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ANALYST BRIEFING QUARTER 4, 2013

February 2014



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AGENDA

- **Industry Review, Market Share and Volumes**
- **BATM Review**
- **Quarter 4, 2013 Results**
- **Other Highlights**
- **Future Prospects**

FY 2013 Headlines



- Declining domestic volume -5.8% V's 2012. Notable price impact in Q4.
- Significant y.o.y. growth in contract manufacturing volume (+16%)
- Consumer price increase : +0.30/pk (June 2013) and +1.50/pk (Sept 2013)
- Illicit up by +1.2ppt V's 2012 driven by illicit whites
- Domestic market share growth (+1ppt)
- Brands
 - › Dunhill Strength (+1.3ppt) – FF and Menthol Variants
 - › Disappointing results for Dunhill Kretek
 - › Great performance from Peter Stuyvesant (Exit SOM +0.5ppt V's 2012)
 - › Pall Mall continues to decline (-0.1ppt) but at a slower rate
- PAT/EPS increased by 3.2% v's 2012
- Dividend growth by 3.7% v's 2012



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INDUSTRY REVIEW, MARKET SHARE, VOLUMES AND BATM REVIEW

Industry Volume: Total Big3 Softened by 6% (FY2013 vs. FY2012)

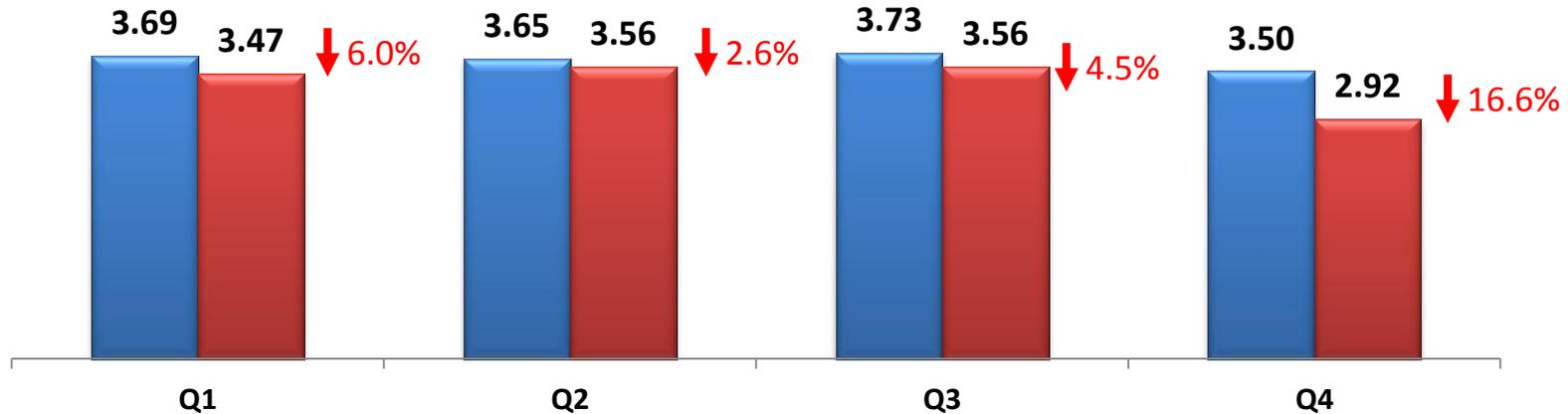
Source: Industry Exchange, IMS Volumes (Kretek + Whites)



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Industry Volumes (bns) Big3 + Sub VFM + Kretek

■ 2012 ■ 2013



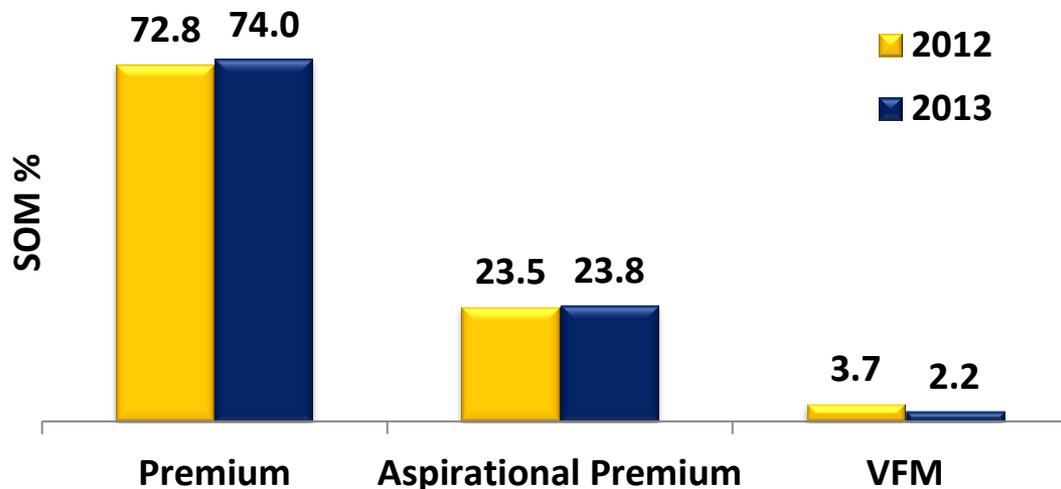
	Q4 2012		Q4 2013		FY 2012		FY 2013	
	Q4 2012	Q4 2013	Volume Variance	% Variance	Q4 2013 vs. SPLY	Q4 2013 vs. SPLY	FY 2012	FY 2013
BATM	2.12	1.73	-0.39	-18.4%	8.69	8.04	-0.65	-7.5%
Total Big3	3.30	2.71	-0.59	-17.9%	13.57	12.75	-0.82	-6.0%
Other Whites (estimate)	0.10	0.09	-0.01	-10.0%	0.56	0.46	-0.10	-17.9%
Kretek	0.10	0.12	0.02	20.0%	0.45	0.49	0.04	9.4%
Total Big3 + OW + Kretek	3.50	2.92	-0.58	-16.6%	14.57	13.70	-0.88	-6.0%

Note: 1) IMS volumes of JTI & PMI will not be available on a monthly basis
2) Other Whites volumes extrapolated from Retail Audit

Q4 2013 vs. SPLY: Big-3 -17.9% down. Driven by the price increase in Oct'13
FY 2013 vs. FY 2012: Big-3 -6.0% down. Close at 12.75 billion sticks.

