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ABSTRACT

The purpose of this report is to analyse BAT's financial statements with the intent to establish the BAT's financial performance over a period of five years. The report draws in BAT's history and events in the tobacco industry and one of BAT's competitors called the Imperial brands Plc to analyse the trends in the company's financial performance. Focus is put on the critical evaluation of the liquidity, profitability, efficiency and leverage/gearing ratios and recommendations for the improvement of BAT's financial performance are made. Further evaluation of BAT's proposed investment projects is done with special emphasis on PBP, ARR, IRR and NVP investment appraisal techniques and the most viable project is recommended.

Key words: Profitability ratio, efficiency ratio, liquidity ratio, leverage ratio, investment appraisal techniques.

1. Introduction

British American Tobacco (BAT) was founded in 1902 as a joint venture between the Imperial Tobacco Company based in the UK and the American Tobacco Company, which was then based in the United State of America. The first CEO's strategy was to hire the best staff, to mechanise the production of a superior product which could be sold at the lowest possible price. BAT rapidly expanded its markets within a decade to cover India, West indies, Egypt, Ceylon, Belgium, Sweden, Finland, Malaya, Norway, east Africa and Indonesia. By this time BAT had also acquired Maspero Freres, a cigarette company based in Cairo and thus expanding their export of cigarettes made from Turkish tobacco, giving a company overall annual cigarette sale of up to 10billions. By 1915, BAT was making 25 billion tobacco sales per year due to the increasing demand for cigarettes by the British military. By 1960 BAT global sales were more than 280 billion cigarettes, making the company £58 million in profits.

BAT has been producing and selling cigarettes for over a century now and has advanced into the production of nicotine and next generation tobacco such as e-cigarettes. With a business model that focuses on the sustainably sourcing, producing and distributing products with the aim of creating value for all their stake holders such as farmers, communities, suppliers, wholesale and retail traders, regulators, governments and NGOs. BAT's main competitors include Scandinavian Tobacco, Altria, PMI, Universal corporation, Imperial Brands, Turning Point Brand, vector Group, Pyxus international and many more. Planned introduction of tobacco products that are smokeless by 2026 has stiffened the cigarette market and tightening the competition between the major industry players such as Altria Group, Swedish Match, Swisher international, japan tobacco and so on (Everestthemse, 2019).

In 2015, BAT decided to acquire a Croatian based cigarette manufacturer called TDR. This was their biggest independent competitor in Europe as well as taking over the shares ownership in Souza Cruz which was TDR's Brazilian subsidiary. BAT initially own Souza Cruz but TDR has shares in the same company. With a sole intension of taking the lead in the next generation cigarette products, Bat also acquired the market leader in Vapour products, (e-Cigarette) CHIC Group, a Poland based company. BAT acquired 57.8% shares in Reynolds American Inc. in 2016 as well as the UK based Ten Motives e-cigarette company and tobacco heating products have been launched in Sendai, Japan, Romania, Canada, and Switzerland. Since 2018, BAT has committed to the production of reduced risk products in their sustainability strategy. Moreover, in the same year, the company was acknowledged for being the one of the top global employers of the year. In 2019, Jack Bowles took over as the new CEO of BAT from Nicandro Durante who had been CEO for the last years. The company has maintained its position on t Dow Jones' sustainability indices as the industry leader. On the16/05/2020, BAT's share price was going for 3049.50p as the company continues to put their commitment to shaping a better tomorrow for their customers, community, employees and shareholders at the centre of the company values (British American Tobacco, 2019).

2. Critical review of BAT's financial performance

According to classical economists, a company like BAT should have one sole responsibility of increasing the value of its shareholders and thus making the key objective, making profits (Friedman, 1970). Moreover, there is still possibility of negative relationship between the profitability and liquidity of the company. As such, companies positing low profitability levels tend to be those with high liquidity levels and the reverse is true (Eljelly, 2004). However inherently, there are limitations posed by financial and ratio analysis, in spite of the fact that financial analysis is meant to identify the strengths and weaknesses of the company and hence the notion that ratio analysis is subjective (Smullen, 1995). It is from this point of view that a critical review of BAT's financial performance is inevitable.

