Presentation to the Board of Directors of Universal Corporation

March 29, 2018

This presentation was sent by HoldCo Asset Management and its managed funds (collectively, "HoldCo") to the board of directors of Universal Corporation ("Universal") on March 29, 2018 and is being released to the public as part of a publicly available press release issued by HoldCo and dated May 29, 2018. The press release is expressly incorporated by reference herein.

All readers of this presentation are asked to refer to the disclaimer in that press release prior to reading this presentation.

Parts of this presentation have been redacted in the spirit of sensitivity and goodwill towards management and the board of directors of Universal.

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I. INTRODUCTION

Who we are

- HoldCo Asset Management and its managed funds (together, "HoldCo") is pleased to provide this Presentation to Universal Corporation ("UVV"), its Board of Directors, and senior management team
- HoldCo, through one of its managed funds, is a large owner of UVV common stock
  - Currently owns 677,769 shares of common stock
  - 2.71% of UVV's currently outstanding common stock
  - Market value of approximately $32 million
- HoldCo was founded in 2011 by Vik Ghei and Misha Zaitzeff, and currently has 7 full-time employees in New York City
- Over the past 4 years, HoldCo has deployed approximately $650 million across more than 50 investments
- HoldCo's investment funds, including the fund that holds UVV common stock, employ a conservative, value-oriented, and long-term "buy and hold" approach to investing
- HoldCo aspires to "keep things simple" in all aspects and has endeavored to do the same in this Presentation

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Who we are (cont'd)

- HoldCo's funds are deliberately structured differently than most hedge funds to enable a long-term disposition with respect to our investments and allow us to "think like a stakeholder of a business" rather than an owner of a speculative financial instrument
  - Short-term considerations are not important to us
  - Things that actually create long-term shareholder value are

- For example, the fund that holds UVV shares has the following characteristics which are different than typical hedge funds:

Characteristic	HoldCo	Typical Hedge Funds
Fund Life	Up to 7 years from raise	Quarterly redemption rights
Leverage	None at the fund level	Often significant leverage is utilized at the fund level
Investor Base	[redacted]	Often "funds of funds" or other similar investors whose perspective is short term in nature

- HoldCo receives a small management fee from its fund investors but the vast majority of its compensation derives from the ultimate performance of the investments that its funds make
  - We receive no incentive fees if our investors do not exceed a minimum annualized return on their investments (8% in the fund that holds UVV shares)
  - We receive no incentive fees until investments are monetized *in cash* so that a return of capital and annualized hurdle rate of return is crystallized for investors

What is the purpose of this Presentation?

- We appreciate our recent correspondence with UVV
  - HoldCo had a phone call with Ms. Formacek on December 14, 2017
  - We sent UVV a letter on January 25, 2018
  - HoldCo had a phone call with Ms. Formacek and Mr. Wigner on February 20, 2018 to discuss the letter
- We sought an in-person meeting with UVV's CEO/directors and made ourselves available from February 12 to March 2 (with the exception of February 16 and 28) to travel to UVV's Virginia headquarters
- HoldCo had a meeting with Ms. Formacek, Mr. Wigner, and Mr. Moore on March 1, 2018 at UVV's Virginia headquarters
  - We presented a draft of this Presentation at this meeting and discussed some of our concerns
  - We informed Ms. Formacek, Mr. Wigner, and Mr. Moore that we intended to provide this Presentation to UVV's Board of Directors
  - Ms. Formacek initially stated that UVV planned to provide us with comments on the Presentation
  - Ms. Formacek informed us on March 9, 2018 that management would not be providing comments to the Presentation
- **Section VIII ("Conclusions") of this Presentation enumerates HoldCo's requests**

HoldCo's engagement with UVV's business model

- Over two years ago, HoldCo invested in debt issued by UVV's primary competitor, Alliance One International ("AOI")
- Before making the AOI investment and on an ongoing basis thereafter, HoldCo conducted significant due diligence into the niche tobacco merchant industry occupied by AOI and UVV
- In connection with this due diligence, HoldCo developed a deep understanding of the unique business models of these two companies, their suppliers, and their customers
- HoldCo also learned about the idiosyncratic differences between AOI and UVV, including with respect to their:
  - Capital structure
  - Capital allocation
  - Capital requirements
  - Stakeholder engagement
  - Management compensation and incentives
  - Public disclosures
- HoldCo began purchasing UVV shares when both (i) the market's assessment of the business as worth more dead than alive and (ii) UVV's striking enterprise value underperformance relative to its peers (including AOI) and fundamentals became too blatant to ignore

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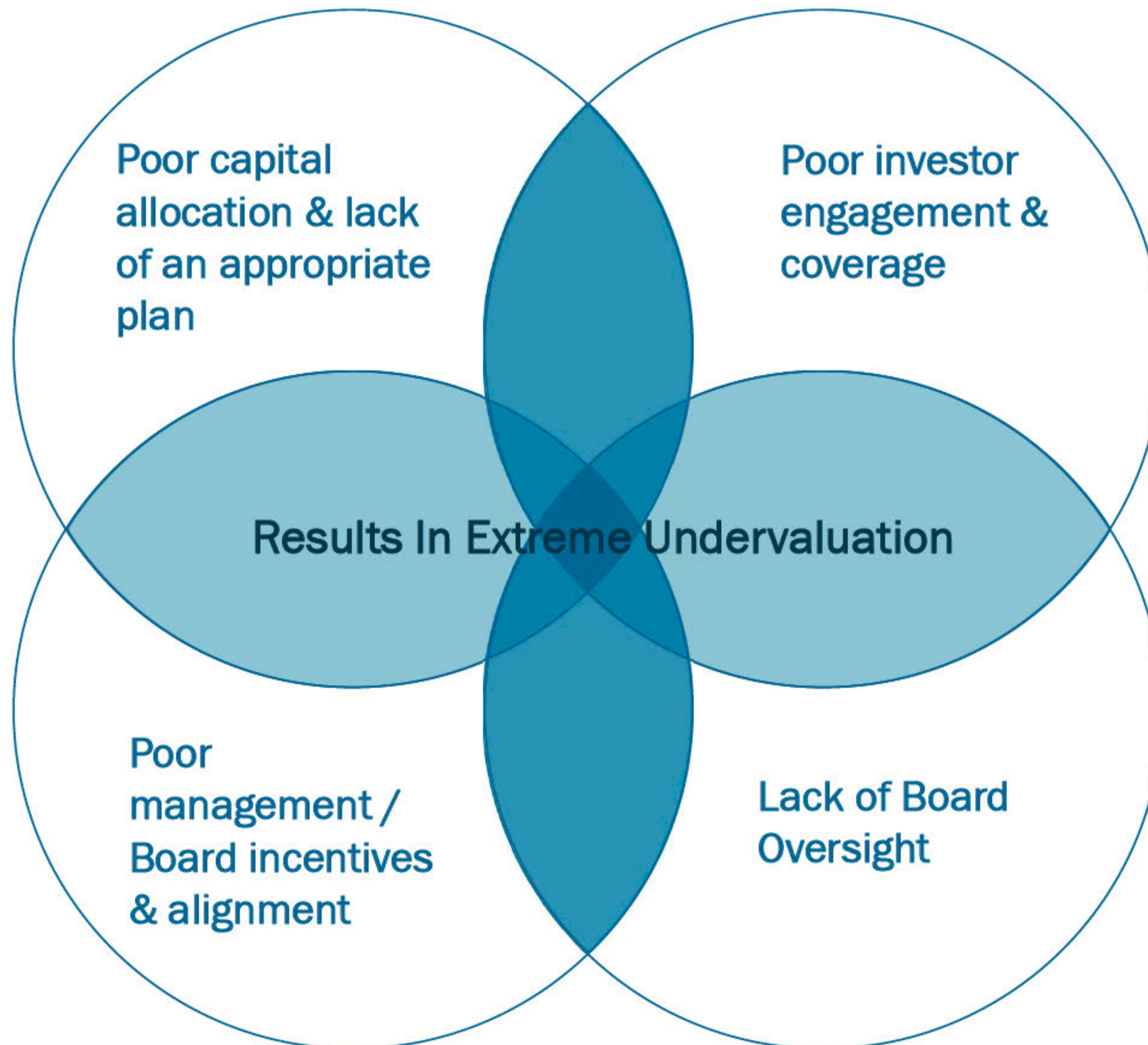
We believe that UVV's extreme undervaluation is driven by four fixable issues whose cumulative force is overwhelming



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II. VALUATION

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A. Historical Valuation Underperformance

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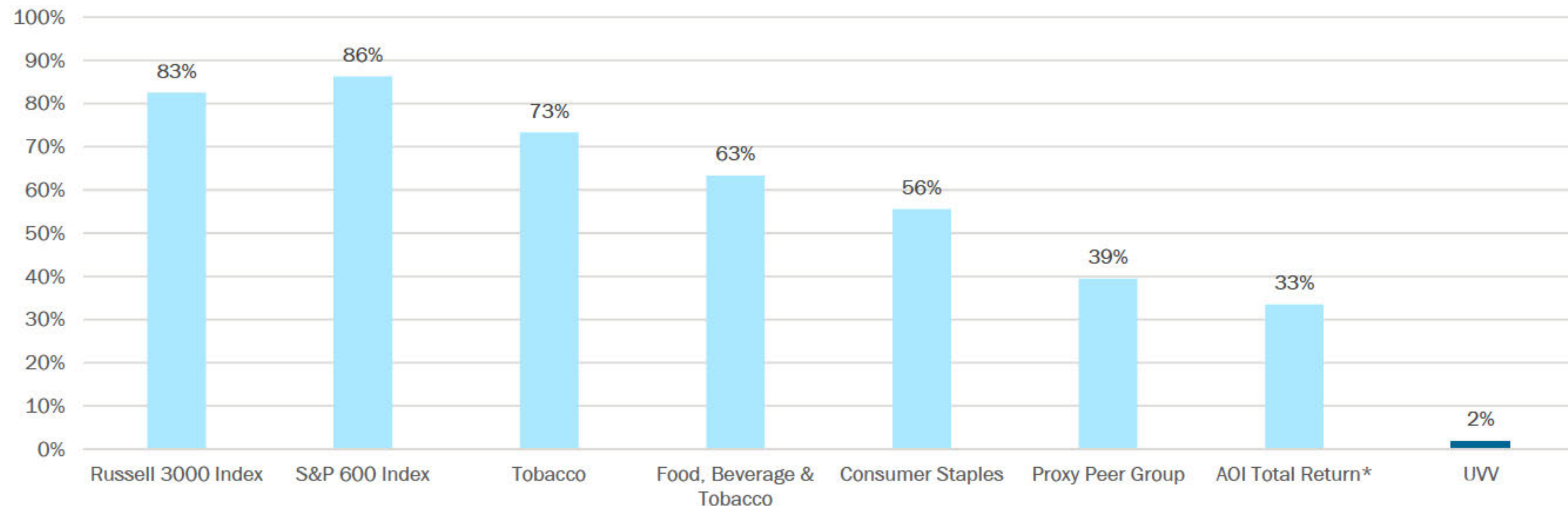
Over the past five years, UVV has underperformed ISS-favored peer groups, its self-selected proxy compensation peer group and AOI

- Over the past five years, UVV's common stock has returned 2% on a total return basis, underperforming its closest peer, AOI total return, by over 30 percentage points
- Given the differences in AOI's and UVV's capital structure (see page 51), we have presented AOI's total return inclusive of returns across AOI's blended capital structure (first lien debt, second lien debt, and common stock)



