



**BRITISH AMERICAN
TOBACCO**
MALAYSIA

Analyst Briefing QUARTER 3, 2015

October 2015



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AGENDA

- **Industry Review**
- **Company Review**
- **Q3 2015 Performance**
- **Other Highlights**

Q3 2015 Headlines

- Weak market sentiments continue into Q3
- Legal industry volumes under pressure: decline of 10.0% Aug. YTD vs. same period of last year
- Illicit trade: illegal cigarettes demand is still high at 33.7% as a result of weaker customer sentiment post GST introduction
- Strong Group's Market Share momentum:
 - BAT registered historical market share reading in August 2015 (63.1%)
 - BAT market share YTD Aug'15: 62.0% (+0.8ppt vs. FY2014)
 - Dunhill: remains solid and shows strong performance since February this year despite affordability pressures
 - Peter Stuyvesant: phenomenal growth reaching all time high of 5.7% in August.
- Financial Performance YTD vs. SPLY :
 - Revenue: decline of 1.9%
 - Profit from Operations: Flat at MYR 966m (recovering slightly from H1)



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Industry Review



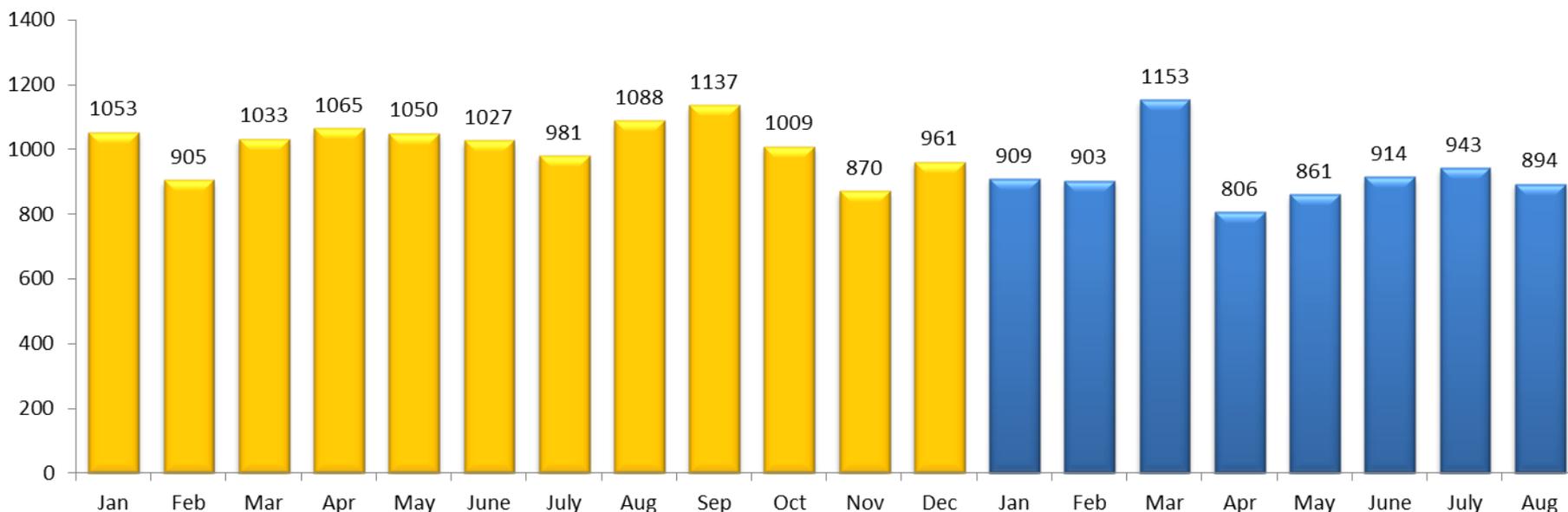
Market review update

YTD Aug'15, legal market declined **-10.0%** vs. SPLY

Volume softening due to prolonged GST impact

=> Affordability remains a concern under current environment

Big-3 IMS (mns)



YTD Aug'15 vs. SPLY:

Monthly Avg.	YTD Aug'14	YTD Aug'15	Change
Industry	1025	923	-10.0%
BAT	645	581	-9.9%

Weaker consumer sentiment post GST introduction resulted in illegal cigarettes incidence being still high despite robust enforcement actions



Enhanced Customs enforcement at retail points & deterrent penalties

Outlets raided
1,485
Retailers arrested
454
Retailers jailed/fined
377

Source : Customs Putrajaya, Jan – Jun 2015



MACC enforcement action against smugglers

Customs continues with its robust enforcement activities at retail point in H2 2015



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**ENFORCEMENT
@ Retail Point**

**DETERRENT
PENALTIES**



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 Subaiti said, they seized contraband goods worth RM1.6 million with unpaid duties totaling RM4.2 million from January to April 2015.

