

Altria's Fourth-Quarter 2018 Earnings Conference Call

January 31, 2019



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Safe Harbor Statement

Statements, including earnings guidance, in this presentation that are not reported financial results or other historical information are “forward-looking statements” within the meaning of Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current plans, estimates and expectations, and are not guarantees of future performance. They are based on management’s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Altria undertakes no obligation to publicly update or revise any forward-looking statement other than in the normal course of its public disclosure obligations. The risks and uncertainties relating to the forward-looking statements in this presentation include those described under “Risk Factors” in its Annual Report on Form 10-K for the year ended December 31, 2017 and under “Cautionary Factors That May Affect Future Results” in its Quarterly Report on Form 10-Q for the period ended September 30, 2018.

Additionally, risks and uncertainties relating to the forward-looking statements in this presentation related to Altria’s investment in JUUL Labs, Inc. (“JUUL”) include the following: the possibility that regulatory approvals required for the conversion of the shares into voting shares may not be obtained in a timely manner, if at all; and that such approvals may be subject to unanticipated conditions; the possibility that the expected benefits of the transaction may not materialize in the expected manner or timeframe, if at all; the potential inaccuracy of the financial projections (including, without limitation, projections relating to JUUL’s domestic growth and international expansion); prevailing economic, market, regulatory or business conditions, or changes in such conditions, negatively affecting the parties; the risk that Altria is not able to secure permanent financing for the transaction on favorable terms, if at all, and the risk of a downgrade in Altria’s credit ratings; risks that the transaction disrupts JUUL’s current plans and operations; the fact that Altria’s reported earnings and financial position and any future dividends paid by JUUL on shares owned by Altria may be adversely affected by tax and other factors, including the risks encountered (including, without limitation, regulatory and litigation risks) and decisions made by JUUL in its business; risks related to the investment



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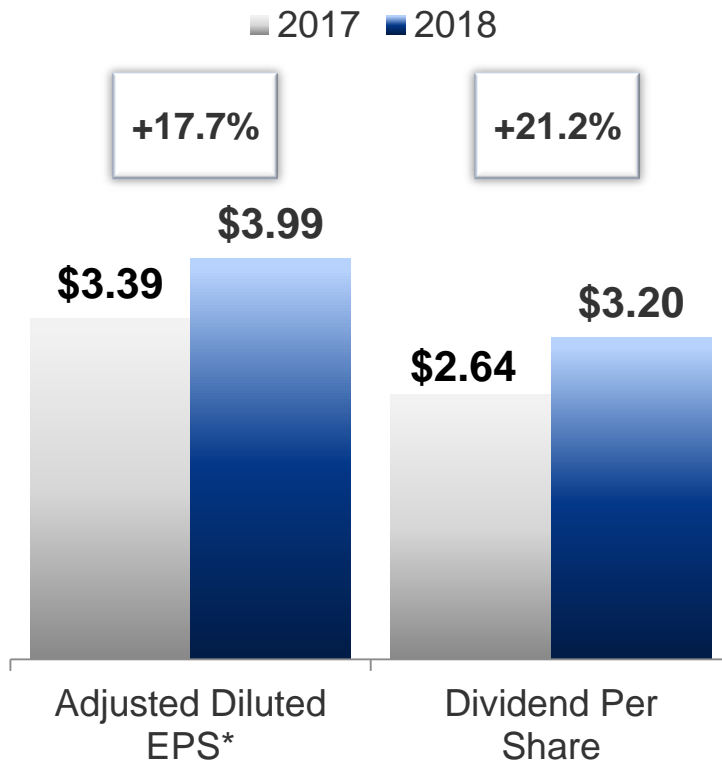
Safe Harbor Statement (Cont.)

