

RAK CERAMICS

THE 14TH ANNUAL ONE ON ONE CONFERENCE
FRONTIER EMERGING MARKETS - DUBAI

MARCH 2018

Attendees



Abdallah Massaad
Group Chief Executive Officer

Abdallah Massaad is Group CEO of RAK Ceramics. and has over 21 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 & 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 A F Ferguson award.



Wassim Moukahhal
Executive Board Member

Wassim Moukahhal is a member of the Board of Directors and the Executive Committee of RAK Ceramics. Mr. Moukahhal is currently serving as Managing Director of Samena Capital Investments Limited in Dubai and has more than 11 years of experience in private equity investments within the MENA region.

Mr. Moukahhal holds an MBA from the Wharton School at the University of Pennsylvania and a Bachelor's degree in Economics and Finance from McGill University.

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Company Overview

► Overview

Industry

Strategy

Results

RAK Ceramics at a Glance

+25 YEARS
Ceramic expertise

One of the largest ceramic brands in the world.



15,000
Global workforce



+150
Countries exported



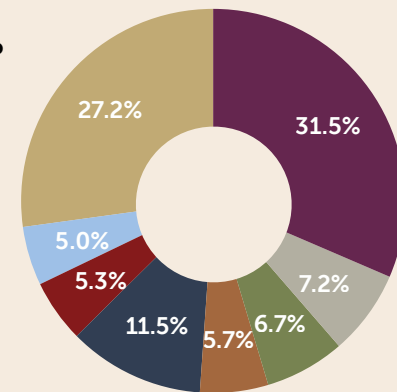
+1 BILLION SQM
Tiles supplied worldwide



US\$731 MN
Market Cap.

~\$1 BILLION
Group turnover

OWNERSHIP



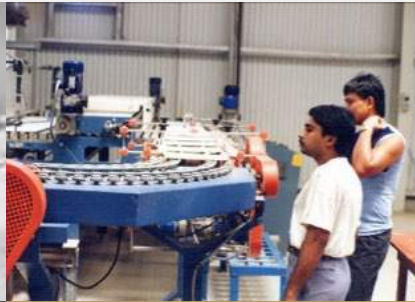
- Samena Capital
- RAK Royal Family Members
- Institutional Investments
- RAK Government
- Al Rajhi Holdings, KSA
- General Pension Social Authority, UAE
- H.H. Sheikh Saud Bin Saqr Al Qasimi
- Retail Investors

Brief History



1989

Founded by H.H. Sheikh
Saud Bin Saqr Al Qasimi



1991

First tile plant began in
the UAE



1993

First sanitaryware plant
began in the UAE



2000

Opening of First overseas
tile plant in Bangladesh



2004

RAK Porcelain was
established



2006

India operations began



2007

Kludi RAK was
established



No.1

2010

Became the world's
largest ceramics
manufacturer



2014

Samena Capital acquires
31% stake in RAK
Ceramics



2016

Launch of new brand
identity

Core Business Lines

TILES

We offer **6,000+ models**, **one of the largest collections** of ceramic wall and floor tiles, gres porcelain and super-sized slabs in the industry.



SANITARYWARE

Complete solutions provider offering products designed to suit **all budgets** and **tastes** with **accessories** and **bathroom furniture**.



TABLEWARE

Products supplied to over **20,000** hotels across more than **140 countries** with clients including JW Marriott, Hilton, Hyatt, and Sheraton amongst others.



FAUCETS

Eco-friendly faucets and bathroom fittings with a strong focus on water-saving technology, offering up to **60% saving** on water consumption.



Manufacturing Footprint

2017 GLOBAL PRODUCTION

- **22 plants worldwide**
- **16 Tiles Plants** in UAE (10), India (3), Bangladesh (1), Iran (1) and China (1).
- **4 Sanitaryware Plants** in UAE (2), India (1), and Bangladesh (1)
- **Tableware** - UAE (1)
- **Faucets** - UAE (1)

116_{MN}
Square metres of tiles

5_{MN}
Pieces of sanitaryware

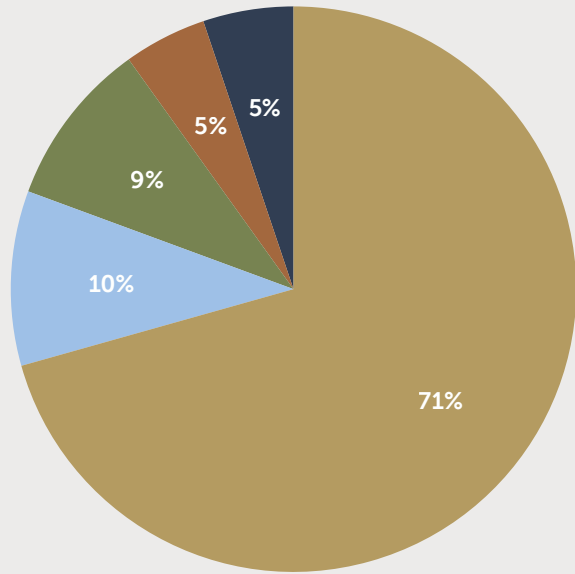
24_{MN}
Pieces of tableware

1_{MN}
Faucets and taps



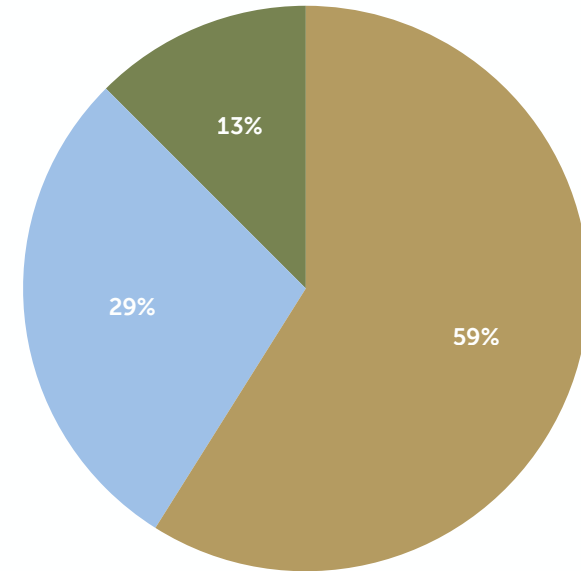
Production Capacity by Location

TILES



- UAE (82mn sqm)
- Bangladesh (11.6mn sqm)
- India (11mn sqm)
- Iran (6mn sqm)
- China (5.5m sqm)

SANITARYWARE



- UAE (2.7mn pieces)
- Bangladesh (1.6mn pieces)
- India (0.7mn pieces)

TABLEWARE

100% of Tableware produced in UAE (24mn pieces)

FAUCETS

100% of Faucets produced in UAE (1mn pieces)

Vision and Key Strengths

The world's leading ceramics lifestyle solutions provider.



EXPERIENCE

We have helped to create some of the world's most iconic buildings.