Premium segment and Aspirational Premium are growing at the expense of VFM

Source: FY 2013 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



SPLY 2012		FY 2013	
<u>Share of Premium</u>	<u>2012</u>	<u>Share of Premium</u>	<u>2013</u>
BAT	72.3	BAT	72.4
<u>Share of Aspirational Premium</u>		<u>Share of Aspirational Premium</u>	
BAT	35.8	BAT	35.1
<u>Share of VFM</u>		<u>Share of VFM</u>	
BAT	0.0	BAT	0.0

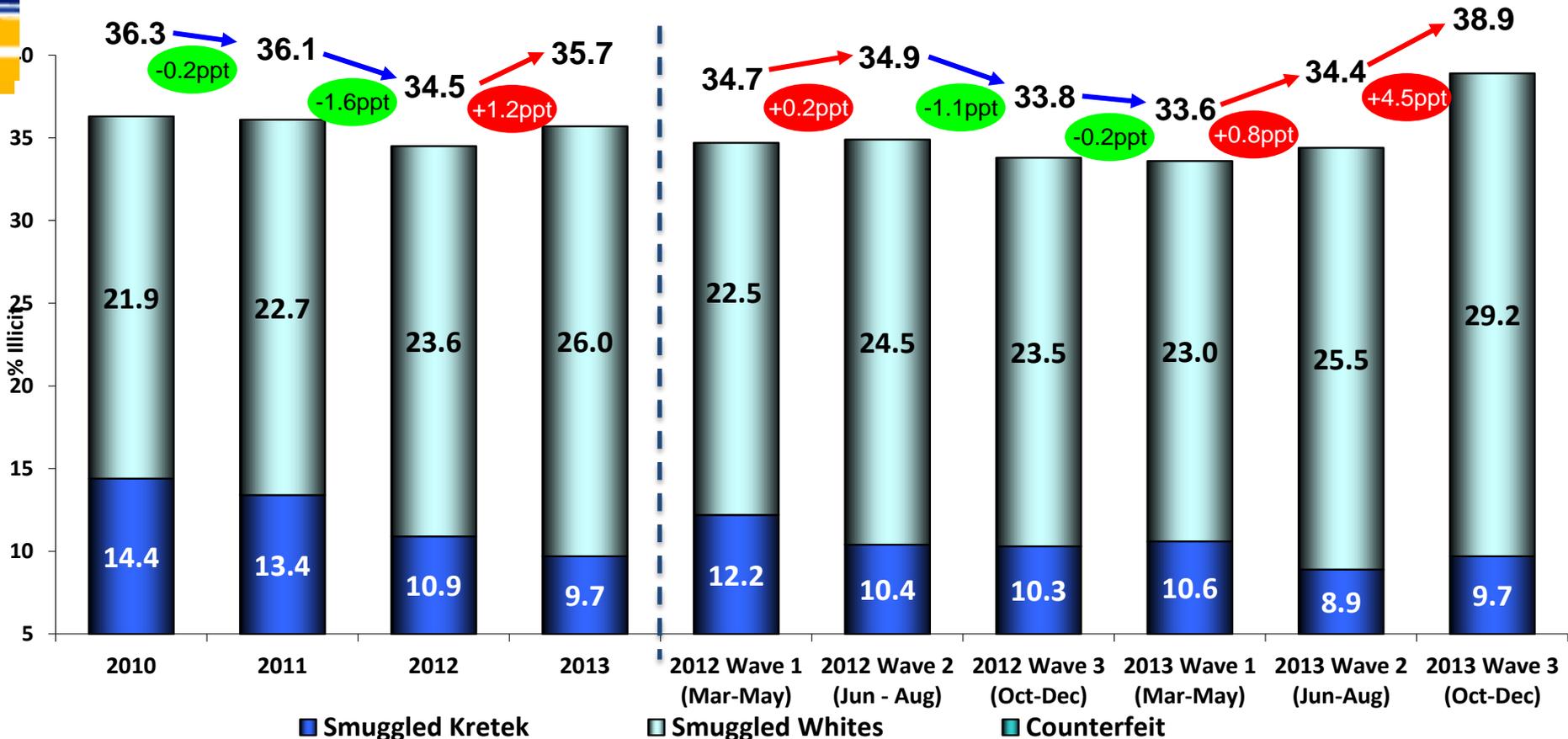
Sharp increase in illicit whites witnessed (W3'13) after cigarette price increase

Source: Illicit Cigarette Study, 2010 - 2013

*Survey methodology does not capture sub-VFM brands selling at below minimum price.



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2013 vs. 2012

- Illicit up by +1.2ppt
- Driven by illicit whites which grew after price hikes in 2013

