

BROKSTOCK + Analytics

British American Tobacco



Company Overview

BTI operates in over 180 markets, selling traditional cigarettes under brands like Dunhill, Lucky Strike, Pall Mall, and Rothmans while expanding aggressively into smokeless alternatives such as vaping (Vuse), heated tobacco (glo), and oral nicotine (Velo). With a dual listing on the JSE and US, BTI offers investors a unique opportunity to gain exposure to a defensive sector with strong dividend yields and growth prospects in alternative nicotine products.

Key Financials

- **Revenue:** R615.25 billion
- **Operating Profit:** R89.86 billion
- **Net Debt:** R740.67 billion
- **Dividend Yield:** 7.44%
- **Price-to-Earnings (P/E) Ratio:** 23.55x

Dividend Policy & Historical Payouts

BTI is a dividend powerhouse, offering one of the most attractive yields in the market. The company maintains a progressive dividend policy, aiming to increase or sustain payouts over time.

Historical Dividend Data

- **2020:** R43.29 per share
- **2021:** R47.70 per share
- **2022:** R47.65 per share
- **2023:** R54.91 per share
- **2024:** R57.14 per share

BTI's 7.5% dividend yield is significantly higher than the average for consumer staples, making it a strong income-generating stock.

Why Investors Like BTI's Dividend

- Consistent payouts backed by strong cash flow.
- Resilient earnings from price increases and brand loyalty.
- Defensive sector – tobacco stocks remain stable in economic downturns.

Growth Drivers & Business Strategy

BTI is evolving beyond traditional cigarettes, with new category products now contributing 16% of total revenue. The company's strategy focuses on:

1. Next-Generation Products (NGPs) Growth

- **Vuse (Vaping):** Market leader in the US and UK.
- **glo (Heated Tobacco):** Competing with Philip Morris' IQOS in Japan & Europe.
- **Velo (Oral Nicotine Pouches):** Expanding rapidly in Scandinavian and US markets.

2. Pricing Power & Brand Strength

- **Strong premium brand portfolio** allows price increases.
- **Stable market share in key regions** (Europe, Asia, and Latin America).

3. Emerging Markets Expansion

- Growth in **Africa, Latin America, and Asia** due to rising disposable income.
- **South Africa remains a key market**, with strong demand for premium and mid-tier brands.

Stock Performance & Analyst Expectations

BTI has faced short-term headwinds, including litigation costs and regulatory pressures, but remains a solid long-term investment.

Analyst Ratings

- **Deutsche Bank: Buy**, price target \$44.50.
- **Goldman Sachs: Neutral**, price target \$40.

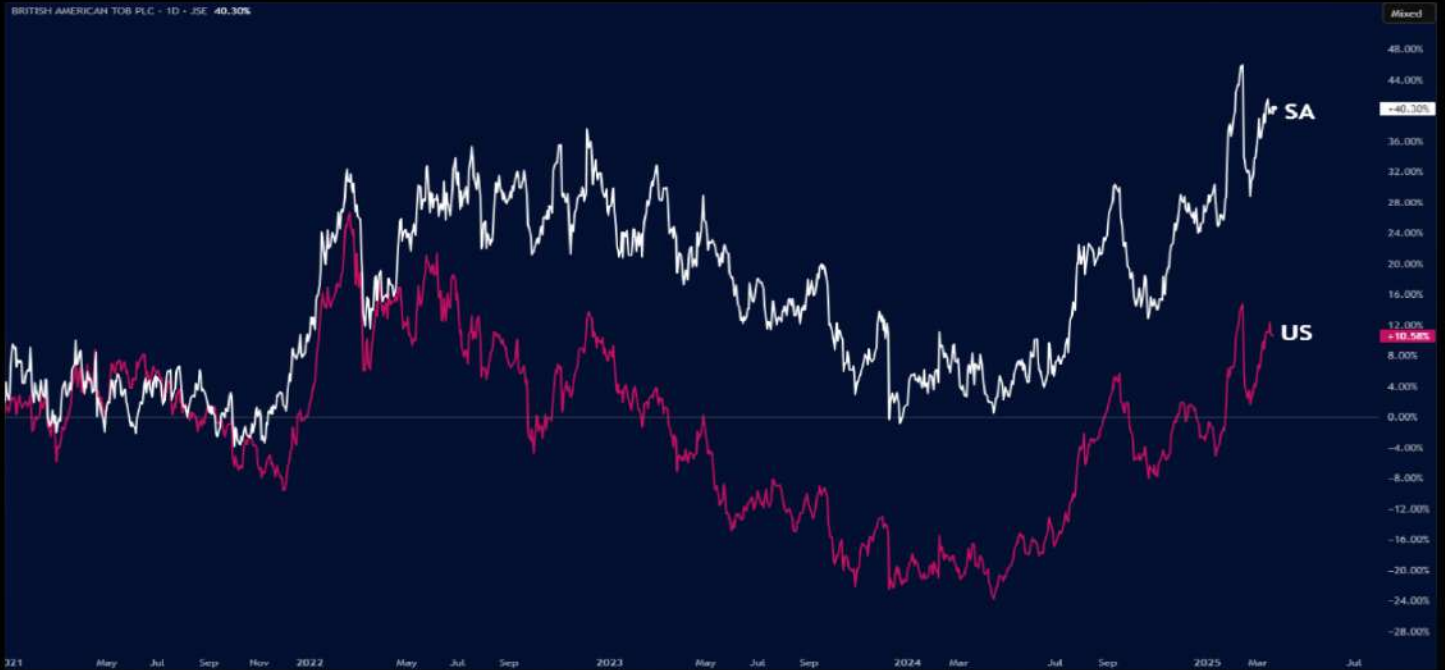
Current share price (BTI US): ~\$40

JSE Share Price (BTI JSE): ~R750

Expected Performance:

- **Short-term:** Volatility due to legal costs and regulatory uncertainty.
- **Medium-term: Stabilisation in traditional markets** and continued NGP expansion.
- **Long-term: Strong dividends, stable earnings, and NGP growth potential.**

SHARE PRICE COMPARISON



INVESTMENT CASE

BROKSTOCK offers access to BTI shares on both the JSE & NYSE, allowing investors to choose the best market based on currency preferences, and investment strategy.

Bull Case

- **Strong dividend**, 7.44% yield, ideal for income investors.
- **Pricing power & brand strength** in premium tobacco.
- **Growth in new categories (Vuse, Glo, Velo)** diversifying revenue streams.
- **Defensive stock**, resilient during economic downturns.

Bear Case

- **Regulatory risks** – bans, taxes, and legal actions could impact earnings.
- **Declining cigarette volumes** – needs continued NGP growth to offset declines.
- **High debt levels** – £36.2 billion net debt requires strong cash flow management.