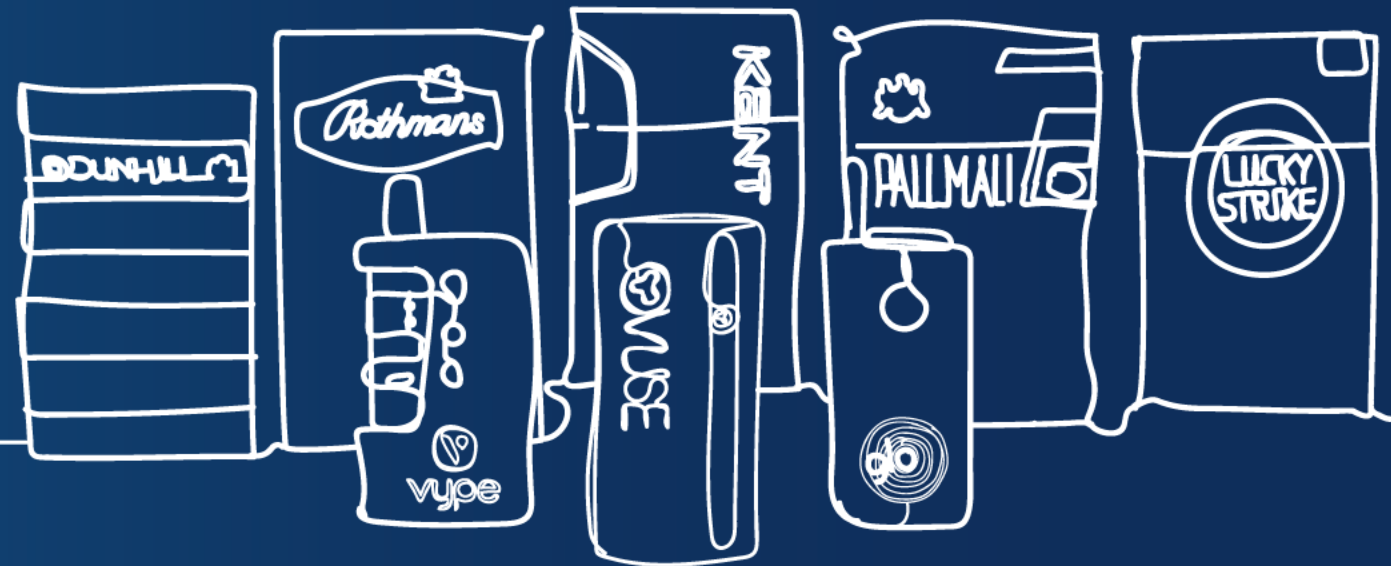


# Consumers & Marketing

Andrew Gray  
Chief Marketing Officer



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Additional information concerning these and other factors can be found in BAT's and Reynolds's filings with the U.S. Securities and Exchange Commission ("SEC"), including Reynolds's most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and BAT's registration statement on Form F-4, which was declared effective by the SEC on June 14, 2017, and Current Reports on Form 6-K, which may be obtained free of charge at the SEC's website, <http://www.sec.gov>, and BAT's Annual Reports, which may be obtained free of charge from BAT's website [www.bat.com](http://www.bat.com). Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof and BAT undertakes no obligation to update or revise publicly any forward-looking statements or other data or statements contained within this communication, whether as a result of new information, future events or circumstances otherwise.

No statement in this communication is intended to be a profit forecast or profit estimate and no statement in this communication should be interpreted to mean that earnings per share of BAT for the current or future financial years would necessarily match or exceed the historical published earnings per share of BAT.

