

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

# QUARTER 3, 2019 PERFORMANCE

**31<sup>st</sup> October 2019**

# AGENDA

**01** Key highlights

**02** Q3 Business review

**03** Other highlights

**04** Q3 financial performance



01

# Key Highlights

## Q3 highlights



**Industry volume**

**-11%**

vs SPLY

(-4% vs Q2'19)

**Illegal trade**

**65%**

(Remains high)

**BAT volume**

**-13%**

vs SPLY

(-8% vs Q2'19)

**Market share**

**54.7%**

-2.1ppt vs SPLY

(-0.4ppt vs Q2'19)

**Revenue**

**-10%**

vs SPLY

(-9% vs Q2'19)

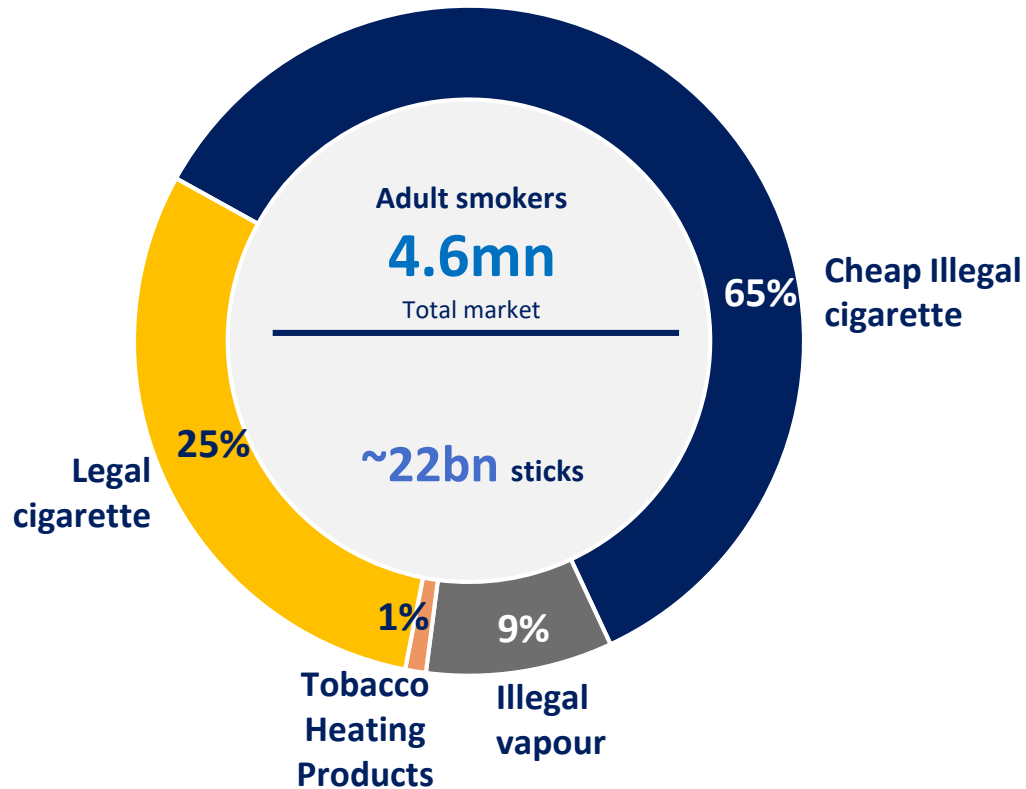
**Profit from operations**

**-16%**

Underlying vs SPLY

(+5% vs Q2'19)

# Unregulated vaping disrupting total FMC segment



When Illegal cigarettes less accessible, consumers claim to...

Maintain illegal 48%

Vape 30%

Roll Your Own (RYO) 8%

Buy a legal brand 5%

Quit/ Lower Consumption 9%



Legal

RM17.40



Illegal

RM4.50



RM2-7



RM15

# Making sense of US vaping related acute lung injuries



- Majority around 24 years old
- Most patients report a history of using THC (cannabis) oil containing products. THC plays a role in the outbreak
- Big industry players are not involved



Dr David O' Reilly, Director, Scientific Research

- Global BAT is engaging with CDC & FDA and offered their expertise
- Oil-based ingredients such as THC & Vitamin E Acetate are NOT and NEVER added to Vype & Vuse
- FDA/CDC position has not changed that vaping remains alternative to smoking

