



RAK

CERAMICS

EARNINGS PRESENTATION – Q2 & H1 2024 RESULTS

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August 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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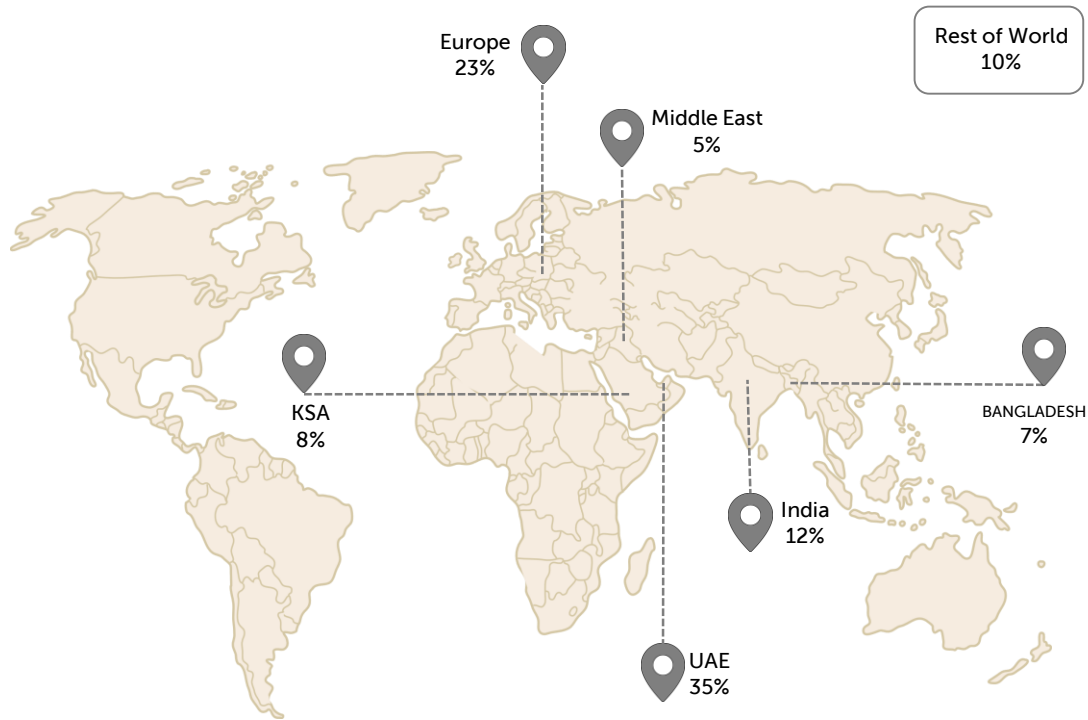


Business Highlights

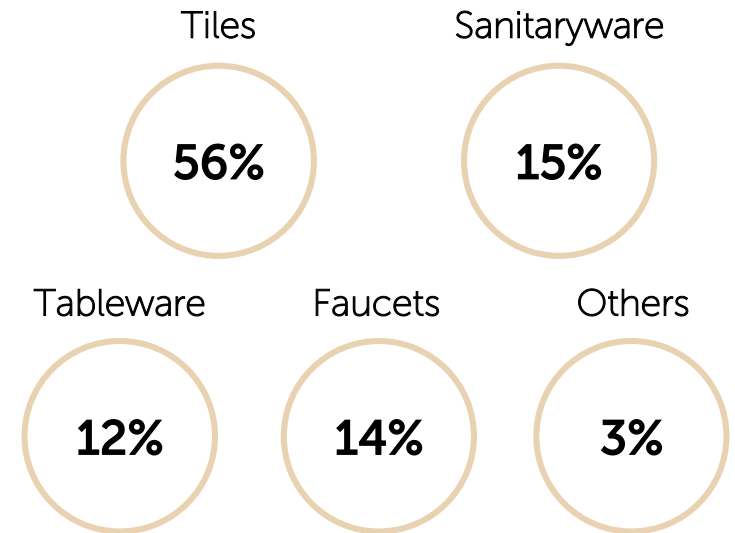
Speaker: Abdallah Massaad
Group CEO

Global Business Presence

Where we sell



What we sell (Revenue Mix)



