for the 3 months ended 31 March 2021.

The figures for the 3 months to 31 March 2021 and 2020 are unaudited.



Scotland

Completions*	ASP (£000)*	Consented landbank**	Active sites*
676	287	2,289	21
+8%	+3%	-9%	-8%

North

Completions*	ASP (£000)*	Consented landbank**	Active sites*
1,131	244	5,936	30
+11%	+3%	+1%	-2%

Midlands & South

Completions*	ASP (£000)*	Consented landbank**	Active sites*
1,052	299	6,575	28
+8%	+9%	+4%	+2%

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Completions*	ASP (£000)*	Consented landbank**	Active sites*
2,859	274	14,800	79
+9%	+5%	+1%	-2%

* Last 12 months ending 31 March 2021. Percentage movement compared to year ending 31 December 2020.
**As at 31 March 2021. Percentage movement compared to 31 December 2020.

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2 Operational and Financial Highlights

Operational and Financial Highlights

Trading

- Private sales rate in Quarter 1 2021 was 0.98 net reservations per site per week, 31% ahead of the prior year period (which was slightly impacted by the first national lockdown) and 29% ahead of the same period in 2019.

- Volumes
  - Q1 2021 benefitted from our record forward sold position at 31 December 2020, leading to 958 core and joint venture completions in the 3 months ending 31 March 2021 (Q1 2020: 719 units), an increase of 33%. This is also an increase of 16% on Q1 2019 volumes, highlighting the strength of the Q1 2021 performance.

- Average Selling Price (ASP)
  - Q1 2021 ASP increased by 20% to £278,000 (Q1 2020: £232,000). This largely reflects a 13% increase in the private ASP to £318,000 (Q1 2020: £282,000) which is mainly due to the location of where homes were sold, a 4% increase in the average size of our homes and price inflation.
  - The Q1 2021 ASP benefits from a higher than usual proportion of private completions (80%). This is forecast to reduce over the remainder of 2021 to around 75%, which will have a corresponding impact on the ASP.

- Revenue
  - Q1 2021 revenue up by £100m or 62% on Q1 2020 which is a combination of a 35% increase in core completions and a 20% increase in ASP. The increase in ASP reflects a 13% increase in private ASP as explained above, and a greater proportion of private homes sold, increasing from 68% to 80% of core completions.

- Gross profit in Quarter 1 was £61.8m, a 60% increase on the prior year period (Q1 2020: £38.7m). Gross margin in Quarter 1 was 23.7% and compares with 24.1% in the prior year period.

- Administrative expenses
  - Increase in administrative expenses to £14m (Q1 2019: £10m) due to the exclusion of staff incentive costs in the prior year period.

- EBITDA for 12 months ended 31 March 2021 is £137m, down £31m on last year (LTM March 2020: £168m). This is principally due to the impact of the COVID-19 lockdown in Quarter 2 2020.

- Continued strong trading momentum has resulted in forward sales for the next 12 months of £656m which is 58% higher than March 2020 and 19% higher than at December 2020.

Operational and Financial Highlights *(continued)*

Land

- 1,728 plots were acquired in Q1 2021 compared to 445 plots in Q1 2020 and 2,273 plots for the full year 2020.

- This has led to an 8% increase in the owned landbank to 11,290 plots (Dec 2020: 10,494 plots) which, combined with 3,510 plots in the controlled landbank results in a consented landbank of 14,800 plots (Dec 2020: 14,667 plots), representing 5.3 years' supply (Dec 2020: 5.8 years), based on the last 12 months' completions.

- Our strategic landbank has decreased by 3% to 20,174 plots (Dec 2020: 20,776 plots).

Cash and leverage

- Free cash flow in Quarter 1 2021 was £57m (Q1 2020: £18m outflow) driven by increased volumes offset by an increase in working capital outflows associated with a one-off pension contribution. This has resulted in cash at the quarter end of £194m, and the £151m RCF remains undrawn.

- Net LTV* of 38% based on net inventory of £688m and net debt of £262m**. Net LTV has increased from 30% in the previous quarter and compares to 40% at 31 March 2020.

- Net leverage of 1.9x, based on pre-exceptional EBITDA of £137m and net debt of £262m. This compares to net leverage of 1.8x in the previous quarter and 1.7x at 31 March 2020.

- In light of the significant cash balance at year end and a continuation of the positive trading performance during the first quarter of this year, £100m of the shareholder loan was repaid on 29 March 2021.

* LTV: Loan to value is net debt divided by net inventory (inventory less land payables).
** Excludes the capitalisation of bond financing costs (£10.5m).

