

# 2018 CAGNY Investor Presentation

*February 21, 2018*



Altria



**Howard Willard**  
Chief Operating Officer



**Billy Gifford**  
Chief Financial Officer



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6601





**Murray Garnick**

EVP, General Counsel,  
Law & Regulatory Affairs



**Jim Dillard**

SVP, Research, Development & Sciences,  
Chief Innovation Officer



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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, 2016 and under “Cautionary Factors That May Affect Future Results” in its Quarterly Report on Form 10-Q for the period ended September 30, 2017.

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](http://altria.com).







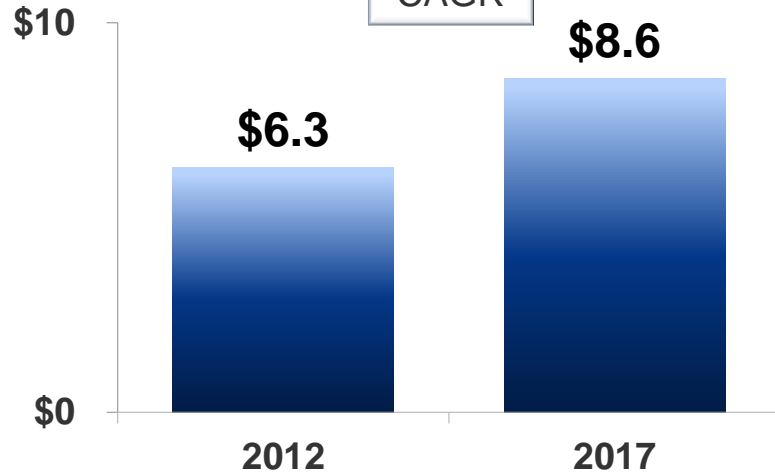




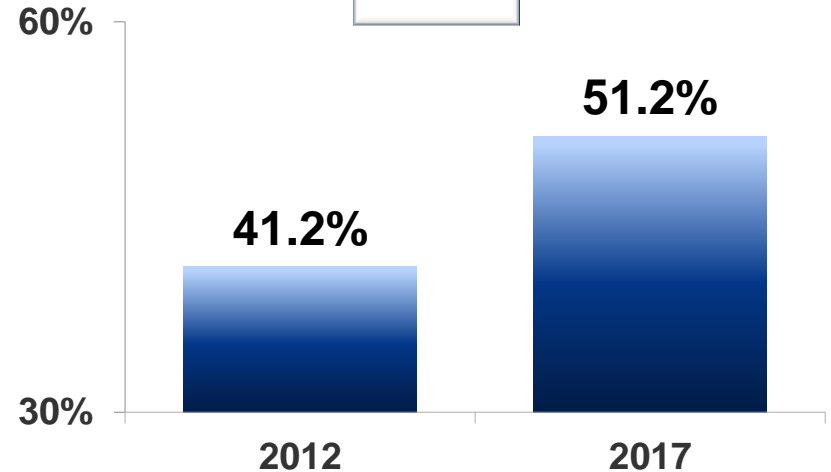
# Smokeable Products Segment Performance

## Adjusted OCI\*

in Billions



## Adjusted OCI Margins\*



\*For reconciliation of non-GAAP to GAAP measures visit [altria.com](http://altria.com)