Capacity

118MN
Square metres of tiles

5MN
Pieces of sanitaryware

36MN
Pieces of tableware

2.6MN
Pieces of faucets and taps

Q2 2024 Business Performance Highlight

Tiles & Sanitaryware Market Highlights

- **UAE:** Registered a Year-on-Year ('YoY') revenue decline of 1.2% in Q2 2024 primarily due to the holiday breaks for both Ramadan & Eid in the same quarter as well as the adverse impact on market due to floods in April
- **KSA:** Experienced a 28.0% YoY revenue decline in Q2 2024 due to continued price war situation, local competition and levy of customs duty impacting our competitiveness in the market. There is also substantial rise in transportation cost further impacting overall margins.
- **Europe:** Revenue decreased by 15.3% YoY in Q2 2024 due to adverse market conditions and increased competition. Supply chain disruptions remained critical impacting overall business and margins.
- **India:** Revenue remained stable with nominal growth supported by Tiles segment. With elections now over and with the new budget announced, we anticipate growth in revenue.
- **Bangladesh:** revenue declined by 27.2% YoY in Q2 2024 due to severe gas crisis impacting production and efficiencies. Intense local competition, liquidity and higher interest cost have also impacted performance in this market.

Segment Highlights

- **Tiles** revenue saw a YoY decline of 13.4% at AED 430.6 million, specifically on account of lower volumes across all markets except the UAE. Increase in number of local players investing in Tiles plant and markets being flooded with imports from China and India made customers extremely price sensitive.
- **Sanitaryware** revenue saw a YoY decline of 12.0% at AED 117.2 million with an impact on volume across all core markets, specially in the UK. Companies globally have resorted to lowering their prices to combat falling sales volumes and the rising freight cost has impacted our ability to price our products competitively
- **Tableware** revenue remained stable at AED 92.2 million despite a slowdown in overall demand due to the ongoing regional conflicts. Improvement in Gross Margins was driven by change in product mix. Launched Tableware Retail through first showroom in Dubai Hills Mall and ecommerce platform for the UAE market. Also, acquired remaining 8% stake, with 100% ownership now held by RAK Ceramics in RAK Porcelain
- **Faucets** revenue witnessed a decline of 6.0% YoY, reaching AED 109.5 million in Q2 2024 driven by impact in the European and Asian markets on account of the ongoing geopolitical tensions.

Q2 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"> Focusing on increasing our capabilities for large format tiles and leveraging on brand enhancement initiatives by providing customer-centric solutions
SAUDI ARABIA	<p>Ongoing regional geopolitical instability and liquidity issues has delayed some large government projects and spending.</p> <p>Oversupply of tiles by local manufacturers, levy of custom duty and rise in transportation cost for exports from the UAE has impacted our ability to compete in the wholesale segment.</p>	<ul style="list-style-type: none"> Recent relief by the government by way of exemption from payment of custom duty on imports will allow us to improve the overall performance. We continue to focus on premium products to reduce impact on revenue and margins, offsetting some revenue decline.
EUROPE	<p>Adverse market conditions have led many companies to lower prices substantially.</p> <p>Increased transportation costs and delay in delivery timelines remain critical issues.</p>	<ul style="list-style-type: none"> Planned initiatives 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"> Upgradation of our plant in Morbi is completed and we expect positive push to revenue and margins
BANGLADESH	Severe gas crisis, 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.

Q2 2024 Key Strategic Updates

Advancements on Expansionary Front.

Expansion projects

- **India:** In India, upgrades to our Tiles plant in Gris is completed thus increasing our GVT tiles production capabilities.
- **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.

- **Tableware Retail:** Launched first Tableware Retail showroom in Dubai Hills Mall in UAE, to be followed by similar showrooms in the coming period towards expanding Tableware Retail business. Also, launched the E-commerce website for Tableware Retail in UAE.
- **Global Trade Fairs:** Participated in the Salone del Mobile.Milano fair in Italy receiving positive reception from the architects and design community
- **Awards:** Cooking RAK won the Red Dot: "Best of the Best" award for Product Design; Won the best Tiling Brand at the BKU Magazine Awards 2024



