TMG

TMG Holding reports net sales of EGP27.5bn in 9M2021, the highest in recent history, and healthy net profit of EGP1,699mn, up 8.3% y-o-y

Talaat Moustafa Group Holding (TMG Holding) has released its consolidated financial results for the first 9 months of the year, ended 30 September 2021 (9M2021).

Key 9M2021 financial highlights

- Revenues of EGP11.3bn, up 8.7% y-o-y, of which 19.5% or EGP2.21bn was generated from hospitality and other recurring income lines, growing 45.6% y-o-y and showing strong recovery from COVID-19 pressures witnessed a year earlier
- Gross profit of EGP3.73bn, up 12.5% y-o-y, of which 15.6% generated by recurring income lines
- Profit before minority interest and tax of EGP1,703mn, up 10.0% y-o-y
- Net profit after tax and minority interest of EGP1,699mn up 8.3% y-o-y
- Net cash position of EGP3.9bn as at end-9M2021, up from EGP3.1bn reported as at end-9M2020
- Debt-to-equity ratio of 23.2% only
- Total backlog of EGP63.3bn and remaining cash collections of EGP51.1bn (including receivables as stated on the balance sheet and additional expected collections stipulated by contractual agreements)

Financial review

TMG Holding closed 9M2021 with total consolidated revenues of EGP11.3bn, expanding by a strong 8.7% y-o-y. Development revenue came in at EGP9.1bn in 9M2021, growing by 2.3% y-o-y from a high base reported for the same period last year and supported by EGP4bn land sale transaction captured in 9M2020. Development revenue was supported by timely scheduled delivery of 2,185 residential and non-residential units. Gross margin on development operations came in at a wide 34.6% in 9M2021, unchanged y-o-y and showing strong consistency in the company's pricing and costing strategy. Total revenue from recurring income segments (hotels, sporting clubs, retail and others) showed a strong growth of 45.6% y-o-y and came in at EGP2.21bn, aided by noticeable improvement in performance of all of these segments. Importantly, hospitality revenue in 9M2021 delivered an extraordinary growth of 88.3% y-o-y, on the back of continues recovery from COVID-19 pressures witnessed during 2020, while revenue from other recurring income lines combined expanded by 28.3% y-o-y. Net income after tax and minority interest expense came in at EGP1,699mn, growing by a strong 8.3% y-o-y. The company closed 9M2021 with a net cash position of EGP3.9bn, recovering strongly during 2Q2021, providing for ample liquidity for backlog development and investment in recurring income segments. 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 23.2% 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 slow-down, especially as interest rates continue to decline.

City and Community Complexes segment performance

Noor sales reach a record EGP18bn during 3Q2021, achieving the highest launch sales for a real estate developer in Egypt

In less than six months after signing a contract to acquire 5,000 feddans or 21.0mn square meters (sqm) of prime land in East Cairo from New Urban Communities Authority, towards the end of 2Q2021, the company has launched sales in "Noor", a new integrated mega-city,. Since the launch at the beginning of June and, until 30 September 2021, Noor has recorded unprecedented sales of some EGP18bn, having achieved the highest launch sales for a real estate developer in Egypt and meeting unmatched demand from new and existing clientele. Following detailed market study and good understanding of the needs of our target segment of end-users and long-term investors in the current macroeconomic environment, multi-tenant and stand-alone units have been launched on very attractive and competitive payment plans of 5, 10 and 15 years in length.

Unique financial engineering applied in Noor significantly reduces long-term development risks while guaranteeing fixed profits

As evidenced by the remarkably strong sales result in Noor, TMG Holding's management has accurately recognized the market's need for long-term yet affordable payment plans. These payments 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 were achieved through a unique hedging mechanism agreed upon between TMG Holding, National Bank of Egypt, Banque Misr and Banque du Caire, eliminating any future interest rate risks on the Group while offering these long-term and affordable payment plans. Thanks to this arrangement, TMG Holding will be able to discount up to EGP15bn worth of uncollected receivables from Noor project post unit delivery at a net discounted value of EGP9bn (covering EGP33bn worth of sales) at a fixed and known cost, which the Group was able to already price into its payment plans upon launch. Given that TMG has already sold EGP18bn worth of units in Noor as at end 9M2021, it still has significant room of EGP15bn of new sales to be covered by this facility. This unique mechanism thus i) allows the Group to address untapped demand through longer payment plans improving product affordability, resulting in significant additional sales, ii) eliminates downside risks related to changing interest rate environment in the long-term and iii) allows the Group to recognize additional profits upon discounting of cheques post-delivery.

