

British American Tobacco

Consumer
25 February 2026

Strategy driving momentum

British American Tobacco's (BAT's) FY25 results demonstrate meaningful progress on its transformation. In addition to releasing results at the top end of expectations, which had been upgraded twice through the year, management delivered all that was promised at the start of FY25 from an operational perspective. BAT had a return to double-digit revenue growth in H225 in New Categories, a higher contribution and innovations in all three categories. The company drove value from Combustibles, with underlying growth in revenue and contribution, and returned the US to revenue and profit growth. Management also focused on cash flow generation and returns, with an enhanced share buyback in FY25 and further cash returns while deleveraging. BAT has clear momentum as it enters FY26, when management anticipates better growth.

FY25 results at top end of expectations

At constant currency, revenue increased by 2.1% and, excluding Canada, adjusted profit from operations rose by 2.3% and diluted EPS by 3.4%. The key regional driver was a return to growth in the US, alongside robust delivery in the Americas and Europe (AME), more than offsetting the flagged weakness elsewhere. Across the product categories, Modern Oral (Velo) had the strongest growth, while Vapour (Vuse) showed signs of recovery in the US in H225 as enforcement against illicit products improved. Heated Products (glo) delivered a mixed performance, although there are early encouraging signals from premium innovation (glo Hilo).

FY26: A gradual improvement expected

Management's FY26 expectation is for higher growth than FY25 at the lower end of the mid-term guidance: 3–5% revenue growth (with low double-digit New Categories growth), 4–6% adjusted operating profit growth and 5–8% adjusted EPS growth. The outlook is supported by continued US improvement, sustained AME strength and an expectation that Asia-Pacific, Middle East and Africa headwinds moderate. Cash returns remain a key pillar: leverage is trending down toward the 2.0–2.5x net debt/EBITDA target by the end of FY26 (2.55x end-FY25), dividend growth in sterling is reaffirmed and the share buyback has been increased to £1.3bn, signalling confidence in cash generation and the sustainability of the transformation.

Valuation: Re-rated, supported by dividend yield

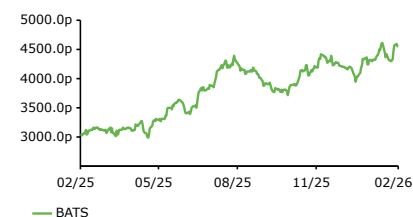
The share price performance has performed well; however, the prospective FY26e P/E multiple is at a discount to the global peer average of 15.3x. BAT's dividend yield remains superior to the simple average for global peers of 4.7%.

| Consensus estimates | | | | | | |
|---------------------|--------------|-----------|---------|---------|---------|-----------|
| Year end | Revenue (£m) | EBIT (£m) | EPS (p) | DPS (p) | P/E (x) | Yield (%) |
| 12/24 | 25,867.0 | 11,370.0 | 341.10 | 240.24 | 13.4 | 5.3 |
| 12/25 | 25,610.0 | 11,279.0 | 340.50 | 245.04 | 13.4 | 5.4 |
| 12/26e | 26,359.0 | 11,710.2 | 360.73 | 250.95 | 12.6 | 5.5 |
| 12/27e | 27,288.0 | 12,234.6 | 387.38 | 258.63 | 11.8 | 5.7 |

Source: BAT, LSEG Data & Analytics. Note: EBIT adjusted profit from operations.

Price 4,557.00p
Market cap £99,120m

Share price performance



Share details

Code BATS
 Listing LSE
 Shares in issue 2,175.1m
 Net cash/(debt) at 31 December 2025 £(31,215.0)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% from 2025–30 versus 3.8% from 2017–23, including double-digit growth from New Categories in addition to 1–2% 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 (FY25 was 27th 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.

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

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