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RAK Ceramics Q4 and Full Year 2022 Earnings Call and Webcast

Monday, 13 February 2023

Mohamad Haidar Hello everyone, and welcome to RAK Ceramics' fourth quarter and full year 2022 earnings call and webcast. This is Mohamad Haidar from Arqaam Capital, and as usual, we are joined today by Mr Abdallah Massaad, Group CEO from RAK Ceramics, Mr PK Chand, Group CFO from RAK Ceramics, and Ms Nadine Nasr, Head of Investor Relations from RAK Ceramics. Over to you, Mr Abdallah.

Abdallah Massaad Thank you, Mohamad, and good afternoon everyone. Thank you for joining us today and welcome to RAK Ceramics fourth quarter and full year 2022 earnings conference call and webcast.

I am delighted to share with you our company's performance for the year 2022. RAK Ceramics reported record high full year performance for 2022 despite macro-economic conditions, with a total revenue increase of 22.9% to AED 3.5 billion and reported net profit increase of 19.8% to AED340 million when compared to 2021, successfully achieved on the back of growth across all core businesses.

We continue to operate in a volatile environment with on-going challenges affecting several markets, industries not to mention ceramic players. High inflation remains weighing in on pricing, stimulating further interest rate hikes by central banks. Energy crisis persists despite recent correction, sparking exponential rise in energy bills and, in some instances, supply shocks as seen in Bangladesh. Economic slowdown continue to raise increased worry about a global recession, reflecting in devaluation across several markets however also realizing freight rates drops. To our advantage, our home country remains resilient, yet even showing strong signs of growth given its strong market fundamentals, enabling a stable operating environment for local manufacturers and allowing companies to withstand macro-economic headwinds. Today's regional environment continue to fuel competition amongst players, however we remain confident in our position leveraging on our brand positioning, our value proposition and our operational capabilities.

For this quarter, and in terms of initiatives, we grew our retail footprint, adding and refurbishing further showrooms across UAE and India, and solidified brand perception in the ceramic industry having earned several recognition awards for our design and innovation capabilities. We continue to sustain gross profit margins despite disruption faced in Bangladesh, on the back of improved efficiencies and increased utilization. In terms of expansionary plans, we have advanced quite well across all UAE projects launched; additionally for greenfield projects, we continue to push through with obtaining relevant clearances and approvals for projects in Saudi Arabia and Bangladesh. In KLUDI, we have launched the value creation plan focusing on the turn-around of the brand and leveraging on cross-company synergies. As for our tableware business, we have reached 92% stake in RAK Porcelain following a series of minority acquisitions launched earlier in 2022.

Finally, and in-line with our dividend commitment to our shareholders, and following our strong performance for the year, the Board proposed the distribution of a cash dividend of 10 fils per share for the second half of 2022.

Moving on to a deeper view of our Q4 2022 business highlights, and starting with market updates, the UAE market recorded strong performance supported by growing demand and increased visibility. For our retail business, we have completed in this quarter the refurbishment of Al Ain showroom and launched in our stores and online promotion

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schemes boosting our sales strongly; additionally, we participated in Dubai Design Week, introducing our newest collections developed using the latest technological processes.

RAK Ceramics' performance in Saudi Arabia saw an impact on Q4 2022's top-line, especially from the wholesale business, given rising local competition and price wars. The focus remains on offering premium products, securing mega projects and expanding the retail footprint.

In India, the Company saw a rebound in Q4 2022 top-line on the back of further dealers network additions, 2 showroom openings and promotion schemes, especially on non-moving inventory. Bottom-line performance however was hindered by rising energy costs and currency devaluation.

In Bangladesh, our operations experienced major disruption in production throughout most of the fourth quarter following shortage in gas supply. Additionally, macro-economic conditions and the devaluation of the currency weighed in on top-line growth affecting further performance.

In European Markets, economic slowdown was reflected on Q4 2022's top-line, however we see today hints of recovery in the bottom-line given exchange rate correction and drop in transportation costs.

