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RAK Ceramics Q3 9M 2025 earnings call and webcast

Thursday, 13th December, 2025

Operator Good afternoon, everyone, and welcome to the RAK Ceramics Q3 and nine month 2025 Earnings call and webcast. My name is Rekha, and I'll be coordinating your call today. During the presentation, you can register to ask a question if you have joined online by using the written question box in the top right-hand corner of your screen. I would now like to hand over the call to your host, Mohamad Haidar, with Arqaam, to begin. Please, go ahead.

Mohamad Haidar Hello, everyone. This is Mohamad Haidar from Arqaam Capital, and we are delighted to welcome you to RAK Ceramics' third quarter and nine month 2025 earnings call and webcast. From RAK Ceramics, today we have Mr Abdallah Massaad, Group CEO, and Mr PK Chand, Group CFO. Over to you, Abdallah.

Abdallah Massaad Thank you, Mohamad. Good afternoon, everyone, and welcome to RAK Ceramics' third quarter and nine months 2025 earnings conference call and webcast. We appreciate you joining us today. Our third quarter performance has been strong, once again demonstrating the resilience of our business, despite a challenging macroeconomic environment.

Total revenue increased by 2.8% year-on-year to 825 million AED, driven by strong demand from the UAE and across the Middle East. For the nine months of 2025, total revenue also grew by 2.8% year-on-year, reaching 2.4 billion AED. Gross profit margin decreased marginally by 70 basis points year-on-year, and the third quarter to 40.5%, and increased by 20 basis points in nine months 2025 to 40.3%. We have sustained healthy margins supported by effective cost management.

Profit before tax increased by 42.4% year-on-year to 86.6 million AED, and the net profit after tax increased by 20.7% year-on-year to 67.5 million. For the nine months, net profit after tax stood at 182.7 million AED, compared to 169.9 million last year, despite higher corporate tax, following the introduction of the domestic top-up tax effective 1 January 2025.

Let me now give you a brief overview of our consolidated revenue by market and segment standpoint. The UAE continues to be our largest market, delivering strong topline growth and healthy margins. This is followed by Europe, which contributes 23% of our consolidated revenue, with India and Saudi Arabia also playing key roles. In terms of our segments, tiles continue to be the primary driver of revenue, followed by sanitaryware, faucets and tableware. At the bottom, you will see our production capabilities, where we remain committed to continuous investment to enhance capacity and operational efficiencies.

Slide seven. Now, let me walk you through our financial performance across our key market and product line. In the UAE, we witnessed strong demand, driven by the real estate and construction sector. Operational efficiencies in our tile plans also helped us to sustain healthy gross margin, strengthening our leadership in the local markets. In Saudi Arabia, revenue decline due to intensified competition and oversupply from local tile manufacturers. However, our margin improved by 240 basis points due to favourable product mix.

Moving to Europe, revenue declined by 4.9% year-on-year, reflecting weak demand in the UK and Italy, amid challenging macro conditions and continued recessionary concerns. In contrast, Germany performed well with 14.9% increase in local currency revenue, highlighting our traction in higher value markets. In India, the market continues to demonstrate resilience, supported by infrastructure development, reduced interest rate, and growing disposable income. We are moving ahead with turnaround measures to regain profitability. In Bangladesh, we are seeing steady

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recovery owing to restoration of gas supply. Our revenue grew by 52.2% year-on-year, reflecting normalisation of the revenue levels, which were impacted severely from the political crisis last year.

From a segment standpoint, our tiles division recorded growth in both volume and value, primarily driven by robust performance in the UAE, India, Bangladesh, Germany, and Africa. The sanitaryware division experienced revenue growth supported by strong demand in the UAE. Faucet division revenue grew by 8.8%, mainly driven by performance in the UAE, Europe, and Asia. We are progressing towards our plan of cost optimisation by shifting major European faucet production facility to UAE. The tableware division has shown resilience, with volume growth of 4.8%, despite the revenue decline. Gross margin improved by 130 basis points year-on-year, supported by higher sales to the airline industry and premium hospitality projects.

