TMG Holding books exceptionally strong EGP33.2bn in new net sales in FY2022, and a net profit of EGP2.3bn, up by a substantial 30.8% y-o-y driven by timely real estate deliveries and further growth in recurring income lines

Talaat Moustafa Group Holding (TMG Holding) has released its consolidated financial results for the full year, ending on the 31st of December 2022 (FY2022).

Key FY2022 financial highlights

- Total revenues of EGP19.9bn, up 29.5% y-o-y, of which 26.2% or EGP5.2bn was generated from hospitality and other recurring income lines
- Gross profit of EGP6.2bn, up 24.9% y-o-y, of which 32.3% or EGP2.0bn was generated by recurring income lines
- Profit before minority interest and tax of EGP3.37bn, up 19% y-o-y
- Net profit after tax and minority interest of EGP2.30bn, up 30.8% y-o-y
- Net cash position of EGP3.7bn as at end-FY2022
- Total backlog of EGP77.4bn and remaining collections of EGP52.9bn

Financial review

TMG Holding closed FY2022 with total consolidated revenues of EGP19.9bn, growing by a substantial 29.5% 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 EGP14.7bn, growing by a significant 21.2% y-o-y, supported by the timely delivery of 4,091 residential and non-residential units during the period. The gross margin on development operations came in at 29%, in line with the company's earlier guidance and historical track record. It is noteworthy that the company proceeded with new deliveries in Celia, its pioneer project in the heart of New Administrative Capital, where 1,873 residential units have been delivered during the year after deliveries commenced in 2Q2022. Total revenue from recurring income segments (hotels, sporting clubs, retail, and others) reached EGP5.2bn, up by an impressive 60.4% y-o-y. Strong occupancies and significant growth to hotel ARRs both in EGP and USD terms, as well as the launch of the Four Seasons Sharm El Sheikh Extension which expanded the resorts room base by a third, drove hospitality revenue up by a whopping 102% y-o-y to EGP2.6bn. This represents the strongest performance on record from our hospitality division, achieved despite the ongoing macroeconomic headwinds triggered by the European military conflict, which aggravated the global post-pandemic challenges. Net income after tax and minority interest expense came in at EGP2.3bn in FY2022, expanding by a strong 30.8% y-o-y. As of 31 December 2022, the total cash equivalents and liquid investment balance was at EGP12.6bn, while the company's net cash position stood at EGP3.7bn. Our debt-to-equity ratio stands at a secure 23.9%, 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 slowdown.

City and Community Complexes segment performance

During FY2022, the company recorded net sales of EGP33.2bn, representing some 6,102 units, beating its own market sales record of the previous year, and exceeding the upper limit of its annual sales guidance of EGP24-26bn by a remarkable 28%. Sales during the year were strengthened by the devaluation of the EGP occurring throughout 2022, further increasing the investment appeal of the real estate market in Egypt, especially in well-established projects like Madinaty, and developed by large and trusted real estate brands like TMG. This solid operational performance confirms management's ability to accurately identify and capture unique market opportunities and mitigate systemic challenges with a well-tailored business strategy and well-executed long-term vision, yielding remarkable annual sales results over the past five years.

Sales during the year were exclusively driven by very resilient retail and institutional demand in already launched projects, in the absence of any new launches like that of Noor City, which significantly boosted the FY2021 sales result of EGP32.4bn and was objectively the most successful real estate product launch in the history of the Egyptian real estate market to date. The outstanding sales result of FY2022 and the Group's ability to beat its own and already unprecedented sales record is a solid testimony to its unchallenged market leadership, underpinned by its unmatched track record, brand equity, and trust in the quality of its developments and state-of-the-art urban communities extended by its clientele. This sales result is also a solid testimony to the accuracy of the Group's sales and pricing strategy and well-tailored diversification of its real estate product portfolio, ranging from smaller and affordable multi-tenant units to ultra-luxury serviced villas available across multiple distinct geographical locations surrounded by quality infrastructure. The strength of the company's financial position and the trust extended to us by the leading financial institutions in the country allows us to safely avail attractive payment plans of up to 15 years, addressing the prevalent affordability constraints in the Egyptian market without pricing risks.

