

GAINING TRACTION IN THE US MARKET

25 MARCH 2022



**IMPERIAL
BRANDS**

Disclaimer



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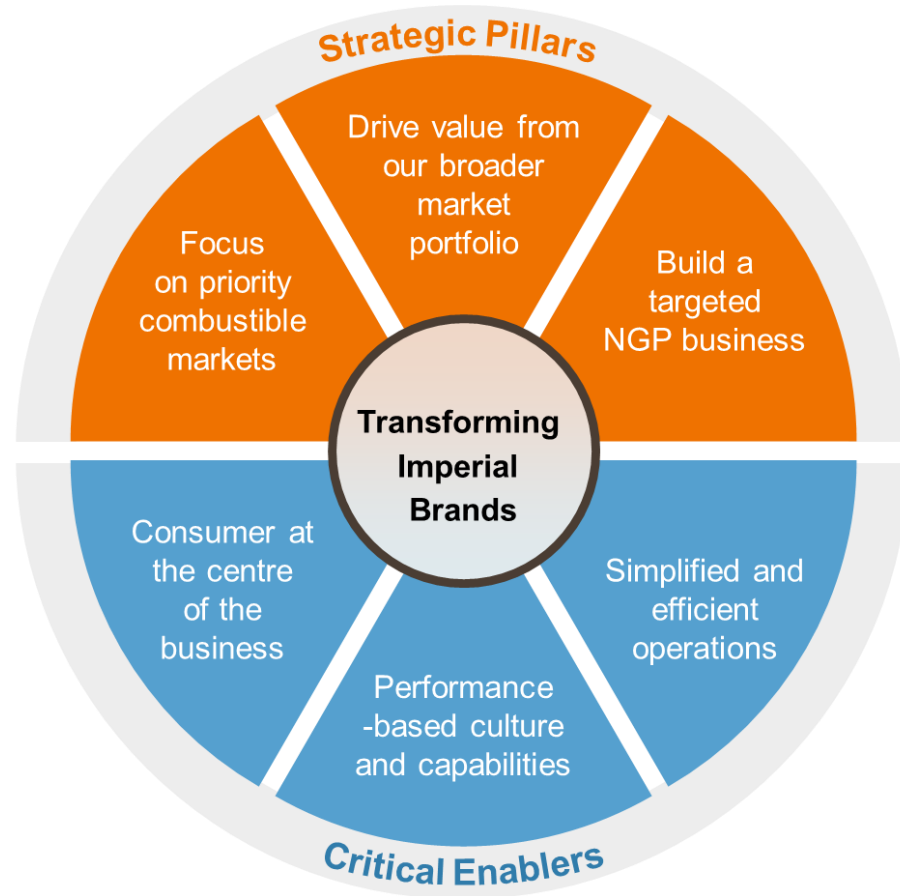
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A Clear Strategy to Enhance Performance

DEMONSTRATING PROGRESS AGAINST OUR STRATEGY



TODAY WE WILL...

Introduce you to our strengthened US team

Show how we are well-positioned in this market

Showcase our investment activities in US market

Demonstrate progress against our strategy

Our US Business

WE ARE WELL POSITIONED IN THE US MARKET



OUR US BUSINESS

£2.5bn

Net revenue

33% of net revenue

£1bn

Adjusted operating profit

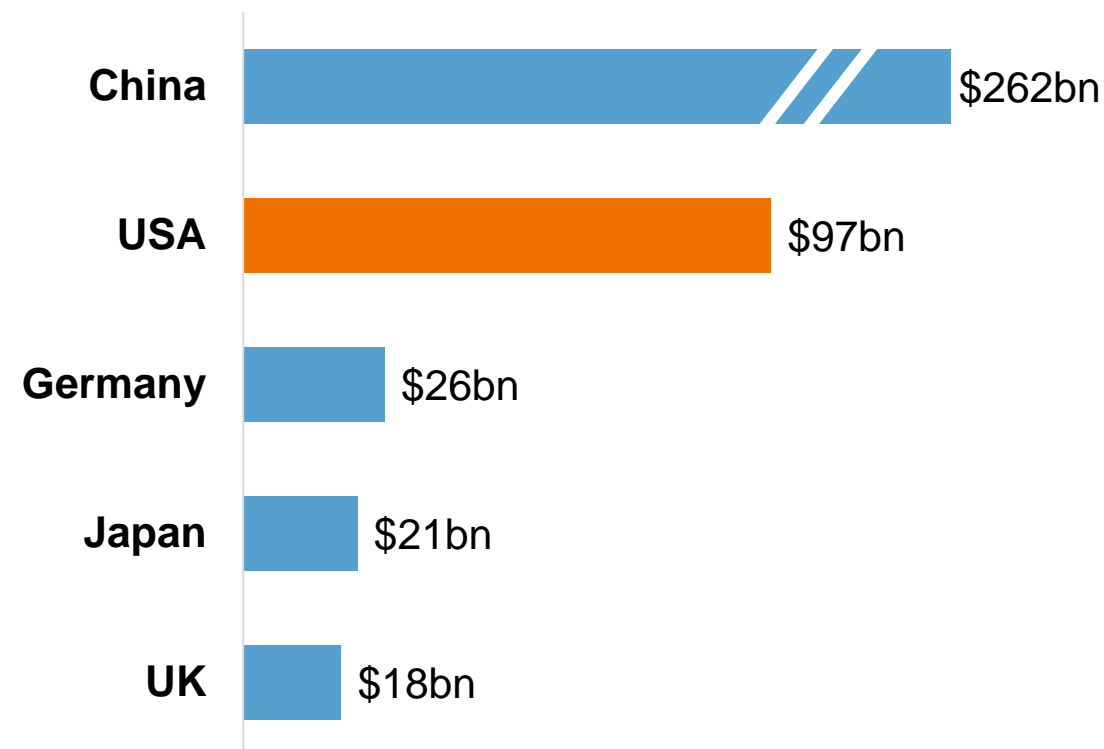
41%

Operating margin

Strong cash flows

- Attractive market characteristics
- Coherent portfolio – well-placed for growth
- Clear plan to enhance performance through targeted investment in operational levers

A LARGE MARKET WITH AN ATTRACTIVE OUTLOOK



Agenda

GAINING TRACTION IN THE US MARKET

ITG Brands overview and strategy	Kim Reed	<i>President ITG Brands</i>
Market environment	Alex Mueller	<i>SVP Insights & Intelligence</i>
Gaining traction with our brands	Rishi Dhingra	<i>Executive VP Marketing</i>
Gaining traction with our sales force	Shane Sgambelluri	<i>Executive VP Sales</i>
Q&A	All	

Gaining Traction in the USA

A CLEAR PLAN TO REALISE VALUE IN THE USA MARKET



Well-positioned in a highly attractive market

Multi-year transformation plan with clear self-help opportunities

Proven track record to perform

Targeted investment plan behind multiple brand and sales initiatives

Plan will deliver consistent growth in revenue, profit and cash



We are Well-Positioned: Our US Assets

SOLID FOUNDATION TO DRIVE CONSISTENT GROWTH

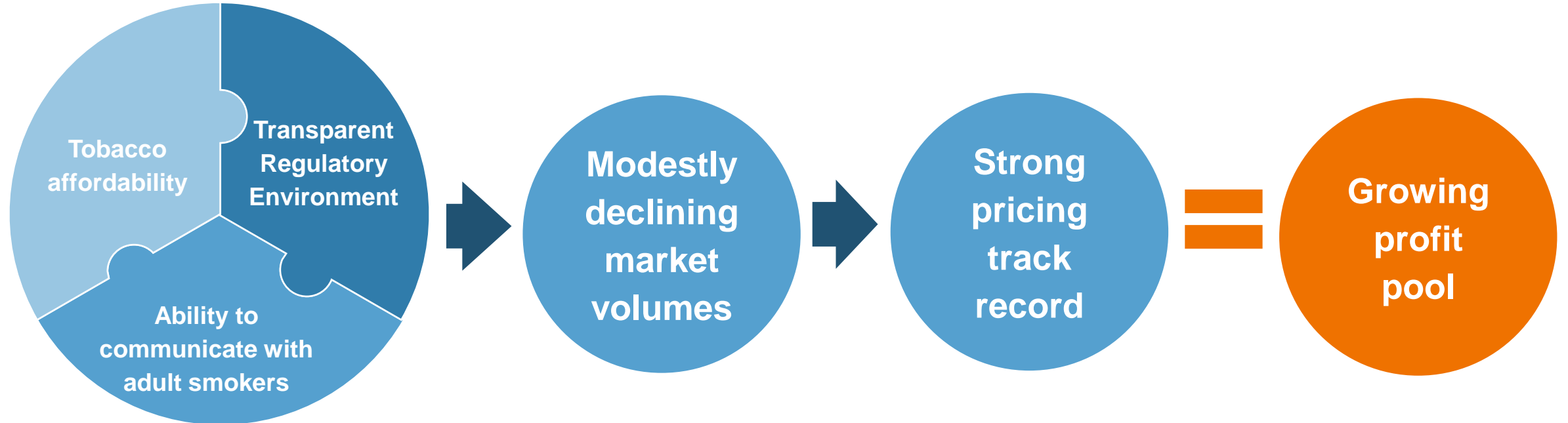


Realising Value in the USA

WHY THE USA IS AN ATTRACTIVE OPPORTUNITY



ATTRACTIVE MARKET DYNAMICS



OUR PLAN WILL

- 1** Further strengthen our US business
- 2** Drive consistent performance
- 3** Deliver growth in revenue, profit and cash

