

TMG Holding reports net sales of EGP5.4bn in 1Q2022, and a net profit of EGP566mn, up of a strong 27% 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 2022 (1Q2022).

Key 1Q2022 financial highlights

- Revenues of EGP3.02bn, up 12% y-o-y, of which 31% or EGP943mn was generated from hospitality and other recurring income lines
- Gross profit of EGP1.09bn, up 15% y-o-y, of which 37% generated by recurring income lines
- Profit before minority interest and tax of EGP783mn, up 32% y-o-y
- Net profit after tax and minority interest of EGP566mn, up 27% y-o-y
- Net cash position of EGP770mn as at end-1Q2022
- Debt-to-equity ratio of 28% only
- Total backlog of EGP65.0bn and remaining collections of EGP50.0bn

Financial review

TMG Holding closed 1Q2022 with total consolidated revenues of EGP3.02bn, expanding by a significant 12% y-o-y, driven by timely deliveries from the development operations and by a strong performance in hospitality and other recurring income lines. Development revenue came in at EGP2.1bn, growing by a comfortable 3.4% y-o-y, supported by timely scheduled delivery of 634 residential and non-residential units. Gross margin on development operations came in at a satisfying 33% in 1Q2022, in line with the company's expectations and previous performance. Total revenue from recurring income segments (hotels, sporting clubs, retail, and others) expanded by a robust 37% y-o-y in 1Q2022 and came in at EGP943mn. Revenues from hotel operations increased by a whopping 122% y-o-y, resulting from strong occupancy levels throughout the properties portfolio. Net income after tax and minority interest expense came in at EGP566mn, expanding by a strong 27% y-o-y, driven mostly by the sound performance achieved in the recurring income lines and aided by a net foreign exchange gain booked during the quarter. The company closed 1Q2022 with cash and cash equivalents of some EGP10.7bn position and a net cash position of EGP770mn as it continued spending on backlog development and investment in recurring income segments during the quarter. As of March 31, 2022, the company's debt-to-equity ratio stands at a secure 28.1%, one of the lowest in the market. 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 slow-down.

City and Community Complexes segment performance

Net sales reach EGP5.4bn in 1Q2022 growing 54% y-o-y, in line to meet FY2022 guidance of EGP24-25bn

During 1Q2022, the company recorded net sales of EGP5.4bn, representing some 640 units, and growing by a significant 54%, compared to net sales contracted in 1Q2021. Madinaty, including its Privado neighbourhood, attracted the lion's share of residential demand, reaching 344 residential units sold, followed by new sales in Noor. This project was unveiled in mid-2021 and recorded some EGP15bn in the first three weeks from the launch, achieving the highest sales figure in a launch for any real estate developer in Egypt. The strong sales performance continuing throughout 2022 can be attributed to the company's well-adjusted sales strategy based on an unmatched understanding of the needs of our target segment of end-users and long-term investors. In recognition of the current macroeconomic environment, multitenant and stand-alone units in Noor are offered on very attractive and well-engineered payment plans, which allows for recovery of land and construction costs upon unit delivery, on average. These payment plans swiftly improve product affordability and unlock yet untapped additional demand and are provided without affecting the company's liquidity and working capital position going forward. Longer payment plans applied in Noor, up to 15 years in length, were achieved through a unique hedging mechanism that eliminates any future interest rate risks on the Group. Thanks to this arrangement, TMG Holding will be able to discount receivables covering the first EGP33bn worth of sales in Noor at a cost already known today, which allows the Group to price the product accurately and with no risk, despite the rising interest rate environment as of today.

Our real estate sales backlog stood at an unmatched EGP65.0bn as at end-1Q2022, reflecting the strong sales performance since 2H2017, adjusted for continuing timely deliveries across our projects. The backlog will result in total collections of EGP50.0bn (including some remaining collections from already delivered units) and net cash proceeds of over EGP19bn 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 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 additional cash outlay, further strengthening its backlog quality and cash flows. Furthermore, 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.

