



**BRITISH AMERICAN  
TOBACCO**  
MALAYSIA

A large, abstract graphic on the left side of the slide. It features a thick, curved yellow brushstroke at the top, followed by a thick, curved dark blue brushstroke below it. The strokes have a textured, hand-painted appearance with some white highlights and a slight shadow effect.

# **ANALYST BRIEFING**

## **QUARTER 3, 2012**

23rd Oct 2012

A horizontal decorative element at the bottom of the slide, consisting of several overlapping brushstrokes in yellow and dark blue, creating a layered, textured effect.

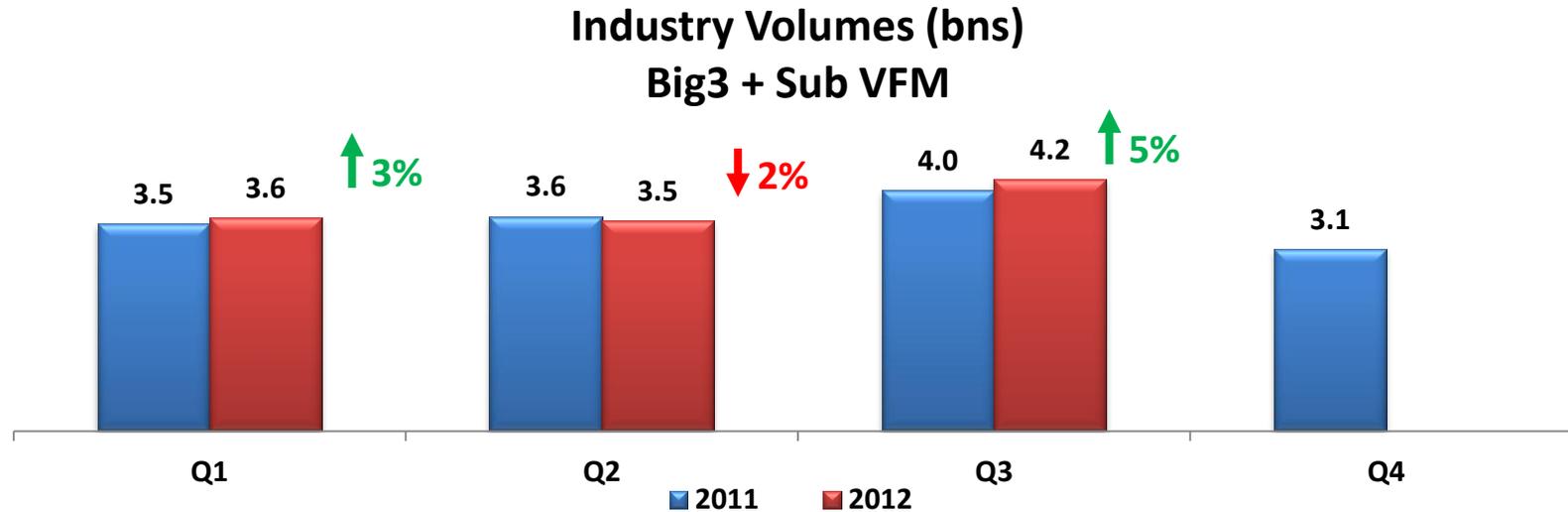
# Agenda

- **Industry Review, Market Share and Volumes**
- **BATM Review**
- **Financial Highlights**
- **Other Highlights**
- **Future Prospects**

# **INDUSTRY REVIEW, MARKET SHARE, VOLUMES AND BATM REVIEW**

# Industry Volumes – Q3 uplift due to GPI speculation

Source: Confederation of Malaysian Tobacco Manufacturers (CMTM) INVOICE SHARE  
 Note: Sub-VFM volumes extrapolated from Retail Audit

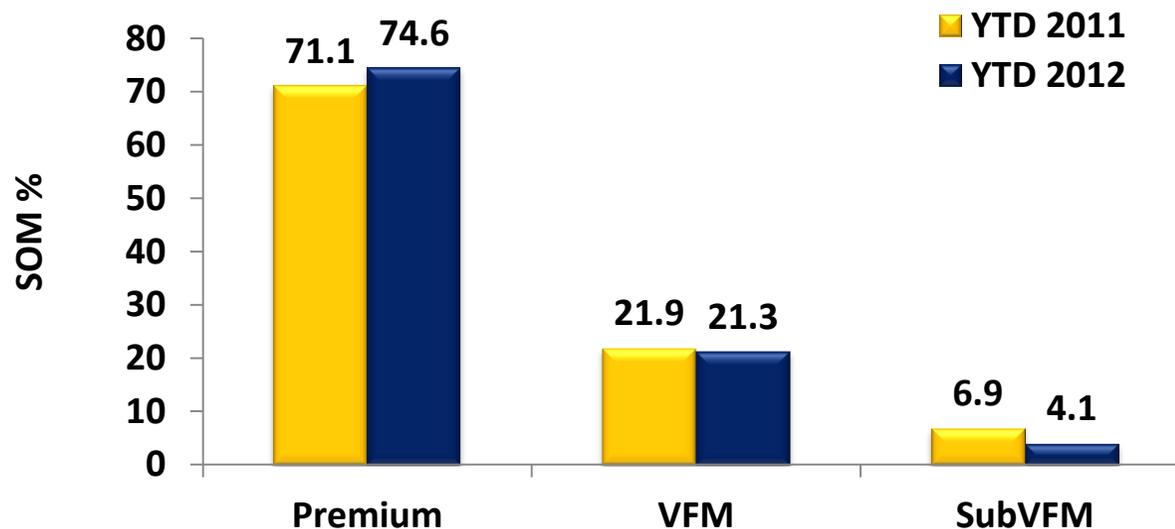


	Q3				YTD			
	Q3 2011	Q3 2012	Volume Variance Q3 2012 vs. SPLY	% Variance Q3 2012 vs. SPLY	YTD 2011	YTD 2012	Volume Variance YTD 2012 vs. 2011	% Variance YTD 2012 vs. 2011
BATM	2.32	2.21	(0.11)	-4.9%	6.60	6.55	(0.05)	-0.7%
Industry (CMTM)	3.80	4.07	0.27	7.1%	10.35	10.88	0.53	5.1%
Sub VFM (estimate)	0.23	0.16	(0.08)	-32.8%	0.77	0.46	(0.31)	-39.9%
Total	4.04	4.23	0.19	4.8%	11.12	11.34	0.22	2.0%

**Industry (CMTM) volume improved +7.1% in Q3 compared to SPLY.  
 BAT declined -4.9% due to lower trade speculation & shipmen volume.**

# Premium grew with no excise increase, with BAT leading

Source: Sep2012 Malaysia Retail Audit (Base: White Only)



