

# Important Information



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All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors. It is believed that the expectations reflected in this presentation are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

In particular, among other statements: certain statements in slides 4, 5, 9, 10, 13, 15, 16 and 17.

Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the impact of competition from illicit trade; the impact of adverse domestic or international legislation and regulation; the inability to develop, commercialise and deliver the Group's New Categories strategy; adverse litigation and dispute outcomes and the effect of such outcomes on the Group's financial condition; the impact of significant increases or structural changes in tobacco, nicotine and New Categories related taxes; translational and transactional foreign exchange rate exposure; changes or differences in domestic or international economic or political conditions; the ability to maintain credit ratings and to fund the business under the current capital structure; the impact of serious injury, illness or death in the workplace; adverse decisions by domestic or international regulatory bodies; and changes in the market position, businesses, financial condition, results of operations or prospects of the Group.

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No statement in this presentation is intended to be a profit forecast and no statement in this presentation should be interpreted to mean that earnings per share of BAT for the current or future financial years would necessarily match or exceed the historical published earnings per share of BAT.

# Important Information



## Forward-looking Statements (continued)

Additional information concerning these and other factors can be found in BAT's filings with the U.S. Securities and Exchange Commission ("SEC"), including the Annual Report on Form 20-F and Current Reports on Form 6-K, which may be obtained free of charge at the SEC's website, <http://www.sec.gov>, and BAT's Annual Reports, which may be obtained free of charge from the British American Tobacco website [www.bat.com](http://www.bat.com).

## Additional Information

All financial statements and financial information provided by or with respect to the US or Reynolds American Inc. ("Reynolds") are initially prepared on the basis of U.S. GAAP and constitute the primary financial statements or financial records of the US business/Reynolds. This financial information is then converted to International Financial Reporting Standards as issued by the IASB for the purpose of consolidation within the results of the BAT Group. To the extent any such financial information provided in this presentation relates to the US or Reynolds it is provided as an explanation of, or supplement to, Reynolds' primary U.S. GAAP based financial statements and information.

Our vapour product Vuse (including Alto, Solo, Ciro and Vibe), and certain oral products including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the US, are subject to the Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made to these products without agency clearance.

## No Profit or Earnings Per Share Forecasts

No statement in this presentation is intended to be a profit forecast and no statement in this presentation should be interpreted to mean that earnings per share of BAT for the current or future financial years would necessarily match or exceed the historical published earnings per share of BAT.

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# 2021 – A Pivotal Year Delivered; Buyback Announced

Fixed Income Update Call - Preliminary Results 2021

**Tadeu Marroco** – Finance and Transformation Director | **Neil Wadey** – Group Head of Treasury

# We are delivering A Better Tomorrow™



From

**Cigarettes**

**Declining Volume  
Growing Value**



To

**Multi-Category CPG  
Nicotine & Beyond\***

**Growing Volume  
& Value**



**50 million consumers of non-combustible\*\* products by 2030**



**£5bn New Category Revenue by 2025**



**Carbon neutral Scope 1&2 by 2030\*\*\***



**Net zero value chain emissions by 2050\*\*\***



**Eliminate unnecessary single-use plastic & all plastic packaging recyclable^ by 2025\*\*\***

\* Beyond refers to Wellbeing & Stimulation Beyond Nicotine. Expected target market for consumer acquisition is existing adult smokers/nicotine/beyond nicotine users. \*\* Consumers of Non-combustible products definition. See Appendix A6. \*\*\* Environmental targets, net zero across scopes 1, 2 and 3. See Appendix A5. ^ Capable of being reusable, recyclable or compostable.

