

**Building A Fair Society**

**3<sup>rd</sup> QUARTER 2018  
PERFORMANCE**

**19<sup>th</sup> OCTOBER 2018**



# Agenda



- **Business Review**
- **Q3 2018 Financial Performance**

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# Business Review

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## Q3 Year-to-date highlights versus same period last year

Total Illegal Cigarette

**63%**  
Stagnant

Total Legal Industry Volume

**-3.8%**  
+1.0% vs preceding quarter

YTD Q3 2018: 588 mns  
YTD Q3 2017: 611 mns

Revenue

**-8.0%**  
+8.3% vs preceding quarter

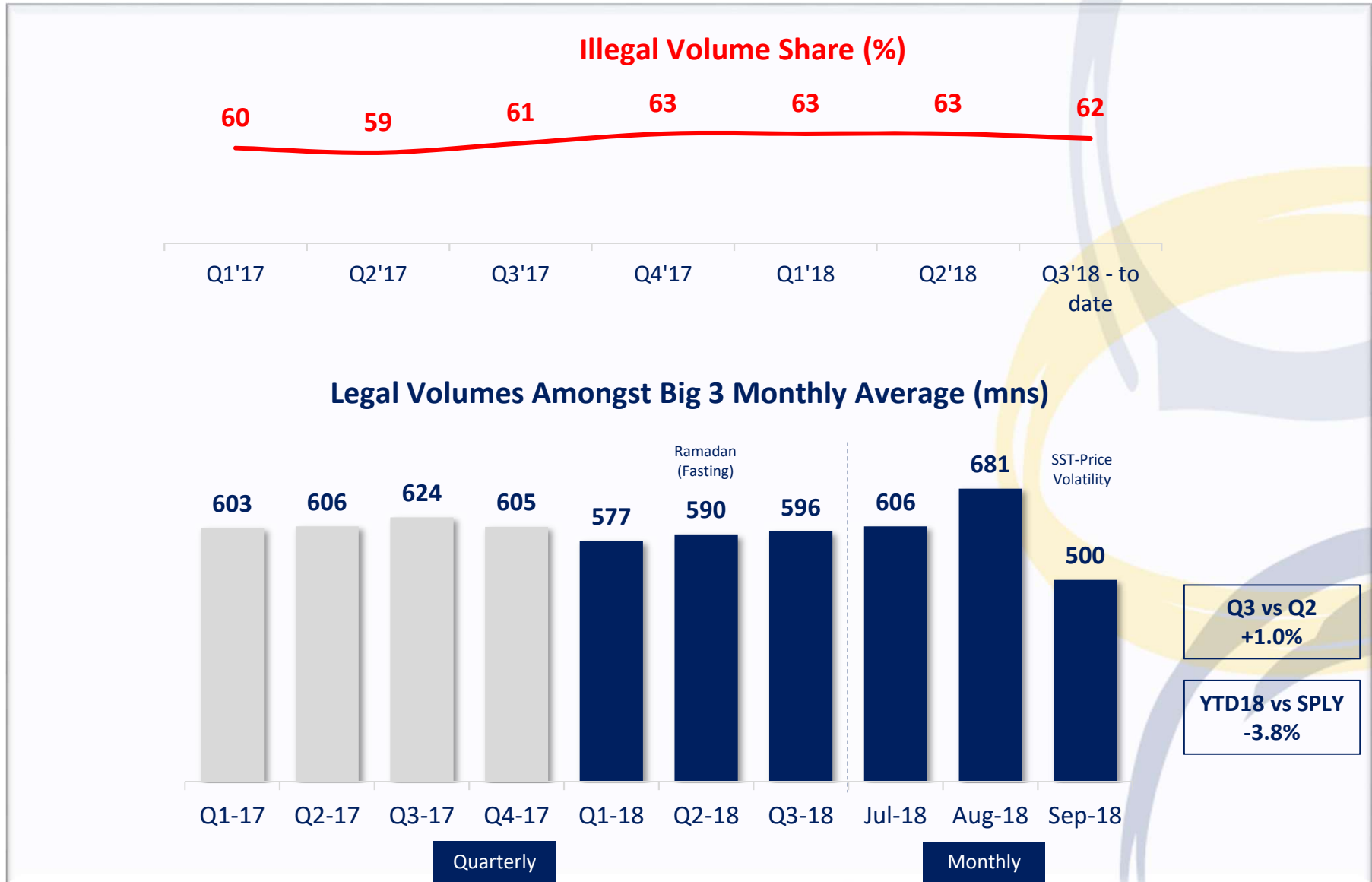
YTD Q3 2018: RM2,052 mil  
YTD Q3 2017: RM2,231 mil

