



# **International Tobacco Business** 2020 Results & 2021 Outlook

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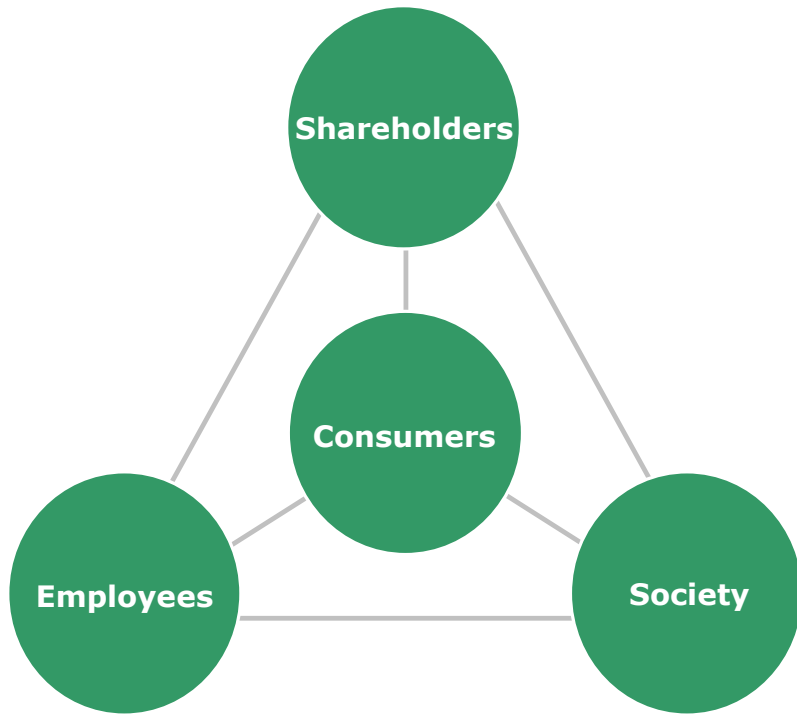
# FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as “may”, “will”, “should”, “would”, “expect”, “intend”, “project”, “plan”, “aim”, “seek”, “target”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