Tableware recorded a robust revenue growth supported by strong demand and the launch of differentiated products. Performance remains solid in Q4 2022 despite high input prices, with room going forward for improvement. Business remains focused on strengthening brand presence and investing in innovation and design.

Finally, Faucet's performance throughout the year has seen major impact given high input and energy costs following market turmoil and geopolitical instability, especially the Eastern European region. We remain keen on ensuring the proper implementation of the turn-around strategy identified for KLUDI.

In terms of strategic milestones, we have recorded advancements across multiple expansionary projects. In the UAE, the tiles enhancement project is in progress and production is set to begin in Q1 2023 for 5 million square meters of GP tiles. The sanitaryware capacity enhancement has been completed and production has commenced, with full utilization of additional capacity estimated for Q3 2023. The tableware capacity expansion is still underway, with commercial production estimated for Q3 2023 for additional 10 million pieces.

In Bangladesh, following Board approval of Greenfield project in Q2 2022, the land acquisition, title ownership and registration process have been completed, along with obtaining most recently approvals from municipal bodies. Today, the team is working on shortlisting consultants and preparing the factory design layout for the Faucets project.

In Saudi Arabia, an application has been filed to transfer the previously obtained gas allocation approval; the team is preparing the factory layout plan and seeking relevant environmental clearances and approvals.

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Finally, RAK Ceramics reached 92% stake in RAK Porcelain as of 31st of December 2022, following the addition of further 1% stake in Q4 2022. Separately, RAK Porcelain acquired a 9% minority position in RAK Porcelain Europe S.A., fully consolidating its subsidiary.

In terms of challenges, and as mentioned, the macro-economic environment remains volatile, adding increased pressure, as we go, on operations and performance not to mention restricting top-line growth in some markets. From high inflation, increasing interest rates, energy crisis, economic slowdown and trade challenges, we see global manufacturing players jointly facing such challenges, realizing substantial losses in some instances and halting operations in others.

That being said, throughout this year, RAK Ceramics was able not just to mitigate risk and limit the impact of such challenges, but also to record strong growth in top-line and increase in profitability to a never seen before level. Our diversified approach, in terms of both production and sales, our brand equity and our increasing efforts to preserve a healthy market share in key focus markets and invest furthermore in regions outperforming the market, enabled us to withstand market turbulence and emerge with growth. We are monitoring the economic environment closely and we remain focused on executing our growth strategy and delivering value to our stakeholders. I will now hand over to PK Chand, our CFO, to provide you with a more in-depth analysis of our financial performance. Please go ahead.

PK Chand Thank you Abdallah, Good evening everyone and thank you for joining us.

Abdallah has already briefed on operational highlights, key markets and strategy update for the fourth quarter of 2022. I will take you through the financial highlights with details on revenue, Gross profit margin and the Balance sheet.

Let us start from slide 12, RAK Ceramics achieved a solid performance in the full year of 2022 with highest revenue since 2009 and recorded an all-time high net profit. The year has been a successful year supported by strong operational capabilities despite navigating through challenging macro-economic conditions like higher input costs due to inflation, Ukraine & Russia conflict, extra-ordinary freight rates, currency devaluation and shortage of Gas in Bangladesh. We recorded growth in revenue in both tiles & sanitaryware in all our core markets except Bangladesh where productivity was impacted due to disruption in Gas supply during Q4. Tableware business had a robust performance supported by increase in demand. However, Kludi Europe business, post-acquisition effective 1st June 2022, has seen slowdown due to drop in demand as a result of geopolitical and economic challenges and therefore performance has been impacted during the year following higher input and energy costs.

Total revenue in the fourth quarter of 2022 increased by 19.7% year on year to AED 900.7 million. Kludi Group consolidation has added AED 114.5 million of revenue. Excluding Kludi, revenue is higher by 4.5% year on year. In full year of 2022 revenue increased by 22.9% year on year at AED 3.52 billion, highest since 2009. In 2009, revenue of AED3.77 billion included revenue of AED 1.35bn from non-core business. KLUDI Group consolidation effective June 2022 has added AED 276.5 million to revenue. Excluding Kludi, revenue increase is 13.3% year on year. Considering currency exchange rates of last year, the full year revenue increased by 28.1% year on year.