Source: Altria company reports

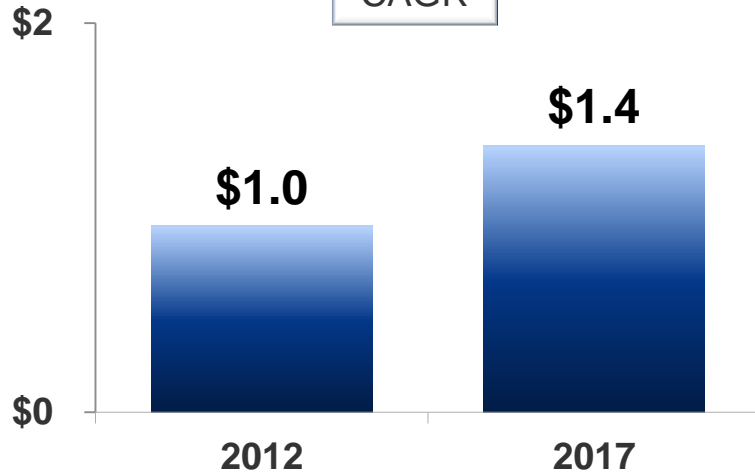
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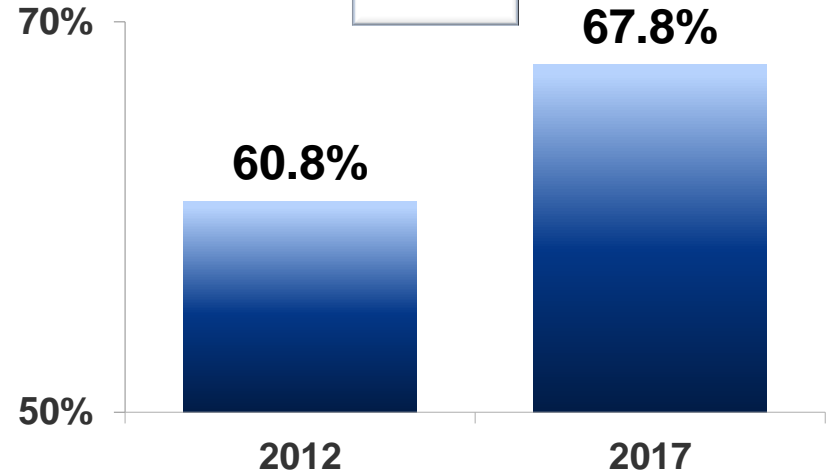
# Smokeless Products Segment Performance

## Adjusted OCI\*

in Billions



## Adjusted OCI Margins\*



\*For reconciliation of non-GAAP to GAAP measures visit [altria.com](http://altria.com)

Source: Altria company reports

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# Alcohol Assets



# Five-Year Financial Performance

## Adjusted Diluted EPS\*



\* For reconciliations of non-GAAP to GAAP measures visit [altria.com](http://altria.com).

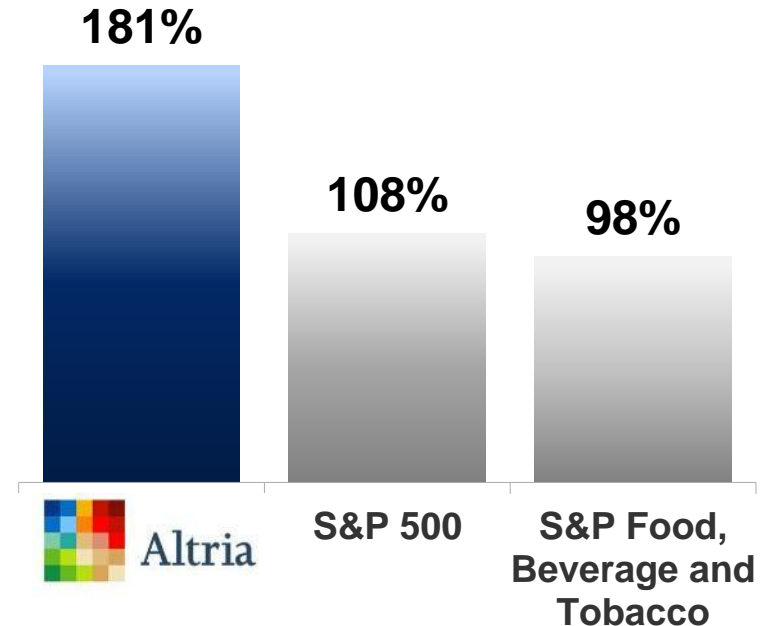
Source: Altria company reports

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# Five-Year Shareholder Returns

- Paid \$21 billion in dividends
- Repurchased \$6 billion in shares

## Total Shareholder Return



Note: Total shareholder return is simple price appreciation plus the reinvestment of the dividend as of the ex-dividend date

Source: Bloomberg, 12/31/2012-12/29/2017






***“...encourage innovative, less harmful and satisfying non-combustible products for adults who want or need nicotine.”***



**U.S. Department of Health and Human Services  
Food and Drug Administration**



A photograph of a modern, multi-story building with a curved facade and large glass windows. An American flag is visible on a pole in the foreground. A semi-transparent white box with a thin black border is centered over the image, containing blue text. At the bottom of the image, a sign for 'Altria' is visible, featuring a colorful pixelated logo and the text 'Altria Center for Research & Technology'.

We aspire to be the U.S. leader  
in authorized, non-combustible,  
reduced-risk products.



