IMPERIAL BRANDS PLC

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26 March 2025 – Capital Markets Day: 2030 Strategy to Drive Shareholder Returns

- **2030 strategy builds on strong foundations of current five-year plan by:**
  - **Driving sustainable value through continued focus on five priority combustible markets**
  - **Building a meaningful next generation products business to support profitable growth**
  - **Developing differentiated brands, a high-performance culture and a data-led, efficient organisation**
- **This plan will deliver another five years of growth in net revenue, EPS and free cash flow**
- **Disciplined capital allocation framework maintained**
- **Announcement of annual, "evergreen" share buyback for the five years up to 2030**
- **All these elements support an attractive investment case for shareholder returns**
- **On track to meet full-year expectations in FY25**

Imperial Brands plc today hosts a Capital Markets Day in London for analysts and investors. Chief Executive Stefan Bomhard and members of the executive leadership team will provide details of the 2030 strategy to drive sustainable growth and long-term value creation.

Stefan Bomhard said: "Our 2030 strategy articulates the choices we will make to further strengthen our combustible and next generation product (NGP) businesses, generating sustainable growth and long-term value for shareholders. This strategy builds on the firm foundations of our current plan, which has created a better business delivering a stronger, more consistent operational and financial performance, and excellent returns for shareholders. This underpins my confidence that, during the next five years, we will unlock further value creation opportunities.

"We will maintain our distinctive *challenger* approach, which is about developing a deep understanding of *our* consumers, equipping our people to perform with agility and choosing to focus on our biggest levers of growth. We will continue to upgrade our capabilities, creating differentiated brands, a high-performance culture and a more efficient organisation led by data. This will support growth in combustibles, where we will continue to focus on the five largest markets accounting for c. 70% of adjusted operating profit, and NGP, where we will retain our disciplined investment and market entry criteria.

"We are maintaining our rigorous capital allocation framework, which has both supported investment in growth and delivered substantial, growing capital returns for shareholders. We are committed to a progressive dividend per share and today announce an 'evergreen' share buyback each year over the next five years. We believe this combination of sustainable growth and capital returns reinforces a compelling investment case for shareholders."

Unlocking further value through our strategic priorities:
The 2030 strategy has two focused *objectives*:

Drive sustainable value in combustibles
We have chosen to continue focusing on our five largest markets. The United States, Germany, United Kingdom, Spain and Australia represent c. 70% of adjusted tobacco operating profit – and over the next five years they will continue to contribute most of our earnings. Within these markets, we have identified specific areas for further investment by category, brand and sales channel. Our objective going forwards will be to continue to maintain our aggregate market share across these five markets with the aim of driving sustainable growth and cash delivery. By applying this same performance-driven, consumer-led approach to our wider portfolio of tobacco markets, we expect them to make a greater contribution to our overall performance over the next five years.

Build scale in next generation products
We have now built a platform for a fast growing and agile NGP business, which is founded on a clear understanding of our consumers, credible brands in all three categories, and differentiated products available in all material markets where we have distribution routes. Our goal is to build scale by further sharpening our consumer insights, leveraging our differentiated brands and developing our sales capabilities. This will build a meaningful NGP business which provides additional growth opportunities and supports our profit and cash performance.

Successful delivery of these *objectives* will be underpinned by three *strategic enablers* – key organisational capabilities and ways of working.

Differentiated consumer & brand capabilities
Under the current strategy, we established a Global Consumer Organisation, hired talented people with global FMCG backgrounds, and became stronger in insights, brand building and innovation. Over the next five years, we will create further value by refining and focusing our approach. This will include deeper insights into specific target groups, the development of more differentiated "challenger" brands, and innovation targeted to address the most important needs of our consumers.

High-performance culture
Responding to a legacy of global acquisitions which had been imperfectly integrated, we have been creating a culture where accountabilities are clear, deep collaboration across geographies is fostered and long-term thinking is enabled. Our data shows this emerging performance culture has been a key driver of commercial success. Looking ahead, we see opportunities to unlock higher performance by further investing selectively in leadership skills, improving business planning and introducing more connected ways of working.

Simplified, efficient, and data-led organisation
We have already begun to improve our systems, data and processes through the implementation of a new global enterprise resource planning platform and through global business services. We have now identified further opportunities to create a simpler, leaner and more agile organisation. We will leverage our scale through global business services, drive efficiencies in our supply chain through manufacturing excellence and enable our people to make more informed decisions through better use of data.

