

## TMG Holding reports net sales of EGP3.5bn in 1Q2021 and healthy net profit of EGP447mn, up 19.1% y-o-y

Talaat Moustafa Group Holding (TMG Holding) has released its consolidated financial results for the first quarter of the year ended 31 March 2021 (1Q2021).

### Key 1Q2021 financial highlights

- Revenues of EGP2.92bn, up 27.5% y-o-y, of which 31.1% or EGP910mn was generated from hospitality and other recurring income lines, still affected by COVID-19 preventive measures but recovering steadily
- Gross profit of EGP942mn, up 12.7% y-o-y, of which 25.3% generated by recurring income lines
- Profit before minority interest and tax of EGP595mn, up 17.0% y-o-y
- Net profit after tax and minority interest of EGP447, up 19.1% y-o-y
- Net cash position of EGP2.0bn as at end-1Q2021
- Debt-to-equity ratio of 22.3% only
- Total backlog of EGP51.1bn and remaining collections of EGP39.7bn

### Financial review

TMG Holding closed 1Q2021 with total consolidated revenues of EGP2.92bn, expanding by a strong 27.5% y-o-y despite negative headwinds from the prevailing COVID-19 pandemic affecting hospitality and other recurring income lines during the period. Development revenue came in at EGP2.0bn, growing by a strong 52.9% y-o-y, supported by timely scheduled delivery of 712 units residential units. Gross margin on development operations came in at a thick 35.0% in 1Q2021, improving by almost 5pp when compared to profitability delivered in FY2020. Total revenue from recurring income segments (hotels, sporting clubs, retail and others) contracted by just 6.7% in 1Q2021 and came in at EGP910mn, affected mainly by a 39.7% y-o-y drop in hotel revenues resulting from still weak inbound tourism when compared to 1Q2020. Net income after tax and minority interest expense came in at EGP447mn, expanding by a strong 19.1% y-o-y despite the lingering weakness in recurring income lines. The company closed 1Q2021 with a net cash position of EGP2.0bn as it continued spending on backlog development and investment in recurring income segments during the quarter. Following the successful issuance of EGP2.0bn worth of Ijarah sukuk in April 2020, the company's debt-to-equity ratio now stands at an optimal 22.3% only. Most of the company's debt remains tied to recurring income segments and is attractively priced, posing no additional burden on the business in case of a temporary market slowdown, especially as interest rates continue to decline.

## City and Community Complexes segment performance

Our real estate sales backlog stood at an unmatched EGP51.1bn as at end-1Q2021, reflecting strong sales performance since 2H2017, adjusted for continuing timely deliveries across our projects. The backlog will result in total collections of EGP39.7bn and net cash proceeds of over EGP15bn after expensing construction costs before delivery of these units.

The backlog will be delivered over the coming 4-5 years without any anticipated delays, providing a very solid visibility on the company's profitability during this period. The company expects to maintain and further improve its profitability on the back of already incurred expenditure on sites (e.g. completed infrastructure, low land cost etc.) and ever-growing economies of scale. Additionally, the company has accumulated a leftover inventory of almost completed units which will be generating new sales over the coming period without the need for further cash outlay, further strengthening its backlog quality and cash flows.

Due to the COVID-19 pandemic and its disruptive effect on the economy, we continue monitoring the collection rates of customer cheques and any potential delays will be met with postponing the delivery of their units, in order maintain our construction cash outflows in sync with collections. To date, collection and cancelation rates remain unaffected.

TMG Holding's business model is low-risk and based on self-financed off-plan development model leveraging on longstanding marketing and engineering expertise. Diverse and balanced portfolio of well-engineered and affordable payment plans allows for recovery of land and construction costs upon unit delivery, on average. TMG Holding's execution is leveraging on collections from past sales rather than new sales. Moreover, our business model remains easily scalable in case of any market slow-down. Majority of the land liability related to Madinaty land has already been settled.

Our real estate development segment delivered revenues of EGP2.0bn in 1Q2021, growing by a strong 52.9% y-o-y. Development revenues in the quarter were driven by the timely delivery of 712 real estate units, majority of which were located in Al Rehab City, with some non-residential also delivered in Madinaty. Revenue and the strong profitability of 35% were not distorted by any one-off revenue recognitions during the quarter, such as land revenues.

Well-adjusted sales strategy based on good understanding of the market needs yielded a very strong sales result of EGP3.5bn in FY2021.

