



ITG Brands

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The US Market

Highly attractive

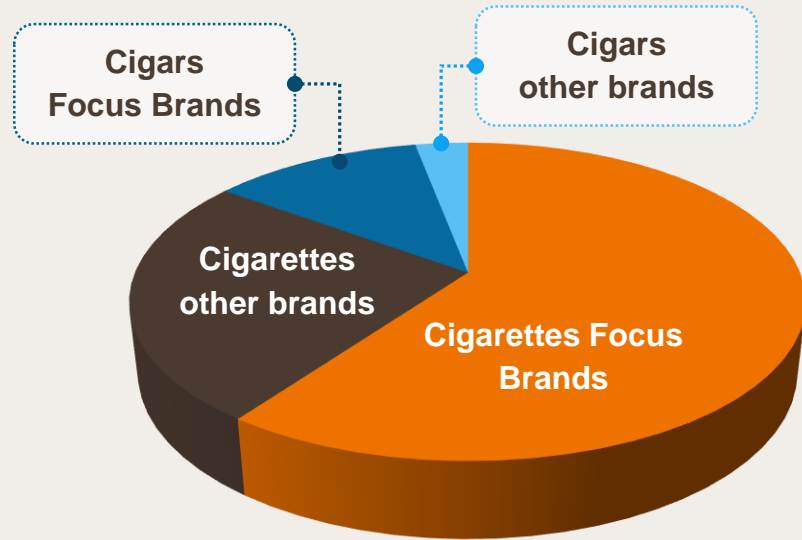


- World's largest profit pool¹ (>\$14bn²) 25% of world tobacco profit
- No. 2 market by volume¹ (264bn cigarettes in 2015³)
- Steady and predictable long term volume decline although stable in last year
- Pricing leading to steady net revenue growth
- Relative cigarette affordability offers long term growth opportunity
- Stable regulatory environment
- FDA measured and 'evidence based' approach

ITG Brands Snapshot



- Cigarettes ~ 85% of net revenue
 - Focus Brands ~ 70%
 - Other brands ~ 30%
- Cigars ~ 15% of net revenue
 - Focus Brands ~ 80%
 - Other brands ~ 20%
- 2,700 total employees
- National sales force ~ 950 people
- 2 cigarette manufacturing locations – Greensboro and Reidsville, NC



US Integration

Substantially complete



- Corporate activities migrated to Greensboro
- Wind-down of Commonwealth-Altadis largely complete
- One sales force representing cigarettes, cigars and e-vapour
- Manufacturing transition progressing smoothly
- All ITG Brands machines now migrated to Greensboro from RAI
- Highly experienced team with strong track record

Retailer Contracts Supporting Strategy

4 key areas



Product
Availability

Distribution of Focus Brands (to the SKU level)



Visibility

Shelf space and product visibility to the consumer



Awareness

Interior/exterior advertising of Focus Brands



Pricing

Management of consumer price points

Rewarding Retailers

Focus on customer engagement



- Buydown payments – on product purchases or consumer sales (paid directly to retailer)
- Product promotional levels higher than non-contracted retailers
- ITG Brands has achieved outstanding results
 - 164,000 retailers contracted representing 88% of total industry volume
 - 92% of current Winston volume through stores under contract
 - 89% of target competitive volume through stores under contract



Focus On Four Brands



Premium Brands

Winston

- National
- Focus: volume and share growth
- No.6 brand in US



Kool

- National
- Focus: volume and share growth
- No.10 brand in US



Discount Brands

USA Gold

- Regional (rural markets)
- Focus: share growth
- No.14 brand in US



Maverick

- National (urban/suburban markets)
- Focus: share stability/profit growth
- No.8 brand in US



Three of the Top Ten US Brands

Investing for Sustainable Growth

Market share and profit growth focus



Winston

- ✓ Key national Focus Brand
- ✓ Supported coast to coast
- ✓ Product tests well with consumers
- ✓ New packaging
- ✓ New advertising
- ✓ New relationship marketing
 - Direct mail
 - Internet/website
 - Social media
 - Mobile couponing



New Packaging Across all Winston Styles



Winston 



Investing for Sustainable Growth

Market share and profit growth focus



Kool

- ✓ Key national Focus Brand (menthol developed markets)
- ✓ Brand competes in growing US segment (menthol 32%)
- ✓ Product tests well with consumers
- ✓ New advertising
 - Direct mail
 - Internet/website
 - Social media
 - Mobile couponing
- ✓ New relationship marketing



Performance Improved

Post acquisition market share success



	13 weeks ended 12 June 2015		13 weeks ended 2 April 2016		
	Vol % Chg vs YAG	% Share	Vol % Chg vs YAG	% Share	% Chg vs 12 June 2015
Focus Brands	(3.0)	6.75	(0.1)	6.90	0.15
Winston	(4.5)	2.00	3.9	2.12	0.12
Kool	(3.8)	1.75	1.3	1.83	0.08
Maverick	(1.7)	1.89	(1.7)	1.89	0.00
USA Gold	(1.3)	1.11	(6.6)	1.06	(0.05)

