2021 First Half Pre-Close Trading Update

Q&A Conference call

June 8, 2021

CORPORATE PARTICIPANTS

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Finance and Transformation Director

Mike Nightingale
Head of Investor Relations

QUESTION AND ANSWER PARTICIPANTS

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Sanath Sudarsan, sell-side analyst, Morgan Stanley

Gaurav Jain, sell-side analyst, Barclays

James Edwardes Jones, sell-side analyst, RBC

Telephone Operator
Hello, and welcome to the BAT Half-Year Pre-Close Trading Update. My name is Jess and I'll be your coordinator for today's event.

For the duration of the call, your lines will be on listen only, however, there will be the opportunity to ask questions. This can be done by pressing *1 on your telephone keypad to register your question at any time. If, at any point, you require assistance, please press *0 on your telephone keypad and you will be connected to an operator.

I will now hand you over to your host, Mike Nightingale, Head of Investor Relations, to begin today's call. Thank you.
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I will now hand you over to your host, Mike Nightingale, Head of Investor Relations, to begin today's call. Thank you.

Mike Nightingale, Head of Investor Relations
Good morning, everyone. I'm Mike Nightingale, Head of Investor Relations, and with me this morning is Tadeu Marroco, our Finance and Transformation Director. Welcome to our 2021 first half pre-close conference call. I hope you're all well and I'd like to thank you for taking the time to join us this morning.

Before we begin, I need to draw your attention to the cautionary statement regarding forward-looking statements contained in the trading update. I will now hand over to Tadeu who will say a few short words on current trading before opening it up to questions.

Unless otherwise stated, our comments will focus on constant currency adjusted measures and volume share data to April 2021. Thank you.

Tadeu Marroco, Finance and Transformation Director
Thank you, Mike. Good morning, everyone, and welcome. Our performance, year-to-date, shows that we are transforming BAT and building a better tomorrow. This is reflected in our acceleration of top line growth.

We are investing in building strong, fast-growing international brands in each segment, rapidly accelerating our reach and consumer acquisition thanks to our digitalisation and our multi category consumer centric approach, supported by the right resources and products and our agile organisation.

Our consumer acquisition for non-combustible products has further accelerated, up 1.4 million in quarter one, we should reach nearly 50 million consumers, and we are now selling our New Category products in 74 markets across 53 countries. This is driving continued strong growth in New Categories' volume and revenue with market share gains across all three categories in all key markets.

Capitalising on this good momentum, we have further increased investment in New Categories. This is fuelled by continued value growth in our Combustible portfolio and increased savings driven by Quantum.

Our transformation will deliver value to all our stakeholders. ESGs are deeply embedded in our organisation and is reflected in our targets. £5bn New Category revenue by 2025, 50 million consumers of non-combustible products and carbon neutrality on Scopes 1 and 2 by 2030, and Scope 3 by 2050. We are confident of delivering these ambitions.

Beyond the consistent delivery of our strong performance, I'm particularly proud that Vuse has been independently validated by Vertis as the first global carbon neutral based brand. This is a significant achievement and is testament to BAT's deep and long-standing commitment to being a responsible business, reducing our impact on society and creating brands with purpose.

With clear momentum in the business, we continue to expect 2021 to be a pivotal year. New Category revenue growth in accelerating. We have a clear pathway to New Category profitability by 2025, and we expect our leverage will reduce to around 3x by year end.

In our New Category business, Vuse is approaching global leadership in Vapour, driven by the continued strengthening of our number one position in four out of the top five Vapour markets, with value share growth in all five.

In ENA, Vuse is the fastest growing in value share while, at the same time, migrating from Vype to Vuse. Both ePen3 and ePod have gained share year-to-date across the three largest vapour markets in Europe, driven by our consumer-led insights, superior product portfolio and award-winning marketing campaigns and digital engagement.

In Canada, we continue to strengthen our leadership position, capitalising on last year's brand migration led by ePod, gaining a 28.5 percentage point share year-to-date versus full year 2020, should reach 74.7% share.

In the US, the Vapour market has returned to year-on-year growth. Vuse continues to go from strength-to-strength and is closing the gap on the number one brand, with leadership in 16 states. Vuse Alto has achieved year-to-date value share of 27.2%, up 6.9 percentage points versus full year 2020. Total Vuse family value share is now at 29.8% year-to-date.

The Vype volume share leadership continues in all our top five markets - a good indicator for sustainable consumable growth going forwards.

Overall with Vuse, we are building the leading and the most trusted vaping brand worldwide - a global brand with a clear consumer-led purpose.

