

Building a Smokeless World

Insights & Foresights

Julian Prynne, Group Head of Consumer
Insights & Foresights

Capital
Markets
Day

2024

Why start by talking about consumer insights?

- Core to the strategy & the starting point for marketing & innovation
- Traditional BAT strength, even more valuable in today's context
- Now significantly enhanced capabilities, fuelled by a decade of multi-category experience
- Clearer more actionable consumer briefs for R&D & category teams

Already driving better outcomes

Improved innovations pipeline, better pre-test results & early launch performance



BAT has always had strong consumer insights in its DNA

Yesterday GDBs portfolio strategy



Powered by
Combustibles Insights

Today Multi-Category strategy



Powered by
Cross-category Insights

... to offer consumers the best range of choices

Insights capabilities now an even bigger advantage with multi-categories

Different preferences in markets & segments

- **HP** oriented Markets (JPN, HUN)
- **Vapour** oriented Markets (UK, NZ, AUS, BEL, CAN, FRA, KSA, MYS)
- **MO** oriented Markets (SWE)
- **Vapour** and **HP** oriented Markets (CZE, ITA, POL, SK, ESP, GRC)
- **Vapour** and **MO** oriented Markets (DNK, USA)
- **Vapour** and **HP** and **MO** oriented Markets (CHE)

Increasing total poly-use* (2x in last 4yrs)

Category insights have relevance beyond

Examples:

- Flavour evolutions**
- Evolving needs**
- Omni™ THR impact**
- Simplicity & ease of use**

Deep insights through BAT's multi-category experience

* See definitions of different types of poly-use at Appendix A8. BAT is clear that smokers should not delay making a complete switch.

Modernised insights tools now better equipped for multi-category understanding

Segmentation

Understand & prioritise consumer groups

- Total poly-use* & future oriented
- Modern vs. Traditional



Consumer labs

Direct authentic consumer interactions

- Co-creation
- Early innovation testing
- Consumer journeys



Digital track

Real-time trends & performance

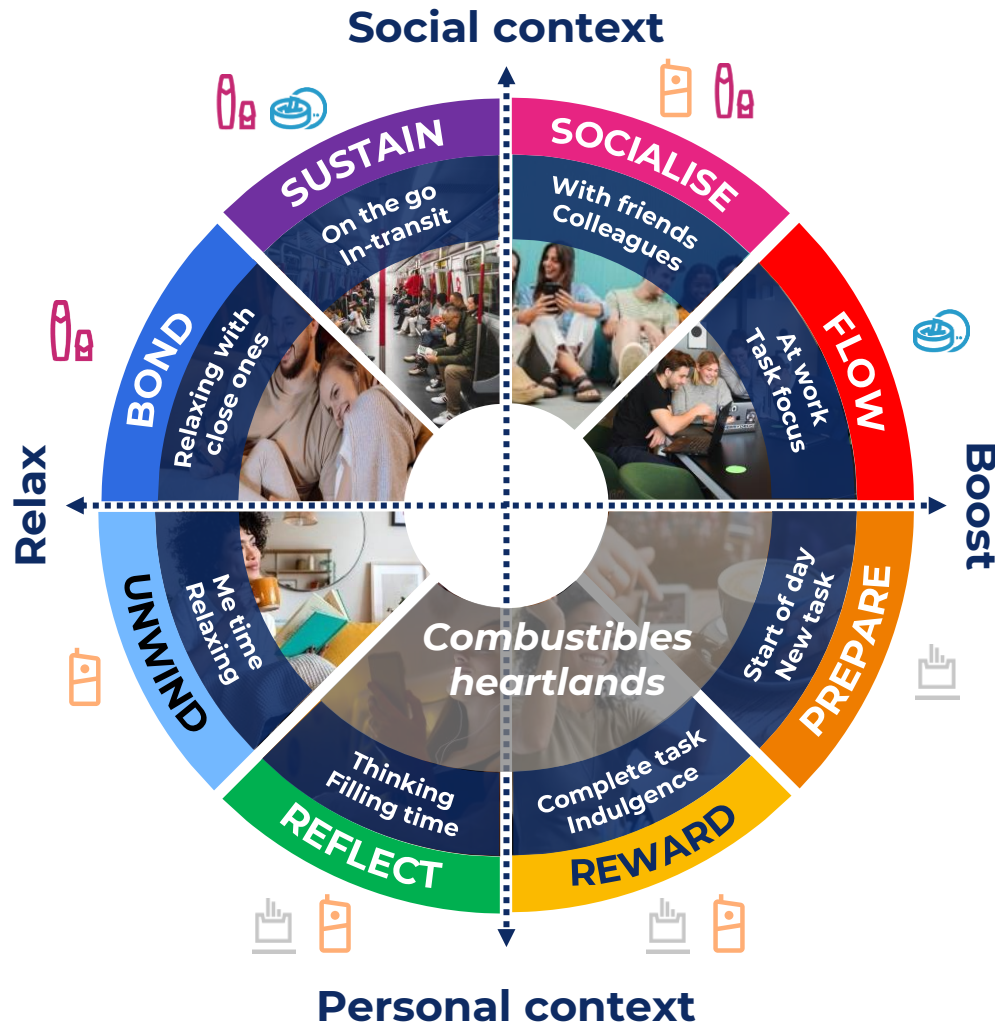
- Fast
- Continuous
- Globally integrated
- Cross-category
- Unstructured



