

# RAK

## CERAMICS

EARNINGS PRESENTATION - Q2 & H1 2021 RESULTS

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AUGUST 2021

# Attendees



**Abdallah Massaad**  
Group Chief Executive Officer

Abdallah Massaad is Group CEO of RAK Ceramics and has more than 23 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.

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# Revenue and profitability surpass pre-pandemic levels to record high performance

## MANAGEMENT COMMENTS

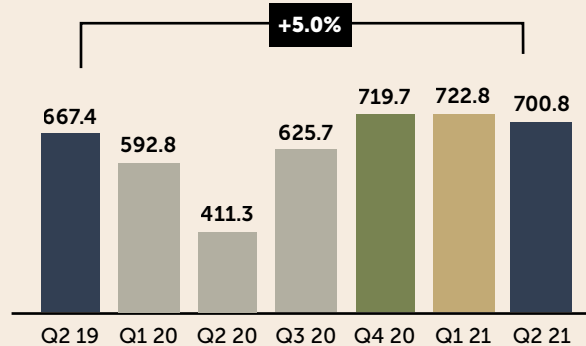
Total revenue for Q2 2021 has surpassed pre-pandemic levels increasing by 5.0% compared to Q2 2019 to AED 700.8m driven by growth in all core markets.

Reported net profit stands at AED 94.9m, outperforming pre-pandemic levels of profit (AED 73.4m in Q2 19).

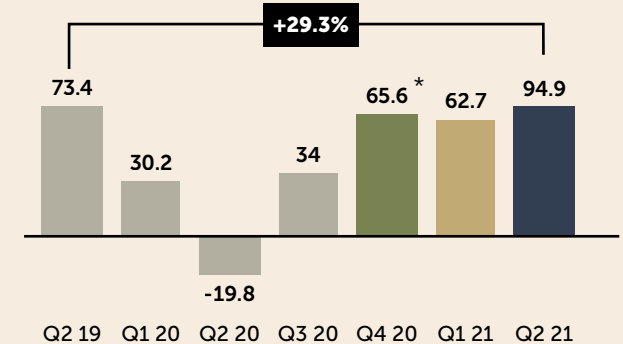
Like-for-like net profit is higher than pre-pandemic levels increasing 48.3% compared to Q2 2019 to reach AED77.6m in Q2 21.

Total gross profit margin for H1 2021 reached an all-time high of 36.5% driven by an increase in revenue, an improvement in efficiencies and the optimisation of production lines.

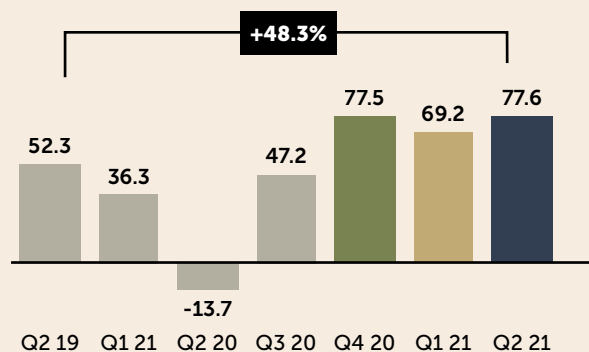
TOTAL REVENUE (AEDM)



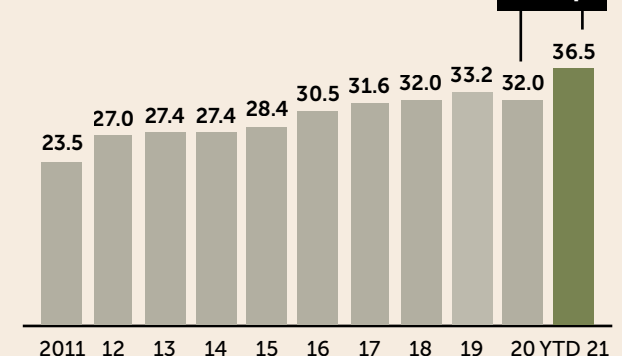
REPORTED NET PROFIT (AEDM)



LIKE-FOR-LIKE NET PROFIT \*\* (AEDM)



GROSS PROFIT MARGIN (%)



\*Excluding impairment loss on real estate properties and provision on dues in relation to leased hotel. \*\*Like for Like net profit working is given in Slide # 20

# Q2 2021 Key financial highlights

**Total revenue** increased by +70.4% YoY to AED 700.8m driven by growth in all markets. QoQ revenue is decreased by -3.0% due to intermittent lockdowns in India and Bangladesh for second wave of COVID-19.

