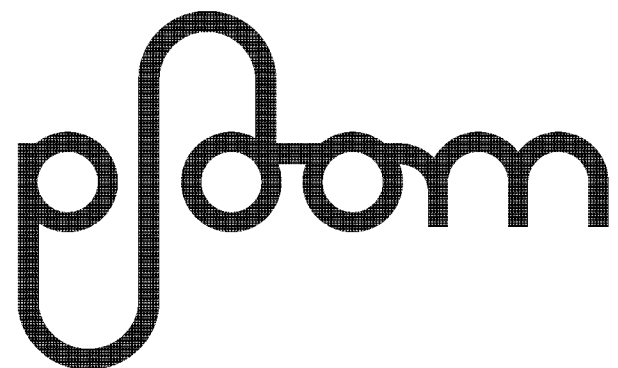


business plan

October 19, 2013



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1

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ploom

PAX

JUUL

executive summary

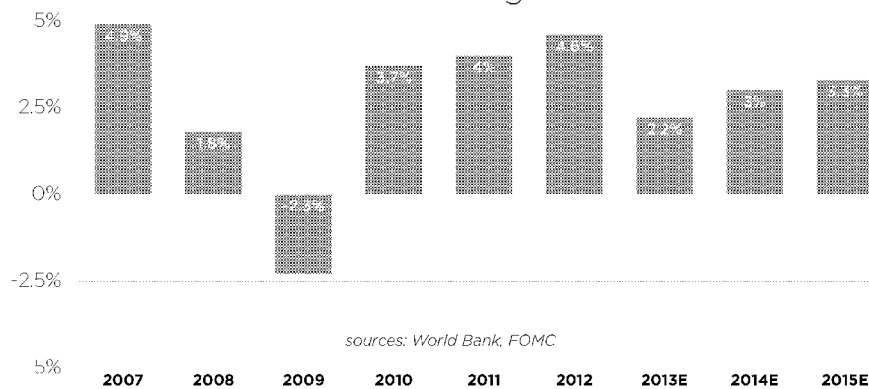
executive summary

Overview

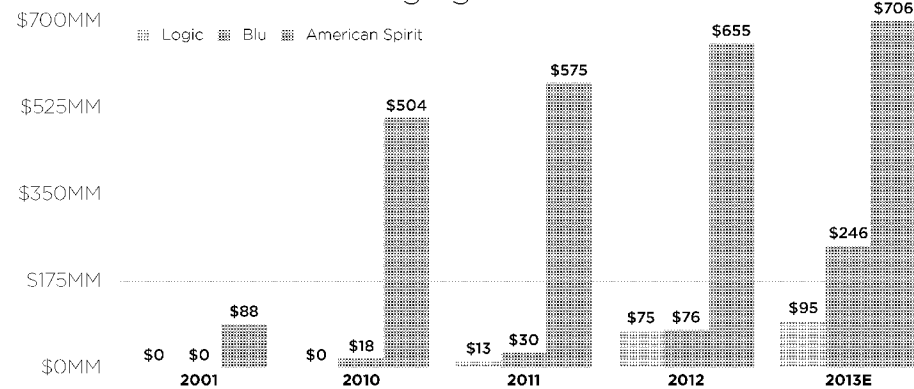
do last

operating environment

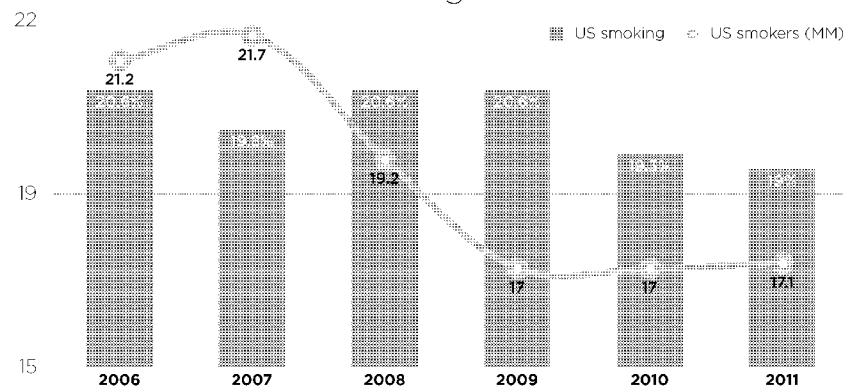
US economic growth rate



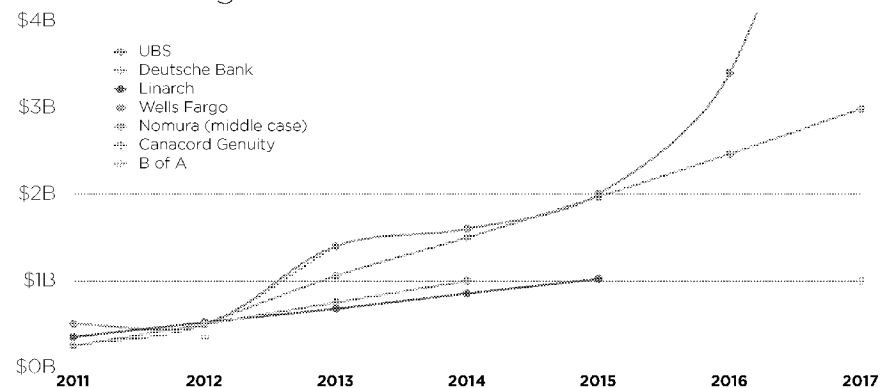
emerging brand revenues



US smoking incidence



e-cig wholesale manufacturer revenues

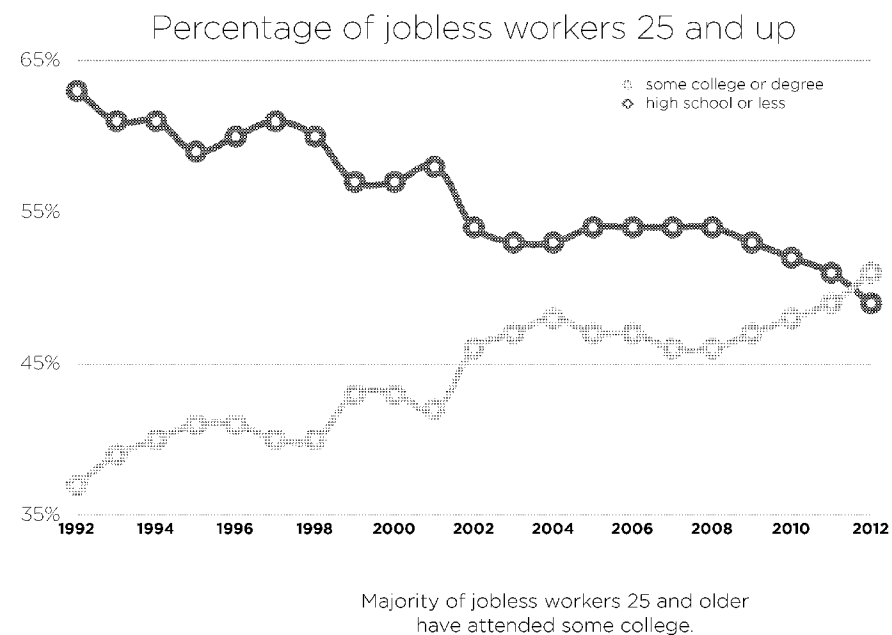


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5

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US employment environment

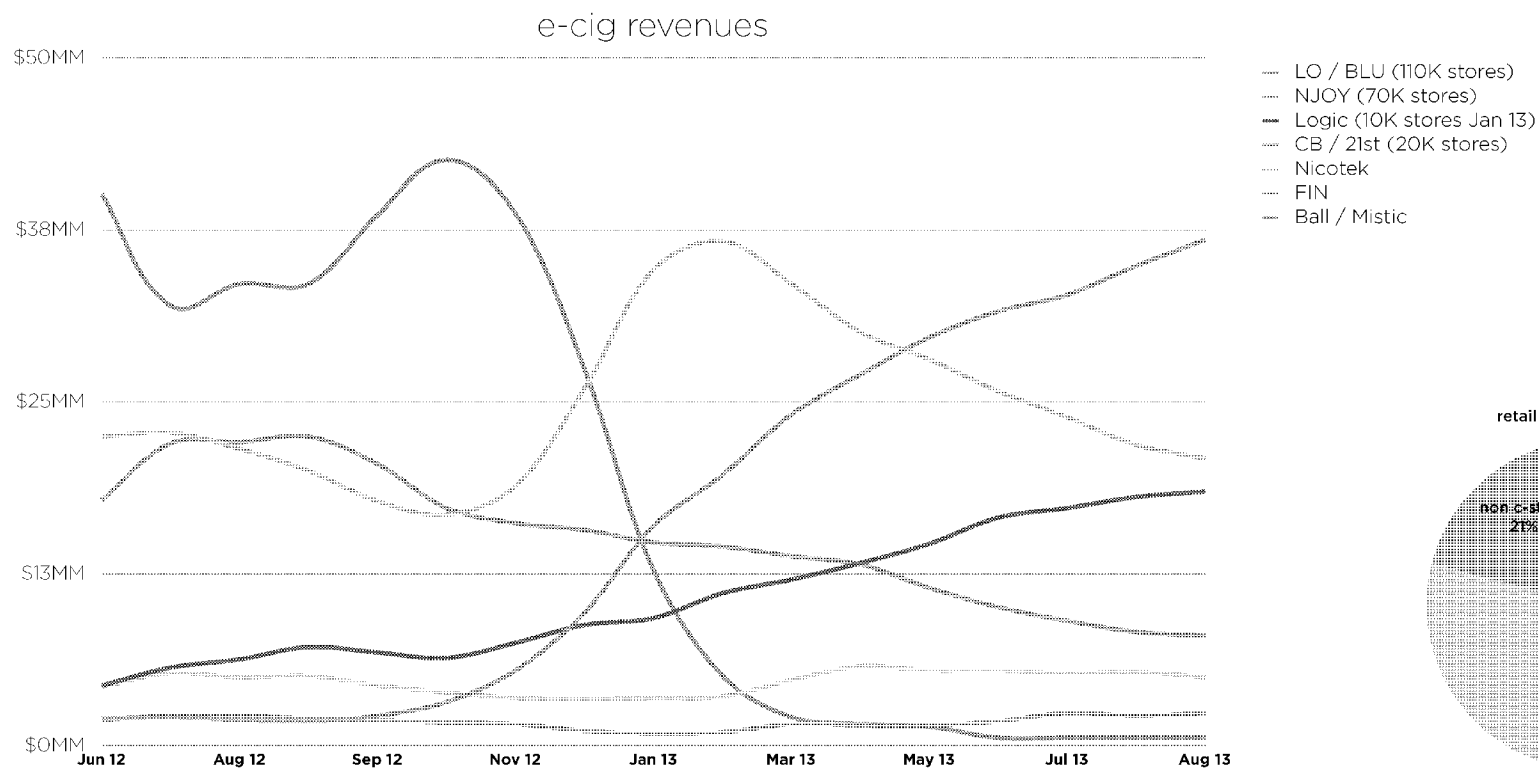


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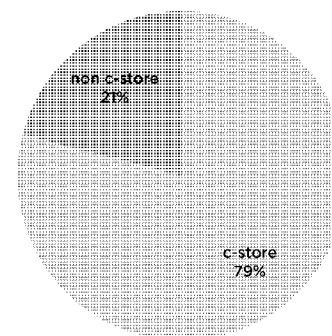
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e-cig US sales environment



