

RAK

CERAMICS

EARNINGS PRESENTATION - Q3 2019 RESULTS



NOVEMBER 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 strategy and highlights

Business strategy

Continued competition due to globally excess capacity and increasing pricing pressure creating challenging environment. Focus to maintain brand image, differentiate product portfolio and maintain profitability.

Margins improved

Total and tiles gross profit margins increased with continued focus on product differentiation, optimising production and increasing operational efficiencies by leveraging automation and process enhancements.

India turnaround

Ramp up production of slabs, increase exports, production cost reduction and strengthening market position. Capacity utilisation increased to 65% in slab manufacturing JV and 100% in another Morbi JV. Both JV's are performing well with positive bottom line.

Saudi Arabia

Work force and warehouse rationalisation is completed and benefits have started accruing. Study and finalizing the plans for development of a tiles manufacturing facility is still in process.

Tableware growth

Growth in revenue supported by strong growth in USA, UAE and Asian markets.

Branding and positioning

Revamping of own and dealer's showroom and shop-in-shop concept are on track and progressing well. The launch of new collections in tiles and sanitaryware well received at the Cersaie fair in Italy.

Q3 2019 Key financial highlights

Total revenue decreased by -5.0% YoY to AED636m. On constant currency as of Q3 2018, the total revenue decrease is -3.1% YoY.

AED636.0M

Total gross profit margin increased by +120bps YoY to 34.5%, driven by an increase in tiles gross margins of +320bps YoY to 31.1%.

34.5%

Reported net profit decreased by -3.9% YoY to AED45.6m while Net profit margin remained stable at 7.2%.

AED45.6M

Net profit after minority increased by +1.7% YoY to AED39.1m with Net profit margin after minority increasing +40bps to 6.1% YoY.

AED39.1M

Like for like net profit* decreased by -5.5% YoY to AED 49.1mn, predominantly due to lower revenue. Margin remained stable at 7.7%

AED49.1M

Total EBITDA increased by +4.8% YoY to AED 108.7mn, with a margin increase of 160bps YoY to 17.1%.

AED108.7M

*exc. provisions and gains

9M 2019 Key financial highlights

Total revenue decreased by -6.2% YoY to AED 1.92bn. On constant currency as of 9M 2018, the total revenue decrease is -2.8% YoY.

AED 1.92 BN

Total gross profit margin increased by +110bps YoY to 34.3%, driven by an increase in tiles gross margins of +200bps YoY to 30.4%.

34.3%

Reported net profit decreased by -7.2% YoY to AED155.8m with a margin of 8.1%. **Net profit after minority** also decreased by -7.2% to AED129.3m.

AED 155.8 M

Like for like net profit* decreased by -12.9% YoY to AED 139.5mn, with a margin decrease of -60bps YoY to 7.3%, mainly due to lower revenue.

AED 139.5 M

Total EBITDA increased by +6.9% YoY to AED 348.5mn, with a margin increase of +220bps YoY to 18.1%.

AED 348.5 M

Net Debt increased from AED 1.43bn in June 2019 to AED1.47bn in Sept 2019. Net Debt to EBITDA increased from 3.11x in June 2019 to 3.16x in Sept 2019 (Dec 18, ND 1.43bn and ND to EBITDA 3.23x).

