

Building A Fair Society

1st QUARTER 2018 PERFORMANCE

21ST MAY 2018



Agenda

- **Business Review**
- **Other Highlights**
- **Q1 2018 Financial Performance**

Business Review

Business Highlights (Q1'18 vs SPLY)

Market Share Growth

+1.1 ppt

Q1 2018: 54.7%
Q1 2017: 53.6%

Market Value Share Growth

+1.5 ppt

Q1 2018: 56.7%
Q1 2017: 55.2%

Cost efficiencies achieved

-17.1%

Q1 2018: RM62 mil
Q1 2017: RM75 mil

Total Illegal Cigarette

+3.0 ppt

Q1 2018: 63%
Q1 2017: 60%

Total Legal Industry Volume

-4.2%

Q1 2018: 577 mns
Q1 2017: 603 mns

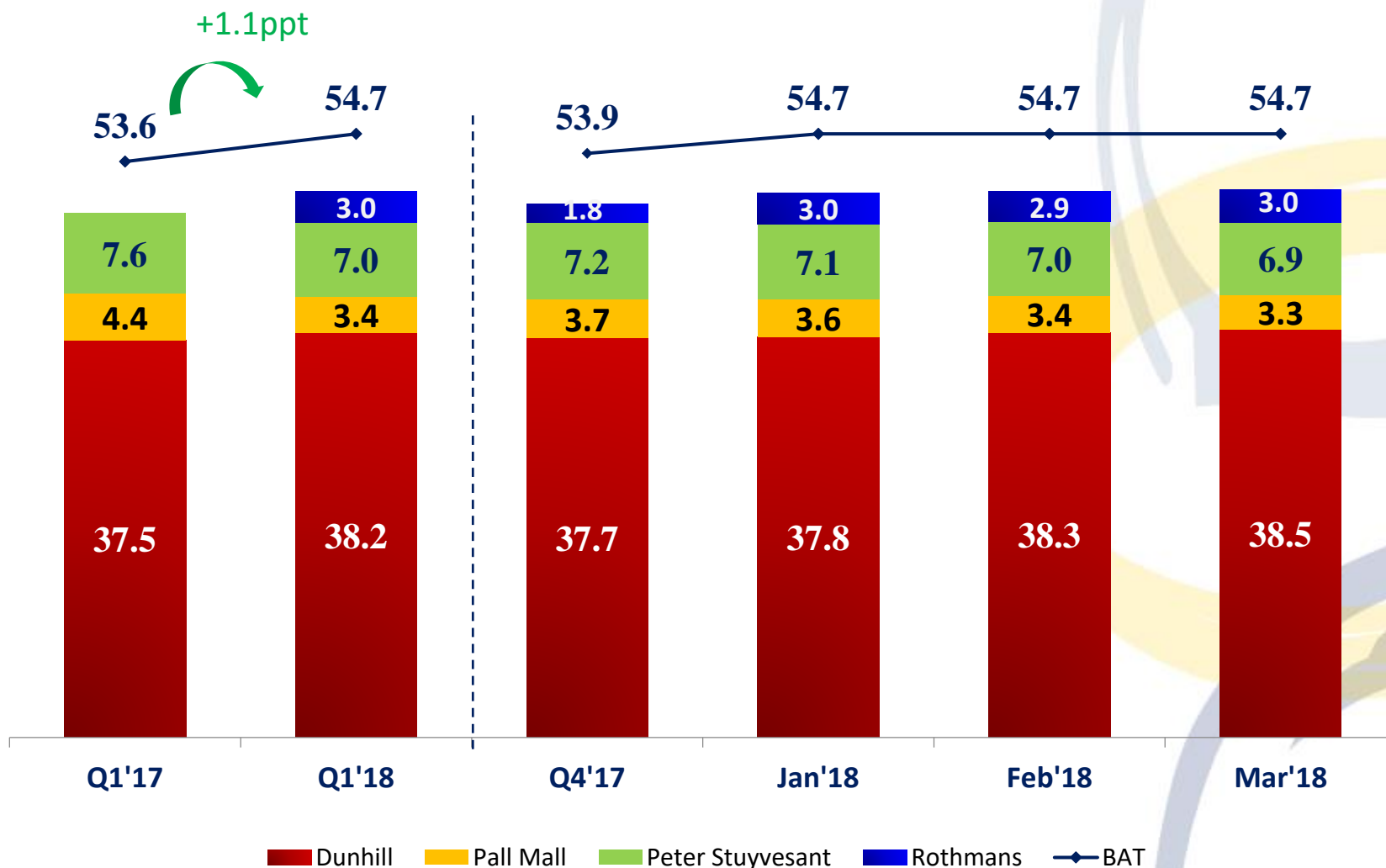
Revenue & Profit

-14.8% Revenue
-17.8% Profit from operations

Q1 2018: RM638 mil RM130 mil
Q1 2017: RM748 mil RM158 mil

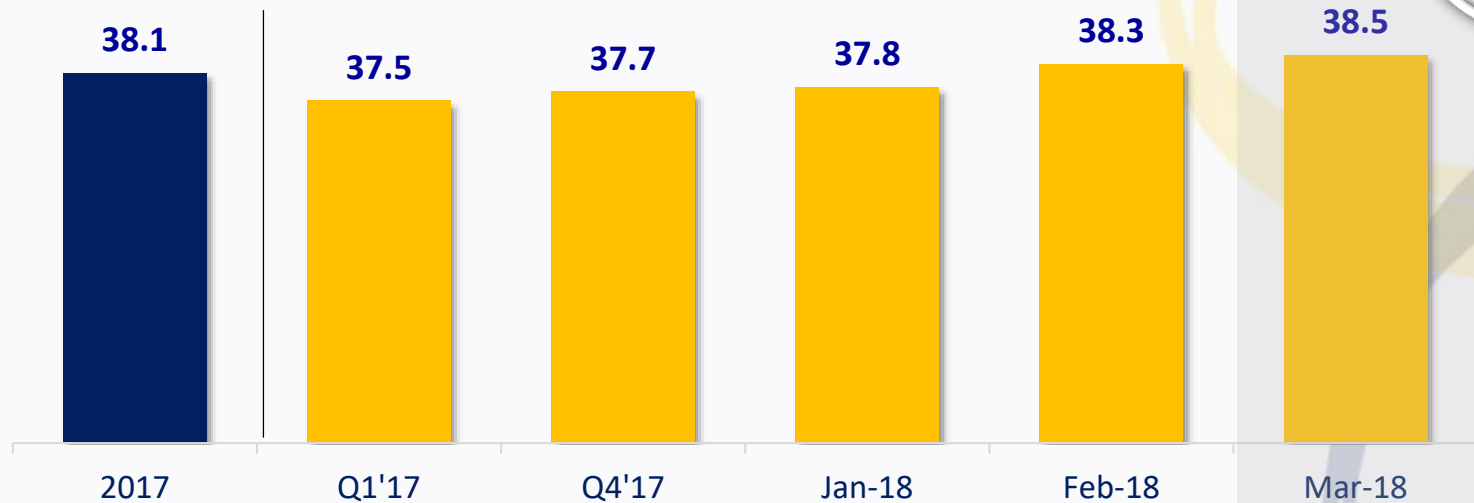
BAT gaining market share behind Dunhill

Share of Market – Malaysia (%)



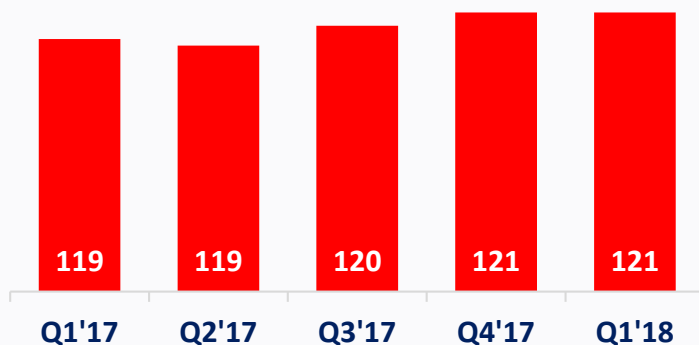
Strong Dunhill performance driving market share growth

Share of Market (%)



Macro Environment

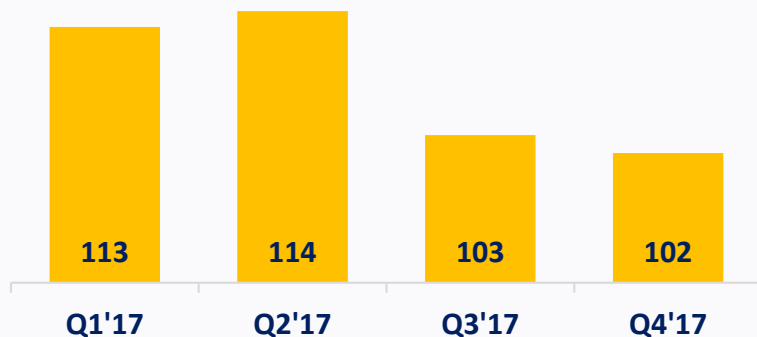
Consumer Price Index (CPI)



