

TMG Holding achieves record-high new sales of EGP93.1bn in 9M2023, and announces international expansion in KSA; attributable net income grows by a strong 34% y-o-y

Talaat Moustafa Group Holding (TMG Holding) has released its consolidated financial results for the 9 months of the year, ending on the 30th of September 2023 (9M2023).

Key 9M2023 financial highlights

- Total revenues of EGP18.4bn, up 32% y-o-y, of which 27% or EGP4.9bn was generated from hospitality and other recurring income lines.
- Gross profit of EGP5.6bn, up 29% y-o-y, of which 35% or EGP1.9bn was generated by recurring income lines.
- Profit before minority interest and tax of EGP3.8bn, up 35% y-o-y
- Net profit after tax and minority interest of EGP2.7bn, up 34% y-o-y
- Net cash position of EGP7.4bn as at end-2Q2023
- Total backlog of EGP123bn and remaining collections of EGP101bn

Key 3Q2023 financial highlights

- Total revenues of EGP7.7bn, up 13% y-o-y, of which 21% or EGP1.6bn was generated from hospitality and other recurring income lines.
- Gross profit of EGP2.2bn, up 10% y-o-y, of which 25% or EGP541mn was generated by recurring income lines.
- Profit before minority interest and tax of EGP1.6bn, up 21% y-o-y
- Net profit after tax and minority interest of EGP1.1mn, up 27% y-o-y

Financial review

During 9M2023, TMG Holding achieved total consolidated revenues of EGP18.4bn, expanding significantly by 32% compared to the same period last year. This remarkable performance was driven by solid growth across all income lines. Development revenue reached EGP13.5bn, showing a substantial increase of 27% year-on-year. This growth was supported by the timely delivery of 1,833 residential and non-residential properties in the Group's projects. Furthermore, TMG Holding experienced exceptional growth in its recurring income segments, including hotels, sporting clubs, retail, and others. These segments contributed EGP4.89bn to the total revenue, marking an impressive 51% year-on-year increase. The hospitality sector, in particular, witnessed high occupancies and average room rates (ARRs) in both EGP and USD terms, further confirming the company's strong performance. TMG Holding's net income after tax and minority interest expense reached EGP2.68bn, expanding by a robust 34% year-on-year.

TMG Holding maintained a strong financial position with total cash equivalents and liquid investments amounting to EGP16.4bn. The company's net cash position stood at EGP7.4bn, highlighting its solid liquidity. Debt-to-equity ratio remains secure at 27.9%, one of the lowest in the market. The majority of the company's debt is tied to recurring income segments and is attractively priced, ensuring minimal impact on the business in the event of a temporary market slowdown.

Residential and non-residential sales performance

During the first nine months of 2023, the company achieved total sales of EGP93.1bn, which is the highest sales figure reported by any Egyptian real estate developer in known history, and a solid testimony to the strength of TMG branding, quality of its projects, and the persistently deep and unmet real demand in the local market, despite the recent price appreciation. This impressive number was comprised of EGP60.7bn in core sales and EGP32.5bn in sales generated for third parties, for which the company earns a commission. This remarkable demand is driven by factors such as a young population, a high rate of household formation, and a rapid growth of areas where the company concentrates. In terms of units sold by the company during the period, we have reached over 8,200 across projects (core sales only), compared to 3,400 units sold in the same period last year.

The backlog of sold but not yet delivered units stood at a remarkable EGP123bn as of 9M2023. 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 EGP101bn (including remaining collections from already delivered units) and net cash proceeds of over EGP64bn, 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

On the back of over 50 years of successes achieved at home, in September TMG announced the signing of an agreement with the Saudi National Housing Company, the investment arm of the Ministry of Municipal and Rural Affairs and Housing, to develop a new sustainable city in Riyadh, named Banan. The project is planned as a mixed-use integrated and sustainable community, powered by smart technologies, to be developed on an area of 10 million square meters and boasting 27,750 residential units, with some 40% of the land area to be allocated to green spaces. The total investment cost is estimated at SAR40bn, which will be self-funded through the off-plan sales model. The long-term value of the project will also be generated from the leasing of non-residential areas, which will provide a high-margin source of recurring income at denominated in a USD-pegged currency.

