

NACS CEO Summit **2023**

Moving beyond smoking™



Altria

Our Shared Focus

The Adult Tobacco Consumer 21+

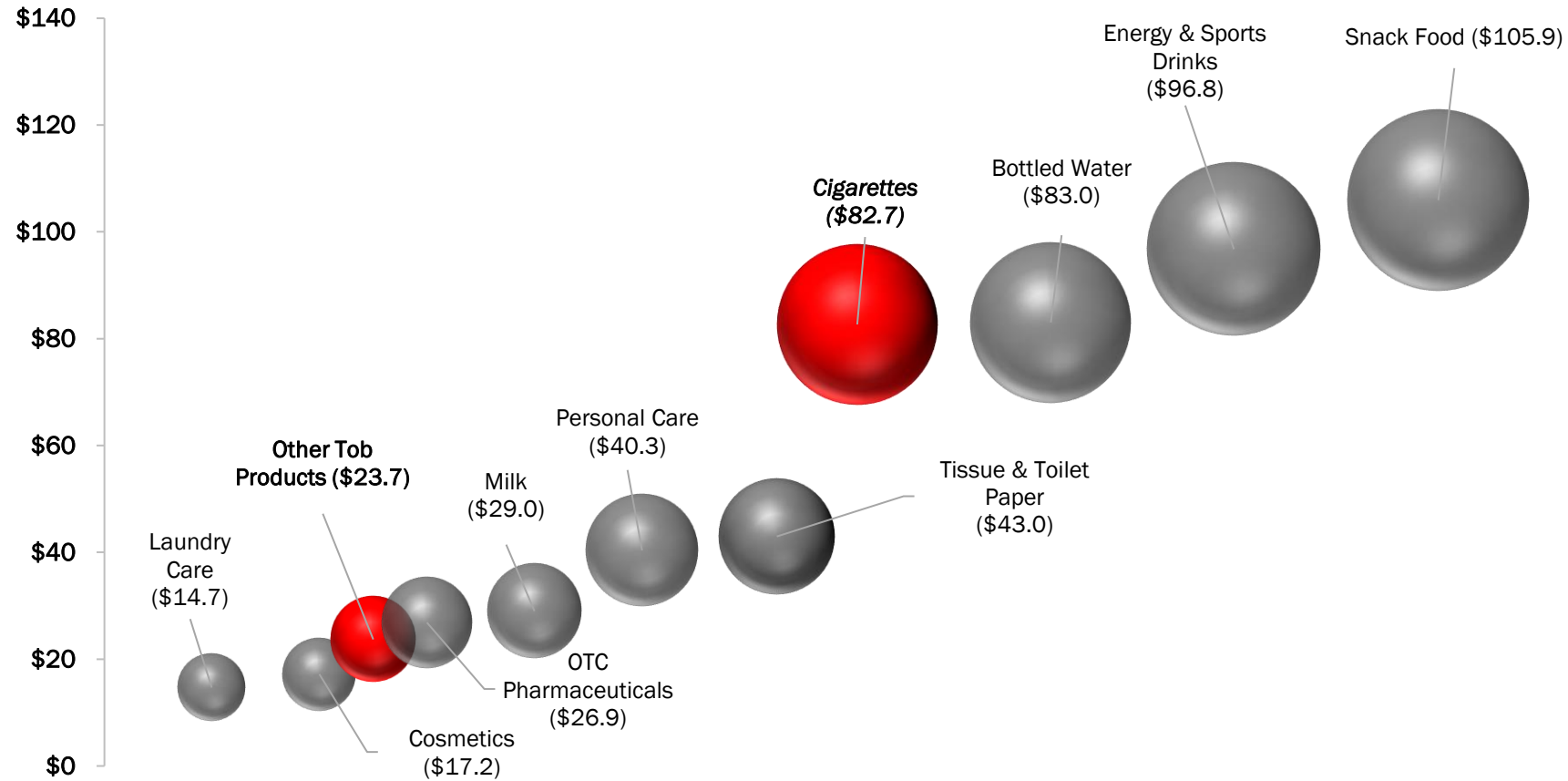


Altria
Altria Group
Distribution Company



U.S. Market Category Size - 2022

By Estimated Annual Revenue (in US\$ Billions) - Total Nicotine: \$106.4



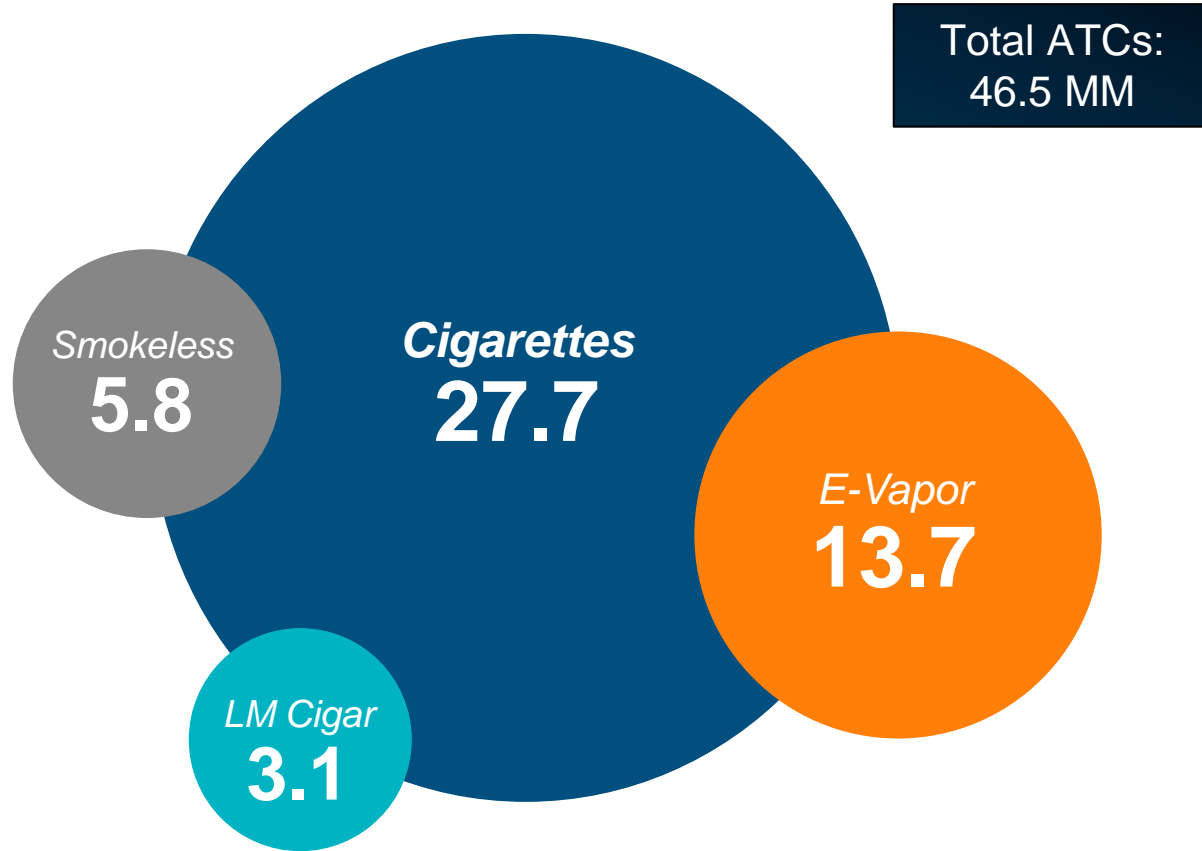
Sources:

- 1) Statista, Consumer Market Outlook <https://www.statista.com/outlook/consumer-markets>
- 2) CDC, Current Cigarette Smoking Among Adults in the United States https://www.cdc.gov/tobacco/data_statistics/fact_sheets/adult_data/cig_smoking/index.htm

2022 ATC By Product Category

(Past 30 days in millions)

