TMG Holding announces record results in FY2023, with property sales of EGP142.8bn, up 4x y-o-y; unveils a new project in KSA and completes hospitality arm expansion

Talaat Moustafa Group Holding (TMG Holding) has released its consolidated financial results for the financial year ending on the 31st of December 2023 (FY2023).

Key FY2023 financial highlights

- Total revenues of EGP28.4bn, up 43% y-o-y, of which 24% or EGP6.9bn was generated from hospitality and other recurring income lines
- Gross profit of EGP8.6bn, up 38% y-o-y, of which 32% or EGP2.7bn was generated by recurring income lines, in addition to EGP1.3bn of other income
- Profit before minority interest and tax of EGP5.0bn, up 49% y-o-y
- Net profit after tax and minority interest of EGP3.3bn, up 44% y-o-y
- Net cash position of EGP7.7bn as at end-4Q2023
- Total backlog of EGP145bn, up from EGP77bn in FY2022, and remaining collections of EGP121bn

Financial review

TMG Holding closed FY2023 achieving total consolidated revenues of EGP28.4bn, expanding significantly by 43% y-o-y. This remarkable performance was driven by solid growth in real estate deliveries and in recurring income lines. Development revenue reached EGP21.6bn, showing a substantial increase of 47% y-o-y. This growth was supported by the timely delivery of 2,661 residential and non-residential properties in the Group's projects. Furthermore, the recurring income segments, which include hotels, sporting clubs, retail, and other activities, experienced remarkable growth of 32% y-o-y. These segments contributed EGP6.85bn or 24% to the total revenue. Additionally, the Group recorded EGP1.3bn in other income, stemming primarily from commissions associated to the resales for third parties, a novel and unique recurring revenue stream emerging during 2023. TMG Holding's net income after tax and minority interest expense reached EGP3.31bn, expanding by a robust 44% year-on-year.

TMG Holding maintained a strong financial position with total cash equivalents and liquid investments amounting to EGP18.8bn. The company's net cash position stood at EGP7.7bn, highlighting its solid liquidity. Debt-to-equity ratio remained secure at 29% (1 to 3.5) as at end 2024, one of the lowest in the market. Importantly, in line with previous guidance, the Group's hospitality arm has completed the early settlement of approximately USD220mn of foreign exchange-denominated liabilities in March 2024. This will significantly reduce the risk of the operation and release additional foreign exchange-denominated cash flows that were previously allocated to servicing these liabilities. As a result, the Group's debt-to-equity ratio is now estimated at just 11% (1 to 9).

Residential and non-residential sales performance

Total new sales in FY2023 soared to an unprecedented EGP142.8bn, marking the highest sales ever recorded in the history of the company and surpassing any other real estate firms in Egypt in the market's history. Total new sales comprise of EGP94.9bn in core sales and EGP47.8bn in sales generated for third parties, for which the company earns a commission. This remarkable accomplishment not only exceeds the guidance set at the beginning of the year but also significantly beats the Group's sales performance from previous years, with the FY2023 sales figure coming in at over 4x higher than last year's figure. The unparalleled increase in sales value was driven by both the price increases and by a deep real demand, resulting in high volumes, and rooted in factors such as a young population, a high rate of household formation, a rapid growth in the areas where the company concentrates, a cultural-embedded conviction of the investability of real estate products and, most importantly, the trust attributed to the TMG brand.

Moreover, resale of previously sold units is a new businesses line that became prominent during the year and allows the Group to generate additional high-margin income, that has the potential to more than compensate the company's annual selling, general and administrative expenses.

Throughout the year, the Group continued to expand its diverse product portfolio with innovative ideas and new living concepts, with modern well-thought products ranging from small one-bedroom units to large luxury serviced apartments and villas, as well as a range of non-residential units, such as retail shops, medical clinics, and office spaces, available in the Group's new malls and district centres. Importantly, we attribute our solid and unmatched sales performance to our outstanding brand-equity and customer trust, underpinned by timely deliveries, superb infrastructure already in place, presence in our locations of international and local brands, unmatched after-sale service and maintenance, as well as to the management's ability to answer consistently to the needs of the local market, addressed through a well-crafted strategy, and appropriately priced products.

