

TRANSFORMING

TODAY FOR TOMORROW
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**1st QUARTER 2017
PERFORMANCE**

20th April 2017

AGENDA

- **Industry Review**
- **Company Review**
- **Q1 2017 Financial Results**

Industry Review

Q1 Business Highlights

**Illicit share hike to 57.1%
(+19% vs SPLY)**

2 months of share stabilization

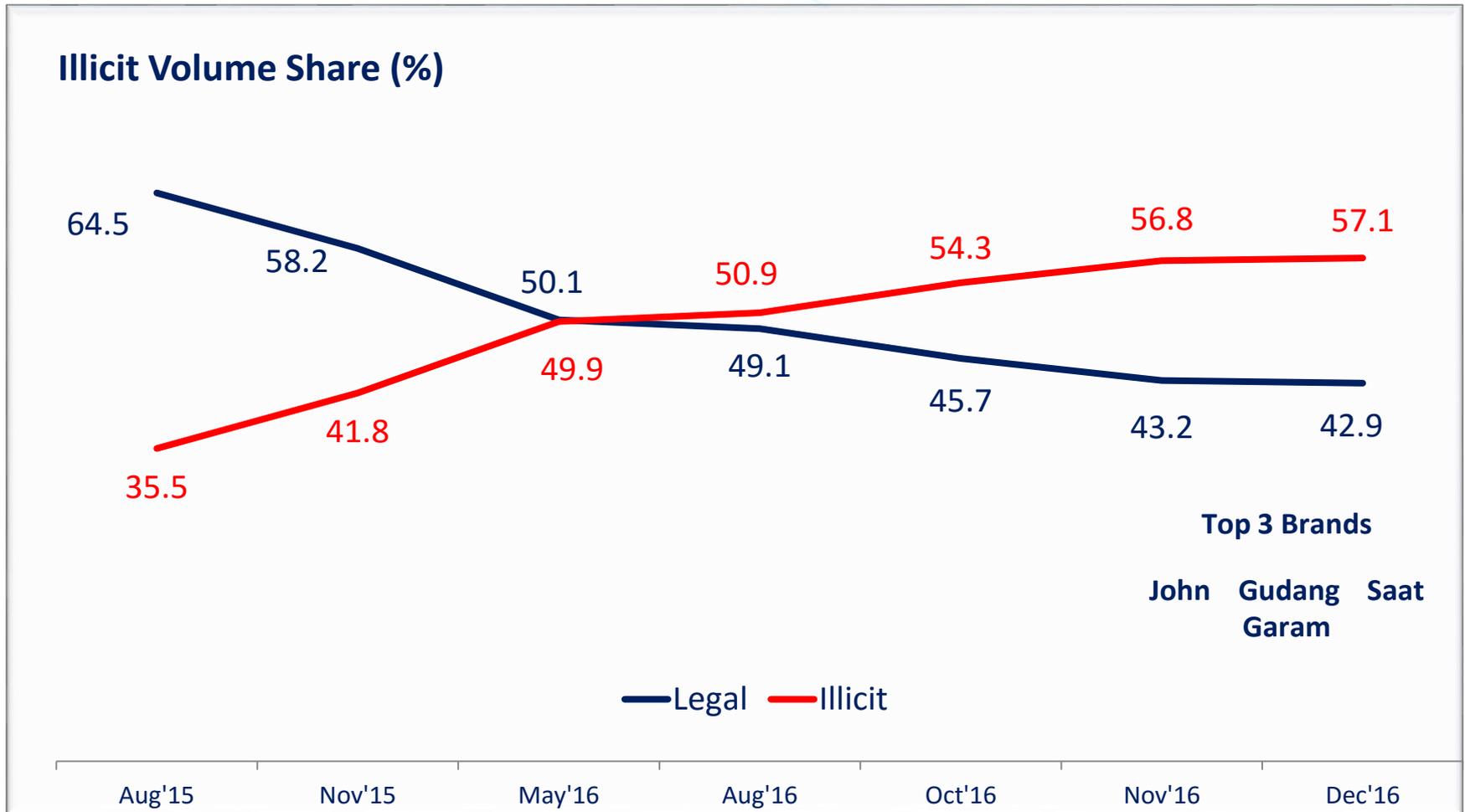
**Gained Leadership in
Aspirational Premium Segment
in Feb'17**