WIDE RANGE

We are known for our wide product range and our ability to produce bespoke ranges for small and large scale projects.



INNOVATION

Innovation is at the heart of our philosophy and we have continuously led the way in terms of product development.



QUALITY

We are able to consistently manufacture high quality products with an impeccable finish.

Competitive Landscape



Overview

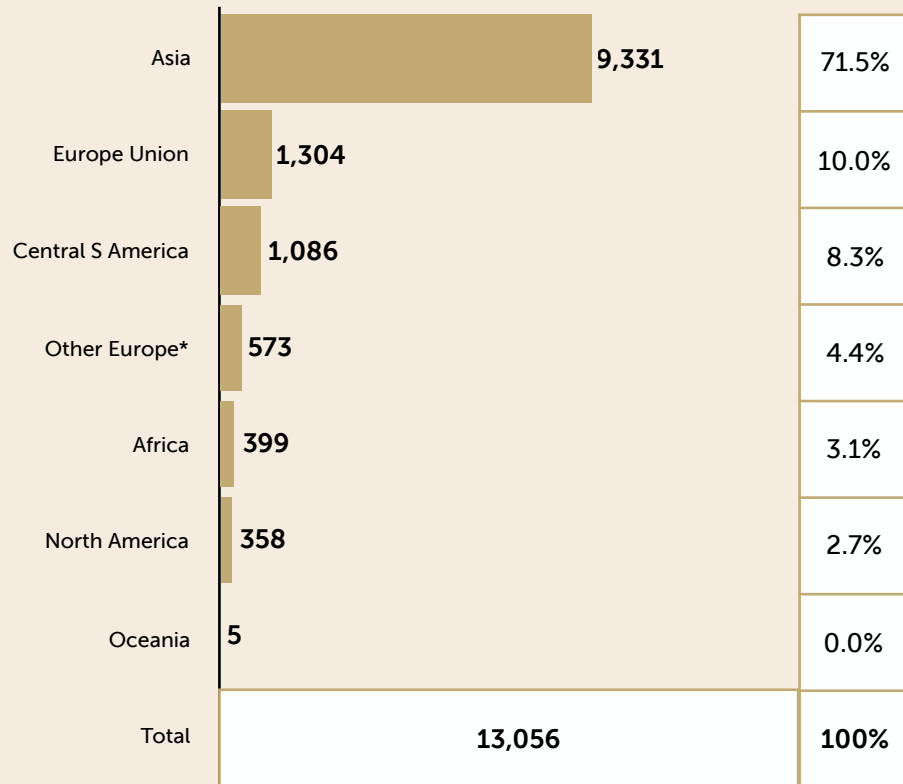
► Industry

Strategy

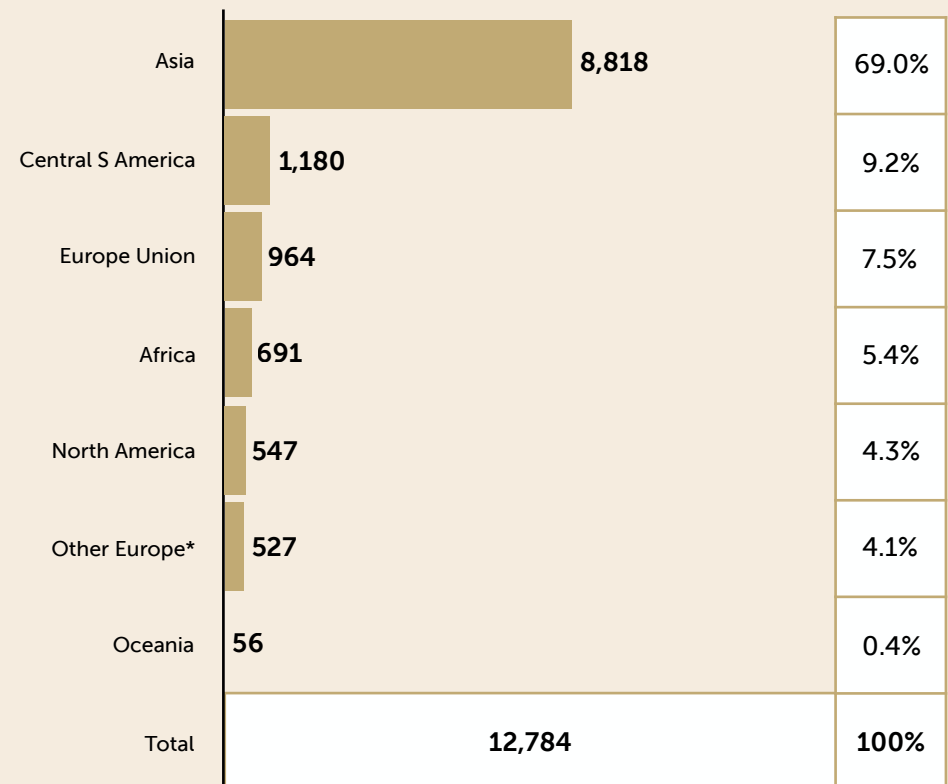
Results

World Production and Consumption - Tiles

WORLD PRODUCTION (MILLION SQM & CONTRIBUTION %)



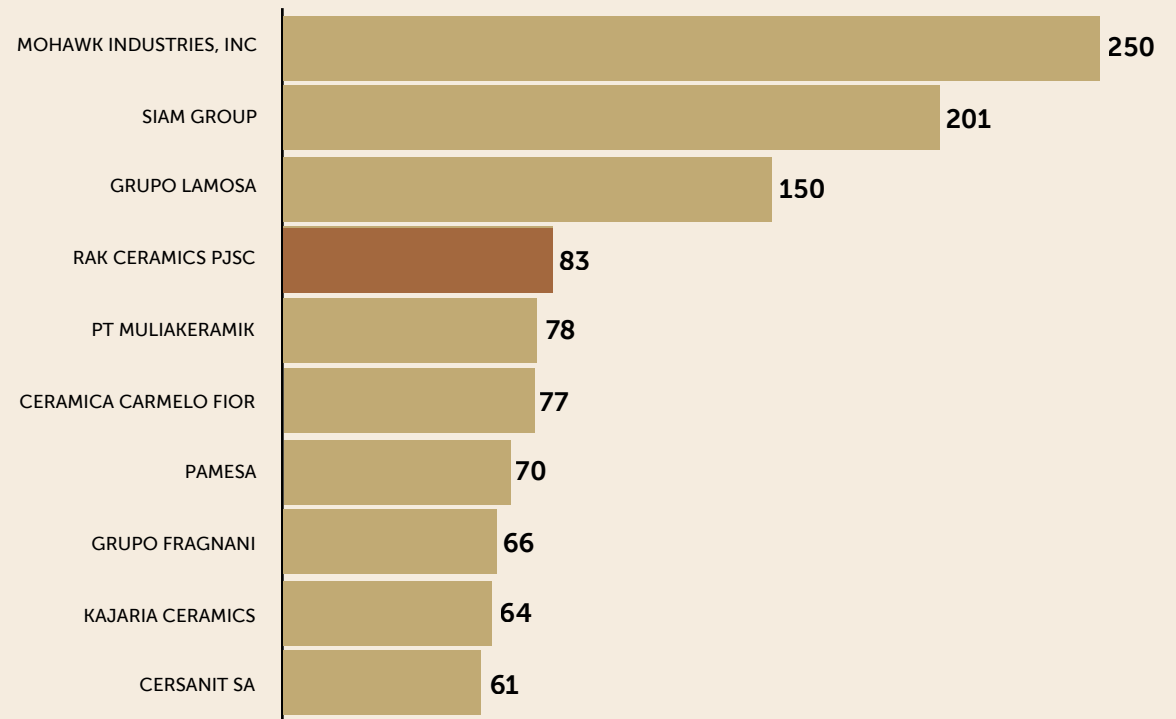
WORLD CONSUMPTION (MILLION SQM & CONTRIBUTION %)



