

September 10, 2018 04:01 AM GMT

## Tobacco

## Three Key Take-aways From Our JUUL City Scanner Analysis

Our Nielsen city data analysis suggests JUUL's cigarette cannibalization rate remains low, but shows slowing cigarette volumes in JUUL's top mkts (NY, Seattle, Denver). JUUL's HSD-LDD share in several large cities supports our ests. of ~15% share in 2022 and ~100 bps/year headwind to cigarette volumes.

**JUUL's rapid growth is raising questions about its impact to cigarette volumes:**

JUUL sales are growing rapidly (+728% YoY L4W ended 8/11/18) and JUUL refills now hold 4.9% of cigarette equivalent volumes (vs. 50 bps in the prior year). JUUL's success is coinciding with decelerating cigarette industry volumes, which declined 4.0%/4.5% in 2017/1H18 after two years of unusually strong growth (-0.5%/-2.5% in 2015/16), raising concerns about JUUL's threat to the cigarette category.

**We have three key take-aways from our deep-dive into JUUL city scanner data:**

**1) JUUL has overwhelmingly high market share in several major cities:** JUUL sales over-index to major US cities, and it has overwhelmingly high market share in New York (12.9%), Seattle (10.2%), Houston (8.0%), Denver (7.9%), and Nashville (7.0%) despite only entering these markets in 2016/early 2017. Interestingly, JUUL has higher market share in cities where cigarette prices are higher, potentially benefiting from its cost advantage compared to cigarettes.

**2) JUUL's cigarette cannibalization rate still appears low:** A number of JUUL's top markets (Nashville, Denver, New York, and Seattle) are experiencing decelerating cigarette volumes along with growing JUUL share. However, the rate of cigarette volume declines is not commensurate with the pace of JUUL share growth and there is also a positive correlation with cigarette volumes across many cities. In fact, when combining cigarette and JUUL volumes, total tobacco consumption grew 1.9% over the past year in top US cities (see [Exhibit 22](#)), suggesting JUUL may be adding new users to the category.

**3) JUUL has further room for distribution expansion:** JUUL's ACV in convenience stores is below its 70% national average in about half of major cities. Convenience stores have a strong incentive to carry the product as it accounts for a majority of the channel's sales growth.

**What does this mean for the tobacco industry outlook?** We believe that JUUL's rapid growth should continue, driven by increasing consumer acceptance and further distribution gains. While current cannibalization appears low, we believe it will likely increase as JUUL moves beyond early adopters and [increasingly targets existing smokers through its marketing efforts](#). **Net, we believe Nielsen**

MORGAN STANLEY &amp; CO. LLC

Pamela Kaufman, CFA

EQUITY ANALYST

Pamela.Kaufman@morganstanley.com

+1 212 761-7151

Rose V Lauricella

RESEARCH ASSOCIATE

Rose.Lauricella@morganstanley.com

+1 212 761-8118

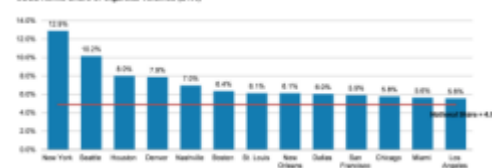
## Tobacco

North America

IndustryView

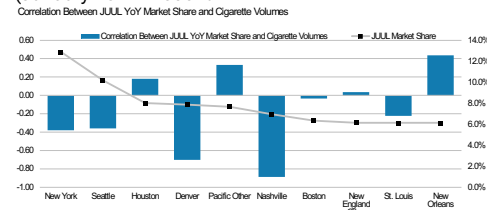
In-Line

**Exhibit 1:** JUUL has outsized market share of cigarette volumes in NY, Seattle, Houston, Denver, and Nashville  
JUUL Refills Share of Cigarette Volumes (L4W)



Source: Nielsen XAO + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 2:** Correlation between cigarette volumes and JUUL market share in JUUL's Top 10 cities/regions (January 2017-Present)  
Correlation Between JUUL YoY Market Share and Cigarette Volumes



Source: Nielsen XAO + C, Morgan Stanley Research, (data as of 08/11/18)

