



INTERIM RESULTS 2020

Imperial Brands PLC

19 May 2020



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Key Focus Areas



Protecting the health, safety and well-being of our people

Maintaining supply to our customers

Driving performance of the tobacco business

Right sizing NGP operations & investment

Strengthening the balance sheet

Managing the Business During Coronavirus



Our People

- Health & wellbeing our priority
- Modified operations to ensure safety & security
- Exceptional effort from all our people - thank you
- Embracing new ways of working

Manufacturing & Supply Chain

- Grateful to manufacturing & supply chain colleagues
- Some temporary site closures
- Ability to supply unaffected to date
- 8-10 weeks finished goods

Customers & Consumers

- H1 stockpiling, expected to reverse in H2
- Travel restrictions impact on duty free & travel retail
- Temporary net 1% increase to revenue and profit

Focused on Strengthening Performance



Tobacco focus, NGP resized, balance sheet strengthened

Prioritising Tobacco

Rebalanced focus & resources behind tobacco

Stronger in-market execution

Improving share positions in majority of priority markets

Strong pricing, H1 mix pressure

Refocusing NGP

Focus on returns - cost savings & reduced investment

Lower revenue post destock

blu share holding up – products are competitive

PMTA for *myblu*

Strengthening Balance Sheet

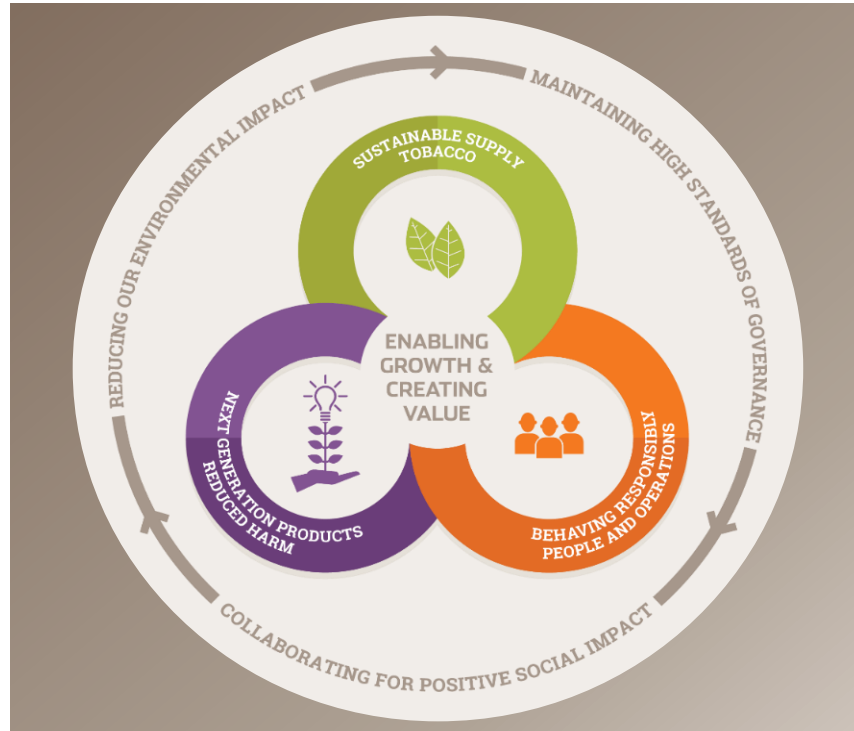
Focus on cost & cash

Renewed RCF & further committed facilities

Sale of Premium Cigars enables further deleverage

Rebased dividend to accelerate debt reduction

Progress Against our ESG Priorities



- Bringing our people safely back to their work environment
- On track to deliver against current ESG KPIs
- Some specific FY20 initiatives inevitably impacted by the coronavirus
- New KPIs being developed for priority ESG issues; implementation in FY21

Summary Financials



	£m	% change	% constant currency
Tobacco volumes (SE)	114.6	-0.5%	-0.5%
Tobacco net revenue (£m)	3,509	0.0%	0.9%
Tobacco & NGP net revenue (£m)	3,592	-1.7%	-0.9%
Tobacco & NGP AOP (£m)	1,383	-10.1%	-8.5%
Adjusted EPS (pence)	103.0	-10.9%	-9.2%
Cash conversion	103%		
Annualised net debt movement* (£bn)	(0.1bn)		