AED 700.8M

**Total gross profit margin** increased by +9.6% YoY to 38.1%. Tiles margin increased by +11.8% at an all-time high of 39.7%

38.1%

**Reported net profit** is higher at AED 94.9m compared to net loss of -19.8m. Margin is 13.5% compared to negative margin of -4.8% in Q2 2020. **Net profit after minority** is AED 87.8m compared to loss of -11.6m in last year.

AED 94.9M

**Like for like net profit\*** is higher at AED 77.6m compared to loss of AED -13.7m in Q2 2020. Margin is 11.1% compared to negative margin of 3.3% in Q2 2020.

AED 77.6M

**Total EBITDA** is at AED 129.9m compared to AED 40.5m in Q2 2020. Margin is 18.5% compared to 9.9% in Q2 2020.

AED 129.9M

**Net Debt** decreased by AED 125m to AED 1.02bn in June 2021 from AED 1.14bn in March 2021. **Net Debt to EBITDA** decreased from 2.79x in March 2021 to 2.04x in June 2021. Both are at all-time low.

2.04x

\*Like for Like net profit working is given in Slide # 20

# Q2 2021 Key market highlights

## UAE

Continued improvement in operational efficiencies led to all time high gross profit margins.

Anti-dumping duty on importing tiles from India and china effective 6th July 2021 will reflect positively on the demand for our products.

## Strong growth in Saudi Arabia

Strategy to establish Saudi Arabia as a key market continues to yield results. Continued investment in differentiated tiles and new showrooms, which has positioned RAK Ceramics as the go-to provider of premium ceramic products in the Kingdom.

## European recovery

The business surpassed pre-pandemic levels of operation and was able to increase its customer base in Central Europe and the UK by differentiating itself from competitors and providing superior product management.

## India turnaround

2021 started with a positive sentiment and an increase in demand. However Q2 2020 performance was impacted due to a second wave of COVID-19, Government imposed lockdowns and restrictions in the logistics movement.

## Bangladesh rebound

Government imposed lockdowns from April to August 2021 impacted our Q2 performance. In Q1 2021, we had surpassed pre-pandemic levels with the introduction of new products for different market segments and improving our brand visibility.

## Tableware performance

Post second wave of COVID-19 markets situations across all our core markets have gradually improved. We have optimized the production to match the demand. Month on month revenue is consistently increasing, resulting in improvement in bottom line.

# H1 2021 Key financial highlights

**Total revenue** increased by +41.8% YoY to AED 1.42bn. Last year Q2 revenue was impacted due to COVID-19 lockdowns. H1 2021 revenue has surpassed the pre-pandemic level increasing by +10.5% compared to H1 2019

AED 1.42<sub>BN</sub>

**Total gross profit margin** increased by +560bps YoY an all-time high of 36.5%. Tiles margin increased by +840bps to reach an all-time high of 37.5%.

36.5%

**Reported net profit** is AED 157.6m after considering net one-off gain of AED 22.9m compared to a net profit of AED 10.5m in H1 2020. **Net profit after minority** is AED 148.5m compared to a profit of AED 14.1 in H1 2020.

AED 157.6<sub>M</sub>

**Like for like net profit\*** increased by AED 124.2m YoY to AED 146.7m, with a margin increase of +810bps YoY to 10.3%, mainly due to higher revenue and GP margins.

AED 146.7<sub>M</sub>

**Total EBITDA** increased by +88.6% YoY to AED 256.0m, with a margin increase of +450% YoY to 18.0%.

AED 256.0<sub>M</sub>

**Net Debt** decreased from AED 1.23bn in December 2020 to AED 1.02bn in June 2021. **Net Debt to EBITDA** decreased from 3.25x in December 2020 to 2.04x in June 2021. (June 2020, Net debt to EBITDA 3.88x).