disrupting Altria, JUUL or their respective management; and risks relating to the effect of the announcement of the transaction on JUUL's ability to retain and hire key personnel or on its relationships with customers, suppliers and other third parties. Likewise, risks and uncertainties relating to the forward-looking statements in this presentation related to Altria's investment in Cronos Group Inc. ("Cronos") include the following: the possibility that the parties may not be able to consummate the transaction as expected; the possibility that one or more of the conditions to the consummation of the transaction may not be satisfied; the possibility that regulatory or shareholder approvals required for the transaction may not be obtained in a timely manner, if at all; the parties' ability to meet expectations regarding the timing, completion, and other matters relating to the transaction; any event that could give rise to the termination of the agreement between Altria and Cronos; the possibility that the expected benefits of the transaction may not materialize in the expected manner or timeframe, if at all; the potential inaccuracy of the financial projections; prevailing economic, market, or business conditions negatively affecting the parties; risks relating to the financing of the transaction, including the risk that Altria is not able to secure permanent financing for the transaction on favorable terms, if at all, and the risk of a downgrade in Altria's credit ratings; risks that the transaction disrupts Cronos' current plans and operations; the fact that Altria's reported earnings and financial position and any dividends paid by Cronos on shares owned by Altria may be adversely affected by unfavorable foreign currency exchange rates, tax and other factors, including the risks encountered by Cronos in its business; risks related to the disruption of the transaction to Altria, Cronos and their respective management; and risks relating to the effect of announcement of the transaction on Cronos' ability to retain and hire key personnel and maintain relationships with customers, suppliers and other third parties.

Reconciliations of non-GAAP financial measures included in this presentation to the most comparable GAAP measures are available on Altria's website at altria.com.

Financial Performance

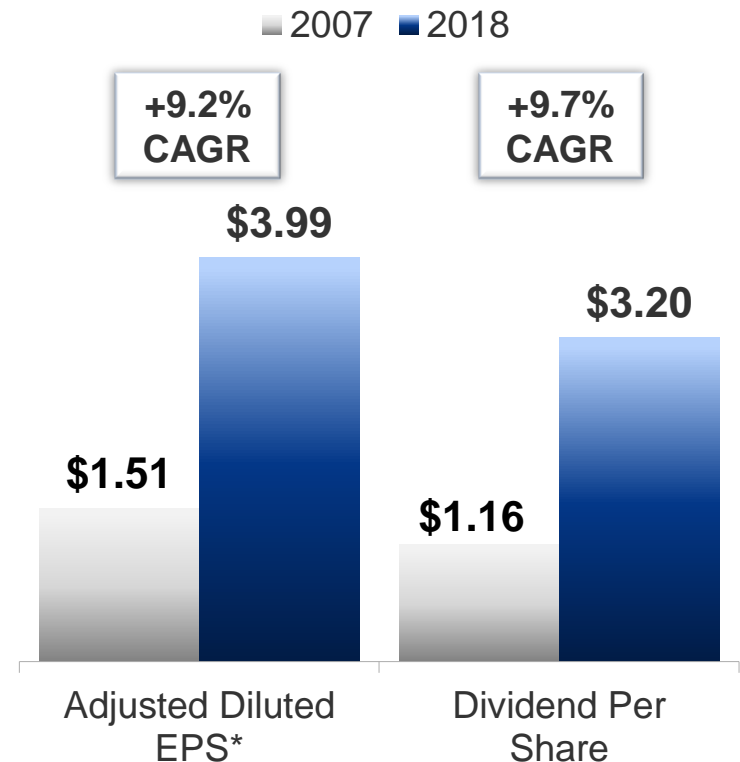
2018 Performance



* For reconciliations of non-GAAP to GAAP measures visit altria.com.

