

RAK

CERAMICS

EARNINGS PRESENTATION - Q3 & 9M 2020 RESULTS



NOVEMBER 2020

Attendees



Abdallah Massaad
Group Chief Executive Officer

Abdallah Massaad is Group CEO of RAK Ceramics and has more than 22 years experience in ceramics manufacturing, sales management, product marketing and business leadership. Prior to RAK Ceramics, Mr. Massaad was General Manager of ICC SARL, Lebanon.

Mr. 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. Mr. Chand has wide experience in dealing with corporate finance matters including treasury and working capital financing, project finance, venture capital, debt and equity capital market instruments, fund raising processes and general management.

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

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Revenue rebound in Q3 20 except tableware

MANAGEMENT COMMENTS

Average total monthly revenue (exc. tableware) rebound to AED 198m in Q3 compared to AED 181m in Q1. Q2 average was AED 130m.

In Saudi Arabia, revenue in Q3 increased by +95.8% YoY.

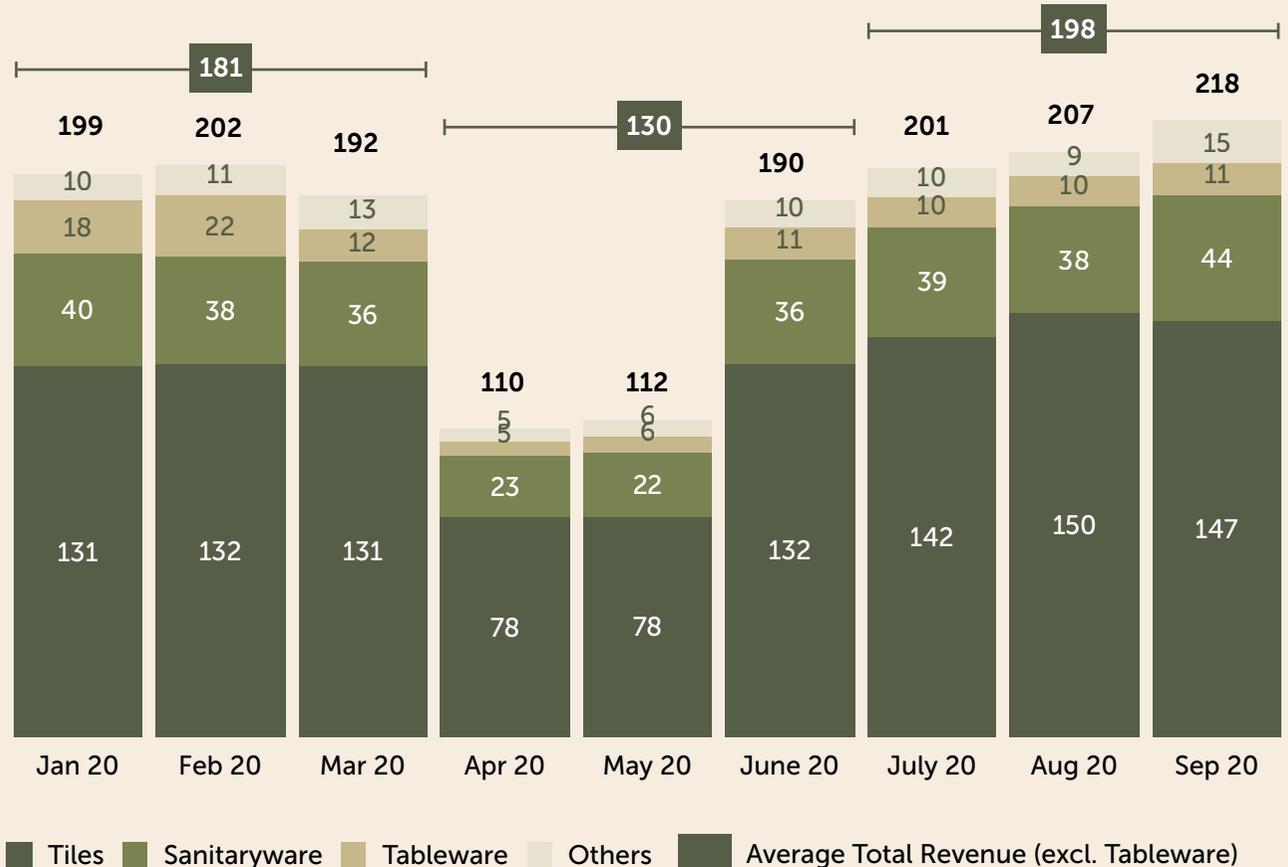
In India, revenue in Q3 reached pre-Covid levels at AED 66.7m.