Notes:
(1) Total return for equities and indices assumes that dividends are reinvested. Data range is March 23, 2013 to March 23, 2018.
(2) Tobacco; Food, beverage & tobacco; and consumer staples classifications are derived using the median return of a stock within each GICs-defined (302030, 3020, and 30, respectively) subset of the Russell 3000 that HoldCo retrieved from Bloomberg s total shareholder return data, which is used to approximate the method by which ISS computes TSRs as seen here: https://www.issgovernance.com/policy-gateway/industry-group-us-tsr-medians-performance-related-policy/; ISS further states that for US companies outside the S&P 500 Index, the Index TSR reported is the Russell 3000: https://www.issgovernance.com/policy-gateway/company-financials-faq/
(3) The proxy peer group is self-selected by UVV and is defined in UVV s 2017 Proxy as AOI, ANDE, CALM, DAR, FLO, FDP, INGR, LANC, MKC, SAFM, SEB, SENEA, STKL, and THS.
*AOI s total return calculation takes the equity market cap of $344M as of March 23, 2013, $180M outstanding on the revolving credit facility (based on the 10-Q filed February 5, 2013), and $672M market value of the 10% senior notes due 2016 as of March 23, 2013 (based on the $635M principal amount disclosed in the 10-Q filed February 5, 2013), and assumes an initial blended capital structure of 29%, 15%, and 56%, respectively. When interest is paid, we assume it is reinvested proportionately, reflecting market price changes of the equity and debt components. For the credit facility, we assume the interest rate is as disclosed in the 10-Q and 10-K of the corresponding quarter ending on the same day as the interest payment date (last day of March, June, September, and December). On August 2, 2013, we assumed that the 10% senior notes were exchanged at a price of 105 for the 9.875% senior secured second lien notes due 2021 at a price of 98% of principal, corresponding to the proportion of the redemption price of the old notes and the issue price of the new notes (as both transactions are disclosed in the 10-Q filed November 5, 2013). On October 14, 2016, we assume the revolving credit facility is refinanced by the 8.5% senior secured first lien notes due 2021 at a rate of 100%/99.085% of principal, where the numerator assumes the credit facility is at par and the denominator being the issue price of the new notes (as disclosed in the 10-Q filed February 6, 2017). We did not factor in notes payable, other long-term debt (other than those mentioned above), long-term foreign seasonal borrowings, or the 5 ½% convertible senior subordinated debt due 2014.

Sources: Bloomberg; CapIQ; AOI Form 10-Q, filed February 5, 2013 (pages 18 and 30); AOI Form 10-Q, filed November 5, 2013 (pages 16-17 and 36-38); AOI Form 10-Q, filed February 6, 2017 (pages 16-18, 28, and 37); UVV Form DEF 14A, filed June 26, 2017 (page 25)

Since Mr. George Freeman, III, became CEO, UVV has underperformed all comparable indices by a wide margin

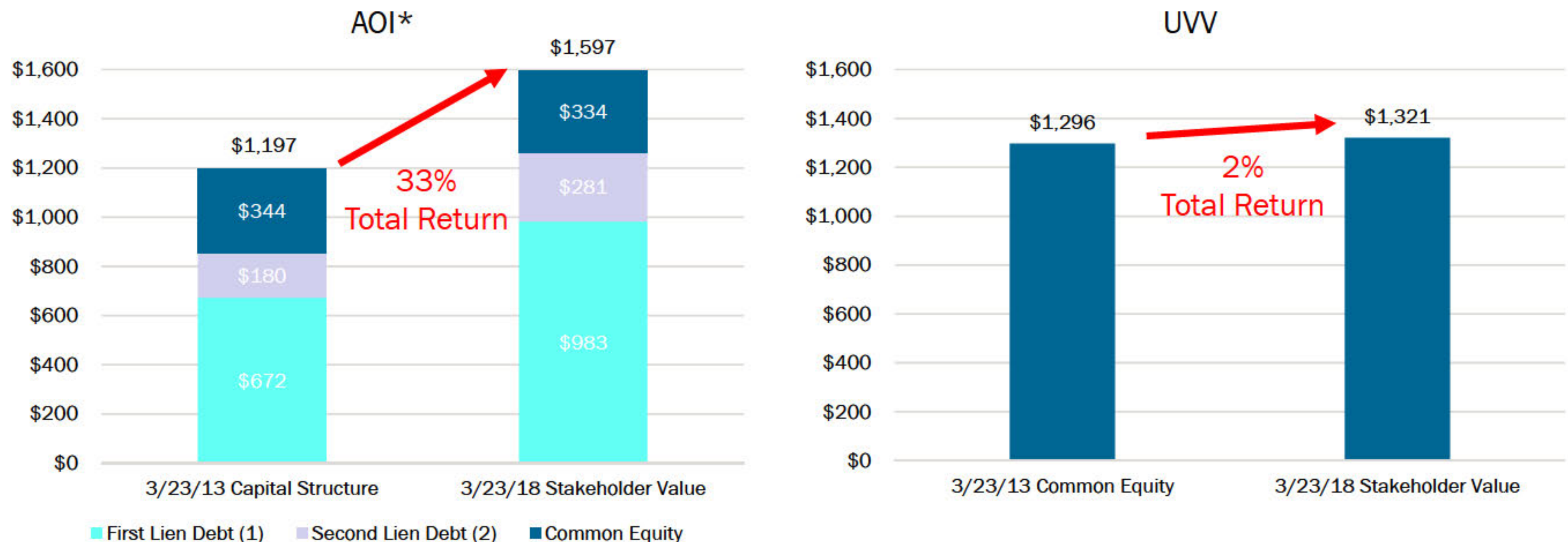
- On a total return basis, UVV's common stock has returned 10% since Mr. Freeman became CEO on April 1, 2008
  - This unacceptable return is **less than one tenth** of its proxy peer group and its worst performing industry or index comparable, the Russell 3000 Index

Notes:
(1) Total return for equities and indices assumes that dividends are reinvested; Data range is April 1, 2008 to March 23, 2018.
(2) Tobacco; Food, beverage & tobacco, and consumer staples classifications are derived using the median return of the GICs-defined (302030, 3020, and 30, respectively) subsets of the Russell 3000 that HoldCo retrieved from Bloomberg s total shareholder return data, which is used to approximate the method by which ISS computes TSRs as defined here: https://www.issgovernance.com/policy-gateway/industry-group-us-tsr-medians-performance-related-policy/. ISS further states that for US companies outside the S&P 500 Index, the "Index TSR reported is that of the Russell 3000"as explained here: https://www.issgovernance.com/policy-gateway/company-financials-faq/
(3) The proxy peer group is self-selected by UVV and is defined in UVV s 2017 Proxy as AOI, ANDE, CALM, DAR, FLO, FDP, INGR, LANC, MKC, SAFM, SEB, SENEA, STKL, and THS.

Sources: Bloomberg; UVV Form DEF 14A filed June 26, 2017 (page 25)

Over the past five years, UVV has underperformed AOI

- The below provides a graphical illustration of our analysis of AOI vs. UVV total return
- Given that the companies are generally comparable in size and scope, and AOI's common equity value is materially lower than that of UVV's, we believe that it is more appropriate to compare AOI's first lien(1) and second lien(2) debt added to its common equity value to compare against UVV's common equity value alone
  - Using this evaluation method, we arrive at a more similar size for AOI ($1.2B) vs. UVV ($1.3B) at March 23, 2013 than we would if we only looked at common equity value alone ($344M vs. $1.3B)
- Again, on a total return basis, UVV has materially underperformed AOI over the past five years



Notes:
Figures in millions
(1) First lien debt is defined as revolving credit facility from March 23, 2013 through October 13, 2016, 8.5% senior secured first lien notes due 2021 from October 14, 2016 through March 23, 2018.
(2) Second lien debt is defined as 10% senior notes due 2016 from March 23, 2013 through August 1, 2013, 9.875% senior secured second lien notes due 2021 from August 2, 2013 through March 23, 2018.
*AOI s total return calculation takes the equity market cap of $344M as of March 23, 2013, $180M outstanding on the revolving credit facility (based on the 10-Q filed February 5, 2013), and $672M market value of the 10% senior notes due 2016 as of March 23, 2013 (based on the $635M principal amount disclosed in the 10-Q filed February 5, 2013), and assumes an initial blended capital structure of 29%, 15%, and 56%, respectively. When interest is paid, we assume it is reinvested proportionately, reflecting market price changes of the equity and debt components. For the credit facility, we assume the interest rate is as disclosed in the 10-Q and 10-K of the corresponding quarter ending on the same day as the interest payment date (last day of March, June, September, and December). On August 2, 2013, we assumed that the 10% senior notes were exchanged at a price of 105 for the 9.875% senior secured second lien notes due 2021 at a price of 98% of principal, corresponding to the proportion of the redemption price of the old notes and the issue price of the new notes (as both transactions are disclosed in the 10-Q filed November 5, 2013). On October 14, 2016, we assume the revolving credit facility is refinanced by the 8.5% senior secured first lien notes due 2021 at a rate of 100%/99.085% of principal, where the numerator assumes the credit facility is at par and the denominator being the issue price of the new notes (as disclosed in the 10-Q filed for the period ended February 6, 2017). We did not factor in notes payable, other long-term debt (other than those mentioned above), long-term foreign seasonal borrowings, or the 5 ½% convertible senior subordinated debt due 2014.

Sources: Bloomberg; CapIQ; AOI Form 10-Q, filed February 5, 2013 (pages 18 and 30); AOI Form 10-Q, filed November 5, 2013 (pages 16-17 and 36-38); AOI Form 10-Q, filed February 6, 2017 (pages 16-18, 28, and 37); UVV Form DEF 14A, filed June 26, 2017 (page 25)

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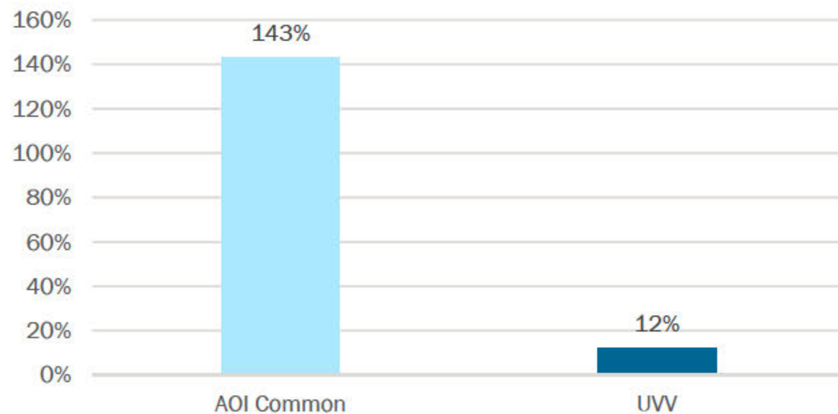
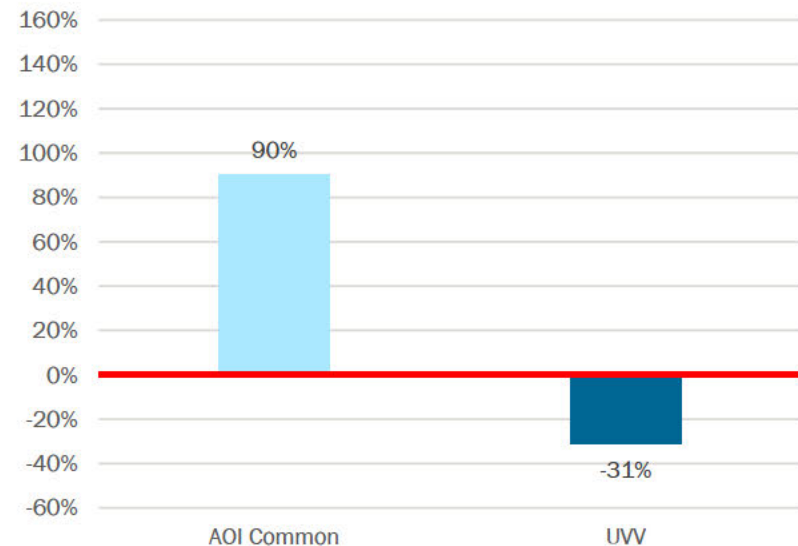
UVV's own preferred method of comparing itself to AOI's common stock also demonstrates 3 year underperformance

