



## Full Year 2023 Results

Alexandria, 29<sup>th</sup> February 2024 – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for 2023.

### Highlights

#### 4Q 2023

- Lecico revenue up 29% to LE 1,223 million (60.9% from sanitary ware).
- Sanitary ware revenue up 30% to LE 745.2 million, volumes down 19% to 950,773 pieces (68.4% exports).
- Tile revenue up 17% to LE 386.5 million, volumes down 22% to 4.8 million square meters (13.5% exports).
- Brassware revenue up 85% to LE 91.3 million, sales volume up 81% to 65,831 pieces.
- EBIT profit of LE 160.9 million compared to EBIT profit of LE 69.6 million in 4Q 2022.
- Net profit of LE 110.8 million compared to net profit of LE 37.7 million in 4Q 2022.

#### FY 2023

- Lecico revenue up 48% to LE 4,842.9 million (65.4% from sanitary ware).
- Sanitary ware revenue up 58% to LE 3,168.7 million, volumes down 14% to 4.1 million pieces (73% exports).
- Tile revenue up 25% to LE 1,354.8 million, volumes down 16% to 18.9 million square meters (12.8% exports).
- Brassware revenues up 72% to LE 319.4 million, sales volume up 37% to 237,592 pieces.
- EBIT profit of LE 941.1 million compared to EBIT loss of LE 31.3 million in 2022.
- Net profit of LE 446.3 million compared to net loss of LE 3.2 million in 2022.

Lecico Egypt Chairman, Gilbert Gargour commented, “I am pleased to report a strong performance for 2023, with Lecico seeing significant gains in our gross margins and a relative reduction in overheads driving a dramatic improvement in our core profitability and a strong bottom line.

“The dramatic improvement in our results came primarily from the benefits of the devaluation in the Egyptian pound in late 2022 and early 2023. Lecico, as a business with 58% of its revenue from exports and a positive spread between FX revenues and FX costs benefitted greatly from this adjustment in our exchange rates.

“We were also able to push through significant price increases both in the local and export markets due to high inflation globally particularly around the start of the year.

“We did face significant challenges in 2023, with high inflation in Egypt, weak demand in our export markets and a sharp rise in interest rates, but we were also able to offset these considerably thanks to gains in efficiency and cost saving programs.

“These results show what Lecico is capable of when the Egyptian pound is competitively priced, allowing the potential strength of Egypt as an export base to shine through. Although we are expecting the challenges of 2023 to intensify in 2024 with pressure on the Egyptian economy and continued weakness in European and regional markets, Lecico management hopes to be able to deliver continued strong performance in 2024, particularly if another devaluation in the Egyptian pound occurs as expected.”

Taher Gargour, Lecico Egypt CEO, added, “I am very pleased that our margins held up in the fourth quarter. Despite the diseconomies of scale as we reduced sanitary production by 40% and cut tile production by 23% from the run-rate of the first half of the year, Lecico was still able to deliver double-digit operating margins in the quarter.

“Revenue for the quarter was up 29% year-on-year and gross profit grew 70% on stronger margins. Operating profits rose 131% year-on-year as we leveraged gross profit growth and improved net other operating income to partially offset growing overheads.

“We also delivered an excellent bottom line for the quarter – despite high finance costs – as we monetized our excess dollar supply adding LE 29.7 million to profits and we reported LE 38.3m in positive exchange variances for the quarter between Lebanon and our other operations. Our ability to make gains on our excess foreign currency through the GDR market may continue into next year and could have a significant impact on our bottom line for 2024.

“We continued to limit production and reduce stocks of finished goods in the quarter, as well as reducing holdings of excess raw materials and other consumables. Strong profitability and improved working capital allowed us to cut our net debt by 20% compared to the previous quarter of this year.

“As we look ahead to 2024, I am optimistic that we can continue to deliver strong results despite the headwinds of Egypt’s economic challenges and the continued slowdown of markets in Europe. We will face cost inflation from Egyptian inputs but hopefully this will be balanced both by currency movements and strong gains from excess foreign currency. Looking further ahead, I think the potential of Egypt as an export base will increase our earnings as European markets start to recover towards the end of the year and Egypt – with the support of the IMF and others – sees its currency, budget and inflation issues start to improve. Whatever the challenges, Lecico will work hard to preserve and build on the strong improvement in our financial results delivered in 2023.”

