

Tobacco

US retail nicotine trends for 4W ended Dec 30; combined sales -2% YoY

Industry Overview

Oral tobacco sales growth partly offsets other segments

On a YoY basis, total nicotine \$ sales declined -2.4% for the 4W ended December 30 ("December"), vs. November's decline rate (-1.9%) and cycling -3.1% a year ago. Consecutively total nicotine sales % were -2.5% following -3.0% % in November. Inflation (including aggressive price hikes in nicotine), illicit vapor products and a \$1/pack cigarette excise tax hike in NY (Sep 1) are likely weighing on legal nicotine volumes. For the trailing 12M (2023) period, total tobacco sales -2.6%. We believe that nicotine will remain largely resilient despite these pressures although we may see some shift between categories and/or downtrading as inflationary pressures weigh on smokers' wallets. In 2023, deep discounters were the best performers in cigarettes, BAT outperformed in vapor, Altria in cigars and PM in oral tobacco.

Cigarette volumes weak; -8% for Dec, 4Q and 2023

In the 4W period, industry \$ sales YoY were -4.2% (volumes -8.1%, px/mix +4.2%), 12W sales -4.2% (vols -8.1%, px/mix +4.2%) and 2023 sales -4.4% (vols -8.1%, px/mix +4.1%). Prior month sales -3.9% (vols -7.9%, px/mix +4.4%). Altria Group (MO/PMUSA) -5.5% (-10.5% vols, +5.6% price/mix), British American Tobacco (BAT/RJRT) -5.5% (-9.6% vols/+4.6% px/mix), and Imperial Brands (IMB) -1.2% (-5.1% vols/+4.1% px/mix). Deep value player Vector/Liggett benefitted from trade down with \$ sales +4.6% (vols +0.4%, px/mix +4.1%). MO lost -120bps of share, BAT -50bps, while IMB/VGR enjoyed +30bps/+40bps respectively. Low priced brands, Sonoma (IMB) & Montego (VGR) enjoyed sales growth of +14% and +46% respectively.

Oral tobacco \$ sales +14%, +13% +10% over same pd

December smokeless/oral category \$ in AOD channels +13.7% YoY, holding steady vs. the prior 4-wk period. 12W sales +13.4% and 2023 sales +10%. Modern oral nicotine drove category growth, while key moist smokeless brands posted YoY \$ sales declines. We believe that the smokeless segment is benefitting from innovation, increased availability and the discreet characteristics (and lack of smoke) that oral nicotine products provide. 4W \$ smokeless company sales: MO/UST +0.7% YoY, BAT/American Snuff -1.8%, Philip Morris Intl/Swedish Match +65% and Rogue Holdings +61%.

Modern oral gains remained strong

Excluding modern oral revenue, smokeless tobacco industry sales declined -2.8% MoM and -2.5% on a YoY basis. Collectively oral nicotine (Zyn, on!, Velo and Rogue combined) sales were +4.5% MoM and +82% YoY, with strong YoY sales gains from Zyn (+85%), on! (+93%) and Rogue (+61%). Velo sales +10% YoY. In total, oral tobacco \$ share climbed 150bps MoM to 30.7%.

09 January 2024

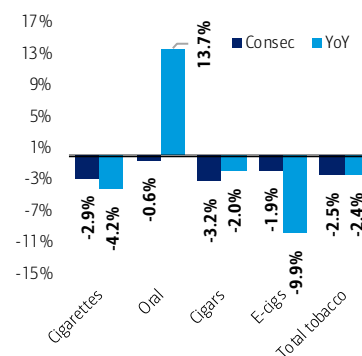
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Exhibit 1: Industry sub-segment \$ %

Oral tobacco outpaced other product forms YoY



Source: NielsenIQ, Total US, AOC (all outlets combined)
+ convenience

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c= cents

MoM= Month over month

YoY= Year over year

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

Px/mix = price/mix

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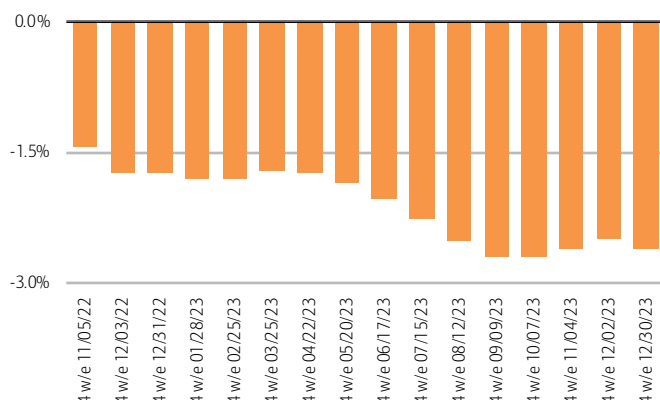
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Total Tobacco/Nicotine Retail Sales

Exhibit 2: TTM \$ sales % growth in total nicotine (cigarettes, cigars, smokeless & vapor)

On a rolling 12M basis, total tobacco sales -2.6%

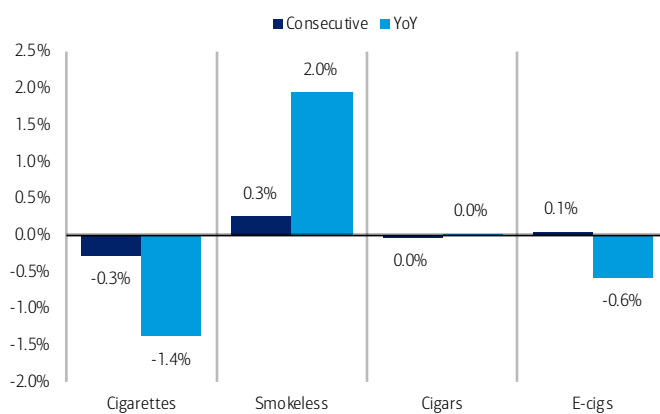


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 4: \$ share change – consecutive and YoY

