



**BRITISH AMERICAN
TOBACCO**

INTERIM RESULTS PRESENTATION

27th July 2017



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NICANDRO DURANTE

CEO

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INTERIM RESULTS 2017

A Good Organic Performance

- A good organic performance
- Strong growth in NGPs
- Reynolds acquisition complete





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BEN STEVENS

Finance Director

INTERIM RESULTS 2017

Summary



FINANCIALS

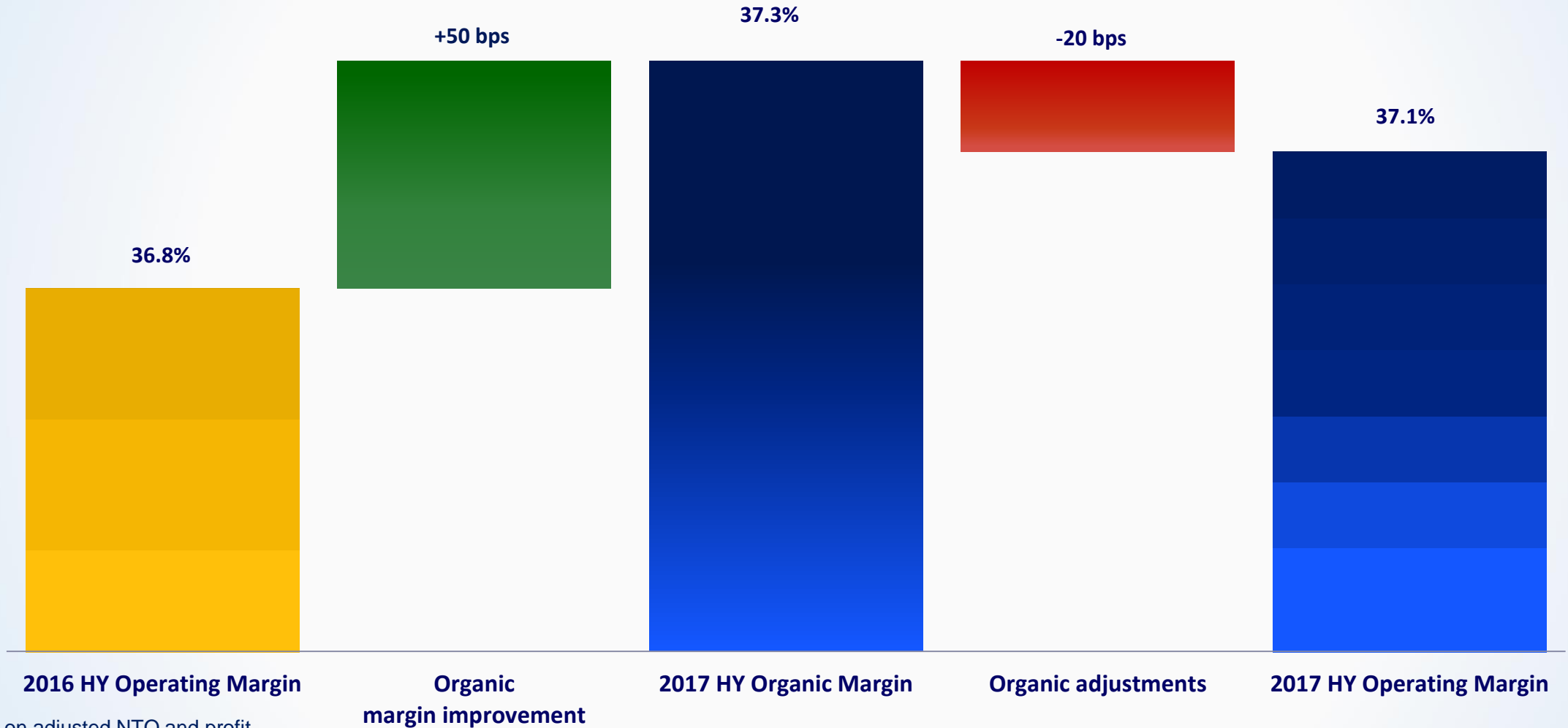
CURRENT		CONSTANT
Adjusted Revenue £7,648m	+14.7%	+2.5%
Adjusted Profit £2,841m	+15.8%	+3.2%
Adjusted Margin 37.1%	+30bps	
Adjusted EPS 134.4p	+21.0%	+6.2%

