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# Investor Day 2013

## Americas Region

Ricardo Oberlander

# Americas

Significant growth areas still exist for the regional leader



## Attractive growth prospects<sup>1</sup>...

- Middle Class Consumers, +2% CAGR to 196m people<sup>2</sup>
- Disposable income growth, +3% CAGR to £5k per capita<sup>3</sup>
- Adult population, +2% CAGR to 453m people
- Premium segment value, +3% CAGR to £1.5bn<sup>4</sup>
- Opportunity markets in the region, +21bn sticks

Notes: <sup>1</sup> 2012 to 2015 cumulative average growth rates. <sup>2</sup> C and D social classes.

<sup>3</sup> Disposable income growth in real terms and per capita at present value. <sup>4</sup>

Calculated in net turnover terms.

Source: Euromonitor, U.N. and internal estimates

# The tobacco industry in the Americas

A region with growing consumer wealth and industry value



DIMENSION	2010	2012	CAGR 2010-2012
Consumption volume (bn)	316	306	-1.6%
Duty Paid (bn)	279	260	-3.5%
Illicit trade (bn)	37	46	+11.5%
BAT volume (bn)	149	142	-2.4%
Industry Value (£bn)	19.6	20.5	+2.3%
Consumers disposable income <sup>2</sup>	4,316	4,621	+3.5%