H1 Earnings versus Guidance



Trading upside partly COVID driven; additional NGP write-down

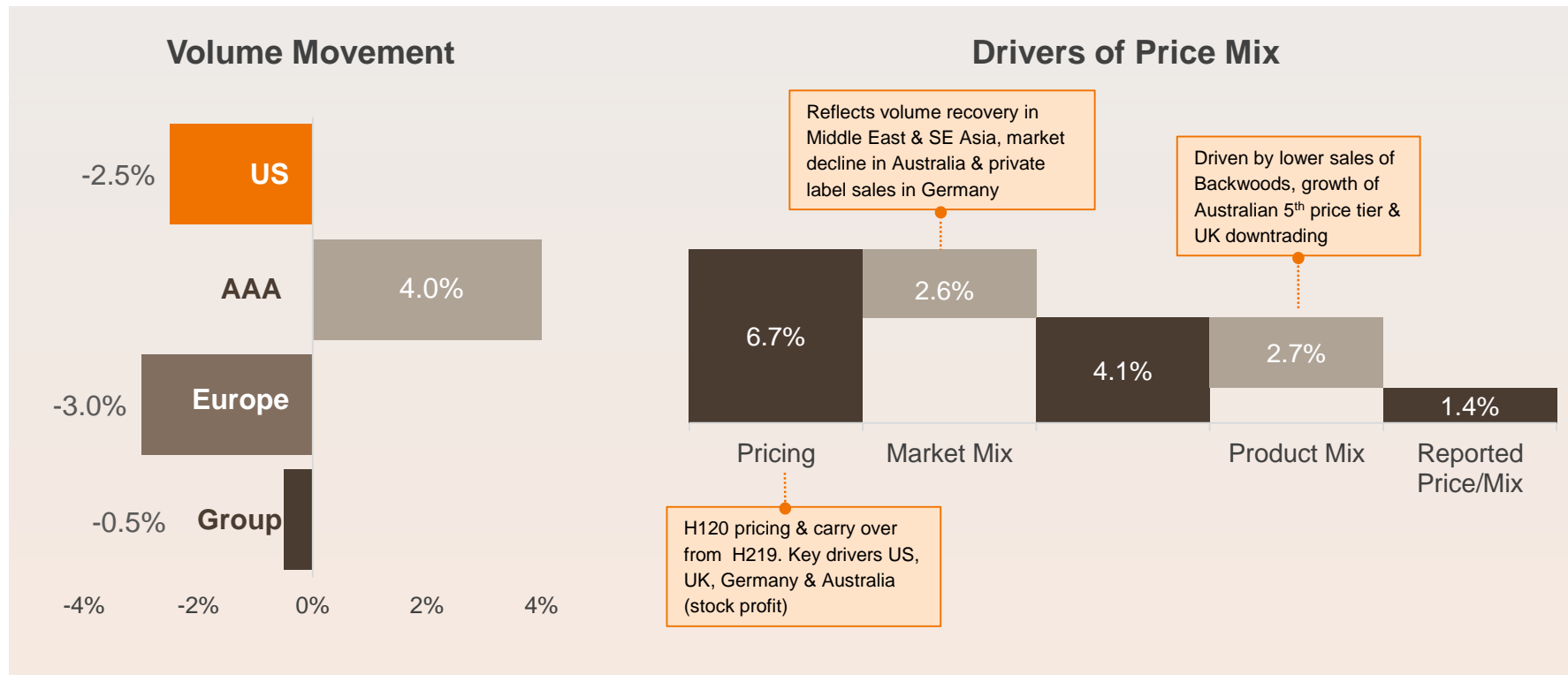
Year-on-Year EPS %



- Guidance was for EPS -10% (cc)
- 2% improvement due to better trading performance
- With around 1% of this driven by temporary COVID-19 benefit
- Additional write-down of NGP intellectual property

HY20 Volumes & Price/Mix

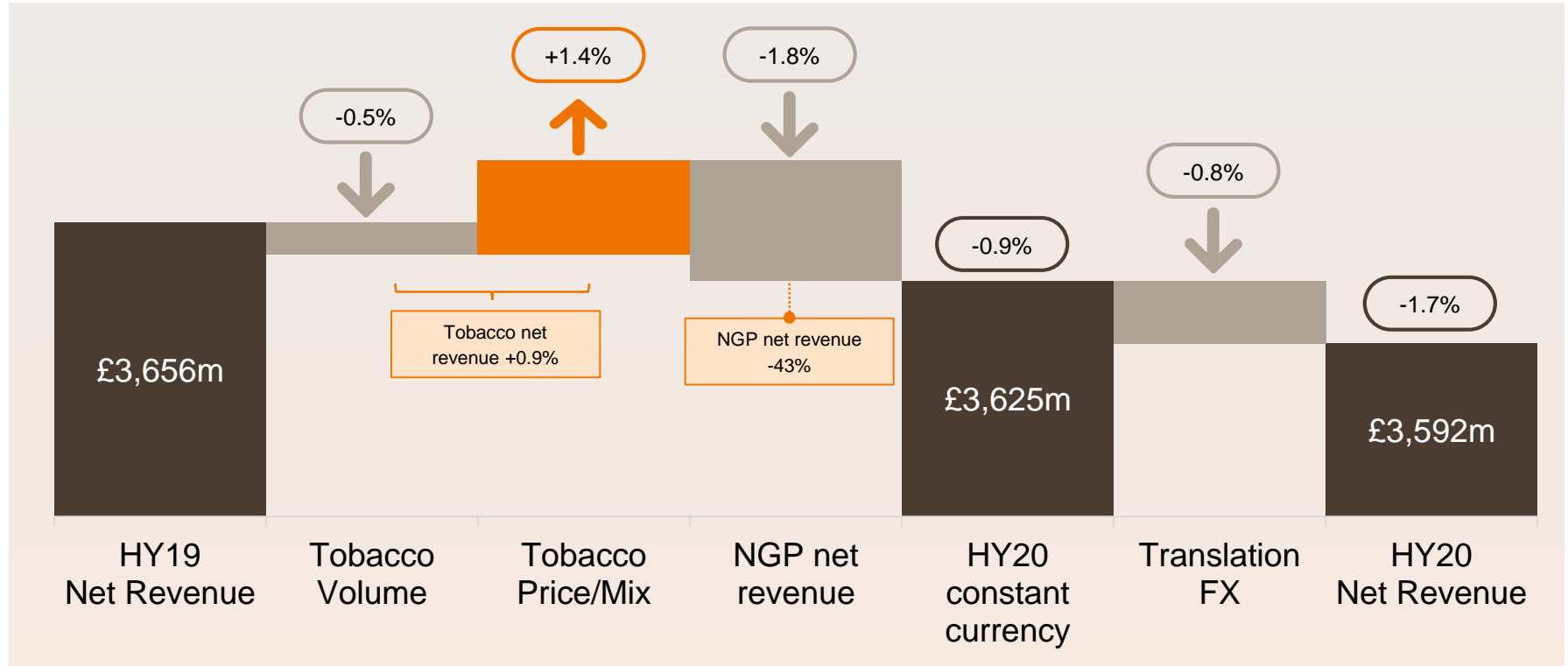
Strong cigarette pricing partly offset by mix