VOLUME

Volume 314bn	-5.6%
Total Tobacco 326bn	-5.3%
GDBs 155bn	-1.3%

> A good organic performance

Operating Margin*



*based on adjusted NTO and profit

INTERIM RESULTS 2017

Asia Pacific – Regional Performance



FINANCIALS

CONSTANT

CURRENT

Adjusted Revenue
£1,929m

-2.9%

+10.3%

Adjusted Profit
£779m

+2.3%

+14.4%

VOLUME

Volume
95bn

-9.8%

GDBs
38bn

-13.1%

INTERIM RESULTS 2017

Americas – Regional Performance



FINANCIALS

CONSTANT

CURRENT

Adjusted Revenue
£1,381m

+6.5%

+19.1%

Adjusted Profit
£549m

+2.3%

+14.8%

VOLUME

Volume
53bn

-6.5%

GDBs
20bn

+0.2%

INTERIM RESULTS 2017

Western Europe – Regional Performance



FINANCIALS

CONSTANT

CURRENT

Adjusted Revenue
£1,774m

+2.6%

+13.4%

Adjusted Profit
£619m

+4.8%

+16.8%

VOLUME

Volume
58bn

+0.7%

Organic Volume
57bn

-0.4%

GDBs
38bn

+8.2%

INTERIM RESULTS 2017

EEMEA – Regional Performance



FINANCIALS

CONSTANT

CURRENT

Adjusted Revenue
£1,754m

+5.9%

+17.8%

Adjusted Profit
£584m

+3.5%

+17.7%

VOLUME

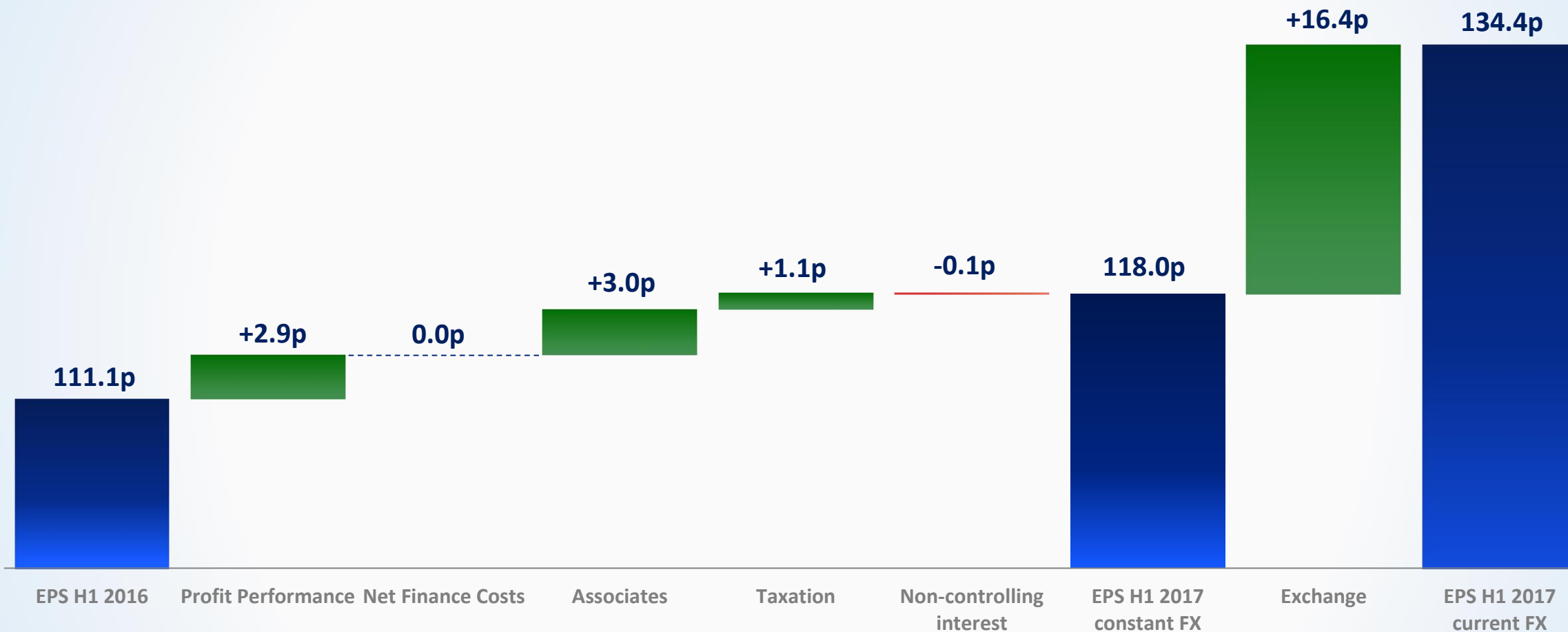
Volume
108bn

-4.6%

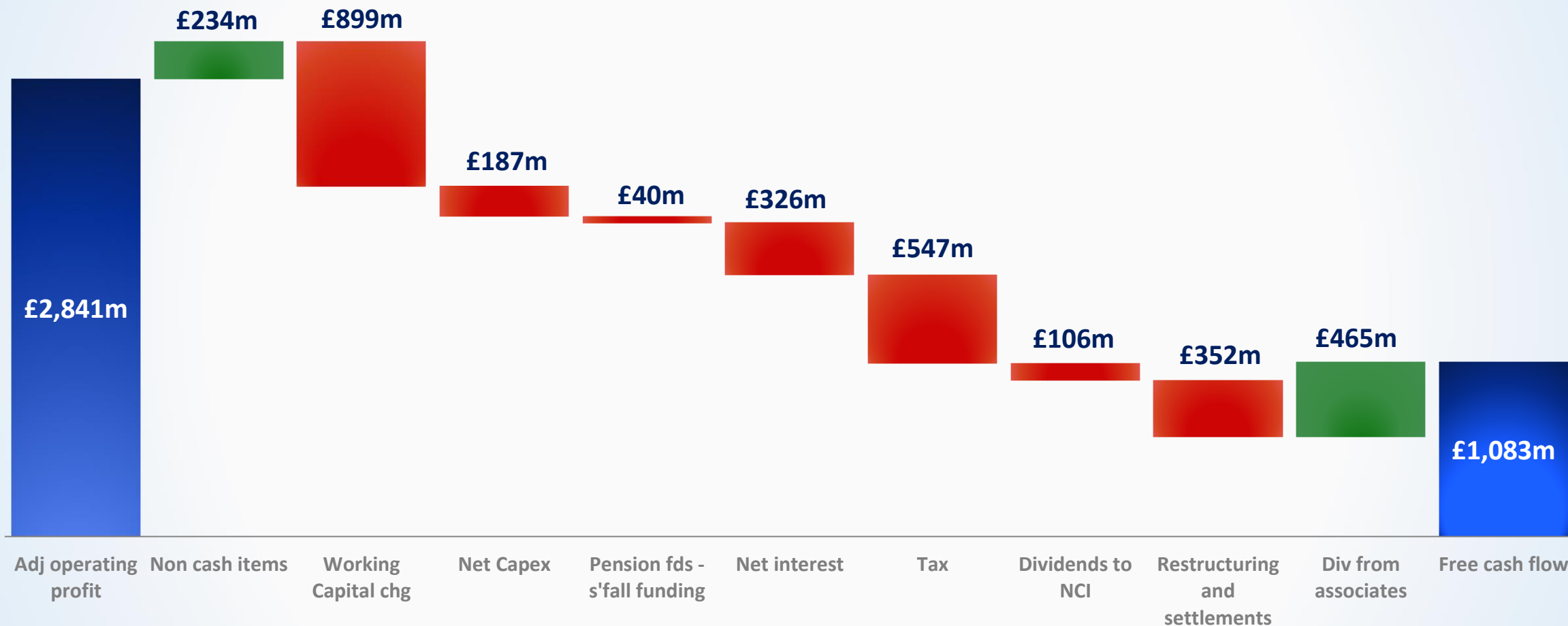
GDBs
59bn

+1.2%

Drivers of adjusted EPS growth



Cash Flow



INTERIM RESULTS 2017

Financing/Shareholder returns



- **Net Debt up £1.7bn to £18.5bn**
- **Credit ratings confirmed at BBB+/Baa2 stable by S&P and Moody's post announcement of RAI recommended offer**
- **Seeking medium-term recovery to BBB+/Baa1**
- **Targeting Net Debt/EBITDA of around 3.0x by end 2019 with further reductions thereafter**
