IMPERIAL BRANDS PLC

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Imperial Brands announces share buyback programme and affirms trading in line with expectations

- Strengthened balance sheet and achievement of target leverage enable immediate start of an ongoing share buyback programme
- £1 billion of shares to be repurchased in first 12 months to return surplus capital
- Total capital returns in FY23, including ordinary dividends and share buybacks, expected to exceed £2.3 billion, representing c. 13% of current market capitalisation
- FY22 trading in line with expectations with growth in aggregate market share for top-five priority markets
- Good progress with our next generation product launches supports further market roll-outs

In line with its five-year strategy to deliver sustainable growth and enhanced shareholder returns, Imperial Brands today announces the start of an ongoing, multi-year share buyback programme. This is the culmination of the two-year 'strengthening' phase of our plan, as we move into the next three-year 'improving returns' phase.

We intend initially to repurchase up to £1 billion of shares in the period from 7 October 2022 to the end of September 2023. This would represent approximately 5.5% of the issued share capital of Imperial Brands based on yesterday's market close. Over time, we intend to deliver a material reduction in the capital base, providing an ongoing source of shareholder returns in addition to our progressive dividend policy.

Stefan Bomhard, Imperial Brands CEO, said: *"The launch of our new buyback programme is an important milestone in our five-year strategy announced in January 2021. Over the past two years, increased investment and a more consumer-centric approach have improved delivery in both our priority combustible markets and next generation product operations. Disciplined capital allocation has strengthened our balance sheet to reach our target leverage levels.*

"Today's announcement is underpinned by this improving performance and our confidence in being able to continue generating strong cash flows to support growing shareholder returns in the years to come. We are committed to a progressive dividend and an ongoing buyback programme to meaningfully reduce the capital base over time."

FY22 trading performance

Trading in the year has been in line with expectations. Targeted investment in our five largest combustible markets which account for around 70% of operating profit has driven an improvement in aggregate market share. At constant currency, the growth rate of our tobacco net revenue improved in the second half compared with the first, driven by a stronger price mix. As expected, the recovery of international travel has, over the course of the year, led to a return to pre-COVID purchasing patterns. This has led to increased volume declines, particularly in Northern Europe, partly offset by volume growth in Southern Europe and Duty Free.

We continue to make good progress in implementing our refreshed NGP strategy. Further share gains have been made with Pulze and iD, our heated tobacco offering, in Greece and the Czech Republic, and in the past month we launched in Italy, Europe's largest heated tobacco market. Our consumer trial of blu 2.0, a new pod-based vapour device, in selected cities in France has been well received by consumers and the trade.

In line with previous guidance, we expect full-year net revenue and Group adjusted operating profit to both grow by around 1 per cent at constant currency. At current exchange rates, translation foreign exchange is expected to be a c. 1 per cent tailwind on full-year net revenue and a c. 2 per cent tailwind on full-year adjusted earnings per share.

Looking ahead, we remain on track to deliver against our five-year plan. The additional investment and the actions we have taken during the initial two-year strengthening phase have built strong foundations and enhanced our resilience as we face a more challenging macro-economic environment. Over the next three-year phase of our plan, we continue to expect low single-digit constant currency net revenue growth with constant currency adjusted operating profit growth accelerating to deliver a mid-single digit CAGR over the three years.

Delivering on our capital allocation priorities
Our five-year strategic plan is supported by a clear capital allocation policy with four priorities:

1. Invest behind the new strategy to deliver the growth initiatives.
2. Deleverage to support a strong and efficient balance sheet with a target leverage towards the lower end of our net debt to EBITDA range of 2.0-2.5 times.
3. A progressive dividend policy with the dividend growing annually, taking into account underlying business performance.
4. Surplus capital returns to shareholders once target leverage has been achieved.

At the end of our financial year to 30 September 2022, our leverage was at the lower end of our net debt to EBITDA range of 2.0-2.5 times. We expect to maintain this level of gearing going forward and we reiterate our commitment to our investment grade credit rating. The strengthened balance sheet position means we are now in a position to start to return surplus capital to shareholders.

Meanwhile, we will continue to invest behind growth opportunities in our combustible and NGP businesses in line with our strategic plan, with an expected level of capital expenditure for the Group of around £300 million to £350 million per annum.

The annual results for the year ended 30 September 2022 will be announced on 15 November 2022.

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Notes:

This announcement contains inside information.

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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Investor/analyst Conference Call
Chief Executive Stefan Bomhard and Chief Financial Officer Lukas Paravicini will be hosting a telephone conference call for investors and analysts at **09:00 BST on Thursday 6 October**. If you wish to participate in the call, please register in advance using the following link:
https://register.vevent.com/register/BIed4ccd2b1b464f909ff737e881a2d4b4
You will be sent dial-in details and your own PIN to access the call.
A recording and transcript will be made available after the call on www.imperialbrandsplc.com.

Cautionary Statement

Certain statements in this announcement constitute or may constitute forward-looking statements. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is or may be a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those projected or implied in any forward-looking statement. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement. As a result, you are cautioned not to place any reliance on such forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of this announcement and the Company undertakes no obligation to update its view of such risks and uncertainties or to update the forward-looking statements contained herein. Nothing in this announcement should be construed as a profit forecast or profit estimate and no statement in this announcement should be interpreted to mean that the future earnings per share of the Company for current or future financial years will necessarily match or exceed the historical or published earnings per share of the Company. This announcement has been prepared for, and only for the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this announcement is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.