

Building A Fair Society

2nd QUARTER 2018 PERFORMANCE

19th JULY 2018



Agenda

- **Business Review**
- **Q2 2018 Financial Performance**

Business Review

Key metrics year-to-date vs same period last year

Market Share Growth

+1.3 ppt

YTD Q2 2018: 57.8% *
YTD Q2 2017: 56.5%

Market Value Share Growth

+1.6 ppt

YTD Q2 2018: 59.2% *
YTD Q2 2017: 57.6%

Cost base reduction

-8.0%

YTD Q2 2018: RM119 mil
YTD Q2 2017: RM129 mil

Total Illegal Cigarette

63%
All time high

Total Legal Industry Volume

-3.5%
Contraction vs last year

YTD Q2 2018: 584 mns
YTD Q2 2017: 604 mns

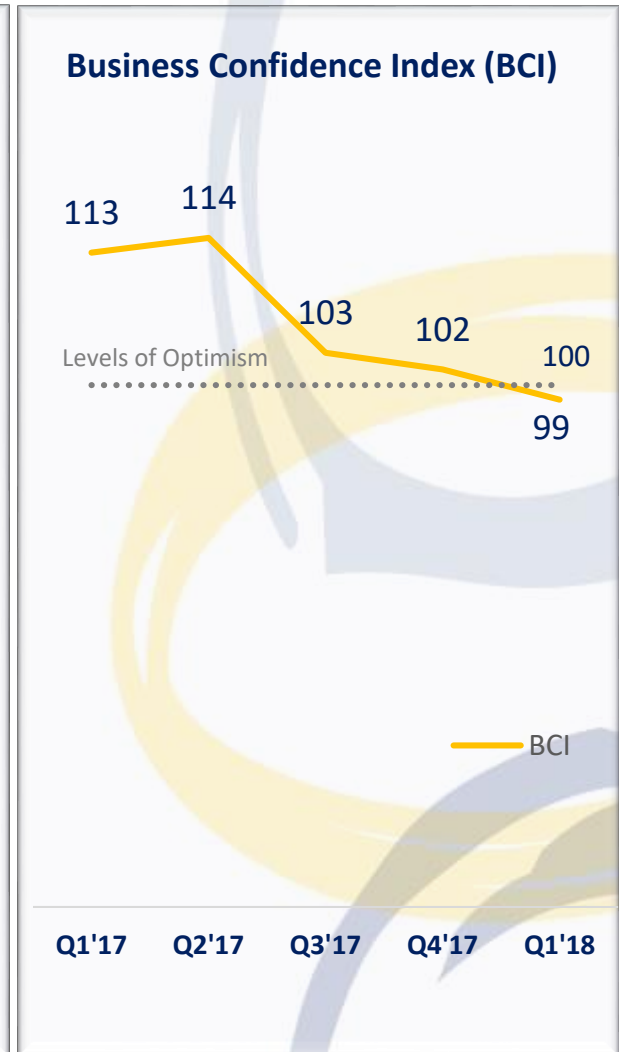
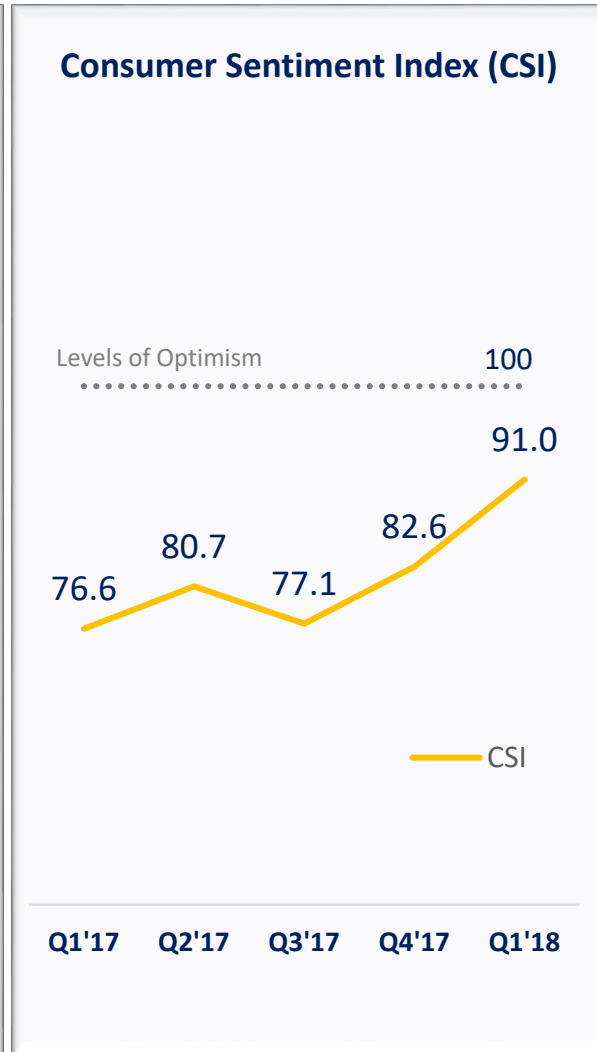
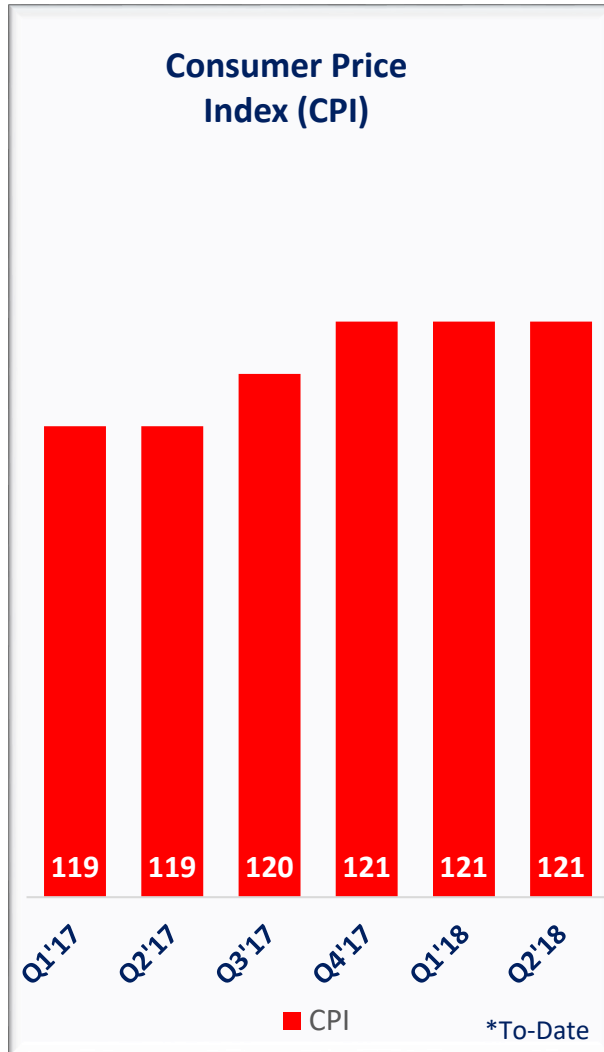
Revenue & Profit

