



IMPERIAL
BRANDS

Quality Revenue, Sustainable Returns

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Delivering More Returns

Investment case



Investing for quality growth;
brands, products and markets
with long-term profit potential

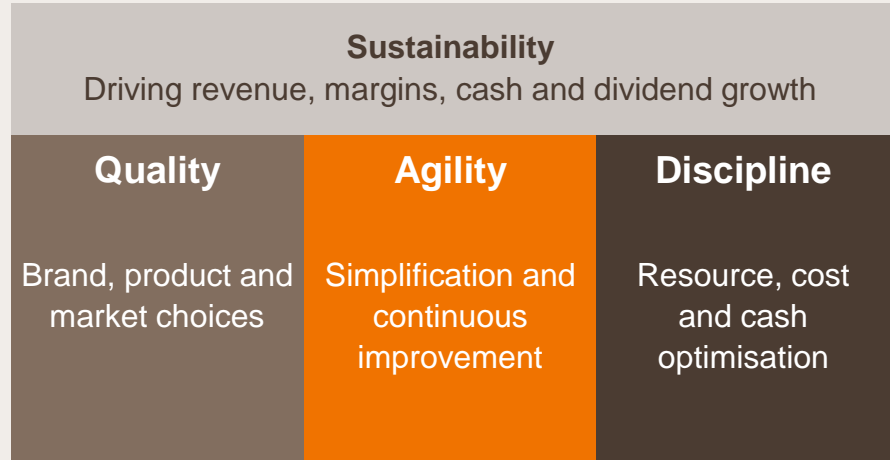
Value creation supported by
agility and discipline;
continuous improvement

Strong cash generation

10% dividend growth pa
over medium term

Quality, Agility, Discipline

Consistent themes inform strategic choices



Our Strategy



Maximise sustainable shareholder returns

QUALITY

- Further simplification
- Investment in Growth & Specialist Brands
- E-vapour development
- Opportunities in Growth Markets
- Balanced approach in Returns Markets

DISCIPLINE

- Operating model
- Lean manufacturing
- Overhead control
- Cash conversion
- Capital allocation: investment, dividend and debt repayment

AGILITY

And for the Next 5 Years

More, more, more, more



Maximise sustainable shareholder returns



Strengthen Portfolio

- More simplification and focus



Develop Footprint

- More prioritisation



Drive Cost Optimisation

- More optimisation



Embed Capital Discipline

- More discipline

Footprint & Portfolio

Focus on strongest markets & biggest brands



Markets that matter



Rigorous evaluation
Disciplined & agile approach
Focus on profitable growth

Footprint

Fewer, bigger, stronger

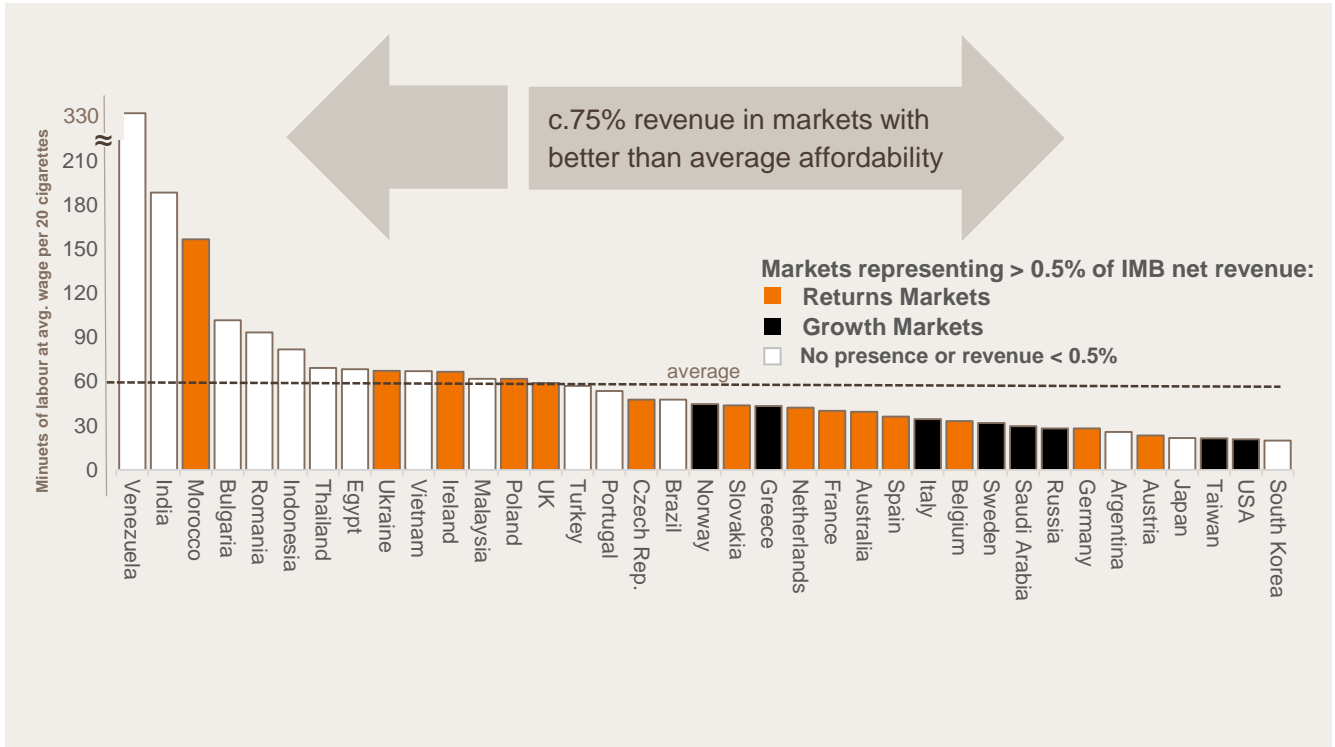


Optimise portfolio
Strengthen brands
Build equity

Brands

Developing our Footprint

Majority of revenue from most affordable markets





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Video

Footprint: US

ITG Brands positioned to win



Market Attractiveness

- Stable economy
- Growing consumer confidence
- World's largest profit pool¹
- High affordability – long term growth potential
- Stable regulatory environment



