

Slide – Title Slide

Good morning. I'm here with Chief Development Officer Matt Phillips and it's great to have the opportunity to present Imperial Brands to you today.

Slide – Disclaimer

Slide – Investment Case

Over the course of our presentation we will set out how we are creating something better for the world's smokers and will set out why Imperial is a compelling investment proposition.

We will set out our views on the consumer and regulatory context and our strategic choices for growth... choices that put us in a strong position to realise value creation opportunities in this evolving environment.

Slide – IMB key facts

First, as we haven't presented at CAGNY before, we'll start with a few facts about Imperial.

We have a multi-category portfolio of brands that generate over £7.5bn of net revenue. We have high operating margins of 46%, an extensive international footprint and best in class cash delivery, all of which have supported a decade of strong dividend growth. We also have a strong challenger culture.

VIDEO

Slide – Consumer & Regulatory Context

Our industry is evolving, so it's important to understand the consumer and regulatory context.

Slide - Changing Landscape Shaping Category Development

Consumer preferences and behaviours are changing, as a result of globalisation, demographics and technology.

Evolving lifestyle choices with changing regulation and increasing innovation continue to shape what consumers buy, where they buy it and how often. All of which drives category developments across consumer goods businesses.

And the nicotine market has not been immune to this.

Slide - Nicotine Consumption is Evolving to Reduced Risk Products

Smokers today are increasingly moving away from consuming only one product.

We've recently completed a major consumer study across 7 of our largest markets and one of the findings shows an increasing consumer repertoire in nicotine products. It shows just under a half of consumers regularly choose two or more products, be they cigarettes, rolling tobacco, cigars or reduced risk products such as vapour and heated tobacco.

This is a significant change from 20 years ago when over 90% of smokers were cigarette soloists.

Our study shows that 20% of smokers currently also vape and are reducing their cigarette consumption as a consequence as part of their journey to move to reduced risk products.

Slide – Clear Drivers for Vaping

Health is the main driver of this, followed by affordability, social acceptability and relaxation.

We estimate that there are currently 36m vapers globally... and growing. As the vaping experience continues to improve through innovation and the public awareness of the benefits of these products increases, we will see more smokers fully convert... generally speaking smokers are relatively conservative by nature so this will take time.

Slide - Tobacco Market Overview

So what does that mean for the tobacco?

One of the biggest investor concerns is that combustible volume declines are accelerating, in part fuelled by the growth in NGP.

Across our footprint, we've also recently concluded a significant cross category review and we believe the tobacco value creation model remains intact.

We expect volumes will continue to decline, which may reflect some acceleration from switching to NGPs, but overall this can be more than offset by positive price/mix to result in low single digit revenue growth.

The overall market development in our footprint looks resilient and the outlook for us is therefore particularly positive given our relatively low tobacco share and NGP opportunities and, as we will show you later, a low revenue cannibalisation risk for us.

Slide - Resilient Earnings Growth in Regulated Industry

I'll now hand over to Matt to provide the current regulatory context... another key investor question

Increasing regulation and excise in tobacco are not new and we're very experienced at managing their impact... and you can see here some of the developments of the last 20 years.

Nevertheless, regulatory uncertainty has weighed on tobacco valuations in the past year, as it has done historically. The average earnings multiple applied to the tobacco sector has varied by as much as nine turns when comparing today's lows to the relative highs around 10 years ago.

However, this is a sector that has a great track record in driving sustainable earnings growth over time, despite these regulatory and excise pressures, with industry earnings growing 450% since 2000, or 10% pa.

Slide - Broad Regulatory Approach Across Priority Markets

A wide range of regulatory approaches are taken by governments.

The UK, Australia and France have accelerated excise increases and introduced plain packaging and display bans in recent years - and we've shown how we can successfully manage these changes including, for example, in Australia where we've grown market share, revenue and profit since plain packaging was introduced.

Some markets in our footprint are significantly less restricted including Germany, Japan and the US.