In THP, Hyper continues to be our most successful launch yet driving a positive THP category performance at the Group level across all key metrics.

In Japan, we have grown 80 basis points year-to-date versus full year 2020 and should reach total nicotine bond share of 6.2% and have captured close to one-third of category growth.

Consumable volume growth is strong, and we are continuing to invest in consumer acquisition. The increased investment, together with the partial absorption of excise, also due to the disproportionate impact of excise harmonisation on our products, will be reflected in the first half of THP revenue growth in APME.

In ENA, which represents more than half of global THP industry volume, Hyper continues to drive strong volume share growth.

In Russia, Glo Hyper drove a near doubling of category share versus full year 2020 and should reach 17.2% year-to-date.

In Ukraine, our category share increased 7.7 percentage points to 18.7% year-to-date. And, in Romania, we reached 21.8% category share year-to-date, up 6.2% versus full year 2020. This performance was supported by encouraging early results in key large markets in Western Europe, including Italy, where our category share reached 10.3%.

Glo is now rolled out 21 markets of which 18 have launched Hyper, with further rollouts planned over the remainder of the year.

In Modern Oral in the US, the launch of our broader range of products acquired from Dryft under the Velo brand has driven a strong volume share gain through the period, up strongly by 6 percentage points from December to 14.6% in April in competitive markets. We remain on track for unconstrained US production capacity to be reached around mid-year.

Outside the US, we continue to consolidate our market leadership position. We are driving strong share momentum in the Total Oral category across Scandinavia as the Modern Oral segment continues to expand rapidly.

Our year-to-date volume share in Modern Oral in Sweden is up 3.8% to 57.6%. In Norway, our year-to-date volume share is up 1.2% versus full year 2020 to 63.3%. Finally, in Denmark, our share of total Oral grew 4.1 percentage points to 79.5% year-to-date. Our share of Modern Oral was down from a very high base to

89.8%. Our local brand, EPOK and Lyft, have been migrated to our global brand vehicle during 2021, with a full migration complete by early-2022.

Turning now to our Combustible business, our performance is strong, and we continue to generate value to invest in our accelerating New Category performance. We continue to extract costs, rationalise and simplify our Combustible portfolio and strategic brands to represent around two-thirds of our volume. Value and volume share are both up 10 basis points across our T40 markets.

Combustible pricing remains strong despite a strong year of pricing in 2020. This is partially offset by negative geographic mix as emerging markets, which account for around 25% of our revenue as we recover from the impact of COVID last year.

In addition, we now do not expect a recovery in Global Travel Retail until 2022. We continue to expect full year global industry volume to be down around 3%.

In the US, value share was up 40 basis points, while premium share also grew by 40 basis points, driven by the continued strength of Newport and Natural American Spirit, reflecting no accelerated down-trading within our portfolio.

The industry volume outlook in the US remains unclear due to the continuing market economic and fiscal uncertainties. However, a continued strong price environment is driving robust revenue growth despite a very strong prior year comparative.

Overall, the momentum across the business is strong and, as stated in our release this morning, we have upgraded our constant currency revenue growth to above 5%, ahead of our 3% to 5% guidance range, and we remain firmly on track to deliver mid-single digit adjusted diluted EPS growth in constant currency despite an increasing transaction of FX headwind.

Our further increased investment in New Categories is weighted to the first half of this year, capitalising on the momentum we generated over 2020, and this will be reflected in our H1 operating margin.

For the full year, we continue to expect that the drag from our New Category business will reduce as revenue growth and gross margin contribution begins to more than offset investment increases.

Associate income, given that our share results are reported one quarter in arrears, will continue to reflect the impact of the COVID environment in India on ITC. Applying current foreign exchange spot rates as at June 4th, first half and full year 2021 adjusted diluted EPS growth would face a current translation headwind of around 80%.

In addition, we expect a continued negative impact of circa 2% from transactional FX on adjusted profit for both views, which we do not strip out from our constant currency numbers.

Turning now to the balance sheets, we remain on track to reduce our leverage to around 3x adjusted net debt, so adjusted EBITDA, by the year end. We continue to expect strong full year operating cash conversion in excess of 90% with this weighted to the second half due to the phasing of excise and MSA payments relative to the prior year.

In summary, the business is performing very well. At 3.00pm this afternoon, Kingsley Wheaton, our Chief Marketing Officer, will talk to David O'Reilly, our Director of Scientific Research, and Jennie Galbraith, Head of ESG, will be presenting at the Deutsche Bank Global Consumer conference.