The massive residential demand seen this year was further strengthened by non-residential demand, with some 14% of total sales in FY2023 pertaining to non-residential assets and services. Additionally, TMG commenced sales of distinctive burial plots in Madinaty in the second half of 2023, yet again proving that it can accurately identify developing market needs and utilize its assets to extract additional value of shareholders with innovative products. This portfolio was almost sold-out by year-end, generating sales of approximately EGP857mn. Moreover, stand-alone club membership sales contributed EGP1.7bn to total sales, or 4,685 memberships, increasing y-o-y by a factor of 4x in value terms, compared to EGP426mn, or 1,669 memberships sold in FY2022. Clubs are an important lifestyle element in TMG marketing approach, representing an attractive selling point to the affluent and rapidly growing population. This achievement aligns with the management's vision of enhancing the Group's recurring income portfolio, which provides stable and predictable revenue streams. The inclusion of segments such as sporting clubs contributes to this goal.

The backlog of sold but not yet delivered units stood at a remarkable EGP145bn as of FY2023. It is the highest such backlog in Egypt and will be converted into future revenue within the next 5 years as the units get delivered. This provides solid visibility on the revenue and earnings growth of the Group in the coming period. The backlog will result in total collections of EGP121bn (including remaining collections from already delivered units) and net cash proceeds of over EGP59bn, after expensing the remainder of construction costs before delivery of these units. The company expects to maintain and further improve its profitability on the back of the large and already incurred expenditures on sites (e.g. completed infrastructure, low land cost etc.), as well as ever-growing economies of scale.

International expansion

In September 2023, TMG Holding made an exciting announcement regarding its international expansion into Saudi Arabia. The Group unveiled plans for a ground-breaking smart city called Banan, situated in east Riyadh and covering a vast area of 10mn square meters. This innovative project aims to create a sustainable mixed-use development, leveraging smart technologies and encompassing residential units and integrated services. Approximately 40% of the land will be dedicated to green spaces, emphasizing the commitment to environmental consciousness and focus to the quality of life for future residents. This new venture aligns perfectly with the Group's overarching vision of constructing modern, innovative, and sustainable cities, supported by the company's extensive experience of over 50 years in Egypt, that enhance the quality of life for local communities. It also aspires to serve as a role model for sustainable urban development and innovation in line with the Saudi Vision 2030. Importantly, the project is expected to generate a long-term source of income denominated in USD-pegged currency. This will be derived from the sales of residential units and the leasing of commercial properties, bolstering the outlook for future dividends. This endeavour marks TMG Holding's first international expansion, establishing a strong foundation for potential regional and global presence in the future.

Acquisition of a majority stake with management rights in a sizable portfolio of 7 unique hotels in Cairo, Alexandria, Luxor and Aswan

Last but not least, the Group concluded the year with a major announcement on signing definitive agreements for the acquisition of a stake with management rights in a sizable portfolio of seven unique hotels in Cairo, Alexandria, Luxor and Aswan. The acquisition was completed in February 2024. Through this acquisition the Group's hospitality arm will control 15 iconic properties, already operating and under development, located in the most sought-after locations in the country, totalling some 5,000 rooms upon full completion, consolidating TMG's position as the leading player in Egypt's upper upscale and luxury hospitality segment. The acquisition is in line with the Group's strategy to maximize the recurring income activities for the company in the medium-term, boosting its foreign currency resources, as well as creating additional spare liquidity for future dividend pay-outs and/or reinvestment in quality recurring income assets.

The acquisition is initially expected to more than double the ICON Group's consolidated USD hotel revenues in 2024. This is expected to continue to increase steadily over the coming years as planned renovations and upgrades of the 7 hotels and the improvements to the commercial strategy together with the opening of the new ICON hotels are concluded.

Hotels and Resorts segment performance

The hospitality segment delivered remarkable results in FY2023, in line with the budget and surpassing last year's performance, both in terms of revenues and EBITDA. The segment generated revenues of EGP3.54bn, up 38% year-on-year. The EBITDA reached EGP1.56bn, at a margin of 44%, and was up 33% y-o-y.

