

# RAK

## CERAMICS

EARNINGS PRESENTATION - 2019 FY & Q4 2019 RESULTS

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FEBRUARY 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.

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# Key achievements 2019

## **Growth in Saudi Arabia**

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

## **Growth in Sanitaryware and Faucets business**

Market expansion in Europe, Saudi Arabia, Middle East and African markets.

## **Margin Improvement**

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

## **India Export growth**

India as a hub to serve export markets has been established successfully.

## **Product Differentiation**

Partnerships with renowned designers and investment in product development and innovation.

## **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 and Delhi.

# 2019 Key financial highlights

**Total revenue** decreased by -5.6% YoY to AED2.57bn. On constant currency basis, as of 2018, the total revenue decrease is -2.8% YoY.

AED 2.57 BN

**Total gross profit margin** increased by +120bps YoY to 33.2%, driven by an increase in tiles gross margins of +240bps YoY to 29.6%.

33.2%

**Reported net profit** decreased by -8.8% YoY to AED205.2m with a margin of 8.0%. **Net profit after minority** also decreased by -10.0% to AED164.4m mainly due to lower revenue.

AED 205.2 M

**Like for like net profit\*** decreased by -13.5% YoY to AED195.1m, with a margin decrease of -70bps YoY to 7.6%, mainly due to lower revenue.

AED 195.1 M

**Total EBITDA** increased by +8.9% YoY to AED482.8mn, with a margin increase of +250bps YoY to 18.8%.

AED 482.8 M

**Net Debt** decreased from AED 1.43bn in Dec 2018 to AED1.37bn in Dec 2019. **Net Debt to EBITDA** decreased from 3.23x in Dec 2018 to 2.85x in Dec 2019 (Sep 19, ND 1.47bn and ND to EBITDA 3.16x).