Source: Altria company reports

Long-term Performance



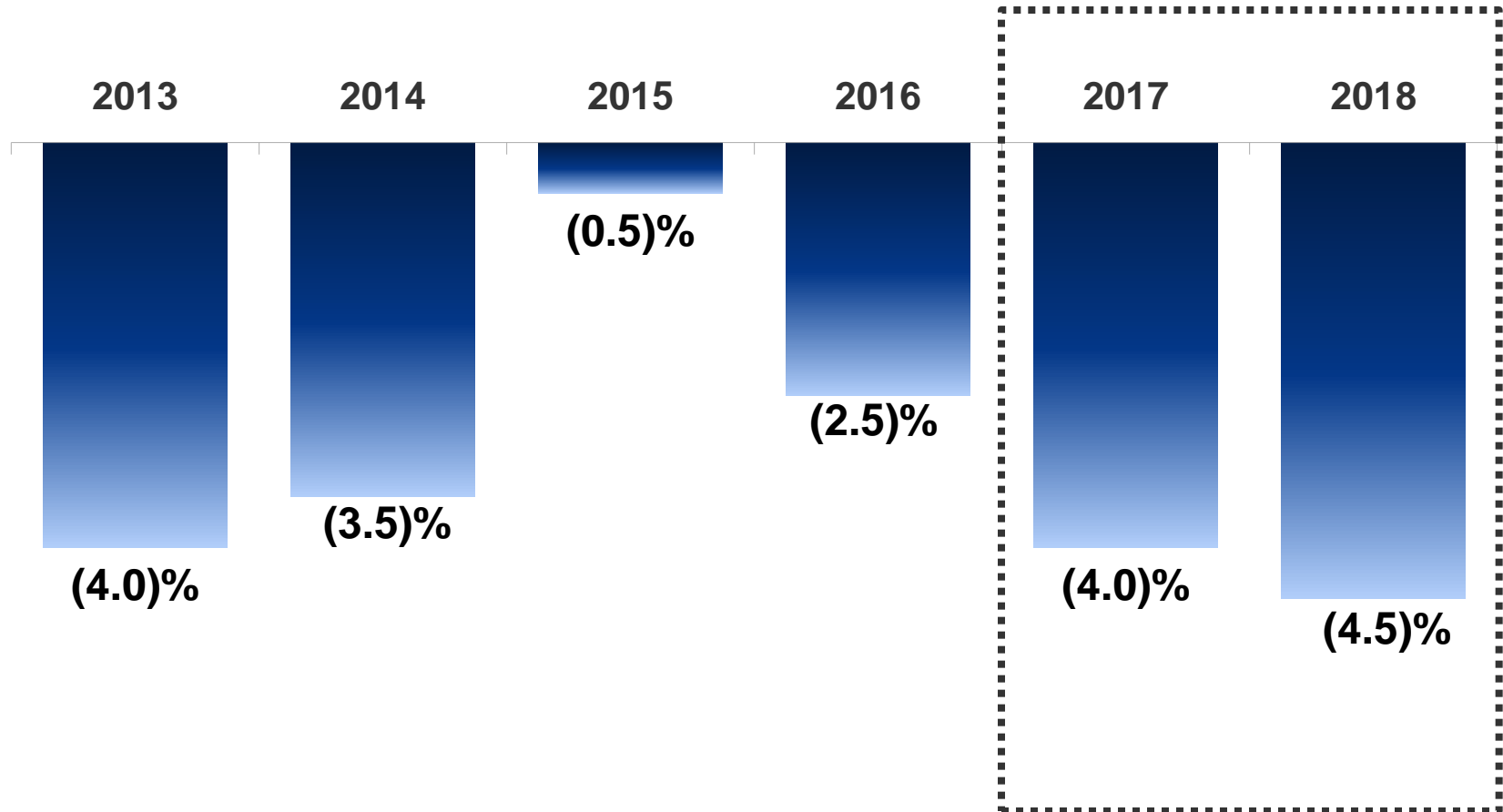
Note: Reported annualized dividend per share is based on the latest declared dividend. 2007 is the first declared dividend after the PMI spin-off.



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Cigarette Category Decline Rates



Source: ALCS CMI estimates – rounded to nearest 0.5%



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Cigarette Industry Volume Decomposition

	2017	2018	2019 E
Secular Decline Rate*	-2.5%	-2.5%	
Additional Cross Category Movement (e-vapor & other)	-0.2%	-0.4%	
Total Secular Decline Rate	-2.7%	-2.9%	
Macroeconomic & Other Factors (including Gas Prices)	0.0%	-0.5%	
Cigarette Price Elasticity	-1.3%	-1.1%	
Estimated Industry Decline	-4.0%	-4.5%	-3.5% to -5%

For 2019 through 2023, our estimate for average annual U.S. cigarette industry volume declines is -4% to -5%.