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Tiles revenue is higher by 8.0% year on year at AED 529.4 million in the fourth quarter of 2022 driven by increase in selling price to partially offset increase in production costs. In full year of 2022 tiles revenue is higher by 11.0% year on year at AED 2.17 billion. Sanitaryware revenue is lower by 2.0% year on year at AED 123 million in the fourth quarter of 2022 mainly due to lower off take in European markets and lower productivity in Bangladesh due to gas supply shortages. In full year of 2022 revenue is higher by 4.1% year on year at AED 551 million. In Tableware, revenue increased by 9.0% year on year at AED 98 million in the fourth quarter of 2022 and in full year, revenue increased by 38.9% year on year at 353.2 million following a post pandemic economic recovery boosting volumes and an increase in selling price. Faucets revenue is AED 306 million in full year of 2022, out of which AED 276.5 million is on account of KLUDI Group consolidation effective 1st June 2022. Revenue from other units increased by 25.4% year on year in 2022 to AED 139.3 million mainly driven by increase in our Ceramic raw material trading business.

Now let me go through slides 15 onwards covering the end market performance in fourth quarter and full year of 2022 for the tiles and sanitaryware segments. In UAE market, revenue in the fourth quarter of 2022 increased by 30.8% year on year at AED 191.8 million and in full year it increased by 19.7% to AED 668.1 million supported by wholesale & retail business. In Saudi Arabia, revenue in fourth quarter of 2022 increased by 30.5% year on year at AED 134 million mainly driven by project and retail business. In full year of 2022, revenue increased by 9.0% at AED 586 million. However quarter on quarter revenue has been lower mainly in wholesale channel, given rising competition and 12% customs duty. Our focus remains on offering premium products, securing mega projects and expanding the retail footprint. In India, quarter on quarter revenue increased by 13.9% for additions to dealer's network and opening of 2 new showrooms. In fourth quarter of 2022 revenue is lower by 13.4% year on year at AED 102 million. In full year of 2022, revenue increase is 2.9% year on year at AED 400.4 million while in local currency the revenue increase is 9.3%. In Europe, revenue in the fourth quarter of 2022 increased by 5.1% year on year at AED 86.2 million. Quarter on quarter revenue decreased by 11.0% in Q4 2022 due to slowdown in economic activity and holidays. In full year of 2022, revenue increase is 3.5% year on year at AED 408.7 million. In local currency, revenue growth is 14.5% year on year. In Bangladesh market, revenue in the fourth quarter of 2022 decreased by 28.6% at AED 61.4 million due to macroeconomic conditions, currency devaluation and gas supply shortage. In full year of 2022 revenue decreased by 1.2% year on year at AED 292 million while in local currency revenue is higher by 8.8%. In Middle East, excluding UAE and KSA, revenue continued to grow by 22.2% year on year in full year of 2022 at AED 153.3 million mainly due to brand exposure and expanding the distribution network.

Now we turn to slide 17, total gross profit margin is 34.2% in the fourth quarter of 2022 recording an increase of 50bps versus last year. In full year of 2022 margin remained stable at 36.1% in spite of higher input costs, energy challenges and higher incidence of 12% Customs duty in Saudi Arabia. Tiles margin in the fourth quarter of 2022 increased by 590 bps year on year to 38.9% and 140bps at 38.0% in full year. Sanitaryware margin decreased by 40 bps both in the fourth quarter of 2022 and in full year at 27.2% and 33.7% respectively. Tableware margin decreased by 3.7% year on year at 46.4% in fourth quarter of 2022. However in full year of 2022 margin increased by 6.0% year on year to 48.7% supported by increase in revenue and productivity. KLUDI Group consolidation has been effective

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1st of June 2022 and the margin stood at 16.7% in the fourth quarter of 2022 and 21.2% for the full year respectively.