**BAT domestic volume declined
by 20% vs SPLY**

**Volume stabilizing in the last 3
months**

**Dunhill Classic in market to
grow market share**

Latest illicit incidence – as of Feb 2017 – drop of 0.4%



Strong will shown to address illicit trade

Deterrent penalties for those involved in illicit cigarette trade

Newly appointed RMC DG committed to the fight against illicit trade

Strengthening controls at border to curb smuggling



Under the new Act, those caught with one box of contraband cigarettes will face a fine or jail sentence.



..reducing contraband cigs in the domestic markets by 50% over next 3 years"

New Customs head takes aim at corruption

M'sia to step up border security to curb cross-border crime

Malaysia Border Security Agency DPM: "LEAs are required to proactively respond on matters of border security"

Sentiments against increasing tax and cigarette prices to RM21.50



Datuk Seri Johari
Abdul Ghani

Tan Sri Mohd Sherrif,- Star
10 April 2017

No cigarette tax hike, says Johari

BY **BEN SHANE LIM**

Despite a call by Deputy Health Minister Dr Hilmi Yahaya to raise cigarette prices to RM21.50 per pack from the current RM17 last month, the government has no immediate plans to hike duty on tobacco products.

Instead, the focus will be on cracking down on the illicit cigarette trade, which accounted for a staggering 57.1% market share as at last December.

“At the moment, the government has no intention of increasing the cigarette tax,”

I BELIEVE that taxes on cigarettes are high enough and do not need to be further increased in the next budget because they will make the illicit trade on tobacco products grow bigger and cause more loss of government revenue due to smuggling activities.

Sentiments against increasing tax and cigarette price to RM 21.50



N.Sembilan MB
Datuk Seri Mohd Hassan

Institute for Democracy & Economic Affairs (IDEAS)
Wan Saiful wan Jan

Federation of Consumer Association (FOMCA)
Datuk Paul Selva Raj

Lecturer USM Penang
Mohd. Ghouse Nasuruddin

NST Group Editor
Syed Nadzri

Price increase will worsen the crisis of illegal cigarette trade

Cigarette black market stands at record 57.1 per cent



The illegal market is a crisis that cannot be ignored,

Cigarette price hike will reduce government revenue collection

'Cigarette price hike ineffective'

