

RAK

CERAMICS

EARNINGS PRESENTATION Q3 2018 RESULTS



NOVEMBER 2018

Attendees



Abdallah Massaad

Group Chief Executive Officer

Abdallah Massaad is Group CEO of RAK Ceramics and has more than 25 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

Core business growth

Core business remained stable supported by strong sales in UAE and Europe and growth in the tableware business.

India turnaround

Production trials began in Morbi expansion in October 18.

Greenfield project underway in Morbi with expected commercial production by Q1 2019.

Exploring export options.

Saudi Arabia integration

Integration of acquired Saudi Arabian JV's continuing with a focus on workforce and warehouse rationalisation.

Legal entity consolidation options being explored.

Robust tableware growth

Robust growth and improved gross margins supported by strong growth in US and Europe markets.

Margin enhancements

Stable gross profit margins despite increase in energy and raw material costs.

Continued focus on cost reductions and operational efficiencies.

Non-core exits

No new updates.

Q3 2018 Key financial highlights

Core revenue decreased by -0.6% to AED639.6m YoY.

Total revenue decreased by -5.1% to AED669.5m YoY due to a decrease of -51.5% in non-core revenue.

-0.6%

Core gross profit margin increased by +50bps YoY to 33.2%.

Total gross profit margin increased by +190bps YoY to 33.3%.

33.3%

SG&A and finance cost (net) increased by +27.7% to AED188.2m YoY. SG&A due to consolidation of Saudi Arabian entities, and UAE and tableware costs. Finance cost due to FX loss and increased LIBOR.

+27.7%

Core EBITDA decreased by -24.3% to AED97.8m with margin decreasing by -480bps to 15.3%.

Total EBITDA decreased by -27.3% to AED108.3m YoY.

AED108.3M

Reported net profit decreased to AED47.4m from AED84.7m with a margin of 7.1%.

AED47.4M

Like for like net profit* decreased by -40.3% to AED51.9m with a margin decrease of -460bps to 7.8% YoY.

AED51.9M

*exc. provisions and gains

9M 2018 Key financial highlights

Core revenue increased by +1.0% to AED1.95bn YoY.

Total revenue decreased by -2.7% to AED2.05bn YoY due to a decrease in non-core revenue by -41.9%.

+1.0%

Core gross profit margin increased by +30bps to 33.3% YoY.

Total gross profit margin increased by +110bps to 33.2% YoY.

33.2%

Core EBITDA decreased by -14.2% YoY to AED304.2m, with a margin decrease of -280bps YoY to 15.6%.

Total EBITDA decreased by -17.9% YoY to AED337.1m.

AED337.1M

Reported net profit decreased to AED167.9m from AED262.3m with margin of 8.2%.

AED167.9M

Like for like net profit* decreased by -28.2% to AED 160.2m with margin of 7.8% a decrease of -280bps YoY.

AED160.2M

Net Debt increased by +5.5% to AED1.48bn compared to December 2017 and net debt to EBITDA increased from 2.64x to 3.23x for payment of dividends.

3.23x

*exc. provisions and gains

Revenue highlights

MANAGEMENT COMMENTS

Total revenue in Q3 2018 decreased by -5.1% YoY.

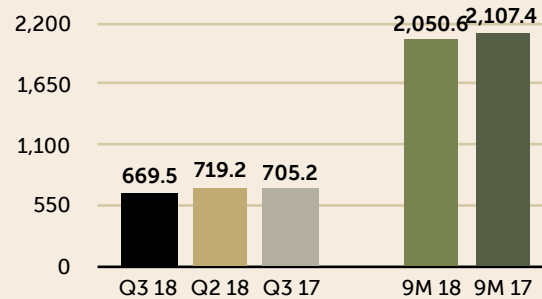
Core revenue decreased by -0.6% YoY and -5.7% QoQ due to EID and summer slowdown in August.

Tiles revenue decreased by -2.8% YoY and -5.9% QoQ due to a decrease in revenue from KSA, India and Bangladesh markets.

