

RAK

CERAMICS

EARNINGS PRESENTATION - Q1 2019 RESULTS

MAY 2019

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 business highlights

Business performance

Revenue remained subdued in tiles as January dispatches have been weak. However there has been growth in sanitaryware, tableware and faucets businesses.

Margins improved

Total and tiles gross profit margins increased with continued focus on cost reductions and operational efficiencies.

India turnaround

Commercial production began in Morbi Greenfield project in Feb 2019 and development of product ranges is in progress.

Capacity utilisation reached 86% in another Morbi JV.

Saudi Arabia

Merger of two Saudi entities is still in progress.

Expansion for tiles manufacturing in Saudi Arabia is in progress.

Discussions on land and Gas allocation are on way.

Robust tableware growth

Robust growth in revenue supported by strong growth in US and European markets.

Branding and positioning

Revamping of own and dealer's showroom and shop-in-shop concept are in process.

Q1 2019 Key financial highlights

Total revenue decreased by -6.3% to AED620.3m YoY due to a decrease of -11.6% in tiles revenue.

AED620.3M

Total gross profit margin increased by +100bps YoY to 32.8% due to increase in tiles gross profit margin by +90bps to 27.8%.

32.8%

Reported net profit decreased to AED36.9m from AED65.4m with a margin of 5.9%. (Q1 2018 profit included 18.9mn on sale of assets.

Net profit after minority decreased by -48.2% to AED29.0m.

AED36.9M

Total EBITDA decreased by -9.0% to AED97.9m YoY with margin decreasing by 100bps to 15.8%.

AED97.9M

Like for like net profit* decreased by -23.5% to AED38.1m with a margin decrease of -140bps to 6.1% YoY.

AED38.1M

Net Debt increased from AED1.43bn in Dec 2018 to AED1.53bn. in Mar 2019 and Net Debt to EBITDA increased from 3.23x to 3.54x for payment of dividends of AED135m.