Oct-Dec '13 vs. Jun-Aug '13

- Smuggled Whites up by +3.7ppt
- Smuggled Kretek up by +0.8ppt

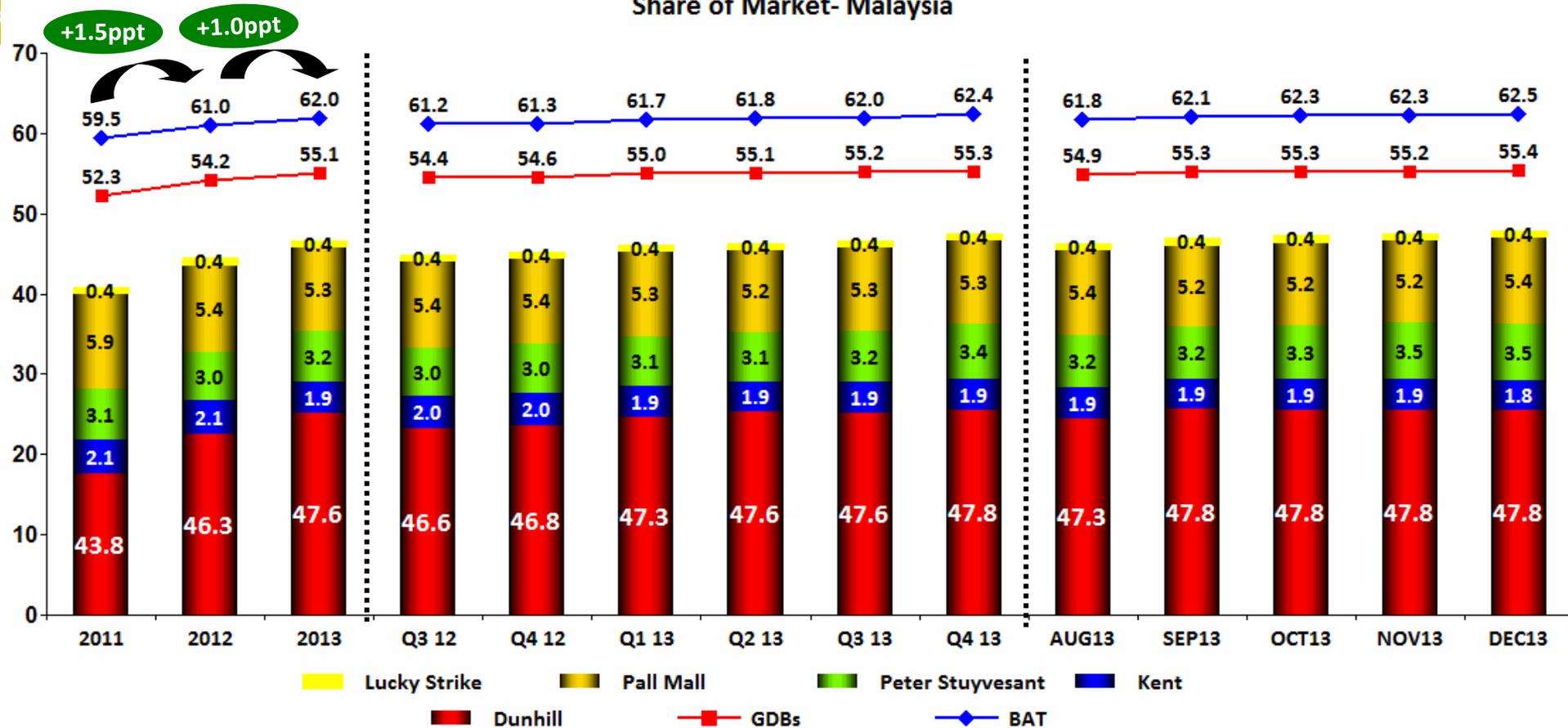
BAT continues to grow in Q4'2013, closing the year with 62.0% SOM



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Source: FY 2013 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)

Share of Market- Malaysia



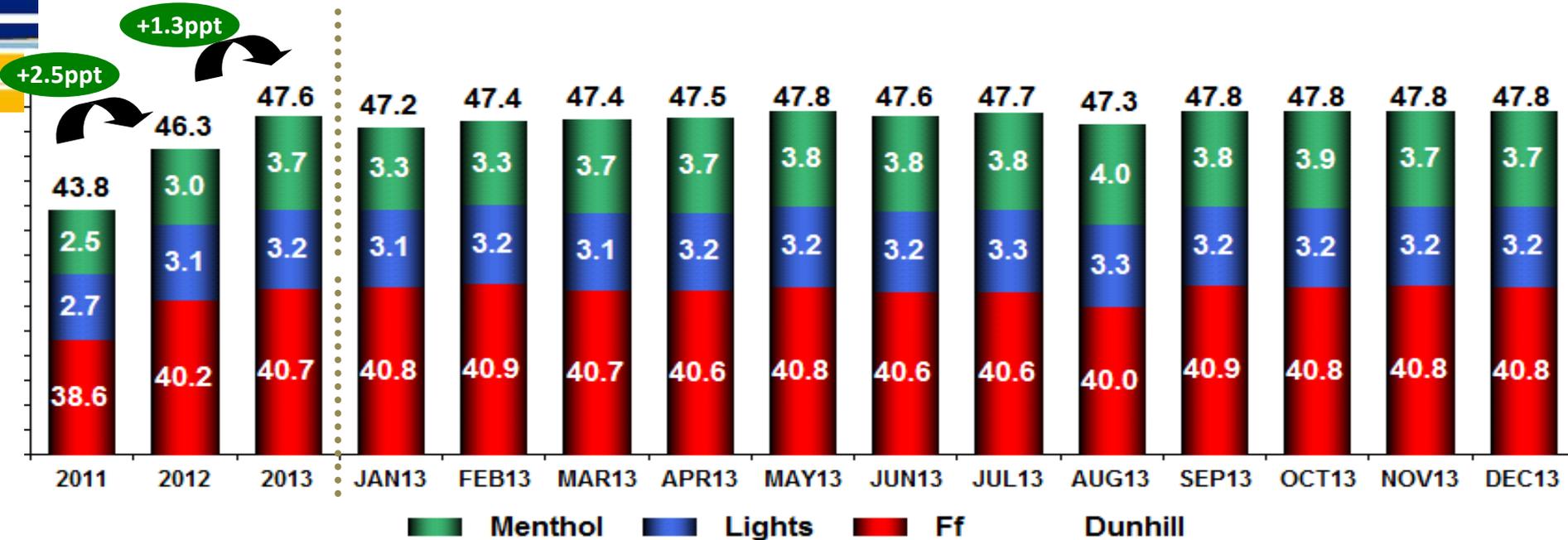
Peter Stuyvesant has been showing month-on-month gradual improvement since Sep'13

