



BRITISH AMERICAN  
TOBACCO

# Investor Day | 14 March 2019

# STEP-CHANGING NEW CATEGORIES

A very significant growth opportunity

PAUL LAGEWEG | DIRECTOR NEW CATEGORIES



# Important Information

The information contained in this presentation in relation to British American Tobacco p.l.c. (“BAT”) and its subsidiaries has been prepared solely for use at this presentation. The presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

References in this presentation to ‘British American Tobacco’, ‘BAT’, ‘Group’, ‘we’, ‘us’ and ‘our’ when denoting opinion refer to British American Tobacco p.l.c. and when denoting tobacco business activity refer to British American Tobacco Group operating companies, collectively or individually as the case may be.

The information contained in this presentation does not purport to be comprehensive and has not been independently verified. Certain industry and market data contained in this presentation has come from third party sources. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of accuracy or completeness of such data.

## Forward-looking Statements

This presentation does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any BAT shares or other securities. This presentation contains certain forward-looking statements, made within the meaning of Section 21E of the United States Securities Exchange Act of 1934, regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates.

These statements are often, but not always, made through the use of words or phrases such as “believe,” “anticipate,” “could,” “may,” “would,” “should,” “intend,” “plan,” “potential,” “predict,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy,” “outlook,” “target” and similar expressions.

It is believed that the expectations reflected in this presentation are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

The forward-looking statements reflect knowledge and information available at the date of preparation of this presentation and BAT undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the impact of competition from illicit trade; the impact of adverse domestic or international legislation and regulation; changes in domestic or international tax laws and rates; adverse litigation and dispute outcomes and the effect of such outcomes on the Group’s financial condition; changes or differences in domestic or international economic or political conditions; adverse decisions by domestic or international regulatory bodies; the impact of market size reduction and consumer down-trading; translational and transactional foreign exchange rate exposure; the impact of serious injury, illness or death in the workplace; the ability to maintain credit ratings and to fund the business under the current capital structure; the inability to develop, commercialise and roll-out Potentially Reduced-Risk Products; and changes in the market position, businesses, financial condition, results of operations or prospects of the Group.

# Important Information

## Forward-looking Statements (continued)

Additional information concerning these and other factors can be found in BAT's filings with the U.S. Securities and Exchange Commission ("SEC"), including the Annual Report on Form 20-F to be filed on 15 March 2019 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 the British American Tobacco website [www.bat.com](http://www.bat.com).

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. Readers are cautioned not to place undue reliance on such forward-looking statements.

## No Profit or Earnings Per Share Forecasts

No statement in this presentation is intended to be a profit forecast and no statement in this presentation 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.

## Audience

The material in this presentation is provided for the purpose of giving information about BAT and its subsidiaries to investors only and is not intended for general consumers. BAT, its directors, officers, employees, agents or advisers do not accept or assume responsibility to any other person to whom this material is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The material in this presentation is not provided for product advertising, promotional or marketing purposes. This material does not constitute and should not be construed as constituting an offer to sell, or a solicitation of an offer to buy, any of our products. Our products are sold only in compliance with the laws of the particular jurisdictions in which they are sold.

## Additional Information

All financial statements and financial information provided by or with respect to the US or Reynolds American Inc. ("RAI") are initially prepared on the basis of U.S. GAAP and constitute the primary financial statements or financial records of the US business/RAI. This financial information is then converted to International Financial Reporting Standards as issued by the IASB and as adopted by the European Union (IFRS) for the purpose of consolidation within the results of the BAT Group. To the extent any such financial information provided in this presentation relates to the US or RAI it is provided as an explanation of, or supplement to, RAI's primary U.S. GAAP based financial statements and information.

Our vapour product Vuse, and oral products Grizzly, Camel Snus and Kodiak, which are only sold in the US, are subject to FDA regulation and no reduced-risk claims will be made to these products without agency clearance.

## Revision

For presentation purposes within this presentation, all prior periods have been revised to be consistent with the current reporting structure. All of the information in this presentation is in respect to continuing operations, revised for the fully retrospective adoption of IFRS 15.

**PAUL  
LAGEWEG**

**Director, New Categories**  
**27y** *Global FMCG and  
tobacco experience*



**BRITISH AMERICAN  
TOBACCO**



- **BRITISH AMERICAN TOBACCO**
  - *Regional Head of Marketing, Asia-Pacific and Middle East*
  - *Group Head of Marketing Futures*
  - *Area Director, East-Asia*
- **KIMBERLY-CLARK CORPORATION**
  - *CEO South Asia / CEO Philippines, India & Vietnam*
- **UNILEVER**
  - *CEO Vietnam*
  - *Other Senior Sales & Marketing roles*

# STEP-CHANGING NEW CATEGORIES



**BACK IN A GROWTH INDUSTRY**



**NEW CATEGORIES ENHANCE PROFITABILITY**



**WINNING WITH RECENT OFFERS IN KEY MARKETS**



**A STRONG PIPELINE OF TRANSFORMATIONAL TECHNOLOGIES**

# STEP-CHANGING NEW CATEGORIES



**BACK IN A GROWTH INDUSTRY**



**NEW CATEGORIES ENHANCE PROFITABILITY**



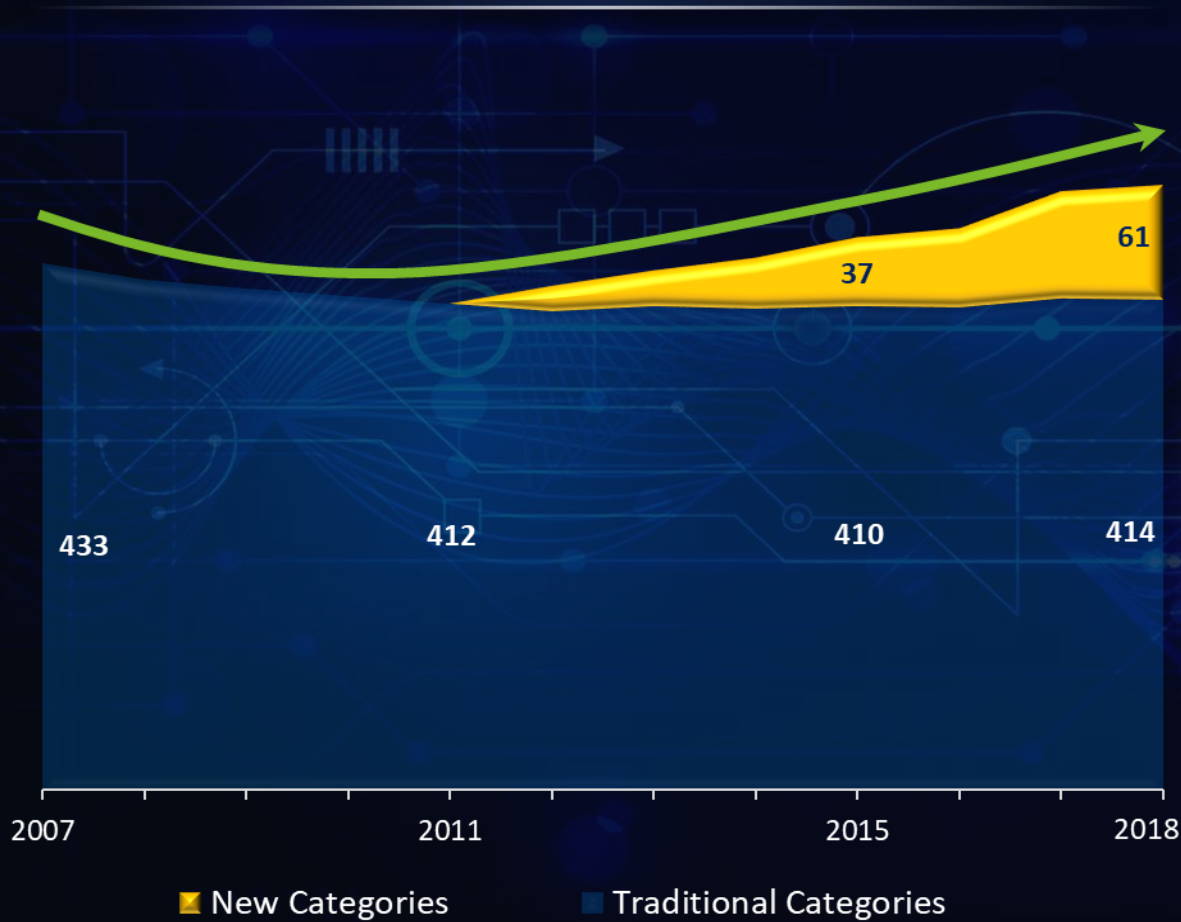
**WINNING WITH RECENT OFFERS IN KEY MARKETS**



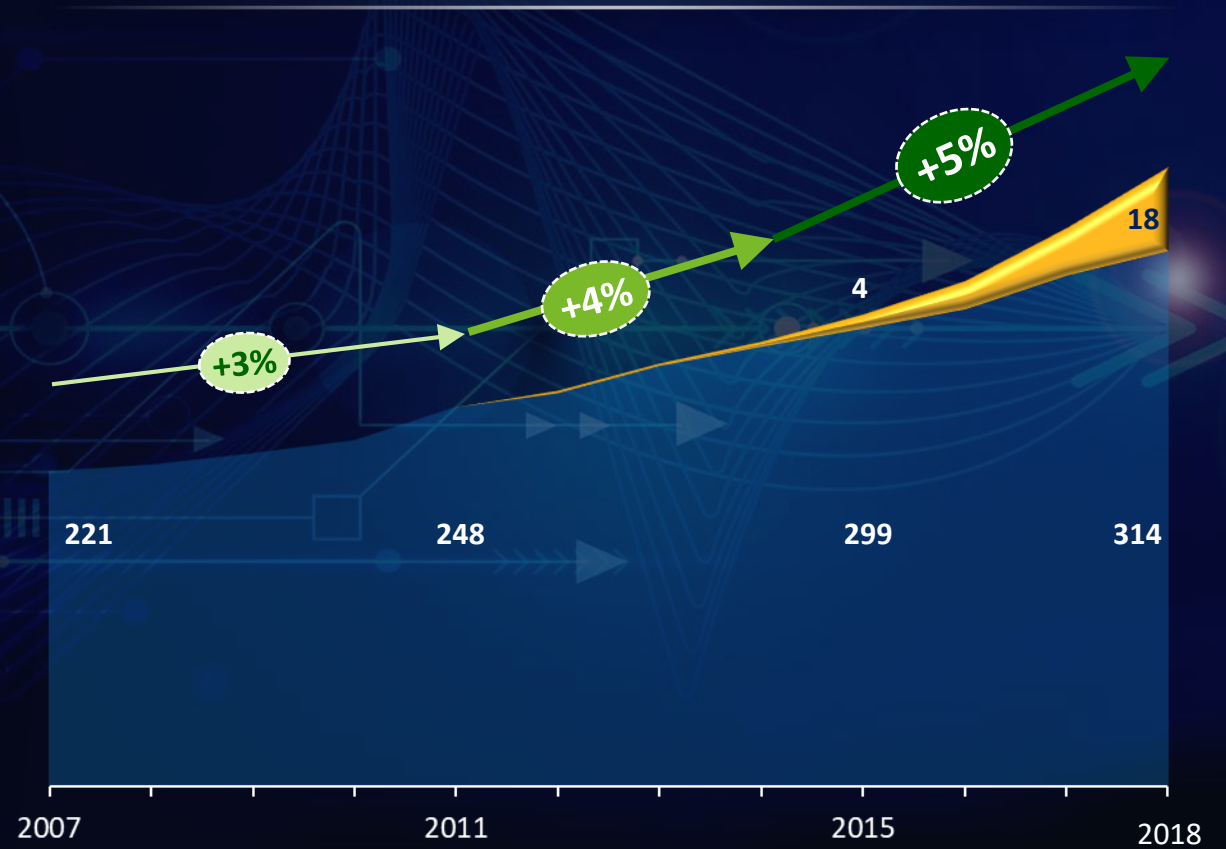
**A STRONG PIPELINE OF TRANSFORMATIONAL TECHNOLOGIES**

# New Categories attract more consumers and generate more revenue growth

# NICOTINE CONSUMERS (Mn)



RETAIL VALUE OF NICOTINE CATEGORIES (£bn)



Source: Incidence Study & BAT internal estimates (Top 40 markets, Excl, China, India)

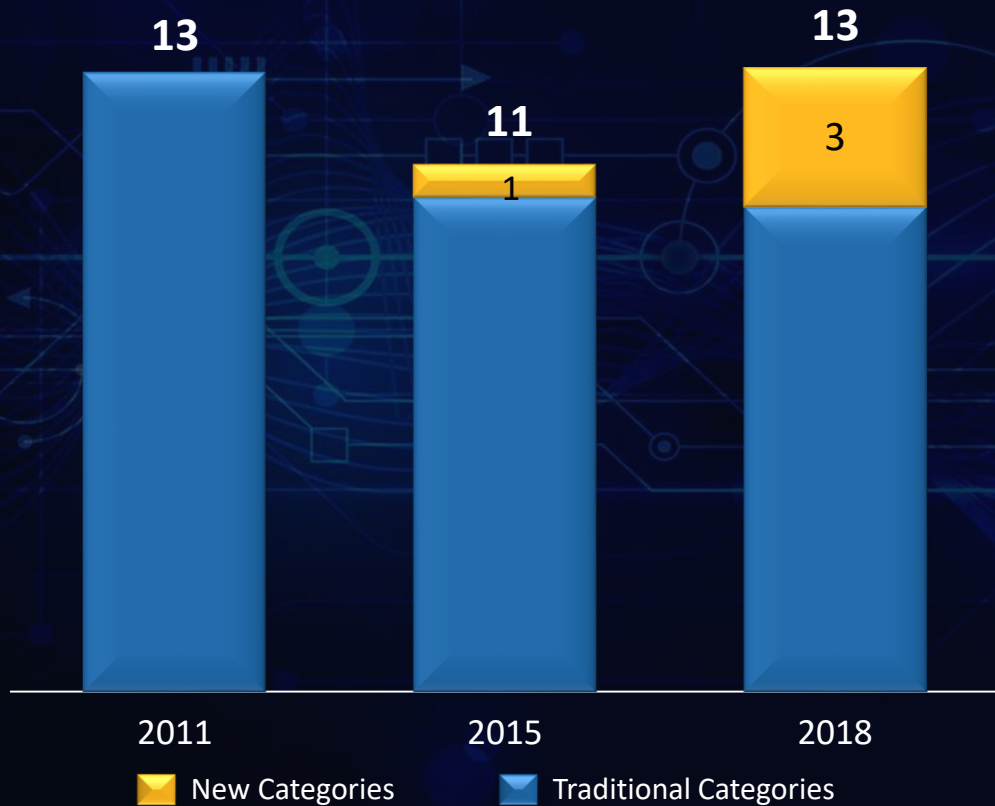
All Retail Value calculated in Constant 2019 Budget rates

New Categories include Vapour, THP and Modern Oral



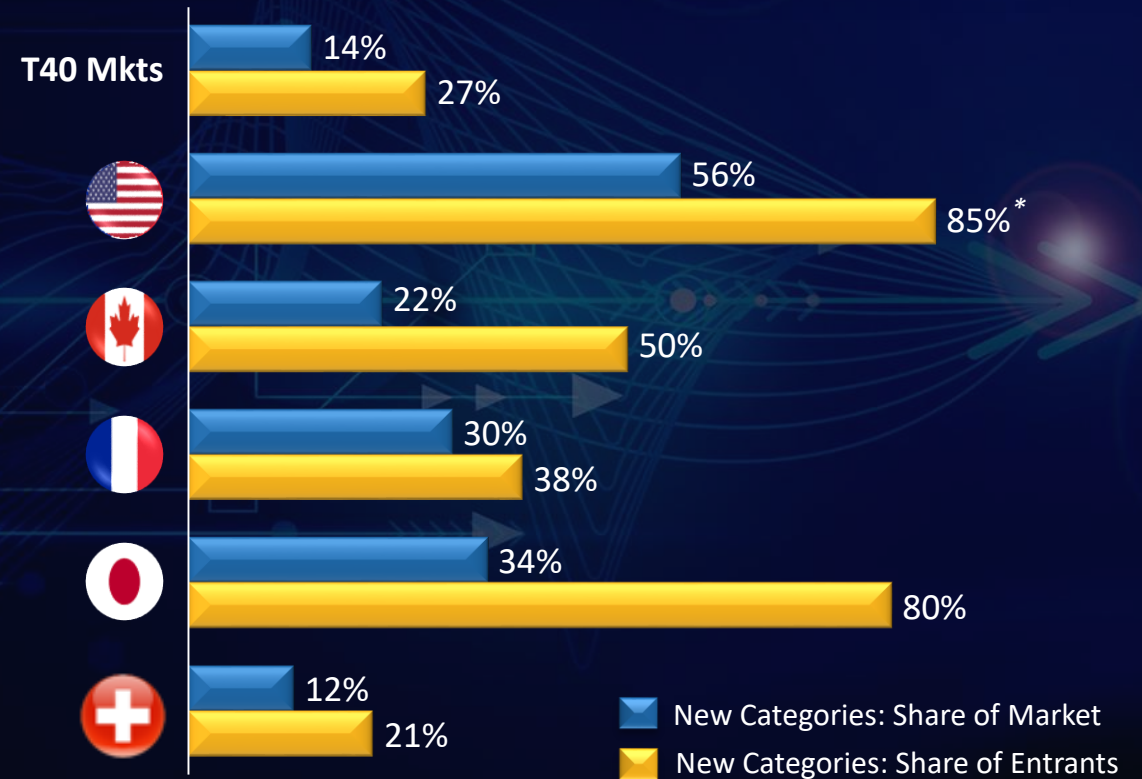
# New Categories' growth driven by entrants

NEW ENTRANTS INTO NICOTINE (Mn consumers)