## Hotels and Resorts segment performance

Operational and financial results of the company's hotel segment during 1Q2021 have shown significant improvement compared to the last three quarters of 2020 which were marked by global challenges related to the COVID-19 pandemic and the resulting pressure on global travel patterns. Total revenue from hotel operations in 1Q2021 came in at EGP174mn, driven by an average occupancy of 30.5% and Average Room rate of EGP3,289. While lower y-o-y due to still unfavourable base effect and lower q-o-q due to seasonality, total revenue came in 22% ahead of initial budget. Notably, FS Sharm El Sheikh delivered strong improvement in its performance, with occupancy of 44.6% in 1Q2021, significantly above the budget of 25% and 1Q2020 result of 26.8%, when COVID-19 impact was not yet as prominent as for the remainder of FY2020. Revenue of FS Sharm El Sheikh came in at EGP68mn in 1Q2021, significantly higher than EGP41.7mn reported in 1Q2020. The property delivered positive EBITDA of EGP10.6mn, counteracting seasonal pressures seen in FS San Stefano in Alexandria and Kempinski Nile Hotel. Importantly, FS Nile Plaza in Cairo delivered positive EBITDA in 1Q2021 as well. Positive trends in hospitality performance were maintained during April and May, with positive outlook remaining for June.

Management remains confident that the long-term potential and outlook for the segment remains positive, with current global headwinds for the travel industry being temporary and expected to resolve gradually, especially on the back of global COVID-19 vaccine rollout which should encourage more travel in 2021 and onwards.

### Hotel KPI summary

	Four Seasons Nile Plaza				Four Seasons San Stefano				Four Seasons Sharm El Sheikh				Kempinski Nile Hotel				
	FY2019	FY2020	1Q2020	1Q2021	FY2019	FY2020	1Q2020	1Q2021	FY2019	FY2020	1Q2020	1Q2021	FY2019	FY2020	1Q2020	1Q2021	
ARR [EGP]	4,337	4,067	4,469	3,696	4,182	4,308	3,461	3,340	ARR [EGP]	4,589	3,723	4,286	4,043	2,244	1,854	2,098	1,469
ARR [USD]	260	258	286	235	251	274	221	213	ARR [USD]	273	236	274	258	134	118	134	94
Occupancy	79.7%	24.6%	65.7%	22.8%	71.6%	31.6%	38.7%	31.2%	Occupancy	44.3%	24.8%	26.8%	44.6%	86.0%	29.0%	69.5%	29.9%
GOP [EGPmn]	464	22	84	3	81	-2	0.1	-6.9	GOP [EGPmn]	77	-31	-6	15	91	1	16	-1
GOP margin	52.9%	7.6%	48.2%	4.8%	30.4%	-1.5%	0.3%	N/M	GOP margin	28.1%	-21.3%	-15.5%	22.2%	49.3%	2.0%	45.1%	N/M
EBITDA [EGPmn]	383	8	70	0	66	-11	-2	-8.2	EBITDA [EGPmn]	51	-38	-10	11	75	-6	12	-2.7
EBITDA margin	43.6%	2.9%	40.1%	0.6%	24.9%	-8.1%	-5.6%	N/M	EBITDA margin	18.5%	-26.2%	-23.1%	15.5%	40.8%	-10.5%	34.6%	N/M

## Consolidated income statement

*In EGPmn, unless otherwise stated*

	<b>1Q2020</b>	<b>1Q2021</b>	<b>Change</b>
Development revenue	1,315.5	2,011.8	52.9%
Development cost	(792.0)	(1,308.5)	65.2%
<b>Gross profit from development</b>	<b>523.5</b>	<b>703.3</b>	<b>34.4%</b>
Hospitality revenue	289.0	174.4	-39.7%
Hospitality cost	(220.4)	(175.0)	-20.6%
<b>Gross profit from hospitality operations</b>	<b>68.6</b>	<b>(0.6)</b>	<b>N/M</b>
Other recurring revenue*	686.8	735.7	7.1%
Cost of other recurring revenue	(443.0)	(496.4)	12.0%
<b>Gross profit from other recurring operations</b>	<b>243.8</b>	<b>239.3</b>	<b>-1.9%</b>
<b>Total revenue</b>	<b>2,291.4</b>	<b>2,921.9</b>	<b>27.5%</b>
<b>Total gross profit</b>	<b>835.9</b>	<b>942.0</b>	<b>12.7%</b>
<i>Gross profit margin</i>	36.5%	32.2%	-4.2pp
Selling and marketing expenses	(10.1)	(31.5)	N/M
General, administrative, selling and marketing expenses	(193.9)	(202.1)	4.2%
Donations and governmental expenses	(44.3)	(73.1)	65.0%
Other income	95.0	136.4	43.6%
Capital gain (loss)	0.2	1.4	N/M
BoD remuneration	(0.4)	(0.4)	8.3%
FX gain (loss)	(7.3)	5.0	N/M
<b>Income before depreciation and financing expense</b>	<b>685.2</b>	<b>777.7</b>	<b>13.5%</b>
Depreciation and amortisation	(71.4)	(79.9)	11.8%
Interest expense	(104.2)	(103.1)	-1.1%
Investment income (net)	(1.2)	(0.1)	-94.2%
<b>Net income before tax and minority interest expense</b>	<b>508.4</b>	<b>594.6</b>	<b>17.0%</b>
Income tax	(131.7)	(160.0)	21.5%
<b>Net income before minority interest</b>	<b>381.8</b>	<b>434.6</b>	<b>13.8%</b>
Minority interest expense	(6.5)	12.4	N/M
<b>Attributable net income</b>	<b>375.3</b>	<b>447.1</b>	<b>19.1%</b>

Note (\*): Includes retail lease revenue, sporting club revenue, contracting revenue, utilities, transportation and others.

