TMG Holding reports net new sales of EGP21bn in 9M2022, and a net profit of EGP2.0bn, up by a substantial 18% 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 first nine months of the year, ending 30 September 2022 (9M2022).

Key 9M2022 financial highlights

- Total revenues of EGP13.9bn, up 23% y-o-y, of which 23% or EGP3.24bn was generated from hospitality and other recurring income lines
- Gross profit of EGP4.34bn, up 16% y-o-y, of which 27% or EGP1.15bn was generated by recurring income lines
- Profit before minority interest and tax of EGP2.79bn, up 18% y-o-y
- Net profit after tax and minority interest of EGP2.0bn, up 18% y-o-y
- Net cash position of EGP2.8bn as at end-9M2022
- Debt-to-equity ratio of 24.7% only
- Total backlog of EGP70.0bn and remaining collections of EGP46.4bn

Financial review

TMG Holding closed 9M2022 with total consolidated revenues of EGP13.9bn, growing by a substantial 23% 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 EGP10.7bn, growing by a significant 17% y-o-y, supported by the timely delivery of 3,090 residential and non-residential units during the period. The gross margin on development operations came in at 30% in 9M2022, in line with the company's earlier guidance and historical track record. It is noteworthy that during 3Q2022, the company proceeded with new deliveries in Celia, its prime greenfield project in the heart of New Administrative Capital, where 1,105 apartments have been delivered so far in 2022. Total revenue from recurring income segments (hotels, sporting clubs, retail, and others) reached EGP3.24bn, up by an impressive 47% y-o-y. Strong occupancies and significant growth to hotel ARRs both in EGP terms and in USD, as well as the launch of the Four Seasons Sharm El Sheikh Extension, drove hospitality revenue up by a whopping 80% y-o-y to EGP1.5bn. Net income after tax and minority interest expense came in at EGP2.0bn in 9M2022, expanding by a strong 17.7% y-o-y. As of 30 September 2022, the total cash equivalents and liquid investment balance was at EGP11.9bn, while the company's net cash position stood at EGP2.8bn. Our debt-to-equity ratio stands at a secure 24.7%, 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

Net sales reach EGP21.0bn in 9M2022, well on track to meet FY2022 sales guidance of EGP24-26bn

During 9M2022, the company recorded net sales of EGP21.0bn, representing some 3,446 units. Sales in the same period last year were at EGP27.5bn, which was driven by the unprecedented success of Noor launch, which was unveiled in mid-2021 and recorded some EGP15bn in the first three weeks from the launch, achieving the highest sales figure in a launch for any real estate developer in Egypt. Madinaty, including its Privado neighbourhood, attracted the lion's share of residential demand during 9M2022, followed by new sales in Noor. The strong sales performance can be attributed to the company's well-adjusted sales strategy addressing the demand from retail and institutional clients with appropriately diversified product, as well as an unmatched understanding of the needs of our target segments of end-users and long-term investors. The ample end-user demand, supported by the success and recognition of our integrated cities which are now the hotspots of societal and economic activity in East Cairo, allows the Group to implement stable and consistent price increases and maintain stable profitability of our sales backlog upon delivery. We continue to offer very attractive and well-engineered payment plans for multitenant and stand-alone units, structured to improve product affordability and unlock yet untapped additional demand without affecting the company's liquidity and working capital position going forward. Longer payment plans are designed so that land and construction costs are recovered upon unit delivery, on average. Furthermore, payment plans applied in Noor, up to 15 years in length, were achieved through a unique hedging mechanism that eliminates any future interest rate risks on the Group. Thanks to this arrangement, TMG Holding will be able to discount receivables covering the first EGP33bn worth of sales in Noor at a cost already known today, which allowed the Group to price the product accurately and with no risk, and hedge against recent increases to policy rates. In addition to benefiting from ample end-user demand for our products, during the past three years, we have secured some EGP28bn worth of sales of residential and non-residential BuA to institutional investors representing the largest public and private financial institutions in the country, which extended their trust in the Group's vision, strategy, execution, project quality, delivery timeliness, and, most importantly, its ability to manage these properties efficiently to create value and maximize the return on their investment.

