

Tobacco

Italian cigarette retail sales in December

Industry Overview

Italian cigarette sales +1% in December; -1% in 2023

NielsenIQ data indicated that Italian cigarette industry sales at retail were +0.6% in December (4W ended December 31, 2023), improving versus November (-2.0%) and cycling (-0.2%) a year ago. British American Tobacco (BAT +4.1%), Japan Tobacco (JT sales +3.4%), and Imperial Brands (IMB, sales +2.2%) outperformed. Philip Morris International's combustible sales trailed peers/category (PM, sales -2.2%).

Industry volumes declined 1%

Scanned channel industry retail volumes were -0.8% for the 4W period following -3.4% in the prior month and lapping +0.1% a year ago. By company, BAT's volumes fared best (+2.6%), followed by JT (+2.4%). Volumes for IMB slipped -1.4%, and PM's declined -3.7%. Marlboro volumes fell -3.0%. For the 12W(4Q)/52W(2023) period, industry volumes declined -2.5%/-2.1%.

December price/mix % +1%

Industry price/mix was +1.4%/+1.4%/+1.1% for the 4W/12W/52W periods, with the latest 4W period in line with the prior 4W period (+1.4%) and cycling -0.3% pricing growth in December 2022. Pricing growth was weakest for JT (+1.0%). BAT's and PM's price/mix was +1.5%, while IMB's pricing/mix was +3.7%. Average December category prices were €5.27/pack, +€0.07/flat on a YoY/consecutive basis. Average pack prices for PM were €5.47 (unchanged from the prior 4W), BAT at €5.07 (unchanged), IMB at €5.03 (+€0.01), and JT at €5.16 (unchanged).

Nielsen not showing full picture for PM

PM enjoyed a boost in YoY share for IQOS in 2022/23, fueled by nicotine users' transition to its IQOS ILUMA product. PM reported that its IQOS (heated tobacco) product held a 16.0% national share in Italy in 3Q23, +2.3pts YoY. See Exhibit 5 for PM's reported "total tobacco" share trends, which highlights PM's "total" share % consecutive/YoY.

PM's combustible share declined by 140bps

In December, PM's combustible share was -140bps YoY to 44.5%. Marlboro share was -50bps to 19.9%. BAT's share was +70bps at 20.3%. JT's share was +90bps YoY to 28.9%. IMB's share held steady at 4.3%.

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Equity

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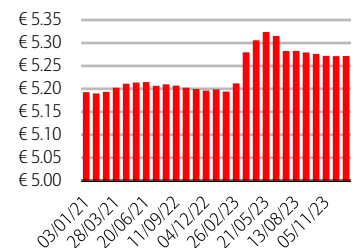
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Exhibit 1: Average per-pack prices

Average per-pack of 20 sticks was €5.27



Source: NielsenIQ

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MoM= month-over-month

vs. = versus

YoY = year-over-year

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

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Italy — key 4W, 12W, and 52W trends

Exhibit 2: Italy — Key trends by major manufacturer for the 4W period ending December 31, 2023

