

**Building A Fair Society**  
*year of transformation*

# QUARTER 4, 2019 PERFORMANCE

**20<sup>th</sup> February 2020**

# AGENDA

- 01** Q4 Key Highlights
- 02** Q4 Business review
- 03** Other highlights
- 04** Q4 Financial performance



01

# Q4 Key Highlights

## Q4 highlights



**Industry volume**

**-10%**

vs SPLY

(+8% vs Q3'19)

**Illegal trade**

**68%**

(FMC & vaping)

**BAT share price**

**All time  
low**

**Market share**

**54.4%**

-1.8ppt vs SPLY

(-0.7ppt vs Q3'19)

**Cost base  
initiatives**

**-18%**

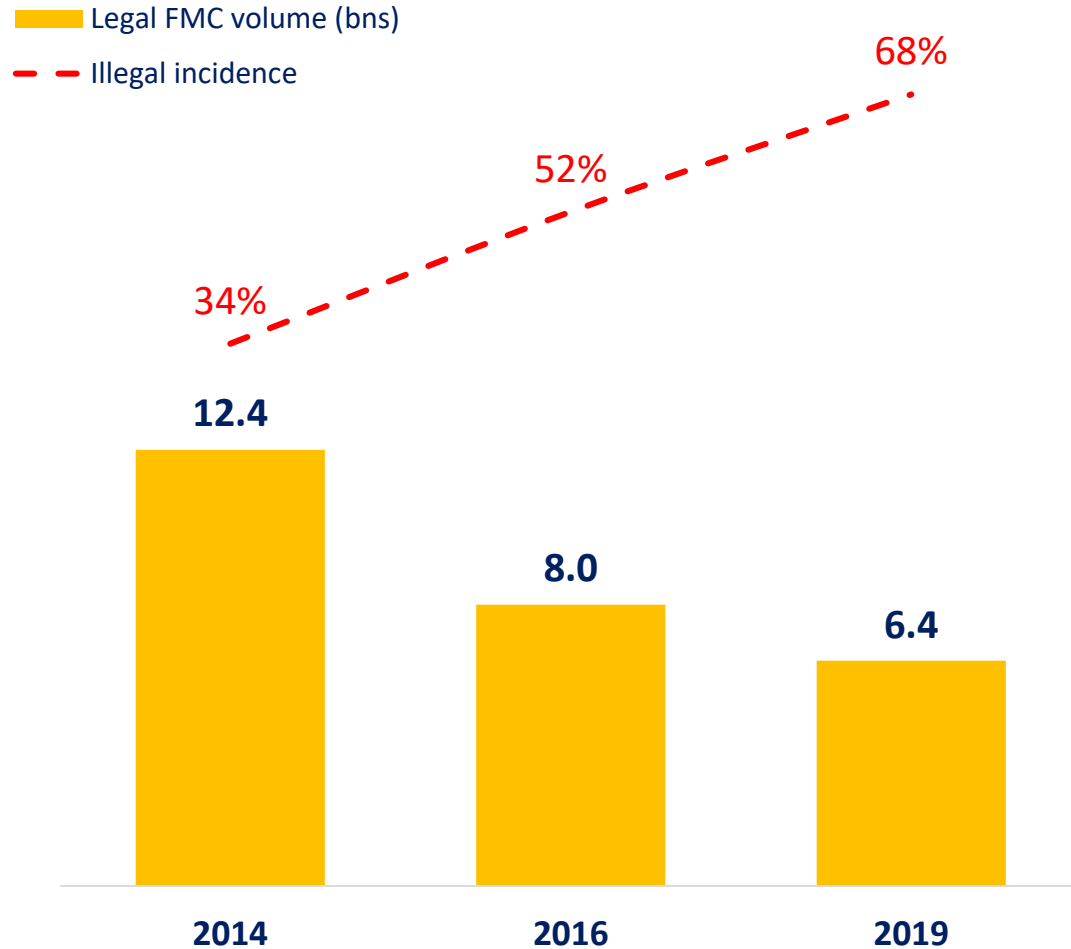
vs SPLY

**Profit from  
operations**

**-25%**

vs SPLY

# The reality - Market will continue to erode value without structural interventions



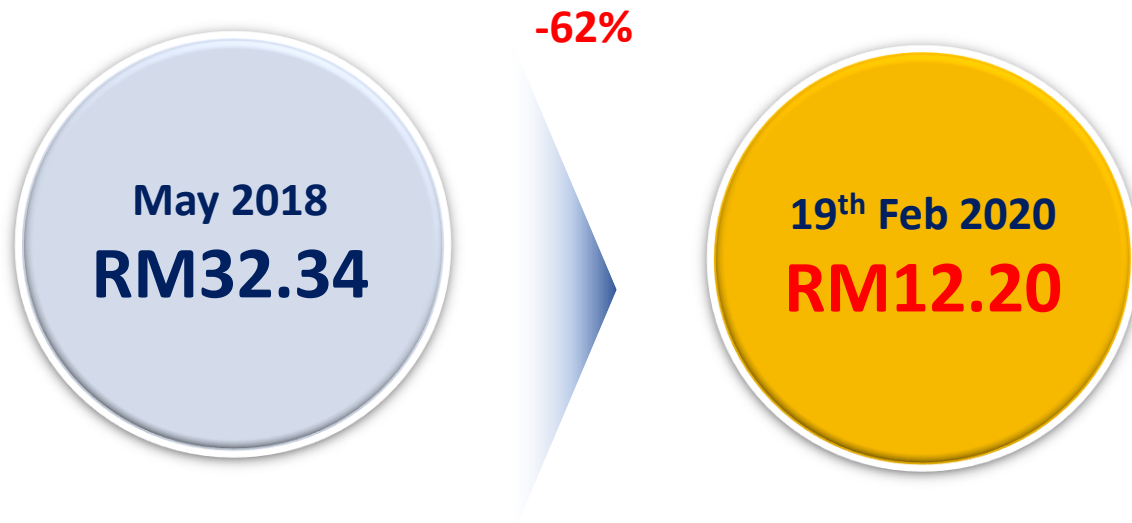
- Legal Industry volume halved post 2015 shock excise increase
- Illicit doubled in 5 years
- Estimated RM25bn government revenue loss since 2015

Increased enforcement not translating to results – only 32% is legal today

# Share price performance impacted

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## Share movement since GE18



Share price decline reflects the confidence on Government's resolve to address illicit trade

## External factors severely impacting investors confidence

- 2014 : Market capitalization RM20 billion -> 2020 RM3billion
- 2017 : Removed from FBMKLCI
- 2020 : removed from MSCI Global Standard Index

