

A close-up photograph of a hand using a carving tool to shape a large, white, curved stone object, likely a bowl, on a lathe. The background is dark and out of focus.

Lecico

An Egyptian Exporter

Full Year 2017 Results Presentation

March 2018

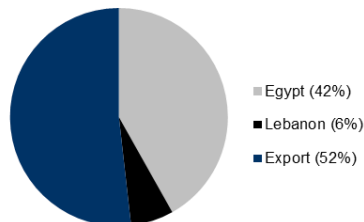


Corporate Summary

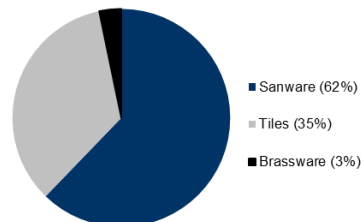
Introduction: An Egyptian exporter

- Lecico Egypt S.A.E. was founded in 1959 and has been majority owned by the Gargour family since 1969
- The company has a global competitive advantage making European quality sanitary ware at Egyptian costs
- c45% of Lecico's sanitary ware sales volume is exported to Europe
- Lecico finished expansions in sanitary ware in 2007 which boosted capacity to 6.5m pieces of sanitary ware and fired clay
- In Summer 2010, Lecico began brassware production with a 300,000 piece per annum capacity factory
- In 2011 Lecico opened a new tile factory in Borg El Arab which reached 12.8m sqm capacity in 2013 (Total tile capacity 35m sqm)
- In 2016, Lecico took the step to reduce production capacities in Egyptian tiles and Lebanese sanitary ware and to stop tile production in Lebanon to match demand

