



British American Tobacco (BTI)

Updated June 30th, 2026 by Jonathan Weber

Key Metrics

Current Price:	\$61	5 Year CAGR Estimate:	2.3%	Market Cap:	\$132B
Fair Value Price:	\$44	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	07/10/26
% Fair Value:	140%	5 Year Valuation Multiple Estimate:	-6.5%	Dividend Payment Date:	08/19/26
Dividend Yield:	5.5%	5 Year Price Target	\$51	Years Of Dividend Growth:	8
Dividend Risk Score:	F	Sector:	Consumer Staples	Rating:	Hold

Overview & Current Events

British American Tobacco is one of the world's largest tobacco companies. British American Tobacco owns many tobacco brands, including *Kool*, *Benson & Hedges*, *Dunhill*, *Kent*, and *Lucky Strike*. The company also acquired the remaining 48% stake in Reynolds American Tobacco that it did not already own in July of 2017. Although the company is incorporated in the United Kingdom and headquartered in London, American investors can purchase its stock through American Depositary Receipts that trade on the New York Stock Exchange under the ticker BTI. Despite being headquartered in the United Kingdom, British American Tobacco triggers no dividend withholding tax for United States investors. All numbers in this report are in US\$ unless noted otherwise.

When British American Tobacco announced its H1 pre-close trading update, which it always releases instead of a Q1 report, announced that it was on track to deliver on its guidance for the current year, although it didn't announce any Dollar or GBP values, which it never does in its H1 or full-year pre-close trading updates. Management stated that it is seeing accelerating growth in its New Categories segment, which has been the growth driver for British American Tobacco in the recent past, too. For this segment, the company now forecasts a mid-teens growth rate this year.

British American Tobacco did not announce any profit numbers for the first quarter in the pre-close trading update, but based on management's comment, it is likely that the company will be more profitable this year compared to last year. The analyst community is forecasting that British American Tobacco will see its earnings-per-share grow meaningfully this year, with the consensus estimate standing at \$4.85. Management also believes that the company will hit its leverage target -- 2x to 2.5x EBITDA -- by the end of this year. Following that, we could see higher shareholder returns.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$3.08	\$3.96	\$3.89	\$4.38	\$4.58	\$4.45	\$4.49	\$4.74	\$4.57	\$4.68	\$4.85	\$5.62
DPS	\$2.28	\$2.84	\$2.66	\$2.71	\$2.74	\$2.94	\$2.81	\$2.83	\$2.98	\$3.17	\$3.34	\$3.69
Shares¹	1860	2290	2290	2290	2300	2300	2270	2230	2210	2190	2170	2100

British American Tobacco's earnings-per-share grew by around 50% between 2016 and 2025, which equates to an annual earnings-per-share growth rate of 4%. The company's growth has been uneven, though, as there were several years where British American Tobacco's profits declined. The company reports its results in Pound Sterling, whereas the results in the above table are in USD. Depending on the exchange rate between these two currencies, growth rates in USD can differ from British American Tobacco's reported growth rates, depending on whether the US Dollar is strengthening or weakening versus the British Pound.

We do not expect a lot of earnings growth from the company in the future, but we do expect some. Organic growth due to rising cigarette prices and the rise of vaping products should be positive for revenues, and declining interest expenses due to debt paydown could impact profitability as well. On top of that, British American Tobacco plans to buy back its own shares in the future, too, which will have a positive impact on earnings-per-share as well. On the other hand, declining smoking rates are a headwind for the company and its peers.

