



Third Quarter 2019 Results

A squeeze on exports and pressure on tile prices drive operating loss

Alexandria, 14th November 2019 –Lecico Egypt announced consolidated results for the third quarter of 2019. Revenue fell 15% to LE 590.8 million. The Company reported an operating loss (EBIT) of LE 33.6 million compared to an operating profit of LE 5.3 million in 3Q 2018. Lecico reported a net loss of LE 88.1 million compared to a net loss of LE 50.8 million in 3Q 2018.

For the first nine months, revenue was down 11% to LE 1,827.5 million. The Company reported an operating loss (EBIT) of LE 31.2 million compared to an operating profit of LE170 million in the first nine months of 2018 which included LE 76.4 million exceptional gains. Lecico reported a net loss of LE 203 million compared to a net loss of LE 21.5 million in the same period last year.

Lecico Egypt Chairman, Gilbert Gargour, commented “Results in the third quarter remain challenging as continued regional market weakness and a stronger Egyptian pound squeezed revenues and margins.

“It is a good sign that austerity has started to ease. This is an important step for restarting demand growth in Egypt but significant further cuts are needed.

“Restructuring in Lebanon is continuing but recent economic and political crisis have created – at least at time of writing – a great deal of uncertainty.

“We continue to be optimistic. Egypt should enter a period of growth. We can continue to improve cash flow through restructuring and efficiency. Economic conditions in Lebanon will improve and we will realize considerable cash flows from the sale of surplus land eventually. However, we must be patient for these exogenous improvements while working relentlessly to improve ourselves as an organization.”

Taher Gargour, Lecico Egypt CEO, added, “Despite continuing to face tough conditions in the quarter but we were able to generate LE 130 million in cash flows by reducing inventories and receivables from June levels. Hopefully we will generate cash and reduce our net debt further in the last quarter.

“There are a few pieces of good news for the coming quarters. The government reduced natural gas prices to tile manufacturers, which we calculate will reduce the cost of our tiles by about 5%. We should also see lower finance costs thanks to interest rates falling at the end of September.

“These positives aside, we continue to face an extremely challenging environment in the fourth quarter and likewise into 2020. Export volumes should grow in 2020 but I remain concerned about pricing and profitability given the continued strengthening of the Egyptian Pound. In Egypt and Lebanon, the risks on demand remain. There is a possibility in Egypt that this improves in 2020 as inflation and interest rates continue

to fall. Lower interest rates and inflation in 2020 should help our performance as well, but sales volumes, production volumes and prices remain our key driver.

“We are to a large extent forced to weather the cyclical negatives of Egypt and the region as whole. We continue to take action on many fronts to offset this. Our primary concern is to manage cash flows and try to ensure our debt doesn’t grow. 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.

For additional information, please contact:

Taher G. Gargour
Telephone: +203 518 0011
Fax: +203 518 0029

Visit our website at: www.lecico.com

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