Western Europe

"Growth driven by strong fundamentals, acquisitions and the increasing contribution from Vype"

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Key markets

Belgium, Czech Republic, Denmark, France, Germany, Italy, Netherlands, Poland, Romania, Spain, Switzerland, United Kingdom

Volume and market share

In 2017, volume was 122 billion, an increase on 2016 of 1.7%. This was driven by the contribution from the tobacco assets of Bulgartac and FDS acquired in the year, and higher volume in Spain, Romania, Portugal, Poland and Hungary, which more than offset lower volume in Italy and Greece. On an organic basis, volume fell 0.8%.

Market share was up 30 bps, driven by Germany, Spain, Romania and Poland largely due to the performance of Rothmans, Pall Mall and Lucky Strike.

Volume was up in 2016 by 6.7%, benefiting from the acquisition of TDR (in Croatia) and higher volume in Poland and Romania, more than offsetting declines in the UK, Denmark and Germany. Excluding the acquisition of TDR, on an organic basis volume was up 2.4% on 2015 (2015: 112 billion). Market share was lower despite growth in Romania through Pall Mall and Dunhill, which was more than offset by lower market share in Switzerland, Italy and Denmark.

Volume

122 bn (organic -0.8%)

2016: 120 bn
2015: 112 bn

Market share

+30 bps

GDB as % of volume

67%

2016: 63%
2015: 62%

Revenue

Revenue, in 2017, grew by 17.2% to £4,532 million, as the positive effect of acquisitions in the year and higher revenue in Germany, Romania, and Spain, offset a decline in the UK due to aggressive pricing in the market and lower revenue in Italy and France. Excluding excise on goods acquired under short-term contract manufacturing arrangements, on an adjusted, constant rate basis, revenue was up 3.6%, or 0.9% excluding acquisitions.

In 2016, revenue grew by 20.7% to £3,867 million (2015: £3,203 million). This was due to the contribution from TDR, and pricing, notably in Germany, Romania, Italy and Poland, and the weakness of sterling in the period. Excluding the impact of currency and the contribution from TDR in the period, on an adjusted organic constant rate basis revenue increased by 3.6% to £3,317 million.

Revenue (£m)

£4,532m

2016: £3,867m (+20.7%)
2015: £3,203m (-4.6%)

Change in adjusted revenue at constant rates (%)

+3.6% (organic +0.9%)

2016: +8.4% (organic +3.6%)
2015: +3.5%

Non-GAAP

Profit from operations

Profit from operations grew 8.0% in 2017 to £1,127 million, due to improved revenue and devaluation in sterling, with profit from operations up in Germany, Romania, Denmark and Spain. This was partly offset by the costs of the ongoing closure of the factory in Germany and impairment of certain assets related to a third-party distributor (Agrokor) in Croatia, the partial absorption of excise in France, investment behind NGP in the UK and lower profit from operations in Belgium and Netherlands. Excluding the acquisitions, adjusting items (including Agrokor, factory closure costs and trademark amortisation) and the impact of foreign exchange, adjusted organic profit from operations at constant rates of exchange increased by 4.9% to £1,456 million.

In 2016, profit from operations increased by 5.5% to £1,044 million, driven by increases in Germany, Romania, Italy and France and the devaluation in sterling. Excluding adjusting items, largely related to the factory closure in Germany and the amortisation of acquired trademarks, and the impact of foreign exchange, adjusted profit from operations at constant rates of exchange grew by 7.8% to £1,236 million.

Profit from operations (£m)

£1,127m

2016: £1,044m (+5.5%)
2015: £990m (-2.8%)

Change in adjusted profit from operations at constant rates

+5.0% (organic +4.9%)

2016: +7.8%
2015: +5.1%

Non-GAAP

Operating margin

24.9%

2016: 27.0%
2015: 30.9%

Adjusted operating margin

36.5%

2016: 35.9%
2015: 35.8%

Non-GAAP