Altria

Center for Research & Technology

# Non-combustible Product Platforms

Smokeless/Oral Tobacco



E-Vapor



Heated Tobacco





# Altria's Strategies

**Maximize income from combustible tobacco businesses**

**Grow income over time with non-combustible tobacco products**

**Manage diverse income streams and strong balance sheet to deliver consistent financial performance over the long term**



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# Investment Areas

## Innovative Products



## Regulatory Science



## Equity Enhancements

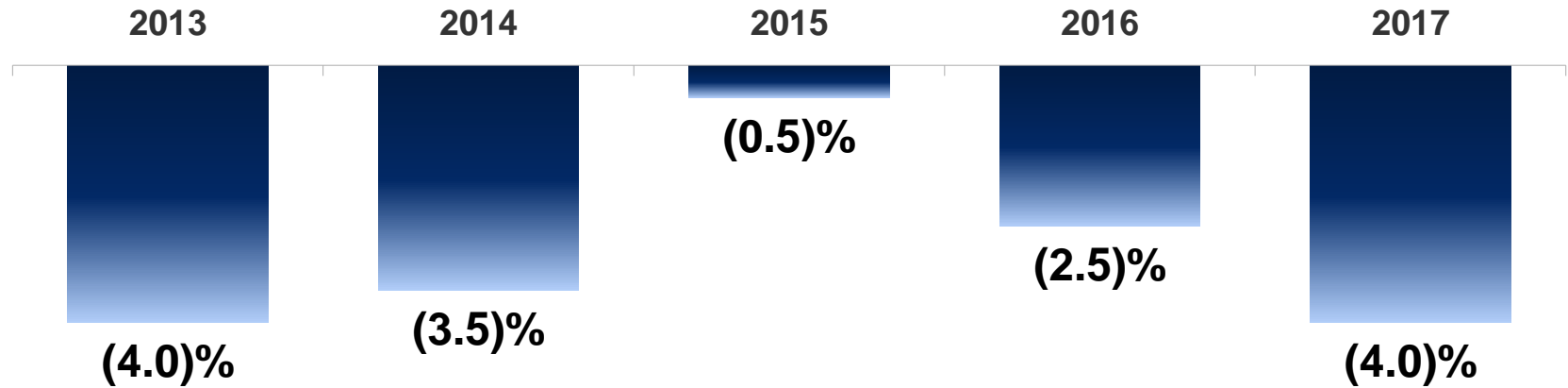


## Retail





# Cigarette Category Decline Rates



Source: ALCS estimates – rounded to nearest 0.5%

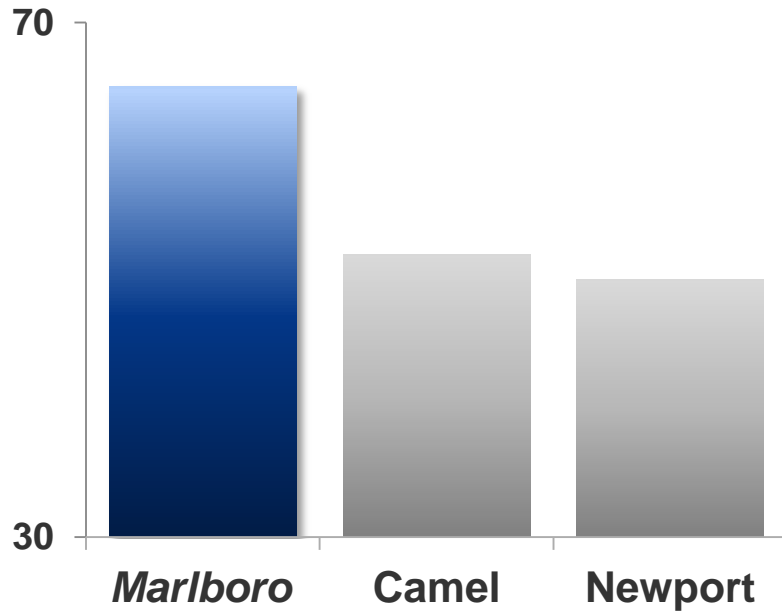
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# Marlboro's Equity