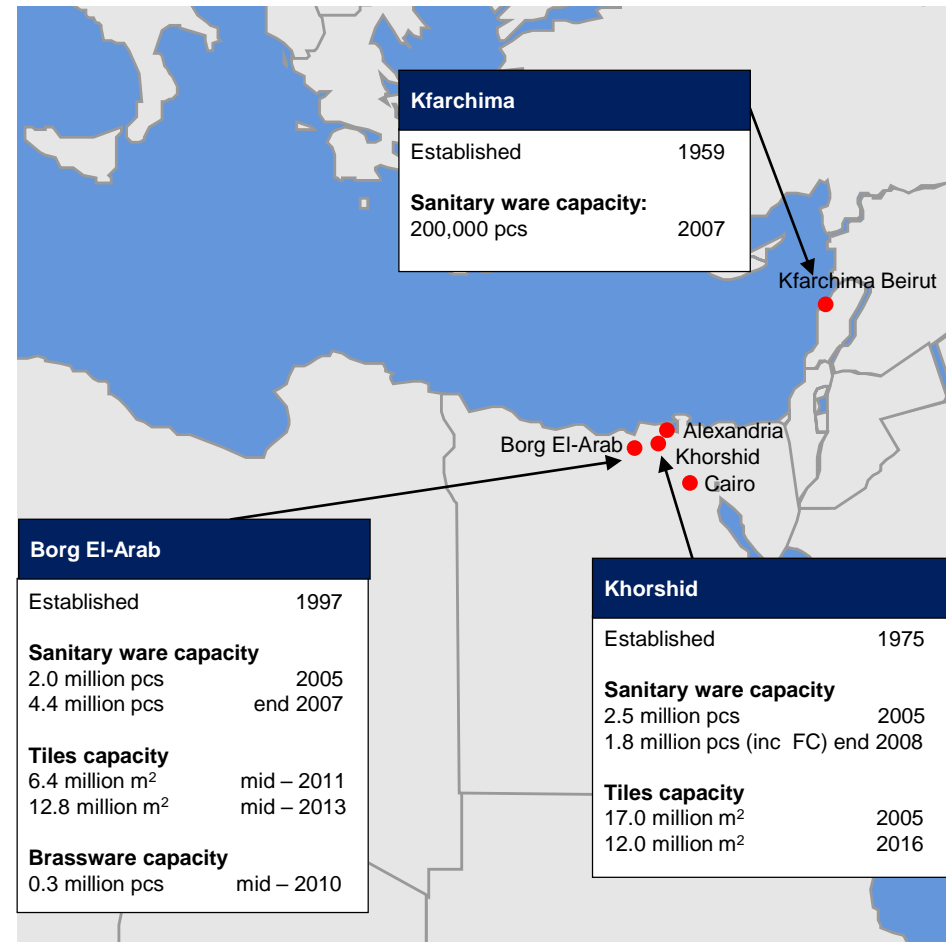
Split of domestic and export¹



Split of sanitary ware and tiles¹



Note: (1) FY 2017



* All production facilities are owned and controlled by Lecico

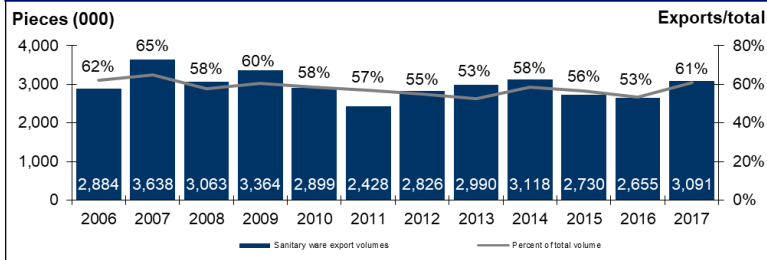


A major sanitary ware exporter

A major sanitary ware exporter to Europe

Growth in group's exports

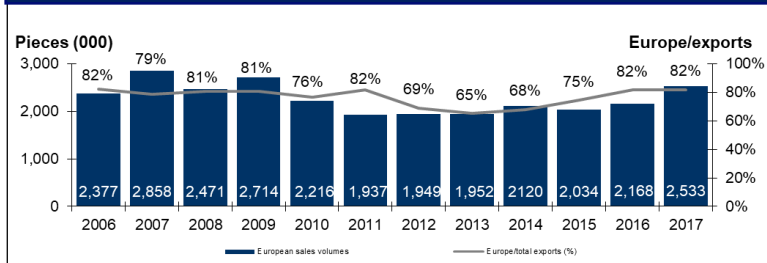
Lecico's total export volumes (sanitary ware)



- Sanitary ware export volumes and proportion grew sharply in 2017...
- ...despite slowdown in Middle East exports in 2014 onwards

Export focus on Europe

Europe as percentages of total exports

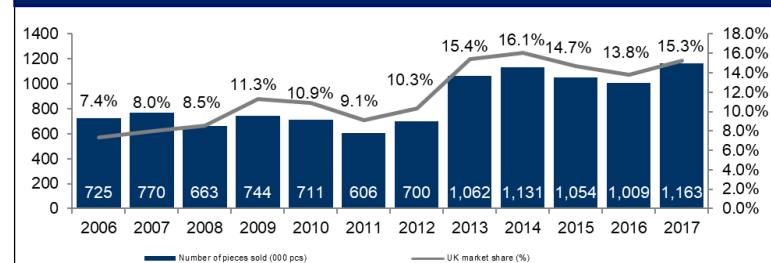


- Exports to Europe reached highest volume and percentage in 6 years in 2017...
- ...with more expected in 2018

Egypt's leading sanitary ware exporter

- Lecico exports over 70% of its sanitary ware sales value and over 60% of volume vs. 20% for local peers (FY17)
- Lecico sells to over 50 countries (including OEM sales)
- Approximately 26% of exports (15% of sanitary ware sales volumes) are for other brands
- Expecting exports proportion of sales volume and value of sanitary ware exports to rise in 2018 and 2019

Growth of Lecico brand sanitary ware market share in UK



- UK estimated c15% market share in Lecico-branded and white label sales in the UK
- In addition Lecico does around 1% further sales in OEM

Significant cost advantage



International cost advantage

Lecico produces sanitary ware at an all-in average cost of US\$11.50/piece (FY 2017)

- In Egypt (without costs of subsidiaries/consolidation) manufacturing cost averages US\$8.40/piece of sanitary ware (FY 2017)
- Our information suggests other low cost producers' manufacturing cost averages US\$15-30/piece
- While European producers average US\$30+/piece depending on their market

Why is Lecico able to produce so competitively?

- **Egypt:** Low energy costs, low labour cost, low investment costs, low effective taxes
- **Size:** Economies of scale, standard global plant size: 1m pieces
- **Experience:** Over 50 years manufacturing experience
- **Efficiency:** Production per employee is over twice that of our local competitors

Investment, distribution and overheads benefit from regional economies of scale

- Sanitary ware investment cost approx. US\$30-40/piece vs. US\$35-55/piece global standard
- Low shipping cost to Europe: US\$1.50 per sanitary ware piece vs. approx. US\$6+ for Asian manufactures