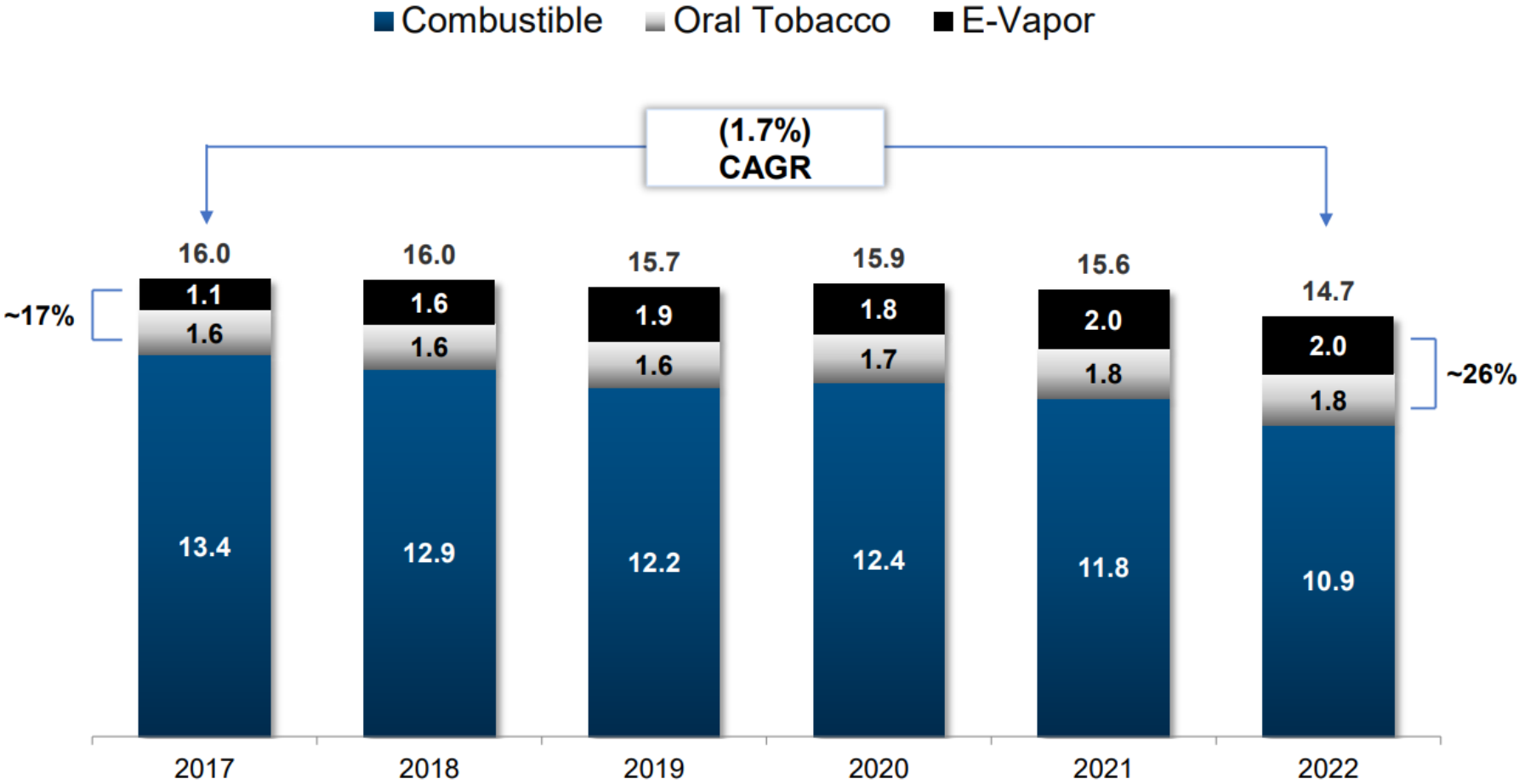
Excluding Pipe Tobacco and Premium Cigars Exclusive Users



Source: ATCT January 2022 to December 2022, P30D 12MM Counts, Weighted Populations
Smokeless includes TDN, MST, Snus. Van Diagram is indicative and not an actual representation of the dual usage with Cigarette

Tobacco Space Estimated Volume

Equivalized Volume in Billions



Sources: CMI Estimates; IRI MOC; Capstone; ComScore; Merkle

For purposes of this theoretical analysis, the tobacco space may combine different product categories under a single descriptor. In this analysis, "Combustible" contains Cigarettes and Cigars, and "Oral Tobacco" contains Moist Smokeless Tobacco (MST), Snus and Oral Tobacco-Derived Nicotine Products (OTDN)

EQ Estimation – For purposes of this theoretical analysis the following are assumed to be equivalent: 1 pack of cigarettes = 1 can of MST/Snus/OTDN = 10 Cigars = 1 E-Vapor cartridge

Note: Annual volume for Heated Tobacco products rounded to 0.0 for 2019 – 2022.



Category Estimates

Illustrative example

	<i>Cigarettes/Cigars</i>	<i>Smokeless</i>	<i>Innovative</i>	<i>HNB – Stick</i>	<i>HNB Capsule</i>
Average Retail Price (VA market)	~\$7.39	~\$5.89	~\$4.49 (per can/per pod)	TBD (Subject to MSA & cigarette FET/SETs)	TBD (Not subject to MSA or cigarette FET/SETs)
Retail GM%	10-20%	15-25%	30-40%	10-20%	30-40%
Adult Tobacco Consumers (21+)	~36 Million	~6 Million	Vapor: ~13.7MM TDN: ~2.5MM	Adult Smokers seeking similar sensorial feel of cigarettes	Adult Smoker who tried but ultimately rejected vapor
Trips per month (2022)	~9.6	~9.1	TDN: - ~9.0	Anticipate similar trip behavior	
Total Stores (% Convenience)	~210K/73%	~160K/78%	~145K 84% (pod) 87% (TDN)	TBD	



Understanding Adult Tobacco Consumers (ATCs)

ATC Data Gathered in 2022



**Research
With ~50,000 ATCs**



**~4.5 Billion ATC
Transactions at Retail**



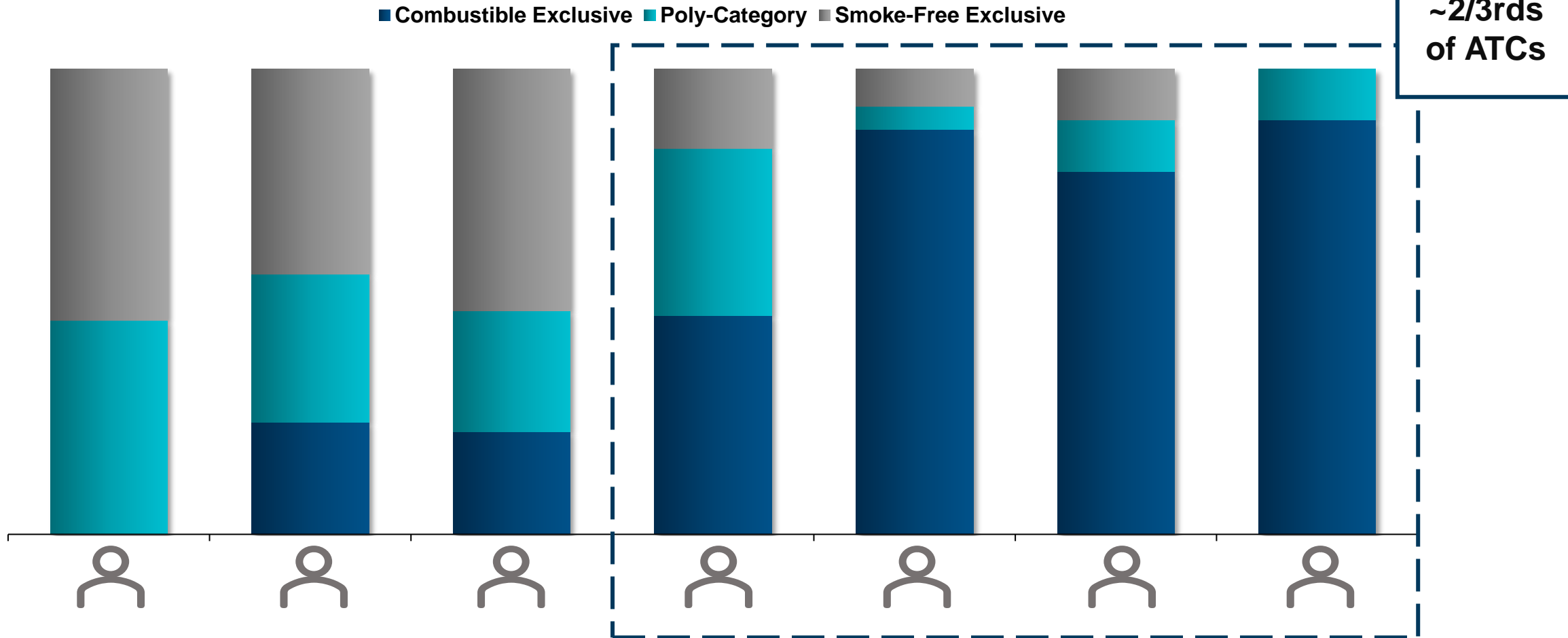
**~730 Million
ATC Engagements
with our Brands**

