

Nielsen: Tobacco 'All Channel' Data 4/21

Marlboro N.T. Headwinds Prevail

Tobacco

- Cig Ind Vol Decelerates** – Cig industry vols declined -4.6% in the 4-wk period ended 4/21/18 (vs -4.4% for 12-wks), a deceleration vs -3.8% in the 4-wk period ended 3/24. Note, Nielsen restated several historical periods of data, which now indicates industry declines were less negative (see the top of pg.2 for more detail). Overall, weak ind vols & cig pricing of +2.4% (vs +2.8% for 12-wks) contributed to cig \$ sales declining -2.3% (vs -1.7% for 12-wks). For 2018, we expect total cig ind vols to decline -3.9% at the high end of the -3-4% hist. range.
- MO Cig \$ Sales Declined -3.5% Driven by -5.0% Vol As Marlboro Share Pressure Continues** – Unsurprisingly, Marlboro volume remains under pressure, declining -4.1% (vs -3.4% for 12-wks), but better than the industry's -4.6%. We expect rising gas prices, a struggling low income consumer & strengthening e-vapor trial/conversion to remain n.t. headwinds as MO continues to refine its consumer engagement/promo strategy. We remain optimistic that MO's investments to shore up Marlboro will begin to pay off in 2Q18 esp as it laps the CA tax increase on 4/1/17. However we note the brand's retail \$ share eroded -37bps in April to 46.9% (vs -9bps to 47.1% in March).
- BAT Cig \$ Sales Declined -0.7% Despite +4.3% Pricing** – BAT/RJRT cig \$ sales declined -0.7%, outperforming the industry's -2.3% on pricing (+4.3% BAT vs +2.4% ind) but not vol (-4.8% BAT vs -4.6% ind). Newport sales declined for the first time since 2016 by -0.6% on softening vol of -3.3% (vs -2.3% 12-wks). This echoes signs of "price confusion" & tepid consumer/retailer response to Newport Platinum seen in our 4/18 "Tobacco Talk" survey. Despite that, Newport maintained its share position (12.8%, up 22bps y/y) while NAS vol remained healthy at +6.0% (vs. +5.2% 12-wks). Camel/Pall Mall vols cont. to disappoint at -2.8%/-7.0% (vs -4.2%/-6.9% 12-wks).
- IMT \$ Sales Declined -3.0% on -6.4% Volume & Decent Pricing** – IMT's cig \$ sales declined on weak vol of -6.4% (vs -6.3% for 12 wks), including signif vol decline by Winston/Kool, -7.7%/-2.7% (vs -7.3%/-0.9% for 12-wks), despite decent overall pricing of +3.6% (vs +4.1% for 12-wks). IMT \$ share declined -5bps to 7.4% with Winston \$ share flat at 2.3% and Kool/ Maverick gaining +4bps to 1.6% each.
- MO's Copenhagen Outpaces BAT's Grizzly in Smokeless Tobacco** – Smokeless \$ sales grew +4.3% (vs. +3.7% 12-wks), reflecting continued consumer loyalty to the category. Notably, \$ sales of MO's Copenhagen (+6.1%) strongly outpaced BAT's Grizzly (+3.4%) as Copenhagen vol benefits from MO's portfolio approach, up +0.6% (vs +2.1% 12-wks) while Grizzly vol declined by -3.6% (vs -3.7% 12-wks).
- E-Cigs \$ Sales Rose an Impressive +136.8% Led By JUUL** – All channel e-cig category performance was driven by strong pricing/vol, +41.0%/+68.0% (vs. +37.5%/+57.3% for 12-wks) led by JUUL (No.1 at 60.1% \$ share) and BAT (No.2 at 16.9% \$ share). Notably VUSE \$ sales growth decelerated modestly, to +15.4% (vs +15.9% for 12-wks) with vol declines roughly unchanged at -1.9% (vs -1.9% for 12-wks) against strong pricing of +17.6% (vs +18.2% for 12-wks).
- Cigar \$ Sales Remain Solid at +10.1% Led By Altria's Middleton** – All channel cigar \$ sales were strong, +10.1% (vs 13.4% for 12-wks) led by No.1 Middleton (-1.4% vol on tough comp/+12.0% pricing) and No.2 Swisher (+0.3% vol/+2.5% pricing).

Please see page 14 for rating definitions, important disclosures and required analyst certifications. All estimates/forecasts are as of 05/01/18 unless otherwise stated. 05/01/18 12:26:04 ET

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Bonnie Herzog
Senior Analyst | 212-214-5051
bonnie.herzog@wellsfargo.com
Patty Kanada, CFA
Associate Analyst | 212-214-5029
patty.kanada@wellsfargo.com

Together we'll go far



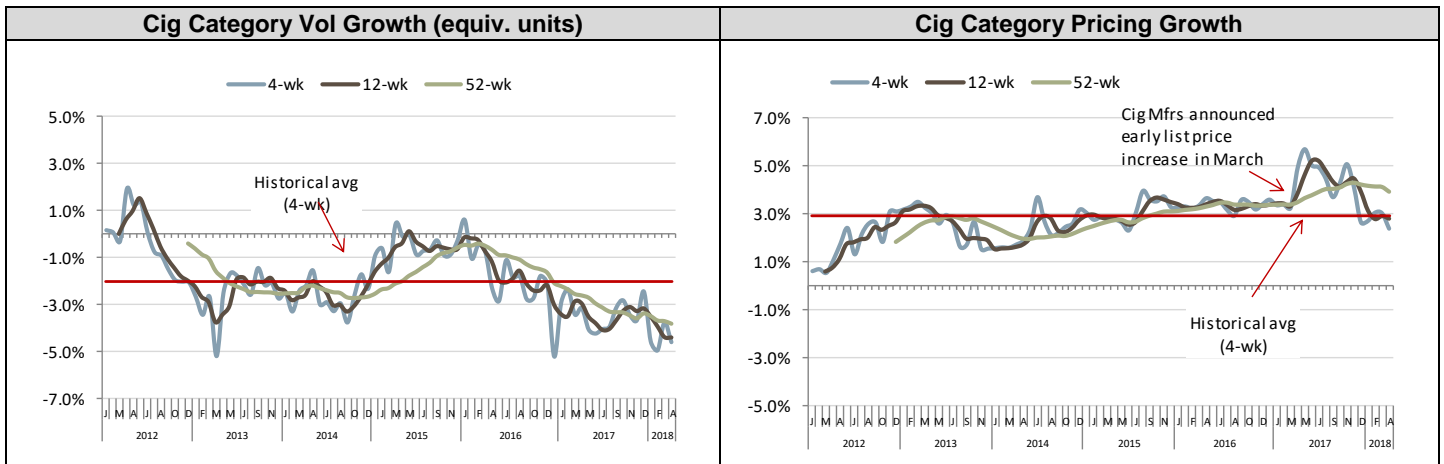
***NOTE:** We note that Nielsen appears to have restated several historical periods of tobacco data and is currently looking into it to provide us with their rationale. As far as we can tell (so far), the restatement appears to have impacted certain performance measures, such as EQ volume, in terms of magnitude. Nielsen stands behind the accuracy of the published data, so we have presented it here with the above qualifications. As an example, cig industry volumes for the 4-wk/12-wk periods ended 3/24/18 are now shown to have declined -4.6%/-4.4% (vs -5.1%/-5.8% previously). Similarly, Marlboro 4-wk/12-wk volumes for 3/24 are now -4.1%/-3.4% (vs -5.4%/-6.5% previously). As a result, it now appears that Marlboro outperformed the industry in volume last month (-4.1% vs industry at -4.6%) whereas previously Marlboro was shown to have underperformed (-5.4% vs industry at -5.1%).