Strengthened Leadership Team

STRONG FMCG EXPERIENCE BLENDED WITH DEEP INDUSTRY KNOWLEDGE



Kim Reed

President and Chief
Executive Officer



Andrew Clarke

Chief Financial
Officer



Rob Wilkey

Executive VP
Legal, Regulatory
and External Affairs



Rishi Dhingra

Executive VP
Marketing



**Shane
Sgambelluri**

Executive VP
Sales



**Antonio
Gutierrez**

Executive VP
Operations



Gert Schrijver

Senior VP
People and Culture



Alex Mueller

Senior VP
Business Insights &
Intelligence



Tanisha Sanders

Senior VP,
Corporate &
Legislative Affairs



Glen Tibbits

Senior VP
Cigarette Marketing



Antoine Blonde

Senior VP
MMC and EVP
Marketing

Creating an Agile and Performance-Driven Culture

BUILDING A CONNECTED AND HIGH-PERFORMING ORGANISATION



Start with the
Consumer



Collaborate
with **Purpose**



Take Accountability
with **Confidence**



Be Authentic,
Inclusive to all



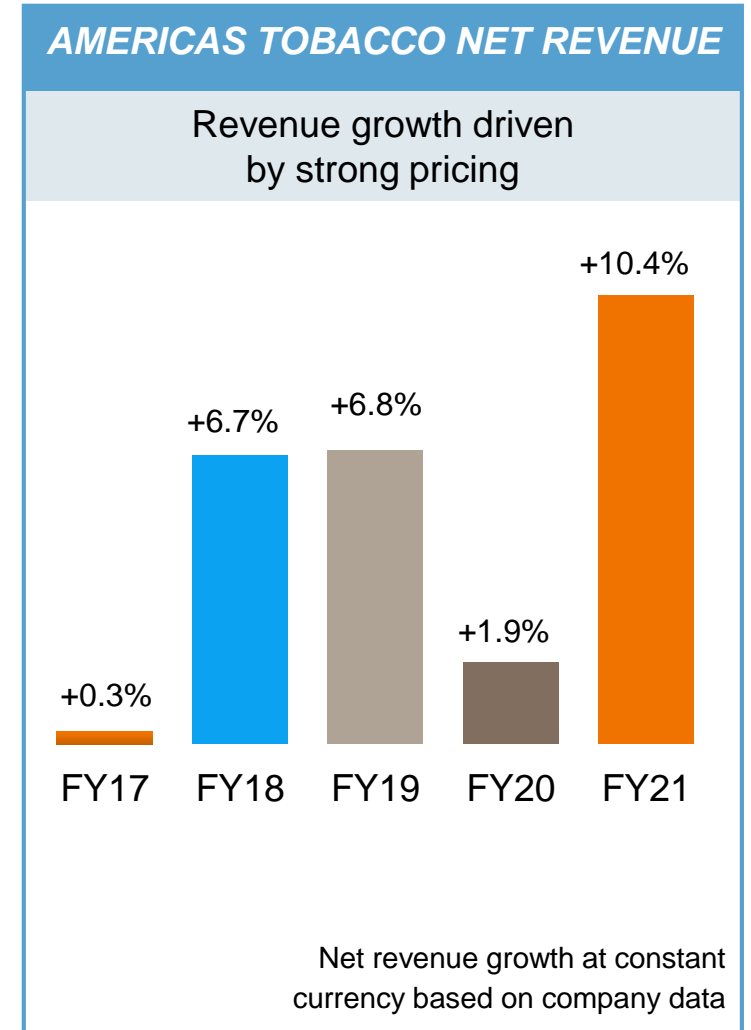
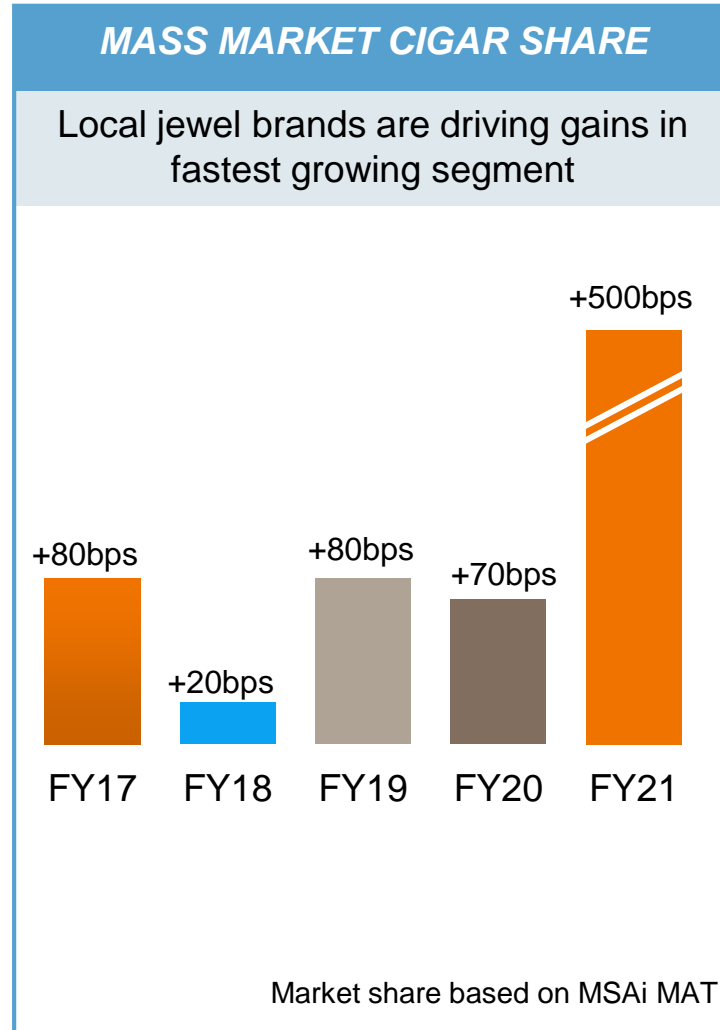
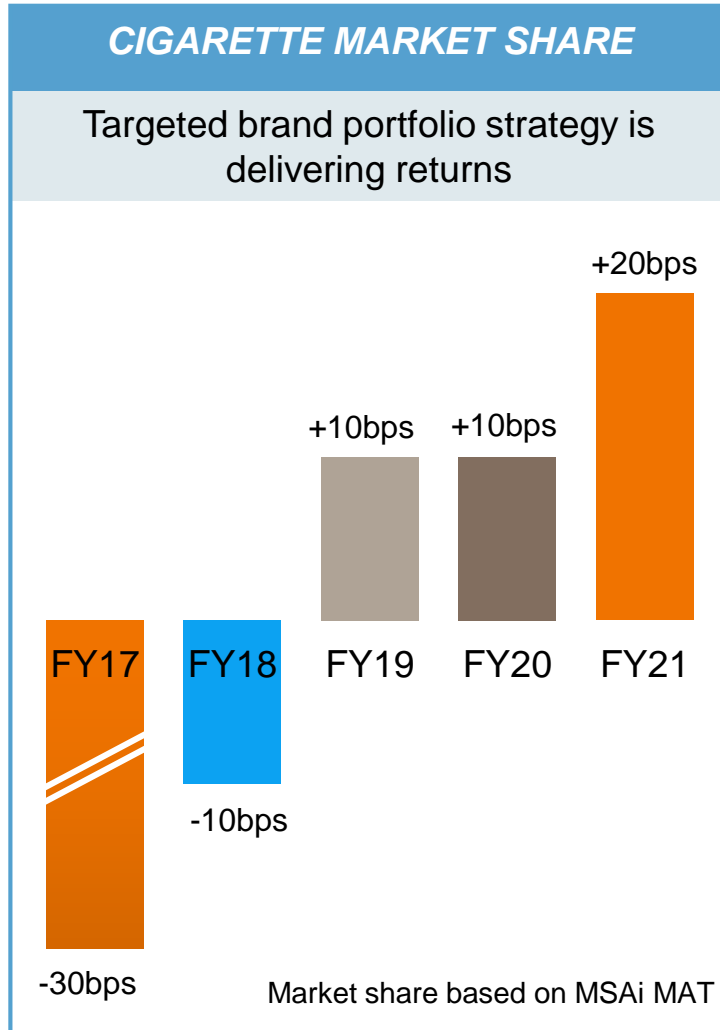
Build
our Future