Slide - US Regulation is Evidence-Based

Here in the US there's a very clear and well-established framework that sits behind the regulatory process.

The FDA rulemaking process is evidence-based and grounded in science while also needing to demonstrate the efficacy of any proposals on the wider population.

This type of rulemaking takes time and provides opportunities for engagement and challenge, a much more rational approach than in many other markets.

Slide - US Regulation Update

Let's look at the current FDA focus areas.

In tobacco, the FDA is looking to ban menthol and reduce nicotine levels in cigarettes. Any proposals would need to be supported by relevant independent science and require multi-year processes with input from relevant stakeholders.

On nicotine reduction specifically, the FDA has acknowledged the complexity and possible unintended consequences of introducing very low nicotine cigarettes. Aside from concerns around illicit trade, they recognise the public education issue that many smokers incorrectly believe that lower nicotine means lower risk.

As a result, any such processes are likely to take many years to implement with manageable consequences.

Turning to vapour, we welcome the FDA's focus on preventing youth access to vapour products. We share their concerns and objectives: these products are for adult smokers and their use by minors is completely unacceptable. We must do all we can to prevent underage sales.

However, we also recognise the challenge the FDA faces in balancing these concerns with the positive public health benefits vapour products offer, including the role flavours play in making them an appealing alternative for adult smokers.

We've taken a proactive stance on this issue, engaging with the FDA and actively implementing additional measures to take the lead in tackling the issue of youth access.

Our plans, already underway, include modifying packaging and product descriptors, actively monitoring youth access across the entire market and restricting “proxy” sourcing by under-age individuals. We’ve also continued our stringent online age gating and retailer age verification requirements.

We’re working closely with NACS, the trade association for convenience and fuel retailers, and have put in place additional training for our salesforce and customer representatives building on our strict zero tolerance policy on non-compliance.

Engagement on vaping with the FDA to date has been encouraging and we look forward to continuing to play an active role in shaping any proposed rulemaking.

Slide – Consumer Context – Key takeaways

So, in summary.

Consumer habits are changing reflecting lifestyle choices and the impact of regulation and increasing innovation, and this is resulting in a wider nicotine product repertoire. Within that repertoire, vaping is a fast-growing choice and, over time, further innovation will help more smokers along the journey to something better.

In the meantime, we expect the tobacco value creation model will be resilient in our footprint, with vaping creating additional growth opportunities for us.

Slide – Imperial Brands: Strategy & Choices

Now I’ll hand back to Alison to set out the strategic choices Imperial has taken.

Slide – Our Strategy - Creating Something Better for the World’s Smokers

Creating something better for the world's smokers.

It drives our focus in tobacco and Next Generation Products, both internally and externally. It sets the agenda for an exciting future for Imperial.

It embraces our drive for continuous improvement in Tobacco Max – to provide a better experience for smokers with an evolving high-quality tobacco portfolio.

And for NGP, it’s about providing smokers with alternative products with lower health risks, delivering a great experience underpinned by leading-edge science.

In Tobacco Max we're focused on our strongest brands in our priority markets to drive quality growth. And we drive that growth through investment behind our codified Market Repeatable Model or MRM.

In NGP, our priority is blu. Building blu as the trusted vapour brand, with a clear market prioritisation supported by our blu adoption model and investment, to drive accelerated growth.

It’s about delivering quality growth from both tobacco and NGP. It's about high margins and strong capital discipline, supporting investment and growing shareholder returns.

Slide – TobMax Strategic Focus; Informed Choices

In Tobacco Max, we're making clear investment choices to optimise performance and deliver the best returns.

We've grown rapidly through acquisitions, which gave us some great assets, but also created huge complexity in terms of the number of brands. In 2013, I introduced a programme of migrations, SKU reductions and delistings to simplify and strengthen the portfolio.

In 2017 we then stepped up investment behind these stronger brand portfolios in our priority markets. In tandem, our MRM ensured consistent execution across our footprint and this top-line growth agenda was supported by lean ways of working and an efficient operating model.

