

W U T I S



IMPERIAL
BRANDS

Equity Research Division

Imperial Brands

British multinational tobacco company

Target Price: GBp 2,173.00

Current Price: GBp 1,740.50

Upside Potential: **24.9%**

Recommendation: BUY

Investment Horizon: 3 Years

Vienna, 28.01.2022

Team Overview

Equity Research



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- Task distribution
- Story guideline



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- BSc. (WU)



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- BSc. (WU) -- 5th Sem.



- BSc. (WU) – 3rd Sem.

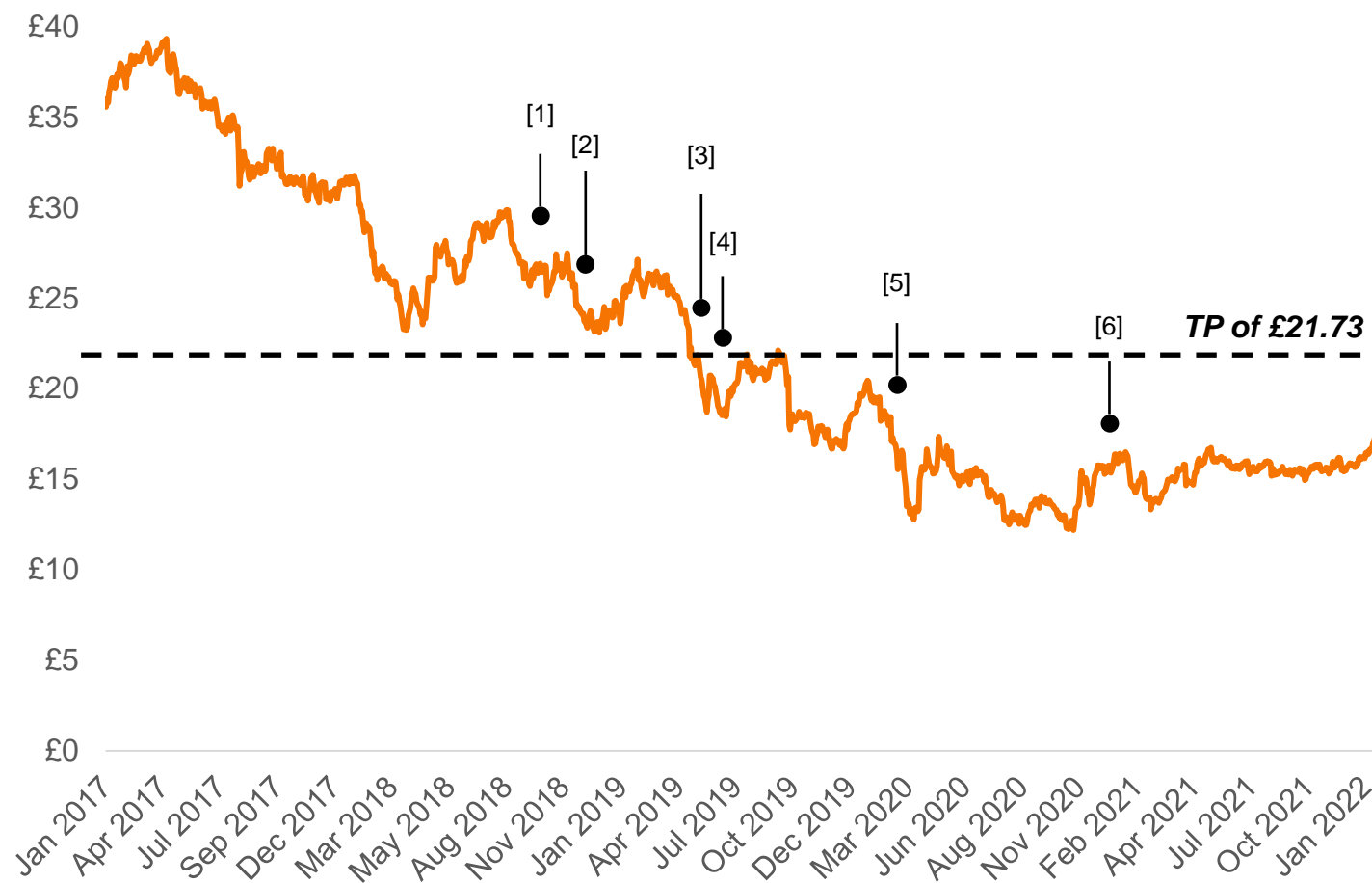


- BSc. (WU) – 5th Sem.

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Share Price Performance

On its way to recovery after years of decreasing share price



Share Price – Major Events

- [1] Oct 2018 | 29 U.S. states have **banned smoking** in **general workplaces** and certain **public places** (-3.1%)
- [2] Nov 2018 | The FDA is allegedly **banning menthol** as well as **flavored e-cigarettes** (blu) (-2.6%)
- [3] May 2019 | Announcing a **cut to its sales** and **profit guidance** (-14.1%)
- [4] Jul 2019 | **Acquisition** of Auxly Cannabis Group (Announcement) (+15.8%)
- [5] Mar 2020 | COVID-19 stock market crash (-37.6%)
- [6] Jan 2021 | Announcement of **new focused business strategy** (+4.7%)

Key Stats

- **IPO:** Oct 1st, 1996
- **Ticker:** IMB (LSE), IMBBY (OTC)
- **52-week range:** 1,330.00 / 1,779.50
- **Market Cap:** 16,339.74

Smoke is clearing for Imperial Brands' future as new management takes over

Key investment highlights



- 1 Tobacco stocks provide **strong hedging potential** in times of high inflationary pressures
- 2 Alongside **new management**, Imperial Brands has adopted a **new strategy** targeting their **key geographical regions and products**
- 3 Imperial Brands maintains **solid financials** but is **priced well below competitors** in terms of earnings
- 4 A 25-year history of **secure dividends**, almost reaching double digits, promises a **high yield** in the future
- 5 Despite recent efforts to improve their next generation products (NGP) portfolio, the company **stagnates behind competition** due to its unclear previous market strategy
- 6 The **tobacco industry** must undergo major **changes** (NGP) in order to prove a **morally conscious investment**



Business Overview

Company Overview

Imperial brands is a UK based company within the traditional and NGP tobacco sector

Company Description

- Imperial Brands PLC is a **worldwide operating tobacco company**, focusing on **traditional tobacco products** as well as **next generation products (NGP)**, including vapour, heated tobacco and oral nicotine.
- Positioned as **4th largest** international tobacco company
- Present in **120 markets**

 **Founded:** 1901

 **Headquarters:** Bristol, UK

 **Net Revenues:** 8 Billion

 **Employees:** 27,500 (2021)

Financials

GBP mn	2018	2019	2020	2021
Revenue	30,066	31,594	32,562	32,791
Revenue Growth (%)	0.92%	5.08%	3.06%	0.70%
EBITDA	3,673	3,607	3,660	3,661
EBIT	2,407	2,197	2,731	3,146
Margin (%)	8.01%	6.95%	8.39%	9.59%
Net Income	1,427	1,081	1,558	2,907
Margin (%)	4.75%	3.42%	4.78%	8.87%

Management



Stefan Bomhard, *Chief Executive Officer*

Appointed: July 2020

Experience: Inchcape, Bacardi Ltd, Cadbury, Unilever, P&G



Lukas Paravicini, *Chief Financial Officer*

Appointed: May 2021

Experience: ED&F Man Holdings, Fonterra, Nestle

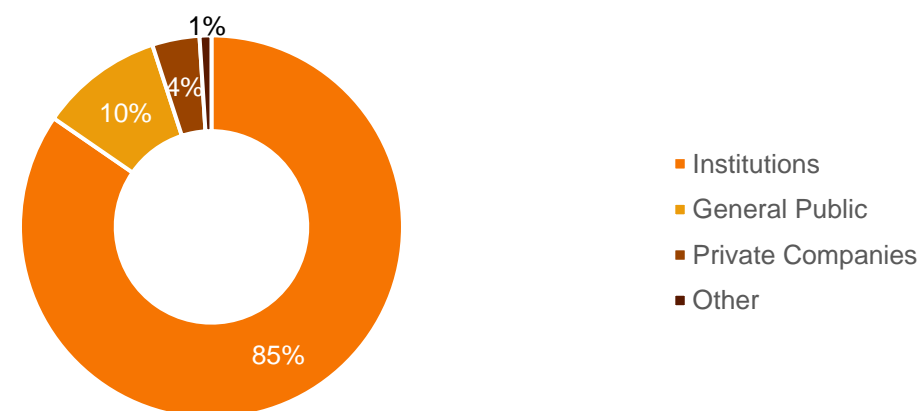


Murray McGowan, *Chief Strategy and Development Officer*

Appointed: July 2020

Experience: Costa Coffee, Cadbury, Yumm!Brands, Auxly

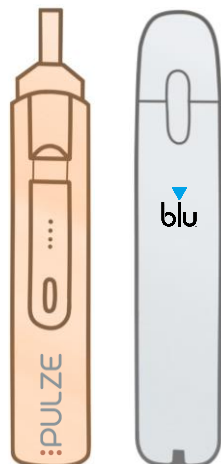
Shareholder Structure



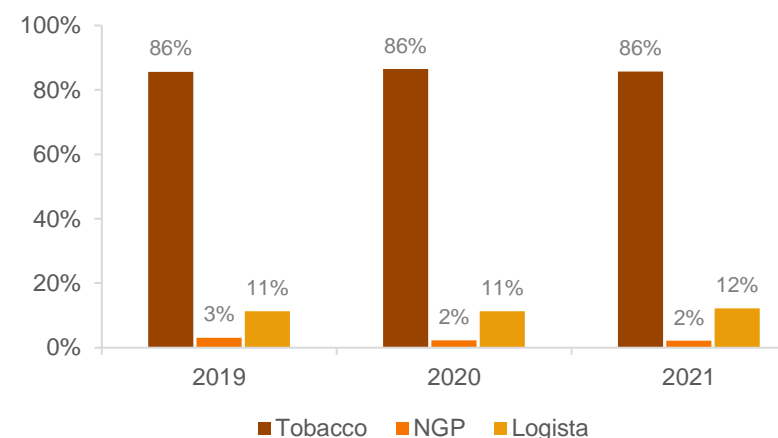
Product Overview

Traditional tobacco products are still the major driver of IMB's revenues with NGPs opening new markets

Products



Net Revenue by Product



- Their tobacco products remain the strongest revenue driver.
- Despite investments into NGP it accounts for a small fraction of revenue.
- But is expected to grow due to their heavier investment into the sector and continuous product development

Customer Base by Product / Target Customers

Traditional Tobacco Products / Cigarettes

- Typical US-smoker profile as outlined by IMB:
 - Male customers between 25 – 62 years
 - People from Midwest and South overrepresented
 - Tendentially lower educational background
 - Often disabled / serious psychological distress
 - Disproportionally high amount of people at or below poverty level

Heated Tobacco Products

NGP

- People using it to socialize with non-smokers
- Marketed as a clean, chic and pure product
- Sophisticated, high tech and aspirational product (younger target group)
- 2.4% of adults, including 6.7% who currently smoke cigarettes have used heated tobacco products (2018, USA)
- 1.4% of high and middle school students have used heated tobacco products (2020, USA)

Vapour Products

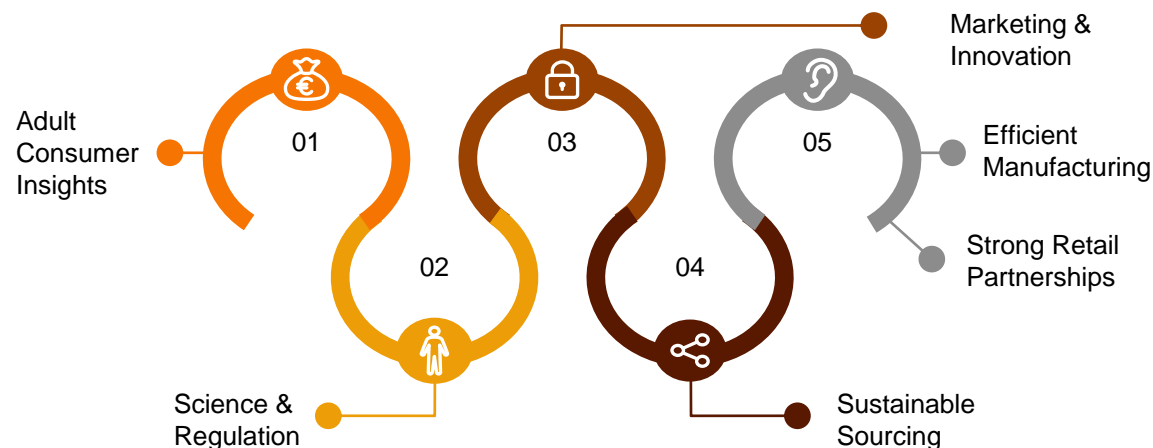
NGP

- Popular among younger age groups
- Partly also more senior people quitting / trying to quit using traditional tobacco products
- Marketed as trendy and health-conscious
- "Social norm vapers" (professionals, parents, young adults / college students)
- Male (78%), White (41%) or Asian (22%)
- Average age of 27.8 years

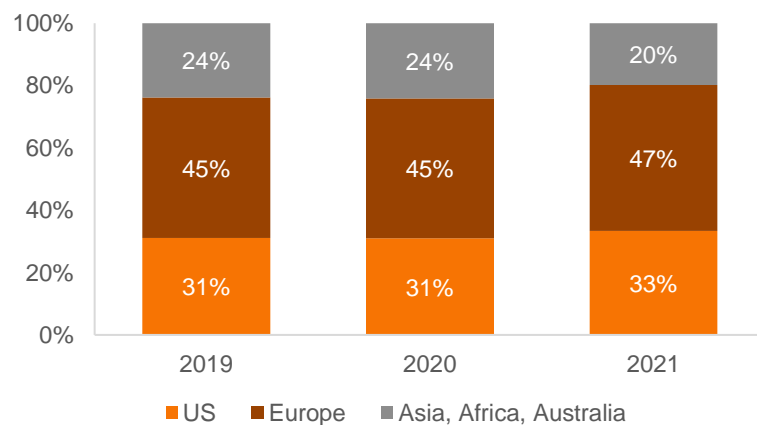
Business Model and Regional Distribution

Imperial Brands has shown promising improvements in its activities and market share performance

Business Model



Revenue by Region

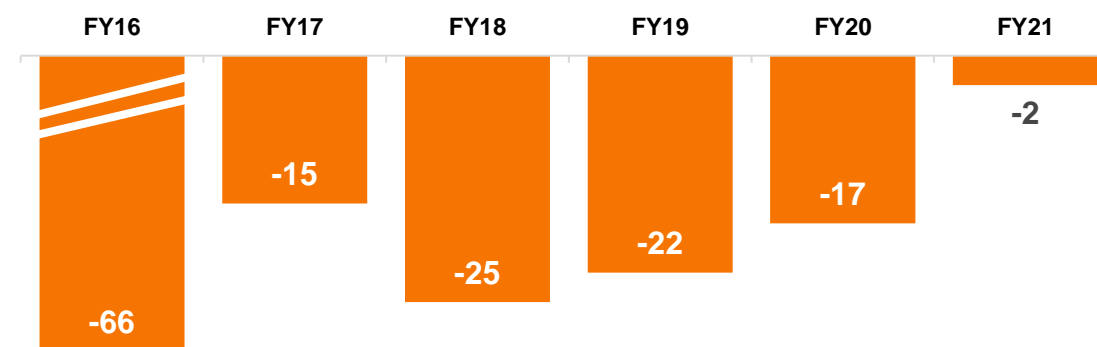


- Decline in Asia due to withdrawal from Japanese market as well as changes in excise duty in Australia.
- Increase in both US and European markets, driven by growth in mass market cigar sales, and new product launches.