-12% Revenue
-20.8% Profit from operations

YTD Q2 2018: RM1,317 mil & RM282 mil
YTD Q2 2017: RM1,497 mil & RM356 mil

* YTD Q2 represents YTD May'18 for market share & value share

Last 3 quarters of stability in CPI starts translating into improving consumer sentiments



Business confidence still declining in absence of actual positive change in consumer behavior

New Government manifesto suggests intent to address illegal cigarette trade and affordability

Strong 60 point government manifesto

- Addressing **consumer affordability** (oil, electricity, other subsidies, GST)
- 1 million new **job opportunities** – reducing dependency on foreign labour
- Increase minimum wage
- Respect the position of **Islam** as the official religion and ‘freedom of religion’
- **Eliminate corruption**
- Reform the judiciary, Attorney General
- Restore trust in media via media freedom
- **Address illegal trade** (cigarettes & alcohol) via strong enforcement

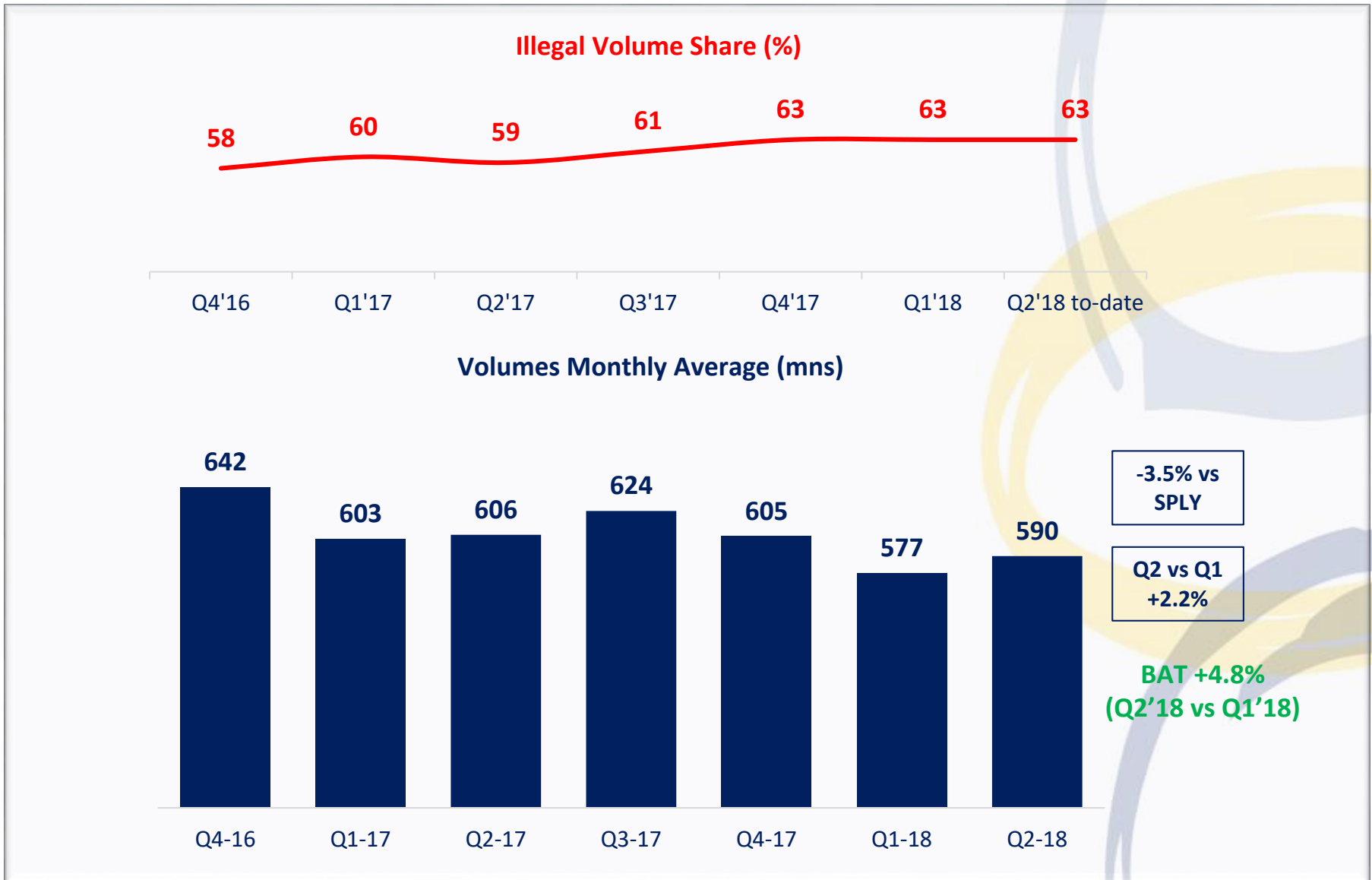


Focus on 10 promises in 100 Days

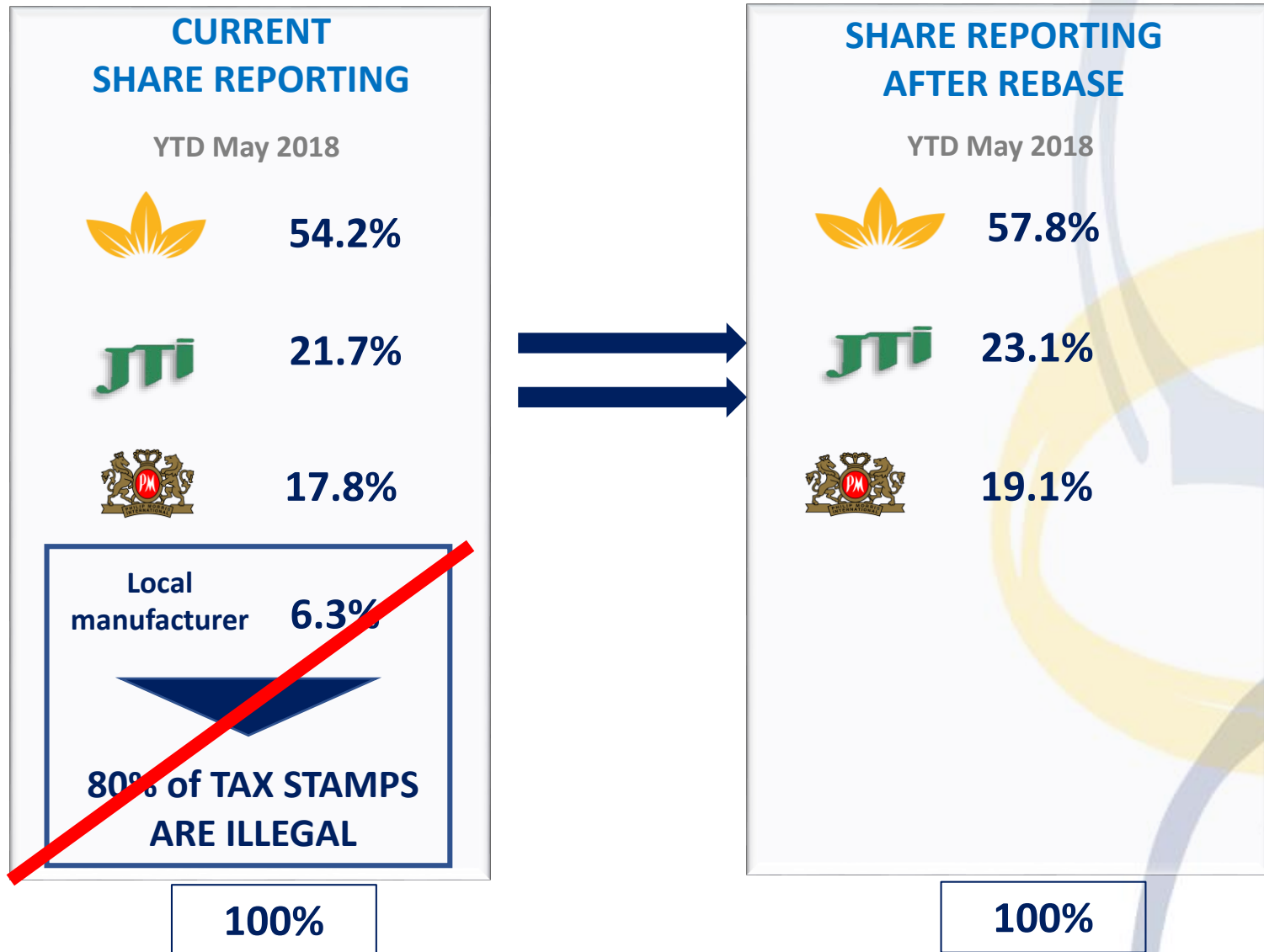


- **Abolish 6% GST**
- **Reintroduce fuel subsidies**
- **Aggressively Fight Corruption**
- **Increase Minimum Wage**
- **Health monetary assistance scheme**
- **Review Mega Project Contracts**

However, thus far no noteworthy action to clamp down on 63% illegal trade, therefore pressure remains