retail e-cig revenue split



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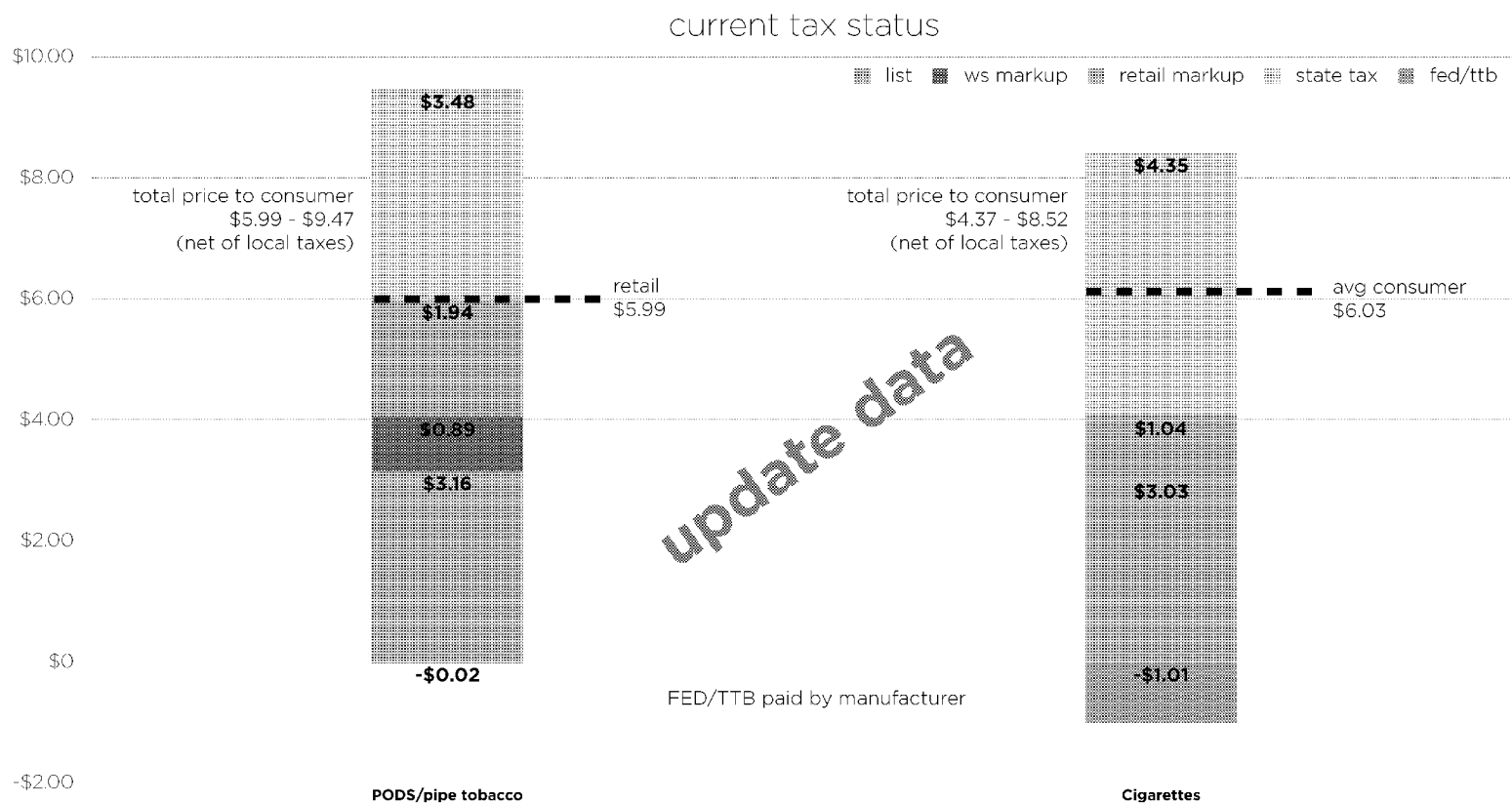
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future trends

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tax assumptions



status

e-cigarettes

Minnesota is only state currently charging tax.
Currently no federal tax.

potential trends

cigarettes

Federal tax = \$1.01/pk

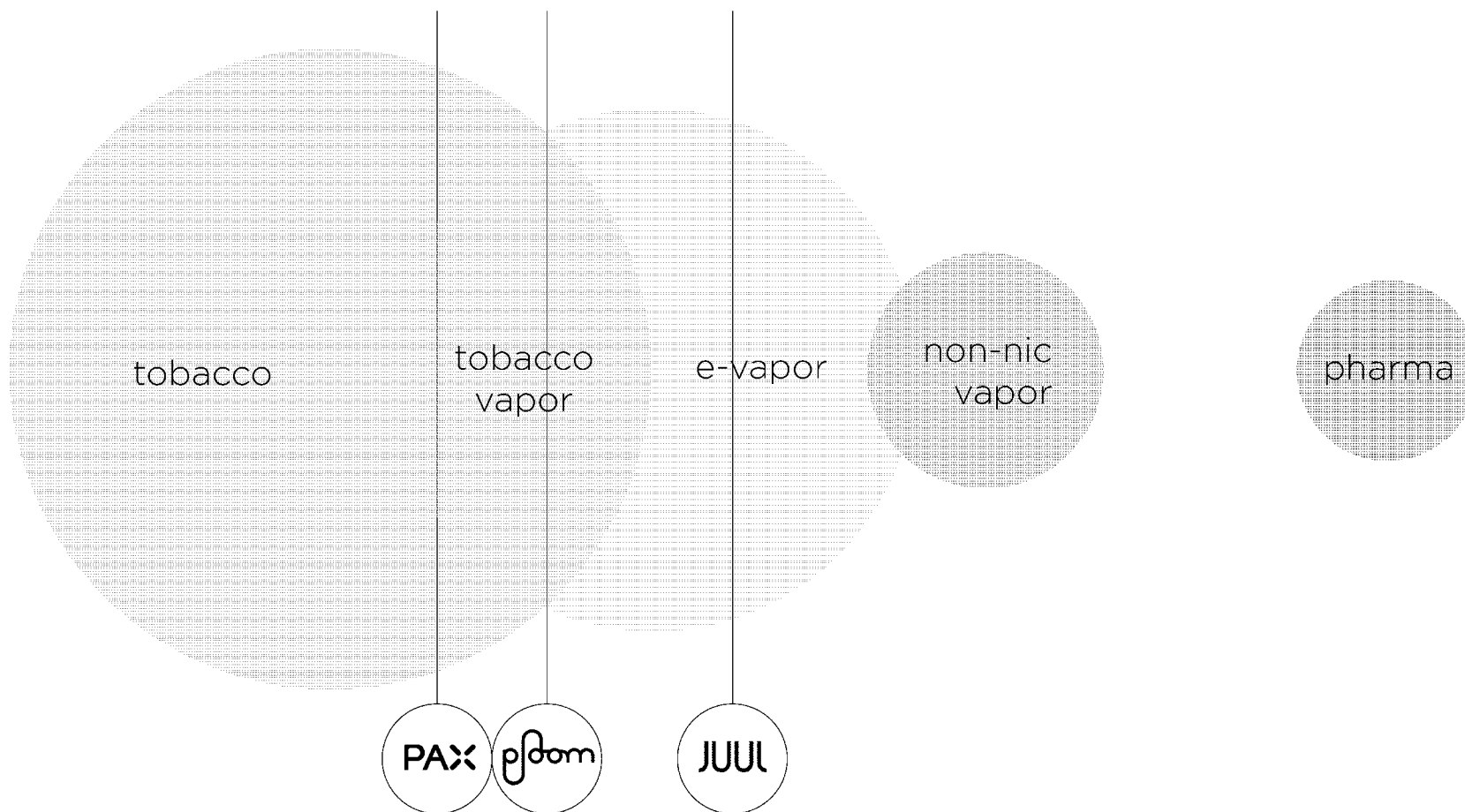
e-cigarettes

State and federal taxation of e-cigs is likely.

portfolio strategy

- ❖ Map the vaporization opportunity, have a dominant brand in each vaporization category
- ❖ Pods and Pax grow physical sales outlets, brand recognition and retail reputation
- ❖ Juul expands Ploom presence into convenience
- ❖ International growth can select brands as appropriate for each market
- ❖ Priority on Ploom and Pax brands

mapping the vaporization space



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11

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portfolio approach



portfolio role

portfolio objective

price*

system/format

role in consumers' lives

tobacco vapor: category entry. affordable "trade in"		tobacco vapor: category expert premium "trade up"	
category penetration and growth driver		premiumization growth and profit driver	
\$40		\$250	
pod refill system range of flavors		open system range of optimized blends	
tobacco enjoyment as part of regular usage occasions		premium vape tobacco enjoyment for chosen moments	
		unique device design e-liquid capsules range of flavors	

*TBC based on market/competitor pricing

strategic overview

mission 2014-2017

Become the global leader in tobacco vaporization and achieve
XXXX% domestic share of e-cig value by end of plan period.

Build portfolio presence across total vaporization landscape (tobacco vapor & e-vapor)	Build optimal route to consumer	Brand & development pipeline
PAX Expanded distribution	Manage and grow distributor network to implement portfolio strategy	Maintain market leadership position by introducing new beautiful devices and expanding consumables
M2 Grow the category	Build direct sales force capability	Continue to improve and evangelize the most honest tobacco experience available to consumers
JUUL Create luxury e-cig category	Maximize ability to target and influence at point of purchase	Introduce the only e-cig that works and the only brand at the high end of the category

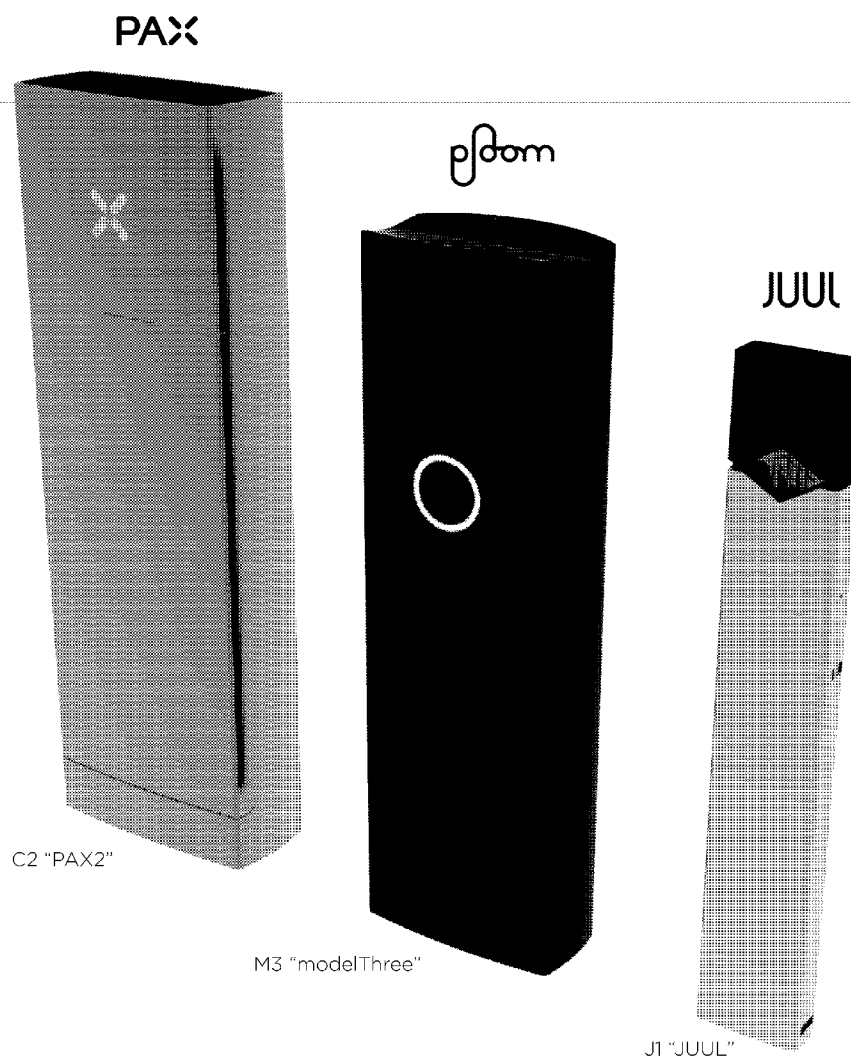
strategic enablers

improved manufacturing/sourcing Explore appropriate supply options	organizational capabilities Identify and develop key org capabilities
government/legislative environment Understand and adapt to changing regulation	product and r&d excellence Maintain leadership position through focus, reinvestment

brand plans

- ❖ Maintain Pax market leadership position by introducing a huge upgrade: PAX2
- ❖ Make Pods a more enjoyable consumer experience through M3
- ❖ Introduce a disruptive product into the rocketing e-cig space: JUUL

product family



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15

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key brand portfolio strategies in 2014AP

priority	opportunity/issue	key strategy	% of 2014 sales&mtg investment
1 PODS	Initial trade excitement Sell-in above plan (e.g. x4) Flagship trade listing achieved Supply Constraints	Build geographic focus plan (3 regions) Test market in key accounts Expand into Spec. Tobacco and CTS Invest heavily in consumer and trade marketing Launch M3	63%
2 PAX	Impressive growth Monthly sales ~\$2.75MM Distribution in ~82% of initial targeted stores High consumer acceptance Counterfeit Consumable (additional rev opp)	Expand distribution Drive word of mouth Launch Pax2	23%
3 JUUL	Rapid growth of e-cig market \$3B by 2017 Current products sub-optimal Unique, patented product Product differentiation Heavy competition expected	Prime sales channels Build Ploom reputation with wholesalers/distributors Refine Juul product Plan volume manufacturing for launch	14%

brand plan: PODS

Pods are the ethos of the company's portfolio. Easy for consumers to use with the best possible authentic tobacco experience, Ploom Pods are the true tobacco product for the 21st century.

