Imperial Brands

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Fireside chat: Damian McNeela, Stefan Bomhard, Lukas Paravicini

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Damian McNeela:

Okay, good morning everybody. Thank you very much for joining the Imperial Brands Fireside Chat. This morning I have Stefan Bomhard with me, Chief Exec of Imperial Brands, and Lukas Paravicini, CFO. I'm Director of Consumer Staples; I recently joined Deutsche Bank as part of the Numis transaction and recently picked up coverage of the tobacco sector. I think Stefan's going to open with a few comments, followed by Lukas, and then we'll get into Q&A.

Stefan Bomhard:

First, Damian, thank you very much for the invitation. All I wanted to do is just kind of frame our conversation today a little. I mean it is now three weeks after we stated our half-year results of the year. And I think it's a great time to have a conversation about Imperial Brands because I think it's now three and a half years into our strategy, with these half-year results. And I think you, as investors, can see the progress that we're clearly making against our strategy. And there were three key things that I would want to highlight.

The first one was about really making sure that we drive our core tobacco business into the right focus, and particularly our top five markets. Which, in the case of Imperial, represents 70% of our business. And I think what's exciting here, three and a half years on, in these top five markets that make 70% of our profits we've been losing shares consistently year after year. Since we launched our new strategy three and a half years in, every single half year, we've either gained market share or held market share with the ambition of our strategy being that we do not want to be the number one share donor in these markets. And we clearly see that.

And what you can see here on the chart, the reinvestment in our brands and in our sales capabilities to support our brands has allowed us to actually increase prices in half-one by 9%. That should give you as investors another sign of, or another piece of evidence that the brands and how we go to market is now rejuvenated to a very different level than it was.

The second piece, important in our industry, is clearly also about the focus on NGP or new growth products, reduced harm products. And I think what is exciting there is that especially with these half-year results, you can now see the reality of our differentiated strategy in the marketplace. Because what we're seeing in these half-year results, we grew our business very substantially. We're present in all three product subcategories, whether that's vaping, heated tobacco or modern oral nicotine. Where we've grown in all three, as we’ve started to scale, our cost margin was improved by 580 basis points. So we are now seeing, after an investment of phasing and finding out what is the best way of positioning Imperial in the space of NGP, you can now start to see the positive results of that work. And we're on our path to profitability of the business by the end of our current strategic plan, which is the end of fiscal year '25.

And I think what you can also see in the numbers that we've reported, that discipline and rigorous approach that we've talked in the past about, we're not here to copy what other people are doing. We're here to have a specific Imperial way, choosing very clearly the markets we'll go into, the markets we won't go into and what is our proposition that we offer to a specific consumer set.

The third point I would want to highlight, and it's probably less visible for you as investors, is the big change that we're driving on the culture of the company. What we've always talked about is: a strategy needs to be underpinned by the culture of the company. And I think it is a key enabler for the new ways how we do things. And I think when we look at what has changed in the company in the last three and a half years, we're much more a challenger in our industry today than we were three and a half years ago, as the smallest of the industry players. But we're quite excited. We're turning it into a competitive advantage because we should be more agile and I think today we find ourselves to be more agile and we do things differently. So we're really happy with what was achieved so far, but I think there's a lot more to come.

With a lot more to come let me briefly talk about the half-year results that I referred to before. This is a dashboard which we've used for the last three and a half years with very clear KPIs. And I think what is exciting to see the last half-year is no exception to us delivering on our strategy. And I would want to just pick two KPIs from this one because I think they're highly relevant to you as shareholders.

Number one, the 2.8% net revenue growth of the business. That is the highest sales growth Imperial has experienced and delivered in more than 10 years. Out of that already 0.5% came from our NGP business, so it starts to make now a difference in our top line performance of the company. But also, the underlying performance of 2.3% of our combustible business is our best performance in more than ten years.