Financial Highlights

Revenue for the 3 months to 31 March 2021 increased by 62.3% to £261.1m (Q1 2020: £160.9m), reflecting a 35.0% increase in core completions, a 19.8% increase in ASP and a £1.0m increase in land sales revenue.

Gross profit for the 3 months to 31 March 2021 increased by 59.7% to £61.8m (Q1 2020: £38.7m). Gross margin in the 3 month period was 23.7% (Q1 2020: 24.1%).

Administrative expenses for the 3 months to 31 March 2021 totalled £14.3m (Q1 2020: £10.2m). The increase of £4.1m has primarily been driven by a higher staff incentive charge in the current year period.

Net finance costs in the 3 month period ended 31 March 2021 were £12.2m (Q1 2020: £11.5m). The increase primarily reflects the £50m net increase in Senior Secured Notes in August 2020, and an increase in interest on shareholder loan notes, which totalled £3.4m in the period (Q1 2020: £3.2m).

	3 months ended 31 Mar 2021 £m	3 months ended 31 Mar 2020 £m	% change
Revenue	261.1	160.9	62.3
Cost of sales	(199.3)	(122.2)	(63.1)
Gross profit	61.8	38.7	59.7
Other operating income	0.3	0.4	(25.0)
Administrative expenses	(14.3)	(10.2)	(40.2)
Group operating profit	47.8	28.9	65.4
Share of result in joint ventures	0.8	0.7	14.3
Operating profit	48.6	29.6	64.2
Net finance costs	(12.2)	(11.5)	(6.1)
Profit before taxation	36.4	18.1	101.1
Income taxes	(7.3)	(3.4)	(114.7)
Profit for the period	29.1	14.7	98.0
Gross margin %	*23.7%*	*24.1%*	*-40bps*
Operating margin %	*18.6%*	*18.4%*	*+20bps*
Profit for the period	29.1	14.7	98.0
Income taxes	7.3	3.4	(114.7)
Net finance costs	12.2	11.5	(6.1)
Depreciation	0.7	0.7	-
EBITDA	49.3	30.3	62.7

Financial Highlights

Analysis of revenues, completions and ASP

Private revenue increased by 77.5% to £235.9m (Q1 2020: £132.9m). This was offset by a 13.8% decrease in affordable revenues to £23.8m (Q1 2020: £27.6m). Revenue from land sales was insignificant and increased by £1m to £1.4m (Q1 2020: £0.4m).

Core completions increased by 35.0% to 934 units (Q1 2020: 692 units). Private completions increased by 57.4% to 743 units (Q1 2020: 472 units). Affordable completions decreased by 13.2% to 191 units (Q1 2020: 220 units).

ASP increased by 19.8% to £278,000 (Q1 2020: £232,000). This reflects a 12.8% increase in the private ASP to £318,000 (Q1 2020: £282,000) due to the location of homes sold, a 4% increase in the average size of our private homes, and price inflation. The affordable ASP was largely unchanged at £124,000 (Q1 2020: £125,000).

The Q1 2021 ASP benefits from a higher than usual proportion of private completions (80%). This is forecast to reduce over the remainder of 2021 to around 75%, which will have a corresponding effect on the ASP.

	3 months ended 31 Mar 2021 £m	3 months ended 31 Mar 2020 £m
Private revenue	235.9	132.9
Affordable revenue	23.8	27.6
Land sales	1.4	0.4
Total revenue	261.1	160.9
	Units	Units
Private completions	743	472
Affordable completions	191	220
Core completions	934	692
Joint venture completions	24	27
Total completions	958	719
	£000	£000
Private ASP	318	282
Affordable ASP	124	125
Total ASP	278	232

3 Net Debt, Liquidity and Cashflow

Net Debt, Liquidity and Cashflow

Net cash inflow from operating activities for the 3 months ended 31 March 2021 was £47.0m (Q1 2020: £29.5m outflow). This principally reflects the positive impact of a 35% increase in volumes which in turn led to a £100m increase in revenue.

Net cash inflow from investing activities for the 3 months ended 31 March 2021 was £3.7m (Q1 2020: £2.4m). This inflow predominantly relates to the repayment of loans made to joint ventures.

Net cash outflow from financing activities for the 3 months ended 31 March 2021 was £100m (Q1 2020: £129.6m inflow). The outflow in 2021 reflects the part repayment of the intercompany loan, whilst the prior period inflow reflects the drawdown of the RCF in response to the COVID-19 outbreak.

