TMG Holding executes record-high EGP51.4bn in total sales during the first half of 2023, including core sales and resales realized for third parties; books net profit EGP1.56bn, up by a substantial 43% y-o-y, driven by a strong performance across all business segments

Talaat Moustafa Group Holding (TMG Holding) has released its consolidated financial results for the year's first half, ending on the 30th of June 2023 (1H2023).

Key 1H2023 financial highlights

- Total revenues of EGP10.7bn, up 51% y-o-y, of which 31% or EGP3.3bn was generated from hospitality and other recurring income lines.
- Gross profit of EGP3.4bn, up 45% y-o-y, of which 41.1% or EGP1.4bn was generated by recurring income lines.
- Profit before minority interest and tax of EGP2.2bn, up 46% y-o-y
- Net profit after tax and minority interest of EGP1.56bn, up 43% y-o-y
- Net cash position of EGP5.6bn as at end-2Q2023
- Total backlog of EGP102bn and remaining collections of EGP78bn

Key 2Q2023 financial highlights

- Total revenues of EGP6.27bn, up 54% y-o-y, of which 28% or EGP1.74bn was generated from hospitality and other recurring income lines.
- Gross profit of EGP1.83bn, up 47% y-o-y, of which 36% or EGP656mn was generated by recurring income lines.
- Profit before minority interest and tax of EGP1.2bn, up 60% y-o-y
- Net profit after tax and minority interest of EGP859mn, up 61% y-o-y

Financial review

TMG Holding closed 1H2023 with total consolidated revenues of EGP10.7bn, growing by a substantial 51% y-o-y, driven by solid growth across all income lines. Development revenue came in at EGP7.4bn, growing by a significant 46% y-o-y, supported by the timely delivery of 463 residential and non-residential properties. Total revenue from recurring income segments (hotels, sporting clubs, retail, and others) reached EGP3.31bn, up by an impressive 62% y-o-y. Strong occupancies and significant growth to hotel ARRs, both in EGP and USD terms, drove hospitality revenue up by a whopping 90% y-o-y to EGP1.84bn. Net income after tax and minority interest expense came in at EGP1.56bn, expanding by a robust 43.5% y-o-y.

As at end-June 2023, the company's total cash equivalents and liquid investment balance stood at considerable EGP16.4bn, while the company's net cash position stood at EGP5.6bn. Our debt-to-equity ratio stands at a secure 28.6%, 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.

TMG

City and Community Complexes segment performance

During 1H2023, the company executed total sales of EGP51.4bn, comprising EGP32.9bn in core sales, representing 4,935 units, and EGP18.5bn worth of resales, executed for institutional third parties, in exchange for a fee. This arrangement creates a new source of income for the company at virtually no additional cost, allowing investors to realize their target returns while TMG retains full control over the supply of TMG-branded properties in the market. In 2Q2023, the demand for real estate properties was unprecedented, compared to EGP12.5bn in total sales booked in the same period last year. The Group implemented continuous and consistent price increases since the beginning of the year, reflecting the recent inflation in construction costs and preserving the profitability of its backlog. TMG was able to capture the lion's share of the demand in the market thanks to a very well-diversified and attractively priced portfolio of products, and the trust extended to the TMG brand by its clientele, underpinned by its timely deliveries, outstanding upkeep of TMG's cities, well-tailored portfolio of brands and services in TMG's non-residential properties, as well as attractive payment plans. The real demand was further strengthened by the devaluation of the EGP, occurred at the turn of this year, which increased the investment appeal of real estate products, customarily considered a reliable hedge against inflation.

The operational performance in the quarter is a solid testimony of TMG's unchallenged market leadership. It confirms management's ability to accurately identify and capture unique market opportunities while mitigating systemic challenges with a well-tailored business strategy and an effective execution of the long-term vision. Furthermore, the sales result testifies to the accuracy of the Group's sales and pricing strategy, as well as the well-diversified real estate product mix, ranging from smaller and affordable multi-tenant units to ultra-luxury serviced villas, available across multiple distinct geographical locations, each surrounded by high-quality infrastructure.

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. This also aligns with the Group's plan to continue extracting value from its vast non-residential land bank, where demand continues to expand on the back of the growing population and the increasing economic activity in East Cairo, to be further supported by the development of the New Administrative Capital.