New Categories include Vapour, THP and Modern Oral

% ENTRANTS USING NEW CATEGORIES



Entrants: 18+ or older entering nicotine category

\*Entrants US: Share among Adult users: 21-25 yrs

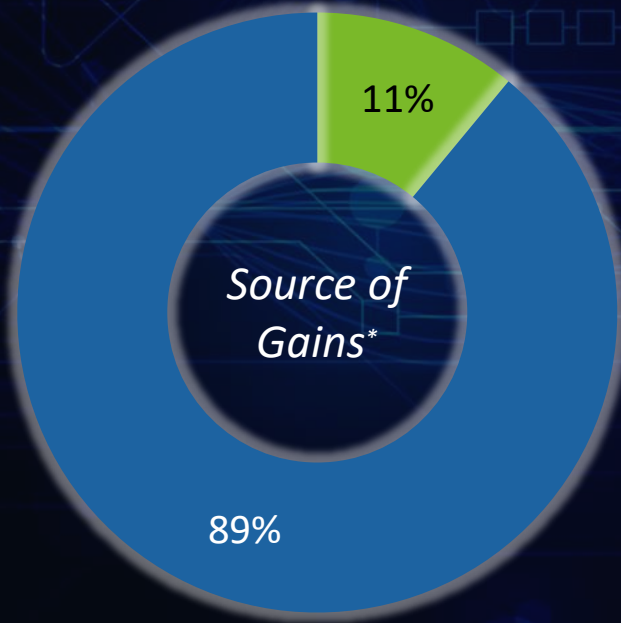
Source: Consumer Tracking research

# Significant portion of Vapour & Modern Oral growth driven by entrants



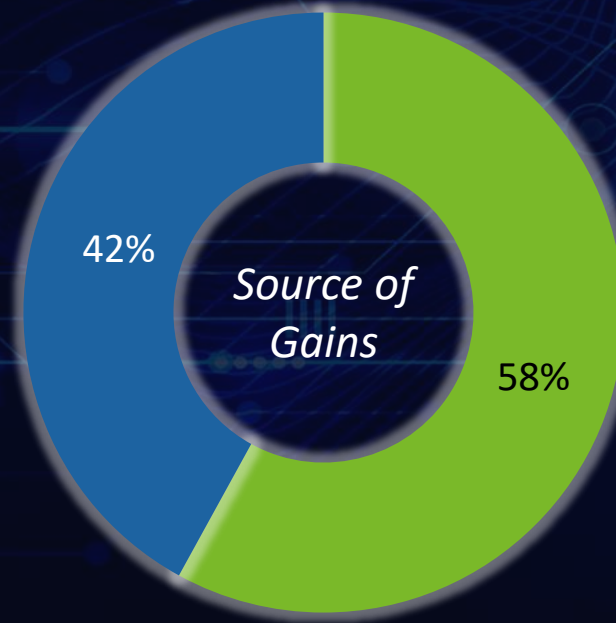
THP

Growth driven by Switching  
...Entrants share increasing



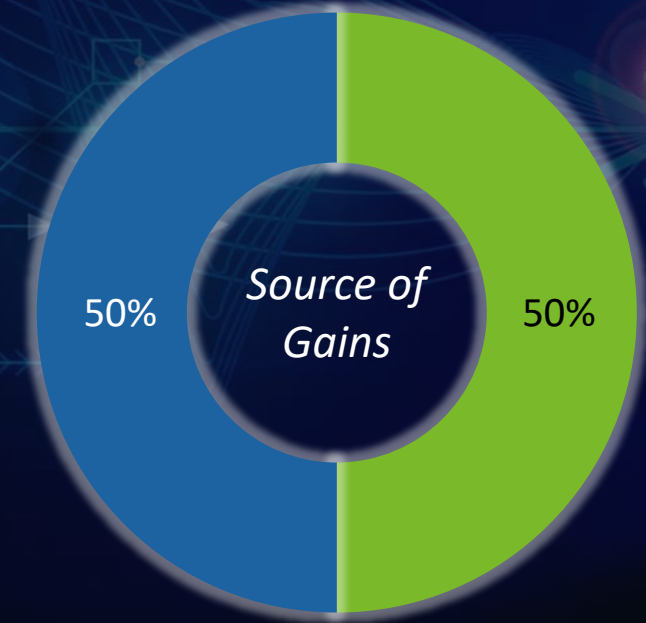
Vapour

..more than half  
New entrants



Modern Oral

Balanced



● Switching ● Entry

\* Split of consumers entering new categories: Switching from Combustibles and Nicotine (Adult) Entrants

Entrants: 18+ or older entering nicotine category Source: Consumer Tracking research

# No single category meets all requirements

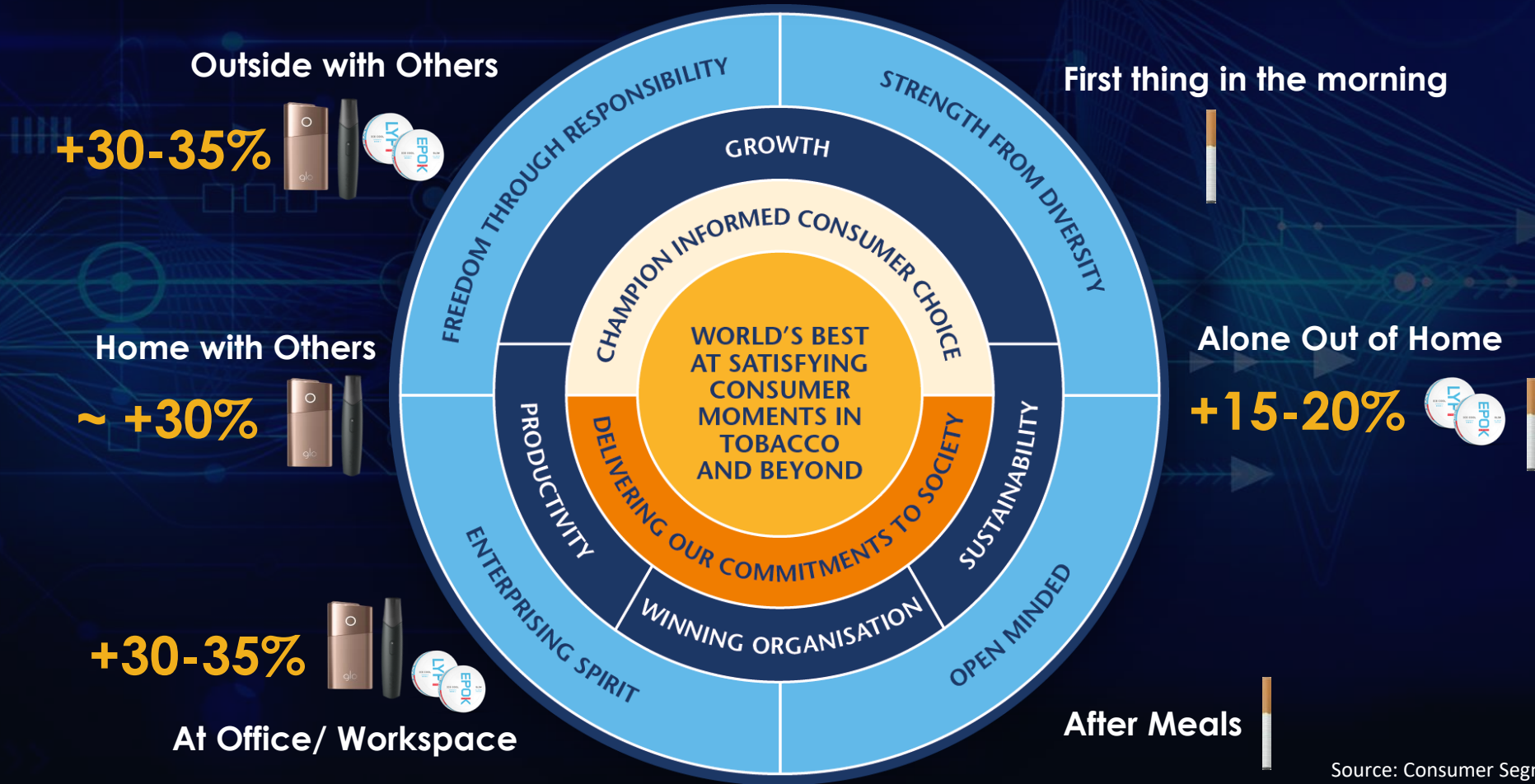
New Categories address unmet requirements better



Source: Landscape Study (Consumer research)

# Moments are being regained through poly usage

## CATEGORY USAGE ACROSS MOMENTS



Source: Consumer Segmentation & Tracking study

# STEP-CHANGING NEW CATEGORIES



BACK IN A GROWTH INDUSTRY



NEW CATEGORIES ENHANCE PROFITABILITY



WINNING WITH RECENT OFFERS IN KEY MARKETS



A STRONG PIPELINE OF TRANSFORMATIONAL TECHNOLOGIES

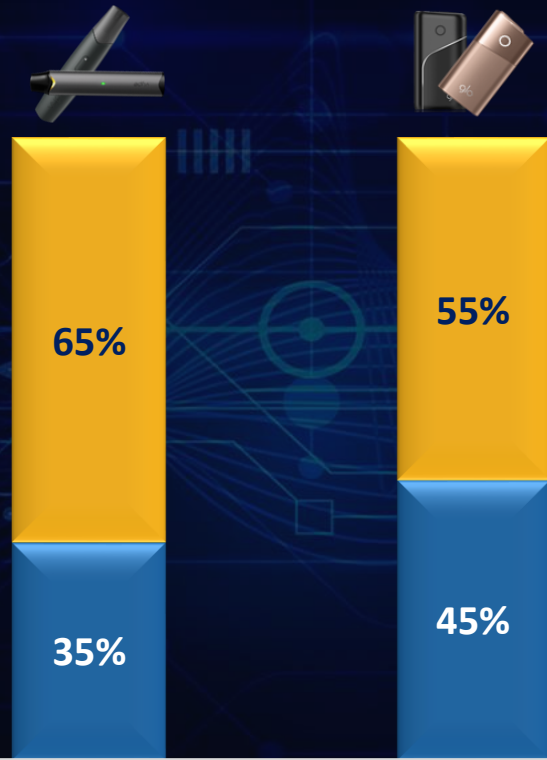
# Poly-usage is value accretive

## NEW CATEGORY CONSUMERS COMPOSITION



THP

Revenue\* per Consumer



Vapour

THP

■ Solus

■ Poly usage



VAPOUR

Revenue per Consumer



Source: Incidence Study, Consumer Segmentation & BAT internal estimates

^ Vapour Revenue based on latest Vuse product

\* Indexed revenue vs. solus cigarettes consumer  
Poly usage value accretive vs. Solus cigarette usage

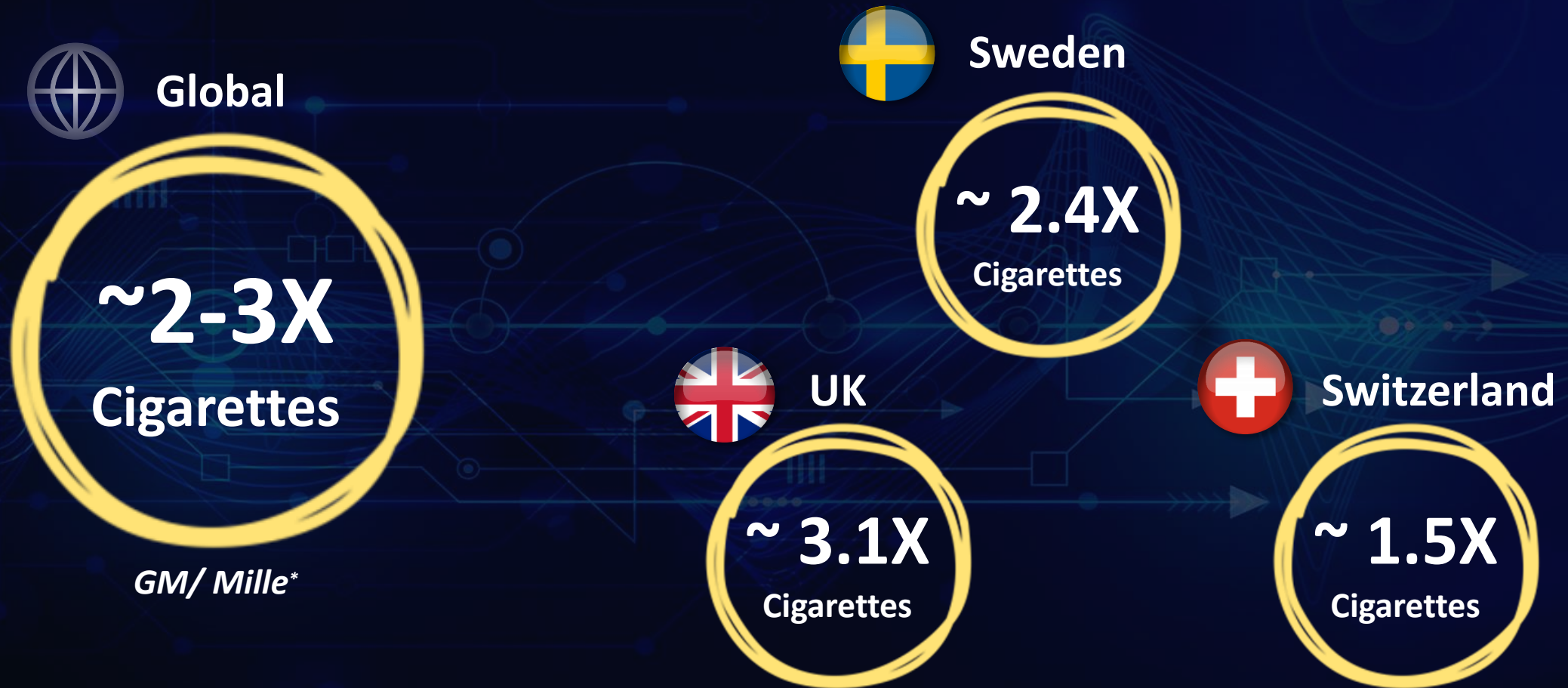
# THP has significantly higher margins than cigarettes



\* per 1000 cigarettes

Source: BAT internal estimates; Consumables margin comparison at 2018 Actual Exchange rate

# Modern Oral also has significantly higher margins



\* per 1000 cigarettes

Source: BAT internal estimates; 2018 Actual Exchange rate



# Vaping margins to improve due to evolving landscape

OPEN TO > CLOSED SYSTEM



THE FUTURE



VAPE STORES TO > TRADITIONAL RETAIL



BRAND CONSOLIDATION



vuse

vype

blu

JUUL

INCREASED REGULATIONS



U.S. FOOD & DRUG  
ADMINISTRATION

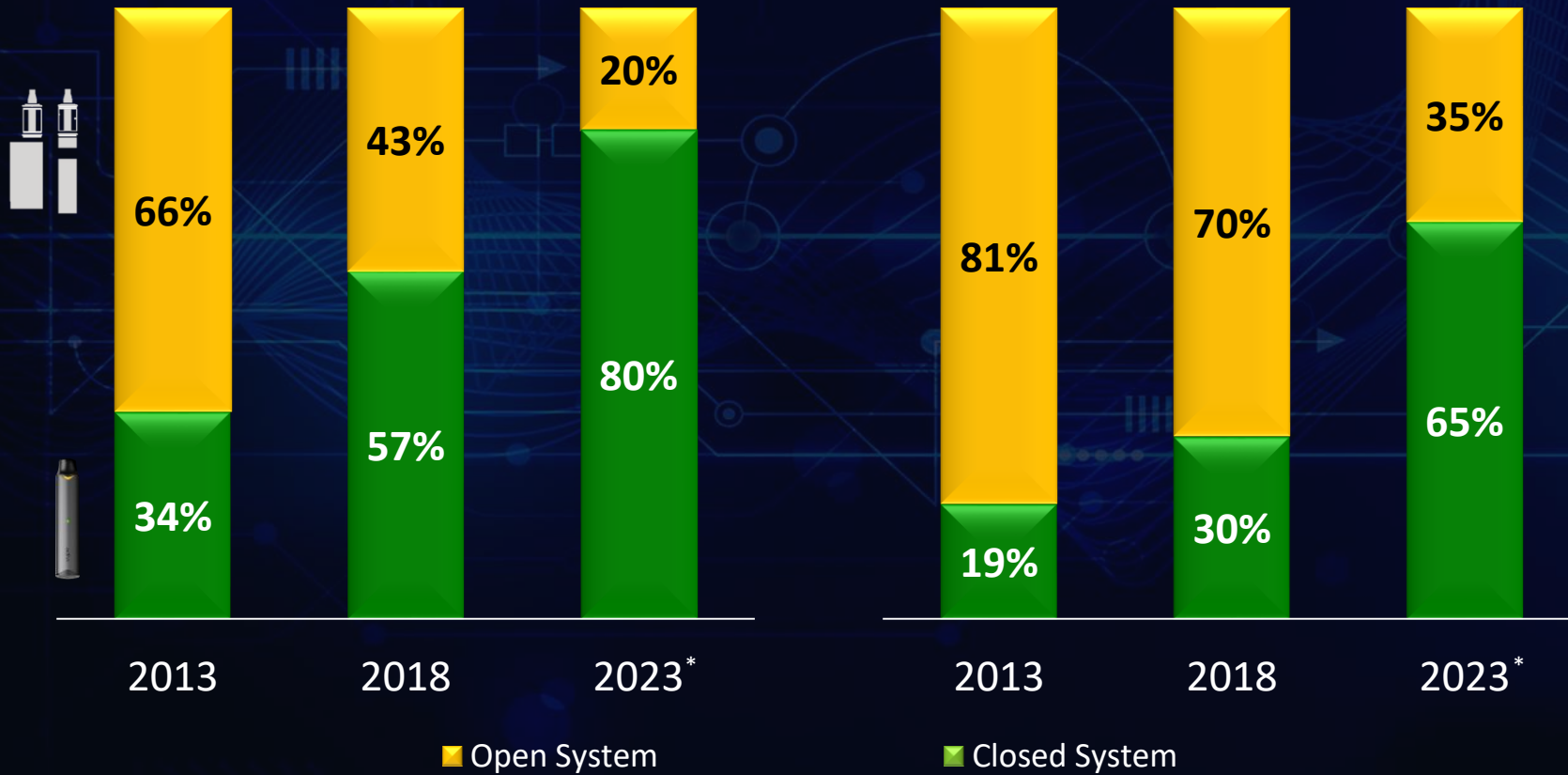
# Shift from Open to Closed Systems



VAPING REVENUE (£bn)



VAPING REVENUE (£bn)

