Imperial Brands PLC

Capital Markets Day Transcript

26 March 2025

Cautionary Statement

Slide - Imperial Brands Capital Markets Day

Peter Durman – Director of Investor Relations

Good afternoon, everyone, and welcome to Imperial Brands Capital Markets Day. I'm Peter Durman, Head of Investor Relations. Thank you for taking the time to join us today. We really appreciate it.

Slide - Cautionary Statement

Before I hand over to Thérèse and the team in a moment, I'd just like to point out we aren't expecting any fire drills today. So, if the fire alarm sounds, then you'll need to leave the building and you'll have to leave through the emergency exits that are over that side of the room. I'd also like to take the opportunity to draw your attention to these cautionary statements that you see on the screen here. These apply to all of the content for today, just so you're aware of that.

So, we have a full agenda for this afternoon, but like our strategy, it is focused. It is focused on the areas that will generate the greatest value.

Slide - Agenda

The presentation content will be split into two sessions. The first will run until about 2:35, after which we'll have an initial Q&A session for about 20 minutes. We'll then take a break for about 45 minutes, and you can join us downstairs in the breakout area and meet management, and we have got various product displays and so on available for you there.

The webcast will be paused at that point, but there'll be videos showcasing the content in the breakout area for those of you who are joining online.

We'll then resume back in here at about 3:40 for the remaining presentations and then a final Q&A session. And you're also very welcome to join us for some drinks afterwards downstairs in the breakout area.

I should stress that all of the executive leadership team are here today along with other members of our senior management team. So please take the opportunity to ask questions during the course of the day. Thank you.

Slide - Welcome from the Chair: Thérèse Esperdy

Thérèse Esperdy – Chair

Good afternoon. I'm Thérèse Esperdy, chair of Imperial Brands and on behalf of Imperial Brands, welcome to today's event. We are very excited to be unveiling the next phase of our strategy.

Slide - A Clear 2030 Strategy for Value Creation

Today we'll be outlining the focus choices which we believe will deliver further sustainable growth over the next five years.

Before handing it over to Stefan and the team, I'd like to briefly reflect on our recent progress, the creation of the strong foundations on which we are now building and then I'll outline how the board has overseen the development of our 2030 plans.

The current strategy set out four years ago was a detailed plan which directly addressed specific opportunities to drive performance. That strategy was about being more focused in our choices, for example, by focusing investment on a smaller number of priority markets for both tobacco and next generation products.

Our starting point was that we needed to get closer to our consumers and become more data led in how we made decisions. It was about creating a performance culture that was accountable and collaborative and seizing self-help initiatives to improve ways of working and unlock efficiencies.

Stefan and the team will describe our progress in more detail, and what you will see is clear evidence that the strategy is working and that this is now a stronger, more sustainable business.

We have a growing track record of consistent results and enhanced capital returns for shareholders. This performance is even more remarkable given the varied headwinds we have faced over the past four years. The impact of the global pandemic, the invasion of Ukraine, which forced our exit from Russia, the highest inflation for a generation, and of course, disruptive new entrants into the market.

I want to recognise the resilience, agility, and resourcefulness of Stefan and the entire management team and say thank you for the significant change that they've brought to Imperial Brands in a relatively short period of time.

During the same period, we've also strengthened the board through new appointments, and we now have a more global experience board, which better reflects the needs of the business. In particular, we have greater depth in consumer-facing industries. This has allowed us to contribute to the company's ongoing transformation and I hope adds substantial value.

Throughout the period, the board has gotten closer to the business through visits to our key global operations and major markets. We've spent high-quality time with management, colleagues, and importantly consumers. This deep business knowledge has enabled us to be closely involved in the development of the next phase of this strategy.

Over the past 18 months, the board has cast a critical and constructive eye over every aspect of our plans. We have examined all avenues to unlock value. You'll notice that we have retained our longer-term vision to be a strong challenger and our purpose, which aspires to a healthier future.

These resonated strongly with both our internal and external stakeholders and really underpin the success of the first phase of our strategy. They have continued to serve as guiding principles throughout what has been a comprehensive and rigorous strategic review process.

Building on the progress of the last four years, what the team will present today is a consumer-centric, focused, and agile playbook for creating shareholder value. While so much has been achieved, I hope you will share our confidence and enthusiasm that there are still significant opportunities ahead.

The opportunities which the team will be describing are based on careful analysis of the facts, facts about our consumers, our market characteristics, our capabilities, and our points of difference. This gives us confidence that we can continue to grow the key financial measures of success, revenue, profit, earnings per share, and capital returns in a measured and sustainable way.

I'll be around throughout today's events and look forward to speaking to you at the breaks. And with that, I'd like to turn it over to Stefan and the management team to take you through the details. Stefan.

Slide - Building on Strong Foundations

Stefan Bomhard – Chief Executive Officer

Well, first, Thérèse, thank you and welcome also from my side to all of you here in the room, but also to the people who are watching our webcast online.

Slide - Our 2030 Ambitions – The Next Five Years

Now I will talk about the 2030 strategy, and I think our 2030 strategy is both an evolution of the current plan and at the same time, it is a significant step-up in our appetite to transform the business because we will get even closer to our consumers and build differentiated brands which will drive revenue growth and stronger performance for the company.

Now, we as a company see attractive opportunities to invest in our people, technology, data to transform us to an even more agile organisation. Now this means this will be an important change in our ways of working to unlock further efficiencies and growth for the company. And I think for shareholders, this will generate additional value from our combustible business through an even sharper focus on the levers of growth.

In new generation products, we will build scale and through greater scale, we will drive profitability. And we'll also generate even more cash and stronger returns for shareholders, including an evergreen share buyback each and every year until 2030.

Now, this performance will be delivered with the same disciplined capital allocation framework that we have today. And I will expand on these themes in a minute. But first, I do want to reflect on the journey we've been over the past four years.

Slide - Our Strategy is Transforming Imperial Brands

Now, a key difference versus the 2024 Capital Markets Day is that this next phase of the strategy is built, as Thérèse referred to it already, on much stronger foundations. Back then we were describing new concepts, which at that point in time were a long way away from being proven. Today you have the evidence that our approach is working.

It is transforming Imperial Brands to deliver a more consistent performance with stronger returns for our shareholders. And this underpins our confidence in the next five years because if you really step back, our 2021 strategy was built on one idea.

Slide - Established Our Role as the Industry Challenger

This was the idea that there was a need in our industry for a challenger business, and that we as Imperial Brands could meet that need. Now, becoming a strong challenger required us to get a few things right.

First won't surprise you. We needed to start with our consumers. That meant a strategy based on the facts, who they are and what they need, and then the capabilities to serve these consumers with great brands. Second, it meant that we had to be highly focused. We couldn't be an everything-everywhere business.

Now therefore, in combustibles, we zeroed in on the five markets that account for 70% of our operating profit. And within those five markets, we narrowed down further on small number of key levers, key brands, subcategories, sales channels.

In next generation products or NGPs, there was an equally focused approach. We targeted markets only where the new categories had already been established and where we had a right to win.

Third, we needed a culture based on accountability and collaboration as well as the tech and the right ways of working to enable our people to work with agility.

So how have we done? Now to be clear, we take nothing for granted and we still have six months to go in our current strategy to deliver. So still, if you step back, we now have the data to show this challenger approach is working for us. And over the next five years, you will see us continue to follow the same principles. Start with the consumer, staying focused, and investing with agility.

Slide - Enabled by Enhanced Consumer Capabilities

Now let's briefly look at our progress against the individual elements of our current strategy. Starting with consumer capabilities, we've now built a 1000 strong team, which combines external hires from leading FMCG businesses and the upskilling of our existing colleagues.

Paola, our chief consumer officer, will talk to you in detail about how this team has brought more rigor and more innovation both to our combustible business, but also to our NGP business. And this has translated directly into more powerful brands which have helped us maintain market share, drive pricing, and build revenue and profits.

Slide - Refreshed Team has Broad FMCG Experience

Now this renewed focus on the consumer is personified by a refresh leadership team, which brings diverse experiences from internationally consumer facing businesses. Furthermore, and a very important fact, three-quarters of our top 500 colleagues are new to Imperial Brands or new to their roles in the past five years.

The Executive Leadership Team and other senior leaders, as Thérèse has talked before, are here today to answer your questions and chat with you in the break. So please take the opportunity.

Slide - Transforming Imperial Brands Culture

Another major focus over the past four years has been the development of a performance culture. Now this is about creating a working environment which prioritises accountability, collaboration, and forward planning. It's also been about enabling our people to confidently deliver both on our short-term plans, but also on our long-term transformation programmes.

Alison, our Chief People Officer, will explain to you in more detail how our structured approach is driving performance. Now in parallel, we have begun major programmes to equip our people with better data and more integrated processes. Lukas, our CFO, will update you on these activities and how further investments will support our goal over the next strategic period.

Slide - Delivering Share Gains in Priority Markets

Our improving consumer capabilities and performance culture have helped deliver strong operational progress.

In combustibles, we are no longer the number one shared donor in our industry. We have stabilised the aggregate share in our priority markets, and this has been a very important benchmark, which I know you all monitor very closely.

At the same time, we have driven strong pricing in these five markets, and this has led to the single probably most important outcome of the current strategy, our core business, which delivers a more consistent, more sustainable financial performance.

Our regional presidents, Kim, Aleš, Priyali will illustrate how our challenger approach has strengthened the performance of our largest markets while also creating strong performance from our broader portfolio of countries.

Slide - Delivering NGP Net Revenue Growth

Now turning to NGP, we have now built a platform for sustainable growth. Now, while this segment is still a modest percentage of our overall revenue, we're now present in more than 20 countries, and we've built credible offerings in all three categories. This is a result of the transformed capabilities in innovation, which enabled us to significantly shorten the development cycles. From a low base, our revenue has grown by 75% since 2021. And as we've increased our scale, it has been encouraging to see that cross-margin have also increased significantly.

Slide - Improved Financial Delivery

Now, this more consistent operational performance in combustibles and NGP has driven a stronger financial performance. Our growth in net revenue and operating profit has accelerated in line with the targets we set to you back in 2021. And these outcomes, along with the benefit of our ongoing share buyback programme, have fed through into growing earnings per share.

Slide - Delivering Strong Shareholder Returns

This brings me on to another important feature of our strategy, our disciplined capital allocation. Thanks to our consistent financial performance, we have been able both to invest in the business and to consistently increase shareholder returns, both in dividends and buybacks. Over five years, we're on course to making capital returns totalling £10 billion, and this has supported strong total shareholder returns.

Slide - Delivering on our ESG Priorities

Now while delivering on our operational and financial goals, we've also been progressing on the ESG agenda, and those of you who joined us in our recent webinar on this subject will know that our ESG commitments are aligned with our commercial objectives.

As we grow a sustainable NGP business, we reduce consumer harm. As we build a more efficient high quality supply chain, we cut CO_2 emissions and waste. And similarly, as we develop a high-performance culture, we create a safer working environment and these ESG commitments continue to be important to us.

Slide - Clear Purpose, Vision and Behaviours

So too are our long-term purpose, striving for a healthier future. And of course, as Thérèse referred to, our challenger vision. Also unchanged are our five behaviours because they have played a key role in galvanising our cultural change as an organisation.

Slide - Setting Out Our 2030 Strategy

Returning back to the strategy, as I said to you, the 2030 plan is both an evolution and a step-up in our ambitions, right? Today's presentation, you will hear us all talk specifically how we build on our existing progress, and you will also hear how we've identified important new areas of upside potential for the company.

Take Germany, our second-largest market worldwide. Here, we have now achieved our key objective of stabilising our market share and combustibles. Now, this has been a result largely of successful investments in the sales force, which we will continue to nurture, but we've always identified additional opportunities to strengthen performance in particular through new more focused approaches to improve the equities of our biggest brands in that market.

In NGP globally, we intend to step up performance by targeting very specific consumer types where we have an opportunity to build our brands. Now, if I look more broadly at consumer capabilities, we have assembled great individuals, but as an integrated team, there's more that we can do.

We can get even closer to our consumers, create even more differentiated brands and innovate faster with greater precision, which makes me turn to our culture. We know we can be even more accountable, more collaborative, and more strategic to drive even stronger performance.

Now in tech and data, we are still some way from the full benefits of the investments that we've already made, but we've always told you that this would take time. And as you will hear later, the major programmes that we've already begun are all well on track and we see attractive opportunities for further investments.

Slide - Operational and Financial Ambitions

Now, these operational improvements will enable us to build on the consistently strong financial performance we've reported over the past few years. We will deliver net revenue growth from both tobacco and NGP high single-digit growth in earnings per share and strong cash generation. Later, Lukas will give you more detail on our refreshed medium-term guidance.

Slide - Our 2030 Ambitions: The Next Five Years

So, let's stand back and consider what the business will look like in 2030. And as I said earlier, we always start with the consumer and our consumer insights suggest that in five years' time, many people in our key markets will still choose cigarettes for moments of relaxation and pleasure.