Low CCI due to recessionary sentiments

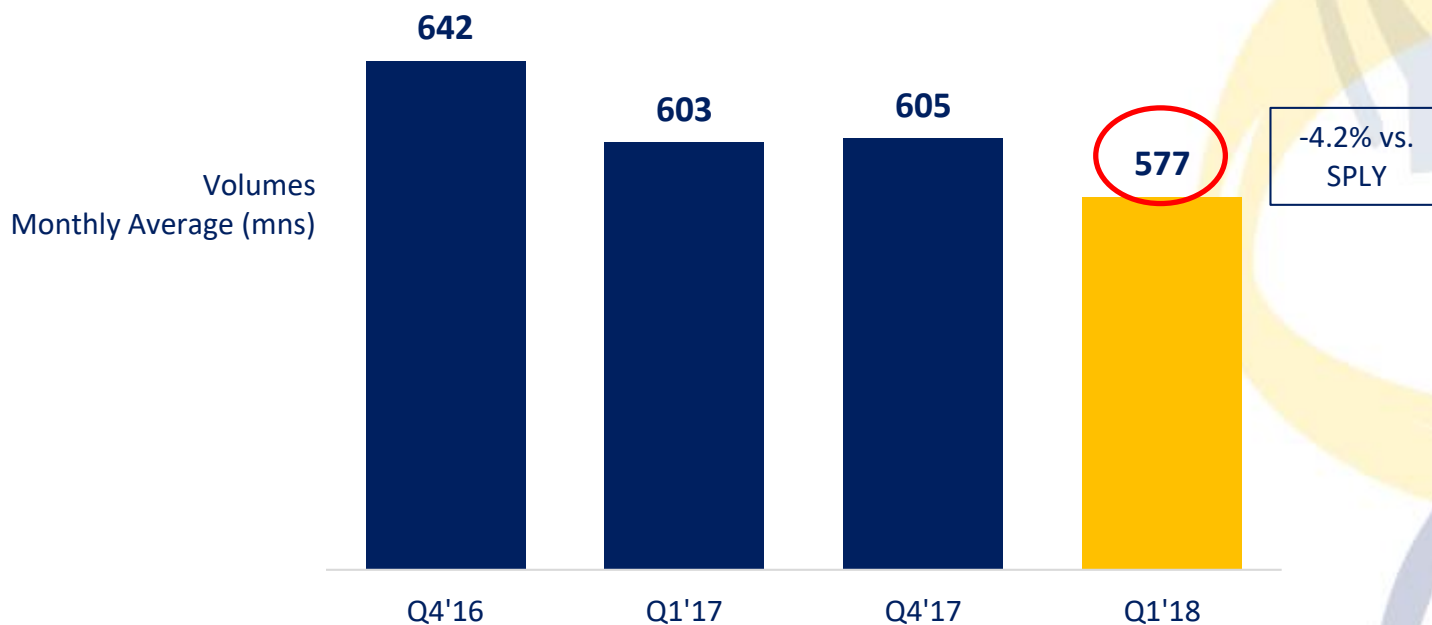
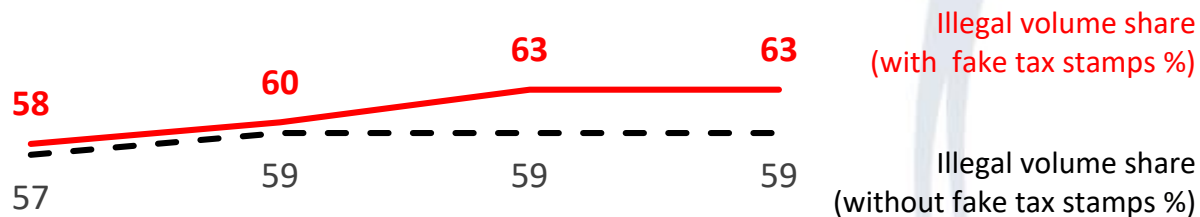


Business Confidence Index



Consumer and business confidence remains low

Legal market contraction due to high illegal cigarette incidence and remains a concern