Market Position - Tiles

In 2016 RAK Ceramics retained its position as the 4th largest tile producer globally.

PRODUCTION (MILLION SQM)



Market Position, Focus Markets - Tiles

The Middle East flooring market is growing due to the high volume of construction activities in the region. The three largest ceramics producers in the region account for >80% of the total production capacity.

India markets continue to grow with ceramic tile consumption increasing 6.1% compared to 2015**.

UNITED ARAB EMIRATES

#1

Market Size*	86 (MN SQM)
Market Share	22%

BANGLADESH

#1

Market Size*	59 (MN SQM)
Market Share	17%

SAUDI ARABIA

#2

Market Size**	263 (MN SQM)
Market Share	8%

INDIA

#5

Market Size**	763 (MN SQM)
Market Share	2%

Source: 2015 Brokers research report. *Source: 2017 Ceramic World Review ** 2016 Ceramic World Review, 2017 data unavailable.

Business Strategy Update



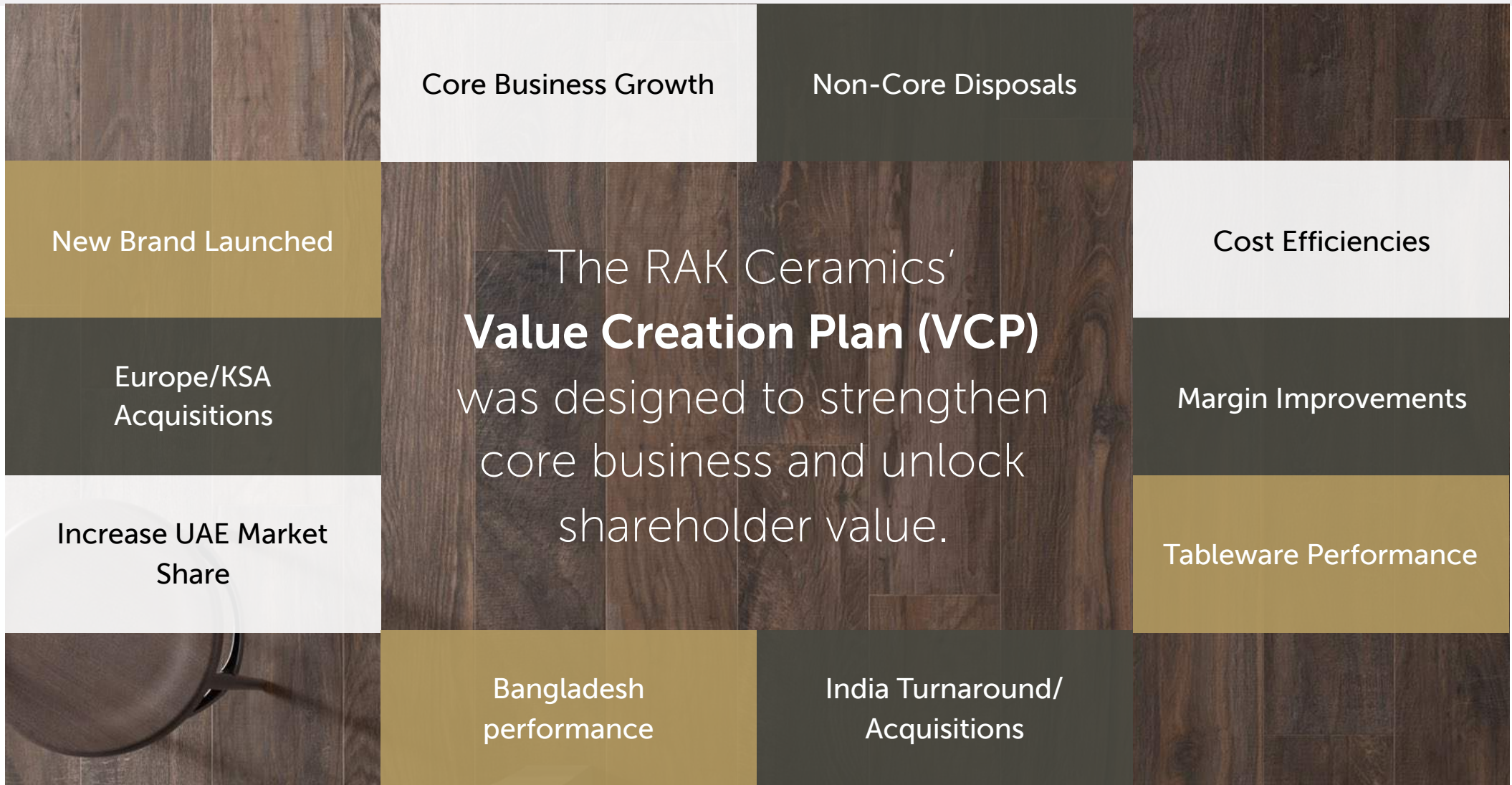
Overview

Industry

► Strategy

Results

Summary of Key Achievements of VCP



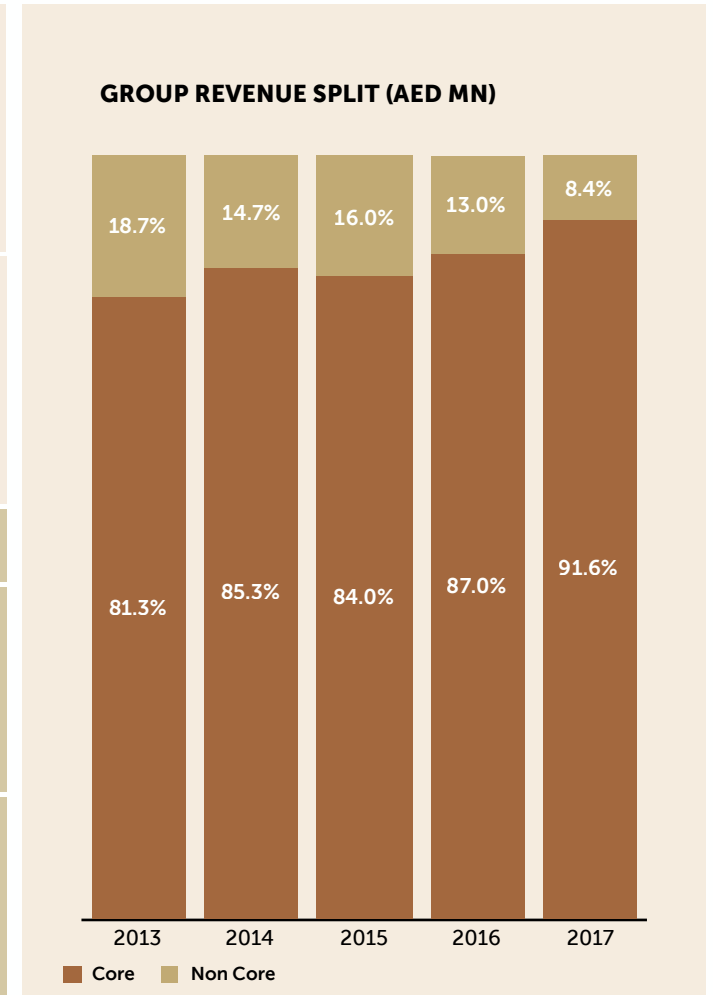
Non-Core Divestments

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 with net gain of AED38.6m 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.

12	>US\$130MN
Exits since Q2 14	Divestment proceeds
AED900MN	<3.0x
Land Value (270,000 sqm)	Net Debt / EBITDA
2018 OUTLOOK	
Discontinued rough grading business	-60%
	Non-core revenue
Significant impact on Net Profit	No further significant exits



(*AED 0.8/share + 5% stock)

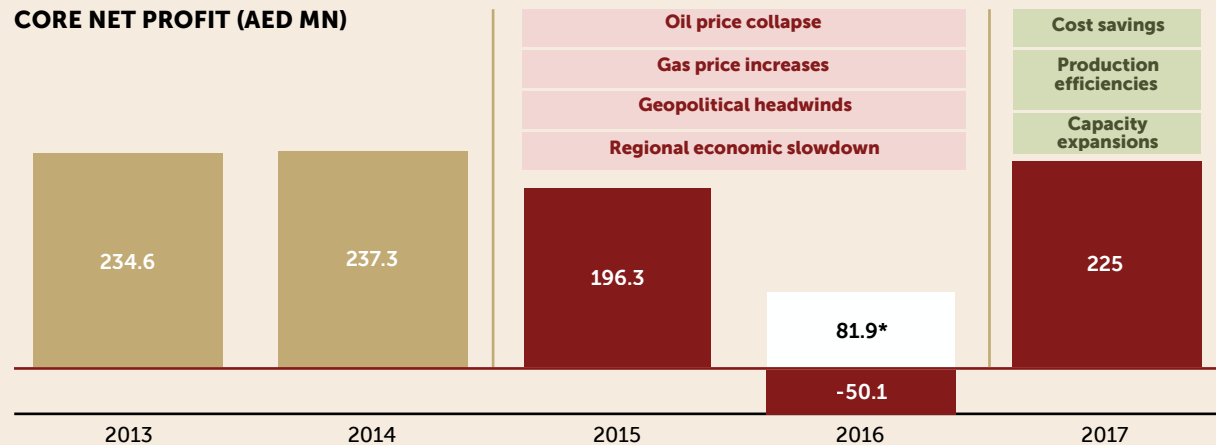
Core Business Rebounding

Core net profit has grown despite unfavourable economic conditions.

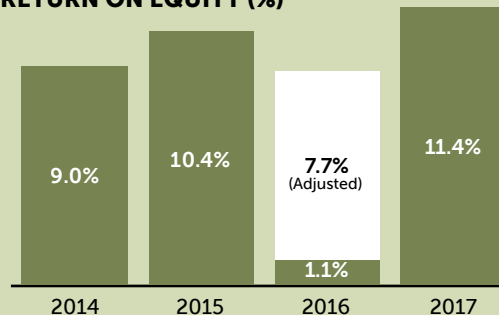
Continued investment in the core business despite economic and geopolitical challenges.

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

CORE NET PROFIT (AED MN)



RETURN ON EQUITY (%)



Total provisions of AED 185mn in 2016

Extraordinary gain/loss/impairments in 2017 AED-27.4mn

