CERAMICS

RAK

ARQAAM CAPITAL INVESTOR CONFERENCE

MAY 2024

D



Contents

1	Company Overview
2	Macro & Industry Outlook
3	Segmental Overview
4	Business Update
5	Sustainability Overview
6	Financial Highlights
7	Stock Profile
8	Appendix



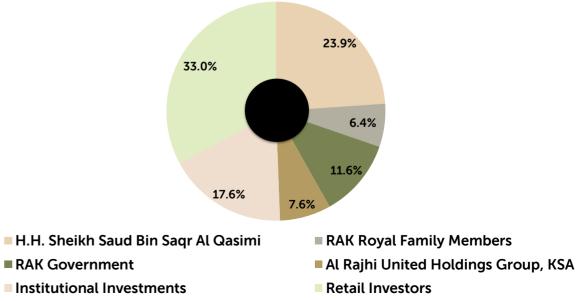
RAK

RAK Ceramics at a glance

Leading lifestyle brand offering premium home, bath & kitchen solutions



Shareholding Structure



As of 31th March 2024

RAK CERAMICS

Eras of RAK Ceramics

1990-2000 | FOUNDATION



1989 Founded by H.H. Sheikh Saud Bin Sagr Al Qasimi, Ruler of Ras Al Khaimah.



operational with annual output of 1.825.000 square meters.



First sanitaryware plant operational with annual output of 350,000 pieces.



Tile plant set-up in Bangladesh with annual output of 3.650,000 sam.

2000-2010 | EXPANSION



2004 Launched RAK Luminous, ability to glow in dark & RAK Slim, a thickness of just 4.5mm, RAK Porcelain Established.



10th UAE tile plant with annual output of 16,425,000 square meters. **RAK India commence** operations.



Kludi RAK established, producina exauisite designer and water saving faucets.



2010 Producing 115 million sgm. of tiles per year, we became the world's largest ceramics

brand. RAK Bangladesh IPO

2010-PRESENT | ENHANCEMENT



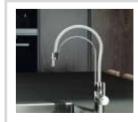




2013 Launched Maximus Mega Slab, a super-sized slab. Samena capital, private equity player, acquired 31% in RAK Ceramics



RAK Ceramics collaborates with international fashion brand to launch bathroom & surface collection. Samena capital exits

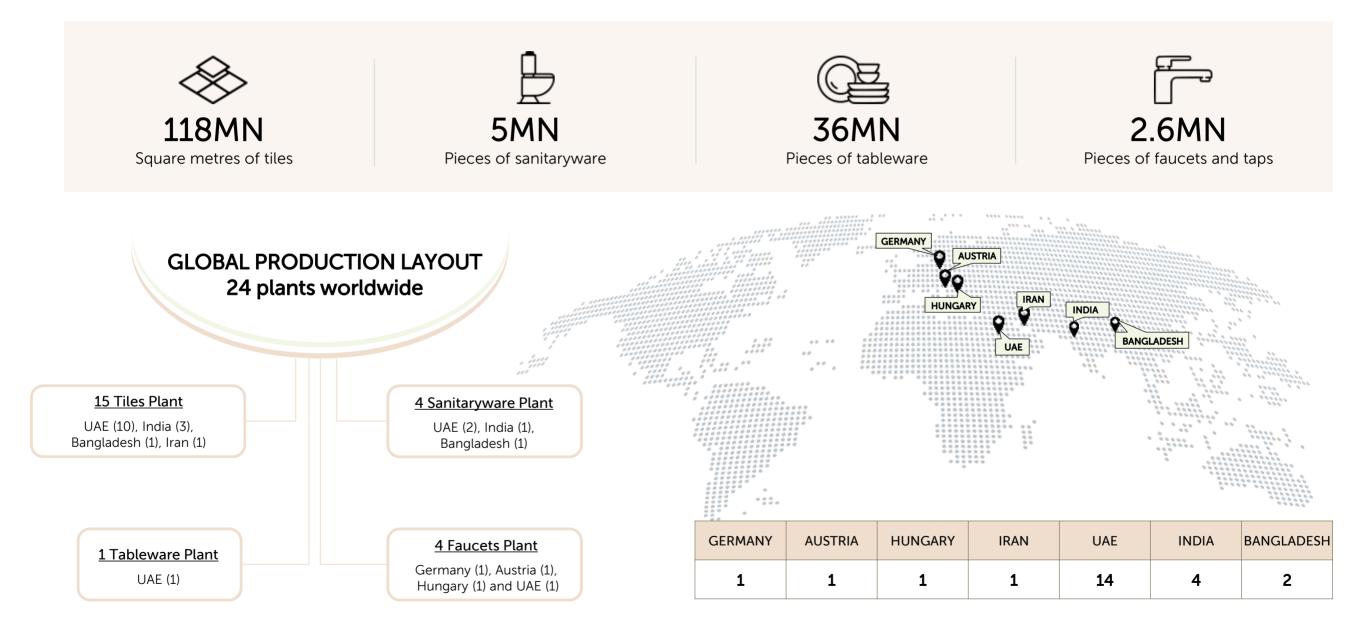


2022 RAK Ceramics inks 100% KLUDI

acquisition deal. RAK Porcelain minority buyout. First design hub in London. Launch of e-comm platform.

Manufacturing Process





Our Philosophy

RAK

To become the world's leading lifestyle solution provider for home, bath & kitchen solutions



LIFESTYLE BRAND

We are globally recognized ceramics lifestyle solutions provider.



INNOVATION

Innovation is at the heart of our philosophy and we have continuously led the way in terms of product development.



HIGH-END QUALITY

We are known for our wide product range and our ability to produce premium quality products at a value price point.



SUSTAINABILITY

We operate in harmony with our local communities embracing safe and ethical work and aiming for a positive contribution to our environment.







Product offering



TILES

We offer one of the largest collection of Ceramic and Gres Porcelain wall and floor tiles, super-sized slabs in the industry. Our tiles are known for its premium design and quality.