Historical Development and M&A Activity

1901	1902 - 2008	2008 - today
<p>Imperial Tobacco Company Ltd was founded</p> <p>Acquisition of Odgen's</p> <p>Abandoning plans of entering the American market</p>	<p>1902-1986: Redefining the company, M&A activity: f.e. Robert Fletcher & Son, Ross Group</p> <p>1986-1996: PLC took over Imperial, focusing on tobacco products</p> <p>1996-2008: M&A activity: Tobaccor, Skruf, Davidoff cigarette trademark, Altadis, Commonwealth Brands</p>	<p>2012: Setting up Fontem Ventures (NGP)</p> <p>2015: acquisition of US cigarette brands & rights to blu (vapour sector)</p> <p>2020: Divestment from Premium Cigars Brand</p>

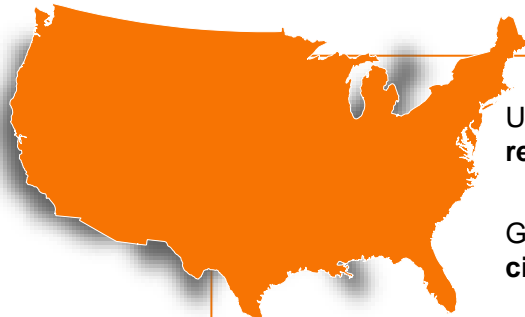
Priority Market Average Share Performance (in Basis Points)



Key Geographies

Five markets account for over 70% of Imperial Brands' operating profit

Top 5 Geographies



US market accounts for **33% of group net revenue**

Growth is primarily driven by **mass market cigar portfolio** → 45% volume increase

Primary market for vape products despite recent NGP revenue decline

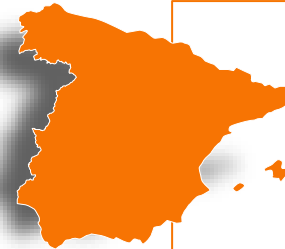
Launching **new marketing scheme** for blu vapes



UK accounts for **9% of group net revenue**

Imperial Brands holds **40% combustibles market share**
→ Places them in **# 2 position**

Aim to improve performance in the south
→ Embassy Signature Brand



Accounts for **4% of group net revenue**

Holds **29% combustibles market share**

Local “jewel” brands are main growth drivers
→ **Nobel and Fortuna**

blu holds **market leader position**

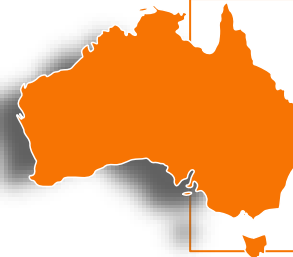


Their largest European market → accounts for **13% of group net revenue**

Imperial Brands holds **20% combustible market share**

Market remains highly competitive

Key brand: **JPS**



Accounts for **4% of group net revenue**

Imperial Brands holds **31% combustible market share**

Mistimed price increase
→ Share performance decline

Best performing brand: **Parker & Simpson**

New strategy places heavy focus on combustible markets to improve performance over the next five years

Prioritize Combustible Markets

Place Focus on Top Five Markets

Efforts will be strongly placed on the five markets where Imperial Brands already has strong positioning:

1. U.S.: Main investments placed into **Backwoods**, through **co-branded concerts, brand influencers** and product placement.
2. Europe: Strategies developed on a country-by-country basis. Investments into respective **"local jewel brands"**. **Eastern-Germany** → potential for growth. Retail partnerships and initiatives.
3. Australia: Focus on developing pricing strategy. Product and packaging innovation.

Opportunities in Broader Markets

Strategically Expand into Growth Markets

While the company will place its key focus on its main revenue drivers, there are various locations which could yield strong results in the future.

Maintain #1 position in various African countries. Able to leverage this position in pricing decisions.

Eastern Europe is another area they could benefit from.

Targeted NGP Business

Revise NGP Innovation

Heated Tobacco → become growth driver. Positive results from trial launch in Croatia and Greece → indicate future success for Pulze.

Vapour products → **focused on US** as it remains their largest market, and smaller emphasis on the **UK and France** as their European leaders.

Oral nicotine → aim to maintain market leadership in Nordic countries & Switzerland and Austria.



Market and Industry Overview

Decline in cigarette smokers will not stop the industry from growing in the future

Key Drivers of the Tobacco Industry



Decline in Cigarette Smokers

For the last two decades, the percentage of active cigarette smokers as well as the volume of cigarettes consumed has declined gradually.



Next Generation Products and Broadening of Portfolios

Heat-not-burn, vaping systems and Snus lower the inhibition threshold for nicotine consumption while representing a “lower-risk” alternative to classic tobacco consumption.



Targeting the Youth

Social Media Marketing of Next Generation Products, personalization and attractive flavouring are ought to drive demand among potential, young customers.



Health Policies

National policies and regulations regarding the consumption of tobacco products can severely impact sales on a regional and national basis (e.g. New Zealand’s proposed smoking ban).



Marketing for Abstinence and Growing Awareness

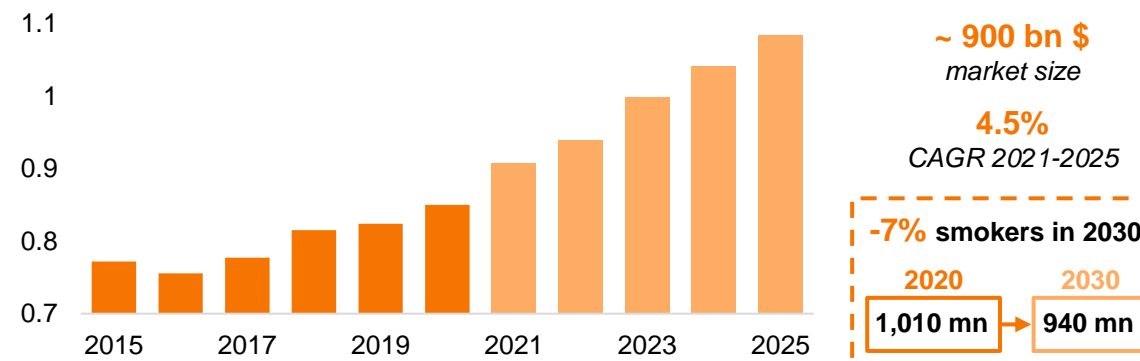
Awareness on the negative effects of tobacco consumption including cancer or heart/lung diseases might hamper the growth of tobacco consumption.



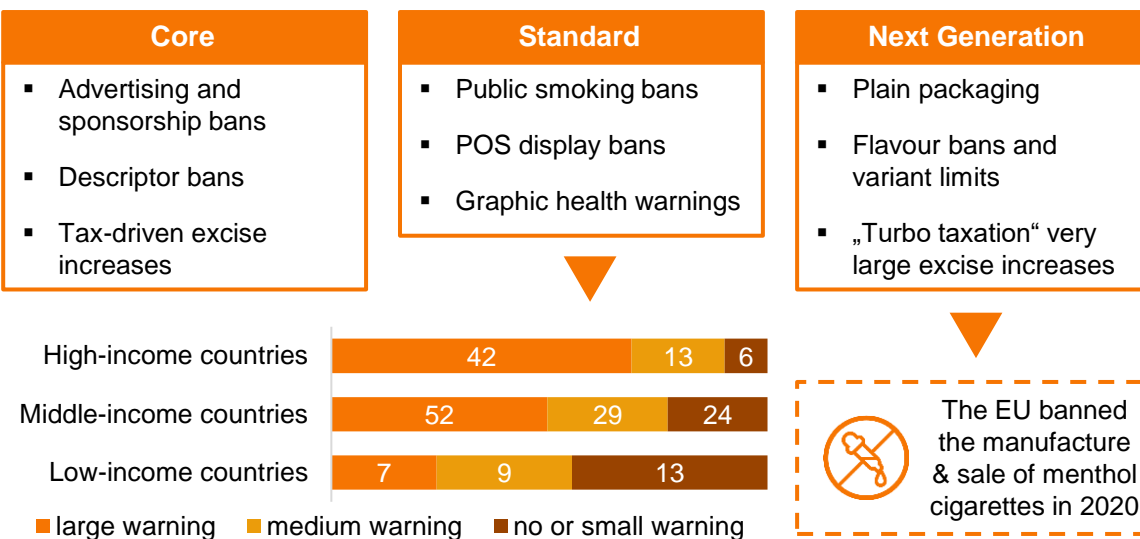
Taxes

Smokers bear an enormous tax burden with their consumption, which at the same time is often the main driver for price increases in tobacco products

The Tobacco Industry and How It Will Develop in the Upcoming Years (in bn USD)



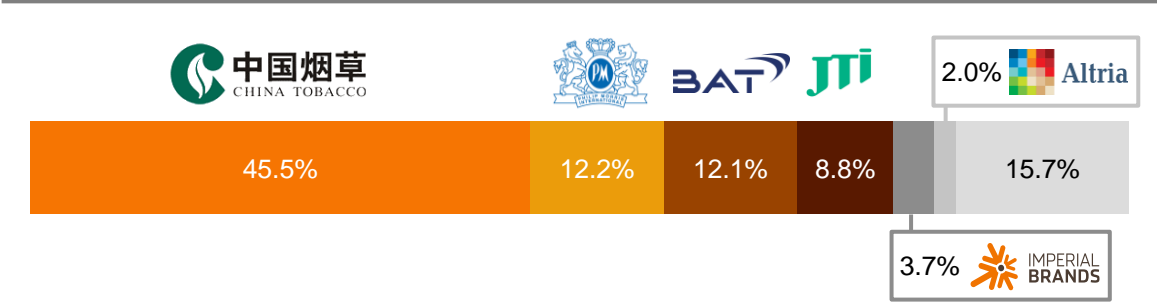
The Various Tools of Tobacco Control



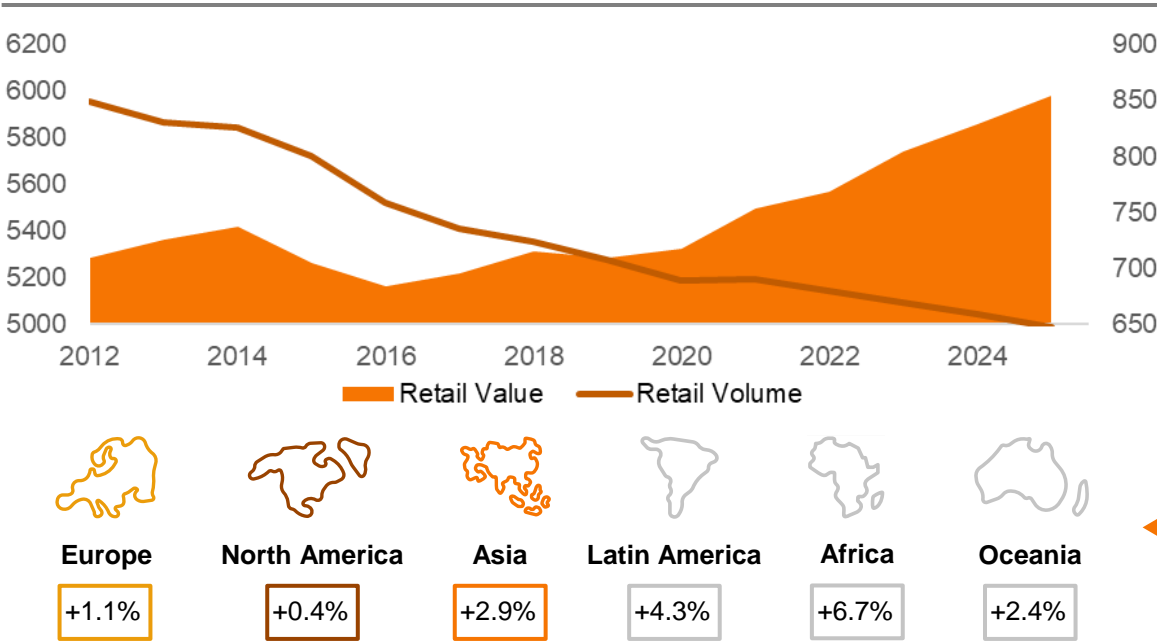
Industry Overview II – Cigarette Market

A handful players in few countries dominate the market, but laggards show strong growth outlook

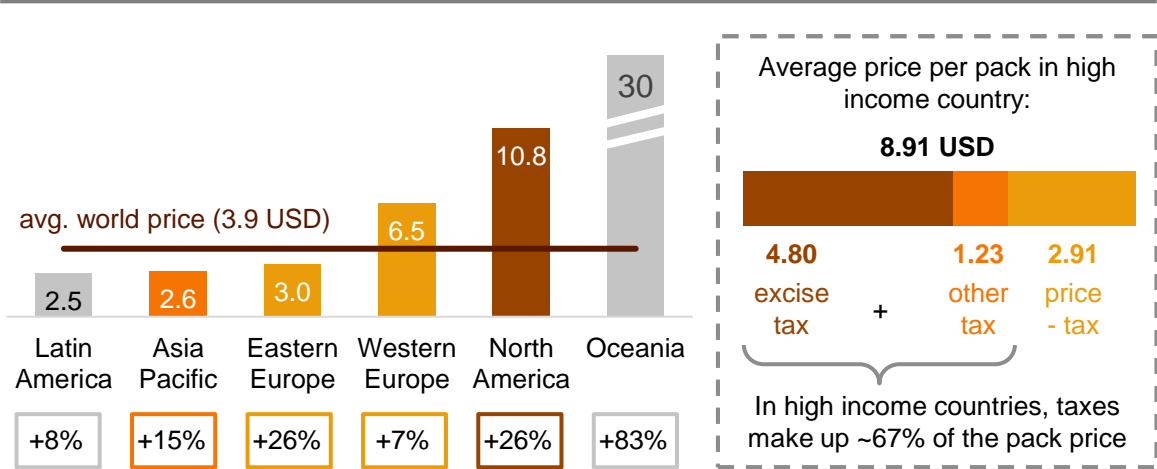
Cigarettes Market Share by Company



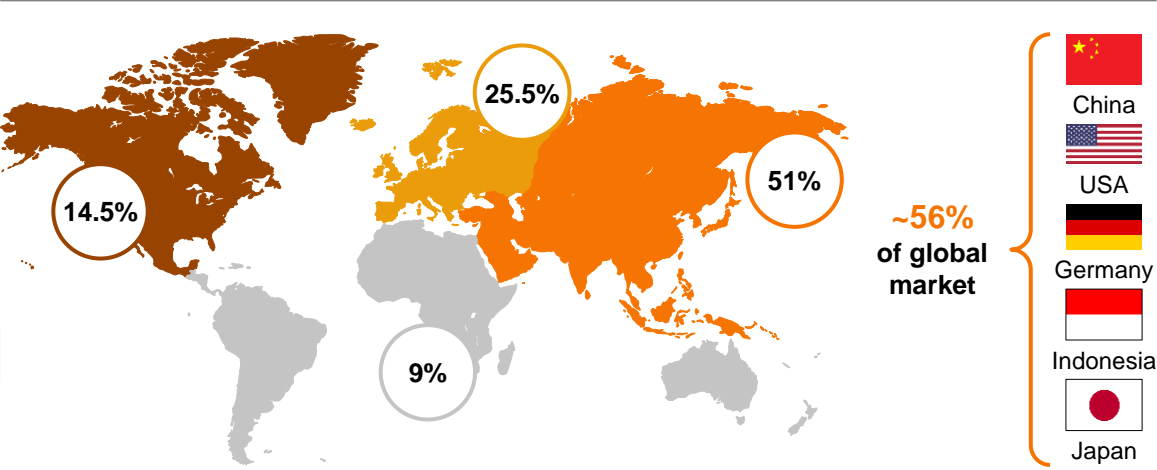
Value and Volume Development of Cigarettes and Expected Market Growth Rates



Average Cigarette Pack Prices in Selected Regions and Expected Increase 2020-2025



