

RAK

CERAMICS

THE 7TH ANNUAL LONDON CONFERENCE
MENA & FRONTIER MARKETS - LONDON



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.



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

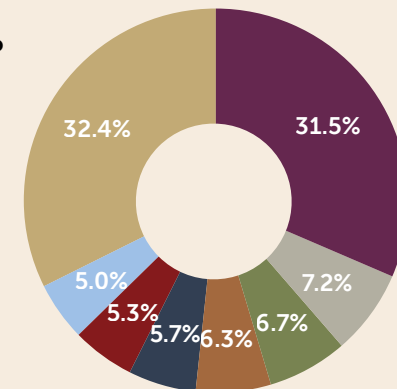


+150
Countries exported



+1 BILLION SQM
Tiles supplied worldwide

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

US\$578 MN
Market Cap.

~1 BILLION
Group turnover



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



SAMENA CAPITAL

2014

Samena Capital acquires 31% stake in RAK Ceramics



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

GLOBAL PRODUCTION

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

116_{MN}
Square metres of tiles

5_{MN}
Pieces of sanitaryware

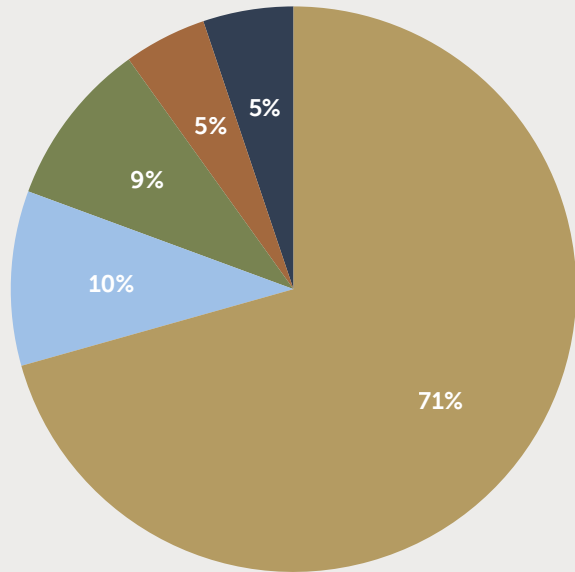
24_{MN}
Pieces of tableware

1_{MN}
Faucets and taps



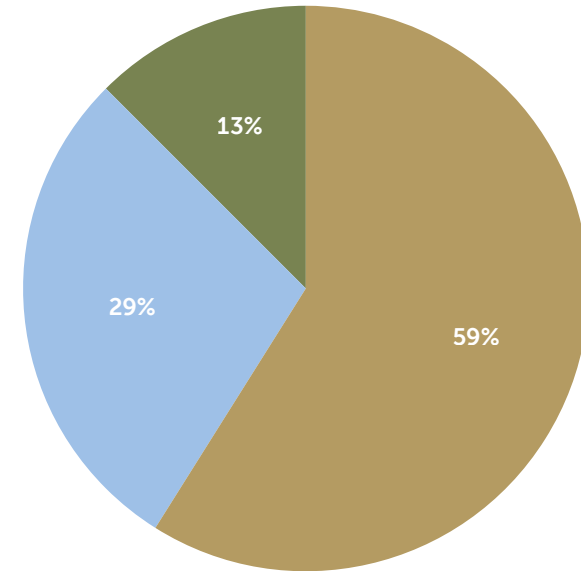
Production Capacity by Location

TILES



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

Industry Overview



Overview

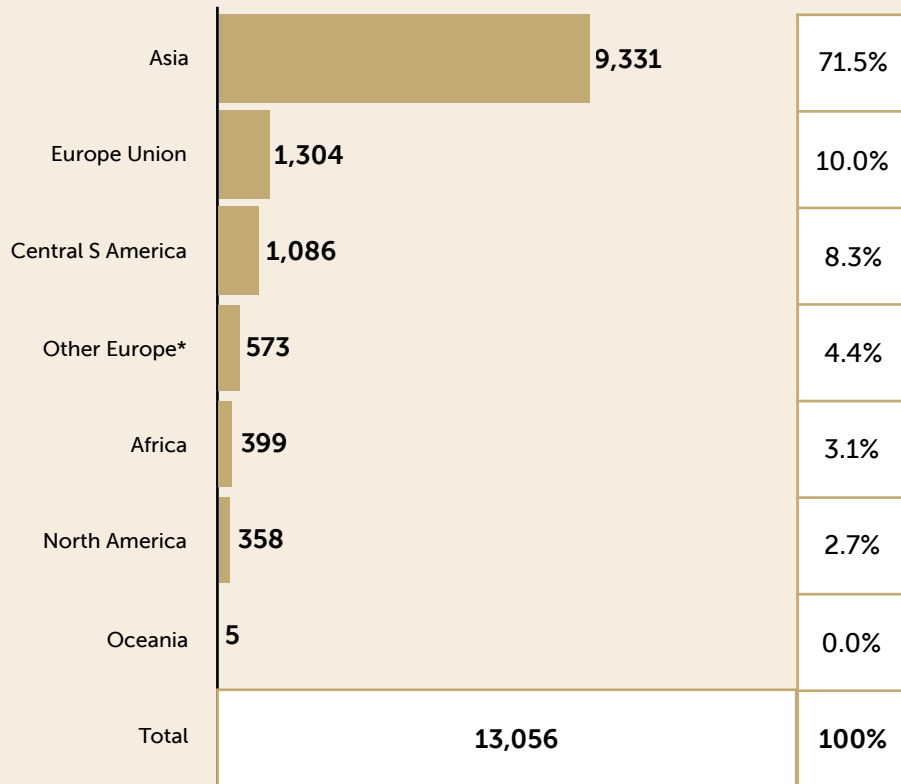
▶ **Industry**

Strategy

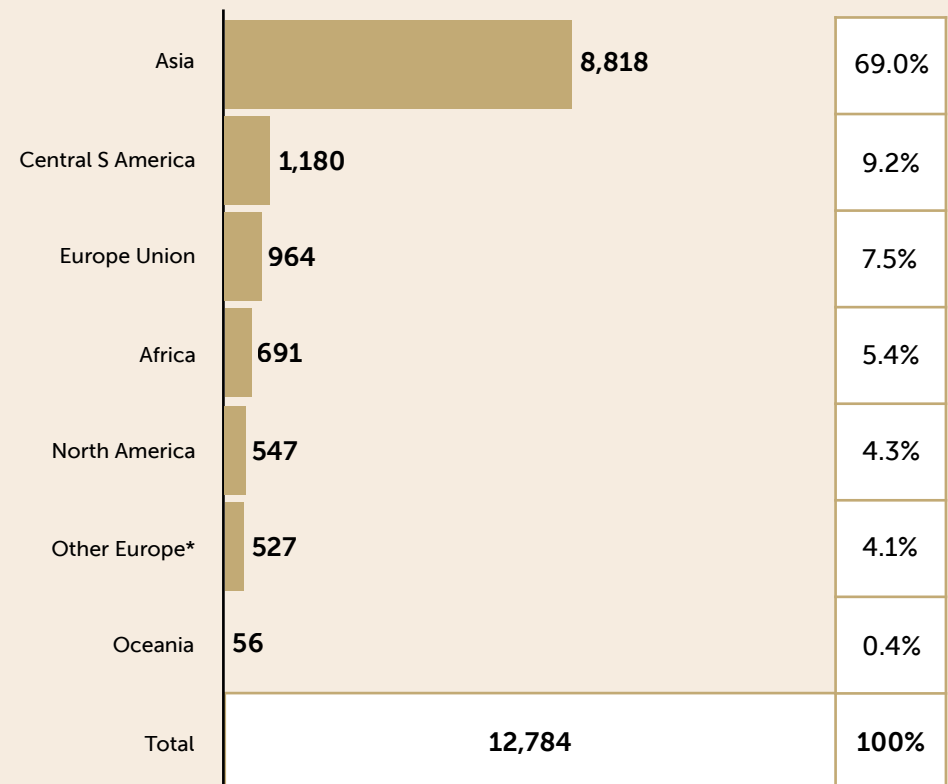
Results

World Production and Consumption - Tiles

WORLD PRODUCTION (MILLION SQM & CONTRIBUTION %)



WORLD CONSUMPTION (MILLION SQM & CONTRIBUTION %)