Differentiated and patent protected, Ploom Pods are unique products with no direct competition offering a unique sales/marketing conversation.

Pods provide Ploom with legitimacy as a true tobacco company and appreciation from the most savvy consumer base.

Pods are Ploom's core offering in the tobacco space, providing optionality for distribution growth and consumer outreach to a younger, opinion leading audience.

Launched August 2013 in the US, strong demand among the best tobacco retail outlets proves the importance of the unique offering.

Consumer education is the biggest hurdle to widespread Pod adoption.

brand plan: PODS

brand objective

Do this

finish

issues + opportunities

strategy + action

Reception from trade partners

Retail communication

- Leverage excellent retail communication components from JTI.

Product supply

Product performance

- Increase battery life significantly by launching M3 EOY 2014

brand plan: PODS

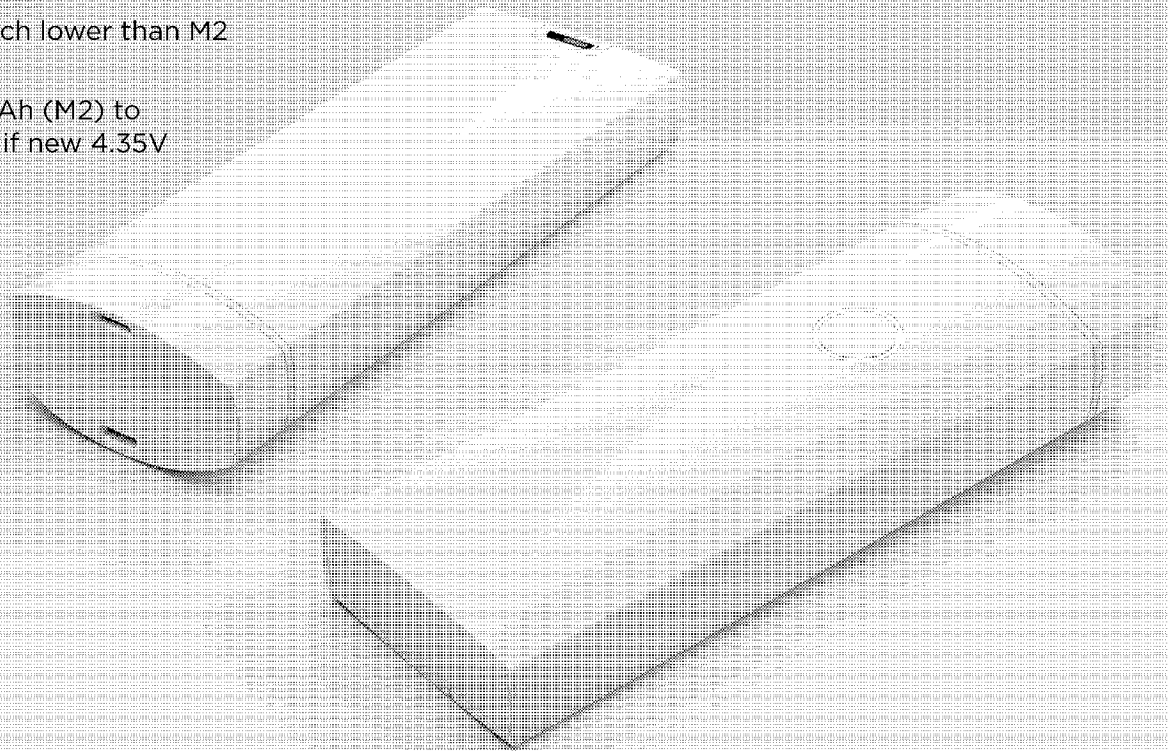
2014 (Q4) brand activation overview

budget

Sampling events (also publicity tool, creates online assets)	\$425000	25%
Print advertising (includes value-add coverage for online, event, etc)	\$255000	15%
Entertainment/celebrity programming	\$136000	8%
POS/collateral	\$136000	3%
Video/photography assets (online, social media, consumer ed.)	\$136000	8%
Design (printed and online assets)	\$136000	8%
PR	\$119000	7%
Online advertising	\$119000	7%
Product sampling	\$102000	6%
Ploom.com (programming, hosting, updates - our hub of consumer knowledge)	\$85000	5%
MISC	\$51000	3%
TOTAL	\$1700000	100%

ploom modelThree M3

- ❖ Magnetic mouthpiece, one-handed operation
- ❖ Simple construction based on M2 technology and materials
- ❖ Heat spreader keeps surface temperature much lower than M2
- ❖ Custom battery increases energy from 700mAh (M2) to approximately 1350 mAh, 1600 mAh or more if new 4.35V technology is used
- ❖ 10-15 pods per charge
- ❖ 25-100% faster heatup
- ❖ Target October 2014 launch



Please see appendix for detailed overview of development milestones, phasing & defined responsibilities

brand plan: PAX

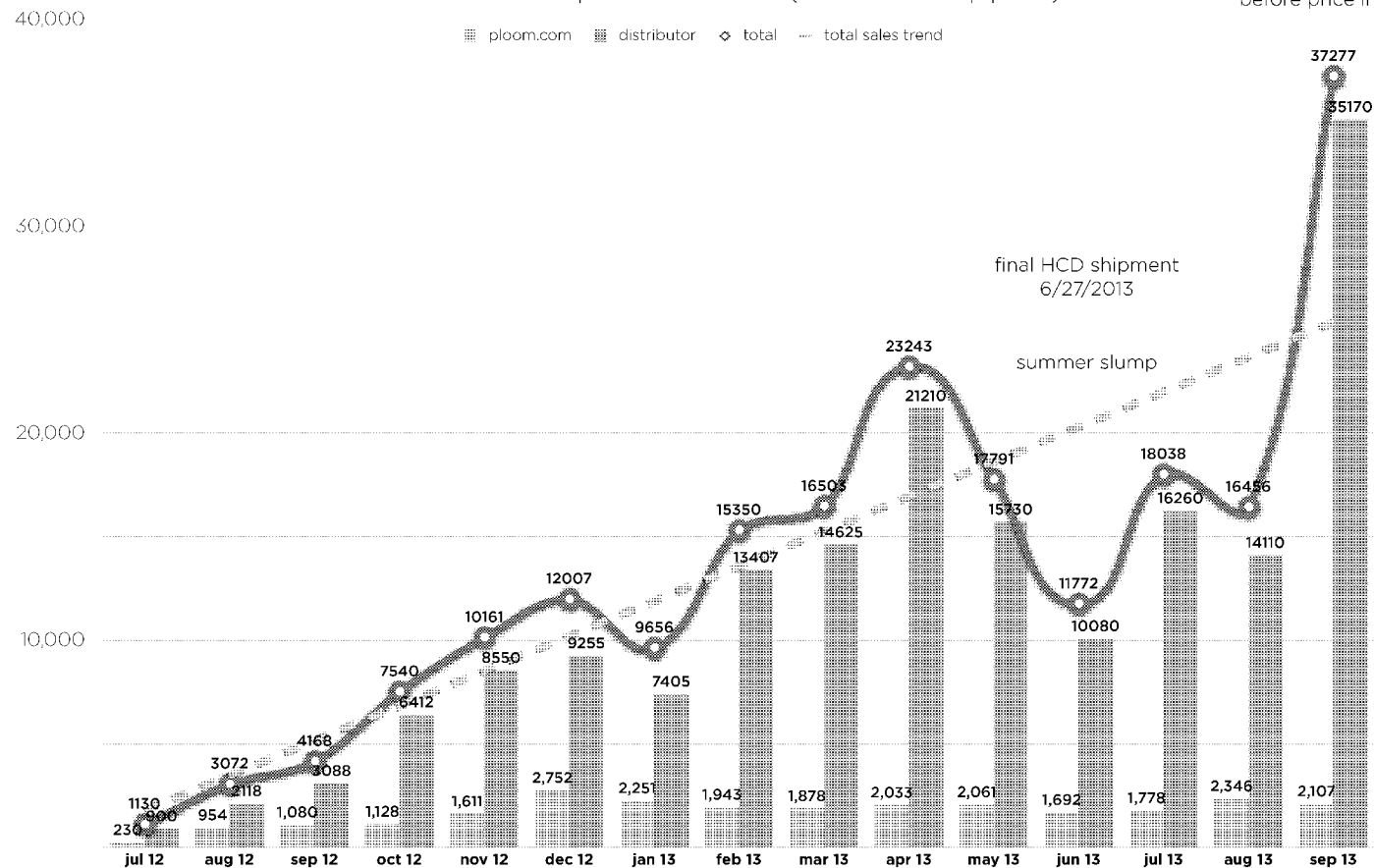
status

PAX is defining the personal vaporizer category and driving constant growth in all channels. Sustainable unit volume is expected to exceed 500K devices/year.

The success of PAX provides stability for Ploom with future product upgrades offering more distinction and appeal.

PAX sales performance (devices shipped)

WHG pipeline load before price increase



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21

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brand plan: PAX

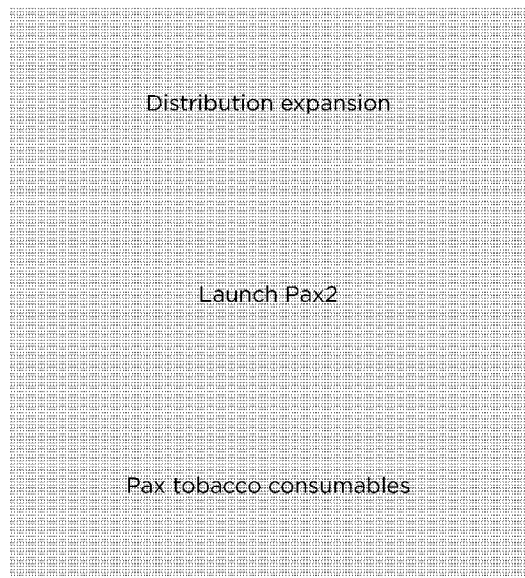
brand objective

Widen coverage into specialty tobacconists achieving XXX points of distribution whilst supporting high margin online sales to reach sales target of XXX/mo by end of 2014.

finish

issues + opportunities

strategy + action



- Having saturated the most easily addressed trade channel, expansion is focused on specialty tobacco retail in order to double our current distribution
- XXX Add point on renegotiated distributor agreements for greater margin
- Launch Pax2 by Dec. 2014.
- Provide existing consumers the opportunity to upgrade whilst enhancing product benefits to new customers.
- Marketing mix will be developed in order to communicate new model
- XXX Target important Christmas seasonal opportunity.
- In partnership with JTI evaluate enhancing our tobacco consumable offering to increase margin opportunity
- Evaluate initial sales performance of Vape Leaf tobacco by JTI
- Use Blend X to test market in certain retail outlets and increase marketing/in-store visibility support.