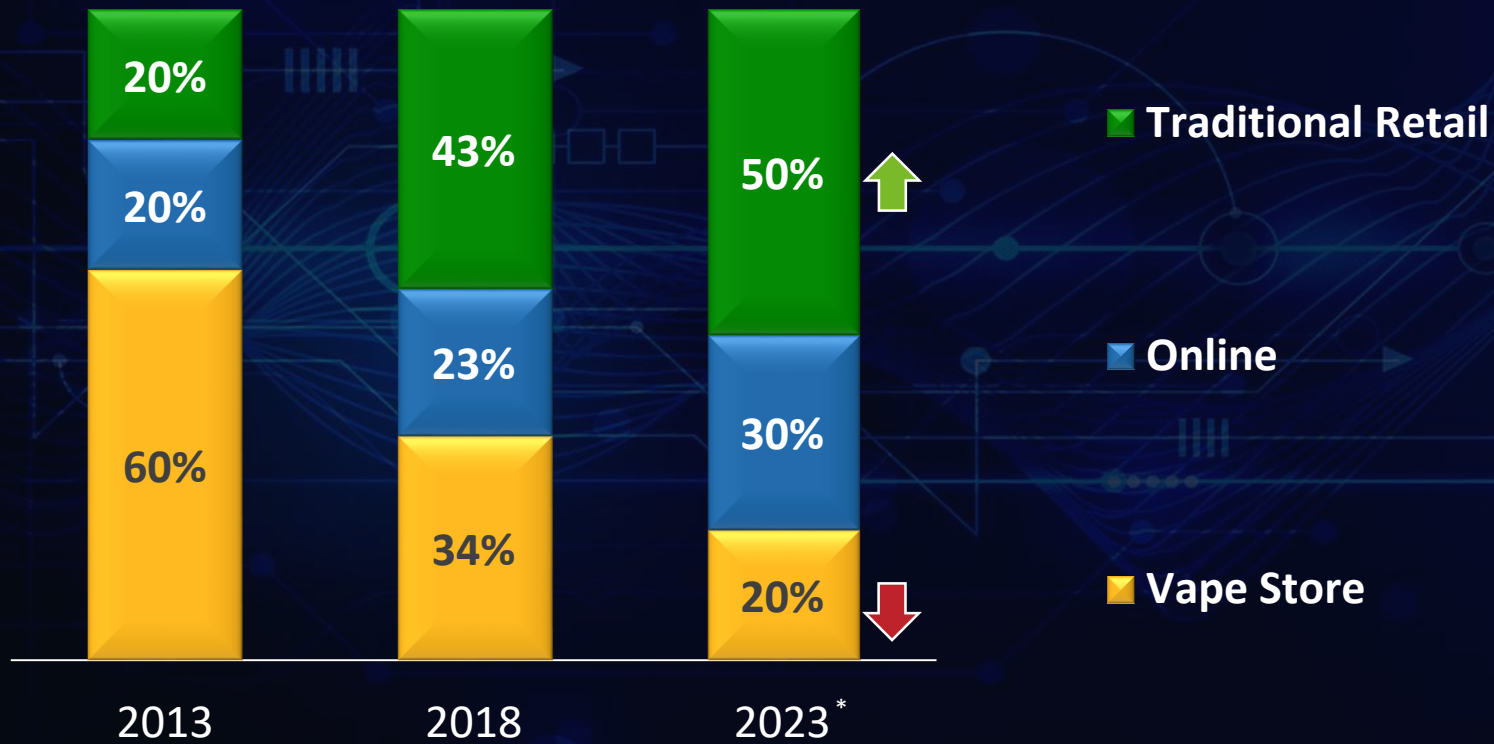


Source: BAT internal estimates  
\* Estimate

Revenue calculated at constant 2019 Budget rates

# Channel shift enhancing margins

## VAPING RETAIL OUTLOOK



Source: BAT internal estimates  
\* Estimate

Retail Value calculated at constant 2019 Budget rates

# Shift from Fragmentation to Consolidation



TOP 3 PLAYERS RETAIL VALUE CONTRIBUTION (2018 FY)

87%



64%



Source: Measured Retail data

Regulation will further accelerate these trends

FDA – 2021/2 PMTA



**U.S. FOOD & DRUG**  
ADMINISTRATION

# Vaping margins to improve due to evolving landscape

SHIFT FROM **OPEN TO  
CLOSED SYSTEMS**

SHIFT FROM **VAPE STORES  
TO TRADITIONAL RETAIL  
AND ONLINE**

**BRAND  
CONSOLIDATION**

**INCREASED  
REGULATION**

# New Categories represent a significant growth opportunity



**Growing number of Nicotine Consumers**



**Increased number of Usage Occasions**

Global



GM/ Mille

**Better THP Margins**

Global



GM/ Mille

**Better Modern Oral Margins**

**Vaping margins will improve**

SHIFT FROM OPEN TO CLOSED SYSTEMS

SHIFT FROM VAPE STORES TO TRADITIONAL RETAIL AND ONLINE

BRAND CONSOLIDATION

INCREASED REGULATION

# STEP-CHANGING NEW CATEGORIES



BACK IN A GROWTH INDUSTRY



NEW CATEGORIES ENHANCE PROFITABILITY



WINNING WITH RECENT OFFERS IN KEY MARKETS



A STRONG PIPELINE OF TRANSFORMATIONAL TECHNOLOGIES

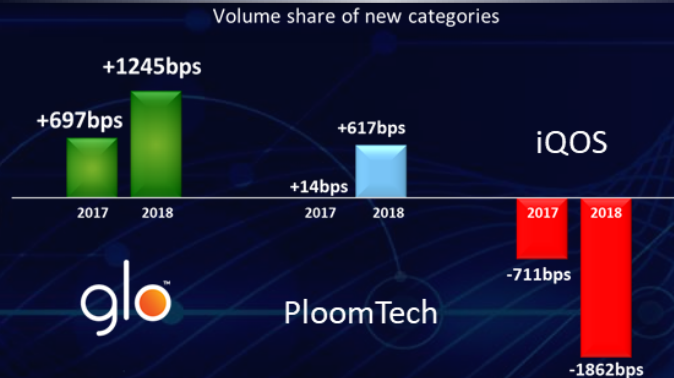


# WINNING WITH RECENT OFFERS IN KEY MARKETS | THP

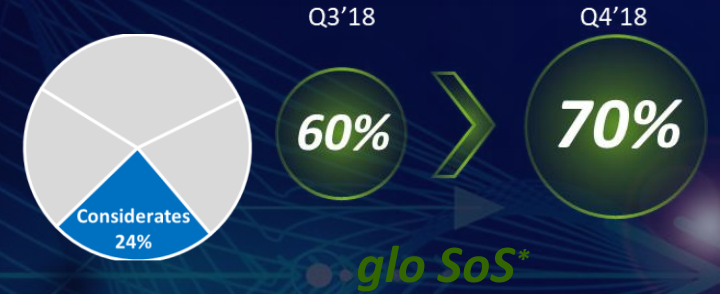
## TRIPLED VOLUME AND REVENUE IN 2018



## FASTEST GROWING IN JAPAN



## GLO LEADING WITH 70% SHARE AMONG CONSIDERATES



## IMPROVING COMPETITIVENESS AMONG INNOVATION ENTHUSIASTS



## NEW PIPELINE WILL IMPROVE SATISFACTION AND DEVICE APPEAL



## BUILDING CAPABILITIES FOR GROWTH IN EUROPE



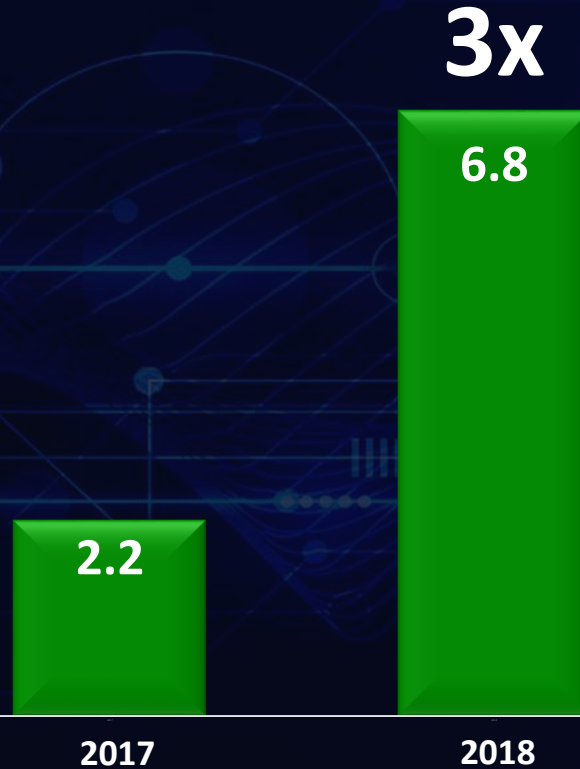
\* glo share of segment among Considerates segment in Japan (Consumer tracking)

<sup>^</sup> glo share of segment among Innovation Enthusiasts segment in Japan (Consumer tracking)

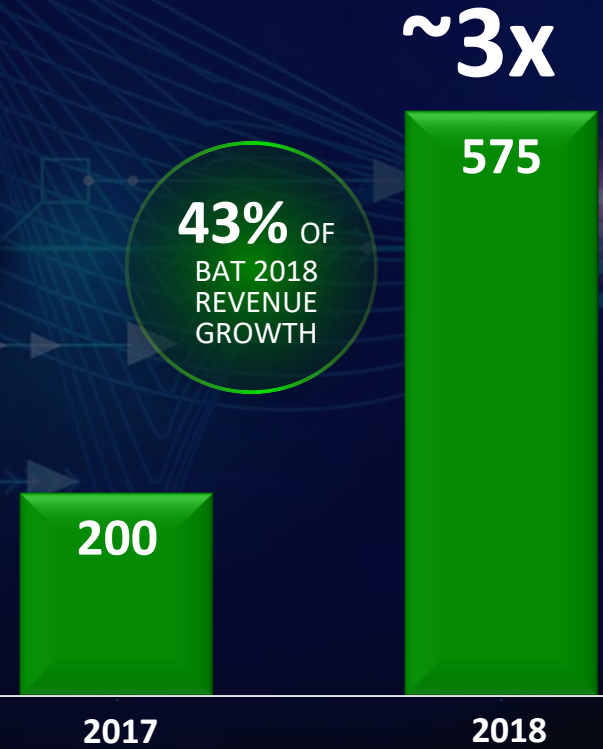
# Tripled global volume and revenue in 2018



GLO VOLUME (Bn)



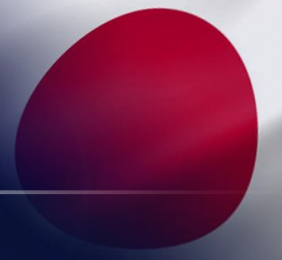
GLO REVENUE (£Mn)



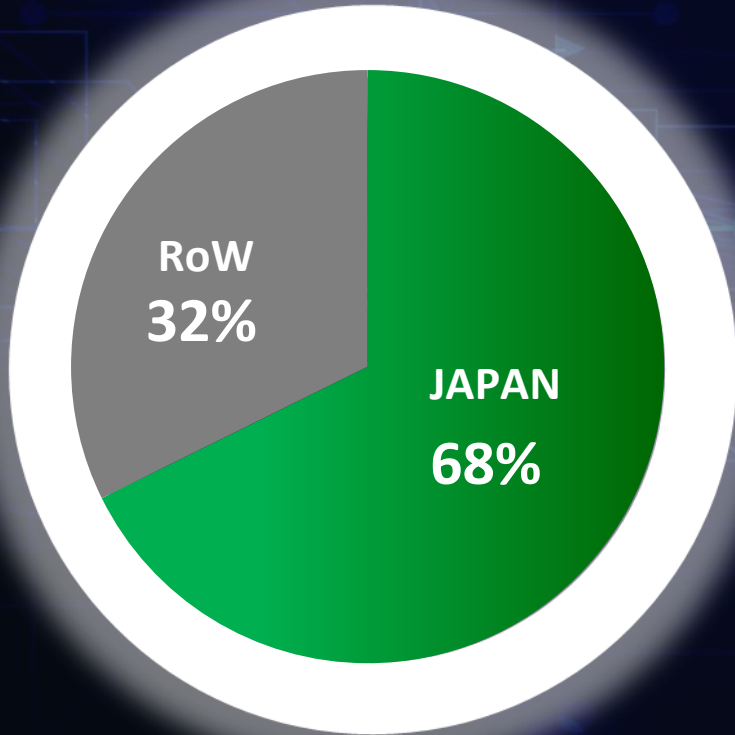
Source: Company data & BAT internal estimates