SANITARYWARE

Complete solutions provider offering products designed to suit all budgets and tastes with accessories and bathroom furniture



TABLEWARE

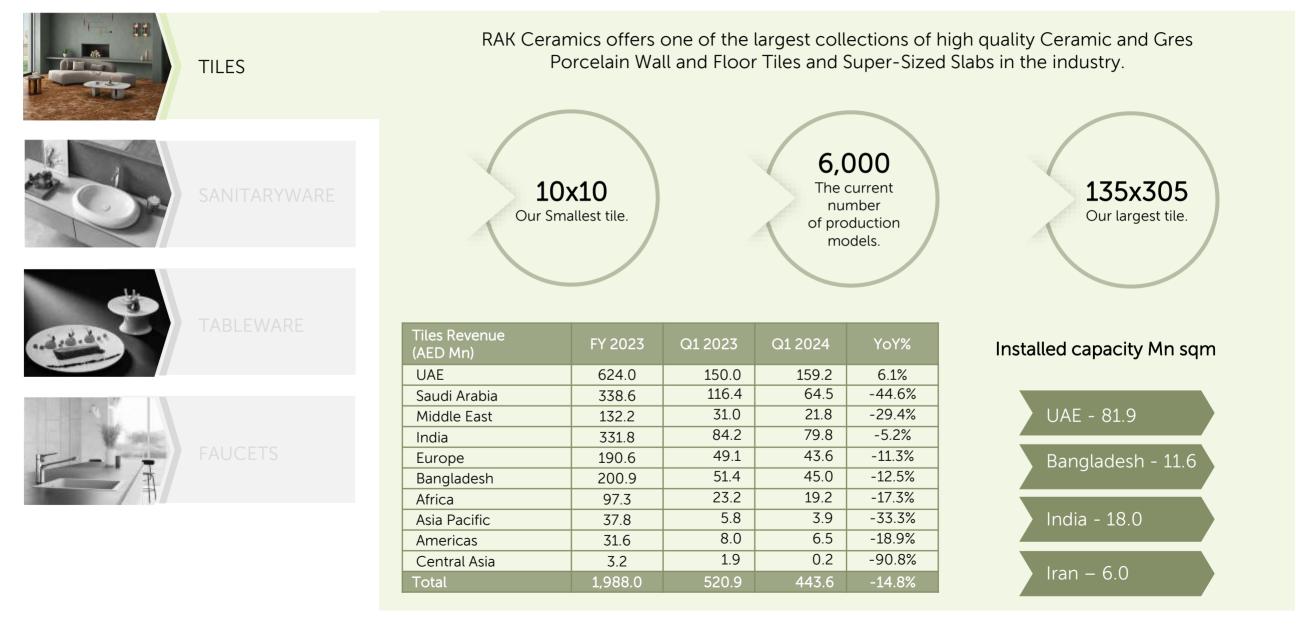
Products supplied to over 40,000 hotels in more than 165 countries with clients including JW Marriott, Hilton, Hyatt, and Sheraton amongst others.



FAUCETS

Eco-friendly faucets and bathroom fittings with a strong focus on water-saving technology, offering up to 60% saving on water consumption Tiles





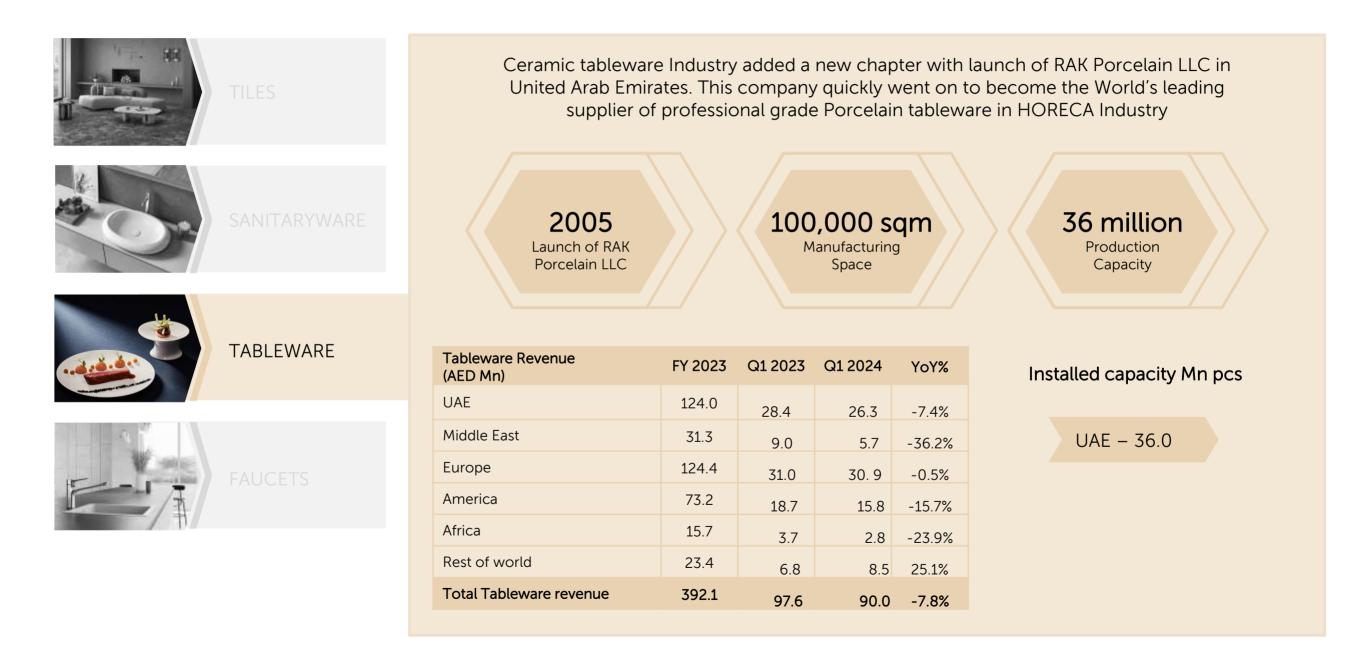
Sanitaryware



		RAK Ceramics is internationally recognized for the high quality comes from carefully selected premium raw materia the products.					
	SANITARYWARE		15,616 hitaryware pier oduced every o globally.		The til from ir	DAYS me it takes hitial design shed model.	100% Every water closet is individually leak tested on site.
		Sanitaryware Revenue (AED Mn)	FY 2023	Q1 2023	Q1 2024	YoY%	Installed capacity Mn pcs
		UAE	162.8	39.9	42.4	6.2%	
and the second se		Saudi Arabia	11.7	3.7	1.7	-53.8%	
		Middle East	21.3	4.4	4.4	0.8%	UAE - 2.7
-and		India	30.2	6.8	8.0	17.4%	
		Europe	193.6	48.0	34.6	-28.0%	
1 A		Bangladesh	63.6	18.2	13.8	-23.8%	Bangladesh - 1.6
1		Africa	16.3	5.3	5.8	10.2%	
		Asia Pacific	5.2	1.5	1.2	-20.6%	
		Americas	4.0	1.1	0.9	-17.9%	India – 0.7
		Central Asia	3.2	0.4	0.0	-nm	

