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# **Analyst Briefing QUARTER 2, 2015**

July 2015



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# AGENDA

- **Industry Review: Volumes and Market Share**
- **Company Review**
- **Q2 2015 Performance**
- **Other Highlights**

# Q2 2015 Headlines

- Post GST: weaker market sentiments and negative impact on Q2 performance
- Legal Industry volume under pressure vs. SPLY (Q2: - 17.9% / First Half: - 9.6%)  
=> However, recovery noted by end of Q2
- Strong market share momentum despite pressure on consumer affordability (+0.5ppt vs. 2014):
  - Dunhill: maintains share resilience and market leadership
  - Peter Stuyvesant: outstanding growth trend reaching all time high 5.5%
- Volume evolution main driver of soft financial delivery in H1 vs. SPLY:
  - Revenue: - 0.8%
  - Profit from Operations: - 3.6%
- Illicit trade: RMC continues robust enforcement activities



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# **Industry Review Volumes and Market Share**

# Customs continues with its robust enforcement activities in 2015



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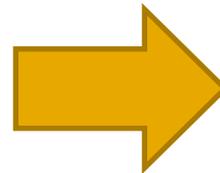
**Enhance FEAR FACTOR** among retailers through OPS Outlet V2  
Galvanize the **PUBLIC** to help **REPORT** outlets that sell illegal cigs or alcohol

**JANGAN JUAL ATAU BELI ROKOK SELUDUP**

**HUKUMAN MAKSIMA: PENJARA 3 TAHUN ATAU DENDA 20 KALI NILAI BARANGAN ATAU KEDUA-DUANYA\***  
最高刑罰：監禁 3 年或罰款走私物品價格的 20 倍，或兩者皆施\*

Untuk melaporkan kegiatan rokok seludup, sila telefon Jabatan Kastam di 1800-88-8855  
請致電 1800-88-8855 以舉報香煙走私活動

\*Sek. 135(1)(d) Akta Kastam 1967 • 1967年關稅法 第 135 (1)(d) 條  
Barangsiapa dengan disedarinya melindungi, menyimpan, menyembunyi, atau mempunyai dalam miliknya, atau membenarkan, membiarkan, menyebabkan atau mendapatkan untuk dilindungi, disimpan atau disembunyi, apa-apa barang tak berkastam atau barang larangan.  
Kesalahan pertama: Hukuman maksima 3 tahun penjara atau denda 20 kali nilai barangan atau kedua-duanya.  
Kesalahan kedua dan seterusnya: Hukuman maksima 3 tahun penjara atau denda 40 kali nilai barangan atau kedua-duanya.  
任一人故意、收買、隱藏、擁有、經允許、任由、導致他人獲取、收買或隱藏任何走私品或禁運品。  
第一次定罪：最高刑罰監禁 3 年或罰款走私物品價格的 20 倍，或兩者皆施。  
第二次或隨後再次被定罪：最高刑罰監禁 3 年或罰款走私物品價格的 40 倍，或兩者皆施。



**LAPORKAN JUALAN ROKOK ATAU ARAK SELUDUP**

**JANGAN JUAL ATAU BELI ROKOK DAN ARAK SELUDUP**

\*Seksyen 135(1)(d) Akta Kastam 1967  
HUKUMAN MAKSIMA: PENJARA 3 TAHUN ATAU DENDA 20 KALI NILAI BARANGAN ATAU KEDUA-DUANYA\*  
最高刑罰：監禁 3 年或罰款走私物品價格的 20 倍，或兩者兼施\*  
அதிகப்படுத்தப்படாத: 3 ஆண்டுகள் சிறை அல்லது பொருளின் மதிப்பில் 20 மடங்கு அல்லது இரண்டுமே விதிக்கப்படலாம்.

**BERTINDAK SEKARANG!**  
**1 800 88 8855**  
JABATAN KASTAM DIRAJA MALAYSIA

## Ops Outlet

- Launch by RMC in March 2014

## Ops Outlet version 2.0

- Launch by RMC on 9<sup>th</sup> Apr 2015

# Ops Outlet & OPS Pacak : National intensive enforcement on illegal cigarettes



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Recent statistics from the Operasi Outlet campaign (January to June 2015)

- No. of outlets raided = **1,485**
- No. of retailers arrested = **454**
- No. of retailers jailed & fined : **377**
- Total illegal cigarettes seized = **138 million sticks**

Source : Customs Putrajaya



**Customs tracking down distributors of contraband cigarettes, liquor**

MIRI: Sarawak has been identified as a hotspot for the sale of contraband cigarettes and liquor in this country with Miri city as the major centre of such activities.

Customs deputy director-general (Enforcement and Compliance), Datuk Matrang Suhaili said they seized contraband goods worth RM1.6 million with unpaid duties totalling RM4.2 million from January to April 2015.

"Most of the contraband goods seized were cigarettes and liquor," he told reporters during Ops Pacak here.

