

RAK

CERAMICS



Q2 2024
Earnings Release

RAK Ceramics Announces Q2 and Half yearly 2024 Financial Results

- **Group revenue:** Experienced a decline of 10.9% to AED 777.0 million in Q2 2024, owing to ongoing geopolitical volatility, supply chain disruptions and economic slowdowns in key regions.
- **Gross profit margin:** Robust improvement of +110bps year-on-year (YoY) to reach 39.6% for Q2 2024.
- **EBITDA performance:** Marginal impact on EBITDA margin of 20 bps YoY to reach 17.6% YoY in Q2 2024 with an EBITDA of AED 136.9 million.
- **Net profit after tax:** Q2 2024 net profit margin decreased to 6.6% compared to 8.6% in Q2 2023 reaching AED 51.0 million.
- **Financial health:** Net debt increased by AED 187.1 million quarter on quarter in 30 June 2024 reaching 1.55 billion mainly due to dividend and acquisition of the remaining minority stake in RAK Porcelain. The net debt to EBITDA ratio is also increased from 2.13x to 2.50x in Q2 2024.
- The Board of Directors proposed an **interim dividend distribution** of 10 fils per share (AED 99.4 million) for H1 2024.

Ras Al Khaimah, United Arab Emirates, 09 August 2024: RAK Ceramics PJSC (Ticker: RAKCEC: Abu Dhabi), one of the largest ceramics and porcelain lifestyle solutions providers in the world, today announced its financial results for the quarter ended 30th June 2024.

Financial Highlights

Total revenue decreased by 10.9% YoY to AED 777.0 million in Q2 2024 and by 11.2% YoY to AED 1.56 billion in H1 2024, predominantly due to ongoing geopolitical challenges, supply chain disruptions, and economic slowdowns impacting demand across all core markets except the UAE.

In Q2 2024, gross profit margin increased by 110bps YoY to 39.6% and in H1 2024, it increased by 90bps YoY to 39.4% owing to continued efforts to drive efficiencies across all operations supported by lower natural gas prices in UAE.

EBITDA decreased to AED 136.9 million in Q2 2024, compared to AED 155.4 million in the same period last year. EBITDA margins have remained stable at 17.6%, compared to 17.8% in Q2 2023. In H1 2024 EBITDA decreased 7.9% YoY at AED 288.0 million, however margin improved 70bps YoY at 18.5%.

Net profit after tax decreased to AED 51.0 million recording a margin of 6.6%, compared to AED 75.1 million with a margin of 8.6% in Q2 2023. The impact of 9% UAE Corporate Tax is AED 6.4 million for Q2 2024. In H1 2024 net profit after tax was recorded at AED 113.9 million compared to AED 155.2 million.

Net debt increased by AED 187.1 million quarter on quarter to AED 1.55bn in Q2 2024. Net debt to EBITDA increased from 2.13x in March to 2.50x in June 2024

Total Revenue
AED 777.0m
-10.9% YoY

GP Margin
39.6%
+110bps YoY

EBITDA
AED 136.9m
-11.9% YoY

Net Profit after tax
AED 51.0m
-32.1% YoY

Income statement highlights

Particulars	Quarterly Comparison			Yearly Comparison		
	Q2 2023	Q2 2024	YoY Growth	H1 2023	H1 2024	YoY Growth
Revenue	872.0	777.0	-10.9%	1754.4	1558.7	-11.2%
Gross margin (%)	38.4%	39.6%	1.1%	38.5%	39.4%	0.9%
EBITDA	155.4	136.9	-11.9%	312.5	288.0	-7.9%
Profit before tax	80.1	59.8	-25.4%	165.2	133.7	-19.1%
Profit after tax	75.1	51.0	-32.1%	155.2	113.9	-26.6%
Capital expenditure	48.8	62.1	27.3%	93.5	97.3	4.0%
Net debt	1449.2	1554.3	7.2%	1449.2	1554.3	7.2%
Net debt / EBITDA	2.44x	2.50x	(0.06x)	2.44x	2.50x	-0.06x

