

**MILLER HOMES GROUP HOLDINGS plc**

**FULL YEAR 2017 RESULTS**

**Consistently strong performance and positioned for future growth**

**Financial highlights 2017: Record trading performance**

- 26% increase in operating profit to £130.1m (2016: £103.0m)
- 19% increase in revenue to £675m (2016: £565m) driven by a 13% increase in core completions to 2,698 units (2016: 2,380 units)
- 4% increase in average selling price (ASP) to £239,000 (2016: £231,000)
- 110 basis point improvement in operating margin to 19.3% (2016: 18.2%)
- 9% increase in return on capital employed (ROCE)<sup>1</sup> to 33.0% (2016: 30.3%)
- 2018 forward sales at record levels and 39% ahead of last year

**Increased and disciplined land investment**

- 5% increase in consented landbank to 13,738 plots (2016: 13,062 plots)
- Land investment of £182m (2016: £178m) which is a 10 year high

**Organic growth strategy delivered**

- The Group remains on track to deliver its existing strategic target of 4,000 units in our current regional markets
- New West Midlands region launched in 2017 enables growth to 4,000 units to be organic
- Clear visibility of medium term operating margin target of 20%
- Growth plans underpinned by new capital structure, with over £100m of cash at year end

**Corporate structure**

- Miller Homes acquired by private equity group, Bridgepoint for over £650m from GSO Capital Partners in October 2017
- Long term capital structure in place to support investment plans
- John White appointed Non-Executive Chairman of new holding company

**Macro environment**

- Key factors remain supportive of UK housing market: low interest rates; improving mortgage availability, high employment and strong underlying demand.

**Chris Endsor, Chief Executive, said:**

'2017 was an excellent year for Miller Homes with record profits being delivered despite a high level of corporate activity. Significant progress was made towards our strategic target of upscaling volumes to 4,000 homes over the medium term with the launch of a new operating business in the West Midlands.

We are delighted that during the year we were acquired by the private equity group, Bridgepoint who are committed to support us in our organic growth strategy. We delivered another record trading performance with operating profit increasing by 26% to £130m, our sixth consecutive year of double digit profit growth and achieved 5 star status in the HBF National New Home Customer Satisfaction Survey for the sixth time in the last seven years.

We entered 2018 with record forward sales and trading thus far in 2018 has continued to be strong. With over £100m of cash at the beginning of the year and allied to the significant cash generation ability of the business, we have plans to continue to invest significantly in new land opportunities underpinned by confidence in our regional markets.'

<sup>1</sup> Return on underlying capital employed represents 12 month annualised operating profit divided by the average of opening and closing capital employed, adjusted for non-operating deferred tax and shared equity interests



Further enquiries:

Ginny Pulbrook, Camarco

+44 (0) 203 757 4992

- 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 2017, Miller Homes completed a total of 2,775 homes, of which 77 were from joint ventures. We operate across three divisions – Scotland (687 completions), North of England (1,054 completions) and Midlands & South England (1,034 completions).
- Achieved 5 star status in the HBF National New Home Customer Satisfaction Survey for the sixth time in the last seven years.
- Miller Homes has c.850 employees.
- Further information is available by visiting [www.millerhomes.co.uk](http://www.millerhomes.co.uk)

## Chief Executive's Review

### Overview

2017 was the sixth consecutive year of growth for Miller Homes. Over this period, volumes have increased by 83% which combined with investment in higher margin new land has led to a 10 fold increase in operating profit to £130m. This performance has been founded on a rigorous approach to land selection and also a belief in the resilience and opportunities which exist in our regional markets. Notwithstanding the growth achieved to date, the Group has the operational capacity and financial firepower to grow volumes by a further 50% to 4,000 units.

Our new capital structure reflects a significant equity injection from our new shareholder, Bridgepoint, as well as a long term corporate bond which does not mature until 2023. I am also delighted that John White has joined as the Chairman of our holding company. John has unrivalled experience in the housing industry and his expertise will help us deliver the next exciting phase of the development of Miller Homes.

Over the previous 5 years under our previous shareholders, led by GSO Capital Partners, the business has grown significantly and I am equally confident that this will continue to be the case with Bridgepoint, as we seek to deliver our organic growth strategy. The acquisition by Bridgepoint and our new capital structure, provide the platform for measured and sustainable growth as we look to upscale volumes to 4,000 units over the medium term.

### Market conditions

Favourable market conditions were experienced throughout the year and across all three operating divisions, with sales rates and pricing unaffected by both the unexpected UK General Election and continuing negotiations on the UK's decision to leave the EU. Mortgage lending continues to be available at historically low rates and we have yet to experience any impact following the change to base rates in November 2017. Government support continued in the form of additional funding for Help to Buy, further planning reforms and financial assistance for developments with greater infrastructure requirements.