MB: Education better than prevention because smuggled packs easily available



Cigarette price hike a boon to illegal trade, says NGO

CIGARETTES
PRICE HIKE IS NO DETERRENT

Illicit cigarettes: Beef up enforcement first, Fomca tells Putrajaya

Price hikes won't impact smoking rates, says trade body

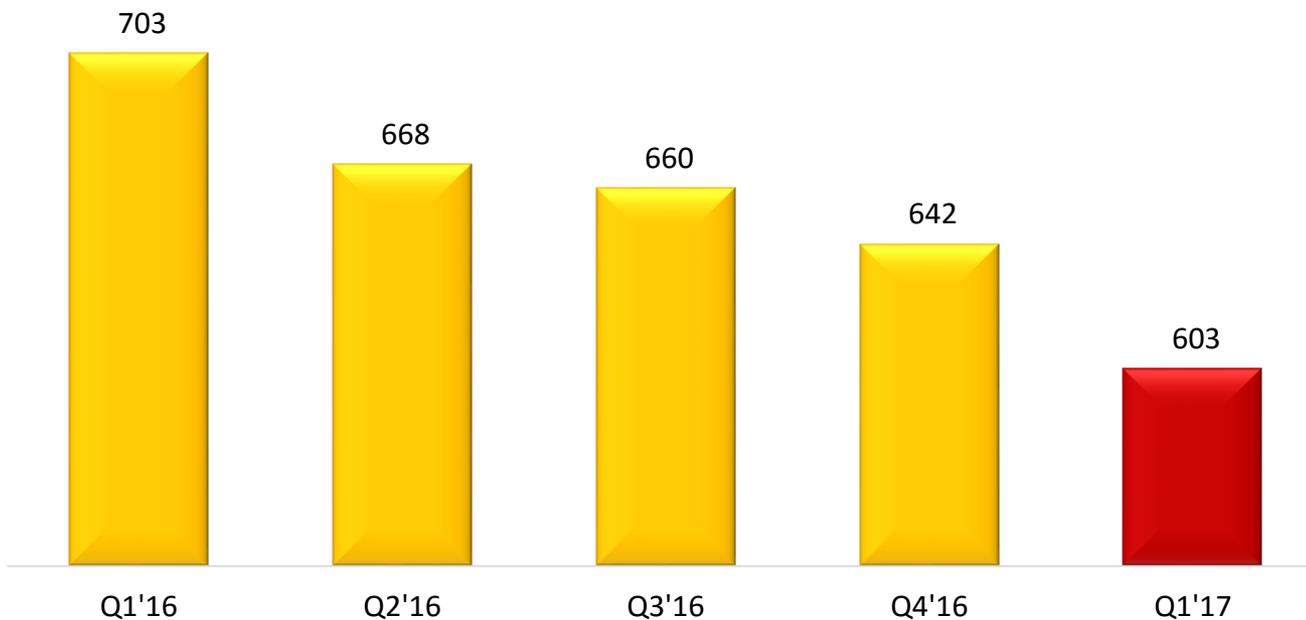