Other Highlights

Latest development – GST Zero rated from 1 June



- We welcome the removal of GST – clear commitment of the Government to address affordability issue
- We are committed to passing on the benefit of the zero GST to the consumer subject to MOH guidance
 - ***MOH does not allow for price rebasing under existing law***
- However, we do not believe that GST removal will structurally change the level of the Illegal incidence in Malaysia, due to the price gap between Legal and Illegal. (current excise at RM 8/Pack)
- Impact of zero GST will be dependent on other variables such as reintroduction of SST

We feel very encouraged by a strongly articulated manifesto by our new government. We look forward to working with the Government to address affordability and weed out corruption

Other Highlights

BEST EMPLOYER BRAND LEADERSHIP AWARD THE BRANDLAUREATE BEST BRAND AWARDS 2017/2018



The Best Employer Brand Leadership Award is conferred to companies that recognise the importance of human capital management in building a successful brand



Q1 2018 Financial Highlights

Q1'18 Financial Highlights (vs preceding quarter)

Positives

+0.5ppt

Gross Profit margins stabilized
post VFM entry

-24.3%

Cost base efficiencies
materializing in Q1 2018

+3.2%

Profit from operations improved
vs last quarter

Challenges Faced

-4.2ppt

Market Contraction driven by
illegal trade growth



Complex and slow tax stamp
refund process

Key Financial Metrics (Q1'2018 vs preceding quarter)

Revenue *

-6.9%

Q1 2018: RM638 mil
Q4 2017: RM685 mil

Gross profit margin

+0.5 ppt

Q1 2018: 29.9%
Q4 2017: 29.4%

Operating Expenses

-39.4%
(excl. one-off -24.3%)

Q1 2018: RM62 mil
Q4 2017: RM103 mil

Profit from Operations

+23.2%
(excl. one-off +3.2%)

