FY20 Preliminary Results Script –17 November 2020

Slide – Annual Results 2020

Stefan

Slide – Disclaimer

Good morning everyone… and welcome to our presentation.

Slide – Stefan Bomhard

Thank you for joining my first results presentation as Imperial's CEO. I'm sorry we cannot meet in person today but I very much look forward to doing so in the future.

I'm joined today by Oliver Tant, our Chief Financial Officer and Peter Durman, our Investor Relations Director.

Before we get started, I suspect some of you might be asking why I took the role and what I think I can bring to Imperial.

I've spent the majority of my career in consumer goods.

I started in Procter & Gamble and I've had a range of senior sales & marketing and general management roles across a diverse range of consumer-facing businesses: Burger King, Unilever, Cadbury and Bacardi.

So, I believe I bring many years of sales & marketing experience. And as Imperial's first external CEO, I bring a fresh perspective to test and challenge the business. I am determined that we deliver our full potential for all stakeholders.

I'm also someone who is passionate about delivery. I firmly believe a commitment is a commitment and I've always been focused on making sure we do our best to deliver against our promises.

So that's a bit about my background and approach – now, why did I take the job at Imperial? There were a number of attractions.

First, Imperial is a good business with some good assets and people. The problem is, it has been underperforming for several years and having the opportunity to turn that around is very appealing to me.

I've also always enjoyed being in businesses and sectors that are going through change, and that is certainly the case for Imperial and tobacco. My role as CEO at Inchcape, allowed me to lead that business through the evolving automotive industry, and to reshape the organisation to play to its strengths.

My time at Bacardi brings experience of working in the highly regulated spirits industry, where you have to navigate the challenges of marketing products in dark markets.

I also enjoy being in businesses which are not the market leader – and where there is real opportunity to move the business forward… companies where you often need to work harder and smarter to identify your competitive point of difference and what gives you the right to win.

For example, Burger King was the distant number two to McDonalds; and Bacardi, like Imperial, was the global number four in its industry.

So, Imperial has many attractive qualities for me and from day one I've been focused on addressing the issues that need to be resolved to enable us to deliver a stronger and more consistent performance over time.

Slide – Agenda

Today I'll give you my initial observations on the business and outline my timeline for our strategic review. But I want to be clear – while this review is advancing well, this is still work in progress and our plans – the building blocks – to create a stronger business are still being finalised. However, I've already identified a number of areas for improvement and change is underway. I'll detail some of these areas to you this morning.

I'll also provide some context for this set of results, including an assessment of the impact of COVID-19 and how it's influencing consumer behaviour.

I'll then touch on our progress in managing our ESG responsibilities before handing over to Oliver to take you through the results themselves. I'll then share our outlook and priorities for 2021.   We'll then conclude as usual with your questions.

Slide – Priorities: First Four Months

So, let me start with my priorities over my first four months.

My first priority has been to visit our markets to learn about the business. Because of the coronavirus, most of these had to be virtual but I did manage to physically visit all of our most important European markets.

Over the past few months, I've met with all 12 of our clusters, and all our major functions, hosting around 300 virtual or physical meetings.

Wherever I've had meetings, I have held online employee town halls which enabled me to reach thousands of employees around the world to hear their views, their challenges and answer their questions.

I also made a point of meeting a range of other stakeholders: consumers, retail partners, suppliers, competitors and shareholders in order to build a clear view of the business and how our brands are perceived.

I've also been focused on gathering and understanding as much data as I can – a lot of it! It is important we base our decisions on real data and insight.

In order to begin addressing the performance and execution issues, I've already implemented monthly business reviews with the divisions and our top five markets to embed a much more rigorous approach to tracking performance. I'm already instilling a greater sense of discipline in the way we monitor progress and deliver against commitments.

One of the areas colleagues have raised with me is accountability for delivery. This is one of the key elements I'm now looking to improve as part of changing the culture at Imperial – and a theme I will come back to shortly. I recognise that some areas like culture take time to change but I am already seeking to deliver better outcomes by placing a greater emphasis on performance management and revising incentive structures.

One of my biggest focus areas has been leading a complete strategic review of the business with the support of my colleagues. This will continue to be our key focus over the coming months.

And as you may have seen in our trading update last month, I've been working to strengthen my Executive Team, with a number of new senior leaders joining from outside the industry.

Slide – Adding new External Perspectives & Skills

I believe it's critically important for us to introduce new ways of thinking, particularly given our industry is undergoing such change.

We have plenty of tobacco expertise in the organisation, which is important, but we're now adding to that by bringing in new skills, capabilities and experience developed in other consumer goods businesses.

For example, Javier Huerta will bring more than 20 years of experience at Nestlé and Unilever of reconfiguring supply chains to adapt to changing consumer needs and developing new supply chains for new product segments – important for addressing our NGP strategy.

I worked with Alison at Inchcape, so I've seen first-hand how she can help drive the necessary organisational and cultural changes to support our strategic objectives. Murray McGowan is the first Head of Strategy at Imperial with a strategy consultant background having worked at McKinsey, as well as extensive FMCG experience.

In a similar vein, Thérèse has taken steps to strengthen our Board, recently appointing two new Non-Executive Directors who both bring a wealth of international business experience.

Slide – Initial Observations – Solid Foundations

So, although I am not yet in a position to fully share all my thoughts with you today, I would like to take a moment to provide you with some initial observations about the business.

I should say at the outset that I recognise the disappointment around performance and valuation. We will address this over time and, my first four months have reinforced my view about the future value creation potential of Imperial.

For example, tobacco is proving its resilience in these uncertain times – and, while there are always some regulatory uncertainties, I am confident the tobacco pricing model is intact and can support increasing returns going forward.

We have a solid business with good brands, high margins and strong operating cash flows, all of which underpin the opportunity to deliver a stronger and more consistent performance over time.

I recognise that there is a debate as to whether these brands are under-invested but it is also important to recognise that marketing spend in the tobacco sector is a relatively low percentage of revenue compared to other consumer sectors. So adjustments to spend are unlikely to be significant over time in the context of our high margins.

We have exposure to some highly attractive markets such as the US and Germany. Both are large profit pools, where consumer affordability is good, which supports future pricing opportunities.

I believe that our manufacturing and supply chain operations provide us with a real core strength in the tobacco business. The team has delivered consistently – and coped admirably, for example, with the challenges of the coronavirus, with the vast majority of our factories operating throughout and with minimal disruption to customer supplies. I also believe they are run relatively efficiently, despite the complexity of the business.