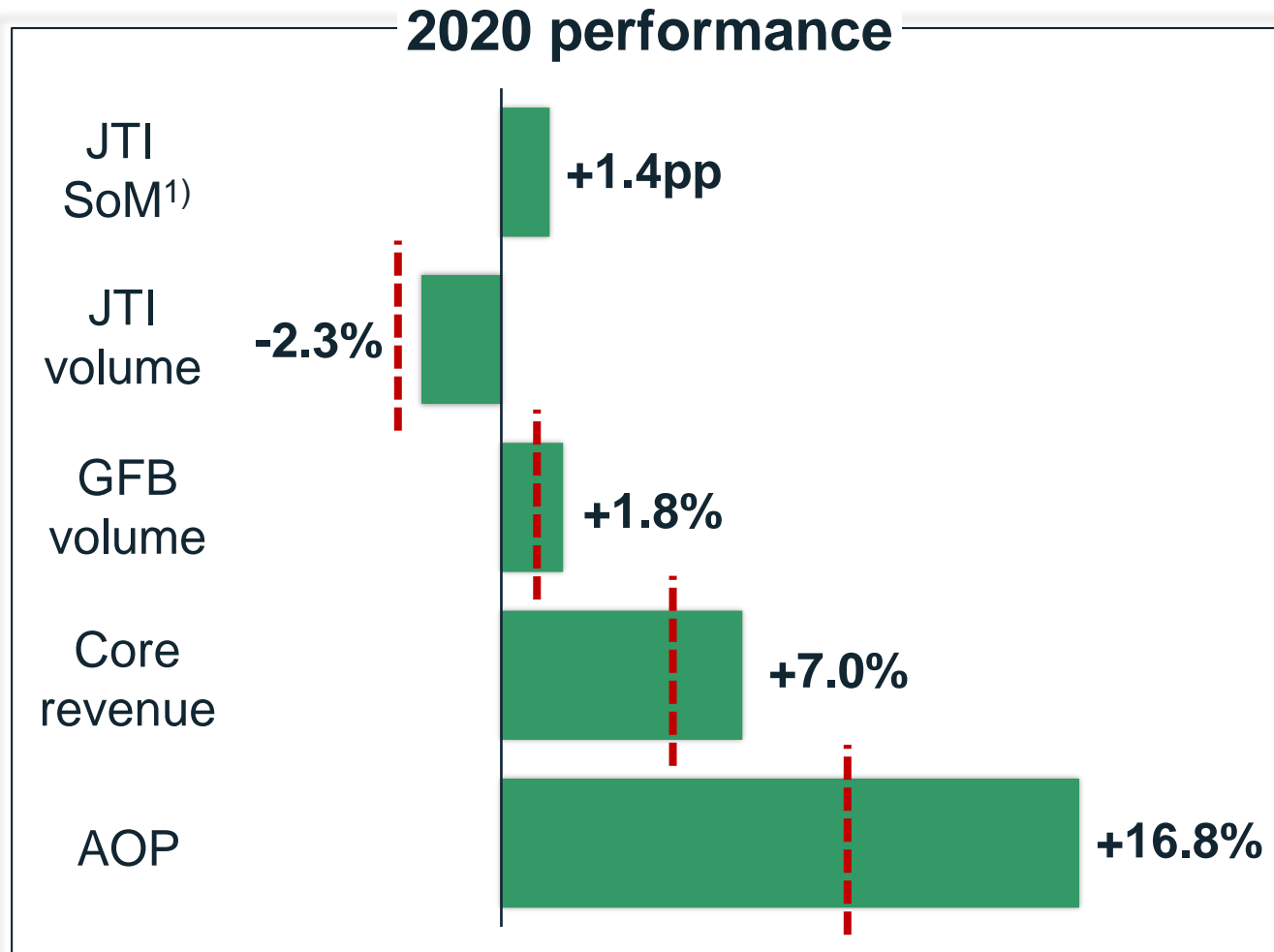
- (1) increase in awareness of health concerns related to smoking;
- (2) regulatory developments; including, without limitation, tax increases and restrictions on sales, marketing, packaging, labeling and use of tobacco products, privately imposed restrictions and governmental investigations;
- (3) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products;
- (4) our ability to further diversify our business beyond the traditional tobacco industry;
- (5) our ability to successfully expand internationally and make investments outside Japan;
- (6) competition and changing consumer preferences;
- (7) our ability to manage impacts derived from business diversification or business expansion;
- (8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;
- (9) fluctuations in foreign exchange rates and the costs of raw materials; and
- (10) catastrophes, including natural disasters.

# 4S approach enabled business momentum despite COVID



- People, our number one priority
  - Consistently followed global best practices with respect to sanitary measures and employee wellbeing
  - Impressive engagement and commitment from employees
- Business continuity driven by a highly effective supply chain
  - Supported suppliers and trade partners as appropriate
  - Implemented agile route to market where necessary
- Solid business fundamentals fueled momentum
  - Strong GFB-led portfolio across RMC and FCT
  - Well-balanced geographic footprint

