

Chief Executive's Overview

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Tadeu Marroco
Chief Executive



When I was appointed Chief Executive in May 2023, I set out to do two things: bring focus and discipline to the execution of our strategy, and deliver profitable transformation.

Despite a challenging external environment, I believe 2024 was a pivotal year in BAT's transformation with a real focus on investment for future growth.

We set a compelling ambition to be a predominantly Smokeless business by 2035, driven by our refined strategy, and this is already paying dividends.

Our global footprint and multi-category product portfolio have enabled us to continue to deliver resilient performance and value for shareholders – even during uncertain times. This, combined with our inclusive and delivery-focused culture, means we can achieve results today while pursuing future opportunities, reinforcing our commitment to enhance shareholder returns.

The foundations we have in place are strong. Looking ahead, strategic delivery and deployment are where we will focus our efforts to create A Better Tomorrow™.

Full-Year 2024 Performance

Despite a challenging environment, the resilience of BAT was reflected in our 2024 performance. Our focus on investment throughout the year is evident, with delivery in line with our guidance. Total Group revenue declined by 5.2%, largely due to the negative impact of the sale of our businesses in Russia and Belarus, partway through 2023 (and which, in turn, had an impact on 2024) and a translational currency headwind.

We continued to perform well in both AME and APMEA, growing total revenue (excluding Russia and Belarus and foreign exchange). I am pleased with the acceleration of our performance in the second half of the year, driven by the phasing of New Categories innovation and the benefits of investment in U.S. commercial actions, together with the unwind of related wholesaler inventory movements.

In the U.S., I am encouraged that our investment approach is strengthening our business, despite a challenging macro-economic backdrop and the continued prevalence of illicit single-use nicotine products. Through our commercial actions, we are confident we can further improve our performance through sharper execution and by opening up untapped growth opportunities, particularly related to Modern Oral.

Our New Categories delivered another strong performance, after achieving profitability (at a category contribution level) two years ahead of plan last year. In 2024, New Category contribution was £249 million, with category contribution reaching 7.1 ppts. Revenue from our Smokeless products accounted for 17.5% of Group revenue.

2024 also saw further progress towards an agreement regarding the ongoing litigation in Canada. I am pleased that there appears to be a pathway to an agreement of all parties which we believe will enable the Group to continue to transform in this important market.

While the headwinds in our operating environment remain, I am assured by the strength demonstrated by the business. However, the prospect of ongoing volatility gives us even more impetus for sharper strategic focus and delivery.

A Refined Strategy

I believe we have the right strategy to drive us forward to greater success. 2024 was an investment year, paving the way towards our ambition. The direction of travel is clear, and execution and cultural transformation are where we are focusing.

One of my highlights of 2024 was leading our Capital Markets Day in Southampton, where my Management Board showcased the progress made against priority areas for the business. From achieving profitability of our New Categories business two years ahead of schedule to improving our financial flexibility and strong cash generation, it is evident that our strategy is working.



The future is bright for BAT. I am excited about the difference we can make, and the potential we have to Build a Smokeless World and drive A Better Tomorrow™.

Quality Growth

As the driving force behind our transformation, our Quality Growth pillar is about how we innovate, transition into the future, and deliver great products in a sustainable way for consumers.

With a more balanced focus on top-line and bottom-line delivery, we are already seeing results in AME and APMEA. Meanwhile, our investments in the U.S. have put us on a stable footing which will enable us to replicate that success. Despite recent challenges, the U.S. remains the most profitable tobacco and nicotine market in the world and I believe it will be the cornerstone of our future growth.

We will maximise our growth potential by focusing on brands, efficiency and margin delivery across our business. At the same time, we will continue to build and maintain our competitive edge, while progressing our Beyond Nicotine portfolio and investments with an eye to medium- and long-term growth.

Effective regulation, both in the U.S. and the rest of the world, will be pivotal to ensure a level playing field and to allow consumers to switch to Smokeless alternatives if they choose. Our long track record of managing regulatory change gives us confidence that we will be able to navigate these issues.

Our new Chief Financial Officer, Soraya Benchikh, and I will be working closely together to build on our financial foundation. We will also continue our disciplined approach, with a focus on capital allocation and debt management. With a leverage ratio of 2.44x, inside our narrowed leverage target range of 2.0-2.5x adjusted net debt to adjusted EBITDA, we have increasing flexibility to deliver sustainable value, while remaining agile to respond to macro-economic and regulatory developments.

As part of our active capital allocation, in March we announced a £1.6 billion share buy-back programme, consisting of £700 million in 2024 and £900 million in 2025. This, in addition to maintaining a growing dividend, reflects our commitment to enhancing shareholder returns.

Ensuring that BAT is a diverse, inclusive and people-oriented place to work is another core part of the Dynamic Business pillar. I am truly proud of the culture we have built and the thousands of people across the globe who are bringing BAT's ambitions to life.

Looking Ahead with Confidence

What is clear to me is that our refined strategy is right and the foundations we're building upon are firm.

We are transparent about our intention to move our business beyond cigarettes by migrating adult smokers from cigarettes to Smokeless products.

What we won't do is shy away from the challenges that may come as a result. An example of this in 2024 was the launch of our new industry-leading ambitions for our Vapour devices and liquids, supported by evidence-based solutions, to tackle some of the most pressing societal concerns. We are actively engaging with stakeholders, and investing heavily in our science, innovation and resource to enable us to execute with precision and achieve high quality, long-term growth – with sustainability and integrity throughout.

Our transformation journey is well underway, and we are an organisation ready to deliver, with operational excellence and improving capital allocation flexibility for the benefit of all stakeholders.

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Another highlight for me this year was the launch of Omni™, a dedicated resource created by BAT specifically for scientists, public health authorities, regulators, policy makers and investors. It articulates our progress towards A Smokeless World, and demonstrates how science, innovation and over a decade's worth of evidence can combine to achieve it.

None of this would be possible without the 48,000+ talented people who work at BAT, who are guided by BAT's core values every day.

The truly inclusive culture we are building will ensure we have the talent to deliver both now and in the future. Further details on our new people strategy and culture transformation can be found on pages 28–29.

Our refined strategy is now embedded across the business, and it is fundamentally built upon three pillars: Quality Growth, Sustainable Future and Dynamic Business. Together they form a roadmap which we believe will enable BAT to continue to grow and transform sustainably, responsibly and successfully.

Sustainable Future

The Sustainable Future pillar is crucial to achieving our goal of creating A Better Tomorrow™ by Building a Smokeless World.

It emphasises our investment in the quality of our Smokeless products – driven by science, and our commitment to further external engagement and advocacy, including with regulators, to make our purpose a reality.

Sustainability and integrity remain a priority in everything we do as we work to provide more adult consumers around the world with access to Smokeless products responsibly.

Dynamic Business

Building further on BAT's success, the Dynamic Business pillar reflects our commitment to ensuring the business operates efficiently and effectively across all areas.

This will be achieved by creating financial flexibility to invest in our people, our products and to maximise shareholder returns.

Notes:

- Please refer to page 395 of the Annual Report and Form 20-F 2024 for the Non-GAAP measures definitions.
- * Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.
- † Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.