FGI INDUSTRIES ANNOUNCES FIRST QUARTER 2022 RESULTS

EAST HANOVER, N.J., May 11, 2022 – FGI Industries Ltd. (Nasdaq: FGI) ("FGI" or the "Company"), a leading global supplier of kitchen and bath products, today announced results for the first quarter of 2022.

FIRST QUARTER 2022 HIGHLIGHTS

(As compared to the First Quarter of 2021)

- Total Revenues of $43.6 million, +19.8% y/y
- Operating Income of $0.7 million, (63.3%) y/y
- Net Income of $0.5 million, (82.1%) y/y
- Adjusted Operating Income of $0.9 million, (53.8%) y/y
- Adjusted Net Income of $0.7 million, (57.1%) y/y
- Reaffirmed full-year 2022 financial guidance

Total revenue increased by 20% on a year-over-year basis in the first quarter of 2022, driven primarily by growth in the Sanitaryware and Other product categories, partially offset by declines in Bath Furniture. Revenues were strong across the United States and Canada, while Europe declined modestly.

The Company reported operating income of $0.7 million in the first quarter of 2022, a decline of $1.2 million versus the prior-year period, primarily driven by supply chain disruptions, marketing investments, and public company costs, partially offset by strong organic revenue growth. Excluding non-recurring IPO-related compensation and stock-based compensation expense of $0.2 million, adjusted operating income was $0.9 million during the first quarter of 2022, as compared to $2.0 million for the prior-year period. For the three months ended March 31, 2022, the Company reported GAAP net income of $0.5 million, or $0.05 per diluted share, versus net income of $3.0 million, or $0.42 per diluted share, in the first quarter of 2021. Excluding non-recurring items and the related tax impact, the Company reported first quarter 2022 adjusted net income of $0.7 million, or $0.07 per diluted share.

MANAGEMENT COMMENTARY

"First quarter 2022 results exceeded our expectations, with total revenue increasing by 20% on a year-over-year basis, driven by strong demand in the pro channel for sanitaryware within our U.S. and Canadian markets," stated David Bruce, President and Chief Executive Officer of FGI. "Although higher freight costs and inflationary pressures remain a near-term challenge across the industry, we've taken pricing actions to offset these margin headwinds, which together with our Brands-Products-Channels (BPC) strategy, resulted in nearly 300 basis points of sequential gross margin improvement in the first quarter of 2022 as compared to the fourth quarter of 2021. The year is off to a strong start, supported by robust demand for our key products, together with improved price realization in select product channels."

"We believe our diverse product portfolio, including an attractive mix of 'on-trend' products, together with new product offerings such as our shower wall systems and custom kitchen cabinetry, have continued to resonate with consumers," continued Bruce. "Importantly, we continue to see meaningful opportunities to significantly expand our presence within newer, higher growth categories, while growing our mix of higher-margin, branded product lines"

"Recently introduced price increases have been widely accepted across our markets," stated Perry Lin, Chief Financial Officer of FGI. "These price actions, together with recent operational improvements, are expected to drive continued sequential gross margin improvement into the second half of 2022. Exiting the first quarter of 2022, we have ample liquidity with which to support the ongoing growth of our business."

"Demand trends in our kitchen and bath end markets remain resilient, highlighting the stability of our key product categories, which combined with our focus on the more stable repair and remodel market results in a stable,

predictable growth profile," continued Bruce. "We continue to successfully execute on our strategic plan, and we are excited by a number of key programs that have the potential to drive incremental growth in the coming quarters. Based on these factors, we are reiterating our full-year 2022 financial guidance."

STRATEGIC UPDATE

Consistent with its long-term strategic plan, FGI intends to drive value creation for its shareholders through a focus on product innovation, execution of its BPC strategy to drive organic growth, margin expansion, and efficient capital deployment. Notable progress against these initiatives achieved during the first quarter were as follows:

- FGI further expanded its Jetcoat Shower wall systems product line though the launch of additional shower walls and doors that are generating favorable customer responses.

- FGI continued to make progress offsetting the margin headwinds from supply chain challenges through price increases and other efficiency measures. The Company generated nearly 300 basis points of sequential gross margin improvement during the first quarter of 2022 as compared to the fourth quarter of 2021 despite lower seasonal revenues and remains on track to generate continued margin improvement in the back half of 2022.

- FGI continues to focus its capital deployment efforts on organic growth strategies in the near-term, and the Company is pursuing a number of attractive organic growth initiatives that could contribute incremental organic growth in coming quarters.