All properties recorded high ARRs, reaching consolidated levels of EGP10,140 or USD330, compared to last year's rate of EGP6,866 or USD347. The occupancy came in at 60%, unchanged y-o-y. Peak occupancy was achieved in the Cairo properties, with Four Seasons Nile Plaza reaching 66% and Kempinski 77%.

Since the start of the events concerning the Gaza Strip on October 7, 2023, TMG's executive management immediately took action in dealing and containing the negative effects that these events had on tourism and travel activity, as they resulted in some decrease in the average occupancy rate affecting Sharm El Sheikh hotels, due to their vicinity to area. The executive management team, through continuous meetings, careful and timely follow-up, also in cooperation with the management companies, has mitigated the impact in Cairo hotels. The negative effects still affect the Sharm El Sheikh property, due to the continuation of the conflict in the Gaza Strip.

Hotel KPI summary

	Four Seasons Nile Plaza				*Four Seasons San Stefano*			
	FY2022	**FY2023**	**4Q2022**	**4Q2023**	**FY2022**	**FY2023**	**4Q2022**	**4Q2023**
ARR [EGP]	7,520	11,108	10,139	11,830	5,844	8,766	4,254	6,900
ARR [USD]	385	363	439	383	304	285	253	236
Occupancy	65%	66%	71%	64%	53%	53%	55%	51%
GOP [EGPmn]	615	903	227	241	89	151	17	25
GOP margin	57%	57%	60%	56%	28%	32%	22%	24%
EBITDA [EGPmn]	599	831	227	206	83	131	18	21
EBITDA margin	56%	52%	60%	48%	26%	28%	24%	20%

	Four Seasons Sharm El Sheikh				*Kempinski Nile Hotel*			
	FY2022	**FY2023**	**4Q2022**	**4Q2023**	**FY2022**	**FY2023**	**4Q2022**	**4Q2023**
ARR [EGP]	10,985	13,726	20,637	13,713	3,456	6,320	4,888	6,890
ARR [USD]	539	447	881	444	175	205	211	223
Occupancy	42%	43%	42%	32%	82%	77%	85%	76%
GOP [EGPmn]	497	418	365	70	163	268	70	76
GOP margin	55%	41%	70%	36%	58%	58%	65%	58%
EBITDA [EGPmn]	349	361	235	53	145	238	56	51
EBITDA margin	39%	36%	45%	27%	52%	52%	52%	39%

Consolidated income statement

In EGPmn, unless otherwise stated

	FY2022	FY2023	Change
Development revenue	14,671.5	21,578.7	47%
Development cost	(10,446.4)	(15,665.6)	50%
Gross profit from development	**4,225.1**	**5,913.1**	**40%**
Hospitality revenue	2,565.6	3,540.9	38%
Hospitality cost	(1,403.6)	(2,001.8)	43%
Gross profit from hospitality operations	**1,162.0**	**1,539.1**	**32%**
Other recurring revenue*	2,633.4	3,311.7	26%
Cost of other recurring revenue	(1,781.8)	(2,126.6)	19%
Gross profit from other recurring operations	**851.6**	**1,185.1**	**39%**
Total revenue	**19,870.5**	**28,431.4**	**43%**
Total gross profit	**6,238.6**	**8,637.3**	**38%**
Gross profit margin	31.4%	30.4%	-102%
Selling and marketing expenses	(280.6)	(273.5)	-3%
General, administrative, selling and marketing expenses	(784.9)	(968.9)	23%
Universal Health Insurance Act	(53.9)	(81.9)	52%
Donations and governmental expenses	(593.0)	(484.1)	-18%
Provisions (net)	(172.7)	(553.3)	220%
Other income	503.6	1,323.5	163%
Capital gain (loss)	4.1	6.3	52%
BoD remuneration	(1.8)	(2.8)	55%
FX gain (loss)	350.1	(34.1)	N/M
Income before depreciation and financing expense	**5,209.5**	**7,568.6**	**45%**
Depreciation and amortisation	(343.7)	(491.8)	43%
Interest expense	(882.3)	(1,414.7)	60%
Net write-down of receivables	(5.6)	(25.0)	N/M
Goodwill write-down	(605.0)	(614.6)	2%
Net income before tax and minority interest expense	**3,372.8**	**5,022.4**	**49%**
Income tax	(1,142.8)	(1,675.1)	47%
Net income before minority interest	**2,230.0**	**3,347.3**	**50%**
Minority interest	74.5	(33.9)	N/M
Attributable net income	**2,304.5**	**3,313.3**	**44%**