Looking ahead, our diversified footprint continues to provide resilience. We are focussed on capturing opportunities in high growth regions, particularly in the UAE and wider Middle East, while taking corrective measures in more challenging markets. In the UAE, we are seeing increased competition due to lower cost imports under free trade agreements. Our focus is on differentiating through premium products and introducing high-tech innovations that represent breakthroughs in the industry.

In Saudi Arabia, market oversupply and liquidity issues have triggered a price war, particularly in residential and commercial segments. We are focusing on premium and differentiated offerings to boost margins, especially in retail and project channels. In Europe, consumer sentiment is weak, but we are taking proactive steps by engaging with architects and designers through our design hubs. This will help us tap into higher value segments with our new collections.

In India, the reduction in exports has created domestic oversupply. We are actively working on enhancing our retail presence and in-store experience to better connect with customers. We are working on a plan to introduce product offering from the UAE. And in Bangladesh, the overall economic sentiment is improving. New development initiatives have been reactivated to support in regaining our lost market share. Across all these markets, we are also prioritising brands enhancement through showroom expansion and strengthening our dealer network.

Now move to our strategic initiatives. In UAE, we have completed the upgrade of our advanced Continua+ slabs technology, strengthening our leadership in large format surface. Our capacity for our facility will be able to produce now 1.6 times 3.2 m, with a capability to grow the sizes to 1.8 m times 3.6 m. This facility will be a great addition to us, where the slabs, where it's a product substituting natural stone, granite, marble, quartz used in the kitchens with a more hygienic product. With the new facility, this will be a great opportunity for us to cater this segment and also strengthen our position to export from here. The new facility includes the latest PCR 2180 system, a seven-layer dryer powered by kiln heat recovery, the region's longest 300 m kiln and smart automated quality inspection system.

Our sanitaryware facility is also being modernised with energy efficient systems that align with our sustainability goals. In Saudi Arabia, we are making steady progress on the greenfield project in Yanbu, with expected completion by first quarter 2027. This will strengthen our local presence and drive efficiencies.

In September 2025, RAK Ceramics showcased its latest innovation at Cersaie 2025 in Bologna, Italy, one of the world's leading ceramics exhibition. In October 2025, RAK Porcelain Group, our tableware division, announced a strategic acquisition of Bankook Design Chambre, the owner of the renowned Cookplay brand, expanding our

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premium tableware portfolio and strengthening its presence in the European market. Actually, our new welcome brand, Cookplay, is very known to target and cater Michelin star restaurants with a unique design and unique proposition. And we are very excited about this acquisition, where it will support RAK Porcelain to strengthen and to increase its market share in the HORECA and retail segment.

As part of Kludi transformation, we are moving forward with our cost optimisation strategy, including relocating major European production to the UAE to improve operational leverage. I will now hand over to our CFO, Mr PK Chand. Please, PK.

PK Chand Thank you, Mr Abdallah. And good afternoon, everyone. I appreciate you joining us today. Mr Abdallah has already covered the strategic and operational highlights of the third quarter. I will now take you through the financial performance for the third quarter and nine months of 2025, focusing on revenue, gross profit margin, and key balance sheet highlights. We will begin with slide 11.

We are pleased to share that third quarter of 2025 continued to deliver a strong performance and demonstrated the resilience of our business. Total revenue for the third quarter of 2025 and also for the nine months of this year increased by 2.8% to 824.9 million AED and 2.43 billion AED, respectively, primarily driven by robust performance in our tile, sanitaryware and faucets segment.

Tiles and sanitaryware revenue increased by 3% year-on-year to 603.5 million AED in the third quarter of 2025, while in nine months it increased by 3.8% year-on-year to 1.75 billion AED. This was supported by strong performances in United Arab Emirates, Middle East markets, and recovery in Bangladesh market. Tiles revenue grew by 2.5% at 479.7 million AED in the third quarter of 2025, led by robust performance in UAE, Bangladesh, German, and African markets. In nine months, the revenue increased by 4.5%, year-on-year to 1.40 billion AED.

Sanitaryware revenue recorded growth of 5.3% year-on-year to one 23.8 million AED in the third quarter of 2025, supported by strong demand in UAE, Saudi Arabia, Bangladesh, and Middle East markets. In nine months, the revenue increased by 0.9%, year-on-year to 350.7 million AED.