2.04<sub>x</sub>

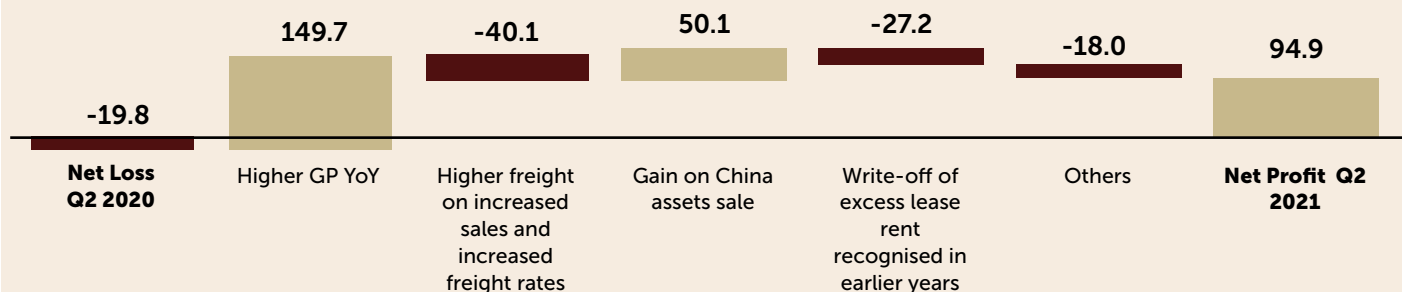
\*Like for Like net profit working is given in Slide # 20

# Net profit bridge

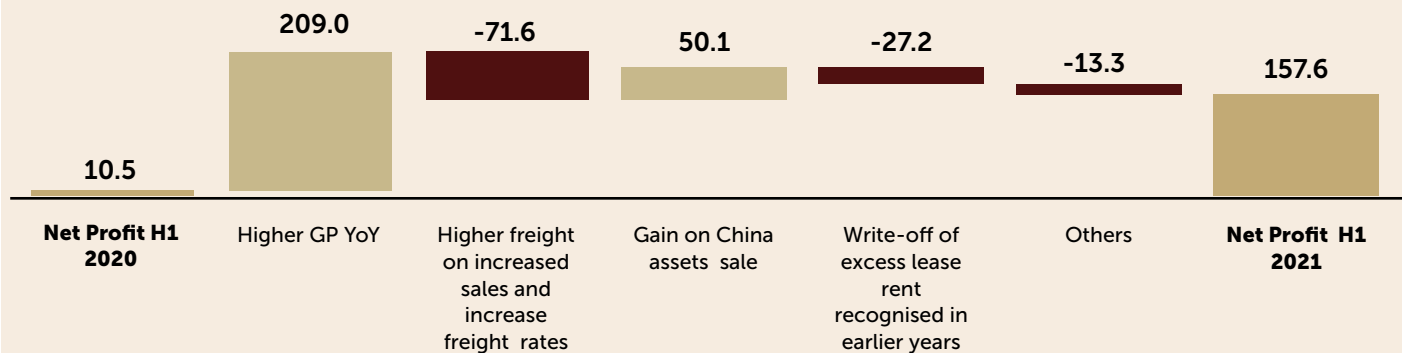
## MANAGEMENT COMMENTS

Reported net profit for Q2 2021 increased by AED 114.7m YoY to AED 94.9m driven by increased revenue, higher GP margins and net one-off gain of AED 22.9m.