"MoH's National Health and Morbidity Survey 2015 reported that number of smokers increased to 5 million. During same period, cig price on average increased by 30%"

Company Review

Market review update

Total legal market registered a decline of -14.2% vs. SPLY.

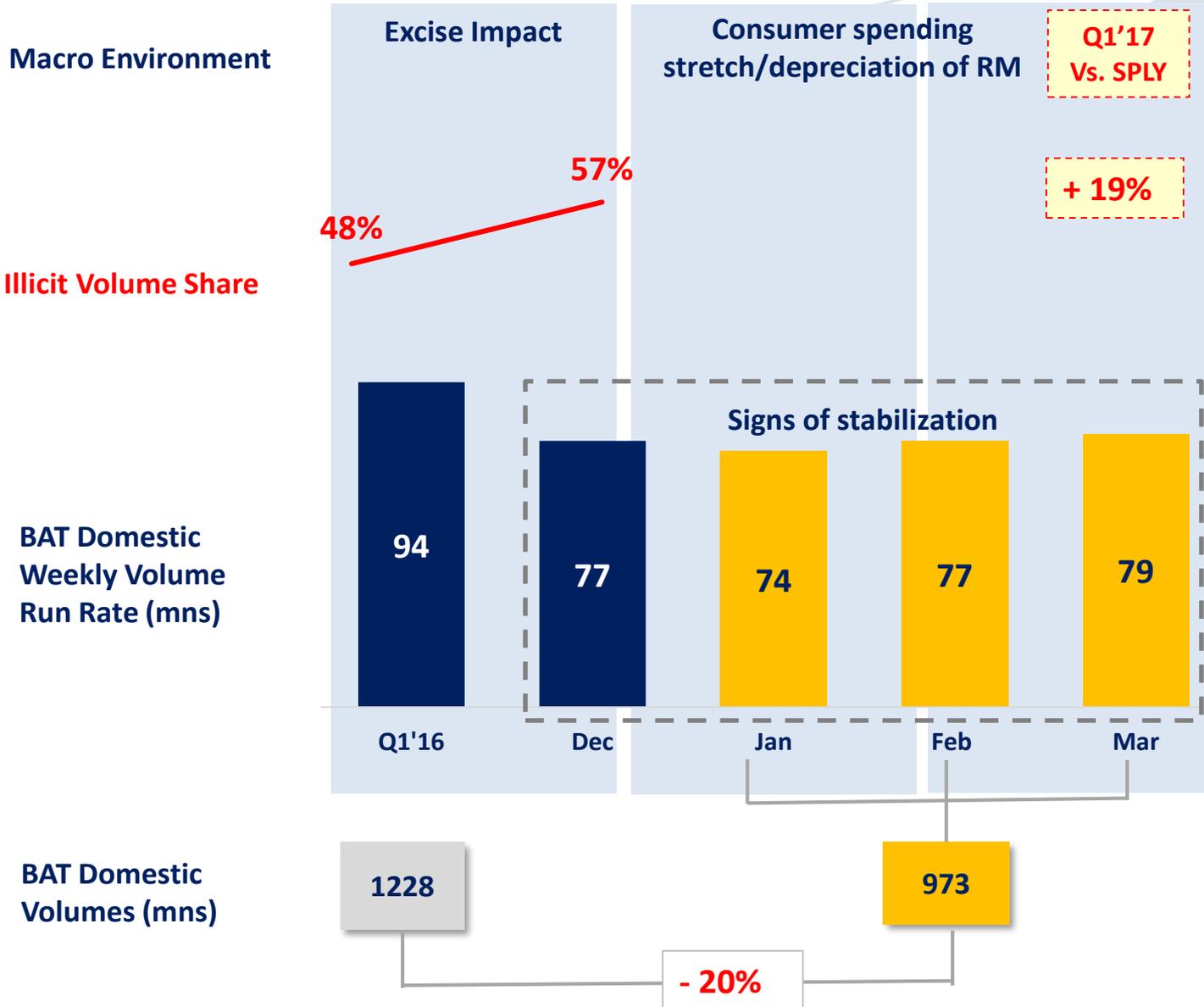
Big-3 IMS (mns)