Tableware

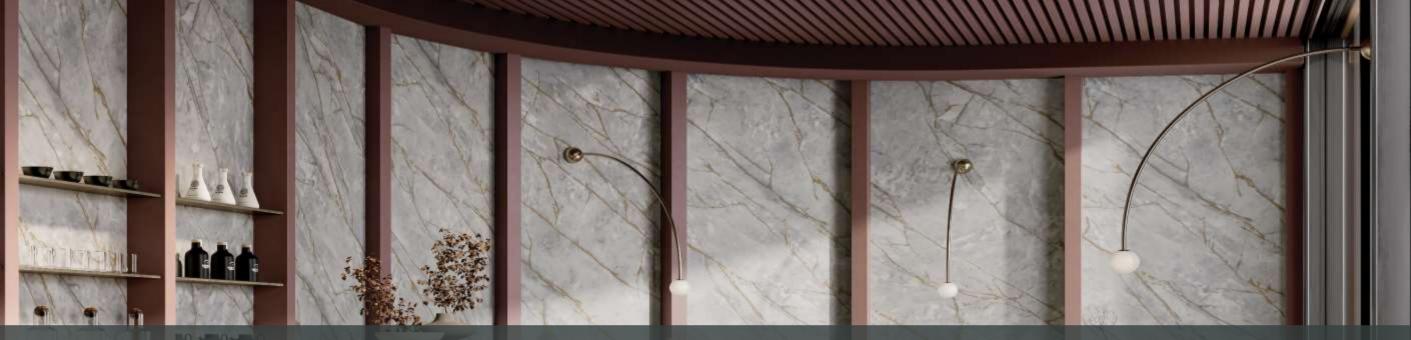




Faucets



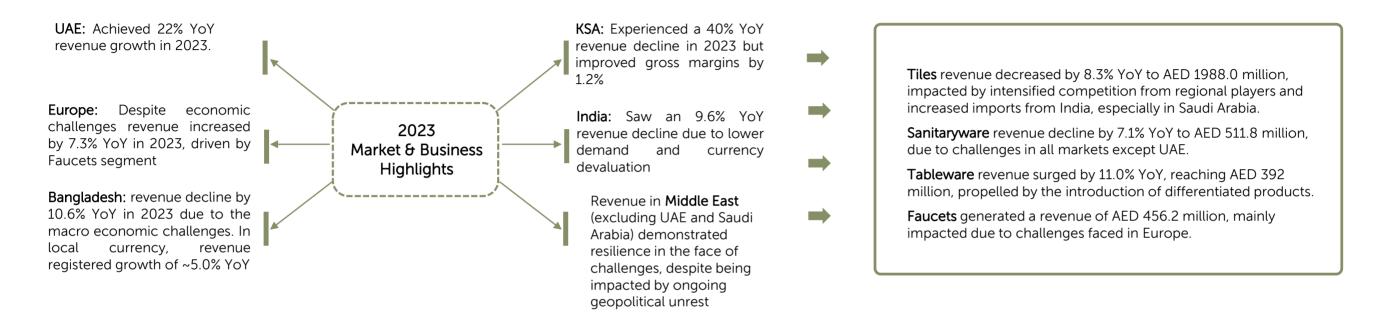
TILES	5	Kludi GmbH & Co. KG – founded in 1926 in the Sauerland region of Germany – manufacturing high-quality faucets & fittings for bathrooms and kitchens					
SANI		100 Years of Experience		170 Inventions		100 Patents	Top 100 Innovators In German SME sector
TABL	EWARE (AE	ucets Revenue ED Mn)	FY 2023	Q1 2023	Q1 2024	YoY%	Installed capacity Mn pcs
	UA		177.7	35.2	45.6	29.2%	
77		udi Arabia	11.3	1.5	1.3	-14.2%	
9	Mie	ddle East	19.9	7.5	4.2	-44.5%	UAE – 1.2
		rope	279.4	69.5	81.4	17.1%	
FAUC	CETS Asi	ia	14.2	2.1	1.7	-20.2%	Europe –1.4
	Afr	rica	6.3	2.4	2.1	-12.0%	Luiope -1.4
	Re	est of world	15.2	3.3	2.6	-21.4%	
	Les	ss Intercompany sales	-67.8	(9.8)	(21.9)		
	То	tal Faucets revenue	456.2	111.6	116.9	4.7%	



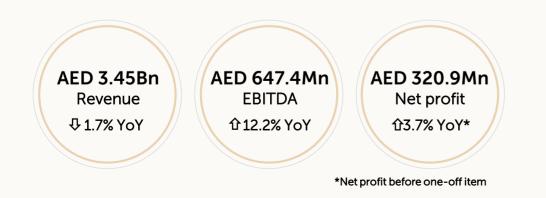
BUSINESS UPDATE

Business Highlight - 2023





2023 – Performance Snapshot

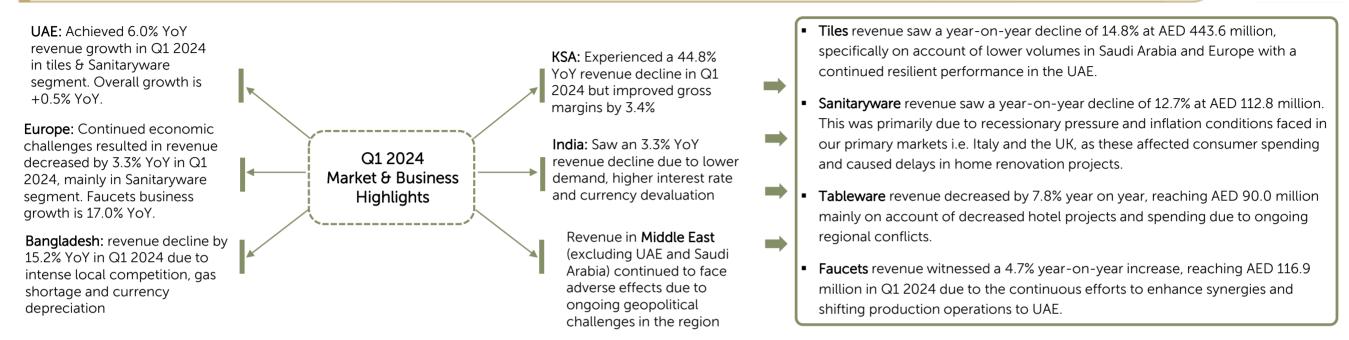


Key Facts as on 31st December 2023



RAK

Business Highlight – Q1 2024



Q1 2024 – Performance Snapshot



*Impact of newly introduced UAE corporate tax is AED 8.0m

Key Facts as on 31st March 2024



RAK

Recent Marketing updates

Presence and Footprint



Launch of the new rakceramics.com website. Website metrics: 8% increase in total users, 52% increase in organic traffic, 29% increase in goal conversions.