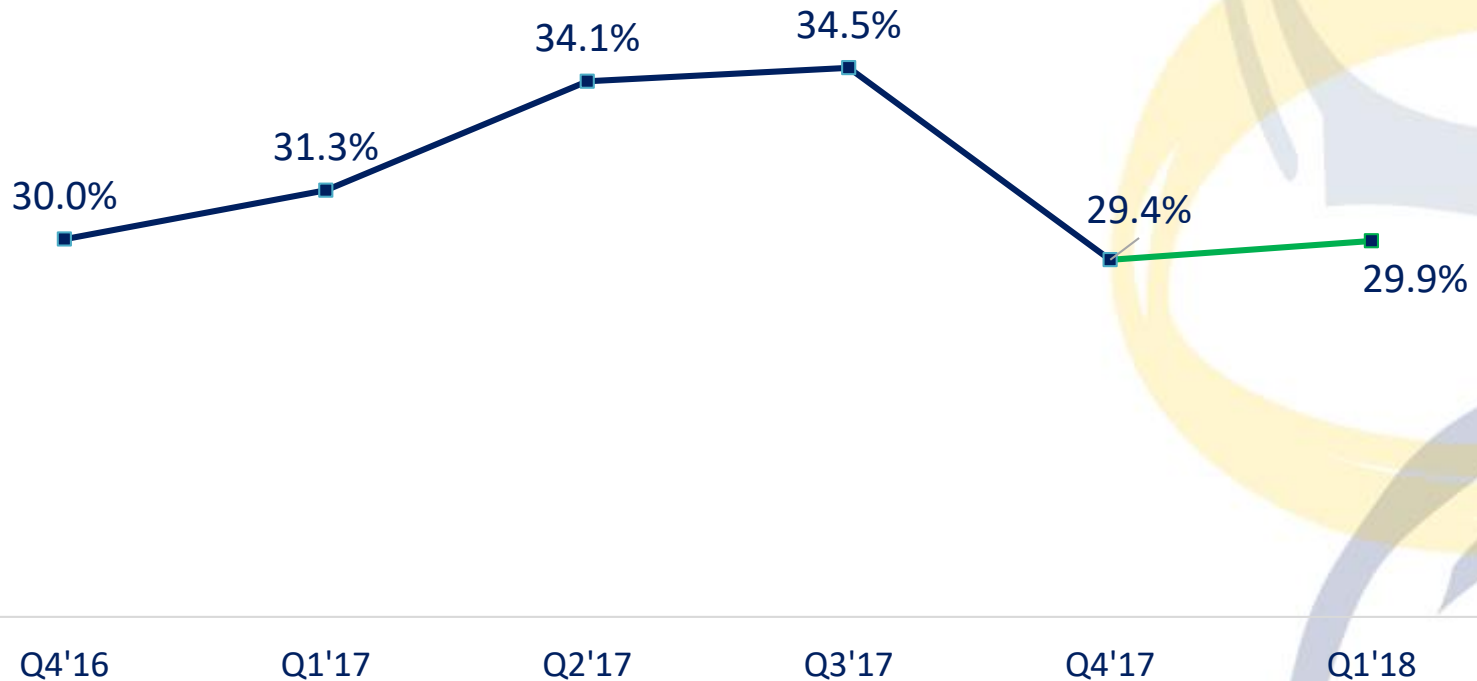
Q1 2018: RM130 mil
Q4 2017: RM105 mil

* Revenue had been restated for all quarters due to MFRS15 adoption

Gross profit margins stabilized as VFM segment moderated

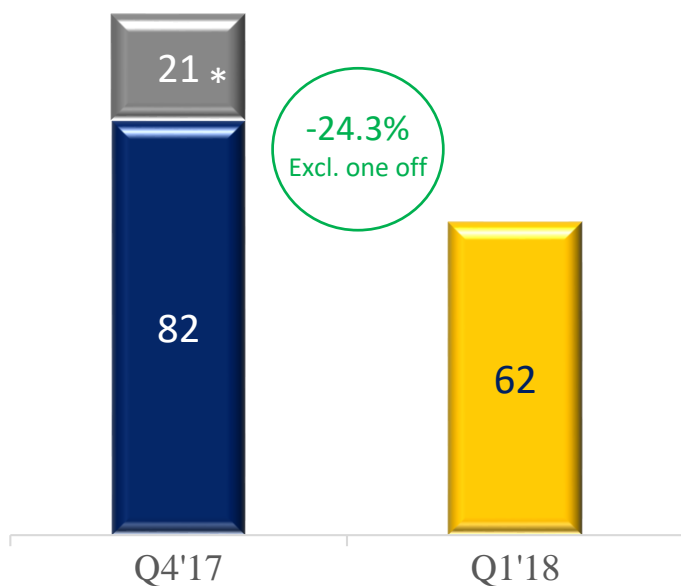


Gross Profit/ *Revenue (%)



* Revenue had been restated for all quarters due to MFRS15 adoption

Operating expenses optimal structure in Q1

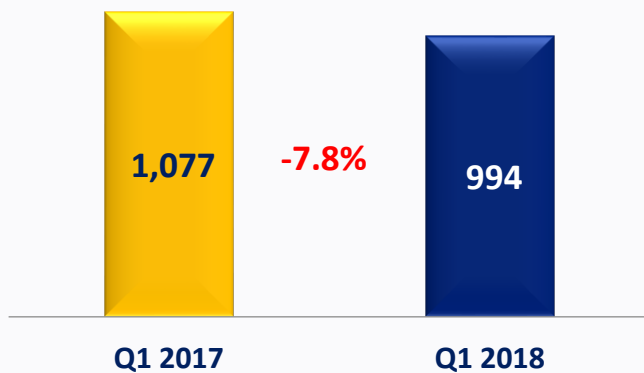


* Provision for impairment of excise duties

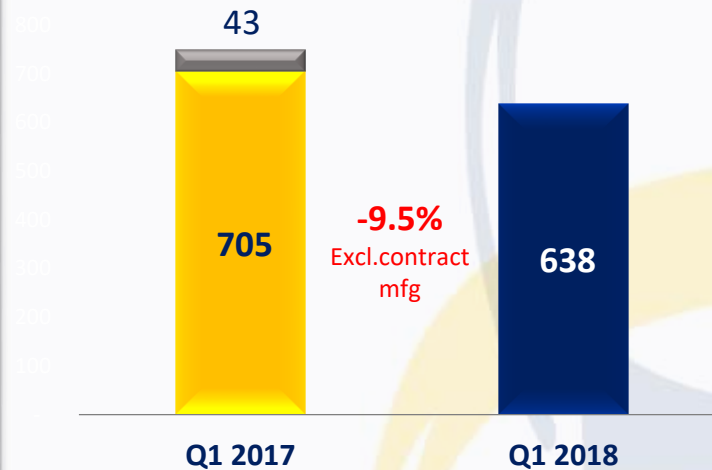
- Cost base initiatives materializing in 2018
 - Overheads savings
 - Lower marketing investment and distribution cost
 - Timing of spend
 - Regional recharges
- Absence of RM21 million provision for impairment of excise duties in Q1'18

