



# QUARTER 2, 2020 PERFORMANCE

23<sup>rd</sup> July 2020

# Agenda

1

**Q2 Business Review and Financial Performance**

2

**Other Business Updates**

# Q2 Business Review and Financial Performance

# Q2 Performance summary



**+10%**  
vs Q1'20

Legal domestic industry volume



**+15%**  
vs Q1'20

BAT domestic volume

Total BAT volume including Duty Free +12%



**+1.9ppt**  
vs Q1'20

BAT share of market in  
Convenience Stores (CVS)



**69%**  
Q4 2019

Illegal FMC & vaping remains  
high

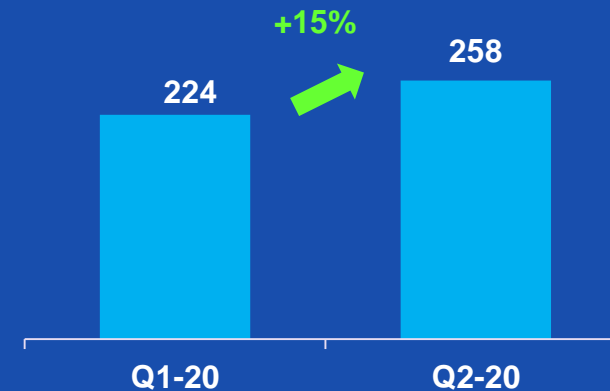
# BAT volume resilient, coming out strong post MCO

## Industry Domestic Shipment Volume Monthly average (mns)



- Underlying stability in the legal market
- Consumer shift from general trade to convenience stores
- Increase in spending due to Raya season and more cash in hand

## BAT Domestic Shipment Volume Monthly average (mns)

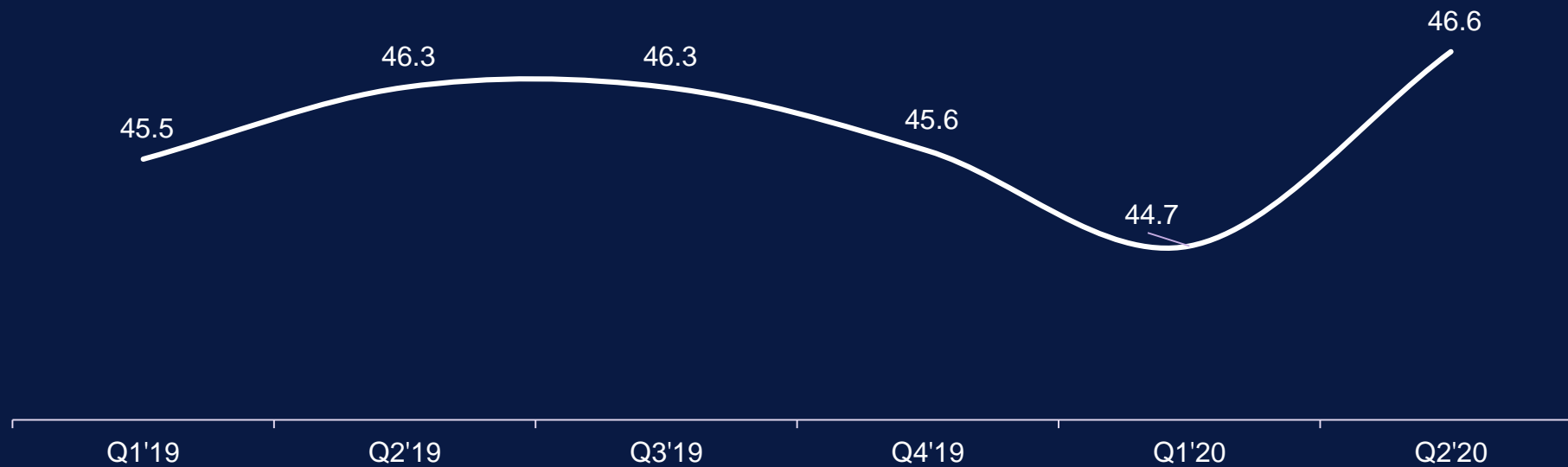


- Consumer shift from general trade to convenience stores
- Fast and agile in sales & distribution activities post MCO
- Share growth in convenience outlets

