NetRoadshow Event Transcript

Rak Ceramics Q1 2026 Earnings Call And Webcast

Document created on: 2026-05-1,217:52:30 UTC

Carla (Operator)

Hello, everyone, and welcome to the RAK Ceramics Q1 2026 Earnings Call and Webcast. My name is Carla, and I will be coordinating your call today. On today's call, slides will be presented to you. To view the slides, please follow the link provided on your invitation. During the presentation you can register to ask questions by pressing star followed by 1 on your telephone keypad.

And if you change your mind, star followed by 2. And if you would like to submit a written question, please use the Q&A chat box that is available on the slide page. I will now hand you over to your host, Mohamad Haidar at Arqaam Capital to begin. Please go ahead when you're ready.

Mohamad Haidar at Arq Capital (Moderator)

Hello, everyone, and welcome to the RAK Ceramics First Quarter 2026 Earnings Call and Webcast. I hope you are all well and safe. This is Mohamad Haidar from Arqaam Capital Research, and we are joined today by Mr. Abdallah Massaad, Group CEO from RAK Ceramics; and Mr. PK Chand, Group CFO from RAK Ceramics. Over to you, Mr. Abdallah.

Abdallah Massaad (Group Chief Executive Officer)

Thank you, Mohamad. Good afternoon, everyone, and thank you for joining us for RAK Ceramics First Quarter 2026 Earnings Conference Call and Webcast. We appreciate you taking the time to be with us today. Across industries, the operating environment during the quarter was shaped by continued macroeconomic uncertainty, heightened geopolitical tension, supply chain disruption and elevated logistic costs, creating a more complex business environment across our markets.

Despite these conditions, RAK Ceramics posted a resilient first quarter performance, supported by our diversified footprint, strong operational discipline and proactive management action that maintain continuity across all markets. As a local manufacturer, RAK Ceramics benefited from operational agility and ability to adapt quickly to changing market conditions that the company maintained uninterrupted supply for clients and partners across its network while mitigating supply chain disruption and absorbing market shocks.

Strong demand in the UAE and Bangladesh, together with disciplined execution across the group supported the quarter's results. Talking about the financial performance, our profit before tax declined by 17.9% year-on-year to AED 53 million. Net profit after tax decreased by AED 21.8 million year-on-year to AED 38.2 million. Group revenue in the first quarter 2026 was AED 760.7 million, down 2% compared to AED 776.5 million in the first quarter 2025, mainly due to the ongoing regional conflict, our gross profit margin remained resilient at 39.4% compared to 39.7% in the first quarter 2025.

Now let me give you an overview of revenue by market and segment. The UAE remains our largest market, contributing 38% of the group revenue and continued to demonstrate resilience, delivering growth despite the challenging regional environment, supported by healthy construction activities and the strong project demand. Europe contributed 25% of our total revenue with performance supported by stronger local currencies.

Saudi Arabia, India and Bangladesh each represented important strategic markets for the group, where we continue to execute targeted growth and value creation initiatives. Across segments, tiles remained the primary revenue contributor at AED 431.2 million, followed by faucets AED 123.1 million, sanitaryware at AED 107.4 million and tableware at AED 78.7 million in the first quarter 2026. I would like to address the impact of the ongoing regional conflict on our business and the proactive action we implemented in response to mitigate disruption.

As regional disruption escalate in March, RAK Ceramics moved quickly and decisively as we communicated publicly at the time, our commitment was clear, uninterrupted service and full continuity across all our retail and project channels, we delivered on that commitment. As a local manufacturer with a strong production and distribution capabilities in the region, we were well positioned to respond with agility.

Disruption around the Strait of Hormuz placed pressure on regional trade routes, increasing freight, insurance and energy costs across the business or also temporary gas disruption in Morbi affected our India operation in March. In response, we activated alternative shipping routes via Jeddah and Oman. Strengthened inventory buffer across Europe and India, established a centralized crisis management structure with strict cost control across operating and capital expenditure.