Table 1. Profitability, liquidity, leverage and efficiency ratios for BAT

Year	Profitability ratios			Liquidity ratios			Leverage ratios		Efficiency ratios	
	Gross Margin %	Operating Margin %	Net profit Margin %	Current Ratios	Quick Ratio	Cash Ratio	Debit to Equity ratio	Debit to Capital ratio	Asset Turn over	Fixed Assets Turnover
2019	69.15	33.66	32.95	2.535	2.53	0.02	0.09	0.08	0.73	0.93
2018	68.1	36.64	36.74	1.32	1.32	0	0.21	0.17	0.67	0.88
2017	60.6	22.96	32.03	0.89	0.52	0.21	1.31	0.57	0.15	0.16
2016	58.68	29.76	33.88	1.04	0.55	0.19	3.73	0.79	0.37	0.54
2015	58.49	30.25	30.25	1.08	0.62	0.22	5.26	0.84	1.31	1.89

Source: Author

Table 2. Profitability, liquidity, leverage and efficiency ratios for Imperial Brands

Year	Profitability ratios			Liquidity ratios			Leverage ratios		Efficiency ratios	
	Gross margin %	Operating profit Margin %	Net profit Margin %	Current Ratios	Quick Ratio	Cash Ratio	Debit to Equity ratio	Debit to Capital ratio	Asset Turn over	Fixed Assets Turnover
2019	19.75	3.42	22.6	0.9	0.57	0.18	0.35	0.26	0.94	0.14

Source: Author

2.1 Critical evaluation of BAT's financial ratios

Financial ratios are used to assess a company's financial performance. Although several publications are of the view that companies may attain competitive advantage through the use of financial ratios and there after applying unique machine based or statistical analysis. Calculation of financial ratios is done by analysing the common variables on the financial statements to provide the company benefits such as measuring management's performance to facilitate reward systems, determining departmental performance, future investment projections such as acquisitions and analysing the competition (Ross *et al.*, 2003). Besides the above benefits, financial ratios enable companies predict their future performance (Altman, 1968).

2.1.1 Profitability ratios

The primary goal of a company is profitability. And thus, measurement of both past and current company profitability is inevitable. Profitability ratios enable measurement of the company's operation, and therefore stakeholders tend to have a keen interest in the company's profitability.

Consequently, failure by the company to post good profit ratios may subsequently reduce its cash and affect the company's liquidity (Murthy, 2014).

Gross Margin

Gross margin often referred to as gross profit ratio I used to explain the relationship between net sales and gross profit (credit and cash) in percentages. The gross profit margin is used to show business profitability. The best financial management is represented by a high gross margin ratio as posited by Tulsian (2014). Gross Margin (GM) is calculated using the formula below.

$$GM = \frac{\text{Gross profits}}{\text{Sale}}$$

And as indicated in figure 1 below, BAT's gross margin has continued to increase in the last five years from 58.49% in 2015 to 69.15 in 2019. This may be due to BAT's strategic investments and partnerships through which the company has bought off some of its competitors such as TDR, Souza Cruz, CHIC group, Reynold American Inc, Ten Motives, and it launched new products as glo iFuse; a tobacco heating product in new markets such as Romania, Manila, Japan, Canada and Switzerland (British American Tobacco, 2019). This shows that despite the tight competition, the BAT's gross profits have increased and is leading majority of its competitors such as imperial brands plc with gross margins of 69.15% while Imperial brands is at 19.75%.

