



IMPERIAL  
**BRANDS**

# **Interim Results 2022**

Tuesday, 17<sup>th</sup> May 2022

## Results Overview

Stefan Bomhard

*Chief Executive Officer, Imperial Brands Plc*

### Welcome Address

Well, good morning to everyone here, and welcome to our half-year results presentation. And thank you to all of you, who have come to join us here in London. It's great to see you. But I also want to say a warm welcome to all of you are watching this presentation online.

I will just draw your attention to the disclaimer, before I introduce you to the rest of the team and outline the agenda for the day.

### Agenda

Now, I'm with our Chief Financial Officer Lukas Paravicini and Peter Durman, Head of Investor Relations. I will give you some introductory remarks about how we are successfully implementing our strategy. Lukas will follow with an explanation of how our strategy is translating into positive financial outcomes. I will then return with some further colour on how we are delivering in our key markets and categories.

And finally as usual, we'll have plenty of time for questions and answers.

### Good Progress In line with Five-Year Plan

*Delivering on your strategic priorities*

I am pleased to report that our five-year plan to transform Imperial is fully on track – and our results today demonstrate this good progress. The key headlines are these:

One. Our targeted investments have driven improved aggregate market share in our top-five markets. This is another important piece of evidence confirming that we have now stabilised our core combustible business, following a long-period of relative decline.

Two. Positive consumer reaction to our recent NGP trials has strengthened our confidence in our NGP strategy and enabled us to move to a broader roll-out of our new propositions.

Three. Strong cash generation is delivering further deleverage.

And four. While the future is always inherently uncertain, we remain on track to deliver full-year results in line with our previous guidance.

### Strengthening the Business

*Good progress delivering on our objectives*

Our strong performance in the first half of the year and our confidence about the future are both a consequence of the way our people are delivering on our strategy which we launched in January 2021.

This strategy was built around the six concepts contained in our strategy wheel, which will hopefully be familiar to many of you by now. What started life as a set of abstract propositions has – a year and a half later – developed into concrete capabilities, new teams with new skills, new ways of working – and positive financial outcomes. Let's look first at the

progress we have made in building our strategic enablers – the essential foundations or building blocks of future success.

We said we would put consumers at the centre of our business. I can report today that we have completed all senior hires for our new Group Consumer Office. This team, working with partners inside and outside the company, has already built a pipeline of innovation. And the first output of this pipeline is our all new blu vape device, which is now being piloted.

We said we would build a performance-based culture. Since we launched our new behaviours last year, we have put our first 400 senior leaders through a fifteen-hour training programme to help them use these behaviours in their day-to-day working lives. While culture is hard to measure objectively, during my recent visits to our businesses I have felt a step change in the quality of collaboration, accountability and long-term planning.

We said we would create a simpler and more efficient business. The actions we have already taken will deliver £90m of savings by the end of this year. At the same time we're building an operating model better aligned to delivering our new strategy.

These strong foundations are supporting the successful delivery of our strategic pillars. Taken together these three pillars are all about focus – something which is absolutely essential for a company like ours, which is the smallest of the global tobacco businesses. We are focused on the top five combustible markets which account for 70 per cent of our operating profit. We are focused on building a targeted, yet material NGP business. We do not seek to be in every category in every market. And our third pillar – driving value from our broader portfolio – is also about focus: we are focusing finite resources and management time on the key market portfolios which can make meaningful contributions to Group revenues and profits.

### **On Track with Our Five-Year Transformation**

#### *Completing our two-year strengthening phase*

Now, The five-year strategy is designed to build a more sustainable Imperial capable of growth year in, year out.

We divided these five years into two distinct periods: a two-year strengthening phase where we build the foundations for future success, followed by a three-year acceleration phase where shareholders can expect to see improved returns.

We are now 18 months into that first two-year strengthening phase. And we are exactly where we hoped we would be at this time. Looking at this timeline, you can see the inputs along the bottom line, including: the creation of a new senior leadership team, a new purpose & vision, and a refreshed approach to ESG.

And along the top line you can see the tangible outputs: including the stabilisation of the core and the complete rebooting of our NGP operations. A big achievement that is down to the energy and focus of our unique team of people: a blend of newcomers bringing fresh perspectives and long-servers with deep tobacco knowledge.

What's even more pleasing is that while delivering our long-term strategy, our teams have also responded nimbly to unexpected events. As we announced last month, we have now delivered on our commitment to exit Russia swiftly. Meanwhile we have executed a significant

operation to safeguard our 600 Ukrainian colleagues and their families. And that great work, of course, is continuing.

### **Stabilising our Priority Market Share**

*Targeted investment strengthening our share of market*

Within the five-year strategy, our most important early goal was the stabilisation of our core combustible business. In our minds, this was important if we were to build a solid platform from which to grow.

Over many years, Imperial had been the industry's largest donor of market share in our priority markets. That clearly was not sustainable. Today we can report a 25-basis point improvement in aggregate market share for our top-five markets. This is the third consecutive half-year period when we have posted stable or positive share numbers – another important piece of data pointing to the strengthening of the combustibles business.

As a reminder, we manage these five markets as a portfolio. In any given period, we expect to see some markets moving ahead in share terms with others facing temporary declines. During this half-year we grew share in the US, UK and Australia, which more than offset declines in Germany and Spain.

The US delivered a strong underlying performance and the team achieved an additional uplift by capturing some of the share made available by KT&G's exit from the market. This was a really agile operation by our sales and marketing teams and we estimate it added 20 basis points of share to the US performance. Our recently expanded sales force under the new strategy was a key enabler in delivering this. It was a one-off opportunity and therefore we expect share momentum to moderate in the second half.

As we have previously signalled, in Germany our initiatives are taking longer to take effect than in other markets. This aggregate market share progress was again achieved while maintaining strong pricing discipline against a tough environment, particularly in the first quarter.

Then, we faced the final drag of the Australian duty changes. And there was the inevitable product mix impact caused by the KT&G share gains in the US. The environment improved in the second quarter, with price increases achieved in all our key markets, including Spain, where there had been no increase for several years.

I am pleased with where we are on share. While there is always more to do, we have again achieved our objective of holding our share in these markets, with a little bit of outperformance.

