



# RAK

## CERAMICS

**EARNINGS PRESENTATION – Q3 & 9M 2024 RESULTS**

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**November 2024**

# Agenda



- 01 | Executive Summary
- 02 | Business Highlights
- 03 | Q3 & 9M 2024 Financial Results Update
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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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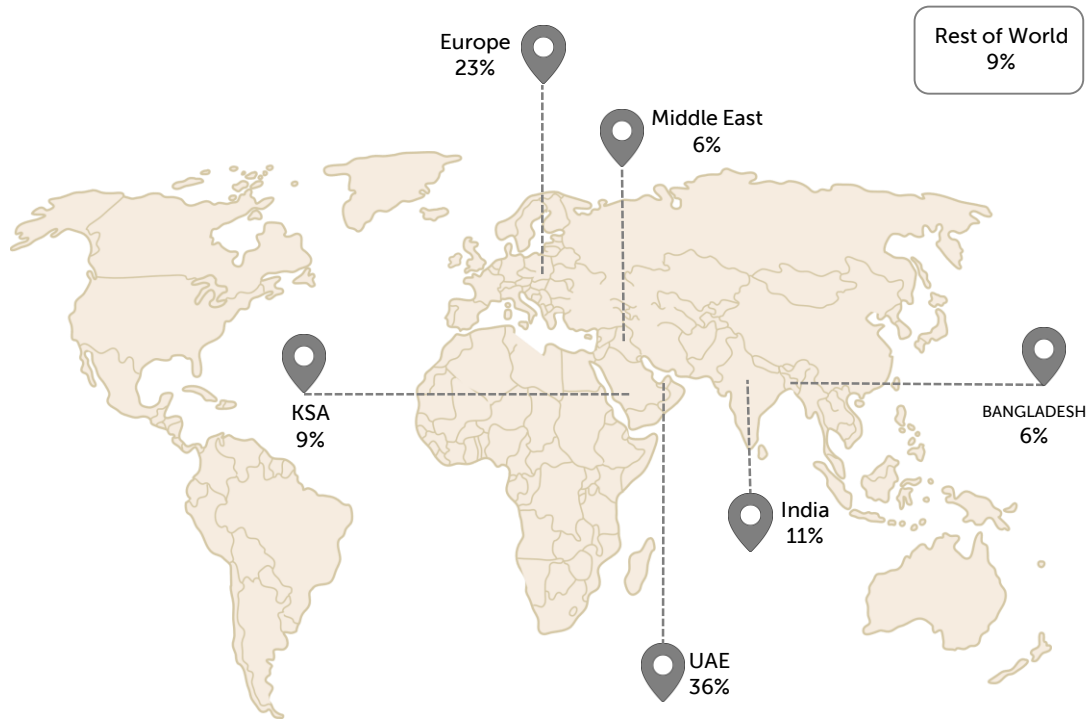