YTD Financials vs SPLY

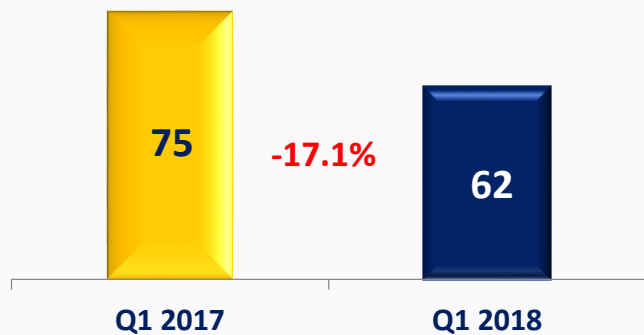
Domestic & duty free volume



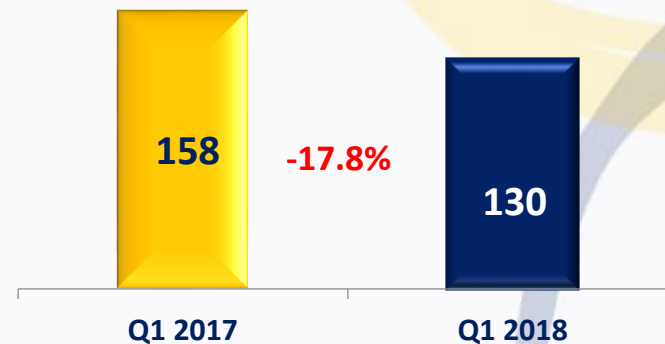
Revenue



Operating Expenses (RM'mn)



Profit from Operations (RM'mn)

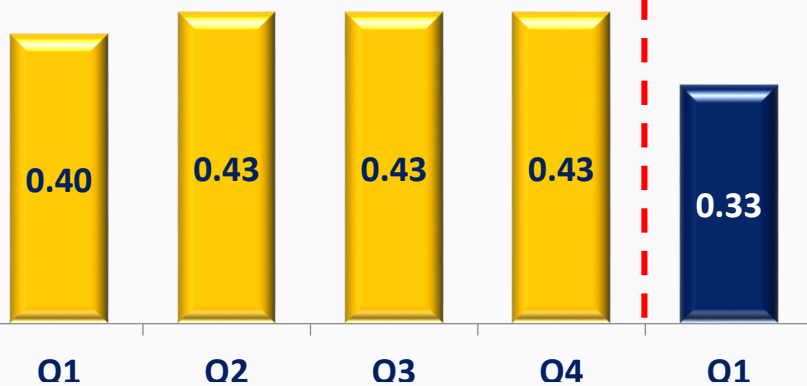


Shareholders' Return

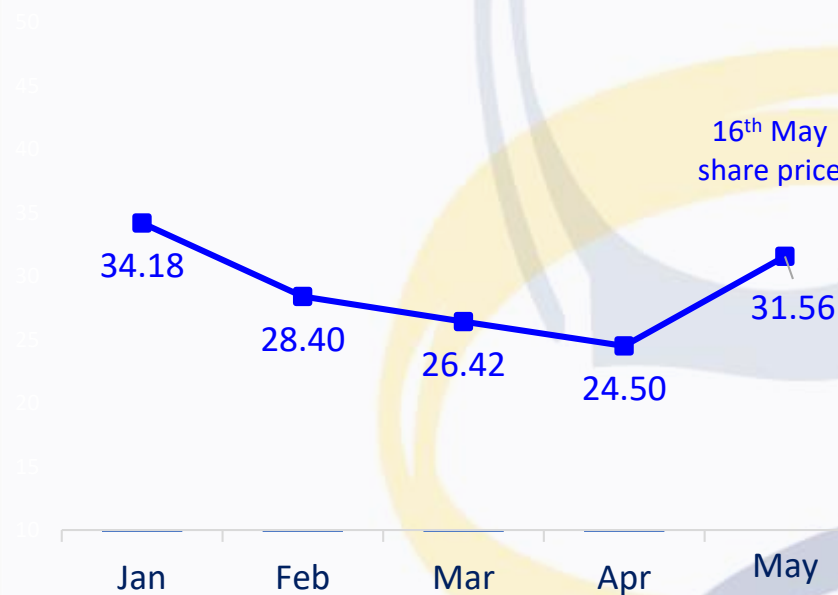
Dividend Payout

2017
RM 1.69
98% Payout

2018
RM 0.33
98% Payout



Share performance



Share performance reflecting the expectations of a rebound in consumer spending and the new government intention of reducing illegal trade

THANK YOU