Launched Tableware Ecommerce portal in April 2024 which will be followed by Retail outlets in the UAE in the following quarters



9 New Showrooms opened in 2023 adding to total of 32 showrooms (UAE 10), KSA (5), India (11), Bangladesh (1), UK (2), Italy (1) and Germany (2)

Events and Exhibitions



Strong and specific initiatives in the occasion of Cop28 together with Rak EPDA, SAP, EEG, CSR Arabia Forum



CEOs interview during Cop28 with Khaleji Times, The National and other main media



Rak Ceramics Social Media: **28% increase in engagement rate** (combined), 71% increase in conversion rate by successfully testing FB's new advantage+ campaign.

Awards



Key Challenges – 2024



Core Markets	Key Challenges	Our Actions
UAE	Import of cheaper products has increased on account of free trade agreements signed between UAE and other countries	 Strategic approach on adaptability, implementing and leveraging on brand enhancement initiatives and providing customer-centric solutions
Saudi Arabia	Significant variance in product price offerings, impacting wholesale business. Rise in transportation cost and shortage of trucks impacting margins and delivery timelines	 Projects division presents growth prospects aligned with Saudi Vision 2030 and the upcoming World Cup. Focus on premium products shall allow to reduce impact on revenue and margins, offsetting some revenue decline.
Europe	Substantial increase in shipping costs and delivery delays due to the ongoing conflict in Red Sea. Additionally, increased interest rates and recessionary condition pose challenge for managing working capital and cash flows	 Ongoing initiatives planned for implementation include strengthening brand awareness and presence through events and engagements with architects and designer community.
India	Lower demand due to increased interest rates and currency devaluation.	 Initiatives such as market expansion, retail initiatives, and product launches position us to sustain our margins in the dynamic Indian market
Bangladesh	Intense local competition, high interest cost and currency devaluation	 Planned initiatives like segregated sales teams, upgraded products, increased marketing, and expanded dealer networks.

RAK

Expansion Plans – 2024

product series.

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

increase scale of production in phases

India

We are upgrading our Tiles production facility to allow us to add new models and design and also improve production efficiencies. We expect production of GVT tiles to commence in Q2 2024

Bangladesh

UAE

We have upgraded our Tiles plant enhancing the production capacity and enabling production of large format tiles.

We have completed the tableware expansion project for adding 10 million pieces capacity with plans to



We continue to work towards setting up a production facility in KSA.





Operational Diversification

-0

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 datadriven decisionmaking capabilities

Sustainability stimulation

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

KILIDI Turra

KLUDI Turn-around

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



SUSTAINABILITY OVERVIEW

Sustainability updates - 2023

RAK

Introducing Online Mosaic Process	Recycling Rejected Tiles	Upgrading Design Scanning Solutions	Enhancing glazing system	Introducing E-bikes
Online mosaic production system enabling the efficient production of mosaic tiles using less energy and less manpower	Recycling equipment, allowing for the 100% reuse of fine powder generated by broken or wasted- fired porcelain tiles as input, with a capacity of up to 50,000 metric tons of powder per year	Design development scanner, allowing for optimized production and elevated design capabilities with its enhanced scanner format and higher optical resolution	Digital glazing system that fully automates glaze levels, allowing for 30-45% reduction in glaze waste by eliminating shade variation caused by glaze weight variation	70 e-bikes across UAE manufacturing facilities, allowing for a reduced emission, noise pollution and environmental impact



Sustainability Highlights - 2023

INVESTOR PRESENTATION - 2024







FINANCIAL HIGHLIGHTS



RAK

Financial Snapshot - 2023





GROSS MARGIN 37.9%

 $\widehat{\mathrm{tr}}\,$ 30 bps YoY



ЕВІТДА AED 647.4 M û 12.2% Yoy



NET PROFIT **AED 320.9 M** ☆ 3.7% YoY*



NET PROFIT After Minority AED 290.9 M



NET DEBT AED 1.42 BN

☆ 120.3 M
 Net Debt to EBITDA
 2.20x vs 2.26x

* Net profit before one-off gain

Financial Snapshot – Q1 2024





REVENUE AED 781.6 MN

↓ 11.4% YoY



û 70 bps YoY



EBITDA AED 151.0 M

🕂 3.9% YoY



NET PROFIT after tax AED 62.9^{*}M ⊕21.5% YoY

*Impact of newly introduced UAE corporate tax is AED 8.0m



NET PROFIT After Minority AED 57.6 M



NET DEBT AED 1.37 BN

54.3 M
 Net Debt to EBITDA
 2.13x vs 2.20x

Revenue Highlights – FY 2023 & Q1 2023/24



MANAGEMENT COMMENTS

- Q1 2024 revenue at AED 781.6m, down by -11.4% YoY, reflecting global geopolitical tensions, market volatility, higher interest rates, and currency devaluation.
- Tiles revenue decreased by 14.8% YoY to AED 443.6 million, impacted by intensified competition from regional players and increased imports from India, especially in Saudi Arabia.
- Sanitaryware revenue decreased by 12.7% YoY to AED 112.8.8 million, driven by subdued demand and competition
- Tableware revenue decreased by 7.8% YoY to AED 90.0 million, due to decreased hotel projects and spending due to ongoing regional conflicts and moreover the severe logistical issues, and currency depreciation has further affected revenue in major markets like Egypt, Asia, and Africa.
- Faucets revenue increased by 4.7% YoY to AED 116.9 million in Q1 2024 due to strategic move which has contributed to positive trends.