## Operasi Outlet terus gempur

111 peruncit ditahan  
Deh Izahy Nurul Ain Hussein

## Ops Pacak masuk Sarawak

Kastam rampas rokok seludup bernilai RM8,814 dalam operasi dua hari

# Customs also conduct **joint enforcement** - with Municipal Councils - to combat the sales of illegal cigarettes by **street peddlers**

2 Government Agencies cooperated together to take actions on errant street peddlers at Kuantan and Sandakan

Sinar Harian , 5 Mar 2015



Tiga daripada empat individu yang ditahan dalam Ops Pacak yang dilakukan di sekitar Pasar Besar Kuantan pada 1 Mac lalu.

NST, 9 Mar 2015

## Illegal cigarette sellers flee Kuantan market

**KUANTAN:** For years, sale of contraband cigarettes in the vicinity of the wet market in the town centre here has been popular, with traders openly selling them to customers, especially foreigners.

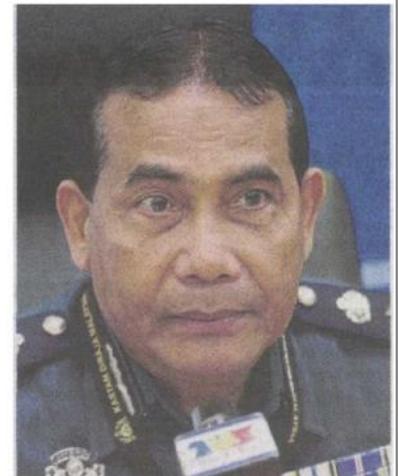
However, a crackdown by the Customs Department starting March 1 has resulted in the traders going into hiding. Jalan Pasar Baru 1, which were once monopolised by illicit cigarette traders, is now deserted.

State Customs Department director Datuk Sarip Ismail said yesterday that Op Pacak, where officers, including those in plain clothes, were stationed at strategic locations to nab the traders.

He said due to the widespread sale of illegal cigarettes in the area, the place was often packed with foreigners and locals who purchased the cheap tobacco.

"Our men have been patrolling several hotspots where traders previously sold the cigarettes openly. I believe the presence of our men in the area will instil fear and keep the traders away.

"The market and nearby Hentian Bandar



Datuk Sarip Ismail says police presence in the area will instil fear and keep the traders away

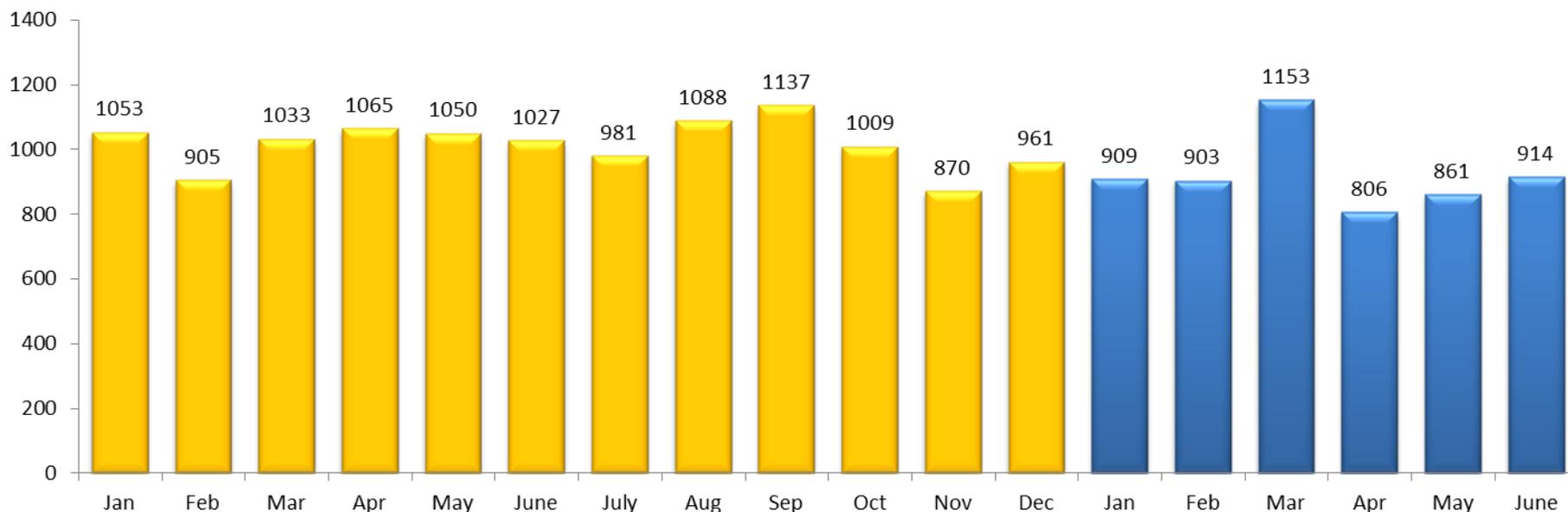
# Market review update

YTD June'15, legal market declined **-9.6%** vs. SPLY

Decline noted in the month of April after the implementation of GST

However, recovery seen in the recent month

Big-3 IMS (mns)



