

Section 1: 8-K (8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 24, 2019

ALTRIA GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

Virginia
(State or other jurisdiction
of incorporation)

1-08940
(Commission
File Number)

13-3260245
(I.R.S. Employer
Identification No.)

6601 West Broad Street
Richmond, Virginia 23230
(Address of principal executive offices)

(804) 274-2200
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbols	Name of each exchange on which registered
Common Stock, \$0.33 1/3 par value	MO	New York Stock Exchange
1.000% Notes due 2023	MO23A	New York Stock Exchange
1.700% Notes due 2025	MO25	New York Stock Exchange
2.200% Notes due 2027	MO27	New York Stock Exchange
3.125% Notes due 2031	MO31	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On September 24, 2019, Kevin C. Crosthwaite, Jr. informed the Board of Directors (the “Board”) of Altria Group, Inc. (the “Company”) of his decision to resign as the Company’s Senior Vice President, Chief Strategy and Growth Officer, effective immediately. Mr. Crosthwaite also informed the Board that he will commence employment as the Chief Executive Officer of JUUL Labs, Inc. (“JUUL”) effective on September 25, 2019. The Company holds a 35% non-voting, economic interest in JUUL.

Mr. Crosthwaite will (i) receive payments in recognition of his contributions under the Company’s 2019 annual incentive award plan and (ii) remain eligible to receive a 2017-2019 long-term cash incentive plan (“LTIP”) payment for his service as Senior Vice President, Chief Strategy and Growth Officer. The payment under the annual incentive award plan will be \$403,000, reflecting individual and Company performance ratings at target. The payment under the 2017-2019 LTIP will be based on an individual performance rating at target and a Company performance rating using actual Company business performance. Mr. Crosthwaite’s award target for the annual incentive award plan is 80% of his base salary, and his current award target for the 2017-2019 LTIP is 105% of his cumulative year-end base salary over the three-year performance cycle. These targets are consistent with the pre-existing targets for salary band C. There is no guarantee of any payment under the 2017-2019 LTIP.

In addition, in light of Mr. Crosthwaite’s 22 years of distinguished service, the Compensation Committee of the Board agreed to pay Mr. Crosthwaite (i) an approximate \$2.7 million cash payment in lieu of the outstanding stock awards (49,281 restricted stock units and 10,742 performance stock units at target) he forfeited immediately following separation from employment and (ii) a \$2.5 million special recognition cash bonus. Mr. Crosthwaite will also be entitled to payments and benefits generally available to departing employees under the terms of the Company’s benefit plans.

The Company’s annual incentive award program, LTIP and other executive compensation programs are more fully described in the “Compensation Discussion and Analysis” section of the Company’s proxy statement for its 2018 Annual Meeting of Shareholders (filed with the Securities and Exchange Commission on April 4, 2019), which discussion is incorporated into this Item 5.02 by reference.

Mr. Crosthwaite will remain subject to the restrictive covenants and other terms of the Executive Confidentiality and Non-Competition Agreement, dated March 16, 2019, between the Company and Mr. Crosthwaite for the period set forth in that agreement. A copy of the form of the Executive Confidentiality and Non-Competition Agreement was filed previously as Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q filed on April 25, 2019.

Item 7.01. Regulation FD Disclosure.

On September 25, 2019, the Company issued a press release, a copy of which is attached as Exhibit 99.1 and incorporated by reference in this Current Report on Form 8-K, announcing that (i) the Company has ended preliminary merger discussions with Philip Morris International Inc., (ii) Mr. Crosthwaite has been appointed as the Chief Executive Officer of JUUL and accordingly resigned from the Company and (iii) the Company has tightened its 2019 full-year guidance for adjusted diluted earnings per share.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated September 25, 2019 (furnished under Item 7.01)
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL (included as Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ALTRIA GROUP, INC.

