

Tobacco

German cigarette retail trends in November

Industry Overview

Category value sales +4%

German cigarette category sales in November grew +3.6% YoY, following +5.4% in October. Year ago sales +1.4%. The sales % gain was driven by pricing growth of +7.0% partially offset by volumes -3.2%. November sales for Japan Tobacco (JT, +6.0% in value) outpaced peers Philip Morris International (PM, +1.9%), British American Tobacco (BAT, +3.9%), and Imperial Brands (IMB, -0.1%). Private label (PL) sales remain strong, climbing +12% YoY as consumers continued to down trade to less expensive brands. German consumers remain impacted by inflationary pressures on consumer goods, increased travel/mobility and continued shifts to IQOS and/or other vapor products not included in this data. Recall that PM's heated tobacco share grew +170bps YoY in 3Q23 to 5.4%. (See Exhibit 3.)

Industry volumes -3%, PL volumes climbed +9%

PM's volume -6% in November, weakening from October's -4.8% and cycling -5.5% a year ago. Marlboro volume -6%. JT's volume -2.0% vs. -1.9% in October and following +6% a year ago. BAT's volumes -4.5% vs. the prior period's -5.2% and lapping -3%. IMB's volumes contracted -7.5% in November vs. October's -5.5% and following -6% last yr. Private label (PL) volume climbed +8.8%, cycling +0.4% a year ago and following +15.5% in October.

Price/mix growth +7%

German cigarette price/mix grew +7.0% in November, -20bps vs. October and cycling +4.5% in November 2022. November 2023 price/mix growth was strongest for BAT (+8.8%, -10bps from October), PM (+8.3%, -100bps), JT (+8.1%, +10bps), and IMB (+8.0%, -10bps). PL prices +2.7%, unchanged vs. the prior month. The average cigarette price/pack in Germany reached €9.60 (+4c vs. October), with private label at €7.27 (-1c MoM and 24% below average industry per pack prices), JT at €9.92 (+6c), BAT at €10.33 (+5c), IMB at €9.91 (+4c) and PM at €10.11 (+5c). YoY, per pack prices were up +66c overall.

Private label gained share

JT's share was +10bps at 8.2%, IMB's share -90bps to 19.4%, PM -100bps to 34.2%, and BAT share -30bps to 19.6%. Private label won +170bps of share to reach 15.4%.

05 January 2024

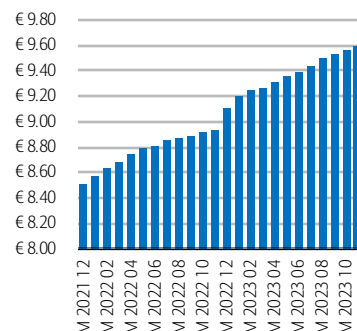
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Exhibit 1: Per pack prices (20 sticks)

Avg prices +4c in November vs. October



Source: NielsenIQ

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c= euro cent

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Germany — Key trends

Exhibit 2: Key trends by major manufacturer for the month of November 2023

PL outpaced branded peers in sales % growth terms in November; strong industry pricing likely depressed higher priced brands

