

# ANNUAL GENERAL MEETING 2018

Imperial Brands PLC

7 February 2018



**Mark Williamson**

Chairman



## Maximise sustainable shareholder returns



### Quality Growth from Tobacco Maximisation and Next Generation Products

#### Strengthen Portfolio right brands

- Radically simplify
- Invest in Growth & Specialist Brands
- Develop blu & e-vapour technologies



#### Develop Footprint right markets

- Prioritise growth opportunities
- Quality share focus
- Sustain investment

#### Drive Cost Optimisation

- Simplify operating model
- Lean manufacturing
- Control of overheads

#### Embed Capital Discipline

- Maximise cash conversion
- Robust capital allocation
  - Investment
  - Dividend
  - Debt repayment

# Summary Financials

## Adjusted EPS up 7.0%



	£m	% change	% constant currency
Tobacco net revenue (£m)	7,757	+8.2%	-2.6%
Tobacco Adjusted Operating Profit (£m)	3,595	+7.0%	-2.4%
Adjusted EPS (pence)	267.0	+7.0%	-2.2%
Cash conversion	91%		
Net debt reduction* (£bn)	0.8bn		
Dividend per share (pence)	170.7	+10.0%	

**ALISON COOPER**  
Chief Executive



# Strategy Delivering

## Improving key metrics



### Growing quality revenue

Share growth in priority markets	Growth Brand share +80bps	Growth & Specialist Brands 63% of net revenue	Cigars NR +9% Snus NR +8% China JV 2.3 <sub>bnSE</sub>
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### Improving second half

Volume H1: -5.7% H2: -2.6%	Revenue H1: -5.5% H2: +0.1%	EPS H1: -5.9% H2: +0.9%	£130m savings 91% conversion £0.8bn repaid
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## USA

### Strong performance in cigarettes and cigars

- Focus on strongest equities to drive revenue and profit growth
- Cigarette share gains
  - Winston up 20 basis points
  - Kool up 10 basis points
- Excellent results from mass market cigars
  - Share up 80 basis points to 14.3 per cent
  - Volumes up 23 per cent



# UK

## Share growth in a challenging market

- Supporting retailers/consumers adapt to regulatory change
- Consistent pricing strategy
- Enhancing distribution
- Players and Gold Leaf driving growth
- Cigarette share at 41.9 per cent, up 80 basis points
- Fine cut tobacco share at 43.4 per cent, up 250 basis points





# Significant Opportunity in NGP

## Prioritising growth in e-vapour



- Material opportunity in NGP
- Great asset portfolio
- Strong equity in blu
- Enhanced innovation capabilities
- FY18: new products; new markets

# Non-Combustible Tobacco

## Developing new formats



### Oral Tobacco

- Successful snus business
- Iconic brand - Skruf
- Development opportunities



### Heated Tobacco

- Consumer trials in December
- Multiple formats under development
- Maintaining optionality



# Realising E-vapour Opportunities

Driving growth in FY18; £300m investment



## Building Capabilities

- Enhancing consumer insights, distribution and marketing
- Nerudia: expertise in innovation, manufacturing and regulatory compliance



## Focused Portfolio

- New formats for FY18
- Improving consumer experience
- Strong equity in blu



## Develop Footprint

- Geographic expansion
- 10+ markets in FY18
- 20+ markets in FY19
- Enhanced growth opportunities



# CORPORATE RESPONSIBILITY

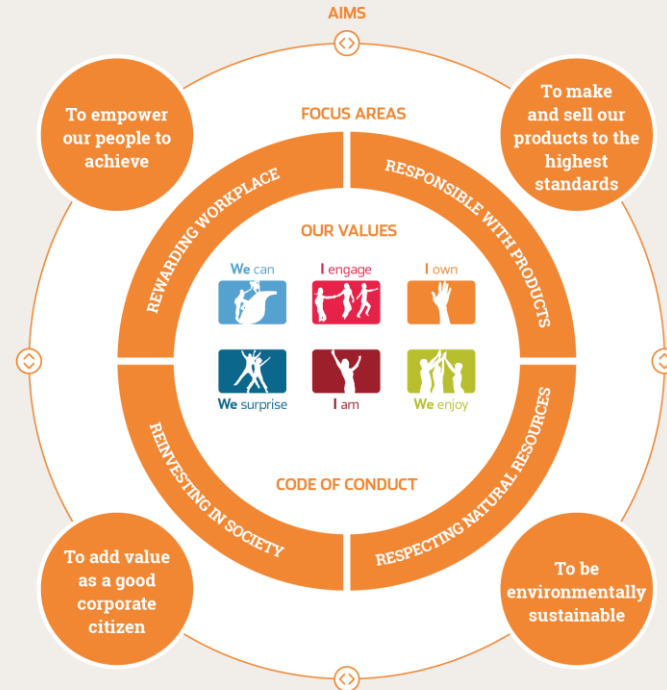
Integral to the way we do business



Consistently improved performance

Received number of Best Employer Awards

84% score in Dow Jones Sustainability Index



## Strong Foundation for FY18

Clear strategic focus



-  FY17 was an important year of progress
-  Tobacco: quality share growth in priority markets
-  NGP: gearing up to realise significant growth opportunities
-  Sustaining investment through cost and capital discipline
-  Dividend growth of 10 per cent for tenth successive year