2023 Full Year Results Script – 14 November 2023

Stefan Bomhard, CEO

Slide – Full Year Results

Good morning everyone… and a warm welcome to our full-year results presentation.

Thank you to all of you who are joining us here in London today — and also 'hello' to those watching us online.

Slide – Disclaimer

I will just draw your attention to this disclaimer, before I introduce you to the rest of the team and outline the agenda.

Slide – Agenda

You will all know our Chief Financial Officer, Lukas Paravicini, and Peter Durman, Head of Investor Relations.

First, I will highlight the key achievements from today's results.

Lukas will then outline our financial delivery for the year and look ahead to the coming 12 months.

I will then update on our broad-ranging transformation to build a business that delivers sustainable growth.

Finally, we both look forward to taking your questions.

Slide – Strong Progress Against our Five-Year Plan

I am pleased to report that these results are further evidence of strong progress against our five-year strategy.

The key headlines are:

First. Our targeted investments are driving further aggregate market share gains in our priority combustible markets.

Second. We have delivered strong pricing and grown margins – despite high inflation and squeezed consumer wallets.

Third. In next generation products, our challenger approach to innovation and disciplined execution are accelerating revenue growth.

And fourth, while once again delivering on our annual plans, we are also making good progress on our long-term transformation.

As I will discuss in more detail later, we are patiently building a new culture, new capabilities and new ways of working.

These results are further evidence we are becoming a more resilient business, delivering stronger returns to you – our shareholders.

At the same time, we are also playing a more active role in this industry's transition towards a healthier, more sustainable business model.

Slide – 2023 – Successful Year of Delivery

We manage this business using a balanced dashboard of operational and financial measures.

For the third year in a row, this dashboard is a sea of green with all arrows pointing in the right direction.

The one that jumps out at me is the 3.9% increase in profitability, demonstrating the acceleration in profit growth we promised this year.

Our industry is highly competitive and characterised by shrinking volumes in our core product, so to deliver results of this quality *and* consistency is not easy.

At this point, I want to say a big thank you to our 25,000 colleagues.

Every extra basis point of market share and every pound of additional revenue is a result of the strategic focus and hard work of our teams.

What's also pleasing about this dashboard is the way it highlights how operational success in combustibles and NGP is translating directly into financial progress – and then into growing capital returns.

On top of the 10 per cent increase in our ongoing share buyback we announced last month, we are today announcing a 4 per cent rise in the annual dividend.

This is all hard evidence that our strategy is working.

When I return, I will try to bring this strategy to life in a little more detail.

Now, I'll hand over to Lukas to take you through the financial results.

Lukas Paravicini, CFO

Slide – Financial Review and Outlook

Thanks Stefan… and good morning everyone.

Slide – Improving Financial Delivery

It's been another strong year of financial delivery...

After the first two years of foundation building we are now seeing an acceleration of our returns.

The business has delivered in line with our expectations and against key financial metrics.

Tobacco and NGP net revenue is up 1.4% on a like-for-like basis... driven by broad share gains and strong pricing.

In NGP, new products and targeted market launches helped drive faster net revenue growth, particularly in Europe.

In line with our strategy, we delivered an acceleration in adjusted operating profit growth, which supported growth in EPS.

This strong performance means we can again meet our capital allocation priorities.

Leverage was 1.9 times… and we expect to hold around 2.0 times.

Cash remained strong with £2.4bn of free cash flow.

We returned around £2.3bn to you last year – … combining ordinary dividends and the £1bn share buyback.

We remain committed to our multi-year capital returns programme... and our £1.1bn buyback for next year is well underway.

Slide – Strong Tobacco Pricing Across Footprint

Tobacco volume, price and mix is similar to the half year.

Strong pricing gains – shown in orange – have continued to offset volume headwinds – shown in blue.

Starting with the US on the left, pricing increased 10 per cent,... driven by our cigarette portfolio.

With volumes - it's important to differentiate between our cigarette portfolio, and our mass market cigars.

Cigarette volumes held up well, declining by just 2%... compared to industry declines of more than 8%.

But, just like the first half, cigars accounted for the majority of the 6% decrease in total US volumes.

Our cigar performance has been affected by the wholesaler inventory movements caused by Hurricane Ian in September last year.

We're also seeing a rebalancing of market size and share post COVID.

This decline in cigar volumes also drove the majority of the negative mix of 9%.

This is because our cigars are relatively high value and low volume products - with a net revenue per stick 2.5 times that of a cigarette.

So, any movement in our cigar business – up or down – has an outsized impact on overall product mix.

In a moment, Stefan will talk more about the dynamics of our US business and the positive outlook for our cigars.

Moving to Europe and AAACE we've seen exceptionally strong pricing of 11% ... and this has more than offset volume declines… resulting in strong revenues and improved gross margin.

