<u>Stefan</u>

Slide
Good morning, everyone… and welcome to our results presentation today.

Thanks to all of you joining us in person – it's great to see you.

And, of course, a warm welcome to those viewing online.

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I would like to draw your attention to this disclaimer, before I introduce the team and outline our agenda.

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I'm joined by Lukas Paravicini, our CFO, and Peter Durman, Head of Investor Relations.

I will start by highlighting some key points from today's strong results.

Lukas will outline our financial performance and give our outlook for the coming year.

I will then update you on how we are delivering operationally and continuing our strategic transformation.

Finally, we look forward to taking your questions.

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These results demonstrate further strong delivery in the acceleration phase of our five-year plan.

Let's start with the operational headlines.

In tobacco, we grew aggregate market share in our five priority markets.

Encouragingly, this has been supported by a turnaround in Germany, where our actions are now gaining traction.

Across the Group, strengthened brands and improved sales execution have helped deliver strong pricing – with price mix up almost 8%.

In next generation products, we have delivered another year of strong and broad-based growth.

Revenue was up in <u>all</u> three regions and <u>all</u> three categories.

And in all three categories, market share was also up.

Gross margins have increased.

Losses have significantly reduced.

And we continue to invest in new launches, such as Zone in the US.

This is all further evidence our challenger approach, focus on the consumer and disciplined investments are creating a sustainable and growing business.

These results also demonstrate the benefits of our broader transformation to build a performance-based culture and harness new ways of working.

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And here you can see how this operational performance is translating into improved financial delivery and enhanced shareholder returns.

This is the same dashboard we have shown in previous results presentations over the last three years.

Once again there is a tick in every box and all the lights are green.

You will recall our five-year strategy was divided into an initial foundation-building phase, followed by a period of accelerating returns.

Here, there are two metrics that really demonstrate this acceleration in action:

First is the 4.6% growth in net revenue.

This has been driven by a strong performance in both tobacco and NGP.

Second is the 10.9% growth in earnings per share, underpinned by rising profit growth and the powerful compounding effect of our ongoing share buyback.

Since starting the buyback in 2022 we have retired 11% of our share capital.

And, taking the longer view, over the five years of this strategy, we are on course to make cumulative capital returns – through buybacks and dividends – of £10 billion.

I will now hand over to Lukas to take you through the financial results in more detail.

Lukas

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Thanks, Stefan, and good morning, everyone.

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Once again, I am pleased to show you positive financials and another year of strong delivery.

As Stefan said, we grew aggregate share in our five priority markets, while delivering strong pricing.

We again had double-digit net revenue growth in NGP with improving margins.

Our operational success has improved our Group adjusted operating profit by 4.6%.

This has been boosted by the share buyback to deliver double-digit EPS growth.

Leverage of 1.8 times is slightly better than our target range.

This has been driven by better-than-expected cash delivery and favourable FX translation on the balance sheet.

These results are further evidence of consistent financial delivery against our plans and our disciplined use of capital.

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We can see here the strength of the tobacco value model in action.

Our strengthened brands and improved sales execution enabled strong pricing across our footprint – shown in orange on the chart.

Price/mix has more than offset volume declines – shown in blue – to deliver an acceleration in tobacco net revenue growth to 3.8%.

Pricing in Europe has been strong, while volume declines have returned to historical rates. This has driven net revenue growth of 4.5%.

As widely reported, the US has been more challenging in terms of market volumes.

That said, we more than offset these volume declines with pricing of 12%.

In our AAACE region, the shipment timing challenges in the first half abated, and we had a stronger second half.

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Let's move now from volume and revenue to operating profit.

Once again… <u>all three</u> parts of the business - tobacco, NGP and Logista – have contributed to overall growth.

In tobacco, the strong pricing I just described has dropped through to the bottom line

In NGP, we reduced our losses in line with plan – and we are on the path to a sustainable and profitable business.

Logista also contributed to our growth, helped by pricing in its tobacco business.

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This strong adjusted operating profit, coupled with the share count reduction, has driven a double-digit increase in earnings per share.

This is the first year that we have seen the full compounding effect of the buyback.

We repurchased 6% of our share capital last year… and 11% since we started the buyback.

Our adjusted effective tax rate at 22.7% was slightly better than we originally expected.

