



Strong Brands Drive New Category Acceleration

Fixed Income Update Call - Interim Results 2021

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



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In particular, among other statements: certain statements in slide 6, 14 and 18.

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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)

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Our vapour product Vuse (including Alto, Solo, Ciro and Vibe), and certain oral products including Velo, Grizzly, Kodiak, Camel Snus and Granit, 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.

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Building A Better Tomorrow™



Our Purpose

To reduce the health impact of our business



Our Commitment

To provide adult consumers with a wide range of enjoyable less risky products

To encourage smokers to switch completely to scientifically-substantiated reduced-risk alternatives*

Delivering Our Purpose is Transforming BAT

From

To



Creating value for all our stakeholders



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



£5bn New Category Revenue by 2025

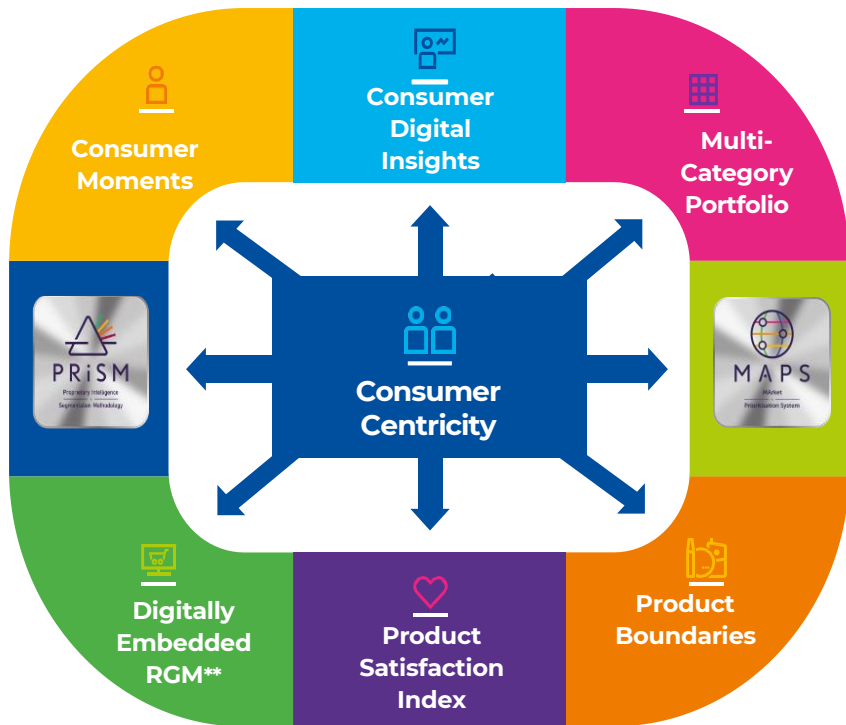


Carbon neutral by 2030***



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

HY 2021: Consumer-Centric Multi-Category Strategy Delivering Strong Growth



- Strong New Category momentum, revenue* up +50%
- Building strong brands - leveraging digital
- Continued progress on ESG



* Constant currency growth. See Appendix A2. ** RGM: Revenue Growth Management tool.

HY 2021: Strong New Category Momentum

New Category Revenue* up +50%
Record H1 NC Consumer Acquisition, up +2.6m to 16.1m**



