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BAT may post weaker results due to slower consumption

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BRITISH American Tobacco (M) Bhd (BAT) is expected to post weaker results for the quarter ended June 30 2001, on concerns that the slower economy might affect the consumption growth level, analysts say.

An industry analyst said he expected the cigarette consumption growth level for the first half of the year to be between 1 and 2 per cent.

"Normally, the consumption level grows at a rate of between 2 and 3 per cent annually. For the second half the year, I expect it to decrease further to around 1 per cent," the analyst said.

He added that the Prime Minister Datuk Seri Dr Mahathir Mohamad's hint of a further reduction in corporate tax might also pose concerns for BAT, the largest cigarette manufacturer in Malaysia.

"If the Government decides to cut corporate tax, it must increase other taxes to complement their revenue, and `sin' taxes (taxes on cigarette and alcohol) are the ones likely to be raised," the analyst said.

He said BAT will also have to increase its share in the "light" segment of the cigarette market. The company currently has a 30 per cent market share in the category.

"Although this section constitutes only about 9 per cent of the overall market, it is the fastest growing section in term of consumer consumption level," the analyst added.

Another analyst agreed that BAT's results for the second quarter would not be as good as the first quarter, where it recorded a net profit of RM160.48 million on the back of RM782.94 million turnover.

"I don't expect the company to come up with any surprises when they announce their quarterly result," the analyst said.

BAT was previously known as Rothmans of Pall Mall (M) Bhd until it absorbed the cigarette manufacturing and distribution businesses of Malaysian Tobacco Co Bhd in November 1999.

For the financial year ended December 31 2000, the company recorded a net profit of RM505.96 million on the back of a turnover of RM2.77 billion.

In a consensus of 19 local and foreign research houses by Multex Global Estimates, BAT is projected to post a turnover of RM2.99 billion with a net profit of RM590.4 million for the financial year ended December 31 2002.

Yesterday, BAT's share price on the Kuala Lumpur Stock Exchange eased 25 sen to end the day at RM35.00. A total of 244,600 shares were traded.

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