### Q2 2021 VS Q2 2020 (AEDM)



### H1 2021 VS H1 2020 (AEDM)





# Quarterly revenue recovery by end market

REVENUE BY END MARKET (AED M)	QUARTERLY COMPARISON							YEARLY COMPARISON		
	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21			H1 2020	H1 2021	
	Amount	Amount	Amount	Amount	Amount	YoY Growth	QoQ Growth	Amount	Amount	YoY Growth
<b>United Arab Emirates</b>	<b>138.2</b>	147.4	169.3	162.9	<b>143.7</b>	3.9%	-11.8%	297.9	<b>306.5</b>	2.9%
<b>Kingdom of Saudi Arabia</b>	<b>69.1</b>	137.8	130.8	163.3	<b>148.1</b>	114.2%	-9.3%	160.6	<b>311.4</b>	93.8%
<b>Middle East (Ex. UAE and KSA)</b>	<b>19.6</b>	19.2	27.3	23.4	<b>30.7</b>	56.3%	31.4%	40.6	<b>54.0</b>	33.2%
<b>India</b>	<b>29.1</b>	66.7	88.5	96.3	<b>70.5</b>	142.6%	-26.8%	86.6	<b>166.8</b>	92.6%
<b>Europe</b>	<b>65.3</b>	91.5	99.0	100.2	<b>114.7</b>	75.5%	14.5%	147.0	<b>214.9</b>	46.2%
<b>Bangladesh</b>	<b>21.2</b>	61.9	81.0	75.0	<b>66.5</b>	214.0%	-11.4%	84.2	<b>141.5</b>	68.0%
<b>Africa</b>	<b>9.4</b>	18.7	18.3	19.3	<b>22.2</b>	137.2%	15.3%	26.5	<b>41.5</b>	56.7%
<b>Rest of the world</b>	<b>17.3</b>	16.5	20.1	18.1	<b>16.1</b>	-7.1%	-11.1%	34.4	<b>34.2</b>	-0.7%
<b>Tiles and sanitaryware revenue</b>	<b>369.3</b>	<b>559.7</b>	<b>634.4</b>	<b>658.3</b>	<b>612.4</b>	65.8%	-7.0%	<b>877.8</b>	<b>1,270.7</b>	44.8%
<b>Tableware revenue</b>	<b>21.4</b>	31.3	43.0	41.1	<b>55.8</b>	160.2%	35.7%	72.8	<b>96.9</b>	33.1%
<b>Others revenue</b>	<b>20.4</b>	34.8	42.4	23.4	<b>32.6</b>	59.7%	39.3%	53.5	<b>55.9</b>	4.5%
<b>Total Revenue</b>	<b>411.3</b>	<b>625.7</b>	<b>719.7</b>	<b>722.8</b>	<b>700.8</b>	70.4%	-3.0%	<b>1,004.1</b>	<b>1,423.5</b>	41.8%

# Revenue highlights

## MANAGEMENT COMMENTS

Q2 2021 revenue performance improved across all our businesses.

Total revenue is increased by +70.4% YoY to AED 700.8m while it is lower by -3.0% QoQ due to intermittent lockdowns in India and Bangladesh on account of second wave of COVID-19.

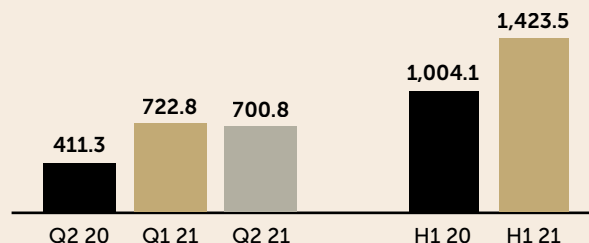
Tiles revenue is higher by +63.9% YoY driven by all markets.

Sanitaryware revenue is also higher by 72.5% YoY driven by all markets.

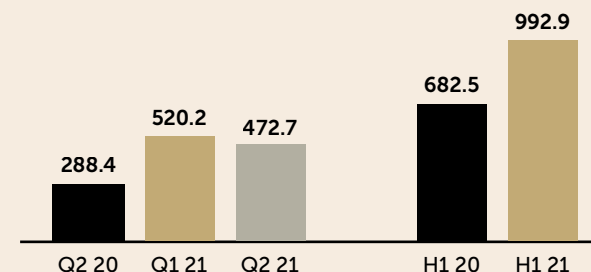
Tableware revenue improved by +35.9% QoQ.

Revenue from other business is higher by +59.2% YoY to AED 32.6m

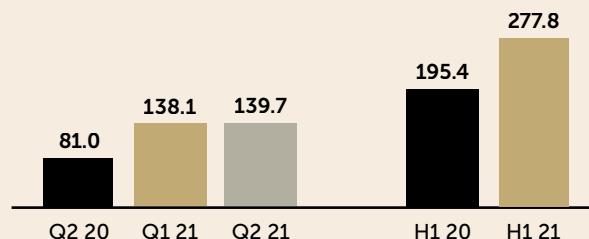
TOTAL REVENUE (AEDM)



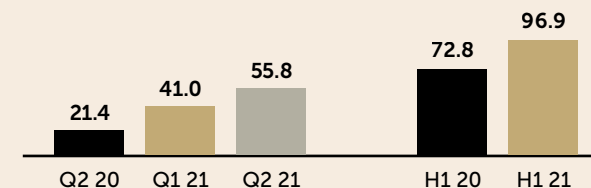
TILES REVENUE (AEDM)



SANITARYWARE REVENUE (AEDM)



TABLEWARE REVENUE (AEDM)



# Gross profit margins

## MANAGEMENT COMMENTS

In Q2 2021 total gross profit margin increased by +960bps YoY to 38.1% and QoQ increased by +310bps due to improved efficiencies and reduction in costs across all plants.