- **The cash component of the acquisition has been financed through the drawdown of the \$25bn acquisition facility.**
- **From 2018 on, BAT will move to quarterly dividends**

RAI ACQUISITION

Accounting considerations

- **US reported as separate division**
- **Annualised cost synergies of at least \$400m by the end of the third full year following completion**
 - **Benefits expected from early 2018**
 - **One off costs of around \$350m**
- **US GAAP to IFRS accounting differences**
- **EPS accretive in first full year**
 - **Limited accretion in 2017**



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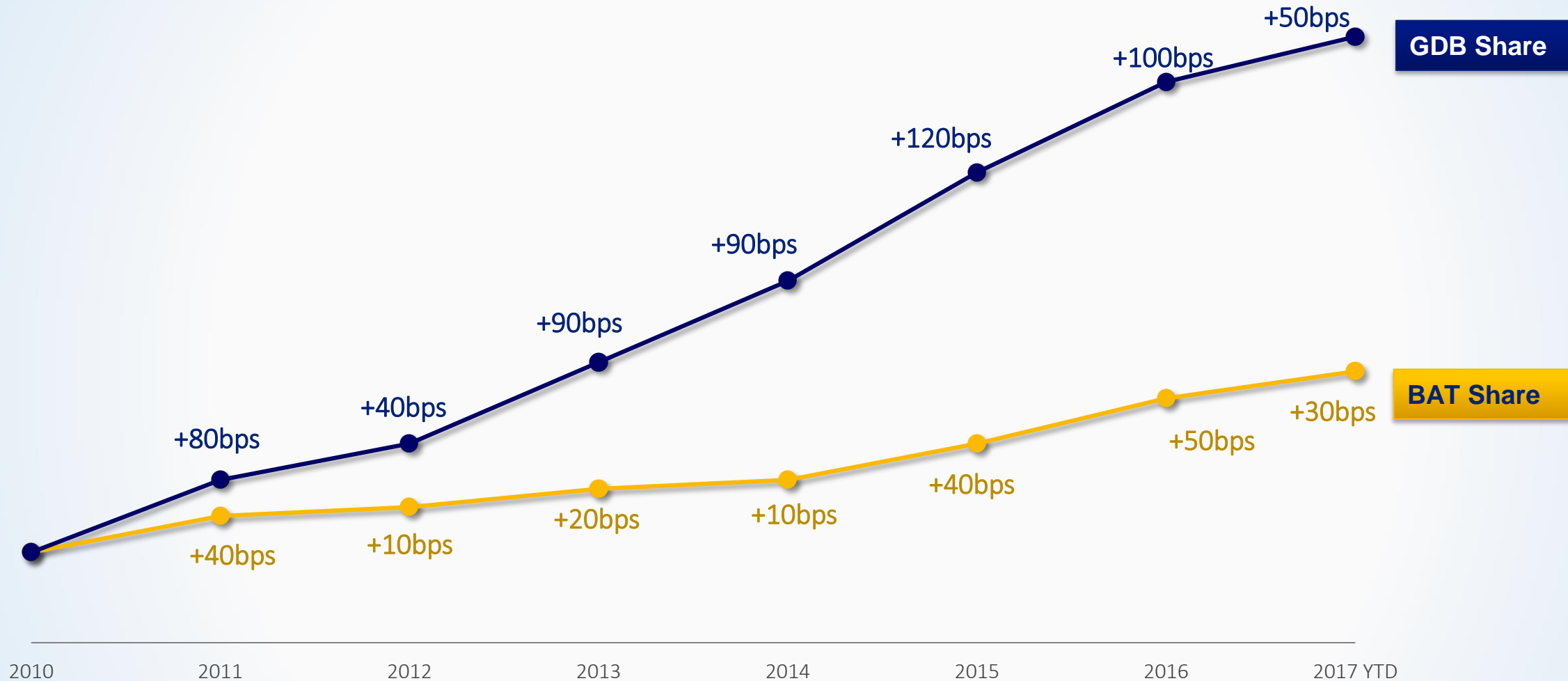
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CEO

