20 March 2019

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MILLER HOMES GROUP HOLDINGS plc

Full year results for the year ended 31 December 2018

Continued strong financial performance combined with investment for future growth

Financial highlights

- 14% increase in total completions to 3,170 homes (2017: 2,775 homes)
- 4% increase in average selling price (ASP) to £249,000 (2017: £239,000)
- 15% increase in operating profit to £151.1m (2017: £131.1m)
- 70 basis point improvement in operating margin to 20.2% (2017: 19.5%)
- Return on underlying capital employed (ROCE) of 33.4% (2017: 33.0%)
- Free cash generated of £81.7m (2017: £75.4m)
- c3,900 plots acquired in last 12 months
- Forward sales at £292m and 6% ahead of last year

Disciplined approach to land investment

- 10% increase in owned landbank to 9,174 plots (2017: 8,364 plots) further supported by 3,350 controlled plots (2017: 5,374 plots)
- 5% increase in the strategic landbank to 17,331 plots (2017: 16,561 plots)

Operational initiatives to drive performance

- HBF National New Home Customer Satisfaction Survey 5 star rating awarded for 7 out of the last 8 years
- Product and specification review undertaken benefiting build costs from 2019 onwards
- 11% increase in staff numbers as we continue to invest in business growth

Strategy in place to continue UK geographic growth

- West Midlands region launched with just under 350 homes delivered in first full year of operation in 2018
- On track to deliver our strategic target of 4,000 homes by 2021

Chris Endsor, Chief Executive, said:

"I am delighted to report an excellent set of 2018 results for Miller Homes with improvements in all key metrics. Of particular note, was the 15% increase in operating profit to £151m which enabled us to achieve an operating margin of 20% for the first time and ahead of plan. Land investment was 12% ahead of 2017 at £204m and at the same time, the business generated £82m of free cash.

Demand for mid-market homes continues to be strong, underpinned by low interest rates and Government support with Help to Buy extended to 2023. We continue to have confidence in the resilience of the UK regional housing markets in which we operate and remain committed to our strategy of growing volumes incrementally to 4,000 units. Market conditions are continually monitored with the optionality in our business planning enabling us to adapt land buying depending upon demand and opportunities."

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Further enquiries:
Marie Dunsmuir, Communications Manager, Miller Homes
+44 (0) 870 336 5084

- For over 80 years, Miller Homes has established a reputation for building outstanding quality family homes and providing forward thinking customer service. The company is committed to building homes safely, in a way which is considerate to the environment.
- In 2018, Miller Homes completed a total of 3,170 homes, of which 216 were from joint ventures. We operate across three divisions – Scotland (735 completions), North of England (1,199 completions) and Midlands & South England (1,236 completions).
- Achieved 5 star status in the HBF National New Home Customer Satisfaction Survey for seven of the last eight years.
- Miller Homes has c.970 employees.
- Further information is available by visiting www.millerhomes.co.uk

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Chief Executive's Review

Overview

We are delighted to report that during 2018, we continued to deliver growth and improvements across a number of our key metrics: operating profit increased by 15% to £151.1m (2017: £131.1m), whilst our operating margin improved by 70 basis points to 20.2% (2017: 19.5%) and underlying ROCE increased to 33.4% (2017: 33.0%). Assisted by a modest level of house price inflation, the average selling price (ASP) increased by 4% to £249,000 and total completions increased by 14% to 3,170 units (2017: 2,775 units) due to average sales outlets increasing to 71 (2017: 66).

We have maintained our rigorous approach to land selection, whilst at the same time increasing our investment in new land which led to a 10% increase in the owned landbank with all sites which benefit from an implementable planning permission being developed. We remain committed to growing the Group's presence in strategic land and this has led to a 5% increase in the strategic landbank to 17,331 (2017: 16,561) as well as expanding the resources and talent within the strategic land team.

Further significant progress was made during the year towards our strategic target of 4,000 homes by 2021 and an operating margin in excess of 20% was also delivered ahead of plan.

Market conditions

Market conditions were strong in 2018 which is testament to the resilience of the market particularly as uncertainty surrounding the shape of the country's exit from the EU increased during the year. Demand in our regional markets continued to be supported by high employment levels, increases in real wages for the first time in two years and a mortgage market with both low rates and an increased number of higher loan to value mortgages. Like most sectors, housebuilding is not immune to Brexit headwinds but it is re-assuring to note how the sector and our business has performed thus far in spite of the daily speculation surrounding the nature of the UK's departure from the EU.

