



IMPERIAL
BRANDS



A CHALLENGER MINDSET

CAGNY
FEBRUARY 2023

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CAGNY 2021: Outlined a New Five-Year Strategy



TWO YEARS ON...

WE ARE BUILDING A STRONGER, MORE CONSUMER-FOCUSED BUSINESS

- ✓ Building **stronger** capabilities
- ✓ Delivering a **stronger** tobacco performance
- ✓ Creating a **stronger** NGP business
- ✓ A **stronger** financial performance and capital returns

Opportunity to invest in further upside at attractive valuation

Imperial Brands is a Global Consumer Business



GLOBAL FOOTPRINT; FOCUSED ON FIVE PRIORITY MARKETS

4th

largest global tobacco player

26,000

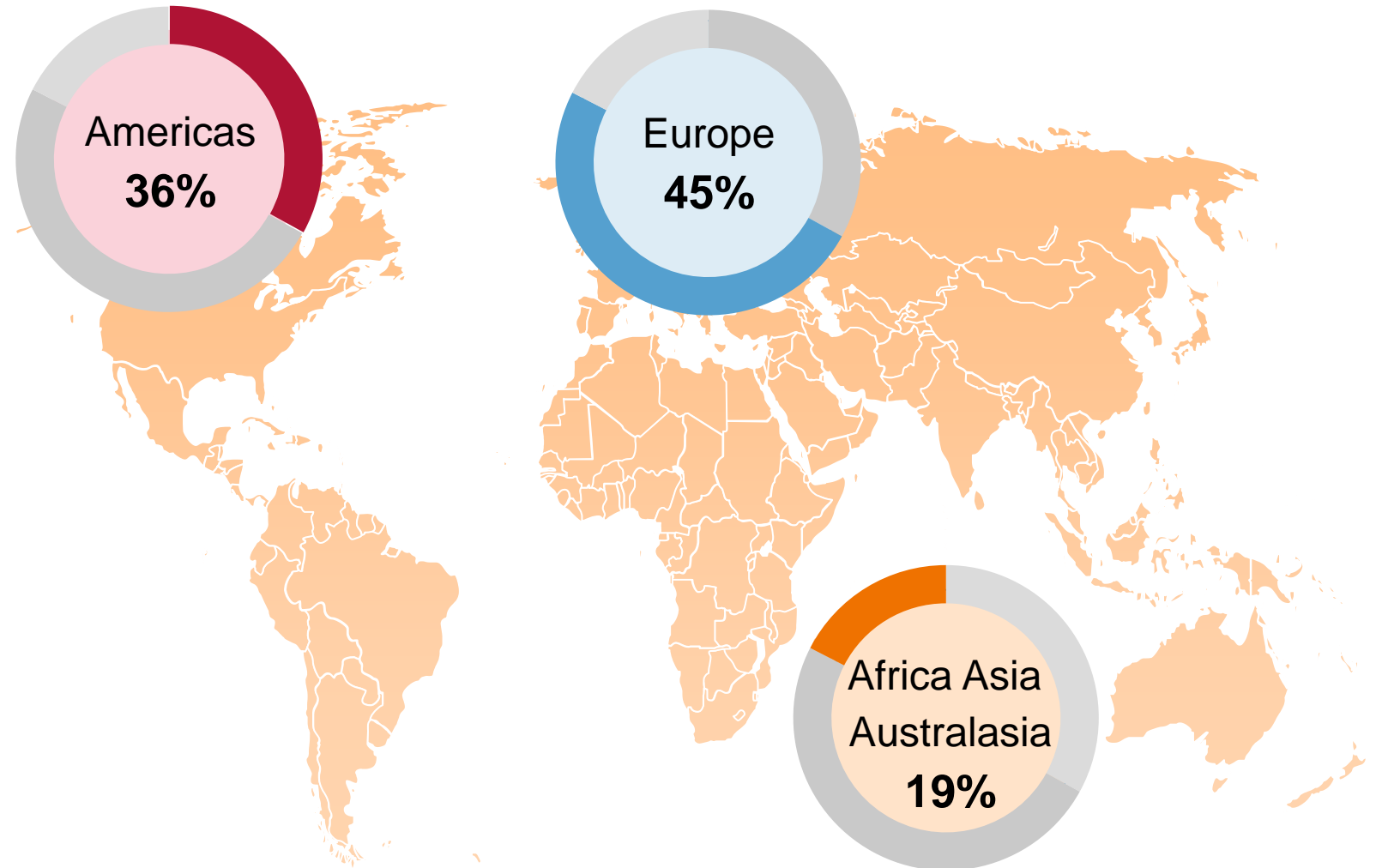
employees

£7.8bn

net revenue

£3.7bn

adjusted op profit



A Range of Tobacco and Nicotine Offerings

MEETING A WIDE RANGE OF CONSUMER NEEDS AND OCCASIONS



Cigarettes



Fine cut



Vapour



Heated Tobacco



Snus



Cigars



Papers



Modern Oral

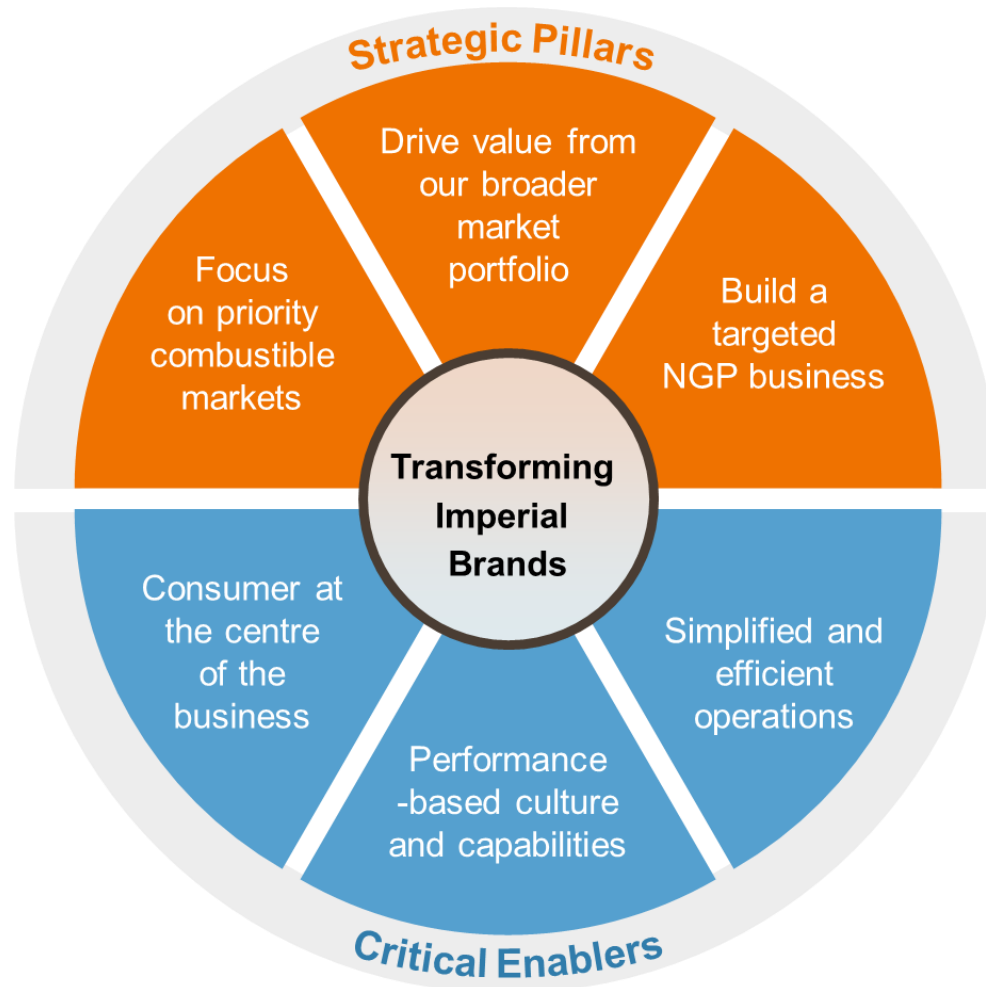




STRATEGY OVERVIEW

Our New Strategy, Purpose and Vision

CREATING A COMMON HIGH-PERFORMANCE CULTURE FOR IMPERIAL BRANDS



OUR PURPOSE

“Forging a path to a healthier future for moments of relaxation and pleasure”



OUR VISION

“To build a strong challenger business powered by responsibility, focus and choice”

Building a Strong Challenger Business

DIFFERENTIATED APPROACH EMBRACES A CHALLENGER MINDSET



