

Preliminary Results 2019

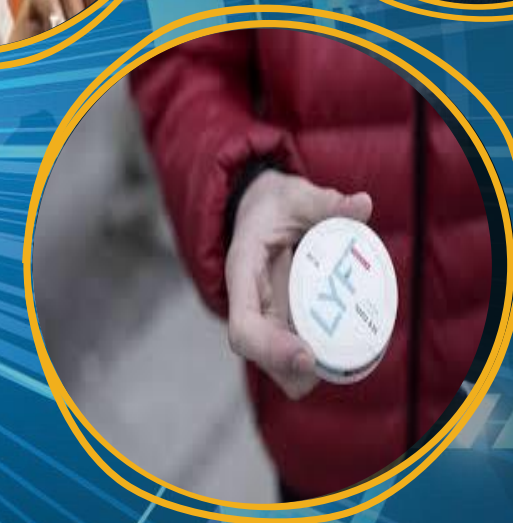
27 February 2020

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Finance Director

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This presentation does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any BAT shares or other securities. This presentation contains certain forward-looking statements, made within the meaning of Section 21E of the United States Securities Exchange Act of 1934, regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates.

These statements are often, but not always, made through the use of words or phrases such as “believe,” “anticipate,” “could,” “may,” “would,” “should,” “intend,” “plan,” “potential,” “predict,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy,” “outlook,” “target” and similar expressions.

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.

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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 filed on 15 March 2019 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.

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All financial statements and financial information provided by or with respect to the US or Reynolds American Inc. ("RAI") are initially prepared on the basis of U.S. GAAP and constitute the primary financial statements or financial records of the US business/RAI. This financial information is then converted to International Financial Reporting Standards as issued by the IASB and as adopted by the European Union (IFRS) 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 RAI it is provided as an explanation of, or supplement to, RAI's primary U.S. GAAP based financial statements and information.

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

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Delivering on our priority areas...

COMBUSTIBLE VALUE
GROWTH

STEP-CHANGE
IN NEW CATEGORIES

SIMPLIFY THE
COMPANY

- › **+4.6% Revenue growth* from combustibles**
- › **Product roll-outs across New Categories**
- › **Simpler, faster, more agile organisation**

** Adjusted and constant rate basis. See Appendix A1-A2.*

Delivered on our commitments

	2019 Guidance	ADJUSTED FY 2019 @ Constant rates	
Revenue	Mid-Upper end +3-5%* of range	+5.6%	✓
New Category Revenue	+30-50%*	+32.4%	✓
Operating Margin	+50-100 bps	+50 bps Current rates	✓
Profit From Operations	Upper end of +5-7%* range	+6.6%	✓
Diluted EPS	High Single Figure*	+8.4%	✓
Leverage	-0.4x ex-currency	-0.4x	✓