60 senior US managers have invested a total of **1,200** hours on new behaviours

Programme to be rolled out to whole organisation by the end of this year

Proven Track Record of Delivery

DELIVERING TOBACCO MARKET SHARE GAINS AND REVENUE GROWTH

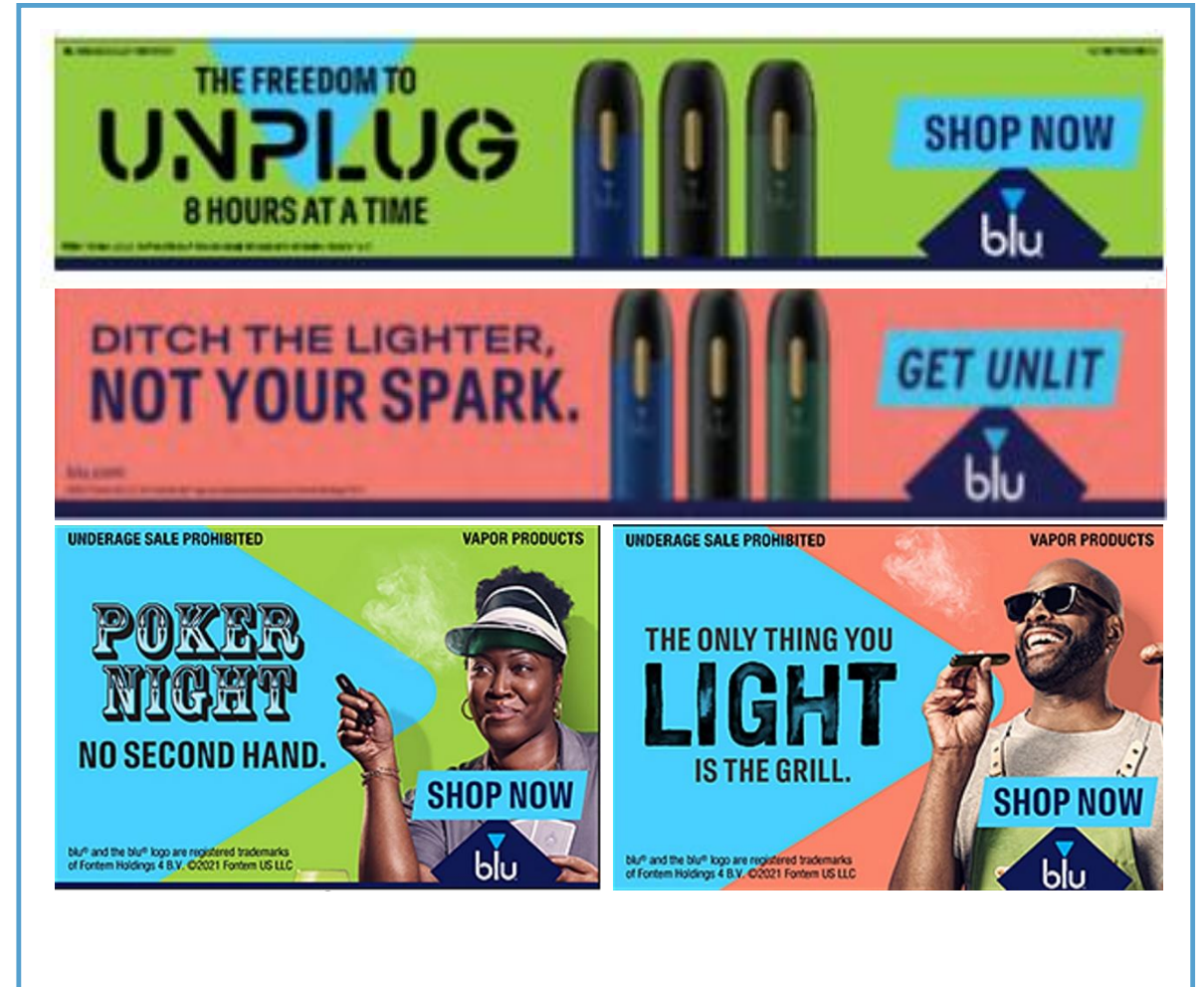


US Consumer Trial of Refreshed blu Offer Underway



GOOD INITIAL PROGRESS; DATA GATHERING STILL UNDERWAY

- Trial underway in Charlotte, North Carolina
- New consumer marketing approach includes:
 - Refreshed packaging
 - New marketing campaign
 - Enhanced point of sale presence
 - New on-line sales platform
- Encouraging initial results
- Will provide further update on trial at interim results



US Regulation Evidence-Based

REGULATORY CHANGE SUPPORTED BY SCIENCE AND DATA



- Well established rulemaking process
- Structured and consultative approach – evidence and science-led
- Considers risks and benefits to whole population
- Requires input from all stakeholders
- Thorough and orderly process



Current focus: PMTA for vapour; plans for menthol cigarettes and flavoured cigars

A Clear Plan to Enhance Performance

FOCUSING BEHIND THE OPERATIONAL LEVERS



SIX OPERATIONAL LEVERS IN OUR FIVE PRIORITY MARKETS

Cigarettes	1 Increase participation in premium value segment		} Rishi
	2 Drive and rejuvenate local jewel brands		
	3 Optimise our approach to the value segment		
Fine-cut	4 Maximise the potential of fine-cut tobacco category	N/A	
All Combustibles	5 Drive performance in under-penetrated channels and regions		} Shane
	6 Maximise value creation through Key Accounts		

