

## Tobacco

## Italian cigarette retail sales in February

## Industry Overview

## Italian cigarette sales +2% in February

NielsenIQ data indicated Italian cigarette industry sales at retail rose 1.5% in February (4wks ended February 25, 2024) improving versus January (-2.1%) and cycling (-2%) a year ago. British American Tobacco (BAT +3.6%), Japan Tobacco (JT sales +5.1%) and Imperial Brands (IMB, sales +3.2%) outperformed the category, while Philip Morris International's combustible sales trailed peers/category (PM, sales -1.2%).

## Industry volumes slipped 0.4%

Scanned channel industry retail volumes were -0.4% for the 4W period following -3.5% in the prior month and lapping -1.9% a year ago. By company, JT's volumes fared best (+4.1%), followed by BAT (+2.2%). Volumes for IMB and PM declined -0.2% and -3.9% for the 4-week period. Marlboro volumes were flattish (-0.1%). For the 12W/52W period, industry volumes reduced -1.5% /-2.0%.

## February price/mix % +1.9%

Industry price/mix was +1.9%/+1.6%/+1.6% for the 4W/12W/52W periods, the latest 4W period +40bps with the prior 4W period (+1.5%) and cycling flat pricing growth in February 2023. Pricing growth was weakest for JT (+0.9%) followed by BAT (+1.4%), PM (+2.8%) and IMB (+3.4%). Average February category prices were €5.31/pack, +€0.10/€0.08lat on a YoY/consecutive basis. Average pack prices for PM were €5.58 (+€0.11 from the prior 4W), BAT at €5.07 (unchanged), IMB at €5.01 (-€0.02) and JT at €5.16 (unchanged).

## Nielsen not showing full picture for PM

PM enjoyed a boost in YoY share for IQOS in 2023 fueled by nicotine users' transition to its IQOS ILUMA product. PM reported that its IQOS (heated tobacco) product held a 19.0% national share in Italy in 4Q23, +360bps YoY. See Exhibit 5 for PM's reported "total tobacco" share trends, which highlights PM's "total" share % consecutive/YoY.

## PM's combustible share fell 1.6pts YoY

In February, PM's combustible share -160bps YoY to 43.3%. Marlboro share held steady at 20.1%. BAT's share +50bps at 20.5%. JT's share +130bps YoY to 29.9%. IMB's share flat at 4.3%.

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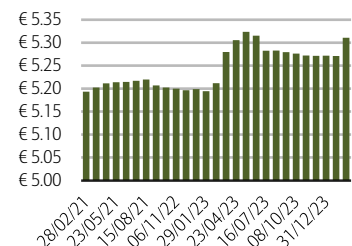
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## Exhibit 1: Average per pack prices

Average per pack of 20 sticks was €5.31



Source: NielsenIQ

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YoY = year-over-year

MoM= month-over-month

4W, 12W, 52W = 4-week, 12 week  
and 52 week periods

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Timestamp: 15 March 2024 09:11AM EDT

