

Combustibles underpin sustainable value growth

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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 to be filed on or about 26 March 2020 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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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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Revision

For presentation purposes within this presentation, all prior periods have been revised to be consistent with the current reporting structure. All of the information in this presentation is in respect to continuing operations, revised for the fully retrospective adoption of IFRS 15.



A strategy for growth



Combustibles underpin sustainable value growth



Drive sustainable revenue growth

With continued volume share and value share growth

Grow value through brands

Continued brand building

Winning brand and product experiences

Enabled by purposeful innovation

Accelerate efficiency delivery

Consolidated & rationalized brand portfolio

Revenue growth management

Focussed resource allocation: fewer bigger initiatives

Robust Combustibles revenue* and share growth



Combustibles duty paid industry volumes

2017-2019 CAGR

-3.6%

Combustibles industry revenue* growth

2017-2019 CAGR

+1.1%

BAT Combustibles revenue* growth

2017-2019 CAGR

+2.8%



BAT Combustibles revenue* growth

2019

+4.6%



BAT Combustibles volume share and value share growth

2019

+20 bps

BAT Combustibles strategic portfolio volume share growth

2019

+70 bps

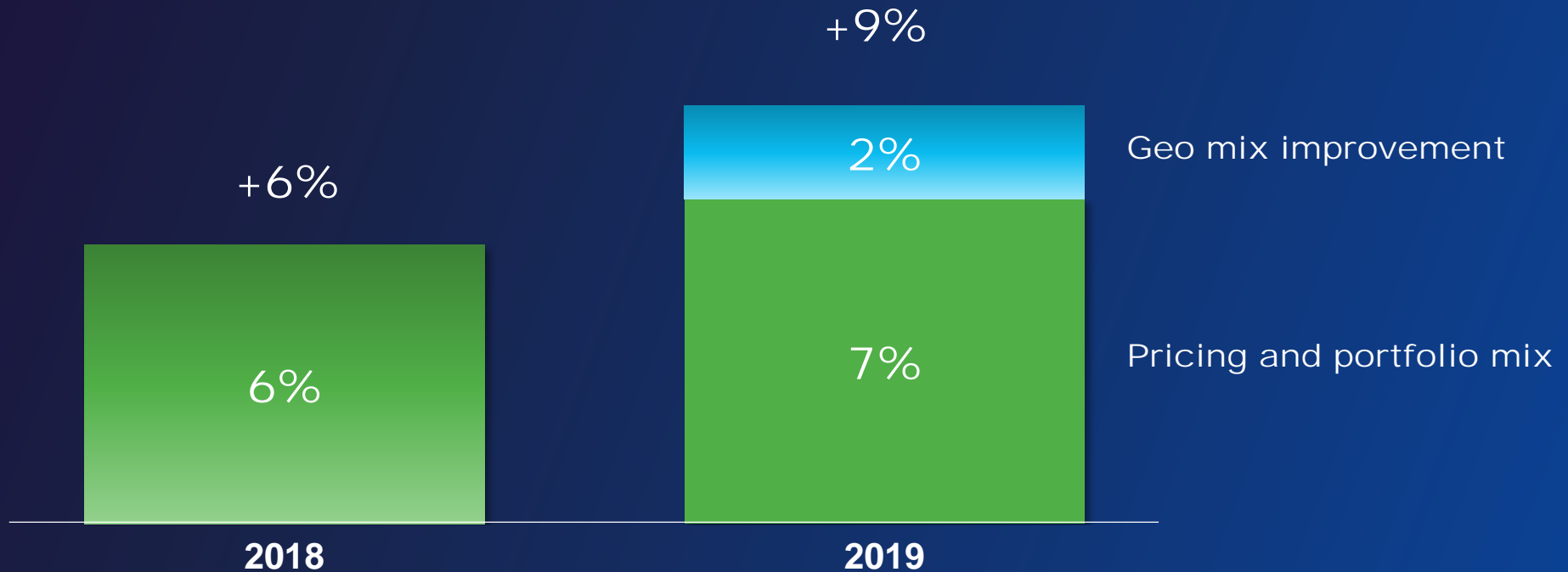
Source: Company data, *Adjusted revenue at constant rates. US 2017 revenue is included on a representative basis. See appendix A2 and A5. T40 Retail Audit data excluding Iran, Algeria, Morocco, Nigeria & Egypt where reliable Retail Audit coverage is not available. Retail Audit data is collected across the identical set of T40 markets for all players within FMC category only. Strategic portfolio: Dunhill, Kent, Lucky Strike, Rothmans, Pall Mall, Natural American Spirit, Newport and Camel. Camel and Natural American Spirit owned by BAT in the US only.



Combustibles revenue* growth is driven by cigarettes price/mix



Cigarettes price / mix change

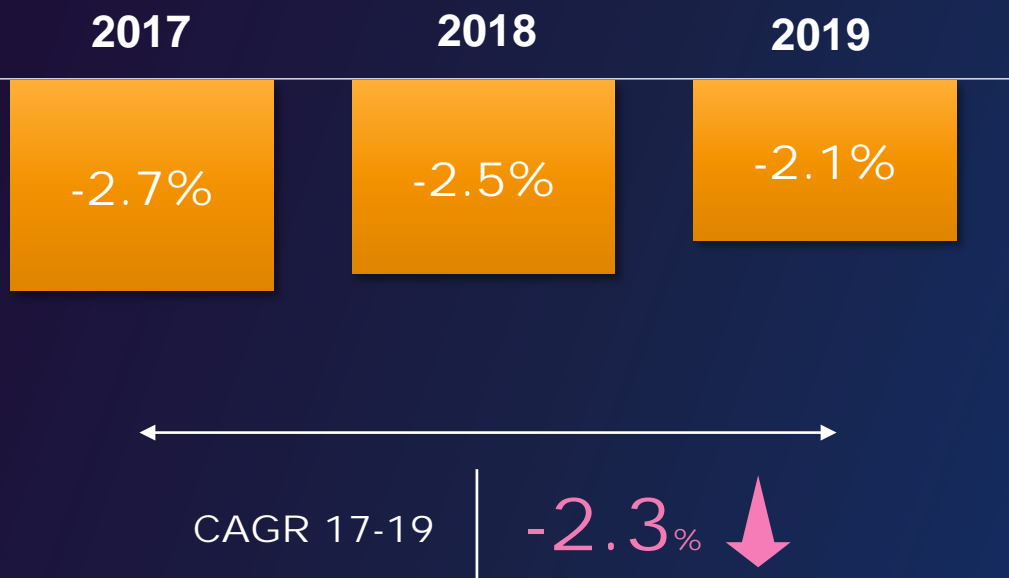


Source: Company data. 2018 vs 2017 includes US on a representative basis. * Adjusted revenue at prior year constant rates: 2018 vs 2017 @ 2017 actual rates. 2019 vs 2018 @ 2018 actual rates. CAGR at constant rates. See appendix A2

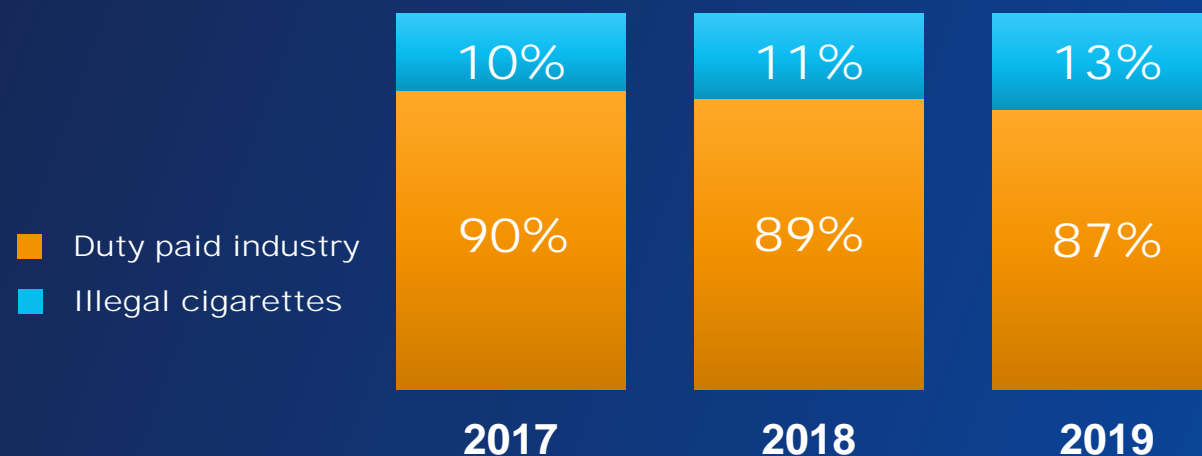


Moderate total Combustibles consumption decline at a 2.3% CAGR with illegal cigarettes growing

