

Imperial Brands

09:27 26 Sep 2019

Imperial Brands shares burned over vaping warning

Imperial Brands PLC (LON:IMB) shares were stubbed out on Thursday morning after the nicotine delivery facilitator issued a profit warning in the wake of US scares over vaping.

In a pre-close trading update, the Lambert & Butler and Gauloises maker, said full-year earnings are likely to be flat, having previously guided to around 4% growth.

READ: Investor confidence increased in September amid surprisingly stampede into UK equities

This is because net revenue is now expected to grow around 2%, having most recently pencilled in the upper-end of the 1-4% range.

The warning stemmed from the group's push for market share gains in Australia and a deteriorating market for vaping in the US, which is dampening down demand for all e-cigarettes, including Imperial's myblu.

Imperial cautioned that the market for 'next-generation products' had "deteriorated considerably over the past quarter with increased regulatory uncertainty, including US state actions", leading to a "marked slowdown" in the growth of vaping industry and an "increasing number of wholesalers and retailers not ordering or not allowing promotion of vaping products".

Imperial's warning comes a day after US tobacco giants Philip Morris and Altria called off their merger because of worries about vaping regulation killing the sector.

Hope deferred

Nicholas Hyett, an analyst at Hargreaves Lansdown, pointed to recent deaths in the US linked to vaping products.

"Vaping's only a small contributor to revenues and profits at the moment, which is why full-year earnings per share look set to come in flat year-on-year, but hopes had been high that the vaping segment would drive growth as traditional tobacco declines.

"Increased regulatory scrutiny and retailers reluctant to stock vaping products is seriously undermining that hope. For now sales in Europe and Japan seem to have escaped too much of a knock-on effect, with regulators in the UK looking to reassure vapers about the health benefits of switching from traditional tobacco to e-cigarettes.

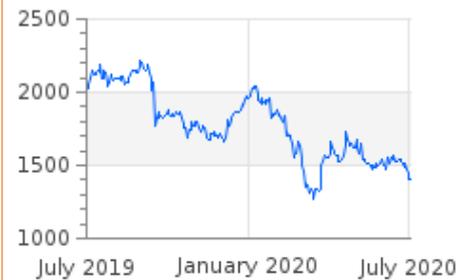
"However, having only recently increased investment behind it's US vaping proposition this is less than ideal for Imperial."

Barclays analysts noted that the volume outlook remains the same at -4% to -5%, so wondered why earnings are being cut and put the finger on Australia.

Price: 1400

Market Cap: £13.25 billion

1 Year Share Price Graph



Share Information

Code: IMB

Listing: LSE

52 week High Low
2256 1258.2

Sector: Food & drink

Website: www.imperialbrandsplc.com

Company Synopsis:

Imperial Brands is a leading international tobacco company, which manufactures, markets and sells a comprehensive range of cigarettes, tobaccos, rolling papers, filter tubes and cigars.

action@proactiveinvestors.com

"US and Europe tobacco profit is still growing. Weakness in the Asia, Africa and Australasia division is impacting numbers. In particular, company is highlighting that some inventory gains in Australia are not happening in FY19 but FY20."

Looking at vaping, Barclays said: "It has been clear to us (and the Street) that NGP revenue guidance is too high, based on Nielsen trends. Why the company didn't choose to rebase it at 1H19 isn't clear. Why the company is continuing to invest in NGP's, when there is little evidence of success, will be a big question from here on."

Barclays did not see much read-across to rivals British American Tobacco (LON:BATS), Philip Morris or Altria as "we think these are IMB specific execution and communication issues".

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.