



BRITISH AMERICAN
TOBACCO

Investor Day | 14 March 2019



BRITISH AMERICAN
TOBACCO

ACCELERATING GROWTH IN THE NEW NICOTINE WORLD

KINGSLEY WHEATON | CHIEF MARKETING OFFICER

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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 15 March 2019 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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All financial statements and financial information provided by or with respect to the US or Reynolds American Inc. ("RAI") are initially prepared on the basis of U.S. GAAP and constitute the primary financial statements or financial records of the US business/RAI. This financial information is then converted to International Financial Reporting Standards as issued by the IASB and as adopted by the European Union (IFRS) for the purpose of consolidation within the results of the BAT Group. To the extent any such financial information provided in this presentation relates to the US or RAI it is provided as an explanation of, or supplement to, RAI's primary U.S. GAAP based financial statements and information.

Our vapour product Vuse, and oral products Grizzly, Camel Snus and Kodiak, which are only sold in the US, are subject to FDA regulation and no reduced-risk claims will be made to these products without agency clearance.

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.

KINGSLEY WHEATON

CHIEF MARKETING OFFICER



BRITISH AMERICAN
TOBACCO

23 Yrs
BAT

Europe
Middle East
Americas
Africa

General
Manager
Russia

MANAGEMENT BOARD SINCE 2012

Director
Corporate &
Regulatory
Affairs

Director
Next
Generation
Products

Regional
Director
AMSSA



Key Messages

Driving value from combustibles as we continue to outperform the industry

The tobacco & nicotine industry is growing & fragmenting

Powerful consumer insights inform our multi-category strategy

A step-change in New Categories - both pipeline & building global brands

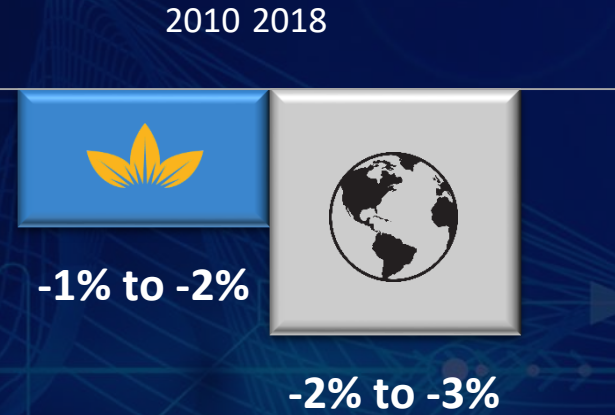
Ambition for revenue growth: mid/upper-end of our range

Strong Historical Performance

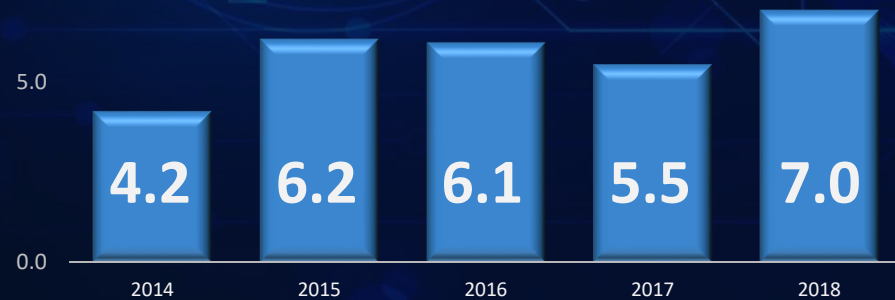
SHARE



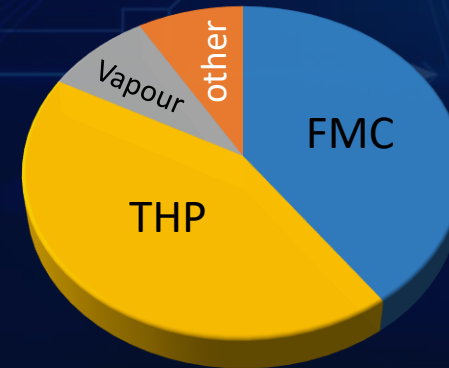
VOLUME



PRICE MIX %



REVENUE



Source of
BAT Revenue
Growth 2018

Key Market offtake share: as independently measured by retail audit agencies (including Nielsen), shipment share estimates, and share of retail for the US business, based upon the latest available validated data

Source: Internal Data T40 Markets (volume and Revenue)
Price Mix: Group Headline Organic @ Constant FX