INTERIM RESULTS 2017

Share growth momentum continues



Note: Reported Year-End Figures/ Independent retail audit data / FMC Only/YTD May'17

INTERIM RESULTS 2017



- > Vol: 27 bn, -4.5%
- > Share down 10bps

- > Impacted by market declines and downtrading in Malaysia and Indonesia
- > #1 international kretek brand in Indonesia
- > Strong performance in Romania and South Africa



- > Vol: 32 bn, -1.6%
- > Share up 15bps

- > Fastest growing cigarette brand in Japan
- > Strong share and volume growth in Turkey
- > Strong volume growth in all slimmer ranges



- > Vol: 19 bn, +12.4%
- > Share up 20bps

- > Organic volume growth in Spain and Chile
- > Strong share performance in AsPac, Americas and Western Europe
- > Indonesia – strong results following launch in 2016



- > Vol: 42 bn, -9.6%
- > Share up 10bps

- > Volume impacted by industry contraction in Pakistan
- > Strong share growth in Pakistan, Poland, Chile and Canada
- > New brand imagery implementation showing encouraging results



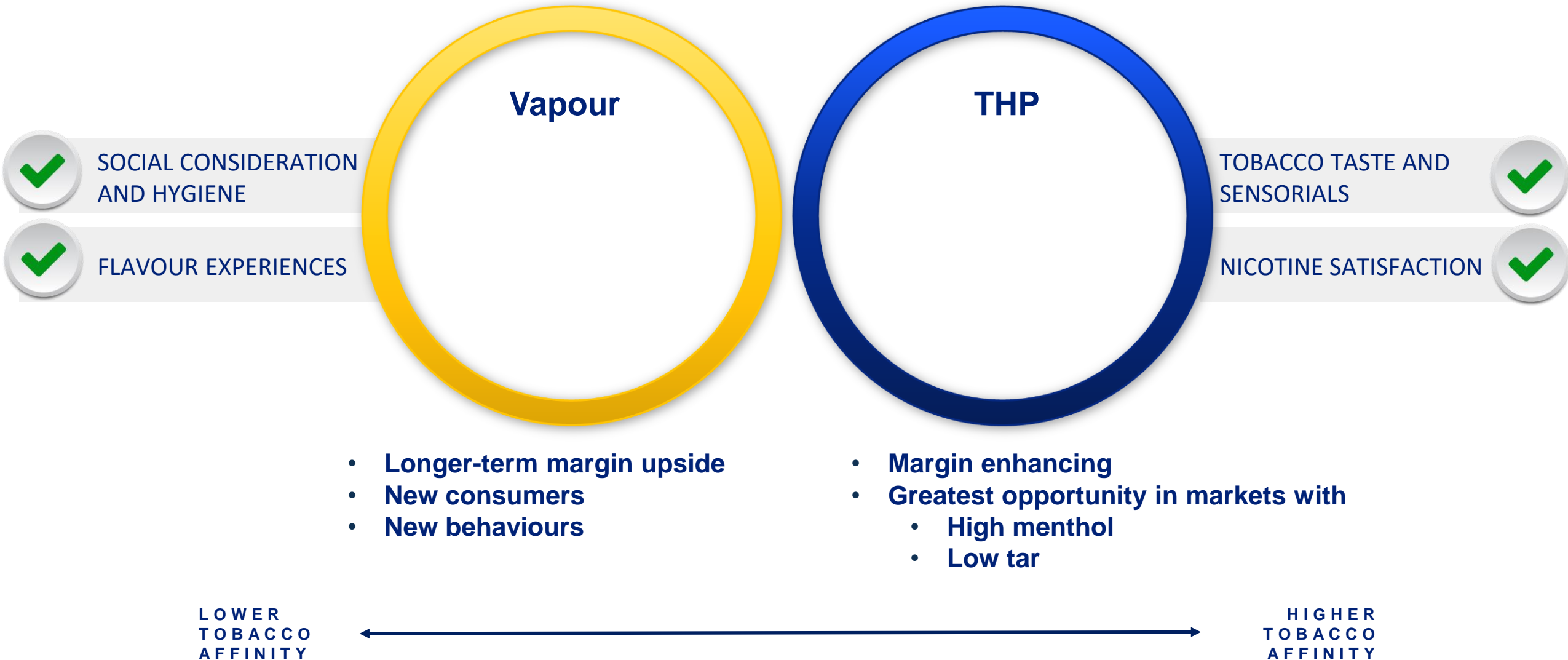
- > Vol: 35 bn, +6.2%
- > Share up 15bps

- > Share growth in many markets, including Russia, Australia, Turkey and Italy
- > Double digit volume growth in over 20 markets
- > Slimmer variants and tubes driving growth