* Adjusted excluding extraordinary provision of AED 132m
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Value and Growth in India & Bangladesh

BANGLADESH			INDIA	
\$202 _{MN} Market Cap.	28% Ownership of Market Cap.	25% Revenue Growth	Only multinational ceramics producer in India	
68% Ownership	15% Ownership of Group Net Income.	12 _{MN SQM} Tile Production Cap.	18 _{MN SQM} Tile Production Cap. with new expansion/acquisitions	15% of Group Production Cap.
Growth/ Value	3.4% of shares sold at 21.7x P/E to monetize valuation		Acquired stakes in two manufacturing facilities in Morbi, Gujarat	
	Strategy to improve B2B sales and optimize dealer network		Further expansions of acquired plant in progress, due Q4 2018	
	Evaluating infrastructure for future growth		Become a top 5 pan India Ceramics player by 2020	

Restructure/Turnaround of Europe & Saudi Arabia

EUROPE

SAUDI ARABIA

Strategy to take distribution JVs into full ownership to give greater control and access into key markets

Restructure /Turnaround

AED 369mn of Tiles and Sanitaryware sales in 2017

Restructuring of Germany operations

2017 Sanitaryware sales growth at 22% year on year

Tiles sales impacted due to lower sales in Central Europe

Control on overheads through back-office consolidation

Growth driven through a focused product development plan

Restructure /Turnaround

AED 225mn of Tiles and Sanitaryware sales in 2017

Acquisition of Saudi Arabia JV's completed

Growth from sales/marketing focused on wholesale/retail

Branding in dealer showrooms initiated

Integrate back office operations with UAE headquarters

Access key markets, open up the new channels and customers

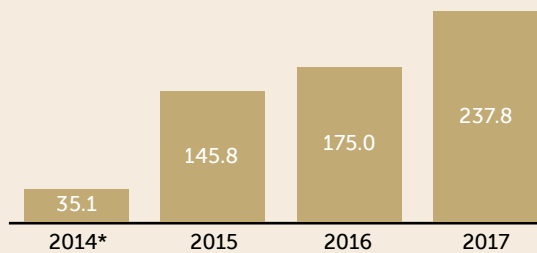
Tableware Performance Overview

The tableware business continues to show growth with revenues increasing by 35.9% YoY to AED 237.8m driven by the consolidation of Restofair (a catering supplies company) within the larger group.

