



Creating Something Better for the World's Smokers

Imperial Brands PLC: CAGNY 2020

20 February 2020



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Dominic Brisby
Joint Interim CEO

Introduction & Strategy for Growth

Creating Something Better for the World's Smokers

Resilient tobacco growth and attractive NGP opportunity



Dominic Brisby
Joint Interim Chief
Executive Officer

Clear strategy for growth in nicotine:
tobacco and NGP

Neil Southey
Global Brands
Director

Adapting to consumer behaviour change

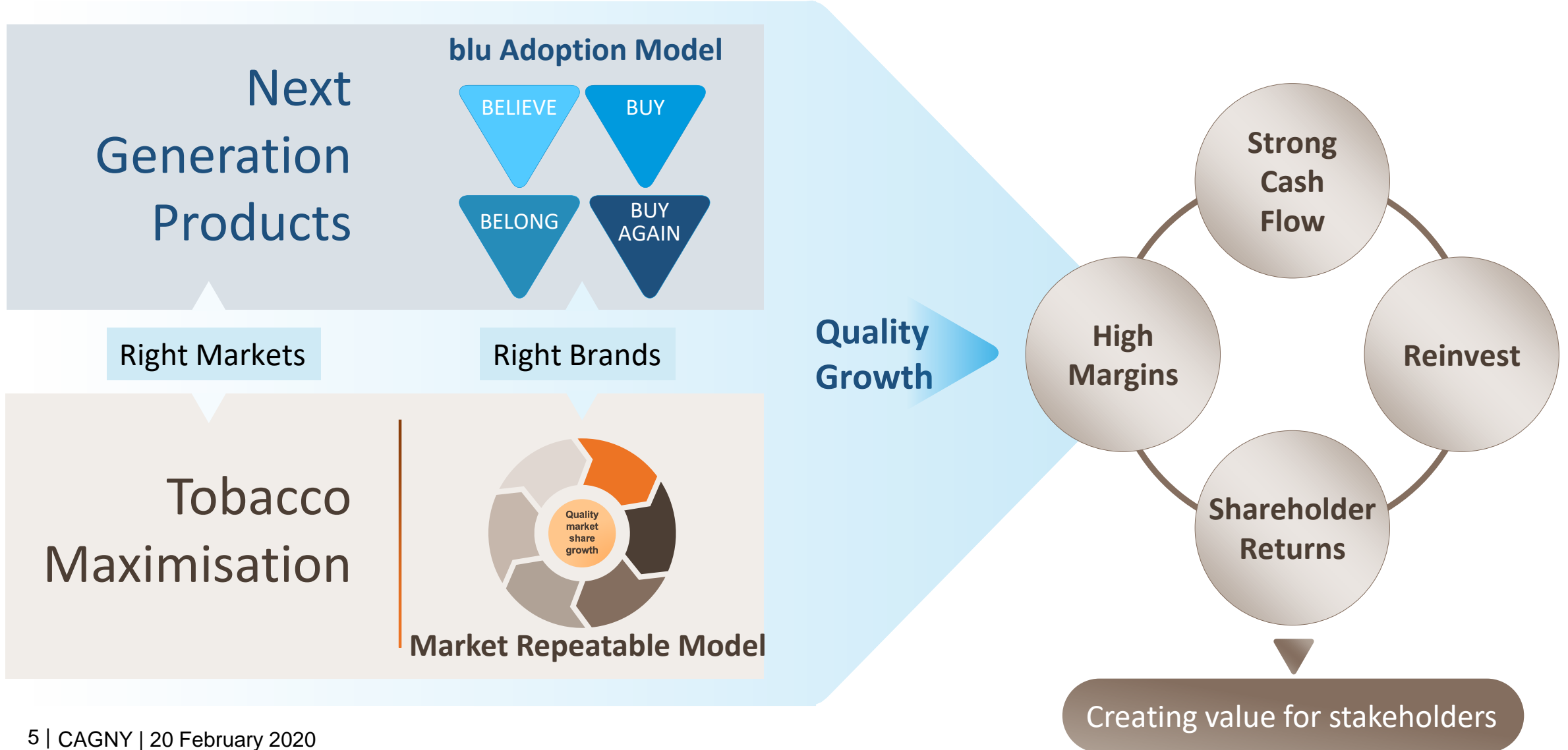
Dominic Brisby
Joint Interim Chief
Executive Officer

USA remains an attractive market;
Imperial well placed for growth
Imperial Brands investment proposition



Our Strategy

Creating Something Better for the World's Smokers



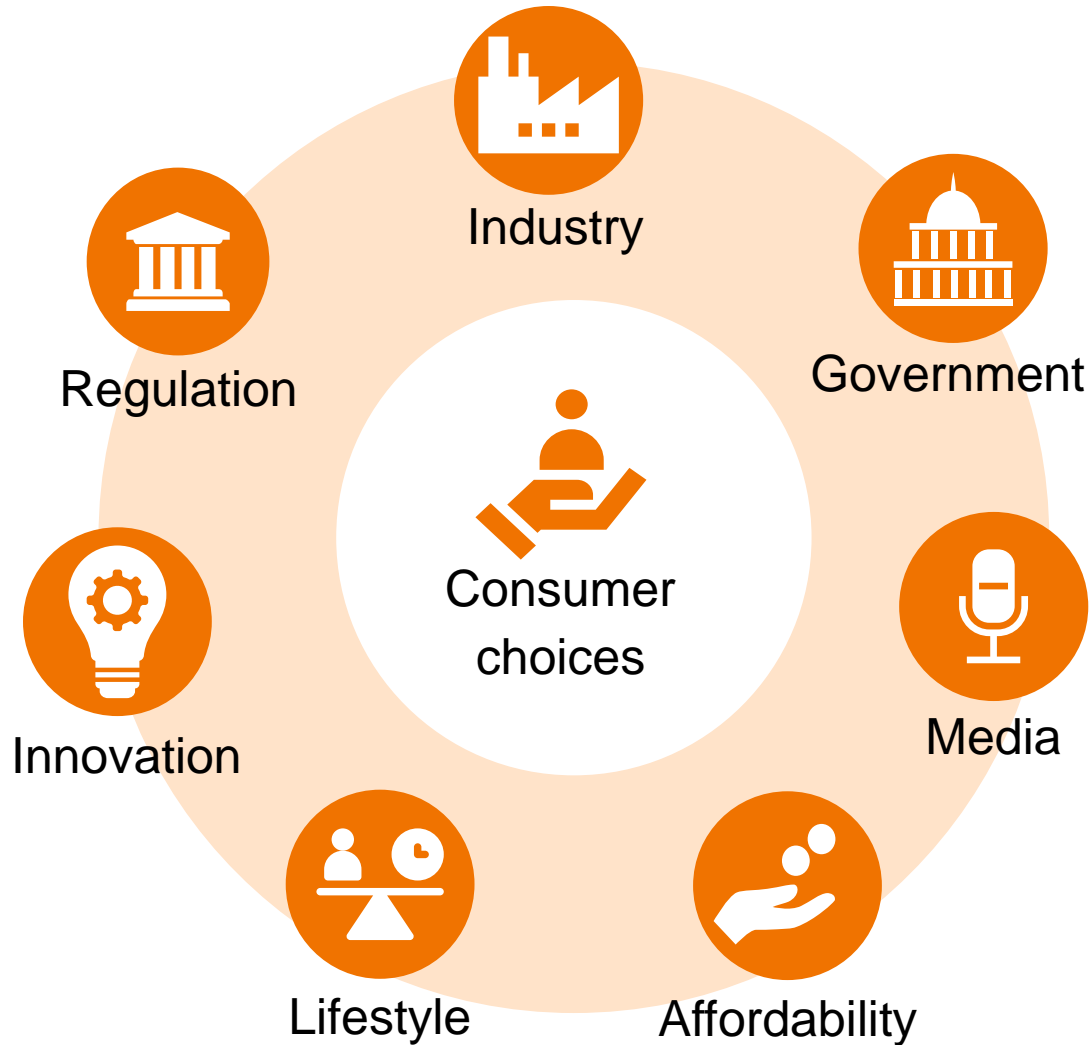
Our Sustainability Strategy



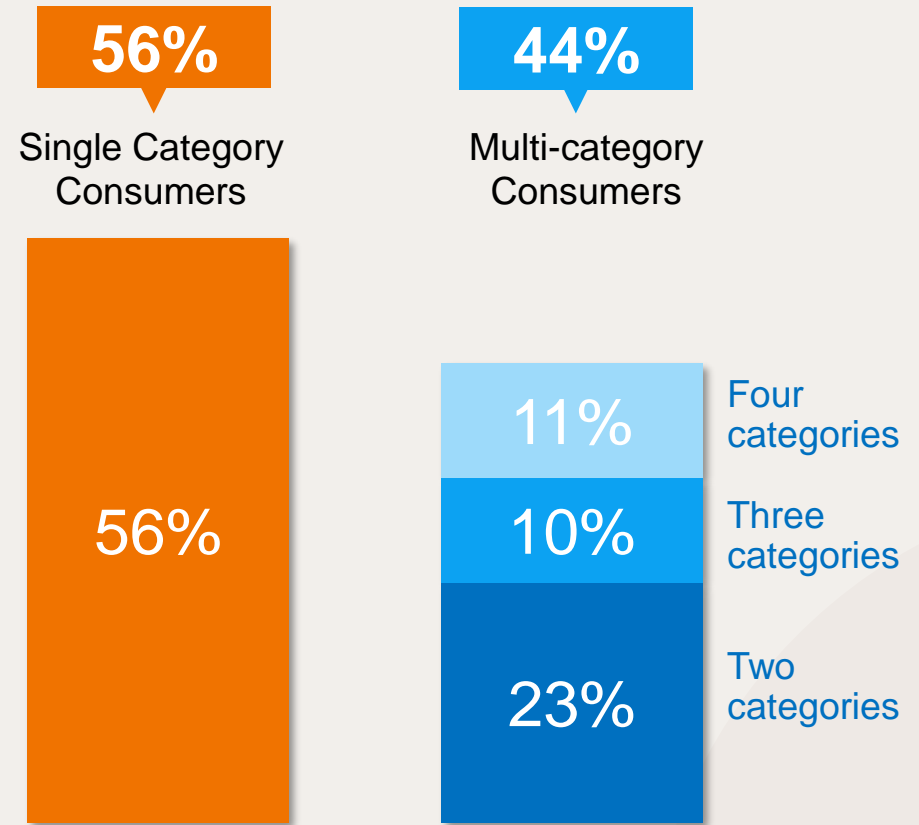
- maintaining sustainable agricultural practices to ensure a consistent, quality supply of tobacco
- developing alternative products that are potentially less harmful to health
- behaving responsibly at all times and providing a safe and rewarding work environment for our employees

