

Our Evening With blu

Takeaways From Imperial Brands' E-Cig Event

Tobacco

- Move Over JUUL?** We attended Imperial Tobacco's (IMB) next gen product showcase event this evening (3/28) and had the opportunity to try their newest e-vapor offering, *myblu*, which comes in a sleek, compact pod-format which is very similar to that of JUUL (see Exhibit 1). *myblu* was launched in the U.S. late last month and early customer/retailer feedback, according to IMB, has been "very encouraging." Importantly, IMB will be rolling out nicotine salt e-liquid technology for their *myblu* platform in July. As such, we came away with our interest definitely piqued as *myblu* appears to be positioned as a real contender for JUUL with a sleek, aerodynamic design and wide range of attractive flavors (11 *myblu* flavors vs 8 JUUL flavors). While we are optimistic, it's difficult to gauge at this early stage whether *myblu* will have what it takes to reverse softening retail share trends for the overall blu franchise (see Exhibit 6). However, IMB clearly has big ambitions (spending \$300M this year) to further convert smokers with the *myblu* experience. Given the scalability of their approach, IMB believes it can transform their e-vapor gross margins with a significant step up from 35% to 70% in the next couple of years. Further, IMB is adopting a more omnichannel approach and believes they will get operating leverage with e-vapor and ultimately generate a 40-45% operating margin, similar to combustible cigs. **Bottom line - We remain bullish on the overall e-cig/vapor/heat-not-burn categories as technology/user experience continues to improve and the tobacco industry pivots increasingly towards reduced-risk product (RRP) development (especially in light of the FDA's comprehensive nicotine plan). We continue to believe there is plenty of room for multiple players to succeed over the long-term and believe the winners will ultimately have a balanced portfolio of RRP's that appeal to a wide range of adult tobacco/nicotine consumers.**
- JUUL's Rapid Ascent Begs for Competition** – Recent Nielsen 4-wk trends confirm JUUL's growing dominance of the e-cig measured channel with JUUL's retail dollar share shooting up to 49.6% in the 4-wk period ended 2/24/18 vs 13.6% as of 2/25/17. Over the same period, blu's 4-wk dollar share declined to 7.9% vs 15.4% in the yr ago period. A huge part of JUUL's cachet appears to be its pleasing aesthetics, ease of use & nicotine salt e-liquid technology. JUUL devices have the long, lean, lightweight build of a portable charger (i.e., it's discrete), as well as ease of use (i.e., easy to charge) and adventurous flavors like "Cool Cucumber" or "Crème Brûlée". By comparison, *myblu* is similar in looks/style/flavor excitement, but half the nicotine content (each JUUL pod is 5% nicotine by weight which equates to 1 pack of combust. cigs or 200 puffs vs *myblu* at 2.4% at highest titration).
- Imperial Has Optionality** – IMB is focusing on e-vapor technology but it does also see opportunities in heat-not-burn tobacco. The company appears to have a nice pipeline of future reduced risk product/technology offerings and is approaching the market with a portfolio strategy. IMB's *myblu* is in 4 markets currently and has converted 0.5M consumers. IMB expects to be in 10 markets (converting 1.5M consumers) in 2018 and more than 20 markets (converting 8M consumers) by 2020.

Please see page 13 for rating definitions, important disclosures and required analyst certifications. All estimates/forecasts are as of 03/28/18 unless otherwise stated. 03/28/18 23:02:26 ET

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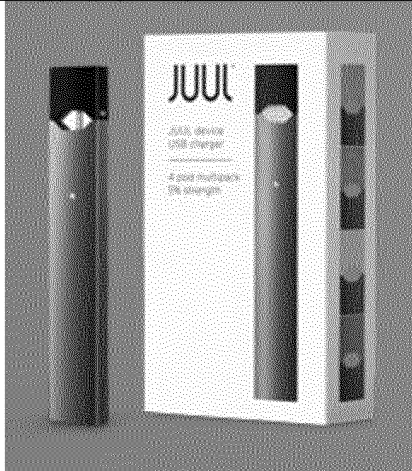
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- Comparing the Offerings, It Is Clear that myblu Has JUUL in its Sights – Now It's All Up to the Consumer.** By way of background, blu e-cig was acquired by Imperial Tobacco as part of Lorillard's acquisition by Reynolds American in June 2015. Pod-based devices are the fastest growing segment of the e-vapor category in the U.S. and myblu represents IMB's first foray into that segment. The flavor assortment for myblu pods (11 total) represents the most expansive flavor range yet from blu (vs 8 JUUL). The pods also come in 3 nicotine strengths: 2.4%, 1.2% and a nicotine free option (vs 5.0% JUUL). Additionally, the device boasts of a "click and go" usability, larger battery and a fast 20-min USB recharge for long-lasting use (vs we have heard it can take 45-60min to fully recharge JUUL). Interestingly, the myblu device comes with a lifetime warranty (vs 1-year on JUUL). myblu Starter Kits retail for \$19.99 (with an intro \$1 trial price) and include the device, 1 liquid pod, USB charger, and a lifetime-limited warranty upon registering the device. myblu pods retail at \$8.99 for a 2-pack and their new intense range pods (nicotine salt e-liquid technology) will retail at \$9.99 for a 2-pack. JUUL starter kits retail for \$49.99 and include a rechargeable device, USB charger, 4 JUULpods and a 1-yr limited device warranty. JUULpods retail at \$15.99 for a 4-pack.

"An Evening with blu"



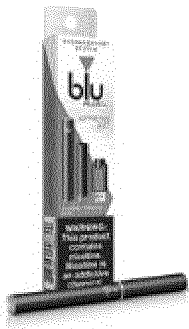

Exhibit 1. Imperial Brands' new myblu E-Cig Product vs JUUL

myblu™ Starter Kit Introductory U.S. Price: \$19.99	JUUL Starter Kit Price: \$49.99
 <ul style="list-style-type: none"> -- Optimum sensation and vapor delivery in a compact design -- 1-click liquidpods let you switch flavors in seconds -- Recharges in 20 minutes for faster vaping 	 <ul style="list-style-type: none"> -- Simple: Easy to use. No buttons or switches. Just insert the pod to get started. -- Clean: Freedom from ash and odor. No mess. No fuss. -- Satisfying: Designed with smokers in mind, from form to technology to flavor.

Note: blu was acquired by Imperial Tobacco as part of Lorillard's acquisition by Reynolds American in June 2015. myblu pods come in the following 11 flavors: Classic Tobacco, Carolina Bold, Gold Leaf, Magnificent Menthol, Polar Mint, Cherry Crush, Vivid Vanilla, Blueberry, Blue Ice, Mango Apricot, and Green Apple. JUUL pods come in the following 8 flavors: Mango, Cool Mint, Virginia Tobacco, Cool Cucumber, Classic Menthol, Fruit Medley, Crème Brulee, and Classic Tobacco.