FIRST QUARTER 2022 RESULTS

Revenue totaled $43.6 million during the first quarter of 2022, an increase of 19.8% compared to the prior-year period, driven by 3% volume growth and 17% benefit from price/mix. Revenue benefitted from volume and pricing growth in both Sanitaryware and Bath Furniture, as well as contribution from new products such as shower wall systems and kitchen cabinetry. However, a less robust product mix and some delays in orders caused Bath Furniture revenues to decline in the quarter. Revenue trends were strong across the key US and Canadian markets with revenues up 24% and 29%, respectively. European revenue during the first quarter of 2022 was down $0.8 million, or 17% compared to the prior-year period.

- Sanitaryware revenue was $28.2 million during the first quarter of 2022, an increase of 23.6% compared to the prior-year period, primarily driven by continued volume strength in the pro channel.

- Bath Furniture revenue was $10.1 million during the first quarter of 2022, a decrease of 11.9% compared to the prior-year period. Volumes in Bath Furniture were up year-over-year; however, a less favorable product mix weighed on revenues. In addition, the Company experienced some order delays as certain customers had to push out orders into the second quarter of 2022 due to warehousing and supply chain issues. This is a timing issue, and the Company expects to ship the orders in the coming quarters.

- Other revenue was $5.3 million during the first quarter of 2022, an increase of 153% compared to the prior-year period, primarily driven by volume growth resulting from continued strength in sales of the Jetcoat Shower wall systems.

Gross profit was $7.5 million during the first quarter of 2022, an increase of 2.8% compared to the prior-year period, as strong demand in the pro channel and R&R markets in the U.S. and Canada was partially offset by supply chain disruptions. As a result of these factors, gross profit margin was 17.3% during the first quarter of 2022, down from 20.1% in the prior-year period. The reduction in the Company's gross margin percentage is primarily attributable to the impact of higher raw materials and higher freight charges associated with recent global supply chain issues. While gross profit margin was down year-over-year, the Company is beginning to see the benefits of measures put in place to offset recent margin headwinds, as first quarter 2022 gross profit margin was up 277 basis points from the fourth quarter of 2021. The sequential gross margin improvement was realized despite first quarter of 2022 revenues being down seasonally from the fourth quarter of 2021, which highlights the progress realized on margin recovery measures.

Operating income was $0.7 million during the first quarter of 2022, down from $1.9 million in the prior-year period. The decrease in operating income was primarily driven by gross margin pressure, investments in marketing, and public company costs, partially offset by strong revenue growth. As a result, operating margin was 1.6% during the first quarter, down from 5.2% in the same period last year. Excluding one-time IPO bonuses and stock-based compensation expense of $0.2 million, adjusted income from operations was $0.9 million during the first quarter of 2022, compared to adjusted income from operations of $2.0 million in the prior-year period. FGI expects pricing actions and other cost reduction measures to help offset the headwinds from supply chain and inflation challenges in the back half of 2022.

FINANCIAL RESOURCES AND LIQUIDITY

As of March 31, 2022, the Company had $8.8 million of cash and cash equivalents, total debt of $16.3 million and $1.7 million of availability under its credit facility, net of letters of credit. Combined with cash and cash equivalents, total liquidity was $10.5 million at March 31, 2022.

FINANCIAL GUIDANCE

The outlook for FGI's business and the long-term trends in the repair and remodel markets remains strong. The Company reiterates its fiscal 2022 guidance as follows:

- Total revenue of between $182 million and $189 million
- Total operating income of between $6.5 million and $7.5 million
- Total Net Income of $5.0 million to $6.0 million

FIRST QUARTER CONFERENCE CALL

FGI will conduct a conference call on Thursday, May 12 at 8:00 am Eastern Time to discuss the quarterly results.

A webcast of the conference call and accompanying presentation materials will be available in the Investor Relations section of the Company's corporate website at https://investor.fgi-industries.com. To listen to a live broadcast, go to the site at least 15 minutes prior to the scheduled start time in order to register and download and install any necessary audio software.

To participate in the live teleconference:

Toll Free:	1-877-407-0792
International Live:	1-201-689-8263

To listen to a replay of the teleconference, which will be available through May 26, 2022:

Domestic Replay:	1-844-512-2921
International Replay:	1-412-317-6671
Conference ID:	13729090

ABOUT FGI INDUSTRIES

FGI Industries Ltd. (Nasdaq: FGI) is a leading global supplier of kitchen and bath products. For over 30 years, we have built an industry-wide reputation for product innovation, quality, and excellent customer service. We are currently focused on the following product categories: sanitaryware (primarily toilets, sinks, pedestals and toilet seats), bath furniture (vanities, mirrors and cabinets), shower systems, customer kitchen cabinetry and other accessory items. These products are sold primarily for repair and remodel activity and, to a lesser extent, new home or commercial construction. We sell our products through numerous partners, including mass retail centers, wholesale and commercial distributors, online retailers and specialty stores.