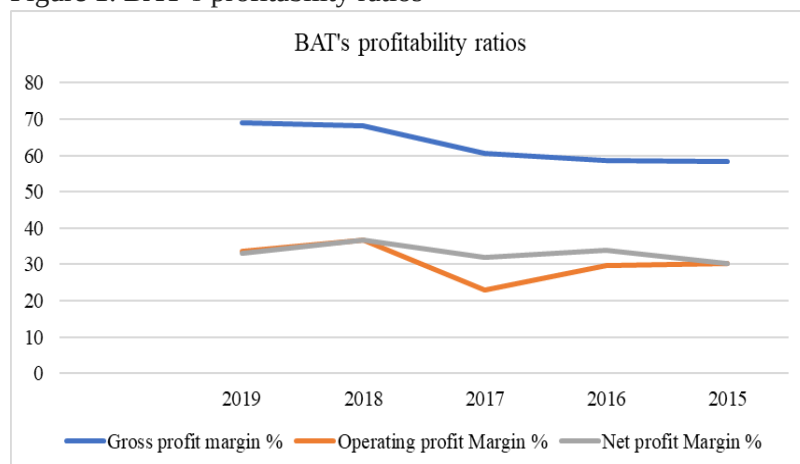
Operating Margin

Operating profit margin I used to determin the relationship between net sales and operating profits. The objective in calculating the operating profit ratio to establish the management's operational efficiency. Operating profits are the net profits the company makes from business operations excluding the operational expenses before interest and taxes. As such a company with higher operating profit is said to have mastered a way of cutting expenses whilst increasing its sales (Tulsian, 2014). Operating margin (OM) is calculated using the fomulars below'

$$OM = \frac{\text{Operating income}}{\text{Sales}}$$

Although acquisitions provide a company a chance to eliminate its competition, as well as adapt the resources that formally belonged to the competition, to the changes in a volatile business environment; they also negatively impact the company's profitability ratios on a short term (Wan and Yiu, 2009).

Figure 1. BAT's profitability ratios



Source: Author

As shown in figure 1 above, BAT's operating profit margin reduced between the 2015 and 2017, hitting its lowest in 2017. However, the operating profit started to increase and continues before it slightly reduced in 2019. According to the British American Tobacco (2019), 2017 was the year when BAT decided to acquire some of its biggest competitors such as Reynolds American Inc, and Ten Motives and at the same time the company was launching glo, its new product in Japan, Canada and Switzerland. Operating profit margins would be expected to reduce during the adaptation phase and then stabilise afterwards as the newly opened stores in Milan and the new acquisition would then have stabilised. BAT is operating profit is at 33.6% while Imperial brands has an operating profit of 3.42% this in a clear indication that BAT has mastered the practice of reducing its operating expenses far better than imperial brands.

Net profit Mirgin

Net profit margin determines the amount of net profit or income the company has been able to generate as a percentage of the sales or revenue. And thus, the net profit margin is essentially a percentage ratio of net profits to sales that an organisation or business function makes. The net profit, although expressed in decimals is often presented as a percentage. The net profit may represent how much of each pound or dollar the company makes from the sales or revenue (Mouzas, 2006). Net profit margin (NPM) is calculated using the formula below;

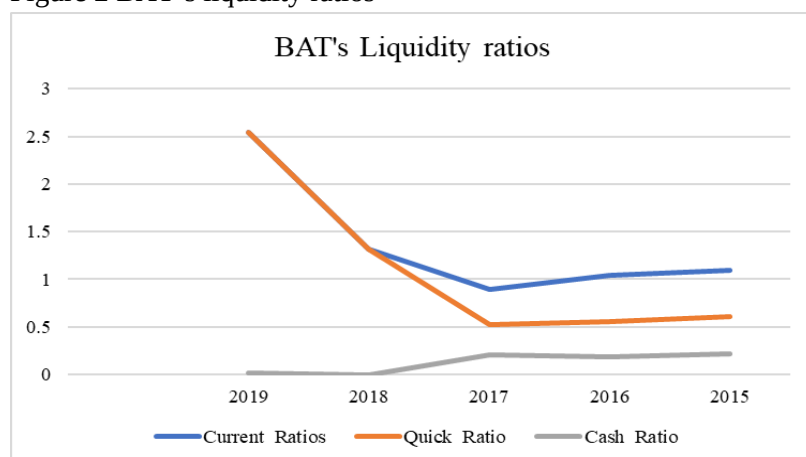
$$\text{NPM} = \frac{\text{Net income}}{\text{Sales}}$$