HY20 Net Revenue

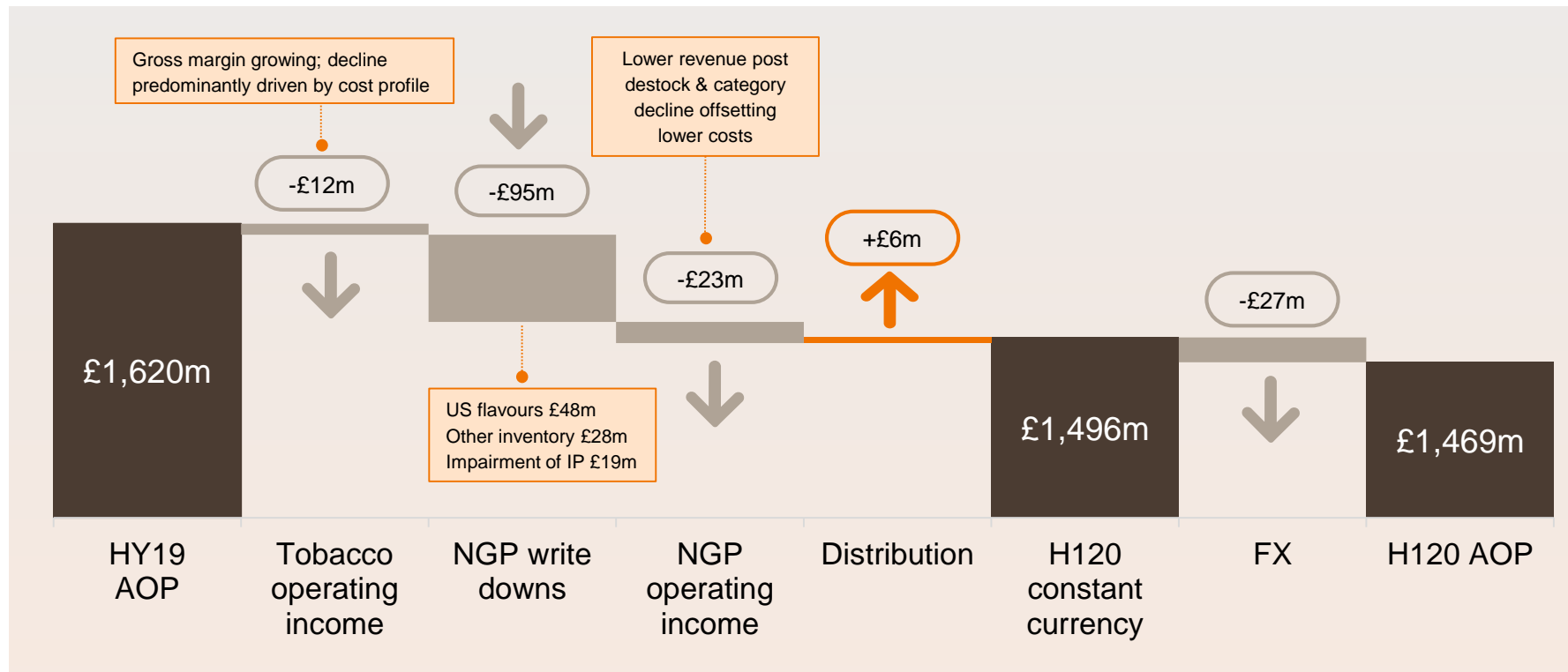


Decline in NGP revenue offsets increase in tobacco



HY20 Adjusted Operating Profit

Headwind from NGP write-downs



Tobacco Operating Profit

Gross profit up; profit lower due to cost profile

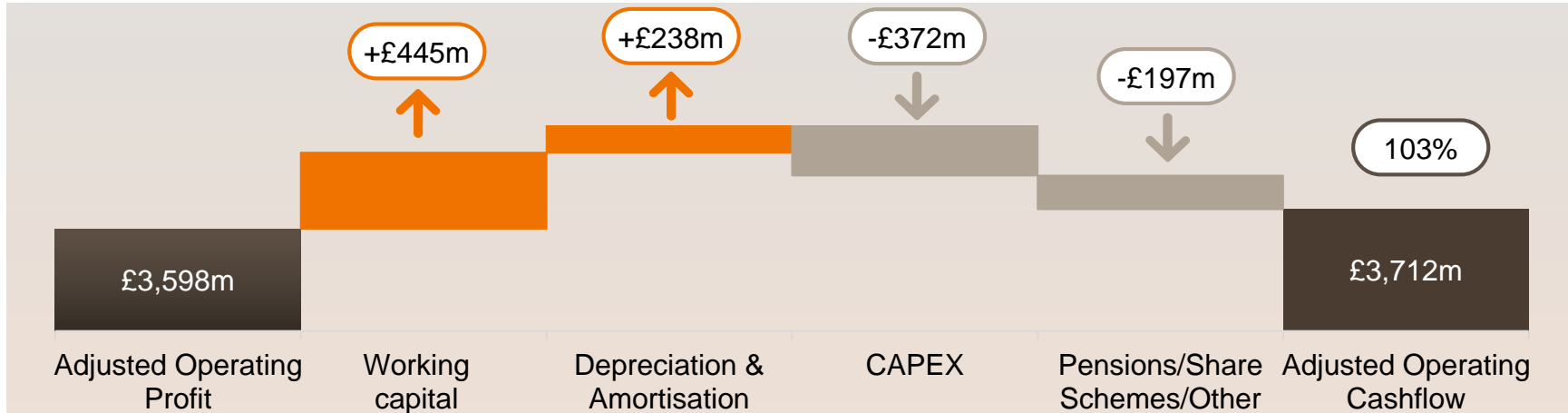


VOLUME	-0.5%	↓
REVENUE	+0.9%	↑
GROSS PROFIT	+1.3%	↑
OP COSTS	-7.1%	
OP PROFIT	-0.7%	↓

- A&P H1 weighted, particularly in Europe
- Overheads also proportionally greater in first half of year
- Under-recovery of factory & supply-chain costs in cigars post temporary closure of sites in H1
- Other small increases in production cost e.g. EUTPD II track & trace

Cash

Strong cash position H1; possible COVID impact H2



- Cash conversion benefit from timing of working capital inflows
- Difficulty in forecasting H2 cash position – COVID-19 impact on working capital
- Monitoring timing of tobacco excise - key to cash flow benefit from Logista