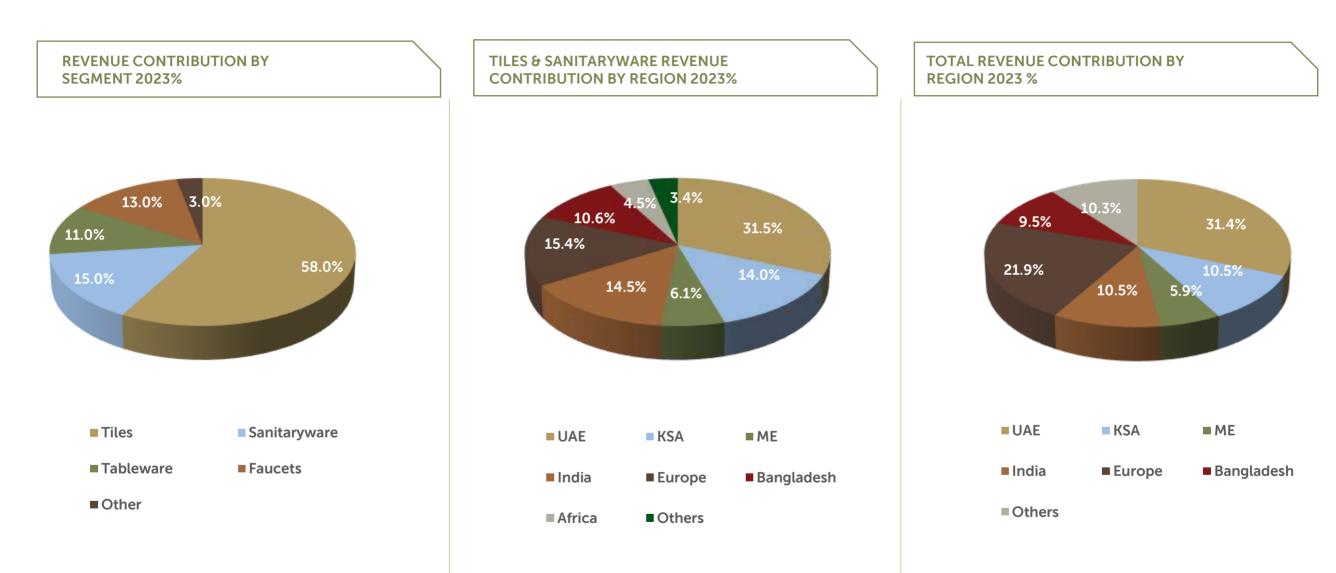


		YEARLY COMPARISON			
	FY 2023	Q1 2023	Q1 2024		
	Amount	Amount	Amount	YoY Growth	
United Arab Emirates	786.7	189.9	201.5	6.2%	
Kingdom of Saudi Arabia	350.3	120.0	66.2	-44.8%	
Middle East (Ex. UAE & KSA)	153.6	35.3	26.3	-25.7%	
India	362.0	91.0	87.8	-3.5%	
Europe	384.2	97.1	78.2	-19.5%	
Bangladesh	264.4	69.6	58.8	-15.5%	
Africa	113.6	28.5	25.1	-12.1%	
Rest of the world	85.0	18.6	12.6	-32.4%	
Tiles and SW revenue	2,499.9	650.1	556.5	-14.4%	
Tableware revenue	392.1	97.6	90.0	-7.8%	
Faucets	456.2	111.6	116.9	4.7%	
Others revenue	109.7	23.2	18.4	-20.7%	
Total Revenue	3,457.8	882.4	781.6	-11.4%	