Supply chain and product

Product availability was generally good during 2018 albeit some materials had to be proactively managed by our central procurement team to ensure continuity of supply. Around 90% of our housebuild materials are manufactured in the UK. A full review has been undertaken by the business to understand the impact of a "No-Deal" Brexit and contingency plans have been drawn up to ensure the impact on material supplies is mitigated.

Government policy

Housing continued to feature prominently within Government. The UK Government and other main political parties remain supportive of housebuilding given the desire to address the shortage of homes. As well as the two year extension to Help to Buy through to 2023, the National Planning Policy Framework was updated during 2018 and reaffirmed the principles enshrined within the original NPPF introduced in 2012, which has been a significant factor in the increase in planning approvals over that period.

Customer service

The Group is committed to providing industry leading levels of build quality and customer service. Our success is measured independently by the National House Building Council through our participation in the HBF National New Home Customer Satisfaction Survey in which we achieved a 91% satisfaction rating and retained our 5 star status for the seventh year out of eight.

Financial results

Revenue was 11% ahead of 2017 at £747.0m (2017: £674.0m). This reflected a combination of a 9% increase in core completions to 2,954 units (2017: 2,698 units) and a 4% increase in ASP to £249,000 (2017: £239,000) offset by a reduction in other sales to £10.2m (2017: £29.0m) reflecting the sale of several larger sites in 2017. Pleasingly, all three divisions experienced increases in both completions and ASP.

We continued to utilise the Help to Buy schemes in both England and Scotland, and combined they represented 33% (2017: 34%) of private reservations. Sales to first time buyers were 30% (2017: 34%) of private reservations and we continue to have a very low exposure to the investor market at 2% of private reservations (2017: 2%).

Gross profit increased by 13% to £192.0m (2017: £170.4m) with improvements in margins on newer sites leading to an increase in gross margin to 25.7% (2017: 25.3%). Operating profit increased by 15% to £151.1m (2017: £131.1m). Operating margin increased to 20.2% (2017: 19.5%).

Net financing costs increased by £27.2m to £49.0m. The year on year movement reflects the change in the debt structure in October 2017.

Balance sheet

Capital employed increased to £658.9m (2017: £609.7m), of which £146.2m relates to intangible assets established following the acquisition of the business by Bridgepoint in 2017. The increase in capital employed reflects higher net inventory (after deduction of land payables) which has risen by £85.9m to £602.0m (Dec 2017: £516.1m).

During the year, the Group added 28 sites and 3,886 plots to the owned landbank. The owned landbank at 31 December 2018 increased to 9,174 plots with a gross development value of £2.4bn. All owned land with a detailed planning permission is being developed.

The owned landbank has increased principally due to the pull through of land from the controlled landbank. Consequently, this has in turn resulted in a reduction in the controlled landbank and the consented landbank which has decreased by 9% to 12,524 plots (2017: 13,738 plots). Based on 2018 core completions of 2,954 units, this represents 4.2 years' supply.

The Group generated £81.7m (2017: £75.4m) of free cash flow which enabled repayments of both secured notes (£20m repaid) and shareholder loans (£43.5m repaid) during the year. Net external debt stood at £299.9m (2017: £303.4m). The Group continues to have secure long term funding through to 2023.

CEO's message to the Miller Homes team

2018 was another excellent year for the business delivering on our key objectives of profit growth, land investment, cash generation and customer satisfaction. This is only possible with a committed team which I am proud to lead. I would like to thank all our staff and all other stakeholders for their valued contribution in 2018 and look forward to further mutual success in 2019.

Chris Endsor
Chief Executive

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CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2018

	2018 £m	2017 £m
Revenue	747.0	674.0
Cost of sales	(555.0)	(503.6)
Gross profit	192.0	170.4
Other operating income	1.9	0.5
Administrative expenses	(47.9)	(40.1)
Group operating profit	146.0	131.7
Share of result in joint ventures	5.1	(0.6)
Operating profit	151.1	131.1
Finance costs	(51.1)	(24.0)
Finance income	2.1	2.2
Net finance costs	(49.0)	(21.8)
Profit before taxation	102.1	109.3
Income taxes	(19.2)	(21.6)
Profit for the period	**82.9**	**87.7**

The results for 2017 are presented on a proforma basis and reflect the 9 month pre-acquisition results to 30 September 2017 of Miller Homes Holdings Limited and the 3 month post acquisition results to 31 December 2017 of Miller Homes Group Holdings plc. The 3 month post acquisition results exclude one-off transaction fees and fair value adjustments.