

MILLER HOMES GROUP HOLDINGS plc

Trading update for the period ended 30 June 2021

Highlights

Chris Endsor, Chief Executive, said:

“I am extremely pleased to report an excellent first half year performance for the Group which has seen completions more than double from the same period last year, and are 13% ahead of H1 2019, the last pre COVID-19 reporting period. We exceeded our 2019 production output and at the same time maintained high levels of customer satisfaction, culminating in the retention of 5 Star status in the NHBC Customer Satisfaction Survey. Our new product range has been embedded into the business over the first half of the year and has been positively received by customers who are attracted by the ability to personalise their new home. The tenacity and commitment of the Miller team supported by favourable market conditions has enabled us to improve upon pre COVID-19 levels of profitability, with operating profit of £98m being 26% ahead of H1 2019 respectively and just over three times higher than H1 2020.

Land activity was high with over 3,000 plots added to the owned landbank in the period, equating to a replenishment rate of 1.7 times consumption in the period. We were also delighted to supplement our longer-term land-holdings with the acquisition of Wallace Land and Investments Limited, a business specialising in the promotion of regional strategic land opportunities. At 38,000 plots, we have one of the largest strategic landbanks in the sector relative to our size, and with a track record of planning delivery on strategic sites, we view this as a key driver of our medium to long-term profitable growth strategy.

The Group is very well positioned for the remainder of the year with a record forward sales position of £707m¹, 51% ahead of last year and favourable pricing dynamics. Our confidence is underlined by the planned launch of our 10th regional business in the South Midlands in the second half of the year, increasing our medium-term annual capacity to 6,000 homes.”

	H1 2021	H1 2020	H1 2019
Total completions	1,910	925	1,684
Revenue	£524.7m	£217.1m	£389.2m
Gross profit	£124.6m	£51.3m	£98.0m
Gross margin	23.7%	23.6%	25.2%
Operating profit	£97.9m	£32.4m	£77.8m
Operating margin	18.7%	14.9%	20.0%
ROCE	30.4%	20.1%	29.2%

- Housing completions were 1,910 homes, 106% and 13% higher respectively than H1 2020 and H1 2019 (H1 2020: 925 homes, H1 2019: 1,684 homes)
- Operating profit of £97.9m (H1 2020: £32.4m, H1 2019: £77.8m)
- 11% increase in owned landbank to 11,672 plots (Dec 2020: 10,494 plots)
- Acquisition of Wallace Land and Investments has led to an 82% increase in the strategic landbank to 37,802 plots (Dec 2020: 20,776 plots)
- 14 NHBC Pride in Job quality awards (2020: 13)
- Forward sales of £707m (H1 2020: £468m, H1 2019: £368m), 51% ahead of last year

¹ Reservations and exchanged contracts at 30 June 2021 on homes which are due to complete in the next 12 months

Summary of half year result

We completed 1,910 homes (H1 2020: 925 homes, H1 2019: 1,684 homes) in the first six months of the year, significantly ahead of last year and also 13% ahead of the last pre COVID-19 period in 2019.

Revenue was 142% up on last year at £524.7m (H1 2020: £217.1m, H1 2019: £389.2m) and 35% ahead of 2019. This reflects an 109% increase in core completions with a 15% increase in average selling price (“ASP”) to £280,000 (H1 2020: £243,000, H1 2019: £243,000). The improvement in ASP was driven by a combination of an 11% increase in private ASP to £320,000 (H1 2020: £289,000, H1 2019: £281,000) and an increase in the proportion of higher value private homes sold in the period to 79% (H1 2020: 72%, H1 2019: 78%). The increase in private ASP predominantly reflected a lower proportion of homes sold in our Midlands and South division in the prior year along with annual house price inflation which benefited all regional businesses.

Gross profit increased to £124.6m (H1 2020: £51.3m, H1 2019: £98.0m). Gross margin has improved to 23.7% (H1 2020: 23.6%, H1 2019: 25.2%) and reflects house price inflation and strong management control which has helped to offset annualised cost inflation of 3.5% - 4.0%. Administrative expenses have increased to £29.4m (H1 2020: £20.5m, H1 2019: £22.7m) which primarily reflects the inclusion of staff incentives costs in light of the current year financial performance.

Half year sales performance

Driven by a record private sales rate of 0.95 (H1 2020: 0.55), forward sales have increased by £239m to £707m (H1 2020: £468m) despite a reduction in average sales outlets from 83 to 73, The trend in sales outlets will reverse over the remainder of the year as recently acquired sites are launched for sale. COVID-19 impacted the H1 2020 sales rate and accordingly a comparison to the H1 2019 rate of 0.72 is more meaningful with the 32% increase serving to highlight the buoyant sales conditions currently being experienced.

The private sales rate of 0.95 has been achieved against the backdrop of reduced levels of customer incentives which has resulted in average price inflation of c.4% during the period. The drop in the need for incentives has seen part exchange supported sales falling to 2% of reservations (H1 2020: 10%, H1 2019: 15%). The new Help to Buy scheme and specifically the introduction of regional price caps, has led to a predicted decline in the uptake of the scheme to 19% of H1 2021 reservations (H1 2020: 39%, H1 2019: 33%). We are encouraged by the introduction of First Homes and the emergence of industry supported higher LTV mortgages, both of which will assist first time buyers in their desire to move onto the housing ladder.