	Value % chg			Volume % chg			Pricing % chg			Price per 20 sticks			Volume share			Volume share change		
	4 wks	12-wks	52 wks	4 wks	12-wks	52 wks	4 wks	12-wks	52 wks	4 wks	12-wks	52 wks	4 wks	12-wks	52 wks	4 wks	12-wks	52 wks
Germany	3.6%	4.9%	2.7%	-3.2%	-2.1%	-3.0%	7.0%	7.1%	5.9%	€ 9.60	€ 9.57	€ 9.38	100.0%	100.0%	100.0%			
B A T	3.9%	4.0%	2.2%	-4.5%	-4.4%	-3.6%	8.8%	8.8%	6.0%	€ 10.33	€ 10.28	€ 9.99	19.6%	19.5%	19.8%	-0.3%	-0.5%	-0.1%
JAPAN TOBACCO	6.0%	6.0%	6.0%	-2.0%	-1.8%	-0.7%	8.1%	8.0%	6.8%	€ 9.92	€ 9.88	€ 9.72	8.2%	8.2%	8.1%	0.1%	0.0%	0.2%
PHILIP MORRIS INTL	1.9%	3.8%	2.1%	-6.0%	-4.7%	-4.7%	8.3%	8.9%	7.1%	€10.11	€10.05	€ 9.82	34.2%	34.3%	34.5%	-1.0%	-1.0%	-0.6%
REEMTSMA - IMPERIAL	-0.1%	1.1%	-1.2%	-7.5%	-6.3%	-7.6%	8.0%	8.0%	7.0%	€ 9.91	€ 9.88	€ 9.67	19.4%	19.5%	20.0%	-0.9%	-0.9%	-1.0%
PRIVATE LABEL	11.7%	15.4%	10.3%	8.8%	12.3%	6.8%	2.7%	2.7%	3.3%	€ 7.27	€ 7.26	€ 7.13	15.4%	15.4%	14.5%	1.7%	2.0%	1.3%
B A T	3.9%	4.0%	2.2%	-4.5%	-4.4%	-3.6%	8.8%	8.8%	6.0%	€ 10.33	€ 10.28	€ 9.99	19.6%	19.5%	19.8%	-0.3%	-0.5%	-0.1%
Lucky Strike	2.5%	3.9%	0.6%	-6.4%	-4.9%	-5.5%	9.5%	9.3%	6.5%	€ 10.19	€ 10.12	€ 9.88	6.1%	6.1%	6.2%	-0.2%	-0.2%	-0.2%
Pall Mall	1.5%	1.9%	1.4%	-7.6%	-7.2%	-4.8%	9.8%	9.8%	6.5%	€ 11.35	€ 11.25	€ 10.78	9.7%	9.7%	10.1%	-0.5%	-0.5%	-0.2%
J T I	6.0%	6.0%	6.0%	-2.0%	-1.8%	-0.7%	8.1%	8.0%	6.8%	€ 9.92	€ 9.88	€ 9.72	8.2%	8.2%	8.1%	0.1%	0.0%	0.2%
Natural American Spirit	2.9%	-3.0%	-3.0%	-8.3%	-13.4%	-11.2%	12.1%	11.9%	9.2%	€ 8.48	€ 8.49	€ 8.34	0.5%	0.5%	0.5%	0.0%	-0.1%	0.0%
Benson & Hedges (VA blend)	-0.3%	-0.8%	-2.5%	-12.6%	-13.0%	-12.1%	14.1%	14.0%	10.9%	€ 8.74	€ 8.72	€ 8.53	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Camel	5.7%	6.2%	6.0%	-2.9%	-2.4%	-0.9%	8.9%	8.8%	6.9%	€ 10.33	€ 10.27	€ 10.15	3.0%	2.9%	2.9%	0.0%	0.0%	0.1%
TAWA	16.0%	13.6%	8.0%	14.7%	12.4%	5.6%	1.1%	1.1%	2.3%	€ 8.14	€ 8.11	€ 7.80	1.6%	1.6%	1.5%	0.3%	0.2%	0.1%
Winston	3.5%	5.2%	8.2%	-6.8%	-5.1%	-0.7%	11.1%	10.9%	8.9%	€ 11.10	€ 11.03	€ 10.94	2.9%	2.9%	2.9%	-0.1%	-0.1%	0.1%
PHILIP MORRIS INTL	1.9%	3.8%	2.1%	-6.0%	-4.7%	-4.7%	8.3%	8.9%	7.1%	€ 10.11	€ 10.05	€ 9.82	34.2%	34.3%	34.5%	-1.0%	-1.0%	-0.6%
Marlboro	1.9%	3.7%	2.2%	-5.9%	-4.7%	-4.5%	8.2%	8.8%	7.0%	€ 10.12	€ 10.07	€ 9.87	22.9%	22.8%	23.0%	-0.7%	-0.6%	-0.4%
L&M	0.9%	3.8%	1.5%	-7.5%	-5.4%	-5.5%	9.0%	9.7%	7.4%	€ 10.28	€ 10.17	€ 9.88	8.9%	9.0%	9.1%	-0.4%	-0.3%	-0.2%
F6	-4.4%	-2.9%	-3.5%	-10.9%	-10.7%	-10.5%	7.3%	8.7%	7.8%	€ 9.79	€ 9.64	€ 9.23	0.6%	0.6%	0.6%	-0.1%	-0.1%	-0.1%
Chesterfield	0.5%	-0.1%	1.8%	-8.0%	-9.1%	-5.3%	9.2%	9.8%	7.6%	€ 10.27	€ 10.27	€ 9.96	1.1%	1.1%	1.2%	-0.1%	-0.1%	0.0%
Parliament	27.1%	22.7%	14.3%	30.5%	25.4%	14.3%	-2.6%	-2.2%	0.0%	€ 8.11	€ 8.09	€ 8.07	0.6%	0.6%	0.5%	0.2%	0.1%	0.1%
Philip Morris	-73.4%	-68.7%	-54.6%	-74.1%	-69.2%	-54.6%	2.4%	1.6%	0.0%	€ 6.97	€ 6.94	€ 6.91	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
IMPERIAL BRANDS	-0.1%	1.1%	-1.2%	-7.5%	-6.3%	-7.6%	8.0%	8.0%	7.0%	€ 9.91	€ 9.88	€ 9.67	19.4%	19.5%	20.0%	-0.9%	-0.9%	-1.0%
John Player Special	-4.2%	-1.7%	-5.2%	-12.6%	-10.2%	-12.0%	9.6%	9.5%	7.7%	€ 10.57	€ 10.53	€ 10.31	7.2%	7.4%	7.7%	-0.8%	-0.7%	-0.8%
Gauloises Blondes	-2.7%	0.8%	-0.1%	-10.5%	-7.5%	-7.3%	8.7%	8.9%	7.9%	€ 10.08	€ 10.01	€ 9.80	4.5%	4.6%	4.7%	-0.4%	-0.3%	-0.2%
West	-0.4%	-1.6%	0.0%	-9.1%	-9.9%	-6.6%	9.6%	9.2%	7.2%	€ 10.42	€ 10.37	€ 10.12	3.0%	3.0%	3.1%	-0.2%	-0.3%	-0.1%
R1	-1.5%	-2.1%	-2.4%	-7.2%	-7.9%	-7.9%	6.1%	6.2%	5.9%	€ 8.59	€ 8.60	€ 8.40	1.5%	1.5%	1.5%	-0.1%	-0.1%	-0.1%
Peter Stuyvesant	-15.6%	-14.4%	-8.3%	-26.3%	-25.0%	-13.0%	14.6%	14.2%	5.4%	€ 8.62	€ 8.61	€ 8.43	0.4%	0.4%	0.4%	-0.1%	-0.1%	-0.1%