# Italy — key 4-wk, 12-wk & 52-wk trends

## Exhibit 2: Italy — Key trends by major manufacturer for the 4W pd ending February 25, 2024

PM was the weakest combustible player this 4W/12W and 52 week period

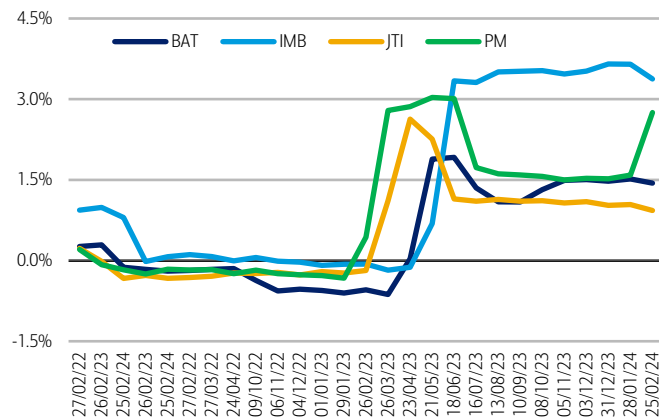
	Retail sales			Volume % chg			Pricing % chg			Price per 20 sticks			Volume share			Volume share change		
	4W	12W	52W	4W	12W	52W	4W	12W	52W	4W	12W	52W	4W	12W	52W	4W	12W	52W
<b>Italy</b>	<b>1.5%</b>	<b>0.0%</b>	<b>-0.5%</b>	<b>-0.4%</b>	<b>-1.5%</b>	<b>-2.0%</b>	<b>1.9%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>€ 5.31</b>	<b>€ 5.28</b>	<b>€ 5.29</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
BAT	3.6%	2.5%	2.8%	2.2%	1.0%	1.6%	1.4%	1.5%	1.2%	€ 5.07	€ 5.07	€ 5.07	20.5%	20.3%	20.4%	0.5%	0.5%	0.7%
IMPERIAL	3.2%	1.1%	2.5%	-0.2%	-2.4%	-0.2%	3.4%	3.6%	2.7%	€ 5.01	€ 5.02	€ 4.99	4.3%	4.2%	4.5%	0.0%	0.0%	0.1%
JTI	5.1%	3.2%	2.7%	4.1%	2.2%	1.4%	0.9%	1.0%	1.3%	€ 5.16	€ 5.16	€ 5.18	29.9%	29.2%	28.7%	1.3%	1.1%	1.0%
<b>PHILIP MORRIS</b>	<b>-1.2%</b>	<b>-2.5%</b>	<b>-3.5%</b>	<b>-3.9%</b>	<b>-4.4%</b>	<b>-5.4%</b>	<b>2.8%</b>	<b>2.0%</b>	<b>2.1%</b>	<b>€ 5.58</b>	<b>€ 5.51</b>	<b>€ 5.51</b>	<b>43.3%</b>	<b>44.1%</b>	<b>44.3%</b>	<b>-1.6%</b>	<b>-1.3%</b>	<b>-1.6%</b>
<b>PM brands</b>																		
Marlboro	0.9%	-1.1%	-2.8%	-0.1%	-2.5%	-4.5%	1.0%	1.4%	1.7%	€ 5.79	€ 5.79	€ 5.81	20.1%	20.0%	20.0%	0.0%	-0.2%	-0.5%
Merit	2.2%	-0.2%	-0.7%	-2.8%	-3.1%	-3.2%	5.2%	3.0%	2.6%	€ 5.69	€ 5.54	€ 5.52	5.4%	5.5%	5.5%	-0.1%	-0.1%	-0.1%
Philip Morris	-7.0%	-7.4%	-7.0%	-10.3%	-9.2%	-9.0%	3.8%	2.0%	2.2%	€ 5.24	€ 5.12	€ 5.11	4.5%	4.7%	4.7%	-0.5%	-0.4%	-0.4%
Chesterfield	-9.1%	-7.3%	-8.1%	-12.2%	-8.6%	-9.7%	3.5%	1.4%	1.7%	€ 5.22	€ 5.09	€ 5.09	9.4%	10.2%	10.2%	-1.3%	-0.8%	-0.9%
Muratti	-0.9%	-3.4%	-4.6%	-5.6%	-7.0%	-7.8%	5.0%	3.9%	3.5%	€ 6.35	€ 6.25	€ 6.21	1.6%	1.6%	1.6%	-0.1%	-0.1%	-0.1%
L&M	-10.6%	-11.7%	-11.8%	-14.4%	-15.2%	-15.2%	4.4%	4.2%	4.0%	€ 5.28	€ 5.23	€ 5.20	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
<b>BAT</b>																		
MS	-7.4%	-6.8%	-6.5%	-10.9%	-10.3%	-9.5%	3.9%	3.9%	3.4%	€ 5.27	€ 5.27	€ 5.24	5.7%	5.7%	5.9%	-0.7%	-0.6%	-0.5%
Rothmans	7.6%	5.9%	5.5%	7.4%	5.7%	5.0%	0.2%	0.2%	0.5%	€ 4.97	€ 4.97	€ 4.99	11.7%	11.5%	11.3%	0.8%	0.8%	0.8%
Lucky Strike	17.8%	14.0%	18.9%	15.4%	11.6%	16.8%	2.1%	2.1%	1.8%	€ 5.00	€ 5.00	€ 4.99	2.6%	2.5%	2.6%	0.4%	0.3%	0.4%
<b>IMB</b>																		
JPS	1.4%	-0.6%	0.3%	-2.1%	-4.1%	-2.4%	3.6%	3.6%	2.8%	€ 4.98	€ 4.98	€ 4.94	3.1%	3.1%	3.2%	-0.1%	-0.1%	0.0%
<b>JTI</b>																		
Camel	-2.9%	-2.4%	-1.5%	-3.5%	-2.9%	-2.0%	0.5%	0.6%	0.5%	€ 5.45	€ 5.45	€ 5.45	7.8%	7.9%	8.0%	-0.2%	-0.1%	0.0%
Winston	9.2%	6.0%	5.0%	8.0%	4.9%	3.4%	1.1%	1.1%	1.6%	€ 5.05	€ 5.05	€ 5.07	17.5%	16.8%	16.1%	1.4%	1.0%	0.8%
Benson & Hedges	7.4%	5.2%	4.3%	5.0%	2.8%	1.9%	2.4%	2.3%	2.3%	€ 5.00	€ 5.00	€ 5.00	4.2%	4.1%	4.1%	0.2%	0.2%	0.2%

