

# Tobacco: Price Rises in UK and Russia Support Our Buys on IMT and BAT

## Pricing Environment Is Clearly Supportive

- **Imperial takes surprise price hike in UK** — Imperial has announced a 25p per pack price rise, or 10-25% on a net basis, effective July 10. This is both 3 months earlier and about 1½ times greater than we had expected. We think it shows Imperial wants to (and can) offset volume trends that are still disappointing in the UK (about -5% for cigarettes) and in Spain (-10%). In the near term we expect it to bolster profit in Imperial's No1 market, but long term it's likely to exacerbate the UK volume decline. (The UK contributes about 19% of IMT's profit and 12% of JT's.)
- **We have upgraded our UK estimates for IMT, but this is offset by Spain and F/X** — We have lifted our UK profit estimate for IMT by 4% for FY13E, but this is offset by a cut in our estimate for Spain. Our FY13E EPS goes up just 0.6% in total.
- **On BAT, the news flow also supports our recent upgrade** — We upgraded BAT to Buy on May 21, due to our expectation that (1) the new minimum price would help BAT in Brazil as it would reduce illicit/non-taxed consumption at the time of the May price rise, and (2) there would be a substantial price increases in Russia in July 2012 and Jan 2013. Since then the news on both has been positive. These developments underpin our Buy thesis for BAT; however, they aren't big enough to cause us to change estimates.
- **In Russia, retail prices have increased by 15-20% for mid- and low-end brands in last 12 months** — There has been an increase in retail prices of RUB 3 per pack for most brands in Russia in late June. For BAT's mid- and low-end brands (more than 2/3 of volume) this translates into an increase in net prices of 15-20%. The price hike underpins our regional forecasts for BAT and PM, but even more so for JT. (Russia is ~7% of BAT's profit, 8½% of PM's but ~26% of JT's profit.)
- **In Brazil, the minimum price appears fairly well enforced** — Brazil is BAT's No1 profit generator (~13% of profit), and prices have risen nicely since May. The main question, however, is the effect of the new minimum price. About 80% of shops are compliant, BAT says, which we think should help stem the illicit sector (~20% of vols).
- **In Italy, Imperial has also raised prices on some low-end brands by €0.10** — We regard this as supportive to general pricing, rather than material to profits, as Imperial has only a 2% market share in Italy in cigarettes.
- **Recommendations** — The positive pricing news supports our generally enthusiastic approach on the main tobacco stocks. We have Buys on JT, IMT and BAT, and a Neutral (due to valuation) on PM. The positive news on UK pricing is most important for IMT and then JT, and on Russian pricing for JT, and then PM and BAT. The news on Brazil is most important for BAT. BAT is included in the Citi Focus List Europe.

## ■ Industry Overview

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## See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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## Investment Summary

Recent price rises in a number of markets support our Buy ratings on Imperial Tobacco, BAT and JT, and our generally positive stance on the industry.

The price increases in the UK are the most surprising, both in terms of quantum and in terms of timing, and have caused us to upgrade estimates for the region for **Imperial Tobacco**. However, our group estimates don't change materially because we have had to cut our assumptions on Spanish profit for FY13E. Consequentially we've left our price target unchanged.

Figure 1. Imperial Tobacco – UK Cigarette Prices (Pounds for Pack of 20)

	Retail Price (£ for 20)				Net Price (£ for 20)			
	Old	New	Increase		Old	New	Increase	
			Absolute	%			Absolute	%
Embassy	7.48	7.73	0.25	3%	1.65	1.82	0.167	10%
L&B	6.94	7.19	0.25	4%	1.29	1.46	0.167	13%
Richmond	6.60	6.85	0.25	4%	1.06	1.23	0.167	16%
JPS Silver	6.10	6.35	0.25	4%	0.73	0.90	0.167	23%

Source: Company Reports and Citi Research Estimates

For **BAT**, the news on Russia and Brazil is less of a surprise, but nonetheless it does confirm much of what we were saying when we upgraded the stock to a Buy in May, and therefore we believe it is worth noting.

Possibly the biggest winner from the price increases is **Japan Tobacco**, as it is exposed to both the UK (about 12% of profits) and Russia (about 26%), and we think its margins will grow nicely in both markets.

Figure 2. International and US Tobacco Stocks – Recommendation Summary

	Latest price	Target Price	Rating	Analyst
BAT	3,266p	3,400p	Buy	Adam Spielman
Imperial Tobacco	2,466p	2,850p	Buy	Adam Spielman
Japan Tobacco	¥2,357	¥3,000	Buy	Miura Nobuyoshi
PMI	US\$87.3	US\$88.0	Neutral	Vivien Azer
Swedish Match	SKr279	SKr300	Buy	Adam Spielman
Altria	US\$34.6	US\$33	Neutral	Vivien Azer
Reynolds	US\$44.9	\$46	Buy	Vivien Azer
Lorillard	US\$132	\$145	Buy	Vivien Azer

Source: Citi Research

## Imperial raises prices in the UK

The UK is about 20% of Imperial's profit

To our surprise, Imperial has told the trade that it intends to raise shelf prices on most cigarette brands by about 25p in the UK. The increase on RYO brands is a bit less than this, but we don't have precise details. Figure 1 shows the increase is about 3-4% at the retail level and 10-23% at the net level.

Last year the increase in shelf prices was about 14p a pack, and was led by JT, in September. This year Imperial has moved first (and boldly). We expect JT to follow, probably with a delay. If JT does delay for more than a couple of weeks, it is likely to gain share from Imperial.

Imperial says it has increased prices this sharply to ensure that the UK profit pool grows despite the roughly 5% volume declines in the market currently. (Imperial blames this on the unusually large tax increases in the last few years. In fact since December 2009 these have driven up the price of premium cigarettes by 33% and the price of discount brands by even more.)

We think the company probably also wants to offset the decline in the Spanish profit pool, where PM says volumes are falling even faster than expected.

For a couple of years we have been concerned about volume and profit trends in the UK, because profit has been largely stagnant since 2007-08. However, we are confident that this price increase will drive profit growth in the next 12 months given tobacco's limited price elasticity. We have therefore increased our estimates to 5½% profit growth in the UK for FY13 (when this price rise will have most impact).

Figure 3. Imperial Tobacco – UK Operating Summary (Pounds in Millions)

Year to Sept. £ million	2005	2006	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E
Volumes (Cigarette Equivalents, ex PM)	28.9	28.5	28.2	27.0	27.1	27.8	25.6	26.2	25.4	24.7	24.3
~ Change	-3.7%	-1.4%	-1%	-4%	0%	3%	-8%	2%	-3%	-2%	-2%
Gross Sales	4,710	4,762	4,842	4,711	4,862	5,105	5,030	5,556	5,895	5,980	6,017
Net Sales	800	835	876	869	893	894	869	941	982	997	1,003
~ Sales / 1,000	27.7	29.3	31.1	32.1	33.0	32.2	33.9	35.9	38.7	40.3	41.2
EBITA	468	506	564	584	601	614	577	620	654	675	682
~ Margin	58.5%	60.6%	64.4%	67.2%	67.3%	68.7%	66.4%	65.9%	66.6%	67.7%	68.0%
~ Change	5.1%	8.1%	11.5%	3.5%	2.9%	2.2%	-6.0%	7.5%	5.5%	3.2%	1.1%

Source: Company Reports and Citi Research Estimates

While we are impressed that management has had the confidence to take such a bold decision at a time of austerity for UK consumers, we do think it raises questions about the longer term. We don't think price rises of 10-23% can be repeated too often. We continue to believe that on a 5-year view or longer, the industry faces serious challenges in developed markets.

