First Look Note | 3Q26

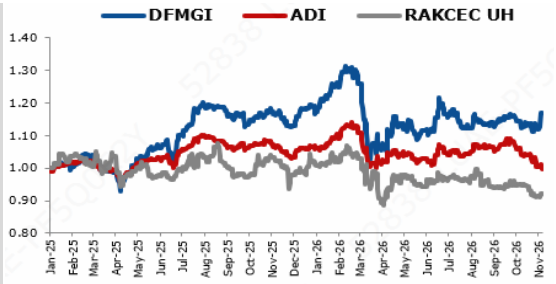
UAE Equity Research | Sector: Industrial | Market: ADX

RAK Ceramics PJSC

Strong UAE and Middle East Demand Offsets Weakness in Other Markets

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.37	AED 3.45	+46%	BUY

- Incurred CAPEX of AED 62.4 Mn in 3Q26, increasing 8.9% QOQ from AED 57.3 Mn in 2Q26.
- The Company continues to focus on operational efficiency and product premiumisation through manufacturing upgrades and expansion into higher-value categories.
- Saudi Greenfield tiles facility at Yanbu remains on track for completion in 2Q27, supporting local market penetration and reducing reliance on UAE exports.
- The Company paid an interim dividend of 10 fils per share for 1H26, amounting to a total payout of AED 99 Mn.



Stock Information	
Market Cap (AED, mn)	2,394.83
Paid Up Capital (mn)	993.70
52 Week High	2.66
52 Week Low	2.19
3M Avg. daily value (AED)	718,615

3Q26 Result Review (AED, Mn)	
Total Assets	5,308
Total Liabilities	2,986
Total Equity	2,322
EBITDA	176
Net Profit	77

Financial Ratios	
Dividend Yield (12m)	8.30
Dividend Pay-out (%)	81.55
Price-Earnings Ratio(x)	9.77
Price-to-Book Ratio (x)	1.07
Book Value (AED)	2.26
Return on Equity (%)	11.06

Stock Performance	
5 Days	3.88%
1 Months	2.55%
3 Months	2.12%
6 Months	1.69%
1 Year	-3.60%
Month to Date (MTD%)	5.70%
Quarter to Date (QTD%)	2.12%
Year to Date (YTD%)	-3.98%

3Q26 Net Profit higher than our estimate

RAK Ceramics PJSC (RAKCEC/"The Company")'s net profit attributable to equity shareholders increased 15.6% YOY to AED 77 Mn in 3Q26, higher than our estimate of AED 53 Mn. The growth in net profit was primarily supported by an increase in revenue and other operating income, coupled with lower impairment loss on financial assets, and lower finance costs, partially offset by higher cost of sales, selling & distribution expenses, G&A expenses, net foreign exchange losses, higher tax expenses and decline in share of results from equity-accounted investees.

P&L Highlights

RAKCEC's revenue increased 4.4% YOY to AED 862 Mn in 3Q26, primarily supported by strong performance in the Tiles and faucets segment, partially offset by weaker revenue from the Sanitaryware and Tableware business segments. Tiles segment revenue increased 8.4% YOY to AED 520 Mn in 3Q26, supported by strong demand across the UAE, Middle East and India markets. Sanitaryware segment revenue declined 7.3% YOY to AED 115 Mn in 3Q26, owing to weaker performance across certain markets, partially offset by strong demand in the GCC region. Tableware segment revenue declined 11.0% YOY to AED 76 Mn in 3Q26, due to weaker hospitality sector demand, partially offset by growth in the aviation sector and Americas markets. Revenue from the Faucets and other segment increased 10.8% YOY to AED 151 Mn in 3Q26 supported by growth in other revenue partially offset by decline in faucets segment primarily due to weaker demand in Europe and export markets, coupled with component supply delays from China. The Company's direct cost increased 4.7% YOY to AED 514 Mn in 3Q26 as raw material and packaging inflation increased production costs. However, gross profit increased 4.1% YOY to AED 348 Mn in 3Q26. Gross profit margin declined 14 bps YOY to 40.3%

