



22ND CENTURY GROUP

SECOND QUARTER EARNINGS PRESENTATION

August 14, 2023

 Nasdaq XXII



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This presentation contains forward-looking statements concerning our business operations, and financial performance and conditions, as well as our plans, objectives, and expectations for our business operations and financial performance and conditions that are subject to risks and uncertainties. All statements other than those of historical fact are forward-looking statements.

These types of statements typically contain words such as “aim,” “anticipate,” “assume,” “believe,” “could,” “due,” “estimate,” “expect,” “goal,” “intend,” “may,” “objective,” “plan,” “potential,” “positioned,” “predict,” “should,” “target,” “will,” “would” and other similar expressions that are predictions of or indicate future events and future trends. Forward-looking statements are based on current expectations, estimates, forecasts, and projections about our business, the industry in which we operate, and our management’s beliefs and assumptions.

These statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those estimated. The contents of this presentation should be considered in conjunction with the risk factors, warnings, and cautionary statements contained in the Company’s annual, quarterly, and other reports filed with the U.S. Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or otherwise, except as required by law.

2Q 2023: CONTINUED COMMERCIAL PROGRESS

Full Focus on Commercializing Tobacco Harm Reduction and Consumer Health and Wellness Products



VLN® advancing commercial launch program

- Rapid expansion of state/ store count – now 2,775+ locations, 14+ States
- Surpass 4,000+ stores, 16 states with first drug store partner in September, additional c-stores and others in funnel for rest of 2023
- Revising go-to-market strategy to better maximize brand potential



GVB expanding ingredient, manufacturing and distribution roles

- Delivered record ingredient volumes: 1H 2023 > FY 2022
- Commencing exclusive distribution agreements with two major brands
- Resuming production of extract and distillate to restore gross margins



Revised 2023 revenue guidance

- Now expecting \$80 - \$90 million in sales: reflects changes in commercial launch timeline and focusing on depth within footprint and key retail chains
- Improving 2H margins: GVB resumes production, tobacco product mix
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FDA Authorized VLN®

Cannabinoid Ingredients,

APIs and CDMO

Corporate/Financial



VLN[®]: EXPANDING COMMERCIAL ACCESS

Increased Retail Footprint, Refining Marketing Focus

Now in 2,775+ locations across 14 states with clear path for continued rollout at major chains – Adding first drug store chain crosses 4,000 stores, 16 states

Strong funnel of regional and national chains interested in VLN[®] as launch continues to expand

New marketing plan to engage adult smokers looking for new solutions to reduce smoking rates

Federal and state mandates drive increasing awareness of smoking harm reduction, but off-ramp solutions are needed to achieve the desired results



VLN allows consumers to literally stare smoke in the face and say, “I don’t need you.”

VLN[®] LAUNCH: NOW 14 KEY MARKETS AND GROWING

Rapid Increase in Store Count 2Q and July 2023, Booking Additional Launches

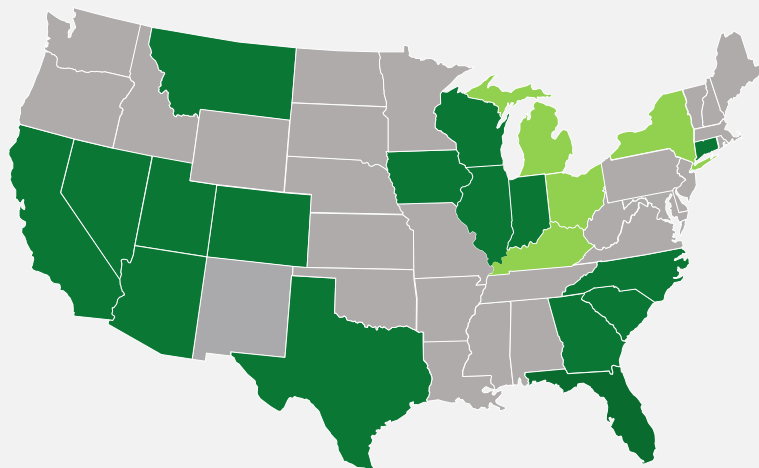
Expanded VLN[®] Sales Footprint
14 States Announced to Date, 2 Pending

