

Tobacco

Italian cigarette retail sales in January

Industry Overview

Italian cigarette sales -2% in January

NielsenIQ data indicated that Italian cigarette industry sales at retail fell 2.1% in January (4 weeks ended January 28, 2024), weakening versus December (+0.6%) and cycling (-3%) a year ago. British American Tobacco (BAT, sales -0.2%) and Japan Tobacco (JT, sales +0.9%) sales outperformed, while Imperial Brands (IMB, sales -2.2%) and Philip Morris International (PM, sales -4.2%) combustible sales trailed peers/category.

Industry volumes dropped 3.5%

Scanned channel industry retail volumes were -3.5% for the 4W period following -0.8% in the prior month and lapping -2.6% a year ago. By company, JT's volumes fared best (-0.1%), followed by BAT (-1.7%). Volumes for IMB and PM each declined 5.7% for the 4-week period. Marlboro volumes fell -4.4%. For the 12W/52W period, industry volumes reduced -2.5% /-2.2%.

January price/mix % +1.5%

Industry price/mix was +1.5%/+1.4%/+1.5% for the 4W/12W/52W periods, with the latest 4W period +10bps versus the prior 4W period (+1.4%) and cycling -0.3% pricing growth in January 2023. Pricing growth was weakest for JT (+1.0%), followed by BAT (+1.5%), PM (+1.6%), and IMB (+3.7%). Average January category prices were €5.27/pack, +€0.08/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 (unchanged), 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 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 1pt YoY

In January, PM's combustible share -100bps YoY to 44.6%. Marlboro's share fell -20bps to 19.9%. BAT's share was +40bps at 20.2%. JT's share was +100bps YoY to 29.0%. IMB's share was -10bps to 4.2%.

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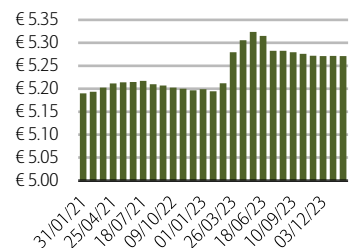
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Exhibit 1: Average per pack prices

Average per pack of 20 sticks was €5.27



Source: NielsenIQ

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

MoM = month-over-month

YoY = year-over-year

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Italy — key 4W, 12W, and 52W trends

Exhibit 2: Italy — Key trends by major manufacturer for the 4W period ending January 28, 2024