Our landbank

We continue to see sufficient land opportunities to fulfil the Group’s growth aspirations. There is a pipeline of 53 sites and almost 8,000 plots which are forecast to be purchased over the next 12 months, of which 19 sites and over 3,500 plots have either been exchanged or will be sourced from our strategic land bank.

The owned landbank at 30 June 2021 has increased by 11% to 11,672 plots (Dec 2020: 10,494 plots) following the acquisition of 3,091 plots in the period. Sites acquired and pulled through from our strategic landbank represent 33% (Dec 2020: 27%) of the owned landbank and largely explain the reduction in average plot cost to £40,000 (Dec 2020: £46,000). All sites in the owned landbank which have a detailed planning consent are being developed. Together with the controlled landbank of 2,710 plots (Dec 2020: 4,173 plots) the Group has an overall consented landbank of 14,382 plots (Dec 2020: 14,667 plots). This represents 4.1 years’ supply based on volumes over the preceding 12 months.

The cornerstone of the Group’s medium to long-term profitable growth is its high-quality strategic landbank. The acquisition of Wallace Land and Investments Limited in May 2021 added 17,500 plots to the strategic landbank in locations complementary to our regional housebuilding operations. Consequently, the strategic landbank stood at 37,802 plots (Dec 2020: 20,776 plots). We believe that the increased throughput of strategic land will see completions from this land source increase from 27% in 2021 to 35% of overall volumes in the medium-term delivering benefits in terms of both margin enhancement and security of land supply.

Cash and liquidity

The Group has continued to manage liquidity and headroom levels in a prudent way. Free cash flow of £124m (H1 2020: £27m outflow, H1 2019: £8m outflow) was generated during the period and enabled the repayment of £100m of intercompany loans in March 2021. As a consequence, the cash balance fell marginally to £227m (Dec 2020: £243m). Liquidity is further supported by an undrawn RCF of £151m.

The Group has two key metrics of Net leverage and Net LTV both of which remain at conservative levels of 1.2x (Dec 2020: 1.8x) and 32% (Dec 2020: 30%) respectively.

Outlook

We enter the second half of the year in a strong sales position and this has continued into July which has seen a private sales rate of 0.88 (July 2020: 0.90, July 2019: 0.64). This brings a high degree of visibility for the full year and our sales focus is now turning to 2022. With a high-quality land pipeline, an attractive product range and the strong fundamentals of the UK regional housing markets in which we operate, we remain confident of the growth prospects of the business further fuelled by the planned launch of our new South Midlands region.

Chris Endsor

Chief Executive

CONSOLIDATED INCOME STATEMENT
for the 6 months ended 30 June 2021

	6 months ended 30 June 2021 £m	6 months ended 30 June 2020 £m	6 months ended 30 June 2019 £m
Revenue	524.7	217.1	389.2
Cost of sales	(400.1)	(165.8)	(291.2)
Gross profit	124.6	51.3	98.0
Other operating income	0.7	0.7	0.8
Administrative expenses	(29.4)	(20.5)	(22.7)
Group operating profit	95.9	31.5	76.1
Share of result in joint ventures	2.0	0.9	1.7
Operating profit	97.9	32.4	77.8
Finance costs	(22.6)	(25.7)	(23.1)
Finance income	0.2	0.5	0.6
Net finance costs	(22.4)	(25.2)	(22.5)
Profit before taxation	75.5	7.2	55.3
Income taxes	(17.0)	(1.4)	(10.4)
Profit for the year	58.5	5.8	44.9
Completions	Units	Units	Units
Private	1,470	640	1,247
Affordable	388	249	353
Core	1,858	889	1,600
Joint venture	52	36	84
Total	1,910	925	1,684

NET DEBT AND LEVERAGE

	30 June 2021 £m	31 December 2020 £m	30 June 2020 £m
Cash	227.0	242.8	92.2
Senior secured notes	(455.0)	(455.0)	(405.0)
Net debt	(228.0)	(212.2)	(312.8)
Net leverage (net debt / LTM EBITDA ¹)	1.2x	1.8x	2.5x
Net LTV% (net debt / net inventory)	32%	30%	44%
	£m	£m	£m
Land WIP	488.4	490.6	515.1
Development WIP	300.9	311.8	317.4
Part exchange WIP	1.7	6.2	16.0
Total inventory	791.0	808.6	848.5
Land creditors	(88.4)	(98.9)	(134.8)
Net inventory	702.6	709.7	713.7
ROCE ²	30%	20%	20%

¹ Stated prior to exceptional items

² Represents operating profit excluding exceptional items expressed as a percentage of average capital employed, which is the average of the opening and closing balances of capital employed for each financial year.

Further enquiries:

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- For over 85 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.
- Miller Homes has a particular focus on suburban locations in regional markets outside London and the South-East.
- In the last 12 months to June 2021, Miller Homes completed a total of 3,605 homes, of which 92 were from joint ventures. We operate across three divisions – Scotland (882 completions), North of England (1,357 completions) and Midlands & South England (1,366 completions).
- Achieved 5 star status in the HBF National New Home Customer Satisfaction Survey for nine of the last ten years.
- Miller Homes has c1,070 employees.
- Further information is available by visiting www.millerhomes.co.uk