

Investor Day Presentations

26 February 2013

Davidoff – High Quality Asset, High Quality Growth – Neil Southey, Category Director – Group Marketing

Good morning everyone and welcome to this break-out session on Davidoff. I'm Neil Southey, Category Director – Group Marketing. Let's start with an introductory video on Davidoff.

Davidoff

Davidoff is our number one global premium brand – a high quality luxury brand asset. Over the last twelve months we've made significant progress in extending the brand in order to ensure it's available to more consumers on more occasions. We've also focused on enhancing the consumers' experiences, whether it be at the point of purchase or where they smoke.

Our Unique Model

As with our other Key Strategic Brands, our approach is the same for Davidoff. The brand sits firmly on the left hand side of the Need State wheel, anchored in the 'Power' segment but with opportunities to extend into both the 'Recognition' and 'Vitality' segments through extension of its portfolio.

We see plenty of scope to expand the brand's geographic footprint as well improve consumer experiences.

Driving Consistent Growth

As you can see from the chart, we've been growing our Davidoff volumes consistently with a compound annual growth rate of over 6% in the last three years.

Creating Value - Portfolio

This is how we approach the development of our key strategic brands, applying consumer motivations learnings to our brands, and then activating through portfolio, footprint and consumer experience lenses.

A True Luxury Brand

Let me expand on four the key aspects of this truly luxury brand, starting with equity.

Genuine Luxury Credentials

Davidoff's iconic creator was Zino Davidoff and even to this day, his signature appears on all packs where permitted. We also use iconography such as the "Z" symbol and "iD" logo to create unique identifiers for the brand.

This is reinforced through our consumer communications in a contemporary context (where permitted).

We are also changing the shopping experience, at airports for example, with striking furniture and displays.

Investor Day Presentations

26 February 2013

More Consumers, More Occasions

Moving on to range, we see this through the consumer motivations wheel. Davidoff is firmly anchored in Power and Recognition segments, which are covered by our premium line range.

However, we see significant potential for the brand by extending offerings that cater more to the vitality and enjoyment areas, currently addressed via the launches of Black & White, in c.10 markets, and Davidoff iD, which has been launched in c.20 markets since May of last year.

Quality: Attention to Detail

Quality is inherent in the brand. Not only do we use a unique blend concept, the quality of the packaging, from the inner frame to the foil used, is also unique. We apply quality principles throughout the whole Davidoff experience.

Matching Innovation with Consumer Occasions

In order to be effective, it's important that any innovation is relevant. Examples are of Black & White Queen Size and King Size Super Slims and Glide Tec iD.

Creating Value - Footprint

Davidoff is available in around 90 markets, but has a significant presence in a smaller number of countries. This creates significant opportunities for future growth.

Well Positioned for Further Growth

As you can see from the map, there are a number of global markets where we have little or no presence. Nine out of 10 of Davidoff's top markets are in GDP growth with evidence of consumers upgrading from lower priced brands.

Creating Value - Experience

Let's move on to look at what we are doing to enhance our consumers' experiences.

Our Consumers

Arthur mentioned this morning the importance of understanding consumers as a key element of our sales growth strategy but why does it matter that we know, for instance, that Davidoff smokers like to feel empowered? The answer is that we can actually measure these preferences and ensure that our products satisfy them.

Unique Boudoir Superfine

About seven weeks ago we launched the first luxury length superfine cigarette in the world, Boudoir Superfine, in Russia. The name encapsulates everything about the brand.



Investor Day Presentations

26 February 2013

Unique Consumer Experience

Part of our promotional activities for Boudoir included these unique displays in one of the largest shopping centres in Moscow, which has over one and a half million visitors every month.

Davidoff

So just to summarise, Davidoff is a high quality luxury brand asset delivering high margins wherever it's sold. By extending the portfolio range with the introduction Davidoff iD and Black & White, we are able to attract more consumers on more occasions. And finally, we are able to offer new experiences to our consumers, in response to understanding their needs, with new formats such as Boudoir Superfine.

More to come

That's a short teaser for future actions, it's too early to talk specifically about future Davidoff range developments but we're very excited about them and can assure you that we will continue to drive the growth of the brand going forward.

Thank you for your time and I'm happy to take any questions.