

Nielsen: Tobacco All Channel Data Thru 8/11 - Cig Vol Decelerates

Tobacco

Marlboro Stabilization Appears Underway

- Cig Industry Volume Deceleration Continues** – Cig industry volume decelerated in the 4-wk period ended 7/14/18, declining -4.2% vs the 12-wk period (-3.2%) as competition from e-cigs/vapor intensifies. Overall, industry cig \$ sales declined -1.7% (vs -1.0% for 12-wks) led by weaker volume, partially offset by cig pricing of +2.6% (vs +2.3% for 12-wks). For 2018, we continue to expect cig industry volume to decline towards the high end of the historic range of -3-4%.
- MO Cig \$ Sales Declined -0.6% As Share Pressure Continues to Moderate** – In step with last month's performance, Marlboro trends continued to show signs of stabilization in the latest 4-wk period with vol declining -1.6% - a slight deceleration vs the 12-wk period's -1.0%, but better than the industry's -4.2%. More importantly, Marlboro's retail \$ share increased an impressive +52bps y/y to 47.3% (vs +18bps last month). While it's still early days, these improvements are encouraging and could form the basis for a long-awaited stabilization of the brand. That said, we note a slight widening in cig price gaps, which suggests downtrading pressure may accelerate (see Exhibit 7). However, we'd need to see more data points to call any kind of trend. Until then, we are pleased that MO's consumer engagement/promo strategy appears to be paying off.
- BAT Cig \$ Sales Decreased -2.2% As Newport Volume Cont. to Sink** – BAT/RJRT cig \$ sales decreased -2.2% despite solid pricing of +3.9% (vs +4.0% for 12-wks) as Newport volume remained under pressure, declining -6.0% in the 4-wk period (vs -5.6% for 12-wks). Newport's disappointing performance echoes signs of disappointment with the Newport Platinum launch as discussed in our last "Tobacco Talk" survey on 7/15. Unsurprisingly, Newport's retail share continued to erode, declining -9bps y/y to 12.8%. NAS vol decelerated but remained fairly healthy at +3.6% (vs. +6.5% 12-wks), while Camel/Pall Mall vols cont. to disappoint at -5.7%/-6.5% (vs -4.3%/-5.3% 12-wks).
- IMT \$ Sales Declined -3.7% as Vol Declines Offset Pricing Gains** – IMT's cig \$ sales were -3.7% as pricing of +4.4% (vs +3.6% for 12-wk) offset vol of -3.7% (vs -1.7% for 12-wks). Winston/Kool vol disappointed, at -0.7%/+0.4% (vs +1.4%/+2.4% for 12-wks).
- BAT's Grizzly Outpaces MO's Copenhagen in Smokeless Tobacco** – \$ sales of BAT's Grizzly (+3.6%) continued to gain traction vs MO's Copenhagen (+1.7%) as consumers pushed back against Copenhagen's very strong pricing of +10.3% (vs +5.8% for 12-wks), driving vol to decline -7.8% (vs -2.1% for 12-wks). This compared to Grizzly's pricing/vol of +0.6%/+3.0% (vs +1.2%/+3.8% for 12-wks).
- E-Cigs \$ Sales Surged +175.7% Led By JUUL** – Strong category pricing/vol, +31.6%/+109.4% (vs. +34.5%/+105.8% for 12-wks) continued, led by JUUL (72.1% \$ share, up 162bps vs last month) and BAT (9.6% \$ share). VUSE \$ sales declined -9.2% (vs -3.6% for 12-wks) as pricing/vol declined -3.9%/-5.5% (vs -3.6%/flat for 12-wks).
- Cigar \$ Sales Remain Solid at +6.5% Led By Altria's Middleton** – All channel cigar \$ sales remained solid at +6.5% (vs 8.7% for 12-wks) led by by No.1 Middleton (+3.1% pricing/+3.2% vol) vs. No.2 Swisher (+2.5% pricing/-1.5% vol).

Please see page 17 for rating definitions, important disclosures and required analyst certifications. All estimates/forecasts are as of 08/21/18 unless otherwise stated. 08/21/18 12:22:21 ET

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Together we'll go far

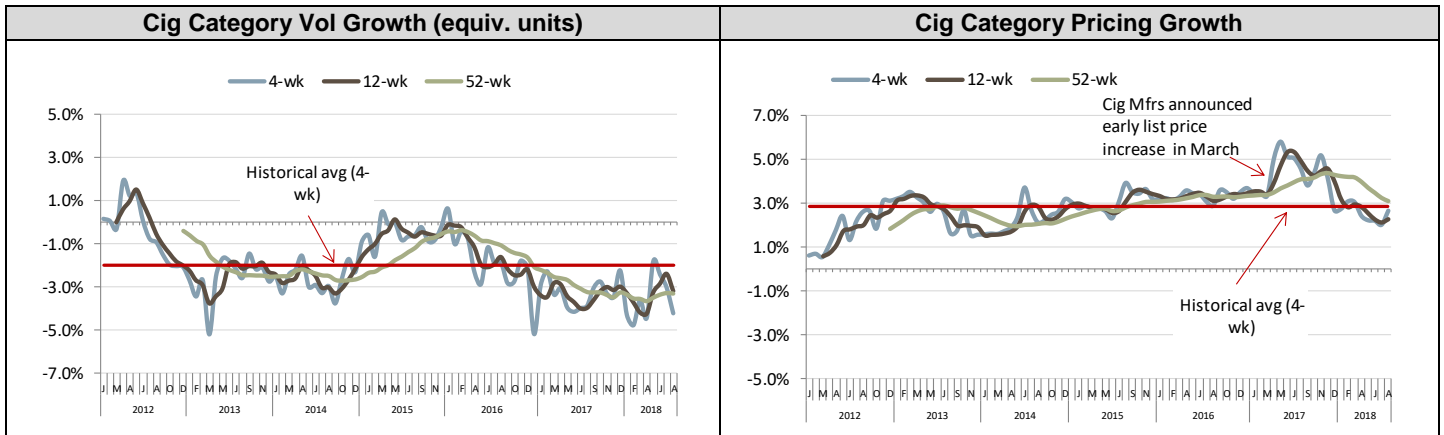


Exhibit 1. Cigarette All Channel Scanner Data Summary (52-wk Category Retail \$ Sales \$62.3B)

CIGARETTES - All Channel Scanner Data Summary																
CIG CATEGORY	Retail \$ Sales Last 52 wks (\$MM)	Dollar Sales Δ y/y			EQ Unit Sales Δ y/y			Avg. EQ Price Δ y/y			Dollar Share			Unit Share		
		Period Ended 08/11/18			Period Ended 08/11/18			Period Ended 08/11/18			Period Ended 08/11/18			Period Ended 08/11/18		
		4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk
CIG CATEGORY	\$62,265	-1.7%	-1.0%	-0.3%	-4.2%	-3.2%	-3.3%	2.6%	2.3%	3.1%						
ALTRIA GROUP INC	\$33,694	-1.7%	-1.2%	-1.3%	-3.2%	-2.4%	-3.6%	1.6%	1.2%	2.4%	54.2%	54.2%	54.1%	53.5%	53.6%	53.4%
MARLBORO	\$29,181	-0.6%	-0.5%	-0.8%	-1.6%	-1.0%	-2.8%	1.0%	0.6%	2.0%	47.3%	47.2%	46.9%	46.6%	46.6%	46.1%
L & M	\$2,569	-10.8%	-7.0%	-3.6%	-15.9%	-12.1%	-8.6%	6.1%	5.9%	5.6%	3.8%	4.0%	4.1%	4.4%	4.6%	4.8%
VIRGINIA SLIMS	\$818	-2.8%	-3.1%	-3.0%	-5.3%	-5.9%	-6.7%	2.7%	3.0%	4.0%	1.3%	1.3%	1.3%	1.1%	1.1%	1.1%
PARLIAMENT	\$761	-6.8%	-7.0%	-4.5%	-8.4%	-8.8%	-7.6%	1.7%	1.9%	3.4%	1.2%	1.2%	1.2%	0.9%	0.9%	0.9%
BRITISH AMERICAN TOBACCO PLC	\$21,053	-2.2%	-1.3%	1.1%	-6.6%	-5.5%	-3.3%	4.7%	4.5%	4.6%	33.7%	33.7%	33.8%	32.2%	32.1%	32.4%
NEWPORT	\$8,053	-2.4%	-1.9%	2.6%	-6.0%	-5.6%	0.2%	3.9%	4.0%	2.4%	12.8%	12.8%	12.9%	11.5%	11.5%	11.7%
CAMEL	\$5,474	-2.0%	-1.0%	2.2%	-5.7%	-4.3%	-2.7%	3.9%	3.4%	5.0%	8.8%	8.8%	8.8%	8.4%	8.4%	8.4%
PALL MALL	\$4,107	-3.2%	-2.2%	-2.8%	-6.5%	-5.3%	-6.8%	3.5%	3.3%	4.3%	6.6%	6.6%	6.6%	7.7%	7.7%	7.7%
NATURAL AMERICAN SPIRIT	\$2,001	6.3%	9.3%	10.5%	3.6%	6.5%	5.5%	2.7%	2.6%	4.8%	3.4%	3.4%	3.2%	2.6%	2.6%	2.5%
IMPERIAL TOBACCO GROUP PLC	\$4,621	-3.7%	-1.7%	-1.0%	-7.8%	-5.2%	-4.2%	4.4%	3.6%	3.3%	7.3%	7.3%	7.4%	7.4%	7.5%	7.6%
WINSTON	\$1,417	-0.7%	1.4%	0.9%	-10.1%	-5.6%	-4.9%	6.9%	5.3%	5.3%	2.2%	2.3%	2.3%	2.2%	2.3%	2.3%
KOOL	\$986	0.4%	2.4%	4.9%	-4.1%	-1.6%	1.4%	4.7%	4.1%	3.4%	1.6%	1.6%	1.6%	1.6%	1.6%	1.7%
MAVERICK	\$974	-3.9%	-0.6%	0.1%	-3.4%	-0.7%	-0.9%	2.8%	2.1%	1.8%	1.6%	1.6%	1.6%	1.7%	1.7%	1.6%
VECTOR GROUP LTD.	\$1,212	2.5%	2.5%	2.1%	2.0%	1.7%	0.4%	0.5%	0.7%	1.7%	2.0%	2.0%	1.9%	2.6%	2.5%	2.5%
PRIVATE LABEL	\$638	8.5%	8.2%	4.1%	7.1%	7.4%	-1.7%	1.3%	0.7%	5.7%	1.1%	1.1%	1.0%	1.6%	1.6%	1.6%
ALL OTHER MANUFACTURERS	\$1,047	5.9%	5.8%	1.0%	4.3%	4.7%	0.4%	1.5%	1.0%	0.6%	1.7%	1.7%	1.7%	2.7%	2.7%	2.6%