Expanded Commercial Rollout

Key State Markets Provide Access to Majority of Total U.S. Cigarette Sales

Example VLN[®] Distribution: MRTP States + Adjacent States

■ Selling / Announced State ■ Prospective Expansion State



- Secured **extensive national and regional distribution resources**
- **Adapted commercial rollout** to changes in retail partner timelines
- Launched **national and regional c-store chains** in key states, including top three state markets - **CA, TX, FL**
- Announced drug store expansion will advance total to **16 states and 4,000+ stores**
- Now focused on adding density in key markets with retail brands from **more than 100 chains in pipeline**

State	% of Adult Smokers	Pack Volume	Retail Sales
TX	15%	736M	\$5.6B
CA	10%	514M	\$4.9B
FL	15%	513M	\$3.9B
NC*	19%	500M	\$3.3B
OH	21%	467M	\$3.7B
GA	16%	398M	\$2.5B
MI*	19%	351M	\$2.9B
IN	19%	328M	\$2.3B
KY*	24%	295M	\$2.0B
IL	15%	253M	\$2.6B
SC	18%	215M	\$1.5B
WI	15%	184M	\$1.6B
NY	13%	180M	\$2.2B
AZ	15%	160M	\$1.4B
CO*	14%	130M	\$1.0B
IA	16%%	117M	\$0.9B
NV	16%%	95M	\$0.8B
CT*	12%	65M	\$0.8B
UT*	8%	45M	\$0.4B
MT	17%%	34M	\$0.3B
Total		6,839M	\$51.1B


Source: CDC; Current Cigarette Use Among Adults (Behavior Risk Factor Surveillance System) 2019; World Population Review Cigarette Prices by State; Internal Documents

*State with MRTP Tax Benefit


VLN[®]: CLEAR DRIVERS TO SUCCESS

Commercial Efforts Focused Across Key Areas

Success Drivers: Path to the Adult Consumer & VLN Acceptance




Awareness



Education



Trial / Repeat



Advocacy

Critical Levers for Brand Development, Potential Investment, & Strategic Partners



**Regulatory
Work**



**Commercial
Development**



**Government
Affairs**



**Marketing
Actions**

SURGEON GENERAL'S WARNING: Cigarette
Smoke Contains Carbon Monoxide.

87%

of adult smokers
in Colorado say cutting
back is a win

Are you one of them?



Learn more about VLN[®] in Colorado
Although Colorado historically ranks as one of the
healthiest states, the alarming truth is that smoking
is a significant public health problem. [Read More](#)

VLN[®] America's Lowest
Nicotine Cigarettes

Start your journey
[TryVLN.com](#)

For 21+ adult smokers only.

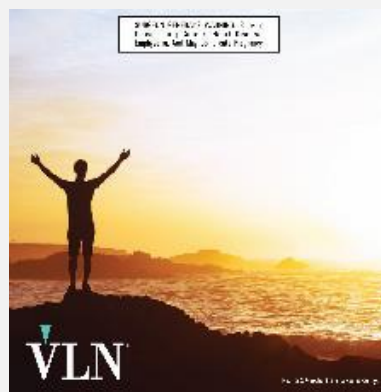
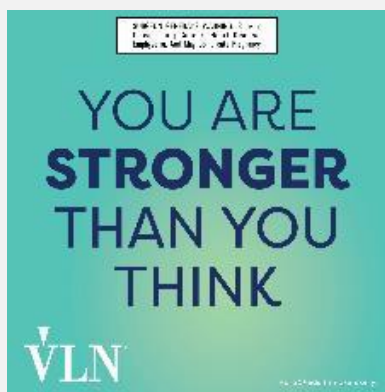
UPDATED VLN[®] MARKETING TO DRIVE AWARENESS

Traditional Media, Digital, Social, Influencer and Other Tools Driving Adult Smoker Engagement

Our recent research showed that VLN was the preferred method for smoking reduction because it doesn't force smokers to quit the behavior "cold turkey."