brand plan: PAX

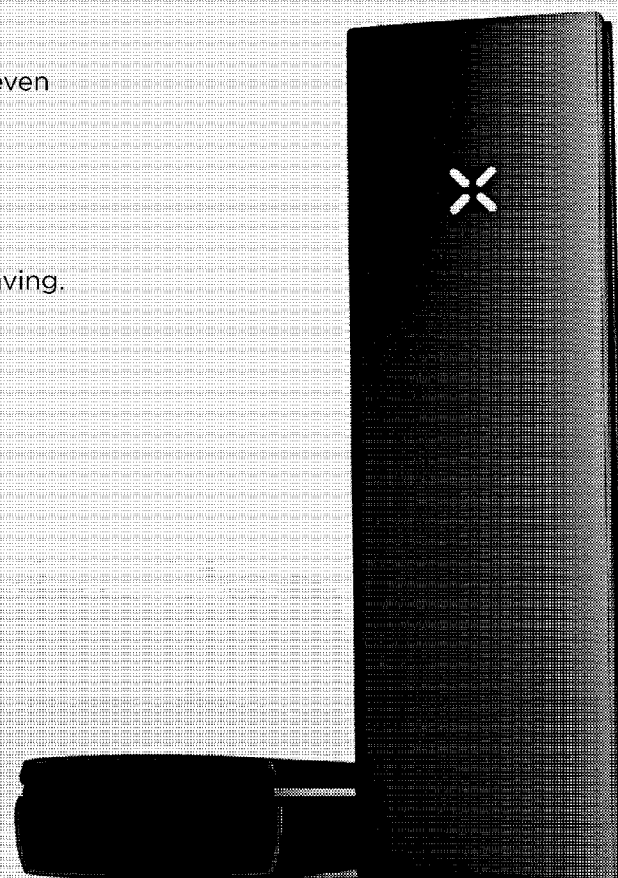
2014 (Q4) brand activation overview

budget

Entertainment/celebrity programming, events	\$300000	15%
Video/photography assets (online, social media, consumer ed.)	\$300000	15%
Product sampling	\$240000	12%
Print advertising (includes value-add coverage for online, event, etc)	\$220000	11%
Design (printed and online assets)	\$200000	10%
Ploom.com (programming, hosting, updates - our hub of consumer knowledge)	\$200000	10%
POS/collateral	\$160000	8%
PR	\$160000	8%
Online advertising	\$160000	8%
MISC	\$60000	3%
TOTAL	\$2000000	100%

PAX two c2

- ❖ Flat, thin oven increases surface area, allowing lower temperature operation and even heating. References rolling-paper use.
- ❖ Same size as PAX1 but thinner.
- ❖ Extremely easy to clean.
- ❖ Fixed mouthpiece for simplicity and reliability.
- ❖ Capacitive mouth-presence detection allows for much more aggressive energy-saving.
- ❖ Target Q4 2014 launch.



Please see appendix for detailed overview of development milestones, phasing & defined responsibilities

brand plan: JUUL

Juul applies Ploom's core ability of developing highly differentiated products and brands to the most rapidly growing segment of the tobacco industry: the e-cig.

Juul will become the most mainstream product in the company's portfolio, penetrating the most highly visited outlets in the U.S. - convenience and gas.

Juul will capture a large share of the growing e-cig market by growing it at the high end. Juul will be differentiated from other offerings as the luxury, high-end brand and the only e-cig that satisfies the needs of consumers: branding, design and experience.

Juul completes the company portfolio across the Vaporization category.

brand plan: JUUL

brand objective

maximize e-cigarette category acceptance & ploom inc growing distribution infrastructure by launching J1 in Feb 2015.

Target XXXXX outlets already selling Pods then expand to XXXXX new convenience outlets by the end of 2017.

finish

issues + opportunities

Speed to market

Device & consumable supply

Positioning & RTM

Consumer trial

strategy + action

- Build upon existing knowledge and infrastructure to define the ideal product mix for rapid introduction
- Launch J1 in partnership with JTI maximizing Ploom inc design expertise and JTIs manufacturing and implementation strengths
- Immediately define organizational project team and define roles
- Propose JTI to take lead on device / consumable manufacture and supply chain assurance
- Utilize existing knowledge and relationship with Defond as preferred supplier under Ploom Inc facilitation
- Immediately begin JTI engineering analysis of consumable manufacture
- Investigate methods of hand-producing consumables to ensure timely launch.
- Investigate dual-sourcing of key components
- Build brand positioning to reinforce taste & experience USP
- Define patent status????????????????
- Obtain market knowledge of ideal e-cig brand positioning
- Develop effective consumable model for e-cigs
- Analyze pricing structure to define optimum market entry price to facilitate listings and consumer trial
- Optimum initial sell unit (starter kit)

brand plan: JUUL

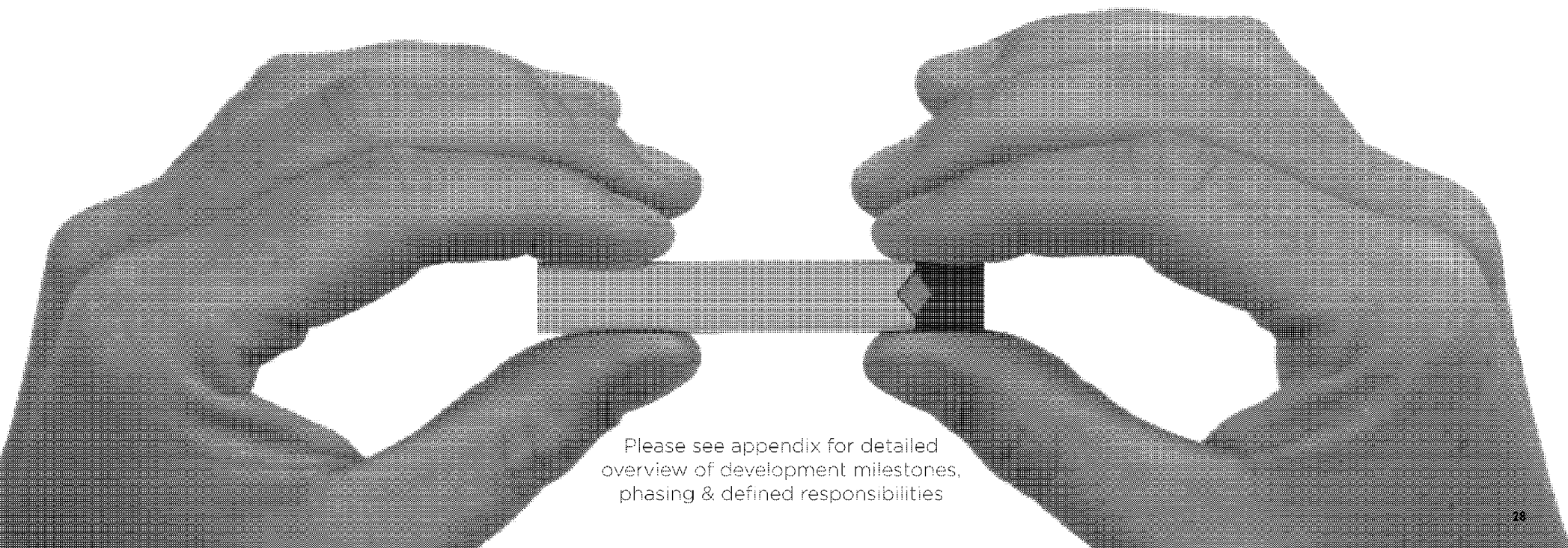
2014 (Q4) brand activation overview

budget

Video/photography assets (brand identity, online, social media, consumer ed.)	\$450000	30%
Design (brand identity printed, online and event assets)	\$450000	30%
PR/publicity	\$150000	10%
Ploom.com (programming, hosting, updates - our hub of consumer knowledge)	\$150000	10%
POS/collateral	\$150000	10%
Product sampling	\$75000	5%
MISC	\$75000	5%
TOTAL	\$1500000	100%

JUUL J1

- ❖ Differentiated, patented e-cig
- ❖ The only e-cig that works
- ❖ Simple magnetic USB recharging
- ❖ Lasts all day on one charge
- ❖ More liquid per cartridge than competition
- ❖ Unique, patented form factor



Please see appendix for detailed
overview of development milestones,
phasing & defined responsibilities

sales & distribution

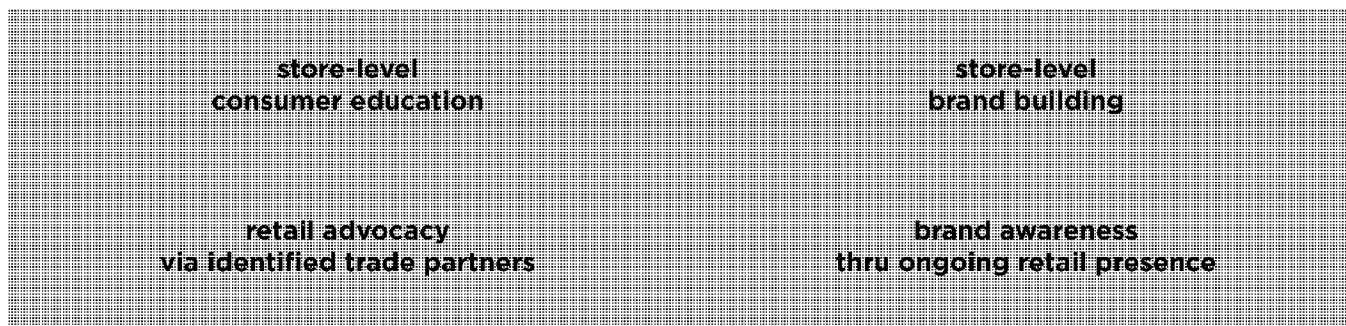
- ❖ Expand Pax into new channels
- ❖ Grow sales team/outlets with M2
- ❖ Build credibility with trade for rapid launch with Juul in 2015

sales strategic role

Leverage trade marketing to allow plom to most effectively compete without going dollar-for-dollar versus larger competitors.

strategic enablers

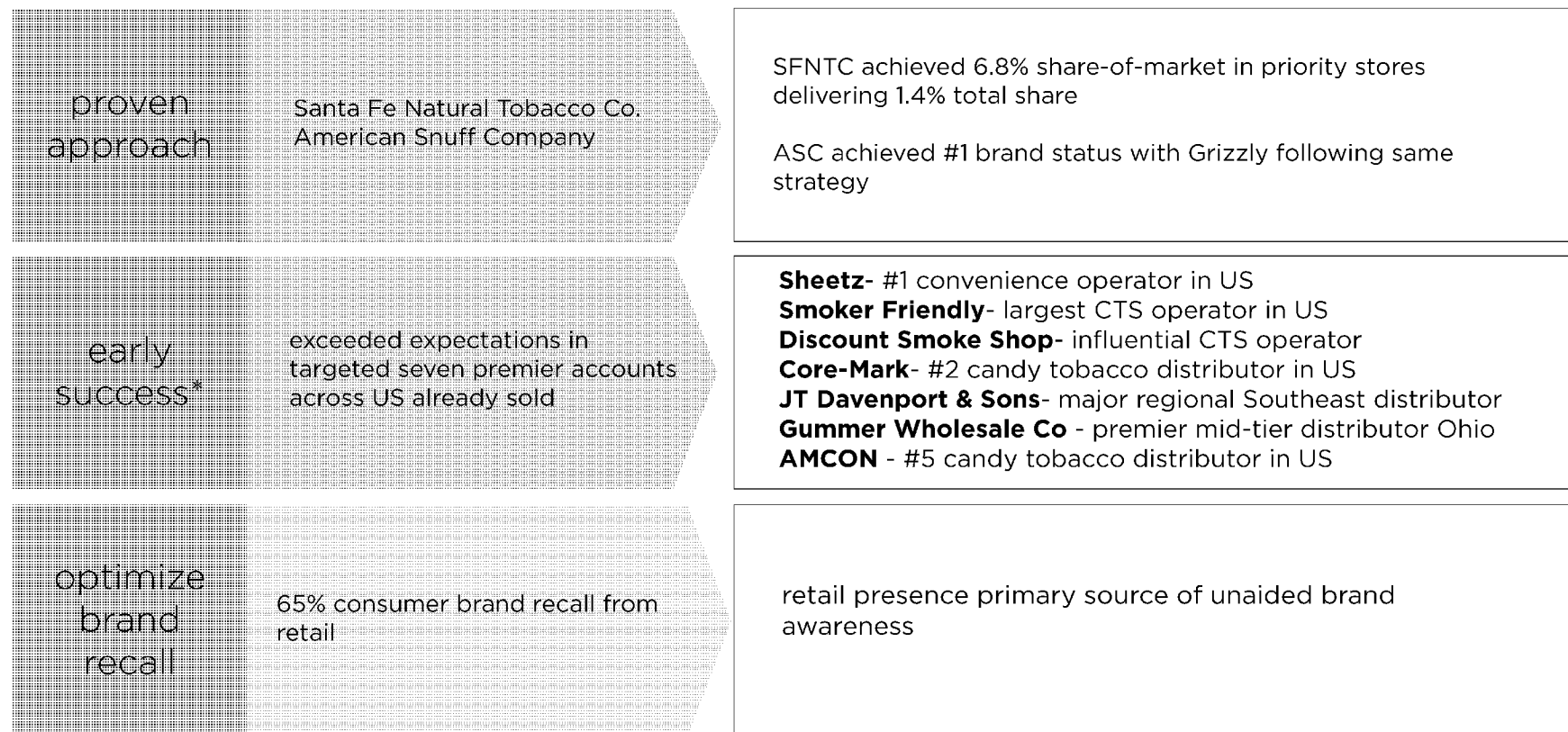
develop a highly skilled field organization that delivers the following