3.16x

*exc. provisions and gains

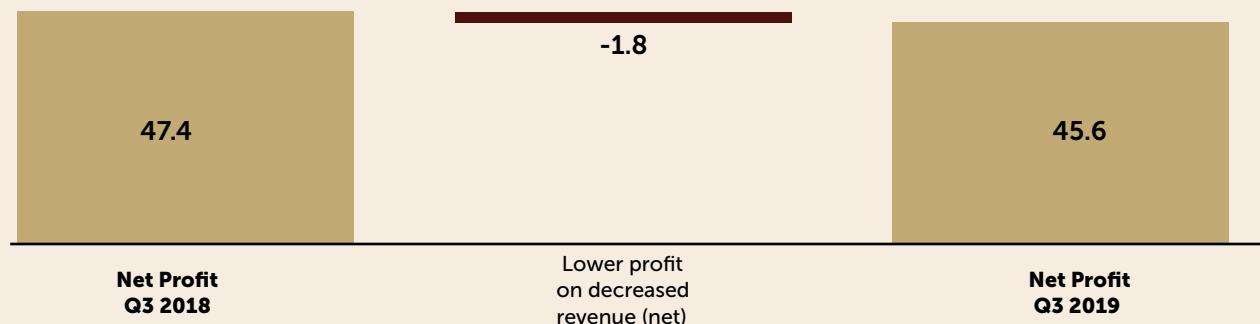
9M 2019 Net Profit Bridge

MANAGEMENT COMMENTS

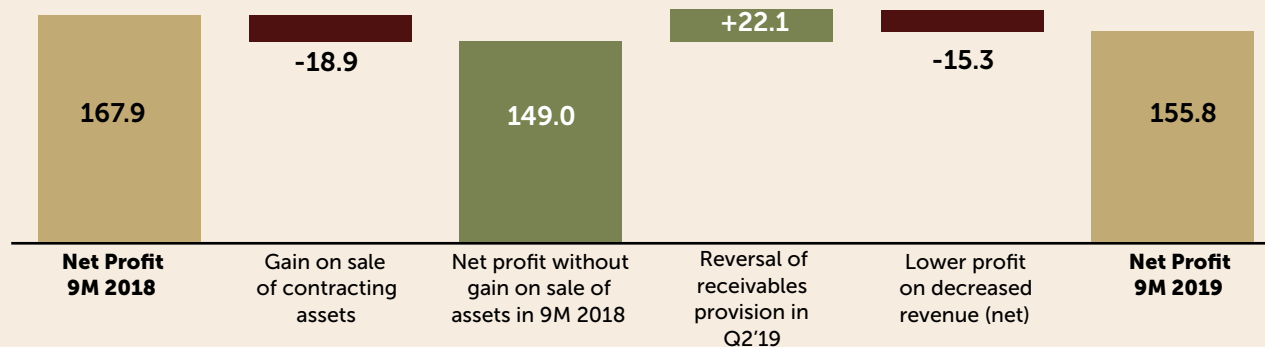
9M 2019 reported net profit decreased by -7.2% YoY to AED155.8million, due to a revenue decrease of AED 127mn YoY, impacting the bottom line by approx. AED 32mn.

At 9M 2018 net profit benefitted from the gain on sale of contracting assets, while 9M 2019 net profit was positively impacted by the reversal provision of AED 22.1 million in receivables created in Q2 2019.

NET PROFIT BRIDGE Q3 2019 VS Q3 2018 (AEDM)



NET PROFIT BRIDGE 9M 2019 VS 9M2018 (AEDM)



Revenue highlights

MANAGEMENT COMMENTS

Continued competition due to globally excess capacity and increasing pricing pressure creating challenging environment.

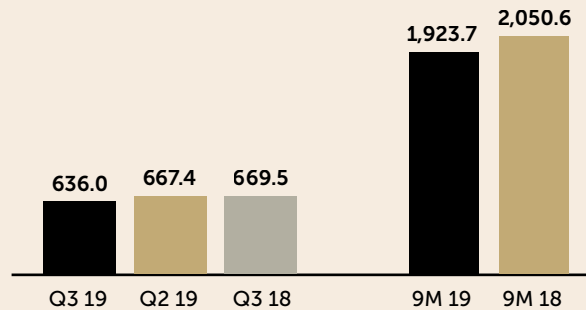
Total revenue in Q3 2019 decreased by -5.0% YoY. On constant currency of Q3 2018, the total revenue decrease is -3.1% YoY.

Tiles revenue decreased by -7.8% YoY due to a decrease in revenue in all markets except UAE, Saudi Arabia & Bangladesh markets. Sanitaryware revenue is stable YoY.

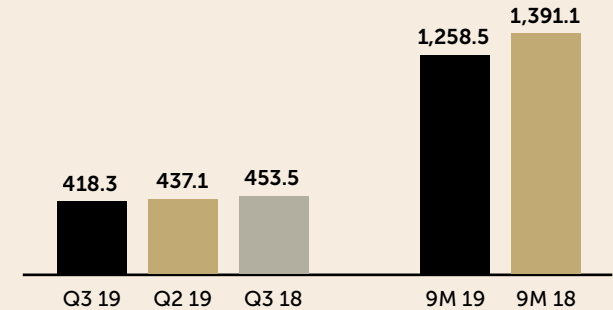
Tableware revenue decreased by -4.1% (-3.3% on constant currency) YoY due to lower sales in Europe market. USA market has increased by 9.3% and UAE by 8.0% YoY.

