

RAK

CERAMICS

EARNINGS PRESENTATION – Q1 2022 RESULTS



MAY 2022

Agenda



- 01 | Executive Summary**
- 02 | Business Strategy Update**
- 03 | Q1 2022 Financial Results Update**
- 04 | Trading Update**
- 05 | Closing Remarks**
- 06 | Appendix**

Speakers



Abdallah Massaad
Group Chief Executive Officer

Abdallah Massaad is Group CEO of RAK Ceramics and has more than 24 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 Group CFO 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.

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EXECUTIVE SUMMARY



Speaker: Abdallah Massaad
Group CEO

Q1 2022 Highlights

Strong Q1 2022 results despite continued challenges

- Inflation surge following increased demand and continued supply chain challenges
- Russia-Ukraine war weighing in on input costs (Russia being a key supplier of oil and Ukraine being a key supplier of raw materials)
- Energy price increase given vulnerable supply following economic recovery and unprecedented war
- Increase in freight shipping rates due to supply chain disruption and increased transportation costs
- Trade challenges following introduction of Custom Duty in Saudi Arabia

Key Q1 2022 initiatives to drive growth, strengthen profitability and improve liquidity position

- Increased brand perception and introduction of differentiated products/segments to drive demand
- Strengthened brand positioning and reach out through launch of e-commerce platform, showrooms refurbishment, growing distribution network, event sponsorship and collaborations to capture further growth and unlock value
- Increased selling price to consumers to partly offset increased costs, while adopting differential pricing approach for each end-market, maintaining a balance between market share and profitability
- Improved production efficiency and capacity utilization across all plants in UAE, India and Bangladesh resulting in higher gross margins
- Optimised logistics and warehousing operations to mitigate the impact of supply chain disruption
- Installed energy-saving instruments to reduce consumption and energy bill given increase in prices
- Tightened collection policy decreasing working capital cycle and enhancing liquidity position

KLUDI Acquisition

- Signed Share Purchase Agreement for the 100% acquisition of KLUDI Group (including 49% of KLUDI RAK Joint Venture); parties are working closely to complete the closing conditions by May 31, 2022
- Strategic acquisition expected to yield synergies to both companies – enhance RAK Ceramics position as a fully integrated lifestyle solution provider and support KLUDI with international growth strategy

Q1 2022 in Numbers

Total revenue increased by +8.3% YoY and +4.1% QoQ to AED 783.1m driven by SW (+13.1%) and Tableware (+84.3%)

AED 783.1m

Total gross profit margin increased by +2.0% YoY at 37.0% even after charging 12.0% customs duty in KSA

37.0%

Total EBITDA increased to AED 129.7m compared to AED 126.1m in last year. However, the margin decreased by -0.9% YoY to 16.6% due to increased freight costs

AED 129.7M

Reported net profit increased to AED 69.7m versus AED 62.7 in Q1 2021 mainly due to higher revenue & GP margins. NP Margin is 8.9% compared to 8.7% in last year. **Net profit after minority** is AED 56.6m compared to AED 60.7m in last year

AED 69.7M

Like for like net profit* increased to AED 70.8m compared to AED 63.5m in last year. Margin decreased by -0.5% YoY to 9.0%

AED 70.8M

Net Debt remained stable QoQ at AED 975.2m in Mar 2022 despite dividend payments of AED 112m. **Net debt to EBITDA** slightly decreased from 1.94x in Dec 2021 to 1.93x in Mar 2022

1.93x

*Like for Like net profit working is given in Slide # 28

BUSINESS STRATEGY UPDATE



Speaker: Abdallah Massaad
Group CEO

Q1 2022 Key Strategic Updates

United Arab Emirates

Strong quarterly performance due to increased brand exposure and strengthened brand positioning with the launch of e-commerce platform, brand participation in international events and sponsorship of high-profile architectural and interior design awards.

Company was able to maintain market share albeit applied price increases.

Saudi Arabia

Despite the imposition of a 12% customs duty, QoQ growth was recorded as company focused on strengthening presence and brand positioning through increased retail footprint and secured projects.

European market

Albeit recorded growth in revenues, higher shipping freight rates weighed in on Q1 2022 bottom-line.