Our new campaign is designed to establish this VLN Advantage:

- 1 Reinforce the fact that they don't have to quit "cold turkey"
- 2 Optimistically encourage them to try VLN
- 3 Inspire confidence and competence
- 4 Entice them to learn more about VLN and how it can help them



Introducing VLN

The first cigarette that helps you smoke less.

VLN[®] is an FDA authorized, new-to-market product with 85% less nicotine than traditional cigarettes. This innovative product aids in reducing your smoking by considerably lowering your nicotine consumption.

- **First of its Kind:** The only tobacco cigarette authorized by the FDA to help you smoke less, VLN[®] offers an entirely new approach.
- **Taste Control:** Gradually free yourself from the hold of nicotine while you smoke less.
- **A Familiar Smoking Experience:** VLN[®] cigarettes smoke, taste, and smell like what you're used to, just with less nicotine.

To learn more, subscribe below.

subscribe now to learn more Find a store near you

Type a postal code or state:

- 7-Eleven
2100 N Chigo Rd Decatur, IL 6016
- 7-Eleven
590 Annie Graham Rd Decatur, IL 6016
- 7-Eleven
2071 Ogden Boulevard IL 60008
- 7-Eleven
244 E WASHINGTON ST OGDEN, IL 60548

YOU ARE STRONGER THAN YOU THINK

Think Positive!

VLN[®] HELPS YOU SMOKER LESS

Follow us on Facebook, Twitter, and Instagram

Find a Store

PINNACLE EXPANDS RETAILER REACH, IMPROVES MIX

Store Brand Offers Economic Value to Customers, Pathway to Launch VLN®

The economic harms of smoking are also a serious problem for adult smokers. By working with a top national retail chain, we offer a lower cost conventional product while paving the way to introduce VLN®.

- Pinnacle is a conventional store brand cigarette for current adult smokers seeking lower cost alternatives
- Manufactured for a top 5 retail C-store chain in 20+ states
- Successful retail launch with steadily growing sales – strong initial share per industry standards and high clerk engagement, even ahead of promotion and incentive programs
- Readying promotion across multi-state store base with combined consumer and clerk incentives to drive increased volumes and market share
- Paves pathway to add VLN® to shelves in future



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GVB: CONSOLIDATING AN INDUSTRY LEADING POSITION

Ramping Ingredient Volumes, New Production Facilities , New License and Distribution Agreements



22nd Century's GVB Biopharma ("GVB") is shipping record ingredient volumes as manufacturing comes back online for 2H 23.

New exclusive distribution agreements offer further growth opportunity.

GVB Profile: Leading market share in North America plus broad global footprint in geographic markets targeted for growth