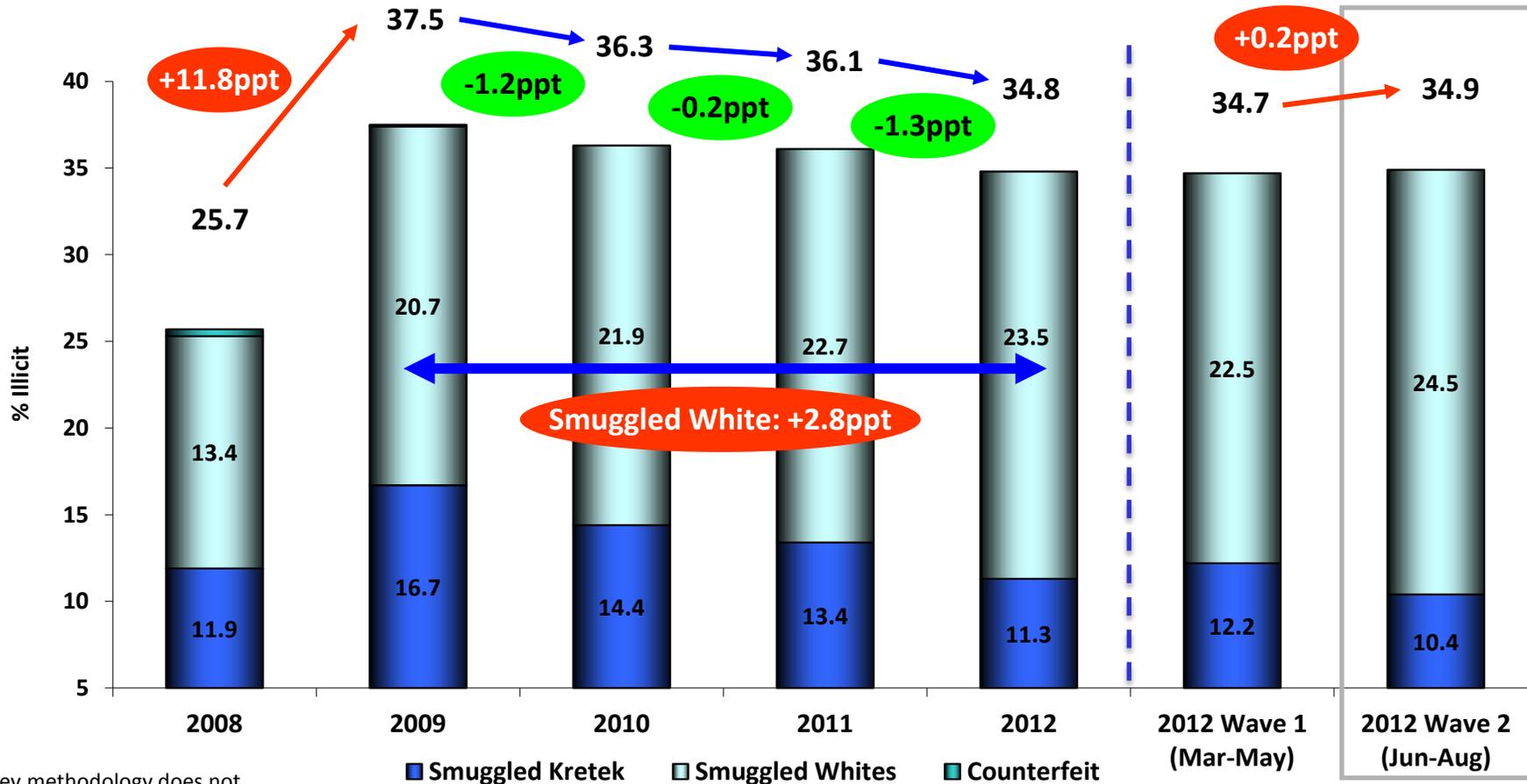
BAT	2012	
	YTD Q2	YTD Q3
<u>Share of Premium</u>	72.0	72.0
<u>Share of Value for Money</u>	41.3	41.1
<u>Share of Sub-VFM</u>	0	0

BAT	2011	
	YTD Q2	YTD Q3
<u>Share of Premium</u>	72.0	72.0
<u>Share of Value for Money</u>	42.6	42.9
<u>Share of Sub-VFM</u>	0	0

# Illicit Trade

– expected to remain at current level for 2012

Source: Illicit Cigarette Study, 2008 - 2012

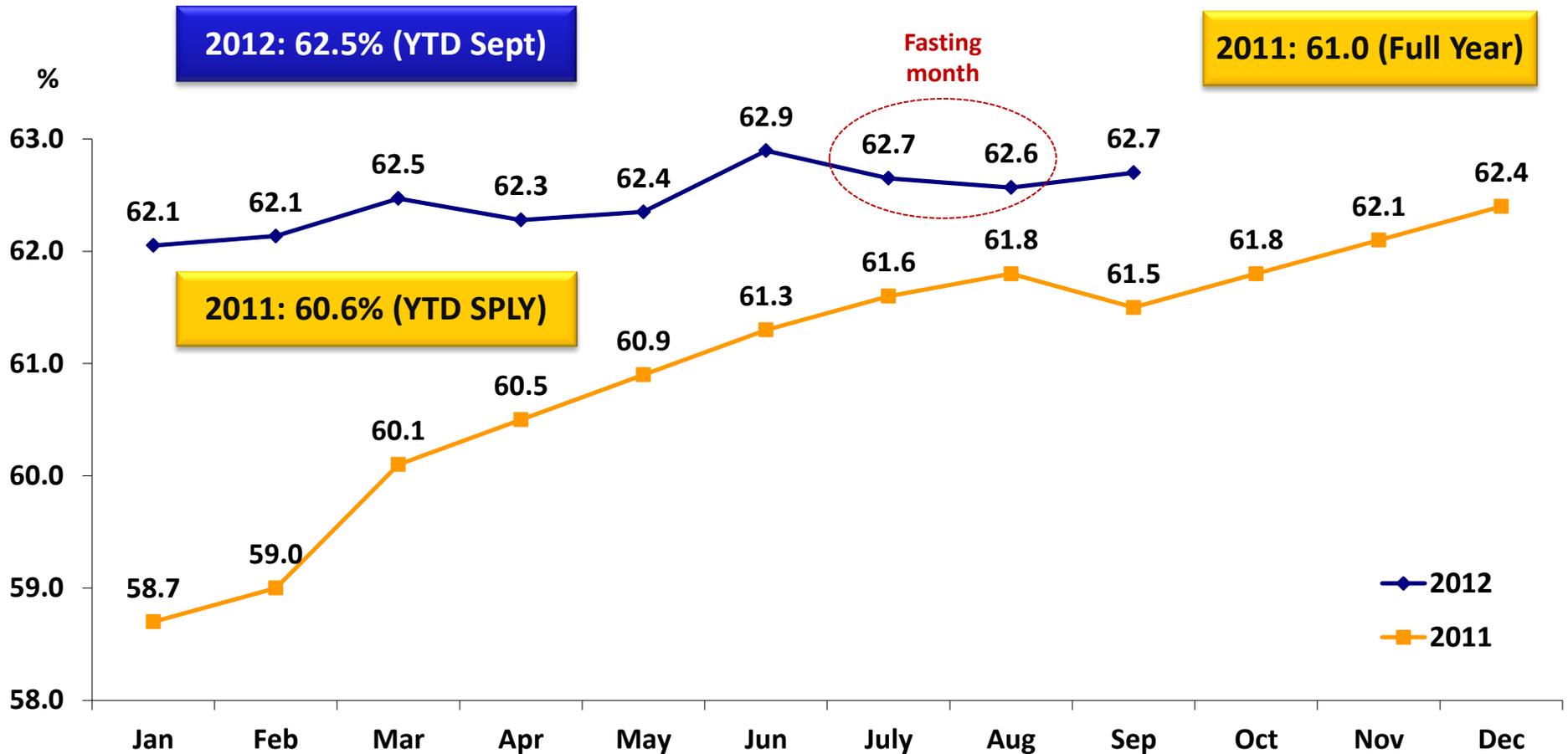


\*Survey methodology does not capture sub-VFM brands selling at below minimum price.