# Our transformation accelerated



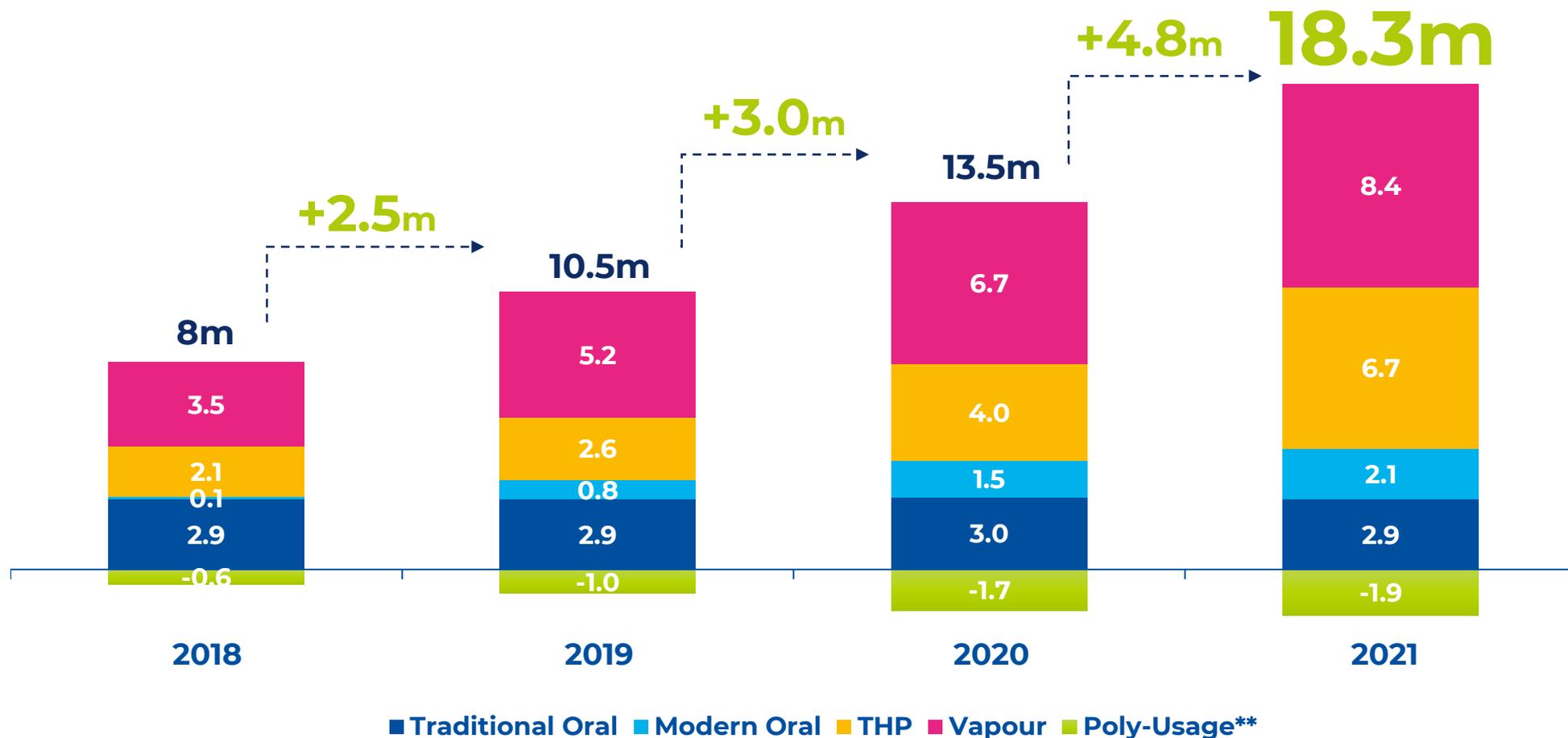
*To reduce the  
health impact  
of our business<sup>^</sup>*

- ✓ Actively encouraging smokers to switch to our reduced risk products<sup>^</sup>
- ✓ 51% New Category revenue growth<sup>\*</sup>
- ✓ Adding 4.8m adult consumers of non-combustible products<sup>\*\*</sup> to reach 18.3m
- ✓ Built a >£2bn New Category revenue business
- ✓ New Category losses reduced for the first time by c.£100m (c.10%)

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**On track for our £5bn New Category revenue and profitability by 2025<sup>\*\*\*</sup>**