2.85x

\*exc. provisions and gains

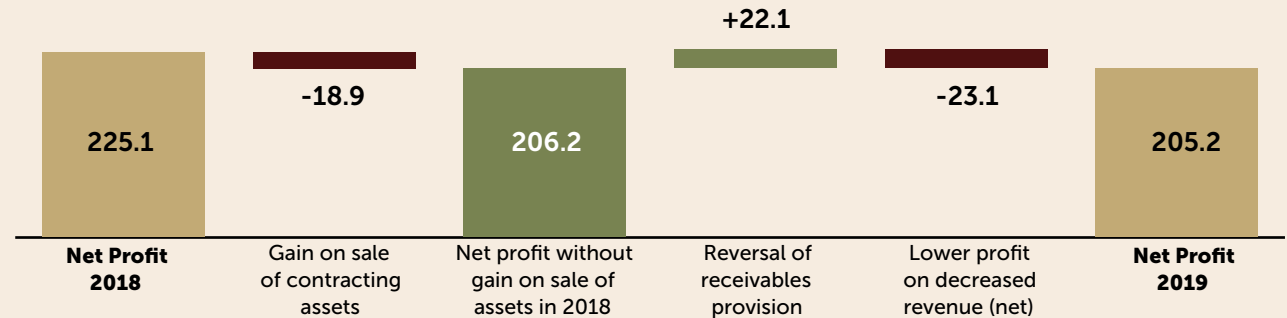
# 2019 Net profit bridge

## MANAGEMENT COMMENTS

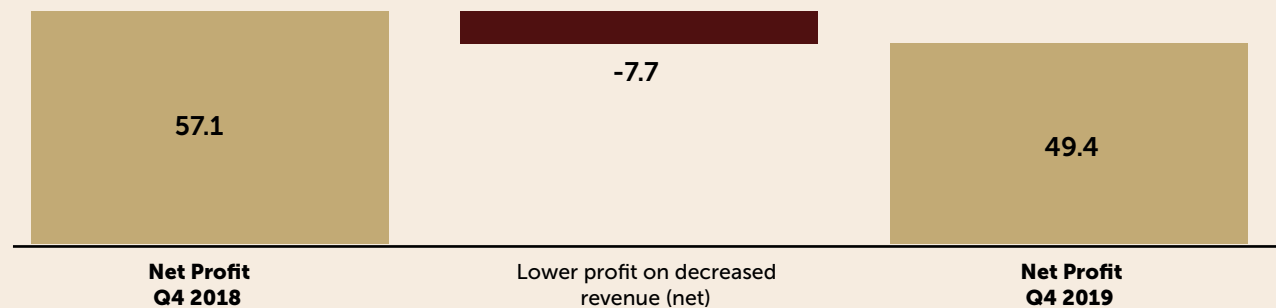
Reported net profit in 2019 decreased by -8.8% YoY to AED205.2m, due to a revenue decrease which impacting the bottom line by approximately AED23.1m.

Net profit in 2018 benefitted from gains on sale of contracting assets, while 2019 net profit was positively impacted by improved margins due to efficiencies.

### NET PROFIT BRIDGE 2019 VS 2018 (AEDM)



### NET PROFIT BRIDGE Q4 2019 VS Q4 2018 (AEDM)



# 2019 Tiles and SW revenues by end market

## MANAGEMENT COMMENTS

Weak economic outlook and increasing competition due to globally excess capacity continues to create a challenging business environment impacting volumes and putting pressure on prices.

Total revenue in 2019 decreased by -5.6% YoY. On constant currency of 2018, the total revenue decrease is -2.8% YoY.

Tiles revenue decreased by -9.9% YoY due to a decrease in volumes in all markets except Saudi Arabia & Bangladesh.

Sanitaryware revenue increased by +4.0% due to growth in all markets except UAE and Bangladesh.

Amount in AED M	TILES			SANITARYWARE		
	2019	2018	YoY Growth	2019	2018	YoY Growth
	Amount	Amount		Amount	Amount	
<b>United Arab Emirates</b>	<b>603.0</b>	627.2	<b>-3.9%</b>	<b>158.0</b>	165.4	<b>-4.5%</b>
<b>Kingdom of Saudi Arabia</b>	<b>248.7</b>	232.7	<b>6.9%</b>	<b>23.2</b>	16.4	<b>41.6%</b>
<b>Middle East<sup>1</sup></b>	<b>66.5</b>	115.1	<b>-42.3%</b>	<b>11.3</b>	9.4	<b>20.0%</b>
<b>India<sup>2</sup></b>	<b>254.7</b>	289.8	<b>-12.1%</b>	<b>18.0</b>	17.4	<b>3.4%</b>
<b>Europe<sup>3</sup></b>	<b>151.6</b>	182.3	<b>-16.9%</b>	<b>177.1</b>	155.7	<b>13.7%</b>
<b>Bangladesh<sup>4</sup></b>	<b>189.7</b>	180.5	<b>5.1%</b>	<b>90.3</b>	95.2	<b>-5.2%</b>
<b>Africa</b>	<b>68.6</b>	77.2	<b>-11.2%</b>	<b>12.9</b>	8.3	<b>54.9%</b>
<b>Rest of the world</b>	<b>79.0</b>	138.9	<b>-43.1%</b>	<b>14.0</b>	17.3	<b>-19.1%</b>
<b>Total</b>	<b>1,661.6</b>	<b>1,843.8</b>	<b>-9.9%</b>	<b>504.7</b>	<b>485.2</b>	<b>4.0%</b>

1. (Ex. UAE and KSA). 2. In local currency tiles -9.5% and SW +8.5% YoY. 3. In local currency tiles -12.4% and SW +19.8% YoY.  
4. In local currency tiles +5.8% and SW -4.6% YoY.

# Q4 2019 Key financial highlights

**Total revenue** decreased by -3.9% YoY to AED685.3m. On constant currency basis as of Q4 2018, total revenue decreased by -2.9% YoY.