We will be highlighting how our multi-category strategy, R&D, science and strong ESG foundations are driving the transformation of our business. You will be able to access the webcast on www.bat.com, and I will leave it to our presenters to give more detail around our progress in these important areas and how they are central to our purpose of building a better tomorrow.

In conclusion, we continue to focus on the health and wellbeing of our employees through the pandemic. I would like to thank our teams and our partners for the continued strong delivery of the business in line with our strategy in such challenging times.

With increasing consumer acquisition, driven by accelerated digitalisation, this has allowed us to further accelerate the transformation of our business. We are successfully building our enterprise of the future, supporting our ambition to become a high growth multi-category consumer products company, rapidly growing our New Categories, and encouraging smokers, who would otherwise continue to smoke, to switch completely to scientifically substantiated reduced risk alternatives.

We have a clear vision to transform our portfolio, our structure, our culture and our ways of working. Accelerated through our QUEST programme, a clearly defined framework to create the enterprise of the future. This will create sustainable value for all our stakeholders.

Thank you and I will now open the call to questions.

Telephone Operator
If you would like to ask a question, please press *1 on your telephone keypad. Please ensure your line is unmuted locally as you will be advised when to ask your question. So, once again, that's *1 if you would you like to ask a question.

And the first question comes from the line of Richard Felton from Goldman Sachs. Please go ahead.

Richard Felton, Goldman Sachs

Good morning. Thanks for taking the question. My first one is your guidance. Obviously, you're guiding for better revenue growth than previously, but that's not flowing through to better constant currency EPS growth. I know you've mentioned various moving parts in your statement and your prepared remarks, but could you maybe help us understand the main reason why that stronger revenue growth isn't leading to stronger constant currency EPS growth? That's my first question.

My second one is on Vuse. Obviously, very strong market share gains year-to-date. I understand that discounts and promotions are part of the process to build the brand and expand your consumer base, but my question is how loyal, or how sticky is the consumer base once the discounts and promotions are rolled back? Thank you.

Tadeu Marroco, Finance and Transformation Director

Okay. Okay, Richard. Look, your first question, the volume recovered and share growth in emerging markets is better than we first expected. We are doing, particularly BAT, is doing extremely well in places like Bangladesh, Pakistan and Vietnam, and these, with the continued robust performance in the US, despite a challenging comparator of 2020, is generating good pricing and robust volumes in Combustibles. So there is an element in Combustibles that is better.

And then, for sure, the momentum we are leaving in the New Categories is translating also in a stronger revenue line. That's the reason why, first of all, we have upgraded our guidance to above 5%.

Now, there are three major factors why we are still keeping the mid-single digit EPS. The first one, we, obviously, are trying to continue to invest even more in New Categories. We always said that. We always said that, as soon as we have traction, we have the right products, and we still this happening in the markets, that we would be keen to invest even more behind that momentum, and that's exactly what's happening. We are investing even more than we first thought in the New Categories.

But, just to be clear, for the full year, the losses from our New Categories business will reduce. That's the point that we made at the beginning of the year and it's still valid, which means that, enhanced revenue growth and growth margin contributions begin to more than offset investment increase, you see the reduction. We have reached the peak of loss in 2020 and, from now on, we expect the business to be accretive in terms of earnings.

So, the second factor is the geographic mix and the deterioration of the geographic mix in comparison with what we first thought. We always expect to be having a geographic making impact in 2021, but the fact is that we have three elements here; one is the recovery in emerging markets, like I said, in places like Bangladesh, is much better than we first thought, so we are doing extremely well, and, for sure, there is a contribution in place, like in Bangladesh, not the same like in places like the US, for sure.

The second one, we have reassessed our Global Travel Retail we're in now. We are not expecting it to come back in 2021 anymore, so we are moving all the expectation we thought from Global Travel Retail for 2022.

And, finally, we have recent news in terms of excise in Australia which are very good for the long-term of the business but will prevent us from having an excise windfall in 2021. So, this also translates into the operating margin for this year, the profit for this year.

And third, although we have said that we would expect the transactional FX around 2% in the beginning of the year, this got slightly worse recently. And I want to remind everyone in the call that transactional FX for BAT is not stripping out from our numbers. So it's part of our numbers. So, when we guide mid-single digit figure, for example, at a constant currency basis, it incorporates all the transactional FX hits, and this got, if anything, slightly worse than at the beginning of the year.

So, these are the three major factors why you are not this flow through from the top line to the bottom line of the business. Okay?

