

RAK

CERAMICS

EARNINGS PRESENTATION - 2017 Q4/FY RESULTS

FEBRUARY 2018

Attendees



Abdallah Massaad

Group Chief Executive Officer

Abdallah Massaad is Group CEO of RAK Ceramics and has more than 20 years experience in ceramics manufacturing, sales management, product marketing and business leadership. Prior to RAK Ceramics, Abdallah Massaad was GM of ICC SARL, Lebanon.

Abdallah Massaad holds post graduate qualifications in Management (DEA in Business Administration) and an undergraduate degree (Maitrise in Business Administration - Marketing) from Université Saint-Esprit de Kaslik, Lebanon.



PK Chand

Group Chief Financial Officer

Pramod Kumar Chand is the Group Chief Financial Officer of RAK Ceramics and has wide experience in dealing with corporate finance matters including treasury/ working capital financing, project finance, venture capital, debt & equity capital market instruments, fund raising processes and general management.

Pramod is a Member of the Institute of Chartered Accountants of India (CA) and has been a rank holder and winner of A F Ferguson award.

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Management Update



ABDALLAH MASSAAD
GROUP CHIEF EXECUTIVE OFFICER

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2017 Key Business Highlights

Core business growth

Core business growth led by robust sales in UAE and Bangladesh markets.

Bangladesh growth backed by capacity expansion in 2016.

India turnaround

Execution of acquisitions in Morbi, Gujarat completed and further expansions in progress.

Important emerging market for future growth.

Saudi Arabia Integration

Acquisition of JV's completed. Focus on post acquisition integration with head office.

Market remains challenging but has seen slight rebound.

Strong tableware growth

Solid growth on the back of consolidation.

Benefits of US market expansion expected in 2018.

Margin enhancements

Continued core gross profit margin improvements supported by cost efficiencies and operational optimisations in UAE.

Stringent control and monitoring of SG&A and finance cost.

Non-core exits

Exited two non-core entities with revenue contribution at an all-time low.

Further decrease in non-core revenue contribution expected in 2018.

2017 Financial highlights

Core revenue of AED2,615m, +7.6% compared to 2016 as a result of strong growth in the United Arab Emirates, Bangladesh markets and Tableware business.

+7.6%

Total revenue of AED2,855m, +2.2% compared to 2016.
Non core revenue of AED240m, -34.0% compared to 2016

+2.2%

Core gross profit margin of 32.5%, +200bps compared to 2016

32.5%

Total EBITDA of AED533.4m, +9.8% compared to 2016 with margins of 18.7%

AED 533.4M

Reported net profit of AED315.5, with margins of 11.1%
Like for like net profit (exc provision and gains) of AED288.2m, +33.5% compared to 2016 with margins of 10.1%

AED 315.5M

Dividend per share of 25 fils and 5% bonus shares

AED 0.25 PER SHARE
+5% BONUS SHARES

Financial Results



PK CHAND
GROUP CHIEF FINANCIAL OFFICER

Update

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Q4 Financial highlights

Core revenue of AED689.7m, +23.2% compared to Q4 2016 as a result of strong growth in the United Arab Emirates, Saudi Arabia, India and Bangladesh

+23.2%

Total revenue of AED747.5m, +14.1% compared to Q4 2016
Non core revenue of AED57.8m, -39.3% compared to Q4 2016

+14.1%

Core gross profit margin of 31.2%, -160bps lower compared to Q4 2016

31.2%

Total EBITDA of AED122.8m, +19.3% compared to Q4 2016, with margins of 16.4%

AED 122.8M

Reported net profit of AED53.2m compared to Q4 2016 net loss of -AED118.6m with margins of 7.1%

AED 53.2M

Like for like net profit (exc. provision) increased to AED64.9m with margins of 8.7%