### **Understanding Consumer Dynamics**

*Actively managing the business to meet evolving consumer needs*

Before I hand over to Lukas, I want to take a step back and look at the environment through the eyes of our consumers – and outline how we are actively managing the business to align with their evolving behaviours and needs. There are three trends I want to highlight:

First, as lockdown restrictions ease, consumers are back on the move and buying habits are returning to pre-pandemic patterns. Market volumes are weakening in Northern Europe and strengthening in travel and tourist destinations. And we are working with our retailers to

make sure these travellers, when they get to their destinations, can easily find the brands and the formats they expect. Only yesterday I was in Luxembourg where I met our team and it was great to understand how they have geared up to meet shifting consumer needs from neighbouring countries.

Second, we are all aware of the high levels of inflation – and the potential impact on consumer spending. This trend is still at an early stage as the full effects have yet to be felt in people’s wallets. While the future impact of this trend is uncertain, what reassures me is this: Across all our major markets we have been actively managing our portfolios of brands to ensure that we have quality products available at whatever price point consumers ultimately choose. And we will continue to adapt our offerings.

Third, consumers continue to seek products which bring them relaxation and pleasure while reducing the risk to their health. This is a long-term trend – less of a sprint, more of a marathon. And, as I will discuss in more detail shortly, we are committed to playing our part by building a sustainable NGP business led by consumer insights.

I will now hand over to Lukas to take you through the financials. Thank you.

## **Financial Review**

Lukas Paravicini

*Chief Financial Officer, Imperial Brands Plc*

### **Delivering Against Our Plan**

*Initiatives to strengthen the business on track ahead of phase 2*

Thank you, Stefan, and good morning to all of you. When we reported our results for the 2021 full year, we were able to show for the first time in many years, positive trajectory for each of the key metrics on our financial dashboard. Six months on, I can again report that all the lights are green and all the arrows are pointing in the right direction.

Stefan said we are exactly where we expected to be at this stage in our strategy in terms of operational delivery – and the same is true about financial outcomes.

Our earnings per share growth exceeded expectations. This was driven by our increased operating profit, together with lower finance costs due to an early repayment of debt last year and a lower than expected tax rate. I will give more detail on this later.

Our focus on cash generation supported the delivery of £336m of free cash flow in the seasonally weaker first half of the year. This enabled us to achieve a year-on-year improvement in our leverage to 2.4 times. Capital allocation remains a key value lever and we are making good progress in reducing debt towards the lower end of our target gearing range.

### **COVID-19 Market Trends Beginning to Unwind**

*Reverting as expected to historical trends*

As Stefan signalled... the removal of COVID-19 restrictions is leading to market volumes reverting to their historical trends. As expected, year-on-year percentage changes are being magnified by the strong growth recorded in the comparator periods. In the US, market

declines have been impacted by the removal of temporary fiscal stimulus payments as well as consumers having fewer opportunities to smoke now they have returned to their work place.

With open borders and a relaxation of travel restrictions, consumers in Germany and the UK are beginning to travel again and taking advantage of lower pricing in destination markets. This is more advanced in Germany, with travel into markets such as Poland weighing on German market size.

On the positive side, we are now seeing growth in traditional tourist markets such as Spain, the Canary Islands and in Global Duty Free.

### **Net Revenue Growth Driven by NGP**

*Tobacco price mix offsets volume declines, strengthens in Q2*

Overall, net revenue grew by 0.3 per cent at constant currency. Volumes remained strong relative to historical trends, with tobacco volumes declining only 0.7 per cent, due to strong performance in the US, the Middle East and Australia which we will come onto in a moment.

As Stefan touched on earlier, price mix, though positive, was lower than historical trends due to price phasing and product and market mix. We had a good performance from our NGP portfolio, making strong progress across all categories.

### **Performance Driven by Americas and AAA**

*Strong volume performance in Americas and AAA*

Breaking down these drivers in a little more detail, we can see that the strong volume growth in the Americas and Triple-A was offset by weaker growth in Europe, though overall volume declines remain better than the historical trend. In the US, volumes grew as we achieved market share gains in a declining market and wholesalers pulled forward purchases ahead of price increases.

Triple-A volumes benefited from the unwind of COVID-related travel restrictions. Tobacco net revenue was strong in the Americas and Triple-A regions, balancing out weaker performance in Europe. We achieved positive price mix in Triple-A, whereas price mix in Europe was affected by the timing of price increases... Strong pricing in the Americas was offset by faster growth in the lower priced deep discount segments, which affected our product mix. As a result, price mix was relatively weak in the first quarter but improved markedly in the second quarter as we achieved price increases in our key markets. Price increases taken in the first half will support improved price mix in the second half of the year.

Our NGP portfolio has performed well with NGP net revenue up 8.7 per cent at constant currency. This reflects a strong performance in Europe across heated tobacco, modern oral and vapour. This more than offset the decline in the Americas, where the continued competitive environment in vaping is leading to greater discounting in the category.

### **Delivering Adjusted Profit Growth**

*Continued Investment in foundation building*

Adjusted operating profit grew by 2.9 per cent at constant currency, with our performance impacted by four main areas. We benefited from the non-repeat of the litigation settlement in Minnesota and Texas in the prior period.

This was then offset by the continued increased investment behind our five priority markets and the new ways of working, which Stefan will cover later. This is about building the foundations for future growth.

The improved performance in NGP delivered the majority of Group profit growth as we benefited from exiting loss-making markets in Triple A last year. Logista's contribution was broadly neutral.

### **Operating Profit: Adjusting Items as Guided**

#### *Russian operation divested as a going concern*

Like other businesses, we make certain adjustments to our IFRS numbers to aid performance comparisons over time. I want to be very open about how we approach these adjustments. First, our decision to exit Russia and associated markets triggered the recognition of charges that have been classified as adjusting items both above and below operating profit. At the earnings level, the charges totalled £225m in the first half. The transaction has also triggered a recycling of FX losses of between £150 to £190m, which we will recognise in the second half.

Second, the lower annual amortisation in this period is from certain assets now being fully amortised. Third, we announced a restructuring programme in 2021 to reorganise and simplify the business, unlocking efficiency savings to enable increased investment in support of our five-year plan. We made further progress and anticipate the remainder of this programme will be recognised in this financial year. As Stefan said earlier, actions taken to date are expected to secure annualised savings of around £90m by the end of FY22. And we will continue to seek a greater alignment between reported and adjusted operating profit.

### **Driving Stronger EPS Growth**

#### *With higher operating profit and reduced interest costs*

Earnings per share growth has been driven by both our increased operating profit and lower finance costs due to the early repayment of a US bond at the end of last year.

We've achieved favourable developments in several tax jurisdictions in recent weeks, which have reduced uncertainty for the current financial year... and resulted in a lower adjusted tax rate year on year.