# Despite the challenging trading environment, the Tobacco industry continues to be resilient

## Challenging Trading Environment



SMOKING BANS



PRICE INCREASES



DISPLAY BAN

EVOLVING CODES OF CONSUMPTION



ILLICIT TRADE



THP

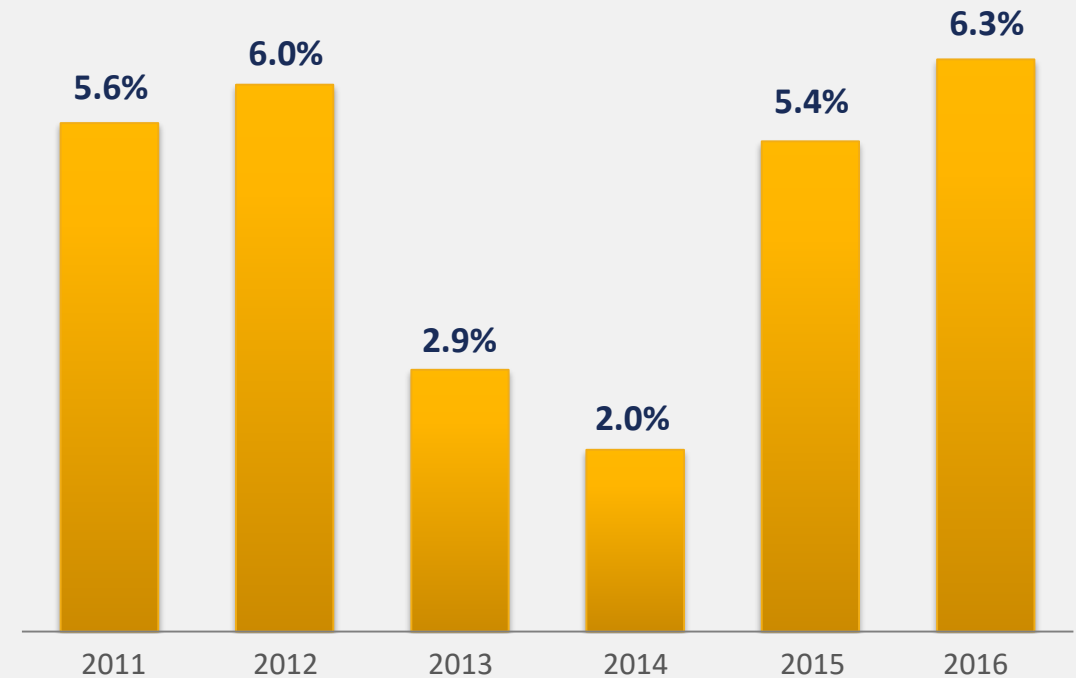


VAPING

## Resilient Industry NTO growth

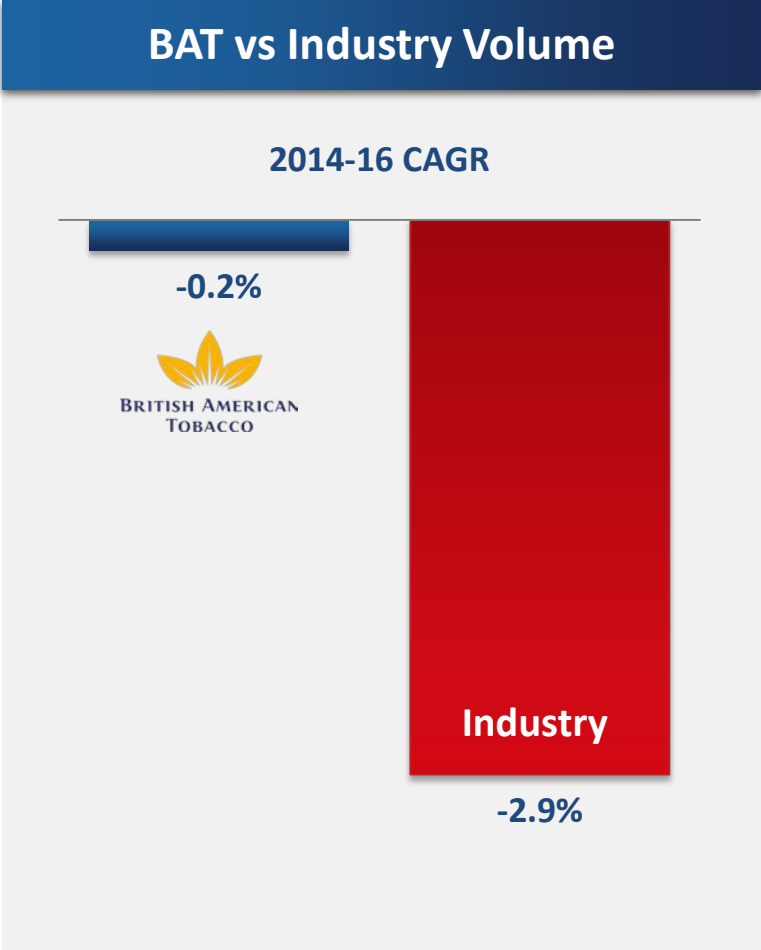
### Big 4 NTO Growth

YoY Growth in %  
@ constant rates

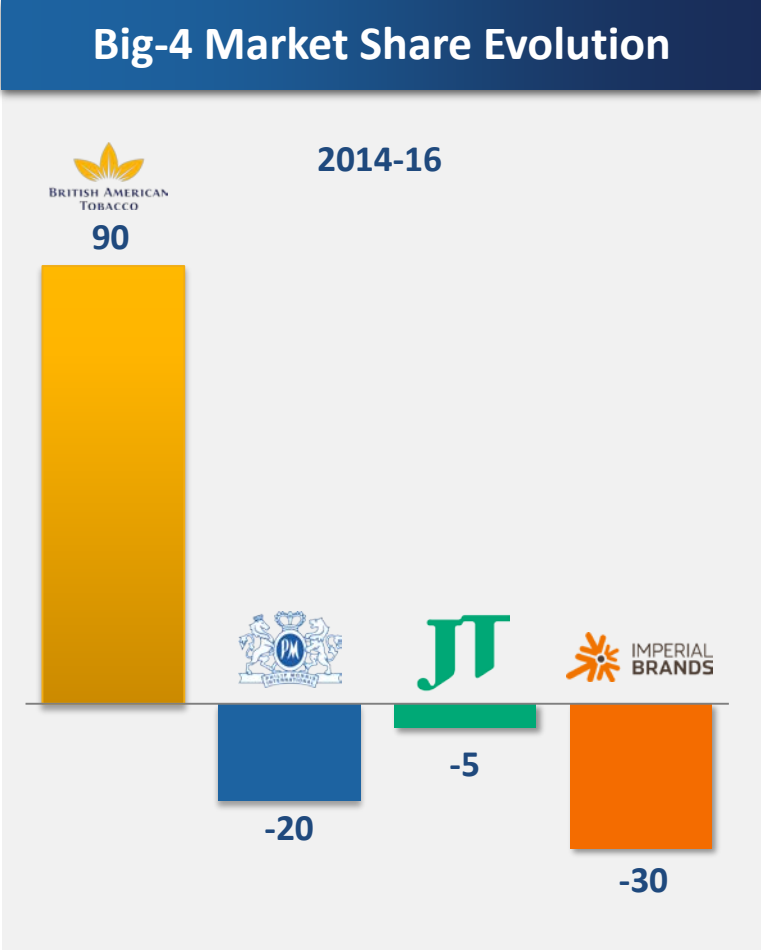


Source: BAT Internal Estimates

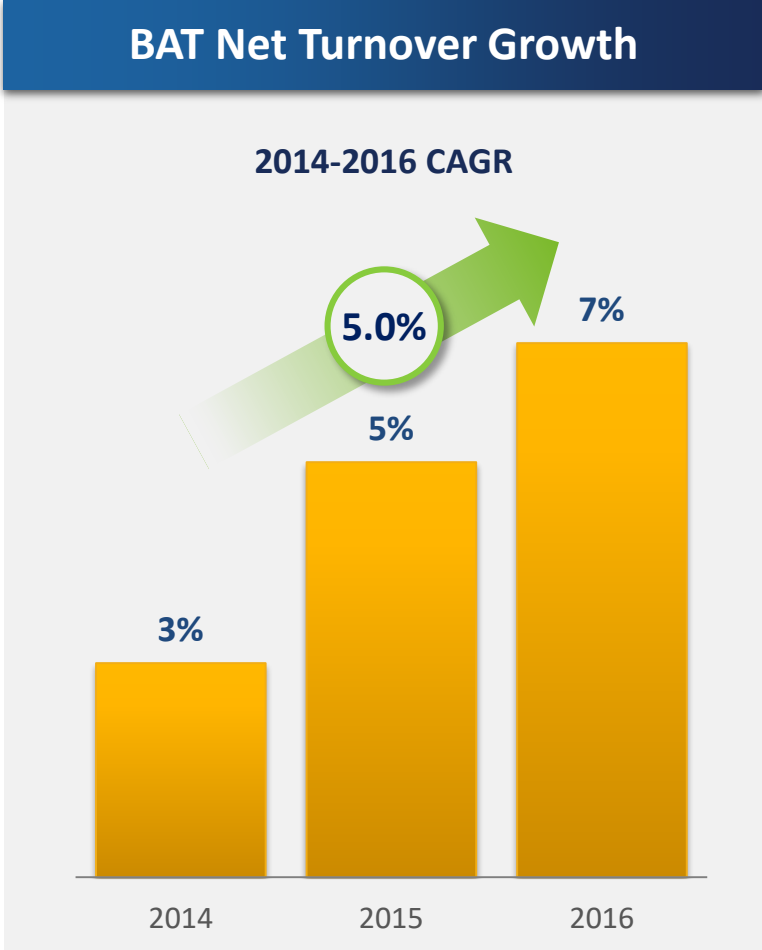
# BAT continues to outperform the Industry: 2014-2016



