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## **British American Tobacco plc | Deutsche Bank - dbAccess Global Consumer Conference | June 7, 2023**

Gerry Gallagher:

Good morning everybody. My name is Gerry Gallagher. I'm a member of the European Consumer Staples team at Deutsche Bank and it's a very great pleasure to welcome you this morning to a presentation from Tadeu Marroco, the new CEO of BAT. So Tadeu will open with a few comments and we'll then go into Q&A. I've got plenty of questions I can ask but it'd be great if we could have some participation from the audience. Just raise your hand if you've got a question to ask and I'll happily point you out to the crew with the microphones. So with that today, over to you for your opening comments.

Tadeu Marroco:

Okay. Good morning, Gerry. Good morning everyone and thank you for inviting me here to be here today. Well, I would like to start saying that I'm really proud to have been appointed the CEO of BAT. BAT has a wonderful heritage and I'm committed to build on it in terms of bringing a more modern BAT, more agile, more progressive, more inclusive, more collaborative. We have very strong talent people. We have winning brands. We have a strong pipeline ahead of us. And more important, we know we have a deeper insight of consumers. The strategy is right. [inaudible] I would like to start saying. I have been at the center of the strategy, formulating it and implementing it since 2019. We have a massive opportunity ahead of us in order to transform this industry offering smokers a really alternative and a lower risk alternative for the smokers that can have a tremendous positive impact on society and also in terms of their business.

So we had done great progress in this journey. We started basically from scratch after ... Five years ago we reached something close to £3 billion of revenues in these new categories at the end of last year. This by any measure, compared with any other FMCG, is a remarkable achievement. We have established ourselves in leading brands across some of these new categories. We have achieved to convert something close to four million consumers of smokers towards these new products on an annual base and we have just reached more than 23 million of consumers of these non-combustible products. We are very confident in achieving our targets that we set ourselves of five billion by 2025 and we are doing quite well in terms of the profitability of the business that we now expect to achieve earlier, by 2024. Our combustible business, which is fundamental for us to fund all this transformation, is doing exceptionally well outside the US.

We have been able to navigate through all the inflationary pressures, through the costs program that we had put in place three years ago. It's called Quantum. We have delivered double of the targets that we have set ourselves that help us to mitigate some of the pressures that we are seeing. And we have strong cash flows, have been able to deliver a hundred percent of conversion from profits to cash over

the last few years. And with that we have been able to progress with the leverage, the balance sheet of the company and set ourselves in a very nice position moving forward. So a lot of questions about what I will be doing differently. So like I said, it's not about the what. I think that the strategy is right. It's about the how. I want to sharpen the way that we execute the strategy, with great focus on few bigger initiatives, new bigger priorities.

I want to use the market archetype to do that. Clearly the maturity of these new categories vary substantially market by market. We are global organization, so we want to take this into consideration in order to get the best return from the money that we invest. I also want to reboot the culture and the leadership in the group to become much more collaborative, much more inclusive, which has always been part of my leadership approach. There are for sure operational issues that we have to face. I refer to combustible doing well outside the US. I cannot say the same in the US. I think that we have a long journey ahead of us to better prepare our portfolio to cope with a very difficult macroeconomic environment. This will take some time. In some [inaudible] we have already started changing, implementing some commercial plans, but these will require careful and very thoughtful thinking and initiatives for us to be able to reach where we want to be.

Because we have a very strong pipeline of products in the US, in the combustible in particular, and we want to make it more resilient than they are today. There are early signs of improvement. The premium segment, where we are very present, start to give signs of stabilization. And this, together with the commercial plans that we have put in place, will put us in a much stronger position moving forward. I'm also disappointed with the performance of THP in particular in Q1. We have been facing a lot of competitiveness in some key markets like Japan and Italy. And the good news here is that we now start to have a pipeline of products that we start addressing some of the pain points that we have had in our offers. We have just launched a new version of our GLO Hyper product, is the [inaudible] that you find in the markets, the lightest you find in the market, which start addressing some of the concerns of our offer so far.

