



RAK

CERAMICS

EARNINGS PRESENTATION – Q1 2024 RESULTS

MAY 2024

Agenda



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Speakers



Abdallah Massaad
Group Chief Executive Officer

Abdallah Massaad is Group CEO of RAK Ceramics and has more than 26 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.

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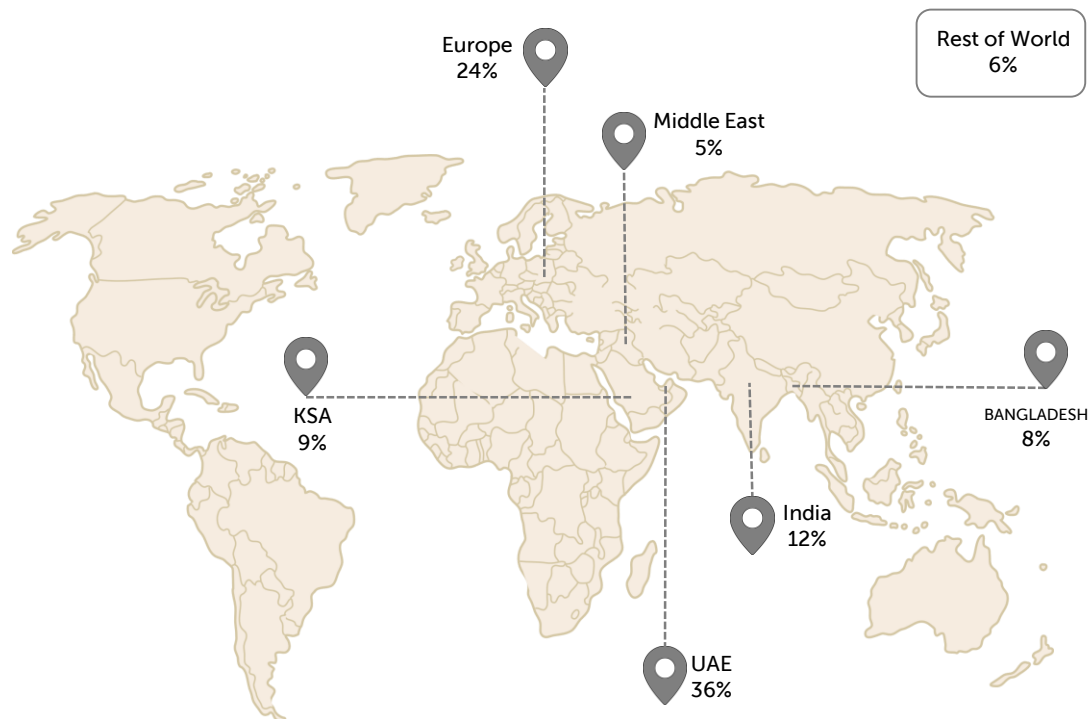


Business Highlights

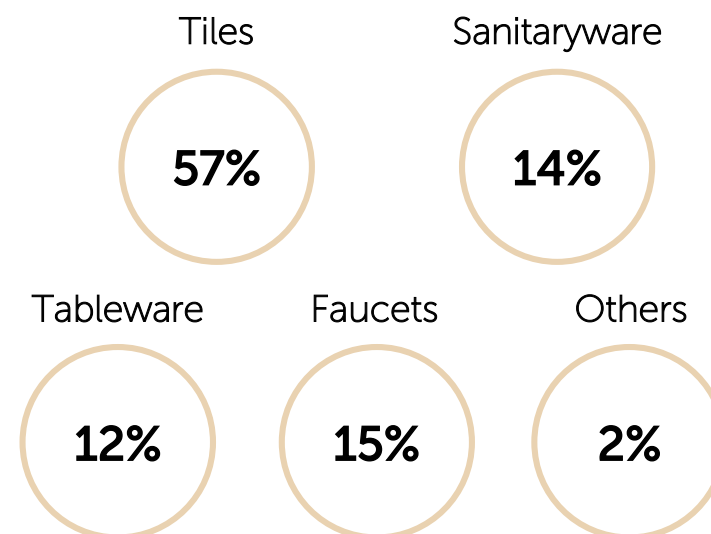
Speaker: Abdallah Massaad
Group CEO

Global Business Presence

Where we sell



What we sell (Revenue Mix)