"Most of the contraband goods seized were cigarettes and liquor," he told reporters after launching Ops Pasak here yesterday.

Consumers can report retailers selling illicit cigarettes



<p>Humban dalam jel</p> <p>■ Pemilik rokok seludup gagal bayar denda RM59,000 dipenjarakan 24 bulan</p> <p>■ SAMUDERAN ditangkap berhubung membabitkan 10,000 batang rokok seludup</p> <p>■ ROHANISAH dipenjarakan tiga bulan</p> <p>Junior Metro - 23 Mar 2015</p>	<p>Customs seizing assets of those involved in illegal ciggies trade</p> <p>'Under the Customs Act 1967, vehicles used to transport or store illegal cigarettes can be confiscated'</p> <p>"We never hesitated" - the department was also pushing for jail to be mandatory for offenders involved in smuggling, distributing and selling illegal cigarettes.</p> <p>The Star - 17 Jun 2015</p>
<p>Dijel 21 hari jual rokok seludup</p> <p>■ JANTARA rokok seludup bernilai RM5 juta yang dirampas di Kota Bharu.</p> <p>Junior Metro Selangor - 3 Mar 2015</p>	<p>持續打擊 接連取締 害人私煙無處逃</p> <p>生輝雜貨店業者(坐者)故作鎮定，最後還是逃不過執法人員取締。</p> <p>Click Press - 27 Januari 2015</p>
<p>6 dipenjarakan akibat jual rokok seludup</p> <p>■ Semua tertuduh dituduh menerusi Op Pasak dilancarkan KDRM</p> <p>■ WR BN Alifan telah ditit Bahkambah Mugerin, Kuching, Sarawak, yang menjual rokok seludup</p> <p>Berita Harian Nasional - 13 Mar 2015</p>	<p>Customs snuff out over one billion illegal cigarettes in three months</p> <p>Franklin Seah Customs officers checking some of the illegal cigarettes seized during the last of the quality check in Jalan Saka.</p> <p>— JACOB, SARAWAK EXPRESS / The Star</p> <p>The Star - 11 April 2015</p>
<p>Berdepan denda RM2.6 juta</p> <p>■ Lelaki dituduh simpan 256,252 batang rokok tidak sah</p> <p>Junior Metro Selangor - 2 Mar 2015</p>	<p>Rekod jenayah seludup rokok kekal</p> <ul style="list-style-type: none"> Rekod jenayah seludup membabitkan agensi rokok seludup. Berdasarkan jalur bagi amaran melalui urusan harian. MEDI rekod jenayah dilantik sebagai helikopter bantuan. <p>REKOD KEKAL SEPANJANG HAYAT</p> <p>Berita Harian Nasional - 2 Mar 2015</p>

And also with robust enforcement actions at smuggling points



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ENFORCEMENT @ Smuggling Point

REWARDS FOR INFORMANT

KLIA Customs foil RM4m cigarettes smuggling attempt



KLIA Customs director, Datuk Chik Omar Chik Lim (2nd left) shows the seized cigarettes at a press conference at the KLIA Customs Enforcement Complex yesterday. Also present were KLIA Customs Enforcement and Compliance Deputy Director, Yusof Talib (right) and Chairman of KLIA Customs Enforcement Division, Zahari Abdulhalim (left). PHOTO: BERNAMA

Informants a big help to Customs Department



Customs lighting a fire on a pile of contraband cigarettes as a symbolic launching of 'Ops Pekat'.

Customs paid RM500,000 to informers to combat smuggling

Kelantan Customs seize smuggled fags worth RM1.8mil

TUMPAT: The Kelantan Customs Department seized three boats laden with 30 boxes of white cigarettes worth RM1.8 million on the banks of the Pulau Tokang river here last Sunday.

More Malaysians nabbed for smuggling tobacco products

By NELSON BENJAMIN
nelson@thestar.com.my

JOHOR BAHRU: At least four Malaysians were detained for allegedly trying to smuggle contraband cigarettes and chewing tobacco worth S\$795,000.

said that he was not surprised about the increase in smuggling activities due to the weakening ringgit.
"A pack of cigarettes in Singapore costs between S\$13 (RM36.40) and S\$18 (RM50.60).
"So there are huge profits to be made due to the higher exchange rate."