Company continues to position the brand as a trusted ceramic solution provider, increasing customer base by adding further showrooms, expanding distribution network and tapping into E-commerce platform.

India

Stable YoY performance recorded despite higher energy prices in Q1 2022 supported by expanding dealer's network presence in additional 12 districts.

Minor price adjustments were applied across the local ceramics industry as per guidance from relevant authorities, as such Company remains in-line with peers and focused on preserving market share.

Bangladesh

Resilient top-line notwithstanding price adjustments following increase in input costs and import freight.

Company anticipates further price increases in Q2 2022 as energy prices are expected to increase; case is subject to close monitoring.

Share price increased from BDT 30.9 to 47.6 in last one year and trading with a P/E multiple of 21.8x.

Tableware

Tableware performance across core markets improved and production has been increased to meet demand.

Company introduced the production of Bone China in Q1 2022; Elie Saab TW retail project expected to be launched in Q2 2022.

KLUDI Group Acquisition

MANAGEMENT COMMENTS

RAK Ceramics announced the signing of a Share Purchase Agreement for the 100% acquisition of KLUDI Group (including 49% of KLUDI RAK JV) on 14th of March 2022

KLUDI is an established European faucet brand with manufacturing footprint across Germany, Austria, Hungary and UAE and a top-line amounting to around EUR 120 million. The brand has almost 100 years of experience as faucets specialist with German heritage and specializes in bathroom, kitchen fitting, shower and shower systems incorporating cutting-edge and innovative engineering technologies.

The strategic acquisition of KLUDI Group represents an opportunity for RAK Ceramics to spearhead expansion and strengthen its core businesses across European markets. The brand is anticipated to complement RAK Ceramics suite of products and grow its sanitaryware offering, enhancing as such RAK Ceramics positioning in projects across the sanitaryware and faucets business and strengthening its position internationally as a fully integrated lifestyle solution provider.

RAK Ceramics aims to support KLUDI with its international growth strategy by leveraging on its geographical presence, expanding the brand from a European-focused player to a global innovative fittings manufacturer while preserving its identity.



Both parties are working closely to complete the closing conditions by May 31, 2022.

Q1 2022 Key Challenges

Performance To-date	Critical Parameters	Key Challenges	Our Action																
<p>TOTAL REVENUE (AEDM)</p> <table border="1"> <tr><th>Year</th><th>Total Revenue (AEDM)</th></tr> <tr><td>17</td><td>2,855</td></tr> <tr><td>18</td><td>2,729</td></tr> <tr><td>19</td><td>2,575</td></tr> <tr><td>20</td><td>2,349</td></tr> <tr><td>21</td><td>2,861</td></tr> <tr><td>Q1 21</td><td>723</td></tr> <tr><td>Q1 22</td><td>783</td></tr> </table>	Year	Total Revenue (AEDM)	17	2,855	18	2,729	19	2,575	20	2,349	21	2,861	Q1 21	723	Q1 22	783	Rising Inflation	Inflation surge across the globe coupled with increased demand and rising challenges for supply are weighing in on input prices	<ul style="list-style-type: none"> • Increase pricing selectively to partly translate additional cost onto consumers while maintaining a balance between market share and profitability • Continue increasing operational efficiencies and productivity
	Year	Total Revenue (AEDM)																	
17	2,855																		
18	2,729																		
19	2,575																		
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21	2,861																		
Q1 21	723																		
Q1 22	783																		
<p>GROSS PROFIT MARGIN</p> <table border="1"> <tr><th>Year</th><th>Gross Profit Margin</th></tr> <tr><td>17</td><td>30.5%</td></tr> <tr><td>18</td><td>32.0%</td></tr> <tr><td>19</td><td>33.2%</td></tr> <tr><td>20</td><td>32.0%</td></tr> <tr><td>21</td><td>36.2%</td></tr> <tr><td>Q1 21</td><td>35.0%</td></tr> <tr><td>Q1 22</td><td>37.0%</td></tr> </table>	Year	Gross Profit Margin	17	30.5%	18	32.0%	19	33.2%	20	32.0%	21	36.2%	Q1 21	35.0%	Q1 22	37.0%	Russia-Ukraine War	War erupted in February between Russia (key supplier of oil) and Ukraine (key supplier of raw materials); ceramic manufacturers saw a disruption in business	<ul style="list-style-type: none"> • Halt of sales operations in such countries and closely monitor anticipated sanctions on Russia • Utilize existing raw material inventory estimated to be sufficient for the medium term • Limit dependency on such raw materials by opting for tested and approved alternatives
	Year	Gross Profit Margin																	
	17	30.5%																	
	18	32.0%																	
19	33.2%																		
20	32.0%																		
21	36.2%																		
Q1 21	35.0%																		
Q1 22	37.0%																		
Rising Energy Costs	Vulnerable supply coupled with a post-pandemic economy recovery and an unexpected war resulted in an increase in energy costs	<ul style="list-style-type: none"> • Negotiate better contract terms with local suppliers to hedge energy costs fluctuations • Install energy-saving equipment to decrease energy consumption and costs • Translating increase onto sales prices 																	
Supply Chain Disruption	Global supply chain shortages, shipments slowdown and increase in energy costs caused worldwide supply disruption and rise in freight costs	<ul style="list-style-type: none"> • Optimize logistics and warehouse • Continue to maintain healthy inventory days level to avoid business delay/disruption • Price adjustment to reflect increase in transportation costs 																	
Trade Challenges	Increased pressure with the introduction of Custom Duty in Saud Arabia on imports from the UAE	<ul style="list-style-type: none"> • Implement necessary measures to comply with local laws to avail custom duty exemptions – further regulatory documents submitted in April 2022 upon request; awaiting authority response • Expansion plan into KSA; under negotiations 																	