Built On Outstanding Capabilities & Global Reach



11mn

OUTLETS
REACHED

150mn

CONSUMERS
DAILY



30

PRRP MARKETS

8mn

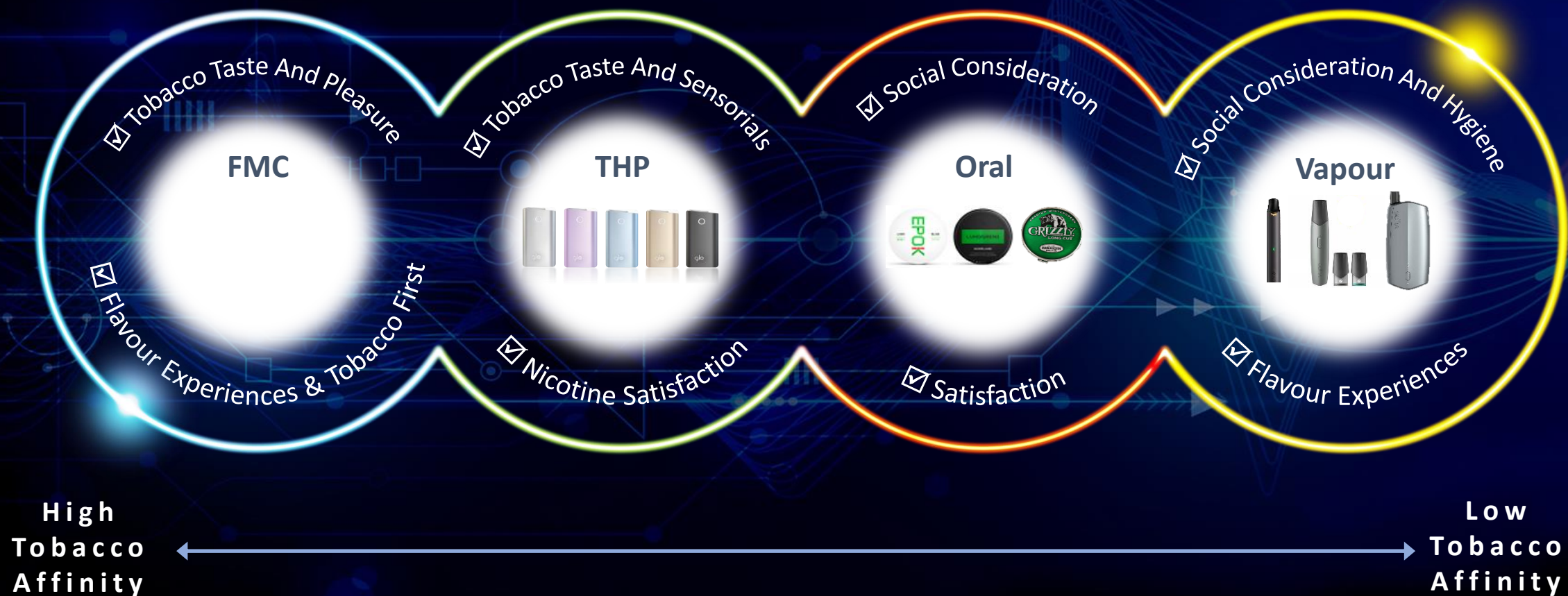
PRRP CONSUMERS



Source: Internal Data

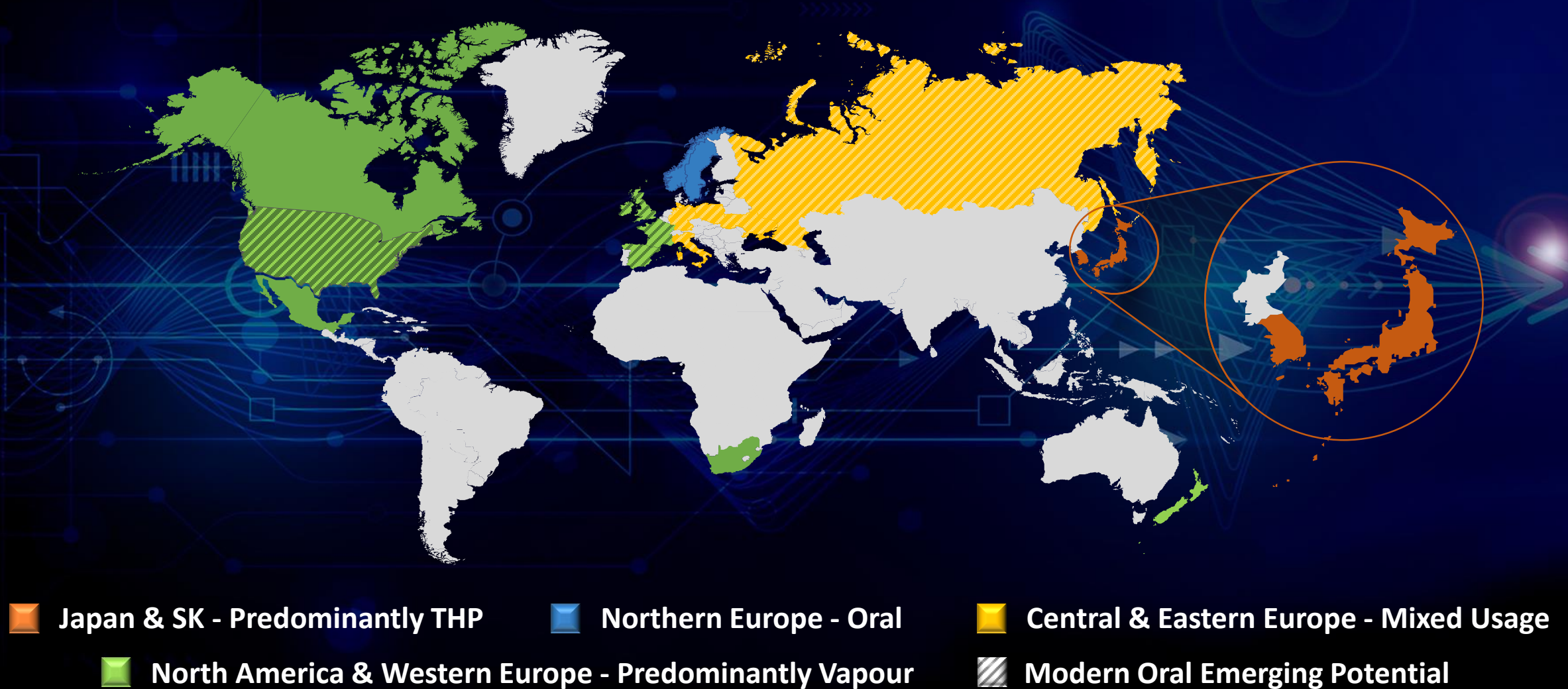
ACCELERATING DELIVERY

Diverse Consumers, Differing Needs



Our Ambition is Leadership

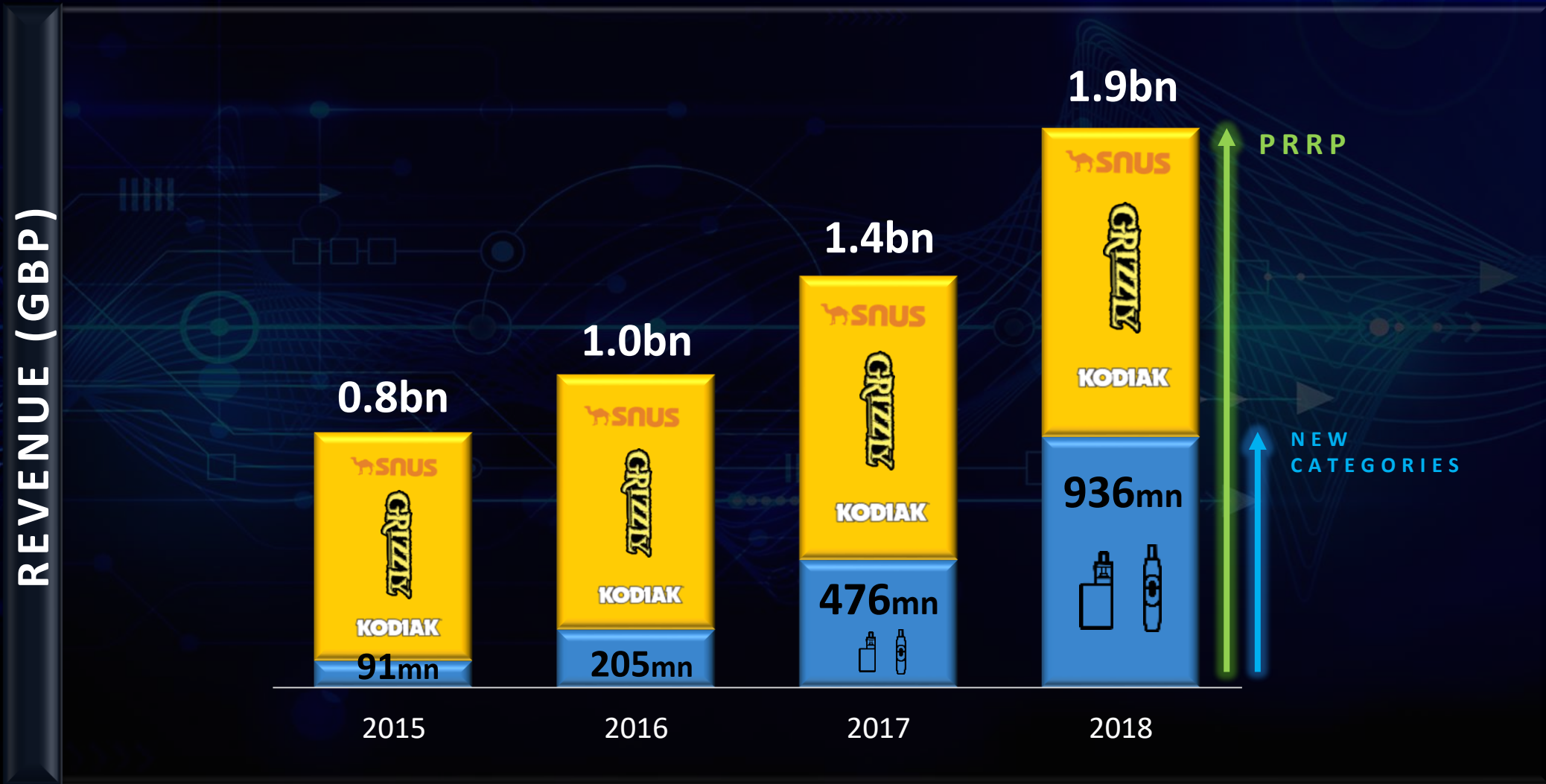
With a Clear View on Where to Win



Source: Kantar & Internal Forecasts

ACCELERATING DELIVERY

PRRP ~£2bn, New Categories Approaching £1Bn in 4 Years



Group Revenue Presented on a representative basis as though the group has owned the acquisitions made in 2017 for the whole period

Source: Internal Sales Data @2018 constant rates

Our Ambition is Leadership

~**20** bps pa

Share of FMC



25-35%

Share of THP



12-18%

Share of Vapour



>50%

Share of Modern Oral

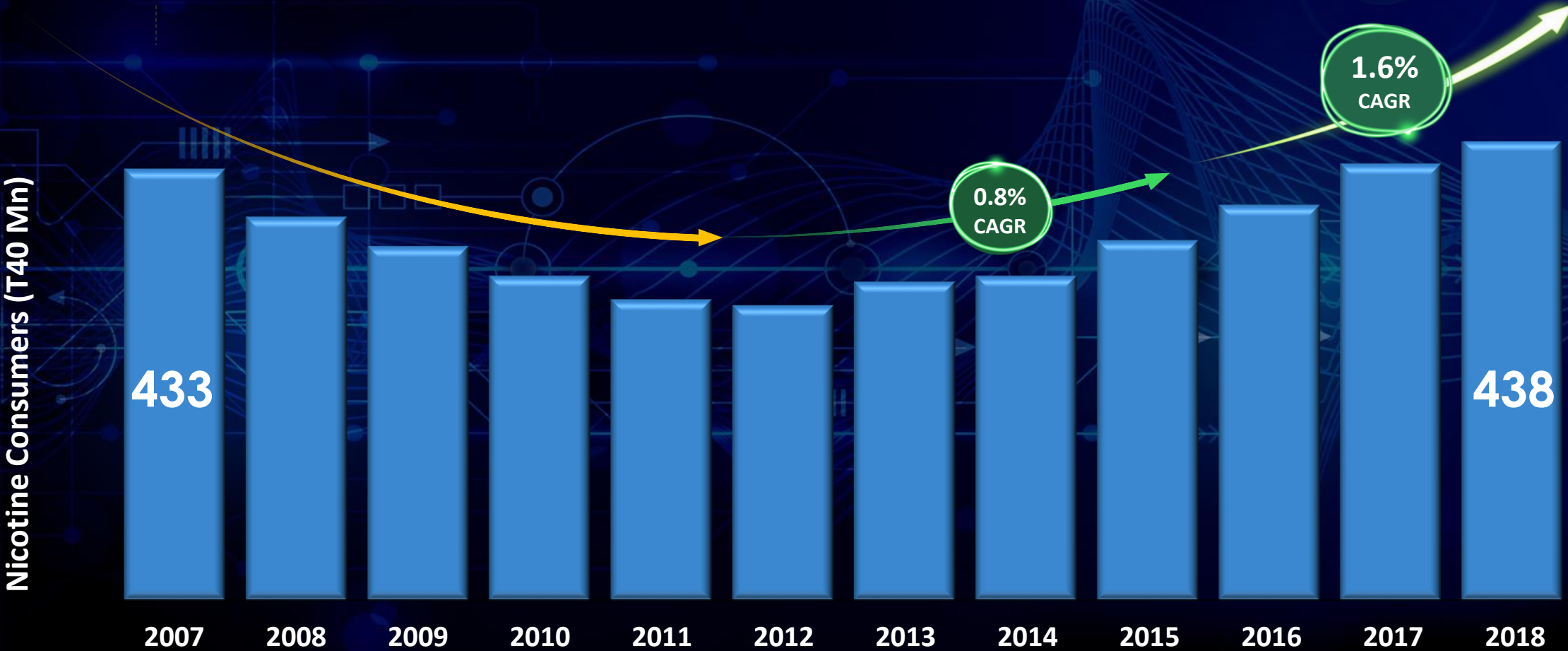


Source Internal Estimate: 2023/24. Share refers to Global Value Share.