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Turning to cash and capital allocation…

Our free cash flow remained strong, generating £2.4 billion last year.

Operating cash conversion at 100%, was at the top end of our guidance range.

The way we deploy your cash continues to be governed by our four capital allocation priorities…

Our first priority is organic investment in the business, alongside small bolt-ons to develop our NGP capabilities.

Second, leverage is around the lower end of our 2 to 2.5 times range.

Third, with our trading update, we announced dividends up 4.5%, in line with our progressive dividend policy

And fourth, we are committed to returning surplus capital to shareholders.

Our confidence in our cash generation means that we have provided shareholders with visibility of both buyback and dividend payments for FY25.

This is part of a move to equalise the quarterly dividend payments, by bringing forward around 32 pence per share into FY25 from FY26.

And we have increased the buyback by almost 14% to 1.25 billion pounds for FY25.

As Stefan said, we are on track to return 10 billion pounds to shareholders since the start of the strategy.

This represents two thirds of our market value at the point when we launched the strategy in January 2021.

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As we enter the final year of our plan, we are taking nothing for granted.

But we are confident we can continue to execute against the strategy and deliver in line with our commitments.

The investments we've made mean we can again expect to grow tobacco and NGP net revenue by low single digits.

This will include another double-digit growth contribution from NGP.

We expect to grow adjusted operating profit at a similar rate to FY24 – in our mid-single digit range.

This will be driven by continued profit growth from our combustible business and a further reduction in operating losses in our NGP portfolio.

Given the strong momentum in our NGP business, we will continue to invest to drive net revenue growth, while balancing our objective to build a sustainable and profitable business.

In line with previous years, because of the phasing of pricing and investment, performance will be weighted to the second half.

As a result, first-half Group adjusted operating profit is expected to grow at low single digits.

We expect another year of at least high-single digit EPS growth, after slightly increased tax and finance costs.

At current rates, we expect foreign exchange translation to be a 1 to 2% headwind to profit.

As usual, there is a slide in the appendices with guidance on specific items.

All in all, our strategic transformation and disciplined capital allocation means we are well placed to generate **long-term** value for shareholders.

Thank you.

I'll now hand back to Stefan

<u>Stefan</u>

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Thank you, Lukas.

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In a moment, I will update you on how we are delivering against the three priorities and the three enablers, which together make up this strategy wheel.

But first I briefly want to discuss our progress against the two big ideas which animate that strategy.

The first flows from our purpose – Forging a path to a healthier future for moments of relaxation and pleasure.

It's the idea that if we do our job well, then we <u>will</u> make a meaningful contribution to the global transition of adult smokers to potentially less harmful products.

After several years of strong, compounding growth we have increased the scale of our NGP business by almost two thirds.

As we explained in the recent ESG webinar, we now have science showing our new products are effective at attracting smokers away from cigarettes - and keeping them away.

We are growing across all categories and all regions.

Financially, this business is also more sustainable.

And yet, even now, as a percentage of overall net revenue our NGP business is still in single digit territory – significantly lower than some of our larger competitors.

This is a simple fact which is humbling – and yet also exciting and energising.

It is a reminder that the full benefits of our transformation are still to come and a reminder too of the progress we can make as we continue to play catch-up.

The second idea is one you have heard me discuss many times at results presentations – and it comes from our vision.

This is the idea that as the smallest of the global players we can only outperform if we act as a challenger.

So how are we doing on that front?

Well, in the next slide I will update you on some of the inputs – the efforts we are making to build our consumer capabilities, our culture and our ways of working.

But for the moment, let's consider again the outputs – our operational and financial delivery, which Lukas just covered.

Smaller businesses can be more vulnerable to external shocks and competitor behaviour.

But a challenger business is one which, despite its relative size, can deliver consistent performance.

In a volatile market environment, Imperial Brands has now reported four years of stable share, revenue growth and cash delivery – all evidence we have become a successful challenger.

But I do think the full benefits our challenger mindset are yet to be felt.

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And I think this slide helps to explain why.

A feature of all successful challengers is that they are close to their consumers.

We are smarter and more ambitious in how we listen to our consumers – we have held 220,000 interviews with them over the past year.

These insights are helping to drive innovation in both NGP and combustible products.