Source: NielsenIQ

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## Exhibit 3: YoY increase in price/mix

Pricing growth jumped for PM vs. the prior 4W period

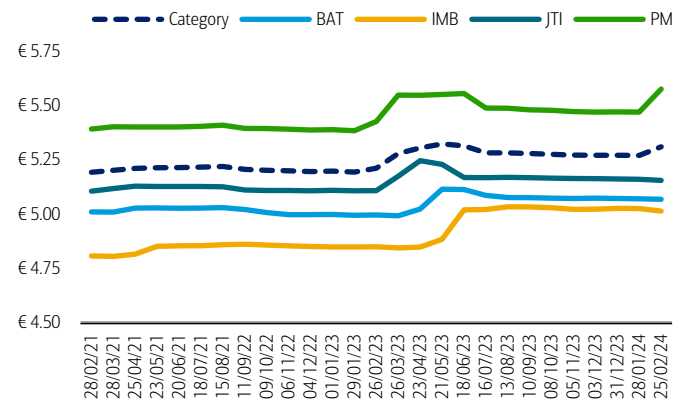


Source: NielsenIQ

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## Exhibit 4: Average per pack prices by manufacturer

IMB's average price is catching up with BAT

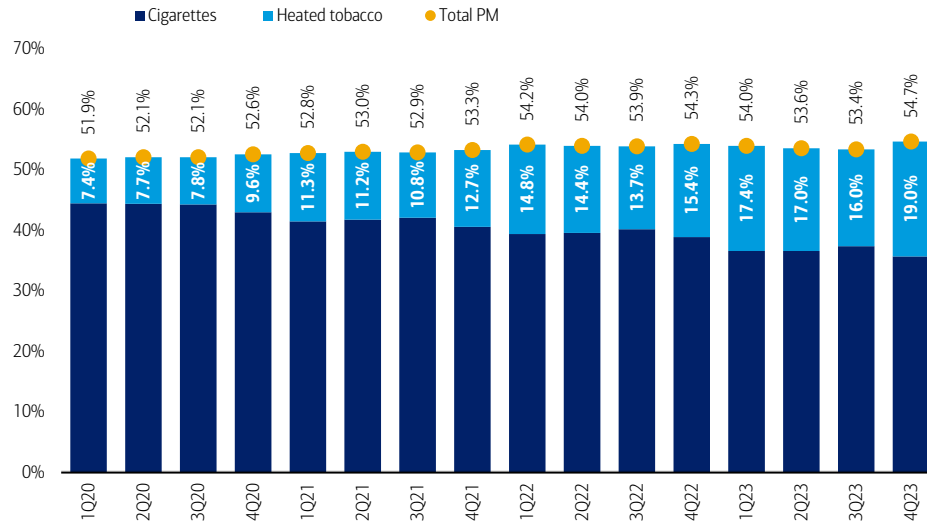


Source: NielsenIQ

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**Exhibit 5: PM's reported market share (combustibles + heated tobacco) in ITALY**

PM's share in NielsenIQ channels is for cigarettes/combustibles only -- it is missing smokers shifting to IQOS from combustibles