Creating a System of Capabilities with a Challenger Mindset



Greater focus
on key
battlegrounds and
selected markets



Providing
consumer choice
through
innovation



A strong
competitive
retail partner with
challenger brands

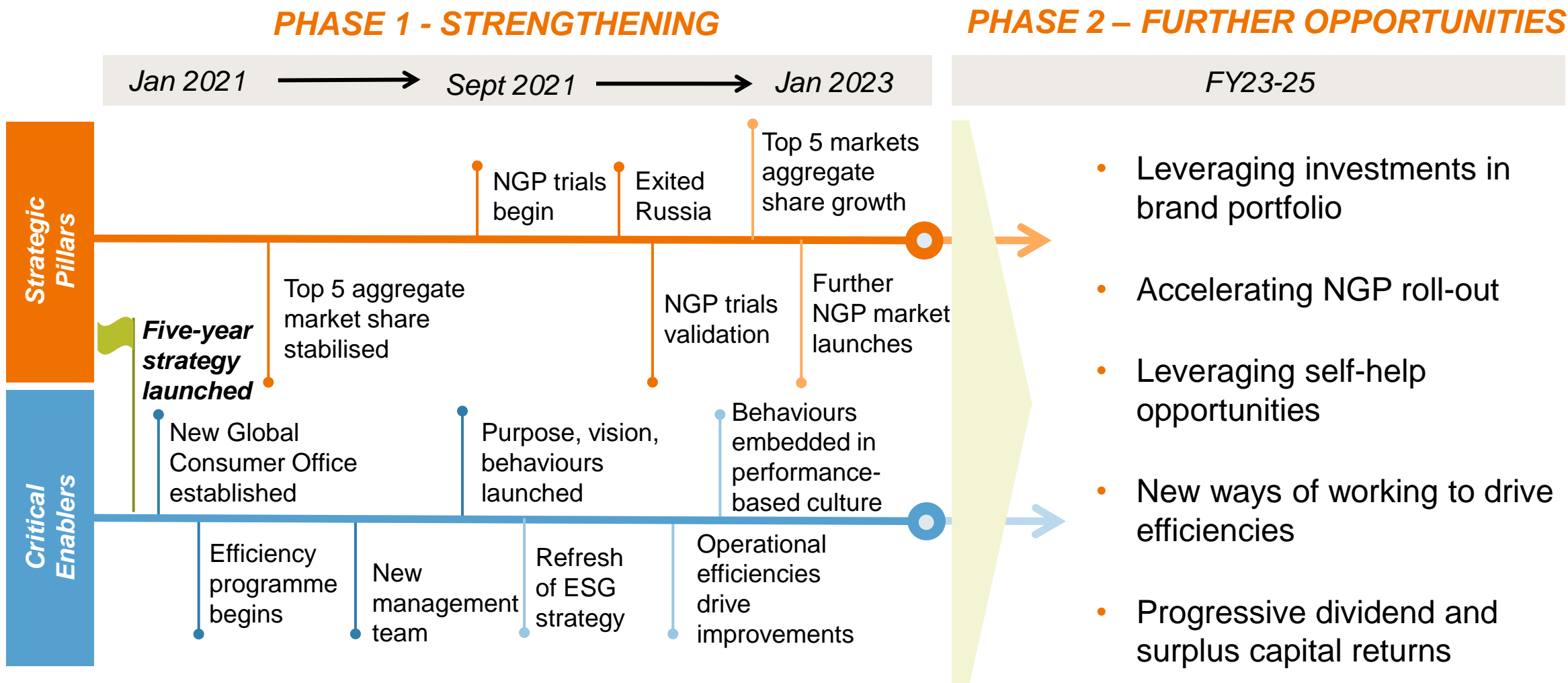


Faster,
more agile
decision-making

On Track with Our Five-Year Transformation



WE HAVE ACHIEVED A LOT TWO YEARS IN, BUT THERE IS MORE TO GO





BUILDING STRONGER

CAPABILITIES

Strengthened Leadership Team

COMPLETELY REFRESHED TEAM WITH SIGNIFICANT FMCG EXPERIENCE



- Broadest FMCG experience of any global executive tobacco team
- Eight out of ten new to Imperial
- Combined with deep tobacco experience
- With strong capabilities in key areas
- And experience of driving corporate transformation



Putting the Consumer at the Centre

BUILDING OUR CONSUMER FACING CAPABILITIES

*Leveraging the Strengths and Capabilities of a
Newly Established Global Consumer Office*



Consumer insight

More consistent use of consumer data and insight

Bringing consumer to centre of decision making

Revenue growth management

Bringing greater discipline and rigour across markets

Leveraging tools and best practice

Common language and approach

Brand and portfolio management

Unlocking brand opportunities in priority markets

Brand strategy that plays to Imperial's strengths

Innovation

Partnership model leveraging wide portfolio of partners

Expertise in flavours, devices, etc.

