Americas and Sub-Saharan Africa

"Growth was driven by pricing, which more than offset volume declines in a difficult environment"

Luciano Comin
Regional Director

Key markets

Argentina, Brazil, Canada, Caribbean, Central America, Chile, Colombia, Kenya, Mexico, Nigeria, Paraguay, Peru, South Africa, Venezuela

Volume and Market Share

In 2018, volume was 5.4% lower at 157 billion sticks, largely driven by the growth of illicit trade in Brazil and South Africa, the termination of a third-party licence agreement in Mexico and market contraction in Canada, Colombia and Venezuela. South African volumes stabilised in the second half of 2018 after a period of decline.

Market share was 20 bps lower as growth driven by Kent (migration from Free) in Brazil, Dunhill in South Africa, Rothmans in Colombia and Brazil (following the migration from Mustang and Minister respectively, to strengthen the consumer proposition) and in Argentina, and Pall Mall in Mexico was more than offset by declines in the local portfolio which was largely due to the growth in illicit trade especially in South Africa and Brazil.

Vype was launched in Canada through exclusive distribution in the top four key accounts, representing over 4,000 retail outlets. In the seven months since launch, it had sold to over 92,000 adult users.

Volume was 4.2% lower in 2017 at 166 billion, as growth in Mexico and Nigeria was more than offset by the difficult economic conditions which led to continued down-trading and industry contraction in Brazil and Argentina, lower volume in South Africa and the growth of illicit trade in Chile. Market share was up as the combined growth in Mexico, Argentina, Colombia and Chile more than offset South Africa and Brazil, which was lower despite the continued success of Minister and Kent (following the migration from Free).

Revenue

In 2018, revenue declined 4.9% to £4,111 million, due to the translational foreign exchange headwind of approximately 10%. On a constant currency, representative basis, adjusted revenue grew by 5.6% to £4,560 million, as pricing across the region (notably in Mexico, Brazil, Chile and Nigeria) more than offset the lower total volume and the negative impact of mix due to the growth of lower-priced products following the significant excise-led price increases in a number of markets.

Revenue grew by 7.1% in 2017, to £4,323 million. This was driven by pricing in a number of markets, with revenue higher in Canada, Mexico, Chile and Colombia, more than offsetting a decline in Brazil and in Venezuela, where the deterioration in the exchange rate more than offset higher pricing due to local inflation. On an organic constant rate basis adjusted revenue was up 8.1% at £4,365 million.

Profit from operations

In 2018, profit from operations was down 6.3% to £1,544 million, as the effect of currency headwinds more than offset growth across the region. Excluding adjusting items (mainly related to a £110 million asset impairment to recoverable value in Venezuela arising from hyperinflationary accounting and costs related to the Group's ongoing restructuring programme) and the effect of currency, adjusted profit from operations on a representative, constant currency basis grew by 6.5% to £1,922 million, driven by Nigeria, Mexico and Chile, partly offset by the effect of the lower duty paid market and down-trading in South Africa.

In 2017, profit from operations increased by 15.9% to £1,648 million. This was mainly due to the growth in revenue noted above. Excluding adjusting items, which largely relate to the amortisation of acquired trademarks, and the impact of currency, adjusted, organic, profit from operations at constant rates increased by 5.2% to £1,772 million.

@ denotes phrase, paragraph or similar that does not form part of BAT's Annual Report on Form 20-F as filed with the SEC.