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ILLICIT CIGARETTE TRADE

BAT warns of investment review

KUALA LUMPUR: British American Tobacco (Malaysia) Bhd (BAT) has warned that it will review its investment in Malaysia if the local tobacco market continues to be pressured without meaningful interventions.

BAT Malaysia posted a lower net profit of RM77.2 million in the second quarter ended June 30, compared with RM113.7 million due to soft tobacco market.

Managing director Erik Stoel said the results were a reflection of the escalated efforts management had undertaken to defend its position vigorously, preserve long-term shareholder value and fight against a dynamic marketplace under siege from continued high levels of contraband cigarettes.

"If the industry continues to be pressured without any meaningful interventions, we will have to review the level of our investment in Malaysia," said Stoel in a statement yesterday.

BAT Malaysia said, quoting Illicit Cigarettes Study, the illegal

cigarette trade remained high at 60 per cent. This has put pressure on legal industry volume.

It said total legal industry volume had declined by eight per cent, compared with the same period of the previous year, largely due to the Sales and Services Tax-led pricing and high illegal cigarette incidences.

The growth of quasi legal cigarettes with fake tax stamps and other illegal products in the market were putting additional pressure on the legal industry, it added.

Despite external pressures, BAT Malaysia outperformed the legal industry, marking growth of 3.6 per cent in the second quarter versus the preceding quarter. This translated to revenue growth of 3.2 per cent.

However, consequent to the overall decline in legal volumes,

operating expenses increased by 19.5 per cent.

The company said it commanded a market share of 54.8 per cent in the second quarter, indicating a stabilisation mainly driven by the strong performance of Rothmans in the value-for-money segment.

"Rothmans continues its growth trend, registering an increase of 0.6ppt versus the previous quarter," it said.

This indicates a trend of downtrading from premium and aspirational premium to value for money segment, it added.

BAT Malaysia said performance of its premium brand Dun-

hill remained stable despite a slight impact to market share by 0.3ppt, compared with the first quarter, due to affordability stretch on consumers remaining a key challenge.



Erik Stoel