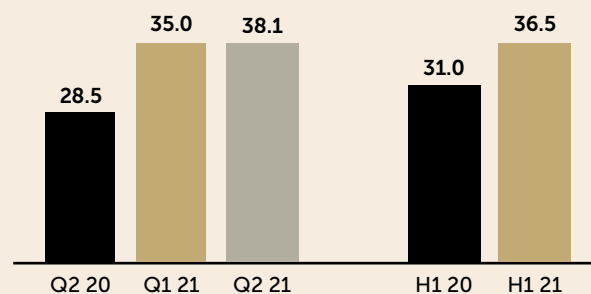
2020 GP margins were impacted due to plant shutdowns on accounts of COVID-19 lockdowns.

Tiles margin reached an all-time high with an increase of +11.8% YoY to 39.7%.

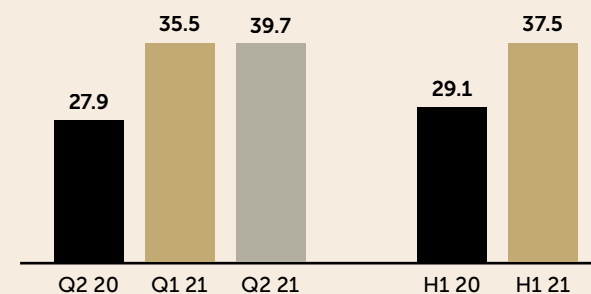
Sanitaryware margin is also higher by +10.3% YoY to 36.5%.

Tableware margins decreased by -10.5% YoY to 37.7% due to lower productivity while QoQ it improved by +7.5%.

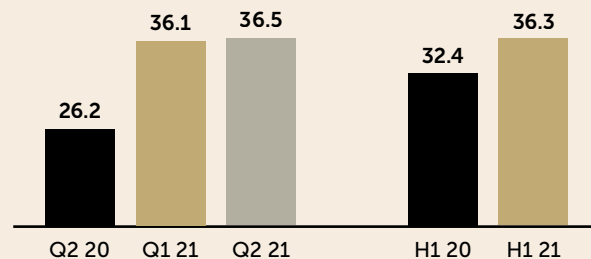
**TOTAL GROSS MARGINS (%)**



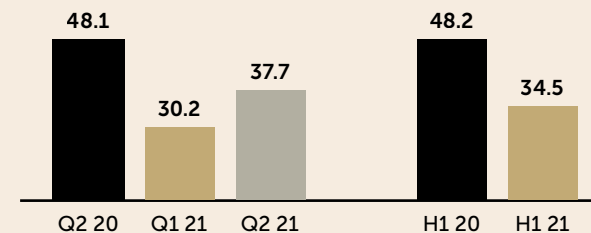
**TILES GROSS MARGINS (%)**



**SANITARYWARE GROSS MARGINS (%)**



**TABLEWARE GROSS MARGINS (%)**



# Financial highlights

Amount in AED M	QUARTERLY COMPARISON					YEARLY COMPARISON		
	Q2 20	Q1 21	Q2 21			H1 2020	H1 2021	
	Amount	Amount	Amount	YoY rowth	QoQ Growth	Amount	Amount	Growth
<b>Revenue</b>	<b>411.3</b>	722.8	<b>700.8</b>	<b>70.4%</b>	<b>(3.0%)</b>	1,004.1	<b>1,423.5</b>	<b>41.8%</b>
<b>Gross margin (%)</b>	<b>28.5%</b>	35.0%	<b>38.1%</b>	<b>9.6%</b>	<b>3.1%</b>	31.0%	<b>36.5%</b>	<b>5.6%</b>
<b>EBITDA</b>	<b>40.6</b>	126.1	<b>129.9</b>	<b>220.3%</b>	<b>3.0%</b>	135.7	<b>256.0</b>	<b>88.6%</b>
<b>Reported net profit/(loss)</b>	<b>(19.8)</b>	62.7	<b>94.9</b>	<b>580.4%</b>	<b>51.4%</b>	10.5	<b>157.6</b>	<b>1402.0%</b>
<b>Like for like net profit*</b>	<b>(13.7)</b>	69.2	<b>77.6</b>	<b>665.3%</b>	<b>12.2%</b>	22.6	<b>146.8</b>	<b>550.2%</b>
<b>Capital expenditure</b>	<b>24.6</b>	16.3	<b>17.7</b>	<b>28.3%</b>	<b>8.4%</b>	52.3	<b>33.9</b>	<b>35.1%</b>
<b>Net debt</b>	<b>1,468.1</b>	1,141.3	<b>1,016.6</b>	<b>30.8%</b>	<b>10.9%</b>	1,468.1	<b>1,016.6</b>	<b>30.8%</b>
<b>Net debt / EBITDA</b>	<b>3.88x</b>	2.79x	<b>2.04x</b>	<b>47.3%</b>	<b>26.9%</b>	3.88x	<b>2.04x</b>	<b>47.3%</b>