2017 vs. 2016:

YTD Q1'17 Avg.	2016	2017	Change
Industry	703	603	-14.2%
BAT	408	324	-20.4%

BAT domestic volume is impacted by excise and macro environment



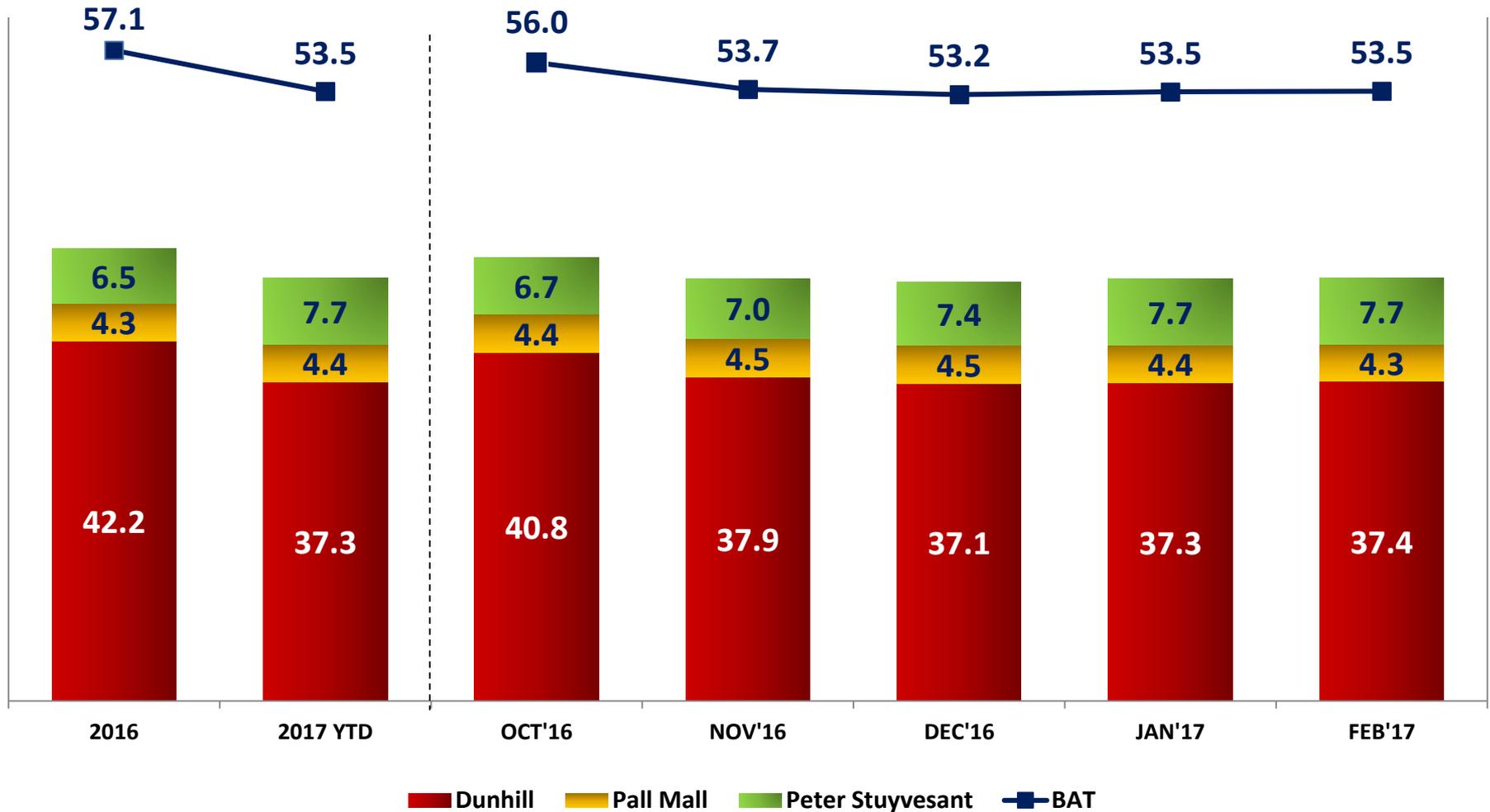
Key Highlight

- Illicit volume share grew by 19% over the last year
- BAT volume declined by 20% driven by illicit growth
- There are encouraging signs of stabilization on volume from Dec'16 to Mar'17

Dunhill share recovery for 3 months since Dec 16. Peter Stuyvesant and Pall Mall gained leadership in Aspirational Premium



Share of Market – Malaysia (%)



Source: YTD Feb'17 Nielsen Retail Audit (Base: Total Legal Market – White + Kretek)

21st Hari Hasil Recognition - “Best Tax Payer Award 2016”



“Best Tax Payer Award 2016” - Private Limited Company category by the Inland Revenue Board of Malaysia based on compliance in making timely submission of tax estimation, payment and accuracy of tax assessment computation

Q1 2017 Financial --- Performance

Key Highlights

Q1'17 vs. Q1'16

- Q1 vs. SPLY reflected a slowing decline across metrics due to volume trend in 2016
- Illicit trade grew by 19% (48% to 57%)
- Domestic volume run rates declined by 20% (94/week to 77/week)
- Operating expenses reduced by 18% by overhead savings from cost efficiency initiatives and timing of spend.
- As a consequence, profit from operations dropped by 33%.

Q1'17 vs. previous quarter

- Q1 vs. previous quarter and exit 2016 reflects a more stable and updated view on performance
- Volume and revenue declined by 11.6% and 8.3% respectively
- Volume remained stable since December 2016

