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BAT's cost measures help raise 4Q profit

by NUR HAZIQAH A MALEK

BRITISH American Tobacco (M) Bhd's (BAT) cost-based transformation initiative and business model were effective, and have enabled the cigarette maker to post a 43.59% year-on-year (YoY) increase in net profit to RM116.37 million or 40 sen earnings per share (EPS) for the fourth quarter ended Dec 31, 2018 (4Q18).

The company announced a 47 sen dividend for the quarter. BAT posted a net profit of RM81.04 million or EPS of 28 sen in 4Q17 when it announced a dividend of 43 sen.

BAT revenue for 4Q18 rose 12.52% YoY to RM770.62 million despite a challenging period with the re-introduc-

tion of the Sales and Services Tax (SST).

"Even with SST leading to the price increase, the company's results demonstrate our market leadership in executing sound strategic decisions that helped us retain market share, while driving growth where it matters," MD Erik Stoel said in a release yesterday.

He said the group was encouraged as the measures are being adopted to fight illegal trade.

BAT noted that the total industry legal volumes declined by 3.5% YoY in 2018 due to the high illegal cigarette trading.

BAT's volume saw a 4.6% YoY decline driven by geo-

graphical spread, affordability stretch and retailer capital outlay constraints. Hence, full-year revenue declined by 3.19% YoY to RM2.82 billion.

Stoel added that there is still more work to be done to turn the intention into sustained enforcement.

"We remain cautious that the illegal trade is still very big and the recent SST, which led to price increases, further widens the price disparity between legal and illegal cigarettes.

"Affordability pressure continues to be a key factor driving consumers to cheap illegal cigarettes. The newly introduced smoking ban at eateries, we expect, will have an impact of 1% to 2% on the legal indus-

try volumes," he added.

BAT posted a full-year net profit of RM468.53 million or RM1.64 EPS versus a net profit of RM492.64 million or EPS of RM172.5 it made in the financial year 2017 (FY17).

Full-year dividend amounted to RM1.55 a share versus RM1.69 sen in FY17.

Stoel said the group's business outlook is dependent on the government's success towards curbing the illegal trade of cigarette.

"The recovery of the legal tobacco market and the introduction of consistent policies on existing tobacco products and new categories like the Potentially Reduced Risk Products, will be important for 2019," he said.



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SUMMARIES

BRITISH American Tobacco (M) Bhd's (BAT) cost-based transformation initiative and business model were effective, and have enabled the cigarette maker to post a 43.59% year-on-year (YoY) increase in net profit to RM116.37 million or 40 sen earnings per share (EPS) for the fourth quarter ended Dec 31,2018 (4Q18). The company announced a 47 sen dividend for the quarter. BAT posted a net profit of RM81.