AED 64.9M

Revenue highlights

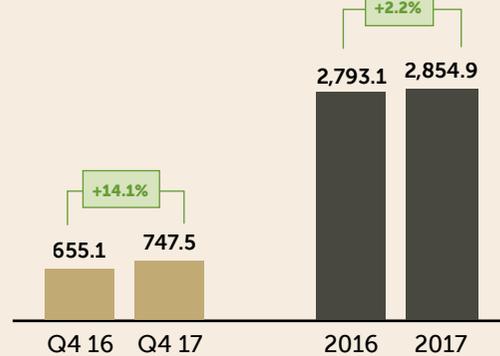
MANAGEMENT COMMENTS

Total revenue increased by 14.1% in Q4 2017 compared to Q4 2016 and by 2.2% in 2017 as a result of strong growth in core revenue driven by the UAE, Saudi, India and Bangladesh markets.

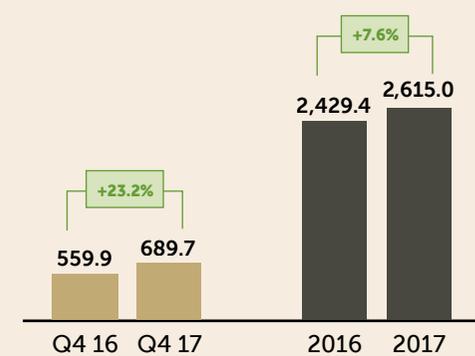
Tableware revenue growth led by consolidation of Restofair, which contributed +AED58.6m (net) to revenue.

Non-core revenue decreased by -39.5% compared to Q4 2017 and by -34% compared to 2016.

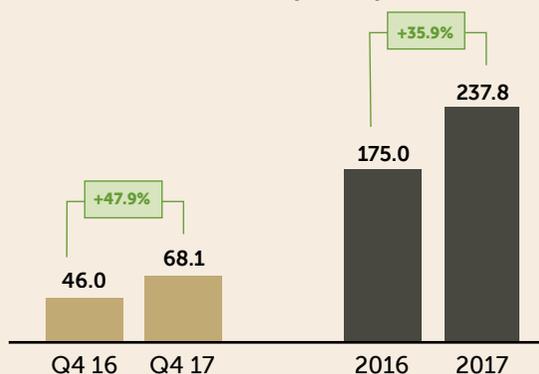
TOTAL REVENUE (AED M)



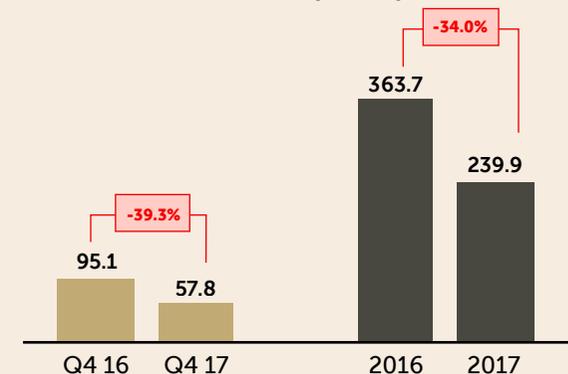
TOTAL CORE REVENUE (AED M)



TABLEWARE REVENUE (AED M)



NON-CORE REVENUE (AED M)



Tiles Revenue - End markets

TILES REVENUE (AED M)

	Quarterly Comparison			Yearly Comparison		
	Q4 16	Q4 17	Growth	2016	2017	Growth
	Amount	Amount		Amount	Amount	
United Arab Emirates	114.9	170.4	48.3%	488.8	584.6	19.6%
Kingdom of Saudi Arabia	24.6	42.1	71.1%	215.7	207.1	-4.0%
Middle East (Ex. UAE & KSA)	38.7	27.7	-28.4%	155.0	119.2	-23.1%
India	58.3	82.1	40.7%	269.9	305.7	13.2%
Europe	55.9	52.3	-6.5%	280.2	222.9	-20.5%
Bangladesh	50.3	58.4	16.2%	158.8	210.5	32.6%
Africa	32.7	21.2	-35.2%	127.0	114.5	-9.9%
Rest of the world	19.7	27.6	40.1%	102.9	106.9	3.9%
Total	395.1	481.7	21.9%	1,798.3	1,871.3	4.1%