# Business Highlights

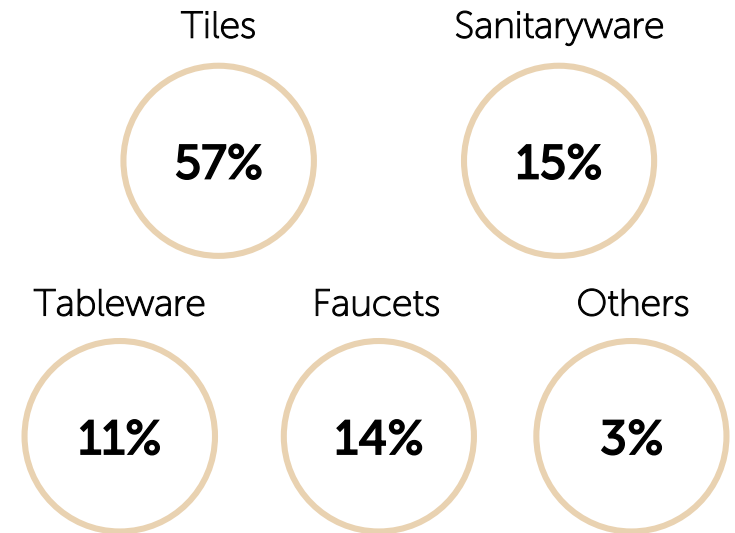
Speaker: Abdallah Massaad  
Group CEO

# 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

# Q3 2024 Business Performance Highlight

## Tiles & Sanitaryware Market Highlights

- **UAE:** Registered a Year-on-Year ('YoY') revenue growth of 13.6% primarily due to the growth in the real estate sector.
- **KSA:** Experienced a moderate YoY revenue decline of 6.5% due to continued price war situation and local competition. Also, the rise in transportation cost has impacted our revenue and margins adversely. However, with the relief in levy of customs duty on our exports and with change in product mix, we are able to maintain our margins by implementing sustainable pricing.
- **Europe:** Revenue decreased by 8.7% YoY as the demand continues to be lower driven by inflation, recessionary pressure 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 a overall weakened demand.
- **Bangladesh:** Revenue saw a drastic decline of 31.7% YoY mainly triggered by the political instability which led to significant impact on the overall market and economic condition and the continued gas crisis impacting production and efficiencies leading to losses.

## Segment Highlights

- **Tiles** revenue saw a YoY decline of 1.5% at AED 468.2 million, specifically on account of lower volumes in India, Bangladesh and European markets. With the rising number of local players investing in Tiles plant and flooding the market with cheap products, we continue to maintain our strategy of avoiding price wars to protect and improve our margins.
- **Sanitaryware** revenue saw a YoY decline of 4.5% at AED 117.5 million primarily in Bangladesh and Europe, specially in the UK. Major markets struggled with weaker demand triggered from the ongoing geopolitical tensions.
- **Tableware** revenue registered a decline of 7.8% YoY at AED 85.3 million driven by the slowdown in overall demand and decline of new hotel projects due to the ongoing regional conflicts. Also, the ongoing supply chain challenges and currency depreciation further affected revenue in major markets like Egypt, Asia, and Africa.
- **Faucets** revenue declined by 5.3% YoY, reaching AED 108.8 million driven by weakened demand in Europe amid ongoing geopolitical tensions. Business was also impacted due to the decline of real estate sector in China and rising unemployment alongwith new sanctions on Russia.

# Q3 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"> <li>Partner with reputed developers in the UAE to provide Tiles and Sanitaryware products for their projects.</li> </ul>
SAUDI ARABIA	Oversupply of tiles by local manufacturers and rise in transportation cost for exports from the UAE has impacted our ability to compete in the wholesale segment.	<ul style="list-style-type: none"> <li>Recent relief by the government by way of exemption from payment of custom duty on imports will allow us to improve the overall performance.</li> <li>Focus on premium product to strengthen our retail and projects business allowing us to sustain our margins.</li> </ul>
EUROPE	Adverse market conditions have led many companies to lower prices substantially. Increased transportation costs and delay in delivery timelines remain critical issues.	<ul style="list-style-type: none"> <li>Planned initiatives include strengthening brand awareness and presence through events and engagements at the Design Hub with architects and designer community</li> </ul>
INDIA	Lower demand due to increased interest rates and currency devaluation.	<ul style="list-style-type: none"> <li>Launched new large format products for this market and plans to strengthen our Retail presence and experience to improve revenue and margins</li> </ul>
BANGLADESH	Political instability, severe gas crisis, intense local competition and currency devaluation	<ul style="list-style-type: none"> <li>We are working on establishing strong distribution networks and the focus is on delivering high-quality products &amp; innovative solutions to differentiate from competition</li> </ul>



# Q3 2024 Key Strategic Updates

## Advancements on Expansionary Front.

### Expansion projects

- **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 emission and reduce the energy consumption