I also want to increase engagement with regulators, policy makers, and relevant stakeholders. I think there is a lot of opportunities for the industry as such in order to manage the regulatory environment. And trying to influence with all the science that we have developed in order to take different stakeholders along this journey with us. And I want to do this operating the highest ethical standards possible moving forward. I have done a lot of work in terms of compliance in the group over the last few years and this for me will be a key priority in terms of how we manage the way we do things and the high level of integrity. We want to give continuous focus on strong and consistent cash delivered and the leverage of the company. We understand the importance of cash return for our shareholders. We are committed to the 65% of dividend payout over the long term.

We are making very good progress, this in particular in terms of the leverage and the balance sheet, and we want to be closer to the middle of the range of two to three times in terms of EBTA as much as we can by the end of this year. Once the leverage [inaudible] has reached it, we are committed to sustainably return excess cash to shareholders. So I would just make the pledge for all you that I'm committed to work tirelessly to deliver on this, guided by our purpose and enabled by a focus on flawless execution. I'm confident that the strategy and our transformation will translate into long-term sustainable value for our shareholders, and I maintain also the full guidance for 2023. So it's just skill [inaudible] and then we can go for Q&A.

Gerry Gallagher:

Thank you, Tadeu. So as I said earlier, I'll open with a few questions, but please feel free to raise your hand and we can get a mic to you guys in the audience. So that was a very helpful opening set of

comments Tadeu. You've set out your stall in various ways. You talked about in terms of the strategy, it's not about what, it's about the how. There's a few things to read in between the lines there. So I'm just going to come a very simple, straightforward question to start with. I think most people would agree that in this room at least that Jack's departure was probably a surprise to most of us. Could you just tell us why the board acted and why they chose to appoint you?

Tadeu Marroco:

Look, what I can tell you is that there is no one single event triggering this. The board made an assessment around the external environment. The economic cycle has been very different. The regulatory environment is also very different than it used to be. And we have a heightened competitive landscape. The boards took all those points into consideration and the management decides that was the time to have a change in leadership. So that's where I came in the picture. So like I said in my opening, what I bring into BAT moving forward is a much more thorough and sharpened execution.

I'm a evidence based person by nature, so I will be much more cautious and measured in terms of the decisions we're going to take. Like I said, less is more. Where we are, there are big, big ticket items that we need to address and that's where I want to focus. And I want to bring people along with me and hence the discussion around, the insights around being more inclusive, more collaborative. I think that this can be very powerful for BAT moving forward and I'm sure that we have a massive opportunity ahead

Tadeu Marroco:

[inaudible]

Gerry Gallagher:

Great, that was very helpful. My second question is around the strategy, and you did a very good job in your release yesterday of putting people like me in their place around the purpose of the business and the strategy of the business. So the purpose is better tomorrow is your purpose, which is to reduce the health impact of your business on society. But your strategy, the way to deliver that, is to transform the portfolio by encouraging adult smokers to switch to less risky alternatives. And you are relying on that strategy, but there are questions around that in terms of the share price performance, the valuation of the stock. Could you just expand a little bit as to why you believe the strategy is the right one, given where the valuation is, the stock price, et cetera?

Tadeu Marroco:

Yeah, look, there is a lot of frustration in terms of the valuation, the share price, and I share all this frustrations, but I'm convinced that the best way to address that is persevering in the execution of the strategy. Is walk the talk, let's put it that way. I think that we have done, digging roads over the last few years. If you go for the categories itself, should they in vapor, we have a winning product in not just in the US, which is doing by the way extremely well, but also outside the US. So we are leaders in all the key markets that we consider five in the world. We will be profitable in terms of category contribution, not in terms of gross margin category contribution or out of four, out of these five. So this perception that you cannot make money out of it, this doesn't exist. In reality we have now rich margins around 56% after the work that has been done in terms of trade margins, in terms of product cost.