Source: Altria CMI, AGDC and D&T Estimates

Combustible Product Use Varies By ATC Cluster

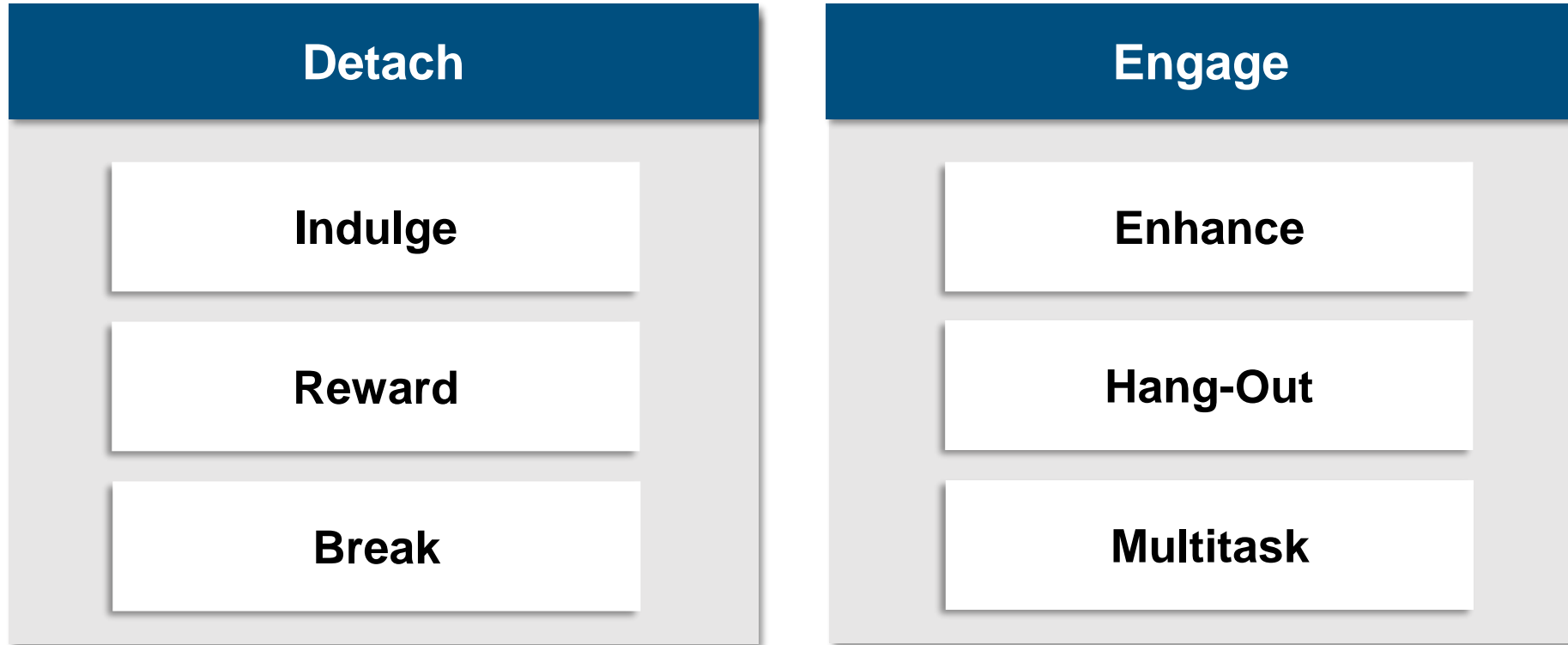
Growing Interest in Smoke-Free Products Across All of Them

Tobacco Product Use by ATC Cluster



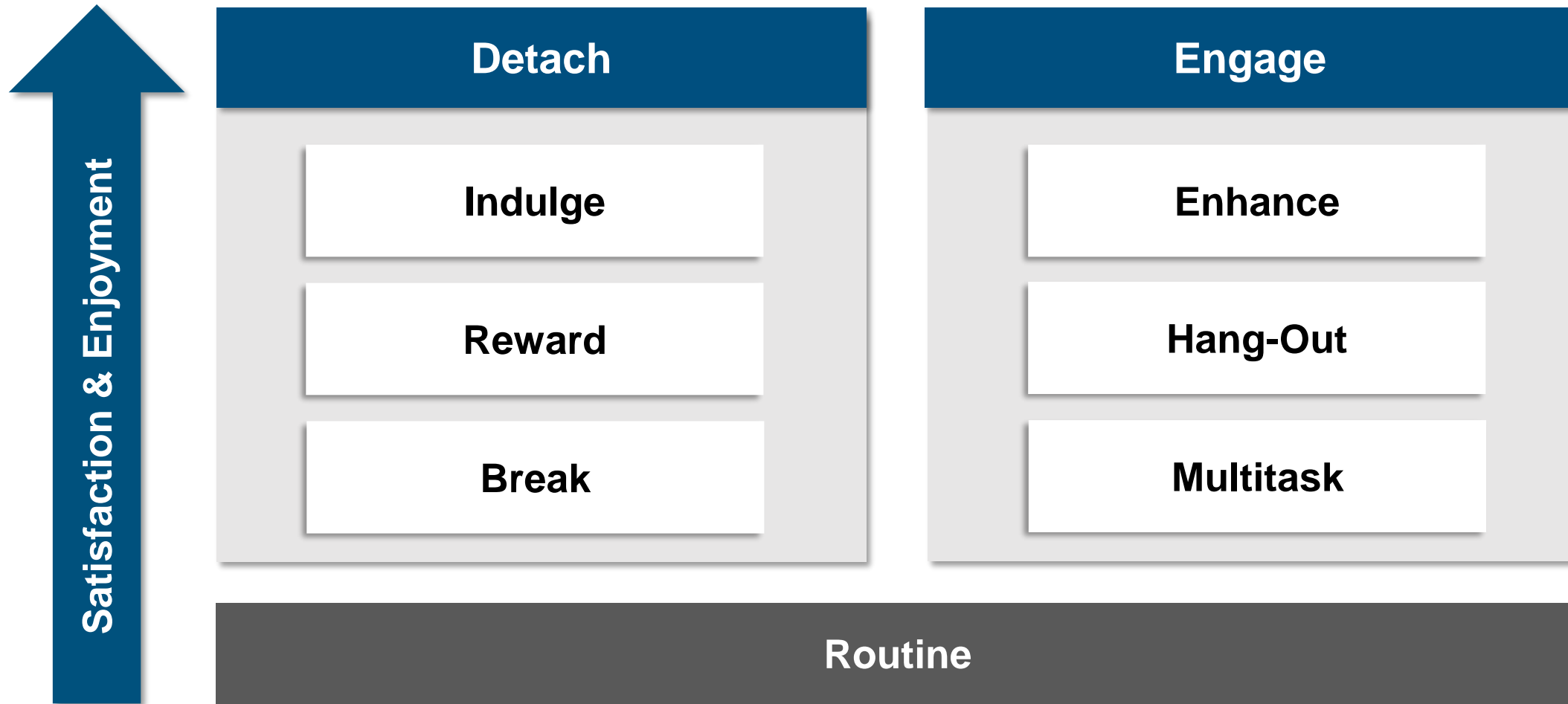
Source: Tobacco Landscape 2.0 | Altria Client Services

