

## EXECUTIVE MANAGEMENT REPORT ON THE GROUP'S BUSINESS RESULTS FOR THE FINANCIAL PERIOD ENDING 30 SEPTEMBER 2024

Talaat Moustafa Group Holding ("TMG Holding," "TMG," or "the Group") has achieved remarkable business results during the first nine months of 2024 and continuing through to the date of this report. Across all business segments, TMG has maintained its rapid growth trajectory, reaching new performance milestones and positioning itself strongly for an ambitious regional expansion. This expansion aims to secure increased hard-currency revenue, tap into stable growth in neighboring markets, and potentially establish new markets altogether. Since 2017, the executive management team has consistently delivered on its strategic guidance, focusing on:

- i) **Maintaining and growing sales momentum:** TMG has achieved record sales of EGP 470 billion year-to-date (amounting to approximately USD 9.4 billion). These unprecedented sales figures were boosted by the Group's entry into Saudi Arabia (the fastest growing economy in MENA today) with Banan project in Riyadh, and the remarkable launch of SouthMed project in the North Coast on the Mediterranean Sea.
- ii) **Expanding the hotel arm and other recurring income lines:** The Group has significantly grown its hospitality segment and other recurring income streams, by acquiring seven iconic historical assets in Egypt and adding more than 2,500 hotel rooms to its portfolio, providing stable and predictable revenue stream. Accordingly, recurring income revenues (including hotels, recurring revenue and service sector) have grown 2.4x to EGP 11.9 billion in first nine months of 2024 from EGP 4.9 billion in first nine months of 2023. Importantly, recurring revenue represented 43% of the total consolidated revenue in the period, compared to 27% for the same period in 2023.
- iii) **Accelerating asset monetization:** Strategic asset monetization has improved liquidity and financial stability, enabling reinvestment in high-growth opportunities as evident by our cash balance of EGP 44.8 billion as of 30 September 2024
- iv) **Expanding the land bank:** Management followed a prudent expansion plan of landbank and project inventory whereby the first nine months have witnessed the successful entry into Saudi Arabia through the 10 million square meters (sqm) Banan project and the 23 million sqm development agreement in the North Coast, enhancing the Group's profitability and cash flows.
- v) **Preserving capital appreciation while hedging through the expansion of foreign currency income streams:** The Group's development of unique real estate assets, especially within the hospitality assets and in Saudi Arabia has generated substantial foreign currency income, shielding TMG from any currency risks in Egypt.

Meeting these objectives and securing a series of unique partnerships and acquisitions over the past period have effectively transformed the Group into a significant exporter of real estate and tourism services. This transformation has generated substantial income in foreign currency, effectively hedging the value of its operations with unique real estate assets and projects. These assets not only preserve but also increase in value, providing monetary upside in case of any currency risks. This performance underscores the strength and resilience of TMG, positioning the Group for rapid growth in Egypt and international markets, and would further boost shareholders' returns in the future.

By 2024, the Group's operational and financial performance has met and continues to meet all these strategic objectives, significantly surpassing initial expectations and securing remarkable growth and financial security anticipated in the coming years. This growth is supported by the Group's resilient, flexible and low-risk business model, designed to deliver strong investor returns. Following is a summary of the business results and the executive management's efforts that led to these achievements during the first nine months of 2024 ("9M 2024").



## SECTION ONE: REAL ESTATE SECTOR

### 1. Property sales:

The nine months of 2024 witnessed the preparation and launch of two record breaking projects – Banan in Saudi Arabia and SouthMed on Egypt's North Coast. As of the beginning of November 2024, following both launches, the Group's sales sector achieved an unprecedented and record-high sales result of EGP 470 billion (equivalent to some USD 9.4 billion) booked until November 6, representing a remarkable growth of 4.3x times year-over-year, compared to the EGP 108 billion achieved in the same period last year. The exceptional performance and strategic foresight of management have positioned the Group for continued success and growth. The unwavering commitment to excellence and innovation continues to drive the company forward, setting new industry standards and delivering unparalleled value to our stakeholders. The remarkable sales figures were significantly boosted by the highly successful launch of the SouthMed project on Egypt's North Coast, and by our strategic entry into Saudi Arabia, the fastest-growing economy in the MENA region, with Banan, TMG's first project in Riyadh.