Our real estate sales backlog stood at an unmatched EGP102bn as of end-2Q2023, reflecting the strong sales performance since 2H2017, adjusted for the timely deliveries across our projects. The backlog will result in total collections of EGP78.2bn (including remaining collections from already delivered units) and net cash proceeds of over EGP48.1bn, after expensing the reminder of construction costs before delivery of these units. The backlog will be delivered over the coming 4-5 years without any anticipated delays, providing a 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 the large extent of the 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 strong financial and operational performance during the first half of 2023, in continuation of the record period of FY2022. During 1H2023, the segment generated total revenues of EGP1.84bn, up from EGP967mn recorded in 1H2022, representing a year-on-year growth of 90%. During the same period, the EBITDA figure reached EGP910mn, at a 49.5% margin, compared to EGP431mn reported for 1H2022, growing by 111% y-o-y. The growth recorded in the period is attributable to the well-tailored pricing and marketing strategy, implemented by the management team.

All properties recorded high ARRs, increasing on average in both EGP and USD, as well as strong occupancy rates throughout the quarter. On a consolidated level, the segment recorded an ARR of EGP10,533 or USD345 compared to a budget of EGP8,824 and increased significantly compared to last year's rate of EGP5,678 or USD324. The room rates in EGP increased sharply, reflecting the recent devaluation of the Egyptian pound. However, the growth recorded in USD term testifies to the healthy demand that we are recording since 4Q2021. The occupancy came in at 61%, in line with the budget and compared to last year performance of 59%. Peak occupancy was recorded in the properties in Cairo, with Four Seasons Nile Plaza at 68% and Kempinski at 75%. Four Seasons Sharm El Sheikh achieved the highest ARR, reaching EGP14,569 or USD476, in the quarter.

Hotel KPI summary

	Four Seasons Nile Plaza				*Four Seasons San Stefano*			
	FY2021	**FY2022**	**1H2022**	**1H2023**	**FY2021**	**FY2022**	**1H2022**	**1H2023**
ARR [EGP]	4,208	7,520	6,884	11,443	4,644	5,844	4,862	8,121
ARR [USD]	269	385	394	376	296	304	276	266
Occupancy	51%	65%	64%	68%	51%	53%	48%	48%
GOP [EGPmn]	208	615	272	489	58	89	24	41
GOP margin	40%	57%	56%	60%	25%	28%	19%	21%
EBITDA [EGPmn]	182	599	267	477	48	83	21	35
EBITDA margin	35%	56%	55%	59%	20%	26%	17%	18%

	Four Seasons Sharm El Sheikh				*Kempinski Nile Hotel*			
	FY2021	**FY2022**	**1H2022**	**1H2023**	**FY2021**	**FY2022**	**1H2022**	**1H2023**
ARR [EGP]	5,383	10,985	7,658	14,569	2,050	3,456	2,810	6,226
ARR [USD]	343	539	437	476	131	175	159	203
Occupancy	55%	42%	43%	50%	58%	82%	80%	75%
GOP [EGPmn]	144	497	100	290	50	163	57	131
GOP margin	38%	55%	40%	47%	36%	58%	53%	59%
EBITDA [EGPmn]	111	349	87	268	36	145	56	130
EBITDA margin	29%	39%	35%	44%	26%	52%	51%	59%