Our approach to customer engagement is also a real strength. I've spoken personally to many of our customers at length, which has provided useful insights.

In talking to customers, they really value the insight around the products and support that Imperial brings on areas such as regulation to build solid retail and wholesaler partnerships. I believe this strength is critical in tobacco, given the role that retailers can play in influencing consumer brand and product choices, particularly in dark markets.

With Imperial typically being the number two or three player in a country, I have found customers like to partner with us to provide good competitive tension on-shelf. I think we can build on these strengths going forward. In the US, for example, our sales coverage varies significantly by state – so there are opportunities to allocate resources more effectively. While in Germany, our sales teams need to be better aligned to the fastest growing channels and outlets. One of our big German retail customers also commented to me that he had not met with Imperial senior leadership in many years… I am determined to make sure we stay close to all our customers – this is in my DNA – and is critical to building a strong and competitive business.

I've been impressed with the commitment and passion of employees across the business and also the warm welcome I've received. Our people have done a great job in embracing new ways of working in these uncertain times.

For example, our salesforce has adapted their approach to meet and serve customers.

When I was out with our sales force in Madrid, they described how we were the fastest to adapt our outlet coverage to the changes caused by COVID. In general, I have found good people on the ground – who we need to empower and give greater accountability.

Slide – Initial Observations – Areas for Improvement

I would also like to be candid in talking about some of the issues I think we have to address.

In tobacco, the market share performance has been mixed over the last five years.

We've often grown share in markets that make a relatively small financial contribution like Russia or Saudi Arabia, while losing share in some of our larger contributors, such as Germany and the UK.

We need to deliver a more consistent result, particularly in the markets that drive our overall financial delivery. This is such a priority I have already changed the way market share is incentivised in our bonus structure to improve alignment with this objective.

It's important to recognise that we operate in competitive markets and it will take time to change the share performance, but there is scope to improve our consumer insights to better inform our marketing programmes, and deliver stronger results. As part of improving performance management in our major markets, we're now reviewing the marketing initiatives in detail against their KPIs, every quarter.

With NGP… we are starting with consumer preferences, where it’s clear that many adult smokers are choosing reduced risk alternatives to combustible tobacco. As a consumer goods company, we have an opportunity to meet that consumer demand… and therefore NGP needs to be part of our offer to consumers and where we can a meaningful contribution to harm reduction.

However, it has been challenging, with an uncertain regulatory backdrop, low barriers to entry and a highly competitive environment.

While these factors have played a part, our NGP business has underperformed and our investment decisions have not delivered the anticipated returns. We’ve already taken steps to address this by cutting investment to reduce the losses while we assess our assets and capabilities.

The NGP team and the markets have raised areas with me where we can begin to improve execution. For example, by ensuring we develop products that are sufficiently differentiated and thoroughly testing with consumers before scaling more widely. We will also continue to be more disciplined with our investment.

The real positive here, in my view, is that no company has found the NGP solution that truly meets the needs of adult smokers today.

So, there is more to play for and with a more prudent and disciplined business model, I’m confident we can build a stronger NGP business that provides returns for our shareholders.

As I mentioned earlier, there is a need to manage performance more closely. I’ve already begun to make changes to deliver this through detailed monthly business reviews.

This will enable us to be more agile and responsive to changing circumstances and to course correct when investments are not delivering.

This must be supported by more rigorous analysis so that decisions can be informed by consumer insight. I've found that we have plenty of detailed brand-level market share data but it is often not being meaningfully used to drive decision making and planning.

All of this needs to be supported by the right culture with a greater sense of accountability and better ownership of results, all supported by collaborative team working. We should be more outward-looking, embracing new thinking and learning from others.

We must also embed greater discipline around returns that reflects the inherent risks of the different business areas. It was often the case that tobacco investments had to payback within a relatively short period even though their risk profile was well understood and low.

However, NGP investments did not face the same return requirements, despite the greater uncertainty. We need to implement a more disciplined, returns-focused framework.

I'm also encouraging everyone to have the confidence to be more transparent and to challenge accepted wisdom, while being much more open in their assessment of performance.

I'm determined that our communications should also be balanced and open. We have already taken steps to improve in these results and we will strive to do better.

In summary, there's much I think we can achieve and I see Imperial as having great potential. With clearer focus and better execution, we will – over time – be able to create long-term value for our stakeholders.

Slide – Strategic Review – Scope and Timeline

I will be able to share much more of my thinking after concluding our strategic review.

As you might expect, I am looking at all aspects of the business to explore options to create value. I am approaching this with an open mind, recognising the current strategy and business model have not been delivering.

We need to put the consumer at the centre of our thinking and planning –recognising their freedom of choice.

In tobacco, we are looking at what gives us competitive advantage across our footprint, how our brands are perceived by customers and consumers and what gives us the right to win in market.

I am looking at the role that NGP can play in terms of providing consumers with reduced risk alternatives to combustible tobacco.

I want Imperial to be able to play a meaningful role in harm reduction, which means having a successful NGP business – one that is more focused and better managed.

On organisation and capabilities, as I've said, we are exploring how we strengthen the team and build our capabilities in certain areas… and making sure we have the right organisational structure to deliver the strategy.

Alongside the strategy, we will need to ensure our capital allocation supports the strategic delivery – with the right mix of funding sources, the right investment levels and the appropriate returns to shareholders.

We will come out of this process with a clear strategy and priorities that define what Imperial needs to be in the coming years and what we need to do to face the challenges and capitalise on the opportunities ahead.

We will provide an update on the review on 27 January, when we can set out more details. I know many of you will have lots of questions about our future plans but I will be limited in what I can say today until this work is complete.

Slide – Business Overview

So, now let me provide you with my perspectives on this year's results…

This has been a challenging year and I recognise these results have fallen short of original expectations. Encouragingly, consumer demand for tobacco has proved resilient and we grew net revenue while the business adapted well to a rapidly changing environment caused by the global pandemic.

COVID-19 continues to affect and shape all our lives, requiring flexibility and resilience. I have been really impressed with the commitment demonstrated by all our people to keep the business going.

Our tobacco volumes declined by 2.1%, reflecting some temporary COVID-related changes in consumer behaviour.

We delivered share gains for the Group overall, although much of the improvement was in lower value markets and products, leading to a weaker than expected gross profit contribution.