We anticipate this impact to be greater on full-year earnings per share, as the lower tax rate is expected to remain at this similar level for the rest of the current financial year, and next. Over the medium term, we expect upward pressure on the effective tax rate.

### **Resilient Cash Delivery**

#### *Continued strong cash flow generation over last 12 months*

Turning to cash, I have a clear priority to optimise the sustainable free cash flow generation from the business. As you can see our cash delivery on a 12-month basis remains strong with cash conversion of 102 per cent driving free cash flow of £2.4 billion.

We increased the dividend by 1 per cent, leaving net cash flow after dividends of £1.3 billion to support further debt reduction.

**Strong Cash Support Further Debt Reduction***Delivering 0.2 times improvement in leverage*

Active capital discipline remains a key value lever for our strategic plan. And our four capital allocation priorities are designed to do just that. Our first priority is to invest in the strategy to create a sustainable business with growing cash flows. Second, it is to strengthen the balance sheet. Strong cash generation enabled a reduction in adjusted net debt of almost £1.2bn to £9.2bn. Third, we are committed to providing reliable cash returns through the dividend. And, fourth, we have committed to return surplus capital once we reach our target leverage. While cash generation is always seasonally weaker in the first half of the year, on a 12-month basis we reduced our gearing to 2.4 times. This good progress only strengthens our confidence in our capital allocation approach as we move closer to our target leverage.

**FY22 Outlook: On Track to Meet Full-Year Expectations***Financial summary*

2022 is the second year of our two-year strengthening phase, and we are stepping up investment behind our priority combustible markets, in our NGP roll-outs and our new ways of working. As COVID restrictions are now largely lifted, we expect volume declines to increase to historic norms. However, price increases taken in the first half of the year will support revenue growth in line with our previous guidance of 0-1%. This already reflects the impact of our exit from Russia.

Adjusted operating profit growth is anticipated to be around 1 per cent, consistent with our five-year plan and previous guidance. We are mindful of the inflationary pressures all businesses are facing across the economy. While we are not immune as a tobacco company, we are well placed to manage them through the balance of this year through cost initiatives, our high gross margins and pricing.

As I said earlier, we now expect our adjusted effective tax rate to be around 22% for this year and next, compared to our previous guidance of 24%. Over the medium term, we expect upward pressure on the effective tax rate. Our finance charge will also be lower at around £330m, reflecting the benefit of the early repayment of a US bond at the end of last year.

At current exchange rates, we anticipate translation foreign exchange to be a 1.5 per cent benefit to full year earnings per share.

Thank you. I'll hand you back to Stefan.

**Transforming Imperial Brands**

Stefan Bomhard

*Chief Executive Officer, Imperial Brands Plc*

**Our Purpose, Vision and Strategy***Creating a common high-performance culture for Imperial Brands*

In this section, I want to give you a more granular feel for the distinctive culture we are building at Imperial and how our people are implementing our strategy. As I said earlier, the



overarching goal of this strategy is to build a more sustainable Imperial capable of growth, year in year out.

In this first foundation-building phase of our strategy, we are seeking to equip the business with the skills and culture it needs to play its natural role within our industry – that of the nimble challenger. We are the number four player and we can't match the broad waterfront strategies of our competitors, nor their R&D spend. But if we do our job well, we can outperform them by capturing value that they overlook and by building smart partnerships.

This idea of becoming the strong challenger is the unifying theme of our new vision. And what's really encouraging is the way our people have enthusiastically adopted this new mindset. The way the US team moved quickly to capture the share that shook loose when KT&G exited the market is a good example of this agile approach.

Earlier this year we held a virtual event for our top 500 leaders to share challenger best practice. We heard how one of our smaller markets Romania had grown market share dramatically by identifying that the consumer need for affordable quality was being under-served by our competitors. We heard how our Australian business successfully launched an entirely new brand into the market – Lambert & Butler – an impressive and unusual achievement in such a dark market. We even heard from our supply chain team about how they adopted agile ways of working to meet the growing demand for cigars in the US market.

As we cover the highlights of our major combustible markets and NGP initiatives, you see some further examples of this challenger mindset in action.

### **On Track in Implementing Our Critical Enablers**

#### *We've made a significant people investment*

As I said earlier, the critical enablers, the bottom three segments in our strategy wheel are now rapidly taking shape. This focus on building capabilities and culture is absolutely essential.

I want to focus for a moment specifically on culture. It is no secret that this company's past mis-steps were in part caused by cultural issues. That's why the roll-out of our new behaviours is so important. We want to create an organisation which is more consumer-focused, more collaborative, more accountable, more inclusive, and more focused on the future

These behaviours are not just about putting words on a wall (though we are doing that too!). We are making a considerable investment of time to ensure everyone in our business feels confident about how to apply these important ideas into their everyday working lives. So far, over 400 members of our senior leadership team have participated in 15-hour training sessions and a further 900 will take part in the next three months. And by the end of the year, all employees will have some familiarisation with these new behaviours.

The feedback we are receiving from our people has been really positive. For many, it is the first time they have had proper quality time to reflect on "how" they work. They like the new connections they are making with their peers across the global organisation. And they appreciate the need for change.

Creating a single, purposeful culture in an organisation as diverse as Imperial cannot happen overnight – but we are making good progress.

### **ESG: Foundations for a Responsible Business**

*Refreshed approach with three key priority areas*

Another facet of this cultural transformation has been the refresh of our approach to environmental, social and governance (or ESG) responsibilities. Imperial has a long tradition of responsible business with a track record of preventing under-age access, combating the illicit trade and continuously reducing its carbon footprint.

Our recent ESG review has been focused on prioritising our activities to ensure they fully align with our new strategy, purpose and vision and meet the evolving expectation of all our stakeholders. We undertook a full materiality study, and this helped us identify eight key areas of focus that we have grouped into three broad categories – all shown on the slide here.

In some areas, we have already defined targets and begun the work required to meet these goals. In climate change, for example, we have pledged to become a net zero company by 2040, setting intermediate objectives to help us track our progress. This pledge is supported by initiatives that are being developed across our value chain to decarbonise our business at pace. For instance, we made a significant step-up in our efforts to source renewable electricity, moving from just 3% to more than 90 per cent in the past year. And our first carbon neutral factory, the Skruf plant in Sweden, sets the bar for our other facilities to improve their energy efficiencies. We are developing detailed metrics and targets for all our ESG focus areas.