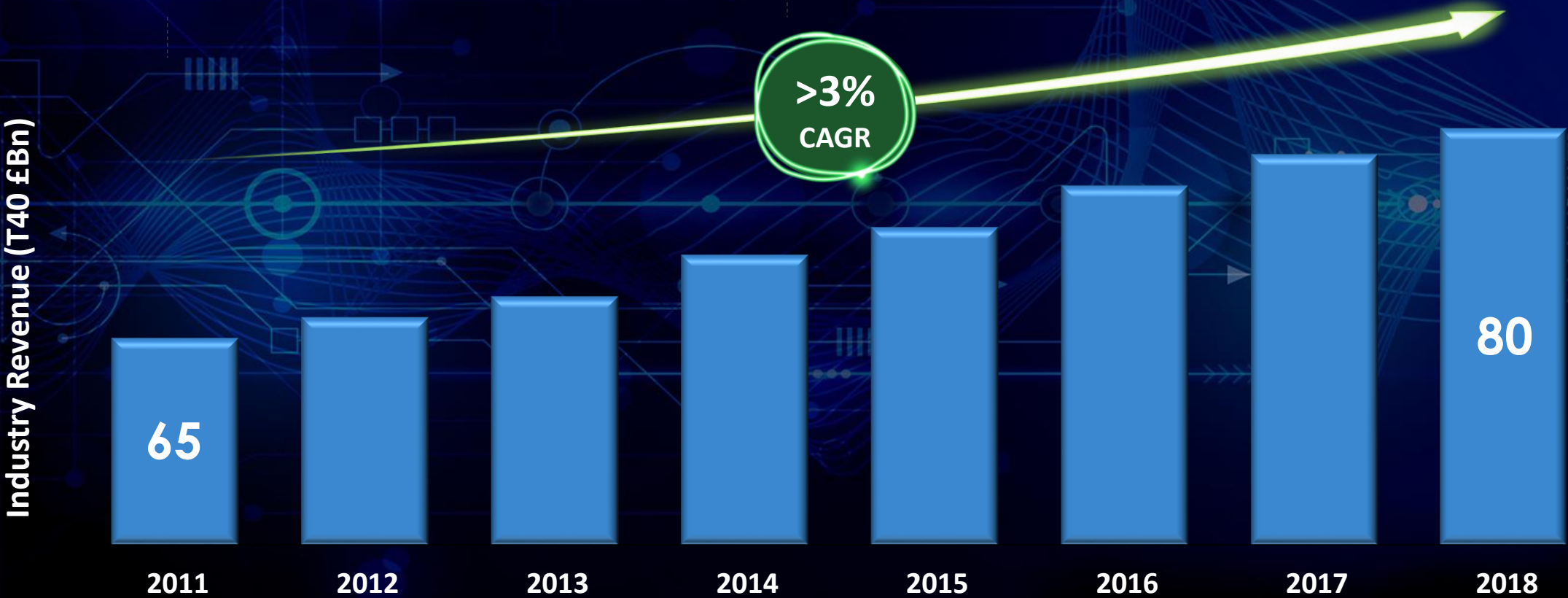
DYNAMICS OF THE NEW NICOTINE WORLD

Tobacco & Nicotine Consumers in Growth



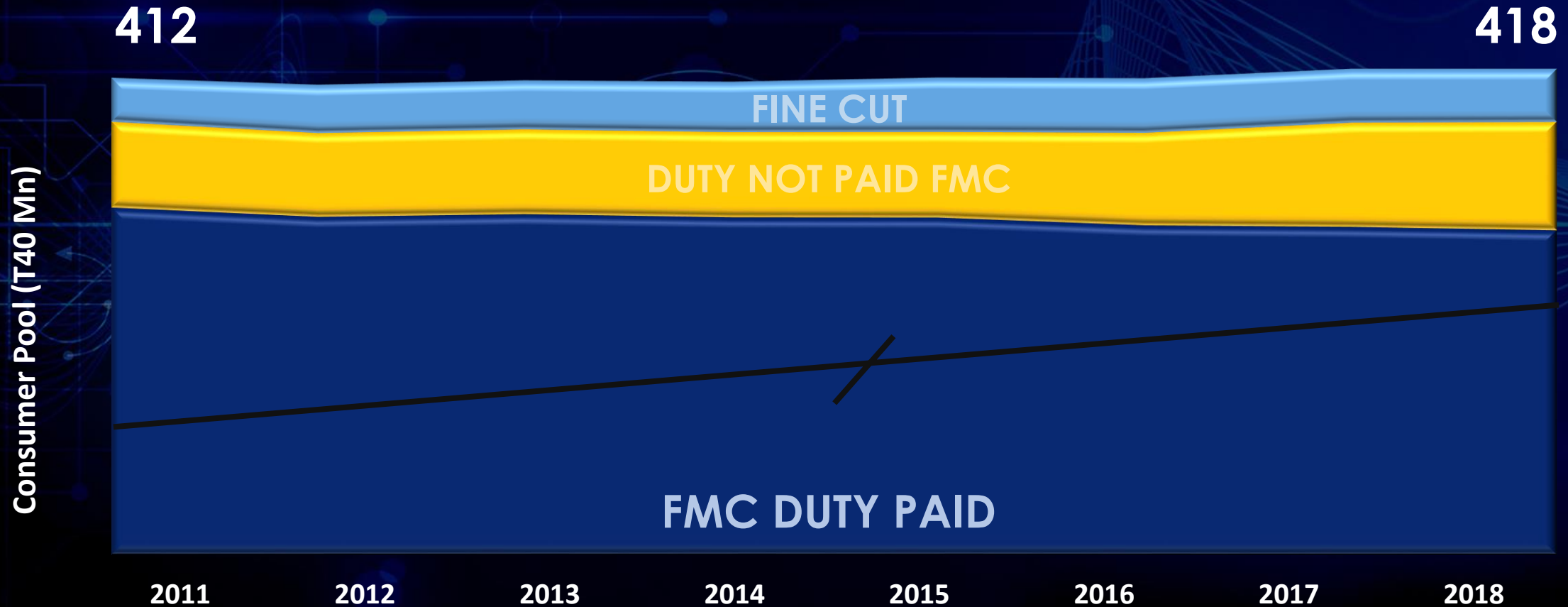
Source: T40 Incidence Study & BAT Internal Estimates

Tobacco & Nicotine Value is Growing



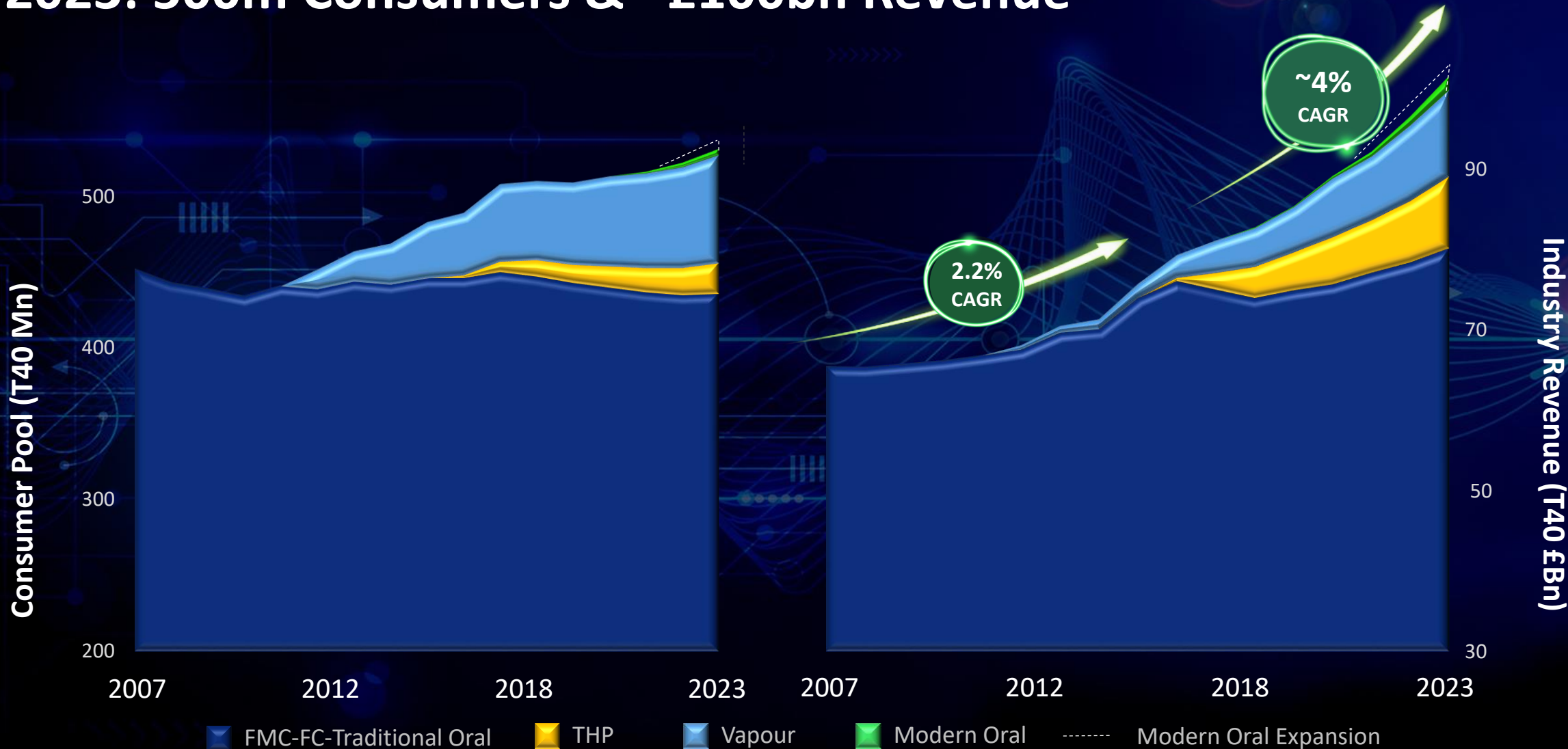
Source: T40 Incidence Study & BAT Internal Estimates