Our profit delivery has also been affected by some additional COVID-related costs in manufacturing as well some increased provisions following a cautious assessment of further risks, given the ongoing uncertainties.

We also had some additional regulatory costs and investment in overheads, which weighed on tobacco profitability, which Oliver will take you through in more detail.

While the NGP results are disappointing, we've delivered against our revised expectations and it is encouraging we've seen some sequential improvement in sales progression in the second half.

Our more disciplined approach has substantially reduced investment, which has supported a significant reduction in losses during the second half.

Although somewhat delayed, we've now concluded the sale of the Premium Cigars business, which was a major achievement in the current environment. Proceeds of €1.2 billion will be used to support deleverage.

Slide – Managing the Business During the Coronavirus

It is clear that COVID has impacted consumer and market dynamics, influencing how and where consumers are purchasing and using our products.

With more time spent in the home, and restrictions meaning fewer discretionary spending opportunities, it would appear that some consumers allocated a greater percentage of their income to tobacco.

This has been reinforced in some markets like the US, where consumer wallets were boosted by stimulus payments.

From a market and channel perspective, it was clear from the start of the pandemic that travel restrictions would severely limit sales in the duty-free channel, in horeca outlets and in markets which traditionally benefit from seasonal holiday travel.

The UK, Germany and France have benefited from the repatriation of some tourist volumes and a reduction in illicit trade.

The pandemic has caused some minor disruption to our manufacturing and supply chain, resulting in some inefficiencies, which Oliver will provide further detail on later.

It is clear we will be living with the virus for some time yet… and while I believe our business will be resilient, we have taken a cautious assessment of the potential risks.

Slide – Managing our ESG Responsibilities

Finally I'd like to touch on ESG. I firmly believe that effectively managing our ESG responsibilities is important to our future success

And although the pandemic affected some of our planned activities in the year, we made further progress against all five of our priority focus areas.

The establishment of an ESG Steering Committee, chaired by Thérèse Esperdy and comprising senior figures from around the business, highlights the importance of ESG to the Board, as does the fact we insist our auditors assure our ESG KPIs.

If there was one area where we could be stronger, it is on metrics. For some of our priority issues, such as climate and energy, we have robust KPIs; but for others we need better ways of measuring our performance.

That will be changing this fiscal year. The steering committee has been working with the business to identify and agree appropriate KPIs for all our main ESG issues. That work is complete and once they have been validated against the new strategy we will make them available to you.

I will now hand over to Oliver to take you through the numbers.

OLIVER

Slide – Oliver Tant

Thanks Stefan and good morning everyone.

Slide – Summary Financials

This has been a difficult year. While our tobacco revenue was somewhat better than we originally expected – this has not translated into better profits.

Our NGP revenue also fell short of our original expectations but the steps we have taken to cut costs have significantly reduced losses in the second half, creating a better platform for the future.

In tobacco, we grew our total market share across our footprint by 50 basis points and delivered further growth in the majority of our priority markets. Much of the gain, however, was in lower value markets leading to adverse mix and lower gross profit contribution.

Overall, our tobacco net revenue was up 1.8% benefiting from a strong second half performance in the US and a return to growth in our triple A division.

In NGP, revenue was down 27% as we de-stocked trade inventories in the first half and as we scaled back investment, particularly in the second half of the year.

Profit and EPS reflect NGP losses and a decline in tobacco profits, which I'll come to in a moment.

EPS declined by 5.6%, more than the decline operating profit, which reflects the slightly higher tax rate in the year. As previously guided, I expect the upward pressure on our tax rate to continue at around 23% for FY21.

Dividend per share of 137.7 pence was 33% lower, reflecting the Board's decision to rebase the dividend, which we announced back in May.

Our headline cash conversion of 127% includes a 20% temporary benefit from a change in the timing of excise duty collections. Our underlying cash conversion of 107% was ahead of our expectations, driven by working capital improvements.

Slide - FY20 Volumes

Tobacco volumes declined by 2.1%, better than the level we've been used to over recent years.

In Europe, volumes were down 3.5%, with slightly better than expected market size trends offset by the significant impact of COVID on our duty free business. As a reminder, our global duty free business is all reported within our Europe division.

We have also seen a benefit to market size from border closures, particularly in Europe, where a reduction in the level of illicit product has supported duty paid volumes in markets like the UK.

In the Americas division, our volumes declined 3.3%. Within the US market specifically we saw a decline of 2.5% compared to a market size decline of 1.8%.

Adjusting for the year-on-year impact of inventory movements in the US of 700 million sticks, our volumes outperformed the market, reflecting 10 basis points of share gain.

Volumes in the triple A division grew 0.4%, reflecting stronger sales performances in the Middle East and Africa, which more than offset weaker volumes in Australia.

Slide – How COVID has Impacted Market Size

As Stefan mentioned, there have been winners and losers as a result of COVID. For example, Spain, the Canaries and the duty free channel have suffered, whereas markets in Northern Europe and the US have benefited.

Coronavirus is clearly on the rise again, creating further uncertainty about how consumer behaviour and channel shifts may develop going forward. I'll talk about how we've chosen to provide for this risk shortly.

Slide – Priority Market Share & Market Size

As I mentioned earlier, Group share was up by 50 basis points and although we grew in 7 of our 10 priority markets, including the US, we have continued to lose share in the UK and Germany.

Our position is, however, improving in the UK with sequential growth supported by the launch of Lambert and Butler fine cut tobacco, together with several larger value offerings across a number of our cigarette brands.

In Germany, we are continuing to reshape our portfolio, led by JPS and West, with a focus on value formats in both fine-cut and cigarettes. This has delivered a better second half but we are still down for the year as a whole.

In Spain and France, we delivered share gains for the first time in many years, with gains in blonde now offsetting the drag from dark formats. Our share in Italy came under pressure, as we increased prices on JPS ahead of peers.

In the US, cigarette share was up for the second year. This was primarily driven by continued success with Sonoma in deep discount, while Winston and Kool maintained their position in the declining premium segment. Mass market cigars gained 70 basis points led by Backwoods.

Overall market size decreased by 4.3% with some stronger performers in H2 such as UK and US offset by accelerated declines in markets such as Australia and Spain.

Slide – FY20 Net Revenue – Tobacco resilience, right sizing NGP

Overall, net revenue grew by 0.8% at constant currency.

