

## Quality Growth

## Our Vapour Products

# Vapour products<sup>\*†</sup> are battery-powered devices that heat e-liquids to produce an inhalable aerosol (vapour).

Our leading, global Vapour brand, Vuse, plays a major role in providing smokers with a reduced-risk<sup>†</sup> alternative to cigarettes.

**Vapour Top markets \*\*\***  
the U.S., Canada, France, the UK, Spain, Poland and Germany



## Overview

Vapour is the largest category of our Smokeless products. Both in terms of its global footprint, and the estimated 82 million consumers who use Vapour products<sup>1</sup>. These products are an attractive proposition to convert adult smokers to reduced-risk<sup>†</sup> Smokeless products.

Low barriers to entry and an absence of consistent regulatory frameworks lead to a highly fragmented and competitive landscape.

Key challenges for the Vapour category include regulatory risks, illicit trade and the pace of innovation.

## The Scientific Evidence

Evidence continues to emerge from the public health community and academia about the role of Vapour products as a reduced-risk<sup>†</sup> alternative to smoking.

In 2022, we conducted an innovative study of Vuse, using a cross-sectional approach. This provided a snapshot of the differences in indicators of potential harm between Vuse consumers and smokers. The findings revealed that BAT's Vapour products produce 99% less toxicants when compared to cigarette smoke<sup>2</sup>, while the laboratory cell tests also demonstrated that our products don't cause DNA mutations or promote cancer, unlike cigarettes.<sup>3,4</sup>

In New Zealand, the introduction of Vapour products has been associated with a dramatic decrease in the daily smoking rate<sup>5</sup>, with ASH New Zealand stating that the country remains on track to reach its 2025 smoke-free goal of <5% of the population.<sup>6</sup>

In our pursuit of accelerating towards our purpose, in 2024, 'BAT's Commitment to Responsible Vaping Products' was published, unveiling a series of new ambitions for our Vapour devices supported by evidence-based solutions to tackle some of the most pressing societal concerns.

## Highlights

BAT maintained global value share leadership despite a 1.2 ppts decline vs 2023 to 40.0% value share (in tracked channels) in our Top Vapour markets.

BAT maintained its value share leadership position in the U.S., at 50.2% (down 2.0 ppts vs 2023, in tracked channels).

Consumer acquisition up 0.1 million, reaching 11.9 million.

Vapour volume down 5.9% in a strong price environment (+3.3%), with revenue 2.6% lower at constant rates of exchange.

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Number of markets where the Group's **Vapour products** are sold

### Notes:

- \* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.
- † Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.
- \*\*\* Top Vapour markets are defined as the Top markets by industry revenue, being the U.S., Canada, France, the UK, Spain, Poland and Germany and accounting for c.80% of global industry closed systems consumables revenue (being rechargeable closed systems and single-use products) in 2024. The Top markets were revised in 2024, with a reduction in value share in respect of 2023 to 41.2%. Also in 2024, the Group changed from Marlin to Retail Scan Data for the U.S. vapour market, with the Group's Vapour value share in 2023 rebased to 52.1%.
- 1. Jerzyński, T. and Stimson, G.V. (2023), "Estimation of the global number of vapers: 82 million worldwide in 2021", *Drugs, Habits and Social Policy*, Vol. 24 No. 2, pp. 91-103. Available at: [www.doi.org/10.1108/DHS-07-2022-0028](https://www.doi.org/10.1108/DHS-07-2022-0028)
- 2. Comparison with smoke from a scientific standard reference cigarette (approximately 9mg of tar) in terms of the average of the 9 harmful components the World Health Organisation recommends to reduce in cigarette smoke.
- 3. Thorne, D., Crooks, I., Hollings, M., Seymour, A., Meredith, C., Gaça, M. The mutagenic assessment of an electronic-cigarette and reference cigarette smoke using the Ames assay in strains TA98 and TA100. *Mutation Research* 2016, 812: 29-38.
- 4. Breheny, D., Oke, O., Pant, K. & Gaça, M.D. Comparative tumor promotion assessment of e-cigarette and cigarettes using the in vitro Bhas 42 cell transformation assay. *Environmental and Molecular Mutagenesis*, 2017, Volume 58, Issue 4 p. 190-198; doi.org/10.1002/em.22091
- 5. Snowdon, C., et al., Vaping Works. International Best Practises: United Kingdom, France, Canada and New Zealand. Property Rights Alliance, 2021. [www.propertyrightsalliance.org/wp-content/uploads/PRA\\_VapingWorks.pdf](https://www.propertyrightsalliance.org/wp-content/uploads/PRA_VapingWorks.pdf)
- 6. Action on Smoking and Health (ASH), Smoking rate continues record decline to only 6.8% daily use, Māori and Pacific rates are also reduced. Action for Smokefree 2025, 2023.
- 7. Haswell, L.E., Gale, N., Brown, E. et al. Biomarkers of exposure and potential harm in exclusive users of electronic cigarettes and current, former, and never smokers. *Intern Emerg Med* 18, 1359–1371 (2023). doi.org/10.1007/s11739-023-03294-9.
- 8. Bishop, E., East, N., F. Miazzi, Fiebelkorn, S., Breheny, D., Gaca, M. and Thorne, D. (2023). A contextualised e-cigarette testing strategy shows flavourings do not impact lung toxicity in vitro. 380, pp.1-11. doi: doi.org/10.1016/j.toxlet.2023.03.006.