Ability to Win

- Highly experienced team
- National sales force building brand equity
- Strong cigarette, cigar and E-vapour portfolio

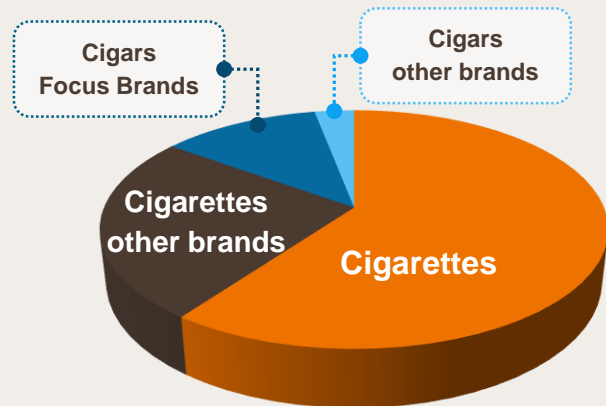


ITG Brands Snapshot

US profits c. 25% of Group



- Cigarettes ~ 85% of net revenue
 - Focus Brands ~ 70%
 - Other brands ~ 30%
- Cigars ~ 15% of net revenue
 - Focus Brands ~ 80%
 - Other brands ~ 20%
- 2,700 total employees
- National sales force ~ 950 people
- 2 cigarette manufacturing locations ~ Greensboro and Reidsville, NC



Business Performing Strongly

Optimistic about future growth prospects



To Date



- c.90% volume under retailer contracts
- One national sales force across portfolio
- Integration largely complete
- Manufacturing transition - smooth progress
- Synergies invested in building equity of Focus brands

Looking Forward



- Continued brand building activities:
 - Focus on visibility and availability
 - Relationship marketing, advertising and packaging change
- Continue to profitably grow share of Focus brands

Strengthening our Portfolio

We focus on brands with strongest equity



Growth Brands



Specialist Brands

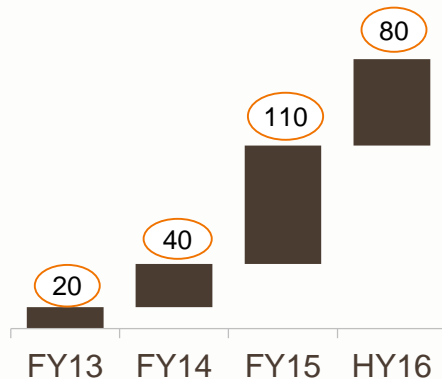


Portfolio Development

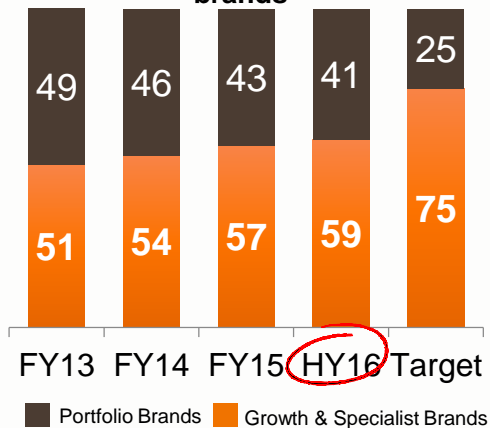
Improving quality of growth



Growing share of Growth Brands



More revenue from strongest brands



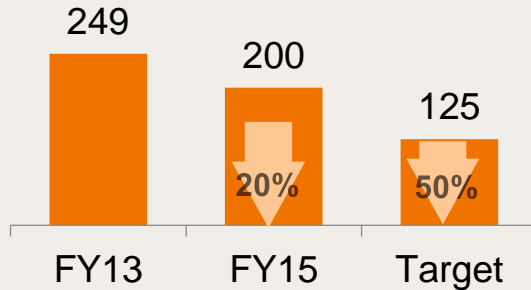
Brand Simplification Drives Efficiencies

Agile cost base, effective assets – more to go for



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Brands



- Simplification of portfolio
- Remove SKU complexity
- Investment in Growth Brands

- Footprint optimisation
- Complexity reduction
- Machine effectiveness & scalability
- Quality & availability
- Better fixed cost absorption

