

## Tobacco

## German cigarette retail trends in December

## Industry Overview

## Category value sales +5% in December, +3% in 2023

German cigarette category sales in December grew +4.8% YoY, following +3.8% in November. Year-ago sales were +0.8%. The sales % gain was driven by pricing growth of +5.3%, partially offset by volumes -0.5%. December sales for Japan Tobacco (JT, +7.2% in value) outpaced sales for peers British American Tobacco (BAT, +5.3%), Philip Morris International (PM, +2.4%), and Imperial Brands (IMB, +0.6%). Private label (PL) sales remained solid, climbing +18% YoY as consumers down traded to less expensive brands. German consumers are 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 -0.5%, PL volumes rose +15%

PM's volume was -2.9% in December, improving from November's -5.8% and cycling -6% a year ago. Marlboro volume was -4%. JT's volume was -0.6% vs. -1.9% in November and following +2% a year ago. BAT's volume was -2.3% vs. the prior period's -4.3% and lapping -2%. IMB's volume was -5.9% in December vs. November's -7.4% and following -8% a year ago. Private label (PL) volume climbed +14.7%, cycling -0.5% a year ago and following +9.6% in November.

## Price/mix growth eased to +5.3% in December

German cigarette price/mix grew +5.3% in December, -160bps vs. November and cycling +5.2% in December 2022. December 2023 price/mix growth vs. November was strongest for BAT (+7.8%, -100bps sequentially), JT (+7.8%, -30bps), IMB (+6.8%, -110bps), and PM (+5.4%, -2.9bps). PL prices were +2.8%, +10bps vs. the prior month. The average cigarette price/pack in Germany reached €9.69 (+9c from November), with private label at €7.39 (+13c MoM and 24% below average industry per-pack prices), JT at €9.98 (+6c), BAT at €10.43 (+10c), IMB at €10.01 (+10c), and PM at €10.18 (+7c). YoY, per-pack prices were up +58c overall.

## Private label won more share

JT's share was flat at 8.1%, IMB's share was -110bps to 19.3%, PM's was -80bps to 34.2%, and BAT's was -40bps to 19.6%. Private label gained +210bps of share to reach 15.8%.

31 January 2024

Equity  
United States  
Tobacco

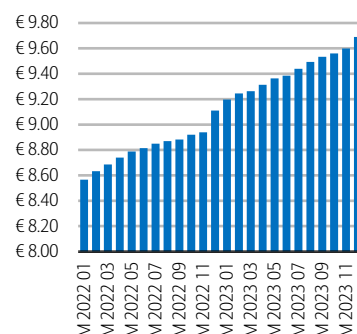
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## Exhibit 1: Per-pack prices (20 sticks)

Average prices +9c in December vs. November



Source: NielsenIQ

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c = euro cent

chg = change

vs. = versus

wks = weeks

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Timestamp: 31 January 2024 08:54AM EST