¹ In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	17.6	19.2	16.4	8.5	9.6	8.1	8.9	6.1	7.9	12.2	12.6	9.0
Avg. Yld.	4.1%	3.7%	4.1%	8.1%	6.5%	7.4%	7.0%	9.8%	8.3%	5.6%	5.5%	7.3%

British American Tobacco's shares are up nicely over the last year. Its valuation is not overly high on an absolute basis, but shares are considerably more expensive than they were over the last couple of years. British American Tobacco trades for around 12 to 13 times this year's expected net earnings, which is ahead of our fair value estimate. Due to uncertainties for the industry and the need for investments in smokeless products, we believe that the valuation will not remain in the double-digits in the long run. Investors get an attractive dividend yield at current prices.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	74%	72%	68%	62%	60%	66%	63%	60%	65%	68%	69%	66%

British American Tobacco has kept its dividend payout ratio in a range of 55%-75% throughout the last decade.

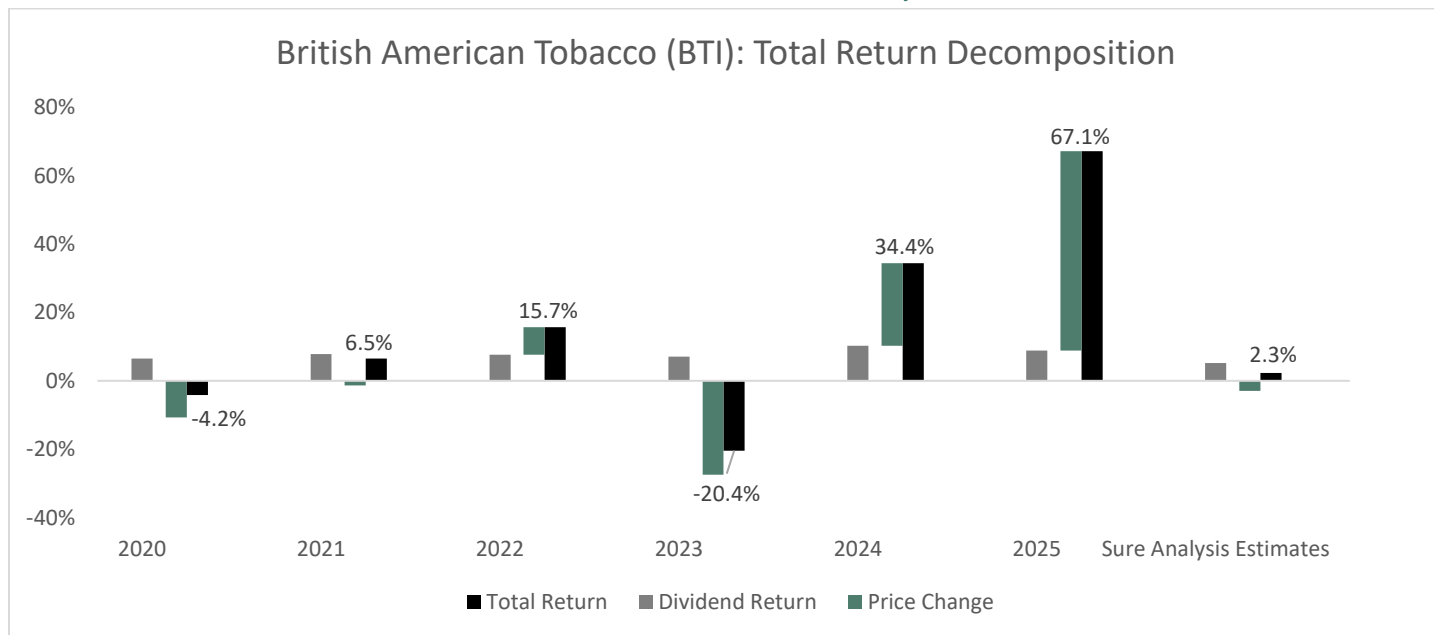
Compared to other tobacco stocks, this is not a very high payout ratio, as some competitors, such as Altria, pay out ~80% of their profits in the form of dividends. Nevertheless, the dividend does not look ultra-safe.