Nicotine Consumption is Evolving

Environment shaping developments

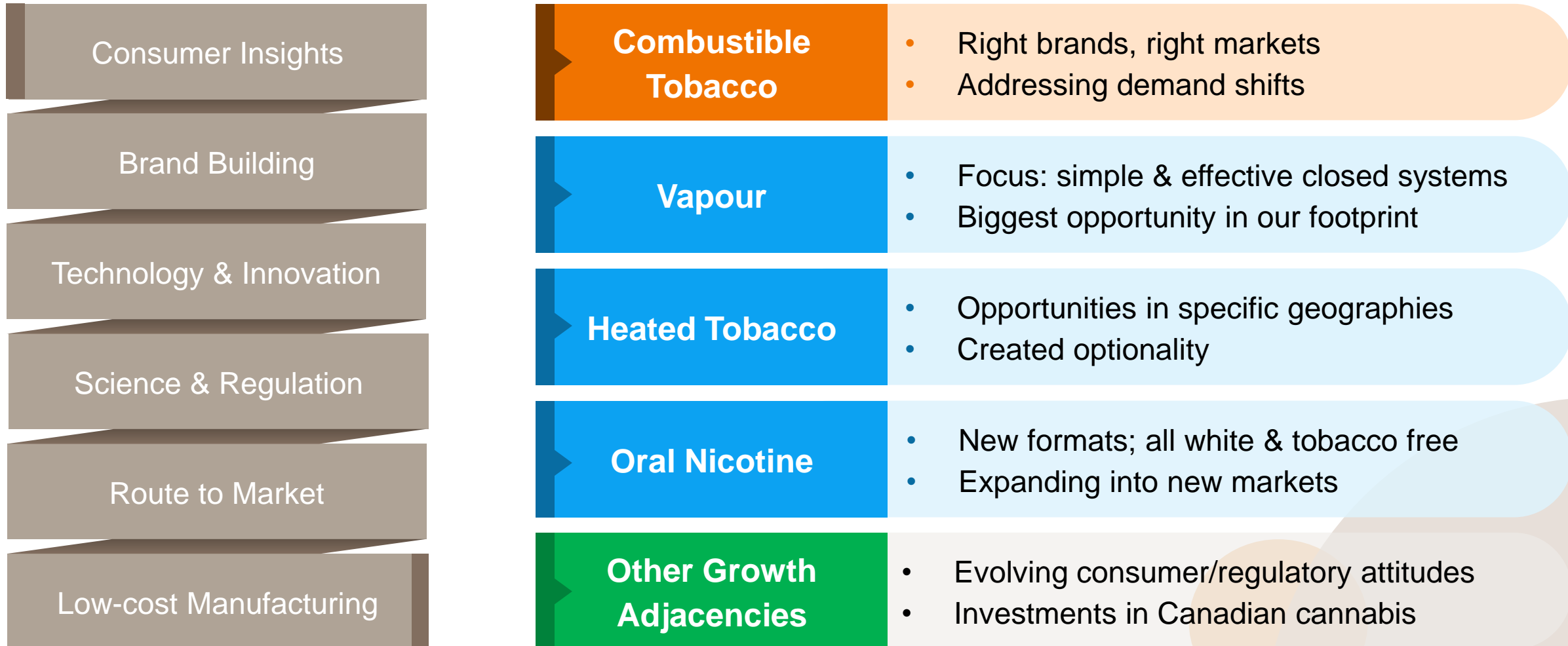


Multi-category nicotine usage increasing



Leveraging our Capabilities Across Categories

Consumption evolving; addressing category opportunities



Focused Product Portfolio Across the Nicotine Categories

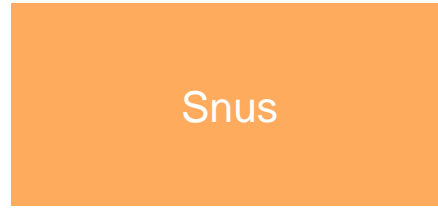
Providing smokers with potentially reduced risk options



Combustible Tobacco

Non-Combustible Tobacco

Tobacco Free



Level of Toxicants

Tobacco Strategic Focus: Informed Choices

Assets and capabilities aligned to growth opportunities



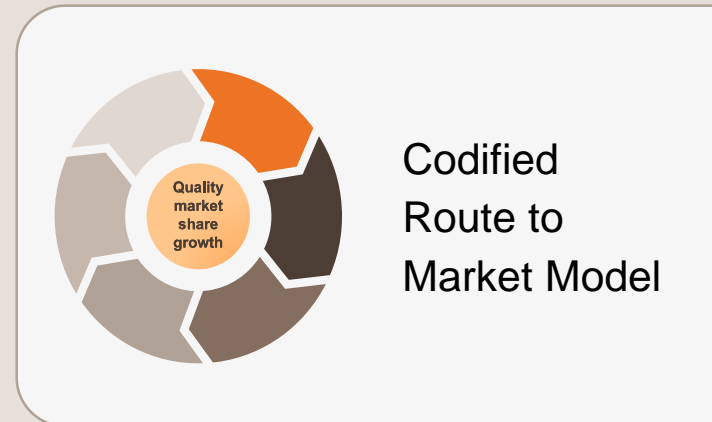
Clear Capital Allocation
Priorities:
Brands/Markets

Investment
Focus on Asset
Brands in
Priority
Markets



Lean Ways of
Working

Execution
Focus by a
Lean and Agile
Organisation



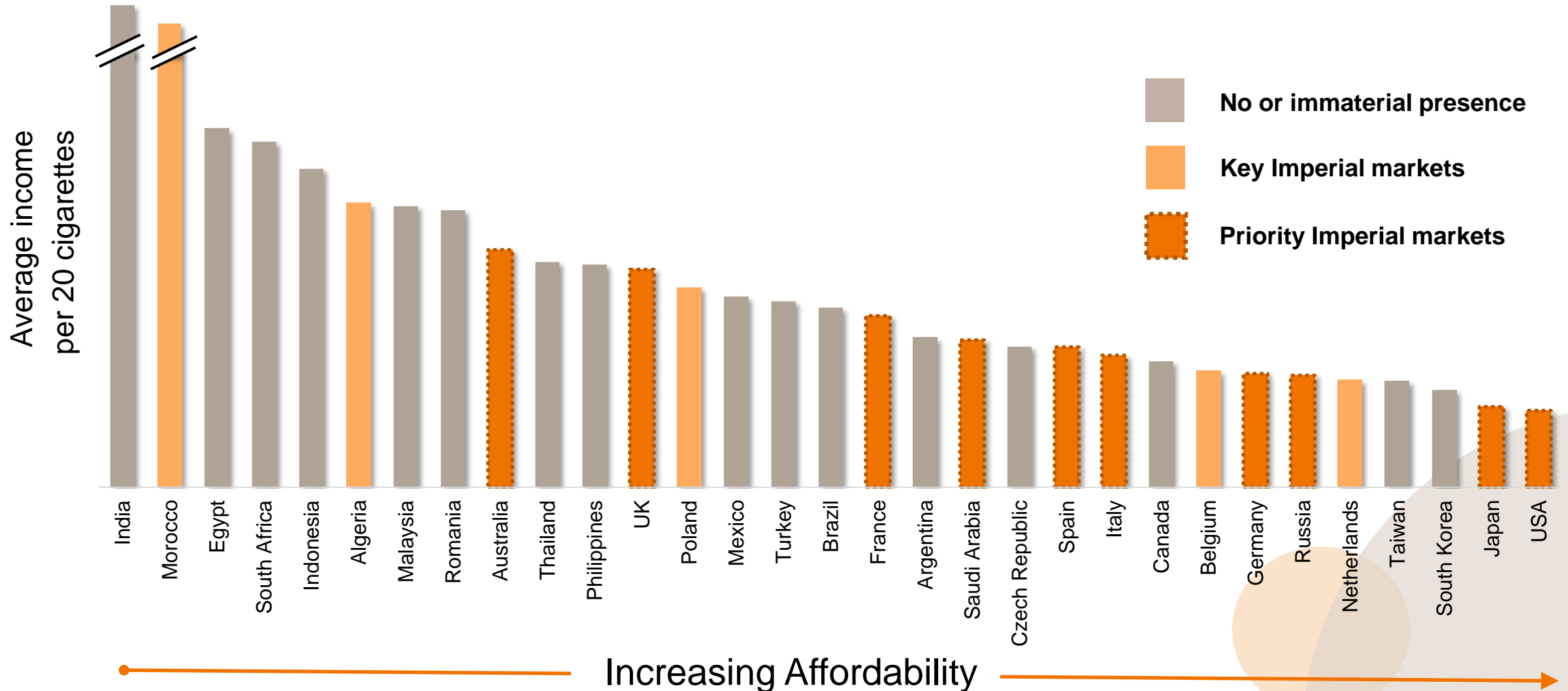
Codified
Route to
Market Model



Simple
Operating
Model

Right Markets: Affordability Supports Pricing

Focus on the tobacco profit pools with best pricing outlook



Imperial Brands PLC

Recent Trading Update – 5 February



Tobacco remains in line with expectations; weighted to H2

Lowered vapour expectations: slower demand and US flavour ban

Cost programme to partly mitigate short-term impacts

NGP remains an attractive medium-term growth opportunity

Regulation critical for creating a stable, orderly, investable market

2020: Focus on Delivering Against Strategy

Tobacco delivering



- Tobacco strategy is delivering
 - Investment prioritised on Asset Brands and priority markets
 - Tobacco economics remain attractive
- NGP provides growth opportunity for Imperial
 - But NGP investment right-sized to reflect current challenges
 - Refining our investment model
- Meeting changing consumer needs



Neil Southey
Global Brands Director

A pair of hands holding a white paper cutout of a human head profile. The cutout is split vertically down the middle. The left side is a solid black silhouette, and the right side is a white silhouette. The background is a blurred crowd of people.