Source: BAT Internal Estimates



Nielsen RMS data T40 markets exclude USA, China and India



Company data

# An outstanding story of Portfolio Transformation...

## GDBs now over 50% of BAT volume

### 2010-16 CAGR VOLUME

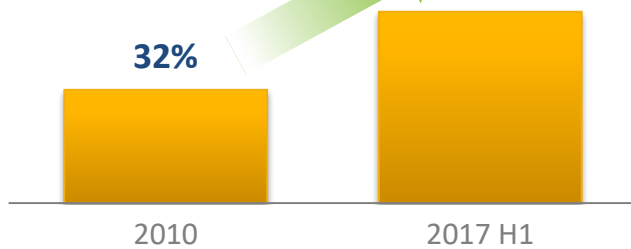
6.1%



### GDBs %

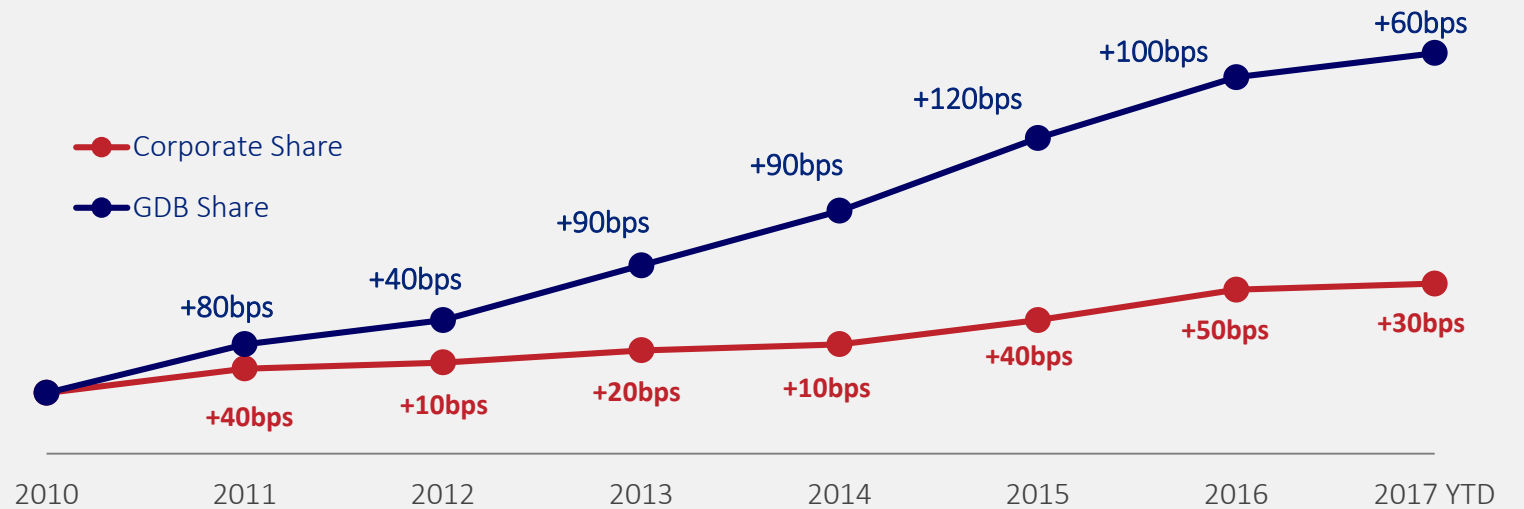
32%

54%



Source: Company data

## GDBs driving BAT Performance



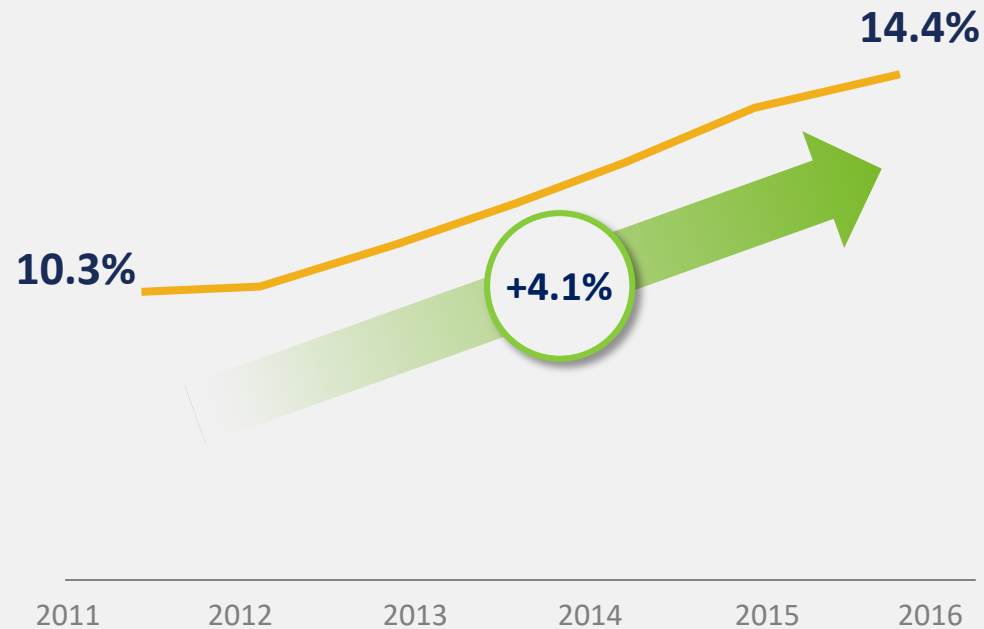
Nielsen RMS data

T40 markets exclude USA, China and India

# ...and strong momentum across Key Growth Segments

## GDBs growing ASU30 share

GDBs T40 ASU30 Share



Source: Consumer Track

## GDBs growing in high Growth Segments

YTD 2017 vs. SPLY

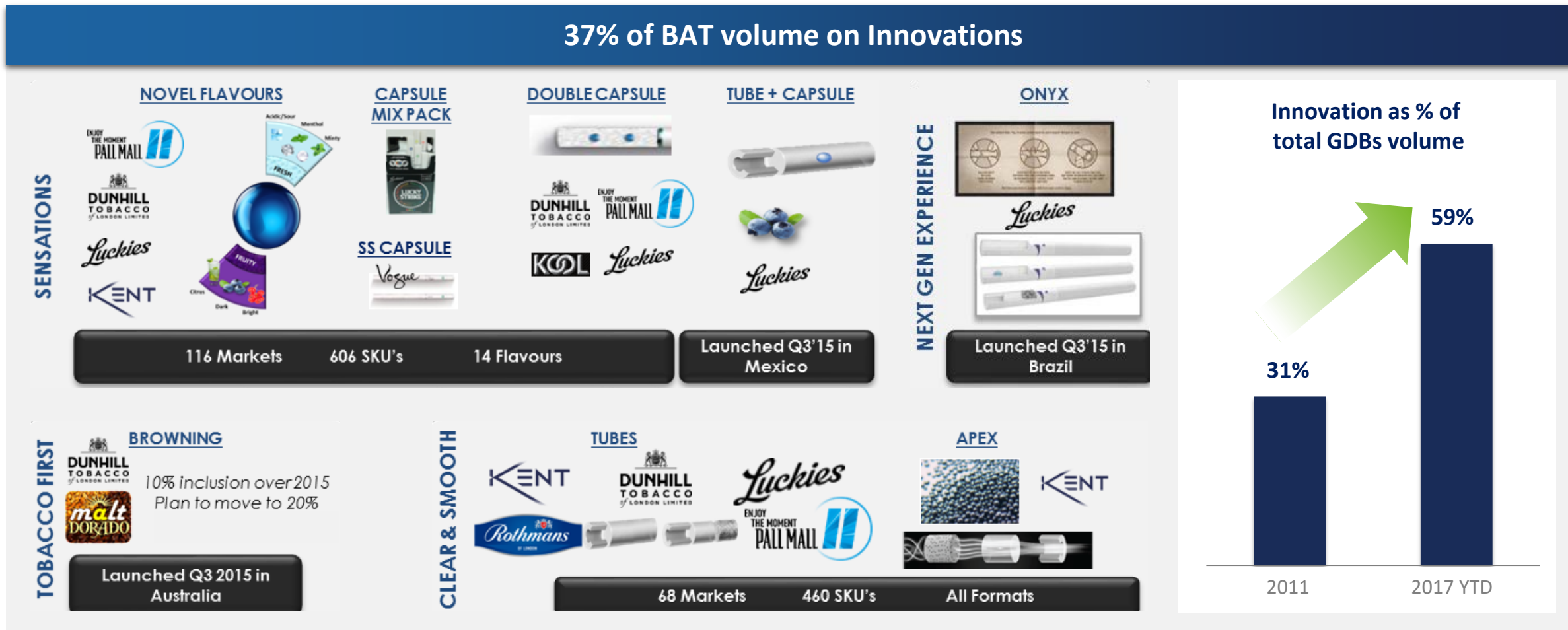


Nielsen RMS data

T40 markets exclude USA, China and India

# Product Innovation: A major driver for GDB growth

37% of BAT volume on Innovations



Source: Company data

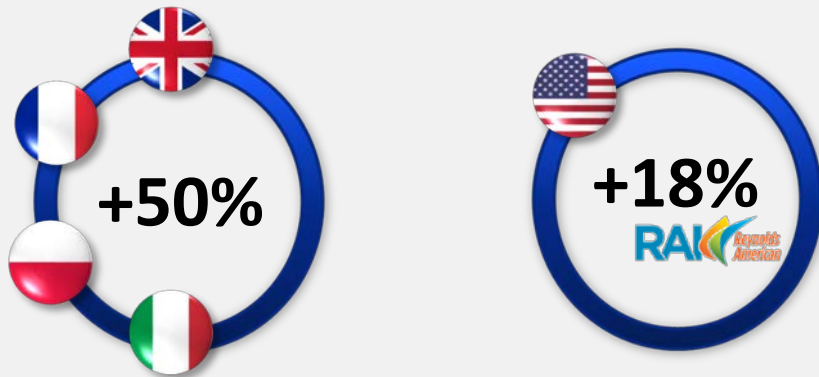


# A differentiated & winning Next Generation Products strategy

## Vapour: BAT, a market leader

- › Vape : 11 markets globally
- › BAT Market leader in UK, US & Poland

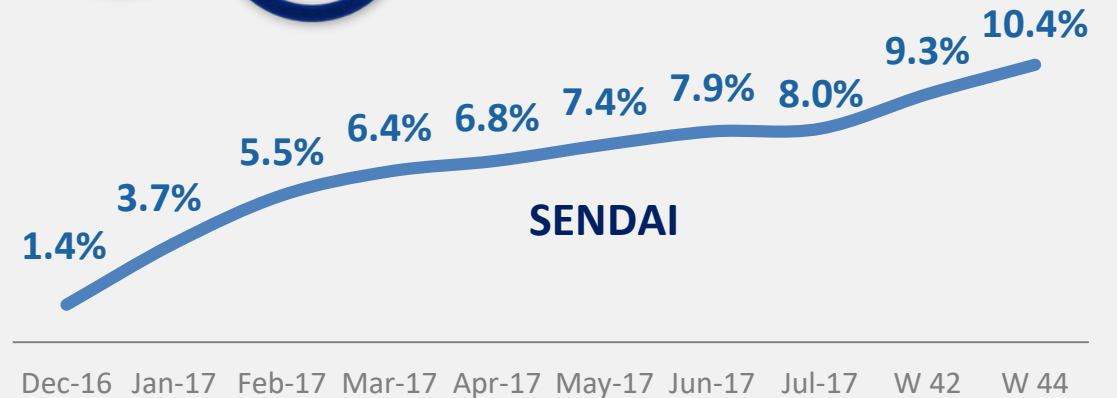
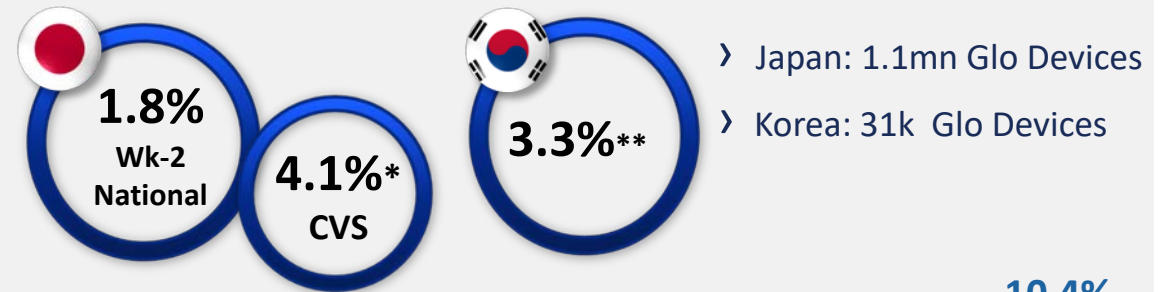
BAT Volume Growth  