Our real estate sales backlog stood at an unmatched EGP70.0bn as at end-9M2022, reflecting the strong sales performance since 2H2017, adjusted for continuing timely deliveries across our projects. The backlog will result in total collections of EGP46.0bn (including some remaining collections from already delivered units) and net cash proceeds of over EGP21bn 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.

Our real estate development segment delivered revenues of EGP10.7bn in 9M2022, growing by 17% y-o-y. Development revenues in the first three quarters of 2022 were driven by the timely delivery of 3,090 real estate units, majority of which were in Madinaty and Celia.

Hotels and Resorts segment performance

Operational and financial results of the company's hotel segment during 3Q2022 have confirmed the strong performance of the previous quarters, which were marked by reinvigorated occupancies as COVID-19 pandemic loses its grip on global travel. Total revenue from hotel operations in 9M2022 came in at EGP1.48bn, driven by an average occupancy of 59% and an Average Room Rate of EGP5,669. Hospitality revenues in 3Q2022 confirmed the growth recorded in the first half of the year, growing by a substantial 33% y-o-y and coming in 17% ahead of the initial budget. The strong resilience of luxury leisure and business travel is exemplified by the remarkable top-line performance, and 2022 is on track to be the best year for our hospitality segment in TMG's recent history. Aside from the remarkable performance of FS Sharm El Shaikh following the launch of its extension in March this year, Cairo properties recorded a healthy growth in the top line performance, driven by very strong occupancy levels and on the back of strategical increases in ARRs in EGP and USD terms. Finally, Four Season San Stefano recorded a very good third quarter, in line with the usual seasonality patterns.

Hotel KPI summary

	Four Seasons Nile Plaza				*Four Seasons San Stefano*			
	FY2020	FY2021	9M2021	1H2022	FY2020	FY2021	9M2021	9M2022
ARR [EGP]	4,067	4,208	3,891	6,544	4,308	4,644	4,882	5,882
ARR [USD]	258	269	248	365	274	297	311	321
Occupancy	24.6%	50.6%	42.8%	63.8%	31.6%	51.3%	50.1%	54.0%
GOP [EGPmn]	22	208	105	387	-2	58	45	73
GOP margin	7.6%	40.3%	32.8%	55.7%	N/M	24.6%	25.4%	30.3%
EBITDA [EGPmn]	8	182	90	372	-11	48	37	64.8
EBITDA margin	2.9%	35.3%	28.0%	53.5%	N/M	20.2%	21.1%	27.1%

	Four Seasons Sharm El Sheikh				*Kempinski Nile Hotel*			
	FY2020	FY2021	9M2021	9M2022	FY2020	FY2021	9M2021	9M2022
ARR [EGP]	3,723	5,383	4,921	7,440	1,854	2,050	1,885	2,950
ARR [USD]	236	344	314	413	118	131	120	162
Occupancy	24.8%	54.8%	50.2%	41.5%	29.0%	57.7%	48.2%	81.2%
GOP [EGPmn]	-31	144	74	132	1	50	18	93
GOP margin	N/M	38.2%	30.1%	35.0%	2.0%	36.2%	21.7%	53.7%
EBITDA [EGPmn]	-38	111	54	114	-6	31	14	80.8
EBITDA margin	N/M	29.5%	22.2%	30.3%	N/M	22.1%	16.6%	46.9%