Liquidity

Business well capitalised; no necessary funding



- Extensive stress testing of business liquidity requirements
- Specifically addressed uncertainty surrounding COVID-19
- Strengthened committed financing position with RCF & additional bilateral facilities
- Business well capitalised & credit rating recently reconfirmed
- No necessary funding requirements

Sources of Liquidity

Strong cash conversion
> 90%

Logista cash-pooling
£1bn - £2bn

M&A Proceeds
£1bn

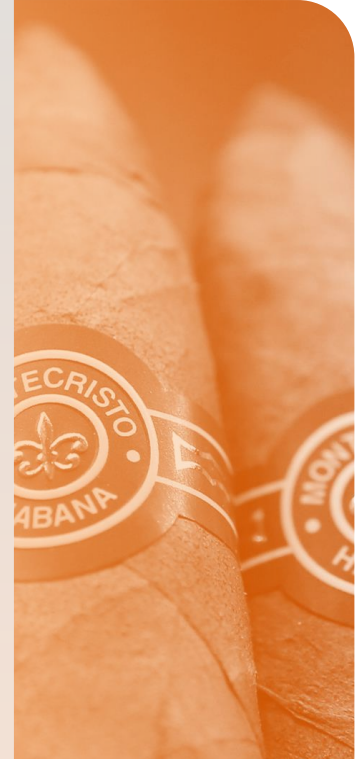
Additional bi-laterals
£1.7bn

Sale of Premium Cigars Division

Cash proceeds to reduce debt



- Sale of Premium Cigars at multiple equivalent to 11.8x EBITDA
- Part of active focus on capital management
- Expect proceeds during Q3 of FY20
- Proceeds to accelerate deleverage; 0.2x net debt to EBITDA
- Minimal earnings dilution (c.6 pence annualised)
- Impairment partially offset by gain in FX reserves on completion



Rebalancing Shareholder Returns & De-leverage

Dividend rebased by a third to strengthen balance sheet



- Prioritise debt reduction; supports resilient balance sheet
- Rebasing dividend by one third; progressive thereafter
- Funds to accelerate deleverage; target low end of range
- Continuing to invest in business; prioritising tobacco
- Stronger balance sheet builds future flexibility

**Accelerate deleverage
to low end of 2 - 2.5x range**

protect investment grade
credit rating

**Progressive dividend growth
from FY20 rebased level**

reflecting underlying business
performance

**Surplus cash returns to
shareholders**

on achieving leverage target

Outlook for FY20

Reflecting impact of COVID-19



- Current analyst consensus -2% EPS (constant currency)
- COVID-19 factors – estimated low single digit EPS impact
 - Restrictions to cross-border & international travel
 - Changing patterns of consumer behaviour e.g. downtrading
 - Impact of reduced cigar manufacturing capacity
- Additional -1% dilution from Premium Cigar sale & IP asset write-down
- Revised FY expectations: EPS (cc) -3% *plus COVID impact*
- Neutral FX translation impact on EPS based on current rates*



Americas: Continued tobacco market share growth

Strong pricing offset by cigar mix & NGP write-down



Market Share	+10bps	Tob. Net Revenue	flat	NGP Net Revenue	-50.8%	Adj. EBIT*	-11.8%
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excl. NGP write down* +1.4%

Tobacco

Winston marketing campaign supports share position

Targeted consumer marketing has grown Kool's share

NGP

Reset of investment levels & market de-stock

PMTA submitted for myblu & range of pod flavours & nic strengths

- Further share growth; focus brands offsetting tail
- Strong cigarette revenue offset by Backwoods; natural wrapper supply & increased competition
- Rebalanced sales team priorities from vapour to tobacco
- Vapour revenue impacted by de-stock and sector slowdown
- Underlying profit in growth excluding write-down of flavoured inventory & asset impairment

AAA: Share Growth in Priority Markets


Growing tobacco & NGP revenues




Market Share	+70bps	Tob. Net Revenue	2.9%	NGP Net Revenue	57.1%	Adj. EBIT	-7.9%
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excl. NGP write down* -5.5%

Tobacco



Parker & Simpson continuing to gain share traction



Davidoff range expansions meet demand for King & Queen size variants

NGP



PULZE



Japan national convenience store roll-out



blu






Continued investment behind nic-free in Japan

- Market share growth in all priority markets
- P&S growing in Australian sub-value; market also benefiting from stock profit phasing
- Strong growth in Middle East from normalisation of shipment timings, though low value
- NGP revenues driven by growth in Japan
- EBIT impacted by full year of Pulze investment & geographic mix

Priority Market Performance

Share gains across the region driven by tobacco portfolio



	MAT share Δ	YTD share Δ	
	+10bps	+2bps	Gains in discount segment and improving position for Winston & Kool; market size improvement
	+40bps	+60bps	Increasing share of P&S in growing 5 th price tier; illicit growth drives decline in duty paid
	+20bps	+10bps	West growing with consumer demand shift to value segment
	+30bps	+30bps	Davidoff and West gains driven by supporting key account activity
	+470bps	+440bps	Optimisation of field coverage is delivering strong sales of Davidoff Evolve and West



Europe: Focus on Tobacco Delivery

Underlying tobacco results offset by NGP



Market Share	-50bps	Tob. Net Revenue	0.5%	NGP Net Revenue	-56.2%	Adj. EBIT	-6.7%
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excl. NGP write down* -3.0%

Tobacco



West sales have benefited from growth in value segment



JPS performance benefits from larger format product offerings

NGP



Investment reset & market de-stock



myblu share resilience in many markets






Further modern oral expansion

- Improved share positions in several key markets; UK, Spain & France
- Volume benefit from COVID-19 inventory build & growth in private label volumes
- Carry-over of H219 pricing offsets lower duty free & travel retail sales
- De-stock & category slowdown impacts NGP revenue; lower gross margin offsets reduced costs
- Profit impacted by NGP & phasing of tobacco costs

