

# British American Tobacco

**Consumer**
**7 August 2025**

## Building momentum

British American Tobacco's (BAT's) H125 results were slightly ahead of expectations and show delivery on the promise to move to higher rates of sustainable growth following two years of below-norm performance. Importantly, the US returned to revenue and profit growth, driven by the strengthened combustibles portfolio and better execution, together with excellent growth in Modern Oral following the Velo Plus launch late last year. Modern Oral was the standout performer in H1 and Velo is the fastest-growing brand in the fastest-growing New Categories segment globally. BAT calls FY25 a deployment year as it is launching new products in all New Categories, with Vuse Ultra in Vapour, glo Hilo in Heated Products and Velo Plus in Modern Oral. Management expects the ongoing phased roll-out of these innovations to drive growth in H2 and beyond.

## H125 results slightly ahead of expectations

Constant currency (cc) growth was consistent down the income statement, with 1.8% revenue growth, 1.9% adjusted profit from operations (APFO) excluding Canada and 1.7% adjusted diluted EPS growth. The main driver was higher rates of growth from New Categories (18.2% of group revenue vs 17.5% in FY24), with 2.4% revenue growth driving significant improvements in profitability (category contribution +39%) and return on investment (+5.7pp to 21.6%). Combustibles also contributed, with revenue +0.8% and contribution +2.2%, despite small share losses, as growth in the US and AME was partially offset by a decline in APMEA, where management previously flagged that fiscal headwinds would affect FY25.

## FY25 revenue guidance increased for second time

BAT's improving momentum is reflected in two upgrades to management's guidance for FY25 cc revenue growth so far this year: from 1% at the FY24 results to 1–2% at the H125 trading update, and now to the top end of that range. This appears well-supported given H125 growth and the H225 phasing of innovation launches. Other key elements of FY25 guidance are unchanged. APFO guidance remains for 1.5–2.5% growth as BAT absorbs some US tariff costs, and management remains focused on supporting H225's new product launches.

## Improving momentum, share price outperformance

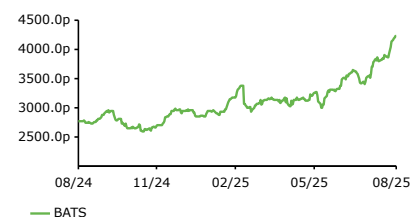
BAT's share price has outperformed its peers year to date. As a result, its prospective P/E multiple for FY25 is now broadly in line with the peer average ex Philip Morris International of 12.6x. However, BAT continues to offer a more attractive dividend yield versus the peer average of 4.7%.

Consensus estimates						
Year end	Revenue (£m)	EBIT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/23	27,283.0	12,465.0	375.60	235.52	11.3	5.6
12/24	25,867.0	11,890.0	362.52	240.24	11.7	5.7
12/25e	25,643.0	11,363.3	344.04	242.81	12.3	5.7
12/26e	26,401.0	11,785.9	367.61	247.97	11.5	5.9

Source: BAT, LSEG Data & Analytics. Note: Consensus unlikely to reflect estimate changes following H125 results. EBIT adjusted profit from operations.

**Price** 4,233.00p  
**Market cap** £92,789m

### Share price performance



### Share details

Code BATS  
 Listing LSE  
 Shares in issue 2,192.0m  
 Net cash/(debt) at 30 June 2025 £(31,253.0)m

### Business description

British American Tobacco manufactures and sells nicotine globally. This includes cigarettes and reduced-risk products such as vapes, heated products and oral products.

### Bull points

- BAT estimates the global nicotine market will grow at a CAGR of 4.6% from 2024–35 versus 3.8% from 2017–23, including double-digit growth from new categories in addition to 0–2% growth from combustibles (volume declines, pricing positive).
- Only 10% of the world's one billion smokers currently use new smokeless products.
- High cash conversion enables progressive dividend (FY24 was 26th consecutive year of dividend growth in sterling), further share buybacks, debt reduction and potential bolt-on M&A.

### Bear points

- Potential financial losses from product liability and regulatory changes.
- Considerable divergence between countries on how to regulate new categories, including the banning of products despite reduced health risks.
- Competition from illegal products and illicit trade as external parties seek to avoid excise duty or take advantage of lack of regulation.

### Analyst

Russell Pointon +44 (0)20 3077 5700

[consumer@edisongroup.com](mailto:consumer@edisongroup.com)  
[Edison profile page](#)

**British American Tobacco is a research client of Edison Investment Research Limited**

The author of this report holds shares in British American Tobacco and, as such, has a financial interest in the subject of this analysis.

---

## General disclaimer and copyright

This report has been commissioned by British American Tobacco and prepared and issued by Edison, in consideration of a fee payable by British American Tobacco. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of Liability:** To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

**No personalised advice:** The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

**Investment in securities mentioned:** Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright 2025 Edison Investment Research Limited (Edison).

---

## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

---

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

---

## United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

---

## United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

---