As Murray, our Chief Strategy Officer, will explain to you in a minute, in the majority of our priority markets, tobacco will continue to be affordable with taxation rising at predictable rates. This supports a few that our combustible brands will remain the most important driver of value and cash. In NGP, we'll have a much larger and more meaningful business, which will be contributing to profitable growth for the company. We'll have built more strongly differentiated brands and loyalty among those consumers that we choose to target.

Now, the market landscape in NGP will remain highly varied thanks to the local cultural preferences and differing regulatory regimes. Therefore, we will continue to offer multiple NGP categories, but even in five years' time, we still be focused on a success in a defined number of markets where we can create sustainable value.

Now turning to capabilities, the current strategic period has been a period of playing catch-up. During the next five years, in selected areas we believe we can pull into the lead.

For example, we can know the consumers in our priority markets, in our target segments better than anyone, and I want us to have a culture where all our people can do their best work every day, thanks to the investments that we are making in the right culture, the right tech and data. And to be clear, we will always remain totally focused on creating shareholder value because the capital allocation framework that we have used so far, and which you tell us you value will remain unchanged.

This will continue to be our guide to how we prioritise the use of your money to invest in the most attractive opportunities that we see. Over the next five years, we'll continue to deliver progressive dividends, and we will provide an ongoing evergreen share buyback programme.

Slide - Agenda

Now, I will return at the end to sum things up, and of course we'll all be available throughout the day to answer your questions, but now I would like to hand it over to the team.

So first up is Murray, who will explain the sustainable growth opportunities that we see in the business. Murray, over to you.

Slide - Our 2030 Strategy

Murray McGowan – Chief Strategy and Development Officer

Thank you, Stefan. I first joined Imperial a little over five years ago. My career began in McKinsey, focusing on consumer and retail sectors before moving in on to financial and operational roles at Cadbury, Yum Brands and Costa Coffee.

As you just heard from Stefan, our approach to strategy has been about making conscious choices, choices about markets, choices about categories, choices about target consumer segments and choices about where to focus investment in capabilities.

I was part of the team who developed our existing strategy way back in 2021. And looking back, the evidence suggests that on the whole we made the right choices.

Back then there were some suggestions that perhaps we'd gone to for too narrow by focusing on just five markets in combustibles and by exiting markets where we couldn't compete in NGP. But this focus was necessary, by doing fewer things better and by focusing on areas where we have a right to win, we have built stronger foundations.

These foundations mean that we've been better able to respond to changes in consumer trend, such as the emergence of the Disposable Vape category.

Slide - Leveraging the Strengths of the Current Strategy

Now, as Stefan said, our 2030 plans are an evolution of our current strategy. They've been built on the same principles before:

- a rigorous assessment of opportunities informed by consumer insight and data,
- a clear playbook that acknowledges our strengths and
- a comprehensive review that considered all options to create value.

Ultimately, it's about leveraging our role as the industry challenger. We will remain focused on the small number of markets and categories that will have an outsize impact on our commercial success, and we will go even deeper with detailed plans for the most attractive regions and subcategories within these priority markets. We will not seek to be all things to all people.

Slide - A More Efficient, Focused and Connected Imperial

Now let's look at the revised strategy wheel.

Starting with combustibles: this segment will continue to be our main driver of revenue, profit, and cash.

As I'll explain in a moment, our portfolio is a highly sustainable source of value. Investments remain prioritised behind our five largest markets, the US, Germany, the UK, Spain, and Australia, and we will manage our broader portfolio with the same level of rigour so that they can contribute and make a greater contribution to overall performance.

In NGP, we will maintain our highly targeted approach. We'll build on our firm base to develop a profitable business operating at scale in the markets and segments where we choose to compete.

Supporting these two priorities are our three enablers. We will be sharper in how we target consumers, thanks to stronger insight capabilities, which will support more differentiated brands in combustibles and in NGP.

We're stepping up our ambitions around people. We've established strong good foundations and intend to build towards a high-performance culture.

We are equally ambitious in how we invest in technology and processes to become a more data enabled and efficient organisation. Here we have made good progress, but our work to date has only highlighted there are even more opportunities for us to pursue.

Slide - Industry Revenue Projections

Our confidence in delivering growth is underpinned by our industry revenue projections.

Across our footprint nicotine net revenue is expected to grow an annual compound rate of just over 3% from 2020 to 2030. While NGP categories will become a larger proportion of the total revenue pool, the value growth from combustibles remains resilient.

This is a view shared by many of our peers in the recent statements. In 2030, the combustible segment will still represent around 75% of total industry net revenue.

We are confident in the sustainability of the combustible pricing model. Across the portfolio we can continue to take pricing to offset volume declines and sustain net revenue growth. Our combustible markets will therefore continue to be the main driver of value for the group up to 2030 and beyond.

Slide - Cigarette Affordability Remains High

And this chart helps explain our confidence. As you'll see here, the number of packs earned per hour of work are the average salary in different countries.

The more affordable markets are to the left of the chart and the less affordable markets are to the right of the chart.

Three of our top five markets, the United States, Germany, and Spain, sit well to the left. These three markets account for over half of our total operating profit. Affordability is the best leading indicator we have of future value creation.

In affordable markets, you tend to have conditions where tobacco remains normalised, governments have predictable excise approaches, illicit trade is low, and pricing outpaces volume declines.

In the UK and Australia tobacco is less affordable. Here, excise duty accounts for 80 to 90% of the cost of the consumer.

As a result, we've kept our assumptions prudent, and these assumptions influence how and where we invest.

Slide - Driving Value from Combustible Portfolio

So, what does this mean for the future performance of our combustible markets?

Our top five markets, which currently account for around 70% of operating profit will still be important contributors in five years' time.

Our wider portfolio of markets has the potential to make a larger contribution over the next five years. For example, our Africa business or Africa businesses have grown faster than the group average over the past four years and are expected to continue to perform strongly.

Slide - Priority Markets Are c.70% of Operating Profit
Let's now look at the outlook for our five priority markets.

Our forecast suggests that the total combustible market size of the more affordable three markets, the US, Germany, and Spain, will continue to grow. In these markets, if we execute well, we'll be able to generate growing value.

We do expect revenue pulls in the UK and Australia will decline, however, even in 2030, these will still be large profitable markets.

Furthermore, our teams are highly skilled at maximising cash returns in shrinking markets and in the UK with the opportunity to offset some of that combustible decline through growth in NGP.

Slide - NGP Preferences Vary by Market
This brings me on to NGP.

This chart shows the broad diversity of consumer behaviour as it relates to combustible and NGP choices across global markets.

Whilst it's clear that combustible tobacco continues to play an important role in our consumer's lives, when we look at NGP demand, the key takeaway is that no single category dominates globally.

The market-by-market variation in category is driven by mix of culture, public policy, regulation and taxation. For example, the popularity of oral nicotine in Sweden and Norway dates back to deep traditions back in 1800s.

The UK preference for vaping is supported by government policy, which endorses the category as a method of smoking cessation and the dominance of heated tobacco in Italy and Eastern Europe is a result of the category being launched early and then securing preferential regulation.

It is worth highlighting that the data on this chart only represents the legal market accessible to businesses like Imperial. In Australia, restricted regulation means that the vast majority of vapes are illicit products.

With consumers expected to continue opting for a range of NGP categories we are clear that we have to remain competitive across vape, heated tobacco and oral nicotine.

Slide - NGP Industry Revenue Projections

This slide reinforces the view that we need to have strong propositions in all three NGP categories.

Across our footprint industry growth in NGP is expected to remain strong. However, in the future, that growth will be at a slower rate than the last five years.

This is because the industry is growing from a larger base. Across our footprint NGP penetration in the nicotine market is expected to increase from around 19% in 2025 to around 25% in 2030. And as you can see, all three categories will contribute to growth, agility, and speed. Speed to market will be the essential differentiators for success, and Paola will shortly demonstrate how we're strengthening these capabilities.

Slide - NGP Industry Profit Pool Characteristics

All NGP categories are expected to grow over the next five years, but the rates of growth will vary. Growth is expected to be led by heated tobacco and modern oral nicotine, which is expanding from a lower base. And all three NGP categories offer attractive gross margins.

Slide - Prioritising the Biggest NGP Opportunities

In NGP, we will continue to focus where we have the capabilities to win. Our market entry framework remains unchanged. We will focus on markets where the category is established and where we have a strong route to market. Over the next five years, we'll invest to build scale in four areas.

One of our biggest opportunities is in US modern oral nicotine. Our own proposition zone launched last year and is performing well.

Across Europe we see opportunities in all three categories, but as I explained, consumer preferences vary by individual market. Western European consumers continue to prefer vapor.

The Nordics long-established preference for modern oral nicotine remains.

And in southern Eastern Europe, heated products dominate. So, we will continue to have our highly targeted approach.

Slide - Five Operational Drivers to Drive Performance

Over the last four years, we've defined a clear plan of how to deliver our financial and operational targets in each market, and we will continue to use these principles to deliver our commitments over the next five years.

This is our playbook of operational levers or ‘must-win battles’, and it provides a clear focus for our choices and investment in each market with each of the top five markets having a clear set of priorities to pursue.

This playbook also creates a common language across the group with clear measures against which we can work with local teams to monitor progress at regular performance reviews.

As Stefan said, the performance culture we've created has been a key driver of our success. And after the break, Kim, Aleš and Priyali will give more details on this disciplined approach.

I'd now like to hand over to Paola, our Chief Consumer Officer, to talk about how we're creating shareholder value by enhancing our consumer capabilities and building brands.

Paola, over to you.

Slide - Building Differentiated Consumer Brands

Paola Pocci – Chief Consumer Officer

Thank you. Thank you, Murray, and good afternoon, everyone.

I joined Imperial Brands in August 2021. Before that, I worked at Procter and Gamble for 22 years in various leadership position across Europe, Middle East, US and China.

So now you have heard from Stefan already who gave an overview of where we come from, where we are going, and our challenger approach. And Murray described the opportunities that we see in our markets and categories, and he outlined also the strategic choices that we are making to capture those opportunities.

In my presentation, I'm going to build on what you've heard already by looking at our strategy through the lens of our consumers and brands, and I will explain more about how our challenger approach works in practice.

Slide - Combustible Brands: A Track Record of Growth

As Murray explained, we have created value in combustibles by focusing on our priority markets.

Since 2021, these five markets have delivered an aggregate market share gain of 48 basis points and an average annual net revenue growth of almost 2%.

Underpinning in this growth has been also the increasing strength of our brands, which has supported both share and pricing. In fact, we have a broad portfolio of distinctive mix of international and local brands.

For each of them, we carefully measure performance in terms of share, pricing, revenue and profit. Here, for example, we show our six largest brands, and you can see how each of them has contributed to revenue growth.

Slide -NGP: Category Share and Revenue Growth

In NGP also, this story has been of a strong growth in revenue from a low base, but also improving gross margins, underpin my market share growth in all the three categories.

Obviously, as a challenger, our goal is not market leadership, but instead what we want to do is to carve out a strong niche meeting the needs of selected consumer types as I will explain in more detail in a moment.

Slide - Opportunity to Enhance Consumer Capabilities

These successes in both combustible and NGP have been supported by new way of working, which puts the consumer first. Having previously lacked the centre of expertise, our first step was to establish the global consumer organisation.

Over the past four years, we have hired really talented people, and you will be able to meet some of them in the booths during the break. We have combined their skills with the deep tobacco and market knowledge of our existing people.

Together, they have brought a step change in how we approach insights, brand building and innovation. And we have the opportunity to unlock further value, embedding our consumer-driven approach to build our brands.

Slide - Our Challenger Approach to the Consumer

And this is how.

Our challenger approach is to build differentiated brands that our target consumers want to buy. The approach can be broken down in three steps. The first is about knowing <u>our</u> consumers best. Now, this little word <u>our</u> is very important because there is something distinctive about how we think about our consumers.

As a challenger, our approach is not to spread our resources thinly across all of our consumers, markets, and categories. Instead, we focus closely on deeply understanding very specific type of consumers, those consumers where our brands have most appeal.

And this brings me to the second step, which is about using those insights to build brands which are very focused, differentiated, and address consumers' particular needs.

To deliver for you, our investors, we don't need to build brands that appeal to all the consumers. We pursue specific types of target consumers, and we innovate by focusing on the specific innovation that our consumers most value, and by building winning propositions. In this way, by being clear on the areas we focus on, we maximise return on investment across our portfolio.

Slide - Ensuring we Understand Our Consumers Best

So, let's look at more detail at our consumer insights.

Since we established the global consumer team, we have now rolled out the full set of insight tools. At our New York event two years ago, we highlighted our work on the demand spaces. This research framework looked at our consumer behaviours by moment, times during the day, outside or at home, alone or with other people.

It gave us important insights into the increasingly eclectic behaviour of nicotine consumers. And while of course, from a health point of view, it is better for smokers to transition exclusively to NGP, we know that many remain dual users for a considerable period.

Since the New York event, we have invested into a further major piece of ongoing research looking at the typology of consumers with closest affinity to our brands. And we have also invested in new ethnographic studies where our researchers conduct qualitative research with consumers in their natural environments.