### **Priority Markets: Clear Levers to Improve Performance**

*>25 Growth initiatives in our five priority markets*

As I said earlier, the key achievement of our strategy so far has been the stabilisation of our core combustibles business. In the next few slides I want to say a little more about how this stabilisation is being achieved. As part of our strategic review we focused on key growth initiatives in each of our five priority markets, which we grouped together into six categories, shown on this slide. We've been selectively applying these in our priority markets to drive improved performance.

Starting with the US...

### **Americas: Strong Market Share Growth**

*Market fundamentals support positive outlook*

We delivered a strong combustible tobacco performance in the US, benefiting from focused investment in our brands and sales execution, as well as our agile response to capture share following KT&G's exit.

In cigarettes we have grown share in three out of the four price segments, with our largest brands Winston and Kool growing market and segment share in premium value.

In the discount segment, Maverick has made share gains, with further share growth in the deep discount.

Our investment and training behind our sales capability has enabled us to increase our coverage in under-penetrated channels and regions – all of which is supporting our delivery.

In mass market cigars, our portfolio achieved further market share gains, supported by activation and innovation initiatives... and strengthened our position as the second largest manufacturer in the US.

Our recent webinar gave further detail on how we are executing our strategy in this market.

### **Germany: Investing in Our Operational Levers**

#### *Market size contraction as travel increases post COVID*

In Germany, as expected, increased cross-border travel, particularly to adjacent markets like Poland, has driven market size contraction against a strong prior-year comparator. Like the US, we are investing behind both sales effectiveness and brand building. However, we still have work to do to stabilise our share declines here.

In the premium segment, we have successfully tiered our Gauloises variants, supported by a new advertising campaign, which is driving share growth. In our largest brands – JPS and West – we continue to invest in rebuilding their brand equity and establishing their relevance with a new demographic of adult consumers. However, after some years of underinvestment, it will take time to rejuvenate these brands.

Just last month, our Chief Consumer Officer, Andy and I met with the team in Hamburg to work through the brand plans in detail, while talking with retailers about our on-shelf presence.

I believe we are focused on the right initiatives to make a difference over time.

### **UK: Initiatives Supporting Market Share Growth**

#### *Managing the full portfolio to meet consumer needs*

In the UK, we delivered a strong market share performance, driven by investment in our operational levers, with Embassy, which we relaunched last year, continuing to grow well. Price increases in the latter part of the period for the first time in nearly two years, will support a stronger second-half financial performance. Increasingly in tobacco, consumers are looking for value offerings, with our brand portfolio well positioned to capitalise on this trend.

In fine-cut, our Players and Riverstone brands are growing share, supported by investment in new initiatives. Our on-shelf availability also benefited from a strong collaboration between our teams in sales & marketing and manufacturing as we adapted the portfolio to meet new regulatory standards for filters. Availability was also enhanced by an agile response to the delivery driver shortage in the UK.

We expect to see a temporary acceleration in the normal year-on-year decline of the UK market size in the second half, as Britons return en masse to the Mediterranean for their summer holidays, after two years of limited foreign travel.

### **Spain: Focus on Revitalising Local Jewel Brands**

#### *Price increases support financial performance*

In Spain, for the first time in five years, we achieved price increases across key product lines improving our financial delivery. Although this has impacted our share temporarily as we took

price relatively early in the period. In a mirror image of the post-COVID trend impacting the UK, total market volumes in Spain have started to recover – and vending channel trade is close to pre-COVID levels.

We continue to invest in our local jewel brands with Fortuna, Nobel and Ducados Rubio initiatives targeted at building equity and reinforcing their national heritage connections. This is a distinctive strategy compared to our competitors, who have an exclusive focus on global brands. We are also leveraging our own international brand West to meet consumer demand for value propositions, with targeted super king-size price promotions and relaunching a fine-cut range.

Turning to Australia...

### **Australia: Initiatives Delivering Share Growth**

#### *Market dynamics stabilising after period of change*

After recent excise changes created trade volume volatility in the Australian market, our initiatives and brand portfolio investment is beginning to stabilise our performance in this high-margin market. As I mentioned earlier, we successfully launched L&B in the fifth price tier, creating clear brand offerings in each of the different price segments.

This is a great example of the type of careful segmentation work we are doing across our major markets. It is about providing better choices for consumers and making us more resilient as a business - particularly in times like these, when consumers' wallets are feeling the pinch. Our share recovery was supported by investment in improving our sales force effectiveness and strengthening our supply chain to ensure on-shelf availability. Transforming our field-force is supporting improved distribution, while driving further efficiencies.

These actions are not only leading to the provision of better service for our retail customers but also supporting our financial delivery with improved cost savings.

### **NGP: Trials Validate Heated Tobacco Proposition**

#### *Consumer and trade feedback validates product offering*

Turning now to NGP, we can confirm today that consumers have responded positively to our heated tobacco trials, validating our approach and strengthening confidence in our NGP strategy. Our market trials in both the Czech Republic and Greece have demonstrated that Pulze and our iD sticks can achieve a meaningful, sustained market presence. In just six months, we have established a heated stick market share of around 3 per cent in both markets. Consumer behaviour has confirmed our belief that people looking for potentially less risky alternatives to cigarettes remain open to experimentation. Brand loyalties have yet to become entrenched in this category.

Direct feedback has revealed that the Pulze and iD proposition resonate with a meaningful segment of consumers. Consumers like the features of our current product range and they have given us actionable suggestions on how we can improve our future propositions.

In distribution, we have consistently achieved our coverage targets, with demand from trade partners demonstrating their appetite to broaden the heated tobacco category and offer more consumer choice. Armed with these new insights, we are now planning to roll out Pulze and iD to additional European markets.

**NGP: Heated Tobacco Expanding Further This Year***Selected further market roll-out and flavour extensions*

As a reminder, two main factors determine our selection of viable markets for our heated tobacco proposition. A strong penetration of heated tobacco within the market already; and an established Imperial presence, which we can leverage to support sales and distribution.

Taking these factors into consideration, plans are underway for further market launches in the second half of this year. We will provide further colour on which markets once we launch.

As with our previous pilots, we will continue to take a measured approach to market entry, with the required investment factored into our guidance already. In parallel, we are already improving our proposition within our existing heated markets. For example, consumers have strongly indicated a demand for a wider range of heat stick flavours. In response, we recently launched two new flavours: Forest Purple and Summer Red in the Czech Republic. The early consumer reaction has been positive.