Date: September 25, 2019

By: /s/ W. HILDEBRANDT SURGNER, JR.
Name: W. Hildebrandt Surgner, Jr.
Title: Vice President, Corporate Secretary and
Associate General Counsel

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1



**ALTRIA AND PHILIP MORRIS INTERNATIONAL END MERGER DISCUSSIONS;
ALTRIA PROVIDES STATEMENT ON JUUL LEADERSHIP CHANGE;
TIGHTENS 2019 FULL-YEAR EARNINGS GUIDANCE**

RICHMOND, VA. - September 25, 2019 - Altria Group, Inc. (Altria) (NYSE: MO) today announced that merger discussions with Philip Morris International Inc. (PMI) (NYSE: PM) have ended.

“While we believed the creation of a new merged company had the potential to create incremental revenue and cost synergies, we could not reach agreement,” said Howard Willard, Altria’s Chairman and Chief Executive Officer. “We look forward to continuing our commercialization of *IQOS* in the U.S. under our existing arrangement.”

Altria Statement on JUUL Labs Leadership Change

Separately, earlier today, JUUL announced the appointment of K.C. Crosthwaite as its Chief Executive Officer. Mr. Crosthwaite is stepping down from his position as Senior Vice President, Chief Strategy and Growth Officer of Altria in order to join JUUL. In response, Altria’s Chairman and CEO Howard Willard said, “K.C. is a proven industry leader who understands the importance of responsible business practices. This decision by JUUL recognizes that this is a critical time for the company. I believe K.C.’s experience, discipline and dedication to making harm reduction an industry-wide reality will help JUUL achieve its mission, while also urgently confronting and reversing underage use of vapor products.”

2019 Full-Year Guidance

Altria tightens its guidance for 2019 full-year adjusted diluted EPS to a range of \$4.19 to \$4.27 from a range of \$4.15 to \$4.27. The new range represents a growth rate of 5% to 7% from an adjusted diluted EPS base of \$3.99 in 2018. This guidance range excludes the special items for the first half of 2019 shown in Schedule 1 and additional estimated per share charges of: (i) \$0.02 of tax expense resulting from the Tax Cuts and Jobs Act related to a tax basis adjustment to Altria’s ABI investment and (ii) \$0.01 in charges associated with the cost reduction program announced in December 2018.

Altria reaffirms its 2019 domestic cigarette industry volume decline rate estimate to be in a range of -5% to -6%.

Altria’s full-year adjusted diluted EPS guidance excludes the impact of certain income and expense items that management believes are not part of underlying operations. These items may include, for example, restructuring charges, asset impairment charges, acquisition-related costs, gain/loss on ABI/SABMiller plc (SABMiller) business combination, ABI-related special items, Cronos-related special items, certain tax items, charges associated with tobacco and health litigation items, and resolutions of certain non-participating manufacturer (NPM) adjustment disputes under the Master Settlement Agreement (such dispute resolutions are referred to as NPM Adjustment Items).

Altria’s management cannot estimate on a forward-looking basis the impact of certain income and expense items, including those items noted in the preceding paragraph, on its reported diluted EPS because these items, which could be significant, may be infrequent, are difficult to predict and may be highly variable. As a result, Altria does not provide a corresponding U.S. generally accepted accounting principles (GAAP) measure for, or reconciliation to, its adjusted diluted EPS guidance.

The factors described in the “Forward-Looking and Cautionary Statements” section of this release represent continuing risks to Altria’s forecast.

Altria’s Profile

Altria’s wholly-owned subsidiaries include Philip Morris USA Inc. (PM USA), U.S. Smokeless Tobacco Company LLC (USSTC), John Middleton Co. (Middleton), Sherman Group Holdings, LLC and its subsidiaries (Nat Sherman), Ste. Michelle Wine Estates Ltd. (Ste. Michelle) and Philip Morris Capital Corporation (PMCC). Altria holds equity investments in Anheuser-Busch InBev SA/NV (ABIn), JUUL Labs, Inc. (JUUL) and Cronos Group Inc. (Cronos).

The brand portfolios of Altria’s tobacco operating companies include *Marlboro*®, *Black & Mild*®, *Copenhagen*® and *Skoal*®. Ste. Michelle produces and markets premium wines sold under various labels, including *Chateau Ste. Michelle*®, *Columbia Crest*®, *14 Hands*® and *Stag’s Leap Wine Cellars*™, and it imports and markets *Antinori*®, *Champagne Nicolas Feuillatte*™, and *Villa Maria Estate*™ products in the United States. Trademarks and service marks related to Altria referenced in this release are the property of Altria or its subsidiaries or are used with permission.