- UVV uses a number of companies as its peers for purposes of determining executive compensation but only utilizes AOI's common stock for purposes of evaluating its total shareholder return
  - [redacted]
- AOI is on track to materially outperform UVV when the measurement period for the next proxy closes on March 31, 2018





Sources: UVV Form DEF 14A, filed June 26, 2017 (pages 21 and 25); Bloomberg
Notes: (1) Total return assumes that dividends are reinvested (2) Data range is March 23, 2015 to March 23, 2018 for 3-year cumulative return (3) Data range is March 23, 2017 to March 23, 2018 for the 1-year return

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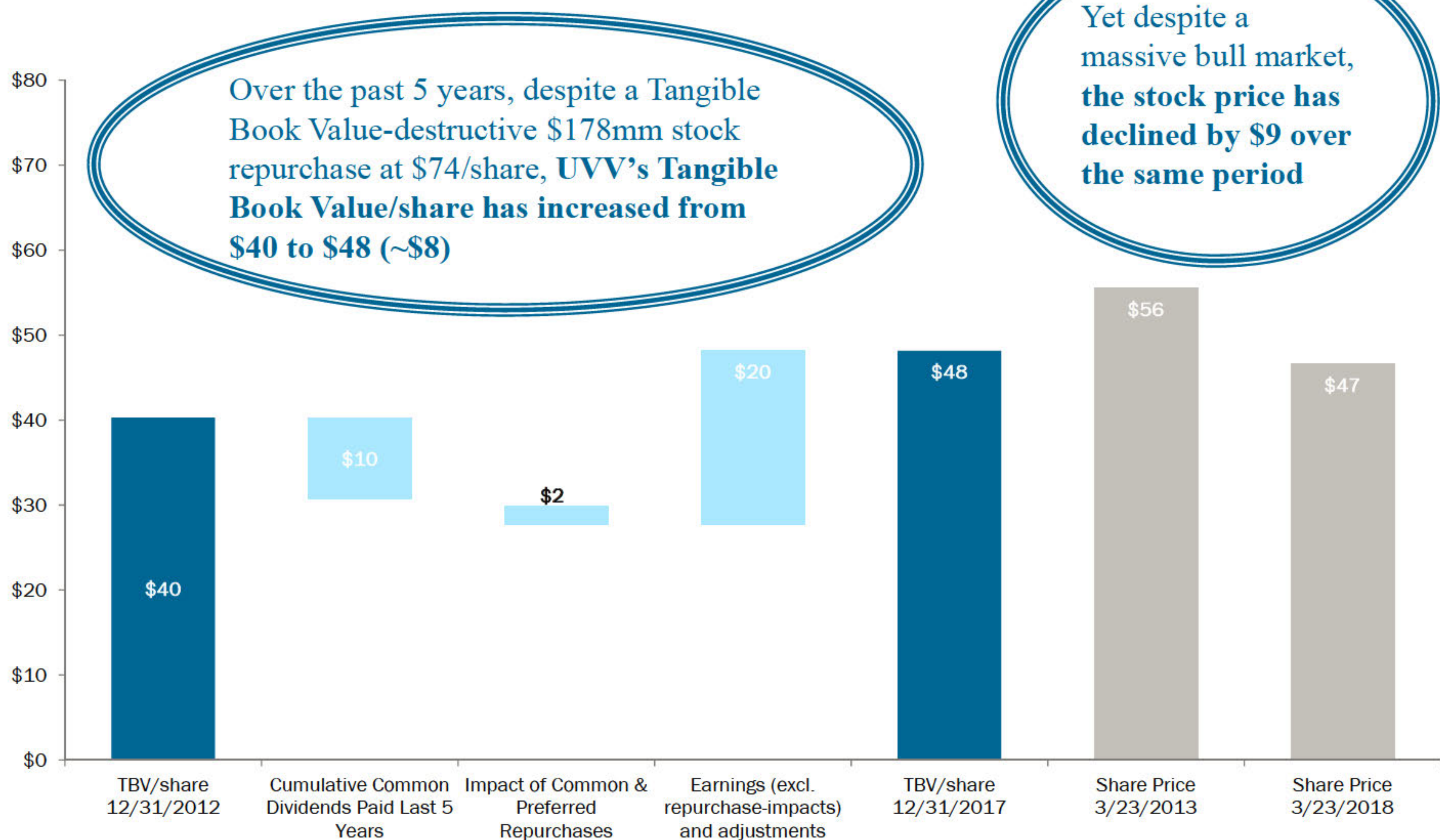
Despite a bull market, the market places a negative value on every dollar that UVV retains



Sources: UVV Form 10-Q, filed February 5, 2013 (pages 3-5); UVV Form 10-Q, filed February 6, 2018 (pages 3-5); Bloomberg; CapIQ
Note: TBV/Share at 12/31/2012 assumes UVV's preferred stock was converted to common stock

In other words…

- Five years ago, UVV's share price was $56 and its tangible common equity per share ("TBV/share") on a fully-converted/diluted basis (i.e. assuming the preferred stock was converted) was only $40[1]
  - Despite a depressed valuation even then, at least the market valued UVV as greater than its liquidation value (a 1.4x price to tangible book value)

- Since then, UVV's stock price has declined from $56 to $47[2] while TBV/share has increased from $40[1] to $48[3]
  - UVV is $8 richer but the stock trades $9 cheaper
  - In other words, the market ascribes **negative** value to the $8 in increased TBV/share
  - This is striking, particularly against the backdrop of the bull market of the last five years

- Total TBV/share as of 12/31/17 plus cumulative 5-year dividends/share received by existing shareholders is $17*
  - This represents a 43% "all-in" shareholder enhancement in tangible value
  - However, the "all-in" return for shareholders including dividends over this period of time has only been 2%

- For every $1 of enhanced tangible common equity, the market does not ascribe $1 of value
  - Not even one penny
  - The market is literally ascribing negative value to every dollar of cash flow that UVV does not pay out to shareholders in the form of dividends

Sources: (1) UVV Form 10-Q, filed February 5, 2013 (pages 3-5); (2) Bloomberg; (3) UVV Form 10-Q, filed February 6, 2018 (pages 3-5)
*Number differs from adding the $10 "Cumulative Dividends Paid Last 5 Years" and the $8 increase in TBV shown in the previous slide due to rounding

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B. Today's Bargain Valuation

UVV's valuation is uniquely attractive on a tangible asset basis

UVV is the only stock that meets the above criteria

Source: CapIQ Screening & Analytics tools, data as of March 21, 2018

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UVV's valuation is uniquely attractive on a free cash flow basis

Greater than $1 billion market capitalization

U.S. company listed on a national exchange

EBITDA-Capex and net income positive for 25 consecutive years

Total debt/EBITDA-Capex <3x

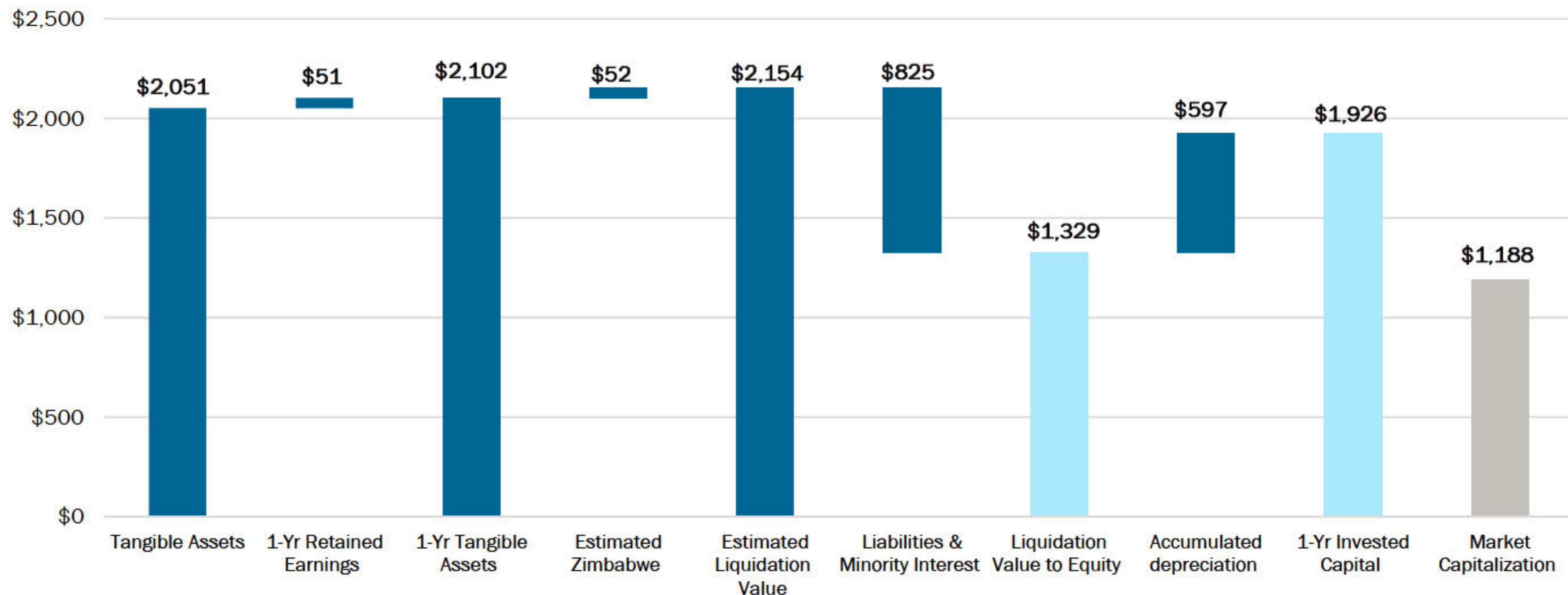
EV/EBITDA-Capex <10x

UVV is one of six stocks that meet the above criteria

Source: CapIQ Screening & Analytics tools, data as of March 21, 2018

The marketplace ascribes negative value to UVV's franchise and management team: UVV trades below scrap liquidation value

- If UVV's assets were sold off in pieces, shareholders would receive more than the current stock price
- In addition, UVV's actual cumulative invested capital is substantially greater than the market capitalization
- This is a rare indictment that is typically only seen in broken business models that generate negative free cash flow
- HoldCo believes that UVV is worth substantially more as a going concern than scrap liquidation value and believes the market will recognize this if steps are taken to fix its self-inflicted problems (conveyed on page 8)



Sources: UVV Form 10-Q, filed February 6, 2018 (pages 3-5); UVV Form 10-K, filed June 13, 2005 (pages 5 and 59); HoldCo estimates; Bloomberg

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The marketplace values UVV at a significant discount to AOI, its structurally challenged, smaller competitor

- UVV has long-standing historical structural advantages over AOI that were inherited by existing management
- Despite these indisputable structural advantages enjoyed by UVV, the marketplace believes that AOI is the more valuable company
- It is rare to see a smaller company with limited capital flexibility, lower margins, lower earnings, lower free cash flow, substantially greater debt, a higher cost of capital, and in danger of failing to refinance debt trade at a higher valuation than a larger company with tremendous capital flexibility, higher margins, higher earnings, substantially less debt, a lower cost of capital, and facing absolutely no danger of refinancing debt