British American Tobacco operates in an oligopoly that usually does not engage in price wars. The players in this industry have always focused on profits over market share gains, which is why the industry is not overly competitive, and why profits have been strong for all players. Demand for cigarettes is not cyclical, which is why British American Tobacco performed well during the Great Recession as well as during the COVID pandemic.

Final Thoughts & Recommendation

British American Tobacco's dividend yield remains at an appealing level of more than 5%. 2025 was a so-so year for the company as it saw solid growth in the New Categories space, but its smokeable business continued to decline. In 2026, earnings-per-share will likely continue to rise, although not at an overly fast pace. The total return outlook is not very compelling, as shares trade above fair value. We rate British American Tobacco a hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	19,145	25,260	32,678	33,041	33,082	35,335	34,246	33,949	33,059	34,284
Gross Profit	14,087	18,762	26,608	27,376	27,771	29,306	28,607	28,174	27,390	28,267
Gross Margin	73.6%	74.3%	81.4%	82.9%	83.9%	82.9%	83.5%	83.0%	82.9%	83.5%
SG&A Exp.	15	39	34	1,499	1,443	1,746	1,472	1,470	1,458	1,503
D&A Exp.	822	1,165	1,385	1,683	1,593	1,402	1,616	29,864	3,913	3,039
Operating Profit	6,745	8,697	12,592	12,111	17,766	14,969	14,175	(13217)	11,438	15,608
Op. Margin	35.2%	34.4%	38.5%	36.7%	53.7%	42.4%	41.4%	-38.9%	34.6%	45.5%
Net Profit	6,298	48,400	8,048	7,283	8,214	9,356	8,255	(17877)	3,921	10,394
Net Margin	32.9%	191.6%	24.6%	22.0%	24.8%	26.5%	24.1%	-52.7%	11.9%	30.3%
Free Cash Flow	5,333	5,641	12,478	10,446	11,591	12,343	12,059	12,584	12,163	7,458
Income Tax	1,905	(10496)	2,857	2,634	2,706	3,011	3,069	(3,574)	456	2,803

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets (\$B)	48.86	190.62	185.69	184.88	187.65	185.39	185.82	151.23	149.19	146.31
Cash & Equivalents	2,515	4,231	3,086	2,490	2,461	1,997	2,071	3,010	3,621	4,675
Acc. Receivable	4,772	5,477	4,553	5,367	5,071	5,332	5,285	4,613	4,522	5,090
Inventories	7,117	7,925	7,650	7,990	8,174	7,125	6,863	6,291	5,792	5,866
Goodwill/Int. (\$B)	14.89	159.17	157.36	155.75	157.19	156.05	156.21	121.74	118.30	116.38
Total Liab. (\$B)	38.53	108.21	102.34	100.76	101.85	94.43	94.20	83.80	86.46	81.85
Accounts Payable	9,011	12,038	13,490	12,754	13,210	12,926	12,645	12,357	11,983	12,487
Long-Term Debt	23,950	66,827	60,284	59,483	59,274	52,922	51,581	49,978	45,630	41,944
Total Equity	10,052	82,110	83,042	83,786	85,413	90,562	91,210	66,964	62,292	64,451
LTD/E Ratio	2.38	0.81	0.73	0.71	0.69	0.58	0.57	0.75	0.73	0.73

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	13.2%	40.4%	4.3%	3.9%	4.4%	5.0%	4.4%	-10.6%	2.6%	7.0%
Return on Equity	70.8%	104%	9.7%	8.7%	9.7%	10.6%	9.0%	-22.5%	6.0%	16.4%
ROIC	18.8%	52.7%	5.5%	5.1%	5.7%	6.5%	5.8%	-13.7%	3.5%	8.9%
Shares Out.	1860	2290	2290	2290	2300	2300	2270	2230	2260	2199
Revenue/Share	10.27	12.32	14.26	14.42	14.42	15.38	15.11	15.23	14.86	15.59
FCF/Share	2.86	2.75	5.44	4.56	5.05	5.37	5.32	5.65	5.47	3.43

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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