

Building A Fair Society
year of transformation

QUARTER 1, 2019 PERFORMANCE

28TH May 2019

AGENDA

01 Key highlights

02 Business review

03 Q1 financial performance



01

Key highlights

Q1 2019 At a glance



**Legal market
volume**

-8%

vs Q4'18

*(affordability impact-
SST & PPS)*

Illegal trade

61%

*(Low enforcement
power)*

Market share

-0.5ppt

vs Q4'18

**ROTHMANS
market share**

+0.6ppt

vs Q4'18

*(Growing in VFM
segment)*

Revenue

-3%

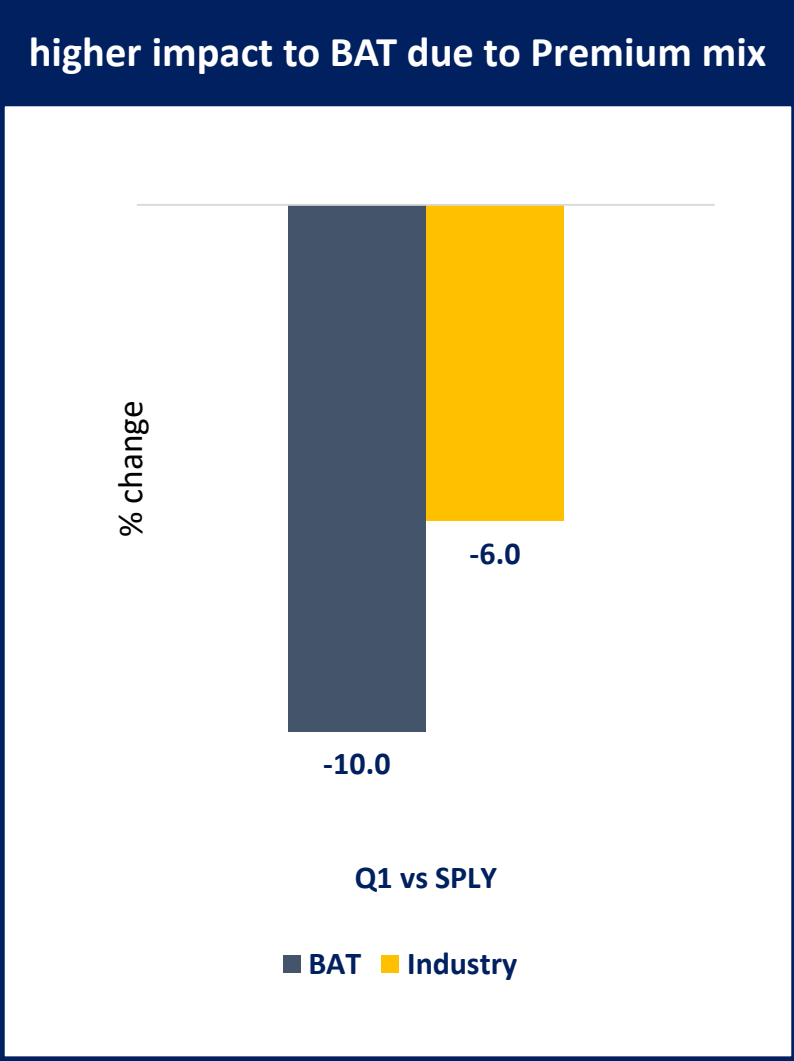
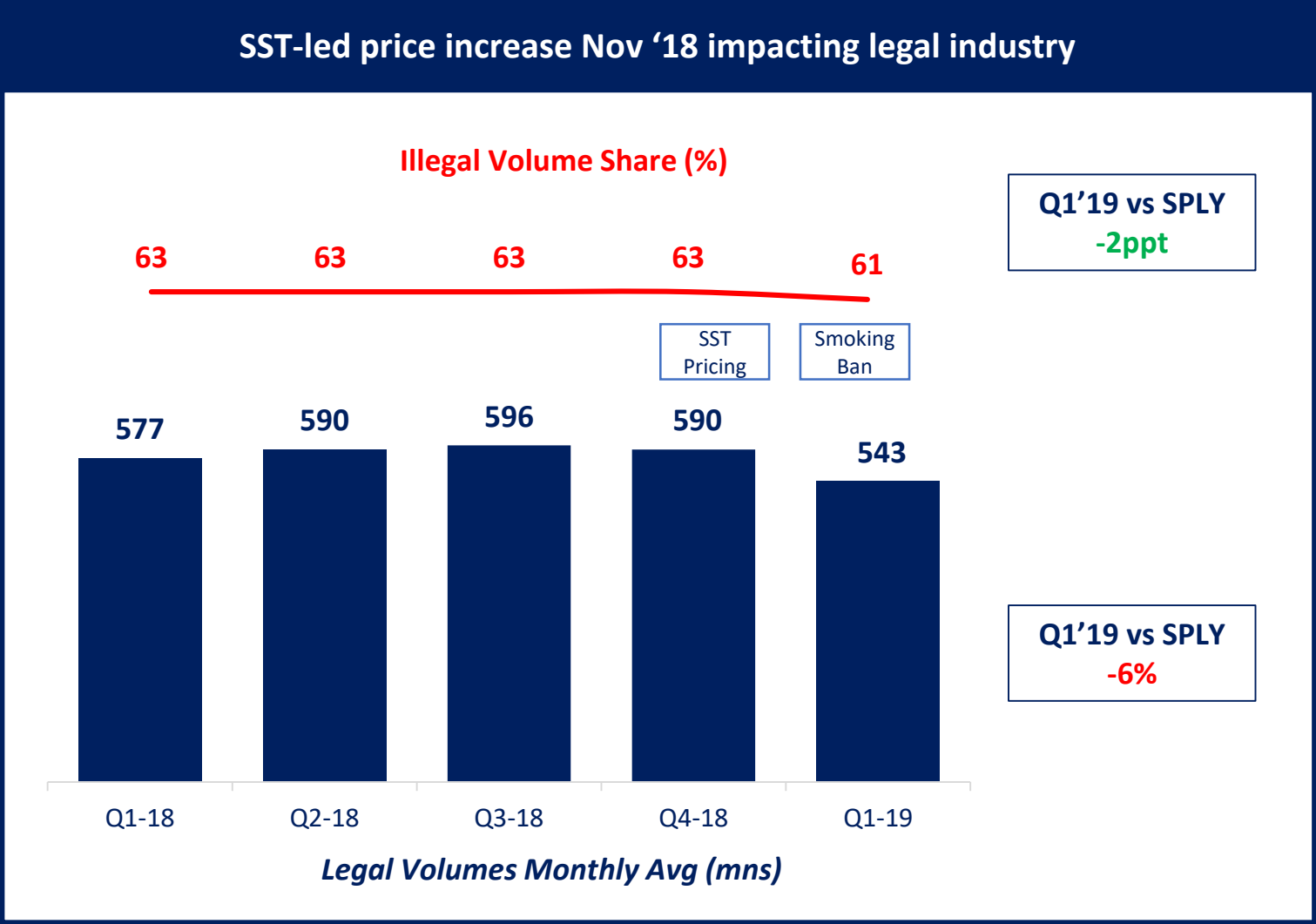
vs SPLY

**Profit from
operations**

-8%

vs SPLY

Excise moratorium preferred for 2019 given high price elasticity and affordability stretch



The brutal reality of illegal trade – syndicates outpacing enforcement

Syndicates innovative in their distribution



- **Increasing trend** on online selling
- **Change of operating hours** by retailers
- **Agile selling methods** – coupon, credit and carton purchase
- **Out of store storage & selling to regulars**
- **Tracking movement of enforcement vehicles**

Rokok seludup dijual waktu malam, dalam talian untuk elak dikesan

Tarikh kemaskini: 11/04/2019



BUKIT MERTAJAM, 11 April (Bernama) -- Jabatan Kastam Diraja Malaysia (JKDM) Pulau Pinang hari ini mendedahkan kegiatan penjualan rokok seludup secara dalam talian dan di kedai-kedai runcit pada waktu malam sebagai taktik untuk mengelak daripada dikesan pihak berkuasa.