## Lecico Revenue and Profitability

Profit and loss statement highlights						
(LE m)	4Q		%	FY		%
	2023	2022	23/22	2023	2022	23/22
Sanitary ware	745.2	571.2	130%	3,168.7	2,004.5	158%
Tiles	386.5	329.9	117%	1,354.8	1,083.6	125%
Brassware	91.3	49.3	185%	319.4	185.7	172%
<b>Sales</b>	<b>1,223.0</b>	<b>950.4</b>	<b>129%</b>	<b>4,842.9</b>	<b>3,273.8</b>	<b>148%</b>
Sanitary ware/sales (%)	60.9%	60.1%	0.8%	65.4%	61.2%	4.2%
Cost of sales	(888.1)	(753.2)	118%	(3,208.8)	(2,675.2)	120%
Cost of sales/sales (%)	(72.6%)	(79.3%)	(6.6%)	(66.3%)	(81.7%)	(15.5%)
<b>Gross profit</b>	<b>334.9</b>	<b>197.2</b>	<b>170%</b>	<b>1,634.1</b>	<b>598.6</b>	<b>273%</b>
Gross profit margin (%)	27.4%	20.7%	6.6%	33.7%	18.3%	15.5%
Distribution and administration (D&A)	(181.8)	(129.8)	140%	(648.2)	(465.3)	139%
D&A/sales (%)	(14.9%)	(13.7%)	1.2%	(13.4%)	(14.2%)	(0.8%)
Net other operating income/ (expense)	7.8	2.2	359%	(44.8)	(164.6)	27%
Net other operating income/ (expense) sales (%)	0.6%	0.2%	(0.4%)	(0.9%)	(5.0%)	(4.1%)
<b>EBIT</b>	<b>160.9</b>	<b>69.6</b>	<b>231%</b>	<b>941.1</b>	<b>(31.3)</b>	-
EBIT margin (%)	13.2%	7.3%	5.8%	19.4%	-	-
<b>Net profit (loss)</b>	<b>110.8</b>	<b>37.7</b>	<b>294%</b>	<b>446.3</b>	<b>(3.2)</b>	-
Net profit margin (%)	9.1%	4.0%	5.1%	9.2%	-	-

### 4Q 2023: Operational margin pressure offset by financial and exchange gains

Lecico reported a net profit of LE 110.8 million for the quarter, up 41% quarter-on-quarter with a drop in operating profits offset by financial and exchange gains. In operations, pressure on sanitary ware sales was partially offset by stronger tile sales as the local market outperformed exports for the period. Operating margins dropped 3% quarter-on-quarter to 13% as inflationary pressure and the increase of tiles in our sales mix reduced gross margins. In the fourth quarter, the Company booked strong exchange variance gains, particularly in Lebanon. The Company also was able to make significant financial income by offloading some of its excess foreign currency through the GDR market adding LE 29.7m in financial gains. These opportunistic below the operating line gains account for almost a third of Lecico's net profit for the quarter.

Lecico revenues for the fourth quarter increased by 29% year-on-year to reach LE 1,223 million (4Q 2022: LE 950.4 million) despite sales volumes dropping 23% year-on-year, with higher prices driving up revenues in all segments. Local revenues were up 30% year-on-year to reach LE 598.9 million (4Q 2022: LE 460 million) and exports revenues were up 27% year-on-year to reach LE 624.1 million (4Q 2022: LE 490.4 million).

Quarter-on-quarter revenues increased slightly by 0.4% (3Q 2023: LE 1,218.7 million). Local revenues increased 26% Quarter-on-quarter to reach LE 598.9 million (3Q 2023: LE 474.1 million), but exports decreased 16% Quarter-on-quarter to reach LE 624.1 million (3Q 2023: LE 744.6 million).

Lecico's cost of goods sold increased by 18% year-on-year to LE 888.1 million (4Q 2022: LE 753.2 million).

Quarter-on-quarter Lecico's cost of goods sold increased by 3% (3Q 2023: LE 859.5 million).

Lecico's gross profit for the fourth quarter increased 70% year-on-year to LE 334.9 million (4Q 2022: LE 197.2 million) primarily on the back stronger pricing and improved efficiency gains partially offsetting the pressure on unit costs from reduced production levels. Lecico's gross profit margin increased 6.6 percentage points to 27.4% compared to 20.7% in the same period last year.

Quarter-on-quarter gross profit decreased by 7% (3Q 2023: LE 359.2 million) and Lecico's gross margin decreased 2.1 percentage points (3Q 2023: 29.5%).

In absolute terms, distribution and administration (D&A) expenses increased by 40% to LE 181.8 million (4Q 2022: LE 129.8 million) and proportional D&A expenses were up by 1.2 percentage points to 14.9% (4Q 2022: 13.7%).

Quarter-on-quarter distribution and administration (D&A) expenses increased by 10% (3Q 2023: LE 165.7 million) and proportional D&A expenses were up by 1.3 percentage points (3Q 2023: 13.6%).

Lecico reported LE 7.8 million in net other operating income compared to net other operating income of LE 2.2 million in the same period last year.

Quarter-on-quarter Lecico reported LE 7.8 million in net other operating income compared to net other operating income of LE 5.8 million in 3Q 2023.

