

Imperial Brands

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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.

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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: 1364

Market Cap: £12.9 billion

1 Year Share Price Graph



Share Information

Code: IMB

Listing: LSE

52 week High Low
2184 1218

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.

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"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".

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