# Digital Enhancements

## Intuitive Design



*Ease of  
Navigation*

## Personalization



*Relevant Content  
Display*

## Value

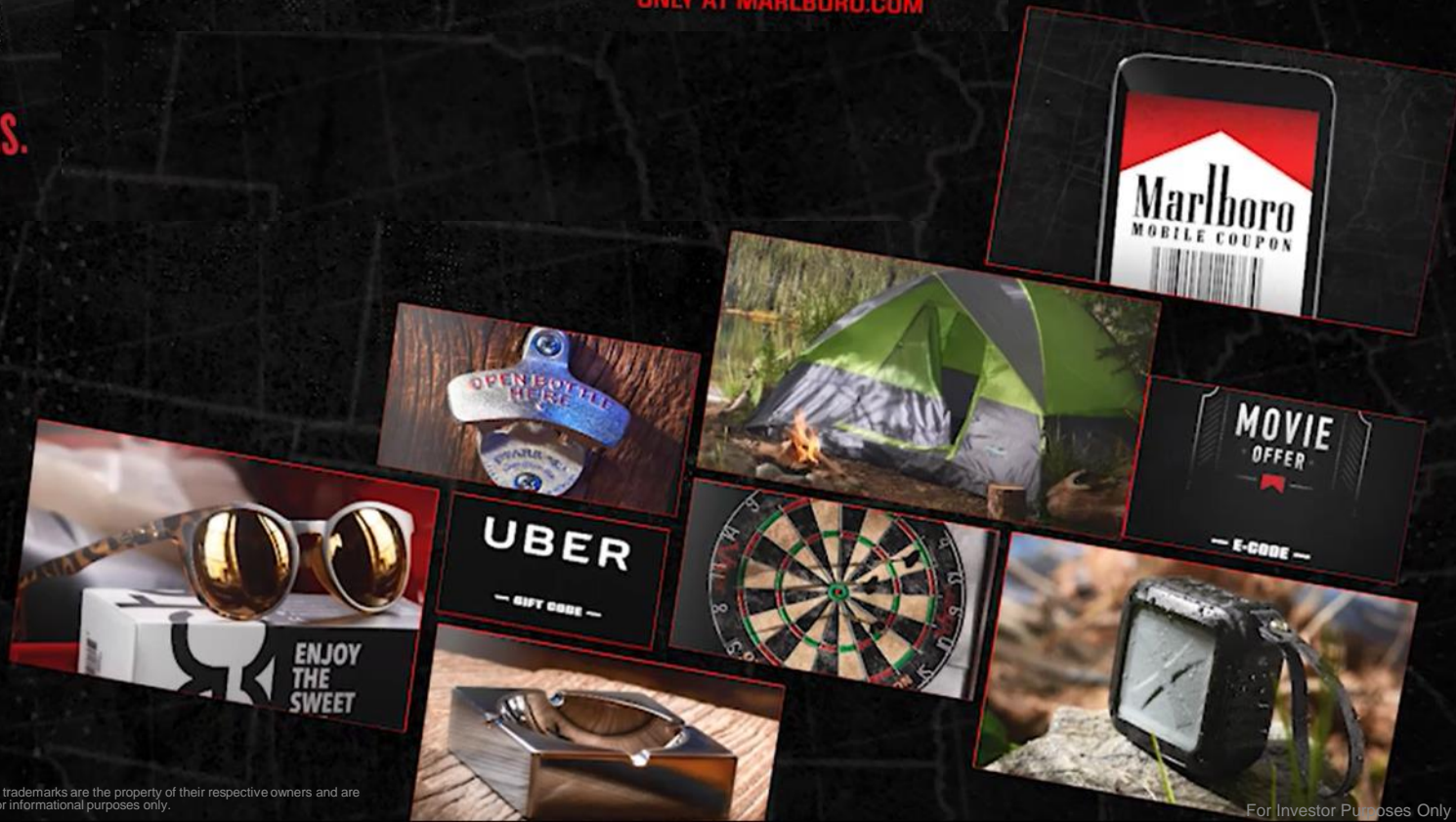
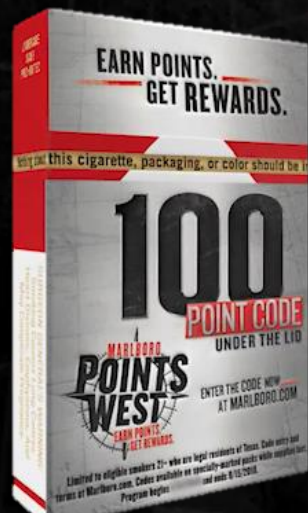


*Efficient Value  
Delivery*



# POINTS = REWARDS

ONLY AT MARLBORO.COM



Note: Third party trademarks are the property of their respective owners and are included for informational purposes only.