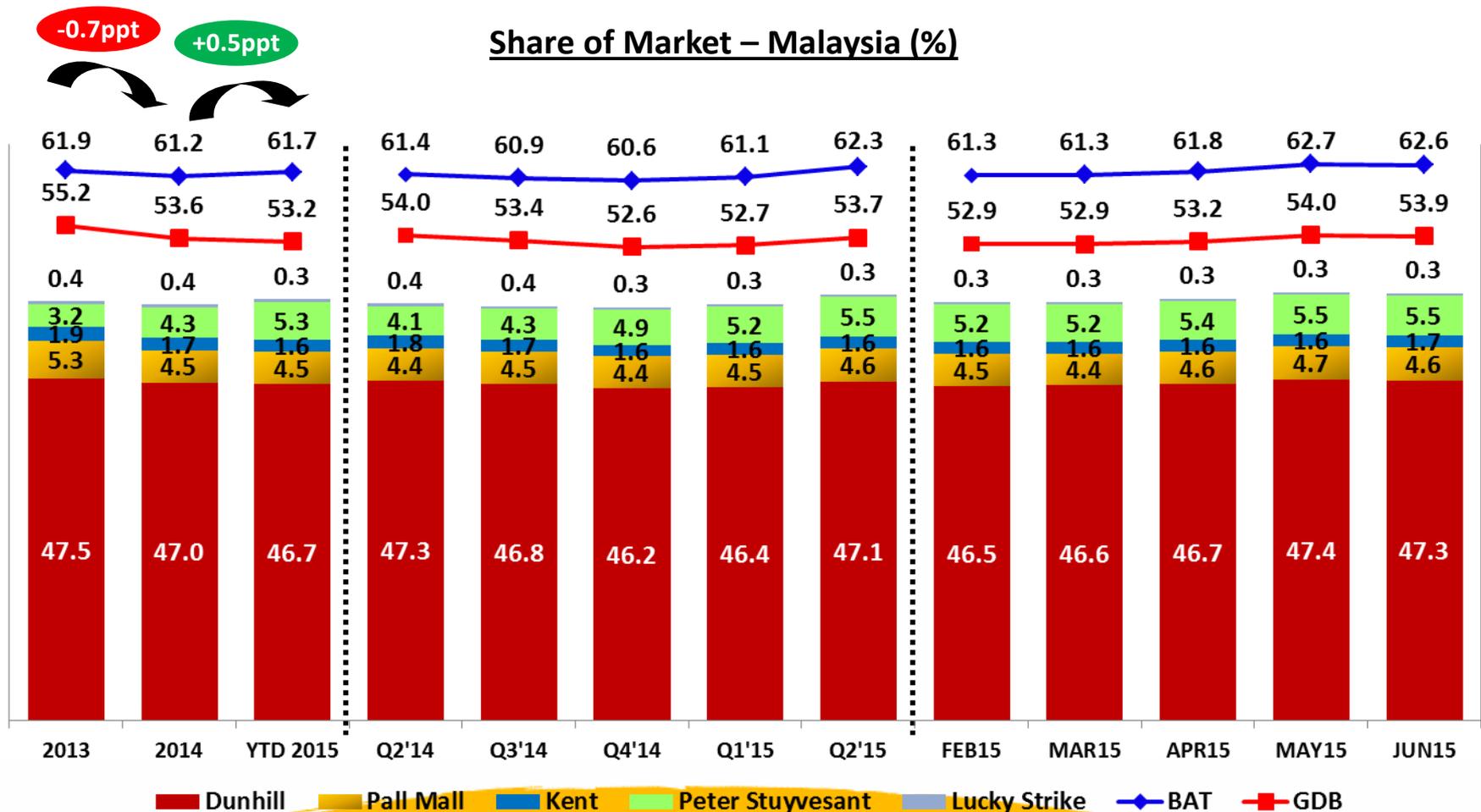
## 1H '15 vs. SPLY:

Monthly Avg.	YTD June'14	YTD June'15	Change
Industry	1022	924	-9.6%
BAT	644	583	-9.5%



# BAT is currently on an increasing trend since Jan'15.

Source: YTD JUN 15 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)