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

Q1 2024 Business Performance Highlight

Tiles & Sanitaryware Market Highlights

- **UAE:** Achieved 6% year-on-year revenue growth in Q1 2024 primarily driven by retail and project channel backed by real estate market growth and rising tourism.
- **KSA:** Experienced a 44.8% year-on-year revenue decline in Q1 2024 due to continued price war and local competition. We continue to face challenges in logistics for transportation to KSA due to the ongoing Red Sea crisis leading to substantial rise in transportation costs and delayed delivery. However, we have been able to maintain our gross margins by focusing on premium products and differentiation.
- **Europe:** Revenue decreased by 19.5% year-on-year in Q1 2024 with significant impact to our Sanitaryware business. The ongoing conflict in red sea has caused delay in delivery timelines and rise in shipping cost, thus reducing our margins.
- **India:** Revenue decreased by 3.5% in Q1 2024 due to continued challenges including currency devaluation and lower demand due to increased interest rates.
- **Bangladesh:** revenue declined by 15.5% year-on-year in Q1 2024 due to intense local competition, high interest cost, gas supply challenges and currency devaluation.

Segment Highlights

- **Tiles** revenue saw a year-on-year decline of 14.8% at AED 443.6 million, specifically on account of lower volumes in Saudi Arabia and Europe with a continued resilient performance in the UAE.
- **Sanitaryware** revenue saw a year-on-year decline of 12.7% at AED 112.8 million. This was primarily due to recessionary pressure and inflation conditions faced in our primary markets i.e. Italy and the UK, as these affected consumer spending and caused delays in home renovation projects.
- **Tableware** revenue decreased by 7.8% year on year, reaching AED 90.0 million mainly on account of decreased hotel projects and spending due to ongoing regional conflicts. However, despite a slowdown in Sales Volume and overall Revenue, Tableware segment registered a improvement in the Gross Margins.
- **Faucets** revenue witnessed a 4.7% year-on-year increase, reaching AED 116.9 million in Q1 2024 due to the continuous efforts to enhance synergies and shifting production operations to UAE

Q1 2024 Key Challenges

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	<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	<p>Significant variance in product price offerings, impacting wholesale business.</p> <p>Rise in transportation cost and shortage of trucks impacting margins and delivery timelines</p>	<ul style="list-style-type: none"> 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 cashflows	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Planned initiatives like segregated sales teams, upgraded products, increased marketing, and expanded dealer networks.

Q1 2024 Key Strategic Updates

Advancements on Expansionary Front.

Expansion projects

- India: In India, upgrades to our Tiles plant in Gris are progressing and we expect production of GVT tiles to commence in Q2 2024.
- UAE: Investments in upgrading our Tiles and Sanitaryware production facility to smart factories have allowed product differentiations and improved production efficiencies.

Greenfield projects

- Saudi Arabia: We continue to work towards setting up a production facility in KSA.

- **Upgrade showrooms**: Revamped showroom in UAE, launched new showrooms in India.
- **Awards & recognitions**: Acknowledged for the collaboration with DHL and Etihad Rail and won the Stevie Awards as recognition of excellence



Q1 2024 Financial Performance Update

Speaker: PK Chand
Group CFO

Q1 2024 Financial Performance Snapshot



Revenue

AED 781.6 MN

↓ 11.4%YoY



Gross Margin

39.3%

↑ 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

↓ 21.6% YoY



Net Debt

AED 1.37 BN

↓ 54.3 M

Financial Highlights

Amount in AED M	Quarterly comparison				
	Q1 23	Q4 23	Q1 24		
	Amount	Amount	Amount	YoY Growth	QoQ Growth
Revenue	882.4	866.4	781.6	-11.4%	-9.8%
Gross margin (%)	38.7%	35.6%	39.3%	0.7%	3.7%
EBITDA	157.1	166.0	151.0	-3.9%	-9.0%
Profit before tax	85.1	88.3	73.9	-13.1%	-16.3%
Profit after tax	80.1	81.8	62.9	-21.5%	-23.1%
Capital expenditure	44.7	90.9	35.2	-21.3%	-61.3%
Net debt	1,458.8	1,421.5	1,367.2	-6.3%	-3.8%
Net debt / EBITDA	2.42x	2.20x	2.13x	-12.0%	-2.9%

