

RAK

CERAMICS

INVESTOR PRESENTATION Q3 2017 RESULTS



NOVEMBER 2017

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.



Raaqib Mutvalli

Head of Performance Management Office

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

Mr. Mutvalli holds a Masters in Corporate Strategy and Governance from the University of Nottingham.

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Key business update

REGIONAL MARKETS

- UAE market continued its strong growth led by robust project and wholesale sales
- Saudi Arabia continued to show recovery trends and sales remained stable QoQ
- Completed acquisition of one Saudi JV in Oct 2017 and another acquisition is in process.
- MENA pressure continued due to the macro and political situation

PRODUCTION EFFICIENCIES

- Continued production efficiency improvements across all tile plants
- Ongoing raw material cost savings driven by improved purchasing and formulations
- Record tiles gross margin since 2014 due to better product mix and production cost savings

BANGLADESH & INDIA

- Revenue growth in Bangladesh and India
- Limited shares sold in RAK Bangladesh at 21.7x P/E to monetise valuation and fund India acquisitions
- Acquired 51% equity stake in one ceramic tile manufacturing facility in Morbi, Gujarat.
- Expansion plans for the acquired plant are under evaluation as well as a further acquisition of a vitrified tile plant in Morbi Gujarat

COST SAVINGS

- Continued focus on SG&A savings with stringent controls across the group
- Finance cost savings despite higher LIBOR, as well as better forex management

PROFIT ENHANCEMENT AND GEARING

- Reliance on core operations
- Product portfolio optimization
- EBITDA margin at a 5 year high
- Net Debt to EBITDA multiple has improved to 3x

SAUDI ARABIA

- Completed acquisition of one Saudi JV in Oct 2017.
- Another acquisition is underway and likely to close in Q4 2017.

Key financial highlights

Core revenues increased by +14.1% compared to Q3 2016 driven by strong growth in the United Arab Emirates, KSA, India, Bangladesh and Tableware.

+14.1%

Total revenues increased by +9.2% compared to Q3 2016. Non-core revenues decreased by -24.2% compared to Q3 2016.

+9.2%

Core gross profit margin of 32.7%, an increase of +300bps compared to Q3 2016 on improvements in production efficiencies across the UAE and Bangladesh tile plants.

32.7%

Total EBITDA margin grew to a 5 year high of 21.1% in Q3 2017, +560bps compared to Q3 2016 and +80bps compared to Q2 2017.

21.1%

Reported net profit increased by 365% to AED84.7m compared to Q3 2016.

AED84.7M

Like for like net profit (exc. provision) increased to AED 87m, +117.5% compared to Q3 2016.

AED87.0M

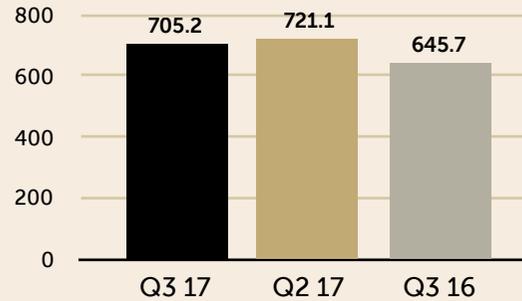
Revenue highlights

MANAGEMENT COMMENTS

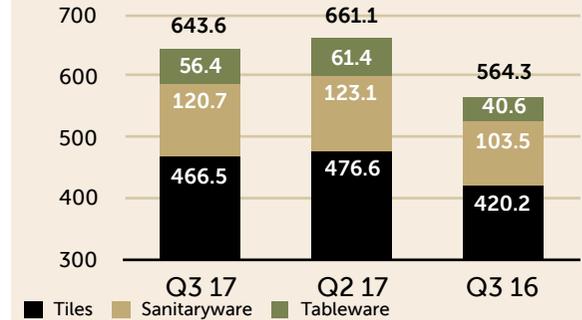
Total revenue in Q3 17 increased by 9.2% compared to last year as a result of strong growth in Core revenue (+14.1%) supported by growth in the UAE, KSA, India and Bangladesh

Non-core revenues decreased by -24.2% compared to Q3 2016 in line with our strategic value creation plan.