In Figure 19 on page 11 we detail the changes to our estimates. **Our UK profit estimate has been raised by 4%, but this is offset by cuts to Spain**, where volumes are currently trending at -10% or worse, and weaker exchange rates. Overall the changes aren't really material.

### In Italy, Imperial has raised prices on some low-end brands

Imperial has raised the retail price of Fortuna, Gauloises and Peter Stuyvesant by €0.10, to €4.30 in Italy, which matches the price of PM's and BAT's low-end brands (Diana for PM; MS and Pall Mall for BAT) We regard this increase as supportive to the general pricing, rather than material to profits, as Imperial is has only a 2% share of the cigarette market in Italy.

## BAT should benefit from market evolution in both Brazil and Russia

When we upgraded BAT to Buy on May 21 our argument was predicated mainly on pricing in emerging markets, particular Brazil and Russia. We said that price rises on the very cheapest brands would be help mix in both these important markets.

Since then we have learned:

1. There have indeed been strong price rises in Russia; and
2. The minimum prices in Brazil have been broadly effectual.

## Russia – Price rises of RUB 3 for most brands

### A profitable but changing market

Russia is highly profitable for the largest tobacco companies, representing about 7% of BAT's profit, 8.5% for PM and about 26% for JT. The Russian market has a number of defining characteristics:

- There is an unusually wide range of cigarette prices in Russia, with the low-end ones being very cheap (and hence low-margin) (See Figure 4). These has meant that the market is very large in volume terms<sup>1</sup>.
- However, taxes are increasing fast – from a low base – with particularly large increases in the minimum price. (See Figure 5 and Figure 6).
- In response the companies are raising prices rapidly.

We expect these changes to result in increasing profits, albeit with declining volumes in the low end.

Figure 4. Cigarette Prices in Russia, Brazil and UK, May 2011

	Russia				Brazil				UK	
	Dunhill	Kent	Winston	Alliance	Dunhill	Free	Hollywood	Derby	Marlboro	JPS Silver
Local Currency for 20	RUB				BRL				GBP	
Retail Price	72	60	41	24	5.50	4.75	4.50	4.25	7.50	6.10
Net Price <sup>1</sup>	48.4	39.15	24.5	11.14	1.95	1.82	1.68	1.54	1.66	0.73
US Dollars for 20	USD				USD				USD	
Retail Price	2.33	1.94	1.33	0.78	2.75	2.38	2.25	2.13	11.93	9.70
Net Price <sup>1</sup>	1.57	1.27	0.79	0.36	0.98	0.91	0.84	0.77	2.64	1.16

<sup>1</sup> After all taxes. Source: Company Reports and Citi Research Estimates

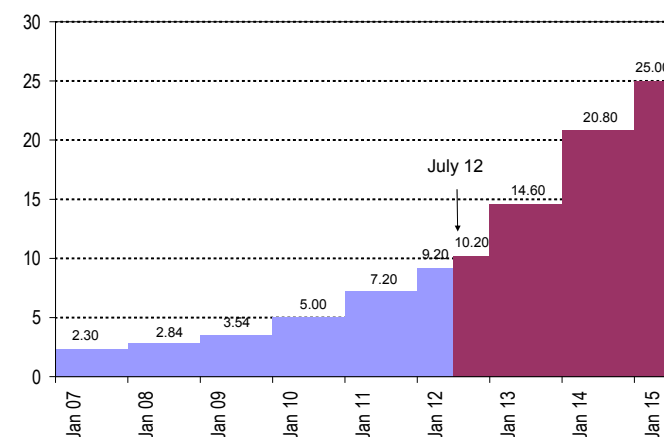
<sup>1</sup> Russian annual volume (2011): 375 bln sticks in a population of 141 mln. By contrast in Brazil's volume was 116 bn (of which only 93 bn was fully legitimate) in a population of 195 mln.

Figure 5. Russia – Cigarette Excise Tax Regime

	Ad valorem	Specific tax (RUB/20)	Minimum tax (RUB/20)
January 07	5.0%	2.00	2.30
January 08	5.5%	2.40	2.84
January 09	6.0%	3.00	3.54
January 10	6.5%	4.10	5.00
January 11	7.0%	5.60	7.20
January 12	7.5%	7.20	9.20
July 12	7.5%	7.80	10.20
January 13	8.0%	11.00	14.60
January 14	8.5%	16.00	20.80
January 15	9.0%	19.20	25.00

Source: Company Reports

Figure 6. Russia – Minimum Excise Tax on 20 Cigarettes (Rubles), Historic and Proposed



Source: Company Reports

## Solid price increases

The positive news is that BAT (and its main competitors) have taken solid price increases on the main brands since we wrote the May note. Figure 7 shows that retail prices have just risen by 3 rubles per pack for all BAT's main brands, which is equivalent to a high 20s percentage increase (vs July 2011) for the low end brands, and a 9% increase for the premium brands.

At the **net** level, however, this corresponds to a 15-20% price increase for the mid- and low-end brands. Together, these correspond to more than 2/3 of BAT's volumes in Russia (and a greater percentage for the other companies).

The increase on premium brands is much smaller, but we expect these to continue to grow volumes, and hence we expect profit to continue rising strongly from this segment as well.

Figure 7. Selected BAT Brands for Russia – Prices (RUB)

	Jan 10	Jul 10	Jan 11	Jul 11	Jan 12	Jul 12	Jan 13E	Jul 13E	Jan 14E
<b>Retail (RUB for 20)</b>									
Alliance	18	17	20	21	24	27	33	36	44
Viceroy	16	18	21	22	25	28	34	37	45
Yava Gold	21	22	25	27	30	33	39	42	50
Kent (base)	50	53	56	58	60	63	69	72	80
Dunhill (base)	60	63	67	69	72	75	81	84	92
<b>Increase in Prices</b>									
<b>Retail Price</b>									
Alliance			11%	24%	20%	29%	38%	33%	33%
Viceroy			31%	22%	19%	27%	36%	32%	32%
Yava Gold			19%	23%	20%	22%	30%	27%	28%
Kent			12%	9%	7%	9%	15%	14%	16%
Dunhill			12%	10%	7%	9%	13%	12%	14%
<b>Net Price, Excluding All Taxes</b>									
Alliance			-2%	15%	14%	20%	20%	25%	23%
Viceroy			26%	15%	13%	18%	19%	24%	22%
Yava Gold			12%	17%	15%	15%	16%	19%	17%
Kent			8%	6%	3%	3%	7%	8%	7%
Dunhill			9%	6%	4%	4%	6%	7%	6%

Source: Company Reports and Citi Research Estimates

## Brazil – Minimum price quite well enforced

The other key market where there has been a big change this year is Brazil, which is BAT's No1 profit generator:

- Taxes went up quite sharply on 1 May.
- The government introduced a minimum price to clamp down on illicit volumes.

## Background on Brazil

BAT is exposed to Brazil via its 75% stake in Souza Cruz<sup>2</sup>, the dominant Brazilian tobacco company. Souza Cruz's profits are principally made from cigarettes but it also produces leaf and historically has distributed other products, for example phone cards, although this has largely stopped. Figure 8 summarises its operating performance.