Q2 & H1 2024 Financial Performance Update

Speaker: PK Chand
Group CFO

Q2 2024 Financial Performance Snapshot



Revenue

AED 777.0 MN

↓ 10.9% YoY



Gross Margin

39.6%

↑ 110 bps YoY



EBITDA

AED 136.9 M

↓ 11.9% YoY



Net Profit after tax

AED 51.0 M^{*}

↓ 32.1% YoY

*Impact of newly introduced UAE corporate tax is AED 6.4m



Net Profit After Minority

AED 50.3 M

↓ 27.8% YoY



Net Debt

AED 1.55 BN

↑ 187.1M QoQ

H1 2024 Financial Performance Snapshot



Revenue

AED 1.56 BN

↓ 11.2% YoY



Gross Margin

39.4%

↑ 90 bps YoY



EBITDA

AED 288.0 M

↓ 7.9% YoY



Net Profit after tax

AED 113.9 M*

↓ 26.6% YoY

*Impact of newly introduced UAE corporate tax is AED 14.4m



Net Profit After Minority

AED 107.9 M

↓ 24.6% YoY



Net Debt

AED 1.55 BN

↑ 132.8 M

Revenue Highlights Q2/H1 2024

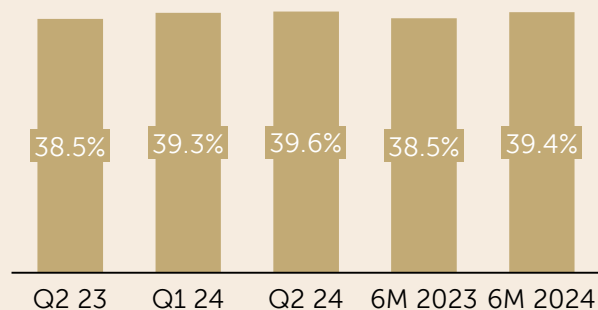
MANAGEMENT COMMENTS

- Q2 2024 revenue at AED 777.0m, down by 10.9% year-on-year and H1 2024 down by -11.2% at AED 1.56bn, reflecting global geopolitical tensions, market volatility, higher interest rates, and currency devaluation.
- Tiles revenue decreased by 13.4% year-on-year to AED 430.6 million in Q2 24, on account of lower volumes across all markets except the UAE
- Sanitaryware revenue decreased by 12.0% year-on-year to AED 117.2million with an impact on volume across all core markets
- Tableware revenue remained stable year-on-year at AED 92.2 million in Q2 24 while in H1 2024 decreased due to slowdown in hotel projects and spending due to ongoing regional conflicts,
- Faucets revenue decreased by 6.0% year-on-year to AED 109.5million in Q2 24 mainly driven by impact in the European and Asian markets on account of the ongoing geopolitical tensions.

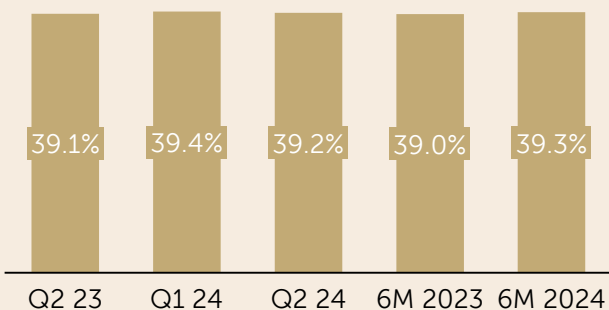
	Quarterly Comparison					Yearly Comparison		
	Q2 23	Q1 24	Q2 24		6M 2023	6M 2024		
	Amount	Amount	Amount	YoY Growth	QoQ Growth	Amount	Amount	Growth
United Arab Emirates	194.4	201.5	192.2	-1.2%	-4.7%	384.3	393.7	2.5%
Kingdom of Saudi Arabia	85.5	66.2	61.6	-28.0%	-7.0%	205.5	127.8	-37.8%
Middle East (Ex. UAE & KSA)	43.7	26.3	28.2	-35.4%	7.5%	79.0	54.5	-31.1%
India	85.7	87.8	85.9	0.2%	-2.2%	176.7	173.7	-1.7%
Europe	109.7	78.2	92.9	-15.3%	18.9%	206.8	171.1	-17.3%
Bangladesh	61.4	58.8	44.7	-27.2%	-24.1%	131.0	103.5	-21.0%
Africa	29.8	25.1	26.5	-11.4%	5.5%	58.4	51.5	-11.8%
Rest of the world	20.4	12.6	15.8	-22.6%	25.8%	39.0	28.4	-27.2%
Total Tiles & Sanitaryware Revenue	630.6	556.5	547.7	-13.2%	-1.6%	1,280.7	1,104.1	-13.8%
Tableware revenue	92.0	90.0	92.2	0.2%	2.4%	189.7	182.1	-4.0%
Faucets revenue	116.5	116.8	109.5	-6.0%	-6.3%	228.1	226.3	-0.8%
Others revenue	32.9	18.4	27.7	-15.8%	50.7%	56.0	46.0	-17.7%
Total Revenue	872.0	781.6	777.0	-10.9%	-0.6%	1,754.4	1,558.6	-11.2%