More information about Altria is available at Altria.com and on the Altria Investor app, or follow Altria on Twitter, Facebook and LinkedIn.

Forward-Looking and Cautionary Statements

This release contains projections of future results and other forward-looking statements that involve a number of risks and uncertainties and are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Important factors that may cause actual results and outcomes to differ materially from those contained in the projections and forward-looking statements included in this release are described in Altria’s publicly filed reports, including its Annual Report on Form 10-K for the year ended December 31, 2018 and its Quarterly Report on Form 10-Q for the period ended June 30, 2019. These factors include the following:

- unfavorable litigation outcomes, including risks associated with adverse jury and judicial determinations, courts reaching conclusions at variance with our and our subsidiaries’ understanding of applicable law, bonding requirements in the jurisdictions that do not limit the dollar amount of appeal bonds, and certain challenges to bond cap statutes;
- government (including FDA) and private sector actions that impact adult tobacco consumer acceptability of, or access to, tobacco products;
- the growth of the e-vapor category and other innovative tobacco products contributing to reductions in cigarette and smokeless tobacco product consumption levels and sales volume;
- tobacco product taxation, including lower tobacco product consumption levels and potential shifts in adult consumer purchases as a result of federal and state excise tax increases;
- the failure by our tobacco and wine subsidiaries to compete effectively in their respective markets;
- our tobacco and wine subsidiaries’ continued ability to promote brand equity successfully; to anticipate and respond to evolving adult consumer preferences; to develop, manufacture, market and distribute products that appeal to adult tobacco consumers (including, where appropriate, through arrangements with, and investments in third parties); to improve productivity; and to protect or enhance margins through cost savings and price increases;
- changes in economic conditions that result in consumers choosing lower-priced brands;
- the unsuccessful commercialization of adjacent products or processes by our tobacco subsidiaries and investees, including innovative tobacco products that may reduce the health risks associated with current tobacco products and that appeal to adult tobacco consumers;
- significant changes in price, availability or quality of tobacco, other raw materials or component parts;

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- the risks related to the reliance by our tobacco subsidiaries on a few significant facilities and a small number of key suppliers, including an extended disruption at a facility or of service by a supplier;
 - required or voluntary product recalls as a result of various circumstances such as product contamination or FDA or other regulatory action;
 - the failure of our information systems or service providers' information systems to function as intended, or cyber-attacks or security breaches;
 - unfavorable outcomes of any government investigations;
 - a successful challenge to our tax positions;
 - the risks related to our and our investees' international business operations, including failure to prevent violations of various United States and foreign laws and regulations such as laws prohibiting bribery and corruption;
 - our inability to attract and retain the best talent due to the impact of decreasing social acceptance of tobacco usage and tobacco control actions;
 - the adverse effect of acquisitions or other events on our credit rating;
 - our inability to acquire attractive businesses or make attractive investments on favorable terms, or at all, or to realize the anticipated benefits from an acquisition or investment;
 - the risks related to disruption and uncertainty in the credit and capital markets, including on our access to these markets, earnings and dividend rate;
 - impairment losses as a result of the write down of intangible assets, including goodwill;
 - the risks related to Ste. Michelle's wine business, including competition, unfavorable changes in grape supply and governmental regulations;
 - the adverse effects of risks encountered by ABI in its business, foreign currency exchange rates and ABI's stock price on our equity investment in ABI, including on our reported earnings from and carrying value of our investment in ABI and the dividends paid by ABI on the shares we own;
 - the risks related to our inability to transfer our equity securities in ABI until October 10, 2021, and, if our ownership percentage decreases below certain levels, the adverse effects of additional tax liabilities, a reduction in the number of directors that we have the right to have appointed to the ABI Board of Directors, and our potential inability to use the equity method of accounting for our investment in ABI;
 - the risk of challenges to the tax treatment of the consideration we received in the ABI/SABMiller business combination and the tax treatment of our equity investment;
 - the risks related to our inability to obtain antitrust clearance required for the conversion of our non-voting JUUL shares into voting shares in a timely manner or at all, including the resulting limitations on our rights with respect to our investment in JUUL and our inability to account for our investment in JUUL using the equity method;
 - the risks generally related to our investments in JUUL and Cronos, including our inability to realize the expected benefits of our investments in the expected time frames, or at all, due to the risks encountered by our investees in their businesses, such as operational, compliance and regulatory risks at the international, federal and state levels, including actions by the FDA; potential disruptions to our investees' management or current or future plans and operations due to our investments; domestic or international litigation developments, government investigations, tax disputes or otherwise; and potential impairment of our investments;
 - the risks related to our inability to acquire a controlling interest in JUUL as a result of standstill restrictions or to control the material decisions of JUUL, restrictions on our ability to sell or otherwise transfer our shares of JUUL until December 20, 2024, and non-competition restrictions for the same time period;
 - the risks related to any decrease of our percentage ownership in JUUL, including the loss of certain of our governance, consent, preemptive and other rights; and
 - the risks, including criminal, civil or tax liability for Altria, related to Cronos's failure to comply with applicable laws, including cannabis laws.