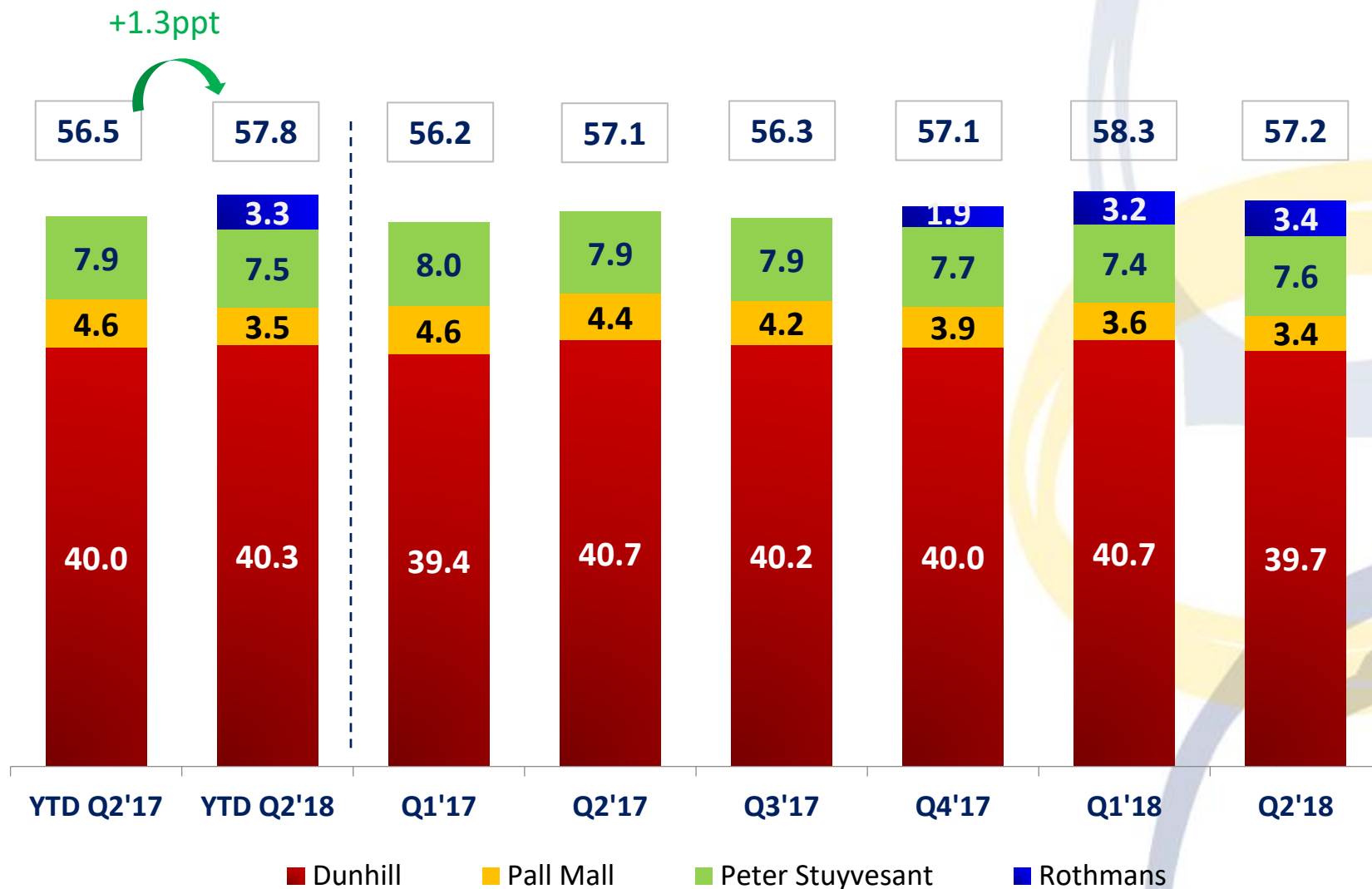


Market share to be restated from Q2 2018 onwards



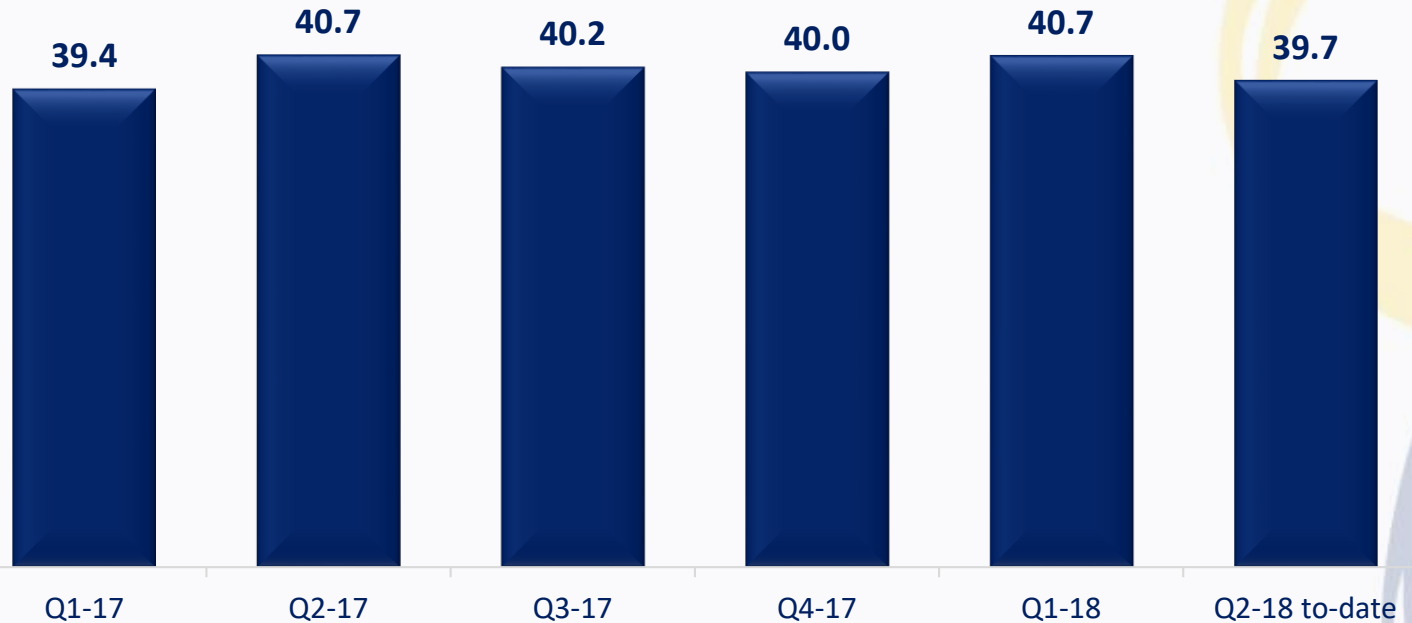
BAT market share remains strong vs SPLY

Share of Market – Malaysia (%)



Dunhill market share impacted by growth of VFM and illegal cigarette/quasi legal (illegal tax stamps)

Nielsen RA Share of Market (%)



Q2 2018 Financial Highlights

Q2 2018 Financial Highlights

Positives

+6.5ppt

Revenue growth mainly driven by volume growth Q2 2018 vs Q1 2018

+0.7ppt

Gross Profit margins stabilized post VFM entry

-8.0%

Cost base reduction year to date

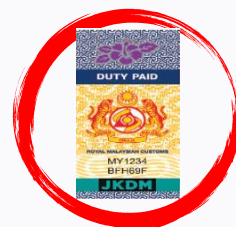
+17.1%

Profit from operations improved vs Q1 2018

Challenges Faced

-3.5ppt

YTD Market Contraction driven by high illegal cigarette trade impacting domestic volumes