MARKET ENVIRONMENT

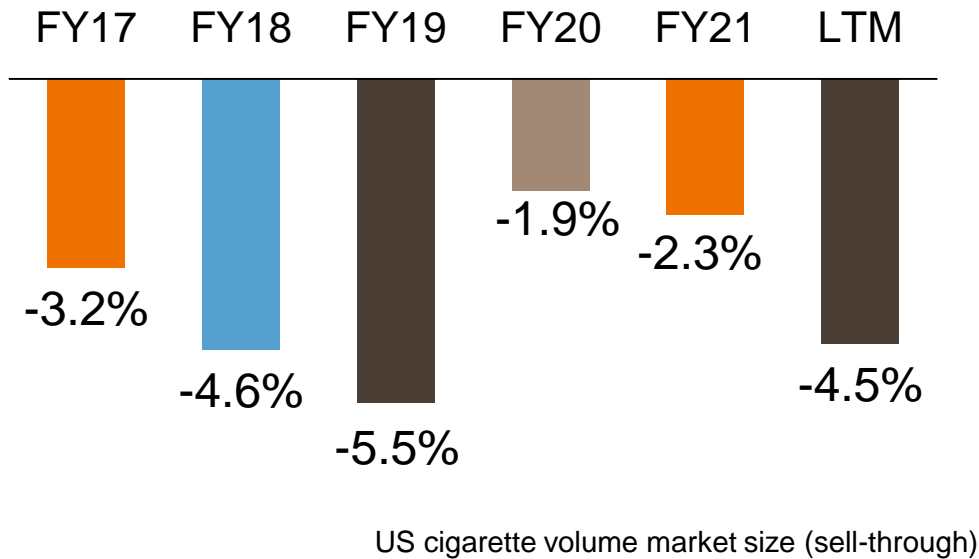


Tobacco Fundamentals Remain Strong



ROBUSTNESS OF TOBACCO DEMONSTRATED IN RECENT YEARS

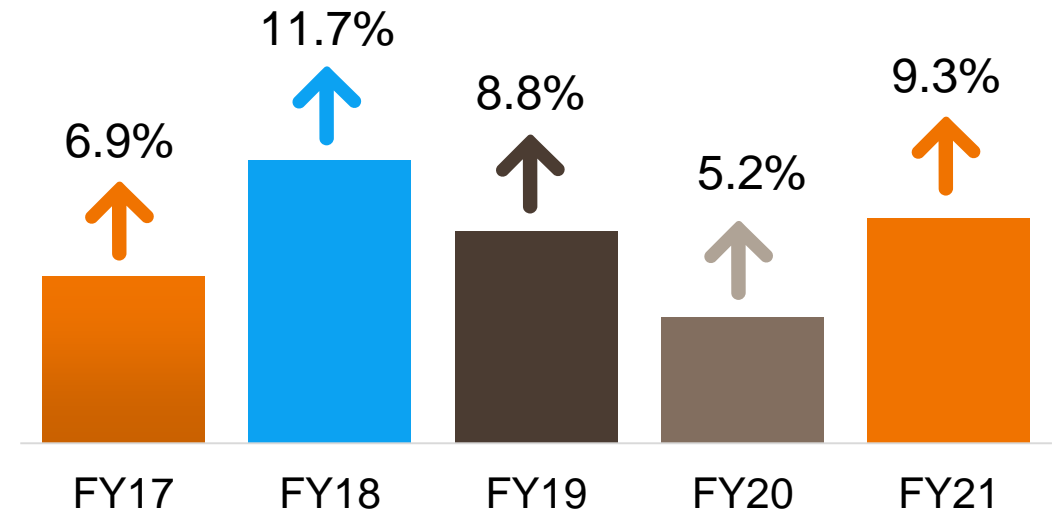
COVID-19 AFFECTED MARKET DYNAMICS



US industry volumes are beginning to revert to historical norms

STRONG PRICING REMAINS KEY VALUE DRIVER

Imperial US tobacco price/mix



With scope to continue based on good levels of affordability

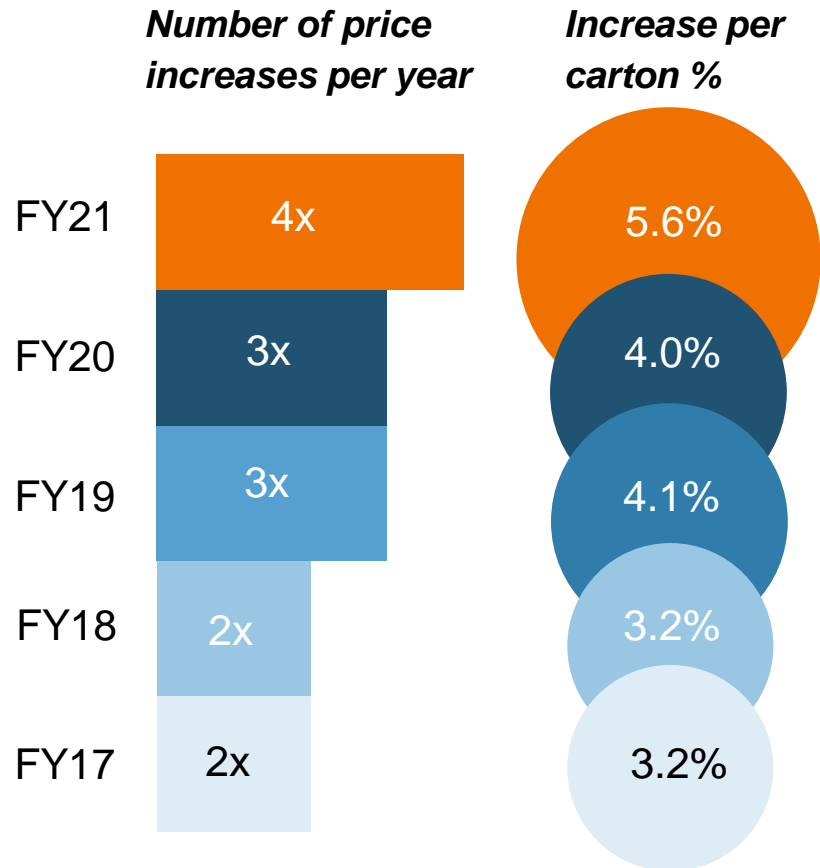
Medium term outlook: industry volume declines more than offset by price/mix

Pricing Achievement has been Strong

HIGHER AND MORE FREQUENT INCREASES



PRICING HAS BEEN STRONG



Source: company data; US market list price increases

MANAGING PORTFOLIO BALANCE IS KEY

- Consistent price rises on premium and traditional value
- Market share determines shelf-space
- Being active in deep-discount meets demand
- Creating opportunities to drive whole brand portfolio

US Cigarette Affordability Remains High

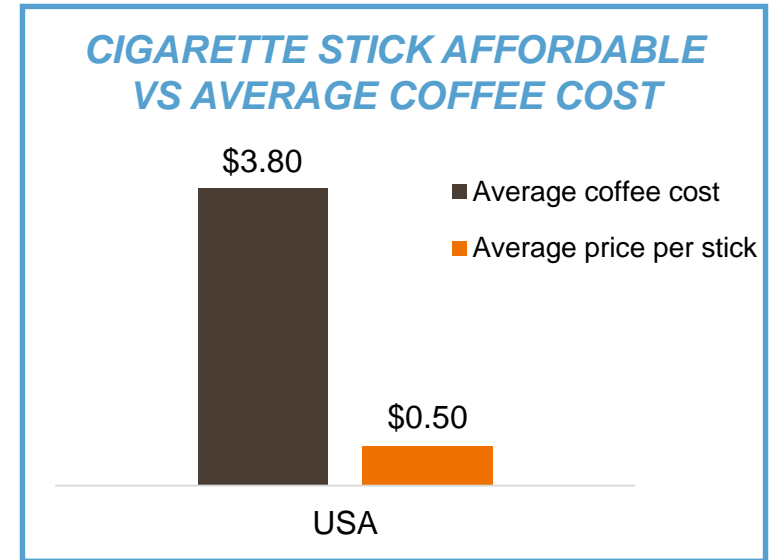
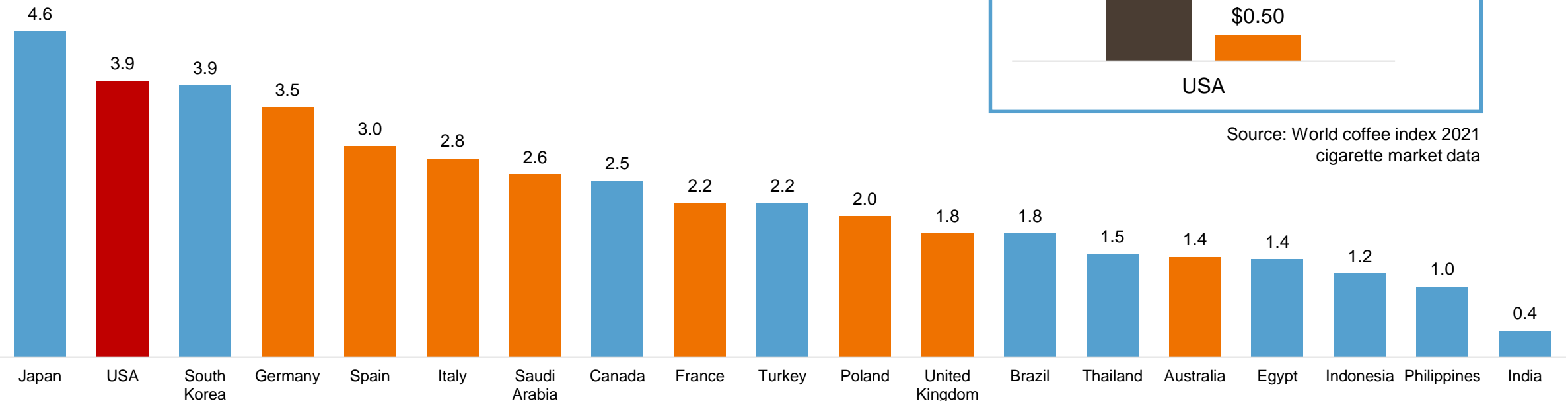
WHEN COMPARED TO AVERAGE EMPLOYEE EARNINGS



AFFORDABILITY OF TOBACCO

(# Packs earned per hour of work at average salary)

- USA
- Imperial significant presence (>5% volume share)



Source: World coffee index 2021
cigarette market data

1. Top 20 countries in terms of Cigarettes Retail Sales Value in 2019 – excluding China
Affordability = est. hourly wage / price per 20 sticks – based on 2019 data
Source: Euromonitor, Imperial Internal Estimate

Well-Placed to Capitalise on Consumer Trends

TOBACCO SHORT-TERM OUTLOOK



Outlook for US Consumer

Headwinds on consumer wallet

- ↓ Inflation pressures
- ↓ Rising gas prices
- ↓ Post lockdown re-opening

Mitigating factors

- ↑ High US employment rates
- ↑ Consumer finances have improved



Imperial is well-placed

- Our tobacco portfolio offers consumers choice at different price points
- Well-placed to meet needs of value-oriented consumers/ downtrading
- Clear growth plan supported by self-help initiatives and increased investment

“By tailoring our offering, state by state, store by store, we aim to provide consumers with the best choice to meet their unique needs”

3.5%

20-year average cigarette volume decline rate

Market is in Flux, Creating Growth Opportunities

SEVERAL FACTORS ARE INFLUENCING CONSUMER BUYING PATTERNS



**DEMOGRAPHIC
SHIFTS**



**NEW CATEGORY
SHIFTS**



**CUSTOMER/
CHANNEL SHIFTS**



**REGULATORY
SHIFTS**



**POST-PANDEMIC
SHIFTS**

US Market has Many Nuances

WHICH CREATE UNTAPPED GROWTH OPPORTUNITIES



ADULT CONSUMER TYPES



Leveraging a detailed understanding of different consumer types

REGIONAL PRESENCE

300,000 nicotine outlets

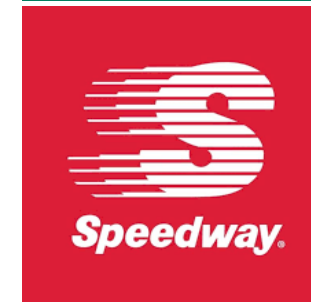
#1 or #2 IMB ranked in 10% of cigarette volume stores

Growing share

in counties that represent 72% of industry volumes

Optimising our distribution....