Q1 2022 FINANCIAL RESULTS UPDATE



Speaker: PK Chand
Group CFO

Financial Highlights

Amount in AED M	QUARTERLY COMPARISON				
	Q1 21	Q4 21	Q1 22		
	Amount	Amount	Amount	YoY Growth	QoQ Growth
Revenue	722.8	752.4	783.1	8.3%	4.1%
Gross margin (%)	35.0%	33.6%	37.0%	2.0%	3.4%
EBITDA	126.1	122.1	129.7	2.9%	6.2%
Reported net profit/(loss)	62.7	62.9	69.7	11.3%	10.8%
Like for like net profit*	63.5	71.6	70.8	11.5%	(1.1%)
Capital expenditure	16.3	32.1	23.9	NM	NM
Net debt	1,141.3	971.2	975.2	14.6%	(0.4%)
Net debt / EBITDA	2.79x	1.94x	1.93x	30.8%	0.3%

*Like for Like net profit working is given in Slide # 28

Revenue Highlights

MANAGEMENT COMMENTS

Q1 2022 revenue performance is mainly driven by sanitaryware and tableware segments.

Total revenue increased by +8.3% YoY and by +4.1% QoQ to AED 783.1m.

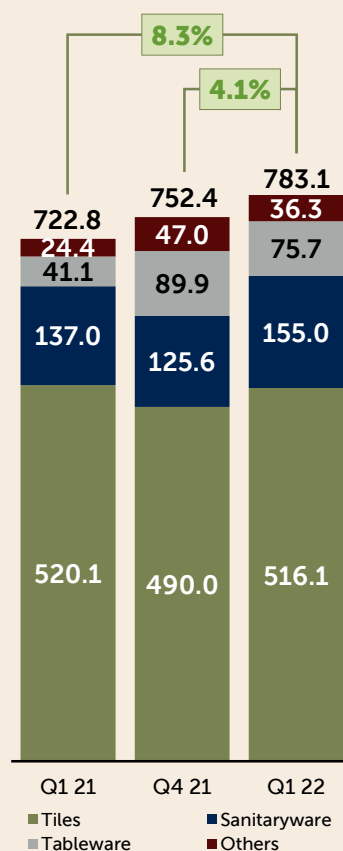
Price adjustments following increase in input, energy and transportation costs were well received by clients and did not affect sales orders/revenues.

QoQ Tiles revenue improved by +5.3% to reach AED 516.1m supported by growth in Saudi Arabia and European markets. YoY revenues decreased by -0.8%.

Sanitaryware revenue is higher by +13.1% YoY and +23.4% QoQ at AED 155.0m driven from growth in UAE and European markets.