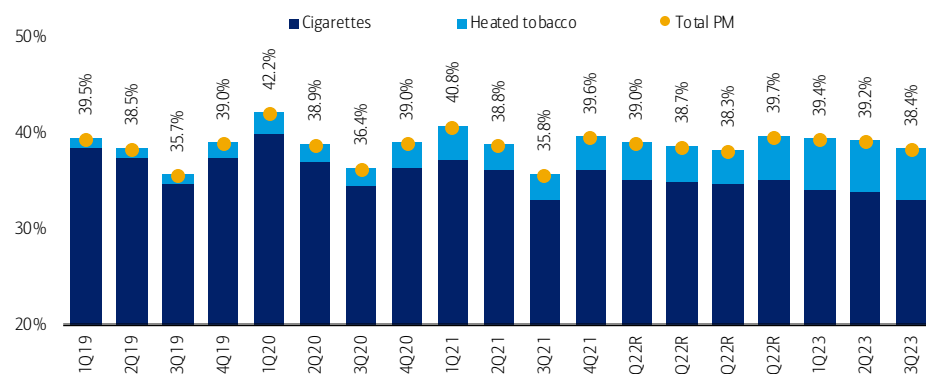
Source: NielsenIQ

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PM's total German tobacco share including IQOS (heated tobacco)

Exhibit 3: PM's combustible + heated tobacco market share in GERMANY

We believe this exhibit is more representative of PM's performance in Germany



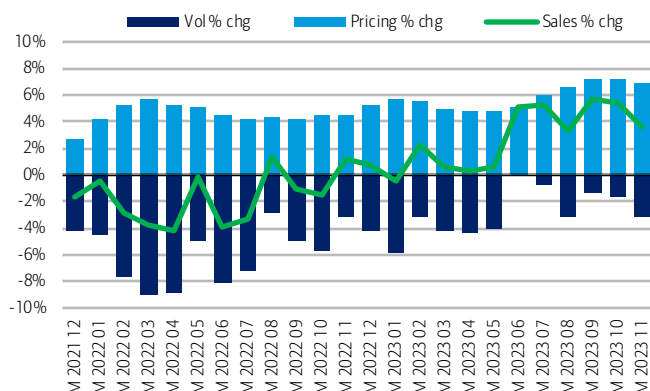
Source: Company reports

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Performance trends — Germany