The global market for heated tobacco is still developing, and we are increasingly confident that we have a material role to play in the development of this exciting segment.

**NGP: blu Consumer Trials Support Further Roll-outs***Extending US blu trial and trialling new blu device in France*

In blu in the US, we were disappointed with the FDA's initial orders on a number of myblu products and we are appealing the decision. We are working through addressing the points raised by the FDA and, while the appeal is ongoing, our products remain on the market.

Results from our recent US consumer marketing trial have been encouraging and we are taking steps to expand this refreshed marketing approach to new territories.

Outside of the US, blu has been performing well in Europe, holding its market share.

In addition, we have developed an all-new blu device, blu 2.0, which we recently begun piloting in selected cities in France. This is the first product to emerge from our new innovation team in the Group Consumer Office. And we will talk more about their pipeline of new products in future presentations. In rolling out blu 2.0, we are following the same insights-driven process of test and learn, which we used in our Pulze heated tobacco trials.

**2022 Will Enhance Our Investment Case***Clear actions to improve performance and returns*

So, overall, I'm pleased with our progress in this first half.

We continue to see green shoots emerging as a result of the actions we are taking. Phase one of our strategic plan continues to build the foundations and strengthen the key areas of our investment case. We are revitalising our tobacco business while managing the impact of changing consumer buying patterns as travel increases and the pandemic subsides.

In NGP, consumer feedback has validated our approach, providing confidence to move to a wider roll-out of our strategy, aligned to our commitment to make a meaningful contribution to this segment.

We're implementing new ways of working, which will drive operational improvements, strengthening performance and supporting the second phase of our strategy.

A key priority remains our focus on delivering strong cash flows, and we remain highly disciplined in our capital allocation, which we fully recognise is a key part of the investment case.

We're very conscious that these are increasingly challenging times for all businesses, with the war in Ukraine and global supply chain disruption creating the highest inflation levels for more than 40 years. However, I am convinced that our actions are creating a strong business better able to navigate these uncertainties.

We remain committed to delivering our plan, realising the full potential of this business and unlocking long-term value for shareholders.

Thank you for joining us today. We would now like to take your questions.

## Q&A

**Peter Durman:** Thank you, Stefan. So, we'll take your questions. We would like to take questions from the room first, if that's okay and then will take questions from the telephone. If you want to ask a question by phone, you'll find the dial-in details in the press release, and if you want to ask a question by phone, you need to press star and one on your keypad. So that is star and one on your keypad to ask a question by phone.

So, we'll take the question from the room. Please wait for the microphone and state your name and your organisation before posing your question. So please go ahead.

**Richard Felton (Goldman Sachs):** Good morning. Richard Felton from Goldman Sachs. Firstly, congratulations on the results and the progress on the strategy so far.

But my first question is going to focus on one of the markets that has been slightly more challenging, which is Germany. Now, at your Capital Markets Day last year, you laid out a very detailed plan for the initiatives you were taking to improve performance. From memory, you were going to have some extra investment on JPS, enhancing your retailer partnerships; you wanted to improve your performance in east Germany.

Now, I know that it takes time to turn things around, but if I asked you to mark your progress against those strategic objectives, where do you think you are today? And in terms of what needs to be done, is it just a case of more time? Or do you think that that strategy needs to be tweaked to start seeing better performance?

**Stefan Bomhard:** Sure. Richard, first great to see you here with us in the room. On the question on Germany, in simple terms, I was just there a couple of weeks with Andy, and Lukas was with us as well. We looked at the progress. I – and one of the things was to really understand, is the programme that we implemented as part of the must-win battles for the market the right one? And we all walked away with a clear understanding, it is the right plan. Because in principle, the focus on sales activation, especially when we talk about channels and we talk about East Germany, that is clearly progressing well.

It's also very clear the focus on building back brand equities, in the German market is paramount for our long-term success in this marketplace and what was very encouraging to

see on Gauloises as one of our top three brands, we actually, for the first time are growing share behind the new campaign and the right positioning of it. But it's also very clear that the JPS brand as our largest brand in the German market, has not – has not benefitted from equity building for quite a number of years, while several compactors have moved around in this marketplace. So, reinvesting back in new equity, which is now coming behind the 'Let the players' play' campaign in the German market, is actually the right thing to do.

So, I feel very confident in the plan we have put together for Germany, but it is very clear as we have always flagged – I have always said the German, of all five, this is probably the one that will take the longest. So, I am happy with the progress we are making, but it has confirmed our initial hypothesis is that of the top five markets, this is probably going to be the hardest.

The only comment I would make upfront just to use the opportunity – we have always said it is the combination of the five because you will know very well this is a highly competitive industry. We'll never get to the point where all five would grow at the same time. So I think what is most encouraging for me, 18 months in, we are gaining 25 basis points in the combination of the top five.

**Richard Felton:** Great. Thank you. My follow up is on the broader consumer environment. And you mentioned in your presentation that there are pressures on disposable income. Now, we know that tobacco is a defensive category, but last time we saw a – a recessionary environment, we did see some accelerated downtrading.

Now, as you think about moving to phase two of your – of your five-year plan, do you see any risk that an acceleration in downtrading could make it hard to achieve the – the guidance that you set out as part of that plan?

**Stefan Bomhard:** I think the most important thing I look at is, we are well on track to put all the foundations into place for an acceleration in the performance of business, and I do not see that changing, just to reassure you about it. I think we are all dealing with unprecedented times from an inflationary level. But I think as you rightly mentioned, I mean we are one of the – as an industry, one of the most resilient ones in this one which I think we will bode well.

The argument we also should not forget when you look at our portfolio that is where I talk specifically about the different segments, and we as Imperial are very well placed, should consumers down trade in the marketplace because we do have now across all our core markets and offer at every right price point in the marketplace.

So, I feel confident as we move in the next phase of our strategy. At the same time, I think I would not be as a responsible business leader saying we are all as a world, looking at consumer price inflation that consumers have not dealt with in a long period of time.

**Richard Felton:** Great. Thank you.

**Faham Baig (Credit Suisse):** Thanks for the question. Faham Baig, Credit Suisse. You have made reasonably good progress, I would say, in heated tobacco thus far. And in light of aggressive promotional activity from a peer, could you – could you highlight the key – key drivers of this?

And – and secondly, to that, could you scope out the level of investment required to – to launch in other European markets. I think in H1, your NGP losses reached an all-time low of £40 million. How should we think about that in the second half of the year and also in FY23, please?