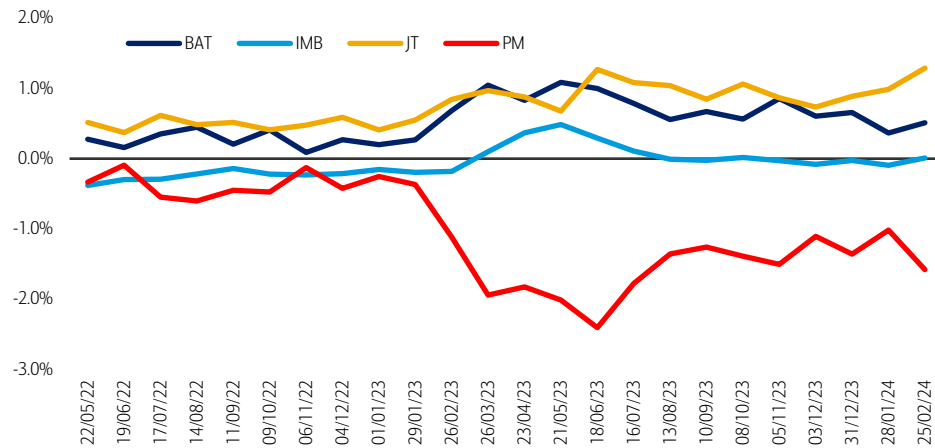


Source: Company reports

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**Exhibit 6: Volume share change trends**

PM's cigarette/combustible share is being adversely impacted by consumer shifts to IQOS



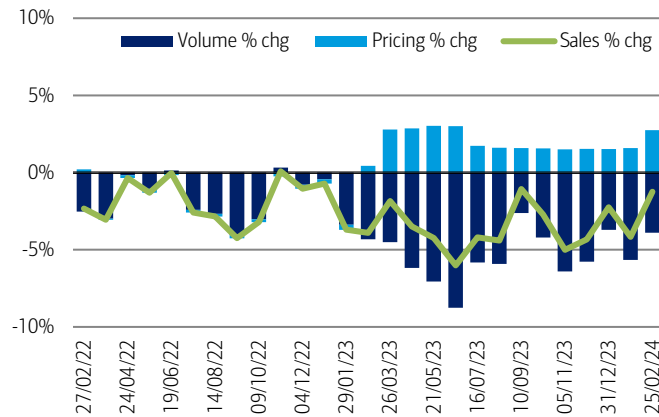
Source: NielsenIQ

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## Trailing sales trends by manufacturer

### Exhibit 7: Philip Morris International

Volume declines eased this month despite higher pricing/mix growth

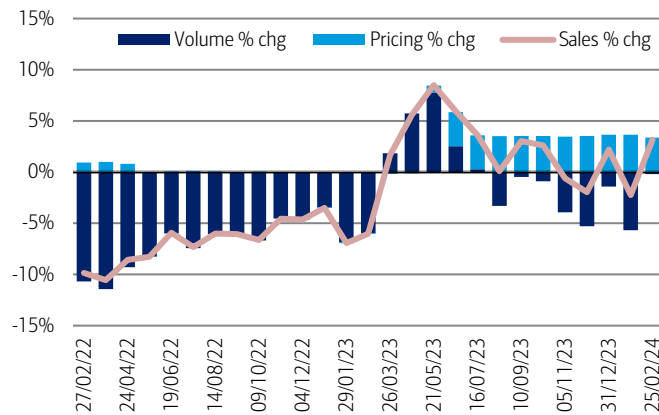


Source: NielsenIQ

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### Exhibit 9: Imperial Brands

