

# Digital to unlock business value

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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](http://www.bat.com).

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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



# BAT's Digital Transformation follows a clear path



## DIGITAL: APPLY NEW TECHNOLOGIES TO CREATE COMMERCIAL VALUE



### Digital Principles

Digital transformation  
across the enterprise

Upskilled Digital  
Capabilities

Decision making  
supported by Big Data &  
Analytics

# Digital Transformation plays a lead role in creating value and delivering a Better Tomorrow



Digital delivered in 2019

We know how to drive change

Digital accelerates BAT's priorities

Ambitious plans

Stable, Efficient, Secure Technology Stack



# Digital delivered across the value chain in 2019



Multicategory Single consumer view & personalisation



Customers & Consumers

£0.7bn leaf costs managed by digital platforms



Product Development & Leaf

£0.5bn inventory optimized with advanced analytics



Manufacturing & Supply chain

£40mn efficiencies thru automation



Finance, HR, Legal

1000+ senior managers already through Digital Expertise Program

Source: Company data based on 2019 reported financials



# Strong investment in people and capabilities

## Tech & Innovation Hubs



 Tech Hubs - Poland, Malaysia, Mexico, US

 Innovation Hubs (in progress) - London, Tel Aviv, San Francisco

## Strong Talent Pipeline

**+100 new talent** in data analytics, digital marketing technology, cyber and new technologies from Top FTSE/ NYSE, CPG, Tech, Pharma, FinTech, Beauty, Beverage companies...

**Diverse workforce, 30+% women, 63 nationalities** in 59 locations

## Digital expertise & external partnerships



Agile



Design Thinking



Storytelling



Innovation



Data Sciences



Disruptive Technologies



Source: Company data



# We know how to drive change @ scale



AI model for price effectiveness 🇦🇺

Real time multicategory consumer foresights 🇯🇵 🇮🇹 🇬🇧

MADE training- Marketing acceleration in the digital era

Full scale digital immersion for senior leadership

Cross functional squads @ scale 🇨🇦 🇮🇹 🇯🇵



10,000+ trade reps with modern in-store sales platform, global leverage, local differentiation for competitive advantage 🇦🇺 🇲🇪 🇷🇺

Multicategory consumer relationship management, with multi-markets insights 🇯🇵 🇺🇸 🇬🇧

“Uber like” delivery to retail partners 🇧🇷

Real time consumer segmentation leveraging social media listening 🇺🇸 🇯🇵

Trade & consumer age gating solutions 🇲🇪 🇬🇧 🇺🇸

Source: Company data and internal BAT estimates

# Technology accelerates combustibles value growth

2019



**£3.5bn B2B revenue  
(5X)**



**Modern trade platforms  
64 markets & 800k  
retailers**



**Digital Partnership  
programmes**



**Illicit trade analytics  
1.8bn sticks captured**



2020 & beyond



**Grow revenue thru B2B**



**Multi-channel & multi-category trade platforms**



**Revenue growth management**, pricing based on  
micro segmentation



**Big data informing anti illicit trade plans**

Source: Company data and internal BAT estimates







# Step change in New Categories by excelling in digital channels



2019

2020 & beyond

-  **3.5X social media followers in 12 months**
-  **7mn New Categories consumers in database**
-  **37 e-commerce sites, better user experience**
-  **Social Listening & Consumer Analytics**  


-  **Grow 10X ecommerce revenue, frictionless ordering, subscription services**
-  **1-1 mass marketing that builds brands**
-  **Multi-category consumer insights, with social listening & AI**
-  **BAT retail store of the future**



Source: BAT owned/managed consumer database and internal BAT estimates

# Simplification initiatives powered by digital technologies



2019



88,000 farmers digitally enabled, -30% cycle time



Robots in billing, pricing ... up to 90% time saved



Data centers c. -30% energy savings



Cyber maturity +30% benchmarking score

2020 & beyond



Concurrent planning, flexible multi-category business



Scaled IoT to optimize crop utilisation & inventory management



Scaled digital bots to optimise costs



Digital employee experience



Source: Company data and internal BAT estimates

# We are progressing towards our ambitious plans



**25mn New Categories Consumers** with 1-1 engagement



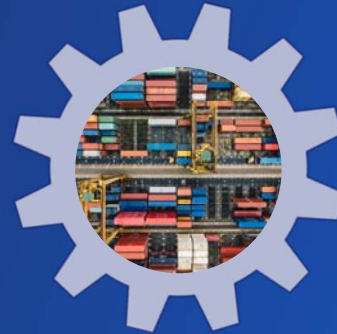
**Customers & Consumers**

**Personalised products** relevant to consumer needs



**Product Development & Leaf**

**Zero-touch factories**



**Manufacturing & Supply chain**

**Bot enabled workforce**



**Finance, HR, Legal**

**Top quartile cyber maturity**

**Top quartile digital quotient**

**Best company to work for Millennials & Gen Z graduates**



# Digital Transformation plays a lead role in creating value and delivering a Better Tomorrow



**Digital delivered in 2019**

**We know how to drive change**

**Digital accelerates BAT's priorities**

**Ambitious plans**

**Stable, Efficient, Secure Technology Stack**



# 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.