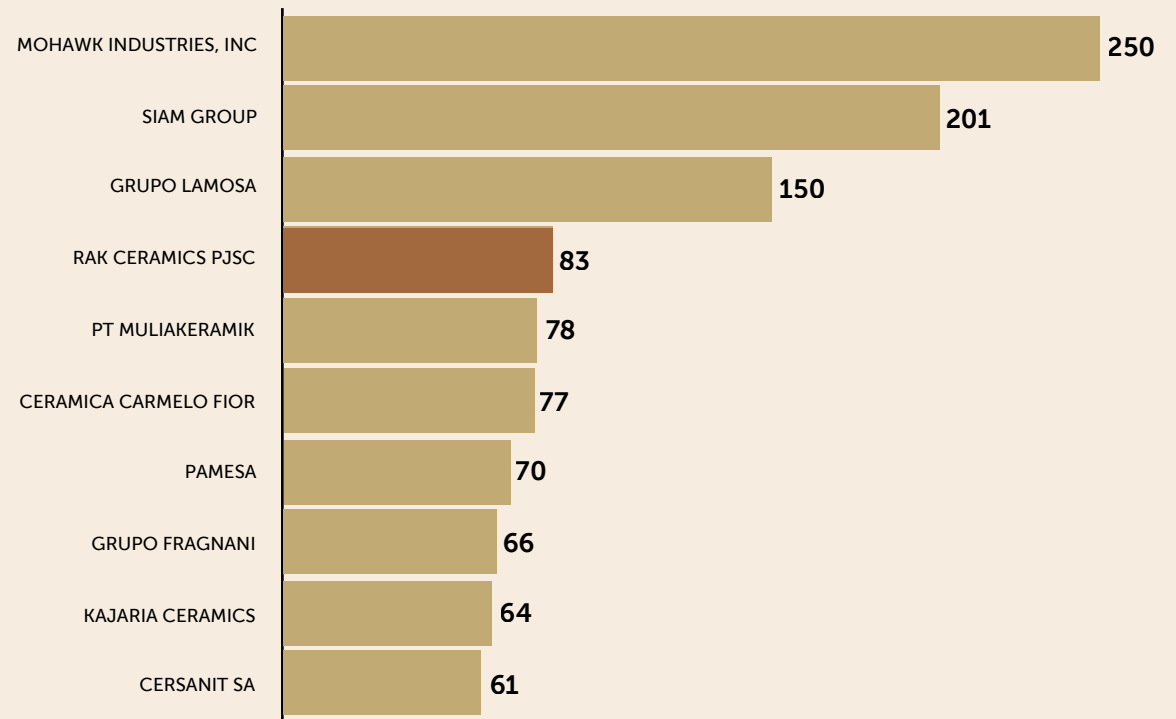


Source: Ceramic World Review. *Excluding Turkey
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Market Position - Tiles

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	19%

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

	Core business growth	Non-core assets divested		
Tableware performance	<p>The RAK Ceramics' Value Creation Plan (VCP) was designed to strengthen core business and unlock shareholder value.</p>		Balance sheet cleaned-up	
New brand launched			Dividends	
Europe & Saudi restructured			Unrealised land value	
			Bangladesh performance	India turnaround

Non-Core Divestments

Non-core's revenue contribution to total revenues has steadily declined to an all time low of 8.6%, as a result of the divestment of non-core and non-performing operations.

Land value remains at AED900mn.

12

Exits since Q2 14

>US\$130MN

Divestment proceeds

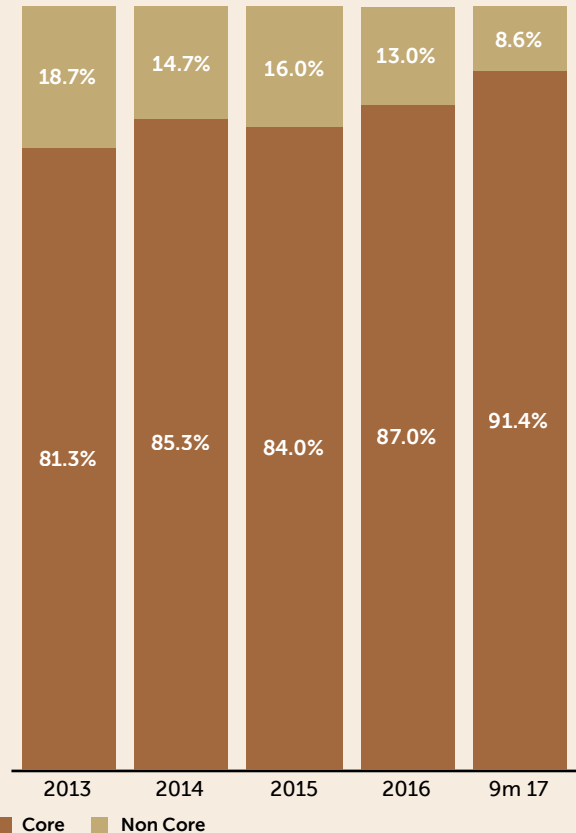
AED900MN

Land Value
(270,000 sqm)

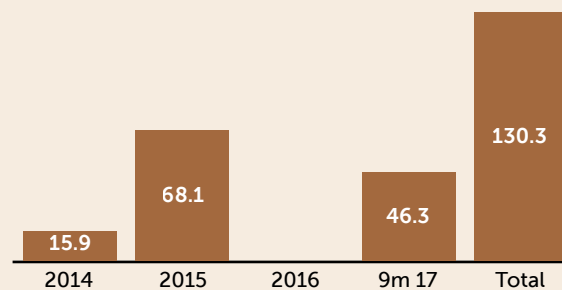
<3.5x

Net Debt / EBITDA

GROUP REVENUE SPLIT (AED MN)



NON-CORE DIVESTMENT PROCEEDS (US\$ MN)



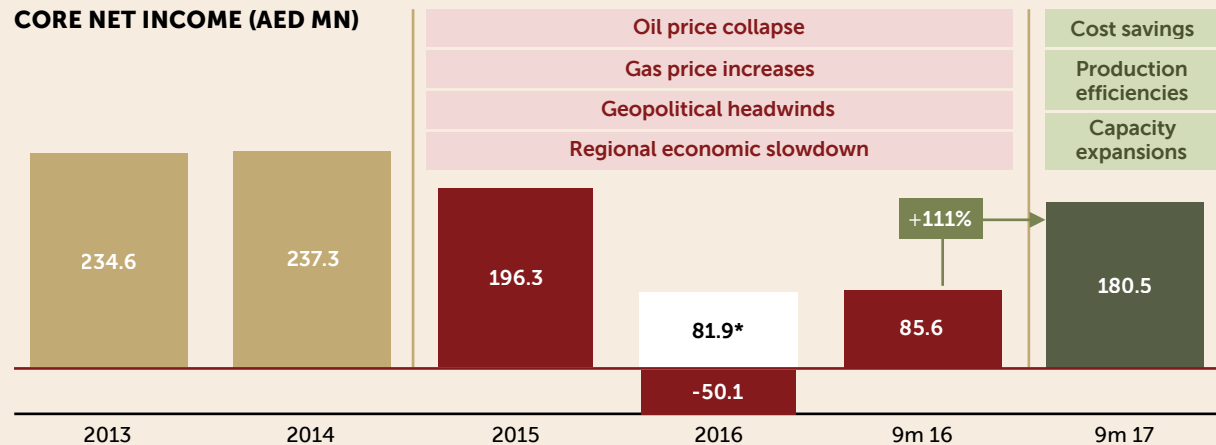
(*AED 0.8/share + 5% stock)