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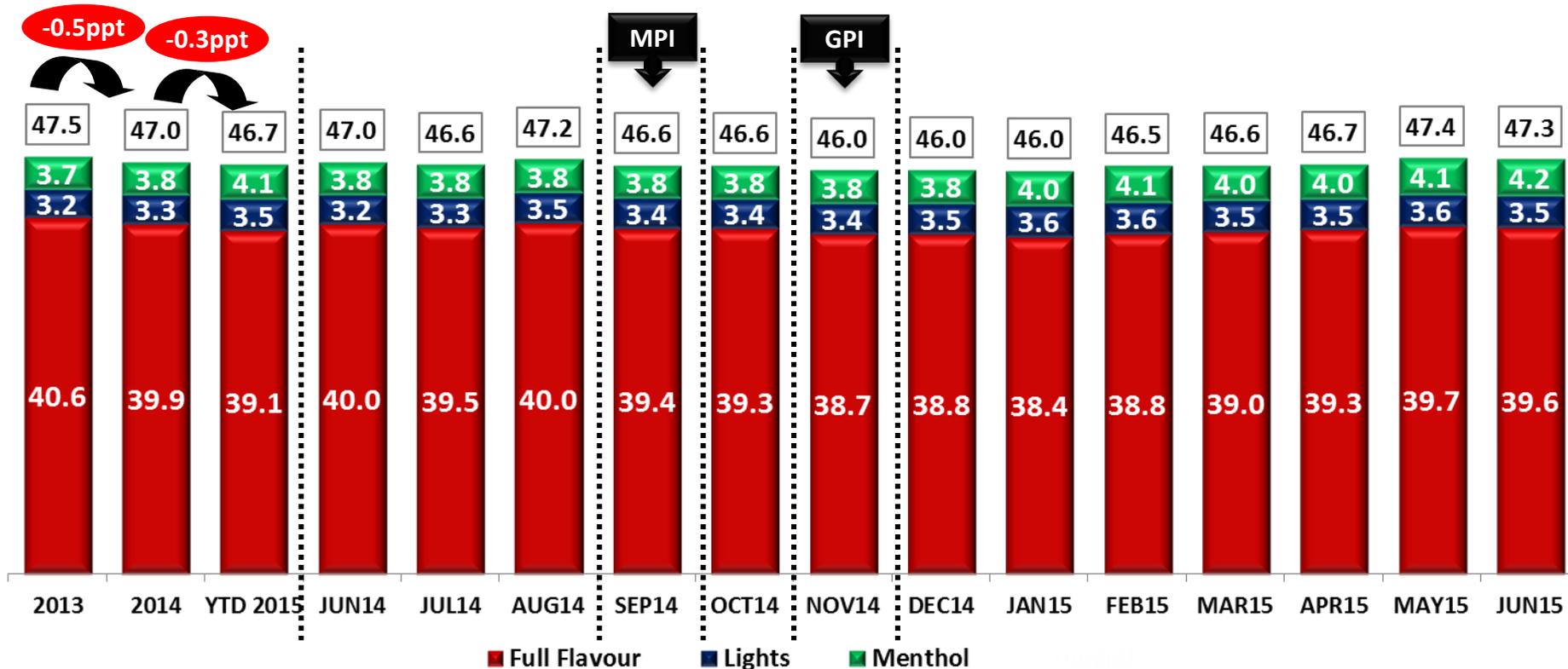
# **Company Review**

# Dunhill on an increasing trend post GST implementation



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Source: YTD JUN 15 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



-0.5ppt  
-0.3ppt

MPI

GPI

**Jan 2015**  
Launch of DH Zest  
(Flavoured capsule) -  
Nationwide launch

**Jan – Mar'15:**  
Dunhill core range  
LEPS

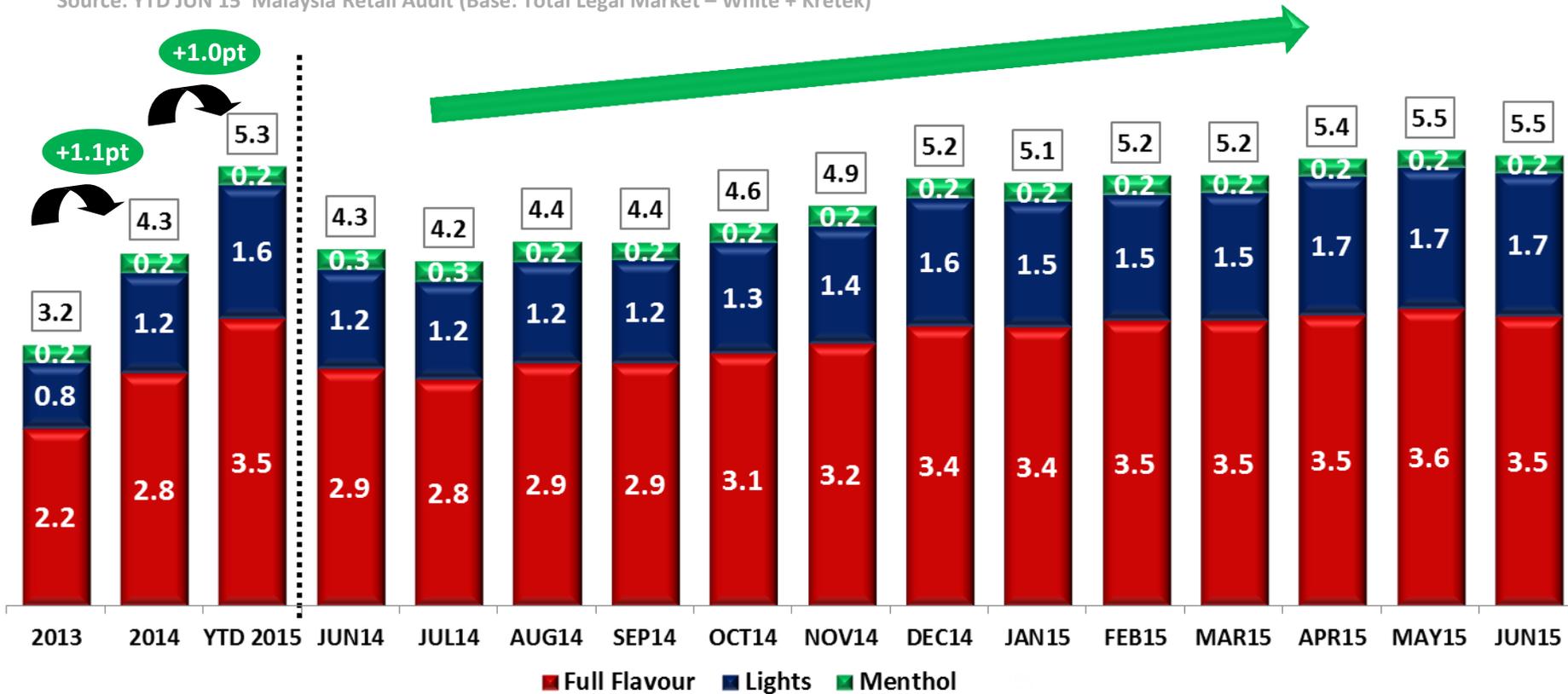
**May – June'15:**  
Capsule range LEP  
Packs