	As at 31 Mar 2021 £m	As at 31 Dec 2020 £m	As at 31 Mar 2020 £m
Senior Secured Notes	(455.0)	(455.0)	(405.0)
Deferred financing costs	10.5	11.3	12.9
Other loans	-	-	(129.6)
Cash and cash equivalents	193.5	242.8	242.3
Total external net debt	(251.0)	(200.9)	(279.4)

	3 months ended 31 Mar 2021 £m	3 months ended 31 Mar 2020 £m
Net cash flow from operating activities	47.0	(29.5)
Net cash flow from investing activities	3.7	2.4
Net cash flow from financing activities	(100.0)	129.6
Movement in cash and cash equivalents	(49.3)	102.5
Cash and cash equivalents at beginning of period	242.8	139.8
Cash and cash equivalents at end of period	193.5	242.3

Net Debt, Liquidity and Cashflow

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Free cash flow in the 3 months ended 31 March 2021 was £56.8m compared to an outflow of £18.4m for the 3 months ended 31 March 2020.

The increase of £75.2m primarily reflects the impact of increased revenues offset by an adverse movement in working capital.

The £13.3m increase in the 'Change in working capital' outflow to £19.6m for the 3 months ending 31 March 2021 (Q1 2020: £6.3m) principally represents a one off contribution of £12.9m to the defined benefit pension scheme.

As the Group has continued to generate significant levels of cash, there are a number of available options. These include additional land purchases, bond redemptions or shareholder distributions.

	3 months ended 31 Mar 2021 £m	3 months ended 31 Mar 2020 £m
EBITDA	49.3	30.3
Net land investment less than / (in excess of) cost of sales	4.4	(23.7)
Development spend less than / (in excess of) cost of sales	18.4	(23.7)
Change in working capital	(19.6)	(6.3)
Cash flows from JVs (not included in EBITDA)	2.9	1.7
Shared equity loan receivables	0.8	0.8
Other	0.6	2.5
Free cash flow*	56.8	(18.4)
Net land spend (included in cost of sales)	46.3	28.5
Net land investment in excess of cost of sales	(4.4)	23.7
Total net land spend	41.9	52.2
Free cash flow pre net land spend	98.7	33.8

*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.

4 Capital Employed, Inventory and Landbank

Capital Employed, Inventory and Landbank

Capital employed decreased to £560.1m as of 31 March 2021 (Dec 2020: £577.8m) principally due to lower net inventory which has reduced by £22.0m to £687.7m (Dec 2020: £709.7m).

The ROCE figure of 22.8% has been impacted by the COVID-19 lockdown. Going forward, as Quarter 2 2020 is eliminated from LTM earnings figures, the expectation is that ROCE should increase towards levels experienced pre the onset of COVID-19.

	As at and for the 12 months ended 31 Mar 2021 £m	As at and for the 12 months ended 31 Dec 2020 £m	As at and for the 12 months ended 31 Mar 2020 £m
Net assets	407.4	378.6	346.8
Net external debt	251.0	200.9	279.4
Intercompany loan	47.9	144.5	134.6
Intangible assets	(146.2)	(146.2)	(146.2)
Capital employed	560.1	577.8	614.6
Operating profit (pre-exceptional)	133.8	114.8	164.0
ROCE (%)	22.8	20.0	27.8

Capital Employed, Inventory and Landbank

The Group acquired or unconditionally contracted on 4 sites during the 3 months ended 31 March 2021 adding 1,728 plots to the owned landbank which compares to 3 sites and 445 plots in the 3 months to 31 March 2020.

The owned landbank at 31 March 2021 has increased to 11,290 plots (Gross development value: £3.0bn). All owned land which has a detailed planning permission is being developed.

The consented landbank has increased by 1% to 14,800 plots (Dec 2020: 14,667 plots). Based on the last 12 months' completions of 2,786 units, this represents 5.3 years' supply (Dec 2020: 5.8 years).

The strategic landbank has decreased by 3% to 20,174 plots (Dec 2020: 20,776 plots).

	As at 31 Mar 2021 £m	As at 31 Dec 2020 £m	As at 31 Mar 2020 £m
Land	476.9	490.6	527.0
Work in progress	297.4	311.8	326.2
Part exchange properties	5.7	6.2	18.3
Inventory	780.0	808.6	871.5
Land payables	(92.3)	(98.9)	(139.0)
Net inventory	687.7	709.7	732.5

Landbank	Plots	Plots	Plots
Owned / unconditional	11,290	10,494	10,480
Controlled	3,510	4,173	3,644
Consented	14,800	14,667	14,124
Strategic	20,174	20,776	19,634
Total	34,974	35,443	33,758

5 Current Trading

Conclusions

- Sales
  - The private sales rate in the 7 week period since the quarter end has continued to outperform historic benchmarks. The private sales rate over this period is 0.94 which is around 30% higher than the rate achieved in 2018 and 2019. Our year to date sales rate currently stands at 0.97 which we anticipate could moderate over the remainder of the year. All regional businesses are continuing to perform strongly with increased levels of demand and interest.