*BAT volume performance (-2.4%) outperforming the duty paid industry (-3.5%)*

# BAT Americas

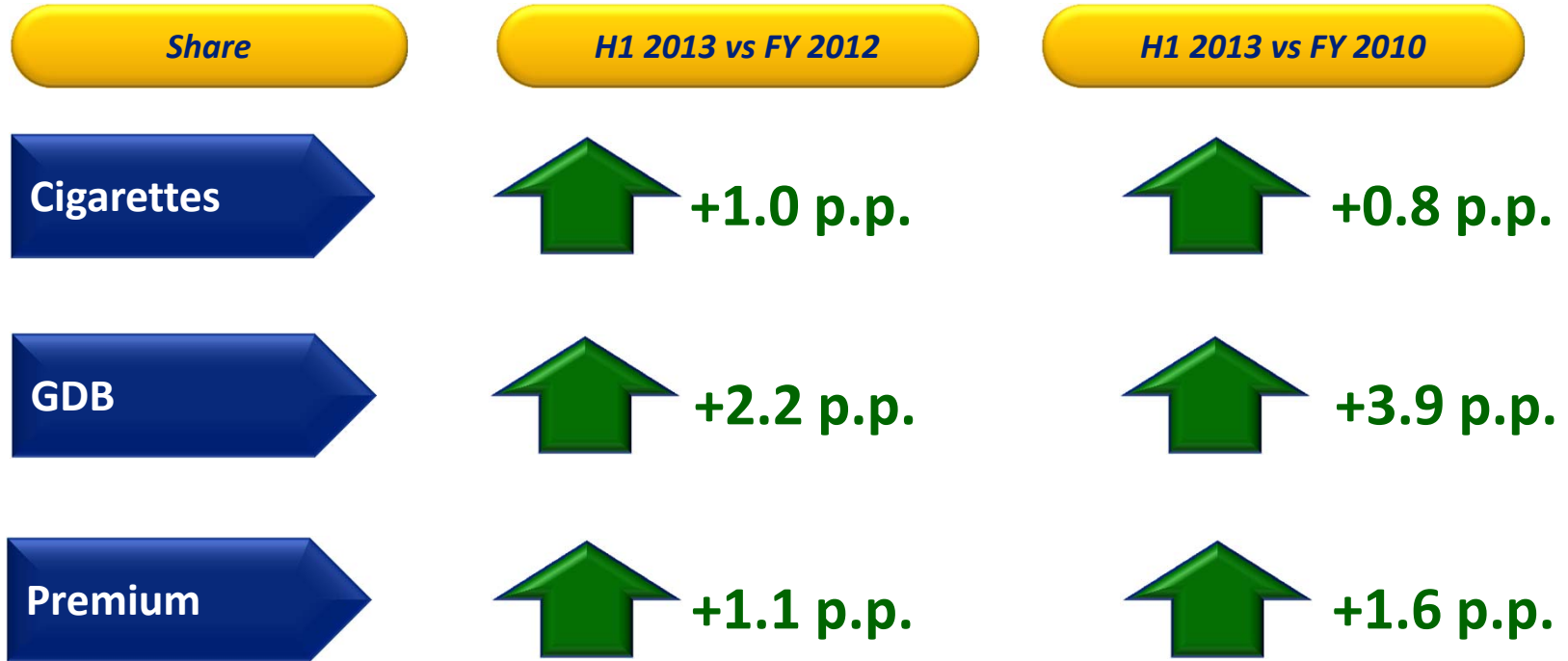
## Promising Performance








- **40+ markets / 17,000 employees**
- **The undisputed regional leader, at 58% share**
- **Leadership position in key markets**
- **Growing share in all top 3 markets**
- **Top 5 brands constitute 50% of the portfolio**
- **23% of BAT volume in Global Drive Brands**
- **High operating margin at 43%**
- **Colombia acquisition completed and growing**
- **Traditional talent exporter to the Group**



# BAT Americas is performing well across key indicators

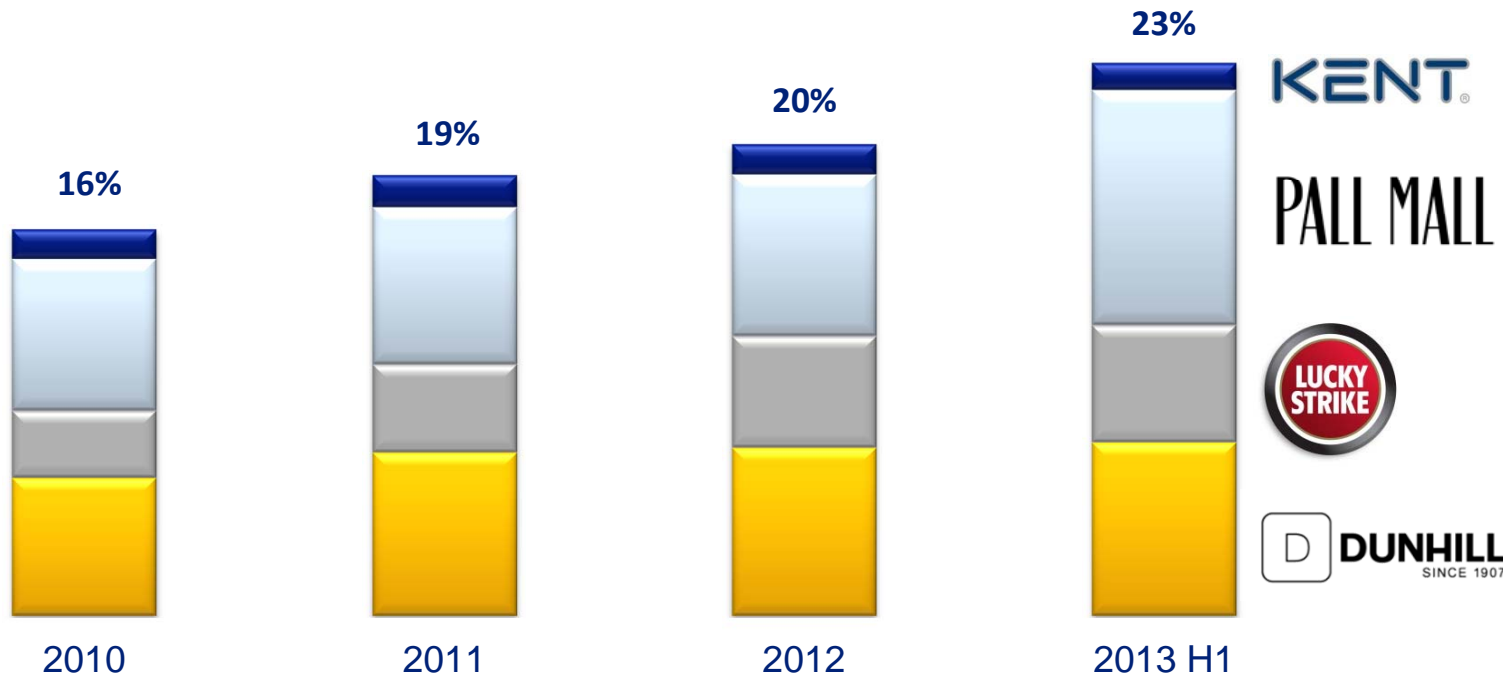


# ...translating into sustainable growth

<i>Financials</i>	<i>FY2010 - FY2012</i> <i>Average growth p.a.</i> <i>Organic constant</i>	<i>H12012 - H12013</i> <i>Constant growth</i>
<b>NTO</b>	 <b>+4.9%</b>	 <b>+1.9%</b>
<b>Operating Profit</b>	 <b>+5.3%</b>	 <b>+2.0%</b>
<b>Operating Margin</b> <small>(as reported, current rates)</small>	 <b>+0.7 p.p.</b>	 <b>+1.0p.p.</b>