Distinct Usage Moments for Tobacco Enjoyment



Source: CMI Analysis

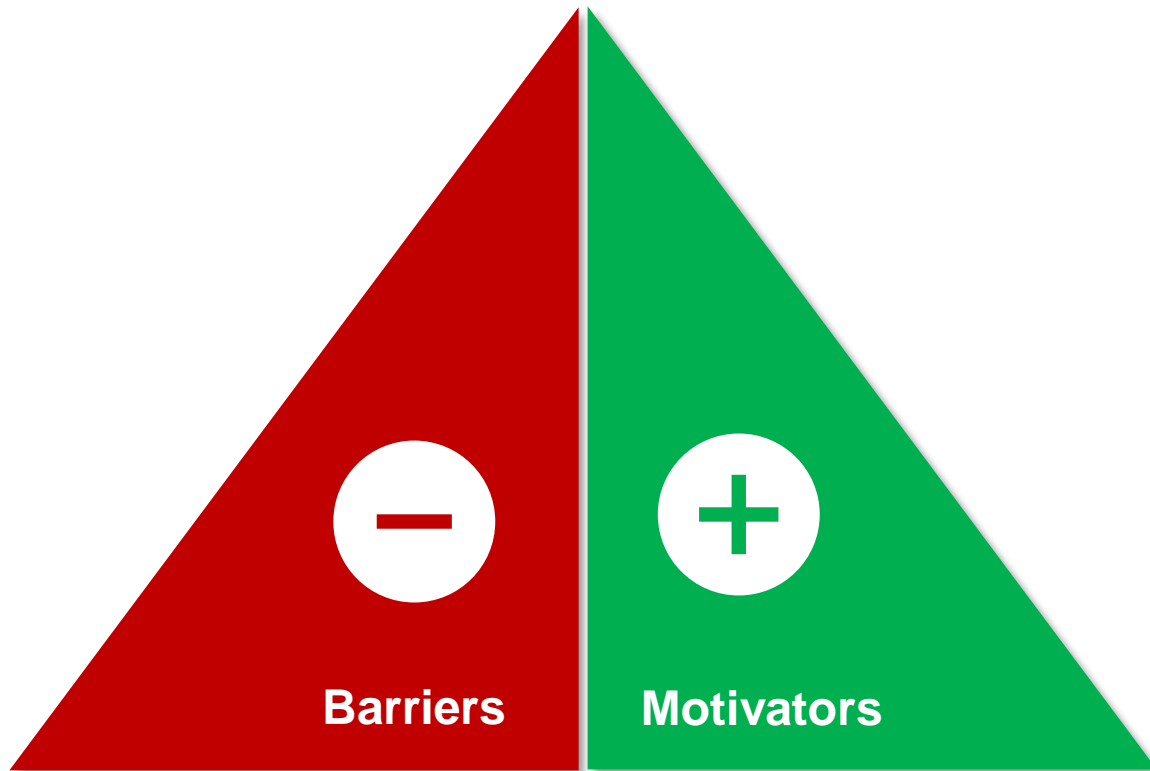
Not Every Moment Has the Same Level of Satisfaction



Source: CMII Analysis

Barriers and Motivators to Switching

Understanding Adult Tobacco Consumer Motives Behind Their Choices



Smoke-Free Product Requirements

Nicotine Satisfaction

Easy to Carry

Enjoyable Experience

Only six million lifetime smokers have fully switched to smoke-free products

Source: CMI Analysis

We believe we will need a portfolio of products to meet the needs of our shared ATCs evolving preferences



U.S. Tobacco Harm Reduction Opportunity

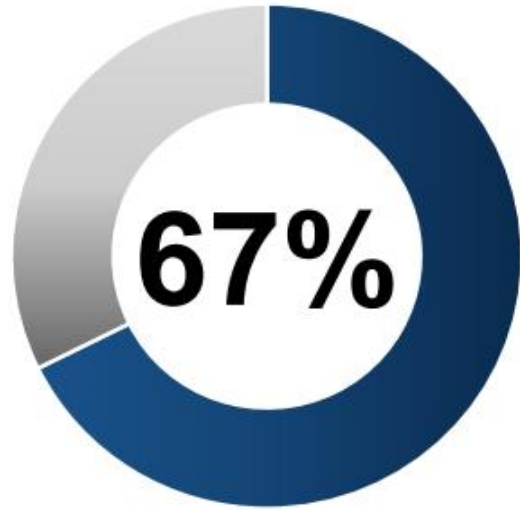


Adapted from Nutt, et. Al Estimating the Harms of Nicotine-Containing Products Using the MCDA Approach. Eur. Addict Res 2014; 20:218-225. Evaluation criteria include; product specific mortality; product related mortality; product specific morbidity; dependence; loss of tangibles; loss of relationships; injury; crime; environmental damage; family adversities; international damage; economic cost; and community.

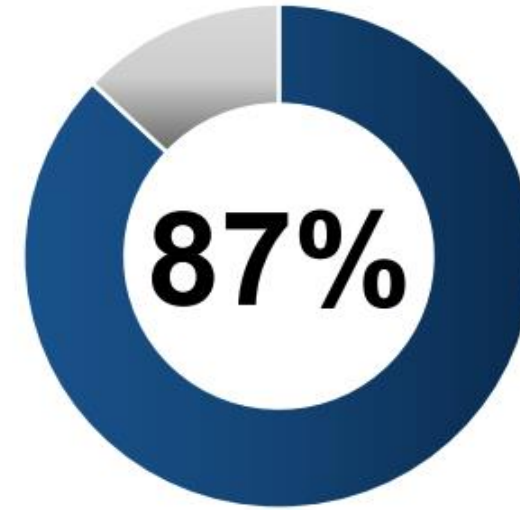


Understanding Risk and Addressing Misperceptions

Among Adult Smokers (21+ years old)



believe the nicotine in cigarettes is equally or more harmful than the smoke inhaled from burning tobacco



agree adult tobacco users have a right to be informed about different levels of risk associated with different types of tobacco products

Source: THR Engagement Survey – A Nationwide Survey Among Adult Smokers (21+ Years Old) – The findings are drawn from an online survey with n = 1,000 general population adults (21+ years old), including n=262 adult smokers, throughout the United States fielded from November 22, 2021 to December 8, 2021. The margin of error on the general population sample is +/- 3.1% and +/- 6.1% on the adult smoker sample. The primary purpose of this survey was to obtain current measures of societal perceptions, attitudes, and opinions on tobacco harm reduction and potentially reduced-harm tobacco products. The responses above reflect the responses from the adult smoker sample only.

U.S. Tobacco Harm Reduction Opportunity

Nicotine Misperception



FDA U.S. FOOD & DRUG
ADMINISTRATION

Are You Looking for General Health and Safety Information Related to Cigarettes?

To protect Americans from tobacco-related disease and death, FDA provides information about tobacco products, including cigarettes, and the dangers they pose to the public.

Chemicals in Cigarettes and Cigarette Tobacco

- The harmful chemicals in cigarette smoke can damage nearly every organ in the body.
- Nonsmokers are exposed to many of these same chemicals through secondhand smoke.

Tobacco and tobacco smoke contain thousands of chemicals. This mix of chemicals—not nicotine—is [what causes serious disease and death in tobacco users](#).

[Roll-your-own tobacco products](#) are not safer than other types of cigarettes. Just like with other types of cigarettes, the user inhales harmful chemicals when they inhale the smoke.

Health Effects of Tobacco Use

[Different tobacco products pose varying levels of health risk to users](#). Combusted products that burn tobacco, like a cigarette, are the most harmful to a user's health, although no tobacco product is considered safe.

While nicotine is addictive, it's smoke from cigarettes that causes most tobacco-related disease.¹

Tobacco and tobacco smoke contain thousands of chemicals. This mix of chemicals—not nicotine—is [what causes serious disease and death in tobacco users](#).

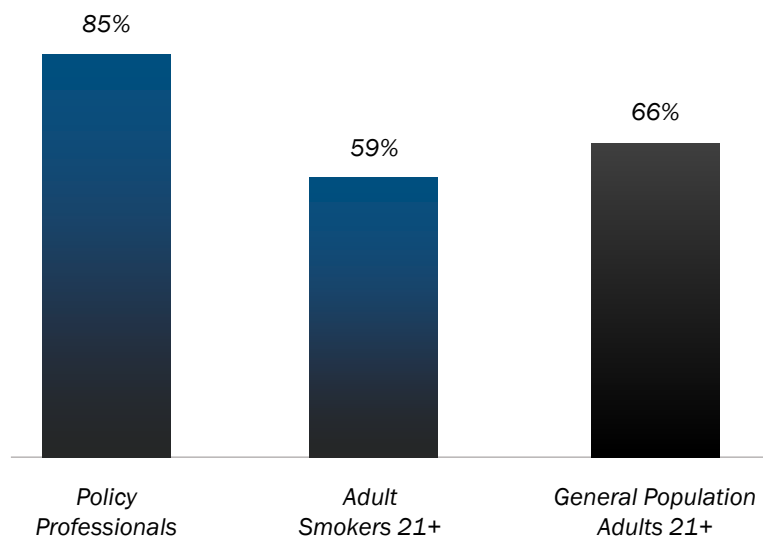
Sources:

¹ FDA, Nicotine is Why Tobacco Products are Addictive <https://www.fda.gov/tobacco-products/health-effects-tobacco-use/nicotine-why-tobacco-products-are-addictive>.