TRADE PARTNERS



Recognising the roles of different channels to reach specific target consumers

Getting Closer to Consumers to Drive Sales

TAILORING OUR APPROACH TO TARGET CONSUMER PREFERENCES



Detailed data-driven approach

STATE

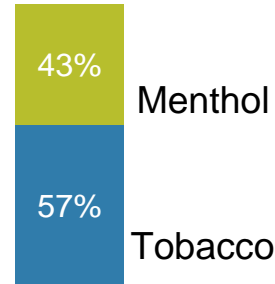
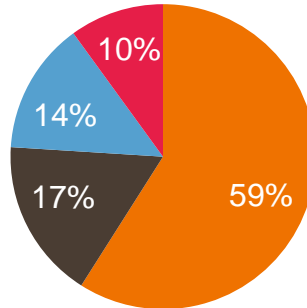
MARKET CHARACTERISTICS

IMPERIAL SHARE



Industry volumes

- Traditional Premium
- Premium Value
- Traditional Discount
- Deep Discount

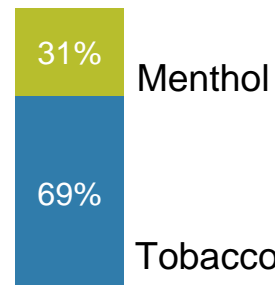
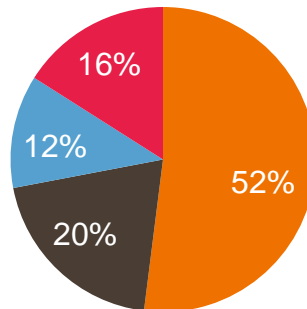


c.10%
+110bps
vs 52 wks



Industry volumes

- Traditional Premium
- Premium Value
- Traditional Discount
- Deep Discount



c.11%
+65bps
vs 52 wks

50 US States
>3,000 counties

Adult smoker preferences influenced by local environment

Detailed Data and Consumer Insights

DRIVING SALES WITH A TARGETED APPROACH



Leveraging data capabilities to win in local growth pockets

STATE	COUNTY	SIZE	LOCAL MARKET	SALES ACTIVITY
VIRGINIA	VIRGINIA BEACH	450k inhabitants 300M cigarettes ~300 stores IMB SOM 8.4%	<p>Tr. Premium 16% Premium Val. Tr. Discount 84% Deep discount Independents Key accounts</p>	Assortment optimisation beyond core range Targeted coupon offers for Winston & Kool Range of multi-packs, key a/c focus
INDIANA	ALLEN	385k inhabitants 300M cigarettes ~300 stores IMB SOM 16.3%	<p>Tr. Premium 50% Premium Val. Tr. Discount 50% Deep discount Independents Key accounts</p>	Assortment optimisation beyond core range Store targeted specially marked packs Wholesaler programmes supporting independents

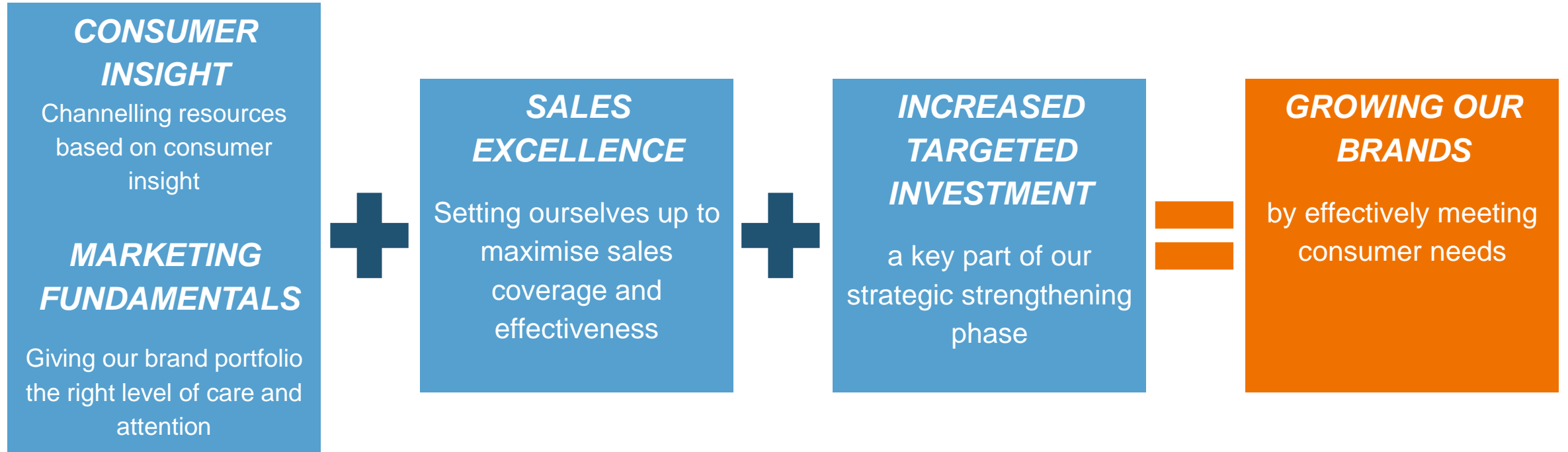
GAINING TRACTION WITH OUR BRANDS



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BRANDS

Applying a Simple Formula to Grow our Brands

GETTING THE BASICS RIGHT COMBINED WITH FOCUSED INVESTMENT



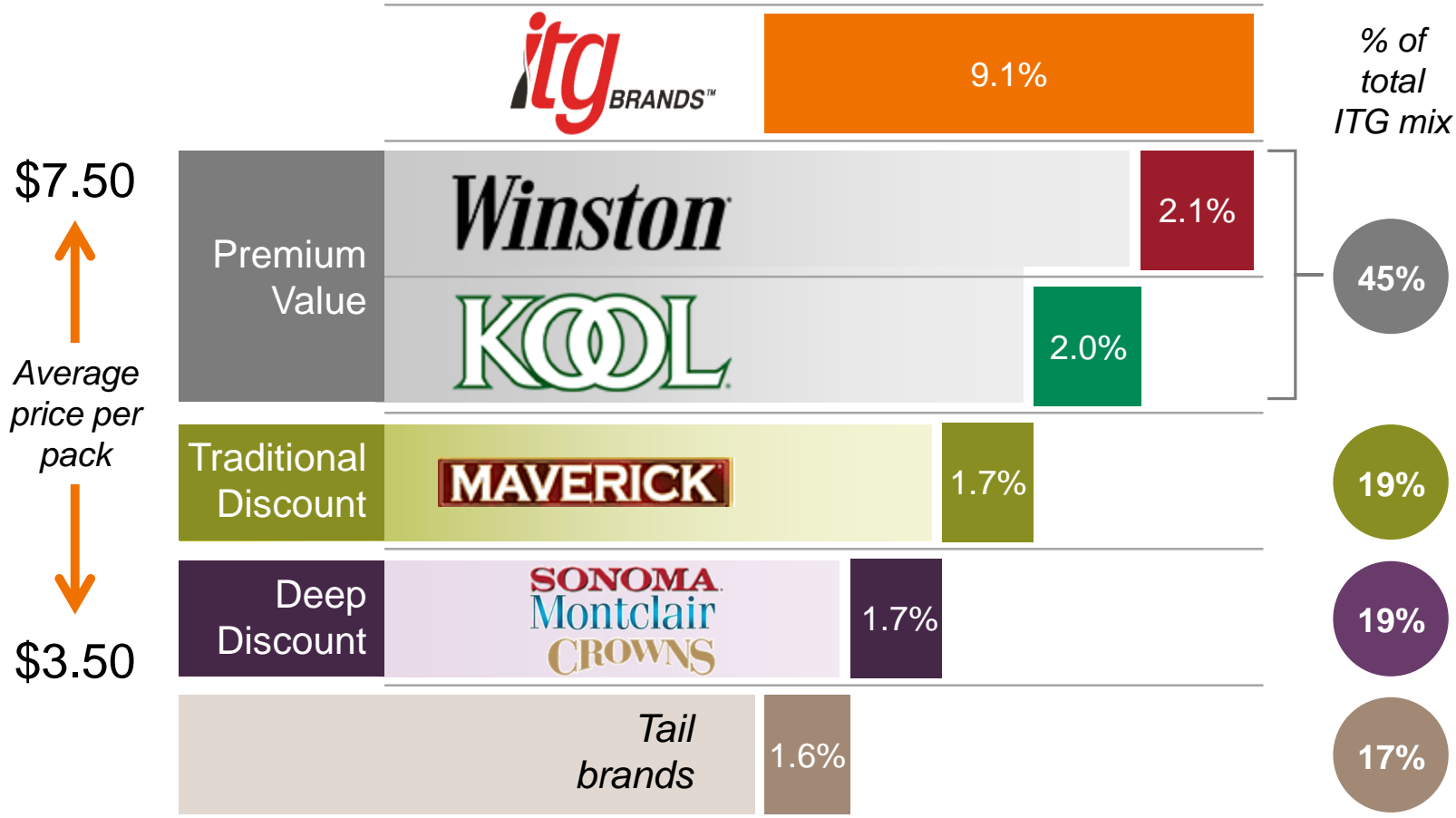
Creating a strong alignment across the whole team to a common goal