H1'17 vs. SPLY



Source: Company data

## THP: Glo > Expectations

### BAT Market Share

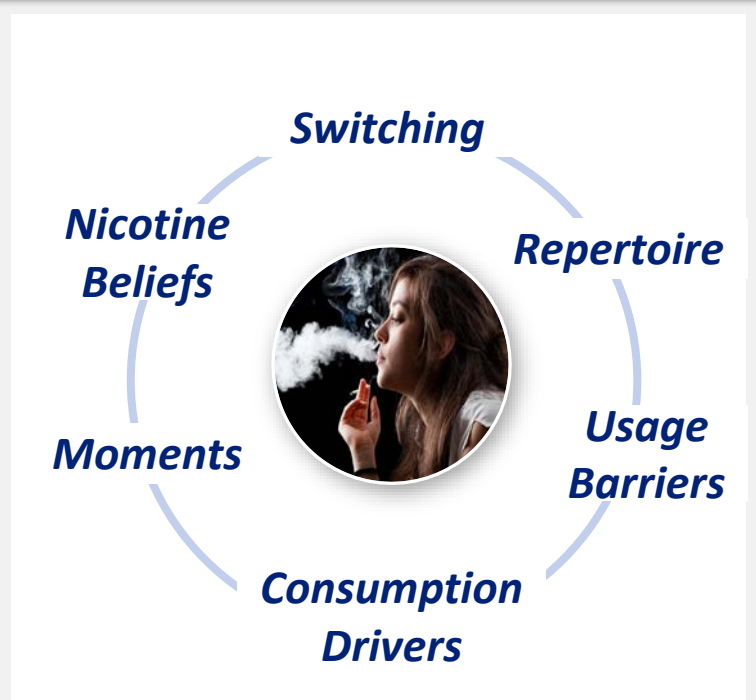


\* CVS-B share in Tokyo, Osaka & Miyagi \*\* Share in Handlers

# Deep Consumer understanding at the heart of our Strategy



## One view of the Consumer



## Across Multiple Platforms



ACROSS T40 MARKETS

# The Consumer reality

Balance between *PLEASURE* & *RISK*

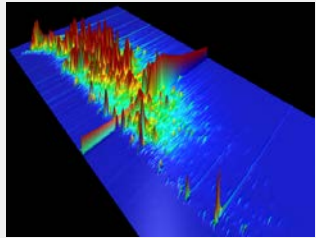
↑  
PLEASURE



RISK

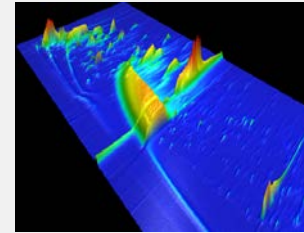
# Consumers seeking lower risk alternatives

## Risk Continuum Model



**CIGARETTES**

Position confirmed through epidemiology<sup>a</sup>

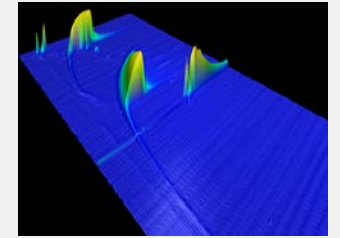


**THP**

Position to be confirmed\*

**Snus**

Position confirmed through epidemiology<sup>a</sup>



**Vapour**

Position proposed By Public Health Authorities\*

High

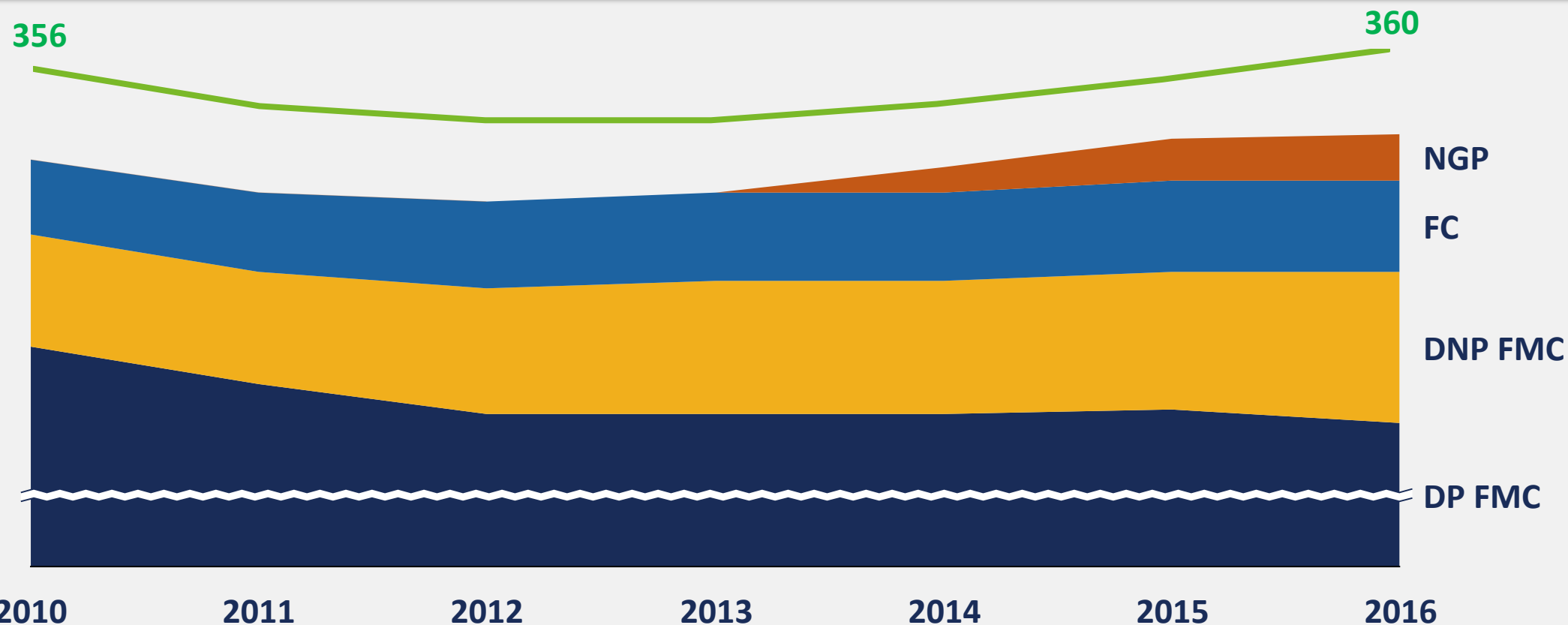
Low

\*Clinical data suggests reduced exposure<sup>b</sup>  
 \*\*UK public health suggests reduced risk<sup>c</sup>

a. Doll & Hill (1954) *BMJ* 1954: 1451-1455  
 b. Fearon *et al* 2017 Poster 113 GFN Conference <http://bit.ly/2xRPVvD>  
 c. Lee (2013) *Harm Reduct J* 10: 36, doi: 10.1186/1477-7517-10-36