Adapting to consumer behaviour change

Consumer Behaviours are Changing



1999 CONSUMER

2019 CONSUMER

CATEGORIES CONSUMED

92% soloists



56% soloists



INTERACTION WITH NGP

Tobacco only

25% of smokers also use NGP

AVERAGE DAILY CONSUMPTION

20 sticks



Soloist:

14 sticks



Dualist:

12 sticks +

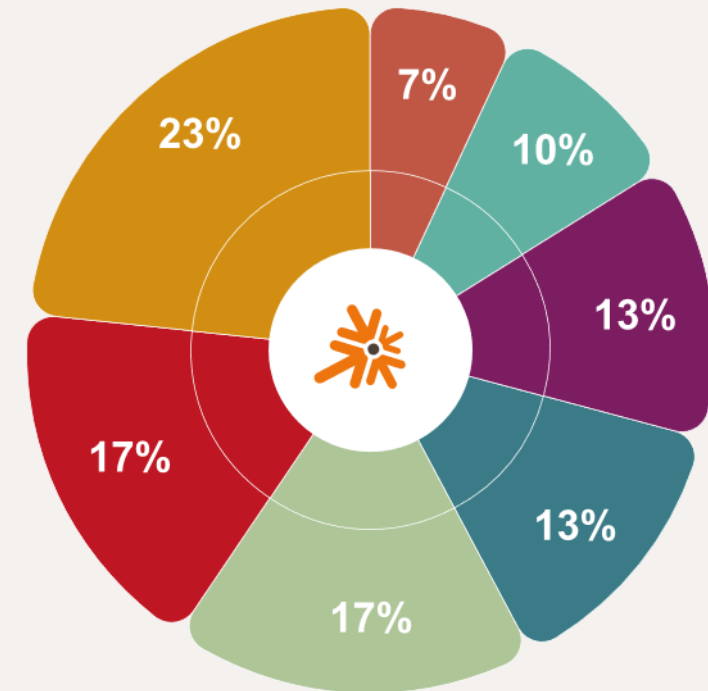
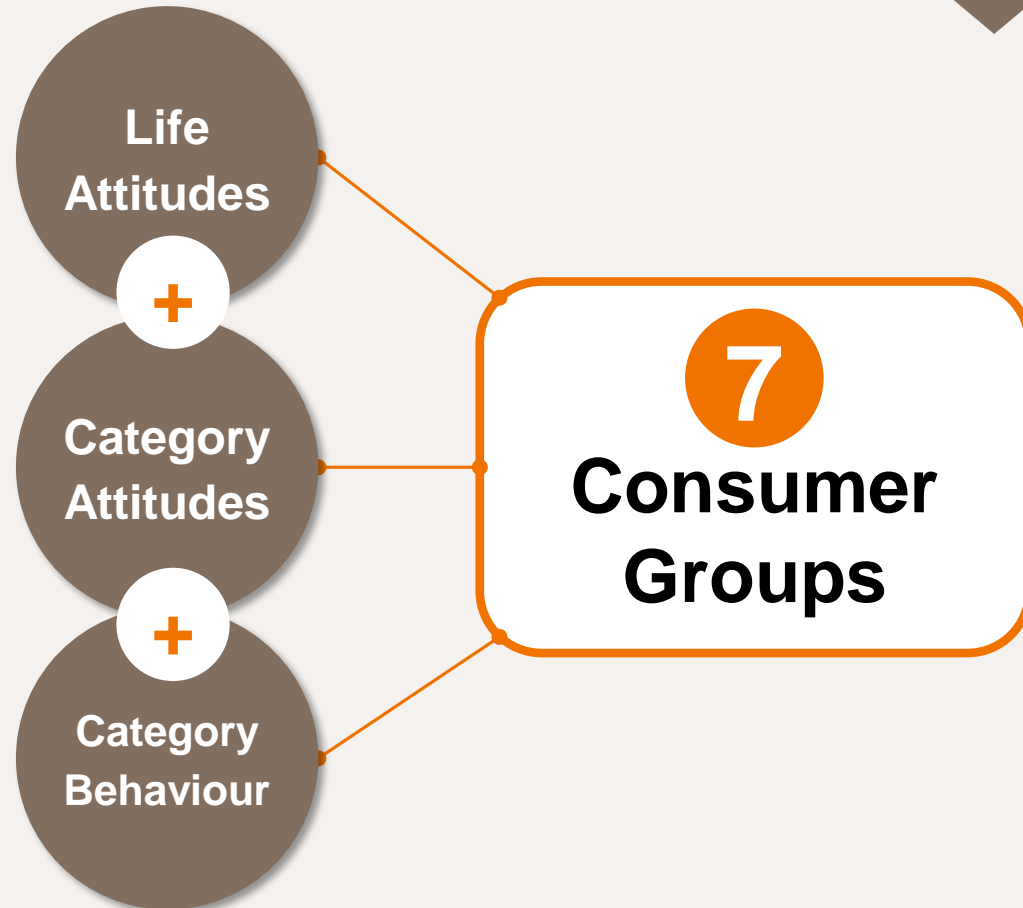
FORMATS