Tableware revenue decreased by -15.8% QoQ while still outperforming YoY levels by +84.3%.

TOTAL REVENUE (AEDM)



	QUARTERLY COMPARISON				
	Q1 21	Q4 21	Q1 22		
	Amount	Amount	Amount	YoY Growth	QoQ Growth
United Arab Emirates	162.9	154.2	164.0	0.7%	6.3%
Kingdom of Saudi Arabia	162.2	102.6	123.0	(24.2%)	19.8%
Middle East (Ex. UAE & KSA)	23.4	36.5	36.6	56.8%	0.3%
India	96.3	117.6	99.5	3.4%	(15.4%)
Europe	100.2	82.0	108.9	8.8%	32.9%
Bangladesh	75.0	86.0	85.5	13.9%	(0.6%)
Africa	19.3	18.4	28.9	50.3%	57.4%
Rest of the world	18.2	18.2	24.7	35.8%	35.6%
Tiles and SW revenue	657.3	615.5	671.1	2.1%	9.1%
Tableware revenue	41.1	89.9	75.7	84.3%	(15.8%)
Others revenue	24.4	47.0	36.3	48.8%	(23.1%)
Total Revenue	722.8	752.4	783.1	8.3%	4.1%

Gross Profit Margins

MANAGEMENT COMMENTS

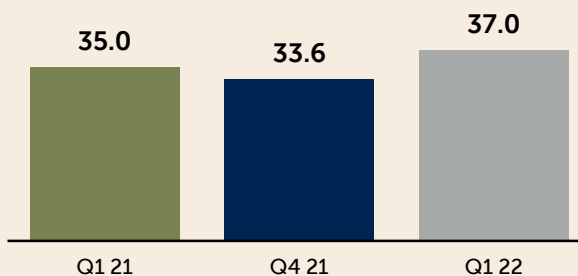
Total gross profit margin in Q1 2022 increased by +200bps YoY to 37.0% and by +340bps QoQ despite higher input and logistics cost and the imposition of the 12% customs duty in Saudi Arabia.

Tiles margin increased by +210bps QoQ to 35.3%.

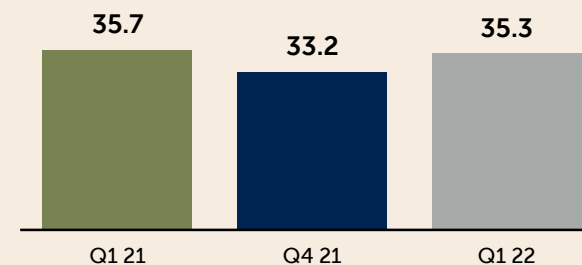
Sanitaryware margin increased by +1,120bps QoQ to 38.6%.

Tableware margins slightly decreased by -130bps QoQ yet still above YoY levels by +1860bps due to increased revenue and productivity.

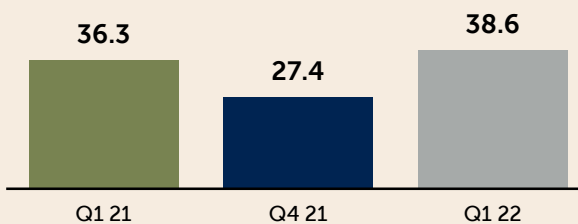
TOTAL GROSS MARGINS (%)



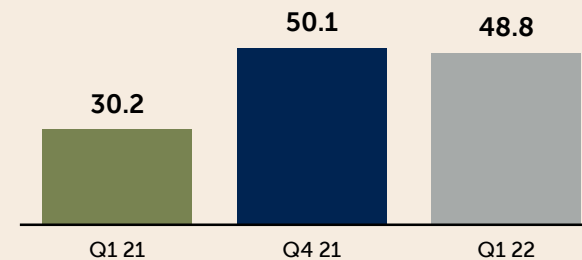
TILES GROSS MARGINS (%)



SANITARYWARE GROSS MARGINS (%)



TABLEWARE GROSS MARGINS (%)



Working Capital

MANAGEMENT COMMENTS

Overall working capital days decreased to an all-time low reaching 167 days. In absolute terms overall working capital decreased by AED 33m amounting to AED 1.26bn in Q1 22.