INTERIM RESULTS 2017

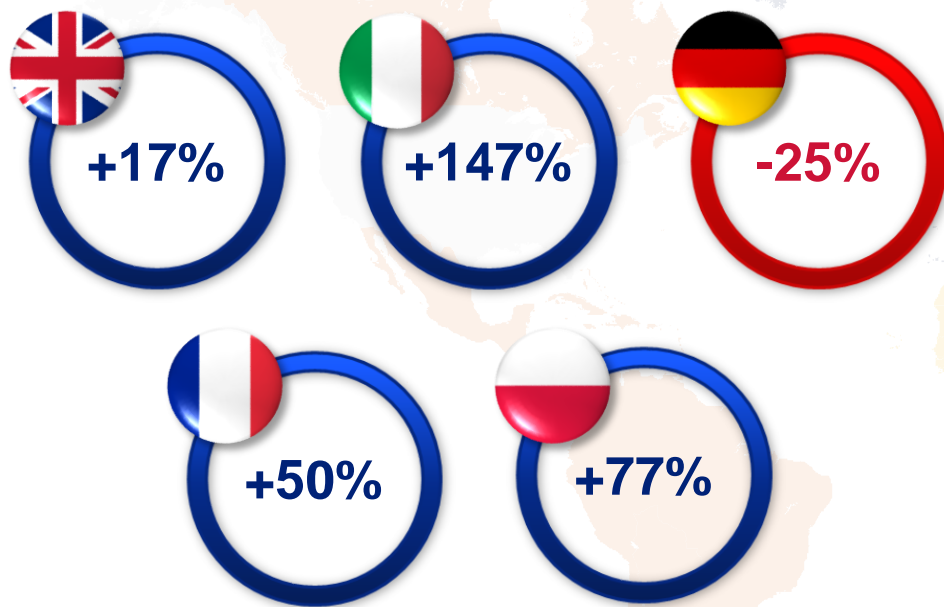
Differentiated strategy to win in NGPs



INTERIM RESULTS 2017

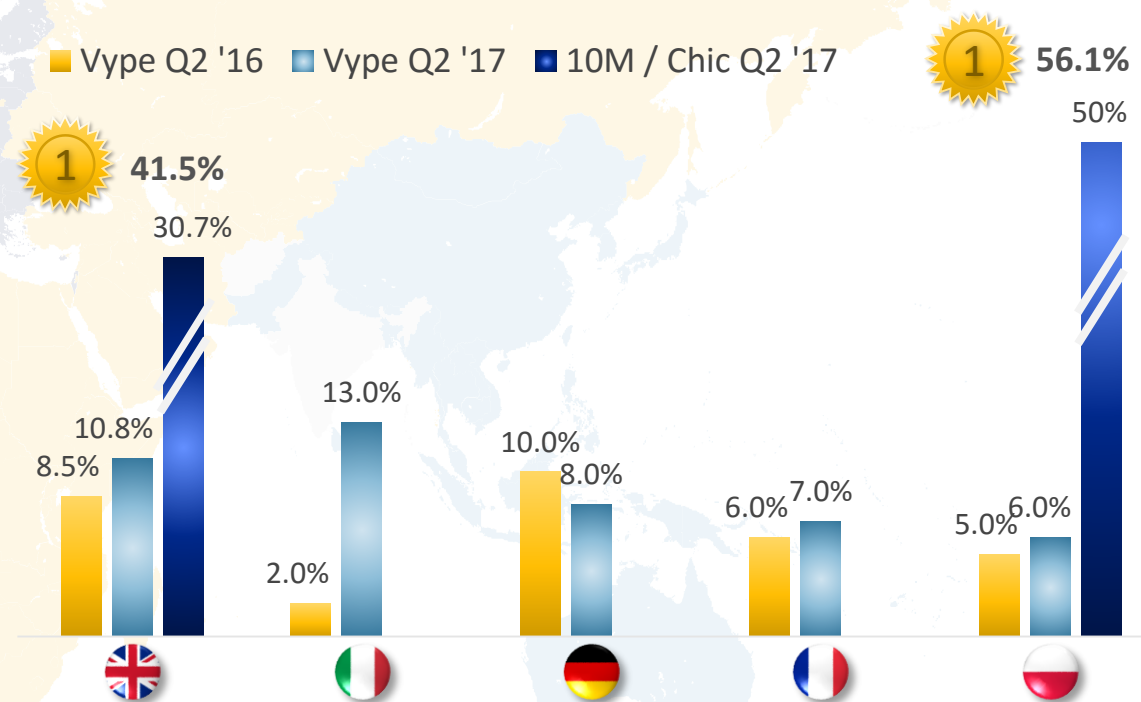
Vapour

BAT VOLUME SALES GROWTH H1 '17 YTD VS SPLY



Source: BAT volume pack sales sell out; Vype UK retail data from Nielsen; Vype online sales data from Ometria

VAPOUR SHARE IN RETAIL



Source: Share in retail: UK Nielsen, all others estimate on shipment sales 6MMA basis

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THP



JAPAN

- › Volume share around 8% share in Sendai
- › National awareness at 25% post Sendai launch
- › Week 3 share at 3.1% across Tokyo, Osaka and Miyagi¹
- › Flagship stores in Sendai, Tokyo and Osaka