Dunhill: Closed 2013 with remarkable achievement of +1.3ppt growth



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Source: FY 2013 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



Mar 2013
Dunhill Ice – High Menthol Capsule product (Nationwide launch)

Sept 2013
Dunhill Kretek - Longer satisfaction with rich and finer taste (Nationwide launch)

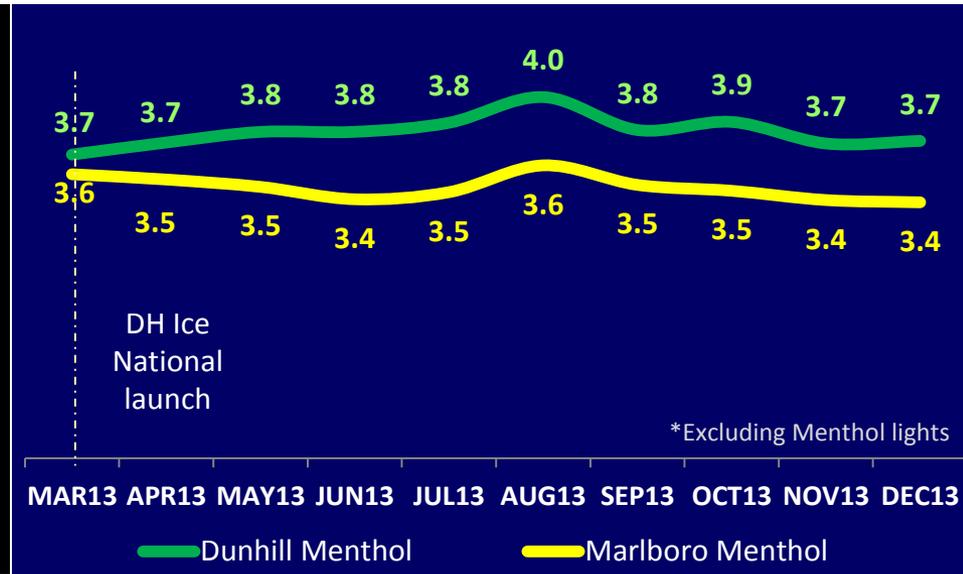
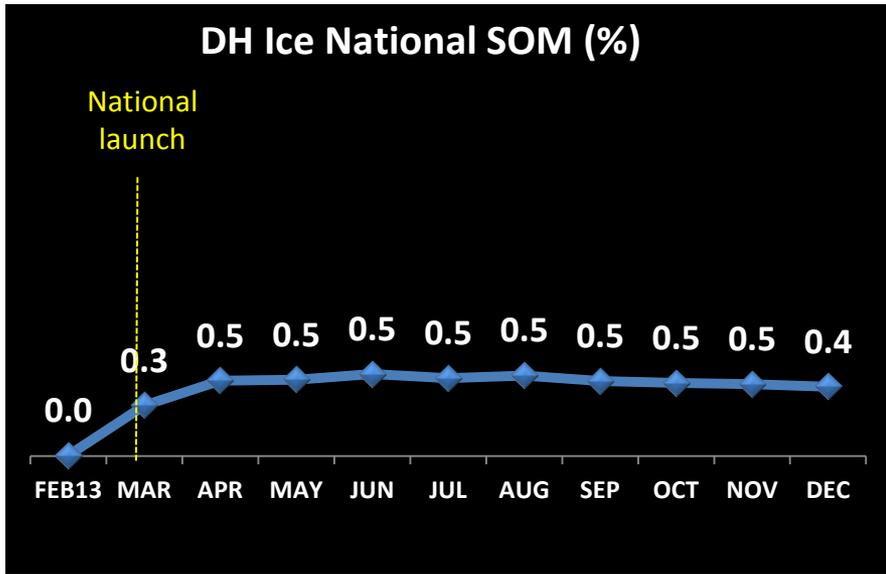
Dec 2013
Dunhill FF & Lts - Limited Edition Pack (Nationwide launch)