Combustible: Consumer Base Broadly Stable



Source: T40 Incidence Study & BAT Internal Estimates

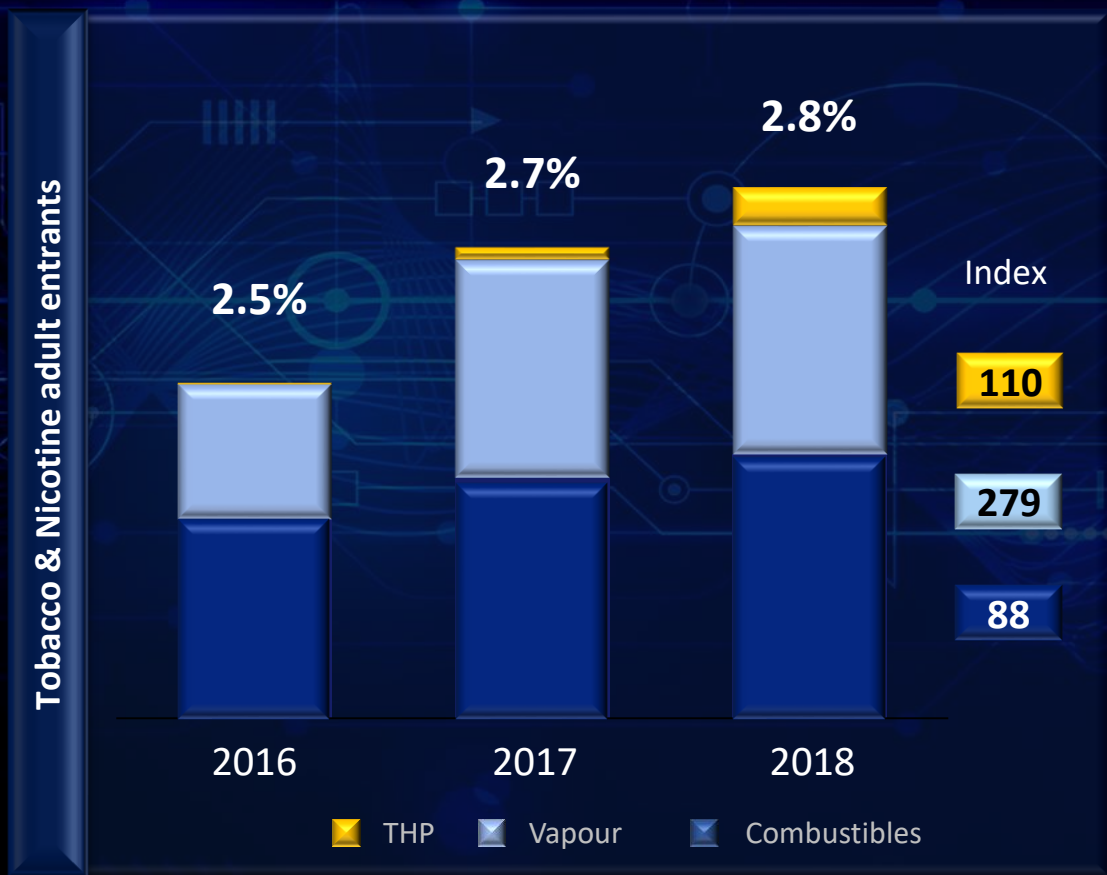
2023: 500m Consumers & ~£100bn Revenue



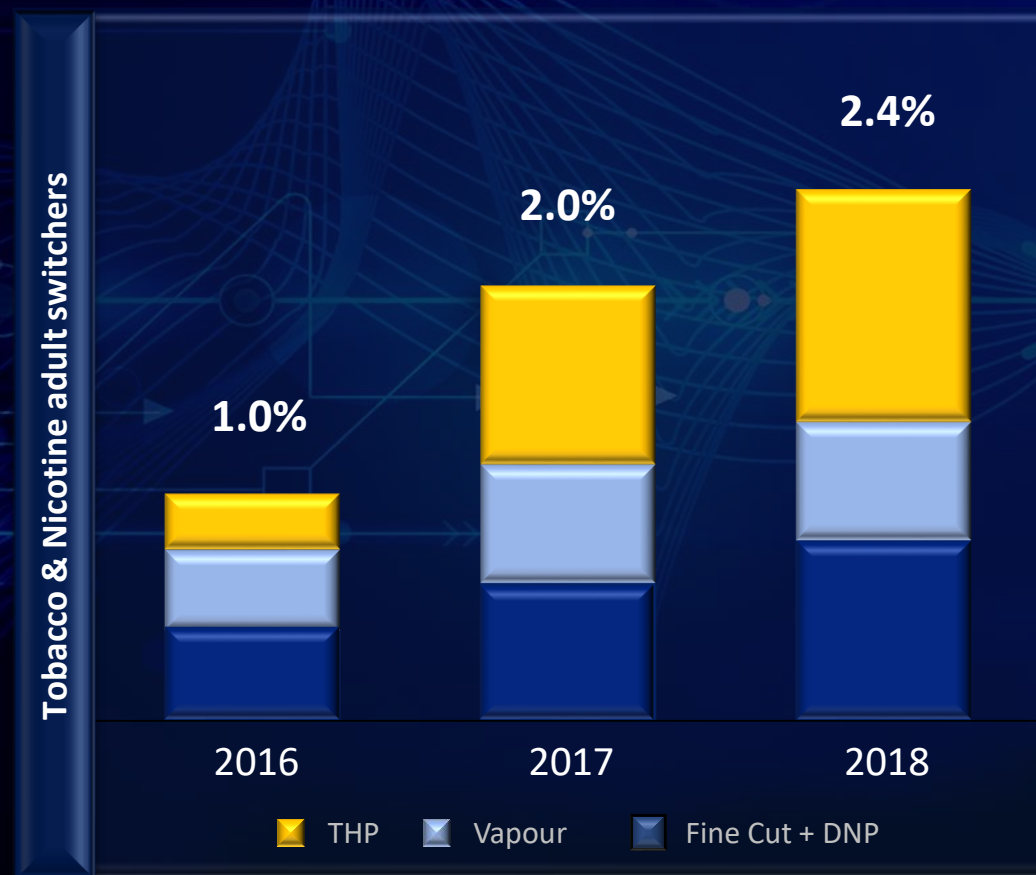
Source: T40 Incidence Study & BAT Internal Estimates

Dynamics of Vapour & THP Differ

Vapour over-indexes entrants



THP driven by switchers



Source: Incidence Study and Consumer Tracker Study

Compelling New Category Gross Margins

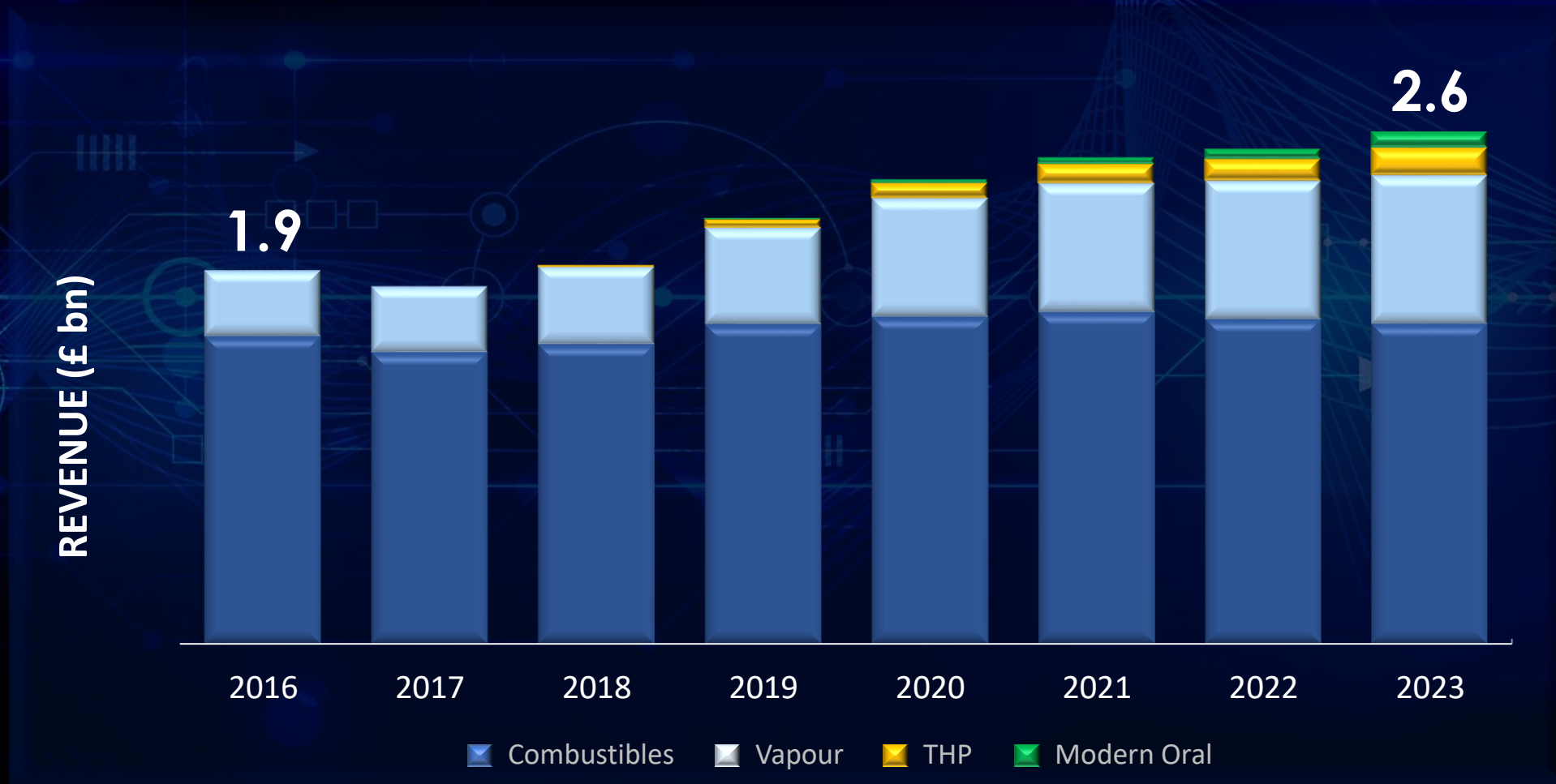
Category Gross Margin % of Revenue*
Excluding Devices