Profit from operations

**-13.0%**  
+26.5% vs preceding quarter

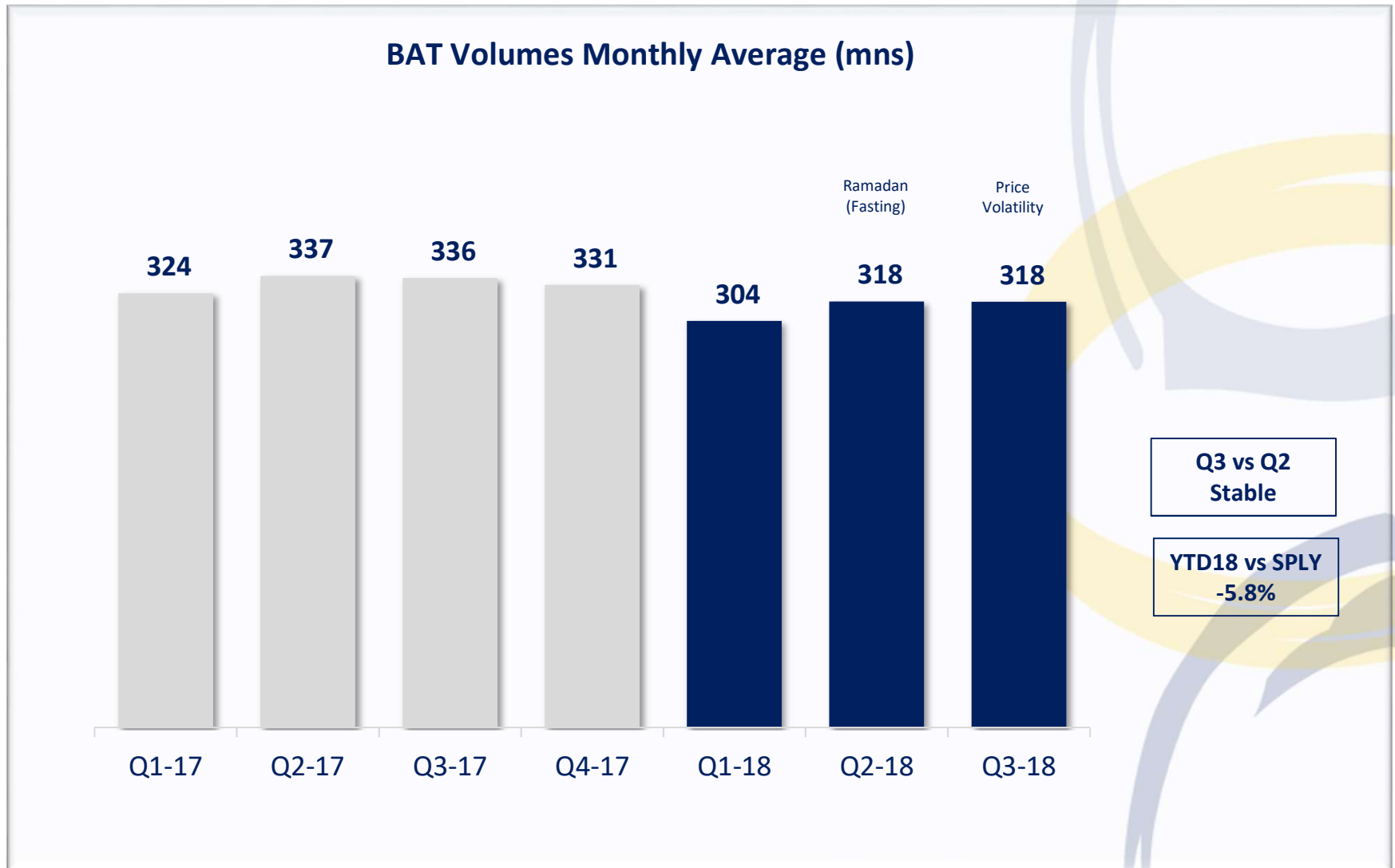
YTD Q3 2018: RM474 mil  
YTD Q3 2017: RM545 mil