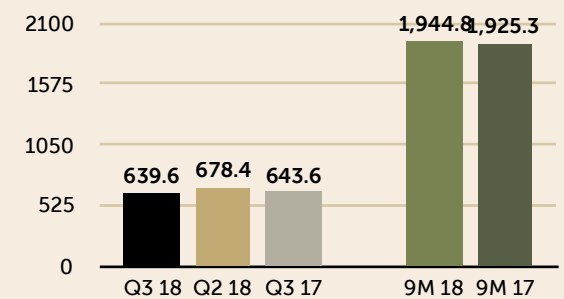
Sanitaryware revenue increased by +4.8% YoY and +5.8% QoQ due to sales in UAE and Europe markets.

Tableware revenue increased +5.9% YoY due to growth in Europe and US markets.

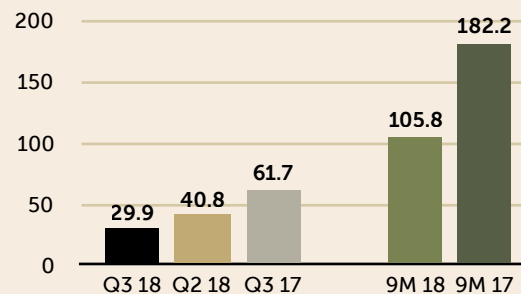
TOTAL REVENUE (AED M)



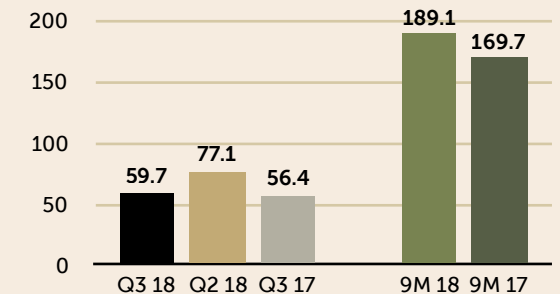
CORE REVENUE (AED M)



NON-CORE REVENUE (AED M)



TABLEWARE REVENUE (AED M)



Tiles revenue by end market

	QUARTERLY COMPARISON					YEARLY COMPARISON		
	Q3 18	Q2 18		Q3 17		9M 18	9M 17	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
United Arab Emirates	143.1	155.9	-8.2%	134.0	6.8%	456.0	414.2	10.1%
Kingdom of Saudi Arabia*	56.7	71.1	-20.3%	60.8	-6.7%	182.9	165.0	10.8%
Middle East (Ex. UAE & KSA)**	31.2	22.7	37.4%	29.3	6.5%	82.4	91.5	-9.9%
India	66.2	73.9	-10.4%	81.6	-18.9%	220.4	223.6	-1.4%
Europe	49.8	58.3	-14.6%	51.1	-2.5%	153.4	170.6	-10.1%
Bangladesh	47.3	45.7	3.5%	52.7	-10.2%	142.2	152.0	-6.4%
Africa	21.0	16.6	26.5%	31.5	-33.3%	54.0	93.3	-42.1%
Rest of the world	38.2	37.6	1.6%	25.5	49.8%	99.8	79.3	25.9%
Total	453.5	481.8	-5.9%	466.5	-2.8%	1,391.1	1,389.5	0.1%

*Excluding consolidation of Saudi JV's, tiles growth is -29.6% in Q3 18 YoY and -5.6% in 9M 18 YoY ** 9M'17 includes sales to Qatar AED 9.0mn

Sanitaryware revenue by end market

	QUARTERLY COMPARISON					YEARLY COMPARISON		
	Q3 18	Q2 18		Q3 17		9M 18	9M 17	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
United Arab Emirates	42.0	36.1	16.3%	38.6	8.8%	120.2	115.8	3.8%
Kingdom of Saudi Arabia*	2.8	4.6	-39.1%	4.3	-34.9%	13.2	15.6	-15.4%
Middle East (Ex. UAE & KSA)**	2.5	2.1	19.0%	3.1	-19.4%	6.9	15.3	-54.9%
India	4.0	4.3	-7.0%	4.6	-13.0%	12.9	12.6	2.4%
Europe	41.1	43.4	-5.3%	35.6	15.4%	116.6	107.2	8.8%
Bangladesh	26.8	23.2	15.5%	27.2	-1.5%	75.8	75.9	-0.1%
Africa	2.7	1.5	80.0%	2.1	28.6%	5.6	8.9	-37.1%
Rest of the world	4.6	4.4	5.6%	5.2	-10.6%	13.4	14.8	-9.5%
Total	126.5	119.6	5.8%	120.7	4.8%	364.6	366.1	-0.4%