Core Business Rebounding

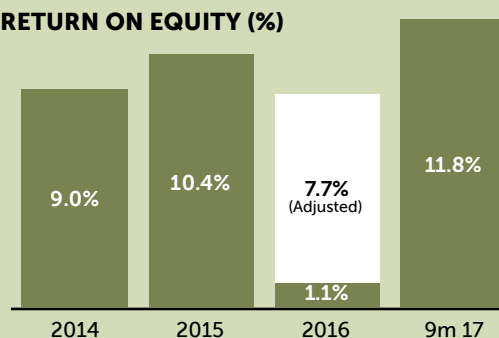
Core net profit has grown +111% year on year despite unfavourable economic conditions.

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

CORE NET INCOME (AED MN)



RETURN ON EQUITY (%)



Total provisions of AED 185mn in 2016

Record ROE expected in 2017 following a 'clean-up' year

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

BANGLADESH			INDIA	
\$245 _{MN}	29%	24%	Only multinational ceramics producer in India	
Market Cap.	Ownership of Market Cap.	Revenue Growth		
68%	10%	12 _{MN} SQM	11 _{MN} SQM	9%
Ownership	Ownership of Group Net Income.	Tile Production Cap.	Tile Production Cap.	of Group Production Cap.
Growth/Value	3.4% of shares sold at 21.7x P/E to monetise valuation		Acquired 51% manufacturing facility in Morbi, Gujarat	
	Share sale proceeds to fund India acquisitions		Evaluating further expansion at the acquired plant	
	Maintain majority control / exits on a case-by-case basis		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

US\$76mn of Tiles and Sanitaryware sales for 9 months 2017

Acquisition of RAK UK, Germany and Italy completed

Sanitaryware sales growth at 20%

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

US\$49mn of Tiles and Sanitaryware sales for 9 months 2017

Acquisition of 50% stake in Arak Int. in Jeddah completed

RAK Saudi JV 50% acquisition to be complete in Q4 2017

Maintain margins in the face of heavy price pressure

Growth from sales/marketing focused on wholesale/retail

Integrate with HQ and open up new channels and customers

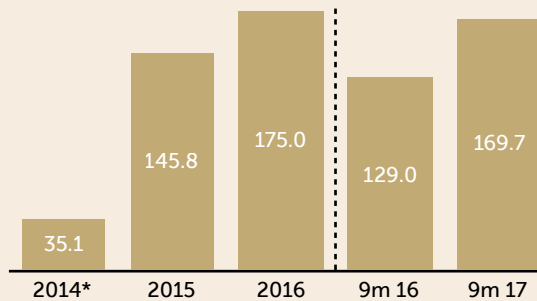
Tableware Performance Overview

RAK Porcelain is a high growth and margin business and global leader in HORECA industry of which RAK Ceramics holds a 50% stake.

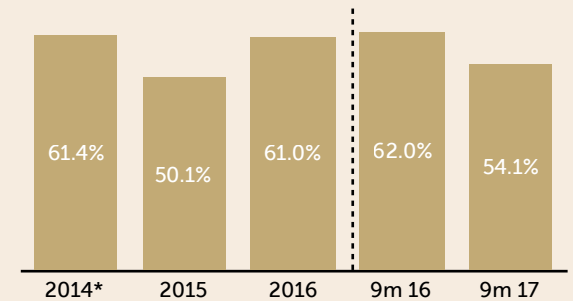
Restofair consolidation, effective 1st January 2017, contributed to sales and gross margin movement.

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

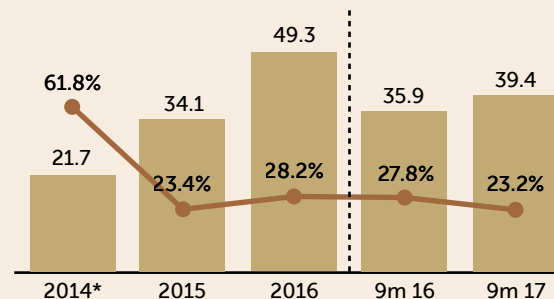
REVENUE (AED BN)



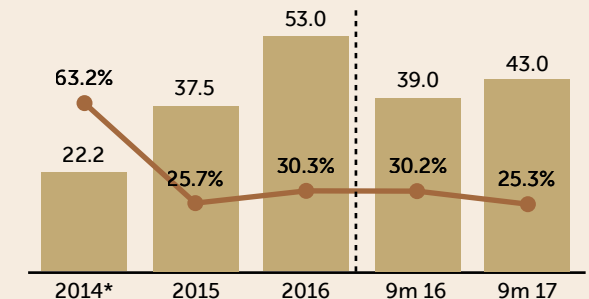
GROSS PROFIT MARGIN (%)