Revenue calculated in 2018 Constant Exchange rates

# glo | Fastest growing brand in the biggest THP market

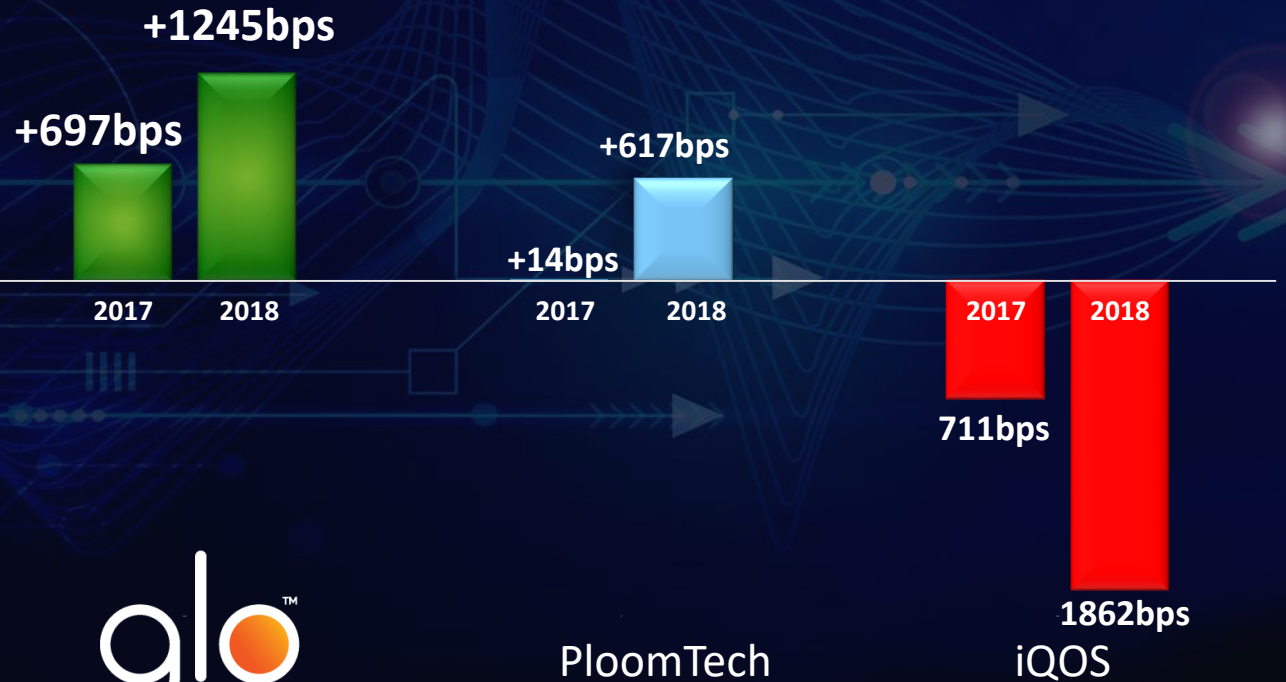


JAPAN ~70% OF GLOBAL THP



INCREMENTAL SHARE GAIN

Volume share of New Categories

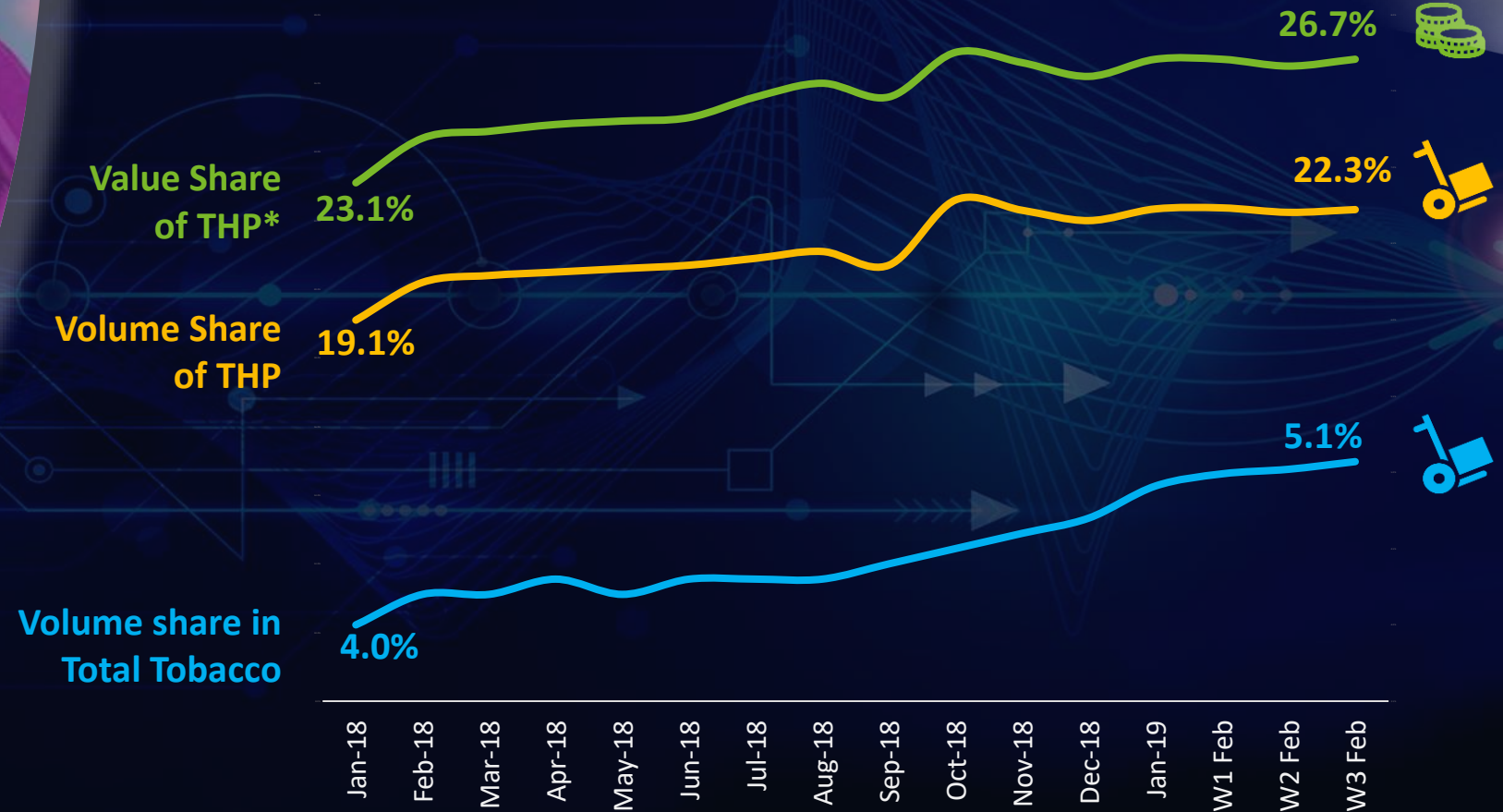


PloomTech

iQOS

Source: Retail data (Convenience off take) and BAT internal estimates

# Continued glo Volume and Value share growth



\* Share of THP Revenue

Source: Retail data (Convenience Off take share) and BAT internal estimates

# Strong combustibles & corporate share growth

BAT VOLUME SHARE OF COMBUSTIBLES

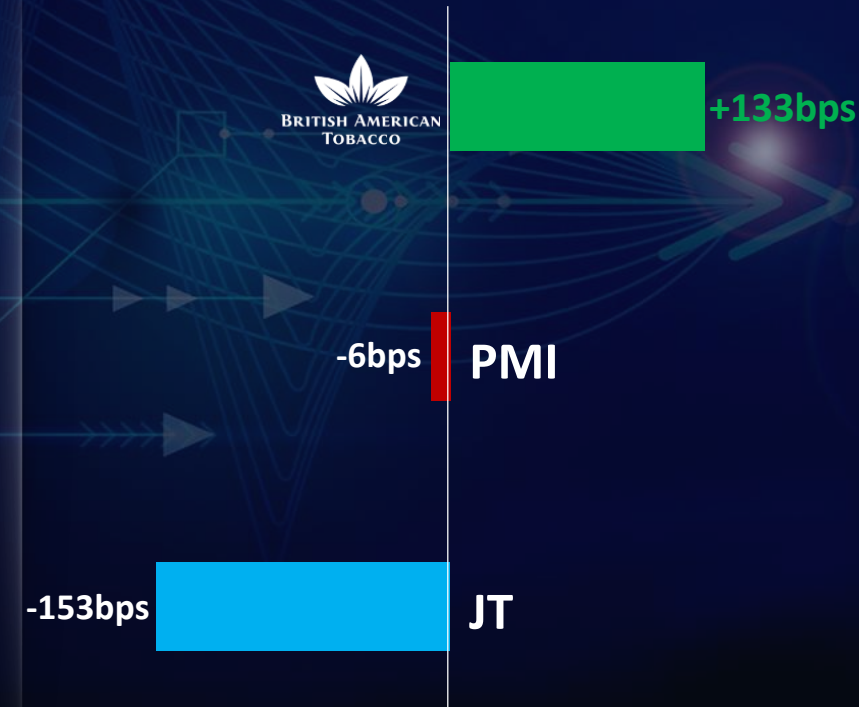


BAT VOLUME SHARE OF TOTAL TOBACCO



VOLUME SHARE OF TOTAL TOBACCO

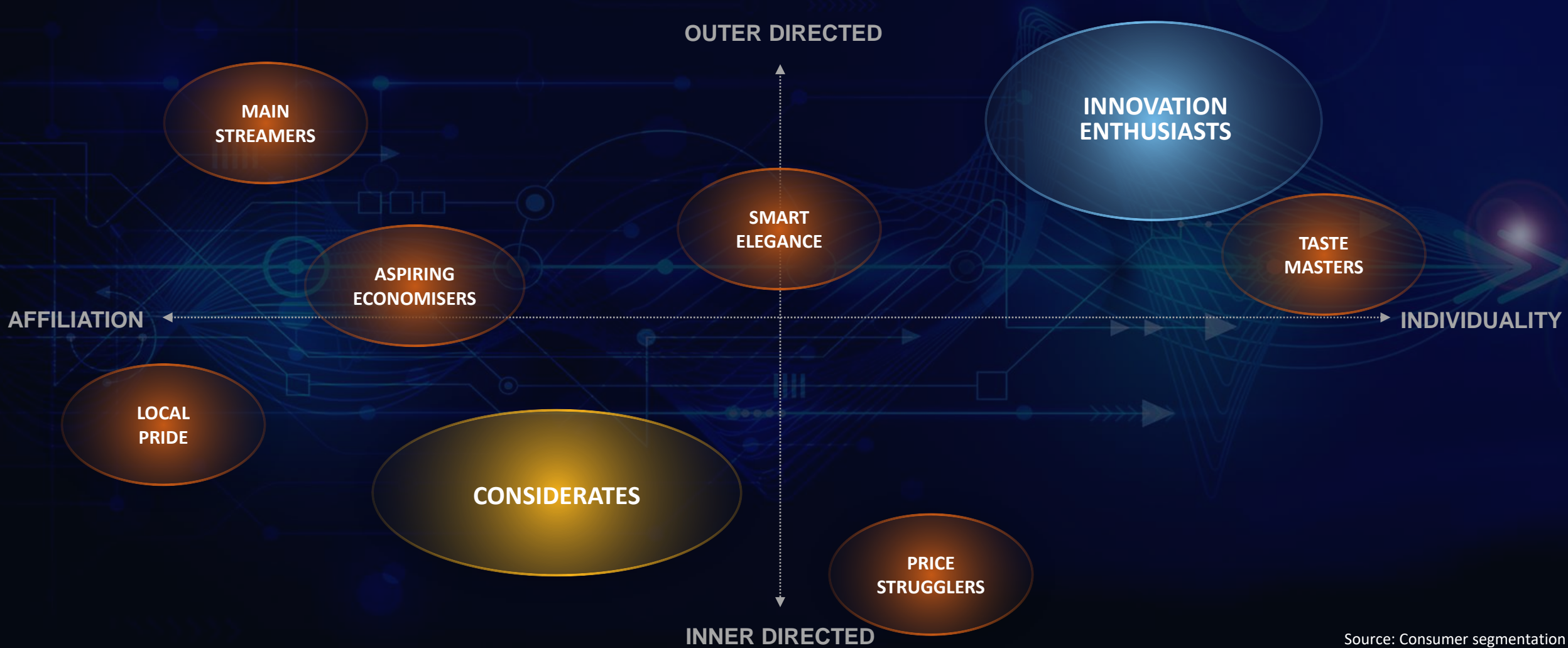
(Dec 2018 vs. Dec 2017)



Source: Retail data (Convenience Off take share)

# New categories currently concentrated in 2 segments

Considerates and Innovation Enthusiasts account for 80%



Source: Consumer segmentation

# New categories currently concentrated in 2 segments

Considerates and Innovation Enthusiasts account for 80%



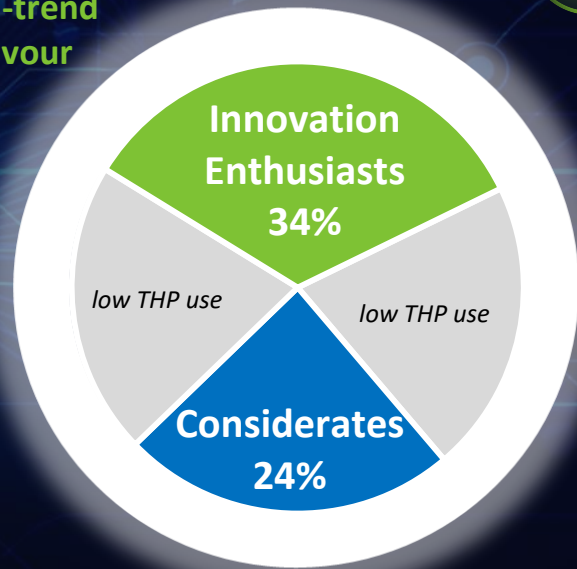
Source: Consumer segmentation

# Further extending leadership in Considerate segment

## KEY SMOKER SEGMENTS FOR THP



- Style/modernity
- Experimentation
- On-trend
- Flavour



Penetration **70%**



- Consideration
- Harm reduction
- Value
- Simplicity

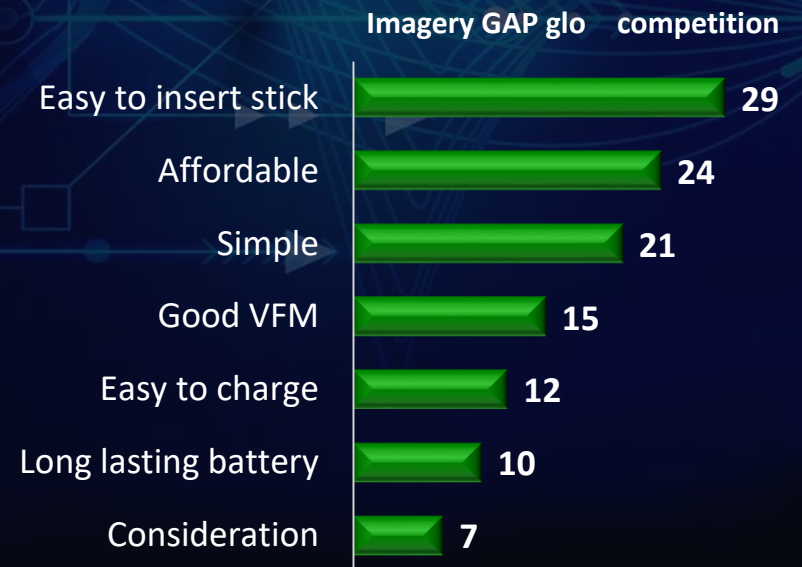
Penetration **30%**

## glo STRONGHOLD IN CONSIDERATES

**glo SoS\***

Q3'18 **60%**

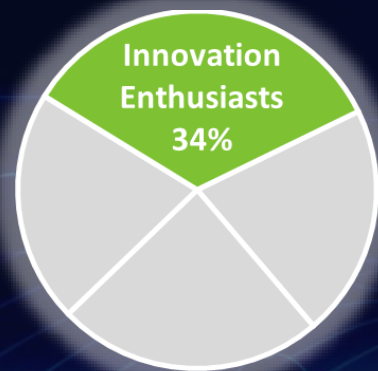
Q4'18 **70%**



Source: Consumer Segmentation & Tracking research \* glo share of segment among considerates



# Neo growing premium share among 'Innovation Enthusiasts'



*glo SoS\**

Q3'18

14%

Q4'18

21%

glo volume share of total tobacco

4.0%

5.1%

JAN 2018 FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN 2019 W1 Feb W1 Feb

Source: Consumer Tracking research & Convenience off take data \* glo share of segment among 'Innovation Enthusiasts'

# Building a stronger brand through digital engagement

## BRAND BUILDING & ACQUISITION



**1.6BN** PROGRAMMATIC IMPRESSIONS  
**580MN** DIGITAL AD VIEWS

## AWARENESS & TRIAL BUILDING



**3MN+** CONTACTS  
**357K** REGISTERED HYPERCARE USERS

## CONSTANT CONSUMER ENGAGEMENT



**1.6MN** REGISTERED USERS

Source: Company data

# Consumables upgrade to enhance sensorial satisfaction



neo™  
designed for glo™

sticks

CITRUS TWIST

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。  
[詳細については、厚生労働省のホームページ [www.mhlw.go.jp/topics/tobacco/main.html](http://www.mhlw.go.jp/topics/tobacco/main.html) をご確認ください。]

neo™  
designed for glo™

sticks

BOOST AQUA

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。  
[詳細については、厚生労働省のホームページ [www.mhlw.go.jp/topics/tobacco/main.html](http://www.mhlw.go.jp/topics/tobacco/main.html) をご確認ください。]

neo™  
designed for glo™

sticks

BOOST ROYALE+

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。  
[詳細については、厚生労働省のホームページ [www.mhlw.go.jp/topics/tobacco/main.html](http://www.mhlw.go.jp/topics/tobacco/main.html) をご確認ください。]

neo™  
designed for glo™

sticks

BOOST RUBY+

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。  
[詳細については、厚生労働省のホームページ [www.mhlw.go.jp/topics/tobacco/main.html](http://www.mhlw.go.jp/topics/tobacco/main.html) をご確認ください。]

for glo

喫煙は、あなたにとって肺がんの原因の一つとなります。  
疫学的な推計によると、喫煙者は肺がんにより死亡する危険性が非喫煙者に比べて約2倍から4倍高くなります。  
[詳細については、厚生労働省のホームページ [www.mhlw.go.jp/topics/tobacco/main.html](http://www.mhlw.go.jp/topics/tobacco/main.html) をご確認ください。]

for glo

喫煙は、あなたにとって肺がんの原因の一つとなります。  
疫学的な推計によると、喫煙者は肺がんにより死亡する危険性が非喫煙者に比べて約2倍から4倍高くなります。  
[詳細については、厚生労働省のホームページ [www.mhlw.go.jp/topics/tobacco/main.html](http://www.mhlw.go.jp/topics/tobacco/main.html) をご確認ください。]

for glo

喫煙は、あなたにとって肺がんの原因の一つとなります。  
疫学的な推計によると、喫煙者は肺がんにより死亡する危険性が非喫煙者に比べて約2倍から4倍高くなります。  
[詳細については、厚生労働省のホームページ [www.mhlw.go.jp/topics/tobacco/main.html](http://www.mhlw.go.jp/topics/tobacco/main.html) をご確認ください。]

for glo

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。  
[詳細については、厚生労働省のホームページ [www.mhlw.go.jp/topics/tobacco/main.html](http://www.mhlw.go.jp/topics/tobacco/main.html) をご確認ください。]

for glo

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。  
[詳細については、厚生労働省のホームページ [www.mhlw.go.jp/topics/tobacco/main.html](http://www.mhlw.go.jp/topics/tobacco/main.html) をご確認ください。]

# Exciting pipeline to enhance appeal

Premium & Prestige

Performance

Modern & Stylish

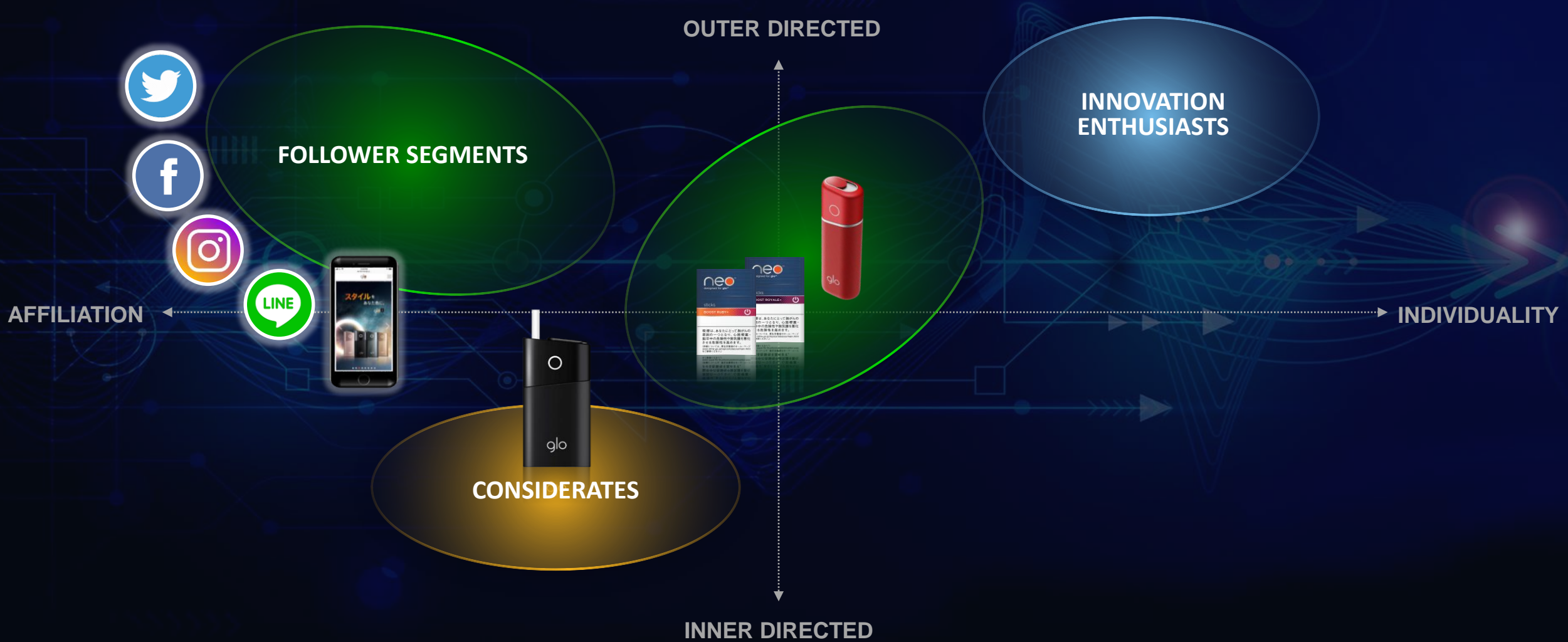
Shape and size

Progressive

For AU30



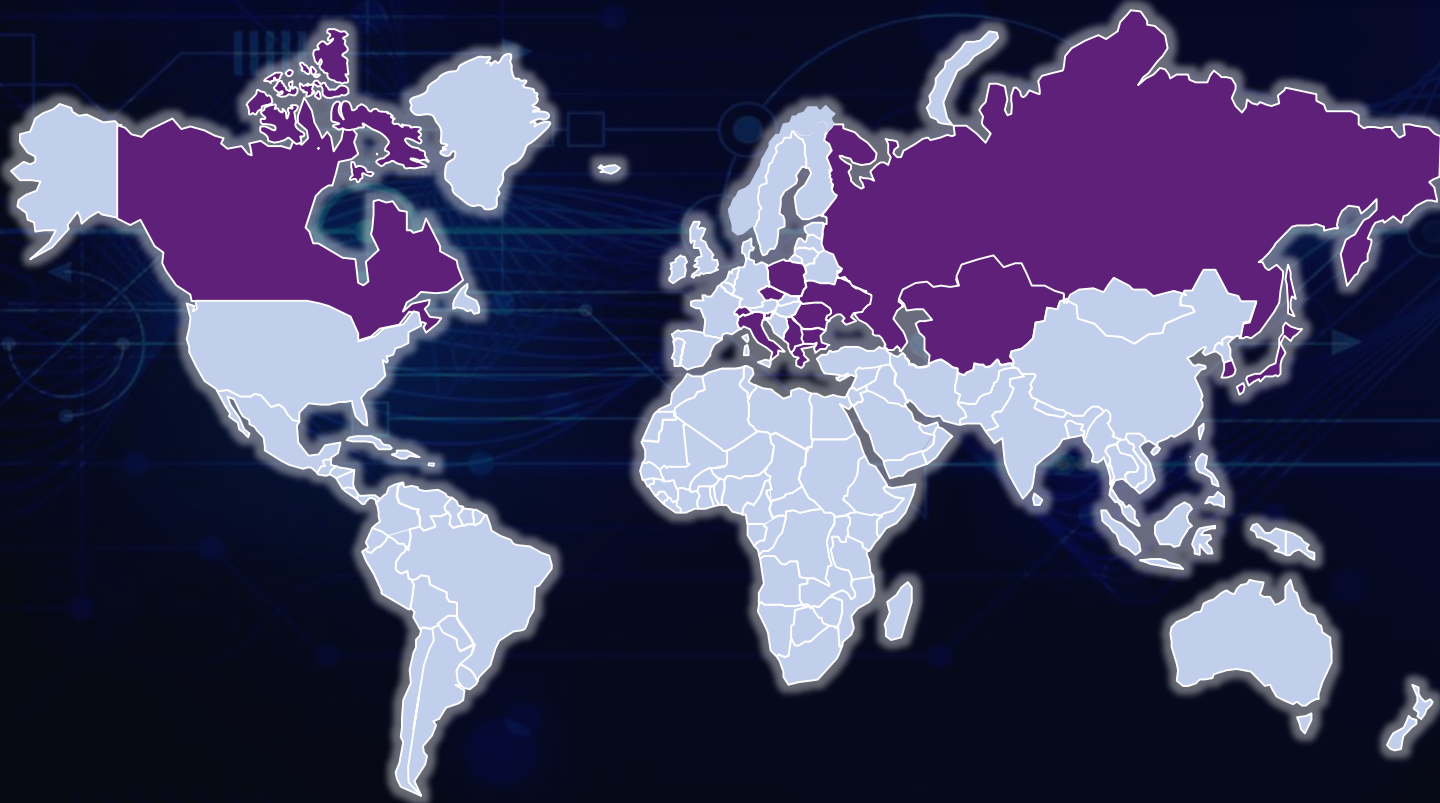
# Improving device appeal and satisfaction for 'Innovation Enthusiasts'