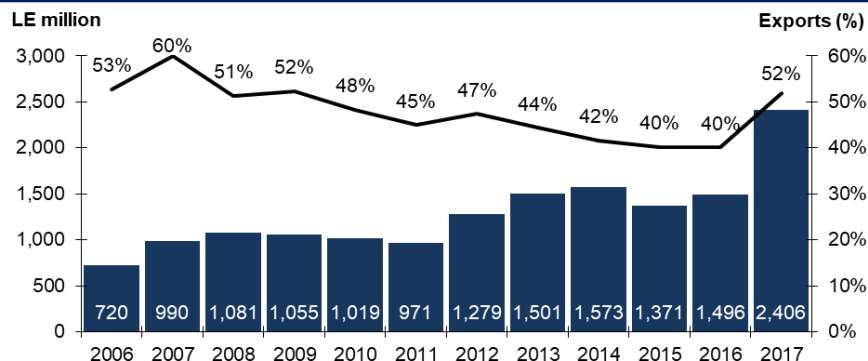


Financial overview

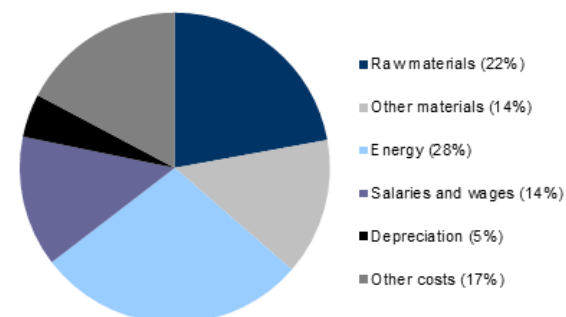
Profit and loss



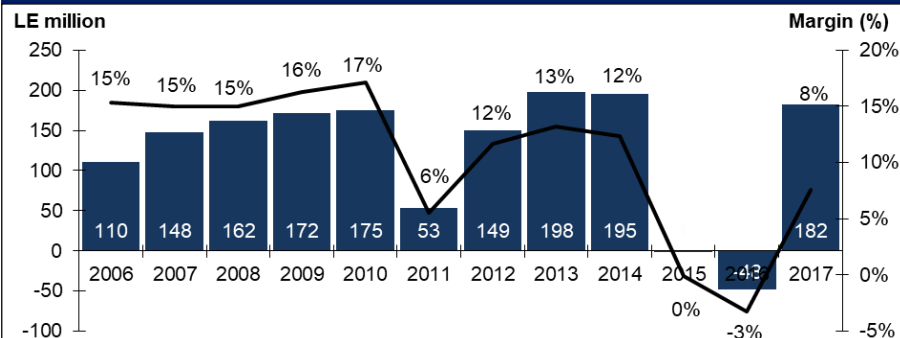
Net sales



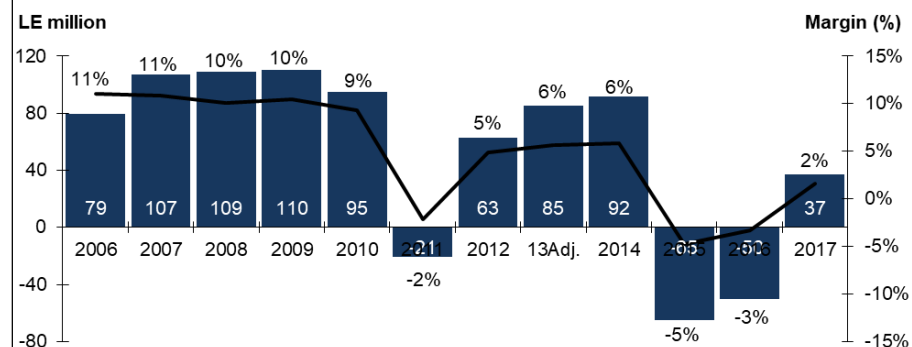
Cost of sales breakdown (FY 2017)