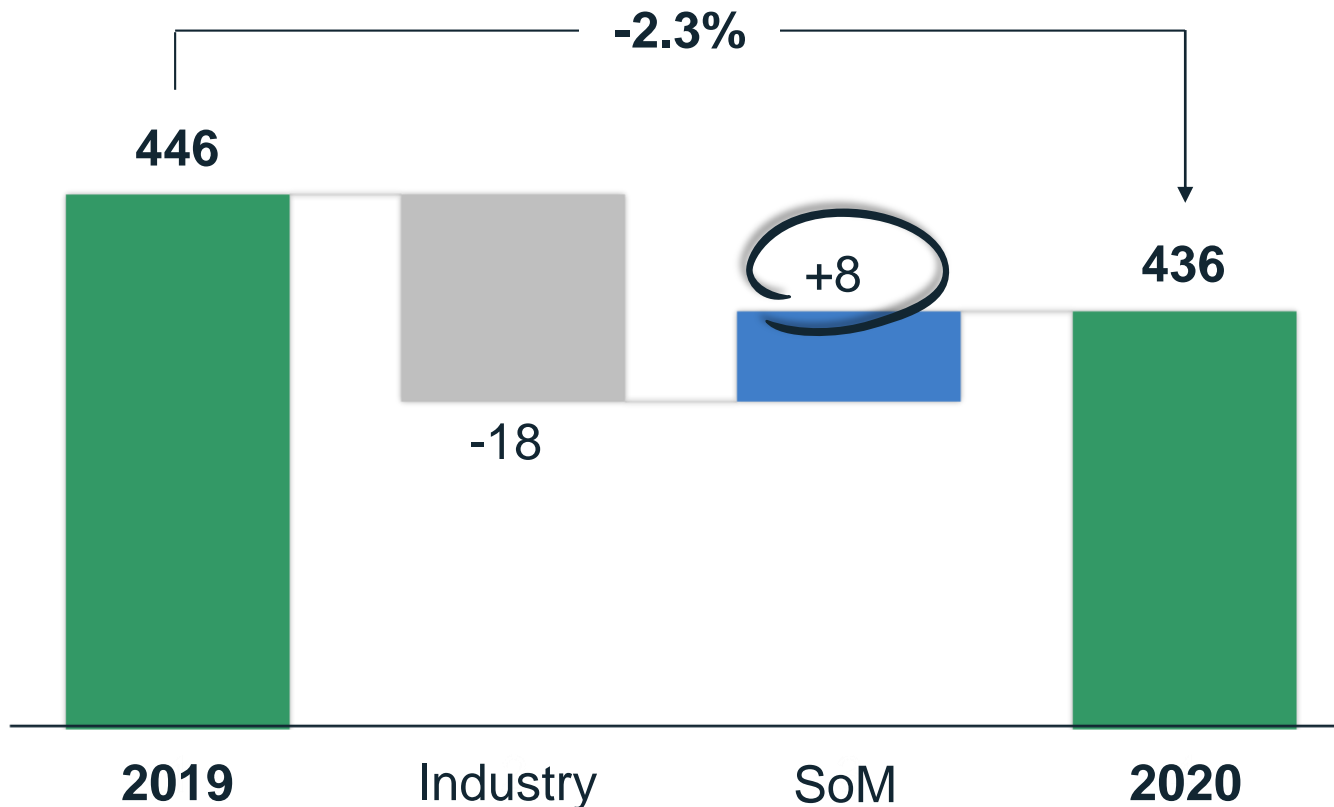
# 2020 | Strong performance driven by share and pricing gains



- Strong share of market gains continued
- Total and GFB shipment volume outpaced industry volume trend
- Solid top-line increase driven by robust price/mix variance and improved market mix
- Significant adjusted operating profit growth at constant currency

# Volume performance driven by significant market share gains

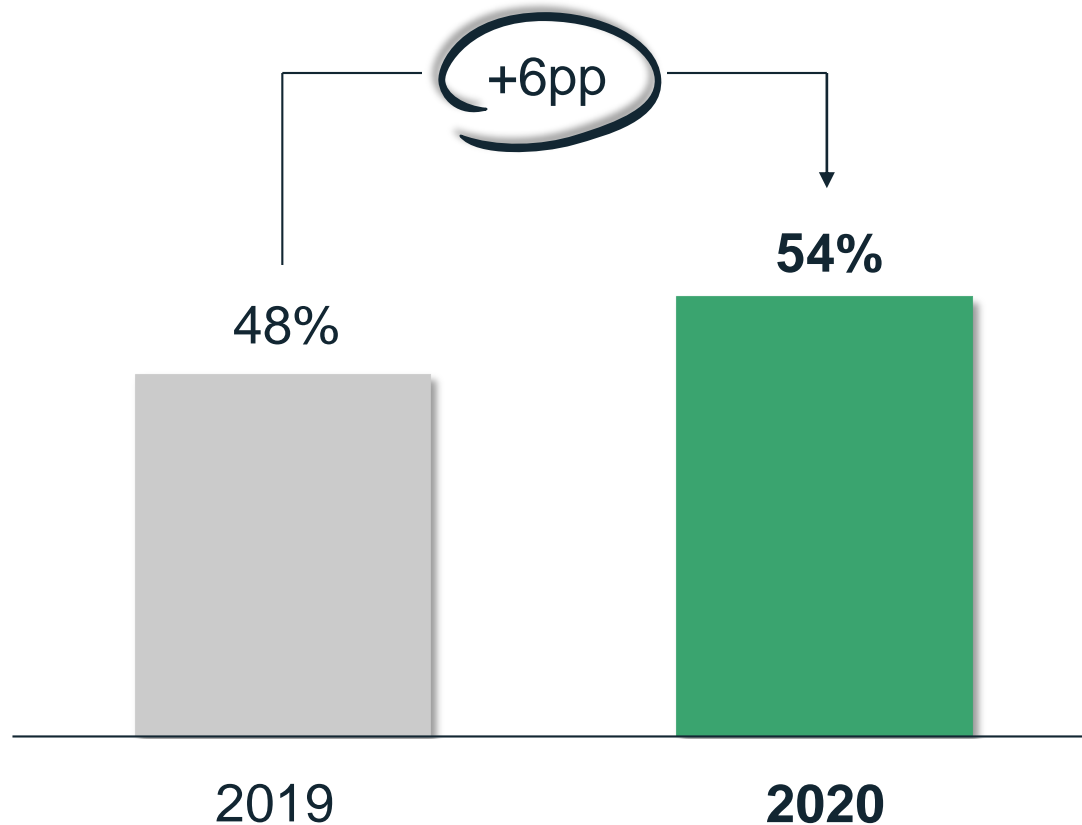
JTI volume (2020 vs. PY, BnU)