	2017	2018	Projection
FMC	64%	65%	+ ve
THP Consumables	83%	81%	- ve
VAPING Consumables	29%	42%	+++ ve
MODERN ORAL	59%	66%	++ ve
TRADITIONAL ORAL	75%	78%	+ ve
PRRPs	67%	72%	+ ve
Average GM > FMC			

* Adjusted, representative and constant rate basis. See Appendix, notes A1, A2 and A3.

Source: Internal Data

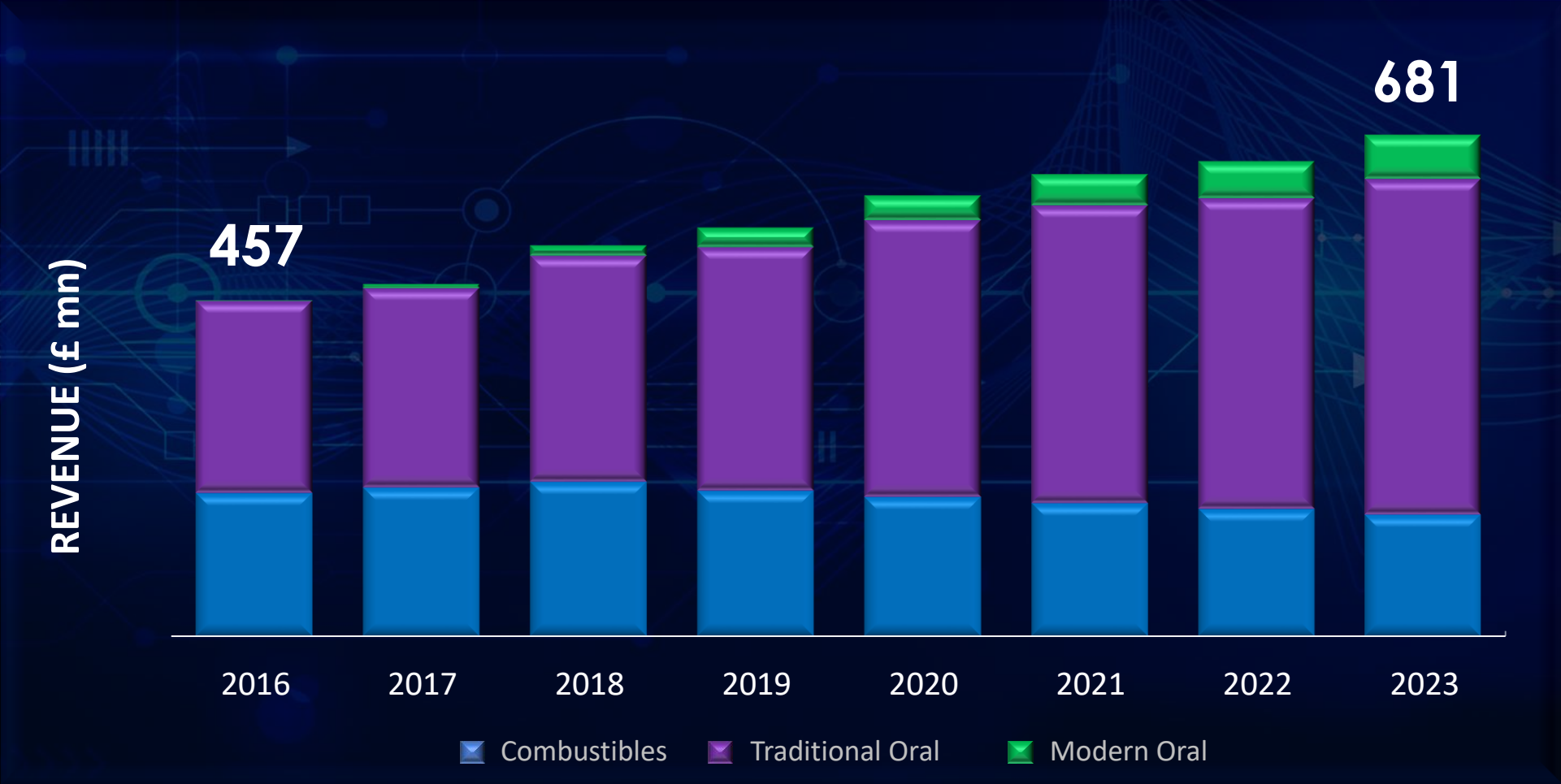
UK: Total Nicotine Revenue Accelerating



2019-2023 Estimates on a constant currency basis

Source: Incidence Study & BAT Internal Estimates

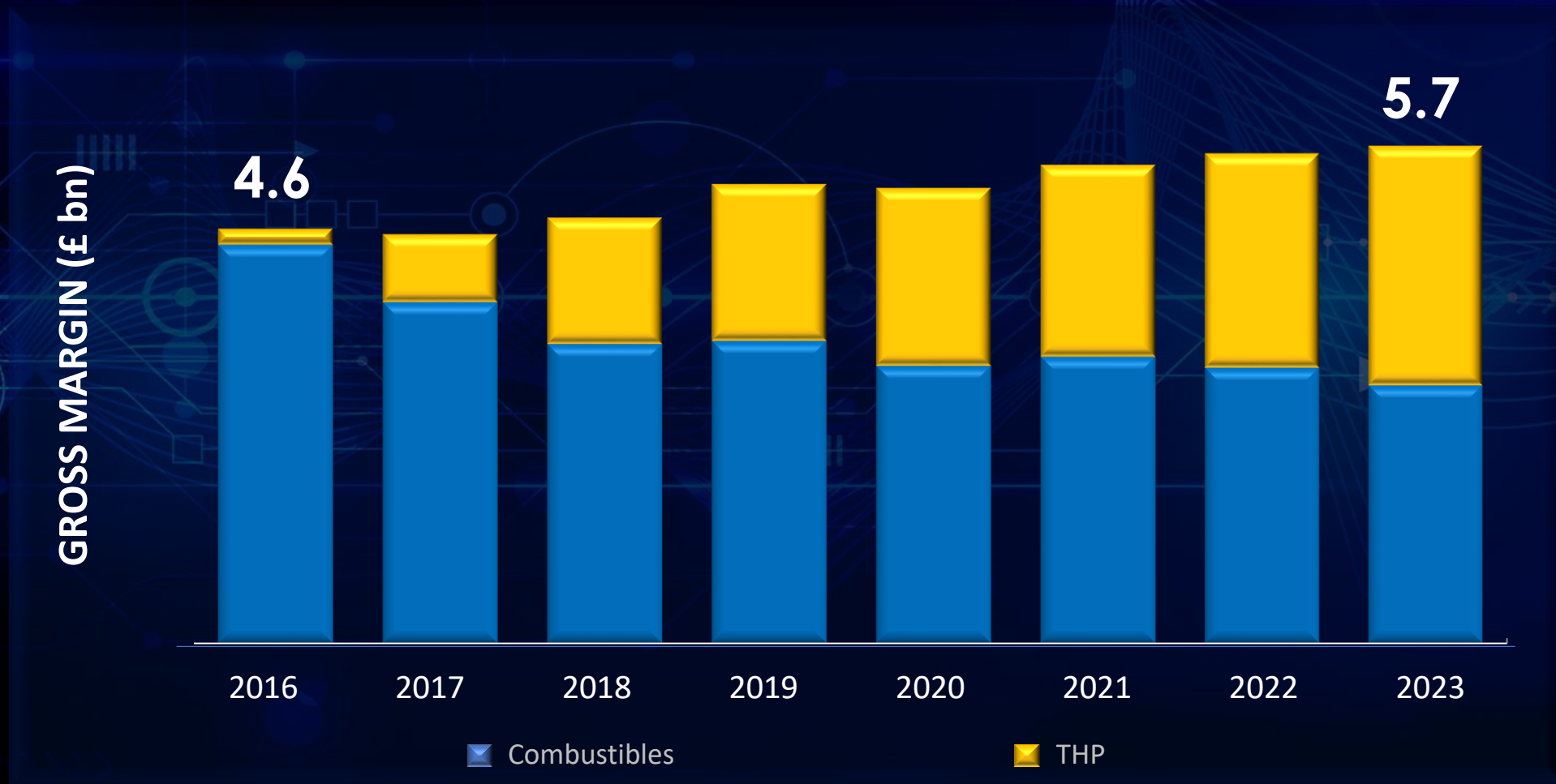
Sweden: Total Nicotine Revenue Accelerating