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

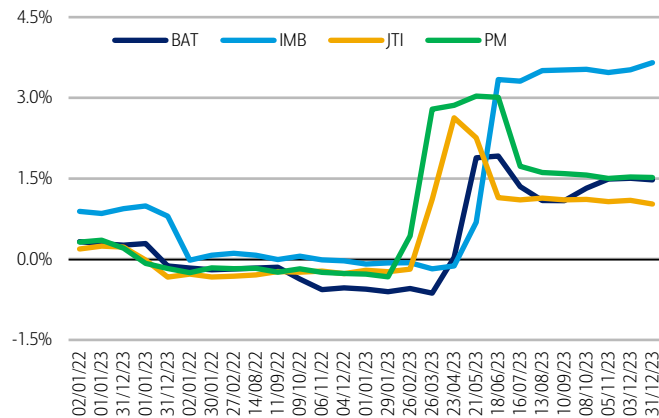
	Retail sales			Volume % change			Pricing % change			Price per 20 sticks			Volume share			Volume share change		
	4W	12W	52W	4W	12W	52W	4W	12W	52W	4W	12W	52W	4W	12W	52W	4W	12W	52W
Italy	0.6%	-1.1%	-0.8%	-0.8%	-2.5%	-2.1%	1.4%	1.4%	1.3%	€ 5.27	€ 5.27	€ 5.28	100.0%	100.0%	100.0%	0.0%	0.0%	0.0%
BAT	4.1%	2.5%	2.5%	2.6%	1.0%	1.6%	1.5%	1.5%	0.9%	€ 5.07	€ 5.07	€ 5.06	20.3%	20.3%	20.3%	0.7%	0.7%	0.7%
IMPERIAL	2.2%	-0.1%	1.5%	-1.4%	-3.6%	-0.7%	3.7%	3.5%	2.2%	€ 5.03	€ 5.02	€ 4.96	4.3%	4.3%	4.5%	0.0%	0.0%	0.1%
JTI	3.4%	1.5%	2.2%	2.4%	0.4%	1.1%	1.0%	1.1%	1.1%	€ 5.16	€ 5.16	€ 5.17	28.9%	28.8%	28.5%	0.9%	0.8%	0.9%
PHILIP MORRIS	-2.2%	-3.9%	-3.6%	-3.7%	-5.3%	-5.3%	1.5%	1.5%	1.8%	€ 5.47	€ 5.47	€ 5.49	44.5%	44.4%	44.5%	-1.4%	-1.3%	-1.5%
PM brands																		
Marlboro	-1.5%	-3.5%	-3.3%	-3.0%	-5.0%	-4.8%	1.6%	1.6%	1.5%	€ 5.80	€ 5.80	€ 5.79	19.9%	19.8%	20.0%	-0.5%	-0.5%	-0.6%
Merit	-0.4%	-1.5%	-1.1%	-2.3%	-3.4%	-3.0%	1.9%	2.0%	2.0%	€ 5.47	€ 5.47	€ 5.49	5.6%	5.6%	5.5%	-0.1%	-0.1%	-0.1%
Philip Morris	-6.5%	-7.2%	-6.4%	-7.6%	-8.3%	-8.2%	1.2%	1.2%	1.9%	€ 5.06	€ 5.06	€ 5.10	4.8%	4.8%	4.8%	-0.4%	-0.3%	-0.3%
Chesterfield	-5.2%	-6.6%	-7.3%	-5.7%	-7.0%	-8.7%	0.5%	0.5%	1.5%	€ 5.02	€ 5.02	€ 5.07	10.6%	10.5%	10.3%	-0.6%	-0.5%	-0.7%
Muratti	-4.5%	-7.2%	-5.9%	-7.6%	-10.2%	-8.5%	3.3%	3.3%	2.9%	€ 6.20	€ 6.20	€ 6.17	1.6%	1.6%	1.7%	-0.1%	-0.1%	-0.1%
L&M	-12.1%	-16.5%	-11.2%	-15.5%	-19.7%	-14.2%	4.0%	4.0%	3.6%	€ 5.20	€ 5.20	€ 5.18	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
BAT																		
MS	-5.0%	-6.7%	-6.2%	-8.5%	-10.2%	-8.7%	3.9%	3.9%	2.8%	€ 5.27	€ 5.27	€ 5.21	5.8%	5.8%	5.9%	-0.5%	-0.5%	-0.4%
Rothmans	7.0%	5.3%	4.7%	6.8%	5.1%	4.2%	0.2%	0.2%	0.4%	€ 4.97	€ 4.97	€ 4.99	11.5%	11.5%	11.2%	0.8%	0.8%	0.7%
Lucky Strike	18.2%	16.9%	20.7%	15.8%	14.5%	18.9%	2.1%	2.1%	1.5%	€ 5.00	€ 5.00	€ 4.97	2.5%	2.5%	2.5%	0.4%	0.4%	0.4%
IMB																		
JPS	-0.1%	-2.3%	-0.8%	-3.6%	-5.6%	-3.0%	3.6%	3.6%	2.3%	€ 4.98	€ 4.98	€ 4.91	3.1%	3.1%	3.2%	-0.1%	-0.1%	0.0%
JTI																		
Camel	-1.2%	-2.0%	-2.4%	-1.8%	-2.6%	-2.9%	0.6%	0.6%	0.5%	€ 5.45	€ 5.45	€ 5.44	7.9%	7.9%	8.1%	-0.1%	0.0%	-0.1%
Winston	5.5%	2.9%	5.2%	4.4%	1.7%	3.8%	1.1%	1.1%	1.4%	€ 5.05	€ 5.05	€ 5.07	16.4%	16.4%	15.9%	0.8%	0.7%	0.9%
Benson & Hedges	6.6%	4.7%	2.6%	4.2%	2.3%	0.6%	2.3%	2.3%	1.9%	€ 5.00	€ 5.00	€ 4.98	4.1%	4.1%	4.1%	0.2%	0.2%	0.1%

Source: NielsenIQ

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Exhibit 3: YoY increase in price/mix