Smokeless/oral is winning share from other nicotine product forms

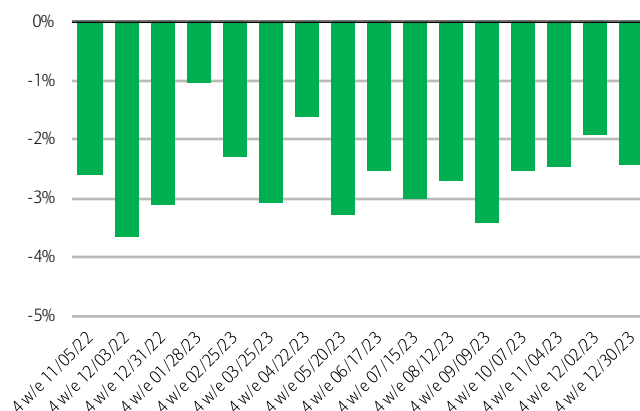


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 3: Monthly \$ sales % growth in total nicotine (cigarettes, cigars, smokeless & vapor)

December sales -2.4% YoY

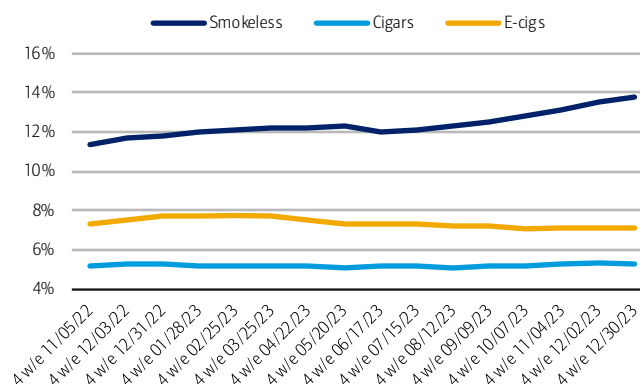


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 5: Total nicotine \$ shr trends in scanned channels (4W pds)

Smokeless products gaining \$ share YoY due to oral nicotine growth



Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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US tobacco- 4W, 12W and 52W data

Exhibit 6: Enhanced AOC + c-store scanner trends for the 4, 12 and 52 weeks ending December 30, 2023

In 2023, deep discounters were the best performers in cigarettes, BAT outperformed in vapor, Altria in cigars and PM in oral tobacco

