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Transcript: Rak Ceramics Q3 & 9M 2026 Earnings Call And Webcast

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Alex (Operator)

Hello, and welcome to the RAK Ceramics Q3 & 9-Month 2026 earnings call webcast. If you'd like to register a question on Zoom, you may use the Raise Hand function or you may type your question in the Q&A text box. And if you are joining us via the telephone lines today, you may press star 1 on the telephone keypad. And I'll now hand over to Mohamad Haidar from Arqaam Capital to begin. Please go ahead.

Mohamad Haidar (Moderator)

Hello, everyone, and welcome to the RAK Ceramics Third Quarter & 9-Month 2026 earnings call and webcast. This is Mohamad Haidar from Arqaam Capital, and we are joined today by Mr. Abdallah Massaad, Group CEO of RAK Ceramics, and Mr. Manoj Aheeray, Group Chief Strategy Officer of RAK Ceramics. Over to you, Abdallah.

Abdallah Massaad (Group CEO)

Thank you, Mohamad. Good afternoon, everyone, and welcome to RAK Ceramics earnings call for the Third Quarter 2026. Thank you for joining us. We delivered revenue growth and strong profitability in the third quarter despite continued regional disruption. Strong demand in the UAE, the wider Middle East and India helped offset pressure on exports and higher operating costs. Revenue grew by 4.4% to AED 861.5 million, while net profit after tax increased by 15.5% to AED 78 million. Gross profit margin remained broadly stable at 40.3%. For the first nine months, revenue reached AED 2.45 billion with both revenue and net profit ahead of last year.

Our regional manufacturing presence helped us respond to customer demand as imports remain constrained. Higher project sales supported by cost control contributed to the quarter performance. We maintained a strong focus on working capital with receivables days remaining stable and inventory days improving. While net debt increased from the end of June, we remain focused on maintaining healthy liquidity and strong financial discipline. As we move into the final quarter, our focus is on converting regional project demand into sales, clearing delayed shipments and progressing our turnaround plans.

Now, let me give you a brief overview of our key market and business segments. The UAE continues to be our largest market with 44% contribution, delivering strong top line growth and healthy margin amid the current regional conflict. This is followed by Europe, which contributed 20% of our consolidated revenue, followed by India, Saudi Arabia, and Bangladesh. In terms of our segments, tiles continue to be our primary driver of revenue, followed by faucets, sanitaryware and tableware.

At the bottom, you will see our production capabilities where we remain committed to continuous investment to enhance capacity and operational efficiency. We benefited from

our regional production base during supply chain disruption, enabling us to maintain product availability, respond to local project needs and stay close to customers through our distribution network. This strengthens our ability to compete across both our core regional and international markets.

Now, we go to the regional disruption, continued to affect the business in the third quarter. The impact varied across our markets. In the UAE, strong project demand and constrained import created opportunity to gain market share. We focused on premium products and local projects to capture that demand. At the same time, disruption around the Strait of Hormuz increased shipment costs and affected both exports and inbound materials. We use alternative routes through Jeddah, Khorfakkan and Oman to increase local sourcing.

In Saudi Arabia, SABER certification delays impacted deliveries, and we are working to streamline the process and support time line project execution. Higher energy costs in India and gas shortages in Bangladesh affected production. We recovered part of the higher cost in India and explored alternative energy and gas supply option in Bangladesh. Tableware was impacted by weaker regional hospitality demand, partly offset by aviation business and premium partnership. Looking ahead, we see further opportunities in gaining market share in the UAE and GCC. We remain cautious about freight, material costs, and hospitality demand. Our response remains focused on reliable supply and cost control.

Going to the segment performance. Turning to our segments. Tiles were the main contributor to revenue growth this quarter. Project demand in the UAE and the Middle East, together with India recovery, helped offset export disruption and production constraint in Bangladesh. Large slabs and the premium products remain important to our sales mix, supported by consistent availability. In sanitaryware, GCC demand provided some support, but weaker demand elsewhere. Higher freight costs and Bangladesh gas shortages affected performance.