Integrated (globally & categories) | Enabled by AI & digital | Cost efficiencies

* See definitions of different types of poly-use at Appendix A8. BAT is clear that smokers should not delay making a complete switch. "Average daily consumption" refer strictly to the adult consumer interactions with the BAT Group brands and/or products and do not relate to encouragement of increased nicotine consumption by consumers or commencement of nicotine use by non-tobacco/nicotine users.

New Demand Moments framework goes beyond occasions for better New Category actionability*



Highly actionable

Product development & brand activation

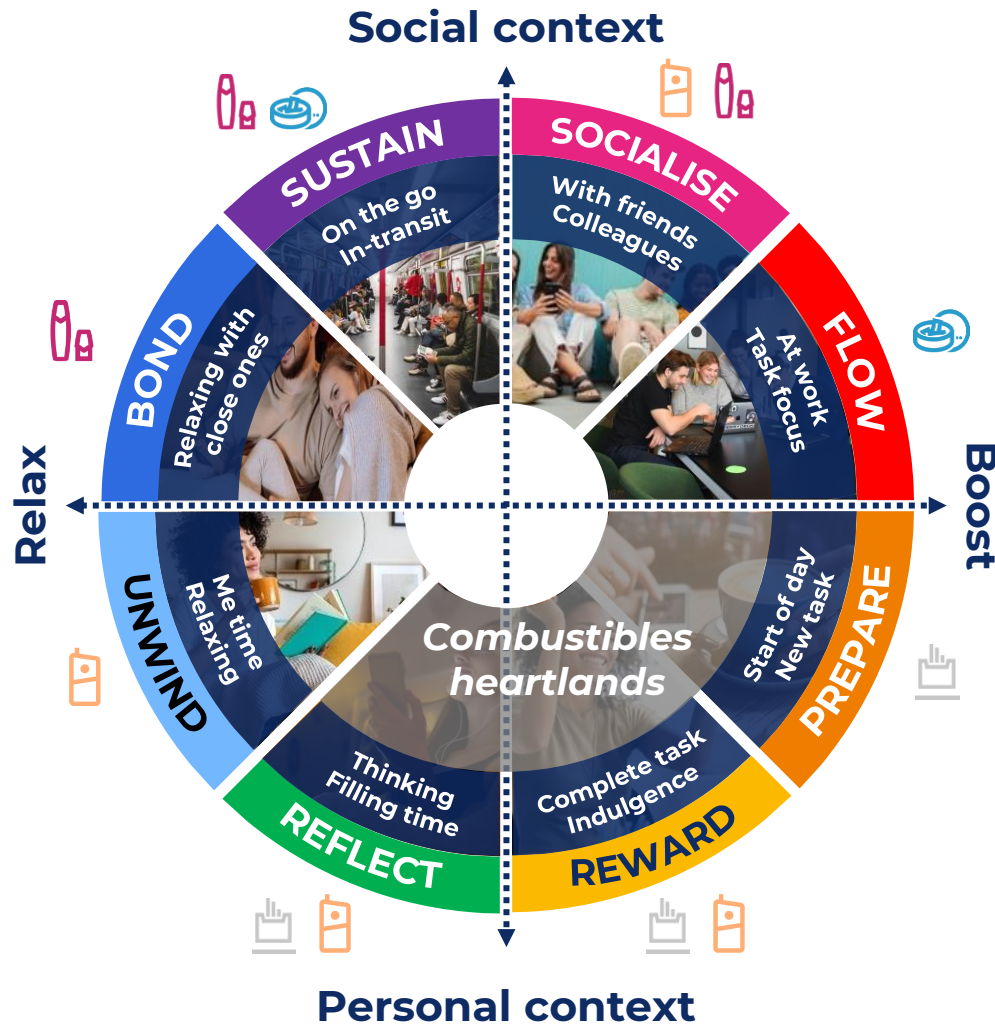
Enables NC growth

Higher share of consumption for BAT products

* In line with Group strategy. See definitions of different types of poly-use at Appendix A8. BAT is clear that smokers should not delay making a complete switch.

(Video - Demand Moments Framework)

New Demand Moments framework goes beyond occasions for better New Category actionability*