**Growth in Q2 driven by industry recovery post MCO and BAT portfolio share growth**

# BAT share gain driven by Dunhill and Rothmans

Convenience stores (CVS) - Share of market (%)



# Strong Q2 performance



**+15%**  
vs Q1'20

BAT domestic volume



**+14%**  
vs Q1'20

Revenue



**+16%**  
vs Q1'20

Profit from operations



**+6%**  
vs Q1'20

Earnings per share

Total BAT volume including Duty Free +12%

**Q2 growth delivered despite COVID-19 headwinds**

# Impact of COVID-19

## Movement Control Order (MCO)

18 March – 3 May

- Airports and land borders closed
- All hotel, restaurants, cafes and coffee shops closed



- JB Factory closed.
- Indonesia factory uninterrupted



- Duty free sales impacted



- Supply to retail disrupted during MCO



- Channel trade shift from general trade to convenience stores (CVS)

## Conditional MCO (CMCO)

4 May – 9 Jun

### Allowed business sectors to resume operations



- Back to business and strict adherence to SOP



- Duty Free sales continued to be impacted



- Fast and agile sales and distribution in Domestic market.
- Replenishment rate 100% by 1<sup>st</sup> week of May



- Total Q2 BAT Domestic volume increased by 15% vs Q1



# Q2 results showed an improvement despite COVID-19 headwinds

**Q1'20**  
vs Q1'19

Volumes **-21%**

Revenue **-23%**

Profit from operations **-41%**

**Q2'20**  
vs Q2'19

Volumes **-16%**

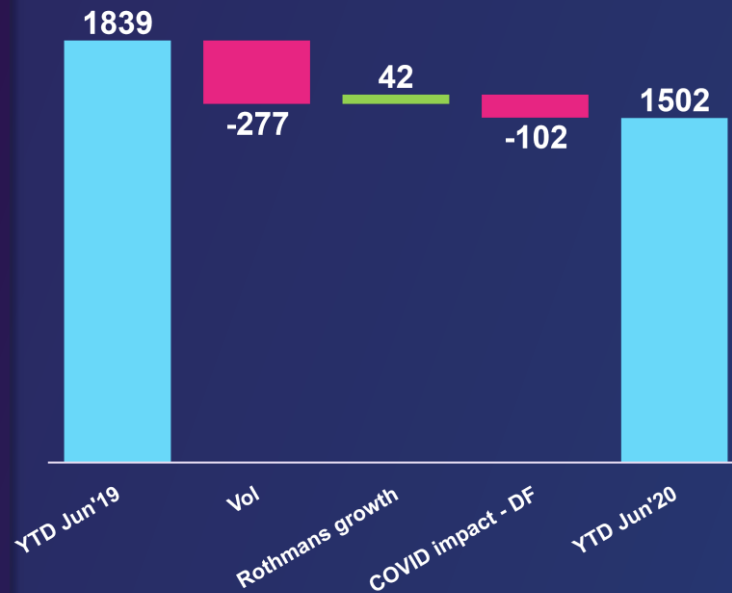
Revenue **-15%**

Profit from operations **-22%**