Million\$ from being a snitch

Man gets huge rewards for tipping off Customs
A Customs Department informant is making big money by being a snitch, it was revealed in a report by the Singaporean press.
"I was recruited as an alcohol and cigarette smuggling case," he was quoted as saying.
"That," he said, "was the target." "Throughout the years, I have made millions of dollars from the sale of alcohol," he said.
"I was recruited as an informant to help the Customs and Excise Department to combat smuggling activities in the Customs and Excise Department," he said.
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Standing her ground: She will not be appearing 'off-panel' in court.



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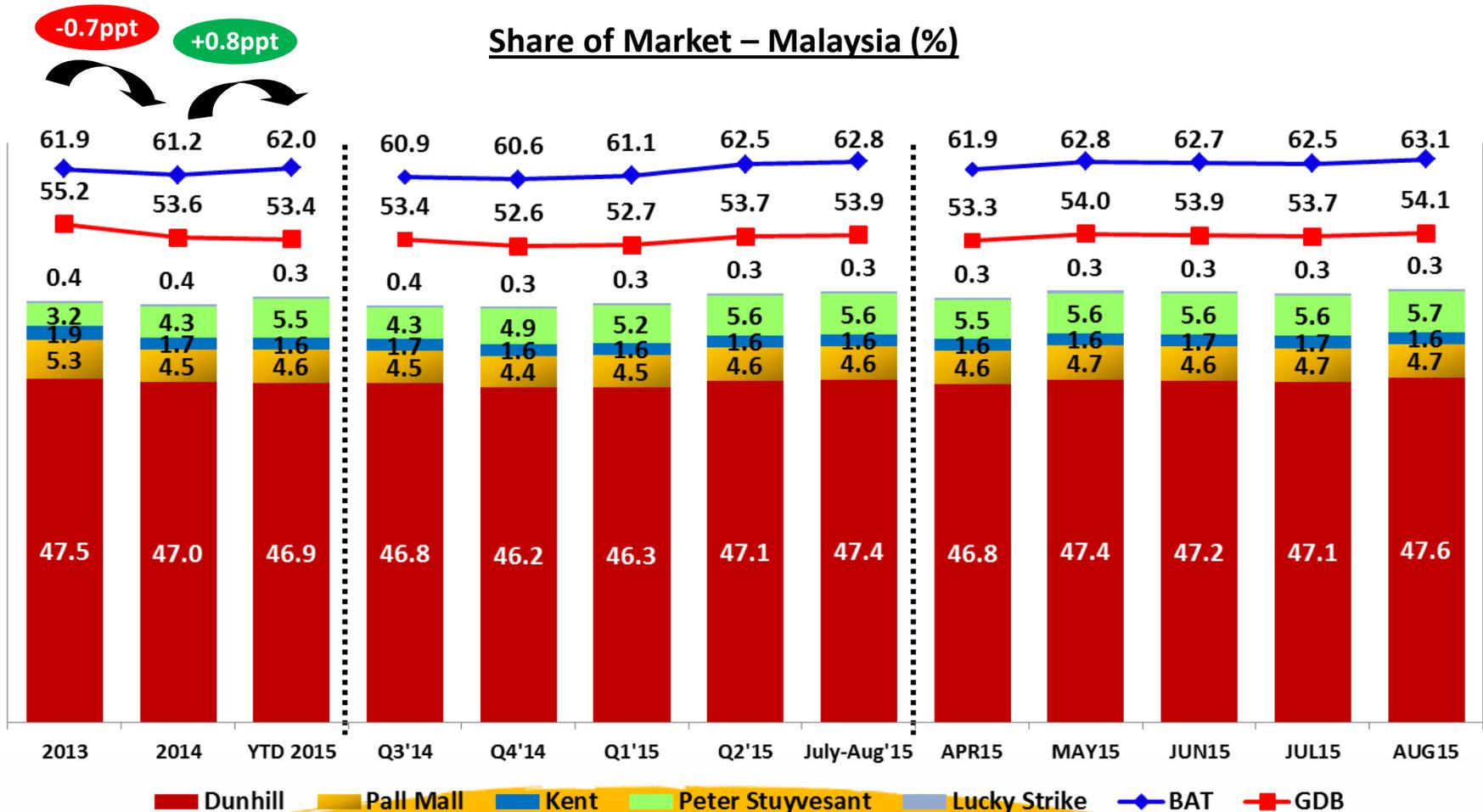
Company Review