And finally, the other number I pick on this chart is simple, the adjusted earnings per share growth. At 7.7%, you can now see the effect of the core of the business overall delivering a better level of profitability, but combined with the capital allocation policies that Lukas will talk about in a second, you can see the share buyback that drives that on top of the dividend yield we offer you, you can see with the retirement of our shares, you can see the effect this is having on the EPS. So I'll leave it there and pass it over to Lukas who will just give you a bit more on capital allocation.

Lukas Paravicini:

Thank you very much Stefan. Good morning, everyone. And I think I just want to round up this brief introduction by going through the capital allocation of Imperial. A capital allocation policy that we presented together with the strategy, and which is a key value driver for Imperial.

Our first priority remains to invest in our business to support the strategic delivery. And I think it is important to outline what that means investing in our business, in terms of our strategy, largely an organic strategy. There might be some bolt-on … and a good example is what we did last year in the US, which was a small bolt-on, but with a huge opportunity. Our capex is light, around 350 million we have guided the market over the last few years, that's not going to change. And we innovate together with our providers. And therefore, that is also very different from our competitors. So that gives you an idea of what we mean by investing in our business.

Our second priority is to keep a strong balance sheet. I think that has been helpful in the recent past as well and we're very pleased to see Moody's having upgraded us, or sorry, having put us in a positive outlook, but we have reached our destination of being at the lower end of 2 to 2.5 times net debt to EBITDA ratio.

The third priority is a progressive dividend. We have committed and we are committed to increase our dividend year-on-year. Lately at the half-year we committed to a 4% interim dividend for this year.

And finally, we are committed to an ongoing multi-year share buyback. With this year, a commitment of 1.1 billion pound share buyback, which we are well on track to deliver. Just to put this into context, if you add the dividend and share buyback together, we're well on track to deliver a 6 billion cash return to shareholders over a three-year period, a significant amount.

And I think our capital allocation actually underpins the value for shareholders in terms of what we can generate in return. Our current free cashflow yield is 18.2%. Our dividend yield is more than 8%. It's twice the global FMCG average. And the dividend yield and share buyback this year equals roughly 15% return to shareholders. An attractive investment case for shareholders. And with that, I'll hand back to Damian. Thank you very much.

Damian McNeela:

Thank you very much, Lukas. I did actually cover the tobacco names several years ago and one of the biggest differences revisiting the companies is the shift in culture at Imperial. I think you mentioned in your opening remarks, Stefan, that there's more to come.

Can you just talk about how far along the journey to becoming a full-on challenger you've come, and what should we expect going forward from that?

Stefan Bomhard:

Sure, and Damian, I very much appreciate you picking up culture because I think for investors it's always one of the pieces that's the least tangible, but I think it's one of the key drivers of this change in performance that we've seen in Imperial. And I think what's exciting … when I came in four years (ago), and the company released the strategy three and a half years (ago), is I think what was exciting that people are ready for a change. I found very little resistance. And I think one thing that we covered this space a long time, but I always remind people, Imperial used to be the challenger in this industry, yeah? When Gareth Davis built this company we were number 16 in the industry.

And with the acquisitions the company made, we came from number 16 to being number four. So that spirit of challenger, the little underdog from Bristol to challenge the bigger boys, and the bigger companies, was that. But it's gotten a bit lost in the meantime. So, it was more a story of rejuvenating what was there, and bringing the pride back to being the underdog in our industry.

There is still quite some way to go, but I think for me, the two examples I would give you, that give you some sense of what's different… The one in the core business: I pick Winston in the US there. A brand that has consistently declined for a long period of time under different owners, and also in the early phase when Imperial acquired it. And one of the things they said, "Look, what are we going to do differently?"

We are clearly the smaller player here but what the team, with that challenger mindset, is saying, "Our key competitors have huge databases of their consumer base." We don't. We're smaller players. But who else has big databases? And the big databases, with 70% of cigarettes, sits with the convenience stores. And surprise, surprise, the convenience stores have huge databases. So one of the big insights was, "Why don't we partner with the convenience stores?"