Figure 8. Souza Cruz Operating Performance, 2008-2011, BRL and GBP in Millions

	BRL				GBP			
	2008	2009	2010	2011	2008	2009	2010	2011
<b>Cigarettes</b>								
Volume	78.6	72.8	71.9	70.9	78.6	72.8	71.9	70.9
Net Sales		3,420	3,796	4,212		1,099	1,396	1,570
Operating profit			1,678	1,994			617	743
<b>Leaf</b>								
Net Sales			1,039	1,058			382	394
Operating profit			116	122			43	45
<b>Other</b>								
Net Sales			684	281			252	105
Operating profit			147	71			54	26
<b>Total Souza Cruz</b>								
Net Sales	5,300	5,793	5,519	5,550	1,578	1,862	2,030	2,069
Operating profit	1,604	1,890	1,941	2,186	477	607	714	815

Source: Company Reports

Souza Cruz's discount brand, Derby, accounts for slightly over 40% of volumes. According to Souza Cruz, about 20% of the market is either illicit or what Souza Cruz calls "unfair competition", which is from brands that look legitimate but that are sold at prices that imply they have not paid taxes in full. Both the illicit and the "unfair" brands are sold through regular retailers (as well as through informal street traders). This is different from the trade in Europe or Canada, which is why the government hopes the imposition of the minimum price will reduce the tax-evaded product.

The minimum price, which was introduced on May 1, is R\$3.00 per pack. By contrast the non-tax-paid brands used to retail at prices of as low as R\$1.00/pack and Derby was at R\$3.40 (although it has now moved to R\$4.25.)

<sup>2</sup> (CRUZ3.SA; R\$27.28; Not Rated)

## The minimum price appears to be well implemented

BAT says that in about 80% of outlets, the minimum price is being respected. It is too early to be sure that this will have a big effect on illicit consumption, apart from anything else because volumes are likely to move to those shops/street vendors that aren't respecting the minimum price<sup>3</sup>. Nonetheless we are hopeful that in the main urban areas the measure will hold back illicit volumes, and that this should bolster volumes of Derby, as well as some of the more premium brands.

## Pricing has now settled down, with 13% net price increase

After a period of jostling, it appears a new price structure is in place following the tax rises that also came in on May 1, with BAT enjoying a weighted average net price increase of about 13%, as shown in the table below. We think this ensure solid teens profit growth for BAT in Brazil this year.

**Figure 9. Souza Cruz – Main Cigarette Prices Before and After Tax Rise (BRL for 20)**

	Price in Feb 2012		Price in June 2012	
	Retail	Net1	Retail	Net1
Dunhill	4.75	1.61	5.50	1.95
Free (soft packs)	4.00	1.63	4.75	1.82
Hollywood	3.75	1.47	4.50	1.68
Derby	3.40	1.39	4.25	1.54
<b>Increase</b>				
Dunhill			16%	21%
Free (soft packs)			19%	12%
Hollywood			20%	14%
Derby			25%	11%
<b>Weighted average</b>			<b>22%</b>	<b>13%</b>

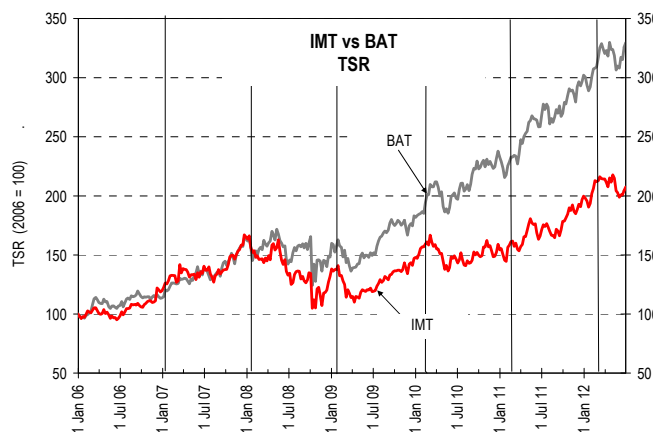
<sup>1</sup>Retail price less all taxes (includes retailers' margin). <sup>2</sup>Citi estimate of net price for Souza Cruz (= Retail price less all taxes and less Citi's estimate for retailer margins)

Source: Company Reports and Citi Research Estimates

<sup>3</sup> A secondary effect is that retailers who are obeying the law are likely to pressure the local law enforcement officials to ensure that their competitors are also following it.

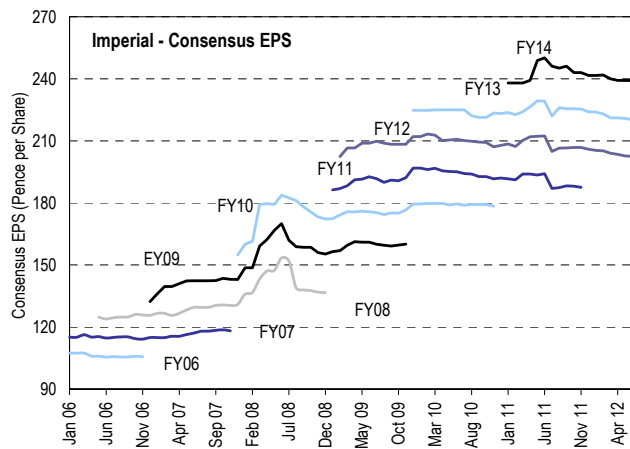
## Imperial Tobacco Financial Summary

Figure 10. Imperial Tobacco vs. BAT, 2006 to Present (GBP)



