

RAK

CERAMICS

EARNINGS PRESENTATION - Q4 & FY 2020 RESULTS

FEBRUARY 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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Strong rebound in Q4 2020

MANAGEMENT COMMENTS

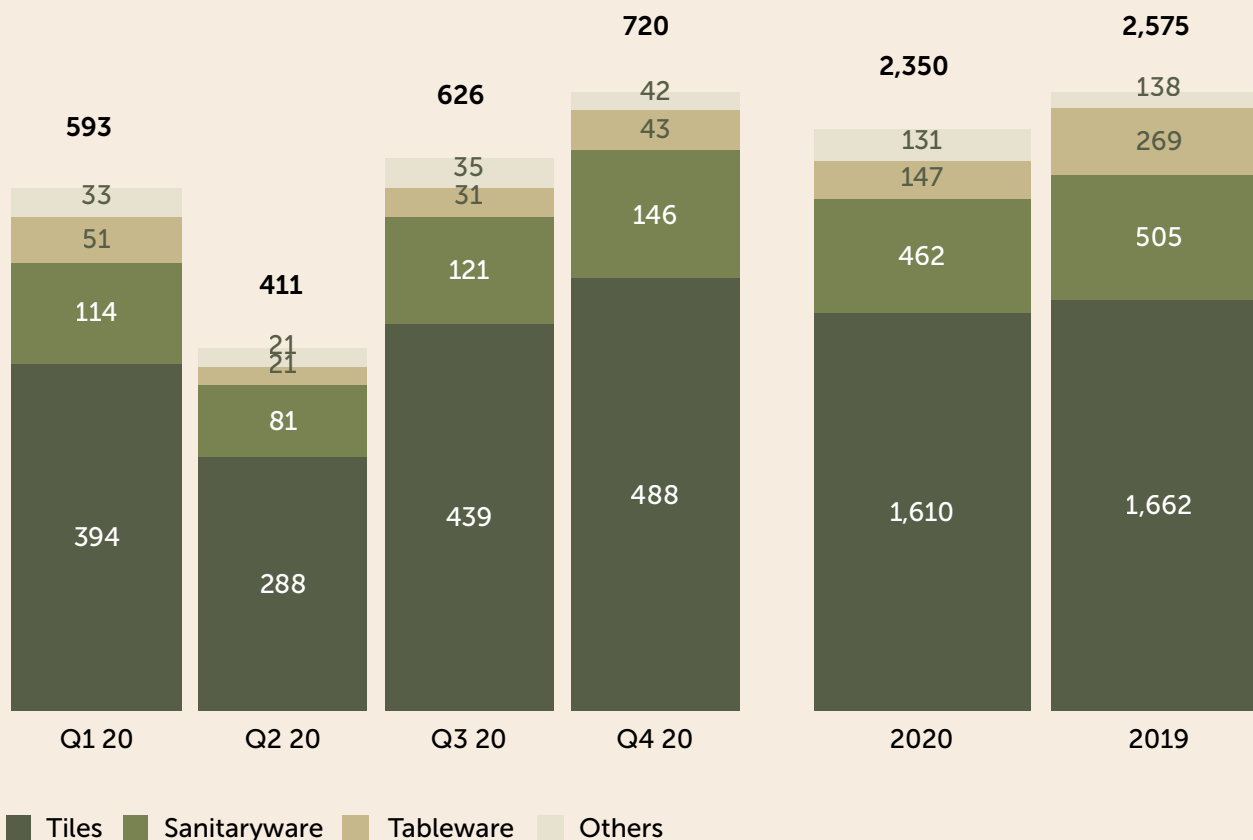
2020 performance started well in Q1 but was negatively impacted in Q2 due to COVID-19 pandemic lockdowns across all our core markets.

Markets recovered to pre-COVID levels in Q3 in both tiles and sanitaryware segments, however, tableware performance continued to suffer due to the second wave of COVID-19 lockdowns and hotel closures.

Q4 was a strong operational quarter, with revenue increasing 5.1% YoY and 15.0% QoQ supported by growth in all core markets.

Total revenue excluding Q2 was higher by +1% YoY at AED 1.94 bn in 2020.

QUARTERLY & YEARLY SEGMENT REVENUE (AEDM)



Q4 2020 Key business highlights

Strong Operational Quarter

Core markets have recovered as business performance gained momentum across all units except for tableware business.

