FAB SECURITIES أبوظبي الأول للأوراق المالية

Earnings Call Insight | 2Q26

UAE Equity Research	Sector: Industrial	Market: ADX

RAK Ceramics (RAKCEC)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.44	AED 3.45	+41%	BUY

2Q26 Net Profit higher than our estimate

- Revenue declined marginally by 0.5% YOY to AED 823 Mn, as weaker performance in the Tableware and Sanitaryware segments was largely offset by growth in Tiles, Faucets and Others.
- Tiles revenue increased 1.7% YOY to AED 483 Mn, driven by growth in the UAE, Saudi Arabia and Bangladesh markets.
- Sanitaryware revenue declined 6.9% YOY to AED 113 Mn due to weaker demand across key markets (India, Europe and other export markets).
- Tableware revenue declined 13.3% YOY to AED 74 Mn, impacted by ongoing regional conflicts and weaker hospitality demand amid lower tourism in the UAE and rest of GCC markets.
- Revenue from the Faucets rose 2.5% YOY to AED 125 Mn in 2Q26, driven by higher sales across all markets except Asia and Africa, which were impacted due to ongoing conflict
- Others Segment grew 18.0% YOY to AED 28 Mn in 2Q26.
- Direct costs declined 1.2% YOY to AED 485 Mn, resulting in gross profit increasing 0.5% YOY to AED 338 Mn in 2Q26.
- Gross margin increased 41 bps YOY to 41.0% in 2Q26, as the positive impact of higher UAE sales more than offset the headwinds from elevated raw material and energy costs.
- Operating profit increased 2.3% YOY to AED 106 Mn, while the operating margin improved to 12.9% in 2Q26 from 12.5% in 2Q25.
- EBITDA declined 2.1% YOY to AED 158 Mn in 2Q26 with a margin of 19.1%.
- Finance costs declined 5.6% YOY to AED 25 Mn, and tax expenses decreased 14.2% YOY to AED 17 Mn.
- Profit attributable to shareholders increased marginally by 1.1% YOY to AED 66 Mn in 2Q26, supported by lower cost of sales, selling and overhead expenses, finance costs, and tax expenses, along with higher operating income. These gains were partly offset by lower revenue, reduced finance income, investment property income, and higher G&A expenses and impairment charges on financial assets.
- The Board approved to distribute interim cash dividends of 10 fils per share for 1H26.

Earnings Call Summary

- Management highlighted that RAK Ceramics delivered a resilient performance in 2Q26 despite ongoing regional conflicts, export restrictions and supply chain disruptions, with strong demand across the UAE, Saudi Arabia and Bangladesh largely offsetting weakness in export markets.
- The Company continued to execute its crisis management strategy throughout the quarter, leveraging alternative shipping routes through Jeddah port, Oman and Khor Fakkan port, locally sourced raw materials, inventory buffers and disciplined cost control to ensure uninterrupted customer supply.
- Management noted that the UAE remained the strongest performing market, benefiting from healthy project execution, stronger retail demand and import disruptions, which enabled the Company to increase market share while maintaining reliable product availability.
- Saudi Arabia also delivered healthy growth driven by project and wholesale channels, while Bangladesh benefited from improving political stability, whereas Europe and India remained under pressure due to higher freight costs, supply chain disruptions and currency headwinds.
- Within the product portfolio, Tiles continued to be the key growth driver, supported by higher demand from the UAE, Saudi Arabia and Bangladesh, while the Tableware business remained impacted by weaker hospitality demand and lower tourism across the UAE and Rest of GCC.

- Management highlighted that improved product mix, higher contribution from project sales and operational efficiencies supported gross margin expansion, despite manufacturing under utilisation, higher freight costs and continued geopolitical challenges.
- RAKCEC management stated that market share gains were driven by both import disruptions and the Company's proactive commercial strategy, adding that reliable deliveries and customer support helped strengthen long-term customer relationships.
- On the Yanbu manufacturing facility, the Company confirmed that construction remains on track for completion in 2Q27, with no material increase in project costs observed despite ongoing supply chain challenges.
- On pricing, Rak Ceramics clarified that it deliberately chose not to increase prices during the disruption, instead absorbing part of the higher logistics cost to support customers and gain market share, with improved margins primarily driven by a higher mix of direct project sales.
- Management indicated that overall factory utilisation stood at around 60% of installed capacity, increasing to nearly 80% after adjusting for the production of large-format premium products, reflecting the ongoing shift towards higher-value products.
- Addressing competition in Saudi Arabia, management remained confident in sustaining its premium positioning, supported by its global brand, international design hubs, luxury collaborations such as Roberto Cavalli, and the KLUDI premium sanitaryware and faucets brand.
- Looking ahead, Rak Ceramics expects to continue gaining market share across the UAE, Saudi Arabia and the wider GCC, supported by its regional manufacturing footprint, premium product portfolio and operational flexibility, while closely monitoring geopolitical developments and freight costs.

RAK Ceramics - P&L

AED Mn	**2Q25**	**1Q26**	**2Q26**	**2Q26F**	**Var**	**YOY Ch**	**QOQ Ch**
Revenue	827	761	823	756	8.9%	-0.5%	8.2%
Cost of Sales	-491	-461	-485	-465	4.3%	-1.2%	5.2%
Gross profit	**336**	**299**	**338**	**291**	16.1%	**0.5%**	**12.8%**
Administrative and general expenses	-58	-61	-66	-60	9.2%	13.4%	7.6%
Selling & overhead exp.	-183	-169	-175	-163	7.9%	-4.1%	3.7%
Impairment loss on financial assets	-5	-4	-7	-8	-11.4%	31.9%	68.0%
Other operating income	14	4	17	9	90.8%	20.3%	NM
Operating profit	**104**	**68**	**106**	**69**	53.0%	**2.3%**	**56.3%**
EBITDA	**161**	**127**	**158**	**113**	39.2%	**-2.1%**	**23.7%**
Share of profit/(loss) in equity accounted investees	0	0	0	0	NM	-52.5%	-77.3%
Income from investment properties	11	1	10	12	-13.0%	-7.1%	-5.9%
Finance Income	2	1	1	0	97.4%	NM	33.1%
Operating and maintenance expenses of investment properties	-2	-1	-3	0	NM	NM	NM
Depreciation on investment properties	-3	-3	-3	-15	-81.5%	-9.7%	0.6%
Gain on sale of investment properties	1	1	0	0	NM	NM	NM
Profit before financing and income tax	**114**	**77**	**111**	**66**	68.3%	**-2.1%**	**44.4%**
Finance Cost	-27	-24	-25	-27	-7.5%	-5.6%	5.9%
Profit before income tax	**87**	**53**	**86**	**39**	NM	**-1.1%**	**61.8%**
Tax expense	-20	-15	-17	-13	34.4%	-14.2%	18.1%
Profit before minorities	**66**	**38**	**68**	**26**	NM	**2.9%**	**78.8%**
Minorities	1	2	2	1	54.8%	NM	-13.7%
Profit attributable	**66**	**36**	**66**	**24**	**NM**	**1.1%**	**84.7%**

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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