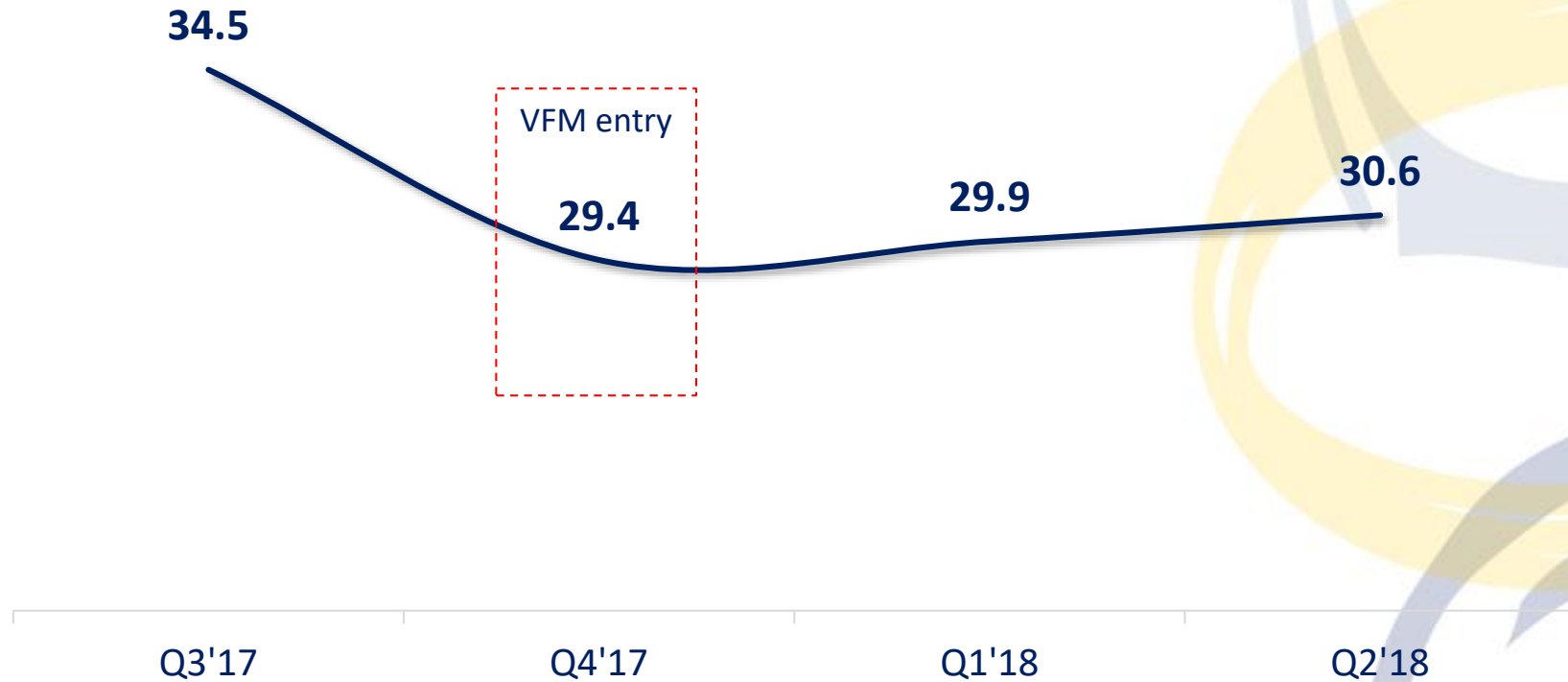
Progressed in tax stamp refund process but high complexity



Manage Sales & Services Tax uncertainties & changes

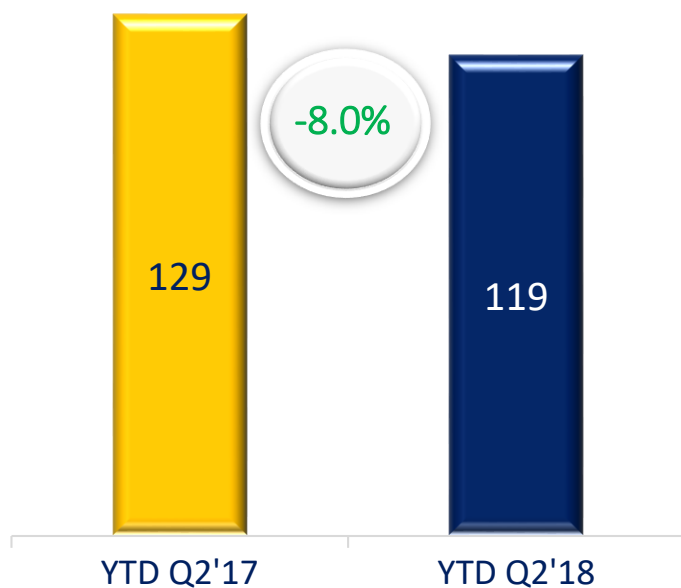
Gross profit margins stabilizing for 2 consecutive quarters