Richard Felton, Goldman Sachs
Yeah, that's cool.

Tadeu Marroco, Finance and Transformation Director
And the second question around Vuse, what we tried to do, and we learned that in different markets, is, once we get our device in the hands of consumers, they love the product and they stick to it, and so most of the promotions and the consumer investments in terms of acquisition is happening on the device side in the different markets, not that much in terms of consumables.

In reality, we already started recovering price with consumers in some markets as part of our path to profitability, and what we are seeing is that the level of loyalty is our base is very strong. Now are seeing more and more of that happening in our subscription model. We are very pleased with the performance in ecommerce since last year, and we have invested, over the last 12 months, you know, strengthening our position in ecommerce.

We expect to achieve close to £100m of revenue sales by ecommerce and we are now getting close to 20,000 subscriptions there. And every time we have a subscription in terms of margins, it means three times higher margins than normal retails when we sell the product.

So, that's part of the strategy, but it has to do with our expert premiumness in terms of the flavours that we are building, for sure. The US is more restricted because of the PMTA process, but outside the US, we can deploy a strong expertise in terms of flavours. It's not just about the device itself, it's the whole eco system and, for sure, all the marketing and the digital acquisitions that we are making throughout the period.

So, we are very happy in the performance of the global health indicators of Vuse, and that's one of the reasons, for sure, behind the performance that you are seeing.

Richard Felton, Goldman Sachs
Great. Thanks very much.

Telephone Operator
The next question comes from the line of Sanath Sudarsan from Morgan Stanley. Please go ahead.

Sanath Sudarsan, Morgan Stanley
Hello. Good morning, everyone. Thanks for the presentation, Tadeu. Just a few questions from my side.

Could you just give us, probably, a bit more clarity on the operations you're doing on the NGP side to reduce the losses. I mean, the understand those investments keep peaking up, it's about 450m in 2020, probably higher this year, so could you just give us some semantics on the cost savings again for NGP?

And, secondly, in terms of emerging markets, could you just give us some idea about how, overall, and other markets like South Africa, etc, how is the COVID lockdown, or post-lockdown era coming up for you? Are you seeing rising illicit trade, down-trading, excise tax changes, etc? Some commentary around how emerging markets and consumers playing out, please. Thank you.

Tadeu Marroco, Finance and Transformation Director
Okay. On the NGP, we have a very thorough strategy for path to profitability. Just as a reminder, in the Modern Oral space, if anything, the margins are read higher than the cigarettes, and, if anything, we expect this to increase over time as we gain more and more scale. So there is not much to be concerned in terms of margin, you know, in terms of Modern Oral.

In THP, we have, today, higher margins than cigarettes. We expect to see some headwinds in terms of excise because we don't believe that some markets have sustainable levels of excise incidents at this in time, so we will expect to see some of that excise to go up.

But, on the other hand, given the fact that most of our consumables are leveraging in the manufacturing equipment that we have for cigarettes, we believe that we can accelerate the reversions of cost and make our products very similar in terms of costs for the cigarette products that we have in the Group.

So there are opportunities for us to reduce further our consumables cost of goods sold and offset some of these potential headwinds and net-net end up with the margins that, again, it would be, if anything, it's slightly higher than the ones that we have in cigarettes.

Vapour is the category that we have an opportunity to increase margins, and we will be doing that, first of all, leverage on the trends that we are seeing in the markets moving. Everywhere, we are seeing that the movement from open systems to close systems. This is definitely where we will increase markets. There are other trends that come at the back of that is less sales in vapour stores and more sales in traditional stock retailing stores. And why is it important? Because the trade margin vape stores are really, really high compared with the traditional key accounts.

And, as you see this migration, you have a higher – because one of the reasons why margin in vape is not that high as the others is exactly the trade margin. And just building on that, the performance that I was just referring to in terms of the ecommerce is another lever that we are pulling in order to increase profitability, and that's why we invest, not just in ecommerce, but within ecommerce there is subscription which is even more profitable than a normal sale via ecommerce.

And, finally, we have also the cost of goods sold. So, as we gain scale, for example, with the latest round of negotiations with our major supplier, we were able to automate some of the lines that you used to have manual works with a massive reduction in terms of COGS. That's impacted the product moving forward.

So, we get a combination of all these factors, and, as I mentioned before, we are now in a position, taking leadership in a number of markets where our negotiation power with some of the key accounts is in a much better position. With that, we are able now to negotiate, for example, slower lower trade margins, or moving trade margins from front to back, paying more by performance as opposed a percentage of revenue, for example, which was the case in the past.