RAK Ceramics PJSC © 2024 All rights reserved

Revenue Contribution - 2023

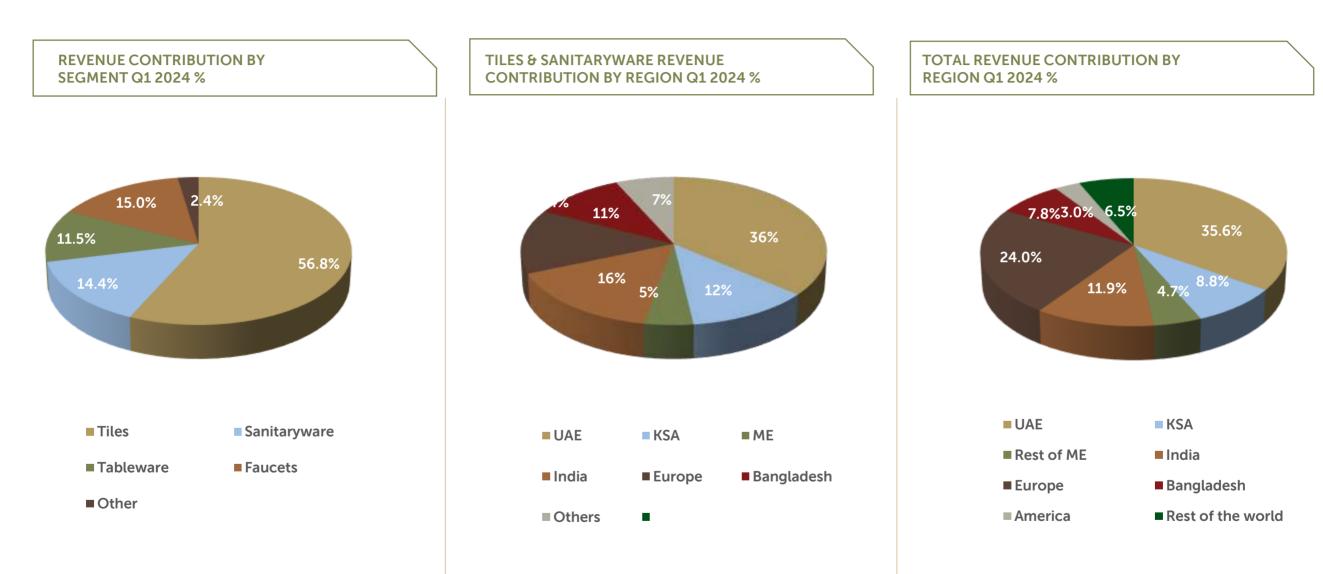




Revenue Contribution – Q1 2024

INVESTOR PRESENTATION - 2024



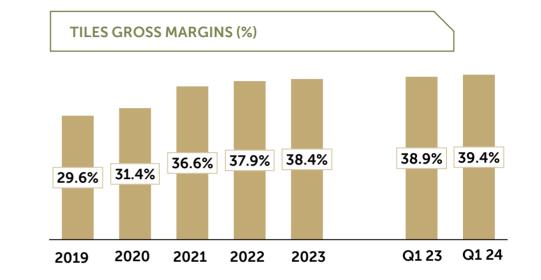


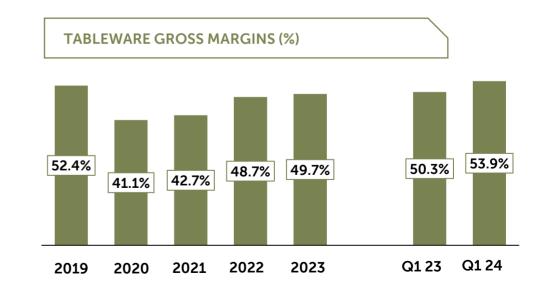
Gross Profit Margin Trend











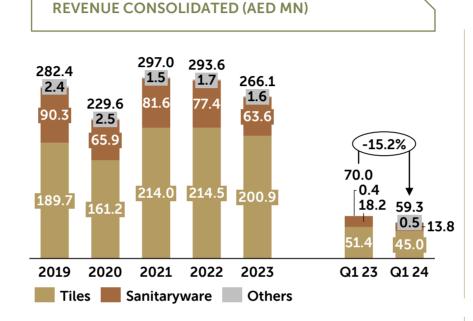
Bangladesh Operations

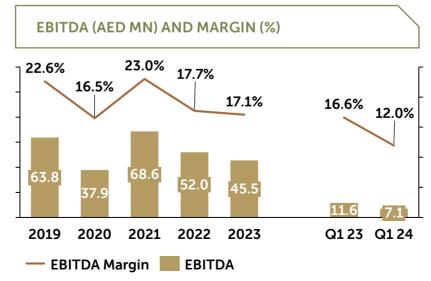


MANAGEMENT COMMENTS

 In Q1 2024 revenue declined by 15.2% year-on-year due to intense local competition, gas supply challenges and currency devaluation. We have initiated actions to address these challenges by intensifying our marketing endeavors to enhance market penetration and elevate brand visibility.

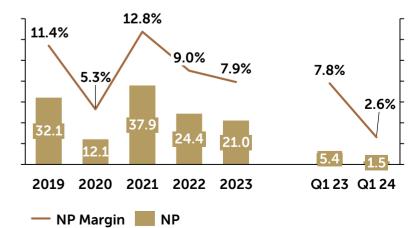
BANGLADES		
68.3% Ownership	~\$102M Market Cap (Listed in DSE). As at 15 th May 2024	~14% of RAKC Market Cap while revenue contribution is 7.6%
Strengthening the dealers network and improve B2B sales through corporates	Improve Brand position with introduction of new products	• 27.4x P/E Multiple









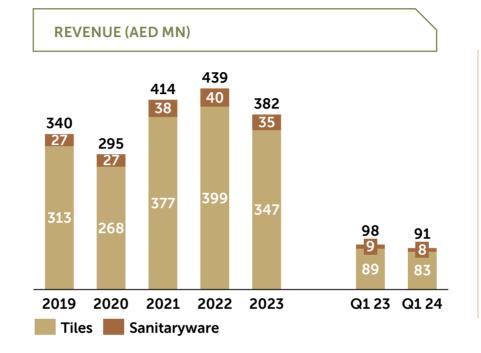


Indian Operations

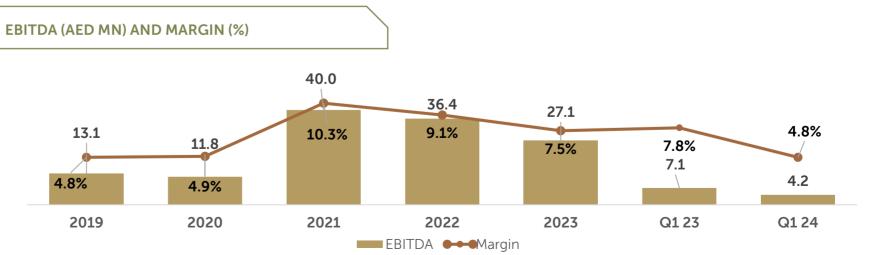


MANAGEMENT COMMENTS

- In Q1 2024, revenue declined by 3.5% in the first quarter of 2024, primarily as a result of persistent challenges such as currency devaluation and reduced demand due to higher interest rates. To fortify our position in the dynamic Indian market, we strategically pursued upgrades to our facilities, expanded our market presence, implemented retail initiatives, and introduced new product launches.
- Margins saw a 140 basis point decreased YoY in Q1 2024 due to lower productivity during the quarter on account of plant upgrade in Morbi.
- The Indian market continues to feel the adverse effects of rising interest rates and tight liquidity. However, we expect the real estate sector to pick momentum as we invest in upgradation of our facilities and expand our dealer network







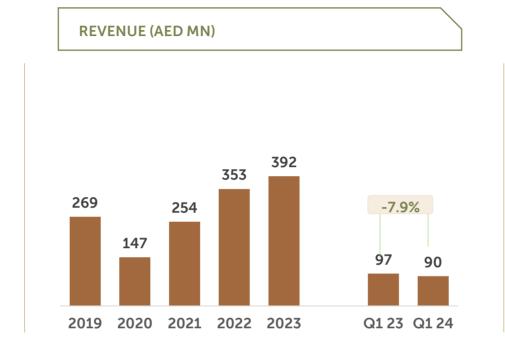
Tableware performance trend

GROSS PROFIT MARGIN (%)



MANAGEMENT COMMENTS

 Tableware segment registered a slowdown in revenue at AED 90 million on account of decreased hotel projects and spending due to ongoing regional conflicts. Despite a reduction in sales volume and overall revenue, Tableware segment registered a gross margins of 53.9%, a year-on-year improvement of 3.6%.



NET PROFIT (AED MN) AND MARGIN (%)