For sure the regulatory environment if anything, can help us. Because what we need is a level playing field. There is a lot to be done in terms of responsible marketing, for example youth prevention. That is

critical. What needs to be done. Also in terms of the environmental impact of some of these products and we are on that. Our circularity, the circular economy will be part of our pipeline in the future.

When you migrate to more than oral, we clearly have the best product out there. In Sweden, we have just reached with VELO 13.4% of market share last month. Is the highest oral brand in Sweden that has been dominated by Swedish Match for the 100-year plus. So VELO today has the highest share in the Sweden market. So this is a testament of how powerful can be these brands for sure that we have to work in the US which is a completely different situation because there we cannot bring at this point in time our product there. That's why we filed the PMTA and we are waiting for the approval of the FDA so we can bring this great product that we have outside the US in the US and in THP, like I said, there is work to be done. We were late in that segment specifically, so we had some difficulty at the very early stage. But I think that we can accelerate the pace based on the innovation pipeline that we have starting with Glo Air. But there is more to come in the future.

Gerry Gallagher:

Before I move on, I've got one more big picture question, but you referenced something there in terms of vaping and about regulation in vaping and I'd just like to come back to that. Could you talk about regulations? One thing we probably agree that that will potentially hopefully get to the right place at some point in the future. Could you talk about enforcement of the regulation and whether that will follow through once a regulation is hopefully in the right place?

Tadeu Marroco:

Yeah. And you're absolutely right. I think they go in tandem with the regulation. Regulation alone is not enough and we are seeing that in the US in reality because in the US we have a set of regulations for closed systems that should be applying also for synthetic nicotine and the enforcement has been very weak in the US to a point that the modern disposables, these products which is basing synthetic nicotine brought back all the flavors that has been banned at certain stage in January 21 back to the market.

It seems that the FAA now is start to be more active on that. There's a lot of MDOs with mark to deny orders, but a lot of these manufacturers and they are now reaching out directly to manufacturers, distributors, even retailers. So we are trying to work as close as we can with them and in order to help them too, but at the end of the day it will be them trying to make it happen. So enforcement is a Q1 hopefully in the US where we might have the biggest wide space opportunity in the world is been done faster than we expect.

Gerry Gallagher:

Okay. I've got one big picture question. I am going to delve a little bit into yesterday's release and then we'll revert back to other types of questions. So just before we go into the release of yesterday, I said to somebody I was talking to yesterday that there was a subtle shift in the wording of your statement yesterday. There wasn't a subtle shift, it was a very clear shift in terms of the wording of your statement. It feels like you are being more open, more aware of some of the pressures that business is facing, which every business faces. Could you just talk a little bit about the philosophy around being, it appears to be and evidence is more open, about the challenges the business is facing?

Tadeu Marroco:

Yeah, Jerry, like you said, we are not immune to all the complexities out there. The microeconomics, the consumers are changing, the regulatory environment is changing. So it's natural that you face some challenge. I want to be very transparent. That's the way I usually be trying to do things and this is a

commitment and being transparent has the advantage that I can highlight exactly what am my error of focus was exactly the areas that I think that we have a problem or we are not performing as well as we should naturally becomes area of priority for us. And then we keep track on that. I think that is easy for everyone to understand what is doing well. So we highlighted what is doing well. I said I read a number of things here, but what is not so well. So we can keep track on that and I can also mobilize the organization to ask that. I think that is good for everyone.

Gerry Gallagher:

Agree with that. Okay. Two or three questions around yesterday's release before we move on. So the first one is on the US combustibles situation, I think you referenced you've got a long road ahead of yourself ahead to get that business in a better place and your value share was down 40 basis points. My recollection is you've tended to talk about value rather than volume share in the US. So that was quite a big data point for me. Could you talk a little bit about what you're going to do there and perhaps reference it in the context of the US consumer because not only in a tobacco context, but something that's emerged through yesterday and I'm sure we'll continue to follow through today from this conference, is there is a focus on where is the US consumer generally, how healthy are they or et cetera, et cetera.