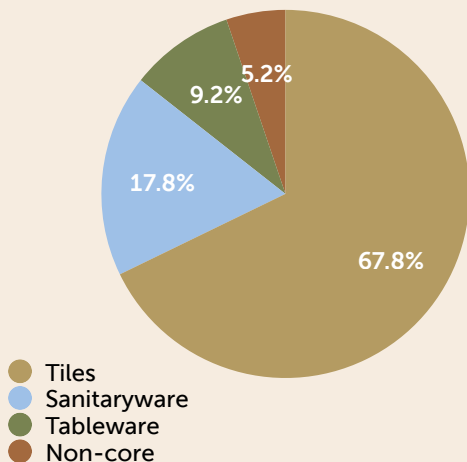
*Excluding consolidation of Saudi JV's, Sanitaryware growth is -43.0% in Q3 18 YoY and -25.9% in Q3 18 YoY. ** 9M'17 Includes AED 2.9mn sales to Qatar

Revenue contribution

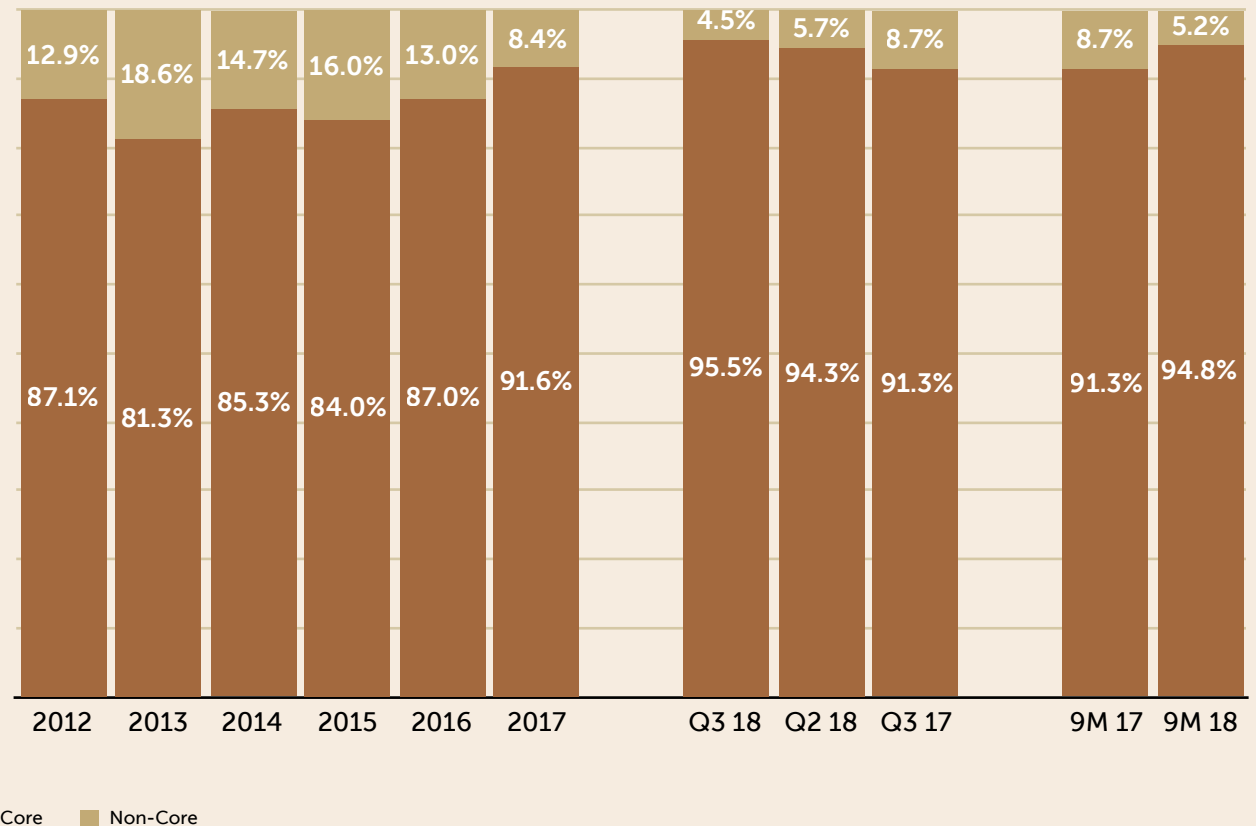
MANAGEMENT COMMENTS

Non-core revenue contribution reached an all time low of 4.5% in Q3 2018 driven by our strategic focus on divesting non-core operations. Including the discontinuation of the rough grading business.

9M 2018 SEGMENT CONTRIBUTION (%)



CORE AND NON-CORE REVENUE (%)



Gross profit margins

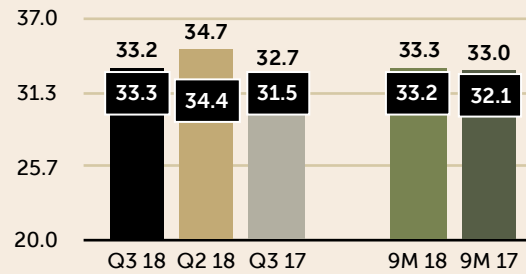
MANAGEMENT COMMENTS

Total gross margin increased by +190bps YoY.