A New Global Consumer Segmentation



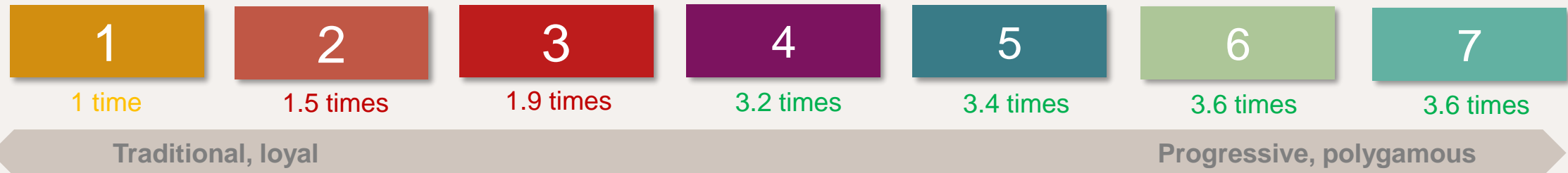
Enhancing our Knowledge



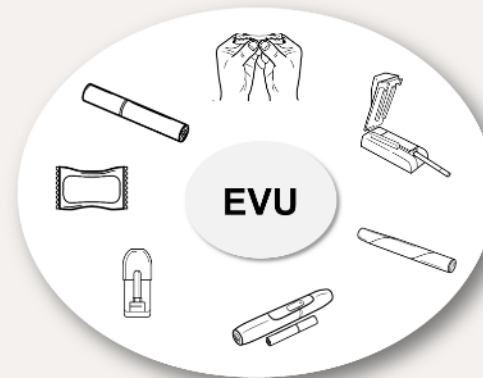
Our Multi Category Brand Portfolio



Targeting Different Category Attitudes and Behaviours



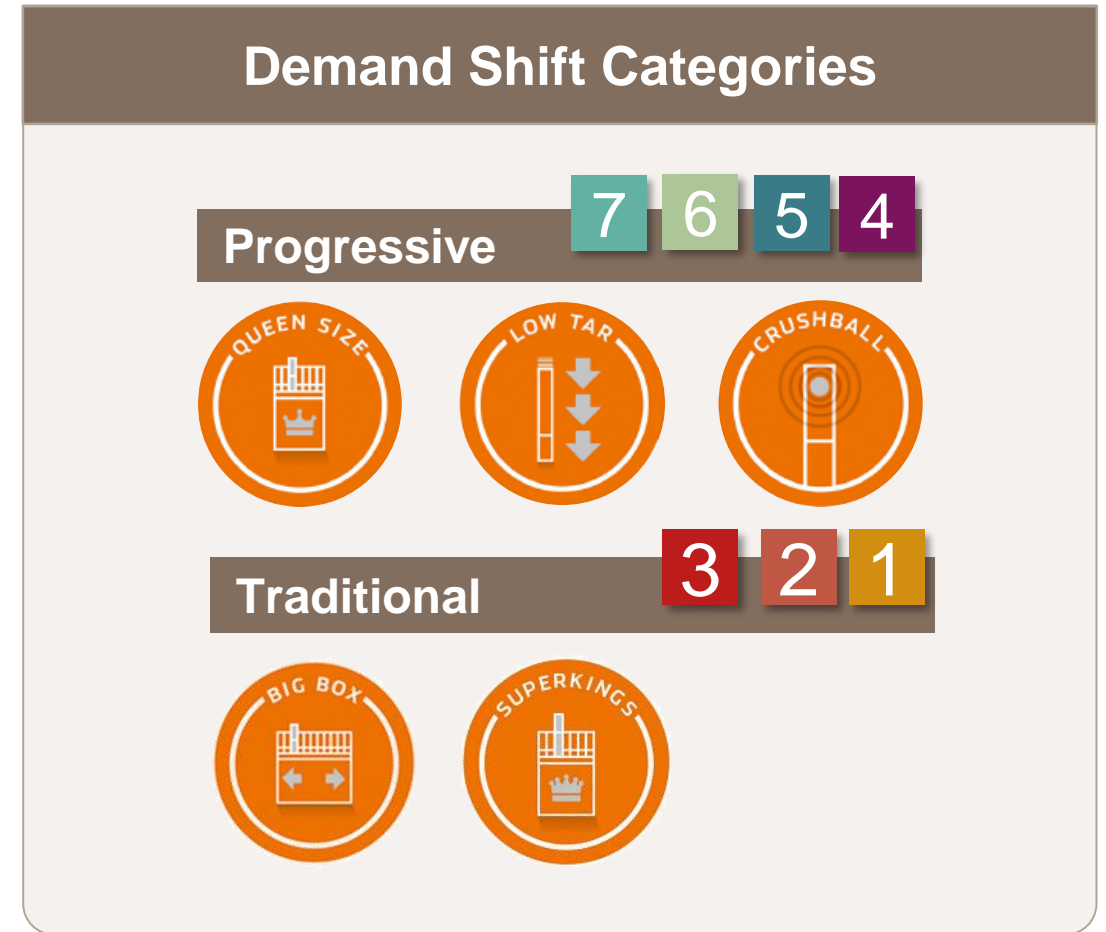
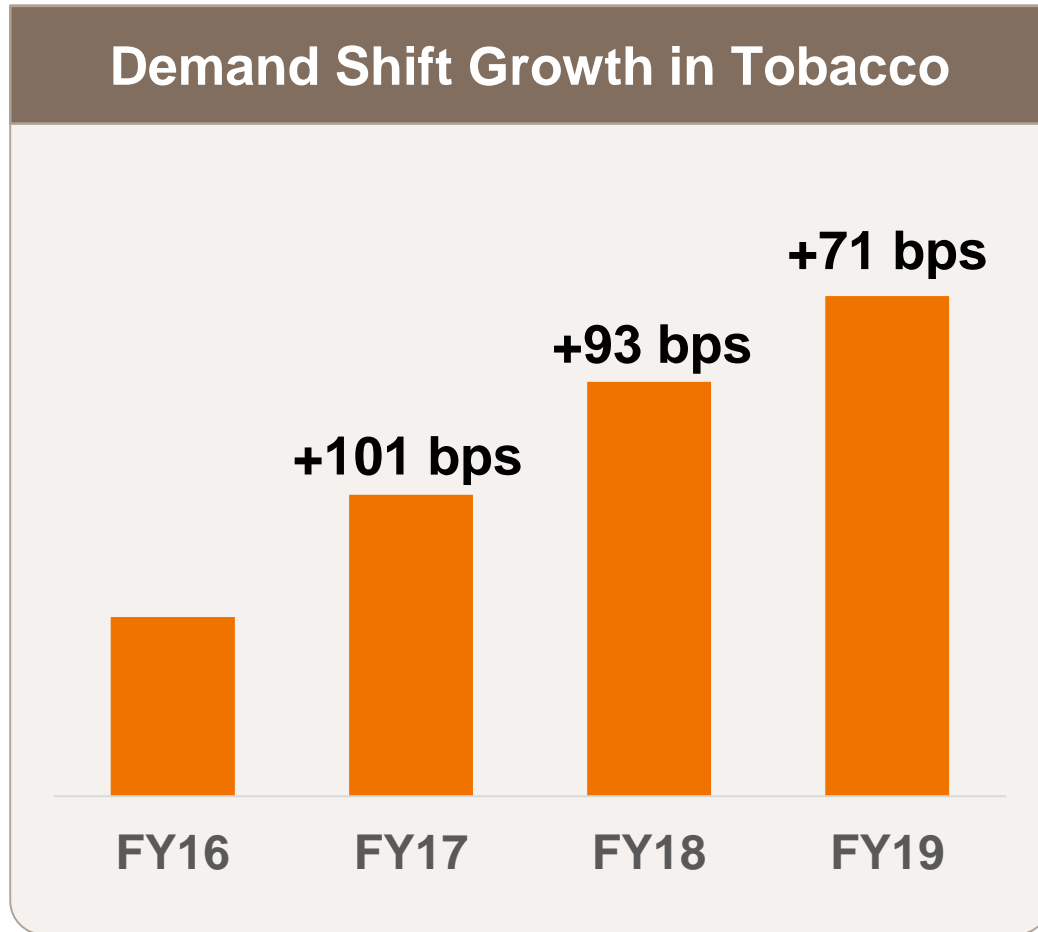
With our Multi Category Brands and consistent KPIs



Strong multi category brands

EVU multi-category metric

Tobacco Demand Shift Growth



A Consumer-led Brand focus



Quality growth from **progressive** demand shifts

Davidoff CIGARETTES ▶ **+24bps**



KEY DEMAND SHIFTS



Quality growth from **traditional** demand shifts

West ▶ **+12bps**



KEY DEMAND SHIFTS



Total Market Share Stable

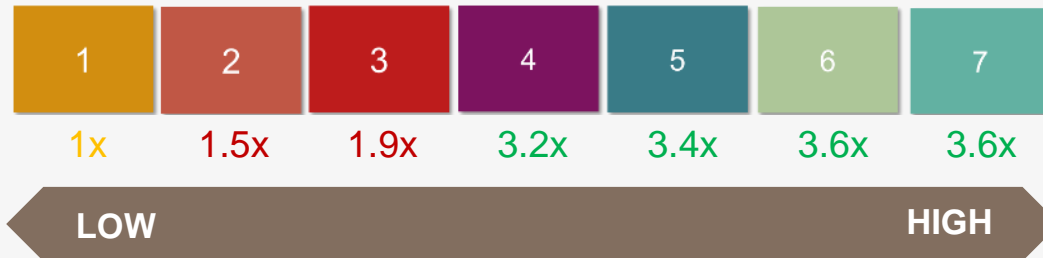
Applying Consumer Learnings to NGP



 TARGET relevant consumer groups

 FOCUS on relevant NGP brands

Attitudes and Behaviours



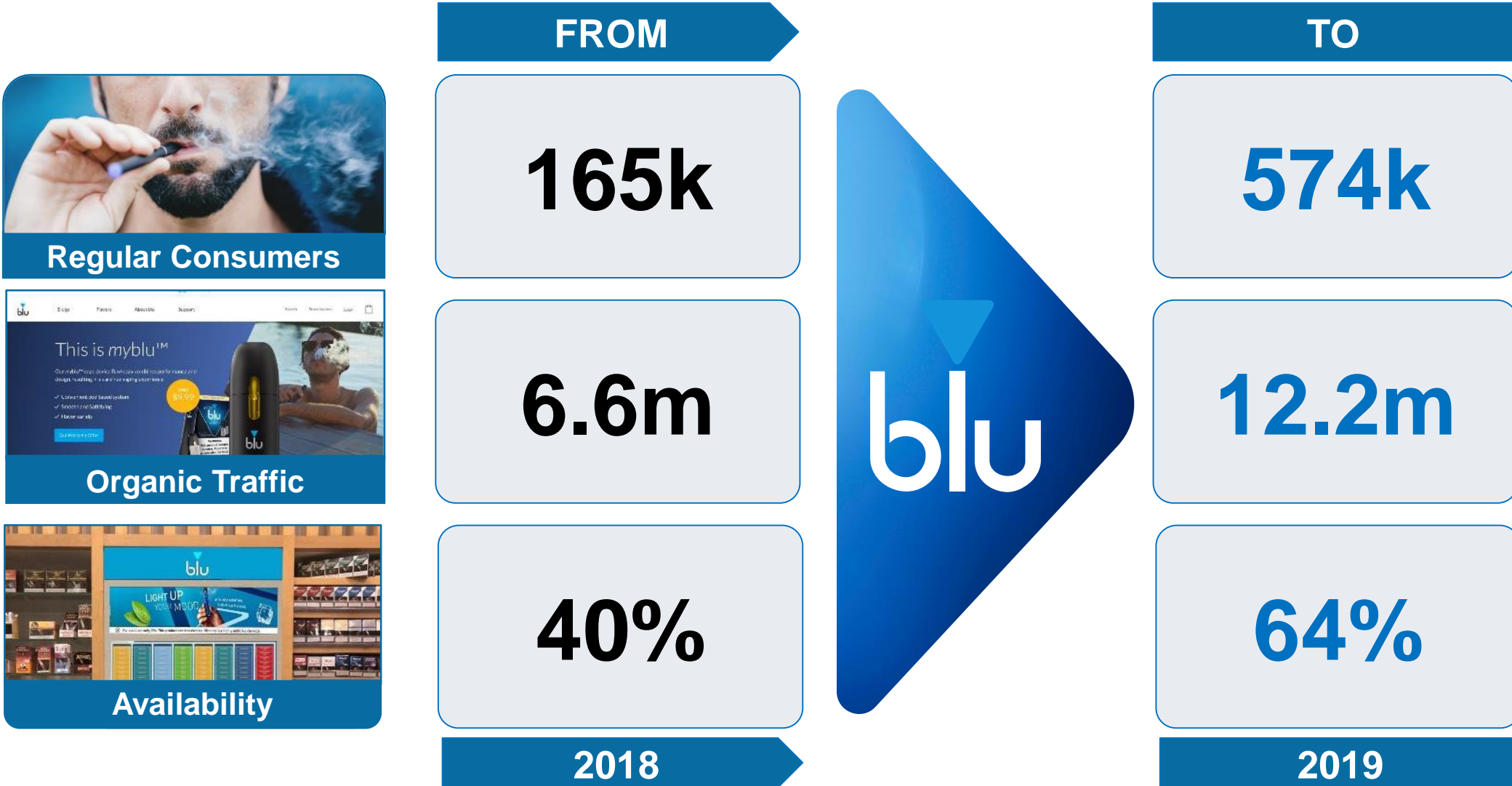






Growth Opportunities

Strengthening blu



Market Tests for new NGP



Heated Tobacco

This block features a collection of heated tobacco products, including two individual sticks and two packs of "iD PULZE" sticks. One pack is blue and the other is brown. In the top right corner, there is a small white square containing the Japanese national flag (a red circle on a white background).