36.0

2019 2020 2021 2022 2023

14.2%

51.3

.9.0%

-5.9

70.3

9%

82.1

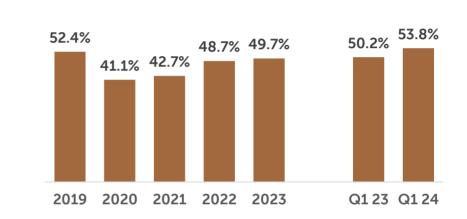
21.09

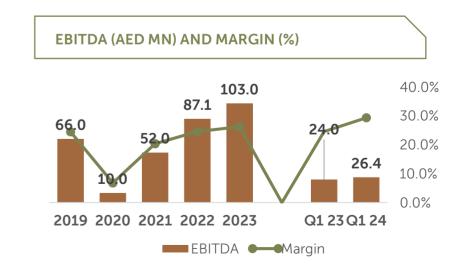
Net Profit Margin

19.4 19.2

9.9%-21.4%

Q1 23 Q1 24



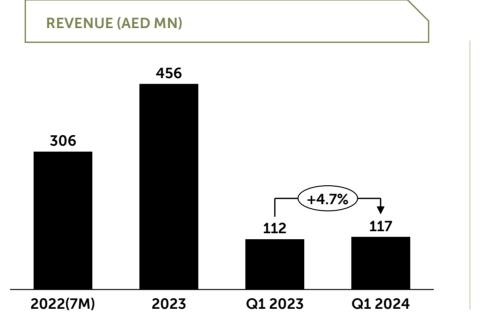


Faucets performance

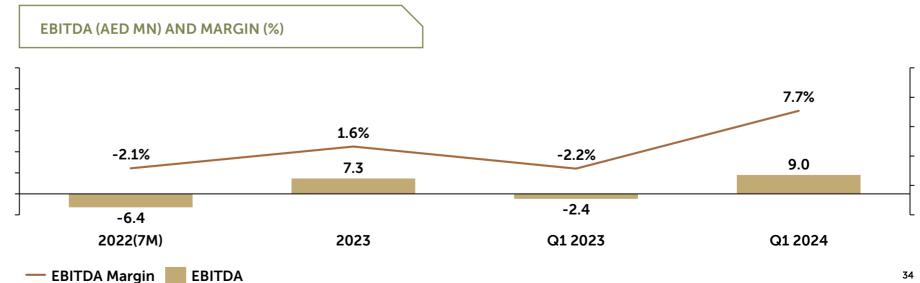


MANAGEMENT COMMENTS

- In Q1 2024, revenue increased by 4.7% in the first quarter of 2024, mainly resulting from the continued efforts to enhance synergies.
- The gross margins also improved to 31.1%, thus registering a year-on-year growth of 4.5% due to cost efficiency and shifting production capabilities in UAE.
- EBITDA for Q1 2024 is positive at AED 9.0m with a margin of 7.7% compared to negative EBITDA in Q1 2023.





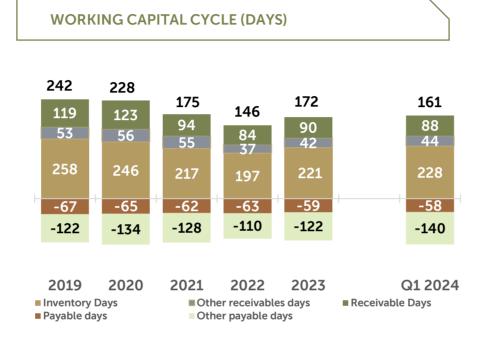


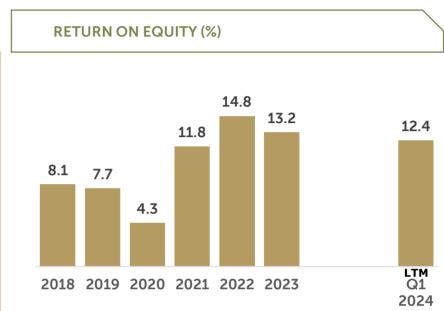
Balance Sheet Evolution



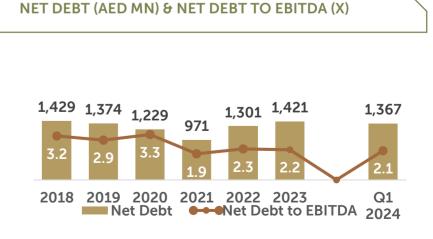
MANAGEMENT COMMENTS

- Return on Equity in Q1 2024 is 12.4%
- Inventory days increased by 7 days to 228 days in Q1 2024 compared to 2023 due to lower LTM revenue.
- Trade receivable days increased from 90 days in 2023 to 88 days in Q1 2024.
- Trade payable days decreased from 59 days to 58 days QoQ.
- Overall working capital cycle decreased from 172 days in Q4 2023 to 161 days in Q1 2024. Also, in absolute terms, working capital decreased by AED 99m to AED 1.38bn in Q1 2024, mainly due to dividend liability paid in April 2024. Excluding Dividend payable, working capital remained stable QoQ.
- Net debt decreased by AED 54.3m in March 2024 at 1.37bn compared to December 2023.
- Net debt to EBITDA also decreased from 2.20x in December 2023 to 2.13x in March 2024.
- Capex guidance for 2024 continues to remain at AED 300-350m
 RAK Ceramics PJSC © 2024 All rights reserved







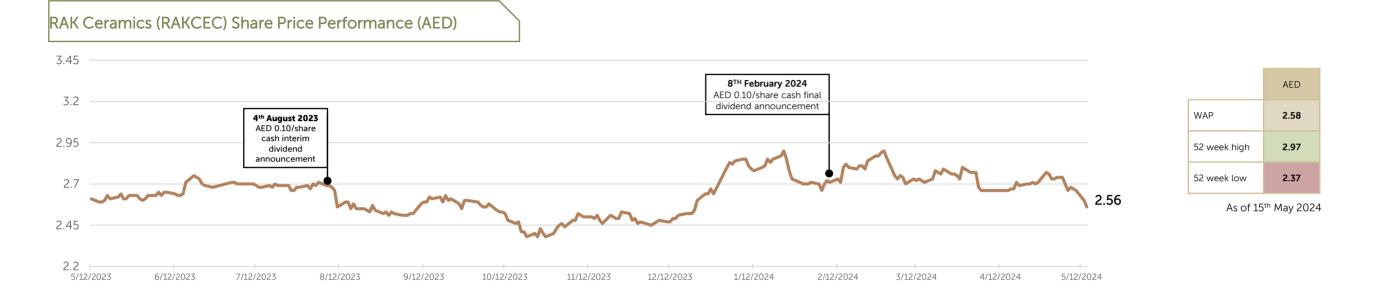




STOCK PROFILE

-

RAK Ceramics Share Price Movement



CURRENT VALUATION (AED M)

	15/05/2024	31/12/2022
	Amount	Amount
Share price	2.56	2.83
Number of shares (in Mn)	994	994
Market Cap	2,544	2,812
Net debt	1,367	1,301
Minorities	127	133
Enterprise Value	4,038	4,246