Pengarah Kastam negeri, Datuk Saidi Ismail berkata melalui penjualan secara dalam talian, rokok seludup ini akan dihantar terus kepada pembelinya tanpa perlu dijual secara terbuka, sementara penjualan di kedai runcit pula dibuat secara berselindung di sebelah malam.

"Kami akan menjalankan operasi berterusan untuk mengesan kegiatan penjual-penjual rokok ini yang mungkin menganggap selamat bagi mereka menjual rokok seludup waktu malam selain memantau laman-laman sosial yang disyaki terlibat menjual rokok ini secara dalam talian," katanya kepada pemberita di sini.

Menurutnya antara Januari dan Mac lepas, JKDM Pulau Pinang telah merampas sebanyak 100,000 kotak berisi rokok seludup pelbagai jenama bernilai hampir RM130,000 membabitkan cukai kira-kira RM800,000 dan seramai 17 orang ditahan bagi membantu siasatan

kes berkenaan.

Sebelum itu, beliau telah mengetuai satu operasi bersepadu membanteras penjualan rokok dan minuman keras seludup di sekitar Permatang Pauh dekat sini yang turut melibatkan Jabatan Imigresen dan Majlis Perbandaran Seberang Perai.



Smoking restriction 2% impact on tobacco consumption since Jan'19

Regulation Update

- Smoking is banned in ALL eateries
- MOH extended “grace” period from Jul'19 to Jan'20



Issues / impact

- There is still confusion on compliance given inconsistent enforcement/ advice from MOH and local municipal councils
- Loss of business for refreshment owners
 - Trade Associations claim impact at 20% - 30%
 - Outlet closure doubled compared to 2018
- Disgruntled Smokers
 - Smokers while supportive, want designated smoking areas

Improvements required to acknowledge both non-smokers and smokers interest

THP still pending MOH approval after 6 months – unprecedented delay



- BAT fully ready – unclear of MOH's unjustified pricing approval delay
- No legal ground as the product fully certified and classified by Customs
- Shareholder's interest undermined by unlevel playing field
- The first market to have competitor product approved but not BAT