Upgrades to our UAE facility are aimed at improving product quality and cost efficiency, while strengthening the range we offer to customers. In faucets, demand in the UAE and the Middle East helped offset weakness in Europe and other export markets. Component delivery delays also affected operations. Premium projects are supporting the KLUDI brand, while the transformation program continues to focus on operational performance and cost efficiency.

Tableware continued to face weaker hospitality demand in the region. Growth in aviation and the Americas partly offset this pressure. Our focus is on developing aviation accounts and premium partnership while integrating Cookplay to broaden our offering and customer reach. Across all segments, we are focusing investment and commercial efforts on products and channels where we can improve profitability and build lasting customer relationships.

The market performance, now focusing on our tiles and sanitaryware business across our key markets. The UAE remains strong, supported by construction activity, project demand and demand for slabs. Constrained imports also created opportunities to gain share. In the wider Middle East, we are strengthening our local sales presence and customer relationships to build on similar opportunities. In Saudi, SABER certification delays impacted deliveries, and we are working to streamline the process and support timely project execution.

Europe and other export markets faced weaker demand, strong competition and higher freight costs. We are managing these pressures while progressing changes to improve the profitability of our European operations. India returned to growth, supported by dealer expansion and continued retail investments. We are building on this momentum through stronger market coverage and continued showroom upgrades. In Bangladesh, gas shortages disrupted production and affected sales. Targeted changes to distribution, pricing, and operating efficiencies are underway to support market share and profitability.

These different conditions call for a focused approach in each market. We are expanding where demand is stronger and addressing the operating issues that are holding back performance elsewhere. On a strategic update, our strategic initiatives address both current operating challenges and longer-term competitiveness. In the UAE, we are progressing product and manufacturing upgrades, including energy-efficient technology. These investments support quality, lower operating costs, and our sustainability objectives.

In Saudi Arabia, the Yanbu greenfield tile project remains on track for completion in the second quarter of 2027. Alongside this investment, we are strengthening premium retail and project sales, including private sector opportunities. In our European distribution business, the turnaround focuses on cost reduction and a more efficient business model. Separately, we continue to execute KLUDI's transformation program to improve operational performance and cost efficiency, with profitability as the objective.

In India, we are expanding company-owned stores and our dealer network to reach more districts while developing institutional sales. In Bangladesh, targeted changes across channels, pricing and operations are aimed at recovering market share and improving profitability. We will continue to monitor progress closely and maintain discipline in how we allocate capital. I will now hand over to Mr. Manoj Aheeray, our Chief Strategy Officer, to take you through the financial performance for this quarter. Manoj?

Manoj Aheeray (Group Chief Strategy Officer)

Thank you, Mr. Abdallah, and good evening, everyone. I'll focus on our financial moment and our responses. Quarter 3 revenue reached around AED 862 million, up about 4% year-on-year and 5% from quarter 2. Stronger regional sales helped to offset weaker exports.

Gross margin remained stable at 40% despite of higher input and logistics costs. EBITDA rose about 5% to AED 176 million with EBITDA margin broadly stable at 20%. Profit before tax increased about 13% to AED 98 million, while net profit after tax grew around 16% to AED 78 million.

Overall, local sourcing, alternative shipping routes, and a partial cost recovery helped to manage the pressure. Cost control and liquidity management remain priorities for the group. I'll move to the financial snapshot for nine months. The stronger third quarter performance helped to offset the earlier weaknesses, demonstrating the group's continued resilience.

Nine months revenue was AED 2.45 billion, up close to 1% with the gross margin unchanged at around 40%. EBITDA remained flat at AED 461 million with EBITDA margin broadly stable at 19%. Profit before tax was broadly stable at AED 237 million. If you see the nine months, higher operating cost limited earnings growth, while net profit after tax increased about 1% to AED 185 million, the focus is on improving profitability across the business.

I'll move to the next section, revenue performance in Q3 2026. Our sales priority is converting the regional demand into the deliveries. That's the message. Tiles and sanitaryware revenue reached about AED 635 million, up by 5% year-on-year and 7% from quarter 2. Within these businesses, UAE revenue grew roughly by 33%, the wider Middle East nearly 40% and India about 12%. Europe improved from quarter 2, but remained below last year. Saudi revenue declined by 17% on account of SABER certification delays, while Bangladesh revenue declined by 12% due to the disruption in gas supply.