So, when you put all those things together, we are very clear in the way that we have to do the product, to increase profitability, and these are then materialising in our numbers.

Now, in terms of - is it okay, the NGP, or can I move on to the emerging markets?

Sanath Sudarsan, Morgan Stanley
Thank you.

Tadeu Marroco, Finance and Transformation Director
Okay. On the emerging markets, we are seeing, overall, a recovery. When we take about the markets being around 3% down, emerging markets in itself would be better than that at the back of - COVID last year, and what we have seen is a mixed bag in terms emerging markets.

We are not seeing big excise increases happening apart from Indonesia that's had a plan of excise increase that started even before the pandemic and continues, and Russia, that's implemented a big excise increase early in the year. We are not seeing these really happening in other markets.

We just had, for example, the Bangladesh budget discussions happening, and there is no, you know, no surprise in terms of excise in that space.

And in terms illicit, we have situations like Brazil where the illicit actually reduced as a consequence of not just more enforcement but also lockdown in places by Paraguay where we know most of the illicit comes from, which is reflecting a higher volume, and continues reflecting these higher volumes in the duty paid market.

And we have difficult situations, like South Africa. The illicit trade, particularly in South Africa, is worse than it was before the pandemic, and the government now is trying to address the issues, like they did before. So we are very optimistic that they can revert from this trend as they did just before the pandemic, it was going in the right direction, and with the pandemic you know that we had this period of time we couldn't even sell any product for months in South Africa last year, and this disrupted substantially the market, and the market is still trying to get to terms with that, and we expect them - that the levers that the government have pulled before, they can act now to bring it to the situation we had before the pandemic.

Sanath Sudarsan, Morgan Stanley
Thanks, Tadeu. Just one follow-up on that. Any down-trading or any comments around brand loyalty for market share for you in the EMs?

Tadeu Marroco, Finance and Transformation Director
No. We don't see down-trading because we are not seeing, actually, the big excise increase, like I said. But, for sure, when you have places like Brazil, for example, where there is a lot of illicit now coming to the duty paid through a paid market, you come in the low end of the market, which is natural. And then, overall, you see some mixed deterioration in terms of the portfolio. But this is a natural consequence of you capturing back from illicit.

Illicit, for anything overall worldwide, it's like reducing in 2021 compared with 2020.

Sanath Sudarsan, Morgan Stanley
Great. Thank you very much.

Telephone Operator
Then next question comes from the line of Gaurav Jain from Barclays. Please go ahead.

Gaurav Jain, Barclays
Good morning, Tadeu. Thanks for taking my questions. So, I have three questions. One is can you please update us on the US e-cigarette PMTA process, how you are thinking about it? And, you know, we are seeing FDA issue all these warning letters, I think they've now issued 122 warning letters which covered 1.25m of sales. So, is that leading to a lot of consolidation in the market?

Tadeu Marroco, Finance and Transformation Director
Okay, do you want ask one-by-one?

Gaurav Jain, Barclays
Yes, sure.

Tadeu Marroco, Finance and Transformation Director
Okay. Yeah, on the story with the PMTA, on May 20th, the FDA posted its long promised public PMTA list of new categories they deemed currently on the market for which the PMTA was submitted to FDA by September 9th last year.

So, our current marketing products are listed, but the list does not characterise the status of FDA review of PMTA clearance. So, that's the first thing.

The second, like you said, they had issued additional warning letters since the last report, the last time we spoke, and, more recently, an additional 12 companies totalling 124 companies now have received letters which equates to something like 1.2 million products. So, we should be starting to see the implications of that in the market.

But one other area that the FDA probably is thinking to act on that is related to a loophole that they have currently, you know that, for example, when they introduced the flavours ban earlier last year, they left behind disposable, so you still see disposable with flavours there, and there are major concerns, even though because of the youth access to that, and we are aware that the FDA is concerned with that and we expect them to take initiatives on that as well as the tax on nicotine products.

So, in summary, answering your question, I think that we will start to see some of the impact of those enforcements, that it'll become more and more vocal from FDA, and we expect them now to address those loopholes that are still there in the market.

Gaurav Jain, Barclays
Thank you. My second question is on the patent losses that you have with Philip Morris. You have lost some of those in the UK, but you have also recently won at the ITC in the US, so how should we be thinking about these patent losses then, where these lead to?