2019-2023 Estimates on a constant currency basis

Source: Incidence Study & BAT Internal Estimates

Japan: Industry Margin set to Grow



2019-2023 Estimates on a constant currency basis

Source: Incidence Study & BAT Internal Estimates

Story so far

Track record of
Delivering

Founded in
**Reach &
Capabilities**

Consumer Base
**Growing &
Fragmentating**

BAT Price Mix
Average
5.8%

Industry Revenue
Accelerates to
~4% CAGR

New Category
Gross Margin
Accretive

~£100bn
Industry Revenue
Est 2023

Source: BAT Internal Data & Estimates T40 Markets

Our Marketing Mission

CREATING A BETTER TOMORROW

*Delivering pleasure through
rewarding consumer experiences;
powered by leading-edge innovation,
technology and dynamic brands.*

Marketing 2.0

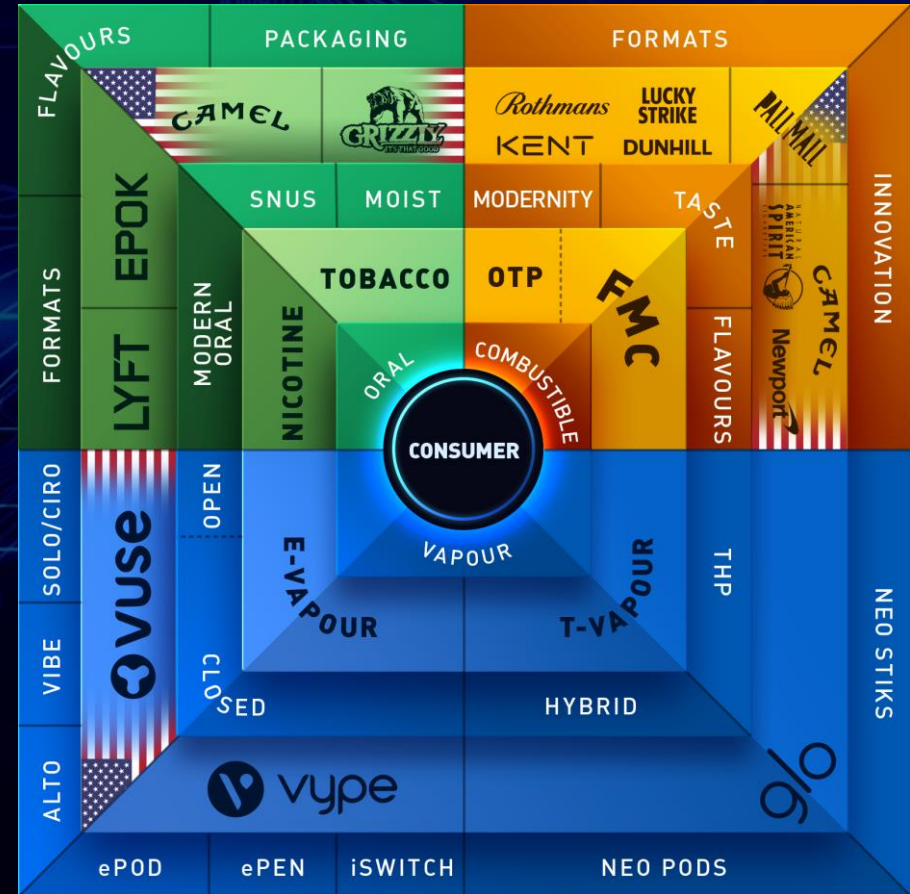


Portfolio Eco-System, Inspired by Insights

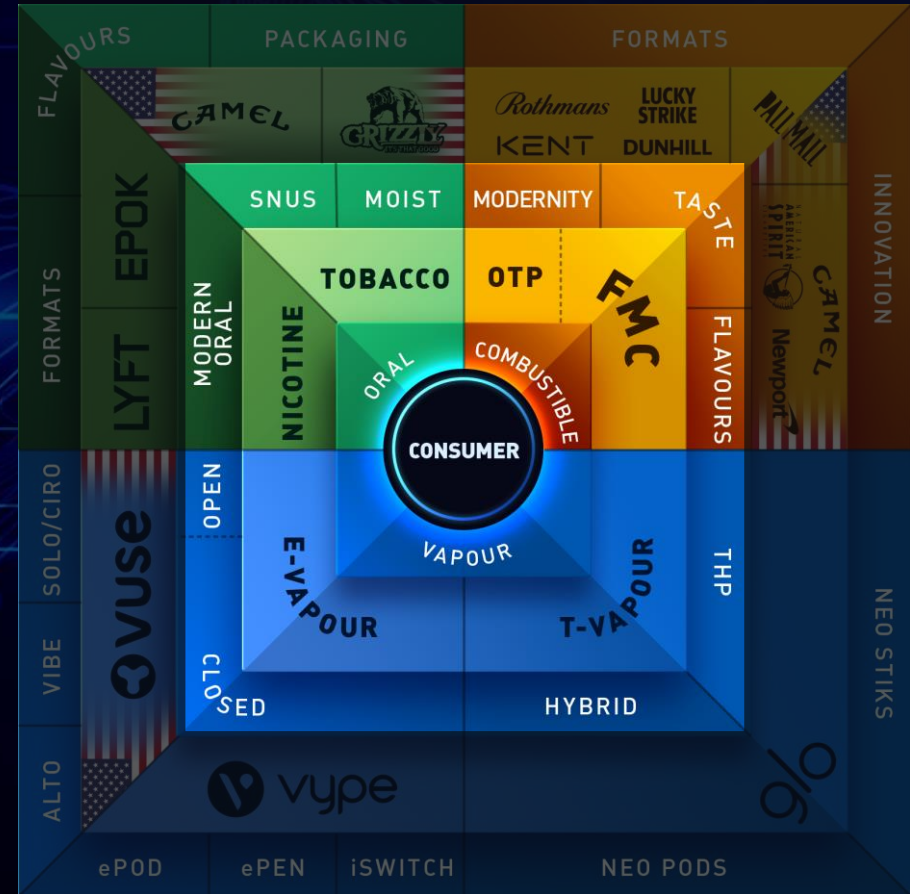
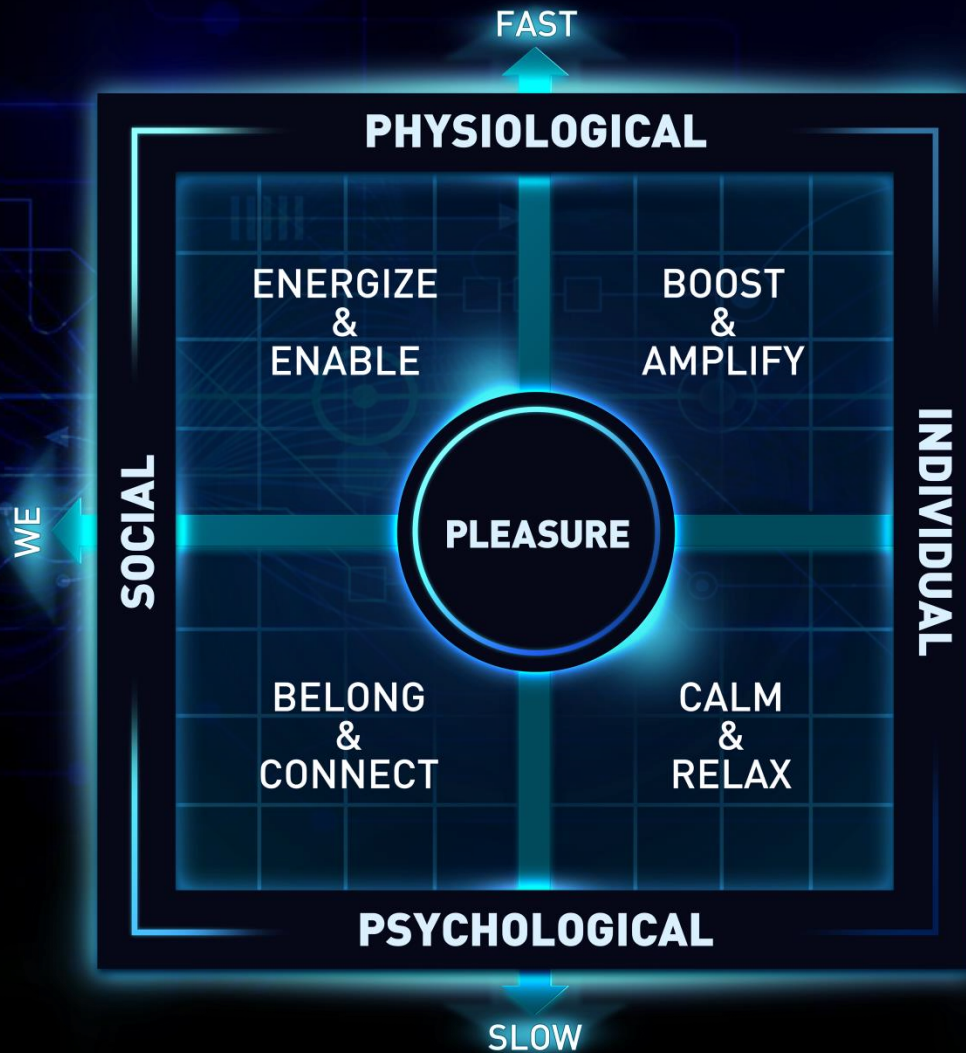