Priority Market Performance

Balancing share with financial returns



	MAT share Δ	YTD share Δ	
	-160bps	-130bps	Larger value offerings & FMC branded RYO support sequential share improvement
	-100bps	-120bps	Continuing to reshape portfolio around demand shifts to address share decline
	-50bps	-25bps	Price repositioning of News & Gauloises & focus on meeting increased demand from border closures
	+10bps	+1bp	Blonde share growth offsets drag from dark tobacco. Investment behind larger value formats across portfolio
	+10bps	+5bps	JPS range continuing to benefit from consumer demand for value



Focused on Strengthening Performance



Disappointing results; progress towards stronger business

Continuing to deliver while protecting our people

Tobacco share growth at group level and in 7/10 priority markets

Right-sized NGP to enhance returns; PMTA submissions for *myblu*

Rebased dividend; supports balance sheet resilience & flexibility

Agreed sale of Premium Cigars – proceeds to reduce debt



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Appendices

Group financials



Group Adjusted Results



		HY19	Foreign Exchange	Constant Currency Growth	HY20	Actual Δ	Constant Currency Δ
Tobacco net revenue	£m	3,508	(32)	33	3,509	0.0%	0.9%
NGP net revenue	£m	148	(1)	(64)	83	-43.9%	-43.2%
Tobacco & NGP Operating profit	£m	1,538	(25)	(130)	1,383	-10.1%	-8.5%
<i>Tobacco & NGP Profit Margin</i>	%	<i>42.1</i>			38.5	<i>-360bps</i>	<i>-330bps</i>
Logistics distribution fees	£m	499	(10)	(1)	488	-2.2%	-0.2%
Logistics operating profit	£m	102	(2)	(5)	95	-6.9%	-4.9%
<i>Logistics margin</i>	%	<i>20.4</i>			19.5	<i>-90bps</i>	<i>-90bps</i>
Eliminations	£m	(20)	-	11	(9)	-55.0%	-55.0%
Group adjusted operating profit	£m	1,620	(27)	(124)	1,469	-9.3%	-7.7%

Group Adjusted Results



		HY20	HY19
Group adjusted operating profit	£m	1,469	1,620
Adjusted net finance costs	£m	(210)	(220)
Share of profit of JVs	£m	20	24
Adjusted profit before tax	£m	1,279	1,424
Adjusted tax rate	%	20.7	19.5
Adjusted EPS	pence	103.0	115.6
DPS	pence	41.7	62.6
Cash conversion	%	103	66
Adjusted net debt	£m	(13,476)	(12,958)

Reconciliation: Reported To Adjusted



£m (unless otherwise stated)	Reported HY20	Amortisation of acquired intangibles	Restructuring costs	Acquisition and disposal costs	Excise tax provision	Fair value adjustment of loan receivable	Fair value (gains)/losses on financial instruments	Post employment net financing cost	Tax on unrecognised losses	Adjustments attributable to non-controlling interests	Adjusted HY20
Operating profit	925	436	94	14	(23)	23	-	-	-	-	1,469
Share of profit of JV	20	-	-	-	-	-	-	-	-	-	20
Finance costs	(160)	-	-	-	-	-	(53)	3	-	-	(210)
Profit before tax	785	436	94	14	(23)	23	(53)	3	-	-	1,279
Tax	(235)	(19)	(24)	-	-	(7)	48	(2)	(26)	-	(265)
Profit after tax	550	417	70	14	(23)	16	(5)	1	(26)	-	1,014
Minority interest	(25)	-	-	-	-	-	-	-	-	(16)	(41)
Earnings attributable to equity shareholders	525	417	70	14	(23)	16	(5)	1	(26)	(16)	973
Basic EPS (pence)	55.6	44.1	7.4	1.5	(2.4)	1.7	(0.5)	0.1	(2.8)	(1.7)	103.0

Income Statement



£m (unless otherwise stated)	HY20	HY19
Revenue	14,672	14,390
Adjusted operating profit	1,469	1,620
Acquisition and disposal costs	(14)	-
Amortisation and impairment of acquired intangibles	(436)	(297)
Restructuring costs	(94)	(54)
Excise tax provision	23	-
Fair value adjustment of acquisition consideration – Von Erl	-	(119)
Fair value adjustment of loan receivable	(23)	-
Share of profit of investments accounted for using the equity method	20	24
Net finance costs [*]	(160)	(156)
Profit before tax	785	1,018
Tax	(235)	(310)
Profit after tax	550	708
Minority interests	(25)	(29)
Basic EPS (pence)	55.6	71.2
Adjusted EPS (pence)	103.0	115.6

Balance Sheet



£m	HY20	HY19
Non-current assets: tangible	4,911	4,360
intangible	18,246	18,428
Current assets: inventories	5,101	4,071
other	4,984	3,703
Current liabilities	(13,364)	(11,433)
Non-current liabilities	(14,986)	(13,603)
Net assets	4,892	5,526