Modern Oral Nicotine

This block displays the "ZONE X" logo, where the word "ZONE" is in a dark blue, bold font and "X" is a large, stylized letter with a blue brushstroke effect. In the top right corner, there is a small white square containing the Union Jack flag.

LEARNINGS



LEARNINGS

This block is titled "LEARNINGS" and contains two photographs. The top photograph shows a man in a grey hat and dark jacket smiling and holding a cigarette, standing next to a woman in a yellow sweater and a man in a dark suit. The bottom photograph shows a group of people at a social event, with a person in the foreground holding a pack of "ZONE X" oral nicotine. A blue arrow points from the left side of this block towards the "BUILDING AVAILABILITY" block.

BUILDING AVAILABILITY



BUILDING AVAILABILITY

This block is titled "BUILDING AVAILABILITY" and features a large, light blue globe in the background. Overlaid on the globe are the "PULZE" logo (with a blue triangle) and the "ZONE X" logo (with a blue brushstroke). The word "blu" is written in a large, black, lowercase font to the right of the globe. A blue arrow points from the left side of this block towards the "LEARNINGS" block.

Adapting to Consumer Behaviour Change



- Some consumers are extending their repertoire
- Strong multi-category portfolio in place
- Tobacco remains resilient and stable
- Strengthening NGP Portfolio
- Strong foundations for the future





Dominic Brisby
Joint Interim CEO

USA: Growing Share, Revenue & Profit



USA: Total Market Cigarette Volumes

2019 volume impacted by pricing & NGP development



USA Industry

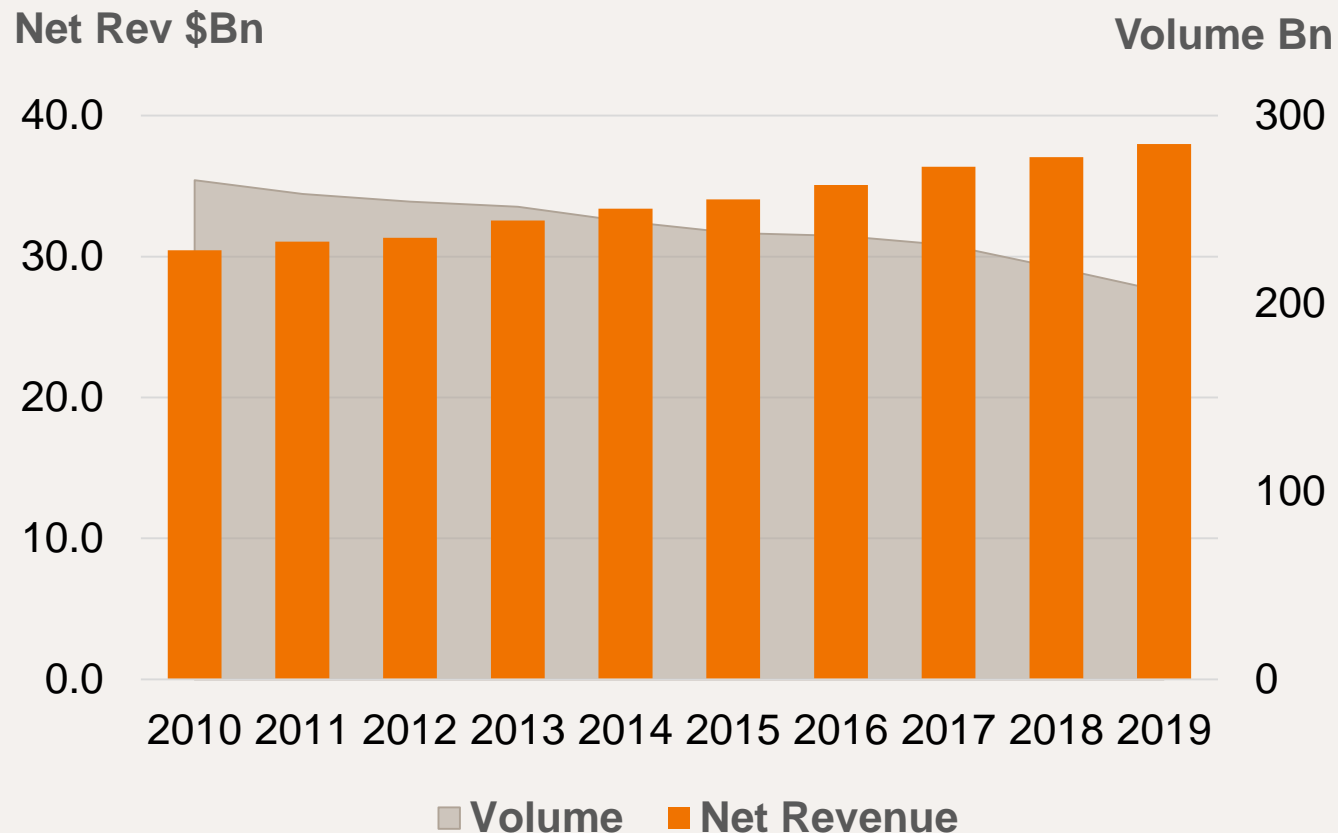
	2017	2018	2019	Drivers
Market Size	-4.0%	-4.7%	-5.6%	Increased size decline driven by growth of Next Generation Products (vape, oral)
Secular	← -2.6% →			Historic decline in smoking prevalence
NGPs	-0.2%	-0.4%	-1.3%	Evolving regulation will shape future impact
Macro	+0.1%	-0.7%	-0.2%	Macroeconomic factors e.g. economic growth, political climate
Price/SET*	-1.2%	-1.0%	-1.5%	Pricing & tax impact between 1% to 1.5%

Total Tobacco Market Resilient & Growing

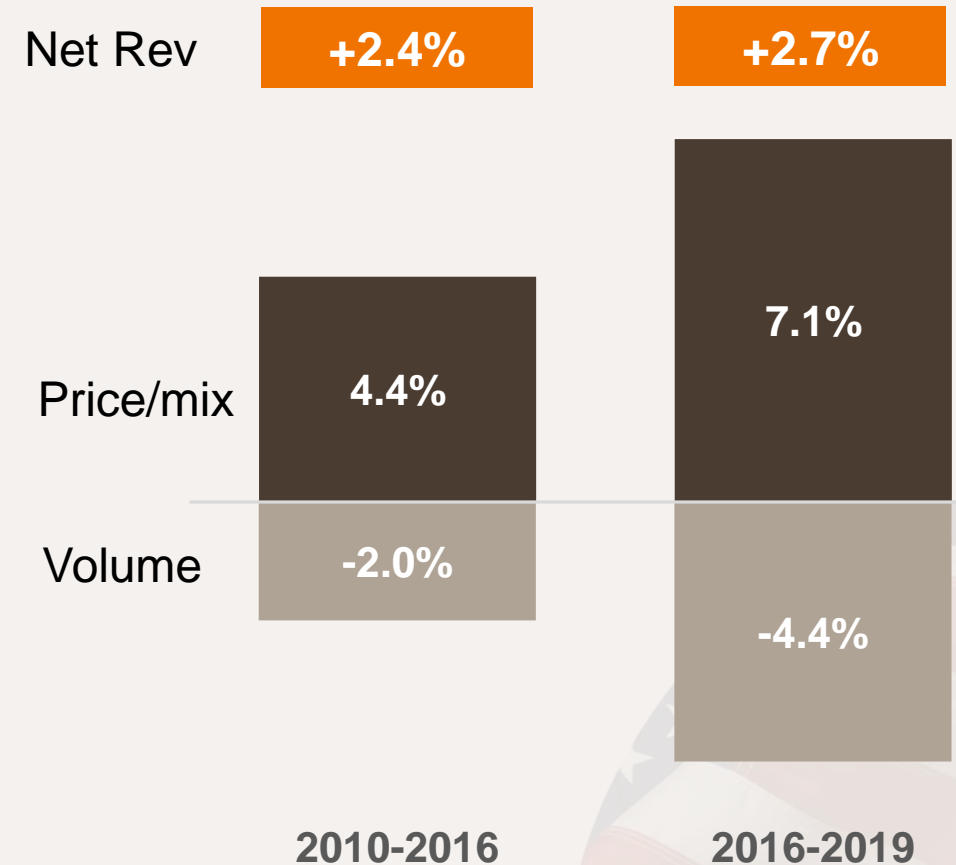
Affordability continues to support growing revenue



