Asia-Pacific

"glo provides a platform for further success as the business continues to perform well"

Johan Vandermeulen
Regional Director

Key markets

Australia, Bangladesh, Indonesia, Japan, Malaysia, New Zealand, Pakistan, South Korea, Taiwan, Vietnam

Volumes and market share

Volume was lower in 2017 (down 1.3% at 193 billion). glo was launched nationally in Japan and South Korea, performing well with national market share in Japan reaching 3.6% in December 2017. Volume from glo and cigarette volume growth in Bangladesh was more than offset by the lower combustible volume in Japan and industry volume decline in Malaysia, Pakistan and South Korea. Market share was higher, up 60 bps, with growth in Bangladesh, Japan, Pakistan and Australia, driven by Lucky Strike, Pall Mall and Rothmans, more than offsetting lower market share in Malaysia and Indonesia, which was due to down-trading.

In 2016, volume was 196 billion, 0.9% down on 2015, as higher volume in Bangladesh, Vietnam, South Korea and Indonesia, was more than offset by industry declines in Pakistan and Malaysia. Market share was down as down-trading in Malaysia and South Korea more than offset increases in Australia, Japan and Indonesia.

Volume

193 bn

2016: 196 bn
2015: 198 bn

Market share

+60 bps

GDB as % of volume

44%

2016: 43%
2015: 42%

Revenue

In 2017, revenue was up by 5.7% at £4,509 million due to the combination of volume and pricing, notably in Bangladesh, Australia and New Zealand, revenue from glo following the roll-out and subsequent growth in Japan and South Korea, and the positive impact of the devaluation in sterling on the reported results. This more than offset the impact of down-trading in Malaysia, and the industry contraction combined with growth in illicit trade in Pakistan.

Excluding the positive currency effect, on a constant exchange rate basis, adjusted revenue increased by 1.3% to £4,320 million.

In 2016, revenue grew 13.1% to £4,266 million, as volume movements and pricing led to higher revenue in Bangladesh, Pakistan, Indonesia and Sri Lanka, combined with the currency tailwind following the devaluation of sterling. On a constant currency basis, adjusted revenue fell by 0.1%.

Revenue (£m)

£4,509m

2016: £4,266m (+13.1%)
2015: £3,773m (-2.6%)

Change in adjusted revenue at constant rates (%)

+1.3%

2016: -0.1%
2015: +0.0%

Non-GAAP

Profit from operations

Profit from operations was 14.4% higher in 2017 at £1,638 million, as the growth in revenue, and transactional foreign exchange tailwinds notably due to the relative movements in the US dollar and euro against the Japanese yen, were partly offset by the investment behind glo in Japan and South Korea and negative mix effects from down-trading in Malaysia.

Before adjusting items, which mainly related to the Malaysian factory closure and the amortisation of trademarks, and the impact of exchange rate movements on the reported results, adjusted profit from operations on a constant currency basis was up 2.7% at £1,674 million.

In 2016, profit from operations was up 5.2% at £1,432 million (2015: £1,361 million), driven by revenue growth noted above and productivity initiatives in South Korea. Before the impact of the South Korea sales tax, restructuring in Japan and Australia and the factory closure in Malaysia, adjusted profit from operations, at constant rates increased by 1.3% to £1,488 million (2015: £1,469 million).

Profit from operations (£m)

£1,638m

2016: £1,432m (+5.2%)
2015: £1,361m (+0.0%)

Change in adjusted profit from operations at constant rates

+2.7%

2016: +1.3%
2015: -0.1%

Non-GAAP

Operating margin

36.3%

2016: 33.6%
2015: 36.1%

Adjusted operating margin

38.9%

2016: 38.2%
2015: 38.9%

Non-GAAP