**Global
Leadership**
ambition

Revenue* up +59%



**Fastest Growing
THP Brand**
ambition

Revenue* up +38%



**Global
Leadership**
ambition

Revenue* up +63%

HY 2021: Building A Better Tomorrow™



BAT

16.1m

Non-Combustible product consumers*

+2.6m

Growth

vuse

32%

Value Share In Top 5 markets**

+6.1ppts

Growth

glo

17%

Volume share In Top 9 markets**

+3.2ppts

Growth

VELO

40%

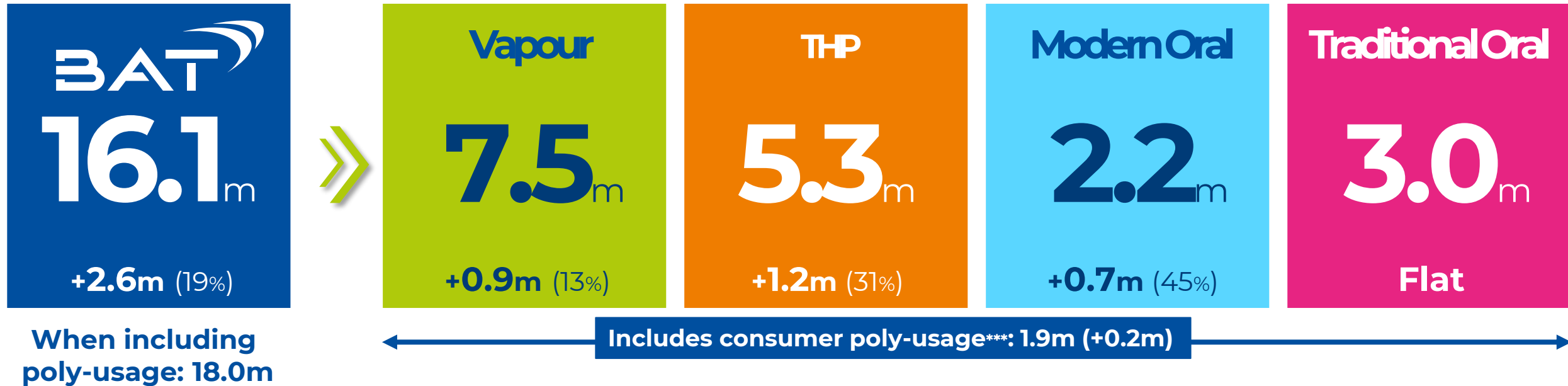
Volume Share In Top 5 markets**

+2.8ppts

Growth

HY 2021 - Accelerating Consumer Acquisition* Across All Three Categories

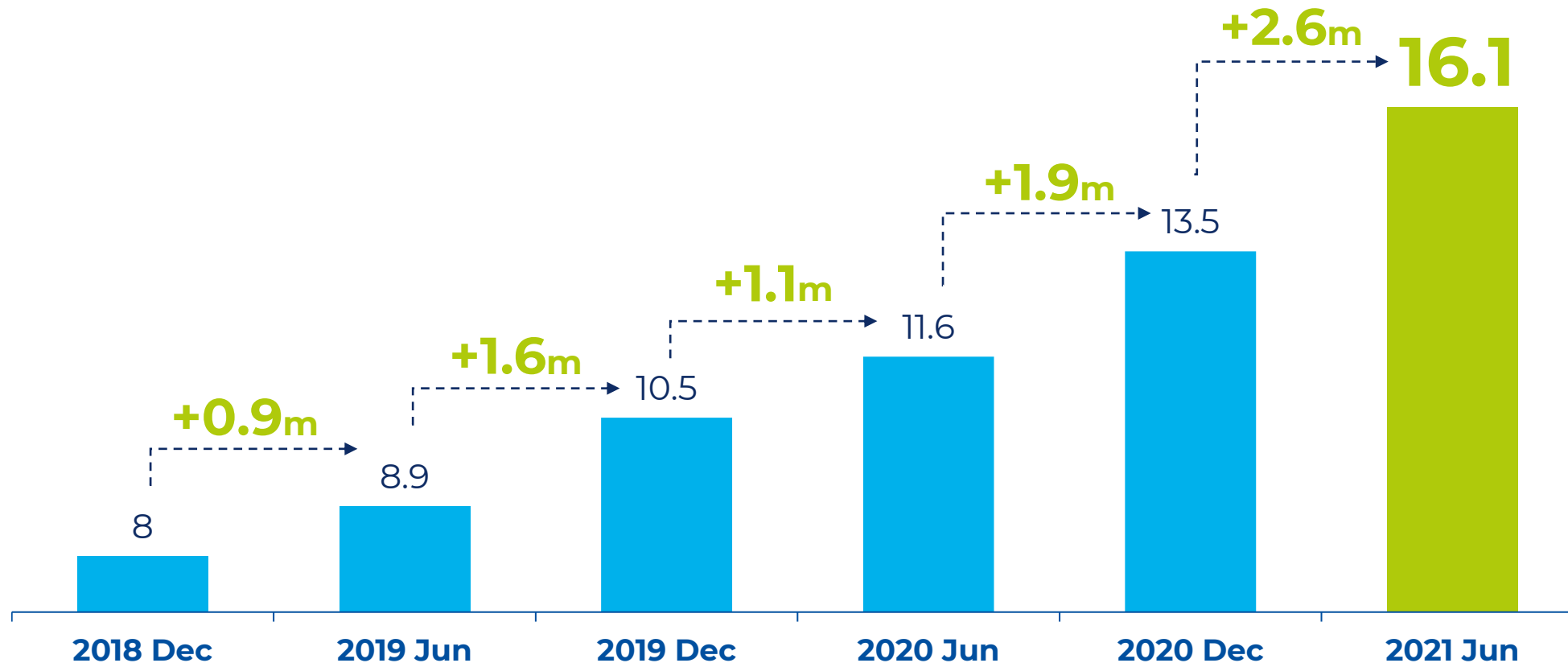
Number of consumers of Non-Combustible** products