We grew tobacco net revenue by 1.8%, supported by the lower rate of volume decline.

Price/mix of 3.9% was weaker than normal, reflecting adverse market and product mix, which I will come on to in a moment.

Our NGP revenues declined 27%, driven by destocking of the supply chain and lower investment levels.

Slide - FY20 Tobacco Price Mix

If we look at tobacco price mix in more detail, we've seen a pretty consistent level of gross pricing across the year as a whole as shown here.

Overall, price mix was held back by negative market and portfolio mix, particularly in the first half.

Market mix has been a story of two halves, with stronger sales in lower value markets such as the Middle East and weaker sales in Australia creating a drag during H1.

A stronger mix of market volumes in the second half was driven by increasing sales in higher value markets in Northern Europe and stronger volumes in the US, offsetting the impact of adverse market mix in AAA.

Adverse product mix was driven by a stronger performance from our lower priced formats in the UK, Australia and Germany with the private label brands in the latter adding over a billion sticks to our volumes but with very little revenue.

The improvement in product mix in H2 was driven by the turnaround in Backwoods sales, which were up over 30% in the second half.

Slide - Tobacco Net Revenue

Looking at the divisional performances in more detail… our tobacco net revenue improved in the second half across all divisions, except Europe which was impacted by reduced sales in global duty free.

Tobacco net revenue in the Americas grew 1.9%, benefiting from robust market volumes, continued strong pricing and further share gains in both cigarettes and cigars.

In triple A, net revenue grew 5% against a weak comparator, with strong volume performances in the Middle East and Africa and an improved pricing environment in Russia.

We also benefited from greater stock profits in Australia, which as you'll recall is a carry-over from 2019. Looking into 2021, we expect this will be a headwind of around £50 million to revenue and profits year-on-year.

Slide - NGP Net Revenue

Our NGP revenue performance has been affected by the reduced investment levels in H2 and first half trade de-stocking.

Encouragingly, following the destock, we've seen revenue improve sequentially in the second half in both Europe and the US with actual consumer offtake remaining broadly stable.

In AAA, the second half decline reflects a pause in our expansion of Pulze and blu in Japan, the former pending our assessment of the heated tobacco category as part of the strategic review.

Slide - Adjusted Operating Profit

Adjusted operating profit was down 4.8% at constant currency. We have restated the prior year comparator by £10 million to strip out the benefit of our Auxly revaluation last year. This is a result of the changes to our adjusted performance measures we announced last year.

Tobacco profits were £118 million lower. I will provide further detail on the drivers of this decline on the next slide.

Our NGP losses increased by £84 million, driven primarily by inventory write-downs, which more than offset the benefit in underlying profitability from cost and investment reductions.

Slide - Tobacco Adjusted Operating Profit Drivers

Our tobacco profits were impacted by four main drivers.

Despite strong pricing across the year, price/mix was below par, affected by the negative product and market mix I referred to earlier. I estimate the adverse mix represented about a £50 million drag on profit.

COVID related costs of £90 million include around £25m of manufacturing inefficiencies as a result of disruption to our normal working practices. We expect that many of these manufacturing cost increases will continue into FY21.

We have also taken provisions of around £65m against potential stock and debtor risks – relating to COVID-19. For example, in the case of stock, this relates to certain SKUs where we are experiencing much lower levels of consumer offtake – and so stock durations have increased dramatically, for example with duty free.

As regards these risks, we have deliberately adopted a more cautious approach against a rapidly evolving environment.

Regulation costs were around £50 million higher than usual, driven by the implementation of track and trace as part of EUTPD II, and inventory write-downs following the menthol ban in Europe. We also had some industry fines relating to competition authority cases in the Netherlands and Ukraine, which we are appealing.

We expect about £20 million of regulation costs will continue next year – relating mainly to track and trace.

Tobacco overheads were also higher as we allocated more investment towards the tobacco sales force.

Slide - NGP Adjusted Operating Profit Drivers

In NGP, we had a further £29 million of write-downs in the second half, bringing the total for the year to £124 million. These additional write-downs also relate to slow-moving inventory and IP.

We significantly reduced operating losses in the second half as we cut costs, reduced investment and renegotiated trade margins with retailers.

Slide - Cash Performance – Strong cash delivery

Cash conversion benefited from an additional 20% temporary benefit to our working capital from the timing of duty payments in the UK and Logista.

Excluding this benefit, which we expect to unwind in 2021, underlying cash conversion of 107% was driven by working capital improvements and lower capex.

As a reminder, we benefit from a daily cash pooling arrangement with Logista.

Over the year, the daily average cash balance under the Logista cash pooling arrangement was £1.9 billion, with movements varying from a high of £3.9 billion to a low of £0.5 billion. At the year end the loan position was £2.4 billion.

Our reported net debt/EBITDA including the temporary benefit from the timing of duty payments was 2.7x. Excluding this benefit, underlying gearing of 2.9x.

Including the proceeds of the premium cigar sale, which completed post the year end, our pro forma net debt to EBITDA is closer to 2.7x.

As a reminder, the sale of Premium Cigars will dilute next year's EPS by around 3% as detailed in a slide in the appendices, where you will also find guidance on a range of finance items for the coming year.

I would now like to hand back to Stefan…

Stefan

Slide – Outlook

Thank you, Oliver

So as we now look forward, I am expecting a stronger operational and financial performance in 2021. On an organic basis, excluding the impact of the premium cigar sale, we expect to deliver a low to mid-single digit growth in adjusted operating profit at constant currency.

We are conscious that COVID continues to impose restrictions across our markets, and against this uncertainty, we've been deliberately cautious in forecasting for the year ahead.

Underlying tobacco pricing is expected to remain strong, although ongoing mix headwinds are likely to persist, coupled with a lower level of stock profits from Australia and the UK.

We expect tobacco consumption will trend back to more normalised levels, particularly as the benefit of fiscal stimulus reduces and potential recessionary pressures take effect.

Given the outlook for travel, we are not assuming any recovery in our duty free business this year.

We also expect the COVID restrictions will cause further manufacturing inefficiencies in the coming year and similarly the regulatory costs relating to track and trace will persist.

We expect the NGP losses will continue but at the moderated level achieved in the second half.

A higher tax rate will have a c. 2% impact on earnings, with constant currency earnings per share expected to be slightly ahead of the prior year.

Slide – Priorities for 2021

Turning to my priorities for the coming year… they are about three things: the right strategy, the right team and the right performance.