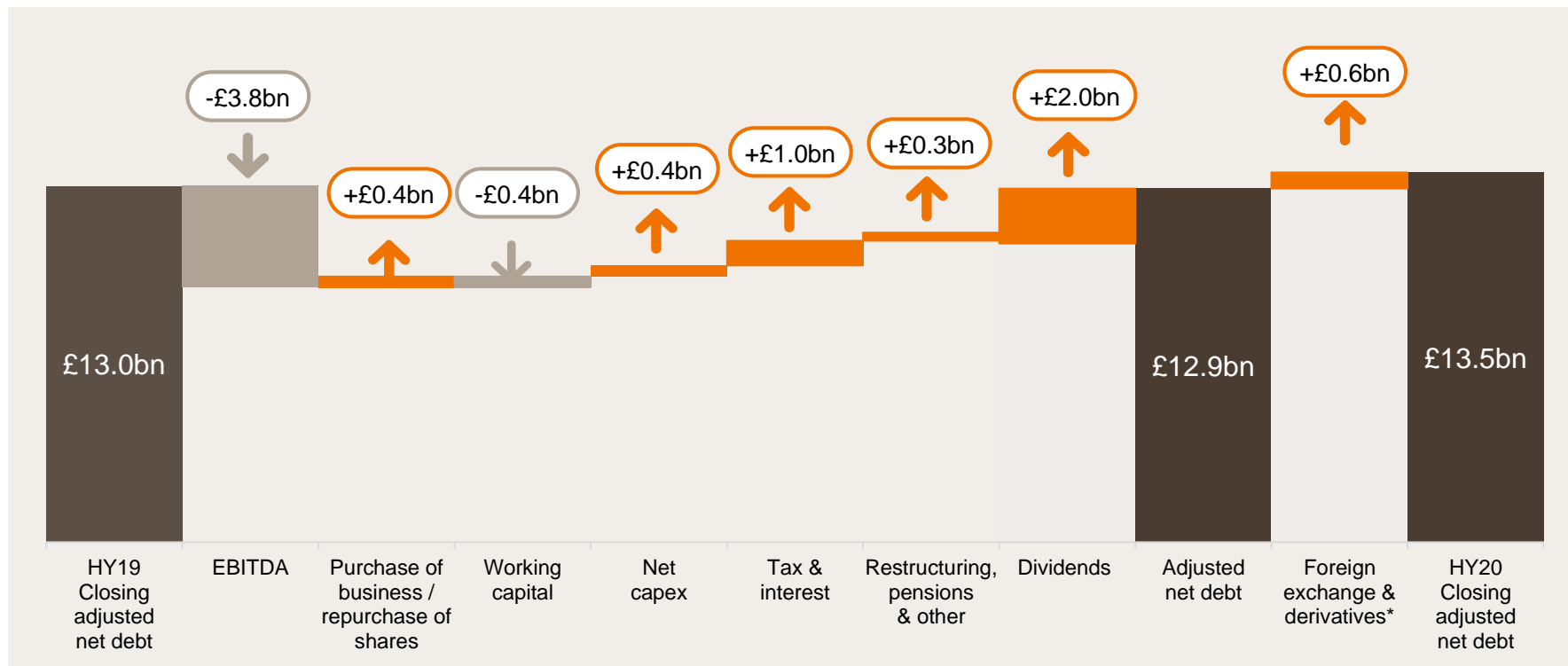
Cash Flow



£m	HY20	HY19
Cash flows from operating activities pre tax	381	196
Tax paid	(254)	(248)
Cash flows from operating activities	127	(52)
Net capex	(165)	(145)
Purchase of businesses / brands	(146)	-
Repurchase of shares	(92)	-
Lease liabilities paid	(37)	-
Loan to JV	-	4
Dividends paid (inc. minority interests)	(1,418)	(1,306)
Net interest paid	(312)	(304)
Net cash flow	(2,043)	(1,803)
Opening net debt	(11,970)	(11,899)
Closing net debt before non-cash movements	(14,013)	(13,702)
Non-cash movements		
Exchange movement	(36)	344
Interest accretion and derivative fair value adjustments	240	(23)
Lease liabilities – adoption of IFRS16	(302)	-
Transferred to assets held for disposal	(33)	-
Closing net debt after non-cash adjustments	(14,144)	(13,381)