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REFINED.  
SMOOTH.  
CLASSIC.

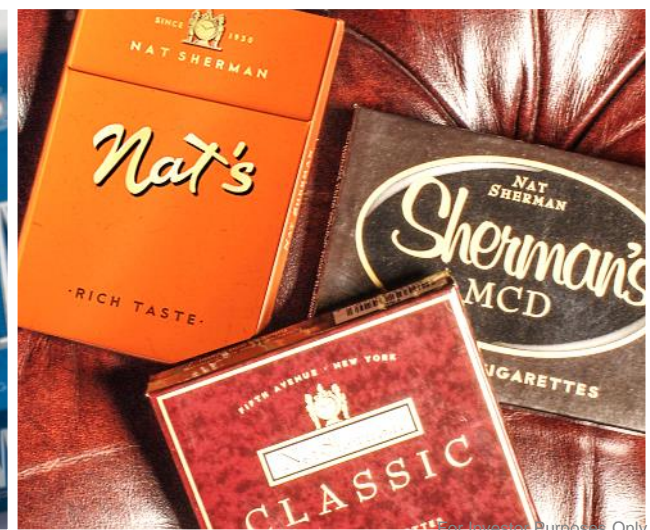
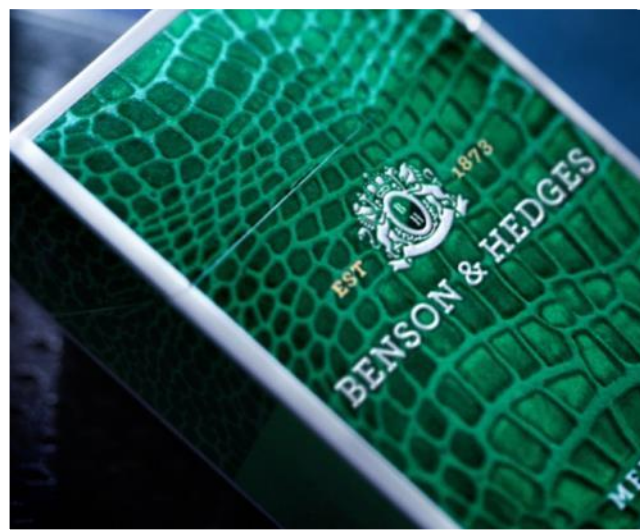
EST 1873  
BENSON & HEDGES

MENTHOL  
QUALITY TOBACCOS







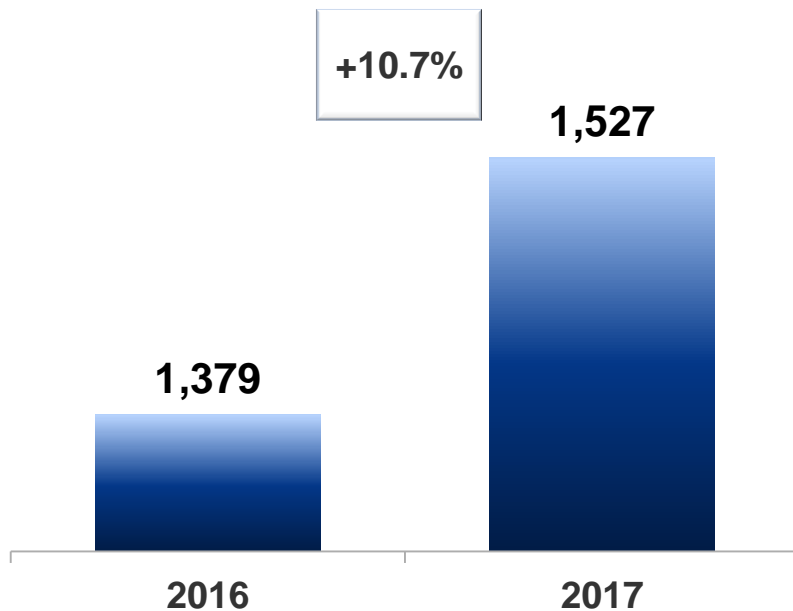




# Black & Mild's Performance

## Shipment Volume

(Sticks in Millions)





# Altria's Strategies

**Maximize income from combustible tobacco businesses**

**Grow income over time with non-combustible tobacco products**

**Manage diverse income streams and strong balance sheet to deliver consistent financial performance over the long term**



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Be the leading smokeless tobacco and oral nicotine products company with products that appeal to a diverse set of adult tobacco consumers and have the potential to reduce harm.