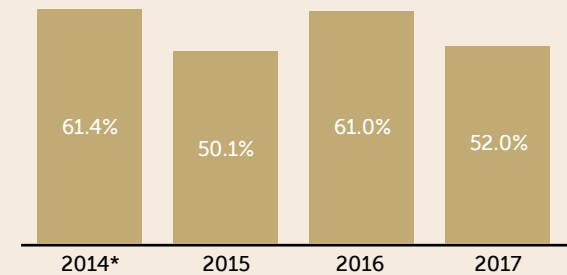
Strategic focus on growth in Europe and United States and continued focus on seeking strong brand/distribution company.

Opened new flagship showroom in New York and logistics centre under construction in Luxembourg, expect to see the benefits from these investments by 2018/2019.

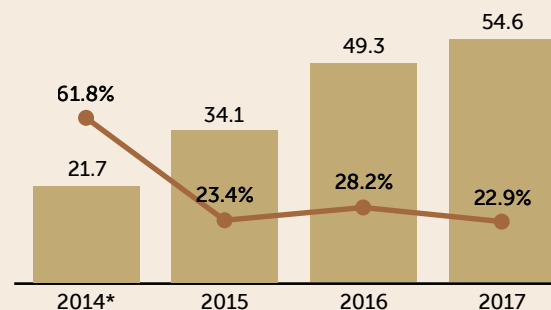
REVENUE (AED BN)



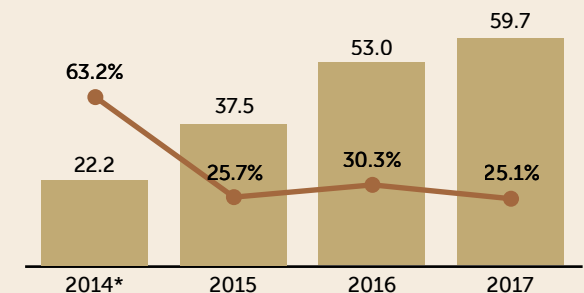
GROSS PROFIT MARGIN (%)



NET PROFIT (AED MN) & MARGIN (%)

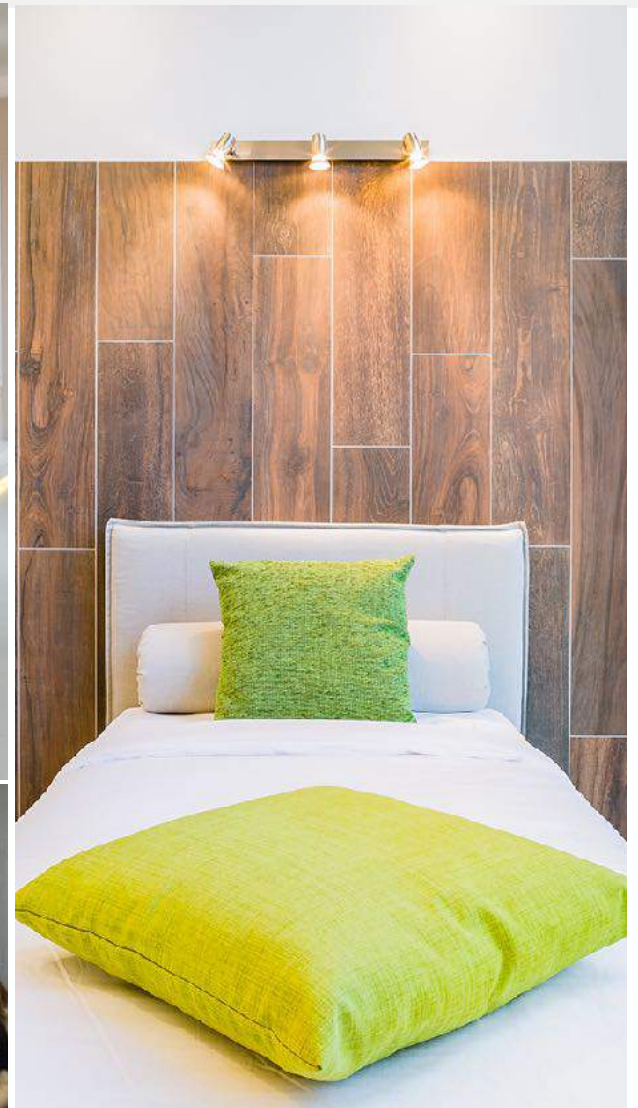


EBITDA (AED MN) & MARGIN (%)



*Consolidated from Q4 2014

New Brand Identity

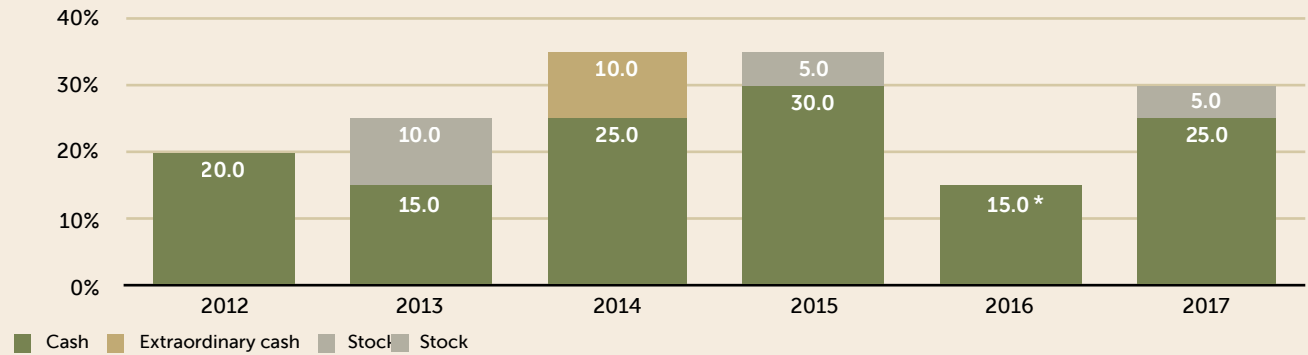


Dividend Highlights

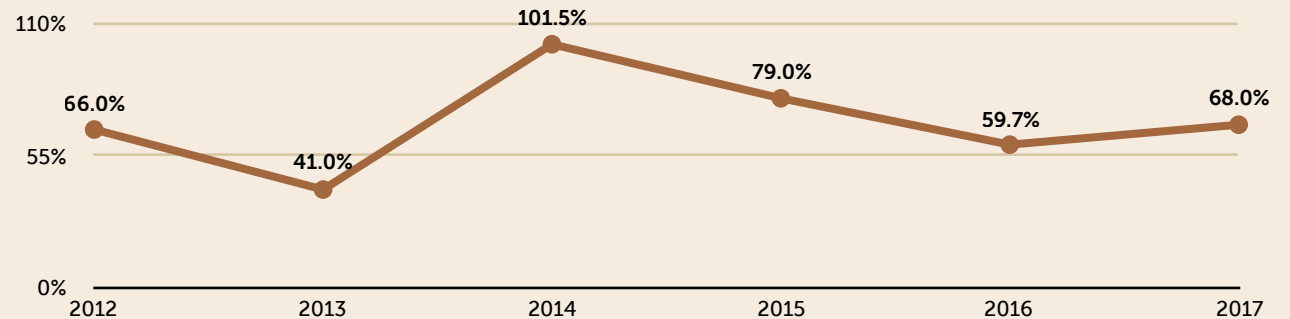
Extract from company dividend policy in 2014

“Payout ratio in excess 60% of consolidated net income subject to consideration factors such as the business outlook, capital requirements for growth opportunities, expansion plans, optimal leverage levels and healthy cash reserves in addition to regulatory approvals”

DIVIDEND PAYOUT (%/SHARE)



DIVIDEND PAYOUT RATIO (%)



* Adjusted excluding extraordinary provision of AED 185m
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2017 Financial Results



Overview

Industry

Strategy

▶ Results

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

Total gross profit margin of 31.6%, +110bps compared to 2016, and all-time high.