Exhibit 4: Industry volume and price/mix growth trends

Pricing growth essentially in line with prior month

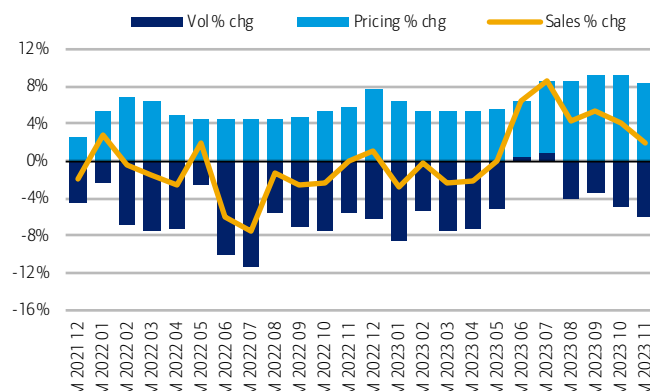


Source: NielsenIQ

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Exhibit 5: PM volume and price/mix growth trends

Pricing growth clearly depressing overall volume %

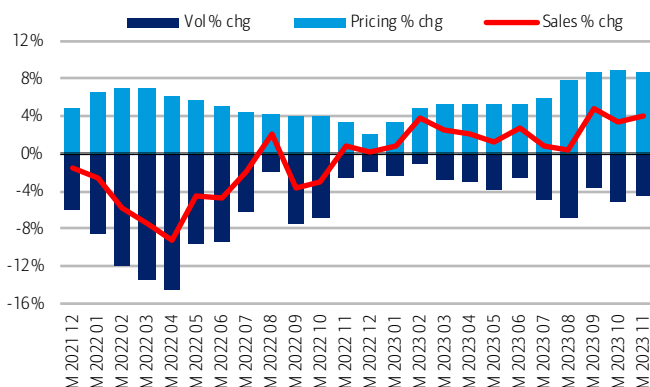


Source: NielsenIQ

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Exhibit 6: BAT volume and price/mix growth

Sales % improved vs. October

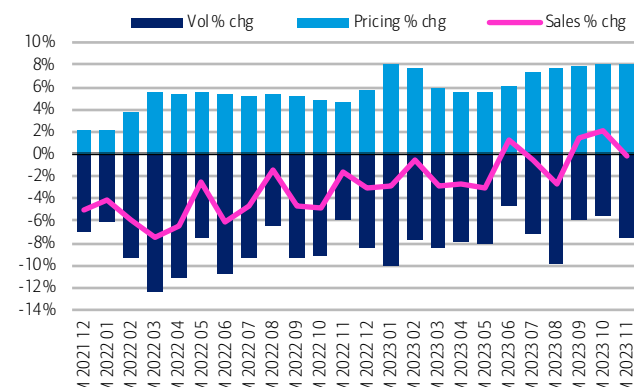


Source: NielsenIQ

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Exhibit 7: IMB volume and price/mix growth

IMB's volumes remained soft

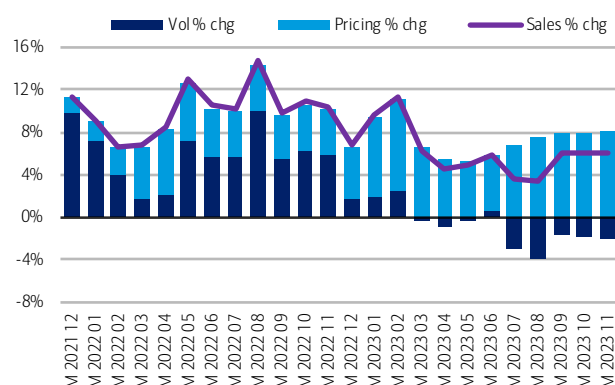


Source: NielsenIQ

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Exhibit 8: JTI volume and price/mix growth