**Illicit incidence registered a marginal increase to 34.9% in the latest Wave 2 2012. Growth was driven by Illicit White (+2.0%) as Illicit Kretek dipped -1.8%.**

# BAT continue to grow Share of Market

Source: Sep2012 Malaysia Retail Audit (Base: White Only)



**BAT recover corporate share post fasting month**

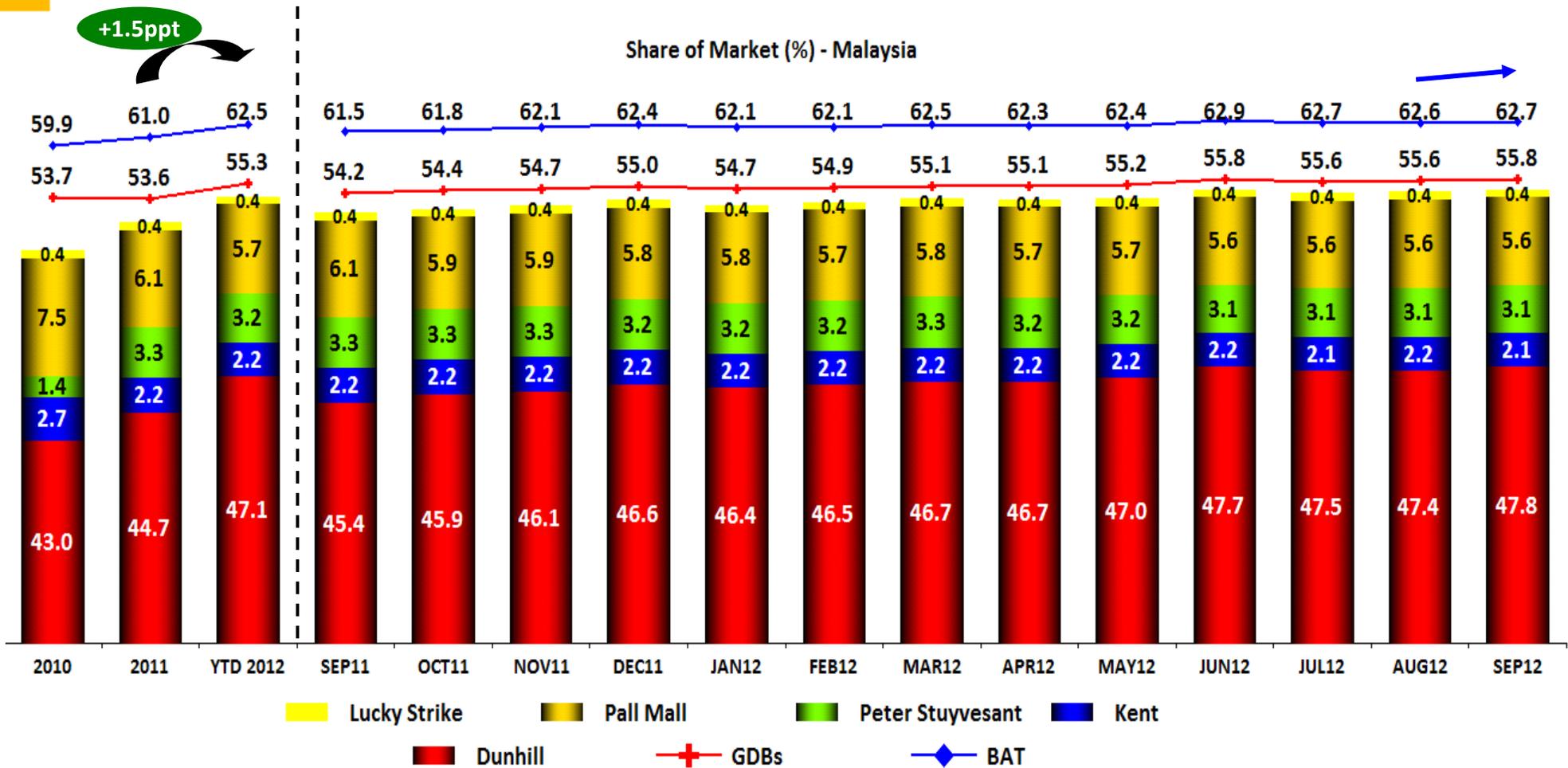
**YTD 2012 vs. FY2011 growth is +1.5ppt, resulting in corporate share of 62.5% SOM.**

**Dunhill's strengthened performance is the main driver behind growth**

# BAT growth driven by GDB Share



Source: Sep2012 Malaysia Retail Audit (Base: White Only)



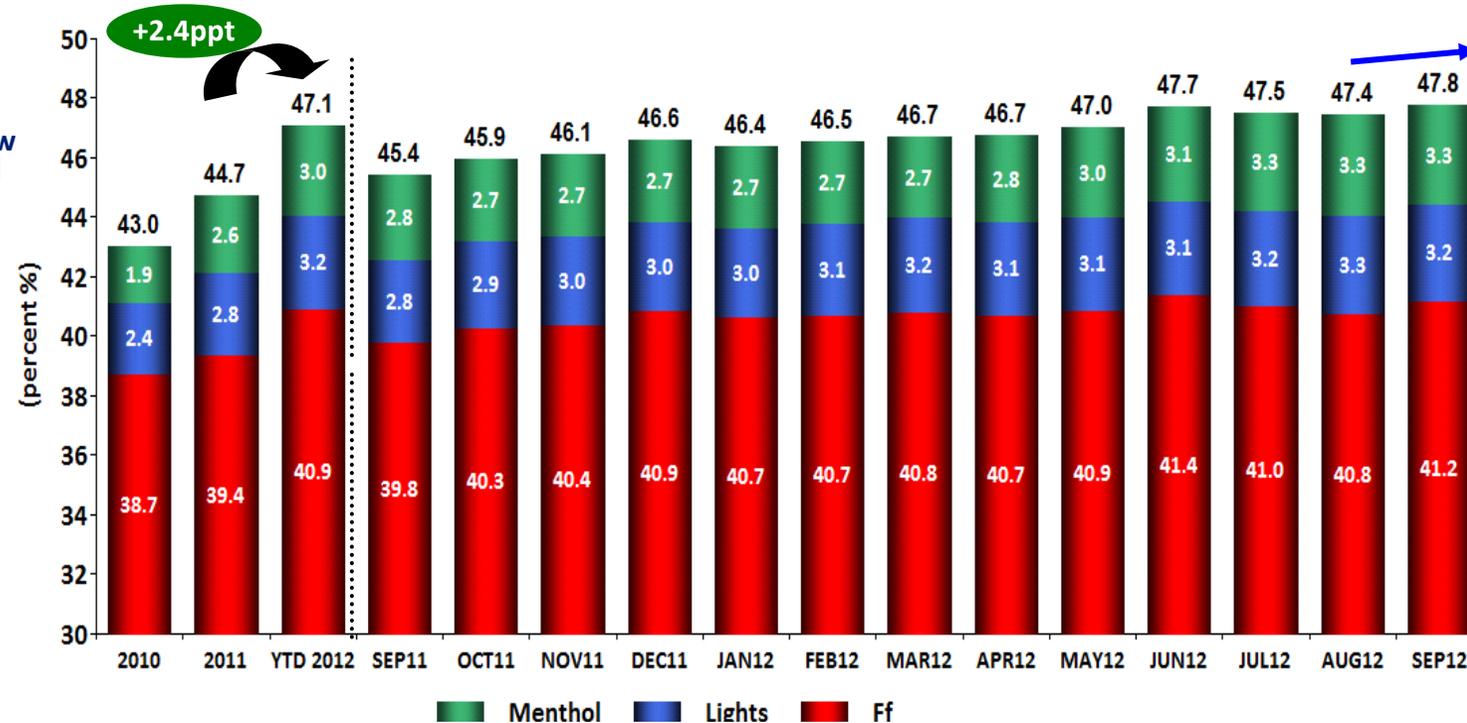
**Strong GDB performance, primarily Dunhill.  
 BAT SOM up +1.5ppt to 62.5% (YTD September 2012 vs. FY 2011).**

