



**BRITISH AMERICAN  
TOBACCO**  
MALAYSIA

# **Analyst Briefing QUARTER 4, 2015**

February 2016

# AGENDA

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



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# 2015 Headlines

- **Financial Performance** negatively impacted by volume decline:
  - Revenue: - 4.5%
  - Profit from Operations: + 0.5%
- **Legal Industry volumes** declined by -13.6% vs. 2014
  - Heavily impacted by weak consumer sentiments after GST implementation and by the excise led price increase in November 2015
- **Illegal cigarettes** impacting legal demand despite robust enforcement actions by Royal Malaysian Customs.
- BAT strong **market share** performance reaching 62.1% (+0.9ppt vs. FY2014) :
  - Dunhill: remains resilient despite downtrading pressures
  - Peter Stuyvesant: continues phenomenal growth trend



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# **Industry Review**

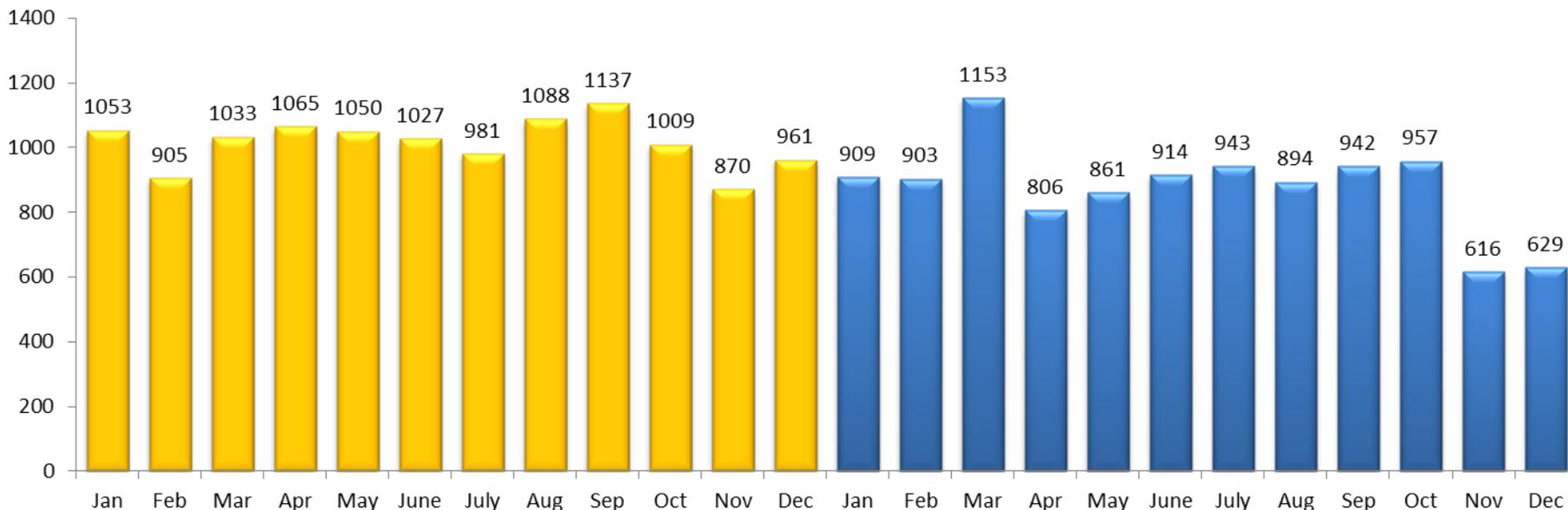


# Market review update

FY2015, legal market declined **-13.6%** vs. SPLY

Volume severely impacted by softer market after GST implementation and the excise led price increase in November'15.

Big-3 IMS (mns)



## FY2015 vs. SPLY:

Monthly Avg.	FY2014	FY2015	Change
Industry	1015	877	-13.6%
BAT	639	553	-13.5%

Source : In-Market Sales (Sales to retail outlets) & not Excise/Invoice Data

# Weaker consumer sentiment post GST introduction resulted in the increase for demand of illegal cigarettes despite robust enforcement action by Customs



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Enhanced Customs enforcement at retail points & deterrent penalties