Source: Imperial Brands plc and JUUL Labs

Exhibit 2. Other blu E-Cig Offerings

blu PLUS+™ Rechargeable Kit Introductory U.S. Price: \$42.99	blu Pro™ Kit
 <p>-- Get up to 45 minutes of use before needing a recharge! -- Rechargeable pack to charge your batteries -- Room for two batteries and three refill tanks</p>	 <p>-- Most advanced blu vaping experience -- Larger battery that lasts all day -- Easy refilling with blu flavor e-liquids</p>
blu PLUS+™ Xpress Kit	Classic Tobacco Disposable
 <p>-- Convenience of a disposable with high perform of PLUS+™ -- IMB Fontem's most familiar feel -- Smooth vapor delivery with maximum sensation</p>	 <p>-- Combines convenience with great vapor delivery -- Smooth taste and a variety of flavors -- No charging needed and will last all day -- Additional flavors: Carolina Bold, Cherry Crush, Polar Mint, Magnificent Menthol & Vivid Vanilla</p>

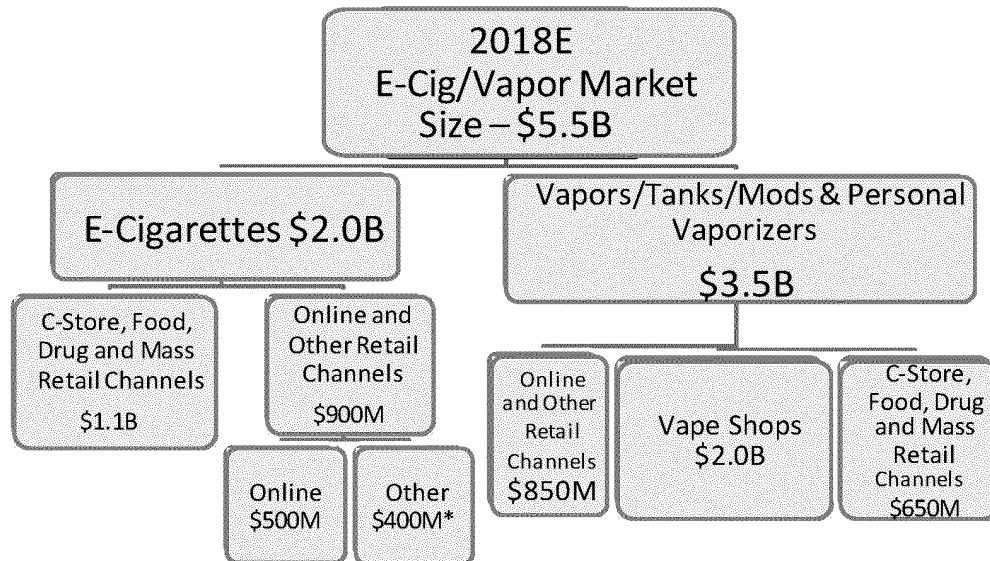
Note: blu was acquired by Imperial Tobacco as part of Lorillard's acquisition by Reynolds American in June 2015.

Source: Imperial Brands plc.

Key Takeaways from Recent Nielsen Trends

Exhibit 3. Estimated Size of the Overall U.S. E-Cig/Vapor Market

E-cig category dollar sales were \$156.6MM this period implying about **~\$1,433MM annual retail sales in Nielsen-tracked channels (vs \$860 last year)**. Considering we believe Nielsen underestimates the channel by an estimated 20-25%, we expect the category will grow around 25% to \$5.5B in 2018 given strengthening e-cig/vapor innovation ahead of the eventual commercialization of superior technology (read: iQOS). We expect consumers to eventually shift from e-cig/vapor to next generation reduced-risk products (RRPs), such as heat-not-burn platforms led by iQOS.



Source: Nielsen C-Store Database, Wells Fargo Securities, LLC estimates

*Other Non-Tracked channels include tobacco-only outlets and other e-cig retail locations.

Exhibit 4. Vapor Market Breakdown by Sub-Segment – Per Nielsen E-Cig Cat. Data



Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

Exhibit 5. E-Cig All Channel Data Summary (52-wk Cat. Retail \$ Sales \$1,433.2MM)

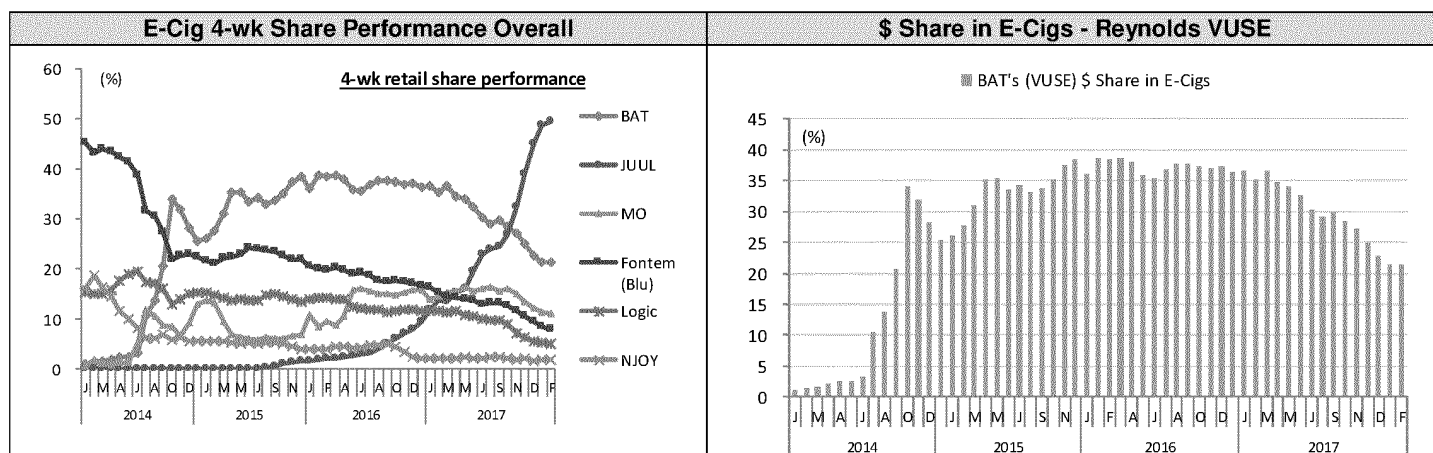
E-CIGARETTES - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	Unit Sales Δ y/y			Avg. Unit Price Δ y/y			Dollar Sales Δ y/y			Dollar Share			Unit Share		
		Period Ended 02/24/18			Period Ended 02/24/18			Period Ended 02/24/18			Period Ended 02/24/18			Period Ended 02/24/18		
		4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk
E-CIG CATEGORY	\$1,433.2	46.5%	43.6%	26.4%	33.7%	34.2%	24.6%	95.9%	92.8%	59.1%						
JUUL LABS INC	\$454.1	643.0%	683.1%	649.9%	-4.0%	1.0%	9.4%	613.0%	686.6%	696.9%	49.6%	47.8%	29.1%	31.1%	28.7%	15.7%
BRITISH AMERICAN TOBACCO PLC	\$396.7	-1.3%	-3.2%	-1.8%	20.4%	20.4%	21.8%	18.9%	16.6%	19.3%	21.4%	21.8%	28.7%	27.3%	27.7%	33.0%
ALTRIA GROUP INC	\$203.5	23.0%	26.3%	38.0%	21.3%	17.9%	12.9%	49.3%	48.9%	56.0%	11.1%	11.4%	14.6%	16.9%	17.8%	21.2%
IMPERIAL TOBACCO (prev. FONTEM)	\$165.9	3.4%	5.3%	9.9%	-2.1%	-2.2%	-6.0%	1.2%	3.0%	3.6%	8.3%	9.0%	12.5%	9.9%	10.6%	12.8%
LOGIC (owned by Japan Tobacco)	\$117.0	22.8%	24.4%	26.3%	-29.6%	-28.5%	-14.7%	-13.5%	-11.1%	7.5%	5.1%	5.3%	8.7%	7.6%	7.8%	8.4%
NJOY, INC.	\$29.4	73.7%	80.2%	-8.8%	-8.3%	-11.2%	-2.2%	59.2%	60.1%	-10.3%	1.8%	1.7%	2.1%	3.3%	3.3%	3.3%
CB DISTRIBUTORS INC	\$17.0	-30.1%	-30.9%	-22.1%	-0.1%	0.7%	-2.1%	-30.2%	-30.3%	-23.7%	0.7%	0.7%	1.3%	1.0%	1.1%	1.6%
BALLANTYNE BRANDS LLC	\$16.3	-27.0%	-28.4%	-25.2%	6.6%	11.6%	13.8%	-22.2%	-20.0%	-14.7%	0.8%	0.8%	1.2%	0.7%	0.7%	1.0%
ALL OTHERS	\$27.0	380.8%	382.0%	236.6%	-1.3%	-8.3%	-6.9%	-20.4%	-23.5%	-25.1%	1.3%	1.3%	2.0%	2.2%	2.3%	2.9%

Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

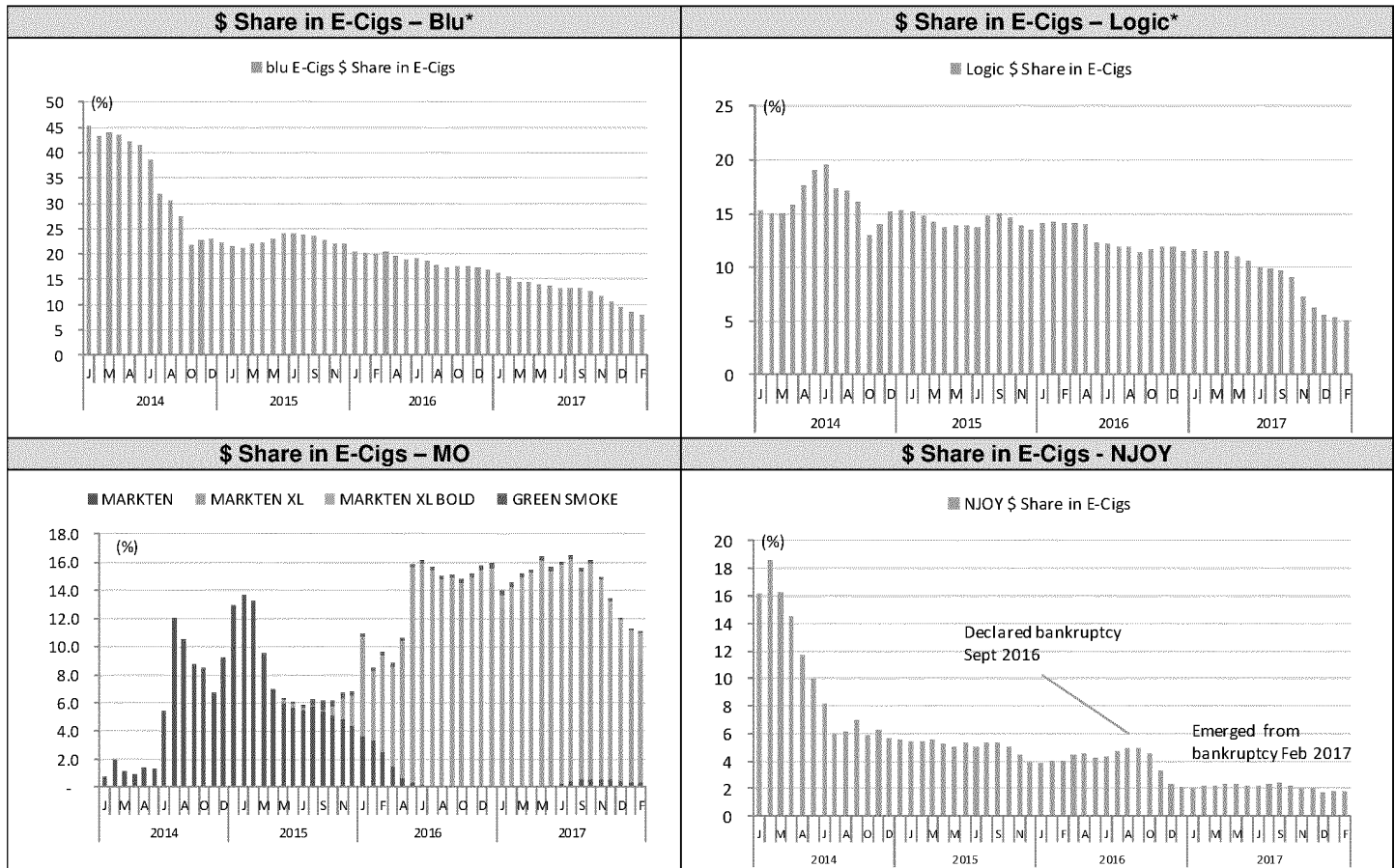
Exhibit 6. All Channel E-Cigarette Dollar Share Trends

With regard to e-cig Dollar Share performance, we note that Nielsen data does not capture the impact of couponing on sales performance, as it technically happens after the point of transaction (i.e., first scanned price). While we are not clear how much this skews our ability to gauge organic brand-level performance, we believe the discrepancy could be rather significant given the magnitude of couponing we understand is occurring presently in the category. For example, we have heard in the past of significant "coupon drops" driving sales of MarkTen XL and similar tactics employed by Logic and VUSE. As such, we caution against placing too much emphasis on Nielsen's reported 4-week data and instead focus on longer-term, directional trends. *We note that NJOY emerged from Chapter 11 bankruptcy in February 2017 after filing for protection on 9/15/16.