DH Ice has been showing resilient performance in 2013

Source: FY 2013 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



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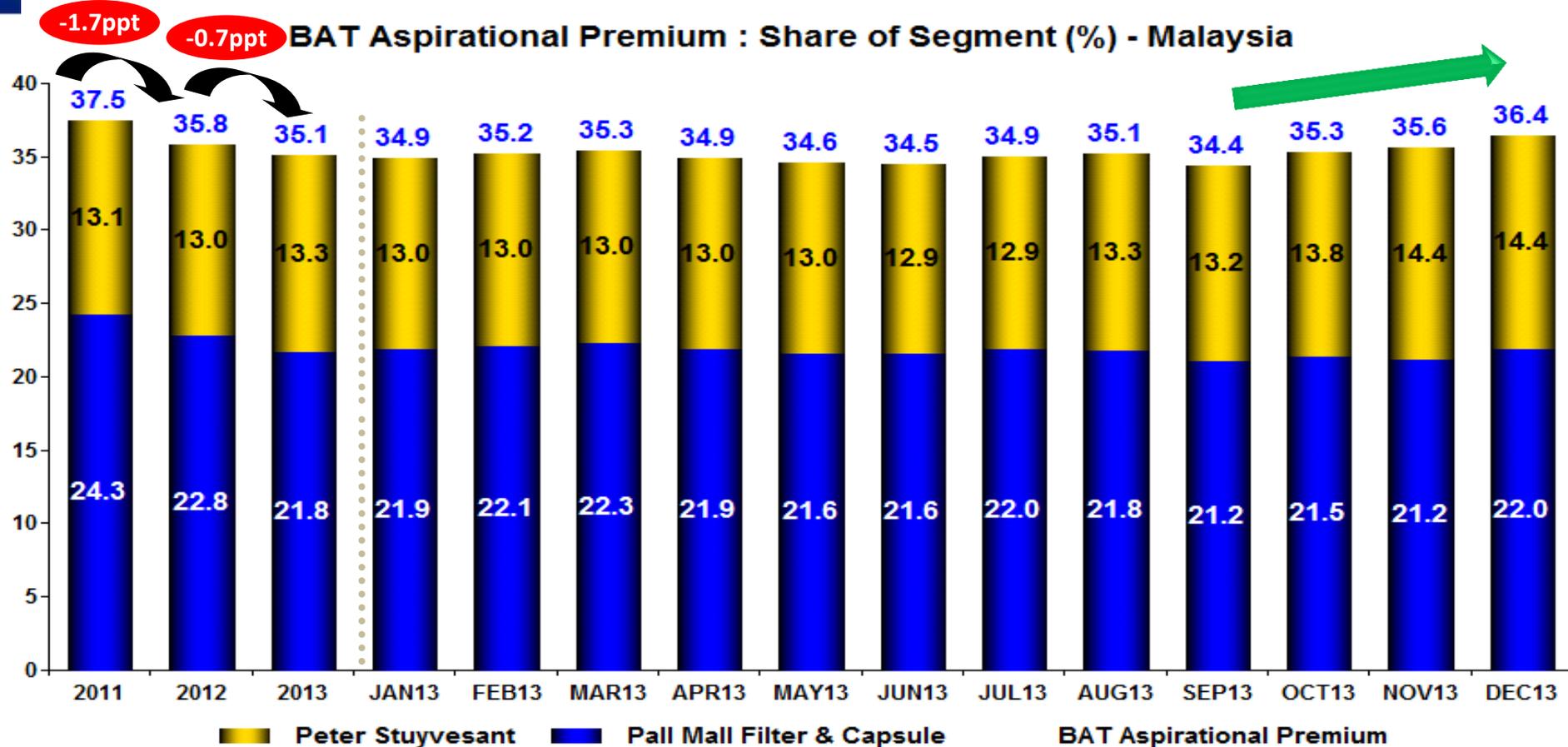
High level of awareness of all DH Ice POSMs (Point of Sales Materials) recorded
(Source: TNS Research Agency, 2013)

BAT Aspirational Premium gradually rising in recent months



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Source: FY 2013 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



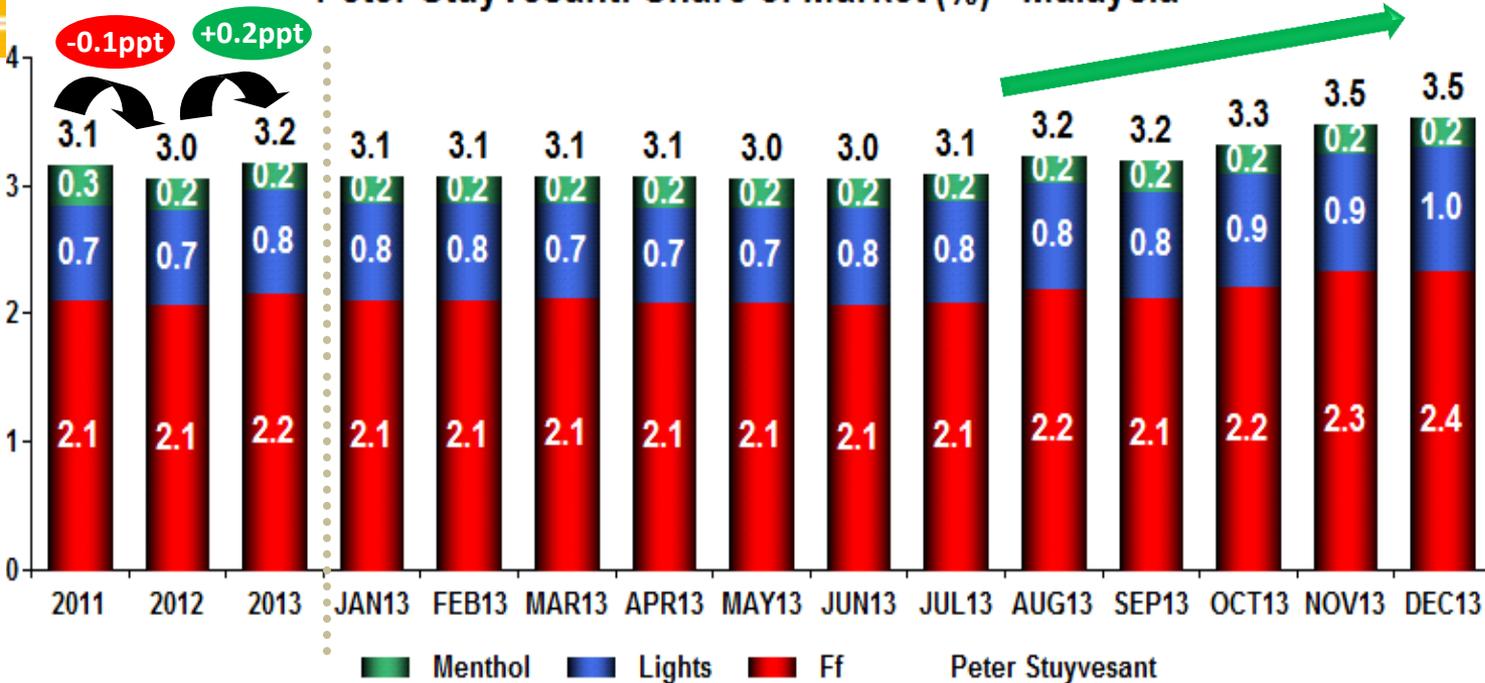
Peter Stuyvesant contributed to the gains, post pack upgrade in Jul '13

Peter Stuyvesant rejuvenated since Jul'13



Source: FY 2013 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)

Peter Stuyvesant: Share of Market (%) - Malaysia



Produk ini mengandung lebih 4,000 bahan kimia termasuk tar, nikotina dan karbon monoksida yang membahayakan kesehatan.