This has enabled us to more closely follow how our consumers use our products and the challenges they face. For example, it was this kind of research which revealed that blu consumers were seeking for simpler, more authentic flavours and wanted the vape which valued understated style over fashionable gimmicks. We will look at this case in a little bit of more detail later.

Slide - Focusing on Our Consumer Types

And now I want to drill down into our new typology framework, because I believe it will help illustrating our challenger thinking.

Typology research gives us an enhanced understanding of consumer-differing mindset, habits and lifestyles. We divide our world into seven distinct consumer types, as you can see from the slide. Those on the left tend to be more value-focused and conservative. They're also more likely to be combustible smokers. And as we move towards the right, the typologists become more image-conscious, more open to experimentation, and more likely to use next-generation products.

And although our markets of course each have important cultural and regulation-driven differences, we have found out that this framework is relevant across national boundaries. And the important thing to note on this slide is the way that the appeal of our major combustible and NGP brands cluster around just four of the seven consumer types. This means that we can prioritise research into the most relevant types for us, focusing only on the consumers that matter the most. Again, focus.

Slide - Building Differentiated Brands
Once we have defined our consumers and we have understood their needs, we now can build differentiated brands. It is our view that brands in both combustible and NGP are becoming more important than ever.

In combustibles, as markets become more restrictive, attributes like trust, quality and taste are becoming increasingly relevant. In NGP, vaping, heated tobacco and modern oral are all relatively nascent categories. This means that we need to act now to keep building our brands and patiently develop them as assets over time. And this is why we have created our new brand building framework.

So, for the first time, all our brands, combustibles and NGP, international and local, are developed using the same rigorous approach. Again, first we identify <u>who</u> our target consumer is. Next, we define <u>what</u> the brand stands for, and then we identify <u>how</u> we will communicate the brand's values consistently. And being consistent and specific is crucial.

It's how we build consumer loyalty and measurable brand equity over the long term. And in turn, we create shareholder value.

We'll talk about some specific examples later in my presentation. And you will also hear from our regional presidents, Kim, Aleš, and Priyali, how this approach in their markets has already started paying dividends.

Slide - Innovating Through Co-Creation
Now, having forensically understood our consumers and defined the territory for our brands, we then focus innovation in the most relevant areas. Now, in the last years, we have made already huge strides in innovation in both combustible and NGP.

We've recruited great team with diverse experience. We designed a way of working where the consumer is really at the centre, giving, for example, immediate feedback on blends and flavours or to our prototype design. This enabled us to iterate at a faster pace and to win with more accuracy.

Feedback to our third-party partners is provided immediately, and this helps them contribute more actively to product development. Our activities are focused through three innovation centres:

- Liverpool, which focus on vape and modern oral,
- Hamburg, focusing on heated products and combustible, and
- Shenzhen in China, which gives us closer relationship with our Chinese partners.

We also embed our science team in the innovation process because this ensures we innovate safely, responsibly, and with a clear eye to our contribution to tobacco harm reduction.

Now this video helps bring to life our innovation approach. The team here were acting on the ethnographic insight that I mentioned earlier to develop improvements to our blu proposition. Let's have a look at the video.

Sense Hub Video Transcript

Here at the Sense Hub, we bring our brands to life. We have a very clear view of who our consumers are. We create with our consumers. They give us in the moment feedback, and we act on that feedback at pace. We also link with our partners and our supply chain so we can be ready to move at scale.

It's just convenient with the round edges, it's comfortable to hold in your hand even though it is quite a small device.

Our consumers have a very clear idea about what they want from their perfect vape. Right now, we're working on the new blu box kit, our new rechargeable pod-based system, and we're focused on trying to get as close as possible to our consumer's perfect vape. blu consumers aren't chasing every passing trend. They're looking for a device that's comfortable and tasteful.

It's not masculine, it's not feminine, which is a good thing.

But I think the matte one just flows better, feels better with the overall design.

blu is a long-established name in vaping. Consumers turn to us as a brand they can trust. So, our blu consumers are looking for authentic taste and a consistent experience. A pineapple has to taste like pineapple. We put all our formulations through rigorous tests to ensure they're stable of a high quality, and consistent.

It tastes like actual pineapple that's not too kind of synthetic or too sickly like with some other flavours.

I guess I just tend to go for more well-established brands, for instance, that have built up a reputation, they're trusted.

We have the tools here to innovate, to create new prototype designs. We have the labs here to innovate to create new flavour formulations, and we have the science to make sure that everything is done safely and responsibly.

Slide - Driving Performance in Combustibles and NGP

Now, the video you just saw focused on just an area, specific area of NGP innovation, but we follow the same process with our cigarette, cigar or fine-cut tobacco consumers.

Again, first we identify our target consumers. Second, we sharply define our brands. And three, we innovate to support those brands consistently. And by doing that, thanks to this focus, we are able to drive the best return on our investments.

Slide - Combustibles: Leveraging Diverse Brands

So, let's see now how this applies to combustible. And I would like to start with first of all, a helicopter view of our brand portfolio.

Thanks to our history of acquisitions, we have a varied deep range of brands to leverage. This means that in our major markets, we can compete effectively across all the price points.

In the US, for example, all our brands are distinctive to market, while in other markets we offer a combination of international brands and local jewels. In Spain instead, for example, West, a global brand, plays an important role in the value segment supporting more premium local favourites like Fortuna, Nobel, and Ducados. This approach, which enabled us to hold share while improving price mix, is creating strong commercial value.

Slide - Combustibles: Innovating to Create Value

But winning in combustible is much more than only a game of pricing. As I mentioned earlier, quality, flavour and features are becoming more important than ever.

For smokers, the subtle differences in aroma between say Virginia tobacco or an American blend matters a great deal. And as markets move towards plain packaging, flavour assumes even a greater relevance. In this area, our innovation team are employing the sort of methods you might find in the tea or coffee businesses. They are combining the traditional art of tobacco blending with modern data analysis techniques.

The chart in the centre of the slide is an illustration of how we map the flavour preferences in our major markets. The green shaded area highlights the more popular flavour profiles, where the orange areas show where the least amount of consumers congregate. And this kind of analysis helps us find the so-called white spaces where consumer preferences are being currently underserved by the market.

So, we really believe that these insights into flavour will increasingly help us create differentiated brands and improve our quality. We also continue to innovate in terms of formats like for example, sizes, filter types, and packaging with recent launches, as you can see on the slide. But it is also very important to note that our approach is all about making fewer, better innovation choices built around consumer insights. It's all about choices and focus.

Slide - Combustibles: Our Challenger Approach to Innovation

And this slide provides a good example where we have brought together all the elements that I've been describing, deep consumer insights on our consumers, consistent brand building and focused innovation.

Davidoff, for example, is a great brand that has been growing strongly and steadily in its focus markets. Here we saw an opportunity to further differentiate the brand and set it up for future growth.

First, we identified, we started with the consumer, we identified the target consumer that according to our typology is an ambitious type that is called the recognition seeker. Then we sat down with this consumer. We conducted in-depth ethnographic research, which helped us identify a differentiated opportunity. We found out that Davidoff consumers are seeking for premium products with strong heritage alongside an individual tailored personality.

Now, let's hear from a couple of Taiwanese consumers about what they are looking for in the brand video.

Davidoff Consumer Video Transcript

Davidoff gives off a sense of sophistication and holds a certain status in society. In our social circles, the acceptance level is very high. The feeling with Davidoff is it feels like a sense of superiority. Can I say that? It just feels like there's some more social benefits.

I'm currently smoking the Davidoff Number Four Absolute. I started smoking it about three years ago. After smoking it that time, I thought, "Hey, it's actually quite smooth." The packaging design has been revised recently. It feels like this is an attempt to create a more lively design.

So, these two videos are just an example. We really spend time with our consumers, and by incorporating the insights from this kind of investigation, we have been able to innovate creating a product that better met their needs.

And we are now trialling a new addition to the Davidoff family, which is called DFX. And this combines a distinctive filter, packaging, and a blend created by leveraging the taste segmentation work that we have seen before. And it also has a special scent strip to address consumer concerns about the lingering smell of tobacco on their fingers.

So, it's early days, but initial consumer feedback has been very positive. And through innovative products like this, of course, we are not only serving our consumers, but we are also serving our business by driving the growth of our brands and their net revenue.

Slide - NGP: We Are Taking the Same Approach

Now let's turn into NGP. As Stefan and Murray made clear in their presentation, our discipline approach to market entry continues. We will only launch products in market where the category is already established and where we have pre-existing route to market. Within those chosen markets, we are focused on the consumers that we are looking for.

Now, we know that most NGP consumers have similar foundational needs:

- products which are potentially less harmful than smoking,
- greater social acceptance and
- moments of relaxation and pleasure.

But beyond those foundational needs, we know that consumer preferences are varied. And our goal, as we said so far, is to create differentiated brands, and to innovate to meet the needs of our very own specific consumers. This focus enabled us to be agile in responding to their needs.

A great example of this is the launch of the 1,000 puff blu bar where we have been the first global tobacco player to launch a product with such a high puff count, the first.

We have also been fast to market with the launch of our rechargeable blu bar kits but now let's look more closely at the different NGP categories, starting with vape.

Slide - Vapour: Authentic Flavours and a Trusted Brand

With blu, we have an important baked-in advantage. In a category which is characterised by novelty and noise, blu stands out as one of the longest established and therefore more recognised and trusted brands.

In the past few years, we have got better at flavours and here I mean authentic adult, fruit, mint and tobacco flavours. We have got better at nicotine delivery and better at quality, but we knew we could do better at targeting our proposition and building a more differentiated brand.

Thanks to the process that I've described earlier, we now have a much clearer view. We have identified our type of consumer in our typology, which is called the 'progressive achiever', and they are looking for trusted brands and long-lasting style.

You saw earlier how we are acting on their feedback to create new products and flavours at pace. And these innovations are now translating directly into growing share and net revenue as you can see from the slide.

Slide - Vapour: Innovating To Drive Consumer Uptake

The latest extensions to the range are the rechargeable blu bar kit and blu box kit. Consumer feedback so far has been very strong, as you can see from the stats on the right of this slide.

Authentic taste and flavour as we expected, emerging as an important differentiator. And consumers are recognising the real quality.

Slide - Heated Tobacco: Simplicity and Authenticity

With heated tobacco, our focus consumers are close to many of those who enjoy our combustible products. They are value-conscious, they enjoy our established ritual, and they tend to be people still on a journey away from cigarettes. So, for our heated consumers, a simple to operate device and a stick with the flavour close to a smoking experience are the two things they value the most.

And today I'm pleased to introduce our brand-new Pulse 3.0 device, which is being rolled out this year. You will see it downstairs. Importantly for our busy consumers who are on the move, this is the smallest all-in-one device which offers at least 25 sessions on a single charge. And the consumer research shows that this is a clear improvement in experience compared to our previous model.

Slide - Modern Oral: Brands Meeting Distinctive Needs

In Modern Oral, we have two strong brands serving distinct consumer types.

First, there's Skruf with its two decades of Nordic heritage. It boasts a loyal consumer base in core Scandinavian markets, and we also see opportunities to further internationalise the brand.

Our research shows it a strong appeal among consumers seeking for potentially healthier options, a clean taste and consistent performance. Then there is Zone, our brand in the US, and for more adventurous European consumers looking for exciting flavour experiences. The American launch has been received positively, and you will hear more on these later from Kim.

Slide - NGP: Building Scale Towards Profitability

Overall, in NGP, net revenue and gross margins are growing as we continue to build scale. In some of our medium-sized markets, NGP is now a very material percentage of overall net revenue.

In Greece, for example, blu is the number one vaping brand, and we have also grown share in heated products. In Norway and Sweden, we are enjoying good growth of our modern oral brands. Over the next five years, our ambition is to replicate successes like this in our larger markets like the US, the UK and Spain.

Slide – NGP: Attractive Margins in Markets with Scale

A key proof point of our route to profitability is shown here. On the left is the current industry margins across the different categories. And you can see that in the vapour and modern oral where we already have scale, we are delivering margins in line with industry peers.

In heated tobacco, we are naturally at an earlier stage because we only launched in this category in Europe three years ago. However, we are building scale to enhance gross margins. And in particular, margins on the heated consumables are expected to improve over time as we grow the business.

After the break, Kim, Aleš and Priyali will give you more colour on our NGP ambition in the individual markets.

Slide - Opportunity to Enhance Consumer Capabilities

So now let me try and pull all these trends together.

It has been a period of rapid change since I joined this company in September 2021. Back then, the GCO was new. We were still hiring people in. Our ways of working are still to be defined. In NGP, we were moving in the right direction, but we were still in a tentative test and learn phase. Where we are now is that I'm blessed with a great team.

Month by month, we are working in a more integrated way. We now have a sharper view on our consumers, we have stronger brands and the product features to support them.

Over the next five years, I look forward to creating even more value in combustible, and we have an opportunity to emerge as an important distinctive and profitable force in NGP.

I will now ask Stefan, Murray and Peter to join me on stage to take any of your questions. Thank you.

Slide – Q&A Session One

Peter Durman – Director of Investor Relations

Great, thanks Paola. So, we have about 20 minutes now we've allowed for initial Q&A session just on the content that you heard in the first part. We will have a longer Q&A session at the end, at the end of the second half.