According to figure 1 above, BAT's net profit margin has fractuating with the highest at 36.74% in 2018 and 30.24% in 2015. On the whole the BAT's net profit margin implies a steady performance over the five year period. By 2019, BAT has reduced its expenses and increased it reveue. Although ni 2019, Imperial brand had sales revenue of £31,594M which is higher than BAT's £25,877M, Imperial brand plc still has more expenses such as the fair value adjustment of acquisition consideration, restructuring costs, and many more which are reducing its net income. Which is not the case with BAT.

2.1.2 Liquidity ratios

Companies use liquidity ratios to examine their potential to meet short term obligations. Prospective lenders and creditors base on a company's liquidity ratio to decide on extension of credit or debit facilities to companies (Harvey etal., 2004).

Figure 2 BAT's liquidity ratios



Source: Author

Current ratios

Current ratio measures the company's ability to meet obligations that are on a short-term basis. Current ratio is also known as the working capital. It weighs the current assets of a company against its current liabilities. It establishes a company's financial health and establishes the possibility of maximisation of liquidity using their current assets to settle debts and payables according to the Corporate Finance Institute (2019). Current ratios (CR) are calculated using the formula below;

$$CR = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

As shown in figure 2 above BAT's current ratio has ranging between 1 and 2 except for the year 2017 when the current ratio dropped to 0.89. Between 2015 and 2017, BAT's current assets have been reducing and thus making it unable to meet its short term obligations as shown by the decreasing current ratio trend. However, figure 1 indicates an improvement in BAT's current ratio between 2018 and 2019 with a rising current ratio of up to 2.54, an indicator that as of 2019, BAT's current assets had more than doubled.

Quick ratios

The Quick ratio determines the company's ability to pay short term liabilities. This is done by assessing whether the company has readily convertible assets into cash. Such assets include marketable securities, cash as well as accounts receivable. And hence the notion quick assets. In the case of BAT, as posited by the Corporate Finance Institute (2019), suppliers, lenders and investors would be seen to have a keen interest in the knowledge that BAT indeed has the required substantial amount of cash to meet its short term liabilities as opposed to when it would not be able to pay. Therefore, sound financial performance and management competence tend to have clearly defined liquidity ratios. Quick ratio (QR) is calculated using the formula below;

$$QR = \frac{\text{Current Assets - Inventory}}{\text{Current liabilities}}$$

BAT's cash ratio follows the same trend as the current ratio according to figure 2 above. With the lowest registered quick ratio being 0.52 in 2017 and the highest 2.54 in 2019. These two years both lowest and highest performance years of BAT with the five year period in terms of the company's liquid assets.

Cash ratios

The cash ratio determines the ability of a company to pay off its short-term debts using cash and cash equivalents. To the investors, creditors and analysts, the cash ratio indicated the percentage that a company's cash and cash equivalents can cover on their current liabilities. Preferably a ratio above one is a good indicator of a company's ability to use its cash and cash equivalents to pay off the current liabilities and subsequently, its debts (Corporate Finance Institute, 2019). Cash ratios are calculated using the formula below;

$$CR = \frac{\text{Cash}}{\text{Current liabilities}}$$

According to figure 2 above, BAT's cash ratio was at its worst, where by the company appears not to have adequate high liquidity assets to meet its current liabilities. BAT's cash ratio has been reducing

since 2015. None the less, BAT still maintains higher current and quick ratios of 2.54 while Imperial brands has 0.9 and 0.57 respectively in 2019. This means that in 2019 BAT had enough current assets to enable it meet its current liabilities while Imperial brands is still struggling, however in terms of cash ratios, both BAT and Imperial brands Plc need to do more work to be able have enough liquid assets that can enable them meet their current liabilities.

