

FY 2025 Performance Overview

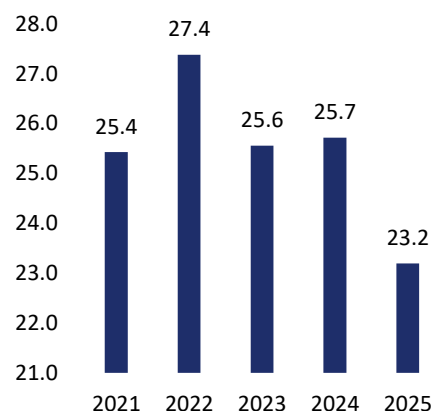
Income Statement

- BAT recorded a 9.8% decline in net revenue to KES 23.2 billion in FY 2025 from KES 25.7 billion in FY 2024. This was primarily driven by heightened illicit trade in the domestic market, partially offset by new revenue from oral nicotine pouch sales.
- Total cost of operations decreased by 14.6%, reflecting lower sales volumes, the benefit of effective cost management and productivity initiatives implemented during the period
- Operating profit rose by 2.2% to KES 7.5 billion in FY2025 from KES 7.3 billion in FY2024, despite a contraction in net revenue. The operating margin improved to 32.2% from 28.4% over the same period, reflecting enhanced cost discipline and operational efficiency, though profitability remains below earlier peak levels.
- Finance income of KShs 0.2 billion was earned, a significant improvement from KShs 0.8 billion exchange loss in the prior period, driven by Kenyan Shilling stability against the US Dollar and prudent cash management.
- Profit before tax increased by 18.3% to KShs 7.7 billion driven by an improvement in operating profit and lower finance costs.
- Net profit rose by 17% to KES 5.2 billion in FY2025 from KES 4.5 billion in FY2024, driving the net profit margin higher to 22.6% from 17.4%. The improvement reflects stronger financing performance and disciplined cost management, even as net revenue declined.
- Total comprehensive income mirrored net profit at KES 5.2 billion in FY2025, up from KES 4.5 billion in FY2024.
- Earnings per share rose by 17% to KES 52.46 from KES 44.83, reflecting stronger profitability and enhanced shareholder value.
- The Board declared a **final dividend of KES 60 per share** for FY2025, in addition to an **interim dividend of KES 10 per share**, bringing the total dividend for the year to **KES 70 per share** (KES 7.0 billion). The final dividend was announced on **27th February 2026**, with **book closure on 8th May 2026** and **payment scheduled for 12th June 2026**. The dividend payout ratio rose to **133%** from 112% in FY2024, indicating that distributions exceeded net earnings and were partially funded from retained earnings and cash reserves.

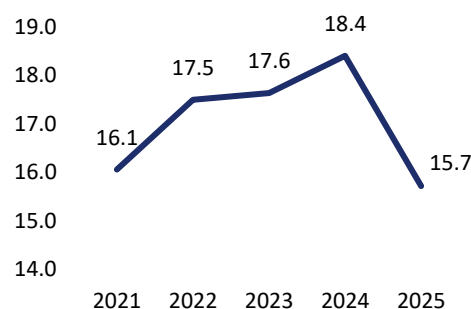
Key data	
RECOMMENDATION	BUY
Target Price (KES)	629.00
Market price (KES)- 27/02/26	567.00
Upside	10.9%
No. of shares (Mn)	100.0
Market Cap (KESmn)	57,000.0
Free float	40.00%
Dividend yield	12.3%
P/E	10.81
P/B	3.86
YTD Change	24.6%
Min 52 weeks KES	345.00
Max 52 weeks KES	629.00

Source: Bloomberg and Faida Analysis

Net revenue (KES billions)



Cost of operations (KES billions)