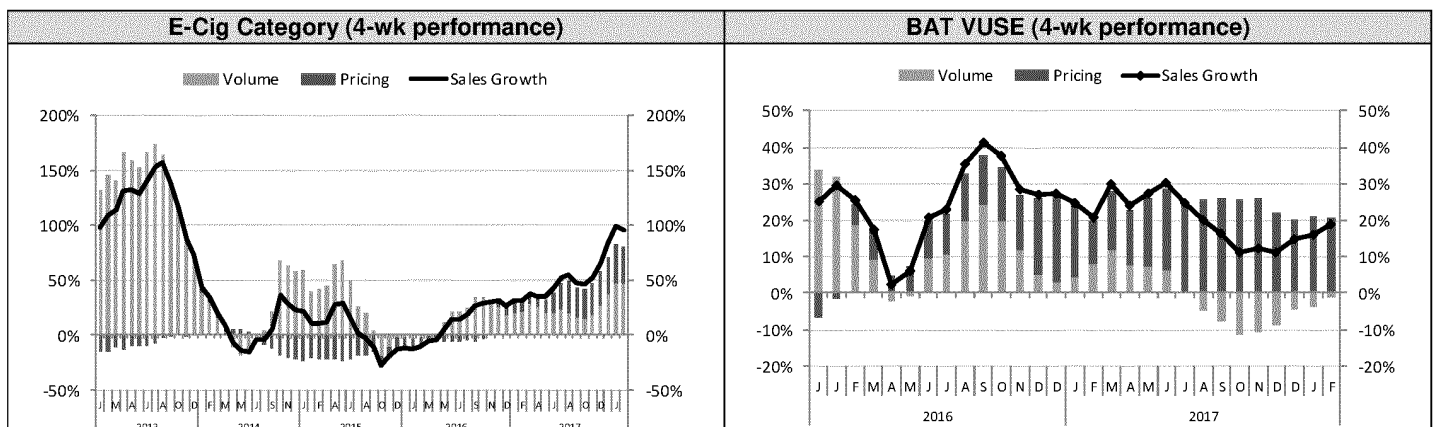
Note: We asked Nielsen recently to start breaking out performance for JUUL since we were aware of the brand's impressive growth trajectory.



Source: Nielsen Total US xAOC/Convenience Database & Wells Fargo Securities, LLC

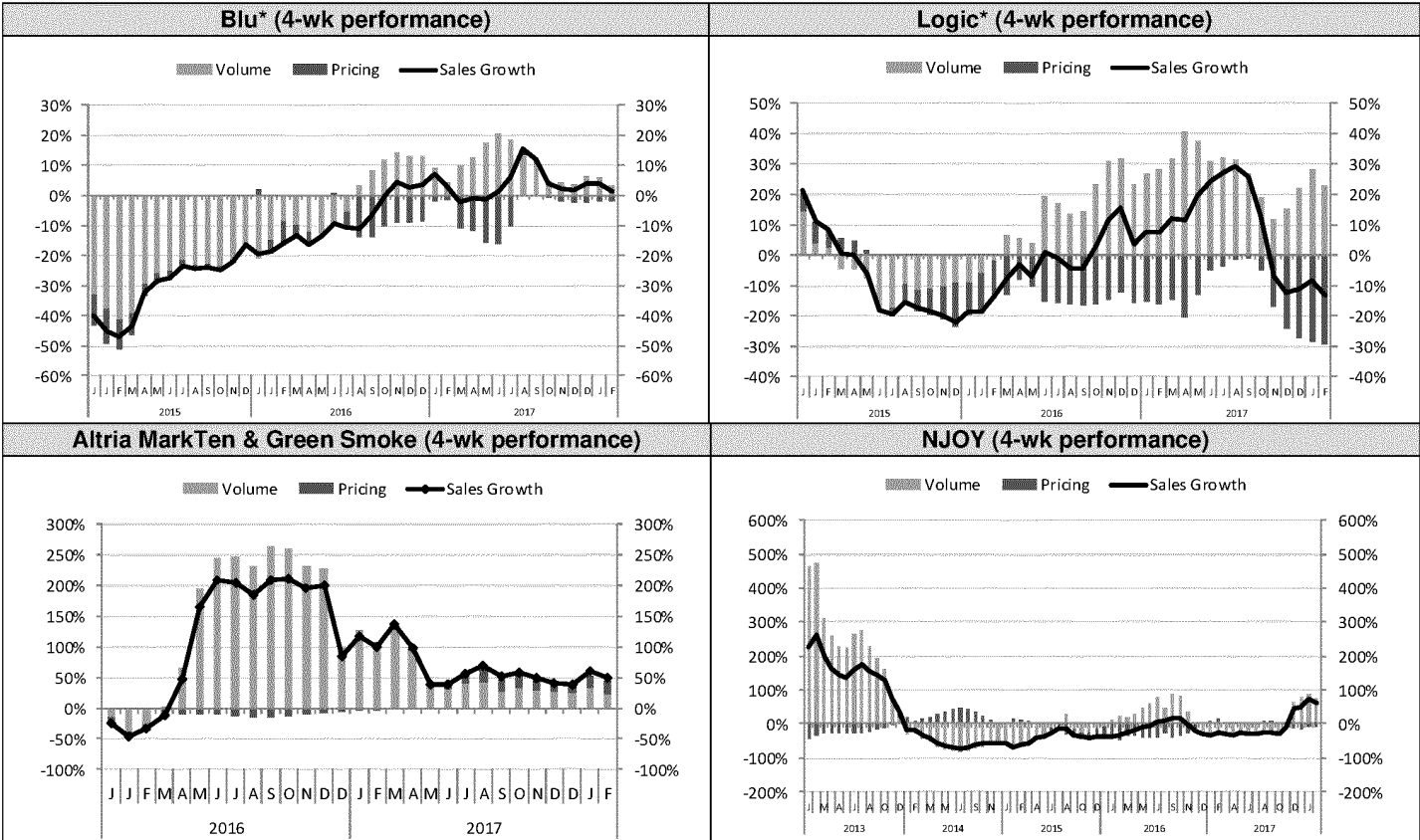
Exhibit 6 (cont). All Channel E-Cigarette Dollar Share Trends

Note: blu was acquired by Imperial Tobacco as part of Lorillard's acquisition by Reynolds American in June 2015. Logic was acquired by Japan Tobacco in July 2015. **Source:** Nielsen Total US xAOC/Convenience Database & Wells Fargo Securities, LLC

Exhibit 7. All Channel E-Cigarette Category Pricing, Volume & Sales Trends

Source: Nielsen Total US xAOC/Convenience Database & Wells Fargo Securities, LLC

Exhibit 7 (cont). All Channel E-Cigarette Category Pricing, Volume & Sales Trends



Note(*): blu was acquired by Imperial Tobacco as part of Lorillard’s acquisition by Reynolds American in June 2015. Logic was acquired by Japan Tobacco in July 2015. **Source:** Nielsen Total US xAOC/Convenience Database & Wells Fargo Securities, LLC