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

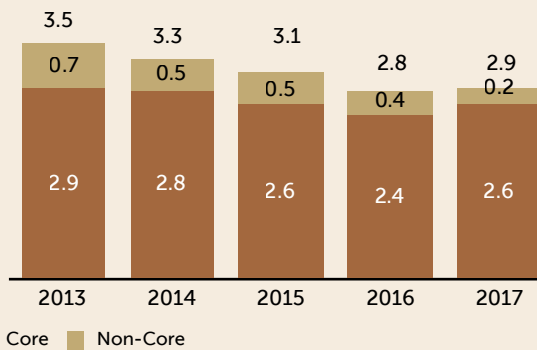
Financial Highlights

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

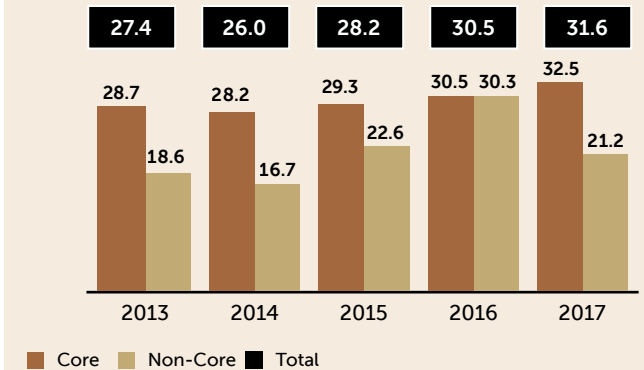
Total gross profit margin of 31.6%, +110bps compared to 2016, and all-time high.

Core gross margins increased +200bps in 2017 which was supported by an improvement in tiles margins of +320bps due to increased efficiencies across all plants.

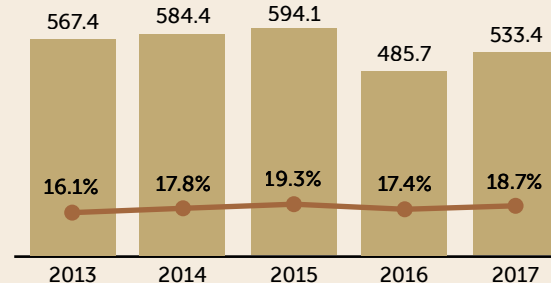
REVENUE (AED BN)



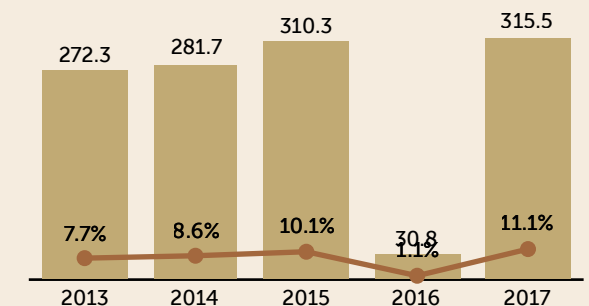
GROSS PROFIT (%)



EBITDA (AED MN) & MARGIN (%)



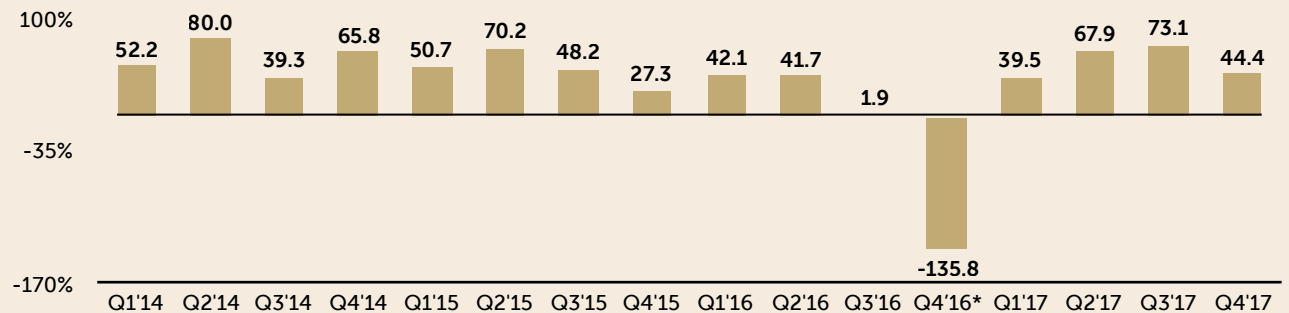
NET PROFIT (AED MN) & MARGIN (%)



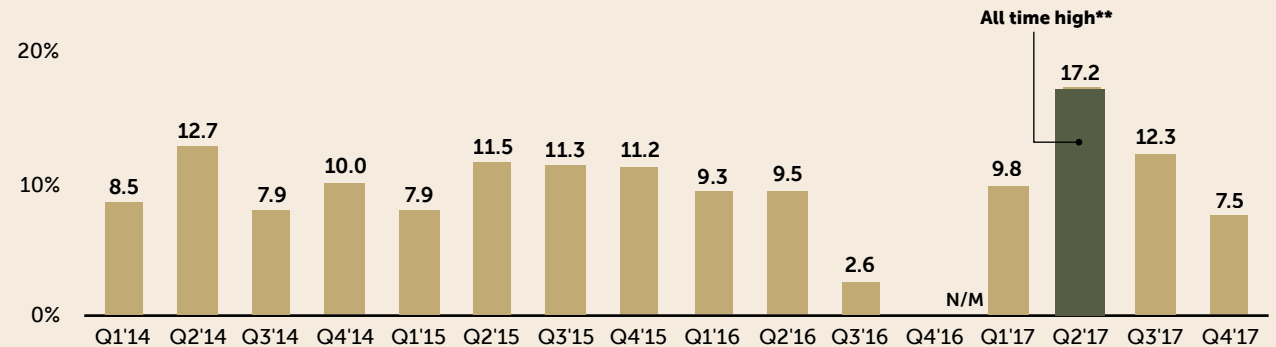
Core Net Profit and Shareholder Return

Enhanced shareholder returns driven by a rebound in the core business, coupled with exits from non-core and underperforming operations.