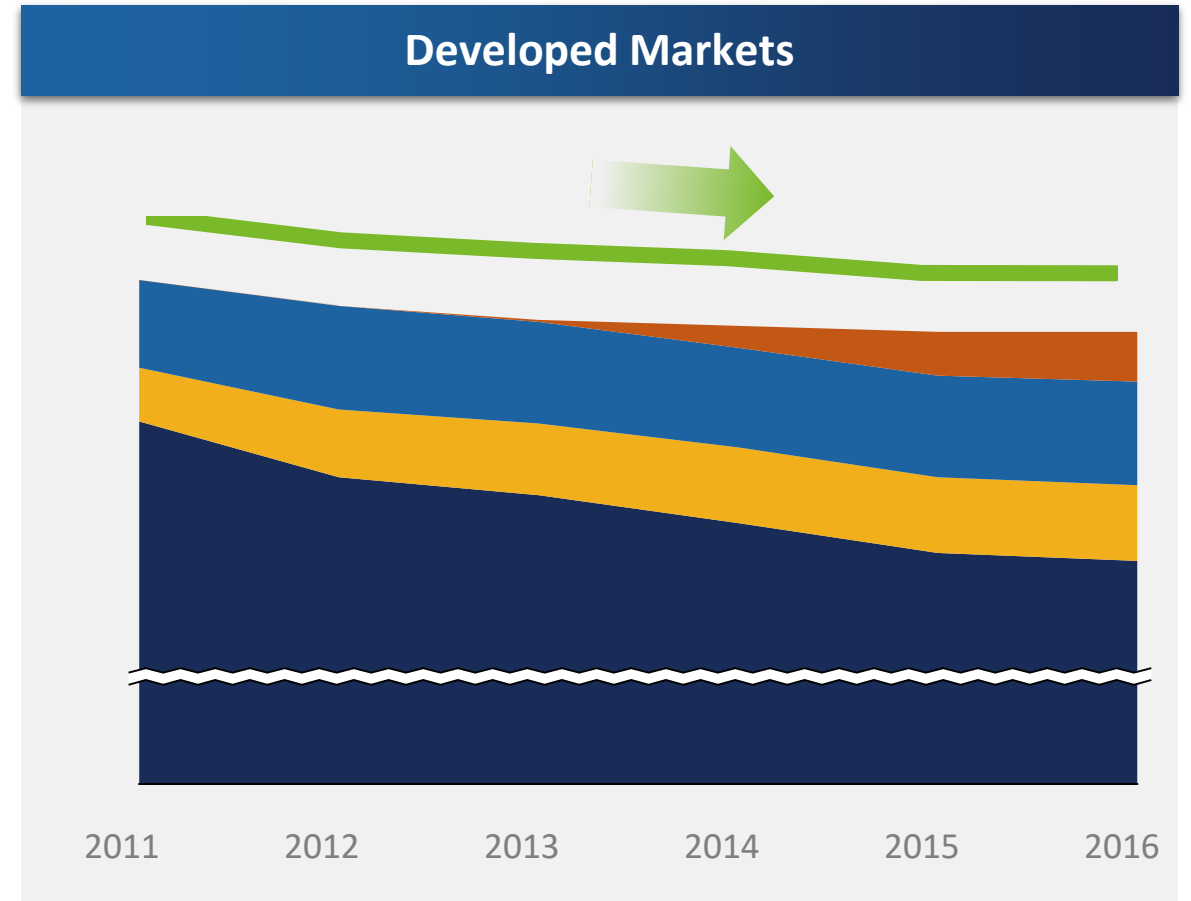
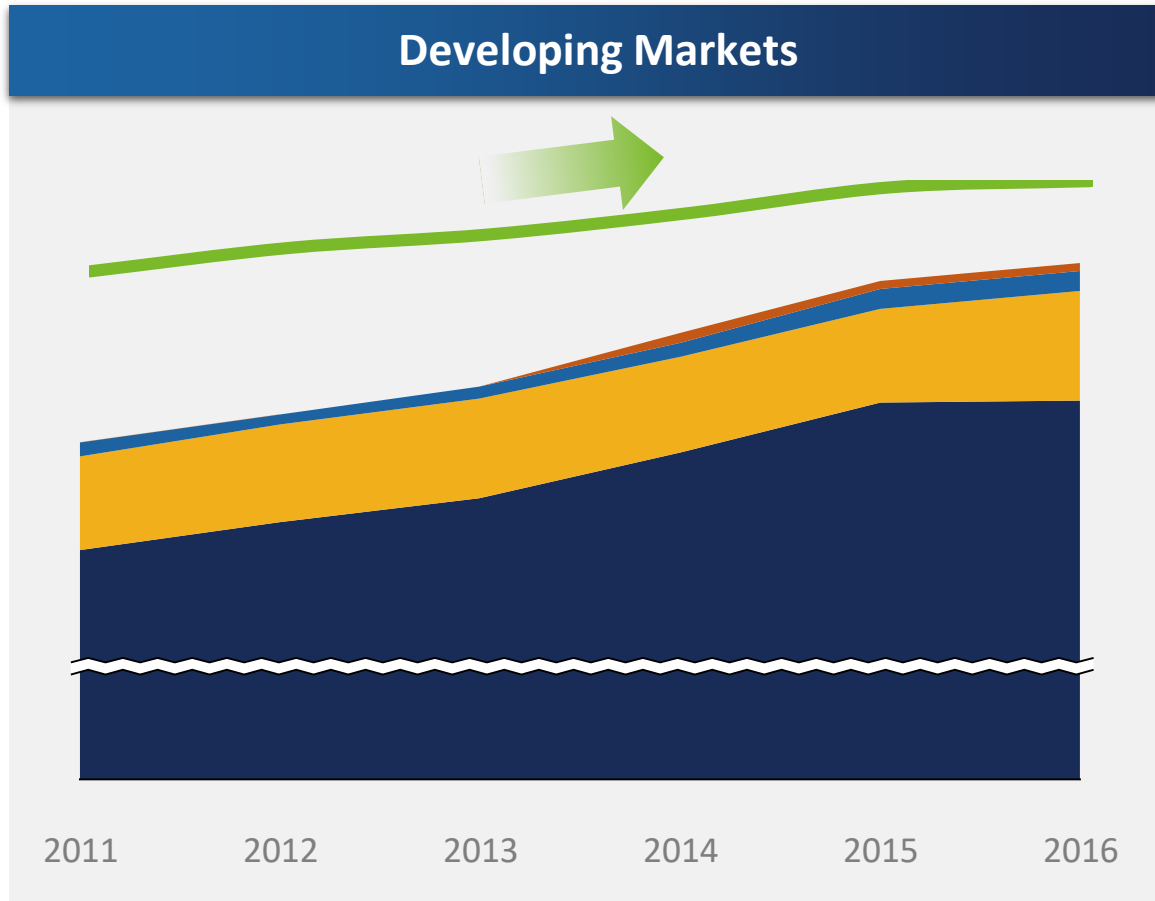
# Accelerating Fragmentation... and a Growing Consumer Pool

Total Consumer Pool (T-40 Markets\*)



Source: BAT Internal Estimates, Mn consumers \*T40 markets exclude USA, China and India

