

RAK

CERAMICS

INVESTOR PRESENTATION Q2 2017 RESULTS



AUGUST 2017

Attendees



Abdallah Massaad

Group Chief Executive Officer

Abdallah Massaad is Group CEO of RAK Ceramics. He has over 21 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. Pramod 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.



Raaqib Mutvalli

Head of Performance Management Office

Raaqib has 10 years experience in business design and performance improvement and prior to joining RAK Ceramics held roles at PricewaterhouseCoopers and Ernst and Young.

Raaqib holds a MA Corporate Strategy and Governance from the University of Nottingham.

Disclaimer

This information contained in the enclosed presentation summarises preliminary and introductory information on RAK Ceramics PJSC (the Company). This presentation has been prepared for information purposes only and is not and does not form part of or constitute any prospectus, offering memorandum or offering circular or offer for sale or solicitation of any offer to subscribe for or purchase or sell any securities nor shall it or any part of it form the basis of or be relied on in connection with any credit evaluation or third party evaluation of any securities or any offerings or contract or commitment whatsoever.

The information contained herein has been prepared by the Company. Some of the information relied on by the Company is obtained from sources believed to be reliable but does not guarantee its accuracy or completeness. All potential recipients of the enclosed presentation are expected to be aware that the information contained herein is preliminary as of the date hereof, supersedes any previous such information delivered and will be superseded by any such information subsequently delivered. The information contained herein is subject to change without notice. The Company is under no obligation to update or keep current the information contained herein. No person shall have any right of action (except in case of fraud) against the Company or any other person in relation to the accuracy or completeness of the information contained herein.

Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of The Company. These forward-looking statements include all matters that are not historical facts. The inclusion of such forward-looking information shall not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. Future events are subject to various risks which cannot be accurately predicted, forecasted or assessed. No assurance can be given that future events will occur or that the company's assumptions are correct. Actual results may differ materially from those projected

and past performance is not indicative of future results. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. Accordingly all potential recipients are expected to conduct their own due diligence on the information provided.

These materials are confidential and are being submitted to selected recipients only for the purpose described above. They may not be taken away, reproduced (in whole or in part), distributed or transmitted to any other person without the prior written consent of the Company. These materials are not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation and must not be acted on or relied on by persons who are not relevant persons. If this presentation has been received in error it must be returned immediately to the Company.

Key business update

REGIONAL MARKETS

- UAE market continued its strong growth led by robust project sales
- Saudi Arabia continued to show recovery trends but sales remained lower than the previous year
- MENA pressure continued due to the macro and political situation
- Europe underperformed due to competitive pressures

PRODUCTION EFFICIENCIES

- Improved efficiency in production across UAE & Bangladesh tile plants
- Savings in raw materials continued on improved purchasing and formulations
- Record tiles margin since 2014 due to better product mix and production cost savings

BANGLADESH & INDIA

- Strong revenue growth in Bangladesh
- Limited shares sold in RAK Bangladesh at 21.7 times of EPS to monetise valuation and fund India acquisition
- Acquisition of JV stake in outsourced manufacturing in Morbi, Gujarat
- Revenue growth in India

COST SAVINGS

- Continued focus on SG&A savings with stringent controls across the group
- Savings in finance costs despite of higher LIBOR and better forex management

PROFITS IMPROVEMENT

- Reliance on core operations
- Product portfolio optimisation
- EBITDA margin at 5 year high
- ROE at all time high

NON-CORE ASSET EXIT

- Divestment of 50% stake in RAK Warehouse Leasing at AED 125m
- Extraordinary net gain of AED 34.8m

Strategic initiatives update

INDIA

- RAK India plans to acquire 51% equity stakes in 3 manufacturing facilities (1 Vitrified Plant and 2 Ceramic Plants) in Morbi, Gujarat, adding an additional 10mn sqm capacity
- This will bring RAK in line with the other branded players in India, who have already acquired stakes in multiple outsourced Morbi manufacturing units
- Currently 50% of total revenue in India comes from outsourced production from Morbi. By acquiring a controlling stake in manufacturers in Morbi, India will have better access to a flexible, efficient and low cost manufacturing base close to major markets in the North and West of India

BANGLADESH

- Bangladesh continues to perform well delivering strong revenue growth following last year's capacity expansion whilst maintaining high margins
- The entity is listed separately on the Dhaka stock exchange with a market capitalisation of ~\$260m and RAK Ceramics PJSC owning 71.67% in the subsidiary. 2% of RAK Bangladesh have been sold in July 2017 at 21.7 times of EPS to monetise valuation
- The proceeds from this share sale will be used to fund the JV acquisitions in India
- Board strategy is to maintain control of the Bangladesh subsidiary and will decide on future partial exits on a case-by-case basis