Financial Metrics

Domestic & Duty Free Volume

1,077 mns

- 23.1% vs SPLY

Revenue

771 mil

- 24.5% vs SPLY

Operating Expenses

97mil

-18.1% s SPLY

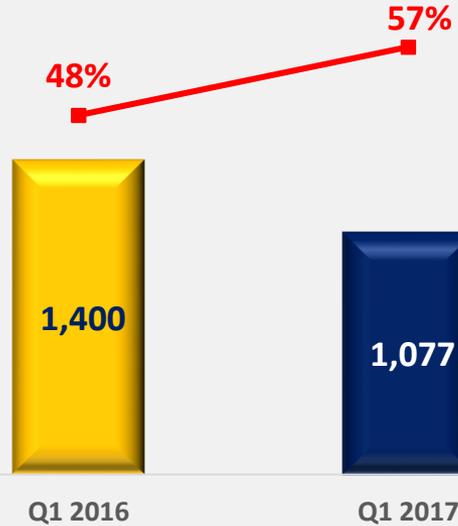
Profit from Operations

158 mil

- 32.8% vs SPLY

Q1 2017 Volume and Revenue Performance

Domestic & duty free volume



Illicit
Volume
Share

Change vs. SPLY

+ 19%

BAT
Volume

-23.1%

High trade speculation in
duty free channel during
Q1 2016

Revenue



Illicit
Volume
Share

+ 19%

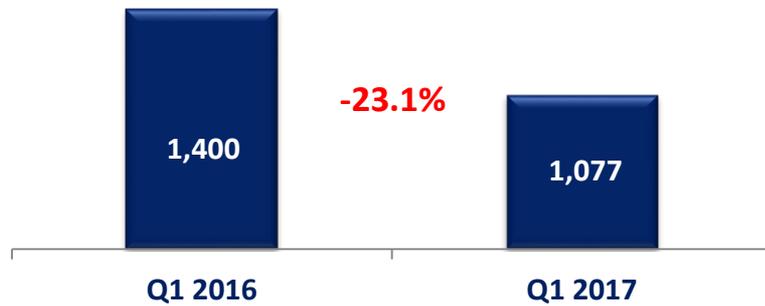
BAT
Revenue

-24.5%

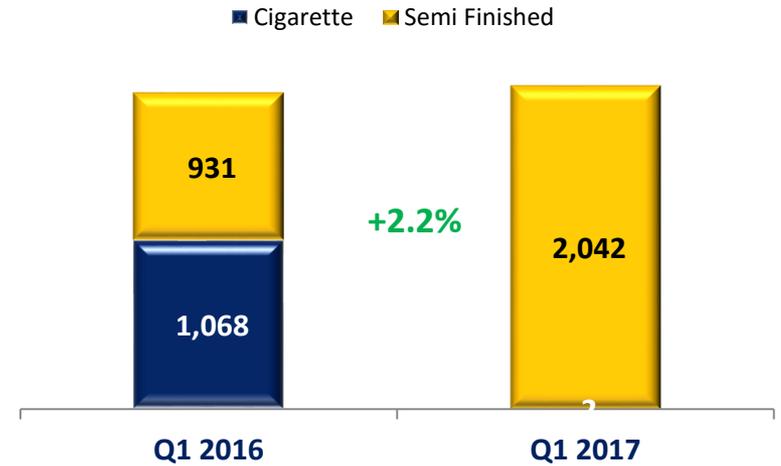
- Domestic -20%
- Export -53.6%

YTD Q1 Performance

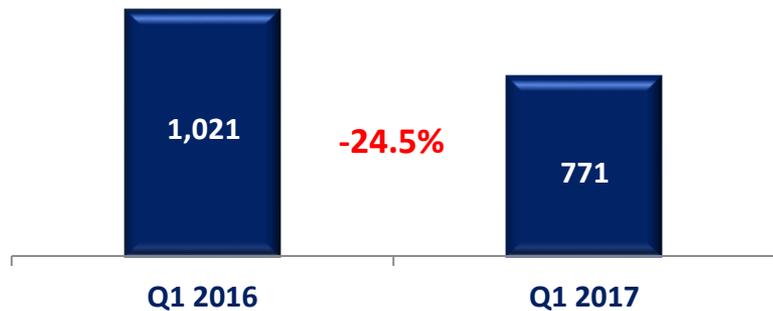
Domestic & DF Volumes (mn stick)



