Market update

Cairo | 6 January 2020

TMG Holding records total sales of EGP20.4bn in FY2019, of which EGP5.4bn or 27% was contributed by non-residential sales, growing by 86% y-o-y

Talaat Moustafa Group Holding (TMG Holding) is pleased to announce that its FY2019 new sales reached a robust EGP20.4bn, confirming the company's unchallenged leadership in terms of market share and its ability to take advantage of the existing demand in the local market with well-tailored and appropriately priced product, supported by strong brand equity, superb facilities, infrastructure, upkeep, after-sale service and unmatched community and facility management, in addition to an unmatched delivery track-record of some 100 thousand units delivered across all of the company's projects since inception. Despite the brief market slow-down in 2H2019, as evidenced by extensions to payment plans or price discounts implemented by other developers to simulate new sales during the year, the result came in only EGP0.9bn or 4% short of FY2018 sales, which were supported by a non-core EGP1bn school transaction pertaining to 4 existing schools in the company's projects compared to just one school sold off-plan for EGP300mn this year. Last year's result was additionally supported by successful launch of Celia, which benefited from a novelty effect and significant pent-up demand for TMG-branded product in the new geography. It is noteworthy that TMG Holding has not resorted to payment plan extensions or lowering down payments during the year, preserving its target gross margins and seeing meaningful down payment amounts as a crucial "first credit check", guaranteeing good backlog quality and stability of future cash flows. In short, management views the FY2019 sales result very positively and believes that the company's sales are of better quality than these reported by other developers as they were generated without comprising profitability or increasing risk of future defaults and cancellations.

As an immediate result of the strong sales achieved in FY2019 and advances collected from these sales, the company succeeded in lowering its bank debt related to development operations by about EGP200mn in the year, in line with its announced strategy and targets to optimize its financing structure through ongoing deleveraging and minimizing future credit risks accordingly, in addition to generating savings on debt service.

Total non-residential sales contributed a significant 27% or EGP5.4bn to the total sales result during FY2019, up 86% y-o-y and compared to 14% or EGP2.9bn recorded in FY2018. This comes in line with TMG Holding's ambitious program to extract 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 the New Administrative Capital. The company remains upbeat on the outlook for additional non-residential sales to be completed in the coming future.

The year also witnessed a successful launch of a new upscale apartment neighbourhood in Madinaty, in the close proximity to the Spine project - Privado, where the company booked total net sales of EGP5.7bn since the project's launch in June 2019, contributing positively to the FY2019 sales result. Moreover, TMG Holding booked some EGP473mn of sales of luxury serviced residential apartments and villas during the year, to be developed as part of a large upscale residential community adjacent to the 5-start star hotel in the East of Madinaty and to be serviced by Four Seasons.

Meanwhile, total sales of memberships across TMG Holding's sporting clubs reached some EGP931mn, up by a significant 92% y-o-y, of which EGP355mn was contributed by additional sales to existing unit owners. This comes in line with management's vision to continue building its recurring income portfolio on the back of the rapidly growing affluent populations in the company's projects which, through segments such as the sporting clubs, will secure stable and predictable sources of revenue in the future, shielding the business from future natural volatility inherent in the real estate market.

The company remains upbeat on the outlook for its new sales in FY2020, initially expected to come in at levels similar to FY2019, capitalizing on facilities, technologies and services offered by TMG, such as the recently inaugurated Notary Offices in Madinaty and Rehab, among others, adding to the already rich portfolio of unmatched life-style conveniences availed in the company's developments.

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