Gross Profit Margin

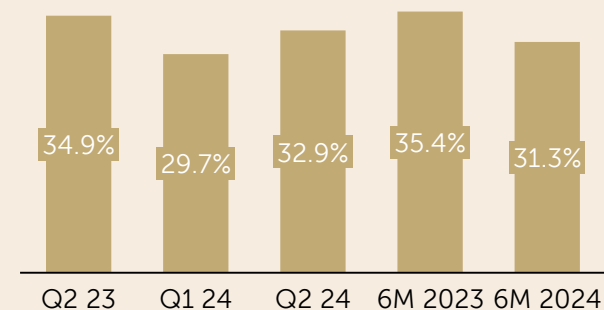
TOTAL GROSS MARGINS (%)



TILES GROSS MARGINS (%)



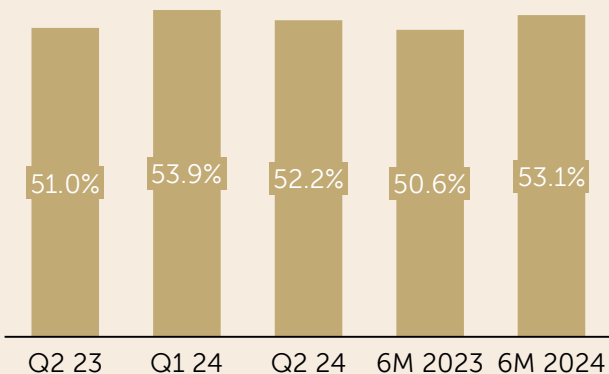
SANITARYWARE GROSS MARGINS (%)



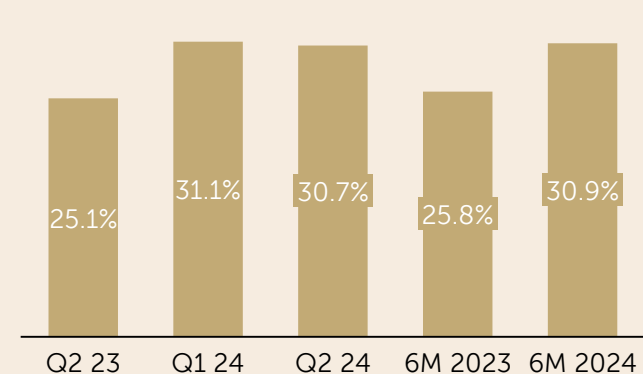
MANAGEMENT COMMENTS

- Q2 Gross profit margin increased by 110bps year-on-year to 39.6% due to net impact of lower NG prices in UAE and lower productivity.
- Tiles margin in Q2 2024 increased by 10bps compared to Q2 2023 at 39.2%.
- Sanitaryware margin decreased by 200bps year-on-year at 32.9% in Q2 2024 due to change in product mix and lower productivity.
- Tableware margin increased by 130bps year-on-year to 52.2% in Q2 2024 following change in product mix.
- Faucets GP margin increased by 560bps at 30.7% in Q2 2024 due to rationalization of cost.

TABLEWARE GROSS MARGINS (%)