AED 685.3M

**Total gross profit margin** increased by +170bps YoY to 33.6%, driven by an increase in tiles gross margins of +370bps YoY to 31.2%.

33.6%

**Reported net profit** decreased by -13.5% YoY to AED49.4m, with a margin decrease of -80bps YoY to 7.2%.

AED 49.4M

**Net profit after minority** decreased by -19.0% YoY to AED35.1m, with a margin decrease of -100bps to 5.1% YoY.

AED 35.1M

**Like for like net profit\*** decreased by -14.8% YoY to AED 55.6m, with a margin decrease of -100bps to 8.1% YoY, mainly due to lower revenues.

AED 55.6M

**Total EBITDA** increased by +14.5% YoY to AED 134.4m, with a margin increase of 310bps YoY to 19.6%.

AED 134.4M

\*exc. provisions and gains



# Revenue highlights

## MANAGEMENT COMMENTS

Q4 Total revenue in decreased by -3.9% (-2.9% on constant currency basis) YoY.

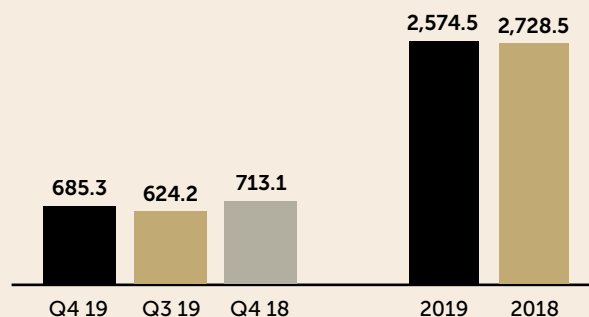
Q4 Tiles revenue decreased by -10.5% YoY due to lower volumes in all markets except UAE, KSA and Bangladesh.

Q4 Sanitaryware revenue increased by +2.8% YoY.

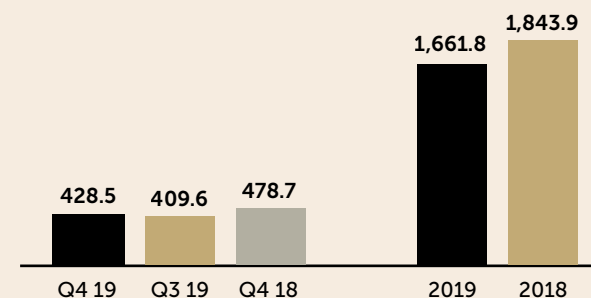
Q4 Tableware revenue increased by +4.6% (+5.8% on constant currency basis) YoY due to higher sales in Middle East and Asian markets. USA market has increased by +25.1% and UAE by +1.4% in full year YoY.

Other (non core) Q4 revenue increased by +51.3% YoY to AED45.4m due to ceramic raw material trading and paints businesses.

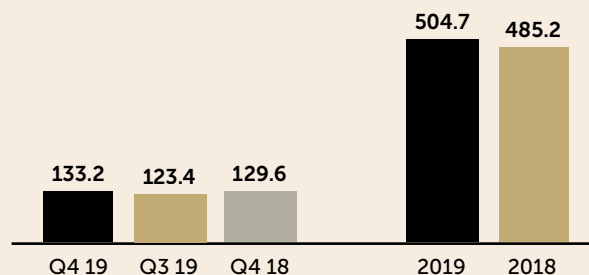
### TOTAL REVENUE (AEDM)



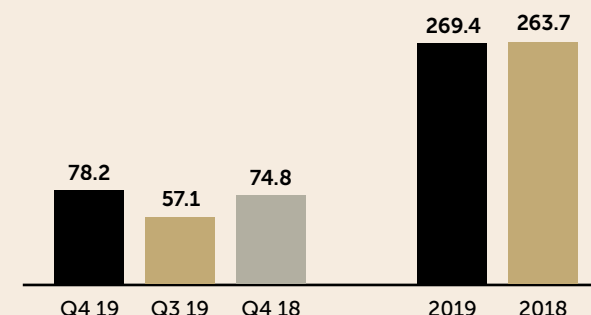
### TILES REVENUE (AEDM)