SAUDI ARABIA

- RAK Ceramics had two joint venture entities and a representative branch office in Saudi Arabia
- We have reached agreements with our JV partners to acquire their stakes giving us full control of operations in KSA
- This will consolidate the operations in the Kingdom, integrate operations with head office and open up new channels and customers in one of the Core markets and break current reliance on a handful of customers
- Drive further profitability improvements through back-office synergies, infrastructure consolidation and a more focused sales and marketing setup

Key financial highlights

Core revenues remained stable compared to Q2 2016 and increase by 6.5% compared to Q1 2017 from strong growth in the **United Arab Emirates** and **Tableware**

+6.5%

Non-core revenues decreased by 37.6% compared to Q2 2016 and by 1.0% compared to Q1 2017

-37.6%

Core gross profit margin increased by +450bps to 34.2% compared to Q2 2016 and by 210 bps compared to Q1 2017

34.2%

Total EBITDA margin grew to 20.4% a 5 year high in Q2 2017, +130bps compared to Q2 2016 and +350 bps compared to Q1 2017

20.4%

Reported net profit increased by 73.4% to AED113.2m compared to Q2 2016 and by 75.7% compared to Q1 2017

AED 113.2M

Like for like profit (exc. extraordinary net gain & provision) increased by 7.3% to AED85.1mn with margins of 11.8% compared to Q2 2016 and by 66.1% compared to Q1 2017

AED 85.1M

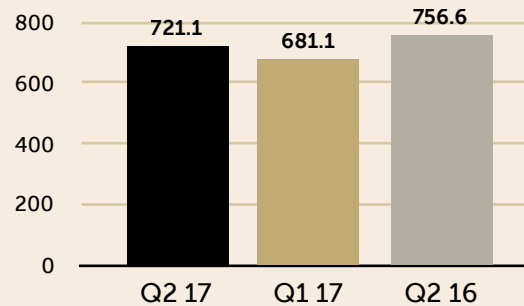
Revenue highlights

MANAGEMENT COMMENTS

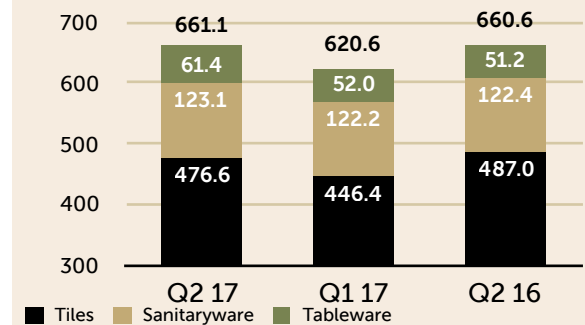
Total revenue in Q2 17 decreased by 4.7% compared to last year as a result of anticipated lower non-core revenues which is inline with our strategic value creation plan.

Core revenues remained stable compared to last year supported by growth in the UAE and Bangladesh.

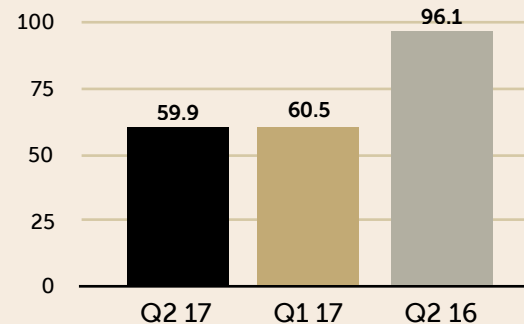
TOTAL REVENUES (AED M)



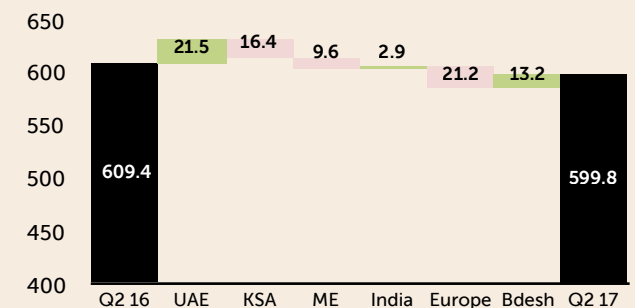
CORE REVENUES (AED M)



NON-CORE REVENUES (AED M)



TILES & SANITARYWARE REVENUE BY REGION (AED M)