At a Group level, excluding Russia, volumes declined 7% against a strong comparator down just 1.2%....

Slide – Improved Adjusted Operating Profit Growth

Turning to operating profit.

Excluding Russia, adjusted operating profit grew by 3.9% at constant currency...

As you can see here, this growth was largely driven by improved performance in tobacco and at Logista.

As I've said profitability in tobacco benefited from strong pricing, and we grew tobacco operating margins by 150 basis points...

In line with our plan to invest in new products and markets…
NGP losses increased by £42m.

And we remain on course to breakeven by the end of our five-year plan.

Logista's positive contribution was driven by robust underlying performance helped by pricing and targeted acquisitions.

This M&A was an important step in Logista's diversification strategy, which we support.

It also means that less than half of their sales now come from tobacco.

Slide – Operating Profit: Adjusting Items

Like other businesses, we make certain adjustments to our IFRS numbers to help performance comparisons over time.

When I joined Imperial, I made a commitment to be transparent with you about these adjustments,... and I'll continue to do so.

The first item of £4m was driven by a write down of assets in Ukraine and our exit from certain Central Asia markets, following our exit from Russia.

The second is our usual amortisation of acquired intangibles…
in line with last year.

Third is the fair value adjustment to financial assets, including the Group's investment in cannabis.

We incurred £85m of charges relating to provisions for some legacy legal disputes, which are all one offs.

Finally, I want to highlight there were <u>no</u> adjustments for restructuring costs.

On the contrary, our adjusted numbers absorbed some £30m of factory closure costs, which we have 'funded' by the profit on sale of some former sites.

This is a pragmatic approach to optimising our factories.

Slide – EPS Delivery in Line With Plan

Turning to EPS...

Our EPS benefited from improved profit growth… and the share buyback.

Of course, the averaging effect of the share buyback through the year contributed only 2.6% – and this will compounded into next year.

These benefits, as we said at the half year, have been partially offset by higher interest, minorities and tax costs.

Interest costs have increased with higher interest rates and new bonds.

However, we've mitigated the impact of rising interest rates by fixing around 85% of our debt.

Looking ahead, we expect interest costs to increase this year to around £460m.

Our adjusted effective tax rate is the same as last year.

However, we expect next year's rate to be around 23%.

Slide – On Track With Capital Allocation Priorities

Central to our strategy is strong cash generation and disciplined capital allocation....

Operating cash conversion for the period was 92%... against a strong comparator of 102%, which had been helped by the timing of duty payments at Logista.

The business continues to generate significant free cash flow... to support our four capital allocation priorities.

Our first priority is to invest in the business – and this year we invested in organic growth and targeted acquisitions in NGP and Logista.

Second, is about having a strong and efficient balance sheet.

Our year end leverage was marginally below our 2 times target – helped by FX.

We are recommending an annual dividend growth of 4%... in line with our progressive dividend policy.

Finally, we continue with our multi-year share buyback programme...

Increasing it by 10% ... to £1.1bn for this coming year.

This currently equates to a further 7% of share capital....

We will continue to manage these priorities responsibly…
to deliver growing returns, while keeping some headroom for uncertainties.

Slide – FY24 Outlook

This year was the first in the next phase of our strategy, and we have delivered...
the acceleration in profit growth that we promised.

In the coming year…
we expect to grow net revenue at low single digits.

And we expect a <u>further improvement</u> in profit growth…
growing close to the middle of our mid-single digit range.

This will be driven by:
- pricing and operational gearing,
- reducing our NGP losses,
- improved geographic mix from our priority market focus and
- cost savings.

Performance will be weighted to the second half due to the phasing of our pricing in the prior year… and NGP investments front loaded to the first half.

As a result... the first half adjusted operating profit is expected to be low-single digit.

Foreign exchange translation is currently a zero to 1% headwind to the P&L.
Our improving profit growth and the full-year effect of share buyback will drive EPS .

As usual, there's more guidance in the appendices.

Whilst macro-economic and geopolitical challenges remain... our strategy and investment has strengthened the business... which underpins our confidence for the year ahead.

We remain very well placed to generate long-term value for shareholders.

Thank you. I’ll hand you back to Stefan.

Stefan Bomhard, CEO

Slide – Transforming Imperial Brands

Thank you, Lukas.

It's hard to believe that this is now the fourth set of Imperial full-year results that I have presented.

Slide – Our Purpose, Vision and Strategy

Back in November 2020 we could only meet virtually. The new executive team was forming, and, candidly, we were still exploring the business and considering our opportunities.

By November 2021, we had planted the first acorns. The basic framework you see on the screen now – our strategy and our purpose and behaviours had been set.

Our teams were mobilised around the distinctive vision that united all these priorities.

The time was right, we believed, for a *strong challenger* business in our sector - and that this strong challenger should be *us*.