Others revenue increased by +13.8% YoY to AED34mn driven by ceramic raw material trading and paints businesses.

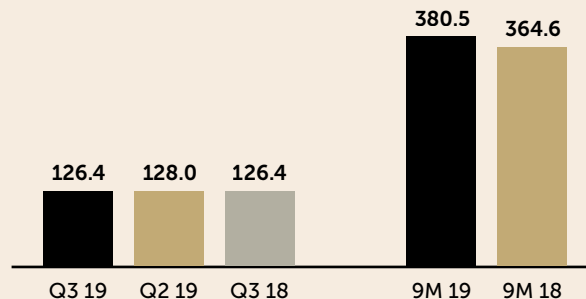
TOTAL REVENUE (AEDM)



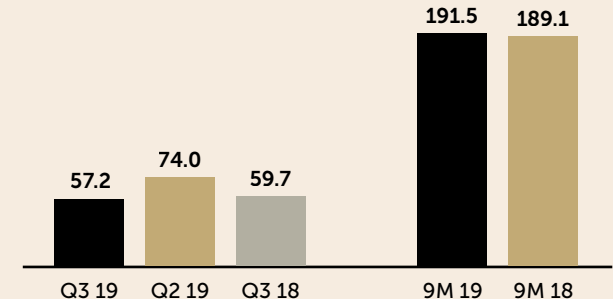
TILES REVENUE (AEDM)



SANITARYWARE REVENUE (AEDM)



TABLEWARE REVENUE (AEDM)



Tiles revenues by end market

	QUARTERLY COMPARISON					YEARLY COMPARISON		
	Q3 19	Q2 19		Q3 18		9M19	9M18	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
United Arab Emirates	146.0	151.4	-3.6%	143.1	2.0%	439.3	456.0	-3.7%
Kingdom of Saudi Arabia	64.9	66.8	-2.9%	56.7	14.4%	180.7	182.9	-1.2%
Middle East¹	18.2	19.6	-7.5%	31.2	-41.7%	56.1	82.4	-32.0%
India²	62.7	63.2	-0.7%	66.2	-5.3%	195.4	220.4	-11.4%
Europe³	38.1	46.7	-18.4%	49.8	-23.5%	129.6	153.4	-15.5%
Bangladesh⁴	52.7	45.7	15.3%	47.3	11.6%	142.7	142.2	0.4%
Africa	15.1	22.4	-32.5%	21.0	-27.9%	54.1	54.0	0.3%
Rest of the world	20.6	21.2	-2.8%	38.2	-46.1%	60.6	99.7	-39.2%
Total	418.3	437.0	-4.3%	453.5	-7.8%	1,258.4	1,391.0	-9.5%

1. (Ex. UAE and KSA). 2. In local currency -5.8% YoY in Q3 2019 and -7.3% YoY in 9M 2019. 3. In local currency -16.4% YoY in Q3 2019 and -14.9% YoY in 9M2019.
4 (in local currency +12.2% YoY in Q3'19 and +0.9% YoY in 9M'19)

Sanitaryware revenues by end market

	QUARTERLY COMPARISON					YEARLY COMPARISON		
	Q3 19	Q2 19		Q3 18		9M19	9M18	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
United Arab Emirates	36.5	39.5	-7.6%	42.0	-13.0%	114.7	120.2	-4.6%
Kingdom of Saudi Arabia	6.3	6.0	4.2%	2.8	124.4%	18.2	13.2	38.5%
Middle East¹	3.5	2.7	28.9%	2.5	43.4%	8.0	6.9	16.2%
India²	3.5	4.0	-12.3%	4.0	-11.5%	13.0	12.9	0.7%
Europe³	46.4	46.0	1.0%	41.1	13.0%	133.3	116.6	14.3%
Bangladesh⁴	24.1	22.2	8.8%	26.8	-9.9%	72.0	75.8	-5.0%
Africa	2.8	4.3	-35.4%	2.7	5.0%	10.3	5.6	83.2%
Rest of the world	3.2	3.2	1.8%	4.6	-30.8%	10.9	13.4	-18.7%
Total	126.4	128.0	-1.2%	126.4	0.0%	380.5	364.6	4.4%

1. (Ex. UAE and KSA). 2.in local currency -11.7% YoY in Q3 2019 and +7.5% YoY in 9M 2019. 3. In local currency +22.1% YoY in Q3 2019 and +14.4% YoY in 9M 2019.
4. In local currency -9.3% YoY in Q3 2019 and -4.5% YoY in 9M 2019.