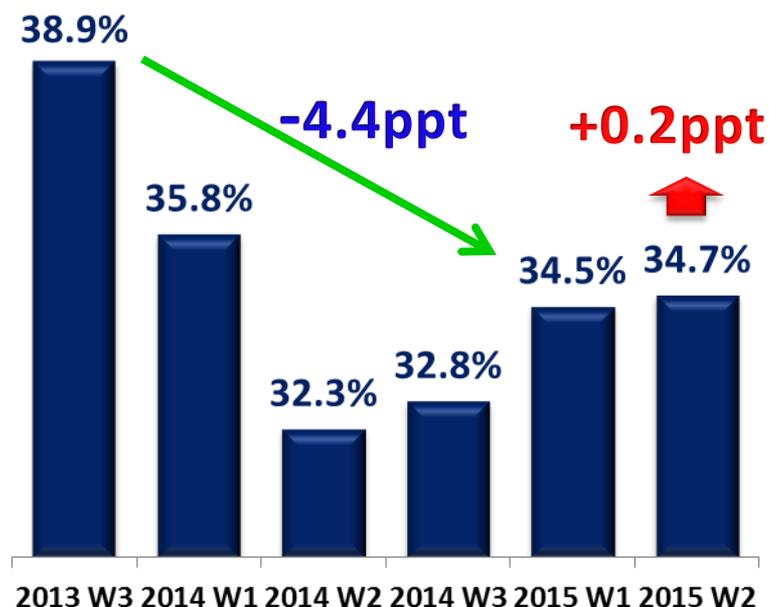
Retailer charged in court  
**1,994**

Retailers jailed  
**593**

Retailers fined in court  
**RM 12.24 mn**



Consumer & Retailer Awareness Heightened



illicit incidence\* up by 0.2 ppt

\*Illicit Cigarette Study, Wave 2, Jun-Aug 2015

# Continuous effort by RMC to fight illegal cigarettes



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**Enhance FEAR FACTOR** among retailers through OPS Outlet version 3.0  
**Prosecute the Owners** of outlets that sell illegal cigs with **heavier punishments**

**LAPORKAN  
JUALAN ROKOK  
ATAU ARAK SELUDUP**

BARANGAN SELUDUP

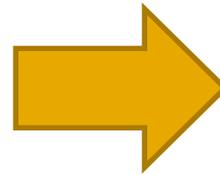
**JANGAN JUAL ATAU BELI ROKOK DAN ARAK SELUDUP**

\*Sekyen 135(1)(b) 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。  
அதிகப்படும் தண்டனை: 3 ஆண்டுகள் சிறை அல்லது பொருளின் மதிப்பில் 20 மடங்கு அபராதம் அல்லது இரண்டுமே விதிக்கப்படலாம்.

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

## OPS OUTLET version 2.0 2015

• No. of retailers jailed & fined : 612



TOLERANSI SIFAR ROKOK SELUDUP/KONTRABAN

JANGAN JUAL  
ROKOK  
SELUDUP  
/KONTRABAN

**AWAS!**

• **JIKA ANDA DIDAPATI MEMILIKI, MENGEDAR, BERURUSAN DAN MENJUAL ROKOK SELUDUP/KONTRABAN**

- Anda boleh ditangkap, direman dan didakwa di bawah Akta Kastam, 1967.
- Anda boleh ditangkap, direman dan didakwa di bawah Akta ATIPSOM, 2007.
- Lesen perniagaan anda boleh dibatalkan oleh Pihak Berkuasa Tempatan.
- Pekerja asing yang terlibat boleh didakwa dan diusir keluar dari negara Malaysia.
- 您有可能在1967年海關法令下被逮捕、拘留及控。
- 您有可能在2007年反走私人口和反移民法法令下被逮捕、拘留及控。
- 您的商業執照有可能被當地執法單位撤銷。
- 涉及的外籍員工可被驅逐出境并驅逐出境馬來西亞。

**STATISTIK OPERASI OUTLET 2014 DAN 2015**

• Bilangan Yang Didakwa: 1,994 orang • Bilangan Yang Dipenjarakan: 593 orang  
• Hukuman Penjara Yang Dikenakan: 1 hari hingga 265 hari • Denda Mahkamah: RM12.24 juta

**LAPORKAN!**  
1-800-88-8855  
JABATAN KASTAM DIRAJA MALAYSIA

## OPS OUTLET version 3.0 2016

• Launch by RMC on 18<sup>th</sup> Jan 2016

# Key Messages to Retailers by RMC

Press Conference Launch , 18 Jan 2016

Heavier punishment to business owners selling contraband cigarettes



- (1) You will be arrested, remanded and charged in court under Customs Act 1967**
- (2) You will be arrested, remanded and charged in court under Anti-trafficking In Persons and Anti-smuggling of Migrants Act (ATIPSOM) 2007**
- (3) Municipal Councils may revoke your business license**
- (4) Your foreign workers will be deported back to their home country**