Lecico's EBIT profit for the fourth quarter increased 131% year-on-year to LE 160.9 million (4Q 2022: LE 69.6 million). Lecico's EBIT margin increased 5.8 percentage points to 13.2% compared to 7.3% in the same period last year.

Quarter-on-quarter Lecico's EBIT profit dropped 19% or LE 38.4 million (3Q 2023: LE 199.3 million) and the EBIT margin decreased 3.2 percentage points (3Q 2023: 16.3%).

During the quarter, Lecico reported LE 6.4 million in net financing expenses compared to LE 14.1 million in the same period last year. This decrease in financing expense is due to an exceptional gain of LE 29.7 million from swapping excess foreign currency into Egyptian Pounds through GDRs and exceptional exchange gains in Lebanon of LE 23.6 million. However, in 2022, our net financing expenses were distorted by strong exchange gains in Lebanon before we moved the subsidiary to hyper-inflation accounting, a more normalized net finance expense is that of 2Q and 3Q 2023. Quarter-on-quarter The net financing expense in 4Q 2023 showed a marked reduction on Q3 2023 where the cost was LE 78.6 million.

Lecico reported a net tax charge of LE 34.4 million in the fourth quarter versus tax charge LE 13 million in the same period last year.

Lecico's net profit for the fourth quarter increased 194% year-on-year to LE 110.8 million (4Q 2022: LE 37.7 million). Lecico's net margin increased 5.1 percentage points to 9.1% compared to 4.0% in the same period last year.

Quarter-on-quarter, Lecico's net profit increased by 41% (3Q 2023: LE 78.6 million) and its net margin increased by 2.6 percentage point (3Q 2023: 6.5%).

**FY 2023: A strong recovery on the back of devaluation and price increases**

Lecico revenues for 2023 increased by 48% year-on-year to LE 4,842.9 million (2022: LE 3,273.8 million) caused by price-led growth in revenues in all segments following the devaluation of the Egyptian Pound and large price increases to offset inflation both of which pushed up average selling prices.

Lecico's cost of goods sold was up 20% year-on-year to LE 3,208.8 million (2022: LE 2,675.2 million) despite production reductions year-on-year of around 13%.

Gross profit increased by 173% to reach LE 1,634.1 million (2022: LE 598.6 million) and the Company's gross profit margin was up 15.5 percentage points to 33.7% compared to 18.3% in the same period last year.

In absolute terms, distribution, and administration (D&A) expenses increased by 39% to LE 648.2 million (2022: LE 465.3 million), but proportional D&A expenses were down by 0.8 percentage points to 13.4% (2022: 14.2%).

Lecico reported LE 44.8 million in net other operating expenses compared to net other operating expenses of LE 164.6 million in the same period last year. The higher other operating expense in 2022 is primarily due to exceptional losses incurred last year.

Lecico reported an EBIT profit of LE 941.1 million for 2023 compared to an EBIT loss of LE 31.3 million in the last year.

Lecico reported LE 254.1 million in net financing expense compared to net financing income of LE 107.7 million in the last year. This increase in financing expense in 2023 is partly due to the significant increase in interest rates and the growth in debt levels during the year, However, most of the increase in financing expenses came from the fact that Lecico's Lebanese subsidiary had inflated operating losses and exchange variance gains in 2022 before applying hyperinflation (IAS 21 and IAS 29) in the first quarter of 2023.

Lecico reported a net tax charge of LE 214 million versus a tax charge of LE 63.7 million in the last year.

Lecico reported net profit of LE 446.3 million compared to net loss of LE 3.2 million in the last year.

## Segmental analysis

### Sanitary ware

**4Q:** Sanitary ware sales volumes decreased by 19% (down 229,883 pieces). Local sales volumes decreased by 27% (down 109,842 pieces) and export sales volumes decreased by 16% (down 121,993 pieces), but Lebanon sales volumes increased by 35% (up 1,952 pieces).

Quarter-on-quarter total sales volumes decreased by 11% (down 122,492 pieces). Local volumes increased 11% (up 29,407 pieces), export sales volumes decreased 19% (down 151,376 pieces) and sales in Lebanon decreased 7% (down 523 pieces).

Average sanitary ware prices increased by 62% year-on-year at LE 783.8 per piece (4Q 2022: LE 483.8) following a series of price increases over the course of the year plus the impact of the significant devaluation on export prices. Quarter-on-quarter average selling prices increased by 2% (3Q 2023: LE 772.1).

Revenues were up 30% year-on-year at LE 745.2 million (4Q 2022: LE 571.2 million). Quarter-on-quarter revenues were down 10% (3Q 2023: LE 828.7 million).

Average cost of sales per piece increased by 43% year-on-year at LE 574.4 per piece, in part due to the Company's decision to cut production sharply in the quarter to sell off some of the stocks built up in the first half of the year. Significant inflation globally and locally particularly following the devaluation in the Egyptian Pound was also a factor in the cost inflation.