Total Combustibles consumption volumes vs. PY (%)



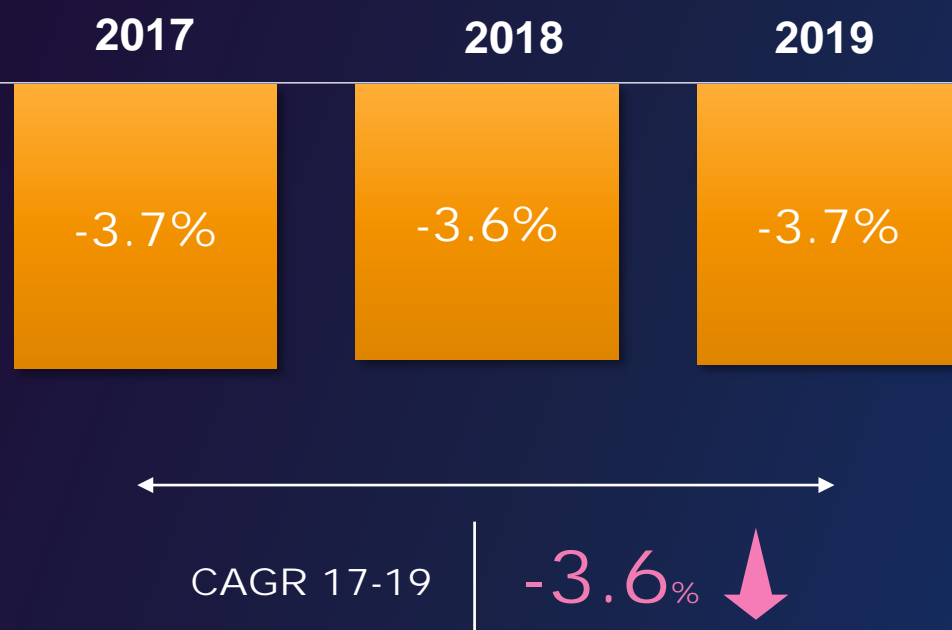
Share of duty paid and illegal cigarettes (%)



Source: Company data.

Duty paid industry volumes decline at ~4%

Combustibles duty paid industry volumes vs. PY (%)



2020 Outlook

Duty paid industry volumes decline vs. FY'19 (%)

~4.0%

US Combustibles industry volumes decline vs. FY'19 (%)



Duty paid industry volumes decline due to excise in low value markets



Source: Company data. 2020 industry outlook is an internal estimate for Combustibles and THP categories combined

Value growth examples across different market typologies

High value markets



USA AUS JPN



GER ROM

Developing and emerging markets



RUS PAK



NGR

Illegal cigarettes markets



MLY SAF



BRA

"Hidden gems"



SLK PNG



NZ NOR

63% of BAT revenue* / 42% of BAT volume in 2019

Source: Source: Company data, *Adjusted revenue at constant rates. See appendix A2.



Winning in a high value market



BAT volume share FY'19 (%)

34.6%

+30

bps
value share growth
vs. FY'18

BAT volume share in key segments FY'19 (%)

 Premium

34.5%

+50

bps
vs. FY'18

 Menthol

54.3%

+70

bps
vs. FY'18

 AS 21-30

44.1%

+30

bps
vs. FY'18

Source: Company data, AS 21-30 refers to adult smokers aged 21 to 30.



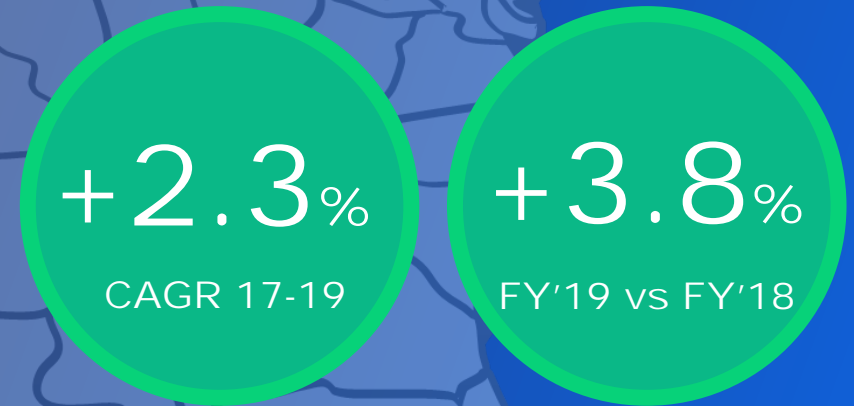
Good revenue* momentum



BAT revenue* index vs. 2017



BAT revenue* growth (%)



Source: Company data. *Adjusted revenue at constant rates. 2017 data is on a representative basis. See Appendix A2 and A5.





Strong and price resilient brand portfolio



2019 brand price elasticity

CAMEL CAMEL
Blue Crush

Newport

NATURAL
AMERICAN
SPIRIT
CIGARETTES



Below
average

-0.38
market average

Above
average

67% of BAT revenues in 2019 have a better than -0.38 market average price elasticity

76% of BAT revenues in 2019 have an equal or better than -0.38 market average price elasticity

Source: Internal company research, 2019. The BAT group does not own all brands referred to in this presentation in all markets, e. g. BAT is the owner of Camel and Natural American Spirit in the United States only.



Strong volume performance of the strategic brands vs. industry



BAT vs. duty paid
FMC industry
volume
performance FY'19
vs. FY'18 (bps)

+580bps



+310bps

Newport

Menthol

+420bps

CAMEL

Crush

AS 21-30 index

167

134

188

Source: Company data. AS 21-30 refers to adult smokers aged between 21 to 30 years, index refers to brand share in the target group vs brand market share. The BAT group does not own all brands referred to in this presentation in all markets, e. g. BAT is the owner of Camel and Natural American Spirit in the United States only.



Australia market context



Retail display ban

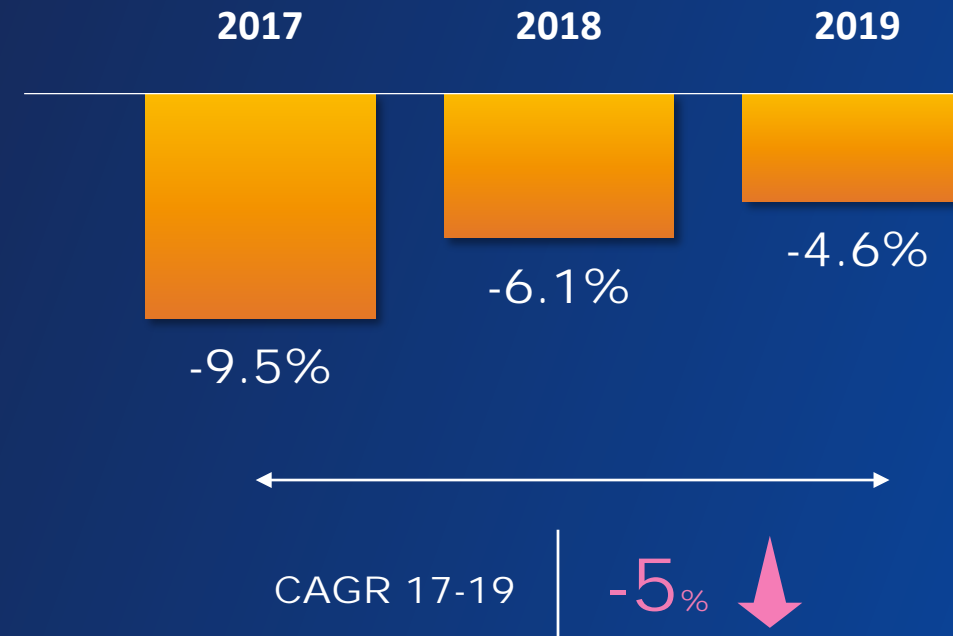
Plain packaging

~£17

per 25 sticks pack

Average retail selling price

Combustibles duty paid industry volumes vs. PY (%)



Source: Company data.