Image: FDA, Cigarettes <https://www.fda.gov/tobacco-products/products-ingredients-components/cigarettes>

The Transition Opportunity

% of Adults Who Support the Concept of Tobacco Harm Reduction



The U.K.'s National Health Service (NHS) embraced e-vapor for Harm Reduction and the U.K. now has record low smoking rates:

THE EVIDENCE SO FAR SHOWS THAT E-CIGARETTES ARE FAR SAFER THAN SMOKING

- E-cigarettes contain nicotine but **not cancer** causing tobacco
- Nicotine is addictive, but does **not cause cancer**
- Tobacco is the biggest cause of preventable death in the UK
Over **100,000 deaths** per year = 10,000
- Passively breathing vapour from e-cigarettes is **unlikely to be harmful**
- Growing evidence shows e-cigarettes are helping people to **stop smoking**

LET'S BEAT CANCER SOONER
cruk.org

CANCER RESEARCH UK



¹Altria Client Services, Nationwide Survey December 2021: Policy Professionals, Adult Smokers 21+ and General Population Adults 21+.

²POS Scan Loyalty Data; LIDs with 10+ weeks and 20+ tobacco unit purchases; Timeframe: Jan 2019 to Oct 2021.

*Individual ATC21+ may have multiple LIDs or purchases by multiple ATC21+ may be represented by 1 LID, this information is directional only

Tried Smoke-free Product: LID purchased a combustible product, and then purchased a smoke-free product at least once.

Continued to Purchase Product After 5 Weeks: LID purchased 5 or more smoke-free products over 5 or more distinct weeks.

Continued to Purchase Product After 18 Weeks: LID continued to purchase smoke-free products for more than 18 weeks.

Sources:

National Health Service (NHS), Better Health, Vaping to Quit Smoking <https://www.nhs.uk/better-health/quit-smoking/vaping-to-quit-smoking/>

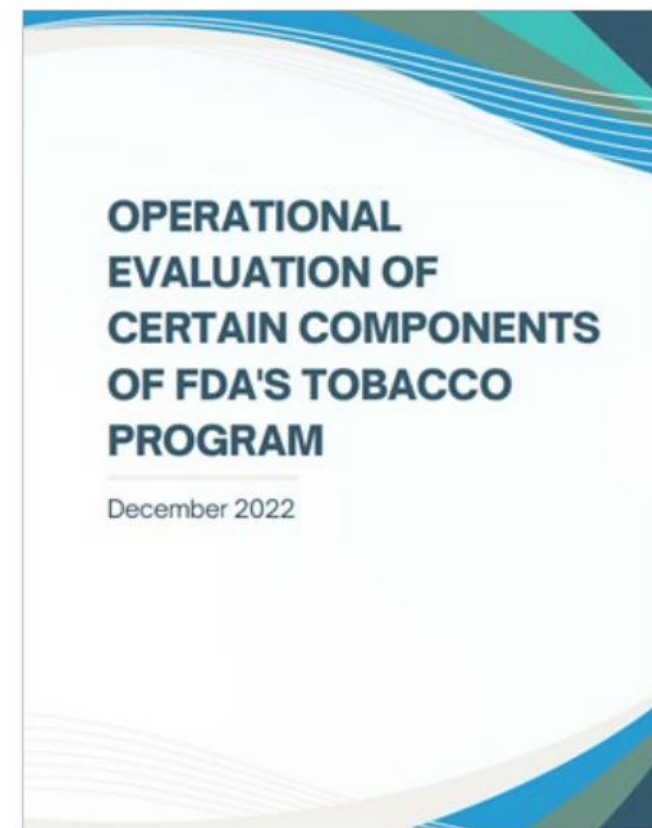
Office for National Statistics, Smoking prevalence in the UK and the impact of data collection changes: 2020 (Note: methodological change from Q1 2020 to Q2 2020),

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/drugusealcoholandsmoking/bulletins/smokingprevalenceintheukandtheimpactofdatacollectionchanges/2020>

Tobacco Regulatory Update

In December, the Reagan-Udall Foundation published its *Operational Evaluation of Certain Components of FDA's Tobacco Program*. We were among the stakeholders who provided input to this evaluation. Among its recommendations, the report urges the FDA to:

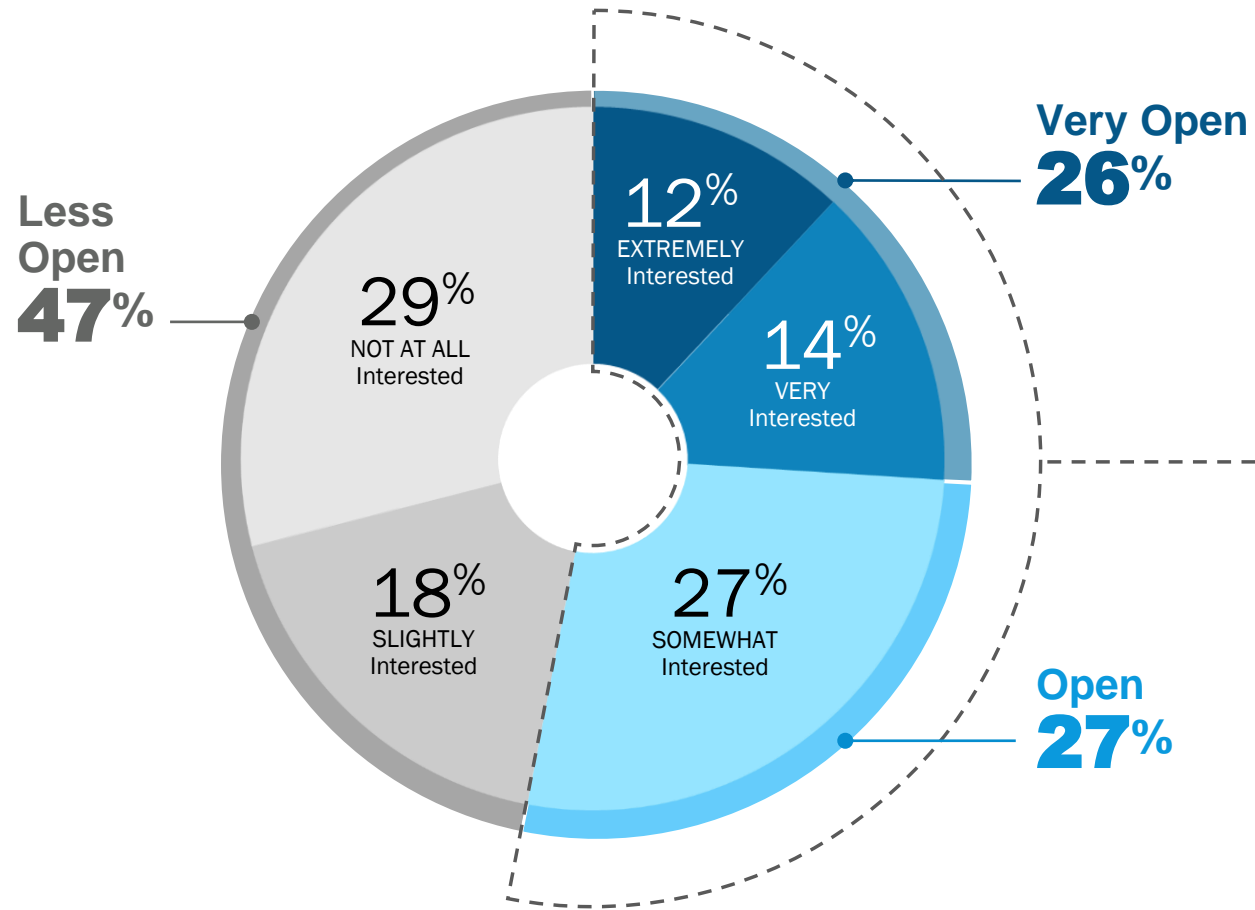
- (i) clearly define product pathways and accelerate pre-market tobacco product application (PMTA) decision-making;
- (ii) take enforcement actions against manufacturers and products in violation of the law; and
- (iii) address the need for risk communications to adult tobacco consumers.