**Stefan Bomhard:** Sure. I am very happy to answer your question. I think let us start with the end of year question first. I think we've always said, as part of our five-year strategy, that the investment behind our NGP strategy is covered within the guidance that we have provided to you, and for this year we have always said about – the level of losses will be around £140 million. So, this includes the investment in these incremental markets. So, you will not be surprised about looking at a very different level of investment the end of this fiscal year, which was always part of our strategy; responsible investment as a challenger in this industry. Our role as the number four is not to build the category, but to offer consumers and customers an alternative choice, and our test and check and Greece have clearly shown that consumer interest is there. I was always sure that the retailers would love to have a challenger, especially the market leader, but it is also very clear that consumers have really appreciated our offer in the marketplace.

So we are not breaking out the individual investments, but you can be reassured it is all included in our guidance. These incremental markets are—a big news for us today is that after extensive testing in two markets that we believe are quite representative for some other European markets, that we feel very confident to actually launch this product in the marketplace.

**Peter Durman:** Okay. I think – so at this point we will just take some questions from the telephone line, but we will come back to the room to take further questions, so we will, sort of, go back and forth, if that's okay? So if I could just hand over to the operator so we can take our first question from the telephone line.

**Operator:** Yes, of course. Thank you. The first question comes from the line of Thomas Liginton from Société Générale. Please ask your question.

**Jonathan Leinster (Société Générale):** Hi. Sorry, it's Jon Leinster from Société Générale. Couple of questions if I may, gentlemen? First one, just going back to Germany. Clearly, your sales force in the US is up and running. How far have we progressed in terms of Germany, in terms of actual deployment versus training?

**Stefan Bomhard:** Sure. On this one I take you back to the Capital Markets Day. Part of the strategy in the US was a very substantial expansion of the sales force. In Germany, this was a much more moderate expansion; in Germany it was much more about a redeployment of our sales force on channels that historically have been important towards channels that actually are important to our consumers and shoppers in the year 2022. So, in principle, as we were in the market, I was quite satisfied to see that redeployment. To be clear, suddenly you are covering new channels, so there is some learning curve as they talk with a new set of customers, so – but, overall, I am quite pleased with the progress we have made here.

**Jonathan Leinster:** Okay, thanks. And, secondly, with regards to the, sort of, second half of the plan as we – as you move towards mid-single-digit operating profit growth, I mean does that imply – I mean sales – how much of that is from the additional sales growth and how much of that is from the, sort of, run off of the additional investment? In other words, is the



investment a, sort of – the additional investment – I think £35 million was mentioned in the first half – you know, is that a, sort of, one-off adjustment and thereafter we should think of Imperial being steady state?

**Stefan Bomhard:** Sure. I think, let me give it a first trial and Lukas can – will jump in. If you step back, reality the key enabler for the delivery phase, the second phase of our strategy, the primary driver was a significantly more sustainable contribution from our core business, which was primarily driven by the market share improvement, for us to return to holding our share in our top five markets and, ideally, overall growing it slightly. That is the key driver behind it. There will continue to be investments behind our brands, as well as behind as our sales force versus the period before we started the strategy, but as you well know the level of profitability in our industry, there is a good flow-through to that. That is one of the key drivers of our strategy going forward.

**Lukas Paravicini:** Just on that, on what we see driving the acceleration thereafter. We clearly are confident that our strategy will build better and stronger businesses. Mainly, as Stefan pointed out, the big contributor will be tobacco. We have three elements, or three levers, in that business: it is your operational gearing; it is the cost reductions that we have achieved through the restructuring we have pointed out in the presentation and which will continue until the end of this year; and then also the geographical mix, the fact that we focus on the top five markets obviously gives us a benefit that they are the highest, you know, revenues per stick. So these three levers will drive the biggest bucket of the acceleration, which is tobacco. But do not forget, while we invest further, even in the second half in NGP, even though it is going to be lower than, you know, the losses of last year, towards the end of the period of the five years, NGP will be marginally positive. Therefore, over the period of the next three years you will have a reduction of the losses that will contribute to the acceleration phase.

And finally, hard to quantify but I would not want to miss this one, is the investment we are doing in the cultural change. You know, we should not understate the importance of building the muscle to become a true challenger and remain agile to respond, especially to the pressure we see now, but in all the volatilities we see. So that cultural behaviour we believe is going to be a fundamental driver for the acceleration as well. Hard to quantify it.

**Stefan Bomhard:** And just to build on Lukas' point, you use two examples which you can see today of that changed culture. You see it in the US performance behind – when KT&G exited, how quickly behind the sales force investment, but also the agility of the team, how quickly we could jump in and talk with retailers and capture the shelf space that was evacuated by the competitor. And the other one is the heated tobacco rollout. I think you probably challenged me a year ago about can Imperial play in Europe in a sustainable way in heated tobacco? We have done our homework with a new culture, a new global consumer office.

So these are key drivers of performance. There will be more opportunities like the KT&G ones in the next three years and we are now capable of capturing them, while in the past this would have been a struggle. At the same time, we are now participating in the highly profitable heated tobacco segment in Europe, which we did not do in the past. So hopefully just two anecdotes to share with you that should give you confidence in our plan in the next three years.

**Jonathan Leinster:** Thank you. If I could just ask one final question. Apologies for slightly hogging the floor. Just on iD, can you give us the relative price points of the iD sticks versus the IQOS heat sticks?

**Stefan Bomhard:** Sure, absolutely. Look, it varies by country, but if – let us talk about the two that we're in. In principle, think about the market leader. We are offering our heat sticks at a slight discount versus the market leader. So we are index 90 in pricing, which is a very – the right pricing. Just to give you a perspective, there is another competitor in the marketplace that remains unnamed, that would be at index 75.

So I would also – I think it is an important one for you – recognise that it is not discounting that is the key driver of our success in these markets, because that should fill you with the confidence on your prior question, about the sustainability and profitable growth that we are targeting. So what we have to offer to consumers appeals to consumers because of the proposition we have towards them.

**Jonathan Leinster:** Okay. Thank you very much for that.

**Operator:** Thank you. The next question comes from the line of Raghav Kawan from Morgan Stanley. Please ask your question.

**Rashad Kawan (Morgan Stanley):** Thank you. Morning gentlemen and thanks for taking my questions. Just a couple from me. The first on the US. Obviously, impressive results in the first half. You mentioned you estimate 20 bps coming from the KT&G exit, but how much of the rest of the outperformance do you think is driven by, you know, the investment in sales execution and brands that you spoke about versus downtrading, versus, you know, wholesalers putting through purchases ahead of price increases that you mentioned too? I'm just trying to work out how sustainable share gains are.