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)	EQ Unit Sales Δ y/y			Avg. EQ Price Δ y/y			Dollar Sales Δ y/y			Dollar Share			Unit Share		
		Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18		
		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	\$62,271	-4.6%	-4.4%	-3.8%	2.4%	2.8%	3.9%	-2.3%	-1.7%	0.0%						
ALTRIA GROUP INC	\$33,719	-5.0%	-4.3%	-4.5%	1.5%	1.7%	3.5%	-3.5%	-2.7%	-1.1%	54.1%	54.2%	54.1%	53.7%	53.8%	53.2%
MARLBORO	\$29,122	-4.1%	-3.4%	-4.1%	1.0%	1.2%	3.3%	-3.1%	-2.2%	-0.9%	46.9%	47.0%	46.8%	46.5%	46.5%	45.8%
L & M	\$2,619	-10.1%	-9.5%	-6.3%	5.4%	5.2%	5.8%	-5.2%	-4.8%	-0.9%	4.1%	4.2%	4.2%	4.8%	4.8%	4.9%
VIRGINIA SLIMS	\$825	-9.1%	-8.4%	-7.6%	3.8%	4.3%	4.4%	-5.7%	-4.5%	-3.6%	1.3%	1.3%	1.3%	1.1%	1.1%	1.1%
PARLIAMENT	\$779	-11.6%	-10.1%	-6.7%	1.8%	3.0%	4.3%	-10.0%	-7.4%	-2.6%	1.2%	1.2%	1.2%	0.8%	0.8%	0.9%
BRITISH AMERICAN TOBACCO PLC	\$21,064	-4.8%	-4.8%	-3.2%	4.3%	4.6%	5.0%	-0.7%	-0.4%	1.6%	33.8%	33.6%	33.8%	32.1%	32.0%	32.6%
NEWPORT	\$8,070	-3.3%	-2.3%	1.7%	2.8%	2.6%	2.2%	-0.6%	0.2%	4.0%	12.8%	12.8%	13.0%	11.5%	11.5%	11.8%
CAMEL	\$5,457	-2.8%	-4.2%	-3.0%	3.2%	4.8%	6.1%	0.3%	0.5%	3.0%	8.8%	8.7%	8.8%	8.4%	8.3%	8.4%
PALL MALL	\$4,133	-7.0%	-6.9%	-7.9%	3.9%	4.1%	5.1%	-3.4%	-3.1%	-3.1%	6.6%	6.6%	6.6%	7.7%	7.7%	7.8%
NATURAL AMERICAN SPIRIT	\$1,941	6.0%	5.2%	4.1%	3.2%	5.0%	6.0%	9.5%	10.4%	10.3%	3.2%	3.2%	3.1%	2.5%	2.4%	2.4%
IMPERIAL TOBACCO GROUP PLC	\$4,636	-6.4%	-6.3%	-4.0%	3.6%	4.1%	3.9%	-3.0%	-2.5%	-0.3%	7.4%	7.4%	7.4%	7.5%	7.5%	7.7%
WINSTON	\$1,415	-7.7%	-8.4%	-3.4%	6.9%	7.4%	5.1%	0.4%	1.3%	-0.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
KOOL	\$977	-2.7%	-0.9%	3.0%	3.1%	3.7%	3.2%	0.3%	2.8%	6.3%	1.6%	1.6%	1.6%	1.7%	1.7%	1.7%
MAVERICK	\$968	-1.0%	-0.3%	-2.8%	1.4%	1.7%	2.5%	-1.3%	-1.7%	1.4%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
VECTOR GROUP LTD.	\$1,203	-0.8%	-0.4%	0.3%	0.5%	1.3%	2.7%	-0.3%	0.9%	3.1%	2.0%	2.0%	1.9%	2.5%	2.5%	2.4%
PRIVATE LABEL	\$623	2.2%	-4.3%	-3.4%	1.5%	7.3%	6.4%	3.7%	2.8%	3.0%	1.0%	1.0%	1.0%	1.6%	1.6%	1.5%
ALL OTHER MANUFACTURERS	\$1,026	3.4%	-1.0%	0.2%	-0.4%	0.0%	0.4%	3.0%	-0.9%	0.7%	1.8%	1.7%	1.6%	2.7%	2.7%	2.5%

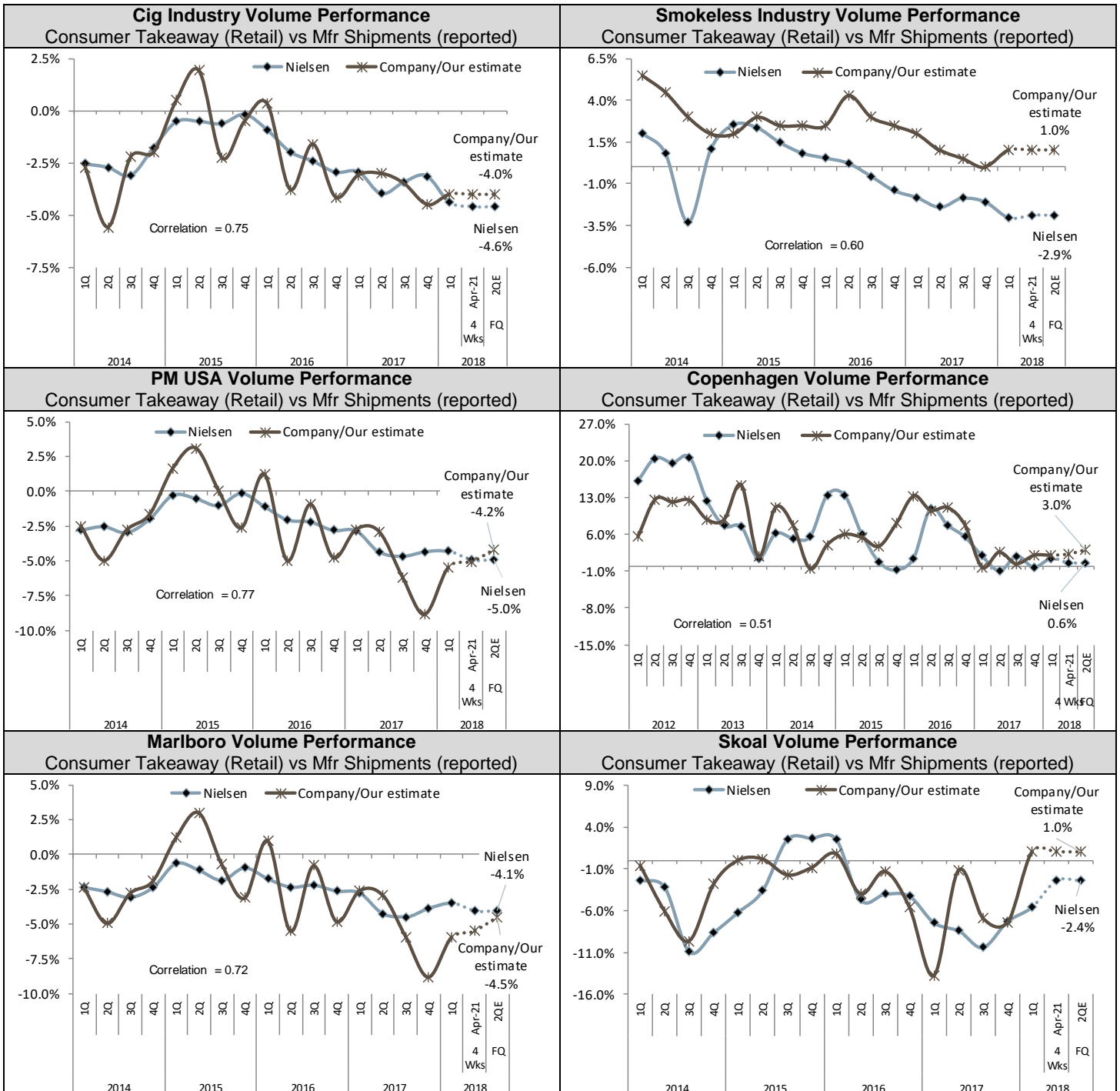
Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

Exhibit 2. All Channel Cigarette Category Volume & Pricing Performance



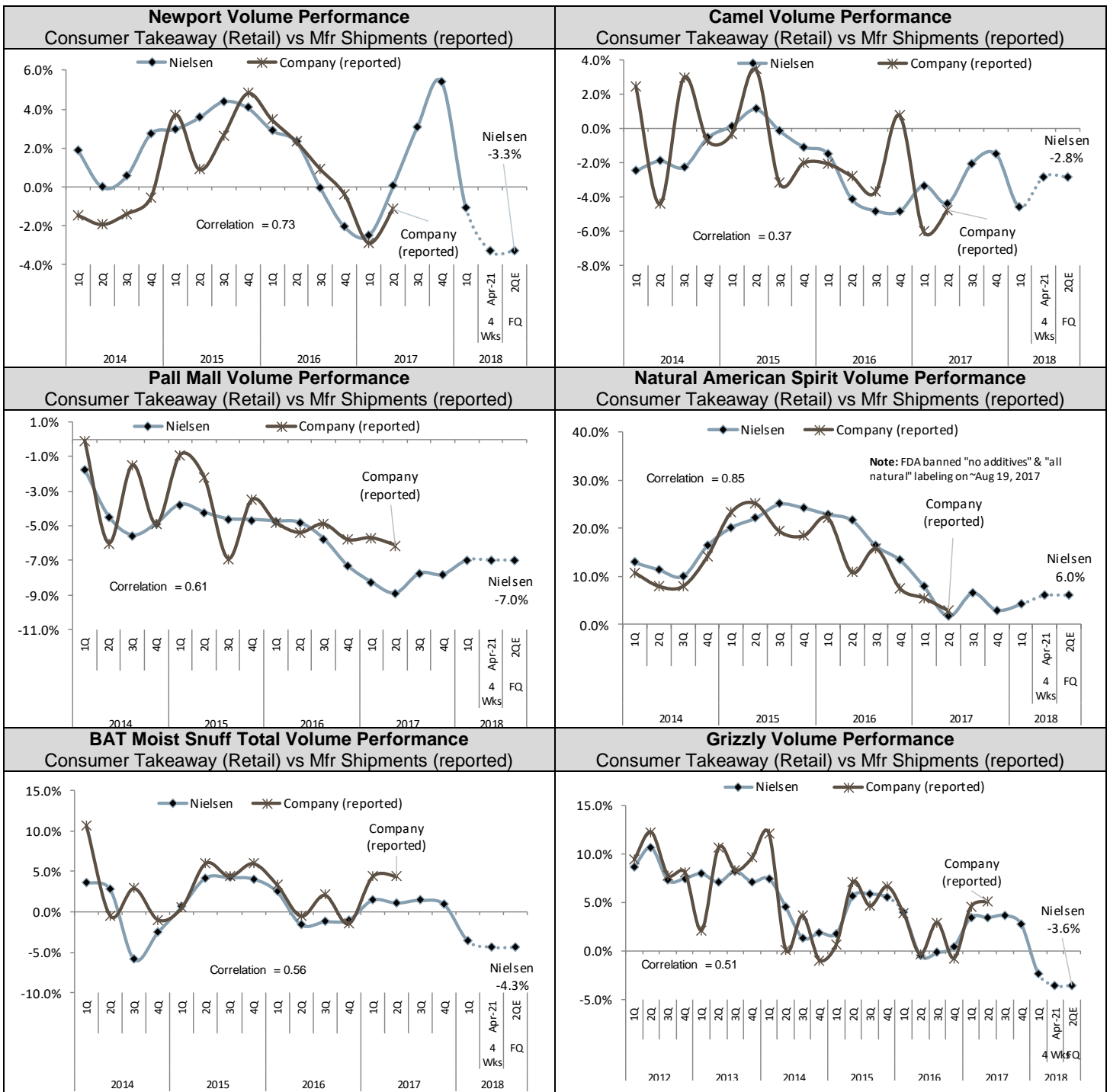
Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

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



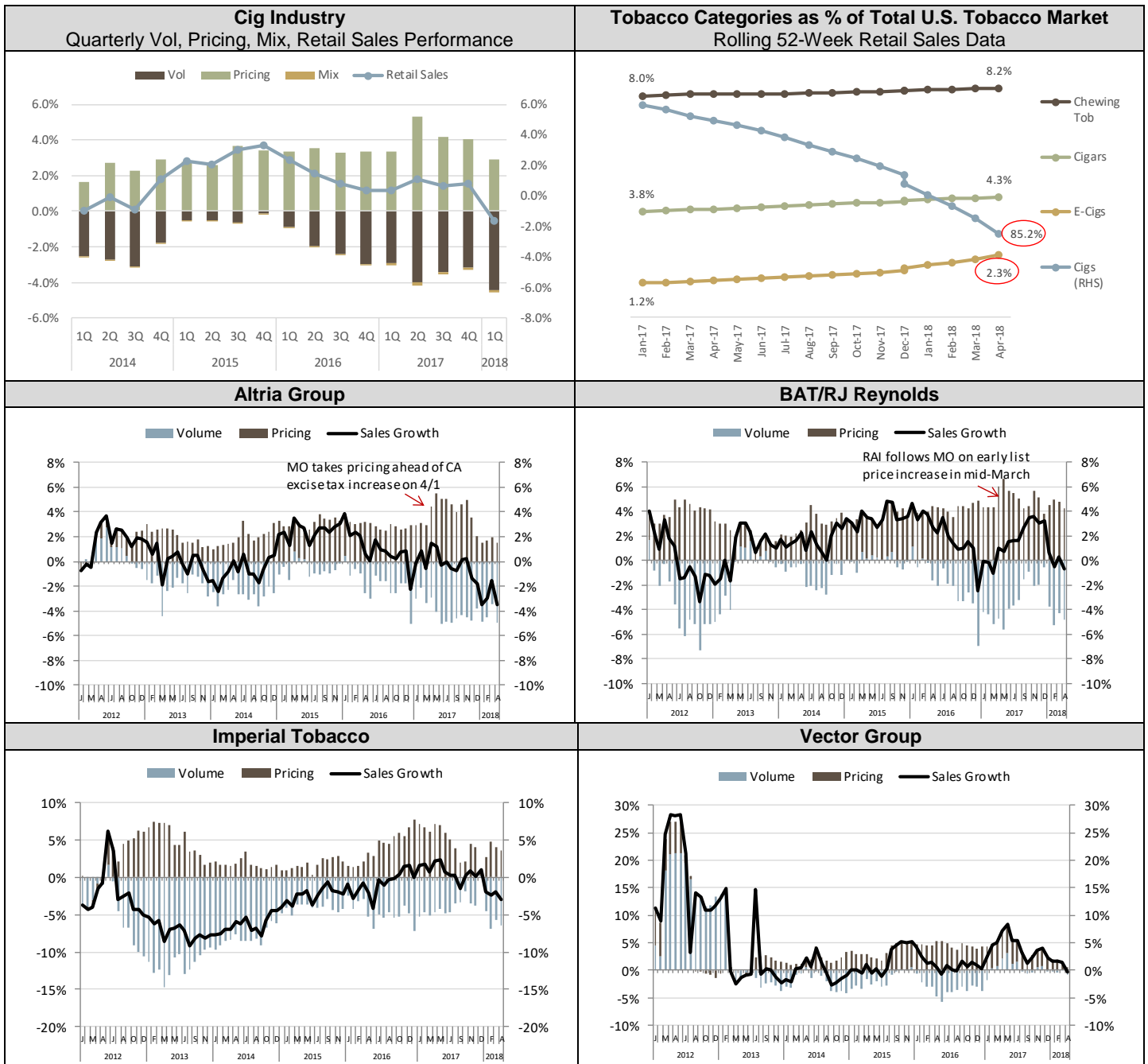
Note: (1) Smokeless industry volume performance as reported by MO is not quarterly, but either as a 6mos or 12mos look back. Therefore it's not an exact representation of the quarter, but an approximation of trends; (2) Correlations provided are for illustrative purposes only & are not necessarily statistically significant. 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: Correlations provided are for illustrative purposes only & are not necessarily statistically significant. In general, an R-squared of 0.5-1.0 indicates a strong relationship; 0.3-0.5 moderate, 0.1-0.3 weak, and -0.1-0.1 none/very weak.
Source: Nielsen AOC+C Database and Wells Fargo Securities, LLC estimates

Exhibit 5. Cig Pricing and Volume Trends by Company – All Channel, 4-Wk Periods



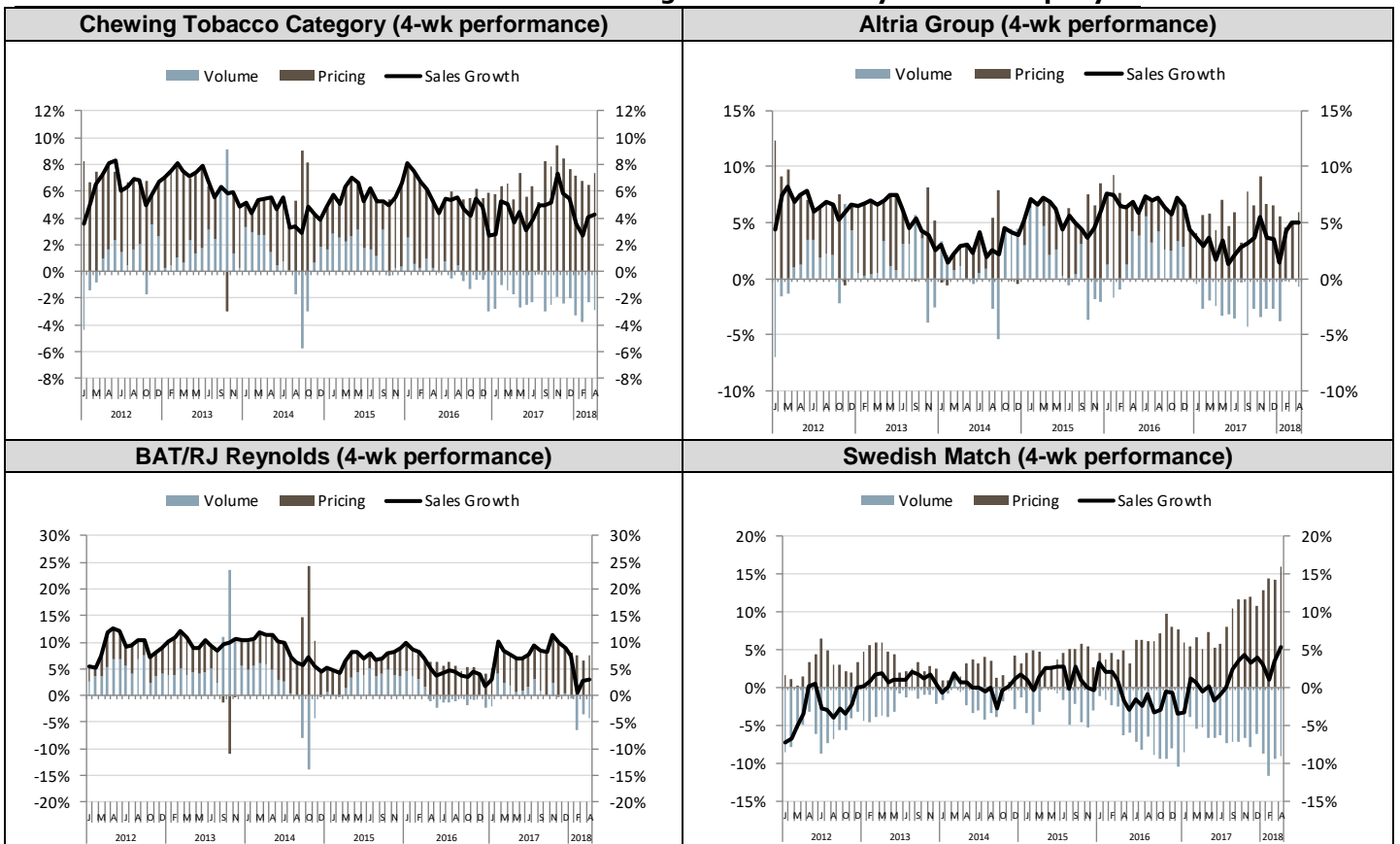
Source: Nielsen Total US xAOC Including Convenience Database, Wells Fargo Securities, LLC

Exhibit 6. Smokeless Tobacco All Channel Scanner Data Summary (52-wk Category Retail \$ Sales \$6.0B)

SMOKELESS TOBACCO - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	EQ Unit Sales Δ y/y			Avg. EQ Price Δ y/y			Dollar Sales Δ y/y			Dollar Share			Unit Share		
		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	\$6,030	-2.9%	-3.0%	-2.4%	7.4%	6.9%	7.2%	4.3%	3.7%	4.6%						
ALTRIA GROUP INC	\$3,415	-0.8%	-0.3%	-2.4%	5.9%	5.1%	6.0%	5.1%	4.8%	3.5%	56.8%	56.6%	56.6%	52.6%	52.4%	52.1%
COPENHAGEN	\$2,175	0.6%	2.1%	0.5%	5.4%	5.3%	6.6%	6.1%	7.5%	7.1%	36.4%	36.3%	36.1%	32.8%	32.5%	32.0%
SKOAL	\$1,034	-2.4%	-4.2%	-7.5%	6.5%	5.0%	5.4%	4.0%	0.7%	-2.5%	17.2%	17.2%	17.2%	15.5%	15.6%	15.5%
RED SEAL	\$174	-8.1%	-7.2%	-8.2%	4.1%	0.1%	1.6%	-4.4%	-7.0%	-6.8%	2.8%	2.8%	2.9%	4.0%	4.0%	4.0%
BRITISH AMERICAN TOBACCO PLC	\$2,130	-4.3%	-4.8%	-0.4%	7.6%	7.2%	7.5%	2.9%	2.1%	7.0%	35.1%	35.2%	35.3%	33.0%	33.3%	33.5%
GRIZZLY	\$1,625	-3.6%	-3.7%	1.3%	7.2%	7.0%	7.3%	3.4%	3.1%	8.7%	26.8%	27.0%	27.0%	27.6%	27.9%	28.0%
CAMEL	\$229	0.8%	-3.2%	0.9%	6.9%	7.7%	7.8%	7.7%	4.2%	8.7%	3.9%	3.8%	3.8%	1.2%	1.2%	1.2%
KODIAK	\$204	-4.9%	-7.0%	-5.0%	4.0%	3.8%	4.3%	-1.1%	-3.4%	-0.9%	3.3%	3.3%	3.4%	2.5%	2.5%	2.5%
SWEDISH MATCH AB	\$367	-9.1%	-10.1%	-7.8%	15.9%	14.8%	10.8%	5.3%	3.2%	2.1%	6.2%	6.2%	6.1%	9.4%	9.3%	9.5%
LONGHORN	\$129	-9.5%	-9.2%	-3.8%	11.8%	10.0%	4.7%	1.1%	-0.1%	0.7%	2.1%	2.1%	2.1%	4.2%	4.2%	4.2%
RED MAN	\$126	-10.1%	-12.4%	-10.8%	6.2%	6.1%	5.6%	-4.5%	-7.0%	-5.8%	2.0%	2.0%	2.1%	3.1%	3.0%	3.2%
SWISHER INTERNATIONAL INC	\$51	-7.6%	-8.4%	-9.5%	5.5%	4.1%	3.0%	-2.5%	-4.6%	-6.9%	0.8%	0.8%	0.8%	2.4%	2.4%	2.4%
KAYAK	\$15	-0.7%	-2.0%	-3.5%	-4.2%	-4.6%	-2.6%	-4.8%	-6.5%	-6.1%	0.2%	0.2%	0.2%	0.7%	0.7%	0.7%
STARR	\$10	-10.5%	-9.6%	-7.2%	6.0%	5.1%	4.0%	-5.1%	-5.0%	-3.5%	0.2%	0.2%	0.2%	0.8%	0.8%	0.8%
NATIONAL ATLANTIC TRADING CO	\$50	4.9%	1.9%	-1.0%	2.5%	3.4%	8.5%	7.6%	5.4%	7.6%	0.8%	0.8%	0.8%	2.1%	2.1%	2.1%
STOKER'S	\$33	10.9%	7.4%	5.1%	3.1%	4.4%	12.4%	14.4%	12.0%	18.2%	0.6%	0.6%	0.5%	1.6%	1.5%	1.4%
BEECH-NUT	\$9	-10.8%	-12.2%	-13.7%	3.6%	3.0%	3.9%	-7.6%	-9.5%	-10.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%
ALL OTHER MANUFACTURERS	\$17	-2.2%	0.5%	2.2%	19.8%	18.1%	27.8%	17.1%	18.7%	30.5%	0.3%	0.3%	0.3%	0.5%	0.5%	0.5%

Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

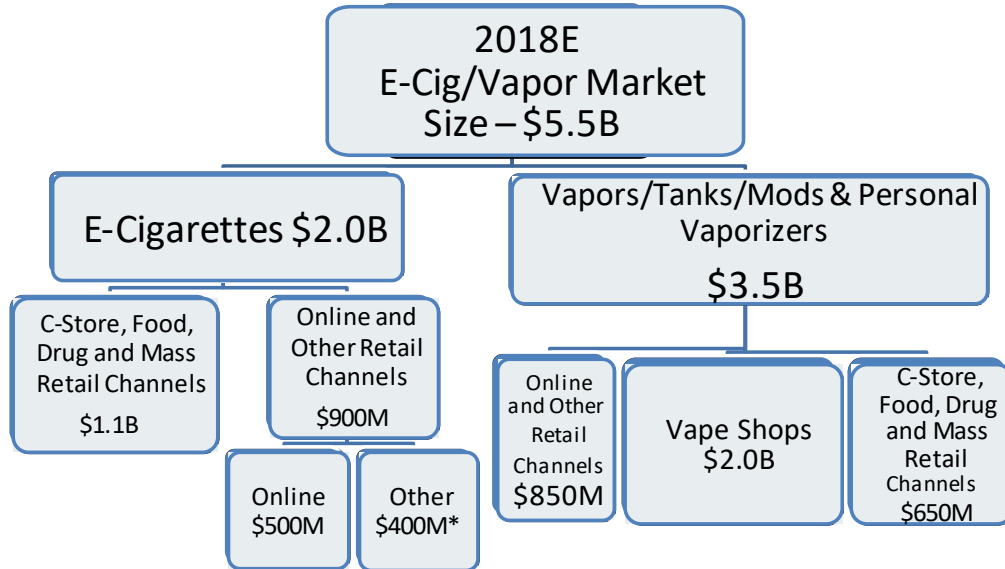
Exhibit 7. All Channel Smokeless Tobacco –Pricing & Vol Trends by Cat. & Company