** Includes approximately 1% historical movement across tobacco categories*

Source: ALCS CMI estimates



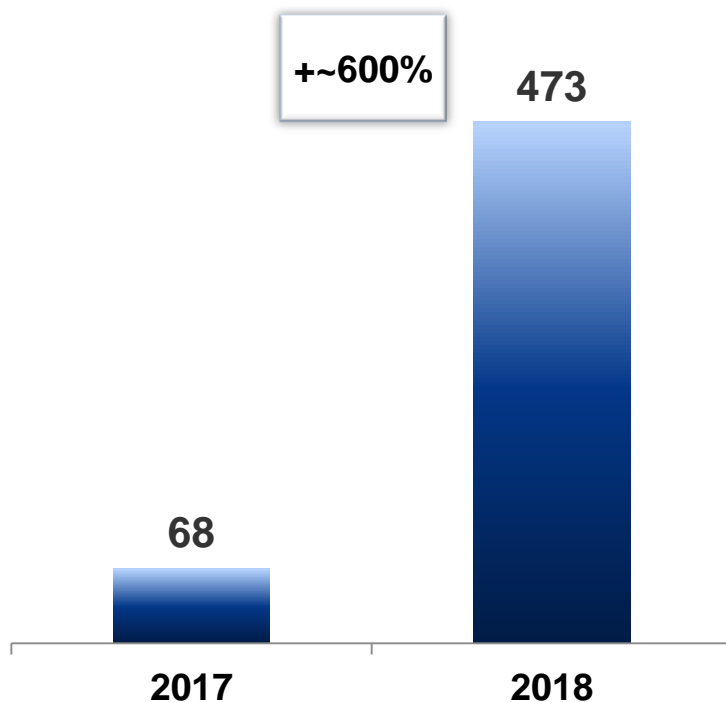
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JUUL Performance

JUUL Volume

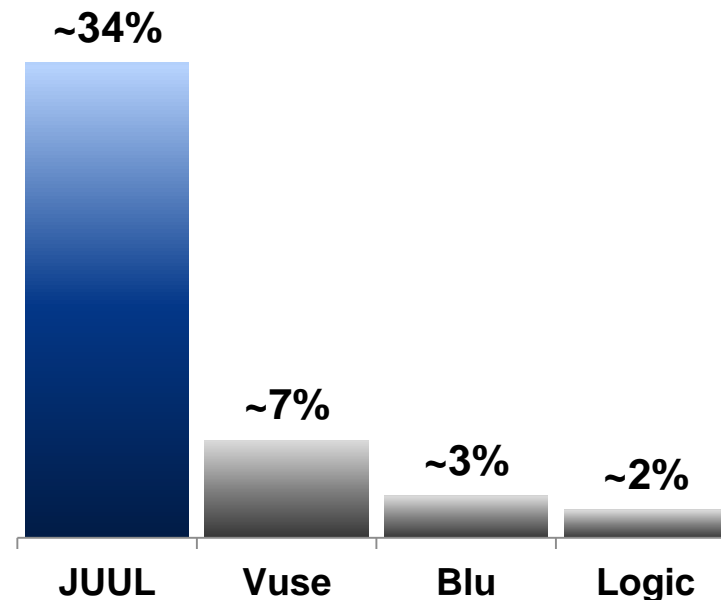
Refill Kit Pods (in Millions)



Note: Excludes starter kit pods.

Source: JUUL

Category Share



Note: Market share based on annual theoretical volume equalized to cartridges (1 disposable = 1 cartridge = 1mL e-liquid)

Source: ALCS CMI Estimates based on: IRI MOC; STARS; Capstone; & comScore, ATCT.