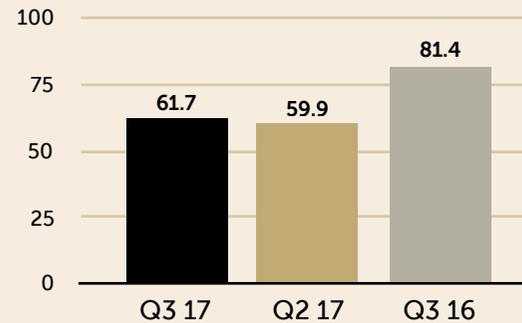
TOTAL REVENUES (AED M)



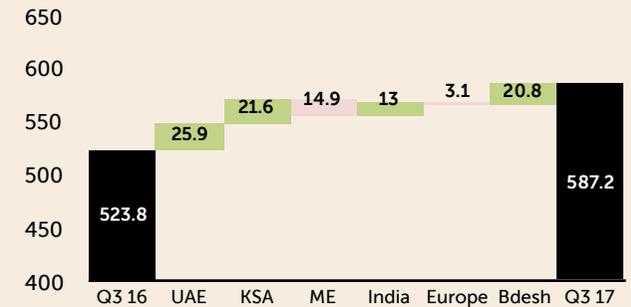
CORE REVENUES (AED M)



NON-CORE REVENUES (AED M)



TILES & SANITARYWARE REVENUE BY REGION (AED M)



Revenues by end market

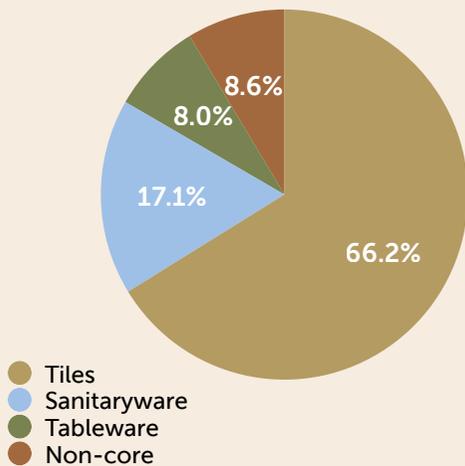
	TILE REVENUES BY END MARKET					SANITARYWARE REVENUES BY END MARKET				
	Quarterly Comparison			Yearly Comparison		Quarterly Comparison			Yearly Comparison	
	Q3 17	Q2 17		Q3 16		Q3 17	Q2 17		Q3 16	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth	Amount	Growth
United Arab Emirates	134.0	148.3	-9.6%	114.4	17.2%	38.6	38.6	0.0%	32.3	19.4%
Kingdom of Saudi Arabia	60.8	59.5	2.1%	40.1	51.4%	4.3	5.1	-16.1%	3.3	30.2%
Middle East (Ex. UAE & KSA)	29.3	29.8	-1.5%	40.6	-27.7%	3.1	6.1	-49.3%	4.1	-23.9%
India	81.6	72.7	12.2%	67.9	20.2%	4.6	3.8	21.4%	5.3	-13.4%
Europe	51.1	59.1	-13.6%	61.0	-16.2%	35.6	36.9	-3.5%	28.5	25.2%
Bangladesh	52.7	52.0	1.3%	35.9	46.9%	27.2	24.2	12.3%	23.2	17.1%
Africa	31.5	29.0	8.6%	30.1	4.5%	2.1	2.8	-23.7%	2.8	-23.2%
Rest of the world	25.5	26.2	-2.6%	30.3	-15.8%	5.2	5.4	-3.8%	4.1	27.3%
Total	466.5	476.6	-2.1%	420.2	11.0%	120.7	123.1	-1.9%	103.5	16.6%