Tableware revenue reported a modest decline in revenue of 0.6% to 84.8 million for the third quarter of 2025. In nine months, revenue declined by 4.4% year-on-year to 255.6 million AED. This decline is mainly on account of revenue loss in glassware business since third quarter of last year. Excluding glassware business, there is underlying growth of 2% in the third quarter of 2025, and in nine months the growth is 2.5%.

Faucets revenue grew by 8.8%, mainly driven by performance in UAE and Europe at 118.3 million AED in the third quarter of 2025. In nine months, the revenue increased by 5.1% year-on-year to 352.3 million AED. We continue to progress towards our plan for cost optimisation by shifting major EU faucets production facilities to the United Arab Emirates. Other revenue decreased by 3.1% year-on-year to 66.7 million AED in nine months of 2025, driven by a decrease in our ceramic trading business. Now, we will turn to slide 14.

Overall, gross Profit margin for the third quarter of 2025 decreased by 70 basis points year-on-year to 40.5%, due to lower margin in tiles and profit segment. However, it increased by 20 basis points in nine months, supported by improvement in efficiencies and higher sales in UAE market. Tiles margin for the third quarter of 2025 declined by 100 basis points year-on-year to 41.6%, mainly due to lower margin in India and Bangladesh plants. However, for

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nine months, the tiles margin increased by 130 basis points to 41.7%, primarily attributable to improved operational efficiencies and increased sales in the UAE market. Sanitaryware margin in the third quarter of 2025 improved by 280 basis points to 36.6%. And in nine months, it increased by 230 basis points, at 34.5%, supported by improved operational efficiencies and higher sales in UAE.

The tableware margin in the third quarter of 2025 improved by 120 basis points year-on-year at 54%. And in nine months, it improved by 170 basis points, at 54.6%, supported by higher sales to the airline industry and premium hospitality projects. Faucets gross profit margin decreased by 660 basis points year-on-year, at 22.3% in the third quarter of 2025, and in nine months by 610 basis points at 24.3%, due to lower margins in the European market, on account of continued transformation activities in Europe.

Profit before tax for the third quarter of 2025 amounted to 86.6 million AED, representing an increase of 42.2%, compared to 60.8 million AED in the corresponding quarter for 2024. For the nine months of 2025, profit before tax rose by 22.2% to 237.8 million AED. This improvement was primarily driven by higher revenue, increased gross profit margin, lower export freight costs, and reduced interest expense. Consequently, margin increased to 9.8% for the nine month period of 2025, compared to 8.2% in the same period of last year.

Net profit after tax increased by 20.7% year-on-year at 67.5 million AED in the third quarter of 2025. In nine months, the profit after tax is 182.7 million AED, an increase of 7.6% year-on-year. The increase is despite implementation of the newly introduced domestic minimum top-up tax under the OECD Global Pillar Two rules effective from 1 January 2025. The effective tax rate for UAE-based entities increased from 9% to 14%. These have resulted in an incremental tax impact of 23.9 million AED during the nine months of 2025 for UAE based entities.

Net profit margin for nine months of 2025 is 7.5%, compared to 7.2% in nine months of last year. EBITDA for the third quarter of 2025 increased by 14.7% year-on-year to 167.7 million AED. And in nine months, it increased by 6.9% to 464.1 million AED. In nine months of 2025, EBITA margin has increased to 19.1% year-on-year, compared to 18.4% in the last year. Overall, working capital increased by 23 million to 1.49 million AED in September 2025, compared to June 2025. The trade receivables decreased from 88 days in the second quarter of 2025 to 84 days in the third quarter, due to strict credit controls. Inventory days, however, increased from 265 days to 266 days quarter-on-quarter, due to increase in finished goods stock.

Trade payables decreased from 68 days in the second quarter of 2025 to 62 days in the third quarter 2025, mainly due to CapEx payments. Net debt increased by 82.7 million AED to 1.64 billion AED, compared to June 2025, due to UAE corporate tax payment of 31.4 million AED for the year 2024, higher CapEx and working capital. Net debt to EBITDA also increased from 2.59 times in June 2025 to 2.63 times in September 2025. CapEx spending has been 215.6 million AED in the nine months of 2025, out of which close to 134 million AED relate to upgradation of large format tiles manufacturing plants. CapEx guidance for 2025 is revised to 275 to 300 million AED. We continue to maintain comfortable liquidity and remain well-positioned to meet our financial obligations.