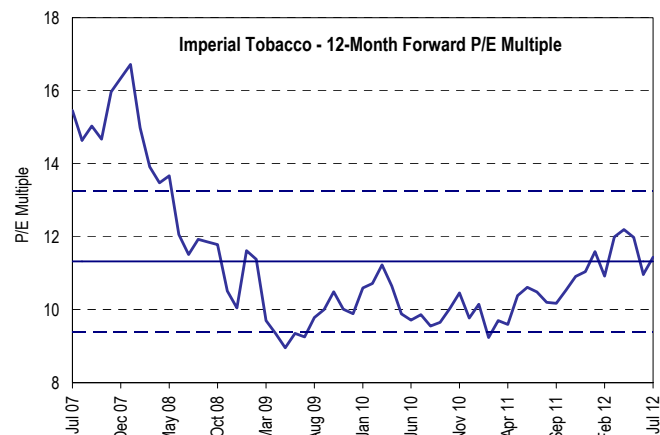
Source: Datastream, Citi Research

Figure 11. Imperial Tobacco – Consensus EPS



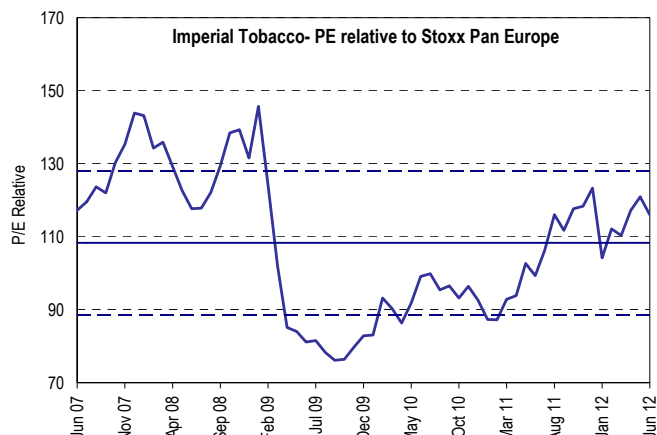
Source: Datastream, Citi Research

Figure 12. Imperial Tobacco – 12 Month Forward P/E Multiple



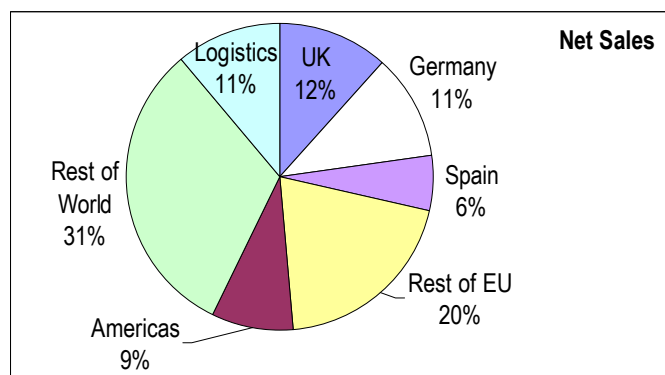
Source: Datastream, Citi Research

Figure 13. Imperial Tobacco – P/E Relative to Stoxx Pan Europe



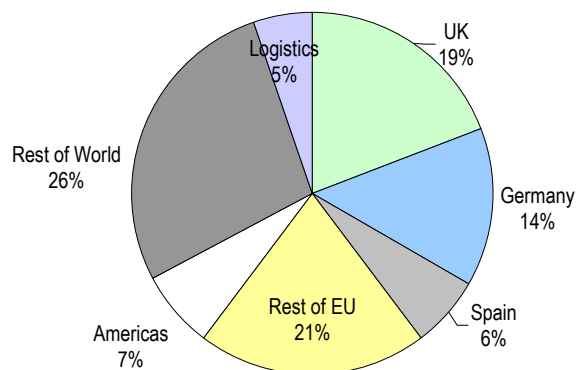
Source: Datastream, Citi Research

Figure 14. Imperial Tobacco – Split of Sales, FY12E



Source: Citi Research

Figure 15. Imperial Tobacco – Split of EBIT, FY12E



Source: Citi Research



Figure 16. Imperial Tobacco – Financial Summary, 2007-2016E (Pounds in Millions)

Profit and Loss / Year to Sep	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
Net Sales	3,280	5,845	7,782	7,729	7,845	7,984	8,253	8,561	8,883	9,226 3.3%
EBITDA	1,567	2,378	3,117	3,282	3,299	3,425	3,587	3,772	3,954	4,150 4.7%
Margin	47.8%	40.7%	40.1%	42.5%	42.1%	42.9%	43.5%	44.1%	44.5%	45.0%
Operating Profit (Adj)	1,475	2,230	2,933	3,067	3,103	3,223	3,377	3,553	3,727	3,914 4.8%
Margin	45.0%	38.2%	37.7%	39.7%	39.6%	40.4%	40.9%	41.5%	42.0%	42.4%
Net Finance Charge	(237)	(623)	(700)	(600)	(562)	(555)	(532)	(527)	(527)	(525) -1.4%
Profit before Tax (Adjusted)	1,238	1,607	2,233	2,467	2,541	2,668	2,845	3,026	3,200	3,389 5.9%
Exceptionals (Pretax)	-	(463)	(145)	(64)	(61)	-14.0	-	-	-	-
Tax	(325)	(180)	(268)	(596)	(337)	(620)	(697)	(741)	(784)	(830)
Tax Rate	25.0%	26.5%	26.0%	25.8%	24.3%	24.5%	24.5%	24.5%	24.5%	24.5%
Minorities	(7)	(13)	(14)	(17)	(20)	(24)	(26)	(29)	(32)	(35)
Net Profit (Adjusted)	921	1,159	1,638	1,813	1,904	1,990	2,122	2,256	2,384	2,523 5.8%
Per-Share Data / Year to Sep	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
EPS (Adjusted, Diluted)	118.2	136.4	161.4	178.3	187.4	199.3	217.7	238.8	261.1	285.4 8.8%
DPS	60.4	68.8	73.0	84.3	95.1	105.9	117.8	131.7	146.6	163.1 11.4%
Fully Dil Number of Shares Out	779.0	849.5	1015	1017	1016	998	975	945	913	884 -2.7%
Buyback (% of Shares)	0.7%	-30%	0.0%	0.0%	0.9%	2.0%	2.7%	3.4%	3.2%	3.0%
Growth Rates (%) / Year to Sep	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
Sales	3.7%	78.2%	33.1%	-0.7%	1.5%	1.8%	3.4%	3.7%	3.8%	3.9% 3.3%
EBITDA	7.9%	51.8%	31.1%	5.3%	0.5%	3.8%	4.7%	5.2%	4.8%	5.0% 4.7%
Op Profit	8.8%	51.2%	31.5%	4.6%	1.2%	3.9%	4.8%	5.2%	4.9%	5.0% 4.8%
Profit before Tax (Clean)	6.0%	29.8%	39.0%	10.5%	3.0%	5.0%	6.6%	6.4%	5.7%	5.9% 5.9%
Net Profit (pre goodwill & except)	8.2%	25.8%	41.4%	10.7%	5.0%	4.5%	6.6%	6.3%	5.7%	5.9% 5.8%
EPS	11.9%	15.4%	18.3%	10.5%	5.1%	6.4%	9.2%	9.7%	9.3%	9.3% 8.8%
Cash Flow / Year to Sep	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
Operating Cash Flow	1,319	2,101	3,932	3,224	3,085	3,451	3,617	3,802	3,984	4,180 6.3%
Interest	(212)	(507)	(505)	(580)	(552)	(555)	(532)	(527)	(527)	(525)
Tax	(320)	(401)	(363)	(365)	(529)	(620)	(697)	(741)	(784)	(830)
Net Capex	(128)	(192)	(184)	(257)	(342)	(399)	(386)	(378)	(330)	(332)
Other (Divs to/from minorities/associates)	(4)	(9)	(12)	(12)	(22)	(24)	(26)	(28)	(31)	(34)
Free Cash Flow	655	992	2,868	2,010	1,640	1,853	1,976	2,127	2,312	2,459 8.4%
Margin	20%	17%	37%	26%	21%	23%	24%	25%	26%	27%
M&A	(971)	(9,234)	(50)	29	0	0	50	50	0	0
New Equity	(153)	4,882	6	5	(200)	(496)	(746)	(996)	(996)	(996)
Change in Cash Items	(903)	(3,847)	2,184	1,271	548	357	195	5	44	96
Non-Cash Items	(106)	(2,952)	(2,541)	749	35	300	0	0	0	0
Change in Net Debt	(1,009)	(6,799)	(357)	2,020	583	657	195	5	44	96
End of Year Net Cash/(Debt)	(4,888)	(11,687)	(12,044)	(10,024)	(9,441)	(8,784)	(8,589)	(8,584)	(8,540)	(8,444) -2.2%
Ratios / Year to Sep	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
Interest Cover	6.2	3.6	4.2	5.1	5.5	5.8	6.4	6.7	7.1	7.5
Cash Interest Cover	6.2	4.1	7.8	5.6	5.6	6.2	6.8	7.2	7.6	8.0
Dividend Payout Ratio	51%	50%	45%	47%	51%	53%	54%	55%	56%	57%
Net Debt/EBITDA	3.1	4.9	3.9	3.1	2.9	2.6	2.4	2.3	2.2	2.0
ROIC	15.9%	9.7%	7.9%	8.1%	8.6%	9.1%	9.6%	10.2%	10.9%	11.5%
Historical Multiples / Year to Sep	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
Historical Average Share Price	1,832	2,025	1,660	1,912	2,014	2,413	2,477	2,477	2,477	2,477
P/E	15.5	14.8	10.3	10.7	10.7	12.1	11.4	10.4	9.5	8.7
FCF Yield	4.6%	5.8%	17.0%	10.3%	8.0%	7.7%	8.2%	9.1%	10.2%	11.2%
Historic EV	18,491	25,726	29,610	31,442	31,099	34,191	33,824	32,978	32,174	31,395
EV/EBITDA	11.8	10.8	9.5	9.6	9.4	10.0	9.4	8.7	8.1	7.6