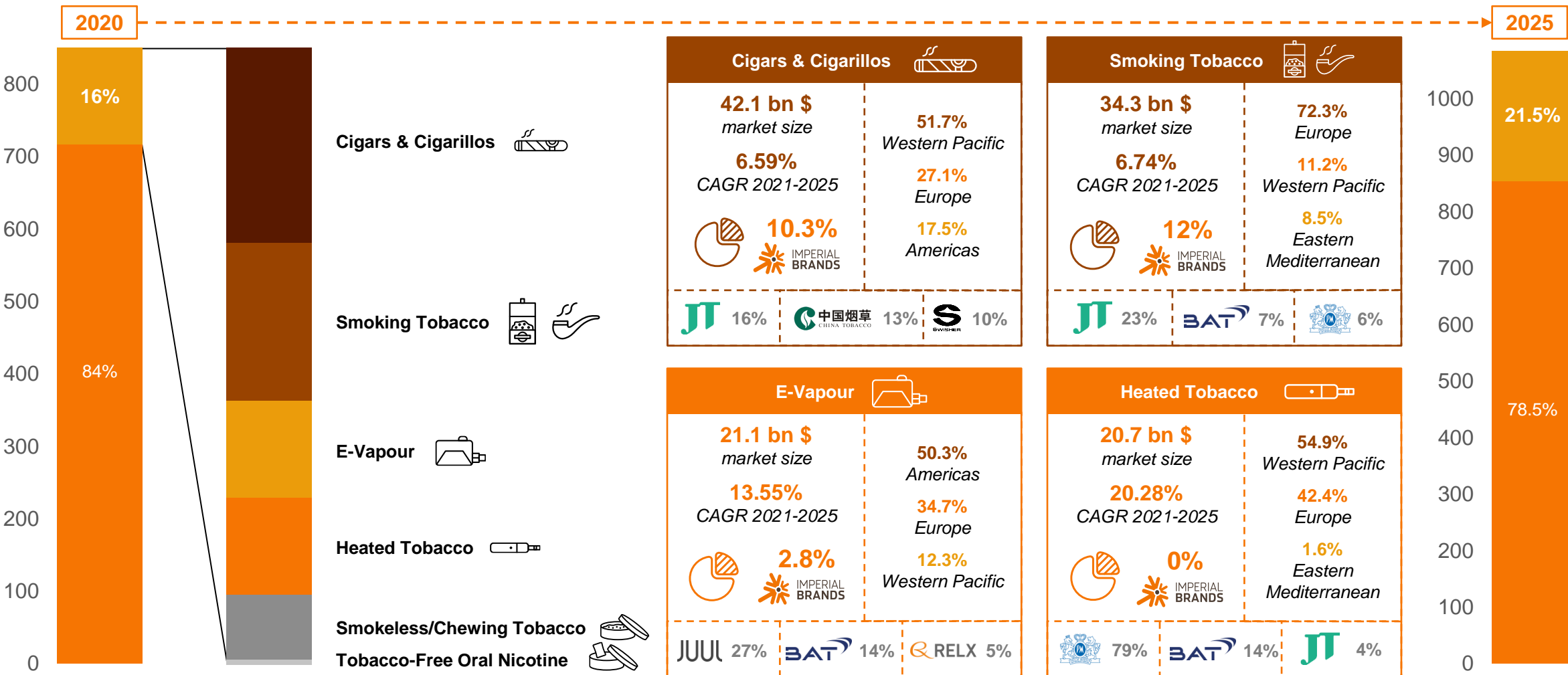
Cigarette Market Share by Geography



Industry Overview III – Alternative Tobacco Products

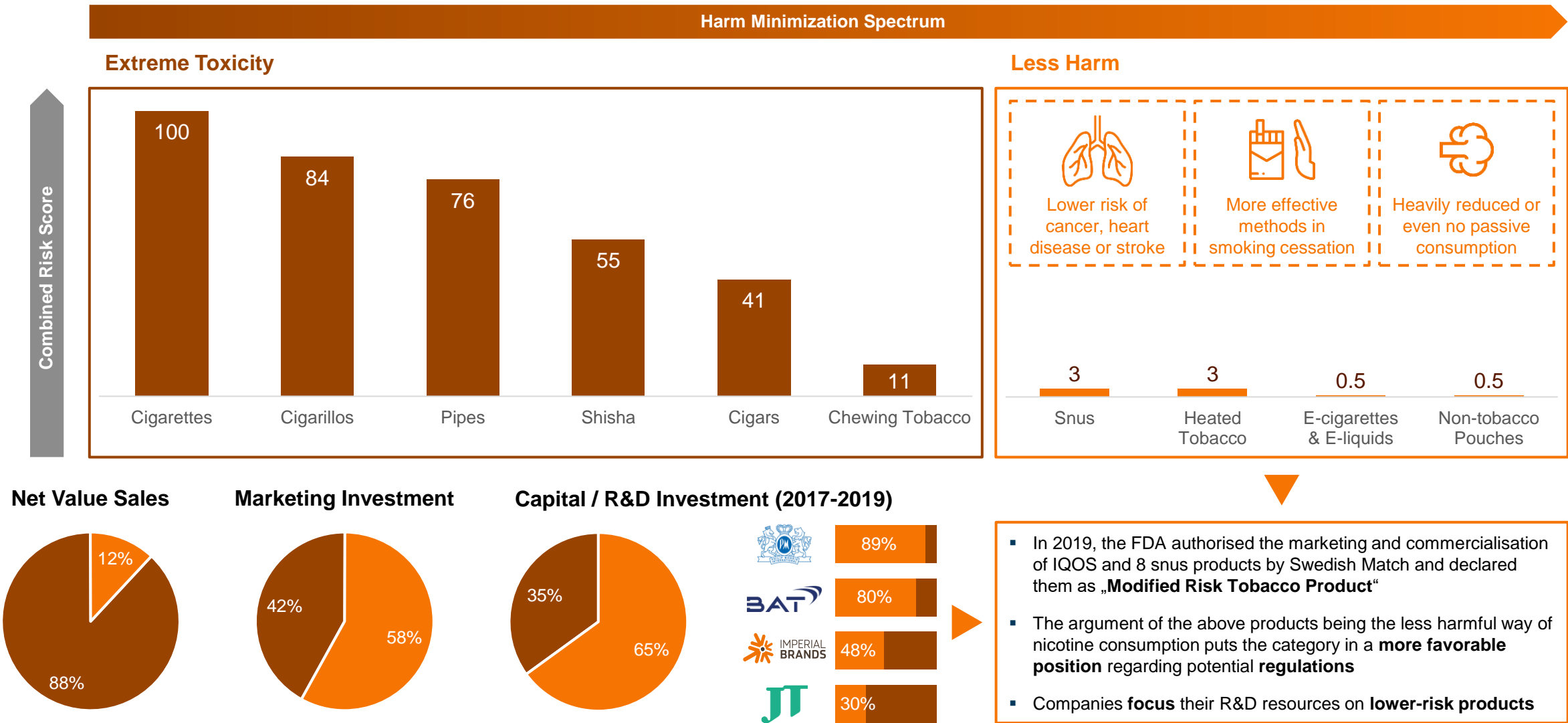
How next generation and several other tobacco products will transform the market

Market Overview and Growth of Alternative Tobacco Products



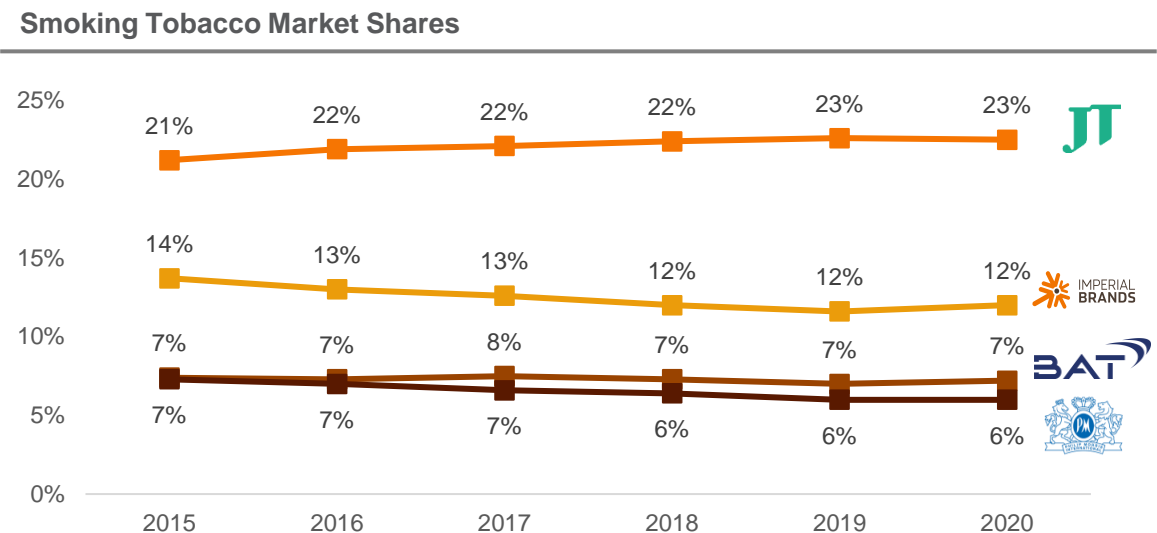
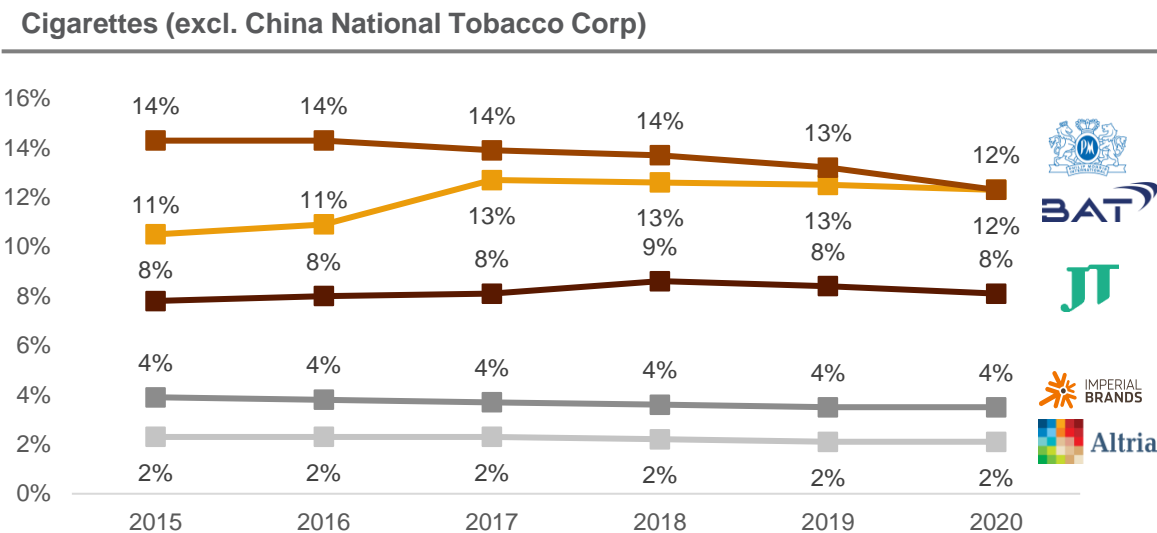
Industry Overview IV – Health Impact Comparison

Big players allocate their investments to support the development growth of less harmful products

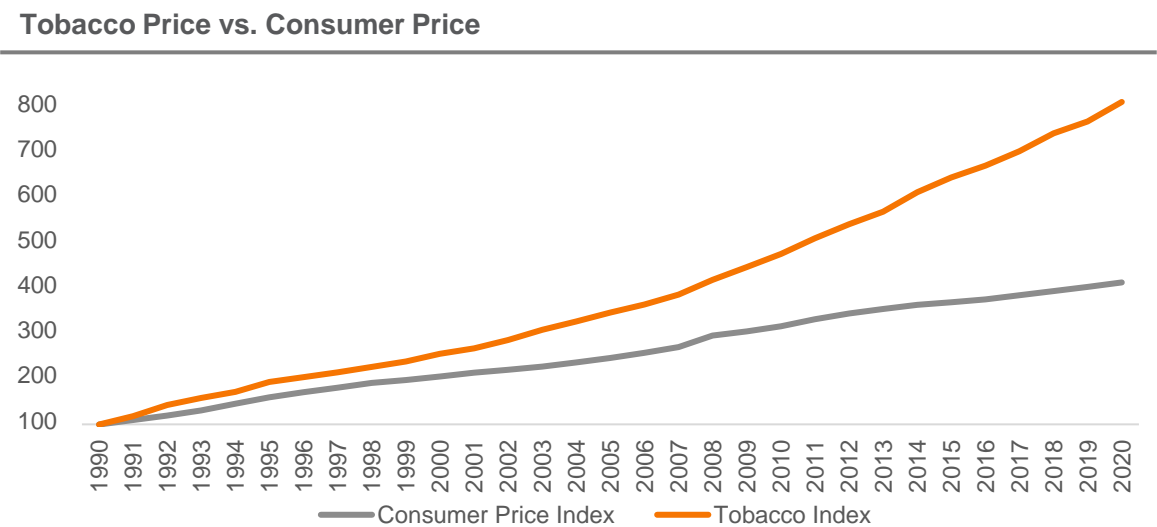


Industry Overview V – Tobacco Market Dynamics

Imperial Brands was losing market share to competitors in the biggest market segment - Cigarettes



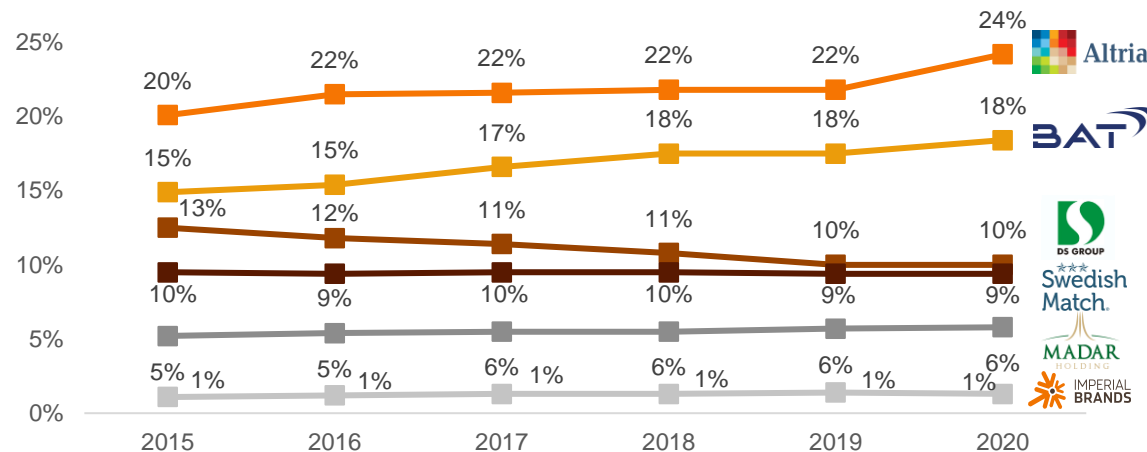
- Peer Group Information**
- Need for a shift towards other business lines
 - Largest share of revenue stems from combustibles
 - Well established companies for a long time
 - Threatened by consumer trends and legislation



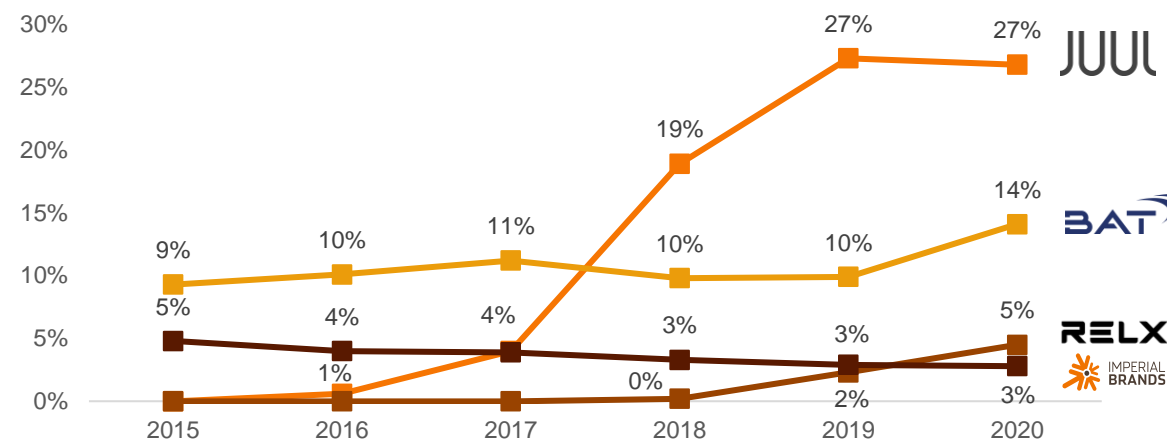
Industry Overview VI – NGP Market Dynamics and Value Chain