FORWARD-LOOKING STATEMENTS

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "anticipate," "expect," "could," "may," "intend," "plan", "see" and "believe," among others, generally identify forward-looking statements. These forward-looking statements include FGI's guidance. These forward-looking statements are based on currently available operating, financial, economic and other information, and are subject to a number of risks and uncertainties. Readers are cautioned that these forward-looking statements are only predictions and may differ materially from actual future events or results. A variety of factors, many of which are beyond our control, could cause actual future results or events to differ materially from those projected in the forward-looking statements in this release. For a full description of the risks and uncertainties which could cause actual results to differ from our forward-looking statements, please refer to FGI's periodic filings with the Securities & Exchange Commission including those described as "Risk Factors" in FGI's annual report on Form 10-K for the year ended December 31, 2021 and in quarterly reports on Form 10-Q filed thereafter. FGI does not undertake any obligation to update forward-looking statements whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

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FGI INDUSTRIES LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	For the Three Months Ended March 31,	
	2022	2021
	USD	USD
REVENUES	$ 43,575,239	$ 36,375,689
COST OF REVENUES	36,050,653	29,058,658
GROSS PROFIT	7,524,586	7,317,031
OPERATING EXPENSES		
Selling and distribution	4,677,352	3,940,470
General and administrative	1,842,807	1,359,022
Research and development	313,681	133,768
Total operating expenses	6,833,840	5,433,260
INCOME FROM OPERATIONS	690,746	1,883,771
OTHER INCOME (EXPENSES)		
Interest income	31	8,200
Interest expense	(131,752)	(81,312)
Other income, net	98,845	1,606,242
Total other (expenses) income, net	(32,876)	1,533,130
INCOME BEFORE INCOME TAXES	657,870	3,416,901
PROVISION FOR (BENEFIT OF) INCOME TAXES		
Current	171,499	304,959
Deferred	(43,822)	150,528
Total provision for income taxes	127,677	455,487
NET INCOME	530,193	2,961,414
OTHER COMPREHENSIVE INCOME		
Foreign currency translation adjustment	(57,180)	(401)
COMPREHENSIVE INCOME	$ 473,013	$ 2,961,013
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
Basic*	8,833,333	7,000,000
Diluted*	10,941,667	7,000,000
EARNINGS PER SHARE		
Basic*	$ 0.06	$ 0.42
Diluted*	$ 0.05	$ 0.42

* Shares and per share data are presented on a retroactive basis to reflect the reorganization on January 27, 2022.

FGI INDUSTRIES LTD.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	As of March 31, 2022 USD	As of December 31, 2021 USD
ASSETS		
CURRENT ASSETS		
Cash	$ 8,793,338	$ 3,883,896
Accounts receivable, net	20,624,639	26,350,650
Inventories, net	21,581,217	21,263,961
Prepayments and other current assets	1,474,051	1,546,623
Prepayments and other receivables – related parties	8,130,619	3,119,822
Total current assets	60,603,864	56,164,952
PROPERTY AND EQUIPMENT, NET	362,077	387,655
OTHER ASSETS		
Intangible assets	21,342	42,683
Operating lease right-of-use assets, net	7,774,041	8,087,969
Deferred tax assets, net	1,511,298	1,478,589
Other noncurrent assets	3,595,264	2,989,012
Total other assets	12,901,945	12,598,253
Total assets	$ 73,867,886	$ 69,150,860
LIABILITIES AND PARENT'S NET INVESTMENT		
CURRENT LIABILITIES		
Short-term loans	$ 16,321,410	$ 14,657,280
Accounts payable	23,924,746	32,009,851
Income tax payable	603,987	1,220,939
Operating lease liabilities – current	1,252,468	1,315,848
Accrued expenses and other current liabilities	4,694,999	5,512,438
Total current liabilities	46,797,610	54,716,356
OTHER LIABILITIES		
Operating lease liabilities – noncurrent	6,636,941	6,884,794
Total liabilities	53,434,551	61,601,150
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preference Shares ($0.0001 par value, 10,000,000 shares authorized, no shares issued and outstanding as of March 31, 2022 and December 31, 2021)	-	-
Ordinary shares ($0.0001 par value, 200,000,000 shares authorized, 9,500,000 and 7,000,000 shares issued and outstanding as of March 31, 2022 and December 31, 2021*)	950	700
Parent's net investment	-	7,549,010
Additional paid-in capital	20,614,104	-
Retained earnings	530,193	-
Accumulated other comprehensive income	(711,912)	-
Total shareholders' equity	20,433,335	7,549,710
Total liabilities and shareholders' equity	$ 73,867,886	$ 69,150,860

* Shares and per share data are presented on a retroactive basis to reflect the reorganization on January 27, 2022.