Sales and reservations in SouthMed, our new pioneering mixed-use sustainable leisure destination on Egypt's North Coast, have reached over EGP 280 billion (equivalent to USD 5.6 billion) within just months from the project's launch at the beginning of July. This record-breaking performance underscores the robust strength of TMG's brand equity, client trust, and the high demand for its products locally and internationally. A significant portion of sales in SouthMed was achieved through TMG's extensive network of foreign sales branches in the Gulf countries as well as through its state-of-the-art online channels which played a crucial role in achieving these sales figures, showcasing the Group's innovative approach to market reach. Importantly, the unique asset-light and low-risk development model for SouthMed has proven highly effective, whereby collections from clients booked to date have generated future income exceeding EGP 1.5 billion since launch, with expectations for further growth from ongoing collections and future sales.

Meanwhile, the sustainable city project Banan in Saudi Arabia, launched in mid-May 2024, has generated total sales exceeding EGP 53 billion to date, providing a strong testimony to TMG's success and recognition not just in Egypt but also regionally, immediately beating the company's internal sales targets for the entire year in this project. It is noteworthy that all the sales in Banan were made in Saudi Arabian Riyal, a USD-pegged currency, which will further strengthen the Group's ability to build its hard currency revenue streams. The commercial success of Banan was unprecedented in the Saudi Arabian market and confirms cross-border recognition of TMG branding.

During 9M 2024 alone, total sales soared to EGP 454 billion compared to EGP 93.1 billion booked in the same period last year, marking a phenomenal year-over-year growth of approximately 5 times. This figure included sales of the Group's real estate companies amounting to EGP 142.6 billion, of which EGP 52 billion were achieved in Banan, which is the first internationally launched project of TMG, in addition to some EGP 34.0 billion of sales for third parties. The group is entitled to sales commissions from the third-party sales, which offset general and administrative expenses. This is achieved through the strategic plans developed by the management, which are meticulously designed. Additionally, the management adopts a long-term vision that is successfully implemented, leading to the enhancement and growth of the group's diverse income sources.

The sales recorded so far in 2024 strongly testify to the accuracy of our commercial strategy, which includes product diversification, pricing, sales outreach, design, engineering, and diligent market research. These sales are primarily driven by genuine end-user demand for our state-of-the-art products. It is noteworthy that the 9M 2024 sales results include stand-alone sporting clubs' membership sales totaling some EGP 1.7 billion, representing 3,607 memberships and compared to EGP 781 million and 2,236 memberships sold in the same period last year, respectively. This implies a remarkable year-over-year growth of 61% in terms of memberships and 113% in terms of their value. These results reliably indicate robust end-user rather than speculative demand in TMG-branded communities, as the memberships are non-resalable and therefore not considered an investment product, acquired solely for life-style purposes.

### 2. Sales backlog:

The backlog of recorded and yet undelivered sales (sales backlog) as of September 30, 2024 amounted to EGP 270 billion, compared to EGP 123 billion in the same period of the previous year, with a massive growth rate of 120% year-over-year. This increase is attributed to the significant surge in sales achieved by the Group during the past 12 months, with the



backlog being stable and underpinned by a high-quality customer base, characteristic of real end-user demand. The backlog represents some 37 thousand residential and non-residential units to be delivered within the coming 4-5 years, providing a strong visibility on the Group's anticipated revenue recognition and profits going forward. The company expects to maintain and further improve the backlog's profitability, given the expenditures already made on sites (such as completed infrastructure) and low historical cost of land, and any future savings in construction material costs, helped by the Group's massive liquidity and purchasing power, securing future profits and strong income growth rates for the Group.

