



RAK

CERAMICS

EARNINGS PRESENTATION – FY23 & Q4 RESULTS

FEBRUARY 2024

Agenda



- 01 |** Business Highlights
- 02 |** Q4/12M 2023 Financial Performance Update
- 03 |** Trading Update
- 04 |** Closing Remarks
- 05 |** Q&A
- 06 |** Appendix

Speakers



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 Group CFO 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.

Disclaimer

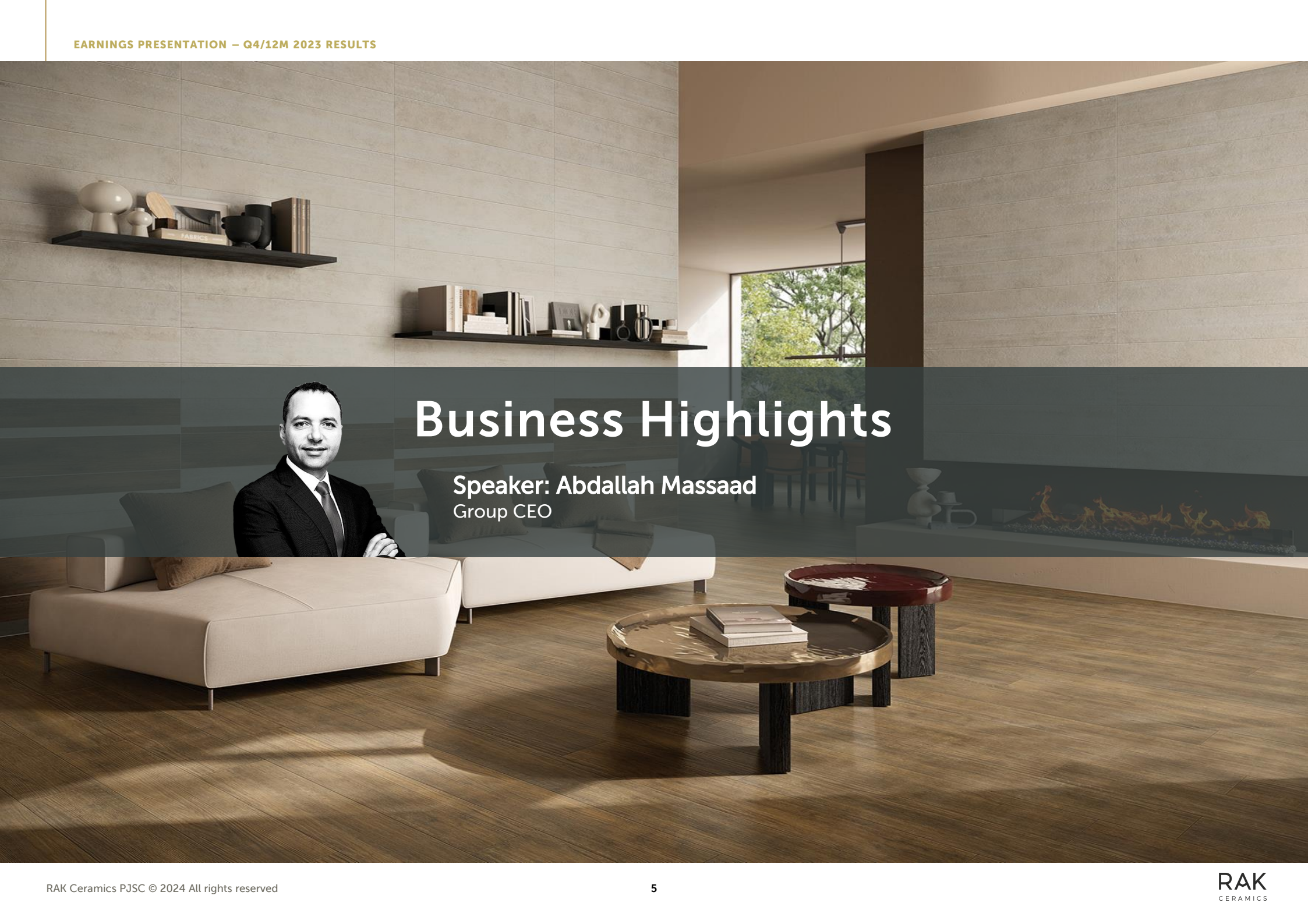
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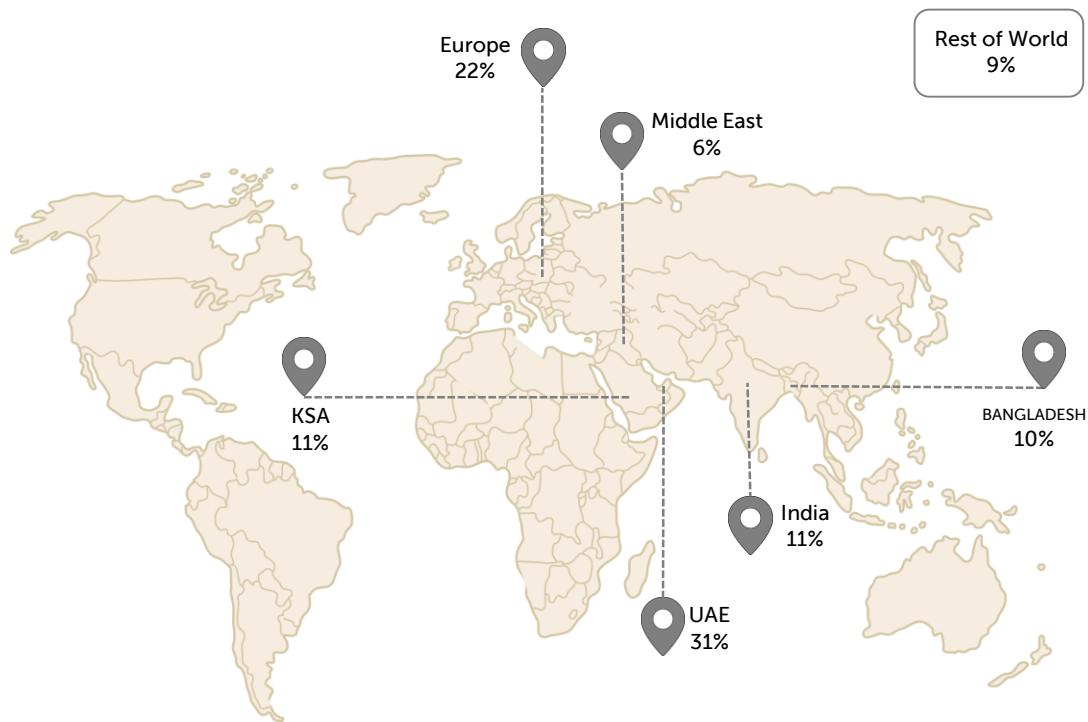
Business Highlights