# Pace of Fragmentation varies by Market Typology



■ NGP 
 ■ FC 
 ■ DNP FMC 
 ■ DP FMC

Source: BAT Internal Estimates \*T40 markets excludes USA, China and India



# Fragmentation: Driving growth across most CPG Categories

## Fragmentation in other Categories



Latte



Americano



Chai Latte



Frappuccino



Cappuccino



Espresso



**AB InBev**

Porter



Stout



Cider



Ale



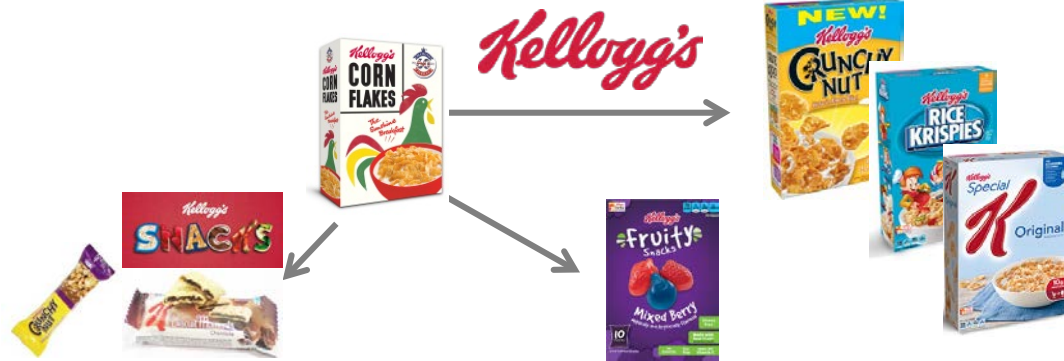
Weiss



RTD



Pilsner



# Balance between Pleasure & Risk: Multiple dimensions

## Balance between *PLEASURE* & *RISK*

### Pleasure

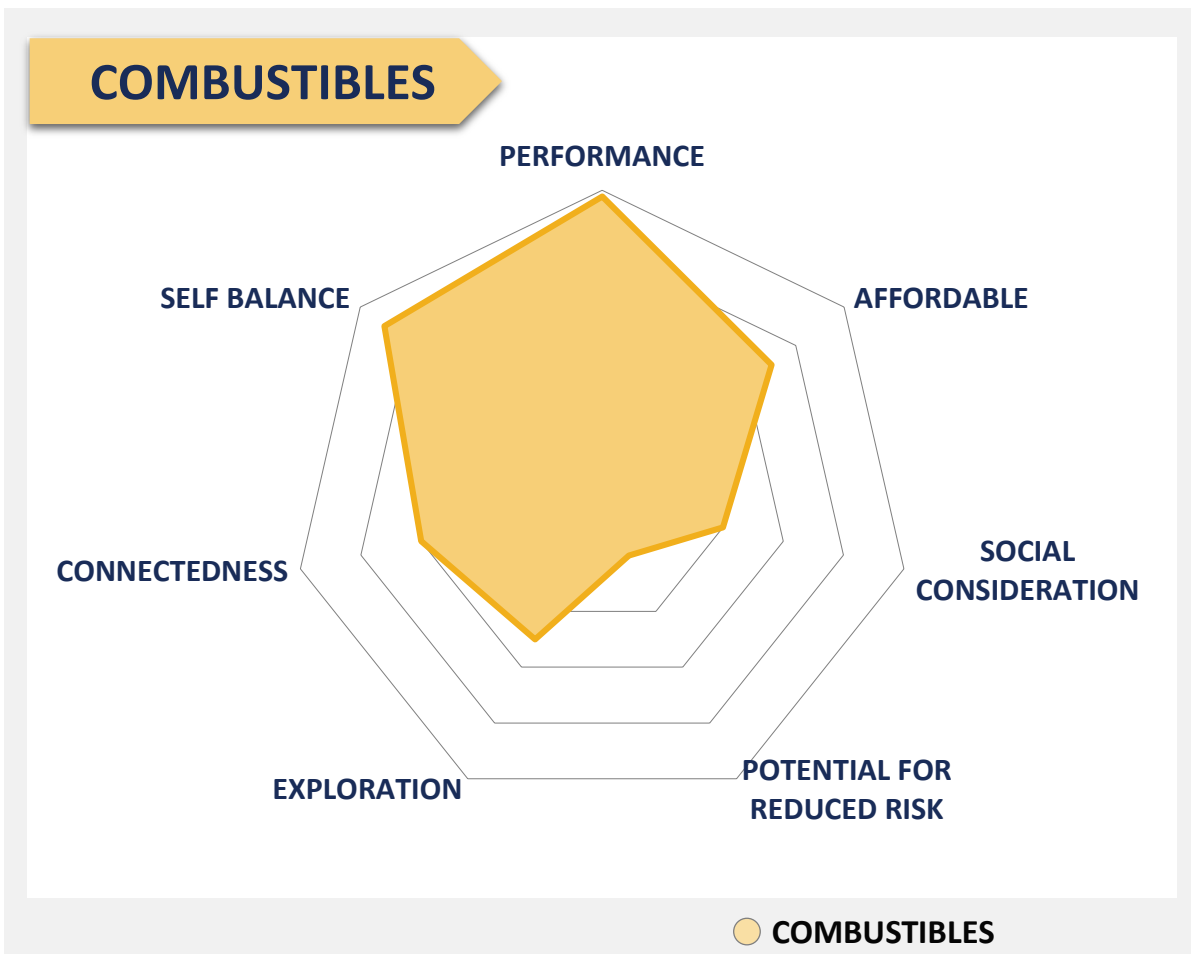
- Performance
- Self-Balance
- Connectedness
- Exploration