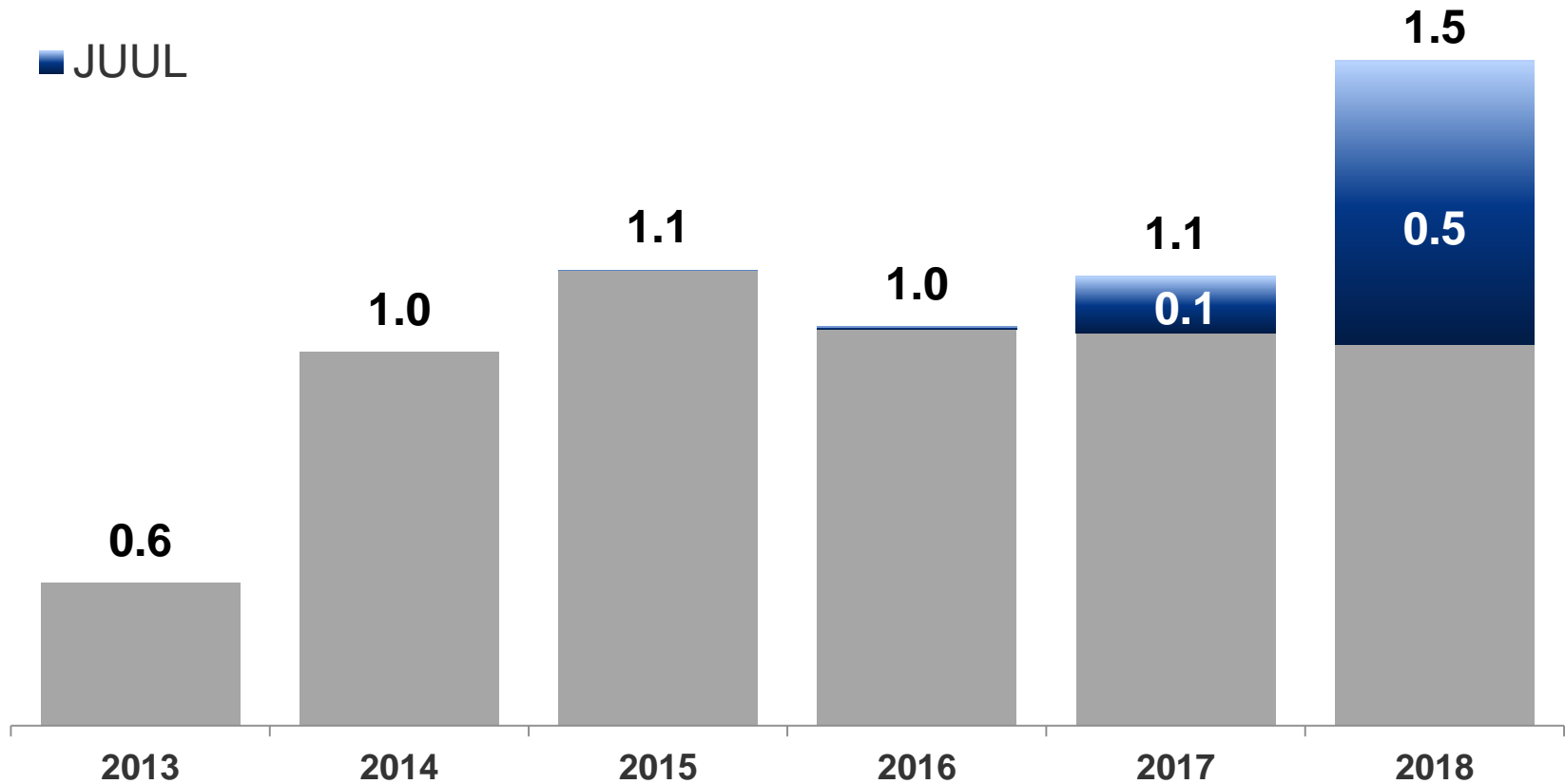


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E-Vapor Category Growth

(Estimated Annual Equivalized Volume, in billions of EQ units)



Note: Volume equivalized to cartridges (1 disposable = 1 cartridge = 1mL e-liquid)

Source: ALCS CMI estimates based on: IRI MOC; STARS; Capstone; & comScore, ATCT.