As usual, we'll take questions from the room first and then we'll take questions from those who wish to ask a question on the telephone who joined remotely.

If you wish to ask a question remotely, you'll need to register to receive the dial-in details. That's all in the press release that we issued today. The link is there, you just need to go on and then you'll get your telephone numbers and the PIN to dial in with. And if you wish to ask a question, if you're already dialled in and you wish to ask a question on your phone, then you just need to press star and one on your keypad. That's star and one on your keypad.

Okay. So, we'll take the first question from the room. Please wait for the microphone and state your name and organisation before posing your question. We'll go to the question down here with Simon in the front row if we may. Thank you.

Simon Hales – Citi

Thank you. Simon Hales from Citi. I wanted to just ask a little bit more about Australia. Murray, you mentioned in your presentation that you've taken some pretty prudent assumptions going forward over the next five years. Could you expand a little bit more on that?

And how do we think about Australia in the context of the wider business, perhaps five years from now? Is it close to falling out of the top five markets? And if that was to be the case, what are the couple of markets that perhaps are coming up that could replace it?

And if I could just have a follow on second, maybe around the U.S market, how are you thinking about the main drivers there of that market over the next five years?

Murray McGowan – Chief Strategy and Development Officer

Thanks for the question. I think you'll have the opportunity to ask Priyali and Kim questions after the break. They may want to comment also.

If I think about Australia, it's still a big profit pool for us as we look out over the next five years, as we did with all the big markets. We spent quite some time looking at trends in consumer, understanding the outlook and regulation, understand the impact of illicit and the impact of NGP. Clearly NGP there is largely illicit. We know there's a large demand in the marketplace.

We've tried to take a balanced view across those measures to how we see the market evolving. I would emphasise this as, to some extent, an art, not a science. So, as we look across the group as a whole, clearly the numbers may vary for individual markets, but directionally we feel pretty confident in the outlook that we've got for it.

In terms of the outlook relative to the top five, it still remains up as one of our big markets as we look out. Really, some of the African markets, the ones that will be challenging for that top position, but it still remains a very important contributor in the outer years. With regards to the US, we are looking quite some detail around the different elements of what drives market size in the market. So, both the underlying secular trends, the impact of the economy on the consumer, the impact of illicit NGP, particularly in the US, quite important, and the impact of regulation.

I think as we look out now across the horizon for this strategic plan, I think there's more of a normalised outlook in terms of that demand versus what we've seen some acceleration recently. And from a regulatory perspective, it's a relatively stable market as we look over the regulation outlook, which could have significant impact. So, we feel pretty good about the forecast that we've got that gives us confidence in numbers we've shared today and the results that we think we can deliver.

Peter Durman – Director of Investor Relations

Okay, go for a question in the middle there, Rashad. Yeah, that one. Thanks.

Rashad Kawan – Morgan Stanley

Thank you. Hey, Rashad Kawan from Morgan Stanley. Thank you for taking my questions. A couple from you, maybe the first one for Paola. You talked about innovation and combustibles in particular. How do you think about, in markets, in plain packaging or moving towards that direction, how do you maintain that level of differentiation?

And then second question, maybe Stefan, in terms of the buybacks, I think you were pretty clear in your wording that you want to return surplus capital and not surplus cash. How do you think about that maybe from year to year as you balance investment needs versus setting that target on an annual basis? Thank you.

Paola Pocci – Chief Consumer Officer

So, thank you for your question on the differentiation. It's a very important one. Actually, our belief is that the more the markets become dark, the more you need to become specific and choiceful in the areas where you focus on.

First from of course from a product standpoint because that's the thing that really the consumer experiences in terms of flavour, in terms of feature and etc, that's the most real experience that consumers have, but also from key messaging standpoint. And on this one I would add a couple of important points.

First of all, in the markets that are becoming dark, most of the brands have any way a legacy of positioning or image which is still in the mind of consumers. So, the most important thing is to keep leveraging on this legacy, and that's why specificity and consistency is important. The other part is that there are some tools that enable us to communicate to the consumer.

For example, through the retailers, through the advocacy assets. But again, even more, the more you become focused in the areas and choiceful on the few assets that you can use, the more you really need to become clear on the areas where you can communicate.

And I want to give an example that already worked quite well. For example, a few years ago, just in Australia, we launched a brand which is called the Lambert and Butler. Australia is really one of the darkest markets we have. And it was a little bit of a bet. We were all thinking will it work, will it succeed, and etc, and eventually now it's a brand that has like 5% market share because again it has strong product, very consistent communication through the retailers and it landed very well with the consumers. But it's all about being clear and choiceful and consistent.

Stefan Bomhard – Chief Executive Officer

And Rashad, let me answer your question on share buyback. I think what is exciting, I think if we look forward, what I think you should take away is it's the same capital allocation framework that has guided us well in the last couple of years.

What's different is with our net debt to EBITDA level being at the right place, and with the visibility that we have on the market outlooks with the deeper knowledge we have clearly about the five top markets and the cash generation that gives.

We clearly feel very confident today, and clearly, we're talking about up to 2030, that's five years away from now, to actually say we will be and always on share buyback in the next five years. Now I recognise as an underlying question about how much I recognise that.

Look, I think you hopefully understand that this is a decision that we'll have to take on a year-by-year basis as we've done in the last three years. But I think what's fair to say with also when you see the back half of this presentation, we are talking about every year a meaningful share-buyback that can really make a difference to the total shareholder return of this company.

Peter Durman – Director of Investor Relations

Great, thanks. I mean just to cover, obviously Lukas will be coming back to talk about medium-term guidance and the financial framework in the second half. So, we'll take a question in the front row here from Gaurav, if you may.

Gaurav Jain – Barclays

Thank you. Hi, good afternoon. Gaurav Jain from Barclays. So, Paola, a question for me. If I look at slide 45, different country's cigarette brands, you have probably five cigarette brands in every country. And then I look at the next generation product slide, slide 33, there is just one brand in every country.

So, do you think there is an opportunity to launch more brands targeting different customer segments, different price points to actually accelerate your NGP growth?

Paola Pocci – Chief Consumer Officer

Thank you for the question. I will give you my perspective on this. I mean, in my opinion, from an NGP standpoint, there will be an opportunity at some point. I think not yet at this point for us. I will give you an example. For example, in modern oral where the categories really developed in the Nordics, we have a portfolio of brands. For example, we have Skruf, and we have Zone. So, where the category is sizable and our brand has already occupied the consumer need, then it makes sense to play portfolio, which is more like the case of combustible where the categories are very developed already. I believe in the stage where the categories are right now, there is an opportunity to really be more focused and sharp on the consumer needs and establish our proposition, and that is the bet that we are having at this point in time, really establish our proposition with the very last focus consumer need. And then we'll keep observing maybe in the future, but I think for now it's going to be more about choices.

Stefan Bomhard – Chief Executive Officer

And I think, Gaurav, if I build on Paola's observation, I think hopefully what you can see, if there is a company in this industry who knows how to play combustible portfolios, it is us despite our small scale, which goes back to the point that Paola covered.

We have a legacy history of different brands. Now you can see this as positive or negatively, we choose to see it positively. We know how to play with a portfolio of different brands, and it is a skill set that has clearly, we have now fine-tuned in the last couple of years. And I think it's a skill set that will serve us well also on the NGP side. But as Paola said, let us start with one brand or two brands and then build it in the portfolio. But it's a skill set that we have honed as a company now for a while.

Peter Durman – Director of Investor Relations

Any further questions? Gaurav, yeah, go again.

Guarav Jain: Also, on just the nicotine pouch growth. So, your peers are clearly doing more Capex as their capacity is growing. So, when do we see Capex from you on nicotine pouches as I'm assuming some level of growth over the next three to five years?

Murray McGowan – Chief Strategy and Development Officer

So, if I can take this one. I think, Gaurav, our approach to NGP has been very much working with partners, a capital light approach. So, in modern oral in the US, we're working with a partner, manufacturing partner, which allows us to be more nimble, allows us to make significant investment upfront to access these categories.

I think across all the categories, as we get to scale over the longer period, we'll review, as the business, as to what the right choice is, but especially in such a dynamic category today where the consumer demands are changing, you've also got the added complexity of tariffs and how you're going to deal with the impact of those and different product types.

I think we're comfortable with the current approach, which is asset light working with partners and we'll continue to look at that strategy over time and make the right call at that point in time for our shareholders.

Peter Durman – Director of Investor Relations

Okay. One right to the back. Damian, I think.

Damian McNeela – Deutsche Numis

Yeah, thank you. It's Damian McNeela from Deutsche. Just one from me. Just on heated tobacco profit margins. I think in the slide 55, your margins are below sort of industry standards, and you indicate that you're building scale. Can you sort of just give a bit more information about where that scale's going to come from? Is it the three countries highlighted in the slide or is there more to do in other markets there?

Paola Pocci – Chief Consumer Officer

So, the scale will come. We have identified the key markets where, as Murray said before in the presentation, we know where the category is primarily established and where there's the biggest demand, which is the Southern Europe and Eastern Europe. This is pretty much the focus areas and the focus markets where we are focusing right now.

And the scale will come primarily by building our market share in those markets. And according to our glide path, we believe that this will drive the path to profitability.

Peter Durman – Director of Investor Relations

Okay. Any other questions? I think that's it for now. That's great. Okay, so we'll draw a close to this part of the Q&A. We're now going to have a breakout session, which was going to be downstairs. There will be another Q&A session at the end. And obviously any of those of you who are online, you're welcome to obviously dial in for that and ask any questions for that session as well.

If I could ask everyone to be back here, let's say, we'll keep it to the timetable we were on before, so basically 3:40, so twenty to four. If you could come back and be seated in good time for us to start again at 3:40.

And downstairs you'll find a series of booths and product displays and other members of the Senior Management team there to talk to you about what we've been up to. And obviously the Executive Leadership Team will also be downstairs as well. So, look forward to seeing you down there and we'll come back at twenty to four. Thank you very much.

BREAKOUT SESSION – please see the videos of the booths on the website

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Slide - Driving Sustainable Value in our Markets

Kim Reed – President Americas Region

So welcome back to the second part of our Capital Markets Day session. I am Kim Reed. I am the President for America's region. I've been in this role since June of 2021, so essentially the last four years. And prior to that, I was with Pepsi as well as Kellogg's in many senior positions prior to joining Imperial in 2019. So thrilled to be with you all today.

So, before the break, Murray outlined our market opportunities, and Paola explained our approach to leveraging consumer insights to build our brands. Now, you'll hear from the regional presidents on how we apply these capabilities and deploy specific levers from a common playbook to drive performance in our markets.

Slide - Five Operational Levers to Drive Performance

I want to start by revisiting our playbook. As Murray shared earlier, we bring this toolkit to each market, then prioritise the initiatives that will deliver the strongest performance. Internally, we refer to these as our must-win battles.

As the challenger, we must stay agile and make clear choices on where we focus. These must-win battles support this disciplined focus. This structure, data-led approach over the past four years has delivered strong results. It's not about a single silver bullet. There are multiple clearly defined levers for each market, all grouped under these five themes.

We have more than 25 growth initiatives across the five priority markets, but as Priyali will explain later, these same levers apply across our broader market portfolio. It's a highly detailed plan, and my colleagues and I will highlight just a few examples from each market.

Slide - Driving Sustainable Value in the US

So, let's turn to the US, Imperial's largest market. Over the last five years, we have built a high calibre team. 80% of the leadership team was recruited from FMCG companies. 30% have brought regulatory experience inclusive of tobacco, and the team now also better reflects our US consumer landscape, with 60% people of colour, 30% gender diverse, and seven different nationalities. And I must say I'm very proud of this team.

Slide - US market: Attractive Market and Well-Positioned Brands

This is a highly attractive market, second only in a size to China. And as Murray illustrated earlier, it remains affordable. This means there is headroom for continued pricing to offset volume declines in both cigarettes and mass-market cigars.

The US also has a transparent regulatory environment where decisions are typically driven by evidence and science. Our strong US portfolio spans all price points in both cigarettes and mass-market cigars.

As the number three player in cigarettes, we ensure each brand has a distinct role in each price segment. This means we are well-placed to be precise about our target consumers and capture trends in the market such as down trading. We invest strategically to enhance the brand and meet adult consumers where they are.

In NGP, we have a Zone in modern oral nicotine, and blu is our vapour brand. The NGP market in the US, specifically vapour, faces challenges due to a lack of enforcement against the illicit trade. And while there are actions to curb the sale of illicit products, these are not yet proving effective.

Slide - US: Strong Operational and Financial Delivery

The clear key priorities we set in 2021 have consistently delivered operational and financial performance over four years. Our disciplined portfolio management has driven four consecutive years of cigarette market share growth, with a cumulative gain of 180 basis points.

At the same time, targeted investment in brands and sales force has enhanced our ability to take price while maintaining share gains, driving strong revenue and profit growth. We've achieved this against a US market that has become more competitive in recent years. Looking ahead, the foundations we have built mean we are better placed to face these challenges.