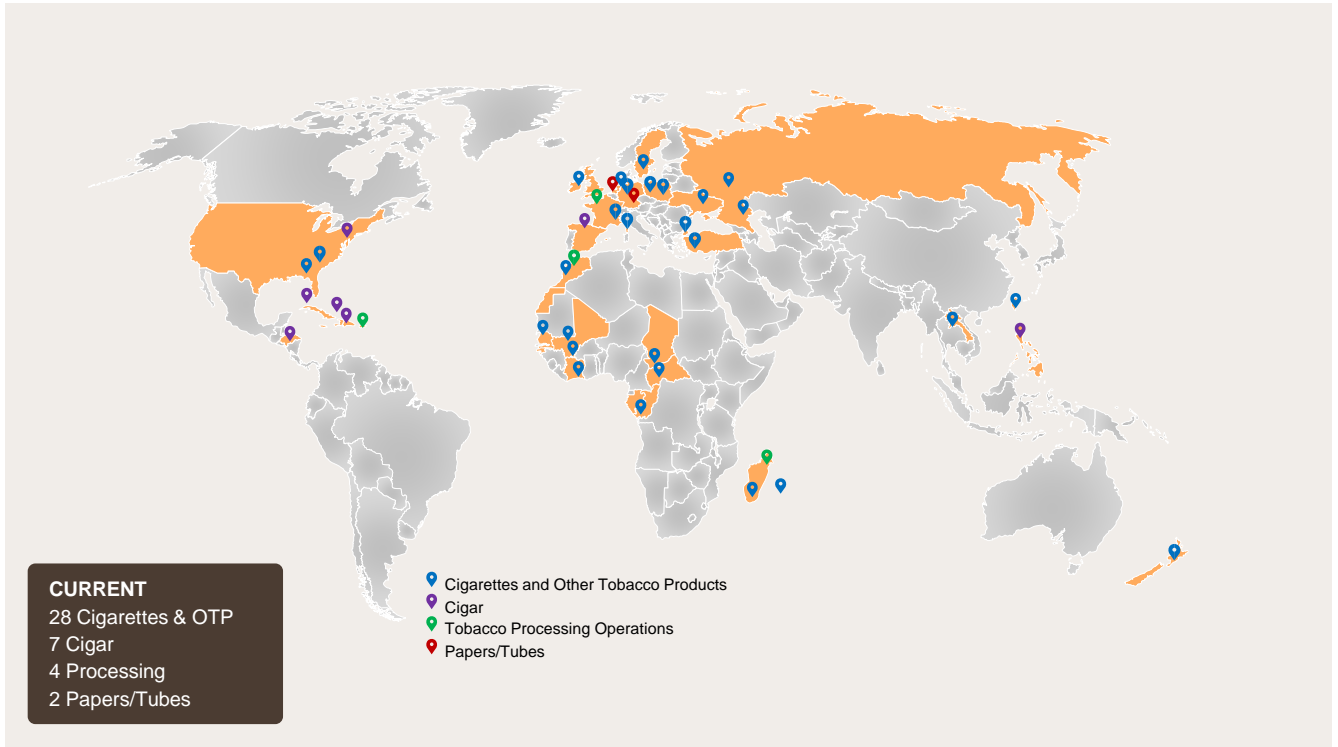
Transforming our Operating Model

Simplification supports efficiency & effectiveness



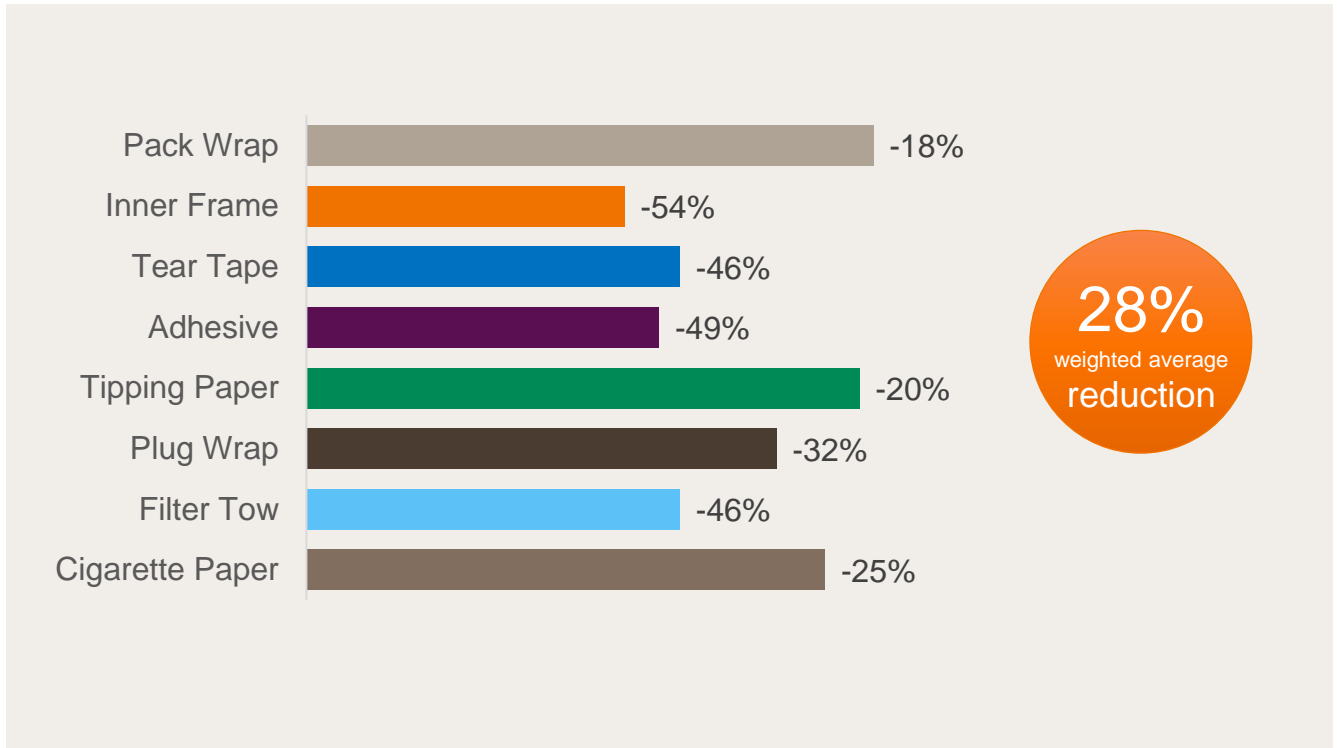
Optimising Costs: Footprint

