

TMG Holding reports net sales of EGP11.3bn in 1H2022, and a net profit of EGP1.11bn, up by a substantial 28% y-o-y driven by timely real estate deliveries and growth in recurring income lines

Talaat Moustafa Group Holding (TMG Holding) has released its consolidated financial results for the first half of the year, ending 30 June 2022 (1H2022).

Key 1H2022 financial highlights

- Total revenues of EGP7.09bn, up 29% y-o-y, of which 29% or EGP2.04bn was generated from hospitality and other recurring income lines
- Gross profit of EGP2.33bn, up 26% y-o-y, of which 34% generated by recurring income lines
- Profit before minority interest and tax of EGP1.51bn, up 34% y-o-y
- Net profit after tax and minority interest of EGP1.11bn, up 28% y-o-y
- Net cash position of EGP3.8bn as at end-1H2022
- Debt-to-equity ratio of 24.7% only
- Total backlog of EGP67.0bn and remaining collections of EGP47.0bn

Key 2Q2022 financial highlights

- Total revenues of EGP4.07bn, up 43% y-o-y, of which 27% or EGP1.09bn was generated from hospitality and other recurring income lines
- Gross profit of EGP1.25bn, up 37% y-o-y, of which 31% generated by recurring income lines
- Profit before minority interest and tax of EGP731mn, up 37% y-o-y
- Net profit after tax and minority interest of EGP547mn, up 29% y-o-y

Financial review

TMG Holding closed 1H2022 with total consolidated revenues of EGP7.09bn, expanding by a substantial 29.2% y-o-y, driven by timely deliveries from the development operations and by a particularly strong performance in hospitality and other recurring income lines. Development revenue came in at EGP5.1bn, growing by a significant 22.2% y-o-y, supported by the timely delivery of 1,539 residential and non-residential units during the period. The gross margin on development operations came in at 30.5% in 1H2022, in line with the company's earlier guidance and historical track-record. It is noteworthy that during 2Q2022, the company commenced deliveries in Celia, its prime greenfield project in the heart of New Administrative Capital, where 889 apartments were already delivered. Total revenue from recurring income segments (hotels, sporting clubs, retail, and others) reached EGP2.04bn, up by a significant 50.5% y-o-y. Strong occupancies and significant growth to ARR in USD, as well as the launch of the Four Seasons Sharm El Sheikh Extension, drove hospitality revenue up by a whopping 123.7% y-o-y to EGP967mn. In 1H2022 net income after tax and minority interest expense came in at EGP1.1bn, expanding by a strong 27.9% y-o-y. As of 30 June 2022, the total cash equivalents and liquid investment balance was at EGP12.7bn, while the company's net cash position stood at EGP3.8bn. Our debt-to-equity ratio stands at a secure 24.7%, 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 EGP11.3bn in 1H2022, in line to meet FY2022 guidance of EGP24-25bn

During 1H2022, the company recorded net sales of EGP11.3bn, representing some 1,428 units. Sales in the same period last year were at EGP21.1bn, which was driven by the highly successful launch of 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. Madinaty, including its Privado neighbourhood, attracted the lion's share of residential demand in 1H2022, followed by new sales in Noor. The strong sales performance 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 on average for recovery of land and construction costs upon unit delivery. 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 EGP67.0bn as at end-1H2022, reflecting the strong sales performance since 2H2017, adjusted for continuing timely deliveries across our projects. The backlog will result in total collections of EGP47.0bn (including some remaining collections from already delivered units) and net cash proceeds of over EGP20bn 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. Moreover, our business model remains easily scalable in case of any market slow-down.

Our real estate development segment delivered revenues of EGP5.1bn in 1H2022, growing by 22% y-o-y. Development revenues in the first two quarters of 2022 were driven by the timely delivery of 1,539 real estate units, majority of which were in Madinaty. The second quarter of the year witnessed the first deliveries of units in Celia, our project 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. Deliveries in Celia will continue growing in the upcoming quarters.