3.54x

*exc. provisions and gains

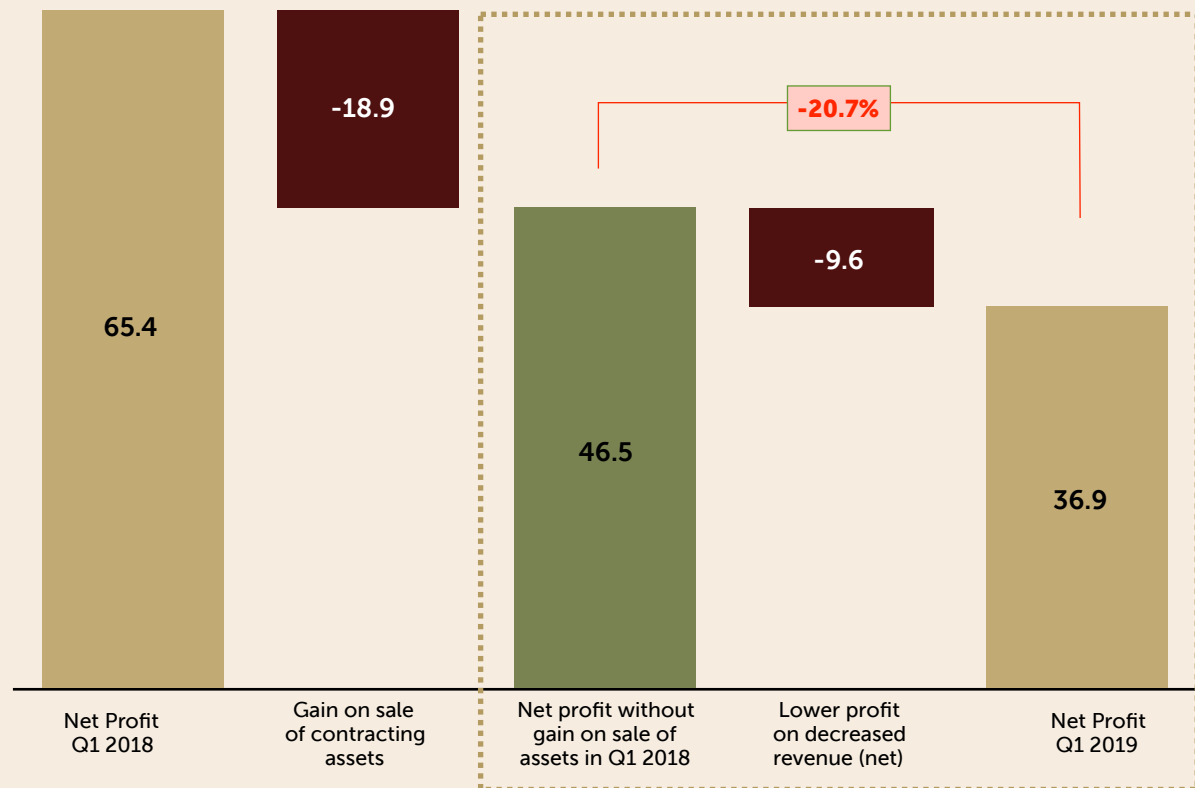
Q1 2019 Net Profit Bridge

MANAGEMENT COMMENTS

Reported net profit was AED36.9 million, -43.6% YoY. Net profit in Q1 2018 included gain of AED18.9mn on sale of contracting assets.

Excluding gain on sale of contracting assets in Q1 2018, net profit for Q1 2019 decreased by -20.7% YoY mainly due to lower tiles revenue.

NET PROFIT BRIDGE (AEDM)



Revenue highlights

MANAGEMENT COMMENTS

Total revenue in Q1 2019 decreased by -6.3% YoY.

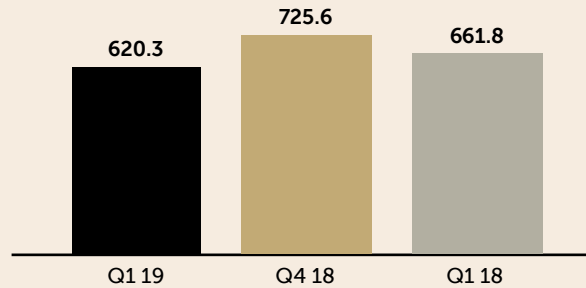
Tiles revenue decreased by -11.6% YoY due to a decrease in revenue from UAE, Saudi Arabia, Middle East, India and Bangladesh markets.

Sanitaryware revenue increased by +6.3% YoY driven by European markets.

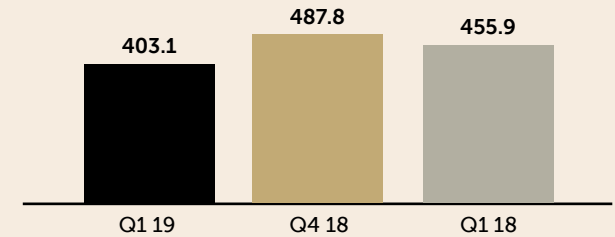
Tableware revenue increased by +15.1% YoY driven by UAE, Europe, US and Asian markets.

Others (Non core) revenue decreased by -11.8% YoY to AED30.9mn mainly due to decrease in ceramic raw material trading business.

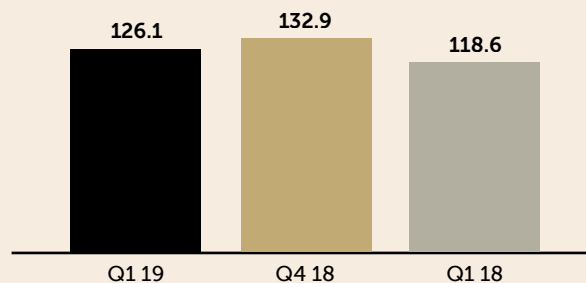
TOTAL REVENUE (AEDM)



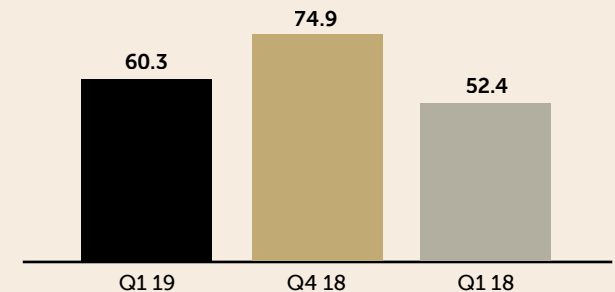
TILES REVENUE (AEDM)



SANITARY WARE REVENUE (AEDM)



TABLEWARE REVENUE (AEDM)