# Dunhill – extend Premium leadership further

Source: Sep2012 Malaysia Retail Audit (Base: White Only)



Dunhill - Share of Market (%) - Malaysia



April 2012  
Dunhill  
SWITCH New  
& improved  
pack



April 2012  
Year-long equity building campaign

Q4 2012  
Reinforcement  
campaign

POSM

RELOC

Dunhill continue to stretch its leadership.

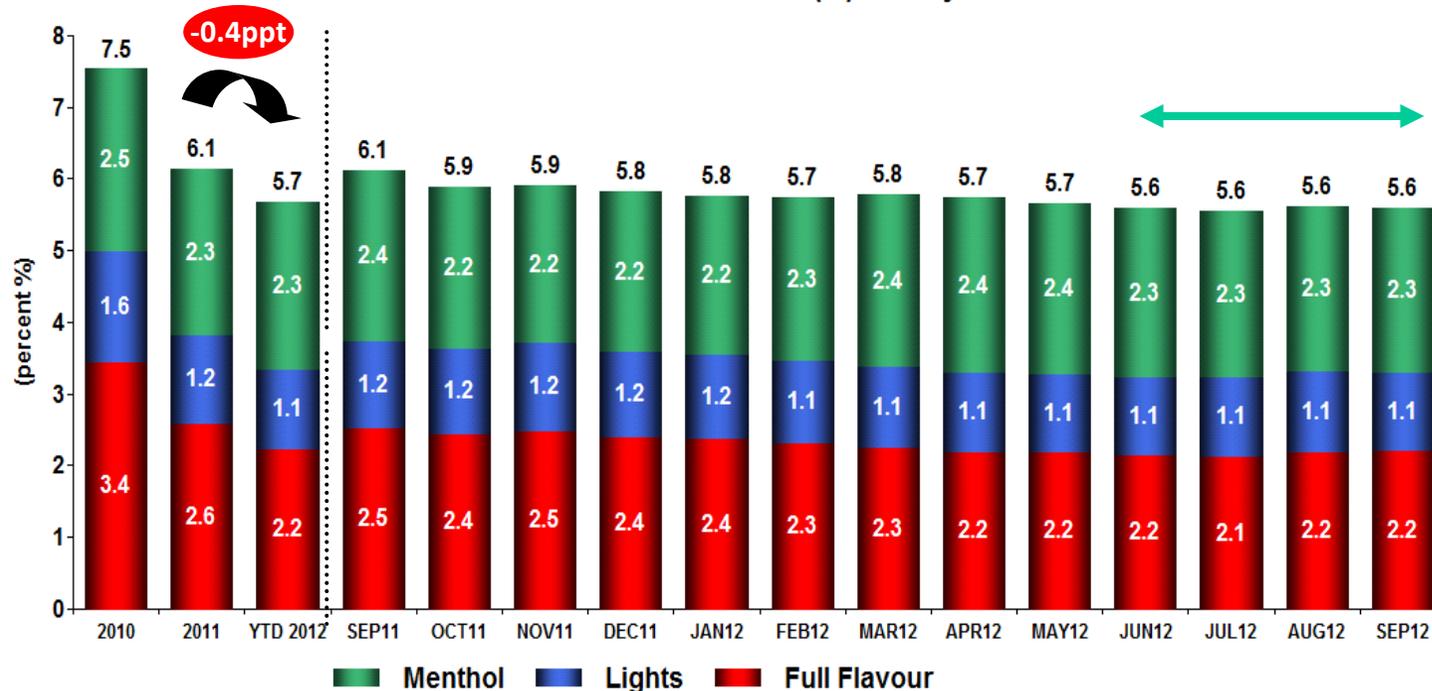
DH rebounded back to pre Ramadan level to register 47.8% SOM, YTD 2012 vs FY 2011 SOM, grew +2.4ppt.

# Pall Mall

Source: Sep2012 Malaysia Retail Audit (Base: White Only)