# Legal volumes on gradual recovery since Q1






Source: YTD Aug'18 Consumer Track & ICS Data, YTD Sep'18 Industry Exchange Data

# BAT volumes remain stable in Q3 despite price volatility



## SST Pricing remains uncertain



Current Prices in the Market			
Price/pack			
Premium	RM17.00	RM17.20	RM17.00
AP	RM15.50	RM15.70	RM15.50
VFM	RM12.00	RM12.20	RM11.50

- Industry players and MOH have different interpretations of SST pass on.
- BAT view - minimum requirement is differential tax between GST and SST
- MOH interpretation has not been formalized.
- Awaiting for guidance from MOH on SST interpretation

# Illegal trade challenge remains big but a step in the right direction



New Government's manifesto: Promise 52 – Fight crime and social ill  
"Enforcement agencies will be directed to stop smuggling of alcohol and cigarettes across the border, including tighter controls along the borders and heavier punishments to those who convicted"

## Positive progress by the enforcement agencies

### Enforcement actions

- 378 individual arrested (23 suspects arrested by Police, 355 suspects arrested by RMC)
- RM 23 million worth of seizure (RM 9 mn by Police, RM 14 mn by RMC)

### Heavier punishments

RMC reiterated minimum RM 100K + whipping for selling of illegal cigarettes



# BAT Malaysia making a difference



## HR Asia Awards



### BEST COMPANY TO WORK FOR

BATM is recognised for successful leadership in managing talent

## Shell Global Grow West



### OUTSTANDING SUPPLIER AWARD

BAT being Top 3 supplier. BAT Malaysia mentioned as one of the best partners worldwide

## Corporate Social Responsibilities



**SURI** - Uplift single mothers by donation of old jeans by employees



**PICHA PROJECT**- Empower refugees by contributing to their entrepreneurship

## LILIN – Sparking a movement



### DIVERSITY NETWORK

Supports the growth of current and emerging women leaders in BAT Malaysia

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# Q3 2018 Financial Highlights

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# YTD Q3 2018 Financial highlights