A Brand Portfolio to Meet a Range of Consumer Needs

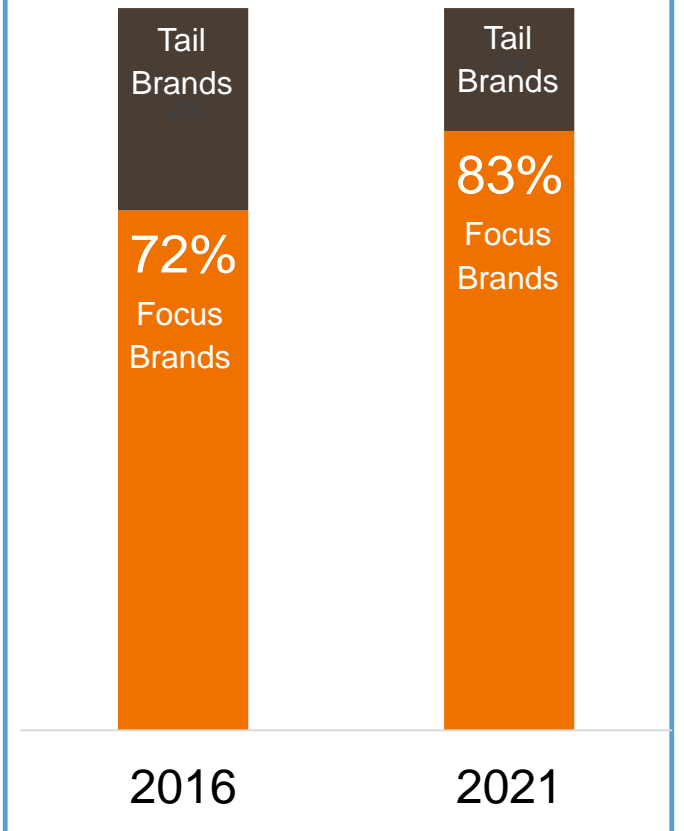
WE HAVE SIMPLIFIED OUR BRAND PORTFOLIO SINCE ACQUISITION



OUR CIGARETTE BRAND PORTFOLIO



FOCUS BRANDS % OF CIGARETTE VOLUMES



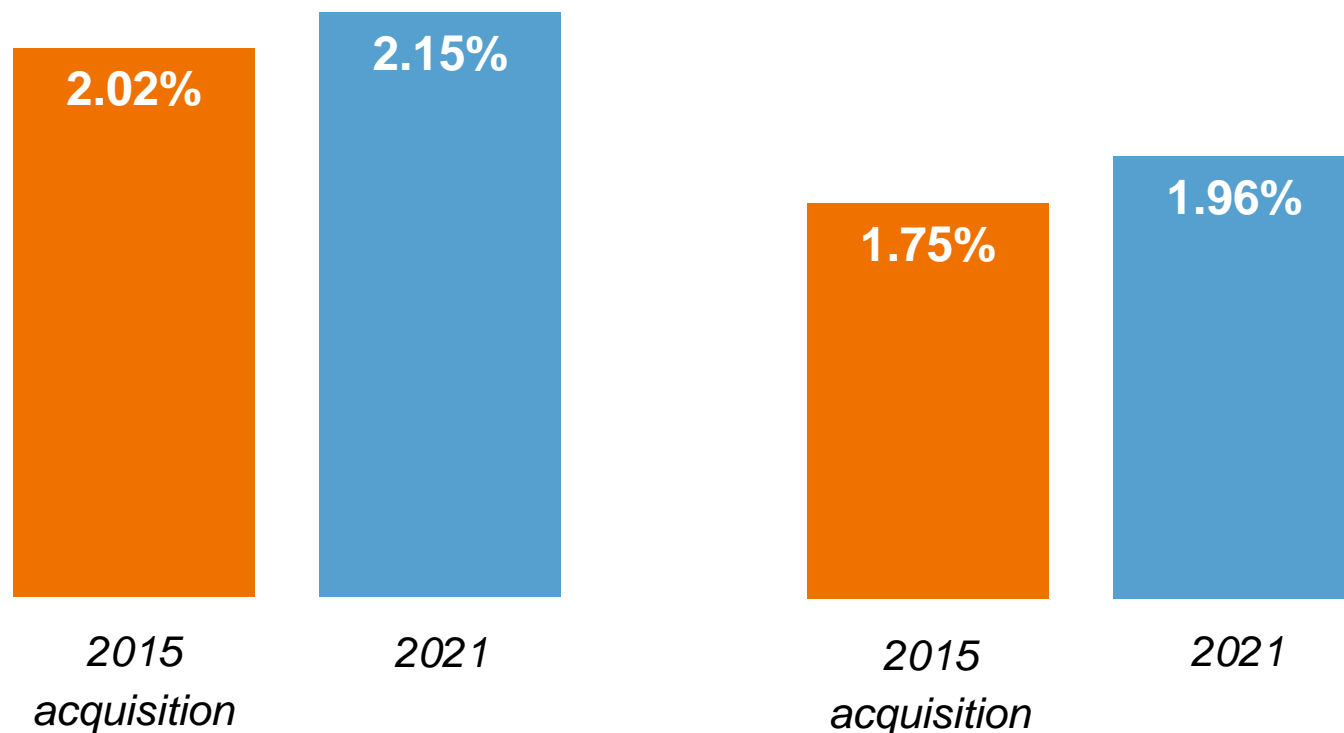
Winston & Kool Share has Stabilised Under Our Ownership



THESE ICONIC BRANDS ARE AN IMPORTANT PART OF OUR PORTFOLIO

Winston

KOOL



LATENT EQUITY WITH STRONG POTENTIAL

- After decades of decline we have stabilised market shares
- Strong heritage supports good consumer recognition
- Key part of our portfolio
- Consumer feedback provides clear drivers to address

Our Approach: Starts with the Consumer

CONSUMER PROFILING DRIVES OUR TARGETED BRAND MARKETING



Common but not exclusive consumer profiles...