Exhibit 8. E-Cig Refills - All Channel Data Summary (52-wk Category Retail \$ Sales \$1,041.7MM)

E-CIG REFILL - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	EQ Unit Sales Δ y/y			Avg. EQ Price Δ y/y			Dollar Sales Δ y/y			Dollar Share			Unit Share		
		Period Ended 02/24/18			Period Ended 02/24/18			Period Ended 02/24/18			Period Ended 02/24/18			Period Ended 02/24/18		
		4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk
E-CIGS REFILL CATEGORY	\$1,041.7	57.3%	52.0%	32.6%	33.6%	32.4%	25.7%	110.0%	101.5%	68.4%						
JUUL LABS INC	\$346.0	674.6%	692.4%	655.0%	3.9%	4.7%	12.3%	-55.8%	-45.5%	6.0%	51.2%	48.6%	30.5%	35.5%	32.6%	18.6%
JUUL	\$346.0	674.6%	692.4%	655.0%	3.9%	4.7%	12.3%	705.0%	729.0%	724.8%	51.2%	48.6%	30.5%	35.5%	32.6%	18.6%
BRITISH AMERICAN TOBACCO PLC	\$326.2	-1.5%	-4.0%	-3.2%	22.6%	22.1%	19.9%	20.7%	17.3%	15.8%	23.7%	24.5%	32.6%	30.8%	31.6%	39.5%
VUSE	\$326.2	-1.5%	-4.0%	-3.2%	22.6%	22.1%	19.9%	20.7%	17.3%	15.8%	23.7%	24.5%	32.6%	30.8%	31.6%	39.5%
ALTRIA GROUP INC	\$171.9	31.2%	36.0%	54.9%	21.0%	17.4%	17.2%	58.7%	59.6%	80.8%	12.8%	13.6%	16.9%	18.3%	19.6%	23.2%
MARKTEN XL	\$144.4	14.0%	15.1%	37.8%	22.0%	18.5%	17.8%	39.1%	36.4%	61.2%	9.9%	10.5%	14.4%	14.2%	15.1%	19.8%
MARKTEN XL BOLD	\$20.7	169.4%	238.0%	637.0%	15.9%	11.8%	683.2%	212.2%	277.4%	683.2%	2.4%	2.6%	1.9%	3.4%	3.7%	2.6%
MARKTEN	\$4.7	++	++	350.0%	34.1%	29.8%	7.2%	++	++	421.5%	0.4%	0.5%	0.4%	0.6%	0.7%	0.6%
GREEN SMOKE	\$2.0	-64.4%	-52.5%	-5.1%	23.9%	15.1%	14.7%	-55.8%	-45.5%	6.0%	0.1%	0.1%	0.2%	0.1%	0.1%	0.2%
JAPAN TOBACCO INC.	\$94.8	44.2%	47.7%	46.0%	-33.7%	-33.2%	-20.0%	-4.3%	-1.3%	16.5%	5.9%	6.3%	9.6%	8.7%	9.0%	9.2%
LOGIC	\$94.8	44.2%	47.7%	46.0%	-33.7%	-33.2%	-20.0%	-4.3%	-1.3%	16.5%	5.9%	6.3%	9.6%	8.7%	9.0%	9.2%
IMPERIAL TOBACCO GROUP PLC	\$59.6	-1.8%	-1.7%	3.0%	0.2%	0.7%	3.3%	-1.6%	-1.1%	6.6%	3.9%	4.3%	6.0%	3.0%	3.2%	4.1%
BLU ECIGS	\$53.6	-5.1%	-5.9%	-5.0%	0.2%	0.7%	3.4%	-4.9%	-5.2%	-1.5%	3.4%	3.8%	5.4%	2.7%	2.9%	3.7%
CB DISTRIBUTORS INC	\$13.8	-29.7%	-31.0%	-22.3%	2.8%	3.0%	0.6%	-27.7%	-28.9%	-21.8%	0.7%	0.8%	1.4%	1.2%	1.3%	1.9%
21ST CENTURY SMOKE	\$9.8	-13.9%	-14.2%	-6.6%	3.7%	3.9%	0.6%	-10.7%	-10.8%	-5.9%	0.6%	0.6%	1.0%	0.8%	0.9%	1.2%
VAPIN PLUS	\$4.0	-50.9%	-51.9%	-39.5%	-10.1%	-10.1%	-9.6%	-55.9%	-56.7%	-44.9%	0.2%	0.2%	0.4%	0.3%	0.4%	0.7%
BALLANTYNE BRANDS LLC	\$12.3	-31.3%	-32.6%	-28.1%	3.8%	10.5%	10.5%	-28.7%	-25.4%	-20.6%	0.7%	0.8%	1.2%	0.7%	0.8%	1.1%
HAUS	\$7.2	-34.3%	-35.1%	-29.1%	5.0%	8.9%	13.0%	-31.0%	-29.2%	-19.8%	0.4%	0.5%	0.7%	0.4%	0.5%	0.7%
MISTIC	\$4.5	-30.3%	-33.6%	-30.9%	-2.8%	6.5%	1.7%	-32.2%	-29.0%	-30.1%	0.3%	0.3%	0.5%	0.2%	0.3%	0.4%
ALL OTHER MANUFACTURERS	\$17.1	-7.2%	-10.2%	-41.5%	-19.0%	-22.3%	-1.9%	-24.8%	-30.1%	-42.2%	1.1%	1.1%	1.8%	1.9%	1.9%	2.2%

Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

Exhibit 9. E-Cig Disposables - All Channel Data Summary (52-wk Category Retail \$ Sales \$150.2M)