EBIT



Net Profit *

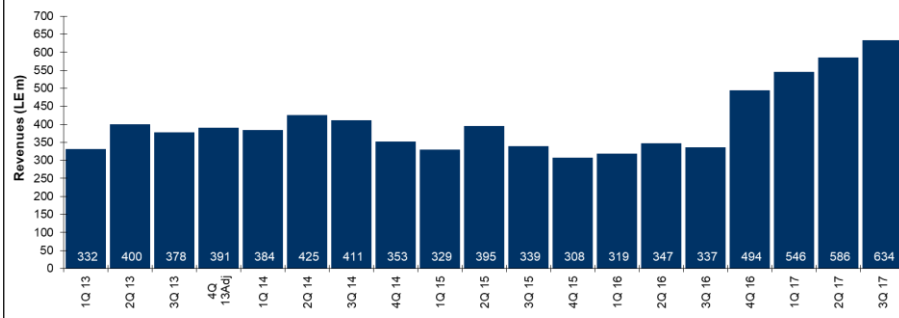


* = 2013 net profit excludes write-off for France

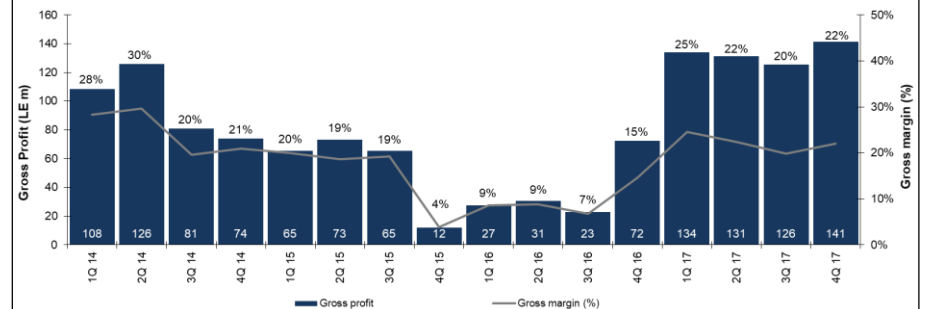
Quarterly P&L Trends



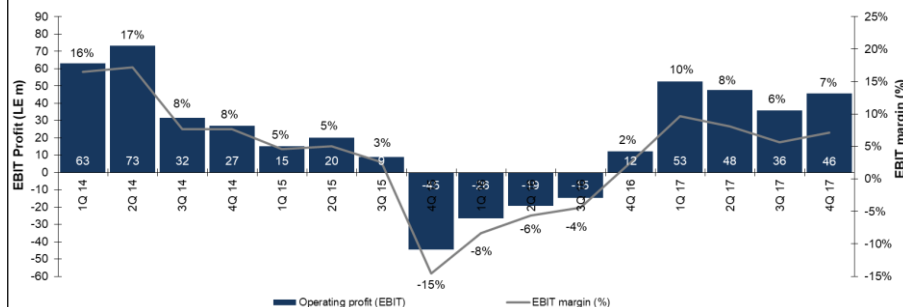
Net sales



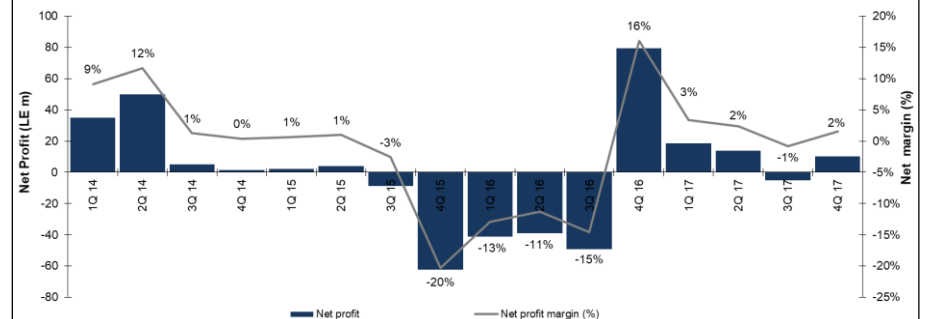
Gross profit



EBIT



Net Profit



P&L Breakdown by Quarter

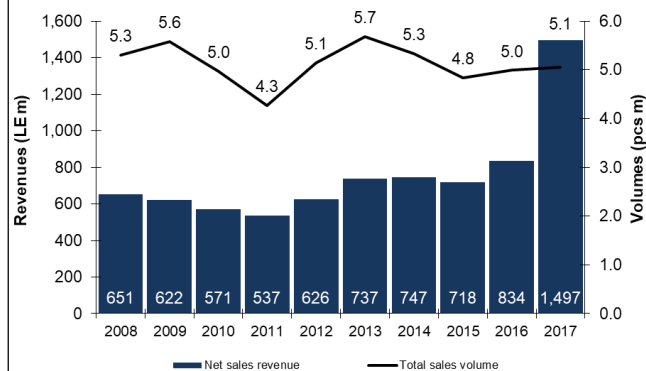


Lecico Group Profit & Loss (LE Million)	2016				2017				2014	2015	2016	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY	FY	FY	FY
Sanitary Ware	166.3	197.1	194.1	276.5	336.9	359.2	396.7	404.4	746.6	718.2	834.0	1,497.3
Tiles	138.8	137.8	129.5	193.4	185.8	212.6	216.2	216.0	780.5	605.4	599.5	830.7
Brassware	13.9	11.7	13.2	24.2	23.0	14.2	20.7	20.7	46.1	46.9	63.0	78.5
Net Revenues	319.0	346.6	336.7	494.1	545.8	586.0	633.6	641.1	1,573.2	1,370.5	1,496.4	2,406.5
Cost of Sales	291.5	316.0	314.0	421.6	411.9	454.7	508.1	499.8	1,184.5	1,154.3	1,343.1	1,874.5
Gross Profit	27.5	30.6	22.7	72.5	133.9	131.3	125.5	141.3	388.8	216.2	153.3	531.9
<i>% of Sales</i>	<i>9%</i>	<i>9%</i>	<i>7%</i>	<i>15%</i>	<i>25%</i>	<i>22%</i>	<i>20%</i>	<i>22%</i>	<i>25%</i>	<i>16%</i>	<i>10%</i>	<i>22%</i>
Selling expenses	15.8	22.6	20.6	27.0	34.7	36.0	39.7	36.2	65.8	83.0	86.0	146.6
Administration expenses	38.2	27.4	16.8	33.1	46.6	47.6	50.0	59.3	128.1	134.2	115.6	203.4
Overheads	54.0	50.1	37.4	60.2	81.3	83.6	89.8	95.5	193.9	217.2	201.6	350.1
<i>% of Sales</i>	<i>17%</i>	<i>14%</i>	<i>11%</i>	<i>12%</i>	<i>15%</i>	<i>14%</i>	<i>14%</i>	<i>15%</i>	<i>12%</i>	<i>16%</i>	<i>13%</i>	<i>15%</i>
Operating Profit (EBIT)	(26.5)	(19.4)	(14.7)	12.3	52.6	47.7	35.8	45.8	194.8	(1.0)	(48.3)	181.9
<i>% of Sales</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>2%</i>	<i>10%</i>	<i>8%</i>	<i>6%</i>	<i>7%</i>	<i>12%</i>	<i>-</i>	<i>-</i>	<i>8%</i>
Net Financial Expenses	(21.3)	(23.8)	(26.7)	(29.3)	(27.6)	(34.1)	(42.7)	(48.1)	(91.3)	(79.3)	(101.0)	(152.5)
Dividend Income	0.0	3.0	0.1	0.2	0.0	0.0	6.4	(0.0)	2.6	2.5	3.2	6.4
Exchange Variances	11.3	(1.4)	1.3	109.9	2.9	7.7	1.0	4.7	9.2	11.6	121.2	16.3
Profit before tax	(36.5)	(41.6)	(40.0)	93.1	27.9	21.3	0.5	2.4	115.3	(66.2)	(25.0)	52.1
<i>% of Sales</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>19%</i>	<i>5%</i>	<i>4%</i>	<i>0%</i>	<i>0%</i>	<i>7%</i>	<i>-</i>	<i>-</i>	<i>2%</i>
Taxes & minorities	(4.8)	2.4	(9.1)	(13.6)	(9.3)	(7.6)	(5.7)	7.7	(23.7)	1.1	(25.1)	(14.8)
Net Profit after tax	(41.3)	(39.1)	(49.1)	79.5	18.6	13.7	(5.2)	10.1	91.6	(65.1)	(50.1)	37.2
<i>% of Sales</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>16%</i>	<i>3%</i>	<i>2%</i>	<i>-</i>	<i>2%</i>	<i>6%</i>	<i>-</i>	<i>-</i>	<i>2%</i>