# USSTC's Portfolio



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Copenhagen  
POUCHES

WARNING: This product  
can cause mouth  
cancer.

SATISFACTION SINCE 1872



Copenhagen  
SNUFF

WARNING: Smokeless  
tobacco is  
addictive.

SATISFACTION SINCE 1872



Copenhagen  
TOBACCO

WARNING: This product  
is not a safe alternative  
to cigarettes.





**Plan to file MRTPA  
on *Copenhagen*  
Snuff in 1Q 2018**











# *Total* **TOBACCO ENJOYMENT**



**TOBACCO-DERIVED NICOTINE DISCS**



**Lead the U.S. e-vapor category with a portfolio of superior, potentially reduced-risk products that adult smokers and vapers choose over cigarettes.**







# MARKTEN®

# BOLD

*e-vapor*



Plan to file PMTAs in  
2018 with MRTPAs  
to follow





# MARKTEN® E L I T E

— E-VAPOR —





# NuMark

An Altria Innovation Company



**Apex**  
by *MarkTen*



**Vim**  
by *MarkTen*



**CYNC**

# NuMark

An Altria Innovation Company





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# IQOS

THIS CHANGES EVERYTHING



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# Lead Market Learning Objectives

- Adult smoker perceptions of product and branding
- Adult smoker conversion rates
- Pricing dynamics
- Market performance







**U.S. Department of Health and Human Services  
Food and Drug Administration**

# Substantial Equivalence Process

- Process remains overly burdensome, inconsistent, and restrictive
- FDA should issue clarifying regulations on the SE process
- We will continue to work constructively with the FDA, while insisting that it observe the statute and regulate manufacturers fairly



# Altria's Strategies

**Maximize income from combustible tobacco businesses**

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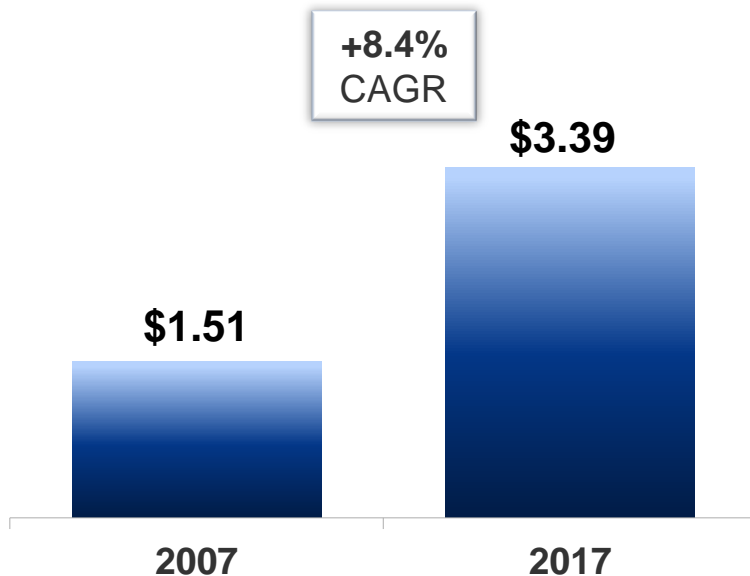
# Long-Term Financial Goals

**Grow**  
**adjusted diluted EPS**  
**at an average annual**  
**rate of**  
**7% - 9%**

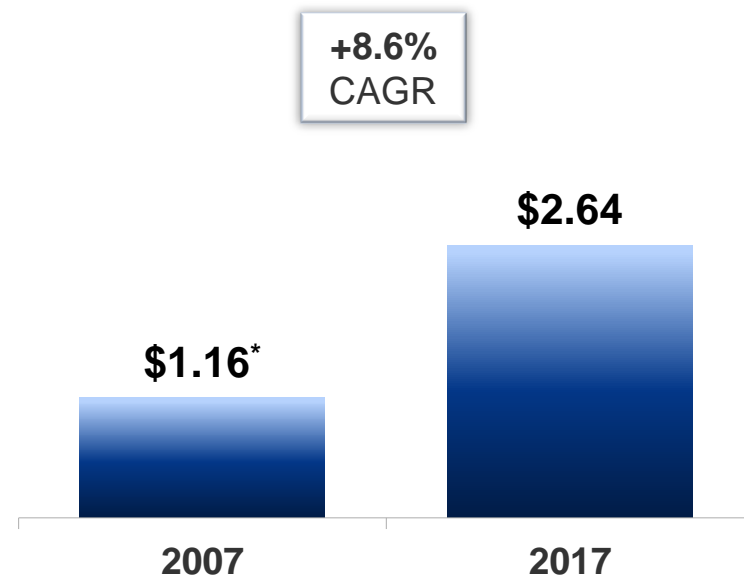
**Maintain a**  
**dividend payout ratio**  
**target of approximately**  
**80%**  
**of adjusted diluted EPS**

