



Alert on FY 2013 Earnings

Sector: Real Estate
Country: Egypt
Date: March 18, 2014

Share Price (EGP): 8.32
Target Price (EGP): 9.17
Upside: 10.2%
Recommendation: ACCUMULATE
Risk: Medium-to-High

Maintaining an ACCUMULATE rating with a target price of EGP 9.17 per share after accounting for revised forecasts

Top-line grows on high delivery units

TMG revenues rose by 5% during 2013 to reach EGP 4.9 billion as sales of residential units, which contribute to 86% of the top-line, registered a 4% increase on higher delivery units. However, the ongoing instability in Egypt caused a plunge in tourists spending and a 65% fall in tourism flow, harshly hitting the country's hospitality industry. This has translated into an 11% decline in TMG's revenues from hotels to EGP 374 million. Looking forward, we expect continuous growth in the company's top-line as despite legal disputes, the company managed to record a 47% surge in new sales of real estate units in 2013 to EGP 6.6 billion, led by impressive off-plan sales in Madinaty project. Moreover, sold but unrecognized units stood at EGP 20 billion and will be recognized over the next four years according to the company's delivery schedule. Cancellations remained within the normal rates of 4.3% in 2013 with the value of cancelled units reaching EGP 0.7 billion compared to EGP 1 billion a year earlier.

Strong earnings and surprising dividend payout paint a positive picture

TMG's gross income increased by 4.6% during 2013 to EGP 1.3 billion along with the growth in recognized revenue, while gross margin remained flat at 26.4%. Earnings came in line with our estimates, rising 7% to reach EGP 585 million, supported by lower depreciation and interest expenses despite higher FX losses and SG&A expenses. On a positive surprise and after suspending dividend payouts for years, TMG announced the distribution of EGP 0.145/share in cash dividends on 2013 earnings for a dividend yield of 2.3% on the year-end closing share price of EGP 6.18, representing a payout ratio of 52%. Looking forward, we estimate 2014 earnings to remain strong at EGP 665 million on higher deliveries and revenue recognition.

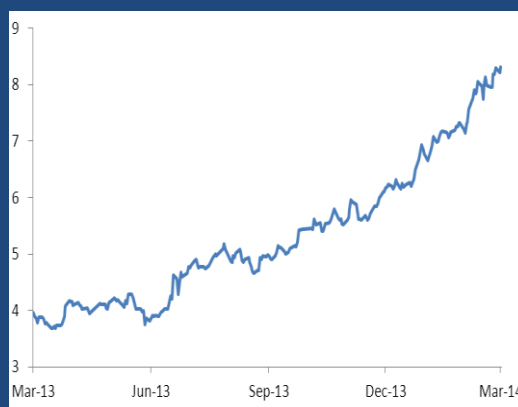
Maintaining a favorable rating on clearer political environment

We maintain an ACCUMULATE rating on TMG, revising our target price up to EGP 9.17 per share from EGP 6.18 per share previously after it was reached during December 2013 and continues to surge. Our favorable rating is supported by TMG's resilient business fundamentals despite the challenging economic, political, and legal environments. Additionally, the recent dividends announcement came as a positive signal, indicating TMG's confidence in the company's future performance and internal liquidity. TMG shares price doubled during the past year, tracking the upsurge in Egypt's bourse on lower uncertainties over the political transition to presidential elections. Moreover, investment sentiment improved after Field Marshal Sisi, who is supported by many Egyptians, was reappointed as the defense minister in the new government with high expectations to run for president. The easing political situation may translate into better economic conditions, positively impacting sales of residential units and hotels revenues. However, we believe TMG stock price will remain highly sensitive to local developments as well as any intensifying news over the lawsuit filed against Madinaty land.

Share Data

Bloomberg Symbol	TMGH.CA
Reuters Symbol	TMGH EY
Market Cap (EGP)	16,425,460,000
Number of Shares	2,063,500,000
Free Float	23.98%
Price-to-Earnings 2014e	25.85
Price-to-Book 2014e	0.70

Share Performance



Source: Reuters

1 Month Return	16.4%
3 Month Return	34.8%
6 Month Return	67.7%
12 Month Return	110.1%
52 Week Range	3.68 – 8.32

Source: Reuters

Performance and Forecasts

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In EGP millions	2011	2012	2013	2014e
Revenues (EGP millions)	5,098	4,636	4,858	5,461
Net Income (EGP millions)	577	546	585	664
EPS (EGP)	0.28	0.26	0.28	0.32
BVPS (EGP)	12.75	12.77	13.03	11.95
ROA (%)	1.06%	1.00%	1.06%	1.20%
ROE (%)	2.19%	2.00%	2.27%	2.63%