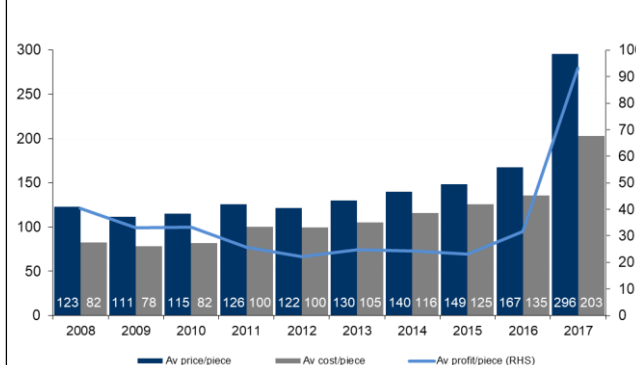
Key Segmental Analysis



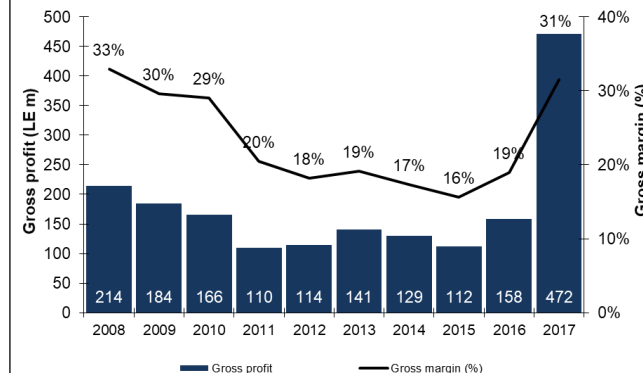
Sanitary ware – sales volumes and revenue



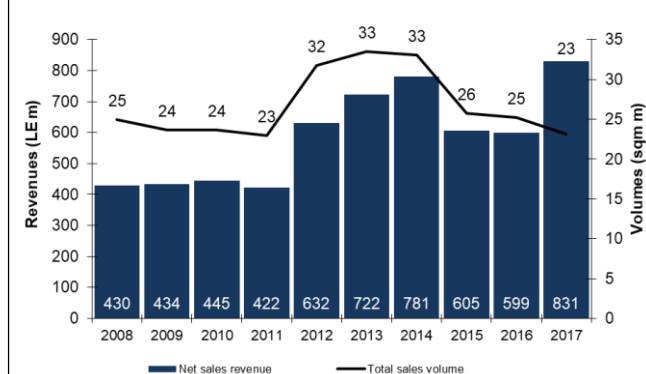
Sanitary ware – selling price and cost per piece



