



## First Quarter 2019 Results

Lower sanitary ware sales and margins drive drop in gross margin and net loss

**Alexandria, 14<sup>th</sup> May 2019** – Lecico Egypt announces its consolidated results for the first quarter of 2019. Revenue was down 2% to LE 637.1 million. Operating profit (EBIT) decreased 58% to LE 34.4m (1Q 2018: LE 82.9 million) and EBIT margin decreased 7.3 percentage points to 5.4% (1Q 2018: 12.7%). Excluding LE 25.5 million exceptional gains in 1Q 2018, EBIT profit was down 40%. Lecico reported a net loss of LE 28.1 million compared to a net profit of LE 24.4 million in the same period last year.

Lecico Egypt Chairman, Gilbert Gargour, commented “Your company continues to suffer from an unfavorable environment despite improvements quarter-on-quarter in our prices, margins and interest expense. Year-on-year, higher interest costs, low demand and high inflation continued to affect performance. This has negated improvements in our tile business and successful efforts at managing our assets and cost of finance. We continue to hope for an improvement in the economic environment for industry in Egypt.

“The restructuring plan for our Lebanese subsidiary has begun in earnest with production and staff reductions and increased destocking. The immediate effects will be negative on profits, however the objective of releasing cash and replacing production with lower cost Egyptian sourcing will substantially improve the position of the group in time.

“Under difficult circumstances the results we present are not unsatisfactory and reflect well on your management who continue to work hard to surmount current difficulties.”

Taher Gargour, Lecico Egypt CEO, added, “We are beginning to see the benefits of our hard work. Quarter-on-quarter we have seen gross margins improve despite lower revenues, costs are under control and we see improvement in our interest expenses. The main factor impacting our numbers was the slowdown in Egypt year-on-year. Sales in Egypt fell 10%. Increased production and cost reductions helped offset inflation.

“Challenges remain for 2019. We face pricing pressure and lower volumes. Lower sales will pressure our gross margin, compounded by subsidy removals and inflation. Although cash flows have been slightly negative in the quarter, we expect to at least remain cash flow neutral in 2019. Debt reduction remains a key our return to long term profitability.

“We are to some extent forced to weather the cyclical negatives of Egypt’s economic reforms. In the meantime, we will try to defend and rebuild margins by recovering sales volumes; cutting costs; pushing up prices; and unlocking working capital. Through these efforts, we will continue to work towards the best possible result despite our challenges.”

The Full Statements for the period with analysis are available on Lecico’s Web site.

## About Lecico

Lecico (Stock symbols: LCSW.CA; LECI EY) is a leading producer of export-quality sanitary ware in the Middle East and one of the largest tile producers in Egypt, with over 50 years of experience in the industry and decades of experience as an exporter to developed markets.

Lecico benefits from significant cost advantages in labour, energy and investment costs resulting from its economies of scale and location in Egypt and Lebanon. Lecico's marketing strategy is to use its cost advantages to target the mass market with high quality pieces at competitive prices.

Lecico exports over half its sanitary ware production and has a significant presence in the United Kingdom and other European markets. Most of the Company's exports are done under the Lecico brand, although it also produces for other European brands.

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