Creating value



EXCELLENCE IN ENVIRONMENTAL MANAGEMENT



24% reduction in CO2e scope 1&2 emissions v 2010



60% reduction in waste to landfill v 2010



34% reduction in water withdrawn v 2010



DELIVERING A POSITIVE SOCIAL IMPACT



Supplier code of conduct defines minimum standards



~11m consumers using non-combustibles in 45 markets



Policy of 100% suppliers subject to Human Rights due diligence



ROBUST CORPORATE GOVERNANCE



100%* adherence to our Youth Access Prevention guidelines



Global Speak Up line: +35% cases v FY18



100% employees completed annual SoBC sign-off

... in a sustainable way

A STRONG APPROACH TO ESG*

COMMITMENT TO TOBACCO HARM REDUCTION



CREATING VALUE



Shareholders

Consumers



Society

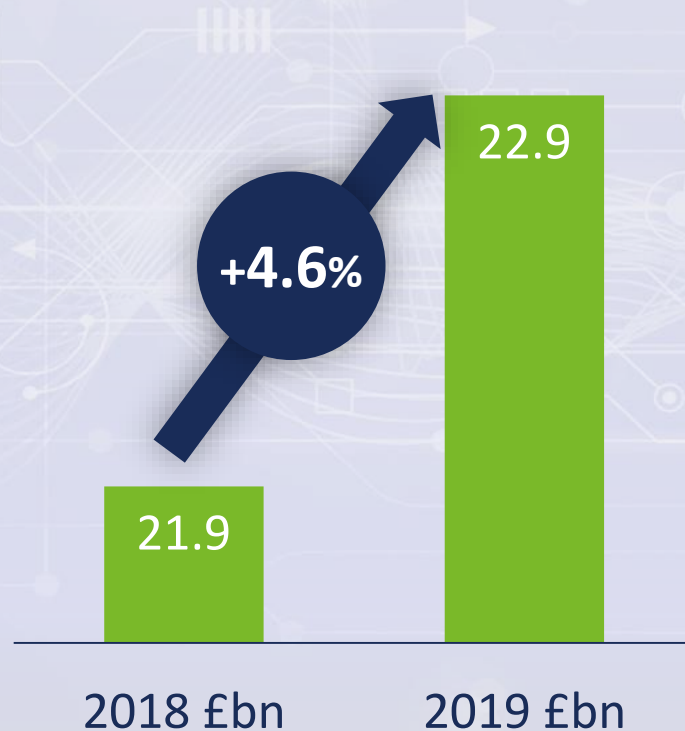
Employees



EXTERNAL RECOGNITION FOR PROGRESS TO DATE



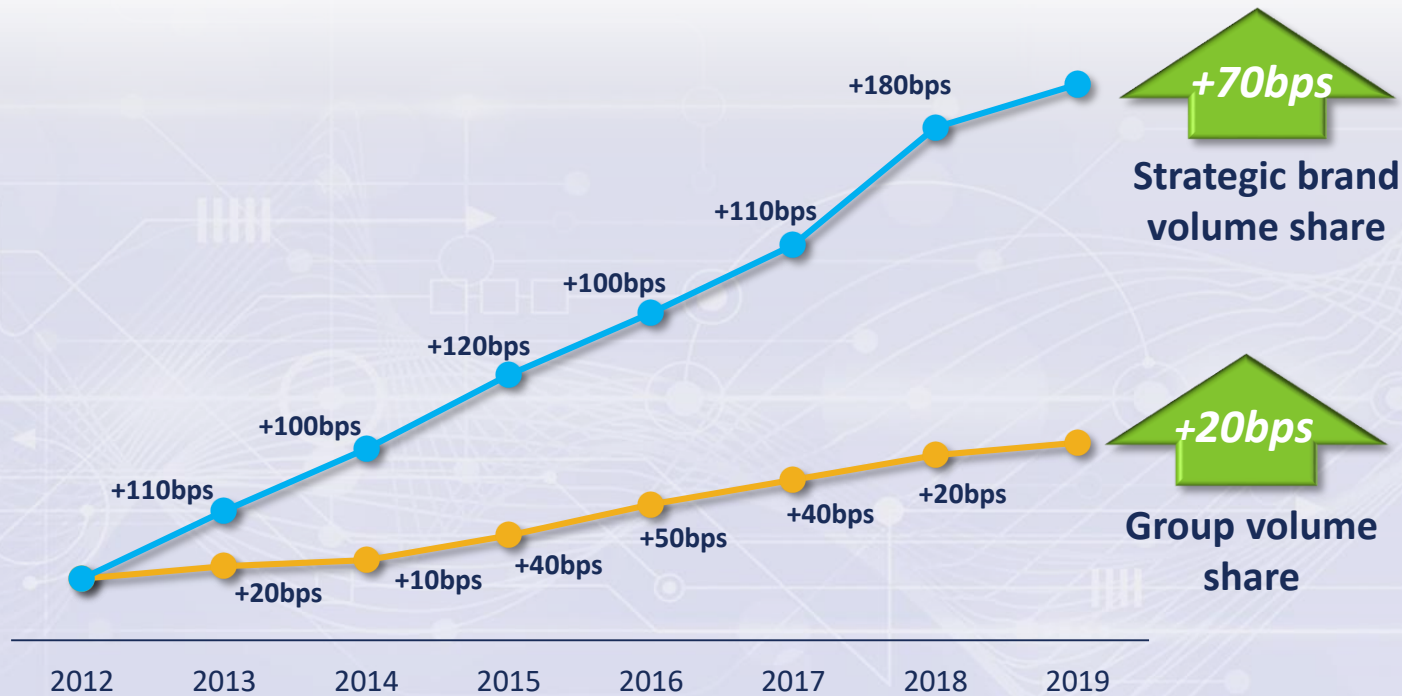
Revenue* from Combustibles



Growth drivers:

- Value share growth
- Strong brands
- Cigarette Price/Mix** 9%
- Improved geographic mix

Combustibles | Value growth driven by strong brands



Strategic Brand
Value share Volume share

+40bps

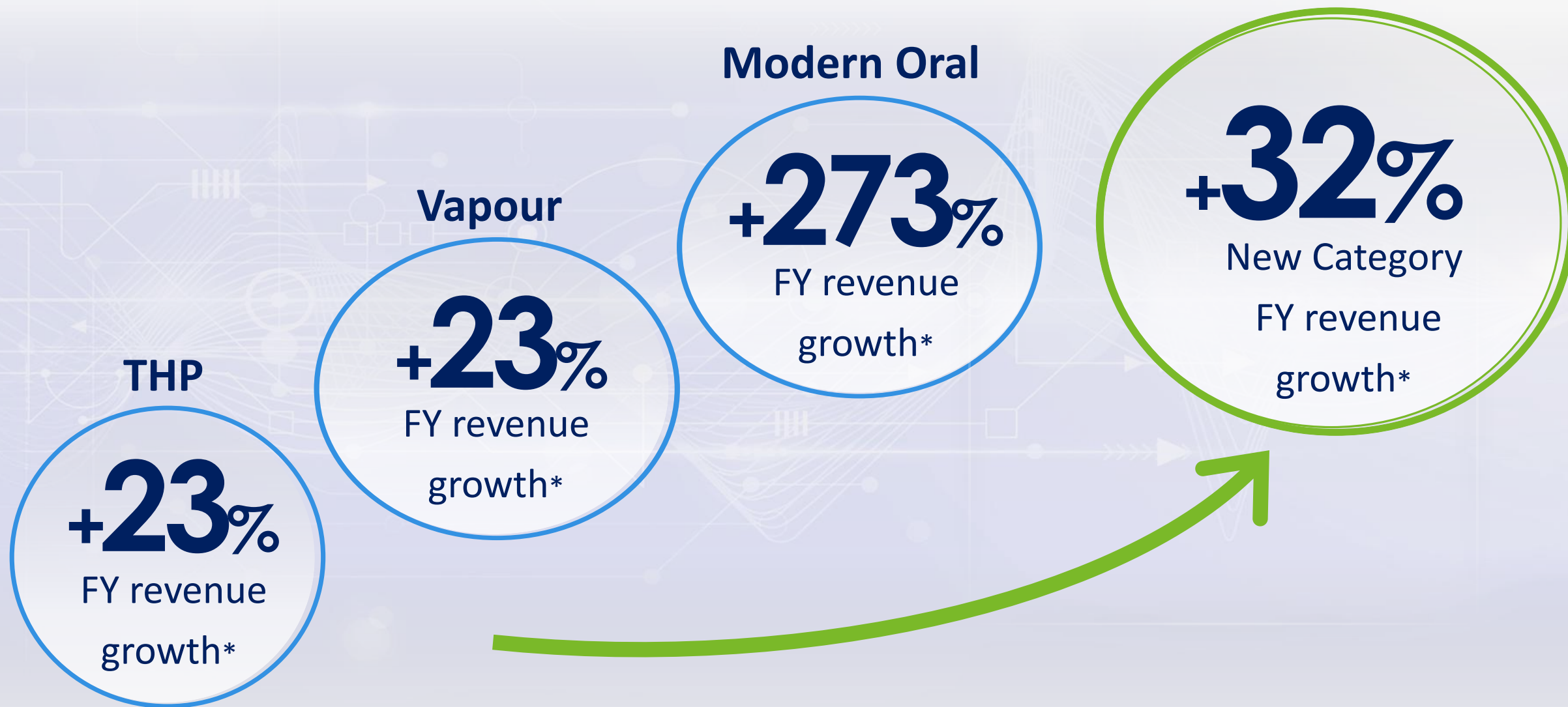
+70bps
+30bps Excl. migrations

Combustibles
Value share Volume share

+20bps

+20bps

Step-change in New Categories | Strong progress



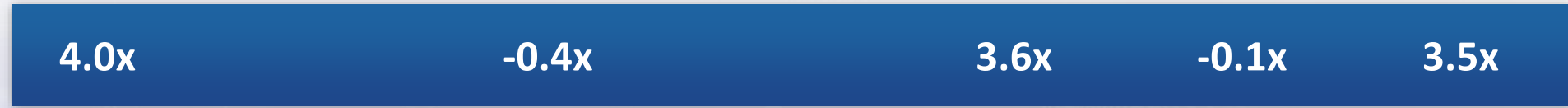