Innovation hub in Shenzhen

NGP

Clear strategic focus under single leadership for first time

Consistent approach supports scale and leverages resources, e.g. consumer data

Building a Performance-Based Culture



MAJOR CHANGE PROGRAMME EMBEDDING PURPOSE, VISION & BEHAVIOURS

Nov 2021 → 2021/2022 → End 2022 → End 2023

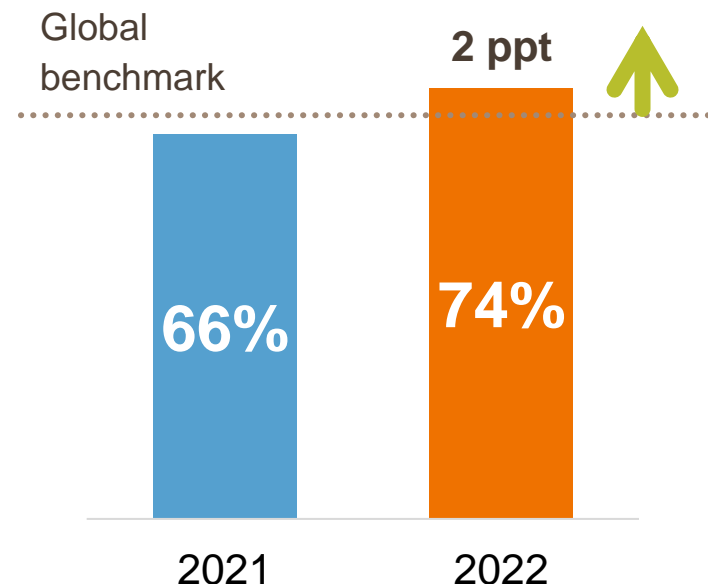


Global survey exceeds external benchmarks in key areas despite significant change agenda

81% ↑ 6 ppt vs global benchmark
participation rate

>20,000
verbatim comments

Global Engagement Score



- 83%** "I understand what our new behaviours mean for me in my role"
- 77%** "I believe we will achieve Imperial's strategy"
- 77%** "I see our new behaviours being role-modelled by my people leader"

Simplified and Efficient Operations

NEW WAYS OF WORKING DELIVERING SELF-HELP OPPORTUNITIES



Achieved to date

Strengthened
the consumer-facing
organisation

Restructured to align
organisation to new
strategy

On track to deliver
£150m savings
by end FY23

Next phase: Leveraging new ways of working



Delivering **new operating models in corporate functions** – enhancing focus on consumer and growth



Enhancing **global business services** to improve capabilities, controls and reporting



Building our capabilities in **new ways of working and change management**



Investing to deliver **digital transformation** – new ERP to replace **60** legacy systems

Building our ESG Capabilities



SIGNIFICANT PROGRESS MADE IN 2022; CLEAR PRIORITIES FOR 2023

- ✓ Appointed new Head of ESG
- ✓ Enhanced ESG team supported by rigorous governance process
- ✓ **Consumer health** and **climate change** main priorities



To view our ESG investor webinar click [here](#)