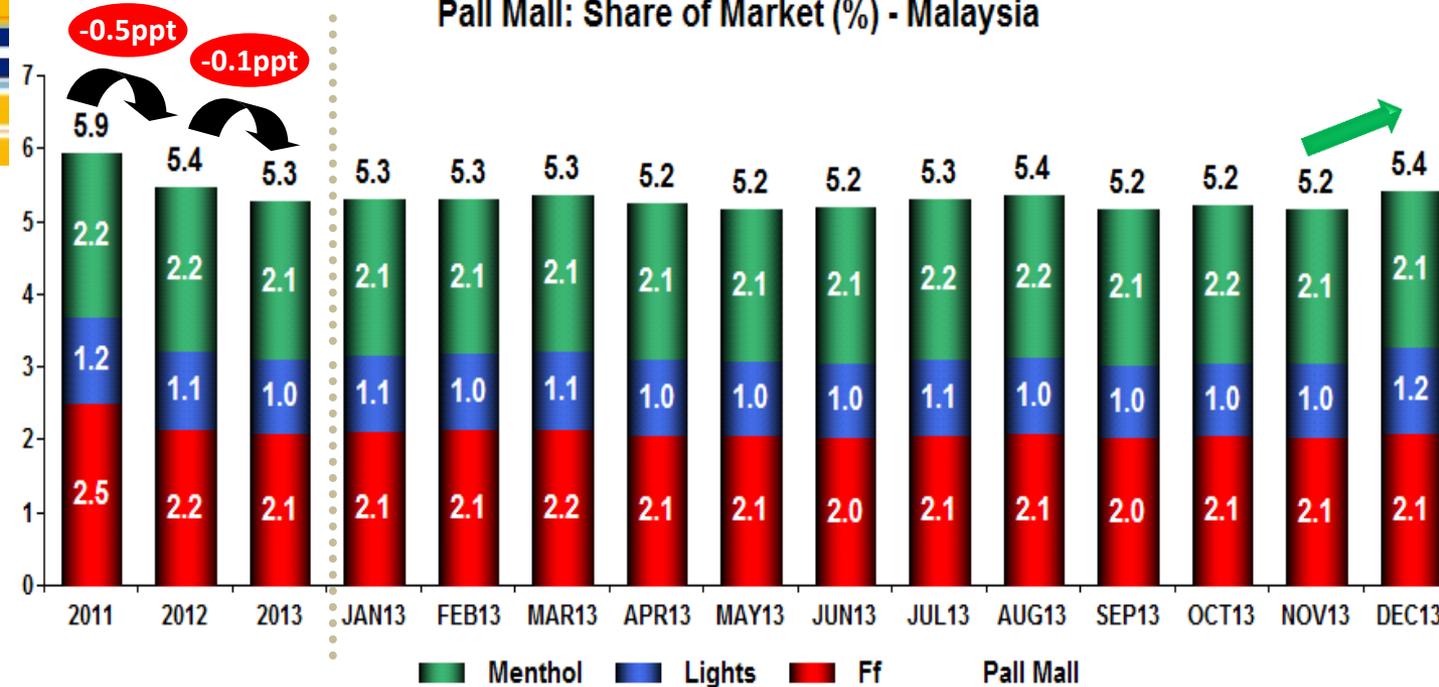
Pall Mall: Shown positive indication of +0.2ppt share gains post product upgrade in Dec'13



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Source: FY 2013 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)

Pall Mall: Share of Market (%) - Malaysia



Dec 2013:
Pall Mall FF & Lts Product Upgrade:
New Blend Plus Capsule

Jun 2013:
Pall Mall Menthol Range Re-launch

Dec 2013:
Pall Mall FF & Lts Product Upgrade:
New Blend Plus Capsule



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FINANCIAL HIGHLIGHTS

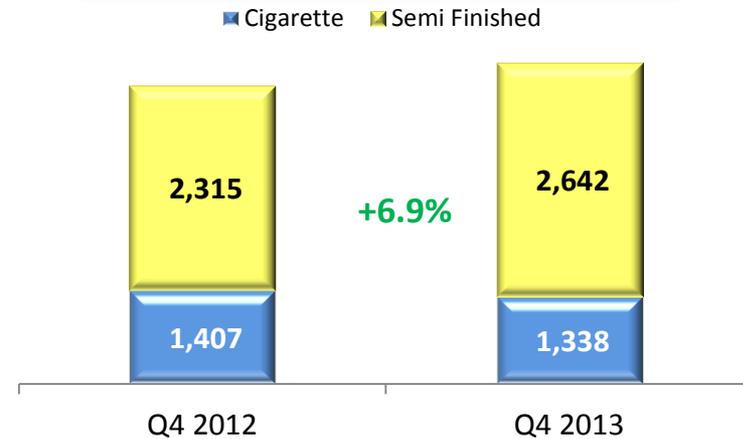


Q4: Volume and Revenue

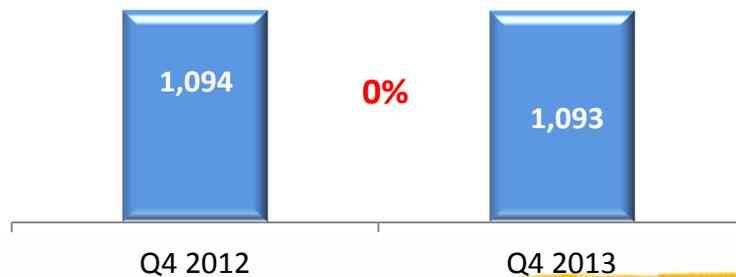
Domestic & DF Volumes (mn stick)