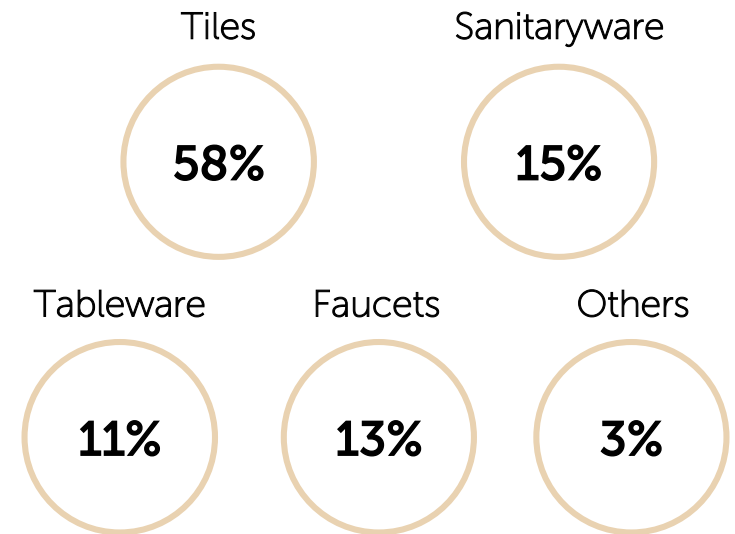
Speaker: Abdallah Massaad
Group CEO

Global Business Presence – Revenue Mix

Where we sell



What we sell



Capacity

118^{MN}
Square metres of tiles

5^{MN}
Pieces of sanitaryware

36^{MN}
Pieces of tableware

2.6^{MN}
Pieces of faucets and taps

FYE 2023 Business Performance Highlight

Market & Business Highlights

- **UAE:** Achieved 22.3% YoY revenue growth.
- **KSA:** Witnessed 40% YoY revenue dip, however gross margins improved by 1.2%.
- **Europe:** Despite economic challenges, revenue increased by 7.3% YoY, driven by Faucets segment.
- **India:** Revenue declined 9.6% YoY due to low demand & currency devaluation.
- **Bangladesh:** Revenue decline by 10.6% YoY due to macro challenges & currency devaluation. In local currency, revenue registered growth of ~5.0% YoY.
- **KLUDI Europe:** Impacted from recession and slowdown in construction sector, but net result slightly improved.
- **Tableware division:** Successful year driven by tourism and heightened demand in the HORECA sector.

Segment Highlights

- **Tiles** revenue declined by 8.3% YoY to AED 1988.0 million, mainly due to competition from regional players and increased imports from India, especially in Saudi Arabia.
- **Sanitaryware** revenue decline by 7.1% YoY to AED 511.8 million, due to challenges in all markets except UAE.
- **Tableware** revenue surged by +11.0% YoY, reaching AED 392 million, supported by introduction of differentiated products.
- **Faucets** generated a revenue of AED 456.2 million, mainly impacted due to challenges faced in Europe.