Strong Growth in Saudi Arabia

Product differentiation, focus on retail and wholesale sales with the imposition of anti-dumping duty on imported tiles from China and India supporting strong growth in Saudi Arabia.

Significant SG&A Savings

Recorded significant savings in fixed SG&A expenses as a result of reductions in discretionary expenses, stringent control in overheads and workforce rationalisation across the group.

Liquidity Management

Liquidity position remains at a comfortable level following the continuation of measures to manage liquidity and place non-essential CAPEX plans on hold, resulting in a decrease in working capital.

Product Innovation

Continued focus on product innovation through in-house product development and renowned international designer partnerships.

Real Estate Portfolio Impairment

Impairment is the result of COVID-19 against revaluation of waterfront land and other properties. COVID also affected tourism sector, which hit our hotel's performance resulting impairment losses during Q4.

Q4 2020 Performance across global operations

UAE Production Optimisation

Production running at an optimal capacity due to increasing demand from Saudi Arabia. Cost-saving measures initiated to limit discretionary expenses. A slow recovery in project sales while wholesale and retail channels has performed well.

Strong Growth in Saudi Arabia

Introduction of differentiated tile sizes and a focus on retail and wholesale sales has led to growth in volumes and increase in our average selling prices.

European Recovery

European markets reached pre COVID-19 levels with positive growth year on year. The cost-saving measures initiated to limit discretionary expenses have led to an improvement in the bottom line.

India turnaround

Performance in India has gained momentum with a strong year on year growth. Cost-saving measures initiated, including reducing workforce and discretionary expenses, resulting in a positive bottom line in Q4.

Bangladesh Rebound

Bangladesh reached pre-COVID-19 levels with stable YoY growth. Production is running at optimal capacity. Differentiated products for rural and urban segments and improved brand visibility led to market share improvement in the rural segment.

Tableware Performance

Our tableware business has slowly improved in quarter on quarter but the second wave of COVID-19 related government restrictions has led to the shutdown of hotels, and the implementation of 'disposable plates' has resulted in a slowdown of sales.

Q4 2020 Key financial highlights

Total revenue increased by +5.1% YoY to AED 719.7m driven by growth in Saudi Arabia, India and European markets.

AED 719.7_M

Total gross profit margin increased by +80bps YoY to 34.4%. Tiles margin increased by +350 bps at an all-time high of 34.8%

34.4%

COVID-19 pandemic impacted real estate sector and hotel industry resulting in an **Impairment loss** on valuation of real estate properties and receivable provisions on leased hotel amounting to AED 236.3.

AED -236.3_M

Reported net profit (excl. impairment losses) is higher at AED 65.6m compared to AED 49.4m last year. **Net profit after minority** (excl. impairment losses) is AED 59.3m compared AED 35.1m in last year.

AED 65.6_M

Like for like net profit* is higher at AED 77.5m compared to AED 55.6m in Q4 2019. Margin is 10.8% compared to 8.1% in Q4 2019.

AED 77.5_M

Total EBITDA is at AED 137.8m compared to AED 134.4m in Q4 2019. Margin is 19.1% compared to 19.6% in Q4 2019.

AED 137.8_M

*Like for Like net profit working is given in Slide # 21

Break down of provisions in Q4 2020

MANAGEMENT COMMENTS

COVID-19 pandemic has impacted the real estate sector. Therefore, the waterfront land and specific properties' fair value have been reassessed, resulting in an impairment loss of AED 213.2m.

COVID-19 pandemic also significantly affected the tourism sector, which has specifically impacted the hotel industry's performance. Given the performance impact during the year and lower probability of collecting the old dues from the lessee, we have taken the provisions of AED 23.1m in the Q4.

COVID-19 pandemic did not affect the core operations in terms of the collectability of receivables, and therefore no extraordinary provisions were taken on trade receivables.