Core margin increased by +50bps YoY to 33.2% driven by; improvement in operational efficiencies; higher gross profits in Iran and tableware despite an increase in energy and raw material costs; and the consolidation of Saudi Arabian entities contributed +70bps to core margins YoY.

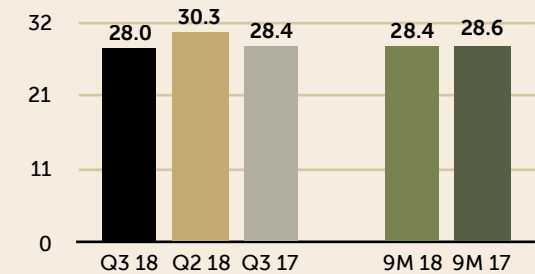
Tiles and sanitaryware gross margin decreased by -40bps and -130bps YoY respectively. Tableware margin increased due to increased business in US operations.

CORE GROSS MARGINS (%)

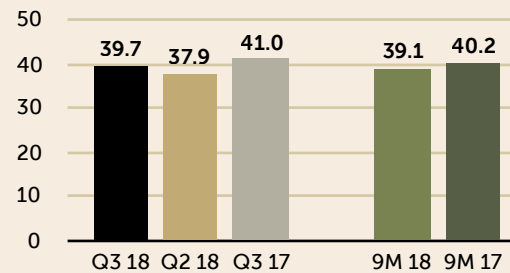


Total gross profit margin

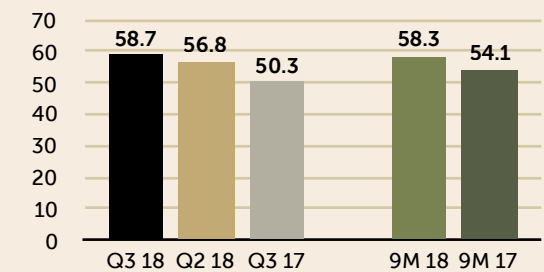
TILES GROSS MARGINS (%)



SANITARYWARE GROSS MARGINS (%)



TABLEWARE GROSS MARGINS (%)



Financial highlights

FINANCIAL HIGHLIGHTS (AED M)