NET PROFIT (AED MN) & MARGIN (%)



EBITDA (AED MN) & MARGIN (%)



*Consolidated from Q4 2014

New Brand Identity

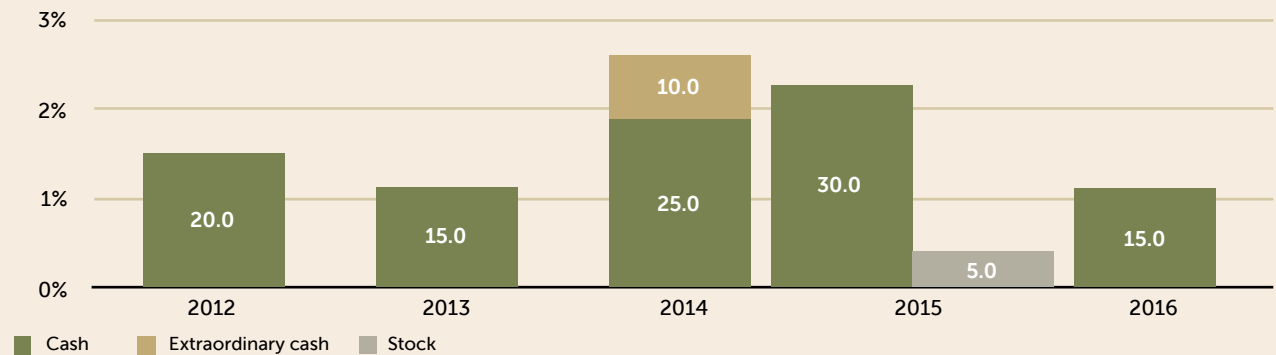


Dividend Highlights

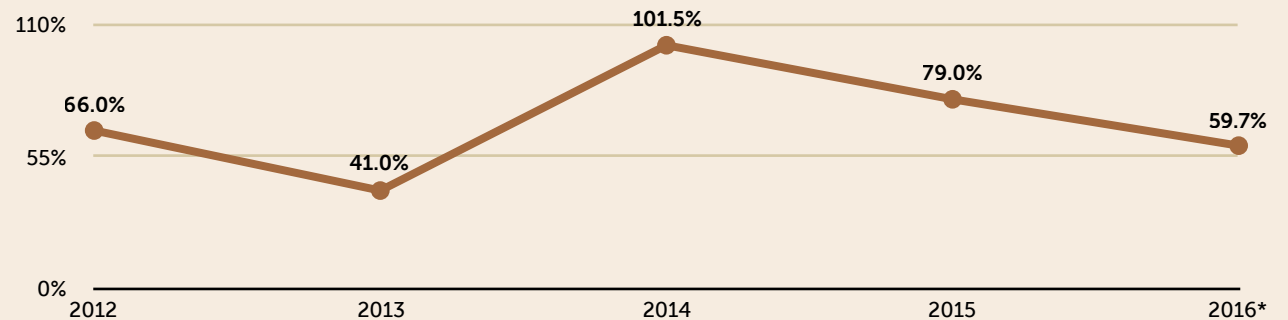
Extract from company dividend policy in 2014

“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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9m 2017 Financial Results



Overview

Industry

Strategy

► Results

Key 9m 2017 Financial Highlights

Core revenues increased by 3.0% compared to 9m 2016 from strong growth in the United Arab Emirates, Bangladesh and the Tableware business.

+3.0%

Core gross profit margin of 33.0%, an increase of +320bps compared to 9m 2016 on better improvements in production efficiencies across all tile plants.

33.0%

Total EBITDA margin grew to 19.5% in 9m 2017 and increased by 160 bps YoY.

19.5%

Reported net profit increased by 75.6% year on year to AED 262.3mn.

+75.6%

Like for like net profit (exc. extraordinary net gain & provision) increased by 13.4% year on year to AED 223.2mn.

+13.4%

Return on Equity is at an all time high. Strategy to exit non-core assets has helped lighten the balance sheet, increase margins and enhance returns for shareholders.

12.8%

Financial Highlights

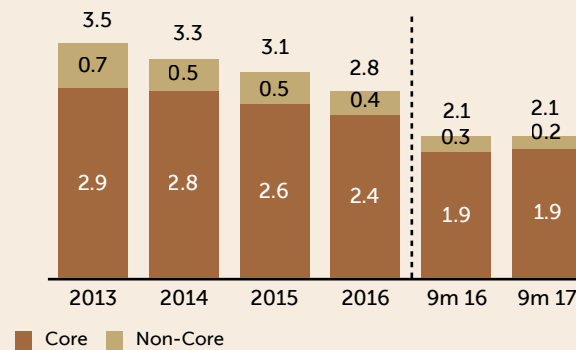
Total revenue has steadily declined due to the strategic focus on divesting non-core and non-performing operations.

During 2017, the company sold its stake in Electro RAK LLC and RAK Warehouse Leasing LLC and recorded an extraordinary Net Gain of AED 38.6mn.