HEALTHIER FUTURES



Consumer Health



Climate Change



Packaging & Waste

POSITIVE CONTRIBUTION TO SOCIETY



Farmer Livelihoods & Welfare



Sustainable & Responsible Sourcing

SAFE & INCLUSIVE WORKPLACE



Employee Health, Safety & Wellbeing



Diversity, Equity & Inclusion



Human Rights



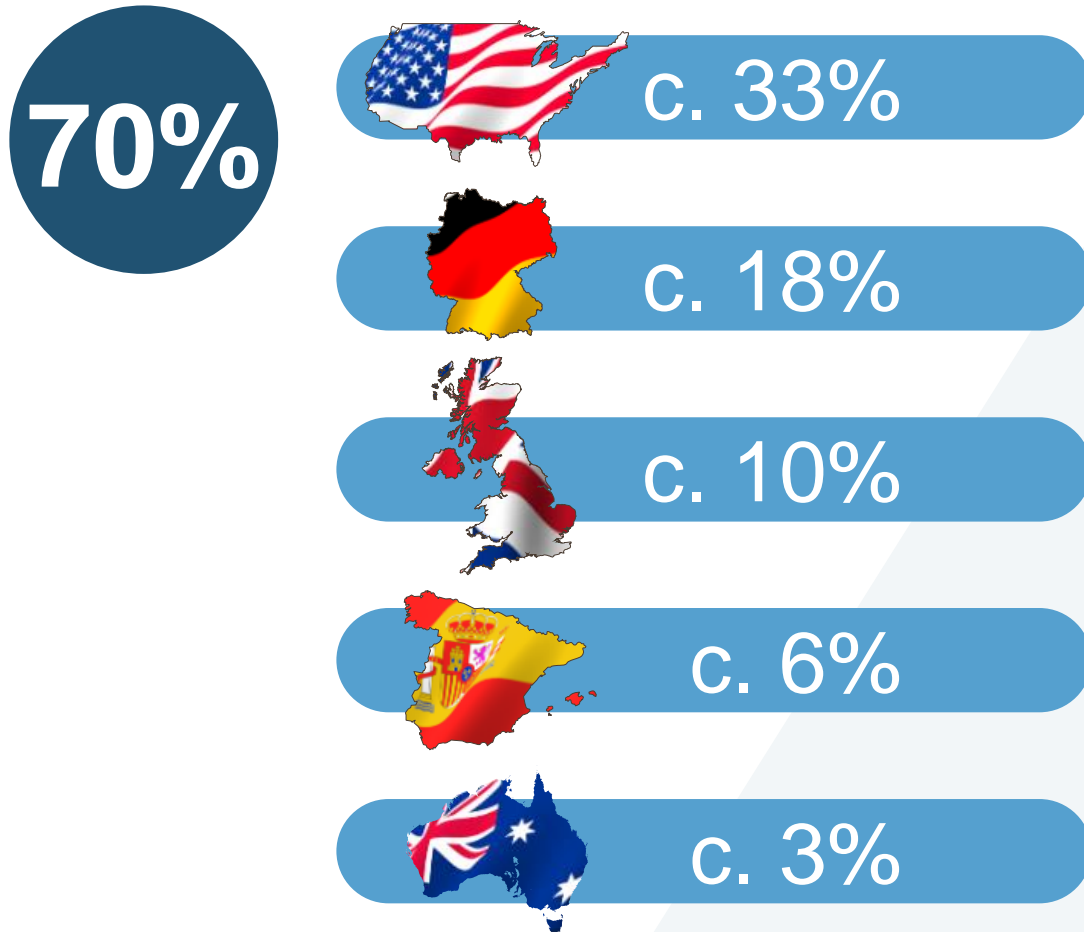
STRONGER TOBACCO

PERFORMANCE

Focus on Priority Markets

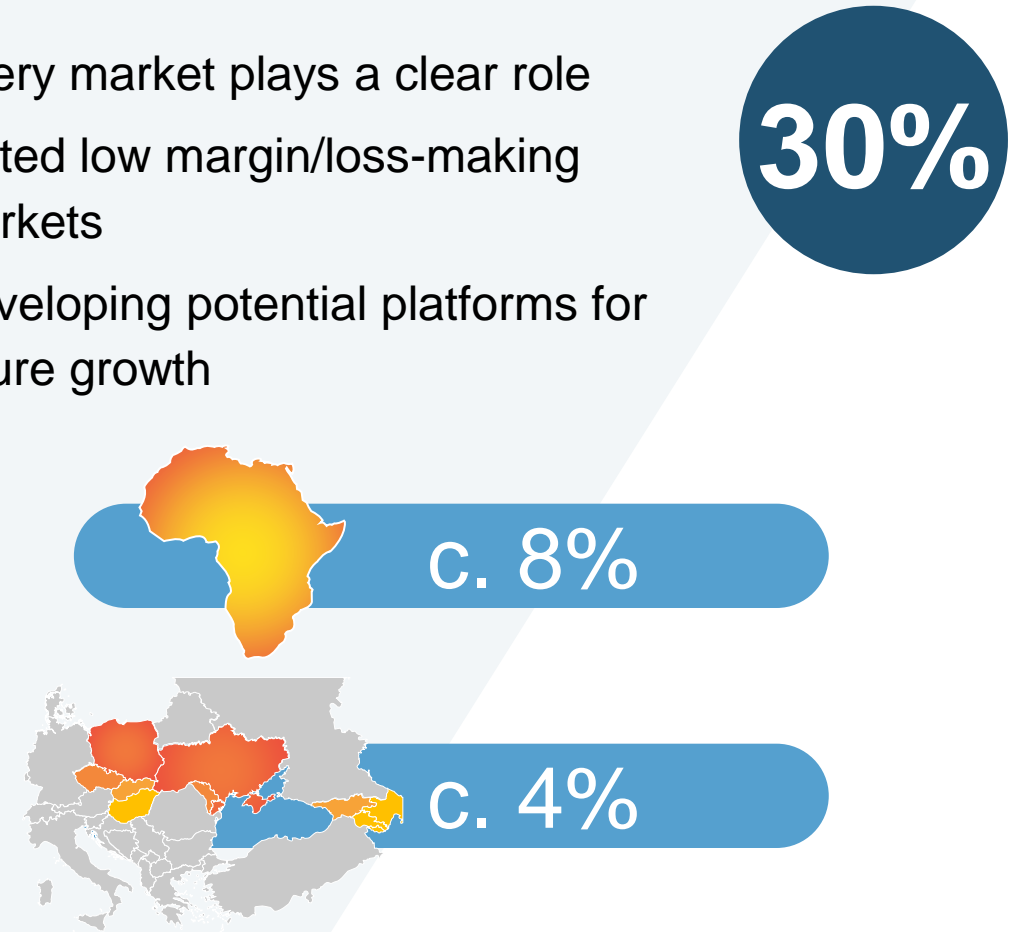


PRIORITY MARKETS REPRESENT C. 70% OF COMBUSTIBLE OPERATING PROFIT



WIDER MARKETS REPRESENT C. 30% OF COMBUSTIBLE OPERATING PROFIT

- Every market plays a clear role
- Exited low margin/loss-making markets
- Developing potential platforms for future growth



Operational Levers in our Priority Markets



SIX OPERATIONAL LEVERS IN OUR FIVE PRIORITY MARKETS

*Brand equity
building &
portfolio
management*

1 Increase participation in premium

2 Drive and rejuvenate local jewel brands

3 Optimise our approach to the value segment

4 Maximise the potential of fine-cut tobacco category

Sales force

5 Drive performance in under-penetrated channels/regions

6 Maximise value creation through Key Accounts

Priority Markets: Premium Brand Investment



1 Increase participation in premium



- Targeted investment in quality & taste perception
- Refreshed pack design rolled-out nationally following local trial
- Contemporary advertisement campaign
- Leveraging retailer partnerships



+26 bps in the premium value segment



Innovative retail partnerships leveraging motor racing heritage

Priority Markets: Jewel Brand Investment



2 Drive and rejuvenate local jewel brands



Nobel



- Leveraging our strong local heritage brands
- Pack re-design incorporating Spanish street artists resonate with urban culture



+45 bps



EMBASSY

- Revitalising a strong UK brand
- Driven share gains through innovation with new filter and fresh pack design



+132 bps

Priority Markets: Brand Investment



3 Optimise our approach to the value segment



- Fifth price tier now 40% of industry volumes in Australia
- Launched Lambert & Butler in the fifth price tier in a dark market
- Offering at every price point

↑ +193 bps

4 Maximise the potential of fine-cut tobacco category



Activation to drive awareness of Riverstone fine cut



Award for Players fine cut launch



Limited edition variants for Rizla papers

Priority Markets: Sales Force Investment



ENHANCING SALES COVERAGE AND EFFECTIVENESS

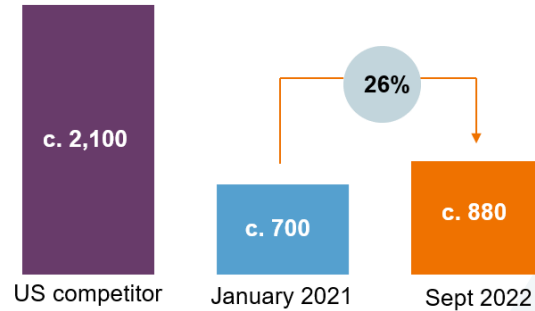
DRIVE PERFORMANCE IN UNDER-PENETRATED AREAS



Increasing sales force numbers

Perfect store and partnerships with key accounts

Enhancing technology capabilities



Ranking	ZIP	Store Name	CPW	Notes
1	63121	Winston Red K & B	0.26	Must Carry
2	63121	Maverick K & B	0.89	Must Carry
3	63121	Kool K & B	0.7	Must Carry
4	63121	Kool 100 B & M	0.7	Must Carry
5	63121	Winston Gold K & B	0.25	Must Carry
6	63121	Maverick 100 B & M	0.36	Must Carry
7	63121	Kool Blue 100 B & M	0.50	None
8	63121	Kool K & B	0.15	None
9	63121	Kool Blue K & B	0.25	None
10	63121	Salem Gold 100 B & M	0.54	None
11	63121	Salem 100 B & M	0.16	None
12	63121	Salem 100 B & M	0.18	None
13	63121	Salem K & B	0.48	None
14	63121	Salem Gold K & B	0.28	None
15	63121	Salem Silver 100 B & M	0.25	None
16	63121	Maverick 100 B	0.12	None
17	63121	Winston Red 100 B	0.25	None
18	63121	Salem Silver K & B	0.17	None