This time last year, we were reporting on the first green shoots.

We were seeing encouraging signs of stability in our core combustible business, after many years where we had been the industry's number one share donor.

We had begun to reboot NGP and there was positive feedback from pilot markets.

Today, we can say that our tree has grown its first branches and leaves.

In combustibles we now have a three-year track record of share stability and strong pricing.

In NGP, we have credible offerings in multiple categories.

And there has been a step-change in financial performance and a step-change too in our capital returns to you.

While this growth is encouraging, we know we are still a long way from becoming a fully grown mighty oak.

And that's what's so exciting about working at Imperial right now.

We have made great progress already.

We can see clearly the upside to come.

And we know we can get there – as long as we stay focused and stick to our plan.

When I look again at this slide, which I have shown you many times in the past, what I am excited about is how well it has aged.

Sure, there are some things that have happened over the past three years which we didn't fully anticipate.

For example, I think we have all been surprised by the dynamism of the vape market with the sudden emergence of disposables.

But, on the whole, what we have been doing is systematically working through the detailed plans which support each of the six segments in our strategy wheel – the three enablers and the three priorities.

We have also been embedding those five behaviours in a really structured way.

And, as we advance our NGP business and broader ESG priorities, we are making progress towards the "healthier future" which is at the heart of our purpose.

Slide – Transforming Imperial Brands

As our transformation progresses, we are now able to show you the <u>hard</u> work of our teams… as well as some equally <u>hard</u> numbers.

We highlighted at our June event in New York how we are committed to placing the consumer at the centre of our business.

In insights, not only have we improved the <u>*quality*</u>, for example through the demand spaces work we previously showcased, we have also increased the <u>*quantity*</u>.

Over the past year, we have expanded our consumer tracker to cover 120,000 participants in 35 countries, a 20% increase over last year.

We are scaling our distinctive partnership approach to innovation – with <u>three</u> new hubs now open in Liverpool, Hamburg and Shenzhen.

And this is translating into a step change in the pace of new product launches.

Our investment in a new performance culture is also leading to clear, measurable returns.

Over the past year, <u>300</u> leaders took part in an intensive course lasting seven working days designed to improve their management and coaching skills.

Activities like these have supported a 10-percentage point improvement in engagement scores among our "Global Business Leaders" cohort.

Company-wide, we have maintained a benchmark-beating 74% engagement score.

We had a participation rate in excess of 90%, with over 50,000 verbatim comments received through the survey.

To put this into context, that is more than two verbatims for every person who responded.

While there is always room for improvement, this is a positive sign we are bringing our people with us on our transformation journey.

We continue to work through the legacy of this company's acquisitive history, creating simpler, more efficient ways of working and investing in data and systems.

The savings we promised when we launched our strategy in 2021 have been delivered.

It is important to note, however, that the full upside potential of our major investment in a single ERP platform will take time to emerge.

And this future benefit is one of the reasons why, though we are pleased with our achievements over the past three years, we are equally excited about the prospects for further progress in the years to come.

Slide – Delivering Against Our ESG Priorities

In ESG, as part of our wider business strategy, we set out some challenging long-term objectives across eight priorities.

And we are now making material progress towards those objectives with reductions in carbon emissions, waste and lost-time accidents.

Delivery of these outcomes is supported by our more structured approach to ESG governance.

Our cross-functional ESG committee, which I chair, includes all the Executive Leadership Team.

This provides oversight and direction to our ESG agenda and underpins our more rigorous, performance-focused approach.

I look forward to reporting further progress at future meetings.

Slide – Stabilising our Priority Market Share

Let me turn now to how we are delivering against our three strategic priorities, starting with our focus on our top-five combustible markets.

As I said earlier, this is the third consecutive year when we have reported stable or growing aggregate weighted market share.

At the same time, as we have discussed, we have maintained strong pricing discipline.

Remember that our medium-term objective is stable share at a *portfolio* level.

We do not expect to grow share in all five markets in any given year.

This year, we have grown share in three of the top five markets - US, Spain and Australia – and lost share in UK and Germany

During fiscal year 2024, our planning assumption is that we will hold our full-year share flat on last year.

Let's now provide a deeper dive on our priority markets starting with our largest, the US…

Slide – Americas: Delivering Further Cigarette Share Gains

As Lukas mentioned, this has been a year of strong cigarette performance, offset by challenges in cigars.

Cigarette market share was up 65 basis points, coupled with strong revenue growth.

We have again held or gained share in each of the three price segments where we focus and achieved strong broad-based pricing.

Brand investment and retailer initiatives behind Winston and Kool enabled us to hold our share in the highly competitive premium value segment.

We also grew share in the traditional discount segment with a strong performance from Maverick.