Gross Profit/ *Revenue (%)



* Revenue had been restated for all quarters due to MFRS15 adoption

Delivering efficiencies in operating expenses



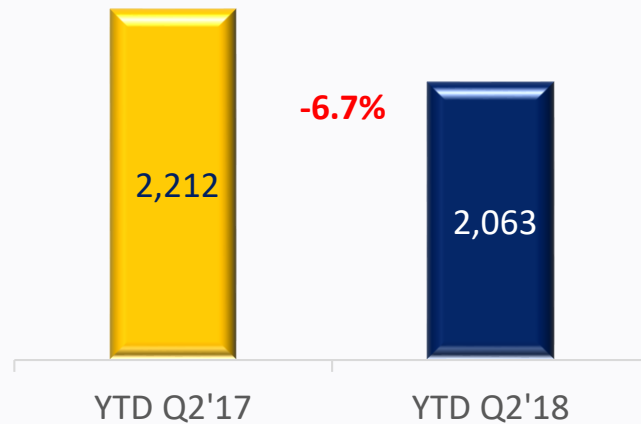
Cost base

Cost base reduction continued in Q2
2018

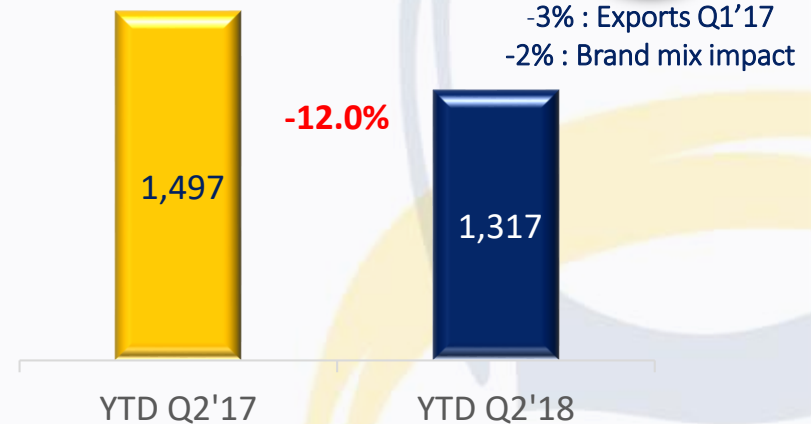
- Overheads savings
- Lower regional recharges
- Timing of spend