Pall Mall - Share of Market (%) - Malaysia



**Feb 2012:**  
Launch of Pall Mall Mint

**Jul 2012:**  
Pall Mall Pack Upgrade

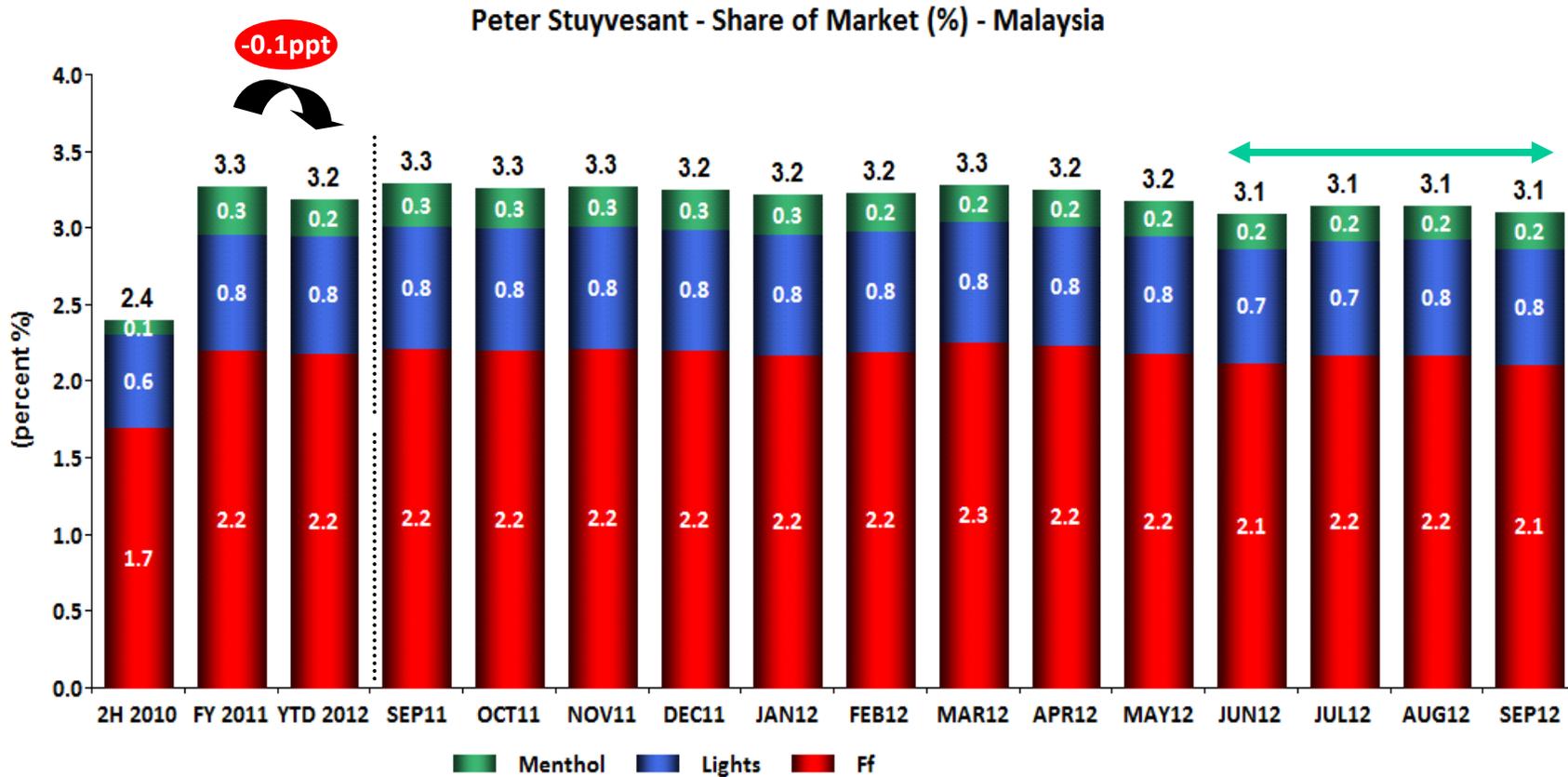
**Sep 2012:**  
Pall Mall Original Taste Pack Upgrade

**Pall Mall's pack upgrade in July 2012 has halted its decline**

Produk ini mengandung lebih 4,000 bahan kimia termasuk tar, nikotina dan karbon monoksida yang membahayakan kesihatan.

# Peter Stuyvesant

Source: Sep2012 Malaysia Retail Audit (Base: White Only)

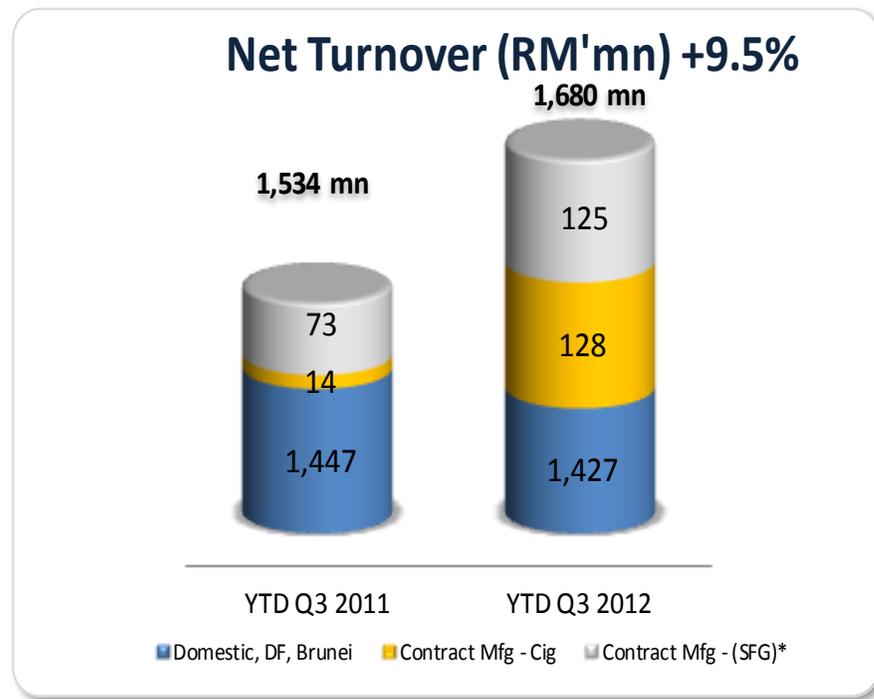
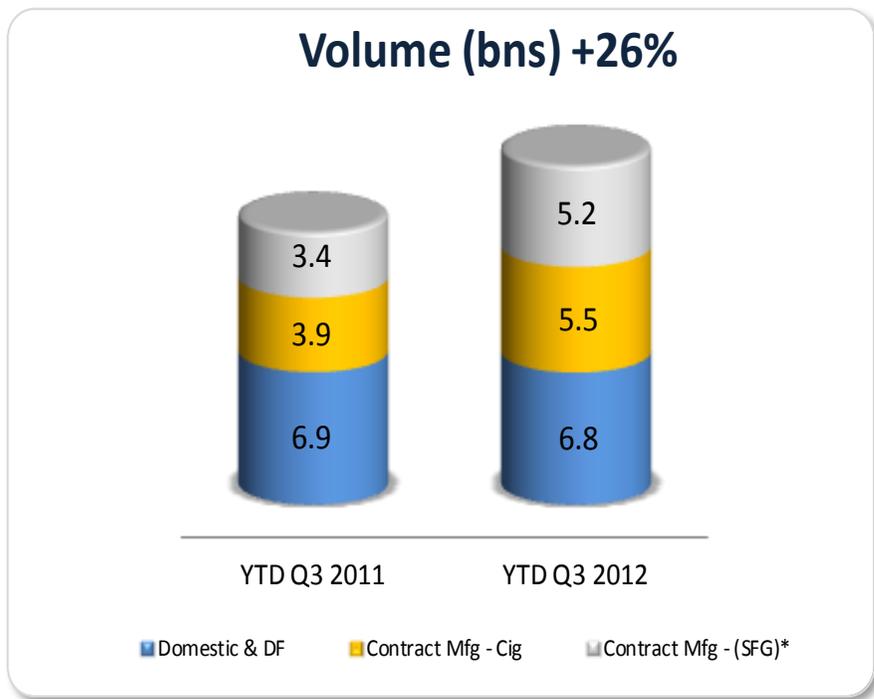


**Peter Stuyvesant resilient , with 3.2% SOM as of YTD September 2012**

Produk ini mengandung lebih 4,000 bahan kimia termasuk tar, nikotina dan karbon monoksida yang membahayakan kesehatan.