### Greenfield projects

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

- **Global Trade Fairs:** Participated in the Cersaie fair in Italy displaying the upcoming collection and received positive reception from the architects and design community
- **Retail Footprint expansion:** Opened a new RAK Ceramics showroom in Dubai, Sheikh Zayed Road which is built around the Lifestyle concept of display
- **Awards & recognition:** Recognized as the "UAE Industry 4.0 Leader" by the Ministry of Industry & Advanced Technology highlighting our contributions and advancement in digital transformation within Industrial Sector.
- Won the TECNA Award 2024 for Innovation and sustainability in recognition of the technological investments made by RAK Ceramics in 2024



# Q3 & 9M 2024 Financial Performance Update

Speaker: PK Chand  
Group CFO

# Q3 2024 Financial Performance Snapshot



Revenue

**AED 802.5 MN**

↓ 4.1% YoY

↑ 3.3% QoQ



Gross Margin

**41.2%**

↑ 250 bps YoY



EBITDA

**AED 146.2 M**

↓ 13.5% YoY



Net Profit after tax

**AED 55.9 M<sup>\*</sup>**

↓ 33.3% YoY

\*Impact of newly introduced UAE corporate tax is AED 7.9m



Net Profit After Minority

**AED 54.5 M**

↓ 29.2% YoY



Net Debt

**AED 1.57 BN**

↑ 14.1M QoQ

# 9M 2024 Financial Performance Snapshot



Revenue

**AED 2.36 BN**

↓ 8.9%YoY



Gross Margin

**40.0%**

↑140 bps YoY



EBITDA

**AED 434.2 M**

↓ 9.8% YoY



Net Profit after tax

**AED 169.9 M\***

↓ 29.0% YoY

\*Impact of newly introduced UAE corporate tax is AED 22.3m



Net Profit After Minority

**AED 162.4 M**

↓ 26.2% YoY



Net Debt

**AED 1.57 BN**

↑ 146.9 M

# Revenue Highlights Q3/9M 2024

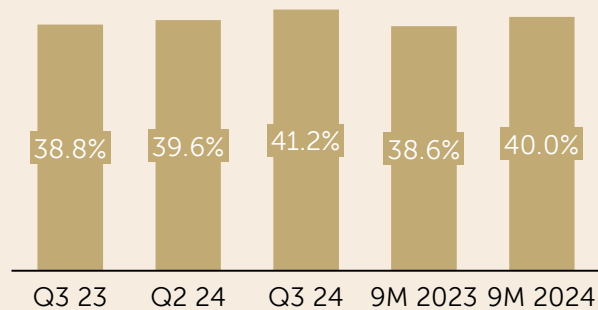
## MANAGEMENT COMMENTS

- Q3 2024 revenue at AED 802.5m, down by 4.1% year-on-year and 9M 2024 down by -8.9% at AED 2.36bn, reflecting global geopolitical tensions, market volatility, higher interest rates, and currency devaluation.
- Tiles revenue decreased by 1.5% year-on-year to AED 468.2 million in Q3 24, on account of lower volumes in India, Bangladesh and Europe.
- Sanitaryware revenue decreased by 4.5% year-on-year to AED 117.5million primarily due to lower revenue in Europe & Bangladesh markets.
- Tableware revenue decreased by 7.8% year-on-year at AED 85.3million in Q3 24 while in 9M 2024 it decreased by 5.2% due to slowdown in hotel projects and spending due to ongoing regional conflicts,
- Faucets revenue decreased by 5.3% year-on-year to AED 108.8million in Q3 24 mainly driven by impact in the European and Asian markets on account of the ongoing geopolitical tensions.