Net Debt Movement

12 months: HY19 to HY20



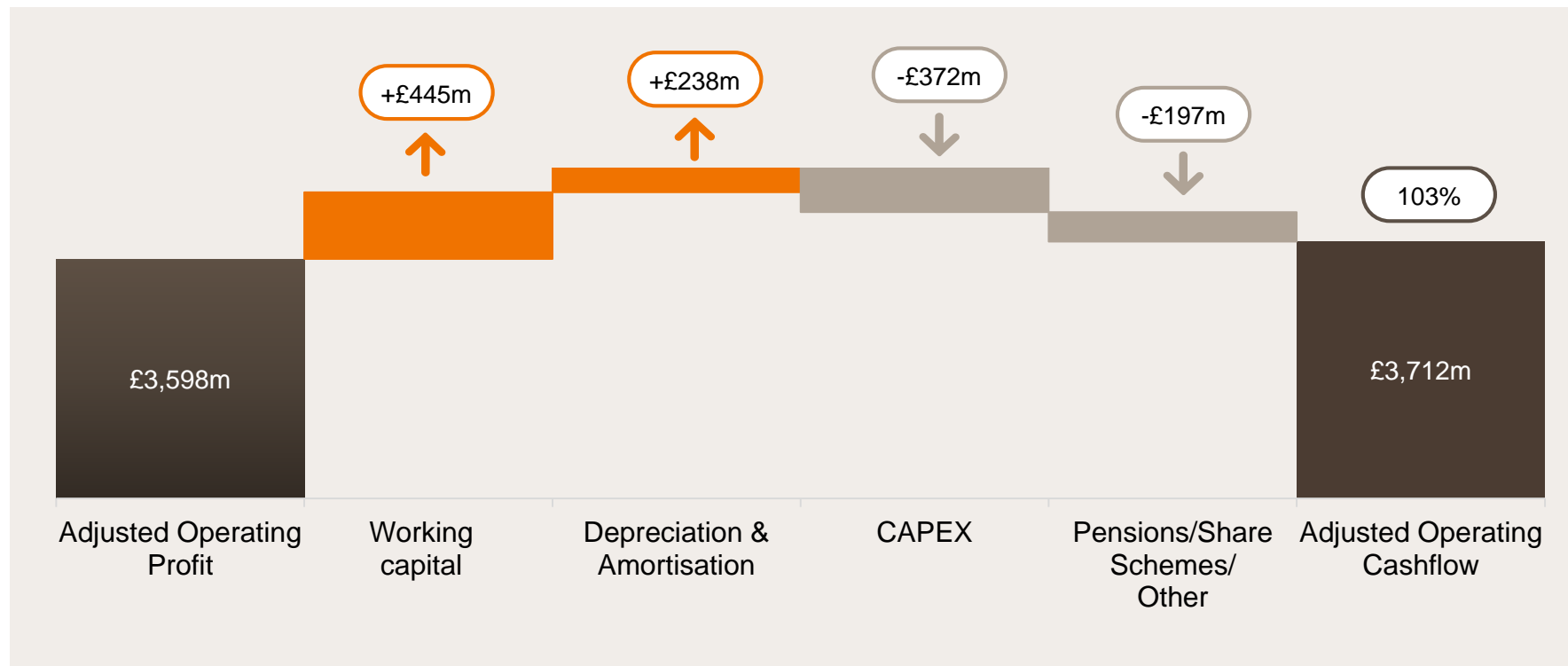
Net Debt Reconciliation



£m	Reported HY20	Accrued interest	Fair value of derivatives	Adoption of IFRS16	Adjusted HY20
Opening net debt	(11,970)	162	432	-	(11,376)
Free cash flow	(588)	-	-	-	(588)
Dividends	(1,418)	-	-	-	(1,418)
Lease liabilities paid	(37)	-	-	-	(37)
Accretion of interest	109	(109)	-	-	-
Change in fair values	131	-	(119)	-	12
Lease liabilities – adoption of IFRS16	(302)	-	-	302	-
Exchange movements	(36)	-	-	-	(36)
Transferred to assets held for disposal	(33)	-	-	-	(33)
Closing net debt	(14,144)	53	313	302	(13,476)

Cash Conversion

12 months: HY19 to HY20



12 Month Cash Conversion



£m (unless otherwise stated)	HY20	HY19
Net cash flow from operating activities	3,415	2,144
Tax	528	395
Net capex	(372)	(248)
Restructuring cash spend	141	178
Cash flow post capex pre interest and tax	3,712	2,469
Adjusted operating profit	3,598	3,762
Cash conversion (%)	103	66
Working capital inflow/(outflow)	445	(1,180)

Net Finance Costs



£m	HY20	HY19
Net finance costs	160	156
Adjusted for:		
- interest income on net defined benefit assets	49	70
- interest cost on net defined benefit liabilities	(52)	(73)
- fair value & exchange gains on financial instruments	53	67
Adjusted net finance costs	210	220

Foreign Exchange



	Average			Closing		
	HY19	HY20	Δ	HY19	HY20	Δ
USD \$	1.294	1.284	-1%	1.309	1.236	-6%
EURO €	1.137	1.162	2%	1.165	1.128	-3%
AUD \$	1.811	1.915	6%	1.843	2.027	10%
Russian Rouble	85.769	83.689	-2%	84.885	96.964	14%

Foreign Currency

Divisional currency exposure



Approximate weight of
currency in **Tobacco Net
Revenue**

	GBP £	EUR / EUR Linked	USD \$	AUD \$	Other Currencies	Other includes
Europe	15%	70%			15%	Polish Zloty
Americas			100%			
AAA		25%	20%	20%	35%	Russian Rouble, Taiwan \$ & Moroccan Dirham

€0.01 (1 cent) movement in the € Euro has a c. £24m impact on net revenue.

\$0.01 (1 cent) movement in the \$ USD has a c. £23m impact on net revenue.

Approximate weight of
currency in **Operating Profit**

	GBP £	EUR / EUR Linked	USD \$	AUD \$	Other Currencies	Other includes
Europe	25%	75%				
Americas			100%			
AAA		40%		45%	15%	Taiwan \$ & Moroccan Dirham
Logistics		100%				

€0.01 (1 cent) movement in the € Euro has a c. £14m impact on PBT.

\$0.01 (1 cent) movement in the \$ USD has a c. £9m impact on PBT

Guidance FY20

Other financial items



Financing & Cost of Debt

- Average all-in net P&L finance charge broadly similar to last year

Tax Rate

- c.21% expected for FY20

Cash Conversion

- Expect to be c.90%

Capex

- Net capex for FY20 c.£0.3bn

Cost Optimisation

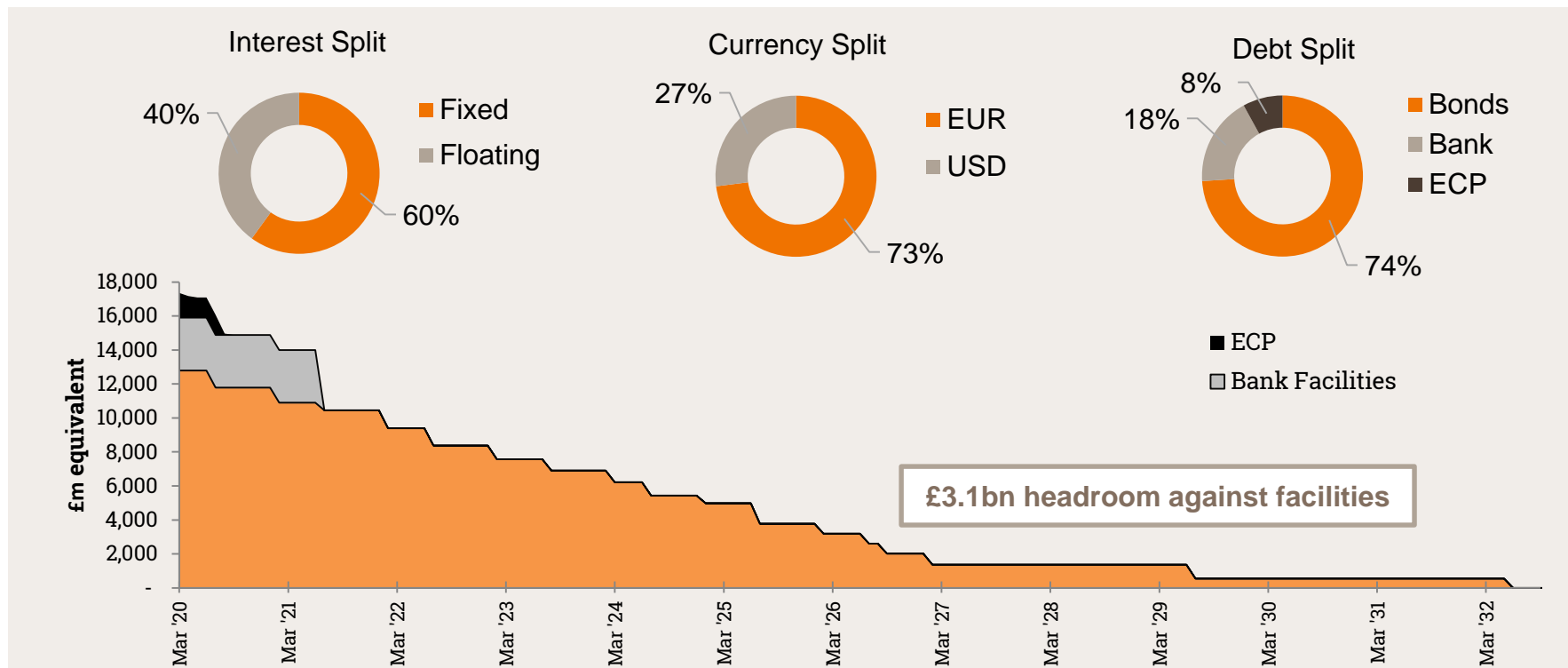
- FY20 savings expected c.£60m
- Cash costs of restructuring expected of c.£0.2bn