- Industry volume decline including COVID-19 impact broadly in line with historical trend
- Negative COVID-19 impact mainly to WWDF and emerging markets
- Significant share of market gains drove robust organic volume performance
- SoM increased in 27 of our top-30 markets

# Stronger market mix contributes to robust top-line growth

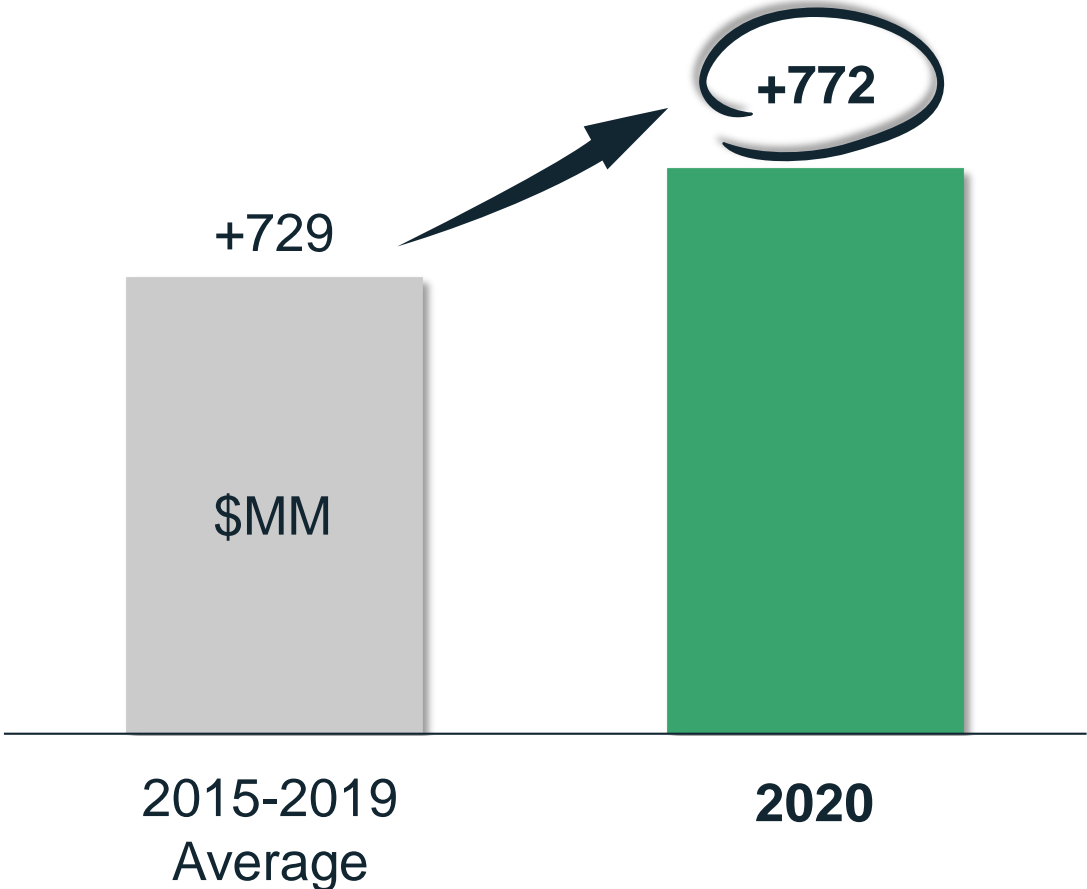
## Above-average margin<sup>1)</sup> market mix in JTI volume