To support the delivery of our strategy, we will invest behind these *strategic enablers*, which will reshape our ways of working and reinforce our role as an agile challenger better able to capture growth opportunities. These initiatives will also bring efficiencies with expected annualised savings of c. £320m by the end of 2030, the majority of which will be reinvested to support our growth initiatives. The anticipated cash costs of these initiatives are c. £600m, with the majority of the spend, c. £500m, split between FY27 and FY28. In addition, we expect to incur associated non-cash charges of around £140m. This is a one-off and time-bound programme, and we intend to treat the costs as an adjusting item to aid comparison of performance over time.

Delivering sustainable growth in net revenue, profit and cash
Our strategy will support our medium-term guidance with the following CAGR expectations on a constant currency basis:

- *Tobacco & NGP revenue*: We expect to deliver low-single digit tobacco net revenue growth and double-digit NGP net revenue growth.
- *Group adjusted operating profit* is expected to grow at around 3-5% annually.
- *Adjusted EPS* is expected to grow at a high-single digit rate, supported by a continued reduction in share count through the share buyback.
- *Cash generation*: We expect to generate free cash flow of between £2.2bn and £3.0bn per annum.

Capital allocation framework
We are retaining the same capital allocation framework, which will provide clarity on our use of cash and deliver growing returns for shareholders. Our priorities are therefore unchanged:

1. **Investment to support our strategic delivery** through organic growth initiatives in combustibles and NGP. This will include investment to create an even more streamlined, agile, data-led business. We will continue to evaluate opportunities for small bolt-on acquisitions, which will be focused on enhancing our NGP capabilities.
2. **A strong and efficient balance sheet** to support our investment grade credit rating. We will maintain our current leverage target at the lower end of our net debt to EBITDA range of 2-2.5 times.
3. **A progressive dividend policy** to provide a reliable, consistent cash return to shareholders. Dividends per share will grow annually taking into account underlying business performance.
4. **Surplus capital returns to shareholders** via an ongoing, "evergreen" share buyback over the next five years FY26-30. The Board will determine the quantum of future buybacks on an annual basis, in line with current practice.

On track to deliver full year expectations in FY25
For the coming year, with all our guidance at constant currency, we are on track to deliver tobacco and NGP net revenue growth at low single-digit and to grow our Group adjusted operating profit close to the middle of our mid-single-digit range, i.e. at a similar growth rate as last year. We expect continued momentum in our NGP business to deliver double-digit net revenue growth for the full year.

We expect to deliver at least high-single-digit adjusted earnings per share growth for the full year supported by the ongoing share buyback and partly offset by higher adjusted finance and tax costs.

As previously guided, performance will be weighted to the second half of the year driven by the phasing of combustible pricing and investment. As a result, first half Group adjusted operating profit is expected to grow at low single digits, i.e. about 1-2%. Adjusted earnings per share is expected to grow around mid-single digits at the half year.

In the first half, our combustible performance will continue to be driven by strong pricing while we expect to maintain our aggregate share in our five priority markets in line with our strategic objective. In NGP, we expect to grow net revenue in the range of 10-15% as we continue to build scale in our existing footprint.

We remain confident of meeting our full year guidance with our second half delivery underpinned by embedded tobacco pricing already taken in the first half and further NGP growth as we build scale, and their associated margin benefits.

At current exchange rates, foreign exchange translation is expected to be a c. 2-3% headwind to first half net revenue and adjusted operating profit and a c. 1-2 per cent headwind on full-year net revenue and adjusted operating profit.

Presentation and webcast details
Stefan Bomhard, Chief Executive, and members of the executive leadership team will outline further detail at a Capital Markets Day presentation in London at 13:30 GMT today. A live webcast of the presentation including Q&A for investors and analysts will be available via our website at www.imperialbrandsplc.com or on https://brrmedia.news/IMB_CMD_2025. This will be available for playback after the event.

Analysts and investors can ask questions in the Q&A session by registering in advance via this link: https://brrmedia.news/IMB_CMD2025_callreg. You will then receive the dial-in details and your own PIN to be able to ask a question in the live Q&A session.

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