	Description	UVV	AOI
Capital Flexibility	• As you have explained to us, your flexibility to invest in working capital when needed gives you an advantage in procuring new business from customers	• In the last 12 months, UVV paid out only 8.6% of its (EBITDA-Capex) in interest expense on debt • Debt is minimal	• In the last 12 months, AOI paid out over 100% of its EBITDA-Capex in interest expense on debt • Debt is substantial
Size	• Companies with #1 ranked earnings in an industry or sub-industry are generally regarded as more attractive than the #2 player	• In the last 5 fiscal years, UVV has generated average EBITDA of $228 million	• In the last 5 fiscal years, AOI has generated average EBITDA of $139 million
Debt Capacity and Maturity Schedule	• Over-leverage creates refinancing, cash flow, and bankruptcy risk	• UVV is under-leveraged and has substantial borrowing capacity on its available lines of credit (see page 49) • UVV has $150 and $220 million debt maturing in 2019 and 2021, respectively, but this debt approximates only 1.7x TTM EBITDA	• AOI is over-leveraged and is utilizing all free cash flow to pay down debt • AOI has approximately $938 million of debt maturing in 2021 and failure to refinance such debt will result in a possible bankruptcy
Rating	• Better ratings reduce cost of capital	• Rated BBB by S&P	• Rated CCC+ by S&P
Cost of Borrowing	• A lower cost of borrowing results in a lower cost of capital	• UVV borrowing cost is below 4.0% and could incur greater debt for only a modest increase in cost	• AOI 's first liens cost 8.5% and second liens cost 9.875%
Historical Capital Expenditures	• Greater historical investment in the business results in more expansive resources, property, plant, and equipment	• Throughout its history, UVV has spent considerably more on capital expenditures than AOI • Cumulative capex of $218 million the past five fiscal years	• Throughout its history, AOI has spent considerably less on capital expenditures than UVV • Cumulative capex of $121 million the past five fiscal years
Historical Margins/ROIC	• Greater historical margins are indicative of a structurally stronger business	• UVV's EBITDA margins have averaged 10% over the last 5 fiscal years • UVV's ROIC has averaged 11% over the last 5 fiscal years	• AOI's EBITDA margins have averaged 7% over the last 5 fiscal years • AOI's ROIC has averaged 7% over the last 5 fiscal years

Sources: AOI Form 10-Q. filed February 8, 2018 (page 32); UVV Form 10-K, filed May 26, 2017 (page 24 and 56); Bloomberg; CapIQ; Standard & Poor's website – accessed February 28, 2018; HoldCo estimates

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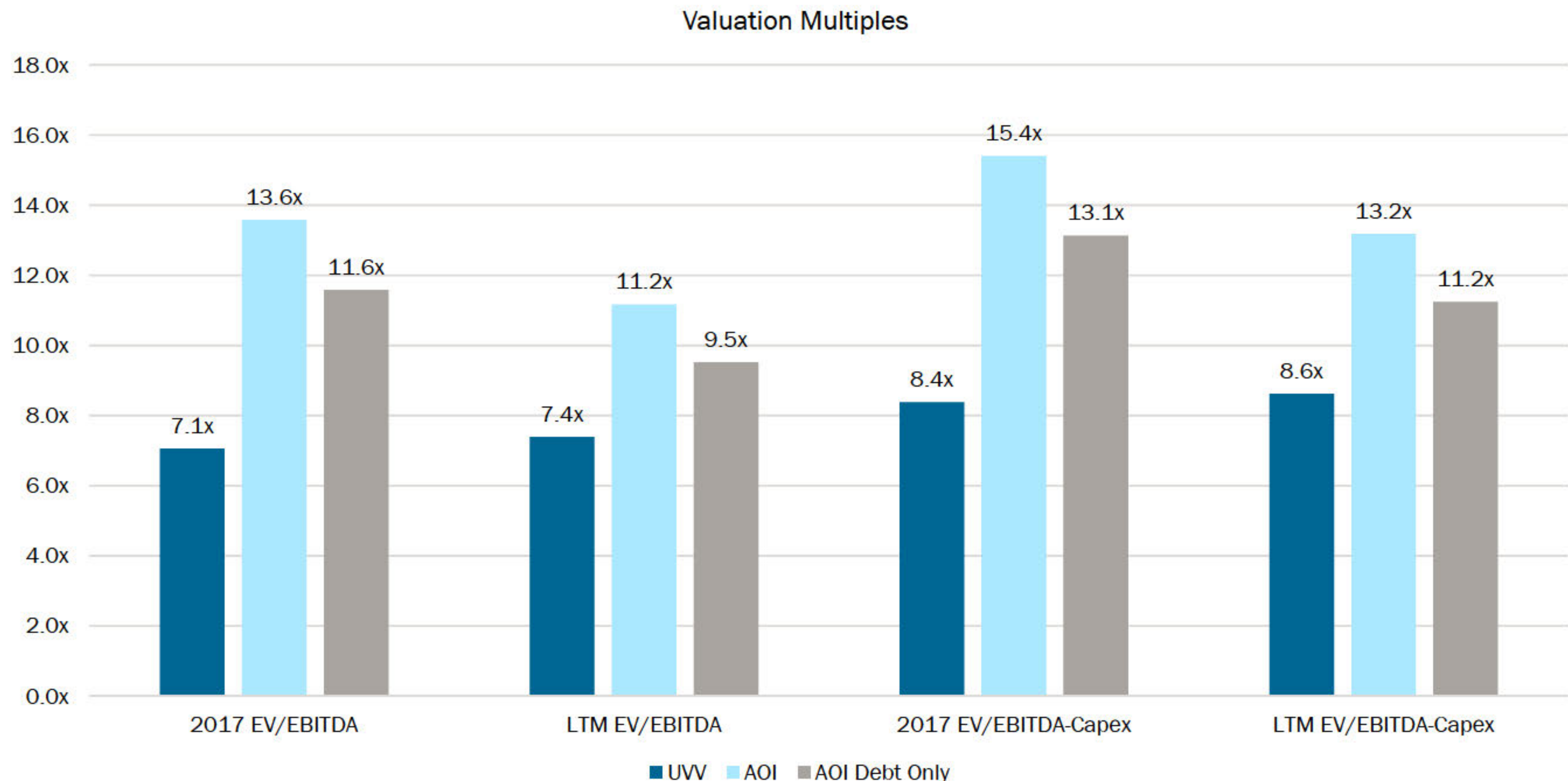
Any way you slice it, UVV's valuation is cheaper than AOI's

- UVV trades at a significant discount to AOI despite being a structurally advantaged company (as described on the prior page)
- Quite shockingly, UVV's enterprise value is cheaper than AOI's debt alone as a multiple of earnings and cash flow (i.e. completely disregarding AOI's common stock!)



Sources: UVV Form 10-Q, filed February 6, 2018 (pages 3-6); UVV Form 10-K, filed May 26, 2017 (pages 35 and 39); AOI Form 10-Q, filed February 8, 2018 (pages 3, 5, and 7); AOI Form 10-K, filed June 14, 2017 (pages 39 and 43); Bloomberg, prices as of March 23, 2018 close

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Backup calculations for the prior chart shown below

	FY 2017		Last Twelve Months	
	UVV	AOI	UVV	AOI
Net income	$113	($63)	$118	$57
Income tax expense (benefit)	$57	$23	$45	($64)
Interest expense	$16	$133	$16	$135
Interest income	($1)	($8)	($2)	($5)
Debt retirement expense (income)		($0.3)		($6)
Restructuring and impairment costs	$4	$1	$0.5	$0.4
Other income		($5)		($10)
D&A	$36	$35	$36	$33
Adjusted EBITDA	**$224**	**$116**	**$214**	**$141**
Capex	$36	$14	$31	$22
EBITDA-Capex	**$188**	**$102**	**$184**	**$120**

(as of 12/31/2017)	UVV	AOI
Weighted average common shares outstanding – diluted	25,460,409	9,029,000
Stock Price – March 23, 2018 close	$46.65	$25.75
Market Capitalization	$1,188	$232
Cash	($147)	($209)
Notes Payable	$51	$536
Debt (Par value)	$370	$939
Pensions and other postretirement liabilities	$75	$76
Minority Interest	$46	$3
Enterprise Value	**$1,582**	**$1,578**

Sources: UVV Form 10-Q, filed February 6, 2018 (pages 3-6); UVV Form 10-K, filed May 26, 2017 (pages 35 and 39); AOI Form 10-Q, filed February 8, 2018 (pages 3-7); AOI Form 10-K, filed June 14, 2017 (pages 39-43); Bloomberg
Note: Numbers, other than stock price and shares outstanding, are rounded to the nearest million

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C. Take-Aways

Key take-aways

Since current management was appointed, UVV's shareholder return has significantly underperformed its self-selected peer group and ISS-favored peer groups

Over the past three years, UVV's shareholder return has significantly underperformed its self-selected peer group and ISS-favored peer groups

Over the past five years, the marketplace has literally ascribed negative value to every dollar that UVV retains and does not pay out to shareholders

UVV's enterprise value is uniquely inexpensive when compared to other U.S. companies on both a cash flow and tangible asset basis

The marketplace values UVV's stock below tangible liquidation value and significantly below invested capital and therefore ascribes negative value to UVV's franchise value and management team

UVV is valued by the marketplace at less than its smaller, structurally challenged competitor AOI

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III. CAPITAL ALLOCATION

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A. Historical Approach

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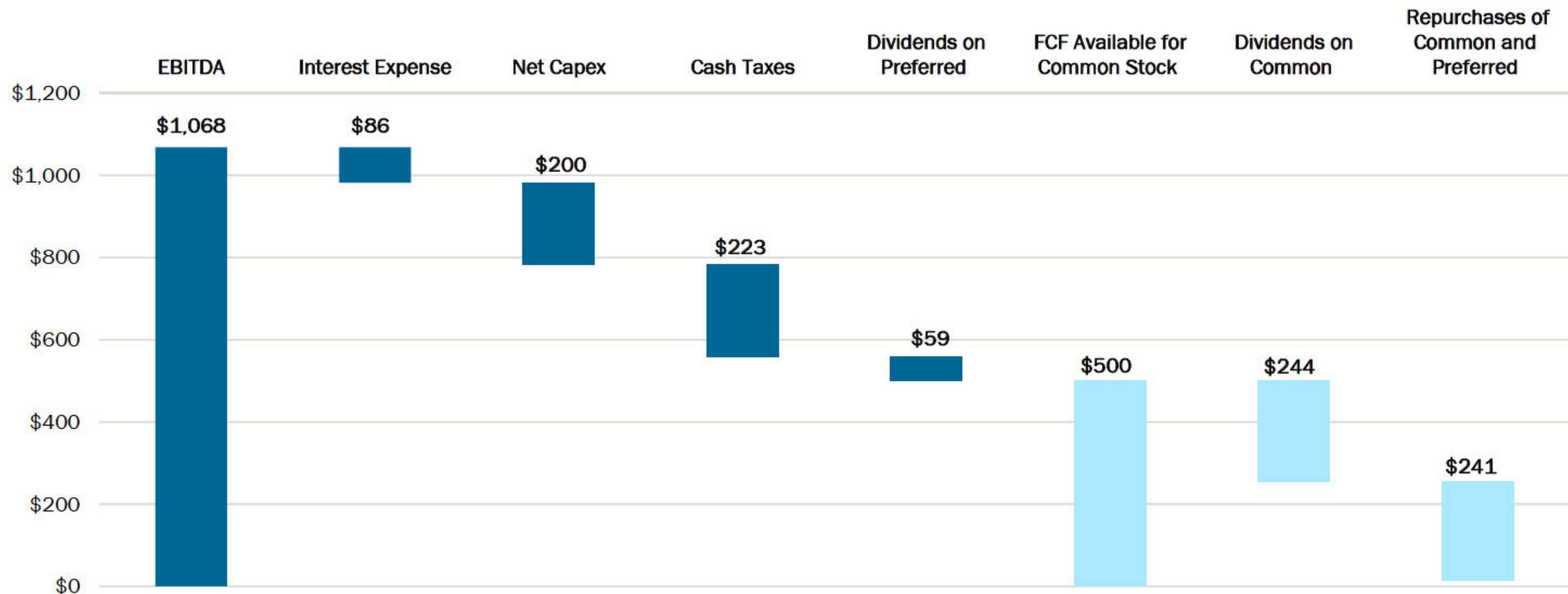
How has UVV historically deployed free cash flow?