### SANITARYWARE REVENUE (AEDM)



### TABLEWARE REVENUE (AEDM)



# Q4 Tiles and SW revenues by end market

Amount in AED M	TILES					SANITARYWARE				
	Q4 19		Q3 19		Q4 18	Q4 19		Q3 19		Q4 18
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth	Amount	Growth
<b>United Arab Emirates</b>	<b>163.7</b>	146.0	<b>12.1%</b>	171.2	<b>-4.4%</b>	<b>43.3</b>	36.5	<b>18.5%</b>	45.3	<b>-4.4%</b>
<b>Kingdom of Saudi Arabia</b>	<b>73.3</b>	64.9	<b>13.0%</b>	57.5	<b>27.4%</b>	<b>5.3</b>	6.3	<b>-15.9%</b>	3.7	<b>40.5%</b>
<b>Middle East<sup>1</sup></b>	<b>10.4</b>	18.2	<b>-42.8%</b>	32.7	<b>-68.2%</b>	<b>3.4</b>	3.5	<b>-4.7%</b>	2.6	<b>30.3%</b>
<b>India<sup>2</sup></b>	<b>59.3</b>	62.7	<b>-5.5%</b>	69.4	<b>-14.5%</b>	<b>5.0</b>	3.5	<b>41.0%</b>	4.5	<b>11.4%</b>
<b>Europe<sup>3</sup></b>	<b>30.4</b>	35.1	<b>-13.4%</b>	38.0	<b>-20.1%</b>	<b>45.3</b>	45.9	<b>-1.4%</b>	40.6	<b>11.4%</b>
<b>Bangladesh<sup>4</sup></b>	<b>57.9</b>	48.7	<b>18.9%</b>	47.5	<b>21.9%</b>	<b>25.3</b>	21.8	<b>16.3%</b>	26.2	<b>-3.4%</b>
<b>Africa</b>	<b>14.9</b>	15.1	<b>-1.6%</b>	23.2	<b>-35.8%</b>	<b>2.6</b>	2.8	<b>-8.1%</b>	2.7	<b>-4.5%</b>
<b>Rest of the world</b>	<b>18.4</b>	18.9	<b>-2.5%</b>	39.2	<b>-53.1%</b>	<b>3.1</b>	3.0	<b>2.8%</b>	3.9	<b>-20.5%</b>
<b>Total</b>	<b>428.3</b>	<b>409.6</b>	<b>4.6%</b>	<b>478.7</b>	<b>-10.5%</b>	<b>133.2</b>	<b>123.4</b>	<b>7.9%</b>	<b>129.5</b>	<b>2.8%</b>

1. (Ex. UAE and KSA). 2. In local currency tiles -15.8% and SW +11.1% YoY. 3. In local currency tiles -15.7% and SW +17.4% YoY. 4. In local currency tiles +23.1% and SW -2.7% YoY.

# Gross profit margins

## MANAGEMENT COMMENTS

Q4 Total gross margin increased by +170bps YoY to 33.6%.

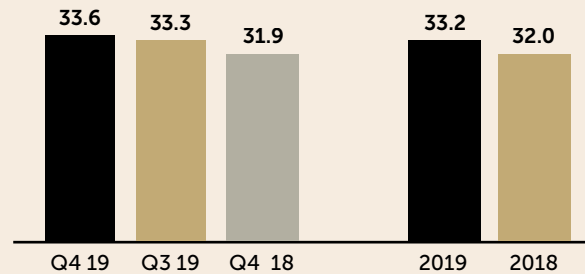
Q4 Tiles margin increased by +370bps YoY to 31.2% driven by continued cost reductions, improved operational efficiencies and sale of higher margin products.

Q4 Sanitaryware margin is lower by -180bps YoY to 36.2% due to lower sales in UAE and Bangladesh market.