Performance Snapshot



Key Facts as on 31st December 2023



Q4 2023 Key Challenges & Opportunities

Core Markets	Key Challenges	Our Actions
UAE	Imports of cheaper products has increased on account of free trade agreements signed between UAE and other countries	<ul style="list-style-type: none"> Strategic approach centers on adaptability, implementing and leveraging on brand enhancement initiatives and providing customer-centric solutions
SAUDI ARABIA	Huge variances in product price offerings mainly from local Chinese manufacturers.	<ul style="list-style-type: none"> We are working towards tapping into new market distributions to ensure market share recovery We also continue to focus and grow our Projects and Retail business by launching new showrooms
EUROPE	Economic challenges such as higher household costs, interest rates and slowdown in construction sector	<ul style="list-style-type: none"> Working towards creating Brand awareness by hosting events and engaging with architects, designers
INDIA	Lower demand due to increased interest rates and currency devaluation	<ul style="list-style-type: none"> Engage in market expansion, Showroom refurbishments, retail initiatives, and product launches
BANGLADESH	Fluctuating gas pressure supply, currency devaluation and remittance related issues	<ul style="list-style-type: none"> Market expansion strategies through activating wider dealer networks

Q4 2023 Key Strategic Updates

Advancements on Expansionary Front.

Expansion projects

- India: We are upgrading our Tiles production facility to allow us to add new models and design and also improve production efficiencies.
- Bangladesh: We have upgraded our Tiles plant enhancing the production capacity and enabling production of large format tiles.
- UAE: Plans include upgrading the tiles production facility for improved efficiency and capacity. Simultaneously, a sanitaryware upgradation project is underway, replacing old kilns and introducing new product series.
- UAE Tableware: we have completed the expansion project for adding 10 million pieces capacity with plans to increase scale of production in phases

Greenfield projects

- Bangladesh Faucets plant: The approvals for the Faucets Greenfield plant are underway with construction expect to commence in Q2 2024
- Saudi Arabia: We continue to work towards setting up a production facility in KSA.

- **International trade events**: Notable collaborations include initiatives with MoIAT, Make it in the Emirates, Rakez, Rak TDA, and key sponsorships like Emirates FC.
- **Upgrade showrooms**: Revamped showroom in UAE, launched new showrooms in Saudi Arabia & India.
- **Awards & recognitions**: Acknowledged as Etihad Rail Certified Partner and recipient of the Impact Seal Award - CSR-UAE Fund
- **Website**: Successfully launched the new rakceramics.com website,



FY23 and Q4 Financial Performance

Speaker: PK Chand
Group CFO

Q4 2023 Financial Performance Snapshot



Revenue

AED 866.4M

↓ 3.8% YoY



Gross profit margin

35.6%

↑ 70 bps YoY



EBITDA

AED 166.0M

↑ 20.7% YoY



Net Profit

AED 81.8M

↑ 25.3% YoY*



Net Profit after Minority

AED 70.9M

↑ 4.8% YoY



Net Debt

AED 1.42BN

↓ 77.5 M

* Net profit before one-off gain

FYE 2023 Financial Performance Snapshot



Revenue

AED 3.45BN

↓ 1.7% YoY



Gross profit margin

37.9%

↑ 30 bps YoY



EBITDA

AED 647.4M

↑ 12.2% YoY



Net Profit

AED 320.9M

↑ 3.7% YoY*



Net Profit after Minority

AED 290.9M

↓ 3.9% YoY



Net Debt

AED 1.42BN

↑ 120.3 M

* Net profit before one-off gain

Financial Highlights

Amount in AED M	Quarterly comparison					Yearly Comparison		
	Q4 22	Q3 23	Q4 23		QoQ Growth	2022	2023	
	Amount	Amount	Amount	YoY Growth		Amount	Amount	YoY Growth
Revenue	900.7	837.0	866.4	-3.8%	3.5%	3,517.2	3,457.8	-1.7%
Gross margin (%)	34.9%	38.8%	35.6%	0.7%	-3.2%	37.6%	37.9%	0.3%
EBITDA	137.5	169.0	166.0	20.7%	-1.8%	577.2	647.4	12.2%
Net profit after tax	78.0	83.9	81.8	4.8%	-2.5%	340.1	320.9	-5.7%
Net One-off gain	-12.7	0.0	0.0	-nm	-nm	-30.8	0.0	-nm
Net Profit after tax before one off gain	65.3	83.9	81.8	25.3%	-2.5%	309.4	320.9	3.7%
Capital expenditure	61.2	89.0	90.9	48.5%	2.0%	205.0	273.4	33.4%
Net debt	1,301.1	1,499.0	1421.5	9.2%	-5.2%	1,301.1	1,421.5	9.2%
Net debt / EBITDA	2.26x	2.43x	2.20x	-3.0%	-9.7%	2.26x	2.20x	-3.0%