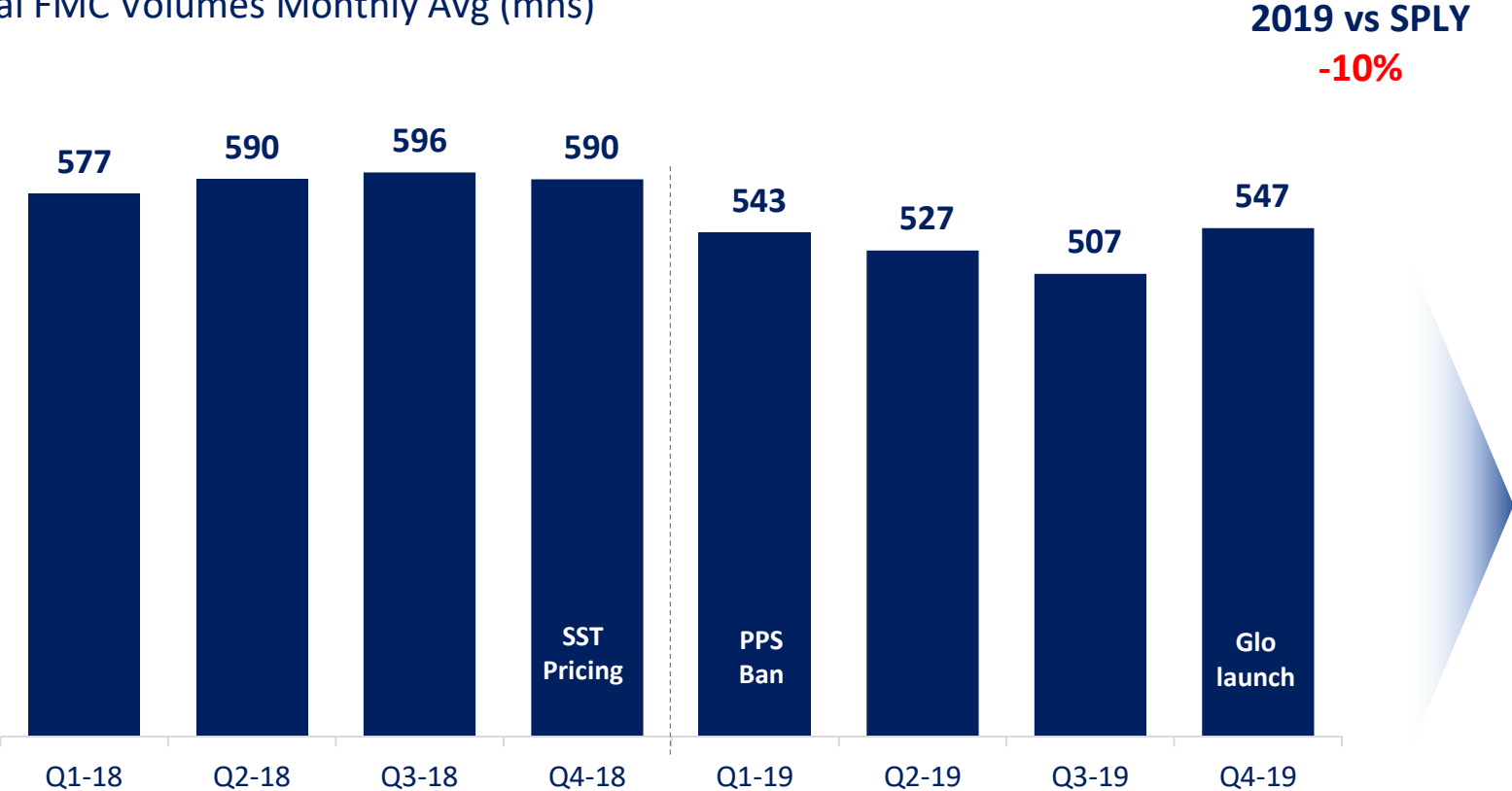


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# Q4 Business Review

# Legal industry continued to contract, structural breakthrough in external environment is