BATM Share of Market

Historical market share record in August 2015

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

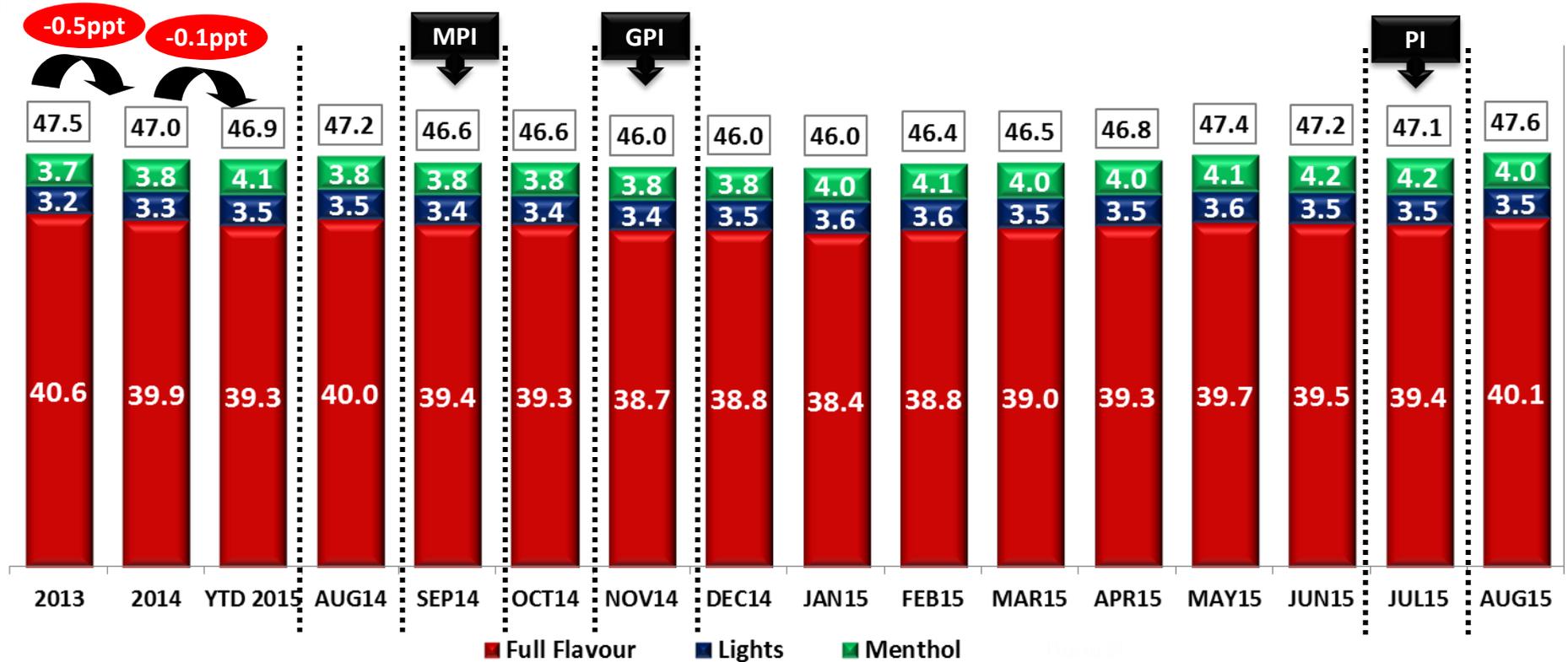


Dunhill on an increasing trend post GST implementation



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



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

Jan – Mar'15:
Dunhill core range LEPS

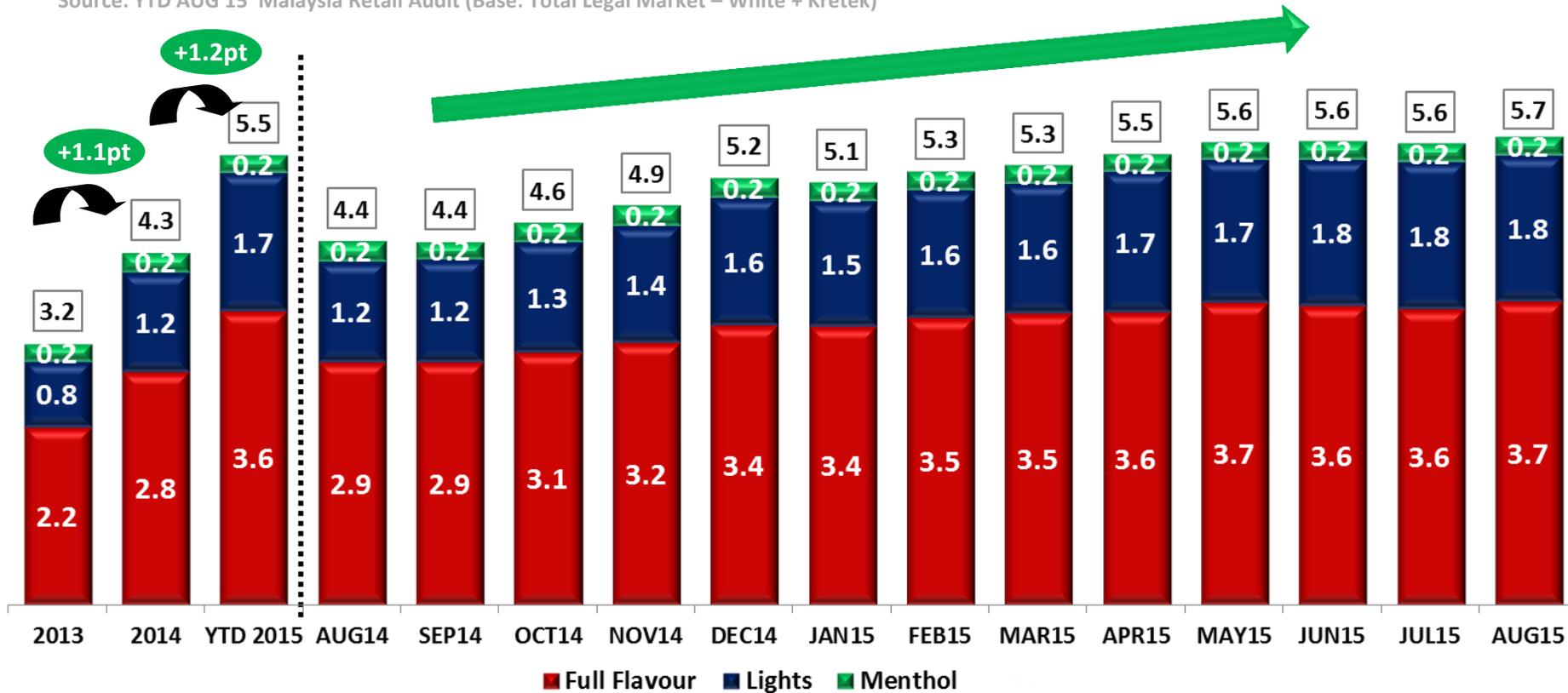