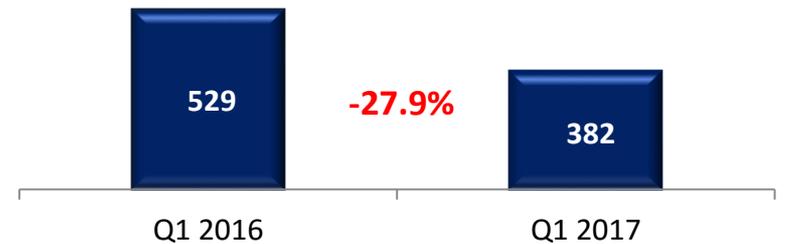
Contract Manufacturing Volumes (mn stick)



Revenue (RM'mn)

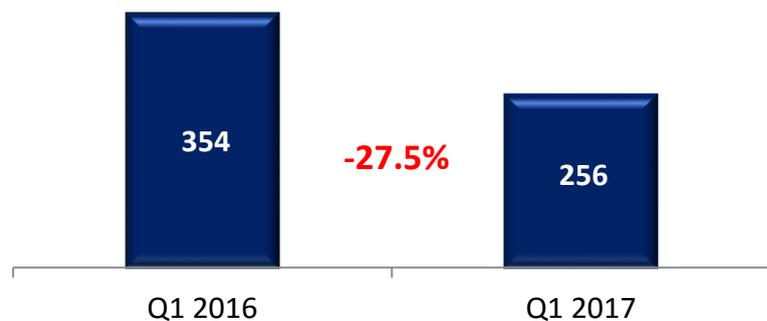


Net Turnover (RM'mn)

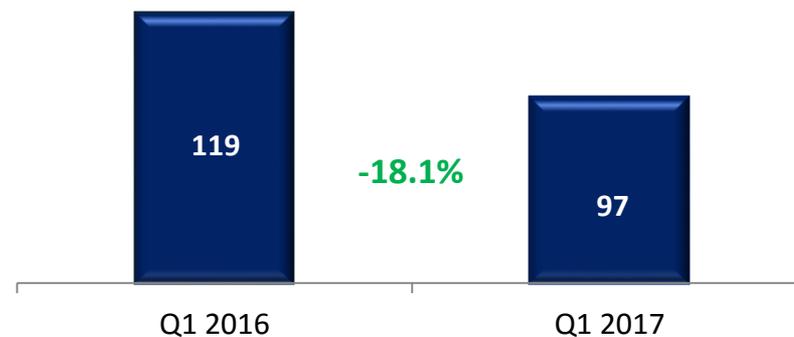


YTD Q1 Performance

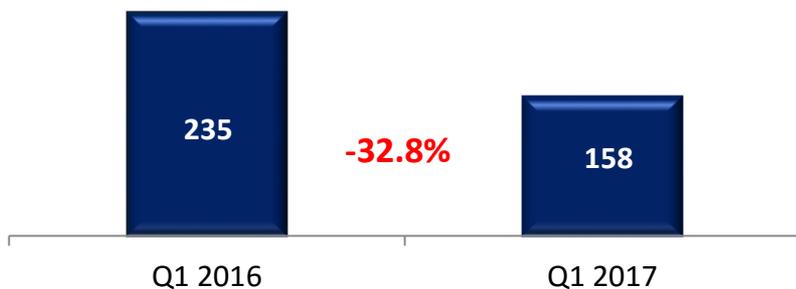
Gross Profit (RM'mn)



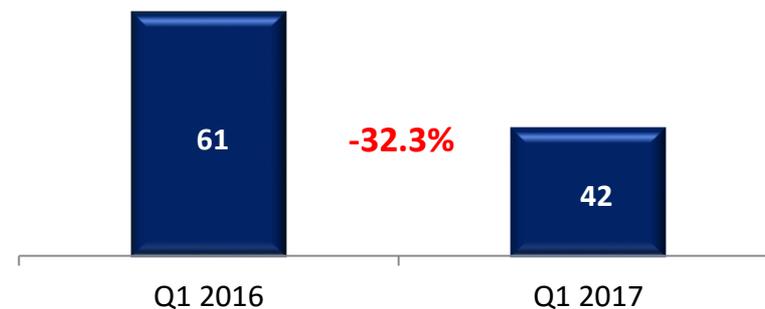
Operating Expenses (RM'mn)