And then you also mentioned you expect share gains to moderate a bit in the US in the second half. Maybe, can you elaborate on that a little bit more?

**Stefan Bomhard:** Sure, absolutely. Overall, I think it is very important to recognise, and that is why I made the point about there's three – four price segments in the US. We grew share in three of the four, where we have a – every single segment we have a meaningful presence we grew share. And I think what is very important, when we go back to the strategy in the Capital Markets Day, the big challenge to achieve in the US was to turn around the performance of Winston and Kool. Both of these brands make 4% of our 9% share; they are among our most profitable brands and they have been on long-term decline. In the first half-year result, both these brands actually achieved share gains. Not a lot, but it breaks the cycle of them actually being share donors, which is a big achievement for us as a business.

Now, that will require a lot of extra work and we have just launching and re-doing the campaign on Winston as we speak, but they fill me with confidence this is a very sustainable share gain. And that's the same – I mentioned Maverick, also [inaudible] there, good share gain. So it is broad-based. This is not just driven by deep discount, I want to be very clear about it, and I think the exciting piece here is we have an offer for all consumers in the US at the right price points. The share growth will moderate in the second half because, clearly, the first half was helped by the KT&G activity, that we grabbed the opportunity. But it does not

take anything away that we are now turning the US as a meaningful share contributor to Imperial on an ongoing basis.

**Rashad Kawan:** That is great, thank you. And then my second question just around buybacks. Has your thinking around that evolved? I mean would it be fair to assume that if things, kind of, hold and the balance sheet continues to strengthen we could potentially see buybacks restart at the full-year results?

**Lukas Paravicini:** So as we pointed out before, the share buyback is – or the capital allocation strategy that we have is an integral part of our strategy. More importantly, is actually a key value driver for us and so we are very focused on that. I think we gained a lot of confidence from the good progress we have made to the half-year and the – that we are on track to the full year and to the guidance that we have given, and when we are at the lower end we will come to the market with an update to when we do the share buyback.

**Rashad Kawan:** Thank you very much, gentlemen.

**Peter Durman:** Okay. I think what we'll do is we'll come back to the room and see if there are any questions in the room first. Any further questions in the room?

**Gaurav Jain (Barclays):** Hi, good morning. Thank you. So I have a question on the UK market and following the question on, you know, potential pressure on consumer and downtrading. So if I look at the slide where you have the UK market data. So off a very tough comp of 11.3%, the volumes are down only 3.5% and that is when people were obviously travelling to Spain and other countries. So I would have thought this would be a number more like -8%, -9% if I just add in the structural decline of the industry. And, you know, we saw the wage data right now from the statistics and, you know, wage inflation in UK is 7%. So if you have just told us that you have not taken pricing in two years and wage inflation is 7%, so shouldn't I look at this chart and say that, actually, volume trends are running better because wage inflation is higher rather than worse? And does that then lead to the question that – are you seeing signs of uptrading in your portfolio rather than downtrading?

**Stefan Bomhard:** Gaurav, I think the challenge, what we are facing together, is when you look at – when you focus in on the travel patterns. We should not forget that the big travel pattern from the UK happens in what is our half-term, which is the summer months. All we have seen is the Easter travel that Lukas referred to. I mean we saw, clearly, a meaningful uptick versus the year before, but the real – this is going to be the first summer Brits will be able to travel abroad. So I think that is why I am a bit hesitant to forecast. We need to see how that lands, and I think, in the spirit of, although we are probably being prudent with you, we wanted to signal that we do expect a reversal of the COVID trends that we have clearly seen.

So it is too early to tell. I think it's also – to be fair, also too early to tell how consumers will really behave because the majority of them have not yet seen the impact. I have been out in Scotland a week ago, you know, and talking with lots of consumers. I do not think UK consumers have really felt the brunt in a major way. But we should not forget, and I think it is an important one that we remind ourselves of, we do work in a category that has increased prices across the board for a long period of time on average. Very different to many other consumer goods sectors, and it is an important category to our consumers. So we will need to see what happens, but, overall, I think we are going well-prepared into it.

**Gaurav Jain:** Sure. And my second question is on – you know, there is a deal which was announced last week in the industry, and so even the biggest players want to further scale-up and become bigger. So how do you think Imperial will operate in this new world of even bigger and even more consolidated companies, and do you think you also need to scale-up to compete effectively?

**Stefan Bomhard:** I think, hopefully, today, Gaurav, fills me – when you look at our heated tobacco results in Europe, it clearly – reality is our consumers and our retail partners are looking for alternatives that you do not – going to make bigger by actually— That opportunity exists, that is the role we want to play in our industry. When you look at the activities between PMI and, logically, Swedish Match, I think reality, when you look at it, it gives them the opportunity to operate in the US market where they have no presence at this point in time. So I am not reading into it that they really want to get bigger, I think the important thing, the way we look at it, is it gives them a route to market in the US market. And for us, as you will know very well, we do not compete in the oral nicotine market in the US, so it is not the arrival of a new competitor to us.

**Gaurav Jain:** Thank you.

**Faham Baig (Credit Suisse):** Sorry. Faham Baig, Credit Suisse again. We have discussed a lot about your five – core five markets, which account for 70% of profits, but another 15% of profits come from markets such as Middle East, Africa, et cetera, which have historically been run for cash rather than growth. Could you talk about the opportunities you see there and recent developments in some of those markets, please?

**Stefan Bomhard:** Absolutely. From a – you are absolutely right, we talk primarily about top five because that is 70% of the profits in Combustibles, but one of the three key strategic pillars is also to become very selective in the rest of the portfolio, and also make strategic investment in these ones. And you see it in the numbers because they primarily sit in our AAA region and you see a very meaningful forward movement, also in profitability. We are clearly driven by some clear strategic choices. We are placing specifically in Africa and in the Middle East. And I just, a couple of weeks ago, was with Paola, who is running this region, this newly-established region. To put focus on it I was with her and the team in Morocco, where we reviewed all the African plants. And I think what is exciting, the logic that I shared with you in detail about must-win battles; is it about the – is it – which trade channels, which brands, what is the right sector? That work is happening very quietly, less visible to you in the background for these markets as well, and that will drive performance over time.

Now, I also want to be clear, some of these markets, by the inherent nature, are more volatile, like in Africa or in the Middle East, so there will always be some ups and downs. But I think you will see behind this, our new strategy, a stronger focus on selected markets in the broader portfolio that will drive growth for Imperial in the years to come.