Foreign Exchange

- Translation FX expected to be a neutral impact
- Based on exchange rates at the 18th May 2020 of GBP: EUR 1.12 and GBP: USD 1.21

Financial profile

31 March 2020



Committed bank facilities

31 March 2020



Description	Maturity date	Amount	£m equiv.
Committed 3-year Revolving Credit Facility			
EUR tranche	30 Mar 2023	€3,500m	£3,102m
Committed revolving credit facility	31 Oct 2021	€300m	£266m
Committed revolving credit facility	31 Oct 2021	€300m	£266m
Total			£3,634m

** In April 2020 additional financing was arranged of 4 committed bilateral facilities totalling €1,100m (£975m)*

Bond issues

31 March 2020



Amount	Issuer	Coupon	Issue Date	Maturity Date	£m equiv.	Margin
\$1,250m	Imperial Brands Finance PLC	2.950%	Jul-15	Jul-20	£1,011m	1.4%
€1,000m	Imperial Brands Finance PLC	2.250%	Feb-14	Feb-21	£886m	1.1%
€500m	Imperial Brands Finance PLC	0.500%	Jan-17	Jul-21	£443m	0.7%
£1,000m	Imperial Brands Finance PLC	9.000%	Feb-09	Feb-22	£1,057m ¹	4.8% ¹
\$1,250m	Imperial Brands Finance PLC	3.750%	Jul-15	Jul-22	£1,011m	1.8%
\$1,000m	Imperial Brands Finance PLC	3.500%	Feb-13	Feb-23	£809m	1.1%
€750m	Imperial Brands Finance PLC	1.125%	Feb-19	Aug-23	£665m	1.2%
£600m	Imperial Brands Finance PLC	8.125%	Sep-08	Mar-24	£684m	3.1% ¹
\$1,000m	Imperial Brands Finance PLC	3.125%	Jul-19	Jul-24	£796m ¹	1.2% ¹
€500m	Imperial Brands Finance PLC	1.375%	Jan-17	Jan-25	£443m	1.0%
\$1,500m	Imperial Brands Finance PLC	4.250%	Jul-15	Jul-25	£1,214m	2.2%
€650m	Imperial Brands Finance PLC	3.750%	Feb-14	Feb-26	£576m	1.5%
\$750m	Imperial Brands Finance PLC	3.500%	Jul-19	Jul-26	£597m ¹	1.5% ¹
£500m	Imperial Brands Finance PLC	5.500%	Sep-11	Sep-26	£570m	2.7% ¹
€750m	Imperial Brands Finance PLC	2.125%	Feb-19	Feb-27	£665m	1.8%
\$1,000m	Imperial Brands Finance PLC	3.875%	Jul-19	Jul-29	£809m ¹	2.0% ¹
£500m	Imperial Brands Finance PLC	4.875%	Feb-14	Jun-32	£556m ¹	2.1% ¹
Total/Weighted Average Margin					£12,792m¹	1.9%¹

Divisional Market Share

MAT market share data



	HY20	HY19	Δ
Europe	19.3%	19.8% ^R	-50bps
Americas	8.8%	8.7%	+10bps
AAA	10.2%	9.6% ^R	+60bps
Total Group	13.5%	13.3% ^R	+20bps

Market Share Calculation

Market share is presented as a 12 month average (MAT). Aggregate market share is a weighted average across markets within our footprint. The sources of market share information by market are continually reviewed to ensure the most accurate data available. Where any changes have been made we have restated (as denoted ^R) the PY number to ensure comparability

SE	Stick Equivalent (SE) volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes.
Constant Currency	Change at constant currency removes the effect of exchange rate movements on the translation of the results of our overseas operations.
Tobacco	Total Tobacco includes cigarettes, fine cut tobacco, cigar, traditional snus and other tobacco products.
NGP	NGP includes vapour products, next generation oral nicotine including all-white oral snus
Fontem Ventures	Fontem Ventures is our non-tobacco subsidiary focused on developing new opportunities for sustainable revenue growth.
Logista	Logista is a 50.01% owned subsidiary and publicly listed on the Spanish stock exchanges. It is one of the largest logistics businesses in Europe, with operations extending across Spain, France, Italy, Portugal and Poland.

Asset Brands



Asset Brands



Asset Brands*

We continue to reshape our brand portfolio, prioritising our high-quality Asset Brands to drive growth.

Portfolio Brands

The remainder of our portfolio consists of local and regional brands.

* Asset Brands have been amended to reflect

- the reclassification of our premium cigar brands, Cohiba, Montecristo and Romeo y Julieta and cigarette brands, Bastos and Style as Portfolio Brands
- the inclusion of fine cut tobacco brand, Riverstone, and NGP brands, Pulze, iD and Zone X

Excluding these changes HY20 Asset Brand percentage of total net revenue would have been 65.5%; +1.8% higher than the reported 63.7%

HALF YEAR RESULTS 2020

Imperial Brands PLC

19 May 2020