Industry revenue +25% over past 10yrs



Price more than offsets volume



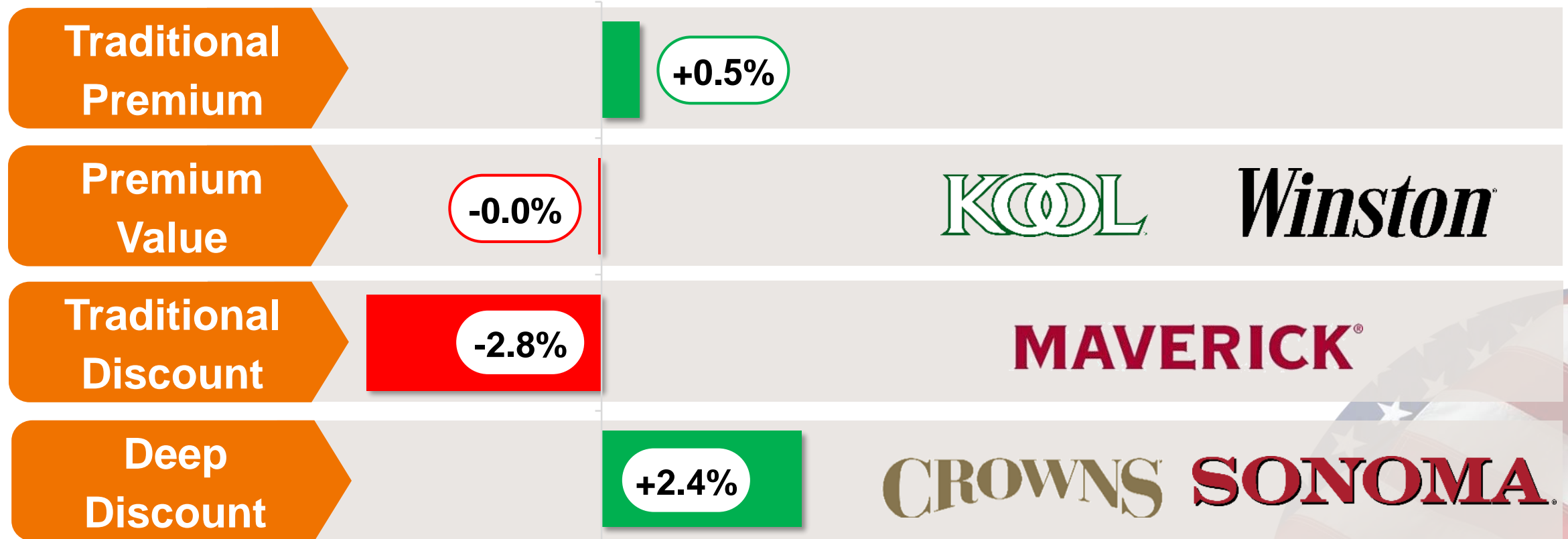
Strong Position in Growing Segments

Investment in focus brands and segments



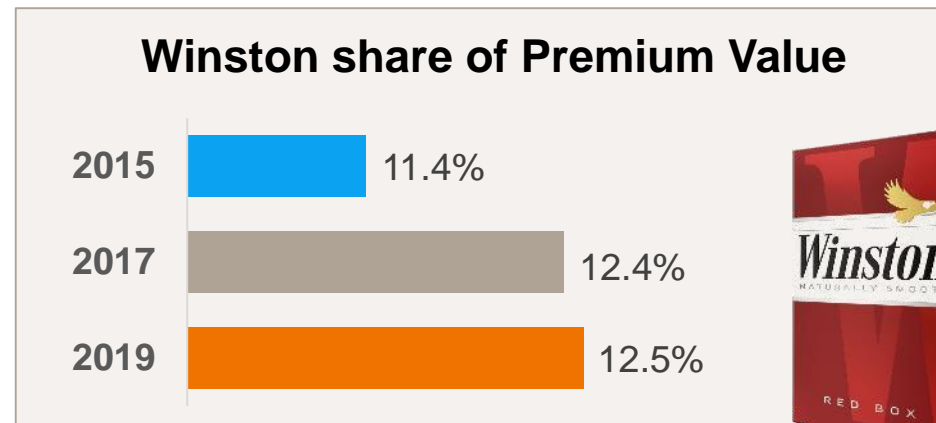
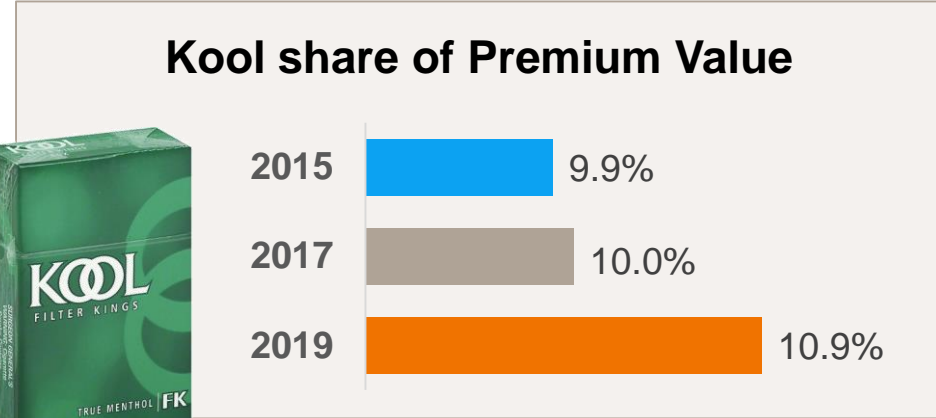
Industry Price Segments
% of Total 2019 v 2015 *

Imperial Brand
Positioning



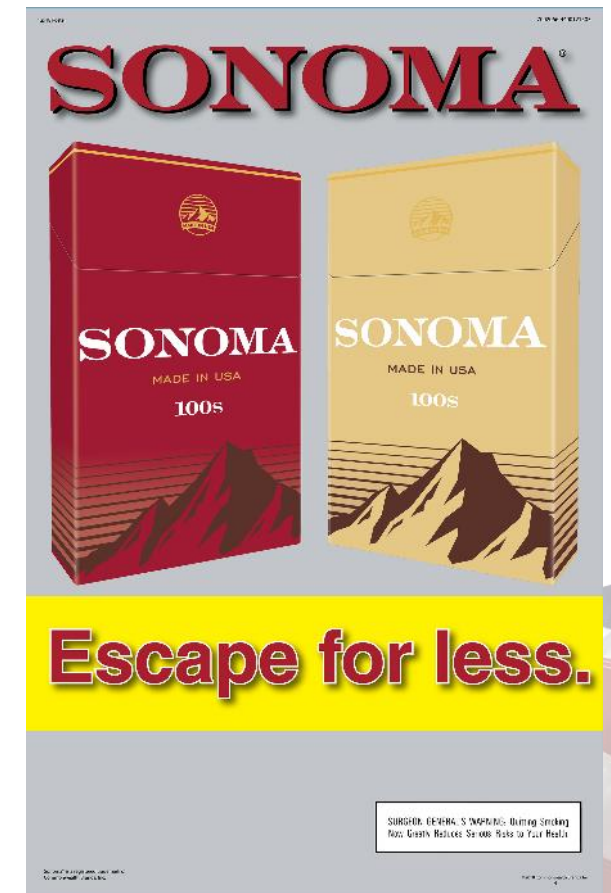
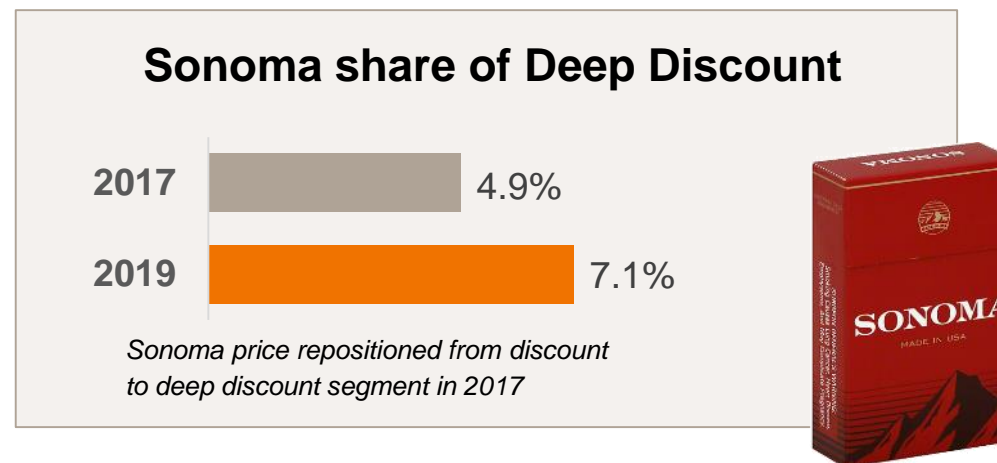
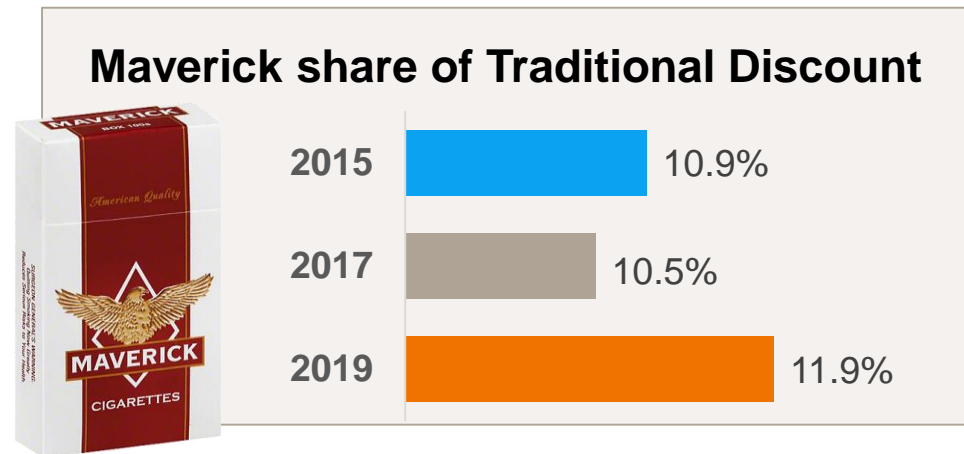
Managing Portfolio in Key Segments

