IMPERIAL BRANDS PLC

Legal Entity Identifier (LEI) No. 549300DFVPOB67JL3A42

9 April 2024

Pre-close trading update: Imperial Brands on track to meet half-year and full-year guidance

- Strong tobacco pricing supporting financial delivery while balancing share performance
- Maintaining stable aggregate share in our top-five combustible markets in line with our objective
- Next Generation Product (NGP) net revenue growth as we build scale and launch new products
- First-half adjusted Group operating profit ahead of H1 2023 on constant currency basis, reflecting higher tobacco and NGP adjusted operating profit and growth at Logista
- Confident of meeting full-year expectations and our guidance of growing net revenue and delivering a step-up in adjusted operating profit growth
- Cash conversion improved on last year and in line with guidance
- On track to deliver the £1.1bn buyback programme, as part of ongoing programme of capital returns

We continue to make good progress implementing our five-year strategy to transform the business and we remain confident we will deliver the full-year accelerated adjusted operating profit growth in line with our previously stated medium-term guidance. For the full-year, on a constant currency basis, tobacco and NGP net revenue is expected to grow at a low single-digit rate, with Group adjusted operating profit growing at a rate close to the middle of our mid-single digit range. This performance reflects our improved resilience to withstand geopolitical and macro-economic pressures as well as the benefit of our continued investment to strengthen performance and drive transformation.

Constant currency tobacco and NGP net revenue growth has strengthened over the same period last year underpinned by strong combustibles pricing and growth in our NGP business. In combustibles, focused investment in our five priority markets continues to support resilient aggregate market share with gains in the US, Spain and Australia, broadly offsetting declines in Germany and the UK, as expected. These results are consistent with our medium-term objective to hold or grow aggregate share across these markets. At the same time, we have delivered strong pricing, more than offsetting wider industry volume pressures in certain markets.

NGP first half net revenues are expected to grow in the mid- to high-teens at constant currency, as we build scale in our existing footprint. We are now present in more than 20 European markets and the US, and, in the first half, we launched innovative products in all three categories. These included new single-use formats under the *blu* brand, new iSenzia non-tobacco heat sticks, and entry in the US oral nicotine category with the Zone range of pouches.

As previously guided, growth in first-half Group adjusted operating profit is expected to be at low single digits on a constant currency basis, reflecting the anticipated second-half weighting of performance. In the first-half, constant currency tobacco adjusted operating profit will be ahead of last year with good performances in Europe and Americas more than offsetting a softer performance in the AAACE region, which benefited from a very strong comparator period. We are improving our NGP gross margins as we build scale and are reducing NGP operating losses alongside continued investment in line with our plans. First-half Group adjusted operating profit has also benefited from growth in Distribution, reflecting performance at Logista, the Spanish-based distribution business in which we have a 50.1% stake.

Our second half delivery will be underpinned by embedded tobacco pricing already taken in the first half and further NGP growth as we build scale, and their associated margin benefits.

At current exchange rates, translation foreign exchange is expected to be a c. 5 per cent headwind on first-half adjusted operating profit and a c. 3.5 per cent headwind on full-year adjusted operating profit.

Our adjusted operating cash conversion remains strong on a 12-month basis and we are on track to deliver in line with our guidance at the half and full year. We expect our full-year leverage to remain at the lower end of our 2.0-2.5 range for net debt to EBITDA.

At 31 March 2024, we had completed £604m of our £1.1bn share buyback for this year, representing approximately 3.7% of the share capital as at 1 October 2023. The buyback is on track to complete no later than 29 October. We remain committed to delivering a material reduction in the share capital base over time. This buyback programme represents an ongoing source of shareholder returns alongside our progressive dividend policy.

The interim results for the six months ended 31 March 2024 will be announced on 15 May 2024.

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Notes:
The Group uses 'adjusted' (non-GAAP) measures as we believe they provide a better comparison between reporting periods. The definition of our adjusted measures is unchanged from our full-year results. We also use the term 'constant currency', which removes the effect of exchange rate movements on the translation of the results of our overseas operations.

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Cautionary Statement