# glo now available in 15 markets

These markets represent ~95% of Industry THP footprint

## glo FOOTPRINT



JPN  
*National*



KOR  
*National*



ITA  
*National*



RUS  
*Key Cities*



SWZ  
*National*



CAN  
*GVA\**



ROM  
*Nat. Urban*



SER  
*Key Cities*



CRO  
*Zagreb*



KAZ  
*Key Cities*



POL  
*National*



GRE  
*National*



CZE  
*National*



UKR  
*Key Cities*



BUL  
*Key Cities*

\* Greater Vancouver Area | Source: Company data

# Building foundation for future growth in Europe

Romania



14%

Share of THP

*New Activation Model & Rental program*

Moscow



5%

Share of THP

*New Digital Media campaign*

Kazakhstan



11%

Share of THP

*Retail expansion & HORECA*

Bulgaria



7%

Share of THP

Mod. Trade

Croatia



6%

Share of THP

*New Activation Model & Christmas Activation*

Serbia



4%

Share of THP

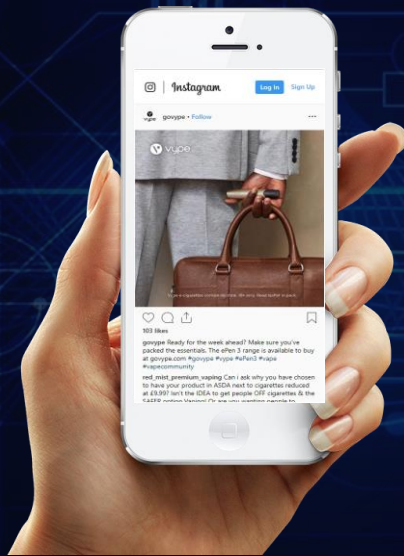
*Growth led by Neosticks*

Source: Measured Retail data

# Europe | Focus on brand building & capabilities

BRAND BUILDING THROUGH RESPONSIBLE SOCIAL MEDIA ENGAGEMENT

Instagram, Facebook, Twitter, etc



**170k Followers**

Fast growth, accelerating further

MASSIVE AND SCALABLE CONSUMER CONVERSION THROUGH NEW CAPABILITIES

Social Selling & Hypercare



**2,500 Social Sellers**

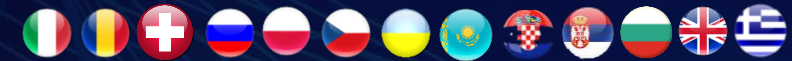
to drive education and behavioural change

**1.5mn days**

of consumer engagement

FAST ROLL OUT OF CRM CAPABILITY ACROSS KEY MARKETS

Single Consumer View in 13 markets



**2mn**

registered consumers

Source: Company data

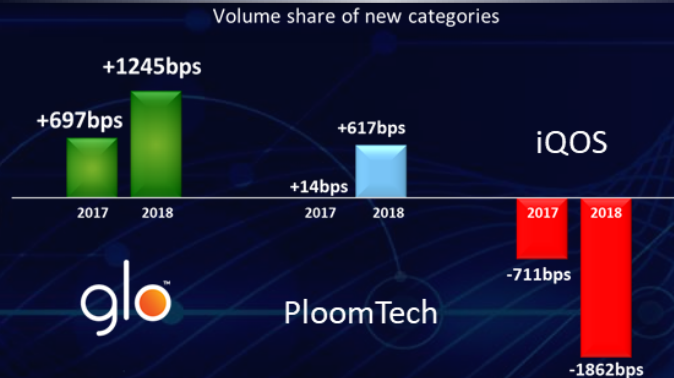


# WINNING WITH RECENT OFFERS IN KEY MARKETS | THP

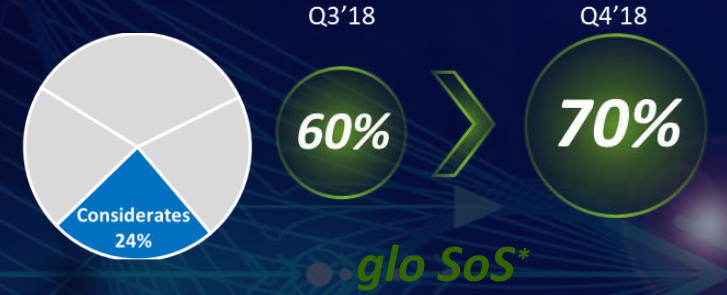
## TRIPLED VOLUME AND REVENUE IN 2018



## FASTEST GROWING IN JAPAN



## GLO LEADING WITH 70% SHARE AMONG CONSIDERATES



## IMPROVING COMPETITIVENESS AMONG INNOVATION ENTHUSIASTS



## NEW PIPELINE WILL IMPROVE SATISFACTION AND DEVICE APPEAL



## BUILDING CAPABILITIES FOR GROWTH IN EUROPE



\* glo share of segment among Considerates segment in Japan (Consumer tracking)

<sup>^</sup> glo share of segment among Innovation Enthusiasts segment in Japan (Consumer tracking)

# STEP-CHANGING NEW CATEGORIES



BACK IN A GROWTH INDUSTRY



NEW CATEGORIES ENHANCE PROFITABILITY



WINNING WITH RECENT OFFERS IN KEY MARKETS



A STRONG PIPELINE OF TRANSFORMATIONAL TECHNOLOGIES

# WINNING WITH RECENT OFFERS IN KEY MARKETS | VAPOUR

VYPE ePEN3 AND VYPE ePOD / VUSE ALTO  
SUPERIOR TO COMPETITION



GOOD INITIAL MARKET RESULTS FOR  
VYPE ePEN3 & VYPE ePOD / VUSE ALTO



EXCITING MARKET LAUNCH PLANS

FOCUS ON STRENGTHENING BRAND EQUITY



2.4 NIC LAUNCH

Q2'19



EUROPE LAUNCH

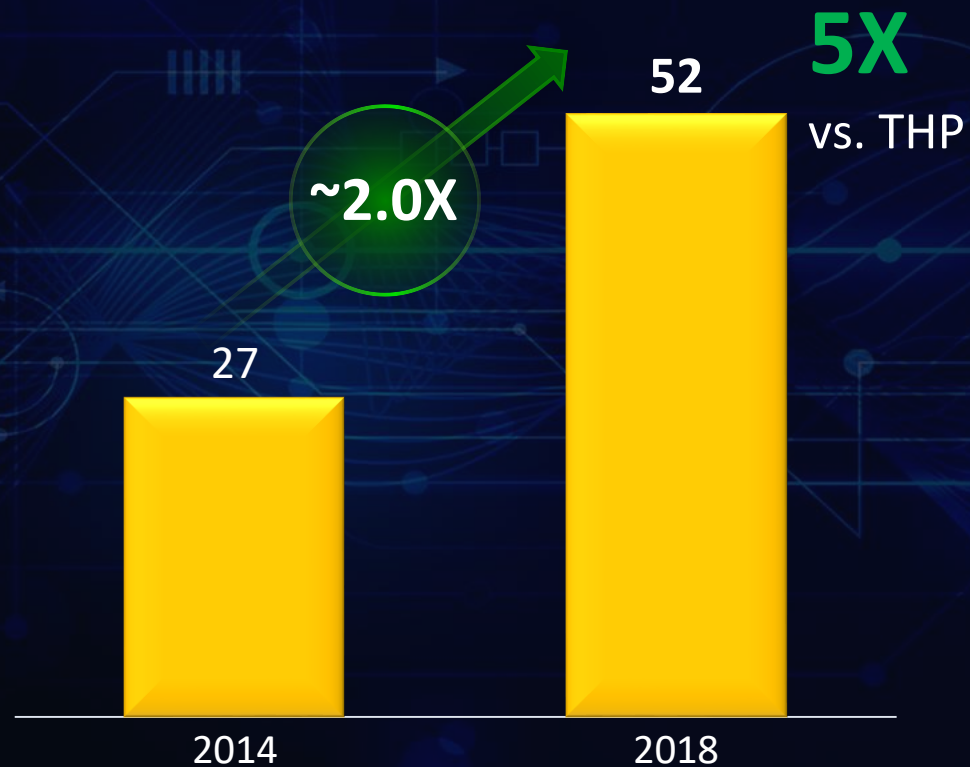
Q2'19



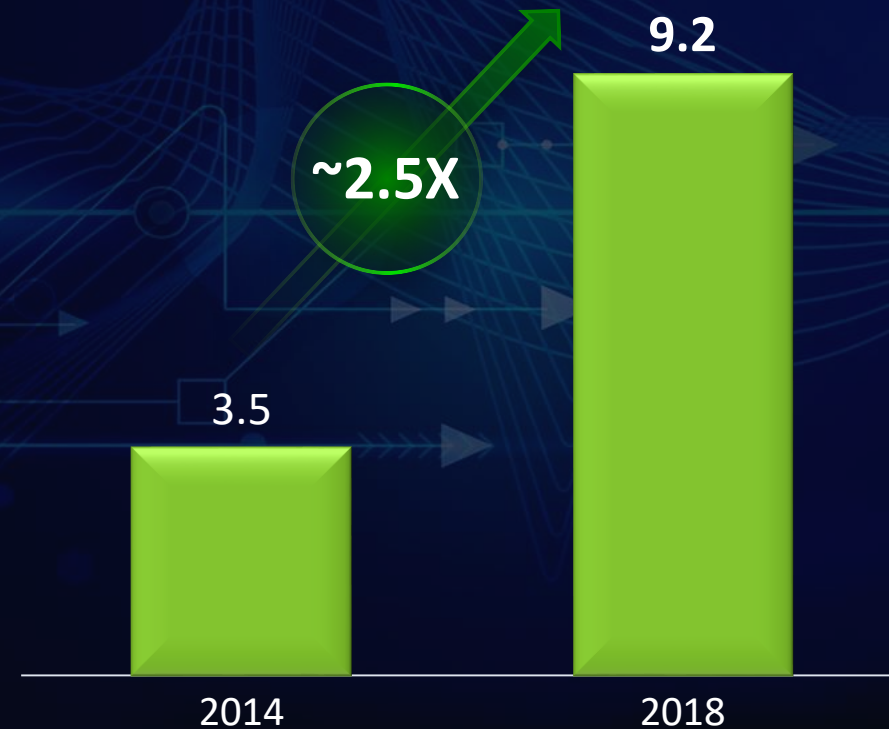
#1 and #2 represent BAT Corporate value share of Vapour in measured retail in respective markets

# Industry Vapour consumer pool and value doubled since 2014

NUMBER OF VAPERS (Mn)



VAPOUR RETAIL VALUE (£bn)

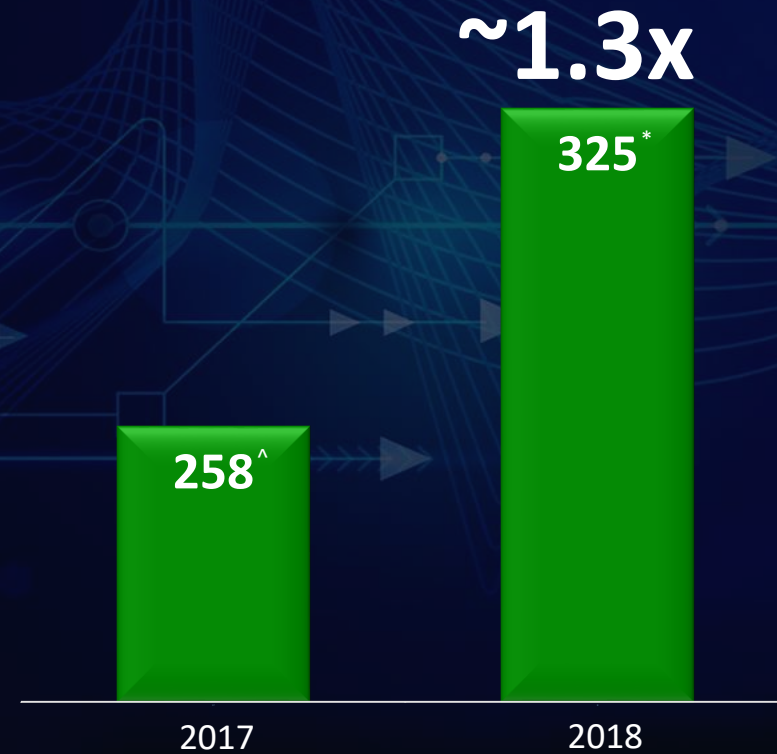


Source: Incidence Study & BAT internal estimate; Constant 2019 Budget rates

# BAT Vapour revenue grew by ~30% in 2018



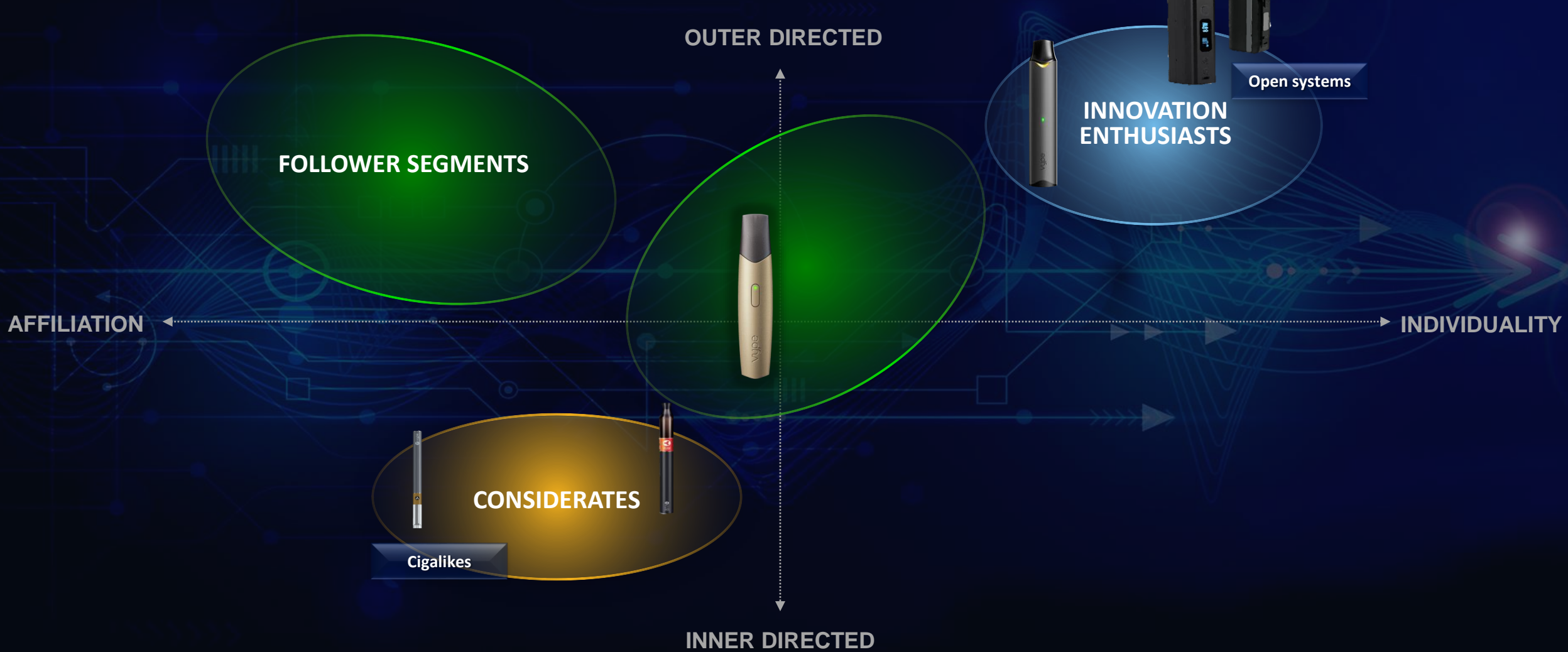
BAT VAPOUR REVENUE (£Mn)



<sup>^</sup> On a representative basis as though the Group had owned the acquisitions made in 2017 for the whole of that year and adjusted at constant rates of exchange  
<sup>\*</sup> Revenue calculated in 2018 Constant Exchange rates

# Vapour landscape previously shaped by open vs. closed systems

New spaces emerging in Vapour also



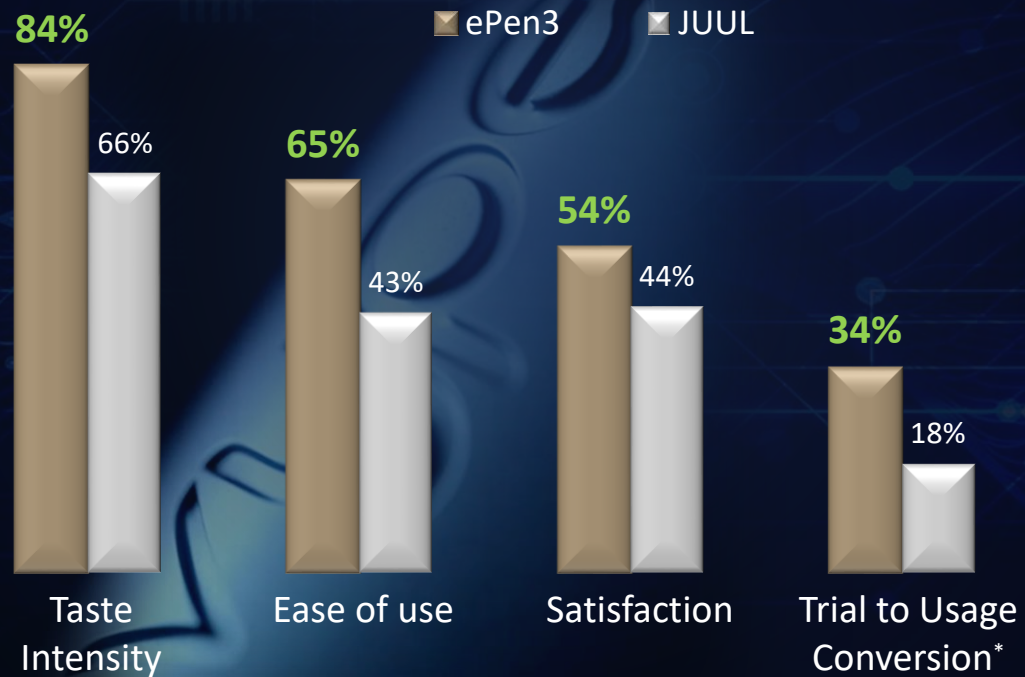
# Winning closed system portfolio

Vype ePen3

Vuse Alto

# Winning closed system portfolio

## Vype ePen3



Source: Quantitative Product test (UK) among adult nicotine consumers. Sample size 200