**Note:**

**Item #2 and #4 above are to address retailers who employed foreign workers to sell illegal cigs**



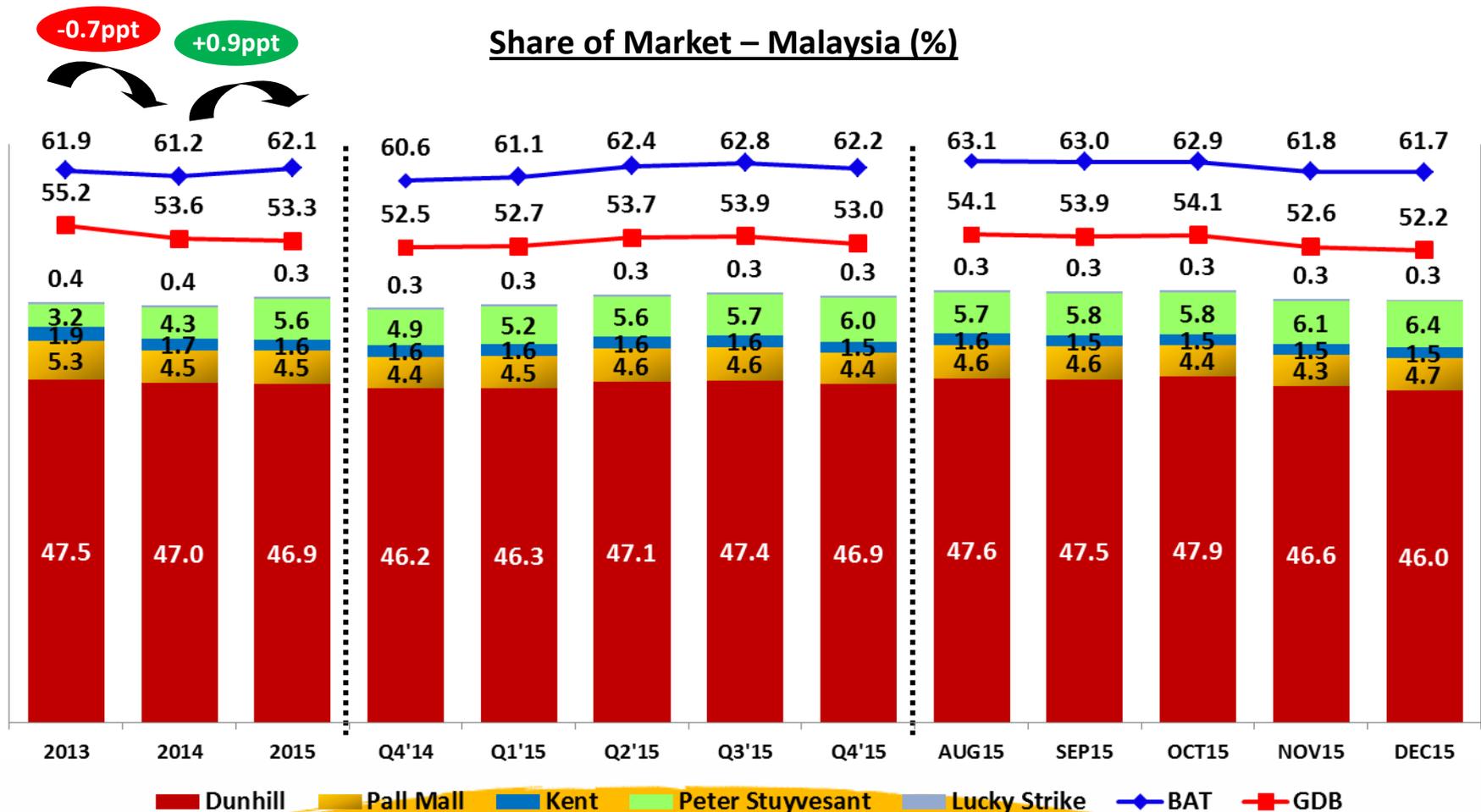
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# **Company Review**



# In 2015 BAT recorded strong share gain of +0.9ppt vs. previous year despite sharp decline in November after price increase