Revenues by end market

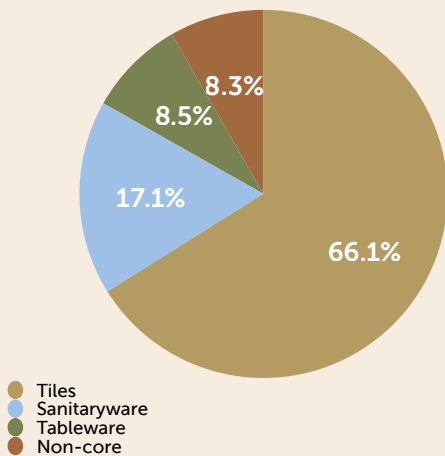
	TILE REVENUES BY END MARKET					SANITARYWARE REVENUES BY END MARKET				
	Quarterly Comparison			Yearly Comparison		Quarterly Comparison			Yearly Comparison	
	Q2 17	Q1 17		Q2 16		Q2 17	Q1 17		Q2 16	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth	Amount	Growth
United Arab Emirates	148.3	131.9	12.4%	130.5	13.7%	38.6	38.5	0.3%	35.0	10.5%
Kingdom of Saudi Arabia	59.5	44.8	32.8%	73.9	-19.5%	5.1	6.2	-17.5%	7.1	-27.9%
Middle East (Ex. UAE & KSA)	29.8	32.4	-7.8%	39.2	-23.9%	6.1	6.1	-0.3%	6.3	-3.3%
India	72.7	69.2	5.0%	68.0	7.0%	3.8	4.1	-7.1%	5.6	-32.1%
Europe	59.1	60.4	-2.0%	86.2	-31.4%	36.9	34.7	6.6%	31.9	15.9%
Bangladesh	52.0	47.4	9.8%	36.3	43.0%	24.2	24.5	-1.0%	26.7	-9.2%
Africa	29.0	32.8	-11.6%	23.7	22.1%	2.8	3.9	-28.0%	4.5	-37.0%
Rest of the world	26.2	27.6	-5.3%	29.1	-10.3%	5.4	4.2	31.2%	5.4	1.7%
Total	476.6	446.4	6.8%	487.0	-2.1%	123.1	122.2	0.8%	122.4	0.6%