Tadeu Marroco:

I don't think it started with the industry that there is anything fundamentally that has changed structurally in the market. What happened is that the consumers have taking all the fiscal stimulus out has been withdrawn and there were a lot of stimulus coming from the state levels, federal levels at the back of Covid that was completely taking out and at the same time got exacerbated by this massive inflationary pressures coming from different angles. At certain stage, mid of last year was a gas price that has a very negative correlation with cigarettes. These things come down, but then energy costs and so on and so forth. So I think that the high single digit decline in the market that we are seeing today is much more related to the macros itself than it is to anything structured in terms of consumers quitting or migrating for other categories. That's the first point. The level of elasticity is still very benign. So before Covid was between 0.3 0.4, today we are seeing between 0.35, 0.4. So it's not much different from before.

So what we need to adapt in our own portfolio is the fact that we didn't have some safety nets to cope with tougher economic cycles. So we have brands like for example, Newport, very premium brands, but without any other support below it. So when the consumer gets hit by, and this can happen in any cycle, economic cycle, you can not be prepared for that. So we need to, that's where price laddering came through. Say more RGMs, revenue growth management, more target pricing, more smart pricing, leveraging the power of our distribution, which is massive in the US.

So I think that when I say that takes time, because we don't want to do this in one goal, we have to do it in a phased way and we know exactly what needs to be done in order for us to adjust and become and make this portfolio, which is a great portfolio. We have a great brands, we have Lucky Strike that is one of the best launch ever in the US market in the low. We have brands like Natural American Spirit that with all the difficulties that I'm referring to on the macro, continue

Tadeu Marroco:

Continued growing. It's the only brand without any discount in the west mark. Has never seen a discount in that brand and we have Newport, we have Camel that complement each other and Pall Mall. It's a very strong set of brands. What we needed to make them more resilient to days of sunny and days of

rain. And so I'm sure that we are going to come out much stronger than we come in, in this economic cycle once it comes back.

Gerry Gallagher:

That was a very helpful answer. Even more impressive because the fire alarm has gone off and I'm mildly panicking but we'll crack on until something- oh there you go. As if by magic. We're good. So let's talk about California, flavor bans, market's been weak but there's lots of illicit trade, and there's legacy stock, there's neighboring states having increased volume. Can you give us a stab of what the underlying picture is in California?

Tadeu Marroco:

Yeah, it's early days because of everything you just said. We are aware of everything you said. We are aware of some cross bordering. So increase of mental consumption in bordering states. We are aware of the fact that some of the retailers in California and the level of independent retailers is the highest, one of the highest in US. 60% plus of consumption happens in independent stores and they usually are less compliant with regulations. So you still see some of these products out there. So any reading now becomes compromised, let's put it that way, because of the circumstance. I think that this will take at least another six months, so you have a full picture. What I can say to you is that the level of exposure of Reynolds, when we come through the ban was 42%. So we had to de-list 42% of our volume, and our volume so far has been declined by 25.

But we have been declined already by 12% before the ban. So when you consider the marginal decline, the extra decline, and then you add all the increase in consumption that you see in neighboring states, the level retention is 90% plus in Reynolds. So, but as I said, still to be seen in vapor, Vuse is basically keeping all the volumes which have fantastic results. Remember that Juul was very strong in that state and we are now gaining a lot of share because the whole vapor market closed system depressed because of the explosion of a modern disposable. Again problem of enforcement. As soon as the ban came, all the mental flavors came out of the closed systems. And the good news is that Vuse, all of that migrates to the tobacco flavors of Vuse so our volumes kept flat, but the whole co system reduce it. That's why it also increased share as a consequence of that, because of the explosion of the modern disposal.

