

RAK

CERAMICS



Q3 2024
Earnings Release

RAK Ceramics Announces Q3 2024 Financial Results

- **Group revenue:** Experienced a YoY decline of 4.1% to AED 802.5 million in Q3 2024, owing to ongoing global geopolitical tensions, political unrest in Bangladesh majorly impacting business, market volatility, higher interest rates, and currency devaluation.
- **Gross profit margin:** Strong improvement of 250bps year-on-year (YoY) to 41.2% for Q3 2024.
- **EBITDA performance:** EBITDA decreased by 13.5% YoY in Q3 2024 to AED 146.2 million. 9M 2024 EBITDA decreased by 9.8% YoY to AED 434.2 million.
- **Net profit after tax:** Q3 2024 net profit decreased 33.3% YoY to AED 55.9 million. The impact of 9% UAE Corporate Tax was AED 7.9 million. 9M profits decreased 29.0% YoY to AED 169.9 million. The impact of 9% UAE Corporate Tax was AED 22.3 million.
- **Financial health:** Net debt increased by AED 14.0 million quarter-on-quarter in Q3 reaching 1.57 billion. The net debt to EBITDA ratio also increased from 2.50x in Q2 2024 to 2.61x in Q3 2024, mainly due to lower LTM EBITDA.

Ras Al Khaimah, United Arab Emirates, 13th November 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 September 2024.

Financial Highlights

Total revenue decreased by 4.1% YoY to AED 802.5 million in Q3 2024 and by 8.9% YoY to AED 2.36 billion in 9M 2024, mainly due to ongoing geopolitical challenges, supply chain disruptions, and economic slowdowns impacting demand across all core markets except the UAE.

In Q3 2024 and 9M 2024, the gross profit margin increased by 250bps YoY to 41.2% and by 140bps YoY to 40.0% respectively, due to change in overall product mix in most markets.

EBITDA decreased to AED 146.2 million in Q3 2024, compared to AED 169.2 million in the same period last year. EBITDA margins have decreased slightly to 18.2%, compared to 20.2% in Q3 2023. In 9M 2024, EBITDA decreased from AED 481.4 million to AED 434.2 million.

Net debt increased by AED 14.0 million quarter-on-quarter to AED 1.57 billion in Q3 2024.

Net profit after tax decreased 33.3% YoY to AED 55.9 million, compared to AED 83.9 million in Q3 2023, due to lower revenue, lower other income, higher impairment loss and newly introduced UAE Corporate tax. In 9M 2024 net profit after tax was recorded at AED 169.9 million, compared to AED 239.1 million in 9M 2023 mainly due to lower revenue, lower other income, and UAE Corporate tax.

Total Revenue
AED 802.5m
-4.1% YoY

Gross Margin
41.2%
+250bps YoY

EBITDA
AED 146.2m
-13.5% YoY

Net Profit after tax
AED 55.9m
-33.3% YoY

Income statement highlights (In AED Millions)

	Quarterly comparison			Yearly Comparison		
Particulars	Q3 2023	Q3 2024	YoY Growth	9M 2023	9M 2024	YoY Growth
Revenue	837.0	802.5	-4.1%	2,591.4	2,361.2	-8.9%
Gross margin (%)	38.8%	41.2%	2.5%	38.6%	40.0%	1.4%
EBITDA	169.2	146.2	-13.5%	481.5	434.2	-9.8%
Profit before tax	91.9	60.8	-33.8%	257.1	194.6	-24.3%
Profit after tax	83.9	55.9	-33.3%	239.1	169.9	-29.0%
Capital expenditure	89.0	35.2	-60.4%	182.5	132.5	-27.4%
Net debt	1,499.0	1,568.4	4.6%	1,499.0	1,568.4	4.6%
Net debt / EBITDA	2.43x	2.61x	0.18x	2.43x	2.61x	0.18x

Segmental performance highlights

- Tiles division saw a 350bps increase in gross margin to 42.5% YoY. However, there was a slight decline of 1.5% in revenue for the same period – specifically on account of lower volumes in India, Bangladesh and European markets.
- Sanitaryware division experienced a YoY decline of 4.5% in revenue at AED 117.5 million, as major markets such as Bangladesh, Europe, and the UK struggled with weaker demand triggered from ongoing geopolitical tensions.
- Tableware division revenue declined 7.8% YoY at AED 85.3 million, due to the slowdown in overall demand and decline of new hotel projects in major markets affected by ongoing supply chain challenges and currency depreciation. However, the gross profit margin improved by 270bps YoY to 52.7%, following a change in the product mix.
- Faucets revenue declined by 5.3% YoY to AED 108.8 million and gross margin also declined by 360bps YoY as a result of weakened demand in Europe amid ongoing geopolitical tensions and decline of the Chinese real estate sector.

Tiles & Sanitaryware market highlights

- **UAE:** Registered a YoY revenue growth of 13.6% in Q3 2024, primarily due to the growth in the real estate sector.
- **Saudi Arabia:** Experienced a moderate revenue decline of 6.5% YoY in Q3 2024, due to the continued price war situation and local competition. Additionally, the rise in transportation cost has impacted RAK Ceramic's margins and revenue adversely. However, with the relief in levy of customs duty on our exports and with a change in our product mix, we are able to maintain our margins by implementing sustainable pricing.
- **Europe:** Revenue declined by 8.7% YoY in Q3 2024, due to demand being impacted by inflation and recessionary pressures and the ongoing geopolitical crisis. The continued rise in transportation cost also remains a challenge, impacting our ability to maintain healthy margins.
- **India:** Revenue declined by 7.2% YoY as inflation, higher interest cost and reduced consumer spending led to overall weakened demand, especially due to lower volumes in the Tiles segment.
- **Bangladesh:** Revenue declined drastically by 31.7% YoY in Q3 2024, mainly triggered by political instability in the country, which had a significant impact on overall market and economic conditions. Further, the continued gas crisis impacted our production leading to losses in Bangladesh.

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

"We continued to see significant headwinds across our operations in Q3, with ongoing geopolitical tensions and political instability, as well as inflationary and recessionary pressures in key markets leading to reduced consumer spending and overall weaker demand. Ongoing supply chain challenges, FX pressures due to currency depreciation, low cost and local competition across some markets and the rise in transportation costs also impacted our margins and revenue adversely.

However, we are actively working towards enhancing our production efficiency by investing in advanced technology and offering premium, differentiated designs and products, launching new products to drive margin growth. These efforts aim to mitigate adverse impacts on revenue and overall business performance.

At the same time, we continue to be committed to investing in our brand and remain focused on expanding our retail presence, and strengthening our brand awareness through events and engagements.

Looking ahead, our priorities lie in protecting our market share, optimizing our operations, further diversifying our offering, accelerating our digitalization and growing our production capabilities."

Strategic Highlights

Expansion & greenfield projects

- In the UAE, we continue to invest in upgrading our Tiles production facilities to allow us to produce differentiated and large format Tiles
- We are also investing in our UAE Sanitaryware production facility to improve efficiencies and allow us to reduce our carbon emissions and reduce our energy consumption.
- In Saudi Arabia, 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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