After three years of external recruitment and training of existing people, our Global Consumer Office is now at full strength with around 1,000 insights experts, innovators, marketers and portfolio managers.

And, as I visit our businesses, I can see that this amazing group of individuals is now really starting to operate as a seamless team and achieve its full potential, which gives me great hope for the future progress of the business.

A second feature of a strong challenger business is its performance culture.

As I have shared with you before, we have taken a structured approach to becoming a more accountable, collaborative and inclusive organisation.

This is a multi-year programme of activities underpinned by our five core behaviours.

We have now reached the point where three quarters of our senior leaders have completed Connected Leadership, a seven-day course which helps them become better coaches to their teams.

This is the broadest and most intensive leadership programme ever attempted by this company.

And what's great is that activities like these are starting to have a positive and measurable impact on our people's experience at work.

In our most recent global survey conducted in September, I was pleased to see that 90% of people said they felt they were treated with respect by their leader.

More broadly, we held our engagement score at 74% - above the global benchmark.

This is a strong figure for a business of our global scale going through such massive change.

And, over the past year, our transformation has continued at pace.

We reached an important milestone last month when the UK went live with our five-year project to create a unified enterprise resource planning system.

This is more than an ERP system… it will simplify our operations through standardised processes, harmonised data and by unifying the systems that connect us globally.

And this brings me to a final point about being a challenger business.

Successful challengers need good data to enable their people to make fast, insightful decisions.

We have work still to do in this area. But the good news is we have a plan, we are now even more confident it will work, and we can see the benefits it will bring.

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We continue to make good progress with our ESG agenda – or People and Planet as we call it internally.

In our recent ESG webinar, we updated you on our progress and a replay is available on our website.

I will pull out some highlights here.

In consumer health, as I mentioned just now, under our current strategy, we have grown NGP revenue by 64% since 2020.

In climate, we have reduced our direct carbon emissions by 69% since 2017 and absolute waste is down 32% since the same benchmark year.

But while we are pleased with our progress so far, we are also realistic.

Our ambitions to make a material difference to consumer health and to achieve zero carbon and zero waste are big, long-term goals.

And we know they will not be easy to achieve.

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Let me turn to our strategic priorities, starting with our commitment to drive value from our priority combustible markets.

Over the past four years, we have achieved our objective of stabilising aggregate market share across our five largest markets – so we are no longer the number one share donor.

We can now report four years of stable or growing share – after a long period of steady decline.

Let me remind you once again, our objective is to <u>maintain</u> <u>aggregate</u> share. We never expect all five markets to grow simultaneously.

Now let me take you through our performance in our priority markets starting with the US…

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The US is a really great example of our challenger mindset in action.

We are the clear number three in the market.

Yet, by getting close to the consumer, identifying new opportunities and executing with discipline, we have steadily created value and grown share.

In FY24, despite the volume pressures Lukas mentioned, strong price mix means we have once again grown both revenue and profits.

We delivered further growth in cigarette share, up 15 basis points – the sixth consecutive year of market share growth.

In mass market cigars, the events that impacted last year's performance are now behind us.

While market size remains under pressure, we have delivered an improved performance - with our flagship brand Backwoods gaining share.

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Our other four priority markets continue to perform well.

This year, we are particularly encouraged by our market share performance in Germany.

As many of you will know, this has been a tougher market to turn around.

However, after a sustained period of share losses, we have now delivered share gains for the first time under our strategy.

I visited the market during the year and I could see how our new sales force initiatives are starting to build stronger relationships with key customers.

But, at the same time, we recognise there is much still to do before we can declare victory.

In the UK, we chose to increase prices twice in the year with the clear expectation that this would have an impact on share.

But we're confident this was the correct decision for long-term value creation.

And our cumulative UK share is still up over the past four years of our plan.

In Spain, we delivered market share growth for the sixth year in a row through innovative brand extensions.

This share improvement was accompanied by price increases for the third consecutive year, following a period of price stability.

In Australia, the high-excise environment has driven an increase in the illicit trade –and this means the size of the legal market is under pressure.

That said, our team in Australia has done a great job in optimising value from the portfolio while also delivering share gains.

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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 of markets.

Our African cluster accounts for around 10% of Group operating profit and here we grew net revenue by 5%.