And we gained further share in the fast-growing deep discount price segment, where Sonoma and Crowns continued to grow volume and revenue.

And all of this was achieved against a challenging market dynamic with volumes down more than 8% year on year.

In cigars, we have experienced a transition year. However, the outlook is now more positive.

And the three factors that affected our performance this year are now largely behind us:

First and most significantly, we have normalised the wholesaler inventory changes caused by Hurricane Ian in September last year.

Second, we were affected by the wider COVID unwind, which has now been annualised.

And third, we lost share as competitors resolved earlier supply issues and we experienced some pressure from consumer downtrading. Although, the share trends have improved in the second half with the support of some innovation.

And looking ahead, our iconic brands continue to be very well-positioned within a category with attractive long-term characteristics.

Slide – Priority Markets: Strong Pricing Gains

In the other four priority markets we have made very deliberate choices around balancing market share with the delivery of pricing and value.

In the UK, we increased prices early in the fiscal year.

We anticipated a short-term impact on share, but it was the right decision for long-term value creation.

In the second half, our share has stabilised, thanks to the focused way we managed our portfolio of local jewel brands.

And we ended the year with both revenue and profit growth in the UK.

This was a great achievement given the sharp decline in market size driven by the COVID unwind and the high inflation-linked excise increase.

As you know, the UK prime minister recently announced an intention to introduce a generational ban on tobacco.

There is a consultation process under way, so some of the details are still unclear.

However, the earliest that these regulations will come into force is January 2027.

Moving to Spain, we raised prices for the second year, after a long period of price stability.

At the same time, we achieved further share gains driven again by our local jewel brand initiatives.

This has been led by the relaunch of Nobel in 2022, with new packaging and line extensions, which have resonated well with consumers.

In Australia, a refresh of our portfolio and pricing strategy enabled both share and value growth.

In Germany, after more than a decade of share losses, we saw a further decline over the year.

But we are patiently investing in building brand equity and sales force effectiveness.

However, as we have said before, it will take some time for us to stabilise market share.

Slide – Broader Market Portfolio: Driving Value

In a similar way to how we have focused investment in our five priority markets, we have an equally rigorous approach across our broader portfolio.

We have created ways of working to help teams in all markets maximise their contribution through the pooling of insights, expertise and services.

We are applying the same principles that we use in our priority markets.

Go-to-market strategies successfully deployed elsewhere in the Group, have been repeated across our wider markets.

Greater consumer engagement has guided our investment with brand innovations supporting sustainable price increases.

Our African cluster accounts for around 8% of Group operating profit.

Here, strong price increases were combined with revenue growth management measures and other tools developed alongside our Global Consumer Office team.

We have used our unique portfolio of local jewel and international brands to meet local consumer preferences. For instance, in the Middle East, international brand, Davidoff, resonates very well with consumers, particularly in Kuwait.

Bringing this focus and discipline combined with our new consumer skills is enabling us to continue to drive value from our broader market portfolio.

Slide – Building Momentum in NGP

Turning to NGP, I want to start with an overview of where we have got to – and what's next.

Over three years, this business has been rebuilt almost from scratch.

First, we reset our investment priorities, exiting some markets such as heated tobacco in Japan.

Then, we took a consumer-led "test and learn" approach – to understand how best to position our products and brands.

This consumer validation was a critical checkpoint before we invested in further market roll-outs.

At the same time, our new, partnership approach to innovation has led to a complete refresh of our offering in the three major NGP categories: vaping, heated tobacco and modern oral.

As a result, we now have new propositions in all these categories which are credible – though, of course, by no means perfect.

And we are up and running in most of the markets where we feel we have a right to succeed.

The next 12-24 months will be a period of consolidation – building scale in the existing markets that matter – with some further innovation and targeted market launches.

I expect the regulatory environment and innovation will remain highly dynamic, so we will continue to adjust our offerings.

Although it is early days and we are still very much coming from behind, you can see that all these efforts are starting to translate into an acceleration in revenue growth.

Slide – Proving Our Differentiated NGP Approach

We have had a disciplined, challenger approach to market entry.

We have launched products only in markets where the category is a big proportion of overall nicotine consumption – and where we have strong existing routes to market.

As you can see from the chart, in some markets NGP is on its way towards overtaking combustibles as the larger source of revenue.

Looking ahead, the big challenge – and the big opportunity – is to replicate this relative success in markets like Italy, Greece and Austria in our larger European markets such as the UK, Spain and France.

Slide – Vapour: Refreshed Product Portfolio

The three markets I just mentioned are all growing vapour markets.

And in this category, we are now up and running in a total of 11 European markets – a step change compared to a year ago.

We have a refreshed product line-up with the blu bar disposable and blu 2.0 pod system.

And expect to see more innovation from us in the coming year.