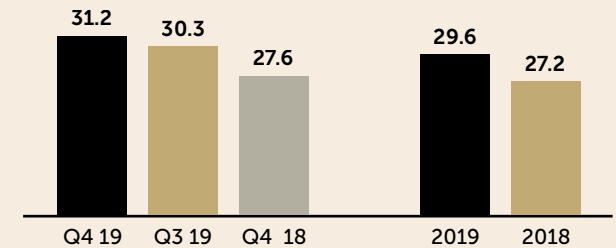
Q4 Tableware margins decreased by -210bps YoY to 48.4% due to a change in the product mix.

RAK Ceramics continue to pay higher gas price than peers. In response we have opted a hedging strategy to counter the fluctuation on crude oil price effective April 2019 (Gain of AED1.2m recorded in 2019).

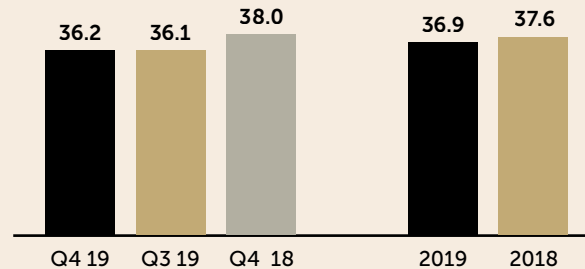
### TOTAL GROSS MARGINS (%)



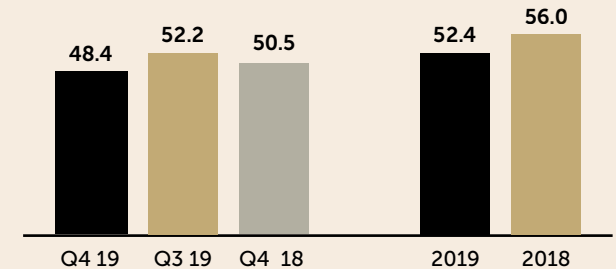
### TILES GROSS MARGINS (%)



### SANITARYWARE GROSS MARGINS (%)



### TABLEWARE GROSS MARGINS (%)



# Financial highlights

Amount in AED M	QUARTERLY COMPARISON			YEARLY COMPARISON		YEARLY COMPARISON		
	Q4 19	Q3 19		Q4 18		2019	2018	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
<b>Revenue</b>	<b>685.3</b>	624.2	<b>9.8%</b>	713.1	<b>-3.9%</b>	<b>2,574.5</b>	2,728.5	<b>-5.6%</b>
<b>Gross margin (%)</b>	<b>33.6%</b>	33.3%	<b>0.4%</b>	31.9%	<b>1.7%</b>	<b>33.2%</b>	32.0%	<b>1.2%</b>
<b>EBITDA</b>	<b>134.4</b>	108.7	<b>23.7%</b>	117.4	<b>14.5%</b>	<b>482.8</b>	443.2	<b>8.9%</b>
<b>Reported net profit</b>	<b>49.4</b>	45.6	<b>8.5%</b>	57.1	<b>-13.5%</b>	<b>205.2</b>	225.1	<b>-8.8%</b>
<b>Adjustments for Like for Like net profit (net)*</b>	<b>6.2</b>	3.5	n/a	8.2	n/a	<b>-10.1</b>	0.4	n/a
<b>Like for like net profit</b>	<b>55.6</b>	49.1	<b>13.2%</b>	65.3	<b>-14.8%</b>	<b>195.1</b>	225.5	<b>-13.5%</b>
<b>Capital expenditure</b>	<b>68.3</b>	33.7	<b>102.8%</b>	96.4	<b>-29.1%</b>	<b>177.8</b>	243.8	<b>-27.1%</b>
<b>Net debt</b>	<b>1,374.3</b>	1,467.0	<b>-6.3%</b>	1,428.9	<b>-3.8%</b>	<b>1,374.3</b>	1,428.9	<b>-3.8%</b>
<b>Net debt / EBITDA</b>	<b>2.85x</b>	3.16x	<b>-9.6%</b>	3.23x	<b>-11.7%</b>	<b>2.85x</b>	3.23x	<b>-11.7%</b>

\* \*Adjustments of AED -10.1 mn in 2019 includes the reversal of an AED 22.1mn receivables provision and additional provision of AED 12.1mn for receivables .