In Bangladesh, market recovered well in Q3 and reached pre-Covid levels in September.

In Europe, business improved in Q3. Revenue increased by +12.9% YoY to AED 91.5m.

Tableware business continues to suffer as supplies are mainly to hospitality and airline sectors. Revenue decreased by -45.4% YoY to AED 31.3m.

MONTHLY SEGMENT REVENUE AND AVERAGE TOTAL MONTHLY REVENUE (AEDM)



Key business highlights

Performance Rebound

Markets show signs of recovery as business performance gained momentum across all units with the exception of tableware business.

Strong Growth in Saudi Arabia

The restructuring and Integration of operations, focus on retail sales and imposition of anti-dumping duty on imported tiles from China and India supported growth.

Significant SG&A Savings

Recorded significant savings in fixed SG&A expenses as a result of reductions in discretionary expenses, stringent control in overheads and manpower rationalisation across the group.

Liquidity Management

Liquidity position remains at a comfortable level following the continuation of measures to manage liquidity and to place non-essential CAPEX plans on hold.

Product Innovation

Continued focus on product innovation through in-house product development and renowned international designer partnerships.

COVID-19 Production Recovery

COVID-19 initiatives continue with production levels running at full capacity in the UAE and Bangladesh. Samalkot plant in India is currently running at 2/3 rd capacity while Morbi plants are running at full capacity.

Performance rebound across global operations

UAE Production Optimisation

Production running at an optimal capacity due to increasing demand from Saudi Arabia.

Rebound in Saudi Arabia

Revenue increased by 95.8% YoY driven by tiles business. We have positioned ourselves as a premium product supplier offering differentiated products.

European Recovery

European markets have been slow to recover but have reached positive growth year on year. The cost-saving measures initiated to limit discretionary expenses have led to an improvement in the bottom line.

Bangladesh & India Rebound

Markets continue to recover following an easing of lockdown measures. Sales in India have returned to pre-covid levels while in Bangladesh market continues to gain positive momentum.

Higher Receivables provisions

Higher provision for trade receivables as per IFRS-9 requirements YoY.

Tableware Performance

RAK Porcelain, our tableware business, continued to suffer due to a slowdown in the hospitality and airlines sectors. Production is currently operating at a 40% capacity.

Q3 2020 Key financial highlights

Total revenue increased by +0.2% YoY to AED 625.7m mainly driven by growth in Saudi Arabia and European markets.

AED 625.7_M

Total gross profit margin decreased by -220bps YoY to 31.1%, due to lower productivity and lower revenue in sanitaryware and tableware segments which resulted in unabsorbed fixed costs of AED 7.4m during the Q3.

31.1%

Savings in SG&A fixed is AED 19.7m YoY due to various cost saving measures initiated and by avoiding discretionary expenses.

AED -19.7_M

Reported net profit is AED 34.0m after considering AED 7.1m of hyperinflation accounting impact in Iran compared to AED 45.6m in Q3 2019. **Net profit after minority** is AED 33.1m compared to a profit of AED 39.1 in Q3 2019.

AED 34.0_M

Like for like net profit* is AED 47.1m compared to AED 49.1m in Q3 2019. Margin is 7.5% compared to 7.9% in Q3 2019.

AED 47.1_M

Total EBITDA is at AED 104.4m compared to 108.7m in Q3 2019. Margin is 16.7% compared to 17.4% in Q3 2019.