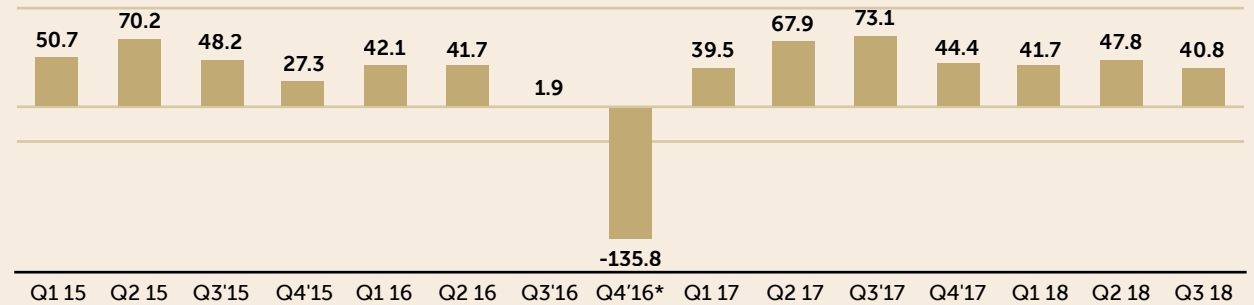
	Quarterly Comparison					Yearly Comparison		
	Q3 18	Q2 18		Q3 17		9M 18	9M 17	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
Revenue	669.5	719.2	-6.9%	705.2	-5.1%	2,050.6	2,107.4	-2.7%
Core revenue	639.6	678.4	-5.7%	643.6	-0.6%	1,944.8	1,925.3	1.0%
Gross margin (%)	33.3%	34.4%	-1.1%	31.5%	1.8%	33.2%	32.1%	1.1%
Core gross margin	33.2%	34.7%	-1.5%	32.7%	0.5%	33.3%	33.0%	0.3%
EBITDA	108.3	117.9	-8.1%	149.0	-27.3%	337.1	410.6	-17.9%
Core EBITDA	97.8	107.0	-8.6%	129.2	-24.3%	304.2	354.3	-14.1%
Reported net profit	47.4	55.1	-14.0%	84.7	-44.0%	167.9	262.4	-36.0%
Extraordinary gain (net)	-	-	n/a	2.2	n/a	(7.6)	-39.1	n/a
Like for like net profit	51.9	58.5	-11.3%	87.0	-40.3%	160.2	223.3	-28.3%
Capital expenditure	63.0	53.5	-15.1%	21.4	-66.0%	147.5	62.2	137.1%
Net debt	1,485.5	1,517.0	-2.1%	1,540.2	-3.6%	1,485.5	1,540.2	-3.6%
Net debt / EBITDA	3.23x	3.03x	-6.6%	3.0x	-7.8%	3.23x	3.0x	-7.8%

Core net profit and shareholder return

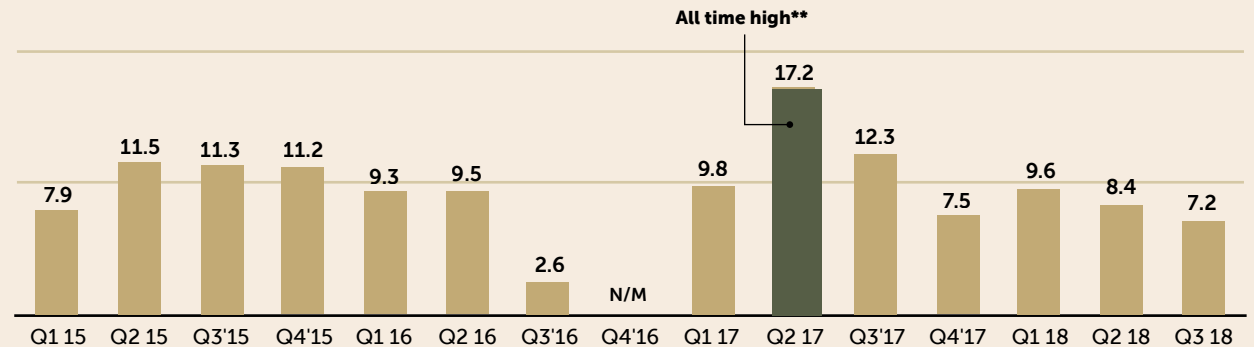
MANAGEMENT COMMENTS

Core net profit decreased by -14.6% QoQ with a margin decrease by -70bps due to decrease in revenue and higher energy and raw material costs.