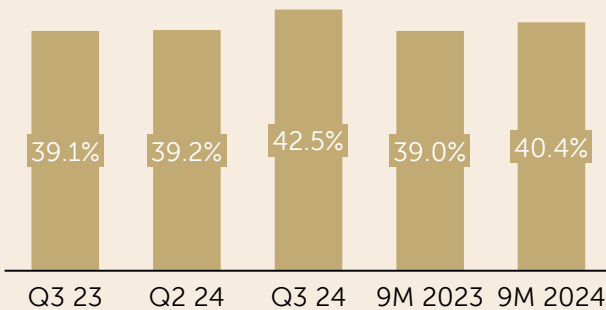
	Quarterly Comparison					Yearly Comparison		
	Q3 23	Q2 24	Q3 24		9M 2023	9M 2024		
	Amount	Amount	Amount	YoY Growth	QoQ Growth	Amount	Amount	Growth
United Arab Emirates	195.5	192.2	222.0	13.6%	15.5%	579.7	615.7	6.2%
Kingdom of Saudi Arabia	73.8	61.6	69.0	-6.5%	12.1%	279.3	196.7	-29.6%
Middle East (Ex. UAE & KSA)	34.8	28.2	32.9	-5.4%	16.7%	113.9	87.4	-23.2%
India	93.9	85.9	87.1	-7.2%	1.5%	270.7	260.9	-3.6%
Europe	98.2	92.9	89.6	-8.7%	-3.6%	305.0	260.7	-14.5%
Bangladesh	59.6	44.7	40.7	-31.7%	-8.9%	190.5	144.2	-24.3%
Africa	22.4	26.5	26.7	19.4%	1.0%	80.8	78.2	-3.1%
Rest of the world	20.4	15.8	17.7	-13.4%	11.8%	59.3	46.0	-22.4%
<b>Total Tiles &amp; Sanitaryware Revenue</b>	<b>598.6</b>	<b>547.7</b>	<b>585.7</b>	<b>-2.1%</b>	<b>7.0%</b>	<b>1,879.2</b>	<b>1,689.9</b>	<b>-10.1%</b>
Tableware revenue	92.5	92.2	85.3	-7.8%	-7.5%	282.1	267.4	-5.2%
Faucets revenue	114.8	109.5	108.8	-5.3%	-0.7%	342.9	335.1	-2.3%
Others revenue	31.2	27.7	22.7	-27.1%	-17.9%	87.2	68.8	-21.1%
<b>Total Revenue</b>	<b>837.1</b>	<b>777.0</b>	<b>802.5</b>	<b>-4.1%</b>	<b>3.3%</b>	<b>2,591.4</b>	<b>2,361.2</b>	<b>-8.9%</b>

# Gross Profit Margin

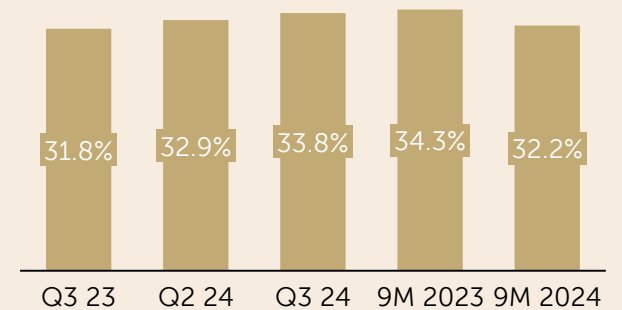
TOTAL GROSS MARGINS (%)



TILES GROSS MARGINS (%)



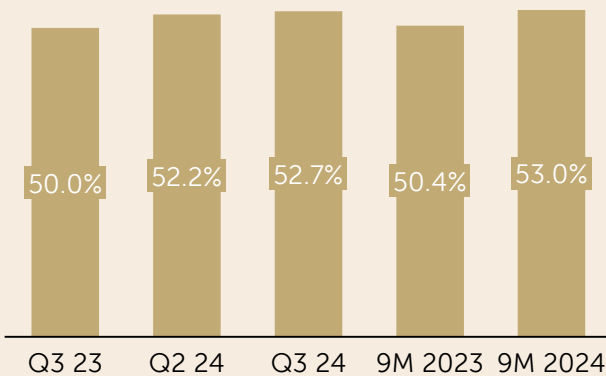
SANITARYWARE GROSS MARGINS (%)