My immediate priority is to complete the strategic review and implement the right strategy to unlock the Group's full potential over time. I look forward to providing more details in January.

It is also about the right people… by combining the strengths of our existing people with the fresh perspectives of new hires. The people in the business have impressed me – and this reinforces my confidence. Recognising many are watching today, I would like to thank you for your support so far.

It is also about the right performance… I am already taking steps to improve accountability to strengthen performance with more rigorous data-led oversight. I am confident that with a more disciplined focus on execution, we can begin to deliver better and more consistent results.

I am excited about the future and truly believe that over time, we will deliver a stronger performance and unlock long-term value for shareholders.

Thank you very much for listening.

We would now like to take questions. I will hand back to the operator to start the Q&A session.

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. As a reminder, if you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. Please standby, we will compile the Q&A queue, this will only take a few moments. If you wish to cancel your request, please press the # key. Once again, it's *1 if you wish to ask a question. Thank you.

And our first question comes from the line of Owen Bennett from Jefferies. Please ask your question, your line is now open.

Owen Bennett (Jefferies): Morning, guys, hope you're all well. And first question is, I was just hoping maybe you could comment on the trend on blue in the US and what you're going to do to try to improve market share trend there? I guess, more specifically, obviously, little that can be done by way of innovation anytime soon with new products due to PMTA. So do you think the call on blu product in the US market is good enough, and how do you start to drive some improved momentum there? That's my first question, thank you.

Stefan Bomhard: Owen, good morning, it's Stefan speaking. So nice to meet you at least in this virtual world. Owen, on blu, in – your question on market share in the US, in terms of what we're seeing what is quite encouraging, we're seeing a flattening out of the market share of blu in the last couple of months. Yeah. So, we are purely seeing that the business is quite resilient in the current environment. Yeah.

On the second part of your question, logic, as you will know, the future of our NPG strategy that is what we're currently still working through in preparation for our overall strategy. So on that one, I'm sorry, that is for some – that is something we'll share in the 27 January Capital Markets Day.

Owen Bennett: Okay, thank you. I think your next answer will be similar. And I was just going to ask and maybe talk about possible further divestiture of non-core assets and is this something you're looking at, and specifically, would you look at potentially selling the mass market cigars in the US or even part of the emerging market cigarette business? Thanks.

Stefan Bomhard: I think you got it right. I mean, in principle, look, are – that's not a question that I think would be right to answer ahead of the completion of the strategy review. Yeah. I mean, what I can reassure you is that we are taking a very rigorous, very disciplined and detailed review of the business, yeah, unit by unit, brand by brand, country by country. So, we will look at our footprint, assets, and the performance, and the execution against it. Yeah. So that is truly something we'll come back to you at the end of January. But, I can reassure you we are looking at all options inside the business.

Owen Bennett: Okay, great. Thanks very much, appreciate your time.

Operator: Thank you. Your next question comes from the line of Gaurav Jain from Barclays. Please ask your question, your line is now open.

Gaurav Jain (Barclays): Hey, good morning – so a few questions from me. So, one of the biggest concerns investors have is the margin reset at Imperial and you have given an EPS guidance today, and you will have a CMD in January. So, should we assume that the guidance you are giving today will determine January as well? So, if you could just comment on that?

Stefan Bomhard: Sure. Good morning, Gaurav. Gaurav, in principle, I think the key point you're picking up here, I think one thing to keep in mind is when you compare the levels of marketing investments specifically in our industry versus other consumer goods industries, we're talking about single-digit level of investments versus many other consumer goods industry in double-digit. So, I think overall, as I have looked at the business in the last four months, and this is based on today's knowledge, yeah, I think we're reasonably invested in our brands in the right way. We are clearly also looking at how do we spend that money today about driving performance, yeah. So, it's pretty fair to say based on our knowledge that you shouldn't expect a major margin reset when we come with the Capital Markets Day.

Gaurav Jain: Sure. You mentioned in your comments that you are having monthly business reviews with your top five markets, but I think you have ten key focus markets. So could you share what those top five markets are and those other five markets having no longer a focus?

Stefan Bomhard: No, Gaurav, I think the most important – the broader comment is very clearly in my first couple of months, yeah, I had to clearly focus my attention. And it's very clear that five of our top markets make a very disproportionate impact to our business performance. So one of the changes I have implemented, I ask – I have now monthly direct reviews with these top five markets together with the two divisions we have. So, I'm not just relying on the two divisions to look at the business. But as CEO of this company, I feel it is very important to really have a direct grip on the business. The other thing just to share with you on detail, it isn't just with the Managing Director of the market, with the entire management team – the Head of Sales, the Head of Marketing, the Head of Consumer Insights – because these are clearly the market that are driving the best value creation.

Now, the five markets you can figure out when you look at this time, we – you will have seen in our release, we call out the profitability and the revenue impact of these key markets. So, probably pick the top five markets from a revenue and profit perspective and you are in the right place. It doesn't mean the other ones are not important to be clear, but I do believe focus in this business is one of the key messages I'm sending which are the market that will move the needle in this company.

Gaurav Jain: Sure. And last question, just a technical question maybe on excsie – that scenario. So, Australia and France having difficult markets in the last few years because we have very steep excise priced high. And it feels that in both those countries that perhaps the excise tax cycle is at an end right now. So, if at all, does that mean that I can – does this imply that Australia and France kind of grew for you as well as for everyone else over the next couple of years?

Oliver Tant: If I can take that one?

Stefan Bomhard: Yeah.

Oliver Tant: Hi good morning, it's Oliver here. I think one factor you need to reflect in Australia is the fact that we've also benefited from – and we referred to it at the end of last year – duty windfalls as part of those excise changes. And those have benefited us and the market over the last couple of years to the tune of about €50 million. So, I think you're actually were expecting that to largely unwind as we move forward, so we're starting from a lower base. So, I would sit with Australia and say actually that's likely to be a headwind for the business in the context of the outlook for FY21 and beyond. France is progressing in a measured way, is the way I think I would probably describe where we are in France.

Gaurav Jain: Okay. Then thanks a lot.

Operator: Thank you. Your next question comes from the line of Alicia Forry from Investec. Please ask your question, your line is now open.

Alicia Forry (Investec): Hi, good morning, Stefan and –

Stefan Bomhard: Good morning, Alicia.