Sanitaryware Revenue - End markets

SANITARYWARE REVENUE (AED M)

	Quarterly Comparison			Yearly Comparison		
	Q4 16	Q4 17	Growth	2016	2017	Growth
	Amount	Amount		Amount	Amount	
United Arab Emirates	39.7	54.1	36.3%	139.6	169.9	21.6%
Kingdom of Saudi Arabia	3.0	2.7	-10.7%	20.0	18.2	-9.0%
Middle East (Ex. UAE & KSA)	5.4	4.0	-25.8%	20.2	19.3	-4.0%
India	4.8	4.4	-7.9%	21.2	17.0	-19.8%
Europe	30.4	38.9	27.8%	119.8	146.1	21.9%
Bangladesh	28.1	30.2	7.6%	102.7	106.1	3.3%
Africa	3.5	1.6	-52.8%	15.3	10.5	-30.9%
Rest of the world	3.9	3.9	0.5%	17.3	18.7	7.9%
Total	118.8	139.9	17.7%	456.2	505.9	10.9%

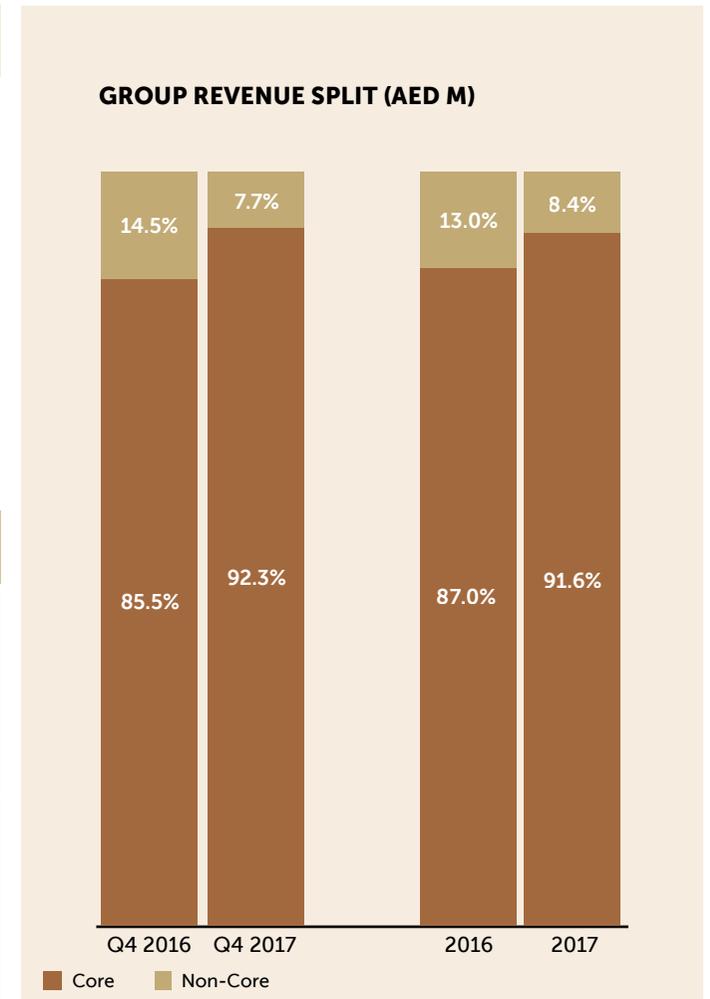
2017 Non-Core Highlights

Non-core revenue contribution to total revenues has steadily declined to an all time low of 8.4%.

In 2017, Electro RAK and RAK Warehouse Leasing were divested and rough grading business was terminated.

In 2018, non-core revenue is expected to reach an all-time low with Ceramin being only remaining major contributor of revenue of ~AED80m.

