

World's No.1\* Ceramics Manufacturing Company



[www.rakceramics.com](http://www.rakceramics.com)

# RAK Ceramics PSC

## 2015 1 Quarter Financial Results

# 2015 1<sup>st</sup> Quarter In Review – Key Highlights



## Operational Performance

- Reported revenue is higher by AED 3.3 mn to AED 744.1 mn in Q1 2015 compared to Q1 2014 of AED 740.8 mn. This revenue is excluding revenue of AED 29.9 mn (YoY AED 51.9 mn) for discontinued operations (Sudan and RAK Pharma)
- Core revenue is lower by 5.8% at AED 656.2 mn compared to AED 696.9 mn YoY.
- Non-core revenue is higher by 22.8% at 117.8 mn compared to AED 95.9 mn YoY
- In spite of lower overall revenue, consolidated reported net profit in Q1 2015 is higher at **AED 60.4 Mn** compared to AED 58.7 mn YoY. Net profit margin is higher at 9.8% compared to 7.8% YoY.
- Better operating efficiency due to technology improvements and savings in procurement of raw materials resulted in improvement of core gross profit margin by 0.9% to 30.2%
- EBITDA in Q1 2015 is AED 130.5 mn compared to AED 134.2 mn in Q1 2014 .
- Adjusted net profit (excluding impact of Hyperinflation of AED 15.4 mn in Sudan and Iran) on a like to like basis is higher by 22.2% at AED 75.8 mn compared to AED 62.0 mn in Q1 2014.
- Profit from sale of investments in Laticrete RAK LLC (AED 37.6 mn), RAK Pharma and Mosfly in Bangladesh, (AED 1.5 mn) have been accounted for in Q1 2015
- SPA of RAK Sudan was executed in Mar' 15 end and the transaction is expected to be completed in Q2 '15. Impairment provision of AED 48.4 mn has been recognised in Q1 2015
- Net debt has reduced from AED 1.41 bn to AED 1.37 bn

## Operational Challenges

- Euro depreciated nearly 10.5% during the quarter resulting in Forex loss of AED 21.2mn compared to a gain of AED 2.6 mn in Q1 2014
- Hyperinflation from Sudan and Iran increased from AED 3.3mn to AED 15.2 mn YoY
- Natural gas price in UAE increased by 12.5% quarter on quarter resulting in extra costs of AED 5.4 mn.
- Decrease in oil price has benefitted our European competitors which impacted realisations during the Quarter.

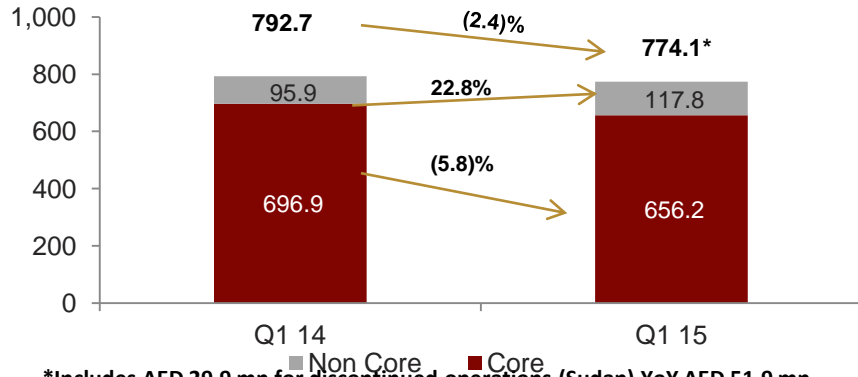
## Initiatives taken

- Projects initiated to enhance branding and positioning, reengineer processes and integrate Europe
- 88 Kaizen AET teams now in place across the factories in UAE
- Cost savings from raw materials and freight procurement
- Forward hedging contract for Euro 20.0 mn to mitigate forex loss in future.
- Strengthened leadership team with six new senior appointments