Increased coverage across under-represented retail channels

Extend focus to under-developed regions

Enhanced retailer partnerships

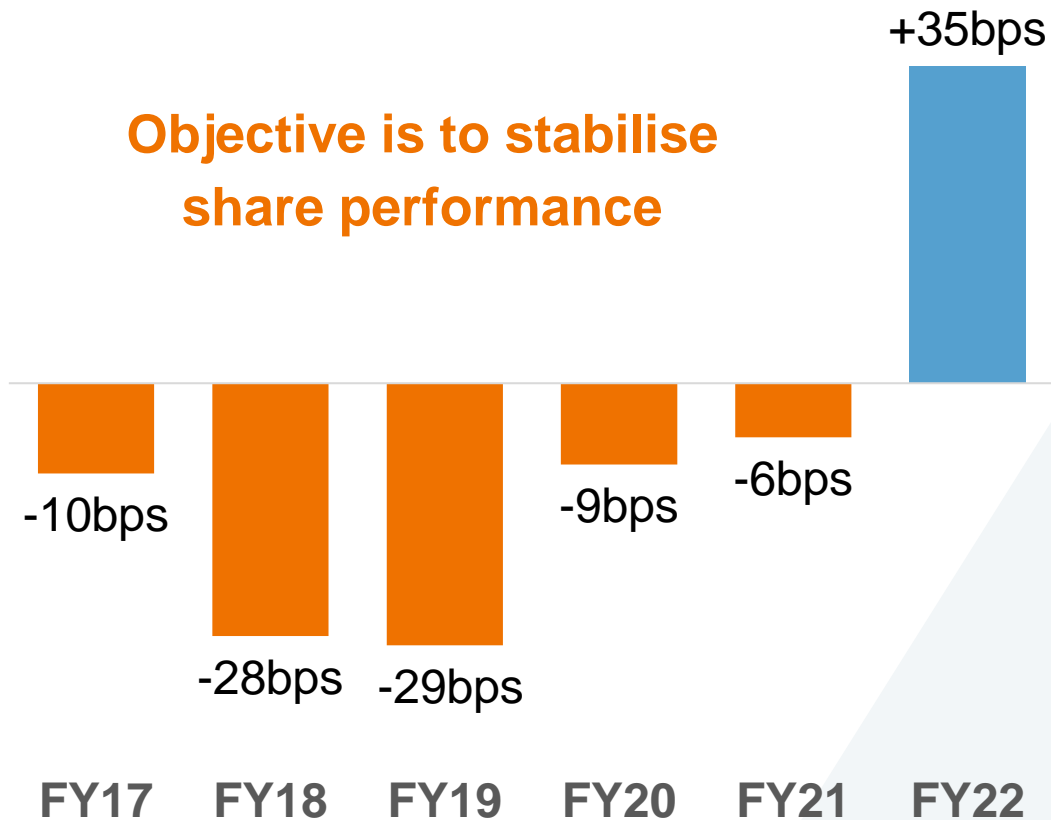


Stabilising our Priority Market Share

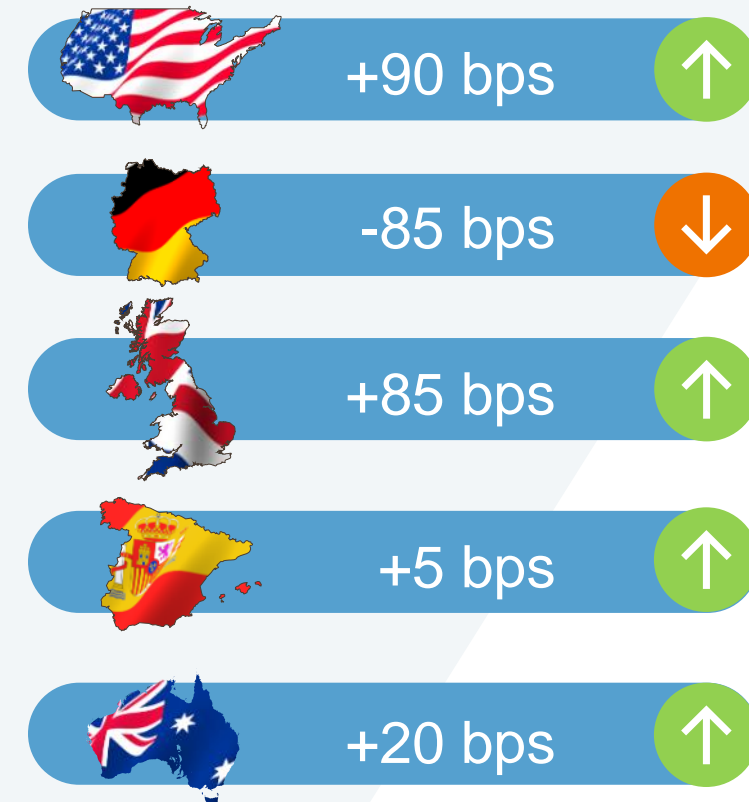


TARGETED INVESTMENT STRENGTHENING OUR SHARE OF MARKET

AVERAGE PRIORITY MARKET SHARE PERFORMANCE



PRIORITY MARKET SHARES (12 month share Δ FY22)