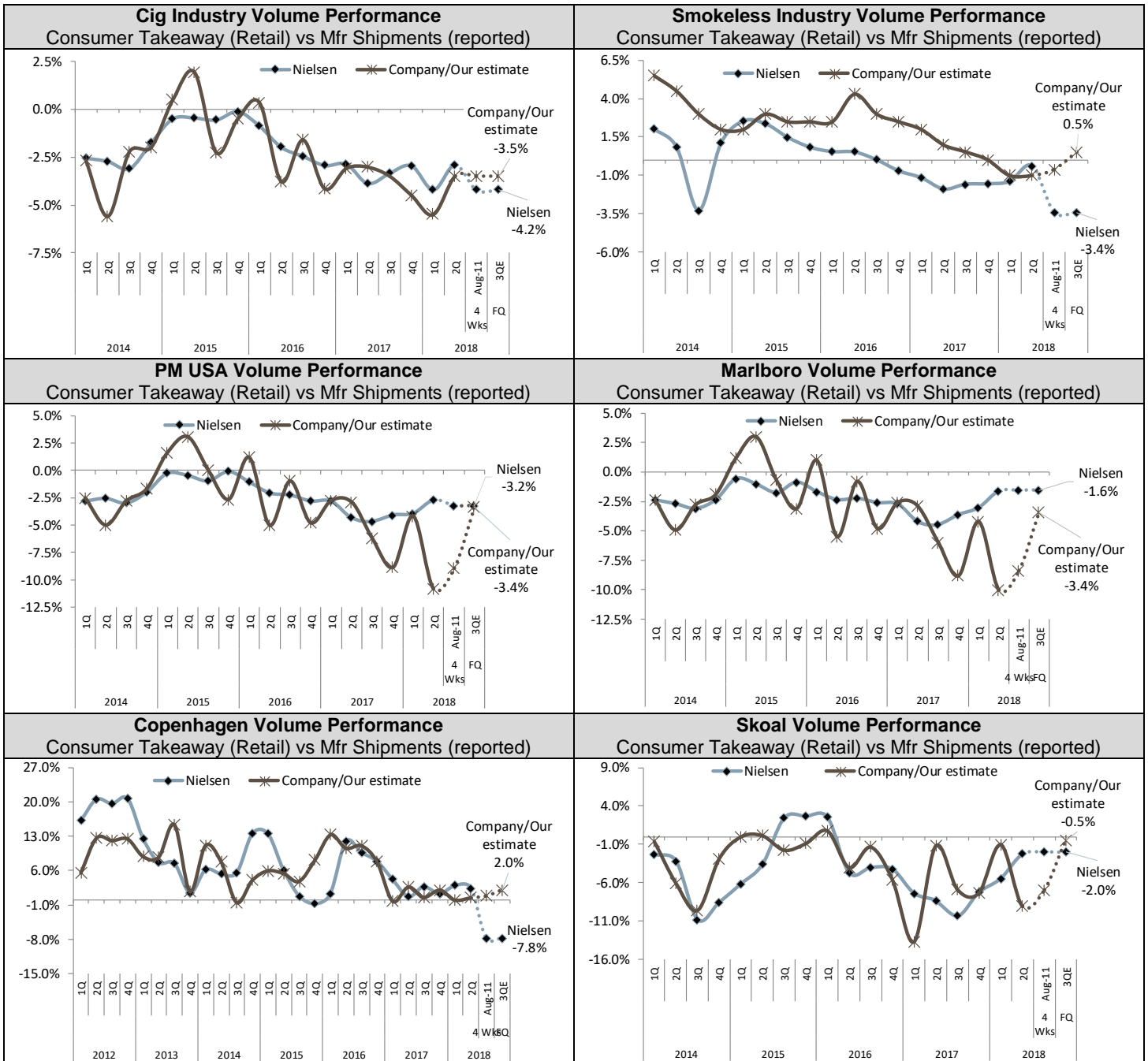
Source: Nielsen XAOC Including C-Store and Wells Fargo Securities, LLC

Exhibit 2. All Channel Cigarette Category Volume & Pricing Performance



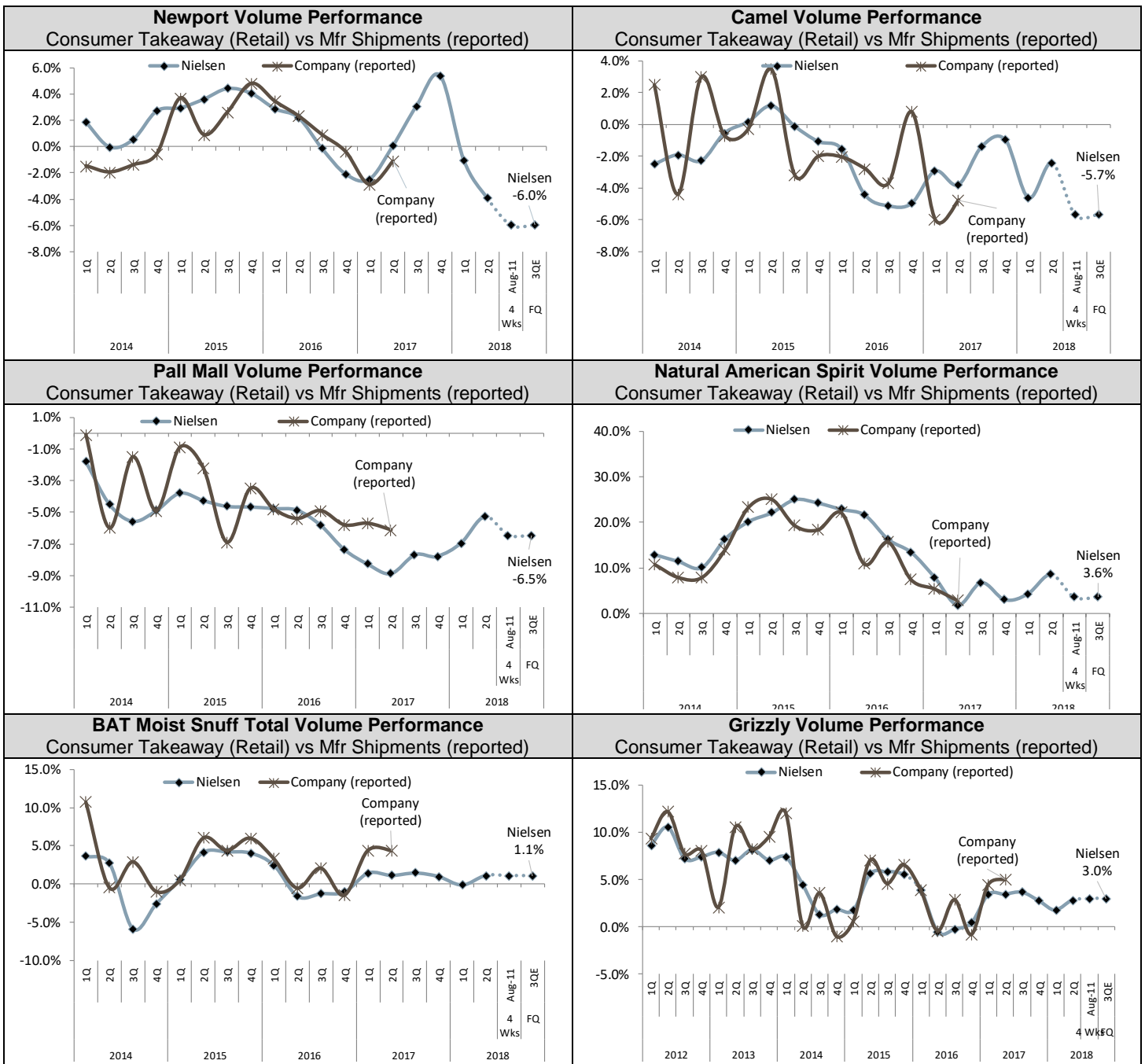
Source: Nielsen XAOC Including C-Store and Wells Fargo Securities, LLC

Exhibit 3. MO Consumption vs Shipment Backtesting – Vol Trends at Retail (Consumer) Based on Nielsen Scanner Data vs Wholesale (Mfr) Reported



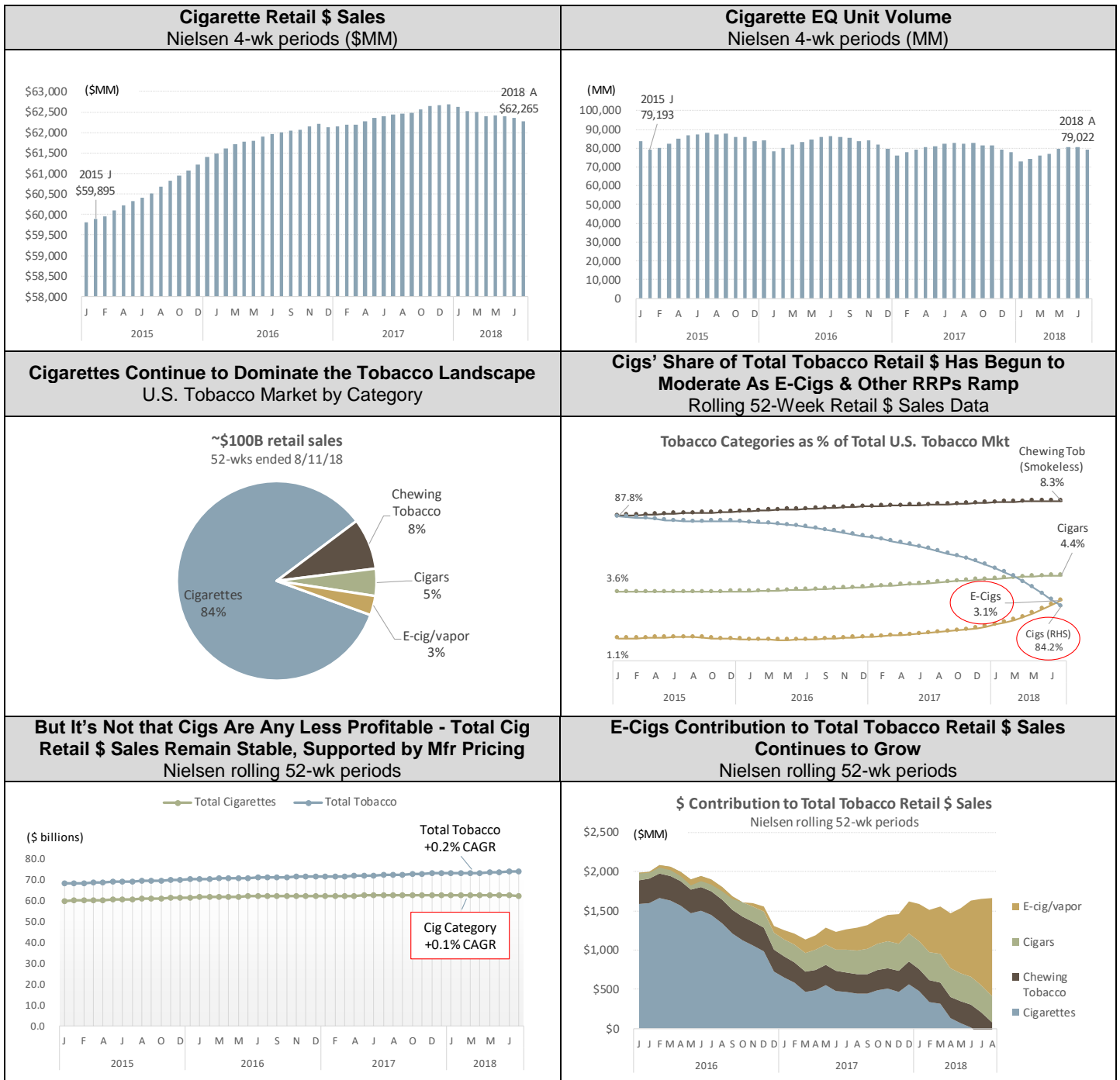
Note: Smokeless industry volume performance as reported by MO is not quarterly, but either as a 6mos or 12mos look back. Therefore it's not an exact representation of the quarter, but an approximation of trends. Source: Nielsen AOC+C Database and Wells Fargo Securities, LLC estimates