In 2023, results from our innovative cross-sectional clinical study<sup>7</sup> showed that exclusive Vuse users had significantly lower exposure to tobacco toxicants, and favourable results for indicators linked to smoking-related diseases, compared with smokers.

Also in 2023, we published a laboratory study<sup>8</sup> which showed flavoured e-liquid toxicity was >95% reduced when compared to cigarette smoke and concluded that flavoured e-liquids do not increase the risk profile of well stewarded e-cigarettes.

### Regulation and PMTA

The future of Tobacco Harm Reduction has always depended on robust science and ensuring that this science is accessible to audiences outside the scientific community is crucial. This need is growing stronger than ever, and consumers deserve to understand the relative risk profiles of these products.

In addition, perceptions of nicotine continue to evolve; however, many consumers – and healthcare professionals – do not adequately understand the risks associated with nicotine generally.

We strongly support a well-functioning regulatory system within which regulatory oversight leads to accelerated reductions in underage tobacco use and in tobacco-related harm. We are invested in that system and are fully committed to those goals.

The tobacco industry is undergoing transformational change. Smokeless technologies like Vapour, Modern Oral and Heated Products offer great potential for moving more adult smokers to potentially less harmful alternatives. This change is underscored by the U.S. Food and Drug Administration's Premarket Tobacco Product Application (PMTA) process.

PMTAs include, among other things, robust science packages composed of analytical, toxicological, pre-clinical, clinical, and behavioural data to demonstrate that the marketing of a tobacco product is "appropriate for the protection of the public health" and underpinned by science.

We welcome the FDA's marketing authorisation for our Vuse Alto device and tobacco flavour consumables, based on a finding that marketing these products are appropriate for the protection of public health.

We are continuing to challenge the FDA's Marketing Denial Orders (MDOs) for Vuse

Alto's Menthol and Mixed Berry products in court and have obtained a permanent stay of enforcement for Vuse Alto Menthol, allowing it to remain on the market. Menthol variants account for 73% of total Vuse consumables (2023: 65%).

We believe that public health officials, legislators, and regulators – especially the Food and Drug Administration (FDA) – should be concerned about the continued influx of illegal flavoured and single-use vapour products into the U.S. market, which we estimate accounts for 70% of the total U.S. Vapour market.

It is unacceptable that these products, marketed in youth-appealing flavours such as bubble gum and cotton candy, continue to be sold.