May – June'15:
Capsule range LEP Packs

Aug 2015
Launch of DH Mix (Double Capsule) - Nationwide launch

Peter Stuyvesant: continues strong momentum and reached 5.7% SOM



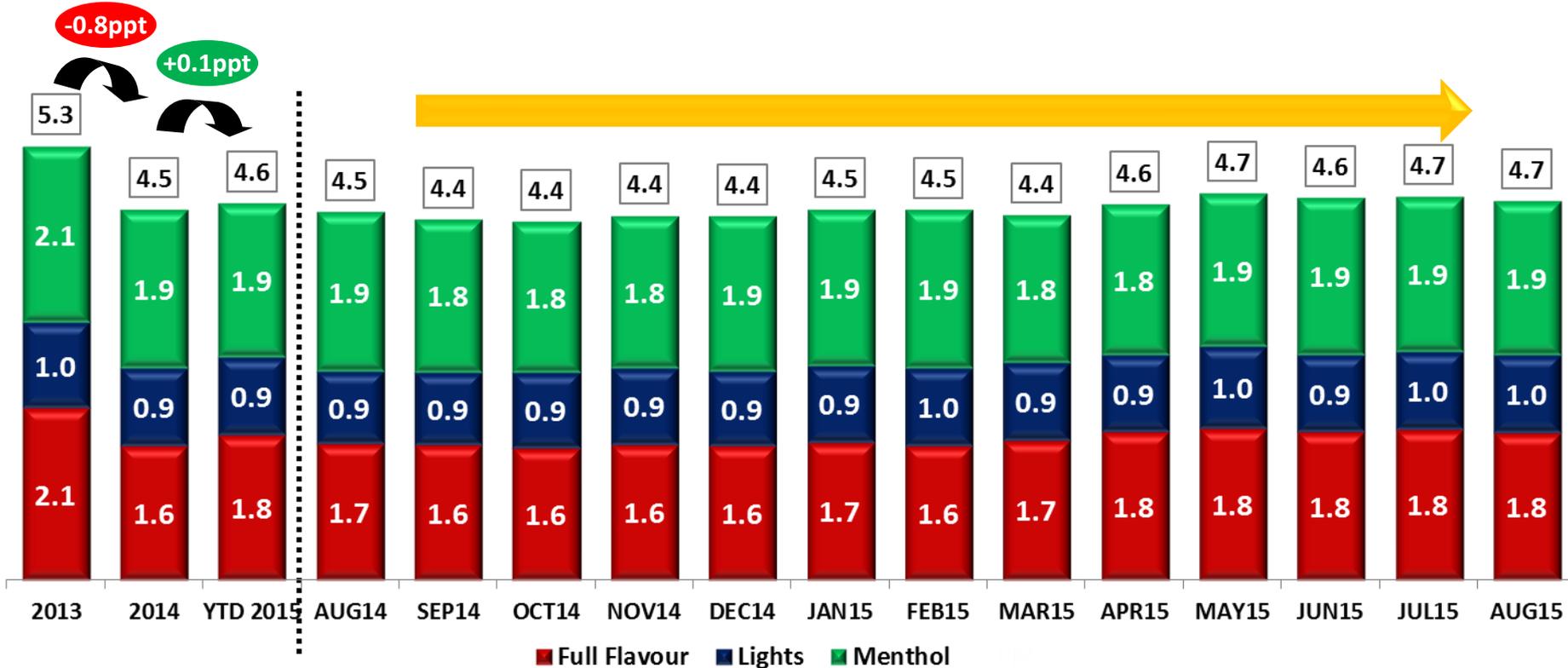
Source: YTD AUG 15 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



Pall Mall over 5 months of stable share and recording positive performance vs. FY 2014