* EBITDA Slides # 25

Revenue Highlights

MANAGEMENT COMMENTS

- Q4 2023 revenue at AED 866.4m, down by 3.7% YoY, reflecting global geopolitical tensions, market volatility, higher interest rates, and currency devaluation.
- Tiles revenue decreased by -6.6% YoY to AED 494.3 million, impacted by intensified competition from regional players and increased imports from India, especially in Saudi Arabia.
- Sanitaryware revenue grew by +2.9% YoY to AED 126.3 million, driven by expansion in the UAE and Middle East markets.
- Tableware revenue surged by +12.1% YoY to AED 110.1 million, attributed to innovative product offerings and enhanced production capacity.
- Faucets revenue declined by -9.8% YoY to AED 113.2 million in Q4 2023.

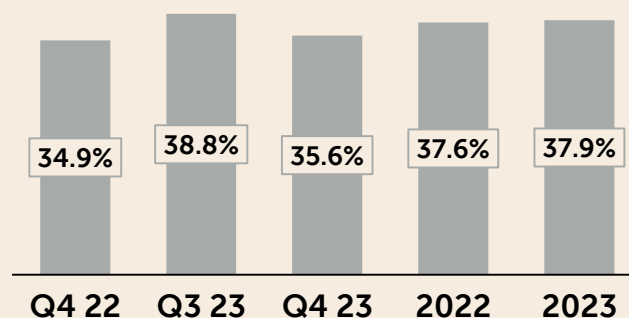
	Quarterly Comparison					Yearly Comparison		
	Q4 22	Q3 23	Q4 23			2022	2023	
	Amount	Amount	Amount	YoY Growth	QoQ Growth	Amount	Amount	Growth
United Arab Emirates	191.8	195.5	207.0	8.0%	5.9%	668.1	786.7	17.8%
Kingdom of Saudi Arabia	133.9	73.8	71.0	-47.0%	-3.8%	586.1	350.3	-40.2%
Middle East (Ex. UAE & KSA)	33.1	34.8	39.7	19.8%	13.9%	153.3	153.6	0.2%
India	101.9	93.9	91.3	-10.4%	-3.8%	400.4	362.0	-9.6%
Europe	86.2	98.2	79.2	-8.1%	-19.3%	408.7	384.2	-6.0%
Bangladesh	61.4	59.6	73.9	20.3%	24.0%	292.0	264.4	-9.4%
Africa	27.6	22.4	32.8	19.1%	46.6%	122.5	113.6	-7.3%
Rest of the world	16.3	20.3	25.7	57.2%	26.5%	87.5	85.0	-2.9%
Total Tiles & Sanitaryware Revenue	652.2	598.5	620.6	-4.8%	3.7%	2,718.6	2,499.9	-8.0%
Tableware revenue	98.2	92.5	110.1	12.1%	19.0%	353.3	392.1	11.0%
Faucets revenue	125.6	114.8	113.2	-9.8%	-1.4%	306.0	456.2	49.1%
Others revenue	24.8	31.2	22.5	-9.4%	-27.9%	139.3	109.7	-21.2%
Total Revenue	900.7	837.0	866.4	-3.8%	3.5%	3,517.2	3,457.8	-1.7%

Gross Profit Margin

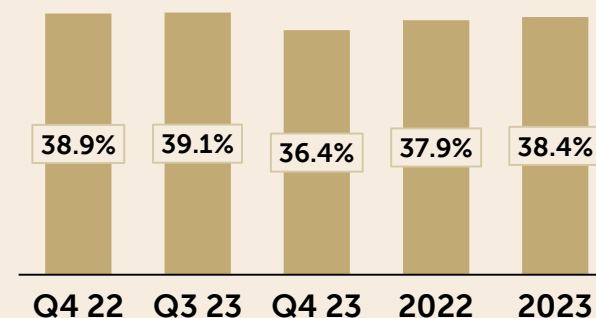
MANAGEMENT COMMENTS

- Q4 Gross profit margin increased by +70bps YoY to 35.6% due to higher sales in UAE market with better margin and change in product mix. 2023 gross profit margin increased by 30bps YoY at 37.9% YoY
- Tiles margin in Q4 2023 decreased by -250bps compared to Q4 2022 at 36.4% mainly due to lower capacity utilisation on account of plant upgradation in India and Bangladesh. In 2023 GP% increased by +50bps at 38.4%.
- Sanitaryware margin increased by +680bps YoY at 34.0% in Q4 2023 due to change in product mix. In 2023 Gross profit margin increased by 50bps at 34.2%.
- Tableware margin increased by +140bps YoY to 47.8% in Q4 2023 following top-line increase and change in product mix.
- Faucets GP margin increased by +310bps at 19.8% in Q4 2023. In 2023 GP margin is 26.0%.