# With faster adult consumer acquisition\*



## Growth of consumers of Non-Combustible products\*\*\*

# Strong revenue growth across all three New Category Global Drive Brands



**Global Leadership**  
*achieved*

**Revenue\* up +59%**  
**Value share\*\* 33.5%**



**Fastest Growing THP Brand**  
*ambition*

**Revenue\* up +46%**  
**Volume share\*\* 18.1%**



**Global Leadership**  
*ambition*

**Revenue\* up +41%**  
**Volume share\*\* 34.7%**

# We are embedding ESG in our brands

**vuse**

**Focus areas**

<p><b>GREENER PACKAGING</b></p>	<p><b>OPTIMISE PRODUCT DESIGN</b></p>
<p><b>POD RECYCLING</b></p>	<p><b>REDUCE CARBON</b></p>

**glo**

**Focus areas**

<p><b>GREENER PACKAGING</b></p>	<p><b>GREENER CONSUMABLE</b></p>
<p><b>DEVICE TAKE BACK SCHEME</b></p> <p><b>RECYCLE &amp; UPGRADE &amp; ENJOY</b></p>	<p><b>REDUCE CARBON</b></p>

**VELO**

**Focus areas**

<p><b>GREENER PACKAGING</b></p> <p>Recyclable can</p>	<p><b>RECYCLED PLASTIC</b></p> <p>Recycled PP    Paper can*</p>
<p><b>GREENER POUCH</b></p>	<p><b>REDUCE CARBON</b></p>

# A Pivotal Year delivered

Accelerating New  
Category revenue growth\*

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**51%**

Revenue  
growth\*

Reducing New Category  
losses\*\*

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**c.£100m**

Reduced  
losses\*\*

De-levering to c. 3x adj.  
net debt/adj. EBITDA\*\*\*

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**2.99x**

Leverage

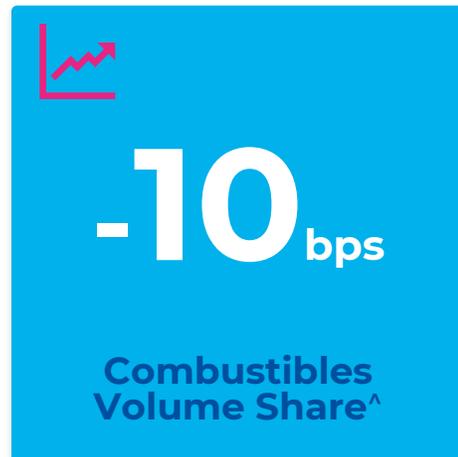
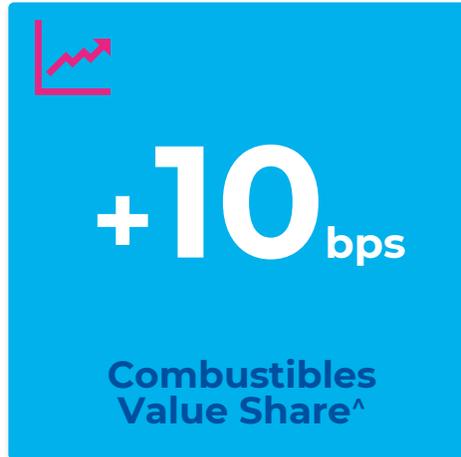
**Enabling more active capital allocation  
Including £2bn Share Buyback in 2022**

# Together with c.£100m reduced losses\* from New Categories driven by growing scale

<b>Improved Trade Margin**</b>	<ul style="list-style-type: none"><li>• Vuse Trade Margins improved by 31%</li></ul>
<b>Reduced Cost of Goods</b>	<ul style="list-style-type: none"><li>• Further scale benefits</li><li>• c.£220m productivity savings** delivered in 2021</li><li>• Vuse Cost of Goods reduced by 22% driven by automation</li></ul>
<b>Marketing Spend Effectiveness (MSE)</b>	<ul style="list-style-type: none"><li>• Revenue Growth Management</li><li>• Leveraging big data analytics</li><li>• Consumer acquisition cost reduction<ul style="list-style-type: none"><li>• Vuse 47% improvement</li><li>• glo 25% improvement</li><li>• Velo 28% improvement</li></ul></li></ul>

