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# Investor Day 2013

**EEMEA Region**

Andrew Gray



# EEMEA

A diverse region with a large consumption base and growing industry value








- EEMEA: 80+ markets with 2 of the biggest markets in the world
- T40 average disposable income +10% CAGR 2012-2020 (Inflation +7%)
- Premium Segment up by 1.7pp to 143bn in 2012
- ASU30 Smokers at 32%
- Instability in the Middle East and North Africa
- Excise-driven price increases

# The tobacco industry in EEMEA

A diverse region with a large consumption base and growing industry value



DIMENSION	2010	2012	CAGR 2010-2012
Consumption volume (bn)	1,089	1,136	 +2.1%
Duty Paid (bn)	1,000	1,014	 +0.7%
Illicit trade (bn)	89	122	 +17.1%
BAT volume (bn)	232	233	 +0.4%
Industry Value (£bn)	13.6	16.2	 +9.0%

*H1 2013 consumption in T40  
-3.7% vs 2012*

Source: Volumes – internal latest estimates  
Industry Value - KCM

# BAT EEMEA is performing well

- Growing share in Russia, GCC and Ukraine
- Growth of innovation and launch of Rothmans
- Investing in RTM
- Entry in Morocco
- Solid financial performance
- Growing talent and diversity



# Focused investments are translating into positive results



*Share*

*H1 2013 vs FY 2012*

**Cigarettes**

 **+0.3ppt**

**GDB**

 **stable**

**Premium**

 **+0.1ppt**

# Focused investments are translating into positive results



*Financials*

*FY2010 - FY2012*  
*Average growth p.a.*  
*Organic constant*

*H12012 – H12013*  
*Constant growth*

**NTO**



**+8.0%**



**+7.0%**

**Operating Profit**



**+16.0%**



**+13.0%**

**Operating Margin**

*(as reported, current rates)*



**+2.5ppt**



**+1.7ppt**

# Delivering the strategy



## GROWTH

- Growing share in Russia, Ukraine & GCC
- Delivering profit growth

## PRODUCTIVITY

- Focused marketing investments
- Supply Chain optimisation
- Flat overheads for the past 5 years

## WINNING ORGANISATION

- Excellent Execution
- Building diverse teams in diverse region

## SUSTAINABILITY

- Fight illicit trade



# RUSSIA

## A KEY MARKET FOR THE REGION WITH GROWING SHARE



2<sup>nd</sup> largest market  
in the world

330 bn



Industry NTO is growing

>£5 bn



BAT Share

21%



Rothmans

1.5%



- Regulation Increasing
- Excise & Price increase
- Consumption declining
- DNP Growing