We also had, as you know, Winston was built with the Winston Cup in NASCAR; historically, that's what the brand stood for. You can't go into NASCAR any longer. But the team, in the challenger mindset, went, "What can we do?" And they came up with this brilliant idea, it's very simple. We sponsor a car in NASCAR, not with Winston, but we give, every race, the car to one of our trade partners, who will run it with their advertising and in exchange they allow us access to their database.

So it was a great example. It was a great example for me of that challenger mindset. It's about, "How are we doing different things to the other players? And how do we leverage something that is one of our strengths?" I think it's for me, a great example in this space and I think also our NGP strategy is clearly different. But if you ask me, "Are we there yet?" No. I think there are many more examples to go … I get this question internally, what does it mean, challenger mindset? The exciting piece is, I think our people increasingly understand what we want. I think we are increasingly building examples of it. So I really believe this will drive business performance for many years to come.

Damian McNeela:

Okay. That's pretty clear. Thank you. You've touched on the US performance and I think, could we... I mean there's very strong performance in the first half. I'm just wondering if you could touch on some of the reasons. I mean obviously partnering with NASCAR, is one of the underlying sort of strategies, but more broadly, what are the things that are going right for you in the US and perhaps how your brands fit in with the current consumer backdrop?

Stefan Bomhard:

Sure. If you look at the US, I mean... some very clear strategic pillars that underpin our performance. That's why since we launched the strategy three and a half years ago… our US business has grown net revenue, bottom line, and market share. Despite what has been quite a volatile market in the US. But it's underpinned some very clear must-win battles, which we've defined as part of our strategy, which was a reinvestment in our sales force and sales capabilities in quantity as well as quality, and a reinvestment in our key brands. And I think why have we been able to outperform in the market quite substantially in the last three and a half years: we've started to address some clear gaps we had in our sales force coverage as well as the quality of sales force execution. And again, there's more to come, there's quantity is probably finished, but I think the quality, as we hire more than 30% more sales force than ever before, than what we have before, I think that is great. You see that in the numbers, but there's still a learning curve for the many new sales people. At the same time we've invested in our brands, very specific positionings. Virtually, we used to have one advertising agency in the US, we now have an agency per brand, which is more of a boutique agency (model), which really will focus on the brand with a clear understanding who are the target consumers. And, structurally what was always there, one benefit, one competitive advantage we have, we have the most complete portfolio. We have brands at every single price point in the US, so we don't have distractionary brands across different price points because we're having to specifically position, and that is today a competitive advantage.

Damian McNeela:

I know a market that's been going reasonably well for you has been Spain. I think there's 50 basis point share in the first half. Again, can you just talk about what's happening in Spain to drive that performance?

Stefan Bomhard:

Sure. I pass it to Lucas because he's a Spanish speaker, but he's going to be talking in English.

Lukas Paravicini:

I think Spain is a good example where historically we have been focusing on international brands, but when you look at our strategy and as a consequence of putting the consumer first, the consumer will tell you that they love our local jewels, our local brands that we acquired over time. And if you then … listen to the consumer, you then hone in on those local jewels. If you take for example Nobel, which is very much linked to art and artists and music, we actually took that brand, innovated the packaging, linked it to artists, made limited time editions to support the Pride festival, for example, and expanded the product range by introducing a slim line for female smokers. So by listening to the consumer, applying our strategy, that has turned out really well, and you can see the results in that market share growth.

Damian McNeela:

Now ,one market that hasn't been going too well is Germany, and I think you identified it when you came in three and a half, four years ago. There's early signs of it starting to turn around, but can you provide an update on where we are on Germany?

Stefan Bomhard:

Sure. You're absolutely right. I mean, three and a half years ago we were kind of asked, "Okay, of the top five markets which have been losing share, which one would take the longest?" I said then, "It's Germany," and it *is* Germany. So it's not really a surprise. But I think if I may also make the point: the strategy doesn't require us to have positive share growth in all five. Actually, honestly, it ain't going to happen because it's unrealistic in such a highly competitive industry. The strategy was about moving from being the number one share donor in our industry in these top five markets combined, to a position we would hold share or potentially sometimes gain share. That we have achieved, despite the continued share losses in Germany every single half year in the last three and a half years.