Table revenue was -- tableware revenue was about AED 76 million, down by 11% year-on-year, but slightly ahead of quarter 2. Faucet declined around 3% to AED 115 million. Other revenue roughly doubled to AED 37 million. Overall, management actions focus on shipment clearance, aviation and premium accounts, KLUDI cost efficiency and subsidiary turnaround plans. Reliable supply and timely execution remain a priority for the group.

I'll go to the revenue performance for nine months 2026. The nine-month picture highlights the resilient performance of our group. Tiles and sanitaryware revenue rose close to 1% to AED 1.77 billion gross. Faucets grew about 3% to AED 363 million. Tableware declined around 11% to AED 228 million, while other revenue rose about 28% to AED 85 million. In terms of markets, UAE sales increased by around 19% year-on-year, supported by project segment.

Further, Bangladesh sales increased by 7% despite of Q3 gas supply disruption. Europe declined by 19% year-on-year, while India quarterly recovery has not yet offset earlier weaknesses and Africa remained below last year. Plan is that the dealer expansion in India,

Europe distribution business turnaround and operating improvements in Bangladesh remains the priorities. These actions should support broader, more profitable growth for coming days.

I'll move to the gross profit margin. We are focusing on our product mix and efficiency to protect margins. Group gross margin for quarter 3 and nine months remained stable at a 40% region despite of the higher direct cost and a supply chain disruption and related costs. Tiles margin was close to 42%, broadly stable year-on-year, supported by higher sales in the UAE where margins are higher. Sanitaryware was around 36%, slightly lower than last year, but better than quarter 2.

Both recorded a modest nine-month improvement. Tableware margin fell to around 47% from 54% on account of higher raw material and freight cost. Its nine-month margin showed a resilience and it remains about 50%. This is sort of a recovery. Faucet recovered about 26%, in line with last year, although the nine months margin remained lower year-on-year, raw material and freight costs continued to pressure these businesses. On a note, UAE factory upgrades, better sourcing and a KLUDI transformation and a subsidiary turnaround initiatives are aimed at improving the cost efficiency, strengthening the margin for long-term.

I'll move to the profitability bridge. Q3 profit before tax rose around 13% to AED 98 million. Gross profit increased by about AED 14 million, while the higher administrative and selling expenses absorbed around AED 5 million of that gain. After tax, net profit was AED 78 million, up by 16%. Over the nine-month, profit before tax remained near AED 237 million. Gross profit and administrative and selling expenses each increased by roughly AED 7 million. After tax, net profit was about AED 185 million, up around by 1% marginal. So, here, the standard look at more of a cost control, manufacturing efficiency and turnaround execution remains a central focus to improve underlying earnings.

Coming to the balance sheet and capital allocation. Our priority is always a cash conversion alongside a disciplined investment thesis. Working capital was about AED 1.45 billion, around AED 25 million above June. Working capital days rose from 183 days to 187. Receivable days remained broadly stable, while the inventory days improved to 256 days. Trade payable days were unchanged. UAE tax payment reduced our other payables, which is a periodic payoff.

Net debt increased around AED 72 million, grossing to AED 1.5 billion, mainly reflecting an interim dividend and UAE tax payments. The equation drives to the leverage rose by about 2.56x EBITDA from roughly 2.48x in June. Nine-month CapEx was about AED 163 million, including AED 59 million in Saudi Arabia for greenfield project and AED 47 million for plant and warehouse upgradation in the UAE. Full-year guidance remains at AED 225 million to

AED 250 million. In a nutshell, we will keep close control on collection, inventory and spending while progressing growth projects.

I'll move to the share price on our shareholders' value analysis. Our focus is consistent return and long-term shareholder value. The end October share price was around AED 2.28 versus AED 2.49 at year-end. With the market capitalization at about AED 2.27 billion, the shares traded at around 10x earnings compared with roughly 11.5x at year-end. Enterprise value to EBITDA was broadly unchanged at around 6.5x [benchmark]. So, here with the turnaround delivery, cash generation and disciplined investments remain our priority. I'll now hand back to Mr. Abdallah for the closing remarks. Thank you.