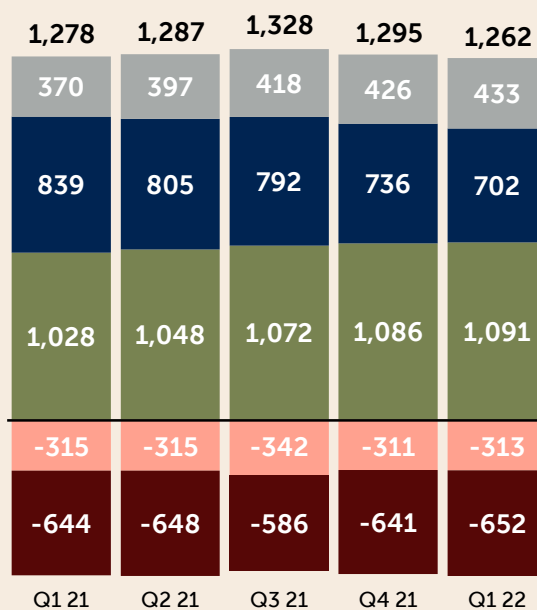
Inventory days reduced from 217 days to 215 days QoQ.

Trade receivable days decreased from 94 days to 88 days QoQ.

Trade payable remained stable at 62 days QoQ.

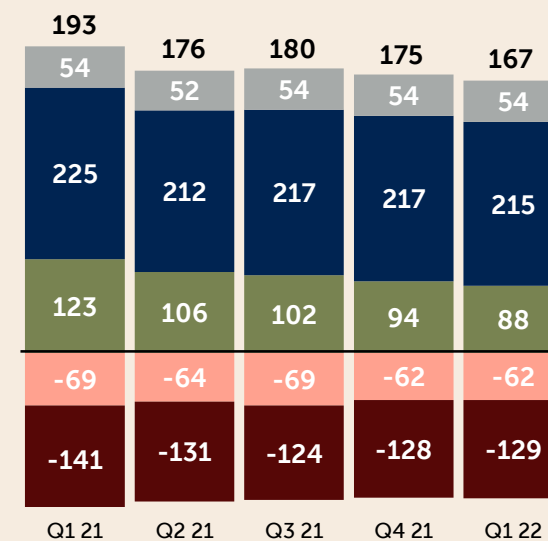
We continue to take necessary measures to manage our liquidity position. We estimate a capital expenditures for the year 2022 of AED 300m-350m.

WORKING CAPITAL CYCLE (AEDM)



Trade Payables Other payables Inventories
Trade receivables Other receivables

WORKING CAPITAL CYCLE (LTM DAYS)



Payable days Other payable days
Receivable Days Inventory Days
Other receivables days