Online sales platform delivers remarkable performance during its first weeks of operation

Upon the launch of Noor and in swift recognition of new emerging trends in commerce brought on us globally by the COVID-19 pandemic, TMG Holding has simultaneously inaugurated its innovative state-of-the-art online sales platform, allowing its clients to view and purchase all available residential products in its portfolio online, without the need of visiting TMG's physical sales centres. This new sales channel has delivered a remarkable performance in the short timespan since its inauguration, contributing over EGP1.8bn of new sales in Noor and other projects until end-3Q2021 and boding remarkably well for the future, as more and more trade moves online. Importantly, the new sales channel allowed the Group to tap into global international markets, with some online sales originating outside of Egypt. The success of our online sales platform is also a good testimony to the strong purchasing power present in our target segments, boding well for the limitless opportunities for online-based services that our vibrant communities are and will be offering in the future, especially as we enter the Smart City era, marked by multi-platform mobility, new sales channels, and cash-less payments.

TMG Holding S.A.E.
34/36 Mossadek St., Dokki
Giza, Egypt

مجموعة طلعت مصطفى القابضة ش.م.م.
٣٦/٣٤ شارع مصدق، الدقي
الجيزة، مصر

☎ +20 2 3331 2000
IR@tmg.com.eg
www.talaatmoustafa.com

New sales surpass EGP27.5bn by end-3Q2021, sales guidance maintained at EGP30bn for FY2021

Following the launch of Noor and on the back of strong demand for TMG-branded properties elsewhere, both retail and institutional, the company has booked total 9M2021 new sales of some EGP27.5bn, representing some 6 thousand residential and non-residential units. This is the strongest sale period in the Group's history and the Egyptian real estate market. Given the stronger-than-expected market response to the launch of Noor, as well as still strong institutional demand for the Group's non-residential inventory in Madinaty and Al Rehab City, and the fact that sales to-date have already exceeded the of EGP17-18bn for FY2021 communicated during 1H2021, management is now expecting the Group to close FY2021 with total sales exceeding EGP30bn. Backlog as of 30 September 2021 stood at EGP63.3bn. This is the highest sales achieved and largest backlog among Egyptian real estate development and investment companies, giving a clear visibility on the Group's revenues and earnings over the medium term and is to be recognized as revenues and profits in the following 5 years.

Massive liquidity unlocked since mid-2020 through innovative transactions with prominent financial institutions

Starting 2020, TMG Holding's management was also focused on unlocking new liquidity required to proceed with new investments and accordingly it has devised [4] unique and strategically important transactions with high-profile partners focusing on accelerating sales, profit recognition, uptake of existing unsold inventory and further de-risking of our robust business model.

These four large scale transactions could be summarized as follows:

- Starting August 2020, TMG Holding has successfully entered into the first transaction which entailed a strategic alliance with First Design Company which is owned by National Bank of Egypt and Banque Misr, the two largest and oldest operating Egyptian banks, to develop around 335 thousand square meters of land located in Al Rehab and Madinaty cities, against cash proceeds of EGP4.0bn collected between September 2020 and March 2021. The land plots will be developed by TMG Holding into quality mixed-use projects (residential neighbourhoods, retail outlets, and offices) starting from 2023, leveraging on TMG's unmatched market expertise, high-quality infrastructure and its vibrant and ever-growing communities of Al Rehab and Madinaty. Capital expenditure required for the development of these lands will be financed through the off-plan sales business model. The new projects will contribute a new type of high-quality product in the two cities and further improve the quality of services available to their estimated 700,000 residents, promoting new demand, and ongoing population build-up and inbound footfall and thus giving rise to significant monetary and strategic value to all parties. Management believes that this was one of the key reasons encouraging the two banks to enter into such an alliance. Excess liquidity from the transaction was used for early repayment of various liabilities, significantly strengthening the balance sheet as a precaution against any potential macroeconomic volatility during 2021, 2022 and 2023 and risks related to the ongoing COVID-19 pandemic.

- The second large-scale transaction was entered into in December 2020 and involved bulk sale of a pool of non-residential assets worth EGP1.5bn to an entity owned by institutional investors.