### Risk

- Affordability
- Social Consideration
- Risk Perception

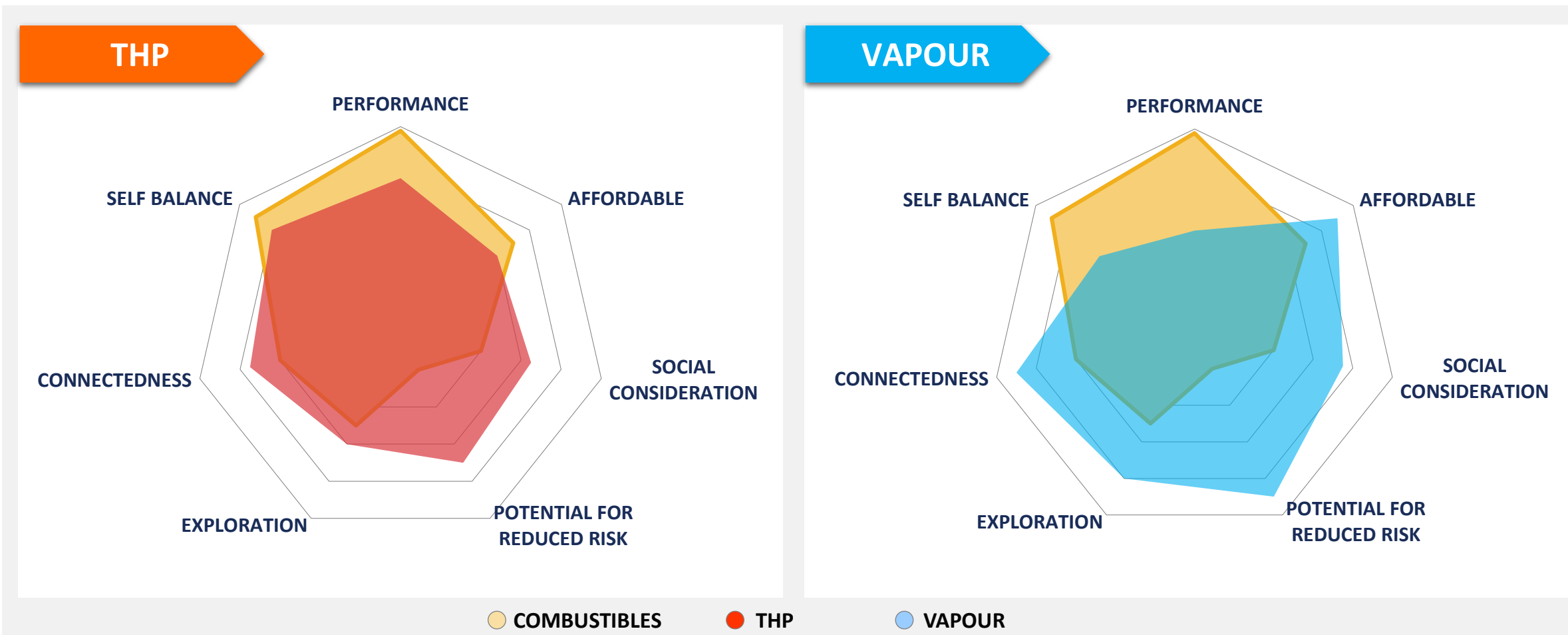


# Combustibles, THP and Vapour address different combination of needs



Source: BAT Internal Consumer Studies

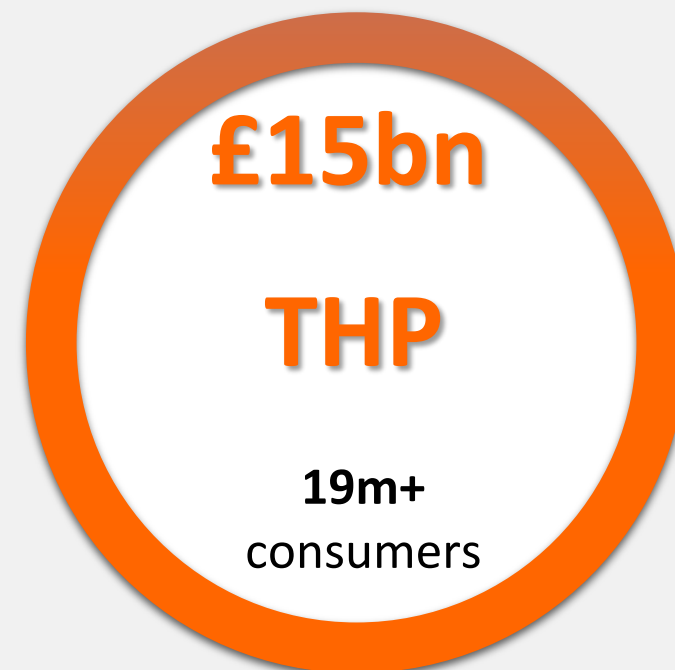
# Combustibles, THP and Vapour address different combination of needs



Source: BAT Internal Consumer Studies

# Multi-Platform Future: BIG & DISTINCT Potential

Estimated 2020 CPTO



Source: BAT Internal Estimates (T40 markets + USA)

# GDBs delivering long-term sustainable growth

BENCHMARK OF  
CONTEMPORARY  
PREMIUM STATUS



**DUNHILL**

TOBACCO OF LONDON LTD

TRUE PREMIUM,  
HIGHEST SHARE GROWTH IN  
EMERGING MARKETS IN  
LAST 6 YEARS.

THE LEADING  
PROGRESSIVE  
BRAND



LEADING BRAND IN  
PROGRESSIVE CONSUMER  
SEGMENTS OF NFF, F&S  
GLOBALLY & PIONEER IN  
NGP

THE PLEASURE  
ICON



DOUBLED BLACK SERIES  
VOLUME IN 5 CONSECUTIVE  
YEAR OF GROWTH

THE MOST POPULAR  
TOBACCO BRAND



THE BIGGEST BAT BRAND  
IN TERMS OF MARKET  
SHARE AND NTO

THE MOST  
ASPIRATIONAL VFM  
BRAND



*Rothmans*  
OF LONDON

FASTEST GROWING  
BRAND GLOBALLY FOR  
THE LAST 4 YEARS

# THE BENCHMARK OF CONTEMPORARY STATUS

The Most Globally Recognised Premium Tobacco Brand



## NEW STANDARDS IN PREMIUM

Continued investment in modern packaging and product differentiation



## TASTE DISCOVERY

Accentuating taste in tobacco and beyond – extending capsule potential

## REFINEMENT

New progressive innovations in formats & taste refinement without compromise

# DUNHILL

TOBACCO OF LONDON LTD



**DUNHILL**

TOBACCO OF LONDON LTD



# THE BENCHMARK OF CONTEMPORARY STATUS

The Most Globally Recognised Premium Tobacco Brand

Volumes: 56.8 bn (FY2016), Share: 2.4% (2017 YTD)

## PLAYING STRONG IN ROMANIA



Sustained growth in Romania- the largest super premium Brand in the market (record share of 6.8% in 2017 YTD)

## INDONESIA's #1



In Indonesia, Dunhill remains the largest international Kretek brand in the market with a 4.7% share in 2017 YTD

## GLOBAL TUBE ROLL OUT

Dunhill Flow Filter has now been deployed on over 23% of our global volume, uplifting image & improving modernity ratings across markets



**DUNHILL**

TOBACCO OF LONDON LTD

# KENT EXISTS TO INSPIRE YOU

TO CREATE A BETTER WAY



## AMBITION

To be the world's most progressive brand in tobacco enjoyment



## INSIGHT

Change is disturbing when it is done TO us, exhilarating when done BY us



## PRODUCT IDEAL

Pioneering better ways to experience tobacco and beyond



## CONSUMER BENEFIT

"I feel liberated and enjoy the inspiration of exploring the leading edge for myself."

SPARK INSPIRATION

## CREATIVE IDEA

A new beginning  
A new inspiration  
A new optimism

Klabs

## ENGAGEMENT PLATFORM

Pioneering minds creating the future of tobacco enjoyment. Join us in the inspired search for a better way

BUILDING THE WORLD'S  
**MOST PROGRESSIVE BRAND**  
 IN TOBACCO ENJOYMENT

**+10%**

VOLUME GROWTH

**2.5%**

HIGHEST SHARE EVER  
 JULY'17 SOM

**+22%**

NTO GROWTH

SUCCESSFUL FREE TO  
 KENT MIGRATION

 **6** bn sticks

(Franchise retention + SOB attraction)

GROWTH IN SLIMMER  
 GENERATION

 **1.8%**

Jul'17 SOM  
 (KENT Demi 90mm – in 9 months)

PROMISING RESULTS IN  
 STRATEGIC SEGMENTS

 **6.7%**


Jul'17 SOM  
 (KENT SOM +3.1 pp vs Jul'16)

SHAPPING PROGRESSIVE  
 CONSIDERATION

 **0.6%**

Jul'17 SOM  
 (KENT DS Switch - 4 months)

FASTEST GROWING FMC BRAND & BUILDING  
 NEW GENERATION EXPERIENCES

 **4.2%**      **8.3%**

Jul'17 SOM      Jul'17 SOM  
 (KENT SS 100's)      (KENT THP SENDAI)

**KENT'S STRATEGY TO ACCELERATE GROWTH AND SHAPE PROGRESSIVE CONSIDERATION IS WORKING**



# LUCKIES: THE NEW GENERATION IDENTITY

CONSTANT GROWTH IN GLOBAL SOM (YTD +0.2pp)

VOLUME UP +12.5% IN H1'17 DRIVEN BY BLACK SERIES (+4.5% VS SPLY) AND INDONESIA



## Chile

registered staggering **19.5%** record share in June '17

(+0.83pp vs June '16)



## Spain

Fastest growing brand in Spain driven by **Black Series** reaching record share of 1.95% in June'17

(+0.61pp vs June'16)



## Colombia

SOM reached a record **9.4%** in June'17

(+2.30pp vs June '16)



## Indonesia

Successful Geo-expansion

(8bn Sticks in 2017; 1.64pp YTD SOM)

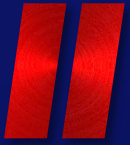


## Germany

Biggest Market in WER and reaching record high share in June

(+0.6pp vs June'16)





# BRAND CODE TO FURTHER FUEL FAST GROWTH ACROSS KEY MARKETS



FASTEST GROWING BRAND IN BWAP  
RECORD SOM GROWTH

GERMANY

+0.6 SOM VS. SPLY (JUN'17)



FASTEST GROWING BRAND IN SERBIA  
+1.4 SOM YTD'17 VS. '16

SERBIA

EXTRA CUT PREMIUMNESS &  
INNOVATION DRIVING +1.1 SOM YTD'17 VS. '16

FROM A 100 Bn st VFM OFFER TO A POWERFUL GLOBAL BRAND

8% SOM IN KEY KSA CITIES IN 1YR



DRIVING GROWTH THROUGH  
STIMULATION & INNOVATIONS  
+2.1% SOM VS. SPLY (JAN'17)

ROMANIA



FASTEST GROWING BRAND IN MEXICO

MEXICO



MAXIMIZING EXCISE OPPORTUNITY  
BECOMING BIGGEST BRAND IN ARAB LOW

ARUBA SUNRISE (MANGO/BERRY) AT  
0.93% SOM WITHIN 3 WEEKS OF LAUNCH





# BENCHMARK OF ACCESSIBLE STATUS

Packaging

Product



Creative Idea:  
"Made Of"



EVOLUTION

SIGNATURE  
TASTE

Engagement Platform

## ROTHMANS INSPIRES YOU TO KEEP TAKING THE LEAD

# ROTHMANS: BENCHMARK OF ACCESSIBLE STATUS

Fastest growing brand in the category for the 3<sup>rd</sup> consecutive year!  
**+38%** volume, **+0.6pp** volume share growth, and **+ 0.7pp** value share growth

