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## RAK Ceramics Announces First Quarter 2016 Financial Results

- Net profit increased by 10.8% despite uncertain markets
- EBITDA margin improves to 18.8% led by major focus on 'core businesses'
- European sales up by 7.5% year on year
- Consolidated margin rose to 30.2%

**Ras Al Khaimah, 15 May 2016** – RAK Ceramics PJSC (Ticker: RAKCEC: Abu Dhabi), one of the world's largest hi-tech manufacturers of lifestyle ceramics solutions, today announced its results for the first quarter ended 31 March 2016.

RAK Ceramics delivered a 10.8% increase in net profit to AED 65.9 million (Q1 2015: AED 59.5 million) for the period despite heightened levels of uncertainty in global markets, and a relatively unchanged overall revenue of AED 735.7 million (Q1 2015: AED 744.1 million) for the quarter.

Growth was led by a 3.3% increase in the sale of tiles to AED 496 million and a 0.5% increase in sanitaryware sales to AED 111.5 million supported by restructuring efforts in 'core markets' and the continued improvement of 'non core businesses'. Overall core revenue increased by 2.9% to AED 644.7 million (Q1 2015: AED 626.4 million), while non-core revenue reduced to AED 91 million in Q1 2016 partly due to the sale of RAK Logistics (Q1 2015: AED 117.7 million).

Consolidated EBITDA rose by 6.7% to AED 138.3 million (Q1 2015: AED 129.6 million) and EBITDA margin increased to 18.8% (Q1 2015: 17.4%) as a result of higher gross margins and reduced general, selling and administrative expenses.

### Core Market Focus and Key Hires

Revenue in core markets remained strong with a 5.9% increase in sales to AED 161.7 million in the UAE driven by market demand for tiles. In Bangladesh, sales increased by 6.8% to AED 61 million on the back of investments to expand capacity in sanitaryware by 25% in 2015.

In India, restructuring efforts and depreciation of INR by 8.4% year on year placed downward pressure on Q1 2016 performance. Whilst revenues declined by 18.4% to AED 81.1 million, the foundations have been laid to revamp operations and drive future growth for the business following the full acquisition of its Indian subsidiary in late 2015 and the recent appointment of a new Chief Executive Officer.

Despite a slower growing economy across Europe, RAK Ceramics' sales to European countries rose by 7.5% year on year.

## **Margin Enhancements and Continuation of the Trend**

The first quarter of 2016 represented a continued momentum in gross margin improvement. Consolidated margin rose for the 4th consecutive period by 170 basis points to 30.2% (Q1 2015: 28.5%).

Gross margin from 'core businesses' increased to 30.2% (Q1 2015: 29.8%), driven by strong sales of tiles and supported by turnaround efforts in core businesses within key growth markets, a trend that originated in previous quarters.

## **A Transitional Quarter**

Abdallah Massaad, RAK Ceramics' Group Chief Executive Officer said: "RAK Ceramics has maintained its prudent approach of focusing on key growth markets during the first quarter of this year with capacity expansions, senior appointments and further consolidation of key assets in core markets. While global financial conditions have presented the business with a challenging economic environment, we are confident that we will see a solid performance in the next three quarters, thanks to our ongoing efforts to strengthen the business, reduce losses and increase margins."

"As we continue delivering on our Value Creation Plan, we intend to retain our position in key markets, keep an eye on opportunities for further expansions and retain the highest calibre of manufacturing talent available in the market," he added.

## **Key highlights for the period**

- Net profit increased by 10.8% at AED 65.9 million driven by continued focus on 'core businesses' and the ongoing profitability of remaining 'non-core businesses'
- Overall revenue decreased by 1.1% to AED 735.7 million. 'Core revenues' increased by 2.9% to AED 644.7 million led by the tiles segment and 'non-core revenues' decreased by 22.6% to AED 91 million
- Revenues by Segment: Tiles revenues increased by 3.3% to AED 496 million. Tableware revenues increased by 5.9% at AED 37.2 million. Sanitaryware revenues increased by 0.5% to AED 111.5 million
- Revenues by Country / Region: Revenues from the UAE rose by 5.9% to AED 161.7 million. KSA decreased by 9.4% and the rest of the GCC rose by 8.7% to AED 31 million. India fell by 18.4% to AED 81.1 million. Bangladesh increased by 6.8% to AED 61 million. Europe increased by 7.5% year on year.
- Completion of the acquisition of the remaining 50% stake in British and German subsidiaries drives further growth in Europe
- Consolidated gross margin was 30.2%, up 170 basis points YOY
- Core gross margin was 30.2% compared to 29.8% in Q1 2015. Non-core gross margin increased to 30.3% compared to 22.1% in Q1 2015
- EBITDA increased by 6.7% to AED 138.3 million; EBITDA margin at 18.8%