Reported net profit is AED 78.0 million in the fourth quarter of 2022 compared to 62.9 million in last year. For full year, net profit is AED 340.1 million compared to 283.9 million in last year. 2022 net profit includes net one-off gain of AED 30.8 million compared to AED 22.9 million in last year. Net profit margin is 8.7% for the fourth quarter and 9.7% in full year 2022 compared to 8.4% for the fourth quarter and 9.9% for the full year of 2021.

Like for Like Net profit i.e. excluding one off gains for the full year of 2022 is higher at 315.5 million compared to 265.3 million in last year. Margin remained stable at 9.0% year on year.

EBITDA is at AED 137.5 million in the fourth quarter of 2022 compared to AED 122.1 million in last year. EBITDA for full year is AED 577.2 million with margin of 16.4% compared to 501.3 million in last year.

Now we turn to Balance sheet highlights on slide 19, overall working capital cycle decreased from 149 days in September 2022 to 146 days in December 2022. December 2021 working capital cycle was 175 days. Inventory days reduced from 217 days in December 2021 to 197 days for December 2022. Trade receivable days decreased from 94 days in December 2021 to 84 days for December 2022. Trade payable remained stable at 63 days year on year for December 2022.

Net debt increased by AED 330 million to reach AED 1.30 billion as of December 2022 compared to December 2021, mainly due to acquisitions in faucets and tableware business. However, QoQ it decreased by AED 114 million due to receipt of AED 66 million sale proceeds from sale of land in Australia and lower working capital. Net Debt to EBITDA is also increased from 1.94x in December 2021 to 2.26x in December 2022. In September 2022, net debt to EBITDA was 2.48x.

We were also successful in maintaining an adequate liquidity position during the year 2022, in spite of consolidation activities enabling Company to comfortably meet pay-out commitments.

Capital expenditure for full year of 2022 was AED 206 million out of which AED 97 million are for enhancement capex in UAE and Bangladesh and 109 million for maintenance capex. Capex guidance for 2023 is AED 300-350 million.

The slide 21 shows the share price movement during last 12 months. The shares are currently trading at P/E multiple of 9.35 times.

The Board proposed, to distribute cash dividends of 10 fils per share for second half of 2022. You would recall that dividend policy as approved by the Shareholders stipulated a minimum dividend pay-out of 20 fils per share for FY 2022 to be paid on a semi-annual basis and also a commitment to pay a minimum dividend of 60 fils per share over the 3 years from 2022-2024. During August 2022, a semi-annual cash dividend of 10 fill has already been paid.

Now I would like to turn back to Abdallah for final comments on 2023 priorities before we answer your questions.

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Abdallah Massaad Thank you, PK. Today, as we close the chapter for 2022, we are humbly proud of our achieved progress and growth, and we remain firm in our commitment to our stakeholders. 2022's achievements were validated financially, as we were able to surpass 2009's level however this time on the back of core business. Our profitability also reached an all-time high in spite of navigating through a volatile and challenging environment in 2022.

For 2023, we look forward with a cautiously optimistic lense, building on our previous initiatives and achievements and focusing on solidifying our foundation especially after our 2022 consolidation exercise. We recognize that there exist significant room for organic growth, we also comprehend the dynamics of the current operating environment; as such, our commercial priorities are outlined by protecting our market share, through maintaining healthy competition and leveraging on cross-company synergies, embracing diversification and solidifying our retail business.

Operationally, we are determined on optimizing productivity and increasing efficiency, along with advancing on enhancement and expansionary projects across all core businesses and markets. KLUDI turn-around is also a key focus point for 2023, as we aim to transform KLUDI into a high-end faucet brand. And finally, digital transformation and sustainability remain at the core of our investments, as we continue to see the fruits of such adoption on our product, in terms of both end-product quality and sales, not to mention on our operations.

Thank you for your time. Now, I would like to hand over the call to the operator and open the line to questions.