Q4 2020 BREAKDOWN OF PROVISIONS (AED M)

	Q4 20
	Amount
Impairment loss on waterfront land (Q4 2020 AED 697.2m vs Q3 2020 AED 899.3m)	202.1
Other real estate properties (Q4 2020 AED 98.1m vs Q3 2020 AED 109.2m)	11.1
Total impairment loss on real estate properties	213.2
Provision on dues in relation to leased hotel impacted by COVID-19	23.1
Total extra-ordinary provision provided due to pandemic	236.3

2020 Key financial highlights

Total revenue decreased by -8.7% YoY to AED 2.35bn mainly due to lower revenue in Q2 2020 as a result of COVID-19 lockdowns. However, excluding Q2, revenue increased by +1.0% YoY at AED 1.94bn

AED 2.35_{BN}

Total gross profit margin decreased by -120bps YoY to 32.0%, due to lower revenue and lower productivity resulting in higher unabsorbed fixed costs of AED 43m.

32.0%

Reported net loss is AED -126.2m after considering impairment losses of AED 236.3m compared to a net profit of AED 205.2m in 2019. **Net loss after minority** is AED -129.7m compared to a profit of AED 164.4m in 2019.

AED(-) 126.2_M

Like for like net profit* decreased by AED -47.9m YoY to AED 147.3m, with a margin decrease of -130bps YoY to 6.3%, mainly due to lower revenues.

AED 147.3_M

Total EBITDA decreased by -21.7% YoY to AED 377.9m, with a margin decrease of -2.7% YoY to 16.1%.

AED 377.9_M

Net Debt decreased from AED 1.37bn in Dec 2019 to AED 1.23bn in Dec 2020. **Net Debt to EBITDA** increased from 2.85x in Dec 2019 to 3.25x in Dec 2020 on lower EBITDA (Sep 2020, Net debt to EBITDA 3.80x).

3.25_x

*Like for Like net profit working is given in Slide # 21

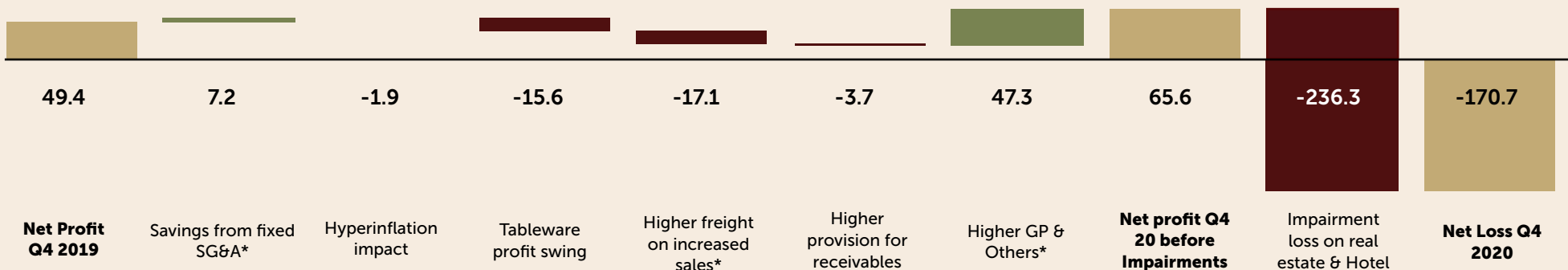
Quarterly revenue recovery by end market

REVENUE BY END MARKET (AED M)	QUARTERLY COMPARISON						YEARLY COMPARISON		
	Q1 20	Q2 20	Q3 20	Q4 20	Q4 19		2020	2019	
	Amount	Amount	Amount	Amount	Amount	Growth	Amount	Amount	Growth
United Arab Emirates	159.5	138.2	147.4	169.3	207.1	-18.3%	614.5	761.0	-19.3%
Kingdom of Saudi Arabia	91.5	69.1	137.8	130.8	77.8	68.1%	429.2	271.8	57.9%
Middle East (Ex. UAE and KSA)	20.9	19.6	19.2	27.3	13.9	97.4%	87.1	77.8	12.0%
India	57.7	29.1	66.7	88.5	64.3	37.7%	241.8	272.7	-11.3%*
Europe	81.6	65.3	91.5	99.0	76.2	30.0%	337.5	328.6	2.7%
Bangladesh	63.1	21.2	61.9	81.0	81.8	-1.0%	227.1	279.9	-18.9%
Africa	17.1	9.4	18.7	18.3	18.3	0.2%	63.5	81.5	-22.1%
Rest of the world	16.8	17.3	16.5	20.1	21.8	-7.5%	71.1	93.2	-23.7%
Tiles and sanitaryware revenue	508.4	369.3	559.7	634.4	561.1	13.1%	2,071.8	2,166.5	-4.4%
Tableware revenue	51.3	21.4	31.3	43.0	78.2	-45.1%	147.0	269.4	-45.4%
Others revenue	33.0	20.4	34.8	42.4	45.4	-6.7%	130.6	138.6	-5.8%
Total Revenue	592.8	411.3	625.7	719.7	684.7	5.1%	2,349.5	2,574.5	-8.7%