- Over the past five calendar years, UVV has generated more than $1 billion of EBITDA and approximately $500 million of free cash flow, nearly all of which has been returned to shareholders
  - $244 million was paid to shareholders in the form of dividends to common shareholders
  - $241 million was used to repurchase common stock (including in connection with the 2017 preferred stock conversion)

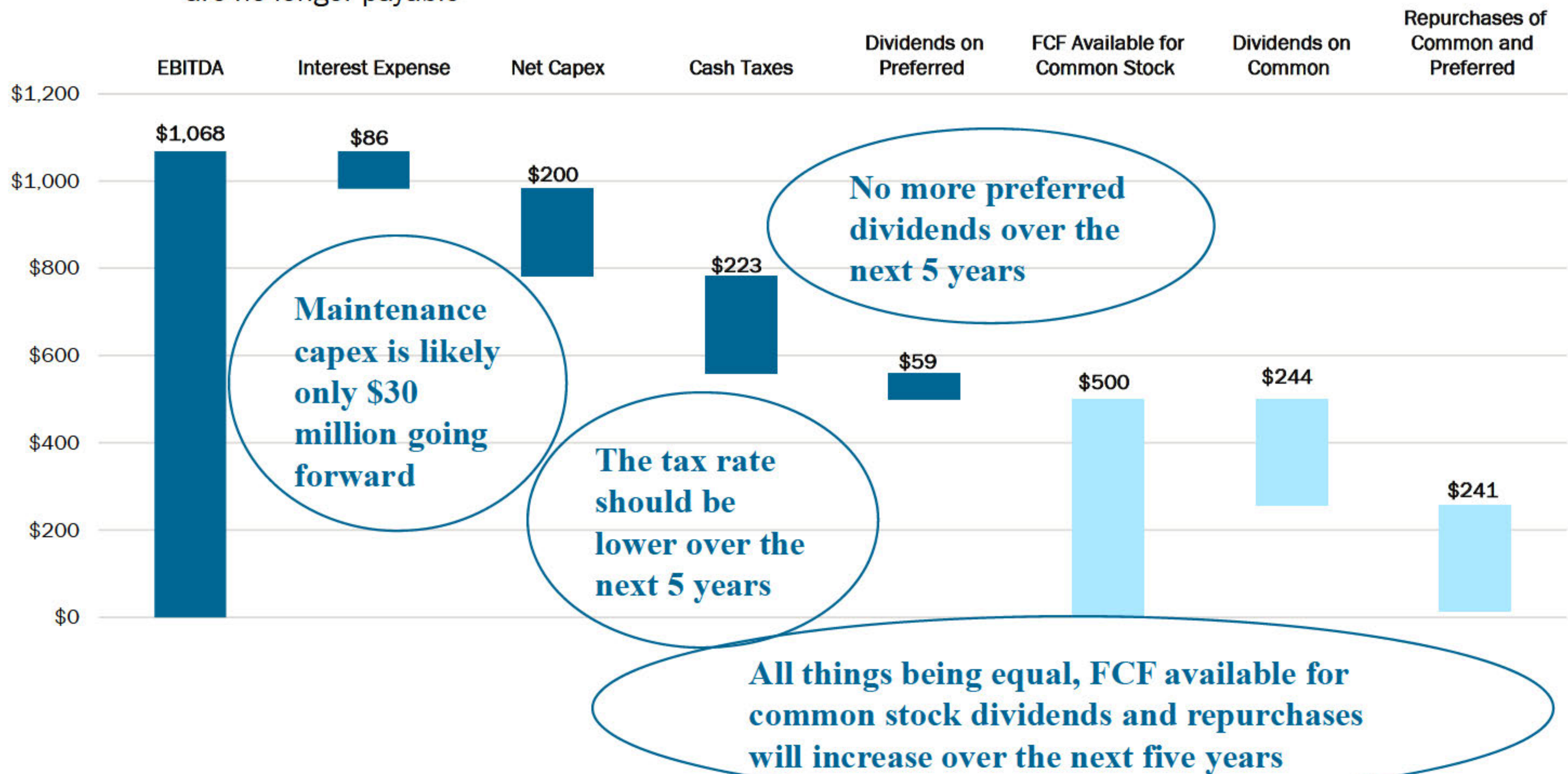


EBITDA excludes $82mm of excise tax gains in FY 2014

Sources: CapIQ; UVV Form 10-K, filed May 23, 2014 (pages 32, 36, and 71); UVV Form 10-K, filed May 26, 2017 (page 24)

Positive trends foretell increased free cash flow going forward

- Investors understand that end markets are facing gradual volume declines and there are aspects of this business that are simply out of management's control, but looking out five years there is likely more than $500 million of free cash flow that will be available to be returned to shareholders
  - Supply/demand imbalance looks improved, taxes and capex should be lower, and preferred dividends are no longer payable



Sources: CapIQ; UVV Form 10-K, filed May 23, 2014 (pages 32, 36, and 71); UVV Form 10-K, filed May 26, 2017 (page 24); Standard and Poor's Credit Research, "Universal Corp. Upgraded to 'BBB' On Improved Credit Measures; Outlook Stable", dated September 28, 2017 (page 4)

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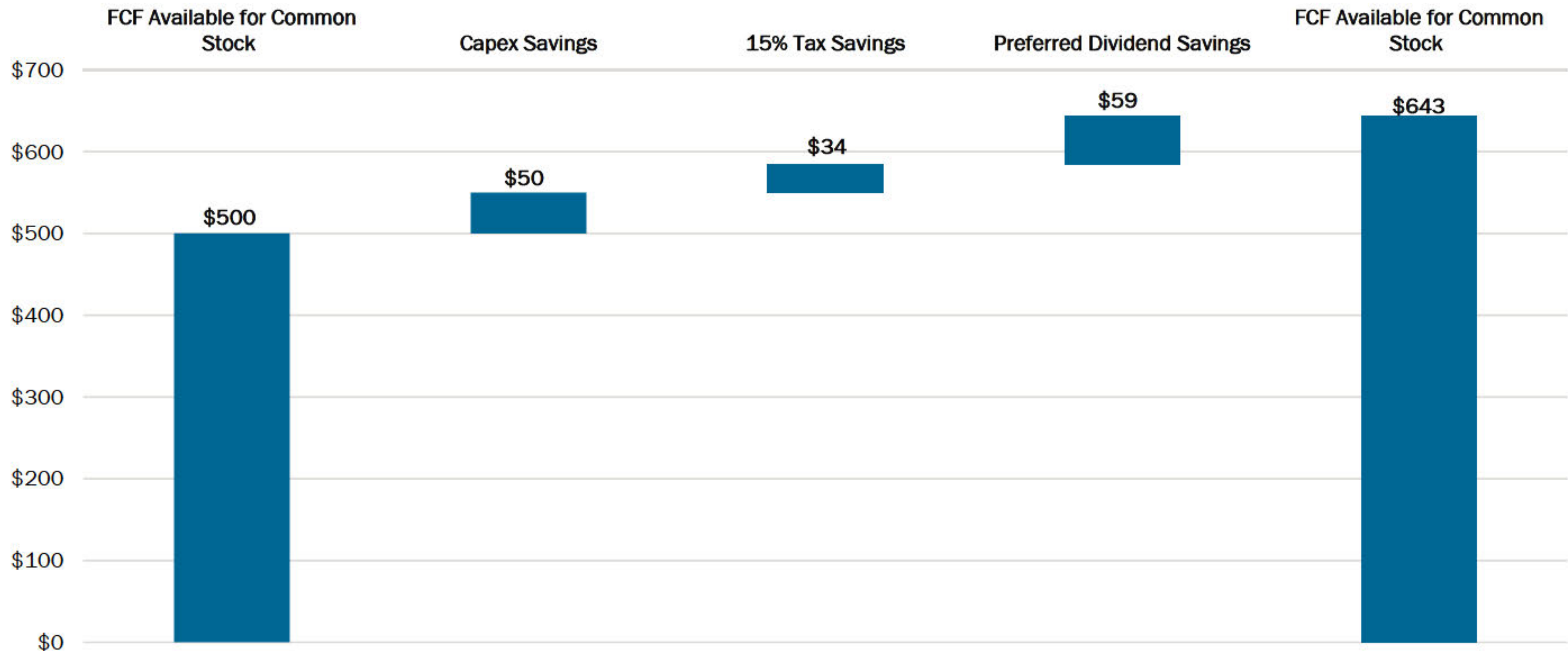
Assuming top line and margins remain constant…

- Even if top line and margins remain constant going forward, a few expected pro forma adjustments should substantially enhance free cash flow available to common shareholders over the next five years
- These assumptions are necessarily HoldCo's "guess-timates" because management has not provided sufficient information to forecast the most basic of its business drivers (such as what the expected go-forward tax rate will be now that the U.S. has moved from a "worldwide" to a "territorial" system)
  - HoldCo has in the past requested that the information needed to estimate the go-forward tax rate be disclosed by management



Sources: CapIQ; UVV Form 10-K, filed May 26, 2017 (page 24); HoldCo estimates
Note: Capex savings subtracts maintenance capex over five years from the total capital expenditures over the preceding five calendar years

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Problem #2: UVV's capital allocation approach is haphazard, opaque, and understandably worrisome to its shareholders

- Although UVV returned free cash flow to shareholders over the past 5 years, it did so without having developed and communicated a clear capital allocation plan
- UVV, despite a self-proclaimed declining business with working capital levels near all time highs and debt levels near all time lows, has never communicated to shareholders a commitment to return its free cash flow to shareholders in the form of buybacks or dividends
- UVV has never communicated when it intends to pursue buybacks (principles of corporate finance would dictate that this would be most optimal when the stock price was low) and when it intends to pursue special dividends or increased ongoing dividends (finance principles would conversely say this would be optimal when the stock price was high)
- [redacted]
  - [redacted]
  - [redacted]
  - [redacted]

Sources: CapIQ; Bloomberg; UVV Form 10-K, filed May 26, 2017 (page 39)