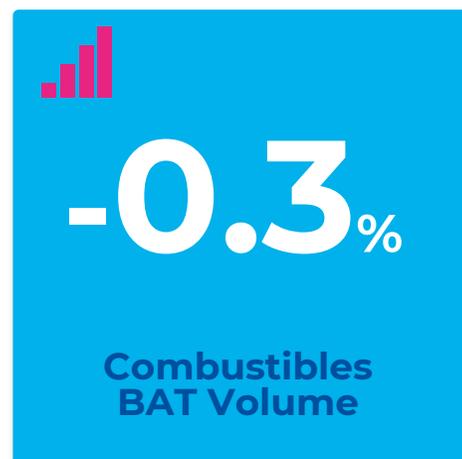
**Vuse achieved US profitability in H2 2021**  
**A key milestone in our Pathway to Profitability by 2025\***

# Combustibles: Delivering value growth



<sup>^</sup> Share growth versus FY20. Cigarette share. See Appendix A3 for share definitions. Source: Company data. \* On a constant rate basis. See Appendix A2. \*\* Price/mix defined in Appendix A4. The BAT Group does not own all brands featured in this presentation in all markets, e.g. BAT is the owner of Newport, Camel and Natural American Spirit in US only.

# Robust 2021 Results



# A Pivotal Year - Delivered on our 2021 financial focus areas



Releasing funds to support growth agenda



Maximising marketing spend effectiveness

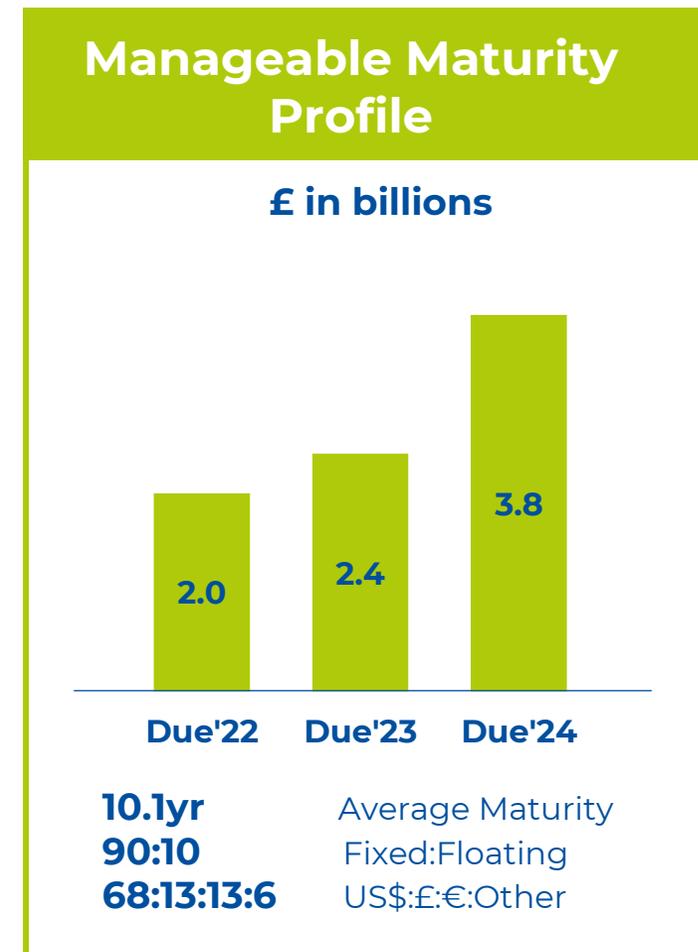
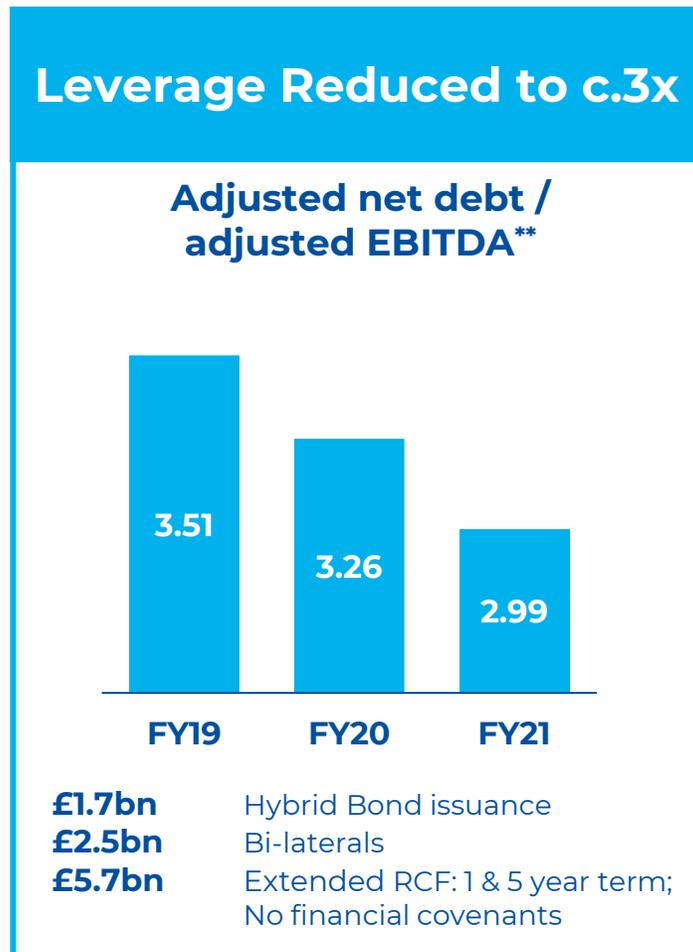
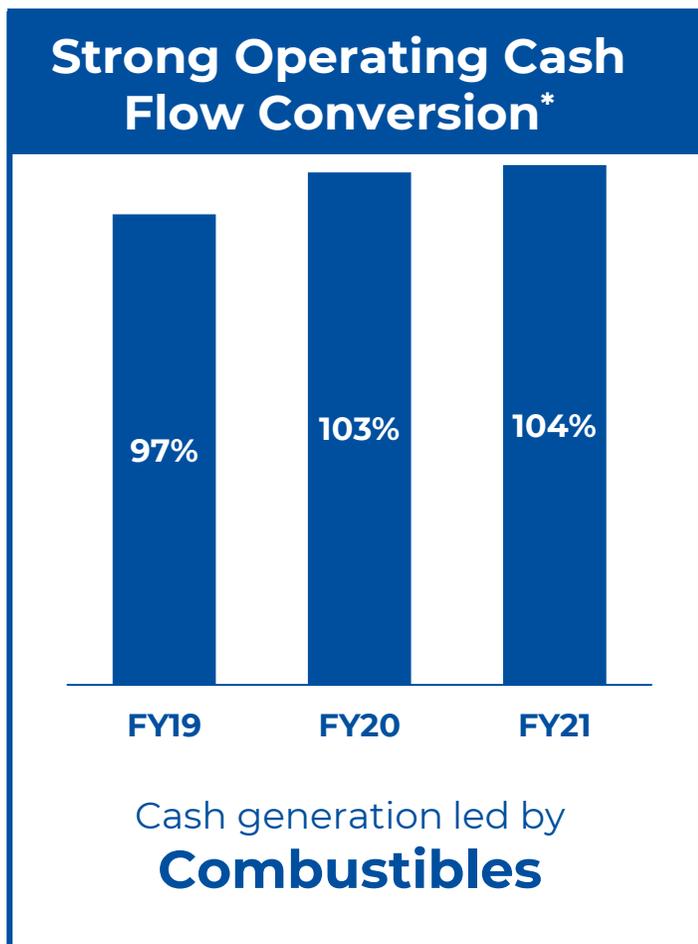


Generating cash to continue to deleverage the balance sheet

- ✓ c.£100m reduction in New Category losses\* for the first time
- ✓ c.£500m increased\*\* NC investment
- ✓ c.£1.3bn total Quantum savings delivered
- ✓ 104% Operating Cash Conversion\*\*\*
- ✓ Reached c.3x Adj. Net Debt/Adj. EBITDA^