# Underlying YTD financials pressured by black market and downtrading

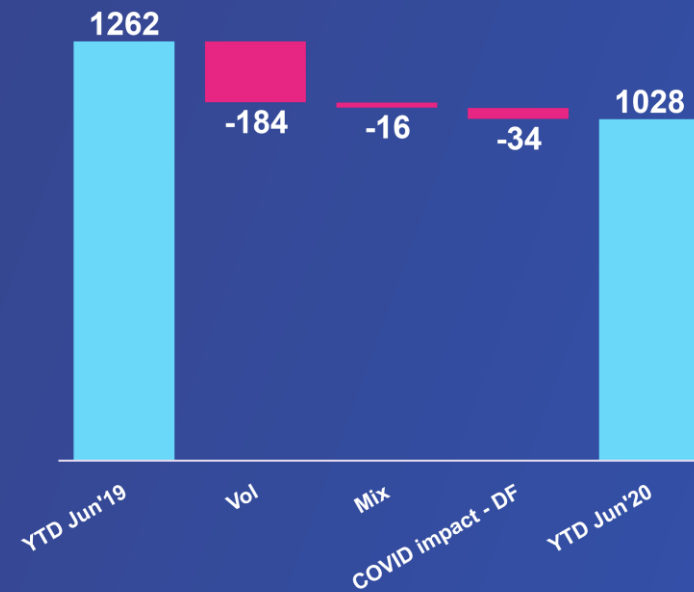
## Total Volume mns

**-18%**  
vs SPLY



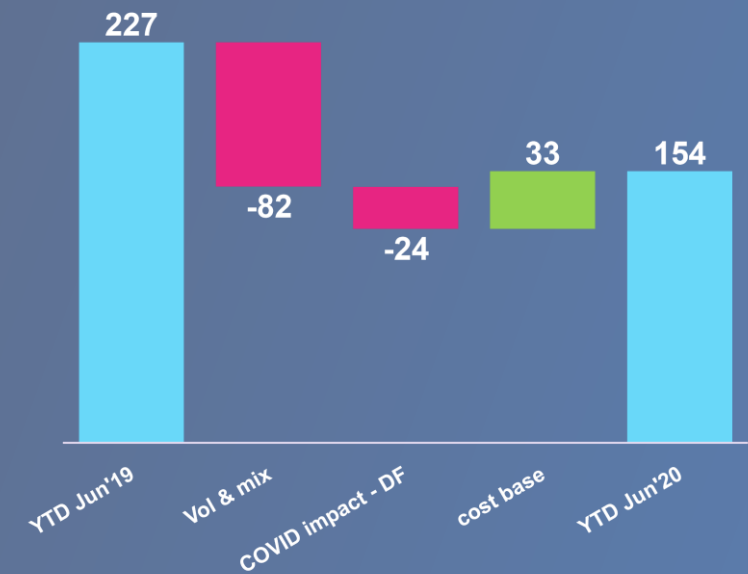
## Revenue RM'mil

**-19%**  
vs SPLY



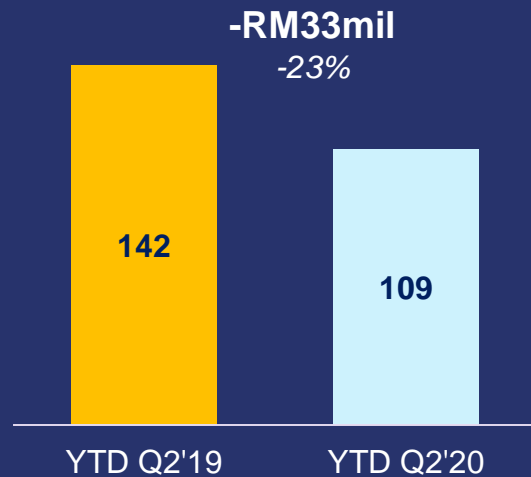
## Profit from operations RM'mil

**-32%**  
vs SPLY



# Continue to optimise cost base delivering efficiencies

## Operating expenses (RM'mil)



RM20mil - Cost base optimisation & resource allocation  
RM13mil - Overhead savings due to restructuring

## Restructuring expenses (RM'mil)



# Dividend payout for Q2 2020

**Earnings per share**

**19.1 sen**

**Dividend per share**

**18.0 sen**

**Payout ratio**

**94%**

Payment schedule for 19<sup>th</sup> Aug 2020



A vertical, black and white photograph of the Petronas Towers in Kuala Lumpur, Malaysia, showing the intricate architectural details of the towers' spires and the iconic double-lobed structure. The image is partially obscured by a diagonal yellow and blue graphic element.

# Other business updates

# H2 focus areas



**Stop the Black Market**



**Multi-faceted regulatory framework**



**Our portfolio**



# BATM taking action – STOP THE BLACK MARKET

**STOP THE  
BLACK  
MARKET**

The tobacco black market steals RM5.3 billion from Malaysians

BERHENTI

The total black market is booming, with criminal gangs stealing RM300 billion from the economy.

6 in 10 cigarettes sold in Malaysia are illegal.