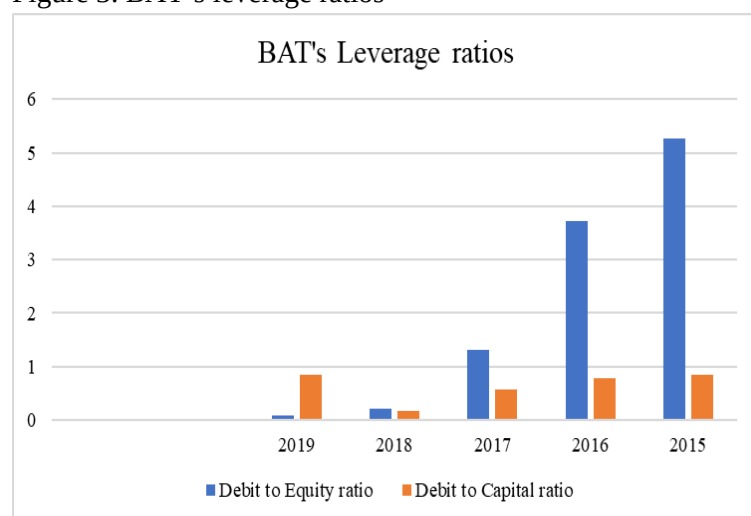
2.1.3 Leverage ratios

Leverage ratio is a balance sheet measure (Breuer, 2000) that is used to indicate the ratio of company debt against a number of accounts on the cash flow statement, income statement and balance sheet. The leverage ratios facilitate the establishment of a company's capacity to finance its business operations and assets. The leverage ratios include debt to equity and debt to capital ratios as posited by the Corporate Finance Institute (2019). The two leverage ratios in context include, debt to equity and debt to capital ratios which are calculated using the formulas below;

$$\text{Debt to equity} = \frac{\text{Total debt}}{\text{Total equity}} \quad \text{Debt to Capital} = \frac{\text{Total debt}}{\text{Total equity} + \text{Total Debt}}$$

A company's leverage is analysed by calculating its debt to equity ratio whereas to get to know what fraction of a company is being financed by loans or debt, the company calculates the debt to capital ratio (Almazari, 2020).

Figure 3. BAT's leverage ratios



Source: Author

As shown in figure 3 above, BAT's debt-to-equity ratio is highest in 2015 and lowest in 2019. This shows that BAT was relying heavily on borrowing to be able to finance the processes of acquisitions, launching new products and opening new stores and by 2019, the company was no longer relying on borrowing to finance the business. A debt to capital ratio of 0.08 indicates that BAT has a good financial position to allow further borrowing should the need arise. In 2019, BAT had a lower debt to equity ratio compared to Imperial brands. This means that by 2019 BAT is largely financing its business operations from share holders' investment capital while Imperial brands Plc is depending heavily on borrowings to finance its business operations.

2.1.4 Asset efficiency ratios

Efficiency ratios determine the company's ability to allocate its resources like assets and capital in a way that generates income for the business. As such efficiency ratios are crucial in measuring the short-term as well as current performance of a company. Aggregation of figures such as cost of goods,

