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BAT Kenya PLC Earnings Update – H1 2026

BAT Kenya Finds Strength Beyond Borders: Revenue Rises 4.6%y/y

British American Tobacco Kenya maintained its interim dividend at Kes. 10.00 per share despite a largely flat earnings performance, signalling confidence in its cash generation and pointing to a high likelihood of maintaining the final dividend at Kes. 60.00 per share.

The Company delivered what we view as a resilient H1 2026 performance, with net revenue rising 4.6% y/y to Kes. 12.27Bn, supported by a resilient export market amidst a tough domestic operating environment. Profit before tax nudged higher by 1.7% to Kes. 4.39Bn, while earnings per share increased to Kes. 30.75 from Kes. 29.83, reflecting disciplined cost management and sustained operational efficiency. The performance was despite a 6.8% increase in cost of operations, with operating profit rising only 0.8% to Kes. 4.26Bn. Finance income increased 40.2% to Kes. 136.00Mn, providing modest support to earnings.

We maintain a ***HOLD*** *recommendation on BAT Kenya as valuations moderate and upside potential narrows. While the recovery in export sales and resilient profitability continue to support the investment case, the broad-based contraction across the balance sheet, coupled with persistent pressures from illicit trade, regulatory uncertainty, and excise taxation, tempers our near-term outlook. We therefore maintain a wait-and-see stance until there is stronger conviction of sustained earnings growth and an improvement in the Company's*

Recommendation	**HOLD**
Bloomberg Ticker	**BAT KN**
Share Statistics	
Current Price (23-Jul-26)	580.00
3-Month Av	543.21
6 Month Av	541.53
12 Month Av	490.03
52 Week High	629.00
52 Week Low	345.00
Issued Shares Mn	100.00
Market Cap (Kes. Bn)	58.00
Market Cap (USD Mn)	446.15
P/E	18.86
Annual Dividend Yield	12.07%
EPS	30.75

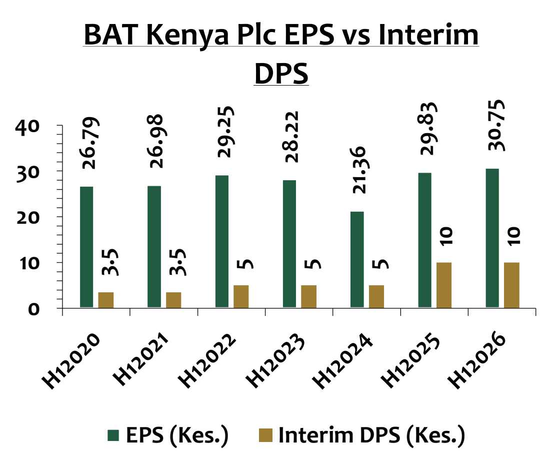
Income Statement

BAT Kenya Plc delivered a resilient income performance during the first half of 2026, supported by a recovery in export sales despite continued weakness in the domestic market. **Net revenue** increased by 4.6% year-on-year to Kes. 12.27Bn from Kes. 11.73Bn, driven by improved export volumes, which helped offset the impact of lower local sales volumes arising from persistent illicit trade and a challenging operating environment.

Cost of operations rose by 6.8% to Kes. 8.02Bn, marginally outpacing revenue growth and exerting pressure on operating margins. Nevertheless, the Company maintained cost discipline, with **operating profit** edging up 0.8% to Kes. 4.26Bn from Kes. 4.23Bn, reflecting continued productivity improvements and effective cost management initiatives.

Profitability remained resilient, supported by improved operating performance and higher **finance income**, which increased 40.2% to Kes. 136.00Mn from Kes. 97.00Mn. Consequently, **profit before tax** increased 1.7% to Kes. 4.40Bn, while profit after tax rose 3.1% to Kes. 3.08Bn. **Earnings per share** improved to Kes. 30.75 from Kes. 29.83 in the corresponding period last year, underscoring the Company's ability to preserve shareholder value despite ongoing market and regulatory headwinds.