AED 104.4_M

*exc. provisions, hyperinflation impact and gains

Monthly revenue recovery by end market

	MONTHLY IMPROVEMENTS					QUARTERLY COMPARISON			YEARLY COMPARISON		
	Q1 20	Q2 20	July 20	Aug 20	Sep 20	Q3 20	Q3 19	%	9M 20	9M 19	%
United Arab Emirates	159.5	138.4	50.9	45.5	50.9	147.4	181.7	-18.9%	445.2	553.8	-19.6%
Kingdom of Saudi Arabia	91.5	69.1	41.9	50.2	45.6	137.8	70.4	95.8%	298.4	194.0	53.8%
Middle East (Ex. UAE and KSA)	20.9	19.7	7.0	7.1	5.1	19.2	21.6	-11.1%	59.8	63.9	-6.4%
India	57.7	29.1	21.4	22.8	22.5	66.7	66.3	0.6%	153.3	208.4	-26.4%
Europe	81.6	65.3	30.3	29.1	32.1	91.5	81.1	12.9%	238.5	252.5	-5.5%
Bangladesh	63.1	21.2	18.2	19.2	24.5	61.9	71.2	-13.0%	146.2	198.2	-26.2%
Africa	17.1	9.4	6.0	7.6	5.1	18.7	17.5	6.9%	45.2	63.2	-28.5%
Rest of the world	16.8	17.4	4.8	6.0	5.7	16.5	23.7	-30.3%	51.0	71.4	-28.6%
Tiles and sanitaryware revenue	508.4	369.5	180.6	187.5	191.6	559.7	533.4	4.9%	1,437.6	1,605.4	-10.5%
Tableware revenue	51.3	21.4	9.9	10.3	11.0	31.3	57.2	-45.4%	104.0	191.4	-45.6%
Others revenue	33.0	20.4	10.3	9.3	15.2	34.8	34.0	2.1%	88.2	93.2	-5.4%
Total Revenue	592.8	411.3	200.8	207.1	217.8	625.7	624.7	0.2%	1,629.8	1,890.0	-13.8%

9M 2020 Key financial highlights

Total revenue decreased by -13.8% YoY to AED 1.63bn mainly due to lower revenue in Q2 2020 on account of COVID-19 lockdowns. On constant currency basis, total revenue decreased -13.2% YoY.

AED 1.63_{BN}

Total gross profit margin decreased by -210bps YoY to 31.0%, due to lower revenue and lower production resulting higher unabsorbed fixed costs of AED 35.4m.

31.0%

Reported net profit decreased to AED 44.5m from AED 155.8m due to lower revenue by AED-260m. 9M 19, net profit includes AED 22.1m provision reversal. **Net profit after minority** decreased to AED 47.2m from AED 129.2m.

AED 44.5_M

Like for like net profit* decreased by -69.8m YoY to AED 69.8m, with a margin decrease of -310bps YoY to 4.3%, mainly due to lower revenues.

AED 69.8_M

Total EBITDA decreased by -31.1% YoY to AED 240.1m, with a margin decrease of -3.7% YoY to 14.7%.

AED 240.1_M

Net Debt increased from AED 1.37bn in Dec 2019 to AED 1.42bn in Sep 2020. **Net Debt to EBITDA** increased from 2.85x in Dec 2019 to 3.80x on dividend payments of AED 177m and lower LTM EBITDA.