in 3Q26 amid elevated material and energy costs. The Company's operating profit increased 9.5% YOY to AED 116 Mn in 3Q26, with the operating profit margin improving increasing 62 bps YOY to 13.4% in 3Q26. EBITDA increased 4.6% YOY to AED 176 Mn in 3Q26 supported by higher UAE revenue and cost control measures with margins increasing marginally 4 bps YOY to 20.4% in 3Q26. Profit before financing and income tax increased 9.6% YOY to AED 124 Mn in 3Q26. Finance costs decreased 3.1% YOY to AED 26 Mn in 3Q26, while tax expenses increased 6.2% YOY to AED 20 Mn in 3Q26. Profit attributable to minority shareholders increased 1.5% YOY to AED 1 Mn in 3Q26.

Balance Sheet Highlights

RAKCEC's net debt increased 4.8% QOQ to AED 1.59 Bn in 3Q26 from AED 1.52 Bn in 2Q26, primarily driven by interim dividend payments of AED 99.4 Mn and UAE tax payments of AED 42 Mn in 3Q26. The Company incurred CAPEX of AED 62.4 Mn in 3Q26, increasing 8.9% QOQ from AED 57.3 Mn in 2Q26, reflecting continued investment in manufacturing facilities and capacity expansion. During 9M26, CAPEX stood at AED 162.5 Mn, including AED 58.5 Mn allocated to Saudi Arabia and AED 47 Mn towards UAE plant upgrades. The net debt to EBITDA ratio increased from 2.48x in 2Q26 to 2.56x in 3Q26.

Target Price and Rating

We maintain our BUY rating on RAK Ceramics PJSC with a target price of AED 3.45. The Company delivered a resilient performance in 3Q26, with strong growth across the UAE, wider Middle East and India offsetting continued weakness in Europe and operational challenges in other markets. UAE revenue increased 32.5% YOY to AED 313.8 Mn, supported by robust construction activity, higher project sales and demand for large slabs. Management indicated that the Company's UAE market share had increased to above 50%, from over 30% previously, with a portion of these gains expected to be retained through established customer relationships, product quality and reliable supply although lower-priced customers could return to imports once supply normalizes. Revenue from the wider Middle East (excluding the UAE and Saudi Arabia) grew 38.0% YOY to AED 41.6 Mn, while India revenue increased 12.0% YOY to AED 92.8 Mn, supported by dealer network expansion and investments in retail distribution. In contrast, Saudi Arabia revenue declined 17.2% YOY to AED 43.0 Mn due to SABER certification delays during August and September, although restrictions have since been resolved and delayed project deliveries are expected to be recovered in 4Q26. Bangladesh revenue fell 11.7% YOY to AED 55.0 Mn amid gas supply disruptions, while Europe declined 19.9% YOY to AED 68.2 Mn on weaker demand, intense competition and higher logistics costs. The Company is addressing these challenges through distribution and cost optimisation initiatives in Europe, alongside alternative energy sourcing and operational measures in Bangladesh. Profitability remained resilient despite elevated input and logistics costs, supported by selective cost pass-through, higher-margin domestic sales and manufacturing efficiencies. Investments in advanced technologies, including high-pressure casting in sanitaryware, and increased local sourcing have helped mitigate cost pressures. The Company continues to focus on operational efficiency and product premiumisation through manufacturing upgrades and expansion into higher-value categories. The UAE sanitaryware facility upgrade is expected to improve product quality and cost efficiency, while the Saudi Greenfield tiles facility at Yanbu remains on track for completion in 2Q27, supporting local market penetration and reducing reliance on UAE exports. In India, investments in company-owned stores, showroom upgrades and dealer distribution are expected to support growth. The KLUDI transformation programme, alongside premium collections and partnerships such as Roberto Cavalli and Elisa, is aimed at improving operational performance and strengthening the product mix. The Company paid an interim dividend of 10 fils per share for 1H26, amounting to a total payout of AED 99 Mn. Looking ahead, the Company remains constructive on demand across the UAE and wider GCC, with the existing project pipeline providing visibility for c. two years despite some moderation in new project launches. The Company's expanding manufacturing footprint, including the planned addition of Saudi capacity in 2027, should enhance geographic diversification and supply-chain flexibility. While weaker European demand, elevated freight and input costs, and operational challenges in Bangladesh remain near-term headwinds, ongoing cost optimisation, manufacturing upgrades and turnaround initiatives are expected to support earnings resilience and medium-term profitability. Thus, we maintain our BUY rating on the stock.