## Germany — Key trends

### Exhibit 2: Key trends by major manufacturer for December 2023

PL outpaced branded peers in sales % growth terms in December; 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
<b>Germany</b>	<b>4.8%</b>	<b>4.8%</b>	<b>3.2%</b>	<b>-0.5%</b>	<b>-1.6%</b>	<b>-2.6%</b>	<b>5.3%</b>	<b>6.5%</b>	<b>5.9%</b>	<b>€ 9.69</b>	<b>€ 9.62</b>	<b>€ 9.43</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>			
B A T	5.3%	4.3%	2.7%	-2.3%	-3.9%	-3.6%	7.8%	8.5%	6.5%	€ 10.43	€ 10.34	€ 10.06	19.6%	19.5%	19.8%	-0.4%	-0.5%	-0.2%
JAPAN TOBACCO	7.2%	6.5%	6.1%	-0.6%	-1.4%	-0.8%	7.8%	8.0%	7.0%	€ 9.98	€ 9.92	€ 9.77	8.1%	8.1%	8.1%	0.0%	0.0%	0.1%
<b>PHILIP MORRIS INTL</b>	<b>2.4%</b>	<b>2.9%</b>	<b>2.3%</b>	<b>-2.9%</b>	<b>-4.5%</b>	<b>-4.3%</b>	<b>5.4%</b>	<b>7.7%</b>	<b>6.9%</b>	<b>€ 10.18</b>	<b>€ 10.11</b>	<b>€ 9.87</b>	<b>34.2%</b>	<b>34.2%</b>	<b>34.5%</b>	<b>-0.8%</b>	<b>-1.0%</b>	<b>-0.6%</b>
REEMTSMA - IMPERIAL	0.6%	0.9%	-0.8%	-5.9%	-6.2%	-7.4%	6.8%	7.6%	7.0%	€ 10.01	€ 9.93	€ 9.73	19.3%	19.4%	19.9%	-1.1%	-1.0%	-1.0%
PRIVATE LABEL	17.8%	16.6%	11.8%	14.7%	13.5%	8.4%	2.8%	2.7%	3.2%	€ 7.39	€ 7.31	€ 7.17	15.8%	15.7%	14.8%	2.1%	2.1%	1.5%
<b>B A T</b>	<b>5.3%</b>	<b>4.3%</b>	<b>2.7%</b>	<b>-2.3%</b>	<b>-3.9%</b>	<b>-3.6%</b>	<b>7.8%</b>	<b>8.5%</b>	<b>6.5%</b>	<b>€ 10.43</b>	<b>€ 10.34</b>	<b>€ 10.06</b>	<b>19.6%</b>	<b>19.5%</b>	<b>19.8%</b>	<b>-0.4%</b>	<b>-0.5%</b>	<b>-0.2%</b>
Lucky Strike	3.5%	3.5%	0.7%	-3.7%	-4.9%	-5.7%	7.5%	8.8%	6.8%	€ 10.28	€ 10.20	€ 9.95	6.0%	6.0%	6.2%	-0.2%	-0.2%	-0.2%
Pall Mall	4.0%	2.1%	2.1%	-5.2%	-7.0%	-4.8%	9.7%	9.8%	7.2%	€ 11.47	€ 11.35	€ 10.87	9.8%	9.7%	10.0%	-0.5%	-0.6%	-0.2%
<b>J T I</b>	<b>7.2%</b>	<b>6.5%</b>	<b>6.1%</b>	<b>-0.6%</b>	<b>-1.4%</b>	<b>-0.8%</b>	<b>7.8%</b>	<b>8.0%</b>	<b>7.0%</b>	<b>€ 9.98</b>	<b>€ 9.92</b>	<b>€ 9.77</b>	<b>8.1%</b>	<b>8.1%</b>	<b>8.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>
Natural American Spirit	7.2%	0.3%	-1.6%	-4.4%	-10.6%	-10.6%	12.1%	12.2%	10.1%	€ 8.51	€ 8.50	€ 8.37	0.5%	0.5%	0.5%	0.0%	-0.1%	0.0%
Benson & Hedges (VA blend)	-1.2%	-0.8%	-1.6%	-12.9%	-12.8%	-11.9%	13.5%	13.9%	11.8%	€ 8.80	€ 8.75	€ 8.57	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Camel	9.4%	7.2%	6.2%	1.0%	-1.4%	-0.9%	8.3%	8.7%	7.1%	€ 10.44	€ 10.33	€ 10.22	3.0%	3.0%	2.9%	0.0%	0.0%	0.0%