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

# Peter Stuyvesant: outstanding growth and currently at an all time high of 5.5% SOM



Source: YTD JUN 15 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)

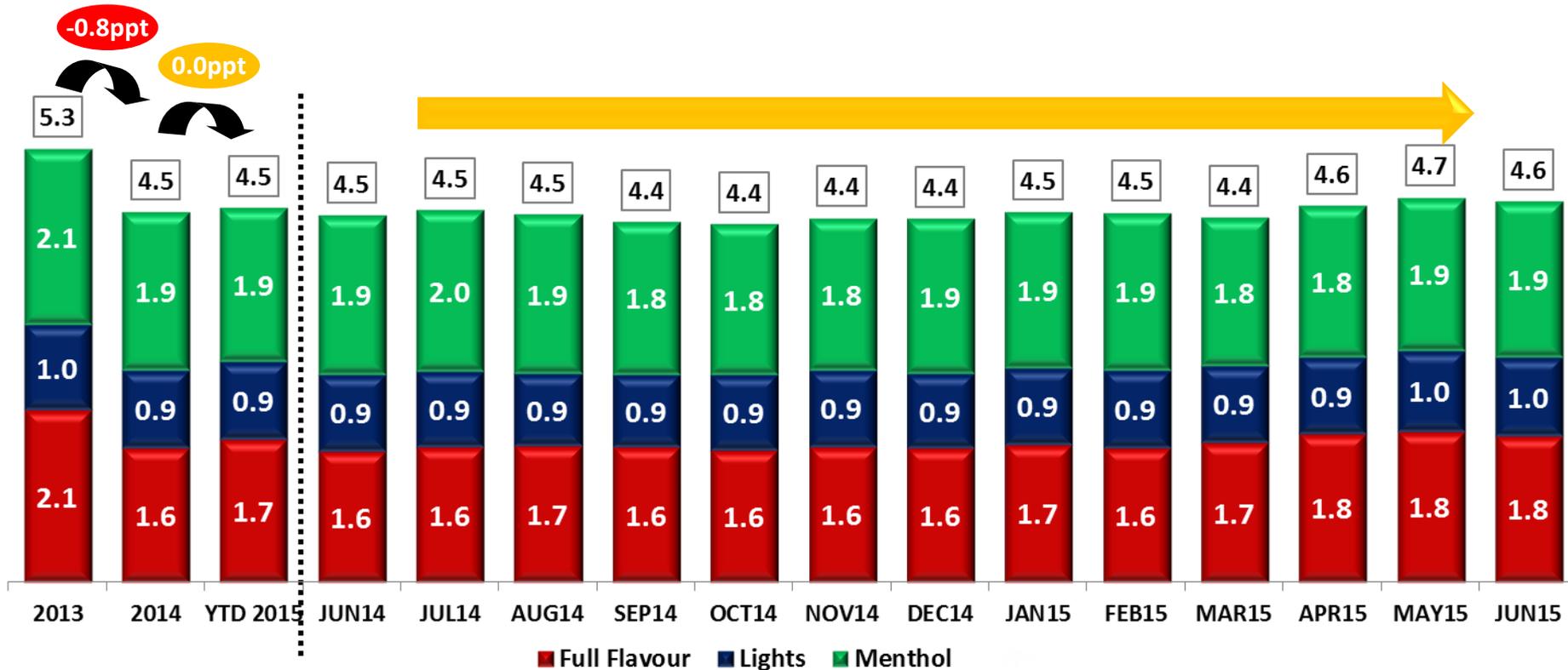


Produk ini mengandung lebih 4,000 bahan kimia termasuk tar, nikotina dan karbon monoksida yang membahayakan kesihatan.