Highly actionable

Product development & brand activation

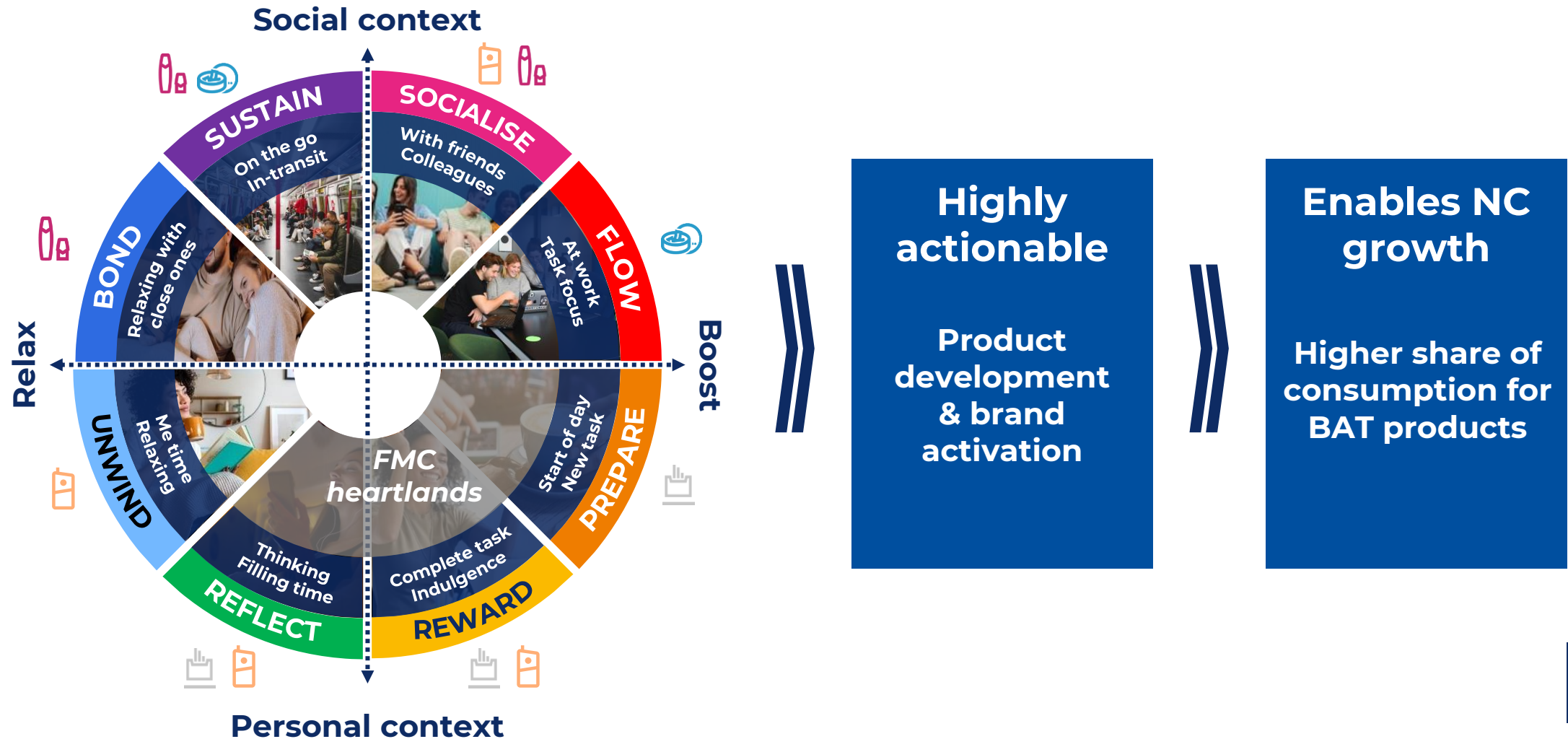
Enables NC growth

Higher share of consumption for BAT products

* In line with Group strategy.

(Video - Demand Moments Consumers)

New Demand Moments framework goes beyond occasions for better New Category actionability*