TAWA	15.9%	15.6%	9.1%	14.7%	14.4%	6.9%	1.1%	1.1%	2.1%	€ 8.21	€ 8.15	€ 7.86	1.6%	1.6%	1.5%	0.2%	0.2%	0.1%
Winston	2.1%	3.9%	7.3%	-7.6%	-6.2%	-1.8%	10.6%	10.8%	9.3%	€ 11.11	€ 11.07	€ 10.99	2.8%	2.9%	2.9%	-0.2%	-0.1%	0.0%
<b>PHILIP MORRIS INTL</b>	<b>2.4%</b>	<b>2.9%</b>	<b>2.3%</b>	<b>-2.9%</b>	<b>-4.5%</b>	<b>-4.3%</b>	<b>5.4%</b>	<b>7.7%</b>	<b>6.9%</b>	<b>€ 10.18</b>	<b>€ 10.11</b>	<b>€ 9.87</b>	<b>34.2%</b>	<b>34.2%</b>	<b>34.5%</b>	<b>-0.8%</b>	<b>-1.0%</b>	<b>-0.6%</b>
Marlboro	1.5%	2.6%	2.3%	-3.9%	-4.7%	-4.3%	5.7%	7.7%	6.9%	€ 10.18	€ 10.12	€ 9.91	22.8%	22.8%	23.0%	-0.8%	-0.7%	-0.4%
L&M	4.8%	3.3%	2.0%	-0.5%	-4.5%	-4.9%	5.3%	8.2%	7.2%	€ 10.36	€ 10.28	€ 9.94	9.0%	9.0%	9.1%	0.0%	-0.3%	-0.2%
F6	-4.3%	-3.4%	-3.3%	-7.4%	-9.4%	-9.9%	3.4%	6.7%	7.3%	€ 9.92	€ 9.79	€ 9.31	0.6%	0.6%	0.6%	0.0%	-0.1%	-0.1%
Chesterfield	-3.5%	-2.1%	1.7%	-8.6%	-9.6%	-5.2%	5.6%	8.3%	7.4%	€ 10.33	€ 10.29	€ 10.01	1.1%	1.1%	1.2%	-0.1%	-0.1%	0.0%
Parliament	27.2%	24.9%	16.2%	32.1%	28.7%	17.1%	-3.7%	-2.9%	-0.7%	€ 8.20	€ 8.14	€ 8.08	0.6%	0.6%	0.5%	0.1%	0.1%	0.1%
Philip Morris	-60.6%	-62.2%	-50.8%	-60.7%	-62.9%	-50.8%	0.3%	2.0%	0.0%	€ 6.94	€ 6.96	€ 6.87	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>IMPERIAL BRANDS</b>	<b>0.6%</b>	<b>0.9%</b>	<b>-0.8%</b>	<b>-5.9%</b>	<b>-6.2%</b>	<b>-7.4%</b>	<b>6.8%</b>	<b>7.6%</b>	<b>7.0%</b>	<b>€ 10.01</b>	<b>€ 9.93</b>	<b>€ 9.73</b>	<b>19.3%</b>	<b>19.4%</b>	<b>19.9%</b>	<b>-1.1%</b>	<b>-1.0%</b>	<b>-1.0%</b>
John Player Special	-4.1%	-2.9%	-4.8%	-11.8%	-11.1%	-11.8%	8.7%	9.3%	8.0%	€ 10.66	€ 10.58	€ 10.37	7.2%	7.3%	7.6%	-0.9%	-0.8%	-0.8%
Gauloises Blondes	-1.1%	-0.6%	-0.3%	-7.4%	-8.1%	-7.6%	6.7%	8.2%	7.9%	€ 10.19	€ 10.08	€ 9.86	4.5%	4.5%	4.7%	-0.3%	-0.3%	-0.3%
West	0.2%	-0.5%	0.3%	-8.3%	-9.1%	-6.8%	9.3%	9.4%	7.5%	€ 10.51	€ 10.44	€ 10.18	3.0%	3.0%	3.1%	-0.3%	-0.2%	-0.1%
R1	-2.0%	-1.6%	-2.3%	-7.0%	-7.1%	-7.8%	5.4%	5.9%	6.0%	€ 8.64	€ 8.61	€ 8.44	1.5%	1.5%	1.5%	-0.1%	-0.1%	-0.1%
Peter Stuyvesant	-15.6%	-14.3%	-10.0%	-25.9%	-24.9%	-16.0%	13.9%	14.1%	7.1%	€ 8.70	€ 8.63	€ 8.45	0.4%	0.4%	0.4%	-0.1%	-0.1%	-0.1%

