

RAK

CERAMICS



Q3 2023 Earnings Release

RAK Ceramics Announces Q3 2023 Financial Results

- **Group Revenue in Q3 2023** experienced a decline of -7.7% year-on-year to AED 837 million, the revenue for the 9-month period remained relatively stable, showing a marginal decrease of just -1% year-on-year to AED 2.59 billion.
- **Gross Profit Margin improved by +270bps** year-on-year surge to 37.6% driven by favourable product mix shift
- **EBITDA increased by +16.0%** year-on-year, reaching AED 169.0 million, with a notable margin expansion of +410bps reaching 20.2%.
- **Net Profit increased substantial by a 13.3%** year-on-year increase compared with last year's net profit before one-offs, reaching AED 83.9 million, and the net profit margin expanded by a healthy +190bps, reaching 10.0% in Q3 2023.
- **Net debt decreased by AED 49.8 million** in Q3 2023, and the **Net Debt to EBITDA ratio improved** slightly from 2.44x

Ras Al Khaimah, United Arab Emirates, 3rd November 2023: RAK Ceramics PJSC (Ticker: RAKCEC: Abu Dhabi), one of the largest ceramics lifestyle solutions providers in the world, announced today its financial results for the quarter ended 30 September 2023. As a result of unfavourable market cycle, currency depreciation and rising interest cost, RAK Ceramics reported revenue of AED 837.0 million, a decrease of 7.7% year-on-year. Net profit for the period increased by 13.3% to AED 83.9 million compared to last year's before one-offs.

9M & Q3 Financial Highlights

Q3 2023 group revenues declined 7.7% to AED 837.0 million while 9M revenue marginally decreased by 1.0% year on year to AED 2.59 billion primarily attributable to continued macro-economic challenges and the increased competition in Saudi Arabia.

Gross margin for Q3 2023 increased by +270bps year on year to 37.6% while 9M 2023 margin improved by 80bps year on year at 37.6% driven by shift in product mix and bolstered by the enhancement of brand equity.

EBITDA increased by 16.0% year on year to AED 169.0 million and EBITDA margin improved by +410bps year on year to 20.2%. On a 9M 2023 basis the EBITDA increased to AED 481.4 million compared to 439.7m in last year. Margin increased to 18.6% compared to 16.8% in last year.

In Q3 2023, reported net profit dropped to AED 83.9 million from AED 90.1 million in Q3 2022, with a profit margin of 10.0% compared to last year's 9.9%. For 9M period, reported net profit is AED 239.1 million compared to AED 262.1million in last year and profit Margin is 9.2% compared to last year's 10.0%.

Net debt decreased by AED 49.8 million in September 2023 at AED 1.5 billion compared to AED 1.45 billion in June 2023 mainly due to payment of AED 109.9 million interim dividend in UAE and minority in other units. Net debt to EBITDA decreased from 2.44x in Q2 2023 to 2.43x in Q3 2023.

Total Revenue
AED 837.0M
 -7.7% YoY

GP Margin
37.6%
 +270bps YoY

Reported Net Profit
AED 83.9m
 +13.3% YoY*

EBITDA
AED 169.0m
 +16.0% YoY

Income Statement Highlights

- **Tiles** revenue declined by -9.8% year on year at AED 475.4 million which was largely impacted from Saudi Arabia, Middle East, Bangladesh and African markets due to increased competition from the regional players and higher imports from India.
- **Sanitaryware** revenue is lower by -3.0% year on year at AED 123.1 million due to challenges in all markets except UAE.
- **Tableware** revenue increased by +2.5% year on year at AED 92.5 million driven by introduction of differentiated products.
- **Faucets** revenue decreased by -2.5% year on year at AED 114.8 million in Q3 2023 due to lower sales in European markets.