These measures ensured our customers experienced uninterrupted service. Production was optimized in response to disruption of natural gas supply where market conditions allowed incremental logistic costs were partially passed on as a freight surcharge. Commercially, we redirected all phase focus on the UAE and the GCC. Looking ahead, we remain vigilant, well prepared and well positioned to capture incremental market share opportunities in the UAE, Saudi Arabia and broader GCC.

We are fully aligned with the UAE broader emphasis on continuity, stability and reliable market access. Now let me take you through our key markets and business segments in more detail. In the UAE, we delivered revenue growth of 0.5% year-on-year in the first quarter 2026, reaching AED 211.5 million, driven by robust real estate and construction activity and the higher share of project-based business. Import disruptions from regional tensions are expected to support additional market share gains.

Some markets, including Saudi Arabia, India and Europe faced headwinds from regional conflict and competitive pressure. In Saudi Arabia, revenue declined by 8.7% year-on-year in the first quarter 2026, primarily reflecting a strategic shift from volume-led ceramic sales to higher value glass porcelain, which contributed to improved gross profit margin and project discipline.

In Europe, revenue increased by 1.3% year-on-year in the first quarter 2026, supported by stronger local currencies, although underlying market demand remained soft. The company leveraged inventory buffer to maintain service level amid supply disruption from regional tension. In India, revenue declined by 8.5% year-on-year in the first quarter, mainly due to a temporary production -- looking ahead, our priorities for 2026 are centered on disciplined execution and strengthening the group's competitiveness across our key markets and business segments.

Our priorities include maintaining market leadership in UAE and GCC while capturing incremental demand where imports remain constrained. We will continue to focus on project-led growth, premium positioning, portfolio expansion growth in large-format surface and the modernization of our sanitaryware facility in line with our sustainability objectives. We remain aligned with national industrial initiatives such as Make it in the Emirates.

We will continue to monitor the ongoing regional conflict supported by our centralized crisis management team, focusing on cost control, improved liquidity and logistics efficiencies across the group. We remain focused on improving operational efficiencies, strengthening working capital management and driving targeted turnaround and the growth initiatives to improve bottom line performance.

The KLUDI transformation remains a strategic priority, including the introduction of KLUDI sanitaryware to complement the RAK Ceramics sanitaryware offering, expand the group's premium portfolio and unlock operational synergies. We will continue advancing our retail expansion with an omnichannel approach to digital acceleration, manufacturing optimization and capacity growth agenda includes completion of the greenfield tiles project in Yanbu, Saudi Arabia by first quarter 2027.

We will maintain a disciplined focus on cost management, ESG-led sustainability and operational excellence. Across all our subsidiary business in India and Bangladesh, we are expanding market reach through retail, dealer network growth, stronger distribution partnerships and targeted pricing initiatives to improve profitability and market position.

Our first quarter 2026 performance reflects the resilience of our business, the quality of our team and the strength of our operational platform, positioning us well to navigate near-term headwinds while executing on a clear long-term strategy. We remain focused on delivering sustainable, profitable growth and long-term value for our shareholders. Thank you, and I will now hand over to our Group CFO, PK.

PK Chand (Chief Finance Officer)

Thank you, Abdallah, and good afternoon, everyone. I appreciate you joining us today.

Abdallah has already covered the strategic and operational highlights of the first quarter of 2026. I will now walk you through the financial performance for the first quarter of 2026, focusing on revenue, gross profit margins, and key balance sheet highlights. Let's begin with slide 11.

We are pleased to share that our first-quarter 2026 results, delivered a resilient performance supported by strong demand across the UAE and Bangladesh.

The company successfully met regional market demand despite ongoing geopolitical tensions, supply chain disruptions, and elevated logistics costs.

Total revenue marginally decreased by 2.0% year on year to AED 760.7 million dirhams in first quarter of 2026 on account of disruptions caused by ongoing regional conflicts.

In, Tiles and Sanitaryware segment, revenue decreased by 2.9% year-on-year to 538.6 million dirhams due to ongoing regional conflicts, trade barriers, and supply chain disruptions. Additionally, Eid holidays, along with heavy rainfall in UAE in the last week of March 2026, deferred product deliveries into the subsequent month.