Revenue contribution

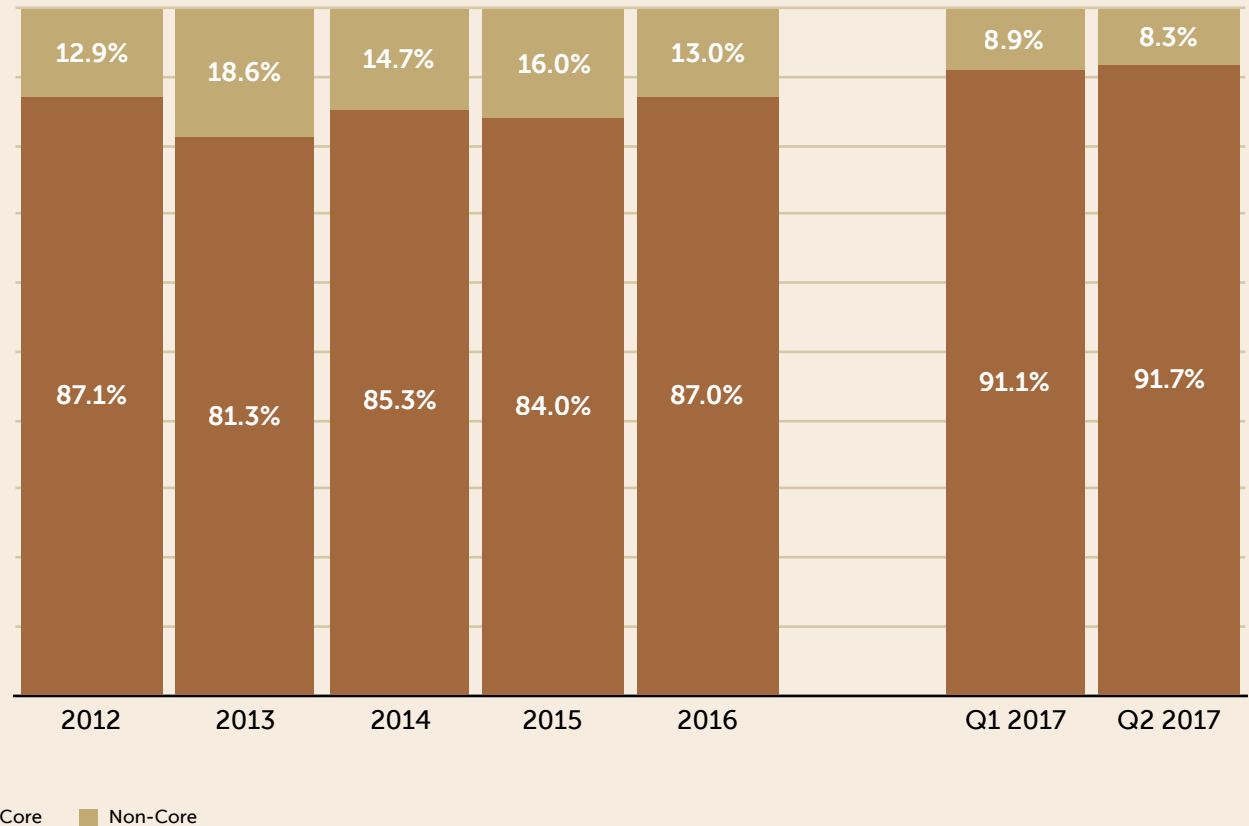
MANAGEMENT COMMENTS

Strategic focus to divest non-core operations continued resulting in decrease in revenue contribution to 8.3%, an all time low

SEGMENT CONTRIBUTION (%)



CORE AND NON-CORE REVENUE (%)



Gross profit margins

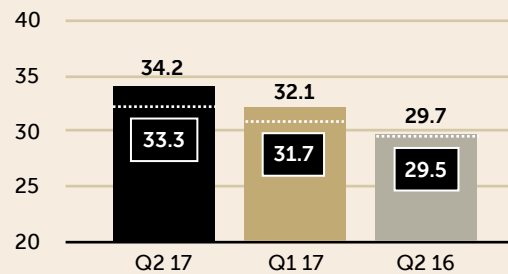
MANAGEMENT COMMENTS

Continued to show positive momentum in gross margin improvements; up by +450bps compared to last year at 34.2%.

Tile gross margins increased to 30.1%, the highest quarterly result since 2014. Improvements were driven by improved production efficiencies across UAE and Bangladesh tile plants.

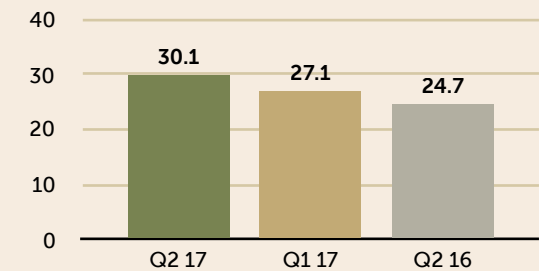
Sanitaryware margins remained stable. Tableware margins declined due to consolidation of Resto Fair (effective of 1st January 2017)

CORE GROSS MARGINS (%)

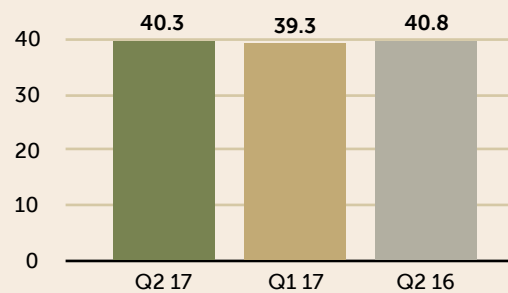


..... Total gross profit margin

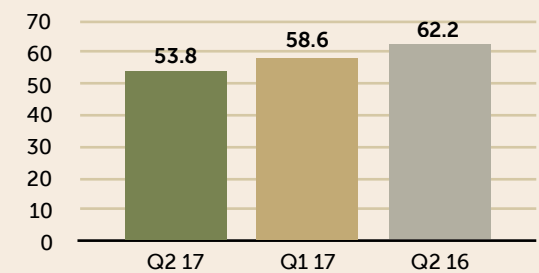
TILES GROSS MARGINS (%)



SANITARYWARE GROSS MARGINS (%)



TABLEWARE GROSS MARGINS (%)



Financial highlights

FINANCIAL HIGHLIGHTS (AED M)