  - The use of incentives continue at low levels as evidenced by a c75% reduction in part exchange stock. Take-up in the new Help to Buy scheme has been in line with expectations. The impact of the new regional price caps combined with the strength of the market has led to Help to Buy reservations falling to 22% of year to date private reservations down on 39% in 2019.

  - A combination of the strength of the market, lower usage of incentives and our forward selling strategy has benefited selling prices which are around 3% up on the start of the year.

- Forward sales
  - The exceptional forward sales position carried into 2021 combined with the YTD sales rate of 0.97 provides confidence that our aim of exceeding 2019 volume and revenue levels can be achieved.

- Land
  - A number of deals were delayed in 2020 due to a temporary moratorium on new land purchases. This has resulted in a significant pipeline of new land opportunities with terms agreed on 48 sites and around 9,000 plots.

  - On 18 May, Wallace Land and Investments Limited, a strategic land business, was acquired at a cost of £17m. The acquisition results in a near doubling of our strategic landbank from c.21,000 plots to c.39,000 plots. The geographic distribution of Wallace's landbank is complementary to our existing strong regional presence with 22 sites in Scotland, eight in the North West, three in the West Midlands and eight in the South.

6 Group Condensed Consolidated Financial Statements

Consolidated Income Statement

for the 3 month period ended 31 March 2021

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	Note	3 months ended 31 Mar 2021 £m	3 months ended 31 Mar 2020 £m
Revenue		261.1	160.9
Cost of sales		(199.3)	(122.2)
Gross profit		61.8	38.7
Other operating income		0.3	0.4
Administrative expenses		(14.3)	(10.2)
Group operating profit		47.8	28.9
Share of result in joint ventures		0.8	0.7
Operating profit		48.6	29.6
Finance costs	*4*	(12.4)	(11.8)
Finance income	*5*	0.2	0.3
Net finance costs		(12.2)	(11.5)
Profit before taxation		36.4	18.1
Income taxes		(7.3)	(3.4)
Profit for the period		29.1	14.7

The results for the 3 month periods ended 31 March 2021 and 2020 are unaudited.

Consolidated Statement of Financial Position

	Note	As at 31 Mar 2021 £m	As at 31 Dec 2020 £m	As at 31 Mar 2020 £m
Assets				
Non-current assets				
Intangible assets (incl goodwill)	*6*	146.2	146.2	146.2
Property, plant and equipment		1.4	1.5	1.3
Right of use asset		6.0	6.6	7.6
Investments		7.4	10.3	13.9
Shared equity loan receivables		6.2	7.0	8.1
Deferred tax		-	-	1.4
		167.2	171.6	178.5
Current assets				
Inventories	*7*	780.0	808.6	871.5
Trade and other receivables		35.6	22.2	27.9
Cash and cash equivalents		193.5	242.8	242.3
		1,009.1	1,073.6	1,141.7
Total assets		1,176.3	1,245.2	1,320.2

Consolidated Statement of Financial Position *(continued)*

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	Note	As at 31 Mar 2021 £m	As at 31 Dec 2020 £m	As at 31 Mar 2020 £m
Liabilities				
Non-current liabilities				
Loans and borrowings	*8*	(492.4)	(588.2)	(656.3)
Trade and other payables		(31.3)	(44.5)	(47.4)
Lease liabilities		(4.5)	(5.0)	(5.8)
Deferred tax		(5.3)	(2.3)	-
Retirement benefit obligations		-	(13.8)	(15.3)
Provisions and deferred income		(2.7)	(2.7)	(2.6)
		(536.2)	(656.5)	(727.4)
Current liabilities				
Trade and other payables		(231.0)	(208.4)	(243.9)
Lease liabilities		(1.7)	(1.7)	(2.1)
		(232.7)	(210.1)	(246.0)
Total liabilities		(768.9)	(866.6)	(973.4)
Net assets		407.4	378.6	346.8
Equity				
Share capital		151.0	151.0	151.0
Retained earnings		256.4	227.6	195.8
Total equity attributable to owners of the parent		407.4	378.6	346.8

The December 2020 figures represent the audited financial statements of Miller Homes Group Holdings plc. The March 2021 and March 2020 figures are unaudited.