Exhibit 4. BAT/RJR Consumption vs Shipment Backtesting – Vol Trends at Retail (Consumer) Based on Nielsen Scanner Data vs Wholesale (Mfr) Reported



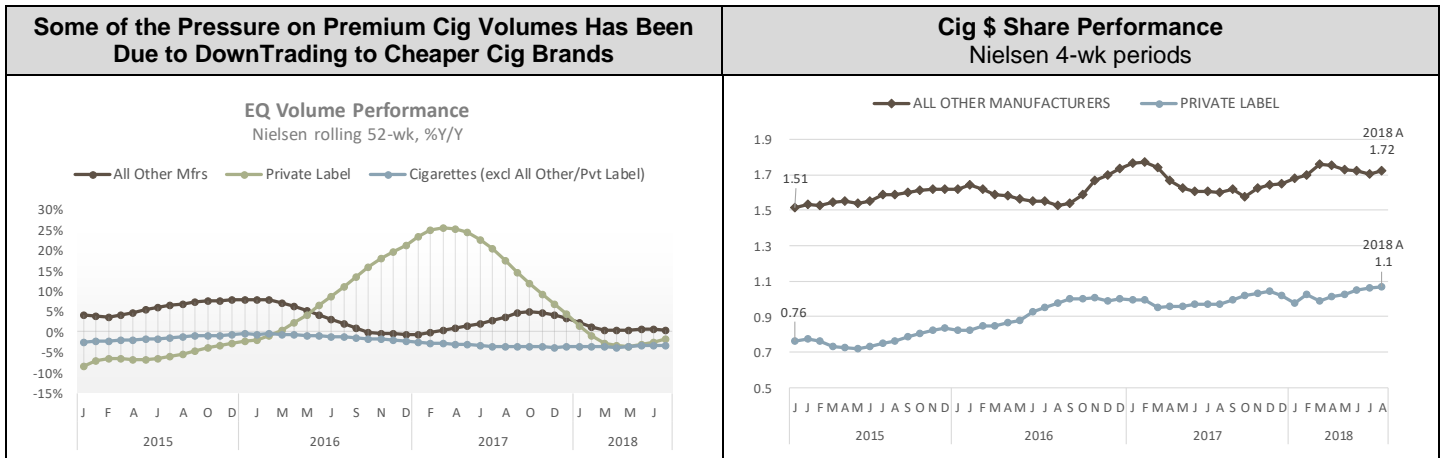
Note: Grizzly's vol data for 1Q18 and 2Q18 were retroactively updated by Nielsen to account for the addition of a new UPC code (line extension) launched during the 4-wk period ended 2/24/18. As a result, Grizzly volume for 1Q18 and 2Q18 are stronger than previously published. **Source:** Nielsen AOC+C Database and Wells Fargo Securities, LLC estimates

Exhibit 5. Cig Industry Charts – All Channel, 4-Wk Periods



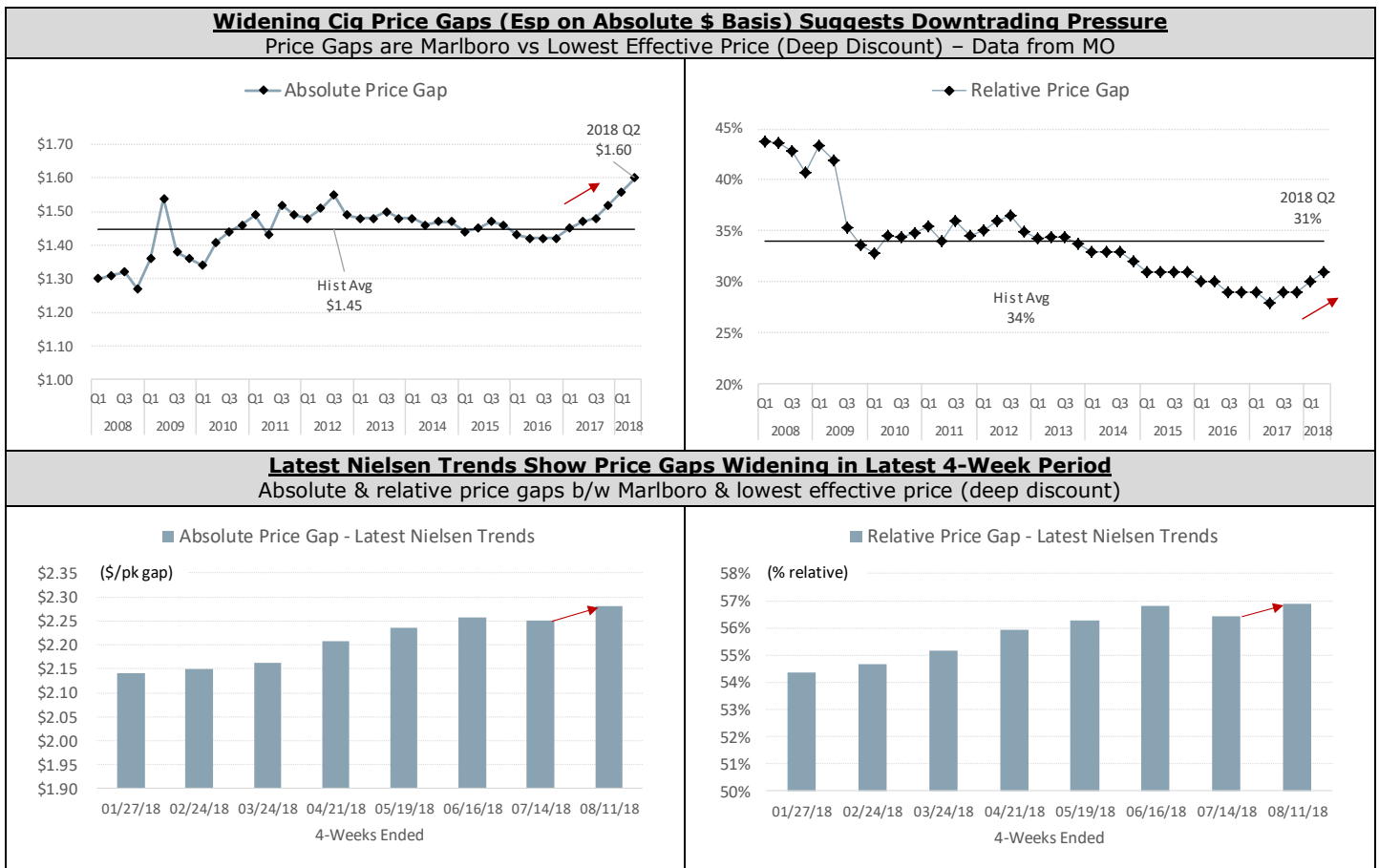
Note: "RRPs" stand for Reduced-Risk Products, which include E-Cigs/vapor, smokeless products and heat-not-burn products. **Source:** Nielsen XAOC Including C-Store, Wells Fargo Securities, LLC

Exhibit 6 – 4th Tier & Deep Discount Volume & \$ Share Performance – All Channel, 4-Wk Periods

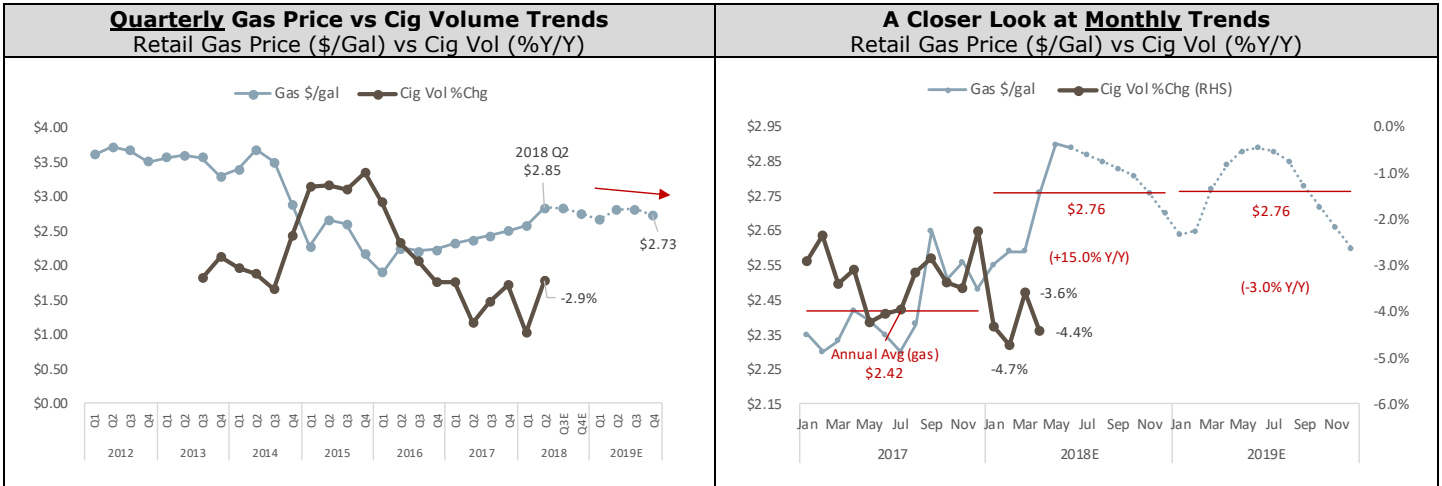


Source: Nielsen XAOC Including C-Store, Wells Fargo Securities, LLC

Exhibit 7 - Cig Industry Price Gaps (Marlboro vs Lowest Effective Price) & EIA Gas Price Outlook