	SALES			VOLUME			PRICE/MIX			PER UNIT PRICES			VOLUME SHARE			VOLSHARE CHANGE		
	4W	12W	52W	4W	12W	52W	4W	12W	52W	4W	12W	52W	4W	12W	52W	4W	12W	52W
Cigarettes																		
CIGARETTES	(4.2)	(4.2)	(4.4)	(8.1)	(8.1)	(8.1)	4.2	4.2	4.1	\$8.91	\$8.90	\$8.76	100.0	100.0	100.0	-	-	-
ALTRIA GROUP	(5.5)	(5.1)	(4.8)	(10.5)	(10.1)	(10.4)	5.6	5.6	6.2	\$9.24	\$9.21	\$9.06	47.0	47.3	47.7	(1.2)	(1.0)	(1.2)
BENSON & HEDG	(6.1)	(7.0)	(8.8)	(14.5)	(14.8)	(16.3)	9.9	9.1	9.0	\$15.66	\$15.74	\$15.09	0.1	0.1	0.1	(0.0)	(0.0)	(0.0)
CHESTERFIELD	(81.1)	(77.0)	(62.1)	(81.4)	(76.7)	(63.2)	1.7	(1.3)	3.1	\$6.37	\$6.12	\$6.31	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)
L & M	(25.7)	(24.2)	(20.0)	(31.8)	(30.4)	(26.4)	8.9	8.9	8.6	\$8.53	\$8.49	\$8.17	2.3	2.3	2.6	(0.8)	(0.7)	(0.6)
MARLBORO	(4.6)	(4.2)	(4.1)	(9.1)	(8.7)	(9.3)	4.9	5.0	5.7	\$9.12	\$9.09	\$8.97	42.7	43.0	43.0	(0.5)	(0.3)	(0.5)
PARLIAMENT	3.9	3.8	4.7	(5.7)	(5.8)	(4.0)	10.1	10.2	9.1	\$13.15	\$13.10	\$12.66	0.8	0.8	0.8	0.0	0.0	0.0
VIRGINIA SLIMS	2.7	1.6	(0.6)	(5.7)	(6.7)	(8.1)	8.9	8.8	8.1	\$12.76	\$12.67	\$12.37	1.0	1.0	1.0	0.0	0.0	0.0
BAT	(5.5)	(6.2)	(7.7)	(9.6)	(10.3)	(11.2)	4.6	4.5	3.9	\$9.64	\$9.63	\$9.38	30.3	30.3	30.6	(0.5)	(0.7)	(1.1)
CAMEL	(7.2)	(8.2)	(8.9)	(14.0)	(14.0)	(12.7)	7.9	6.7	4.4	\$9.58	\$9.59	\$9.22	6.9	7.0	7.2	(0.5)	(0.5)	(0.4)
DORAL	(27.4)	(22.4)	1.5	(39.3)	(30.7)	17.7	19.6	11.9	(13.8)	\$12.66	\$11.85	\$8.68	0.1	0.1	0.2	(0.1)	(0.0)	0.0
NATL AM SPIRIT	2.8	2.9	0.7	(3.4)	(3.2)	(5.9)	6.4	6.2	7.0	\$11.95	\$11.91	\$11.64	3.1	3.1	3.1	0.1	0.2	0.1
NEWPORT	(7.0)	(8.4)	(12.1)	(8.7)	(10.7)	(15.4)	1.8	2.6	3.9	\$10.11	\$10.07	\$9.83	11.3	11.1	11.2	(0.1)	(0.3)	(1.0)
PALL MALL	(22.0)	(22.4)	(20.2)	(27.9)	(27.9)	(25.9)	8.2	7.6	7.7	\$8.91	\$8.94	\$8.67	3.9	3.9	4.3	(1.1)	(1.1)	(1.0)
IMB/Imperial	(1.2)	(0.9)	0.7	(5.1)	(5.1)	(3.4)	4.1	4.4	4.2	\$8.05	\$8.09	\$8.01	9.6	9.5	9.3	0.3	0.3	0.5
KOOL	(5.5)	(5.5)	(2.3)	(12.5)	(12.8)	(9.1)	8.0	8.4	7.4	\$8.46	\$8.48	\$8.29	1.8	1.8	1.8	(0.1)	(0.1)	(0.0)
MAVERICK	(4.6)	(3.2)	(0.8)	(10.0)	(8.5)	(4.8)	6.0	5.7	4.2	\$7.78	\$7.76	\$7.58	2.0	2.0	2.0	(0.0)	(0.0)	0.1
SALEM	(5.5)	(5.5)	(6.5)	(14.5)	(14.4)	(14.3)	10.5	10.4	9.1	\$12.20	\$12.21	\$11.82	0.7	0.7	0.7	(0.1)	(0.1)	(0.1)
SONOMA	14.1	16.4	26.6	9.1	10.2	16.7	4.6	5.6	8.5	\$6.16	\$6.21	\$6.17	1.5	1.4	1.4	0.2	0.2	0.3
USA GOLD	(16.7)	(19.9)	(20.8)	(25.5)	(28.1)	(27.5)	11.9	11.3	9.2	\$10.89	\$10.89	\$10.44	0.3	0.3	0.3	(0.1)	(0.1)	(0.1)
WINSTON	(4.1)	(3.7)	(4.2)	(5.6)	(6.4)	(8.7)	1.6	2.9	4.9	\$8.28	\$8.36	\$8.47	2.3	2.2	2.2	0.1	0.0	(0.0)
VECTOR GRP	4.6	5.7	10.3	0.4	1.0	5.9	4.1	4.7	4.2	\$6.73	\$6.75	\$6.71	4.6	4.5	4.4	0.4	0.4	0.6
EAGLE	(24.2)	(22.8)	(20.0)	(30.7)	(30.0)	(28.5)	9.4	10.4	11.9	\$7.85	\$7.84	\$7.56	1.0	1.0	1.1	(0.3)	(0.3)	(0.3)
MONTEGO	45.7	48.2	77.8	30.2	31.7	56.1	12.0	12.5	13.9	\$5.76	\$5.75	\$5.61	3.0	2.9	2.6	0.9	0.9	1.1
PYRAMID	(27.0)	(25.3)	(23.5)	(33.8)	(32.4)	(30.6)	10.3	10.6	10.2	\$9.59	\$9.67	\$9.33	0.4	0.4	0.5	(0.1)	(0.1)	(0.1)
Vapor																		
E-CIGS TOTAL	(9.9)	(7.8)	(1.9)	(16.1)	(15.5)	(16.2)	7.5	9.1	17.0	\$7.85	\$7.93	\$7.83	100.0	100.0	100.0	-	-	-
JUUL	(15.2)	(15.3)	(20.5)	(21.2)	(21.2)	(28.1)	7.7	7.5	10.5	\$5.38	\$5.37	\$5.22	35.3	35.4	36.1	(2.3)	(2.6)	(6.0)