Investing behind core brands



Managing Portfolio in Key Segments

Growing segment share in discount segments



Simplification of Cigarette Portfolio

Enhances focus behind core brands



SALEM



Fortuna

FY16

FY19

Tail brand % of total volumes

28%

21%

Profitability index

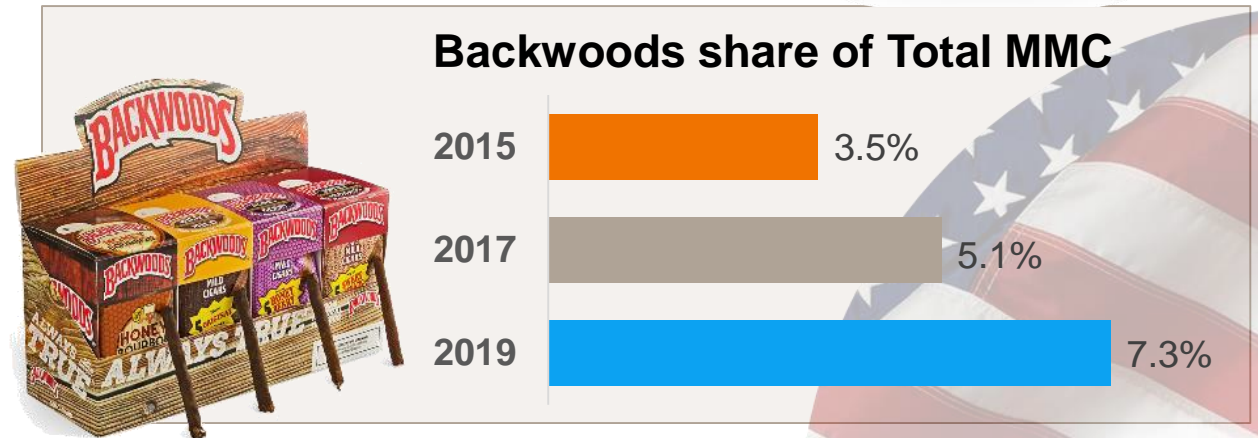
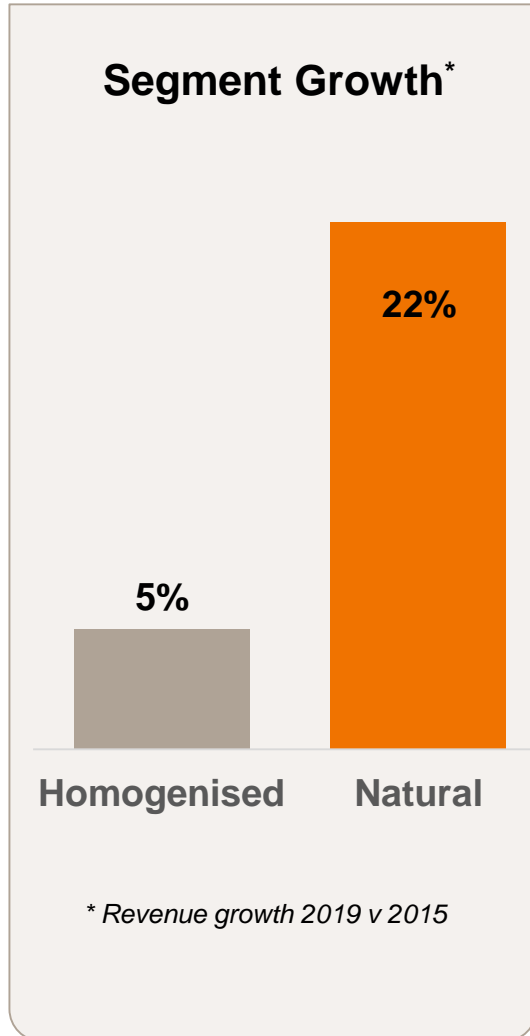
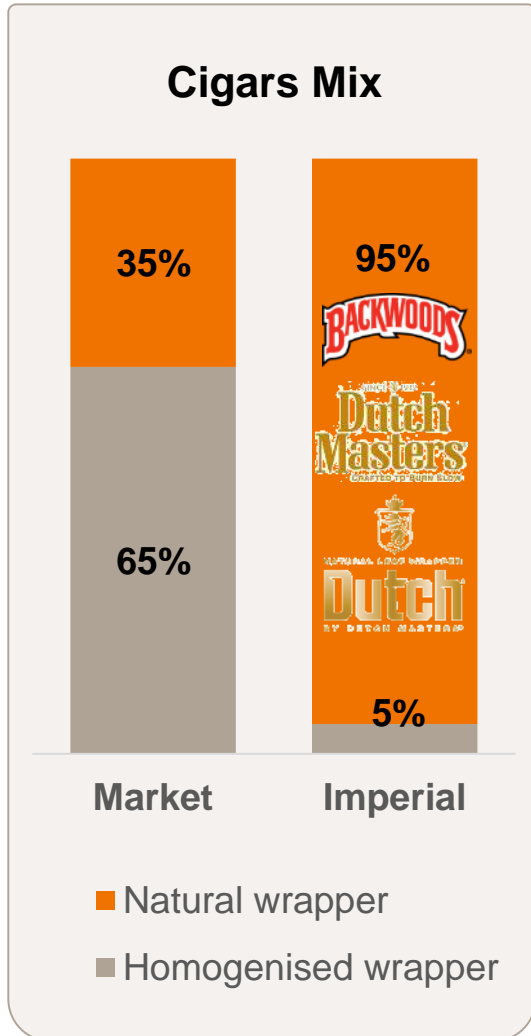
100

156

More efficient management of tail brands supports re-investment in core

Mass Market Cigars: Growing Share of Natural Segment

Backwoods growing from strength to strength

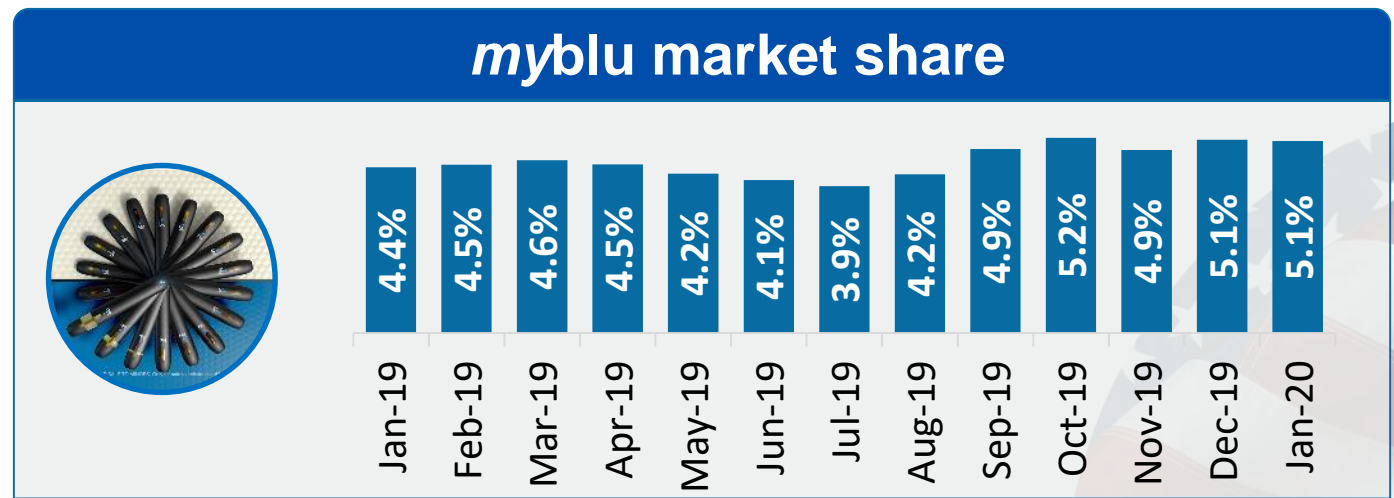
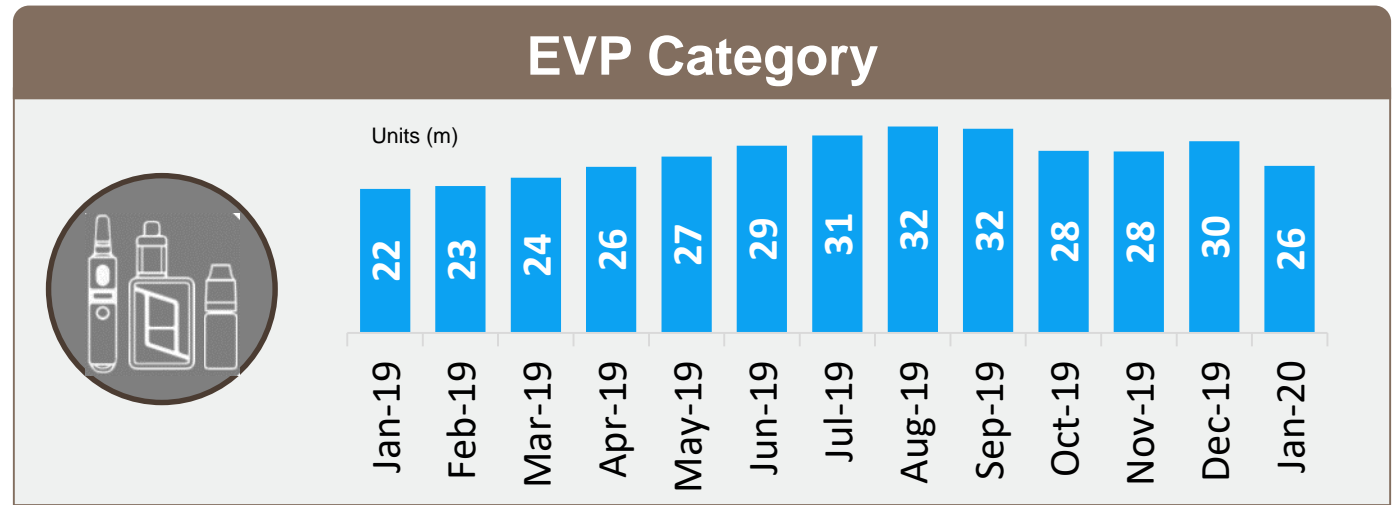


