

RAK

CERAMICS

EARNINGS PRESENTATION - Q1 2020 RESULTS

JUNE 2020

Attendees



Abdallah Massaad
Group Chief Executive Officer

Abdallah Massaad is Group CEO of RAK Ceramics and has more than 22 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 and 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 the A F Ferguson award.

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contained herein is preliminary as of the date hereof, supersedes any previous such information delivered and will be superseded by any such information subsequently delivered.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 highlights Q1 2020

Growth in Saudi Arabia

Increase in revenue supported by growth in wholesale and projects channel.

Margin improvement

Gross profit margins continue to increase due to the success of the manufacturing excellence programme.

India export growth

India as a hub to serve export markets has been performed well.

Product differentiation

Continued investment in product development and innovation and partnerships with renowned international designers.

Enhancing brand positioning

Providing a unique experience in our existing showrooms in Ras al Khaimah and Dubai and roll-out of the concept to Riyadh.

Covid-19 impact and measures

Plant shutdowns in India, Bangladesh and optimisation of lines in UAE plants due to lockdowns. Measures taken to manage liquidity and overheads.

Measures to manage impact of Covid-19

Covid-19 initiatives

RAK Ceramics was proactive in implementing initiatives designed to mitigate the impact of Covid-19 and the corresponding lockdowns across all its markets.

Social distancing

RAK Ceramics was one of the first UAE companies to adopt social distancing, before official government directives.

Production reduction

In addition to non-factory employees working remotely, RAK Ceramics completely shut down production in India and Bangladesh and optimised production in UAE to match current demand.

Liquidity management

RAK Ceramics has taken measures to manage its liquidity by renegotiating payment terms with key suppliers, reducing discretionary expenses and placing non-essential capex plans on hold.

Sales innovation

RAK Ceramics has also opened alternative sales channels in markets where retail operations are closed and introduced a virtual reality showroom experience in the UAE

Staff essential supplies

Implemented essential supplies delivery service to all staff living in company accommodation.

*exc. provisions and gains

Q1 2020 Key financial highlights

Total revenue decreased by -2.7% YoY to AED 592.8m. On constant currency basis, as of Q1 2019, the total revenue decrease is -1.9% YoY.

AED 592.8M

Total gross profit margin increased by +110bps YoY to 32.7%, driven by an increase in tiles gross margins of +330bps YoY to 29.9%.

32.7%

Reported net profit decreased by -18.1% YoY to AED 30.2m with a margin of 5.1%. **Net profit after minority** also decreased by -11.5% YoY to AED 25.7m mainly due to lower revenue by 16.5m.

AED 30.2M

Like for like net profit* decreased by -1.9m YoY to AED 36.3m, with a margin decrease of -10bps YoY to 6.1%, mainly due to lower revenues.

AED 36.3M

Total EBITDA decreased by -3.6% YoY to AED 95.2mn, with a margin decrease of -20bps YoY to 16.1%.

AED 95.2M

Net Debt increased from AED 1.37bn in Dec 19 to AED 1.49bn in Mar 20. **Net Debt to EBITDA** increased from 2.85x in Dec 19 to 3.10x in Mar 20 on dividend payments of AED 168.4m. (Mar 19, ND to EBITDA 3.54x).

3.10x

*exc. provisions and gains

Q1 2020 Net profit bridge

MANAGEMENT COMMENTS

Reported net profit in Q1 2020 decreased by -18.1% YoY to AED 30.2m, due to a revenue decrease of AED 16.5m and investing in upgraded branding and showrooms, as well as higher freight costs.