CORE NET PROFIT (AED MN)



RETURN ON EQUITY (%)

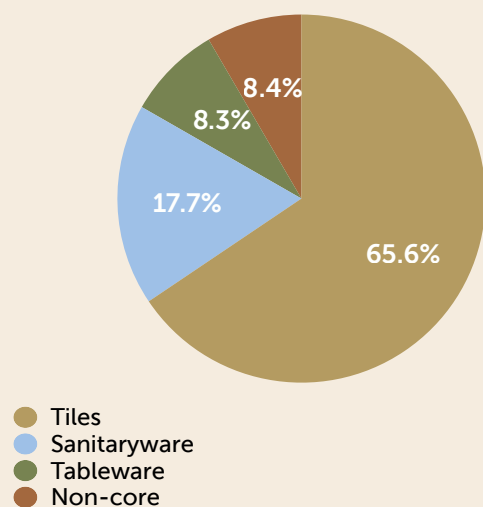


* Includes extraordinary provision of AED131.8m **Includes extraordinary Net Gain of AED34.8m towards sale of RAK Warehouse Leasing stake. Impact was 5.3%.

Segment Performance

Core revenue in 2017 increased by +7.6% due to strong performance in all segments.

REVENUE BY SEGMENT 2017 (%)



REVENUE BY SEGMENT (AED MN)

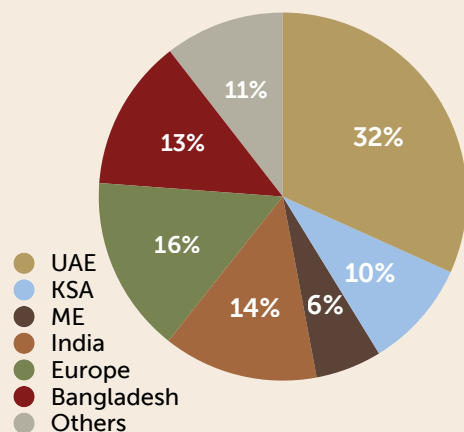
	2016	2017	
	Amount	Amount	Growth
Tiles	1798.3	1871.3	4.1%
Sanitaryware	456.2	505.9	10.9%
Tableware	175.0	237.8	35.9%
Total Core	2429.4	2615.0	7.6%
Non-Core	363.7	240.0	-34.0%
Total Revenue	2793.1	2855.0	2.2%

Tiles & Sanitaryware Regional Performance

UAE, India and Bangladesh markets are key drivers of growth year on year.

Saudi Arabia, decreased by -4.4% due to weak demand in the project segment however plans to boost spending in 2018 to revive KSA's economic growth are positive.

REGIONAL CONTRIBUTION 2017 (%)



REVENUE BY REGION (AED MN)

	2016	2017	
	Amount	Amount	Growth
UAE	628.4	754.5	20.1%
Saudi Arabia	235.7	225.3	-4.4%
Middle East	175.2	138.6	-20.9%
India	291.1	322.6	10.8%
Europe	400.0	369.0	-7.8%
Bangladesh	261.5	316.6	21.1%
Africa	142.3	125.0	-12.2%
Asia Pacific	87.3	93.7	7.3%
Americas	15.8	17.2	8.9%
Central Asia	17.1	14.6	-14.6%
Total	2254.4	2377.2	5.4%

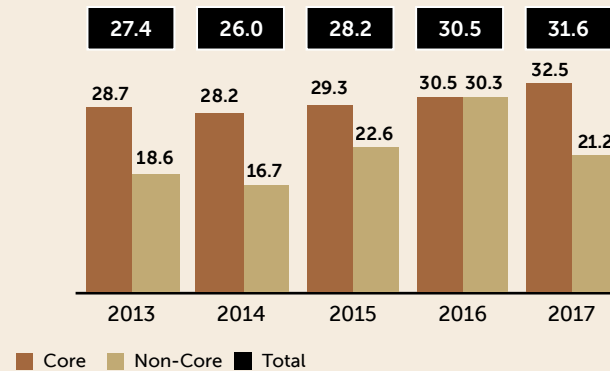
Gross Profit Margins

Total gross profit margin of 31.6%, +110bps compared to 2016, and all-time high.

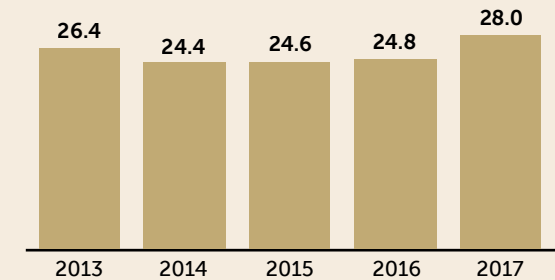
Core gross margins increased +200bps in 2017 which was supported by an improvement in tiles margins of +320bps due to increased efficiencies across all plants.

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

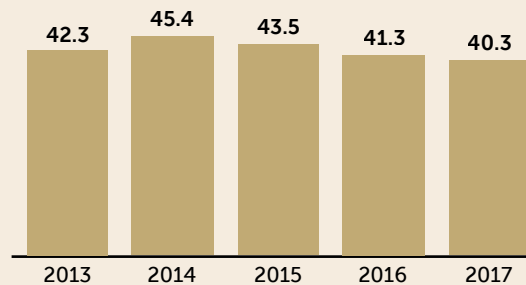
GROSS PROFIT (%)



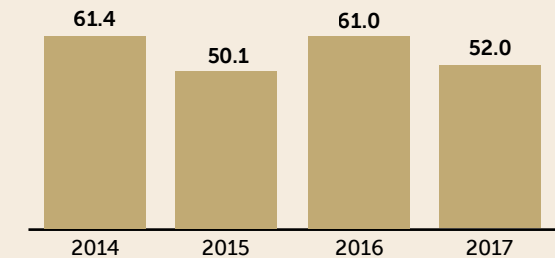
TILES GROSS PROFIT (%)



SANITARYWARE GROSS PROFIT (%)



TABLEWARE GROSS PROFIT (%)



Balance Sheet Evolution

MANAGEMENT COMMENTS

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

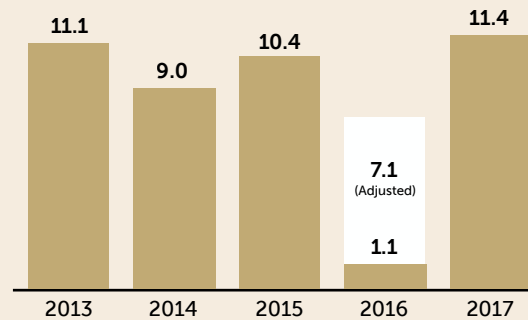
Operating Cycle increased compared to 2016 due to an increase in inventory days on the consolidation of ARK International (Saudi Arabia JV). Excluding this impact, actual Inventory days remain at 214 days.