Alicia Forry: Hi. You talk a lot about changes happening in your industry, and I think most of that is aimed at NGPs. I noticed, you know, a couple of years ago, in 2018, at an Imperial company presentation 70% of profit was derived from the top ten markets, and now in a couple of years' time that's concentrated into the top five markets contributing 70% of profit. So, I'm just curious if you can talk about some of the changes in profitability in your main markets that are behind that shift and that consolidation I think that would be interesting to understand more about. That's the first question.

Stefan Bomhard: Alicia, I mean, on the – to be honest it's because I haven't been here in 2018, so quite difficult for me to comment on profitability development over time. I think what is clear, and I think one message I'm sure you're taking away is about it is very important, yeah, that a significant chunk of our profit gets generated by a group of countries which I think that's focussing management's attention on these ones. At the same time, I would just be mindful as well that the rest of the markets still make a very meaningful contribution in this company. We are in the privileged position of a good level of profitability in this company. But, I think it's also very clear that a lot of our markets make still some significant contributions to the overall profitability.

Oliver, anything from your side?

Oliver Tant: Yeah, I took down a couple of points. I think we have actually seen quite strong growth in profitability from the five that we're currently focussed on over that period of time. But also it will be fair to say that there was a big difference between the larger ones and the smaller ones and therefore disproportionately increases in the larger ones have a much more impactful contribution overall. So if we take the US, for example, which has always been pretty transparent in our numbers because we've talked about the Americas and it's been a large portion of our business, the profitability of that has grown pretty strongly over the last three or four years, and much stronger than the average for the Group as a whole. So it shouldn't entirely come as a surprise and it, you know, I guess it drives the comment Stefan's making about we need to be very focussed on that group because they make a massive difference if we get them right. And, you know, that's where a lot of the focus, time, and attention will be as we're moving forward.

Alicia Forry: Understood, thank you. And then, secondly, you talk about becoming more agile. Is this a matter of reorganising where accountability lies within the organisation or is it a question of, you know, more investment is needed in systems to monitor data? Is it a structural organisational issue or more of a capability investment issue?

Stefan Bomhard: I think, Alicia, it's a great question. One thing I can reassure you it is not – the primary answer is that it's not a structural investment, yeah, in IT. I think it's more we'll talk more at Capital Markets Day once we've completed our work. Yeah. It's a combination, yeah, of on the one side about, kind of, how do we focus our attention from the top-down on the core markets and the core decisions. It is also logically a question of how we operate from a cultural perspective. Yeah. I mean, you've seen I have appointed Alison Clarke as the Head of People & Culture. There's a cultural opportunity here and, for example, introducing what you could call "skip level" management meetings with the top five markets is one of these examples that makes us significantly faster. So give you an example from these ones, in these meetings last month, we could very quickly take price decision in a couple of our markets because we suddenly have all the leadership team together of the company. And we do this now on a monthly basis. Becoming more agile is going to be a combination of many things. But, I feel very comfortable that we as an organisation can become faster in our decision-making process.

Alicia Forry: Thank you. And if I could just get one last question through, please?

Stefan Bomhard: Yeah.

Alicia Forry: Could you talk about how the crisis has impacted trends in fine cut tobacco in the last few months? Just curious how the consumer is either moving more towards that product or away from it.

Stefan Bomhard: Yeah. I mean, number one, interestingly, fine cut tobacco has an important position in some of our markets and it is a relatively small part of our – of the business or the industry in some of the markets. So, we haven't really seen a major shift there. I think the one I probably would call out specifically is in some markets as borders shut, what you see in the United Kingdom, yeah, a large part of the market gross reported has actually occurred in fine cut tobacco. However, when we look – when I look at it deeper, it doesn't look like consumers have down traded to fine cut tobacco. Our hypothesis at this point in time, a lot of illicit trade – consumers who were buying illicit products have actually switched to fine cut tobacco. So, we're not – so it's an interesting tendency. And we need to see whether that is something that will continue over time or whether that will revert back at another point in time.

Alicia Forry: Thank you.

Operator: Thank you. Your next question comes from the line of Adam Spielman from Citi. Please ask your question, your line is now open.

Adam Spielman (Citi): Thank you very much and looking forward to meeting the new top team. So my first question – I'm trying to ask the question in a way you can answer it – and I suppose that as I listen to what you said very carefully, a lot of what you talked about is more intense management particularly of the top five markets. And that's quite a big contrast to what we used to hear about under Alison Cooper, where the main strategy or a lot of talk was about streamlining Imperial, which I suppose meant asset sales, and I guess I thought, personally, potentially buybacks. So here's the question, the question is am I right to assume that you think there's more value to be gained through intense management of the existing business, particularly the most profitable elements of it, relative to restructuring and streamlining the overall company?

Stefan Bomhard: Adam, as you say, I mean, first, welcome. And I absolutely look forward to meeting you in-person as well. Yeah. And trying to answer the question today in November, I mean, logically the key answer is that's one of the key focus areas for the Capital Markets Day, yeah. But trying to give an idea, I think you are rightly reading into that, I do believe, yeah, there is more opportunity for managing our core markets in the right way. Yeah. I think there is some low-hanging fruits in this company which give me confidence. Because I think the underlying assets of this company are in a solid base, especially as we talk about the tobacco side, yeah. So, I think that is clearly one of the opportunities I see. And I think that is in the interest of our shareholders because that is clearly going to give us a relatively good return on this one. More details, I'm happy to share that at the end of January when the strategic review is really complete where I think it would be more appropriate to give you the fuller picture.

Adam Spielman: Alright. And again I'm trying to ask questions that you can answer. Clearly, the share price is, sort of, very disappointing – valuation is very low – and you're obviously – and everyone's – acutely aware of that. And I guess do you think that's something you can address directly most obviously through buybacks or in your mind is it something that will just – that with good operations – will just sort itself out over time, and your view is, you know, give me three, four, five years and hopefully the operations will improve to such a degree that share price will go up? And I guess it's a balance between those two things.

Stefan Bomhard: Adam, I think let me answer it in two parts. I think, number one, it is very clear and when you look at our relative share performance, yeah, there's clearly, as you will all know very well, there is a sector re-rating has clearly occurred in the last couple of years, yeah, which impacts us as many as the other players in the industry. But it is also very fair to say, and candid, that within the sector we as a company have underperformed and that the primary driver of that is that we have consistently not delivered against the expectation that we set before. So, to a certain extent, what you hopefully – and I'm sure you read into these results and also our outlook for fiscal year 21 – there's a clear strategic imperative from my side that we make promises that can keep. You heard me talk earlier about our commitment as a commitment, so I think it is important that is clearly one of the elements I, myself with the team here, want to get Imperial to a better place. Yeah.