# Executive Summary – Financial Performance

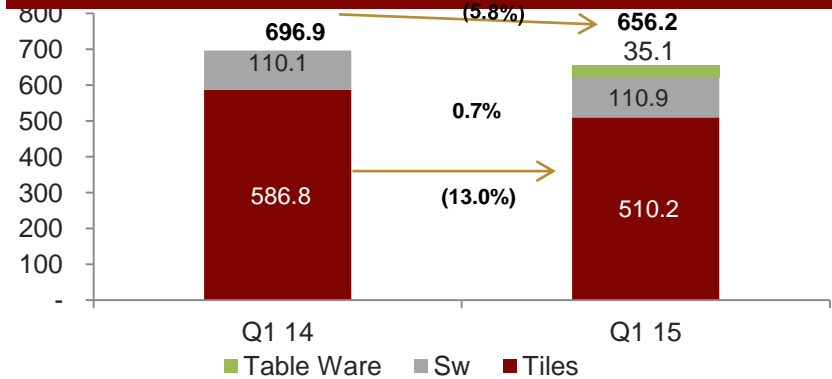
Overall revenue in Q1 2015 decreased by 2.4% to AED 774.1 mn. Core revenue decreased by 5.8% to AED 656.2 mn and Non-Core revenue increased by 22.8% to AED 117.8 mn. Tiles revenues decreased by 13% to AED 510.2 mn. SW revenue increased by 0.7% to AED 110.9 mn. RAK Porcelain has been consolidated from Q4 2014 and it is included in core. Reported net profit increased by 2.8% to AED 60.4 mn. Profit of AED 60.4 mn is after considering net loss of AED 9.3 mn on account of gain on sale of investments in Latircrete (37.6 mn), RAK pharma and Moshfly (AED 1.5 mn) and impairment provision of Sudan (AED 48.4 mn) on executing SPA Adjusted Net Profit increased to AED 75.8 mn after adding AED 15.4 mn of Hyper inflation impact compared to AED 62.0 mn YoY. Total EBITDA decreased by 2.7% to AED 130.5 mn.

## Total Revenue: Core and Non-Core (AED mn)

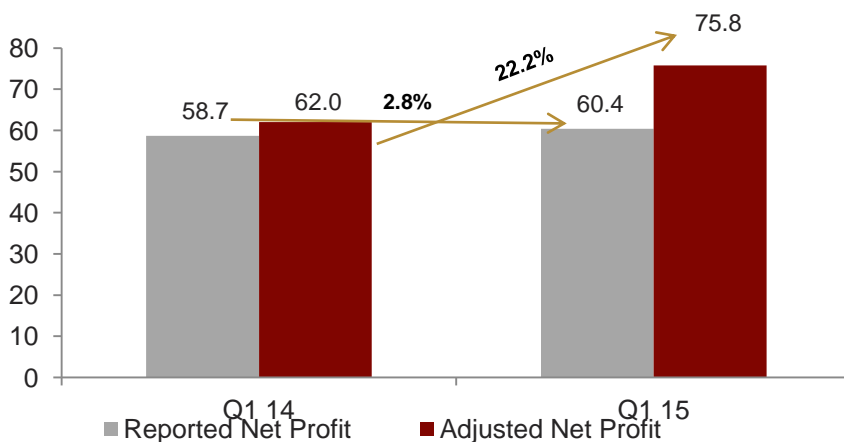


\*Includes AED 29.9 mn for discontinued operations (Sudan) YoY AED 51.9 mn (Sudan and Pharma)

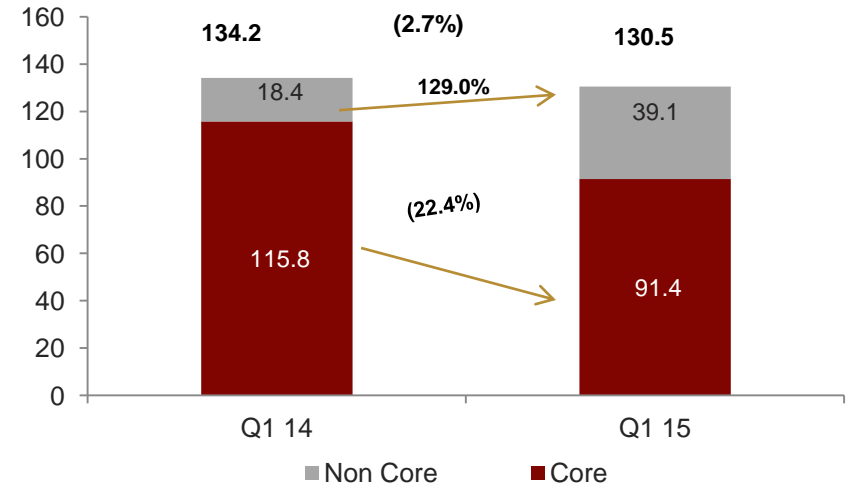
## Total Core Revenue: Tiles, SW and Porcelain (AED mn)