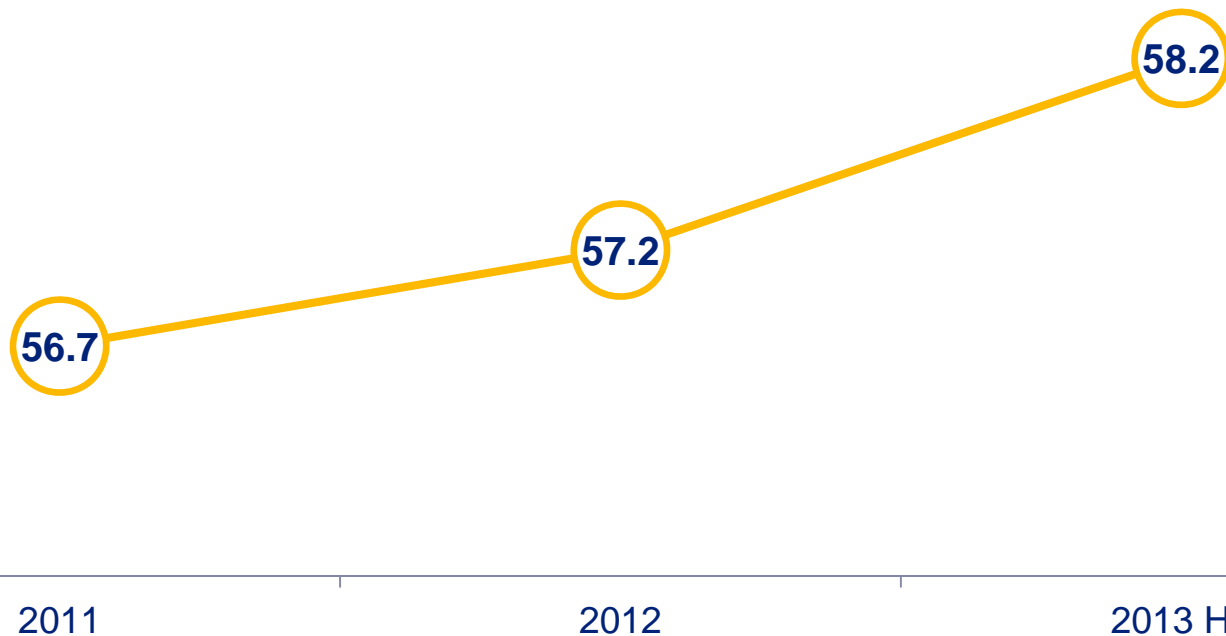
# GDBs in the region have grown over time...

GDB share of sales (in %)



... and as a consequence we have grown share

Americas Market Share (in %)



# Americas is driving share growth through...

- **Successful innovations rollout**



- **GDB growth, organic and migrations - Pall Mall & Lucky**
- **Focus on product quality**
- **Strength of premium brands**

# Delivering the strategy



## GROWTH

- Volume and value share growth in key markets<sup>1</sup>
- Focus and investment behind premium
- 23% GDB share of sales<sup>3</sup>

## PRODUCTIVITY

- Continuous productivity and efficiencies improvement programme
- Lowest production cost within the Group

## WINNING ORGANISATION

- Exporter of top talent to the Group

## SUSTAINABILITY

- Region-wide anti-illicit trade programme in place
- Leaf farmers support programme