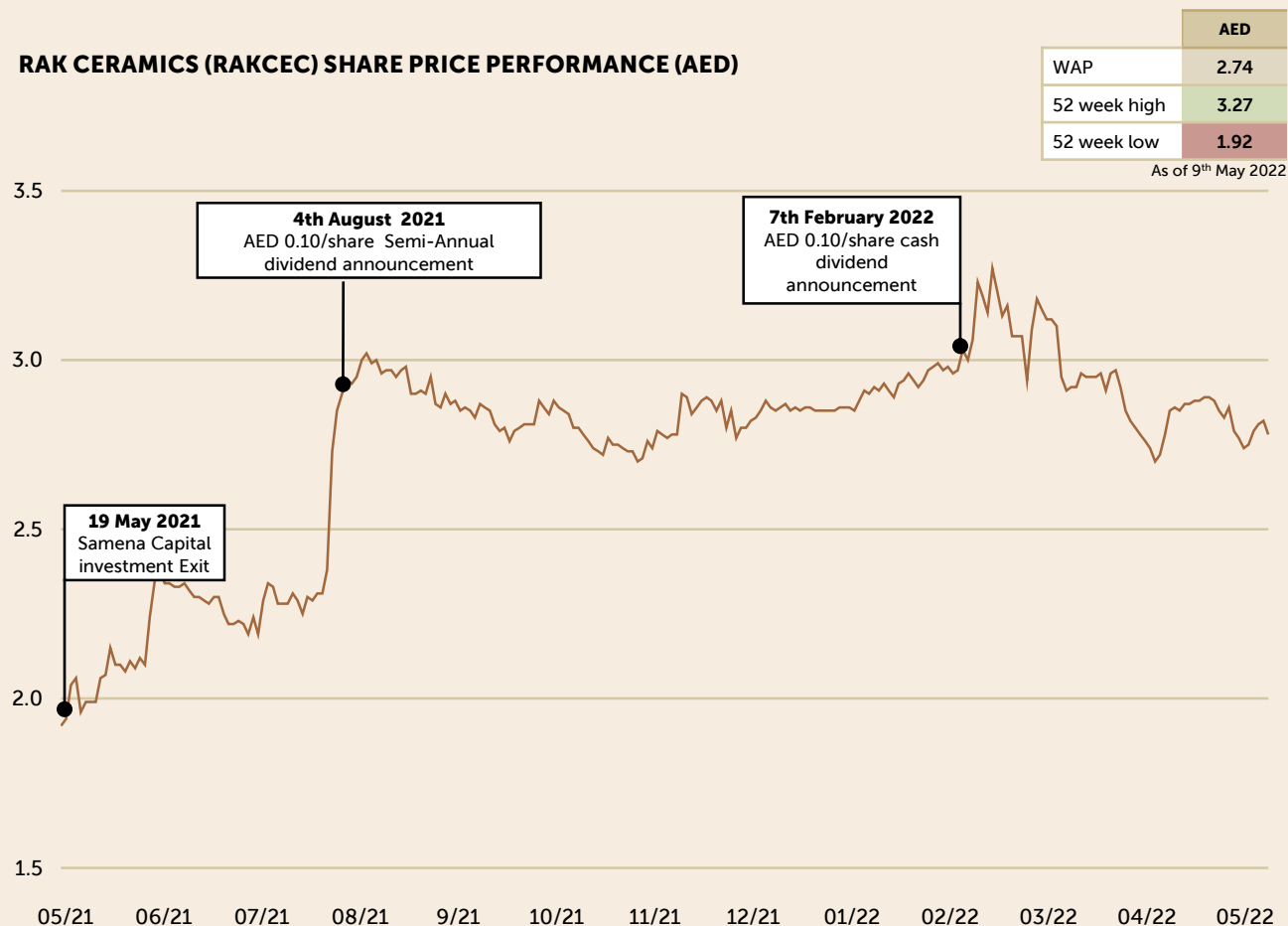
SHARE PRICE UPDATE



Speaker: PK Chand
Group CFO

RAK Ceramics Share Price Movement

RAK CERAMICS (RAKCEC) SHARE PRICE PERFORMANCE (AED)



CURRENT VALUATION (AED M)

	09/05/2022	31/12/2021
	Amount	Amount
Share price	2.78	2.85
Number of shares (in Mn)	994	994
Market Cap	2,762	2,832
Net debt	975*	971
Minorities	233*	227
Enterprise Value	3,971	4,030

*Net debt and minorities as of 31st Mar 2022

LTM TRADING MULTIPLES

	Multiple
EV / Sales	1.4x
EV / EBITDA	7.9x
P / E	11.4x
P / B	1.3x

As of 9th May 2022

RAKC Bangladesh Share Price Movement

RAKC BD SHARE PRICE PERFORMANCE (BDT)

	BDT
WAP	44.25
52 week high	61.20
52 week low	30.90

As of 9th May 2022



CURRENT VALUATION (USD M)

	09/05/2022	31/12/2021
	Amount	Amount
Share price	0.55	0.52
Number of shares (in Mn)	428	428
Market Cap	234	224
Net debt*	-26	-22
Minorities*	26	26
Enterprise Value	234	228

*Net debt and minorities as of 31st March 2022. Exchange rate USD 1=BDT 87

LTM TRADING MULTIPLES

	Multiple
EV / Sales	2.9
EV / EBITDA	13.0x
P / E	21.8x
P / B	2.8x

As of 9th May 2022

KEY INDICATORS (USD M)

	RAKC	RAKCB D
Revenue (LTM)	795	82
EBITDA (LTM)	137	19
Net Income (LTM)	79	11
Market Capitalization	752	234*