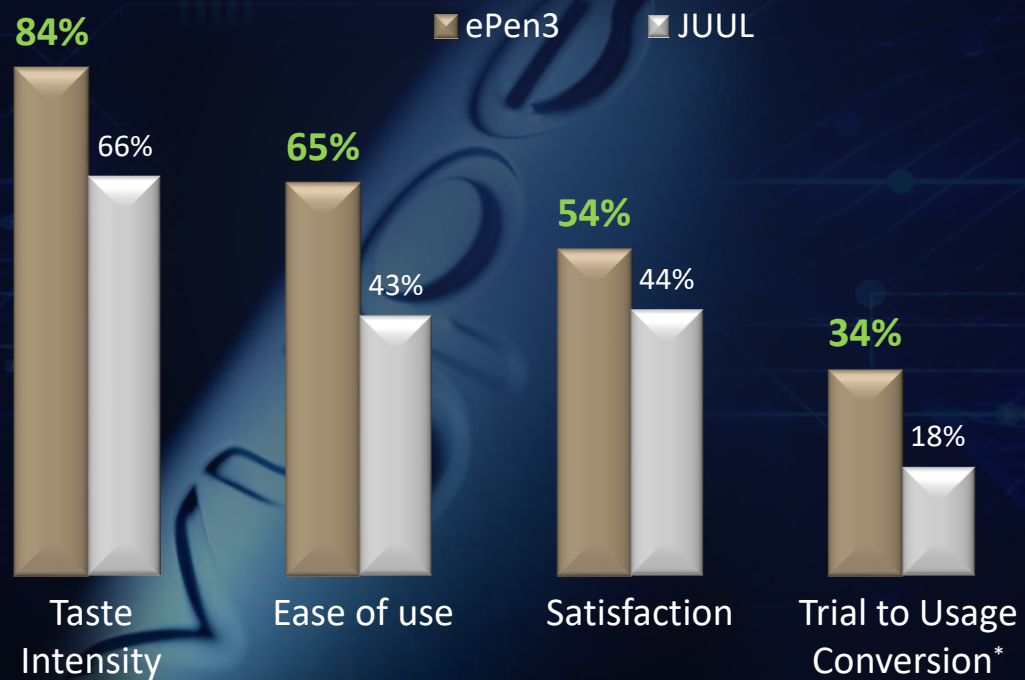
\* Source: Tracking study Q4'18



# Winning closed system portfolio

Vype ePen3 and Vuse Alto superior to JUUL

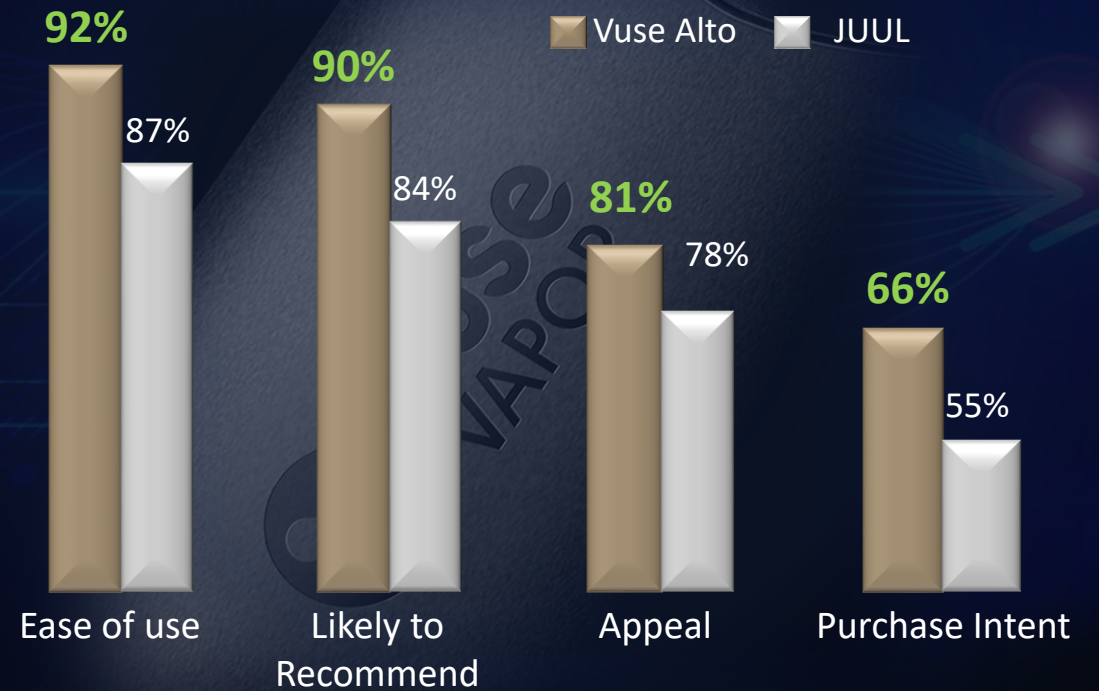
## Vype ePen3



Source: Quantitative Product test (UK) among adult nicotine consumers. Sample size 200

\* Source: Tracking study Q4'18

## Vuse Alto



Source: Quantitative Vapour Research 2017. 16 States among 21+ Adult Tobacco and Vapour consumers

(Total Sample 578)

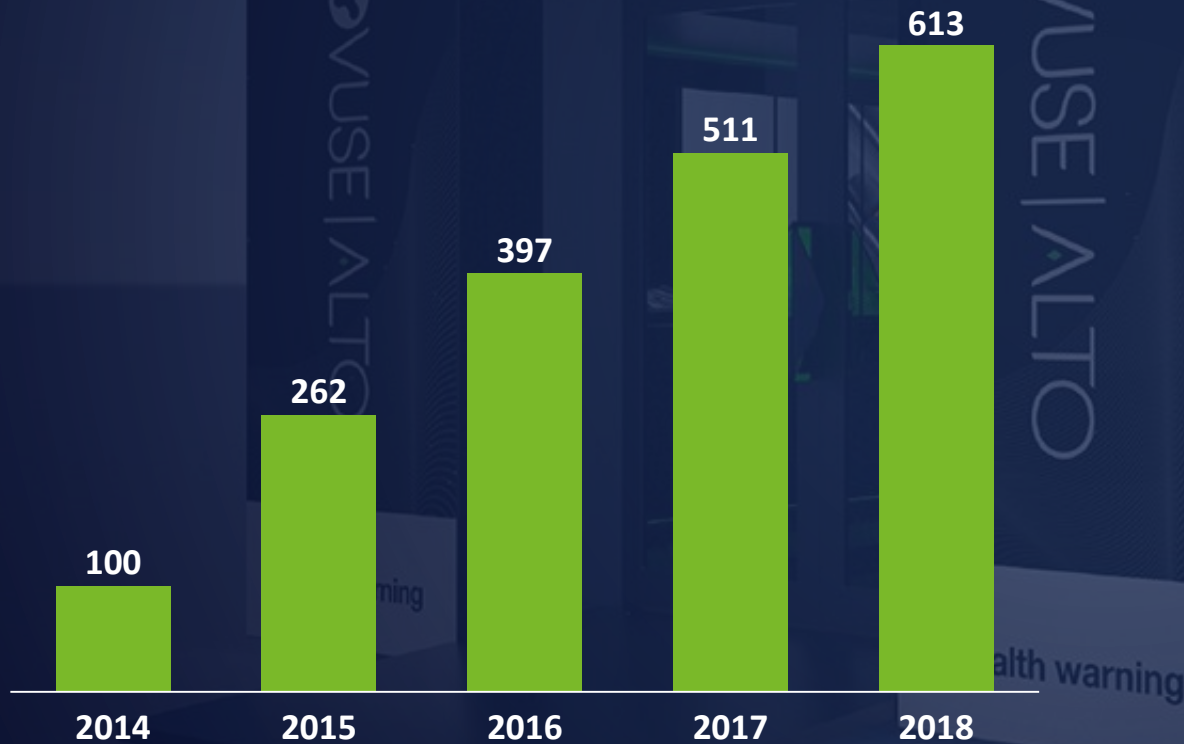
# Vuse continues to grow revenue



VUSE SHOWING GOOD GROWTH

~£4bn+\* REVENUE OPPORTUNITY BY 2021/2

Vuse Indexed Revenue



Indexed to 2014 Vuse Revenue as 100



Expected consolidation of the market  
following PMTA submissions

Source: Company data; 2018 Actual rate

\* Vapour industry revenue estimate

# Strong early performance for Alto

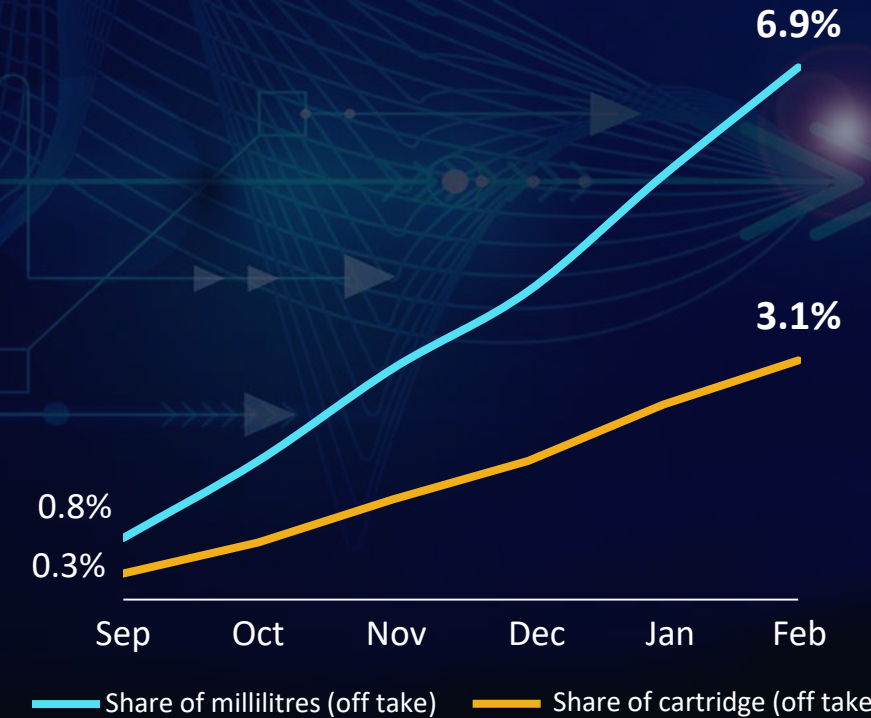


## CONSISTENT OFF-TAKE GROWTH

### ALTO % Share of Starter Kits



### ALTO % Share of Cartridges and ml

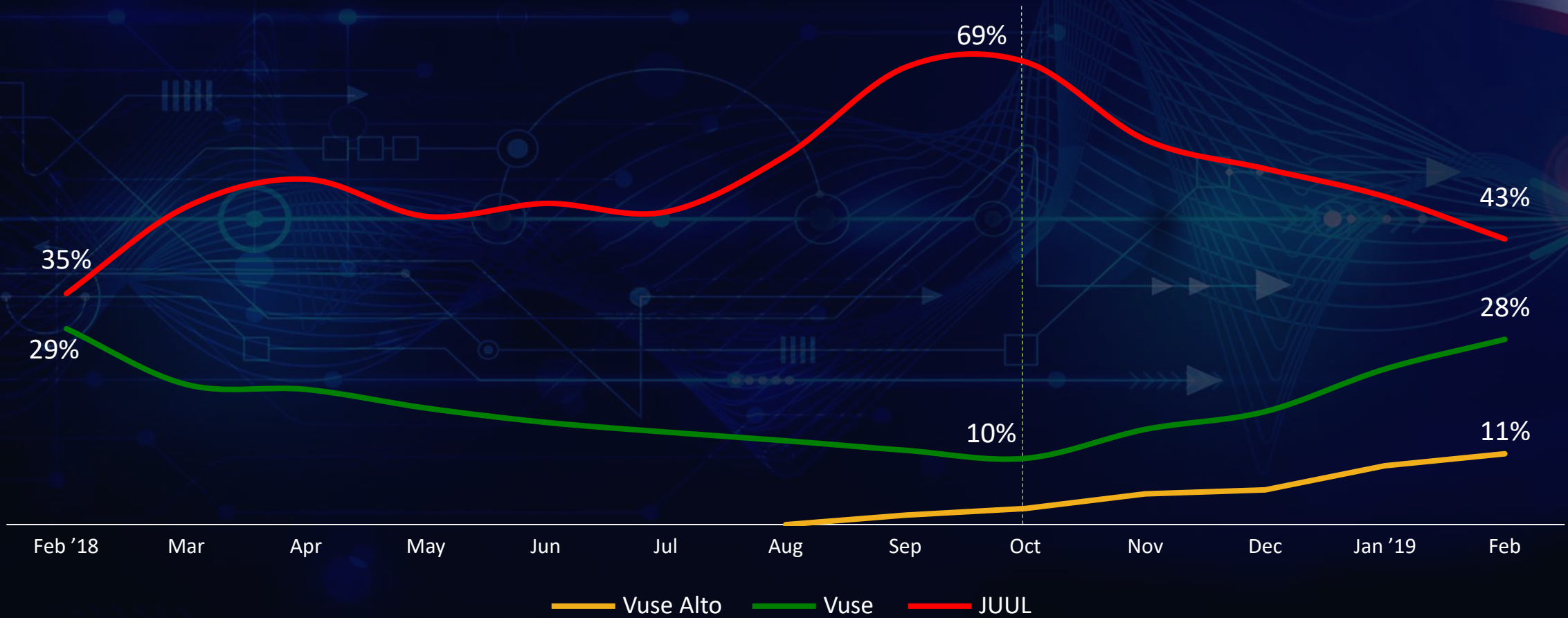


Source: Company data

# Alto growth narrowing the gap with JUUL



OFF-TAKE SHARE OF CONSUMABLE KITS



Source: Marlin Off Take data; Vuse share includes all Vuse products

# ePen3 rated 'Product of the Year'



CONVENIENT TO USE

**+2651bps**



HIGH QUALITY DEVICE

**+936bps**



GOOD VALUE FOR MONEY

**+2008bps**



PURCHASE INTENTION

**+1773bps**

OUTPERFORMING COMPETITOR PRODUCT ACROSS KEY PARAMETERS

ePen3 vs JUUL

ePen3 rated Product of the Year in e cigarette category in UK

Source: UK Consumer Tracking Study Q4'18 among 405 vapers

# ePen3 | Superior product enabling solid performance in UK



## ePen3 DRIVING HIGHEST-EVER ePen SHARE

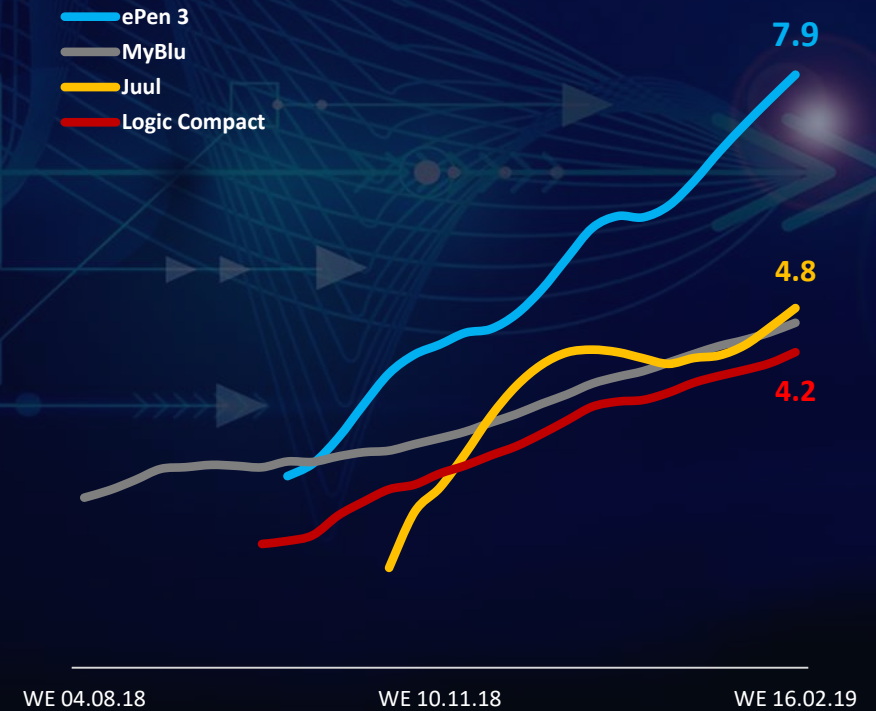
### Value share | 4-weekly



\* W/E 23<sup>rd</sup> February

## STRONG ePen3 REPURCHASE RATIO

### Refill pack to Device ratio | weekly



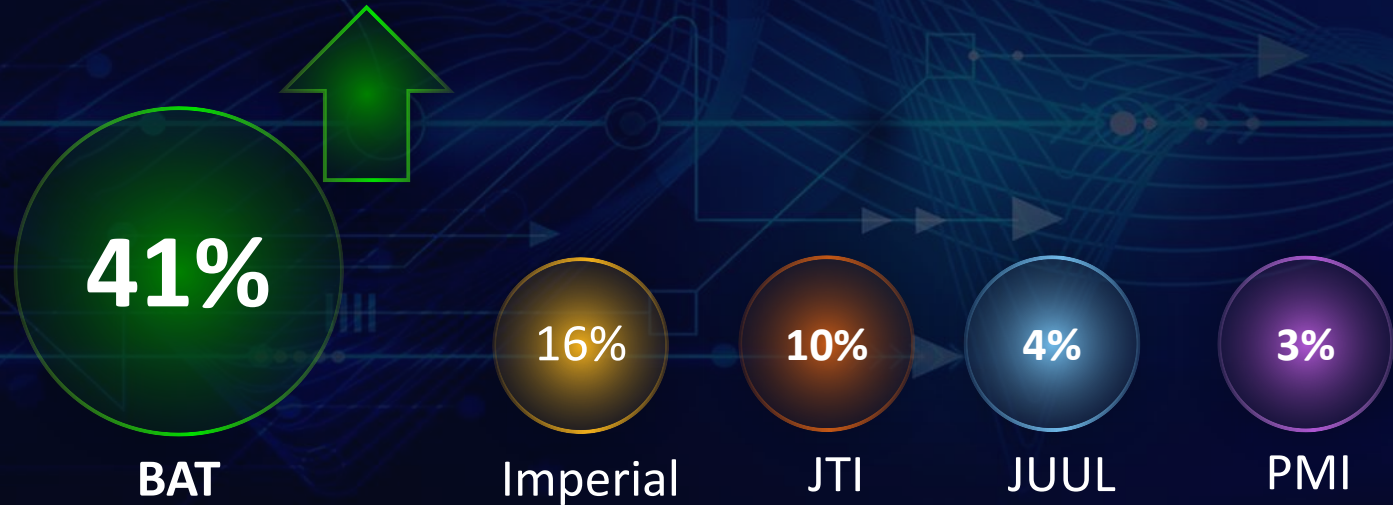
Source: Nielsen scan data in measured retail