# **FINANCIAL HIGHLIGHTS**

# Volume / NTO - Mix



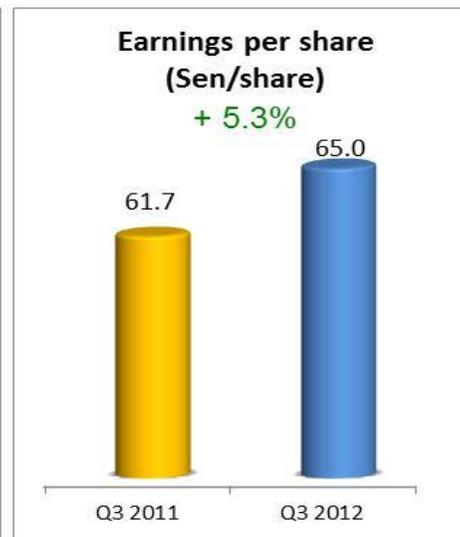
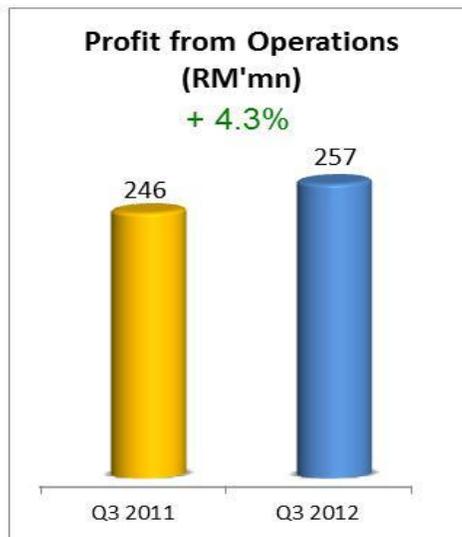
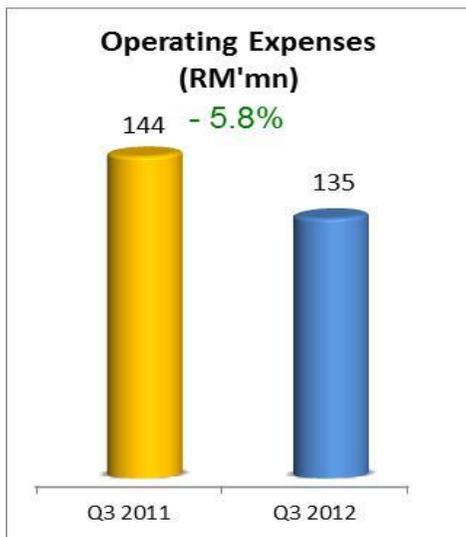
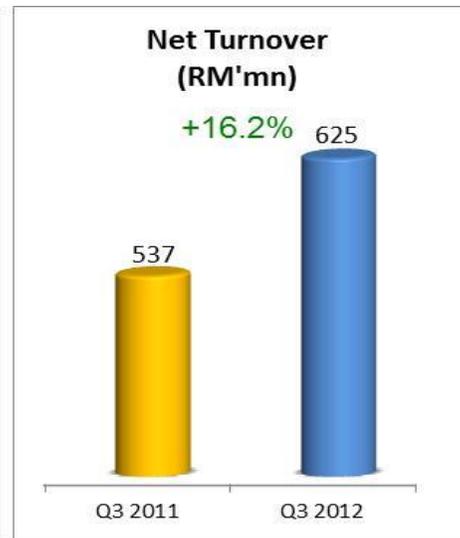
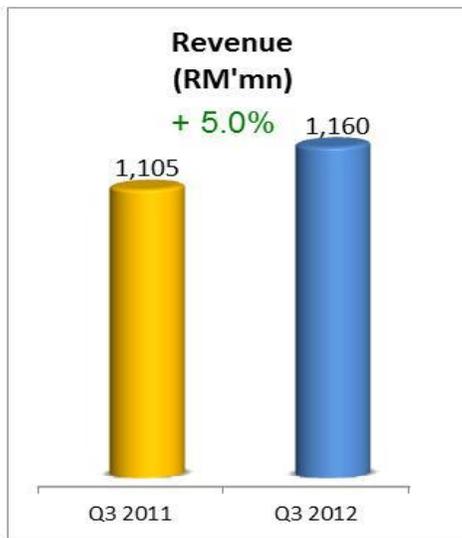
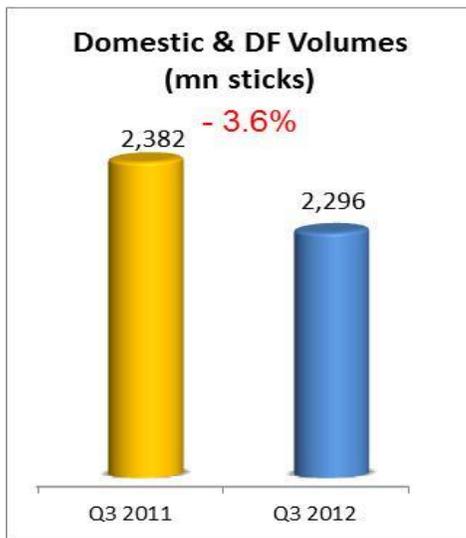
**Higher YTDQ3 2012 contract manufacturing volume due to new markets (Philippines, Cambodia) and higher SFG volume from Australia**

\*SFG (Semi Finished Goods) include Non Cigarette sales converted to Cigarette equivalent unit of measures

