

Egypt Talaat Moustafa expects higher 2009 profit

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Egyptian largest developer by market value Talaat Moustafa Group reported Sunday that it expects 2009 net profit to rise 11 percent to 1.6 billion Egyptian pounds as it delivers more units

Total recorded sales would drop to 5 billion pounds from 14 billion in 2008 after the company focused on construction to benefit from lower building costs in the financial crisis, said Jihad Sawaftah, the Finance director.

As a result, Talaat Moustafa Group was more than a year ahead of schedule on delivering units from its Madinaty project, a major residential and commercial town project on Cairo's outskirts.

"We decided to accelerate progress of the construction for many reasons. Number one to show our customers how serious and committed we are. Two, to ... benefit from the current price levels of construction," Sawaftah told Reuters in an interview.

"We are progressing very well. We are ahead of schedule. We have started delivering units in December 2008 that were scheduled to be delivered in April 2010," he said.

Talaat Moustafa Group does not add the value of sales to its bottom line until the units are delivered.

Sawaftah, who is also Talaat Moustafa's vice president, said the firm would start focusing on sales again this summer.

Speaking three days after a Cairo court sentenced a former company chairman Hisham Talaat Moustafa to death in a murder-for-hire case, Sawaftah said the firm's fundamentals were very strong and it had a healthy cash position of 2.3 billion pounds.

"I don't think there is going to be a material effect as a result (of the case)," he said, adding the firm had a backlog of 28 billion pounds in unrecognised sales and a land bank of nearly 50 million square metres.

"All of these facts together put TMG in a very healthy financial position," he said, adding he expected the ruling would have only a short-term effect on shares.

The surprise sentence sent shares tumbling 14.5 percent on Thursday, although they bounced back 5.1 percent on Sunday to end at 4.52 pounds, below a high of 5.49 pounds set on May 10.

Sawaftah said Talaat Moustafa Group planned to focus on hotel expansion and current projects in Egypt and Saudi Arabia, although the financial crisis had put a dampener on hopes of building hotels in eastern Europe, in particular

Ukraine and Montenegro to tap growing tourism.

"This is on hold due to financial crisis," Sawaftah said. "Now, we strongly believe that the prices of hotels in the region are more attractive. So we are focusing more on the local level as well as the regional level."

Sawaftah said the firm would instead focus on projects in Saudi Arabia, its first outside Egypt, where it is planning a residential and commercial project in the capital Riyadh with an investment value of 6 billion Saudi riyals.

He said Talaat Moustafa Group had finalised all legal matters on the project and were waiting for final approval to begin work.

"We have applied for a waiver to accelerate this. I think this week we will receive an answer," Sawaftah said.

He said Talaat Moustafa Group planned to have 4,000-5,000 hotel rooms by 2013 at a cost of \$1.5 billion financed by debt and equity under a strategic decision to bring the recurring income contribution from hotels to 35 percent of net profit.

He said those rooms would come from a Four Seasons hotel in Luxor, another in the Madinaty project on Cairo's outskirts, and two more hotels in the capital.

The firm would also add more rooms to a Four Seasons hotel in the Sinai peninsula resort town of Sharm el-Sheikh and planned to develop 3,000 units in Marsa Alam on the Red Sea coast, of which 2,000 would be sold.

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