Profit from Operation (RM'mn)



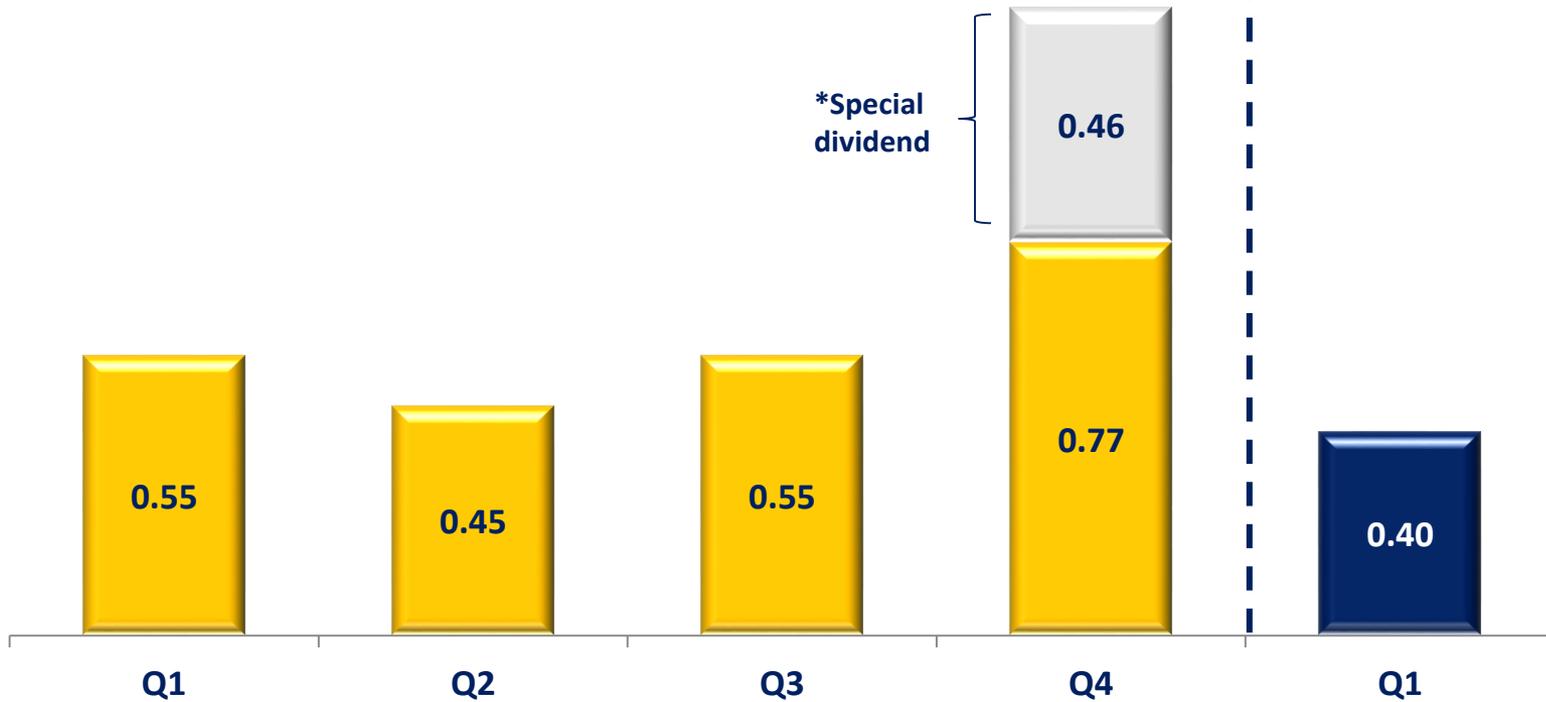
Earning per Share (Sen/share)



Dividend payout

2016
RM 2.78
110.0% Payout

2017
YTD



THANK YOU