## Total Net Profit: Core and Non-Core (AED mn)



## Total EBITDA: Core and Non-Core (AED mn)



# Core Revenues Breakdowns

On account of lower revenues in European countries due to currency depreciation, a refocused sales and distribution strategy in India and unusually high Q1/14 sales in Bangladesh from inventory liquidation, revenues from tiles fell in the quarter by 13% YoY to AED510.2 million. SW revenues increased by 0.7% to AED 110.9mn.

## Tiles Revenue: By Production Location

Tiles			
(AED mn)	Q1 2014	Q1 2015	YOY Change
UAE	381.5	351.2	(30.3)
India	104.4	97.4	(7.0)
Bangladesh	41.2	34.7	(6.4)
China, Iran and Sudan	67.6	38.3	(29.3)
Total Gross	594.6	521.5	(73.1)
Less: Elimination	(7.8)	(11.3)	(3.5)
<b>Total Net</b>	<b>586.8</b>	<b>510.2</b>	<b>(76.5)</b>

## SW Revenue: By Production Location

SWD			
(AED mn)	Q1 2014	Q1 2015	YOY Change
UAE	76.7	83.4	6.7
India	9.7	5.7	(4.0)
Bangladesh	24.3	22.4	(1.9)
Total Gross	110.7	111.4	0.7
Less: Elimination	(0.6)	(0.5)	0.1
<b>Total Net</b>	<b>110.1</b>	<b>110.9</b>	<b>0.8</b>

## Tiles Revenue: By End Markets

Tiles			
(AED mn)	Q1 2014	Q1 2015	YOY Change
UAE	109.7	120.3	10.6
India	103.8	93.6	(10.2)
Saudi Arabia	85.2	84.7	(0.6)
Bangladesh	41.2	34.7	(6.4)
Germany	30.9	17.5	(13.4)
China, Iran and Sudan	52.8	33.9	(18.9)
Rest of GCC	32.9	24.5	(8.4)
Others	130.3	101.1	(29.2)
<b>Total</b>	<b>586.8</b>	<b>510.2</b>	<b>(76.5)</b>

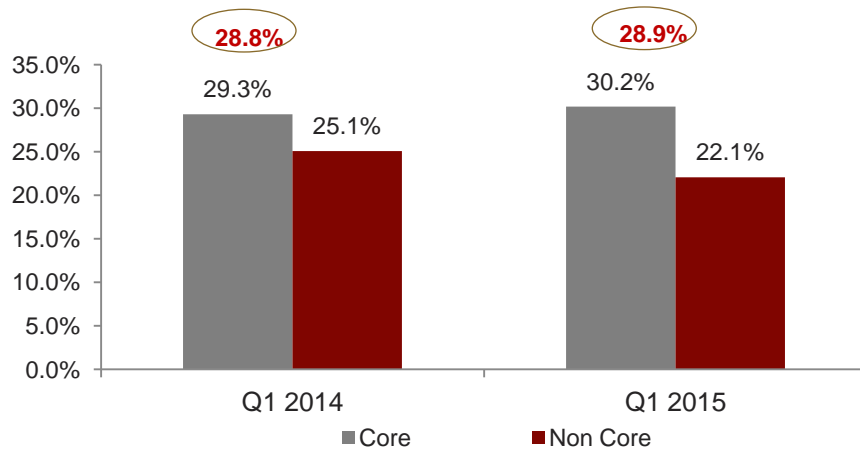
## SW Revenue: By End Markets

SWD			
(AED mn)	Q1 2014	Q1 2015	YOY Change
UAE	31.5	32.6	1.1
Bangladesh	24.3	22.4	(1.9)
UK	19.5	18.9	(0.6)
India	9.7	5.8	(3.9)
Saudi Arabia	6.4	7.8	1.4
Rest of GCC	2.2	4.1	1.9
Jordan	1.1	0.9	(0.2)
Italy	3.5	5.3	1.8
Germany	0.7	0.5	(0.2)
Others	11.2	12.6	1.4
<b>Total</b>	<b>110.1</b>	<b>110.9</b>	<b>0.8</b>