Consolidated balance sheet

In EGPmn

	FY2022	FY2023
Property, plant and equipment	6,359.6	6,465.3
Investment properties	2,264.4	2,122.3
Intangible assets	3.3	10.5
Projects under construction	10,517.5	13,154.3
Goodwill	11,461.1	10,846.5
Investment in associates	96.8	103.9
Financial investments available for sale	622.0	854.3
Financial investments held to maturity	4,209.8	3,972.2
Other financial assets	534.4	381.7
Deferred tax assets	75.8	258.6
Usufruct rights	0.0	81.4
Total non-current assets	**36,144.6**	**38,250.9**
Development properties	73,746.0	89,847.2
Inventories	971.6	1,143.3
Notes receivable – for delivered units	4,696.2	9,908.0
Notes receivable – for undelivered units	33,186.0	37,479.2
Prepaid expenses and other debit balances	5,772.5	10,444.1
Financial investments held to maturity	1,680.1	6,171.0
Hotel current assets	1,107.3	979.7
Financial assets at fair value	243.0	309.6
Cash and cash equivalents	5,829.8	7,501.4
Total current assets	**127,232.5**	**163,783.6**
Total assets	**163,377.1**	**202,034.5**
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	208.2
Revaluation reserve	19.9	85.8
Retained earnings	14,699.2	16,959.4
Shareholders' equity	**35,893.4**	**38,348.8**
Minority interest	1,034.9	667.0
Total equity	**36,928.3**	**39,015.8**
Bank loans	5,423.8	9,585.5
Sukuk	1,400.0	0.0
Long-term liabilities	14,046.7	23,309.7
Other financial obligations	470.6	338.7
Deferred tax liabilities	351.9	539.4
Long term lease liabilities	0.0	61.4
Total non-current liabilities	**21,692.9**	**33,834.7**
Bank overdrafts	47.2	6.4
Bank facilities	1,371.9	985.7
Current portion of bank loans	251.1	567.5
Current portion of sukuk	350.0	0.0
Notes payable	16,197.7	13,471.6
Advance payments - collected	36,467.8	48,929.2
Advance payments - checks	33,186.0	37,479.2
Dividends payable	98.4	102.5
Provisions	306.0	804.4
Taxes payable	1,057.6	1,569.5
Hotels current liabilities	710.3	842.6
Accrued expenses and other credit balances	14,711.6	24,415.4
Current lease liabilities	0.0	9.9
Total current liabilities	**104,755.8**	**129,184.0**
Total liabilities	**126,448.7**	**163,018.7**

Condensed cash flow statement

In EGPmn

	FY2022	FY2023
Net profit before taxes and non-controlling interest	3,372.8	5,022.4
Depreciation and amortization	343.7	491.8
Other adjustments	109.2	504.5
Gross operating cash flow	**3,825.8**	**6,018.7**
Net working capital changes	6,577.7	8,805.8
Change in accrued income tax	(1,086.4)	(1,169.7)
Net operating cash flow	**5,491.3**	**7,636.1**
Net investment cash flow	**(2,370.9)**	**(6,898.6)**
Net financing cash flow	**(1,089.8)**	**912.7**
FX impact	350.1	(34.1)
Net change in cash	**2,380.7**	**1,616.1**

— 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 additional 10 million square meters in Riyadh, Saudi Arabia. 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. The company concluded the acquisition of a significant stake in 7 historical properties located at high traffic locations across the country, which increase the room count by c2,500 keys.

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 2023