Hotels and Resorts segment performance

Operational and financial results of the company's hotel segment during 2Q2022 have confirmed the strong performance of the previous three quarters, which were marked by reinvigorated occupancies as COVID-19 pandemic loses its grip on global travel. Total revenue from hotel operations in 1H2022 came in at EGP967mn, driven by an average occupancy of 59% and an Average Room Rate of EGP5,678. Hospitality revenues in 2Q2022 confirmed the growth recorded in the first quarter of the year, growing by a whopping 123.7% y-o-y and coming in 48% ahead of the initial budget. The strong resilience of luxury leisure and business travel, exemplified by the remarkable top-line performance, is now even stronger than pre-pandemic levels. Notably, FS Sharm El Sheikh delivered a strong improvement in its performance as the property achieved an occupancy of 43% in 1H2022, significantly above the budget of 35%. Revenues of FS Sharm El Sheikh came in at EGP152mn in 2Q2022, significantly higher than EGP83mn reported in 2Q2021. In 1H2022, the property delivered a positive EBITDA of EGP87mn, growing by a whopping 177% y-o-y. Cairo properties also recorded a healthy growth in the top line performance, driven by strong occupancy levels and a strategical increase in ARR in USD terms.

Hotel KPI summary

	<i>Four Seasons Nile Plaza</i>				<i>Four Seasons San Stefano</i>			
	FY2020	FY2021	1H2021	1H2022	FY2020	FY2021	1H2021	1H2022
ARR [EGP]	4,067	4,208	3,816	6,884	4,308	4,644	4,631	4,862
ARR [USD]	258	269	243	394	274	297	295	276
Occupancy	24.6%	50.6%	35.4%	64.4%	31.6%	51.3%	44.9%	48.5%
GOP [EGPmn]	22	208	61	272	-2	58	22	24
GOP margin	7.6%	40.3%	28.2%	56.4%	N/M	24.6%	18.2%	19.4%
EBITDA [EGPmn]	8	182	51	267	-11	48	17	21.4
EBITDA margin	2.9%	35.3%	23.4%	55.3%	N/M	20.2%	14.1%	17.3%

	<i>Four Seasons Sharm El Sheikh</i>				<i>Kempinski Nile Hotel</i>			
	FY2020	FY2021	1H2021	1H2022	FY2020	FY2021	1H2021	1H2022
ARR [EGP]	3,723	5,383	5,035	7,658	1,854	2,050	1,751	2,810
ARR [USD]	236	344	321	437	118	131	112	159
Occupancy	24.8%	54.8%	47.4%	42.6%	29.0%	57.7%	41.8%	79.7%
GOP [EGPmn]	-31	144	56	100	1	50	8	57
GOP margin	N/M	38.2%	30.1%	39.6%	2.0%	36.2%	13.9%	53.0%
EBITDA [EGPmn]	-38	111	42	87	-6	31	5	50.6
EBITDA margin	N/M	29.5%	22.3%	34.6%	N/M	22.1%	8.6%	46.7%