Tiles revenue decreased by 3.9% year on year at AED 431.2 million, primarily driven by lower sales in all markets except Bangladesh.

Sanitaryware revenue grew by 1.8% year on year to AED 107.4 million, driven by higher sales in UAE market. However, other markets were impacted due to the ongoing regional conflicts.

Tableware segment revenue decreased by 8.4% year on year at AED 78.7 million, mainly impacted by restrictions on exports and higher freight rates, on account of the ongoing regional conflict.

Faucets revenue increased by 10.2% year on year at AED 123.1 million, primarily driven by improved performance in all markets except Asia. We continue to progress towards our plan for cost optimisation by shifting major EU Faucets production facilities to UAE.

Other revenue decreased by 17.0% year on year to AED 20.3 million, due to supply disruptions and ongoing regional conflict.

Now we will turn to Slide 13

Overall gross profit margin for the first quarter of 2026 marginally decreased by 30 basis points year-on-year to 39.4%, primarily attributed to underutilization of manufacturing facilities in the UAE and India resulting from supply chain disruptions and natural gas shortages in India, linked to ongoing geopolitical issues.

Despite geopolitical challenges, the tiles margin in the first quarter of 2026 increased by 20 basis points year-on -year to 41.2%, driven by improved margins across all key markets, supported by a favorable product mix.

In sanitaryware our gross profit margin for the first quarter of 2026 increased by 10 basis points year-on-year, reaching to 34.2% supported by higher sales in UAE market.

In tableware gross profit margin in the first quarter of 2026 saw a significant improvement of 330 basis points year on year, reaching 57.2%, largely due to stronger sales in the UAE and GCC markets.

Faucets gross profit margin decreased by 200 basis points year on year to 22.0% in the first quarter of 2026, driven by lower plant utilisation.

Profit before tax for the first quarter of 2026 amounted to AED 53.0 million, a decrease of 17.9% from AED 65.4 million in the same quarter of 2025. The decrease was primarily driven by lower revenue and a softer gross profit margin. Other operating income was also lower by AED 6.1 million due to lower provisions writeback and AED 1.9 million due to lower gain on the sale of investment property. The margin decreased to 7.0%, compared with 8.3% in the last year.

Net Profit after tax in the first quarter of 2026 decreased by 21.8% year on year to 38.2 million dirhams. Net profit margin is 5.0% compared to 6.3% in the last year.

EBITDA for the first quarter of 2026 decreased by 6.1% year on year to 127.3 million dirhams. EBITDA margin decreased to 16.7% compared to 17.5% last year.

Overall working capital remained stable with a slight decrease of AED 4.0 million at 1.40 billion in Q1 2026 compared to Q4 2025. Trade receivables days increased marginally from 85 days in Q4 2025 to 86 days in Q1 2026, primarily reflecting lower LTM sales. We continue to closely monitor receivables and maintain strict credit control measures.

Inventory days decreased from 267 days to 261 days quarter-on-quarter, reflecting the utilisation of inventory buffers to maintain service levels and capture incremental market demand.

Trade payable decreased from 65 days in Q4 2025 to 64 days in Q1 2026. Other payable days increased from 134 days in Q4 2025 to 137 days in Q1 2026 due to increase in provisions.

Net debt increased by AED 62.6 million at 1.56 billion compared to December 2025 due to payment of Dividend (AED 99.4 million). Net debt to EBITDA also increased from 2.40x December 2025 to 2.53x in March 2026

Capex in the first quarter 2026 is AED 42.8 million which includes AED 8.6 million towards new greenfield facility in Yanbu, KSA, which remains on track for commissioning in Q1 2027. Our 2026 capex guidance is AED 400 million, including AED 150 million related to the KSA greenfield project. The total estimated capex for the KSA project (excluding working capital) is AED 250 million.

We continue to maintain comfortable liquidity and remain well positioned to meet our financial obligations.

Share Price Performance

Refer to slide 18

Over the last 12 months, the company's share price has remained stable. The stock is currently trading at a P/E multiple of 10.35 times, reflecting investor confidence and long-term value.