Source: Company Financials

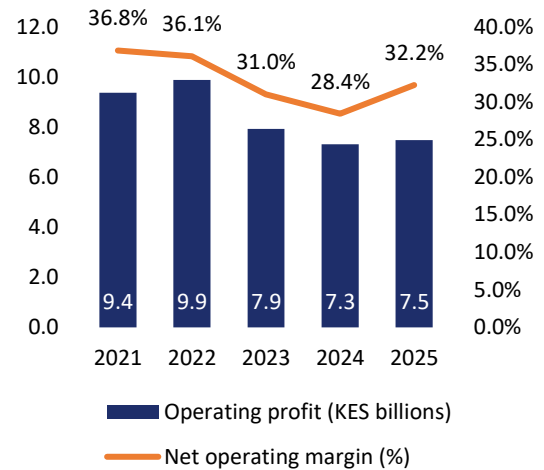
Balance Sheet

- Total assets remained largely stable at KES 17.4 billion in FY2025, slightly down from KES 17.6 billion in FY2024, reflecting a steady asset base.
- Non-current assets declined slightly to KES 9.7 billion from KES 10.1 billion, while current assets increased modestly to KES 13.9 billion from KES 13.6 billion.
- Current liabilities rose slightly by 2.9% to KES 6.2 billion from KES 6.0 billion in FY2024, while non-current liabilities remained largely stable at KES 1.9 billion.
- The current ratio stood at 2.2x, unchanged from FY2024, highlighting a stable and comfortable liquidity position.
- Net working capital stood at KES 7.7 billion in FY2025, slightly higher than KES 7.6 billion in FY2024, reflecting a stable balance between current assets and current liabilities. The healthy working capital, together with a **current ratio of 2.2x**, underscores the company's strong short-term liquidity and ability to meet operational obligations comfortably.
- Retained earnings declined slightly to KES 11.9 billion in FY2025 from KES 12.1 billion in FY2024, **primarily due to a dividend payout that exceeded net earnings**. Despite the reduction, the company maintains a strong equity base, supported by consistent profitability and cash generation, ensuring capacity to fund operations and future dividends.
- Return on equity (ROE) rebounded to 33.9% in FY2025 from 28.5% in FY2024, reflecting improved profitability and efficient use of shareholder funds despite a contraction in net revenue.
- Shareholders' equity declined slightly to KES 15.5 billion from KES 15.7 billion in FY2024, driven by a high dividend payout.

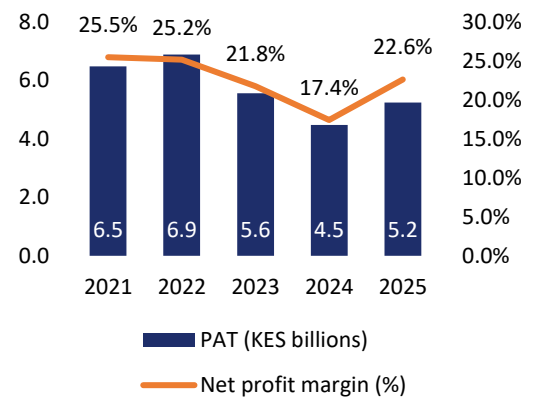
Cash Flows Summary

- Cash generated from operating activities edged down by 17.7% to KES 8,582 million in FY2025 from KES 10,427 million in FY2024, while net cash from operating activities declined by 15.2% to KES 6,642 million from KES 7,828 million, reflecting changes in working capital during the period.
- Investing activities recorded a net cash outflow of KES 289 million in FY2025, improving from a net outflow of KES 783 million in FY2024, reflecting lower capital expenditure compared to the prior year.
- Financing activities recorded a net cash outflow of KES 5,525 million in FY2025, up from KES 5,042 million in FY2024, largely driven by higher dividend payments during the year.
- Cash and cash equivalents increased to KES 6,218 million at the end of FY2025 from KES 5,390 million in FY2024, supported by strong operating cash flows despite higher financing outflows.