# Consistent Financial Performance

## Adjusted Diluted EPS\*



## Dividend Per Share Growth



\* For reconciliations of non-GAAP to GAAP measures visit [altria.com](http://altria.com).

Source: Altria company reports

Note: Dividend is based on the current annualized dividend

\* First declared dividend post-spin


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# Beer Investment



- 
- Over \$300 million in savings from 2016 productivity initiative
  - Debt-to-EBITDA of 1.3 to 1\*
  - Weighted average coupon of 4.9%
  - ~\$1 billion in cash after dividends annually

\*For reconciliation of non-GAAP to GAAP measures visit [altria.com](http://altria.com)

Source: Altria company reports

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# 2018 Investment Examples

## Marlboro Equity Enhancements



## Innovative Products



# Tax Reform Benefit

- Plan to reinvest about one-third of tax reform benefit in 2018
- Moderating level of investment in subsequent years

We believe this balanced approach will deliver annual adjusted diluted EPS growth rates above our long-term 7% - 9% aspiration through 2020

# 2018 Guidance

We reaffirm our guidance to deliver 2018 adjusted diluted EPS in a range of \$3.90 to \$4.03, representing a growth rate of 15% to 19% from our adjusted diluted EPS base of \$3.39\* in 2017.

\* For reconciliation of non-GAAP to GAAP measures visit [altria.com](http://altria.com)

Source: Altria company reports

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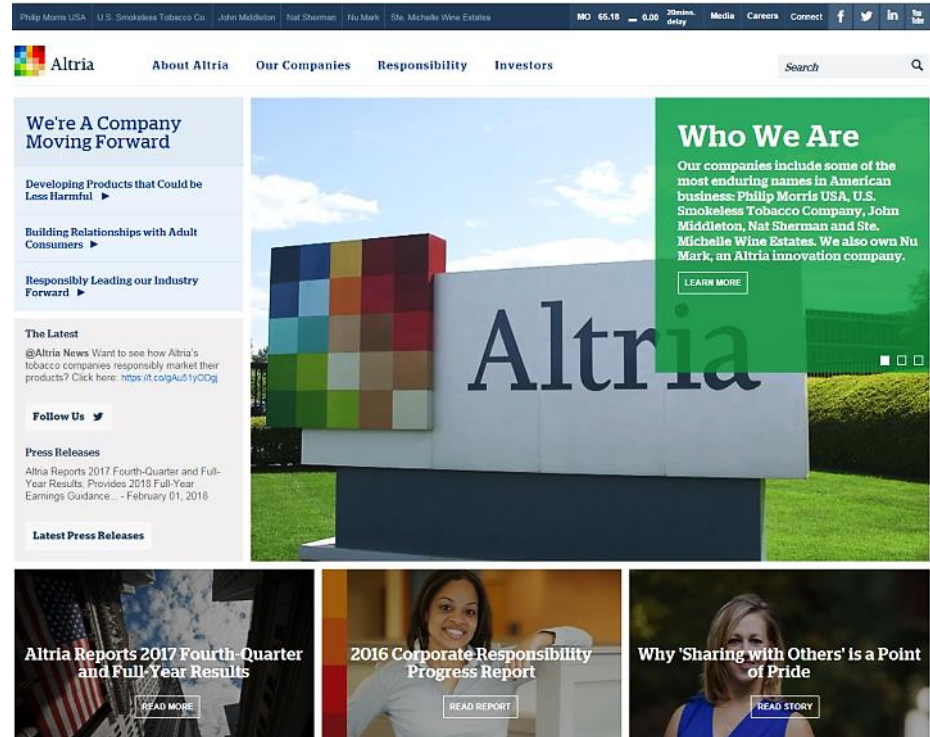


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# Regulation G Disclosure

- For reconciliations and further explanations of non-GAAP financial measures, visit: [altria.com](http://altria.com)





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