Slide - Understanding Winston Consumers

I'd now like to demonstrate how our focused investment behind this playbook of operational levers is driving performance and highlight further opportunities over the next five years.

I'm going to give four examples of how we use our must win battles in the US. I will start with how we have reinvigorated Winston, one of our local jewel brands. This is a great example of how deep consumer insights have guided a clear investment plan to strengthen brand equity and appeal.

Winston sits in the premium price segment and has been an iconic brand since 1954. It has always enjoyed strong recognition among American adult smokers, but was neglected under previous ownership, leading to market share declines. Our work on consumer insights and typologies identified our target consumer as ‘conservative connoisseur’.

It also highlighted three key areas to address for our target Winston consumer as shown in these charts. First, reinforce the brand's high-quality tobacco, good flavour, and satisfying taste. Second, leverage the strong brand awareness while improving consumer trial. And third, emphasising Winston's premium quality at an affordable price.

Slide – Winston Investment Informed by Insights

You heard from Paola earlier how we are using deep insights and intelligence to understand our consumers better. Our recent campaigns have focused on quality and our unique only tobacco and water story. We've introduced consumers to our cigarette ambassadors such as our master blender, Aaron Hayes, or the farmers who contribute to Winston's high-quality tobacco, rich flavour, and satisfying taste. Our messaging also reinforces the timeless American values that matter to Winston consumers. The spirit of fun, freedom, loving the outdoors, and motorsports.

For example, using our challenger mindset, we identified an innovative opportunity for retailers to brand a NASCAR vehicle in return for allowing us to communicate with their adult smoker database. These retail partners were able to offer Winston smokers the chance to win a ride in a NASCAR, an experience that resonated deeply with our target audience. This strengthened our retailer relationships and expanded our direct-to-consumer engagement.

By leveraging retailer databases, we launched Winston's loyalty programme, something previously we were not able to do. Working with key retailers, we engage with our consumers, both in-store and online, seamlessly integrating our loyalty programme with our partners' apps.

As consumers needs evolve, we've refined Winston's brand personality and expanded the range with the recent launch of Winston Select. Winston has grown its share within the challenging premium segment by 20 basis points over the last four years and the overall market by six basis points.

Looking ahead, we've identified further investment opportunities to leverage our consumer insights, build on Winston's brand equity, and reinforce the quality messaging. There's also scope to further evolve the Winston portfolio to meet consumer needs. For example, we see opportunities to drive recruitment through further brand innovation.

Slide – US: Investing Mass Market Cigars - Backwoods

In mass market cigars, we have invested in our iconic heritage brand, Backwoods, a leader in the premium natural leaf segment. Our deep consumer insights work is also relevant to the mass market cigar category and enables us to build differentiated consumer-centric brands. Backwoods is all about authenticity, with deep ties to music, particularly hip-hop. We've kept Backwoods relevant for our consumer through investment in leaf consistency, quality, as well as product innovation such as flavours. This underpins our ability to continue to take price, and more recently, regain share of the natural leaf segment.

Looking ahead, we see further opportunities to leverage this iconic brand through:

- further investment in quality to reinforce Backwoods' premium positioning,
- further innovation in different formats and flavours, and
- connecting with adult consumers via the live music events that we sponsor each year, as well as initiatives such as the Backwoods Studio to support artists.

We also see scope to leverage our wider cigar portfolio through brands like Dutch and Dutch Masters.

Slide - US NGP: Modern Oral and Vapour Brands

Turning to another operational lever, building scale in NGP. Our decision to enter the fast-growing modern oral nicotine market last year through a targeted acquisition is a great example of our disciplined challenger approach in NGP.

Modern oral was becoming a larger part of the nicotine pool, where we could leverage our existing sales force. We started with consumer insights to identify an untapped opportunity for a differentiated more moist product. This guided our acquisition strategy leading us to acquire the products behind Zone. Consumer testing reinforced our choice, and we launched Zone in February of last year, initially in 12 metropolitan areas. Our consumer insights and intelligence identified Zone consumers as recognition seekers, helping better inform how we target our consumer base. Let's briefly hear from one of our Zone consumers in the US.

Zone Consumer Video Transcript
Yeah, so with Zone, I definitely think the flavours are better than other brands that I've tried. I think they last a lot longer. The flavour and the nicotine I think lasts longer when you're keeping it in. It feels better. It doesn't dry out as fast. It doesn't get flat, it doesn't like move around as much. So, I think in all aspects it's just an upgrade compared to the other brands that I've tried. It's easier, it's more discreet. You don't have to go outside and take a smoke break; you don't have to do anything like that. You can just pop it in, go back to work, do whatever you got to do.

So, we've now built distribution to 70,000 stores and achieve continued share gains. Looking ahead, we see further opportunities to expand distribution, build awareness, and innovate. This category is becoming more competitive, but we are confident we have a differentiated offer that resonates well with our target consumers and is a strong platform for future growth.

In vapour, blu remains a strong brand. However, as I mentioned, the illicit vapour market continues to pose challenges to a weak enforcement. Therefore, for now, our investment focus is primarily behind Zone.

Slide - US: Enhancing Sales coverage & Effectiveness
And finally, another key lever has been our investment in our sales force, and this will continue to be a key lever for the next five years. There have been four areas of focus.

First, to grow our sales force by 43% to close the gaps in coverage versus our peers. This is an increased store visits, which is important in tobacco where the majority of our sales occur through small independent stores and where the frequency of store visits matter.

Second, we have used our improved data to optimise the deployment of our sales force by geography and channel. This analysis is becoming ever more detailed, helping us prioritise specific cities and counties to maximize coverage in the areas with the best returns. And we have to scope leverage this data even further in the future.

Third, we have invested in our key account management team to drive engagement with our largest customers. We've significantly expanded this team and use external benchmarking to optimise their coverage ratio and focus on our best opportunities.

Looking forward, our aim is to deepen our key account partnerships through integrated joint business planning and category management capabilities.

Finally, we have also introduced new capabilities such as The Perfect Store, a tool that guides our sales reps through each store visit and best-to-use store shelves to bring value to the consumer. Looking ahead, we will build on these capabilities with a new sales platform and further leveraging our data.

All of these initiatives have taken time to embed, and we're only just beginning to unlock the strength of our larger sales force.

In summary, we have made good progress, but we still see significant opportunity. By applying our consumer insights to brand building and innovation, and by ensuring our sales force optimise our consumers' path to purchase, we can drive even greater results. I'm proud of what we've been able to accomplish over the last four years and excited for our continued success. I'll now hand it over to Aleš.

Slide - Driving Sustainable Value in Europe

Aleš Struminský – President, Europe Region

Thank you, Kim. And hello everyone. It is great to be here. I have been with Imperial Brands for more than 20 years, starting in sales in my native Czech Republic. I have worked in several European markets and now I'm responsible for the Europe region.

This has always been a dynamic and challenging industry. But I want to say this, there has never been a more exciting time to work at Imperial, and I hope our presentations today are giving you a sense of this excitement.

Slide - Europe Region: Attractive Value Opportunities

So, the region I cover is diverse with more than 25 markets in total, and it is our largest region. However, we are also very focused. Just three markets, Germany, the UK, and Spain account for about 60% of the revenues of the region and around a quarter of groups revenues. That means I'll spend most of my time focused on these markets and I will talk about these today.

Each of these markets have their own characteristics. That's why we believe a really detailed understanding of our consumers, our brands, and our customers, the retail trade, is vital to success.

Slide - Germany: Attractive Market with Strong Presence

So, I'll start with Germany, our largest European market and second largest for the group. It is the largest profit pool in Europe. And Germany is important to us, not just because of its absolute size, but also because of its long-term sustainability.

The average price of 20 JPS cigarettes retails in Germany for around €8 and therefore it remains an affordable market, which provides an attractive runway for our future pricing. There's a predictable excise environment which is expected to continue through the next period of our strategy.

There's a broad consensus around the need to balance public health with tax revenue and the prevention of illicit trade. Germany, compared to some other markets in Europe, is still relatively open to our industry. This gives us opportunities to continue developing our brands through point-of-sale advertising and direct consumer communications.

Slide - Germany: Sales Force Excellence Driving Share

So, turning now to our own business in Germany. The first thing I would like to say is thank you for your patience. We always said that turning around this market would take time. Now, we have stabilised our market share after years of decline and have created a base from which we can move forward.

Our German business faced three challenges, an underpowered sales force, underinvestment in our key brands, and an excessive pricing strategy ahead of peers. Over the past four years, we have been systematically addressing each of these issues.

One of the key drivers for this turnaround is our sales force. What we have been doing in Germany is similar to what Kim has just described in the US. We have become more focused in our approach with clear best practice guidelines for our sales teams, driven by performance and data. We have also hired 70 new reps, enabling our coverage to move from 60 to 80%. That's an additional 10,000 stores covered. The number of store visits has increased by 80% to more than 400,000 a year.

Like elsewhere, our turnaround has been supported by more rigorous performance management and a closer alignment of incentives. We have really only just begun leveraging our expanded sales force and their improved capabilities. There are further opportunities to use our data to refine performance.

Slide - Germany: Key Operational Levers to Drive Growth

Turning now to brands, the turnaround in our flagship brands is a still work in progress and it's an area where we see further opportunities for upside over the next five years.

We have been using the rigorous approach developed by Paola’s global consumer team. This is more about sharply defining our target consumers, differentiating our proposition, and being more consistent in our communication. We have been leaning into these strengths and are starting to see improvements, particularly with Davidoff. We have also strengthened our presence in a fine cut with the launch of Paramount, which has taken a 5% share of the fine cut category in three years.

As a result of these brand investments, we are able to price more effectively alongside our share delivery.

NGP in Germany is relatively underpenetrated compared to some other European markets, so it presents future opportunities for us. We are present with blu and have delivered share growth driven by product innovations. This will be supported in the second half of this year by the launch of blu market.

So overall, I think we now have a high performing sales force and an improved more diverse portfolio to drive value creation over the next strategic period.

Slide - UK: Focus on Value Creation and NGP Growth

Let's turn now to the UK. Here, over recent years, our sector has become the subject of political debate and media attention. So, it is important to stay focused on the long-term commercial fundamentals. There are two key points.

First, high excise levels mean that the combustible profit pool will continue to decline over the next five years. This means our focus is on optimising our value creation in a shrinking market. We manage our investment differently here, constantly evaluating the right balance between market share and value. The generational ban will have a minimal effect during the next strategic period.

Second, we see the UK continuing to lead the way in the transition towards next generation products and specifically vape. And while we don't want to overpromise, we now have products that resonate well with consumers in this category.

Slide – UK: Optimising Value in Combustibles

In the UK, we enjoy a strong number two position in combustibles, with a well-balanced portfolio across cigarettes and rolling tobacco. We will continue to carefully balance share with value creation. This approach has enabled us to deliver a stable share over the last four years.

First, this has been driven by an active approach to managing our portfolio of international and local dual brands to meet the needs of different consumers. Looking ahead, a key value lever is to use our improved data and revenue growth management tools to support pricing.

A second key lever is our successful launch of brands to meet the needs of down traders. So, for example, the launch of Paramount has been well received. Here, our sales force and the relationship of customers are a source of a competitive advantage. These partnerships have been critical in supporting the launch of new brands in a dark market where the normal marketing tools are restricted.

Slide - UK: Driving Growth in Vapour

Vapour remains the largest NGP category in the UK with a growing share of the nicotine pool. We have delivered an encouraging uptick in blu share driven by the drumbeat of innovation that Paola talked about.

This has allowed us to rapidly meet the changing needs of consumers for new formats and authentic flavours. So, let's hear from some of those consumers now.

blu Consumer Video Transcript

The flavours are really like the fruits. If it's pineapple or passion fruit, if it's like strawberry or something like that, it actually tastes like it, and you don't get the really bad aftertaste as well which you get with some of the disposable vapes.

I think it looks nice. I think with the blu products, they look a little bit more premium than just your average vapes that you'd see on the shelves, and I think that the blu products are more targeted for, I'd probably say at the older demographic.

I guess blu just stood out for me as it looked more official, more trusted, that kind of thing. Some of them looked a little bit cheaper. I did try some of the others, didn't really like the flavours as much. Thought they were very synthetic, was far too sweet. Tried the blu ones and I've pretty much liked every single one, so I've always gone back to blu.

I think the designs are always good. They're very easy to use. The strengths are good. For me personally they tend to last a little bit longer than some of the other devices. I guess with blu, it's just that reputation that stood out more for me, more than anything else. A more trusted brand, well-known brand.

Looking ahead, we will launch the blu box kit next month to continue this momentum.

Slide - Spain: Attractive Dynamics; Strong Local Brands

So, moving on to Spain, this is an attractive market which will play a growing role in creating value for the group. Tobacco remains affordable with a packet of 20 king-size Fortuna currently priced at €5, 70 cents. Encouragingly after a period of static pricing, we have now achieved pricing over the last three years, which supports the market outlook.

While there may be new regulations over the next five years, we are still able to communicate with consumers through branding and points of sale. NGP has a relatively low penetration, and our forecasts suggest that Spain will continue to be a combustible dominated market over the next strategic period. However, NGP is growing and with blu we are the number two, so we are well-placed to capture any growth.