JT's volume % held steady vs. the prior month

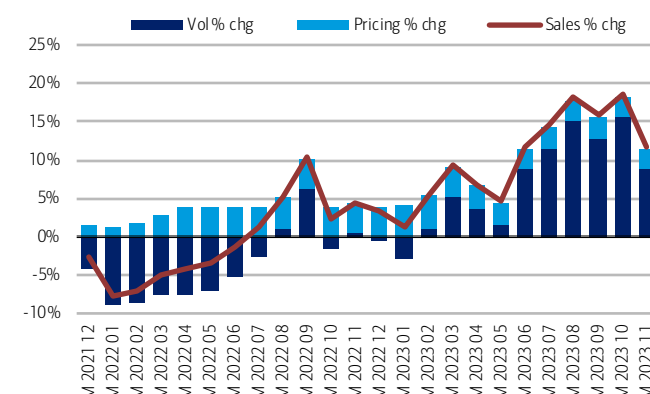


Source: NielsenIQ

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Exhibit 9: Private label volume and price/mix growth

Inflationary pressures likely aiding downtrading



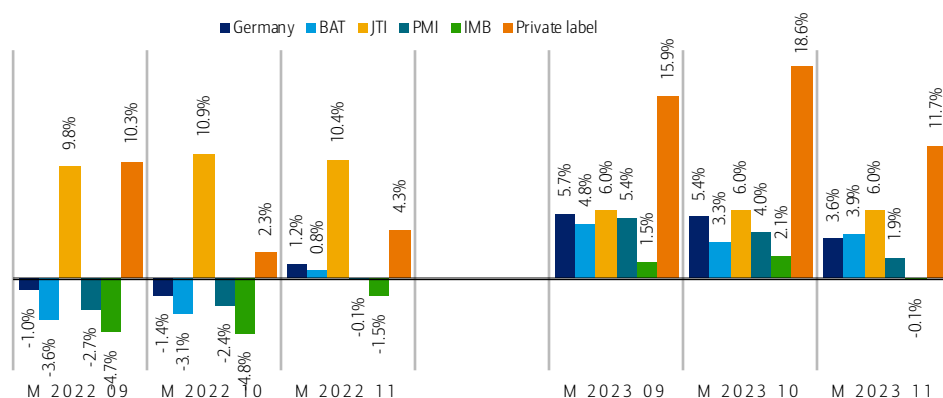
Source: NielsenIQ

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Year-over-year and consecutive sales growth trends

Exhibit 10: Year over year and consecutive sales growth trends for trailing 3M

November sales +3.6% vs. +5.4% in October and +1.2% in the year ago period



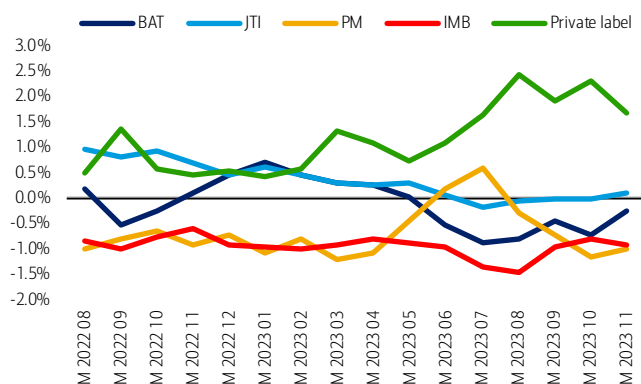
Source: NielsenIQ

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Volume share and average per pack prices

Exhibit 11: Volume share change trends for the top players

Private label share growth eased vs. October

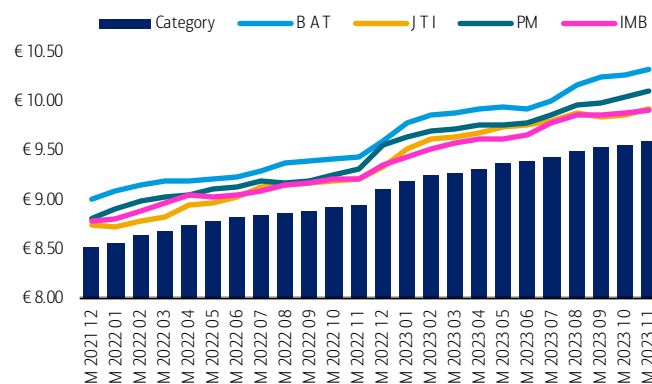


Source: NielsenIQ

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Exhibit 12: Average per pack prices (20 sticks)