Operator Thank you. If you would like to ask a question today, please press star, followed by one, on your telephone keypad. If you have joined online, please use the Q&A chat box provided. Please note you may have to refresh your screen. If you choose to withdraw question, please press star, followed by two. When preparing to ask your question, please ensure your phone is unmuted locally. We will pause for just a moment. It appears we have no questions, so I'll hand back to you Mohamad for any closing remarks.

Mohamad Haidar I am going to ask a question, and then we will return to the queue. Abdallah, we're looking at Q4 margins and full year 2022 margins, and there is sometimes a big difference, specifically on sanitaryware. How should we look at 2023? Will it reflect the Q4 margins or the full year of 2022 margins?

Abdallah Massaad Mohamad, thank you for your question. As you can see, if we take the horizon from 2014 to now and you'll see the improvement in margin, the improvement happened mainly in tiles, and a lot of pressure was there, to be honest. We also invested in a new CapEx programme, coming by the end of this year in sanitaryware, with the hope of improving our yield in the production, as well as saving in energy prices. Now, also the same, during this year, we were hammered, because our biggest market for sanitaryware was Europe, and you know the ForEx exchange, the fluctuation of currencies, also impacted us end-to-end. Also, during the fourth quarter, we always took all the provisions of the year. Going forward and what we look at, improving our sanitaryware margin and maintaining the high margin as a consolidated margin going forwards.

Mohamad Haidar Thank you very much, Abdallah.

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Operator We have a question on the phone lines from Sarah Alsaigh of Al Nahla Group. Sarah, please go ahead, your line is open.

Sarah Alsaigh Hello, how are you? Thank you so much for the presentation. My question is what is the biggest threat for the company, despite the environment, inflation, interest rate?

Abdallah Massaad Thank you, Sarah, for your question. For us, there are always challenges, every year there are challenges in place, and there are opportunities also. And if you see, our performance this year indicated that even during challenging times, clients, especially when there is a demand, look for a reliable supplier, and I believe we endorsed ourselves during the years that we are a reliable supplier. Going forward, I see some challenges from the interest rate, but this will increase our cost, no doubt. Meanwhile, the main challenge, which we look, in case it happens, we saw a lot of protection, market by market, during the last year, and we are an export based company, so we are not exposed to a single market.

Therefore, what affects us is really the protection coming from the market, including an open market like the GCC, or sending to other places. Meanwhile, honestly speaking, we also see a lot of opportunity, especially the transportation costs, which hammered us, honestly, the logistics costs hammered us during this year, in which we saw a significant reduction. And I can tell you, at the beginning of this year, we nearly reached the pre-COVID level of freight, which affected us by a heavy amount this year.

Sarah Alsaigh Thank you so much.

Operator Thank you. We have a chat question from Izzul Hakim Abdul Molob of Epicure Investment Management. Can you further explain the KLUDI value creation turnaround plan? What exactly are you planning to do, and what's the impact you're expecting in 2024? Thank you.

Abdallah Massaad If you see, from our value creation plan, which we launched in 2014, it was investing in our core business and divest our non-core. And if you see that throughout the years, we increased our capacity in tiles and sanitaryware and faucets, as well as improve the margins and exited the non-core. And during this year, we are proud to see that we reached the highest profitability for the company since inception. Going forwards, we continue to focus on increasing and growing organically. As I mentioned, we have a factory, which started, actually, in the first quarter of 2023, producing five million pieces of tiles. We have the sanitaryware, as I mentioned, where we have already ordered new capacity, which will be in place by the end of this year. In tableware, by the third quarter of this year, we will finish the expansion of ten million pieces. In Bangladesh, which will start with the sanitaryware. And the greenfield project, which we have in Saudi Arabia, this is very important. Now, the biggest impact will be on the value creation plan, which we have for KLUDI. And as I mentioned, when we acquired KLUDI during this year, there was a focus on honestly placing KLUDI which is 100 year old company, German faucet company, to be within the top three players in the industry, after Grohe and Hansgrohe. Meanwhile, benefiting, or building on the brand perception of KLUDI to add a full solution provider, as we are a sanitaryware manufacturer. So, we will use the brand of KLUDI to also support and have play in a different segment, where there are ceramic sanitaryware players. So, by having this, improving the

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margin, pushing the revenue, consolidating and turning around this company, is already a big exercise we are carrying out today.