Growth driven by true multi-category performance

HY 2021: Accelerating Consumer Acquisition*

Record 1H21 Performance: **+2.6m vs. Dec 20 (c. 2.5X vs. 1 year ago); +4.5m vs. Jun 20**



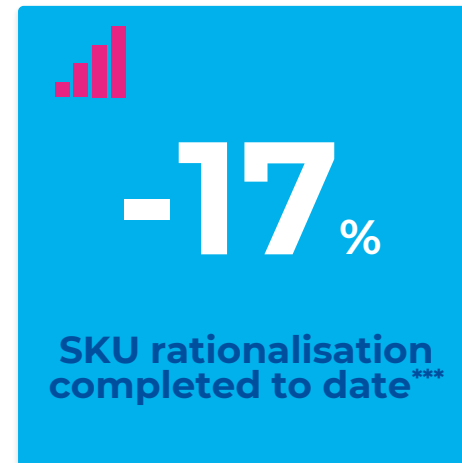
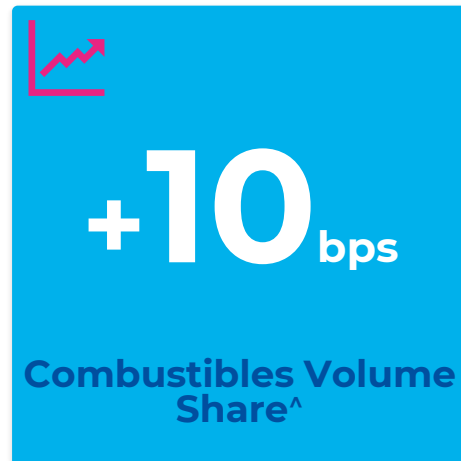
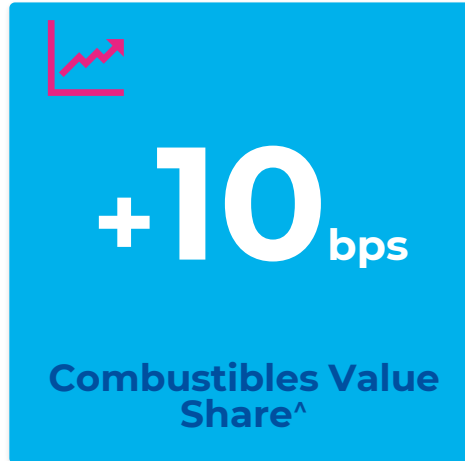
Accelerating & Highest ever 6-monthly growth