This concludes with the financial overview for the quarter. I will now hand over the call back to Abdallah for his closing remarks including our priorities for the coming quarters of 2026 before we open for

Abdallah Massaad (Group Chief Executive Officer)

Thank you, PK. As outlined, RAK Ceramics delivered a resilient first quarter performance in 2026 despite ongoing regional geopolitical -- as outlined, RAK Ceramics delivered a resilient first quarter performance in 2026 despite ongoing regional geopolitical tensions, supply chain disruptions and elevated logistic costs. As a local manufacturer, RAK Ceramics benefited from its operational agility and ability to adapt quickly to changing market conditions.

The company was able to secure uninterrupted supply for the clients and partners across its networks while effectively mitigating supply chain disruption and absorbing market shocks.

With a strong foundation, clear strategic priorities and continued investment in capacity and innovation, we are well positioned to drive sustainable, profitable growth and deliver long-term value to our stakeholders. Thank you for your continued support. I will now hand over the call back to the operator for the Q&A session.

Carla (Operator)

Thank you. We will now begin the question and answer session. If you would like to ask a question please, press star followed by 1 on your telephone keypad. If you change you mind, please press star followed by 2. When preparing to ask a question, please ensure that your device is [indiscernible](00:20:10) locally. And if you would like to submit a written question, please use the Q&A chat box that is available on the slide page. We'll make a quick pause here for the questions to be registered. And our first question is, what is the capacity utilization for the quarter for tiles, sanitary ware and others?

PK Chand (Chief Finance Officer)

Tiles, we are at almost 70% capacity, sanitaryware slightly above 50% and tableware more than 65%.

Carla (Operator)

Thank you. So just as a reminder to all the attendees that use star 1 on your telephone keypad to ask your audio question or you can also submit your original question using the Q&A chat box that is available on the slide page. And we will now take an audio question from Mohamad with Arqaam.

Mohamad Haidar at Arq Capital (Moderator)

A quick question on the logistics supply chain for RAK Ceramics. How easy is it to really reroute from Hormuz through land transportation, either through Oman or through Saudi? Do you have to like deal with truck dealers or to rent trucks? And how much time does it really take to -- for delivery compared to Strait of Hormuz?

Abdallah Massaad (Group Chief Executive Officer)

Mohamed, thank you for your question. Honestly, this is a million-dollar question, what we say. It's not easy at all. For us, the first thing as a factory was to secure our raw materials, parts, spare parts and to run our production, and this is the most important for us. And fortunately, we were not forced to shut down or not to supply because of nonavailability of raw materials, spares or our manpower.

In terms of supplying by road to Saudi, is it Jeddah or Yanbu or you go to Oman or even from Fujairah, it's tough to many demand, which sometimes we have to go through trucks where if we secure containers in Jeddah, we send it to our company in Jeddah. And from there, we reexport sometimes we go through Dubai ports or Abu Dhabi ports where they handle it and sometimes with the shipping line directly. So it is much more expensive. So at some time, prices are logic, sometimes there are availability sometimes it's like everyone.

But as we mentioned that we are trying our best, our level best whatever we can in order to maintain a smooth operation and supply to our clients. And here, where we feel, Mohamad, that we are doing whatever we can, and we are able to supply because the construction activities in the UAE from our record did not slow down. Initially, it was some impact. But honestly, we are seeing more demand, and we are trying to capture more market share.

And as we are -- we have difficulties to export, we are finding all the traders or projects which imported material, they were -- they are facing issues on getting their material. So yes, we have a big market share, but our market share is almost 30%, and we are targeting to increase our market share here.

Mohamad Haidar at Arq Capital (Moderator)

Thank you Abdallah. Very clear. And is it easy to pass on the cost to end users in the current situation? Because your margins were more or less very resilient in Q1.

Abdallah Massaad (Group Chief Executive Officer)

Look, first quarter, it is still too early to assess Mohamad, because for us, during March, we had the 1 week rain like anything in the UAE, then the impact of the conflict was on the last week of March. So it is too early to assess it. But what I can tell you that we are working case by case. We're trying for the big developers, wherever in the UAE, not to increase our prices, but mainly to increase our market share, while for some exports, yes, we are trying to pass because the margin are tired.