* EBITDA Slides # 23

Revenue Highlights Q1 2024

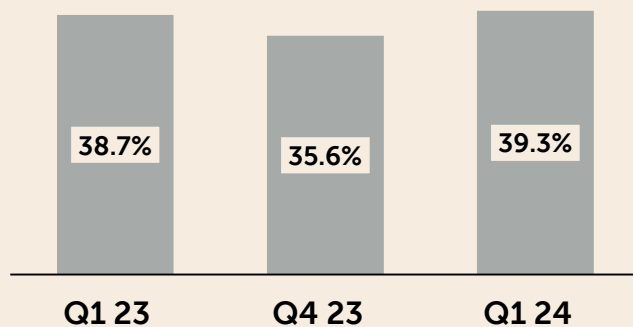
MANAGEMENT COMMENTS

- Q1 2024 revenue at AED 781.6m, down by 11.4% year-on-year, reflecting global geopolitical tensions, market volatility, higher interest rates, and currency devaluation.
- Tiles revenue decreased by 14.8% year-on-year to AED 443.6 million, impacted by challenges in sales volume particularly in Saudi Arabia and Europe
- Sanitaryware revenue decreased by 12.7% year-on-year to AED 112.8 million, as our primary markets, Italy and the UK faced recessionary pressure and Inflation
- Tableware revenue declined by 7.8% year-on-year to AED 90.0 million, attributed logistical issues and currency depreciation
- Faucets revenue increased by 4.7% year-on-year to AED 116.9 million in Q1 2024.

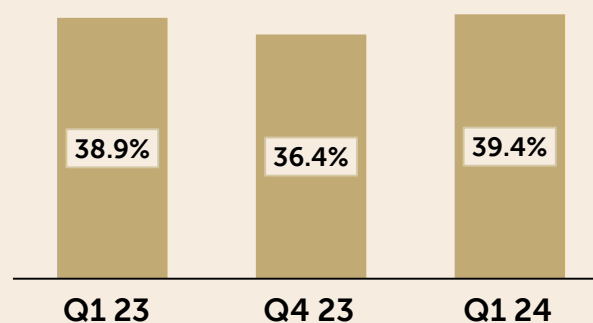
	Quarterly Comparison				
	Q1 23	Q4 23	Q1 24		
	Amount	Amount	Amount	YoY Growth	QoQ Growth
United Arab Emirates	189.9	207.0	201.5	6.2%	-2.6%
Kingdom of Saudi Arabia	120.0	71.0	66.2	-44.8%	-6.8%
Middle East (Ex. UAE & KSA)	35.3	39.7	26.3	-25.7%	-33.8%
India	91.0	91.3	87.8	-3.5%	-3.8%
Europe	97.1	79.2	78.2	-19.5%	-1.3%
Bangladesh	69.6	73.9	58.8	-15.5%	-20.4%
Africa	28.5	32.8	25.1	-12.1%	-23.6%
Rest of the world	18.6	25.7	12.6	-32.4%	-51.1%
Total Tiles & Sanitaryware Revenue	650.1	620.6	556.5	-14.4%	-10.3%
Tableware revenue	97.6	110.1	90.0	-7.8%	-18.2%
Faucets revenue	111.6	113.2	116.9	4.7%	3.3%
Others revenue	23.2	22.5	18.4	-20.7%	-18.4%
Total Revenue	882.4	866.4	781.6	-11.4%	-9.8%

Gross Profit Margin

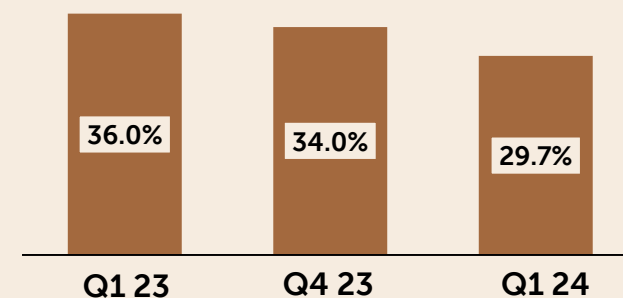
TOTAL GROSS MARGINS (%)



TILES GROSS MARGINS (%)



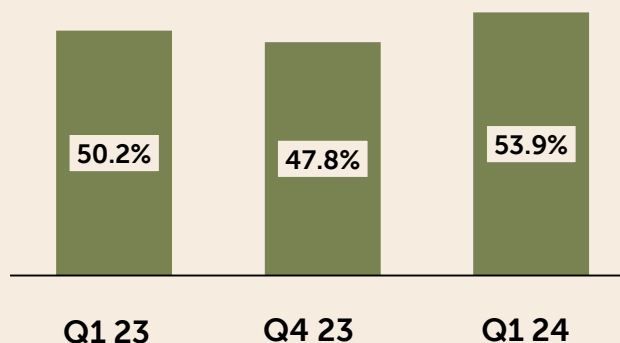
SANITARYWARE GROSS MARGINS (%)