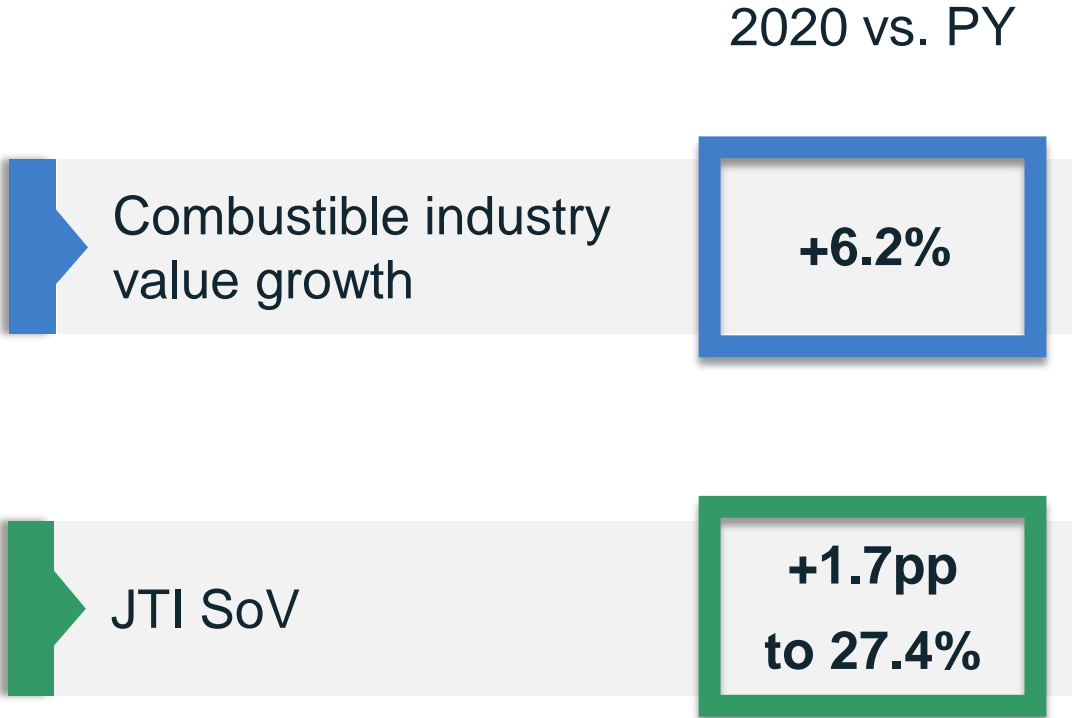
- COVID-led travel restrictions drove stronger domestic volumes in above-average margin markets
- UK, France, Ireland, Taiwan
- Lockdowns and border closures impacted illicit trade volume
- Stimulus packages supported consumer discretionary spending in developed markets

# Pricing contribution boosts share of value growth

## JTI price/mix variance<sup>1)</sup>



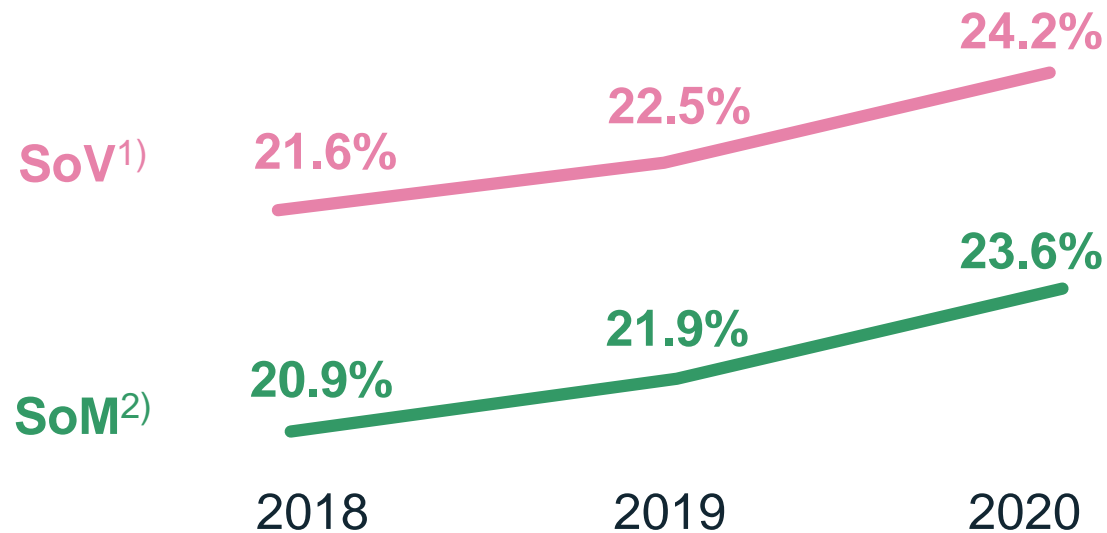
## Combustible retail value and JTI SoV<sup>2)</sup>