\* \*Adjustment of AED 0.4mn in 2018 includes a gain on sale of contracting assets of AED 18.9mn and provisions for receivables of AED 19.3mn

# Operating cycle

## MANAGEMENT COMMENTS

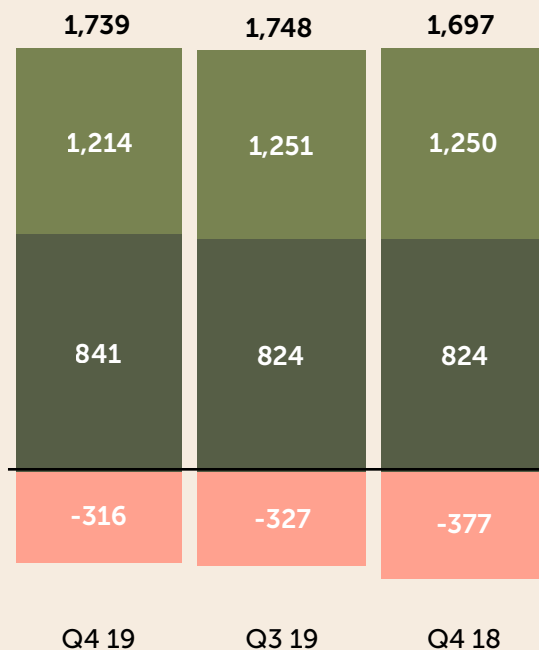
Inventory days reduced from 261 days to 258 days QoQ and in absolute terms it is decreased by AED37m.

Trade receivable days increased from 116 days to 119 days QoQ.

Trade payable days decreased from 68 days to 67 days QoQ.

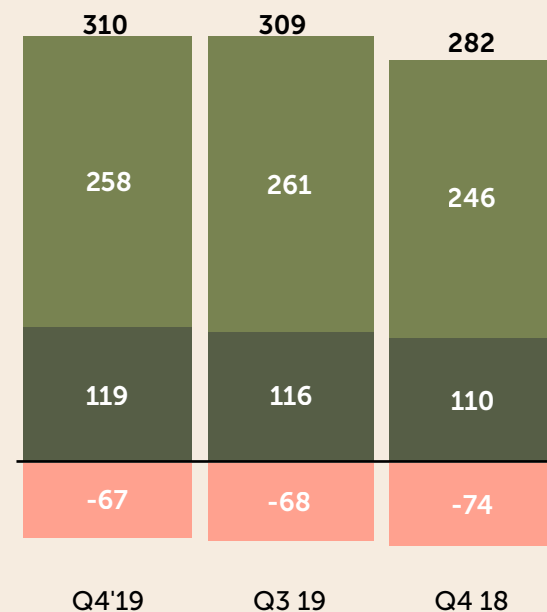
Increase in overall working capital days compared to Q4 2018 was mainly due to a decreased in YoY sales by -5.6% and a reduction in trade payable days from 74 days to 67 days for Capex payments.

## OPERATING CYCLE (AED M)



Trade Payables Trade receivables Inventories

## OPERATING CYCLE (LTM DAYS)



Payable days Receivable Days Inventory Days

# 2020 Priorities

Protecting the UAE,  
Bangladesh markets,  
Tableware  
and faucets

Growing in Saudi Arabia  
by rolling out the UAE  
model

Turnaround Europe and  
Indian operations

Diversify and improve  
profitability export  
markets

Keep investing on  
branding and positioning

Increase retail footprint  
by opening new  
showrooms in core  
markets

# 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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# RAK

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