



# Imperial Brands plc (IMBBY)

Updated December 8<sup>th</sup>, 2025 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$43	<b>5 Year Annual Expected Total Return:</b>	4.7%	<b>Market Cap:</b>	\$35 B
<b>Fair Value Price:</b>	\$36	<b>5 Year Growth Estimate:</b>	3.0%	<b>Ex-Dividend Date:</b>	11/28/25
<b>% Fair Value:</b>	120%	<b>5 Year Valuation Multiple Estimate:</b>	-3.6%	<b>Dividend Payment Date:</b>	01/08/26
<b>Dividend Yield:</b>	5.4%	<b>5 Year Price Target</b>	\$42	<b>Years Of Dividend Growth:</b>	2
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Consumer Staples	<b>Rating:</b>	Hold

## Overview & Current Events

Imperial Brands is a tobacco company that was founded in 1901. Today, it is headquartered in the United Kingdom and has a market capitalization of ~\$27 billion. The company manufactures and sells a variety of tobacco products, including cigarettes, tobaccos, cigars, rolling papers, and tubes. Some of its core brands include Winston, Davidoff, Gauloises, L&B, Bastos, Fine, Gitanes, Kool, Jade, and many more. The company is organized into two operating segments, tobacco and logistics. The tobacco segment includes the manufacture and sale of its various tobacco products, while the logistics segment distributes tobacco to product manufacturers.

On November 8<sup>th</sup>, 2023, the U.K. government announced that it would introduce legislation that will raise the legal age every year for smoking cigarettes. This would ensure that those under the age of 15 would never be sold tobacco products. The raising of the league age to purchase tobacco products will begin in 2027. The bill has passed the House of Commons and is still advancing through the House of Lords.

On November 18<sup>th</sup>, 2025, Imperial Brands announced results for fiscal year 2025, which ended September 30<sup>th</sup>, 2025. For the period, net revenue decreased 0.7% on a reported basis. Revenue for tobacco and next generation products were higher by 4.1% as pricing and mix added 5.4% to results, but this was offset by a 1.7% decline in volume.

Total tobacco market share improved in three out of five top markets. Improvements in market share in Germany (+45 basis points) and Australia (+20 basis points) was offset by weakness in the U.S. (-1 basis point), the U.K. (-85 basis points), and Spain (-45 basis points).

Imperial Brands is expected to earn \$4.48 per share in fiscal year 2026. We have initiated our forecast accordingly.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$0.86	\$1.92	\$3.55	\$3.49	\$3.36	\$3.30	\$3.15	\$3.31	\$3.12	\$3.35	<b>\$4.48</b>	<b>\$5.19</b>
<b>DPS</b>	\$1.96	\$2.16	\$2.45	\$2.48	\$1.07	\$1.87	\$1.83	\$1.71	\$1.89	\$2.23	<b>\$2.31</b>	<b>\$2.68</b>
<b>Shares<sup>1</sup></b>	959	956	960	953	953	946	953	928	874	800	<b>800</b>	<b>780</b>

Like the rest of the tobacco industry, Imperial Brands is struggling with the declining smoking rate in developed economies like the United States. Imperial Brands reported a 3.6% volume decline in fiscal 2018, a 4.4% decrease in the fiscal 2019, a 2.1% drop in fiscal 2020, a 2.9% decline in fiscal year 2021, a 7.5% decline in fiscal year 2022, a 10.4% drop in fiscal year 2023, a 3.5% decrease in fiscal year 2024, and a moderate decline of 1.7% last fiscal year. That said, the company outperformed the broader industry during this time and continues to benefit from higher pricing. As a result, EPS has increased with a CAGR of 16.3% over the last decade. We expect that dividend growth will mirror our earnings growth projections of 3%.

Imperial Brands' future growth will be fueled by its next-generation product line. This includes vapor and heated tobacco products, such as its blu brand. Imperial Brands launched the myblu product in 2018. In addition, the company is developing heated tobacco products with consumer trials planned toward the end of the year. To help finance its

<sup>1</sup> In millions of shares

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growth investments, the company is launching an aggressive cost reduction program, targeting up to \$2.6 billion in cost savings over the next one to two years.

## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	21.6	59.4	23.5	6.5	5.3	6.4	6.6	6.2	9.3	12.7	9.6	8.0
Avg. Yld.	4.7%	3.8%	4.8%	11.0%	6.0%	8.8%	9.0%	8.4%	6.5%	5.2%	5.4%	6.4%

Imperial Brands' valuation has fluctuated somewhat wildly over the past 10 years. This is primarily due to earnings volatility. As an international company, Imperial Brands' earnings-per-share can deviate from year to year as a result of currency fluctuations. The stock has a price-to-earnings ratio of 9.6 currently. We are raising our fair value estimate for Imperial Brands to 8x EPS, up from 6.5 previously, as this is more in-line with recent results. We feel that this is an appropriate target valuation for a slow-growth company that is facing structural headwinds to its main revenue streams. This implies that multiple contraction could reduce annual returns by 3.6% over the next five years.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	228%	113%	65%	71%	32%	57%	58%	52%	61%	67%	52%	52%

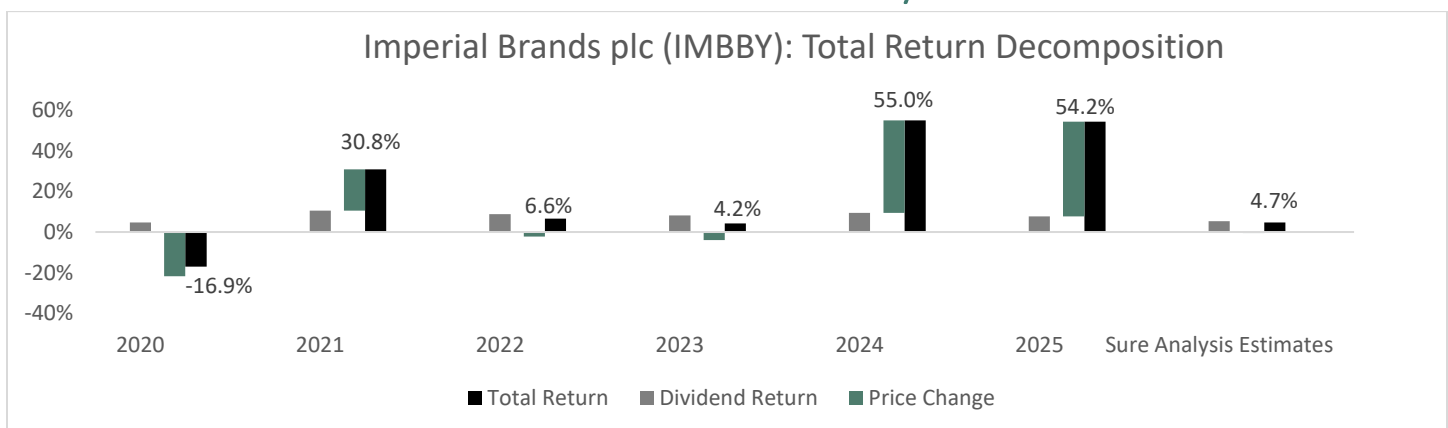
Imperial Brands has a fairly high level of debt, which has eroded its interest coverage ratio. At the end of the first half of fiscal year 2025, Imperial Brands had net debt of \$13.5 billion. This is especially concerning in a high interest rate environment, as higher finance costs would reduce earnings growth.

That said, Imperial Brands has multiple competitive advantages. It operates in a highly regulated industry, with high barriers to entry. It also has pricing power due to the addictive nature of nicotine. Another positive for the stock is that the underlying business is highly recession-resistant. In general, tobacco sales hold up very well during recessions.