Operator Thank you, and as a reminder, if you would like to ask a question, please press star, followed by one, on your telephone keypad. If you have joined online, please use the Q&A chat box provided. And we have another chat question. What are the utilisation levels for tile and sanitaryware countrywide? Thank you.

Abdallah Massaad Let us start with the tableware, we are utilising 100% of capacity. That's why we are waiting to have the extra capacity starting from the third quarter this year. In tiles, you can see that we are almost at 95% capacity utilisation, and therefore, we are also waiting on the new capacity coming into place, which started in this quarter. And as I mentioned, what is next is our expansion in the greenfield project in Saudi Arabia. With sanitaryware, our capacity utilisation is above 85%, and therefore, as I mentioned, we ordered some machinery and equipment, in order to enhance the production in the UAE. In Bangladesh, we are fully utilising the capacity, as the demand is there. In the last quarter last year, we had an interruption in the gas supply, which I believe is now better, as they increased the rate from \$3.5 per MMBtu to \$8.5 per MMBtu.

And accordingly, the utilisation, which normally was always above 90%, was dropped to 85% approximately. In India, we have fully utilised our capacity in Gujarat, in the Morbi area, and our factory in the south is approximately 50% capacity utilisation as the energy price was increased, and it was not worth it to fully utilise the capacity in there. And so, in general, if we want to say, at the Group level, because 70% of our production is located in Ras Al Khaimah, so we can see that the capacity utilisation within the Group is above 92%.

Operator Thank you. And we have an audio question from Dina Hicham of EFG Hermes. Dina, please go ahead, your line is open.

Dina Hicham Hi, everyone. I have a few questions. The first one is could you quantify how many sales you lost, due to the gas shortage in Bangladesh this last quarter? And could you also please update us on the status of gas availability and price changes, and how it will impact the product prices and demand? The second [unclear] question is regarding the gas prices, as well. Now the gas price and freight charges have now receded significantly, would you be able to improve your margins this year, or will you pass on the savings to the customers? Thanks.

Abdallah Massaad Thank you for your questions. In Bangladesh, during the quarter, we almost lost 22% of the revenue, because we had significant, on a daily basis, cuts in gas pressure. And if you see how much it is, in dirhams, it is around AED 15 million revenue in the fourth quarter. The price was, and PK, correct me if I'm wrong, 3.5. How much exactly was it?

PK Chand 8.23 now.

Abdallah Massaad How much was it?

PK Chand 3.5.

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Abdallah Massaad So, it was \$3.5 per MMBtu, and it was increased to \$8.25 per MMBtu. It will put the pressure on the margin, or it will be translated to the market. In my opinion, it will be gradually, as some factories will have some existing inventory, so it will impact the margin slightly in the beginning few months, then it will be adjusted on passing to the clients. In terms of globally, and as you mentioned, only from the transportation cost this year, our impact was AED 62 million, if I'm not mistaken. And will this reflect into reducing our prices or improving our margin? It's a mix. We will try to hold on. Until now, we are waiting. Our third largest market where we sell is Europe, and the fluctuation, mainly in euro and GBP, was affected badly last year.

But it is too early to say how it will work, but we are selling in euro and in pounds in Europe. So, any reduction in freight or in cost, it should play on improving our margins, especially that we couldn't pass all of the increase on to the client, and therefore, we will not pass all the savings to the client. And for sure, this will translate into improving our margins, specifically in Europe this year.

Dina Hicham Thank you. I have another two questions, if I may. How is the housing sector slowdown in developed markets impacting your business? And do you see a spill over effect to the Middle East market through price cuts? And also, I have another question, with the new additional capacity coming online this year in the UAE, are you expecting better margins from these segments, I mean across tiles, sanitaryware, and tableware.