	Quarterly Comparison		Yearly Comparison		
	Q2 17	Q1 17		Q2 16	
	Amount	Amount	Growth	Amount	Growth
Revenue	721.1	681.1	5.9%	756.6	-4.7%
Core Revenue	661.1	620.6	6.5%	660.6	0.1%
Gross margin (%)	33.3%	31.7%	1.6%	29.5%	3.8%
Core Gross Margin	34.2%	32.1%	2.1%	29.7%	4.5%
EBITDA	146.8	114.8	27.9%	144.3	1.8%
Core EBITDA	128.8	96.4	33.6%	103.5	24.5%
Reported Net profit	113.2	64.5	75.7%	65.3	73.4%
Extraordinary gain (net)	34.8	14.8	n/a	-	n/a
Like for like Net Profit	85.1	51.2	66.1%	79.3	7.3%
Capital expenditure	21.0	19.8	6.1%	47.6	-56.0%
Net debt	1,665.7	1,728.4	-3.6%	1,771.6	-6.0%
Net Debt / EBITDA	3.58x	3.74x	-4.2%	2.99x	19.7%

Operating cycle

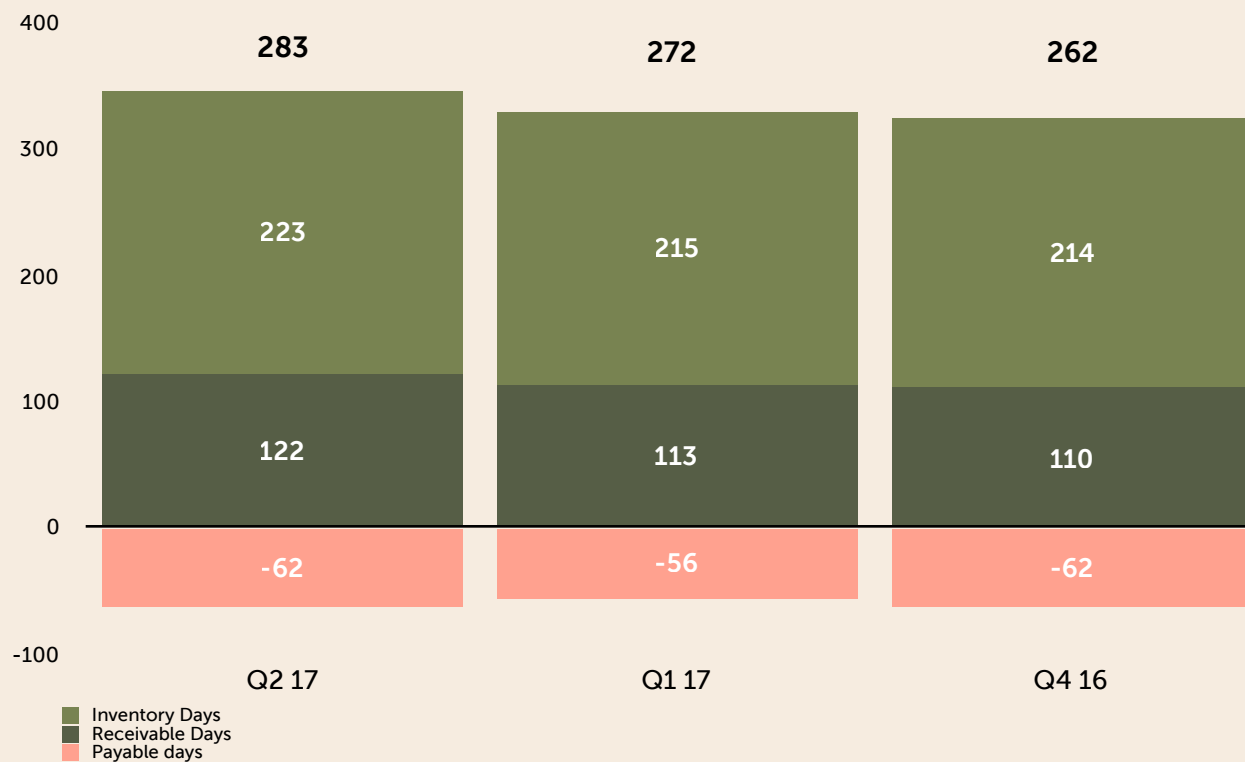
MANAGEMENT COMMENTS

Operating cycle has slightly increased due to slower collections in the month of Ramadan.

Inventory days have increased mainly due to accounting of excise duty on Indian FG as per amended Accounting Standard.

The United Arab Emirates tiles inventory decreased by c.10.0% during the first half of 2017.