Low NGP market shares are reflected in the dependency on combustibles

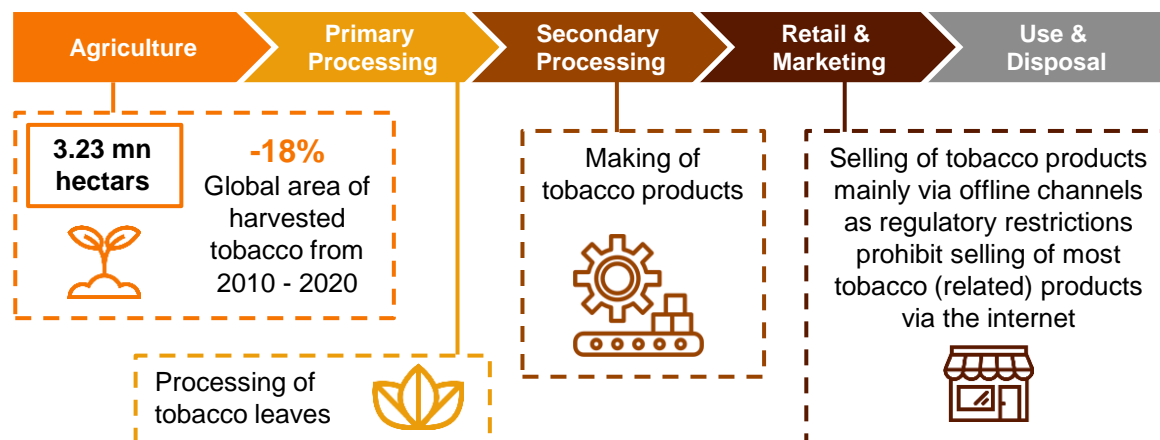
Smokeless Tobacco Market Shares



E-vapor / E-cigarette Market Shares



Industry Value Chain



Sales Split NGP vs. Combustibles

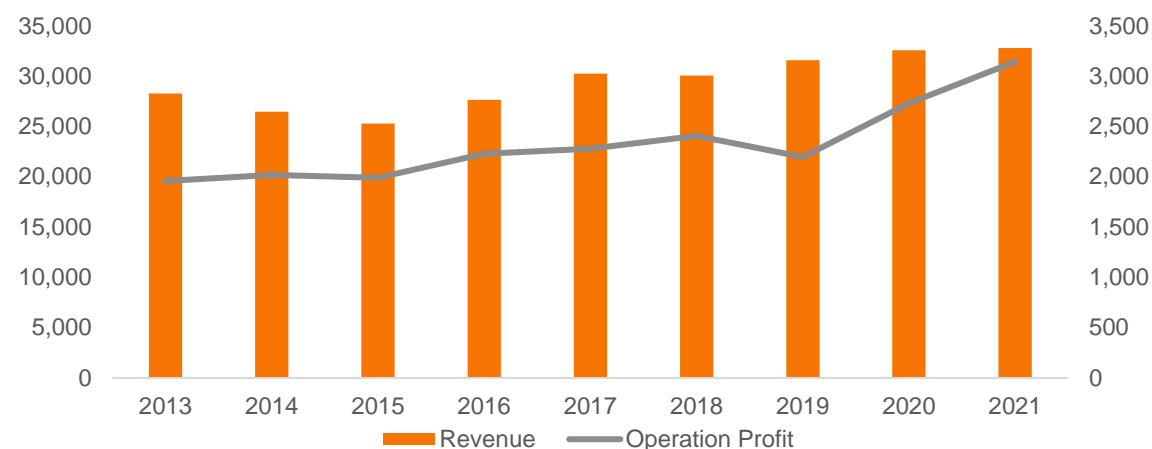
Company	% Sales NGP	% Sales Combustibles
Philip Morris International	28%	72%
British American Tobacco	11%	87%
Altria Group	10%	88%
Japan Tobacco	3%	89%
Swedish Match	64%	27%
Scandinavian Tobacco	0%	100%
Gudang Garam	0%	100%
Turning Point Brands	34%	66%
Imperial Brands	1%	72%



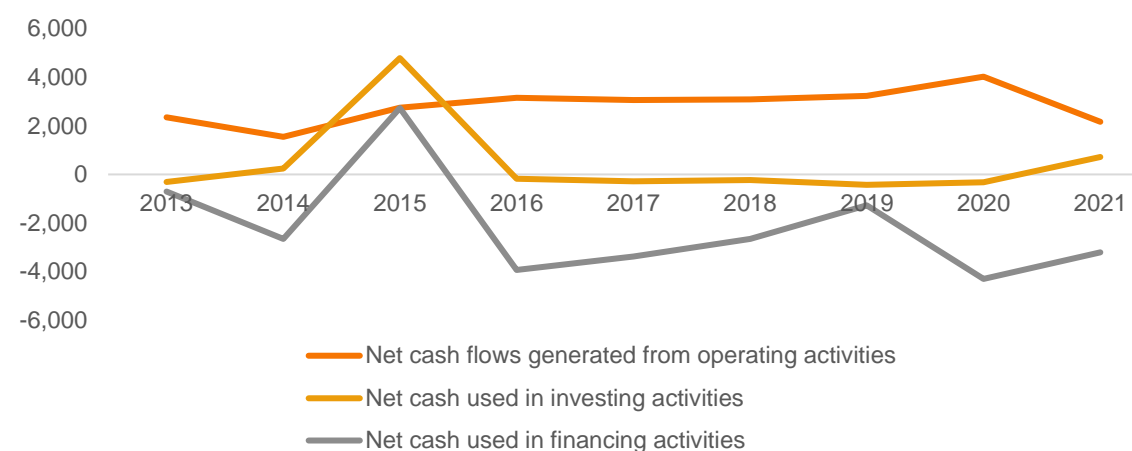
Financial Analysis & Valuation

Imperial Brands' current valuation is supported by strong historical financials

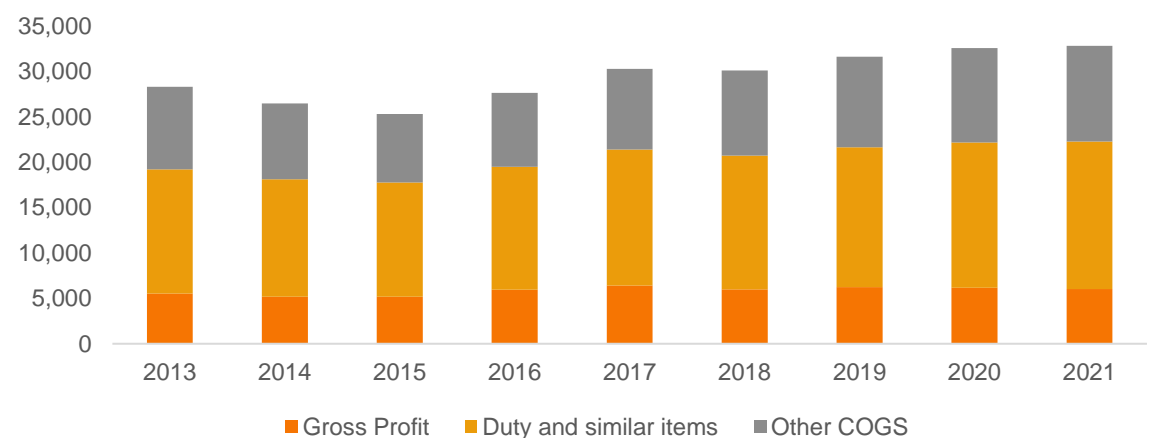
Revenue / EBIT Development (in mn GBP)



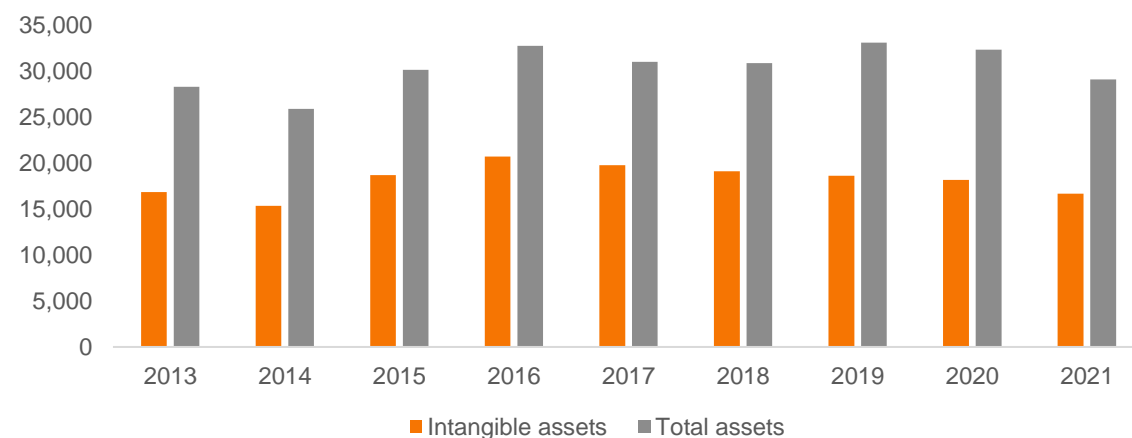
Cash Flow Development (in mn GBP)



Cost of Goods Sold Split (in mn GBP)

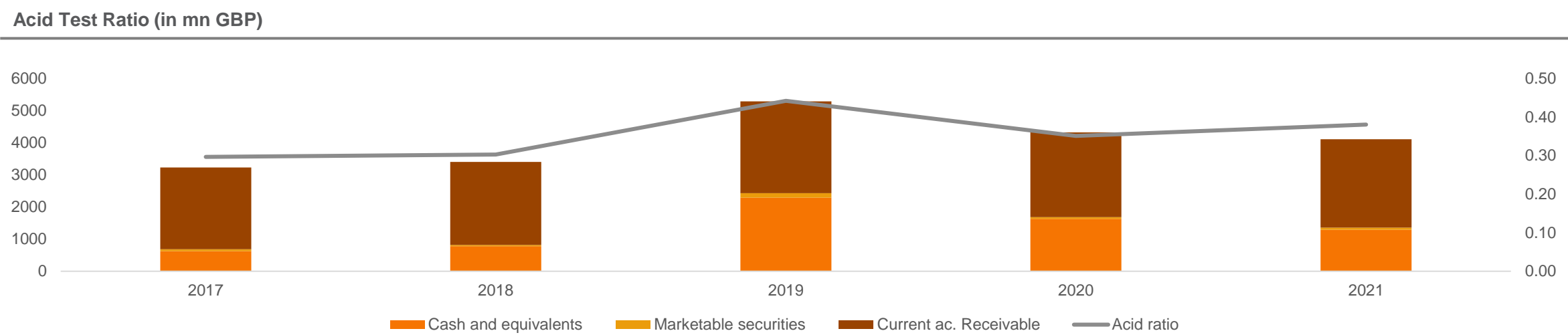
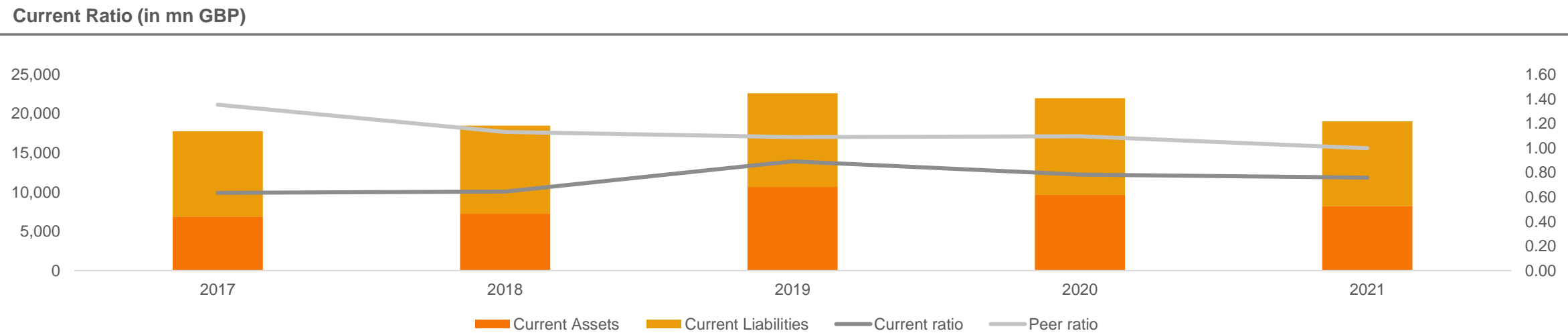


Intangible assets in comparison to total assets (in mn GBP)



Liquidity Indicators

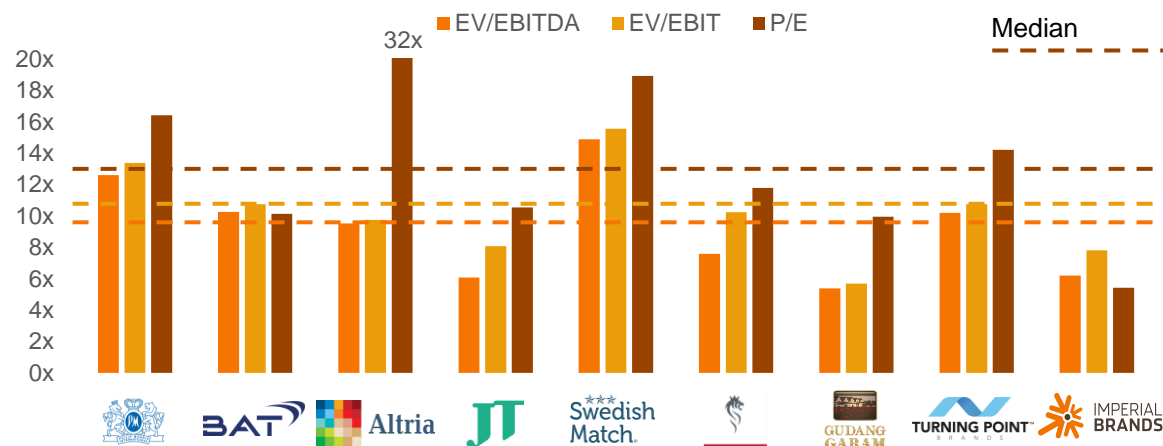
Liquidity slightly below competition, however likely due to acquisition strategy



Comparable Company Analysis

Low profitability and lack of NGP business put a discount tag on Imperial Brands' share price

Multiple Ratios



Company Multiples

Company	EV/Sales	EV/EBITDA	EV/EBIT	P/E	P/S
Philip Morris International	5.6x	12.6x	13.4x	16.4x	4.8x
British American Tobacco	4.1x	10.3x	10.8x	10.1x	2.4x
Altria Group	4.3x	9.5x	9.7x	31.8x	3.3x
Japan Tobacco	2.0x	6.1x	8.1x	10.5x	1.8x
Swedish Match	7.0x	14.9x	15.6x	18.9x	6.3x
Scandinavian Tobacco Group	2.0x	7.6x	10.2x	11.8x	1.6x
Gudang Garam	0.5x	5.4x	5.7x	10.0x	0.5x
Turning Point Brands	2.3x	10.2x	10.7x	14.2x	1.6x
Imperial Brands	1.5x	6.2x	7.8x	5.4x	0.9x

