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## Illegal cigarettes eat into BAT's profit

**BRITISH** American Tobacco (M) Bhd's (BAT) net profit fell 7.9% year-on-year (YoY) to RM88.6 million for its first quarter ended March 31, 2019 (1Q19), due to the Sales and Services Tax (SST) implementation and illegal cigarettes being sold widely.

Revenue fell 2.6% YoY to RM625.95 million as a result of downtrading and market contraction in the legal cigarette market, the company stated in an exchange filing yesterday.

The SST pricing in November last year predominantly impacted the legal cigarette market volume to drop by 8%, along with the banning of public place smoking in January.

Erik Stoel, the group MD, said 1Q was challenging as volumes sold decline as a result of market contraction from continued high levels of illegal cigarette incidences at above 60%, smoking restriction and consumers downtrading due to affordability issues.

BAT's volume performance suffered a decline in both revenue and profit registering 19.4% and 26% respectively due to an outflow of quasi legal cigarettes with fake stamps.

Stoel said even with increased enforcement, illegal cigarette syndicates are able to evade authorities by rapidly evolving their tactics and operations.

BAT retains its leadership position in the market with a 54.8% of the overall legal market share.

The company declared a first interim dividend of 30 sen per share, payable on June 25, 2019. — TMR