OPERATING CYCLE (DAYS)

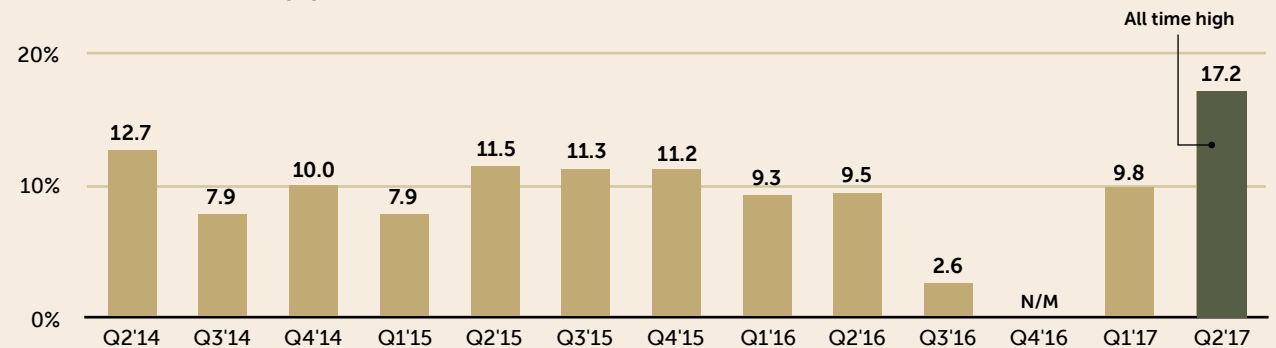


Shareholder return

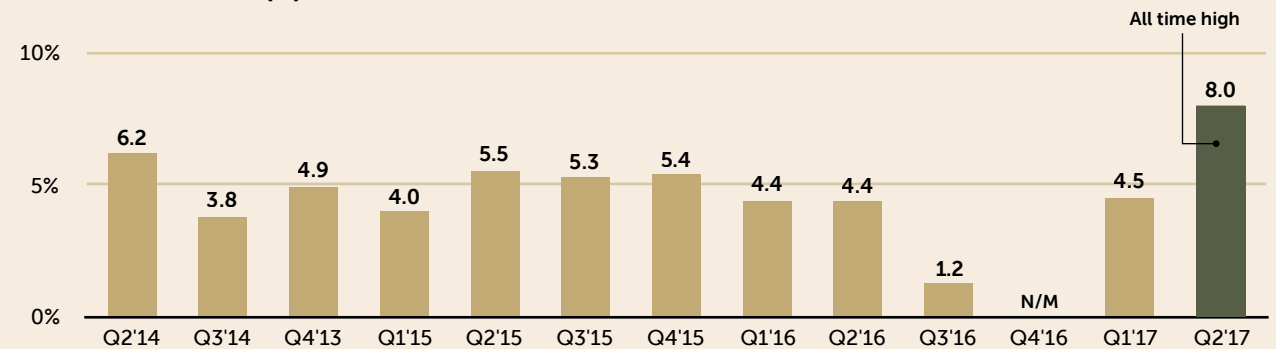
MANAGEMENT COMMENTS

Strategy to exit non-core assets has helped lighten the balance sheet, increase margins and enhance returns for shareholders.

RETURN ON EQUITY (%)



RETURN ON ASSET (%)



Focus areas and initiatives update

UNITED ARAB EMIRATES

- Continue to grow market share, focus on project channel penetration and enhance retail channels
- New Dubai showroom to be opened in Q4 2017

INDIA

- Finalise outsourced manufacturing acquisitions
- Battle GST negative impact

IRAN

- Ramp up production to near 65% capacity by starting 2nd kiln (Sep. 17)
- Develop domestic sales infrastructure

SAUDI

- Complete Saudi JV's restructuring
- Execute integration plan
- Focus on expanding client network

PRODUCT DIFFERENTIATION

- Continue focus on new product launches in tiles and sanitaryware
- Build on tableware success with new products offering (e.g. cutlery)

BRANDING

- Execute Saudi Arabia branding initiative
- Continue investing in brand image in United Arab Emirates and India

SUPPLY CHAIN MANAGEMENT

- Restructuring to improve operational efficiency & improve working capital

COST EFFICIENCIES

- Enhance energy efficiency measures (Co Generation project)
- Continue overhead cost control and productivity initiatives

DEALERS

- Strengthen wholesale vertical
- Increase sales/marketing support for export channel

Contacts

INVESTOR RELATIONS

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

Investor Relations

RAK Ceramics
Al Jazeera Al Hamra
PO Box 4714
Ras Al Khaimah
United Arab Emirates

T: +971 7 246 7000
ir@rakceramics.com
rakceramics.com

RAK

CERAMICS