VUSE	(4.6)	(2.6)	11.5	(13.7)	(12.6)	(7.0)	10.5	11.4	20.0	\$7.45	\$7.47	\$7.27	44.2	44.1	43.2	1.2	1.5	4.2
BLU	(19.5)	(17.2)	(28.0)	(19.0)	(15.1)	(26.5)	(0.6)	(2.5)	(2.0)	\$6.15	\$6.12	\$6.04	1.5	1.6	1.6	(0.1)	0.0	(0.2)
LOGIC	5.9	8.0	4.2	(2.6)	(0.2)	(2.6)	8.7	8.2	7.0	\$5.35	\$5.34	\$5.25	1.1	1.1	1.1	0.2	0.2	0.2
NJOY	(1.5)	(8.0)	(8.6)	7.5	(2.1)	(8.1)	(8.4)	(6.0)	(0.5)	\$4.98	\$5.13	\$5.41	4.5	4.1	3.8	1.0	0.6	0.3
Cigars																		
CIGARS	(2.0)	(1.0)	(2.5)	15.1	15.0	5.8	(14.9)	(13.9)	(7.9)	\$2.54	\$2.57	\$2.74	100.0	100.0	100.0	-	-	-
ALTRIA GROUP	1.1	2.2	3.5	(1.0)	(0.2)	0.0	2.1	2.4	3.4	\$5.42	\$5.44	\$5.37	15.0	15.2	16.4	(2.4)	(2.3)	(0.9)
SWISHER INTL	5.5	6.7	3.4	74.3	73.8	41.4	(39.5)	(38.6)	(26.9)	\$1.47	\$1.49	\$1.77	44.6	43.9	38.0	15.1	14.8	9.6
SWEDISH MATCH	(7.0)	(6.3)	(3.9)	(21.8)	(20.9)	(13.4)	18.9	18.4	10.9	\$3.43	\$3.44	\$3.20	11.3	11.2	12.9	(5.3)	(5.1)	(2.9)
IMPERIAL	(11.7)	(12.0)	(16.0)	(20.1)	(20.8)	(19.8)	10.5	11.1	4.7	\$5.26	\$5.30	\$5.09	8.9	9.0	10.3	(3.9)	(4.1)	(3.3)
CHEYENNE INTL	10.4	8.8	(1.8)	8.2	6.2	(3.9)	2.2	2.6	2.1	\$0.53	\$0.53	\$0.52	6.3	6.4	6.6	(0.4)	(0.5)	(0.7)
Smokeless/oral																		
TOB-CHEWING	13.7	13.4	10.0	9.7	8.8	5.9	3.6	4.2	3.9	\$6.70	\$6.66	\$6.57	100.0	100.0	100.0	-	-	-
ALTRIA GROUP	0.7	1.7	2.5	(1.9)	(1.4)	0.1	2.6	3.2	2.4	\$7.06	\$7.10	\$7.00	40.1	40.5	42.7	(4.7)	(4.2)	(2.5)
COPENHAGEN	(4.1)	(3.1)	(1.7)	(8.6)	(8.4)	(7.7)	4.9	5.8	6.5	\$8.15	\$8.17	\$8.03	20.7	21.0	22.7	(4.1)	(3.9)	(3.4)
HUSKY	9.5	5.9	(9.1)	7.2	7.5	(7.2)	2.2	(1.5)	(2.1)	\$5.66	\$5.61	\$5.54	0.1	0.1	0.1	(0.0)	(0.0)	(0.0)
ON!	93.3	95.3	98.7	34.1	39.2	54.1	44.1	40.3	28.9	\$3.21	\$3.26	\$2.81	8.8	8.7	8.4	1.6	1.9	2.6
RED SEAL	0.1	(0.7)	5.1	(1.9)	(5.9)	0.1	2.1	5.6	5.0	\$6.87	\$6.88	\$6.76	2.6	2.6	2.8	(0.3)	(0.4)	(0.2)
SKOAL	(6.4)	(4.9)	(3.0)	(11.5)	(10.7)	(10.5)	5.7	6.4	8.3	\$8.56	\$8.55	\$8.40	7.8	8.0	8.6	(1.9)	(1.7)	(1.6)
BAT	(1.8)	(0.7)	(1.4)	(9.0)	(8.8)	(8.4)	7.9	8.8	7.7	\$7.12	\$7.15	\$6.98	23.5	23.8	25.7	(4.8)	(4.6)	(4.0)
CAMEL	(7.5)	(8.1)	(7.5)	(16.0)	(16.3)	(13.8)	10.1	9.8	7.3	\$7.29	\$7.27	\$6.93	2.0	2.0	2.2	(0.6)	(0.6)	(0.5)
GRIZZLY	(3.7)	(2.3)	(2.2)	(14.1)	(13.2)	(10.6)	12.1	12.6	9.4	\$7.25	\$7.24	\$6.95	17.3	17.6	19.6	(4.8)	(4.5)	(3.6)
VELO	9.6	3.9	(5.1)	14.3	6.9	(7.8)	(4.1)	(2.8)	3.0	\$4.06	\$4.13	\$4.27	1.1	1.1	1.0	0.0	(0.0)	(0.2)
SWEDISH MATCH	65.2	61.8	48.0	54.0	49.1	36.2	7.2	8.6	8.7	\$6.17	\$5.91	\$5.75	30.8	30.2	26.3	8.9	8.2	5.9
GENERAL	(19.1)	(13.6)	(14.4)	(26.0)	(20.3)	(19.0)	9.3	8.4	5.7	\$8.67	\$8.57	\$8.25	0.1	0.2	0.2	(0.1)	(0.1)	(0.1)
LONGHORN	18.3	20.2	21.6	9.0	9.8	11.0	8.5	9.5	9.5	\$4.45	\$4.39	\$4.32	3.7	3.7	3.7	(0.0)	0.0	0.2
TIMBER WOLF	2.1	4.5	2.5	(5.6)	(3.7)	(5.5)	8.1	8.6	8.5	\$5.93	\$5.81	\$5.64	0.7	0.7	0.7	(0.1)	(0.1)	(0.1)
ZYN	85.3	80.8	63.6	72.6	65.1	48.6	7.4	9.5	10.0	\$6.30	\$6.01	\$5.82	25.4	24.8	20.8	9.3	8.5	6.0
SWISHER INTL	13.7	17.8	16.7	(2.1)	0.8	8.3	16.1	16.8	7.7	\$4.14	\$4.05	\$3.76	1.5	1.6	1.7	(0.2)	(0.1)	0.0
NATL ATLANTIC	6.0	7.0	8.0	1.1	3.3	3.6	4.9	3.6	4.3	\$6.88	\$6.79	\$6.68	1.3	1.3	1.4	(0.1)	(0.1)	(0.0)
ROGUE	61.4	55.7	54.6	71.6	60.0	45.4	(6.0)	(2.7)	6.3	\$5.35	\$5.46	\$5.61	2.3	2.2	1.8	0.8	0.7	0.5

Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

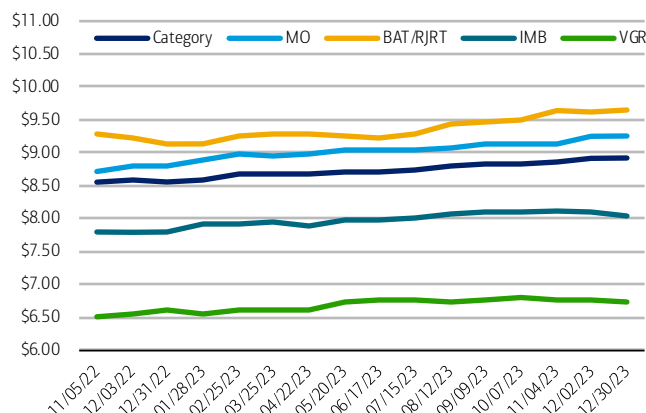
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US cigarettes in pictures —4W trends

Cigarette per pack prices

Exhibit 7: Manufacturer – per pack (20 sticks) prices

Average category prices - 1c MoM to \$8.91/pack in December

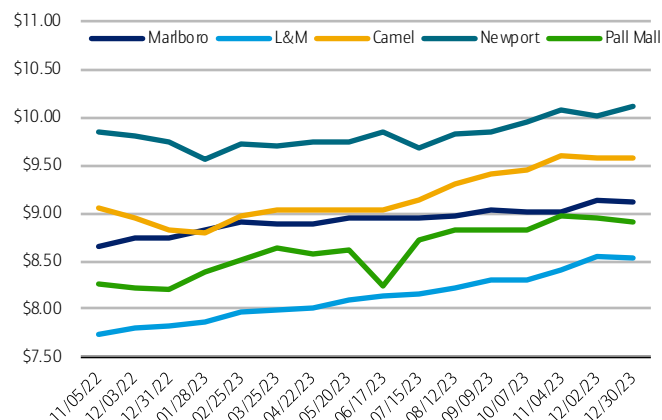


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 8: Key brand per pack (20s sticks) prices

Newport sold for \$10.11/pack vs. \$9.12 for Marlboro



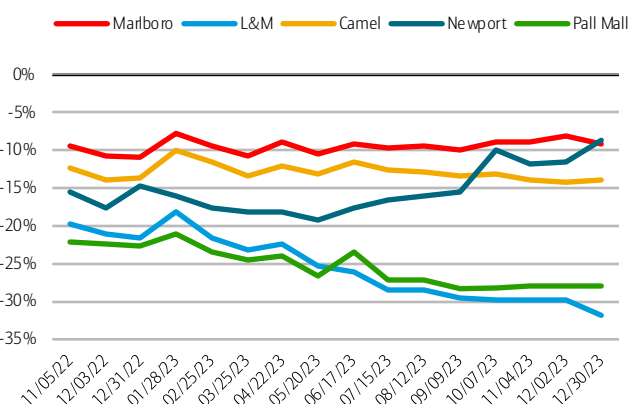
Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Key cigarette brand trends

Exhibit 9: YoY % change in volume

Mid tier value brands Pall Mall and L&M are underperforming

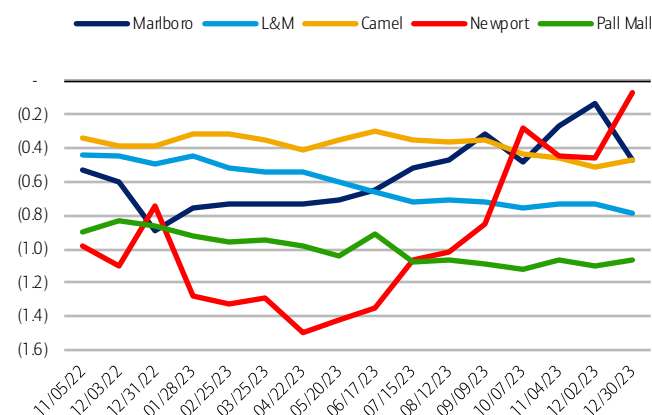


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 10: YoY change in volume share

Each of these brands lost volume share YoY



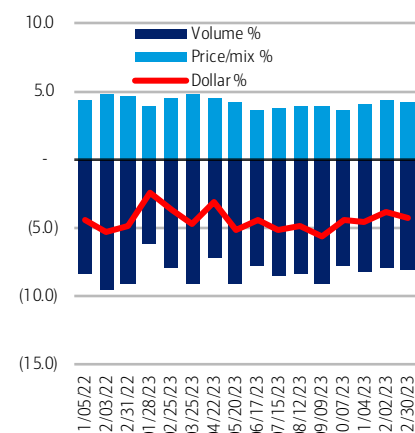
Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Cigarette dollar sales change trends (YoY)

Exhibit 11: US cigarette category

Industry volumes fell 8.1% YoY

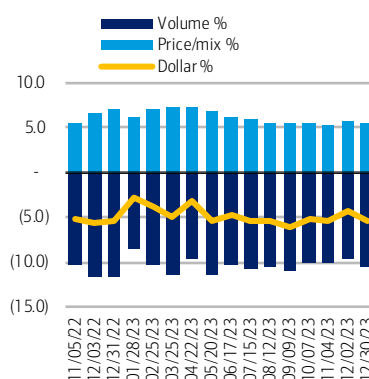


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 12: Altria Group/PMUSA

Dollar sales % declines softened vs. prior month

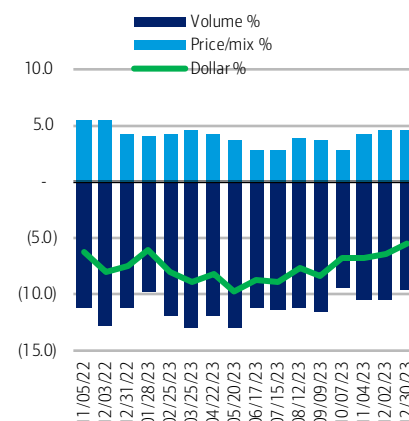


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 13: BAT/Reynolds American/RJRT

Dollar sales % declines eased vs. prior month



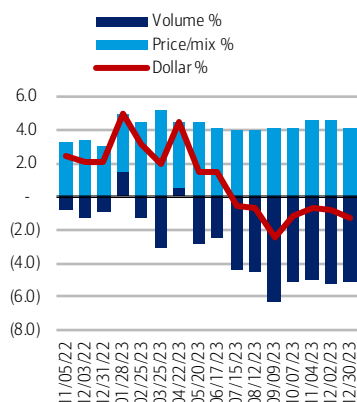
Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Value brands from Imperial and Liggett are benefitting from downtrading.