Management remains upbeat on the immediate prospects of the real estate market in Egypt, specifically in East Cairo where the Group remains the unchallenged hegemon in terms of high-quality residential and non-residential real estate supply. We expect to see further, sustained, and resilient demand for our products on the back of continuous development progress in our urban communities and unremitting deliveries of top-notch non-residential spaces and services, such as high-quality retail malls, clinics, schools, nurseries, and new district centers attracting quality international and local brands serving our affluent communities and surrounding areas, and further improving the quality of life of our current and future residents. This also comes in line with TMG Holding's ambitious program to continue extracting value from its vast non-residential land bank, where demand continues to grow on the back of population build-up in the company's projects as well as the continuously growing economic activity in East Cairo, to be further supported by the development of surrounding areas and by the New Administrative Capital.

During FY2022, a massive 93 thousand square meters of non-residential retail and clinic space became operational in TMG branded cities, representing the delivery of iconic high-quality properties such as the Gateway Mall in Al Rehab City and All Seasons Park and East Hub malls in Southeast of Madinaty. These properties have brought the total operational non-residential space in our cities to a whopping 397 thousand square meters and further strengthened our dominance in East Cairo. The new deliveries and the high rental demand for this superb portfolio are a testimony to the quality of our execution, master planning, and long-term vision of our management. The quality of our developments and infrastructure and the growing purchasing power, as well as the generational wealth of growing populations that we have skilfully attracted to our urban communities with a well-tailored residential product and sales strategy, are allowing the brands occupying our prime retail spaces to generate higher turnover per square meter than in other areas. This is confirmed by the fact, that many of these brands are opening more than one outlet in our cities, often in close proximity to each other, that is not seen elsewhere for such brands. This bodes very well for the uptake of our upcoming non-residential projects.

Our real estate sales backlog stood at an unmatched EGP77.4bn as at end-FY2022, reflecting the strong sales performance since 2H2017, adjusted for continuing timely deliveries across our projects. The backlog will result in total collections of EGP52.9bn (including some remaining collections from already delivered units) and net cash proceeds of over EGP34.2bn 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.

TMG

Hotels and Resorts segment performance

The hospitality segment delivered the best financial and operational performance on record since 2018. In FY2022 the segment generated revenues of EGP2.57bn, up from EGP1.27bn reported in FY2021 (over 102% year-on year increase), while the EBITDA figure recorded EGP1.09bn, compared to EGP372mn reported in FY2021, representing a year-on-year increase of 194%. The performance was driven by the well-tailored pricing and marketing strategy implemented by management during the year that allowed to exploit multiple opportunities arising from global economic and security shifts.

All properties recorded high ARRs, increasing in both EGP and USD terms, and strong occupancy rates throughout the year. On a consolidated level, the segment recorded an ARR of EGP6,866 or USD347 compared to a budget of EGP4,670 and increased significantly compared to last year's rate of EGP4,057. The occupancy came in at 60%, compared to the budgeted 57% and performance of 53% last year.

Four Seasons Sharm El Sheikh achieved an ARR of EGP10,985, or USD539. The month of November was particularly profitable for the property, significantly benefiting from the COP27 event hosted in Sharm El Sheikh this year. The property also benefited from the launch of the extension in March 2022, which adds 89 rooms and brings the total count of operational rooms in the hotel to over 225.

The peak occupancy was recorded in the Cairo properties, with Four Seasons Nile Plaza at 65%, compared to the budget of 61%, and Kempinski at 82.2%, compared to the budget of 71%.