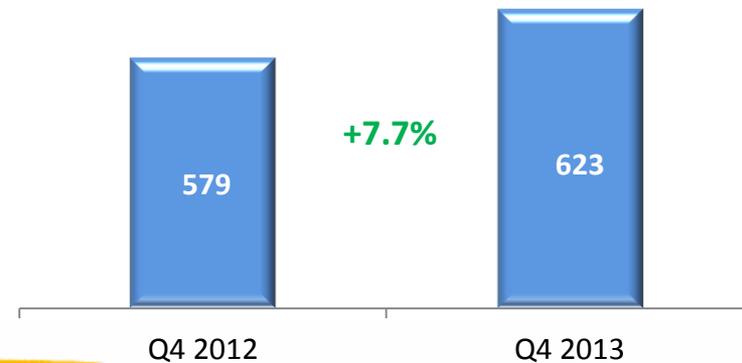
Contract Manufacturing Volumes (mn stick)



Revenue (RM'mn)



Net Turnover (RM'mn)





Key Metrics: Total Q4, 2013 vs SPLY

Gross Profit (RM'mn)



Operating Expenses (RM'mn)



Profit from Operation (RM'mn)



Earning per Share (Sen/share)

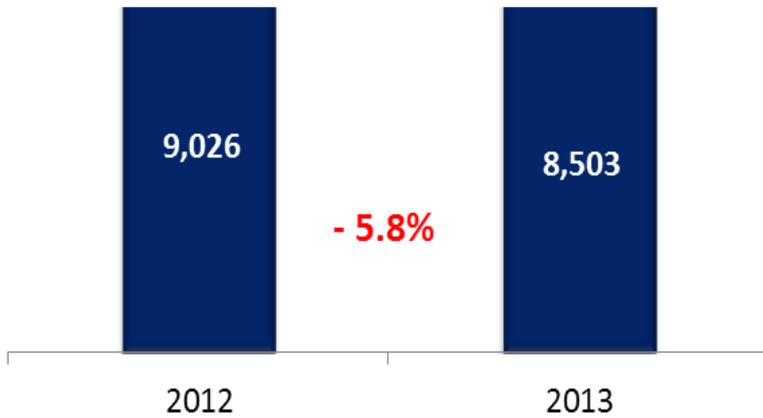


2013: Volume and Revenue

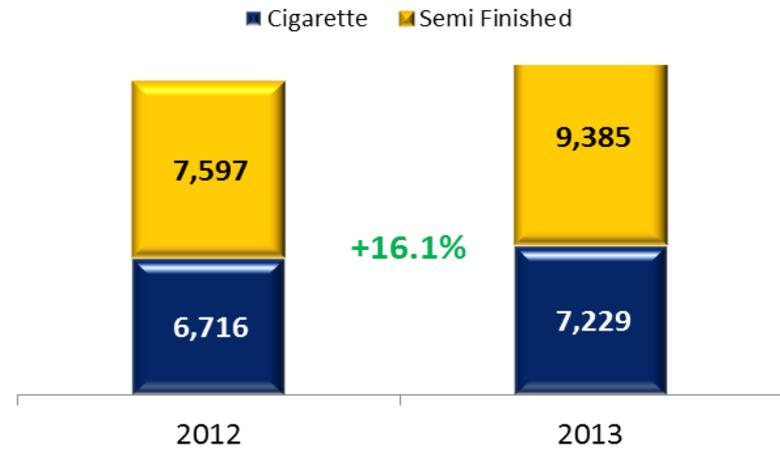


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Domestic & DF Volumes (mn stick)



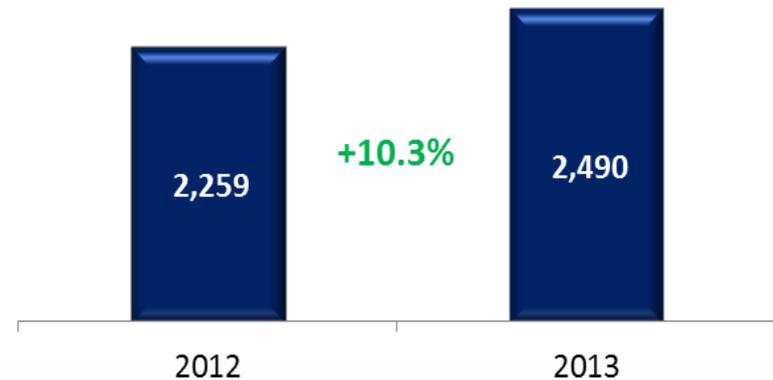
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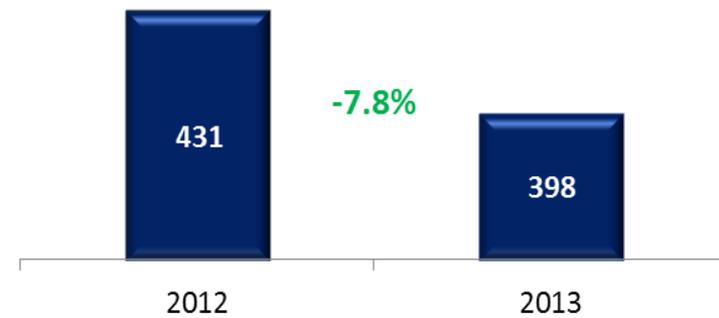


Key Metrics: 2013 vs. 2012

Gross Profit (RM'mn)



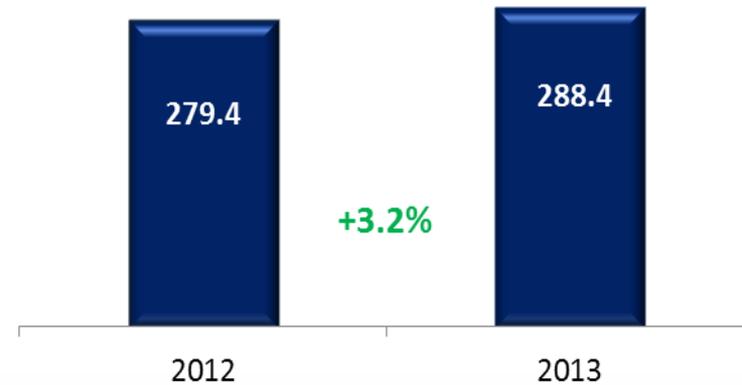
Operating Expenses (RM'mn)