And we -- honestly, we know whatever we will do, it will be very difficult to export and very difficult to be competitive and to sustain the supply. So our focus is regional. And in the region, historically, we have better margins. So despite all the cost increase, what we are incurring, and we're trying to absorb it by selling more in this region.

Mohamad Haidar at Arq Capital (Moderator)

That's very clear, Abdallah. And interestingly, given that imports were also disrupted in the UAE and you benefited a bit when it comes to market share gains, does the same apply to you in other markets if you are late on shipments, let's say, to Europe, will other competitors, their local ones, take market share from you, maybe eventually down the line?

Abdallah Massaad (Group Chief Executive Officer)

No doubt about it, yes. So we acknowledge this. We know that today, we are having draw back there, we're trying to, say, in Europe, where we operate by ourselves, where we're trying to source material from places where we can at least supply and don't lose our market share in Europe. We know it's very difficult. And sometimes we even send by truck to Europe. It was very costly, but in order to maintain to supply our clients on time, we were forced to do it.

And as I mentioned, something where we are able to load from here, we continue to load. We increased our prices a bit in Europe to at least absorb part of the transport or the freight increase and somewhere we're trying to also source, as I mentioned. So we know that in some markets, we will have some disruption. We will have maybe to lose some market share here and there, but we're trying to recover it by gaining more market share in the UAE and the region.

Mohamad Haidar at Arq Capital (Moderator)

Thank you. My last question is on Yanbu, the new plant. So will that be used like predominantly for the Saudi market? Or can you also use it as an export hub to other countries that it's on the other side?

Abdallah Massaad (Group Chief Executive Officer)

I wish it was ready earlier, because it is easier for us -- no doubt, our -- even in our studies, it was majority to be sold in Saudi, but we have also to export even we have 30% in our studies to be exported, 70% to be sold in Saudi. And for sure, if it was ready and when it will be ready, it will be a balancing scenario for ourselves at least to export from there.

Mohamad Haidar at Arq Capital (Moderator)

Very helpful Abdallah. Thank you.

Carla (Operator)

Thank you.
And just as a reminder to all the attendees on the line that you should like to ask a question use star 1 on your telephone keypad or you can also submit your written question by using the Q&A chat box. We have one question. How do you see the local market and international market demand during April and May, mainly India, UAE and Bangladesh. Do you see any pressure on margin due to increased cost and import export disturbances? And what margin do you expect during FY '26?

Abdallah Massaad (Group Chief Executive Officer)

Yes. So honestly, it is too early to go and assess. What I can tell you that at least in the UAE, for us, we saw a more demand for our products. So what I can see that for us, April should be better. And as I mentioned, going forward, we acknowledge where we'll be losing and where we will be gaining. And as part as our work towards the best interest of our stakeholders, company short term and long term is to focus on the opportunity or at least where we are able to sell and where we are able to supply.

And I believe that we'll be gaining more market share, hopefully, in the UAE and the region also. India and Bangladesh, the demand, I can say it is stable, and I can see better, especially Bangladesh after the election and the new government, the market is more stable, and we can see momentum in the market. India, it was shut down earlier in Morbi for the nonavailability of gas. In April, we got -- again, gas, we came back to the capacity. It is probably it will be on the cost in India of margin because the increase in energy costs will give an impact in the short term in the margin only in India. I don't think we can look at the margin until full year. It is too early. Let us see how it moves.

Carla (Operator)

Thank you. So just as a reminder that if you'd like to ask a question use star 1 on your telephone keypad to ask your audio question or you can also submit your written question using the Q&A chat box that is available on the slide page. And as we have no further questions in the queue, I will hand back over to the CEO, Mr. Massaad, for any final comments.

Abdallah Massaad (Group Chief Executive Officer)

Thank you very much.

Carla (Operator)

Thank you. This does conclude today's call. You may now disconnect. Have a great rest of your day.