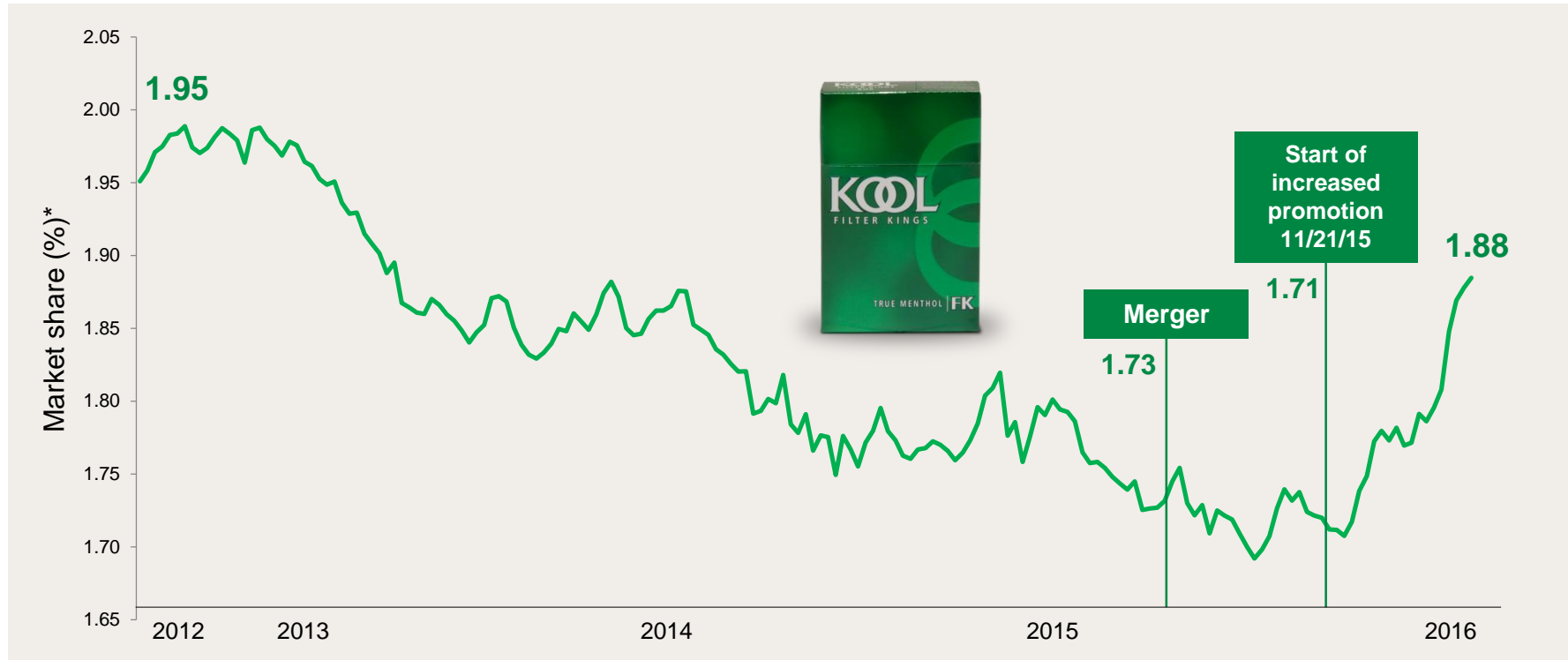
Strengthening Winston Share

Building momentum



Strengthening Kool Share

Building momentum



Improving our Cigar Performance

New model driven by consumer demand



Push Model



- Discount product to push products to wholesale
- Special incentives to some wholesalers to purchase high volumes
- Commitment to take back unsold products

Pull Model



- Focused and consumer relevant brand portfolio
- Ensure maximum distribution and visibility at retail
- Consumer engagement and promotion to enhance trial and create demand

New Model Driving Positive Results

Simpler more profitable portfolio



- Improved product efficiencies
- Equitable wholesale and retail programs
- National sales force coverage
- Consistent and expanded consumer availability and visibility
- Promotions aimed at building consumer equity behind brands

- ✓ A more profitable portfolio
- ✓ A simpler range of products
- ✓ Available to all trade partners
- ✓ At a competitive consumer price
- ✓ Highly visible in store

New Model Strengthens Market Share

Improving trend



ITG Brands cigar market share



- Growth driven by Focus Brands Backwoods, Dutch Masters and Dutch
- Portfolio mix more consumer relevant and focusing on growing formats

Becoming More Consumer Relevant

Focus on brands and price



- Brand equity
- Visibility in store
- Consumer activation



- Buy downs
- Price marked products



ITG Brands Performing Strongly

Quality, agility and discipline



- Strengthening performance of Focus Brands
- Actions to date demonstrating positive effects on share trends
- Further brand building efforts underway
- Focus on maintaining momentum behind portfolio
- Culture of winning and team motivated to succeed
- Optimistic about future growth prospects



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