Over the last 12 months, the company's share price has remained stable. The stock is currently trading at a PE multiple of 10.92 times, reflecting investor confidence and long-term value. This concludes with our financial overview for the quarter. I will now hand the call back to Mr Abdallah for his closing remarks, before we open for questions.

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Abdallah Massaad Thank you, PK. As we discussed, our third quarter performance shows strong revenue growth, sustained healthy margin, and stronger profitability. We are seeing encouraging signs across our core markets, particularly in the UAE, supported by robust real estate and construction activity, while challenges persist in other regions. We have been able to safeguard our margin and remain agile in our execution. Our ongoing cost optimisation initiatives focus on innovation and commitment to sustainability, will continue to strengthen our position in the market. We remain committed to staying ahead as the preferred global supplier of high quality, differentiated products. As always, we remain dedicated to delivering sustainable value for our shareholders, partners, and customers. Thank you again for your attention and continued support. I will now hand over the call back to the operator for the Q&A session.

Operator Thank you. We will now begin the question and answer session. If you would like to ask a question, you can do so by pressing star one on your telephone keypad. Otherwise, you can type a written question in the Q&A box provided online today. We have the first question. What is the utilisation rate for every segment, tiles, sanitaryware, faucets, tableware for each country wise.

Abdallah Massaad As we discussed, we have installed capacity. Then we have products where we are focusing for which segments. Say, in tiles, today the capacity utilisation is around 70% from the installed capacity. Having said this, we have MC9 where we have two kilns, where we are upgrading the line from a ceramics to a porcelain tiles. When we go to sanitaryware, it's again the same, where we are under transformation, where we bought high pressure cutting and lower energy consumption. If I look at the installed capacity, how much we are utilising, somewhere between 60 to 70%. Looking at the tableware. Tableware, again, is the same thing, where from the installed capacity we are utilising somewhere between 80 to 90% capacity.

Operator Thank you. As a reminder, if you would like to ask any further questions, you can type your questions in the Q&A box provided online today. That is star followed by one if you've joined on the phone. Otherwise, you can type a written question in the Q&A box provided online today.

Mohamad Haidar Abdallah, this is Mohamad Haidar from Arqaam. The UAE is doing well and continues to do well. Should we expect a similar outlook in 2026, and even for the next two, three years, given how the real estate sector is performing?

Abdallah Massaad Mohamad, thank you for your question. I don't like to predict, but what we see around us, the construction, the new projects, even yesterday, I believe, some project launched by EMR, I believe, people, they were queuing from the last evening. In a few hours, the new launch is getting sold, the prices are still increasing, demand is there. We can see it with all the infrastructure, the traffic coming to Ras Al Khaimah itself. And you see the projects coming is never heard of. So, can I say anything might happen. But for me, I think for the next at least two years horizon, I believe there is nothing where I can see there is some reducing or some slowdown in real estate.

Mohamad Haidar Thank you, Abdallah. Very clear.

Operator Thank you. That is one final reminder, it's star followed by one if you do wish to ask any questions. Otherwise, you can type a written question in the Q&A box provided online today. We have [Inaudible 00:29:02] with FICO. What's your outlook for the net debt/EBITDA?

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Abdallah Massaad Look, I believe here, today, anywhere between 2.5, three, at the time 3.5, especially we are having also the project in Saudi's funding. Honestly speaking, if you see that now the interest rate is going down, so it's not somewhere going into the other direction. For us, we saw earlier higher level, but for us, as of today, between somewhere 2.5 to 3.5 times multiple is a comfortable scenario for us.

Operator Thank you. One final reminder, if you'd like to ask a question, you can type your question in the Q&A box provided online today. I would like to conclude the question and answer session now, and hand it back to Mohamad for some closing remarks.

Mohamad Haidar Thank you, Rekha. Abdallah and PK, thank you for your time today. Very informative. And thank you, everyone, for joining us. We look forward to have you with us next quarter.

Abdallah Massaad Thank you very much.

Operator Thank you. I can confirm that does conclude today's call. Thank you for attending. You may now disconnect, and please enjoy the rest of your day.