Why is Germany, so complicated? Number one, it's been the one that declined for the longest, with lost market share – prior to the strategy starting – for more than 10 years, and every year around 80 basis points. It's also a very open market still from a marketing perspective and sales force investment, and this is a market where we're historically under invested in both. So the playbook that we've applied is very similar in Germany to the US that we talked about before. It just takes longer in Germany because the level of competitive intensity is quite strong…

The reality in also to implement cultural structural changes in a German organization, it takes longer than it would do in the US. So the exciting piece is that with these half year results, I didn't mention it, Germany saw a meaningful improvement in share performance. It still lost market share, but it lost 25 basis points market share, when in the prior years it would've lost 80 basis points. So it's far too early to declare victory, but I think from an investor perspective, this is what's exciting... we always said, "Germany will get better," this is the first half year where we can show it.

Damian McNeela:

Thank you. If we move then from the combustible side to next-gen products, can you just talk a bit about what you changed when you came in and then specifically if we look at new key initiatives in heated tobacco and vaping at the minute?

Stefan Bomhard:

What's changed? I think the benefit when you come from the outside and can look at the data, it was a couple of things. It's very clear, we *are* the smallest. So doing similar things to our larger competitors is normally not a successful strategy as a challenger. So we became very clear in saying we want to build a sustainable and profitable business, and be much more selective where we want to compete and also become much more selective what target consumer we go after… which is possible for us because reality is, if we want to achieve our fair share of NGP, our ambition is significantly smaller; our market share in combustible is significantly smaller. So we selected a strategy that's appropriate for Imperial, that is probably the single biggest change.

If you look at vaping and heated tobacco… I think in vaping the great news, many years of investing by the company in the blu brand was something that we could benefit from because it's one of the most well-known brands, but what we did change across all three categories, we believe in a model with partners. There's a lot of innovation in here. There's lots of people specifically out of China innovating in this space. And we said, let us partner with them. Let us bring our consumer insight, our route to market, our brand capabilities to them. But let's partner with Chinese manufacturers who we use as suppliers, which has allowed us… to be clear, the vaping market has changed since the last three and a half (years) from a pod-based market, primarily to a market that is a combination between the pod-based market and the big, big disposable market.

And in that challenger mindset where today – and you can go into stores here in Paris, but also in London – where we have the blu bar with 1,000 puffs, which is the highest puff count. It's a very important consumer attribute: how many puffs can I get out of the device? Of all the traditional industry players, we're the one with the highest puff count, out of that partnership with our Chinese partners.

On heated tobacco, as you ask for that second category... On heated tobacco, I think we've also made good progress. We are, today... we've done a lot of testing; it's a very competitive field. We've done a lot of testing to identify what is the consumer segment that we want to go after? What are they looking for? We've launched Pulze 2.0, the second version of our product, which offers you 25 consumption of sticks out of one device, which is important. If you're on a building site, if you don't have access to recharging your device, it is a really competitive advantage. And we also launched iSenzia, which was one of the first non-tobacco flavours.

Again, it just gives you examples of where we are today, but I think what you should take away, what has changed in the last three and a half years, we are now able to compete in this space because we're very clear who we want to go after, we work on that.

Damian McNeela:

I should say, by the way, if anybody wants to ask a question, please just raise your hand and I'll put it in.

Just moving on to modern oral, you've recently launched Zone in the US. I'm just wondering if you could talk about how you see the development of the US modern oral category and what you think it is that Zone brings and helps it differentiate.

Stefan Bomhard:

Yeah, I think Zone is a great example of our strategy to exemplify for shareholders to see. It's an element of that very, very rigorous selection process (to decide) which markets we compete in. Reality is, if you go back three and a half years, when we wrote our strategy, the modern oral nicotine market in the US was well below the threshold where we said it's sizeable enough for us to come in.