c.85% of FY 2020 growth already achieved in 1H21

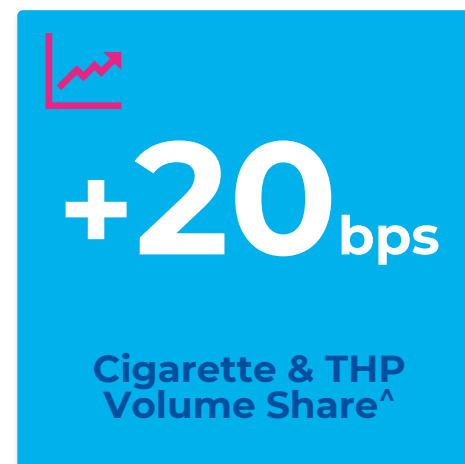
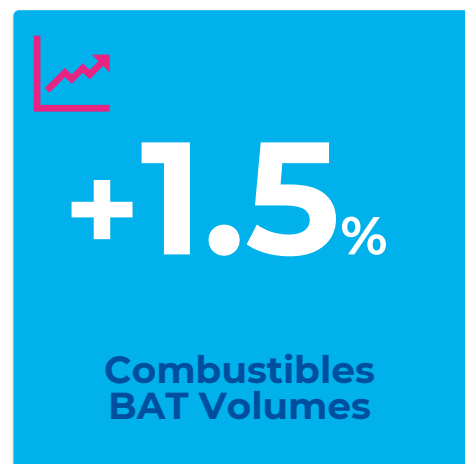
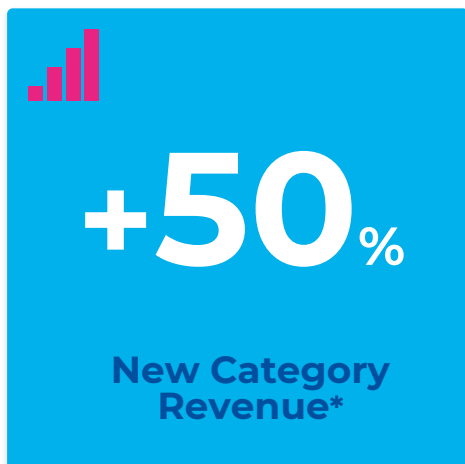
Growth of consumers of Non-Combustible products**

Growth versus prior period unless otherwise stated. Source: Company data. * Target market for acquisition is existing adult smokers/nicotine users. ** See Appendix A6.

Combustibles: Delivering Value Growth



HY 2021: Strong Results



Accelerating our Transformation

Strong progress against financial focus areas



1. Releasing funds to support growth agenda

- £0.9bn total Quantum savings delivered to date
- Value through combustibles, revenue* up +5.8%

2. Maximising marketing spend effectiveness

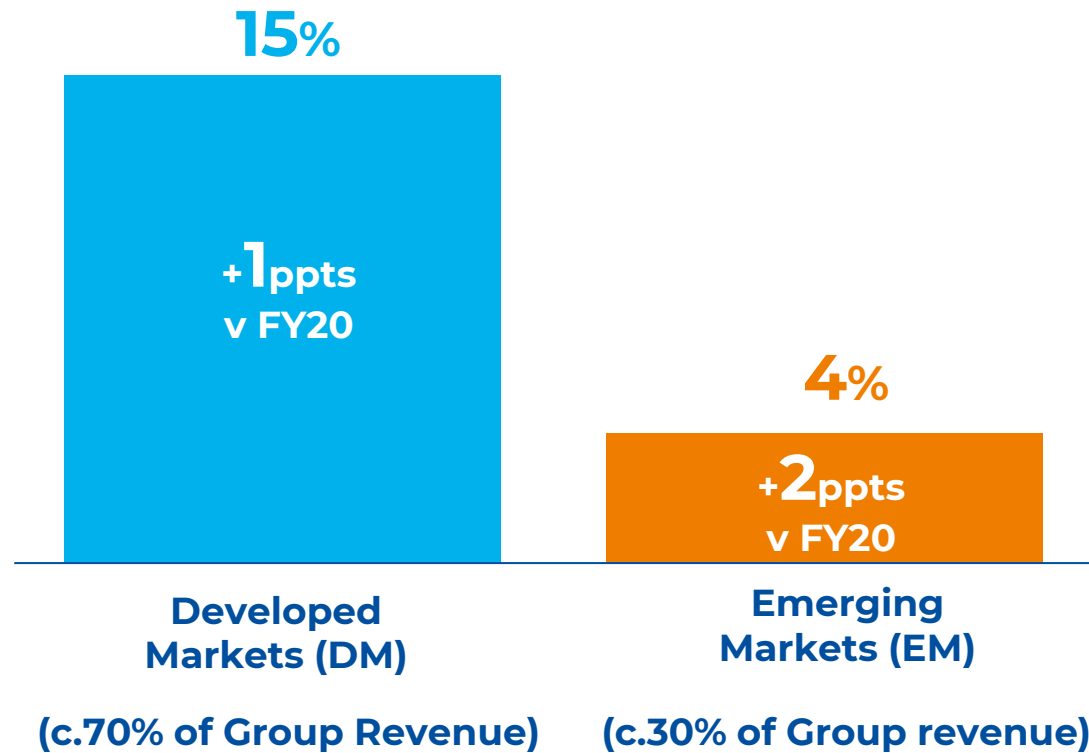
- c.£350m incremental** investment driving accelerated New Category revenue growth