We have used our unique portfolio of local jewels and international brands to meet the diverse preferences of our consumers.

Meanwhile, Central & Eastern Europe is emerging as an important market cluster for our new heated tobacco proposition – helping drive growth in this cluster.

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Our challenger approach to NGP is now building a track record of strong growth across all three categories – vape, heated products and oral nicotine pouches.

Looking at all European markets, NGP now makes up more than 8% of net revenue – up from just 3% four years ago.

In eight of these markets, NGP now accounts for 20% or more of total revenue.

In Greece, one of our star performers which I visited last month, we have the number one vaping brand and a strong presence in heated products.

We have also delivered strong NGP growth in larger markets, such as the UK, Germany and the US.

As we said, within our footprint, we are building scale, and this has enhanced gross margins by more than 500 basis points and reduced operating losses.

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Our vapour business has grown strongly again this year, with revenue up 14%, driven by an acceleration in our new product delivery.

Here, you can now see the agility and speed of our partnership approach to innovation – and the benefit of bringing together consumers, our innovation partners and our own science and innovation teams.

Our challenger approach is not about being a fast follower… but it is about getting close to consumers and providing differentiated offers at pace.

This means we can sometimes take the lead.

For example, we were the first tobacco player to offer a disposable with 1,000 puffs in a single device.

Since then, we have launched a new rechargeable format: blu bar kit.

It provides the same form, function and flavours as our disposable blu bar – and we are getting great feedback from consumers.

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Turning to heated…

FY24 was about consolidating our position in existing markets. Pulze 2.0 is present in eight European markets, which represent more than 60% of the addressable European market.

Our goal this year was to be even more tightly focused on our target consumer, who value the differentiated offer of our Pulze and iD sticks.

These are consumers who enjoy consecutive sessions <u>and</u> appreciate the convenience of this all-in-one device.

We also expanded the roll-out of iSenzia, our flavoured non-tobacco heat sticks.

These helped to drive share growth across our footprint, and delivered very strong revenue growth.

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In modern oral nicotine, we grew our category share and increased net revenue by more than 60%.

This was driven by innovation and flavour launches in Europe to meet evolving consumer needs.

Our results also benefited from the launch in February of Zone in the fast-growing US market.

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In line with our disciplined approach in NGP, this product has been trialled in 12 metropolitan areas.

Our 'zone' pouches are differentiated by being more moist than others on the market and this provides a better mouth feel.

The early results are promising.

26-week data shows we have gained 1.6% share nationally… increasing to a 4.3% share in our trial footprint.

The shorter-term data shows an encouraging trajectory.

As a result, we have begun to roll out to new areas and we will update you on progress at future meetings.

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Looking ahead… we will remain focused on delivering the final year of the current five-year strategy.

FY25 for us is about continuing to drive forward our tried-and-tested approach – honed over the past four years.

In combustibles, we will maintain our focus on our five priority markets, seeking to maintain our aggregate share.

In NGP, we will continue to deliver strong growth.

In the coming year, you will see a further reduction in operating losses

However, we will continue to balance short-term margin improvement with targeted investment to support long-term, sustainable growth.

Cash delivery will continue to be a key priority.

And, of course, we will continue to drive our transformation to become a stronger challenger business.

While our first priority is to deliver for you the best possible results over the next 12 months, we are also working hard on the next phase of the strategy.

And we look forward to updating you on our plans for the five years up to 2030 at a Capital Markets Day in London next March.

I do hope you will join us in person for that session.

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So, to conclude…

I believe these results provide further data points evidencing our growing track record, future upside potential and overall investment case.

We have built a stronger tobacco business.

We have developed a sustainable NGP business operating at scale.

And I hope we have shown you how we are becoming more consumer-centric, improving our culture and embracing new ways of working.

All these support our medium-term financial delivery.

And our growing, ongoing shareholder returns… underlined this year by our 4.5% increase in the dividend and 14% increase in the buyback.

Annually, our dividend and buyback together now represent around 14% of our current valuation.

If you are invested… we thank you for your support.

And if you are still sitting on the fence… well we hope you will commit to joining us on this journey.

It's a journey with attractive returns and it's a journey to a healthier future.

Thank you for joining us today…

We would now like to take your questions.

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