Slide – Right Markets: Prioritisation

So what does our market prioritisation mean in practice?

We operate across 160 markets and have prioritised them to differentiate how we invest our resources and support them. This is informed by a detailed profit pool analysis that has identified where we have the best opportunities, capabilities and assets to deliver sustainable value creation. We take into account the market size, potential growth, affordability, regulatory environment and our ability to win.

This identified ten priority markets that account for around 50% of our volume but 70% of our operating profit. And this is where we have directed our additional investment.

We divide the rest of the markets into 23 'key markets' and over 100 'partner markets'. Each market has a clear role and support model which focuses on effective resource allocation and driving profitable growth.

Slide – Strategy Aligned to Market Opportunities

We tailor our investment to the dynamics of individual markets, using the MRM. It's a simple and consistent operating framework with a shared language so that the learnings can permeate across the business.

There are six elements that all work together... starting with a much simpler market-focused portfolio that we consistently invest behind, with a focus on consumer-activation.

Our brands must "always be on price strategy" which is about ensuring we are matching the price of relevant competitor brands in market; it's not about undercutting.

The next segments are about high numeric distribution and leveraging our strong retailer relationships, where we work on 'win win' solutions to drive advocacy of our brands.

It's simple but the power of the model is in making all the parts work together; it's the focus of investment in market and key to maximising value creation in tobacco.

Matt will now take you through the drivers of our strategic choices in Next Generation Products.

Slide – Strong Portfolio Across the Risk Continuum

This slide shows the risk continuum, with combustible tobacco, on the left through to reduced risk products on the right.

We made a deliberate choice back in 2012 to prioritise investment in vapour. We had an open choice as to where and how we invested in NGP without the constraints of years of R&D and the sunk costs of others. We instead focused on the consumer.

We chose vaping as we believe it's a better alternative for smokers and governments. There's no tobacco so it sits to the right of the risk continuum which is also increasingly being recognised by regulators.

There are around 36m vapers globally and vaping is already the biggest NGP opportunity across our footprint. Supported by innovation, it will continue to be the biggest opportunity for smokers and, significantly, for Imperial.

We've built a fantastic portfolio of assets and capabilities in support of our ambitions, starting with the acquisition of a great oral tobacco business called Skruf in 2005. However, our main focus has been vapour since we set up Fontem Ventures in 2012.

The Dragonite acquisition gave us the fundamental IP that sits behind most vaping products. Securing the pioneering blu brand was clearly an important moment for us, as was adding in Nerudia's standout innovation capabilities.

Within vaping, our current focus is on pod-based closed systems; these can solve for all aspects of the consumer requirements including flavour, design, satisfaction and convenience, whilst also providing an attractive profit model for us.

We've also developed some innovative new products in heated tobacco and oral nicotine, which I'll come onto shortly.

Slide – Vapour: Additive Growth Opportunity for Imperial

Vaping is a significant additive opportunity for Imperial and you will be aware that we have an incentive maximum in relation to NGP growth of £1.5bn net revenue in 2020.

We expect the global retail sales value of vaping to grow significantly over the coming years to over £30bn retail value by 2025 from around £8bn in 2018.

Our focus is adult smokers.... and for Imperial this is easily additive given our relatively small global tobacco share. We have around 14% share in our tobacco footprint, so 86% of smokers aren't smoking our brands.

The opportunity for us is even greater in the US, where we have a tobacco market share of around 9% out of roughly 36m smokers. The opportunity is also attractive in Europe where we have an excellent sales and marketing infrastructure in the key markets with vaping potential.

Slide – Positive Economics for Smokers and Imperial

The economics are very positive for both smokers and Imperial.

In consumption terms, one of our myblu pods is broadly equivalent to a pack of 20 cigarettes. On the left are the retail sales prices for the US and UK and what you see is that pods are better value for smokers so there's a real incentive to switch. Clearly this is helped by excise differentials but there is significant pricing headroom if these differentials narrow.