68.13% holding by RAK Ceramics PJSC

*As of 9th May 2022

Dividend Update

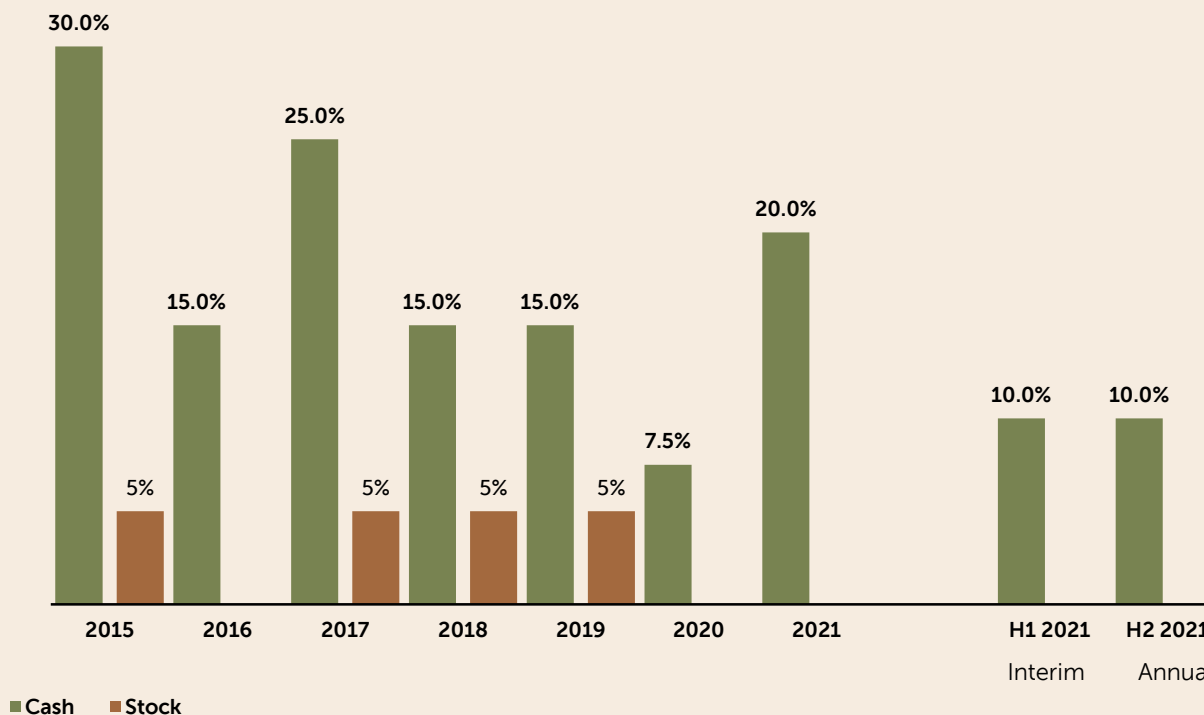
MANAGEMENT COMMENTS

RAK Ceramics paid its 2nd half dividends for FY 2021 of AED99.4m (10 fils per share) in March 2022.

The revised policy, approved by the Shareholders in the Annual General Meeting held on the 15th of March 2022, stipulates a minimum dividend payout of 20 fils per share for FY 2022 to be paid on a semi-annual basis and also provides for a commitment to pay a minimum total dividend of 60 fils per share over the next 3 years (i.e.2022-2024).

The above commitments are subject to consideration of factors such as business outlook, capital requirement for growth opportunities, expansion plans, optimal leverage levels and healthy cash reserves in addition to regulatory approvals.