Now they want to act on that. We have launched FDA approved SKUs that are performing extremely well and that's helping us to balance out the factor of the listing these brands that I was referring to. So this, at the end of the day, just I think that we have two conclusions here. One we can navigate well when we have an environment of a mental ban and second this is really not the best approach to cope with harm reduction. There are other ways to cope about harm reductions that's much more effective than this one. You just saw the level of disruptions in terms of cross border enforcements and modern disposal. The problem with the modern disposal is that end up in the hands of people that you don't want to, the youth. So it's just another example and not to mention some probably self mentalation of users that are doing themselves. It's a good example to illustrate why this is not a good policy.

Gerry Gallagher:

Okay. Just one more relating to yesterday, glo. Is the issue just about the product and you talked about a pipeline there or is there an execution element to where the brand is?

Tadeu Marroco:

I think the offer needs to improve and we have made, to be honest, very good progress in terms of brand power. It's an indication that demonstrate how attractive is our brand which consider not just the branding but all the product itself in our key markets. But we are also seeing fierce competitive position for at least another two players in some of these key markets. And that's why we have been dragging the category share. It's coming at the back of this high level of competitiveness, which means that we need also to up our game. The good news that we have a pipeline that we believe that will be able to do that, but clearly there are areas of improvement. So less on the execution side, more on the offer side and we are working hard on that.

Gerry Gallagher:

Okay. And in the context of that, still pretty comfortable with breakeven in next generation products in 2024?

Tadeu Marroco:

We are, because even THP where we are having more difficulty, the vast majority of the markets where we are present with HP, the contribution, the gross margins that we make selling glo are higher than we make selling cigarettes. That's important. A lot of people come to me, oh wow, but your pricing is lower than competition. When you compare our price with our cigarette price in all these key markets, the vast majority we are with have higher contribution. And why? Because our portfolio, remember that in Europe where a lot of these products are having a great opportunity now to grow, BAT's secret portfolio has always been skewed to us the value for money low. So you go to Poland for example, when you convert one smoker for an hour, BAT portfolio of cigarette brands towards our glo THP system, the margin increase by five times.

Five times in Poland. So it's not the same magnitude but also a creative in place like Japan for example, in place like Italy and so on. So that's why this helps with the whole profitability. Vapor I spoke about and modern oral, basically everywhere that we are, we have read the gross positive margin.

The payback of modern oral usually is at 18 months. So in Pakistan, which is doing extremely well, which is another excellent testament that modern oral can be very exciting even for emerging markets, the likes of Pakistan, Kenya where we are present, we want to reach breakeven very soon as well. And the gross margins of these products in Pakistan is very similar to the value for money cigarettes. So this is all helping us to achieve the breakeven. But remember, because a lot of people get fixated on the breakeven, but since '21 there is a big, big contribution of the reductions of loss to the BAT algorithm and this will be the case moving forward as well.

Gerry Gallagher:

Okay. Talking of the algorithm, you got in to three to 5% top line growth this year. Inflation is still pretty high. Obviously organic growth doesn't adjust for FX, you haven't got that element. So given inflation is so high, shouldn't the market be thinking nearer five than three? Could you comment a little bit around that?

Tadeu Marroco:

We are guiding organic this time because of the transfer of our business in Russia. We don't know. We expect to happen in still 2023 and very difficult for us to set a precise number with this level of uncertainty. So that's why we provide organic guidance.

Well all the plans that we spoke about in the US has some impact implication revenue. So this plays against what you are saying. So if from one side inflation could be a boost to revenue if you price up knowing in line with inflation. On the other hand, adjustments in the US, remember in the first half of the year we have to lap the SAP rollout in the US last year. We have to build stocks in the first half of last year. That's unwind in the first half of this year. And that's the reason why we expect to achieve the range but will be weighted in the second half of the year.

In terms of EPS, these are reported numbers, EPS. So we have Russian in these numbers. So we have two major headwinds this year in EPS. One is Russia and the other one is net finance costs with these unprecedented increase interest rates that we saw at the back of last year. And so with those two elements, we guide the market through mid single digits, but this will depend where we sit in the range, when we clearly stated that the range in mid [inaudible] for us goes between 3.5% and 6.5%.