Consolidated income statement

In EGPmn, unless otherwise stated

	1H2022	1H2023	Change
Development revenue	5,055.8	7,400.1	46%
Development cost	(3,512.8)	(5,403.3)	54%
Gross profit from development	**1,543.0**	**1,996.9**	**29%**
Hospitality revenue	967.5	1,838.9	90%
Hospitality cost	(541.0)	(938.9)	74%
Gross profit from hospitality operations	**426.4**	**899.9**	**111%**
Other recurring revenue*	1,070.1	1,468.1	37%
Cost of other recurring revenue	(707.7)	(972.2)	37%
Gross profit from other recurring operations	**362.4**	**495.9**	**37%**
Total revenue	**7,093.4**	**10,707.1**	**51%**
Total gross profit	**2,331.8**	**3,392.7**	**45%**
Gross profit margin	32.9%	31.7%	-119%
Selling and marketing expenses	(128.8)	(123.7)	-4%
General, administrative, selling and marketing expenses	(370.6)	(407.9)	10%
Universal Health Insurance Act	(19.2)	(35.1)	83%
Donations and governmental expenses	(272.3)	(271.7)	0%
Provisions (net)	0.0	(150.0)	N/M
Other income	254.6	536.7	111%
Capital gain (loss)	1.4	1.9	37%
BoD remuneration	(1.1)	(1.3)	16%
FX gain (loss)	166.8	91.8	-45%
Income before depreciation and financing expense	**1,962.7**	**3,033.3**	**55%**
Depreciation and amortisation	(163.6)	(239.3)	46%
Interest expense	(278.8)	(560.2)	101%
Net write-down of receivables	(6.0)	(15.8)	162%
Net income before tax and minority interest expense	**1,514.3**	**2,218.0**	**46%**
Income tax	(427.8)	(659.1)	54%
Net income before minority interest	**1,086.4**	**1,558.9**	**43%**
Minority interest	25.9	1.3	-95%
Attributable net income	**1,112.3**	**1,560.2**	**40%**

Consolidated balance sheet

In EGPmn

	FY2022	1H2023
Property, plant and equipment	6,359.6	6,239.5
Investment properties	2,264.4	2,204.2
Intangible assets	3.3	4.0
Projects under construction	10,517.5	12,367.8
Goodwill	11,461.1	11,461.1
Investment in associates	96.8	107.3
Financial investments available for sale	622.0	726.5
Financial investments held to maturity	4,209.8	3,999.3
Other financial assets	534.4	458.0
Deferred tax assets	75.8	232.1
Total non-current assets	**36,144.6**	**37,799.8**
Development properties	73,746.0	83,508.3
Inventories	971.6	1,069.4
Notes receivable – for delivered units	4,696.2	6,922.4
Notes receivable – for undelivered units	33,186.0	37,330.3
Prepaid expenses and other debit balances	5,772.5	7,834.9
Financial investments held to maturity	1,680.1	3,473.0
Hotel current assets	1,107.3	1,151.0
Financial assets at fair value	243.0	307.6
Cash and cash equivalents	5,829.8	7,979.5
Total current assets	**127,232.5**	**149,576.4**
Total assets	**163,377.1**	**187,376.2**
Paid-in capital	20,635.6	20,635.6
Legal reserve	365.0	398.0
General reserve	61.7	61.7
FX reserve	112.0	216.5
Revaluation reserve	19.9	19.9
Retained earnings	14,699.2	15,778.4
Shareholders' equity	**35,893.4**	**37,110.2**
Minority interest	1,034.9	1,029.3
Total equity	**36,928.3**	**38,139.5**
Bank loans	5,423.8	9,458.7
Sukuk	1,400.0	0.0
Long-term liabilities	14,046.7	19,648.9
Other financial obligations	470.6	382.6
Deferred tax liabilities	351.9	570.6
Total non-current liabilities	**21,692.9**	**30,060.8**
Bank overdrafts	47.2	37.4
Bank facilities	1,371.9	1,011.8
Current portion of bank loans	251.1	385.8
Current portion of sukuk	350.0	0.0
Notes payable	16,197.7	11,799.6
Advance payments - collected	36,467.8	47,064.0
Advance payments - checks	33,186.0	37,330.3
Dividends payable	98.4	253.6
Provisions	306.0	401.9
Taxes payable	1,057.6	755.9
Hotels current liabilities	710.3	773.6
Accrued expenses and other credit balances	14,711.6	19,361.9
Total current liabilities	**104,755.8**	**119,175.9**
Total liabilities	**126,448.7**	**149,236.7**

Condensed cash flow statement

In EGPmn

	1H2022	1H2023
Net profit before taxes and non-controlling interest	1,514.3	2,218.0
Depreciation and amortization	163.6	239.3
Other adjustments	(351.5)	(182.6)
Gross operating cash flow	**1,326.3**	**2,274.7**
Net working capital changes	4,630.7	4,533.5
Change in accrued income tax	(552.2)	(898.4)
Net operating cash flow	**4,078.4**	**3,635.0**
Net investment cash flow	**(389.4)**	**(3,434.5)**
Net financing cash flow	**(872.5)**	**1,762.5**
FX impact	166.8	91.8
Net change in cash	**2,983.4**	**2,054.8**

— 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 30 June 2023