HISTORICAL ANNUAL DIVIDEND PAID 2022



CLOSING REMARKS



Speaker: Abdallah Massaad
Group CEO

2022 Priorities

Protect market share

Protect market share across all core markets and segments albeit increased challenges

Production expansion

Build, acquire and enhance production plants to increase capacity across all manufacturing footprint

Explore untapped market potential

Increase market share in nascent markets with untapped value potential

Embracing digitization

Develop E-commerce platform and grow online presence as such increasing brand accessibility and serving the end market

Launch new products and projects

Introduce new segments, range of products and collaborations to capture further growth and unlock value

Solidify retail presence

Increase footprint by building retail concepts in KSA, UK, India and Bangladesh and opening outlet stores in UAE and KSA

Boost productivity & efficiency

Ongoing improvement in operational efficiency to sustain current margins in light of rising challenges

Operation optimization

Mitigate impact of supply chain disruption by optimizing logistics and warehousing in addition to enhancing inventory control and management

Sustainably Responsible Brand

Improve practices in compliance with ESG initiatives in order to achieve sustainability on a business level

Short-term Initiatives Prioritized

KLUDI Acquisition

Working closely to put together a post-acquisition plan to kick-in following closing date. Target is to ensure smooth onboarding without disruption in business.



Embracing Digitization

Developing e-commerce platform and embracing technological excellence moving more towards a digitized era



Production Expansion

Finalizing deal terms for production expansion in Tableware and Bangladesh operations



Technological Advancement

Looking into incorporating further technological developments and innovative solutions into processes in addition to offering

New Range Launch

Expanding offering to include premium range of products and collaborations such as Elie Saab



ESG Revisited

Building necessary foundation to further incorporate ESG practices into company's daily practices



Q&A



Abdallah Massaad
Group CEO



PK Chand
Group CFO



APPENDIX

Tiles Revenues by End Market

	COMPARISON				
	Q1 21	Q4 21	Q1 22		
Amount in AED M	Amount	Amount	Amount	Growth YoY	Growth QoQ
United Arab Emirates	127.4	120.3	119.9	(5.9%)	(0.3%)
Kingdom of Saudi Arabia	158.3	100.2	119.8	(24.4%)	19.6%
Middle East (Ex. UAE and KSA)	19.7	32.5	32.2	63.3%	(0.9%)
India	88.5	109.4	91.7	3.5%	(16.2%)
Europe	41.5	34.3	44.0	6.1%	28.5%
Bangladesh	53.6	63.2	63.2	18.0%	0.0%
Africa	16.4	15.9	26.0	58.9%	64.1%
Rest of the world	14.7	14.3	19.3	31.9%	35.5%
Total	520.1	490.0	516.1	(0.8%)	5.3%

Sanitaryware Revenues by End Market

Amount in AED M	COMPARISON				
	Q1 21	Q4 21	Q1 22		
	Amount	Amount	Amount	Growth YoY	Growth QoQ
United Arab Emirates	35.5	33.9	44.1	24.4%	29.9%
Kingdom of Saudi Arabia	3.9	2.5	3.2	(18.0%)	29.7%
Middle East (Ex. UAE and KSA)	3.6	4.0	4.4	21.8%	9.8%
India	7.8	8.2	7.9	1.1%	(4.3%)
Europe	58.7	47.7	64.9	10.6%	36.0%
Bangladesh	21.5	22.8	22.3	3.7%	(2.3%)
Africa	2.9	2.5	2.9	1.2%	15.4%
Rest of the world	3.3	3.9	5.3	61.3%	36.2%
Total	137.0	125.6	155.0	13.1%	23.4%

EBITDA and Like-for-Like Profit Workings

EBITDA WORKING	QUARTERLY COMPARISON		
	Q1 21	Q4 21	Q1 22
	Amount	Amount	Amount
Amount in AED M	Amount	Amount	Amount
Net profit/(loss) after tax	62.7	62.9	69.7
Tax	5.6	12.8	6.9
Interest- net	15.3	5.5	12.2
Depreciation & amortizations	42.1	41.0	40.5
Depreciation on hyper inflated assets	0.3	0.5	0.4
Loss /(gain)on sale of assets and CWIP write-off	-	(0.6)	-
EBITDA	126.1	122.1	129.7

LIKE-FOR-LIKE PROFIT WORKING	QUARTERLY COMPARISON		
	Q1 21	Q4 21	Q1 22
	Amount	Amount	Amount
Amount in AED M	Amount	Amount	Amount
Net profit /(loss) after tax	62.7	62.9	69.7
Add: Extra-ordinary impairment on trade receivables	-	7.5	-
Add: Hyper-inflation impact	0.8	1.2	1.1
Like for Like Net profit	63.5	71.6	70.8

Thank You

CONTACT US

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

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