Exhibit 14: Imperial Brands/IMB

Imperial's volume -5% in December

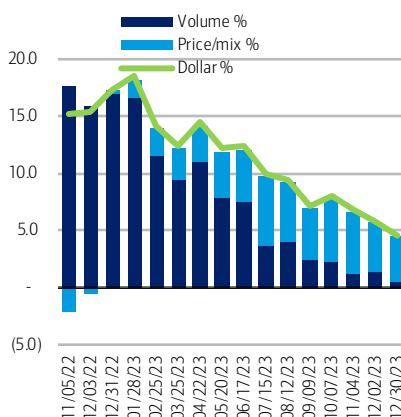


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 15: Liggett/Vector Group

Volume growth flattens YoY

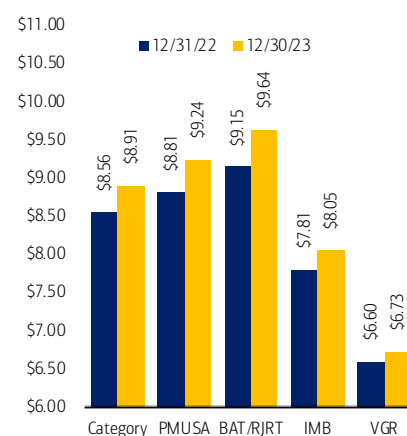


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 16: Per pack prices by company

YoY per pack prices were up 35c YoY, led by a +49c boost for BAT's brands



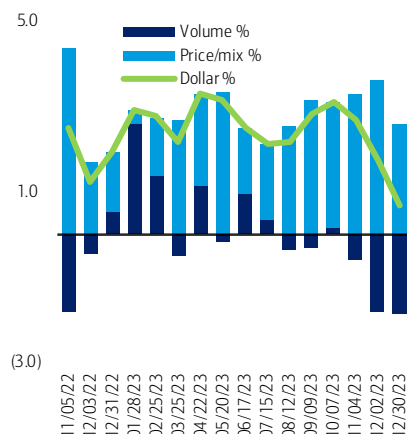
Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Smokeless Tobacco

Exhibit 17: Altria Group/UST & Helix

Sales growth +0.7% in December

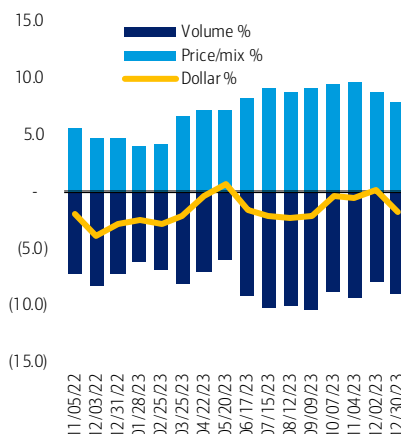


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 18: BAT/American Snuff

Sales growth -1.8% in December

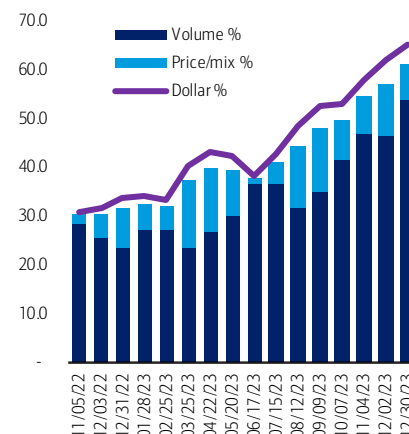


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 19: PM/Swedish Match

Sales growth +65% in December



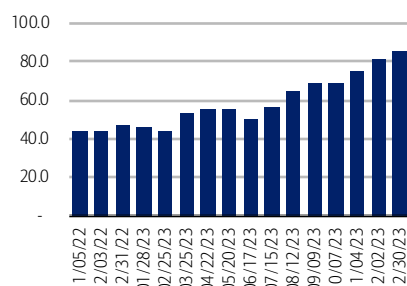
Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Oral nicotine sub-segment \$ sales growth