Quarter-on-quarter, the average cost of sales increased by 6% (3Q 2023: LE 544.1 per piece) with production volumes up 11%.

Gross profit increased 107% to LE 199.1 million (4Q 2022: LE 96.3 million) and the gross margin was up 9.9 percentage points to 26.7% (4Q 2022: 16.9%).

Quarter-on-quarter gross profit decreased by 19% (3Q 2023: LE 244.7 million) and the gross margin decreased by 2.8 percentage points (3Q 2023: 29.5%).

Sanitary ware segmental analysis	4Q		%	FY		%
	2023	2022		2023	2022	
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	293	402	73%	1,088	1,356	80%
Lebanon (000 pcs)	7	6	135%	33	30	107%
Export (000 pcs)	651	773	84%	3,034	3,450	88%
<b>Total sanitary ware volumes (000 pcs)</b>	<b>951</b>	<b>1,181</b>	<b>81%</b>	<b>4,155</b>	<b>4,836</b>	<b>86%</b>
Exports/total sales volume (%)	68.4%	65.4%	3.0%	73.0%	71.3%	1.7%
<b>Sanitary ware revenue (LE m)</b>	<b>745.2</b>	<b>571.2</b>	<b>130%</b>	<b>3,168.7</b>	<b>2,004.5</b>	<b>158%</b>
Average selling price (LE/pc)	783.8	483.8	162%	762.6	414.5	184%
Average cost per piece (LE/pc)	574.4	402.3	143%	493.8	362.0	136%
Sanitary ware cost of sales	(546.1)	(474.9)	115%	(2051.8)	(1750.8)	117%
<b>Sanitary ware gross profit</b>	<b>199.1</b>	<b>96.3</b>	<b>207%</b>	<b>1116.9</b>	<b>253.7</b>	<b>440%</b>
Sanitary ware gross profit margin (%)	26.7%	16.9%	9.9%	35.2%	12.7%	22.6%

**FY:** Sanitary ware sales volume decreased by 14% to 4.2 million pieces (down 680,692 pieces). Egyptian volumes decreased 20% (down 267,552 pieces), export volumes decreased 12% (down 415,416 pieces), but sales in Lebanon increased by 7% (up 2,276 pieces).

Average sanitary ware prices were up 84% year-on-year to LE 762.6 per piece (2022: LE 414.5) because of price increases and the devaluation of the Egyptian Pound.

Revenues were up 58% year-on-year at LE 3,168.7 million (2022: LE 2,004.5 million).

Average cost of sales per piece increased 36% to LE 493.8 (2022: LE 362.0 per piece) with production volumes down 15%. The Company significantly improved scrap and repair rates during the year, offsetting some of the inflationary pressures of both reduced production and the high inflation seen in Egypt.

Gross profit increased 340% to LE 1,116.9 million (2022: LE 253.7 million) and the margin increased 22.6 percentage points to 35.2% (2022: 12.7%).

## **Tiles**

**4Q:** Tile sales volumes decreased 22% year-on-year (down 1.4 million square meters) to reach 4.7 million square meters. Local sales volumes decreased 22% (down 1.1 million square meters), export sales decreased 29% (down 260,000 square meters), but Lebanon sales volumes increased 32% (up 13,000 square meters).

Quarter-on-quarter sales volumes increased 10% (up 431,000 square meters). Local volumes increased 10% (up 383,000 square meters) and export volumes increased 12% (up 68,000 square meters), but Lebanon volumes decreased 27% (down 20,000 square meters).

Average net prices per square meter increased by 51% year-on-year at LE 81 per meter (4Q 2022: LE 53.6) because of price increases locally and the impact of the devaluation on export prices. Quarter-on-quarter average prices increased by 13% (3Q 2023: LE 71.8).

Tile revenues were up 17% year-on-year at LE 386.5 million (4Q 2022: LE 329.9 million). Quarter-on-quarter revenues were up 24% (3Q 2023: LE 311.6 million).

Average cost of sales per square meter increased by 46% year-on-year to reach LE 60.2 (4Q 2022: LE 41.1 per square meter). Tile production was down 26% compared to the same period last year.

Quarter-on-quarter average costs per square meter increased by 12% (3Q 2023: LE 53.8). Tile production decreased by 17% Quarter-on-quarter.

Gross profit for the quarter increased 29% to reach LE 99.4 million (4Q 2022: LE 76.8 million). Gross margin increased by 2.4 percentage points to 25.7% (4Q 2022: 23.3%).

Quarter-on-quarter gross profit increased by 28% (3Q 2023: LE 77.9 million) and the gross margin increased 0.7 percentage point (3Q 2023: 25%).