Tiles & Sanitaryware revenues by end market

	TILES REVENUE BY END MARKET					SANITARYWARE REVENUE BY END MARKET				
	Quarterly comparison			Yearly comparison		Quarterly comparison			Yearly comparison	
	Q1 19	Q4 18		Q1 18		Q1 19	Q4 18		Q1 18	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth	Amount	Growth
United Arab Emirates	141.9	171.4	-17.2%	156.9	-9.6%	38.6	45.3	-14.7%	42.1	-8.3%
Kingdom of Saudi Arabia	49.0	58.1	-15.6%	55.2	-11.2%	6.0	3.9	52.6%	5.8	3.4%
Middle East (Ex. UAE and KSA)	18.2	32.9	-44.8%	28.6	-36.4%	1.7	2.6	-34.9%	2.3	-26.1%
India*	69.4	69.4	0.1%	80.2	-13.5%	5.4	4.5	20.6%	4.6	17.4%
Europe	44.8	41.0	9.3%	45.2	-0.9%	40.9	41.2	-0.7%	32.1	27.4%
Bangladesh*	44.3	50.9	-12.9%	49.2	-9.9%	25.7	28.8	-10.8%	25.8	-0.4%
Africa	16.6	24.9	-33.2%	16.4	1.1%	3.2	2.7	20.6%	1.4	130.0%
Rest of the world	18.8	39.3	-52.1%	24.1	-22.0%	4.5	4.0	14.4%	4.5	0.4%
Total	403.1	487.8	-17.4%	455.9	-11.6%	126.1	132.9	-5.2%	118.6	6.3%

* In Local currency, tiles revenue growth in India and Bangladesh for Q1'19 YoY is -5.2% and -9.4% % respectively and sanitaryware revenue growth in India and Bangladesh for Q1'19 YoY is +32.6 and +0.3 % respectively

Gross profit margins

MANAGEMENT COMMENTS

Total gross margin increased by +100bps YoY to 32.8%

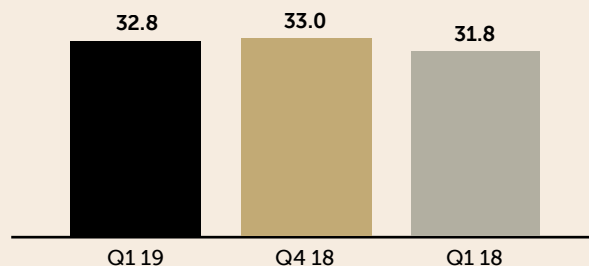
Tiles margin increased by +90bps YoY to 27.8% driven by continued improvements in operational efficiencies.

Sanitaryware margins are stable at 39.9% while tableware margins decreased by -8.4% YoY to 51.6% due to change in product mix.

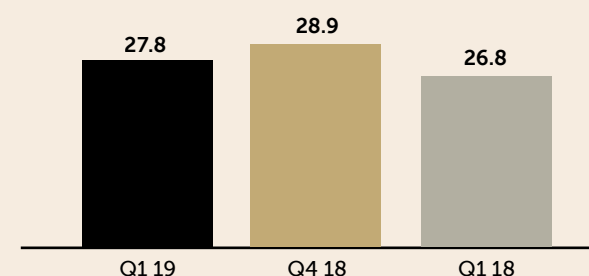
RAKC is at significant disadvantage to its peers as it pays a higher gas price, however RAKC remains profitable.

RAKC would deliver higher income growth if gas costs were competitive. As a strategy, gas cost has been partially hedged by hedging the crude effective April 2019.

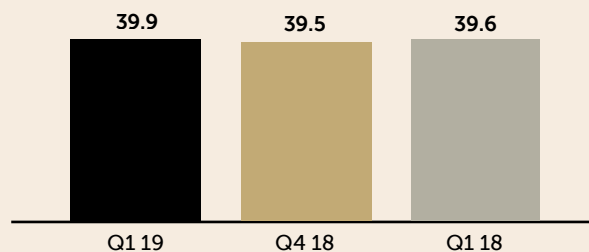
TOTAL GROSS MARGINS (%)



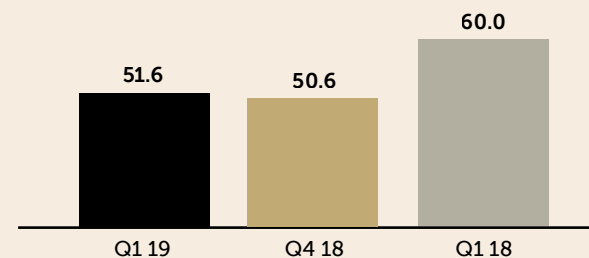
TILES GROSS MARGINS (%)



SANITARYWARE GROSS MARGINS (%)



TABLEWARE GROSS MARGINS (%)



Financial highlights

FINANCIAL HIGHLIGHTS (AEDM)