As you'll have seen, a number of European governments are developing new regulations designed to curb youth access and drive out rogue operators selling illegal products.

We are supportive of new rules, provided they are both effective and proportionate, and we are engaging closely with policymakers.

Slide – Heated Tobacco: Building a European Presence

In heated tobacco, consumer feedback supported the development and launch of Pulze 2.0, our newest device.

With its all-in-one design and 25 or more sessions from a single charge, this device appeals to consumers who appreciate the convenience of not having to recharge.

Following five new market launches, the Pulze proposition alongside our iD sticks is now available in seven European markets.

This means we are now present in more than 60 per cent of the addressable market in Europe.

These are still early days and we take nothing for granted.

Competitors are, of course, innovating with new propositions of their own.

Continuing with our insight-driven product innovation, this month we launched iSenzia, a new range of non-tobacco, tea-based nicotine sticks in a variety of flavours.

These will be rolled out in our heated tobacco markets during FY24 – as we continue to refresh our offer.

Slide – Modern Oral: Developed New Flavour Range

In modern oral nicotine, we delivered a step up in net revenue growth through launch of new flavours supported by improved brand positioning.

The footprint of our Zone X product is focused on the Nordics and other European markets with a heritage of snus tobacco.

Here we are building a distinctive proposition with innovative flavours designed to attract and retain adult consumers, migrating from traditional snus and other tobacco products.

Our agile approach enabled us to be the first entrant into Finland, following a government decision to allow modern oral products.

During the year, we continued to perform well in modern oral in Norway through growth in the Skruf super white format, and we are the fastest growing modern oral player in the Norwegian market

In 2024, we will enter the world's largest modern oral market with the launch of a new US brand, using the range of pouches we acquired earlier this year.

Slide – Priorities for FY24

The past year has been the first big test for our strategy.

We faced high inflation and a squeeze on consumer wallets.

Internally, the fast pace of our transformation continued.

Amid all this we delivered growing share, strong pricing and an acceleration in NGP growth.

And we delivered a step up in financial performance and shareholder returns.

Looking ahead, there will, no doubt, be more challenges.

The macro conditions continue to be uncertain.

The regulatory environment will be dynamic.

And we have a healthy respect for our competitors and their own ability to innovate.

But we are building a track record that gives me confidence that we are now a more resilient, agile business than we were in the past.

And, as we look at our pipeline of transformation initiatives, there is more upside to come.

Slide – FY24 Priorities Underpin Investment Case

And this future upside is an important part of our investment case.

We are building a stronger tobacco business.

We have sustainable and growing NGP business.

And we are embracing further self-help opportunities through new ways of working and changing our culture.

All of these support our medium-term financial delivery.

And our growing shareholder returns… with a 4% increase in dividend and a 10% increase in our share buyback.

Taken together, our dividend and buyback represent around 15% of our current valuation.

And we're just part way through our transformation… we have more to go after.

So to conclude… Imperial represents an attractive opportunity to invest in a global consumer goods business, which is committed to making a difference by forging a path to a healthier future.

Thank you for joining us today…

We would now like to take your questions.

Slide – Q&A

QUESTION AND ANSWER SESSION

Peter Durman: Great. Thank you, Stefan. So I'll now run through the process of how we're going to run the Q&A. We'll take questions from the room first and then we'll take questions for those of you who have joined us by telephone. If you wish to ask a question remotely, you'll need to register to receive the dial-in details. The link to registrer is available on the webcast page at the top right it says phone details and it's also available in today's press release as well. So if you want to ask a question on the telephone, please press star and one, one on your keypad. Great. So we'll now take the first question from the room if that's okay. Please wait for the microphone and state your name and organisation before posing your question. So anyone want to ask question one? Here we go at the back there. John.

Jonathan Leinster (Société Générale): Hi, Jon Leinster, Société Générale. A couple of questions, please. First one, obviously on the price mix you noted quite significant price mix – or mix decline, I should say, and some of that is obviously mass market cigars but do you think on the FMC side that will continue to get worse? Particularly as the majors are now beginning to promote a lot more, and do you think the rest of the world is going to see a sort of mixed decline to offset pricing? And secondly, on the expansion or the – getting NGP to sort of break even, I mean, what sort of – does that – you seem to imply there's not going to be too many market launches. So what sort of growth of sales are you expecting to actually get that business to sort of break even in a couple of years' time?

Stefan Bomhard: Sure. Thank you, Jon, for the two questions. Lukas will answer the first one and I will answer the second one.

Lukas Paravicini: So on your question of price mix, I think, let's be very clear, we had a very strong year of pricing in a very big context, which actually also led to increase in gross margin. Now the mix is really only in the US. You can see from the rest of the world, there is hardly any mix and we don't expect that to change going forward. Now in the US, as you properly pointed out, Jon, there are two effects here. The FMC and the MMC. Now it's very clear that on FMC, we actually beat the market and that's really important. Our volumes decreased much less than the average in the market. Our pricing was very strong and the mix that you see there is really the deep discount volume that has grown while keeping our Kool and Winston brands at the same level. So that did not come at the expense of that.

