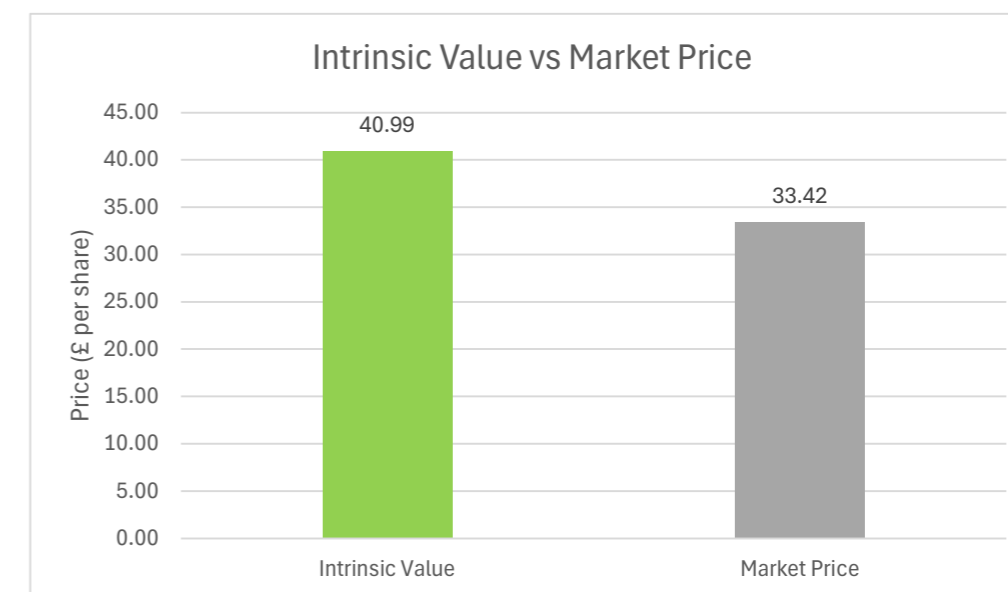


Dividend Discount Model (DDM) - British American Tobacco (BATS.L)						
(£ in millions, except per share figures)						
Two-Stage Model Assumptions						
Dividends Per Share (DPS) – Current Period	2.40					
Cost of Equity (Ke)	7.76%					
	<u>Stage 1</u>	<u>Stage 2</u>				
Dividend Growth Rate (g):	3.0%	1.4%				
<u>Stage 1 Dividends</u>			Stage 1			
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Dividends Per Share (DPS)	2.40	2.47	2.55	2.63	2.70	2.79
Cost of Equity (Ke)	8%	8%	8%	8%	8%	8%
Present Value (PV) of Dividend	2.40	2.30	2.20	2.10	2.01	1.92
<u>Share Price Calculation</u>						
PV of Sum of Stage 1 Dividends	10.51					
Year 5 Dividend × (1 + Stage 2 Growth Rate)	2.82					
Stage 2 Terminal Value	44.28					
PV of Stage 2 Terminal Value	30.48					
Value Per Share (£)	40.99					



Stage 1: Average Dividend growth (%)

Year	2024	2023	2022	2021	2020
Divident Growth (%)	2.00%	6.00%	1.00%	2.00%	4.00%
Average Dividend growth	3.00%				

Stage 2: Long term Growth rate

Year	2024	2025	2026	2027	2028	2029
UK Real GDP Growth rate	1.10%	1.10%	1.40%	1.50%	1.50%	1.40%
LTGR	1.38%					

Sensitivity Analysis

		Long-term Growth rate				
		1.00%	1.50%	2.00%	2.50%	3.00%
Cost of Equity (Ke)	6.50%	48.31	52.29	57.16	63.25	71.08
	7.00%	44.36	47.62	51.53	56.31	62.28
	7.50%	41.03	43.74	46.94	50.78	55.47
	8.00%	38.20	40.48	43.14	46.28	50.05
	8.50%	35.77	37.70	39.94	42.55	45.63

Intrinsic Value	40.99
Market Price	33.42