Source: YTD DEC15 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



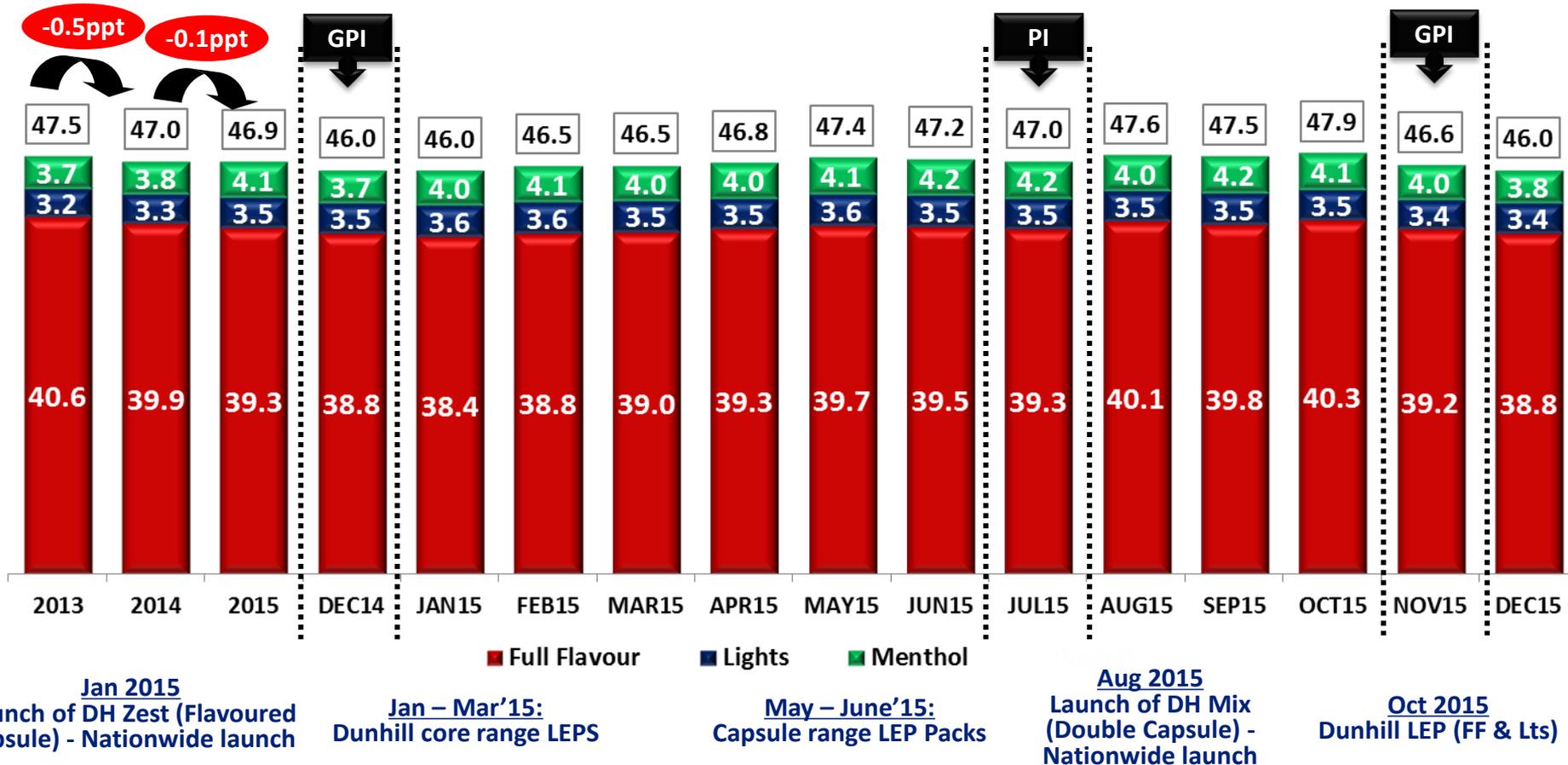
# Very strong Dunhill performance in a downtrading environment