Source: TMG, Blominvest

PROJECTED INCOME STATEMENT

<i>In EGP million</i>	2011	2012	2013	2014e
Revenue	5,098	4,636	4,858	5,461
Cost of Revenue	(3,911)	(3,408)	(3,574)	(4,014)
GROSS PROFIT	1,187	1,228	1,285	1,447
Selling, General & Administrative	(290)	(301)	(322)	(355)
Depreciation & Amortization	(144)	(131)	(124)	(120)
Provisions	(2)	-	(0)	-
Rent expense	(35)	(32)	(44)	(40)
OPERATING PROFIT	716	764	795	933
Credit Interest	19	19	19	22
Income from Treasury Bills	-	1	4	1
Interest on bonds	29	33	26	26
Finance Costs	(185)	(158)	(131)	(148)
Dividend Income	3	4	5	4
Gain on Sale of Financial Invest.	3	17	4	8
Gain on Sale of Revalued Financial Assets	(25)	14	12	13
Other Income	51	51	45	43
Capital Gain	20	19	8	13
Foreign Exchange Gain (loss)	(36)	(56)	(70)	(50)
NET PROFIT FOR THE YEAR BEFORE TAX	605	691	716	864
Income Tax	(104)	(152)	(183)	(216)
Deferred Tax Expense	29	(29)	7	(22)
NET PROFIT FOR THE YEAR AFTER TAX	530	510	540	627
Minority Interest	47	35	45	38
NET PROFIT FOR THE YEAR	577	546	585	664

Source: TMG, Blominvest



BALANCE SHEET

<i>In EGP million</i>	2010	2011	2012	2013
Current Assets				
Non-current Assets Held for Sale	-	-	94	94
Work in Progress	13,800	15,183	17,222	16,372
Inventory, net	34	32	30	41
Accounts & Notes Receivables	15,522	14,064	12,944	13,880
Prepayments & Other Debit Balances	2,921	2,412	2,482	2,406
Available for Sale Investments	26	26	26	26
Financial Assets at FV	299	77	143	148
Financial Assets Held to Maturity	-	121	583	495
Investment Debtors	808	809	-	-
Cash	578	225	332	681
Total Current Assets	33,988	32,948	33,854	34,143
Non-Current Assets				
Property & Equipment, net	4,341	4,224	4,122	4,028
Projects Under Construction	190	299	1,249	1,304
Investment property	419	430	-	-
Intangible Assets	-	15	12	9
Goodwill	15,394	15,394	15,394	15,394
Available for sales Investments	53	55	58	62
Investments in Associates	4	5	5	5
Bonds Held to Maturity	484	517	270	351
Deferred tax assets	-	3	-	-
Total Non-Current Assets	20,885	20,941	21,110	21,153
TOTAL ASSETS	54,873	53,889	54,964	55,296
Current Liabilities				
Banks Overdraft	33	46	69	17
Creditors and Notes Payables	1,033	1,998	2,465	2,707
Bank Facilities	-	514	881	911
Current Portion of Loans & Facilities	752	609	829	626
Customers Advance Payment	19,040	16,369	15,756	16,789
Dividends Creditors	17	15	14	14
Accrued Expenses & Other Credit Balances	1,893	1,669	2,266	2,795
Accrued Income Tax	185	133	174	214
Total Current Liabilities	22,953	21,352	22,454	24,072
Non-Current Liabilities				
Loans & Facilities	2,021	2,058	1,856	2,219
Long Term Liabilities (Cust. Advances)	4,178	4,178	4,280	2,088
Deferred Tax Liability	26	-	27	20
Total Long Term Liabilities	6,225	6,236	6,163	4,328
TOTAL LIABILITIES	29,178	27,587	28,617	28,400
Equity				
Issued & Paid-in-Capital	20,132	20,636	20,636	20,636
Legal Reserves	165	217	217	218
General Reserves	62	62	62	62
Accumulative translation adjustment	8	39	7	11
Treasury Stocks	(30)	(30)	-	-
Retained Earnings	3,080	3,452	3,923	4,472
Net profit for the year	940	578	546	585
Minority Interest	1,328	1,350	958	912
TOTAL EQUITY	25,685	26,302	26,347	26,896

Source: TMG, Blominvest

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Equity Rating Key

Recommendations are based on the upside (downside) between our 12-month Fair Value estimate and the current Market Price.

Buy: Fair Value higher than Market Price by at least 20%

Accumulate: Fair Value higher than Market Price by 10% to 20%

Hold: Fair Value ranges between -5% to +10% in relation to Market Price

Reduce: Fair Value lower than Market Price by 5% to 15%

Sell: Fair Value lower than Market Price by at least 15%

Risks are based on share price volatility along with qualitative factors such as the nature of the business, the country risk and sensitivity to a single event, single product or single buyer. We've arranged the risk factor into 5 trenches:

- High Risk
- Medium-to-High Risk
- Medium Risk (similar to Market Risk)
- Medium-to-Low Risk
- Low Risk

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