critical

Legal FMC Volumes Monthly Avg (mns)



Mainly driven by:

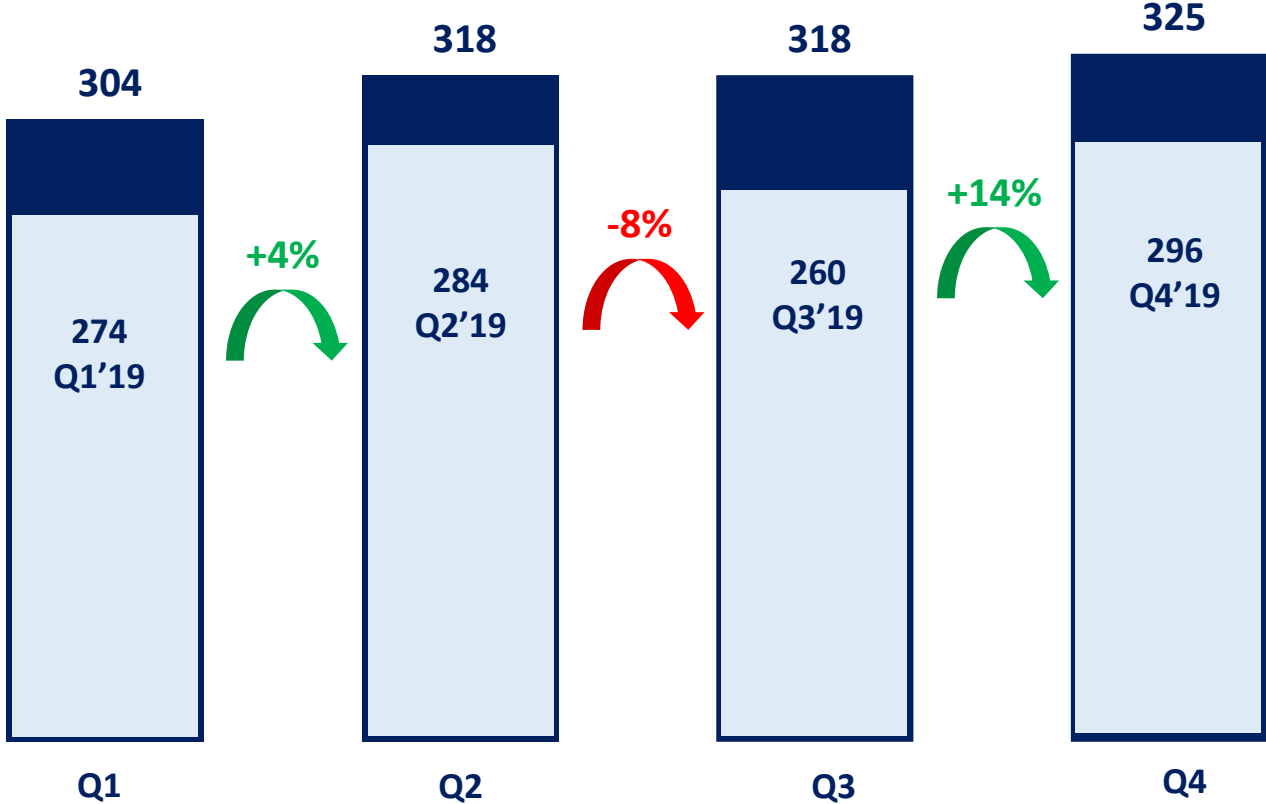
-  High illegal cigarette trade
-  Illegal vaping
-  Public place smoking ban
-  SST led pricing