Segmental performance highlights

- Tiles division saw a marginal increase in gross margin to 39.2%, driven by the continued efforts to uphold cost structures and operational efficiencies. However, there was a decline in both volumes and revenue, falling 10.7% and 13.4% respectively – in part due to rise in the number of local players, increasing imports from India and the overall impact on costs from the ongoing logistics crisis.
- Sanitaryware division experienced a decline in both volume and revenue, mainly due to reduced consumer spending driven by rising interest rates, inflation and recessionary pressure. The ongoing global supply chain crisis impacted our overall cost due to imports of raw material and export of products to Europe.
- Tableware division revenue remained stable despite a slowdown in market demand due to decline in the number of new hotel projects and overall spending due to the ongoing regional conflicts. However Gross profit margin improved, driven by change in product mix supported by sale of premium products. We are proud to launch our first Tableware Retail showroom in Dubai Hills Mall and also the Ecommerce platform in UAE marking our entry in tableware retail space. We also completed acquisition of the remaining 8% minority stake in RAK Porcelain, thus achieving 100% ownership. This will allow us to have complete control over the company's strategic direction, operations and positioning it for sustainable growth and value creation.
- Faucets gross margin continued to show growth, increasing by 5.6% YoY, driven by the successful shifting of operations to the UAE from Europe. However revenue declined by 6.1% YoY as a result of a weak construction market and lower demand from the European and Asian markets which continue to be affected by the ongoing geopolitical tensions and economic instability. Additionally, the recent sanctions against Russia will further impact our sales.

Tiles & Sanitaryware market highlights

- **UAE:** Registered a YoY revenue decline of 1.2% in Q2 2024, primarily due to the long holiday break for both Ramadan & Eid along with the adverse impact of the floods in April.
- **Saudi Arabia:** Experienced a 28.0% YoY revenue decline in Q2 2024 due to continued price war and local competition flooding the market with cheaper products, thus making the market price sensitive. The levy of custom duty and also the substantial rise in transportation cost for exports has made it further challenging to grow in Saudi Arabia.
- **Europe:** Revenue declined by 15.3% YoY in Q2 2024 due to inflation, recessionary pressure, ongoing geopolitical crisis and increased competition. The supply chain disruptions has further dampened our ability to price our products competitively in the markets and sustain our market share.
- **India:** Revenue remained stable with nominal growth driven by the Tiles segment amidst market struggling with lower demand due to increased interest rates and currency devaluation. The national elections had also caused a delay in many government projects which we expect to pick pace now with the completion of the elections and the budget having been announced.
- **Bangladesh:** Revenue declined by 27.2% YoY in Q2 2024, primarily due to a severe gas crisis impacting production & efficiencies and slowdown in market demand driven by inflation and liquidity crunch.

Commenting on the results, Abdallah Massaad, Group CEO, RAK Ceramics said:

"This quarter demonstrated continued headwinds across businesses, driven by geopolitical tensions, supply chain disruption, and economic slowdown in key regions. There has been a continued suppression of consumer spending in key markets driven by high interest rates, inflationary pressures and liquidity crunch.

Despite these challenges, we remain committed to further investment in our brand and the protection of margins. As a business we made the decision not to lower prices to compete with lower quality alternative products. Our products offer a differentiated level of quality and design – and our margins are a reflection of our customers' recognition of this superior quality product.

We remain confident in the long-term growth drivers of the business and that the addition of further production facilities will drive further value for both customers and shareholders, while allowing us to remain competitive. We are well-positioned to take on the ongoing market challenges and are encouraged by the positive long-term outlook for the business, specifically in the UAE."

Strategic Highlights

Expansion projects

- We continue to make strong progress with our expansion plans, including the completion of the upgrades to our Tiles plant in Gris, India, which will increase our GVT tiles production capabilities.
- The Company made investments to upgrade the Tiles and Sanitaryware production facility to smart factories, which has allowed product differentiations and improved production efficiencies.

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

About RAK Ceramics

RAK Ceramics is one of the largest ceramics' brands in the world. Specializing in ceramic and gres porcelain wall and floor tiles, tableware, sanitaryware and faucets, the Company has the capacity to produce 118 million square meters of tiles, 5.0million pieces of sanitaryware, 36 million pieces of porcelain tableware and 2.6 million pieces of faucets per year at its 24 state-of-the-art plants across the United Arab Emirates, India, Bangladesh and Europe.

Founded in 1989 and headquartered in the United Arab Emirates, RAK Ceramics serves clients in more than 150 countries through its network of operational hubs in Europe, Middle East and North Africa, Asia, North and South America and Australia.

RAK Ceramics is a publicly listed company on the Abu Dhabi Securities Exchange in the United Arab Emirates and as a group has an annual turnover of approximately US\$1 billion.

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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