Pricing growth accelerated for IMB vs. the prior 4W period

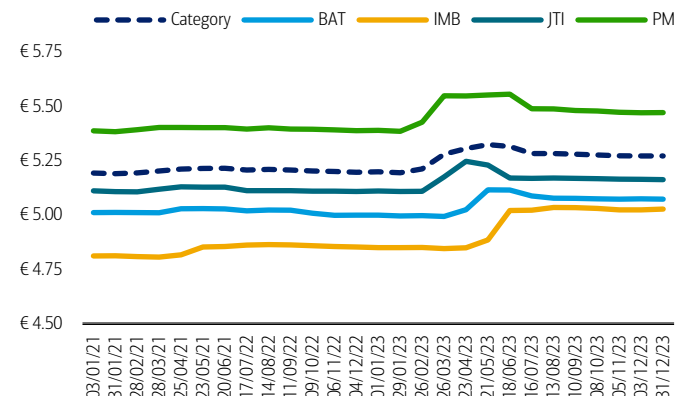


Source: NielsenIQ

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Exhibit 4: Average per-pack prices by manufacturer

IMB's average price is catching up with BAT

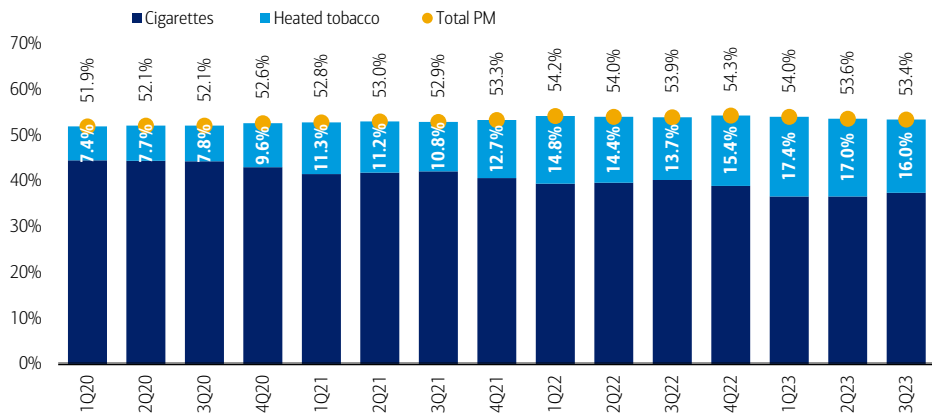


Source: NielsenIQ

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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

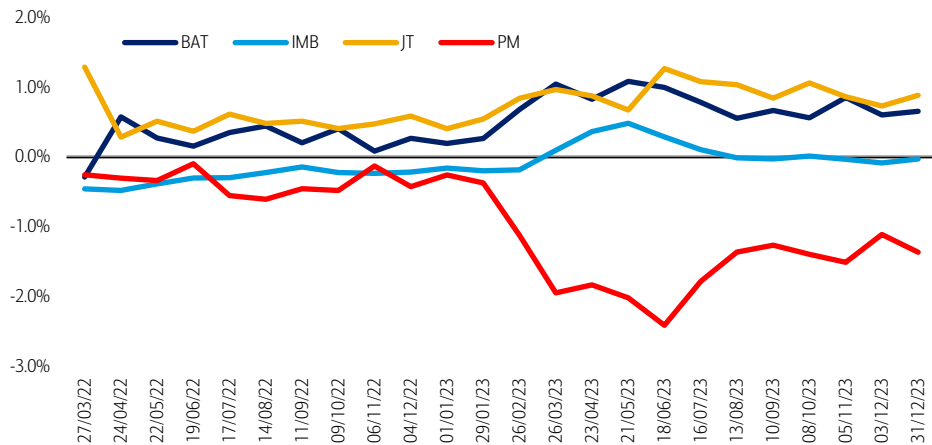


Source: Company reports

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Exhibit 6: Volume share change trends

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



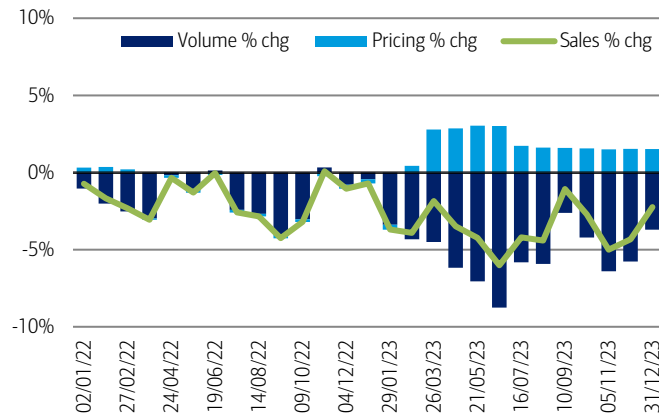
Source: NielsenIQ

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Trailing sales trends by manufacturer