RAK Ceramics - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE (x)	10.13	8.97	8.78	11.11	10.69	9.78
PB (x)	1.04	1.07	1.04	1.04	1.04	1.02
EV/EBITDA	7.03	6.51	5.99	6.44	6.26	6.34
BVPS	2.246	2.178	2.248	2.250	2.259	2.298
EPS	0.231	0.261	0.267	0.211	0.219	0.239
DPS	0.200	0.200	0.200	0.200	0.200	0.200
Dividend yield	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%

FABS Estimates & Co Data

RAK Ceramics – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	825	823	862	782	10.2%	4.4%	4.7%	3,285	3,329	1.4%
Cost of Sales	-491	-485	-514	-459	11.9%	4.7%	5.9%	-1,972	-1,991	1.0%
Gross profit	**334**	**338**	**348**	**323**	**7.7%**	**4.1%**	**2.9%**	**1,313**	**1,338**	**1.9%**
G&A expenses	-61	-66	-62	-70	-11.3%	3.0%	-5.5%	-262	-266	1.8%
Selling & overhead exp.	-177	-175	-181	-168	7.5%	2.1%	3.0%	-714	-709	-0.7%
Impairt. loss on fin. assets	-5	-7	0	-5	NA	NA	NM	-25	-15	-40.4%
Loss on net monetary position	-1	0	-3	0	NA	NM	NM	0	-4	NM
Net foreign exchange gain	-2	1	0	0	NA	NM	NM	0	1	NM
Net foreign exchange loss	0	0	-6	0	NA	NM	NM	0	-10	NM
Net chg. in FV of derivatives	5	-2	5	0	NA	NM	NM	0	7	NM
Other operating income	12	17	15	12	30.2%	23.5%	-11.7%	57	60	4.7%
Depr. and amortisation	58	54	53	51	5.6%	-8.2%	-0.7%	181	217	20.3%
Operating profit	**106**	**106**	**116**	**91**	**26.7%**	**9.5%**	**9.0%**	**369**	**402**	**8.8%**
EBITDA	**168**	**158**	**176**	**142**	**23.9%**	**4.6%**	**11.6%**	**624**	**619**	**-0.7%**
Share of profit/(loss) in equity accounted investees	0	0	-1	0	NA	NA	NA	1	0	NM
Inc. from invt. properties	11	10	10	12	-14.6%	-2.3%	0.8%	45	45	1.4%
Other Income on investment properties	0	0	3	0	NA	NA	NA	0	3	NA
Finance Income	1	1	1	1	-47.6%	NA	-25.6%	3	3	-6.1%
Op. and maintenance exps. of invest. Properties	-2	-3	-2	0	NA	NA	-46.3%	0	-7	NM
Depr. on investment properties	-3	-3	-3	-5	-40.9%	-13.6%	1.0%	-12	-12	-5.4%
Gain on sale of invt. properties	1	0	0	0	NA	NA	NM	6	1	NM
Profit before financing and income tax	**113**	**111**	**124**	**100**	**24.6%**	**9.6%**	**11.5%**	**412**	**435**	**5.7%**
Finance Cost	-26	-25	-26	-26	-0.3%	-3.1%	1.2%	-106	-105	-1.1%
Profit before income tax	**87**	**86**	**98**	**74**	33.2%	13.4%	14.6%	**306**	**330**	**8.0%**
Tax expense	-19	-17	-20	-19	5.9%	6.2%	16.5%	-83	-83	-0.9%
Profit before NCI	**68**	**68**	**78**	**55**	42.8%	15.5%	14.1%	**222**	**248**	**11.4%**
NCI	1	2	1	2	NA	1.5%	NA	5	10	106.0%
Net Profit attributable to shareholders	**67**	**66**	**77**	**53**	**46.8%**	**15.6%**	**16.6%**	**217**	**238**	**9.3%**