SWITZERLAND

- › Launched in one of the biggest retailers nationwide



CANADA

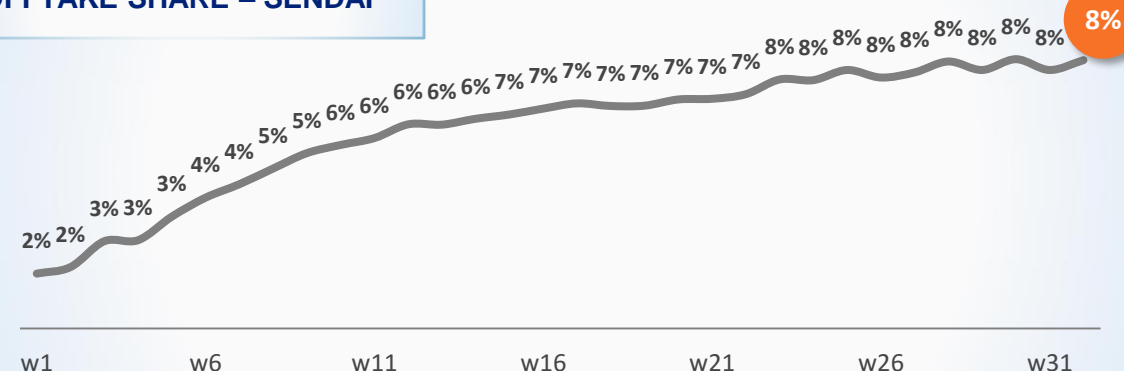
- › Launched in Vancouver



SOUTH KOREA

- › Launch announced for August 2017

OFFTAKE SHARE – SENDAI¹



¹ Based on CVS-B data

SOLE USAGE - SENDAI

	Dec '16	Jan '17	Feb '17	Mar '17	Apr '17	May '17
Glo sole consumers (% of total Sendai smokers)	1.0%	2.0%	3.4%	4.0%	4.3%	4.7%
Conversion rate (cigarettes to sole Glo usage)	40%	43%	50%	51%	53%	54%

Source: CCC T-Point Purchaser Data N=60,000

INTERIM RESULTS 2017

Summary of results



VOLUME		SHARE	FINANCIALS		
VOLUME -5.6%	CORPORATE SHARE +30bps	ADJUSTED REVENUE +2.5%	ADJUSTED PROFIT +3.2%	ADJUSTED EPS +6.2%	
GDB VOLUME -1.3%	GDB SHARE +50bps	constant currency	constant currency	constant currency	

➤ Confident of another good year of constant currency earnings growth



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Cigarette volumes by region HY 2017

Region	Billions		
	2017	2016	% change
Asia Pacific	95	105	-9.8
Americas	53	56	-6.5
Western Europe	58	57	+0.7
Eastern Europe, Middle East and Africa	108	114	-4.6
Group	314	332	-5.6

Adjusted Revenue by region HY 2017

Region	£m		
	2017	2016	% change
Asia Pacific	2,191	1,987	+10.3
Americas	1,545	1,297	+19.1
Western Europe	1,961	1,729	+13.4
Eastern Europe, Middle East and Africa	1,951	1,656	+17.8
Group	7,648	6,669	+14.7

All numbers as reported

INTERIM RESULTS 2017

Adjusted profit from operations HY 2017

Region	£m		
	2017	2016	% change
Asia Pacific	871	761	+14.4
Americas	616	536	+14.8
Western Europe	689	590	+16.8
Eastern Europe, Middle East and Africa	665	565	+17.7
Group	2,841	2,452	+15.8

All numbers as reported

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Foreign currencies

	Average		Closing	
	2017	2016	2017	2016
Australian dollar	1.670	1.954	1.693	1.795
Brazilian real	4.006	5.308	4.304	4.283
Canadian dollar	1.681	1.907	1.687	1.736
Euro	1.163	1.284	1.139	1.203
Indian rupee	82.766	96.300	83.961	90.227
Japanese yen	141.509	159.892	145.950	137.142
Russian rouble	73.005	100.639	76.987	85.391
South African rand	16.632	22.075	17.019	19.577
US dollar	1.260	1.433	1.299	1.337