## Final Thoughts & Recommendation

Shares of Imperial Brands have gained 16.2% since the time of our last report. Following year-end results, the stock is expected to offer a total annual return of 4.7% through fiscal 2031, up from our prior estimate of 3.3%. Our projected return stems from a 3% earnings growth rate and a starting yield of 5.4%, that are partially offset by a low single-digit headwind from multiple reversion. As with prior periods, Imperial Brands' results were slightly mixed within its top markets. We note that the while Imperial Brands offers a very high dividend yield, growth has been very inconsistent over the years. In fact, the company had cut its dividend in 2020 before raising it the following year. We continue to rate shares of the company as a hold due to projected returns and a middling dividend risk score.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	20,009	19,355	20,654	20,489	21,177	22,660	21,574	22,152	23,430	24,786
<b>Gross Profit</b>	6,971	6,708	6,663	6,974	7,156	7,625	7,211	7,705	8,145	8,660
<b>Gross Margin</b>	34.8%	34.7%	32.3%	34.0%	33.8%	33.6%	33.4%	34.8%	34.8%	34.9%
<b>SG&amp;A Exp.</b>	5,289	5,256	2,690	2,928	2,968	2,898	2,578	2,865	3,020	3,224
<b>D&amp;A Exp.</b>	1,713	1,667	1,702	1,021	1,051	928	787	765	821	1,020
<b>Operating Profit</b>	3,660	3,350	3,397	3,846	3,953	4,459	4,398	4,229	4,516	4,644
<b>Op. Margin</b>	18.3%	17.3%	16.4%	18.8%	18.7%	19.7%	20.4%	19.1%	19.3%	18.7%
<b>Net Profit</b>	949	1,833	1,918	1,379	1,985	3,977	2,124	3,010	3,482	2,898
<b>Net Margin</b>	4.7%	9.5%	9.3%	6.7%	9.4%	17.6%	9.8%	13.6%	14.9%	11.7%
<b>Free Cash Flow</b>	3,386	2,846	2,960	2,981	4,029	2,144	3,297	2,713	3,141	3,632
<b>Income Tax</b>	338	524	532	777	775	453	1,130	803	357	1,185

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	42,515	41,578	40,227	40,757	41,770	39,224	34,558	35,995	37,324	38,658
<b>Cash &amp; Equivalents</b>	1,715	918	1,011	2,817	2,102	1,735	2,065	1,642	1,446	1,937
<b>Acc. Receivable</b>	3,141	3,097	3,011	3,114	2,971	3,186	2,440	2,622	3,127	3,204
<b>Inventories</b>	4,544	4,835	4,815	5,030	5,255	5,170	4,621	5,519	5,473	6,012
<b>Goodwill &amp; Int.</b>	26,894	26,515	24,930	22,916	23,477	22,482	19,844	20,681	21,378	21,820
<b>Total Liabilities</b>	35,056	33,225	31,823	33,876	34,637	31,214	26,216	27,888	29,237	31,345
<b>Accounts Payable</b>	1,229	1,670	1,562	2,187	1,540	1,373	1,501	1,839	2,011	2,301
<b>Long-Term Debt</b>	16,712	16,454	13,455	16,526	15,371	13,513	11,418	11,816	12,110	13,452
<b>Total Equity</b>	6,899	7,626	7,524	6,084	6,297	7,216	7,658	7,349	7,300	6,494
<b>LTD/E Ratio</b>	2.62	2.21	2.08	2.76	2.45	1.88	1.49	1.62	1.67	2.07

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	2.2%	4.4%	4.7%	3.4%	4.8%	9.8%	5.8%	8.5%	9.5%	7.6%
<b>Return on Equity</b>	11.8%	23.2%	22.9%	18.0%	28.3%	52.5%	26.0%	36.6%	43.0%	37.6%
<b>ROIC</b>	3.4%	7.2%	7.8%	5.8%	8.6%	18.0%	10.3%	15.1%	17.3%	14.1%
<b>Shares Out.</b>	959	956	960	953	953	946	953	928	874	800
<b>Revenue/Share</b>	20.91	20.23	21.62	21.46	22.39	23.92	22.64	23.87	26.81	29.84
<b>FCF/Share</b>	3.54	2.97	3.10	3.12	4.26	2.26	3.46	2.92	3.59	4.37

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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