However, YTD metrics are still under pressure driven by market contraction

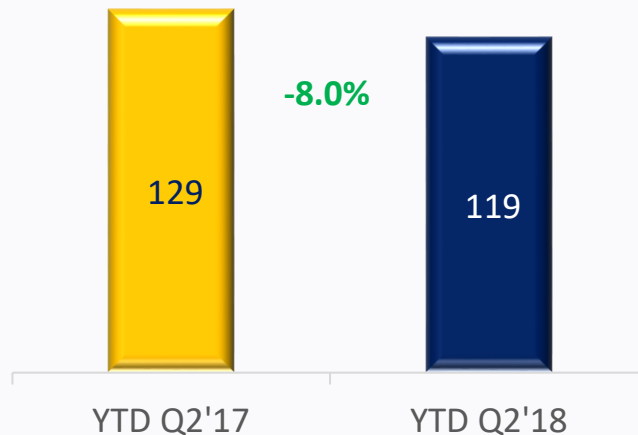
Domestic & Duty Free Volume



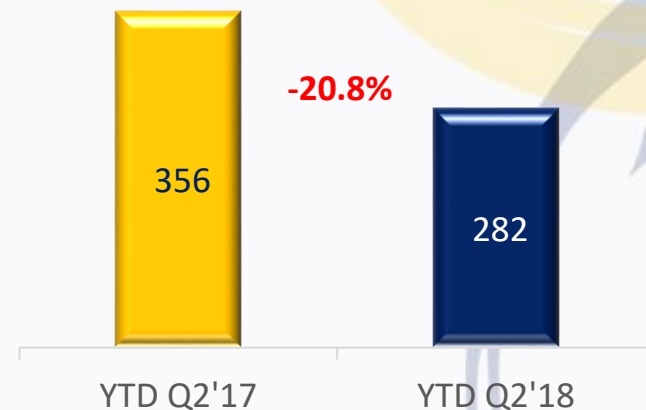
Revenue



Operating Expenses

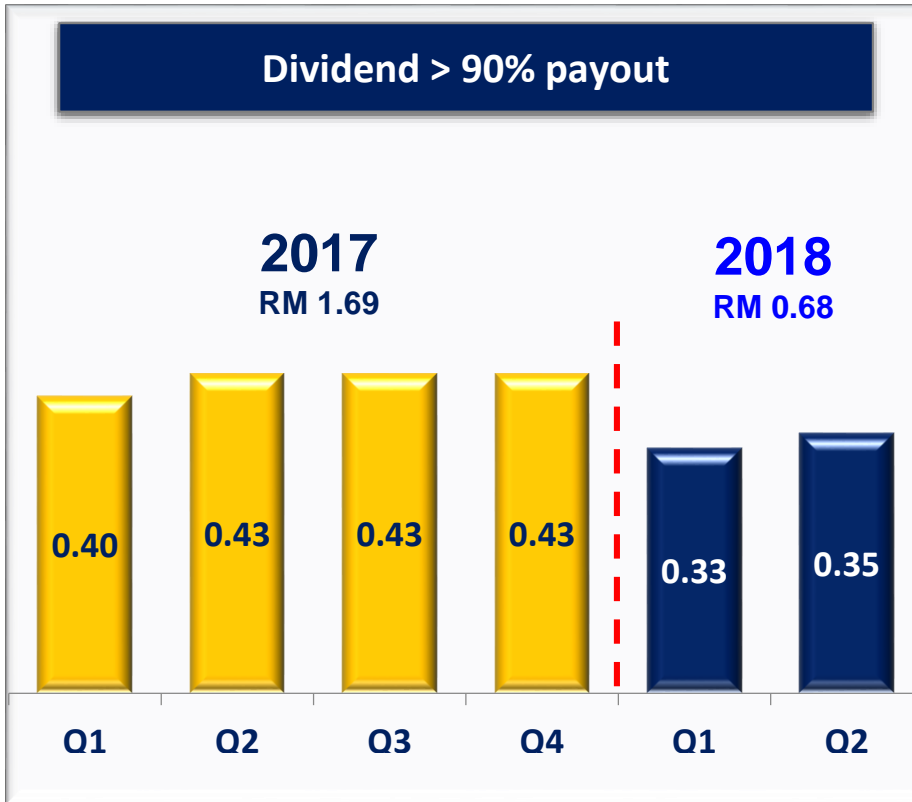


Profit from operations

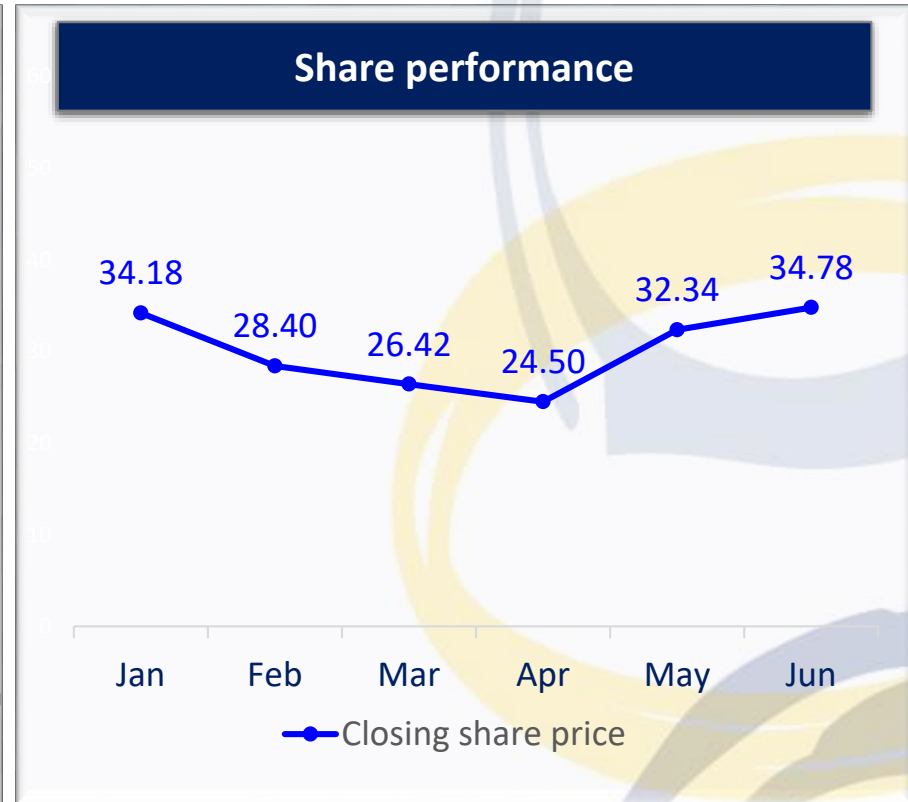


Dividend payout and share performance

Dividend > 90% payout



Share performance



THANK YOU