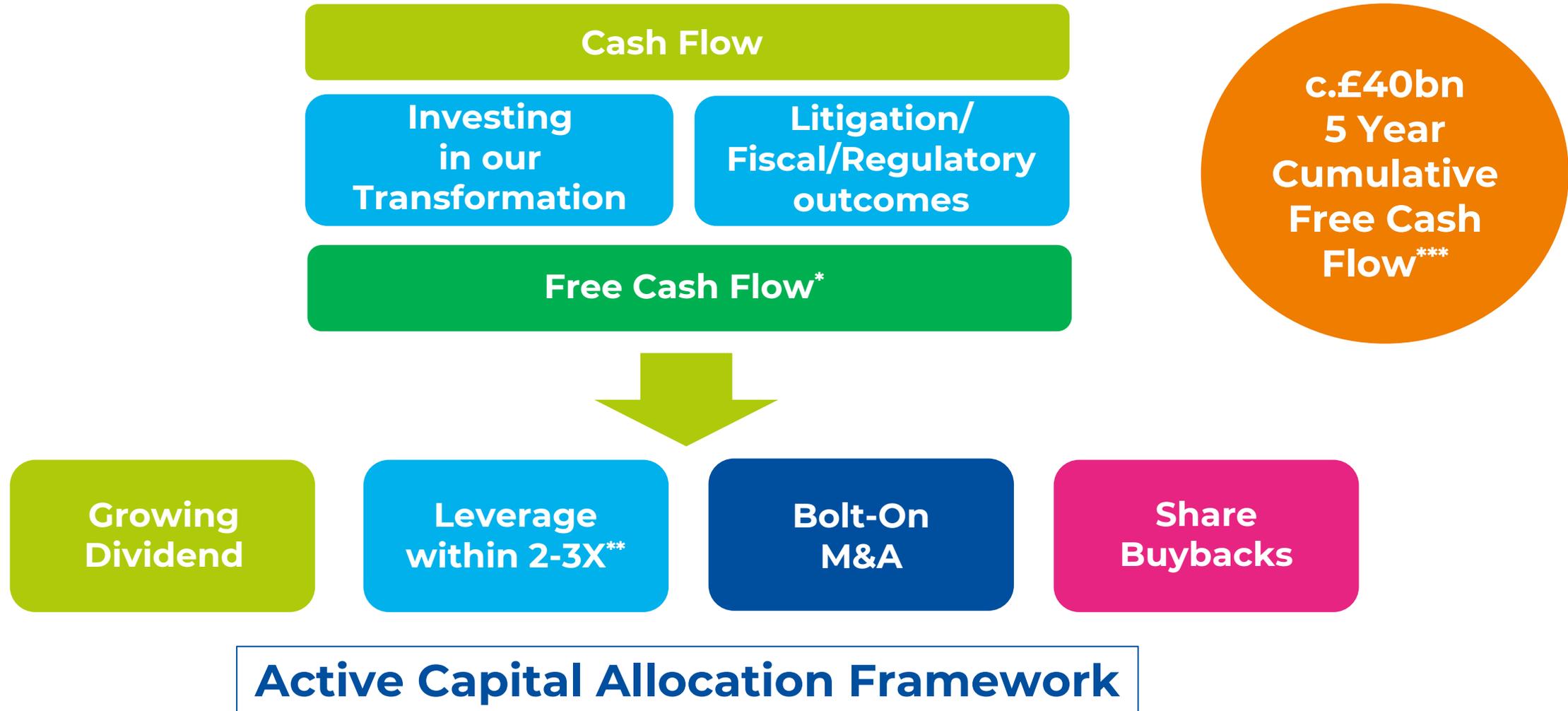
## Enabling more active capital allocation Including £2bn Share Buyback in 2022

# Cash and Deleverage: c.3x target reached with strong cash conversion



\* See Appendix A1 and A9. \*\* Adjusted net debt to adjusted EBITDA at current rates. See Appendix A1.

# Committed to shareholder returns, with £2bn 2022 buyback



\* Free cash flow before dividends. See Appendix A1 and A8. \*\* Adjusted net debt to adjusted EBITDA at current rates. See Appendix A1. \*\*\*Ambition over the next 5 years. Pre-dividend payments. See Appendix A1 and A8.