Tile segmental analysis	4Q		%	FY		%
	2023	2022		2023	2022	
			23/22			23/22
Tile volumes (000 sqm)						
Egypt (000 sqm)	4,071	5,209	78%	16,219	19,253	84%
Lebanon (000 sqm)	54	41	132%	302	288	105%
Export (000 sqm)	646	906	71%	2,432	2,952	82%
<b>Total tile volumes (000 sqm)</b>	<b>4,771</b>	<b>6,156</b>	<b>78%</b>	<b>18,953</b>	<b>22,494</b>	<b>84%</b>
Exports/total sales volume (%)	13.5%	14.7%	(1.2%)	12.8%	13.1%	(0.3%)
<b>Tile revenue (LE m)</b>	<b>386.5</b>	<b>329.9</b>	<b>117%</b>	<b>1,355</b>	<b>1,084</b>	<b>125%</b>
Average selling price (LE/sqm)	81.0	53.6	151%	71.5	48.2	148%
Average cost per sqm (LE/sqm)	60.2	41.1	146%	51.7	36.5	142%
Tile cost of sales	(287.1)	(253.0)	113%	(979.6)	(821.5)	119%
<b>Tile gross profit</b>	<b>99.4</b>	<b>76.8</b>	<b>129%</b>	<b>375.2</b>	<b>262.0</b>	<b>143%</b>
Tile gross profit margin (%)	25.7%	23.3%	2.4%	27.7%	24.2%	3.5%

**FY:** Tile sales volumes decreased by 16% year-on-year (down 3.5 million square meters) to reach 18.9 million square meters. Sales in Egypt decreased 16% (down 3 million square meters) and export sales decreased by 18% (down 520,514 square meters), but Lebanon sales increased by 5% (up 13,416 square meters).

Tile revenues increased 25% year-on-year at LE 1,354.8 million in 2023 (2022: LE 1,083.6 million).

Average net prices rose 48% to LE 71.5 per square meter compared to LE 48.2 in the same period last year.

Average costs increased 42% year-on-year to reach LE 51.7 per square meter due to cost cutting measures in Egypt offsetting the impact of inflation and devaluation. Production volume was 11% lower than the same period in 2022.

Gross profit increased 43% to reach LE 375.2 million (2022: LE 262 million) and the margin increased by 3.5 percentage points to 27.7% (2022: 24.2%).

## Brassware

**4Q:** Sales volumes for the fourth quarter of 2023 increased by 81% to reach 65,831 pieces (4Q 2022: 36,455 pieces), although the brassware segment is seeing significant growth, this number is distorted by sales mix with some lower value items having a larger weight in the mix. Quarter-on-quarter sales volumes increased by 19% (3Q 2023: 55,128 pieces).

Average net prices increased 3% to LE 1,386.6 compared to LE 1,352.6 in the same period last year. Quarter-on-quarter average prices decreased by 3% (3Q 2023: LE 1,423.2).

Revenue for the quarter increased 85% year-on-year to reach LE 91.3 million (4Q 2022: LE 49.3 million). Brassware accounted for 7.5% of the quarter's total revenues, compared to 5.2% in the same period last year. Quarter-on-quarter revenues increased by 16% (3Q 2023: LE 78.5 million).

Average cost per piece increased 21% to LE 833.8 (4Q 2022: LE 691.2 per piece) reflecting changing mix and inflation from local costs and the devaluation. Quarter-on-quarter average cost per piece increased by 10% (3Q 2023: LE 761.2 per piece).

Gross profit for the quarter increased by 51% year-on-year to reach LE 36.4 million (4Q 2022: LE 24.1 million), but the gross margin decreased 9 percentage points to 39.9% (4Q 2022: 48.9%). Brassware accounted for 10.9% of the quarter's total gross profits compared to 12.2% in the same period last year.



Quarter-on-quarter gross profit slightly decreased by 0.3% (3Q 2023: LE 36.5 million), but the gross margin decreased 6.7 percentage points (3Q 2023: 46.5%). Brassware accounted for 10.2% of total gross profits in 3Q 2023.

Brassware segmental analysis	4Q		%	FY		%
	2023	2022	23/22	2023	2022	23/22
Brassware volumes ( pcs)						
Egypt ( pcs)	65,831	36,455	181%	237,592	173,962	137%
Export ( pcs)	-	-	0%	-	-	-
<b>Total brassware volumes ( pcs)</b>	<b>65,831</b>	<b>36,455</b>	<b>181%</b>	<b>237,592</b>	<b>173,962</b>	<b>137%</b>
Exports/total sales volume (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Brassware revenue (LE m)</b>	<b>91.3</b>	<b>49.3</b>	<b>185%</b>	<b>319.4</b>	<b>185.7</b>	<b>172%</b>
Average selling price (LE/pc)	1,387	1,353	103%	1,344	1,068	126%
Average cost per piece (LE/pc)	833.8	691.2	121%	746.6	591.3	126%
Brassware cost of sales	(54.9)	(25.2)	218%	(177.4)	(102.9)	172%
<b>Brassware ware gross profit</b>	<b>36.4</b>	<b>24.1</b>	<b>151%</b>	<b>142.0</b>	<b>82.9</b>	<b>171%</b>
Brassware gross profit margin (%)	39.9%	48.9%	(9.0%)	44.5%	44.6%	(0.1%)

**FY:** Sales volumes for 2023 increased by 37% year-on-year (up 63,630 pieces).

Average net prices increased 26% to reach LE 1,344.5 per piece reflecting a change in mix offsetting significant increases in like-for-like prices. Revenues increased 72% year-on-year to reach LE 319.4 million (2022: LE 185.7 million).