## THE # 1 DEMI SLIMS OFFER IN RUSSIA, UKRAINE AND KAZAKHSTAN



Russia

SOM **8.2%** IN (Jun'17 YTD)




Ukraine

SOM **11.3%** (Jun'17 YTD)



Kazakhstan

SOM **9.4%** (Jun'17 YTD)

 **TURKEY – Most successful brand in past 10 years**  
**@3.9% SOM** (Jun'17 YTD)

### WINNING MIX OF:

- PREMIUM PACKAGING
- BEST PRODUCT
- TUBE FILTER



**RUSSIA - No.1 Capsules SKU in the market**

Demi Core, 4.1% Share (Jun'17 YTD)

Demi Capsules, 2.9% Share (Jun'17 YTD)



**AUSTRALIA – RECORD MARKET SHARE**

**@16.6 %** (Jun'17 YTD)

**THE HIGHEST ROTHMANS SHARE GLOBALLY**

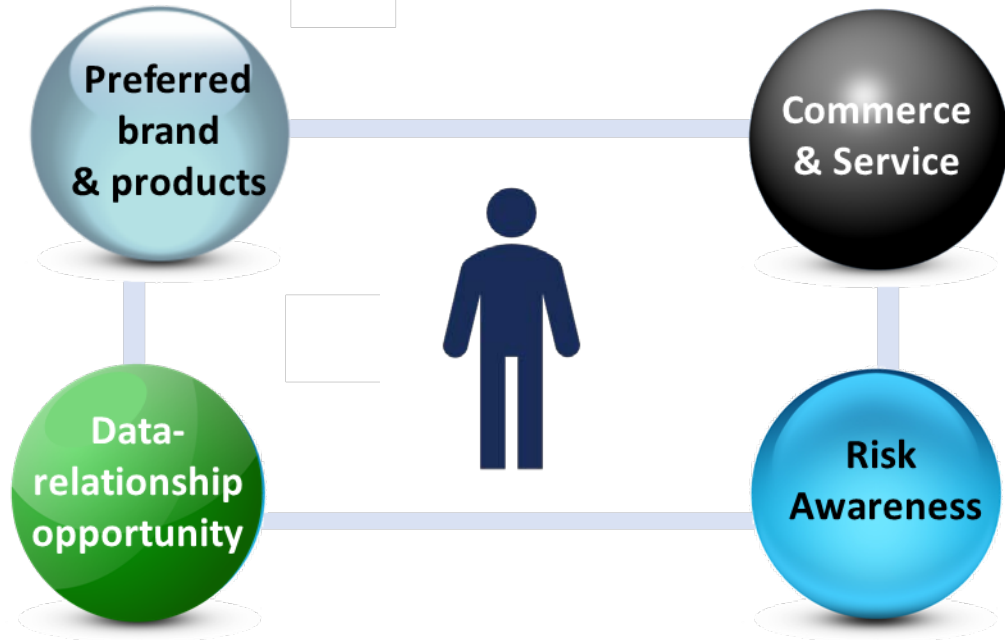
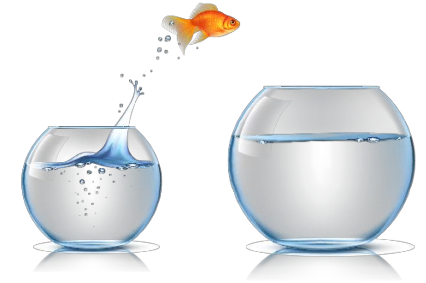
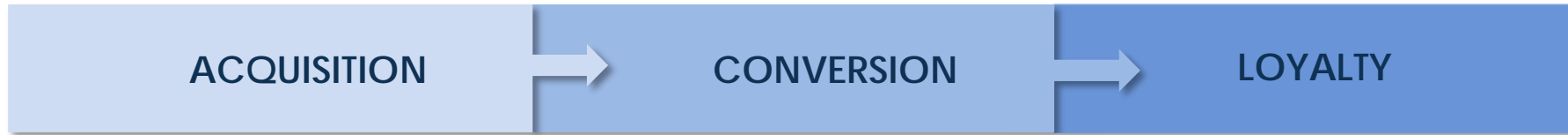
SUCCESSFUL RE-LAUNCH IN  
A HIGHLY REGULATED  
MARKET ENVIRONMENT  
WITH PLAIN PACKAGING





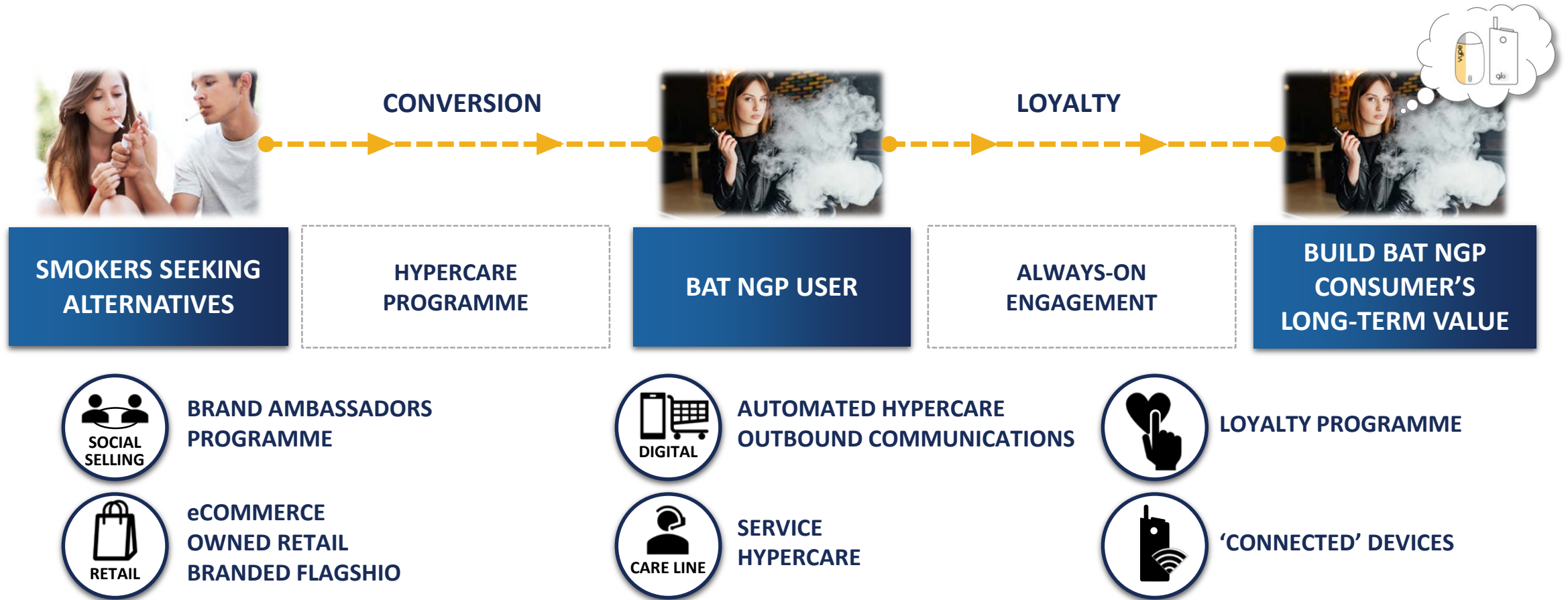
# NGP Consumer Engagement

A very different marketing “job-to-be-done”



# NGP Social Selling approach

A route to consumer model to drive NGP consumer conversion and loyalty at scale



# Retailing: Establish a Consumer Interface and drive Category Captaincy with a range of inspiring NGP products

**>1,000**

Stores or kiosks  
in Poland,  
UK and Ireland



**>10mn**

new and repeat  
purchase consumers



**>3,000**

Stores or kiosks  
until 2020



**8 markets**

with e-commerce  
Govvye, Ten Motives  
& VIP



**12 markets**

Establish retail  
until 2020



# We are in a strong position to continue to Grow

## Strengthening Our GDBs



## Investing in NGPs



## Excellence in Activation and Consumer Engagement





# Thank you