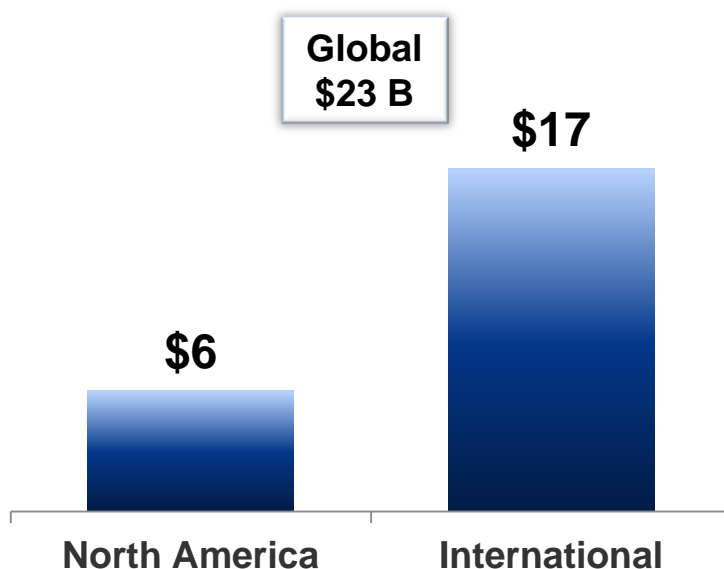
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JUUL's International Opportunity

2018 Global E-Vapor and Heat-not-Burn Sales Estimate

(\$, in billions)



Note: International excludes China

Source: Euromonitor

Currently in 8 International Markets

- Canada
- UK
- France
- Switzerland
- Italy
- Germany
- Russia
- Israel

For context, 2018 international combustible cigarette market sales are estimated to be ~\$400 billion, excluding China and the U.S.



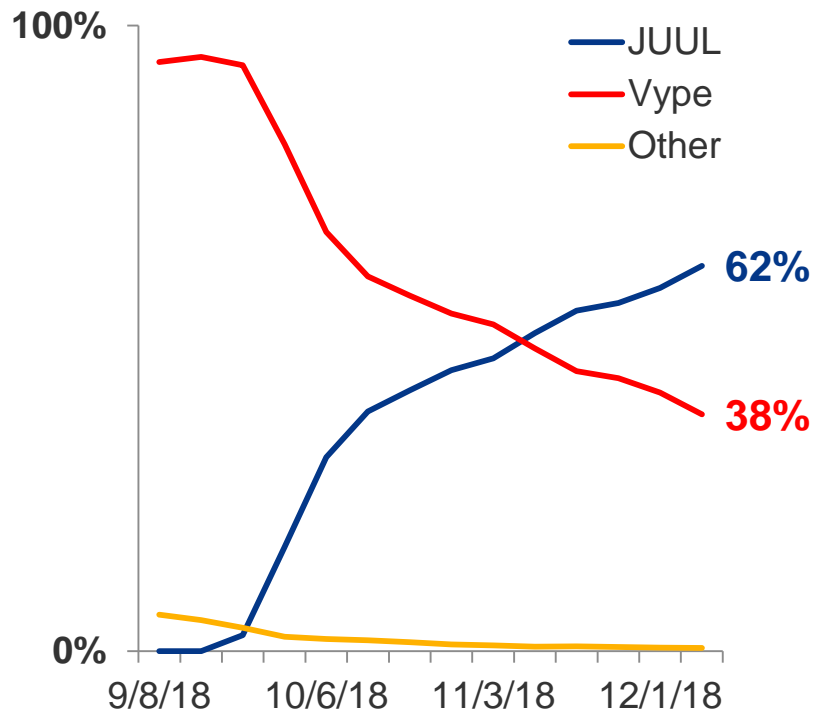
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JUUL's Early International Performance

Canada

Dollar Share of E-Vapor in Stores Selling JUUL (weekly)



Note: Stores selling represent 15% of e-vapor distribution in Canada

Source: JUUL, Nielsen

United Kingdom

JUUL recently became the #1 e-vapor brand in the Sainsbury's chain with a dollar share in excess of 23%, less than 12 weeks after launch.