Slide - Spain: Leveraging our Local Jewel Brands
One of the big opportunities for us in Spain was to leverage our strong portfolio of largely neglected local jewel brands, Nobel, Fortuna, and Ducados. This was a key shift under our current strategy. These are managed alongside international brands like West. This strong and broad portfolio means we can appeal across consumer typologies, price tiers, and geographical areas.

Our sales force has been building its coverage, particularly in the vending channel, where historically we have been underweight. The team has consistently grown market share. While year-on-year profit growth has been the highest of our top five markets, and there is an opportunity for further out-performance through innovation and reinforcing the challenger positioning of our jewel brands. This targeted investment in our brands and customer relationships creates a solid platform for future growth.

Thank you, and I will now hand over to Priyali.

Slide - Driving Sustainable Value in AAACE

Priyali Kamath – President, AAACE
Thank you, Aleš. Good afternoon, everyone. Unlike Aleš, I am relatively new to Imperial Brands, having joined just last August from Procter & Gamble. I have joined as the president of the AAACE region, which covers Africa, Asia, Australasia, Central and Eastern Europe. At P&G, I worked across several different FMCG categories and therefore coming new to tobacco.

One of the first things that I noticed was this very high level of involvement consumers have with our products. On an average, consumers interact with our brands 10 to 15 times a day. This is very high. And because of this, they notice the smallest details from point-of-sale communication to subtle changes in tobacco blends. So, the importance of getting close to our consumers and building differentiated offerings is even greater than I had assumed from the outside.

The other really interesting thing about the category that struck me was that the nature of it is such that consumers cannot buy a product without interacting with a human being, the retailer. And that is why it is especially important that we value and build strong retail partnerships.

Slide - AAACE Region: Attractive Growth Opportunities
The region I cover is perhaps even more diverse than Aleš's with upwards of 50 markets. The largest of which is Australia, which accounts for 12% of regional revenue and 3% of the group. To manage this complexity, we apply the same challenger principles that you've been hearing about throughout today's presentations. These are a deep understanding of the consumer and focused prioritisation of resources.

Slide - Australia: Value Creation in a Shrinking Market

So, let's start with Australia, one of the group's five priority markets.

In combustibles, this is a challenging environment with restrictive regulation and high levels of excise. Therefore, high consumer prices. In Australia, a pack of cigarettes retails between $30 to $50 Australian, the equivalent of £17 to £27, making this one of the most expensive cigarette markets in the world. Over the years, this has led to consumers down-trading to lower tier brands and unfortunately a large and growing illicit trade.

However, despite these challenges, we are well-placed as the number two player in Australia with strong brands across all relevant price tiers. We are also strong in fine cut tobacco, an important consumer segment where we have our iconic Champion brand.

In Australia even more than other markets, there are limited opportunities to communicate directly with consumers. So here, retail partnerships are key. Despite these pressures, I do want to reiterate that Australia remains a highly profitable and cash generative market. And while the combustible profit pool is forecast to shrink, we can continue to generate a strong return through careful choices, balancing share and value.

Additionally, in NGP, the government has recently opened the door to allow vapour products to be sold through the pharmacy channel without a prescription. And we launched blu 2.0 just last month to test this opportunity.

Slide - Australia: Balancing Share and Value Creation

Our approach of carefully balancing market share and value creation has supported consistent financial delivery over the years, and success has been underpinned by a focus on understanding consumer preferences and deepening retailer relationships.

These capabilities have helped us develop a portfolio to ensure we have attractive propositions across all major price points. Paola referred to this in the question and answer session earlier. But two years ago, we launched a new brand in Australia, Lambert & Butler, and this was in response to the challenge that Parker & Simpson, an existing brand in our portfolio, was stretched too far across priced years. It is not easy to launch a new cigarette brand in a market where you cannot communicate directly with consumers. But here our strong retailer relationships came into play, and we have successfully grown Lambert & Butler into a meaningful share in the last two years itself.

In the next strategic period, we will continue to make focused investments in our consumer capabilities, portfolio and retailer relationships, and in this way, we will create maximum value from the opportunity available.

Slide - Driving Value from our Wider Market Portfolio

Now let's look at the broader portfolio of markets.

As Stefan said, we are not an everything everywhere company. We focus, prioritising the best investment opportunities based on consumer insight and data. The markets where we have chosen to play are profitable and cash-generative and have attractive long-term growth prospects. However, year to year on an individual basis some of these markets can be volatile, which is inevitable when operating in emerging markets. And so, to deliver sustainable growth, we group them into market clusters with cluster management teams leveraging global consumer capability while building strong local route to market expertise.

As in larger markets, we operate with a combination of international and local jewel brands, the latter with strong heritage. In AAACE too we use the same rigorous approach to brand building, which Paola described earlier in her presentation. And this approach supports stronger, more consistent performance across clusters. Some of these clusters have the potential to become future growth engines, which can help to compensate for markets where there are headwinds to the profit pool. So today I'll illustrate this approach in two of our clusters, Africa and Central and Eastern Europe.

Slide - Driving Growth in Africa Cluster

The Africa cluster now generates around 10% of group operating profit and has grown faster than our average. The market environment is supportive with affordability increasing as incomes improve. We have leadership positions across four of our top five markets in this cluster with strong local brands and strong route to market capability.

Take Ivory Coast for example, our local brand, Fine, continues to build market share over time through brand activation, format innovation, and strengthen distribution. Like several others in the region, Fine is a powerful, deeply resonant brand with Ivorian consumers having built an equity over years.

Across the Africa cluster we focus on consistent investment to strengthen our jewel brands and the selective addition of international brands to our portfolio. And of course, like both Kim and Aleš said, we can continue to expand our sales capability using data and insights. Although we already enjoy high levels of market share in our African markets, we're confident we can drive further value in the next strategic period.

Slide - CEE: Growing in Combustibles and NGP

Let's go now to Central and Eastern Europe. In this cluster, we have delivered growth from both our combustible and NGP brands. In fact, this cluster has been at the centre of the development of our heated tobacco proposition. We started out with consumer trials in the Czech Republic and have since expanded our footprint to three markets. Working closely with Paola's team, we have been steadily refining and focusing our offering.

As you heard, in the heated category we are targeting a specific consumer type, the 'trust seekers'. They tend to be value conscious and still on a journey away from cigarettes. In these markets this segment is sizable and under-penetrated and also it correlates very closely to our combustible consumer profile. So, the good news is these are people we already know well. Let's hear from one of our consumers.

Pulze Consumer Video Transcript

I've tried a lot of tobacco products starting with cigarettes and e-cigarettes and heated products. I prefer heated products. And why Pulze? Compared to other brands I found this one the best. Heating tobacco suits me because I feel it's not as strong as cigarettes, but stronger than vapes. It reminds me of smoking, maybe that's why.

The benefits of iSenzia are the flavour options. They are more delicate than tobacco. I like these flavours. I wouldn't change anything about the Pulze devices. They are light, just good to hold in their hand and not too big.

Heated tobacco is competitive, but we now have a clear view of our consumers, and our brands are becoming more sharply defined with the right product features to delight these consumers. So, I am confident we have the foundation to build on the next five years.

I want to leave you with this final reflection before I hand over to Alison. Our growing success and heated products are a great example of Imperial Brands' distinctive diverse culture, which has impressed me ever since I joined. Delivering growth in this category requires a lot of collaboration between our market teams in Prague, Warsaw, and Budapest, and our innovation and supply chain colleagues in cities across the world like Hamburg, Liverpool, and even Shenzhen. We also link up with Aleš's team in Rome and Athens to ensure we are sharing and reapplying some of the best practice across our portfolio.

It is a really interesting blend of different cultures, deep industry knowledge and FMCG know-how. And this diversity of experience and thought will I believe be an important competitive advantage for years to come.

Alison, over to you.

Slide - Strategic Enablers: A High-Performance Culture

Alison Clarke – Chief People and Culture Officer

Thank you, Priyali. Hello everyone. I joined Imperial in September 2020, and I was involved in the development of our current strategy that we launched back in 2021. My background is in leading people and culture functions for several large, listed companies.

Slide - Driving a High-Performance Culture

As Stefan highlighted, Imperial Brands is a challenger business. And being a successful challenger is about being close to our consumers. It's about being focused and it's about having the right ways of working, the right skills, tools, and a performance-based culture.

We've invested significantly in developing our performance culture in its broadest sense, and this is an important reason why we are now delivering such a strong consistent operational and financial performance. And we have clear plans to evolve further.

Slide - Five Key Barriers Blocking Commercial Success

To understand where we're going next, we must reflect on where we've come from. Throughout its modern history, Imperial Brands has always been best when it acts as a challenger. When we emerged as a separate listed company in the late nineties, in global terms, we were an insignificant player, but we went on to successfully challenge businesses many times our size to build the broad portfolio we have today. However, when we were developing our current strategy, it was apparent that rapid growth had created cultural challenges, and our people felt this acutely and they told us so.

The organisation had not invested in consumer capabilities, silos had emerged, and collaboration was sporadic. Accountabilities were unclear and the organisation no longer mirrored the growing diversity of the consumers we served, making it harder to attract talent. And the business prioritised short-term delivery at the expense of long-term planning. So, we listened to our people and alongside our purpose and vision, we developed five core behaviours. These behaviours were created by our people to address the cultural gaps that they had identified:

- Always start with the consumer,
- collaborate with purpose,
- take accountability with confidence,
- be authentic and inclusive, and
- together we build our future.

These behaviours defined the performance culture that was required to deliver our strategy.

Slide - Our Journey Towards Higher Performance

We ensured these behaviours provided clear direction and weren't merely words on a wall. We implemented a structured programme to help people understand the core elements of a performance culture, and then we equipped people with the necessary ways of working, skills and tools.

So how did we ensure we started with the consumer?

Well, first we set up a global consumer organisation. This was consciously designed to mirror FMCG best practice, particularly in consumer insights, brand building and innovation.

We recruited expertise from outside the organisation to introduce fresh consumer thinking that we could blend with our really deep tobacco knowledge. During the past five years, we've refreshed 75% of our top 500 leaders, and our GCO team now is fully staffed with 1,000 professionals distributed amongst our major markets.

We also thought deeply about how we could foster more purposeful collaboration to share best practice and ideas. And this meant setting collective objectives, altering the bonus structure for our senior leaders to introduce a greater element of group performance. We then reformed our structure to ensure our enabling functions were focused on commercial goals and were better integrated into the markets.

Turning to accountability, this starts at the top. As executive leaders, we are very conscious of the commitments we make to shareholders and throughout the organisation we put in place regular structured performance conversations all designed to meet our commitments.

We then equipped our leaders to become performance coaches through a programme we called Connected Leadership. Over a thousand of our leaders have now been through this intensive seven-day residential programme, which equips them to maximise the full potential of their teams.

Being inclusive to all is essential to attracting and retaining talent and an important enabler of our strategy. The changes we made in our leadership and to our culture have now helped us to attract top talent from leading consumer businesses. And I have been positively surprised by how this has become a competitive advantage, reinforcing our challenger mindset and now better reflecting our consumer base.

Improving how we plan for the long term to build our future has perhaps been the biggest challenge. Our people told us one of their biggest barriers was fast, accurate data to provide them with actionable insights. And one of the ways we responded to this was to launch a programme to combine 60 legacy systems into a single platform for enterprise resource planning.

Now, Lukas is going to talk more about improvements in tech and data in a moment, but we've invested in new tools to create an end-to-end view of our supply chain from leaf to shelf. And we have carefully studied the best practice of FMCG peers to introduce a more integrated approach to business planning, which accurately balances consumer demand and supply.

Slide - Our Performance Culture is Driven by Data

Now, a helpful indicator of the health of our culture is what our people tell us. Through our global employee experience surveys. For the third year in a row, we've maintained engagement scores above the global benchmark. A consistent 74% is a strong result for a business of our size undergoing such change.

As our regional presidents affirmed, we have a highly motivated, highly engaged workforce across all of our markets. And you can see on this slide some of the data from our most recent survey, which indicates strong levels of accountability and collaboration, as well as a deep understanding of the strategy. And these are all key indicators of a performance culture in action.

Slide - Where Next for Our Performance-Based Culture?

The current strategy has been focused on resetting, fixing, and catching up. During the next five years in the areas which really matter to our commercial success, we see an opportunity to move into the lead.

As a challenger, we need to be a leader in knowing our own consumers. You heard Paola outline this ambition earlier. Organisationally, being a consumer leader is about taking our talented individuals and leveraging their potential by integrating them into a high-performing team and ultimately a high-performing organisation.

Now our customers, the customer relationship has long been a strength. We see an opportunity to go further building excellence into the DNA of our sales teams through:

- investment in skills building,
- better technology and data to drive sharper insights and
- a global sales academy for knowledge sharing.

Manufacturing is another area where we will build excellence, strengthening our focus on efficiency, quality, and health and safety. These efforts are a great example of how our sustainability objectives and commercial goals reinforce each other. And looking ahead, we remain committed to our triple zero goals, zero waste, zero carbon, and zero injuries.