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

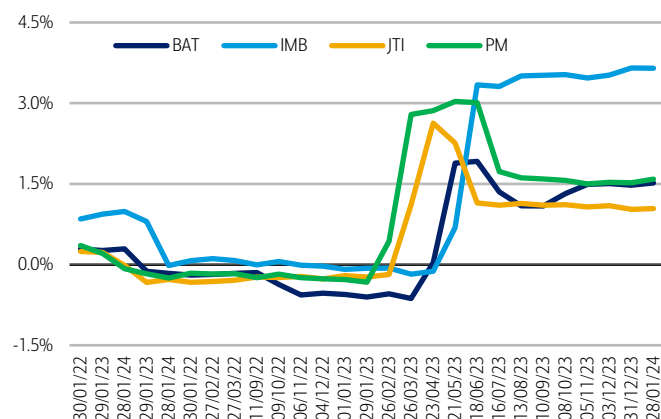
	Retail sales			Volume % chg			Pricing % chg			Price per 20 sticks			Volume share			Volume share change		
	4W	12W	52W	4W	12W	52W	4W	12W	52W	4W	12W	52W	4W	12W	52W	4W	12W	52W
Italy	-2.1%	-1.1%	-0.7%	-3.5%	-2.5%	-2.2%	1.5%	1.4%	1.5%	€ 5.27	€ 5.27	€ 5.28	100.0%	100.0%	100.0%	0.0%	0.0%	0.0%
BAT	-0.2%	1.6%	2.6%	-1.7%	0.1%	1.6%	1.5%	1.5%	1.0%	€ 5.07	€ 5.07	€ 5.07	20.2%	20.3%	20.3%	0.4%	0.5%	0.7%
IMPERIAL	-2.2%	-0.6%	1.8%	-5.7%	-4.1%	-0.6%	3.7%	3.6%	2.4%	€ 5.03	€ 5.03	€ 4.98	4.2%	4.2%	4.5%	-0.1%	-0.1%	0.1%
JTI	0.9%	1.5%	2.4%	-0.1%	0.5%	1.1%	1.0%	1.1%	1.2%	€ 5.16	€ 5.16	€ 5.17	29.0%	28.9%	28.6%	1.0%	0.9%	0.9%
PHILIP MORRIS	-4.2%	-3.6%	-3.7%	-5.7%	-5.0%	-5.5%	1.6%	1.5%	1.9%	€ 5.47	€ 5.47	€ 5.50	44.6%	44.5%	44.4%	-1.0%	-1.2%	-1.6%
PM brands																		
Marlboro	-2.8%	-2.8%	-3.2%	-4.4%	-4.3%	-4.8%	1.6%	1.6%	1.6%	€ 5.79	€ 5.79	€ 5.80	19.9%	19.9%	20.0%	-0.2%	-0.4%	-0.5%
Merit	-2.4%	-1.4%	-1.1%	-4.2%	-3.3%	-3.2%	1.9%	1.9%	2.2%	€ 5.47	€ 5.47	€ 5.50	5.6%	5.6%	5.5%	0.0%	0.0%	-0.1%
Philip Morris	-8.8%	-7.6%	-6.7%	-9.9%	-8.7%	-8.6%	1.2%	1.2%	2.0%	€ 5.06	€ 5.06	€ 5.10	4.7%	4.8%	4.8%	-0.3%	-0.3%	-0.3%
Chesterfield	-7.7%	-6.6%	-7.8%	-8.2%	-7.1%	-9.2%	0.5%	0.5%	1.5%	€ 5.02	€ 5.02	€ 5.08	10.6%	10.6%	10.3%	-0.5%	-0.5%	-0.8%
Muratti	-4.5%	-5.4%	-5.3%	-7.6%	-8.5%	-8.2%	3.3%	3.3%	3.2%	€ 6.20	€ 6.20	€ 6.19	1.6%	1.6%	1.7%	-0.1%	-0.1%	-0.1%
L&M	-12.5%	-15.3%	-11.6%	-15.8%	-18.5%	-14.8%	4.0%	4.0%	3.8%	€ 5.20	€ 5.20	€ 5.19	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
BAT																		
MS	-8.2%	-7.1%	-6.2%	-11.6%	-10.6%	-8.9%	3.9%	3.9%	3.0%	€ 5.27	€ 5.27	€ 5.23	5.7%	5.8%	5.9%	-0.5%	-0.5%	-0.4%
Rothmans	3.1%	4.6%	5.0%	2.8%	4.4%	4.5%	0.2%	0.2%	0.5%	€ 4.97	€ 4.97	€ 4.99	11.5%	11.5%	11.3%	0.7%	0.8%	0.7%
Lucky Strike	6.2%	13.3%	19.2%	3.9%	10.9%	17.3%	2.2%	2.1%	1.6%	€ 5.00	€ 5.00	€ 4.98	2.5%	2.5%	2.5%	0.2%	0.3%	0.4%
IMB																		
JPS	-3.3%	-2.4%	-0.4%	-6.6%	-5.8%	-2.8%	3.6%	3.6%	2.5%	€ 4.98	€ 4.98	€ 4.93	3.1%	3.1%	3.2%	-0.1%	-0.1%	0.0%
JTI																		
Camel	-3.0%	-2.1%	-1.8%	-3.6%	-2.6%	-2.3%	0.6%	0.6%	0.5%	€ 5.45	€ 5.45	€ 5.44	7.9%	7.9%	8.1%	0.0%	0.0%	0.0%
Winston	3.2%	3.2%	4.9%	2.1%	2.0%	3.4%	1.1%	1.1%	1.5%	€ 5.05	€ 5.05	€ 5.07	16.6%	16.5%	16.0%	0.9%	0.7%	0.9%
Benson & Hedges	1.5%	3.9%	3.2%	-0.8%	1.5%	1.1%	2.3%	2.3%	2.1%	€ 5.00	€ 5.00	€ 4.99	4.1%	4.1%	4.1%	0.1%	0.2%	0.1%

Source: NielsenIQ. Chg = change

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Exhibit 3: YoY increase in price/mix

Pricing growth held steady for IMB versus the prior 4W period

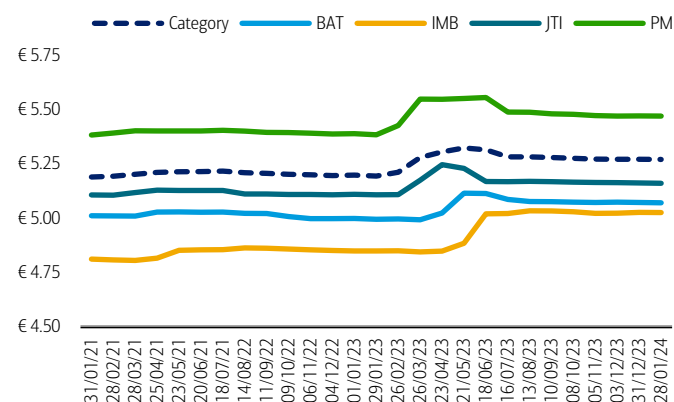


Source: NielsenIQ

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Exhibit 4: Average per-pack prices by manufacturer