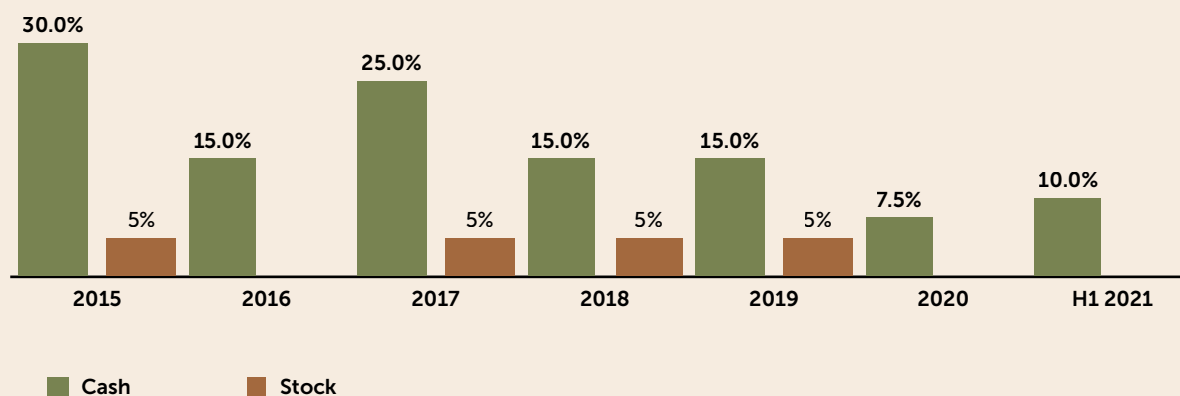
\*Like for Like net profit working is given in Slide # 20

# Proposal to distribute semi-annual cash dividend

## MANAGEMENT COMMENTS

The Board proposed to distribute semi-annual cash dividend of 10 fils per share for first half of the year 2021 (AED 99.4 million), subject to the necessary regulatory and statutory approvals. For this purpose General Assembly meeting is scheduled to be held on 21st September 2021.

## HISTORICAL ANNUAL DIVIDEND PAID (H1 2021 -SEMI ANNUAL)



# Working capital cycle

## MANAGEMENT COMMENTS

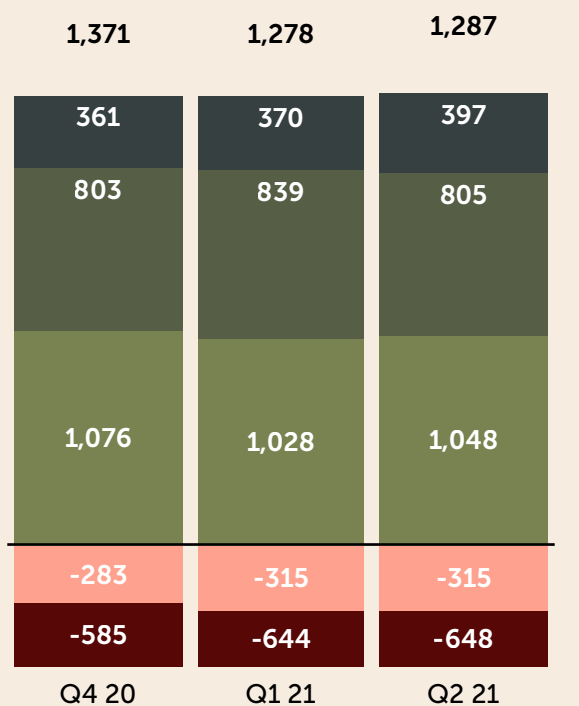
Inventory days decreased from 225 days to 212 days QoQ due to increased LTM revenue.

Trade receivable days also decreased from 123 days in Q1 21 to 106 days in Q2 21 due to decrease in trade receivables.

Trade payable days reduced from 69 days to 64 days QoQ.