# Strengthening market leadership in UK



SIGNIFICANTLY AHEAD OF ALL COMPETITORS AND GROWING

Value Share in measured retail



Source: Nielsen scan data in measured Retail (YTD WE 23.02.19)

# Full integration of traditional and digital channels

BUILD BRAND EQUITY, REACH AND AWARENESS IN TARGET GROUP

Vape Bloggers, Events, OOH, Media



**1.3mn  
Consumer Reach**

MAXIMISE OWN RETAIL FOOTPRINT

Market leader in Vaping stores network

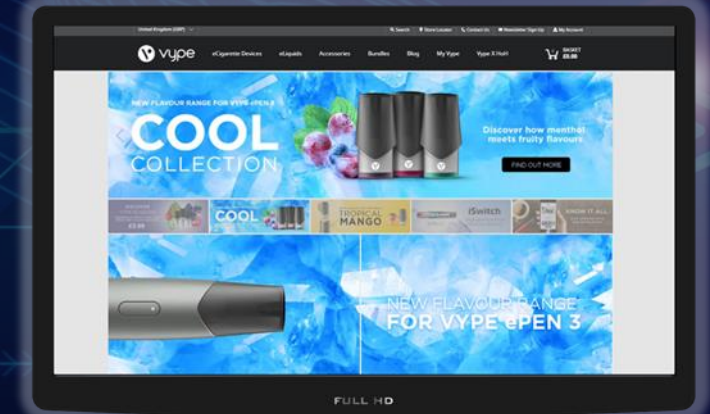


**70% WD in Traditional  
70% ND in Vape Shops**

**1.7mn  
trials**

DRIVE CONSUMER LONG-TERM VALUE AND LOYALTY THROUGH E-COMMERCE

Ecommerce Platform fully optimised and best in class UX



**+34% revenue\*  
+95% more visits\***

\*Q4 2018 vs Q4 2017, BAT internal data

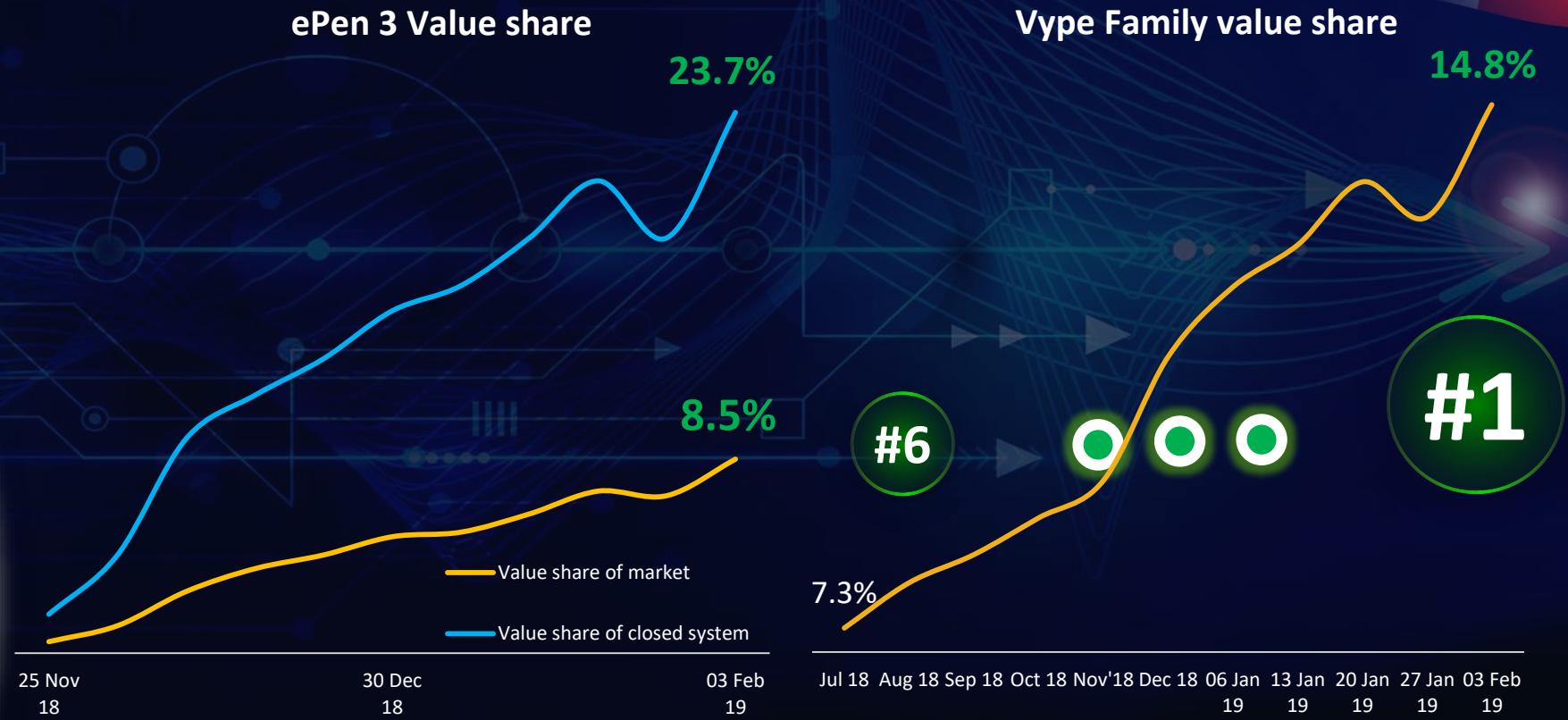


# Vype market leader in France through ePen3 success



**STRONG ePen3 GROWTH DRIVING HIGHEST-EVER ePen SHARE**

**VYPE - ALL TIME HIGH SHARE AND RETAIL LEADERSHIP**



Source: Sell out data from Strator in measured in retail

# Vype attracts more new consumers & has higher conversion



OUTPERFORMING COMPETITION  
IN DEVICE SALES

Total Devices sold in retail since launch ('000)

97.0



Vype Closed Devices

59.7



JUUL Devices

COMPETITIVE CONVERSION  
RATES FOR VYPE

Device Conversion rates amongst smokers

vype

JUUL

Consideration  
to Trial

48%

46%

Trial to Total  
Penetration

60%

53%

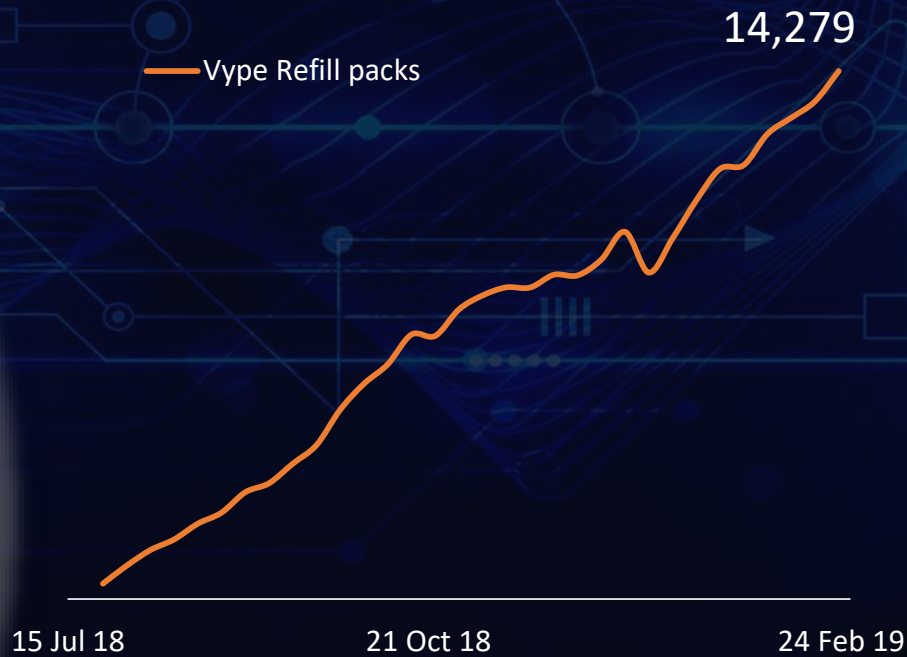
Source: Sell out device volumes in measured retail, OneTRACK November 2018

Vype | 100k+ consumers in 6 months



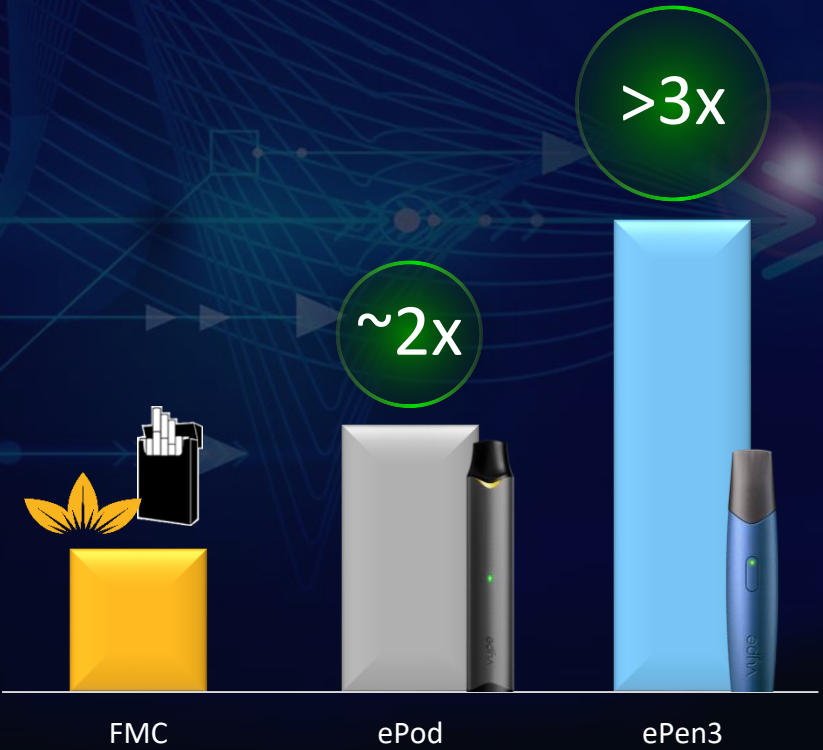
CONTINUED STRONG OFF TAKE GROWTH

Vype Closed systems Weekly Off take Volume



SIGNIFICANTLY SUPERIOR MARGINS VS. FMC

GM per pack



Source: Sell out refills and device volumes in measured retail and online

# WINNING WITH RECENT OFFERS IN KEY MARKETS | VAPOUR

VYPE ePEN3 AND VYPE ePOD / VUSE ALTO  
SUPERIOR TO COMPETITION



GOOD INITIAL MARKET RESULTS FOR  
VYPE ePEN3 & VYPE ePOD / VUSE ALTO

#1



#1



#2



#2



EXCITING MARKET LAUNCH PLANS

FOCUS ON STRENGTHENING BRAND EQUITY



2.4 NIC LAUNCH

Q2'19



EUROPE LAUNCH

Q2'19



#1 and #2 represent BAT Corporate value share of Vapour in measured retail in respective markets

# STEP-CHANGING NEW CATEGORIES



BACK IN A GROWTH INDUSTRY



NEW CATEGORIES ENHANCE PROFITABILITY

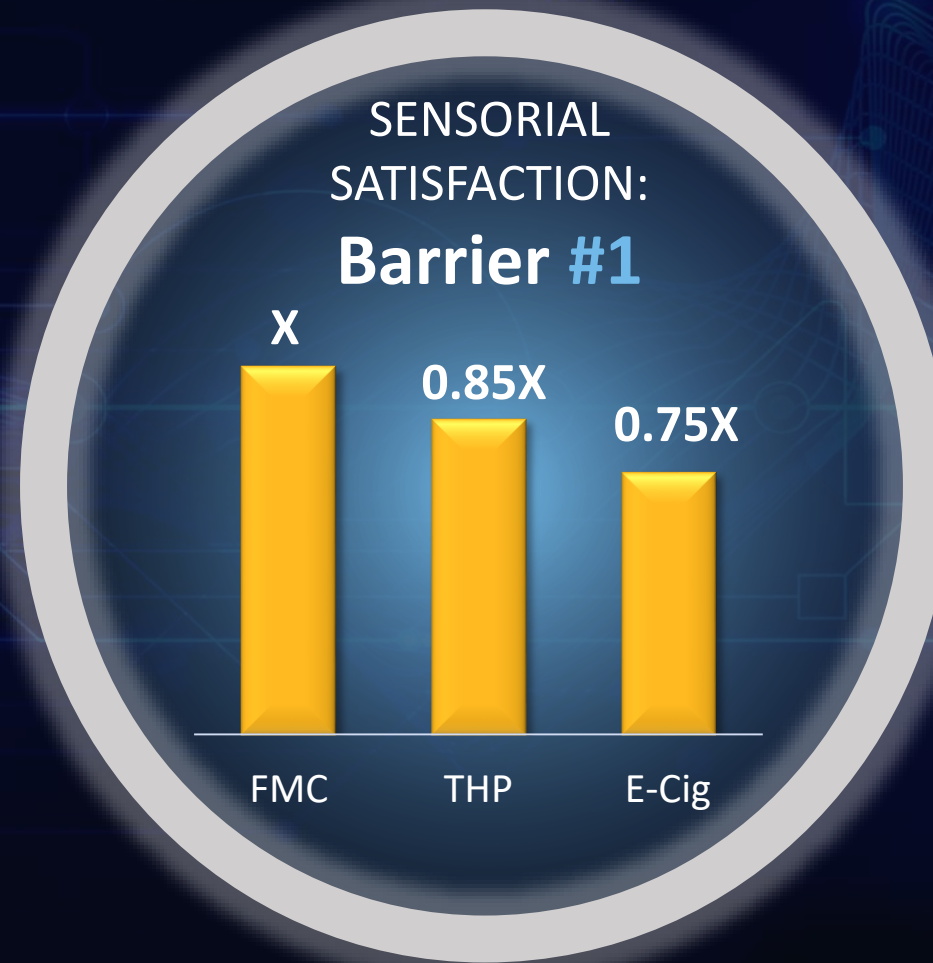


WINNING WITH RECENT OFFERS IN KEY MARKETS



A STRONG PIPELINE OF TRANSFORMATIONAL TECHNOLOGIES

# Transformational Technologies to overcome the key barrier | Satisfaction



Source: Quantitative cross category consumer research (by Kantar) among Nicotine Users, 2017

# 1. Distiller plate | Delivering 6X Satisfaction Efficiency

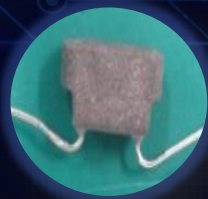
TODAY



GLASS FIBRE



COTTON



CERAMIC

Coil & Wick

COMING IN 2019



**6X** Satisfaction Efficiency

**145** Patent Filings

**High Performance** Battery

Micro-engineered steel blade

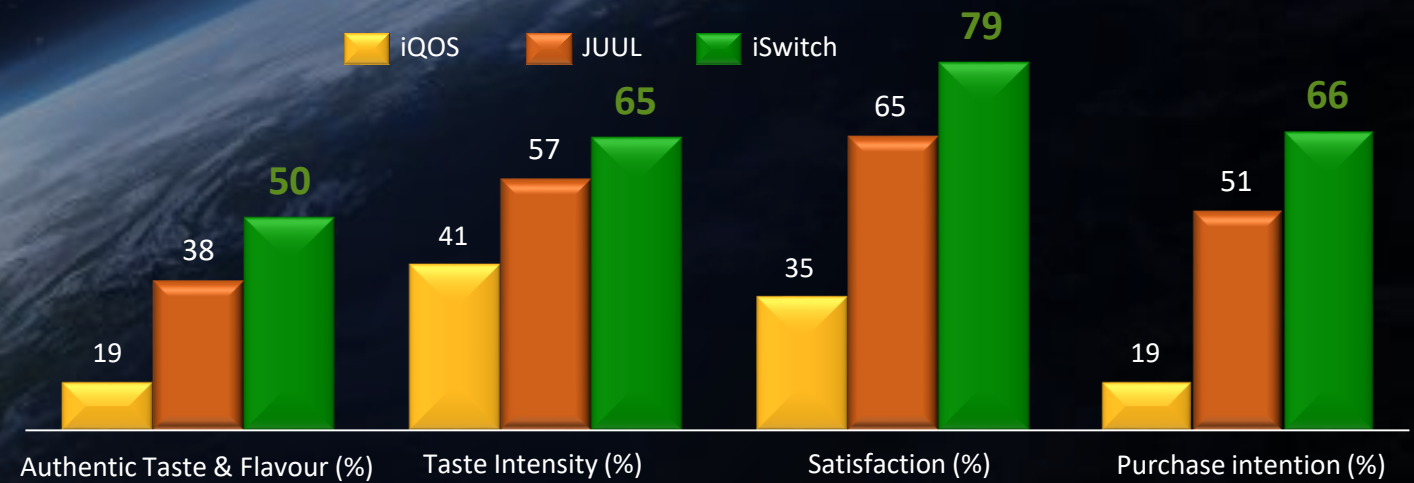
# 1. Distiller plate Vype iSwitch | A world first in Vaping