# Q4 volume growth at the back of Rothmans performance

2018

2019



BAT Volumes Monthly Avg (mns)

YTD'19 vs SPLY

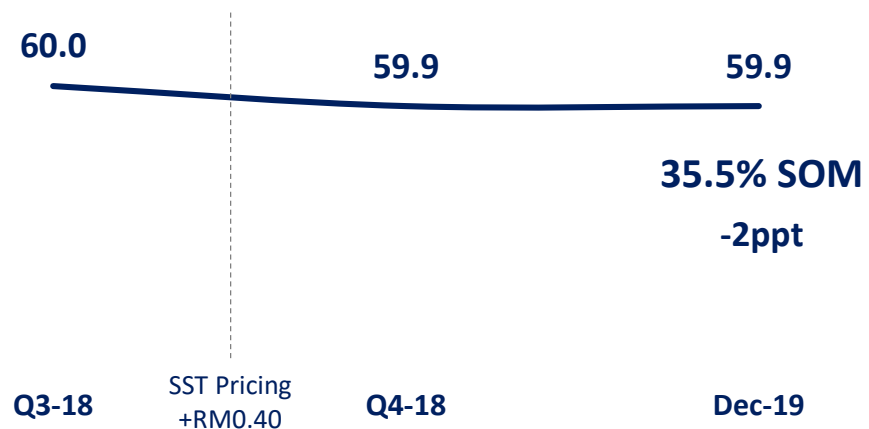
-12%

# Dunhill holding in premium whilst Rothmans delivering strong performance



## Stabilised despite pricing & VFM pressure

Share of Premium Segment (%)



**84%**

Prem FF SOS  
(+1ppt)