EVP: Sector Growth Stalled

Regulatory clarity to provide stability & growth



- Category growth impacted by volatile regulatory environment
- Flavour ban & minimum age '21' now in force
- Investment reprioritised; greater focus on Online
- Regulatory engagement to encourage higher product and marketing standards

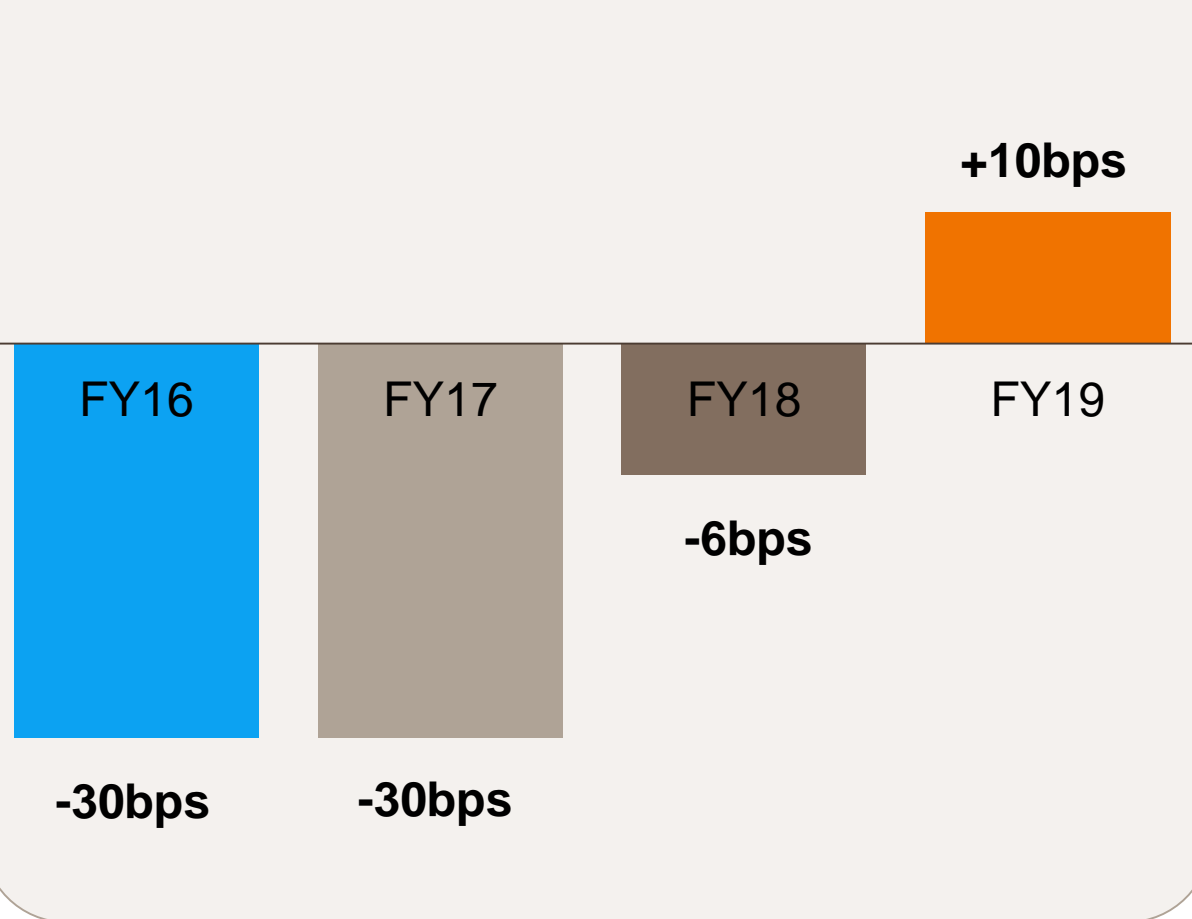


Market Share

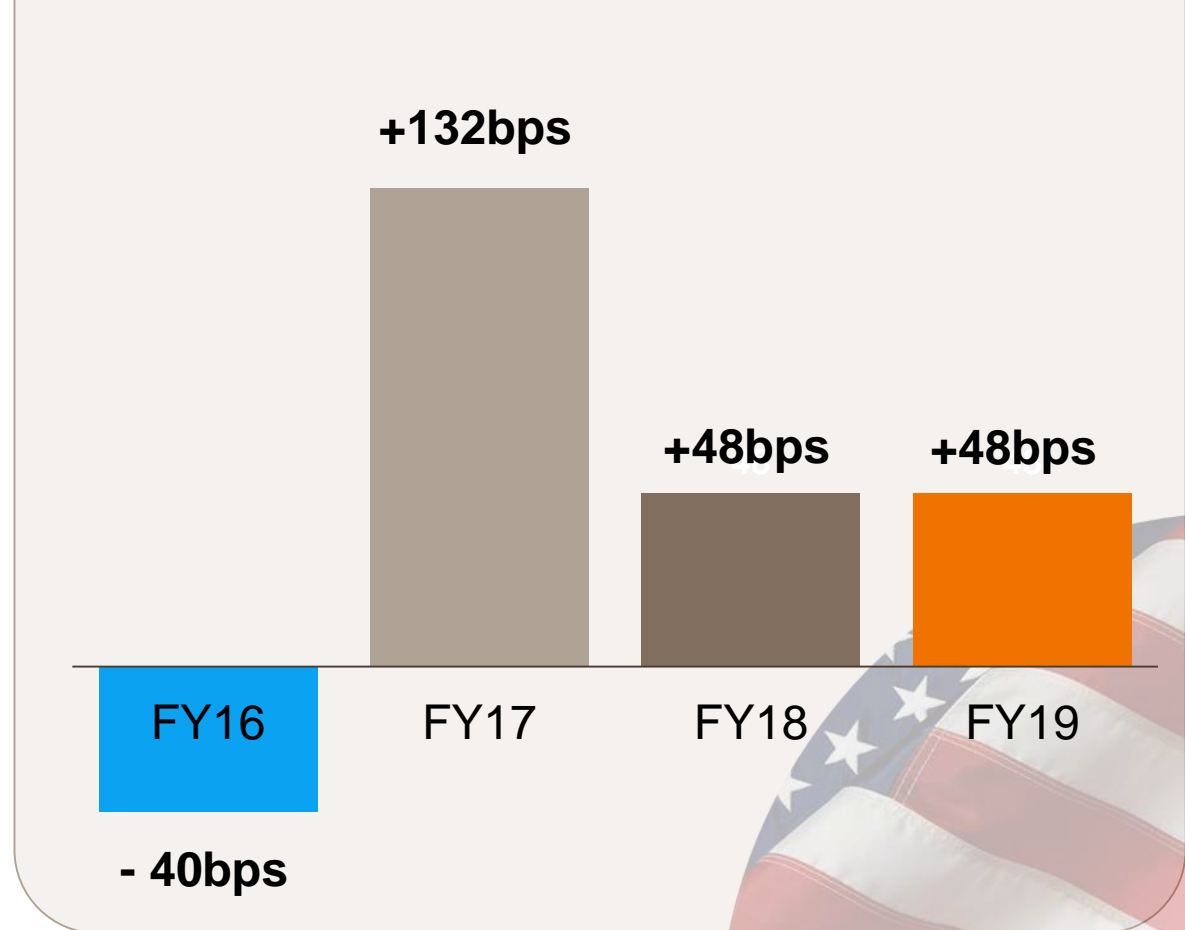
Portfolio strategy supports growth in cigarettes & MMC



Cigarette Market Share %



MMC Market Share %



USA Delivering Strong Returns

Well positioned to drive continued growth and returns



USA acquisition investment

\$1.5bn 2007 Commonwealth Brands

\$7.1bn 2015 USA assets acquisition

\$8.6bn direct USA acquisition

USA financial delivery

\$3.0bn net revenue a year

\$1.3bn operating profit a year

30% of total Group revenue & profit

+6% profit CAGR since 2016

Robust USA performance, growing:

- Cigarette and MMC share
- Revenue
- Profit and cash

Cigarette portfolio positioned to meet demand

MMC underpinned by Backwoods



Investor proposition

Creating Something Better for the World's Smokers



Quality growth from tobacco



NGP additive opportunity



Driving cost efficiencies



Responsible behaviour

Strong governance & sustainability agenda



Capital discipline & cash generation

Rigorous capital allocation & strong cash generation



Sustainable shareholder returns

Undemanding valuation and progressive dividend growth