HTL – BAT's effort to bring alternative to illegal cigarettes

Pilot in 6000 outlets in East Malaysia



SARAWAK
84% Illicit Incidence



SABAH
85% Illicit Incidence

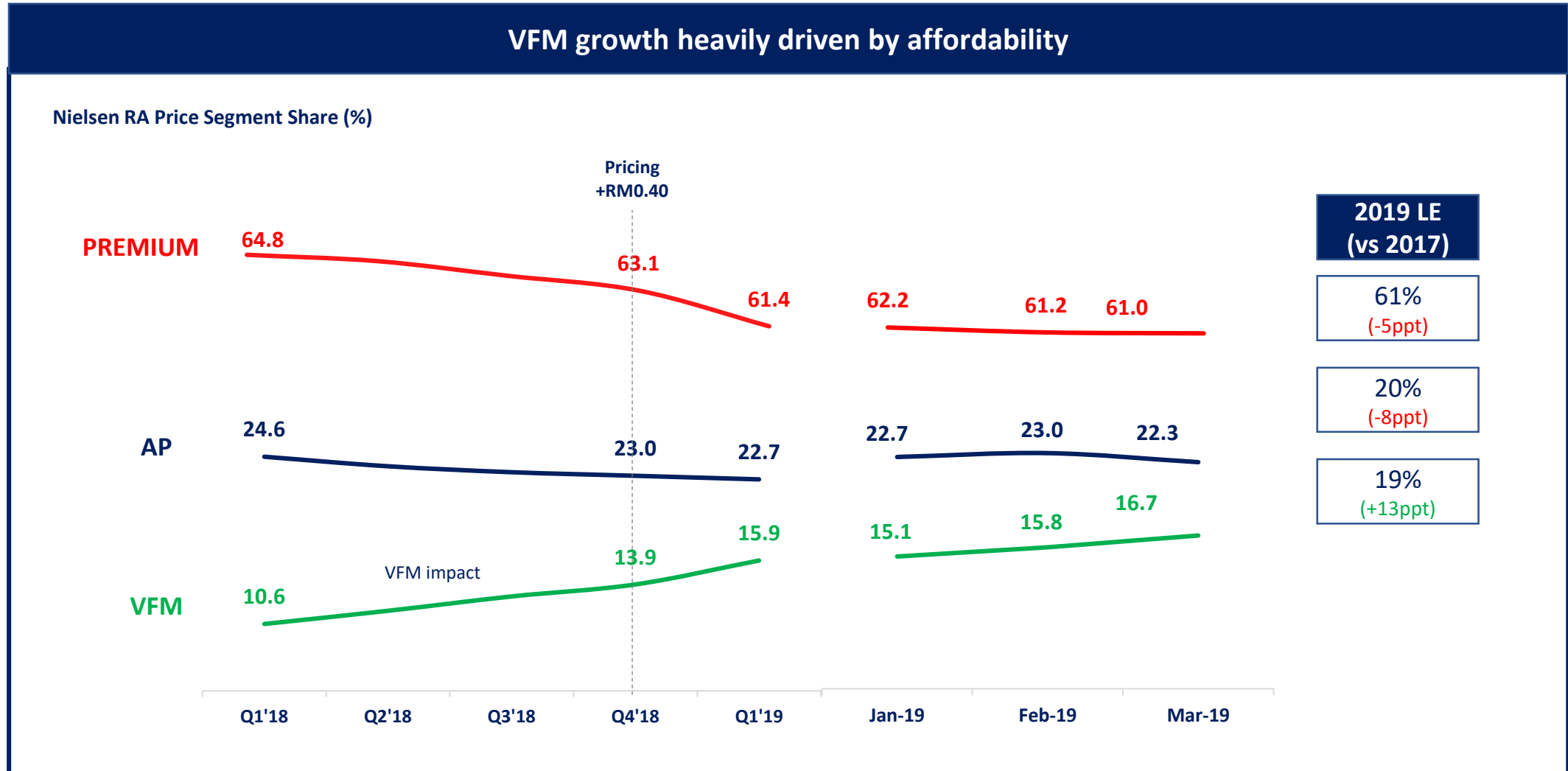
- HTL is cigarillo category (not cigarettes) sold at RM9
- Initial results encouraging – 80% trial by illegal smokers
- Incremental revenue potential



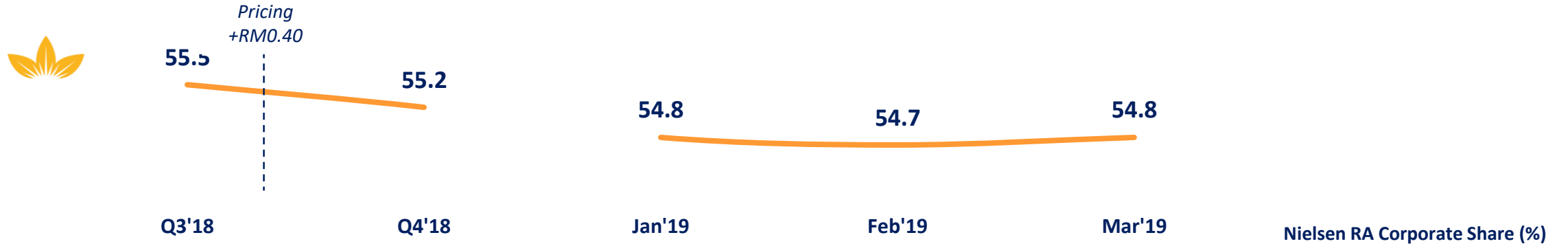
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Business Review