PRISM

Proprietary Intelligence
Segmentation Methodology



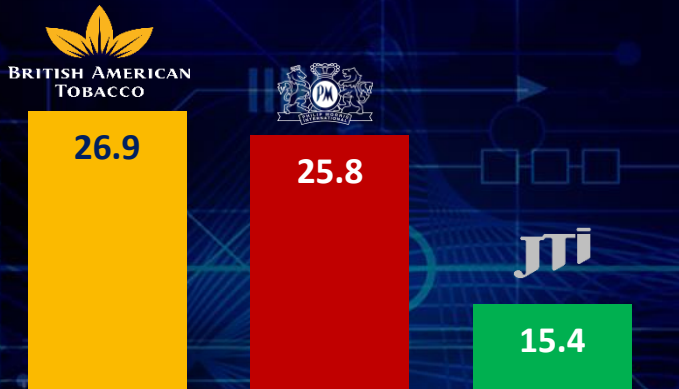
Consumer Pleasure Drivers Inspire Primary Choices



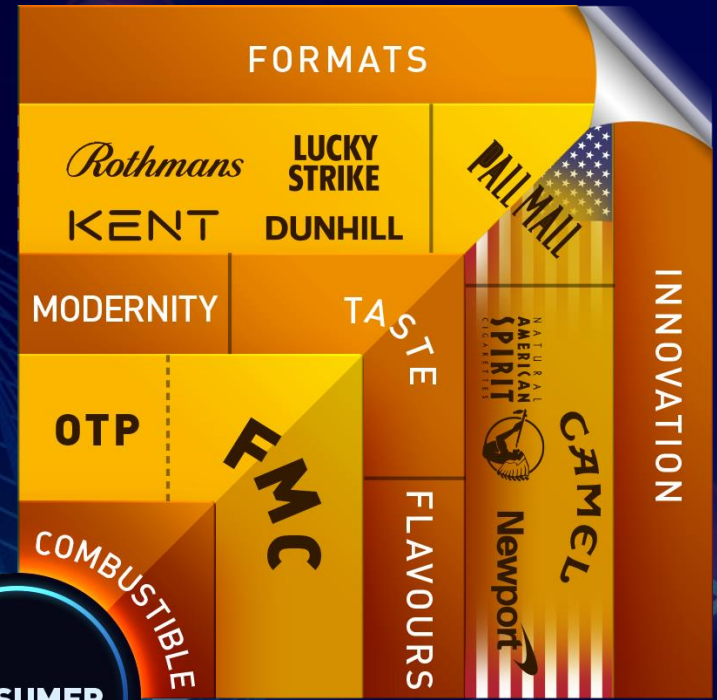
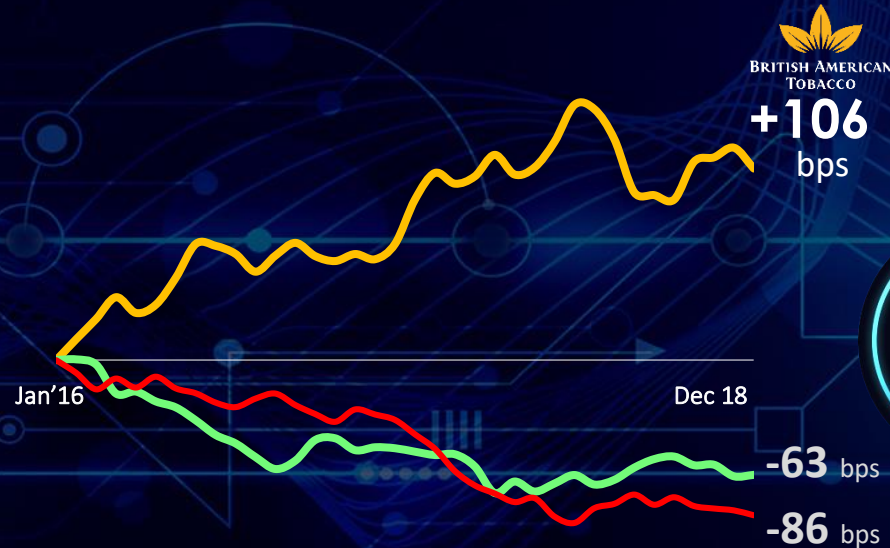
Source: KANTAR and BAT Proprietary Methodology

Combustible Portfolio Drives Growth

SHARE OF MARKET (%) FY'18
(T40 incl US FMC only)



SHARE OF MARKET (%) Jan'16 vs Dec'18
(T40 incl US FMC only)



2018
Brand Revenue



BAT owns the Camel & Natural American Spirit brands only in the US

Source: Group Financials @ 2018 Constant FX Rate. Share: T40 Nielsen and Internal Estimates