More reason why nicotine vaping in Malaysia needs to be regulated – banning will only push them to black market



02

# Q3 Business Review

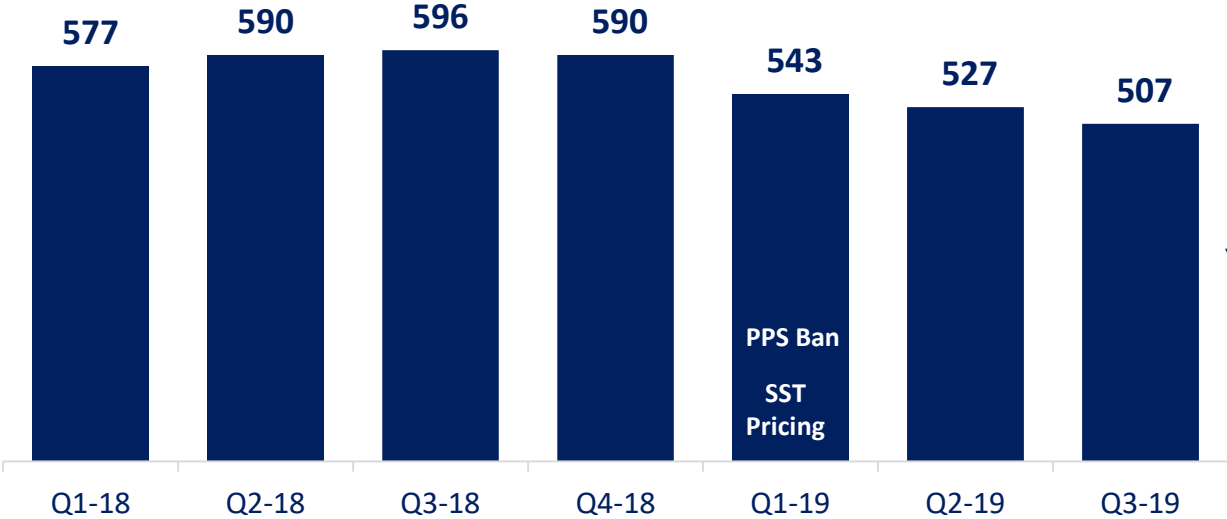
# The industry critically requires structural breakthrough in external environment

Illegal Volume Share (%)



YTD'19 vs SPLY  
-1ppt

Legal Volumes Monthly Avg (mns)



YTD'19 vs SPLY  
-11%

Mainly driven by:



Unregulated vaping



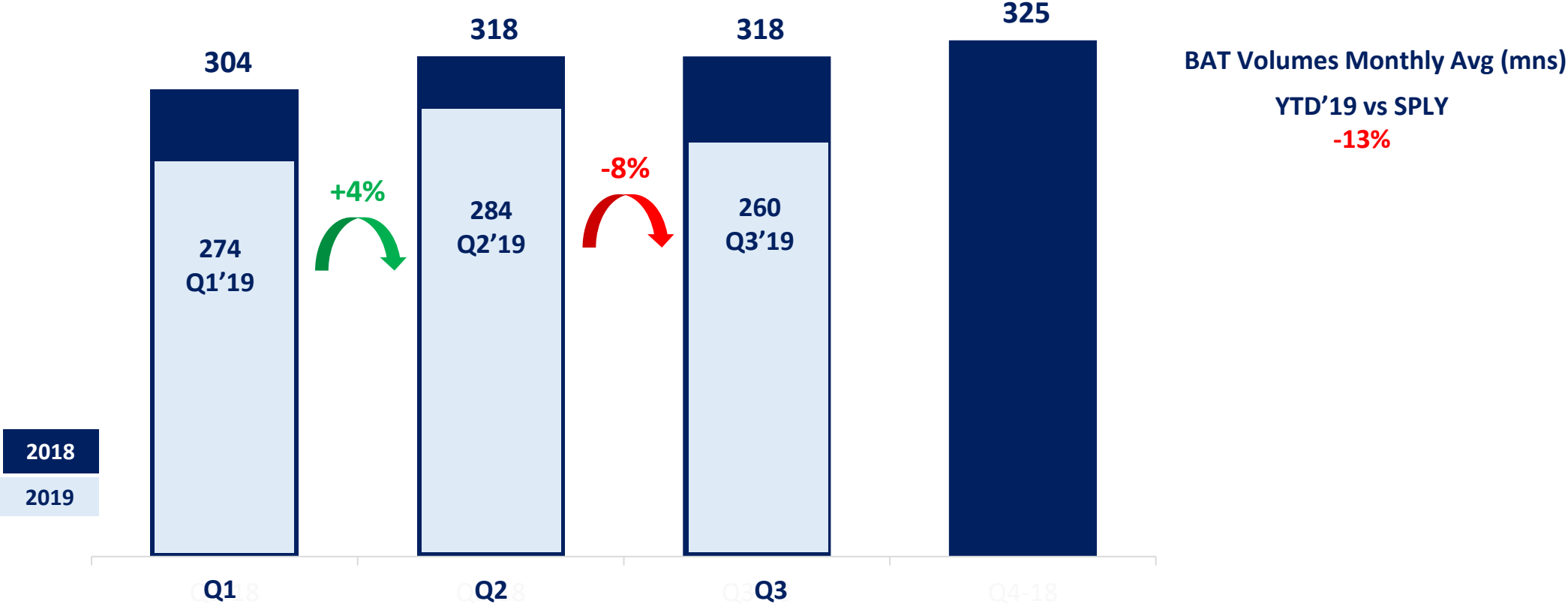
Public place smoking ban



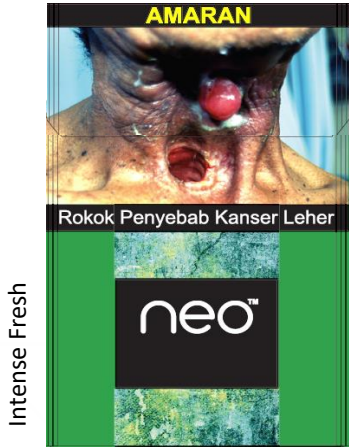
SST led pricing



# After 2018 stabilisation, market is back in turmoil



# Driving harm reduction via Glo launch



Intense Fresh



Boost Berry



Boost Mint



Dark Tobacco





03

# Other highlights

# BATM upholds high standard in governance and sustainability

## Sustained corporate governance standard



Excellence Award for Long Term Value Creation

Top 20 Excellence Award for CG Disclosure

## Highest return on equity over 3 years

### The EDGE Billion Ringgit Club



## BAT Global industry leader in DJSI for 18<sup>th</sup> consecutive years

Most prestigious world index of Dow Jones Sustainability Indices (DJSI)

Gold standard for corporate sustainability performance

BAT is the only one in the industry to achieve DJSI WORLD inclusion (only 10% of the publicly traded companies make it)



# BATM – best company to work for

## Safety and health at workplace being recognized



**GOLD award in Asia Pacific occupational health & safety**

**Obtained exception to participate in spite of controversial industry**

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

## Being recognized as a excellent company to work for



### HR EXCELLENCE AWARD:

- Total Rewards Strategy
- Employee Engagement
- Innovative use of HR Tech
- Business Transformation
- Workplace Wellbeing