*Net debt and minorities as of 31st March 2024

LTM TRADING MULTIPLES

	Multiple
EV / Sales	1.30x
EV / EBITDA	6.76x
P/E	10.47x
Р/В	1.29x

As of 15th May 2024



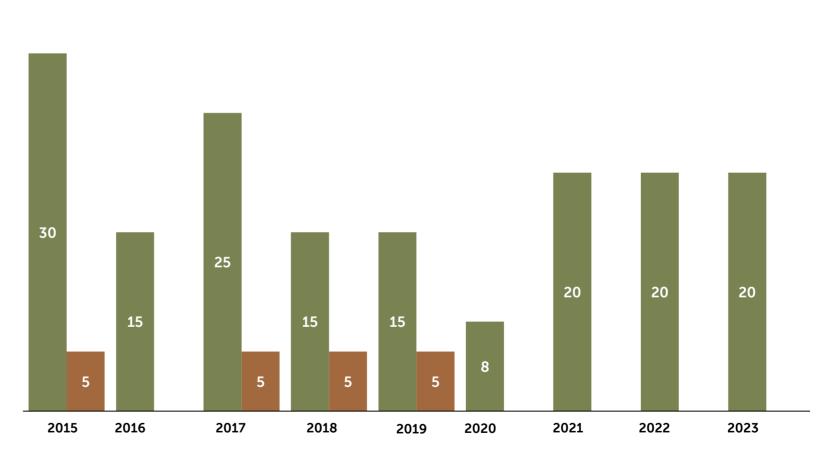
RAK

Dividend Update

MANAGEMENT COMMENTS

- RAK Ceramics is committed to returning capital to shareholders via a sustainable dividend policy, aiming at a minimum payout of 20 fils on a semi-annual basis for FY 2022 subject to consideration of factors such as business outlook, capital requirement for growth opportunities, expansion plans, optimal leverage levels and healthy cash reserves in addition to regulatory approvals. To further enhance the visibility to the shareholders, RAK Ceramics commits to pay a minimum dividend of 60 fils over the next 3 years (i.e. 2022-2024)
- 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 (%)

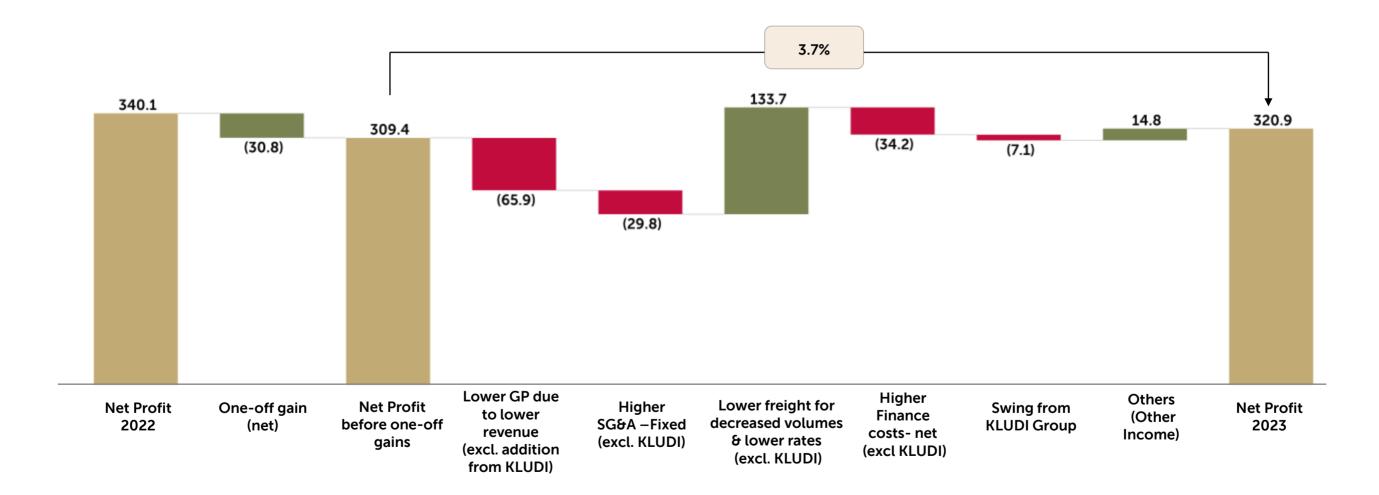






Profitability Bridge 2023

2023 vs 2022 Profit Bridge (AEDM)



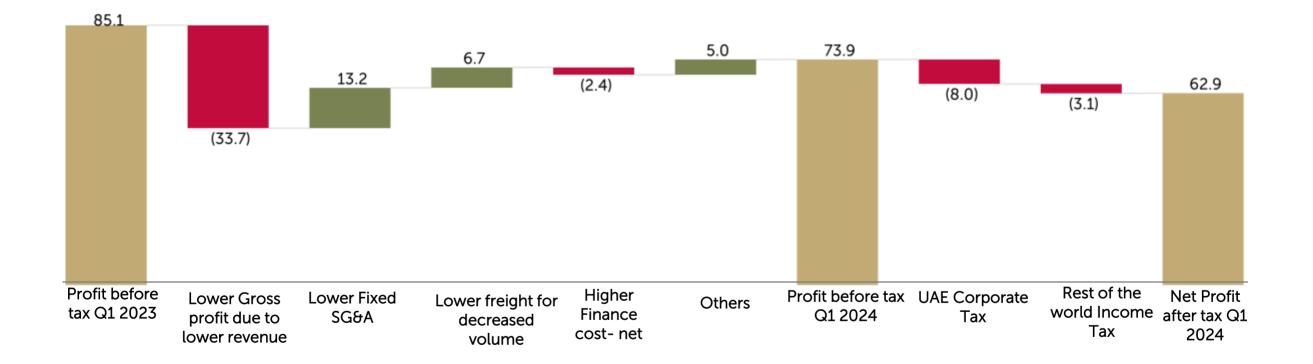
RAK

Profitability Bridge Q1 2023 vs Q1 2024

INVESTOR PRESENTATION - 2024



Q1 2024 vs Q1 2023 Profit Bridge (AEDM)



EBITDA Working



		YEARLY COMPARISON	
	FY 2023	Q1 2023 Q1 2024	
Amount in AED M		Amount	Amount
Net profit/(loss) after tax	320.9	80.1	62.9
Тах	24.6	5.0	11.0
Interest- net	106.8	24.8	27.0
Depreciation & amortization	195.0	47.5	50.6
(Gain) on sale of assets/CWIP write-off	0.1	(0.2)	(0.6)
EBITDA	647.4	157.1	151.0

Thank You

RAK

CONTACT US

If you have any questions or require further information, please visit corporate rakceramics com or contact investor relations team at i