# BAT 'on track' to meet cost-cutting target

By Nicola Mawson

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British American Tobacco (BAT) saved almost a third of its five-year cost-cutting target last year, pulling back £245m on top of the £1bn it took out of running costs in the five years to 2007.

Speaking at the annual general meeting held on Thursday, 30 April 2009, chairman Jan du Plessis said the savings had put the company “well on track towards achieving the new target” of £800m.

Its main areas of focus were the supply chain, overheads and indirect costs.

In the financial year to December, production volumes rose 4% as the cigarette maker benefited from six months of production from the two major acquisitions it completed during the year.

These were the Tekel cigarette business in Turkey and the cigarette and snus businesses of Skandinavisk Tobakskompagni.

However, part of the volume growth was organic, which Du Plessis described as a “very solid achievement”.

The company, which is 11% held by South Africans after it listed on the JSE following its unbundling from Richemont and Remgro, increased revenue 21% to £12bn and operating profit 24% to £3,7bn as all regions contributed.

Adjusted diluted earnings per share rose 19% to 128,8p, driven mostly by the strong growth in operating profit and favourable exchange movements.

Du Plessis said last year's performance was “surely one of the most extraordinary years in financial markets and leading economies that any of us can recall”.

He said the company's global drive brands — Dunhill, Kent, Lucky Strike and Pall Mall — collectively contributed 16% growth in the year.

Kent achieved double-digit growth for the sixth year running, up 18%, while Pall Mall rose 22%.

Kent and Pall Mall each hit sales of more than 60-billion cigarettes for the first time and Kent, which is premium priced, is now the group's biggest brand.

Dunhill sales rose 7%, as innovation was a significant driver. Lucky Strike grew 9%, with double-digit growth in seven of its top 10 markets. “Our global drive brands, which are mainly premium, now represent more than a quarter of our total volume,” Du Plessis said.

“It is also well worth noting that this was one of our best years for some time in terms of growing premium volume, with premium growth of 5%.”

He said the year was one in which the group demonstrated that it had brands that could grow in terms of both volume and value.

Nonexecutive director Thys Visser is retiring from the board and nonexecutive director Gerard Murphy, who joined the board in March, will be standing for re-election.

*Source: Business Day*

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