CORE NET PROFIT (AED MN)



RETURN ON EQUITY (%)



* Includes extraordinary provision of AED131.8m **Includes extraordinary Net Gain of AED34.8m towards sale of RAK Warehouse Leasing stake. Impact was 5.3%.

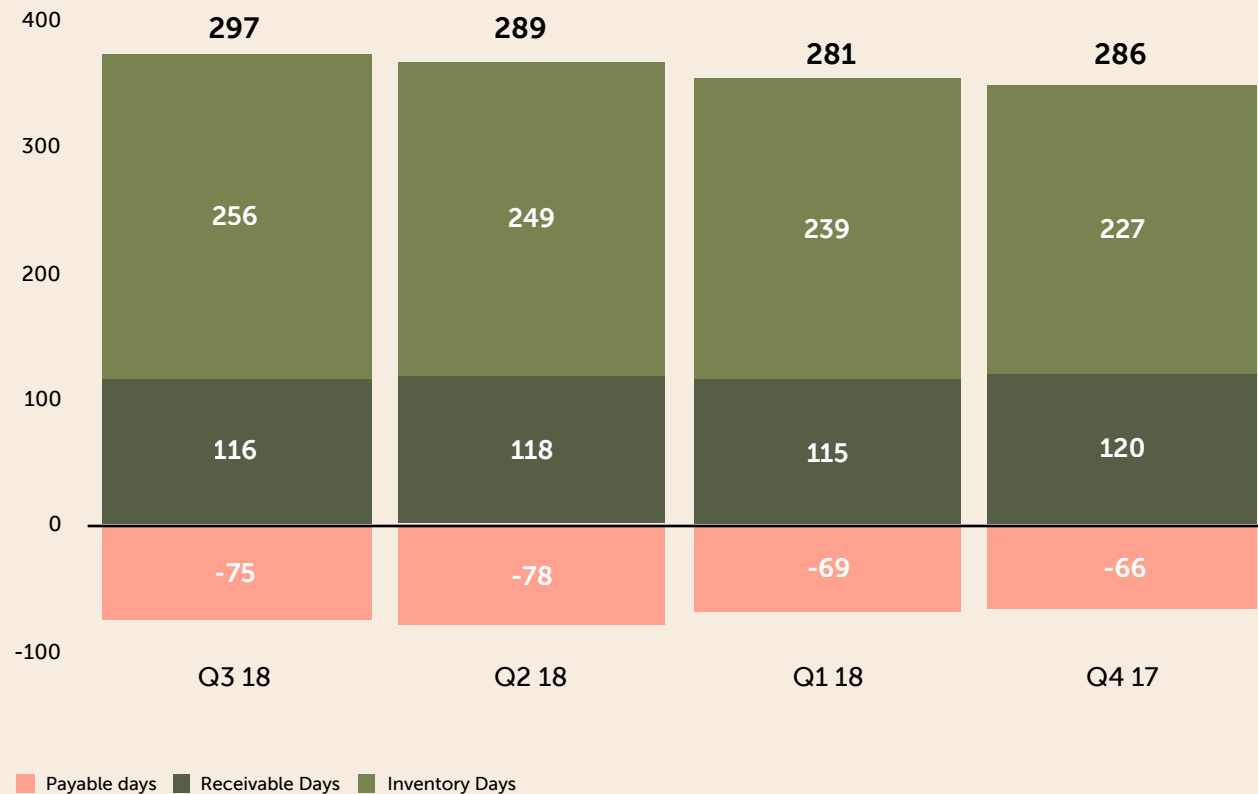
Operating cycle

MANAGEMENT COMMENTS

Inventory days increased from 249 days to 256 days QoQ.

Finished goods inventory increased by 7 days from 157 to 164 days QoQ due to lower revenue.

OPERATING CYCLE (LTM DAYS)



2018 Priorities

Maintain/increase market share and profitability of UAE, India, Bangladesh, Porcelain and Kludi-RAK

Europe profitability improvement

Continue product portfolio optimisation

Optimised production

India turnaround and hub for exports

Continue focus on branding roll out supported by shop in shop concept

Continue cost efficiencies and manage margins

Finalise post acquisition integration in Saudi Arabia

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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