Altria cautions that the foregoing list of important factors is not complete and does not undertake to update any forward-looking statements that it may make except as required by applicable law. All subsequent written and oral forward-looking statements attributable to Altria or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements referenced above.

Contacts:

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or

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Source: Altria Group, Inc.

ALTRIA GROUP, INC.
and Subsidiaries
Reconciliation of GAAP and non-GAAP Measures
(dollars in millions, except per share data)
(Unaudited)

Reconciliation of Altria's First Six Months 2019 Adjusted Results

	Earnings before Income Taxes	Provision for Income Taxes	Net Earnings	Net Earnings Attributable to Altria	Diluted EPS
For the six months ended June 30, 2019					
2019 Reported	\$ 4,117	\$ 999	\$ 3,118	\$ 3,116	\$ 1.66
Tobacco and health litigation items	45	11	34	34	0.02
ABI-related special items	24	5	19	19	0.01
Asset impairment, exit, implementation and acquisition-related costs	204	46	158	158	0.08
Cronos-related special items	544	160	384	384	0.21
Tax items	—	(41)	41	41	0.02
2019 Adjusted for Special Items	\$ 4,934	\$ 1,180	\$ 3,754	\$ 3,752	\$ 2.00

Reconciliation of Altria's Full Year 2018 Adjusted Results

	Earnings before Income Taxes	Provision for Income Taxes	Net Earnings	Net Earnings Attributable to Altria	Diluted EPS
For the year ended December 31, 2018					
2018 Reported	\$ 9,341	\$ 2,374	\$ 6,967	\$ 6,963	\$ 3.68
NPM Adjustment Items	(145)	(36)	(109)	(109)	(0.06)
Tobacco and health litigation items	131	33	98	98	0.05
ABI-related special items	(85)	(17)	(68)	(68)	(0.03)
Asset impairment, exit, implementation and acquisition-related costs	538	106	432	432	0.23
Loss on ABI/SABMiller business combination	33	7	26	26	0.01
Tax items	—	(197)	197	197	0.11
2018 Adjusted for Special Items	\$ 9,813	\$ 2,270	\$ 7,543	\$ 7,539	\$ 3.99

Altria reports its financial results in accordance with GAAP. Altria's management reviews certain financial results, including diluted EPS, on an adjusted basis, which excludes certain income and expense items, including those items noted under "2019 Full-Year Guidance." Altria's management does not view any of these special items to be part of Altria's underlying results as they may be highly variable, may be infrequent, are difficult to predict and can distort underlying business trends and results. Altria's management believes that adjusted financial measures provide useful additional insight into underlying business trends and results and provide a more meaningful comparison of year-over-year results. Altria's management uses adjusted financial measures for planning, forecasting and evaluating business and financial performance, including allocating resources and evaluating results relative to employee compensation targets. These adjusted financial measures are not consistent with GAAP and may not be calculated the same as similarly titled measures used by other companies. These adjusted financial measures should thus be considered as supplemental in nature and not considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP.