

# RAK

## CERAMICS

EARNINGS PRESENTATION - Q3 & 9M 2021 RESULTS



NOVEMBER 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

## MANAGEMENT COMMENTS

We delivered strong financial performance in Q3 2021 with revenue and profitability surpassing pre-pandemic levels, despite challenges created by the imposition of customs duty of 12% in Saudi Arabia and the significant increase in logistics costs due to the global shortage of containers.

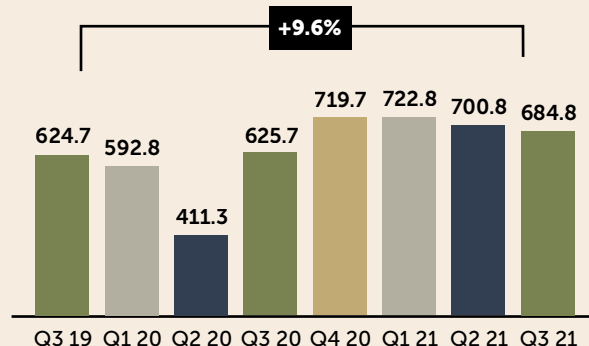
Total revenue for Q3 2021 increased by 9.6% compared to Q3 2019 to AED 684.8m driven by strong growth trajectory in core business.

Reported net profit stands at AED 63.4m, outperforming pre-pandemic levels of profit (AED 45.5m in Q3 19).

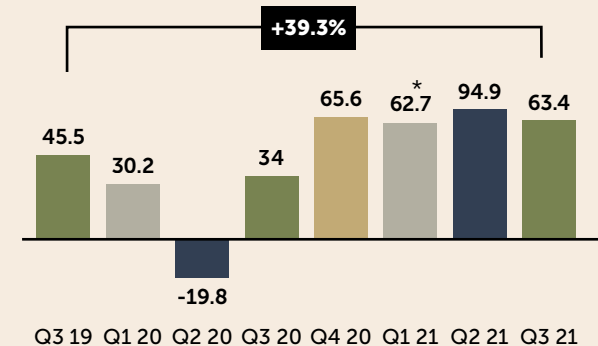
Like-for-like net profit is higher than pre-pandemic levels increasing 42.5% compared to Q3 2019 to reach AED70.0m in Q3 21.

Total gross profit margin for 9M 2021 reached an all-time high of 37.1%.

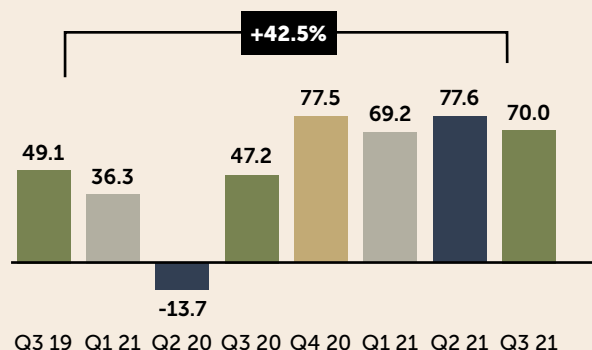
### TOTAL REVENUE (AEDM)



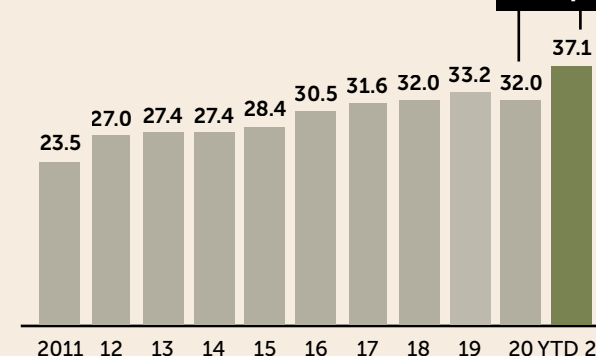
### REPORTED NET PROFIT (AEDM)



### 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 # 19

# Q3 2021 Key financial highlights

**Total revenue** increased by +9.4% YoY to AED 684.8m driven by growth in core business. QoQ revenue is decreased by -2.3% due to lower demand from UAE, Saudi and European markets.

AED 684.8<sub>M</sub>

**Total gross profit margin** increased by +7.1% YoY to 38.2%. Tiles margin increased by +7.0% at 38.1%

38.2%

**Reported net profit** is higher at AED 63.4m compared to 34.0m. Margin is 9.3% compared to 5.4% in Q3 2020. **Net profit after minority** is AED 52.8m compared to 33.1m in last year.

AED 63.4<sub>M</sub>

**Like for like net profit\*** is higher at AED 70.0m compared to AED 47.2m in Q3 2020. Margin is 10.2% compared to 7.5% in Q3 2020.

AED 70.0<sub>M</sub>

**Total EBITDA** is at AED 123.2m compared to AED 104.4m in Q3 2020. Margin is 18.0% compared to 16.7% in Q3 2020.

AED 123.2<sub>M</sub>

**Net Debt** decreased by AED 38m to AED 978.7m in September 2021 from AED 1.1bn in June 2021. **Net Debt to EBITDA** decreased from 2.04x in June 2021 to 1.89x in Sep 2021. Both are at all-time low. Interim dividend of AED 99.4m has been paid in October 2021.

1.89<sub>x</sub>

\*Like for Like net profit working is given in Slide # 19

# Q3 2021 Key market highlights

## UAE

Continued improvement in operational efficiencies led to improved 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.

## Saudi Arabia

Despite the imposition of a 12% customs duty, we were able to strengthen our position as a premium products provider.

Regulatory documents to comply submitted to Saudi Authorities and we are awaiting for duty exemption.

## European recovery

QoQ performance was impacted by higher shipping freight rates, owing to global container shortages.

However we continued to increase our customer base by differentiating ourselves from competitors and providing superior product management.

## India turnaround

Operations marked a strong turnaround with business surpassing pre-pandemic levels. This was underpinned by positive business sentiments, as reflected in improved profitability, despite significantly higher fuel costs.

Strong YoY and QoQ revenue growth resulted in improved profitability.

## Bangladesh rebound

Government imposed intermittent lockdowns from April to August 2021, resulted in temporary suspension of production lines.

However, the Company demonstrated resilience and reported strong year on year growth

## Tableware rebound

Tableware performance across core markets improved and we have increased production to meet demand.

However, performance was impacted due to higher shipping freight costs on account of a global shortage of containers.

# 9M 2021 Key financial highlights

**Total revenue** increased by +29.4% YoY to AED 2.11bn. 9M 2021 revenue has surpassed the pre-pandemic level increasing by +11.6% compared to 9M 2019

AED 2.11<sub>BN</sub>

**Total gross profit margin** increased by +610bps YoY an all-time high of 37.1%. Tiles margin increased by +780bps to reach an all-time high of 37.7%.

37.1%

**Reported net profit** is AED 221.0m after considering net one-off gain of AED 22.9m compared to a net profit of AED 44.5m in 9M 2020. **Net profit after minority** is AED 201.3m compared to a profit of AED 47.2 in 9M 2020.

AED 221.0<sub>M</sub>

**Like for like net profit\*** increased by AED 146.9m YoY to AED 216.7m, with a margin increase of +600bps YoY to 10.3%, mainly due to higher revenue and GP margins.

AED 216.7<sub>M</sub>

**Total EBITDA** increased by +57.9% YoY to AED 379.2m, with a margin increase of +3.3% YoY to 18.0%.

AED 379.2<sub>M</sub>

**Net Debt** decreased from AED 1.23bn in December 2020 to AED 978.7m in Sep 2021. **Net Debt to EBITDA** decreased from 3.25x in December 2020 to 1.89x in Sep 2021. (Sep 2020, Net debt to EBITDA 3.80x).

1.89<sub>X</sub>

\*Like for Like net profit working is given in Slide # 19

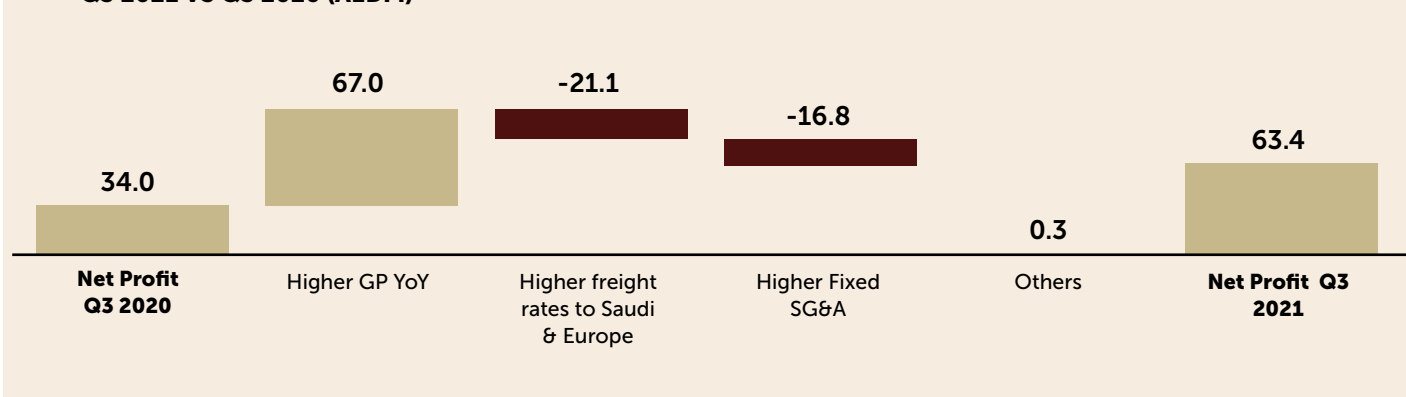
# Net profit bridge

## MANAGEMENT COMMENTS

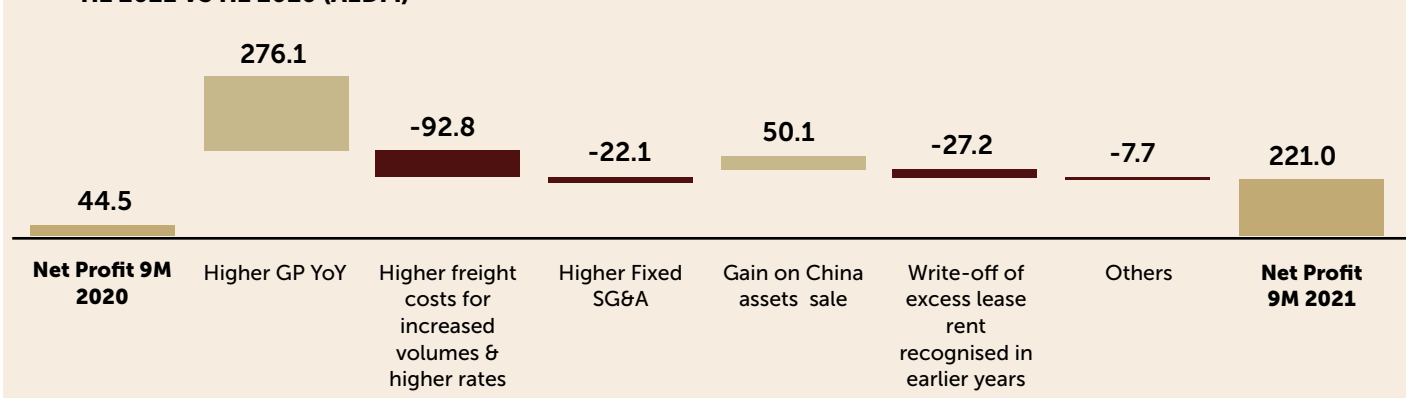
Reported net profit for Q3 2021 increased by AED 29.4m YoY to AED 63.4m driven by increased revenue, higher GP margins.

Higher freight rates impacted us ~AED 25.0 million during 9 months of 2021.

### Q3 2021 VS Q3 2020 (AEDM)



### H1 2021 VS H1 2020 (AEDM)





# Quarterly revenue recovery by end market

REVENUE BY END MARKET (AED M)	QUARTERLY COMPARISON							YEARLY COMPARISON		
	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21			9M 2020	9M 2021	
	Amount	Amount	Amount	Amount	Amount	YoY Growth	QoQ Growth	Amount	Amount	YoY Growth
<b>United Arab Emirates</b>	<b>147.4</b>	169.3	162.9	143.7	<b>131.6</b>	<b>-10.7%</b>	<b>-8.4%</b>	445.2	<b>438.1</b>	<b>-1.6%</b>
<b>Kingdom of Saudi Arabia</b>	<b>137.8</b>	130.8	163.3	148.1	<b>127.5</b>	<b>-7.4%</b>	<b>-13.9%</b>	298.4	<b>438.9</b>	<b>47.1%</b>
<b>Middle East (Ex. UAE and KSA)</b>	<b>19.2</b>	27.3	23.4	30.7	<b>38.4</b>	<b>100.0%</b>	<b>25.2%</b>	59.8	<b>92.5</b>	<b>54.6%</b>
<b>India</b>	<b>66.7</b>	88.5	96.3	70.5	<b>104.5</b>	<b>56.8%</b>	<b>48.2%</b>	153.3	<b>271.3</b>	<b>77.0%</b>
<b>Europe</b>	<b>91.5</b>	99.0	100.2	114.7	<b>98.1</b>	<b>7.2%</b>	<b>-14.4%</b>	238.5	<b>313.0</b>	<b>31.2%</b>
<b>Bangladesh</b>	<b>61.9</b>	81.0	75.0	66.5	<b>68.1</b>	<b>10.0%</b>	<b>2.4%</b>	146.2	<b>209.5</b>	<b>43.4%</b>
<b>Africa</b>	<b>18.7</b>	18.3	19.3	22.2	<b>19.4</b>	<b>3.5%</b>	<b>-12.6%</b>	45.2	<b>60.9</b>	<b>34.6%</b>
<b>Rest of the world</b>	<b>16.6</b>	20.1	18.1	16.1	<b>16.1</b>	<b>-2.5%</b>	<b>0.3%</b>	51.0	<b>50.3</b>	<b>-1.3%</b>
<b>Tiles and sanitaryware revenue</b>	<b>559.7</b>	<b>634.4</b>	<b>658.3</b>	<b>612.4</b>	<b>603.8</b>	<b>7.9%</b>	<b>-1.4%</b>	<b>1,437.6</b>	<b>1,874.5</b>	<b>30.4%</b>
<b>Tableware revenue</b>	<b>31.3</b>	43.0	41.1	55.8	<b>67.6</b>	<b>116.2%</b>	<b>21.2%</b>	104.0	<b>164.5</b>	<b>58.1%</b>
<b>Others revenue</b>	<b>34.7</b>	42.4	23.4	32.6	<b>13.4</b>	<b>-61.4%</b>	<b>-58.9%</b>	88.2	<b>69.4</b>	<b>-21.4%</b>
<b>Total Revenue</b>	<b>625.7</b>	<b>719.7</b>	<b>722.8</b>	<b>700.8</b>	<b>684.8</b>	<b>9.4%</b>	<b>-2.3%</b>	<b>1,629.8</b>	<b>2,108.3</b>	<b>29.4%</b>

# Revenue highlights

## MANAGEMENT COMMENTS

Q3 2021 revenue performance improved across all our core businesses.

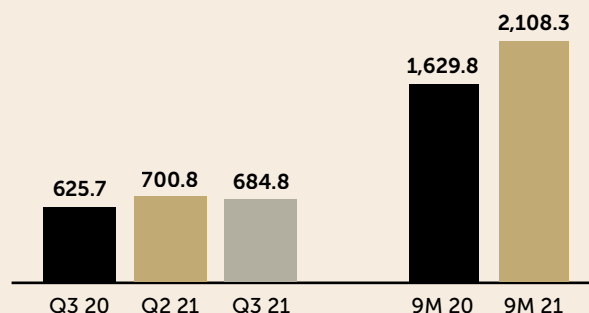
Total revenue is increased by +9.4% YoY to AED 684.8m while it is lower by -2.3% QoQ due to lower off-take from Saudi Arabia on account of imposition of 12% custom duty and lower revenue from Europe due to significantly higher freight cost on account of shortage of containers.

Tiles revenue is higher by +7.0% YoY driven by Middle East, India and Bangladesh markets. QoQ revenue remained stable.

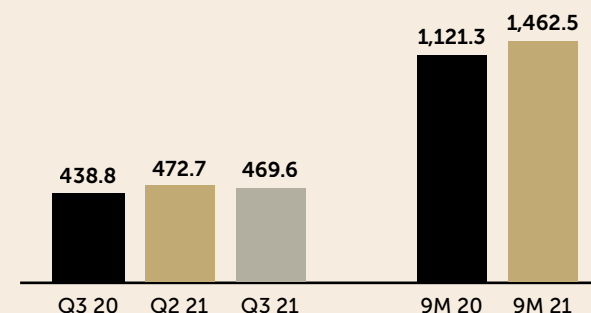
Sanitaryware revenue is also higher by 11.0% YoY driven by UAE and European markets.

Tableware revenue improved by +21.2% QoQ and +116.3% YoY.

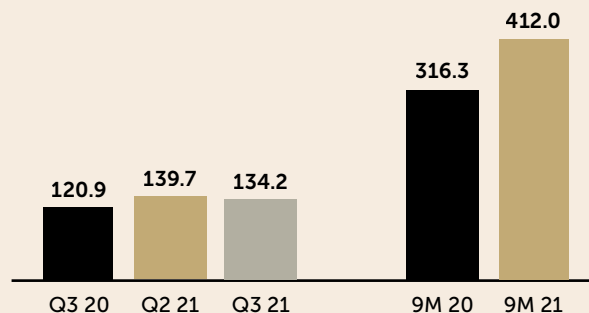
### TOTAL REVENUE (AEDM)



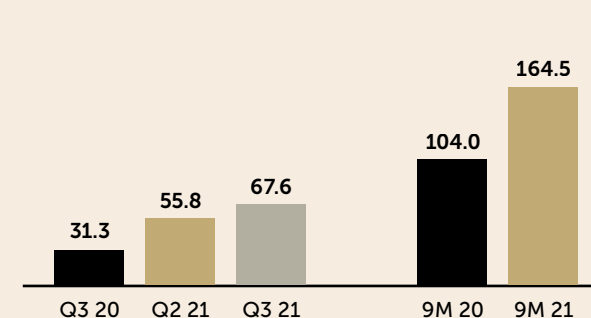
### TILES REVENUE (AEDM)



### SANITARYWARE REVENUE (AEDM)



### TABLEWARE REVENUE (AEDM)



# Gross profit margins

## MANAGEMENT COMMENTS

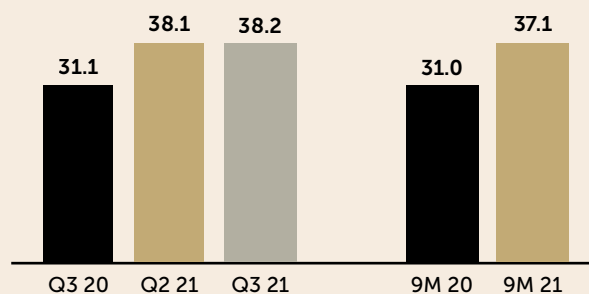
In Q3 2021 total gross profit margin increased by +710bps YoY to 38.2% and QoQ increased by +10bps due to improved efficiencies across all plants.

Tiles margin increased by +7.0% YoY to 38.1%.

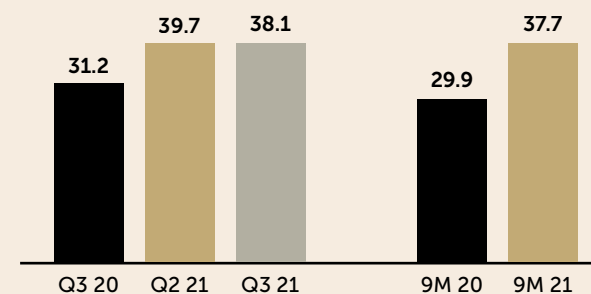
Sanitaryware margin is also higher by +1.0% YoY to 35.0%.

Tableware margins increased by 8.4% YoY and +7.0% QoQ to 44.7% due to increased revenue and productivity.

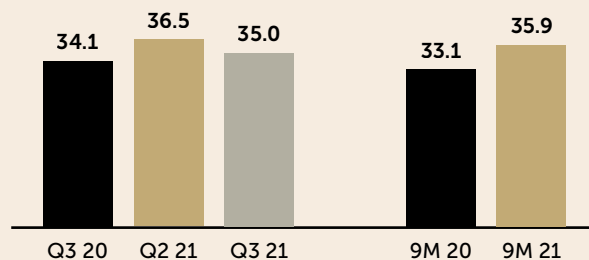
### TOTAL GROSS MARGINS (%)



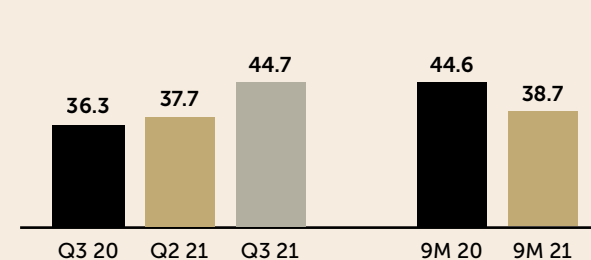
### TILES GROSS MARGINS (%)



### SANITARYWARE GROSS MARGINS (%)



### TABLEWARE GROSS MARGINS (%)



# Financial highlights

Amount in AED M	QUARTERLY COMPARISON					YEARLY COMPARISON		
	Q3 20	Q2 21	Q3 21			9M 2020	9M 2021	
	Amount	Amount	Amount	YoY rowth	QoQ Growth	Amount	Amount	Growth
<b>Revenue</b>	<b>625.7</b>	700.8	<b>684.8</b>	<b>9.4%</b>	<b>(2.3%)</b>	1,629.8	<b>2,108.3</b>	<b>29.4%</b>
<b>Gross margin (%)</b>	<b>31.1%</b>	38.1%	<b>38.2%</b>	<b>7.1%</b>	<b>0.1%</b>	31.0%	<b>37.1%</b>	<b>6.1%</b>
<b>EBITDA</b>	<b>104.4</b>	129.9	<b>123.2</b>	<b>18.0%</b>	<b>(5.1%)</b>	240.1	<b>379.2</b>	<b>57.9%</b>
<b>Reported net profit/(loss)</b>	<b>34.0</b>	94.9	<b>63.4</b>	<b>86.5%</b>	<b>(33.2%)</b>	44.5	<b>221.0</b>	<b>396.6%</b>
<b>Like for like net profit*</b>	<b>47.2</b>	77.6	<b>70.0</b>	<b>48.3%</b>	<b>(9.8%)</b>	69.8	<b>216.7</b>	<b>210.5%</b>
<b>Capital expenditure</b>	<b>24.1</b>	17.7	<b>25.3</b>	<b>(5.0%)</b>	<b>43.3%</b>	76.4	<b>59.2</b>	<b>22.5%</b>
<b>Net debt</b>	<b>1,421.6</b>	1,016.6	<b>978.7</b>	<b>31.2%</b>	<b>3.7%</b>	1,421.6	<b>978.7</b>	<b>31.2%</b>
<b>Net debt / EBITDA</b>	<b>3.80x</b>	2.04x	<b>1.89x</b>	<b>50.1%</b>	<b>7.2%</b>	3.80x	<b>1.89x</b>	<b>50.1%</b>

\*Like for Like net profit working is given in Slide # 19

# Working capital cycle

## MANAGEMENT COMMENTS

Inventory days increased from 212 days to 217 days QoQ due to lower revenue.

Trade receivable days decreased from 106 days in Q2 21 to 102 days in Q3 21.

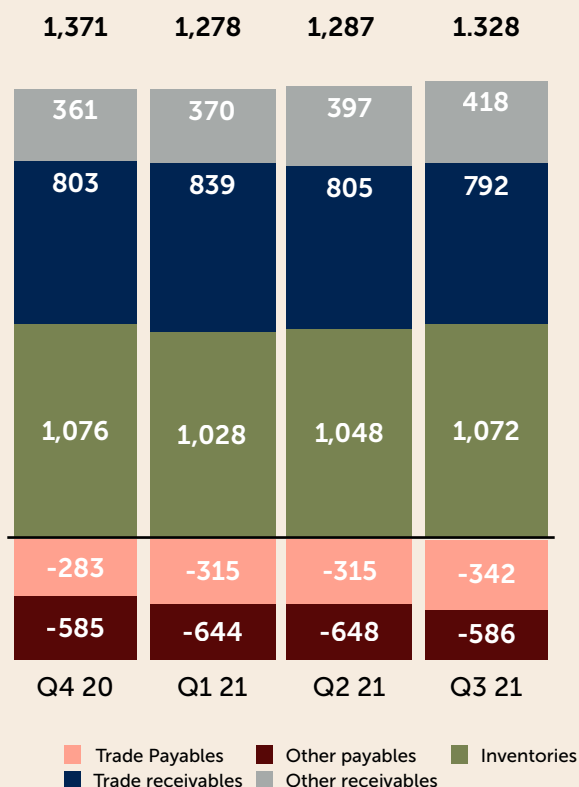
Trade payable days increased from 64 days to 69 days QoQ.

Overall working capital days are slightly increased QoQ from 176 days to 180 days. In absolute terms overall working capital increased by AED 41.1 million to 1.33bn due to increased inventories.

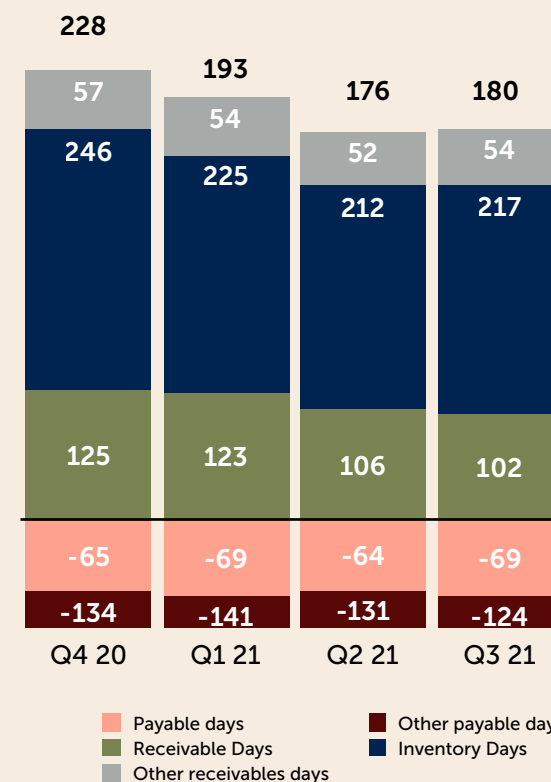
Interim cash dividend of 10 fils per share amounting to AED 99.4m has been paid in October 21.

Capex for 9M 2021 is at AED 59 million. Guidance for 2021 will be ~AED 110- 125 million.

## WORKING CAPITAL CYCLE (AEDM)



## WORKING CAPITAL CYCLE (LTM 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

	COMPARISON					YEARLY COMPARISON		
	Q3 20	Q2 21	Q3 21			9M 2020	9M 2021	
Amount in AED M	Amount	Amount	Amount	Growth YoY	Growth QoQ	Amount	Amount	Growth
<b>United Arab Emirates</b>	117.0	110.7	<b>98.4</b>	<b>(15.9%)</b>	<b>(11.2%)</b>	348.1	<b>336.5</b>	<b>-3.3%</b>
<b>Kingdom of Saudi Arabia</b>	131.4	143.6	<b>123.0</b>	<b>(6.4%)</b>	<b>(14.3%)</b>	281.6	<b>424.9</b>	<b>50.9%</b>
<b>Middle East</b> (Ex. UAE and KSA)	15.7	26.8	<b>33.9</b>	<b>115.1%</b>	<b>26.5%</b>	51.5	<b>80.3</b>	<b>56.1%</b>
<b>India</b>	60.9	64.3	<b>96.7</b>	<b>58.7%</b>	<b>50.4%</b>	140.9	<b>249.6</b>	<b>77.1%</b>
<b>Europe</b>	41.1	47.9	<b>40.9</b>	<b>(0.5%)</b>	<b>(14.5%)</b>	113.9	<b>130.3</b>	<b>14.3%</b>
<b>Bangladesh</b>	43.5	47.3	<b>49.9</b>	<b>14.7%</b>	<b>5.5%</b>	103.1	<b>150.8</b>	<b>46.2%</b>
<b>Africa</b>	16.4	19.1	<b>15.4</b>	<b>(6.0%)</b>	<b>(19.3%)</b>	39.6	<b>50.9</b>	<b>28.4%</b>
<b>Rest of the world</b>	12.7	13.1	<b>11.4</b>	<b>(10.1%)</b>	<b>(12.5%)</b>	42.5	<b>39.3</b>	<b>-7.6%</b>
<b>Total</b>	<b>438.8</b>	<b>472.7</b>	<b>469.6</b>	<b>7.0%</b>	<b>(0.7%)</b>	<b>1,121.3</b>	<b>1,462.5</b>	<b>30.4%</b>