Tadeu Marroco, Finance and Transformation Director

Well, look, at the end of the day, because we are not used to, our industry was not used to that because we are now moving towards electronics without this device, and it's not something - it's new for the electronics industry, for example.

In this particular case that you are referring to, we are in dispute with Philip Morris. We believe that they are infringing some of the patents that we have in the US, and, today, we have invested a lot of money behind our generation of products, and we want to compete fairly, and that's why we took some actions.

We expect some more details of that to come later in September, so you'll have a final call on that case, but I think it's a natural process of us trying to protect from what we saw, or what we believe that they are infringing in our patents. We are aware that they are also challenging us in other parts of the world, and, like I said, I think there is a dynamic that we need to start getting used to, seeing in the industry, that was not the case before.

Gaurav Jain, Barclays
Thank you. Sorry, for interrupting you. My last question was on Glo. So, there's been a lot of market share data in the front countries, would you be able to share what we should expect for volume growth and revenue growth in heat-not-burn and tobacco heated products for you in '21?

Tadeu Marroco, Finance and Transformation Director
Look, I will not be giving, you know, specific guidance on volumes, but what I can - because we have given a lot of numbers between the release itself and my comments at the beginning. That information should put some colours on it, is that we are growing quite nicely in the inner markets.

In Russia, for example, from the beginning of the year, we have captured 50% of the growth of the category. In Ukraine, we have captured 35%. In Italy, we have captured 30%. So, it definitely is a game-changer for us, the introduction of Hyper, and it's the first induction technology product in the market. We are very strong in flavours, very strong in flavours.

Some of these European markets, you'll have between 15% to 45% of the THP market in flavours, and we are, like I said, really, really strong in terms of our consumables. So, this puts us in a very strong position and should continue to grow further, and that's exactly what we expect.

You'll see some, you know, more definitive numbers, you know, in a month's time or so when we publish our half year results. We are growing sequentially from half year to half year, and we expect to continue to do that until the end of the year as well and closing with a very strong performance this year.

Gaurav Jain, Barclays
Okay. Brilliant. Thanks a lot, Tadeu.

Tadeu Marroco, Finance and Transformation Director
Cheers.

Telephone Operator
Before we go to the next question, as a reminder, if you would like to ask a question, please press *1 on your telephone keypads.

And the next question comes from the line of James Edwardes Jones from RBC. Please go ahead.

James Edwardes Jones, RBC
Morning. A very quick one. You might have said this before and I've missed it, but can you tell us what the year-on-year growth in NGP sales in total was, please?

Tadeu Marroco, Finance and Transformation Director
NGP sales total loss?

James Edwardes Jones, RBC
So, the year-on-year growth in NGP sales.

Tadeu Marroco, Finance and Transformation Director
The year-on-year growth in NGP? So, we haven't provided a number. We are, basically, providing market share, category shares, but we are not targeting, specifically a particular number. So we are not publishing that. For sure, in a month and a half's time, you will be seeing the numbers that we close the half year results, but, overall, we are growing. We are growing revenue and we are growing volume, not just in THP but across the other categories as well. It was just a pre-close update.

James Edwardes Jones, RBC
[Laughs] A very juicy one, except for that. Thank you.

Tadeu Marroco, Finance and Transformation Director
Okay.

Telephone Operator
There are no further questions in the queue, so I'll now hand the call back to Tadeu for closing remarks.

Tadeu Marroco, Finance and Transformation Director
Okay. So, in summary, I would like, first of all, to thank you all. We are accelerating our transformation with increasing investments, capitalising on our growing momentum in New Categories.

Now we have the products. We used to have two major roadblocks in terms of New Categories; one was our performance in THP. We have now Hyper. That is a step change from that perspective. We also have a competitive product in Modern Oral in the US with the acquisition of Dryft, at the end of last year, now are we able to compete. So, we have the products in place, we are heading to scale. We are present in many markets, like you saw before, and we are getting more and more tractions.

We are acquiring consumers very fast, and the next phase of this journey will be to build this strong, global, powerful brand to leverage on digitalisation.

So, growing momentum in New Categories is clearly there, and this should be added with our stronger business performance is reflected in our upgraded Group revenue growth guidance for 2021.

I am very excited about the future opportunities for BAT. Our confidence is reflected in our continued commitment to our 65% dividend pay-out policy, and we are building a better tomorrow.

Thank you again for joining us today. We look forward to speaking to you over the next couple of days and, of course, in July at our Interims. If you have any further questions, please contact the IR team at BAT. Thank you.

Telephone Operator
Thank you for joining today's call. You may now disconnect your lines.

END