Our real estate development segment delivered revenues of EGP2.1bn in 1Q2022, growing by 3.4% y-o-y. Development revenues in the quarter were driven by the timely delivery of 634 real estate units, majority of which were in Madinaty. Revenues and the strong profitability of 33% were not distorted by any one-off revenue recognitions during the quarter, such as land revenues. The upcoming quarters will witness an increase in deliveries of units in Celia, positioned in a prominent spot in the very centre of the New Administrative Capital. The project is already equipped with temporary services, such as sporting facilities and retail areas, to speed up the process of community formation.

Hotels and Resorts segment performance

Operational and financial results of the company's hotel segment during 1Q2022 have confirmed the strong performance of the last two quarters of 2021, which were marked by reinvigorated occupancies as COVID-19 pandemic loses its grip on global travel. Total revenue from hotel operations in 1Q2022 came in at EGP387mn, driven by an average occupancy of 62% and an Average Room Rate of EGP4,469. Hospitality revenue grew by a remarkable 122% y-o-y and came in 10% ahead of the initial budget, restoring top-line performance to pre-pandemic levels. Cairo properties registered the highest occupancy, reaching high peaks in March, with FS Nile Plaza recording over 80% and Kempinski Nile reaching almost full occupancy at circa 92%. Margins in the capital city were also higher, well above 50% for GOP margin and over 55% at the EBITDA level. Notably, FS Sharm El Sheikh delivered a strong improvement in its performance, with occupancy of 43% in 1Q2022, significantly above the budget of 35%, and also increased from the high base of 1Q2021 results, if adjusted on a like-for-like basis. Some 89 rooms from the extension came online during the month of March. Revenue of FS Sharm El Sheikh came in at EGP101mn in 1Q2022, significantly higher than EGP69mn reported in 1Q2021. The property delivered a positive EBITDA of EGP26mn, growing y-o-y by a whopping 147%.

Hotel KPI summary

	<i>Four Seasons Nile Plaza</i>				<i>Four Seasons San Stefano</i>			
	FY2020	FY2021	1Q2021	1Q2022	FY2020	FY2021	1Q2021	1Q2022
ARR [EGP]	4,067	4,208	3,696	5,232	4,308	4,644	3,340	3,513
ARR [USD]	258	269	235	326	274	297	213	219
Occupancy	24.6%	50.6%	22.8%	69.8%	31.6%	51.3%	31.2%	47.5%
GOP [EGPmn]	22	208	3	98	-2	58	-7	3
GOP margin	7.6%	40.3%	4.8%	51.1%	N/M	24.6%	N/M	6.3%
EBITDA [EGPmn]	8	182	0	111	-11	48	-8	3.4
EBITDA margin	2.9%	35.3%	0.6%	58.3%	N/M	20.2%	N/M	7.8%

	<i>Four Seasons Sharm El Sheikh</i>				<i>Kempinski Nile Hotel</i>			
	FY2020	FY2021	1Q2021	1Q2022	FY2020	FY2021	1Q2021	1Q2022
ARR [EGP]	3,723	5,383	4,043	6,381	1,854	2,050	1,469	2,584
ARR [USD]	236	344	258	397	118	131	94	155
Occupancy	24.8%	54.8%	44.6%	42.7%	29.0%	57.7%	29.9%	85.1%
GOP [EGPmn]	-31	144	15	29	1	50	-4	28
GOP margin	N/M	38.2%	22.2%	28.5%	2.0%	36.2%	N/M	54.6%
EBITDA [EGPmn]	-38	111	11	26	-6	31	-5	28.8
EBITDA margin	N/M	29.5%	15.5%	25.9%	N/M	22.1%	N/M	55.7%