2017 PERFORMANCE	
AED 240M Revenue	AED 52M Net profit
AED 39M Net gain on exits	2 Exits
2018 OUTLOOK	
Discontinued rough grading business	-60% Non-core revenue
Significant impact on Net Profit	No further significant exits



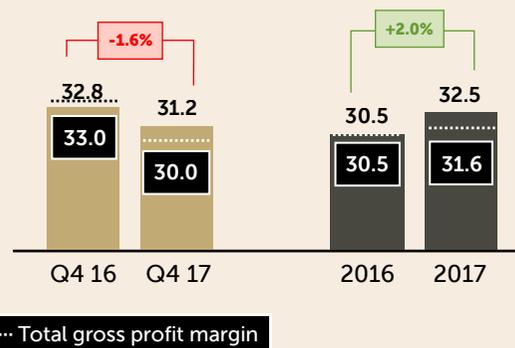
Gross profit margins

MANAGEMENT COMMENTS

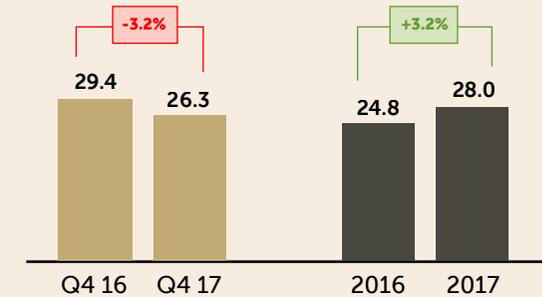
Core gross margins decreased by -1.6% in Q4 2017 compared to Q4 2016, but increased +200bps in 2017 which was supported by an improvement in tiles margins of +320bps due to increased efficiencies across all plants.

Sanitaryware margins remained slightly lower. Tableware margins declined due to the consolidation of Restofair (effective of 1st January 2017).

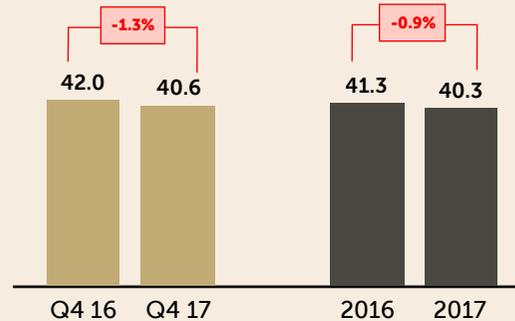
CORE GROSS MARGINS (%)



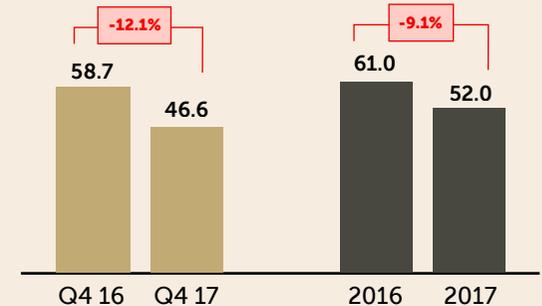
TILES GROSS MARGINS (%)



SANITARYWARE GROSS MARGINS (%)



TABLEWARE GROSS MARGINS (%)



Financial highlights

FINANCIAL HIGHLIGHTS (AED M)

	Quarterly Comparison			Yearly Comparison		
	Q4 16	Q4 17	Growth	2016	2017	Growth
	Amount	Amount		Amount	Amount	
Revenue	655.1	747.5	14.1%	2,793.1	2,854.9	2.2%
Core Revenue	559.9	689.7	23.2%	2,429.4	2,615.0	7.6%
Gross margin (%)	33.0%	30.0%	-3.0%	30.5%	31.6%	1.1%
Core Gross Margin	32.8%	31.2%	-1.6%	30.5%	32.5%	2.0%
EBITDA	102.9	122.8	19.3%	485.7	533.4	9.8%
Core EBITDA	68.0	104.9	54.3%	334.7	459.2	37.2%
Reported Net profit	(118.6)	53.2	144.8%	30.8	315.5	924.4%
Extraordinary gain/loss/impairments*	137.6	11.8	n/a	185.0	-27.4	n/a
Like for like Net Profit	19.0	64.9	241.6%	215.9	288.2	33.5%
Capital expenditure	42.4	35.9	-15.3%	214.6	98.1	-54.3%
Net debt	1,659.7	1,407.9	-15.2%	1,659.7	1,407.9	-15.2%
Net Debt / EBITDA	3.42x	2.64x	-22.8%	3.42x	2.64x	-22.8%

*Includes net gain on sale of RAK Warehouse leasing, Electro RAK, Rough grading civil assets and impairments/provisions.

