

# British American Tobacco p.l.c

## UBS European Virtual Conference 2020

Script from Fireside Chat  
with Nik Oliver, UBS Sell-Side Analyst  
on November 13, 2020

### Delivering Growth through Transformation

#### **Jack Bowles, Chief Executive**

(Slide 1)

Good morning Ladies and Gentlemen, I am Jack Bowles Chief Executive of BAT.

Thank you for inviting me to talk to you today about how we are delivering growth through transformation at BAT.

I would like to start with a few opening remarks....

(Slide 2)

But first, as usual, I need to draw your attention to the disclaimers on slide 2...

(Slide 3)

...and 3.

(Slide 4)

We are building A Better Tomorrow by reducing the health impact of our business. To do this we are clear on the risks posed by cigarettes and encourage those who decide not to quit to switch completely to reduced-risk alternatives. The greatest contribution we can make to society is to offer smokers a wide range of less risky alternatives to cigarettes. Our well established multi-category approach, and strong global brands enable us to do this.

(Slide 5)

We aim to have 50m consumers of our non-combustible products by 2030, to grow our New Category revenue to £5bn by 2025... and to grow the proportion of our revenue from non-combustible products as fast as possible.

(Slide 6)

Our Purpose puts ESG front and centre, with stretching targets and builds on the external recognition we have already received over many years, including our 18th consecutive year in the Dow Jones Sustainability Index, a triple B MSCI rating and 28.2% Sustainalytics score.

(Slide 7)

We have made good progress in 2020.

We are rapidly growing our non-combustible consumer base, with close to 12m people enjoying our less risky products, having added 2.7m more consumers over the last 12 months.

And, as we grow our New Category business, we will reduce our reliance on cigarettes.

(Slide 8)

We are transforming the business and at the same time delivering a strong financial performance.

In H1 we grew across all key metrics, revenue, profit and EPS, despite a 4% revenue headwind from COVID.

We are highly cash generative with a cash conversion ratio greater than 90% and a continuing commitment to a 65% dividend pay out ratio.

Over the last decade we have delivered 10% adjusted EPS, and 11% dividend CAGR, and remain committed to High Single Figure adjusted EPS delivery post COVID.

(Slide 9)

We are delivering this transformation through our Three Priorities;

Firstly by driving a Step Change in New Categories. We made good progress in H1, driving strong year on year volume growth and gaining share across all three New Categories.

(Slide 10)

This momentum is powered by our other two priorities: Combustible Value Growth and Simplification of the Company, through Project Quantum.

These provide the resources to succeed in New Categories and deliver on our financial metrics.

Project Quantum has delivered a strong, simpler, faster organisation. This enabled us to navigate COVID with increased agility and deliver cost savings that funded an additional £250 million investment in New Categories in the first half.

We are also building new capabilities including:

- digital media
- insights and analytics
- IP
- product innovation,
- design and technology

and are attracting new talent from a diverse range of industries globally.

(Slide 11)

The transformation of our portfolio to non-combustibles is well underway and will continue to drive sustainable revenue growth going forward.

We have already made excellent progress in a number of key markets which together represent over 50% of our total Group revenue.

(Slide 12)

This has been driven by continued strong New Category share gains across key markets. Which underpins our confidence in our medium term post-COVID 3-5% revenue growth target.

(Slide 13)

I am pleased to say that we are on track to deliver on our FY2020 guidance, with:

- 1-3% adjusted revenue, and mid-single digit adjusted EPS growth at constant currency
- and to delever to around 3x net debt / EBITDA by 2021 .

Given we continue to expect a negative 3% impact from COVID on 2020 revenues, our guidance reflects even stronger underlying adjusted revenue growth, in the range of 4-6%, and high single figure underlying adjusted EPS growth.

(Slide 14)

In summary, we are driving the transformation with increased investment behind our New Category brands.

We are committed to reducing the health impact of our business and to building A Better Tomorrow for all our stakeholders.

Thank you and I will now open it up to questions.

Over to you Nik...