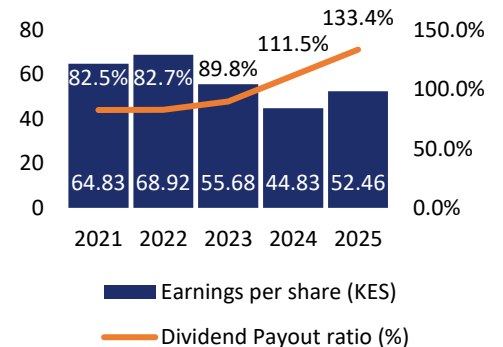
Operating profit and net operating profit margin



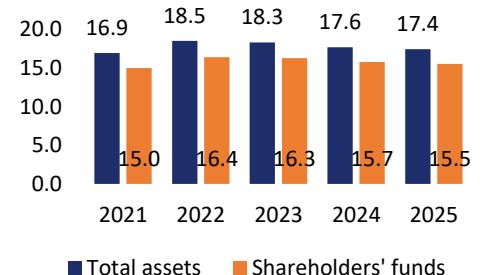
PAT and net profit margin



Earnings per share and dividend payout ratio



Total assets and Equity (KES billions)

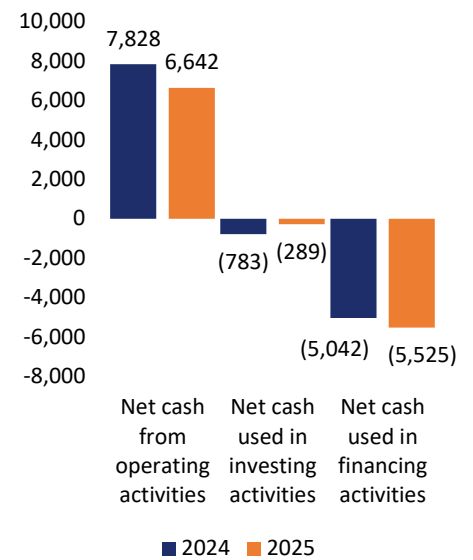


Source: Company Financials

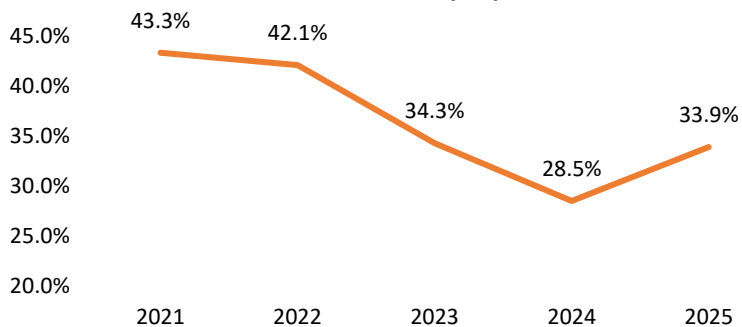
Outlook

- BAT Kenya continues to demonstrate confidence in the resilience of its business model, supported by a disciplined strategy focused on sustainable earnings growth and consistent shareholder returns. However, domestic market performance continues to face significant headwinds from illicit trade, with illicit cigarette prevalence rising to 45% of the market from 37% in 2024. This trend not only suppresses legitimate industry revenues but also results in an estimated KES 12 billion annual loss in government tax revenue.
- Despite these pressures, the company delivered strong underlying performance supported by stable export sales, which account for approximately half of total revenue, alongside disciplined cost management and currency stability that offset inflationary pressures.
- The relaunch of oral nicotine pouches in H2 2025 further strengthens its reduced-risk portfolio, aligning with its purpose of building *A Better Tomorrow* and advancing a smokeless product strategy.
- Regulatory risks and illicit trade remain key focus areas, with BAT Kenya advocating for enhanced border controls, stronger enforcement, improved market surveillance, and greater inter-agency collaboration to safeguard compliant businesses and protect fiscal revenues.
- Overall, the company appears well-positioned to balance operational efficiency, robust cash generation, and a sustainable dividend policy in FY2026, supported by stable export performance and continued strategic execution, although illicit trade remains a key downside risk.