brand	TV/print \$
Blu	\$30MM (\$12.4MM Q1 2013)
Njoy	\$14MM (six-months)
Fin	\$8MM

allow competition to build category awareness
2013 US e-cig major media spend est. \$60MM
mix: 82% print / internet, 18% TV

sales: support for strategic direction



*launch support will dissipate in 60-90 days; retailers & distributors are not manufacturer brand-builders

sales: routes-to-market considered

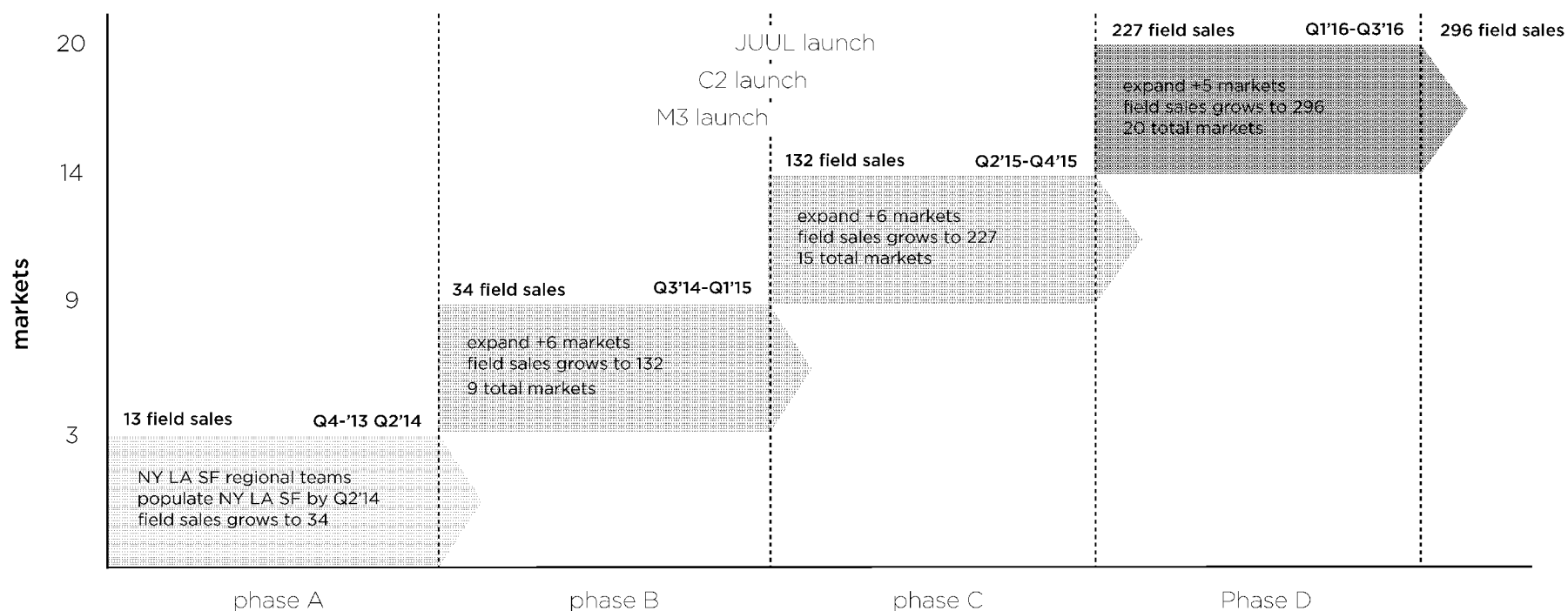


Direction: market optimization requires combination of:

1. Unaided distributor & retail
2. Ploom direct field sales in priority markets

see appendix for detailed pros & cons

sales: field sales build out



sales: strategic phases

Simultaneously develop sales force capabilities and increase Ploom's distribution footprint with the M2 rollout. Develop credibility with the trade in advance of the 2015 JUUL launch.

phase	PAX	PODS	JUUL
A 2013 - Q1 2014	expand distribution into specialty tobacco channel margin improvement	test & learn execute initial tests develop three geographic markets	NA
B Q2 2014 - Q4 2014	grow distribution to 7,000 outlets	evaluate and expand choose expansion strategies build supporting sales force capability	maximize ability to target pre-sell key accounts develop strategic account relations
C 2015	launch Pax 2	develop trade credibility critical mass distribution base	distribution into existing account base
D 2016	maintain	approach distribution goal	distribution build continues convenience channel focus

field team priority markets



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35

Wednesday, October 9, 13

sales: NY LA SF test market KPI's

Sales-supported accounts average 2X volume versus unaided accounts on a like-store basis

Achieving call count objective of eight per day

Gaining at least 50% participation in presence and advocacy initiatives

On track to reach an average 200 quality accounts per rep

Ongoing monitoring of KPI's

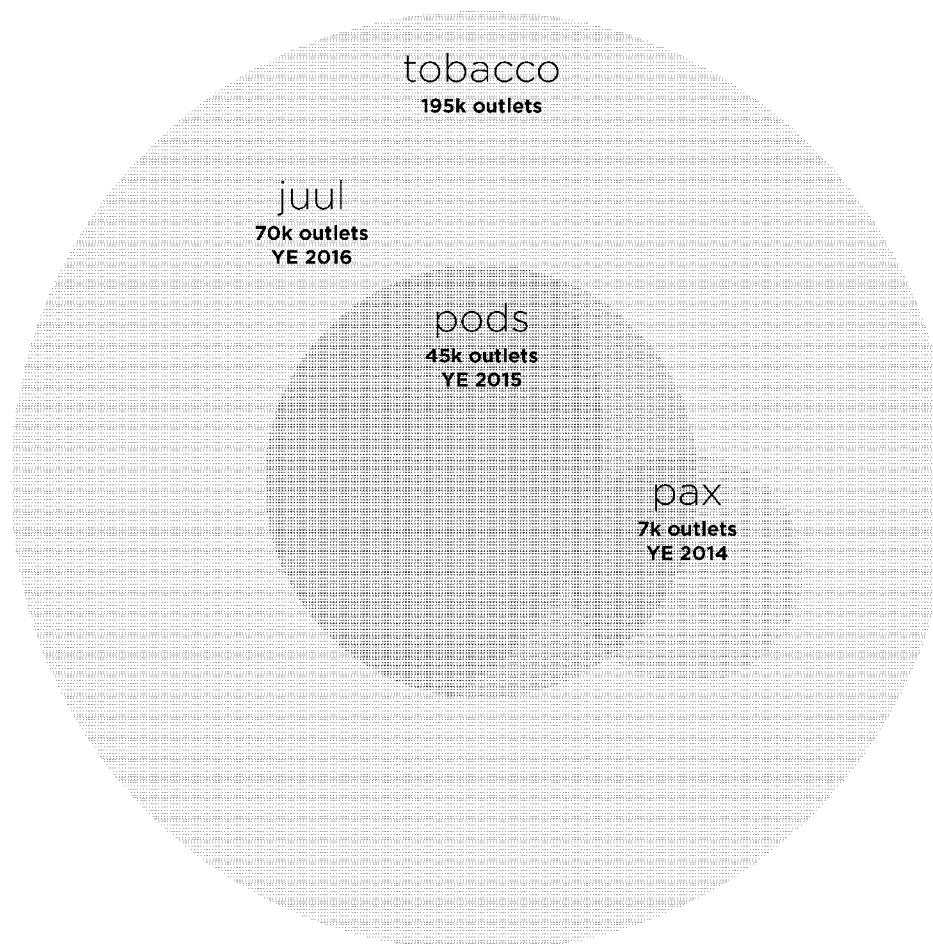
Minimum of three months of learning required prior to expansion decision

sales: phases

	Today	EOY 2013	EOY 2014	EOY 2015	EOY 2016	EOY 2017
Pax Stores	3900	3,900	7,000	7,000	7,000	7,000
M2 Stores	200	500	12,000	40,000	45,000	45,000
Juul Stores	0	0	0	44,000	70,000	70,000
Total Stores	4,100	4,400	15,000	44,000	70,000	70,000
# field teams	3	3	6	11	16	20
# reps / DM	1	12	54	206	275	275
key acct. mgr	0	0	6	16	16	16
director	1	1	3	5	5	5
total field sales	2	13	63	227	296	296

distribution expansion

channel	store universe	pax relevance	pod relevance	juul relevance
lifestyle	4,000	● ● ●		
spcc. tobacco	6,000	●	● ●	●
CTS	14,000		● ● ●	● ●
conv / drug / groc	171,000		●	● ● ●



sales: PODS

2013 Estimate - Launched 26 August, 2013
Warehouse Goods- head shop channel dominant
Phillips and King Intl. - independent specialty tobacco focus

Model Two Device	2013 est.
Total Units	31,447
Distributor Shipments	27,247
Online Sales	4,200
Tobacco Pod Packs	2013 est.
Total Units	236,024
Distributor Shipments	226,824
Online Sales	9,200

expansion

channel	store universe	2013	2014	2015	2016
lifestyle	4,400	200	2,000	3,000	3,000
spec. tobacco	6,000	200	1,000	3,000	5,000
CTS	14,000	200	2,000	7,000	9,000
conv / drug / groc	171,000	400	8,000	19,000	28,000
total	195,000	1,000	20,000	32,000	45,000

see appendix for details

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Objective over the next 3 years is to gain 45,000 retail outlet placements

phase A 2013 - Q1 2014

The initial team of 12 will test 3 market penetration concepts: lead market (NY, LA, SF), direct retail and tobacco wholesale.
Incorporate trade support programs
Execute retail and wholesale beta tests
Sales focus on retail advocacy

phase B Q2 2014 - Q4 2014

Distribution expansion & sales team actualization
Sales team incorporates learning from test phase
Continue to prioritize in-store advocacy
Sales team grows in 2014 to 63 sales team members covering 12,000 outlets
Outlets are a mixture of CTS / spec. tobacco / convenience
Ploom trade reps drive new distribution and pull thru at retail
Regional distributors service the majority of accounts excluding retail direct
Ship-to accounts (e.g. Sheetz)
Ploom key account managers directly manage chain call points

phase C 2015

Market Coverage Achieved
The sales team buildout continues growing
End of 2015, sales team of 227 grows account base of 40,000 outlets
53/47 convenience/all other channel split (e-cig 79/21)
Convenience channel less conducive environment for retail advocacy