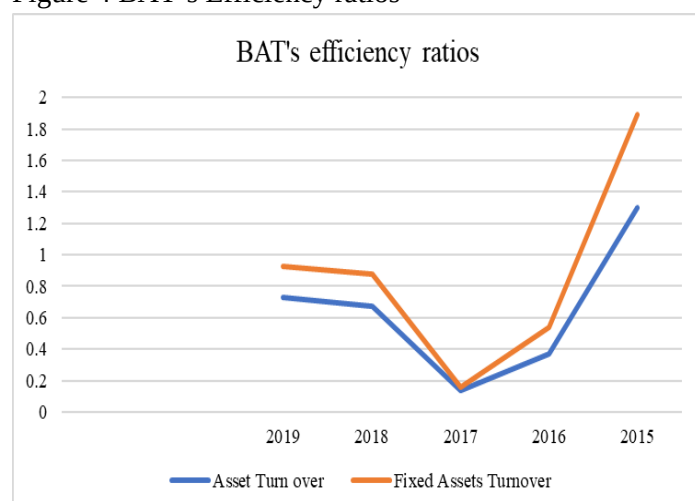
current assets as well as the current liabilities is done to calculate the efficiency ratios from the the income statements and balance sheet. Essentially, a company's profitability and efficiency ratios are related in a way that companies that can efficiently allocate their resources tend to be more profitable. And thus, improving efficiency ratios imply increasing company profitability (Corporate Finance Institute, 2019).

The two efficiency ratios considered in this analysis are assets turnover and the fixed assets turnover. These efficiency ratios are calculated using the formulas below.

$$\text{Assets Turnover} = \frac{\text{Sales}}{\text{Total Assets}} \qquad \text{Fixed Assets Turnover} = \frac{\text{Sales}}{\text{Fixed Assets}}$$

Assets turnover ratio measures a company's efficiency when it comes to the allocation of resources or assets in the sales generation process. As such, a high asset turnover ratio implies that company has highly competitive advantages in resource allocation that the company has over its competitors with low asset turnover ratio (Li, 2018). Fixed assets turnover ratio also measures the company's efficiency in the use of fixed assets to effect sales generation. Therefore, high fixed assets turnover shows a company's efficiency in the utilization of its fixed assets, whereas a low fixed asset turnover indicates underutilization or lack of enough fixed assets to generate revenue (Asheghi-Oskooee, 2019).

Figure 4 BAT's Efficiency ratios



Source: Author

According to the figure 4 above the Assets turn over and fixed asset turn over ratios follow the same curve with a 1.89 ratio being the highest in 2015 and 0.16 being the lowest in 2017. After 2017, the two efficiency ratios begin to increase. This implies that between 2015 and 2017, BAT was investing acquisitions and amassing assets which would take time to generate the desired revenue considering the required adaption window that every new acquisition would require to start generating revenue. BAT's fixed assets in 2017 increased to £127,072M from £ 27,414M this was 4.64 increment ratio. In 2019, the range gap between the asset turnovers of both BAT and Imperial brands Plc is almost the same. This implies that both companies are managing their assets rather efficiently.

2.4 Recommendation on how BAT can improve the financial management

Although BAT is doing quite well, the business requires improvement in the efficiency and liquidity. This will enable the company to remain more independent of debt to finance its business operations, and thus increase the company's bottom line.

Increasing the efficiency

BAT needs to consolidate this leverage ratios by increasing its revenues through further market expansions and introduction of more next generation products in the already existing markets. Although their initial strategy was introducing the best product at the lowest price, the same strategy cannot exist in the current business environment where next generation products such as vaps and e-cigarettes have become the norm. It is perhaps the time to increase the prices of their glo products and other tobacco heating products to increase the company's sales revenue. However, this could only be applied to the new products but maintain the old pricing strategy but continue to venture into new markets to increase sales and thus increase the company's assets. As such, the company may be able to settle current liabilities using its assets.

Reduce expenses

Although BAT can be commended for having done a remarkable job in the areas, the company does require to continue reducing its expenses in order to increase the company's bottom line. This could be done by developing financial and HR systems that facilitate increased production while maintaining the cost of production. The Company may also consider automation of some of the production processes to reduce on the staff wages' budget without compromising the production volumes.