NET PROFIT BRIDGE Q1 2020 VS Q1 2019 (AED M)



Q1 2020 Tiles and SW revenue by end market

Amount in AED Million (M)	TILES					SANITARYWARE				
	Q1 20		Q4 19		Q1 19	Q1 20		Q4 19		Q1 19
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth	Amount	Growth
United Arab Emirates	123.0	163.7	-24.9%	141.9	-13.3%	36.5	43.3	-15.7%	38.6	-5.5%
Kingdom of Saudi Arabia	86.1	73.3	17.5%	47.6	80.8%	5.4	5.3	2.3%	6.0	-10.1%
Middle East¹	18.5	10.4	77.8%	18.2	1.5%	2.4	3.4	-27.3%	1.6	48.6%
India²	52.9	59.3	-10.8%	69.4	-23.8%	4.8	5.0	-4.1%	5.4	-11.0%
Europe³	38.5	30.4	26.5%	41.7	-7.6%	43.1	45.3	-4.7%	40.4	6.7%
Bangladesh⁴	46.2	57.9	-20.2%	41.0	12.8%	16.9	25.3	-33.5%	23.6	-28.4%
Africa	14.7	14.9	-1.5%	16.2	-9.3%	2.4	2.6	-6.0%	3.2	-24.6%
Rest of the world	13.9	18.4	-24.4%	18.8	-25.9%	2.9	3.1	-7.8%	4.5	-37.1%
Total	393.9	428.5	-8.1%	394.9	-0.3%	114.4	133.2	-14.1%	123.3	-7.3%

1. (Ex. UAE and KSA). 2. In local currency tiles -22.0% and SW -9.5% YoY. 3. In local currency tiles -7.2% and SW +4.1% YoY. 4. In local currency tiles +14.3% and SW -27.4% YoY.

Revenue highlights

MANAGEMENT COMMENTS

Total revenue decreased by -2.7% YoY (-1.9% on constant currency basis).

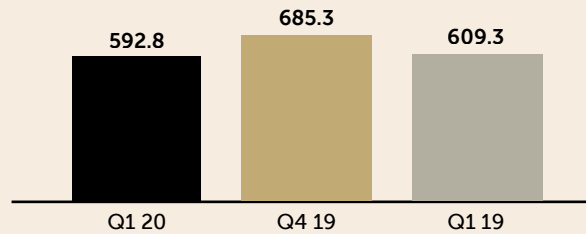
Tiles revenue is stable YoY supported by strong growth in Saudi Arabia and Middle East markets.

Sanitaryware revenue decreased by -7.3% YoY.

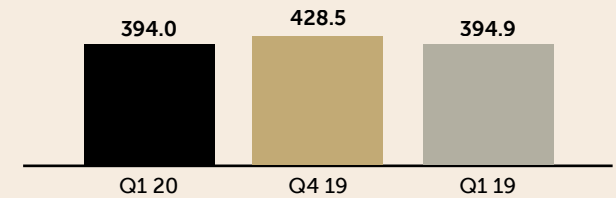
Tableware business has been impacted due to slowdown in airline and hospitality sectors in all major markets resulting in revenue decrease by -14.7% YoY.

Revenue from other business increased by +7.0% YoY to AED 33m supported by ceramic raw material trading and paints businesses.

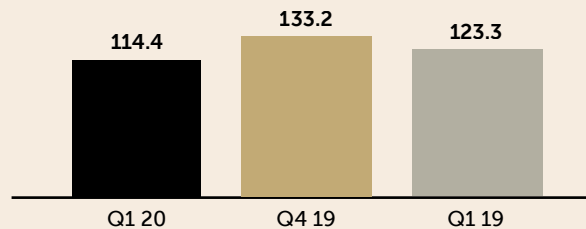
TOTAL REVENUE (AED M)



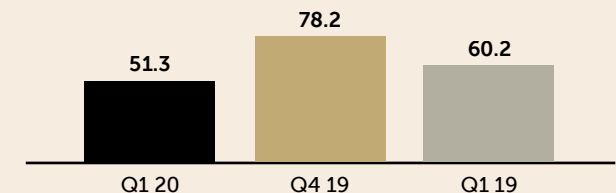
TILES REVENUE (AED M)



SANITARYWARE REVENUE (AED M)