FGI INDUSTRIES LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,	
	2022	2021
	USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 530,193	$ 2,961,414
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	68,957	74,311
Share-based compensation	39,812	—
Provision for doubtful accounts	67,644	476
(Reversal of) provision of defective return	(284,548)	653,025
Foreign exchange transaction loss	(20,460)	(17,875)
Interest expenses	131,752	81,312
Deferred income taxes	(32,708)	140,918
Changes in operating assets and liabilities		
Accounts receivable	5,942,915	(1,304,519)
Inventories	(317,256)	149,762
Prepayments and other current assets	(1,055,788)	165,650
Prepayments and other receivables – related parties	(4,200,435)	(10,562)
Other noncurrent assets	(606,253)	(793,375)
Right-of-use assets	313,929	91,074
Income taxes	(616,952)	298,923
Accounts payable	(8,085,105)	(4,016,850)
Accounts payable-related parties	—	523,190
Operating lease liabilities	(311,233)	(100,553)
Accrued expenses and other current liabilities	(631,191)	289,002
Net cash used in operating activities	(9,066,727)	(814,677)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(24,383)	(1,678)
Net cash used in investing activities	(24,383)	(1,678)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (repayments of) revolving credit facility	1,664,130	(54,748)
Net proceeds from issuance of ordinary shares in IPO	12,370,800	—
Net changes in parent company investment	—	(1,321,028)
Net cash provided by (used in) financing activities	14,034,930	(1,375,776)
EFFECT OF EXCHANGE RATE FLUCTUATION ON CASH	(34,378)	17,473
NET CHANGES IN CASH	4,909,442	(2,174,658)
CASH, BEGINNING OF PERIOD	3,883,896	4,018,558
CASH, END OF PERIOD	$ 8,793,338	$ 1,843,900
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for interest	130,954	79,886
Cash paid during the period for income taxes	784,689	15,806
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Net changes in parent company investment	—	(1,321,028)

NON-GAAP FINANCIAL MEASURES

In addition to the measures presented in our unaudited condensed consolidated financial statements, we use the following non-GAAP measures to evaluate our business, measure our performance, identify trends affecting our business and assist us in making strategic decisions. Our non-GAAP measures are: Adjusted Income from Operations, Adjusted Net Income and Adjusted Net Income Per Share. These non-GAAP financial measures are not prepared in accordance with GAAP. They are supplemental financial measures of our performance only, and should not be considered substitutes for net income, income from operations or any other measure derived in accordance with GAAP and may not be comparable to similarly titled measures reported by other entities.

We define Adjusted Income from Operations as GAAP income from operations excluding the impact of certain non-recurring expenses, including IPO-related compensation and stock-based compensation expense and expenses related to COVID-19 protocols. We define Adjusted Net Income as GAAP net income excluding the tax-effected impact of certain non-recurring expenses and income, such as IPO-related compensation and stock-based compensation expense, expenses related to COVID-19 protocols and the impact of our PPP loan. We define Adjusted Net Income Per Share as GAAP net income per share excluding one-time expenses and income, including IPO-related compensation and stock-based compensation expense, expenses related to COVID-19 protocols and the impact of our PPP loan.

We use these non-GAAP measures, along with U.S. GAAP measures, to evaluate our business, measure our financial performance and profitability and our ability to manage expenses, after adjusting for certain one-time expenses, identify trends affecting our business and assist us in making strategic decisions. We believe these non-GAAP measures, when reviewed in conjunction with U.S. GAAP financial measures, and not in isolation or as substitutes for analysis of our results of operations under U.S. GAAP, are useful to investors as they are widely used measures of performance, and the adjustments we make to these non-GAAP measures provide investors further insight into our profitability and additional perspectives in comparing our performance over time on a consistent basis.

The following table reconciles Income from Operations to Adjusted Income from Operations, as well as net income to Adjusted Net Income and net income per share to Adjusted Net Income Per Share for the periods presented.

	For the quarter ended March 31,	
	2022	**2021**
Income from operations	690,746	1,883,771
Adjustments:		
Non-recurring IPO-related compensation and stock-based compensation expense.	232,312	—
COVID one-time expenses	—	115,900
Adjusted income from operations	923,058	1,999,671

	For the quarter ended March 31,	
	2022	**2021**
Net Income	530,193	2,961,414
Adjustments:		
Non-recurring IPO-related compensation and stock-based compensation expense.	232,312	—
Other income (PPP Loan)	—	(1,680,900)
COVID one-time expenses	—	115,900
Total	762,505	1,396,414
Tax impact of adjustment at 18% effective rate	41,816	(281,700)
Adjusted net income	720,689	1,678,114

Net income per share.	0.05	0.42
Adjustments:		
Non-recurring IPO-related compensation and stock-based compensation expense.	0.02	—
Other income (PPP Loan)	—	(0.20)
COVID one-time expenses	—	0.02
Adjusted net income per share	0.07	0.24