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

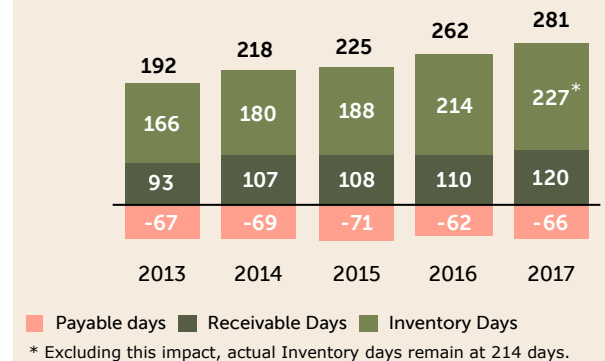
Excluding the consolidation impact, trade receivable was 118 days.

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

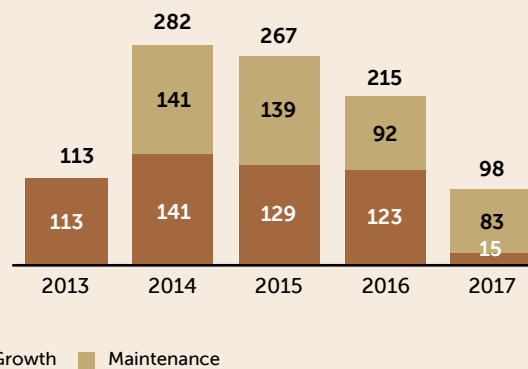
RETURN ON EQUITY (%)



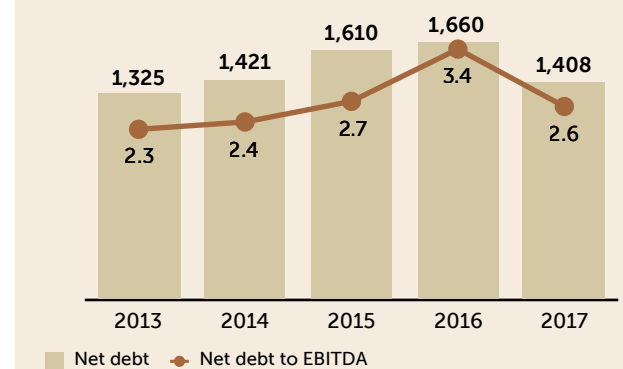
OPERATING CYCLE (DAYS)



CAPEX SPENDING (AED M)



NET DEBT (AED M)

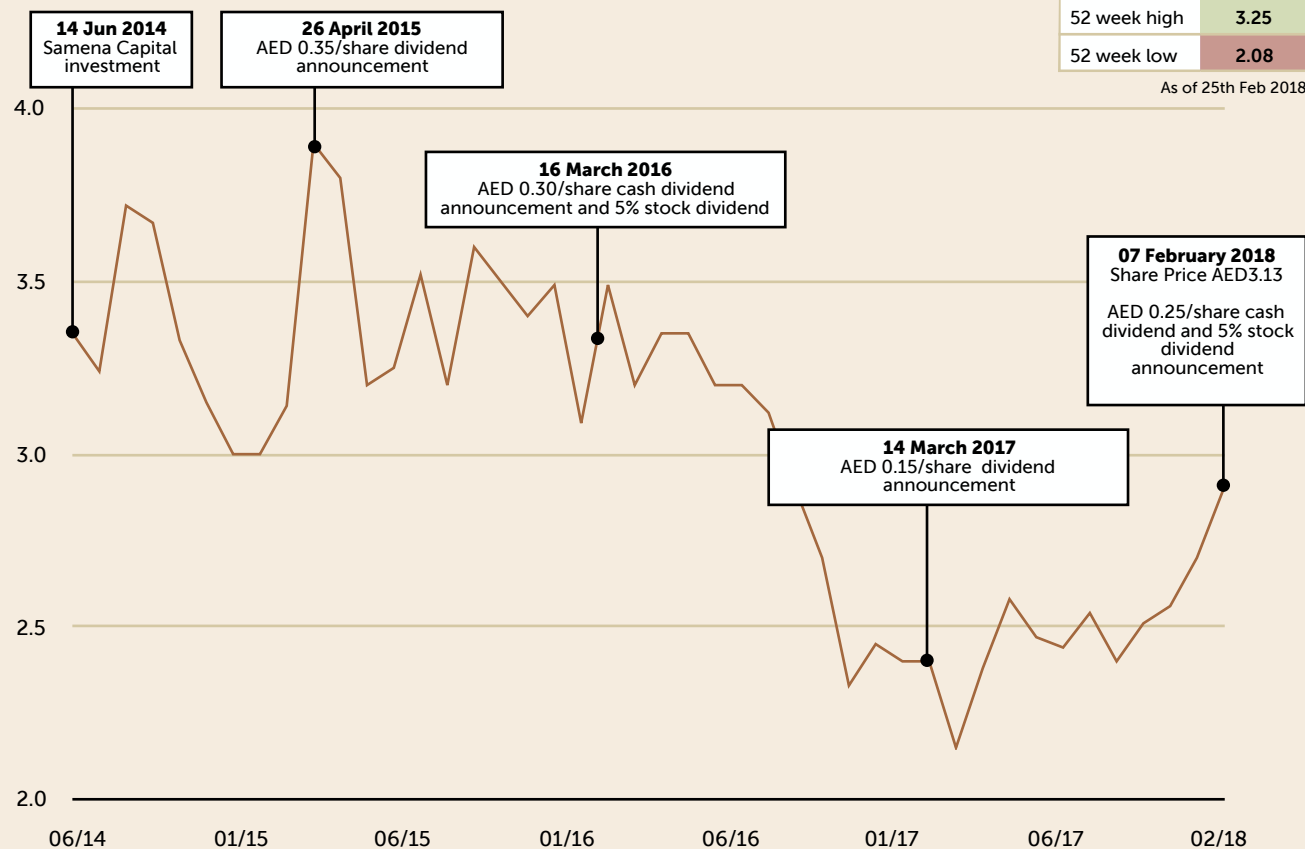


Market Valuation

SHARE PRICE PERFORMANCE (AED)

	AED
VWAP	2.50
52 week high	3.25
52 week low	2.08

As of 25th Feb 2018



CURRENT VALUATION (AED M)

	25/02/18	31/12/16
	Amount	Amount
Share price	3.13	2.45
Number of shares	858	858.4
Market Cap	2,687	2,103
Net debt	1,408*	1,660
Minorities	187*	176
Enterprise Value	4,281	3,939

*Net debt and minorities as of 31st Dec 2017

LTM TRADING MULTIPLES

	Multiple
EV / Sales	1.5x
EV / EBITDA	8.0x
P / E	9.9x
P / B	1.0x

RAK

CERAMICS