On the right is our net revenue, which shows we make more revenue per pod in the UK and a similar level in the US. Given the levels of profitability we see as achievable in vaping, we can therefore afford to be relaxed about cannibalisation.

Slide – Clear Levers to Drive Profitability in NGP

We have the levers to drive improving profitability over time.

The higher revenue per pod vs per pack in most markets is a good starting point to deliver profitability and makes the same absolute gross profit per pod as a pack of cigarettes very achievable.

The main lever to improve profitability is cost of goods, which we're reducing through scale, automation and innovation.

For example, in the UK, where our tobacco market share is more than 40%, cost of goods efficiencies will deliver an absolute gross margin per pod that exceeds an average pack of 20 cigarettes by the end of 2019. So even in one of our highest margin cigarette markets, sales of blu pods will be gross margin accretive.

And as we build blu, we'll see normalisation of trade margins and operating leverage improving as our fixed cost base supports higher revenues. A&P will also normalise following initial market launch investments.

We anticipate blu will be generating similar operating margins to our tobacco business in the next few years and we will already be exiting this financial year with a positive monthly operating profit contribution to Imperial.

Slide – Clear Proposition for Smokers & Shareholders

To summarise, we have established an NGP business with a compelling proposition for smokers and shareholders.

For smokers: we're providing a satisfying, less harmful experience, endorsed by a trusted brand in blu and available where smokers want to buy it. We're improving that experience through innovation underpinned by leading-edge science and regulatory capabilities - and we support a regulatory framework that protects consumers and prevents youth access.

For shareholders: it's about a substantial additive revenue opportunity, delivered by a lean and scalable business, supported by an asset efficient, returns-focused, model.
Back to Alison.

Slide - Delivering Against Our Strategy

We've taken you through our strategic choices and how we prioritise investment. Let's now look at how we've delivered against our strategy and how we have successfully reshaped the business for better growth and growing returns.

Slide - Delivering Against Our Strategy

As I mentioned earlier, in 2017 we increased investment behind Tobacco Max and NGP, and this is building growth momentum.

Last year, we grew revenue 2% to £7.7bn, including around £200m from NGP, and we're targeting higher top-line growth in the current year as we deliver additive growth from NGP, with guidance at the upper end of our revenue range of 4%. We grew constant currency EPS by 5% and the dividend by 10%.

This was the result of our brand and market focus in tobacco and a step up in our blu business, all supported by our cost and cash focus.

Slide – TobMax: Growth Brand Focus

In TobMax, I'm particularly pleased with the progress of our Growth Brands, following extensive portfolio reshaping. Our Growth Brands have consistently outperformed the market and grown share by an average of around 80 basis points a year since 2013.

We are generating quality growth, deriving a significantly higher proportion of our revenues from our strongest equities, which now represent over two-thirds of our revenues, up from a half in 2013.

We've also delivered improved share trends and financials, supporting an overall improved group performance.

Let's look at how this is applied in the US.

Slide - US: Resilient Tobacco Market

The US tobacco profit pool has grown consistently over many years and we expect this to continue; it was one of the reasons we expanded our business in 2015 with the assets from the Reynolds/Lorillard deal.

The acquisition has been a great success: we've delivered a reversal in the share performance of our cigarette portfolio, driven a dramatic turnaround in the cigar business and are now well positioned to deliver significant revenue growth in NGP.

It's now a business that generates over a billion pounds of operating profit – and post-tax returns on our acquisition investment in excess of fifteen per-cent after just three years.

In 2018, US industry volumes declined 4.8% which is greater than recent years, driven by factors such as rising gas prices, state excise taxes and higher manufacturer price increases.