**Peter Durman:** Okay. We have another question on the line. So if you – I will pass back to the operator, but just a reminder for those on the line, if you want to ask a question please press star and one on your phone. So I will now hand back to the operator.

**Operator:** Thank you. The next question from the line comes from the line of Alicia Forry from Investec. Please ask your question.

**Alicia Forry (Investec):** Oh, thank you. Good morning everyone. Apologies if this has been asked, my phone dropped at one point. But just on the US FDA denial of the myblu application, I was just wondering if you are changing how you approach regulatory applications going forward to ensure that this does not happen in the future, or what lessons you have taken from that development there? Thank you.

**Stefan Bomhard:** Sure. Alicia, good morning to you. I think reality, as you would expect, we are analysing the feedback, and I want to be very clear, is – the feedback was our application did not have sufficient data in it. As you well know, our application was fielded two years ago nearly, well before we started this new strategy, so it is an important piece. So we're really looking at it. And to your point, absolutely, we will take learnings if there's anything we can do differently here. But I think we should not forget this is definitely something we are focusing, as a company, on. We are also – to be clear, the US is part of our NGP portfolio. You have seen us clearly focusing more on Europe than we would have done in the past. So it's part of our overall portfolio strategy.

And also just to share with you, we have now added to the global executive team a person who will look after corporate affairs specifically, because that is clearly something – as we embark on the next phase of the strategy, we want to make sure that we are in the best place in this area.

**Alicia Forry:** Thank you very much.

**Peter Durman:** Okay. So there's no further questions at the moment online, so we'll take – go back to the room, if that's okay?

**Jonathan Fell (Ash Park):** Hi, it's Jon Fell from Ash Park. I want to ask about your innovation pipeline, which you have been rebuilding. I mean you have always had an innovation pipeline, so what is different about it now versus, say, two years ago? How does it split between, you know, your traditional combustible products and NGPs, and how much of that pipeline is internally developed versus, say, going to China and finding interesting partners there or external partners generally?

**Stefan Bomhard:** There are two key changes. The one you mentioned already, our innovation pipeline, as part of the challenger mindset is using much more external parties than before, and especially in – on the NGP side. I mean there is an enormous amount of partners out there, especially out of Asia, that actually want to partner with a company like Imperial, so I think that is really exciting. We are now embracing this much more as part of our strategy. Our technology does not need to be developed in-house. There is a lot of people who have invested a lot of time and effort in this one and I am really encouraged, and the blu 2.0 was largely developed with partners.

The other big change, the partners one and the new team is the second one, and we have now been able to attract to Imperial some really good consumer goods R&D people, – ex-Reckitt Benckies, ex-Henkel – and we are really building capabilities in-house to actually also work with external partners. So this is something I feel good about. I think, as you rightly mentioned, the primary focus is NGP, but also in our core business we, at the point in time, had three people in R&D on our combustibles portfolio. That is not enough, let me put it this way, and we are now also looking at packaging formats and so on. These are things that I think will drive the brand equity for our brands as well.

**Jonathan Fell:** Thank you.

**Peter Durman:** Okay. We do have another question on the phone now. So if I hand back to you, the operator, take this next question.

**Operator:** Thank you. The next question from the phone comes from the line of Jared Dinges from JP Morgan. Please ask your question.

**Jared Dinges (JP Morgan):** Hi guys. I just wanted to ask on cigars. Like, I know, like, at this point it is actually a pretty sizable part of the overall Group, but I think sometimes it gets a bit lost in the wider US business. But I just, kind of, wanted to know, you know, what are the expectations for that business for the rest of this year and, actually, over the medium term, given, you know – I know you have tough comps, you had exceptional growth basically since COVID, but, you know, how are you guys thinking about that business going forward? And I think, related to that, obviously we have had the news about the FDA's proposal of a flavour ban. So maybe if you could remind us, or tell us, what percentage of your cigars' portfolio you think would be affected by the language the FDA has used?

**Stefan Bomhard:** Sure.

**Jared Dinges:** Thanks.

**Stefan Bomhard:** Sure. Number one, I think it is definitely a key part of the Imperial story going forward. It is a piece that, behind the new strategy, we have actually moved, as you well know – we used to be number four in the US. In the space of a bit more than a year we have become the number two of the market, driven by the strength of the Backwoods brand, but also the overall brand portfolio we have. And we have no interest of giving up this number two position in the marketplace. As you rightly say, some of the comparators are getting tougher in the US, but that does not change our focus on the segment. It is a key part, there is a clear consumer need for this segment in the US that we have the right brand portfolio to actually satisfy.

The question about, kind of, the potential flavour ban and so on, we have – as you would expect, we have looked through our portfolio. We feel quite confident that we have the right portfolio for our consumers, whatever change, administrative change, will happen, because we should not forget we have some of the most powerful brands, especially with the Backwoods brand, in that part of the market. So we feel confident that we have the right propositions with the right brand equities in this important part of the US market.

**Jared Dinges:** Okay, fine. Then so could you give us, like, a rough idea of, you know, if the flavour ban were to be implemented a year from now, like how much of your portfolio would no longer be allowed to be sold?

**Stefan Bomhard:** We do not break this out, but I also want to give you the confidence is – when you have a very strong brand equity, they are buying the brands, they are not necessarily buying a certain flavour variant; there is very strong evidence that we can see. So I – we, as a business, wouldn't be too worried –

**Jared Dinges:** Okay, fine.

**Stefan Bomhard:** – much about a flavour ban in – on the mass market cigar business.

**Jared Dinges:** Okay, fair enough. Thanks guys.

**Peter Durman:** Okay. There are no further questions on the phone at the moment. So I do not know whether there's any last questions from the room? If not I will – no, we're good – I will hand it back to Stefan.

**Stefan Bomhard:** Sure. I mean, first, thank you for your great questions. But hopefully, as we sum up today, I think hopefully today gives you a good sense about the progress we are making in transforming Imperial and implementing the strategy. We are exactly where we wanted to be 18 months in, and I can – hopefully you can see, also, the strong foundations we are building. We are talking a lot about culture, not too much about this today, but I think it is exciting to see the progress we've made in a relatively short period of time on quite a number of fronts, whilst that is at our core business but also on the NGP side.

So thank you and looking forward to seeing or hearing all of you when we talk about our full-year results for this year. Thank you.

[END OF TRANSCRIPT]