# We are Building A Better Tomorrow™



*To reduce the  
**health impact**  
of our business<sup>^</sup>*

- ✓ **Delivered the pivotal year in our journey**
- ✓ **We have accelerated our transformation**
- ✓ **We are on track for our key ESG targets:**
  - **£5bn New Category Revenue and profitability by 2025**
  - **50mn Non-Combustible Product Consumers\* by 2030**
  - **Carbon Neutrality from our operations by 2030\*\***
  - **Net zero value chain emissions by 2050\*\*\***

# We are entering the next phase of our journey – Faster Transformation

£5bn  
New Category  
revenue and  
profitability by  
2025\*

Beyond  
Nicotine  
opportunities

3-5% Group  
Revenue  
Growth\*\*\*

High-Single  
Figure  
EPS^ growth

Cumulative  
free cash  
generation  
c.£40bn\*\*

## Medium term outlook

# Appendix



## **A1: Adjusting (Adj.)**

Adjusting items represent certain items which the Group considers distinctive based upon their size, nature or incidence.

## **A2: Constant currency**

Constant currency – measures are calculated based on the prior year's exchange rate, removing the potentially distorting effect of translational foreign exchange on the Group's results. The Group does not adjust for normal transactional gains or losses in profit from operations which are generated by exchange rate movements.

## **A3: Share metrics**

Volume share: The number of units bought by consumers of a specific brand or combination of brands, as a proportion of the total units bought by consumers in the industry, category or other sub-categorisation. Sub categories include, but are not limited to, the total nicotine category, modern oral, vapour, traditional oral or cigarette. Corporate volume share is the share held by BAT Group/Reynolds (US region). Except when referencing particular markets, volume share is based on our key markets (representing over 80% of the Group's cigarette volume).

Value share: The retail value of units bought by consumers of a particular brand or combination of brands, as a proportion of the total retail value of units bought by consumers in the industry, category or other sub-categorisation in discussion.

Nicotine share: The retail sales volume/value of the nicotine product sold as a proportion of total specified nicotine product volume/value in that market. In the US covers: Combustibles, vapour and total oral.

## **A4: Price/Mix**

Price mix is a term used by management and investors to explain the movement in revenue between periods. Revenue is affected by the volume (how many units are sold) and the value (how much is each unit sold for). Price mix is used to explain the value component of the sales as the Group sells each unit for a value (price) but may also achieve a movement in revenue due to the relative proportions of higher value volume sold compared to lower value volume sold (mix).

## **A5: Environmental Targets**

Targets cover: climate change, water and waste, sustainable agriculture. Full details are available from the latest ESG Report

[British American Tobacco - Sustainability reporting \(bat.com\)](https://www.bat.com/sustainability-reporting)

## **A6: Consumers of Non-Combustible Products**

The number of consumers of Non-Combustible products is defined as the estimated number of Legal Age (minimum 18 years) consumers of the Group's Non-Combustible products. In markets where regular consumer tracking is in place, this estimate is obtained from adult consumer tracking studies conducted by third parties (including Kantar). In markets where regular consumer tracking is not in place, the number of consumers of Non-Combustible products is derived from volume sales of consumables and devices in such markets, using consumption patterns obtained from other similar markets with adult consumer tracking (utilising studies conducted by third parties including Kantar). The number of consumers is adjusted for those identified (as part of the consumer tracking studies undertaken) as using more than one BAT Brand - referred to as "poly users".

The number of consumers of Non-Combustible products is used by management to assess the number of consumers using the Group's New Categories products as the increase in Non-Combustible products is a key pillar of the Group's ESG ambition and is integral to the sustainability of our business.

The Group's management believes that this measure is useful to investors given the Group's ESG ambition and alignment to the sustainability of the business with respect to the Non-Combustibles portfolio.

## **A7: Poly-usage**

Refers to an adult consumer using more than one type of New Category product.

## **A8: Free Cash Flow**

Net cash generated from operating activities before the impact of trading loans provided to a third party and after dividends paid to non-controlling interests, net interest paid and net capital expenditure.

## **A9: Operating Cash Conversion**

Net cash generated from operating activities before the impact of adjusting items and dividends from associates and excluding trading loans to third parties, pension short fall funding, taxes paid and net capital expenditure, as a proportion of adjusted profit from operations.