*Adjusted and constant rate basis. See Appendix A1-A2.

Delivering today while investing in the future

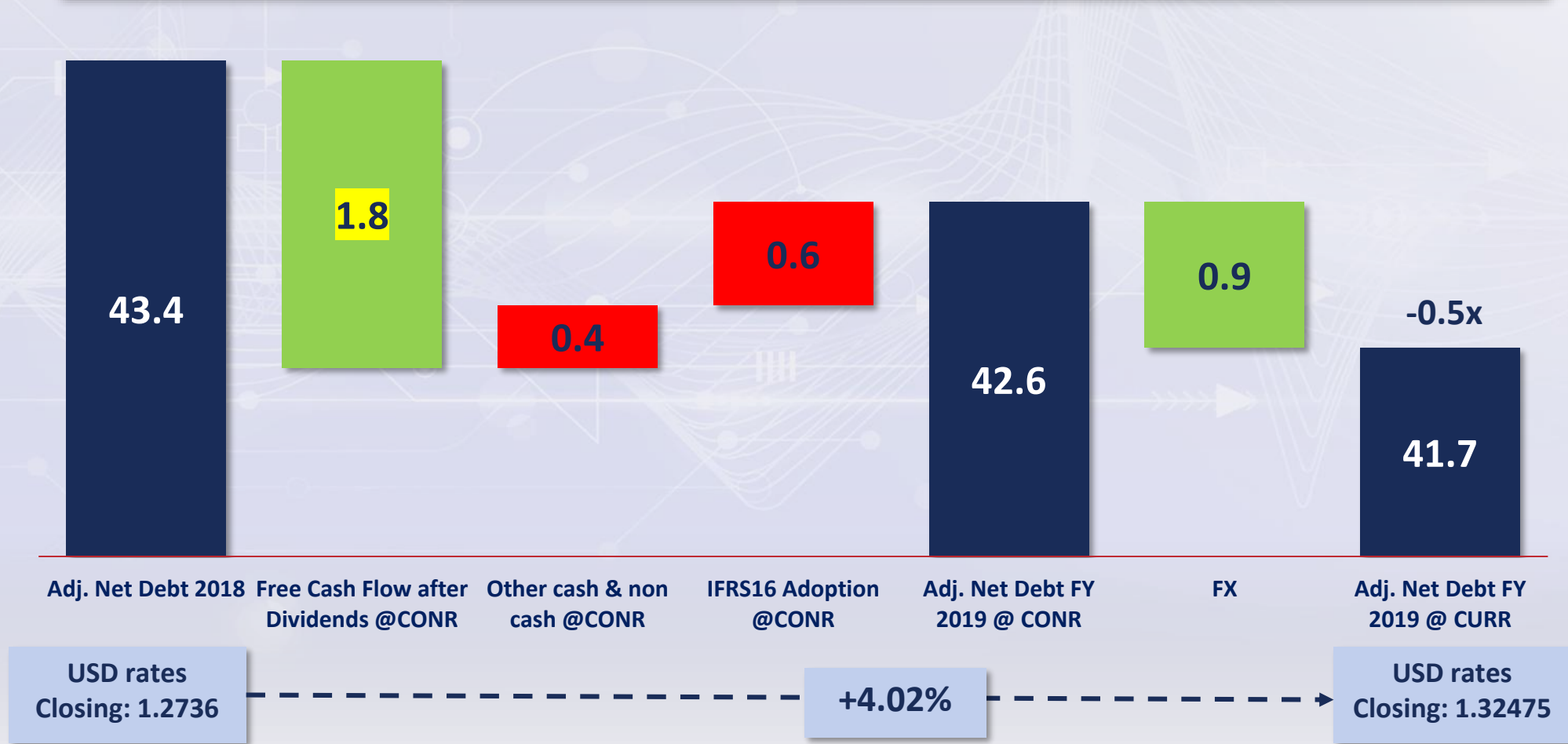
- ✓ **Margin growth*** +50bps
- ✓ **Investment** £500m incremental marketing investment
- ✓ **Strong Cash-Flow** £1.9bn free cashflow after dividends
- ✓ **De-leveraging on track** 0.4 x (constant rates)
- ✓ **Dividend** 65% pay-out ratio