STRONGER NGR

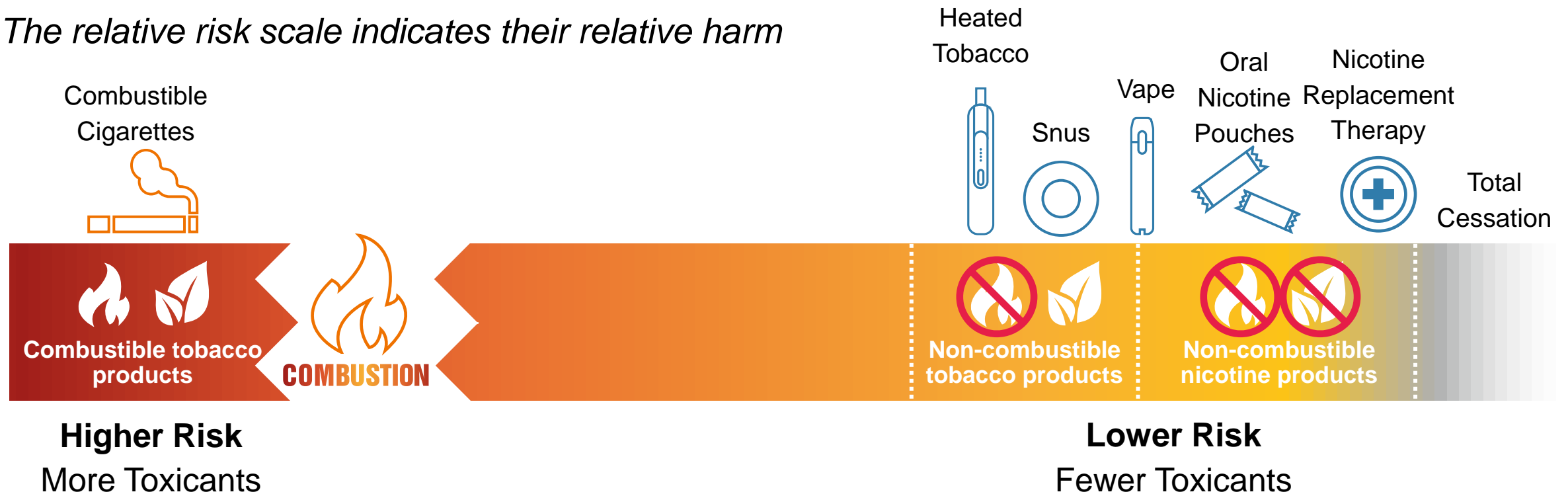
DELIVERY

Our Purpose: Forging a Path to a Healthier Future for Moments of Relaxation and Pleasure



NGP provides potentially reduced risk alternatives to cigarettes

The relative risk scale indicates their relative harm

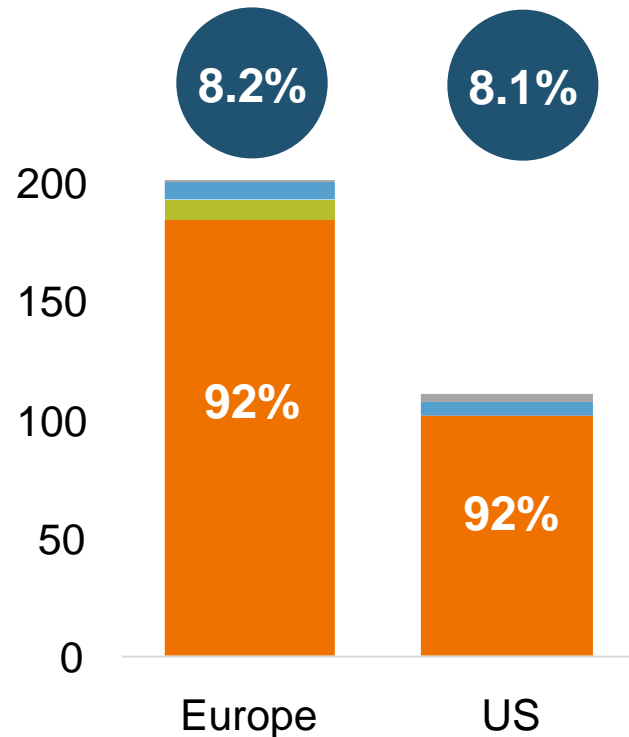


Consumer Adoption Varies by Market

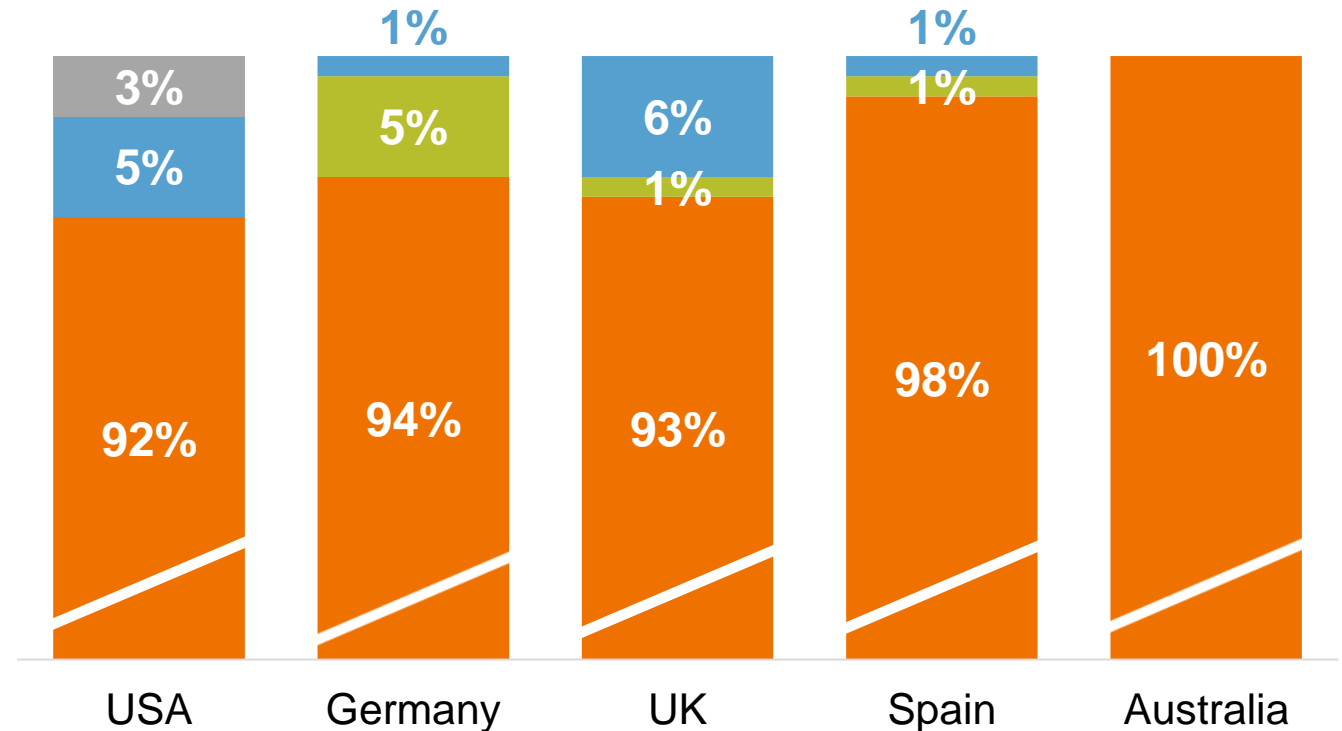
EUROPE IS THE LARGEST NGP REGION IN OUR FOOTPRINT



NGP penetration of nicotine pool (by RSV £bn)