Revenue contribution

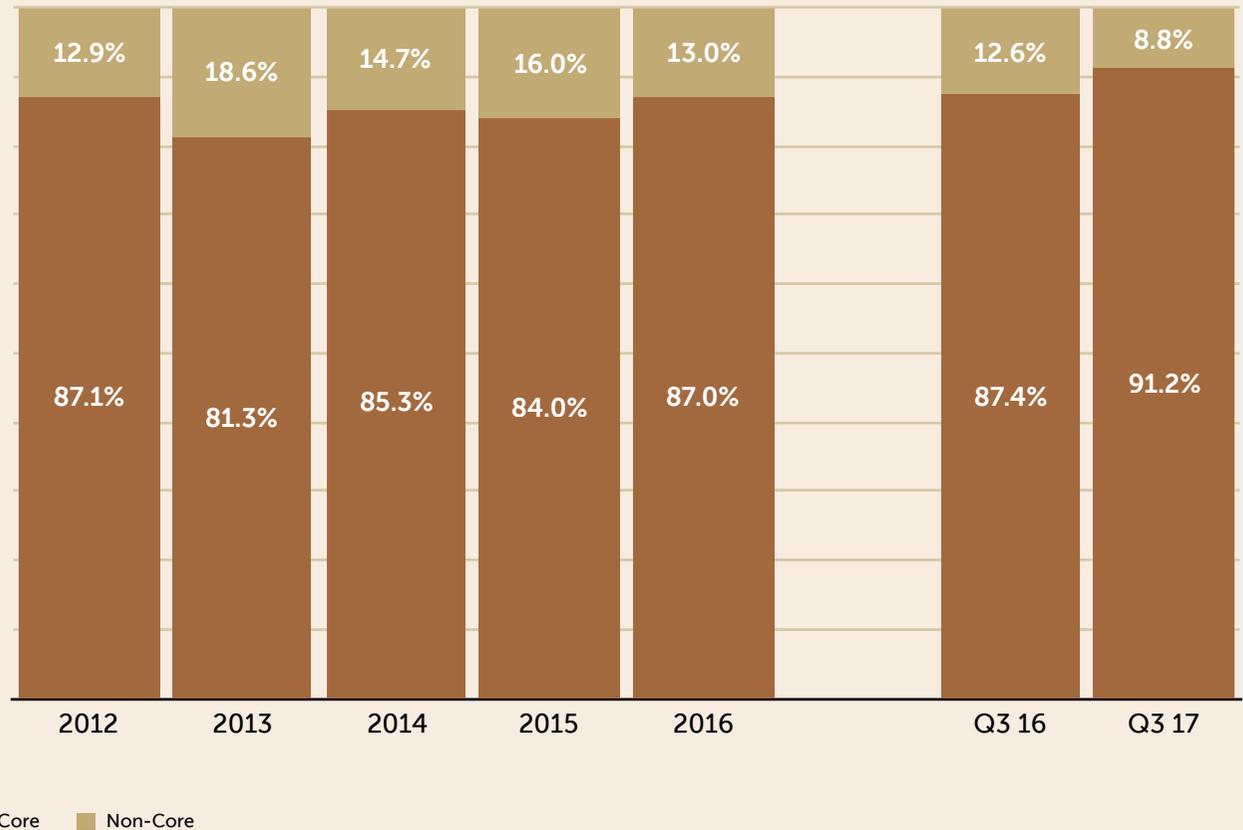
MANAGEMENT COMMENTS

Non-core revenue contribution at an all time low of 8.8% driven by our strategic focus on divesting non-core operations.

9M 2017 SEGMENT CONTRIBUTION (%)



CORE AND NON-CORE REVENUE (%)



Gross profit margins

MANAGEMENT COMMENTS

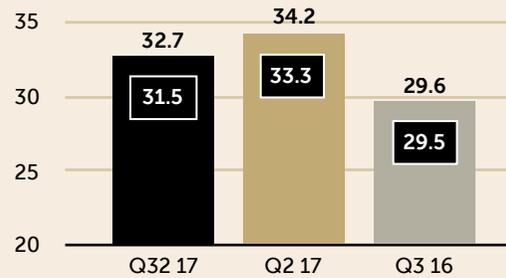
Continued to show positive momentum in core gross margin improvements; up by +300bps compared to last year at 32.7%.

Tile gross margins increased to 28.4%, the highest quarterly result since 2014, driven by improved production efficiencies across all tile plants.

Sanitaryware margins remained stable.

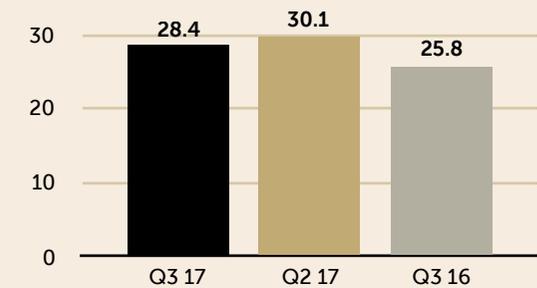
Tableware margins declined due to the consolidation of Resto Fair (effective of 1st January 2017).