11 closed in recent years – continuing to review



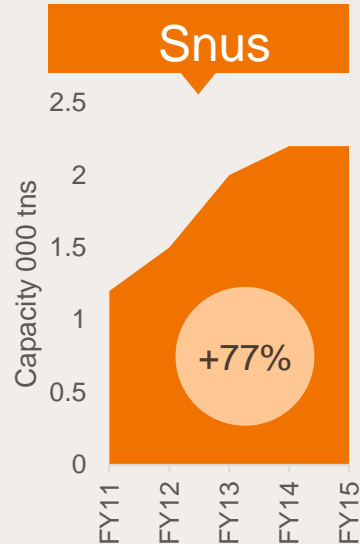
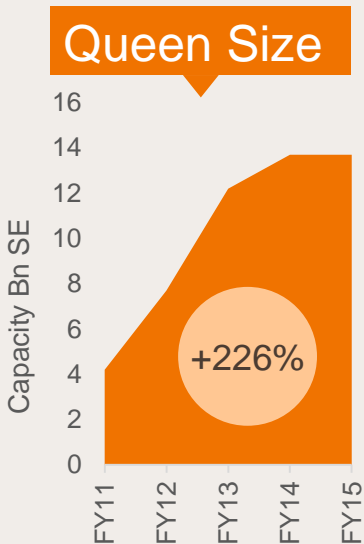
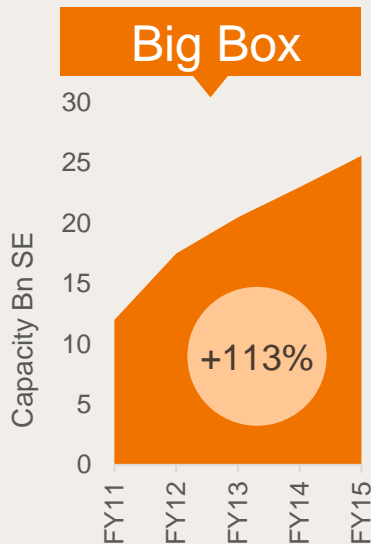
Reducing Complexity