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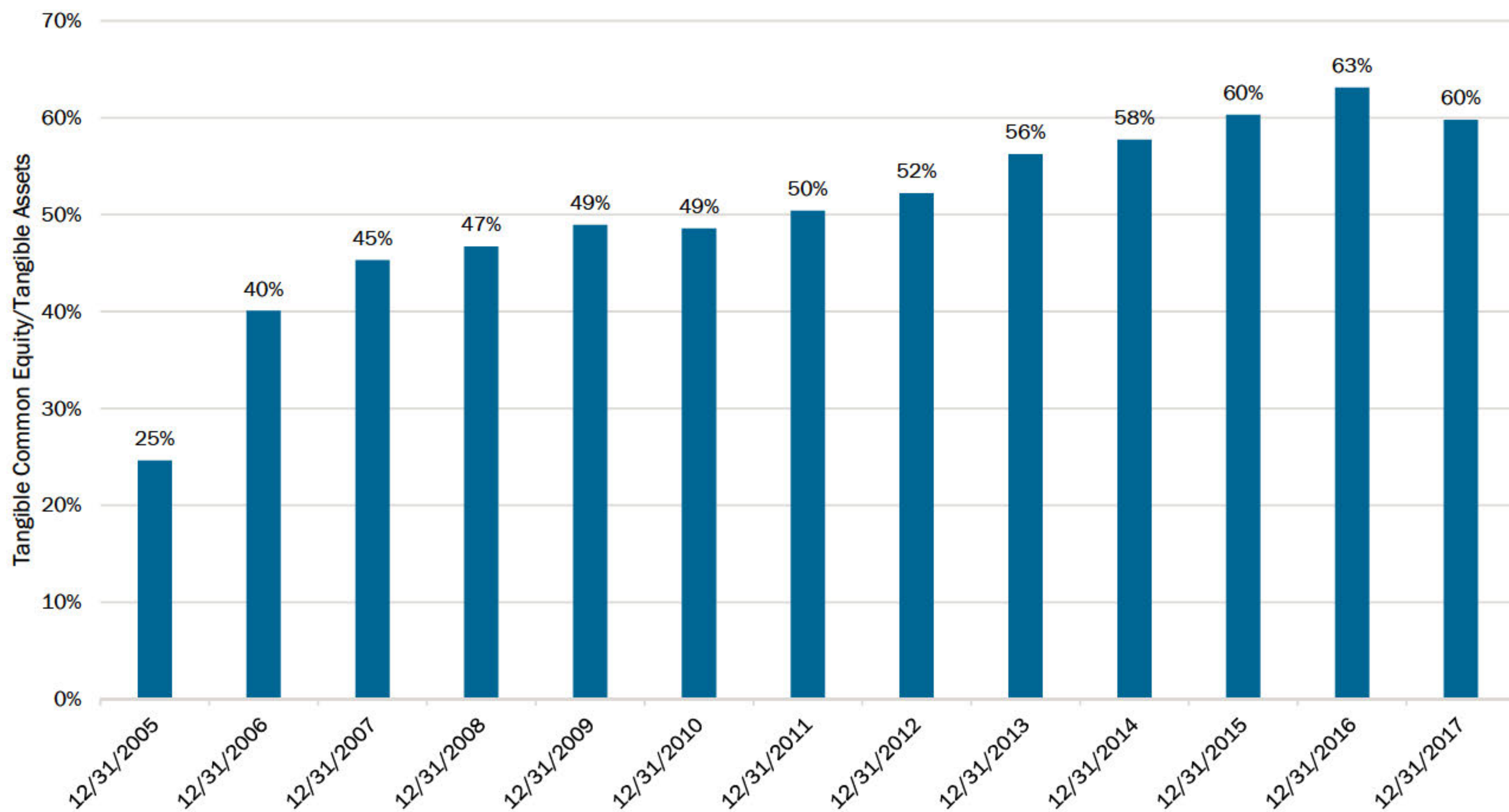
UVV's leverage is near all-time lows: tangible common equity as percentage of tangible assets has more than doubled since 2005

- The tangible common equity as a percentage of tangible assets has increased from 25% on December 31, 2005 to 60% on December 31, 2017

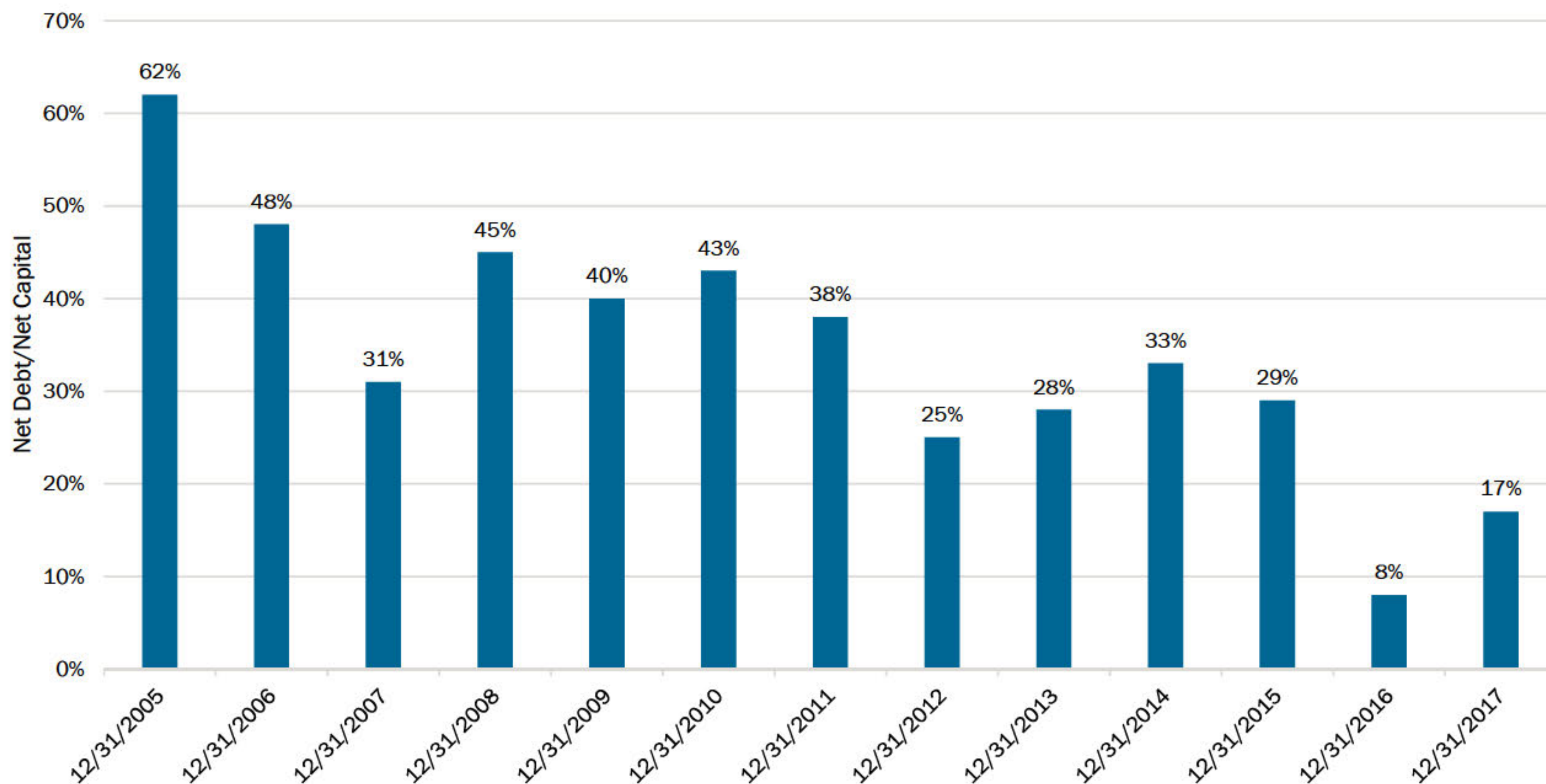
- **If UVV chose to return to a level approximating ~35% of tangible common equity/tangible assets, UVV could incur more than $500 million of debt**



Source: CapIQ
Notes: (1) Tangible common equity equals Total UVV's shareholder equity minus goodwill (2) Tangible assets equals Total assets minus goodwill

Leverage as a percentage of capital has also decreased over the same time frame

- Net debt has decreased from 62% of net capital as of December 31, 2005 to 17% as of December 31, 2017
- Karen Whelan, former VP and Treasurer, said on October 5, 2011, "We've set a target of 35% to 40% debt to total capital. We tend to be below that in March. That's a cash-in time of the year for us. And then, we go up into that range in seasons."(1)
- If UVV were to increase net debt/net capital to this conservative historical target, it could raise approximately $400 million of debt



Sources: (1) UVV October 5, 2011 Earnings Call transcript obtained from CapIQ; CapIQ
Notes: Net debt includes debt and preferred equity less cash; Net capital equals total debt plus total equity less cash

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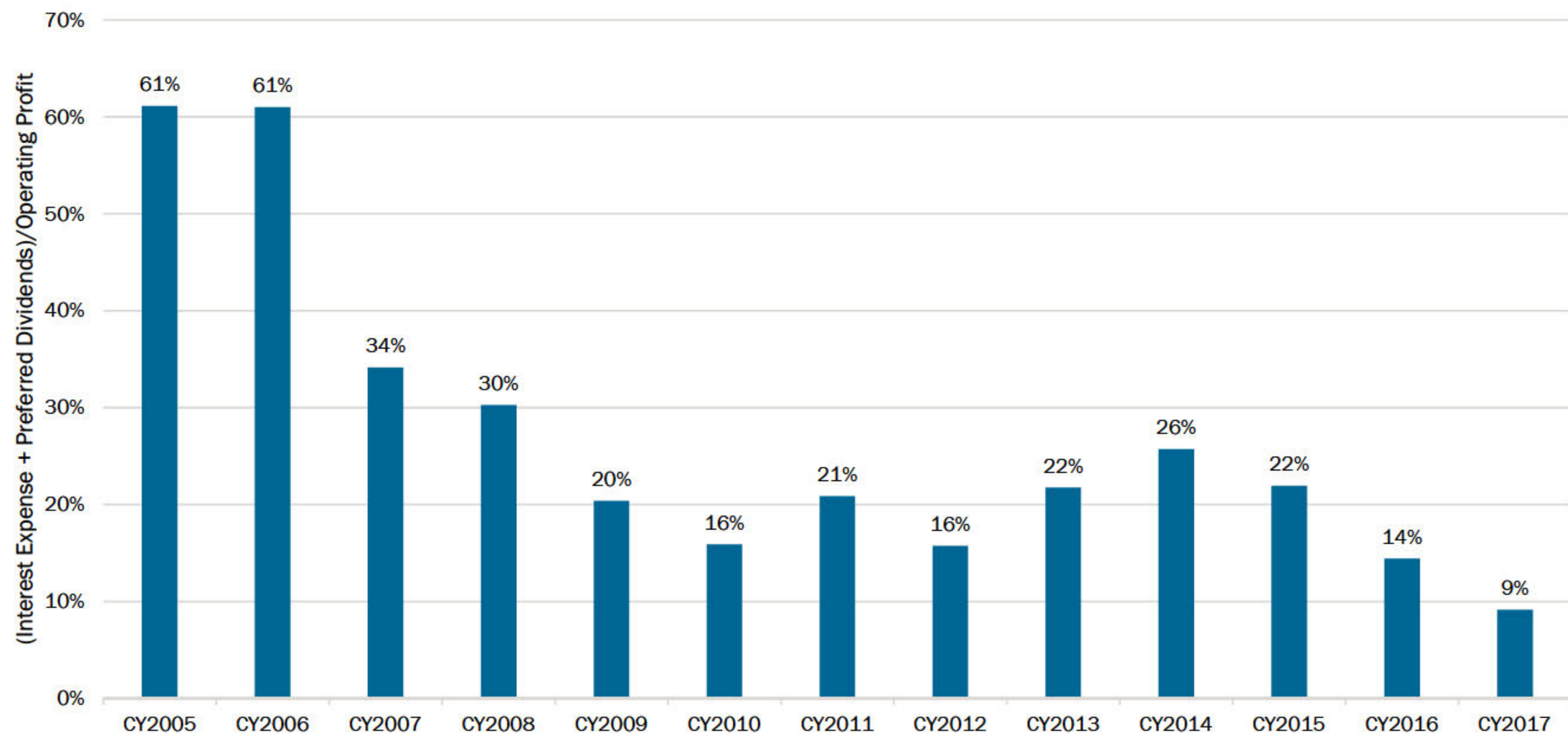
Interest expense and preferred dividends have also declined substantially relative to operating profits

- Interest expense and preferred dividends as a percentage of operating profits declined from 61% in calendar year 2005 to 9% in 2017
- Based on a 13-year average interest (and preferred dividend) service cost of 27%, UVV could incur an additional $700 million of debt assuming interest costs of 4.50% (100bps higher than the higher cost 7-year term loan during FY 2017)



Sources: UVV Form 10-K filed May 26, 2017 (page 24); CapIQ
Note: Operating profits is "segment operating income (loss)" reported by UVV in its SEC filings