Source: YTD AUG 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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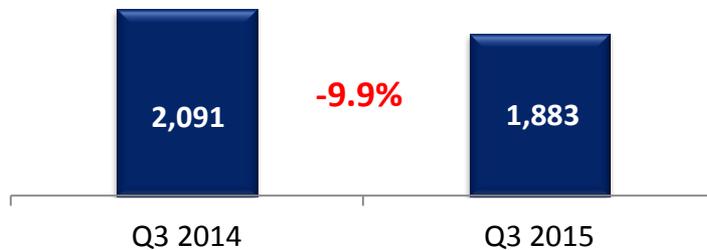
Q3 2015 Results Financial Highlights

Q3 Discrete: Key Metrics

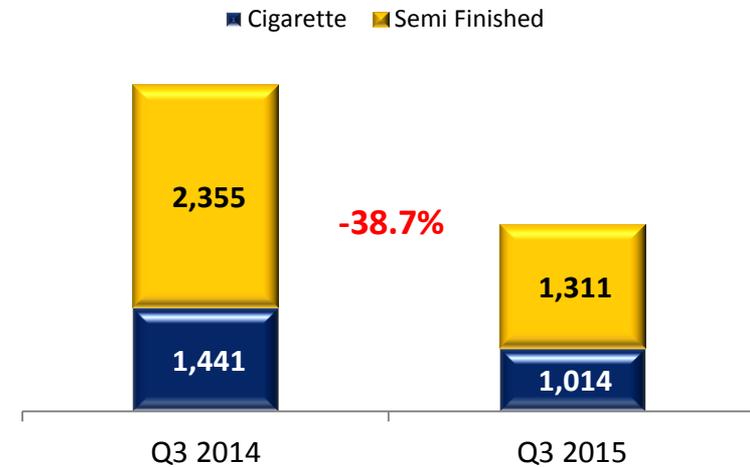


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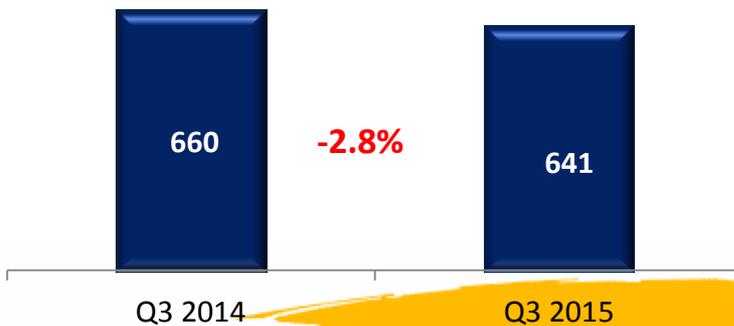
Domestic & DF Volumes (mn stick)