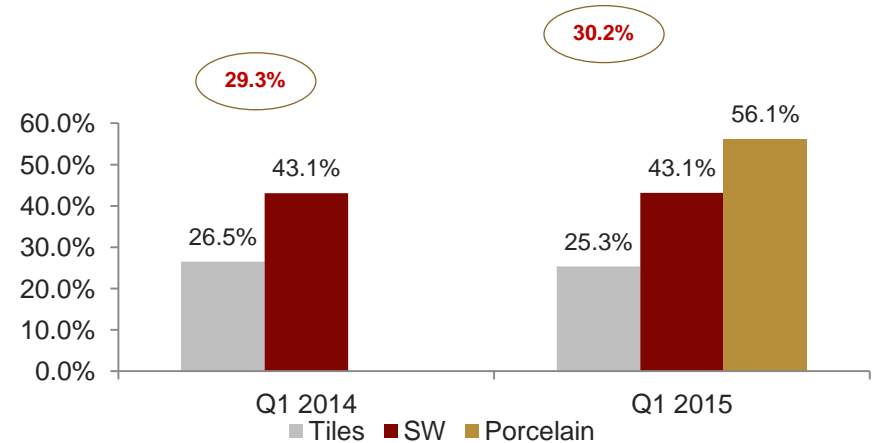
# Gross Profits Snapshot

Overall gross margin in YTD Mar 2015 is at par with YTD Mar-14. Core margins is increased from 29.3% to 30.2% while Non Core margins have decreased from 25.1% to 22.1%. Overall tiles margin is 26.5% and SW margin is at same level YoY at 43.1%. Porcelain is consolidated from Q4 2014 and GP Margin during Q1 2015 is 56.1%

## Total Gross Margins: Core and Non-Core (%)



## Core Gross Margins: Tiles and SWD (%)



## Tiles Gross Margins: By Production Locations

	YTD -Mar-14	YTD Mar 15
UAE	34.8%	31.7%
B'desh	31.3%	33.7%
India*	9.6%	15.8%
China and Iran	(60.8)%	-
<b>Total Gross Profit Margin</b>	<b>26.5%</b>	<b>25.3%</b>

## SWD Gross Margins: By Production Location

	YTD -Mar-14	YTD 15
UAE	42.2%	42.6%
B'desh	49.2%	49.2%
India*	32.0%	22.5%
<b>Total Gross Profit Margin</b>	<b>43.1%</b>	<b>43.1%</b>

# Summary Income statement

Reported net profit of YTD increased by 2.8% to AED 60.4 mn with margin increase from 7.4% to 7.8%. Adjusted net profit is AED 75.8 mn with margin increase from 7.8% to 9.8% % on account of gain sales of stake in RAK Pharma, Moshfly and Laticrete. EBITDA margin is lower to 17.5% at AED 130.5 mn. During Q1 2014, provision of AED 19.1 mn was created while in Q1 2015 provision of AED 11.3 mn has been reversed.