While the growth of vaping also contributed between half and 1% of the decline, we think the impact from vaping will continue to be gradual

More than offsetting the volume declines, our price mix increase since the acquisition has averaged 9%, which is above the industry. This is because our cigarette portfolio has a lower average price per pack so any increase represents a higher percentage uplift. We also have a mix benefit from a fast-growing mass market cigar business.

The tobacco value creation model in the US works well and we expect this to continue.

Slide – US: Portfolio Strategy Driving Share Trajectory

From the outset we set out a clear strategy to focus our investment behind profitable, sustainable share in cigarettes, primarily by turning around the acquired focus brands of Winston and Kool.

I'm really pleased by the improving share trend driven by this portfolio strategy, where the drag from our tail brands has been increasingly offset by growth in our focus brands.

We've also evolved our portfolio in response to the growing demand shift in the market with mix shifting from traditional premium into premium value and from traditional discount into deep discount.

And we've repositioned two of our previously declining portfolio brands, Sonoma and Montclair into the deep discount segment, and we're pleased with the initial results, supporting our overall share performance.

Slide – US: Mass Market Cigars – Attractive Category

A restructuring of our mass market cigar business, with a clear portfolio focus, has been a further success as you can see from the strong revenue performance.

Backwoods and Dutch Masters lead in the natural leaf segment, which is the fastest growing. And we have leveraged our expanded sales force across a much broader store base to further drive growth.

In summary in the US, our portfolio strategy has delivered a turnaround in market share performance, coupled with strong revenue and profit growth.

Slide – Priority Markets: Value creation Despite Market Challenges

Turning now to our other priority markets, where we've stepped up investment since the beginning of 2017 to deliver improved top-line growth.

These are typically big tobacco profit pools where we either have relatively large market shares and are seeking to deliver returns while optimising our share position – such as most of the European markets here - or they're markets where we have relatively small shares and we're investing to establish a stronger position, for example in Russia, Saudi and Japan.

This slide shows our share performance over the past two years since we increased investment behind our MRM.

In the UK, Germany and Australia, we're balancing share gains while driving returns. In the UK we've increased share and returns, while in Germany and Australia, we've achieved strong revenue and profit growth, which has been balanced by some share pressure.

In Spain, with minimal additional investment, we're showing progress in the blonde segment which is demonstrating an improving share trajectory

The most challenging market is France, where the government is raising excise duties rapidly; this is affecting demand and the price ladder where some competitors are choosing not to pass on the excise increases to consumers. We've chosen to prioritise value share, which has resulted in volume and share declines but the vaping opportunity is growing and we have refocused our investment behind blu.

In Russia, Saudi, Italy and Japan, we've prioritised our investment to drive share gains and establish a stronger profitable presence. In each of these markets, implementation of our MRM has focused on the right brand building activities and retailer engagement initiatives.

In summary, our investment focus behind our TobMax strategy is delivering tangible performance gains and we're well-placed to deliver further robust value growth.

In contrast, our NGP strategy has the opportunity to deliver significantly faster additive revenue growth and we are making good progress, driven by the success of our myblu pod format.

Slide – Our blu adoption model

Our objective is to convert smokers to something better through our blu adoption model. It's basically a brand funnel, which starts with building awareness and trust around the brand in order to encourage trial and purchase through an omnichannel approach – with traditional retailers, online and vape stores. "Buy again" is about encouraging repurchase and fostering loyalty so that smokers become part of the blu community.

Last year we tested many options to drive the blu adoption model, with "test and learns" and "micro battles" in many countries to best direct our investments for effectiveness & efficiency.

We're investing an additional £100m in blu this year, mainly impacting the first half. We're successfully building awareness and seeing increased trial and repeat purchase rates, whilst still learning and refocusing investment as required.

Slide – Strong Consumer Awareness for blu

Brand awareness is high in the US. blu is the original vaping brand in the market and celebrates its 10th anniversary this year.

This is new data from a study just completed, which shows very strong unaided awareness among smokers and vapers. You can see that blu achieves an awareness significantly ahead of most other vapour brands, particularly with smokers, and its growing.