Balance Sheet Evolution

MANAGEMENT COMMENTS

Return on equity reached an all-time high of 11.4% in 2017.

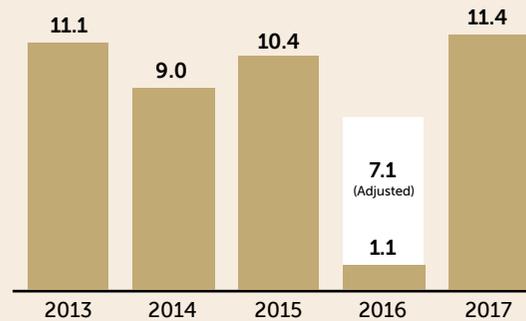
Operating Cycle increased compared to 2016 due to an increase in inventory days on the consolidation of ARK International (Saudi Arabia JV). Excluding this impact, actual Inventory days remain at 214 days.

Trade receivable days increased due to consolidation of ARK International (Saudi Arabia JV) / Restofair and higher sales in Q4 17 compared to Q4 16.

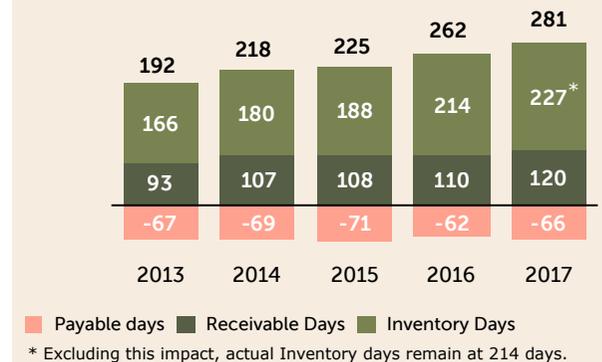
Excluding the consolidation impact, trade receivable was 118 days.

Capex is lower in 2017 as a majority of projects are scheduled for 2018.

RETURN ON EQUITY (%)



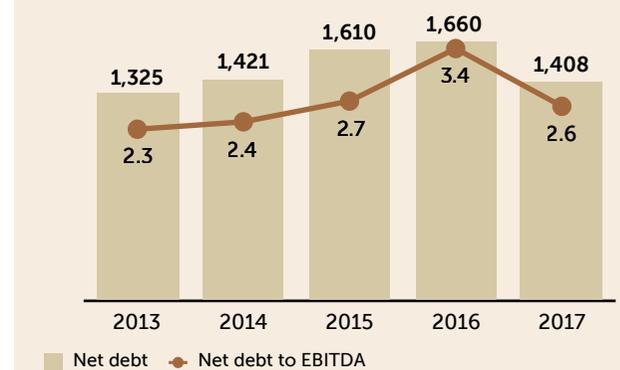
OPERATING CYCLE (DAYS)



CAPEX SPENDING (AED M)