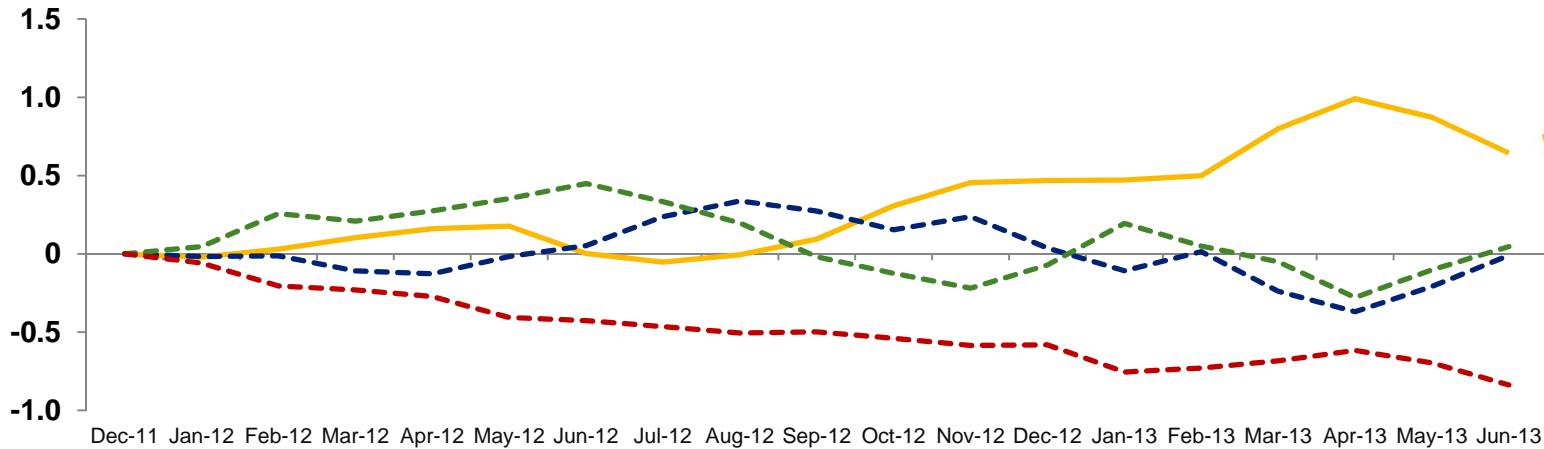
# RUSSIA

## GROWTH HAS BEEN ACHIEVED THROUGH TARGETED INVESTMENTS...



- Investing to:**
- ✓ Develop Brands
  - ✓ Expand RTM and Increase SOV
  - ✓ Win in Key Accounts (#1 in Magnit – fastest growing key account)

### Market Share growth since Dec'11





# RUSSIA

## ... AND GOOD PERFORMANCE IN ALL SEGMENTS



Premium +



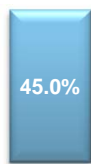
2010



2011



2012



YTD 2013

- Maintained Premium leadership driven by **Kent**

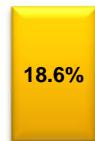
VFM



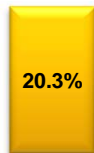
2010



2011



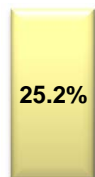
2012



YTD 2013

- VFM segment growth driven by **Rothmans**

LOW



2010



2011



2012



YTD 2013

- Maintained leadership in Low : **Alliance & Yava**



# RUSSIA

## ROTHMANS LAUNCH WAS A SUCCESS...



- Launched in VFM in Q1 2013
- Gained 1.5 pp share in 5 months
- 2.5bn sticks sold in H1 2013
- Fastest growing brand in 2013





# RUSSIA

## INVESTMENT IN KENT CONTINUES



- Kent share is at 5%
- Investment through innovations
- Kent tubes demislms launched in March +0.1pp





# RUSSIA

...AND LUCKY STRIKE INITIAL SIGNS ARE LOOKING POSITIVE



City Test in Progress

### Industry DP volumes

22 bn



### Biggest Profit in the region



### BAT Share

82%

driven by  
Dunhill and  
Peter Stuyvesant

### Investing in RTM



- Illicit trade at 26%
- Rand devaluation
- Macro-economics getting worse
- Facing competition in VFM

Population	+0.7%
GDP growth	+2.6%
Inflation	+6%
Unemployment	@ 25%



# SOUTH AFRICA

THE PORTFOLIO HAS SEEN GOOD IMPROVEMENTS THROUGH PACK UPGRADES AND INNOVATION



Dunhill  
(Premium)



Fresh Seal



Capsules

Peter  
Stuyvesant  
(Aspirational Premium)



Pack upgrade



Capsules

Exploring possibilities to enhance GDB and premium portfolio



# SOUTH AFRICA

ROUTE TO MARKET EXPANSION IS KEY TO ENABLE US TO PROTECT THE VALUE OF THE MARKET



Better price control

Speed to market

Cost efficient



5<sup>th</sup> largest market -  
Industry DP volumes

96 bn



Large industry NTO

£1.4 bn



BAT Share

20%



Leader in Low with:

- Viceroy
- Tekel

Population +1.3%

GDP growth +3.4%

Inflation +7%

Unemployment @ 9%

Incidence @ 35%

Illicit in H1 +20% vs  
SPLY

>15%





# TURKEY - Arrest decline

## PORTFOLIO DEVELOPMENT ADDRESSING THE SHARE DECLINE



# KENT

- Growing with launch of tubes in 2013
- Reached 1% share in April (Istanbul 1.7%)



- Continue improving the offer

VICEROY ✓



- Biggest international brand in Low
- Tekel 2000: decline flattening with quality improvement and demislms