Winning through a strong portfolio in a high value regulated market



BAT volume share growth (bps)

FY'19 vs. FY'18

+40bps ↑



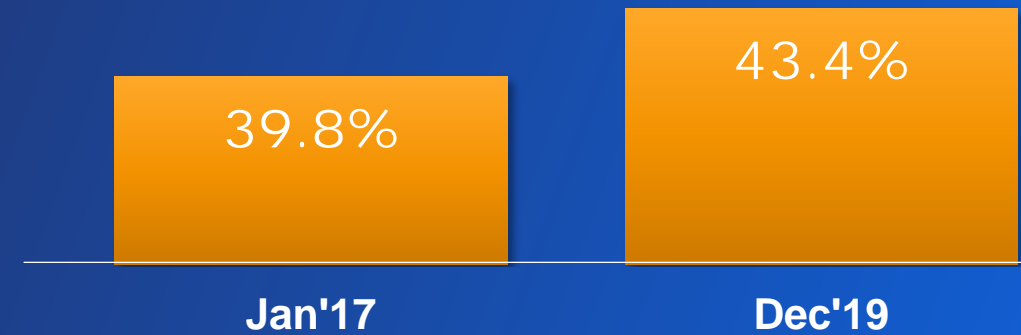
#1 Brand in premium segment



#1 Brand in aspirational premium segment

#1 Brand in low segment

BAT volume share (%)



BAT volume share evolution (bps)



Source: Company data.





Solid revenue* growth



BAT revenue* index vs. 2017

BAT revenue* growth (%)



Source: Company data. *Adjusted revenue at constant rates. See Appendix A2.



Japan market context

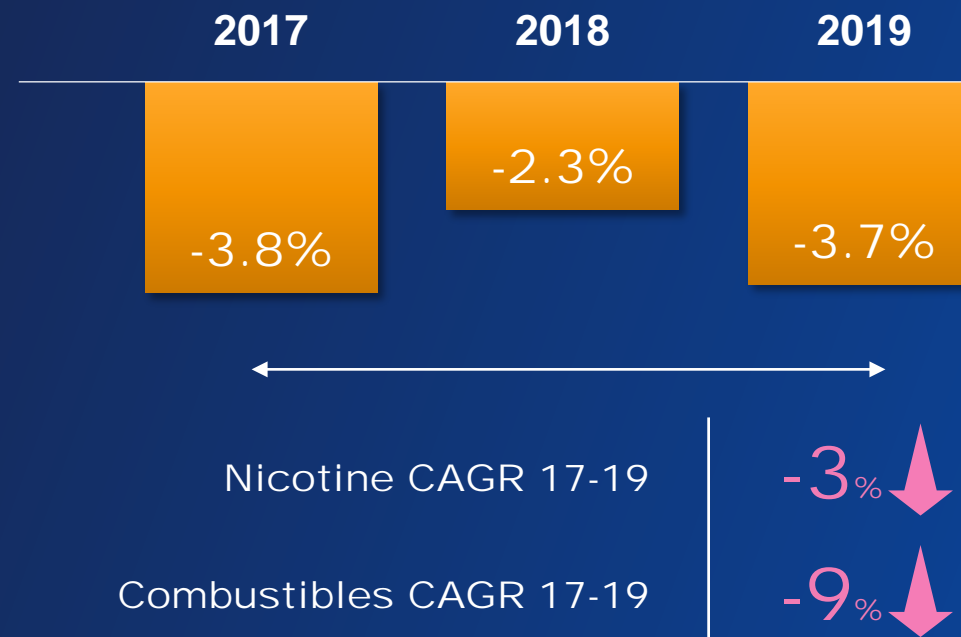


Industry volume share of nicotine category
FY'19 (%)

Combustibles **77%**

THP / Hybrid **23%**

Nicotine industry volumes vs. PY (%)



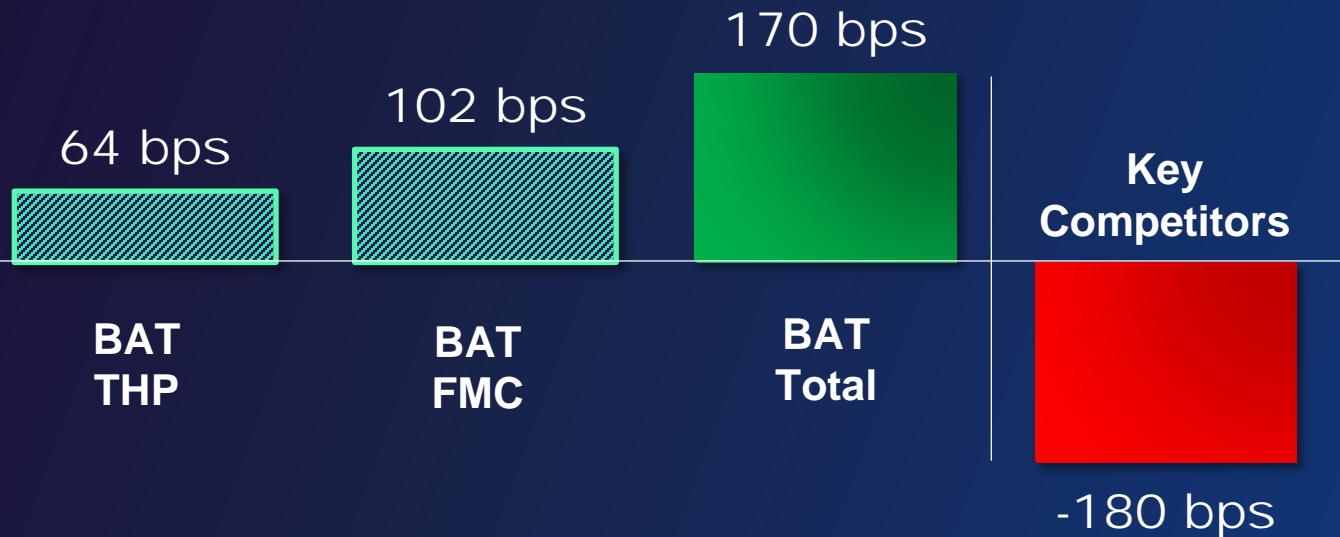
Source: Company data.



Winning in a high value multi-category market



FMC + THP volume share performance by company
FY'19 vs. FY'18 (bps)



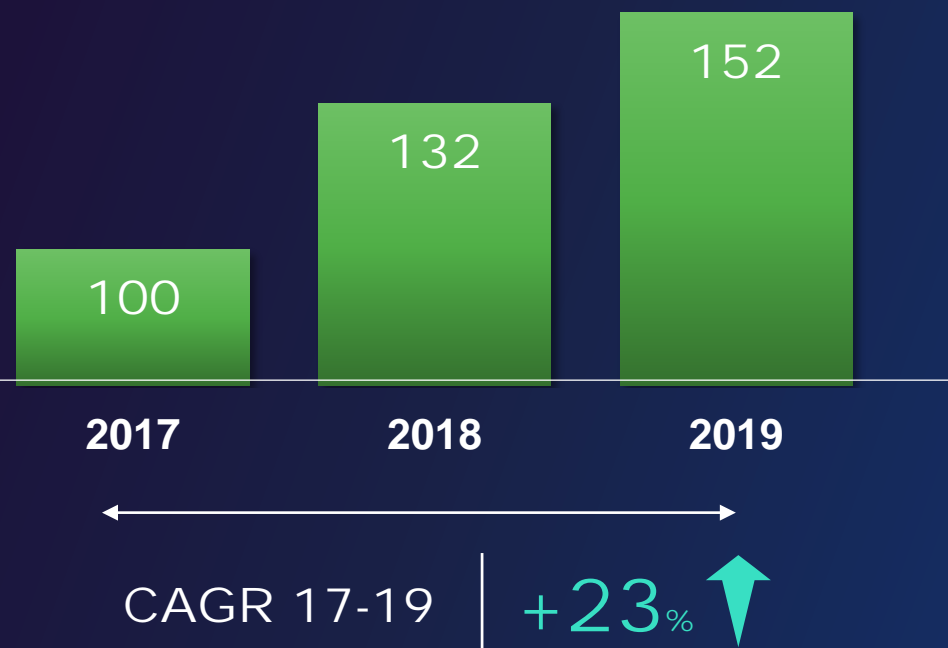
Source: Company data.



Strong revenue* growth



BAT nicotine revenue* index vs. 2017



Source: Company data. *Adjusted revenue at constant rates. See Appendix A2.