Income Statement (AED mn)		
Particulars	YTD Mar 2014	YTD Mar 2015
Tiles Revenue	594.6	521.6
SW Revenue	110.7	111.4
Table Ware Revenue	-	35.1
Total Core Gross Revenue	705.3	668.1
Less:- Eliminations	(8.4)	(11.9)
<b>Total Core Net Revenue</b>	<b>696.9</b>	<b>656.3</b>
Total Non -Core Gross Revenue	190.2	187.1
Less:- Eliminations	(94.3)	(69.4)
<b>Total Non- Core Net Revenue</b>	<b>95.9</b>	<b>117.8</b>
<b>Total Revenue</b>	<b>792.7</b>	<b>774.1</b>
<b>Less: Discontinued Operations</b>	<b>(51.9)</b>	<b>(29.9)</b>
<b>Reported Revenue</b>	<b>740.8</b>	<b>744.1</b>
Tiles COGS	404.7	370.1
SW COGS	63.2	63.6
Table Ware COGS	-	15.4
Non Core COGS	143.4	144.9
Less:- Eliminations	(83.8)	(65.0)
<b>Total COGS-Net</b>	<b>527.6</b>	<b>529.0</b>
<b>Total Gross Profit</b>	<b>213.2</b>	<b>215.1</b>
<i>Gross Profit Margins (calculated on reported revenue excluding Sudan and Pharma)</i>	28.8%	28.9%
Selling, General and Admin Expenses	(158.7)	(175.5)*
Other Income	15.3	16.8
Share of Profits	8.5	5.7
<b>EBIT</b>	<b>78.3</b>	<b>62.1</b>
<i>EBIT Margins</i>	9.9%	8.0%
Net Finance costs	(10.0)	(31.1)**
Profit/(Loss) on Monetary positions	2.6	(1.6)
Profit /(Loss) from discontinued operation	(5.8)	(1.3)
Profit on sale of investments- Laticrete, RAK Pharma and Moshfly	-	39.1
<b>Profit Before Tax</b>	<b>65.2</b>	<b>67.1</b>
Tax Expense	(6.5)	(6.7)
<b>Profit for the period</b>	<b>58.7</b>	<b>60.4</b>
<i>Profit Margin( calculated on Total Revenue)</i>	<b>7.4%</b>	<b>7.8%</b>
<b>Adjusted Net Profit</b>	<b>62.0</b>	<b>75.8</b>
<i>Margin ( calculated on Total Revenue)</i>	<b>7.8%</b>	<b>9.8%</b>

## EBITDA Calculation (AED mn)

	YTD Mar-14	YTD Mar-15
<b>Net Profit Before Tax</b>	<b>58.7</b>	<b>60.4</b>
Tax	6.5	6.7
Depreciation and Amortization	40.5	44.3
Finance expense (Net)	9.5	8.1
Provisions	19.1	(11.3)
(Gain)/loss on disposals of fixed assets and Investments	(3.4)	(2.3)
Loss on Net Monetary Position	3.3	15.4
Profit on Sale of Investments	0.0	9.3
<b>EBITDA</b>	<b>134.2</b>	<b>130.5</b>
<i>EBITDA Margin ( calculated on Total Revenue)</i>	<b>18.1%</b>	<b>17.5%</b>

- \*Includes Provision on Sudan impairment AED 48.4 mn
- \*\*Includes Net Foreign exchange loss of AED 21.2mn mainly on account of Euro and GBP depreciation.

• RAK Sudan and RAK Pharma numbers are reclassified into discontinued operations for the both periods.

# Balance Sheet Highlights

Net debt position decreased by AED 44.5mn to AED 1.36 bn equivalent to 2.6x EBITDA due to better working capital management in Q1 2015. Total CAPEX for Q1 2015 amounted to AED 49.4mn.

## Working Capital (AED mn/Days)

	Dec 14	Days	YTD Mar 15	Days
Trade Receivables ( Net of Provision)	937.4	110	973.8	118
Inventory (Net of Provision)	1139.4	180	1113.9	189
Due from Related Parties (J/V's)	292.8	35	310.2	37
Trade Payables	439.5	69	405.1	69

## CAPEX (AED mn)

Capex for 2015	FYE Dec 14	YTD Mar 15
RAKC UAE	93.2	26.0
Bangladesh	19.7	14.5
India	19.3	1.5
Other Core	6.9	2.6
<b>Total Core</b>	<b>139.1</b>	<b>44.6</b>
AHCC -Rough Grading	141.8	4.8
Other Non core	1.4	-
<b>Total Non Core</b>	<b>143.2</b>	<b>4.8</b>
<b>Total CAPEX</b>	<b>282.3</b>	<b>49.4</b>

## Net Debt (AED mn)

Net Debt	Dec-14	Mar 15
Long Term Loan	1,116.5	809.3
STL and TR	630.8	1045.3
Overdraft	122.3	164.7
<b>Gross Debt</b>	<b>1,869.6</b>	<b>2019.3</b>
Cash and Bank*	(458.4)	(652.5)
<b>Net Debt</b>	<b>1,411.2</b>	<b>1,366.7</b>
Cost of Debt	3.0%	2.8%
Net Debt to EBITDA	2.4	2.6