AROUND **99% REDUCED TOXICANTS\*** | HIGHER SATISFACTION | AUTHENTIC TASTE



Powered by  
**puretech**™

**OUTPERFORMING COMPETITION  
ON TASTE SATISFACTION**





## 2. Induction heating | Up to 3 times higher satisfaction\*

TODAY



COMING IN 2019



Up to **3X more satisfaction**\*

Up to **4X Faster ramp up time**^

**25% faster charge**

**110+ Patents Filings**

*\* Comparison of nicotine delivery in BAT lab experiments with glo heating technologies using different ranges of blends and tobacco weights*

*^ 10 sec. ramp up using glo t-series vs 40 sec. ramp up using glo series 2 measured in BAT lab testing*

## 2. Induction heating glo Express | Improved satisfaction and design aesthetics



ICONIC  
SIMPLICITY



SMOOTH  
SOFT  
SLIDER



SOFT,  
ROUNDED  
EDGES



TWO  
TONE  
FINISH

# 3. Taste Fusion Technology | Superior tobacco taste and flavour

NEW TO THE WORLD



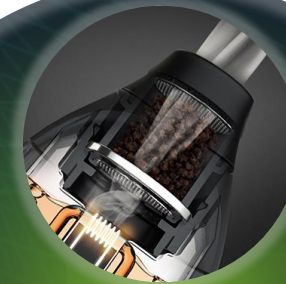
Reinvented Tobacco Granules

-----  
**2X** Satisfaction\*



Tobacco Leaf Extract

-----  
AUTHENTIC  
TOBACCO TASTE



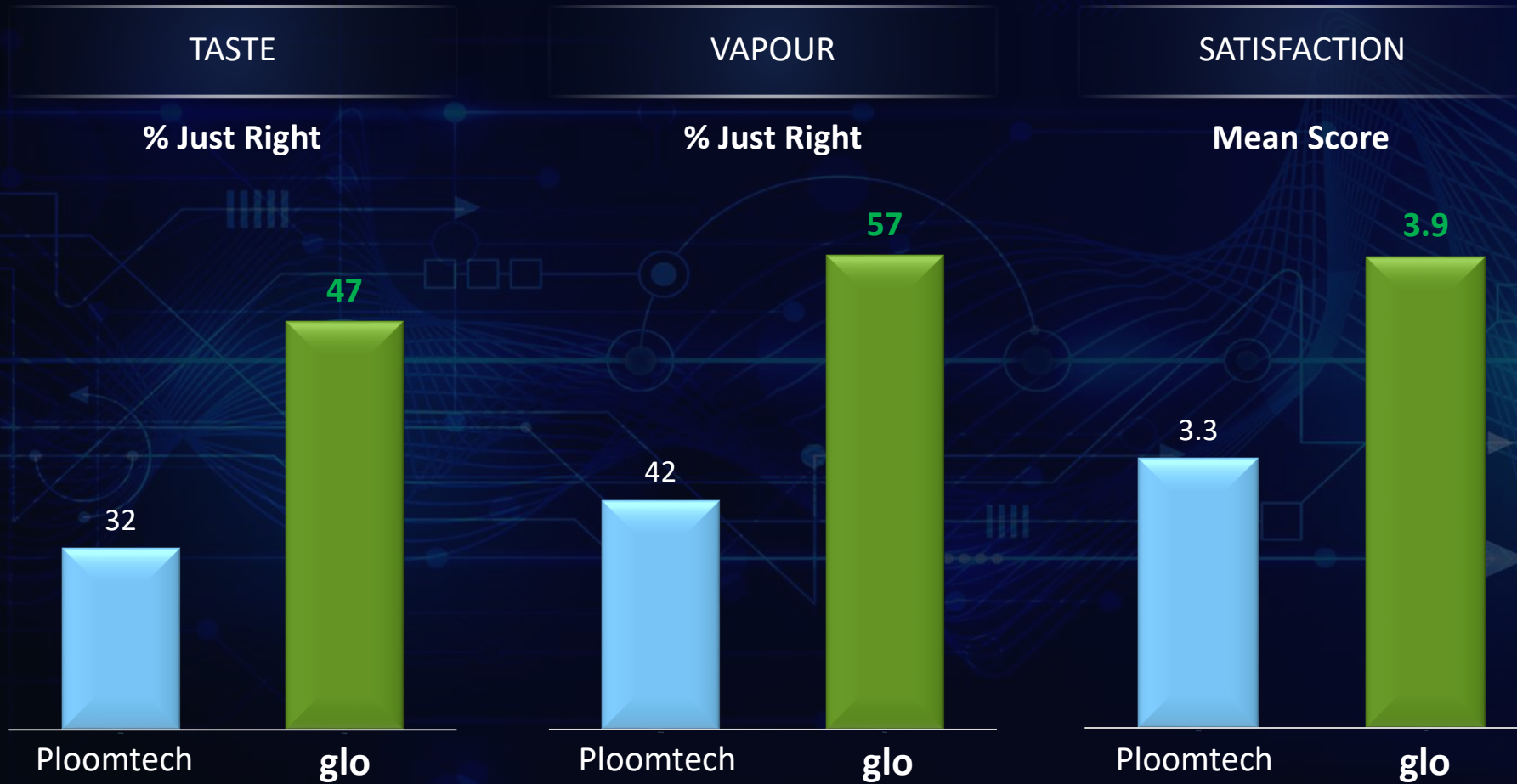
Advanced heating design

-----  
**3X** TASTE DELIVERY^

*\*Comparison of Nicotine delivery in BAT lab tests vs. competitive product  
^ 3X higher vapour delivery vs Ploomtech; BAT lab tests*

### 3. Taste Fusion Technology

**glo** | Significantly better than competitor offer



Source: Total Offer Test, Japan, Q4 2018 (Product Ratings among Comp Users)

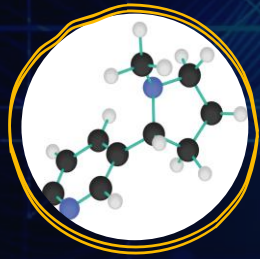


# 4. Big opportunities in Modern Oral

A NEW GENERATION OF  
POTENTIALLY REDUCED RISK PRODUCTS

ADDRESSING KEY  
CONSUMER NEEDS

High quality ingredients



NATURALLY DERIVED  
NICOTINE



FOOD GRADED  
FLAVOURING



WATER



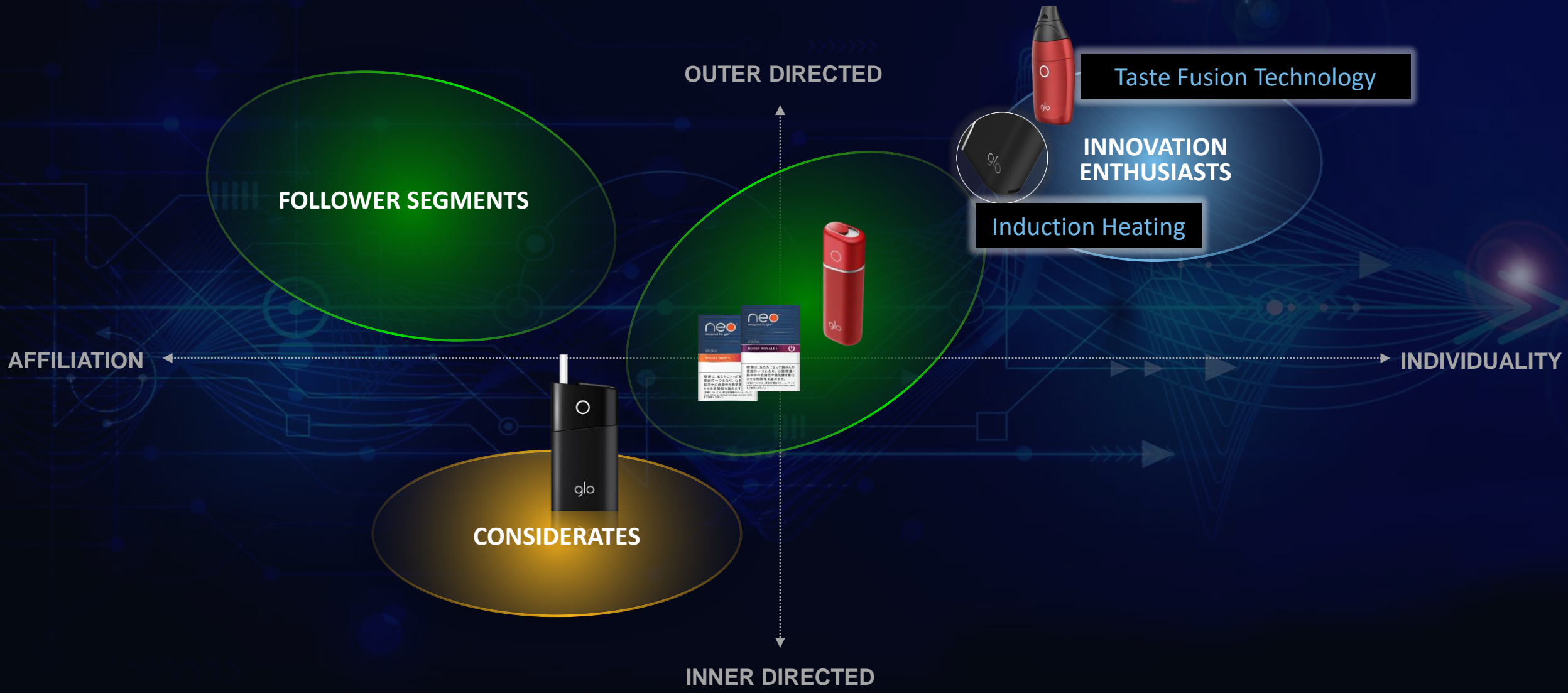
PINE TREE &  
EUCALYPTUS FIBRES

Discretion &  
Convenience

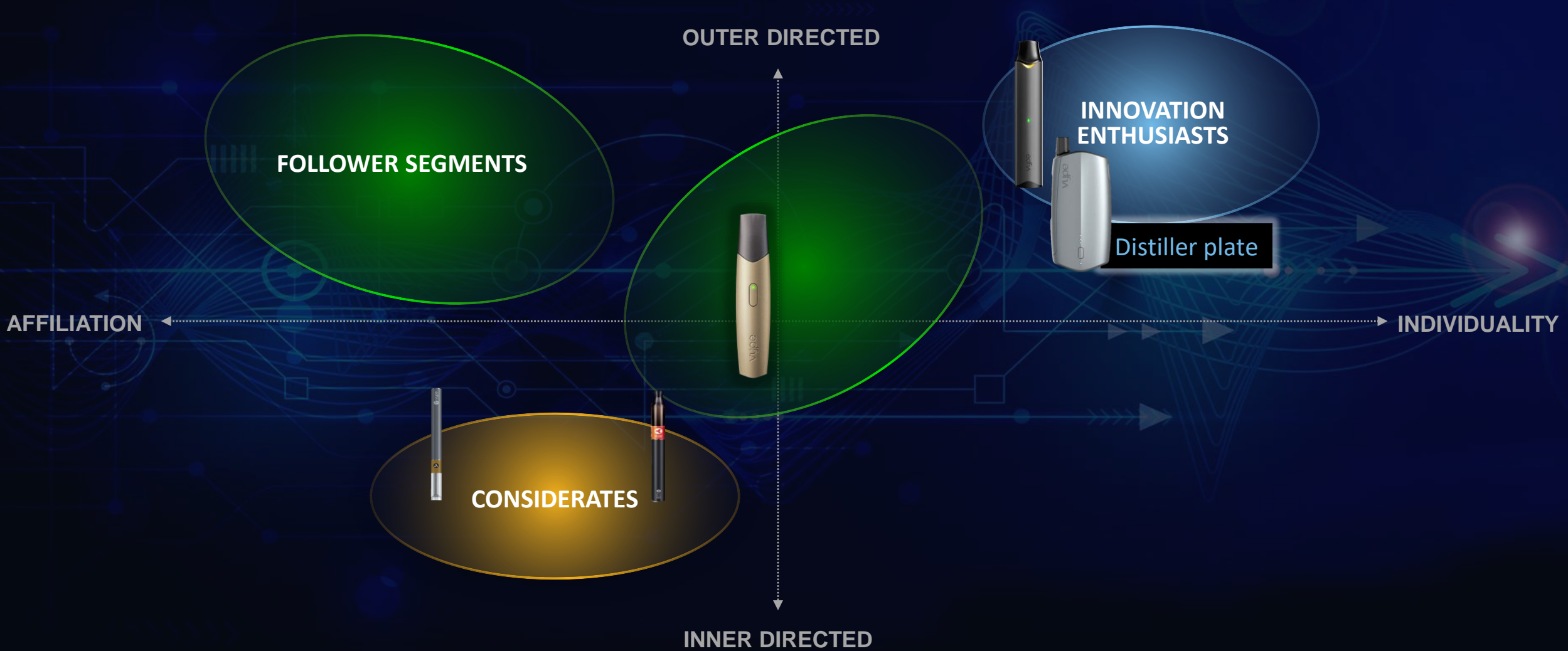
Gratifying  
Stimulation

Consideration

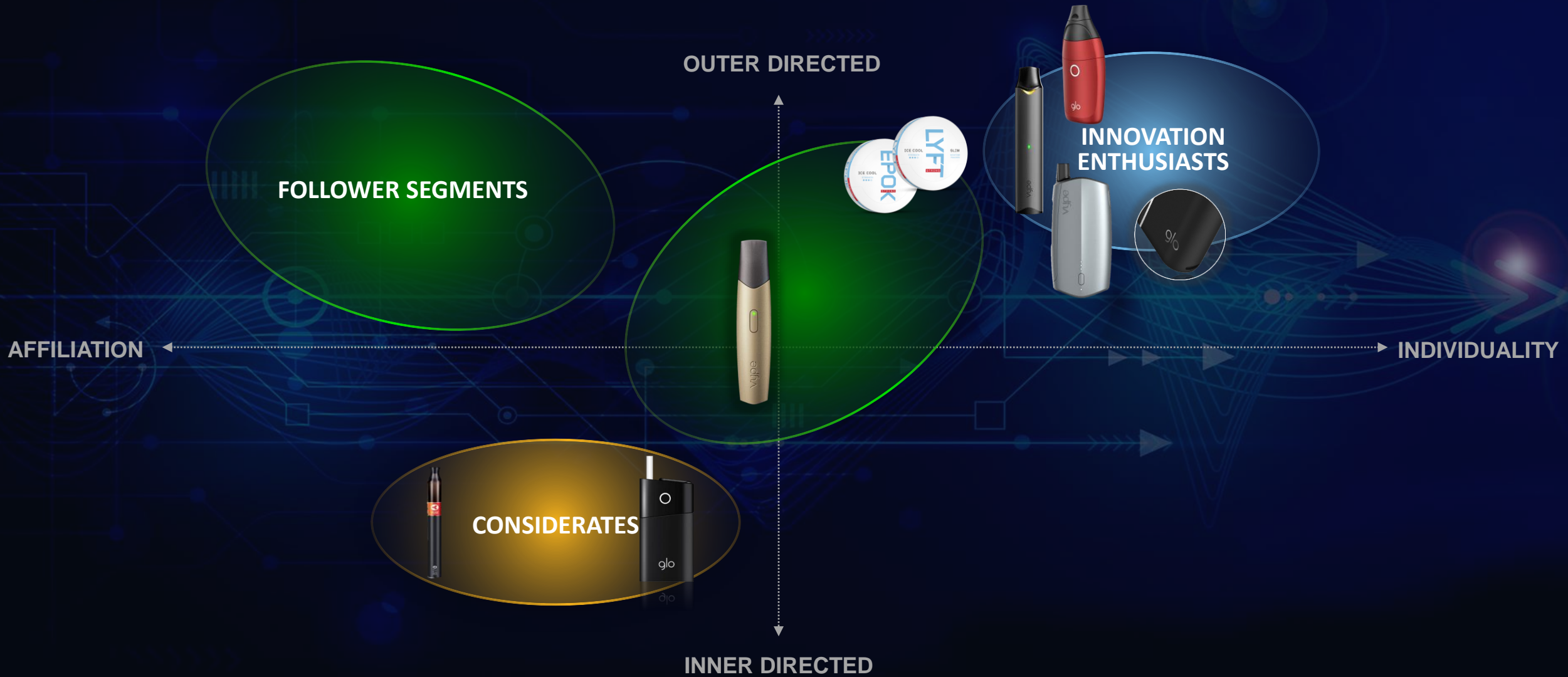
# THP | New technologies will strengthen footprint



# Vapour | Stronger pipeline targeting all key segments

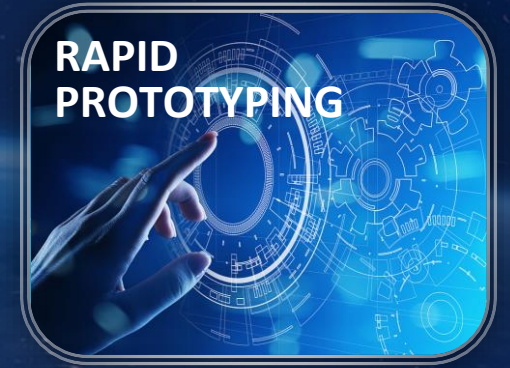


# New Categories portfolio well positioned to win across all segments



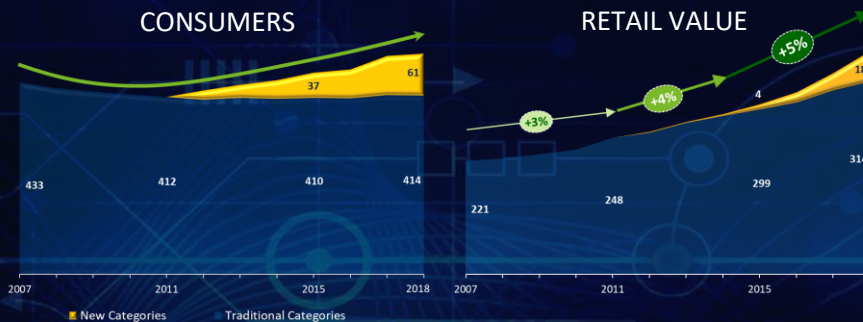


# Transforming to accelerate our delivery



# STEP-CHANGING NEW CATEGORIES

BACK IN A GROWTH INDUSTRY WITH ENHANCED PROFITABILITY



GOOD RESULTS OF RECENT OFFERS IN KEY MARKETS



FOCUS ON BUILDING STRONG BRANDS

TRANSFORMING CAPABILITIES

TRANSFORMATIONAL TECHNOLOGIES WILL ACCELERATE GROWTH