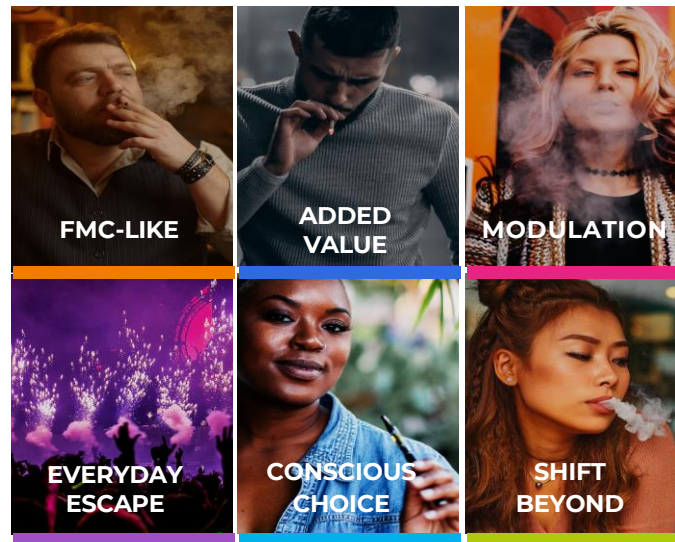


* In line with Group strategy. "Average daily consumption" refer strictly to the adult consumer interactions with the BAT Group brands and/or products and do not relate to encouragement of increased nicotine consumption by consumers or commencement of nicotine use by non-tobacco/nicotine users.