\*On loans outstanding

# FINANCIAL STATEMENTS



# Consolidated Net Income



	<i>AED million</i>	
	YTD Mar-14	YTD Mar-15
Revenue	740.8	744.1
Cost of sales	(527.6)	(529.0)
<b>Gross profit</b>	<b>213.2</b>	<b>215.1</b>
Administrative and general expenses	(72.5)	(90.8)*
Selling and distribution expenses	(86.2)	(84.7)
Other income	15.3	16.8
<b>Results from operating activities</b>	<b>69.8</b>	<b>56.4</b>
Finance cost	(15.3)	(33.8)
Finance income	5.3	2.6
Share of profit in equity accounted investees	8.5	5.7
Gain on disposal of equity accounted investees		38.5
Gain on disposal of subsidiary		0.6
Loss on net monetary position	2.6	(1.6)
Tax (expense)/income	(6.5)	(6.7)
<b>Profit From Continuing Operations</b>	<b>64.5</b>	<b>61.7</b>
<b>Profit/(Loss) from discontinued operation</b>	<b>(5.8)</b>	<b>(1.3)</b>
<b>Profit for the period</b>	<b>58.7</b>	<b>60.4</b>
<i>Profit attributable to:</i>		
Owners of the Company	58.0	57.9
Non-controlling interests	0.7	2.5
<b>Profit for the period</b>	<b>58.7</b>	<b>60.4</b>
<b>Earning Per Share – Continuing Operations</b>	<b>0.08</b>	<b>0.07</b>
<b>Earning Per Share</b>	<b>0.07</b>	<b>0.07</b>

# Consolidated Balance Sheet



*AED million*

Assets	Dec 14	YTD Mar 2015
<b>Non-current assets</b>		
Property, plant and equipment	1,180.6	1,166.9
Capital work-in-progress	73.3	98.3
Goodwill	50.4	50.4
Intangible assets	19.4	18.8
Investment properties	1,113.9	1,111.8
Investments in equity accounted investees	151.3	134.8
Long term portion of receivable from related parties	-	-
Deferred tax assets	0.3	0.3
<b>Total Non Current Assets</b>	<b>2,589.1</b>	<b>2,581.1</b>
<b>Current assets</b>		
Inventories	1,139.4	1,113.9
Trade and other receivables	1,170.1	1,257.0
Contract work-in-progress	28.6	41.4
Due from related parties	292.8	310.2
Cash in hand and at bank	448.4	614.5
Assets classified as held for sale	331.6	251.7
Derivative financial assets	0.0	-
<b>Total Current Assets</b>	<b>3,410.8</b>	<b>3,588.7</b>
<b>Total assets</b>	<b>5,999.9</b>	<b>6,169.8</b>

Equity and liabilities	Dec 14	YTD Mar 2015
<b>Equity</b>		
Share capital	817.5	817.5
Reserves	1,990.8	2064.4
<b>Equity</b>	<b>2,808.3</b>	<b>2,881.9</b>
Non-controlling interests	226.5	218.1
<b>Total equity</b>	<b>3,034.8</b>	<b>3,100.2</b>
<b>Non-current liabilities</b>		
Long term bank loans	770.4	809.3
Provision for Gratuity	78.9	76.9
Deferred tax liabilities	8.8	8.7
<b>Total Non Current Liabilities</b>	<b>858.0</b>	<b>895.0</b>
<b>Current liabilities</b>		
Short-term bank borrowings	1,099.2	1,210.0
Trade and other payables	806.9	766.8
Billings in excess of valuation	3.3	7.5
Provision for taxation	103.1	109.0
Due to related parties	63.7	68.7
Liabilities classified as held for sale	30.8	12.5
Derivative financial liabilities	0.0	0.0
<b>Total Current Liabilities</b>	<b>2,107.0</b>	<b>2,174.6</b>
<b>Total liabilities</b>	<b>2,965.1</b>	<b>3,069.5</b>
<b>Total equity and liabilities</b>	<b>5,999.9</b>	<b>6,169.8</b>