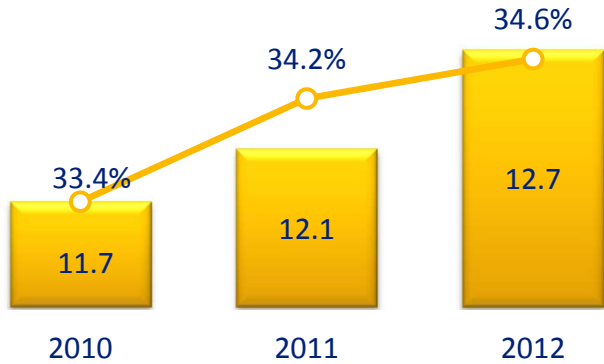


# GCC

## DELIVERING SHARE, VOLUME AND PROFITS

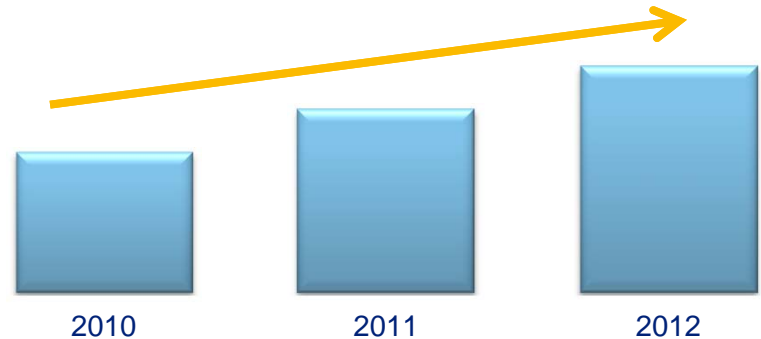


### BAT Volume & Share



- Market Size 40bn
- BAT Share 35%
- Incidence 46%

### UOP



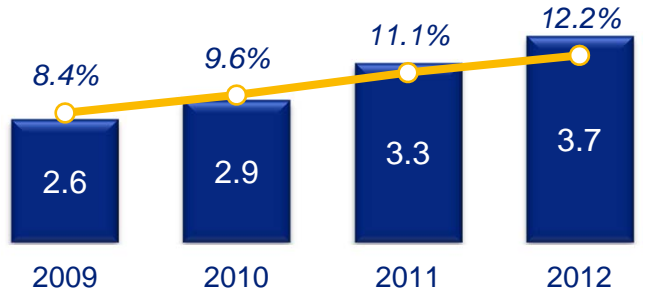


# GCC

## THROUGH 2 LEADING BRANDS: DUNHILL & JPGL



### Dunhill IMS & Share



### JPGL IMS & Share



Smoking causes early death التدخين يسبب الوفاة المبكرة

# Opportunities in North Africa



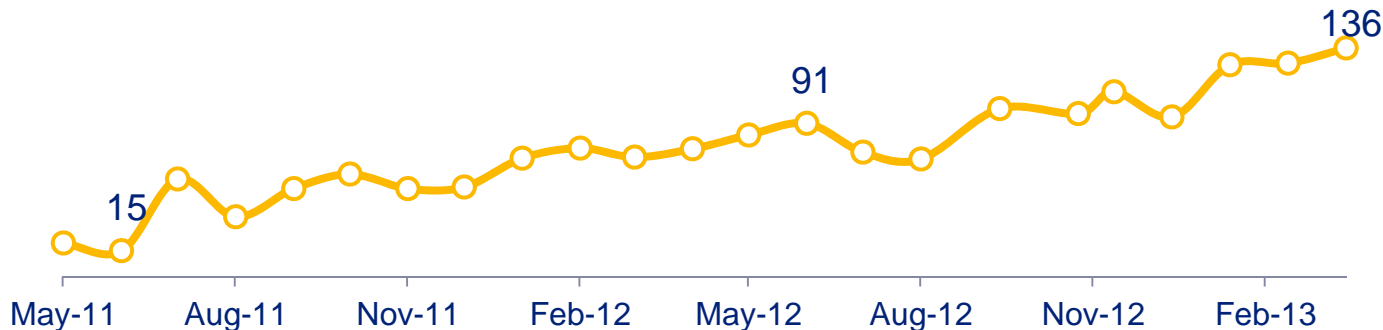
## MOROCCO – 15bn sticks, £200mn GM

- Morocco now a level playing field
- Launch of Rothmans in 2013



## ALGERIA – 25bn sticks, £300mn GM

- 5% market share
- Rothmans tripled since re-launch in 2011 and is still growing



Source: Industry size – BAT estimate

Share – Nielsen RA

Volumes – BAT shipment

# EEMEA is in a good position to continue delivering growth



Strong brands



Share Growth in key markets



Profit & Operating Margin



Excellent execution



# Investor Day 2013