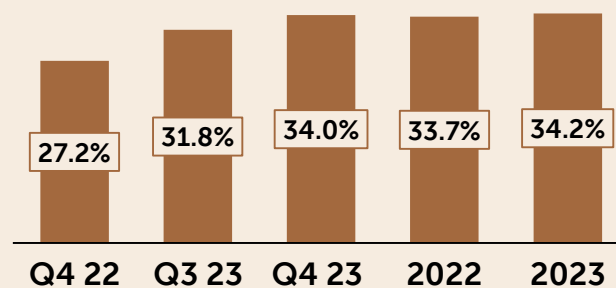
TOTAL GROSS MARGINS (%)



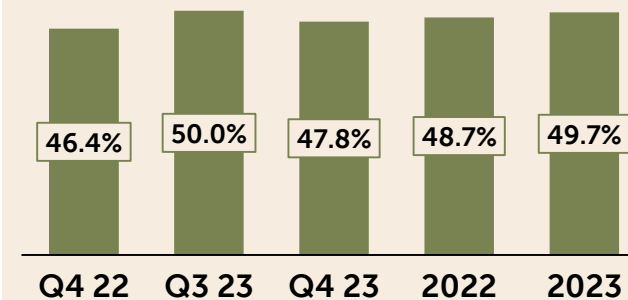
TILES GROSS MARGINS (%)



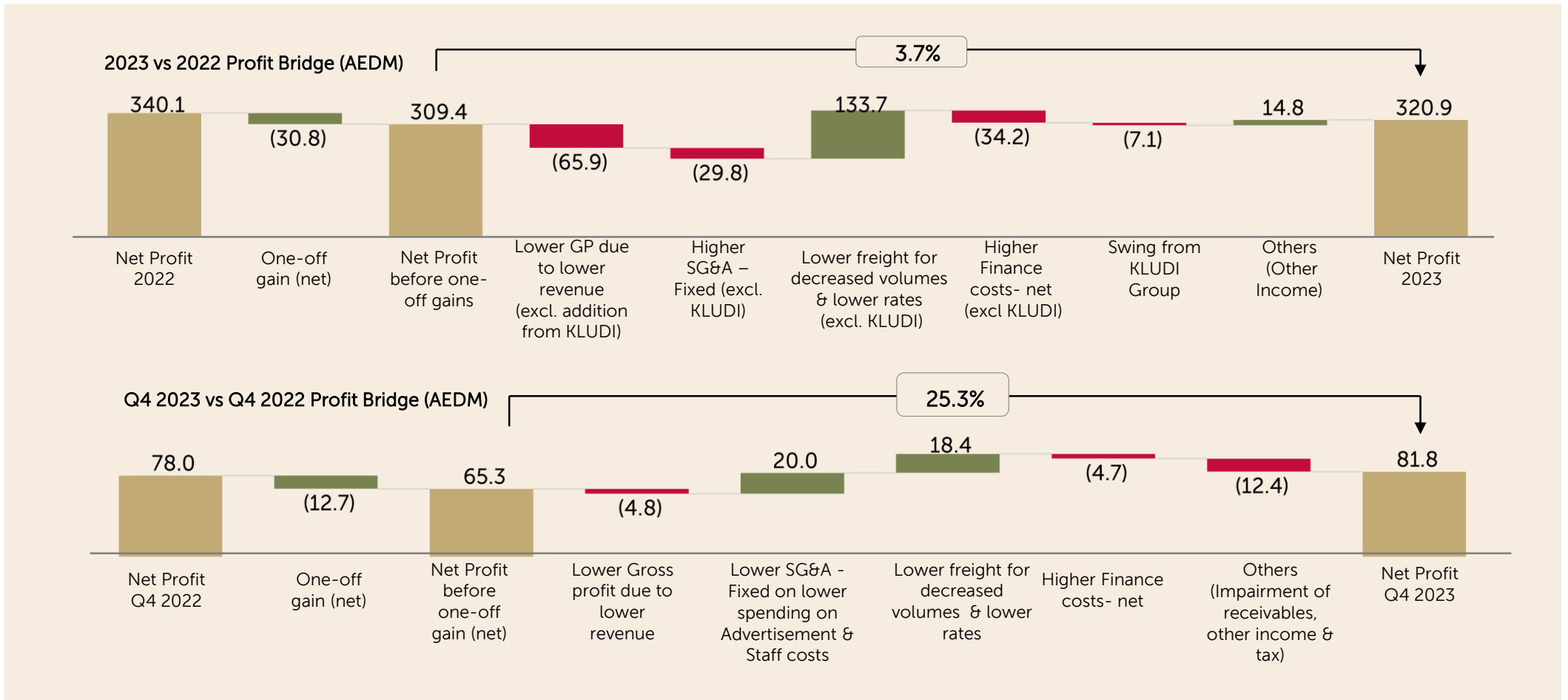
SANITARYWARE GROSS MARGINS (%)