Peer Conclusions

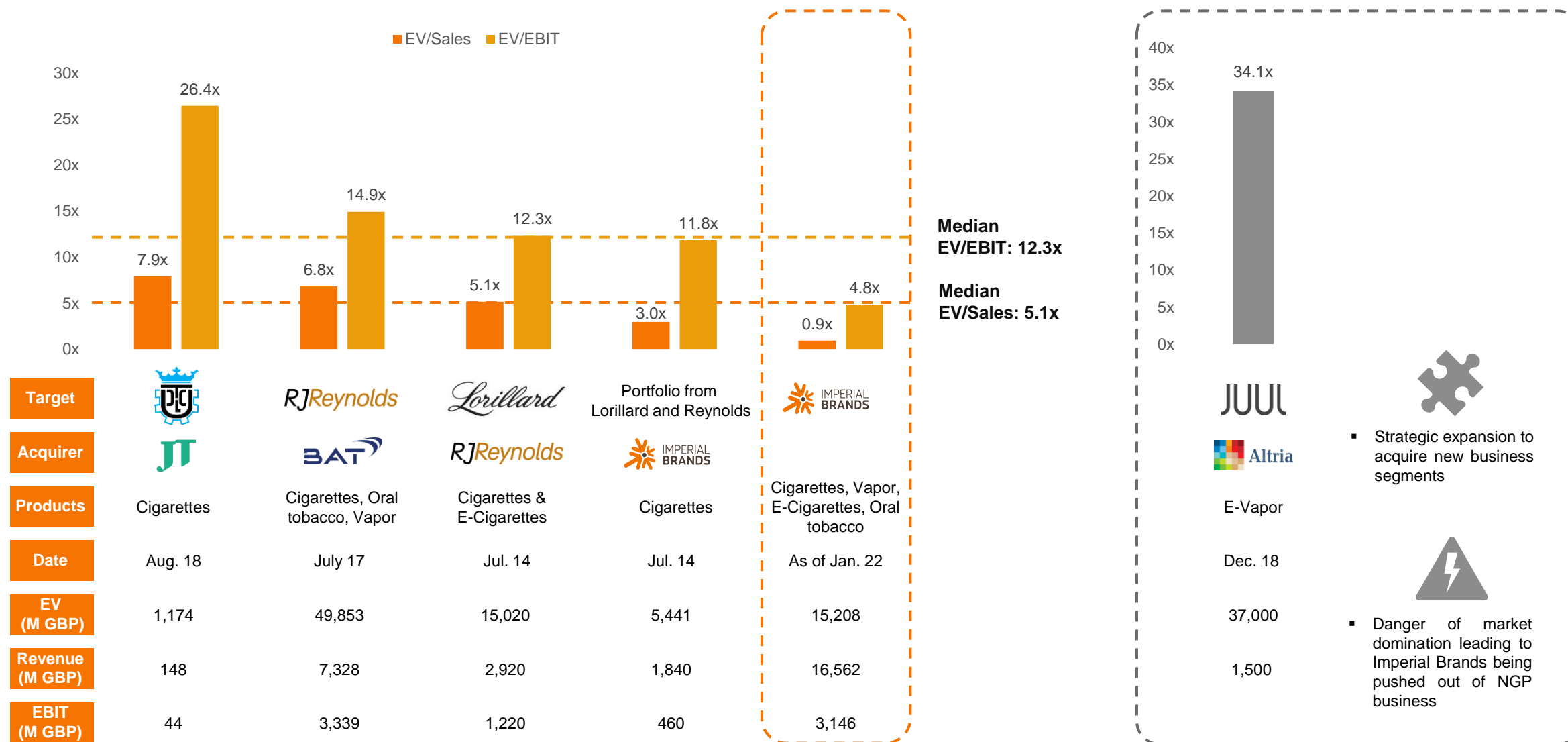
- Low profitability of Imperial drives sales multiples
- Low share of NGP business and low margins pressures the price
- CTA and CCA highlight the upside potential
- Ongoing consolidation and rumours show the possibility of a takeover

Multiple Valuation Overview

	EV/Sales	EV/EBITDA	EV/EBIT	P/E	P/S
Minimum	0.5x	5.4x	5.7x	10.0x	0.5x
25% Percentile	2.0x	7.2x	9.3x	10.4x	1.6x
Median	3.2x	9.9x	10.5x	13.0x	2.1x
Mean	3.5x	9.6x	10.5x	15.5x	2.8x
75% Percentile	4.6x	10.8x	11.4x	17.1x	3.7x
Maximum	7.0x	14.9x	15.6x	31.8x	6.3x

Comparable Transaction Analysis

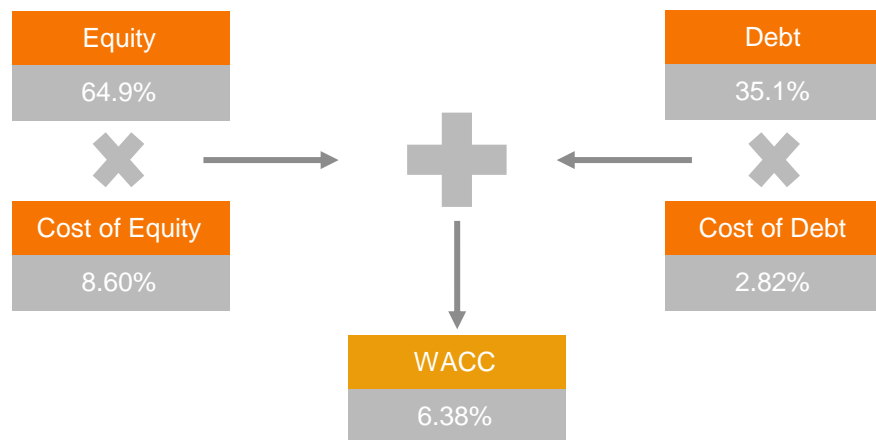
Solid earnings are not reflected in the current share price when compared to previous deals



DCF Analysis I: Valuation Metrics

Strong financial base allows for upside despite limited lifetime combustibles market

Weighted Average Cost of Capital



Key Valuation Assumptions



Growth Rate: In the long run, **we do not expect a significant growth rate**, due to the instability of the tobacco industry, meaning we **capture our value in the short- and medium-run**

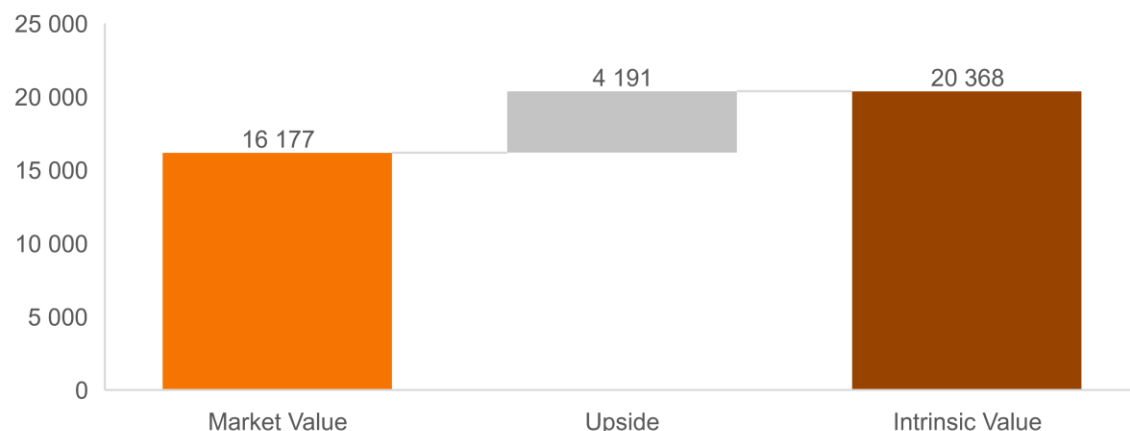


Beta: Our beta of 1.09 indicates **relatively strong correlation with market movements and low volatility**. We have reached our beta by taking **four of our strongest peers into consideration** when levering the beta

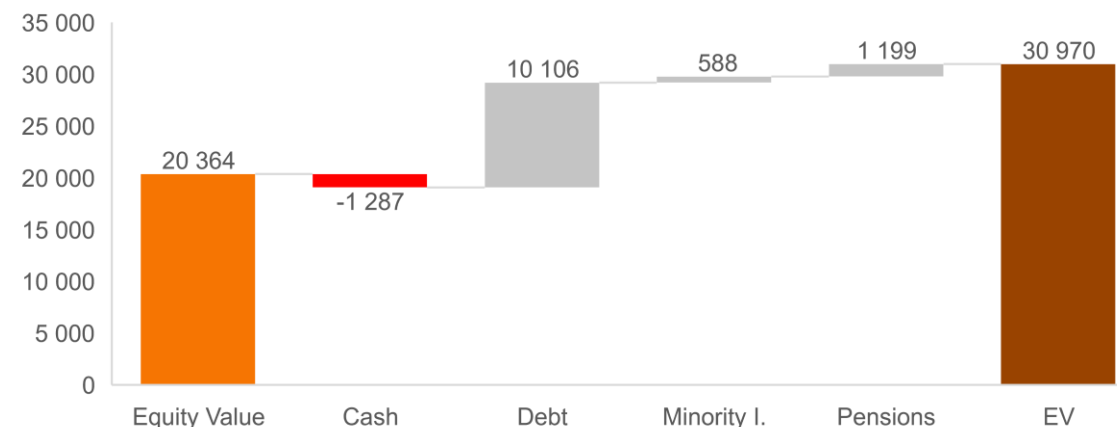


WACC: We have come up with a weighted average **cost of capital of 6.38%**. This takes into consideration a cost of equity of 8.60% and cost of debt of 2.82%. We priced in **an equity risk premium of 6.75%**

Market Value in Comparison to Intrinsic Value



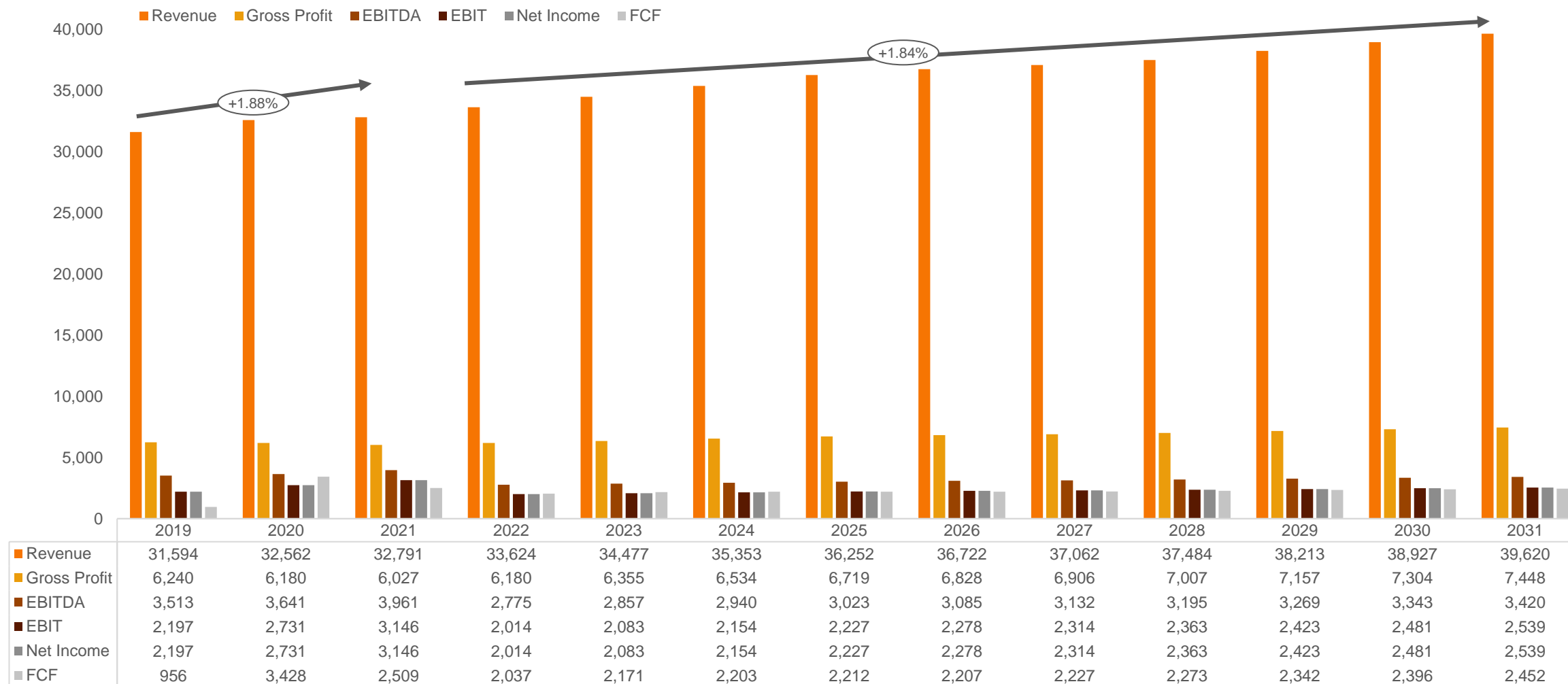
Equity Bridge



DCF Analysis II: Income Statement and FCF

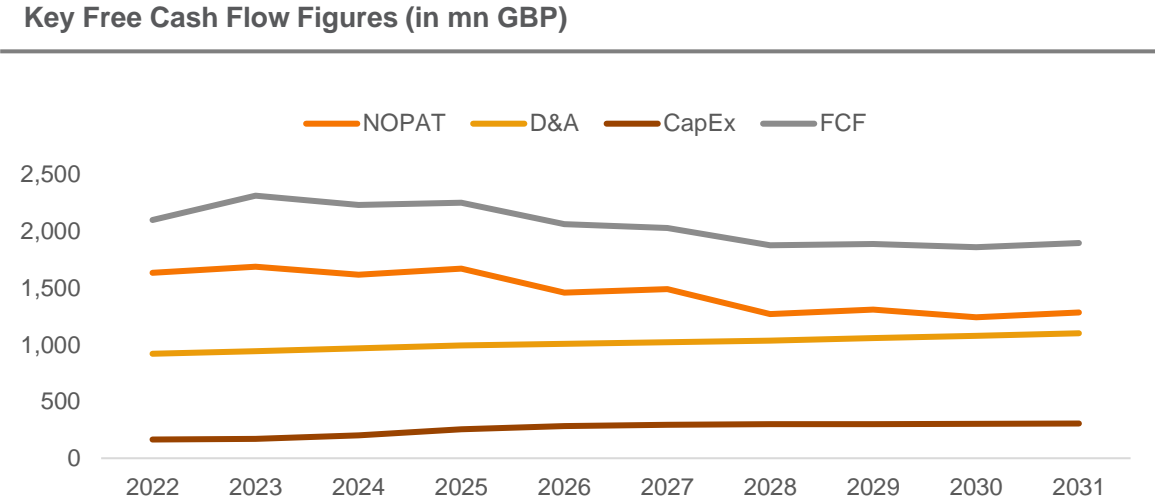
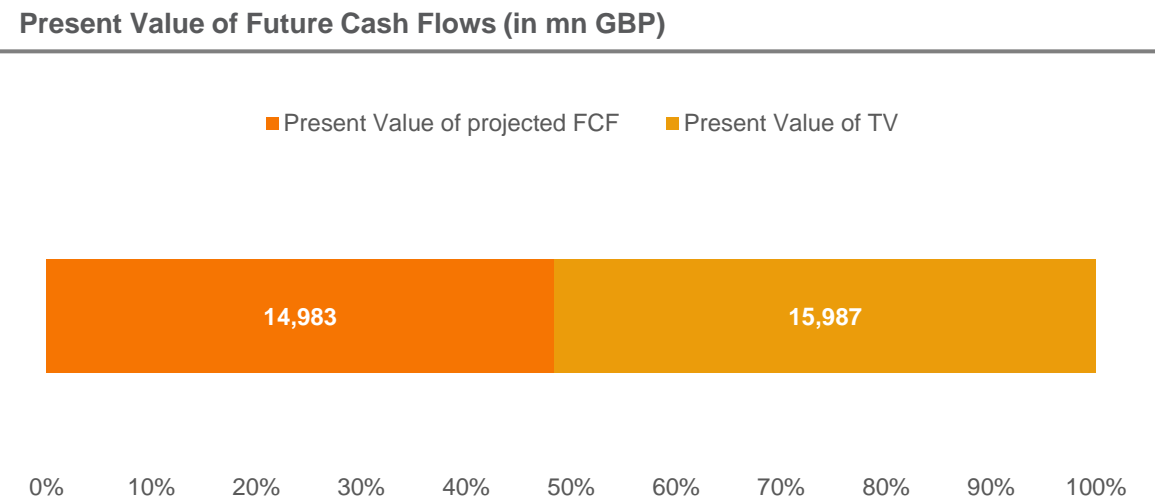
Solid top line growth, paired with stable profitability and cash flows

Key Figures Forecasted 2022-2031 (in mn GBP)



DCF Analysis III: FCF and Sensitivity

Due to early value capture terminal value only accounts for 52% of PV



Sensitivity Analysis I (Perpetuity Approach)

	5.38%	5.88%	6.38%	6.88%	7.38%
21.73					
-1.00%	23.98	21.46	19.27	17.37	15.68
-0.50%	25.66	22.83	20.41	18.32	16.49
0.00%	27.66	24.44	21.73	19.41	17.40
0.50%	30.06	26.35	23.28	20.68	18.45
1.00%	33.01	28.65	25.11	22.16	19.67

Sensitivity Analysis II (Exit Multiple Approach)

	5.38%	5.88%	6.38%	6.88%	7.38%
23.70					
-1.00%	25.96	23.43	21.24	19.34	17.65
-0.50%	27.64	24.81	22.38	20.29	18.46
0.00%	29.63	26.42	23.70	21.38	19.38
0.50%	32.03	28.33	25.25	22.65	20.42
1.00%	34.98	30.63	27.08	24.13	21.64