Penetration by nicotine product in priority markets by RSV



Combustible Heated Tobacco Vapour Modern Oral Nicotine

Differentiated Approach Plays to Our Strengths

OUR CONSUMER-LED APPROACH WILL IMPROVE CONSUMER ACCEPTANCE



Tight market focus

Focused on markets where **NGP is established** and we have an **existing route to market**



Product differentiation

Differentiated products to **provide greater choice to existing consumers**



Targeted consumer investment

Investment in brand building and awareness rather than building categories from scratch



Innovation through partnership

More agile and cost effective to match our investment resources



Focused and efficient investment

Focused approach reflects our smaller size and will deliver more harm reduction choices

NGP: Differentiated, Challenger Approach

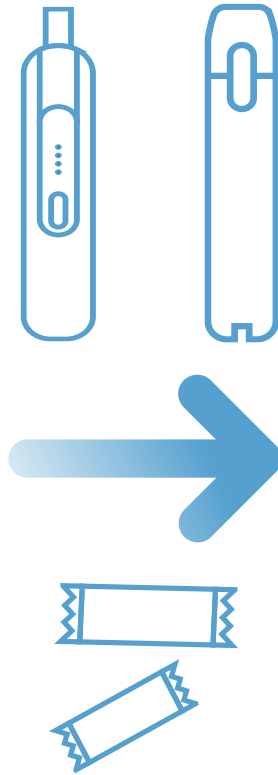
VALIDATION OF OUR CONSUMER-FOCUSED APPROACH



Targeted investment and recognised consumer acceptance are driving revenue growth

2020

- Portfolio overly focused on vapour
- Ageing vapour device
- Unfocused market launches
- Lack of disciplined investment
- Slow pace of innovation
- Declining revenue; growing losses



Now and the future...

- **Rebooted strategy** embracing a **multicategory approach**
- **Validated approach** following **consumer trials** – clear market launch criteria
- Focused investment to **accelerate market and product roll-outs** based on data and insight
- **Innovation pipeline** delivering products at pace (e.g blu 2.0, Pulze 2.0 and blu bar)
- **Growing revenue and improving returns**

NGP: EVP Innovation Delivers Upgraded Pod Device



LAUNCH OF BLU 2.0 IN FRANCE, UK AND SPAIN

blu 2.0

- Upgraded 2.0 device
- Improved battery life
- Better pod performance
- Flavour expansion to meet consumer demand
- Refreshed end-to-end consumer experience



NGP: Innovation Delivers All-New Vapour Device

LAUNCH OF BLU BAR IN FRANCE, UK AND SPAIN



blu bar

- Broadening the consumer appeal of the blu brand
- Targeting adult smokers/vapers
- New convenient format
- Diverse flavour range
- Targeted market roll-out, with a responsible launch framework



NGP: Innovation Delivers Upgraded 2.0 Device

LAUNCH OF PULZE 2.0 UNDERWAY IN FOUR EUROPEAN MARKETS



Pulze 2.0

- Innovation focused on: nicotine satisfaction, quality, simplicity and sensory experience
- Redesigned device: one of the smallest all-in-one devices
- 25+ sessions from single charge
- New tobacco and flavour additions



NGP: Modern Oral Nicotine Innovation

PORTFOLIO INNOVATION THROUGH FLAVOURS



Zone X

- Investing in the Nordics and selected European markets
- Innovation driving consumer interest and growth
- Innovative flavours launched



Accelerating Our Pace of Innovation

FASTER, MORE AGILE, MORE CONSUMER-LED



Sept 2021

Apr 2022

Sept 2022

Feb 2023



Pulze 1.0 trials



New iD crushball flavours launched

Pulze 1.0 markets expanded



Pulze 2.0 launched



Three new flavour launches for Zone X



blu 2.0 trials in four French cities



Two new flavour launches for Zone X



blu 2.0 national launches

blu bar national launches



Launch of "Hot Beat" flavour for Zone X



Two new flavour launches for Zone X



STRONGER FINANCIAL

PERFORMANCE

A Clear Five-Year Plan With Two Phases



GOOD PROGRESS IMPLEMENTING PHASE ONE OF OUR STRATEGY

FY21 TO FY22

FY23 TO FY25

PHASE ONE – STRENGTHENING

PHASE TWO – IMPROVING RETURNS

Net
revenue

Gradually improving trajectory with 5-year CAGR of 1-2%

FY21

FY22*

FY23 guidance

+1.4%

+1.5%

+1-2%

Adjusted
operating
profit

Delivered ahead of guidance

FY21

FY22

+4.8%

+1.8%

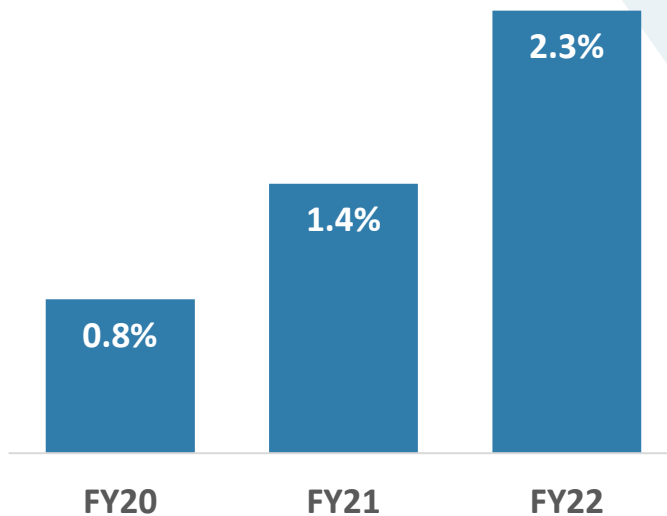
- 3-year mid-single digit CAGR
- Improving profit growth within mid-single digit range (+3.5% to +6.5%)