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

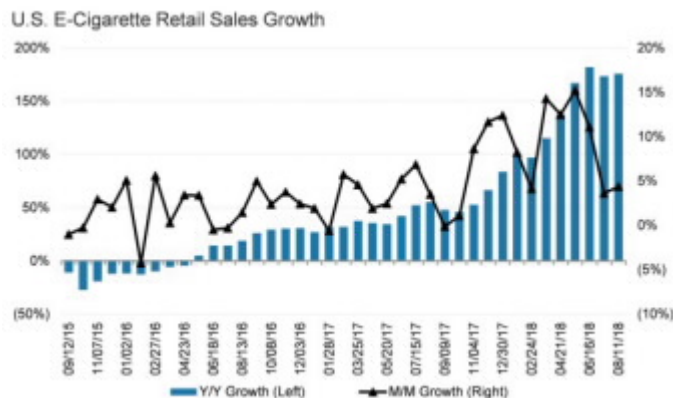
**data supports our view that JUUL can be a ~100 bps annual headwind to industry volumes over the next five years** (See [Is JUUL Hype Overblown?](#)), which is predicated on JUUL's share of cigarette volumes approaching 15% by 2022 (supported by its high share in NY/Seattle) and a relatively low cannibalization rate (40% by 2022 vs. ~20% today). We are closely monitoring evolving JUUL data and a clear risk to the company is if cigarette cannibalization remains low and regulatory pressures build.

**Where can we be wrong?** Our analysis is based on Nielsen scanner data and excludes online sales and vape shops, potentially underestimating JUUL consumption. In addition, Nielsen may not have complete coverage of the convenience store channel, where a majority of JUUL sales occur.

## A Closer Look at JUUL Scanner Data by City

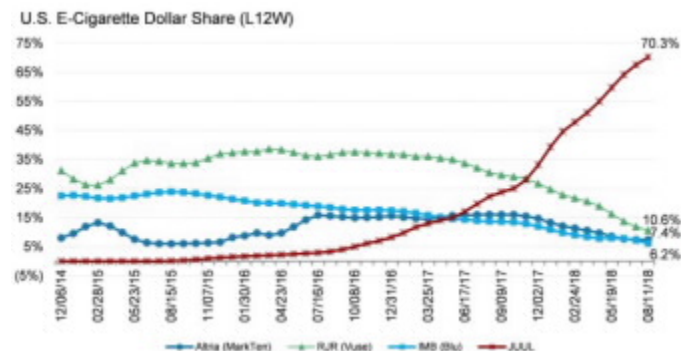
**JUUL's rapid growth is raising questions about its impact on decelerating US cigarette volumes.** JUUL continues to grow at a rapid pace, with sales +728% YoY in the L4W ended 8/11/18, and is driving a meaningful acceleration in e-cig category sales growth from +48% in 2017 to +146% in 2018 YTD within measured channels ([Exhibit 3](#)). JUUL's growth has been facilitated by greater access to capital, distribution expansion into traditional retail channels, and expanded manufacturing capacity. As of 8/11/18, JUUL refills represented 4.9% share of cigarette equivalent volumes ([Exhibit 6](#)), compared to 50 bps in 2017 and JUUL accounted for 3.9% of total dollar spend on cigarettes and e-cigs combined ([Exhibit 5](#)). JUUL's success is coinciding with decelerating US cigarette volumes, which declined -4.5% in 1H18 and -4% in 2017 following two years of unusually strong performance (-0.5%/-2.5% in 2015/16), raising concerns about JUUL's threat to the cigarette category.

**Exhibit 3:** E-cig sales growth accelerated throughout 2017/18 due to JUUL's success



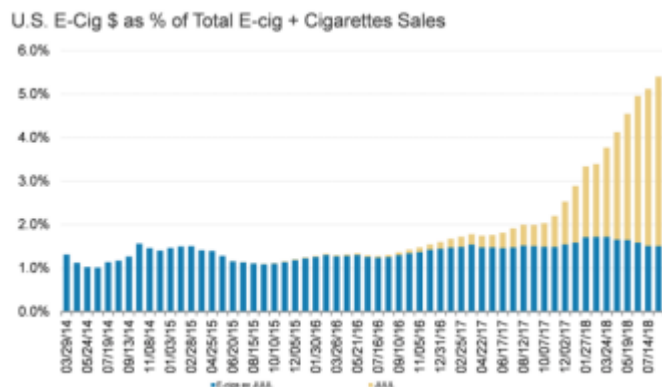
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 4:** JUUL holds 70% share of the e-cig category