Source: Company Reports and Citi Research Estimates

Figure 17. Imperial Tobacco – Regional Summary, 2007-2016E (Pounds in Millions)

Net Sales / Year to Sep	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
UK	876	869	893	894	869	941	982	997	1003	3.1%
Germany	524	664	826	850	879	871	875	890	908	1.0%
Spain		411	610	592	497	472	467	490	515	1.7%
Rest of EU		1250	1490	1521	1592	1576	1610	1689	1778	3.3%
Americas	117	542	861	726	731	702	758	788	818	3.1%
Rest of World (new)		1,502	2,138	2,210	2,345	2,547	2,707	2,837	2,974	5.9%
Logistics		607	964	936	932	876	853	870	888	-0.6%
<b>Total Net Sales</b>	<b>3,280</b>	<b>5,845</b>	<b>7,782</b>	<b>7,729</b>	<b>7,845</b>	<b>7,984</b>	<b>8,253</b>	<b>8,561</b>	<b>8,883</b>	<b>3.3%</b>
Operating Profit / Year to Sep	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
UK	564	584	601	614	577	620	654	675	682	3.6%
Germany	238	309	403	432	461	457	466	476	488	1.7%
Spain		150	275	268	200	205	208	216	226	3.3%
Rest of EU		494	566	638	658	661	677	724	776	4.8%
Americas	52	166	288	244	234	226	239	243	247	1.4%
Rest of World (new)		404	617	693	794	886	969	1048	1130	8.9%
Logistics		121	177	176	183	169	164	171	178	0.2%
Eliminations		2	6	2	-4	0	0	0	0	0
<b>Total Operating Profit</b>	<b>1,475</b>	<b>2,230</b>	<b>2,933</b>	<b>3,067</b>	<b>3,103</b>	<b>3,223</b>	<b>3,377</b>	<b>3,553</b>	<b>3,727</b>	<b>4.8%</b>

Source: Company Reports and Citi Research Estimates

Figure 18. Imperial Tobacco – Organic Growth, 2010-2016E

Organic Volume Growth / Year to Sep	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
UK	+2.6%	-7.9%	+2.4%	-3.3%	-2.5%	-1.7%	-1.6%
Germany	+2.8%	+0.3%	-2.2%	-0.6%	-1.7%	-2.0%	-2.0%
Spain	-18.9%	-13.0%	-9.8%	-7.5%	-1.6%	-1.6%	-1.5%
Rest of EU	+4.3%	-1.1%	-2.6%	+1.2%	+0.9%	+0.8%	+1.0%
Americas	-16.4%	+5.7%	-16.0%	+5.3%	-3.5%	-3.5%	-3.5%
Rest of World	-3.6%	+0.4%	+1.7%	+1.2%	-0.2%	-0.2%	-0.1%
<b>Total Cigarettes Equivalents</b>	<b>-2.9%</b>	<b>-1.5%</b>	<b>-1.0%</b>	<b>+0.3%</b>	<b>-0.5%</b>	<b>-0.4%</b>	<b>-0.4%</b>
Organic Sales Growth / Year to Sep	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
UK	+2.0%	-2.8%	+8.2%	+4.4%	+1.4%	+0.6%	+0.7%
Germany	+3.6%	+3.5%	+4.3%	+2.9%	+1.7%	+1.9%	+2.0%
Spain	-2.3%	-16.0%	-0.3%	+1.7%	+4.9%	+4.9%	+5.0%
Rest of EU	+5.8%	+4.7%	+4.0%	+4.7%	+4.9%	+5.3%	+5.5%
Americas	-8.8%	+3.7%	-5.8%	+7.7%	+3.9%	+3.9%	+3.9%
Rest of World	+7.4%	+5.7%	+8.6%	+6.3%	+4.8%	+4.8%	+4.9%
<b>Total Tobacco</b>	<b>+3.0%</b>	<b>+2.0%</b>	<b>+4.8%</b>	<b>+5.1%</b>	<b>+3.9%</b>	<b>+4.0%</b>	<b>+4.1%</b>
Logistics	-2.6%	-0.3%	-1.4%	+0.0%	+2.0%	+2.0%	+2.0%
<b>Total Organic Sales Growth</b>	<b>+2.3%</b>	<b>+1.7%</b>	<b>+4.1%</b>	<b>+4.5%</b>	<b>+3.7%</b>	<b>+3.7%</b>	<b>+3.9%</b>
Organic EBITA Growth / Year to Sep	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
UK	+2.2%	-6.0%	+7.5%	+5.5%	+3.2%	+1.1%	+1.1%
Germany	+7.7%	+6.7%	+4.2%	+4.5%	+2.3%	+2.5%	+2.5%
Spain	-3.6%	-25.4%	+7.5%	+4.0%	+4.2%	+4.3%	+4.4%
Rest of EU	+12.5%	+3.3%	+5.6%	+5.1%	+6.8%	+7.2%	+7.4%
Americas	-18.8%	-0.8%	-5.5%	+5.4%	+1.7%	+1.7%	+1.7%
Rest of World	+5.5%	+13.9%	+11.5%	+9.4%	+8.2%	+7.8%	+7.8%
<b>Total Tobacco</b>	<b>+3.1%</b>	<b>+1.3%</b>	<b>+6.6%</b>	<b>+6.3%</b>	<b>+5.3%</b>	<b>+4.9%</b>	<b>+5.1%</b>
Logistics	+0.0%	+4.0%	-3.2%	+0.0%	+4.0%	+4.0%	+4.0%
<b>Total Organic EBITA Growth</b>	<b>+2.9%</b>	<b>+1.5%</b>	<b>+6.0%</b>	<b>+5.9%</b>	<b>+5.2%</b>	<b>+4.9%</b>	<b>+5.0%</b>

Source: Company Reports and Citi Research Estimates

## Changes to Estimates for Imperial Tobacco

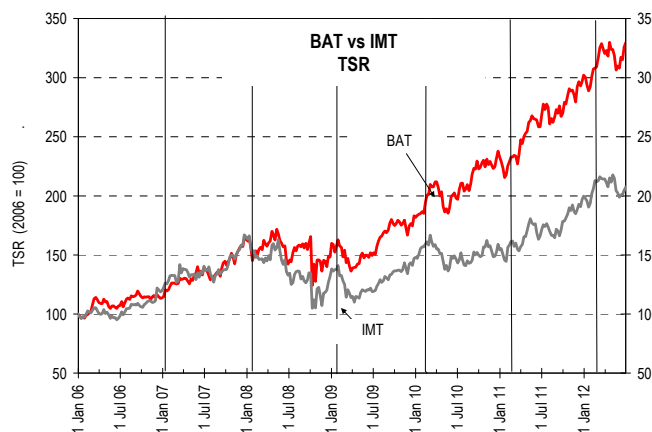
Figure 19. Imperial Tobacco – Changes to Estimates, FY12-14E