Strategy Stabilised Financial Delivery

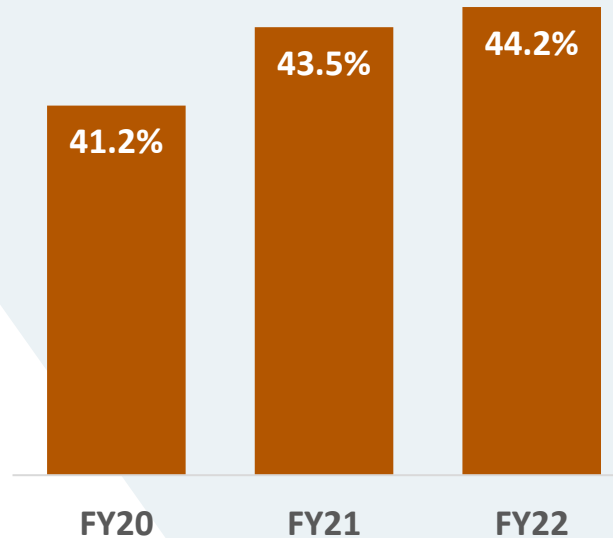
SUPPORTING STRONG AND SUSTAINABLE CASH GENERATION



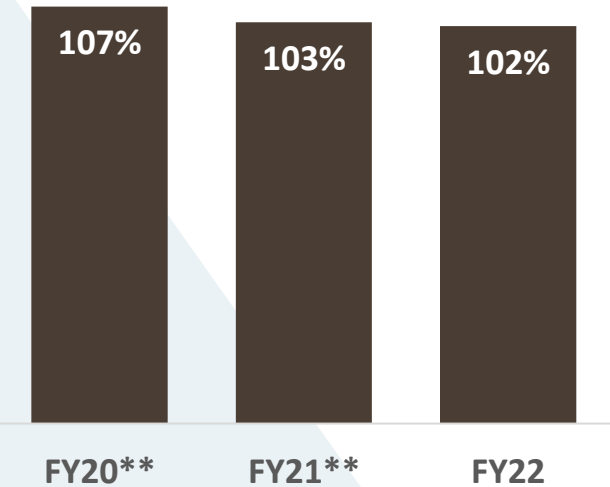
IMPROVING TOBACCO & NGP NET REVENUE GROWTH* (£m)



IMPROVED TOBACCO & NGP OPERATING PROFIT MARGINS



COMBINED WITH HIGH CASH CONVERSION



STRONG CASH GENERATION ENABLES OUR FOUR CAPITAL PRIORITIES

* Constant currency and organic, excluding the disposal of the Premium Cigar Division (Oct 2020) and exit from Russia (Apr 2022). Including impact from Russian exit, FY22 growth was 1.5%

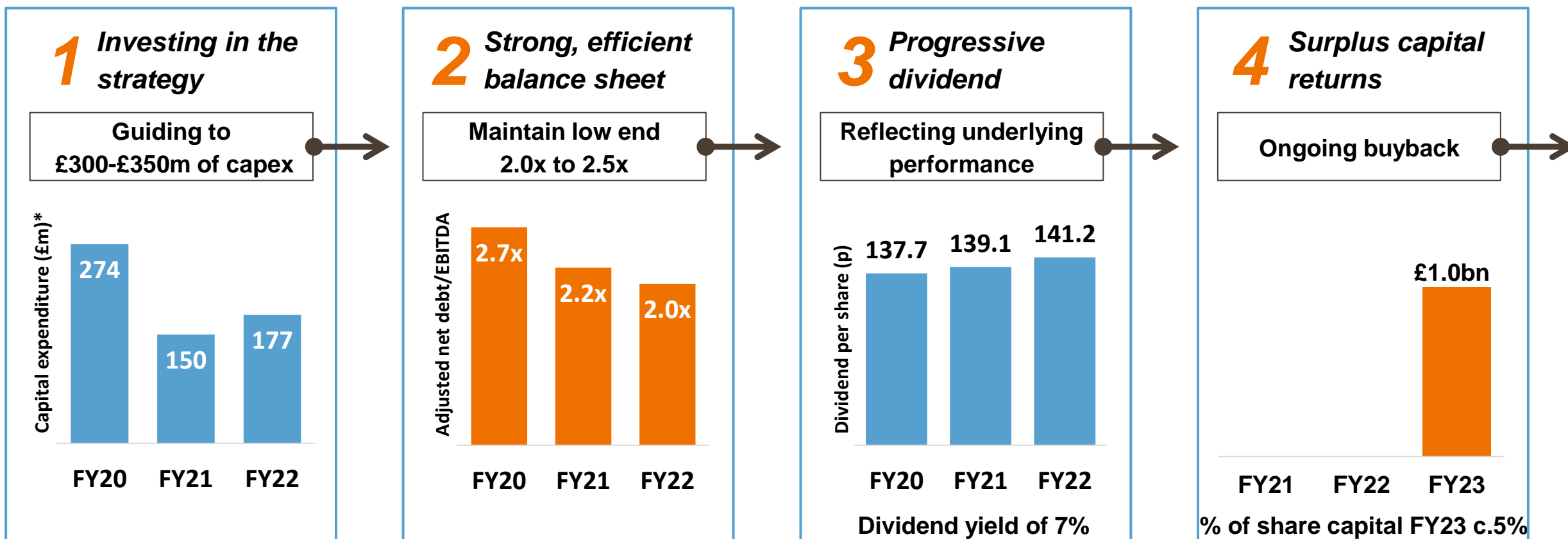
** Adjusted to exclude impact of COVID. Without this adjustment, cash conversion 2020 was 127% and 2021 was 83%

Cash Generation Supports Capital Returns



CAPITAL ALLOCATION FRAMEWORK DEVELOPED ALONGSIDE STRATEGY

SUSTAINABLE FREE CASH FLOW SUPPORTS ALL FOUR CAPITAL ALLOCATION PRIORITIES



Attractive Valuation

OPPORTUNITY TO INVEST IN GLOBAL CONSUMER GOODS BUSINESS WITH ATTRACTIVE VALUATION



FREE CASH FLOW YIELD

14.4%

compared to **5.8%**
global FMCG average

DIVIDEND YIELD

+7.2%

compared to **3.6%**
global FMCG average

DIVIDEND COVER

1.9x

compared to **1.8x**
global FMCG average

7% DIVIDEND YIELD + 5% SHARE BUYBACK = c.12% RETURN IN FY23*

* Shareholder returns based on share price of £20.17

Note: Calendarised to 31 December 2023 year-end.

(1) Peer average excludes Imperial and includes British American Tobacco, Japan Tobacco, Philip Morris, Altria, Anheuser-Busch InBev, Coca-Cola, Colgate-Palmolive, Diageo, Heineken, Johnson & Johnson, Kimberly-Clark, Kraft Heinz, McDonald's, Mondelez, Nestle, PepsiCo, Procter & Gamble, Roche, Unilever.

(2) FCF yield defined as (Net income + D&A – Capex – Δ NWC) / Market capitalisation.

CAGNY 2023: Further Opportunities To Build On



MORE CONFIDENT THAN EVER IN OUR FUTURE

- ✓ Building **stronger** capabilities
- ✓ Delivering a **stronger** tobacco performance
- ✓ Creating a **stronger** NGP business
- ✓ A **stronger** financial performance and capital returns

Opportunity to invest in further upside at attractive valuation



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