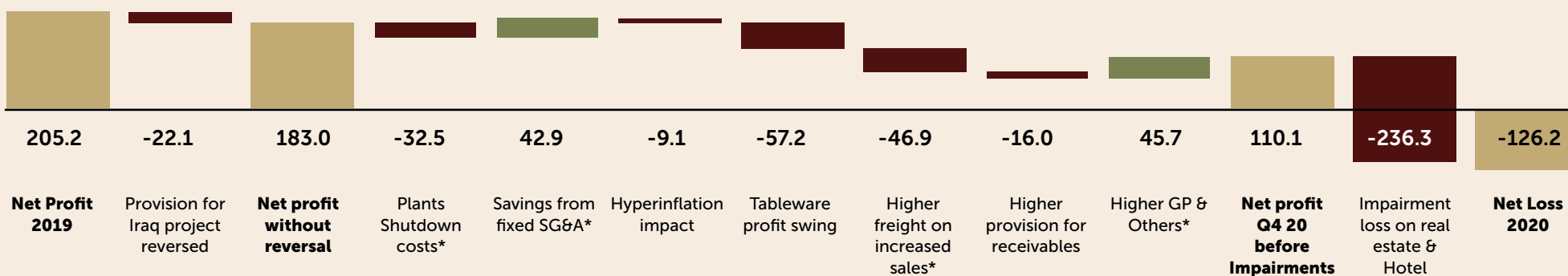
*in LCY (-) 6.8%

Net profit bridge

Q4 2020 VS Q4 2019 (AEDM)



2020 VS 2019 (AEDM)



Revenue highlights

MANAGEMENT COMMENTS

Q4 2020 performance improved across all our businesses.

Total revenue is increased by +5.1% YoY to AED 719.7m.

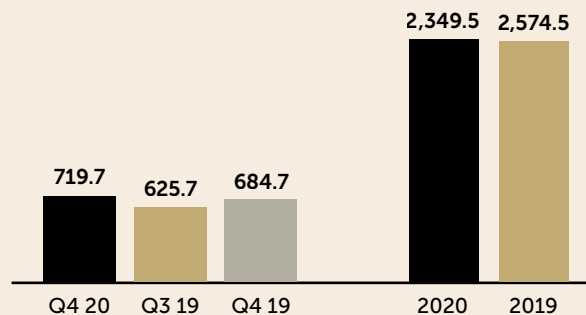
Tiles revenue is higher by +14.0% driven by Saudi Arabia, India and European markets.

Sanitaryware revenue is also higher by 10.1% YoY driven all markets, except the UAE and Bangladesh.

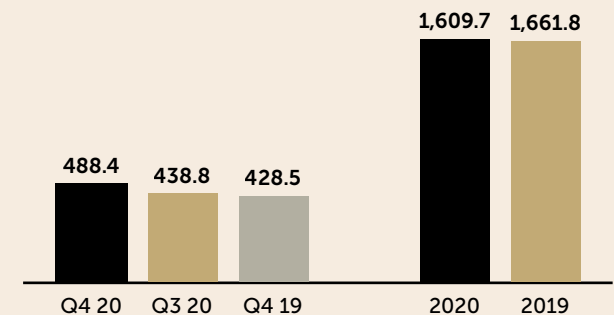
Tableware revenue is significantly lower by -45.1% due to sustained COVID-19 impact in the hospitality and airlines sectors.

Revenue from other business is lower by -6.6% YoY to AED 42.4m due to lower lease income from the hotel as it is under maintenance.