Gross profit margins

MANAGEMENT COMMENTS

Total gross margin increased by +120bps YoY to 34.5%.

Tiles margin increased by +320bps YoY to 31.1% driven by continued cost reductions, improve operational efficiencies and producing profitable bigger size tiles.

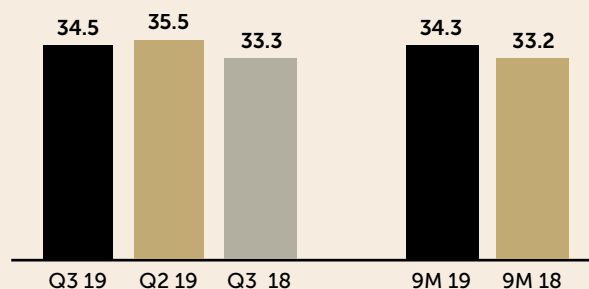
Sanitaryware margins are stable at 39.2%.

Tableware margins decreased by -640bps YoY to 52.3% due to a change in the product mix.

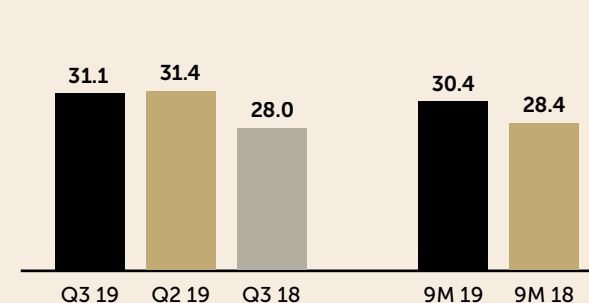
RAKC continue to pay higher gas price than our peers.

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 (Gain of AED 1.2mn recorded in 9M 2019).

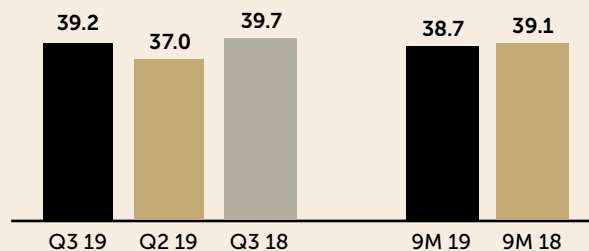
TOTAL GROSS MARGINS (%)



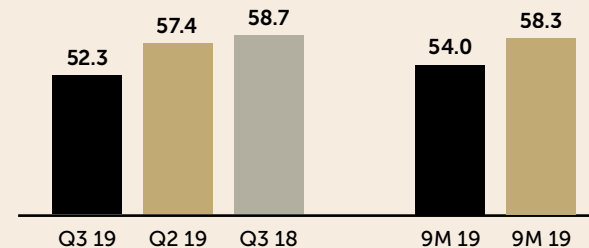
TILES GROSS MARGINS (%)



SANITARYWARE GROSS MARGINS (%)



TABLEWARE GROSS MARGINS (%)



Financial highlights

	QUARTERLY COMPARISON			YEARLY COMPARISON		YEARLY COMPARISON		
	Q3 19	Q2 19		Q3 18		9M 19	9M 18	
	Amount	Amount	Growth	Amount	Growth	Amount	Amount	Growth
Revenue	636.0	667.4	-4.7%	669.5	-5.0%	1,923.7	2,050.6	-6.2%
Gross margin (%)	34.5%	35.5%	-1.0%	33.3%	1.2%	34.3%	33.2%	1.1%
EBITDA	108.7	141.9	-23.4%	103.7	4.8%	348.5	325.8	6.9%
Reported net profit	45.6	73.4	-37.9%	47.4	-3.9%	155.8	167.9	-7.2%
Adjustments for Like for Like net profit (net)*	3.5	-21.1	n/a	4.6	n/a	-16.3	-7.6	n/a
Like for like net profit	49.1	52.3	-6.1%	51.9	-5.5%	139.5	160.2	-12.9%
Capital expenditure	33.7	41.9	-19.6%	62.8	-46.3%	143.1	147.5	-3.0%
Net debt	1,467.0	1,432.5	2.4%	1,485.5	-1.2%	1,467.0	1,485.5	-1.2%
Net debt / EBITDA	3.16x	3.11x	-1.6%	3.31x	4.5%	3.16x	3.31x	4.5%

