

British American Tobacco

Consumer
3 June 2026

New Categories accelerating

British American Tobacco's (BAT's) H126 trading update confirms the company is on track to deliver underlying operational guidance for the year. This is driven by an acceleration in revenue growth by New Categories, along with an increasing contribution, while there is a small decline in value share for Combustibles in its top markets. BAT is the fastest growing business in total nicotine in the US. Management is flagging that profit delivery for the year will be H2 weighted given an expected stabilisation of its performance in Asia-Pacific, Middle East and Africa (APMEA) and the delivery of Fit2Win savings.

Acceleration in growth from New Categories

The highlight of the trading update is the acceleration in growth from New Categories, which is now expected to increase by mid-teens in H126 and FY26 from low double-digit growth previously, driven by Modern Oral (Velo) and Vapour (Vuse). Velo has delivered strong double-digit revenue growth with share gains in a growing market. Overall volume share of Modern Oral has increased by 7.4pp in its top markets, including 10.4pp growth by Velo Plus in the US, and share leadership in Americas and Europe (AME). Vuse's revenue is expected to grow by mid-single digits in H126 and FY26, with value share gains in the US (+4.2pp) more than offsetting value share declines in AME (-1.5pp).

Heated Products (glo) is the weak spot with an expected low-double-digit revenue reduction in H126 and FY26 due to inventory adjustments in Japan and competitive intensity in the value segment. The competitive intensity has led to volume share declines in top markets. However, management expects better trends in volume share in H2 as glo Hilo, which has led to share gains in the premium segment in H126, scales along with the phased rollouts of Hyper Pro Plus.

For Combustibles, management points to continued momentum in the US, with resilience in AME and APMEA slower than expected. For APMEA, management anticipates the performance will stabilise through the year.

No change to operational guidance

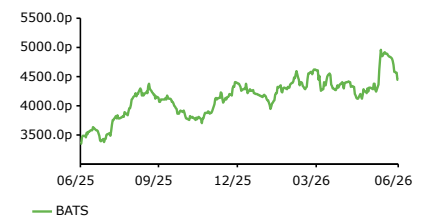
There is no change to management's [operational guidance for the year](#). However, there is a small change to non-operational guidance with financial expenses now expected to be marginally lower (£1.75bn) than previously (£1.8bn). Management also now anticipates a slightly greater decline in global cigarette industry volumes (2.5%) than previously (2%). With respect to fx, management guides to a c 1% transactional headwind and a translational headwind of 2–3% on H126 and FY26 adjusted diluted EPS growth.

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	13.1	5.4
12/25	25,610.0	11,279.0	340.50	245.04	13.1	5.5
12/26e	26,317.0	11,682.5	361.37	250.18	12.4	5.6
12/27e	27,252.0	12,236.6	388.39	257.46	11.5	5.8

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

Price 4,466.00p
Market cap £96,827m

Share price performance



Share details

Code BATS
 Listing LSE
 Shares in issue 2,168.1m
 Net (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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