E-CIG DISPOSABLE - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	EQ Unit Sales Δ y/y			Avg. EQ Price Δ y/y			Dollar Sales Δ y/y			Dollar Share			Unit Share		
		Period Ended 02/24/18			Period Ended 02/24/18			Period Ended 02/24/18			Period Ended 02/24/18			Period Ended 02/24/18		
		4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk
E-CIGS DISPOSABLE CATEGORY	\$150.2	4.0%	7.1%	5.5%	-3.2%	-4.4%	-3.9%	0.7%	2.3%	1.4%						
IMPERIAL TOBACCO GROUP PLC	\$101.9	6.1%	8.0%	13.9%	-0.5%	-0.8%	-6.1%	5.6%	7.2%	7.3%	70.1%	71.2%	67.9%	64.4%	64.4%	64.7%
BLU ECIGS	\$101.9	6.1%	8.0%	13.9%	-0.5%	-0.8%	-6.1%	5.6%	7.2%	7.3%	70.1%	71.2%	67.9%	64.4%	21.5%	10.0%
NJOY, INC.	\$23.0	81.5%	100.9%	13.9%	-4.3%	-7.2%	0.0%	73.7%	86.1%	14.7%	20.4%	18.9%	15.3%	22.9%	22.9%	22.3%
NJOY	\$23.0	81.5%	100.9%	13.9%	-4.3%	-7.2%	0.0%	73.7%	86.1%	14.7%	20.4%	18.9%	15.3%	22.9%	7.6%	3.4%
JAPAN TOBACCO INC.	\$11.2	-96.7%	-95.6%	-41.9%	-0.2%	-1.3%	-0.7%	-96.7%	-95.7%	-42.1%	0.4%	0.5%	7.3%	0.3%	0.3%	0.3%
LOGIC	\$11.2	-96.7%	-95.6%	-41.9%	-0.2%	-1.3%	-0.7%	-96.7%	-95.7%	-42.1%	0.4%	0.5%	7.3%	0.3%	0.1%	0.1%
JAK ECIG	\$11.3	-6.4%	1.8%	16.6%	2.0%	1.2%	1.2%	-4.5%	3.1%	18.1%	7.4%	7.8%	7.6%	10.9%	10.9%	11.2%
JAK	\$11.3	-6.4%	1.8%	16.6%	2.0%	1.2%	1.2%	-4.5%	3.1%	18.1%	7.4%	7.8%	7.6%	10.9%	10.9%	11.2%
ALL OTHER MANUFACTURERS	\$2.8	-40.0%	-41.2%	-52.5%	20.4%	24.3%	39.0%	-27.8%	-27.0%	-32.9%	1.7%	1.6%	1.8%	1.5%	1.5%	1.4%

Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

Exhibit 10. E-Cig Kits - All Channel Data Summary (52-wk Category Retail \$ Sales \$241.3M)

E-CIGS-KITS, BATTERIES, AND CHARGERS - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	EQ Unit Sales Δ y/y			Avg. EQ Price Δ y/y			Dollar Sales Δ y/y			Dollar Share			Unit Share		
		Period Ended 02/24/18			Period Ended 02/24/18			Period Ended 02/24/18			Period Ended 02/24/18			Period Ended 02/24/18		
		4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk
E-CIGS KITS CATEGORY	\$241.3	33.4%	38.7%	19.4%	61.2%	69.7%	47.5%	115.0%	135.7%	80.2%						
BRITISH AMERICAN TOBACCO PLC VUSE	\$70.5	1.1%	3.4%	10.9%	8.5%	9.4%	26.0%	9.7%	13.0%	38.8%	20.0%	19.9%	31.7%	29.5%	29.5%	33.5%
	\$70.5	1.1%	3.4%	10.9%	8.5%	9.4%	26.0%	9.7%	13.0%	38.8%	20.0%	19.9%	31.7%	29.5%	29.5%	33.5%
ALTRIA GROUP INC	\$31.7	-10.8%	-12.0%	-7.5%	15.0%	13.1%	-2.4%	2.6%	-0.9%	-10.7%	7.7%	7.3%	14.6%	25.3%	24.3%	35.8%
MARKTEN XL	\$29.5	-11.1%	-12.8%	-10.9%	16.4%	14.2%	-1.0%	3.4%	-0.7%	-12.9%	7.2%	6.9%	13.6%	23.4%	22.7%	33.3%
MARKTEN	\$0.0	-72.1%	-83.2%	-97.2%	-19.1%	-9.1%	-15.0%	-77.4%	-84.9%	-97.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
GREEN SMOKE	\$0.2	-83.9%	-77.8%	-39.2%	29.2%	28.4%	18.3%	-79.3%	-71.5%	-30.8%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%
JAPAN TOBACCO INC. LOGIC	\$11.1	55.4%	57.6%	45.4%	-10.6%	-5.7%	-5.9%	39.0%	48.6%	36.8%	3.4%	3.4%	4.9%	6.7%	6.5%	5.7%
	\$11.1	54.1%	56.5%	44.5%	-9.9%	-5.2%	-5.6%	38.7%	48.4%	36.6%	3.4%	3.4%	4.8%	6.7%	6.4%	5.7%
ALL OTHER MANUFACTURERS	\$128.1	25.4%	-9.1%	-39.3%	14.6%	6.6%	-5.7%	275.0%	356.9%	223.1%	1.4%	1.1%	1.5%	1.7%	1.3%	1.5%

Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

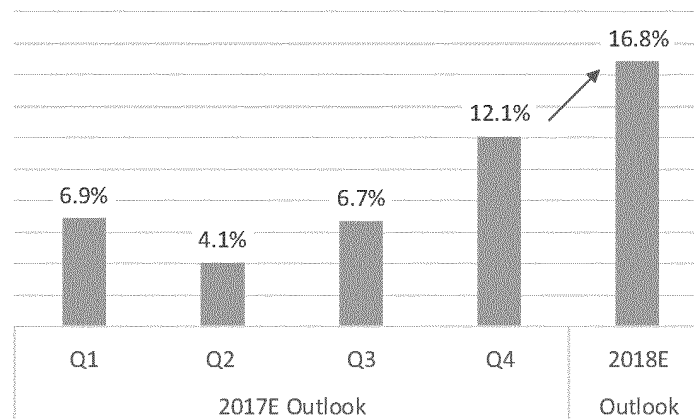
Key Takeaways from Q4 "Tobacco Talk" Retailer Survey

Smokeless Tobacco & Vapor/E-Cig/RRP Q4 Trends

- Retailers Expect Smokeless Tobacco Industry Vol to Increase ~3.4% in 2018 in Line With Our +3.5% Est. - We Expect Q4 Volume Picked Up Following A Slow Recall Recovery Post USSTC's Jan Recall
- Retailers Are Growing Increasingly Bullish on the E-Cig/Vapor Category ("Re-Birth") as Product Quality Rises Led By JUUL, VUSE & Optimism About IQOS Hitting Shelves in 2018
- Retailers Are Broadly Optimistic About RRP's With 75% Planning to Carry IQOS in Their Stores When Commercially Available & 33% Planning to Allocate Addtl Shelf Space To It
- JUUL Outperforming as it Captures Millennial Consumer Interest With "Apple-like Approach" - Vuse Vibe Seen Cannibalizing VUSE Sales – MarkTen Shows Limited Growth
- Retailers Are Most Excited About IQOS/RRP Opportunity Given FDA's New Nicotine Strategy; Most Concerned About Margin Compression & FDA Delaying RRP Approvals

Vapor/E-Cig Trends

Retailers Are Growing Increasingly Bullish on the E-Cig/Vapor Category ("Re-Birth," "Outstanding") as Product Quality Rises Led By JUUL, VUSE & Optimism About IQOS Hitting Shelves in 2018

Expected Annual Growth Rate of the U.S. Vapor Category (E-Cigs, VTMs, Personal Vaporizers)

Broadly Speaking, How Do You Think the Entire E-Cig/Vapor Category is Performing?