There is Interest Among AS21+ in completely Switching to Non-combustible Products

? ADULT SMOKERS
21-54 n=4037

In the next 6 months, how interested are you in **completely switching** all of your current cigarette usage occasions to a different tobacco product (such as e-vapor, smokeless tobacco, snus or nicotine pouches)?



53%
Adult Smokers 21+ interested in **COMPLETELY SWITCHING** from cigarettes to a non-combustible tobacco product

Source: ALCS Consumer Market Insights Data

Infrastructure to Drive Smoke-Free Businesses Forward



Digital

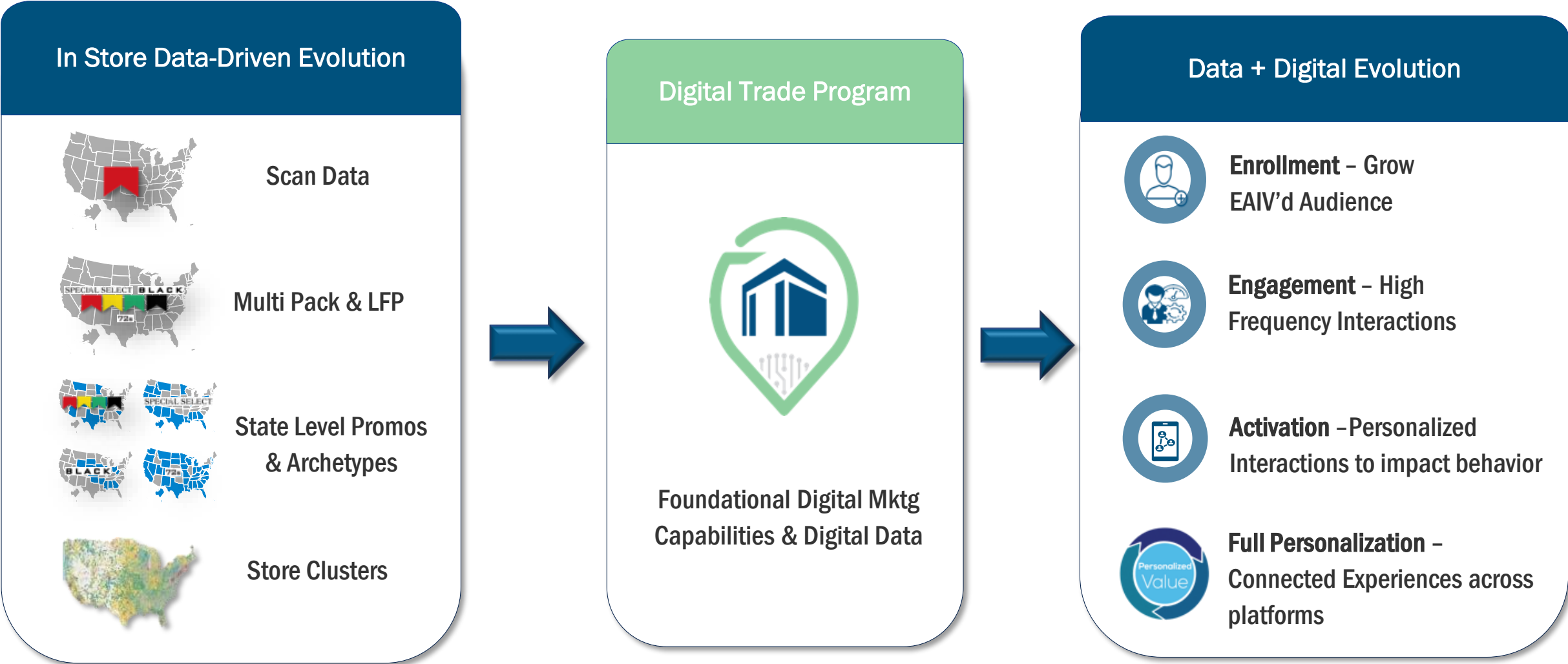


Convenience Stores
*“Most Trusted Place”
to sell age-gated products*

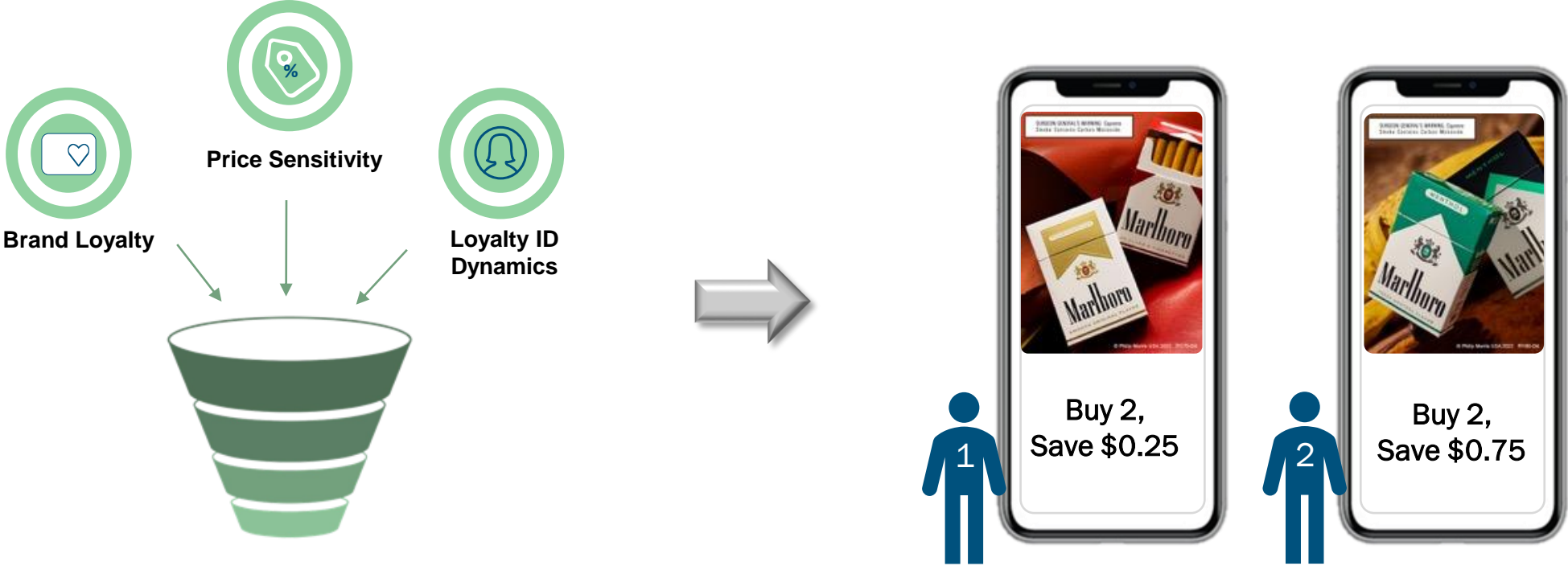


**Regulatory &
Policy
engagement**

Digital Journey



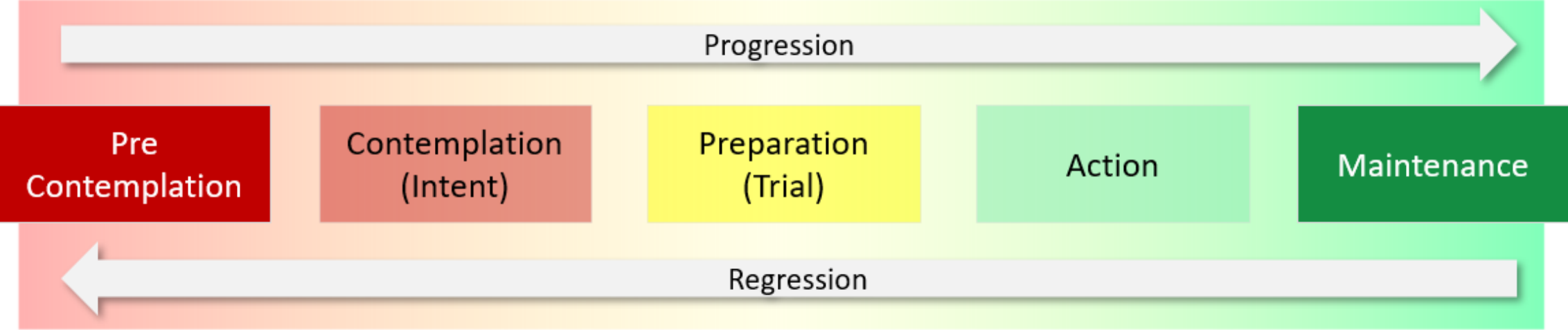
Personalized Value Delivery



**Example For illustrative purposes only*

Behavioral Science

Adult Tobacco Consumer's (ATC) Transition Journey



360 view of ATC 21+ and identify where they are in their transition journey

Digital Journey



Loyalty Quartile Performance

Total US versus Top 100 Chains

Total US (same store)