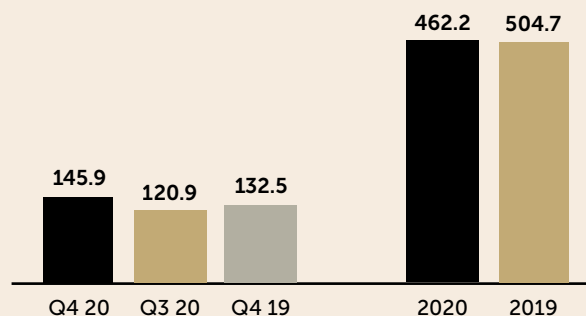
TOTAL REVENUE (AEDM)



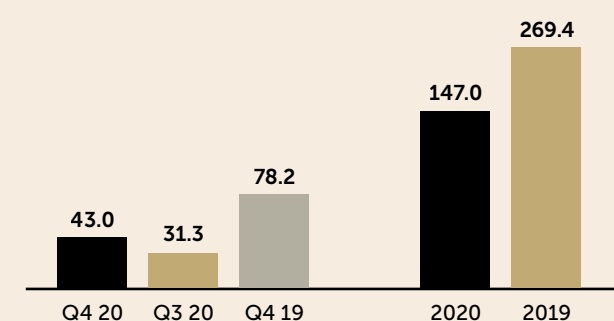
TILES REVENUE (AEDM)



SANITARYWARE REVENUE (AEDM)



TABLEWARE REVENUE (AEDM)



Gross profit margins

MANAGEMENT COMMENTS

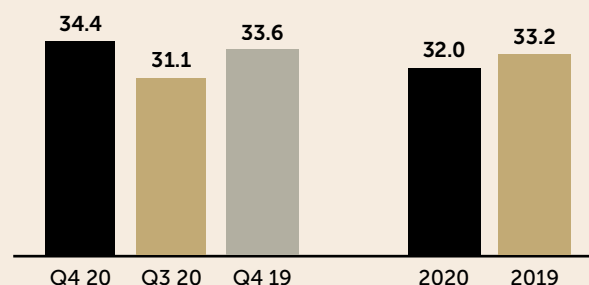
In Q4 2020, total gross margin increased by +80bps YoY to 34.4% due to higher revenue, improved efficiencies and reduction in costs across all plants.

Tiles margin reached an all-time high with an increase of +350bps YoY to 34.8%.

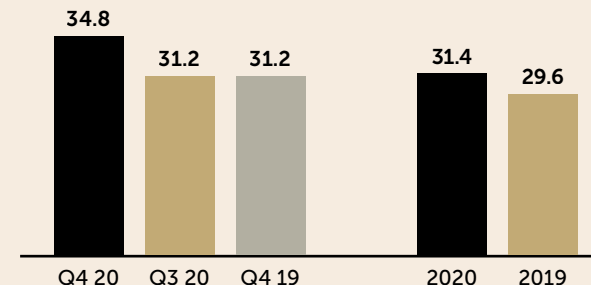
Sanitaryware margin is also higher by +250bps YoY to 38.7%.

Tableware margins decreased by -15.9% YoY to 32.5% due to lower revenue and lower productivity.

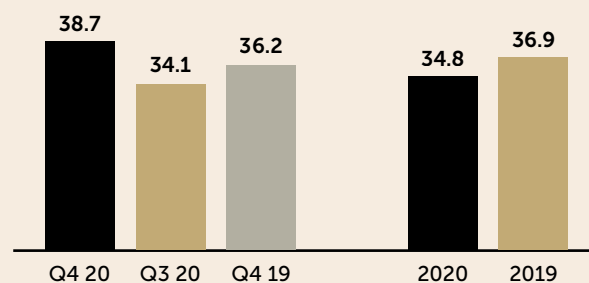
TOTAL GROSS MARGINS (%)



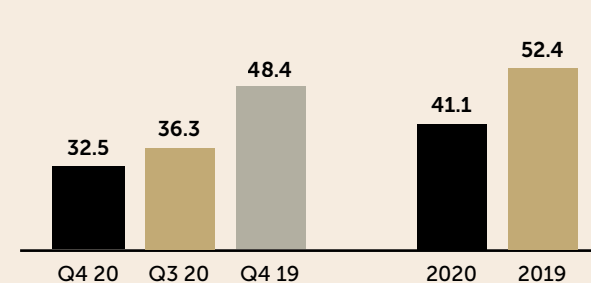
TILES GROSS MARGINS (%)



SANITARYWARE GROSS MARGINS (%)



TABLEWARE GROSS MARGINS (%)