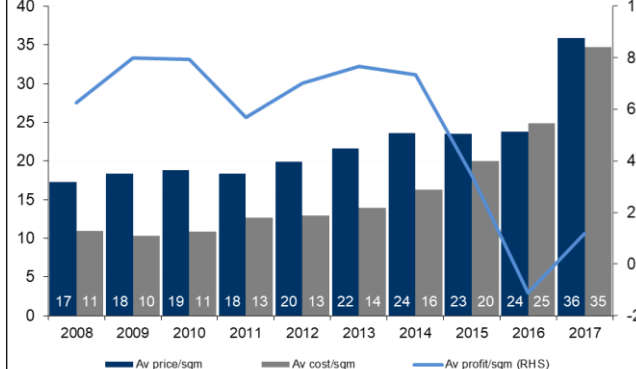
Sanitary ware – gross profit and margin



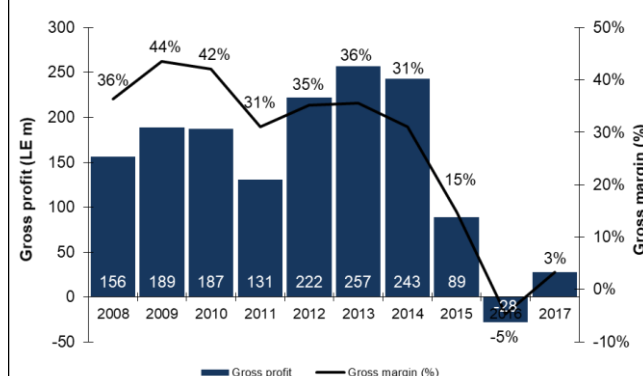
Tiles – sales volumes and revenues



Tiles – selling price and cost per sqm



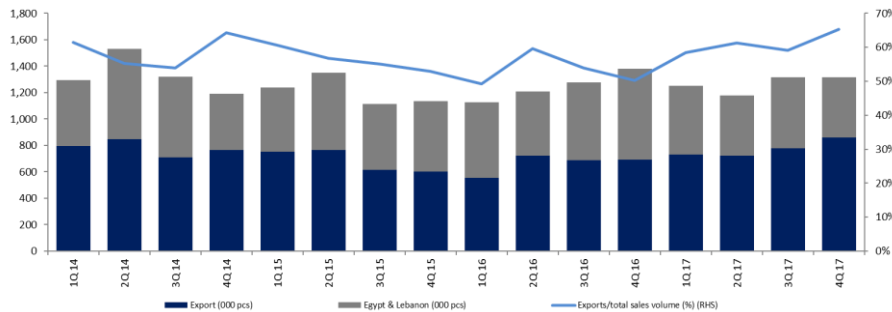
Tiles – gross profit and margin



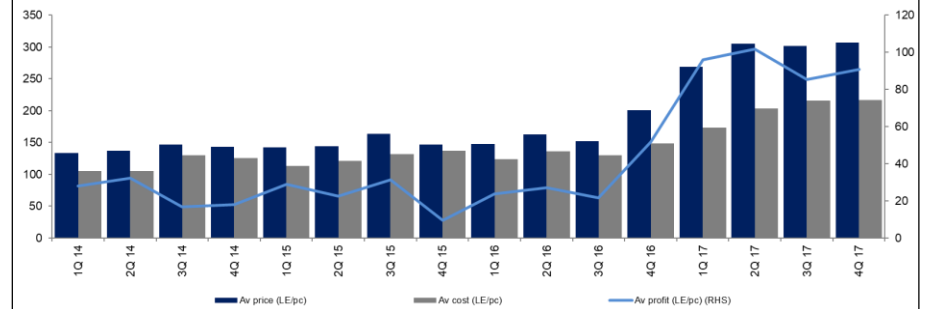
Quarterly Key Segmental Trends



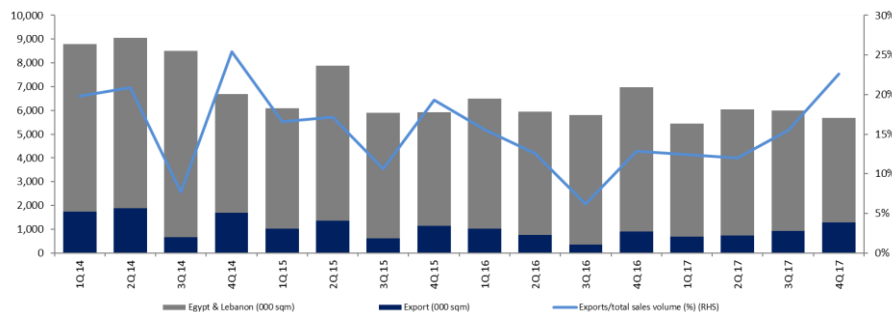
Sanitary ware sales volumes



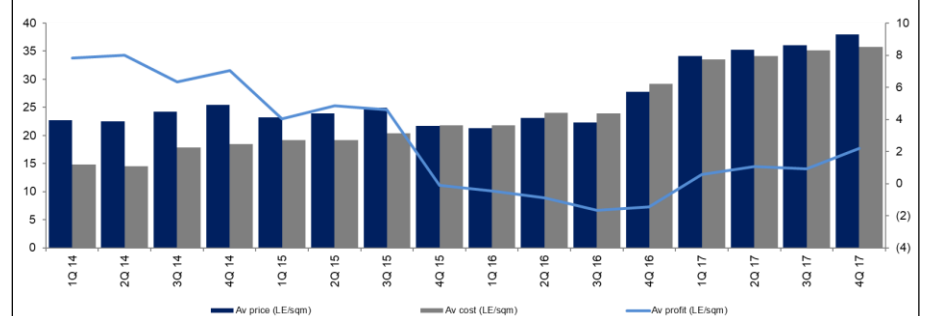
Sanitary ware average price and cost



Tiles sales volumes



Tile average price and cost



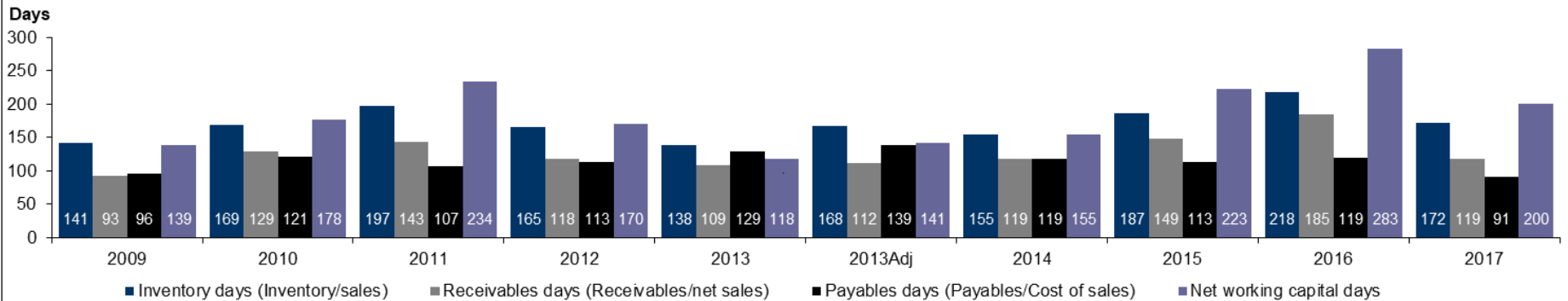
All Segmental Breakdowns by Quarter



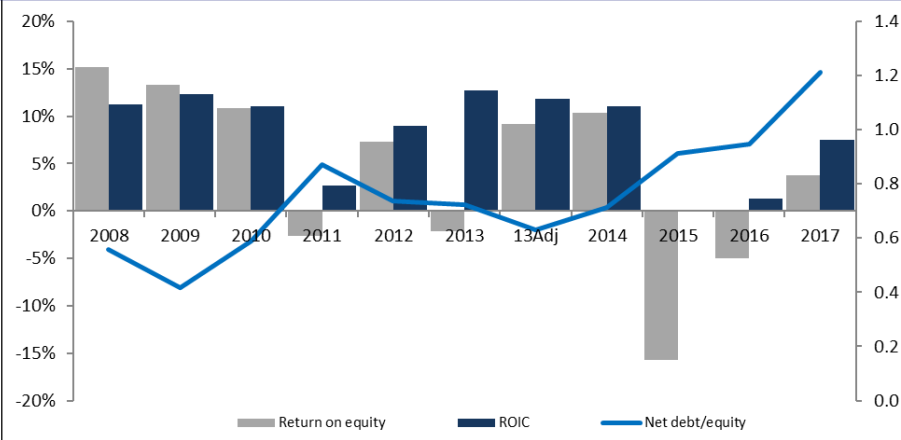
Lecico Group		2016				2017				2014	2015	2016	2017
Sanitary Ware Analysis		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY	FY	FY	FY
<u>Volume (000's pieces)</u>													
Egypt		534	451	553	645	491	418	496	419	2,066	1,995	2,183	1,825
Lebanon		37	37	37	41	30	38	41	37	150	109	151	146
Exports		553	721	688	693	731	721	779	860	3,118	2,730	2,655	3,091
Total Volume		<u>1,124</u>	<u>1,209</u>	<u>1,278</u>	<u>1,378</u>	<u>1,252</u>	<u>1,177</u>	<u>1,316</u>	<u>1,316</u>	<u>5,335</u>	<u>4,835</u>	<u>4,990</u>	<u>5,061</u>
Average Selling Price		147.9	163.1	151.8	200.6	269.1	305.2	301.4	307.3	140.0	148.5	167.1	295.8
Revenue		166.3	197.1	194.1	276.5	336.9	359.2	396.7	404.4	746.6	718.2	834.0	1,497.3
Cost of Sales		139.6	164.3	166.4	205.3	216.8	239.4	284.5	284.9	617.3	606.2	675.6	1,025.7
Average Cost Per Piece		124.2	135.9	130.2	148.9	173.2	203.4	216.2	216.5	115.7	125.4	135.4	202.7