Profit from Operation (RM'mn)



Earning per Share (Sen/share)

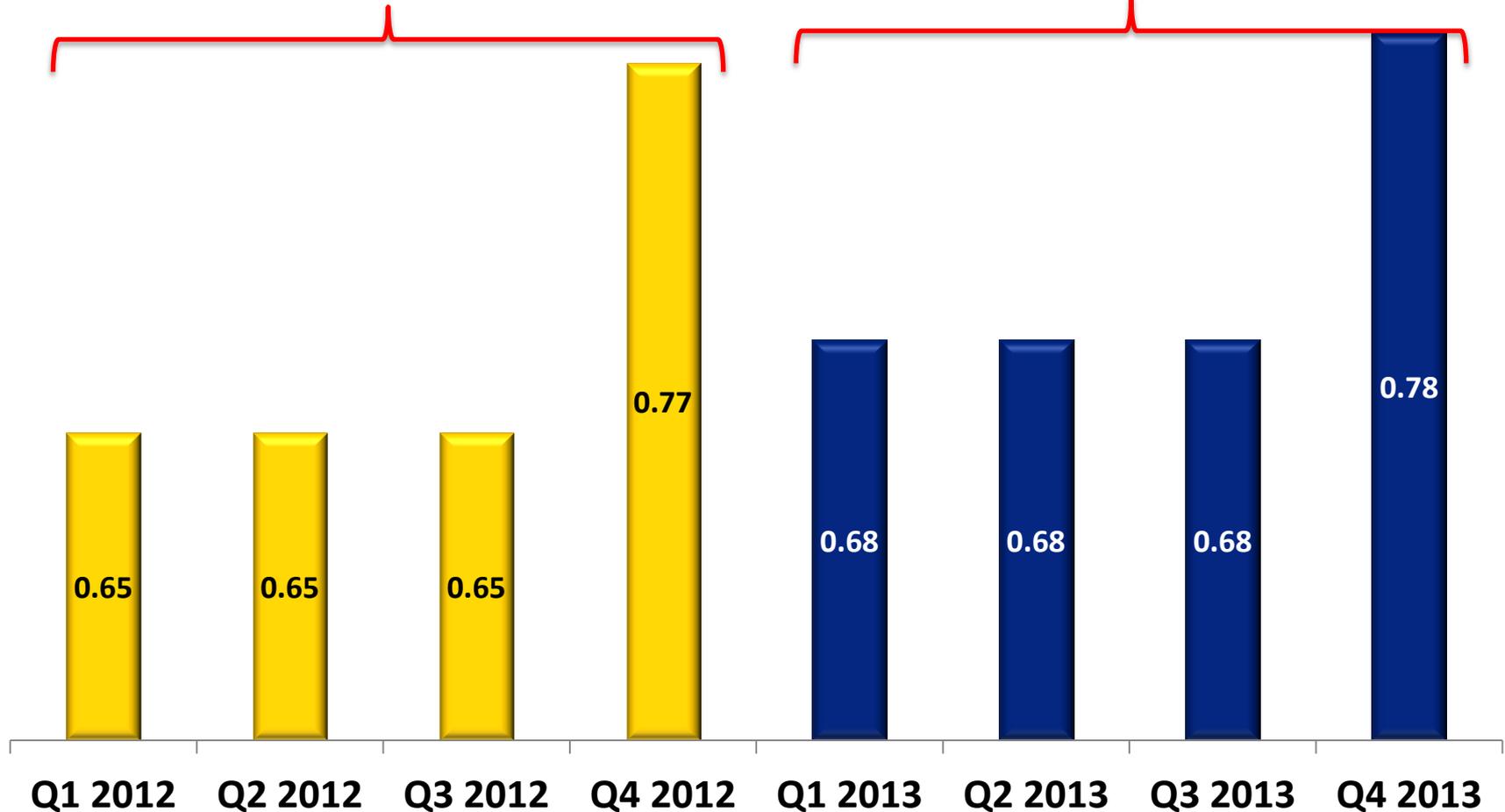




2013 Dividends

2012: RM2.72 - 97.4% Payout

2013: RM2.82 - 97.8% Payout



YoY Dividend Growth 3.7%



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OTHER HIGHLIGHTS

Highlights of Sustainability initiatives

BATM Foundation Scholarship Day (4th December 2013)



BATM Foundation awarded scholarships amounting to RM406,000 to 23 aspiring students.

12th Higher Education Starter Kit (HESK) Awards Ceremony (13th November)



A total of 86 aspiring students from the tobacco growing community awarded RM59,200 for HESK.

MyKasih Foundation 2013

As of October 2013, BATM Foundation's contribution enabled 3,061 families across Johor to purchase essential food items such as bread, canned food, cooking oil, eggs, floor, and rice, etc.



Recent External Recognition

ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2013

Winner for Reporting in the Annual Report category

- Recognition for disclosure of sustainability initiatives in the Company's Annual Report, as well as for its strong governance structure and corporate responsibility framework.





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Regulatory update

New Pictorial Health Warnings (PHWs) Requirements – 1st Jan 2014

- Increase of front panel PHW to **50% of cigarette pack** from 40%. Back panel remains at 60%.
- **6 new sets** of PHWs - total of 12 sets of PHWs currently.
- Possession of cigarette packs without PHWs an offence, punishable by a fine not exceeding **RM10,000** or **2 years' imprisonment**, or both.
- BAT Malaysia is in **full compliance** with given deadline.

Regulatory update

New Pictorial Health Warnings (PHWs)

Front panel
50%
(from 40%)



Front Panel

Back Panel



Back panel
60%
(no change)





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Future Prospects

- 2014 volume decline following excise led price increase in September 2013
- Increasing illicit trade;
- 2014 results will be heavily influenced by Government's approach to illicit trade;
- Concern about any further excise increases.

CAUTIOUS OUTLOOK FOR 2014



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THANK YOU