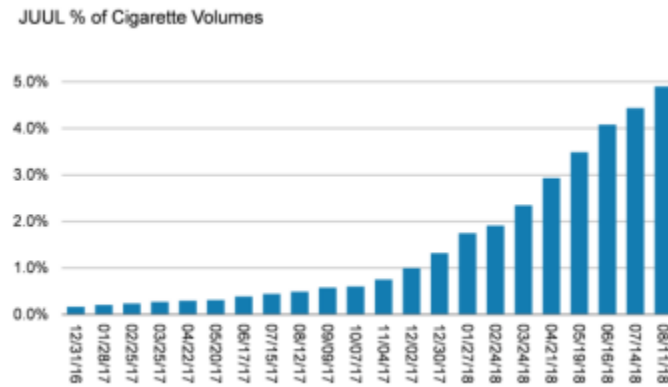
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 5:** JUUL accounts for 3.9% of total \$ spend on cigarettes and e-cigs combined



Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 6:** JUUL held 4.9% share of cigarette equivalent volumes as of 8/11/18



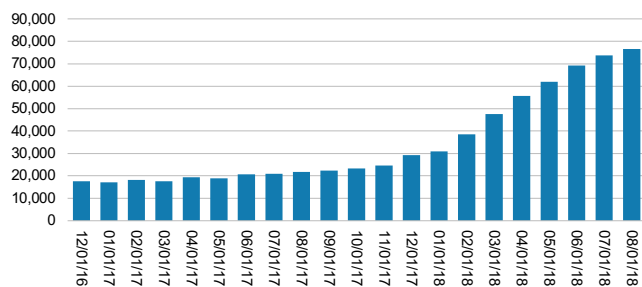
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**JUUL's success has come with relatively limited distribution, but its reach is expanding.**

Within measured channels, JUUL is sold at convenience stores and was available at 77,000 convenience stores in August compared to only 29,000 at the end of 2017 ([Exhibit 7](#)). For context, there are ~155,000 convenience stores in the US and JUUL is rapidly expanding distribution, adding, on average, ~6,000 convenience stores per month. Among convenience stores, JUUL is sold at convenience stores representing ~70% ACV, and is adding 4-5% ACV on average per month. This pace of distribution expansion suggests JUUL may be at full distribution within the convenience store channel by the end of this year ([Exhibit 8](#)), but our discussions with the company suggest that it believes its actual ACV is slightly over 50%. Notably, the company indicated that it expects to add several large accounts over the coming months and expects to expand distribution beyond the convenience store channel into drug and mass.

**Exhibit 7:** JUUL is sold at ~77,000 convenience stores in the US

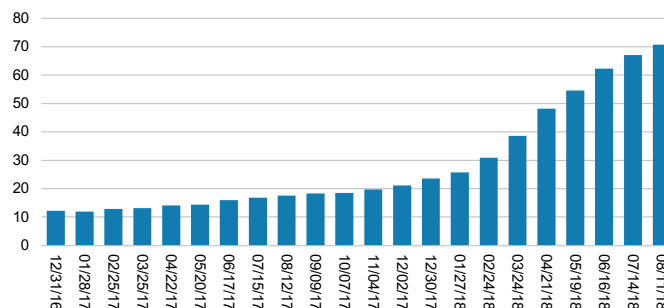
JUUL - Number of Stores Selling (Convenience)



Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 8:** JUUL could be at full distribution within the convenience store channel by the end of 2018

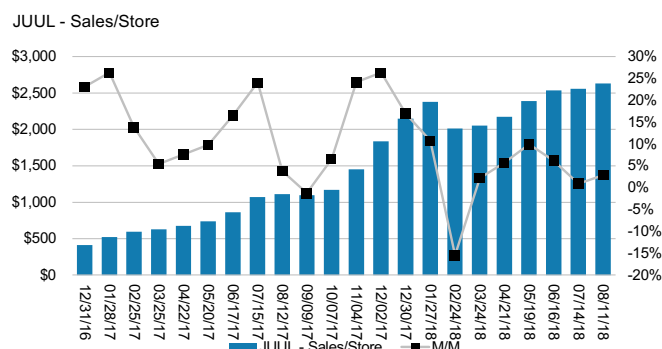
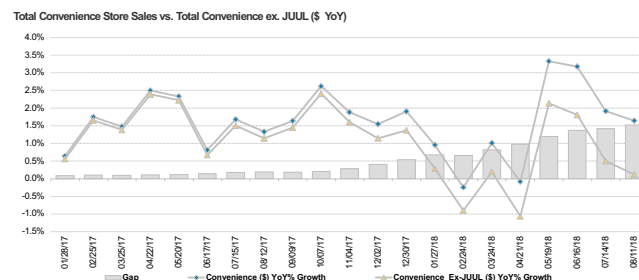
JUUL - % ACV (Convenience)



