



Full Year 2019 Results

Drop in sales in Egypt and drop in export profitability drive net loss

Alexandria, 27th February 2020 –Lecico Egypt announced consolidated results for the fourth quarter of 2019. Revenue fell 20% to LE 522.4 million. The Company reported an operating loss (EBIT) of LE 57 million compared to an operating loss of LE 19.4 million in 4Q 2018. Lecico reported a net loss of LE 95.3 million compared to a net loss of LE 92.9 million in 4Q 2018.

For the full year, revenue was down 23% to LE 2,349.8 million. The Company reported an operating loss (EBIT) of LE 88.2 million compared to an operating profit of LE150.7 million in 2018 which included LE 76.4 million exceptional gains. Lecico reported a net loss of LE 298.3 million compared to a net loss of LE 114.3 million in 2018.

Lecico Egypt Chairman, Gilbert Gargour, commented “2019 was an extremely difficult year with weakness in demand in Egypt worsening. Our results were also affected by the economic crisis in Lebanon and the restructuring we started there. The stronger pound also squeezed our exports. We have made a special effort to control inventory, receivables and cash flow. This comes at a cost, but over the course of 2019 we were able to marginally reduce debt levels.

“We believe there are reasons to keep optimistic. Egyptian demand should recover as the pressures of austerity and high interest rates are reduced. Management expects to start several new export customers in 2020. In the UK and Egypt new efforts are being made to increase penetration in project markets. The restructuring of our Lebanese operation has begun to deliver results, turning the business cash flow positive in the second half of the year.

“It is sad to see Lebanon go through a serious economic crisis but it will survive stronger as a consequence we hope. In Egypt we been through a very tough economic adjustment process after the disturbances caused by the revolution and we believe and hope that we have reached the end of these difficult times.”

Taher Gargour, Lecico Egypt CEO, added, “We recorded our largest losses of the year in the fourth quarter as seasonal slowdown compounded the weak demand in Egypt. Sanitary ware saw a sharp drop in margins as exchange rates squeezed average prices and average unit costs shot up on the back of diseconomies of scale. Our tile margins improved thanks to higher average prices and the benefit a reduction in gas prices. However, weak sales figures and subsequent low production ate into what would have been a sharper improvement.

“In 2020, I hope we can also see the beginnings of margin recovery and reduced losses. The key drivers for this are sales volumes, production volumes and prices and this is all tied to demand. I believe there is a strong possibility that we see demand improve from the low levels seen at the end of 2019 as inflation and interest rates continue to fall. I am optimistic that we will run at better capacity utilization rates in 2020 allowing for economies of scale. Lower interest rates and inflation should help our performance as well.

“As a final point for your attention, we took a decision in the fourth quarter to revalue at the group level our fixed assets to market value as per International Accounting Standards. As a result, you will see in our consolidated results a jump in our fixed assets and a matching jump in our reserves account in equity of about LE 1.68 billion. This revaluation has no cash impact of course, but we think it gives a more accurate picture of our true asset and equity valuations.”

AGM and EGM Announcement

Lecico will hold its AGM on Tuesday, March 31st 2020 at 8:30 am at the Hilton Alexandria Corniche (544 El Geish Street, Sidi Bishr, Alexandria).

The Extraordinary General Meeting to be convened directly after the AGM, the company will seek shareholder’s approval to amend the articles no. (4) and (20) of the company's contract and its statutes.

About Lecico

Lecico (Stock symbols: LCSW.CA; LECEI 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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