Financial highlights

Amount in AED M	QUARTERLY COMPARISON					YEARLY COMPARISON		
	Q4 20	Q3 20		Q4 19		2020	2019	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
Revenue	719.7	625.7	15.0%	684.7	5.1%	2,349.5	2,574.5	-8.7%
Gross margin (%)	34.4%	31.1%	3.3%	33.6%	0.8%	32.1%	33.2%	-1.2%
SG&A Fixed Expenses	103.8	94.1	(9.7)	115.0	11.2	400.7	460.4	59.7
EBITDA	137.8	104.4	32.0%	134.4	2.6%	377.9	482.8	-21.7%
Reported net profit/(loss)	(170.7)	34.0	N/A	49.4	N/A	(126.2)	205.2	-161.5%
Like for like net profit*	77.5	47.2	64.2%	55.6	39.3%	147.3	195.1	-24.5%
Capital expenditure	34.1	24.1	(29.3%)	34.7	1.8%	110.5	177.8	37.8%
Net debt	1,229.2	1,421.6	13.5%	1,374.3	10.6%	1,229.2	1,374.3	10.6%
Net debt / EBITDA	3.25x	3.80x	14.3%	2.85x	14.1%	3.25x	2.85x	-14.1%

*Like for Like net profit working is given in Slide # 21

Working capital cycle

MANAGEMENT COMMENTS

Inventory days decreased from 266 days to 246 days QoQ due to increased QoQ revenue.

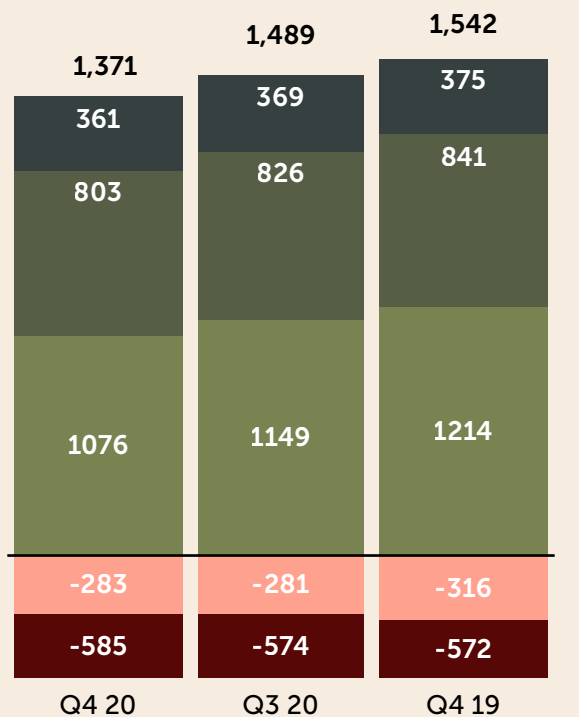
Trade receivable days also decreased from 130 days in Q3 20 to 125 days in Q4 20 due to increased sales in Q4.

Trade payable days is par at 65 days QoQ.

Overall working capital days are decreased QoQ from 256 days to 228 days due to inventory reduction. In absolute terms overall working capital is reduced QoQ by 118m at AED 1.37bn.

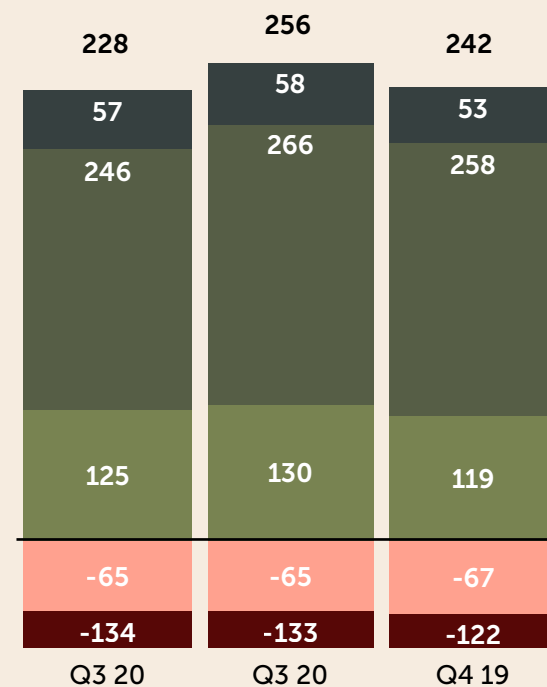
Due to current COVID-19 pandemic, we are continuing to take measures to manage our liquidity.