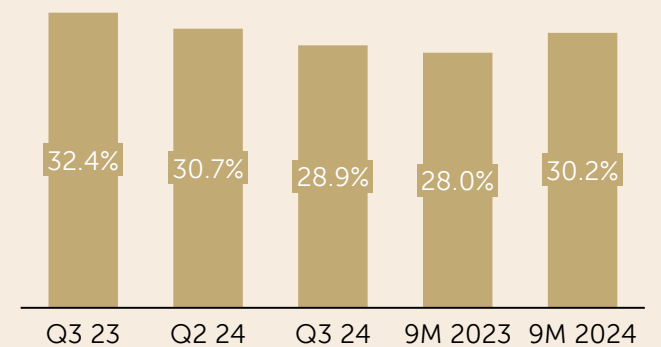
**MANAGEMENT COMMENTS**

- Q3 Gross profit margin increased by 250bps year-on-year to 41.2% due to lower NG prices in UAE and higher sales in UAE market.
- Tiles margin in Q3 2024 increased by 350bps compared to Q3 2023 at 42.5%.
- Sanitaryware margin increased by 200bps year-on-year at 33.8% in Q3 2024 due to improved efficiencies and change in product mix.
- Tableware margin increased by 270 bps year-on-year to 52.7% in Q3 2024 following change in product mix.
- Faucets GP margin increased by 220bps at 30.2% in 9M 2024 due to rationalization of cost.

TABLEWARE GROSS MARGINS (%)

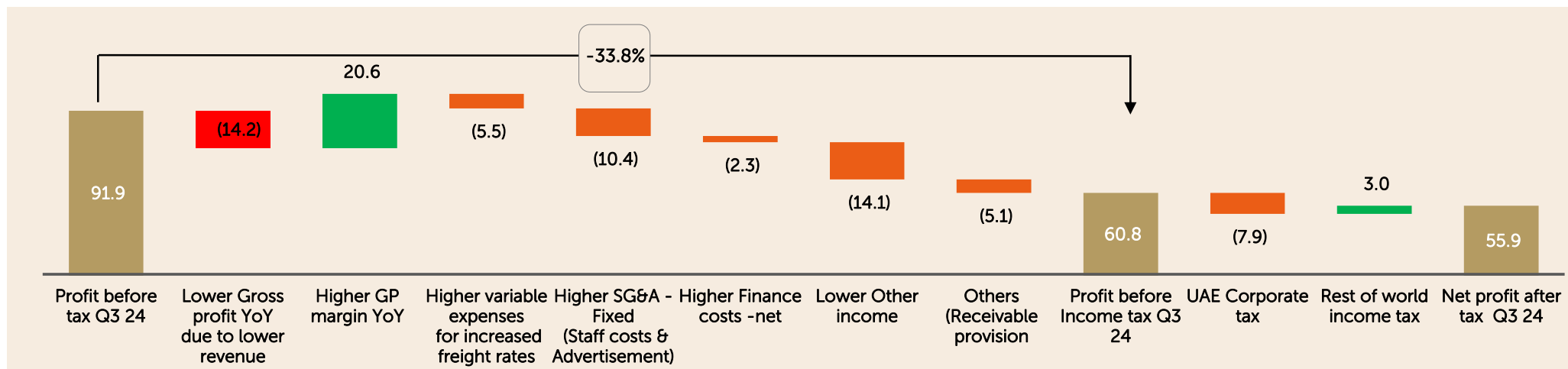


FAUCETS GROSS MARGINS (%)