Combustibles BAT volume growth (%)



Combustibles BAT revenue* growth (%)





Growing revenue* in a high value stable market



Combustibles duty paid industry volumes vs. PY (%)



Strategic portfolio volume contribution, 2019

83%



BAT revenue* growth (%)



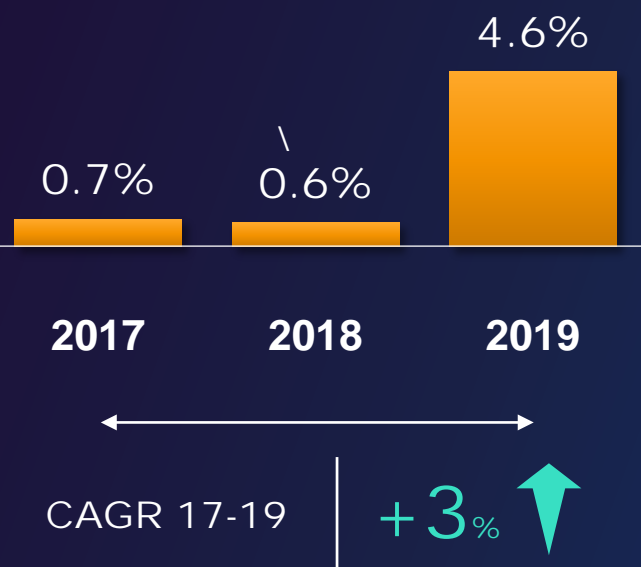
Source: Company data. *Adjusted revenue at constant rates. See Appendix A2. Strategic portfolio: Dunhill, Kent, Lucky Strike, Rothmans, Pall Mall, Natural American Spirit, Newport and Camel. Camel and Natural American Spirit owned by BAT in the US only.



Growing revenue* in a high value growing market



Combustibles duty paid industry volumes vs. PY (%)



Strategic portfolio volume contribution, 2019

92%



BAT revenue* growth (%)



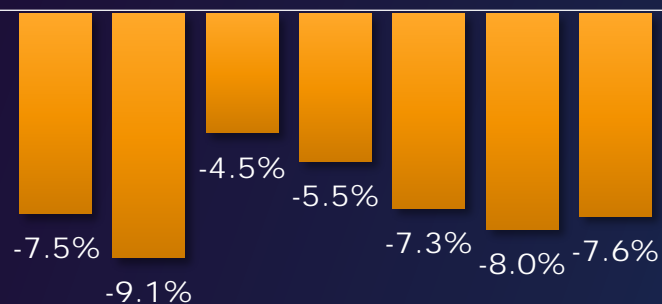
Source: Company data. *Adjusted revenue at constant rates. See Appendix A2. Strategic portfolio: Dunhill, Kent, Lucky Strike, Rothmans, Pall Mall, Natural American Spirit, Newport and Camel. Camel and Natural American Spirit owned by BAT in the US only.



Strong portfolio challenged by taxation and illegal cigarettes



Combustibles duty paid industry volumes vs. PY (%)



2013 2014 2015 2016 2017 2018 2019

CAGR 13-19

-7%



BAT volume share (%)

FY'19 | 23.8%

FY'19 vs. FY'13

+290 bps ↑

Strategic portfolio volume share (%)

FY'19 | 18.2%

FY'19 vs. FY'13

+1000 bps ↑

Underlying BAT revenue* growth (%)

-10%
FY19 vs. FY'18

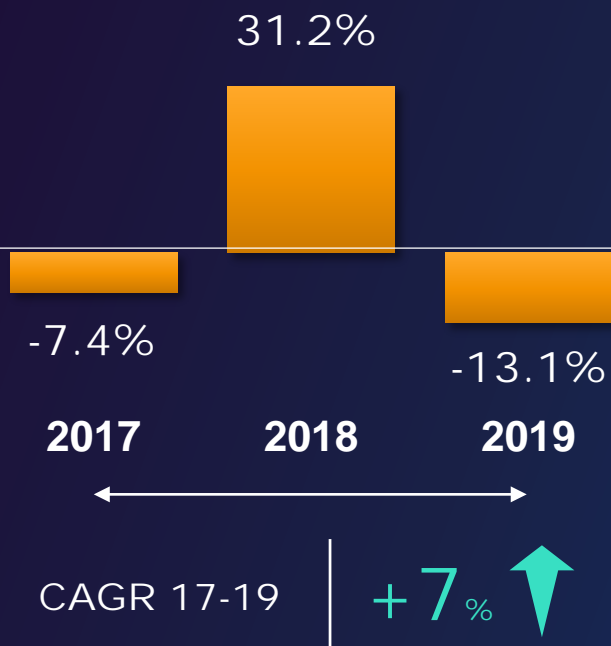
Source: Company data. *Adjusted revenue at constant rates. Revenue adjusted for inventory movements in 2019. See Appendix A2.



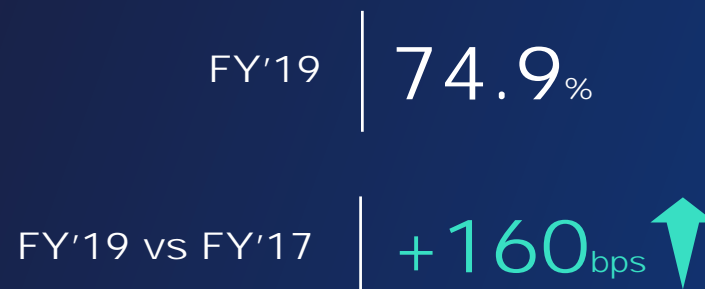
Growing revenue* in a volatile emerging market



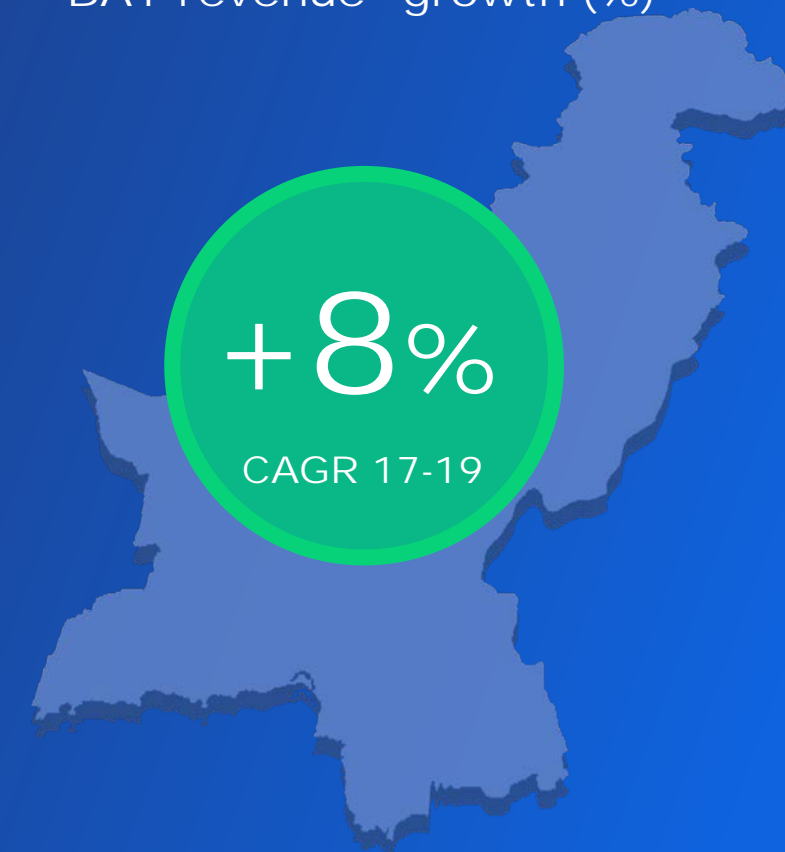
Combustibles duty paid industry volumes vs. PY (%)



BAT volume share (%)



BAT revenue* growth (%)



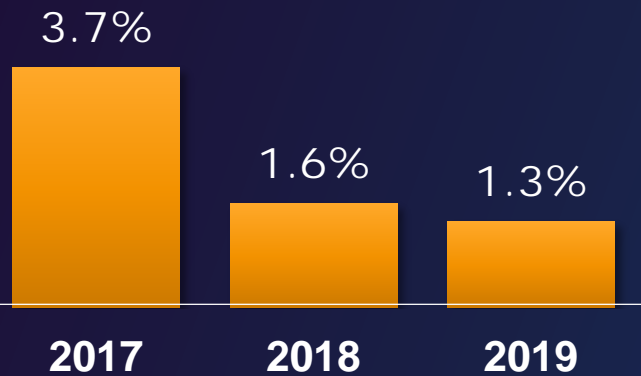
Source: Company data. *Adjusted revenue at constant rates. See Appendix A2.