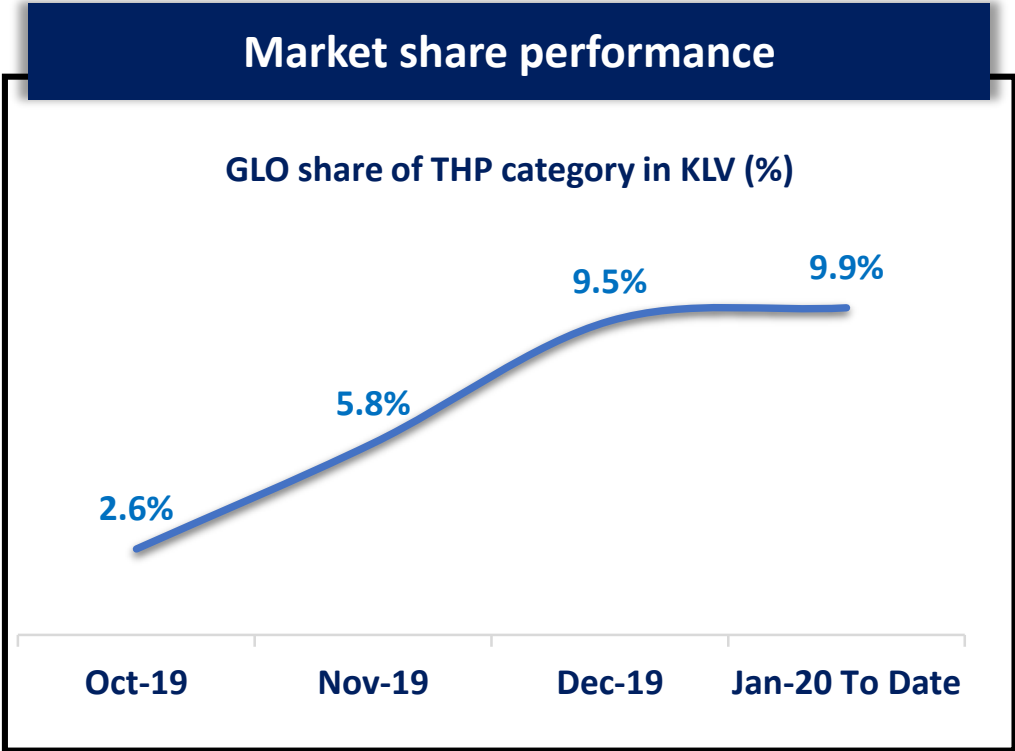


## Rothmans gaining strength

Market Share (%)



# 1 Quarter of Glo performance - category growth suppressed





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# Other highlights

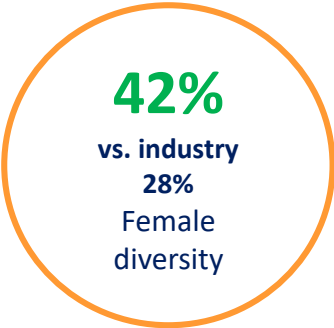
# Transformation and strength of BATM being recognised

## High corporate governance standard



Top 20 Excellence Award for CG Disclosure

## Investment in talent getting reward



## Exemplary safety and health standards at workplace



**GOLD award**

Asia Pacific occupational health & safety



GOLD winner must be 3 years no Loss Time Injury (LTI)



5 Awards



**BEST COMPANIES  
TO WORK FOR  
IN ASIA 2019**



# Other updates

## Social engagement, empowerment & development

### Social impact



*Food aid programme : 52 families in Bangi benefited*

### Education



*23 higher education students from B40*

### Empowerment



*Contribution to charity fundraising*

### Environment



*Donated 180 digital assets to be recycled and refurbished to be used by underprivileged communities*