TABLEWARE REVENUE (AED M)



Gross profit margins

MANAGEMENT COMMENTS

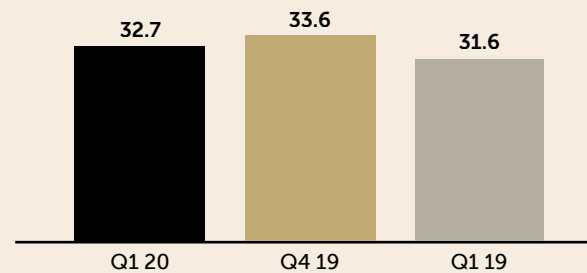
Total gross margin increased by +110bps YoY to 32.7%.

Tiles margin increased by +330bps YoY to 29.9% driven by continued cost reductions and improved operational efficiencies.

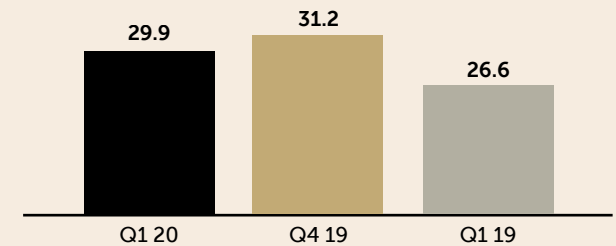
Sanitaryware margin is lower by -170bps YoY to 36.8% due to lower sales in all markets except Europe and Middle East markets. Tableware margins decreased by -320bps YoY to 48.3% due to a lower revenue and change in product mix.

GP margins were impacted due to the shutdown of India and Bangladesh plants in line with the government's guidelines as at the end of March 2020 and reduced production in the UAE resulting higher unabsorbed fixed costs.

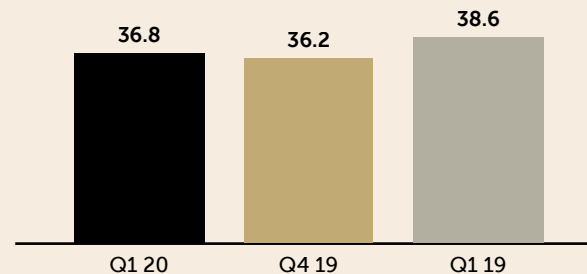
TOTAL GROSS MARGINS (%)



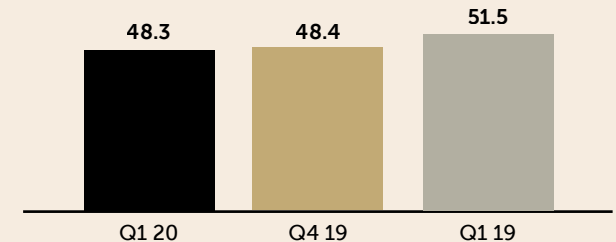
TILES GROSS MARGINS (%)



SANITARYWARE GROSS MARGINS (%)



TABLEWARE GROSS MARGINS (%)



Financial highlights

Amount in AED Million (M)	QUARTERLY COMPARISON			YEARLY COMPARISON	
	Q1 20	Q4 19		Q1 19	
	Amount	Amount	Growth	Amount	Growth
Revenue	592.8	685.3	-13.5%	609.3	-2.7%
Gross margin (%)	32.7%	33.6%	-0.9%	31.6%	1.1%
EBITDA	95.2	134.4	-29.2%	98.8	-3.6%
Reported net profit	30.2	49.4	-38.8%	36.9	-18.1%
Adjustments for Like for Like net profit (net)*	6.1	6.2	n/a	1.2	n/a
Like for like net profit	36.3	55.6	-34.8%	38.2	-4.9%
Capital expenditure	27.6	68.3	-59.6%	67.5	-59.1%
Net debt	1,487.0	1,374.3	-8.2%	1,530.4	2.8%
Net debt / EBITDA	3.10	2.85x	-8.8%	3.54x	22.8%

* *Adjustments of AED 6.1m in Q1 2020 includes provision of AED 6.1m for receivables .