Growing revenue* in a growing emerging market



Combustibles duty paid industry volumes vs. PY (%)



CAGR 17-19 | **+1.5%** ↑

BAT consumer share (%)

FY'19 | **67.2%**

FY'19 vs. FY'17 | **+210_{bps}** ↑

BAT revenue* growth (%)



Source: Company data. *Adjusted revenue at constant rates. See Appendix A2. Consumer share is defined as most often brand share.



Revenue* decline due to growth of illegal cigarettes



Combustibles
consumption, 2019

20_{bn}

Illegal cigarettes share
of total consumption,
2019

64%

BAT volume share
2019 (%)

54.4%

BAT revenue* growth
(%)

-19%

Vs. FY'18

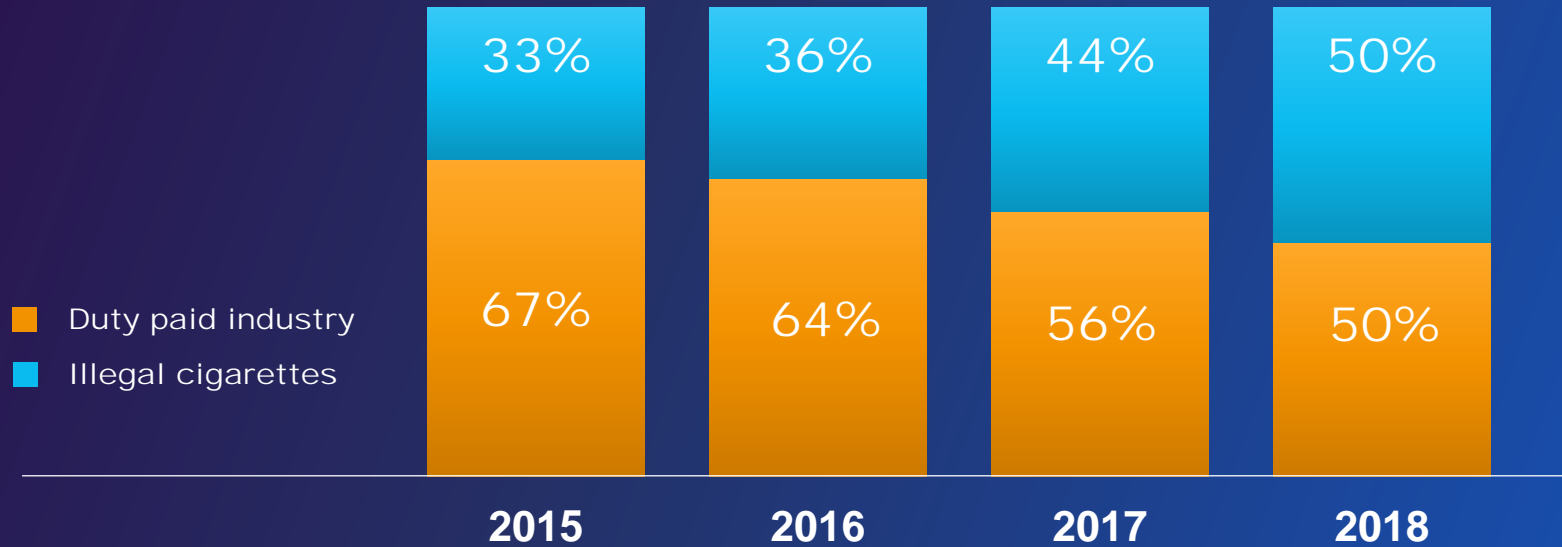
Source: Company data. *Adjusted revenue at constant rates. See Appendix A2.



South Africa market context



Share of duty paid and illegal cigarettes (%)



37bn

Consumption
in 2018

Source: Company data.



“Take back the tax” campaign and portfolio transformation



Portfolio transformation

1. Modernised
2. Laddered
3. Revamped

#TAKEBACKTHETAX

Add your name at takebackthetax.org



Volume and revenue* growth in 2019



BAT Combustibles volumes vs. PY (%)



BAT revenue* growth (%)



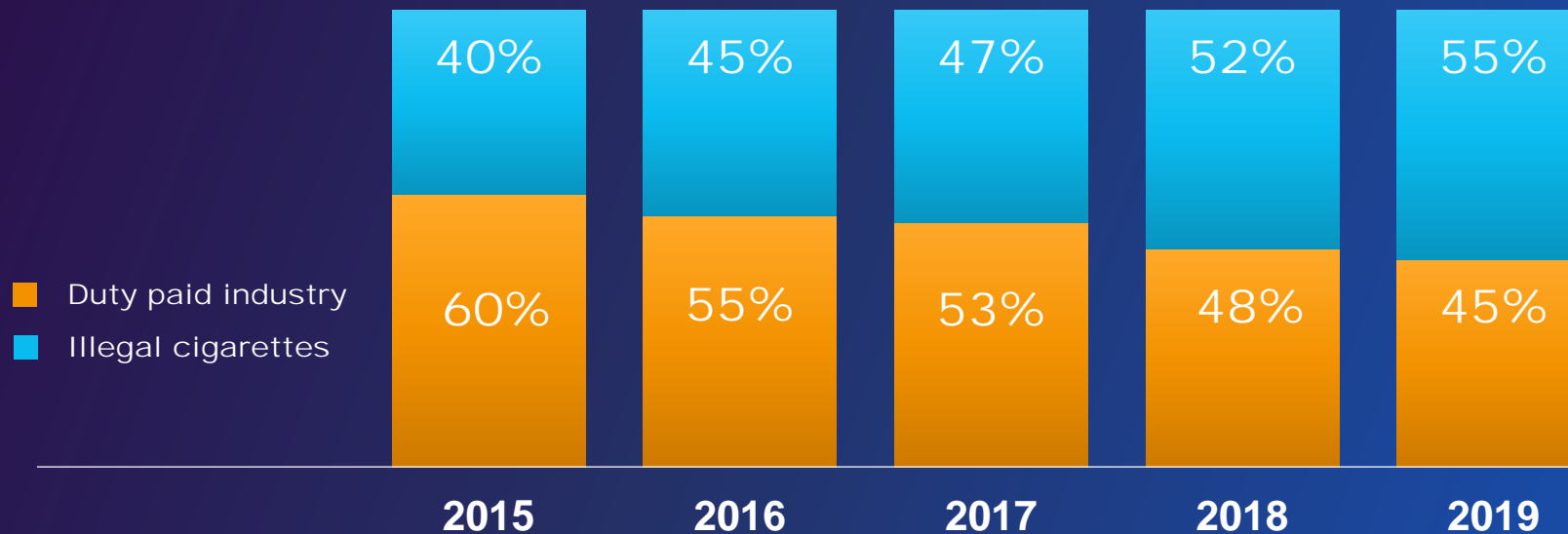
Source: Company data. *Adjusted revenue at constant rates. See Appendix A2.



Brazil market context



Share of duty paid and illegal cigarettes (%)



116bn Consumption in 2019

Source: Company data.