Exhibit 7: Philip Morris International

Volume declines eased in December

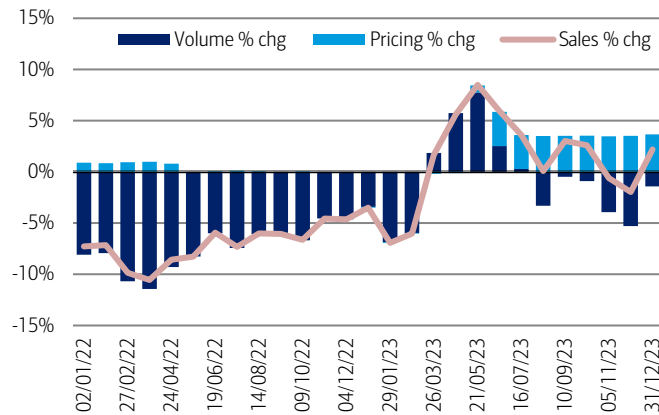


Source: NielsenIQ

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Exhibit 9: Imperial Brands

Volume declines eased vs. November despite accelerated price/mix growth

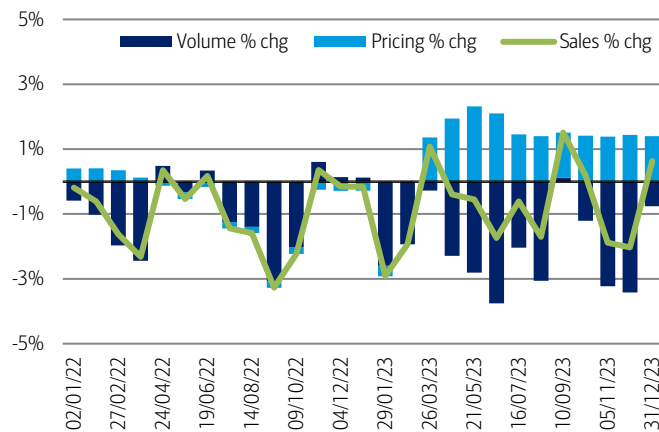


Source: NielsenIQ

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Exhibit 11: Italian cigarette category

Pricing growth only partly offset volume declines in 2023

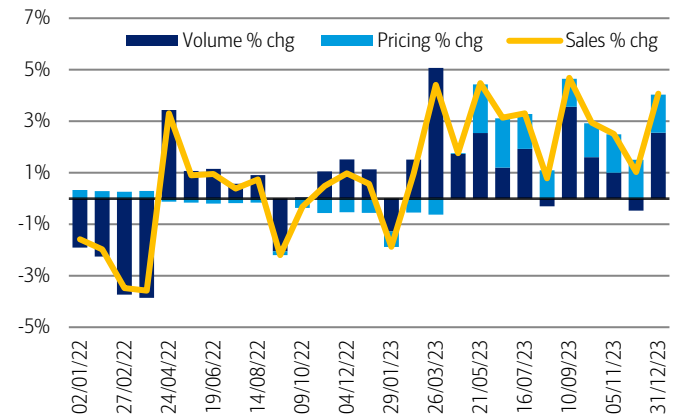


Source: NielsenIQ

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Exhibit 8: British American Tobacco

Volume and price/mix drivers – BAT's volumes were +2.6% in December

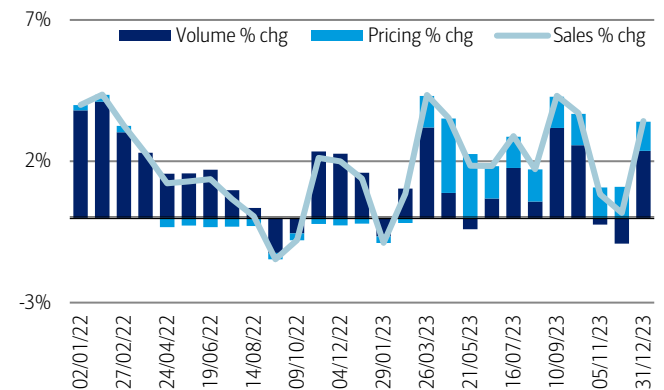


Source: NielsenIQ

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Exhibit 10: Japan Tobacco

Pricing growth held steady in December vs. November, but volume % strengthened



Source: NielsenIQ

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