Member 2Plus Rate Quartile	Volume Change	Trip Count Change	Min	Max
1	-2.3%	-1.5%	44.9%	89.4%
2	-6.3%	-6.7%	29.9%	44.9%
3	-8.4%	-8.1%	16.9%	29.9%
4	-9.7%	-8.7%	0.0%	16.9%

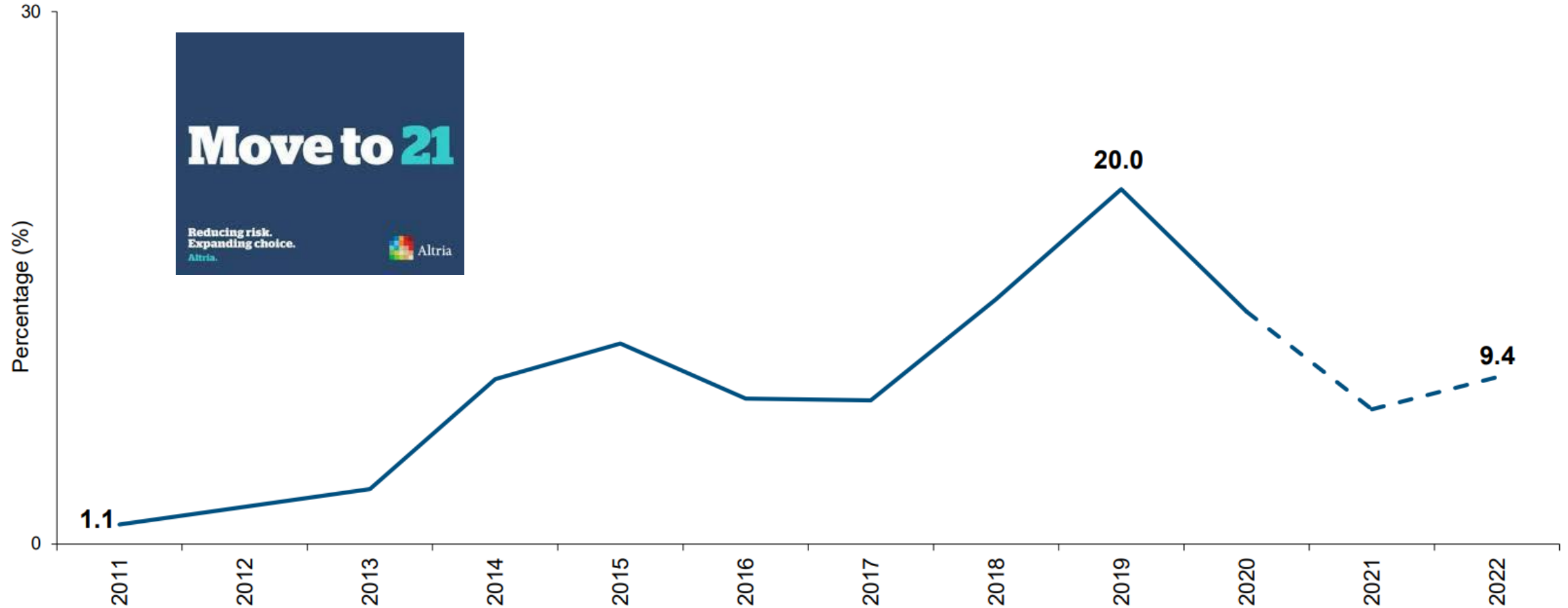
Top 100 Chains (same store)

Member 2Plus Rate Quartile	Volume Change	Trip Count Change	Min	Max
1	-0.4%	-0.3%	39.6%	67.1%
2	-4.5%	-4.6%	27.6%	39.2%
3	-7.8%	-5.9%	14.4%	27.0%
4	-4.4%	-4.0%	1.1%	14.3%

Source: Enterprise Data Model, National Consistent IDs with Purchases >=75% of 2022 through week-end date 12/31/2022 as of 1/11/23, e-vapor not included

2022 National Youth Tobacco Survey (NYTS) Results

Current E-Vapor Use Among Middle & High School Student Combined



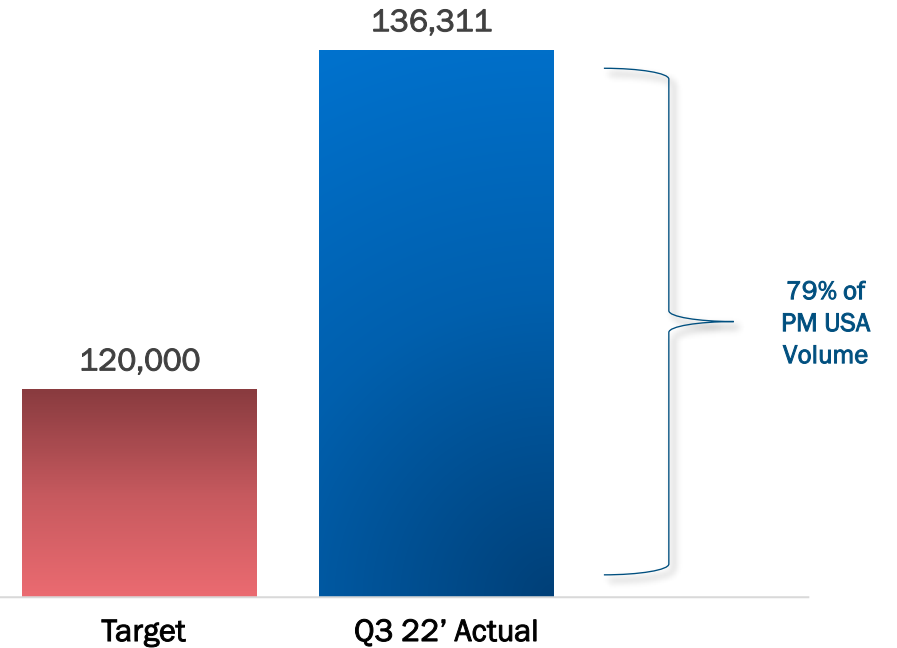
Sources: ALCS analysis of NYTS 2011-2022. Note: in 2014 and 2015, modifications were made to the e-cigarette measure to enhance its accuracy, which may limit the comparability of these estimates to those collected in previous years. In 2019, modifications were made to the survey, as well as the e-cigarette measure through inclusion of a brand example (JUUL); authors caution against comparisons to prior years. Due to changes in methodologies, including differences in survey administration and data collection procedures, the ability to compare estimates from 2022 to previous years is limited. Dashed lines from 2020-2022 represent these differences.

Significant tobacco volume coverage and number of stores with AVT implementation.

Age Validation Technology (AVT)



of Stores with Validated AVT Implementation



Source: STARS Unify Reporting CY 2021 Ending 01-02-22, FOCUS Reporting as of 10.20.22

Source: STARS Unify Reporting CY 2021 Ending 01-02-22, FOCUS Reporting as of 10.20.22