Strong cash generation driving de-leveraging

Adj. Net Debt
/ Adj. EBITDA



£bn



Committed to de-lever to below 3.0x by end of 2021

Adj Net Debt*/Adj EBITDA**



2020 Guidance

FY Operating cash conversion target above **90%**

Dividend – 65% pay-out ratio ratio/
growth in GBP terms

Medium term aspiration of BBB+ /
Baa1 with S&P and Moody's

No significant debt financed M&A
or share buy-backs

**Adjusted Net Debt is total borrowings, including related derivatives, less cash and cash equivalents and current available-for-sale investments, excluding the impact of the revaluation of RAI acquired debt arising as part of the purchase price allocation process.*

***Adjusted EBITDA is not a measure defined by IFRS. Adjusted EBITDA is defined as profit for the year (earnings) before net finance costs, taxation on ordinary activities, share of post-tax results of associates and joint ventures, depreciation, amortisation, impairment costs and adjusting items.*

Delivering sustainable High Single Figure EPS growth

- › **Dynamic New Category regulation**
- › **Agile and responsive**
- › **Retain flexibility to invest**

Guidance

3-5% Revenue growth*

£5bn New Category Revenue[^] in 2023/24

Increased New Category Investment

Continued margin growth

Cash generation

Continued deleveraging

65% Dividend pay-out ratio

High Single Figure EPS Growth**

- › Vapour markets yet to return to previous levels
- › Modern Oral sales suspension in Russia; Vapour ban in Mexico
- › First signs of Coronavirus impact

Guidance

3-5% Revenue growth*

£5bn New Category Revenue[^] in 2023/24

Increased New Category Investment

Continued margin growth

Cash generation

Continued deleveraging

65% Dividend pay-out ratio

High Single Figure EPS Growth**

Long-term sustainable growth

- › **Delivering on our three priorities**
- › **Investment in expanding New Category business**
- › **Quantum provides the efficiencies and capabilities**
- › **Creating a Better Tomorrow**

High Single Figure constant currency earnings growth**

Q&A

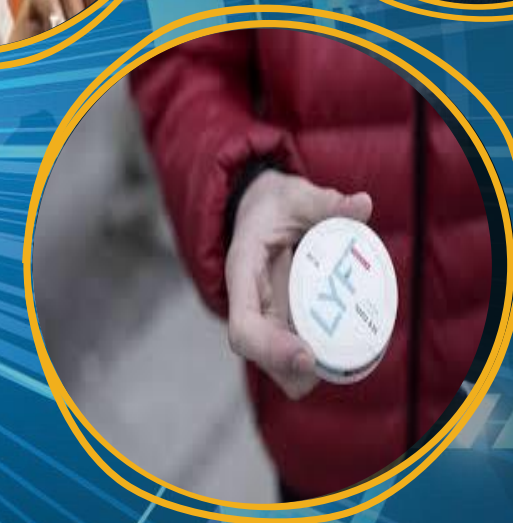
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Appendix

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 a re-translation, at the prior year's exchange rates, of the current year's results of the Group and, where applicable, its segments.

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).