Notes: <sup>1</sup> Including, but not limited to Canada, Mexico and Brazil

<sup>2</sup> Nielsen off-take premium share data, June 2013

<sup>3</sup> June 2013 GDB share of sales, internal data

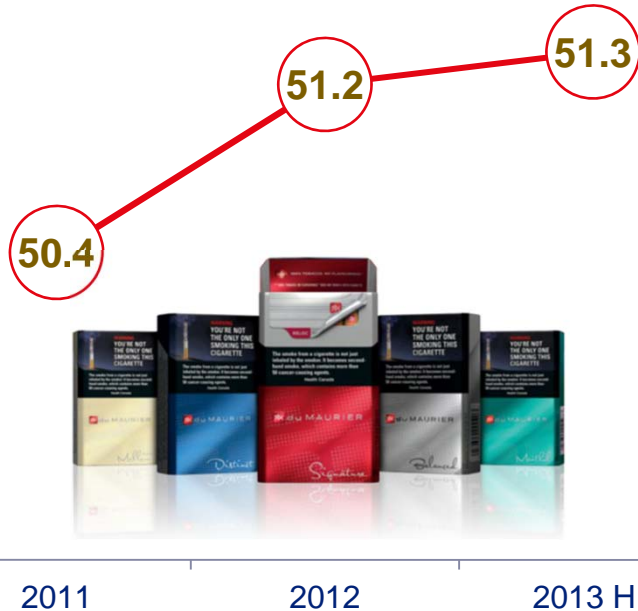


# CANADA

## RETURN TO SHARE GROWTH, BOOSTED BY PREMIUM AND PALL MALL



Market Share (in %)



- du MAURIER: well established leading premium brand
- Pall Mall launch in Q4'10, driving share performance
- Premium share also growing
- Automated, more efficient supply-chain

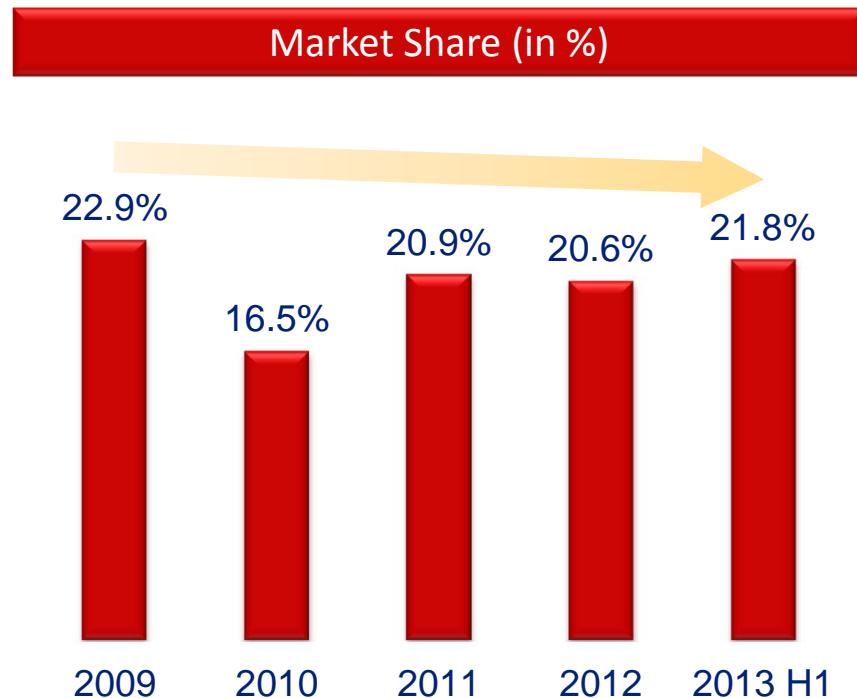


# CANADA

## ANTI-ILLICIT TRADE MEASURES PROPELLED SHARE PERFORMANCE



- **Promoting sensible excise policy**
  - public and government engagement
- **Treating illicit as a competitor**
  - building insights into trends and levels
- **Understanding consumers**





# MEXICO

## SHARE PERFORMANCE BOOSTED BY PALL MALL INTRODUCTION



Market Share (in %)



- Lead the market with bold innovations and consumer value



- Enhanced TM&D capabilities
- Comprehensive anti-illicit trade plan
- Winning culture mind-set, focused on growth