Brassware's percentage of total consolidated revenues was 6.6% (2022: 5.7% of sales).

Average cost per piece increased 26% to LE 746.6 (2022: LE 591.3 per piece) reflecting the impact of inflation offset by changing mix.

Gross profit increased 71% to LE 142 million (2022: LE 82.9 million), with the gross margin falling by 0.1 percentage points to 44.5% (2022: 44.6%).

Brassware's percentage of total consolidated gross profits decreased to 8.7% (2022: 13.8%) as improving profitability in other segments surpassed the growth in gross profits seen in brassware.

**Financial Position**

The value of Lecico's non-current assets increased by 11% at the end of December 31, 2023, to reach LE 2,222.4 million (2022: LE 2,009.1 million)

Total Equity increased 19% at the end of December 31, 2023, to reach LE 2,185.5 million (2022: LE 1,843.1 million).

The value of Lecico's current assets increased by 20% at the end of December 31, 2023, to reach LE 3,233 million (2022: LE 2,686.2 million) as receivables and inventories of finished goods and materials increased because of the impact of the devaluation of the Egyptian Pound and continued inflation on both selling and cost prices.

Total liabilities increased by 14% to reach LE 3,193.6 million (2022: LE 2,795 million) as debt grew and payables rose.

Gross debt increased 9% or LE 112.6 million to reach LE 1,397.8 million compared to LE 1,285.2 million at the end of 2022.

Net debt increased 20% or LE 154.3 million to reach LE 941.5 million compared to LE 787.2 million at the end of 2022.

Net debt to equity at the end of December 2023 was flat year-on-year at 0.43x.

Working capital increased 38% or LE 457.2 million to reach LE 1,670.8 million compared to LE 1,213.6 million at the end of 2022.

## Recent developments and outlook

**Outlook for 2024:** In 2023, Lecico Egypt's margins increased significantly as the devaluation of the Egyptian Pound and annual price increases on exports drove up sanitary ware profitability.

This improvement in profitability is now facing pressure from cooling demand across most markets which is expected to squeeze Lecico's revenue and drive-up unit costs. At the same time, high inflation in Egypt and increased interest rates will also put pressure on the Company's profitability.

Although sales volumes may be weaker in 2024, the Company expects to ramp up production from the levels produced in the second half of 2023 now that stock levels have been managed back down to more normal levels from the peak seen in Q3 2023. This will help offset the cost inflation seen in 2H 2023 and hopefully improve on the margins and profitability closer to the level seen on average for 2023.

In addition, we expect to see significant supplemental income from excess foreign currency proceeds over the course of the year. Lecico has around USD 15 million annually to dispose of. It is also very likely that we see a further devaluation in 2024 which will boost export proceeds and profitability. If this comes with significant restructuring in Egypt, there will be pain, but it will also open the door to a rebuilding of consumer power going forward in Egypt.

**Accounting changes in 2024 will move expenses from Overheads to COGs:** In order to streamline cost and margin analysis and unify treatment of different transport costs, Lecico will from January put all transport costs in COGs. The effect of this change will be to add about 4% to COGs, reducing the gross margin by about 3 percentage points. A similar value will be removed from SG&A, reducing overheads. Our operating profit and margin will not be changed by this new treatment. We expect our Auditors to restate comparison (2023) as we report results going forward from 1Q 2024.

**Lecico Lebanon restructuring update:** The crisis in Lebanon continues to make the market extremely unpredictable and limits activity. Trading in Lebanon is improved over last year in volume terms and prices reflect the devaluation in Egypt, so revenues are significantly improved.

Nonetheless, Lebanon's macroeconomic and political outlook remains extremely uncertain, and sales volumes are a fraction of the levels seen before the current economic crisis.

Lecico Lebanon is continuing to survive these challenges with limited sales being enough to keep the company cash flow positive and operational as we wait for the economic situation to improve.

**Lecico Lebanon switched to hyper-inflation accounting:** In 1Q 2023, Lecico Lebanon management has switched to hyper-inflation accounting using IAS 21 and IAS 29 and the "Sayrafa" exchange rate. This means all assets have been restated in Lebanese Pounds based on the impact of hyper-inflation and the P&L and balance sheet are translated at the "Sayrafa" rate as opposed to the official exchange rate. At time of publishing the "Sayrafa" rate was LBP 90,000 to the dollar instead of the official exchange rate which was LBP 1,500 to the dollar in 2022.