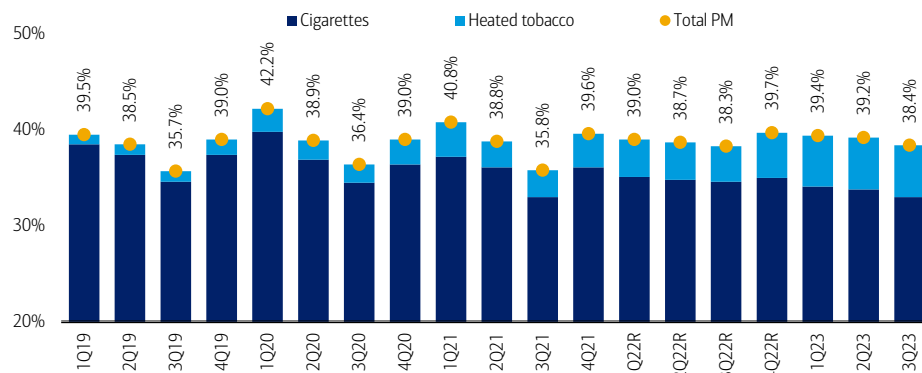
Source: NielsenIQ

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



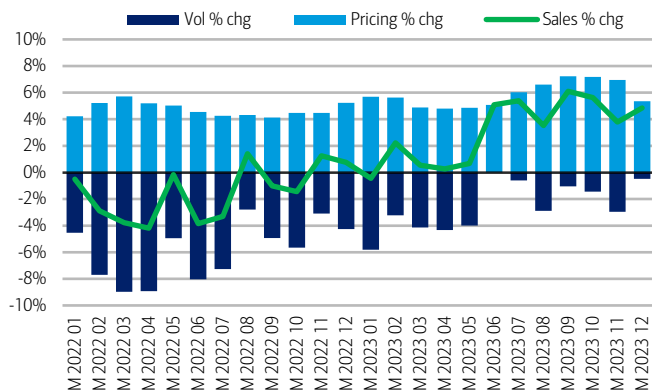
Source: Company reports

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## Performance trends — Germany

### Exhibit 4: Industry volume and price/mix growth trends

Pricing growth eased vs. prior month

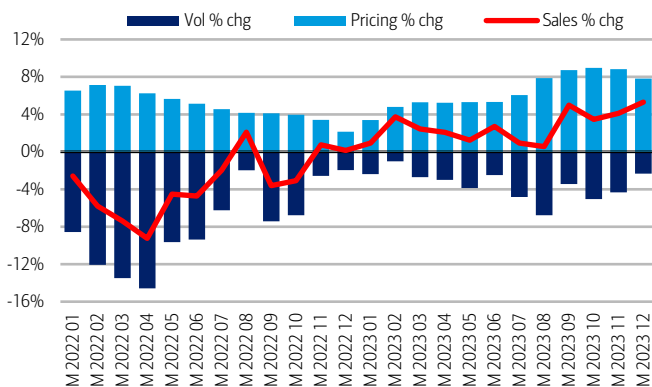


Source: NielsenIQ

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### Exhibit 6: BAT volume and price/mix growth

Sales % accelerated vs. November

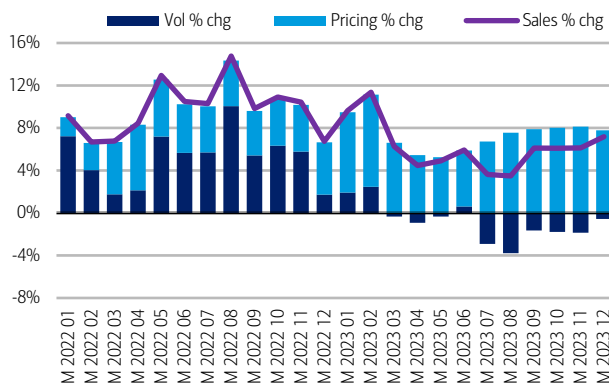


Source: NielsenIQ

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### Exhibit 8: JTI volume and price/mix growth

JT's volume decline eased vs. the prior month

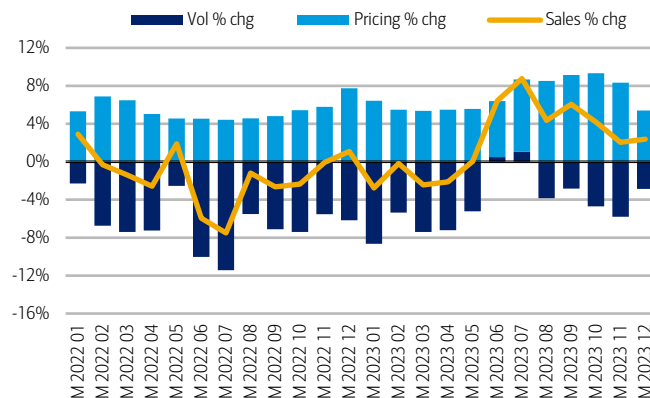


Source: NielsenIQ

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### Exhibit 5: PM volume and price/mix growth trends

Pricing growth clearly depressing overall volume %

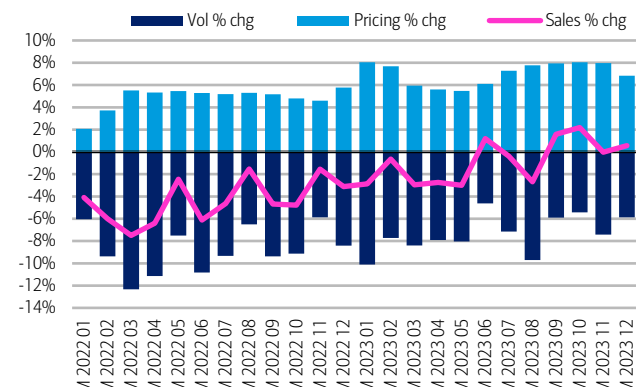


Source: NielsenIQ

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### Exhibit 7: IMB volume and price/mix growth