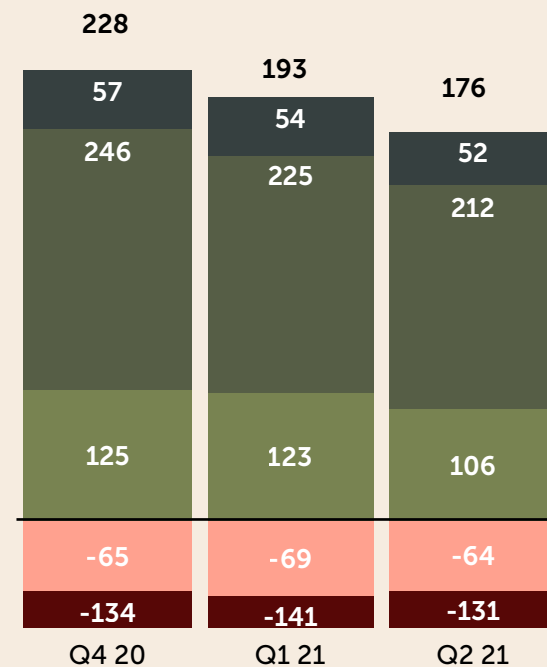
Overall working capital days are decreased QoQ from 193 days to an all-time low at 176 days. In absolute terms overall working capital is stable at AED 1.28bn QoQ.

## WORKING CAPITAL CYCLE (AEDM)



Trade Payables    Other payables    Inventories  
Trade receivables    Other receivables

## WORKING CAPITAL CYCLE (LTM DAYS)



Payable days    Receivable Days    Inventory Days  
Other payable days

# 2021 Priorities

## **Protect Market Share**

Protect market share and profitability in the UAE, Bangladesh and faucets businesses.

## **Improve tableware performance**

Improve performance in light of the ongoing impact in the Airlines and Hospitality sector.

## **Build Retail Concept**

Retail concept in focus markets through franchising.

## **To Grow**

Profitability in Saudi Arabia through differentiated products and retail roll-out.

## **Turnaround**

Turnaround in Europe and Indian operations by ongoing cost control measures.

## **Branding**

Brand perception with collaborations with designers.

## **Outlet stores and E-commerce**

Outlet stores across UAE and Saudi Arabia. Online presence by launching e-commerce platform.

## **Productivity & efficiency**

Improve productivity and efficiency to control operating costs.

## **Covid Measures**

Initiatives to mitigate impact of second wave of COVID-19 in India and Bangladesh. Employee Health Safety as the pandemic continues.

# Appendix





# Tiles revenues by end market

Amount in AED M	COMPARISON					YEARLY COMPARISON		
	Q2 20	Q1 21	Q2 21			H1 2020	H1 2021	
	Amount	Amount	Amount	Growth YoY	Growth QoQ	Amount	Amount	Growth
<b>United Arab Emirates</b>	108.1	127.4	<b>110.7</b>	<b>2.5%</b>	<b>(13.1%)</b>	231.1	<b>238.1</b>	<b>3.0%</b>
<b>Kingdom of Saudi Arabia</b>	64.1	158.3	<b>143.6</b>	<b>124.1%</b>	<b>(9.3%)</b>	150.2	<b>301.9</b>	<b>101.0%</b>
<b>Middle East</b> (Ex. UAE and KSA)	17.2	19.7	<b>26.8</b>	<b>55.4%</b>	<b>35.8%</b>	35.7	<b>46.5</b>	<b>30.1%</b>
<b>India</b>	27.1	88.5	<b>64.3</b>	<b>137.2%</b>	<b>(27.3%)</b>	80.0	<b>152.8</b>	<b>91.1%</b>
<b>Europe</b>	34.3	41.5	<b>47.9</b>	<b>39.4%</b>	<b>15.3%</b>	72.8	<b>89.4</b>	<b>22.7%</b>
<b>Bangladesh</b>	13.4	53.6	<b>47.3</b>	<b>253.4%</b>	<b>(11.7%)</b>	59.6	<b>100.4</b>	<b>68.4%</b>
<b>Africa</b>	8.5	16.4	<b>19.1</b>	<b>123.4%</b>	<b>16.5%</b>	23.3	<b>35.5</b>	<b>52.6%</b>
<b>Rest of the world</b>	15.7	14.8	<b>13.1</b>	<b>(16.7%)</b>	<b>(11.7%)</b>	29.8	<b>28.3</b>	<b>-5.0%</b>
<b>Total</b>	<b>288.4</b>	<b>520.2</b>	<b>472.7</b>	<b>63.9%</b>	<b>(9.1%)</b>	<b>682.5</b>	<b>992.9</b>	<b>45.5%</b>