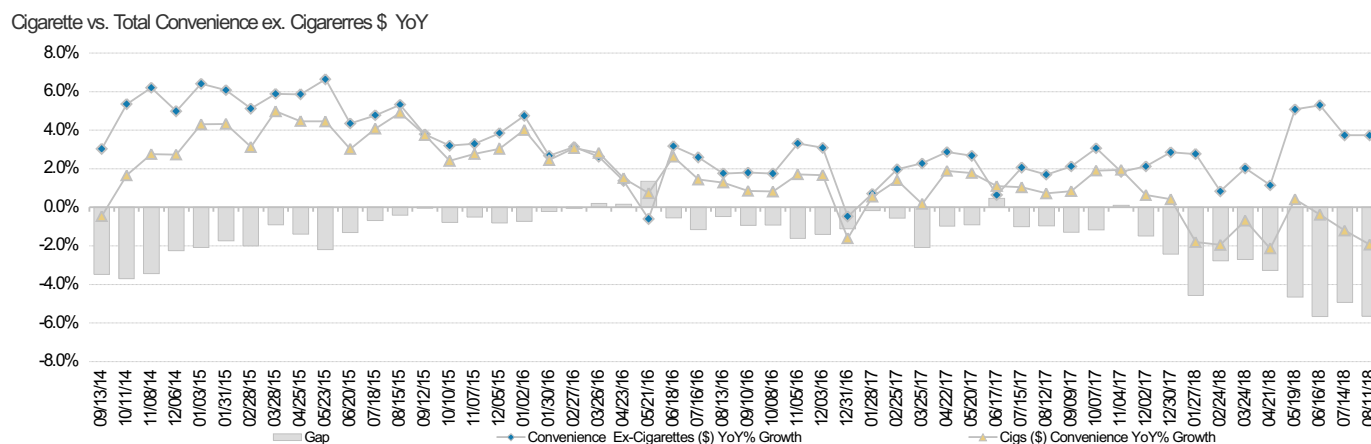
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Convenience stores have an incentive to sell JUUL as its sales per store are growing**

**~140% YoY.** JUUL sales per store are growing rapidly, up +136% in the L4W ended 8/11/18, though they have moderated sequentially, +3% MoM to ~\$2,600/store ([Exhibit 9](#)). We believe convenience stores have a strong incentive to carry JUUL, which is driving a significant portion of the retail channel's growth. In the L12W, total convenience store sales grew +2.2% but would have grown +80 bps excluding JUUL, which is accounting for about two-thirds of total convenience store sales growth (despite not being in full distribution within this channel). Most recently, overall convenience channel sales grew +1.6% in the L4W, but sales would have been flat YoY sales when excluding the contribution from JUUL ([Exhibit 10](#)).

**Exhibit 9: JUUL sales/store growing ~140% YoY and ~3% MoM****Exhibit 10: JUUL is contributing to the majority of c-store channel sales growth**