3.80_x

*exc. provisions, hyperinflation impact and gains

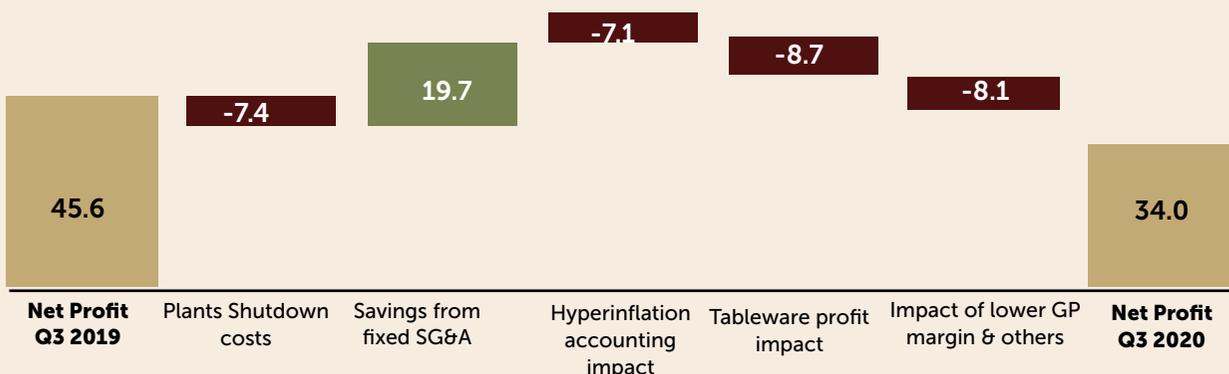
Net profit bridge

MANAGEMENT COMMENTS

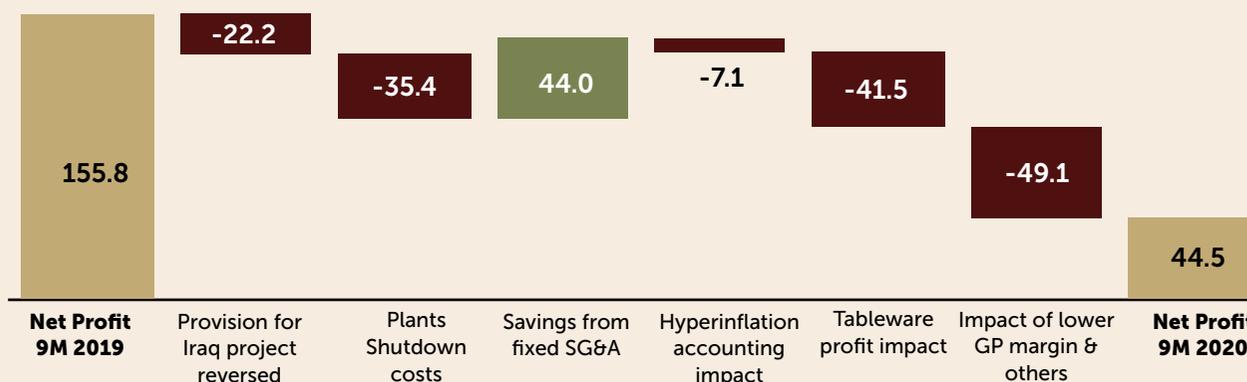
Revenue increase is +4.8% YoY, excluding tableware business, as markets rebound to reach pre-COVID levels. Reported revenue remained stable YoY at AED 625.7m in Q3 2020.

Reported net profit in Q3 2020 is AED 34m compared to a net profit of AED 45.6m YoY Q3 2019 mainly due to lower sanitaryware and tableware GP margins and hyperinflation accounting impact of AED 7.1m.

Q3 2020 VS 2019 (AEDM)



9M 2020 VS 2019 (AEDM)



Revenue highlights

MANAGEMENT COMMENTS

Q3 2020 performance gained momentum across all our businesses excluding tableware.

Total revenue remained stable YoY.

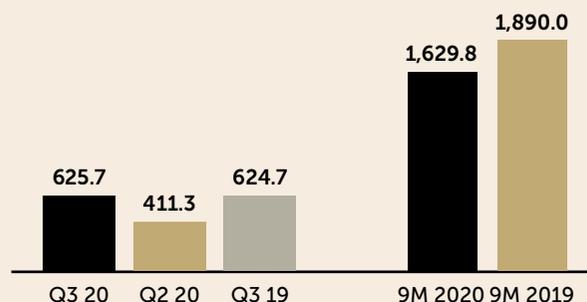
Tiles revenue is higher by + 7.1% driven by Saudi Arabia and European markets.

Sanitaryware revenue decreased by -2.2% YoY due to lower sales in UAE, Bangladesh and African markets.

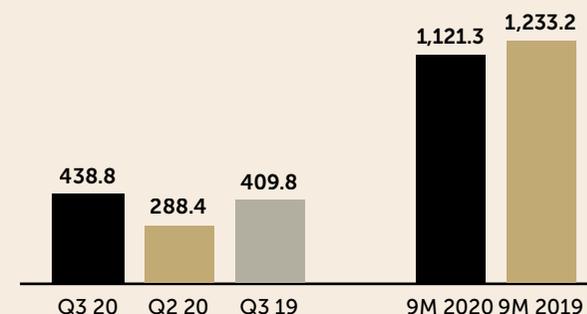
Tableware revenue is significantly lower by -45.4% due to continued Covid-19 impact in the hospitality and airlines sectors.