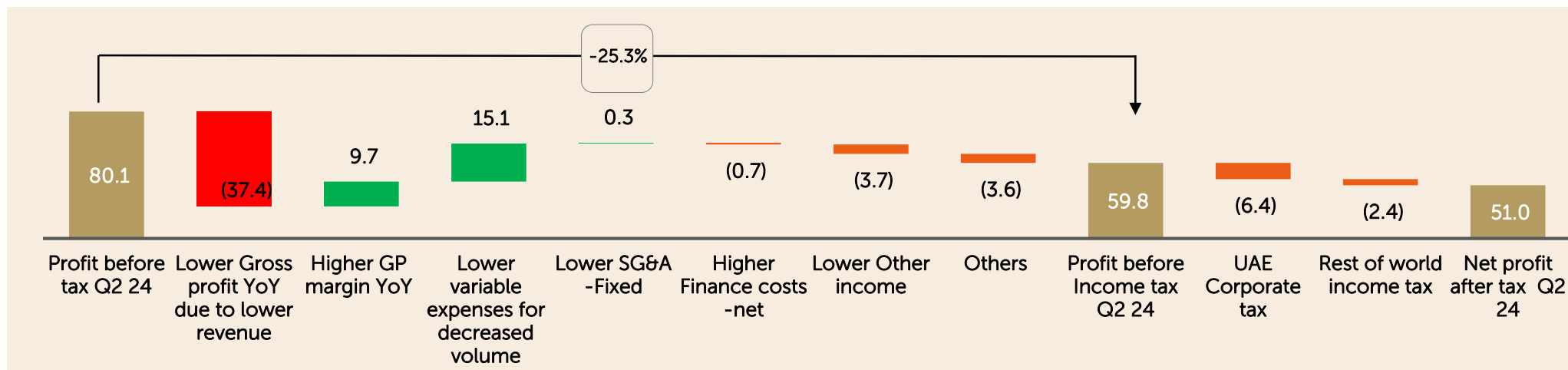


FAUCETS GROSS MARGINS (%)

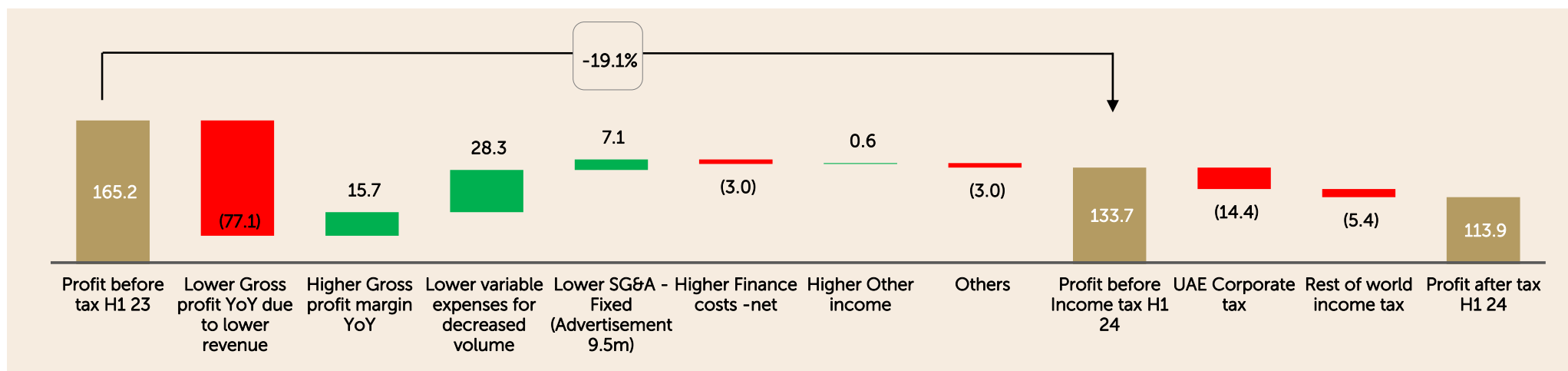


Profitability Bridge

Q2 2023 vs Q2 2024 Profit Bridge (AEDM)



H1 2023 vs H1 2024 Profit Bridge (AEDM)