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B. Go-Forward Plan

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(i) Use of Free Cash Flow

Returning 100%+ of free cash flow to shareholders is imperative for a company with UVV's structural characteristics

- Although UVV disclosed recently in its FY 2Q18 earnings release and 10-Q that it had "increased [its] market share"[1], it has also bluntly stated that UVV expects "...that near term global demand for leaf tobacco will continue to slowly decline in line with declining cigarette consumption"[2]
  - Working capital should decline in the long run as end-market volumes decline, thus freeing up additional capital to distribute to shareholders
- Over the last five years, $199.4 million has been invested in working capital, bringing working capital as a percentage of sales to levels approaching all-time highs[3]
- At the same time, debt and fixed income costs are near historic lows, and if opportunities to grow the business arise (such as new orders from cigarette manufacturer customers), working capital increases can easily be funded through additional debt
- **For a business with these structural characteristics (i.e. declining volumes / historical high working capital levels / historical low debt levels / substantial free cash flow generation), a firm commitment – consistent with a well-developed and clearly communicated capital allocation plan – to regularly distribute 100%+ of all free cash flow to shareholders is imperative**
- HoldCo believes that it is critical that UVV commit to returning all free cash flow to shareholders and provide a detailed plan as to how it precisely intends to do so in a smart, value-maximizing way

Sources: (1) UVV Form 10-Q, filed November 7, 2017 (page 27); (2) UVV Form 10-K, filed May 26, 2017 (page 31); (3) CapIQ

UVV's capital allocation planning is questionable and creates understandable investor concerns

- UVV has never announced a plan as to how it thinks about capital allocation and at what prices it intends to buy back stock and at what prices it intends to provide special dividends (or simply increase the dividend to a much higher payout ratio)
- Even worse, disclosures in the most recent 10-K indicate that stock buybacks are only considered when UVV has excess cash on hand and that the price of the stock is not the main consideration in the decision of when to repurchase stock(1)
- HoldCo considers this value-agnostic approach to capital allocation to be imprudent and believes that a free cash flow machine such as UVV should consider thoughtful and opportunistic capital allocation to be its most important function
  - Thinking like an investor is critical, and buying something without considering value does not make any sense

Sources:

HoldCo requests that UVV's Finance Committee develop a value-based plan for returning free cash flow to shareholders

- HoldCo believes that a methodical and conservative value-based approach to maximizing long-term value for existing shareholders is critical

- Such a plan should take into account the value of UVV's stock in weighing stock buybacks against increased dividends

- For example, HoldCo would support the following "capital return plan"
  - All free cash flow will be used to repurchase shares so long as shares trade at or below a certain price to tangible book value which is determined to be inexpensive based on an absolute value philosophy
  - To the extent that the share price rises above a level reflective of such price to tangible book value, UVV dividends all excess free cash flow to shareholders either in the form of an increased ongoing dividend or an annual special dividend

- Although HoldCo would also support a doubling of the dividend (with any additional residual capital used to repurchase shares or returned through an annual special dividend), it considers this approach less value-creative than the above "repurchase first and dividend later" approach

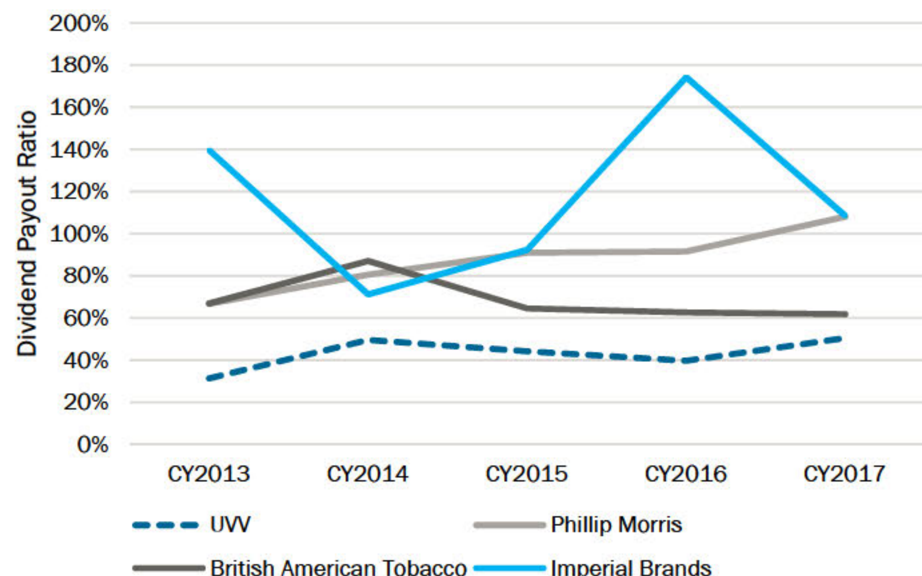
- HoldCo is happy to share its financial models with UVV so that it may assess the benefits of this type of approach
  - The math doesn't lie: shareholders and management will do very well over the next 15 years if UVV implements this approach, particularly if UVV is able to buy substantial stock in the vicinity of today's prices

- Warren Buffett, the chairman of Berkshire Hathaway, has pursued a similar approach in the past
  - Buffett is authorized to repurchase shares at 120% or less of book value[1]

Source: (1) 2016 Berkshire Hathaway Shareholder Letter (page 7)

UVV's dividend payout ratio could be comfortably doubled if the stock price rises to levels where repurchases don't make sense

- UVV's dividend payout ratio of 43.1% from 2013-2017 is nearly 50 percentage points below that of its 3 biggest customers: Phillip Morris, British America Tobacco, and Imperial Brands
- UVV is also less levered than these companies
- If UVV increased its payout ratio to these levels, it could double its dividend and still have a healthy cushion with which to issue special annual dividends or buy back stock opportunistically



Company	Dividend Payout Ratio 2013-2017 Average
Phillip Morris	87.6%
British American Tobacco	68.6%
Imperial Brands	117.2%
Customers Average	**91.1%**
UVV	43.1%

Source: CapIQ
Notes: (1) Payout ratio equals common dividends paid divided by net income – data is based on calendar years (2) British America Tobacco's February 22, 2018 press release results are "adjusted" to exclude a 23B GBP gain from acquisition of RAI and a 10B GBP credit for deferred taxes (3) Imperial Brands 2017 results were computed on FY basis ending September 30, 2017 since CY 2017 results have not been released

Some illustrative assumptions demonstrate the valuation benefits of enhanced free cash flow return to shareholders

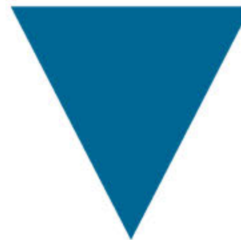
If UVV commits to return all free cash flow to shareholders

If UVV commits to repurchase stock so long as it trades below a certain P/TB value

If UVV commits to dividend all excess cash to shareholders

If UVV's go-forward tax rate is lower

If UVV's stock trades at a reasonable dividend yield



UVV's stock will go up significantly

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UVV has enough free cash flow to substantially increase returns to shareholders

	FY 2017	5 Calendar Year Average
Adj. EBITDA	$224	$214
Capex	($36)	($44)
Interest Expense	($16)	($17)
Cash Taxes	($37)	($45)
Common Stock Dividends	($50)	($49)
Free Cash Flow	**$85**	**$59**

Sources: UVV Form 10-K, filed May 26, 2017 (pages 35-39); CapIQ

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(ii) Debt Capacity

UVV has ample debt capacity to repurchase common stock

- As shown on pages 37 to 39, UVV's debt levels and interest costs are at all-time low levels today
  - A return to conservative historical levels would enable debt incurrence of more than $400 million
- In addition, as shown on pages 17 to 23, UVV's common stock is extremely undervalued today
  - Utilizing debt incurrence proceeds to repurchase common stock at these levels would be incredibly value-creative for existing shareholders
- At the same time, working capital levels are approaching highs as ~$200 million[1] has been invested in working capital over the last five years
- Given that UVV's end-markets are in long-term gradual decline, working capital should also provide a source of cash in the long run
- UVV has an investment grade balance sheet and even today has ample borrowing capacity
  - UVV has $430 million available under its revolver and $247.6 million in unused, uncommitted credit lines[2]
  - The cost of its borrowings are between Libor + 1.25% to Libor + 2.75%, depending on its Total Leverage Ratio[3]
  - UVV's revolver and term loan require that certain leverage levels be met (based upon which UVV has several hundreds of millions of capacity) but the gating covenant is that UVV's tangible equity not fall below $1 billion[3]
- As a result, UVV could draw down approximately $200 million to repurchase common stock without tripping the $1 billion net worth covenant
- This credit agreement was executed in 2014 before credit markets experienced significant tightening of spreads and before UVV's S&P upgrade[4], so it would likely not be difficult to obtain an amendment of this covenant to reduce the $1 billion net worth test (or if necessary, pursue a debt refinancing) so that UVV could draw down (or through refinancing access) $400 million or more

Sources: (1) CapIQ; (2) UVV Form 10-Q, filed February 6, 2018 (page 26); (3) UVV Form 8-K – Exhibit 10.1, filed December 31, 2014 (pages 2-3 and 55); (4) Standard and Poor's Credit Research, "Universal Corp. Upgraded to 'BBB' On Improved Credit Measures; Outlook Stable", dated September 28, 2017

Some illustrative assumptions demonstrate the accretive nature of a leveraged stock buyback