We continue to call for appropriate regulation and enforcement to tackle illicit products in the category, and we welcome signs of increasing action, including:

- The FDA increasing frequency of warning letters, seizures and penalties;
- Implementation of vapour directories in three states, with an additional 11 states having passed vapour directory and enforcement legislation, with staggered implementation up to Q4 2025; and
- Continued signs of illicit products volume decline in Louisiana, the first state to implement a vapour directory and enforcement legislation in October 2023, with Vuse Alto capturing the majority of the volume outflow back into the legal segment.

However, there is more to do and effective regulation and enforcement of Vapour products will remain a key focus to unlock the full potential of the category. Currently, we believe there is a lack of enforcement of the flavour ban in the province of Québec in Canada and regarding the 2ml liquid tank limit in the UK, both of which continue to negatively impact the legitimate market.

### Performance Summary

Vapour consumables volume declined 5.9% to 616 million units in 2024 (having grown 7.0% to 654 million units in 2023), impacted by the lack of enforcement of illegal flavoured single-use Vapour products in the U.S. and the impact of the flavour ban in the province of Québec in Canada.

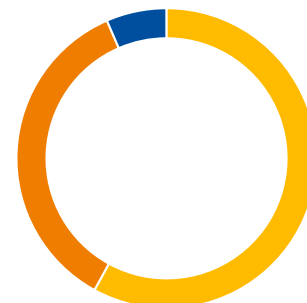
®Four of the seven Top Vapour markets are profitable (on a category contribution basis), driven by increased scale and marketing spend effectiveness, as we continue to focus on delivering Quality Growth.®

BAT maintained global Vapour value share leadership (in tracked channels) with a full-year closed system value share of 40.0% (down 1.2 ppts vs 2023) led by Vuse Alto.

We consolidated our position in all Top markets, with consumers of our Vapour products up 0.1 million to 11.9 million.

### Proportion of Vapour revenue by region in 2024

(£m)



	2024 £m	2023 £m
U.S.	998	1,033
AME	611	686
APMEA	112	93
<b>Total</b>	<b>1,721</b>	<b>1,812</b>

We continue to have strong value share positions in the rechargeable sub-category. Specifically, on a full-year basis in 2024:

- In the U.S., the world's largest Vapour market, we maintained leadership in closed system value share (in tracked channels) at 50.2%, down by 2.0 ppts. In 2024, revenue was down 3.5%, or 0.8% on a constant currency basis. Pricing in both consumables and devices during the year contributed to growth by 2.9% in 2024 and 20.4% in 2023, but was more than offset by lower consumables volume (down 3.7% in 2024 and 6.6% in 2023), driven by the growth of illegal flavoured and single-use products.
- In AME, our Vapour volume declined 11.5% with revenue down 10.8%, largely driven by Canada (discussed earlier), where volume declined 32%. The rechargeable closed system device segment began to return to growth at industry level in Europe with Vuse Go Reload, our new rechargeable closed system, performing well. We believe we are well-positioned to capitalise on this momentum with global leadership in the rechargeable closed segment, with value share of 59.9%. Following the Mexican Government's decision to ban the sale of Vapour products, Vuse will no longer be sold in Mexico. We believe this decision is counter to the goal of reducing smoking rates, a goal we share. Smokeless products, including Vapour devices, are an effective way of helping smokers switch away from cigarettes.
- In APMEA, total Vapour consumables volume grew strongly by 19.1%, with revenue up 19.6%, driven by South Korea and New Zealand.



Vaping can benefit public health, given the substantial evidence supporting the potential of vaping to reduce smoking's [health] toll.



Joint published statement from 15 past Presidents of the Society of Research on Nicotine and Tobacco<sup>1</sup>

#### Note:

1. D. Balfour, N. Benowitz, S. Colby, D. Hatsukami, H. Lando, S. Leischow, C. Lerman, R. Mermelstein, R. Niaura, K. Perkins, O. Pomerleau, N. Rigotti, G. Swan, K. Warner, R. West, "Balancing Consideration of the Risks and Benefits of E-Cigarettes", American Journal of Public Health 111, no. 9 (September 1, 2021): pp. 1661-1672.