Slide - Integrating People, Processes, Technology and Data

The final point I want to leave you with is this: A key learning from the past four years is that our people can't do their best work without the right systems. Equally, the best tech in the world is worthless without a culture that can make good use of it.

People, process, technology and data, they are inextricably linked. And that's why Lukas and I collaborate very closely to ensure that we integrate our people strategies, and our tech and data strategies. The transformation of our culture, and the transformation of our organisation and capabilities, has been essential to the delivery of our strategy.

The big opportunity for the next five years is to bring all of these interconnected elements together to become an even more agile challenger.

And with that, I'll hand to Lukas.

Slide - Strategic Enablers: Simplified, Efficient and Data-Led Organisation

Lukas Paravicini – Chief Financial Officer

Thank you, Alison. And hello, everyone. So, you just heard from Alison, explain our opportunities to better equip our teams through better processes, technology and data. I'm going to develop this theme a bit further.

I will describe how, through integrating our processes, people, data and technology, we will create a more agile and data-led organisation. Four years ago, what attracted me to Imperial was that it was unusual to find a business of such scale and where there were still so many self-help transformation opportunities.

And what's exciting for me now is that while we have made good progress, over the next strategic period, we can unlock even greater value.

Slide - Our Journey and the Opportunity Ahead

Let me remind you of the organisational context. Our current global footprint was assembled through multiple acquisitions over the last 20 years. However, the scale and pace of these acquisition meant there was limited focus on integrating back offices, process and systems.

As Alison said before, this resulted in multiple legacy platforms and a siloed organisation. We had operated as a confederation of independent businesses where it was hard to leverage our scale or share best practices. There was very limited use of shared service models. The group centre was primarily focused on controlling costs, rather than enabling our markets to grow revenue.

As Stefan said, this is now a stronger business than it was four years ago. Our transformation has enabled a more consistent and sustainable performance. The ambition over the next strategic period is this: The completion of our journey from the loose collection of businesses we inherited to a fully integrated organisation with common processes and data. It will be an organisation where finally we are making the most of our global scale to create significant efficiencies and empower local teams to make fast, agile decisions.

Slide - We Have Already Made Good Progress

This future organisation we build on the foundations we have put in place under the current strategy.

These are the key milestones for the implementation of our shared service models and Unify, which is what we call our ERP project internally. Four years ago, we had a very limited shared service platform covering a small number of finance processes.

We set out a plan to expand this across other functions. And we established two global business hubs in Poland, which now cover a broad range of processes across supply chain, finance, procurement, data, and IT. This has allowed us to start standardising our processes and create efficiencies.

The next phase of our plan is to leverage what we have built by including more end-to-end process across a broader range of functions. This will be supported by further standardisation and connectivity through improved systems.

This brings me to our Unify project, the implementation of a single ERP system replacing our 60 legacy systems. This is more than just a technology solution. It will simplify our operations through harmonised data and by unifying the system that connect us globally. We have gone live in the UK, and we are rolling out to all markets and factories over the next four years.

Slide - Investing in Further Self-Help Opportunities and Growth

This slide sets out how we will build and harmonise our organisation capabilities. Over the last four years, we assembled world-class talent. And as you're hearing today, we have now precisely defined where they need to focus to deliver our 2030 strategy.

To ensure our people succeed, we need to connect them to each other and empower them through standardised ways of working technology and data. This means better connecting diverse teams, working at different ends of the value chain through improved end-to-end processes.

We will also help our people by leveraging data analytics on an enterprise-wide basis. This data-led approach will allow us to apply artificial intelligence more effectively and empower our people to make investment decisions better informed by consumer insights and data. This will make us better able to capture our growth opportunities to drive top line.

For a business that already generates gross margin of more than 65%, this is the best return and the greatest opportunity – beyond the efficiency benefits.

Slide - Investing to Drive Sustainable Growth & Savings

These changes represent an attractive investment case to support sustainable top line growth and create efficiency to drive bottom line. We plan to invest around £600 million in cash costs, as you can see here on the slides.

This will be in two main areas.

First, creating an agile data-led enterprise, integrating people, technology, data and processes.

And second, driving manufacturing excellence. This includes a standardised operating model to improve safety, quality and performance, unlocking efficiencies.

We expect the majority of the spend will be in FY27 and FY28, with some spend in the years either side. We will provide more specific guidance year-by-year. In addition, we also expect to incur associated non-cash charges of around £140 million.

This programme is highly specific and will be time limited to deliver step change in organisation capabilities and support our strategic delivery. As a result, we intend to treat these costs as an adjusting item to a comparison of our performance over time.

Slide - Unlocking Value for 2030 Strategy and Beyond

We expect to deliver annualised savings of around £320 million, which will be delivered in the latter half of our plan.

We will reinvest the majority of these savings to capture more top line growth opportunities. This will be through investing in the must-win battles you have heard about today. These are the big levers which will drive performance in both our combustible and NGP brands. And we will further enhance our consumer, brand, and innovation capabilities. It will also improve our resilience to offset headwinds, such as cost inflation.

This will underpin the long-term sustainability of profit and cash growth through 2030 and beyond.

Slide - Unlocking our Full Value Potential

I would now like to take a moment to explain how what you have heard today translates into a clear financial formula for the next five years. The good news is that the components of our future financial model are very consistent with what we have delivered under the current strategy.

Slide - A Consistent Formula to Unlock Value

It starts by having a clear strategy to win with the consumer, which you have heard about today. This will drive financial delivery, particularly as sustainable growth and cash flows, and support our medium-term guidance. This in turn, we'll deliver growing capital returns for shareholders in line with our capital allocation framework.

Slide - A Clear Five-Year Strategy for Value Creation

Turning now to our medium-term guidance. You will see it is similar to what we have delivered in recent years.

We expect to deliver low single-digit net revenue growth from our combustible tobacco business. And as Murray explained earlier, our tobacco brands will continue to be the major driver of profit and cash.

Our NGP brands are expected to deliver double-digit net revenue growth. This will mean that over time, NGP will become a more meaningful part of our overall group, in line with our purpose of forging a past to a healthier future.

This revenue growth in both combustible and NGP, as well as our contribution from Logista, will support annual growth in group-adjusted operating profit of around 3% to 5%.

This is consistent with the growth rate we have delivered over the course of the last three years and reflects continued investment in both our combustible and NGP brands.

We are adding EPS to our guidance to recognise the contribution from the ongoing evergreen share buyback over the next five years. This will help to drive adjusted EPS growth of at least high single digit.

To support this, cash generation will remain a key focus. We expect to deliver growing free cash flow over time with an annual range of £2.2 to £3 billion. This range takes into account the phasing in the cash spend on our restructuring investment and the potential variation in foreign exchange translation.

Like the last four years, we have set this medium-term guidance at the level which we believe we can consistently and sustainably deliver.

Slide - On Track to Deliver our FY25 Guidance

I should stress at this point that our guidance for the current half and full year is unchanged as shown on this slide.

I won't go through the details. However, I would like to remind you, that like previous years, performance will be weighted to the second half because of phasing of pricing and investment. As a result, first half group adjusted operating profit is expected to grow at the low single digits, so at the round one to 2%. And we remain confident of delivering our full year guidance as set out in today's statement.

Slide - Continued Strong Cash Outlook

The cash characteristics of our business remain highly attractive, with low Capex needs supporting strong free cash flow delivery. This will be further underpinned by ongoing growth in our adjusted operating profit.

I'd also highlight that as we have shrunk our capital base through share buyback, our free cash flow per share is becoming increasingly attractive.

Looking ahead, we will continue to optimize our cash delivery and be highly disciplined in our use of capital.

Slide - Logista: Strong Profit and Cash Contribution

One of the contributors to both our profit and cash is our stake in Logista. This is the Spanish listed European logistics business in which we have a 50.01% stake.

As a leading distributor of tobacco products in Spain, France, and Italy, Logista plays an important role in collecting excise duty payments. Therefore, depending on time, Logista can often have a significantly duty creditor and positive cash balance from which we benefit through our daily cash pooling. For example, in this past year, the daily average cash balance from Logista was £1.8 billion.

We are also supporting Logista's strategy to develop in sector outside tobacco, which has helped drive a strong share price performance over the last four years. Its attractive markets, competitive position and strong execution, create a potential for further re-rating and value creation for our shareholders.

Slide - Consistent Capital Allocation Priorities

Our disciplined and consistent approach to capital allocation has served the business and all investors well over the last four years. This is a differentiating factor in Imperial's investment case.

You'll be glad to hear that our approach to capital allocation will be unchanged with the same four priorities.

Our first priority is organic investment to support our strategic delivery. This will include investments in becoming more agile, simplified business to support long-term sustainable growth as I mentioned before. We will continue to consider small bolt-ons to develop our NGP capabilities, but our strategy does not require any large M&A or any of its associated risks.

Our second priority is to have a strong efficient balance sheet by maintaining investment-grade credit rating. This aligns with our existing net debt to EBITDA leverage target, at around the lower end of our two to 2.5 times range. Our progress was recognised last year with the upgrade from Moody's, which provides greater security for our investment grade rating.

Our third priority is to reward shareholders through a progressive dividend policy. This means we're committed to growing our dividend per share every year in line with our underlying performance.

And fourth, we are committed to returning surplus capital to shareholders via share buyback. This is about rewarding our shareholders by meaningfully reducing the capital base over time. And as Stefan announced, we are today committing to an evergreen share buyback during the next strategic period.

Like our current plan, we will advise on the buyback quantum each year based on the level of surplus cash available.

The key message I want to leave you with is this: We have a clear sustainable financial plan which supports both continued investment in business transformation and a sizable buyback, each and every year, over the next five years.

By 2030, we will have delivered eight consecutive years of share repurchases. There are few companies which can commit to such a consistent long-term programme.

Thank you very much and I'll hand back to Stefan for the conclusions.

Slide - Driving Value Through Our 2030 Strategy

Stefan Bomhard – Chief Executive Officer

Thank you, Lukas. And before we move to the Q&A, let me offer you a few final thoughts.

Slide - Our Purpose, Vision and Strategy

Now, throughout today's presentation, I think you've heard about three things quite consistently.

And first, we start with the consumer. That is the mindset that we believe will drive real commercial value for this company.

Secondly, we are being highly focused in the choices that we're making as a company here.

And third, we have the team and the culture in place to successfully deliver on our strategy in the next five years.

It's these three things, consumer centricity, tight focus and performance culture, which together make up our distinctive challenger approach. And it is this clear approach which we believe will enable us to successfully deliver on our 2030 ambition.

Slide - Our 2030 Ambitions: The Next Five Years

Now, on this slide, you can see the priorities this team will be focused upon between now and 2030. These are the key things. We will update you on a regular basis in our results presentations. And they are how you should judge our success in the next five years.

We'll get even closer to our consumers to build powerful differentiated brands which drive revenue across combustibles and NGP.

We will unlock value, investing purposefully into our organisation and our people.

We will generate sustainable value in combustibles by staying on the growth levers which we know really matter.

And in NGP, we will build scale in a targeted way which will generate profitable growth.

Slide - A Clear Investment Case

All of this will underpin our ambition to continue to improve outcomes for our shareholders that is you. And our goal is to maintain the consistently strong revenue and profit growth you've seen over the past few years from us. We'll continue to drive cash flow. And that will enable us to increase our ordinary dividend and maintain an evergreen always on share buyback programme.

This all adds up to at least high single digit EPS growth each year, which is one of the highest in our sector. And we continue to trade on an attractive valuation by any measure.

So, this creates a strong investment case, both for existing investors and for new investors, with compounding returns underpinned by a very clear plan. And hopefully, as you have seen today, we have a capable leadership team that will deliver that plan.

Now, I would like to invite the colleagues who presented after the break back onto the stage, and then we'll be more than delighted to answer any questions that you might have.

Slide - Q&A Session Two

Peter Durman – Director of Investor Relations

Great. So, thanks so much, everyone. So, as before, this our final Q&A session, so please take advantage of it. We're going to take questions from the room first, but then we'll take questions from those who have joined on the telephone as well.

As a reminder, if you are joining on the telephone and you want to ask a question remotely, you'll need to dial in using either the dial in details we sent out in an email earlier today, or you can register using the information that's on the press release, which we issued today. And if you wish to ask a question on the telephone, please press star and one on your keypad.

So, we'll now just take the question from the room. Please state your name and organisation before posing your question. And we're happy to take your first question. Who's going to go first? We'll take the questions back of the room from Faham, I think. Thank you.

Faham Baig – UBS

Thanks, it’s Faham Baig at UBS. A couple of questions from me, please, starting with the US first. The US has seen significant down trading over the past five years, that seems to be continuing. We now see increasing competition in the segment from an international player and a premium player. What do you see as a segment's potential in the US and how does Imperial think about value share in the US going forward?

Kim Reed – President, Americas Region

Very good. So, thank you for both of those. So, first of all, I think everybody knows that the US is a very affordable market, you heard Murray talk about that earlier. And as you just indicated, it's also a very competitive market. We're the number three challenger in this marketplace, but we've had, as you saw in the presentation earlier, we've had some success, quite frankly, in leveraging our entire portfolio across all price segments inclusive of the deep discount segment.

