

**IMPERIAL BRANDS PLC****Legal Entity Identifier (LEI) No. 549300DFVPOB67JL3A42****5 October 2023****Imperial Brands on track to deliver full-year guidance and announces further £1.1bn share buyback**

- FY23 trading in line with guidance, with growth in aggregate market share of top-five priority markets
- Strong tobacco pricing driving constant currency net revenue and adjusted operating profit growth
- Momentum building behind next generation product (NGP) net revenue growth across all categories
- Further £1.1bn share buyback announced for FY24, a 10% increase on the £1.0bn buyback in FY23
- Total capital returns in FY24, including ordinary dividends and share buyback, expected to exceed £2.4bn

**Pre-close trading update**

The implementation of our five-year strategy is driving further improvements in operational and financial performance, and we are on track to deliver in line with our previous full-year guidance. On a constant currency basis and including Russia in the prior-year comparator, tobacco and NGP net revenue is expected to grow in the low single digits and Group adjusted operating profit growth to accelerate to the lower end of our mid-single digit range. At current rates, we expect foreign exchange to be a c. 2% tailwind to full-year net revenue and adjusted operating profit.

Focused investment in our priority combustible markets is expected to deliver a further modest gain in the aggregate share for our top-five markets at the full year. This will complete three consecutive years of improved market share performance following several years of decline. Like the first half, the US, Spain and Australia are expected to show market share growth, more than offsetting declines in Germany and the UK. This positive aggregate share performance has been achieved while delivering strong pricing across all five markets, and reflects the strengthened equity of our brands and our improved resilience as a result of our recent targeted investments.

As anticipated, at constant currency our tobacco net revenue growth improved in the second half of the year, as continued strong pricing helped to offset the relatively higher volume declines against historic averages. Tobacco net revenue growth has remained strong in Europe and the AAACE region, more than offsetting declines in the US. Our US cigarette business has outperformed with continued growth in cigarette net revenue although, as expected, this has been more than offset by a decline in mass market cigar net revenue against a strong comparator period. This headwind, which we reported at the half-year, has eased during the second half. Excluding Russia, our tobacco net revenue at full year is anticipated to be ahead of last year on a constant currency basis. Details of the contribution from Russia last year are provided at the end of this statement.

Full-year NGP revenue growth has accelerated in the second half of the year, driven by strong growth in Europe. In all categories of next generation products – vape, heated tobacco and oral nicotine – we delivered a step-up in product and market launches during the year. In the US, we welcomed the unanimous decision on 29 August 2023 by United States Court of Appeals for the District of Columbia Circuit to vacate the Food and Drug Administration’s Marketing Denial Order for our myblu pod-based vapour product, and we are on track to launch our new modern oral product early in 2024.

As previously signalled, over the period FY23 to FY25, we expect operating profit to accelerate to a mid-single-digit CAGR at constant currency.

### Consistent capital allocation supporting shareholder returns

We expect net debt to EBITDA leverage at 30 September 2023 to be at around 2.0 times. We plan to maintain this level of gearing going forward and reiterate our commitment to our investment grade credit rating.

In line with our capital allocation policy and reflecting our confidence in our strategy and cash generation, we are today announcing a further buyback of up to £1.1 billion of shares in the period from 6 October 2023 to the end of September 2024. This represents almost 8% of our share capital based on yesterday's market closing share price. This is a 10% increase on last year's £1 billion buyback, where we repurchased 52,107,043 shares, or 5.5%, of our share capital in FY23.

This commitment forms part of an ongoing, multi-year buyback programme that will deliver a material reduction in the capital base over time, which, together with our progressive dividend policy, will provide an ongoing source of shareholder returns. Taking our dividends and buyback together, we expect our capital returns to shareholders will exceed £2.4 billion in the coming fiscal year, representing around 17% of our current market capitalisation.

The full year results for the twelve months ended 30 September 2023 will be announced on 14 November 2023.

### Impact of Russia Exit

On 20 April 2022, we announced the transfer of our Russian business to local investors. We provide below the contribution from our Russian business in FY22 for key metrics to assist with the modelling the year-on-year impact.

FY22 Russia contribution		Russia
Tobacco volume	bn SE	7.8
Total net revenue	£m	56
Tobacco net revenue	£m	56
NGP net revenue	£m	-
Adjusted operating profit	£m	5

### Central & Eastern Europe transferred to AAA to support wider market portfolio initiatives

In April 2023, we announced the transfer of the management of our Central and Eastern Europe cluster from our Europe region to the Africa, Asia and Australasia (AAA) region. The AAA region is now known as AAACE. The affected markets are Poland, Czech Republic, Ukraine, Slovakia, Hungary, Azerbaijan, Armenia, Georgia, Moldova, Croatia and Slovenia. The Americas region is unaffected by the change.

As a reminder, we provide below the key regional metrics for FY22 restated for the new reporting basis.

FY22 restatement		Europe (existing)	AAA (existing)	CEE	Europe (new)	AAACE (new)
Tobacco volume	bn SE	121.5	77.5	23.6	97.9	101.1
Total net revenue	£m	3,472	1,495	433	3,039	1,928
Tobacco net revenue	£m	3,306	1,495	423	2,883	1,918
NGP net revenue	£m	166	0	10	156	10
Adjusted operating profit	£m	1,562	700	115	1,447	815

ENDS

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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