# Pall Mall small gains in Q2 driven by all SKUs

Source: YTD JUN 15 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



**June – Sept'14**  
Introduction of reloc  
to Pall Mall SKUs.

**Mar 2015**  
Launch of Pall Mall XL

- Nationwide



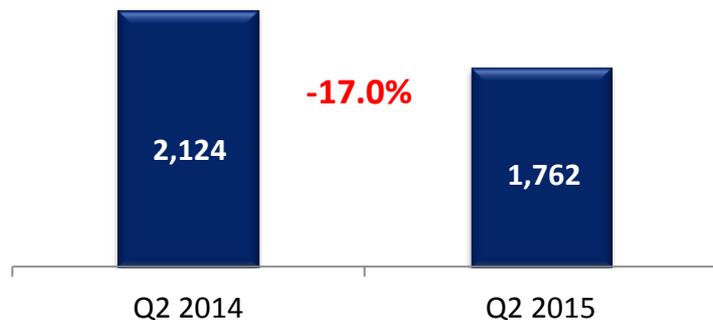
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# **Q2 2015 Results Financial Highlights**

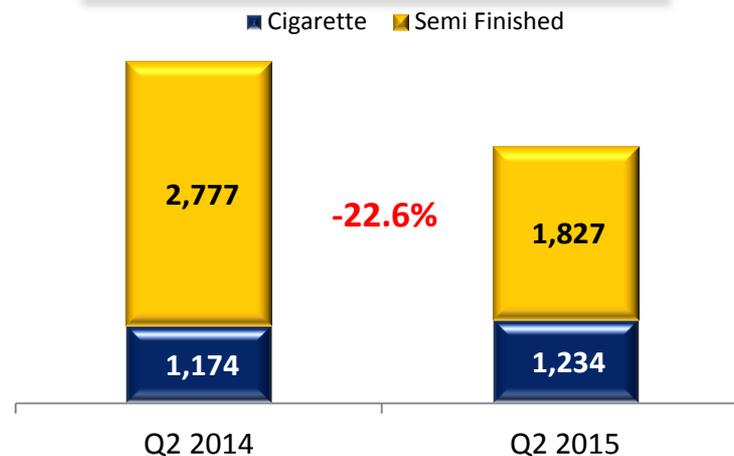


# Q2 Discrete: Key Metrics

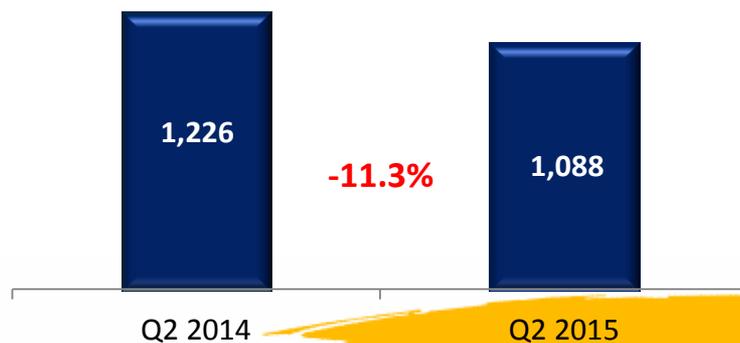
### Domestic & DF Volumes (mn sticks)



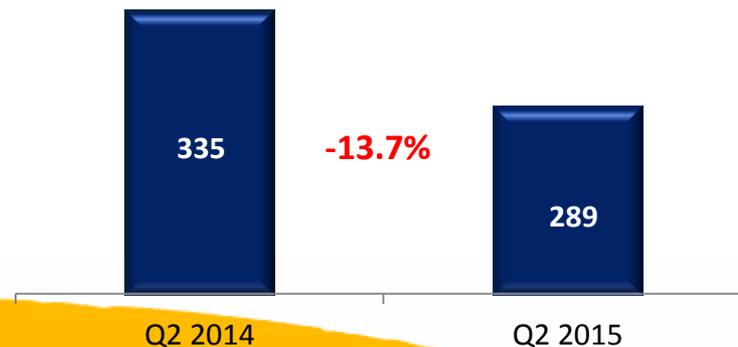
### Contract Manuf. volumes (mn sticks)



### Revenue (RM mn)



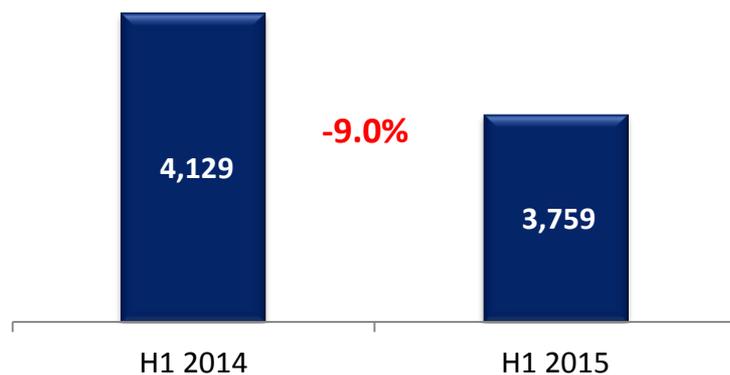
### Profit from Operations (RM mn)