04

# Q4 Financial performance

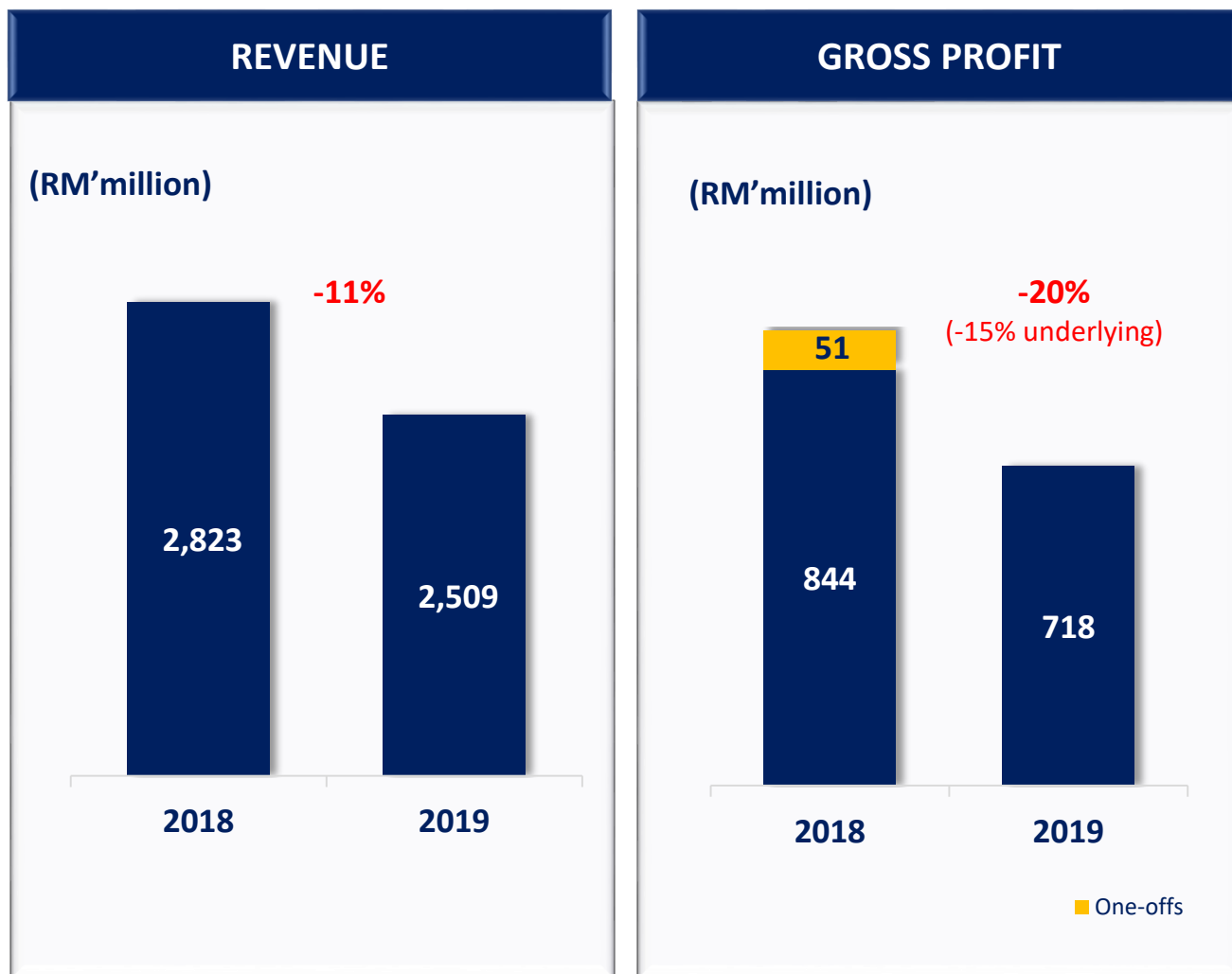
# Key financial highlights

	Q4'19	vs preceding quarter		2019 vs SPLY	
LEGAL INDUSTRY VOL	1,641 mils	+8%	↑	-10%	↓
VOLUME	887 mils	+14%	↑	-12%	↓
REVENUE	RM662 mil	+13%	↑	-11%	↓
GROSS PROFIT	RM192 mil	+19%	↑	-20%	↓
OPERATING EXPENSES (underlying)	RM 39 mil	-22%	↓	-18%	↓
PROFIT FROM OPERATIONS	RM138 mil	+23%	↑	-25%	↓