# Sanitaryware revenues by end market

	COMPARISON					YEARLY COMPARISON		
	Q3 20	Q2 21	Q3 21			9M 2020	9M 2021	
Amount in AED M	Amount	Amount	Amount	Growth YoY	Growth QoQ	Amount	Amount	Growth
<b>United Arab Emirates</b>	30.4	32.9	<b>33.3</b>	<b>9.5%</b>	<b>1.0%</b>	97.1	<b>101.6</b>	<b>4.6%</b>
<b>Kingdom of Saudi Arabia</b>	6.3	4.5	<b>4.5</b>	<b>(28.4%)</b>	<b>0.4%</b>	16.8	<b>14.0</b>	<b>-16.6%</b>
<b>Middle East</b> (Ex. UAE and KSA)	3.5	3.9	<b>4.6</b>	<b>31.5%</b>	<b>16.8%</b>	8.3	<b>12.1</b>	<b>45.4%</b>
<b>India</b>	5.7	6.2	<b>7.8</b>	<b>36.0%</b>	<b>26.2%</b>	12.4	<b>21.8</b>	<b>76.2%</b>
<b>Europe</b>	50.4	66.8	<b>57.2</b>	<b>13.5%</b>	<b>(14.4%)</b>	124.6	<b>182.7</b>	<b>46.7%</b>
<b>Bangladesh</b>	18.4	19.2	<b>18.1</b>	<b>(1.7%)</b>	<b>(5.6%)</b>	43.0	<b>58.8</b>	<b>36.6%</b>
<b>Africa</b>	2.4	3.1	<b>4.0</b>	<b>69.4%</b>	<b>28.6%</b>	5.6	<b>10.0</b>	<b>79.2%</b>
<b>Rest of the world</b>	3.8	3.0	<b>4.7</b>	<b>22.3%</b>	<b>55.9%</b>	8.5	<b>11.0</b>	<b>29.9%</b>
<b>Total</b>	<b>120.9</b>	<b>139.7</b>	<b>134.2</b>	<b>11.0%</b>	<b>(3.9%)</b>	<b>316.3</b>	<b>412.0</b>	<b>30.3%</b>

# EBITDA working

	QUARTERLY COMPARISON			YEARLY COMPARISON	
	Q3 20	Q2 21	Q3 21	9M 2020	9M 2021
Amount in AED M	Amount	Amount	Amount	Amount	Amount
<b>Net profit/(loss) after tax</b>	<b>34.0</b>	94.9	<b>63.4</b>	44.5	<b>221.0</b>
Tax	2.7	2.2	3.7	4.4	11.5
Interest- net	17.8	14.0	13.7	52.2	43.0
Depreciation & amortisations	43.6	41.7	40.6	132.1	124.5
Depreciation on hyper inflated assets	5.0	0.4	0.5	5.0	1.1
Gain on sale of China assets	0.0	(50.1)	0.0	0.0	(50.1)
Write-off of excess lease rent recognized in earlier year	0.0	27.2	0.0	0.0	27.2
Loss /(gain)on sale of assets and CWIP write-off	1.2	(0.3)	1.3	1.9	1.1
<b>EBITDA</b>	<b>104.4</b>	<b>129.9</b>	<b>123.2</b>	<b>240.1</b>	<b>379.2</b>

# Like for Like net profit working

	QUARTERLY COMPARISON			YEARLY COMPARISON	
	Q3 20	Q2 21	Q3 21	9M 2020	9M 2021
Amount in AED M	Amount	Amount	Amount	Amount	Amount
<b>Net profit /(loss) after tax</b>	<b>34.0</b>	94.9	<b>63.4</b>	44.5	<b>221.0</b>
Add: Impairment on trade receivables	6.0	4.7	5.1	18.1	15.5
Add: Hyper-inflation impact	7.1	0.9	1.4	7.1	3.1
Gain on sale of China assets	0.0	(50.1)	0.0	0.0	(50.1)
Write-off of excess lease rent recognized in earlier year	-	27.2	0.0	0.0	27.2
<b>Like for Like Net profit</b>	<b>47.2</b>	<b>77.5</b>	<b>70.0</b>	<b>69.8</b>	<b>216.7</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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