Gross Profit		<u>26.7</u>	<u>32.8</u>	<u>27.6</u>	<u>71.3</u>	<u>120.1</u>	<u>119.8</u>	<u>112.2</u>	<u>119.5</u>	<u>129.3</u>	<u>112.0</u>	<u>158.4</u>	<u>471.6</u>
<i>Gross Profit Margin</i>		<i>16%</i>	<i>17%</i>	<i>14%</i>	<i>26%</i>	<i>36%</i>	<i>33%</i>	<i>28%</i>	<i>30%</i>	<i>17%</i>	<i>16%</i>	<i>19%</i>	<i>31%</i>
Lecico Group		2016				2017				2014	2015	2016	2017
Tile Analysis		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY	FY	FY	FY
<u>Volume (000's sqm)</u>													
Egypt		5,181	4,964	5,254	5,871	4,653	5,171	4,896	4,274	25,457	20,581	21,270	18,994
Lebanon		310	245	200	201	116	139	172	131	1,603	1,074	956	558
Exports		1,012	748	358	894	677	724	929	1,288	5,985	4,132	3,012	3,618
Total Volume		<u>6,503</u>	<u>5,957</u>	<u>5,812</u>	<u>6,966</u>	<u>5,447</u>	<u>6,034</u>	<u>5,996</u>	<u>5,693</u>	<u>33,045</u>	<u>25,786</u>	<u>25,237</u>	<u>23,171</u>
Average Selling Price		21.3	23.1	22.3	27.8	34.1	35.2	36.1	37.9	23.6	23.5	23.8	35.9
Revenue		138.8	137.8	129.5	193.4	185.8	212.6	216.2	216.0	780.5	605.4	599.5	830.7
Cost of Sales		141.8	143.1	139.1	203.6	182.7	206.1	210.6	203.5	537.8	516.3	627.6	803.0
Average Cost Per sqm		21.8	24.0	23.9	29.2	33.6	34.2	35.1	35.7	16.3	20.0	24.9	34.7
Gross Profit		<u>(3.1)</u>	<u>(5.3)</u>	<u>(9.6)</u>	<u>(10.2)</u>	<u>3.1</u>	<u>6.5</u>	<u>5.6</u>	<u>12.5</u>	<u>242.6</u>	<u>89.1</u>	<u>(28.1)</u>	<u>27.7</u>
<i>Gross Profit Margin</i>		<i>-2%</i>	<i>-4%</i>	<i>-7%</i>	<i>-5%</i>	<i>2%</i>	<i>3%</i>	<i>3%</i>	<i>6%</i>	<i>31%</i>	<i>15%</i>	<i>-5%</i>	<i>3%</i>