## Facing headwinds after Nov. price increase



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

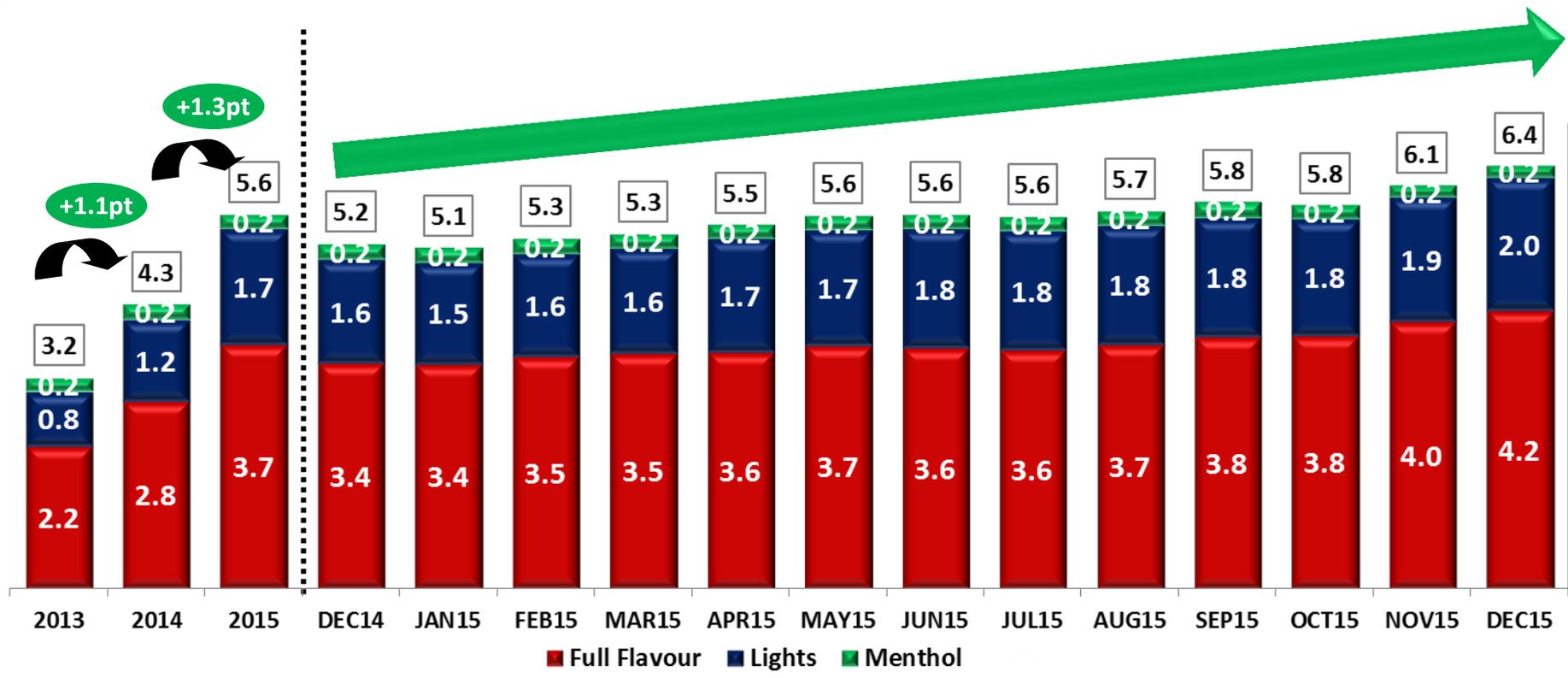




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# Peter Stuyvesant recorded a gain of +1.3ppt FY2015 vs. SPLY Currently at 6.4% SOM in the month of Dec'15