## **SECTION TWO: Hotel Sector**

The year 2024 witnessed the completion of the acquisition of Legacy Hotels and Tourism Projects Company (Legacy), owner of seven iconic historic hotels. The acquisition has increased the Group's hotel room portfolio by some 2,500 rooms to some 3,500 rooms in total, providing for strong geographical and market diversification, further strengthening the reliability of the Group's recurring income sources and its high-margin foreign currency generation potential. The newly acquired hotels will be undergoing renovations and refurbishments in the coming years to further improve their profitability and bring them at par with the original portfolio of the Group, extracting the inherent value of their unique locations and preserving their historical heritage for the future generations of Egyptians. Future renovations and improvements are already fully funded, representing part of the acquisition price, and will put no burden on the Group's future cash flows once implemented. Meanwhile, the Group is progressing with the development of three new hotel properties, namely Four Seasons Luxor, Four Seasons Madinaty and Marsa Alam resort, which are expected to become operational between 2025 and 2026. With another luxury property in development phase to be located in Giza, the Group intends to increase its total room portfolio to approximately 5,000 rooms in the coming years, further strengthening its positioning as one of the largest hospitality groups in the MENA Region.

The hospitality sector recorded total revenues of EGP 7.77 billion in 9M 2024, compared to EGP 2.68 billion reported in the same period last year, growing by a remarkable 190% year-over year. Moreover, the Group booked some EGP 1.34 billion of additional profits related to Legacy acquisition during 9M 2024. Importantly, the profit margin on hospitality revenues in 9M 2024 expanded to 60.8%, up by a significant 15.4pp year-over-year, from 45.4% reported in 9M 2023.

It is noteworthy that the foreign currency bank debt of approximately USD 217 million pertaining to the hotel sector was fully repaid during 9M 2024. This repayment eliminates future currency exchange risks and results in complete savings on financing costs associated with this debt, positively impacting the future profitability of the Group's hotel sector and its foreign currency generation ability.

## **SECTION THREE: Recurring revenue and service sector**

The revenues from recurring income and service activities amounted to approximately EGP 4.13 billion during 9M 2024, compared to EGP 2.22 billion in the same period of the previous year, with a remarkable growth rate of 87% year-over-year. Revenues from rental activities across all operating TMG malls reached EGP 662 million, growing by a robust 35% year-over-year as annual rent increases are implemented and new space is coming online. Meanwhile, revenues of the sporting clubs segment increased by 19% year-over year and reached EGP 554 million. These results and the sustained growth of these segments demonstrate the Group's commitment to enhancing its recurring income streams, aligning with its stated strategic objectives.

**It is noteworthy that the significant diversification in the Group's revenues, driven by the expansion into projects outside Egypt, such as the Banan project in Saudi Arabia, and the growth of its hotel portfolio, will be maximizing the Group's foreign currency revenues. Foreign currency-denominated revenues accounted for approximately one-third of the Group's total revenue in the first nine months of 2024, reflecting the significant contribution of the hotel segment to the consolidated top line. This aligns with the Group's strategy to have approximately 60% of its future total revenues denominated in foreign currencies, thereby positively impacting the company's financial strength and hedging its returns against local currency fluctuations.**



## ANALYSIS OF BUSINESS INDICATORS AND RESULTS FOR THE FINANCIAL PERIOD ENDING 30 JUNE 2024

### SECTION ONE: Income statement performance

#### 1. Consolidated revenues and other income

Total consolidated revenues of the Group reached approximately EGP 27.96 billion in 9M 2024, growing by a remarkable 52% year-over-year, compared to EGP 18.41 billion reported in the same period last year. The hospitality sector was the primary source of growth in the period, with a growth rate of 190% year-over-year, followed by other recurring income lines (malls, sporting clubs, utilities, contracting, and other services) and the development sector, growing by 87% and 19% year-over-year, respectively.

#### 2. Consolidated gross profit and margin

Total consolidated gross profit in 9M 2024 reached EGP 10.38 billion, increasing by a significant 85% year-over-year from EGP 5.60 billion reported in the same period last year. The hospitality segment was the key driver of growth in gross profit, increasing by 289% year-over-year, followed by other recurring income lines and the development segment, with growth rates of 82% and 18% year-over-year, respectively. Importantly, recurring income lines contributed a significant 72% to the Group's consolidated gross profit, further exceeding the announced strategic targets and diversifying and strengthening the Group's sources of stable annual income.