Future fit portfolio to attack illegal cigarettes



Strategic brand
volume contribution

from **12%** in 2010
to **72%** in 2019

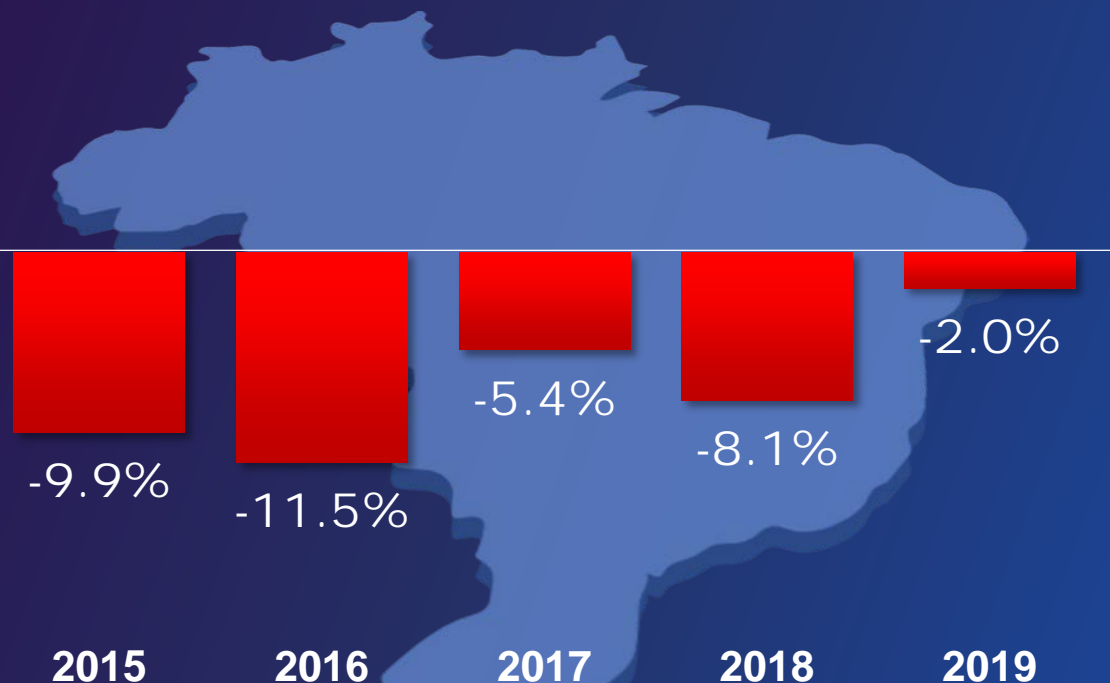
Source: Company data. Strategic portfolio: Dunhill, Kent, Lucky Strike, Rothmans, Pall Mall, Natural American Spirit, Newport and Camel. Camel and Natural American Spirit owned by BAT in the US only.



Slowing down volume decline and delivering revenue* growth



BAT Combustibles volumes vs PY (%)

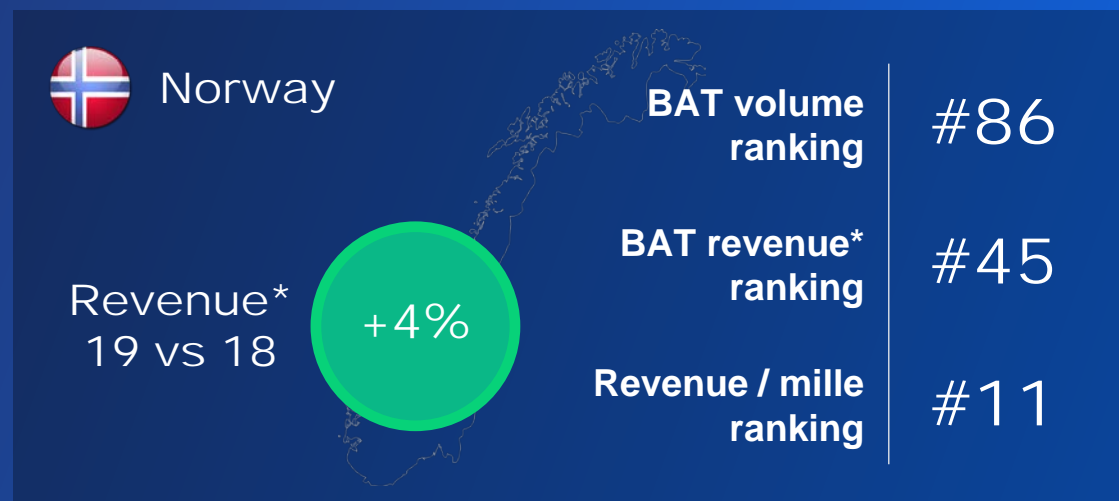
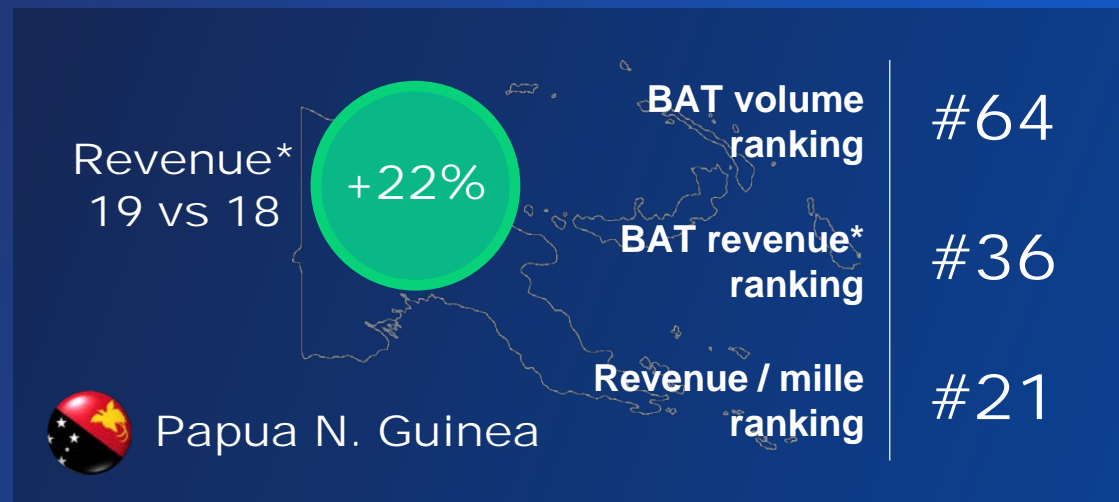
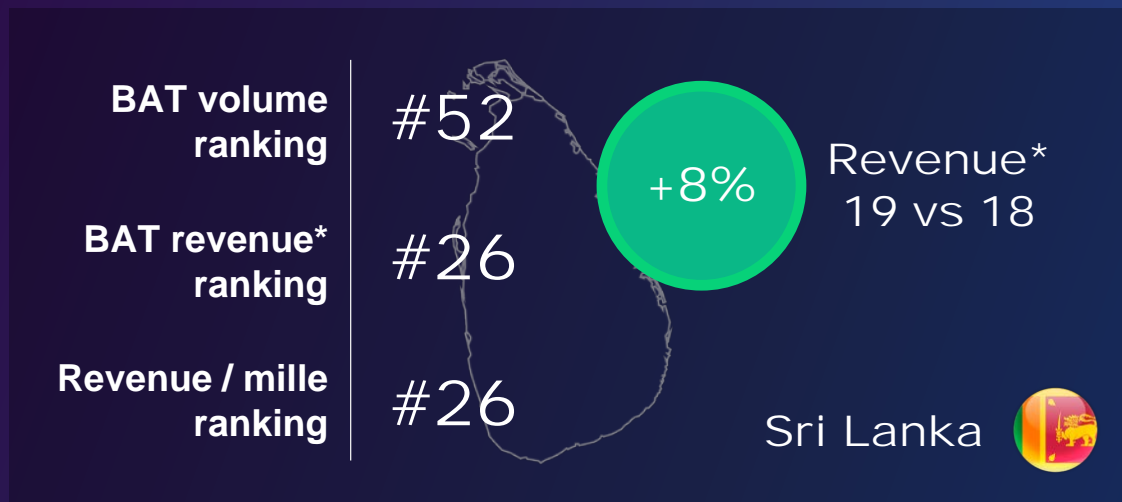


BAT revenue* growth (%)



Source: Company data. *Adjusted revenue at constant rates. See Appendix A2.

Growing revenue* in “hidden gems”



Source: Company data. *Adjusted revenue at constant rates. See Appendix A2.