# Europe | Accelerated share gains and solid pricing contribution

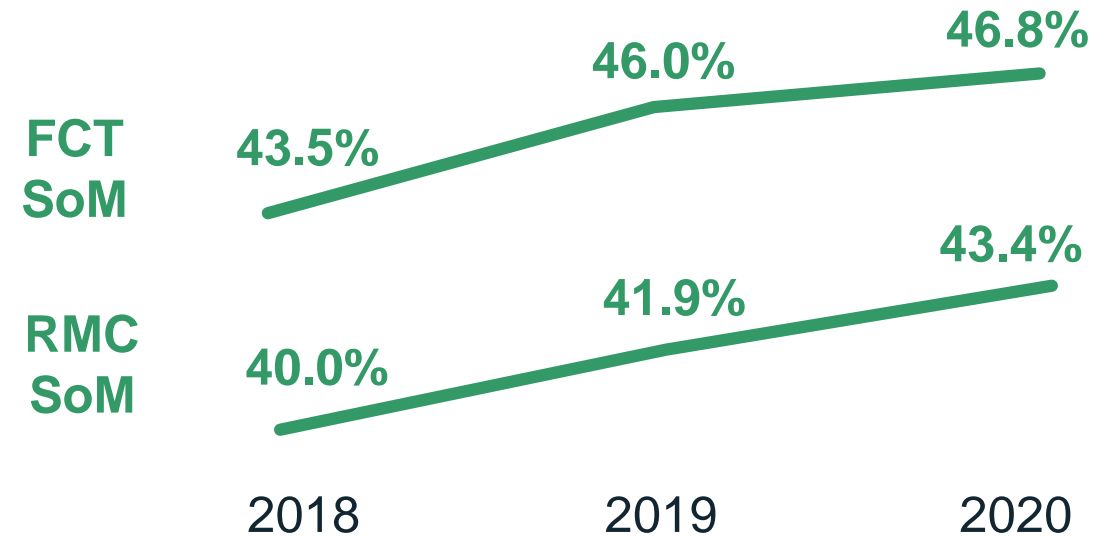
## Europe

- Stronger industry volume and improved market mix from COVID disruptions
- Record market share in 26 markets, driven by both cigarettes and fine cut
- Solid pricing in France, Germany, Hungary, Ireland, Sweden and the UK



