

TMG Holding forms strategic alliance with National Bank of Egypt and Banque Misr in a deal generating EGP4.0bn in cash proceeds for the company

Talaat Moustafa Group Holding (“TMG Holding”, “the Group”) is pleased to announce that its subsidiary, Arab Company for Projects and Urban Development (Arab Company), has successfully entered into a strategic alliance with National Bank of Egypt and Banque Misr, the two largest and oldest operating Egyptian banks, which will develop some 341 thousand square meters of land located in Rehab and Madinaty cities, against cash proceeds of EGP4.0bn to be collected by TMG Holding between September 2020 and March 2021. The lands will be developed into quality mixed-use projects (residential neighbourhoods, retail outlets, and offices) by TMG Holding starting from 2023, leveraging on its unmatched market expertise, high-quality infrastructure and its vibrant and ever-growing communities of Rehab and Madinaty. Capex required for the development of these lands, excluding the EGP4.0bn deal proceeds, 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 600,000 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, which management believes was one of the key reasons encouraging the two banks to enter into such an alliance.

TMG Holding will use the cash proceeds for early payment of some of its outstanding liabilities due by September 2022, in a bid to further strengthen the company’s cash position and balance sheet in times of increased market volatility stemming from the prevailing COVID-19 pandemic. The transaction is a solid testimony to TMG Holding management’s ability to swiftly and proactively tap into unconventional and sizable sources of funding to the benefit of the Group and its shareholders while maintaining its very prudent approach to capital structure and further mitigating any unforeseen liquidity risks while maximizing the value of its assets. It also confirms management’s ability to identify unconventional solutions to address any unforeseen challenges. The transaction falls into the company’s framework of maximizing its revenues, benefiting for its vast portfolio of fully paid mixed-use land plots available in its projects, already equipped with the necessary infrastructure and thus requiring no additional cash outlay to monetize. Moreover, it is expected to have an immediate positive impact on the company’s revenues and profitability.

Management believes that the transaction, its massive size and the very prominent profile of its underlying partnership between TMG Holding and the two largest Egyptian banks, demonstrates the high appeal of its cities, superb branding, and the increasing ease of monetisation of its land bank, which is expected to radically increase in the medium term on the back of continuous population build-up in the company’s projects. Additionally, the transaction sets a clear and indisputable reference point for the inherent value of TMG Holding’s remaining land assets which, in the view of management, is not accurately captured by the company’s current market capitalisation, having in mind that the value of its fully-paid land bank is now estimated at between EGP40bn and EGP50bn, as referenced by this transaction.

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