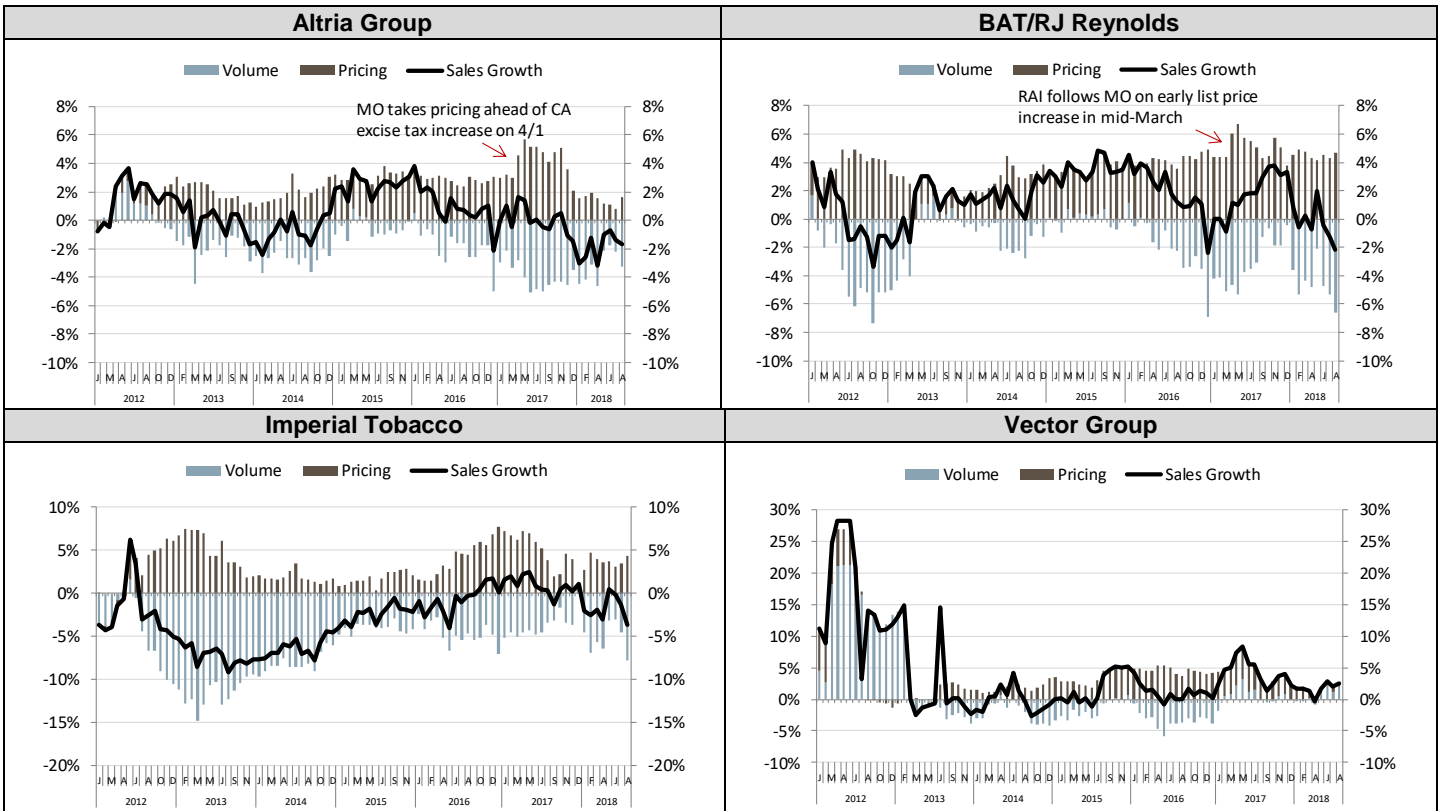


Note: 4th Tier/Deep Discount for the Nielsen charts is calculated as the simple average of Private Label and All Other Manufacturers aggregated by Nielsen. Source: Company reports; Nielsen XAOC including C-Store; Wells Fargo Securities, LLC



Source: Company reports; Nielsen XAOC including C-Store; Energy Information Administration (EIA); Wells Fargo Securities, LLC

Exhibit 8 - Cig Pricing & Volume Trends by Company – All Channel, 4-Wk Periods



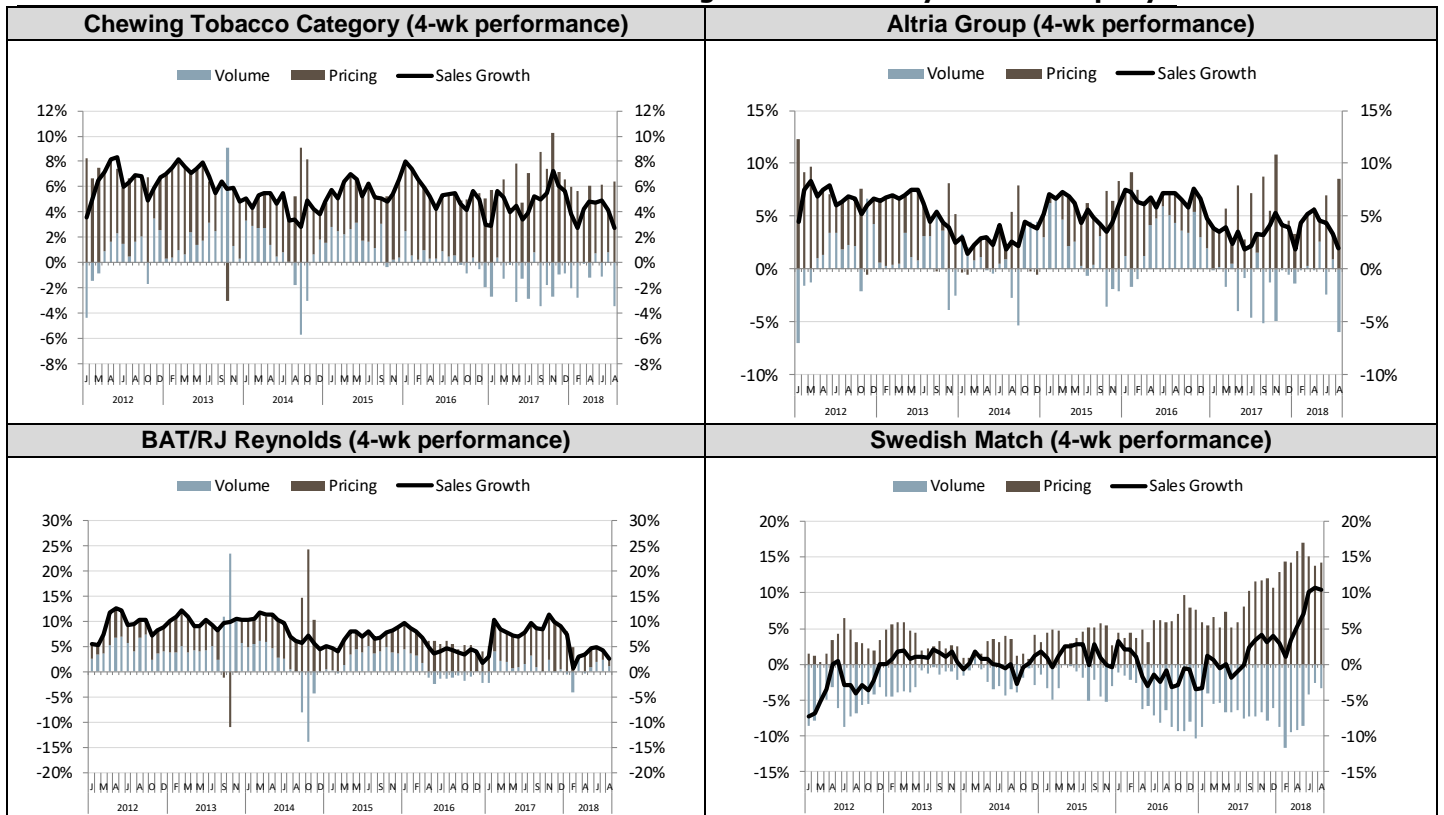
Source: Nielsen XAOC Including C-Store, Wells Fargo Securities, LLC

Exhibit 9. Smokeless Tobacco All Channel Scanner Data Summary (52-wk Category Retail \$ Sales \$6.1B)

SMOKELESS TOBACCO - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	Dollar Sales Δ y/y			EQ Unit Sales Δ y/y			Avg. EQ Price Δ y/y			Dollar Share			Unit Share		
		Period Ended 08/11/18			Period Ended 08/11/18			Period Ended 08/11/18			Period Ended 08/11/18			Period Ended 08/11/18		
		4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk
CHEW TOBACCO CATEGORY	\$6,119	2.7%	3.9%	4.7%	-3.4%	-1.3%	-1.5%	6.4%	5.2%	6.3%						
ALTRIA GROUP INC	\$3,464	2.0%	3.2%	4.0%	-6.0%	-2.6%	-1.5%	8.5%	5.9%	5.5%	56.4%	56.4%	56.6%	51.4%	51.8%	52.3%
COPENHAGEN	\$2,214	1.7%	3.6%	6.5%	-7.8%	-2.1%	1.2%	10.3%	5.8%	5.2%	36.0%	36.1%	36.2%	31.9%	32.4%	32.6%
SKOAL	\$1,048	4.2%	4.3%	0.3%	-2.0%	-2.3%	-5.5%	6.3%	6.8%	6.1%	17.1%	17.0%	17.1%	15.1%	14.9%	15.3%
RED SEAL	\$173	2.8%	1.3%	-5.4%	2.4%	0.1%	-7.9%	0.4%	1.1%	2.6%	2.8%	2.9%	2.8%	4.0%	4.1%	3.9%
BRITISH AMERICAN TOBACCO PLC	\$2,158	2.6%	3.9%	5.9%	1.1%	1.9%	0.6%	1.5%	2.0%	5.3%	35.2%	35.2%	35.3%	34.4%	34.0%	33.6%
GRIZZLY	\$1,652	3.6%	5.1%	7.4%	3.0%	3.8%	2.4%	0.6%	1.2%	4.8%	27.1%	27.1%	27.0%	29.3%	28.9%	28.3%
CAMEL	\$233	4.7%	5.3%	8.1%	-0.1%	0.1%	0.8%	4.8%	5.1%	7.2%	3.8%	3.8%	3.8%	1.2%	1.2%	1.2%
KODIAK	\$204	-1.3%	-1.3%	-1.0%	-4.2%	-4.5%	-5.1%	3.1%	3.3%	4.2%	3.3%	3.2%	3.3%	2.4%	2.4%	2.5%
SWEDISH MATCH AB	\$378	10.4%	10.5%	5.2%	-3.3%	-3.4%	-7.2%	14.2%	14.4%	13.4%	6.5%	6.4%	6.2%	9.3%	9.3%	9.2%
LONGHORN	\$131	7.2%	6.2%	2.0%	6.6%	4.1%	-3.4%	0.6%	2.0%	5.6%	2.2%	2.2%	2.1%	4.4%	4.3%	4.1%
RED MAN	\$124	-7.0%	-5.8%	-6.2%	-12.5%	-11.0%	-11.2%	6.3%	5.9%	5.7%	1.9%	2.0%	2.0%	2.9%	3.0%	3.0%
SWISHER INTERNATIONAL INC	\$51	-4.0%	0.0%	-3.8%	-11.0%	-8.5%	-8.3%	7.9%	9.3%	4.9%	0.8%	0.8%	0.8%	2.2%	2.3%	2.3%
KAYAK	\$15	-6.1%	-4.7%	-5.4%	-8.4%	-5.0%	-3.5%	2.5%	0.4%	-2.0%	0.2%	0.2%	0.2%	0.7%	0.7%	0.7%
STARR	\$10	-5.1%	-1.5%	-3.0%	-10.6%	-7.4%	-7.4%	6.1%	6.4%	4.8%	0.2%	0.2%	0.2%	0.8%	0.8%	0.8%
NATIONAL ATLANTIC TRADING COM	\$51	6.6%	6.5%	6.8%	0.7%	2.4%	1.3%	5.9%	4.0%	5.4%	0.9%	0.9%	0.8%	2.1%	2.1%	2.1%
STOKER'S	\$35	15.5%	16.9%	16.3%	7.8%	10.8%	7.9%	7.2%	5.6%	7.9%	0.6%	0.6%	0.6%	1.6%	1.6%	1.5%
BEECH-NUT	\$8	-11.8%	-17.5%	-11.8%	-17.6%	-21.7%	-14.5%	7.0%	5.4%	3.3%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%
ALL OTHER MANUFACTURERS	\$17	15.8%	11.0%	19.8%	-6.6%	-7.0%	-2.5%	24.1%	19.3%	23.4%	0.3%	0.3%	0.3%	0.6%	0.5%	0.5%