TABLEWARE GROSS MARGINS (%)



Profitability Bridge

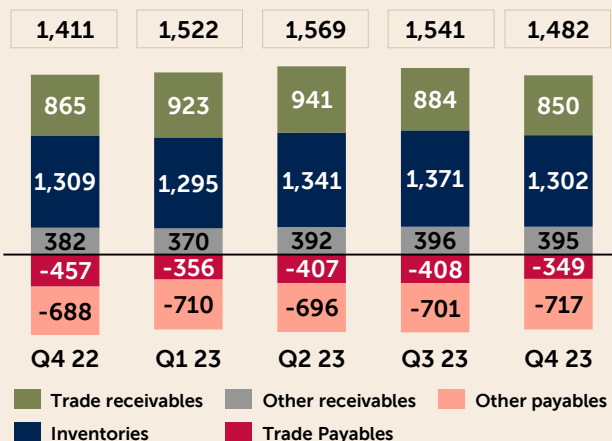


Balance Sheet Highlights

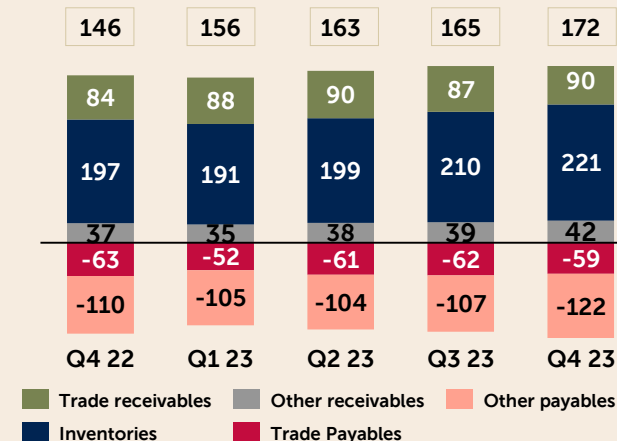
MANAGEMENT COMMENTS

- Overall working capital cycle increased from 146 days in Q4 2022 to 172 days in Q4 2023. However, in absolute terms, working capital increased by AED 71m to AED 1.48bn in Q4 2023, mainly due to decrease in payables
- Inventory days increased from 197 days to 221 days YoY
- Trade receivable days increased from 84 days to 90 days YoY.
- Trade payable decreased from 63 days in Q4 2022 to 59 days in Q4 2023.
- Net debt increased by AED 120.3m in December 2023 at 1.42bn compared to December 2022 due to payment of Dividend of AED 221.7m and capex of AED 272m
- Net debt to EBITDA also increased from 2.26x in December 2022 to 2.20x in December 2023.
- Capex guidance for 2024 continues to remain at AED 300-350m.

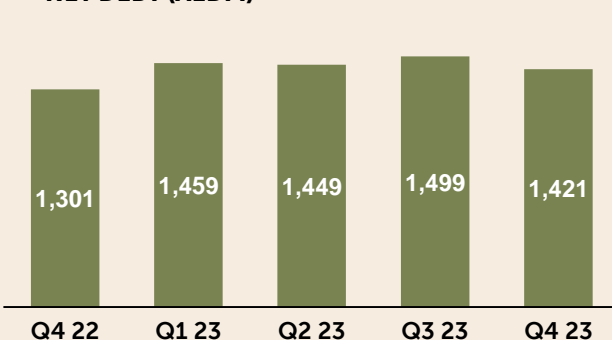
WORKING CAPITAL (AEDM)



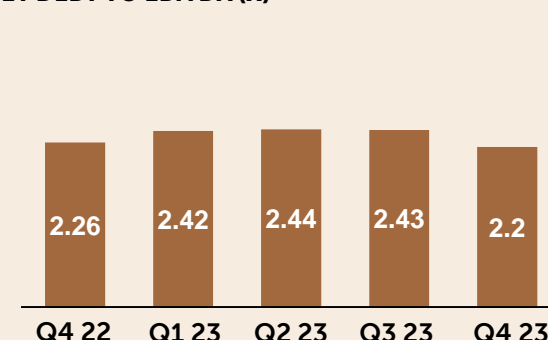
WORKING CAPITAL CYCLE (LTM DAYS)



NET DEBT (AEDM)



NET DEBT TO EBITDA (X)