# Consolidated Cash Flow



	Mar-14	Mar-15		Mar-14	Mar-15
<b>Profit for the period before tax</b>	<b>65.2</b>	<b>67.0</b>	<b>Cash flow from Investing activities</b>		
<b>Adjustments for:</b>			Acquisition of property, plant and equipment and capital work in progress	19.5	(49.4)
Share of profit in equity accounted investees	8.5	(5.7)	Proceeds from disposal of property, plant and equipment	0.3	2.8
Loss/ (gain) on net monetary position	1.4	4.0	Acquisition of intangible assets	0.3	(0.2)
Interest expense	14.8	11.6	Dividend received from equity accounted investees	20.0	11.3
Interest income	5.3	(2.7)	Interest income received	3.0	2.7
(Gain) / loss on disposal of property, plant and equipment	0.1	(2.6)	<b>Net cash generated from investing activities</b>	<b>3.5</b>	<b>32.8</b>
Gain on disposal of subsidiary	-	(0.6)	<b>Financing activities</b>		
Gain on disposal of equity accounted investees	-	(38.5)	Long term bank loans availed	147.1	122.6
Depreciation on property, plant and equipment	37.5	52.1	Long term bank loans repaid	27.4	(89.6)
Amortization of intangible assets	0.5	0.9	Change in bank deposits	3.4	(20.7)
Capital work in progress written off	2.2	0.4	Net movement in short term bank borrowings (net)	143.0	74.3
Depreciation on investment property	1.8	1.8	Interest expense paid	14.8	(11.6)
Provision for employees' end-of-service benefits	1.8	6.9	Dividend paid to non-controlling interests	-	(20.0)
	<b>108.8</b>	<b>94.8</b>	Remuneration paid to Board of Directors	-	(1.2)
<b>Change in:</b>			Funds invested by non-controlling interests	0.3	-
- inventories (including contract work in progress)	9.2	12.6	<b>Net cash generated from/(used in) financing activities</b>	<b>34.4</b>	<b>53.9</b>
- trade and other receivables	19.2	(20.9)	<b>Net decrease in cash and cash equivalents</b>	<b>26.2</b>	<b>103.1</b>
- due from related parties (including long term)	0.8	(17.4)			
- asset classified as held for sale	-	41.6	Cash and cash equivalents at the beginning of the period	<b>436.0</b>	<b>321.4</b>
- trade and other payables (including billings in excess of valuation)	151.2	(35.9)	<b>Cash and cash equivalents at the end of the period</b>	<b>409.8</b>	<b>424.4</b>
- due to related parties	7.0	5.0			
- liabilities classified as held for sale	-	1.3			
- derivative financial assets	0.2	0.0			
- derivative financial liabilities	-	0.0			
- deferred tax assets	2.4	0.0			
- deferred tax liabilities	1.0	(0.0)			
Income tax (paid) / refund	18.4	(0.8)			
Employees' end-of-service benefits paid	3.7	(5.3)			
Currency translation adjustment	6.0	7.0			
<b>Net cash generated from operating activities</b>	<b>4.7</b>	<b>82.0</b>			

# DISCLAIMER

---



*This information contained in the enclosed presentation summarises preliminary and introductory information on RAK Ceramics PSC (the Company). This presentation has been prepared for information purposes only and is not and does not form part of or constitute any prospectus, offering memorandum or offering circular or offer for sale or solicitation of any offer to subscribe for or purchase or sell any securities nor shall it or any part of it form the basis of or be relied on in connection with any credit evaluation or third party evaluation of any securities or any offerings or contract or commitment whatsoever.*

*The information contained herein has been prepared by the Company. Some of the information relied on by the Company is obtained from sources believed to be reliable but does not guarantee its accuracy or completeness. All potential recipients of the enclosed presentation are expected to be aware that the information contained herein is preliminary as of the date hereof, supersedes any previous such information delivered and will be superseded by any such information subsequently delivered. The information contained herein is subject to change without notice. The Company is under no obligation to update or keep current the information contained herein. No person shall have any right of action (except in case of fraud) against the Company or any other person in relation to the accuracy or completeness of the information contained herein.*

*Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of The Company. These forward-looking statements include all matters that are not historical facts. The inclusion of such forward-looking information shall not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. Future events are subject to various risks which cannot be accurately predicted, forecasted or assessed. No assurance can be given that future events will occur or that the company's assumptions are correct. Actual results may differ materially from those projected and past performance is not indicative of future results. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. Accordingly all potential recipients are expected to conduct their own due diligence on the information provided.*

*These materials are confidential and are being submitted to selected recipients only for the purpose described above. They may not be taken away, reproduced (in whole or in part), distributed or transmitted to any other person without the prior written consent of the Company. These materials are not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation and must not be acted on or relied on by persons who are not relevant persons. If this presentation has been received in error it must be returned immediately to the Company.*