We said too that this is reliant on the timing of Russia. This didn't happen the first half. We are entering to the second half. If happens early in the second half, will be more towards the low end of the range. It happens more at the end of the year, we'll be more in the middle of the range. So that's the only consideration we need to be aware of. Our numbers always include transactional effects. I always make these comments, but there are some other companies that decide to do differently and strip out FX transac- our numbers are there, and these equate to close to 2% of a headwind.

Gerry Gallagher:

Very hot on the transactional FX, but I always forget it as well. So good point well made. I once wrote a very boring note about transactional FX about eight years ago, which nobody ever read. But anyway.

Gerry Gallagher:

Right, capital allocation. Based on your comments yesterday, my read was it was pretty clear you're looking to be at 2.5 times before the board thinks about share buybacks again. Could you confirm or correct my interpretation of what you said yesterday?

Tadeu Marroco:

Yeah. Let's talk about share buyback first, because there was frustrations that we have stopped the share buyback. Although we have said before that every year we would make a call base on the number of factors, the regulatory, legal, macroeconomics and so on.

What happened is since we introduced the buyback in early 2022, we have seen a number of very different circumstance. The first one is the micro economics. Like I said before, the interest rates went to the roof. And at that point in time, early in the year, we didn't even know where they're going to stop. Because I think that today we have a good idea, but it's still the jury's out there to see exactly how this will end up. So interest rates very volatile.

We had a DOJ early in the year. And we were in talks with them, we had some idea where we're going to land to the point that we did provisions before. But we didn't have this concluded, now we do.

We also had Russia happening. And we announced the transfer of the business and a lot of uncertainties in how, in which circumstance this would happen. At the end of the day, the cash is completely trapped. Either we leave or not, it's completely trapped in Russia.

And also some other elements that we took into consideration when we decide, which is related to the credit rating agents. Because as soon as we announce the buyback in 2022, we were put on a negative outlook by one of the credit rating agents. And why? Because then the way they calculate the leverage is

different than what we do. For example, they take out all the cash and profit from Canada because of the WCWA.

They also took all the cash out from Russia as soon as we announced that we were transferring. And independent of you being transferred or not, the cash is trapped. Or even those companies that decide to stay, they will be having a lot of difficulty to see this cash back. So in their own numbers we went backwards as opposed to make progress, like we did in our numbers from three to 2.9. So with all these circumstance change, the world is a very different world than it used to be. And all this world of 15 years of free money is gone, and plus all this complex that I just referred to you. So we took the pause and said, "Well, we will be in a much more comfortable position if we accelerated the leverage to the middle of the range. So when we restart buyback, we can do it in a more sustainable base."

And that's exactly what we did. 2.5 gives us the headroom that we believe that would be necessary to give the confidence from our perspective and also from credit agents in order to be able to restart, for example, a more active excess cash return for shareholders, which ultimately is what we want to do.

Gerry Gallagher:

And the 2.5, that's under your definition of what leverage is rather than being adjusted for a rating agency? Just how you describe it.

Tadeu Marroco:

No... Yes. But I am very conscious that WCWA is still ahead of us. So whatever we do, we have to take this into consideration.

It's very difficult for me to precisely say when this will materialize. It will be sooner than it was four years ago, for sure. But this is now going on for four years. Unfortunately this is part of the numbers of BAT I couldn't take de-merged, de-consolidated Canada out of BAT numbers because of IFRS.

And IFRS, if you manage the business you need to keep consolidating. And that's exactly what we do, we set the pricing, we fire people, we recruit people, we launch products, so we clearly manage the business. And so we couldn't de-consolidate. So as part of our numbers, I need to have this in mind.

It's not just about the cash that will probably grow once we sign this, but without entering into the merit of the negotiation, which I cannot do it, you have to... A lot of people make an association direct with the MSA in the US. The circumstance in Canada is very different from the US. The US will have a 30% excise burden, while in Canada it's around 70.