**Rauchen verursacht
Herzanfälle**

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www.rauchfrei.at

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verderben

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Risk Matrix

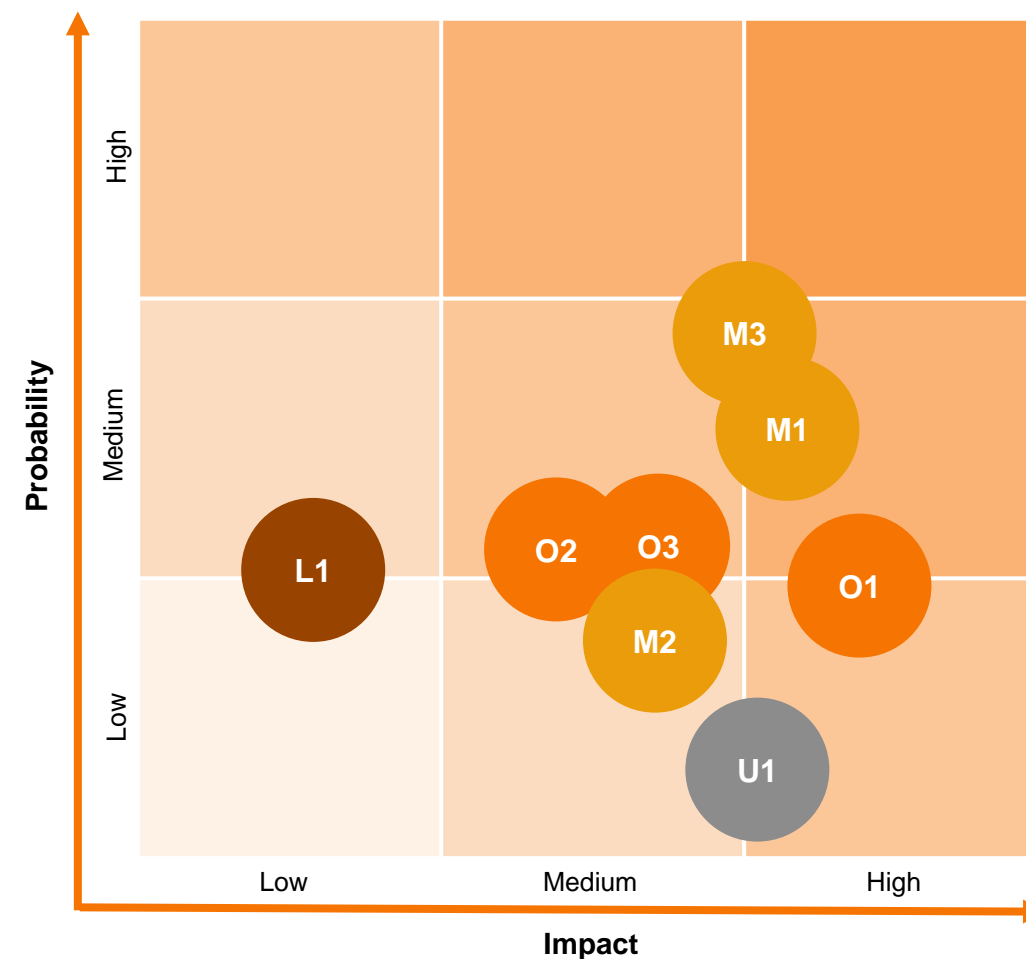
Rauchen ist tödlich - hören Sie jetzt mit

Company Specific Risks

Despite controversial nature of industry, Imperial Brands faces no greater risk than any of its competitors

O1	Failure to manage the impacts of product regulatory change
O2	Failure to create impactful change despite company recalibration
O3	New Management fails to deliver expected impact on organizational adaptation
M1	Failure to develop commercially sustainable NGP categories in line with ESG strategy & market demand
M2	Pricing, excise or other product tax outcomes not in line with business plan assumptions or expectations
M3	Losing out to competitors in NGP markets that either already entered (e.g. JUUL) or to new, innovative start-ups
L1	Failure to appropriately manage litigation and investigation results in adverse judgments and/or related costs
U1	Management of liquidity and financing requirements

Operations (O) – Market (M) – Legislation (L) – Uncategorized (U)





Conclusion

Conclusion







Seemingly dead market offers upside potential in combination with crisis resilience and hence serves as an inflation hedge



Appendix

Appendix: Catalysts

Variety of events which might influence the share price of Imperial Brands

Catalyst	Type	Influenced factor	Estimated impact on share price
National smoking bans	Hard	<ul style="list-style-type: none"> Growth Revenue 	<ul style="list-style-type: none"> Losing potential to acquire new / young customers Evaporation of whole markets (e.g. New Zealand) 
Harsh environmental rules regarding (e-) cigarette waste	Soft	<ul style="list-style-type: none"> Profitability Reputation 	<ul style="list-style-type: none"> Risk of high costs due to expensive waste management and risk of having to offset certain product categories 
Increasing taxes and duties	Hard	<ul style="list-style-type: none"> Revenue Profitability 	<ul style="list-style-type: none"> Risk of cigarettes becoming so expensive that customers can only afford less or decreasing profitability if price cannot be passed on to customers 
Competition in NGP sectors	Hard	<ul style="list-style-type: none"> Growth Revenue 	<ul style="list-style-type: none"> Possibility of losing a whole market to a (new) competitor for a sustained period of time (e.g. JUUL) 
New strategy failing	Hard	<ul style="list-style-type: none"> Reputation Revenue 	<ul style="list-style-type: none"> Strategy of new CEO not working out, leading to reduced market share, revenue and profitability 
Major breakthroughs in technology (NGP)	Soft	<ul style="list-style-type: none"> Growth Revenue 	<ul style="list-style-type: none"> Possibility of major technological breakthroughs leading to creation of new market segments and opportunities to profit 

Appendix: SWOT Analysis

NGPs are the biggest opportunity and a key focus for the future of Imperial Brands

STRENGTHS

- Strong **brand portfolio** (offset losses from low-performing products)
- **Product innovation / implementation**
- Successful track record of integrating complimentary firms through high **M&A activity**
- **Geographic presence** in different key regions
- **High product quality**

OPPORTUNITIES

- New trends in **customer behavior** can open up new markets > acquiring new markets and regions specifically with its **NGP products**
- Emergence of **e-commerce and social media marketing** > building on its already strong online presence and using new technology marketing methods to target different (also younger) target groups
- Growth through further **acquisitions of innovative brands**, especially within the NGP sector

- **Limited success** outside core business
- **Product positioning** and **unique selling position** is not clearly defined
- Not very good at **product demand forecasting** > missed opportunities
- **Poor waste management** and failing to **integrate (full) sustainability** in its core business

WEAKNESSES

- **No regular product innovations** > products were often a response to products of other companies
- Inability to comply with **changed regulations** raises the risk of expensive lawsuits
- New **environment and government regulations**
- Increasing number of **direct or indirect competition**

THREATS

Appendix: Porter's Five Forces

High rivalry prevails among competitors in the tobacco industry

Moderate - High Threat of Substitutes

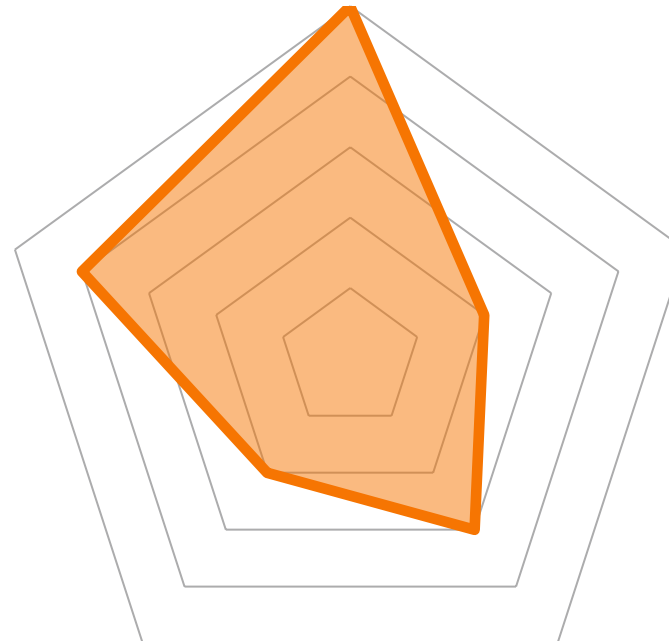
- High threat of substitutes for cigarettes due to the virtually same set-up for each product and low-price differentiation
- High competition on next generation product market through stronger product differentiation
- Growing awareness about the ill-effects of cigarettes makes lower-risk products more attractive to both existing users and “newcomers”
- Lock-in effects for vaping/heat-not-burn systems (razor and blades model) leads to higher switching costs for existing users, effectively lowering the threat of substitutes for next generation products

Low Bargaining Power of Suppliers

- Highly dependent on backward integration of companies, big ones usually have integrated supply chain that leads to low bargaining power of suppliers
- Nicotine products all need tobacco alike - there is no real alternative to this resource
- Unlike tobacco leaf manufacturers, suppliers of packaging products as well as filters tend to be larger, which increases their power of suppliers - plain packaging could potentially diminish that power as products will only differ to a small degree which makes cheap alternatives more attractive

High Rivalry Among Competitors

- The market for classic nicotine products such as cigarettes is highly consolidated with high brand recognition among the top players
- Fierce competition, especially in the free markets (Europe, North America)
- The market for new generation products has rising stars (e.g. JUUL with a huge market share) and recently founded companies joining this relatively new and young market



Low Threat of New Entrants

- High brand loyalty in classic cigarette market
- Marketing restrictions make it increasingly difficult for new market entrants to compete effectively with established brands
- Overall government regulations on tobacco use restricted access to distribution channels
- Heated tobacco and snus categories have an advantage over other tobacco categories in relation to risk reduction, notably e-vapour products, which is expected to accelerate the entrance of new competitors

Moderate Bargaining Power of Buyers

- High for cigarette consumers due to the low product lifetime and no investment costs/low switching costs
- Low due to low volumes of purchases
- Cigarette demand in general is price inelastic
- Addictive nature of the product allows companies to dictate on prices more easily

Appendix: Financial Analysis

Operating Model I

Operating model					Average	Forecast										
£ million unless otherwise indicated						30-09-22	30-09-23	30-09-24	30-09-25	30-09-26	30-09-27	30-09-28	30-09-29	30-09-30	30-09-31	
2021						2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
Income Statement																
Revenues																
European Tobacco Net Revenues	3.491	3.505	3.471	3.425	0,1%											
Growth in %		0,4%	-1,0%	-1,3%												
European NGP Revenues	32	131	98	126												
Growth in %		75,6%	-33,7%	22,2%												
European Total Revenues	3.523	3.636	3.569	3.551		3.646	3.743	3.843	3.946	4.010	4.067	4.144	4.236	4.328	4.419	
		3,1%	-1,9%	-0,5%		2,7%	2,6%	2,6%	2,6%	1,6%	1,4%	1,9%	2,2%	2,1%	2,1%	
Americas Tobacco Net Revenues	2.097	2.361	2.409	2.478												
Growth in %		11,2%	2,0%	2,8%												
Americas NGP Revenues	151	111	71	56												
Growth in %		-36,0%	-56,3%	-26,8%												
Americas Total Revenues	2.248	2.472	2.480	2.534		2.589	2.646	2.703	2.762	2.842	2.899	2.965	3.032	3.101	3.172	
		9,1%	0,3%	2,1%		2,2%	2,1%	2,1%	2,1%	2,8%	2,0%	2,2%	2,2%	2,2%	2,2%	
Africa, Asia and Australasia Tobacco Net Revenues	1.922	1.847	1.657	1.498												
Growth in %		-4,1%	-11,5%	-10,6%												
Africa, Asia and Australasia NGP Revenues	4	43	32	6												
Growth in %		90,7%	-34,4%	-433,3%												
Africa, Asia and Australasia Premium Cigar Divestment Net Revenue	0	0	247	21												
Growth in %																
Africa, Asia and Australasia Total Revenues	1.926	1.890	1.936	1.525		1.568	1.612	1.658	1.705	1.668	1.631	1.585	1.594	1.598	1.596	
		-1,9%	2,4%	-27,0%		2,8%	2,7%	2,7%	2,7%	-2,2%	-2,3%	-2,9%	0,6%	0,3%	-0,1%	
Adjustment sale of peripheral products	30	26	26	24		25	25	26	27	27	27	27	28	28	29	
as % of revenue	0,1%	0,1%	0,1%	0,1%		0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	
Adjustment of duty (net revenue to total revenue)	-14.700	-15.394	-15.962	-16.229		-16.641	-17.064	-17.497	-17.942	-18.176	-18.345	-18.556	-18.917	-19.270	-19.614	
as % of revenue	-48,9%	-48,7%	-49,0%	-49,5%		-49,5%	-49,5%	-49,5%	-49,5%	-49,5%	-49,5%	-49,5%	-49,5%	-49,5%	-49,5%	
Adjustment for Group distribution revenue	8.383	8.969	9.268	9.589		9.832	10.082	10.338	10.601	10.740	10.839	10.964	11.177	11.386	11.589	
as % of revenue	27,9%	28,4%	28,5%	29,2%		29,2%	29,2%	29,2%	29,2%	29,2%	29,2%	29,2%	29,2%	29,3%	29,3%	
Adjustment for eliminations	-744	-793	-679	-661		-678	-695	-713	-731	-740	-747	-756	-770	-785	-799	
as % of revenue	-2,5%	-2,5%	-2,1%	-2,0%		-2,0%	-2,0%	-2,0%	-2,0%	-2,0%	-2,0%	-2,0%	-2,0%	-2,0%	-2,0%	
Total Revenue	30.066	31.594	32.562	32.791		33.624	34.477	35.353	36.252	36.722	37.062	37.484	38.213	38.927	39.620	
Total Revenue Growth in %																
Check with historicals	OK	OK	OK	OK												
Operating Costs (excl. D&A)																
Total COGS	-24.056	-25.354	-26.382	-26.764	0,1%	-27.443	-28.123	-28.819	-29.533	-30.227	-30.483	-31.148	-31.733	-32.448	-32.998	
Total COGS as % of Revenue	80,0%	80,2%	81,0%	81,6%		-81,6%	-81,6%	-81,5%	-81,5%	-82,3%	-82,2%	-83,1%	-83,0%	-83,4%	-83,3%	
Implied COGS for European Operations	-11.011	-11.526	-11.792	-12.489		-12.822	-13.156	-13.498	-13.849	-14.137	-14.335	-14.601	-14.919	-15.236	-15.549	
% as of Revenue	36,6%	36,5%	36,2%	38,1%		38,1%	38,2%	38,2%	38,2%	38,5%	38,7%	39,0%	39,1%	39,2%	39,2%	
Implied COGS for Americas Operations	-7.026	-7.836	-8.194	-8.912		-9.106	-9.301	-9.499	-9.702	-9.974	-10.171	-10.395	-10.625	-10.862	-11.106	
% as of Revenue	23,4%	24,8%	25,2%	27,2%		27,1%	27,0%	26,9%	26,8%	27,2%	27,4%	27,7%	27,8%	27,9%	28,0%	
Implied COGS for Africa, Asia and Australasia Operations	-6.019	-5.991	-6.396	-5.363		-5.515	-5.667	-5.822	-5.982	-6.115	-5.977	-6.153	-6.189	-6.350	-6.343	
% as of Revenue	20,0%	19,0%	19,6%	16,4%		16,4%	16,4%	16,5%	16,5%	16,7%	16,1%	16,4%	16,2%	16,3%	16,0%	
Check	OK	OK	OK	OK		OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	
Gross Profit	6.010	6.240	6.180	6.027		6.180	6.355	6.534	6.719	6.496	6.579	6.335	6.480	6.479	6.622	
Gross Profit Margin in % of Revenue																