## Focus on the UK

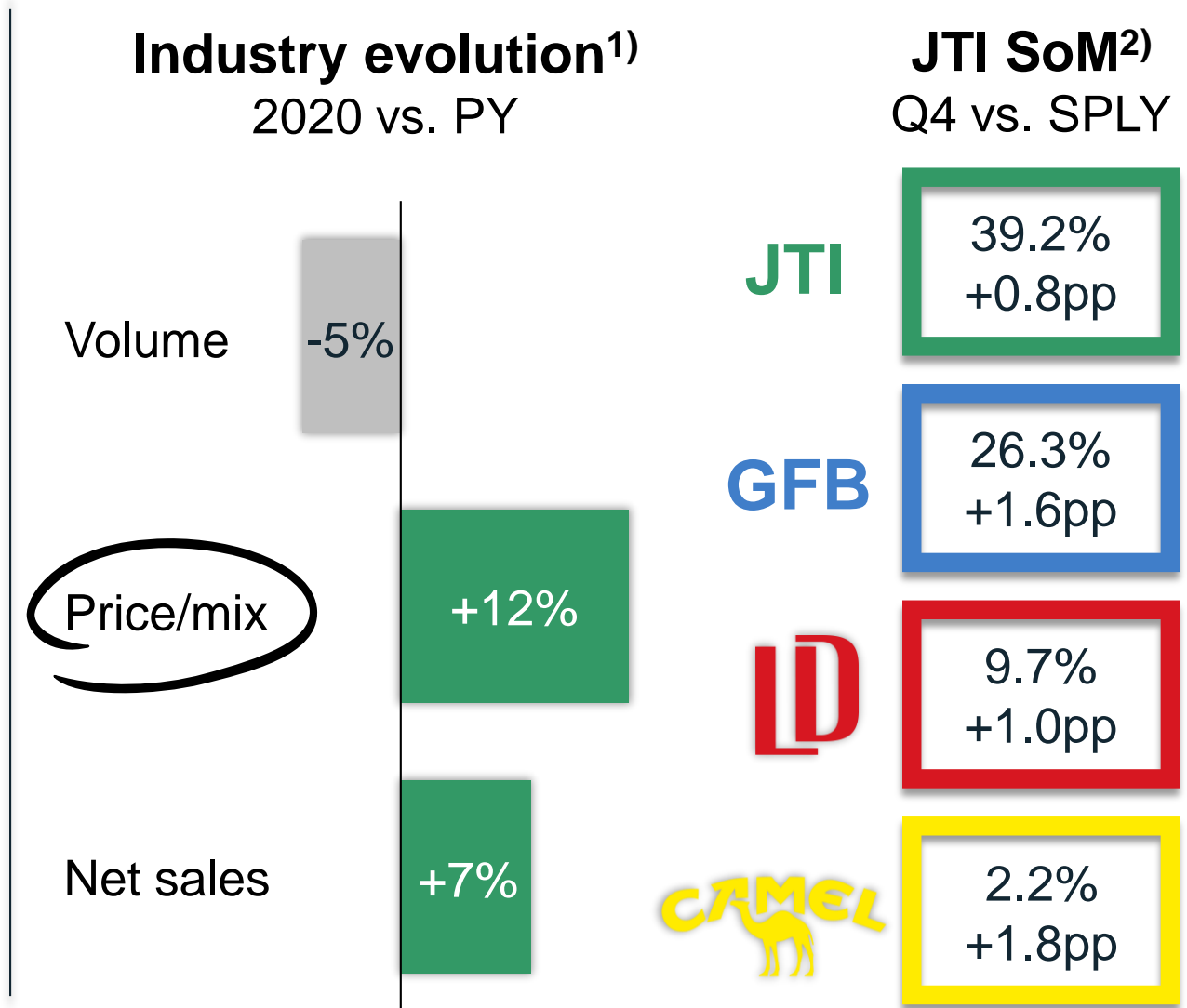
- Travel restrictions led a Y-o-Y industry volume increase
- Record market share in RMC and FCT driven by B&H Blue and Sterling FCT
- Strengthened RRP footprint with Ploom





# Russia | Robust pricing and strengthened GFB portfolio

- Industry volume more resilient than expected
  - Illicit trade impacted by COVID restrictions
- Strong pricing environment without deteriorating price elasticity
- Solid market share driven by GFBs, with momentum accelerating in the fourth quarter
- LD and Camel compact strengthened position in Value
- Winston, the #1 tobacco brand at 14.9% SoM



# Russia | Successfully launched heated tobacco sticks with Ploom



- Rapid heated tobacco sticks expansion, focusing on key accounts and digitalization
  - Mid-March – Introduction of Ploom S and 4 SKUs in Moscow
  - July – Expansion to other large cities and key accounts
  - Successful ramp-up of digital B2C initiatives
- Strong Ploom S momentum reaching 2.6% category share<sup>1)</sup> after 9 months
  - 350+ thousand devices sold
  - 160+ million sticks sold
  - Strong repurchase rates, >60% of sticks sold without a device

# Russia | Excise challenge manageable

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- Significant excise tax increase (c. +18RUB per pack) fully built in the forecast
  - Industry volume anticipated to be under pressure
  - Pass-on in progress
- Confidence driven by regulatory changes improving predictability
  - Introduction of a single minimal retail selling price (MRSP)
  - Removal of manufacturers' ability to discount retail prices

# 2021 | Solid ongoing business momentum

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- **Strengthen business fundamentals**
  - Market share gains to continue
  - Ongoing positive pricing contribution
  - Accelerated efficiencies driven by the Transformation initiative
- **Reinforce investment posture behind heated tobacco sticks**
  - Launch of new HTS device in H2 21
- **Manageable Russia tax and COVID challenge**
  - Industry volume decline in Russia under pressure, due to significant tax increase
  - Partial reversal of COVID impacts

# 2021 Guidance | High single-digit AOP growth