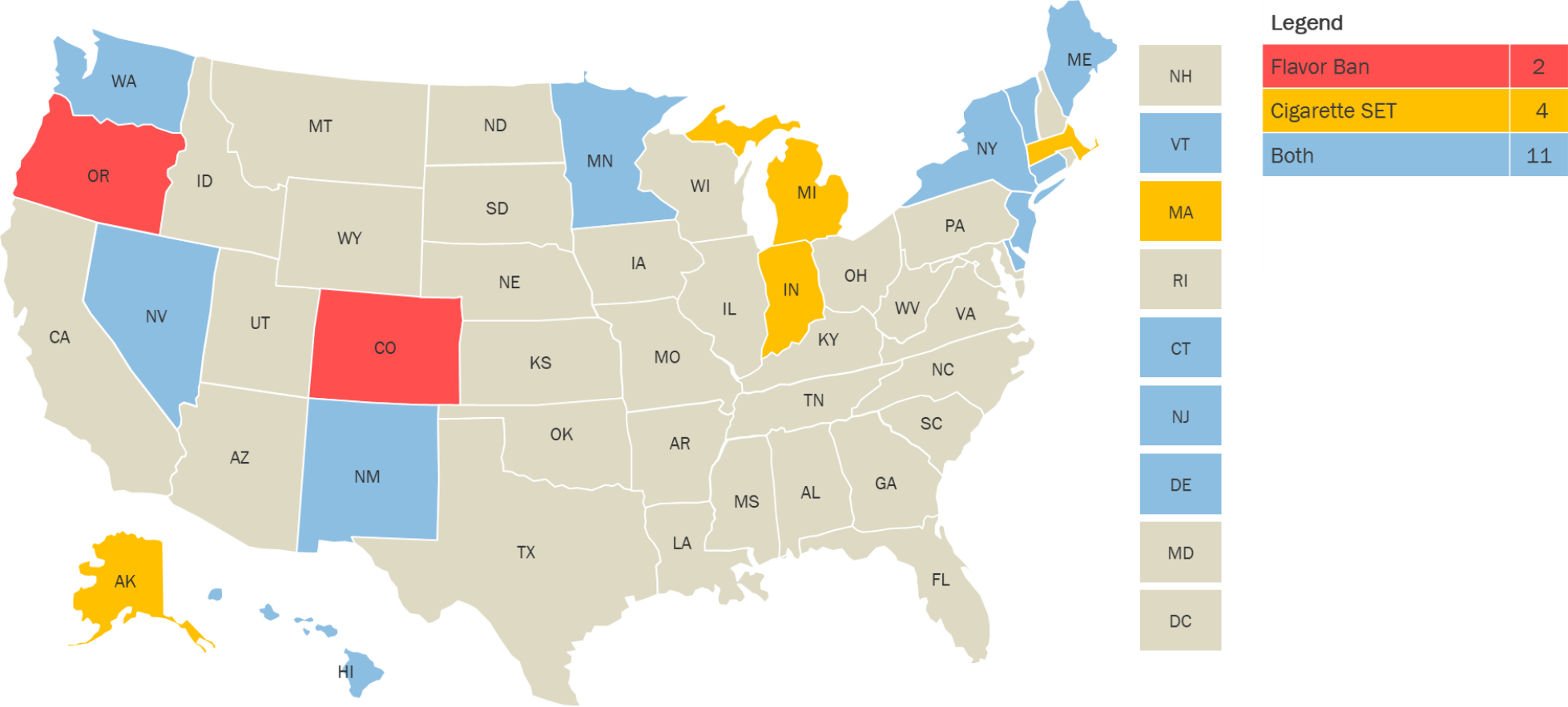
*Percentage of volume shows controlled volume (and is consistent with all previous reporting of AVT progress)

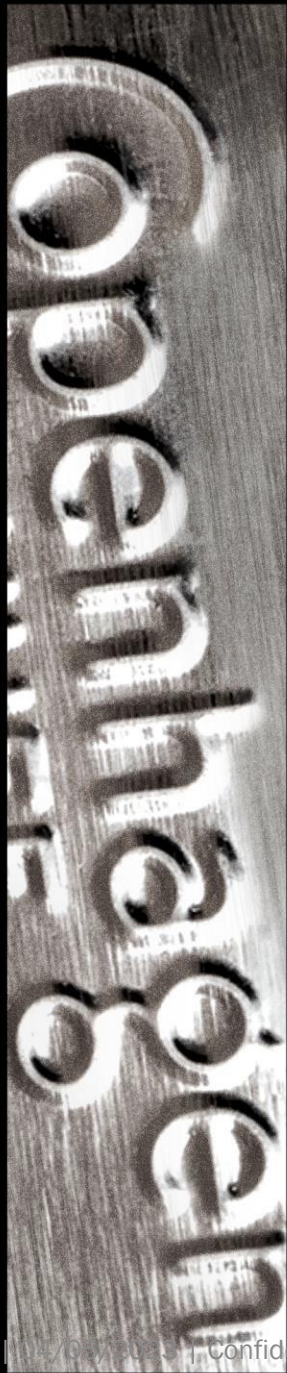
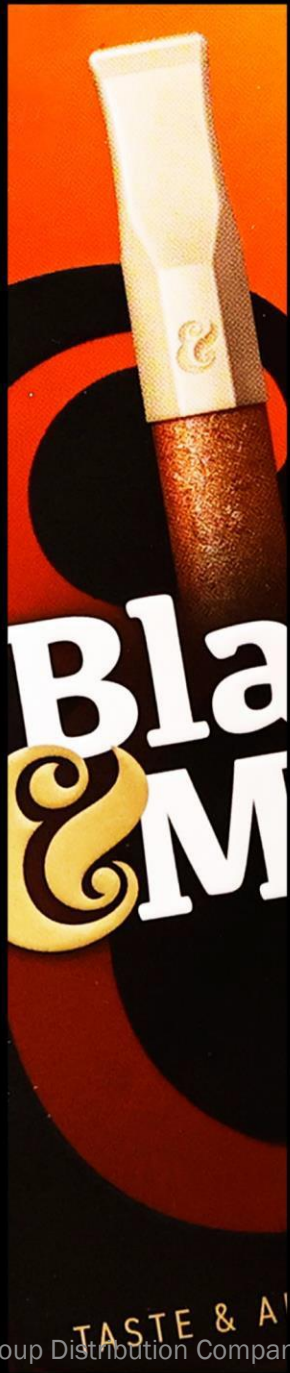
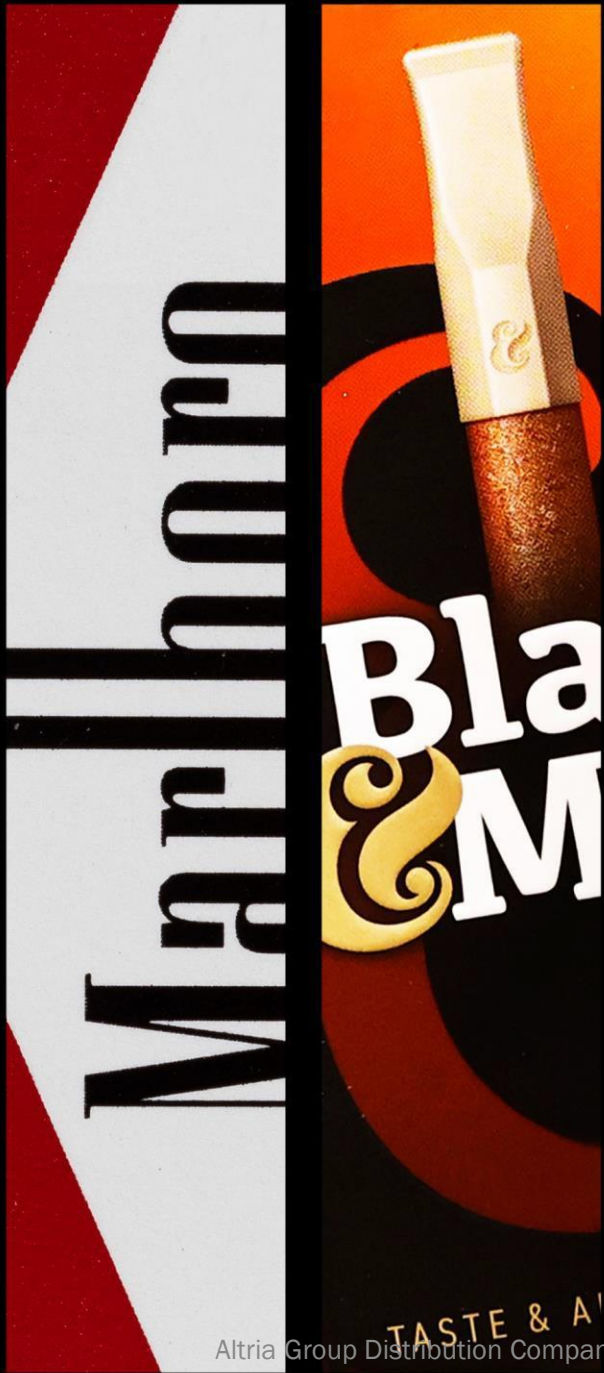
*Controlled Volume Represents Workload Accounts That Participate in 1 or More Altria Operating Company Agreement, Chain Rounding Applied

*Variance Between Total Volume and Controlled Volume in Each Category is At or Less Than 1%

*E-Vapor Volume Only Captures Volume Reported Through MSA

Map where Altria's Government Affairs anticipates a high likelihood of a regulatory threat in 2023





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