This has meant that despite several years of triple-digit inflation in Lebanon, there is a significant change in asset values and those assets and liabilities held in foreign currency have proportionately increased significantly. It also means that on the P&L, Lebanese costs and overheads are now much lower in EGP reflecting something close to current trading reality.

Management is working towards formalizing hyper-inflation accounting new treatment with its auditors which may lead to adjustments or restatements when these management accounts are audited. Management understands that this will also lead to some restatement of past years as IAS rules calls for adjustment back to the beginning of hyperinflation in the economy. In due course, this should also lead to the removal of all the qualifications to Lecico Egypt's consolidated accounts that stem from not using hyper-inflation accounting and following IAS 21 and IAS 29. Management intends to continue to update investors on the progress of restructuring on a quarterly basis in the Results Newsletter.

### **AGM Announcement**

Lecico's Annual General Meeting will be held electronically with voting over five days before the assembly meeting on Sunday, March 31, 2024, at exactly 8:30 AM.

The Board of Directors recommends not to distribute a dividend. The Company has distributed treasury shares as a stock dividend in 2023. Lecico Egypt stand-alone results have an accumulated loss due to prior years losses which prevents us paying a dividend. The Board's recommendation will be presented to shareholders at Lecico's AGM.

### **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 manufacturing base in Egypt. 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 a number of leading European brands.

### **For additional information, please contact:**

Taher G. Gargour  
Telephone: +203 518 0011  
Fax: +203 518 0029  
E-mail: [tgargour@lecico.com](mailto:tgargour@lecico.com)

**Visit our website at: [www.lecico.com](http://www.lecico.com)**

### **Forward-looking statements**

This release may contain certain "forward-looking statements", relating to the Company's 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 the Company and the anticipated impact of these investments. Such statements reflect the current views of the Company 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 the Company to be materially different from any future results that may be expressed or implied by such forward-looking statements.

## Lecico Egypt consolidated income statement

Income statement						
(LE m)	4Q		%	FY		%
	2023	2022	23/22	2023	2022	23/22
<b>Sales</b>	<b>1,223.0</b>	<b>950.4</b>	<b>129%</b>	<b>4,842.9</b>	<b>3,273.8</b>	<b>148%</b>
Cost of sales	(888.1)	(753.2)	118%	(3,208.8)	(2,675.2)	120%
<b>Gross profit</b>	<b>334.9</b>	<b>197.2</b>	<b>170%</b>	<b>1634.1</b>	<b>598.6</b>	<b>273%</b>
Gross margin (%)	27.4%	20.7%	6.6%	33.7%	18.3%	15.5%
Distribution expenses	(96.1)	(55.0)	175%	(324.3)	(221.2)	147%
Administrative expenses	(85.7)	(74.8)	115%	(323.9)	(244.0)	133%
Other Operating income	28.2	43.2	65%	133.0	92.3	144%
Other Operating expenses	(20.4)	(41.0)	50%	(177.8)	(256.9)	69%
<b>Operating profit (EBIT)</b>	<b>160.9</b>	<b>69.6</b>	<b>231%</b>	<b>941.1</b>	<b>(31.3)</b>	<b>-</b>
Operating (EBIT) margin (%)	13.2%	7.3%	5.8%	19.4%	-	-
Finance income	29.7	100.0	30%	29.7	316.5	9%
Finance expense	(36.1)	(114.2)	32%	(283.8)	(208.8)	136%
<b>Profit before tax and minority margin (%)</b>	<b>154.5</b>	<b>55.5</b>	<b>279%</b>	<b>687.0</b>	<b>76.4</b>	<b>899%</b>
Income tax	(21.6)	(8.4)	256%	(201.7)	(63.1)	320%
Deferred tax	(12.7)	(4.5)	280%	(12.4)	(0.6)	2119%
<b>Net profit (loss) after tax margin (%)</b>	<b>120.2</b>	<b>42.5</b>	<b>283%</b>	<b>472.9</b>	<b>12.7</b>	<b>3715%</b>
Minority interest	(9.4)	(4.8)	197%	(26.6)	(15.9)	167%
<b>Net profit</b>	<b>110.8</b>	<b>37.7</b>	<b>294%</b>	<b>446.3</b>	<b>(3.2)</b>	<b>-</b>
Net profit margin (%)	9.1%	4.0%	5.1%	9.2%	-	-

## Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Dec-23	31-Dec-22	23/22 (%)
Cash and cash equivalents	456.3	498.0	92%
Inventory	1,597.0	1238.2	129%
Trades and other receivables	1179.8	950.1	124%
<b>Total current assets</b>	<b>3,233.0</b>	<b>2,686.2</b>	<b>120%</b>
Property, plant & equipment	2,159.2	1,985.5	109%
Intangible assets	15.9	10.9	145%
Projects under construction	47.0	12.1	389%
Investment in subsidiaries & Other investment	0.021	0.022	95%
Notes receivable	0.4	0.5	66%
<b>Total non-current assets</b>	<b>2,222.4</b>	<b>2,009.1</b>	<b>111%</b>
<b>Total assets</b>	<b>5,455.4</b>	<b>4,695.3</b>	<b>116%</b>
Banks credit facilities	1,387.5	1,247.3	111%
Loans due within a year	34.0	46.8	73%
Trade and creditors	500.5	505.7	99%
Other current payable	605.4	468.6	129%
Provisions	108.1	48.92	221%
<b>Total current liabilities</b>	<b>2,635.3</b>	<b>2,317.3</b>	<b>114%</b>
Long-term loans	0.2	8.2	2%
Non-current portion of lease liabilities	85.0	71.5	119%
Provisions	14.4	21.3	68%
Deferred tax liabilities	123.5	110.9	111%
Long term notes payables	335.2	265.6	126%
<b>Total non-current liabilities</b>	<b>558.3</b>	<b>477.6</b>	<b>117%</b>
<b>Total liabilities</b>	<b>3,193.6</b>	<b>2,795.0</b>	<b>114%</b>
<b>Non-controlling interest</b>	<b>76.3</b>	<b>57.3</b>	<b>133%</b>
Share capital	400.0	400.0	100%
Reserves	1,735.4	1,813.9	96%
Treasury shares	(25.4)	0.0	-
Retained earnings /accumulated (loss)	75.5	(370.8)	-
<b>Total equity</b>	<b>2,185.5</b>	<b>1,843.1</b>	<b>119%</b>
<b>Total equity, non-controlling interest and liabilities</b>	<b>5,455.4</b>	<b>4,695.3</b>	<b>116%</b>

## Lecico Egypt consolidated cash flow

Cash flow statement (LE m)	FY		%
	2023	2022	23/22
<b>Cash Flow from operating activities</b>			
Net Profit for the year before tax	687.0	76.4	899%
Fixed assets depreciation	115.7	109.5	106%
Intangible assets amortization	2.5	1.2	208%
Interest Income	-	(5.0)	0%
Leases interser expense	5.1	3.2	159%
Interset expenses	243.7	101.9	239%
Net income through profit or loss	(29.7)	-	-
Loss/(Gains) result from hedge contracts	-	104.2	0%
Capital gains (loss)	(2.8)	27.1	-
Impairment of Investments	-	6.9	0%
Change in translation reserve and foreign currency differences	(360.9)	120.2	-
<b>Gain from operating</b>	<b>660.5</b>	<b>545.6</b>	<b>121%</b>
Change in Inventory	(227.2)	(297.8)	76%
Change in trade,notes and other receivables	(27.0)	(286.9)	9%
Change in trade, notes and other payables	40.8	333.9	12%
Change in Provisions	65.9	29.7	222%
	<b>513.1</b>	<b>324.4</b>	<b>158%</b>
Proceeds intersets	-	5.0	0%
Interset expenses paid	(243.7)	(101.9)	239%
Income tax paid	(41.4)	(55.3)	75%
Finance interest expenses paid on lease contracts	(5.1)	(3.2)	159%
Dividends Paid	(85.6)	(46.8)	183%
<b>Net cash from operating activities</b>	<b>137.3</b>	<b>122.2</b>	<b>112%</b>
<b>Cash flow from investing activities</b>			
Payments for acquisition of property, plant & equipment	(264.4)	(103.8)	255%
Payments for the purchase of securities	(48.9)	-	-
Proceeds for sale securities	78.6	-	-
Payments for acquisition of intangible assets	(4.0)	(2.5)	-
Proceeds from sale of property, plant and equipment	3.6	19.2	19%
<b>Net cash (used in) investing activities</b>	<b>(235.1)</b>	<b>(87.1)</b>	<b>270%</b>
<b>Cash flow from financing activities</b>			
Payments of loans	(37.7)	(21.4)	177%
Payment for leased liabilities	(21.0)	(12.0)	175%
Payments for acquisition of treasury stock	(25.4)	-	-
Net proceeds from banks credit facilities	140.2	423.3	33%
proceeds from time deposits	30.0	15.0	200%
(Payments)/Proceeds from hedge contracts	-	(104.2)	0%
<b>Net cash provided from financing activities</b>	<b>86.1</b>	<b>300.8</b>	<b>29%</b>
<b>Net change in cash &amp; cash equivalent during the year</b>	<b>(11.7)</b>	<b>335.8</b>	<b>-</b>
Cash and cash equivalent at beginning of the year	468.0	132.1	354%
<b>Cash and cash equivalent at the end of the year</b>	<b>456.3</b>	<b>468.0</b>	<b>98%</b>