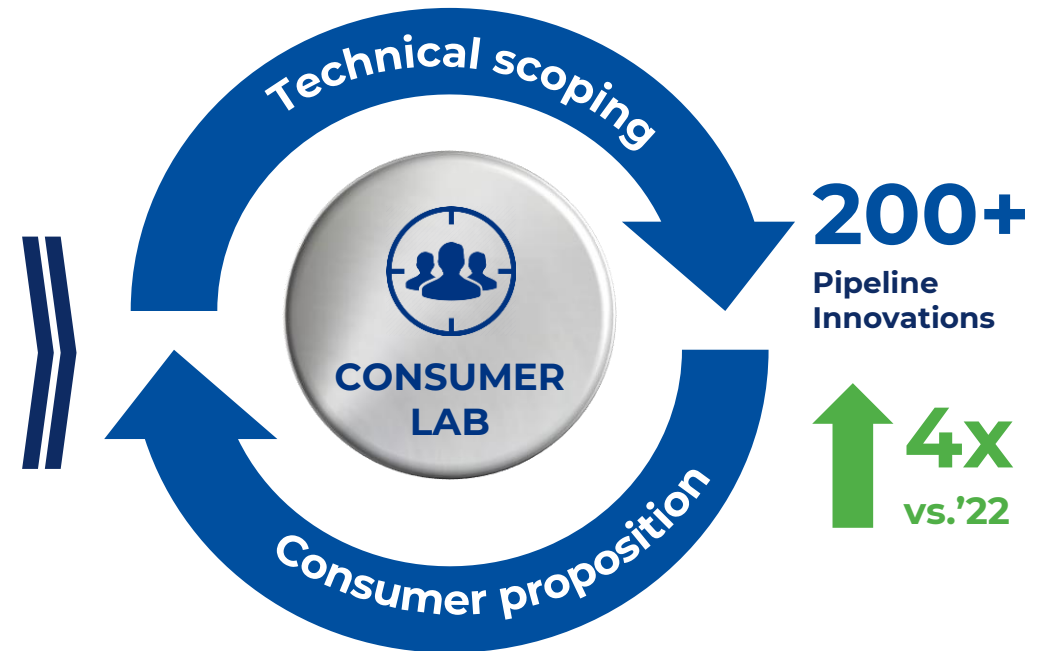
New Horizon framework gives a foresights-led focus to our New Category innovation development

Prioritised innovation New Category opportunity spaces

Inspiration & Ideation



+ New Shenzhen Insights Team



Getting ahead of the curve in rapidly changing New Categories

Insights feeding more powerful innovation

Vuse - selected high level* insights examples:



Unmet need for premium sophistication (design & features)

Desire to customize experiences for different moments

Need for new & enhanced flavour and sensation experiences

Concerns around environmental impact & underage use

Consumer usage anxiety & appeal of information screens

* underpinned by detailed specific insights not shared here.

Insights feeding more powerful innovation

glo - selected high level* insights examples:



Need for more taste satisfaction & immediacy for cigarette-like sensorials

Desire for moment specific customisation

Desire for more discretion & style for better device appeal

Need to address cleaning pain point for consumers

Appeal of informative screens to help ease of use (battery, session length, ramp-up)

* underpinned by detailed specific insights not shared here.

Insights feeding more powerful innovation

Velo - selected high level* insights examples:



New to MO users challenged by new rituals & intense sensory experiences

Need for more differentiated stand-out offers



New to MO users seek familiar tastes (differs for each source category)

Desire for responsible offers (natural ingredients, recyclability, underage prevention)

Experienced category users want more choice, new sensations & flavours

* underpinned by detailed specific insights not shared here.

(Video - Product Innovation)

Insights & Foresights Transformation

- New team, tools & ways of working
- Fully integrated global community
- Deep collaboration highly valued across categories & R&D
- Dynamic aspirational culture now attracting great diverse talent

**Future
Oriented**

**Integrated &
Collaborative**

**Actionable &
Provocative**

**Consumer
Objectivity**

**Fast &
Modernised**

Stronger faster insights → better products & commercial results

Key take-outs

- BAT insights step-change, fuelled by multi-category experience
- Clear actionable briefs to R&D and category teams
- Ongoing continuous improvement



Significantly enhanced consumer insights are now driving better marketing outcomes

Appendix

A1: Adjusting (Adj.)

Adjusting items represent certain items which the Group considers distinctive based upon their size, nature or incidence.

A2: Constant currency

Constant currency – measures are calculated based on the prior year's exchange rate, removing the potentially distorting effect of translational foreign exchange on the Group's results. The Group does not adjust for normal transactional gains or losses in profit from operations which are generated by exchange rate movements.

A3: Share metrics

Through Aug 2024 unless otherwise stated.

Volume share: The estimated number of units bought by consumers of a specific brand or combination of brands, as a proportion of the total estimated 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 cigarettes. Corporate volume share is the share held by BAT Group. Except when referencing particular markets, volume share is based on our top markets.

