



News Release

Preliminary announcement - year ended 31 December 2022

09 February 2023

New Category Acceleration Drives Profitability Forward To 2024

Jack Bowles, Chief Executive, BAT (BATS.L):

"We continue to accelerate our A Better Tomorrow™ transformation at speed.

"Driven by our strong New Category momentum, (with revenue approaching £3bn), we are confident in our £5bn revenue target by 2025, and now expect New Category profitability in 2024, one year ahead of plan.

"Our New Category business delivered strong volume, revenue and market share growth and has become a significant contributor to the Group's financial delivery. In 2022, we invested more than £2bn in New Categories to drive long-term sustainable growth, while making excellent progress in reducing operating losses by 62%.

"While reported results were impacted by a number of one-off charges, we achieved a 150 bps improvement in adjusted operating margin at current rates and another year of 100% operating cash conversion demonstrating our ability to successfully navigate an increasingly challenging macro-economic environment. This enabled us to return £6.9bn to shareholders in 2022. I am proud of our people and their focus on delivery of our three strategic priorities, demonstrating once again the strength and resilience of our business.

"Looking forward, while we expect the macro-economic environment to remain challenging, we will continue to deliver and further accelerate our transformation. We will leverage our well-established multi-category brand portfolio, our new regional structure to enable even greater collaboration and accelerated decision-making and our new market archetype model to guide our strategic choices and resource allocation to further enhance returns.

"I am confident in BAT's ability to deliver long-term sustainable value for shareholders."

Performance highlights

	REPORTED		ADJUSTED		
	Current rates	Vs 2021 (current)	Current rates	Vs 2021 (current)	Vs 2021 (constant)
Cigarette and THP volume share		-10 bps			
Cigarette and THP value share		flat			
Non-combustible consumers¹	22.5m	+4.2m			
Revenue (£m)	£27,655m	+7.7%	£27,655m	+7.7%	+2.3%
Revenue from New Categories (£m)	£2,894m	+40.9%	£2,894m	+40.9%	+37.0%
Profit from operations (£m)	£10,523m	+2.8%	£12,408m	+11.3%	+4.3%
Category contribution - New Categories (£m)[^]			-£366m	-61.6%	-60.7%
Operating margin (%)	38.1%	-170 bps	+44.9%	+150 bps	+90 bps
Diluted EPS (pence)	291.9p	-1.3%	371.4p	+12.9%	+5.8%
Net cash generated from operating activities (£m)	£10,394m	+7.0%			
Adjusted cash generated from operations (£m)			£7,889m	+7.4%	+3.9%
Cash conversion (%)	+98.8%	+390 bps	+100.0%	-360 bps	
Borrowings² (£m)	£43,139m	+8.8%			
Adjusted Net Debt (£m)			£38,131m	+7.3%	+0.5%
Dividend per share (pence)	230.9p	+6.0%			

The use of non-GAAP measures, including adjusting items and constant currencies, are further discussed from page 48 (in the preliminary announcement), with reconciliation from the most comparable IFRS measure provided.

Note

1 Internal estimate.

2 Includes lease liabilities.

^ This is an improvement in New Categories contribution as losses reduced by 61.6% (or 60.7% at constant rates of exchange).

Faster Transformation

- New Category profitability expected in 2024, one year ahead of target
- Non-Combustible product* consumers up 4.2m to 22.5m
- Non-Combustibles now 14.8% of revenue up 2.4 ppts from 2021
- New Categories revenue up 37.0% to £2,813m** with growth in:
 - Vapour (+43.8%**), THP (+26.7%**), Modern Oral (+45.6%**)
- New Category contribution losses reduced by £578m**, an improvement of 60.7%**
- Double Materiality Assessment completed
- Scope 1 & 2 Greenhouse Gas emissions down 15% vs. 2021
- Achieved target of 30% renewable energy use 3 years early
- CDP "A" for Climate Change; DJSI World Sustainability Index

Strong FY Results

- Revenue up 2.3%** driven by New Category growth and pricing
- Combustible revenue underpinned by price/mix of +4.6%
- Global Cigarette value share flat, US value share up 10 bps
- Delivered £1.9bn annualised Quantum savings, well ahead of original £1bn target, with £629m in 2022
- Adjusted profit from operations up 4.3%** absorbing a negative transactional FX impact of 1.5%
- Adjusted operating margin up 90 bps**
- Adjusted diluted EPS up 5.8%**
- Operating cash flow conversion of 100%
- Adjusted net debt/Adjusted EBITDA 2.89x
- 6.0% dividend growth

* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

** at constant rates of exchange

2023 OUTLOOK:

- Global tobacco industry volume expected to be down c.2%.
- 3-5% organic constant currency revenue growth, reported growth impacted by timing of the transfer of the Russian and Belarusian businesses expected to close in 2023.
- Strong New Category revenue growth with further improvement in category contribution alongside incremental investment.
- Mid-single figure constant currency adjusted EPS growth, including a c.2% transactional FX headwind, with growth H2 weighted.
- Translational foreign exchange is expected to be broadly neutral on full year adjusted EPS growth.
- Operating cash flow conversion in excess of 90%.

[Read the full preliminary announcement for the year ended 31 December 2022 \(1.3 mb\)](#)

Forward looking statements and other matters

This announcement contains certain forward-looking statements, including "forward-looking" statements made within the meaning of the U.S. Private Securities Litigation Reform Act of 1995.

In particular, these forward-looking statements include, among other statements, statements regarding the Group's future financial performance, planned product launches and future regulatory developments and business objectives (including with respect to sustainability and other environmental, social and governance matters), as well as: (i) certain statements in the 2021-A Pivotal Year Delivered, Buyback Announced section and in the Chief Executive Statement (pages 1 to 2 in the preliminary announcement); (ii) certain statements in the Finance and Transformation Director's Statement (page 2 in the preliminary announcement); (iii) certain statements in the Category Performance Review (pages 4 to 8 in the preliminary announcement); (iv) certain statements in the Regional Review section (pages 9 to 13 in the preliminary announcement); (v) certain statements in the Other Financial Information section (pages 14 to 17 in the preliminary announcement); (vi) certain statements in the Other Information section (pages 18 to 22 in the preliminary announcement); (vii) certain statements in the Notes to the Financial Statements section (pages 29 to 41 in the preliminary announcement), including the Liquidity and Contingent Liabilities and Financial Commitments sections; and (viii) certain statements in the Other Information section (pages 42 to 53 in the preliminary announcement), including the Non-GAAP Measures sections and under the heading "Dividends".

These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict," "will," "expect," "estimate," "project," "positioned," "strategy," "outlook", "target" and similar expressions. These include statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the British American Tobacco Group (the "Group") operates, including the projected future financial and operating impacts of the COVID-19 pandemic.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors. It is believed that the expectations reflected in this announcement are reasonable, but they may be affected by a wide range of variables that could cause actual results and performance to differ materially from those currently anticipated. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the impact of competition from illicit trade; the impact of adverse

domestic or international legislation and regulation; the inability to develop, commercialise and deliver the Group's New Categories strategy; adverse litigation and dispute outcomes and the effect of such outcomes on the Group's financial condition; the impact of significant increases or structural changes in tobacco, nicotine and New Categories related taxes; translational and transactional foreign exchange rate exposure; changes or differences in domestic or international economic or political conditions; the ability to maintain credit ratings and to fund the business under the current capital structure; the impact of serious injury, illness or death in the workplace; adverse decisions by domestic or international regulatory bodies; and changes in the market position, businesses, financial condition, results of operations or prospects of the Group.

A review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found by referring to the information contained under the headings "Cautionary statement", "Group Principal Risks" and "Group Risk Factors" in the 2020 Annual Report and Form 20-F of British American Tobacco p.l.c. (BAT). 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 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.

No statement in this announcement is intended to be a profit forecast and no statement in this communication should be interpreted to mean that earnings per share of BAT for the current or future financial years would necessarily match or exceed the historical published earnings per share of BAT. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and BAT undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward-looking statements.

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

Our vapour product Vuse (including Alto, Solo, Ciro and Vibe), and certain products including Velo, Grizzly, Kodiak, Camel Snus and Granit, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without Agency clearance.

Enquiries

Media Centre

+44 (0) 20 7845 2888 (24 hours) | [@BATplc](#)

Investor Relations

Victoria Buxton: +44 (0)20 7845 2012

Yetunde Ibe: +44 (0)20 7845 1095

John Harney: +44 (0)20 7845 1263