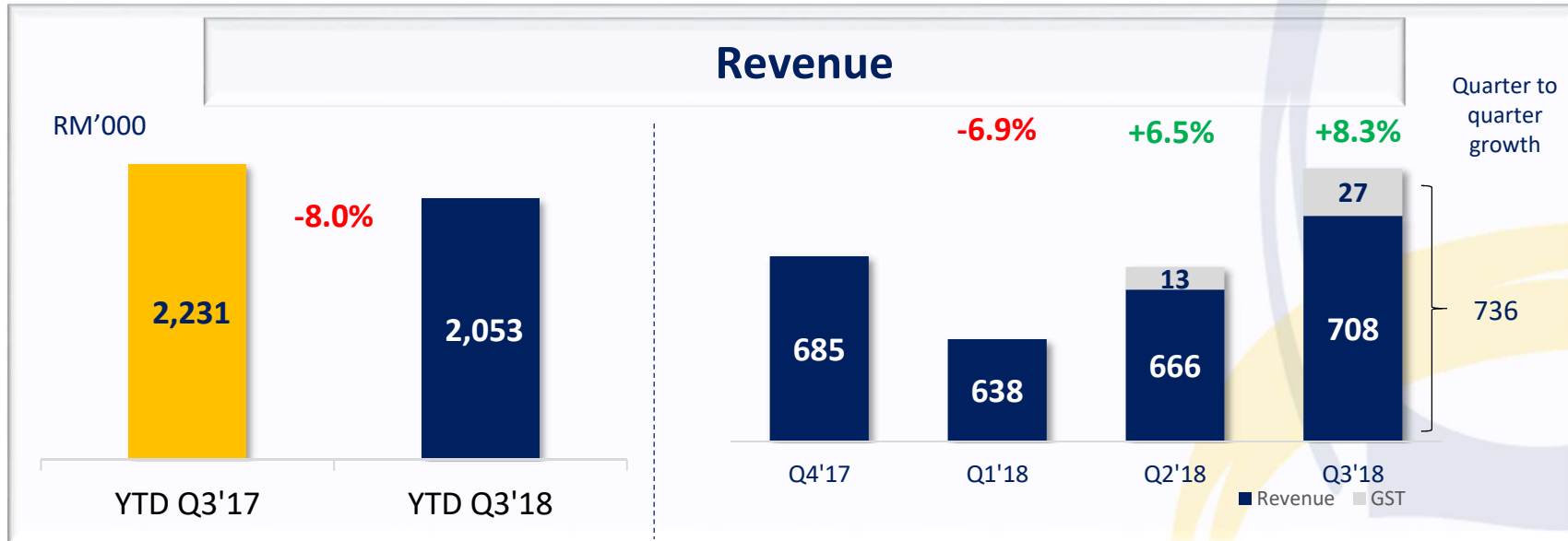
## Challenges remains

-  63% High illegal cigarettes remains
-  -5.8% Volume contraction
-  Unresolved interpretation of SST pass on
-  -8.0% Revenue declined versus same period last year
-  -13.0% Profit from operations impacted versus same period last year

## Nonetheless, Q3 is a good quarter

-  Volumes stabilised in Q3
-  Removal of GST from Jun to Aug 2018
-  +8.3% Q3 Revenue back to growth vs preceding quarter
-  +26.5% Profit from operations Q3 vs Q2
-  91% of 2017 provision collected to date

# Revenue and profit grew quarter on quarter



## Improving gross profit margin from cost focus

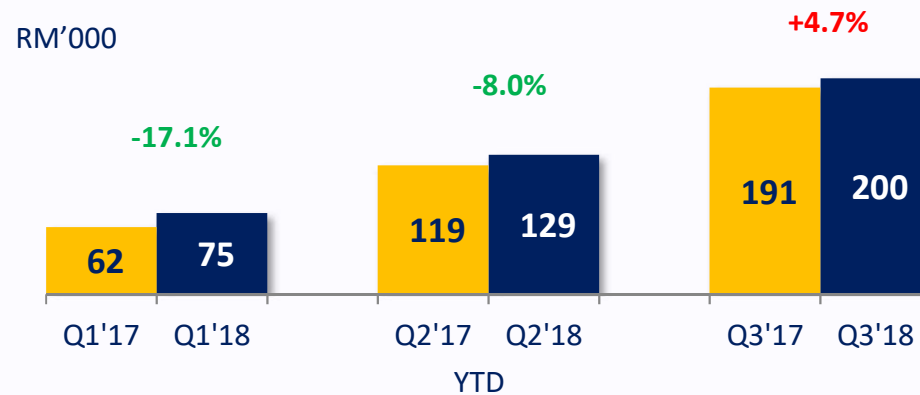
### Steadily improving gross profit margin



#### Main drivers:

- Strong volume mix
- 2017 one-off tax stamp refund
- Productivity savings

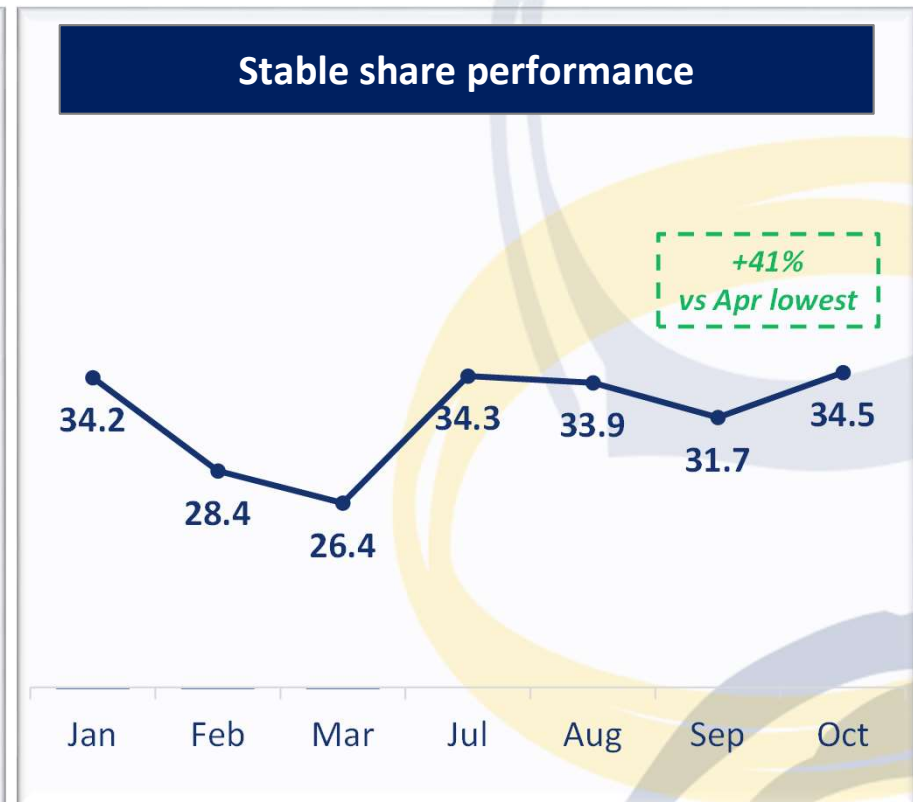
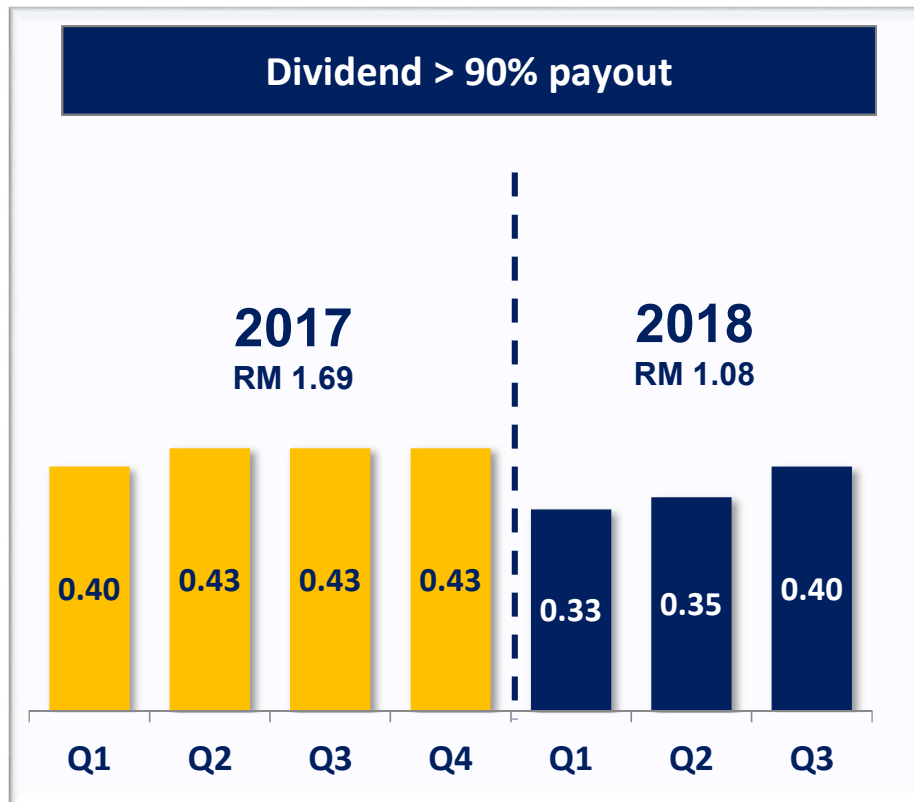
### Cumulative operating expense overview 2018



#### Main drivers:

- Investment for strategic growth

# Dividend payout and share performance



THANK YOU