Contract Manufacturing Volumes (mn stick)



Net Turnover (RM'mn)



Profit from Operation (RM'mn)

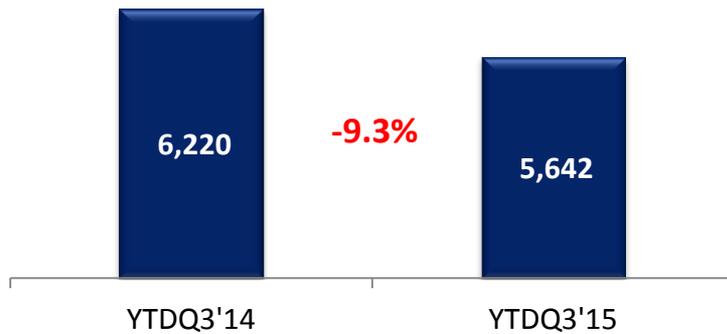


Q3 YTD: Volume and Revenue

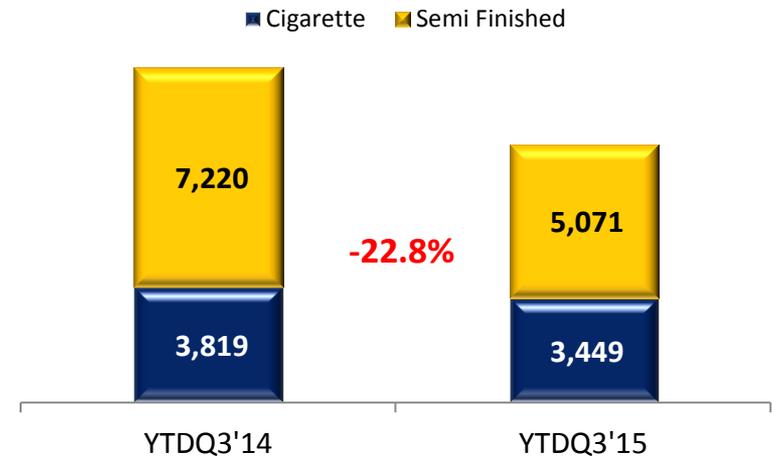


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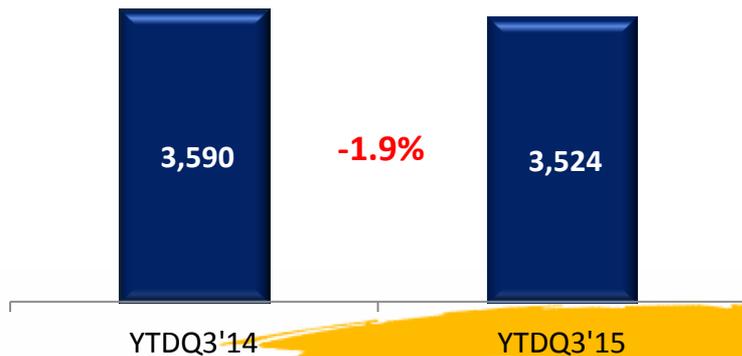
Domestic & DF Volumes (mn stick)



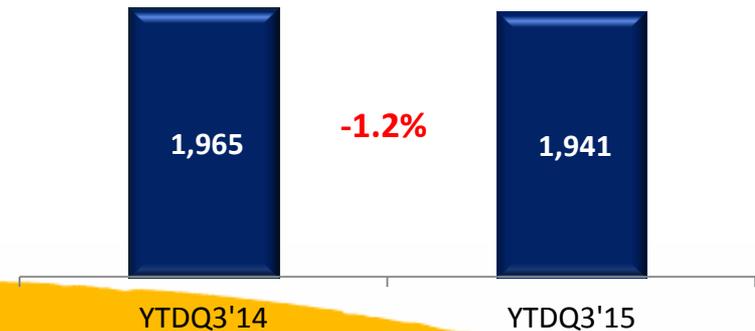
Contract Manufacturing Volumes (mn stick)



Revenue (RM'mn)



Net Turnover (RM'mn)