2019 financial performance impacted by market contraction and one-offs

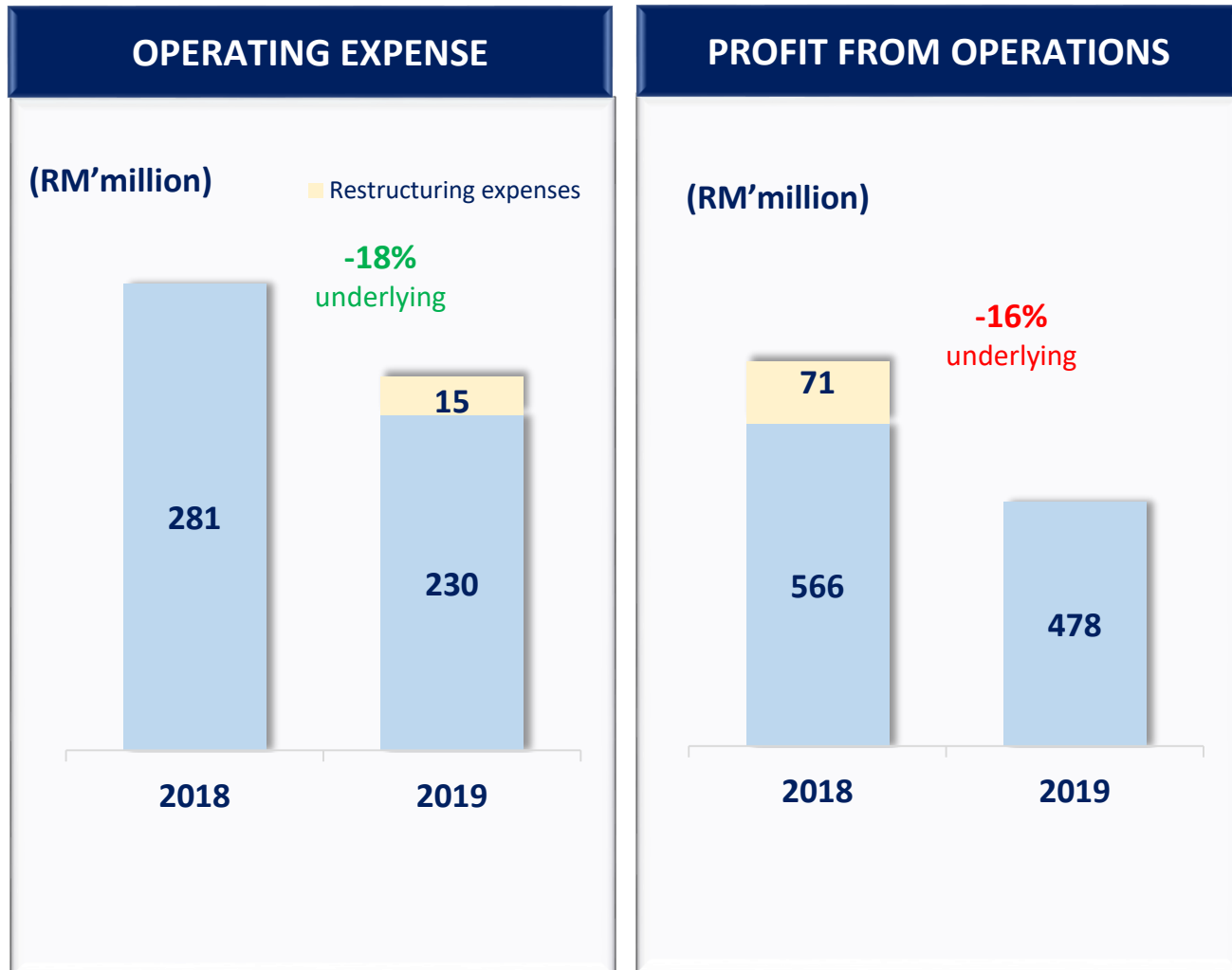


# Revenue and gross profit impacted due to market contraction and one-off benefit in 2018



One-offs impacting 2018 gross profit of 5ppt is mainly due to GST removal one-off benefit

# Protecting profit from operations with cost initiatives



## Aggressive cost base in protecting shareholder's value:

- Rationalizing investments
- Optimizing expenses

## Restructuring expenses RM15 million:

- Headcount reduction of ~20% in Q4'19 and first half of 2020

# Dividend payout

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- Dividend per share of RM1.18 for 2019
- Dividend payout as follow:

Payout month	Dividend per share	Interim dividend
Jun 2019	RM 0.30	First
Aug 2019	RM 0.26	Second
Nov 2019	RM 0.29	Third
<b>Mar 2020</b>	<b>RM 0.33</b>	<b>Fourth</b>
<b>Total</b>	<b>RM 1.18</b>	

- Payout Ratio Q4: 97%
- Payout Ratio FY (est.): 98%

# 2020 : “The Real Deal”

## Move the government for action



- Establish demand solution
- Intensify enforcement across all ministries

## Drive commercial growth within legal segment

Drive share growth in FMC

## Opportunity for new revenue pool

Regulate vaping

## Stabilise and energise new organizational model



Faster, simpler, stronger organisation

# **New Managing Director - Jonathan Reed from 1 March 2020**

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**Officially appointed as Director of BAT Malaysia Board on 20<sup>th</sup> February 2020**

**Jonathan will officially take office as new MD of BAT Malaysia effective 1<sup>st</sup> March 2020**

**23 Years prior experience, including:**

- **2018-2019 : Marketing Director BAT Middle East & South Asia Area**
- **2016-2018 : General Manager BAT Australasia South Pacific**
- **2012-2016 : Head of Marketing BAT Indonesia**