Source: JUUL, IRI as of 1.13.19



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JUUL – Altria’s Key Transaction Assumptions

- U.S. E-Vapor Category Growth: 15%-20% five-year CAGR
- JUUL continues to be the primary driver of e-vapor growth
- U.S. operating margin grows to that of current U.S. cigarettes in five years
- International revenue equal to domestic revenue by 2023
- International margins that approach current international cigarette margins in five years

Under these assumptions, return would exceed our ~8% WACC in 5 years.

Note: Return calculated using traditional ROIC framework with Altria’s share of estimated JUUL net operating profit after tax (NOPAT) adjusted for the tax impact of equity earnings.



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Addressing the Youth Vaping Epidemic

- JUUL has announced significant actions
 - Stopped shipping flavored products other than tobacco, menthol and mint products to retail
 - Enhanced 21+ online age-verification process on its website
 - Developing 21+ restricted distribution system for retailers
 - Stopped promotional use of U.S. social media platforms
 - Continuing takedowns of inappropriate third-party social media content
 - Developing new technologies to further restrict youth access
- Altria is engaged in unprecedented efforts to raise the minimum legal age to purchase all tobacco products to 21 at the federal- and/or state-level
 - Believe 21+ is the single most important step we can take today



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IQOS

- Excited about the prospects for heat-not-burn in the U.S.
- Fully committed to *IQOS*' success and excited to deploy our robust commercialization plans upon FDA authorization
- Establishing brick-and-mortar stores including in multiple cities within the first year of launch
- Already hired personnel to support pre-launch activities and engaging with key partners to best position *IQOS* at retail



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Cronos Investment

- Delivers on key adjacency considerations including accretion to long-term financial performance and synergy with Altria's capabilities
- Global sales estimates for 2028 range from \$40 billion to more than \$250 billion depending on legalization
- Cronos has unique capabilities to compete globally across the medicinal, recreational and nutraceutical categories
- Investment will allow Cronos to quickly expand its global footprint and production capacity, innovation and product development



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Summary

- 2018 was a transformative year for the company
 - Stabilized *Marlboro's* share
 - Made strategic investments in rapidly growing categories
 - Significant earnings and dividend growth
- We believe our strategic investments have strengthened our long-term financial profile allowing us to deliver long-term value to shareholders through earnings growth and dividends



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2019 Guidance

- We expect to deliver full-year 2019 adjusted diluted EPS of \$4.15 to \$4.27. This range represents a growth rate of 4% to 7% from a 2018 adjusted diluted base of \$3.99



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Long-term Financial Goals

- We maintain our long-term financial goals to grow adjusted diluted EPS at an average annual rate of 7% to 9% and to maintain a dividend payout ratio target of approximately 80% of adjusted diluted EPS



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Regulation G Disclosure

Reducing Risk. Expanding Choice.

[Developing Products that Could be Lower Risk ▶](#)

[Offering Adult Smokers More Choices ▶](#)

[Responsibly Leading our Industry Forward ▶](#)

Press Releases ▶

Altria to Host Webcast to Discuss Altria's Investment i... - December 20, 2018

A Federal Court has ordered Altria, R.J. Reynolds Tobacco, Lorillard, and Philip Morris USA to make these statements:

- Health effects of smoking
- Addictiveness of smoking and nicotine
- Low tar and light cigarettes being as harmful as regular cigarettes
- Designing cigarettes to enhance the delivery of nicotine
- Health effects of secondhand smoke
- *Para información en español, clic aquí*



Who We Are

Our companies include some of the most enduring names in American business: Philip Morris USA, U.S. Smokeless Tobacco Company, John Middleton, Nat Sherman and Ste. Michelle Wine Estates. We also own Nu Mark, an Altria innovation company.

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Altria Reports 2018 Third-Quarter and Nine-Months Results

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