Source: Nielsen XAOC Including C-Store and Wells Fargo Securities, LLC

Exhibit 10. All Channel Smokeless Tobacco -Pricing & Vol Trends by Cat. & Company

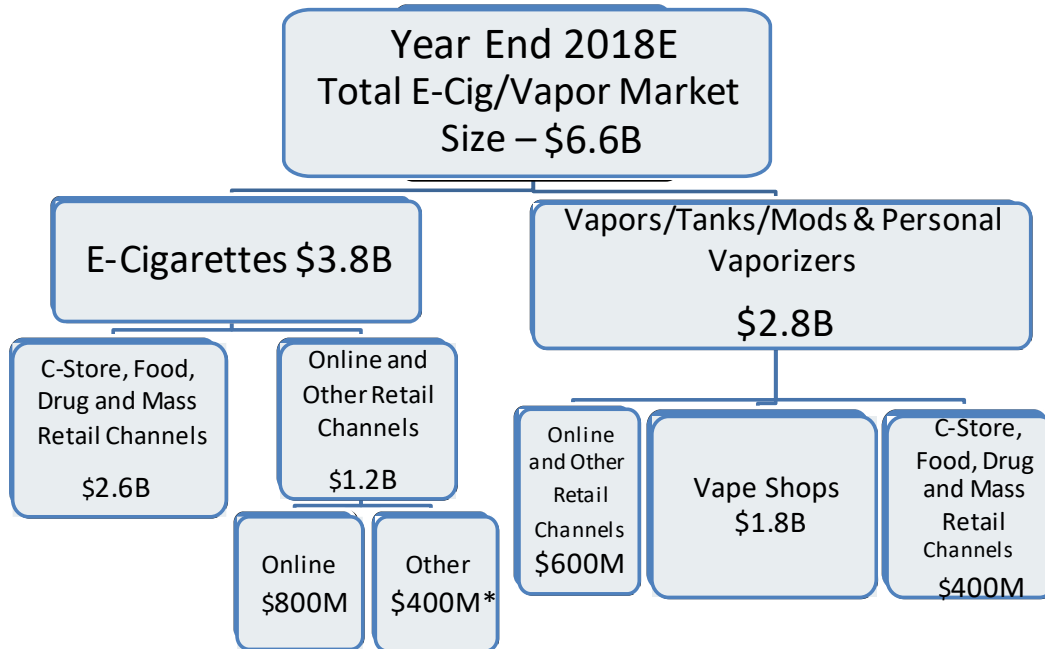


Source for all pricing/volume charts: Nielsen XAOC Including C-Store, Wells Fargo Securities, LLC

Exhibit 11. Estimated \$ Retail Sales of the U.S. E-Cig/Vapor Market by Year End 2018

Given the rapid growth of Juul and the overall e-cig/vapor category this year, we have increased our estimate for the size of the total market by the end of 2018. See below.

E-cig category dollar sales were \$280.0MM this period implying about **~\$2.3B annual retail sales in Nielsen-tracked channels (vs \$1.3B in 2017)**. Considering Nielsen underestimates and doesn't capture all of the channels where e-cigs/vapor products are sold such as online, vape shops, etc, we estimate the total category will reach approximately **\$6.6B** by the end of 2018. See below chart for a breakdown of our estimates by category and channel. Further, we expect this reduced risk product category growth will continue to accelerate as technology evolves and new products come to market such as heat-not-burn (i.e., IQOS). Bottom line, we expect more and more consumers to convert to next generation reduced risk platforms.



Source: Nielsen C-Store Database, Wells Fargo Securities, LLC estimates
 *Other Non-Tracked channels include tobacco-only outlets and other e-cig retail locations.

Exhibit 12. Vapor Market Breakdown by Sub-Segment – Per Nielsen E-Cig Cat. Data



Source: Nielsen XAOC Including C-Store and Wells Fargo Securities, LLC

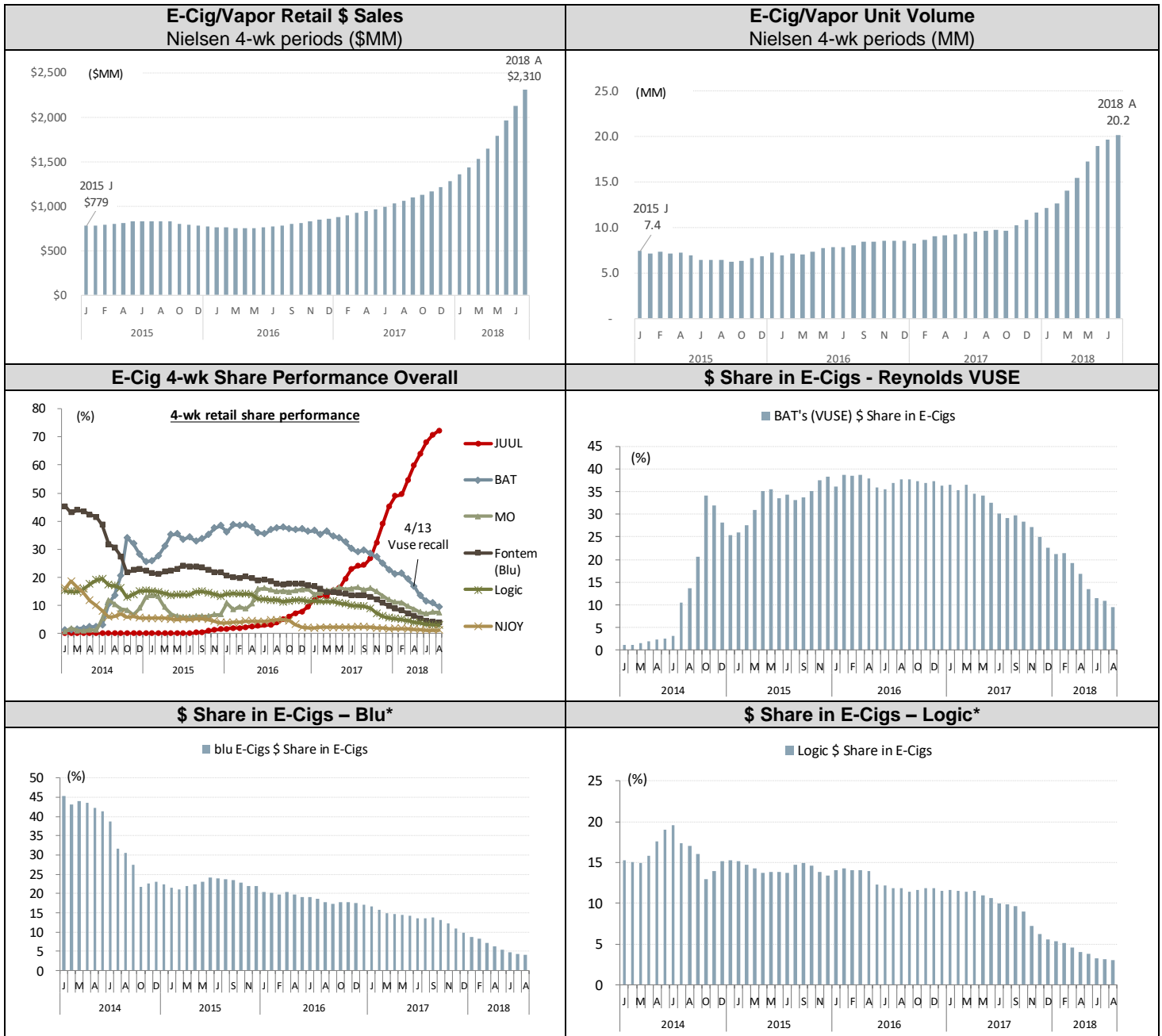
Exhibit 13. E-Cig All Channel Data Summary (52-wk Cat. Retail \$ Sales \$2,310.1M)

E-CIGARETTES - All Channel Scanner Data Summary																
E-CIG CATEGORY	Retail \$ Sales Last 52 wks (\$MM)	Dollar Sales Δ y/y			Unit Sales Δ y/y			Avg. Unit Price Δ y/y			Dollar Share			Unit Share		
		Period Ended 08/11/18			Period Ended 08/11/18			Period Ended 08/11/18			Period Ended 08/11/18			Period Ended 08/11/18		
		4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk
E-CIG CATEGORY	\$2,310.1	175.7%	176.9%	116.8%	109.4%	105.8%	58.3%	31.6%	34.5%	34.3%						
JUUL LABS INC	\$1,286.9	727.7%	773.8%	761.8%	838.8%	875.2%	804.5%	-11.8%	-10.2%	-0.7%	72.2%	70.3%	55.7%	52.8%	50.7%	36.3%
JUUL	\$1,286.3	727.4%	773.4%	761.4%	837.8%	874.3%	803.8%	-11.8%	-10.1%	-0.7%	72.1%	70.3%	55.7%	52.8%	50.6%	36.3%
BRITISH AMERICAN TOBACCO PLC	\$404.0	-9.2%	-3.6%	9.4%	-5.5%	0.0%	-4.2%	-3.9%	-3.6%	13.9%	9.6%	10.6%	17.5%	15.0%	16.7%	23.6%
VUSE	\$404.0	-9.2%	-3.6%	9.4%	-5.5%	0.0%	-4.2%	-3.9%	-3.6%	13.9%	9.6%	10.6%	17.5%	15.0%	16.7%	23.6%
ALTRIA GROUP INC	\$229.2	26.4%	28.0%	39.1%	16.7%	14.2%	19.8%	8.3%	12.1%	16.4%	7.5%	7.4%	9.9%	12.9%	12.8%	16.2%
MARKTEN XL	\$176.4	-11.5%	-5.8%	17.0%	-13.8%	-11.6%	2.0%	2.7%	6.7%	15.2%	4.7%	4.8%	7.6%	8.5%	8.8%	12.7%
MARKTEN XL BOLD	\$32.7	130.1%	122.9%	209.2%	128.1%	116.3%	181.6%	0.9%	2.9%	42.4%	1.1%	1.1%	1.4%	1.9%	2.0%	2.3%
MARKTEN	\$18.7	932.0%	+1000%	2027.1%	686.8%	990.7%	1571.7%	31.2%	33.4%	13.6%	1.8%	1.5%	0.8%	2.5%	1.9%	1.1%
GREEN SMOKE	\$1.5	-65.6%	-60.3%	-45.3%	-72.0%	-67.0%	-52.4%	22.8%	20.5%	17.3%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%
IMPERIAL TOBACCO	\$193.9	9.6%	24.7%	16.6%	37.3%	44.1%	19.4%	-20.2%	-13.7%	-1.5%	5.4%	6.2%	8.4%	9.1%	9.7%	10.6%
BLU	\$167.3	-19.5%	-13.4%	0.7%	-16.6%	-13.2%	0.4%	-3.5%	-0.3%	0.2%	4.0%	4.3%	7.2%	5.5%	5.9%	8.9%
MY BLU	\$26.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.4%	1.9%	1.1%	3.6%	3.9%	1.7%
LOGIC (owned by Japan Tobacco)	\$109.2	-15.6%	-14.6%	-8.0%	32.3%	32.1%	24.4%	-36.2%	-35.3%	-25.1%	3.0%	3.1%	4.7%	5.5%	5.6%	6.8%
LOGIC	\$109.2	-15.6%	-14.6%	-8.0%	32.3%	32.1%	24.4%	-36.2%	-35.3%	-25.1%	3.0%	3.1%	4.7%	5.5%	5.6%	6.8%
NJOY, INC.	\$35.7	40.3%	46.6%	28.5%	53.8%	52.9%	36.3%	-8.8%	-3.9%	-6.3%	1.2%	1.2%	1.5%	2.5%	2.5%	3.0%
NJOY	\$35.7	40.3%	46.6%	28.5%	53.8%	52.9%	36.3%	-8.8%	-3.9%	-6.3%	1.2%	1.2%	1.5%	2.5%	2.5%	3.0%
BALLANTYNE BRANDS LLC	\$13.5	-49.4%	-48.0%	-25.2%	-25.0%	-36.3%	-29.1%	-32.5%	-16.9%	4.7%	0.2%	0.2%	0.6%	0.4%	0.3%	0.6%
CB DISTRIBUTORS INC	\$12.2	-55.6%	-60.7%	-39.6%	-56.4%	-61.7%	-38.5%	1.8%	2.6%	-1.0%	0.2%	0.2%	0.5%	0.3%	0.3%	0.8%
ALL OTHERS	\$25.6	-12.7%	-14.8%	-18.5%	-5.9%	-8.0%	-11.1%	-7.2%	-7.4%	-8.3%	0.6%	0.7%	1.1%	1.3%	1.4%	2.1%

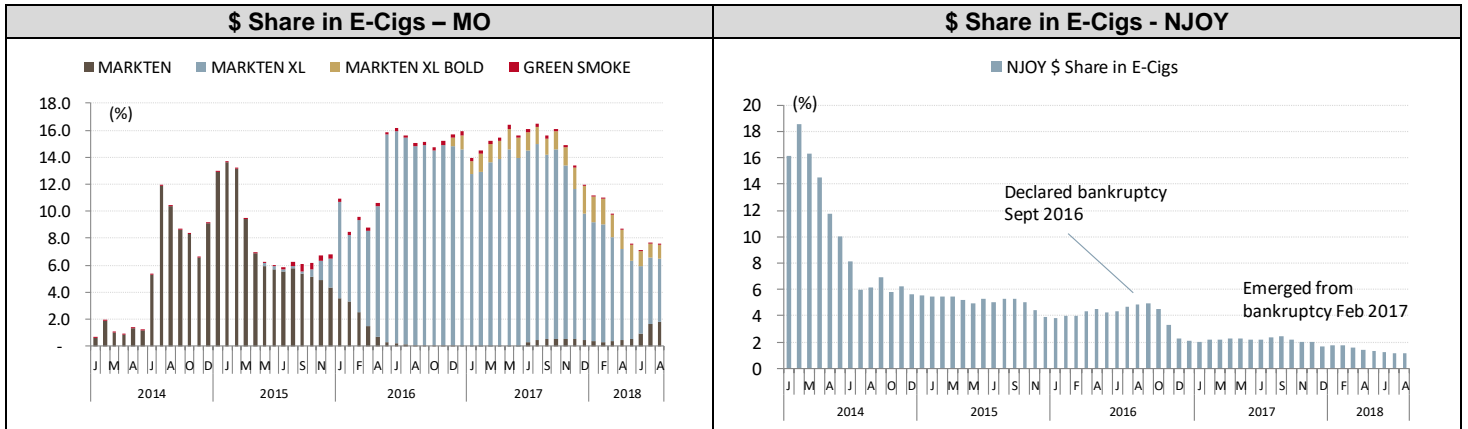
Source: Nielsen XAOC Including C-Store and Wells Fargo Securities, LLC

Exhibit 14. All Channel E-Cigarette Dollar Share Trends

With regard to e-cig **Dollar Share performance**, we note that Nielsen data does not capture the impact of couponing on sales performance, as it technically happens after the point of transaction (i.e., first scanned price). While we are not clear how much this skews our ability to gauge organic brand-level performance, we believe the discrepancy could be rather significant given the magnitude of couponing we understand is occurring presently in the category. **For example, we have heard in the past of significant "coupon drops" driving sales of MarkTen XL and similar tactics employed by Logic and VUSE.** As such, we caution against placing too much emphasis on Nielsen's reported 4-week data and **instead focus on longer-term, directional trends.** *We note that **NJOY emerged from Chapter 11 bankruptcy in February 2017** after filing for protection on 9/15/16.

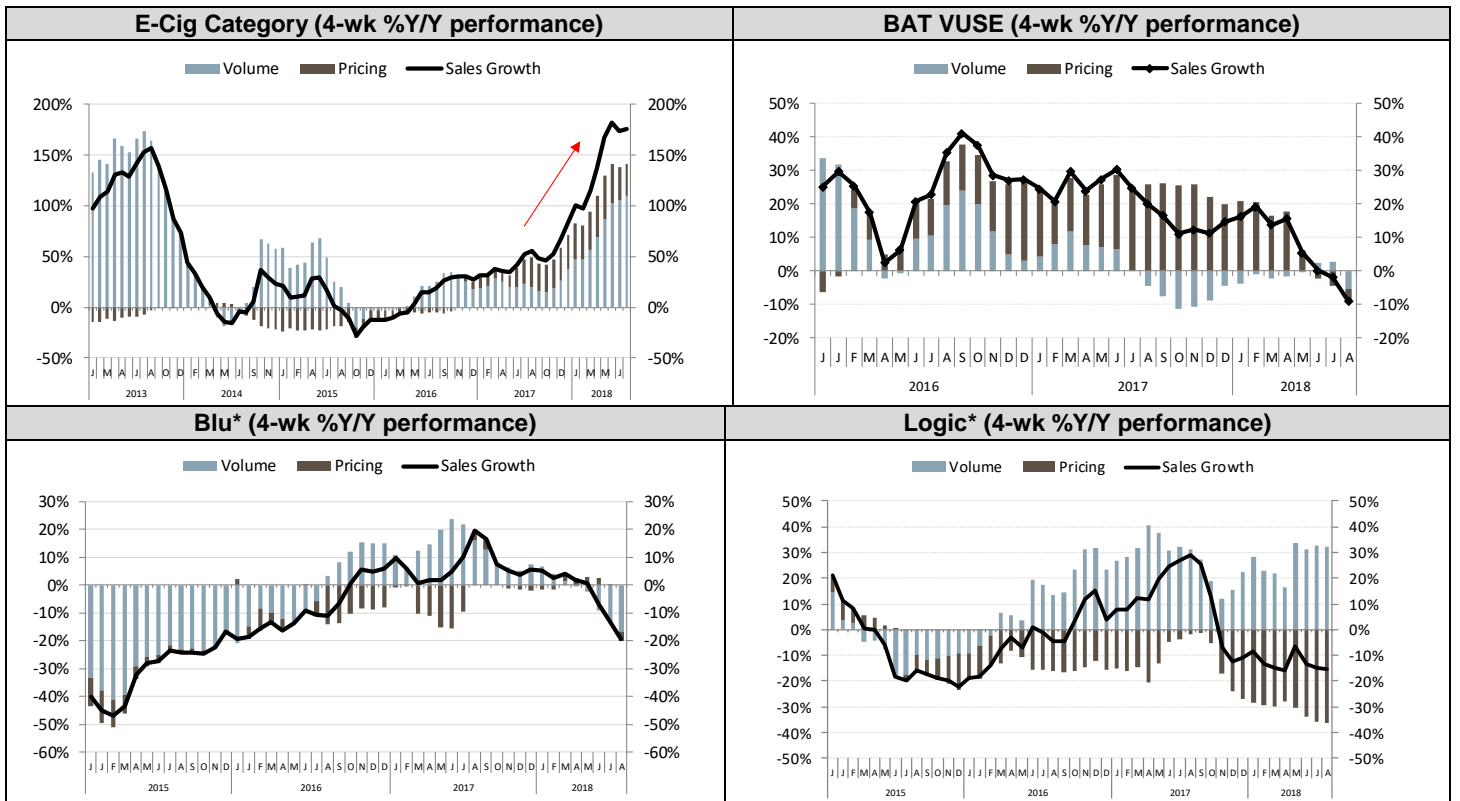


Note: blu was acquired by Imperial Tobacco as part of Lorillard’s acquisition by Reynolds American in June 2015. Logic was acquired by Japan Tobacco in July 2015. **Source:** Nielsen Total US xAOC/Convenience Database & Wells Fargo Securities, LLC

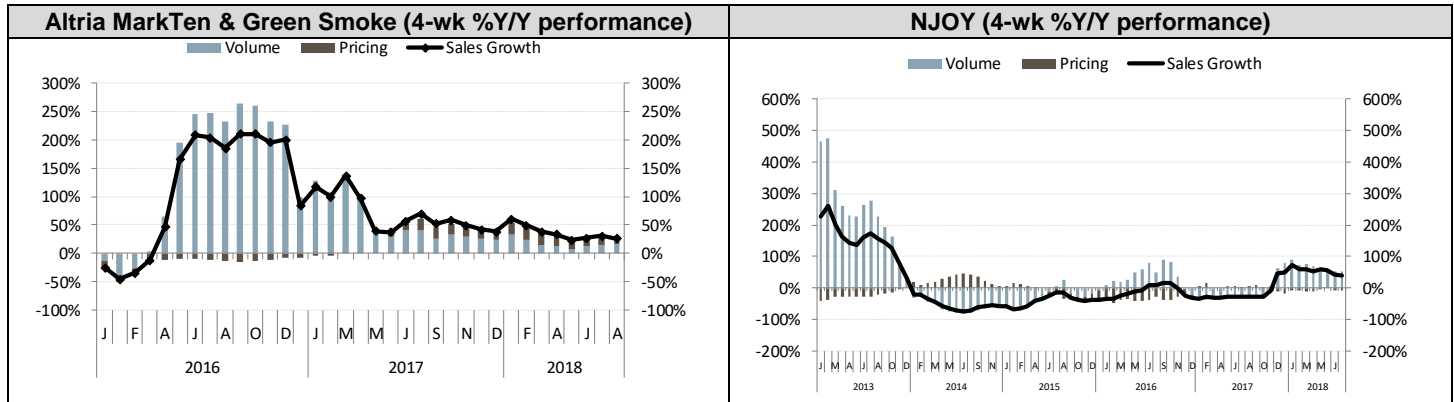


Source: Nielsen Total US xAOC/Convenience Database & Wells Fargo Securities, LLC

Exhibit 15. All Channel E-Cigarette Category Pricing, Volume & Sales Trends



Note(*): blu was acquired by Imperial Tobacco as part of Lorillard’s acquisition by Reynolds American in June 2015. Logic was acquired by Japan Tobacco in July 2015. **Source**: Nielsen Total US xAOC/Convenience Database & Wells Fargo Securities, LLC