STRONGER
EUROPEAN
POSITIONS

DEVICE &
CONSUMABLE
PIPELINE

JAPAN
MARKET
SHARE
GROWTH

KEY PRIORITIES

BRAND
BUILDING

CONSUMER

Accelerating Our T-Vapour Journey

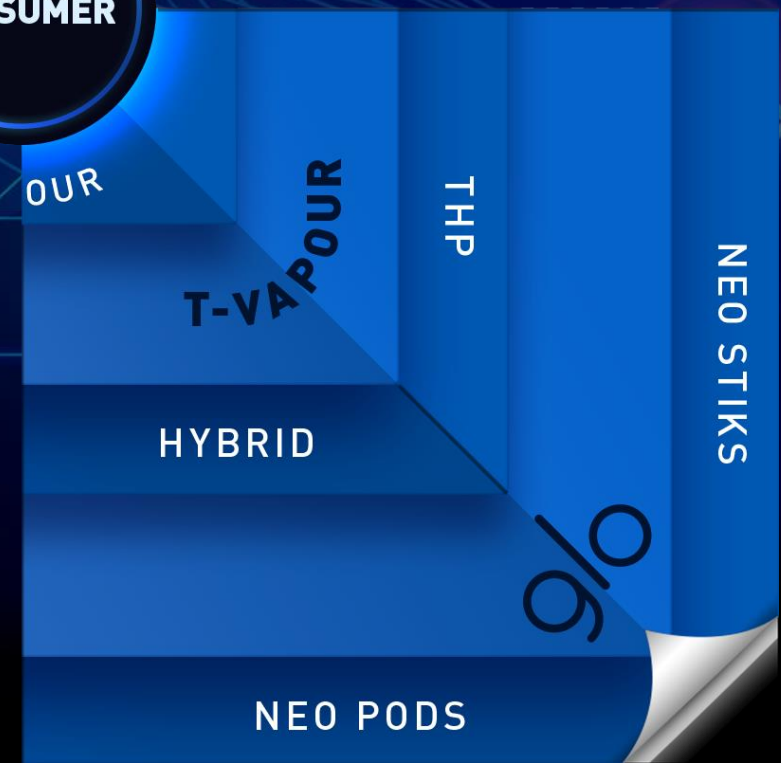
INDUSTRY
LEADING
CONSUMABLES

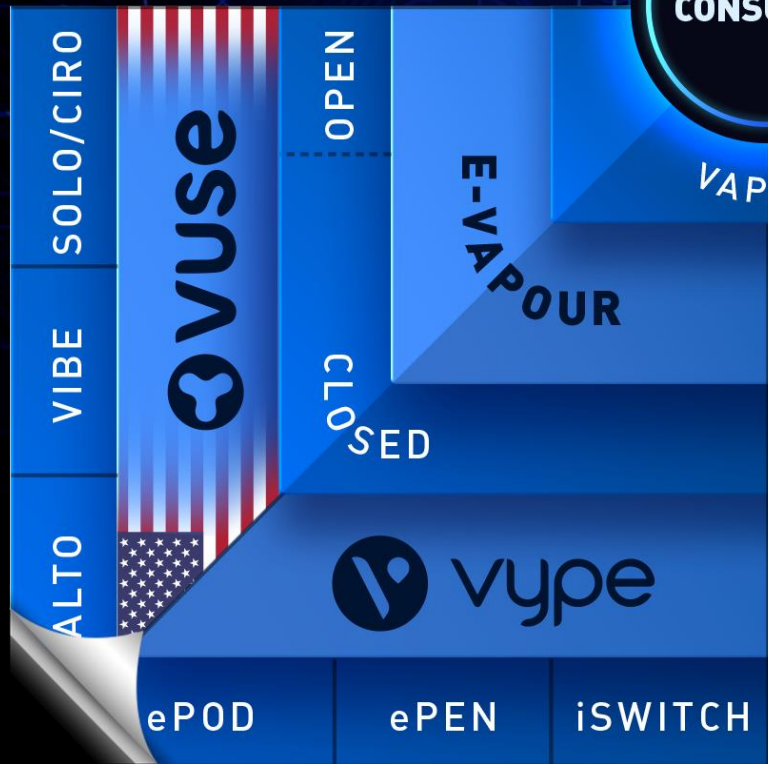
CORPORATE STRENGTHS

LEADING
AMONG
CONSIDERATES*

CAPSULE
INNOVATION

BLEND
SENSORY
PERFORMANCE





CONSUMER

REGAIN USA LEADERSHIP

ACCELERATE IN EUROPE & CANADA

RAPID INNOVATION DEPLOYMENT

BRAND BUILDING

Accelerating Our Must-Win E-Vapour Markets

KEY PRIORITIES

NO 1 IN UK & FRANCE*

CORPORATE STRENGTHS

US SCALE & EXECUTION CAPABILITIES

WINNING CLOSED SYSTEM PORTFOLIO

PURETECH BLADE TECHNOLOGY



CONSUMER

CONTINUE
NORDICS
GROWTH

NEW
TEST
MARKETS

LAUNCH
USA

KEY PRIORITIES

BRAND
BUILDING

Accelerating Modern Oral

PRODUCT
SUPERIORITY

CORPORATE STRENGTHS

MARGINS
2 3x
FMC

EXCELLENT
EU US
CAPABILITIES

RAPID
PROGRESS
IN EUROPE



CAPABILITIES TO ACCELERATE GROWTH

Our Digital Marketing Eco-System



Our Digital Transformation is Progressing at Speed

B2B

Retail Engagement & Loyalty

36 markets **6000+** reps



eCommerce

£2.8bn online sales

to trade partners

370k+

mobile orders per month

13 Markets with a

360° View of Consumer



B2C

20mn+ actively engaged consumers in **Leading Markets**

20 markets with direct online sales to consumers

Advanced consumer analytics supporting marketing decision making & investment

Connected devices

Vype & Glo ecosystems



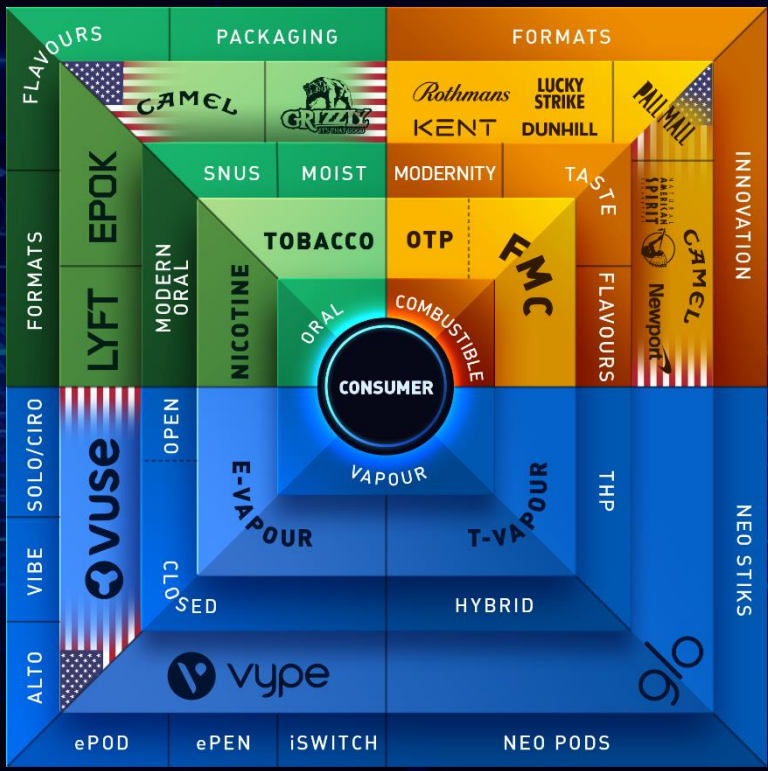
Source: Internal Data



	
GLOBAL PARTNER	

“We’re extremely proud and excited about this new partnership, further enabling us to accelerate the pace at which we innovate and transform ourselves.

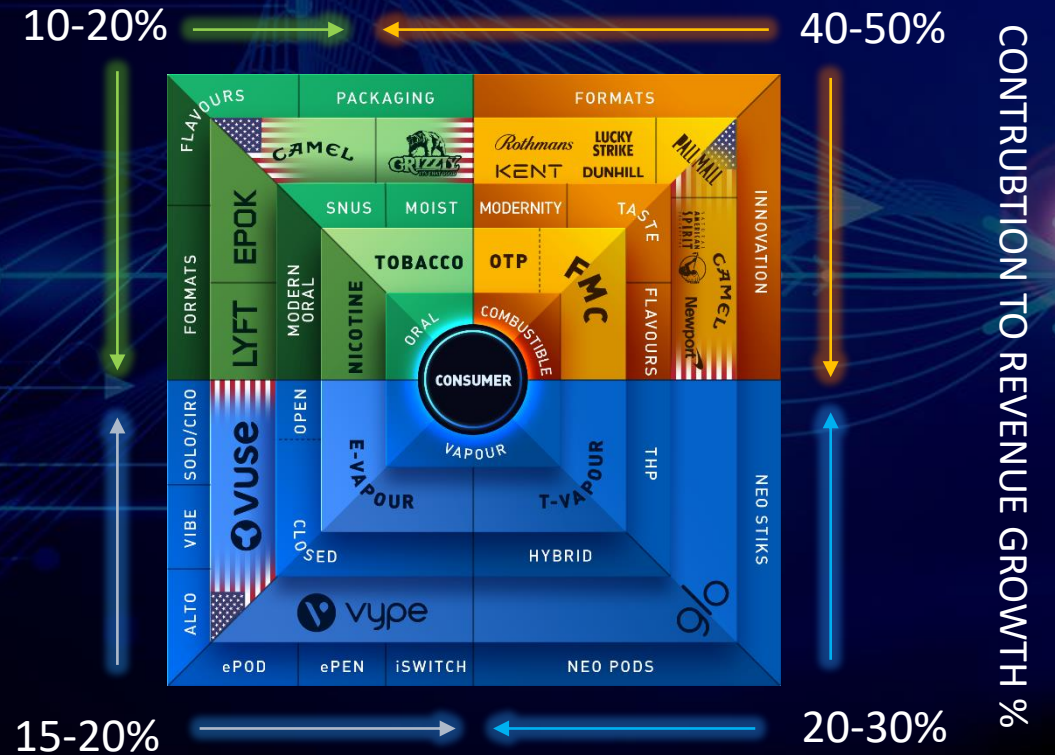
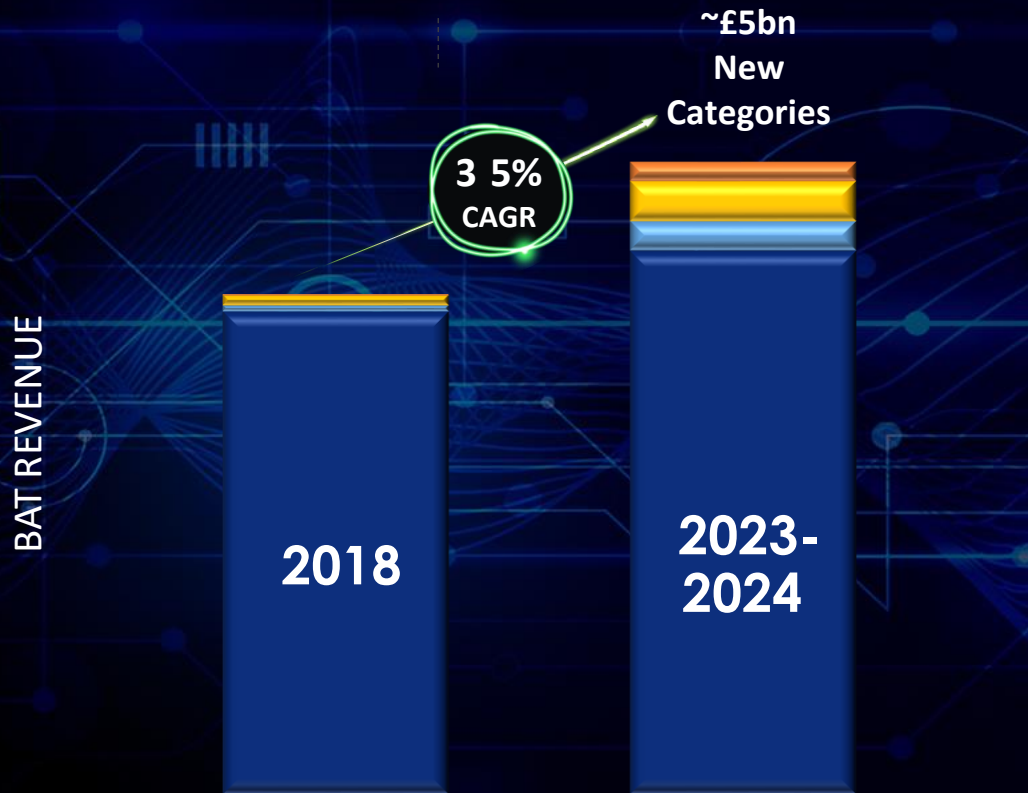
It gives us a truly global platform with which to drive greater resonance of our potentially reduced-risk products.”



CREATING A BETTER TOMORROW

Delivering pleasure through rewarding consumer experiences; powered by leading-edge innovation, technology and dynamic brands.

Strong Revenue Growth at Mid/Upper-End of our Range



■ Combustibles + Traditional Oral
 ■ Vapour
 ■ THP
 ■ Modern Oral

Source: BAT Internal Estimates

Key Messages

Driving value from combustibles as we continue to outperform the industry

The tobacco & nicotine industry is growing & fragmenting

Powerful consumer insights inform our multi-category strategy

A step-change in New Categories - both pipeline & building global brands

Ambition for revenue growth: mid/upper-end of our range



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TOBACCO

THANK YOU

KINGSLEY WHEATON | CHIEF MARKETING OFFICER

Appendix

A1: 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.

A2: Adjusting/Adjusted (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.

A3: 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.