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



Nov'15:  
New Line  
Extension

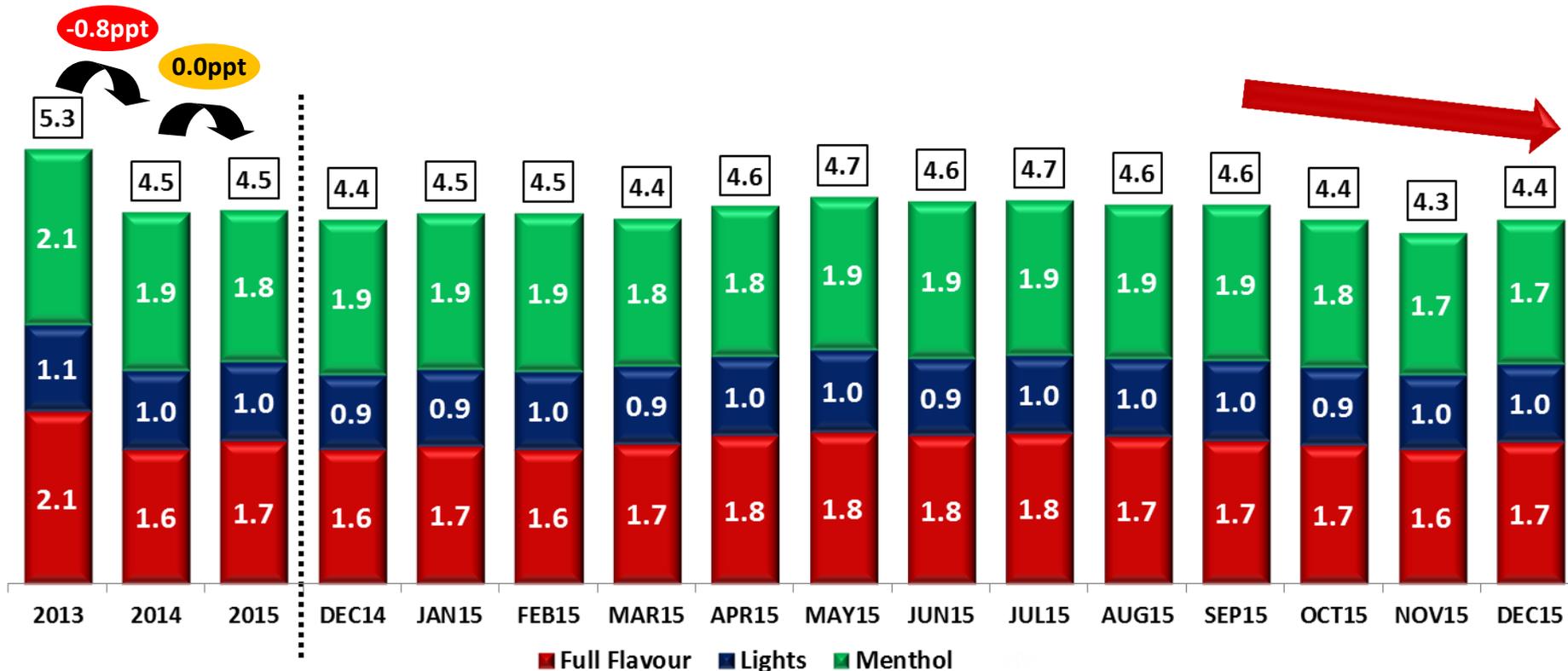


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# Pall Mall remains stable FY2015 vs. SPLY

## Decline noted in the recent months driven by menthol

Source: YTD DEC15 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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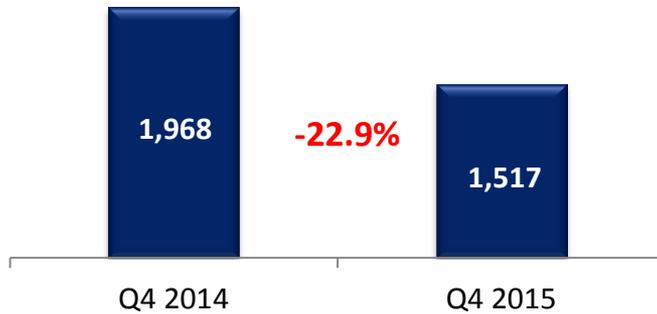
# **2015 Performance**

# Q4 Discrete: Key Metrics

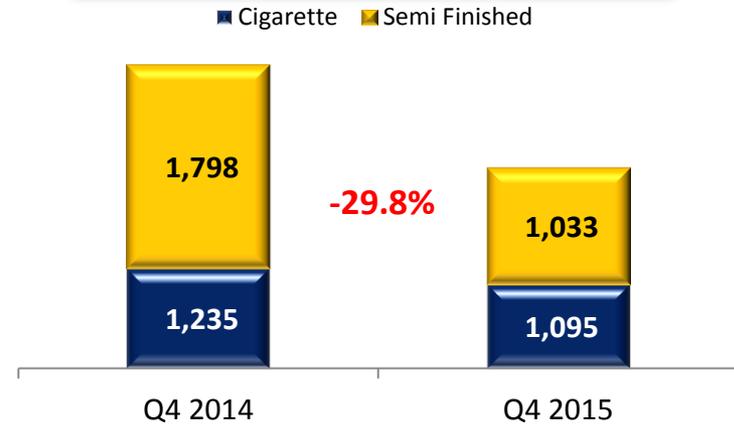


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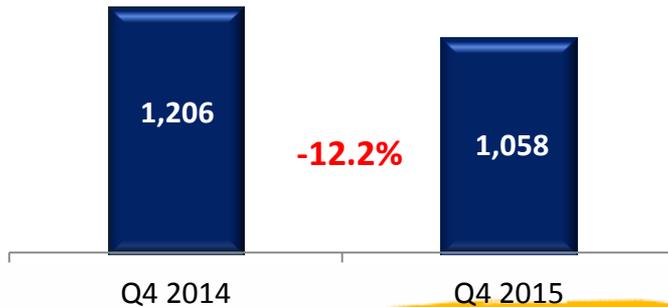
### Domestic & DF Volumes (mn stick)



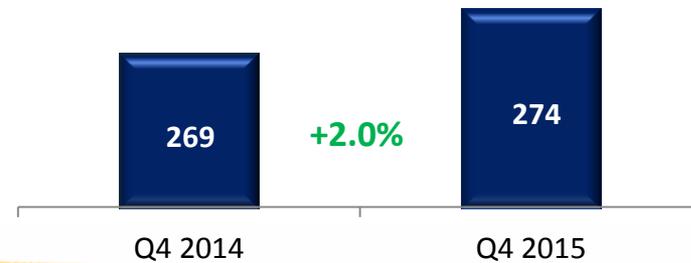
### Contract Manufacturing Volumes (mn stick)