The project comes in line with the Group's vision of developing modern, innovative, and sustainable cities, aiming at improving the standard of living of the local communities, and intends to become a model for sustainable urban development and innovation in the Kingdom, in line with Saudi Vision 2030.

Hotels and Resorts segment performance

The hospitality segment delivered remarkable results in 9M2023, in line with the budget and surpassing last year's performance. The segment generated revenues of EGP2.68bn, up by a substantial 81% year-on-year and significantly over the budget of EGP2.31bn. EBITDA reached EGP1.23bn, at a margin of 46%, and was up 92.3% y-o-y as well as above the budget by 20.4%.

All properties recorded high ARR, increasing on a consolidated level in both EGP and USD terms. The segment recorded a consolidated ARR of EGP10,132 or USD331, compared to last year's rate of EGP5,669 or USD314. Growth recorded in USD terms reflects the healthy demand that we recorded in the period. The occupancy came in at 61%, compared to last year performance of 59%. Peak occupancy was achieved in the Cairo properties, with Four Seasons Nile Plaza reaching 67% and Kempinski 77%. Four Seasons Sharm El Sheikh achieved the highest ARR, reaching EGP13,729 or USD448.

In the same period, TMG, through its hotel arm - the Arab Company for Hotel and Tourism Investments (ICON) - submitted an offer to acquire a significant stake and management rights in several unique hotels in Cairo, Alexandria, Luxor and Aswan. Through the acquisition, c2,500 keys will be added to the hotel portfolio, further strengthening the Group's sources of FX-denominated revenues in the medium-term.

Hotel KPI summary

	<i>Four Seasons Nile Plaza</i>				<i>Four Seasons San Stefano</i>			
	FY2021	FY2022	9M2022	9M2023	FY2021	FY2022	9M2022	9M2023
ARR [EGP]	4,208	7,520	6,544	10,868	4,644	5,844	5,882	9,233
ARR [USD]	269	385	365	356	296	304	321	301
Occupancy	51%	65%	64%	67%	51%	53%	54%	54%
GOP [EGPmn]	208	615	387	662	58	89	73	126
GOP margin	40%	57%	56%	57%	25%	28%	30%	34%
EBITDA [EGPmn]	182	599	372	625	48	83	65	110
EBITDA margin	35%	56%	54%	54%	20%	26%	27%	30%

	<i>Four Seasons Sharm El Sheikh</i>				<i>Kempinski Nile Hotel</i>			
	FY2021	FY2022	9M2022	9M2023	FY2021	FY2022	9M2022	9M2023
ARR [EGP]	5,383	10,985	7,440	13,729	2,050	3,456	2,950	6,128
ARR [USD]	343	539	413	448	131	175	162	199
Occupancy	55%	42%	41%	47%	58%	82%	81%	77%
GOP [EGPmn]	144	497	132	348	50	163	93	191
GOP margin	38%	55%	35%	43%	36%	58%	54%	58%
EBITDA [EGPmn]	111	349	114	308	36	145	89	187
EBITDA margin	29%	39%	30%	38%	26%	52%	52%	57%