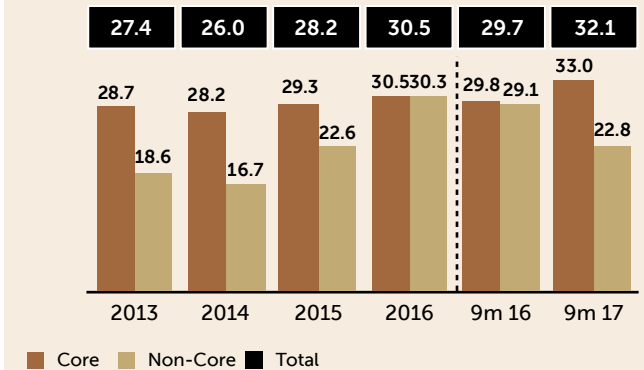
Gross Profit margin has increased at a healthy rate due to an increase in production efficiencies and the continued strengthening of core business lines.

EBITDA and Net Profit margins improved to a 5 year high.

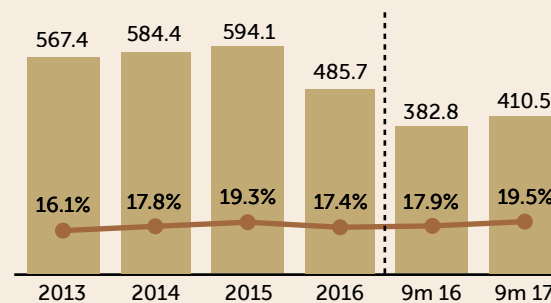
REVENUE (AED BN)



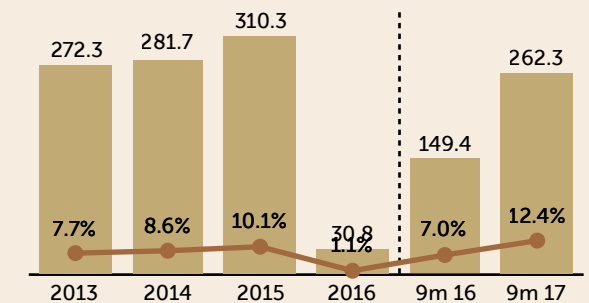
GROSS PROFIT (%)



EBITDA (AED MN) & MARGIN (%)



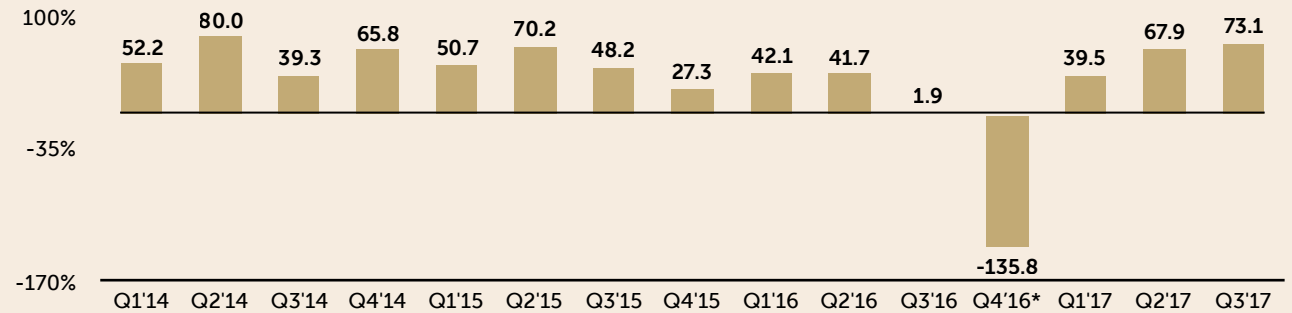
NET PROFIT (AED MN) & MARGIN (%)



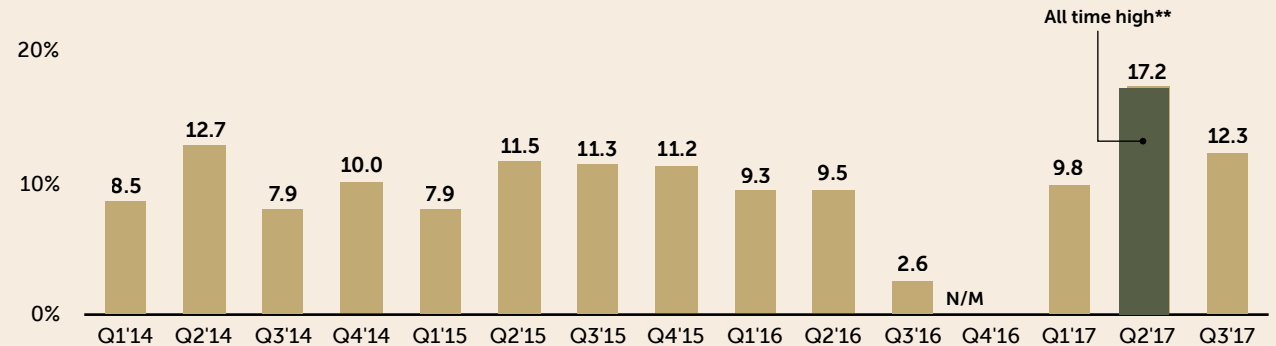
Core Net Profit and Shareholder Return

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 (%)

