



MEDIA RELEASE

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BAT MALAYSIA RESILIENT DESPITE EXTERNAL HEADWINDS

Bukit Damansara, 21 May 2020 – British American Tobacco (Malaysia) Berhad (BAT Malaysia, the Group or the Company) announced its financial results for the first quarter ended 31 March 2020 (Q1FY2020) today.

Total legal industry volume declined by 11% against the same period last year as persistently high levels of illegal cigarette sales and illicit nicotine vaping products continued to impact the legal tobacco market. Despite the legal industry decline, the industry has remained resilient through the COVID-19 disruptions with the exception of the Duty Free business (4% of Group revenue) where sales have ceased as a result of border closures and travel restrictions.

The combination of legal market contraction and downtrading was further compounded by impact on Duty-Free sales due to COVID-19. This led to a decline of 21% in the Group's volume and a decline of 22.5% in the Group's revenue of RM481 million compared to the same period last year.

Consequently, profit from operations in the first quarter fell by 40.6% to RM71 million compared to RM120 million a year ago. This decline was driven by lower domestic volumes from the legal market, seasonality, stock in trade corrections and reduced Duty-Free sales due to COVID-19.

Q1 2020 Financial Highlights:

- Profit from operations decreased 40.6% in the current quarter to RM71 million compared to the same period last year. Profit from operations was also 48.5% lower compared to the RM138 million registered in the immediate preceding quarter (Q4FY2019).
- Revenue for the quarter under review decreased by 22.5% to RM481 million compared to the same period last year. Revenue also declined by 27.4% against Q4FY2019.
- Operating expenses were marginally lower compared to the previous quarter. However, the improvement in operational efficiencies were not enough to offset revenue loss, resulting in a decline of 48.5% in profit from operations for the current quarter.

Despite the difficult operating landscape, the Board of Directors has declared a first interim dividend of 17.0 sen per share.

Jonathan Reed, Managing Director of BAT Malaysia said:

“Our Q1FY2020 results were within expectations despite the disruption from the Movement Control Order (MCO) in the last two weeks of quarter one. However, due to the supply disruptions of legitimate tobacco manufacturers during the MCO period, consumers were forced to turn to cheap, black market cigarettes. As a result, it has been highly disappointing to see a severe uptick in illegal cigarette activities.”



“The government is losing RM 5.1 billion in tax revenue to the tobacco black market at a time when the country needs every ringgit for the COVID19 fight and the subsequent recovery. It’s alarming that at a time when movement controls were at their strictest and the legal business had distribution disruptions – the criminal syndicates were able to establish a virtual monopoly by brazenly flouting MCO orders and profiteer from a national health and economic crisis

“Now, more than ever, there must be focus given over to ensure that effective structural reforms are put in place to tackle this problem once and for all. The sustainability of the industry and livelihoods of our employees will be very much dependent on tackling the tobacco black market scourge, a regulated nicotine landscape and sensible fiscal policies.”

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For more information on British American Tobacco Malaysia’s financial results, please visit www.batmalaysia.com

About British American Tobacco (Malaysia) Berhad

British American Tobacco (Malaysia) Berhad is the leading tobacco company in Malaysia. This strong position is built upon a portfolio of high-quality tobacco products designed to meet diverse consumer preferences. Our portfolio includes world- famous brands like DUNHILL, KENT, PETER STUYVESANT, PALL MALL and ROTHMANS. British American Tobacco Malaysia employs almost 500 employees who are involved in a wide spectrum of disciplines, from generating insights, developing brands and making these available on a national level. In addition, we also set leading edge talent development practices as well as ensure a strong foundation of corporate governance and shareholder relations. The company is part of the British American Tobacco group, which is the world’s most international tobacco group and the second largest stock market listed tobacco group by global market share.

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