Appendix: Financial Analysis

Operating Model II

<i>Expenses</i>															
Administrative and other	-1.602	-1.748	-1.120	-763											
Distribution, ads, selling cost	-2.001	-2.295	-2.329	-2.118											
Total Selling, General and Administrative	-3.603	-4.043	-3.449	-2.881		-4.166	-4.272	-4.380	-4.492	-4.550	-4.592	-4.644	-4.735	-4.823	-4.909
<i>Total SG&A as % of Revenue</i>	12,0%	12,8%	10,6%	8,8%	11,0%	12,4%	12,4%	12,4%	12,4%	12,4%	12,4%	12,4%	12,4%	12,4%	12,4%
Depreciation and Amortisation	1.266	1.316	910	815		919	943	967	992	1.008	1.021	1.036	1.058	1.079	1.100
Total Costs and Expenses	-2.337	-2.727	-2.539	-2.066		-5.085	-5.215	-5.348	-5.484	-5.558	-5.613	-5.680	-5.792	-5.902	-6.009
EBITDA	3.673	3.513	3.641	3.961		2.933	3.026	3.121	3.219	2.954	3.008	2.727	2.803	2.735	2.814
<i>EBITDA Margin as % of Revenue</i>	12,2%	11,1%	11,2%	12,1%		8,7%	8,8%	8,8%	8,9%	8,0%	8,1%	7,3%	7,3%	7,0%	7,1%
EBIT (=Operating Income)	2.407	2.197	2.731	3.146		2.014	2.083	2.154	2.227	1.946	1.987	1.691	1.745	1.656	1.713
<i>EBIT Margin as % of Revenue</i>															
Investment Income	631	890	770	1.060		838	907	889	935	878	892	902	899	902	893
Finance Cost	-1.257	-1.452	-1.380	-979		-979	-979	-979	-979	-979	-979	-979	-979	-979	-979
Share of profit of investments accounted for using equity method	42	55	45	11	38	37	33	30	35	34	33	33	33	33	33
Financial Result															
EBT (=Income before Taxes)	1.823	1.690	2.166	3.238		1.910	2.043	2.094	2.217	1.878	1.933	1.647	1.698	1.612	1.660
Tax Expense/(Benefit)	-396	-609	-608	-331		-383	-396	-538	-557	-486	-497	-423	-436	-414	-428
<i>Tax Rate</i>	-16,5%	-27,7%	-22,3%	-10,5%	-19,2%	-19,0%	-19,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%
Net income before attribution to noncontrolling interests	1.427	1.081	1.558	2.907		1.528	1.648	1.555	1.661	1.392	1.436	1.224	1.262	1.198	1.232
Net income attributable to noncontrolling interests	59	71	63	73	67	67	67	67	67	67	67	67	67	67	67
Net income attributable to the Company	1.368	1.010	1.495	2.834		1.461	1.581	1.489	1.594	1.325	1.370	1.158	1.195	1.131	1.165
<i>Net Profit Margin as % of Revenue</i>	4,5%	3,2%	4,6%	8,6%	5,2%	4,3%	4,6%	4,2%	4,4%	3,6%	3,7%	3,1%	3,1%	2,9%	2,9%

Appendix: Financial Analysis

Operating Model III

Balance Sheet														
Assets														
Intangible assets	19.117	18.596	18.160	16.674	15.882	15.080	14.273	13.458	12.645	13.835	13.008	12.173	14.330	13.459
Property, plant and equipment	1.891	1.979	1.899	1.715	1.641	1.573	1.536	1.550	1.586	1.627	1.665	1.699	1.727	1.751
Right of use assets	0	0	293	242	558	573	587	602	610	616	623	635	646	658
Investments accounted for using equity method	845	81	117	88	99	102	104	107	108	109	110	113	115	117
Retirement benefit assets	598	595	940	1.046	836	858	879	902	913	922	932	950	968	985
Trade and other receivables	82	119	57	62	85	87	90	92	93	94	95	97	99	100
Derivative financial instruments	462	677	813	391	619	635	651	668	676	683	691	704	717	730
Deferred tax assets	600	370	381	564	509	522	535	549	556	561	568	579	589	600
State aid tax recoverable	0	0	0	101	26	27	27	28	28	29	29	29	30	31
Non-Current Assets	23.595	22.417	22.660	22.883	20.256	19.456	18.683	17.955	17.217	18.475	17.721	16.978	19.222	18.431
Inventories	3.692	4.082	4.065	3.834	4.198	4.301	4.408	4.517	4.623	4.662	4.764	4.854	4.963	5.047
Trade and other receivables	2.585	2.854	2.638	2.749	2.868	2.941	3.015	3.092	3.132	3.161	3.197	3.259	3.320	3.379
Current tax assets	164	195	206	234	211	216	222	227	230	232	235	240	244	249
Cash and cash equivalents	775	2.286	1.626	1.287	1.351	653	675	629	647	371	380	442	435	547
Derivative financial instruments	37	137	53	68	78	80	82	84	85	86	87	89	90	92
Current assets held for disposal	0	1.103	1.062	35	577	591	606	622	630	636	643	655	668	679
Current assets	7.253	10.657	9.650	8.207	9.282	8.782	9.008	9.171	9.347	9.148	9.306	9.538	9.720	9.993
Total assets	30.848	33.074	32.310	29.090	29.538	28.238	27.691	27.127	26.564	27.624	27.027	26.516	28.942	28.424
Liabilities														
Borrowings	-2.397	-1.937	-1.442	-1.107	-1.169	-1.234	-1.303	-1.375	-1.452	-1.533	-1.619	-1.709	-1.804	-1.905
Derivative financial instruments	-105	-28	-41	-62	-63	-65	-67	-68	-69	-70	-71	-72	-73	-75
Lease liabilities	0	0	-64	-57	-62	-64	-65	-67	-68	-69	-69	-71	-72	-73
Trade and other payables	-8.270	-9.352	-10.170	-9.106	-9.770	-9.853	-9.895	-9.895	-9.925	-9.809	-9.823	-9.807	-9.827	-9.794
Current tax liabilities	-286	-313	-350	-253	-318	-327	-335	-343	-348	-351	-355	-362	-369	-375
Provisions	-179	-284	-220	-188	-231	-236	-242	-249	-252	-254	-257	-262	-267	-272
Current liabilities held for disposal	0	-37	-38	-35	-29	-29	-30	-31	-31	-32	-32	-33	-33	-34
Current liabilities	-11.237	-11.951	-12.325	-10.808	-11.642	-11.766	-11.895	-12.029	-12.145	-12.117	-12.225	-12.315	-12.446	-12.528
Borrowings	-9.598	-11.697	-10.210	-8.715	-8.789	-7.368	-6.668	-5.968	-5.268	-6.068	-5.368	-4.668	-6.968	-6.268
Derivative financial instruments	-1.073	-1.408	-1.641	-984	-1.013	-1.039	-1.065	-1.092	-1.106	-1.116	-1.129	-1.151	-1.173	-1.193
Trade and other payables	-47	0	-235	-164	-116	-119	-122	-125	-127	-128	-129	-132	-134	-137
Lease liabilities	0	-7	-5	-7	-146	-150	-154	-158	-160	-161	-163	-166	-169	-172
Deferred tax liabilities	-1.113	-931	-924	-1.037	-1.063	-1.090	-1.118	-1.146	-1.161	-1.172	-1.185	-1.208	-1.231	-1.253
Retirement benefit liabilities	-1.061	-1.249	-1.256	-1.199	-1.261	-1.293	-1.325	-1.359	-1.377	-1.389	-1.405	-1.433	-1.459	-1.485
Provisions	-274	-247	-196	-206	-246	-252	-258	-265	-268	-271	-274	-279	-284	-290
Non-Current liabilities	-13.166	-15.539	-14.467	-12.342	-12.633	-11.310	-10.710	-10.113	-9.467	-10.306	-9.654	-9.037	-11.419	-10.798
Total liabilities	-24.403	-27.490	-26.792	-23.150	-24.275	-23.076	-22.606	-22.142	-21.612	-22.423	-21.879	-21.352	-23.865	-23.326
Equity														
Share capital	103	103	103	103	103	103	103	103	103	103	103	103	103	103
Share premium	5.837	5.837	5.837	5.837	5.837	5.837	5.837	5.837	5.837	5.837	5.837	5.837	5.837	5.837
Retained earnings	-1.150	-2.255	-2.364	-788	-238	-339	-415	-516	-549	-300	-353	-337	-424	-403
Exchange translation reserve	980	1.252	1.285	200	200	200	200	200	200	200	200	200	200	200
Equity attributable to owners of the parent	5.770	4.937	4.871	5.352	5.902	5.801	5.725	5.624	5.591	5.840	5.787	5.803	5.716	5.737
Non controlling interests	675	647	647	588	639	639	639	639	639	639	639	639	639	639
Total equity	6.445	5.584	5.518	5.940	5.263	5.162	5.086	4.985	4.952	5.201	5.147	5.164	5.077	5.098
Total equity and liabilities	30.848	33.074	32.310	29.090	29.538	28.238	27.691	27.127	26.564	27.624	27.027	26.516	28.942	28.424
Balance?	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

Appendix: Financial Analysis

Operating Model IV

Cash Flow Statement

Cash flows from operating activities

Operating profit	2.407	2.197	2.731	3.146	2.014	2.083	2.154	2.227	1.946	1.987	1.691	1.745	1.656	1.713
Dividends received from investments accounted for (eq. Method)	25	54	43	4	0	0	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	1.266	1.316	910	815	919	943	967	992	1.008	1.021	1.036	1.058	1.079	1.100
Loss/(profit) on disposal of PP&E and software	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss/(profit) on disposal of intellectual property	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss/(profit) on disposal of (non-)current assets	-36	-19	-2	2	0	0	0	0	0	0	0	0	0	0
Loss/(profit) on disposal of subsidiaries	-40	0	0	-281	0	0	0	0	0	0	0	0	0	0
Post-employment benefits	-60	-72	-88	-63	0	0	0	0	0	0	0	0	0	0
Costs of employees' services compensated by share schemes	26	23	20	25	0	0	0	0	0	0	0	0	0	0
Provisions in respect of loan to third parties	4	0	0	0	0	0	0	0	0	0	0	0	0	0
Fair value adjustment of loan receivable/acquisition consideration	0	129	63	-15	0	0	0	0	0	0	0	0	0	0
Movement in provisions	-87	80	-121	18	0	0	0	0	0	0	0	0	0	0
Operation cash flows before movements in working capital	3.505	3.708	3.556	3.651	2.933	3.026	3.121	3.219	2.954	3.008	2.727	2.803	2.735	2.814
(Increase)/decrease in inventories	-112	-560	67	70	-364	-104	-107	-109	-106	-39	-102	-89	-109	-84
(Increase)/decrease in trade and other receivables	-35	-267	241	-201	-119	-73	-75	-77	-40	-29	-36	-62	-61	-59
(Decrease)/increase in trade and other payables	136	877	734	-533	-664	-42	-42	-42	-30	116	-14	16	-20	33
Tax paid	-407	-522	-568	-820	-383	-396	-538	-557	-486	-497	-423	-436	-414	-428
Net cash flows generated from operating activities	3.087	3.236	4.030	2.167	1.405	2.412	2.360	2.435	2.291	2.559	2.153	2.231	2.130	2.276

Cash flows from investing activities

Interest received	10	15	9	15	12	12	12	12	12	12	12	12	12	12
Proceeds from the sale of non-current assets	87	57	28	50	48	46	43	41	38	42	40	37	44	41
Proceeds from sale of subsidiaries - net	47	0	0	845	69	0	0	0	0	0	0	0	0	0
Deposit received from sale of assets held for sale	0	0	83	0	0	15	15	15	8	6	7	13	12	12
Loan to third parties	28	-75	-3	0	0	0	0	0	0	0	0	0	0	0
Loan to joint ventures	0	4	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of intangible assets	-68	0	0	0	-37	-39	-46	-49	-54	-2.056	-55	-55	-3.056	-56
Purchase of PP&E	-259	0	0	0	-167	-173	-203	-256	-283	-295	-300	-302	-304	-306
Purchase of other non-current assets	0	-409	-302	-200	0	0	0	0	0	0	0	0	0	0
Purchase of businesses (net of cash acquired)	-8	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of brands and operation	-67	-17	-146	0	0	0	0	0	0	0	0	0	0	0
Net cash used in investing activities	-230	-425	-331	710	-75	-139	-178	-237	-279	-2.291	-296	-296	-3.292	-297

Cash flows from financing activities

Interest paid	-501	-488	-429	-415	-129	-112	-103	-95	-86	-97	-88	-80	-109	-101
Cash from employee maturity/exercise of share schemes	2	1	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of shares by employee share ownership trust	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lease liabilities	0	0	-72	-69	27	5	5	6	3	2	3	5	4	4
Net change in borrowing	-642	1.369	-1.856	-1.366	136	-1.392	-671	-670	-670	831	-668	-668	2.333	-667
Cash flows relating to derivative financial instruments	41	-117	-23	41	200	-10	-10	-11	-6	-4	-5	-9	-8	-8
Finance lease payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of treasury shares	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repurchase of shares	-41	-108	-92	0	0	0	0	0	0	0	0	0	0	0
Proceeds of sale of shares in subsidiary to non controlling interest	234	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to non-controlling interests	-71	-84	-85	-93	-67	-67	-67	-67	-67	-67	-67	-67	-67	-67
Dividends paid to owners of the parent	-1.676	-1.844	-1.753	-1.305	-1.433	-1.396	-1.314	-1.407	-1.170	-1.209	-1.022	-1.055	-999	-1.028
Net cash used in financing activities	-2.654	-1.271	-4.310	-3.207	-1.266	-2.971	-2.160	-2.244	-1.995	-543	-1.847	-1.873	1.155	-1.866
Net decrease in cash and cash equivalents	203	1.540	-611	-330	64	-698	22	-46	18	-276	9	61	-7	112
Cash and cash equivalents at start of the year	624	775	2.286	1.626	1.287	1.351	653	675	629	647	371	380	442	435
Effect of foreign exchange rates on cash and equivalents	-25	-15	13	-9	0	0	0	0	0	0	0	0	0	0
Transferred to held for disposal	0	-14	-62	0	0	0	0	0	0	0	0	0	0	0
Cash and cash equivalents at end of the year	775	2.286	1.626	1.287	1.351	653	675	629	647	371	380	442	435	547

Appendix: Valuation Analysis

DCF Valuation

Discounted Cash Flow														
£ million unless otherwise indicated														
	30-09-19	30-09-20	30-09-21	Average	30-09-22	30-09-23	30-09-24	30-09-25	30-09-26	30-09-27	30-09-28	30-09-29	30-09-30	30-09-31
Operating Income (EBIT)	2 197	2 731	3 146		2 014	2 083	2 154	2 227	1 946	1 987	1 691	1 745	1 656	1 713
EBITDA	3 513	3 641	3 961		2 933	3 026	3 121	3 219	2 954	3 008	2 727	2 803	2 735	2 814
Tax Rate	19%	19%	19%		19%	19%	25%	25%	25%	25%	25%	25%	25%	25%
NOPAT	1 780	2 212	2 548		1 631	1 687	1 615	1 670	1 459	1 490	1 268	1 309	1 242	1 285
Depreciation and amortization					919	943	967	992	1 008	1 021	1 036	1 058	1 079	1 100
Purchases of property plant and equipment & Intangible assets (CAPEX)					167	173	203	256	283	295	300	302	304	306
Change in NWC					287	147	151	156	123	189	130	177	159	186
Free Cash Flow					2 097	2 311	2 228	2 250	2 061	2 027	1 874	1 887	1 857	1 893
Terminal Value														TV
Discount Factor					1 0,94	2 0,88	3 0,83	4 0,78	5 0,73	6 0,69	7 0,65	8 0,61	9 0,57	10 0,54
Present Value of FCF					1 971	2 042	1 851	1 757	1 513	1 399	1 215	1 151	1 064	1 020
Present Value of TV					15 987									29 672

Equity Bridge				Terminal value - EBITDA multiple approach				EBITDA			
Enterprise Value	30 970			Terminal year EBITDA	2 814			Enterprise Value	30 970		
Cash	1 287			EBITDA multiple	4,1x			Net Debt	8 759		
Debt	-10 106			9 768Terminal Value in 2031	11 491			Equity Value	22 211		
Minority Interest	588			Present value of terminal value	15 987			Shares Out	937		
Preferred Stock	0			Present value of stage 1 cash flows	14 983			Share Price	23,70		
Pensions	1 199										
Equity Value	20 364			Enterprise value (stage 1 + 2)	30 970			1 Year Multiples			
Shares Outstanding	937							EV/Rev	0,9x		
				Terminal value as % of TEV	51,6%			EV/EBITDA	7,8x		
				Stage 1 cash flows as % of TEV	48,4%			EV/EBIT	9,8x		
				Implied terminal growth rate	4,7%						
Share Price	21,73										
WACC	6,38%										
Growth Rate	0,00%										

Growth Rate Argumentation

Due to the unstable and uncertain industry, we do not see strong growth within tobacco in the long-run. Therefore, we did not include a long-term growth rate into our terminal value calculation.