Improve liquidity ratios

BAT should consider increasing its liquidity ratios by creating a system where cash is readily available when needed and when not, the cash is moved in to interest earning company accounts that continue to generate more profits for the business. This may make it easier for BAT's financial management team to pay off liabilities in the required time to increase its liquidity ratios.

When it comes to acquiring inventory and raw materials, BAT should consider applying long term financing strategies instead of short-term financing and thus the company will use the collected revenues to pay for raw materials and inventory whilst keeping its short-term debts down. Lastly, BAT should keep make sure that accounts payable and accounts receivable are in order whereby the customers are invoiced in time as well as ensure that they pay in time. Moreover, negotiation for longer payment terms is inevitable for BAT if it is to improve its liquidity ratio.

3. BAT's investment appraisal of new investment opportunities between project A and B.

BAT has now been presented with investment opportunities A and B, in which the company requires to borrow £85M and £90M to start the project. Within a period of five years, projects A and B's cash flows as shown in figure 6 below.

Figure 6. projected cash flow for projects A and B

Year	Projected Cash Flows (£m)	
	A	B
0	-85	-90
1	10	40
2	20	35
3	25	7
4	65	40

Source :Author

Considering that fact that BAT's present cost of capital is at 10.25%. All cash flows are raised at year end, ignoring inflation and taxation, and the projects were registering zero straight line depreciation. It is inevitable for BAT to decide on the best investment opportunity by conducting investment appraisal techniques of PBP, ARR, IRR, NPV.

3.1 Evaluation of projects A and B's Capital investment appraisal techniques

Capital investment appraisal is a process in which projects that have been proposed for investment are evaluated with the intention to determine an option that will give the company the highest return (Carmichael, 2011). Capital investment appraisals involve the investment of a company's fixed assets; a decision which with long term consequences. Essentially capital investment appraisal involves management's reaction to exogenous profit processes (Aguerrevere, 2003). Common investment appraisal techniques include the net present value (NPV) and internal rate of return (IRR) with choice of projects benchmarked on the NPV; thus, considering variables such as the potential investment's future cashflow, investment opportunity cost (Akalu, 2001). Moreover, payback period is an essential part of investment appraisal as well.

Table 3. Capital investment appraisal for projects A and B

Projects A& B Financials Evaluations		
Investment appraisal technique	Project A	Project B
PBP	3.5 years	3.2 years
ARR	10.29%	8.89%
IRR	11.56%	14.25%
NPV	2.56	6.9

Source: Author

Payback period (PBP)

Payback period is an investment appraisal technique that is used to determine long a project may take to break even. This technique enables companies to analyse and compare available investment opportunities and then make an informed decision on the project that allows that company to get back its initial investment in the shortest time possible (Drury and Tayles, 1997). As shown in table 3, project B can generate the £90M initial investment in a period of 3.2 years while project A breaks even in 3.5 years.

Accounting rate of return (ARR)

The accounting rate of return is often referred to as the return on capital (ROCE), average rate of return (ARR), and return on investment is a ratio of a project's accounting profit to its average investment into the project. ARR is essential in investment appraisal (Akalu, 2001). The formula below was used to calculate ARR.

$$ARR = \frac{\text{Average annual return}}{\text{Capital investment}} * 100$$

As shown in table 3 above, project A has a 10.29% ARR while project B has 8.89% ARR over the period of five years.

Internal rate of return (IRR)

The internal rate of return (IRR) is an investment appraisal technique that enables companies to analyse the potential investment's estimated profitability. Therefore, internal rate of return is that discount rate for which all the project's cashflows' net present value is zero (Hartman and Schafrick, 2004). The formula used to calculate the accounting rate of return is as shown below;

$$IRR = R_1 + \frac{NPV_1}{NPV_1 - NPV_2} * (R_2 - R_1)$$

As shown in table 3, the internal rate of return for project A is 11.56% while that of project B is 14.25%.