# Quarter 3, 2012 vs Quarter 3, 2011



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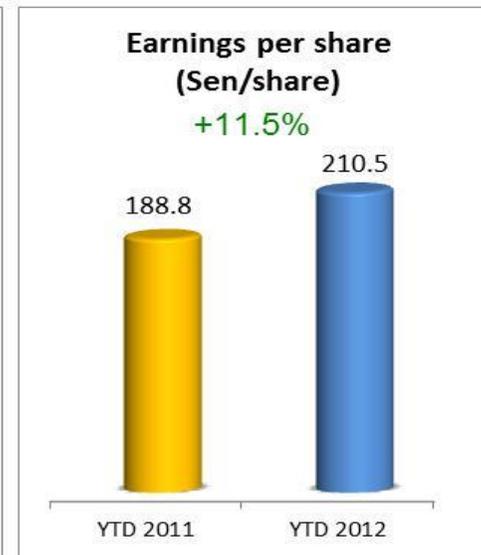
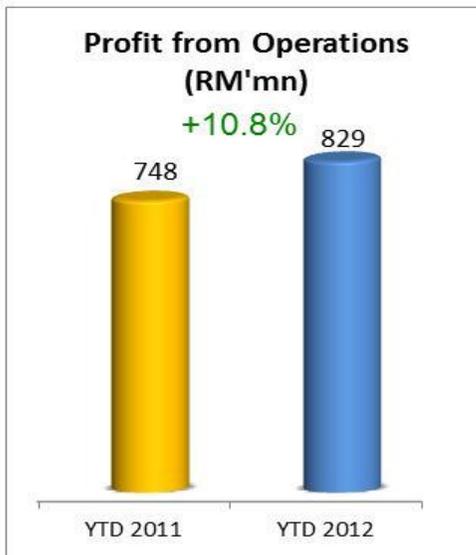
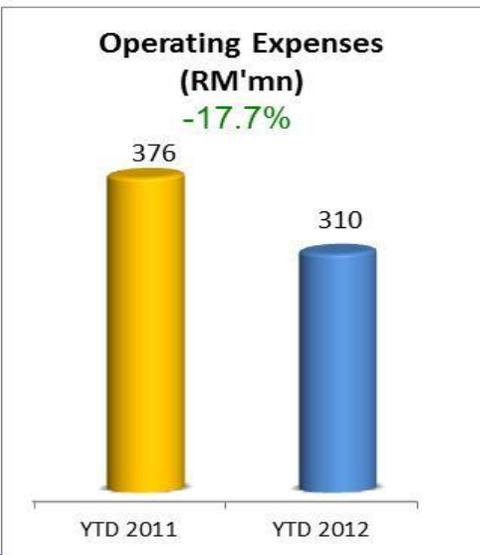
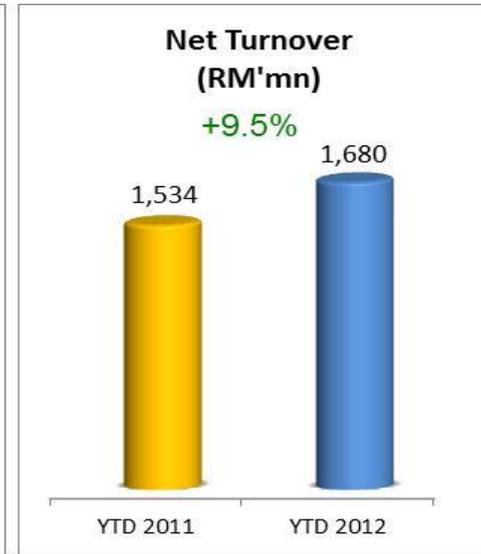
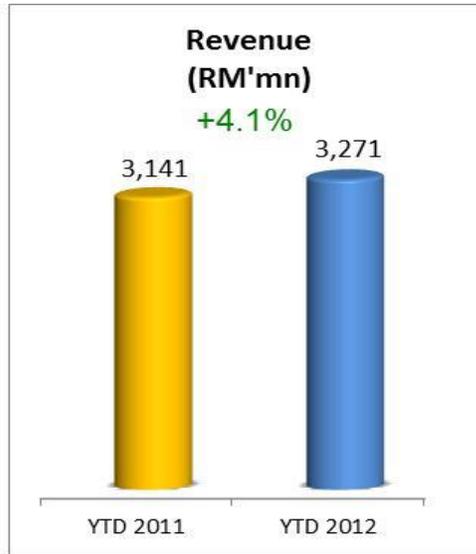
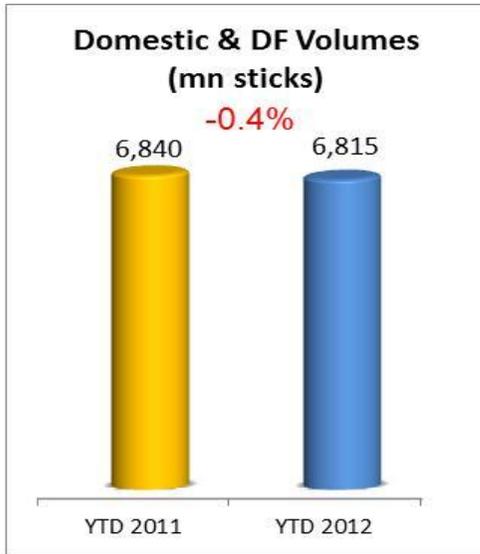


**Lower volume due to absence of excise speculation. Better revenue due to higher contract manufacturing margin from conversion of toll to contract manufacturing and lower operating expenses**

# YTD 2012 vs YTD 2011

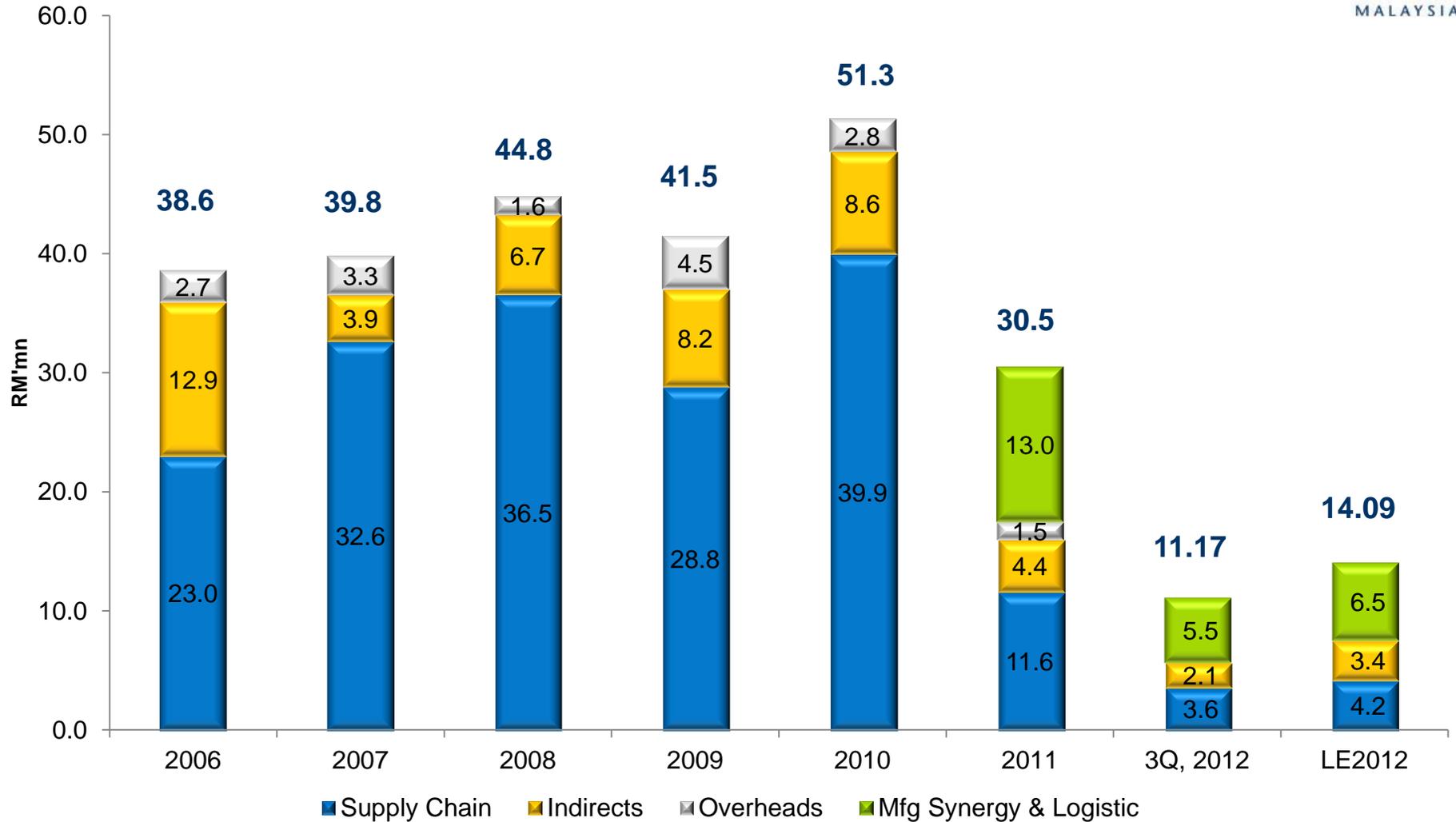


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**Flat volume and higher revenue from contract manufacturing and lower operating expenses result in higher EPS**