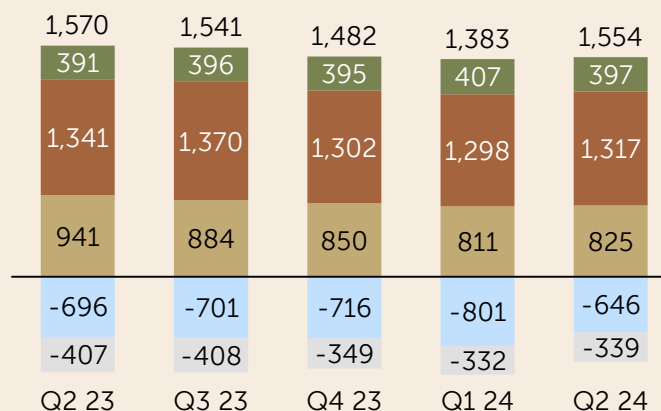


Balance Sheet Highlights

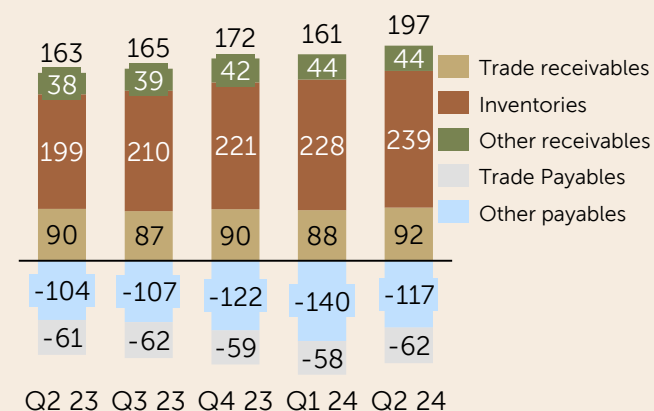
MANAGEMENT COMMENTS

- Overall working capital cycle increased from 161 days in Q1 2024 to 197 days in Q2 2024. Also, in absolute terms, working capital increased by AED 171m to AED 1.56bn in Q2 2024, mainly due to increase in inventory and reduction in payables on account of payment of dividend which was provided in the first quarter, lower purchases and payment to suppliers for purchase of fixed assets.
- Trade receivables increased from 88 days in March 2024 to 92 days in June 2024 due to lower collections in June on account of EID holidays.
- Inventory days increased from 228 days to 239 days QoQ due to lower LTM revenue
- Trade payable increased from 58 days in Q1 2024 to 62 days in Q2 2024.
- Net debt increased by AED 187.1m at 1.55bn compared to Mar 24 due to dividend of AED 114.6m, 44m towards acquisition of 8% stake in Porcelain & increased Working capital
- Net debt to EBITDA also increased from 2.13x in Mar 24 to 2.50x in June 24
- Capex guidance for 2024 is at AED 250-300m.

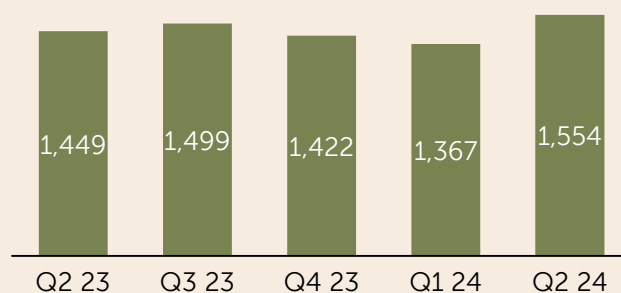
WORKING CAPITAL (AEDM)



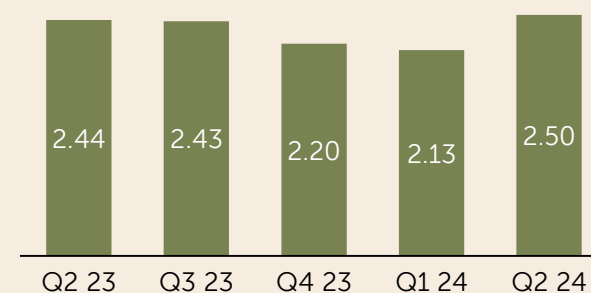
WORKING CAPITAL (DAYS)



NET DEBT (AEDM)



NET DEBT TO EBITDA (X)