Average per pack prices reached €9.60/pack



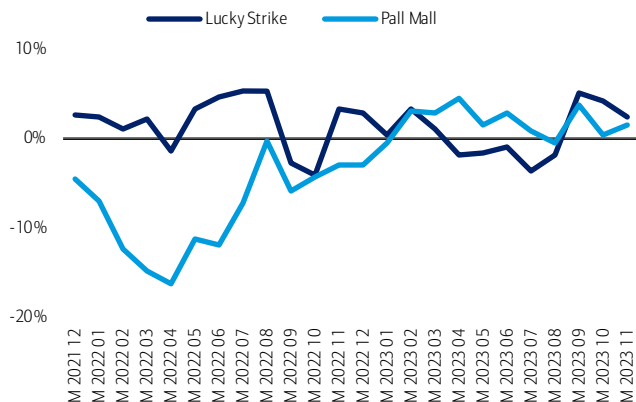
Source: NielsenIQ

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Sales growth trends for key brands by manufacturer

Exhibit 13: Sales % trends for BAT's key brands in Germany

Lucky Strike sales growth slowed vs. October

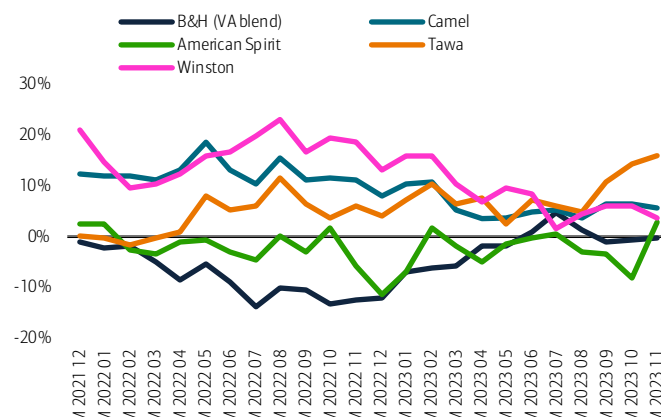


Source: NielsenIQ

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Exhibit 14: Sales % trends for JTI's key brands in Germany

Tawa sales % improved this month

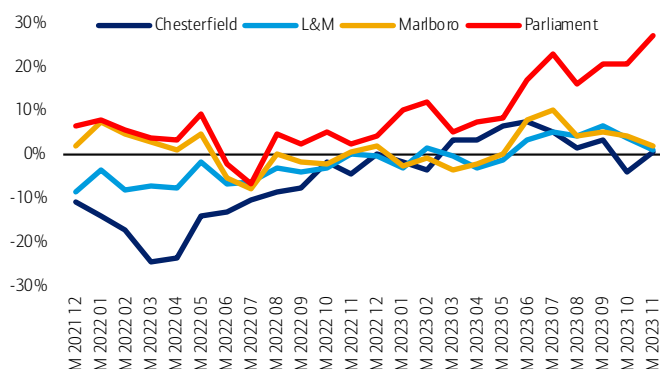


Source: NielsenIQ

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Exhibit 15: Sales % trends for PM's key brands in Germany

Sales growth for Parliament outpaced other PM brands

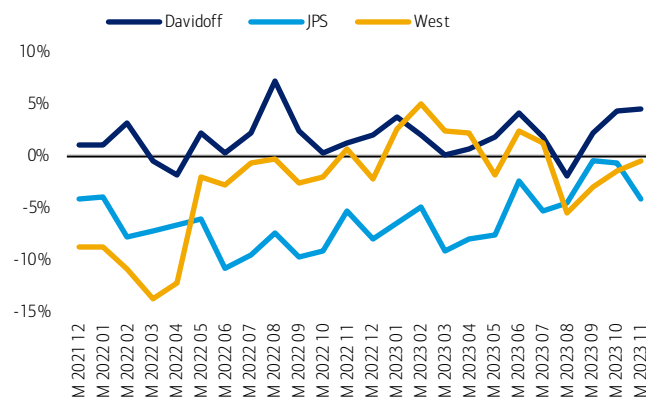


Source: NielsenIQ

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Exhibit 16: Sales % trends for IMB's key brands in Germany

Sales % for Davidoff and West strengthened in November vs. October



Source: NielsenIQ

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