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

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 On

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 such as Ellie Saab.

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

Employee Health Safety as the pandemic continues.

Appendix



Tiles revenues by end market

	QUARTERLY COMPARISON					YEARLY COMPARISON		
	Q4 20	Q3 20		Q4 19		2020	2019	
Amount in AED M	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
United Arab Emirates	133.1	117.0	13.8%	163.8	-18.7%	481.2	603.0	-20.2%
Kingdom of Saudi Arabia	125.2	131.4	-4.8%	72.6	72.4%	406.8	248.7	63.6%
Middle East (Ex. UAE and KSA)	22.0	15.7	39.9%	10.5	110.1%	73.5	66.5	10.6%
India	81.3	60.9	33.4%	59.3	37.0%	222.2	254.7	-12.8%
Europe	38.3	41.1	-7.0%	30.9	23.8%	152.2	151.6	0.4%
Bangladesh	58.1	43.5	33.5%	57.1	1.6%	161.2	189.7	-15.0%
Africa	15.3	16.4	-6.4%	15.7	-2.3%	55.0	68.6	-19.8%
Rest of the world	15.2	12.7	19.6%	18.6	-18.2%	57.7	79.2	-27.1%
Total	488.4	438.8	11.3%	428.6	14.0%	1,609.7	1,661.8	-3.1%

Sanitaryware revenues by end market

Amount in AED M	QUARTERLY COMPARISON					YEARLY COMPARISON		
	Q4 20	Q3 20		Q4 19		2020	2019	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
United Arab Emirates	36.2	30.4	19.0%	43.3	-16.5%	133.3	158.0	-15.6%
Kingdom of Saudi Arabia	5.7	6.3	-10.6%	5.2	7.8%	22.4	23.2	-3.2%
Middle East (Ex. UAE and KSA)	5.3	3.5	52.5%	3.4	57.3%	13.6	11.3	20.4%
India	7.3	5.7	26.4%	5.0	45.7%	19.6	18.0	9.1%
Europe	60.7	50.4	20.6%	45.3	34.2%	185.3	177.1	4.6%
Bangladesh	22.9	18.4	24.5%	24.6	-7.0%	65.9	90.3	-27.0%
Africa	3.0	2.4	24.7%	2.6	15.1%	8.5	12.9	-33.8%
Rest of the world	4.9	3.8	27.9%	3.1	57.7%	13.4	14.0	-4.5%
Total	145.9	120.9	20.7%	132.5	10.1%	462.2	504.7	-8.4%

EBITDA working

	QUARTERLY COMPARISON			YEARLY COMPARISON	
	Q4 20	Q3 20	Q4 19	2020	2019
Amount in AED M	Amount	Amount	Amount	Amount	Amount
Net profit/(loss) after tax	(170.7)	34.0	49.4	(126.2)	205.2
Tax	10.2	2.7	20.1	14.6	26.7
Interest- net	18.5	17.8	18.2	70.7	74.8
Depreciation & amortisations	43.3	43.6	46.1	175.4	175.9
Depreciation on hyper inflated assets	0.8	5.0	0.0	5.8	0.0
Impairment loss on real estate properties	213.2	0.0	0.0	213.2	0.0
Provision on dues in relation to leased Hotel impacted by Covid 19	23.1	0.0	0.0	23.1	0.0
Loss /(gain)on sale of assets and CWIP write-off	(0.5)	1.2	0.6	1.4	0.2
EBITDA	137.8	104.4	134.4	377.9	482.8

Like for Like net profit working

	QUARTERLY COMPARISON			YEARLY COMPARISON	
	Q4 20	Q3 20	Q4 19	2020	2019
Amount in AED M	Amount	Amount	Amount	Amount	Amount
Net profit /(loss) after tax	(170.7)	34.0	49.4	(126.2)	205.1
Add: Impairment on trade receivables	10.0	6.0	6.3	28.1	12.1
Less: Reversal of provision on Iraq project receivables	0.0	0.0	0.0	0.0	(22.2)
Add: Hyper-inflation impact	1.9	7.1	0.0	9.1	0.0
Impairment loss on real estate properties	213.2	0.0	0.0	213.2	0.0
Provision on dues in relation to leased Hotel impacted by Covid 19	23.1	0.0	0.0	23.1	0.0
Like for Like Net profit	77.5	47.2	55.6	147.3	195.1

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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