3. Generating cash to continue to de-lever the balance sheet

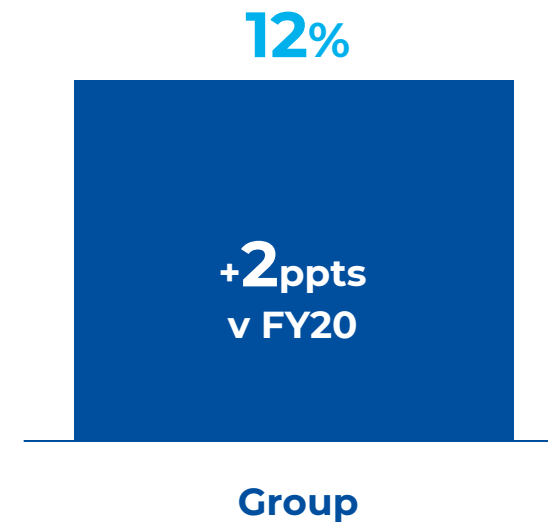
- On track for c.3x adj. net debt/adj. EBITDA*** and >90% cash conversion for FY21

Accelerating Portfolio Transformation

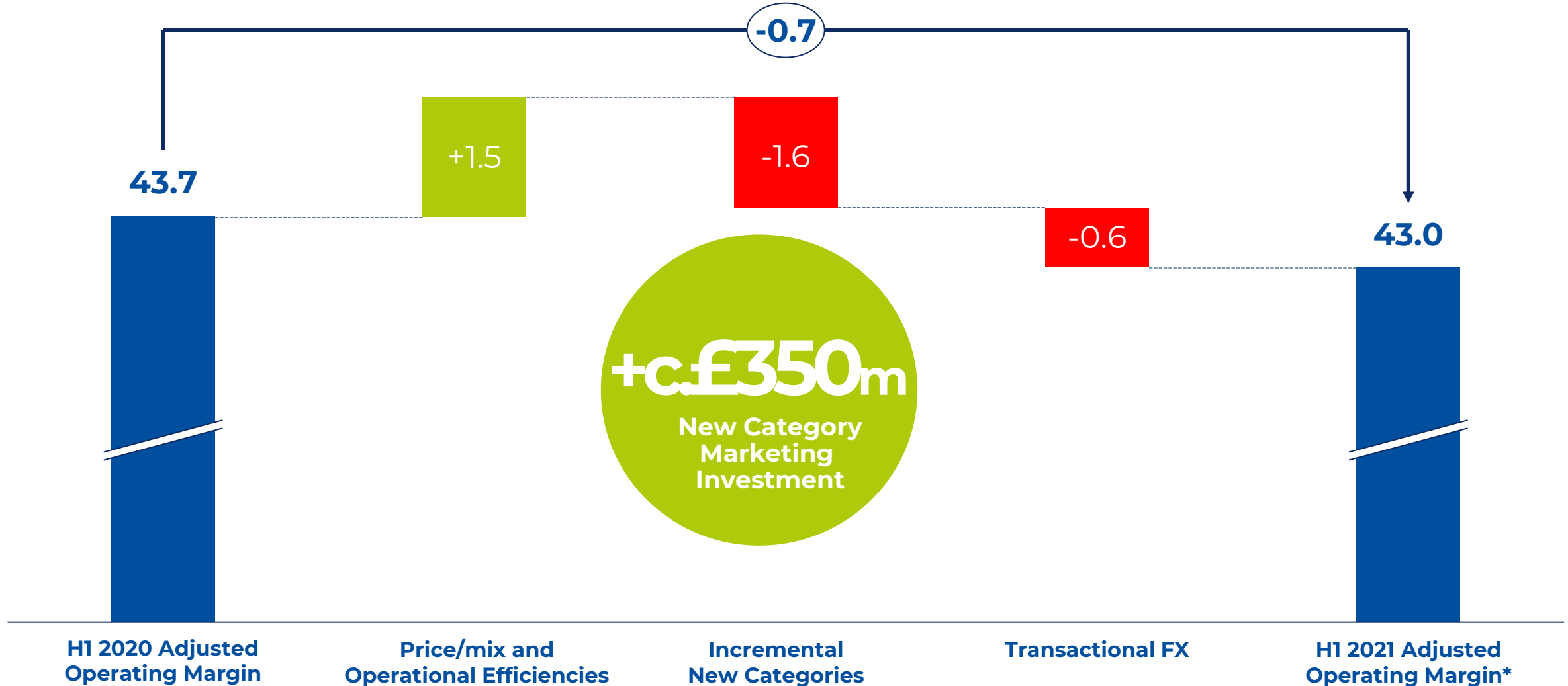
% of H1 DM/EM revenue in non-combustibles



