

Industry & Market Overview

E-Cigarette Summit 2016

Tim Phillips, ECigIntelligence

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ECigIntelligence

www.ECigIntelligence.com



Delivery against market expectations?



Eight Disruptive Themes

“...We believe e-cigs have the potential to **alter the status quo of the US tobacco market** and accelerate the volume decline of traditional cigarettes.

We estimate, as of August 7, 2013, that e-cigs could account for more than **10% of total tobacco industry volume and 15% of the total profit pool by 2020.**”

Robert D. Boroujerdi, Goldman Sachs, August 7, 2013

June 12, 2013

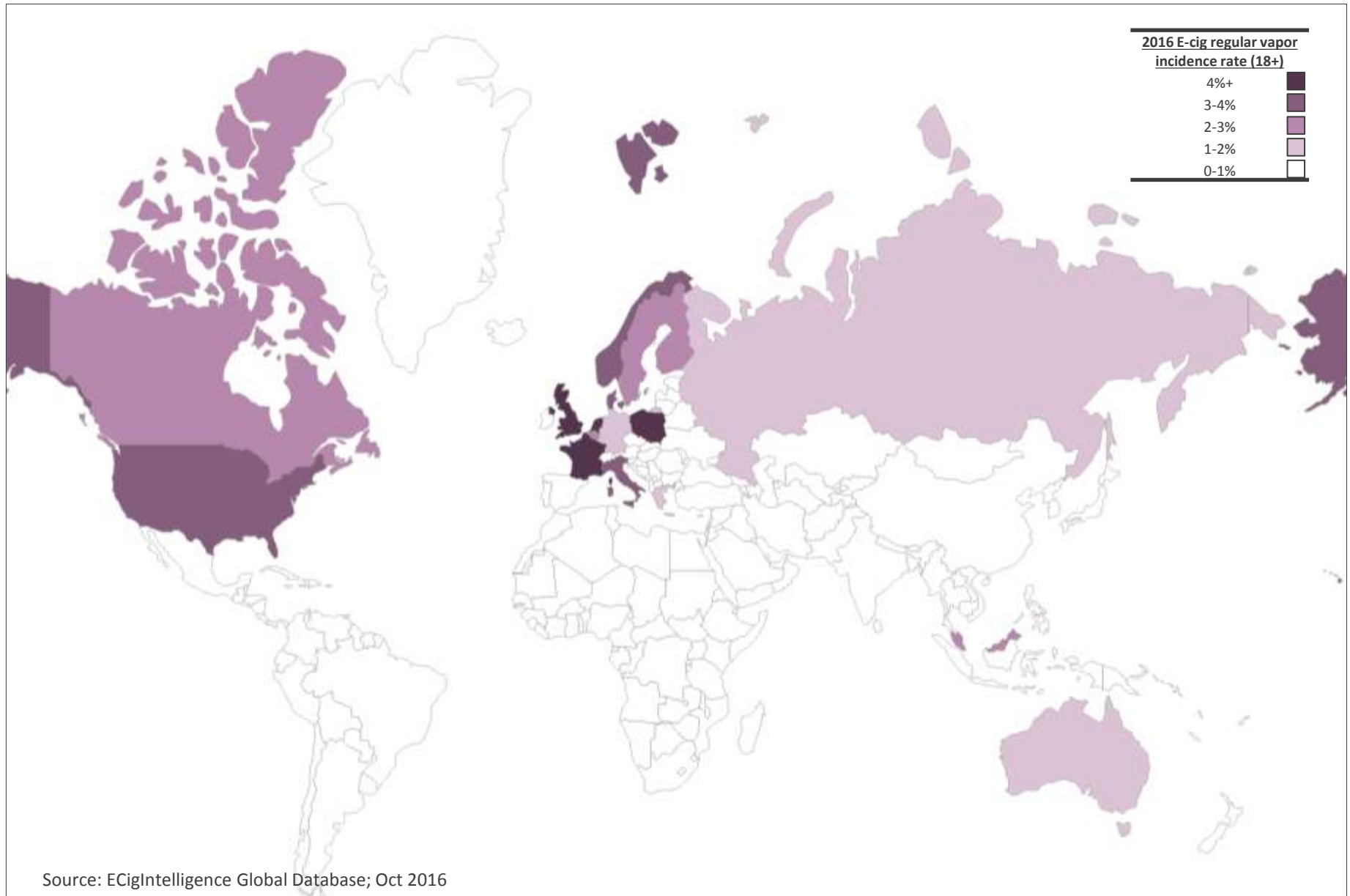
Equity Research



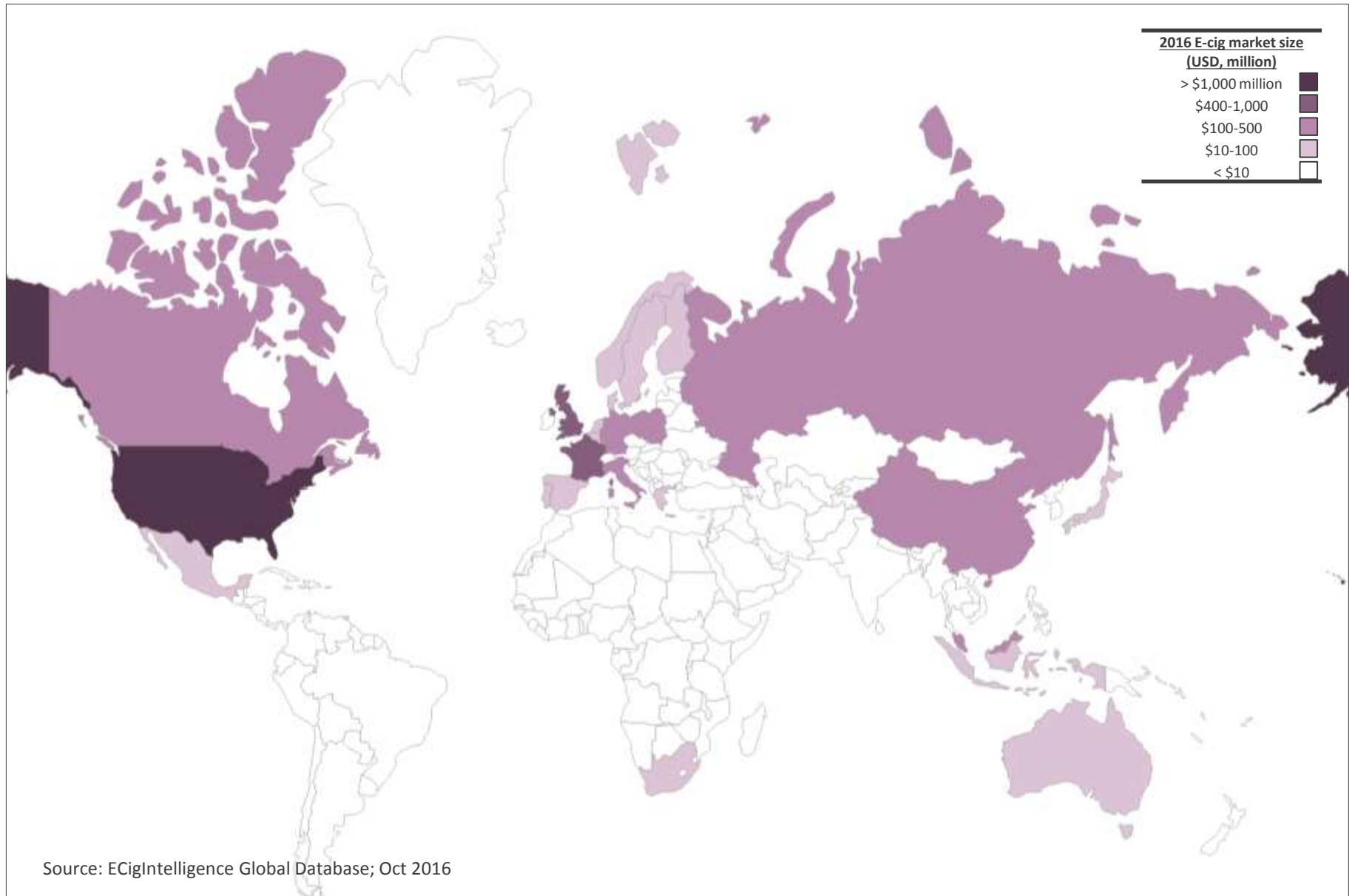
“...we have increased conviction that consumption of ecigs could **surpass consumption of conventional cigs within the next decade (by 2023).**”

Bonnie Herzog, Wells Fargo, June 12, 2013

Global vaping incidence rates, % Oct 2016



Global market size, US\$m Oct 2016



Source: ECigIntelligence Global Database; Oct 2016



Remaining opportunity

Percentage of EUs 105m 18+ smokers that use or have used e-cigs



The industry has come a long way: but there is still a long way to go....

Product innovation

Closed-systems

Open-systems

Recent Innovations

Increasing device sophistication

Progression of consumer preferences



The industry has seen rapid innovation cycles....

Heat not Burn

Uses real tobacco refills, but instead of burning it, it heats it to produce tobacco-flavored vapor



Hybrid devices

heats a nicotine containing liquid into an inhalable vapour, which then passes through a tobacco section, releasing tobacco flavour

iFUSE



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TECH



...and new competitors on the horizon

Challenges

- **Product**
 - Innovation
 - Efficacy
 - Simplicity
- **Public Perception**
 - Science
 - Tobacco involvement
 - Inertia against change
- **Regulation**
 - Markets in transition
 - Regulators not experienced in sector; lack of investment and priority
 - Engagement with stakeholders

The Future

- **Consumer demand:** will continue to drive growth
- **Global opportunities:** many markets still have very low incidence
- **Consolidation:** brands / distribution – fewer, larger companies, better products sold through traditional retail channels
- **Regulation:** will continue to be fragmented, but
 - Drives consumer confidence
 - Encourages investment