We've been investing to build awareness through both traditional and social media, both with clear adult age-gating.

Slide – The pledge by blu

Consumers interact with brands in many different locations: instore, with friends and online, which is an increasingly important element. We've achieved a significant increase in online smoker and vaper awareness through the 'pledge', which resonates with the decision that smokers make when they try to stop or reduce cigarette smoking.

The concept is about helping them on the vaping journey through other life-changing experiences, so the pledge is about smokers fulfilling a life-long dream or achieving something big.

This is creating real user-generated content, including videos of their experiences that is being shared online and is triggering conversations and reflection. It has achieved an amazing reach with adult smokers in the US and is building a real story behind blu.

VIDEO

Slide – US: myblu building presence in retail

Just as in TobMax, we've focused on the markets with the biggest opportunity. The largest vapour market is the US, where we are leveraging our tobacco strength in traditional retail to expand our presence, whilst looking to build our online and vape store sales.

This chart is consumer off-take data from IRI for myblu pods, which has continued to grow, although there has been a slowing of the category growth rate following statements by the FDA since November 2018. We continue to expand distribution albeit at a slightly constrained rate given retailer FDA concerns.

Slide – UK: myblu building presence in retail

The UK is the second largest vapour market and one with a positive regulatory backdrop.

The UK is currently dominated by disposables and open systems. We launched the pod category last April and are number one in retail distribution. Our focus initially has been to build awareness and trial through above the line advertising and direct engagement with adult smokers through brand ambassadors in retail and relevant horeca.

This has resulted in increasing awareness and has encouraged trial and adoption with growth in consumer off-take supporting growth in share, such that we are currently number 2 in retail and growing.

Slide – myblu building retail presence in key markets

We've also successfully launched myblu across a number of other markets.

For example, last year in Germany we tested our smoker engagement strategies in three cities before going national just three months ago – since then we have taken market leadership in retail.

It's a similar story in Italy, France and Russia, where we're leveraging our retailer engagement capabilities to build our market presence. And in Japan we're building a no nicotine business as nicotine vaping is banned and are creating the category in retail.

It's important to be available where smokers go to buy tobacco. The importance of the retail channel is therefore growing in most markets just as it is in the US, an area that plays to our strengths.

In summary we're making good progress in building the blu business... early days but it's generating additive growth... exciting times!

Back to Matt now, on innovation.

Slide – Clear innovation thinking

As I said earlier our approach to innovation is driven by consumer insight and clarity of thought. Whilst products may be different from each other, the fundamental thinking is the same: how can we best meet modern consumer requirements for flavour, design, satisfaction and convenience.

We also apply strong product lenses of safety, cost and intellectual property. Leading innovation is critical to meeting evolving consumer needs and successfully transitioning smokers to NGP.

Slide – Dynamic Innovation Supports Smoker Conversion

We've leveraged our smoker insights to create our first wave of innovations, and in the process are delivering some world firsts in proprietary technology.

Last year we rolled-out myblu Intense, a nicotine salt product that more closely replicates the experience and satisfaction of smoking a cigarette.

myblu is a fantastic platform and we have some really exciting new developments that we'll bring to the market in the coming months. These are primarily focused on building further smoker satisfaction to encourage conversion and retention whilst reducing our costs of goods and therefore enhancing our profitability.

First, 3D flavour, majoring on the first of the four innovation drivers, and which uses particle science to differentiate the flavour from nicotine. We know that flavours are a key element in helping smokers transition and this innovation delivers the flavour experience directly to the mouth rather than the lung creating a safer, more satisfying vape. This is proprietary and will deliver a step change in the vape experience.

The second innovation is connectivity, majoring on the convenience innovation driver. It will empower smokers with information, providing them with up-to-the-minute data on the way they use the products, including the device health. We're also leading the way on deploying this technology to age verify every smoker, ensuring only those who should use our products can use our products. Smokers will connect their device to an app and upload their ID along with a photo to ensure uninterrupted use, with privacy, front and centre.