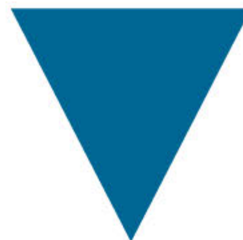
If UVV incurs additional indebtedness

If UVV pays a somewhat higher rate of interest on such indebtedness

If UVV uses these proceeds to repurchase stock near today's levels

If UVV's go-forward tax rate is lower

If UVV's common stock trades at a reasonable earnings multiple

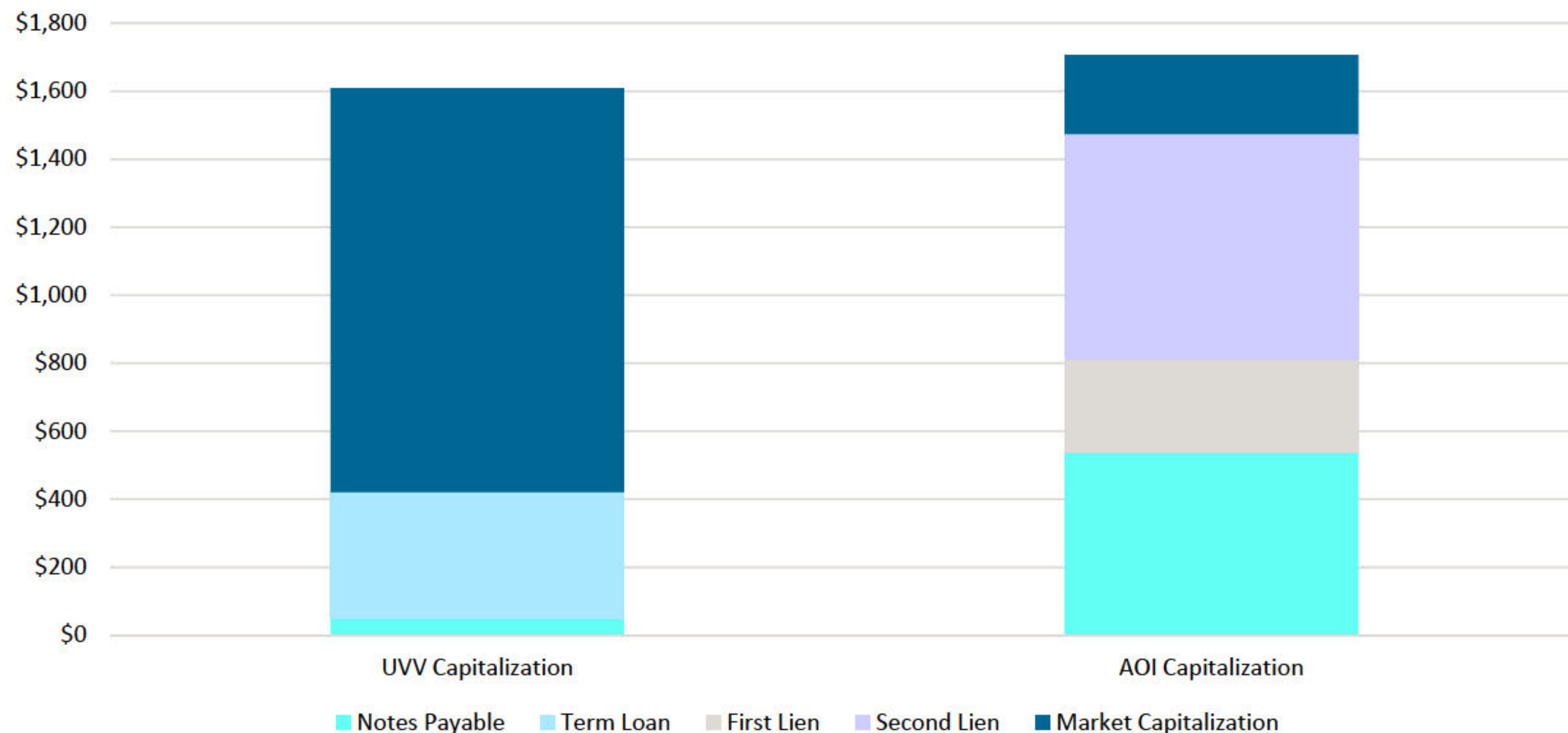


UVV's stock will go up significantly

UVV's over-leveraged competitor is able to borrow against its current assets

- AOI is over-levered (as the chart below demonstrates); We have always believed that it is a competitive advantage of UVV to remain conservatively levered

- However, even AOI – a "junk" rated company with ~$1.5 billion of debt – has first lien debt that is effectively junior to $500 million of subsidiary-level debt at an implied yield to maturity of 6.6% because the marketplace recognizes that liquid, committed tobacco inventory and receivables from large customers is an asset that is stable and secure



Sources: Bloomberg; UVV Form 10-Q, filed February 6, 2018 (pages 3-5); AOI Form 10-Q, filed February 8, 2018 (pages 3 and 5)
Note: Figures in millions

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V. INVESTOR ENGAGEMENT

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A. Outreach

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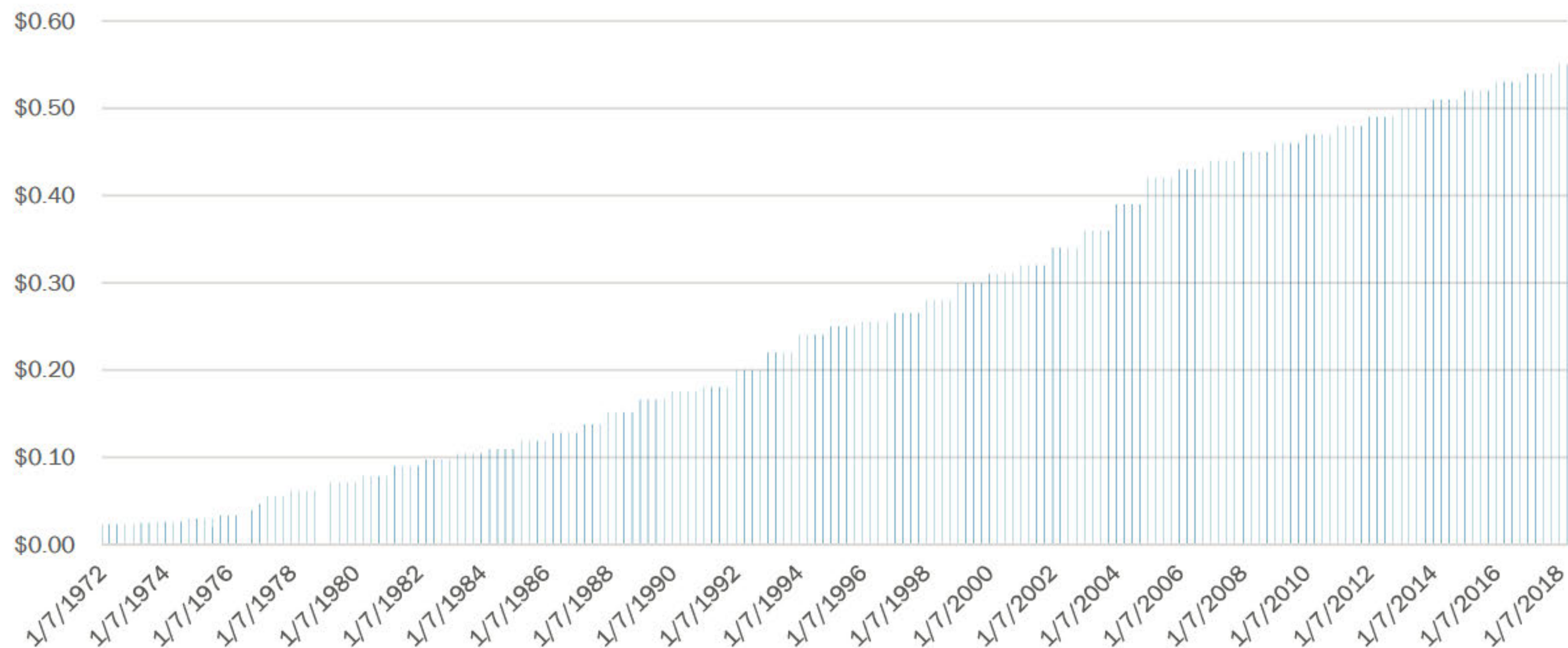
Lack of attention from the investment community

- UVV is an outlier in terms of its lack of investor outreach
- Comparable companies frequent conferences, while UVV does not
  - Every other company in a sample set comparable to UVV attended a conference in the past twelve months[1]
- UVV not only does not court investor attention, but makes it difficult for interested investors to engage with the Company
  - UVV does not provide the investment community with a public dial-in for its earnings calls, inhibiting an investors' ability to ask questions regarding the business
  - UVV only provides a listen-only webcast to investors
  - The conference call is generally a simple recitation of the earnings release
  - Limited color is provided
  - Very few questions are asked
  - AOI's conference call is materially more engaging
- UVV's safe, robust dividend that has grown for decades and is not dependent on leverage should attract attention from the professional investment community and retail investors alike
- But very few active investors know anything about UVV or the industry in which it operates

Source: (1) CapIQ, data as of February 26, 2018
Note: Comparable companies include United States-based companies that trade on a Major US Exchange with a market capitalization between $1 and $3 billion, LTM Revenue between $1 and $3 billion, and a dividend yield greater than 3% (excluding those that paid a recapitalization dividend)

If management sought attention from the investment community, investors would embrace a historically healthy dividend

- UVV pays a 4.7% dividend yield (as of March 23, 2018)
- UVV has increased its dividend per share every year for 47 years[1]
- This easily qualifies as a "Dividend Aristocrat", which requires that a company has increased dividends for at least 25 years[2], a feature that anecdotally is very attractive to retail investors who often are looking for income



Sources: (1) https://www.prnewswire.com/news-releases/universal-corporation-announces-47th-annual-dividend-increase-and-share-repurchase-program-300551100.html (2) https://www.investopedia.com/terms/d/dividend-aristocrat.asp UVV website: http://investor.universalcorp.com/stock-information/dividends-splits

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B. Research Coverage

Research coverage

- UVV is an outlier in terms of its lack of research coverage
- On average, comparable companies have over ten analysts covering them
  - No equity research analysts cover UVV(1)
- UVV has the ability to attract research coverage
  - There are swaths of investors that ignore companies that have no research coverage
- The combination of lack of research coverage, limited disclosure, and lack of outreach leads investors to make the worst possible assumptions of UVV at best and to be completely unaware that it exists at worst

Source: CapIQ, data as of February 26, 2018
Note: Comparable companies include United States-based companies that trade on a Major US Exchange with a market capitalization between $1 and $3 billion, LTM Revenue between $1 and $3 billion and a dividend yield greater than 3% (excluding those that paid a recapitalization dividend)

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C. Disclosures

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Poor disclosures

- UVV does not provide investors with adequate information to effectively analyze the business
  - For the most part, AOI does
- UVV operates in countries with unstable political regimes and volatile economies, but does not provide investors with sufficient detail to understand the exposure
  - No disclosure regarding UVV's exposure to South America or Africa
  - Standard and Poor's estimates that Brazil accounts for 'less than 25%' of UVV's annual sourcing requirements[1], but we do not know how much less
- UVV does not provide investors with adequate business disclosures
  - AOI provides detailed data such as kilos, price per kilo, and cost per kilo while UVV does not
  - UVV received $13 million of income from the timing of receipt of distributions of unconsolidated subsidiaries in FY 3Q17, but did not disclose this amount until FY 3Q18[2]
  - UVV has stated in its FY 3Q17 press release that total lamina volumes for FY 2018 will be 'modestly lower' than those in FY 2017, but do not detail the impact on revenue or earnings[3]
- UVV provided inadequate go-forward estimates of future income tax expense adjusted for the Tax Cuts and Jobs Act
  - UVV merely said that the future rate will be "...somewhat lower, but will likely fluctuate more, than the historical level for recent fiscal years"[3]
  - Such disclosure does not provide an investor sufficient information to estimate the benefits from the shift to a territorial system, and in fact suggests that the tax break is arguably negative for UVV (it clearly is not)

Sources: (1) Standard and Poor's Credit Research, "Universal Corp. Upgraded to 'BBB' On Improved Credit Measures; Outlook Stable", dated September 28, 2017 (page 4); (2) UVV Form 10-Q, filed February 6, 2018 (page 29); (3) UVV Form 8-K – Exhibit 99.1, filed February 6, 2018 (pages 2 and 13)

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VI. MANAGEMENT/BOARD INCENTIVES

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VII. BOARD OVERSIGHT

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A. Corporate Governance

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B. Board Composition

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C. Board Committee Oversight

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VIII. CONCLUSIONS

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HoldCo proposes the following actions to be taken by UVV

- **A methodical capital allocation plan must be developed and implemented to maximize returns to shareholders**
  - Return of free cash flow: UVV should commit to return all free cash flow to shareholders through either share buybacks (if the price of the shares is below a pre-determined percentage of tangible book or a similar valuation-based metric) and incremental dividends (if not)
  - Leverage: UVV should incur approximately $400 million of debt and use proceeds to repurchase shares or declare a special dividend

HoldCo proposes the following actions to be taken by UVV (cont'd)

- **Corporate governance must be substantially improved**
  - [redacted]
  - [redacted]
  - [redacted]

- **Engagement with the investor community must become a priority**
  - UVV must start to proactively attend investment conferences like its peers
  - UVV needs to take steps to ensure that it receives attention from institutional research analysts to the extent of companies with similar market capitalizations
    - A debt raise and share buyback utilizing the services of investment banks would likely cause this result

- [redacted]
  - [redacted]
    - [redacted]
    - [redacted]
    - [redacted]
    - [redacted]

Next steps

- HoldCo requests a meeting with the members of the Executive Compensation, Nominating, and Corporate Governance Committee (Diana Cantor, Lennart Freeman, and Thomas Johnson) and Lead Independent Director Eddie Moore before May 1, 2018 to discuss the issues raised in this Presentation
- At such meeting, HoldCo hopes that a mutually agreeable plan/resolution can be agreed upon between HoldCo and UVV to maximize the value of UVV and its common stock
- Absent agreement, HoldCo intends to nominate three directors to UVV's Board of directors at UVV's next annual shareholder's meeting