Source: Nielsen Total US xAOC/Convenience Database & Wells Fargo Securities, LLC

Exhibit 16. E-Cig Refills - All Channel Data Summary (52-wk Category Retail \$ Sales \$1.7B)

E-CIG REFILL - All Channel Scanner Data Summary																	
	Retail \$ Sales Last 52 wks (\$MM)	Dollar Sales Δ y/y			EQ Unit Sales Δ y/y			Avg. EQ Price Δ y/y			Dollar Share			Unit Share			
		Period Ended 08/11/18	4-Wk	12-Wk	52-Wk	Period Ended 08/11/18	4-Wk	12-Wk	52-Wk	Period Ended 08/11/18	4-Wk	12-Wk	52-Wk	Period Ended 08/11/18	4-Wk	12-Wk	52-Wk
E-CIGS REFILL CATEGORY	\$1,738.3	202.7%	199.2%	130.8%	133.2%	126.0%	69.6%	29.8%	32.4%	33.4%							
JUUL LABS INC	\$1,003.3	785.7%	820.4%	794.4%	856.2%	885.1%	804.0%	-7.4%	-6.5%	2.7%	73.9%	72.1%	57.7%	59.3%	57.2%	41.6%	
JUUL	\$1,003.3	785.7%	820.4%	794.4%	856.2%	885.1%	804.0%	-7.4%	-6.5%	2.7%	73.9%	72.1%	57.7%	59.3%	57.2%	41.6%	
BRITISH AMERICAN TOBACCO PLC	\$339.4	-3.5%	2.2%	11.0%	-6.4%	-2.3%	-5.7%	3.1%	4.6%	17.4%	10.7%	12.1%	19.5%	16.3%	18.3%	26.7%	
VUSE	\$339.4	-3.5%	2.2%	11.0%	-6.4%	-2.3%	-5.7%	3.1%	4.6%	17.4%	10.7%	12.1%	19.5%	16.3%	18.3%	26.7%	
ALTRIA GROUP INC	\$195.7	23.9%	27.7%	48.9%	16.1%	14.2%	27.6%	6.6%	11.9%	17.4%	7.8%	7.9%	11.3%	12.7%	12.6%	17.1%	
MARKTEN XL	\$149.7	-9.1%	-1.9%	25.8%	-14.6%	-12.3%	7.2%	6.5%	12.0%	18.0%	4.9%	5.3%	8.6%	8.1%	8.5%	13.2%	
MARKTEN XL BOLD	\$31.0	150.3%	143.2%	235.0%	146.4%	128.4%	202.9%	1.6%	6.3%	235.0%	1.3%	1.4%	1.8%	2.2%	2.3%	2.7%	
MARKTEN	\$13.6	567.6%	853.4%	1598.3%	487.6%	718.2%	1404.5%	13.6%	23.5%	36.0%	1.5%	1.2%	0.8%	2.3%	1.8%	1.1%	
GREEN SMOKE	\$1.4	-66.6%	-60.3%	-42.2%	-72.7%	-66.9%	-49.4%	22.3%	20.2%	16.8%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%	
JAPAN TOBACCO INC.	\$93.2	-5.3%	-3.7%	0.9%	56.9%	57.1%	44.7%	-39.6%	-38.7%	-28.8%	3.4%	3.6%	5.4%	6.2%	6.3%	7.8%	
LOGIC	\$93.2	-5.3%	-3.7%	0.9%	56.9%	57.1%	44.7%	-39.6%	-38.7%	-28.8%	3.4%	3.6%	5.4%	6.2%	6.3%	7.8%	
IMPERIAL TOBACCO GROUP PLC	\$69.5	44.7%	46.9%	19.0%	91.9%	79.8%	24.4%	-24.6%	-18.2%	-2.0%	3.2%	3.2%	4.0%	3.6%	3.5%	3.5%	
BLU	\$56.7	-30.8%	-21.5%	-2.9%	-30.5%	-25.1%	-8.5%	-0.4%	4.8%	6.1%	1.5%	1.7%	3.3%	1.3%	1.5%	2.6%	
MY BLU	\$9.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.7%	0.9%	0.6%	2.3%	1.3%	0.7%	
CB DISTRIBUTORS INC	\$9.8	-60.9%	-64.4%	-39.9%	-62.6%	-65.7%	-39.8%	4.7%	3.8%	0.8%	0.2%	0.2%	0.6%	0.3%	0.3%	0.9%	
21ST CENTURY SMOKE	\$7.6	-52.1%	-57.1%	-26.6%	-51.2%	-55.9%	-25.7%	-1.9%	-2.7%	-1.4%	0.2%	0.2%	0.4%	0.3%	0.3%	0.6%	
VAPIN PLUS	\$2.2	-82.9%	-80.8%	-62.8%	-83.1%	-81.2%	-58.3%	1.1%	2.1%	-7.6%	0.0%	0.0%	0.1%	0.1%	0.1%	0.3%	
BALLANTYNE BRANDS LLC	\$9.8	-57.6%	-53.1%	-30.9%	-51.9%	-49.4%	-35.1%	-11.9%	-7.4%	5.6%	0.2%	0.2%	0.6%	0.3%	0.3%	0.6%	
HAUS	\$6.0	-47.4%	-43.8%	-29.5%	-49.1%	-47.2%	-33.5%	3.3%	6.4%	6.2%	0.1%	0.2%	0.3%	0.2%	0.2%	0.4%	
MISTIC	\$3.3	-74.7%	-69.7%	-40.0%	-59.1%	-54.6%	-41.6%	-38.2%	-33.4%	-0.3%	0.0%	0.1%	0.2%	0.1%	0.1%	0.2%	
ALL OTHER MANUFACTURERS	\$17.7	11.1%	4.4%	-22.1%	20.7%	22.2%	-10.8%	-7.9%	-14.4%	-13.2%	0.7%	0.7%	1.0%	1.2%	1.3%	1.7%	

Source: Nielsen XAOC Including C-Store and Wells Fargo Securities, LLC

Exhibit 17. E-Cig Disposables - All Channel Data Summary (52-wk Category Retail \$ Sales \$147.6M)

E-CIG DISPOSABLE - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	Dollar Sales Δ/y/y			EQ Unit Sales Δ/y/y			Avg. EQ Price Δ/y/y			Dollar Share			Unit Share		
		Period Ended 08/11/18 4-Wk	12-Wk	52-Wk	Period Ended 08/11/18 4-Wk	12-Wk	52-Wk	Period Ended 08/11/18 4-Wk	12-Wk	52-Wk	Period Ended 08/11/18 4-Wk	12-Wk	52-Wk	Period Ended 08/11/18 4-Wk	12-Wk	52-Wk
E-CIGS DISPOSABLE CATEGORY	\$147.6	-10.8%	-7.9%	-0.6%	-4.4%	-4.1%	3.0%	-6.7%	-3.9%	-3.5%						
IMPERIAL TOBACCO GROUP PLC	\$102.8	-7.6%	-3.3%	4.9%	-8.1%	-4.6%	4.9%	0.6%	1.4%	0.0%	68.7%	6950.4%	6968.0%	59.9%	61.9%	63.1%
BLU ECIGS	\$102.8	-7.6%	-3.3%	4.9%	-8.1%	-4.6%	4.9%	0.6%	1.4%	0.0%	68.7%	6950.4%	6968.0%	59.9%	61.9%	63.1%
NJOY, INC.	\$28.0	37.9%	47.1%	44.6%	55.2%	51.5%	51.6%	-11.2%	-2.5%	-4.8%	22.4%	2188.2%	1904.7%	27.3%	26.1%	22.5%
NJOY	\$28.0	37.9%	47.1%	44.6%	55.2%	51.5%	51.6%	-11.2%	-2.5%	-4.8%	22.4%	2188.2%	1904.7%	27.3%	26.1%	22.5%
JAK ECIG	\$11.3	-2.7%	-5.3%	6.5%	-2.8%	-4.6%	5.7%	0.1%	-0.6%	0.8%	7.3%	728.0%	765.6%	10.3%	10.5%	11.2%
JAK	\$11.3	-2.7%	-5.3%	6.5%	-2.8%	-4.6%	5.7%	0.1%	-0.6%	0.8%	7.3%	728.0%	765.6%	10.3%	10.5%	11.2%
JAPAN TOBACCO INC.	\$3.3	-99.1%	-99.2%	-81.2%	-99.1%	-99.2%	-80.4%	-3.5%	-3.2%	-2.2%	0.1%	9.7%	209.8%	0.1%	0.1%	1.8%
LOGIC	\$3.3	-99.1%	-99.3%	-81.2%	-99.1%	-99.3%	-80.4%	-3.6%	-4.7%	-2.6%	0.1%	8.1%	209.4%	0.1%	0.1%	1.8%
ALL OTHER MANUFACTURERS	\$2.2	-23.6%	-37.4%	-28.4%	33.2%	-16.3%	-38.9%	-42.7%	-17.7%	16.9%	1.5%	-9776.2%	-9748.1%	2.4%	1.5%	1.5%

Source: Nielsen XAOC Including C-Store and Wells Fargo Securities, LLC

Exhibit 18. E-Cig Kits - All Channel Data Summary (52-wk Category Retail \$ Sales \$424.2M)