M2 & Pods	2014	2015	2016
Retail devices	183M	1.19MM	2.12MM
Online devices	25M	74M	232M
Retail pod packs	624M	4.3MM	7.6MM
Online pod packs	110M	476M	850M
Total Sales Rev	\$9.3MM	\$56.1MM	\$104.3MM

sales: PAX

current performance

pax	2013 est.
Total Units	258,000
Distributor Shipments	206,000
Online Sales	52,000

expansion

channel	store universe	2013	2014	2015
lifestyle	4,000	3,275	4,000	4,000
spec. tobacco	6,000	225	1,000	1,000
CTS	11,000	100	2,000	2,000
conv / drug / groc	171,000	-	-	-
total	195,000	3,900	7,000	7,000

see appendix for details

Objective over the next 3 years is to increase Pax distribution by +3,100 accounts to 7,000 ongoing total retail outlets delivering ongoing annual sales revenue of \$40.0M+

phase A 2013 - Q1 2014

Grow and Manage Distributor Base, Margin Improvement
Indoctrinate new distributor Phillips & King INTL
Implement Pax price increase November 1
Develop in-store support materials

phase B Q2 2014 - Q4 2014

Distribution Expansion- 6,000 Specialty Tobacco Outlets
Pax currently less than 6% distribution
Loose leaf tobacco and cigar consumption growing +8% YOY
Consumption trends support Pax expansion into specialty tobacco
20% distribution goal- phase 2
Outlet penetration- P&K (2,000)

phase C 2015

Continued Expansion- Pax 2 Launch
30% distribution goal- phase 3
Outlet penetration- P&K (2,000), CTS chains (300), regional distributor in-market sales (800)
Pax 2 launch increases same store velocity, head shop 2X a/o
4,000 head shops @ ~ 60 Pax each = 240,000 Pax
3,000 CTS / specialty tobacco @ ~ 30 Pax each = 90,000 Pax
Ploom.com @ ~ 3250/ month = 40,000 Pax

sales overview: juul

Follows a similar strategy employed by the Santa Fe National Tobacco Company which targeted 70,000 accounts to develop high indexing relative share

expansion

channel	store universe	2015	2016	2017
lifestyle	4,400	1,000	3,000	3,000
spec. tobacco	6,000	2,000	4,000	4,000
CTS	14,000	8,000	10,000	10,000
conv / drug / groc	171,000	33,000	53,000	53,000
total	195,000	44,000	70,000	70,000

see appendix for details

Objective over the next 3 years is to gain 70,000 retail outlet placements delivering \$201.4MM sales revenue

phase C launch April 2015

Sales team of 227 reaching 44,000 M2 accounts

Fold juul into existing M2 distribution base

Leverage existing trade relations and retail presence

Account base a mixture of convenience, CTS, and specialty tobacco stores

Largest opportunity gap = convenience channel

Approx. 27,000 C-stores at launch

Convenience accounts for 79% of e-cigarette volume

Approximately 150,000 total US C-stores

Top 5 chains = 35,000 stores

Top 100 chains = 58,000 stores

Phase D 2016 expanded Juul to 70,000 outlets

Account base increases to 70,000 outlets

Sales team grows to 296

Distribution in 53,000 convenience / drug stores

YOY growth from CAGR and new distribution

New distribution +26,000 accounts

Phase E 2017 competitive reaction

Expected competitive response from RJR, MO, LO

Reinvest initial trade funds as maintenance costs increase

YOY growth from CAGR and rise in 4-packs / device to 5.4 per month

sales: pax

Current performance

pax	2013 est.
Total Units	258,000
Distributor Shipments	206,000
Online Sales	52,000

distribution

Pax distribution- 3,900 retail outlets
55% share of portable vaporizer sales (est.)
Average annual velocity - 55 Pax / outlet
84% in lifestyle stores: ~4,000 total stores, independently owned,
focus on smoking durables, avg. annual sales \$960,000
Pax at 82% channel saturation in these outlets

distributors

Warehouse Goods- head shop channel dominant
Phillips and King Intl. - independent specialty tobacco focus

current issues

Adoption by traditional tobacco retailers
Consumer awareness outside of head shop channel
No matching consumable to facilitate sell-in
High price point in more traditional retail outlets

sales: m2 + pods guiding principles

advocacy

Unique selling proposition (USP) requires explanation
Retail education and advocacy is key to success
Initial retail targets must allow consumer / product interaction
Programming to support in-store advocacy
New account awareness allowance for POS placement
Pod margin reinvestment in trade support programs first six months

comps

Loose tobacco (pipe and RYO) consumption increasing +8% YOY
Cigar consumption +8% YOY

rate-of-sale benchmark

4 devices, 4 pod packs / store / month = \$50/week / store
Blu = \$100 / week / store (2013)

issues

In-store incubation requirements
Lack of consumer awareness
Proper retail messaging
Not intuitive versus e-cigarette standard

split some into brand section, some into financials

sales: juul guiding principles

channel	target store count	pax relevance	M2 / pod relevance	juul relevance	juul launch Q2 2015	EOY 2016	EOY 2017
lifestyle	4,400	● ● ●			1,000	3,000	3,000
spec. tobacco	6,000	●	● ●	●	2,000	4,000	4,000
CTS	14,000		● ● ●	● ●	8,000	10,000	10,000
conv / drug / groc	171,000		●	● ● ●	33,000	53,000	53,000
ploom sales outlet capability					44,000	70,000	70,000

e-cig 2013 comp

unit sales (index 100) = 14.1 units / week / store

average retail sales (index 100): c-store sales = \$71/ store / week, All other channel = \$39/ store / week

Blu average retail sales = \$100 / week / store

2.81 brands per store

2016-2017

assumes increase usage per existing consumer

4-packs / device increases to 5.4 at year end 2017

comp rationale

Low beginning awareness and adoption

New brand entry versus four-year established brands

Vuse and Mark Ten market entry

issues

Organizational focus

Regulatory issues

Cost to compete in marketplace

Adoption rate changes

split some into brand section, some into financials

staffing

- ❖ Currently 32 employees, growing to 356 within 5 years
- ❖ 85% of personnel needs are within the direct sales team
- ❖ Key issue is recruiting, training and retaining the right talent
 - ❖ high conversion rate
 - ❖ financial accumen
 - ❖ technical and creative problem solving
- ❖ Staff expense (salary + benefits) grow from \$1M/mo to \$11M/mo over the plan

staffing

	Now	phase A	phase B	phase C	phase D
Exec	3	4	4	4	4
Engineering	6	6	6	7	7
R&D	3	6	6	7	7
Marketing	4	6	10	10	10
Finance	3	5	5	6	6
GSC	2	5	6	7	7
Cust. Svc	7	8	8	9	9
Sales	4	16	75	241	306
Mgmt	2	2	5	5	5
Intl Sales	1	1	7	9	9
F&D	1	13	63	227	291
Total	32	56	120	291	356

phase A Current. Implement test markets

Staffing priorities are product development and business operations
 Middle and entry level hires in marketing, GSC, finance and customer service provide infrastructure support for ramping business growth
 Compensation model used to benchmark salary and benefit levels
 Equity incentive extended to all FT HQ employees
 Incentive cash bonus extended to key performers & sales
 Benefits include medical, dental, 401(k) match and FSA
 Continue to utilize contractors across the organization to provide functional expertise with flexibility
 benefit expense planned at 50% of salary, 70% for sales due to cash bonus incentives

phase B M2 and Pods implementation

Hiring is focused on marketing and internal sales to support channel, customer and consumer growth
 Marketing Managers (2), Webmaster, Graphic Designer
 Account Service (4), Trade Collateral (POS) and Team Dev.
 Training continues on-the-job for all positions with effectiveness building quickly over the initial months
 CRM implemented to augment plloom.com direct consumer outreach
 Contract manufacturing supports simultaneous inventory build for launch of PAX2, m3 and JUUL

phase C M2/Pods expansion and JUUL Launch

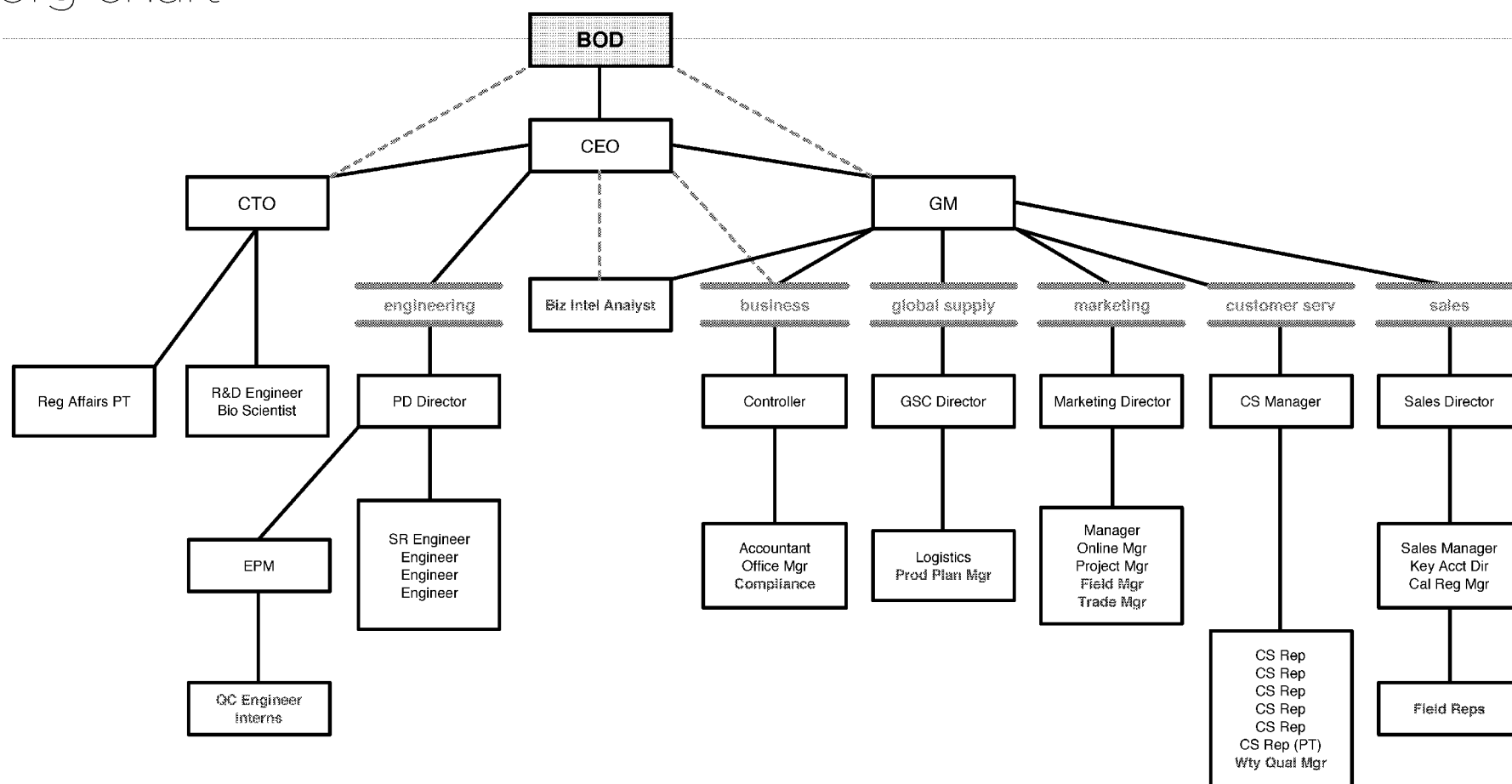
Business infrastructure is in place for all products/functions
 Incremental HC across functions supports additional work load created by JUUL launch

phase D JUUL expansion and market defense

Sales benefit includes \$2.1M in sales car expense

	phase A	phase B	phase C	phase D
Salary HQ	\$2,170,197	\$3,572,697	\$3,714,780	\$3,863,371
Salary Sales	\$216,250	\$3,418,917	\$11,636,000	\$17,829,333
Benefit HQ	\$1,185,098	\$1,786,348	\$1,857,390	\$1,931,685
Benefit Sales	\$151,375	\$2,393,242	\$8,145,200	\$12,480,533
Office/Rent	\$181,620	\$423,408	\$464,814	\$523,172
Legal, Tax, Ins	\$836,140	\$1,143,452	\$1,239,550	\$1,394,992
R&D	\$88,000	\$306,000	\$396,000	\$411,840
T&E HQ	\$101,960	\$134,500	\$169,125	\$207,406
T&E Sales	\$64,875	\$1,025,675	\$3,490,800	\$5,348,800

org chart



financial summary

- ❖ PAX sales, dominant in 2013, continue to grow with strong margins throughout the model
- ❖ 2014 results depict the impact of increased market penetration relative to M2, Cap Ex investments in JUUL and growth of Ploom's direct sales team
- ❖ M2 and JUUL revenues and related expenditures ramp considerably in years 2015 and 2016
- ❖ Following market penetration for all three product lines, sales continue to grow within existing channels

business plan: m2

assumptions

For the purposes of this business plan, only sales attributable to the direct sales force are modeled

m2 market penetration, defined as 45,000 outlets, is reached by Q1 2016; incorporates 41,000 new outlets in addition to 4,000 existing outlets