US you is the most affordable cigarette market in the world, second to Japan. And it's still the case, we just spoke about elasticity in the US. In Canada, it's not the same, elasticity is much higher. So we need to see some haircut in terms of P&L in Canada as well.

So these are the facts that I have to take into consideration when I restart buyback. My commitment that once we do it, will not be in a bumpy way, will be we can discuss the magnitude in particular years. But the fact is that they will be part of the capital allocation of the group moving forward.

Gerry Gallagher:

You referenced Canada with a four year timeframe when it might even be longer than that. Look, I know you don't know, but it can't go on for another four years surely there'll be some resolution relatively soon?

Tadeu Marroco:

Well, that's our expectation. Yeah, I agree, that should be our expectation as well.

Gerry Gallagher:

Okay, right. Right, I want to ask about ITC. You hold it for strategic reasons, which I suspect relate to the Indian market opening up and the ownership structures and all that stuff changing. If that's wrong, please correct me.

Hasn't happened, probably isn't going to happen. In the meantime, you get very marginally diluted each year by the way the rumination structures work at ITC. The stocks had a tremendous run, ITC stock. There's a decent amount of value there. It complicates the business. You probably don't get credit for it. It will help your leverage, just do the trade.

Tadeu Marroco:

Okay, let's start with the strategic role of ITC. Why we say that is strategic? There is a traditional oral market in India. Well, first of all, India's the most populous market in the world, has just overtook China more recently.

The size of the oral markets that already exist in India is higher than all the oral market in the world outside India. So if you add traditional oral, modern oral Scandinavia, US, you don't get to the volume of oral consumed in India in a given year. That's the first point.

Well, and then you're going to sell to me, "Well, but this is close." Yes, today you have a regulation that you cannot launch a product above two milligrams of nicotine, which is very low. And cannot be done in nicotine pouches at this point in time, just in gums and lozenges. Yes, that's right.

But will be the same in other place. For example, Colombia, Peru that we have just launched vaping, Chile that didn't allow vaping and now will be allowed from the end of last year. So things can change.

This product, nicotine pouch, can have a massive positive impact on the India society. But the incidence of oral concept because of all this consumption that I was referring to is very big in this particular case. And nicotine pouch don't even have tobacco in it. So to work together with ITC on that would be a massive opportunity and a positive impact for India and also for the business. That's the strategic relevance.

Now let's go to the monetization, it's not as straightforward as people think. So even if we forget all that that I just said and decide to sell the whole stake of ITC... Which, look, I understand this quite well, it's a big part of market evaluation of BAT today, it's 15 billion plus of pounds.

So we couldn't find probably an interest investor because the federal, the FDI ban, so foreign direct investments in Indian it's ban for tobacco. So we will have to find a local player to be able to have all this money to transact an amount like that. And not to mention some complicates in terms of RBI process certificates and all that. So it's not easy. It's not easy.

So I understand the fact. And it's important for BAT to have at least 25% of sharehold in India. And the reason why I say 25 is because then we can keep board seats, we can have vetoing resolutions of the company, and we can try to steer the company to us these opportunities that I was referring to.

The ITC, it's a good thing that we haven't sold a year ago, like a lot of people was pressuring me, but their share price went up to 70. Their valuation now is 24 times, 25 times. And by the way, it's still a big gap compared with all the FMCGs in India, that has evaluation of 40 times. So there is a lot of potential value to grow as well. So that's what ITC.

Gerry Gallagher:

That was an annoyingly good answer, and you properly put me in my place there. Right, we've got 15 seconds to go. Unless there's any questions from the audience, we will cut it off there. So Tadeu, CEO of BAT, thank you very much for your time.

Tadeu Marroco:

Thank you, Gerry. Cheers.

Gerry Gallagher:

Thank you, sir. Appreciate it.

Tadeu Marroco:

Thanks.