Q3 YTD: Key Metrics

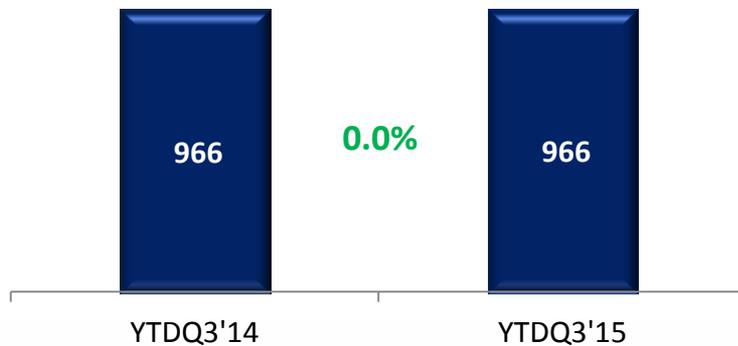
Gross Profit (RM'mn)



Operating Expenses (RM'mn)



Profit from Operation (RM'mn)



Earning per Share (Sen/share)



Dividend Payout



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2013

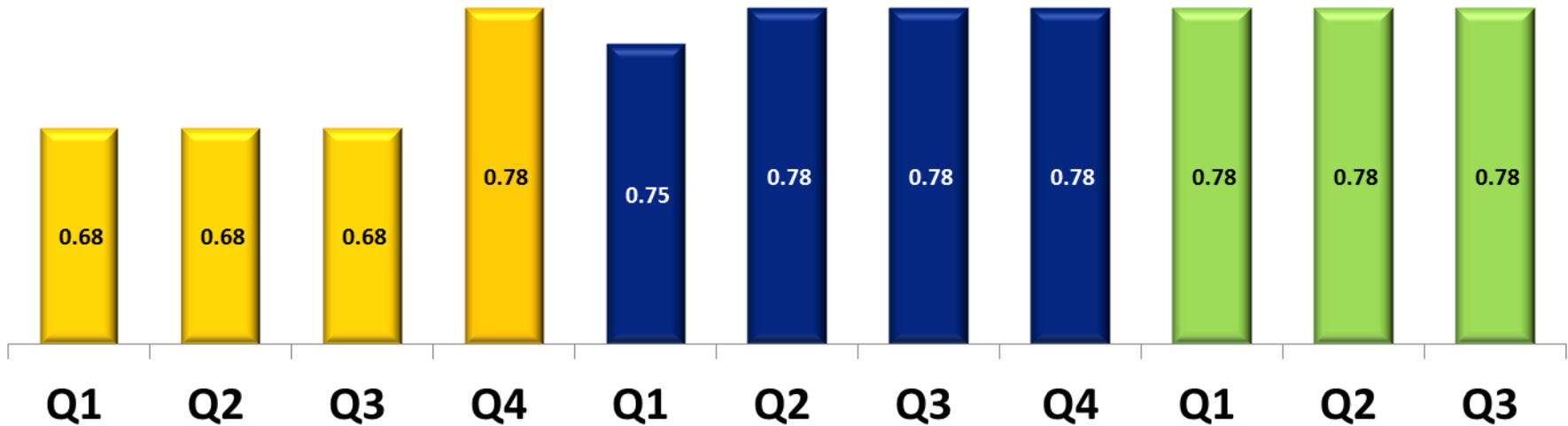
RM 2.82
97.8% Payout

2014

RM 3.09
97.8% Payout

2015

YTD





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Other Highlights

External Recognition

HR Excellence Awards 2015

- We are pleased to announce that at the recent 'HR Excellence Awards 2015', British American Tobacco Malaysia bagged eight coveted awards in various categories, setting new benchmarks as one of the top performers in the HR industry.
- British American Tobacco Malaysia became a proud recipient of the following awards:
 - Excellence in Talent Management (Gold)
 - Excellence in Employee Engagement (Gold)
 - Excellence in Employer Branding (Silver)
 - Excellence in Recruitment & Retention Strategy (Silver)
 - Excellence in Innovative Use of HR Technology (Silver)
 - Excellence in Employee Development (Silver)
 - Excellence in Leadership Development (Bronze)
 - Excellence in Graduate Development (Bronze)



External Recognition

FMM Pioneer Members Award

We are extremely pleased to receive the Pioneer Members Award “Tribute to Selangor Members of 45 years & above’ from the Federation of Malaysian Manufacturers Selangor Branch as a recognition of our longstanding membership with them.



External Recognition

The Edge Billion Ringgit Club Awards 2015

- Most Profitable Company in **Consumer Products Sector** (6th consecutive year)





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THANK YOU