## Consolidated balance sheet

In EGPmn

	FY2020	1Q2021
Property, plant and equipment	6,124.6	5,964.0
Investment properties	39.4	39.2
Intangible assets	2.4	2.7
Projects under construction	5,824.1	6,369.0
Goodwill	12,504.8	12,504.8
Investment in associates	52.7	245.2
Financial investments available for sale	266.1	263.5
Financial investments held to maturity	3,698.0	3,689.3
Deferred tax assets	0.0	8.3
<b>Total non-current assets</b>	<b>28,512.1</b>	<b>29,086.0</b>
Development properties	46,202.9	49,151.6
Inventories	1,119.4	1,189.6
Notes receivable	31,112.1	29,596.3
Prepaid expenses and other debit balances	6,403.9	6,014.0
Financial investments available for sale	0.0	0.0
Financial investments held to maturity	1,832.0	1,671.0
Financial assets at fair value	8.1	57.6
Cash and cash equivalents	2,705.1	3,837.2
<b>Total current assets</b>	<b>89,383.4</b>	<b>91,517.2</b>
<b>Total assets</b>	<b>117,895.5</b>	<b>120,603.2</b>
Paid-in capital	20,635.6	20,635.6
Legal reserve	313.5	337.9
General reserve	61.7	61.7
FX reserve	2.4	(16.8)
Retained earnings	11,513.1	11,625.0
Profit for the period	0.0	0.0
<b>Shareholders' equity</b>	<b>32,526.4</b>	<b>32,643.5</b>
Minority interest	1,089.8	1,077.4
<b>Total equity</b>	<b>33,616.3</b>	<b>33,720.9</b>
Bank loans	3,127.4	3,821.7
Sukuk	2,000.0	2,000.0
Long-term liabilities	6,514.8	6,514.8
Deferred tax liabilities	5.1	0.0
<b>Total non-current liabilities</b>	<b>11,647.3</b>	<b>12,336.4</b>
Bank overdrafts	21.1	44.6
Bank facilities	1,544.5	1,463.6
Current portion of bank loans	12.5	196.2
Notes payable	20,958.7	20,260.4
Advance payments	37,870.0	39,639.4
Dividends payable	155.8	394.3
Taxes payable	996.2	491.4
Accrued expenses and other credit balances	11,073.1	12,056.0
<b>Total current liabilities</b>	<b>72,631.9</b>	<b>74,545.9</b>
<b>Total liabilities</b>	<b>84,279.2</b>	<b>86,882.3</b>

## Condensed cash flow statement

In EGPmn

	1Q2020	1Q2021
Net profit before taxes and non-controlling interest	459.6	594.6
Depreciation and amortization	54.9	79.9
Other adjustments	16.9	(142.7)
<b>Gross operating cash flow</b>	<b>531.3</b>	<b>531.9</b>
Net working capital changes	1,295.1	1,485.9
Change in accrued income tax	41.6	(678.2)
<b>Net operating cash flow</b>	<b>1,868.0</b>	<b>807.7</b>
<b>Net investment cash flow</b>	<b>(1,646.7)</b>	<b>(409.6)</b>
<b>Net financing cash flow</b>	<b>(394.5)</b>	<b>724.7</b>
FX impact	(70.9)	5.0
<b>Net change in cash</b>	<b>(244.2)</b>	<b>1,127.8</b>

— Ends —

## About the company

Talaat Moustafa Group Holding S.A.E. (TMG Holding) is a leading publicly held Egyptian developer of large-scale integrated communities and tourism investment projects. It has a total land of over 74 million square meters spread across Egypt and, since its inception, has delivered residential units supporting formation of a community with some 0.7 million people in all of TMG Holding's projects, accompanied by high-quality amenities and infrastructure. Aside from other renowned projects, TMG Holding is the developer of Madinaty, its flagship community occupying 33.6mn square meters in East Cairo. It owns four upscale hotels with a total of 905 operational rooms in Cairo, Sharm El Sheikh and Alexandria and 443 additional rooms under construction.

## Note on forward-looking statements

In this communication, TMG Holding may make forward-looking statements reflecting management's expectations on business prospects and growth objectives as of the date on which they are made. These statements are not factual and represent beliefs regarding future events, many of which are uncertain and subject to changing conditions of the competitive landscape, macroeconomic and regulatory environment and other factors beyond management's control. Therefore, recipients of this communication are cautioned not to place undue reliance on these forward-looking statements.

## Shareholder structure as 31 March 2021