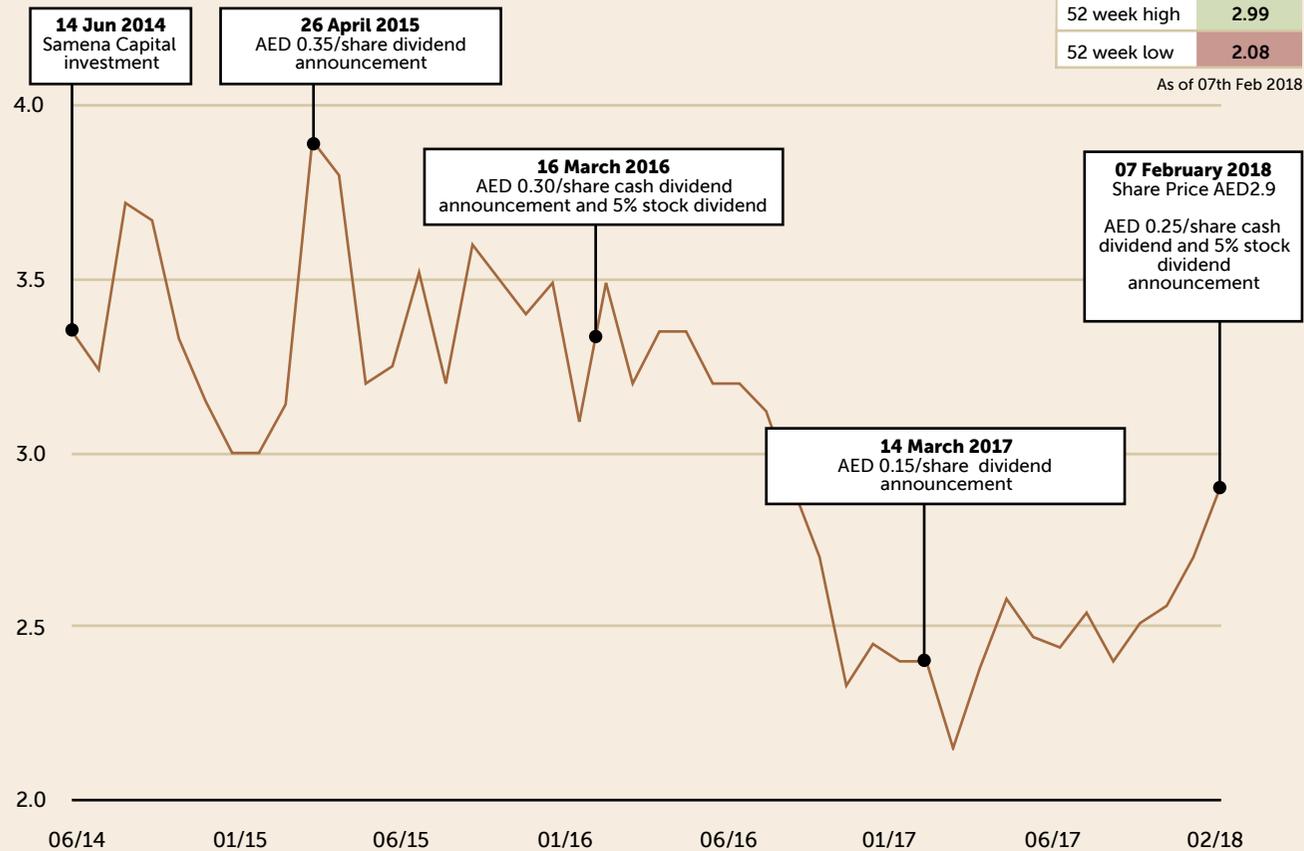


NET DEBT (AED M)



Market Valuation

SHARE PRICE PERFORMANCE (AED)



CURRENT VALUATION (AED M)

	07/02/18	31/12/16
	Amount	Amount
Share price	2.9	2.45
Number of shares	858	858.4
Market Cap	2,489	2,103
Net debt	1,408*	1,660
Minorities	187*	176
Enterprise Value	4,084	3,939

*Net debt and minorities as of 31st Dec 2017

LTM TRADING MULTIPLES

	Multiple
EV / Sales	1.4x
EV / EBITDA	7.7x
P / E	9.2x
P / B	0.9x

2018 Outlook



ABDALLAH MASSAAD
GROUP CHIEF EXECUTIVE OFFICER

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2018 Priorities

Establish India as export hub

Upgrade production facilities

Maintain UAE/Bangladesh market share

Explore alternative energy sources

Integrate Saudi Arabia

Overhead control

Continued product portfolio optimisation

Continued production efficiencies

Roll out shop in shop branding

Identify opportunistic acquisitions

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INVESTOR RELATIONS

If you have any questions or require further information, please do not hesitate in contacting our investor relations department.

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