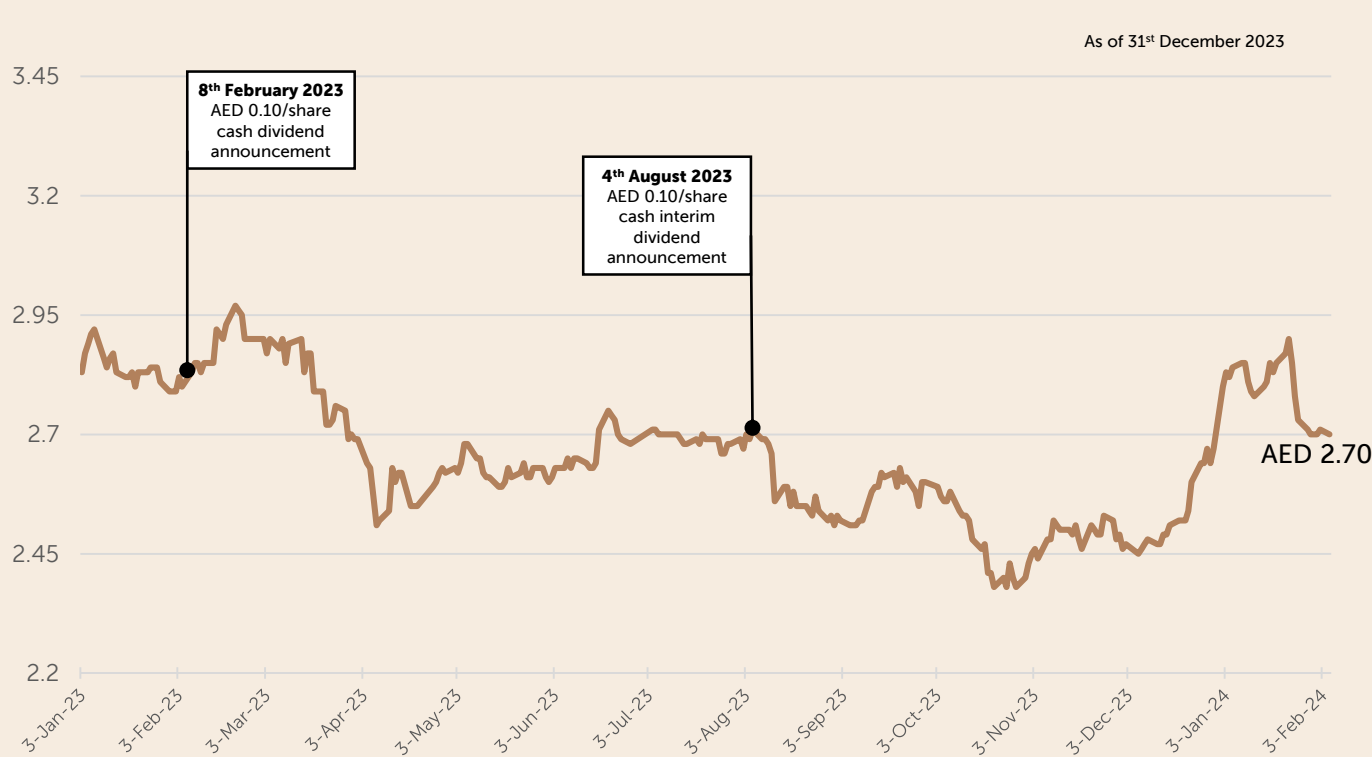


Share Price and Dividend Performance

Speaker: PK Chand
Group CFO

RAK Ceramics Share Price Movement

RAK CERAMICS (RAKCEC) SHARE PRICE PERFORMANCE (AED)



CURRENT VALUATION (AED M)

	5 th February 2024	31 st December 2022
	Amount	Amount
Share price	2.70	2.83
Number of shares (in Mn)	994	994
Market Cap (in Mn)	2,684	2,812.2
Net debt	1,421	1,301
Minorities	134	133
Enterprise Value	4,239	4,246