Consolidated Cashflow Statement

for the 3 month period ended 31 March 2021

	3 months ended 31 Mar 2021 £m	3 months ended 31 Mar 2020 £m
Cash flows from operating activities		
Profit for the period	29.1	14.7
Depreciation	0.7	0.7
Finance income	(0.2)	(0.3)
Finance cost	12.4	11.8
Share of post tax result from joint ventures	(0.8)	(0.7)
Taxation	7.3	3.4
Operating profit before changes in working capital	48.5	29.6
Working capital movements:		
Movement in trade and other receivables	(12.6)	(6.5)
Movement in inventories	27.9	(38.5)
Movement in trade and other payables	(10.7)	(5.4)
Cash generated from operations	53.1	(20.8)
Interest paid	(0.8)	(2.4)
Corporation tax paid	(5.3)	(6.3)
Net cash inflow from operating activities	47.0	(29.5)
Cash flows from investing activities		
Movement in loans with joint ventures	3.7	2.4
Net cash inflow from investing activities	3.7	2.4
Cash flows from financing activities		
(Decrease)/increase in other long term borrowings	(100.0)	129.6
Net cash (outflow)/inflow from financing activities	(100.0)	129.6
Movement in cash and cash equivalents	(49.3)	102.5
Cash and cash equivalents at beginning of period	242.8	139.8
Cash and cash equivalents at end of period	193.5	242.3

Notes to the Condensed Consolidated Financial Statements

1. Reconciliation of net cash flow to net debt

	3 months ended 31 Mar 2021 £m	3 months ended 31 Mar 2020 £m
Movement in cash and cash equivalents	(49.3)	102.5
Increase/(decrease) in other long term borrowings	100.0	(129.6)
Non-cash movement*	(4.2)	(4.0)
Movement in net debt in period	46.5	(31.1)
Net debt at beginning of period	(345.4)	(382.9)
Net debt at end of period	(298.9)	(414.0)

Net debt comprises:	As at 31 Mar 2021 £m	As at 31 Dec 2020 £m	As at 31 Mar 2020 £m
External net debt	(251.0)	(200.9)	(279.4)
Intercompany loans	(47.9)	(144.5)	(134.6)
Net debt at end of period	(298.9)	(345.4)	(414.0)

*The non-cash movement for the 3 months ended 31 March 2021 represents £0.8m (Q1 2020: £0.8) of arrangement fee amortisation and £3.4m (Q1 2020: £3.2m) of rolled up interest on the unsecured shareholder loan notes.

2. Reporting entity

Miller Homes Group Holdings plc is a Company domiciled in England and Wales. The condensed consolidated financial statements for the 3 month period ended 31 March 2020 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 financial statements of both Miller Homes Group Holdings plc and Miller Homes Holdings Limited.

4. Finance costs

	3 months ended 31 Mar 2021 £m	3 months ended 31 Mar 2020 £m
Interest payable on senior secured notes, bank loans and overdrafts	7.5	6.9
Interest payable on amounts owed to immediate parent company	3.4	3.2
Imputed interest on land payables on deferred terms	1.4	1.5
Finance costs related to employee benefit obligations	-	0.1
Imputed interest on lease liabilities	0.1	0.1
	12.4	11.8

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5. Finance income

	3 months ended 31 Mar 2021 £m	3 months ended 31 Mar 2020 £m
Interest on loans to joint ventures	0.1	0.1
Other	0.1	0.2
	0.2	0.3

6. Intangible assets

	As at 31 Mar 2021 £m	As at 31 Dec 2020 £m	As at 31 Mar 2020 £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 31 Mar 2021 £m	As at 31 Dec 2020 £m	As at 31 Mar 2020 £m
Land	476.9	490.6	527.0
Work in progress	297.4	311.8	326.2
Part exchange properties	5.7	6.2	18.3
	780.0	808.6	871.5

8. Loans and borrowings – non-current	As at 31 Mar 2021 £m	As at 31 Dec 2020 £m	As at 31 Mar 2020 £m
Senior secured notes	(455.0)	(455.0)	(405.0)
Deferred financing costs	10.5	11.3	12.9
Long term borrowings	-	-	(129.6)
Intercompany loan (unsecured)	(47.9)	(144.5)	(134.6)
	(492.4)	(588.2)	(656.3)

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).

On 27 July 2020, a £160m private placement was concluded, the purpose of which was to repay £110m of Senior Secured Floating Rate Notes and to take advantage of emerging land opportunities. This transaction also resulted in an extension in the maturity of our senior secured debt with the new Senior Secured Notes due in October 2024, one year later than the Senior Secured Floating Rate Notes. Our revised senior secured debt post this transaction is £404m Senior Secured Notes (due October 2024) and £51m Senior Secured Floating Rate Notes (due October 2023).

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. On 29 March 2021 a further £100.0m of this loan was repaid.