Working Capital and Returns

Working capital



Returns and leverage



Capital expenditures 2018f

Maintenance Capex and tile diversification investment LE 110.0m



Share performance and data

Shareholding structure and performance



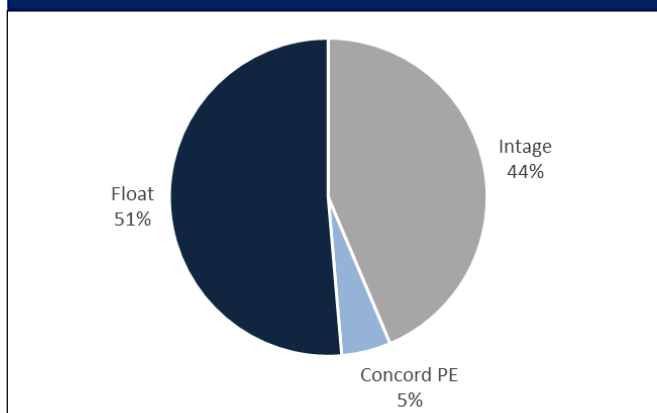
Lecico buys 10% of shares as treasury stock

- **Lecico Acquired 10% of shares (8m shares) on 31/07/2017**
 - Shares were acquired at LE 6.0 per share (a premium of 33% to market price at time of offer)
 - Investors submitted 15.02 million shares to the offer and shares were acquired on a pro-rata basis (53.3% of shares offered)
 - Company plans to distribute shares as a dividend to shareholders following AGM approval (AGM in late March)
- **Lecico valued at a market cap of US\$ 24.0 million with a 51% free float**
 - Local share trades circa US\$ 3,300 per day and on 90% of trading days (2017)
- **Lecico trades at a EV/EBITDA multiple of 5.7x (2017)**
 - Price to book value of 0.4x
 - PER of 11.3x (2017)

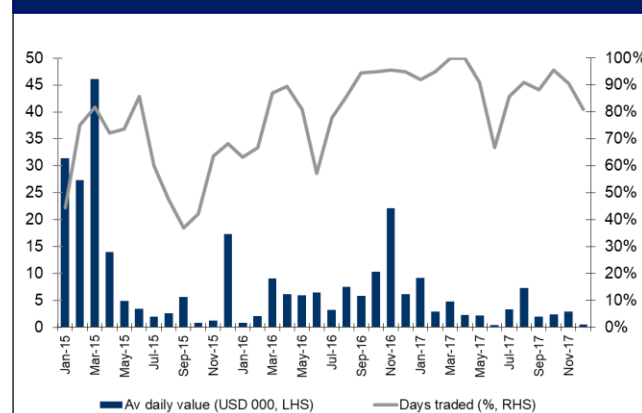
Lecico share price



Shareholding structure (12/2017)



Share liquidity overview (Local)



Thank you



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Forward-looking statements:

This presentation may contain certain “forward-looking statements”, relating to Lecico Egypt S.A.E. business, which can be identified by the use of forward-looking terminology such as “will”, “planned”, “expectations”, “forecast” or similar expressions, or by discussions of strategy, plans or intentions. Such statements may include descriptions of investments planned or currently under development by Lecico Egypt S.A.E. and the anticipated impact of these investments. Such statements reflect the current views of Lecico Egypt S.A.E. with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Lecico Egypt S.A.E. to be materially different from any future results that may be expressed or implied by such forward-looking statements.