E-CIGS-KITS, BATTERIES, AND CHARGERS - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	Dollar Sales Δ/y/y			EQ Unit Sales Δ/y/y			Avg. EQ Price Δ/y/y			Dollar Share			Unit Share		
		Period Ended 08/11/18 4-Wk	12-Wk	52-Wk	Period Ended 08/11/18 4-Wk	12-Wk	52-Wk	Period Ended 08/11/18 4-Wk	12-Wk	52-Wk	Period Ended 08/11/18 4-Wk	12-Wk	52-Wk	Period Ended 08/11/18 4-Wk	12-Wk	52-Wk
E-CIGS KITS CATEGORY	\$424.2	198.4%	221.3%	158.8%	119.0%	131.9%	63.8%	36.3%	38.8%	55.8%						
JUUL LABS INC	\$283.6	555.4%	633.9%	663.4%	695.3%	793.6%	808.5%	-17.6%	-17.8%	-9.7%	80.7%	78.3%	66.9%	41.3%	39.2%	33.4%
JUUL	\$283.0	553.7%	632.1%	661.9%	686.1%	785.1%	802.3%	-16.8%	-17.2%	-9.3%	80.4%	78.1%	66.7%	40.7%	38.8%	33.1%
BRITISH AMERICAN TOBACCO PLC	\$64.6	-35.1%	-31.2%	1.9%	2.3%	19.9%	9.4%	-36.6%	-42.3%	-5.7%	6.9%	7.0%	15.2%	15.1%	16.3%	24.1%
VUSE	\$64.6	-35.1%	-31.2%	1.9%	2.3%	19.9%	9.4%	-36.6%	-42.3%	-5.7%	6.9%	7.0%	15.2%	15.1%	16.3%	24.1%
ALTRIA GROUP INC	\$33.6	38.0%	29.5%	0.4%	18.9%	14.2%	-7.0%	16.1%	12.9%	7.7%	8.2%	7.3%	7.9%	22.6%	21.2%	24.2%
MARKTEN XL	\$26.7	-21.5%	-22.0%	-15.9%	-10.8%	-9.2%	-15.5%	-12.0%	-13.9%	1.1%	4.4%	4.1%	6.3%	16.1%	15.8%	21.0%
MARKTEN XL BOLD	\$1.7	-28.5%	-28.1%	28.0%	++	++	3773.7%	58.2%	75.2%	42.0%	0.2%	0.2%	0.4%	5.5%	3.8%	1.5%
MARKTEN	\$5.1	++	++	6435.1%	12.7%	43.7%	62.2%	-36.5%	-47.5%	10.8%	3.6%	2.9%	1.2%	1.1%	1.5%	1.7%
GREEN SMOKE	\$0.1	-51.7%	-60.4%	-67.0%	-60.3%	-68.3%	-74.3%	21.6%	24.3%	27.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
IMPERIAL TOBACCO GROUP PLC	\$21.6	-24.2%	183.5%	119.2%	467.3%	538.9%	214.0%	-86.6%	-62.0%	-11.7%	1.2%	4.4%	5.1%	15.1%	18.1%	11.0%
MY BLU	\$13.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.8%	3.9%	3.2%	14.5%	17.4%	8.1%
BLU	\$7.8	-77.3%	-71.5%	-20.3%	-79.4%	-76.8%	-21.1%	10.1%	22.2%	-1.5%	0.4%	0.4%	1.8%	0.5%	0.7%	2.8%
JAPAN TOBACCO INC.	\$12.7	23.2%	24.1%	42.2%	73.3%	73.9%	66.4%	-28.9%	-28.6%	-13.4%	2.0%	2.0%	3.0%	4.2%	3.9%	5.1%
LOGIC	\$12.7	23.2%	24.1%	42.2%	73.3%	73.9%	66.4%	-28.9%	-28.6%	-13.4%	2.0%	2.0%	3.0%	4.2%	3.9%	5.1%
BALLANTYNE BRANDS LLC	\$2.7	-31.6%	-33.7%	-13.9%	57.5%	25.0%	0.9%	-56.6%	-44.8%	-12.5%	0.3%	0.3%	0.6%	0.7%	0.5%	0.6%
CB DISTRIBUTORS INC	\$2.4	-34.4%	-45.1%	-38.7%	5.2%	-19.4%	-24.0%	-37.6%	-30.6%	-18.4%	0.3%	0.3%	0.6%	0.6%	0.4%	0.7%
ALL OTHER MANUFACTURERS	\$3.0	-26.7%	-17.9%	-25.3%	-20.2%	-20.2%	-29.3%	-8.2%	3.3%	5.8%	0.4%	0.4%	0.7%	0.5%	0.5%	0.9%

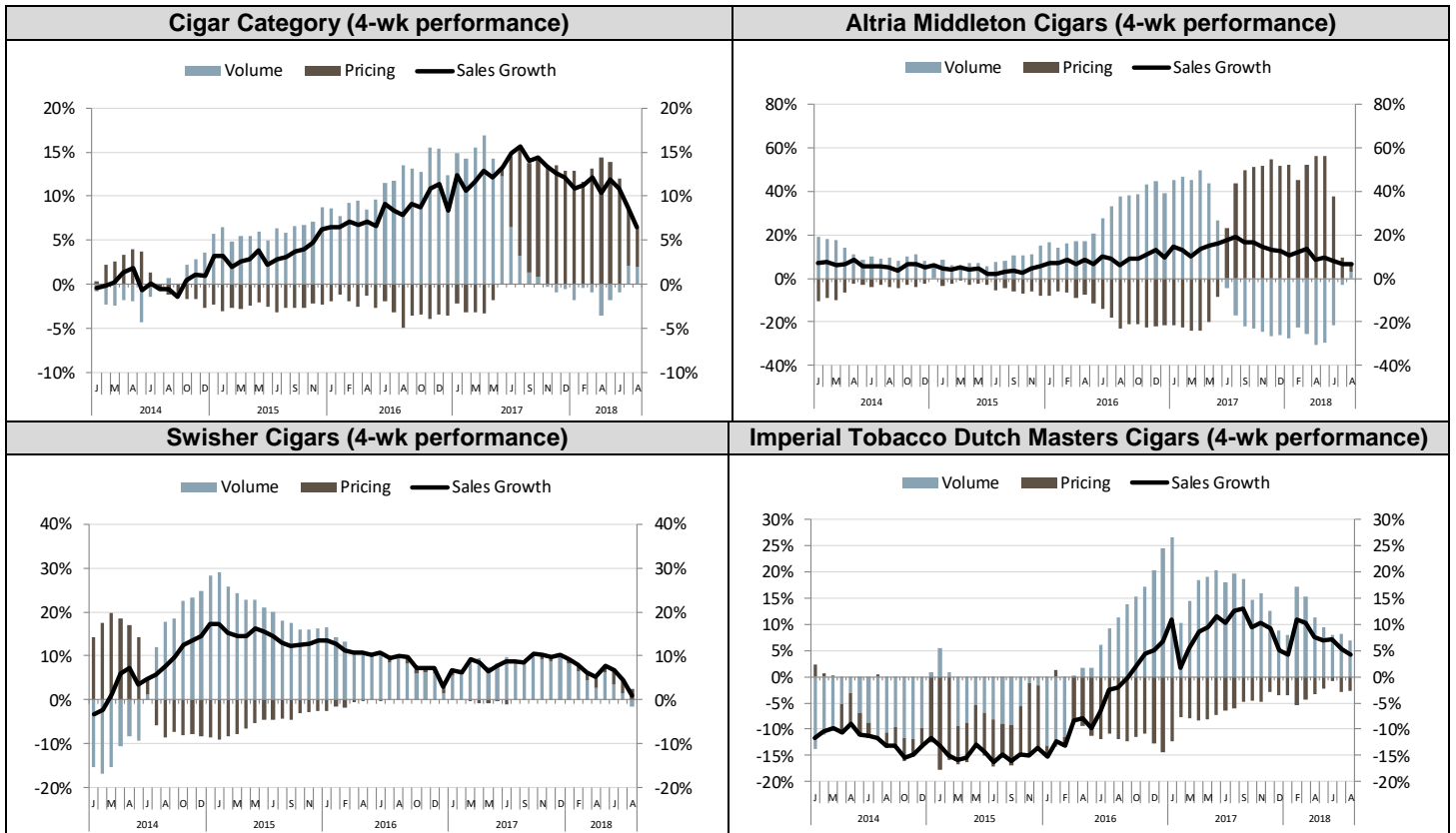
Source: Nielsen XAOC Including C-Store and Wells Fargo Securities, LLC

Exhibit 19. Cigar All Channel Data Summary (52-wk Category Retail \$ Sales \$3.3B)

CIGARS - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	Dollar Sales Δ y/y			EQ Unit Sales Δ y/y			Avg. EQ Price Δ y/y			Dollar Share			Unit Share		
		Period Ended 08/11/18			Period Ended 08/11/18			Period Ended 08/11/18			Period Ended 08/11/18			Period Ended 08/11/18		
CIGAR CATEGORY		4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk	4-Wk	12-Wk	52-Wk
CIGAR CATEGORY	\$3,261	6.5%	8.7%	11.4%	2.0%	1.0%	-0.4%	4.5%	7.5%	11.8%						
ALTRIA GROUP INC	\$1,028	6.8%	7.4%	11.5%	3.8%	-7.6%	-21.3%	2.9%	14.4%	40.3%	32.5%	32.0%	31.5%	19.1%	19.2%	18.4%
MIDDLETONS	\$1,006	6.5%	7.1%	11.2%	3.2%	-8.4%	-22.3%	3.1%	14.9%	41.6%	31.7%	31.2%	30.8%	18.4%	18.5%	17.7%
NAT SHERMAN	\$0.2	-61.0%	-46.5%	-36.8%	-63.3%	-49.9%	-44.0%	6.3%	6.9%	12.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SWISHER INTERNATIONAL INC	\$923	3.0%	6.3%	9.8%	0.1%	2.9%	7.5%	3.0%	3.2%	2.1%	27.3%	27.6%	28.3%	29.4%	29.8%	30.4%
SWISHER	\$857	1.0%	4.0%	7.4%	-1.5%	1.2%	5.8%	2.5%	2.9%	1.5%	25.1%	25.4%	26.3%	26.6%	27.0%	27.7%
SWEDISH MATCH AB	\$552	7.8%	9.2%	11.0%	5.2%	6.9%	11.6%	2.5%	2.3%	-0.6%	16.7%	16.7%	16.9%	16.4%	16.4%	16.7%
GARCIA Y VEGA	\$310	20.9%	21.8%	20.8%	17.5%	18.6%	21.5%	3.0%	2.8%	-0.7%	9.8%	9.7%	9.5%	9.4%	9.4%	9.2%
WHITE OWL	\$213	-7.9%	-5.2%	0.8%	-7.5%	-4.8%	2.4%	-0.6%	-0.4%	-1.7%	5.9%	6.0%	6.5%	6.3%	6.4%	6.8%
IMPERIAL TOBACCO GROUP PLC	\$498	14.6%	19.7%	22.4%	8.4%	8.9%	11.9%	5.7%	9.9%	9.4%	15.6%	15.9%	15.3%	9.3%	9.2%	9.0%
BACKWOODS	\$271	33.6%	43.0%	49.9%	26.8%	35.2%	45.0%	5.5%	5.8%	3.3%	8.8%	9.2%	8.3%	3.8%	4.0%	3.7%
DUTCH MASTERS	\$183	4.1%	5.5%	7.9%	7.0%	7.8%	11.7%	-2.7%	-2.1%	-3.5%	5.5%	5.5%	5.6%	3.7%	3.7%	3.7%
CHEYENNE INTERNATIONAL LLC	\$50	-2.8%	-1.2%	-2.8%	0.9%	2.7%	1.7%	-4.0%	-3.9%	-4.3%	1.5%	1.5%	1.5%	8.7%	8.7%	8.5%
PT DJARUM	\$45	1.6%	4.6%	3.1%	1.7%	1.8%	-1.3%	-0.2%	2.7%	4.4%	1.4%	1.4%	1.4%	1.6%	1.5%	1.5%
PRIVATE LABEL	\$6	-5.2%	-8.1%	-4.2%	-0.5%	-9.2%	-11.1%	-4.8%	1.5%	7.9%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%
ALL OTHER MANUFACTURERS	\$158	-1.3%	-2.0%	-5.2%	-2.9%	-2.7%	-2.9%	1.4%	0.7%	-2.4%	4.9%	4.9%	4.9%	15.5%	15.2%	15.4%

Note: Nielsen data is somewhat limited in that it does not currently track online sales or specialty cigar shops, which together are estimated to make up 50% of the total U.S. cigar market. **Source:** Nielsen XAOC Including C-Store and Wells Fargo Securities, LLC

Exhibit 20. All Channel Cigar Category Pricing, Volume & Sales Trends*



Source: Nielsen XAOC Including C-Store and Wells Fargo Securities, LLC

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