Particulars	Q3 22	Q2 23	Q3 23	YoY Growth	QoQ Growth	9M 2022	9M2023	YoY Growth
Revenue	906.4	872.0	837.0	-7.7%	-4.0%	2,616.5	2,591.4	-1.0%
Gross margin (%)	35.0%	37.3%	37.6%	2.7%	0.3%	36.8%	37.6%	0.8%
EBITDA	145.8	155.3	169.0	16.0%	8.8%	439.7	481.4	9.5%
Reported net profit/(loss)	90.1	75.1	83.9	-6.9%	11.7%	262.1	239.1	-8.8%
Net One-off gains/(loss)	-16.1	-	-	-	-	-18.1	-	-
Net Profit/(loss) before one off	74.0	75.1	83.9	13.3%	11.7%	244.0	239.1	-2.0%
Capital expenditure	84.3	48.8	89.0	5.6%	82.5%	143.8	182.5	26.9%
Net debt	1,414.7	1,449.2	1,499.0	6.0%	3.4%	1,414.7	1,499.0	6.0%
Net debt/EBITDA	2.48x	2.44x	2.43x	-5.1%	-2.0%	2.48x	2.43x	-5.1%

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

“In light of the ongoing market volatility and the challenging geopolitical environment, RAK Ceramics has weathered these headwinds with resilience. While our revenue experienced a 7.7% decline in Q3 2023, our strategic shift in product mix has been instrumental in sustaining our gross margin, a testament to our adaptability and forward-thinking approach

In the face of competition and pricing pressures in UAE, we achieved an impressive 23.4% year-on-year revenue growth in Q3 2023. This remarkable performance was driven by our strategic pivot towards project channel sales, highlighting our ability to identify and seize opportunities in dynamic markets.

The formidable competition posed by local players did affect our revenue in certain regions, but our commitment to offering differentiated products allowed us to safeguard our gross margins. In KSA, revenue dipped due to local competition, but higher gross margins were achieved through increased interest in unique products.

In Europe, especially in the UK, recession fears, currency devaluation, and higher interest costs contributed to a downturn, impacting Sanitaryware and KLUDI's performance. However, rationalization of freight cost compared to last year has allowed us to relatively improve the overall margins in Europe. In India, despite lower demand and currency devaluation, we achieved a 5% year-on-year revenue growth in Q3 2023. In Bangladesh, currency devaluation and local competition affected revenue, but anticipated future expansion is on the horizon, particularly in light of the foreseen political stability following the upcoming elections.

On a positive note, our Tableware business displayed robust growth, with increase in revenue by 2.5% year on year and gross profit margins by 110bps year on year.

As we move forward, we remain committed to implementing cost optimization measures and product mix improvements to sustain our profitability. Our ongoing efforts to make long term investment towards sustainable initiatives such as waste utilization and energy consumption, strengthen our brand presence, enhance customer value, and improve production efficiency will enable us to navigate these challenges effectively and continue our growth trajectory."

Strategic Highlights

Expansion projects

- The capacity expansion of tableware manufacturing by 10 million pieces in the UAE has been successfully finalized, and the trial testing phase for commercial production has begun. The subsequent production increases will be implemented gradually, in accordance with market demand.
- We are also evaluating upgrading the UAE and India production facilities, with the goal of bringing in production efficiencies driven by innovation and improve the current production capacity.
- In Bangladesh, upgradation work to enhance the existing tiles line is under implementation. Commercial production is set to commence in Q1 2024

Greenfield projects

- We have obtained all the required approvals and permissions for the Bangladesh Faucets plant, including the land mutation certificate. Our next steps involve completing the design of the factory layout and commencing construction in Q4 2023.
- We continue to work on having a production facility in KSA.

About RAK Ceramics

RAK Ceramics is one of the largest ceramics' brands in the world. Specialising in ceramic and gres porcelain wall and floor tiles, tableware, sanitaryware and faucets, the Company has the capacity to produce 118 million square metres of tiles, 5.0million pieces of sanitaryware, 26 million pieces of porcelain tableware and 2.6 million pieces of faucets per year at its 24 state-of-the-art plants across the United Arab Emirates, India, Bangladesh and Europe.

Founded in 1989 and headquartered in the United Arab Emirates, RAK Ceramics serves clients in more than 150 countries through its network of operational hubs in Europe, Middle East and North Africa, Asia, North and South America and Australia.

RAK Ceramics is a publicly listed company on the Abu Dhabi Securities Exchange in the United Arab Emirates and as a group has an annual turnover of approximately USD 1 billion.

Contact Us

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

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