So that was the mix effect there and we have a lot of confidence for the next year in terms of FMC. MMC was a transition year. Stefan pointed out that it was destocking, it was the effect of post-COVID, the rebalancing of volumes if you look back a few years. And so this is a rebalancing, and we'll see the headwinds reduced in 2024. So that's on the US and there's really no mix effect on the rest of the world, as I pointed out to you before.

Stefan Bomhard: And Jon, to answer your second question, on NGP, I think what is for me, I think truly exciting – what you see in the fiscal year 2023 results, we have really stepped up our performance, 27% growth worldwide with the focus region of Europe being up 40% should give you the confidence we are now a serious player in

NGP. As we look forward, what hasn't changed is that kind of point that we put in the ground three years ago, which saying about this business will be breaking even at the end of fiscal year 2025, which is two years away from today.

I think one thing which is important as you've picked up about, we see fiscal year 2024 – fiscal year 2023 saw us enter in quite a number of markets in the NGP category. When we look ahead, we are going to enter the oral nicotine market in the US, which is a very significant investment for the company, but at the same time, we wanted to signal to you we are now in the right portfolio of markets with our NGP portfolio. So the focus will be to build out our position there.

At the same time, I think when you look at the comment I made earlier about disposables, the NGP market continues to be a highly dynamic market. That's why I'm a bit hesitant to say what markets will we go into, not go into, build out, because I think it's difficult to forecast, which are going to be the most attractive markets in two years' time. But I think what you should take away, we're now really in the game, in the markets that matter with our challenger mindset with a business that actually is on track to deliver what we promised three years ago.

Peter Durman: Take a question from Rashad. Just there, thank you.

Rashad Kawan (Morgan Stanley): Hey, guys, thank you very much. Rashad Kawan from Morgan Stanley. A couple of questions from me. First on the US, impressive share gains again this year but as you look into next year, what gives you the confidence that you can hold onto the share gains that you've had to the extent that the environment normalises there with inflation kind of come coming down, consumption patterns potentially coming back to more normalised levels? And then the second question, just overall in terms of kind of your revenue growth for next year: do you expect kind of – given the strong pricing that we've seen this year, do you expect the balance to be a little bit more less in terms of pricing, a little bit less kind of volume headwinds? Is that kind of the right way to think about?

Stefan Bomhard: Yeah, thank you for the question. I mean, nobody can ever make you a commitment about what the market share will be a year ahead, but I think what you should take away from today's presentation, it's very clear as we referred in the presentation, we're either gaining share, or holding share in every single segment. And I think as we enter the US, I feel very strongly about the prospect of our US FMC business specifically because we have better offers in every single place in the marketplace versus where we were three years ago, which is a reflection of a massive investment we've done in salesforce capabilities and coverage that will also benefit us in fiscal year 2024; we're also invested very significantly in the brand equities of our brands. So as I think we're very well prepared, whatever direction the US consumer will take in fiscal year 2024 to have an Imperial offer for them.

Stefan Bomhard: Yeah, absolutely. Now it's always difficult to comment on pricing. I think the reality is look, we are – it's a highly competitive marketplace. We're now proven three years in a row that we get the balance right between pricing and volume. You see it in the reflection of our market share development in our top five. So we'll place that mix in the right way going forward. So we'll see what happens in the marketplace but you're very right to point out that probably less pricing overall would mean a better volume performance for the market, but I think you hopefully take away, we do now have the skillset not just in the US but globally, to place that in the right way.

Peter Durman: Great. I think we'll pause on questions in the room if that's okay because we do have some questions online. So I'm just going to hand over to Sharon, the operator, to start taking questions from the phone line.

Gaurav Jain (Barclays): Hi. Good morning. Three questions from me. So the first one, Stefan if I look back at Imperial over the last few years and your guidance for next year, which is 4.5-5% EBIT growth, Imperial hasn't done that in years and if I look at the mix of markets, so US overall market is down 9% cigarette volumes, UK market is down mid-teens, Australia is down mid-teens; Germany is better, but you're losing share. So with that sort of a backdrop, what gives us the confidence that your EBIT growth will accelerate next year?

Stefan Bomhard: Sure, absolutely. Gaurav, on this question, I mean, I think one thing which is important to remind ourselves in this fiscal year 2023, the year we just finished, had some very significant headwinds in the volume outlook. I mean, we refer to it at 7%, 7.1%, but we shouldn't forget the year before the volume decline was 1.2%. So if you add the two years together, you're looking at a roughly a 4.1 decline. That's very similar to what we had in the years pre-COVID, which was funnily enough at 4%. Yeah. So I think what is, as some of the headwinds specifically of the COVID unwind and some important markets like the UK are coming behind us, we are forecasting from what we can see a slightly better volume performance but I think what's also very clear, with very strong operational plans across all our top markets that will allow us to deliver the performance that we kind of promised with our guidance today.