	FY12E			FY13E			FY14E		
	New	Old	Change	New	Old	Change	New	Old	Change
<b>Net Sales</b>									
UK	941	939	+0.2%	982	959	+2.4%	997	975	+2.2%
Germany	871	876	-0.5%	875	886	-1.2%	890	901	-1.2%
Spain	472	483	-2.4%	467	494	-5.4%	490	518	-5.4%
Rest of EU	1,576	1,584	-0.5%	1,610	1,629	-1.2%	1,689	1,709	-1.2%
Americas	702	692	+1.5%	758	734	+3.3%	788	762	+3.3%
Rest of World	2,547	2,541	+0.2%	2,707	2,701	+0.2%	2,837	2,830	+0.2%
<b>Tobacco Sales</b>	<b>7,108</b>	<b>7,114</b>	<b>-0.1%</b>	<b>7,400</b>	<b>7,403</b>	<b>-0.0%</b>	<b>8,321</b>	<b>8,329</b>	<b>-0.1%</b>
Logistics	876	880	-0.5%	853	863	-1.2%	870	881	-1.2%
<b>Total Net Sales</b>	<b>7,984</b>	<b>7,995</b>	<b>-0.1%</b>	<b>8,253</b>	<b>8,266</b>	<b>-0.2%</b>	<b>9,191</b>	<b>9,209</b>	<b>-0.2%</b>
<b>Adj Operating Profit</b>									
UK	620	617	+0.5%	654	627	+4.2%	675	649	+4.0%
Germany	457	459	-0.5%	466	471	-1.2%	476	482	-1.2%
Spain	205	210	-2.3%	208	219	-5.4%	216	229	-5.4%
Rest of EU	661	665	-0.5%	677	686	-1.2%	724	732	-1.2%
Americas	226	222	+1.7%	239	231	+3.3%	243	235	+3.3%
Rest of World	886	884	+0.2%	969	960	+1.0%	1,048	1,035	+1.2%
<b>Tobacco EBITA</b>	<b>3,054</b>	<b>3,056</b>	<b>-0.1%</b>	<b>3,212</b>	<b>3,194</b>	<b>+0.6%</b>	<b>3,382</b>	<b>3,363</b>	<b>+0.6%</b>
Logistics	169	170	-0.6%	164	166	-1.3%	171	173	-1.3%
Eliminations	0	0		0	0		0	0	
<b>Total Adj Operating Profit</b>	<b>3,223</b>	<b>3,226</b>	<b>-0.1%</b>	<b>3,377</b>	<b>3,361</b>	<b>+0.5%</b>	<b>3,553</b>	<b>3,536</b>	<b>+0.5%</b>
Exceptionals	(4)	(4)		0	0		0	0	
Derivatives/Amortisation	(382)	(382)	+0.0%	-392	-389	+0.7%	-392	-389	+0.7%
<b>Operating Profit</b>	<b>2,837</b>	<b>2,840</b>	<b>-0.1%</b>	<b>2,985</b>	<b>2,971</b>	<b>+0.4%</b>	<b>3,161</b>	<b>3,147</b>	<b>+0.5%</b>
Adjusted Net Finance	-555	-555	+0.0%	-532	-532	+0.0%	-527	-527	+0.0%
Retirement costs/Other	-20	-20	+0.0%	-15	-15	+0.0%	-15	-15	+0.0%
<b>Total Finance</b>	<b>(575)</b>	<b>(575)</b>	<b>+0.0%</b>	<b>(547)</b>	<b>(547)</b>	<b>+0.0%</b>	<b>(542)</b>	<b>(542)</b>	<b>+0.0%</b>
<b>Adjusted Pretax</b>	<b>2,668</b>	<b>2,671</b>	<b>-0.1%</b>	<b>2,845</b>	<b>2,829</b>	<b>+0.6%</b>	<b>3,026</b>	<b>3,009</b>	<b>+0.6%</b>
Reported Pretax Profit	2,262	2,265	-0.1%	2,438	2,425	+0.5%	2,619	2,604	+0.6%
Tax on Adjusted Profit	(654)	(655)	-0.1%	(697)	(693)	+0.6%	(741)	(737)	+0.6%
<b>Rate</b>	<b>24.5%</b>	<b>24.5%</b>	<b>+0.0%</b>	<b>24.5%</b>	<b>24.5%</b>	<b>+0.0%</b>	<b>24.5%</b>	<b>24.5%</b>	<b>+0.0%</b>
Tax on Reported Profit	(620)	(621)	-0.1%	(697)	(693)	+0.6%	(741)	(737)	+0.6%
Minorities	(24)	(24)	+0.0%	(26)	(26)	+0.0%	(29)	(29)	+0.0%
<b>Adjusted Net Profit</b>	<b>1,990</b>	<b>1,992</b>	<b>-0.1%</b>	<b>2,122</b>	<b>2,110</b>	<b>+0.6%</b>	<b>2,256</b>	<b>2,243</b>	<b>+0.6%</b>
Reported Net Profit	1,618	1,620	-0.1%	1,714	1,705	+0.5%	1,849	1,838	+0.6%
<b>Per Share (pence)</b>									
EPS, Basic - unadjusted	162.4	162.7	-0.1%	176.3	175.4	+0.5%	196.2	195.1	+0.6%
<b>EPS, Basic - adjusted</b>	<b>199.8</b>	<b>200.0</b>	<b>-0.1%</b>	<b>218.2</b>	<b>217.0</b>	<b>+0.6%</b>	<b>239.4</b>	<b>238.0</b>	<b>+0.6%</b>
<b>EPS, Diluted - adjusted</b>	<b>199.3</b>	<b>199.5</b>	<b>-0.1%</b>	<b>217.7</b>	<b>216.4</b>	<b>+0.6%</b>	<b>238.8</b>	<b>237.4</b>	<b>+0.6%</b>
<b>DPS</b>	<b>105.9</b>	<b>106.0</b>	<b>-0.1%</b>	<b>117.8</b>	<b>117.2</b>	<b>+0.6%</b>	<b>131.7</b>	<b>130.9</b>	<b>+0.6%</b>
Ordinary shares	995.9	995.9	+0.0%	972.3	972.3	+0.0%	942.1	942.1	+0.0%
Diluted shares	998.3	998.3	+0.0%	974.7	974.7	+0.0%	944.5	944.5	+0.0%

Source: Citi Research

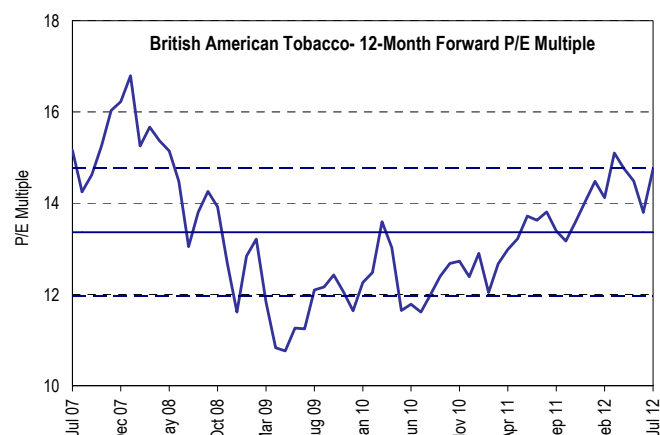
## BAT Financial Summary

Figure 20. British American Tobacco vs. IMT, 2006 to Present (GBP)