Combustibles underpin sustainable value growth



Drive sustainable revenue growth

With continued volume share and value share growth

Grow value through brands

Continued brand building

Winning brand and product experiences

Enabled by purposeful innovation

Accelerate efficiency delivery

Consolidated & rationalized brand portfolio

Revenue growth management

Focussed resource allocation: fewer bigger initiatives

Brands with scale and reach

Total £53bn

60% of total consumer price turnover in tax



£1.2

Newport

£5.3

CAMEL

£2.7



£5.3

KENT

£7.5



£7.4



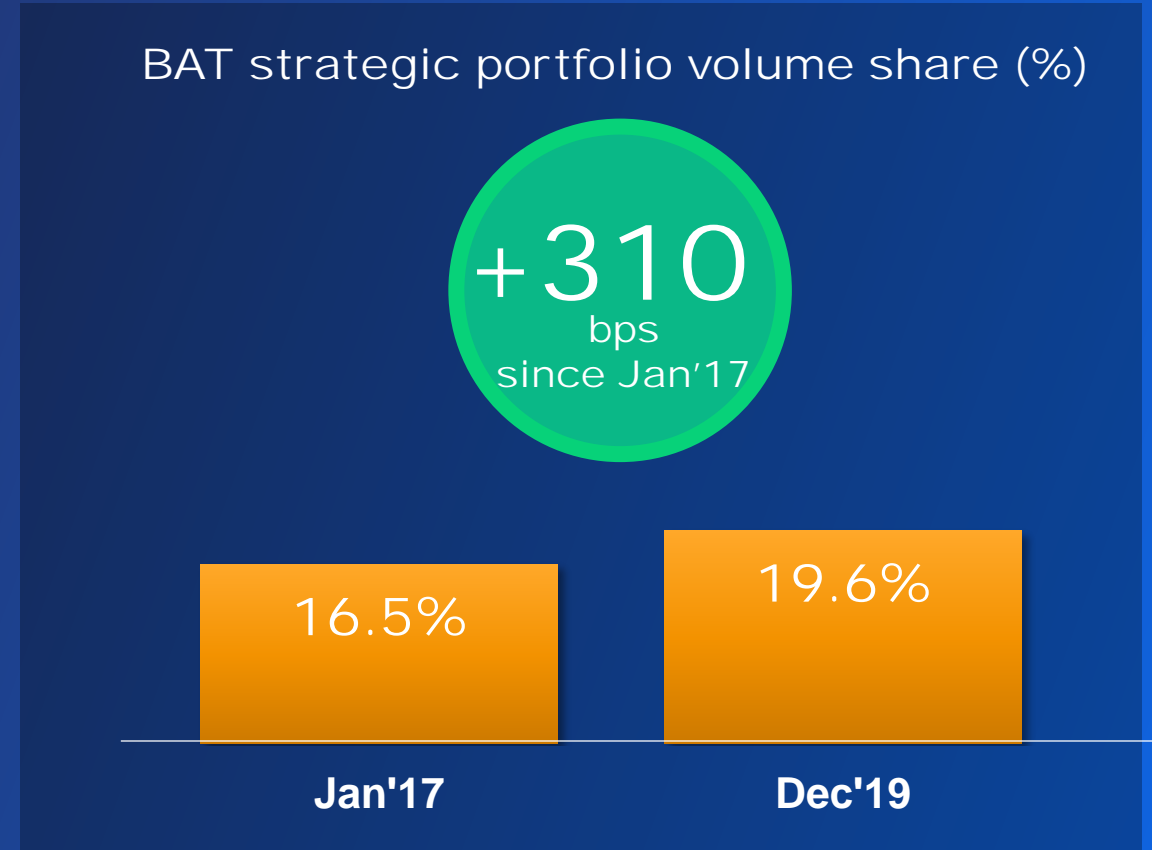
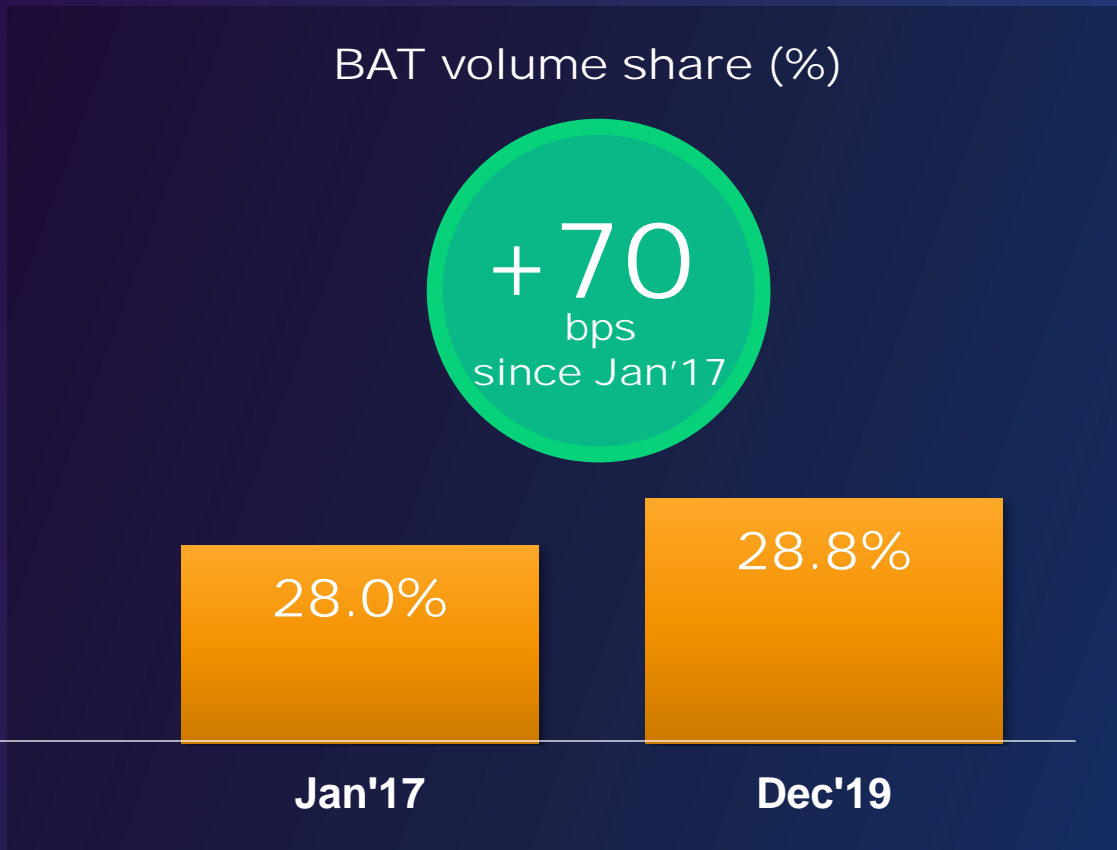
£9.7

£14.1

Consumer price turnover FY'19 (bn)

Source: Company internal estimates at constant rates. The BAT Group does not own all brands featured in this presentation in all markets, e.g. BAT is the owner of Camel and Natural American Spirit in US only.

BAT is the fastest growing international player






Source: Company data. T40 Retail Audit data excluding Iran, Algeria, Morocco, Nigeria & Egypt where reliable Retail Audit coverage is not available. Retail Audit data is collected across the identical set of T40 markets for all players within FMC category only. Strategic portfolio: Dunhill, Kent, Lucky Strike, Rothmans, Pall Mall, Natural American Spirit, Newport and Camel. Camel and Natural American Spirit owned by BAT in the US only.



And winning in all key strategic segments



FY'19 vs FY'17	 Non full flavour	 Slimmer	 Freshness and stimulation
Cigarette market Segment size (%)	41%	23%	15%
Cigarette market segment growth (bps)	+30 bps	+50 bps	+120 bps
BAT strategic portfolio share of segment growth	515%	119%	45%

Source: Company data. T40 Retail Audit data excluding Iran, Algeria, Morocco, Nigeria & Egypt where reliable Retail Audit coverage is not available. Retail Audit data is collected across the identical set of T40 markets for all players within FMC category only. Strategic portfolio: Dunhill, Kent, Lucky Strike, Rothmans, Pall Mall, Natural American Spirit, Newport and Camel. Camel and Natural American Spirit owned by BAT in the US only.