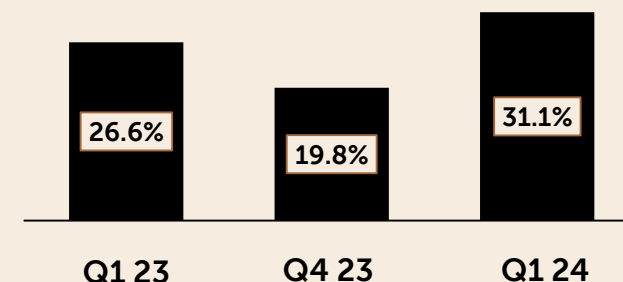
MANAGEMENT COMMENTS

- Q1 Gross profit margin increased by 70bps year-on-year to 39.3% due to lower NG prices in UAE and improved efficiencies
- Tiles margin in Q1 2024 increased by 50bps compared to Q1 2023 at 38.9%.
- Sanitaryware margin decreased by 630bps year-on-year at 29.7% in Q1 2024 due to reduction in revenue & product mix.
- Tableware margin increased by 360bps year-on-year to 53.9% in Q1 2024 following change in product mix.
- Faucets GP margin increased by 450bps at 31.1% in Q1 2024 due to rationalization of cost.

TABLEWARE GROSS MARGINS (%)

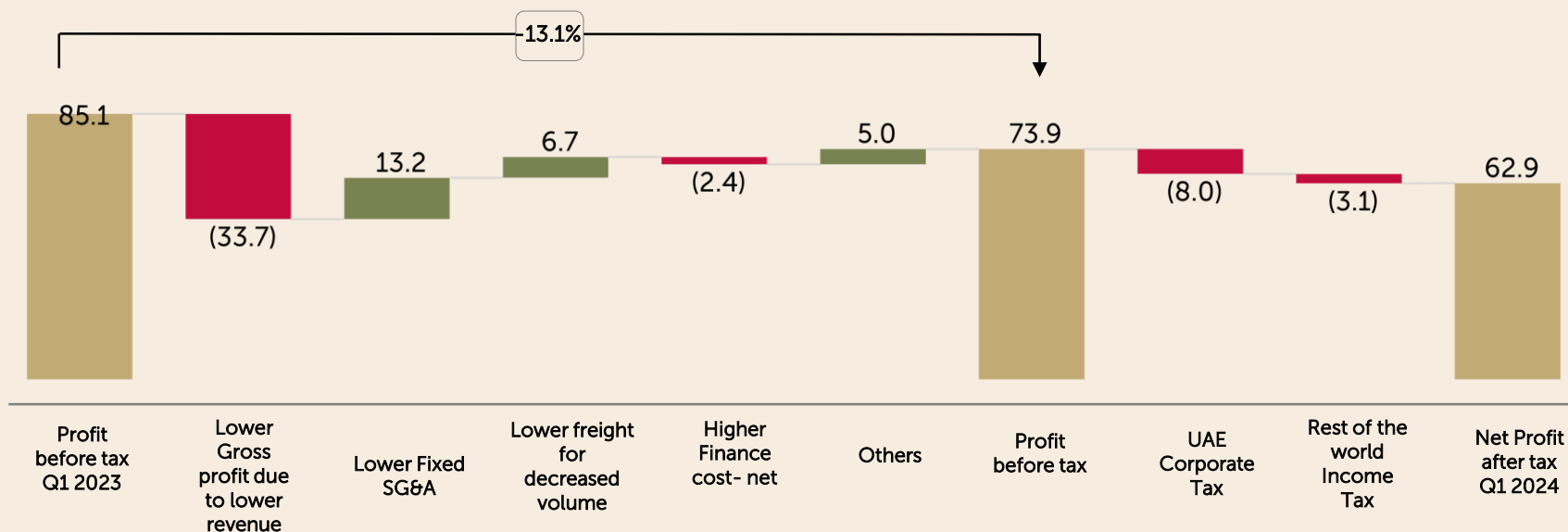


FAUCETS GROSS MARGINS (%)