04

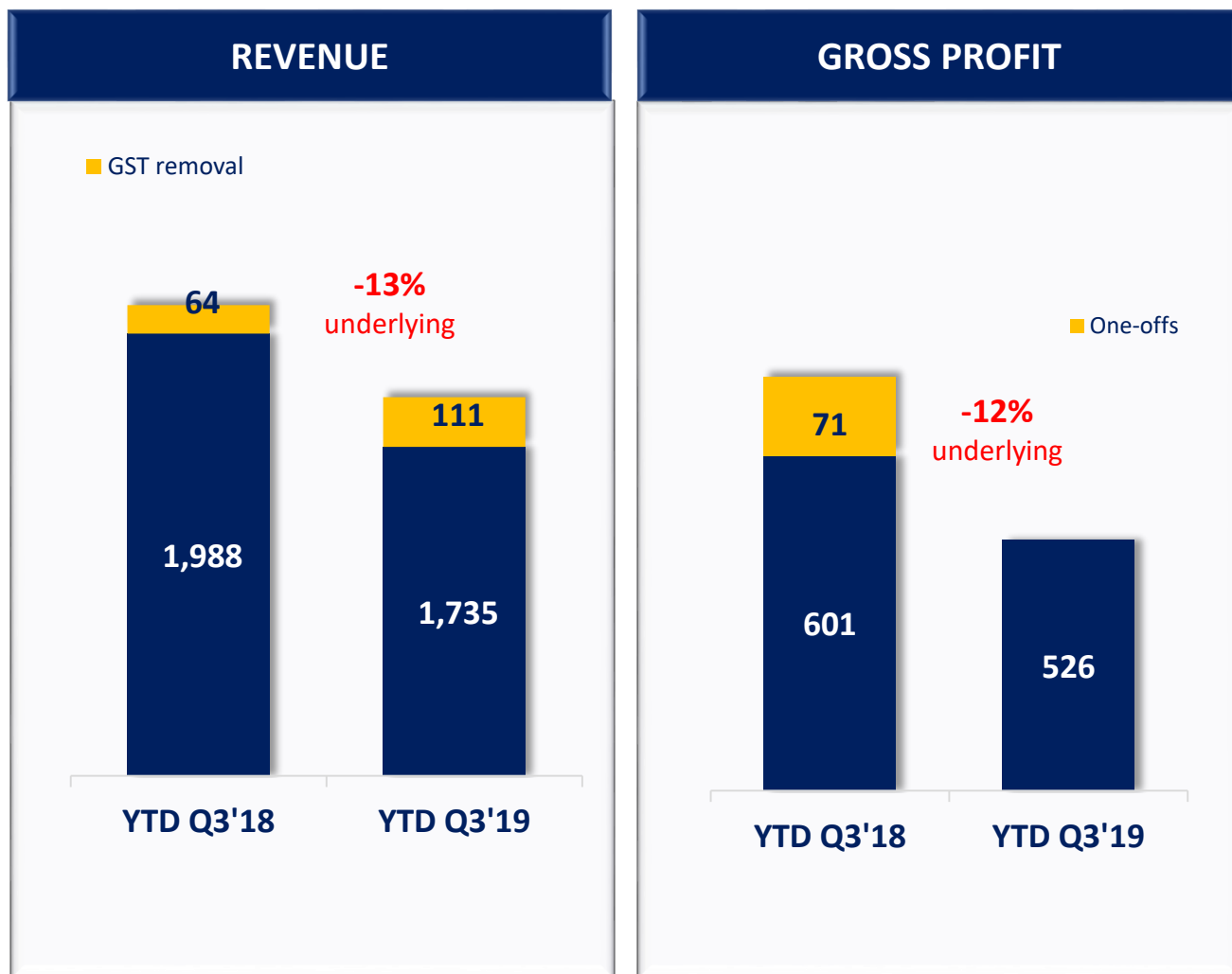
# Q3 Financial performance

# Key financial highlights

	Q3'19	vs preceding quarter		YTD vs SPLY	
LEGAL INDUSTRY VOL	1,522 mns	-4%	↓	-11%	↓
VOLUME	781 mns	-8%	↓	-13%	↓
REVENUE	RM584 mil	-9%	↓	-10%	↓
GROSS PROFIT	RM162 mil	-12%	↓	-22%	↓
OPERATING EXPENSES	RM 49 mil	-37%	↓	-5%	↓
PROFIT FROM OPERATIONS	RM113 mil	+5%	↑	-28%	↓