Great progress on component reduction



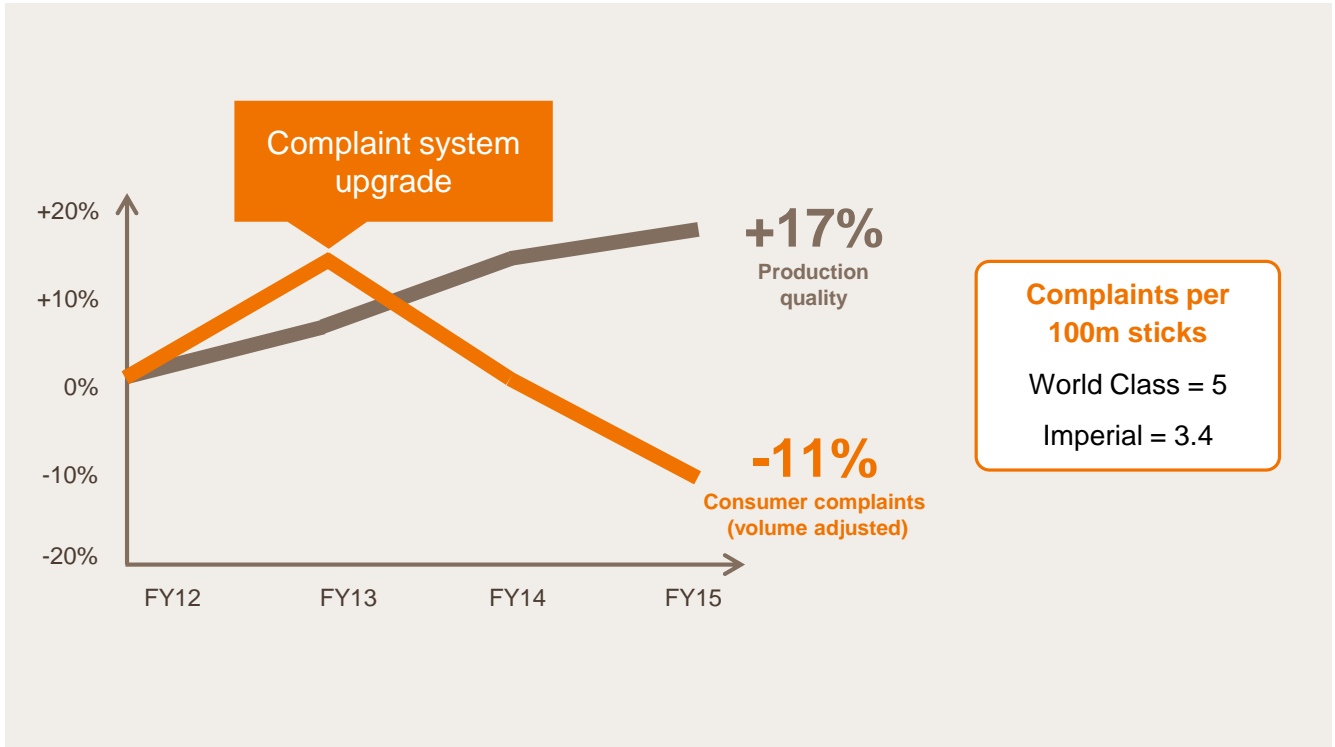
Scalability

Building production in key consumer led growth areas



Focus Drives Quality

Improved quality – fewer complaints

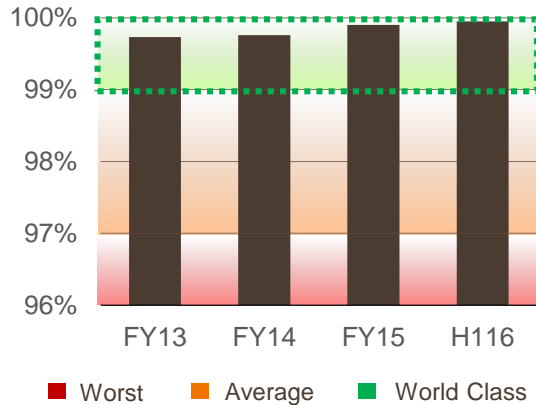


Focus Drives Availability

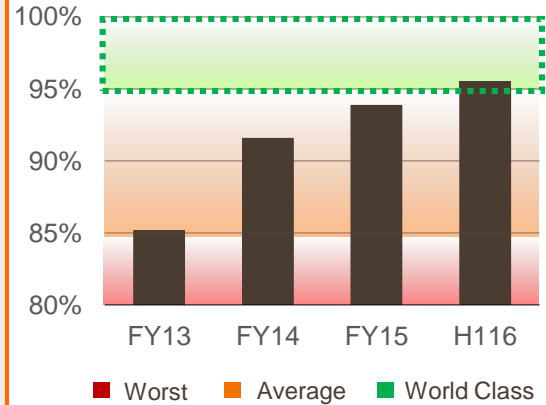
World class performance



Availability in market FY16

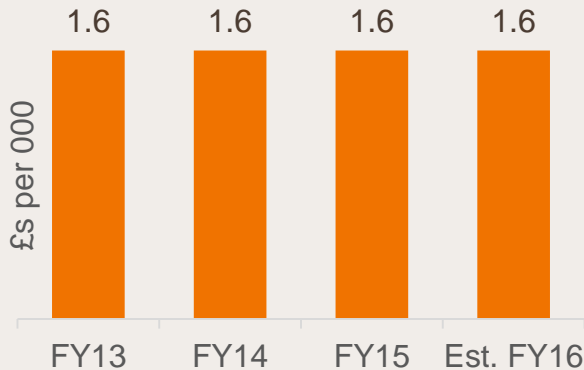


Supply reliability



Manufacturing Conversion Costs

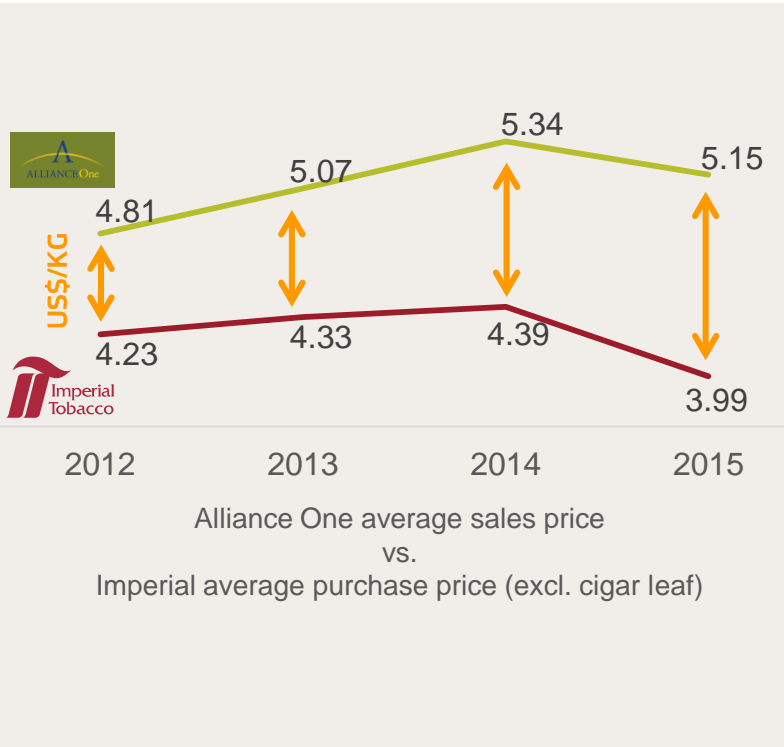
Maintaining cost leadership



- 143bn SE capacity reduction
- Overheads lowered by 21%
- Lean - Overall Equipment Effectiveness +9%
- Fully offset inflation
- FMC Europe benchmark study -11%