Share Price Update

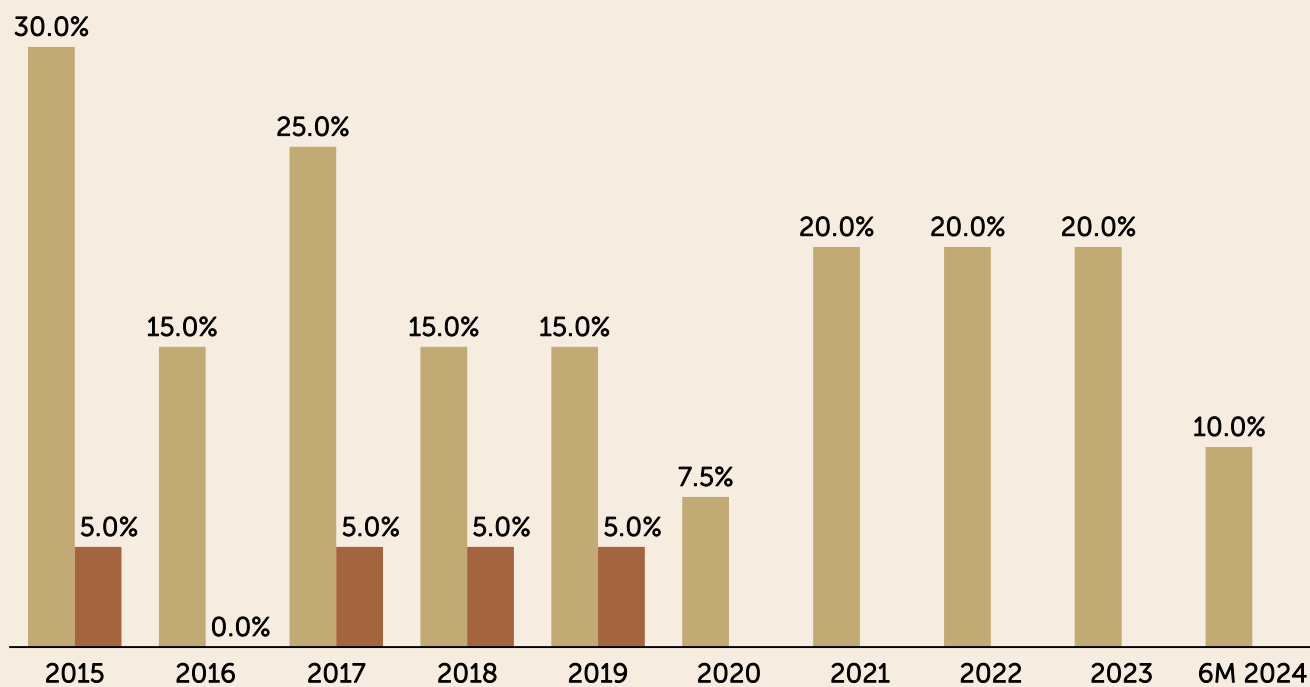
Speaker: PK Chand
Group CFO

Dividend Update

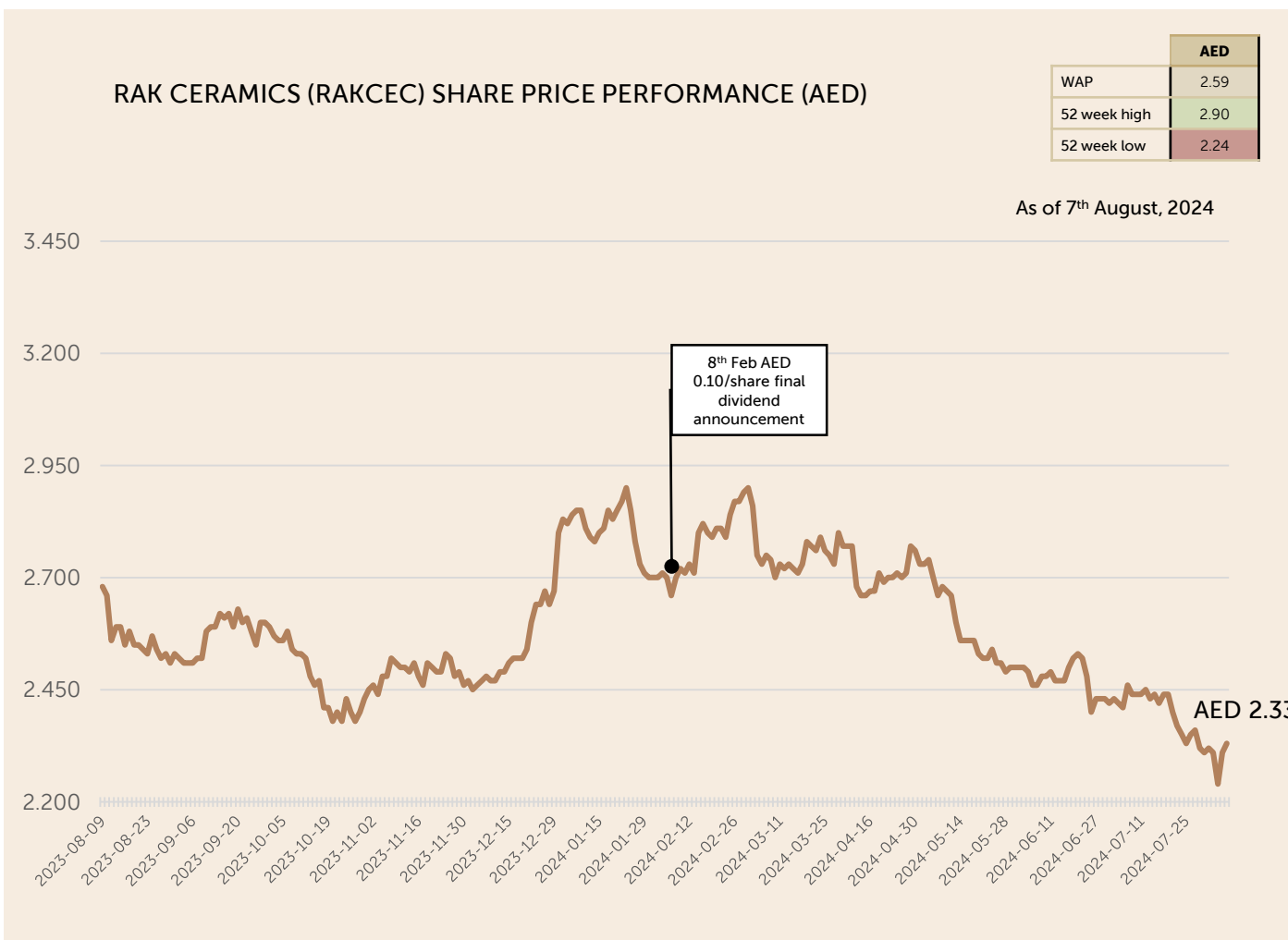
MANAGEMENT COMMENTS

In-line with its dividend policy commitment, the Board proposed to distribute interim cash dividend of 10 fils per share for first half of 2024 (AED 99.4million).

HISTORICAL ANNUAL DIVIDEND PAID (%)



RAK Ceramics Share Price Movement



CURRENT VALUATION (AED M)

	Amount	Amount
Share price	2.33	2.9
Number of shares (in Mn)	994	994
Market Cap	2,315	2,882
Net debt	1,554*	1,421
Minorities	93*	134
Enterprise Value	3,962	4,438

*Net debt and minorities as of 30th June 2024

LTM TRADING MULTIPLES

	Multiple	
	7/8/2024	31/12/2023
EV / Sales	1.39	1.28
EV / EBITDA	7.00	6.85
P / E	11.27	9.9
P / B	1.28	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

Financial Highlights

Amount in AED M	Quarterly comparison					Yearly Comparison		
	Q2 23	Q1 24	Q2 24		6M 2023	6M 2024		
	Amount	Amount	Amount	YoY Growth	QoQ Growth	Amount	Amount	YoY Growth