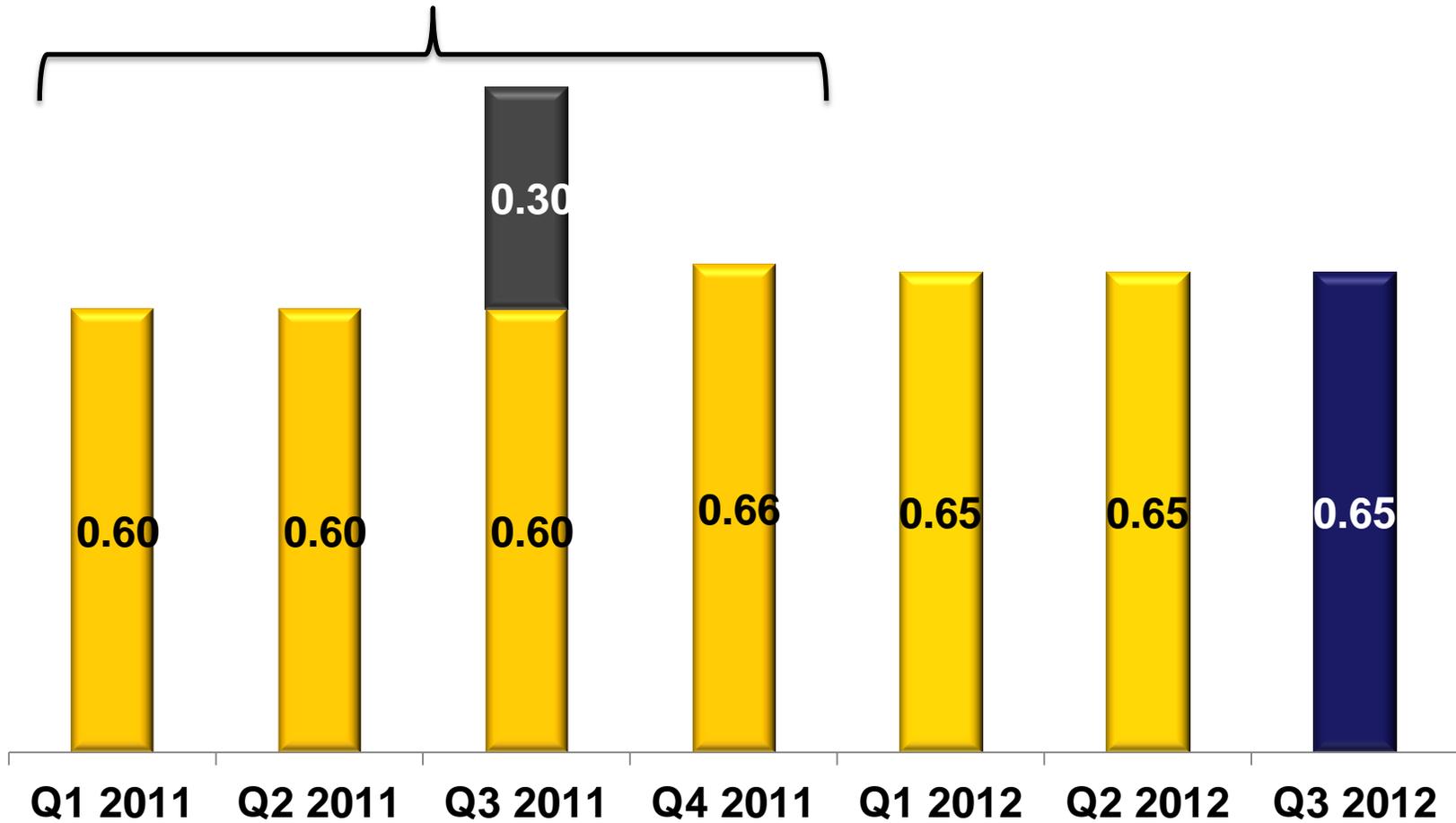
# Productivity Savings



# Q3 Dividends



2011: 98% Payout (110% inc. Special)



Dividends for Q3 2012 at 65 cents per share

# **OTHER UPDATES**

# Announcement by Ministry of Health on new regulations



- On 14 August 2012, the Ministry of Health announced that as of 1 September 2012 along with a ban on price discounting, the size of cigarette packs will be standardized with 20 sticks per pack whilst each carton of cigarettes will also be standardized to contain only 10 packs of cigarettes.
- However these intended regulations have not been gazetted as law.
- The industry will adhere to the new regulations once effective.

# Increase of Duty Payable on Manufactured Cigarettes



- We were officially informed by the Royal Malaysian Customs on 18 October 2012, of a mandated uplift in the ex-factory pricing of our cigarettes of between 26% to 58%, effective 19 October. Consequently, excise and sales tax payable on our manufactured cigarettes has increased.
- As a result of that, BATM has taken a price increase on all its cigarette brands by RM0.20 per pack effective 22 October 2012.

# Recent CR Highlights



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CELEBRATING 100 YEARS

## MyKasih “Love My Neighbourhood” food aid programme



Continuing its commitment towards corporate responsibility, the Company has contributed approximately RM3m to provide essential food items to the less fortunate through this programme.

### Process flow



Housewife receives allowance and selects approved essential items



Approved supermarket ensures purchased items are listed as essential food items



Housewife uses MyKad as verification and payment for goods



Family receives essential food items

# Recent CR Highlights

## 11<sup>th</sup> Higher Education Starter Kit (HESK) Awards Ceremony (4<sup>th</sup> Sept)

A total of 141 aspiring students from the tobacco growing community awarded with the HESK awards totalling **RM98,700**.



# FUTURE PROSPECTS

# Future Prospects

- Although there is no excise increase announced in the recent budget, there is still an increase in the duties payable to Government as a result of the mandated increase in ex-factory pricing. Consequently, the Group has taken a price increase for all its brands.
- The Group is optimistic on the 2012 outlook, barring any ad-hoc high excise announcement in the near future.
- BAT has continued to grow market share by 1.5ppt vs FY 2011.
- 2012 profit from operations expected to grow due to better domestic volume, contribution from higher margin from contract manufacturing and lower spend.
- However, illicit trade and continuous illegal pricing below Minimum Price by certain local brands continue to be of concern



**Thank You**