CORE GROSS MARGINS (%)

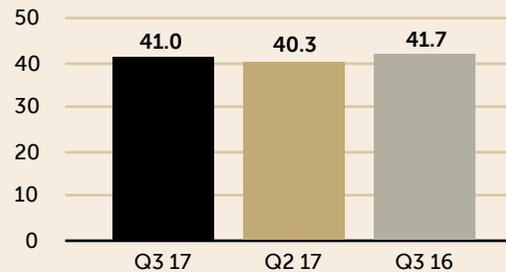


Total gross profit margin

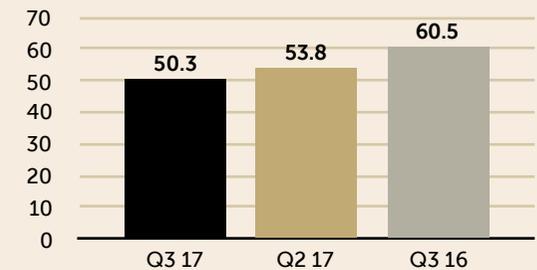
TILES GROSS MARGINS (%)



SANITARYWARE GROSS MARGINS (%)



TABLEWARE GROSS MARGINS (%)



Financial highlights

FINANCIAL HIGHLIGHTS (AED M)

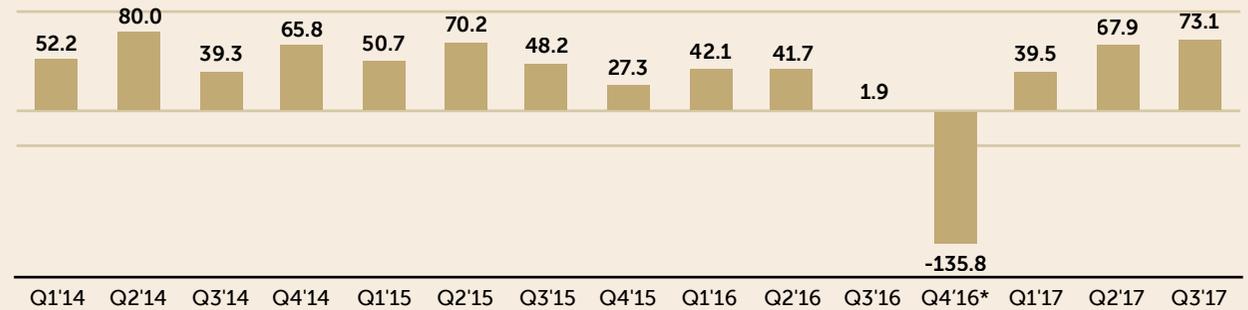
	Quarterly Comparison		Yearly Comparison		
	Q3 17	Q2 17		Q3 16	
	Amount	Amount	Growth	Amount	Growth
Revenue	705.2	721.1	-2.2%	645.7	9.2%
Core Revenue	643.6	661.1	-2.7%	564.3	14.1%
Gross margin (%)	31.5%	33.3%	-1.8%	29.5%	2.0%
Core Gross Margin	32.7%	34.2%	-1.6%	29.6%	3.0%
EBITDA	149.0	146.8	1.5%	100.3	48.7%
Core EBITDA	129.3	128.8	0.4%	67.1	92.8%
Reported Net profit	84.7	113.2	-25.2%	18.2	365.0%
Extraordinary gain (net)	-	34.8	n/a		n/a
Like for like Net Profit	87.0	85.1	2.3%	40.1	117.0%
Capital expenditure	21.9	21.0	4.4%	42.4	-48.2%
Net debt	1,540.2	1,665.7	-7.5%	1,730.9	-11.0%
Net Debt / EBITDA	3.00x	3.58x	-16.2%	3.22x	-6.8%

Core net profit and shareholder return

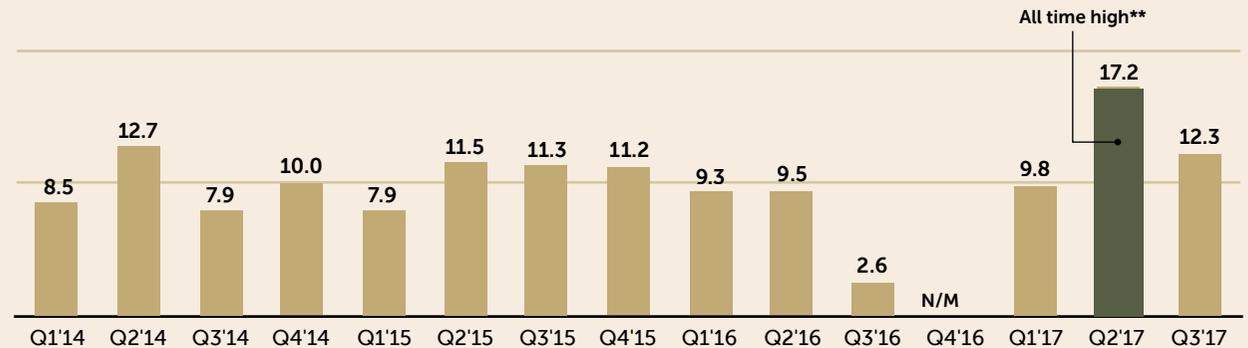
MANAGEMENT COMMENTS

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%.