Consolidated income statement

In EGPmn, unless otherwise stated

	1H2021	1H2022	Change
Development revenue	4,137.5	5,055.8	22.2%
Development cost	(2,634.6)	(3,512.8)	33.3%
Gross profit from development	1,502.9	1,543.0	2.7%
Hospitality revenue	432.5	967.5	123.7%
Hospitality cost	(378.9)	(541.0)	42.8%
Gross profit from hospitality operations	53.7	426.4	N/M
Other recurring revenue*	921.8	1,070.1	16.1%
Cost of other recurring revenue	(629.6)	(707.7)	12.4%
Gross profit from other recurring operations	292.2	362.4	24.0%
Total revenue	5,491.8	7,093.4	29.2%
Total gross profit	1,848.8	2,331.8	26.1%
<i>Gross profit margin</i>	33.7%	32.9%	-0.8pp
Selling and marketing expenses	(52.7)	(128.8)	144.2%
General, administrative, selling and marketing expenses	(344.5)	(370.6)	7.6%
Universal Health Insurance Act	0.0	(19.2)	N/M
Donations and governmental expenses	(168.7)	(272.3)	61.4%
Other income	168.9	254.6	50.7%
Capital gain (loss)	2.1	1.4	-33.8%
BoD remuneration	(0.7)	(1.1)	67.7%
FX gain (loss)	5.0	166.8	N/M
Income before depreciation and financing expense	1,458.2	1,962.7	34.6%
Depreciation and amortisation	(156.7)	(163.6)	4.4%
Interest expense	(172.7)	(278.8)	61.4%
Net write-down of receivables	0.0	(6.0)	N/M
Revaluation of AFS investments	(0.2)	0.0	N/M
Net income before tax and minority interest expense	1,128.6	1,514.3	34.2%
Income tax	(272.0)	(427.8)	57.3%
Net income before minority interest	856.6	1,086.4	26.8%
Minority interest expense	12.8	25.9	102.6%
Attributable net income	869.4	1,112.3	27.9%

Consolidated balance sheet

In EGPmn

	FY2021	1H2022
Property, plant and equipment	5,412.1	5,359.4
Investment properties	419.7	398.4
Intangible assets	3.6	3.7
Projects under construction	8,603.2	9,901.4
Goodwill	12,066.1	12,066.1
Investment in associates	68.9	68.9
Financial investments available for sale	500.2	524.5
Financial investments held to maturity	4,334.5	4,335.0
Other financial assets	687.0	610.7
Deferred tax assets	46.0	46.0
Total non-current assets	32,141.4	33,314.1
Development properties	58,839.9	69,323.4
Inventories	1,096.0	1,301.0
Notes receivable – for delivered units	4,029.2	2,772.0
Notes receivable – for undelivered units	31,190.3	28,674.3
Prepaid expenses and other debit balances	5,773.1	5,423.6
Financial investments held to maturity	2,242.9	1,340.9
Financial assets at fair value	111.6	122.8
Cash and cash equivalents	3,293.5	6,341.2
Total current assets	106,576.5	115,299.3
Total assets	138,717.8	148,613.4
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)	21.4
Revaluation reserve	7.5	7.5
Retained earnings	12,894.3	13,565.1
Shareholders' equity	33,934.1	34,656.4
Minority interest	1,109.4	1,083.5
Total equity	35,043.5	35,739.9
Bank loans	4,307.2	4,906.8
Sukuk	1,750.0	1,750.0
Long-term liabilities	21,471.0	20,478.3
Other financial obligations	659.3	555.2
Deferred tax liabilities	192.8	300.5
Total non-current liabilities	28,380.3	27,990.9
Bank overdrafts	6.0	46.0
Bank facilities	1,522.7	1,145.4
Current portion of bank loans	1,580.0	741.3
Current portion of sukuk	250.0	250.0
Notes payable	7,775.4	8,214.9
Advance payments - collected	20,017.5	31,486.9
Advance payments - checks	31,190.3	28,674.3
Dividends payable	102.7	260.9
Provisions	183.8	166.5
Taxes payable	1,135.6	903.5
Accrued expenses and other credit balances	11,530.0	12,993.1
Total current liabilities	75,294.1	84,882.6
Total liabilities	103,674.3	112,873.5

Condensed cash flow statement

In EGPmn

	1H2021	1H2022
Net profit before taxes and non-controlling interest	1,128.6	1,514.3
Depreciation and amortization	156.7	163.6
Other adjustments	(175.9)	(351.5)
Gross operating cash flow	1,109.5	1,326.3
Net working capital changes	2,897.7	4,630.7
Change in accrued income tax	(657.1)	(552.2)
Net operating cash flow	2,240.6	4,078.4
Net investment cash flow	(1,090.9)	(389.4)
Net financing cash flow	1,002.5	(872.5)
FX impact	5.0	166.8
Net change in cash	2,157.2	2,983.4

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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 of 30 June 2022