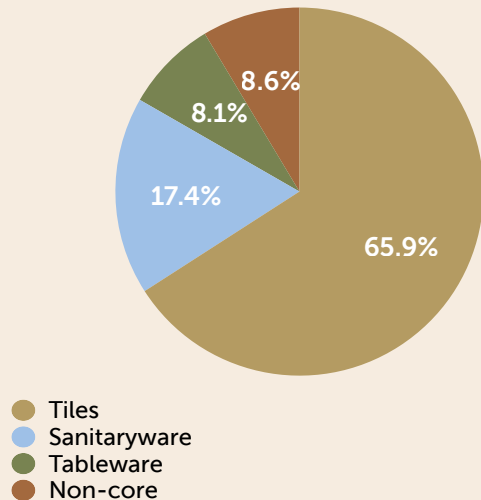


* Includes extraordinary provision of AED131.8m **Includes extraordinary Net Gain of AED34.8m towards sale of RAK Warehouse Leasing stake. Impact was 5.3%.

Segment Performance

Core revenue in 9m 2017 increased by +3% due to strong performance in Tableware and Sanitaryware businesses.

REVENUE BY SEGMENT 9M 2017 (%)



REVENUE BY SEGMENT (AED MN)

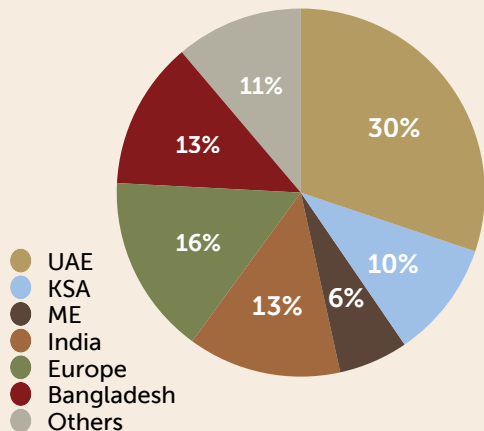
	9m 16	9m 17	
	Amount	Amount	Growth
Tiles	1,403.2	1,389.5	-1.0%
Sanitaryware	337.4	366.0	8.5%
Tableware	129.0	169.7	31.6%
Total Core	1,869.5	1,925.3	3.0%
Non-Core	268.5	182.2	-32.2%
Total Revenue	2,138.0	2,107.4	-1.4%

Tiles & Sanitaryware Regional Performance

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

Saudi Arabia, competition in ceramic tiles continued to be strong but we are gaining momentum in Gres Porcelain tiles

REGIONAL CONTRIBUTION 9M 2017 (%)



REVENUE BY REGION (AED MN)

	9m 16	9m 17	
	Amount	Amount	Growth
UAE	473.9	530.0	11.8%
Saudi Arabia	208.1	180.6	-13.2%
Middle East	131.1	106.9	-18.5%
India	227.9	236.1	3.6%
Europe	313.7	277.8	-11.4%
Bangladesh	183.1	227.9	24.5%
Africa	106.1	102.2	-3.7%
Asia Pacific	69.6	70.4	1.1%
Americas	12.1	13.7	13.0%
Central Asia	14.9	10.1	-32.5%
Total	1,740.5	1,755.6	0.9%

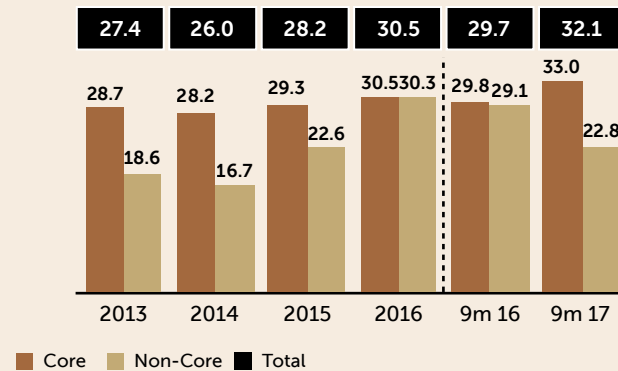
Gross Profit Margins

Continued to show positive momentum in gross margin improvements; +240bps compared to last year at 32.1%.

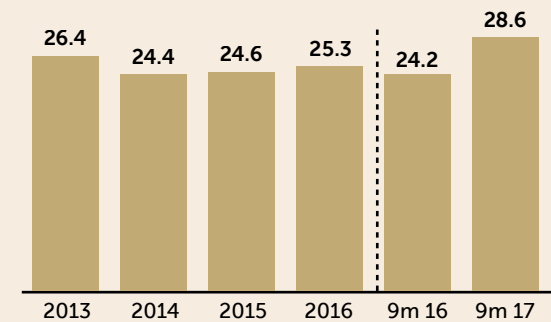
Tile gross margins increased to 28.6% driven by improved production efficiencies across the all tile plants.