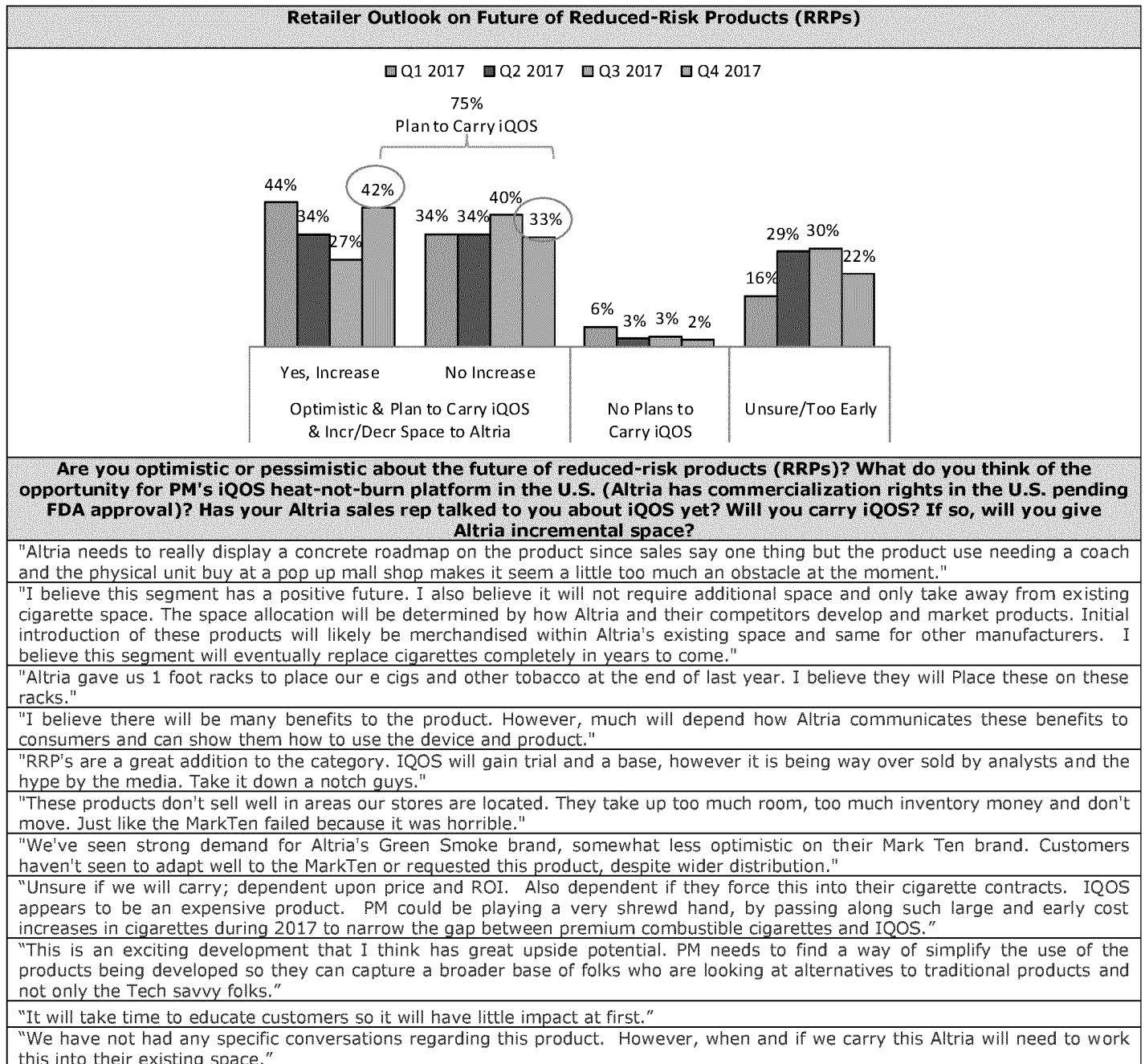
"Good"
"Declining - Vuse is the only driver."
"Very well. Re-birth."
"Outstandingly well."
"Well!"
"It is stable. RJRT continues to lead this category with VUSE although it remains a very small portion of the OTP Category. E-Liquids continue to fall."
"Old pen styles of e-cigs are steadily decreasing sales."
"Very poorly."
"It is not. We reduce selling them in 211 stores down to 60 at this time."
"Slow for us. Still too much uncertainty in the market."
"Outstanding growth in this category. E-Cig growth driven by JUUL....sales are amazing!! Vapor continues to grow....open tank systems still king."
"Growing well - look to see RJRT & Altria compete with JUUL by launching similar technology in near future."
"Flat to up slightly."
"Fair however, it appears that there are a number of new Blu items and JUUL is gaining traction."
"Okay, If it wasn't for JUUL, the category would be down."
"Vuse is doing well. Blu is so-so and Mark Ten not so good."
"Leave these at Vape shops where there is time to explain and they know more about the product lines."
"See strength within the Closed system. See a weak come back in the open systems in the State of Indiana. State law was recently changed to allow greater entry in this open system juices and devices."
"Same."
"JUUL driving the market in c-stores. Vuse following. Not much else going on, but some lift due to JUUL."
"2-3 big players and hundreds of dwarfs."
"It's flat but with resurgent pockets. We carry a private Vape line that does well. VUSE and VIBE do a good business and so does Logic in our stores."
"Flat"
"Responding well over the past several months. Still a very small piece of the overall business."
"A total non-factor. I think the manufacturers invested a great deal of funds in the category and are trying to force no-selling products into wholesalers to appease investors."
"2017 was a strong year for vaping and it looks like JUUL is poised to become number 1."
"Very well"
"Strong."
"It performed very well in 2017 on the back of Vuse. It will be difficult to have those results in 2018 unless there is a break through new product."
"The category stabilized in 2017. With new lines of Vuse Ciro, MyBlue and IQOS I think the category is in store for a significant sales and share jump in 2018."
"Badly"
"Above my best estimate."
"Not living up to the hype so far."
"Flat"
"Fairly well. However, we are not seeing the large increase I would have expected."
"Under performing thus far. Giving it additional space in 2018 to better position it for future growth and the opportunity to become the combustible of the future generations."
"Small sub-category but growing."

Source: Wells Fargo Securities, LLC

Retailers Are Broadly Optimistic About RRP's With 75% Planning to Carry IQOS in Their Stores When Commercially Available (We Think in the Next Few Months) & 33% Planning to Allocate Additional Shelf Space To It

Select Retailer Comments

- "I believe this segment will eventually **replace cigarettes completely** in years to come."
- "PM needs to **find a way of simplify** the use of the products being developed so they can capture a **broadier base** of folks...and **not only the Tech savvy** folks."
- "It will take time to educate customers..."