Sales are directly correlated with the number of outlets reached. Our approach assumes 4 devices/storefront/month in connection with our direct sales team efforts. In existing channels unaided by a sales team, 2 devices/storefront/month are assumed

Following full market penetration, device sales/storefront grow from 4 to 5 devices/storefront/month by EOY 2017. Same store sales growth is not assumed in the existing, unaided channel

Assumed sales of Pod Packs are 4 pod packs/device/month, averaging heavy users, occasional users and non-adopters across the life of the product

Channel mix for m2 assumes an 80/20 split between storefront and online sales in 2013, adjusting to 90/10 in years 2015-2017

m2 sales-related expenditures include an average merchandising expense of \$150/new storefront and \$350/storefront/year as well as a \$0.50/pack Pod allowance for the first 3 months

m2 consumer marketing spend is \$1.2MM in 2013, growing to \$4.6MM in 2017 and includes \$500M in the quarter preceding the m3 launch

results

2013 partial year sales for m2 and pods are estimated at \$1.4MM and reflect supply constraints (addressed previously)

U.S. M2 device sales grow to 2.7MM units by 2017; pods grow to 9.6MM units, totaling \$117.5MM in Gross Revenues, including m2-related accessories

Combined margins grow from 35% in 2013 to 51% in 2017

P&L: PODS

M2/M3 Financial Summary - U.S.

Volume - Units		2013	2014	2015	2016	2017
M2/M3 Device	Units Sold	31,447	206,803	1,264,784	2,352,926	2,651,776
	Year over Year		558%	512%	86%	13%
Pod Packs	Units Sold	28,037	733,120	4,763,840	8,484,935	9,642,822
	Year over Year		2515%	550%	78%	14%
\$/Unit		2013	2014	2015	2016	2017
M2/M3 Device	Rev - Distributor	\$28.00	\$28.00	\$28.00	\$28.00	\$28.00
	Channel Mix	80%	85%	90%	90%	90%
	Rev - Online	\$39.95	\$39.95	\$39.95	\$39.95	\$39.95
	Channel Mix	20%	15%	10%	10%	10%
	Rev - blended	\$30.39	\$29.79	\$29.20	\$29.20	\$29.20
Pod Packs	COGS	\$25.72	\$25.50	\$24.23	\$24.23	\$24.23
	GM	\$4.67	\$4.29	\$4.97	\$4.97	\$4.97
		15%	14%	17%	17%	17%
	Rev - Distributor	\$3.16	\$3.16	\$3.16	\$3.16	\$3.16
	Channel Mix	80%	85%	90%	90%	90%
Pod Packs	Rev - Online	\$5.95	\$5.95	\$5.95	\$5.95	\$5.95
	Channel Mix	20%	15%	10%	10%	10%
	Rev - blended	\$3.72	\$3.58	\$3.44	\$3.44	\$3.44
	COGS	\$2.40	\$1.90	\$1.70	\$1.70	\$1.70
	GM	\$1.32	\$1.68	\$1.74	\$1.74	\$1.74
		35%	47%	51%	51%	51%

To note: outside of marketing & sales expenses directly attributable to m2, all other Operating Expenses are captured as a % of m2 sales relative to total sales
WC, CapEx and FCF are provided on the consolidated statements

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Total \$	2013	2014	2015	2016	2017
Rev - M2/M3 Device	\$1,127,238	\$6,672,049	\$39,755,241	\$75,085,697	\$84,382,912
Rev - Pod Pack	\$238,192	\$2,623,470	\$16,382,846	\$29,179,691	\$33,161,666
	\$1,365,430	\$9,295,519	\$56,138,087	\$104,265,389	\$117,544,578
Sales Allowances	\$6,827	\$1,283,978	\$4,425,190	\$1,307,327	\$587,723
	\$1,358,603	\$8,011,542	\$51,712,896	\$102,958,062	\$116,956,855
COGS - M2/M3 Device	\$969,798	\$5,688,252	\$33,106,362	\$61,589,009	\$69,411,562
COGS - Pod Pack	\$161,383	\$1,392,928	\$8,098,528	\$14,424,389	\$16,392,798
	\$1,131,181	\$7,081,180	\$41,204,890	\$76,013,399	\$85,804,360
GM	\$227,422	\$930,362	\$10,508,007	\$26,944,663	\$31,152,495
	17%	10%	19%	26%	27%
OpEx					
Warranty Exp	\$14,249	\$84,672	\$371,871	\$545,048	\$608,830
Employee/Cons	\$144,284	\$2,108,025	\$9,150,860	\$12,878,464	\$13,862,515
Sales & Distribution	\$35,115	\$4,125,000	\$16,702,500	\$15,178,000	\$3,332,540
Marketing	\$1,170,089	\$2,839,179	\$4,680,357	\$4,680,357	\$4,680,357
Facilities & Comm	\$6,206	\$70,954	\$144,624	\$160,458	\$185,851
R&D	\$7,094	\$51,279	\$123,213	\$121,454	\$121,549
G&A	\$52,031	\$191,617	\$385,678	\$427,846	\$493,560
T&E	\$5,360	\$22,539	\$52,622	\$63,612	\$78,349
	\$1,434,428	\$9,493,265	\$31,611,725	\$34,055,238	\$23,363,552
EBITDA	-1,207,006	-8,562,903	-21,103,718	-7,110,575	7,788,943

business plan: PAX

assumptions

PAX, followed by PAX2, maintains market leadership within niche lifestyle and online channels, growing to a sustained 37,000 devices/month in 2017

PAX market penetration, defined as 7,000 outlets, is reached by EOY 2014 and incorporates 3,000 additional storefronts in addition to the established 4,000

Sales of PAX are directly correlated with the number of outlets reached. Our approach assumes 2.5 devices/storefront/month growing to 3.25 in 2017. Within the existing, effectively saturated lifestyle channel, sales are assumed as 5 devices/storefront/month growing to 5.75 by 2017.

Wholesale pricing increase to \$130 (previously \$110) in Q4 2013

Online sales of Pax are captured as month over month growth of 1-2%

Pax sales-related expenditures include an average merchandising expense of \$25/new storefront and \$50/storefront/year

Pax consumer marketing expenditures are estimated at \$1.0MM in 2013, growing 25% year over year with an additional spend of \$1MM in the quarter preceding the PAX2 launch

Warranty cost for the PAX 10 year warranty are assumed at 2% ongoing

results

2013 Pax sales (totaling 258M units) are estimated at \$32.9MM in Gross Revenues, including Pax accessories

U.S. and Canadian PAX sales grow to 441.5M units by 2017, totaling \$64MM in Gross Revenues, including PAX accessories

PAX gross margins improve from 57% to 70% as COGS fall by 19%

P&L: pax

PAX Financial Summary - North America

Volume - Units		2013	2014	2015	2016	2017
PAX	Units Sold	258,058	320,939	389,224	415,072	441,535
	Year over Year		24%	21%	7%	6%
\$/Unit		2013	2014	2015	2016	2017
PAX Rev - Distributor		\$110.00	\$130.00	\$130.00	\$130.00	\$130.00
	Channel Mix	90.00%	90.00%	90.00%	90.00%	90.00%
	Rev - Online	\$249.95	\$249.95	\$249.95	\$249.95	\$249.95
	Channel Mix	10.00%	10.00%	10.00%	10.00%	10.00%
	Rev - blended	\$124.00	\$142.00	\$142.00	\$142.00	\$142.00
	COGS	\$52.00	\$46.60	\$41.97	\$41.97	\$41.97
	GM	\$72.00	\$95.40	\$100.03	\$100.03	\$100.03
		58%	67%	70%	70%	70%

To note: outside of marketing & sales expenses directly attributable to Pax, all other Operating Expenses are captured as a % of Pax sales relative to total sales
WC, CapEx and FCF are provided on the consolidated statements

Total \$	2013	2014	2015	2016	2017
Rev	\$32,921,712	\$46,174,333	\$55,901,122	\$59,890,443	\$64,034,534
Sales Allowances	\$164,609	\$230,872	\$279,506	\$299,452	\$320,173
	\$32,757,104	\$45,943,462	\$55,621,616	\$59,590,991	\$63,714,362
COGS	\$13,923,821	\$15,105,658	\$16,512,083	\$17,608,625	\$18,731,240
GM	\$18,833,283	\$30,837,804	\$39,109,533	\$41,982,366	\$44,983,122
	57%	67%	70%	70%	70%
OpEx					
Warranty Exp	\$343,563	\$420,599	\$370,302	\$313,078	\$306,088
Employee/Cons	\$3,478,802	\$10,471,353	\$9,112,234	\$7,397,439	\$6,969,352
Sales & Distrib	\$846,660	\$225,000	\$150,000	\$150,000	\$150,000
Marketing	\$1,037,818	\$2,297,273	\$1,621,591	\$2,026,988	\$2,533,735
Facilities & Comm	\$149,625	\$352,454	\$144,013	\$92,168	\$93,436
R&D	\$171,039	\$254,721	\$122,693	\$69,764	\$61,109
G&A	\$1,254,515	\$951,835	\$384,050	\$245,756	\$248,136
T&E	\$129,240	\$111,961	\$52,400	\$36,539	\$39,390
	\$7,411,263	\$15,085,195	\$11,957,282	\$10,331,732	\$10,401,247
EBITDA	11,422,019	15,752,608	27,152,251	31,650,635	34,581,876

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52

Wednesday, October 9, 13

business plan: juul

assumptions

JUUL is launched in Q2 2015 into channels and accounts already penetrated by M2 while simultaneously reaching into new channels and accounts

Existing M2 channel builds to 45,000; JUUL reach is approximated as an additional 25,000

JUUL will be sold initially as a 'starter kit'

Includes one device, one USB charger and one 4 pack of JUULs for \$45 retail

JUUL modeling assumes unit sales of 4 starter kits/storefront/month. Current industry average is the equivalent of eight for established brands

JUUL packs are built around a pack/starter kit/ month assumption and are held constant at 4 units in 2015-2016, growing in 2017 to 5.4 Current industry average is the equivalent of 14 for established brands

Channel mix for JUUL assumes online sales equaling 1% of those of storefront driven sales

JUUL sales-related expenditures include an average merchandising expense of \$150/new storefront and \$350/storefront/year as well as a \$0.50/pack JUUL allowance for the first 3 months

Marketing expenditures for JUUL are expected to be \$3MM in the quarter preceding the launch (Q4 2014) followed by \$6.0MM in 2015, growing to \$9.9MM in 2017

results

JUUL starter kits have a 33% gross margin and JUUL packs deliver a 25% gross margin in the wholesale channel

Gross Revenues for JUUL starter kits and 4-packs are estimated at \$68.4MM in the year of launch and estimate 1.2MM starter kits and 4.6MM 4-packs

U.S. JUUL starter kit sales grow to 3.4MM by 2017; 4-packs grow to 17.3MM, totaling \$233.4MM in Gross Revenues

Combined margins remain flat in 2015-2016 at 23%, declining to 22% in 2017

P&L: JUUL

JUUL Financial Summary - U.S.