Source for all pricing/volume charts: Nielsen Total US xAOC Including Convenience Database, Wells Fargo Securities, LLC

Exhibit 8. Estimated 2018 \$ Retail Sales of the U.S. Vapor Market

E-cig category dollar sales were \$201.7MM this period implying about ~\$1,648MM annual retail sales in Nielsen-tracked channels (vs \$860 last year). Considering we believe Nielsen underestimates the channel by an estimated 20-25%, we expect the category will grow around 25% to \$5.5B in 2018 given strengthening e-cig/vapor innovation ahead of the eventual commercialization of superior technology (read: iQOS). We expect consumers to eventually shift from e-cig/vapor to next generation reduced-risk products (RRPs), such as heat-not-burn platforms led by iQOS.



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



Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

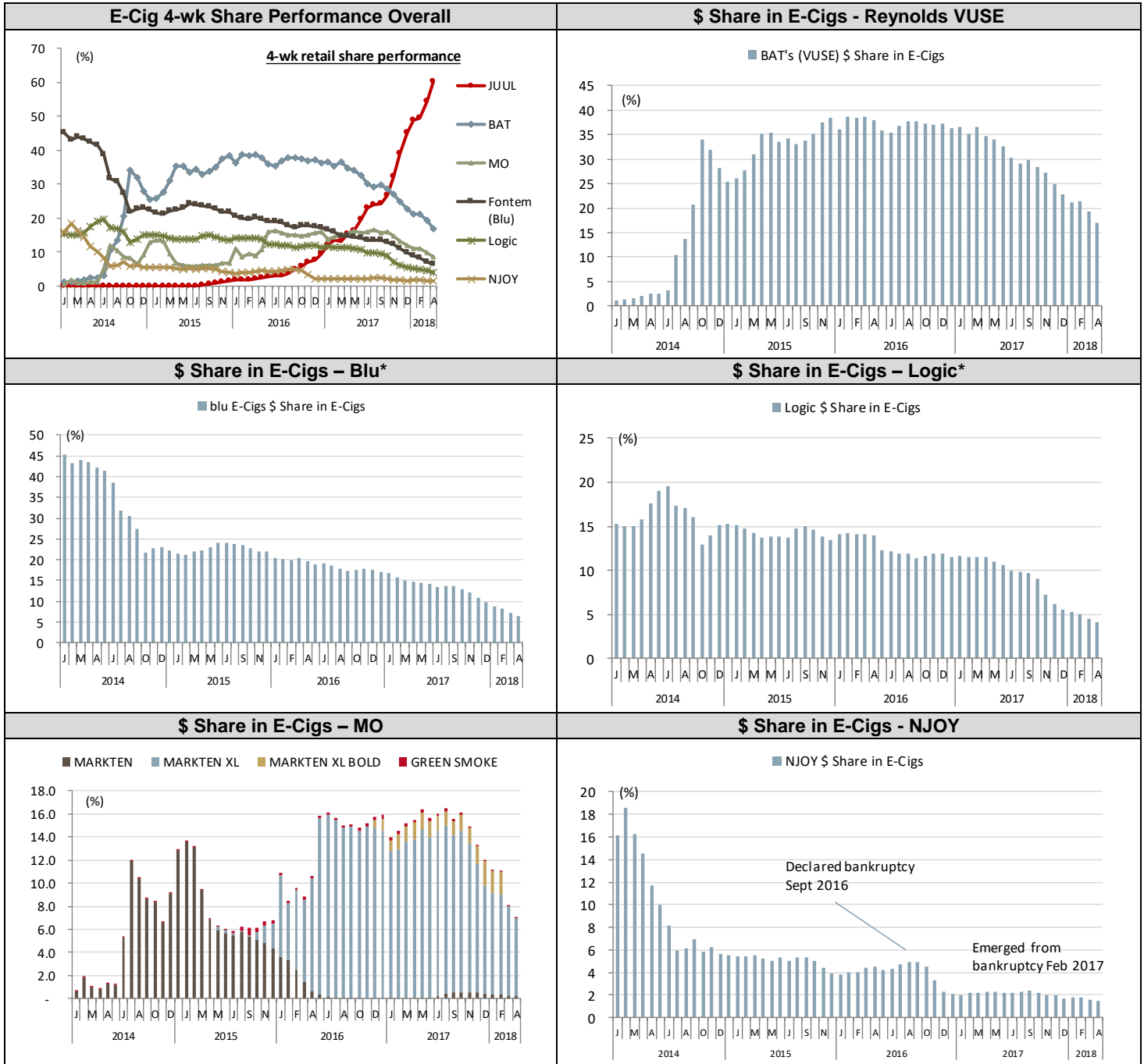
Exhibit 10. E-Cig All Channel Data Summary (52-wk Cat. Retail \$ Sales \$1,647.6M)

E-CIGARETTES - All Channel Scanner Data Summary																	
	Retail \$ Sales Last 52 wks (\$MM)	Unit Sales Δ y/y			Avg. Unit Price Δ y/y			Dollar Sales Δ y/y			Dollar Share			Unit Share			
		Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			
E-CIG 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	
	\$1,647.6	68.0%	57.3%	32.5%	41.0%	37.5%	29.6%	136.8%	116.6%	74.2%							
JUUL LABS INC	\$649.8	871.2%	768.9%	702.0%	-4.8%	-2.5%	8.3%	824.9%	744.8%	729.4%	60.1%	54.7%	35.7%	42.0%	36.4%	20.7%	
JUUL	\$649.6	870.4%	768.2%	701.6%	-4.8%	-2.5%	8.3%	824.4%	744.3%	729.1%	60.1%	54.7%	35.6%	42.0%	36.3%	20.7%	
BRITISH AMERICAN TOBACCO PLC	\$405.5	-1.9%	-1.9%	-3.5%	17.6%	18.2%	21.9%	15.4%	15.9%	17.5%	16.9%	19.2%	26.0%	22.5%	24.9%	30.6%	
VUSE	\$405.5	-1.9%	-1.9%	-3.5%	17.6%	18.2%	21.9%	15.4%	15.9%	17.5%	16.9%	19.2%	26.0%	22.5%	24.9%	30.6%	
ALTRIA GROUP INC	\$212.2	10.3%	15.5%	27.5%	17.7%	19.8%	15.4%	29.8%	38.3%	47.0%	8.5%	9.7%	13.6%	14.3%	15.5%	20.2%	
MARKTEN XL	\$178.1	-1.8%	2.3%	13.4%	17.8%	20.1%	15.7%	15.6%	22.9%	30.8%	6.8%	7.7%	11.6%	11.4%	12.4%	17.2%	
MARKTEN XL BOLD	\$26.3	105.3%	126.7%	345.1%	18.0%	18.0%	137.2%	142.3%	0.0%	395.4%	1.4%	1.7%	1.6%	2.4%	2.6%	2.3%	
MARKTEN	\$5.7	+1000%	+1000%	1057.7%	66.4%	27.0%	-1.7%	+1000%	+1000%	960.4%	0.3%	0.3%	0.3%	0.4%	0.4%	0.5%	
GREEN SMOKE	\$2.0	-65.8%	-65.1%	-24.5%	20.0%	20.6%	15.7%	-58.9%	-57.9%	-15.3%	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%	
IMPERIAL TOBACCO	\$176.5	10.7%	9.4%	11.7%	4.8%	2.9%	-2.7%	16.1%	12.6%	8.9%	16.9%	19.2%	26.0%	22.5%	24.9%	30.6%	
BLU ECIGS	\$172.7	-0.5%	1.7%	9.8%	2.5%	1.0%	-3.1%	2.0%	2.8%	6.6%	7.2%	7.9%	11.4%	9.1%	9.6%	12.2%	
MY BLU	\$3.8	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.7%	0.2%	0.9%	0.7%	0.2%	
LOGIC (owned by Japan Tobacco)	\$114.1	16.4%	20.3%	23.8%	-27.7%	-29.1%	-16.3%	-15.9%	-14.7%	2.9%	60.1%	54.7%	35.6%	42.0%	36.3%	20.7%	
LOGIC	\$114.1	16.1%	20.1%	23.7%	-27.6%	-29.0%	-16.2%	-16.0%	-14.7%	2.9%	4.1%	4.6%	7.5%	6.4%	7.0%	8.0%	
NJOY, INC.	\$31.5	70.2%	73.2%	4.0%	-10.1%	-9.4%	-3.7%	52.9%	56.8%	1.4%	1.5%	1.6%	2.0%	2.9%	3.1%	3.3%	
NJOY	\$31.5	70.2%	73.2%	4.0%	-10.1%	-9.4%	-3.7%	52.9%	56.8%	1.4%	1.5%	1.6%	2.0%	2.9%	3.1%	3.3%	
CB DISTRIBUTORS INC	\$15.6	-55.7%	-39.7%	-25.6%	0.0%	-1.4%	-1.9%	-55.7%	-40.6%	-27.0%	0.3%	0.5%	1.1%	0.5%	0.8%	1.4%	
BALLANTYNE BRANDS LLC	\$15.8	-29.6%	-28.3%	-25.1%	14.2%	9.3%	12.2%	-19.6%	-21.7%	-16.0%	0.5%	0.6%	1.0%	0.5%	0.6%	0.9%	
ALL OTHERS	\$26.7	591.1%	492.9%	324.1%	-8.9%	-4.2%	-7.3%	-19.8%	-15.6%	-21.4%	0.9%	1.1%	1.8%	1.8%	2.1%	2.7%	

Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

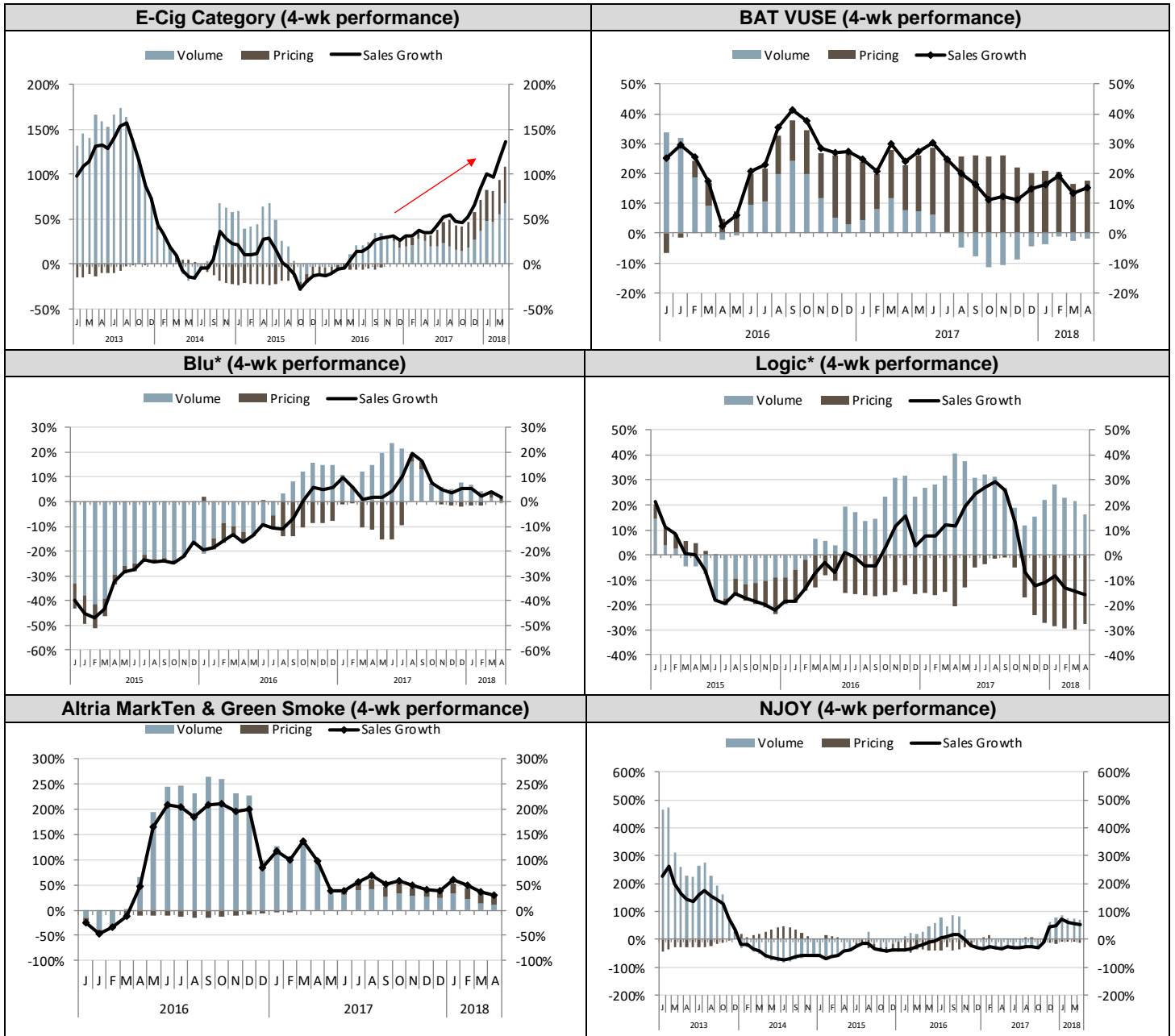
Exhibit 11. All Channel E-Cigarette Dollar Share Trends

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

Exhibit 12. 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

Exhibit 13. E-Cig Refills - All Channel Data Summary (52-wk Category Retail \$ Sales \$1.2B)

E-CIG REFILL - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	EQ Unit Sales Δ/y			Avg. EQ Price Δ/y			Dollar Sales Δ/y			Dollar Share			Unit Share		
		Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18		
E-CIGS REFILL 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
	\$1,212.7	80.9%	69.3%	39.9%	40.1%	36.9%	30.3%	153.5%	132.2%	84.9%						
JUUL LABS INC	\$498.2	847.8%	758.8%	696.4%	-0.2%	2.5%	11.4%	845.6%	777.8%	749.9%	18.7%	21.2%	29.5%	46.6%	40.8%	24.0%
JUUL	\$498.2	847.8%	758.8%	696.4%	-0.2%	2.5%	11.4%	845.6%	777.8%	749.9%	61.7%	56.2%	37.1%	46.6%	40.8%	24.0%
BRITISH AMERICAN TOBACCO PLC	\$335.8	-3.1%	-1.9%	-4.5%	22.0%	22.5%	21.8%	18.3%	20.2%	16.3%	18.7%	21.2%	29.5%	25.3%	28.1%	36.3%
VUSE	\$335.8	-3.1%	-1.9%	-4.5%	22.0%	22.5%	21.8%	18.3%	20.2%	16.3%	18.7%	21.2%	29.5%	25.3%	28.1%	36.3%
ALTRIA GROUP INC	\$181.1	16.6%	23.1%	41.8%	20.8%	20.9%	18.5%	40.8%	48.8%	67.4%	9.7%	11.2%	15.8%	14.9%	16.5%	22.1%
MARKTEN XL	\$149.1	1.1%	6.4%	24.2%	21.7%	22.0%	19.1%	22.9%	29.8%	47.2%	7.5%	8.7%	13.2%	11.5%	12.8%	18.5%
MARKTEN XL BOLD	\$24.5	127.0%	151.0%	375.6%	19.4%	17.2%	426.4%	171.1%	194.6%	426.4%	1.8%	2.1%	2.0%	2.8%	3.1%	2.8%
MARKTEN	\$5.7	++	++	2620.5%	170.4%	76.1%	25.9%	++	++	3149.2%	0.3%	0.4%	0.5%	0.5%	0.5%	0.7%
GREEN SMOKE	\$1.8	-64.9%	-63.0%	-19.9%	19.4%	20.4%	15.4%	-58.1%	-55.4%	-10.3%	0.1%	0.1%	0.2%	0.1%	0.1%	0.2%
JAPAN TOBACCO INC.	\$93.9	35.3%	40.2%	41.2%	-30.8%	-32.4%	-20.0%	-6.4%	-5.2%	11.0%	4.7%	5.3%	8.4%	7.4%	8.0%	8.9%
LOGIC	\$93.9	35.3%	40.2%	41.2%	-30.8%	-32.4%	-20.0%	-6.4%	-5.2%	11.0%	4.7%	5.3%	8.4%	7.4%	8.0%	8.9%
IMPERIAL TOBACCO GROUP PLC	\$61.7	27.8%	16.3%	5.3%	-2.8%	-1.1%	3.9%	24.3%	14.6%	9.2%	3.5%	3.8%	5.4%	3.2%	3.2%	3.9%
BLU ECIGS	\$59.8	-6.6%	-4.2%	0.5%	7.8%	5.3%	5.4%	0.8%	0.9%	6.0%	2.8%	3.3%	5.3%	2.3%	2.7%	3.8%
CB DISTRIBUTORS INC	\$12.7	-56.6%	-39.5%	-25.8%	-0.5%	-0.3%	0.4%	-56.8%	-39.7%	-25.4%	0.3%	0.6%	1.2%	0.6%	0.9%	1.7%
21ST CENTURY SMOKE	\$9.3	-41.9%	-21.9%	-9.9%	-8.8%	-4.8%	0.1%	-47.0%	-25.5%	-9.5%	0.3%	0.4%	0.9%	0.4%	0.7%	1.1%
VAPIN PLUS	\$3.4	-75.8%	-63.6%	-44.2%	1.7%	-5.9%	-9.8%	-75.4%	-65.9%	-49.7%	0.1%	0.1%	0.3%	0.1%	0.2%	0.6%
BALLANTYNE BRANDS LLC	\$11.7	-33.3%	-32.1%	-28.6%	12.2%	6.9%	9.2%	-25.2%	-27.6%	-22.2%	0.5%	0.6%	1.1%	0.5%	0.6%	1.0%
HAUS	\$6.9	-26.3%	-30.5%	-28.8%	0.3%	1.6%	8.3%	-26.1%	-29.5%	-23.0%	0.3%	0.4%	0.6%	0.3%	0.4%	0.6%
MISTIC	\$4.2	-48.9%	-39.6%	-33.4%	33.4%	12.5%	5.3%	-31.9%	-32.3%	-30.6%	0.2%	0.2%	0.4%	0.1%	0.2%	0.3%
ALL OTHER MANUFACTURERS	\$17.6	6.6%	10.0%	-31.8%	-14.3%	-15.4%	-5.9%	-8.6%	-7.0%	-35.2%	0.9%	1.1%	1.6%	1.6%	1.8%	2.2%

Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

Exhibit 14. E-Cig Disposables - All Channel Data Summary (52-wk Category Retail \$ Sales \$150.1M)

E-CIG DISPOSABLE - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	EQ Unit Sales Δ/y			Avg. EQ Price Δ/y			Dollar Sales Δ/y			Dollar Share			Unit Share		
		Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18		
E-CIGS DISPOSABLE 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
	\$150.1	3.7%	3.8%	6.2%	-4.3%	-3.7%	-3.8%	-0.7%	-0.1%	2.2%						
IMPERIAL TOBACCO GROUP PLC	\$102.9	5.1%	5.6%	12.5%	2.0%	0.8%	-4.3%	7.2%	6.5%	8.0%	71.2%	70.8%	68.7%	63.9%	63.9%	64.4%
BLU ECIGS	\$102.9	5.1%	5.6%	12.5%	2.0%	0.8%	-4.3%	7.2%	6.5%	8.0%	71.2%	70.8%	68.7%	63.9%	21.3%	19.8%
NJOY, INC.	\$24.7	80.3%	81.7%	24.9%	-11.4%	-8.8%	-1.8%	59.7%	65.5%	23.8%	20.0%	20.2%	16.5%	24.5%	24.5%	23.4%
NJOY	\$24.7	80.3%	81.7%	24.9%	-11.4%	-8.8%	-1.8%	59.7%	65.5%	23.8%	20.0%	20.2%	16.5%	24.5%	8.2%	7.2%
JAK ECIG	\$11.3	2.4%	-5.7%	14.0%	1.6%	1.7%	1.1%	4.0%	-4.0%	15.4%	7.2%	7.2%	7.5%	10.3%	10.3%	10.6%
JAK	\$11.3	2.4%	-5.7%	14.0%	1.6%	1.7%	1.1%	4.0%	-4.0%	15.4%	7.2%	7.2%	7.5%	10.3%	10.3%	10.6%
JAPAN TOBACCO INC.	\$8.6	-98.4%	-97.6%	-51.7%	-0.8%	-0.4%	-1.4%	-98.4%	-97.6%	-52.6%	0.2%	0.3%	5.5%	0.2%	0.2%	0.3%
LOGIC	\$8.6	-98.4%	-97.6%	-51.7%	-0.8%	-0.4%	-1.4%	-98.4%	-97.6%	-52.5%	0.2%	0.3%	5.5%	0.2%	0.1%	0.1%
ALL OTHER MANUFACTURERS	\$2.6	-49.6%	-43.9%	-49.5%	19.6%	19.2%	35.6%	-39.7%	-33.0%	-29.9%	1.4%	1.5%	1.7%	1.2%	1.2%	1.3%

Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

Exhibit 15. E-Cig Kits - All Channel Data Summary (52-wk Category Retail \$ Sales \$284.9M)

E-CIGS-KITS, BATTERIES, AND CHARGERS - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	EQ Unit Sales Δ /y			Avg. EQ Price Δ /y			Dollar Sales Δ /y			Dollar Share			Unit Share		
		Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18		
		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-CIGS KITS CATEGORY	\$284.9	71.9%	52.1%	24.1%	62.3%	62.1%	55.9%	178.9%	146.1%	98.9%						
JUUL LABS INC	\$246.6	71.9%	52.1%	24.1%	62.3%	62.1%	55.9%	178.9%	146.1%	98.9%	72.0%	67.2%	47.4%	45.1%	38.3%	21.2%
JUUL	\$246.6	71.9%	52.1%	24.1%	62.3%	62.1%	55.9%	178.9%	146.1%	98.9%	71.8%	67.0%	47.4%	44.8%	38.0%	21.1%
BRITISH AMERICAN TOBACCO PLC	\$69.6	8.0%	-1.8%	4.8%	-5.9%	-0.2%	19.3%	1.7%	-2.6%	23.7%	14.4%	17.1%	27.3%	22.2%	25.5%	31.1%
VUSE	\$69.6	8.0%	-1.8%	4.8%	-5.9%	-0.2%	19.3%	1.7%	-2.6%	23.7%	14.4%	17.1%	27.3%	22.2%	25.5%	31.1%
ALTRIA GROUP INC	\$31.1	-11.9%	-12.8%	-13.7%	-3.7%	6.7%	1.2%	-15.1%	-7.7%	-14.1%	6.0%	6.8%	12.7%	22.0%	23.1%	32.8%
MARKTEN XL	\$29.0	-11.7%	-12.6%	-17.0%	-1.4%	8.2%	2.1%	-12.9%	-6.1%	-16.7%	5.7%	6.4%	11.8%	20.5%	21.5%	30.5%
MARKTEN XL BOLD	\$2.0	-100.0%	-42.6%	155.0%	-33.0%	-8.6%	121.7%	-100.0%	-41.1%	166.4%	0.3%	0.4%	0.8%	1.5%	1.5%	2.2%
MARKTEN	\$0.0	-89.5%	-82.4%	-94.7%	34.6%	9.4%	-6.9%	-85.9%	-80.4%	-95.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
GREEN SMOKE	\$0.2	-73.1%	-81.5%	-56.6%	27.8%	28.9%	25.3%	-65.6%	-76.1%	-48.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%
JAPAN TOBACCO INC.	\$11.6	95.5%	74.7%	54.4%	-24.2%	-21.8%	-6.7%	48.1%	37.2%	42.6%	2.8%	3.0%	4.5%	5.2%	5.7%	5.8%
LOGIC	\$11.6	90.0%	71.3%	52.8%	-22.4%	-20.5%	-6.1%	47.4%	36.7%	42.3%	2.8%	3.0%	4.5%	5.0%	5.6%	5.7%
IMPERIAL TOBACCO GROUP PLC	\$11.9	7.6%	30.4%	37.6%	46.6%	22.9%	-16.7%	57.8%	63.2%	15.9%	3.2%	3.7%	4.5%	3.9%	5.0%	5.9%
BLU ECIGS	\$9.9	-50.2%	-27.5%	20.6%	14.4%	3.3%	-19.8%	-43.1%	-24.2%	-3.4%	1.2%	1.8%	4.0%	1.8%	2.9%	5.4%
MY BLU (prev. VONERL)	\$1.8	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	1.8%	0.4%	2.1%	1.9%	0.4%
ALL OTHER MANUFACTURERS	\$36.5	-45.4%	-13.8%	-35.9%	27.0%	21.3%	0.4%	3291.3%	1085.3%	189.1%	0.5%	0.9%	1.3%	0.6%	1.1%	1.3%