### Revenue (RM'mn)



### Profit from Operation (RM'mn)

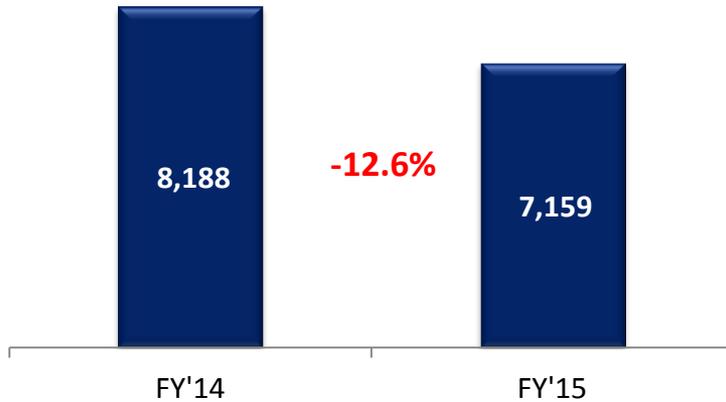


# 2015 Full Year: Volume and Revenue

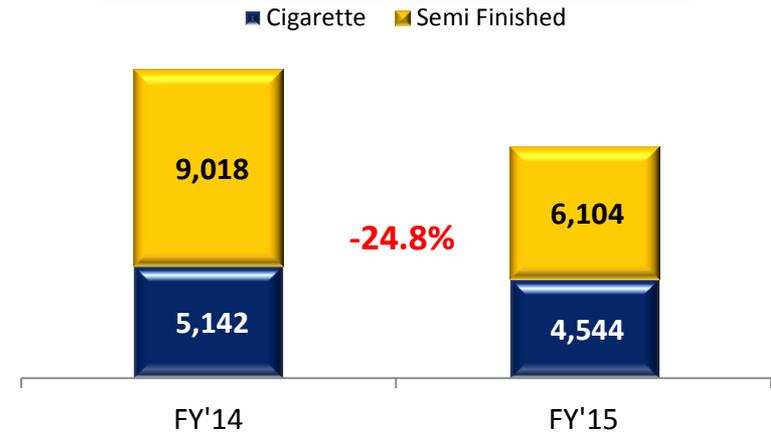


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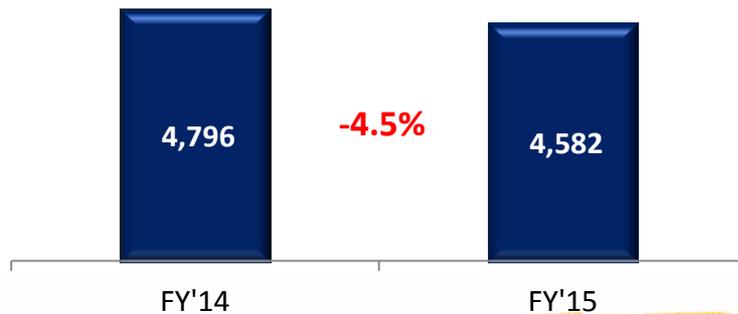
### Domestic & DF Volumes (mn stick)



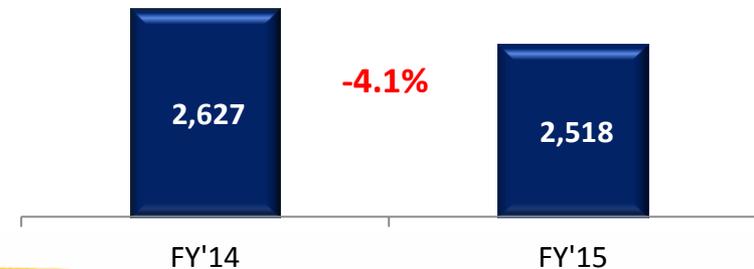
### Contract Manufacturing Volumes (mn stick)



### Revenue (RM'mn)



### Net Turnover (RM'mn)



# 2015 Full Year: Key Metrics



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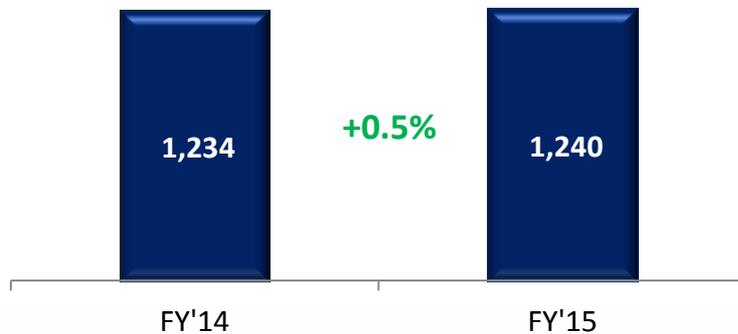
### Gross Profit (RM'mn)



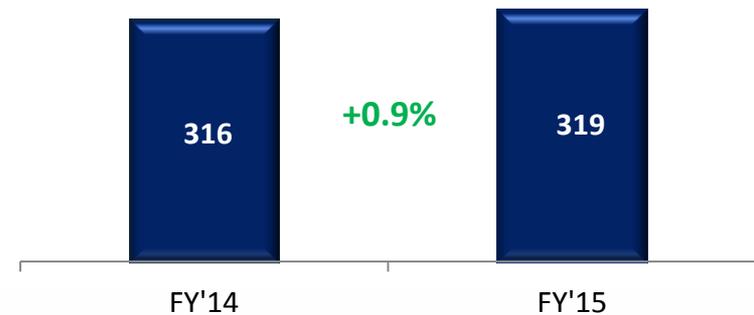
### Operating Expenses (RM'mn)