Secondly, is about you're asking logically the question about capital allocation. I think on this one, we should start with the spreadsheet first, yeah, that's the asset that is clearly on the way, making sure that we are having the appropriate level of funding to actually allow Imperial to compete properly in this market for all the years to come. Yeah. How does that logically – and that's why I put it on the chart very explicitly – in the end of January, we will share with you the capital allocation policy of the company. My last five years at Inchcape, we had a very clear capital allocation policy that we adhered to in that period of time. So, we'll give you clarity how based on the strategy we would like to allocate capital going forward.

Adam Spielman: Okay, thank you. And presumably that, one of the things about capital allocation is the leverage you want to have in the company, and historically that's been targeted at between 2.0-2.5x net debt/EBITDA. Presumably, that is something at least thinking about whether that's the right level again or that's the right level going forward.

Stefan Bomhard: Adam, it's part of – absolutely, it's part of the capital allocation model. Absolutely, yeah. And it's going to be that combination about what is the right level of leverage for this company, yeah – what is the right level of dividend of the company, and what, as you've mentioned before, is there an element of share buyback as we look at our capital allocation policy? So, as said before, all things are on the table as much on the strategy side as well as on the capital allocation side.

Adam Spielman: Okay, thank you very much. That's very helpful.

Operator: Thank you. Your next question comes from the line of Patrick Folan from Redburn. Please ask your question, your line is now open.

Patrick Folan (Redburn): Good morning, gentlemen, two questions from me. First, within Germany specifically you look at the performance of the last few years it's struggling quite a bit. And this year, you had some favourable aspects with less illicit but it's still not where you want. In your view, Stefan, why has the German performance been underwhelming and are there any insights you have into then channel and what that means for Imperial? And secondly, on the mass market cigar business, you know, good performance in H2. How should we think about performance into 2021 now you have the benefit of people staying at home over the last few months? And how should we think about that moving forward next year? Thank you

Stefan Bomhard: Okay. Patrick, good morning. The on German performance, now I'm in the business four months. I've spent one thing I made sure, given the importance of the German market, I actually was in Germany on the ground out with our sales force with our management team talking with customers. Now, I think it would be inappropriate today to kind of share already, kind of, the thoughts about Germany. I think it's the direction of travel that we want to get to a better position there is clear. I think I, put it this way, I've looked after German markets for a long part of my career. I've known the German trade for a long period of time. I think there are some levers we can pull over time, yeah, to get ourselves to a better position. And there is logically, as will know, a lot of value creation our industry in the German markets. One of the most highly attractive markets, we actually have a very strong footprint in the German market which actually is quite interesting and good for Imperial, but we do need to generate a better performance from a market share perspective out of the German market. That will take time. That won't happen overnight. But being on the ground, reviewing the plan with the team, I do believe there is opportunity to get to a better place. Yeah.

On the mass market cigar question, yeah, on that you ask about the US, clearly, we are see – there is an opportunity that we see for Imperial to grow. I mean, with the Backwoods brand that we hold in that market there is clearly a – that is a brand that has a very strong consumer preference. So, interestingly, we've been in fiscal year 2020 handicapped by supply constraints because it uses a very high quality leaf and therefore as a result we couldn't actually produce as much as we wanted. We're working very hard to improving our supply situation. To be clear, that also has some cost of goods implications. But to be clear, there is a consumer demand, a consumer preference for our brand and therefore our job has to do to get these products into the hands of the consumers. To be clear, when you look at the half effect we clearly have the supply chain shortages primarily in half one of fiscal 2020. So, we already saw an improved situation in half two. So as we carry now into half one fiscal year 2021 the year-on-year like-for-like comparison will actually be quite positive for us. Yeah. So, I'm quite – you get the sense I'm quite excited about our mass market cigar opportunity in the US.

Patrick Folan: Great, thank you.

Operator: Thank you. Your next question comes from the line of John Leinster. Please ask your question, you line is now open.

Jon Leinster (Soc Gen): Hi, good morning. And again just to reiterate Adam, looking forward to meeting you in-person at some point – a couple of question if I may. First of all, on your outlook you said volumes will become more normalised. Could you give a bit more detail on what you expect the US and EU markets to look like in terms of volumes going into FY21, please?

Stefan Bomhard: Yeah, it's a fair question. I have to say it's difficult to predict. To be honest, I think what I would say is that we will – I think if you look at the US and Europe, we clearly saw an improvement of underlying market volumes behind COVID, yeah. I think relative from a volume perspective in these markets COVID has been a tailwind. I think it's fair to say in fiscal year 2021 I think some of that tailwind will unwind. Yeah. I have to say, I find it difficult to say by how much because to be honest that will depend on when is the effect of COVID going to reduce itself? And to be fair also what is going to be the recessionary impact that we'll see from COVID? Yeah. I think – so, I feel quite confident that we will see some unwind of the tailwind but it's quite difficult to say how much will really happen in fiscal year 2021. And I personally – you probably get the sense – I rather go forward with a prudent forecast, yeah, versus actually learning forward in an optimistic way. If the world turns out to be better, fantastic for all of us. But, I don't want to build my forecast around kind of a very optimistic outlook.

Jon Leinster: Okay. Perhaps put the same question in a slightly different manner if I may, how much do you think illicit trade or lack of illicit trade impacted some of the major markets and are you assuming that illicit trade comes back into the market at the sort of more normalised rate?

Stefan Bomhard: I think it's quite a difficult question to be honest because, as you will know, illicit trade is very difficult to track at this point in time. Would – to answer your broader question – would I believe if border situation normalises that you will see some recovery of illicit trade? Yes, I think we will. Yeah. Will it recover to its prior level? I think that's difficult to say at this point in time.

John Leinster: Okay. On the NGP side, I mean, it looks like, I mean, the sort of run rate cost base is about £400 million a year. How much of that is, would you say is fixed, and how much of that is, sort of, marketing and variable? Is that something that you can flex going forward?

Stefan Bomhard: I mean, at this point in time, I wouldn't, kind of, go in the different lines of the PNL of the NGP business. I think as you all have rightly observed, lots of moving parts here in the past, yeah. So that honestly is one that I would like to come back at the end of January as we're still working through our plans.