Let me show you a brief video on two of these vapour developments.

VIDEO

While we believe the biggest opportunity lies with blu, we've also developed innovative products in the heated tobacco and oral nicotine categories... based on the same innovation drivers.

Earlier this year, we launched novel nicotine pouches in several markets, achieving encouraging share gains including in Norway, Sweden and Austria.

Slide – Pulze – Heated Tobacco Launch

We also developed Pulze, our first heated tobacco product. Here you can see all 4 innovation drivers coming together: great taste and flavours free from artificial additives; stylish design; satisfaction including continuous use without interrupting the experience; and convenience with easy cleaning and the option to personalise the intensity of the experience.

Let me show you what I mean.

VIDEO

Slide – Strong Cash Delivery

Exciting innovations and lots more in our pipeline as we develop myblu 2.0 which we'll tell you more about in the coming months.

And finally to the real excitement of cash and capital discipline - absolutely central to our strategy, revenue growth plus returns.

We've a great track record on cash and returns, achieving cash conversion rates consistently above 90%.

And we've achieved a CAGR of over 9% in annual free cash-flow since 2014, keeping pace with increasing dividend payments and maintaining a broadly stable free cash flow pay-out ratio.

At the same time, we've reduced net debt by around £800m a year, despite increasing our investment in both tobacco and NGP.

Slide – Strong Capital Discipline

The use of capital is critical to the returns we generate with a Group post-tax ROIC of over 14% whilst also increasing investment in M&A and organically.

Imperial has a proud history of value adding M&A and the deals we have done have all been underpinned by a rigorous financial framework to ensure they are value accretive to the business based on post tax returns, not just illusory EPS accretion.

We are also rigorous with capital beyond M&A with around a £200m annual capex spend and we've developed our vapour business with a largely outsourced manufacturing model, benefitting from a relatively capital light approach. This saves capital expenditure but more importantly enhances our agility by not locking us into large capital investments or particular technologies in this fast-moving environment.

Slide – Strategic Focus: Right Markets Brands and Products

We're making clear choices to ensure resilient delivery from our tobacco business, focusing on our strongest brands and in the markets that will be key to our future success.

Our focused strategy also highlights areas of the business that aren't central to our future growth aspirations, and so we've targeted significant divestments to streamline the business and free up capital.

Divestments will support continued debt reduction, further investments and growing shareholder returns. These processes are well advanced, and we will update you on these in the coming months.

Slide – Our Investment Case

So what do should you expect for this year?

As we said at our results, the tobacco business is expected to deliver continued modest revenue growth and tobacco margin progression with strong cash-flows.

In NGP, we expect to deliver an acceleration in revenues resulting in overall constant currency revenue growth at, or above, the upper end of our 1-4% guidance range for the full year.

As I mentioned earlier, we are investing an additional £100m in the first half to build awareness and trial of blu, which will result in slightly lower year-on-year profits in the first half. We expect this will be more than offset by a stronger second half to deliver full year EPS growth in line with our guidance.

And what about the longer term?

We have a strategy and business model with a strong track record of sustainable shareholder returns.

Our strategy for winning in tobacco is core to our value creation. We expect price/mix to offset volume declines going forward enabling us to deliver quality low single digit revenue growth.

We have a great portfolio of assets and capabilities in our NGP business which we expect to drive significantly enhanced revenue delivery. Growth in this part of the business will be predominantly additive, given our relatively low market share in tobacco.

The path to NGP profitability is clear. Initially we will see dilution in margins as our NGP business grows but expect to build margins over the next few years as we scale the business. We expect to exit this year with our NGP business contributing to operating profit.

Our focus on business simplification and complexity reduction continues to support strong margins and enables us to continue to drive cost efficiencies and improve agility.

And our challenger culture is grounded in capital discipline, cash generation and value creation which underpin an attractive investment case for a stock with an undemanding valuation.

Thank you.