IMB's average price is catching up with BAT

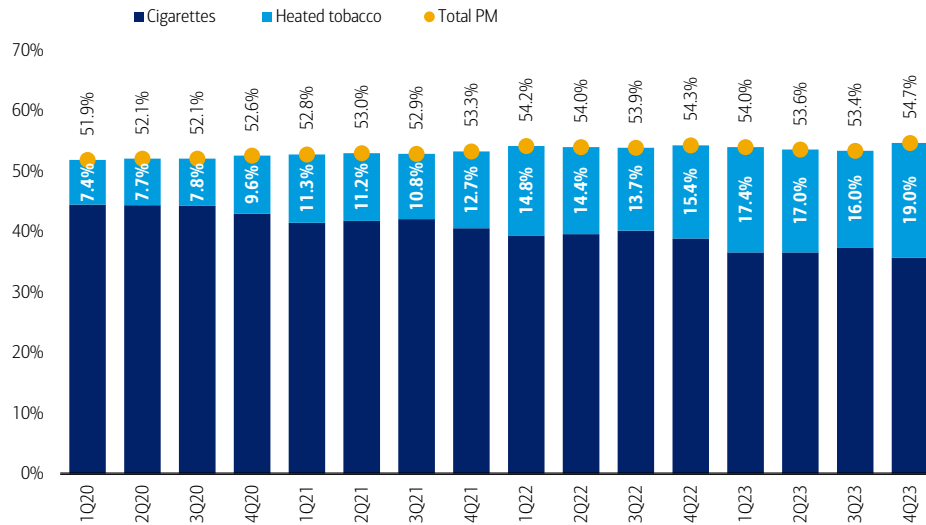


Source: NielsenIQ

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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

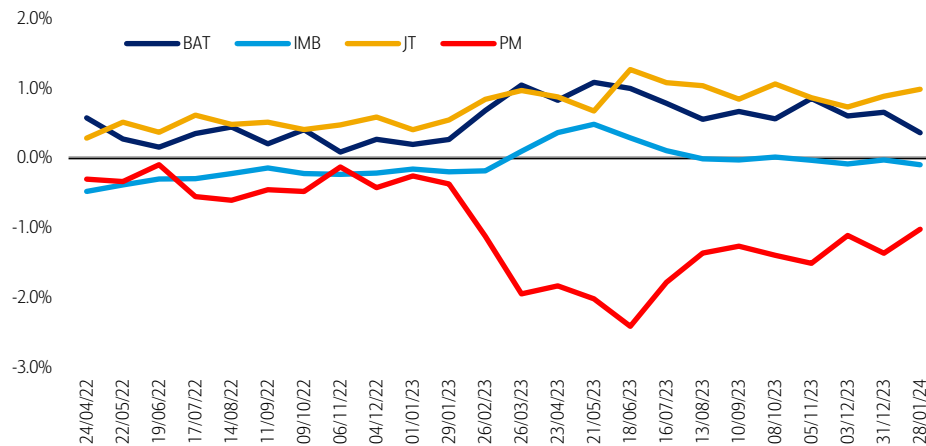


Source: Company reports

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Exhibit 6: Volume share change trends

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



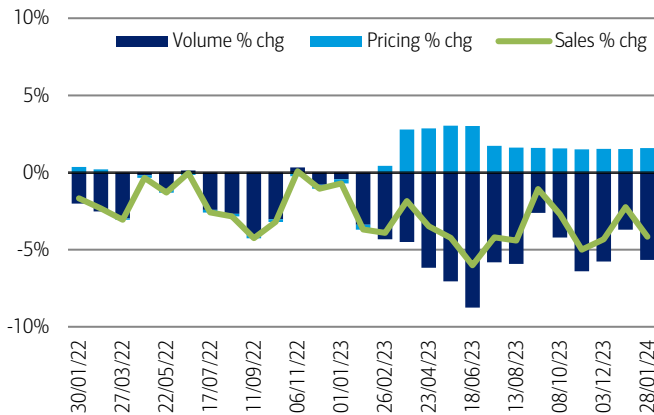
Source: NielsenIQ

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Trailing sales trends by manufacturer