	QUARTERLY COMPARISON		YEARLY COMPARISON		
	Q1 19	Q4 18		Q1 18	
	Amount	Amount	Growth	Amount	Growth
Revenue	620.3	725.6	-14.5%	661.8	-6.3%
Gross margin (%)	32.8%	33.0%	-0.2%	31.8%	1.0%
EBITDA	97.9	116.5	-16.0%	107.5	-8.9%
Reported net profit	36.9	57.1	-35.4%	65.4	-43.6%
Adjustments for Like for Like net profit (net)	-1.2	8.2	n/a	-15.5	n/a
Like for like net profit	38.1	65.3	-41.7%	49.9	-23.6%
Capital expenditure	67.5	96.4	-30.0%	31.1	117.0%
Net debt	1,530.4	1,428.9	7.1%	1,555	-1.6%
Net debt / EBITDA	3.54x	3.23x	4.1%	2.96x	-17.4%

Operating cycle

MANAGEMENT COMMENTS

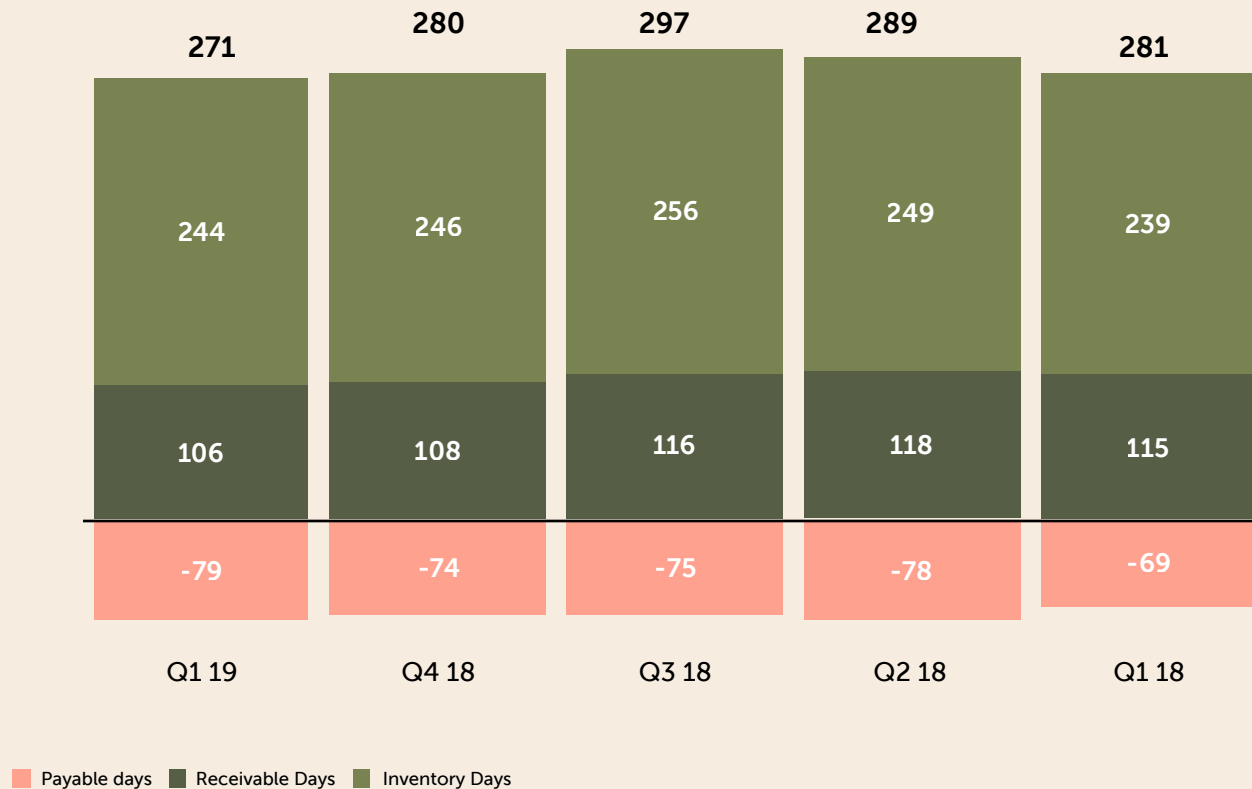
Inventory days decreased from 246 days to 244 days QoQ.

Trade receivable days decreased from 108 days to 106 QoQ.

Trade payable days increased from 74 days to 79 days.

Overall operating capital cycle reduced by 9 days to 271 days QoQ.

OPERATING CYCLE (LTM DAYS)



2019 Priorities

Protect growth in UAE, India, Bangladesh, RAK Porcelain and Kludi-RAK

Turnaround India and establish hub for exports

Improve profitability in Europe and Saudi Arabia

Optimise production

Develop strategy to counter increased gas price

Continue cost efficiencies manage margins

Continue focus on branding supported by shop in shop concept

Reduction in FG Inventory

Identify opportunistic acquisitions

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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