Exhibit 20: ZYN \$ sales %

YoY % change: +85% in December

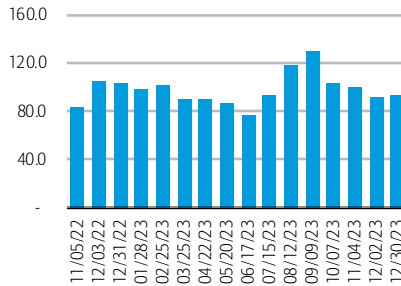


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 21: On! \$ sales growth %

YoY % change: +93% in December

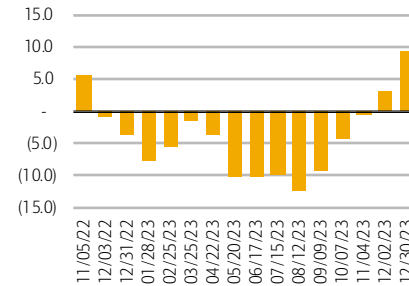


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 22: Velo \$ sales growth %

YoY % change: +10% in December

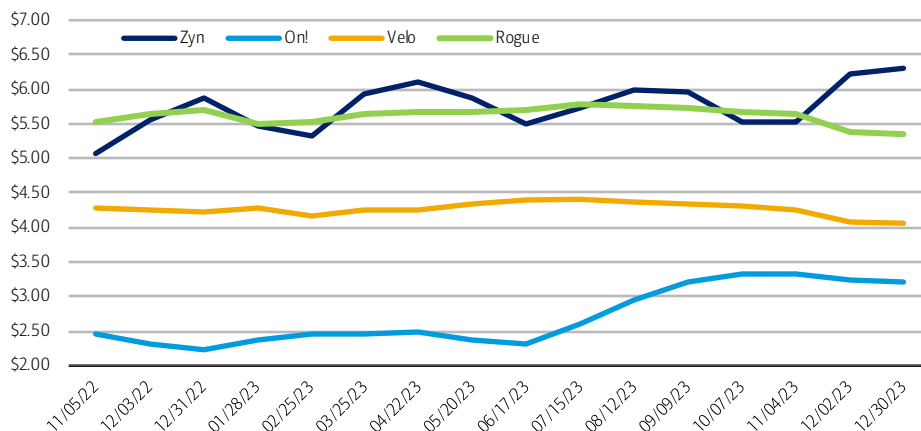


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 23: Per can prices for Zyn, on!, Velo and Rogue

Attractive prices are likely aiding trial for on!

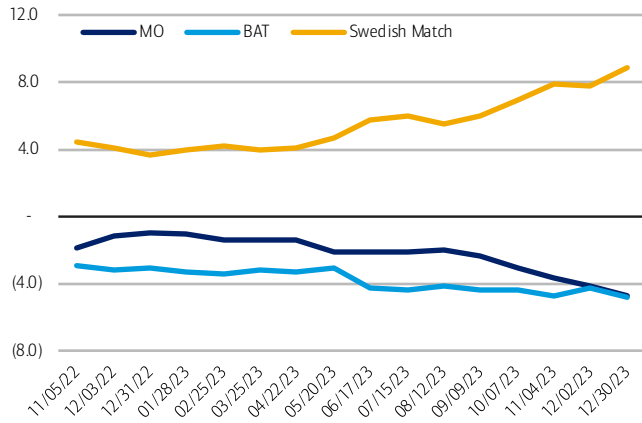


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 24: Smokeless tobacco producers — volume share change

Zyn is fueling PM/Swedish Match's share gains

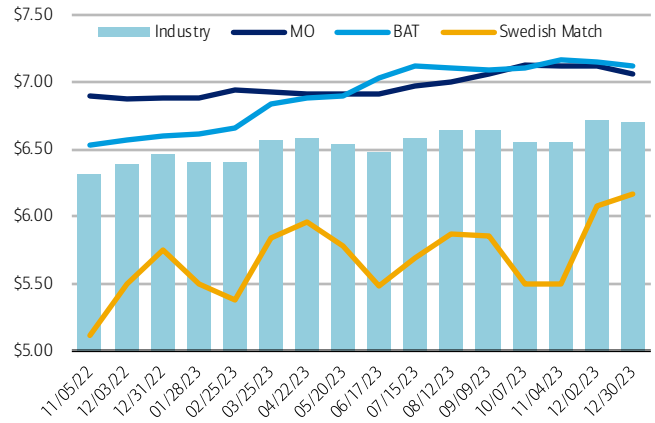


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 25: Smokeless tobacco prices per can

Industry prices per can in December were \$7.06 can, +18c YoY



Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

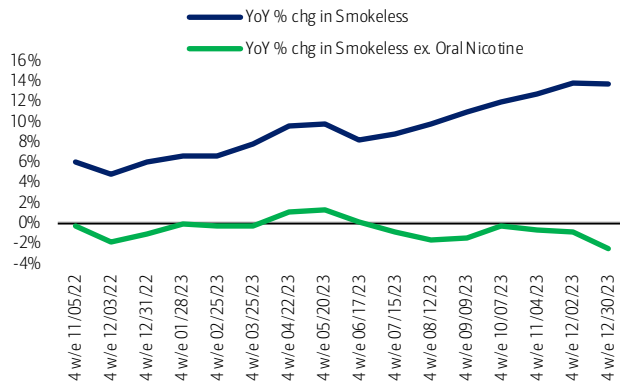
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Smokeless tobacco: Traditional oral vs. Modern Oral (Oral nicotine)

In the charts below we illustrate the impact of modern oral (collectively Zyn, on!, Velo and Rogue sales) on overall smokeless sales.

Exhibit 26: \$ sales growth in smokeless and smokeless oral nicotine

YoY smokeless \$ +13.7% or -2.5% ex. modern oral

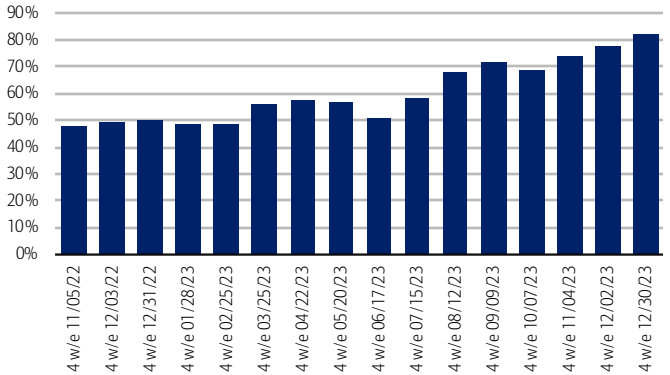


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 27: YoY % chg in oral nicotine \$

Combined YoY modern oral sales +82%

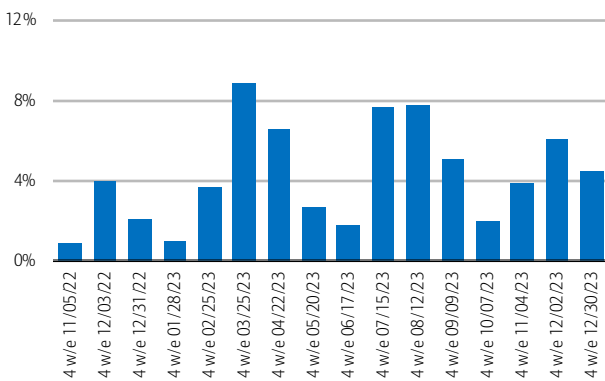


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 28: MoM % change in oral nicotine \$