- Public awareness campaign drawing attention to the seriousness of the tobacco black market
- Driving national discussion on how the black market can be stopped
- Overwhelmingly supportive response
- Malaysians want:
  - “Increased law enforcement action”
  - “Excise measures to address affordability”

# To STOP THE BLACK MARKET, a combined approach is needed



Multi Agency Task Force re-established for stricter and rigorous enforcement



Policy change → transshipment laws / single point of entry



Excise moratorium



Exploration of other excise measures to reduce the price gap between the legal and black market



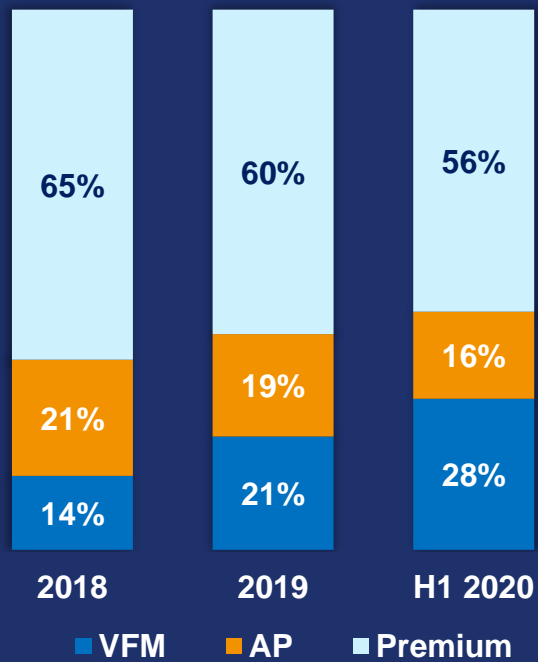
Regulate vaping





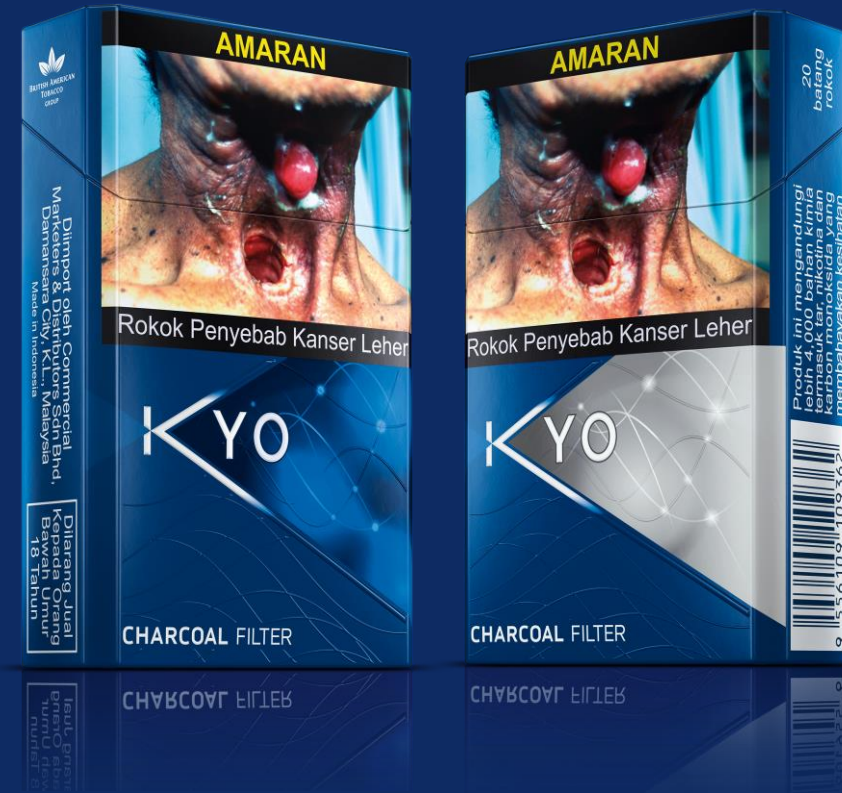
# KYO launch in the VFM segment

VFM segment continues to grow driven by downtrading



Share of segment (%)

Launched 1 Jul 2020



# BAT Malaysia Summary

- ➔ **Fast and agile in adjusting to sales and distribution activities**
- ➔ **Q2 performance resilient despite COVID-19 headwinds. However, YTD results remained challenged by black market.**
- ➔ **Multi-faceted regulatory framework required to STOP THE BLACK MARKET**