Hotel KPI summary

	Four Seasons Nile Plaza				*Four Seasons San Stefano*			
	FY2021	**FY2022**	**4Q2021**	**4Q2022**	**FY2021**	**FY2022**	**4Q2021**	**4Q2022**
ARR [EGP]	4,208	7,520	4,752	10,139	4,644	5,844	4,050	5,725
ARR [USD]	269	385	302	439	297	304	258	253
Occupancy	50.6%	65.5%	73.9%	70.5%	51.3%	53.3%	54.7%	51.1%
GOP [EGPmn]	208	615	103	227	58	89	13	17
GOP margin	40%	57%	53%	60%	25%	28%	22%	22%
EBITDA [EGPmn]	167	566	87	215	41	74	9	16
EBITDA margin	32%	53%	44%	57%	17%	23%	15%	21%

	Four Seasons Sharm El Sheikh				*Kempinski Nile Hotel*			
	FY2021	**FY2022**	**4Q2021**	**4Q2022**	**FY2021**	**FY2022**	**4Q2021**	**4Q2022**
ARR [EGP]	5,383	10,985	6,390	20,637	2,050	3,456	2,324	4,888
ARR [USD]	344	539	407	881	131	175	148	211
Occupancy	54.8%	41.7%	68.5%	42.2%	57.7%	82.2%	85.9%	85.2%
GOP [EGPmn]	144	497	70	365	50	163	32	70
GOP margin	38%	55%	53%	70%	36%	58%	57%	65%
EBITDA [EGPmn]	100	322	53	219	30	131	14	51
EBITDA margin	26%	36%	40%	42%	21%	47%	26%	47%

Consolidated income statement

In EGPmn, unless otherwise stated

	FY2021	FY2022	Change
Development revenue	12,107.5	14,671.5	21.2%
Development cost	(8,098.6)	(10,446.4)	29.0%
Gross profit from development	**4,008.9**	**4,225.1**	**5.4%**
Hospitality revenue	1,269.2	2,565.6	102.1%
Hospitality cost	(903.1)	(1,403.6)	55.4%
Gross profit from hospitality operations	**366.1**	**1,162.0**	**217.4%**
Other recurring revenue*	1,971.3	2,633.4	33.6%
Cost of other recurring revenue	(1,352.5)	(1,781.8)	31.7%
Gross profit from other recurring operations	**618.8**	**851.6**	**37.6%**
Total revenue	**15,348.0**	**19,870.5**	**29.5%**
Total gross profit	**4,993.8**	**6,238.6**	**24.9%**
Gross profit margin	32.5%	31.4%	-1.1pp
Selling and marketing expenses	(95.3)	(280.6)	194.5%
General, administrative, selling and marketing expenses	(655.7)	(784.9)	19.7%
Universal Health Insurance Act	(50.8)	(53.9)	6.1%
Donations and governmental expenses	(352.4)	(593.0)	68.3%
Provisions (net)	(143.2)	(172.7)	20.6%
Other income	542.4	503.6	-7.1%
Capital gain (loss)	4.8	4.1	-14.7%
BoD remuneration	(1.2)	(1.8)	46.0%
FX gain (loss)	3.6	350.1	N/M
Income before depreciation and financing expense	**4,245.9**	**5,209.5**	**22.7%**
Depreciation and amortisation	(317.3)	(343.7)	8.3%
Interest expense	(660.6)	(882.3)	33.6%
Net write-down of receivables	2.4	(5.6)	N/M
Impairment of financial assets - goodwill	(438.7)	(605.0)	37.9%
Net income before tax and minority interest expense	**2,831.8**	**3,372.8**	**19.1%**
Income tax	(1,048.6)	(1,142.8)	9.0%
Net income before minority interest	**1,783.2**	**2,230.0**	**25.1%**
Minority interest	(21.5)	74.5	N/M
Attributable net income	**1,761.7**	**2,304.5**	**30.8%**