Revenue from other business is higher by +2.0% YoY to AED 34.7m due to increased sales in ceramic raw material trading and paints businesses.

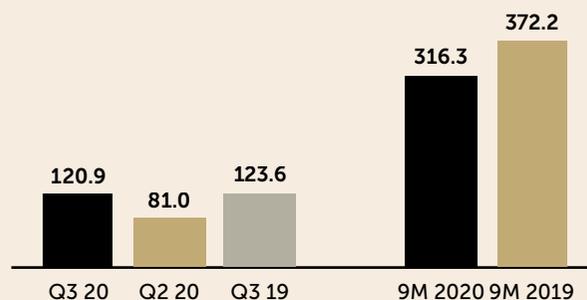
TOTAL REVENUE (AEDM)



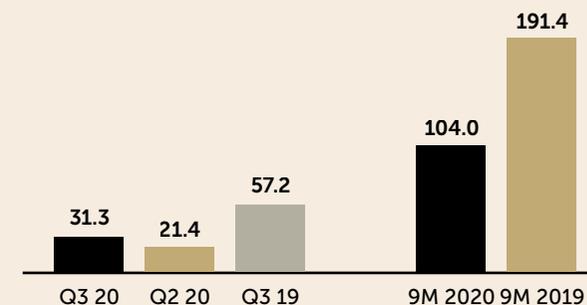
TILES REVENUE (AEDM)



SANITARYWARE REVENUE (AEDM)



TABLEWARE REVENUE (AEDM)



Gross profit margins

MANAGEMENT COMMENTS

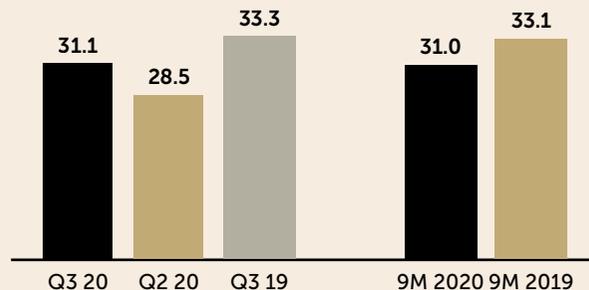
Total gross margin decreased by -220bps YoY to 31.1% due to lower revenue and lower productivity in sanitaryware and tableware businesses which resulted in unabsorbed fixed costs of AED 7.4m in Q3 2020.

Tiles margin increased by +130bps YoY to 31.2% due to increased production and sales.

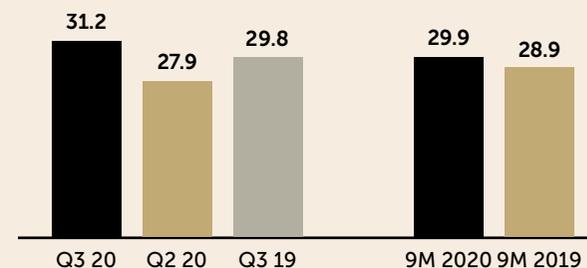
Sanitaryware margin decreased by -3.7% YoY to 34.1% due to lower sales and lower productivity.

Tableware margins decreased by -16.0% YoY to 36.3% due to a lower revenue and lower productivity.

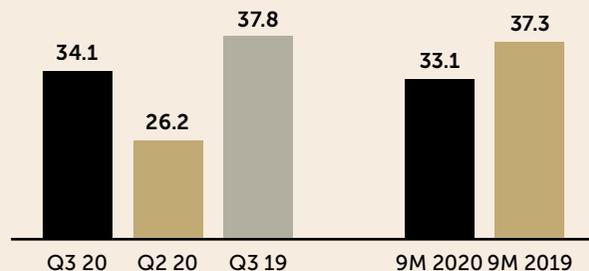
TOTAL GROSS MARGINS (%)