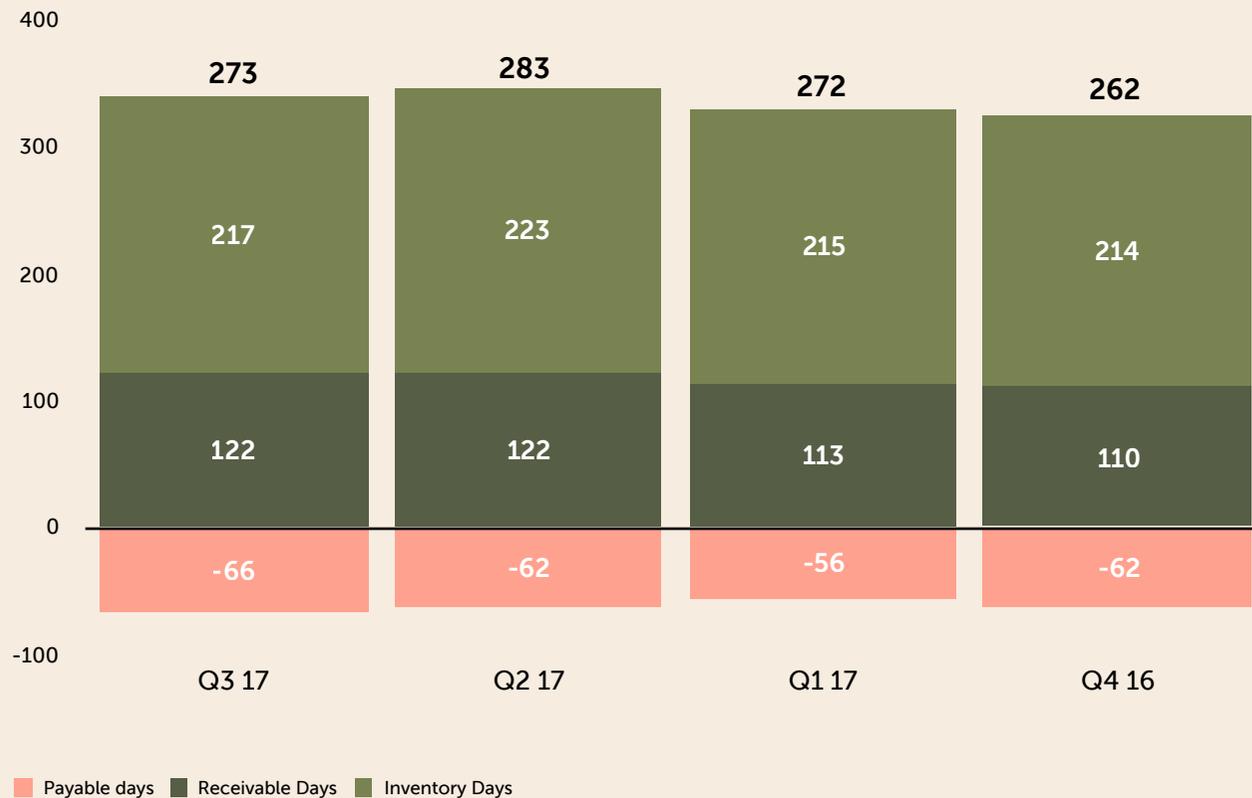
Operating cycle

MANAGEMENT COMMENTS

Operating cycle has slightly reduced

The United Arab Emirates tiles inventory decreased by 2.2mn sqm during the first 9 months of 2017.

OPERATING CYCLE (DAYS)



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

- Acquisition of one JV completed
- Evaluating the expansion of recently acquired ceramic plant
- Further acquisition of a vitrified tile plant in Morbi Gujarat

IRAN

- Second line of production has started and new range of products are being sampled
- Develop domestic sales infrastructure

SAUDI

- Complete restructuring of Saudi JV's
- 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 and 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 channels

Contacts

INVESTOR RELATIONS

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

Investor Relations

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