*Net debt and minorities as of 31st December 2023

LTM TRADING MULTIPLES

As of 31st December 2023

	Multiple
EV / Sales	1.20x
EV / EBITDA	6.41x
P / E	8.91x
P / B	1.27x

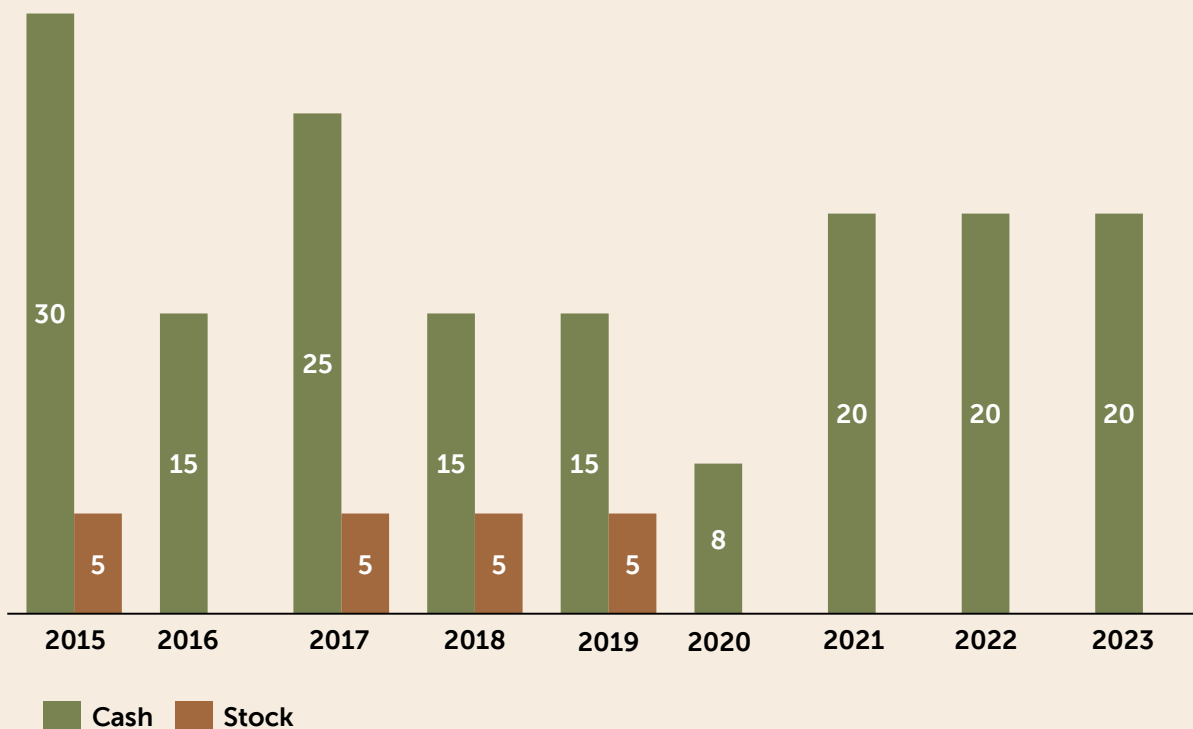
Dividend Update

MANAGEMENT COMMENTS

In-line with its dividend policy commitment, the Board proposed to distribute semi-annual cash dividend of 10 fils per share for second half of 2023 (AED 99.4million).

This follows a previously approved and distributed semi-annual cash dividend of 10 fils per share, representing AED 99.4m, for H1 2023.

HISTORICAL ANNUAL DIVIDEND PAID (%)



Closing Remarks

Speaker: Abdallah Massaad
Group CEO



2024 Priorities



Protect Market Share

Maintain healthy competition across all core markets and segments albeit increased challenges



Production Capabilities Growth

Rationalize footprint and increase capacity across all core businesses via plant additions, enhancements in addition to greenfield



Operational Diversification

Explore and diversify into new markets in terms of sales, sourcing and potentially manufacturing



Digital Acceleration

Improve operating model practicing agility and digitization to enable enhanced analytics and data-driven decision-making capabilities



Retail Expansion & Brand awareness

Focus on strengthening retail presence & create Brand awareness in focus markets by opening new showroom, refurbishing existing outlets, and rolling out e-commerce into additional markets



KLUDI

Continue KLUDI's transformation into a global high-end faucet brand, complementing RAK Ceramics sanitaryware offering, and build-on identified synergies and integration plan to improve performance



Business, Operations & Risk management

Optimize operations enhancing efficiencies and mitigate actively rising risks improving bottom-line performance across all subsidiaries



Sustainability stimulation

Define and implement a sustainability strategy incorporating ESG initiatives into RAK Ceramics identity and across all operations



Q&A



APPENDIX

EBITDA Working

	Quarterly comparison			Yearly comparison	
	Q4 22	Q3 23	Q4 23	2022	2023
Amount in AED M	Amount	Amount	Amount	Amount	Amount
Net profit/(loss) after tax	78.0	83.9	81.8	340.1	320.9
Tax	3.1	8.0	6.6	22.1	24.6
Interest- net	23.0	27.4	27.5	70.9	106.8
Depreciation & amortization	47.4	49.8	49.6	178.6	195.0
Gain on KLUDI Group acquisition accounting	-	-	-	(32.4)	-
Extra-ordinary Impairment provisions on other receivables	-	-	-	27.6	-
Impairment on Investment properties	0.9	-	-	3.8	-
Net gain on sale of Land in Australia & others	(13.7)	-	-	(32.2)	-
(Gain) on sale of assets/CWIP write-off	(1.2)	(0.1)	0.5	(1.3)	0.1
EBITDA	137.5	169.0	166.0	577.2	647.4

Thank You

CONTACT US

If you have any questions or require further information, please do not hesitate to contact our investor relations department.

Investor Relations

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