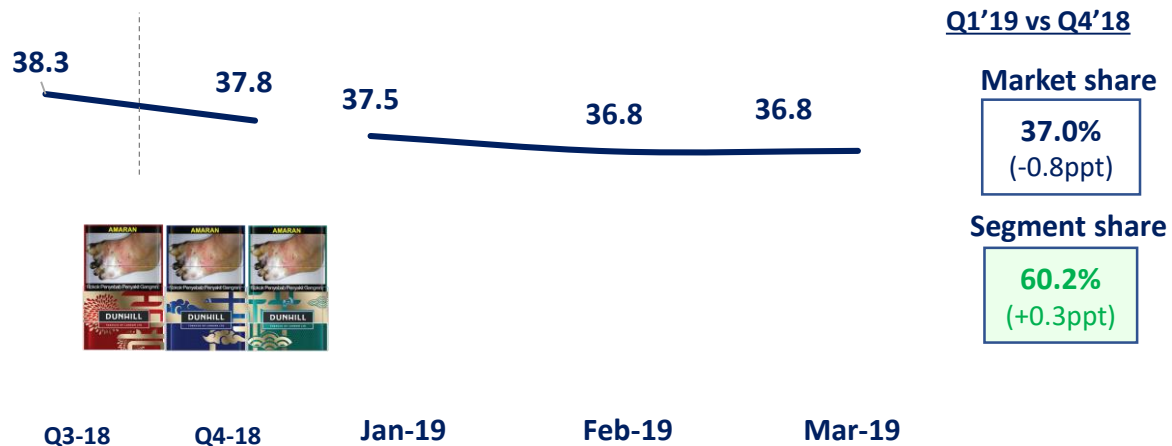
Premium segment stabilising post correction of price increase



BAT share stabilising as Dunhill holds share and Rothmans grow



Dunhill stabilised in the last 2 months, performing better than competition



Rothmans outpaced competition in last 2 months













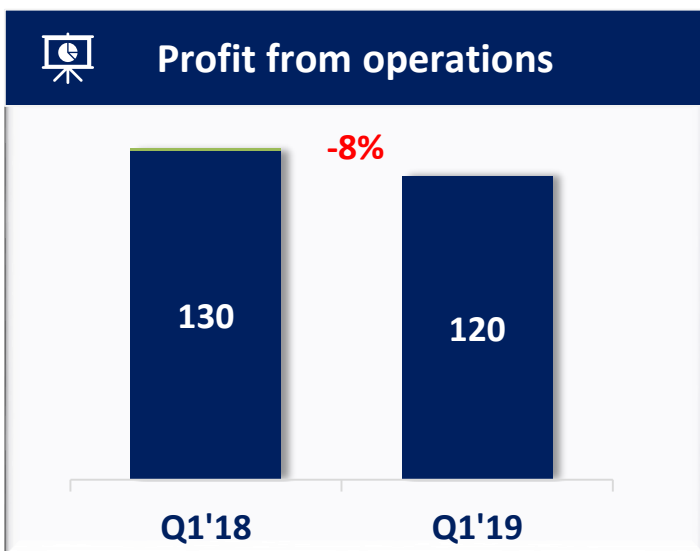
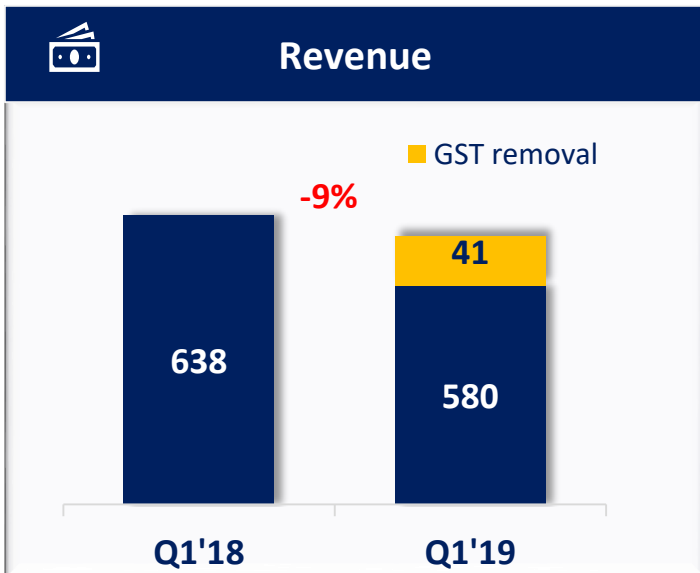
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Q1 Financial performance