	Winston	KOOL
 <p>WHO</p>		
 <p>WHAT</p>	 <p>Suburban</p>  <p>Deeply patriotic</p>	 <p>City dwelling</p>  <p>Thrill seeking</p>
 <p>HOW WE SHOW UP IN THEIR WORLD</p>	<p>Believes in living in the moment and having fun; passionate about outdoors, cars</p>	<p>From fashion, to music, to nightlife, they always knows what's new and next</p>

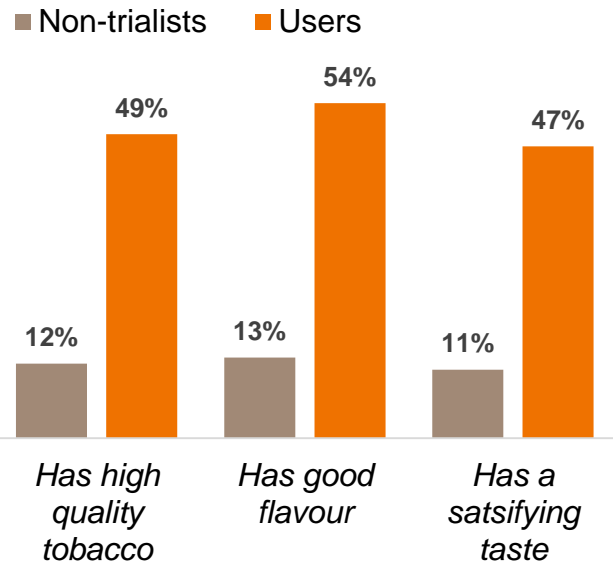
Addressing Winston Opportunities

KEY DRIVERS TO REIGNITE THE WINSTON BRAND WITH TARGET CONSUMERS



CONSUMER FEEDBACK

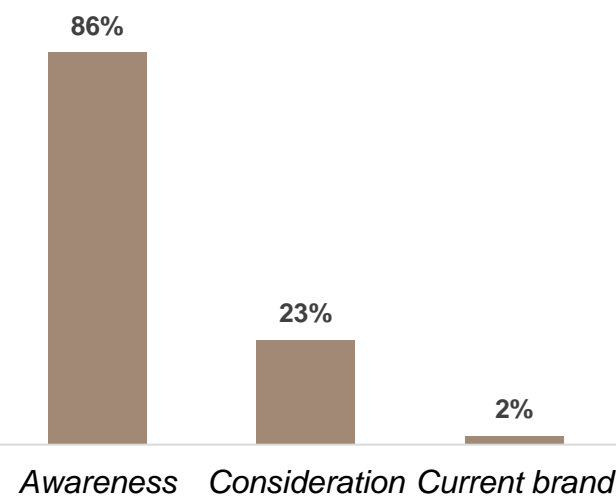
1 QUALITY AND TASTE PERCEPTION



PURCHASE INTENT

Source: 2,645 Adult Winston Aware Non-Triers

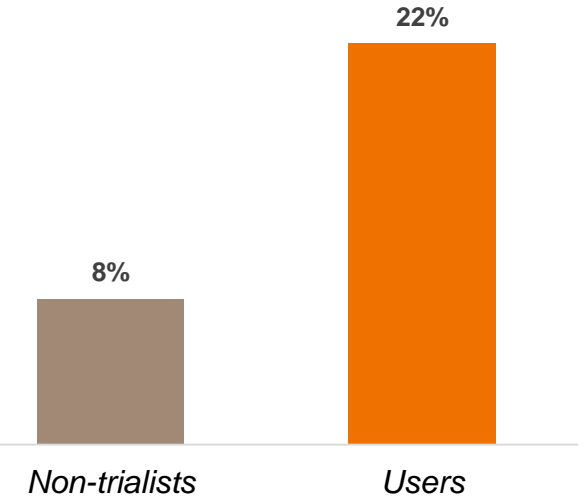
2 BRAND FOR SOMEONE LIKE ME



CONSIDERATION

Source: GFK/MRI November 2020 Smoker Structure

3 PREMIUM QUALITY AT AFFORDABLE COST



VALUE FOR MONEY

Source: 2,645 Adult Winston Aware Non-Triers

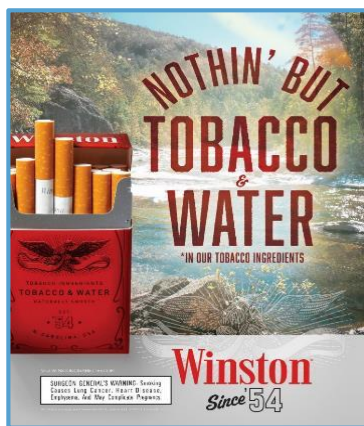
DRIVER FOR

Targeted Winston Investment

ADDRESSING KEY DRIVERS WITH FOCUSED BRAND INITIATIVES



1 QUALITY AND TASTE PERCEPTION



Scores highly once in consumers hands

2 BRAND FOR SOMEONE LIKE ME



Contemporary advertisement campaign with national roll-out of refreshed pack design



3 PREMIUM QUALITY AT AFFORDABLE COST



Clear pricing strategy linked to brand equity and quality perception

Winston A&P +70% vs FY20

Hearing the Consumers Voice

OUR ACTIONS ARE RESONATING WITH OUR TARGETED CONSUMER



EXPANDING NATIONALLY

- Positive consumer feedback validated the trial of Winston's new pack design
- The pack met its objective to resonate with consumers
- But don't just take our word for it...



“Winston is appearing to be a much more premium brand than it used to be”

“They are classic and high-quality American made.”

“I think this product is premium quality and would satisfy my needs as a customer.”

It has a unique art-deco style packaging print that is more eye-catching than typical packages of cigarettes.”

Reigniting KOOL with Adult Smokers

INCREASING INVESTMENT BEHIND A CONSISTENT CONSUMER PROPOSITION



KOOL
FEEDBACK

KOOL scores highly with consumers across purchase intent metrics

Key challenge is historical brand under-investment

CLEAR PLATFORMS TO CONNECT

Festivals and music



Fashion and art



Social and lifestyle



Increasing Investment behind Targeted Kool Initiatives

FOCUSED ACTIVATION AND INITIATIVE STRATEGY TO BUILD CONNECTION



PRODUCT MESSAGE



Reiterating product quality and taste messaging

CONNECTING VIA SOCIAL AND DIGITAL PLATFORMS



Meeting them where and when they are most receptive to our brands

LEVERAGING KOOL'S HERITAGE IN MUSIC AND FASHION



Tapping into the brands rich heritage and association with music and fashion

Winning with Value Consumers

OUR VALUE PORTFOLIO PLAYS AN IMPORTANT ROLE



CLEAR ROLE OF BRANDS IN DEEP DISCOUNT SEGMENT

- Meet adult smoker demand in this fastest growing segment
- Provide margin contribution and overhead recovery
- Share gains secure valuable shelf space to provide visibility for focus brands: Winston and Kool
- Objective to gain fair share; with price gains over time
- Agile and co-ordinated team response to KT&G exit secured share

Differentiated strategy with clear objectives to support wider portfolio growth



Mass Market Cigars: Our Iconic Brand Portfolio

FOCUSED TO MEET THE DIFFERENT NEEDS OF MMC CONSUMERS



STRONG 2021 DELIVERY

>20% share of market

#1 in natural leaf segment

#2 volume manufacturer

+500bps share growth

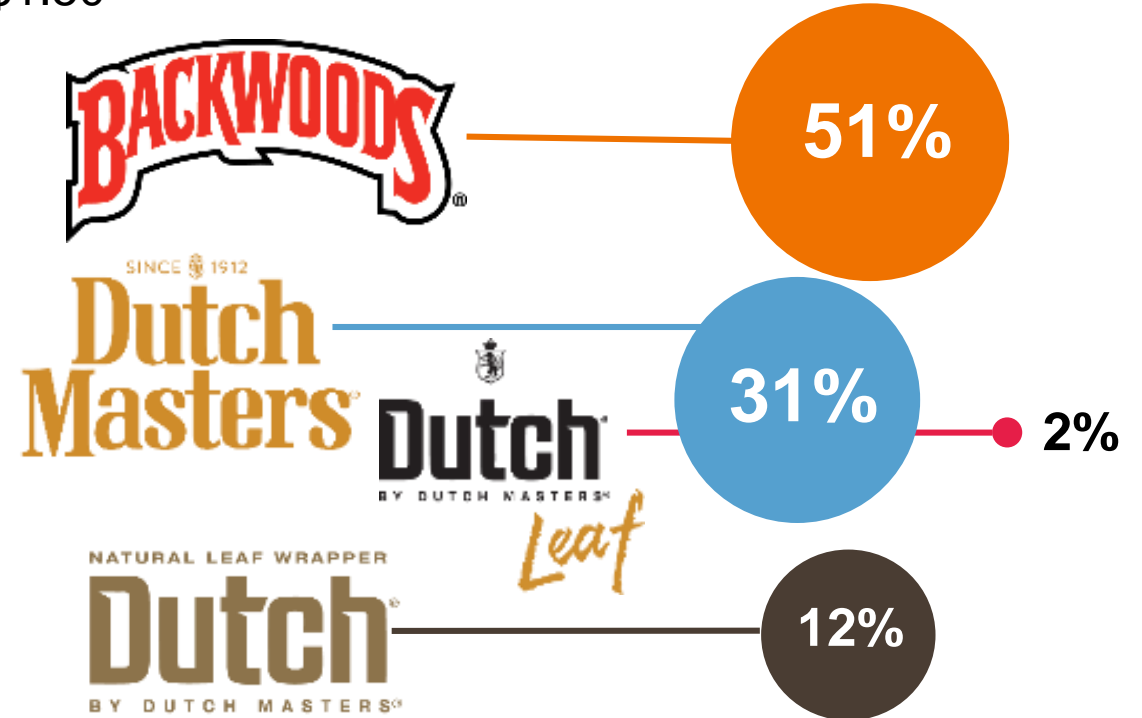
+45% volume growth

\$1.25 - \$1.50

Average price per MMC

\$0.40 - \$0.50

% IMB MMC VOLUME



*Residual 4% in Phillies & Other

Driving Growth through our Brand Initiatives

KEY LEVERS OF OUR SUCCESS



PORTFOLIO & INNOVATION

More choices and excitement

Pipeline driving sustainable equity, increased value and trial



ACTIVATION & PARTNERSHIPS

Building long term relationships

Reinforcing the sense of community at relevant venues and 250 events



TRADE & DIGITAL

Amplify and resonate genuinely

Branded websites with exclusive content



GAINING TRACTION WITH OUR SALES FORCE



**IMPERIAL
BRANDS**

Clear Opportunities to Enhance Performance

PLAN INFORMED BY DETAILED STRATEGIC ASSESSMENT



STRATEGIC REVIEW FINDINGS

- Sales force undersized
- Lacked store opportunity segmentation
- No routing optimisation
- Lacked perfect store standardisation
- No key account management
- Lack of consistency of approach