IMB's volumes remained softer than the category overall

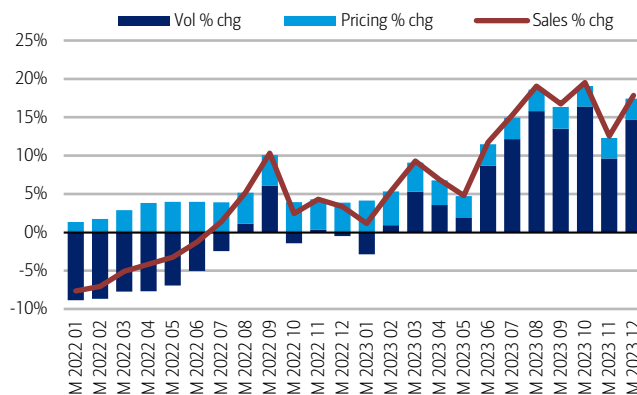


Source: NielsenIQ

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### Exhibit 9: Private label volume and price/mix growth

Inflationary pressures likely aiding downtrading



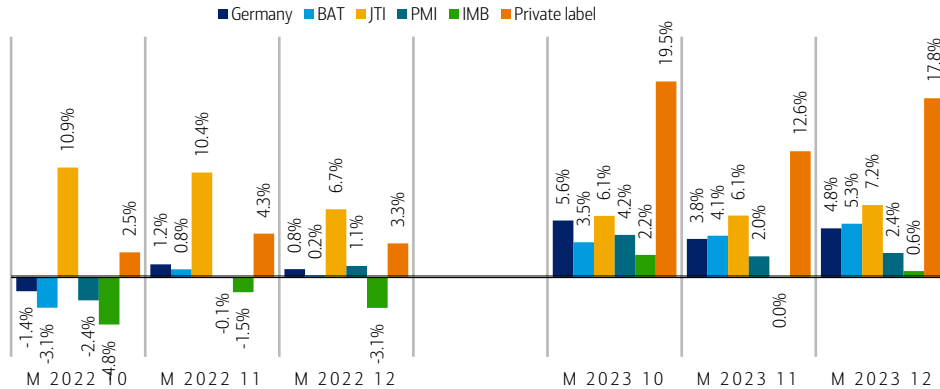
Source: NielsenIQ

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## Year-over-year and consecutive sales growth trends

### Exhibit 10: Year-over-year and consecutive sales growth trends for trailing 3 months

December sales +4.8% vs. +3.8% in November and +0.8% in the year-ago period



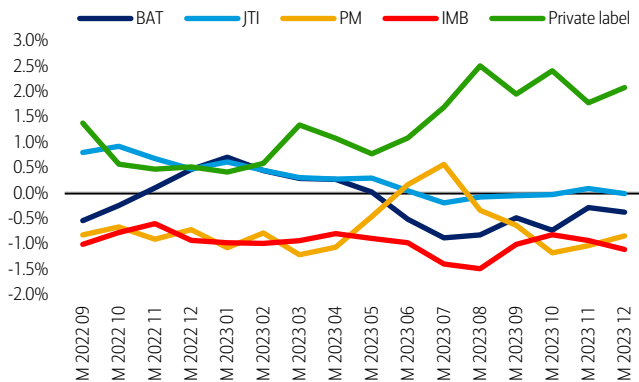
Source: NielsenIQ

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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 accelerated vs. November

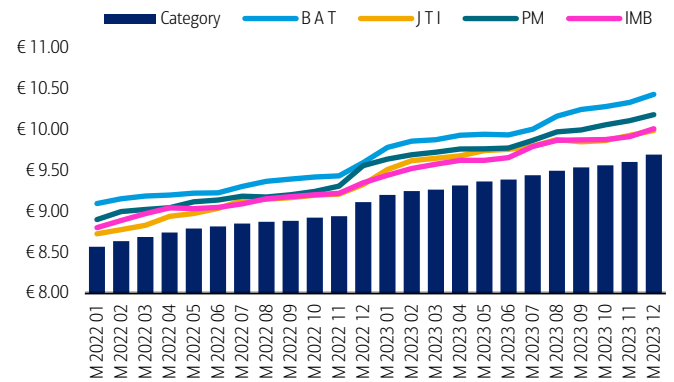


Source: NielsenIQ

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### Exhibit 12: Average per-pack prices (20 sticks)

