

Regional review continued

Eastern Europe, Middle East and Africa (EEMEA)

“Growing market share driven by the GDBs, underpins a resolute performance in challenging circumstances”

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Key markets

Algeria, Egypt, GCC, Iran, Iraq, Kazakhstan, Morocco, Nigeria, Russia, South Africa, Turkey, Ukraine



Volumes and market share

Volume in 2017 was 228 billion, a decline of 3.4% on the prior year, as higher volume in Nigeria, GCC, Turkey and Algeria was more than offset by reductions in Ukraine, South Africa, Russia and Iran. Market share was up 30 bps as growth in Russia and Turkey, driven by Rothmans and Kent, and GCC, more than offset a lower market share in South Africa.

In 2016, volume was 236 billion, up 3.0% (2015: 229 billion) as growth in a number of markets including Ukraine, Russia, Turkey and Algeria were partly offset by lower volume in South Africa and GCC. Market share grew in Russia and Turkey, which was driven by Kent and Rothmans, and in Ukraine.

Volume

228 bn

2016: 236 bn
2015: 229 bn

Market share

+30 bps

GDB as % of volume

59%

2016: 52%
2015: 48%

Revenue

Revenue was up 4.4% at £3,915 million as pricing in a number of markets, including Ukraine, Turkey and Iran, and the impact of the devaluation in sterling, more than offset the decline in volume in the region and down-trading in both Russia (due to competitive pricing in the low segment) and GCC (following the increase in excise). On a constant currency basis, adjusted revenue was up 0.6% at £3,773 million.

In 2016, revenue was up 10.0% at £3,750 million (2015: £3,408 million). This growth was driven by the higher regional volume and pricing, notably in Russia, GCC, Nigeria, Turkey and Egypt, more than offsetting the down-trading in South Africa and GCC. On a constant currency basis, adjusted revenue was up 10.1% at £3,753 million.

Revenue (£m)

£3,915m

2016: £3,750m (+10.0%)
2015: £3,408m (-9.1%)

Change in adjusted revenue at constant rates (%)

+0.6%

2016: +10.1%
2015: +7.5%

Non-GAAP

Profit from operations

Profit from operations was 5.4% higher in 2017, at £1,246 million, driven by the growth in revenue and the foreign exchange tail wind due to the devaluation of sterling. Before adjusting items and the impact of exchange on the regional performance, adjusted profit from operations at constant rates of exchange fell by 1.9%, to £1,265 million, as the impact of the excise change in GCC, down-trading in Russia and continued transactional foreign exchange headwinds on cost of sales more than offset the growth in Ukraine, Iran and Algeria.

In 2016, profit from operations grew by 4.9% to £1,182 million (2015: £1,127 million) as growth in Russia, Turkey and Algeria, more than offset a decline in Ukraine (impacted by geopolitical volatility and competitive pricing), Iran (largely due to the retrospective application of an increase in excise) and South Africa, driven by down-trading and higher illicit trade. Excluding adjusting items and the impact of exchange on the regional results, adjusted profit from operations was up 5.3% at constant rates at £1,271 million (2015: £1,208 million).

Profit from operations (£m)

£1,246m

2016: £1,182m (+4.9%)
2015: £1,127m (-14.5%)

Change in adjusted profit from operations at constant rates

-1.9%

2016: +5.3%
2015: +1.3%

Non-GAAP

Operating margin

31.8%

2016: 31.5%
2015: 33.1%

Adjusted operating margin

34.2%

2016: 34.4%
2015: 35.4%

Non-GAAP