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

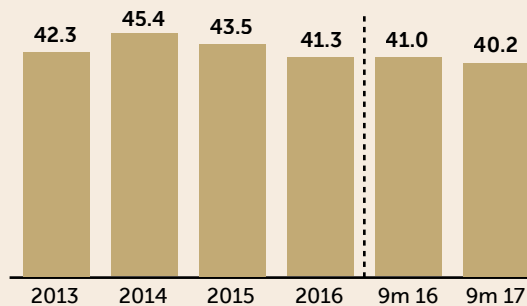
GROSS PROFIT (%)



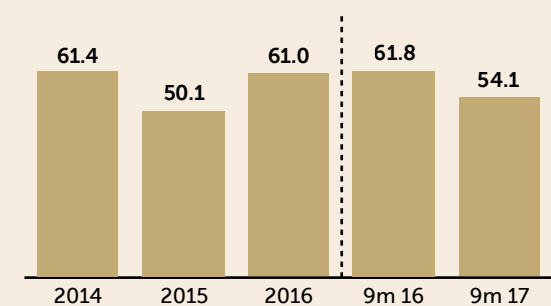
TILES GROSS PROFIT (%)



SANITARYWARE GROSS PROFIT (%)



TABLEWARE GROSS PROFIT (%)



Balance Sheet Evolution

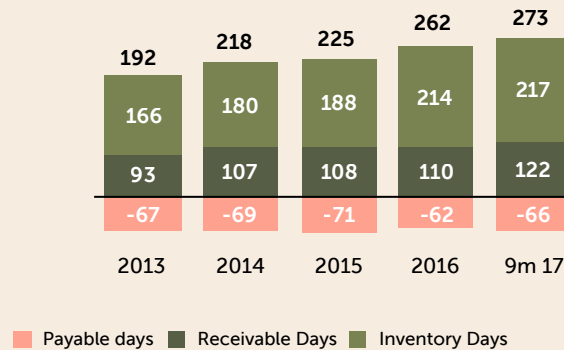
Operating Cycle slightly increased compared to 2016 and inventory days remained stable.

2017 Capex is targeted to be AED 265mn, c.AED 132mn maintenance, AED 133mn growth. Actual expenditure/advances during 2017 is estimated at AED 135mn.

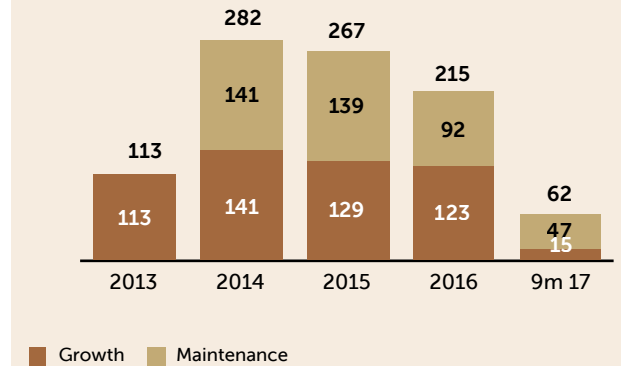
Total Assets decreasing as a result of exit of non-core assets which is in line with our strategic value creation plan.

Net Debt to Equity is at historical level of 3x.

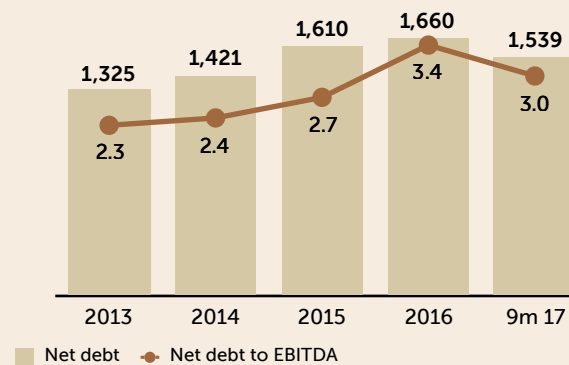
OPERATING CYCLE (DAYS)



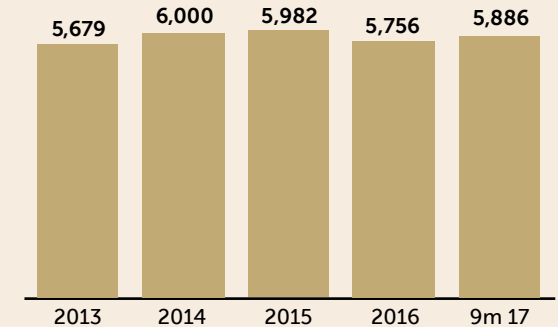
CAPEX SPENDING (AED MN)



NET DEBT (AED MN)



TOTAL ASSETS (AED MN)



Market Valuation

SHARE PRICE PERFORMANCE (AED)



CURRENT VALUATION (MN)

	AED	USD
Share price	2.47	0.67
Number of shares	858.4	858.4
Market Cap	2,120	578
Net debt	1,540	420
Minorities	174	48
Enterprise Value	3,835	1,045

As of 2 Nov 2017

LTM TRADING MULTIPLES

	Multiple
EV / Sales	1.39x
EV / EBITDA	7.47x
P / E (adjusted)	9.06x
P / B	0.81x

RAK
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Contacts

INVESTOR RELATIONS

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

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