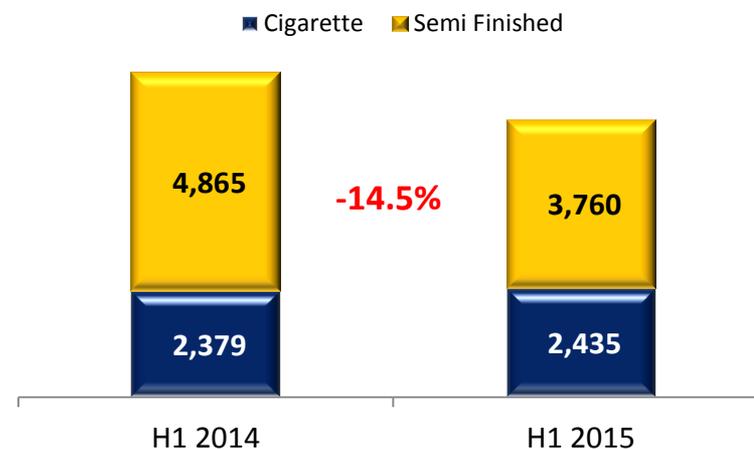


# H1 YTD: Volume and Revenue

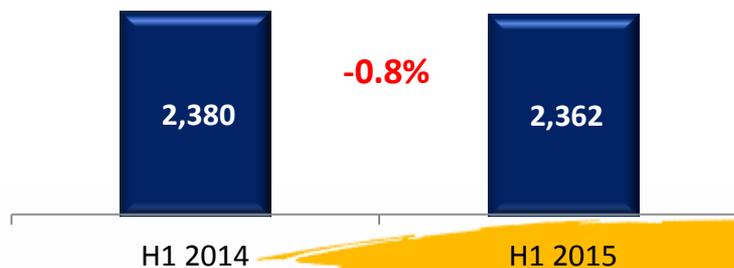
Domestic & DF Volumes (mn sticks)



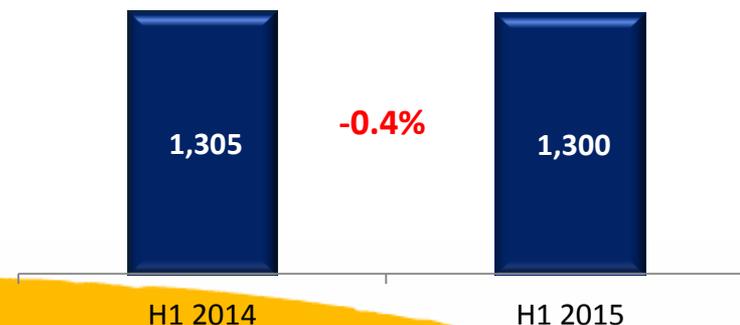
Contract Manuf. Volumes (mn sticks)



Revenue (RM mn)



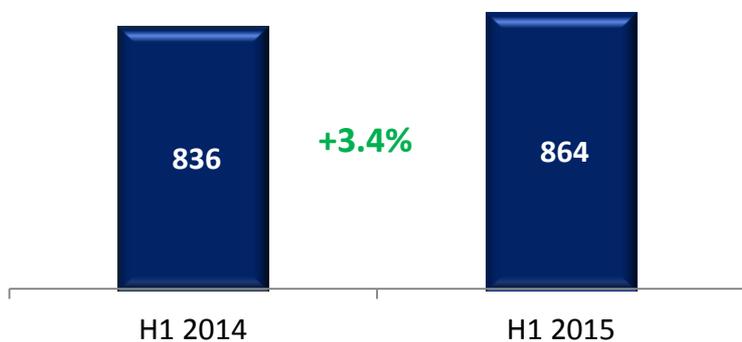
Net Turnover (RM mn)