- Furthermore, in May 2021 the Group concluded another bulk sale, composed primarily of the yet unsold stock of non-residential units nearing completion in Madinaty and Al Rehab, valued at some EGP1.7bn, to Rawasy – a real estate investment arm of National Bank of Egypt and Banque Misr.

- Majority of the cash proceeds from these two transactions have already been collected by the Group.

- Last but not least, in June 2021, TMG concluded its fourth transaction and the second with Rawasy, valued at a massive EGP9bn, pertaining to some non-residential assets in Madinaty currently under development. This last transaction will result in gradual sales for the Group over the coming three quarters. It will also generate additional revenues for the Group to be recognized until 2023. TMG Holding has already collected EGP3.5bn of cash proceeds from this transaction, with the reminder to be collected in three instalments during 2022-2024. The upcoming remaining instalments will be used for investment in Noor, based on our detailed studies. That said, management believes that all required funding for Noor project is already in place.

As the Group retains the role of property managers for these respective units, these bulk sales will facilitate a smooth lease out process, and this will positively contribute to footfall and rental yields achieved elsewhere. More importantly, these transactions have a positive impact on sales, liquidity and profitability and help to mitigate the risks inherent to COVID-19 pandemic, providing liquidity available for early prepayment of various commitments and also providing liquidity for the investment in Noor.

TMG

Hotels and Resorts segment performance

Operational and financial results of the company's hotel segment during 9M2021 have shown significant improvement and healthy recovery from the pressures witnessed in FY2020, marked by global challenges related to the COVID-19 pandemic and the resulting pressure on global travel patterns. Total revenue from hotel operations in 9M2021 came in at EGP825mn, driven by an average occupancy of 47% and Average Room Rate of EGP3,881. Notably, FS Sharm El Sheikh continuous delivering strong improvement in its performance, with average occupancy of 50.2% in 9M2021, significantly above the budget of 34.2%. Revenue of FS Sharm El Sheikh came in at EGP245mn in 9M2021, more than doubling from EGP81.2mn reported in 9M2020. The property delivered positive EBITDA of EGP54.4mn, contributing the lion's share of the total consolidated hospitality EBITDA of EGP195mn achieved in 9M2021.

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 during the remainder of 2021 and onwards.

Hotel KPI summary

	Four Seasons Nile Plaza				*Four Seasons San Stefano*			
	9M2020	**9M2021**	**3Q2020**	**3Q2021**	**9M2020**	**9M2021**	**3Q2020**	**3Q2021**
ARR [EGP]	4,205	3,891	3,307	4,101	4,531	4,882	5,482	5,780
ARR [USD]	266	248	209	262	287	311	347	369
Occupancy	26.5%	42.8%	9.0%	70.6%	30.2%	50.1%	40.6%	70.5%
GOP [EGPmn]	23	105	-21	74	-5	45	7	40
GOP margin	10.5%	32.8%	N/M	46.1%	N/M	25.4%	15.8%	43.6%
EBITDA [EGPmn]	12	90	-23	66	-10	37	5	35.6
EBITDA margin	5.5%	28.0%	N/M	41.1%	N/M	21.1%	11.3%	38.7%

	Four Seasons Sharm El Sheikh				*Kempinski Nile Hotel*			
	9M2020	**9M2021**	**3Q2020**	**3Q2021**	**9M2020**	**9M2021**	**3Q2020**	**3Q2021**
ARR [EGP]	3,747	4,921	3,300	4,959	1,971	1,885	1,494	2,196
ARR [USD]	237	314	209	258	125	120	94	140
Occupancy	18.0%	50.2%	21.8%	61.9%	29.1%	48.2%	16.3%	71.9%
GOP [EGPmn]	-44	74	-15	31	0	18	-8	16
GOP margin	N/M	30.1%	N/M	33.3%	N/M	21.7%	N/M	33.8%
EBITDA [EGPmn]	-47	54	-16	23	-6	14	-9	15.3
EBITDA margin	N/M	22.2%	N/M	24.5%	N/M	16.6%	N/M	32.9%