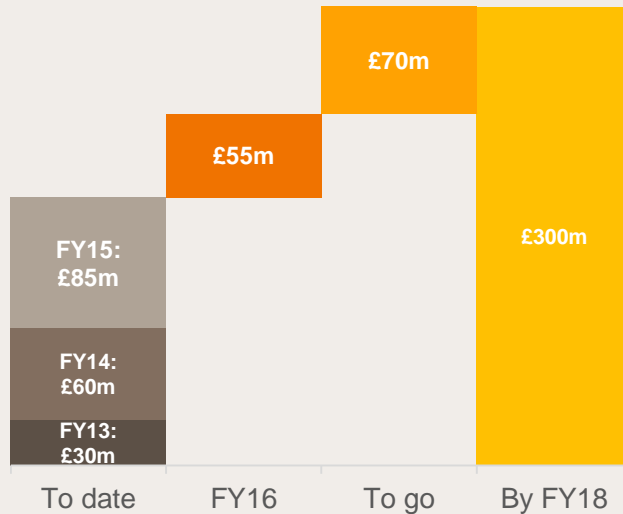
Leaf Costs

Leadership in costs of key input



Managing Costs Across the Group

Significant annual savings



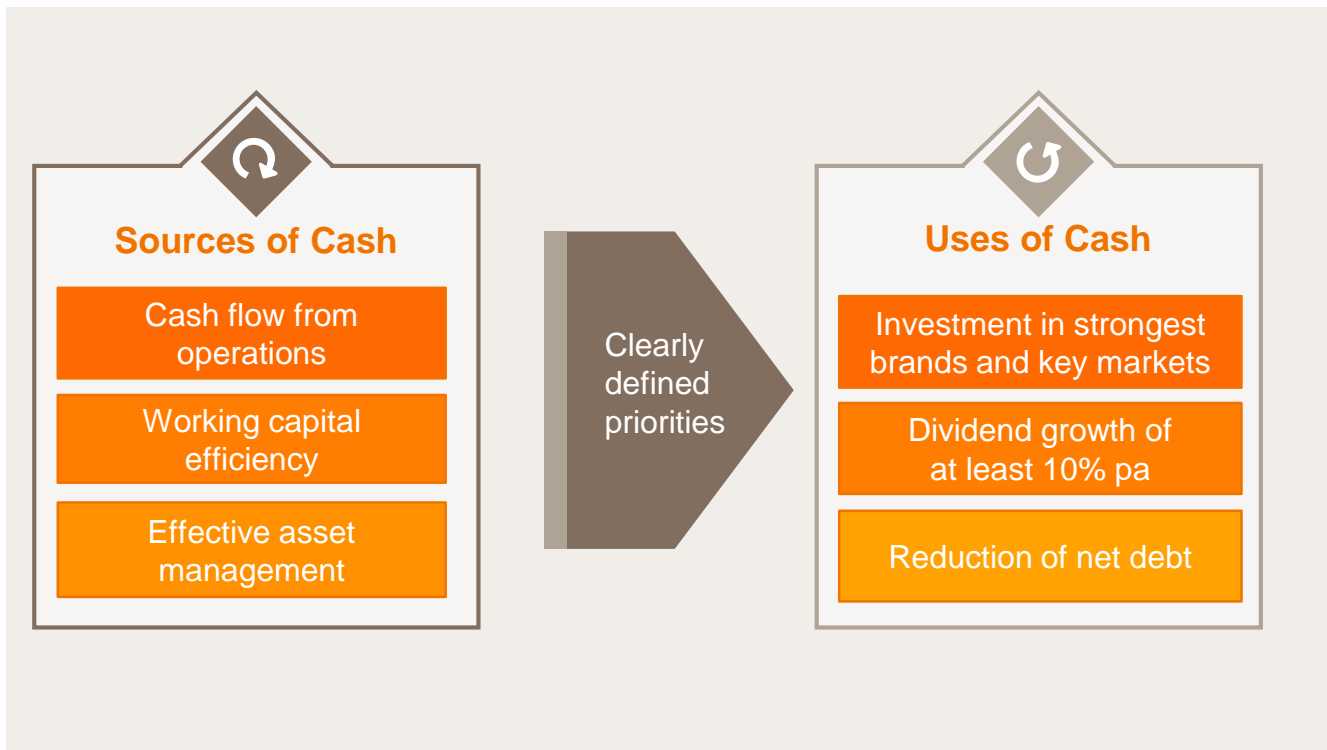
Savings across all parts of business



- Changes ensure more efficient cost base
- Delivering £300m annual savings

Capital Allocation

Focused use of cash

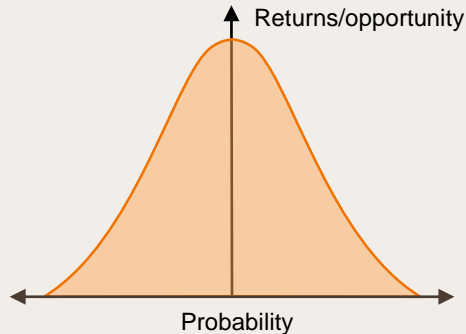


Investment Choices

Investing in predictable, sustainable returns

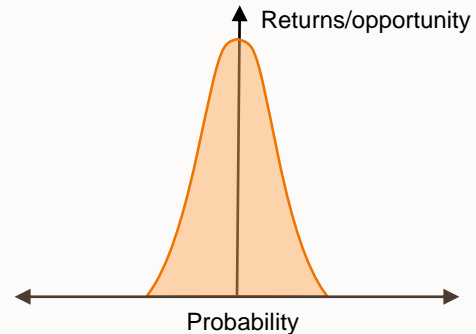


Higher risk assets



- Broader range of outcomes
- Less stability, less predictable
- Higher risk