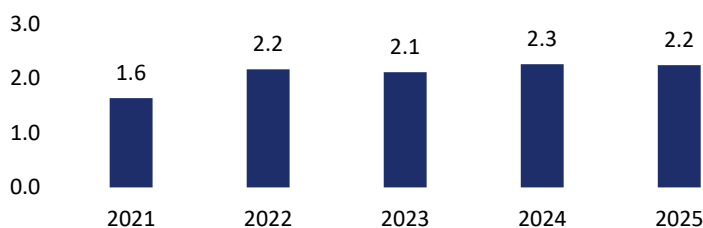
Cashflows (KES millions)



Return On Equity

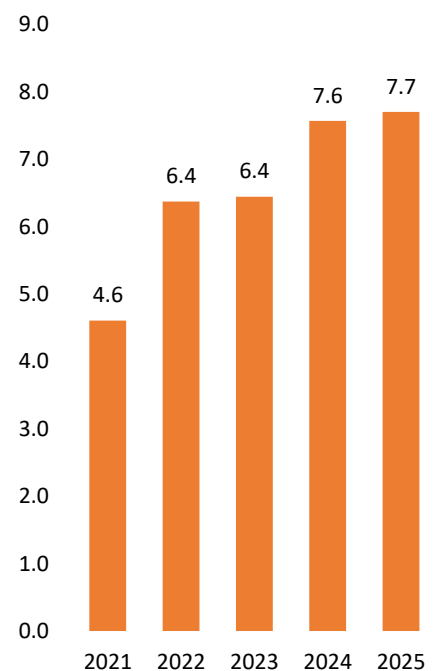


Current ratio



Source: Company Financials

Net working capital (KES billions)



Source: Company Financials

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Glossary of Terms

Net Interest Margin (NIM) - Net interest margin is a measure of the difference between interest paid and interest received, adjusted for the total amount of interest-generating assets held by the bank. It is calculated as: Net Interest Income/Average Interest Earning Assets

Basis points (bps) – one hundredth of a percentage i.e. 1.0%=100bps or 1bps=0.01%

Target price – Analyst estimate of the fair value or intrinsic value of the company

Cost of Funds-This is the effective average interest rate paid on interest earning liabilities. It is calculated as Total Interest Expense/Average Interest Earning Liabilities

Loan Yield- This is the effective average interest rate received on average loans and advances. It is calculated as Interest on Loans and Advances/Average Loans and Advances

Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as: Net Impairment Provisions/Average Gross Loans in the period

Non-performing loans-These are loans that have been classified as impaired. The CBK classifies loans into five categories i.e. Normal, Watch, Substandard, Doubtful and Loss depending on performance of the loan. The last three i.e. sub-standard, doubtful and loss are referred to as non-performing loans. Under IFRS, these classified as stage 3 loans.

Non-performing loans (NPL) Ratio - This is the proportion of NPLs in the loan book. It is calculated as Gross NPLs/Gross Loans

Non-funded/Non-Interest Income– This represents the income that is not classified as interest income.

Non-Funded/Non-Interest Income Ratio. This represents the proportion of total operating income that is not classified as interest income. It is calculated as Non-Interest Income/Total Operating Income

Composite market share (Market share Index) - This is a weighted composite index comprising of assets, deposits, capital size, number of deposit and loan accounts. The composite market share is used by CBK to classify banks into three groups:

- Tier 1(Large Size Bank); Composite market share of 5.0% and above
- Tier 2(Medium Size Bank); Composite market share of between 1.0% and 5.0%
- Tier 3(Small size Bank); Composite market share of less than 1.0%

Recommendation

BUY – Minimal risks to catalysts

SELL- Risks outweigh the catalysts

NEUTRAL – This is where the positives and negatives in a company almost balance out. You can accumulate for the long term.



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