Consolidated income statement

In EGPmn, unless otherwise stated

	9M2022	9M2023	Change
Development revenue	10,679.8	13,522.0	27%
Development cost	(7,487.9)	(9,860.8)	32%
Gross profit from development	3,191.9	3,661.2	15%
Hospitality revenue	1,483.0	2,676.9	81%
Hospitality cost	(851.3)	(1,462.4)	72%
Gross profit from hospitality operations	631.7	1,214.5	92%
Other recurring revenue*	1,752.7	2,215.6	26%
Cost of other recurring revenue	(1,234.4)	(1,493.8)	21%
Gross profit from other recurring operations	518.3	721.8	39%
Total revenue	13,915.4	18,414.5	32%
Total gross profit	4,341.9	5,597.5	29%
<i>Gross profit margin</i>	31.2%	30.4%	-80%
Selling and marketing expenses	(195.3)	(217.5)	11%
General, administrative, selling and marketing expenses	(479.0)	(512.1)	7%
Universal Health Insurance Act	(36.3)	(58.6)	61%
Donations and governmental expenses	(377.4)	(372.0)	-1%
Provisions (net)	(129.1)	(250.0)	94%
Other income	314.1	852.5	171%
Capital gain (loss)	1.6	4.3	172%
BoD remuneration	(1.4)	(2.2)	59%
FX gain (loss)	193.9	73.4	-62%
Income before depreciation and financing expense	3,633.1	5,115.3	41%
Depreciation and amortisation	(248.3)	(363.4)	46%
Interest expense	(581.3)	(956.5)	65%
Net write-down of receivables	(9.0)	(22.4)	148%
Net income before tax and minority interest expense	2,794.4	3,773.0	35%
Income tax	(829.0)	(1,079.6)	30%
Net income before minority interest	1,965.5	2,693.4	37%
Minority interest	34.2	(9.4)	N/M
Attributable net income	1,999.7	2,684.0	34%

Consolidated balance sheet

In EGPmn

	FY2022	9M2023
Property, plant and equipment	6,359.6	6,251.5
Investment properties	2,264.4	2,146.9
Intangible assets	3.3	3.5
Projects under construction	10,517.5	12,755.7
Goodwill	11,461.1	11,461.1
Investment in associates	96.8	107.3
Financial investments available for sale	622.0	719.9
Financial investments held to maturity	4,209.8	3,976.9
Other financial assets	534.4	419.8
Deferred tax assets	75.8	230.4
Total non-current assets	36,144.6	38,073.1
Development properties	73,746.0	86,468.5
Inventories	971.6	1,011.5
Notes receivable – for delivered units	4,696.2	9,379.0
Notes receivable – for undelivered units	33,186.0	38,742.9
Prepaid expenses and other debit balances	5,772.5	9,362.8
Financial investments held to maturity	1,680.1	3,860.7
Hotel current assets	1,107.3	972.6
Financial assets at fair value	243.0	304.2
Cash and cash equivalents	5,829.8	9,548.2
Total current assets	127,232.5	159,650.4
Total assets	163,377.1	197,723.5
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	209.9
Revaluation reserve	19.9	19.9
Retained earnings	14,699.2	16,900.6
Shareholders' equity	35,893.4	38,225.8
Minority interest	1,034.9	1,096.3
Total equity	36,928.3	39,322.1
Bank loans	5,423.8	9,416.2
Sukuk	1,400.0	0.0
Long-term liabilities	14,046.7	22,955.2
Other financial obligations	470.6	361.0
Deferred tax liabilities	351.9	569.3
Total non-current liabilities	21,692.9	33,301.6
Bank overdrafts	47.2	9.5
Bank facilities	1,371.9	991.6
Current portion of bank loans	251.1	554.8
Current portion of sukuk	350.0	0.0
Notes payable	16,197.7	15,474.8
Advance payments - collected	36,467.8	45,630.6
Advance payments - checks	33,186.0	38,742.9
Dividends payable	98.4	55.5
Provisions	306.0	501.9
Taxes payable	1,057.6	1,158.1
Hotels current liabilities	710.3	849.4
Accrued expenses and other credit balances	14,711.6	21,130.6
Total current liabilities	104,755.8	125,099.8
Total liabilities	126,448.7	158,401.4

Condensed cash flow statement

In EGPmn

	9M2022	9M2023
Net profit before taxes and non-controlling interest	2,794.4	3,773.0
Depreciation and amortization	248.3	363.4
Other adjustments	(280.7)	(295.9)
Gross operating cash flow	2,762.1	3,840.5
Net working capital changes	4,573.2	6,832.1
Change in accrued income tax	(888.0)	(916.2)
Net operating cash flow	3,685.1	5,915.8
Net investment cash flow	(1,170.4)	(4,056.5)
Net financing cash flow	(859.6)	1,725.4
FX impact	168.5	73.4
Net change in cash	1,823.6	3,658.0

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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 is in the process of acquiring a significant stake in 7 historical properties located at high traffic locations across the country, which will 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 30 September 2023