### Financial results

Revenue was 19% ahead of 2016 at £675m (2016: £565m). This reflected an increase in new home revenues to £645m (2016: £549m) with other revenues higher at £30m (2016: £16m). The 17% growth in revenues from new home sales reflected a combination of a 13% increase in core completions to 2,698 units (2016: 2,380 units) and a 4% increase in average selling price (ASP) to £239,000 (2016: £231,000). A further 77 units (2016: 40) were delivered in joint venture taking the total number of completions to 2,775 (2016: 2,420).

Higher sales rates resulted in completions of private units rising to 2,184 (2016: 2,032). Private sales rates improved by 4% to 0.70 per site/week (2016: 0.67) and boosted not only 2017 completions but also 2018 forward sales, with forward private volumes 24% ahead of last year. The increase in affordable unit completions to 514 (2016: 348) reflected a greater proportion of affordable units from more recently acquired sites.

The increase in ASP to £239,000 (2016: £231,000) was achieved despite an increase in the proportion of affordable homes to 19% (2016: 15%) of core completions and a 9% reduction in the affordable ASP. The reduction in affordable ASP reflected the mix of completions year on year, with 2016 containing a higher percentage of higher value units from the Southern region. The private ASP increased by 8% to £270,000 (2016: £251,000) which reflected the location of new sites and to a lesser extent house price inflation.

Gross profit increased by 20% to £170.8m (2016: £142.8m) with gross margin remaining at a record 25.3% (2016: 25.3%).

The significant increase in gross profit combined with a modest fall in administrative expenses has resulted in a 26% increase in operating profit to £130.1m (2016: £103.0m). Operating margin has increased to 19.3% (2016: 18.2%). Profit before tax for the year increased by 22% to £109.3m (2016: £89.3m).



### **Land: Investment for future growth**

We continued to invest strongly in land with additions amounting to £182m in 2017 (2016: £178m). Together with planning consents being achieved for a number of controlled sites, this resulted in our consented land bank increasing to 13,738 plots (2016: 13,062 plots), which represents just over 5 years' supply. The consented landbank includes 8,364 owned plots and a further 5,374 controlled plots. Importantly, all of the owned landbank with detailed planning consent is being developed as we look to play our part in increasing volumes to meet the country's well publicised shortfall in housing.

### **Current trading and outlook**

We entered the year with our 2018 forward sales being 39% ahead of last year and have continued to experience a strong sales market in 2018. We will continue to monitor any impact on the business arising from the decision to leave the EU whilst noting that against a backdrop of unexpected EU Referendum and 2017 General Election results that the new homes sector in our regional markets continues to demonstrate resilience.

### **CEO's message to the Miller team**

I am proud to lead a business which at its very heart is the objective to attract and retain the best people. To have delivered the sale of the business to a new financial sponsor in Bridgepoint, whilst continuing to deliver and improve upon our key financial and operational metrics is testimony to the quality of our people, their loyalty and enthusiasm in working for Miller Homes. I would like to thank everyone for their valued contribution in 2017 and look forward to further success in 2018.

**Chris Endsor**  
**Chief Executive**

**PROFORMA CONSOLIDATED INCOME STATEMENT**  
for the year ended 31 December 2017

	<b>2017</b>	2016
	<b>£m</b>	£m
<b>Revenue</b>	<b>675.2</b>	565.3
Cost of sales	<b>(504.4)</b>	(422.5)
<b>Gross profit</b>	<b>170.8</b>	142.8
Administrative expenses	<b>(40.1)</b>	(40.2)
<b>Group operating profit</b>	<b>130.7</b>	102.6
Share of result in joint ventures	<b>(0.6)</b>	0.4
<b>Operating profit</b>	<b>130.1</b>	103.0
Finance costs	<b>(24.0)</b>	(16.2)
Finance income	<b>3.2</b>	2.5
Net finance costs	<b>(20.8)</b>	(13.7)
<b>Profit before taxation</b>	<b>109.3</b>	89.3
Income taxes	<b>(21.6)</b>	(17.9)
<b>Profit for the year</b>	<b>87.7</b>	71.4

The 2017 full year results have been prepared on a proforma basis following the acquisition by Miller Homes Group Holdings plc of Miller Homes Holdings Limited on 5 October 2017. Accordingly, the proforma results reflect the 9 month pre-acquisition result of Miller Homes Holdings Limited as extracted from its audited financial statements and the 3 month post acquisition result of Miller Homes Group Holdings plc, excluding one-off transaction fees and fair value adjustments. The prior year figures are extracted from the audited financial statements of Miller Homes Holdings Limited.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
 as at 31 December 2017