So I feel very confident in our delivery in the year, and you've seen about a lot of the operational levers that we are pulling at this point in time, and I think I come back to the point the question asked before about one of the benefits we have as Imperial is that we have a brand that every single price point in the marketplace in every one of our top five markets. So we are in a position to serve our consumers at every single price point, and I think that is a differentiated competitive advantage in today's world.

Peter Durman: And if I may just to add a further point, you mentioned a couple of markets there, particularly the UK and Australia where there were heightened volume declines for very good reasons. COVID unwind, higher inflationary excise increases, but actually, in both of those we still managed to grow revenue and profit in spite of those higher volume declines. So hopefully that as well gives you some confidence of the kind of value focus, we have in terms of generating value from this portfolio even in some of those more challenging markets.

Gaurav Jain: Sure. The second question I have is on this flavoured heated tobacco ban, which has happened in Europe last month or three weeks ago and what has been any impact that you have seen on your flavoured heated tobacco products?

Stefan Bomhard: Sure. Gaurav, the one thing, you're absolutely right. The European directive said as of last month, flavoured heated tobacco sticks have to come off, but the European directive has to be translated in locally independent state laws. So what you will see is a truly staggered approach ranging from last month over to in a year's time. So it's to, I mean, the only real market that it has come off the market is the Czech Republic that implemented early where we've launched iSenzia, the product I referred to earlier, which is a tea-based product. So to date, it's far too early to see what is the impact of it, but I think what you should take away, and I think the team is quite happy about this, we have become the challenger. We are virtually – on the day the flavour ban arrived in the Czech Republic, Imperial offered for its Pulze users in the marketplace a product that actually allowed them to continue enjoying the product in the right way. Yeah, so too early to tell, but I think the exciting thing is that we do have an offer for our consumers that are in the Pulze system.

Gaurav Jain: Sure, and just to confirm, so the ban has only come in Czech Republic and in the rest of EU it'll happen in the next few months?

Stefan Bomhard: Absolutely. It goes country by country depending on how the individual country turns that EU directive into local law.

Gaurav Jain: Sure, and my last question is on NGPs and you have said that the losses will come off and then you have also said that you will have a US modern oral launch next year. Now when some of your larger competitors launch the competitor brand to Zyn, I mean, they spent a few tens if not hundreds of millions of dollars just discounting, getting shelf space to get on the market. So how should one think of potential investments behind Zone as you build it out in the US?

Stefan Bomhard: Sure. To be clear, I think one of the things, as you rightly refer to, we spent more than a year studying that US market and in the spirit of the challenger company, we'll look, how can we bring a differentiated offer to our consumers. Now, we can't talk about the product specifically would look like, what the branding and so on but the reality is we are quite confident that what we will bring to the marketplace is a differentiated product and a differentiated brand. Yeah, and we see fiscal year 2024, and this is within the financial guidance as the investment year to get the brand on the ground with US consumers.

We are in the process of presenting our proposal to our US customers, our retail partners. They're quite excited about what we have to show them. So more to follow on this one, but see it as a sign of confidence that we are now entering this important market with something that we believe is something that brings something new to US consumers.

Lukas Paravicini: And Stefan, that's probably, well, good to point out that an investment that we consider, which will be very much in the challenger mindset that we have done in the past is in the wrapper of the guidance that we have given. So that's all covered in that guidance.

Gaurav Jain: Thank you so much.

Operator: Thank you. Once again, as a reminder, if you would like to ask a question via the telephone, please press star one and one on your telephone keypad. We will now go to your next question and your next question comes to the line of Alicia Forry from Investec. Please go ahead.

Alicia Forry (Investec): Hi. Thank you for taking the question. My first one, I wonder if I could just build on your previous answer regarding the modern oral rollout in the US. Appreciate you don't want to talk about the product ahead of its launch, but perhaps if you could talk a little bit about what particular strengths you think will benefit you in rolling that product out, and then perhaps also any findings in terms of the fact that you've been studying that product in that market for some time, what gives you confidence that it is an attractive opportunity? That would be the first question. And then the second question, if I may, just on the cannabis impairment; just wondering if you could update us on how you're thinking about the cannabis opportunity longer term. Thank you.

Stefan Bomhard: Okay, sure. Very happy to answer your two questions. On the entry into modern oral nicotine, I mean, as you rightly say, we've studied this market for now quite a while, and at the same time, we have looked at all our competitors and we have done a lot of consumer research in the last 12 months to really understand what is missing in the marketplace, what is the offer, the opportunity we have. So as I say, I don't logically want to go into the detail of it.