FABS estimate & Co Data

RAK Ceramics - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross margin	40.5%	41.0%	40.3%	-14	-70	40.0%	40.2%	23
Operating margin	12.8%	12.9%	13.4%	62	53	11.2%	12.1%	82
EBITDA margin	20.4%	19.1%	20.4%	4	125	19.0%	18.6%	-39
Net profit margin	8.1%	8.1%	9.0%	87	92	6.6%	7.1%	52

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF) and Relative Valuation (RV) to value RAK Ceramics. We have assigned 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	4.17	70.0%	2.92
Relative Valuation (RV)	1.78	30.0%	0.54
Weighted Average Valuation (AED)			**3.45**
Current market price (AED)			2.37
Upside/Downside (%)			+46%

1) DCF Method:

RAK Ceramics is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 7.1%. It's arrived after using a cost of equity of 9.3% and after-tax cost of debt of 4.1% with a debt-to-equity ratio of 42.8%. Cost of equity is calculated by using a 10-year government bond yield of 5.5%, a beta of 0.95 and an equity risk premium of 4.1%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over the 10-year US risk-free rate. The cost of debt of 4.4% is calculated after adjusting for a tax rate of 25.0%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	1,044
Terminal value (AED, Mn)	3,741
Firm Value (AED, Mn)	**4,788**
Net debt (as of Sep 2026) (AED, Mn)	-1,702
Fair Value of Invt. Property (as of Sep 2026) (AED, Mn)	1,135
NCI (as of Sep 2026) (AED, Mn)	-74
FV to Common shareholders (AED, Mn)	**4,144**
No. of share (Mn)	994
Current Market Price (AED)	2.37
Fair Value per share (AED)	**4.17**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
NOPAT	301	302	318	334	347	355
D&A	217	208	214	219	224	234
Change in working capital	-32	-106	-96	-82	-67	-107
(-) Capex	-253	-211	-211	-212	-214	-216
Free Cash Flow to Firm (FCFF)	**234**	**192**	**225**	**259**	**291**	**265**
Discounting Factor	*0.99*	*0.92*	*0.86*	*0.81*	*0.75*	*0.70*
Discounted FCFF	**58[1]**	**178**	**194**	**209**	**219**	**187**

Source: FAB Securities, [1]Adjusted for partial year

2) Relative Valuation:

We have used local and global peers to value RAK Ceramics, which is valued using the 2027 EV/EBITDA multiple. It is valued at an EV/EBITDA of 4.0x compared to a peer median valuation of 7.2x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Somany Ceramics Limited	234	7.3	6.9	14.9	13.9
Kajaria Ceramic Tiles	2,007	17.0	18.1	26.3	25.4
Dynasty Ceramic	358	7.5	7.4	11.7	11.2
Cera Sanitaryware Limited	656	24.8	16.9	24.1	20.2
Bawan Company	405	14.9	5.1	6.7	5.6
Average		**10.8x**	**9.8x**	**16.8x**	**15.3x**
Median		**7.5x**	**7.2x**	**14.9x**	**13.9x**
Max		**16.9x**	**14.0x**	**24.1x**	**20.2x**
Min		**7.3x**	**6.9x**	**11.7x**	**11.2x**

Source: FAB Securities

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	Ahmad.Banihani@Bankfab.com
Shahrukh Nawaz	+971-2 -6161612	Shahrukh.Nawaz@Bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1	Online Trading Link
	+971-2-6161777	
Institutional Desk	+971-4-4245765	

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.