Abdallah Massaad (Group CEO)

Thank you, Manoj. Our third quarter results demonstrate the group resilience with revenue and earnings growth supported by strong regional demand despite continued disruption. Looking ahead, we will build on this momentum by capturing UAE and GCC opportunities and supporting tableware recovery. We will remain agile, closely monitor the geopolitical environment and respond quickly to changing conditions. Local sourcing, alternative logistic routes, and our regional manufacturing footprint will help us maintain reliable supply and service.

We will continue KLUDI's transformation and our subsidiary turnaround plan to improve profitability while maintaining cost discipline and strengthening liquidity. Investment in Yanbu and retail expansion will support future growth. Our design hubs in London, Frankfurt, Dubai and Milano, together with our Elie Saab partnership and Roberto Cavalli collection strengthen our premium and luxury offering and our reach among architects, designers, and customers globally.

Across the group, we are expanding AI adoption, improving manufacturing efficiency and embedding sustainability in our operations. We remain confident in RAK Ceramics' long-term growth prospects and our ability to deliver sustainable value for shareholders. Thank you for your continued trust and support. I will now hand over the call back to the operator for questions.

Alex (Operator)

Thank you. We will now begin the Q&A session. As a reminder, if you have joined us by Zoom and would like to ask a question, you may use the Raise Hand function, or you may type your question in the Q&A text box. If you have joined us by the telephone lines, you may press star followed by 1 on your telephone keypad.

Mohamad Haidar (Moderator)

Thanks, Alex. I'll start with a few questions from my side. Abdallah, thank you for the call. Really impressive results in Q3. And I'm trying to understand the gross margins, which were impressive. Given what's happening around us and we're speaking to other companies, they're all feeling the impact. I'm not sure if RAK Ceramics is also feeling it when it comes to higher transportation costs and higher raw material input costs, higher war premium and insurance. So, what's the trick behind the intact margins close to 40% in Q3? Is it only because UAE is selling higher? Or it's also because you're doing something else on the cost front?

Abdallah Massaad (Group CEO)

Thank you, Mohamad, for your question. And look, as we always discuss, we are always in continuous improvement, we are always on continuous investment how we can be more efficient and more creative. To be honest with you, Mohamad, our margin in the UAE historically is better than the margin when we export, which is we have to add transportation on top, and we have our own sales team. We sell directly to the projects where we have a better margin. And also, we have our showroom, which we sell again at a good margin.

So, what happened, our cost, as you said, increased cost of raw material and inflation, insurances, everything we face it, but we try to change our formulas by using more local content, local raw material, as I mentioned, more efficiency. And even by having, we did not increase the prices in local markets. So, our margin in the UAE get reduced, means in the market -- end market UAE, while the increase of volume supported us in maintaining the gross profit margin.

Now, if I look at the sanitaryware, for example, where the raw material increased, but we have invested initially in high-pressure casting and the new technology where helped us improving the efficiency and recovering. So that we were able to offset the increase in raw material and the expenses from the efficiency we got it. So, it is a blend. So, there is no one straight answer, Mohamad.

Mohamad Haidar (Moderator)

That's very clear, Abdallah. Thank you. I'll switch to the Q&A box. We have a few questions. It's also a follow-up to my question. So, the first question says, UAE revenues increased 33% yearly, while project sales grew 55%. How much of this momentum reflects structural market share gains versus temporary import disruptions? And how should we think about the sustainability of this growth into 2027?

Abdallah Massaad (Group CEO)

Mohamad, again, we are doing our job. So, our job was, okay, already we have a significant market share in the UAE. We have -- we had more than 30% market share in the UAE. So, while this issue happened, so we thought from, honestly, two angles. One angle that we don't want to increase the prices because we are a company in the UAE during this difficult time, come and impose increase in cost on top of the issues probably the developer contractor is facing, we will -- and already we have a good margin. So, we thought let us maintain our prices, let us support the developers and contractors during this period.

Also, at the same time, we are expecting, and this is what we are discussing that, "Look, we are standing by, we are supporting, and we are not looking for short term. We are looking for long-term." So, we are showing that we are a partner, a long-term partner, which we can rely on us. And therefore, we supported the continuation and the supply of the projects where I believe our market share today without putting a number, but we crossed the 50% in this case.