Profitability Bridge

Q1 2023 vs Q1 2024 Profit Bridge (AEDM)

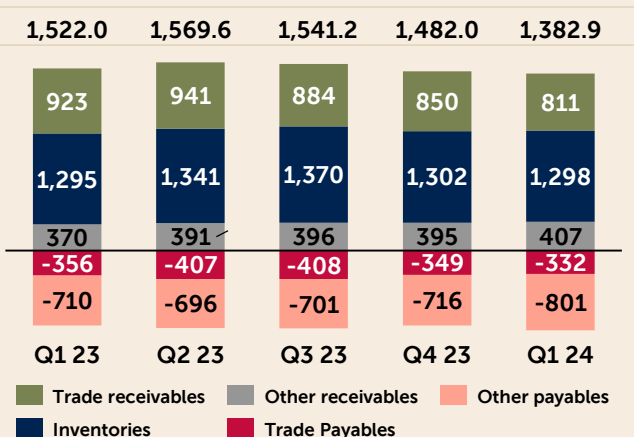


Balance Sheet Highlights

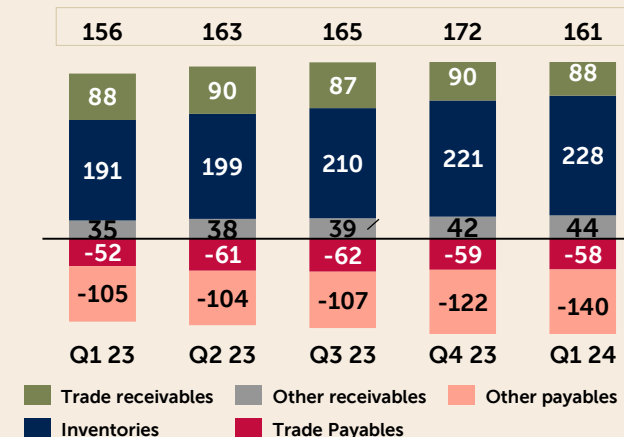
MANAGEMENT COMMENTS

- 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.
- Trade receivables decreased from 90 days in December 2023 to 88 days in March 2024.
- Inventory days increased from 221 days to 228 days QoQ
- Trade payable decreased from 59 days in Q4 2023 to 58 days in Q1 2024.
- 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.

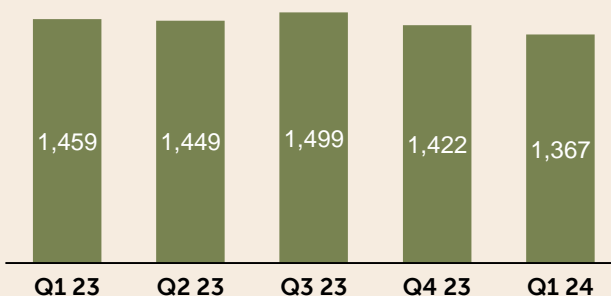
WORKING CAPITAL (AEDM)



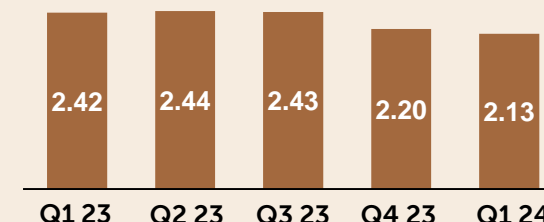
WORKING CAPITAL CYCLE (LTM DAYS)



NET DEBT (AEDM)



NET DEBT TO EBITDA (X)