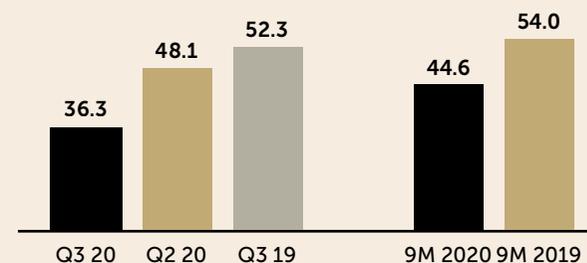
TILES GROSS MARGINS (%)



SANITARYWARE GROSS MARGINS (%)



TABLEWARE GROSS MARGINS (%)



Financial highlights

Amount in AED M	QUARTERLY COMPARISON			YEARLY COMPARISON		YEARLY COMPARISON		
	Q3 20	Q2 20		Q3 19		9M 2020	9M 2019	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
Revenue	625.7	411.3	52.1%	624.7	0.2%	1,629.8	1,890.0	-13.8%
Gross margin (%)	31.1%	28.5%	2.6%	33.3%	-2.2%	31.0%	33.1%	-2.1%
SG&A Fixed Expenses	94.1	89.4	-4.8	113.8	19.7	301.4	345.4	44.0
EBITDA	104.4	40.5	157.5%	108.7	-4.0%	240.1	348.5	-31.1%
Reported net profit	34.0	-19.8	272.1%	45.6	-25.4%	44.5	155.8	-71.4%
Adjustments for Like for Like net profit (net)*	13.1	6.0	n/a	3.6	n/a	25.2	-16.3	n/a
Like for like net profit	47.2	-13.7	443.7%	49.1	-4.0%	69.8	139.5	-50.0%
Capital expenditure	24.1	24.7	2.5%	33.7	39.6%	76.4	143.0	46.6%
Net debt	1,421.6	1,468.1	3.2%	1,467.0	3.1%	1,421.6	1,467.0	3.1%
Net debt / EBITDA	3.80x	3.88x	2.0%	3.16x	-20.3%	3.80x	3.16x	-20.3%

* Adjustments of AED 13.1m in Q3 2020 includes provision of AED 6.0m for receivables and hyperinflation impact AED 7.1m. Adjustments of AED 3.6m in Q3 2019 includes AED 3.6m of receivables provision.

Operating cycle

MANAGEMENT COMMENTS

Inventory days decreased from 287 days to 266 days QoQ due to increased QoQ revenue.

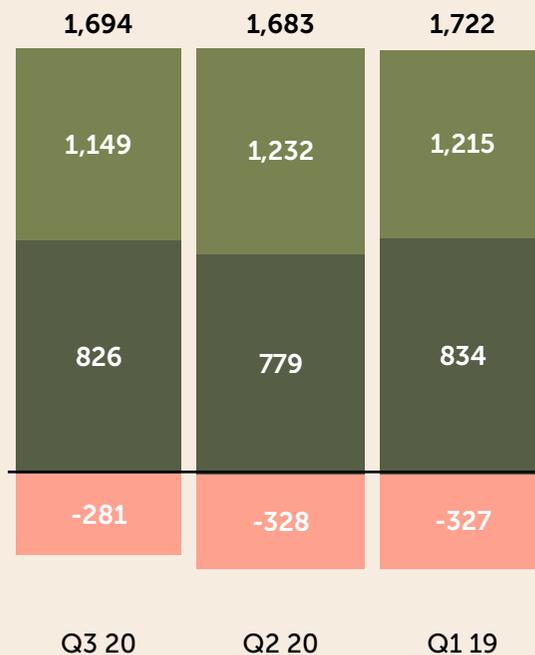
Trade receivable days increased to 130 days due to increased sales in Q3.

Trade payable days decreased from 77 days to 65 days QoQ.

Overall working capital days has decreased QoQ from 333 days to 331 days due to reduction in Inventory days. In absolute terms overall working capital is stable QoQ at AED 1.69bn.