But what's happened, it has become the fastest-growing NGP sector in the US and we could see, as the growth curve accelerated, that it would reach a point in time where it would be making sense for Imperial to compete in that market. And then the challenger mindset came in, that I talked about before, where the management team said – because you have the uniqueness of the regulation process and the approval process, yes – you had to find a product that was in the market before a certain deadline, but we wanted to have a differentiated product. Competing with a 'me too' is normally not the successful strategy as a challenger.

And after a long search we found a partner who had a product in the marketplace that is a more moist product, more typically what you would be selling in Scandinavia. And we did a lot of consumer research and we clearly identified the consumer segment that prefers this type of product. As Lukas referred to, that was one of our bolt-on acquisitions. We bought the rights for these products in the United States from a Canadian company. We relaunched the brand, under the name Zone, because it had a different name before; the product is unchanged… changed the packaging and we've now launched that into the marketplace. It's very early days, but I think it gives you a sense of the agility that we have, it gives you a sense how we do things differently. We didn't have to develop that product in-house. We partnered again with somebody who had the right product.

Damian McNeela:

And in terms of the wider profitability from NGPs, I think maybe one for you Lukas, I think there was a loss of 140 million last year. I think we're aiming to lose around about a hundred million this year. What's the path in the near term, and then perhaps longer term, what are the aspirations around NGP?

Lukas Paravicini:

Yeah, I think if you take the strategy that is fit for Imperial that Stefan just explained, you can see that our objective is a sustainable, profitable NGP business over time, and that we would like to achieve and we are achieving through scale. We're scaling up this year… this half year again, our gross margins have improved at half year over 500 basis points.

You'll see towards the end of the year, to your point, a further reduction of the losses because we are growing further our business and, towards the end of next year, that growth in scale and that scaling up will mean that we will be exiting or break even the business in NGP. And our objective remains to build a sustainable, profitable business in the future that will not end next year, but that is where we will break through the break-even.

Damian McNeela:

Thank you Lukas. And I think, Stefan, you mentioned it in your opening comments as well about the amount of work that's gone on in the background in operations. We've recently talked about implementing a new ERP system. I don't know who is best placed to talk about what are the benefits that could come through from that? Where are we most likely to see that benefit in the business?

Stefan Bomhard:

Sure. I mean I'll probably pass it over to Lukas. I think what's important… I'll give you the frame, what is a great example, if you followed the industry for a long time, when we went from number 16 to number four, we bought a lot of businesses and these businesses weren't integrated to the level that you would have many other consumer goods companies integrate that. Partly because the investment would've been significant and people saw less of a benefit.

But if you want to run this one company, this is for me where I'm so excited, there's such a self-help opportunity, which to be fair our competitors have taken care of many years ago, but Imperial still has that opportunity. So that's, for me, the big umbrella theme. That's why I joined Imperial because that's such a great opportunity to deliver a better, improved performance.

Lukas Paravicini:

Yeah, I mean that goes really at the heart to our strategy again. It is part of the simplified and efficient operations that we have stated, and to catch up with the industry. We look at it as a business transformation on the back of probably, to your point, the ERP rollout, which is an S/4HANA rollout over the next five years. And a GBS model, which is the global business shared service center that we have built.

And that is a progressive rollout that will give us a constant flow of self-help. And what we are looking here at is probably as a benefits case, is the fact that we will have better and faster data and therefore also faster and better decision-taking processes in the company that will support delivering our strategy going forward.

Damian McNeela:

What's the timeframe? Is it three years from..

Lukas Paravicini:

I think it is an ongoing program. The ERP in itself, the S/4HANA is a five years program, roughly 350 million pounds investment, which will be covered in the envelope of the 350 million capex that we mentioned before. And GBS, and all the rest that goes with it, is also around five, six years.

Damian McNeela:

Okay, thank you. Perhaps another one for you Lukas. In order to sort of hit current FY24 guidance, we need to see an acceleration in the second half. What are the things that have given you confidence to see that you'll be able to deliver that improvement?