* *Adjustment of AED 1.2m in Q1 2019 includes provisions for receivables of AED 1,2m

Operating cycle

MANAGEMENT COMMENTS

Inventory days increased from 258 days to 261 days QoQ due to decreased revenue.

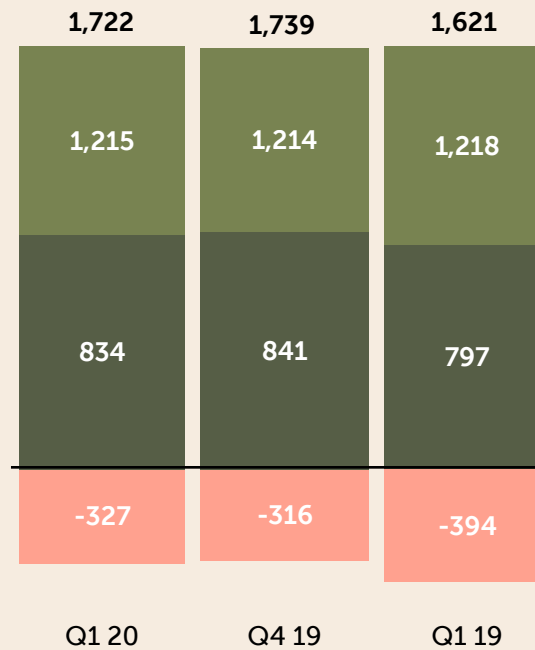
Trade receivable days remain stable at 119 days QoQ.

Trade payable days increased from 67 days to 70 days QoQ.

Overall working capital days is also stable QoQ at 310 days despite reduction in LTM sales.

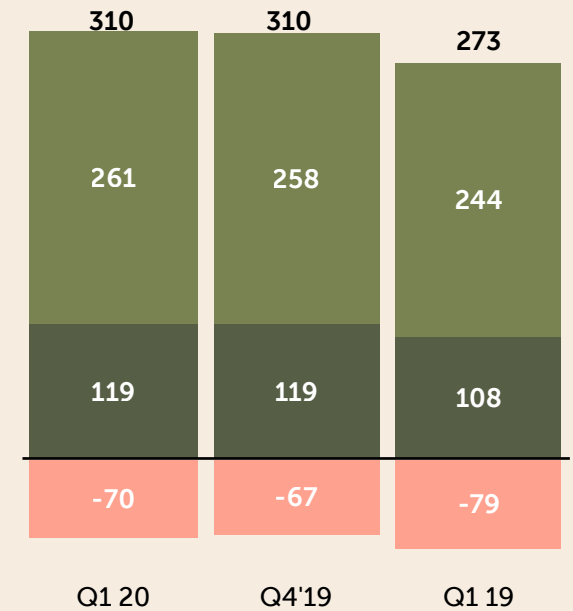
Due to current pandemic, company took measures to manage liquidity, reduce discretionary expenses and place all non-essential Capex plans on hold.

OPERATING CYCLE (AEDM)



Trade Payables Trade receivables Inventories

OPERATING CYCLE (LTM DAYS)



Payable days Receivable Days Inventory Days

2020 Priorities

Protect Market Share

Protect the UAE, Bangladesh market share and tableware and faucets businesses.

Saudi Arabia

Growth in Saudi Arabia by emulating the UAE model

Operational Turnaround

Turnaround Indian operations.

Export Markets

Diversify and improve profitability in export markets

Branding and Retail Footprint

Continue investment in branding and Increase retail footprint by opening new showrooms in core markets

Covid-19 Measures

Continue to implement Initiatives designed to mitigate the impact of Covid-19

Contacts

INVESTOR RELATIONS

If you have any questions or require further information, please do not hesitate to contact 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 7325
ir@rakceramics.com
rakceramics.com

RAK

CERAMICS