We are expecting that this service, quality, design, solution, which we are providing, this will allow us to gain more market share for a long-term, and it's not only a temporary option. For sure, some people will -- whenever possible, they will find a cheaper option, they will buy. We cannot guarantee. But at least no doubt that we will benefit in the long-term of the action we did it in the short-term.

Mohamad Haidar (Moderator)

Thank you, Abdallah. We also have a few questions on Saudi. But before we move to Saudi, I have one follow-up on the UAE. I mean, knowing that you are a premium manufacturer of ceramics and you usually sell at higher than prices than your competitors. The market share that you have gained, is it for a similar quality product or it's because other products are missing, so people are shifting to your products, which are more premium and higher price? So, we're just trying to understand that.

Abdallah Massaad (Group CEO)

Honestly, Mohamad, we gained from both, from -- there are projects who they wanted only imported high-end branded products. These people, we won. And also some projects which they were buying cheaper product and by the additional freight, the costs became if they can get it on time, almost similar to ours. So, one angle is good is that the high end, even some branded projects, which they were reluctant to try us, they tried us and they are satisfied.

Honestly, also our launch of sanitaryware of KLUDI supported this. So, initially, after the acquisition of KLUDI, which was only in faucets, we started investing in sanitaryware, and this helped us by positioning KLUDI also as a premium sanitaryware where most of the developers and most of the high-end project today, I can say, we are specified or we supply

already KLUDI on top of RAK Ceramics tiles. So, I can say from both sides. That's why the higher end, which they tried us, I believe they will stick to us after seeing the project. And the low-end projects, which if there are opportunities to have a lower rate, they might shift.

Mohamad Haidar (Moderator)

That's very clear, Abdallah. Thank you. Moving to the questions on Saudi. Given the SABER certification delays affecting shipments in August and September, what proportion of the deferred deliveries is expected to be recovered in Q4? And is there any risk of these delays extending into 2027?

Abdallah Massaad (Group CEO)

Look -- honestly, I can tell you that this problem is sorted out, yes. So, we had issue during this quarter in the supply, but fortunately, and the good news that already started and we are supplying with no restriction. Yes, during -- it is a normal action that some projects might have -- was not able to wait, but that is not significant. We will try our best to recover it during this quarter as per our plan.

Mohamad Haidar (Moderator)

A third question. With the Yanbu manufacturing facility targeted for completion in the second quarter of '27, how should we think about the production ramp-up, initial utilization levels and the time line for achieving meaningful profitability?

Abdallah Massaad (Group CEO)

Look, Mohamad, honestly, when we looked at Saudi, before the profitability, it is the market share and it's a strategic move for us in order to have -- on a strategic way to have a base in Saudi, any issues like SABER, borders, increase of transportation, at least we have a base there. And on the other hand, it is -- again, look, what happened with us, if we have issues in exporting from the UAE, we have another place where we can export. So, I can put it from this perspective. And regarding the ramping up, we are running ceramics since 1991. So -- and we have a very experienced team. And I don't think from the day we get the factory within a month's time, we will be in a full stabilization mode, hopefully.

Mohamad Haidar (Moderator)

That's very clear. Thank you. Alex, over to you for the audio questions.

Alex (Operator)

Thank you. We do have a Zoom question from a [indiscernible] (00:36:10). Please unmute yourself locally, introduce yourself, and proceed with your question.

Unknown Speaker 1 (Analyst)

Thank you, Alex. Thank you management for the call today. Congratulations on the excellent set of numbers. My question is more generalized. I'm just trying to understand from your point of view, how do you see the market in the coming next three to four years? Most of the developers have delayed their launches. We have seen Emaar and Aldar. They have kind of slowed down their new launches. And the new launches would convert into actual properties over the next three to four years.

So, probably the demand for the sanitary, which comes at the end of the cycle would probably be lesser than expected, pre-conflict expectations. So I'm just trying to get an idea, have you had done some sensitivity analysis on that front, if the project launches are delayed at a certain time period, how would it affect you in the next two to three years? If you can just give us a general understanding of the current dynamics and the impact on your future sales and margins, of course?