% of H1 Group revenue in non-combustibles



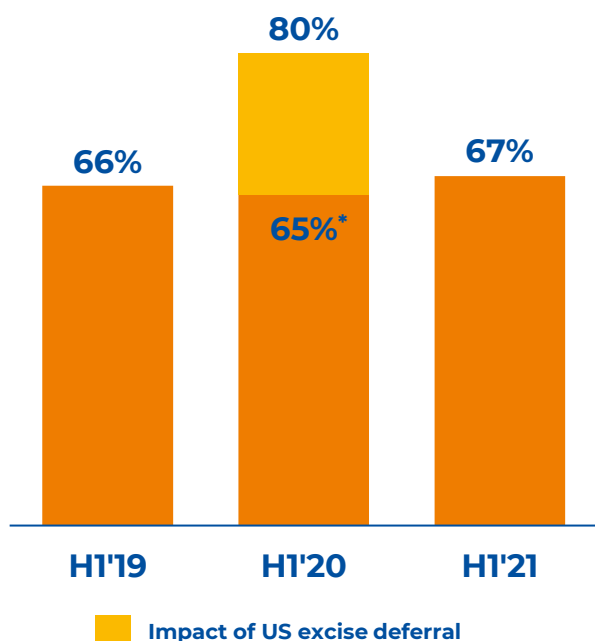
Group Operating Margin: Strong Operational Performance Funding New Category Investment



* On an adjusted current rate basis. See Appendix A1.

Cash: Continued Cash Flow Delivery

H1 Operating Cash Flow Conversion



Cash generation driven by
Combustibles

- **Further strong cash flow delivery:**
 - **Combustibles price/mix growth**
 - **New ways of working releasing cash from business**
- **Year-on-year comparison largely impacted by the deferral of excise in the US in H1'20**
- **Cash flow weighted to H2, as in previous years**
- **On track to deliver:**
 - **Another year of strong operating cash conversion >90%**
 - **De-leverage to c.3x adj. net debt to adj. EBITDA****

FY 2021 Guidance: Strong Operational Momentum and Cash flow



>5%
Revenue Growth*

- Continued strong New Category revenue growth*
- Improved global combustibles volume outlook, driven by Emerging Market recovery
- H2 to reflect geographic & portfolio mix and strong comparator



Mid Single Figure
EPS Growth**

- Further incremental New Category investment
- Australia excise change (£170m) and highly competitive pricing
- -2% transactional FX headwind on Adj. Profit from Operations
- Continued COVID impact on GTR and associates



Capital Allocation
Priorities
Flexibility increasing at year-end

- On track for >90% operating cash conversion***
- On track to deliver c.£40bn 5 Year Cumulative Free Cash Flow^
- Adjusted net debt/Adjusted EBITDA c.3x by year-end^^
- Committed to 65% dividend pay-out ratio and growth in GBP terms***

2021 - A Pivotal Year

STEP-CHANGE IN NEW CATEGORIES

COMBUSTIBLE
VALUE
GROWTH

SIMPLIFY
THE COMPANY

- ✓ New Category revenue* +50%; share gains in all 3 categories
- ✓ 16.1m non-combustible product consumers**, up 2.6m
- ✓ FY New Category losses expected to reduce
- ✓ On track to reach c.3x Adj. Net Debt/Adj. EBITDA***
- ✓ Delivering on our 3 operational priorities

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 ESG Report

[https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWEKR/\\$file/BAT_ESG_Report_2020.pdf?open&v=1](https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWEKR/$file/BAT_ESG_Report_2020.pdf?open&v=1)

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.