# MEXICO

## PALL MALL IS A SUCCESS STORY IN MEXICO



BRITISH AMERICAN  
TOBACCO

THE OFFER



**Pall Mall 20's:**  
Superior blend + menthol + 100mm



**Pall Mall 14's:**  
Affordability



Retail  
ambassadors



Big pack



Promotional tray

THE RESULT





# BRAZIL

SHARE DRIVEN BY PERFORMANCE IN PREMIUM AND IN STRATEGIC AREAS

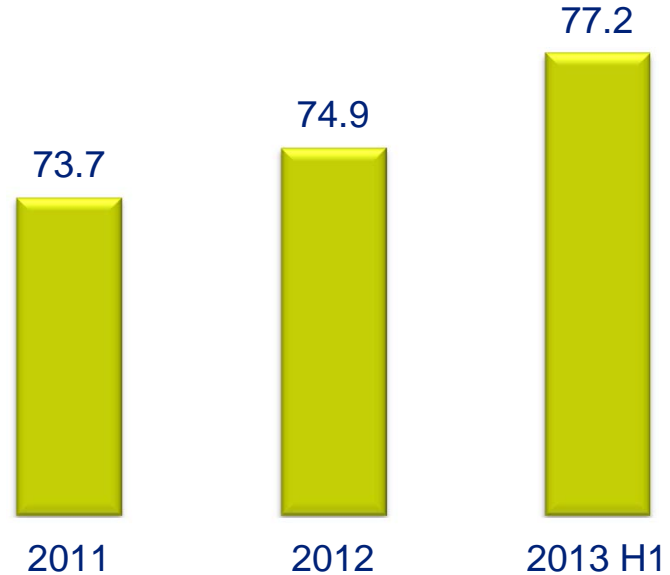


- Portfolio resilience and focus on premium brands



- Growth in most competitive regions
- Successful pricing strategy in light of excise scenario

Market Share (in %)



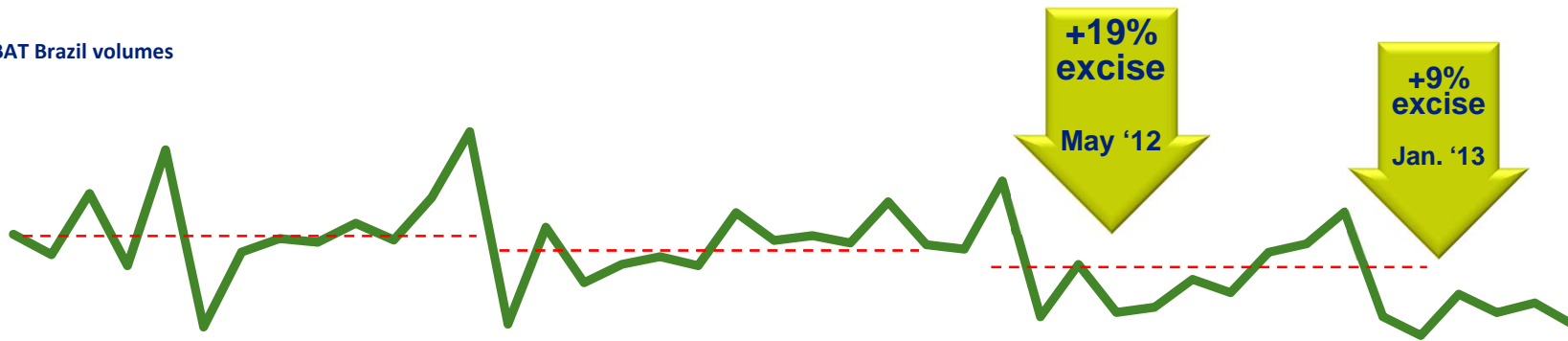


# BRAZIL

**MOST SIGNIFICANT EXCISE INCREASES ARE BEHIND US.  
EXCISE SCENARIO PREDICTABILITY IS A PLUS**



BAT Brazil volumes



Illicit volumes



2010

2011

2012

2013 H1



# BRAZIL

## A LONG-STANDING SUCCESS WITHIN THE GROUP



Brazil's operating profit performance (in BRL 000's)\*









- Delivery of financial results in adverse **excise** conditions
- **10.6%** O.P. CAGR over the period (2010-'12)
- **3.5%** profit growth in £ terms, over the same period

# Americas is well positioned to continue capitalising on its share momentum

## 2013H1 Results:

## Change vs. 2011 FY (in p.p.):

• <u>Volume Share</u>	<b>58.2%</b>	 1.5
• <u>Value Share</u>	<b>57.4%</b>	 0.8
• <u>Premium Share</u>	<b>49.2%</b>	 1.3
• <u>Key Cities Share</u>	<b>57.3%</b>	 0.2
• <u>Freshness Share</u>	<b>61.4%</b>	 7.4
• <u>GDB Share of Market</u>	<b>13.0%</b>	 3.2



# Americas is well positioned to continue capitalising on its share momentum



Successful migrations to GDBs leading to more streamlined brand footprint

Robust, consumer relevant innovation pipeline

**Premium and value share growth momentum in competitors' strongholds**

Focus and winning mind-set on growing segments: formats and freshness





# Investor Day 2013