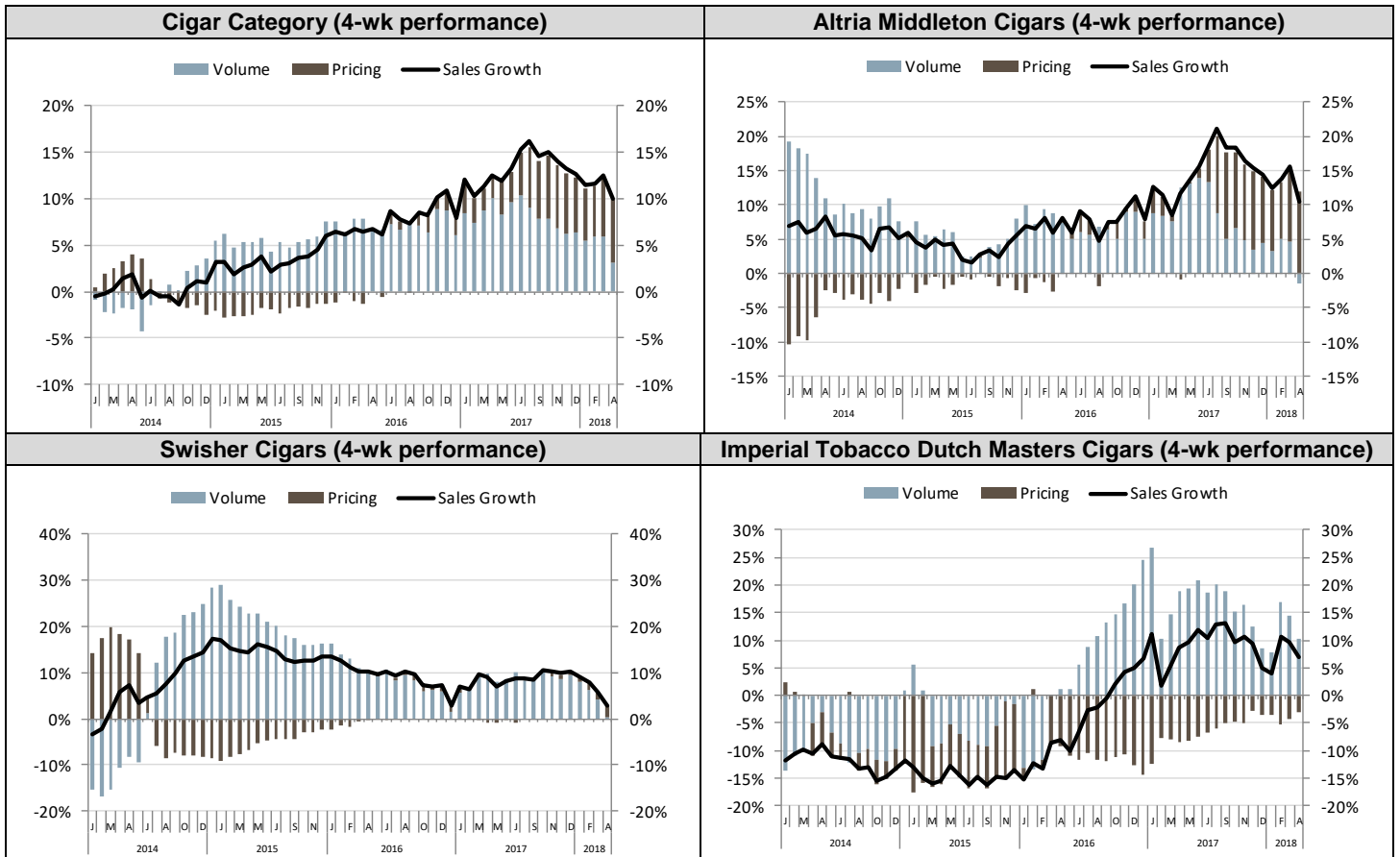
Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

Exhibit 16. Cigar All Channel Data Summary (52-wk Category Retail \$ Sales \$3.2B)

CIGARS - All Channel Scanner Data Summary																
	Retail \$ Sales Last 52 wks (\$MM)	EQ Unit Sales Δ /y			Avg. EQ Price Δ /y			Dollar Sales Δ /y			Dollar Share			Unit Share		
		Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18			Period Ended 04/21/18		
		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
CIGAR CATEGORY	\$3,163	3.1%	4.9%	7.1%	6.9%	6.2%	5.7%	10.1%	11.4%	13.2%						
ALTRIA GROUP INC	\$1,000	-0.9%	3.1%	7.2%	11.6%	10.0%	8.3%	10.7%	13.4%	16.1%	30.9%	30.8%	31.6%	18.0%	17.8%	18.1%
MIDDLETON'S	\$979	-1.4%	2.6%	6.5%	12.0%	10.3%	8.7%	10.5%	13.2%	15.7%	30.2%	30.1%	30.9%	17.3%	17.2%	17.5%
NAT SHERMAN	\$0	-64.4%	-56.9%	-41.6%	12.3%	12.4%	15.0%	-60.0%	-51.8%	-32.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SWISHER INTERNATIONAL INC	\$902	2.2%	5.1%	9.0%	3.2%	2.6%	1.4%	5.5%	7.8%	10.4%	28.0%	28.5%	28.5%	30.3%	30.6%	30.5%
SWISHER	\$842	0.3%	3.5%	7.6%	2.5%	1.9%	0.6%	2.9%	5.5%	8.2%	25.9%	26.5%	26.6%	27.7%	28.0%	27.9%
SWEDISH MATCH AB	\$535	9.3%	10.1%	14.9%	-0.9%	-1.0%	-2.1%	8.3%	9.0%	12.5%	16.9%	17.2%	16.9%	17.3%	17.3%	16.6%
GARCIA Y VEGA	\$291	16.9%	19.6%	23.1%	-0.9%	-0.8%	-2.5%	15.9%	18.6%	20.1%	9.5%	9.8%	9.2%	9.5%	9.6%	8.9%
WHITE OWL	\$215	3.5%	1.2%	8.3%	-2.4%	-2.2%	-2.4%	1.1%	-1.0%	5.8%	6.7%	6.6%	6.8%	7.1%	7.0%	7.0%
IMPERIAL TOBACCO GROUP PLC	\$469	14.2%	14.3%	13.4%	11.0%	9.4%	8.7%	26.8%	25.1%	23.2%	16.5%	15.7%	14.8%	9.5%	9.2%	8.9%
DUTCH MASTERS	\$179	10.3%	13.8%	15.2%	-3.0%	-4.2%	-5.1%	7.0%	9.0%	9.4%	5.6%	5.6%	5.7%	3.8%	3.7%	3.7%
BACKWOODS	\$241	51.2%	49.4%	49.8%	4.4%	3.2%	2.1%	57.9%	54.2%	53.1%	9.6%	8.9%	7.6%	4.3%	4.0%	3.4%
CHEYENNE INTERNATIONAL LLC	\$50	1.3%	2.2%	1.3%	-4.9%	-4.8%	-3.6%	-4.2%	-3.2%	-2.4%	1.4%	1.5%	1.6%	8.2%	8.3%	8.6%
PT DJARUM	\$45	-0.2%	-2.3%	-2.4%	4.6%	6.3%	5.3%	4.5%	3.8%	2.8%	1.4%	1.4%	1.4%	1.6%	1.5%	1.6%
PRIVATE LABEL	\$6	-14.6%	-13.9%	-8.7%	7.2%	8.4%	11.6%	-8.5%	-6.7%	1.9%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%
ALL OTHER MANUFACTURERS	\$126	-2.2%	-1.6%	-2.8%	-3.4%	-4.1%	-3.8%	-5.4%	-5.4%	-6.4%	3.7%	3.7%	4.0%	14.5%	14.7%	15.2%

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 Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

Exhibit 17. All Channel Cigar Category Pricing, Volume & Sales Trends*



Source: Nielsen Total US xAOC Including Convenience Database and Wells Fargo Securities, LLC

Required Disclosures

Additional Information Available Upon Request

I certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
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STOCK RATING

1=Outperform: The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY

2=Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3=Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O=Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M=Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U=Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

VOLATILITY RATING

V=A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: May 1, 2018

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51% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Market Perform.

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Wells Fargo Securities, LLC has provided investment banking services for 27% of its Equity Research Underperform-rated companies.

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