Abdallah Massaad No doubt, as you mentioned, with the increase in interest costs, which is happening across the world, it will lead to a recession, and the recession will lead to a slowdown in housing, specifically from increasing interest costs, it will reduce the sales of apartments and new houses, and transaction in real estate, and this will affect the demand going forward. But as I mentioned to you, I believe that we are in a very good position, building on our brand perception and our innovation in the sector and markets where we are playing. And I believe that we will be able to grow, despite the market shrinking, given that we are an export based company, we have our footprint in more than 150 countries. Basically, the last few years, specifically after COVID, we were badly impacted from the increase in freight, which restricted us from exporting.

To tell you, on a container, which was \$1,000, we reached 6,000, 7,000, so the prices increased by six, seven times in some places. I believe that with the reduction, it will give us more ability to compete on the premium sector. On the gas, and the production flexibility, we do not have an interruption, at least in the UAE, in the gas supply, and also, the prices are stable, this will give us stability in production. If you look at the UAE and the GCC specifically, which is our biggest market in the end, the increase in oil price will increase the governmental spending. And if you see the market in Saudi in the next seven years, it is expected to double. So, I do not see pressure in our region, at least going into the medium term, on the demand, and therefore, I see that despite the challenges and the volatility, we have very good opportunities in front of us.

Dina Hicham Thank you.

Operator Thank you. We have a chat question from Aditya Dugar of Bahrain Holdings. Has the Federal Tax Authority between UAE and India signed into 2022 led to an increase in cheaper competition in the UAE market? Thank you.

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Abdallah Massaad To be honest, we have been here the last 30 years, and we never had any protection in the UAE market. And this is the heart of our thesis, where we believe in improving our quality and innovation, and our brand perception is our competitive advantage, and not our prices. And therefore, yes, we benefited last year when the antidumping happened, but honestly speaking, even by removing the antidumping, we did not feel any impact specifically on the project. You can see the real estate market in the UAE is booming these days, and people are, if we look at, fortunately, the most expensive flat has been sold in the UAE, the prices of real estate are improving, everyone is looking to differentiate, to use premium quality products. Honestly speaking, we are benefiting from this trend, as people know that we are known as a quality brand and for now I don't see an impact on the market segment, in which we target.

Operator Thank you. We have another chat question. It would be good if you could throw some light on any revenue guidance for Q1 23 or full year 23. Thank you.

Abdallah Massaad Honestly, we never give any guidance, and I don't think we will, as per our policy. We are a publicly listed company, and we have always worked with no guidance. But we are looking to grow our top line during this year in all the divisions we are working in, the four divisions, which we have, tiles, sanitaryware, faucets, and tableware.

Operator Thank you. And our final question is a follow-up from Izzul Hakim. Can you explain the reasons for lower days of inventory in 2022? And do you expect this trend to continue in 2023? What's the gain or loss amount from Australia land disposal in 2022? Thank you.

Abdallah Massaad We focused on reducing our inventory, and you saw, despite that, we are proudly seeing that during this year, and with all the supply chain disruption around the world, we are proud to say we never had to shut down, because the inventory that we have both in terms of finished goods as well as raw materials. So, in the finished goods, we were able to reduce significantly the trend, and this will continue to reduce. In terms of raw materials, we increased last year, in order offset the risk of uncertainty in the supply chain disruption. And we never closed the production. And this trend will continue, or hopefully, will continue, especially with a reduction in the freight, which was an obstacle for the export market. In terms of gain, for Australia, please, PK.

PK Chand As far as the gain that we had last year on the sale of Australian land, that gain is likely to be offset by the reduction in the freight cost. So, that is what we estimate.

Operator Thank you. We have no further questions, so I'll hand back to you again, Mohamad, for any closing remarks.

Mohamad Haidar Thank you, Nadia, and thank you to the speaker team of Abdullah Massaad and PK Chand, thank you, again, for your time today. Thank you, everyone, for joining, and we look forward to hosting this call next quarter. Have a nice day.

Abdallah Massaad Thank you very much.

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