Consolidated income statement

In EGPmn, unless otherwise stated

	1Q2021	1Q2022	Change
Development revenue	2,011.8	2,081.2	3.4%
Development cost	(1,308.5)	(1,396.0)	6.7%
Gross profit from development	703.3	685.2	-2.6%
Hospitality revenue	174.4	387.1	122.0%
Hospitality cost	(175.0)	(219.8)	25.6%
Gross profit from hospitality operations	(0.6)	167.3	N/M
Other recurring revenue*	514.3	556.1	8.1%
Cost of other recurring revenue	(275.0)	(321.7)	17.0%
Gross profit from other recurring operations	239.3	234.3	-2.1%
Total revenue	2,700.5	3,024.3	12.0%
Total gross profit	942.0	1,086.8	15.4%
<i>Gross profit margin</i>	34.9%	35.9%	1.1pp
Selling and marketing expenses	(31.5)	(80.9)	156.9%
General, administrative, selling and marketing expenses	(202.1)	(210.4)	4.1%
Universal Health Insurance Act	0.0	(9.5)	N/M
Donations and governmental expenses	(73.1)	(108.4)	48.3%
Other income	136.4	167.1	22.5%
Capital gain (loss)	1.4	1.3	-7.9%
BoD remuneration	(0.4)	(0.4)	3.5%
FX gain (loss)	5.0	148.8	N/M
Income before depreciation and financing expense	777.7	994.4	27.9%
Depreciation and amortisation			
Interest expense	(79.9)	(82.2)	2.8%
Net write-down of receivables	(103.1)	(121.0)	17.4%
Investment income (net)	0.0	(7.9)	N/M
Revaluation of AFS investments	(0.1)	0.0	N/M
Net income before tax and minority interest expense	594.6	783.4	31.7%
Income tax	(160.0)	(229.4)	43.3%
Net income before minority interest	434.6	554.0	27.5%
Minority interest expense	12.4	11.7	-5.9%
Attributable net income	447.1	565.7	26.5%

Consolidated balance sheet

In EGPmn

	FY2021	1Q2022
Property, plant and equipment	5,412.1	5,409.7
Investment properties	419.7	403.4
Intangible assets	3.6	3.8
Projects under construction	8,603.2	9,536.3
Goodwill	12,066.1	12,066.1
Investment in associates	68.9	68.9
Financial investments available for sale	500.2	526.1
Financial investments held to maturity	4,334.5	4,299.0
Other financial assets	687.0	648.9
Deferred tax assets	46.0	46.0
Total non-current assets	32,141.4	33,008.1
Development properties	58,839.9	64,320.3
Inventories	1,096.0	1,209.3
Notes receivable – for delivered units	4,029.2	4,924.7
Notes receivable – for undelivered units	31,190.3	30,846.2
Prepaid expenses and other debit balances	5,773.1	5,359.5
Financial investments held to maturity	2,242.9	1,414.4
Financial assets at fair value	111.6	126.1
Cash and cash equivalents	3,293.5	4,304.9
Total current assets	106,576.5	112,505.4
Total assets	138,717.8	145,513.5
Paid-in capital	20,635.6	20,635.6
Legal reserve	337.9	365.0
General reserve	61.7	61.7
FX reserve	(2.9)	23.0
Revaluation reserve	7.5	7.5
Retained earnings	12,894.3	13,025.8
Shareholders' equity	33,934.1	34,118.6
Minority interest	1,109.4	1,097.7
Total equity	35,043.5	35,216.3
Bank loans	4,307.2	4,829.8
Sukuk	1,750.0	1,750.0
Long-term liabilities	21,471.0	21,395.6
Other financial obligations	659.3	641.3
Deferred tax liabilities	192.8	259.5
Total non-current liabilities	28,380.3	28,876.2
Bank overdrafts	6.0	2.4
Bank facilities	1,522.7	1,424.7
Current portion of bank loans	1,580.0	1,643.3
Current portion of sukuk	250.0	250.0
Notes payable	7,775.4	8,617.5
Advance payments - collected	20,017.5	24,730.3
Advance payments - checks	31,190.3	30,846.2
Dividends payable	102.7	466.4
Provisions	183.8	171.4
Taxes payable	1,135.6	1,252.4
Accrued expenses and other credit balances	11,530.0	12,016.4
Total current liabilities	75,294.1	81,421.0
Total liabilities	103,674.3	110,297.2

Condensed cash flow statement

In EGPmn

	1Q2021	1Q2022
Net profit before taxes and non-controlling interest	594.6	783.4
Depreciation and amortization	79.9	82.2
Other adjustments	(142.7)	(266.5)
Gross operating cash flow	531.9	599.0
Net working capital changes	1,485.9	498.4
Change in accrued income tax	(678.2)	(45.8)
Net operating cash flow	807.7	452.6
Net investment cash flow	(409.6)	(56.9)
Net financing cash flow	724.7	444.6
FX impact	5.0	148.8
Net change in cash	1,127.8	989.0

--- 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 2022