Revenue	872.0	781.6	777.0	-10.9%	-0.6%	1,754.4	1,558.7	-11.2%
Gross margin (%)	38.4%	39.3%	39.6%	1.1%	0.2%	38.5%	39.4%	0.9%
EBITDA	155.4	151.1	136.9	-11.9%	-9.4%	312.5	288.0	-7.9%
Profit before tax	80.1	73.9	59.8	-25.3%	-19.1%	165.2	133.7	-19.1%
Profit after tax	75.1	62.9	51.0	-32.0%	-18.9%	155.2	113.9	-26.6%
Capital expenditure	48.8	35.2	62.1	27.3%	76.5%	93.5	97.3	4.0%
Net debt	1449.2	1,367.2	1,554.3	7.2%	13.7%	1,449.2	1,554.3	7.2%
Net debt / EBITDA	2.44x	2.13x	2.50x	-0.06x	-0.37x	2.44x	2.50x	-0.06x

EBITDA Working

Amount in AED M	Quarterly comparison			Yearly comparison	
	Q2 23	Q1 24	Q2 24	6M 2023	6M 2024
	Amount	Amount	Amount	Amount	Amount
Net profit/(loss) after tax	75.2	62.9	51.0	155.3	113.9
Tax	5.0	11.0	8.8	10.0	19.8
Interest- net	27.1	27.1	27.9	51.9	55.0
Depreciation & amortization	48.2	50.6	49.8	95.7	100.4
(Gain) on sale of assets/CWIP write-off	(0.1)	(0.6)	(0.6)	(0.3)	(1.2)
EBITDA	155.4	151.1	136.9	312.5	288.0

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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