Net Present value (NPV)

Net present value (NPV) is simply the difference between cash inflows and outflows present values over a certain period. NPV is essential when it comes to analysing a proposed investment project's profitability (Hall, 2001).

$$NPV = -\dot{i}_0 + \frac{C_1}{(1+r)^1} + \frac{C_2}{(1+r)^2} + \dots + \frac{C_n}{(1+r)^n}$$

Whereby;

$\dot{i}_0$ = initial investment

C = Cash flow

r = Discount rate

n = Time

The net present value for project A over a five-year period was estimated at 2.5 while that of project B is estimated at 6.9.

In conclusion, although projects A and B both have a short payback period, Project B has the shortest period of 3.2 years. Although project A appears to have the best average rate of return (ARR) as it has 10.29% compared to the 8.89% from project B. Basing on the fact that BAT is a large company that tends to invest large amounts of money in its projects, for this case project B would be the best recommended investment opportunity because of the of its 14.25% IRR as it will give the company a higher profitability. Based on the IRR decision rule of thumb, since project B's IRR exceeds that of project A, project B would be the best investment opportunity for BAT (Jenkins, 2014).

4. Advantages and shortcomings of using the PBP, IRR and NPV techniques to evaluate projects.

PBP has advantages such as its simplicity making it very easy to calculate. PBP also focuses on the use of liquid cash as opposed to the accounting profit, which means that the technique takes into account the essential cash. Lastly, the PBP considers earlier cash flows which makes it easier to manage risks (DuToit and Pienaar, 2005). However, the payback period also has several disadvantages. Firstly, the PBP technique tends to ignore any cash flows or benefits that the project makes after the set period of time and as such it is not necessarily a measurement for project profitability. Furthermore, PBP neither takes in to account the opportunity cost, nor the time value of money (Paltrinieri and Khan, 2016).

Using the IRR has several advantages such as the fact the unlike the PBP, IRR takes into account the time value of money. Secondly the internal rate of return takes into account all the cash flows generated during the entire project life cycle and thus going beyond the break even point of the project. And hence in the project investment decision making process, IRR turns out to be more objective than subjective. Last but not least, IRR does not use accounting incomes as the case is with PBP but rather uses real cashflows. Finally, the fact that IRR is calculated through out the project lifecycle, it is takes a central role in the determining the justification of project risk, because its is comparable to similar projects' IRR as well as the opportunity cost of capital (Jenkins, 2014).

However, IRR has few disadvantages when compared with the NPV technique. IRR's main disadvantage is that the possibility of obtaining multiple rates is prevalent when it comes to the calculation of the IRR of the project investment (Jenkins, 2014).

The net present value (NPV) technique very essential in capital budgeting and thus investment appraisal. And just like the IRR, the NPV has the advantages of taking into account the time value of money, using the cash flows instead of the accounting profit as well as considering the relevant cash flows during the entire project life cycle. Lastly, NPV is able to provide the absolute value of a project as it takes into account cash flows that are both conventional and non-conventional and does not discount rate changes in the project life cycle (Akalu, 2001). However, NPV also has disadvantages such as the fact that positive NPV projects can only exist in capital markets that are perfect. It is also very difficult to estimate the project cash flows just as the case is with all other investment appraisal techniques, it may also be difficult to find the actual cost of capital. And lastly the NVP tends to ignore the fact that the cost of capital keeps changing (Lefley, 1997).

5. Conclusion

In conclusion proper analysis has been carried out regarding the criteria used to analyse the BAT's five-year financial performance and a comparison against its competing rival, the Imperial brands Plc was made. The findings indicate a good financial performance carried out by BAT's management team. However, more improvement is required especially in when it comes to efficiency, and leverage ratios and as such recommendations have been made to guide BAT's financial management improvement process. As for the best investment project, it has been concluded that, it would better for BAT to invest in project B, however further analysis using other investment appraisal techniques would be recommended for more accurate decision making.

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