	Note	2017 £m
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets (incl goodwill)	2	146.2
Property, plant and equipment		0.7
Investments		19.4
Available for sale financial assets		21.3
Deferred tax		25.8
		<b>213.4</b>
<b>Current assets</b>		
Inventories	3	623.4
Trade and other receivables		28.8
Cash and cash equivalents		112.4
		<b>764.6</b>
<b>Total assets</b>		<b>978.0</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	4	(564.3)
Trade and other payables		(42.2)
Retirement benefit obligations		(21.7)
Provisions and deferred income		(3.2)
		<b>(631.4)</b>
<b>Current liabilities</b>		
Trade and other payables		(188.8)
		<b>(188.8)</b>
<b>Total liabilities</b>		<b>(820.2)</b>
<b>Net assets</b>		<b>157.8</b>
<b>Equity</b>		
Share capital		151.0
Retained earnings		6.8
<b>Total equity attributable to owners of the parent</b>		<b>157.8</b>

The above figures have been extracted from the audited financial statements of Miller Homes Group Holdings plc and represent its first balance sheet following its incorporation in July 2017.

**PROFORMA CONSOLIDATED CASHFLOW STATEMENT**  
for the year ended 31 December 2017

	<b>2017</b> <b>£m</b>
<b>Cash flows from operating activities</b>	
Profit for the year	87.7
Amortisation of land option costs	0.5
Finance income	(3.2)
Finance cost	24.0
Share of post-tax result from joint ventures	0.6
Taxation	21.6
Operating profit before changes in working capital	131.2
Working capital movements and pro forma adjustments:	
Transaction costs	(11.2)
Fair value adjustments	(8.1)
Movement in trade and other receivables	0.9
Movement in inventories	(75.2)
Movement in trade and other payables	36.5
Cash generated from operations	74.1
Interest paid	(3.7)
Corporation tax paid	(5.0)
<b>Net cash inflow from operating activities</b>	<b>65.4</b>
<b>Cash flows from investing activities</b>	
Acquisition of Miller Homes Holdings Limited	(651.6)
Acquisition of property, plant and equipment	(0.4)
Movement in loans with joint ventures	1.3
<b>Net cash outflow from investing activities</b>	<b>(650.7)</b>
<b>Cash flow from financing activities</b>	
Proceeds from issue of share capital	151.0
Decrease in bank borrowings	(19.5)
Proceeds from issue of secured notes	404.8
Increase in other long term borrowings	120.3
<b>Net cash inflow from financing activities</b>	<b>656.6</b>
Movements in cash and cash equivalents	71.3
Cash and cash equivalents at beginning of year	41.1
<b>Cash and cash equivalents at end of year</b>	<b>112.4</b>

The figures have been prepared on a proforma basis having been extracted from the audited financial statements of Miller Homes Holdings Limited and Miller Homes Group Holdings plc.

## Notes to the condensed consolidated financial statements

<b>1. Reconciliation of net cash flow to net debt</b>	<b>12 months ended 31 Dec 2017 £m</b>
Movement in cash and cash equivalents	71.3
Decrease in bank loans	19.5
Increase in long term borrowings	(120.3)
Increase in secured notes	(404.8)
Non cash movement <sup>2</sup>	(4.2)
Bank loans repaid as part of transaction <sup>3</sup>	108.2
Movement in net debt in year	(330.3)
Net debt at beginning of year	(121.6)
<b>Net debt at end of year</b>	<b>(451.9)</b>

  

<b>2. Intangible assets</b>	<b>As at 31 Dec 2017 £m</b>
Consideration paid Net identifiable assets / liabilities of Miller Homes Holdings Limited	651.6 559.4
Goodwill	92.2
Brand value	54.0
	<b>146.2</b>

  

<b>3. Inventories</b>	<b>As at 31 Dec 2017 £m</b>
Land	374.8
Work in progress	227.9
Land option costs	7.7
Part exchange properties	13.0
	<b>623.4</b>

<sup>2</sup> The non-cash movement represents £0.7m of arrangement fee amortisation and £3.5m of rolled up interest on the £145m of unsecured shareholder loan notes.

<sup>3</sup> This amount is included within the transaction consideration of £651.6m shown in the consolidated cash flow statement.



4. Interest bearing loans and borrowings – non-current	As at 31 Dec 2017 £m
Senior secured notes (secured)	(425.0)
Deferred financing costs	19.5
Long term borrowings	(10.3)
Intercompany loan (unsecured)	(148.5)
	<b>(564.3)</b>

**Senior secured notes:** Following the Group's acquisition of Miller Homes Holdings Limited on 5 October 2017 the Group issued £425m of Senior Secured Loan notes, and repaid existing bank loans.

**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.