TMG

Consolidated income statement

In EGPmn, unless otherwise stated

	9M2020	9M2021	Change
Development revenue	8,895.4	9,103.6	2.3%
Development cost	(5,819.8)	(5,953.4)	2.3%
Gross profit from development	**3,075.6**	**3,150.1**	**2.4%**
Hospitality revenue	437.9	824.5	88.3%
Hospitality cost	(491.5)	(632.8)	28.7%
Gross profit from hospitality operations	**(53.6)**	**191.7**	**N/M**
Other recurring revenue*	1,079.0	1,384.9	28.3%
Cost of other recurring revenue	(782.7)	(993.7)	27.0%
Gross profit from other recurring operations	**296.3**	**391.2**	**32.0%**
Total revenue	**10,412.3**	**11,313.0**	**8.7%**
Total gross profit	**3,318.3**	**3,733.0**	**12.5%**
Gross profit margin	31.9%	33.0%	1.1pp
Selling and marketing expenses	(38.3)	(147.8)	285.8%
General, administrative, selling and marketing expenses	(534.8)	(490.3)	-8.3%
Donations and governmental expenses	(198.7)	(346.4)	74.3%
Other income	204.9	227.7	11.1%
Capital gain (loss)	1.7	2.8	63.8%
BoD remuneration	(0.9)	(1.0)	5.7%
FX gain (loss)	14.7	2.6	-82.2%
Income before depreciation and financing expense	**2,766.9**	**2,980.6**	**7.7%**
Depreciation and amortisation	(225.8)	(238.9)	5.8%
Interest expense	(397.0)	(383.1)	-3.5%
Investment income (net)	(2.8)	0.5	N/M
Net income before tax and minority interest expense	**2,141.3**	**2,359.1**	**10.2%**
Income tax	(592.3)	(655.6)	10.7%
Net income before minority interest	**1,549.0**	**1,703.5**	**10.0%**
Minority interest expense	20.1	(4.7)	N/M
Attributable net income	**1,569.1**	**1,698.8**	**8.3%**

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

TMG

Consolidated balance sheet

In EGPmn

	FY2020	9M2021
Property, plant and equipment	5,792.0	5,390.0
Investment properties	372.0	358.5
Intangible assets	2.4	2.9
Projects under construction	5,824.1	7,857.7
Goodwill	12,504.8	12,504.8
Investment in associates	52.7	52.7
Financial investments available for sale	266.1	491.3
Financial investments held to maturity	3,698.0	4,169.1
Deferred tax assets	0.0	58.7
Total non-current assets	**28,512.1**	**30,885.7**
Development properties	46,202.9	54,141.2
Inventories	1,119.4	1,262.3
Notes receivable	31,112.1	33,700.7
Prepaid expenses and other debit balances	6,403.9	6,026.7
Financial investments held to maturity	1,832.0	1,944.6
Financial assets at fair value	8.1	8.3
Cash and cash equivalents	2,705.1	3,412.8
Total current assets	**89,383.4**	**100,496.5**
Total assets	**117,895.5**	**131,382.2**
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	12,865.4
Shareholders' equity	**32,526.4**	**33,883.9**
Minority interest	1,089.8	1,094.5
Total equity	**33,616.3**	**34,978.4**
Bank loans	3,127.4	4,341.8
Sukuk	2,000.0	2,000.0
Long-term liabilities	16,869.0	20,725.2
Deferred tax liabilities	5.1	0.0
Total non-current liabilities	**22,001.5**	**27,066.9**
Bank overdrafts	21.1	8.9
Bank facilities	1,544.5	1,515.9
Current portion of bank loans	12.5	234.8
Notes payable	10,604.5	6,148.4
Advance payments	37,870.0	47,156.6
Dividends payable	155.8	60.9
Taxes payable	996.2	988.1
Accrued expenses and other credit balances	11,073.1	13,223.1
Total current liabilities	**62,277.7**	**69,336.9**
Total liabilities	**84,279.2**	**96,403.8**

Condensed cash flow statement

In EGPmn

	9M2020	9M2021
Net profit before taxes and non-controlling interest	2,141.3	2,359.1
Depreciation and amortization	225.8	238.9
Other adjustments	(218.4)	(233.6)
Gross operating cash flow	**2,148.8**	**2,364.4**
Net working capital changes	2,477.3	2,780.9
Change in accrued income tax	(721.1)	(685.5)
Net operating cash flow	**1,756.2**	**2,095.3**
Net investment cash flow	**(2,925.5)**	**(2,350.0)**
Net financing cash flow	**1,565.5**	**991.2**
FX impact	14.7	2.6
Net change in cash	**410.9**	**739.1**

— 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 30 September 2021