

BATU delivers sweeter half-year profit

By Samuel Sanya

After spending significant sums of money to comply with the recent Tobacco Control law, shareholders of British American Tobacco Uganda (BATU) have reason to smile.

There is now more cash in BATU's coffers and half year profit has spiked, the company's half year results indicate.

BATU's half year after-tax profit jumped by 76% at the end of June 2018 to sh6.2b, on the back of lower business costs to overcome a slight 1.2% decline in half year revenue to sh73.7b.

"The company continues to deliver stable results in a challenging business environment. Operating profit increased to sh8.8b due to lower cost base attributable to the absence of one-off costs incurred in the half year of 2017 to support compliance with the Tobacco Control Act, 2015," Nicholas Eciimu, the company secretary, said in a statement.

Under the law, smoking indoors is completely banned. Smoking is also banned outdoors if it is within 50 metres of any public place, workplace, public transport terminal, school, window, door or air intake facility.

BETWEEN THE LINES

■ Incorporated in Uganda under the Companies Act, BAT (Uganda) has 64 million authorised ordinary shares of sh1.25, representing an authorised share capital of sh80m and 49.08 million issued and fully paid shares.

Tough laws

The law, one of the toughest in the world, requires the display of notices stopping smoking in public places with words in English, Kiswahili and the local languages spoken in a given region.

July 31

Security	Session Price				USE ALSI Current: 2,059.33 Previous: 2,067.77					
	Opening Price (UGX)	Closing Price (UGX)	High (UGX)	Low (UGX)	Turnover (UGX)	Deals	Outstanding Bids	Outstanding Offers	Volume	Market Cap (UGX) Billions
BATU	30,000.00	30,000.00	0.00	0.00	0	0	0	0	0	1,472.40
BOBU	140.00	140.00	140.00	140.00	14,000	1	0	200,000	100	350.00
CENT	1,255.28	1,218.36	0.00	0.00	0	0	0	200	0	810.75
DFCU	950.00	950.00	0.00	0.00	0	0	0	25,297	0	710.74
EABL	8,380.84	8,307.00	0.00	0.00	0	0	0	0	0	6,568.96
EBL	1,846.00	1,846.00	0.00	0.00	0	0	0	0	0	6,835.33
JHL	18,533.84	18,460.00	0.00	0.00	0	0	0	0	0	1,105.66
KA	376.58	374.74	0.00	0.00	0	0	0	0	0	2,129.06
KCB	1,753.70	1,753.70	0.00	0.00	0	0	0	0	0	5,233.28
NIC	17.00	17.00	17.00	17.00	261,800	6	1,807	100,000	15,400	24.07
NMG	3,322.80	3,304.34	0.00	0.00	0	0	0	0	0	623.01
NVL	450.00	450.00	450.00	450.00	3,666,150	11	0	0	8,147	34.43
SBU	33.00	32.75	33.00	32.75	5,433,949	13	783	245,951	165,400	1,676.43
UCHIM	70.15	64.61	0.00	0.00	0	0	0	0	0	17.15
UCL	23.00	23.25	25.00	23.00	511,700	4	4,763	111,000	21,900	20.93
UMEM	330.00	330.00	340.00	330.00	10,370,260	10	87,440	0	31,422	536.01
Total					20,257,859	45			242,369	28,148.19

In addition to repealing protections for tobacco farmers, the law bans all advertising, promotion and sponsorship by tobacco manufacturers, distributors and sellers, including at points of sale.

Among other things, the law makes it illegal for the industry to hire anyone under the age of 21 and bans electronic cigarettes, Shisha (water-pipe tobacco) and

smokeless tobacco such as Kuber which is chewed and flavoured tobacco products.

Despite the odds against the industry, such as smuggling of cheap, tax-free cigarettes into the country, especially through the Kenyan border and tough laws that target industry growth, BATU's cash from operations increased to sh10.1b.

The company also remitted sh40.4b to the exchequer in a

spell of just six months.

The company placed great emphasis on reducing its current liabilities to sh11.9b from sh52.3b. Its current ratio of 1.6 shows a stellar improvement from 1.02 in the same period last year; this shows that the company has settled most of its short-term debts.

BATU's half year profit at the end of June 2018 is already 51.4% of the entire

2017 full year profit. This indicates that 2018 could be better year for cigarette retailers if conditions remain the same or improve.

The company has an 100% dividend policy, so shareholders enjoy whatever profit realised after tax from management's efforts. BATU share are some of the hardest to get and are currently priced at sh30,000 per share.