Jon Leinster: Okay.

Stefan Bomhard: But what you will see, it's a more focussed and a more rigorous approach, yeah. The one thing I would volunteer to you, it has been historically quite a fragmented approach, as we have driven our EVP separate from our heated tobacco effort, for example, and one of the steps I have taken here in my first months to actually bring that business much closer together. So removing duplication of market research cost as an example. Because an NGP consumer is an NGP consumer, we don't need to the research twice between heated tobacco and EVP.

Jon Leinster: Right. And lastly, if I may, I mean, you mentioned again on capital allocation that you're investing more particularly in the tobacco sales force. Is that – I'm not assuming – is that a sort of low-hanging fruit? Is that something where you can improve the market share trends in some of the key markets just because there's not perhaps not been enough sales force?

Stefan Bomhard: I think it, as I said, I've spent – I've run sales forces for a significant amount of my life, yeah. When I've been out there with our people, looked at coverage of different channels and so on, I think there is an opportunity for us to actually improve our coverage of the most attractive gems. Now when we come to Capital Markets Day, we'll give you more detail. But, I do believe that is one of the leverages that we have to actually run this business – our business better. And exactly as you say, ultimately, that is one of the levers we can pull to actually drive market share as well.

Oliver Tant: John, it might be worthwhile just to be clear on then point, and what's actually happened in FY20 is that we had, you know, we had a lot of investment going in behind our NGP business in FY19 and into the early parts of 2020 through the sales force in part. So the sales force were tasked with a series of initiatives to support NGP. What we did during the course of 2020 is pull back the amount of time they were spending on NGP and asked them to spend more time on tobacco. So although that shows up as an increase in our tobacco cost, obviously, the counter is that it's reduced our NGP cost.

Jon Leinster: Right, okay. So, I mean, okay, so it's an allocation issue.

Oliver Tant: Yeah. Well, it's an allocation of time issue, that's –

Stefan Bomhard: For fiscal 2020.

Oliver Tant: – for fiscal 2020.

Jon Leinster: Yeah, okay. Well, thank you very much.

Operator: Thank you. Your next question comes from the line of James E. Jones from LPC. Please ask your question, your line is now open.

James Jones (RBC): Morning, Stefan you said that it's important to base decisions on real data and insight I think was your phrase. There's pretty clear implication this hasn't been the case historically. Can you give some examples of what needs to change?

Stefan Bomhard: Yeah, I think there are two I would give. I think the most obvious one is on NGP. I think it's very clear that with the best intentions in the past some of our rollouts on the NGP side happened too fast and too broad, yeah. And in the desire to capture what was, especially on the EVP side, a very fast-growing market and also needs tobacco, sometimes decisions were made without the full data being available at a point in time and the products were scaled into markets without really having all the data in hand, so not fully tested proposition. That kind of would be the one, yeah. The other one I would volunteer is when you look at it, I have gone through hundreds of pages of consumer data on our tobacco business, and what you – what I would observe was lots of data but, for example, some of how we look at the data is not consistently the same across the company, and it's about mining that data in decision-making process that is something where I think we have a real opportunity to improve. Yeah. That gives me confidence about that over time we can also improve our tobacco performance.

James Jones: Perfect. Thank you.

Operator: Thank you. Your next question comes from the line of Sanath Sudarsan from Morgan Stanley. Please ask your question, your line is now open.

Sanath Sudarsan (Morgan Stanley): Hello. Good morning, everyone, and good to hear from you, Stefan – two questions from me today.

Stefan Bomhard: Good morning.

Sanath Sudarsan: Hello, good morning – two questions from me today. First one, you seem to have looked at all the options inside the business, and much of the comments seem to suggest room for improving operation performance, speed, accountability, for example. The tobacco industry is changing quite a bit, especially in some of your key markets. So how do you tie up your internal assessment of the business with the external market with your current brand and geography footprint? And secondly, probably just related to that, do you think Imperial can transform into a business which adds more users to its portfolio in a sense can this transform into a growth business over the medium- to long-term? Thank you.

Stefan Bomhard: Sanath, I think the logic in my starting point has to be the business of what I have today, yeah. So my strategic review has to start with the business of today, yeah. But, logically, we're doing this in the context about what will the industry look like in the next five years, yeah. So you have to trust me that we are looking at all options and we are considering that. But to be clear, I think there is clearly an opportunity to generate more growth and more profitability from our existing portfolio. But, we're not going to close our eyes here to other opportunities as I say. But to be clear, I think our starting point always has to be our own business, yeah. And we'll give you more details on this once we have completed our strategic review at the end of January.

Sanath Sudarsan: Great. And can I just ask one more question on culture changes you actually touched upon? Obviously, culture changes are always a good transformation story for companies. Could you just also maybe touch on a few more examples of how, you know, the traditions and new model of culture can help deliver a bit more robust earnings for the business?

Stefan Bomhard: I think I do believe culture can play a key element. I mean, in my last five years as CEO it definitely made a difference. I think one thing you can take as a signal of me putting for the first time in quite a while our Chief People & Culture Officer on the Executive Committee takes that as a signal that I do see that as one of the key levers of improved performance at Imperial. Yeah. I think the other thing, when I went through all the employee engagement surveys – through all of that data that were of a survey that was done before I arrived – it's very clear that there is an observation from our employee that we work too much in silos. And when you hear the word silo that's a very clear signal we are wasting resource because people do not work together enough and therefore you have duplication in the organisation. So there is clearly I see a more collaborative culture, yeah, throughout the business. And also with more shared objectives as an organisation that's one of the levers to pull in this context I've done this before in my career. I do believe there is actually going to be a very high correlation between driving a more collaborative – a more focussed culture – in the organisation to actually making a contribution to a more consistent performance of the company. But you will hear Alison talk about this when we come to the end of January.

Sanath Sudarsan: Thank you very much.

Operator: Thank you. We have no further questions at this time. Please go ahead.

Stefan Bomhard: Okay. So want to say a big thank-you for a high quality set of questions. And as I said before, hopefully, we'll have the chance to meet face-to-face again. And I'm very much looking forward to, hopefully, at least probably in a virtual way, see you at the end of January where we, I'm sure, many of the questions that you couldn't ask today will be able to ask then. Yeah. Thank you.

[END OF TRANSCRIPT]