Source: Wells Fargo Securities, LLC

JUUL Outperforming as it Captures Millennial Consumer Interest With "Apple-like Approach" - Vuse Vibe May Be Cannibalizing VUSE Sales – MarkTen Seeing Limited Growth

Select Retailer Comments

- **"JUUL just keeps growing."**
- **"JUUL's growth appears to be due to growth with the 18 to 24 year old age group. This group has disposable income and finds the product an attractive alternative to combustible cigarettes."**
- **"...limited movement on Mark Ten."**
- **"Vuse growth slowed down and Vibe cannibalized much of Vuse sales. We do not carry JUUL but it was the first of its kind with an "Apple" like approach to the category catching fire with millennials."**
- **"Thinking about eliminating BLU"**

How are MarkTen, VUSE and JUUL performing? What do you think accounts for JUUL's strong recent performance and do you expect that to continue? What other trends are you seeing in this category?
"Good"
"Vuse performs well; MarkTen still stagnant; Not carrying JUUL but considering."
"Vuse well. Adding JUUL now. Some lower priced JUUL knock offs may do well. Or a "like" trendy product."
"Customer interest in MarkTen has been little to none. VUSE remains competitive and JUUL growth end is at least outside of Q1."
"JUUL is doing great."
"We do not carry JUUL and Mark Ten was only recently reintroduced in WV I have seen some limited movement on Mark Ten while VUSE holds to top share spot by a long shot."
"These brands are not growing in our stores. We did a Major cut back because of the slow sales we had I this category."
"I think JUUL will be a fad and will end at some point. At this time still gaining traction if they can keep up with distribution demand."
"JUUL is doing great when we can get it, and it looks like their supply chain issues are easing."
"JUUL is driving e-cig category in our stores! Mark Ten showing small growth. Vuse/Vibe declining sales. Thinking about eliminating BLU....maybe new BLU (JUUL copycat item) my help them."
"Don't have JUUL in stores yet - rolling out in 2018. MarkTen & Vuse are stagnant."
"Progressing. It's a better fit for most consumers."
"Mark Ten is flat however, seeing some growth in new flavors. Vuse is growing due to new Vibe and expansion of Ciro. JUUL's growth appears to be due to growth with the 18 to 24 year old age group. This group has disposable income and finds the product an attractive alternative to combustible cigarettes."
"MarkTen was horrible VUSE not much better but RJR continues to push it. JUUL actually not bad but not in our stores. They seem very popular in stores that carry them but limited in where located."
"JUUL continues to grow strong--based on increased availability of product. Mark Ten--sales remain sluggish. Vuse--double sales of Mark Ten Logic--strong sales, outsells Mark Ten and Vuse CUE, --outsells all devices in closed system category. Njoy---great sales with limited distribution within our stores, planning on additional roll out. Green Smoke--Great sales with no support from Altria (concerned about this brand fading away, with the strong sales originally as a "test market")."
"JUUL strong Vuse flat Mark Ten down."
"MarkTen not a player. VUSE & Blu doing well. Do not carry JUUL."
"We don't carry JUUL but VUSE is doing well with Mark Ten making some noise."
"The items are performing fine, still seeing steady growth. We are just now planning to add JUUL in some locations to measure guest interest. We are also considering Kian from CB Distributors. This is a new nicotine salts Pod system."
"We have not sold a unit in over two months of either."
"MarkTen and Vuse had solid growth while JUUL exploded with 600% growth. All others were flat to declining. I expect JUUL growth to be more in line with Vuse in 2018."
"JUUL is the clear winner still."
"JUUL is trending better than the other two. Mainly driven by younger adults. Vuse Ciro is much better than Mark Ten and sales show it."
"Mark Ten is only doing OK not a big player. Vuse continues to have the majority of the market. We are just getting into JUUL. Will see if this is the new break through item for us."
"Mark Ten has been consistent performer this year right alongside Blue. Vuse growth slowed down and Vibe cannibalized much of Vuse sales. We do not carry JUUL but it was the first of its kind with an "Apple" like approach to the category catching fire with millennials. I see all others copying this and making JUUL less relevant the next two years."
"Very poorly on Mark Ten and Vuse."
"JUUL just keeps growing."
"Vuse is our best seller as we have not been able to get distribution of the JUUL products."

"Not carrying jewel. They have some major production and distribution issues. Mark 10 +56%, Vuse +16%. However, Vuse sales are 3 times higher than Mark 10."

Source: Wells Fargo Securities, LLC

Retailers Are Most Excited About IQOS/RRP Opportunity Especially Given FDA's New Nicotine Strategy; Most Concerned About Margin Compression & FDA Delaying RRP Approvals

What are you most excited about and concerned by for the entire tobacco/reduced-risk industry? What are your big predictions?
"How will consumers react? Am I exposed to non-turning inventory risk? Viable manufacturers - think impact of Njoy on the industry."
"Once labeled reduced-great growth, Zyn/ON! type of products will be big."
"Big tobacco companies will continue to fill ranks with marijuana and heat-not-burn experts in order to have a direct fill for the industry shift."
"None."
"Excited about the increased margin opportunity vs cigarettes. Concerned about proper merchandising and space availability and manufacturers driving price and margin opportunity down competing for sales."
"Less tobacco/cigarette focus and more focus on items that have a higher margin. (non-tobacco)."
"Most excited about other tobacco offers. Concerns age change to 21. Lost in sales big concerns."
"I think we may finally see IQOS this year. I'm not sure it is going to live up to the hype."
"Consumers quitting because they do not like the vapor options - especially gen X & baby boomers."
"IQOS."
"FDA regulation and the FDA taking too long to review and approve applications for reduced risk products."
"Excited about new products. They are the bright light in non-cigarette categories. Predictions - Blu, Vuse, MarkTen will all decline in volume. E-cig consumers will move to newer yet to be released products."
"Closed Systems continue to grow and be strong. Open systems; maintain acceptance, but moderate growth and perhaps elimination/ consolidation of some manufacturers."
"Not optimistic."
"FDA delays roll out of reduced risk."
"The reduced risk category product line is the most exciting development and trend this year and in the year to come. I like the stability of the traditional products keeping the category viable. Cigars and Moist continue to be positive."
"Concerned with continued city and communities attacking tobacco, going after age 21 laws, and restricting programs. Indiana is of main concern since the state has banned Loyalty Programs and Business Enhancement Funds. We need to work together to get this fixed."
"Total failure in the long run, some experimental growth in the short term."
"I expect continued solid growth but will need further innovation to sustain the growth long term."
"Items getting better and cost less."
"PM will introduce the IQOS system in late 2018 to selected markets. Introduction will be slow but consumers will begin to catch on."
"Most excited about the new innovation. The new lines are much different than their predecessors, however with this much innovation comes the death of certain lines which will require more hands on category management getting old product out of stores quick and having buttoned up merchandising plans to get these lines into stores as soon as they launch."
"Financial strength of the wholesale / middle man."
"Bring on IQOS"
"It will be interesting to see what impact the govt. may have with their involvement and I think the heat not burn product is too early in the stages to know what impact this may have on the category."
"IQOS"

Source: Wells Fargo Securities, LLC

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