Volume - Units		2015	2016	2017
Starter Kit	Units Sold	1,157,723	2,976,187	3,409,114
	Year over Year		157%	15%
4-pack	Units Sold	4,630,890	11,904,749	17,326,820
	Year over Year		157%	46%
\$/Unit		2015	2016	2017
Starter Kit	Rev - Distributor	\$24.17	\$24.17	\$24.17
	Channel Mix	99%	99%	99%
	Rev - Online	\$45.00	\$45.00	\$45.00
	Channel Mix	1%	1%	1%
	Rev - blended	\$24.38	\$24.38	\$24.38
	COGS	\$16.32	\$16.32	\$16.32
4-pack	GM	\$8.06	\$8.06	\$8.06
		33%	33%	33%
	Rev - Distributor	\$8.60	\$8.60	\$8.60
	Channel Mix	99%	99%	99%
	Rev - Online	\$16.00	\$16.00	\$16.00
	Channel Mix	1%	1%	1%
4-pack	Rev - blended	\$8.67	\$8.67	\$8.67
	COGS	\$6.53	\$6.53	\$6.53
	GM	\$2.14	\$2.14	\$2.14
		25%	25%	25%

To note: outside of marketing & sales expenses directly attributable to Pax, all other Operating Expenses are captured as a % of Pax sales relative to total sales
WC, CapEx and FCF are provided on the consolidated statements

Total \$		2015	2016	2017
REVENUES	Rev - Starter Kit	\$28,220,921	\$72,548,246	\$83,101,363
	Rev - 4-pack	\$40,164,950	\$103,253,069	\$150,280,141
		\$68,385,872	\$175,801,315	\$233,381,504
	Sales Allowances	\$4,926,969	\$12,665,887	\$18,322,175
		\$63,458,902	\$163,135,429	\$215,059,329
	Share of Value	3.17%	6.53%	7.29%
COGS	COGS - Starter Kit	\$18,894,033	\$48,571,375	\$55,636,734
	COGS - 4-pack	\$30,239,714	\$77,738,010	\$113,144,134
		\$49,133,747	\$126,309,385	\$168,780,868
	GM	\$14,325,155	\$36,826,044	\$46,278,461
		23%	23%	22%
OP EX	Warranty Exp	\$453,003	\$919,002	\$1,115,574
	Employee/Cons	11,147,326	15,915,399	25,400,635
	Sales & Distribution	17,954,063	28,631,250	24,612,000
	Marketing	6,000,000	9,000,000	9,900,000
	Facilities & Comm	176,177	270,547	340,539
	R&D	150,094	204,783	222,718
	G&A	469,822	721,389	904,363
	T&E	64,103	107,256	143,562
		\$36,414,588	\$55,769,626	\$62,639,391
EBITDA		-22,089,433	-18,943,582	-16,360,929

business plan: consolidated

results

P&L

Consolidated revenues, net of allowances grow from \$34.3MM in 2013 to \$395.7MM in 2017

Gross Margin in 2013 of 56% (primarily composed PAX margins) steadily declines to 31% in 2017, reflecting the introduction of products with slimmer margins than those of PAX

Operating expenses grow from \$8.5MM in 2013 to \$98.9MM in 2017, primarily driven by significant growth in the personnel, selling & marketing expense categories

EBITA in 2013 of \$10.7M reduces in the years 2014-2016 as OpEx grows considerably. EBITA is negative in years 2015 and 2016 reflecting significant spend relative to the build up of Ploom's direct sales team and the launch of JUUL. EBITA in 2017 is \$23.5MM

Balance Sheet

Cash balances year over year begin to decline as Ploom makes significant investments in infrastructure and CapEx, bottoming out in Q3 2016

AR and Inventories, both assumed to have a 30 day period, continue to grow as product sold grows

Capital Expenditures include significant investments in JUUL manufacturing and tooling expenditures in 2014. Additional investments relative to M3 and PAX2 are also captured

AP, assumed to have 45 day terms (consistent with current terms with Ploom's largest vendor), grow year over year

Working capital of \$19.6MM in 2013 declines to its lowest point mid 2016, then steadily improves through 2017

Free cash flows decline in years 2015-2016 as cash is invested in CapEx, team, selling & marketing expenses grow

sensitivities

Sensitivity model is based on EBITDA as of EOY 2017

unit sales per store

The assumption of under/over performing unit sales

Sensitivity assumption: Range of 75% to 125% of base model sales volume

freedom to operate

The impact of deregulation within the lifestyle industry and the related impact on Ploom

Sensitivity assumption: Range of 75% to 125% of base model storefronts

repeat usage

The assumption relative to buyer acceptance and continued use

Sensitivity assumption: 75% to 125% of pod pack usage (base model assumes 4 pod packs/device/month)

cost to compete

The impact the aggressiveness of Competition will have on the cost to participate within the market

Sensitivity assumption: 75% to 125% of base model selling allowances and sales and marketing expenses

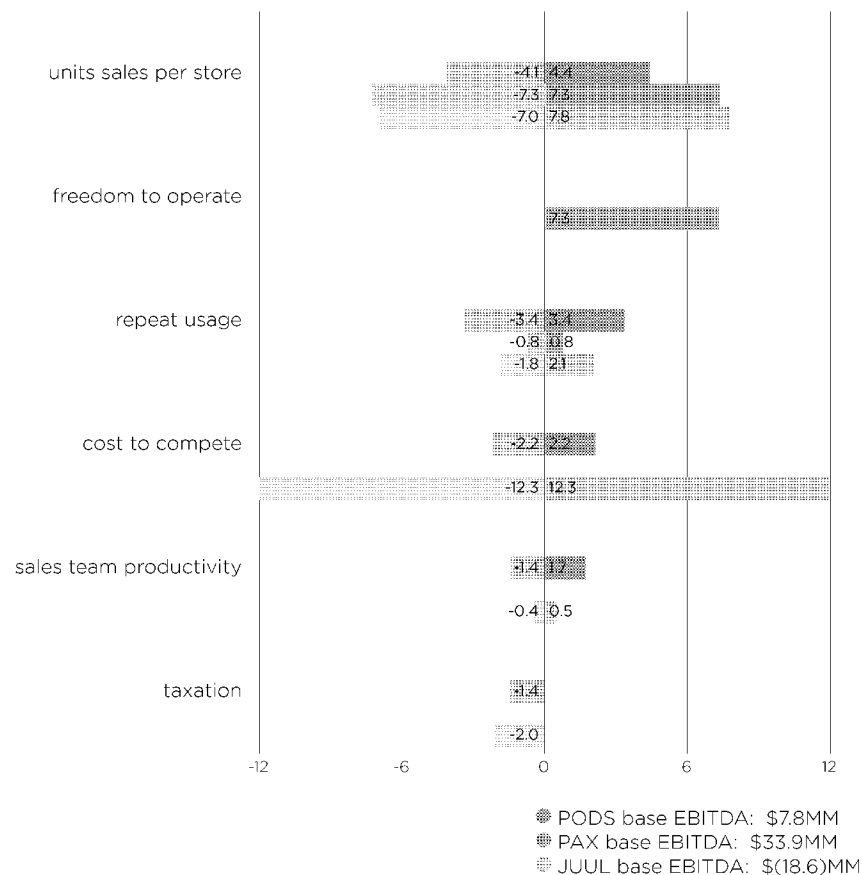
sales team productivity

The impact on unit sales as a result of sales team effectiveness

Sensitivity assumption: 75% to 125% of base model sales calls frequency (base model assumes sales call frequency of ~260 calls/month/sales rep in 2017)

taxation/FDA/regulatory

The impact of regulatory restrictions imposed on the industry and the related impact on Ploom
PODS sensitivity assumption: \$1.50/pod pack (based upon tax assumptions previously addressed)



P&L: consolidated

Ploom Consolidated Financial Summary

Total \$		2013	2014	2015	2016	2017
REVENUES	JUUL Device Sales, U.S.	-	-	\$28,220,921	\$72,548,246	\$83,101,363
	JUUL pack Sales, U.S.	-	-	40,164,950	103,253,069	150,280,141
	Pod-based Device Sales, U.S.	1,127,238	6,672,049	39,755,241	75,085,697	84,382,912
	Pod pack Sales, U.S.	238,192	2,623,470	16,382,846	29,179,691	33,161,666
	Pax Sales, U.S. & Canada	32,921,712	46,174,333	55,901,122	59,890,443	64,034,534
	Revenues	\$34,287,142	\$55,469,852	\$180,425,080	\$339,957,147	\$414,960,616
	Returns and Allowances	\$24,617	\$1,514,849	\$9,631,665	\$14,272,666	\$19,230,070
	Gross Revenues	\$34,262,525	\$53,955,003	\$170,793,415	\$325,684,481	\$395,730,546
	COGS					
	JUUL Device Sales, U.S.	-	-	\$18,894,033	\$48,571,375	\$55,636,734
COGS	JUUL pack Sales, U.S.	-	-	30,239,714	77,738,010	113,144,134
	Pod-based Device Sales, U.S.	969,798	5,688,252	33,106,362	61,589,009	69,411,562
	Pod pack Sales, U.S.	161,383	1,392,928	8,098,528	14,424,389	16,392,798
	Pax Sales, U.S. & Canada	13,923,821	15,105,658	16,512,083	17,608,625	18,731,240
	Total COGS	\$15,055,002	\$22,186,838	\$106,850,720	\$219,931,408	\$273,316,467
	GM	\$19,207,523	\$31,768,165	\$63,942,695	\$105,753,073	\$122,414,079
	Gross profit %	56%	59%	37%	32%	31%
	Warranty Exp	\$357,812	\$505,271	\$1,195,176	\$1,777,127	\$1,983,531
	Employee/Cons	3,623,086	12,579,378	29,410,420	41,990,212	45,163,233
	Sales & Distrib	881,775	5,150,004	36,136,559	45,289,246	29,424,536
Operating Expenses	Marketing	1,856,963	7,946,451	13,872,448	17,643,470	19,507,249
	Facilities & Comm	155,831	423,408	464,814	523,172	605,491
	R&D	178,133	306,000	396,000	396,000	396,000
	G&A	1,306,547	1,143,452	1,239,550	1,394,992	1,607,989
	T&E	134,600	134,500	169,125	207,406	255,258
	Total Operating Expenses	\$8,494,747	\$28,188,464	\$82,884,091	\$109,221,625	\$98,943,286
	EBITDA	\$10,712,776	\$3,579,701	-\$16,941,396	-\$3,468,552	\$23,470,792

BS: consolidated

	EOY 2013	EOY 2014	EOY 2015	EOY 2016	EOY 2017
ASSETS					
Cash	\$16,236,251	\$13,520,643	-\$4,595,999	-\$11,541,942	\$316,384
AR	4,421,087	6,565,745	21,840,444	30,202,389	34,741,248
Inventory	2,141,156	3,234,858	14,291,887	20,244,433	23,844,632
Other Current Assets	530,530	787,889	2,620,853	3,624,287	4,168,950
Total Current Assets	23,329,025	24,109,135	34,157,184	42,529,166	63,071,213
Fixed Assets, net	297,594	3,833,365	2,669,135	1,366,886	80,260
Total Assets	23,626,619	27,942,500	36,826,319	43,896,052	63,151,473
LIABILITIES					
AP	3,211,734	4,852,287	21,437,830	30,366,649	35,766,948
Other Current Liabilities	530,530	787,889	2,620,853	3,624,287	4,168,950
Total Current Liabilities	3,742,265	5,640,177	24,058,683	33,990,936	39,935,897
Long Term Liabilities	-	-	-	-	-
Total Liabilities	3,742,265	5,640,177	24,058,683	33,990,936	39,935,897
EQUITY					
CS + APIC	14,795,140	14,795,140	14,795,140	14,795,140	14,795,140
Retained Earnings	5,089,214	7,507,183	-2,027,503	-4,890,024	8,420,437
Total Equity	19,884,354	22,302,323	12,767,636	9,905,116	23,215,576
Total Liabilities & Equity	23,626,619	27,942,500	36,826,319	43,896,052	63,151,473
Working Capital	\$19,586,760	\$18,468,958	\$10,098,501	\$8,538,230	\$23,135,316
Free Cash Flows	-\$1,544,528.22	\$3,319,607.46	-\$4,066,450.19	-\$694,288.00	\$658,929

[end]

appendix follows