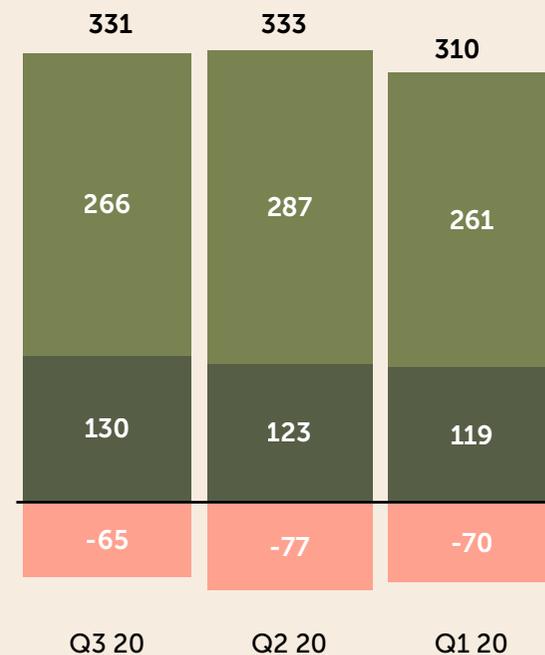
Due to current pandemic, we continued to take measures to manage our liquidity and placing non-essential Capex plans on hold.

OPERATING CYCLE (AEDM)



Trade Payables Trade receivables Inventories

OPERATING CYCLE (LTM DAYS)



Payable days Receivable Days Inventory Days

2020 Priorities

Protect Market Share

Protect the UAE, Bangladesh market share and tableware and faucets businesses.

Saudi Arabia

Growth in Saudi Arabia by emulating the UAE model

Operational Turnaround

Turnaround Europe and Indian operations

Export Markets

Diversify and improve profitability in export markets

Branding and Retail Footprint

Continue investment in branding and Increase retail footprint by opening new showrooms in core markets

COVID-19 Measures

Continue to implement Initiatives designed to mitigate the impact of COVID-19

Appendix



Tiles revenues by end market

	QUARTERLY COMPARISON					YEARLY COMPARISON		
	Q3 20	Q2 20		Q3 19		9M 20	9M 19	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
United Arab Emirates	117.0	108.1	8.2%	146.0	-19.9%	348.1	439.2	-20.7%
Kingdom of Saudi Arabia	131.4	64.1	105.2%	63.5	107.0%	281.6	176.1	60.0%
Middle East (Ex. UAE and KSA)	15.7	17.2	-8.6%	18.1	-13.0%	51.5	56.0	-8.1%
India	60.9	27.1	124.7%	62.7	-2.9%	140.9	195.4	-27.9%
Europe	41.1	34.3	19.8%	35.1	17.0%	113.9	120.7	-5.6%
Bangladesh	43.5	13.4	225.0%	49.2	-11.5%	103.1	132.5	-22.2%
Africa	16.4	8.5	91.7%	14.7	11.2%	39.6	52.9	-25.1%
Rest of the world	12.7	15.7	-18.9%	20.4	-37.7%	42.5	60.5	-29.8%
Total	438.8	288.4	52.1%	409.8	7.1%	1,121.3	1,233.2	-9.1%

Sanitaryware revenues by end market

	QUARTERLY COMPARISON					YEARLY COMPARISON		
	Q3 20	Q2 20		Q3 19		9M 20	9M 19	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
United Arab Emirates	30.4	30.3	0.4%	36.5	-16.8%	97.1	114.7	-15.3%
Kingdom of Saudi Arabia	6.3	5.1	24.3%	6.2	2.2%	16.8	17.9	-6.4%
Middle East (Ex. UAE and KSA)	3.5	2.4	43.4%	3.5	-1.3%	8.3	8.0	4.8%
India	5.7	1.8	214.1%	3.5	62.6%	12.4	13.0	-4.9%
Europe	50.4	31.0	62.3%	45.9	9.7%	124.6	131.8	-5.5%
Bangladesh	18.4	7.8	137.0%	22.0	-16.4%	43.0	65.6	-34.5%
Africa	2.4	0.8	197.3%	2.8	-15.2%	5.6	10.3	-45.9%
Rest of the world	3.8	1.8	117.2%	3.2	20.0%	8.5	10.9	-22.1%
Total	120.9	81.0	49.3%	123.7	-2.2%	316.3	372.2	-15.0%

Contacts

INVESTOR RELATIONS

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

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