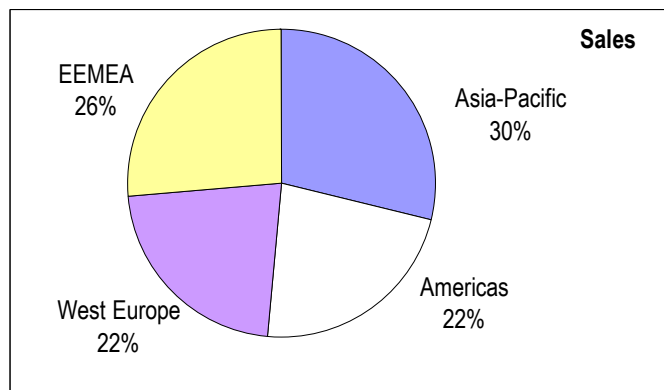
Source: Datastream, Citi Research

Figure 22. British American Tobacco – 12 Month Forward P/E Multiple



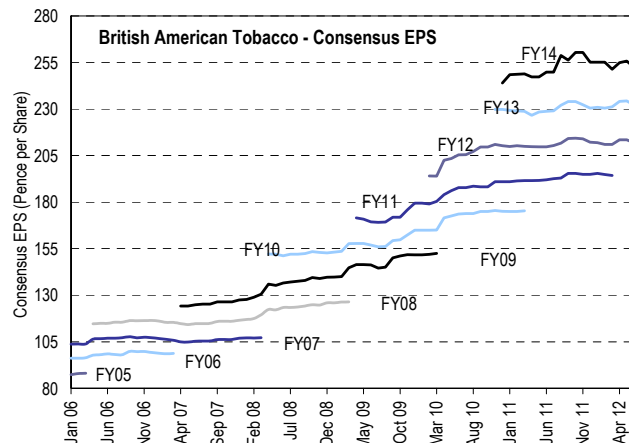
Source: Datastream, Citi Research

Figure 24. British American Tobacco – Split of Sales, FY12E



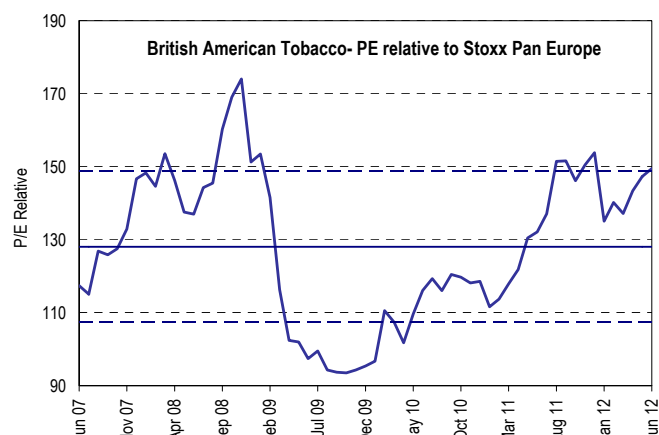
Source: Citi Research

Figure 21. British American Tobacco – Consensus EPS



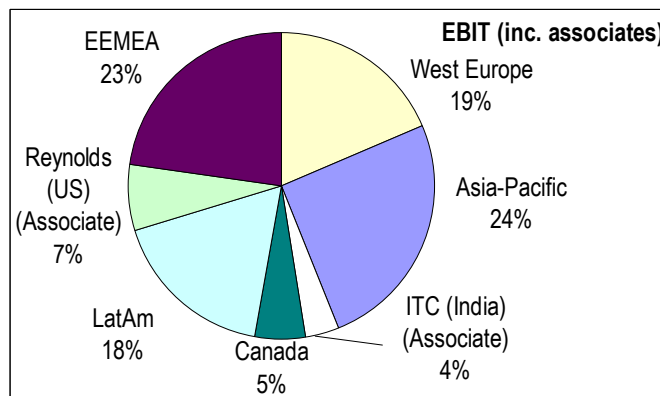
Source: Datastream, Citi Research

Figure 23. British American Tobacco – P/E Relative to Stoxx Pan Europe



Source: Datastream, Citi Research

Figure 25. British American Tobacco – Split of EBIT, FY12E



Source: Citi Research

**Figure 26. British American Tobacco – Financial Summary, 2007-2016E (Pounds in Millions)**

Profit and Loss / Year to Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR	
Net Sales	10,018	12,122	14,208	14,883	15,399	15,622	16,346	17,153	18,000	18,874	4.2%
EBITDA	3,339	4,147	4,907	5,426	5,966	6,229	6,683	7,173	7,684	8,223	6.6%
Margin	33.3%	34.2%	34.5%	36.5%	38.7%	39.9%	40.9%	41.8%	42.7%	43.6%	
Operating Profit (Adj EBIT)	3,003	3,717	4,461	4,984	5,519	5,768	6,209	6,684	7,180	7,704	6.9%
Margin	30.0%	30.7%	31.4%	33.5%	35.8%	36.9%	38.0%	39.0%	39.9%	40.8%	
Associates	533	477	541	622	659	706	763	799	851	902	6.5%
Trading Profit including Assoc	3,536	4,194	5,002	5,606	6,178	6,475	6,972	7,484	8,031	8,606	6.9%
Net Finance	(269)	(391)	(504)	(480)	(460)	(477)	(464)	(456)	(453)	(446)	
Adj Pretax Profit	3,267	3,792	4,484	5,126	5,718	5,998	6,508	7,028	7,578	8,160	7.4%
Exceptionals (Pretax)	(98)	(119)	(418)	(738)	(787)	(100)	(100)	(100)	(100)	(100)	
Tax	(791)	(1,025)	(1,124)	(1,248)	(1,556)	(1,620)	(1,761)	(1,911)	(2,065)	(2,230)	
Underlying Tax Rate	29.6%	30.8%	30.3%	30.2%	31.2%	31.0%	31.0%	31.0%	31.0%	31.0%	
Minorities	(157)	(202)	(243)	(261)	(280)	(307)	(335)	(365)	(398)	(433)	9.1%
Net Profit (Pre Amort/Ex)	2,296	2,582	3,046	3,505	3,857	4,050	4,393	4,732	5,095	5,477	7.3%
Per-Share Data	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR	
EPS (Adjusted)	112.6	128.8	153.0	175.8	194.6	207.9	229.9	252.7	278.0	305.2	9.4%
DPS	66.2	83.7	99.5	114.2	126.5	135.1	149.4	164.2	180.7	198.4	9.4%
Number of Dil. Shares Out	2,039	2,005	1,991	1,994	1,982	1,948	1,911	1,873	1,833	1,795	-2.0%
Buyback (% of Shares)	2.2%	1.1%	0.0%	0.0%	1.4%	2.0%	1.9%	2.1%	2.2%	2.0%	
Growth Rates (%)	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR	
Sales	2.6%	21.0%	17.2%	4.8%	3.5%	1.4%	4.6%	4.9%	4.9%	4.9%	4.2%
EBITDA	4.4%	24.2%	18.3%	10.6%	10.0%	4.4%	7.3%	7.3%	7.1%	7.0%	6.6%
EBIT	7.4%	23.8%	20.0%	11.7%	10.7%	4.5%	7.6%	7.7%	7.4%	7.3%	6.9%
Profit before Tax	11.3%	16.1%	18.2%	14.3%	11.5%	4.9%	8.5%	8.0%	7.8%	7.7%	7.4%
Net Profit	12.7%	12.4%	18.0%	15.1%	10.1%	5.0%	8.4%	7.7%	7.7%	7.5%	7.3%
EPS	14.8%	14.4%	18.8%	14.9%	10.7%	6.8%	10.6%	9.9%	10.0%	9.8%	9.4%
Cash Flow	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR	
Operating Cash Flow	3,181	4,156	4,645	5,207	5,537	6,257	6,711	7,201	7,712	8,251	8.3%
Interest	(280)	(280)	(499)	(491)	(469)	(477)	(464)	(456)	(453)	(446)	
Tax	(866)	(943)	(1,095)	(1,178)	(1,447)	(1,620)	(1,761)	(1,911)	(2,065)	(2,230)	
Capex	(436)	(482)	(515)	(523)	(566)	(583)	(600)	(618)	(637)	(656)	3.0%
Other (Divs to/from minorities/associates)	112	153	94	225	271	439	448	435	436	434	
Free Cash Flow	1,711	2,604	2,630	3,240	3,326	4,015	4,334	4,651	4,992	5,353	10.0%
Margin	17.1%	21.5%	18.5%	21.8%	21.6%	25.7%	26.5%	27.1%	27.7%	28.4%	5.6%
M&A	152	(2,343)	(399)	(77)	(404)	0	0	0	0	0	
New Equity	(750)	(400)	0	0	(755)	(1,250)	(1,250)	(1,500)	(1,600)	(1,600)	
Change in Cash Items	(85)	(1,532)	433	1,070	(191)	149	246	95	102	217	
Non-Cash Items	(500)	(2,778)	616	(69)	104	200	0	0	0	0	
Change in Net Debt	(585)	(4,310)	1,049	1,001	(87)	349	246	95	102	217	
End of Year Net Cash/(Debt)	(5,581)	(9,891)	(8,842)	(7,841)	(7,928)	(7,580)	(7,333)	(7,238)	(7,136)	(6,919)	-2.7%
Ratios	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR	
Interest Cover	11.2	9.5	8.9	10.4	12.0	12.1	13.4	14.7	15.9	17.3	
Cash Interest Cover	11.4	14.8	9.3	10.6	11.8	13.1	14.5	15.8	17.0	18.5	
Dividend Payout Ratio	59%	65%	65%	65%	65%	65%	65%	65%	65%	65%	
Net Debt/EBITDA	1.7	2.4	1.8	1.45	1.3	1.2	1.1	1.0	0.9	0.8	
ROIC	13.9%	13.7%	14.5%	16.7%	18.0%	19.3%	21.9%	23.5%	25.2%	26.9%	
Historical Multiples	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR	
Historical Average Share Price	1,659	1,820	1,807	2,242	2,678	3,159	3,198	3,198	3,198	3,198	
P/E	14.7	14.1	11.8	12.8	13.8	15.2	13.9	12.7	11.5	10.5	
FCF Yield	5.1%	7.2%	7.3%	7.3%	6.3%	6.6%	7.1%	7.8%	8.6%	9.4%	
Historic EV	33,676	39,723	41,882	46,916	53,744	61,627	60,588	59,197	57,822	56,441	
EV/EBITDA	10.1	9.6	8.5	8.6	9.0	9.9	9.1	8.3	7.5	6.9	