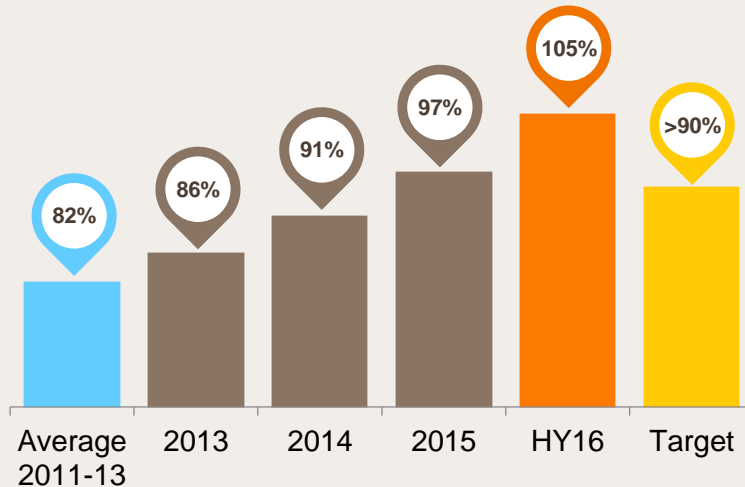
Disciplined capital allocation



- Narrower outcome range
- Stability and predictability
- Lower risk

Cash Conversion

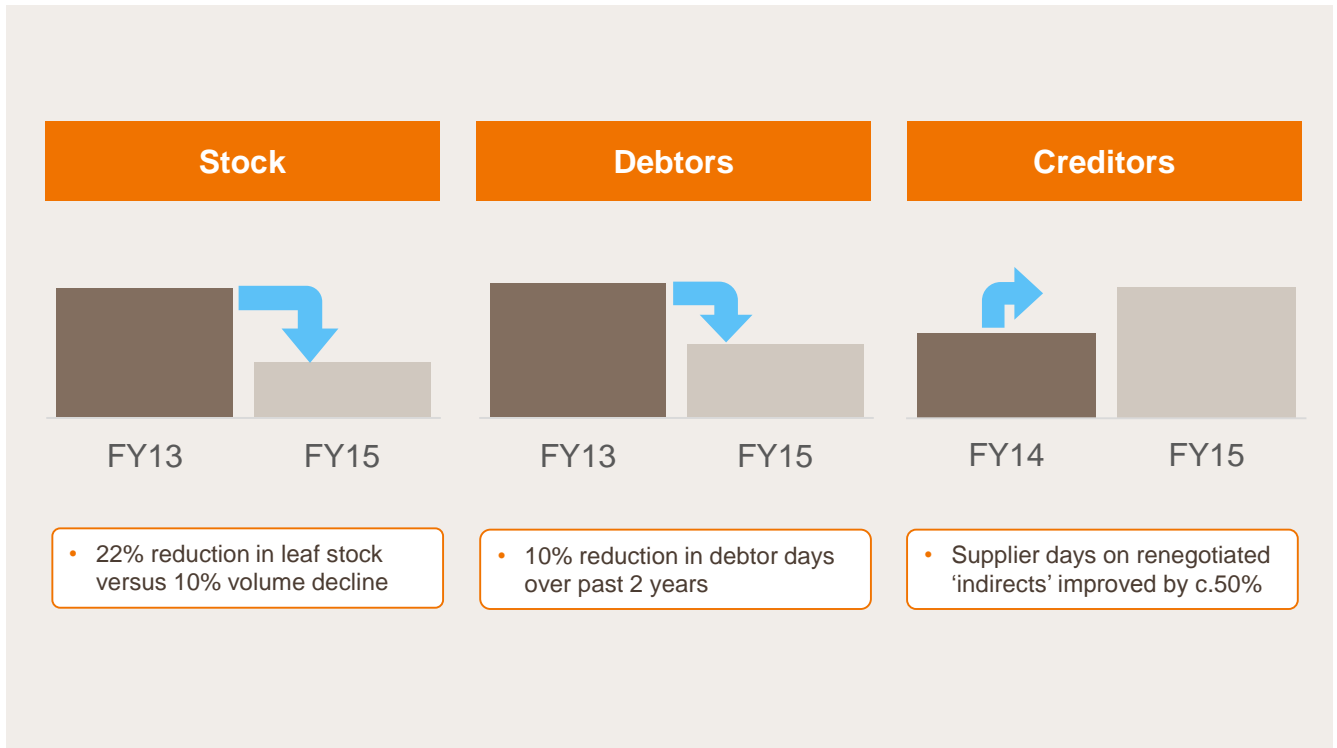
Consistent improvement



- Key KPI
- 'Incremental' £850m cash FY13–FY15 versus previous average

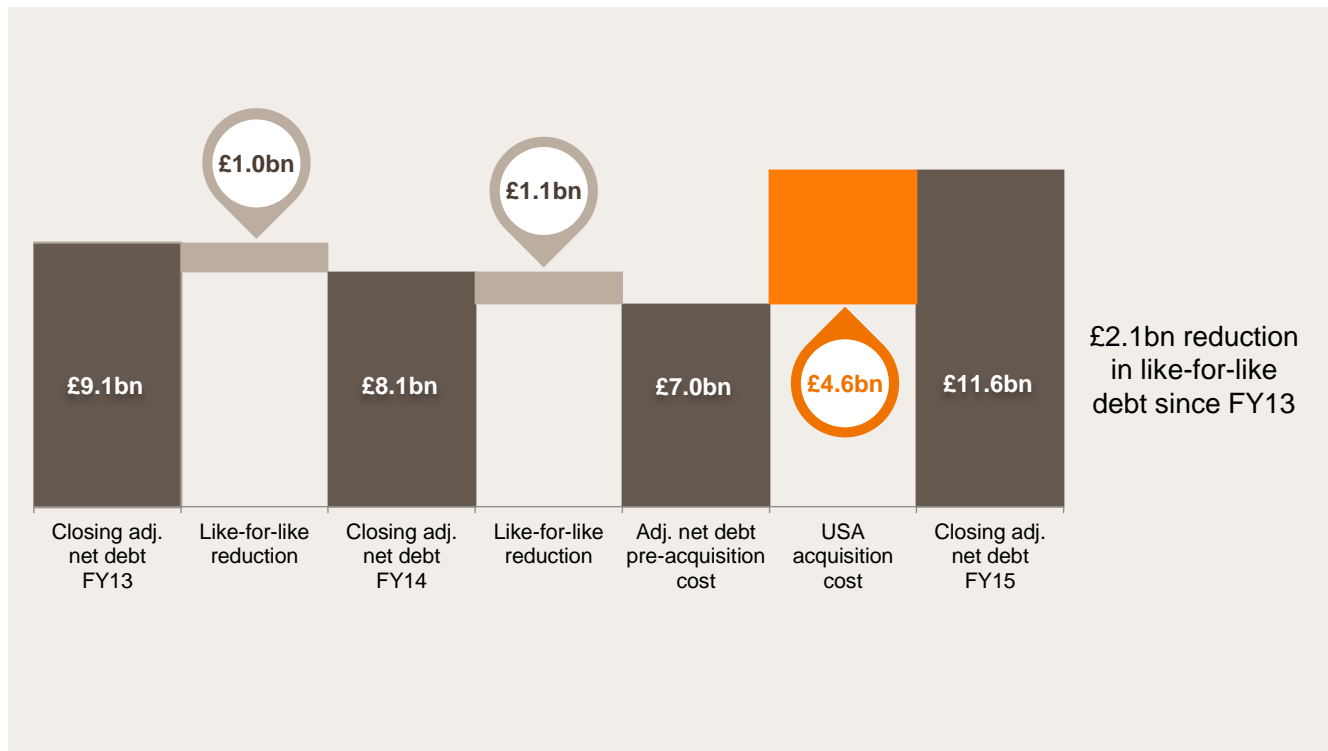
Managing Working Capital

Supports better cash generation



Net Debt

Capital discipline supports de-leverage

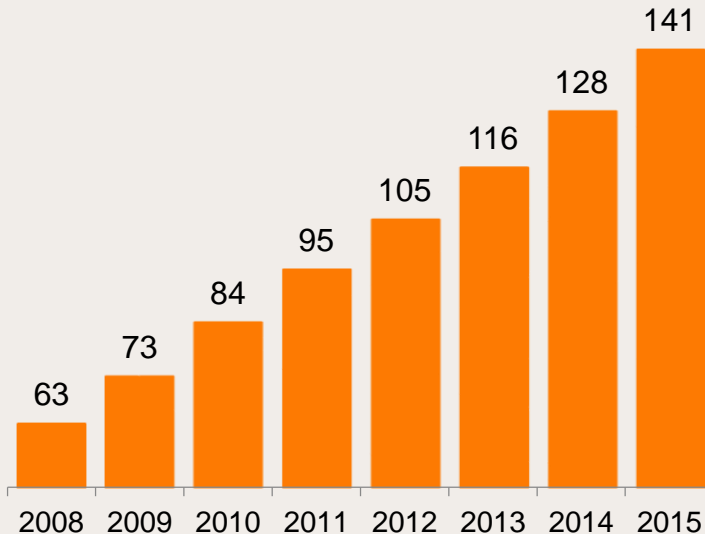


Growing Dividend

Consistent growth over time – up more than 120%



Dividend pence per share



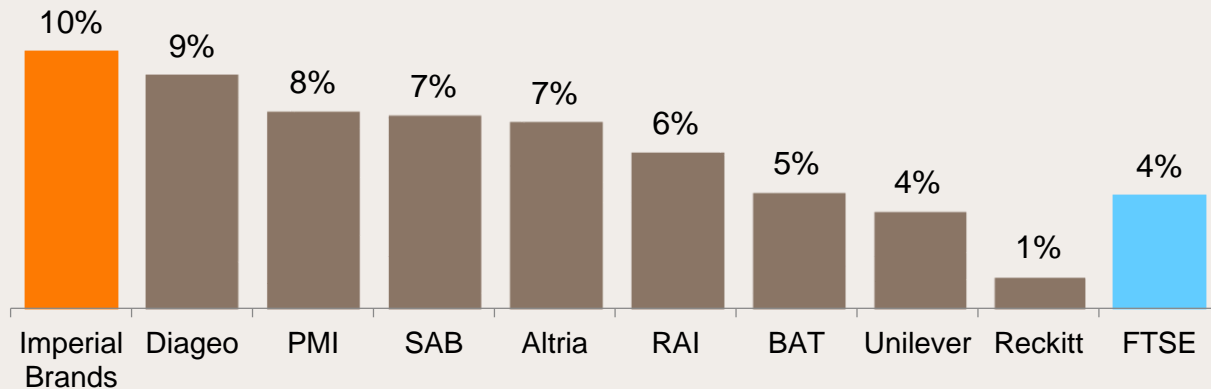