Value share: The estimated retail value of units bought by consumers of a particular brand or combination of brands, as a proportion of the total estimated retail value of units bought by consumers in the industry, category or other sub-categorisation in discussion.

A4: Price/Mix

Price mix is a term used by management and investors to explain the movement in revenue between periods. Revenue is affected by the volume (how many units are sold) and the value (how much is each unit sold for). Price mix is used to explain the value component of the sales as the Group sells each unit for a value (price) but may also achieve a movement in revenue due to the relative proportions of higher value volume sold compared to lower value volume sold (mix).

A5: Free Cash Flow

Net cash generated from operating activities before the impact of trading loans provided to a third party and after dividends paid to non-controlling interests, net interest paid and net capital expenditure.

A6: Operating Cash Conversion

Net cash generated from operating activities before the impact of adjusting items and dividends from associates and excluding trading loans to third parties, pension short fall funding, taxes paid and net capital expenditure, as a proportion of adjusted profit from operations.

A7: Organic

To supplement the Group's results presented in accordance with International Financial Reporting Standards (IFRS), the Group's Management Board, as the chief operating decision maker, reviews certain of its results, including revenue and adjusted profit from operations, at constant rates of exchange, prior to the impact of businesses sold or held-for-sale. Although the Group does not believe that these measures are a substitute for IFRS measures, the Group does believe that such results excluding the impact of businesses sold or to be held-for-sale provide additional useful information to investors regarding the underlying performance of the business on a comparable basis and in the case of the divestment of the Group's businesses in Russia and Belarus, the impact these businesses had on revenue and profit from operations. Accordingly, the organic financial measures appearing in this document should be read in conjunction with the Group's results as reported under IFRS. The exits referred to in respect of other markets, including in Africa, are not deemed significant to the users' understanding.

A8: Poly-usage

- **Combustibles Poly-use** – refers to the use by an adult* consumer of both Combustibles products and potentially reduced risk tobacco and nicotine products which for many smokers is part of a transitional period where those consumers move towards a complete switch to potentially reduced-risk products by reducing the consumption of combustible tobacco products and replacing them with one or more potentially reduced-risk products.
- **New Categories Poly-use ("NC Poly-use")** – refers to the consumption of two or more potentially reduced-risk tobacco or nicotine product categories by adult* consumers who do not consume any Combustibles products.
- **Total Poly-use** – total number of adult* consumers consuming two or more tobacco and/or nicotine products, which may or may not include Combustibles products. * As defined by the relevant local law but shall in no circumstance refer to any person under the age of 18; and shall in no circumstance refer to any person under the age of 21 in the U.S.

A9: Adjusted net debt to adjusted EBITDA

Net debt, excluding the impact of the revaluation of Reynolds American Inc. acquired debt arising as part of the purchase price allocation process, as a proportion of profit for the year (earnings) before net finance costs (interest), tax, depreciation, amortisation, impairment, associates and adjusting items

A10: Consumers of Smokeless Products

The number of consumers of Smokeless products is defined as the estimated number of Legal Age (minimum 18 years) consumers of the Group's Smokeless products - which does not necessarily mean these users are solus consumers of these products. In markets where regular consumer tracking is in place, this estimate is obtained from adult consumer tracking studies conducted by third parties (including Kantar). In markets where regular consumer tracking is not in place, the number of consumers of Smokeless products is derived from volume sales of consumables and devices in such markets, using consumption patterns obtained from other similar markets with adult consumer tracking (utilising studies conducted by third parties, including Kantar). The number of consumers is adjusted for those identified (as part of the consumer tracking studies undertaken) as using more than one BAT Brand – referred to as "poly users".

The number of Smokeless products consumers is used by management to assess the number of consumers using the Group's New Categories products as the increase in Smokeless products is a key pillar of the Group's ESG ambition and is integral to the sustainability of our business.

A11: Smokeless Products

Refers to Non-Combustibles, including Vapour products, Heated Products, Modern Oral and Traditional Oral.