Sensitivity Analysis

	21,73	5,38%	5,88%	6,38%	6,88%	7,38%		23,70	5,38%	5,88%	6,38%	6,88%	7,38%
-1,00%	23,98	21,46	19,27	17,37	15,68		-1,00%	25,96	23,43	21,24	19,34	17,65	
-0,50%	25,66	22,83	20,41	18,32	16,49		-0,50%	27,64	24,81	22,38	20,29	18,46	
0,00%	27,66	24,44	21,73	19,41	17,40		0,00%	29,63	26,42	23,70	21,38	19,38	
0,50%	30,06	26,35	23,28	20,68	18,45		0,50%	32,03	28,33	25,25	22,65	20,42	
1,00%	33,01	28,65	25,11	22,16	19,67		1,00%	34,98	30,63	27,08	24,13	21,64	

Appendix: Valuation Analysis

Comparable Company Analysis

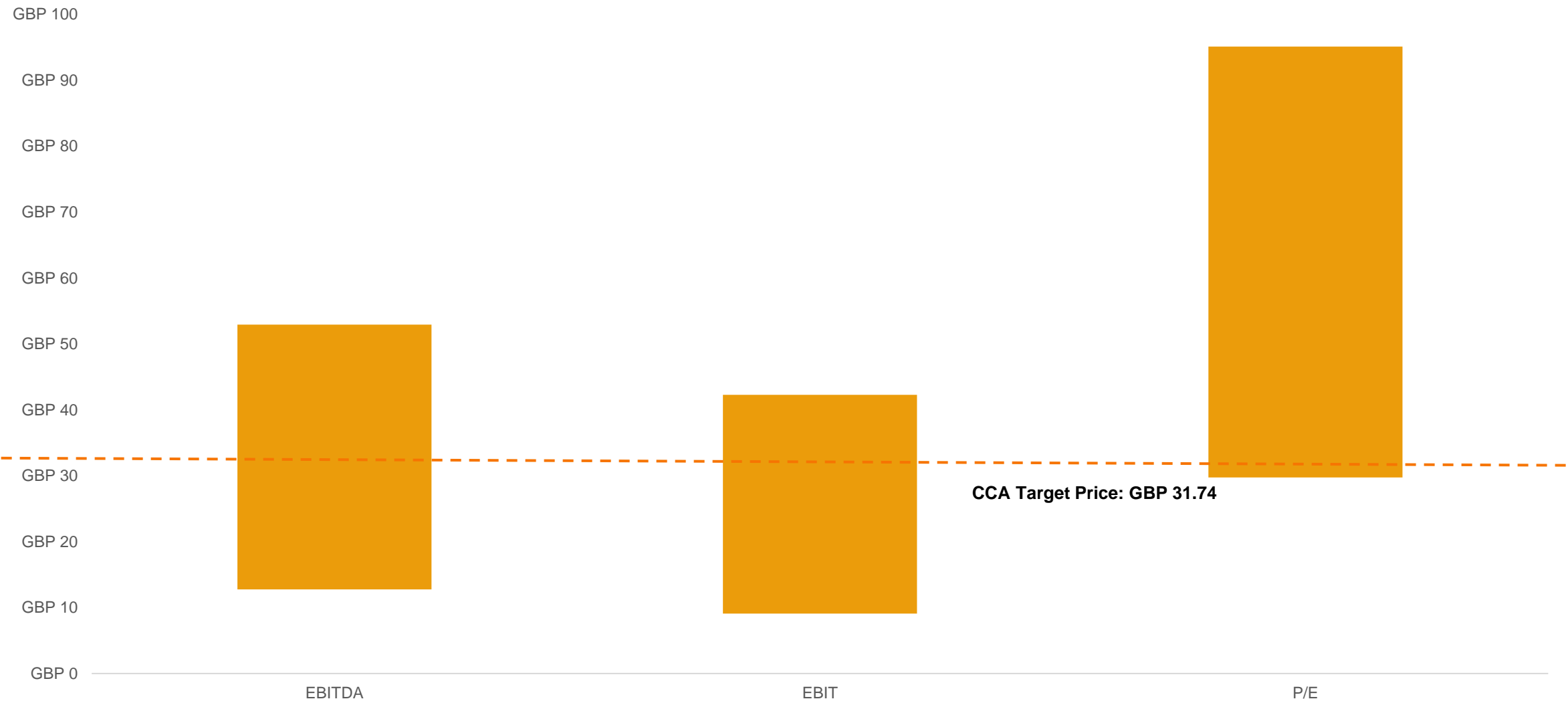
CCA

Imperial Brands - Peer Benchmarking Sheet

all values in K																	
Company	Shareprice	Shares outstanding	Market Cap	interest bearing Debt	Cash and Cash Equivalents	Minority interest	Preferred equity	TTM Sales	TTM EBITDA	TTM EBIT	EPS	Enterprise Value	EV/Sales	EV/EBITDA	EV/EBIT	P/E	P/S
Philip Morris International	94,30	1.556.800,00	146.806.240,00	28.882.000,00	4.491.000,00	1.919.000,00		30.745.000,00	13.741.000,00	12.933.000,00	5,74	173.116.240,00	5,6x	12,6x	13,4x	16,4x	4,8x
British American Tobacco	27,40	2.294.700,00	62.874.780,00	45.010.000,00	3.014.000,00	277.000,00		25.680.000,00	10.245.000,00	9.772.000,00	2,70	105.147.780,00	4,1x	10,3x	10,8x	10,1x	2,4x
Altria Group	47,40	1.837.000,00	87.073.800,00	27.022.000,00	2.957.000,00	41.000,00		21.080.000,00	11.663.000,00	11.408.000,00	1,49	111.179.800,00	5,3x	9,5x	9,7x	31,8x	4,1x
Japan Tobacco	2.322,50	1.774.500,00	4.121.276.250,00	967.025.000,00	648.917.000,00	76.497.000,00		2.266.539.000,00	743.815.000,00	559.569.000,00	220,34	4.515.881.250,00	2,0x	6,1x	8,1x	10,5x	1,8x
Swedish Match	72,10	1.554.200,00	112.957.820,00	15.297.000,00	2.243.000,00	17.000,00		17.875.000,00	8.405.000,00	8.035.000,00	3,81	125.128.820,00	7,0x	14,9x	15,6x	18,9x	6,3x
Scandinavian Tobacco Group	139,20	96.220,00	13.393.824,00	3.112.200,00	123.000,00	0,00		8.143.000,00	2.156.000,00	1.601.000,00	11,80	16.383.024,00	2,0x	7,6x	10,2x	11,8x	1,6x
Gudang Garam	31.750,00	1.924.000,00	61.087.000.000,00	130.667.000,00	4.085.899.000,00	64.000,00		114.477.311.000,00	10.617.306.000,00	10.045.855.000,00	3.188,56	57.131.832.000,00	0,5x	5,4x	5,7x	10,0x	0,5x
Turning Point Brands	36,71	18.900,00	693.819,00	438.500,00	130.600,00	2.500,00		445.473,00	98.414,00	93.438,00	2,58	1.004.219,00	2,3x	10,2x	10,7x	14,2x	1,6x
Imperial Brands	16,23	937.000,00	15.207.510,00	10.106.000,00	1.347.000,00	588.000,00		16.562.000,00	3.961.000,00	3.146.000,00	2,99	24.554.510,00	1,5x	6,2x	7,6x	5,4x	0,9x
MIN	27,40	18.900,00	693.819,00	438.500,00	123.000,00	0,00		445.473,00	98.414,00	93.438,00	1,49	1.004.219,00	0,5x	5,4x	5,7x	10,0x	0,5x
25% Percentile	44,73	1.189.705,00	50.504.541,00	12.250.800,00	1.714.900,00	13.375,00		15.442.000,00	6.842.750,00	6.426.500,00	2,67	82.956.591,00	2,0x	7,2x	9,3x	10,4x	1,6x
Median	83,20	1.665.650,00	99.565.810,00	27.952.000,00	2.985.500,00	52.500,00		23.380.000,00	10.954.000,00	10.590.000,00	4,78	118.154.310,00	3,2x	9,9x	10,5x	13,0x	2,1x
Mean	4.311,20	1.382.040,00	8.203.897.066,63	152.181.712,50	593.471.825,00	9.852.187,50		14.605.977.309,13	1.425.928.676,75	1.331.158.304,75	429,63	7.772.459.141,63	3,6x	9,6x	10,5x	15,5x	2,9x
75% Percentile	685,03	1.858.750,00	1.140.423.742,50	66.424.250,00	165.597.500,00	687.500,00		589.693.500,00	196.259.500,00	149.592.000,00	63,94	1.258.807.492,50	5,4x	10,8x	11,4x	17,1x	4,3x
MAX	31.750,00	2.294.700,00	61.087.000.000,00	967.025.000,00	4.085.899.000,00	76.497.000,00		114.477.311.000,00	10.617.306.000,00	10.045.855.000,00	3.188,56	57.131.832.000,00	7,0x	14,9x	15,6x	31,8x	6,3x

Imperial Equity Value	EV/Sales	Equity Value	Shares	Price per share	Weighted Share Price	Sales	EBITDA	EBIT	P/E	P/S
MIN	8.265.545,31	-1.081.454,69	937.000,00	-1,15	all numbers mean of mean median of mean median of median [EBITDA, EBIT and P/E]	42,16	MIN	-1,15	12,77	9,43
25% Percentile	33.240.587,49	23.893.587,49	937.000,00	25,50		37,71	Diff	114,91	40,19	33,19
Median	52.574.541,25	43.227.541,25	937.000,00	46,13		46,28	MAX	113,76	52,96	42,31
Mean	59.534.841,55	50.187.841,55	937.000,00	53,56						
75% Percentile	88.827.240,29	79.480.240,29	937.000,00	84,82		31,74				
MAX	115.937.539,40	106.590.539,40	937.000,00	113,76						
Imperial Equity Value	EV/EBITDA	Equity Value	Shares	Price per share						
MIN	21.314.181,45	11.967.181,45	937.000,00	12,77						
25% Percentile	28.586.198,43	19.239.198,43	937.000,00	20,53						
Median	39.088.571,94	29.741.571,94	937.000,00	31,74						
Mean	37.895.406,01	28.548.406,01	937.000,00	30,47						
75% Percentile	42.965.459,95	33.618.459,95	937.000,00	35,88						
MAX	58.969.096,49	49.622.096,49	937.000,00	52,96						
Imperial Equity Value	EV/EBIT	Equity Value	Shares	Price per share						
MIN	17.891.632,27	8.544.632,27	937.000,00	9,12						
25% Percentile	29.342.434,94	19.995.434,94	937.000,00	21,34						
Median	33.002.218,25	23.665.218,25	937.000,00	25,25						
Mean	33.112.553,08	23.765.553,08	937.000,00	25,36						
75% Percentile	35.916.267,08	26.569.267,08	937.000,00	28,36						
MAX	48.992.565,99	39.645.565,99	937.000,00	42,31						
Imperial Equity Value	P/E	Equity Value	Shares	Price per share						
MIN	29,77		937.000,00	29,77						
25% Percentile	31,22		937.000,00	31,22						
Median	38,91		937.000,00	38,91						
Mean	46,28		937.000,00	46,28						
75% Percentile	50,99		937.000,00	50,99						
MAX	95,12		937.000,00	95,12						
Imperial Equity Value	P/S	Equity Value	Shares	Price per share						
MIN	8.837.759,07		937.000,00	9,43						
25% Percentile	26.879.995,57		937.000,00	28,69						
Median	35.332.603,85		937.000,00	37,71						
Mean	47.982.612,39		937.000,00	51,21						
75% Percentile	71.079.425,67		937.000,00	75,86						
MAX	103.826.663,77		937.000,00	110,81						

CCA – Football Field



Appendix: Valuation Analysis

Comparable Transaction Analysis

CTA																			
Imperial Brands - Peer Transactions Sheet																			
all values in K																			
Target	Currency	Acquirer	Seller	Date	Spot Rate to GBP	Consideration	Stake	Implied Equity Value	interest bearing Debt	Cash and Cash Equivalents	Minority interest	Preferred equity	TTM Sales	TTM EBITDA	TTM EBIT	EV/Sales	EV/EBITDA	EV/EBIT	Implied Equity Value GBP
United Dhaka Tobacco Company	BDT	Japan Tobacco	Akij Group	06/08/2018	0,009442	124.300.000,00	100%	124.300.000,00					15.700.000,00		4.700.000,00	7,9x		26,4x	1.173.637,99
Reynolds Lorillard LLC	USD	British American Tobacco	Shareholders	25/07/2017	0,583300	49.400.000,00	58%	85.467.128,03	11.361.000,00	1.959.000,00			12.563.000,00	5.839.000,00	5.724.000,00	6,8x	14,6x	14,9x	49.852.975,78
Portfolio of US cigarette brands from Lorillard and Reynolds	USD	Reynolds	Consortium	15/07/2014	0,583300	25.749.690,00	100%	25.749.690,00	3.566.000,00	881.000,00			5.006.000,00	2.155.000,00	2.091.000,00	5,1x	11,9x	12,3x	15.019.794,18
Imperial Brands	USD	Imperial Brands		15/07/2014	0,766300	7.100.000,00	100%	7.100.000,00					2.400.000,00	800.000,00	600.000,00	3,0x	8,9x	11,8x	5.440.730,00
Imperial Brands	GBP					1		15.207.510,00	10.106.000,00	1.347.000,00	588.000,00	0,00	16.562.000,00	3.961.000,00	3.146.000,00	0,9x	3,8x	4,8x	15.207.510,00
MIN													2.400.000,00	800.000,00	600.000,00	3,0x	8,9x	11,8x	16.562.000,00
25% Percentile													4.354.500,00	1.477.500,00	1.718.250,00	4,6x	10,4x	12,2x	
Median													8.784.500,00	2.155.000,00	3.395.500,00	6,0x	11,9x	13,6x	
Mean													8.917.250,00	2.931.333,33	3.278.750,00	5,7x	11,8x	16,4x	
75% Percentile													13.347.250,00	3.997.000,00	4.956.000,00	7,1x	13,3x	17,8x	
MAX													15.700.000,00	5.839.000,00	5.724.000,00	7,9x	14,6x	26,4x	
Excluded deals																			
JUUL Labs	USD	Altria		20/12/2018	0,791400	12.800.000,00	35%	36.571.428,57					1.500.000,00			24,4x			
Reynolds Subsidiaries and Trademarks	JPY	Japan Tobacco	Reynolds	29/09/2015		600.000.000,00	100%	600.000.000,00					17.600.000,00			34,1x			
Imperial Equity Value	Implied Equity Sales	Implied Equity Equity Value	Shares	Price per share	Weighted Price	all numbers		58,65					Sales	EBITDA	EBIT				
MIN	48.995.916,67	39.648.916,67	937.000,00	42,31		avg of median		57,30			MIN		42,31	27,54	29,76				
25% Percentile	76.142.262,09	66.795.262,09	937.000,00	71,29		avg of mean		45,03			Diff		87,65	24,36	49,07				
Median	98.931.849,83	89.584.849,83	937.000,00	95,61							MAX		129,97	51,90	78,82				
Mean	94.496.060,14	85.149.060,14	937.000,00	90,87															
75% Percentile	117.285.647,88	107.938.647,88	937.000,00	115,20															
MAX	131.124.624,20	121.777.624,20	937.000,00	129,97							JUUL Multiple	EV/Sales	34,1x						
Imperial Equity Value	Implied Equity EBITDA	Implied Equity Equity Value	Shares	Price per share															
MIN	35.153.875,00	25.806.875,00	937.000,00	27,54															
25% Percentile	41.241.559,79	31.894.559,79	937.000,00	34,04															
Median	47.329.244,59	37.982.244,59	937.000,00	40,54															
Mean	46.820.473,22	37.473.473,22	937.000,00	39,99															
75% Percentile	52.653.772,33	43.306.772,33	937.000,00	46,22															
MAX	57.978.300,07	48.631.300,07	937.000,00	51,90															
Imperial Equity Value	Implied Equity EBIT	Implied Equity Equity Value	Shares	Price per share															
MIN	37.227.666,67	27.880.666,67	937.000,00	29,76															
25% Percentile	38.363.058,97	29.016.058,97	937.000,00	30,97															
Median	42.857.797,24	33.510.797,24	937.000,00	35,76															
Mean	51.536.230,18	42.189.230,18	937.000,00	45,03															
75% Percentile	56.030.968,45	46.683.968,45	937.000,00	49,82															
MAX	83.201.659,57	73.854.659,57	937.000,00	78,82															

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