



## First Quarter 2020 Results

Drop in sales and production squeeze margins and drives operating loss

**Alexandria, 14<sup>th</sup> May 2020** – Lecico Egypt announces its consolidated results for the first quarter of 2020. Revenue was down 22% to LE 496.5 million. The Company reported an operating loss (EBIT) of LE 28.2 million compared to an operating profit of LE 34.4 million in 1Q 2019. Lecico reported a net loss of LE 72.1 million compared to a net loss of LE 28.1 million in the same period last year.

Lecico Egypt Chairman, Gilbert Gargour, commented “Our business is in the midst of significant disruption from the Corona virus, with many of our export markets are trading at 20-50% of previous months. Lecico is continuing to operate to protect all stakeholders, including our customers and suppliers, and ensuring our continuity after the pandemic.

“Lecico is implementing best practices to limit the risk from the virus. Measures include regular disinfecting; issuing individual hand sanitizers and masks; temperature screening at all gates; sick leave for self-isolation; and reduced staff numbers.

“Lecico will survive the disruption caused by the Corona virus even if it stretches into the coming year. It is fortunate that we have had a cut in interest rates and the sale of land has reduced our debt going into this new crisis. I believe that the virus will also open more opportunity for Lecico in the coming year as assets in Europe may not all return to production and those who source look to diversify their risk.

Taher Gargour, Lecico Egypt CEO, added, “The most important event in the quarter was the sale of 22.4k sqm of lands in Lebanon for USD 13.5 million in March. The funds from the sale of the land will allow us reduce our net debt by about 18%. The reduction in debt will reduce our interest expense bill by around LE 15 million per annum.

“Operationally, the quarter was encouraging despite lower sales. We reported our highest gross margin and our lowest operating loss in three quarters and significantly reduced our losses compared to 4Q19. Our working capital also improved and the Company was marginally cash flow positive excluding the proceeds of the real estate sale in March. It is encouraging to see our restructuring bearing fruit. Unfortunately, the impact of Corona will likely see a deterioration in numbers quarter-on-quarter in 2Q and beyond.

“As a management, our goal is to continue to offer best service and maintain our position in our markets while managing costs and focusing on cash control and working capital management in order to minimize our need for capital in this period. Rest assured that the entire team will continue to work towards the best result despite these 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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