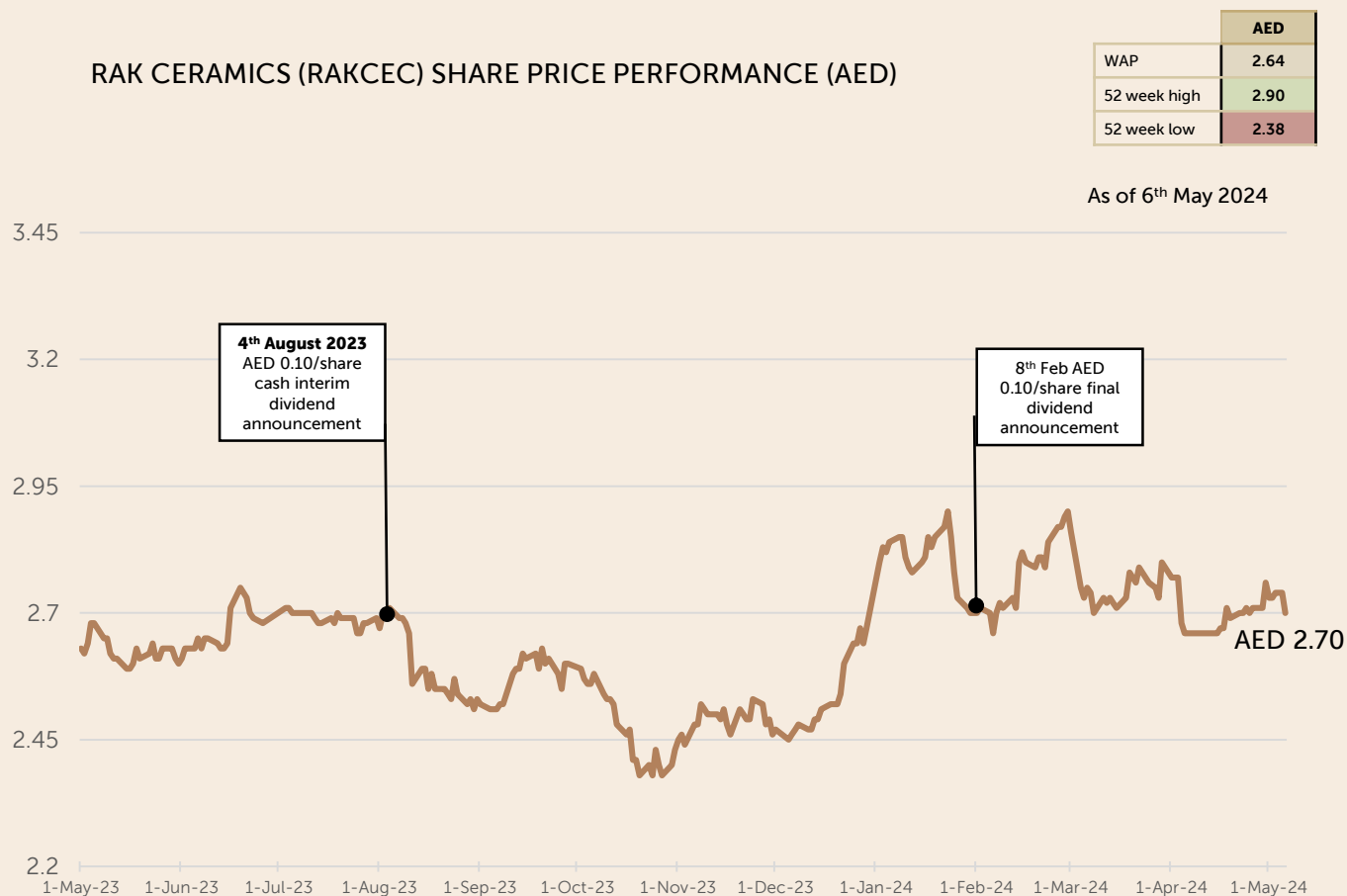


Share Price Update

Speaker: PK Chand
Group CFO

RAK Ceramics Share Price Movement

RAK CERAMICS (RAKCEC) SHARE PRICE PERFORMANCE (AED)



CURRENT VALUATION (AED M)

	6 th May 2024	31 st December 2023
	Amount	Amount
Share price	2.70	2.90
Number of shares (in Mn)	994	994
Market Cap (in Mn)	2,683	2,882
Net debt	1,367	1,421
Minorities	127	134
Enterprise Value	4,177	4,438

*Net debt and minorities as of 31st December 2023

LTM TRADING MULTIPLES

Multiples	6 th May 2024	31 st December 2023
EV / Sales	1.30x	1.28
EV / EBITDA	6.76x	6.85
P / E	10.47x	9.90
P / B	1.29x	1.27



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 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



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 & Yearly comparison		
	Q1 23	Q4 23	Q1 24
Amount in AED Mn	Amount	Amount	Amount
Net profit/(loss) after tax	80.1	81.8	62.9
Tax	5.0	6.6	11.0
Interest- net	24.8	27.5	27.0
Depreciation & amortization	47.5	49.6	50.6
(Gain) on sale of assets/CWIP write-off	(0.2)	0.5	(0.6)
EBITDA	157.1	166.0	151.0

Thank You

CONTACT US

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

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