Abdallah Massaad (Group CEO)

Thank you for your question. And look, if we go historically, since 1991, since we are in the operation, we always say that RAK Ceramics is naturally hedged. And always even in our earnings calls or even in our conference investments, so they -- sometimes they were comparing us to local players and they say, "Look at X and Y in the specific country, they have a better margin than you or sometimes they don't have this fluctuation in currencies or impact from a multiple jurisdiction."

And as you know, that RAK Ceramics, we have multiple production base today. We have in the UAE, as we have also in India, in Bangladesh, and now in next year 2027, we'll have also a manufacturing plant in Saudi. So, yes, we are -- I know and I believe that the UAE is a very resilient market. Now when you go to the hotels, you can see that it is occupied, flights are full and recovery is very fast.

Yes, I agree with you that during this period, maybe the last six months, maybe the launch of the new projects in the same pace are not there. But, I can assure you the projects which are in pipeline and started this for the next two years, we have enough on our plates. But also, while RAK Ceramics, we are not fully focused today because we are not able to export, we are selling in the UAE and GCC is the maximum, but we have a spread in 160 countries. So, we'll make sure that we will be agile and we will be in a full flexible mode in order to stabilize and maximize our opportunities everywhere.

Unknown Speaker 1 (Analyst)

Sure. And just one question regarding your UAE business since it's the major part of your revenue. I'm just wondering, at this point in time today, do you have a clear visibility for the

next two to three years? Of course, if you have contracted today, so you have complete confidence that you would be generating x amount of sales in the next two years or so. Is there any probability where you can clearly visibly see the earnings for the next two years or so?

Abdallah Massaad (Group CEO)

Look, earnings, let us keep -- we don't give our views and forecast. This is not for us. We are working for a short-term and long-term and make sure that -- be assured that we are doing all our best in order to maintain our growth and work for the best interest of our stakeholders. It is not the first time where today crisis happened in 2008, and I believe RAK Ceramics we came back at that time, in the UAE, especially the real estate was badly impacted. But as RAK Ceramics, you can see that we were able to recover and we increased our market share, and we were able to grow even in many times where we have any market correction or any impact, we were able to come out stronger.

And even during COVID, it was the same. Today, we are in the crisis, whatever we say or in a place where the visibility is not very clear, and no one can tell you what is in the next three years will happen. We are -- we can say one thing that we have our contingency plan, plan A, plan B, plan C. We are every day looking at the situation and moving and in our back mind is the best interest of our stakeholders.

Unknown Speaker 1 (Analyst)

Okay. Got it. Thank you very much.

Abdallah Massaad (Group CEO)

Welcome. Thank you.

Alex (Operator)

Thank you. As a reminder, if you'd like to ask a question, you may raise your hand or you may type your question in the Q&A text box. If you have joined us by the telephone lines, you may press star 1 on your telephone keypad.

Mohamad Haidar (Moderator)

Alex, we have a question in the chat box. I'll take it from Mukesh [indiscernible] (00:42:44). Congratulations on good set of results. Could you please share the third quarter sales volume, average selling prices and capacity utilization for tiles, sanitaryware, tableware and faucets and how each has moved year-on-year?

Manoj Aheeray (Group Chief Strategy Officer)

For the first nine months of 2026, tiles utilization was almost near to the 70% compared to 66% for full year 2025. Sanitaryware was 53.3% compared to 64%. Figure covers the practical operating capacity and compare nine months with full year. And as far as tableware is concerned it's same around 66% capacity utilization. Faucet is clocking to around 63%.

Mohamad Haidar (Moderator)

Thank you very much.

Alex (Operator)

There are currently no further questions.

Mohamad Haidar (Moderator)

Abdallah, back to you for any final remarks.

Abdallah Massaad (Group CEO)

Thank you very much for the support, and I hope you wish us good luck in the fourth quarter and going forward.

Mohamad Haidar (Moderator)

Thank you, Abdallah and Manoj and for everyone who participated, and we look forward to have you with us next quarter.

Manoj Aheeray (Group Chief Strategy Officer)

Thank you.

Abdallah Massaad (Group CEO)

Thank you very much.

Alex (Operator)

Thank you all for joining. You may now disconnect.