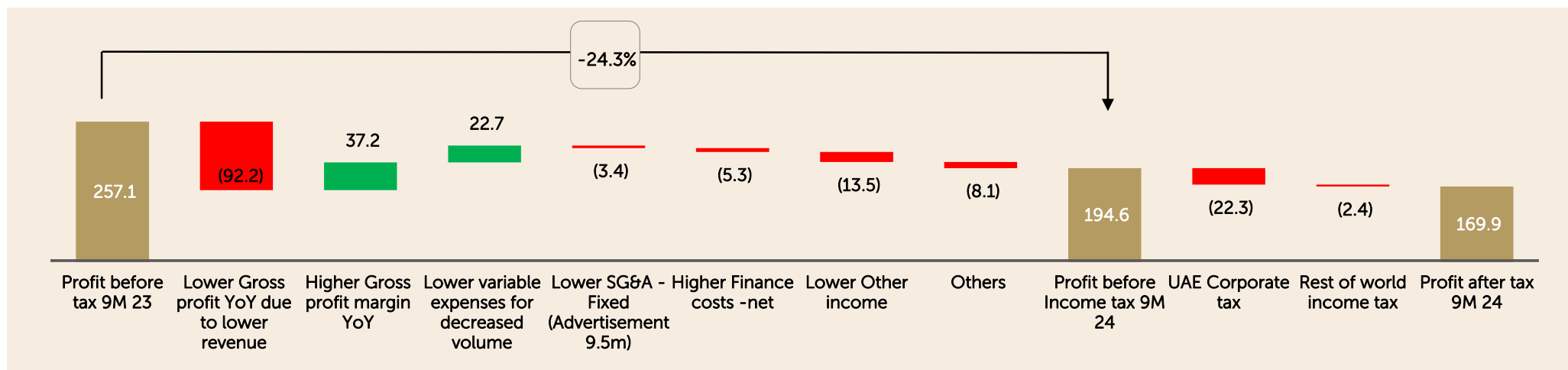


# Profitability Bridge

Q3 2023 vs Q3 2024 Profit Bridge (AEDM)



9M 2023 vs 9M 2024 Profit Bridge (AEDM)

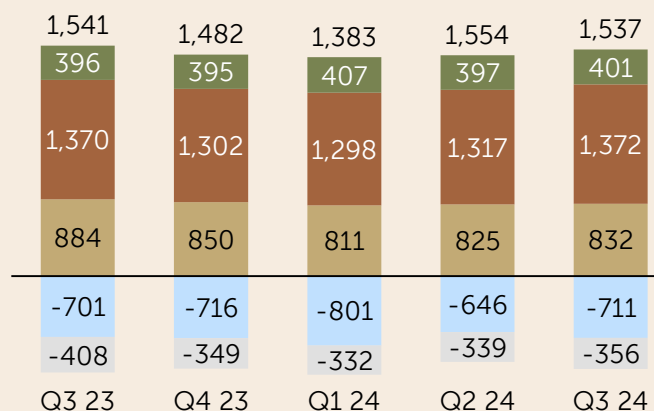


# Balance Sheet Highlights

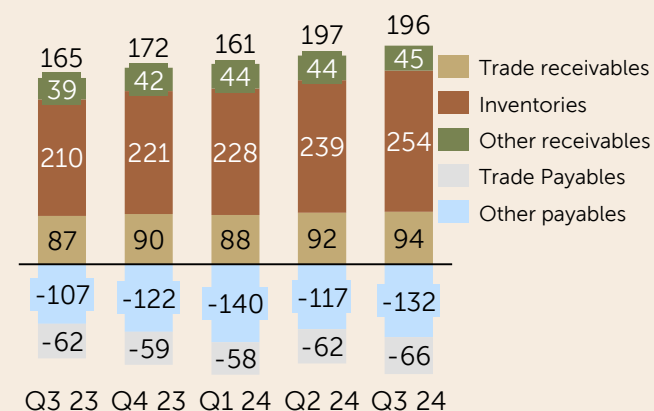
## MANAGEMENT COMMENTS

- Overall working capital cycle decreased from 197 days in Q2 2024 to 196 days in Q3 2024. Also, in absolute terms, working capital decreased by AED 17m to AED 1.54bn in Q3 2024, mainly due to increase in payables.
- Trade receivables increased from 92 days in June 2024 to 94 days in September 2024 due to higher QoQ revenue by 3.3%.
- Inventory days increased from 239 days to 254 days QoQ due to increase in Raw materials and stores inventories.
- Trade payable increased from 62 days in Q2 2024 to 66 days in Q3 2024.
- Net debt increased by AED 14.0m at 1.57bn compared to June 24,
- Net debt to EBITDA also increased from 2.50x in Mar 24 to 2.61x in September 24 mainly due to lower LTM EBITDA.
- Capex guidance for 2024 is revised at AED 200M.