# Sanitaryware revenues by end market

Amount in AED M	COMPARISON					YEARLY COMPARISON		
	Q2 20	Q1 21	Q2 21			H1 2020	H1 2021	
	Amount	Amount	Amount	Growth YoY	Growth QoQ	Amount	Amount	Growth
<b>United Arab Emirates</b>	30.3	35.5	<b>32.9</b>	<b>8.8%</b>	<b>(7.1%)</b>	66.8	<b>68.4</b>	<b>2.4%</b>
<b>Kingdom of Saudi Arabia</b>	5.1	5.0	<b>4.5</b>	<b>(11.3%)</b>	<b>(8.9%)</b>	10.5	<b>9.5</b>	<b>-9.5%</b>
<b>Middle East</b> (Ex. UAE and KSA)	2.4	3.6	<b>3.9</b>	<b>61.3%</b>	<b>7.3%</b>	4.9	<b>7.6</b>	<b>55.3%</b>
<b>India</b>	1.8	7.8	<b>6.2</b>	<b>238.5%</b>	<b>(20.2%)</b>	6.6	<b>14.0</b>	<b>111.1%</b>
<b>Europe</b>	31.0	58.7	<b>66.8</b>	<b>115.2%</b>	<b>13.9%</b>	74.2	<b>125.5</b>	<b>69.2%</b>
<b>Bangladesh</b>	7.8	21.5	<b>19.2</b>	<b>147.0%</b>	<b>(10.7%)</b>	24.6	<b>40.7</b>	<b>65.1%</b>
<b>Africa</b>	0.8	2.9	<b>3.1</b>	<b>291.6%</b>	<b>8.7%</b>	3.2	<b>6.0</b>	<b>86.6%</b>
<b>Rest of the world</b>	1.8	3.3	<b>3.0</b>	<b>69.8%</b>	<b>(8.2%)</b>	4.6	<b>6.3</b>	<b>36.1%</b>
<b>Total</b>	<b>81.0</b>	<b>138.1</b>	<b>139.7</b>	<b>72.5%</b>	<b>1.1%</b>	<b>195.4</b>	<b>277.8</b>	<b>42.2%</b>

# EBITDA working

	QUARTERLY COMPARISON			YEARLY COMPARISON	
	Q2 20	Q1 21	Q2 21	H1 2020	H1 2021
Amount in AED M	Amount	Amount	Amount	Amount	Amount
<b>Net profit/(loss) after tax</b>	<b>(19.8)</b>	62.7	<b>94.9</b>	10.5	<b>157.6</b>
Tax	(1.5)	5.6	2.2	1.6	7.8
Interest- net	17.8	15.3	14.0	34.4	29.2
Depreciation & amortisations	43.7	42.1	41.7	88.5	83.8
Depreciation on hyper inflated assets	0.0	0.3	0.4	0.0	0.7
Gain on sale of China assets	0.0	0.0	(50.1)	0.0	(50.1)
Write-off of excess lease rent recognized in earlier year	0.0	0.0	27.2	0.0	27.2
Loss /(gain)on sale of assets and CWIP write-off	0.3	0.1	(0.3)	0.7	(0.2)
<b>EBITDA</b>	<b>40.5</b>	<b>126.1</b>	<b>129.9</b>	<b>135.7</b>	<b>256.0</b>

# Like for Like net profit working

	QUARTERLY COMPARISON			YEARLY COMPARISON	
	Q2 20	Q1 21	Q2 21	H1 2020	H1 2021
Amount in AED M	Amount	Amount	Amount	Amount	Amount
<b>Net profit /(loss) after tax</b>	<b>(19.8)</b>	62.7	<b>94.9</b>	10.5	<b>157.6</b>
Add: Impairment on trade receivables	6.0	5.7	4.7	12.1	10.4
Add: Hyper-inflation impact	0.0	0.8	0.9	0.0	1.7
Gain on sale of China assets	0.1	0.0	(50.1)	0.0	(50.1)
Write-off of excess lease rent recognized in earlier year	-	0.0	27.2	0.0	27.2
<b>Like for Like Net profit</b>	<b>(13.7)</b>	<b>69.2</b>	<b>77.6</b>	<b>22.6</b>	<b>146.8</b>

# Contacts

## **INVESTOR RELATIONS**

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

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