Exhibit 7: Philip Morris International

Volume declines accelerated this month

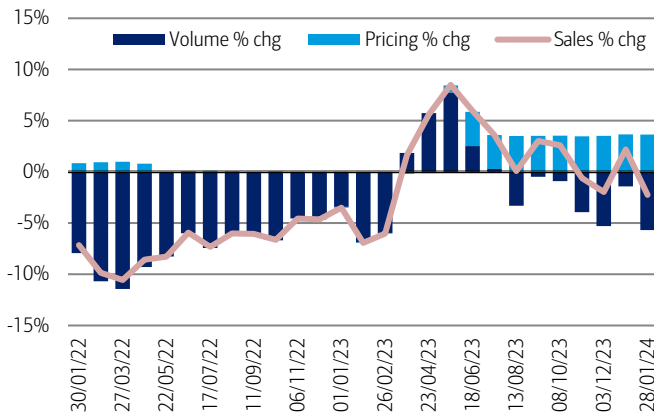


Source: NielsenIQ

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Exhibit 9: Imperial Brands

Volume declines accelerated versus December

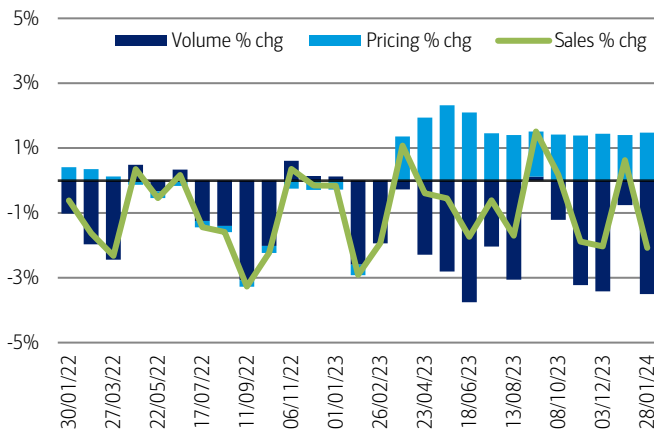


Source: NielsenIQ

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Exhibit 11: Italian cigarette category

Volumes were -3.5% in January, softening versus December

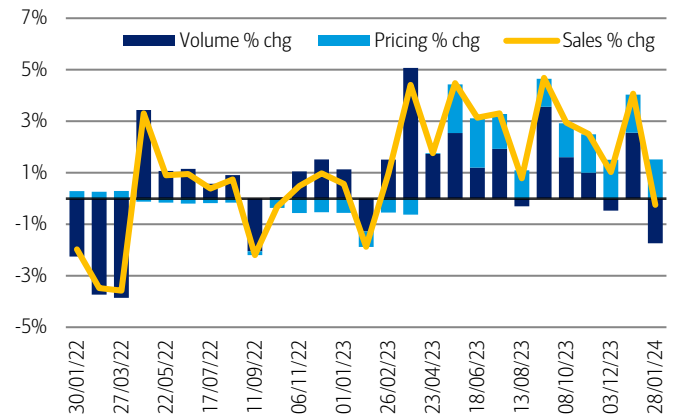


Source: NielsenIQ

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Exhibit 8: British American Tobacco

Volume and price/mix drivers – BAT's volumes were -1.7% this month

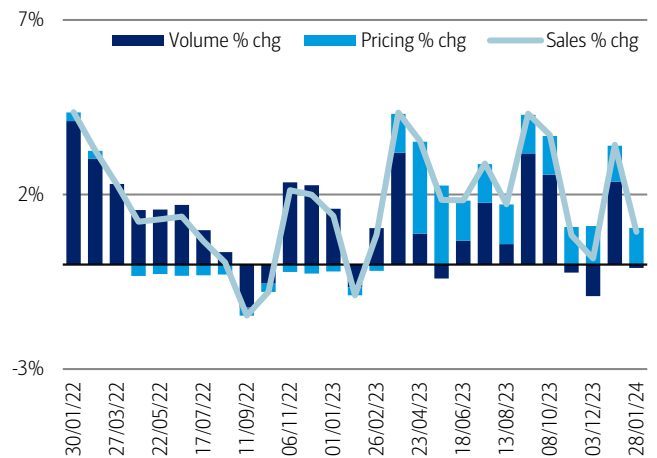


Source: NielsenIQ

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Exhibit 10: Japan Tobacco

Pricing growth held steady in January versus December, but volume % softened



Source: NielsenIQ

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