Consolidated income statement

In EGPmn, unless otherwise stated

	9M2021	9M2022	Change
Development revenue	9,103.6	10,679.8	17.3%
Development cost	(5,953.4)	(7,487.9)	25.8%
Gross profit from development	**3,150.1**	**3,191.9**	**1.3%**
Hospitality revenue	824.5	1,483.0	79.9%
Hospitality cost	(632.8)	(851.3)	34.5%
Gross profit from hospitality operations	**191.7**	**631.7**	**229.5%**
Other recurring revenue*	1,384.9	1,752.7	26.6%
Cost of other recurring revenue	(993.7)	(1,234.4)	24.2%
Gross profit from other recurring operations	**391.2**	**518.3**	**32.5%**
Total revenue	**11,313.0**	**13,915.4**	**23.0%**
Total gross profit	**3,733.0**	**4,341.9**	**16.3%**
Gross profit margin	33.0%	31.2%	-1.8pp
Selling and marketing expenses	(147.8)	(195.3)	32.1%
General, administrative, selling and marketing expenses	(490.3)	(479.0)	-2.3%
Universal Health Insurance Act	(28.3)	(36.3)	28.5%
Donations and governmental expenses	(227.2)	(377.4)	66.1%
Provisions (net)	(91.0)	(129.1)	41.8%
Other income	227.7	314.1	37.9%
Capital gain (loss)	2.8	1.6	-44.0%
BoD remuneration	(1.0)	(1.4)	45.5%
FX gain (loss)	2.6	193.9	N/M
Income before depreciation and financing expense	**2,980.6**	**3,633.1**	**21.9%**
Depreciation and amortisation	(238.9)	(248.3)	3.9%
Interest expense	(383.1)	(581.3)	51.7%
Net write-down of receivables	0.0	(9.0)	N/M
Revaluation of AFS investments	0.5	0.0	N/M
Net income before tax and minority interest expense	**2,359.1**	**2,794.4**	**18.5%**
Income tax	(655.6)	(829.0)	26.4%
Net income before minority interest	**1,703.5**	**1,965.5**	**15.4%**
Minority interest expense	(4.7)	34.2	N/M
Attributable net income	**1,698.8**	**1,999.7**	**17.7%**

Consolidated balance sheet
In EGPmn

	FY2021	9M2022
Property, plant and equipment	5,412.1	5,325.4
Investment properties	419.7	393.4
Intangible assets	3.6	3.5
Projects under construction	8,603.2	10,343.3
Goodwill	12,066.1	12,066.1
Investment in associates	68.9	68.9
Financial investments available for sale	500.2	530.1
Financial investments held to maturity	4,334.5	4,335.3
Other financial assets	687.0	572.5
Deferred tax assets	46.0	46.0
Total non-current assets	**32,141.4**	**33,684.5**
Development properties	58,839.9	72,087.8
Inventories	1,096.0	1,175.3
Notes receivable – for delivered units	4,029.2	3,591.3
Notes receivable – for undelivered units	31,190.3	26,472.5
Prepaid expenses and other debit balances	5,773.1	5,861.2
Financial investments held to maturity	2,242.9	1,683.3
Financial assets at fair value	111.6	121.0
Cash and cash equivalents	3,293.5	5,185.0
Total current assets	**106,576.5**	**116,177.5**
Total assets	**138,717.8**	**149,862.0**
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)	27.0
Revaluation reserve	7.5	7.5
Retained earnings	12,894.3	14,444.3
Shareholders' equity	**33,934.1**	**35,541.1**
Minority interest	1,109.4	1,075.1
Total equity	**35,043.5**	**36,616.3**
Bank loans	4,307.2	5,058.4
Sukuk	1,750.0	1,750.0
Long-term liabilities	21,471.0	18,707.3
Other financial obligations	659.3	513.5
Deferred tax liabilities	192.8	294.3
Total non-current liabilities	**28,380.3**	**26,323.5**
Bank overdrafts	6.0	43.8
Bank facilities	1,522.7	1,177.1
Current portion of bank loans	1,580.0	763.7
Current portion of sukuk	250.0	250.0
Notes payable	7,775.4	10,263.8
Advance payments - collected	20,017.5	32,951.6
Advance payments - checks	31,190.3	26,472.5
Dividends payable	102.7	76.3
Provisions	183.8	294.6
Taxes payable	1,135.6	975.1
Accrued expenses and other credit balances	11,530.0	13,653.8
Total current liabilities	**75,294.1**	**86,922.3**
Total liabilities	**103,674.3**	**113,245.7**

Condensed cash flow statement

In EGPmn

	9M2021	9M2022
Net profit before taxes and non-controlling interest	2,359.1	2,794.4
Depreciation and amortization	238.9	248.3
Other adjustments	(142.6)	(280.7)
Gross operating cash flow	**2,455.4**	**2,762.1**
Net working capital changes	2,780.9	4,573.2
Change in accrued income tax	(685.5)	(888.0)
Net operating cash flow	**2,095.3**	**3,685.1**
Net investment cash flow	**(2,350.0)**	**(1,170.4)**
Net financing cash flow	**991.2**	**(859.6)**
FX impact	2.6	168.5
Net change in cash	**739.1**	**1,823.6**

— 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 1,084 operational rooms in Cairo, Sharm El Sheikh and Alexandria, and 877 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 September 2022