Lukas Paravicini:

Yeah, good question. I think it is also going back a little bit to what we said last year and the beginning of this year that we tend to be more back-loaded with the profitability. And I mean this first half was actually very good and so we are on track to deliver the full year. I think there's probably the normal effects that we expect. Pricing going ahead of volume decreases. We have very strong pricing in the first half that will carry on into the second. We will continue to do pricing as regular in the second half as well, but you have that boost from the first half. You have the ongoing NGP losses reduction, as you pointed out before, we expect it to be lower than last year again.

And you have a specific effect this year, which is, as we pointed out at half year, our AAACE region is – or AAA, Central Eastern Europe region – has had a more difficult year, first half, because of this very strong comparator. Let's not forget that AAA and Central Eastern Europe have grown significantly ahead of everybody else in the two previous years, therefore we have a strong comparator. But that also has been compounded by the Middle East effect that we had through the geopolitical situation. But we do expect that to be normalized by the end of this year. So you'll get a boost in the second half by that region normalizing. So operational gearing, NGP reducing and AAACE normalizing. That is where we look at the full year guidance.

Damian McNeela:

Okay, thank you. I don't know whether you want to share, this is in two parts, this question on capital returns. So I mean you're committed to growing the dividend and an ongoing buyback. So first question is, what could blow you off course on delivering those shareholder returns? And then secondly, how do you think about the trade-off between dividends and share buybacks?

Stefan Bomhard:

Okay, let me do the first question and I'll leave the second to Lukas. I think we have a very robust program. I think the other thing, what is important to understand, this isn't one pillar that drives the strategy. This is quite… a model with several drivers of performance. And I think... I step back and look at it… it isn't that the last three and a half years we haven't dealt with some unexpected headwinds. I mean, as we're here in the Consumer Goods Conference, a reality the level of cost inflation we had all to deal with was unprecedented. I haven't seen it in 30 years in the consumer goods industry. And we had to deal with it, and we still delivered the numbers that we promised three and a half years when we were completely ignorant what would be happening.

Number two, in our case also, you will be aware that we are one of the few companies in the consumer goods space in our industry who've left Russia. A lot of time had to be invested of extracting ourselves from Russia and also the surrounding countries. So, it isn't that there weren't certain kind of storms that we had to master the last three and a half years. I always want to be humble. You don't know the storms that lie in front of us, but I still believe that, given that our strategy really rests on several pillars, I can't see anything that would blow us off course in any material way for the next one and a half years and beyond.

Lukas Paravicini:

And if I may just build on that, and I'll come to the second comment or question. I think you've seen that we have strong profitability now and a strong cash flow. We have a disciplined capital allocation as well. And I hope you've seen that we also tend to be cautious in terms of keeping over a bit of headroom when we go out and do the share buyback announcement, and I think that makes me very confident that we could support a multi-year share buyback going forward.

Now, to your second question on “how do we look at dividend and share buyback”. Just for myself, we look at this as an "and" company. Given where we are, as I just said, our strong balance sheet as well, we are confident that we can deliver both. And there are shareholders who value both elements, a dividend policy and a share buyback. And as I said before, we are committed to that progressive dividend policy and the share buyback on a multi-year dimension. And we'll come back every year in terms of what the value is of those programs to make sure that we get it right for the company, but also for the shareholders.

Damian McNeela:

Okay. Just on illicit trade… I think Australia's probably the market where you're most impacted by illicit. How do you work with governments to change the way they approach their regulation? What more can you do? What more can they do?

Stefan Bomhard:

I think it is a great question. In principle, we try... the reality is that nobody's benefiting apart from the wrong organizations, I mean criminal organizations, from this. The government loses tax revenue; the consumer gets a product that might be cheaper, but nobody has ever controlled whether this is a ‘safe’ product to consume. So, let's be clear, this is the right thing to do.