Consolidated balance sheet

In EGPmn

	FY2021	FY2022
Property, plant and equipment	5,412.1	6,359.6
Investment properties	419.7	2,264.4
Intangible assets	3.6	3.3
Projects under construction	8,603.2	10,517.5
Goodwill	12,066.1	11,461.1
Investment in associates	68.9	96.8
Financial investments available for sale	500.2	622.0
Financial investments held to maturity	4,334.5	4,209.8
Other financial assets	687.0	534.4
Deferred tax assets	46.0	75.8
Total non-current assets	**32,141.4**	**36,144.6**
Development properties	58,839.9	73,746.0
Inventories	1,096.0	971.6
Notes receivable – for delivered units	4,029.2	4,696.2
Notes receivable – for undelivered units	31,190.3	33,186.0
Prepaid expenses and other debit balances	5,773.1	6,220.8
Financial investments held to maturity	2,242.9	1,680.1
Financial assets at fair value	111.6	243.0
Cash and cash equivalents	3,293.5	5,829.8
Total current assets	**106,576.5**	**126,573.5**
Total assets	**138,717.8**	**162,718.1**
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)	112.0
Revaluation reserve	7.5	19.9
Retained earnings	12,894.3	14,699.2
Shareholders' equity	**33,934.1**	**35,893.4**
Minority interest	1,109.4	1,034.9
Total equity	**35,043.5**	**36,928.3**
Bank loans	4,307.2	5,423.8
Sukuk	1,750.0	1,400.0
Long-term liabilities	21,471.0	14,046.7
Other financial obligations	659.3	470.6
Deferred tax liabilities	192.8	351.9
Total non-current liabilities	**28,380.3**	**21,692.9**
Bank overdrafts	6.0	47.2
Bank facilities	1,522.7	1,371.9
Current portion of bank loans	1,580.0	251.1
Current portion of sukuk	250.0	350.0
Notes payable	7,775.4	16,197.7
Advance payments - collected	20,017.5	36,467.8
Advance payments - checks	31,190.3	33,186.0
Dividends payable	102.7	98.4
Provisions	183.8	306.0
Taxes payable	1,135.6	1,057.6
Accrued expenses and other credit balances	11,530.0	14,763.0
Total current liabilities	**75,294.1**	**104,096.8**
Total liabilities	**103,674.3**	**125,789.7**

Condensed cash flow statement

In EGPmn

	FY2021	FY2022
Net profit before taxes and non-controlling interest	2,831.8	3,372.8
Depreciation and amortization	317.3	343.7
Other adjustments	138.2	109.2
Gross operating cash flow	**3,287.3**	**3,825.8**
Net working capital changes	2,914.0	6,577.7
Change in accrued income tax	(797.7)	(1,086.4)
Net operating cash flow	**2,116.3**	**5,491.3**
Net investment cash flow	**(3,796.0)**	**(2,370.9)**
Net financing cash flow	**2,285.5**	**(1,089.8)**
FX impact	3.6	350.1
Net change in cash	**609.4**	**2,380.7**

— Ends —

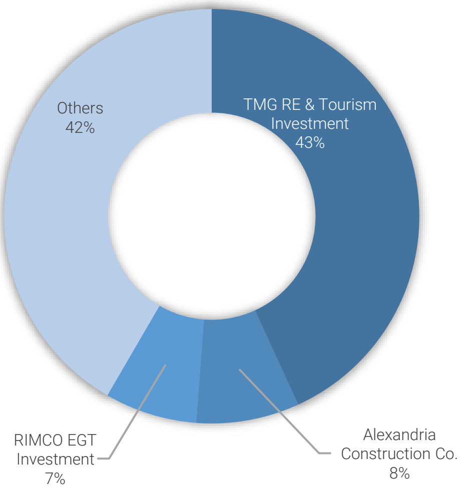
About the company

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 0.8 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 1,041 operational rooms in Cairo, Sharm El Sheikh and Alexandria, and 940 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 31 December 2022



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