

## **BAT revenue misses analysts' estimates on delayed pricing**

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British American Tobacco Plc, Europe's biggest cigarette maker, reported first-quarter sales growth that missed analyst predictions as price increases were delayed.

Revenue at constant exchange rates rose 2 percent in the three months through March 31, 2014, the company said today in a statement. That compares with the 4 percent median growth estimate of 11 analysts surveyed by Bloomberg.

Price increases will be weighted to the second half, the company said. BAT has been raising prices on its brands, which include Lucky Strike and Dunhill, to offset weaker consumption. It's also battling stricter government rules on smoking. UK plans to require plain tobacco packaging as early as next year, while European lawmakers have increased the size of health warnings on cigarette packs and banned flavored tobacco.

Cigarette volumes sold by subsidiaries fell 1%, BAT said, compared with the average analyst prediction for a 2.3% drop. Total tobacco volume fell 1.1%.

British American Tobacco's shares have advanced 7.7% this year through yesterday, while Imperial Tobacco Group Plc, Europe's second-biggest tobacco company, have gained 11%.

BAT owns 42% of Reynolds American Inc, the Camel cigarette maker that investors speculate may make a bid for Lorillard Inc, whose brands include Newport menthols. BAT could help finance such a purchase, analysts at Exane BNP Paribas have said. A standstill agreement barring BAT from increasing its 42% stake in Reynolds ends in July 2014.

Speculation about acquisitions comes as tobacco companies grapple with declining smoking rates, higher sales taxes and a shift toward electronic cigarettes.

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