Combined MoM modern oral sales growth eased this month

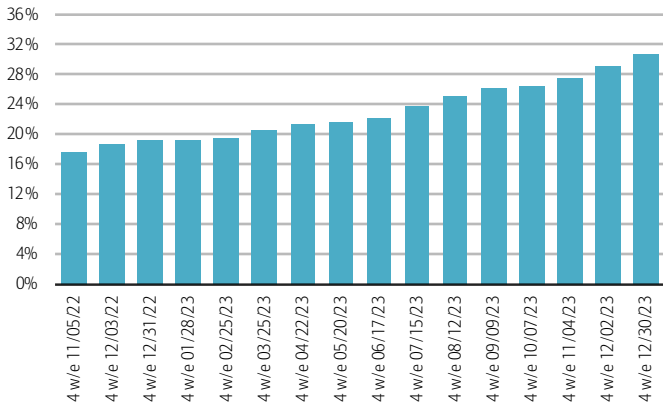


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 29: Estimated \$ share of oral nicotine of overall smokeless \$

Collectively Zyn, on!, Velo and Rogue share was 30.7%, +150bps MoM



Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

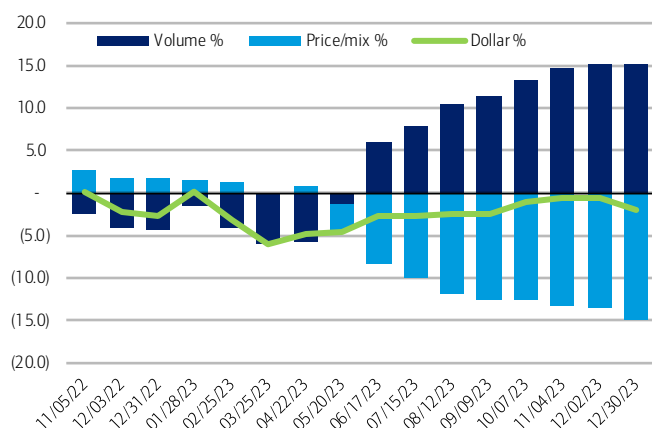
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US Cigars

Exhibit 30: Cigar category

Dollar sales were -2% YoY in December

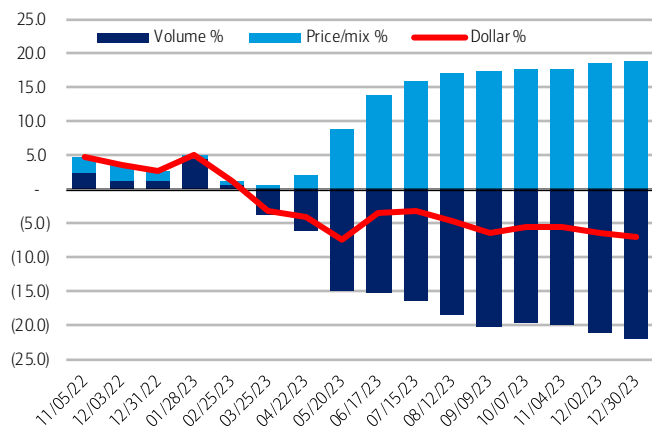


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 32: Swedish Match (PM)

Dollar sales -7% in December on +19% increase in price/mix

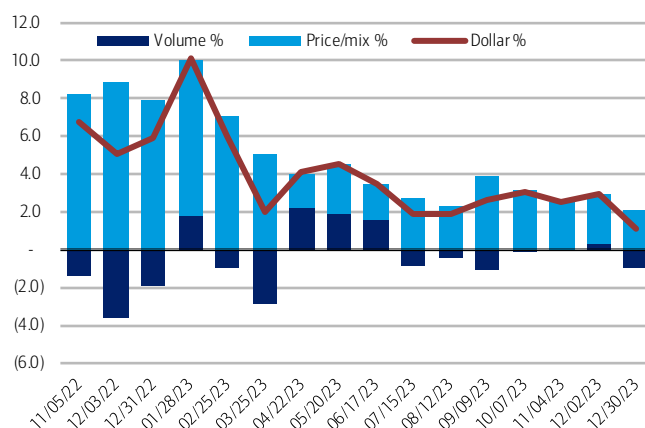


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 31: John Middleton (MO)

Dollar sales grew +1.1% YoY in December, driven by pricing/mix

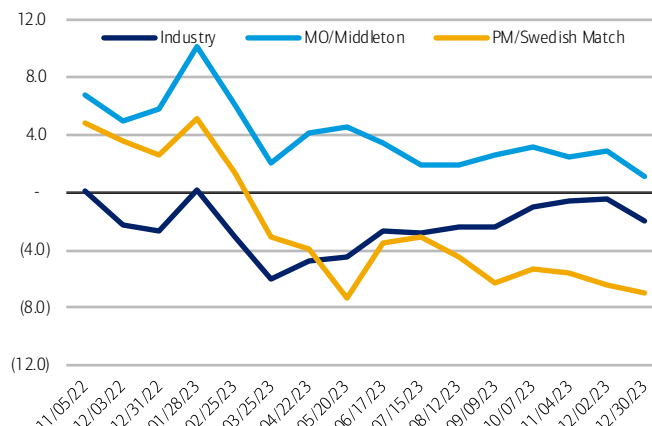


Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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Exhibit 33: Cigar sales \$ growth YoY

MO's Middleton unit is outperforming the category and PM/SM



Source: NielsenIQ, Total US, AOC (all outlets combined) + convenience

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