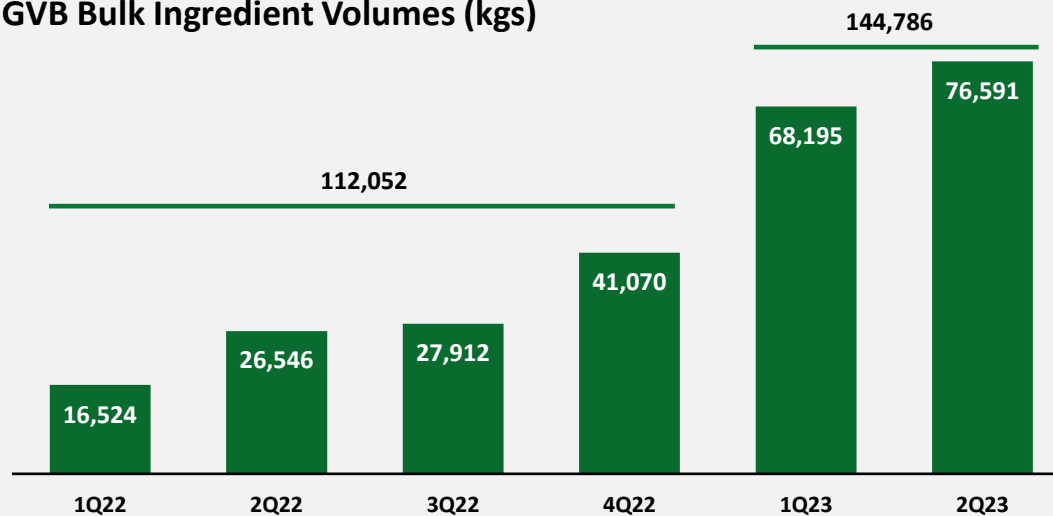
- Record ingredient sales volume in 2Q
- New CDMO+D model expands revenue, offers new value to customers
- New extraction unit, production facilities restore gross margin capability and improve efficiency
- Contract farming increases biomass availability and stabilizes costs

RECORD INGREDIENT VOLUMES, PRODUCTION UPSIDE

Return to In-House Production Enables Margin Restoration; Incremental Gross Profit Directly Reduces Cash Use

- GVB bulk ingredient volumes rising rapidly based on reputation as reliable supplier of consistent, quality extracts
- New campus expected to target initial capacity of 5 million pounds hemp biomass, 400,000 kg of extract, 250,000 kg of isolate annually
- New isolate production expected online in 1Q 2024

GVB Bulk Ingredient Volumes (kgs)



TRANSFORMATIVE NEW LICENSE & DISTRIBUTION DEALS

Commencing Shipments Under Three-Year Agreements with Two Top Brands

Working with the largest and best-known consumer CBD brands

- Initial agreements with brand leaders like **Cookies, Old Pal** and others in process
- License covers broad range of hemp derived cannabinoid consumer packaged goods at each brand

New, single-source model provides complete solution

- Ingredient Supply
- White-label manufacturing
- Retail category management and distribution

Enhances GVB revenue and margin opportunities with distribution services

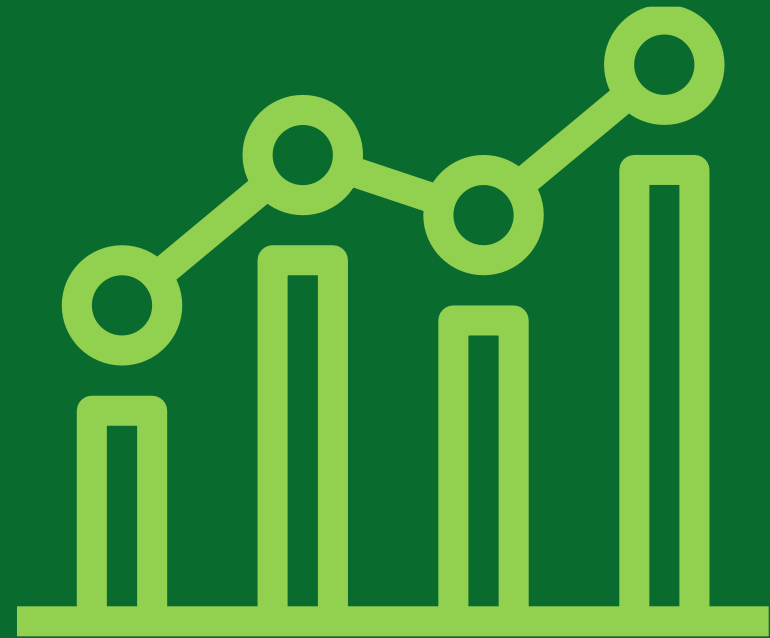
- Initial roll-out underway from July 2023, targeting retailers seeking innovative, high velocity, high margin, small footprint consumer CBD products

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SECOND QUARTER 2023 FINANCIAL HIGHLIGHTS

	Net Revenues	Gross Profit ¹	Gross Margin ¹	Operating Loss	Adjusted EBITDA ²
2Q 2023	\$23.4M	\$(2.3)M	(10.0)%	\$(19.4)M	\$(16.0)M
2Q 2022	\$14.5M	\$892K	6.2%	\$(10.5)M	\$(7.1)M
+61.8% YoY increase in Net Revenues primarily due to GVB acquisition.					