Average per-pack prices reached €9.69/pack



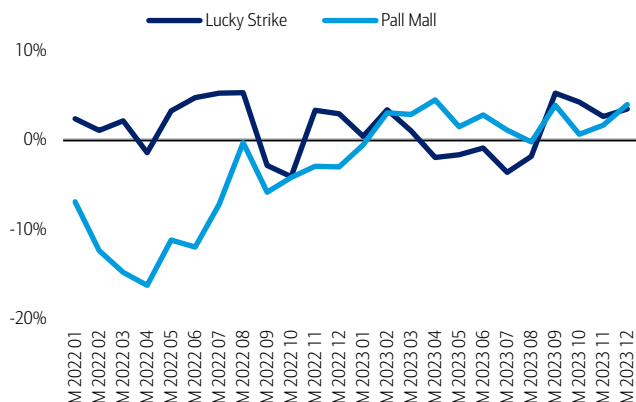
Source: NielsenIQ

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## Sales growth trends for key brands by manufacturer

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

Pall Mall sales growth improved vs. November

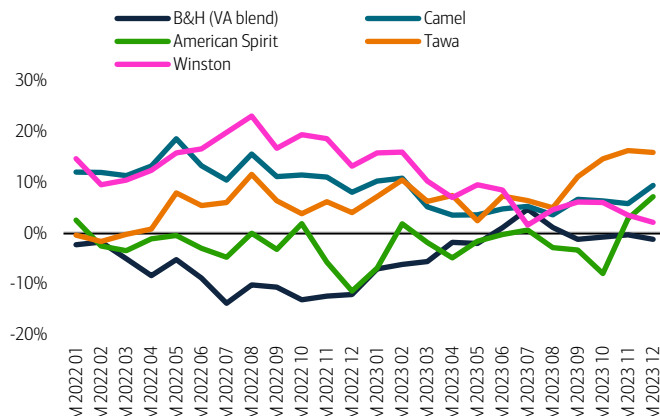


Source: NielsenIQ

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

B&amp;H and Winston sales slowed in December vs. November

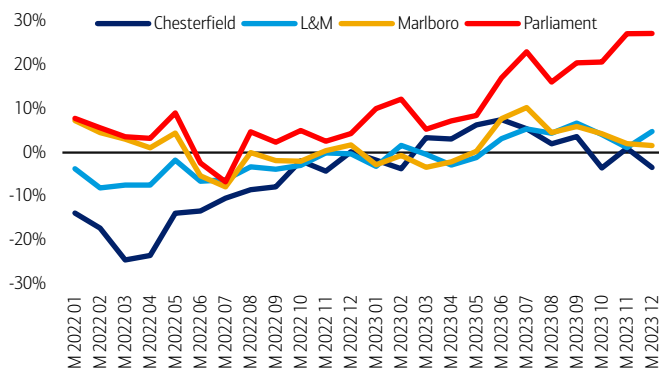


Source: NielsenIQ

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

Sales growth for Parliament outpaced other PM brands

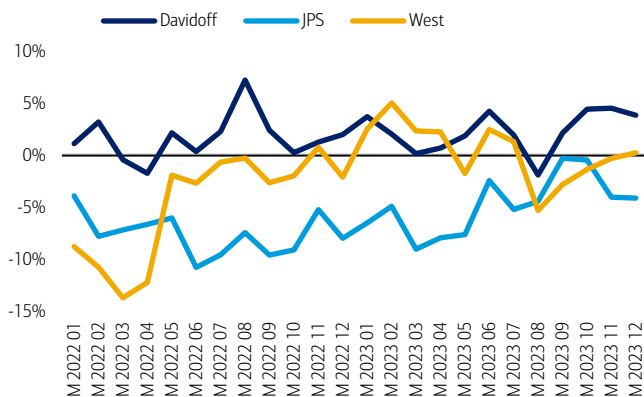


Source: NielsenIQ

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

Sales % for West strengthened in December vs. November



Source: NielsenIQ

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