- 8th year of >10% growth
- 12% CAGR since 2008
- £8bn in declared dividends

Growing Dividend

Growing ahead of peers and FTSE

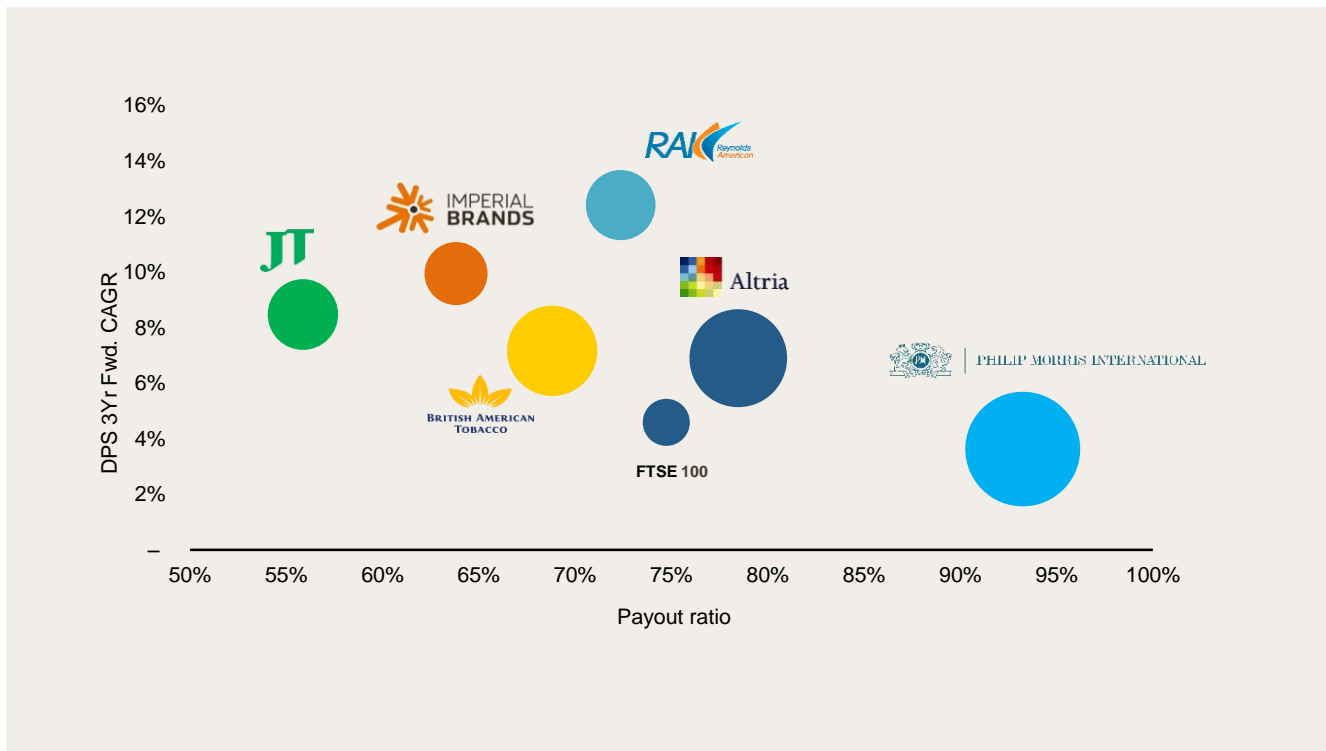


Dividend growth over past 4 years



Growing Dividend

Compelling growth and with more cover



In Conclusion

Consistent application of strategy



Maximise sustainable shareholder returns



Strengthen Portfolio

- More simplification and focus



Develop Footprint

- More prioritisation



Drive Cost Optimisation

- More optimisation



Embed Capital Discipline

- More discipline



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