Improved 2H 2023 operating performance expected to be driven by:

- Improving product margin mix for tobacco products, reflecting reduced filtered cigar volume
- New in-house GVB crude extraction and distillate production capabilities, in-house biomass production
- New GVB license and distribution contracts to begin shipping product
- Implementation of \$15M+ operating cost reduction initiative

Revised 2023 revenue outlook: \$80 million to \$90 million, reflecting changes in the launch timeline and scope of VLN® at certain key chains in 2023 and the operating expense reduction plan.

1. Gross profit margin is calculated by dividing gross profit by net revenues.

2. See the tables included in this release for a reconciliation of Adjusted EBITDA (a non-GAAP measure) to net loss.

TOBACCO REVENUE & PROFIT BREAKDOWN

	Tobacco	
	2Q 2023	2Q 2022
Unit sales ¹	.8M	1.5M
Net revenue	\$8.1M	\$10.0M
Gross profit	\$(1.0)M	\$0.9M

- Net revenues decreased QoQ reflecting a planned reallocation in production resources at the Company's NASCO facilities away from lower margin filtered cigars to higher margin VLN[®] and conventional cigarette products
- Gross profit declines QoQ reflecting the transition.

1. Tobacco unit sales volume is measure in cartons
 2. Contract manufacturing operations (CMO)

Opportunity in 2023 for additional tobacco net revenue growth and margin expansion:

- Expanding sales under new Pinnacle brand in conjunction with retail c-store chain promotions
- Increased sales volume of higher margin cigarette products in place of lower margin filtered cigar volumes
- VLN[®] launch with new retail chains within the targeted geographic footprint

HEMP/CANNABIS REVENUE & PROFIT BREAKDOWN

	Hemp/Cannabis	
	2Q 2023	2Q 2022 ²
Unit sales ¹	76,591	26,546
Net revenue	\$15.4M	\$4.5M
Gross profit	\$(1.4M)	\$(36)K

Net revenue growth QoQ primarily driven by:

- Addition of acquired GVB revenue contribution
- Significant GVB organic revenue volume growth
- Strong consumer demand for GVB bulk ingredients and new CDMO opportunities

1. Hemp/cannabis unit sales volume is measured as kilograms.

2. GVB acquisition occurred on May 13, 2022.

Additional 2023 hemp/cannabis opportunity driven by:

- Organic growth reflecting continued high customer demand for ingredient volumes and manufacturing support
- Contracted farming to produce internally-sponsored biomass at lower cost
- Commencing greater activity under new exclusive license and distribution agreements
- Profit margin expansion from the restoration of GVB extraction capabilities and vertical integration with new Prineville crude extraction facility

SUMMARY BALANCE SHEET ITEMS

<i>(in millions)</i>	Balance sheet date as of:	
	Q2 2023	YE 2022
Cash and cash equivalents ¹	\$11.9	\$21.2
Total assets	\$125.0	\$114.7
Total liabilities	\$52.4	\$18.7
Total shareholders' equity	\$72.6	\$96.0

1. Cash, cash equivalents, short-term investment securities and restricted cash.

Raised approximately \$14.7 million in additional gross proceeds in equity transactions in July 2023

Additional casualty loss insurance proceeds from the Grass Valley fire can further strengthen balance sheet assets

Recent \$14.7 million in additional capital plus expected insurance proceeds help fund working capital needs for increased VLN[®] product shipments as well as strong customer demand for hemp/cannabis bulk ingredients.

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Questions & Answers

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