We do – have done a lot of consumer testing in the US in the last 12 months and we feel quite comfortable what we're bringing to the US market is a differentiated product. It will take time to get in the right traction in the US and we'll take a phased approach of the rollout but we feel very good about what we have to offer is differentiated in the US marketplace. And that's done a lot of testing, not just on the product but also on the brand and all the elements.

So I think what is exciting about – it will showcase the skillset we've built now in Imperial, the marketing capabilities that we now have invested in the last three years in inside the company. So that's where we are. And the second question, just remind me? Was in cannabis, yes, sorry. On cannabis, reality is our position in cannabis remains the same. In simple terms, there's always a watching brief, but the reality is as we are companies that will only look at legal cannabis markets, nothing has really moved in reality on this market. So we maintain a watching brief, but at this point in time, there's no change of our strategy on cannabis.

Alicia Forry: Thank you.

Peter Durman: Great, thanks very much. Obviously, if anyone does want to ask a question on the phone, we'll still take them. Press star and one, one if you want to ask a question, and otherwise, we'll go now take questions in the room. We'll take a further question from John at the back there.

Jonathan Leinster: Alright. Just a couple of follow-up ones. Thanks. Just to confirm on the iSenzia launch, I wasn't quite sure in regard to your previous answer. Are those – I mean, clearly they're non-tobacco and flavoured, but are they allowed to be sort of non-tobacco flavoured under current rules? Or is that – is it just a sort of tobacco-flavoured product? And secondly, what guidance, if any, have you got in terms of regulation and taxation for these products as a non-tobacco product? Would be the first question.

Stefan Bomhard: Sure. On iSenzia Jon, absolutely just to reassure you, clearly this product absolutely complies with any regulation in place in the markets where we're launching it. So as you rightly say, today these are non-tobacco containing products. Yeah, they contain nicotine, but they're not tobacco containing. So they absolutely are products that are in – we're launching in the marketplace to meet the needs of our base of consumers that we're building our heated tobacco business, and reality is, as with any other product in NGP or in our core business, as regulation changes, we'll adopt our offer to it but I think what's – I want to come back to this broader point.

I think what it should give you the confidence that from virtually having no heated tobacco business in Europe about a year ago, apart from our two pilot markets, as regulation changes in Europe with the removal of tobacco flavours in the heated tobacco range, from day one, our consumers in the market impacted are having an offer from us and I think that's for us the exciting piece and we'll adopt – we'll adapt this offer as regulation changes potentially in the future.

Jonathan Leinster: Sorry, just to be specific though, I mean at this stage, are they even taxable if they're not a tobacco product? And secondly, under current EU regulations, which is my ignorance, are they allowed to produce flavours which are non-tobacco if it's a non-tobacco product, or it's still fall under the sort of ban of non-tobacco?

Stefan Bomhard: Sure. Jon, I think the important piece is very simple. It depends on the local regulation in the country launching into. So together with our corporate affairs team, our legal team, every product that we as Imperial would launch in the product will meet the absolute local standards in that market.

Jonathan Leinster: Okay. And secondly, on the legal challenge to the FDA on my view, obviously you've got a positive result in August. Have you decided to bring that forward to the Supreme Court or en banc Federal Court, or is that still being decided?

Stefan Bomhard: No, it's – I think on this one is a simple answer with the court decision, the marketing denial order has been overturned. Yeah. The FDA has not appealed that decision. So I think what is really exciting as we shared with you in the past that we felt very confident, and we felt very convinced that the case we had was a very strong case and the court that did rule on it did vote unanimously in our favour.

So in principle, the marketing denial order has been removed. That means the product is now – has always been in the market, as you will know. It gives us the chance to drive distribution more into the marketplace. So that's what we're excited about and we can now resubmit the documents into the process. Yeah. Which brings us back to exactly where the majority of the market is today is in the market where you can sell the product while your application is being considered. So we do not have to appeal to the Supreme Court or anything else. It has been decided by the legal courts.

Peter Durman: Great. Any further questions from the room? If not, I'll hand back to Stefan to conclude.

Stefan Bomhard: Yeah, I mean, thank you for your questions and I think for me, hopefully today what we showed you in the presentation and also in the question answers, give you some further evidence of the strong operational progress that we're making as a company and the transformation journey that we're on. Yeah, and I think you can also see how that is translating in profit growth in the company. This was year three of the strategy. This was a step up year of our strategy and we've delivered on that, and I think what is exciting and we might not have spoken a lot about it today, but I think what you also see is that sustainability of the cash flows of the company that will allow us to deliver and give us that ability for growing returns to our shareholders, which is something we're very excited and very committed to. Thank you very much.

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