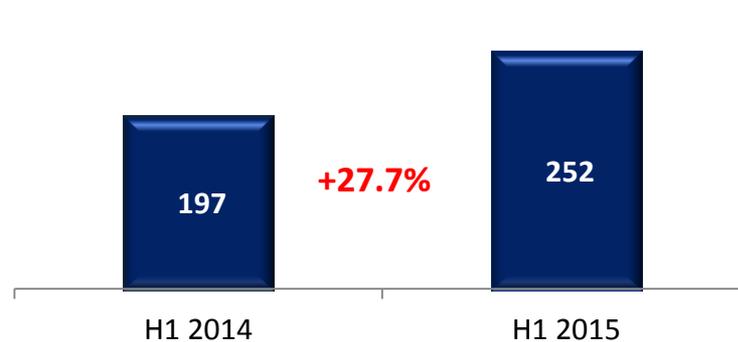


# H1 YTD: Key Metrics

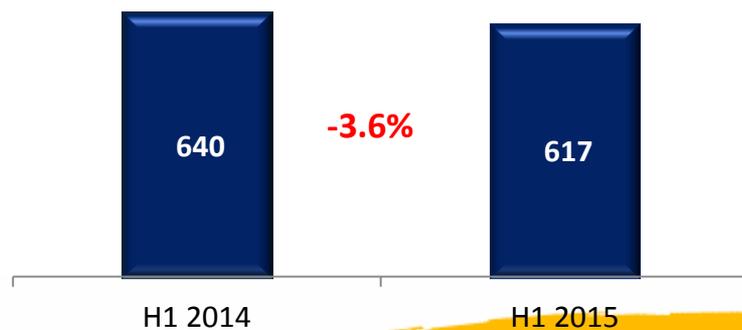
Gross Profit (RM mn)



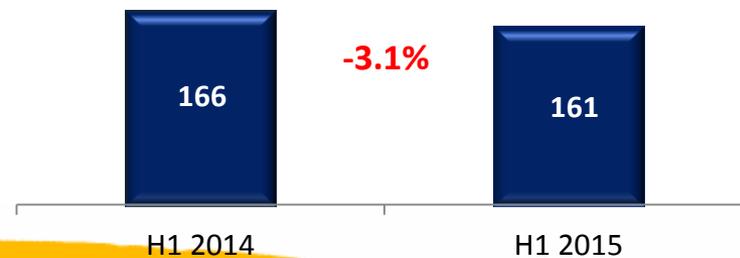
Operating Expenses (RM mn)



Profit from Operations (RM mn)



Earning per Share (Sen/share)



# Dividend Payout



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## 2013

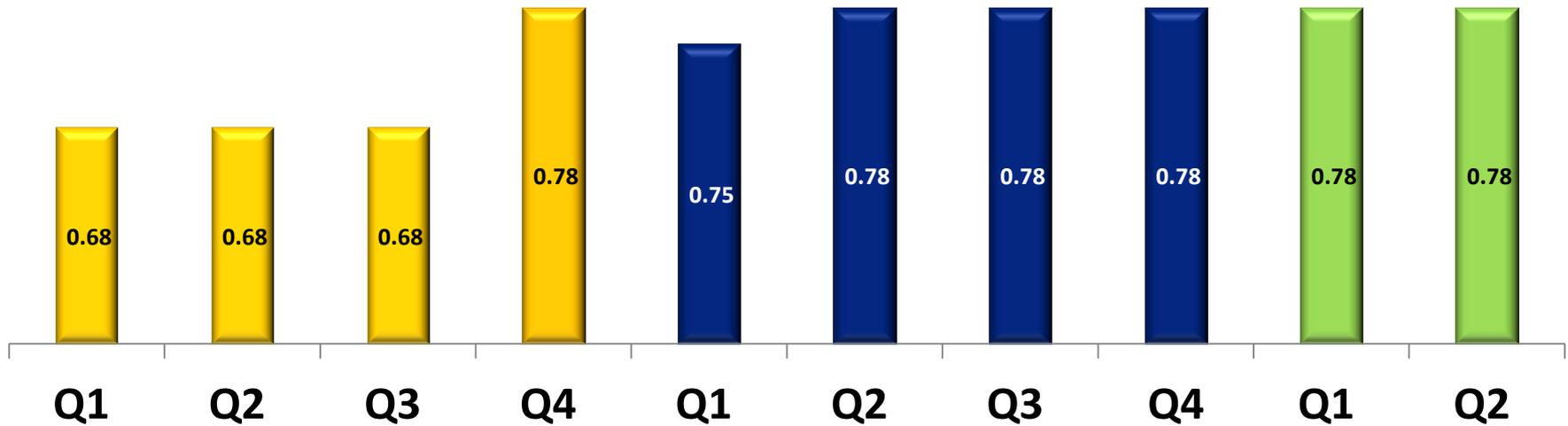
RM 2.82  
97.8% Payout

## 2014

RM 3.09  
97.8% Payout

## 2015

YTD





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# **Other Highlights**

# Corporate Responsibility Highlights

## Environmental Responsibility: Introduction of Hybrid vehicles

- In conjunction with World Environment Day, BAT Malaysia announced the introduction of Hybrid vehicles to our fleet. By adding these Hybrid vehicles, we will not just achieve less fossil fuel consumption but it will also go a long way in helping to reduce our carbon footprint.



## Workplace Responsibility: First Aid & CPR Training

- BAT Malaysia organized its yearly First Aid & CPR Training for employees, facilitated by external trainers.
- Training is part of our continuous efforts to improve safety in the workplace.



# External Recognition

## Best Candidate Experience 2015 and Best Recruitment Evaluation Technique 2015

- We are pleased to announce that BAT Malaysia has received 2 GOLD awards for both 'Best Candidate Experience' and 'Best Recruitment Evaluation Technique' at the Asia Recruitment Awards ceremony held on 12th May 2015.





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**THANK YOU**