What you would observe, in many markets the governments work with the industry, which is the right thing to do because, ultimately, this is not something the industry can address. And honestly, what the regulator finds difficult to address. I think Australia is, on the continuum, a bit more to the left, unfortunately, because you have a government that has a quite negative attitude towards the industry, and therefore has in the past collaborated less with the industry to stop the inflow of illicit products. What we're encouraged about... when we see the last 12 months, there's clearly, based on the public interest, a lot more pressure on the Australian government to do more about it and we see more activities from the government side. And wherever we can help, we'll help because I think there's a win-win situation for all parties involved.

Damian McNeela:

Yeah. Pretty clear. Just checking, are there any questions from the audience? If not, I'll carry on. You said at the start, you were sort of three and a half years into a five-year plan. We're coming towards the end of that first phase, so a couple of parts to this question. What can we expect for the next phase? Will it be more of the same, do you think? Or are there some big opportunities out there which you feel Imperial will be able to take advantage of once you've got through the first strategy?

Stefan Bomhard:

You will know what you get as an answer… there's still one and a half more years to run in the current strategy, where this management team is absolutely focused on delivering, because I think that's about our credibility. That's about the promise we make to our shareholders. We will deliver the strategy. That's where the attention goes; priority number one. Now, we have as one of our behaviours about building the future. So… we are now looking at what the next years will look like for the company, but it would be too early to say what it looks like.

I just leave you with one thought on it, because you've known the industry a long time and you've observed this. I think what's exciting for Lukas and me, as a team, is the Imperial that will start a new strategy period in October 2025 is a different Imperial than the one that started this current regime. Because we're better placed as a company within our industry, our core business is in a better place to run and grab opportunities. And I think, especially when we finish this current strategic plan, in the fall of next year, we'll also be in a better place on our NGP business, and I think the cultural change will probably be as difficult to prove to you in one and a half years' time, but it will have progressed. I'm quite excited that this is a rejuvenated Imperial, looking at the opportunities that will present itself in '25 and beyond, taking advantage of them.

Damian McNeela:

And just on Imperial being in a strong place, are you seeing that... With your customers as well, the people that you deal with… are you seeing a different reaction to how they engage with you?

Stefan Bomhard:

Yes, I do. I can give you an example. In the US, which is the largest market with 35%, there's a North American Convenience Store conference. And one of the benefits, I now come and join the team on occasion, but what's the key comment? And the number one line they say to me is that, look, Imperial has woken up. You are really now a great partner. Now, they will still want to get a better price, they will still want to have better conditions, but I think what is exciting, and I think it's, to me, a wonderful validation of that challenger mindset, because I've worked for challengers before. I worked for Burger King. Trust me, when you're competing against McDonald's, you know what a challenger is.

The reality was I always believed, in an industry that is as highly concentrated as ours, where our category is super important... If you are a US convenience store, tobacco is a very important category. Given how concentrated our industry is, our trade partners typically *crave* for a challenger because it keeps the industry honest to make sure that you, as a retail partner, get the right trade terms from everybody involved.

So, to a certain extent, I felt we were running in an open door in many of our markets and they're saying, "Hallelujah, finally Imperial is delivering what it's supposed to do, so I can keep some of the other players in check." And I think that's exciting. You feel that it's different today. That doesn't mean we're perfect. I want to be very clear, there's still quite some way to go and certain things we can't do because we're smaller, but the exciting piece is that we are much more seen as a partner by our trade partners. And we talked about the Zone launch. Honestly, the great news was we're coming in a very crowded field, but there wasn't a single customer who said, "No, I'm not interested." They were all saying, "Come, can I have it faster?" And that's, for me, a validation that we're playing our role as a challenger.

Damian McNeela:

Yeah. As I said at the start, I think the shift in culture is palpable, and... doing an excellent job. So, I think there's only about a minute left on the clock. I don't have any questions. If there are any questions in the room, happy to take them, but I think there I will end it. Thank you very much, Stefan. Thank you very much, Lukas.

Lukas Paravicini:

Thank you.

Stefan Bomhard:

Thank you.