### Profit from Operation (RM'mn)



### Earning per Share (Sen/share)



# Dividend Payout



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## 2013

RM 2.82

97.8% Payout

## 2014

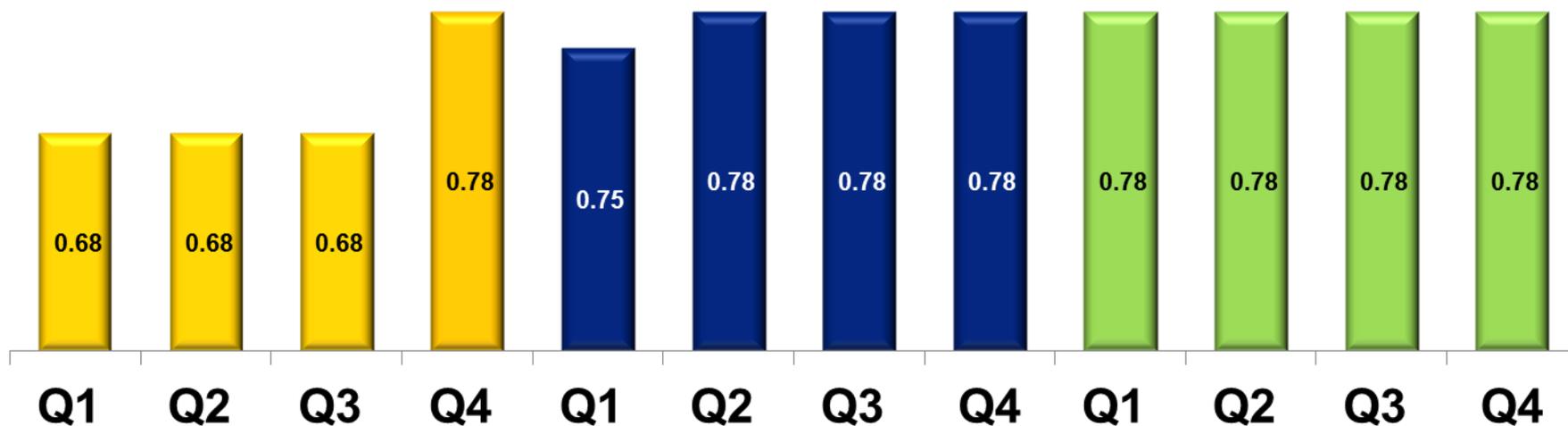
RM 3.09

97.8% Payout

## 2015

RM 3.12

98.0% Payout





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# **Other Highlights**

# External Recognition

## Malaysia HR Awards in partnership with JobStreet.com

- BAT Malaysia was recognised for its sustained and continuous commitment for the development of its human talents by the Malaysia HR Awards in partnership with JobStreet.com during an award ceremony held on October 29, 2015.
- From the 6 award categories presented, British American Tobacco Malaysia **became the proud recipient of the Silver Award for being an Employer of Choice**, setting new ranks as one of the top performers in the HR industry.



# External Recognition

## ACCA Malaysia Sustainability Reporting Awards 2015

- On 1<sup>st</sup> December, BAT Malaysia was recognised at the ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2015 for being **one of the top 20 organisations shortlisted for their 'Reporting within An Annual Report.'**



# External Recognition

## Building Trust Awards by PwC 2015

- A first in Malaysia, the Building Trust Awards assessed how Malaysian companies performed in their corporate reporting (via their annual reports) as well as how they are perceived in the eyes of their investors and customers. Where annual reports explain an organisation's view of the world, the public perception component of the methodology explains the world's view of the organisation, providing a more holistic assessment of these organisations' trust building efforts.
- British American Tobacco (Malaysia) Berhad was **recognised as one of the Top 10 public listed companies in Malaysia for their excellence in corporate reporting.**



# External Recognition

## MSWG-ASEAN Corporate Transparency Index, Findings and Recognition 2015 – The Malaysian Chapter.

- On 10th December, British American Tobacco Malaysia was recognised for its best corporate governance practices and was awarded the **Winner of CG Awards 2015 for Industry Excellence in the Consumer Services and Goods** category at the recent MSWG-ASEAN Corporate Transparency Index, Findings and Recognition 2015 – The Malaysian Chapter.
- Accorded by the Minority Shareholder Watchdog Group (MSWG), the ten-category awards strive to encourage and recognise public listed companies (PLCs) in their respective industries advocating best corporate governance practices including transparency and performance.





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**THANK YOU**