Source: Company Reports and Citi Research Estimates

Figure 27. British American Tobacco – Regional Summary, 2007-2016E (Pounds in Millions)

Net Sales / Year to Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
Asia-Pacific		2,717	3,270	3,759	4,251	4,505	4,891	5,160	5,443	6.2%
Americas		2,863	3,156	3,498	3,558	3,512	3,508	3,676	3,823	2.2%
West Europe		3,218	3,884	3,695	3,600	3,476	3,511	3,557	3,592	0.2%
EEMEA				3,931	3,990	4,128	4,436	4,760	5,140	6.7%
<b>TOTAL Sales</b>	<b>10,018</b>	<b>12,122</b>	<b>14,208</b>	<b>14,883</b>	<b>15,399</b>	<b>15,622</b>	<b>16,346</b>	<b>17,153</b>	<b>18,000</b>	<b>4.2%</b>
Operating profit / Year to Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5-yr CAGR
Asia-Pacific		924	1,148	1,332	1,539	1,634	1,800	1,923	2,063	7.5%
Americas		1,052	1,186	1,382	1,441	1,466	1,489	1,586	1,669	4.0%
West Europe		760	994	1,103	1,228	1,200	1,243	1,290	1,336	2.4%
EEMEA				1,167	1,311	1,468	1,677	1,885	2,113	12.4%
<b>TOTAL Operating Profit</b>	<b>3,003</b>	<b>3,717</b>	<b>4,461</b>	<b>4,984</b>	<b>5,519</b>	<b>5,768</b>	<b>6,209</b>	<b>6,684</b>	<b>7,180</b>	<b>6.9%</b>
Operating Margins / Year to Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E 5 yr. chg
Asia-Pacific		34.0%	35.1%	35.4%	36.2%	36.3%	36.8%	37.3%	37.9%	2.3%
Americas		36.7%	37.6%	39.5%	40.5%	41.7%	42.5%	43.2%	43.7%	3.7%
West Europe		23.6%	25.6%	29.9%	34.1%	34.5%	35.4%	36.3%	37.2%	4.0%
EEMEA				29.7%	32.9%	35.6%	37.8%	39.6%	41.1%	9.7%
<b>TOTAL Operating Margins</b>	<b>30.0%</b>	<b>30.7%</b>	<b>31.4%</b>	<b>33.5%</b>	<b>35.8%</b>	<b>36.9%</b>	<b>38.0%</b>	<b>39.0%</b>	<b>39.9%</b>	<b>5.0%</b>

Source: Company Reports and Citi Research Estimates

Figure 28. British American Tobacco – Organic Growth, 2010-2016E

Volume / Year to Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2015E 5-yr CAGR
Asia-Pacific					+2.0%	-0.4%	+0.8%	+0.5%	+0.5%	+0.4%
Americas					-5.0%	-4.6%	-3.5%	-2.2%	-2.0%	-2.9%
Western Europe					+0.0%	-2.7%	-2.0%	-2.2%	-2.5%	-2.4%
EEMEA					+1.0%	+1.4%	+0.0%	-0.5%	+1.0%	+0.6%
<b>Total Volume</b>	<b>-1.0%</b>	<b>+1.0%</b>	<b>-3.0%</b>	<b>-3.0%</b>	<b>-0.2%</b>	<b>-1.1%</b>	<b>-0.9%</b>	<b>-0.9%</b>	<b>-0.4%</b>	<b>-0.7%</b>
Net Sales / Year to Dec			2009	2010	2011	2012E	2013E	2014E	2015E	2015E 5-yr CAGR
Asia-Pacific				+2.0%	+10.4%	+5.8%	+8.8%	+5.5%	+5.5%	+6.2%
Americas				+3.3%	+6.0%	+5.0%	+2.5%	+4.8%	+4.0%	+4.0%
Western Europe				-0.7%	+3.5%	+2.7%	+2.0%	+1.3%	+1.0%	+1.6%
EEMEA					+7.5%	+8.9%	+8.9%	+7.3%	+8.0%	+8.1%
<b>Total Sales</b>			<b>+5%</b>	<b>+2.8%</b>	<b>+6.6%</b>	<b>+5.7%</b>	<b>+5.9%</b>	<b>+4.9%</b>	<b>+4.9%</b>	<b>+5.3%</b>
EBIT / Year to Dec			2009	2010	2011	2012E	2013E	2014E	2015E	2015E 5-yr CAGR
Asia-Pacific				+2.4%	+11.1%	+5.8%	+10.3%	+6.6%	+7.1%	+7.4%
Americas				+5.5%	+4.5%	+8.4%	+4.2%	+6.5%	+5.2%	+5.9%
Western Europe				+10.3%	+9.8%	+3.8%	+4.4%	+3.6%	+3.2%	+3.6%
EEMEA					+16.7%	+17.5%	+15.6%	+12.4%	+12.1%	+13.8%
<b>Total EBIT</b>			<b>+7%</b>	<b>+6.4%</b>	<b>+10.3%</b>	<b>+8.8%</b>	<b>+8.9%</b>	<b>+7.6%</b>	<b>+7.3%</b>	<b>+7.9%</b>

Source: Company Reports and Citi Research Estimates

## Appendix A-1

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