Total consolidated gross profit margin reached 37%, improving by 7 percentage points year-over-year compared to the same period last year.

#### 3. Other income

The Group reported other consolidated income of EGP 3.43 billion, composed of income from sales for third parties and other activities of EGP 2.09 billion, growing by a remarkable 145% year-over-year, as well as the income pertaining to Legacy acquisition amounting to EGP 1.34 billion recorded during 9M 2024. It is noteworthy that, starting in 3Q 2024, the Group began recognizing income from the successful launch of its SouthMed project, which has already started to have a positive impact on the income statement.

#### 4. General and administrative expenses

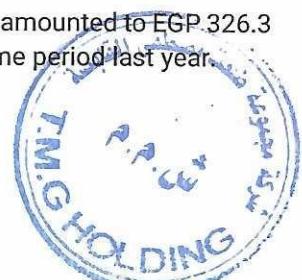
The Group's consolidated general and administrative expenses amounted to EGP 965 million in 9M 2024, representing just 3.5% of total consolidated revenues, compared to EGP 512 million in the same period last year, representing 2.8% of revenues in that period. The year-over-year increase in general and administrative expenses is attributable to the launch of the Group's two new projects, Banan and SothMed.

The Group is able to fund its general and administrative expenses of EGP 965 million in 9M 2024 with the other income account reaching EGP 2.09 billion reported in the same period, which more-than-covers these expenses, with a ratio of 2.2x. The sources of this income, generated by management's unique approach of extracting additional value from existing operations through innovative methods, significantly reduce the Group's operational risks going forward.

#### 5. Consolidated and stand-alone net profit

Total consolidated net profit after taxes reached an impressive EGP 9.06 billion in 9M 2024, reflecting a remarkable year-over-year growth of 236%, compared to EGP 2.69 billion booked in 9M 2023. This surge was driven by significant double and triple-digit increases in hospitality income following the Legacy acquisition, growth in other recurring income segments, the development segment, and foreign currency gains. Net profit attributable to shareholders (adjusted for minority interest charges) reached EGP 6.35 billion, more-than-doubling year-over-year from EGP 2.68 billion reported in 9M 2023, with a growth rate of 137%.

The holding company's stand-alone net profit (excluding the results of its subsidiaries) for 9M 2024 amounted to EGP 326.3 million. This represents a 43% year-over-year growth compared to EGP 228.2 million during the same period last year.



## SECTION TWO: Balance sheet position

### 1. Assets

Total assets amounted to EGP 323 billion as of 30 September 2024, compared to EGP 202 billion as of 31 December 2023, increasing by EGP 121 billion during the first nine months of 2024. This increase is primarily due to the addition of hotel assets from Legacy Hotels and Tourism Projects Company following the acquisition of historic hotels and the increase in fixed assets under construction, real estate investments, cash and cash equivalents, and receivables from customers.

**The balance of cash and consolidated financial investments and equivalents amounted to approximately EGP 44.8 billion as of 30 September 2024, compared to EGP 17.6 billion as of 31 December 2023.**

### 2. Liabilities

The balance of loans and facilities decreased by approximately EGP 3.0 billion, amounting to approximately EGP 8.1 billion as of 30 September 2024, compared to EGP 11.1 billion as of 31 December 2023. This significant decrease in loans is due to the accelerated repayment of loans in the hotel sector.

As a result of increased sales during the first nine months of the year and increased collections from sales advances, customer balances increased by EGP 23 billion in the period, bringing the total liabilities to approximately EGP 201 billion as of 30 September 2024, compared to EGP 163 billion as of 31 December 2023, which will be realized as revenues as the sold units are delivered according to the delivery schedules.

**Importantly, the company is net cash positive, with total net cash amounting to a massive EGP 36.7 billion of end-9M 2024, compared to EGP 6.5 billion reported as at 31 December 2023. Net cash in 9M 2024 represent 30% of the Group's total equity.**

The ratio of loans and facilities to the equity of the parent company's shareholders (debt-to-equity) stood at 1 to 8, an unprecedented low ratio confirming the company's financial strength and robust business model supported by a solid balance sheet and massive liquidity.