YTD financial performance impacted by market contraction and one-offs

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

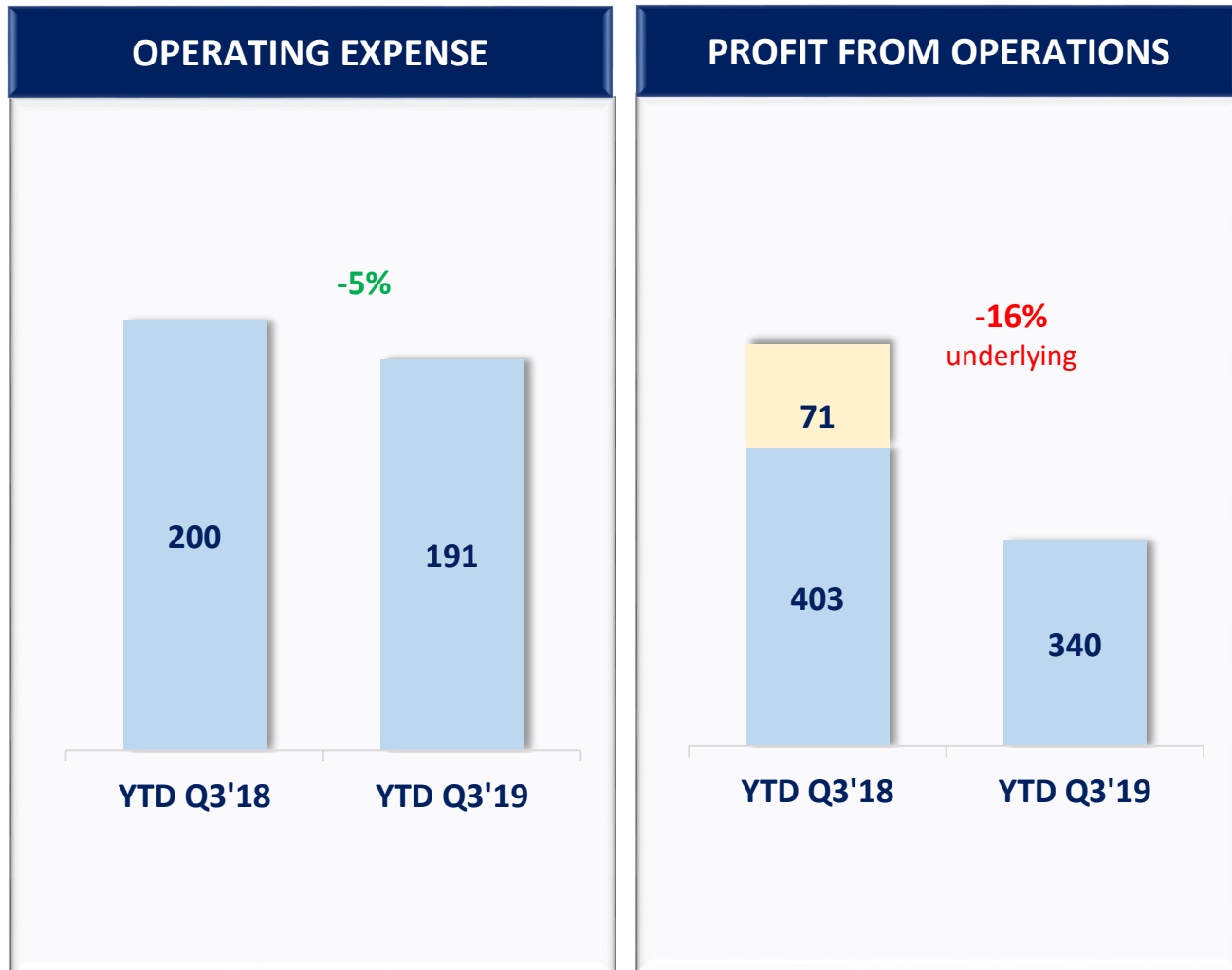


## One-offs influencing 2018 gross profit:

- GST removal one-off benefit
- Tax stamps refund in 2018



# Protecting profit from operations with cost initiatives



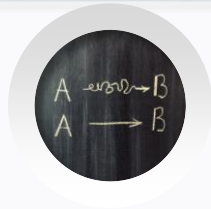
YTD Q3'19 initiatives to reduce operating expenses:

- Rationalizing investments
- Optimizing expenses

# Q4 cost base initiatives – internal reorganisation

## BAT Global Reorganization

- Optimise Ways of workings
- Unlock cost
- Reinvest behind new categories



## BAT Malaysia

- Legal market contract by ~45% vs 2015
- BAT financial performance greatly impacted
- Adjust to new reality and fund 'Glo'

### NEXT STEPS:

- ~ 100 roles impacted (20% of total headcount)
- Implementation between Q4'19 to Q1'20
- Q4 operating expenses to improve further

# Dividend payout

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- Dividend per share of RM0.29 for Q3 2019
- Dividend payout as follow:

<b>Interim dividend</b>	<b>2019</b>
First interim	RM 0.30
Second interim	RM 0.26
Third interim	RM 0.29
<b>Total</b>	<b>RM0.85</b>

- Payout Ratio Q3: **99%**

# Outlook of 2019

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- **Deeply concerned with continued high incidence of illegal cigarettes**
- **Unregulated new categories continue to impact the legal industry**
- **Need integrated and holistic efforts to reduce the problem**
- **Focus continue to work with authorities**
- **Complete organisational restructuring to optimise investment**

**THANK YOU**