IDENTIFICATION OF OPERATIONAL LEVERS

5 Drive performance in under-penetrated channels and regions

6 Maximise value creation through Key Accounts

Targeted investment in areas that will deliver the greatest improvement

Enhancing Sales Coverage & Effectiveness

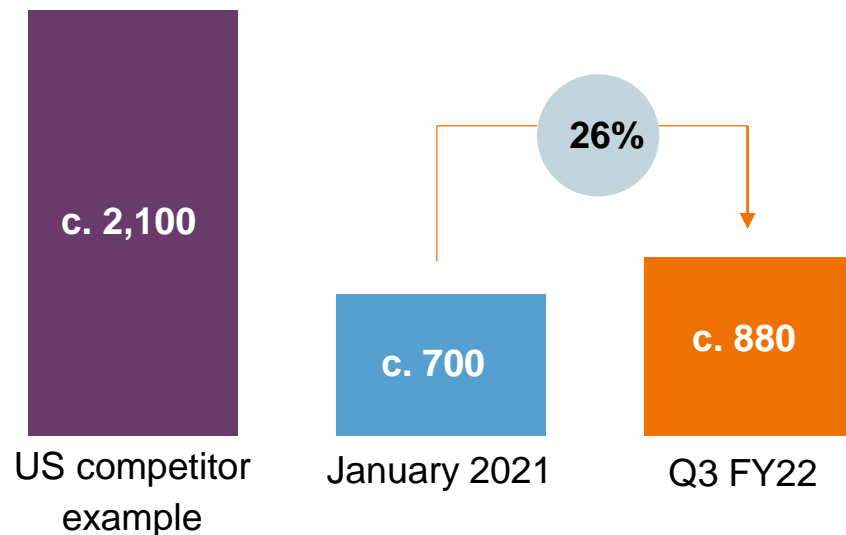


DRIVE GROWTH THROUGH FIELD FORCE EXPANSION

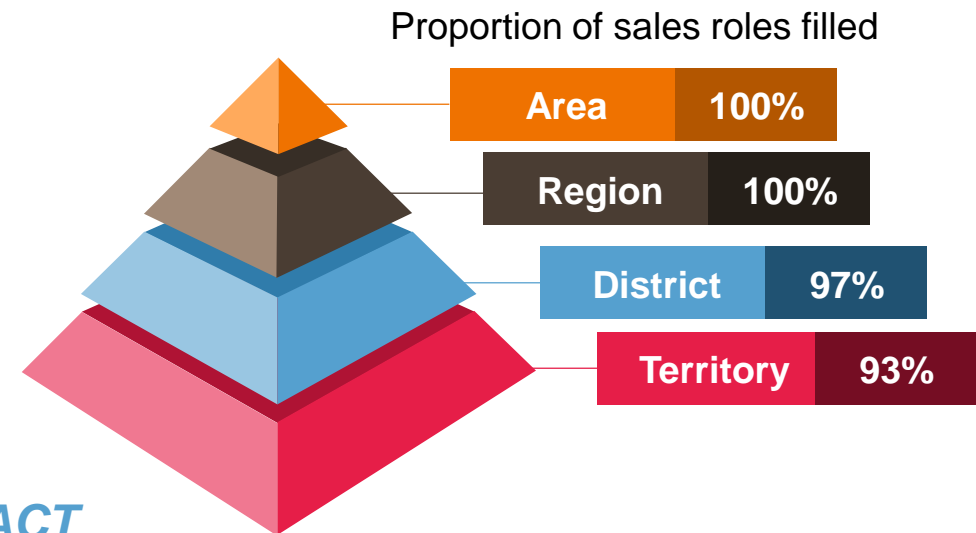
INCREASING SALES FORCE

Today, we're driving performance through an expanded sales team, improved frequency and an optimised routing plan

Focused on increasing capacity for total visit frequency and % of industry covered



STAFFING PROGRESS



IMPACT

Increased Visits

+700k
more visits
per year

Improved Coverage

+5pp
to 95% of
industry
FMC

+3pp
to 98% of
industry
MMC

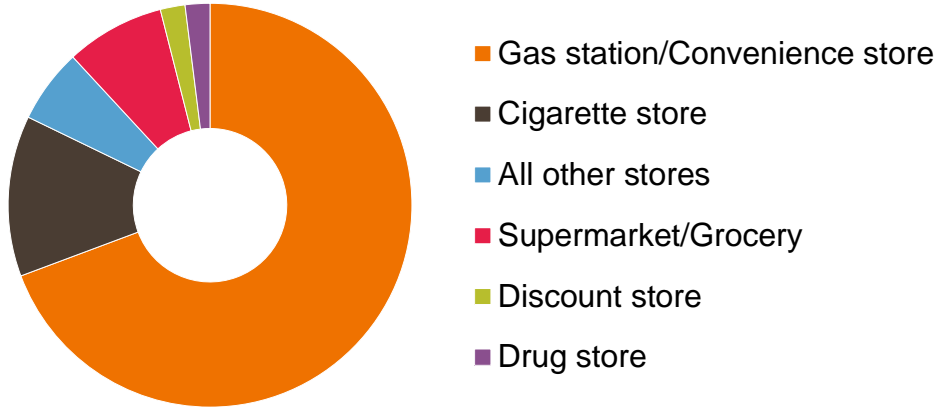
Challenging the Status Quo

DISCOVERING WHERE WE HAVE A RIGHT TO WIN WITH OUR CUSTOMERS



Convenience stores is the largest FMC route to market by volume

Split of IMB sales volume by channel



6th

largest packaged goods supplier by \$bn sales

Source: IRI RSD 52w Feb 2021

9.2%

we have our fair share of this route to market

Source: IRI RSD 52w Mar 2022

Our growth track record underscores our relevance in this channel

Building stronger routes to our consumers and costumers

Retail excellence with the perfect store



Elevated partnerships with key accounts



Strategic solutions with new events



Enhancing our Technology and Capabilities

DRIVE GROWTH THROUGH SALES FORCE ENABLERS AND OPTIMISATION



Tomorrow, we're wiring the business to unlock further value...

ENHANCING TECHNOLOGY

- CRM platform upgrade
- Continued route optimisation
- Assortment optimisation
- Customer segmentation

BUILDING CAPABILITIES

- Perfect call procedure
- Perfect store education
- Coaching and development through visit frequency



MEASURING PROGRESS

- Monthly frequency and coverage targets by sales reps
- Monthly segregation share Measurement
- Customer level distribution, pricing, shelving merchandising
- Perfect visit scorecard dashboard in development

Delivering the Perfect Store

DRIVE GROWTH THROUGH FOCUSED SALES APPROACH



In process of building and implementing perfect store visit



Assortment
optimisation

Right SKUs
on shelf

Merchandising
off-shelf

POS
strategically
placed

Focus on
strategic
brands

Elements of
brand
awareness,
promotion

Elevating our Key Accounts

DRIVE MUTUAL GROWTH THROUGH CREATING FLEXIBLE SOLUTIONS



STRUCTURE AND COVERAGE OPTIMISATION

2020: Dedicated National Account Team Created

Headcount

14

Chain coverage

23

FMC vol. coverage

26%

Key Account Coverage Enhancement

Retail Coverage

56%

76%

FY20

FY21

Frequency
Monthly visits

13%

41%

FY20

FY21

PROCESS OPTIMISATION

Retail Excellence



Joint Business Planning

Elevated partnerships



Strategic solutions



PARTNERSHIP OPTIMISATION



GAINING TRACTION



Gaining Traction in the USA

A CLEAR PLAN TO REALISE VALUE IN THE USA MARKET



Well-positioned in a highly attractive market

Multi-year transformation plan with clear self-help opportunities

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