Volume declines moderated vs. January

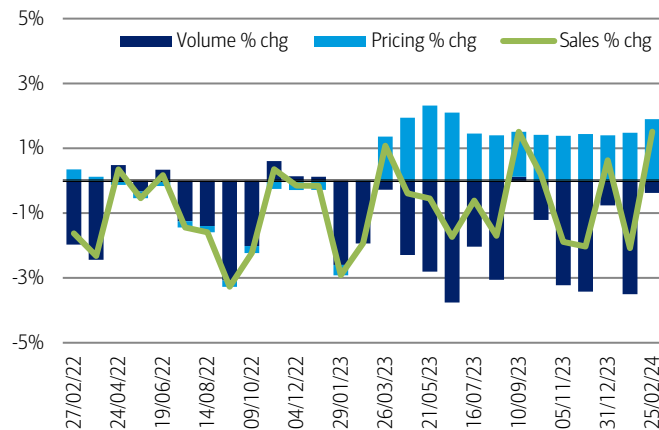


Source: NielsenIQ

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### Exhibit 11: Italian cigarette category

Volumes -0.4% in February, improving vs. January

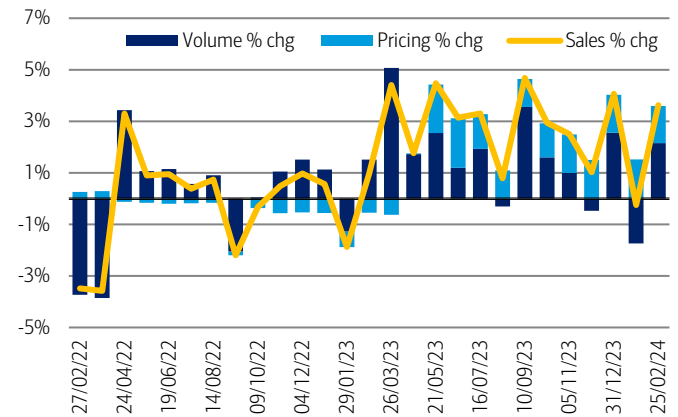


Source: NielsenIQ

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### Exhibit 8: British American Tobacco

Volume and price/mix drivers – BAT's volumes were +2.2% this month

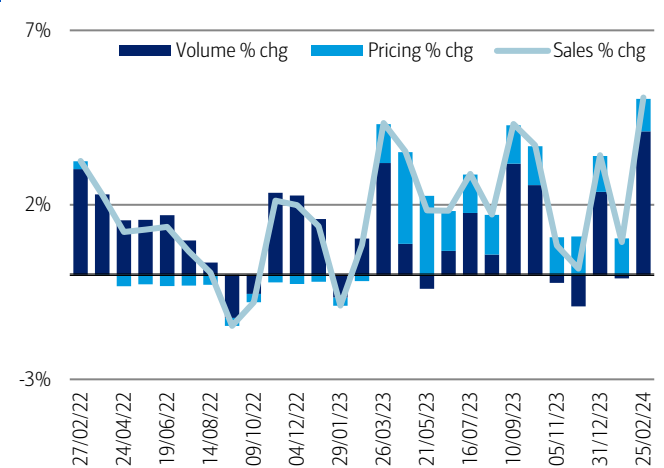


Source: NielsenIQ

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### Exhibit 10: Japan Tobacco

Pricing growth held steady this month vs. January but volume % improved



Source: NielsenIQ

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