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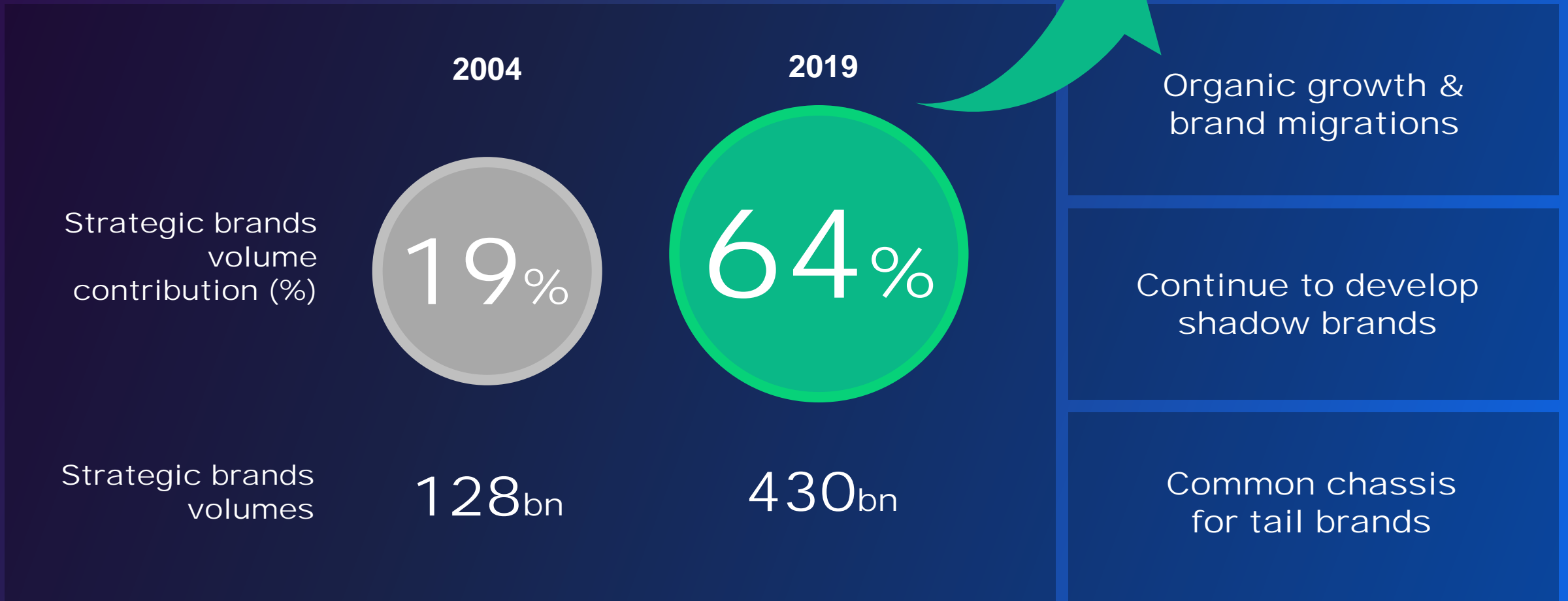
Accelerate efficiency delivery

Consolidated & rationalized brand portfolio

Revenue growth management

Focussed resource allocation: fewer bigger initiatives

Strong consolidated portfolio of strategic brands



Source: Company data. Strategic portfolio: Dunhill, Kent, Lucky Strike, Rothmans, Pall Mall, Natural American Spirit, Newport and Camel. Camel and Natural American Spirit owned by BAT in the US only.

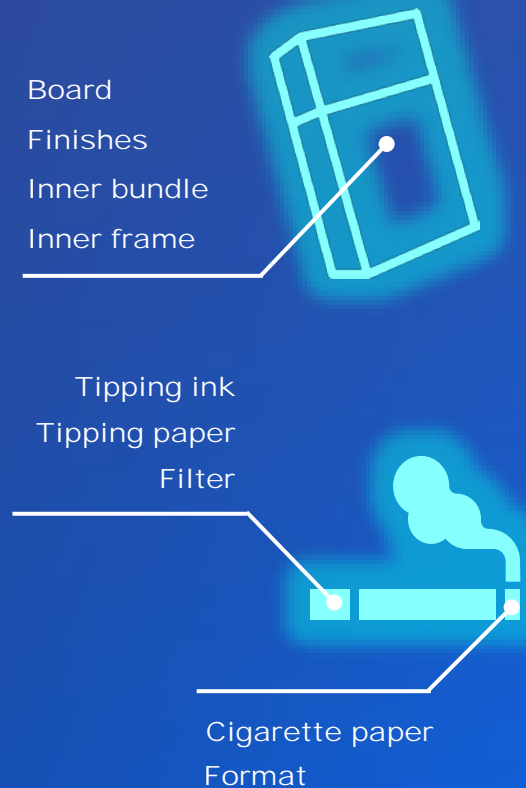
Powerful and simplified portfolio with far fewer SKUs designed to a margin

SKUs rationalisation trend (%)



25%
of SKUs as per Q2'2019 to be rationalised

Flexible brand standards



Source: Company data.

Unlock future value growth through revenue growth management



Focussed investments: fewer activities for better results



Focus on key segments

88%

of our new launches are in key segments in '19

Reduced number of new launches

-60% 

Increased new launches success rate

from 26% success rate to 56% success rate 

New launches volume share contribution, 2019

1.4%

New launches revenue* contribution, 2019

~£700mn

Share of BAT revenue* growth from new launches, 2019

70%

Source: Company data. Key segment refer to non full flavour, slimmer and freshness and stimulation. Success rate is defined as 0.5% share of the market reached within 12 months from launch *Revenue at constant rates (See Appendix A2). T40 Retail Audit data excluding Iran, Algeria, Morocco, Nigeria & Egypt where reliable Retail Audit coverage is not available. Retail Audit data is collected across the identical set of T40 markets for all players within FMC category only. The new launches analysis does not include activity in the United States..



Robust revenue* to gross margin conversion

Strategic brands revenue* and gross margin index vs. 2017



Revenue* CAGR 17-19 | **+5.2%** ↑

Gross margin CAGR 17-19 | **+8.7%** ↑



Portfolio consolidation



SKU rationalization



Flexible brand standards



Revenue growth management



Fewer activities for better results

Source: Company data. *Revenue and gross margin at constant rates. US 2017 revenue and gross margin is included on a representative basis. See Appendix A2 and A5. Strategic portfolio: Dunhill, Kent, Lucky Strike, Rothmans, Pall Mall, Natural American Spirit, Newport and Camel. Camel and Natural American Spirit owned by BAT in the US only.

Robust Combustibles revenue* and share growth



Combustibles duty paid industry volumes

2017-2019 CAGR

-3.6%

Combustibles industry revenue* growth

2017-2019 CAGR

+1.1%

BAT Combustibles revenue* growth

2017-2019 CAGR

+2.8%



BAT Combustibles revenue* growth

2019

+4.6%



BAT Combustibles volume share and value share growth

2019

+20 bps

BAT Combustibles strategic portfolio volume share growth

2019

+70 bps

Source: Company data, *Revenue adjusted revenue at constant rates. US 2017 revenue is included on a representative basis. See appendix A2 and A5. T40 Retail Audit data excluding Iran, Algeria, Morocco, Nigeria & Egypt where reliable Retail Audit coverage is not available. Retail Audit data is collected across the identical set of T40 markets for all players within FMC category only. Strategic portfolio: Dunhill, Kent, Lucky Strike, Rothmans, Pall Mall, Natural American Spirit, Newport and Camel. Camel and Natural American Spirit owned by BAT in the US only.



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Appendix

A1: Adjusting (Adj.): Adjusting items are significant items of certain financial measures which individually or, if of a similar type, in aggregate, are relevant to an understanding of the Group's underlying financial performance because of their size, nature or incidence. In identifying and quantifying adjusting items, the Group consistently applies a policy that defines criteria that are required to be met for an item to be classified as adjusting. The Group believes that these additional measures, which are used internally, are useful to users of the financial information in helping them understand the underlying business performance.

A2: Constant currency

Movements in foreign exchange rates have impacted the Group's financial results. Measures are calculated based on a retranslation, at prior year's exchange rates, of the current year's results of the Group and where, applicable, its segments. Although the Group does not believe that these measures are a substitute for IFRS measures, the Group management board does believe that such results excluding the impact of currency fluctuations year on year provide additional useful information to investors regarding the Group's operating performance on a local currency basis.

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.

Value share: The retail sales value of the product sold as a proportion of total retail sales value in that category.

Premium share: The retail sales volume of the premium product sold as a proportion of total retail sales volume of premium products in that category.

Nicotine share: The retail sales volume of the nicotine product sold as a proportion of total nicotine product volume in that category.

A4: Price/Mix

The term given to explain the combining impact of revenue drivers on a constant currency basis, excluding volume and keeping all other factors equal.

A5: Representative basis: Where appropriate, the Group is also presenting (as a supplement to the results) the 2018 performance against 2017 as though the Group had owned the acquisitions made in 2017 for the whole of that year. Comparison of results on this basis are termed "on a representative basis" and provide shareholders with a results comparison representative of the position as if the Group had owned the acquisitions throughout 2017 and 2018

A6: Organic basis: Where measures are presented as 'organic' or 'org', they are presented before the impact of the contribution of brands and businesses acquired during the comparator period, including Reynolds American, Bulgartabac, Winnington and Fabrika Duhana Sarajevo in 2017. There were no material acquisitions or disposals in 2018 or 2019.