As we go forward, we've taken an outlook, we've looked at where we believe the volume decline will continue, whether that volume decline will continue or not, and we've done some deconstructing on that.

First of all, before I go into that piece, I think what's most important is we still believe that our value creation model stays intact. And what I mean by that is there is still room for us to continue to take pricing to offset any volume declines as we move forward.

Within those four levers, we've continued to deconstruct how we think the market will continue to perform. And there are two that we believe, secular and price, that we don't see much change. Those have been fairly consistent over the timeframe, but the two factors that we are seeing change are the macroeconomic pressures on our consumers as well as the cross-category impact driven by Illicit. Those two factors represent almost half of the size decline that we've seen in the US and that quite frankly, especially the macroeconomic piece has driven some downtrading. We've had downtrading in the US for many, many years though, so that's not new. But the fact that those two factors represent half of our decline, that is new.

So, as we think about the outlook, listen, it's very hard to predict the outlook, but our assumptions, which have been quite cautious, have assumed that we will see some easing of headwinds from a macroeconomic standpoint. So, the pressures on our consumers that may be doing some downtrading, we do believe that that will start to ease over time.

But the real big change that needs to happen is greater enforcement around Illicit. And we believe that once that happens, because 50% of the sales right now in vapour are driven by Illicit right now. If we can see a meaningful change there, we believe that overall, we'll see a meaningful change in size.

All of that said, we have performed well in this environment with our portfolio because we have a portfolio that goes across all price segments including deep discount but also in premium, and you heard me demonstrate that within our Winston brand today. So, I think overall we are comfortable with where we'll go, our plan for the next five years and believe that our portfolio puts us in a position to continue to be able to deliver.

Stefan Bomhard – Chief Executive Officer

And Faham, if I build on Kim's point, I think hopefully what you took away from today, our capabilities from a marketing perspective, brand-building capability is different from where it was four years ago.

And I think what's exciting, we definitely have a very nice portfolio of different brands at every single price point and we had that portfolio for quite a while and I think our capabilities about doing the right things with each individual brand at the right price point is better today than it would have been four years ago. So, as the market could become more competitive, I think we're well-prepared.

Faham Baig – UBS

Great. A couple of questions for Lukas please. So, Imperial's absolute debt has been declining for the last five years, but as you look to maintain net debt to EBITDA, is it reasonable to assume for the next five years issuances should outweigh redemptions?

And the second question is on the operating profit growth outlook, the previous guidance assumed in acceleration in operating profit growth, should we expect any phasing in the new three to 5% CAGR guidance over the next five years, please.

Lukas Paravicini – Chief Financial Officer

Thanks, Faham. Let me start with the debt and redemptions. It is true that once we've reached our strong balance sheet and we have committed to maintain that leverage, you will see us coming to the market more frequently. And you've seen that in the last 12, 18 months already. We've just launched a Euro bond which was very successful. So indeed, you're right, you'll see Imperial coming more regularly to the market.

On the AOP phasing, this is a five-year guidance, it's a mid-term guidance and we'll come back every year with the update of that guidance, but there is no specific phasing necessarily in that three to five. That is a range that you will see us going through every year here.

Peter Durman – Director of Investor Relations

Okay, we'll take a question from Gaurav in the front and then we'll come to you.

Gaurav Jain – Barclays

Hi. So look, I think the investment case for Imperial is quite compelling, but I think the biggest question that I get from investors is, there is a perception that there is a key man risk, I know Peter has decided to retire, and now everyone, also the question people ask is that, what if you and Lukas, what are your plans and when could you decide to retire?

And the people also have theories that maybe your term is also ending next year. So how should people think about the changes that could be happening at the board level or in the CXO suite?

Stefan Bomhard – Chief Executive Officer

Sure. First, I appreciate, so thank you for making a compliment that you appreciate Lukas and me on this one, it's always a good starting point because it's not always the case.

But on a serious note, let's be very clear. I think one is the things is what hopefully today demonstrates to you is the quality of the management team that has arrived at Imperial in the last four years. And you've seen the quality of the management team, and I also want to be very clear, that it is this management team, not Lukas and me who drives this performance. And I think what you also hopefully took away, and I'll talk with some of you in the breaks, this next five-year plan with some very clear programmes and some very clear commitments has been developed collaboratively by this team.

So, this should give you all the confidence. And you logically see Lukas and me really excited about it, but I want to make this point, I'm a big believer in business as a team sport, and I think it's not about one or two people, it is about the business overall and hopefully this afternoon has demonstrated that to you. And I don't even talk about the 500 other people who sit below this management team.

Peter Durman – Director of Investor Relations

Thanks, Stefan. I'll come to Simon in the front here.

Simon Hales – Citi

Yes, Simon Hales from Citi again. Can I just come back, Lukas, to the three to five midterm EBIT guidance, obviously that is a little bit lower than the previous programme, maybe fifty looks low, I know this is a nuance, but I'm just trying to get my head around, what's driven that?

You've reiterated the top line, and I think from what we've seen today across the organisation, it feels much more confidence in the go-forward five-year strategic plan than perhaps there would've been four years ago when there was a lot of change that needed to be made in the organisation to deliver it. So, what's different, what am I missing that's led to that slight nuance in the guidance?

Lukas Paravicini – Chief Financial Officer

I think that's probably a question many of you have. And for one, we have set achievable targets, we have done that in the past and we'll continue to do that in the future to set achievable targets. But probably more importantly is that we want to balance the opportunity to create cash and profit with investment that underpin future growth of cash and profit. And there are tons of opportunities to invest, be that scaling up NGP, be that investing further in our differentiating combustible brands, be that further investing in our tools in salesforce, investing in technology in people and process, as we said before.

So, there are lots of opportunities where we can balance off the short-term cash flow and profit with the long sustainable bid. We are here for the long term. We are here to build that future sustainable growth in profit and cash. And what is also very important, we have added the EPS as a metric which we guide the market. We believe that investment we are doing will support future cash flow and profit, but also the high single digit EPS. So that's really what we are looking at that 3 to 5%, it is a reasonable, achievable target that supports the high single digit EPS.

Peter Durman – Director of Investor Relations

Okay, great. I'll take a question in the back of the room.

Damian McNeela – Deutsche Numis

Hi, it's Damian McNeela from Deutsche. Just perhaps for Lukas, just whether you could provide a bit more information on the cash costs. What areas is the money going to be spent on and what are the risks that that £500 million of cash, given the fact that most of it hasn't being spent for a couple of years is actually higher than 500 million when we get there?

Lukas Paravicini – Chief Financial Officer

So, first of all, I think we've been quite prudent in our plans and I think over the last four years you have seen that we've been very transparent and very diligent in doing what we said we would do. So, I would assume that you will not see us spend more than 600 million. That's point number one.

As I mentioned before, you can see some excitement in us in building our differentiated capabilities, in developing our culture, our organisational capabilities. So hence to your point, the opportunities where those 600 million costs will be spent is multiple across the whole organisation, that is investing in our technology, using better our technology data is a good opportunity.

Supply chain efficiency has a lot of opportunities. Manufacturing excellence is another one. Scaling up NGP. So, there are lots of things that we could do and where that money will go.

We are not splitting today the details of that plan because today is about the bigger pictures, how we will invest in the future to generate that high single digit EPS. But we will, as we usually do, provide further details as and where we progress on those plans.

Peter Durman – Director of Investor Relations

Any more for… I have a question in the middle here on the right, on my right. Great, thanks.

Divya Balakrishnan – Marshall Wace

Hi, Divya Balakrishnan from Marshall Wace. Thanks for the presentation. Just one question from my side, following up on Simon's, this is a business model with a fair bit of flex in terms of operating leverage that you can deliver. How much of conservatism do you think is being baked in the 3 to 5% operating profit and is it just something you want to keep expectations low?

Stefan Bomhard – Chief Executive Officer

No, I think… Let me answer this one. I think what's important, as we sit here, we're forecasting, we're giving you as investors a commitment for the next five years and I think we shouldn't keep it. And I think that should give you some good level of confidence for us the business to sit here forecasting what happens in 29 and 30 with quite a level of precision.

I think that should give you the confidence. It goes back to the point that Lukas touched upon before, with our visibility we have today, with our level of investment, we believe this is the right corridor to target this business for. And I think what is important to keep in mind here, this is the business that only a few years ago started to rebuild its security and confidence in being able to deliver this number.

So, rest assured this is not lost on this management team that it's important to have a set of numbers committed to today here in March 25 all the way up to 2030 that we have the confidence to deliver.

Peter Durman – Director of Investor Relations

Great, thanks. I think Rashad had his hand up thanks.

Rashad Kawan – Morgan Stanley

Hi, Rashad Khan from Morgan Stanley. Just a follow-up, Lukas, on the cost savings plan. I get the compelling nature of it. It sounds like particularly within the ERP programme and transitioning all the different countries to the same systems, it's a big lift. So, are there any risks in terms of any kind of near-term disruption that could cause as you get those and migrate those programmes across the different countries?

Lukas Paravicini – Chief Financial Officer

Yes, I mean the nature of any larger ERP implementation is not risk-free, and many of you have seen this in the market. But where I take my reassurance from is that we are catching up with the industry. We are developing a system which is well known and for which there are lots of people in the market that know how to do this.

So, what we've done really is we have hired a lot of people who are very specialised in that programme, and we have been very prudent in the sequencing of that rollout where you can see that we take five years to roll out the whole enterprise.

So, I feel very confident with the team, the plan we have in place. Also, we work with renowned service providers that we can manage that risk really well. We've got life in the UK, which is one of our top five markets, without any interruption. And you've heard Stefan, we are not the team that is very complacent with what we have done, so we're very acutely aware that every rollout will have inherent risks, but we are confident that we can repeat what we have done in the UK going forward.

Peter Durman – Director of Investor Relations

Okay. I see a question over there.

Philip Spain – JP Morgan

Hi, Philip Spain from JP Morgan. Thanks for taking my questions. Just on NGP, do you have a view of what level of scale you'd be able to achieve breakeven in that business and over a potential timeline for when you could achieve that scale in NGP?

Sure. I was waiting for that question because I'm sure it's also one that goes through mind of some other people. Now, as you would expect with the level of volatility that the NGP market has between the different forms of NGP, taxation, the regulation we have on purpose stayed away from saying exactly, this is the year where it will break even.

But I think what you'll hopefully see is well, when I have really good plans across all three categories, we clearly in this five-year plan, we do make a commitment that this will make a meaningful contribution to the top and the bottom line and the cash generation of the business.

I think what's important here as well, look at the progress we've made the last four years, look where the business is today, the propositions we have, our market share positions in some highly competitive marketplace, that should give you as investors the confidence that Imperial really has a role to play in here.

I think the brand capabilities, the innovation capabilities, some of them that hopefully you saw downstairs as well, should give you that confidence that we absolutely have a plan to build a business that is profitable and driving forward. It's a key piece of us actually going forward.

Peter Durman – Director of Investor Relations

Okay, we'll take the one... Gaurav in the front here.

Gaurav Jain – Barclays

Lukas, a question on the free cashflow guidance. So, 2.2 to 3 billion is a pretty wide range, so is it that in the years when you have the cash restructuring costs, free cash flow is 2.2 and FY 30 is 3 billion is what you are trying to communicate?

So, first of all, I think to that question, this is the first time we actually give a guidance of free cash flow and we do that because we want to underpin the importance of our capital returns policy. That is really the driver for this free cash flow commitment to just underpin that capital return.

Now you're right in the lower end of that range, you could consider that there will be probably the initial phase of our restructuring cost will have a bigger impact, but also effects translation risks are embedded in there. But we are committed to build our cash flow over time to that three billion, which you've never seen in Imperial, to the end of that programme, or the five years plan, sorry.

Peter Durman – Director of Investor Relations

Okay. Any more questions? No, all good? Very good, if there's no more questions, thank you very much. I'm now going to hand over to Stefan for some concluding remarks. Thanks.

Stefan Bomhard – Chief Executive Officer

Well, I'll be very brief. First, look, I want to close by thanking a couple of people. I mean, first the executive team that I think brought, hopefully, the story of the next five years alive.

I think it's always important to thank all the colleagues who've worked downstairs diligently to bring some of our key things that we've done differently the last couple of years ahead. And I also want to thank Peter, and Peter isn't going yet. Peter is with us, but I think Peter and the IR team have really done a great job.

But most of all I want to personally thank you. First, for all of you, especially here in the room who invested your afternoon with us, but I also wanted to especially thank the investors who've invested in Imperial in the last couple of years, who invested with us when we had, in 2021, our strategy when our plans were unproven, because that was a real vote of confidence in Imperial, so hopefully today you've seen that as we set out another clear plan for another five years of value creation.

And I hope we have given potential new investors, but also our long serving investors a great opportunity to look again at the investment case because I think we offer a journey of very compelling returns as we continue to forge our past to a healthier future.

So, thank you very much from my side and the whole team for attending today. You are more than welcome, please, to join us downstairs for a drink where you will have every opportunity to spend time with the entire leadership team of the company.

Thank you very much. Thank you.