* 9M'19 includes the reversal of an AED 22.1mn receivables provision less provisions for receivables created of AED 5.8mn . 9M'18 includes a gain on sale of contracting assets of AED 18.9mn

Operating cycle

MANAGEMENT COMMENTS

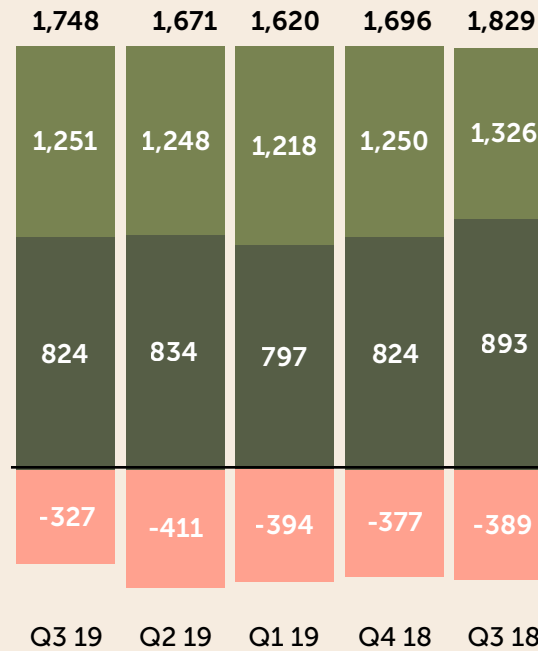
Inventory days increased from 256 days to 261 days QoQ, while in absolute terms it is increased only AED by 3mn.

Trade receivable days is stable QoQ at 114 days.

Trade payable days decreased from 84 days to 68 days for Capex payments (Impact 10 days).

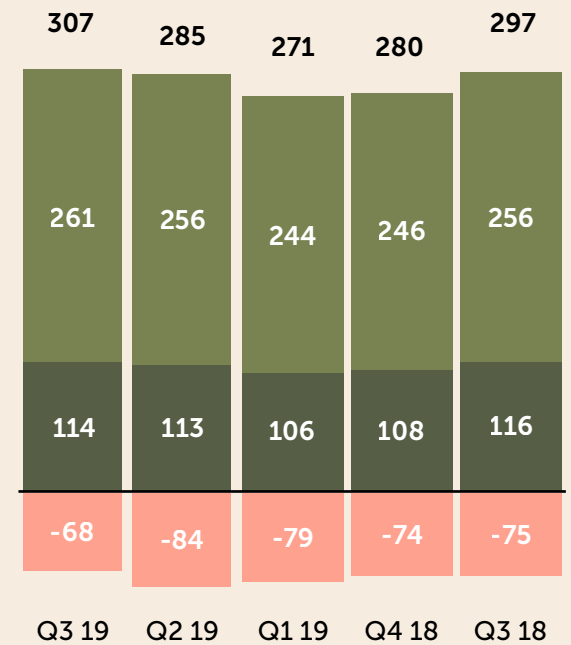
Increase in overall working capital days is mainly due to lower LTM sales by -4.6% YoY.

OPERATING CYCLE (AED M)



Trade Payables Trade receivables Inventories

OPERATING CYCLE (LTM DAYS)



Payable days Receivable Days Inventory Days

2019 Priorities

Maintain revenue in UAE,
Bangladesh, India, RAK Porcelain
and Kludi-RAK

Turnaround India and establish
hub for exports

Improve profitability of
Distribution entities

Optimise production

Develop strategy to
counter increased gas price

Continue cost efficiencies
manage margins

Continue focus on branding
supported by shop in shop
concept

Reduce finished
goods 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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