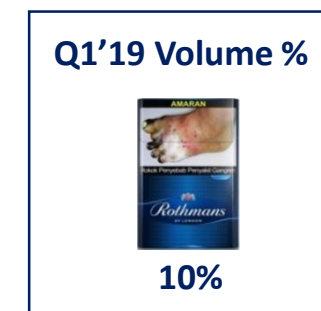
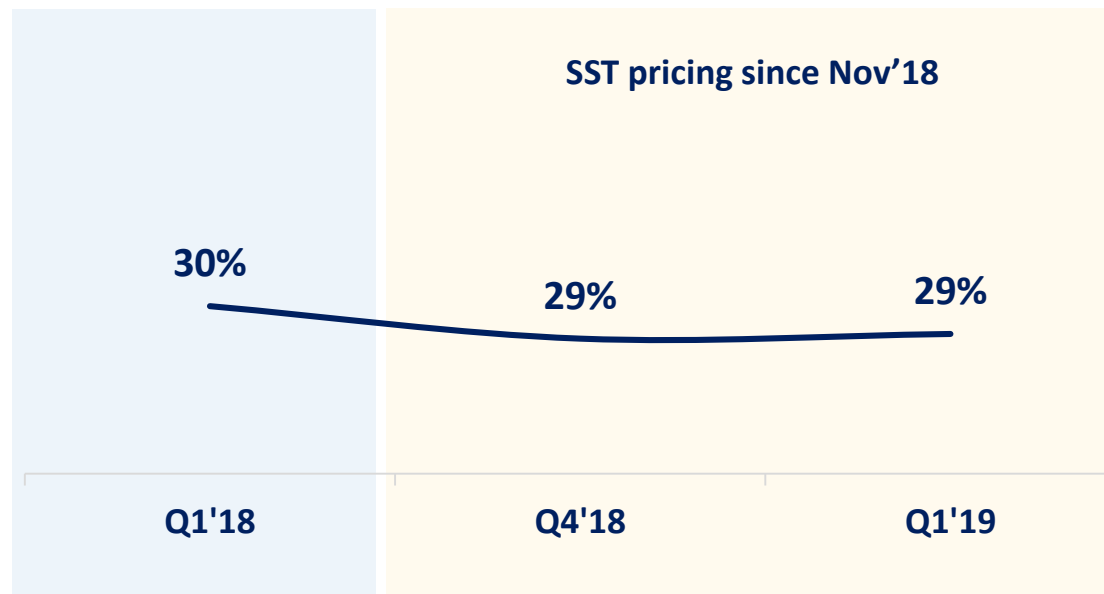
Key financial highlights

	Q1'19	vs SPLY	vs preceding quarter
VOLUME	0.8mns	-9.6% 	-15.5% 
REVENUE	RM621 mil	-2.6% <i>(underlying -9.1%)</i> 	-19.4% 
GROSS PROFIT %	29.1%	-0.9ppt 	FLAT 
PROFIT FROM OPERATIONS	RM120 mil	-7.5% 	-26.1% 

Financials impacted by volume decline following pricing and legal market downtrading



Gross margin maintained



THANK YOU