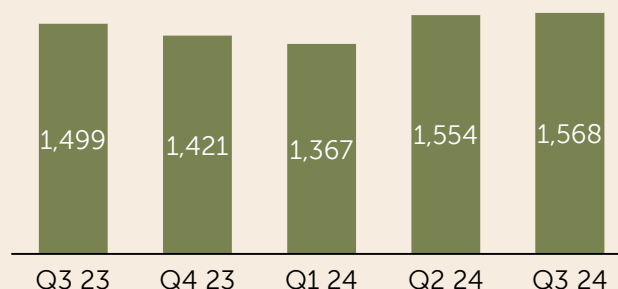
## WORKING CAPITAL (AEDM)



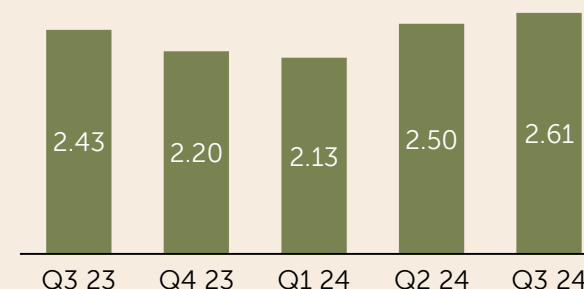
## WORKING CAPITAL (DAYS)



## 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)

	8/11/2024	31/12/2023
	Amount	Amount
Share price	2.58	2.90
Number of shares (in Mn)	994	994
Market Cap	2,564	2,882
Net debt	1,568	1,421
Minorities	92	134
<b>Enterprise Value</b>	<b>4,224</b>	<b>4,438</b>

\*Net debt and minorities as of 30<sup>th</sup> September 2024

LTM TRADING MULTIPLES

	Multiple	
	8/11/2024	31/12/2023
EV / Sales	1.31	1.28
EV / EBITDA	7.04	6.85
P / E	10.99	9.9
P / B	1.18	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		
	Q3 23	Q2 24	Q3 24		9M 2023	9M 2024		
	Amount	Amount	Amount	YoY Growth	QoQ Growth	Amount	Amount	YoY Growth
Revenue	837.0	777.0	<b>802.5</b>	-4.1%	3.3%	2,591.4	<b>2,361.2</b>	-8.9%
Gross margin (%)	38.8%	39.6%	<b>41.2%</b>	2.5%	1.7%	38.6%	<b>40.0%</b>	1.4%
EBITDA	169.2	136.9	<b>146.2</b>	-13.5%	6.8%	481.5	<b>434.2</b>	-9.8%
Profit before tax	91.9	59.8	<b>60.8</b>	-33.8%	1.8%	257.1	<b>194.6</b>	-24.3%
Profit after tax	83.9	51.0	<b>55.9</b>	-33.3%	9.6%	239.1	<b>169.9</b>	-29.0%
Capital expenditure	89.0	62.1	<b>35.2</b>	-60.4%	-43.3%	182.5	<b>132.5</b>	-27.4%
Net debt	1499.0	1,554.3	<b>1,568.4</b>	4.6%	0.9%	1,499.0	<b>1,568.4</b>	4.6%
Net debt / EBITDA	2.43x	2.50x	<b>2.61x</b>	0.18x	0.11x	2.43x	<b>2.61x</b>	0.18x

# EBITDA Working

	Quarterly comparison			Yearly comparison	
	Q3 23	Q2 24	Q3 24	9M 2023	9M 2024
Amount in AED M	Amount	Amount	Amount	Amount	Amount
Net profit/(loss) after tax	83.9	51.0	55.9	239.1	169.9
Tax	8.0	8.8	4.9	18.0	24.7
Interest- net	27.4	27.9	29.7	79.3	84.7
Depreciation & amortization	49.8	49.8	53.2	145.5	153.6
(Gain) on sale of assets/CWIP write-off	0.1	(0.6)	2.4	(0.4)	1.3
<b>EBITDA</b>	<b>169.2</b>	<b>136.9</b>	<b>146.2</b>	<b>481.5</b>	<b>434.2</b>



# Thank You

## CONTACT US

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

### Investor Relations

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