Return Performance		
Periods	**BAT (K)**	**NASI**
3mtd PriceΔ(%ge)	**1.1%**	**12.40%**
6mtd PriceΔ(%ge)	**22.40%**	**19.70%**
YTD Δ(%ge)	**26.40%**	**24.70%**
Y/Y Δ(%ge)	**52.90%**	**45.20%**



Balance Sheet

BAT Kenya's balance sheet remained solid despite a contraction in total assets during the period, reflecting the impact of significant dividend distributions and a reduction in working capital. **Total assets** declined by 11.8% to Kes. 20.33Bn from Kes. 23.05Bn, driven primarily by lower **current assets**, which fell 18.1% to Kes. 10.91Bn, while **non-current assets** eased 3.2% to Kes. 9.43Bn.

Liquidity remained healthy despite moderating during the period. **Net working capital** declined 27.5% to Kes. 5.05Bn, while the **current ratio** eased to 1.86x from 2.10x, reflecting a faster decline in current asset balances relative to current liabilities. Nevertheless, the Company continued to maintain adequate liquidity to support its operating requirements.

Shareholders' funds declined 14.9% to Kes. 12.56Bn, largely reflecting a 19.5% reduction in retained earnings following the payment of dividends during the period. Despite the reduction in equity, BAT Kenya maintains a strong capital position supported by robust profitability, healthy cash generation, and a conservative balance sheet.

Metric	Y/Y Growth
Net Revenue	4.6%
Operating Profit	0.8%
PBT	1.7%
PAT	3.1%
EPS	3.1%
Total Assets	(11.8%)
Shareholders' Funds	(14.9%)
Net Working Capital	(27.5%)
Interim DPS	0.0%

Key Ratios

BAT Kenya's return metrics strengthened during the period, reflecting improved profitability and efficient deployment of shareholders' capital. **Return on assets (ROA)** increased to 15.12% from 12.94%, while **return on equity (ROE)** improved to 24.48% from 20.20%, demonstrating the Company's continued ability to generate stronger returns despite a more challenging operating environment.

Operational efficiency also improved, with **asset turnover** rising to 60.36% from 50.89%, indicating enhanced revenue generation from the Company's asset base. However, profitability margins softened slightly, with **operating margin** easing to 34.69% from 36.01%, while **net profit margin** edged down to 25.05% from 25.43%, reflecting the impact of higher operating costs during the period.

Liquidity remained healthy despite moderating year-on-year, with the **current ratio** declining to 1.86x from 2.10x, largely reflecting lower current asset balances following dividend distributions. Nevertheless, the ratio remains comfortably above 1.0x, indicating that the Company continues to maintain adequate short-term liquidity to meet its obligations.

Valuation metrics remained supportive, with **earnings per share** improving to Kes. 30.75 from Kes. 29.83. The **price-to-earnings ratio** expanded to 18.86x from 12.10x, suggesting stronger market valuation of the Company's earnings, while the **dividend payout ratio** remained broadly stable at 32.52%, reaffirming BAT Kenya's commitment to delivering consistent shareholder returns.

Income Statement (Kes. Mn)	30-Jun-25	30-Jun-26	% Change Y/Y
Net Revenue	11732	12,273	4.61%
Cost of Operations	(7,507)	(8,015)	6.77%
Operating Profit	4,225	4,258	0.78%
Finance Income	97	136	40.21%
PBT	4,322	4,394	1.67%
PAT	2,983	3,075	3.08%
EPS	29.83	30.75	3.08%
DPS	10	10	-

Balance Sheet (Kes. Mn)	30-Jun-25	30-Jun-26	% Change Y/Y
Current Assets	13315	10905	(18.10%)
Non-Current Assets	9739	9427	(3.20%)
Total Assets	23054	20332	(11.81%)
Current Liabilities	6345	5852	(7.77%)
Non-Current Liabilities	1944	1920	(1.23%)
Retained Earnings	11104	8940	(19.49%)
Net Working Capital	6970	5053	(27.50%)
Shareholders Funds	14765	12560	(14.93%)

Ratios	30-Jun-25	30-Jun-26	pp. Change Y/Y
Operating Marging	36.01%	34.69%	(1.32%)
Net Profit Margin	25.43%	25.05%	(0.37%)
Return on Assets (ROA)	12.94%	15.12%	2.18%
Return on Equity (ROE)	20.20%	24.48%	4.28%
Asset Turnover	50.89%	60.36%	9.47%
Current ratio	2.10x	1.86x	(0.24x)
Price-to-Earnings	12.10x	18.86x	5.72
Earnings per Share	29.83	30.75	0.92
Dividend Payout	33.52%	32.52%	(1.00%)

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Recommendation Guide:

Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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