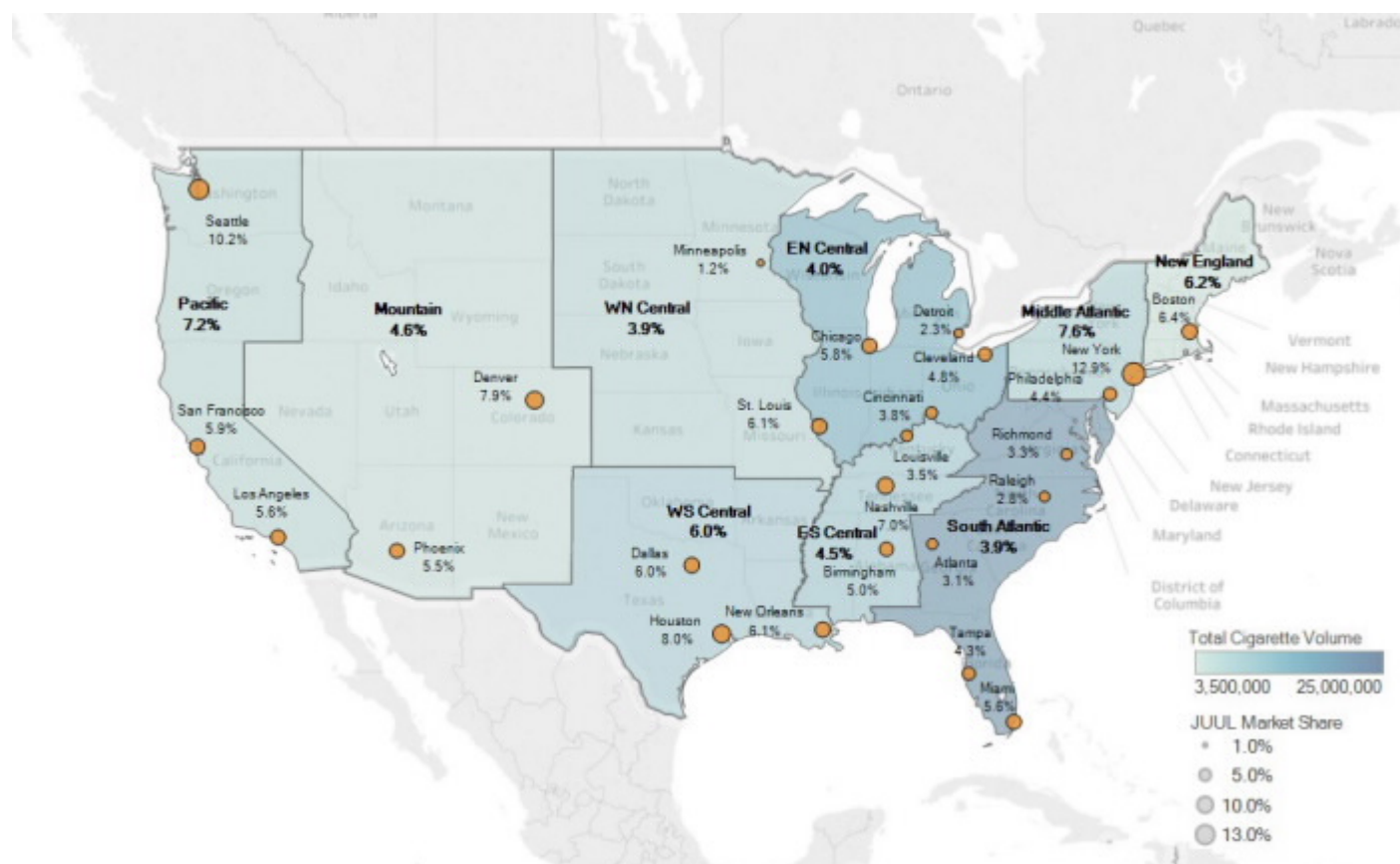
**On the other hand, cigarette sales are meaningfully underperforming the overall convenience store channel.** Historically, YoY spend on cigarettes has closely tracked YoY spend on all other categories within convenience stores. However, as evidenced by [Exhibit 11](#), this relationship started to breakdown at end of 2017, coinciding with JUUL's increasing growth. Cigarette sales growth turned negative in January 2018 (-1.2% YTD) after growing consistently since 2014. Over the last several months, cigarette sales within convenience stores have been declining at an accelerating rate (-1.9% in August vs. -1.2% in July). The gap relative to sales growth for non-cigarette products has widened, suggesting that convenience store traffic is not the underlying driver for slowing cigarette sales growth.

**Exhibit 11: Cigarette sales growth turned negative in the convenience store channel in**

**JUUL's market share of cigarette volumes over-indexes to major metropolitan areas, with overwhelmingly high share in New York, Seattle, Houston and Denver.** JUUL held 4.9% of cigarette equivalent volumes in the L4W ended 8/11/18, but there are notable differences in its share across cities. JUUL has outsized market share of cigarette volumes in several markets, holding 12.9% market share in New York, followed by Seattle (10.2%), Houston (8.0%), Denver (7.9%), and Nashville (7.0%) despite only entering these markets in 2016/early 2017. JUUL's high market share in these cities is likely a function of the city demographics (i.e. affluence, age), time in the market, as well

as the price of cigarettes in each market. JUUL has lower penetration in the South Atlantic region, which is also the highest cigarette volume market, holding 3.9% share of cigarette volumes in the region. Outside of the 25 major cities, JUUL has 4.5% share of cigarette volumes. However, JUUL share is growing rapidly across all of these markets (see [Exhibit 12](#) & [Exhibit 13](#)).

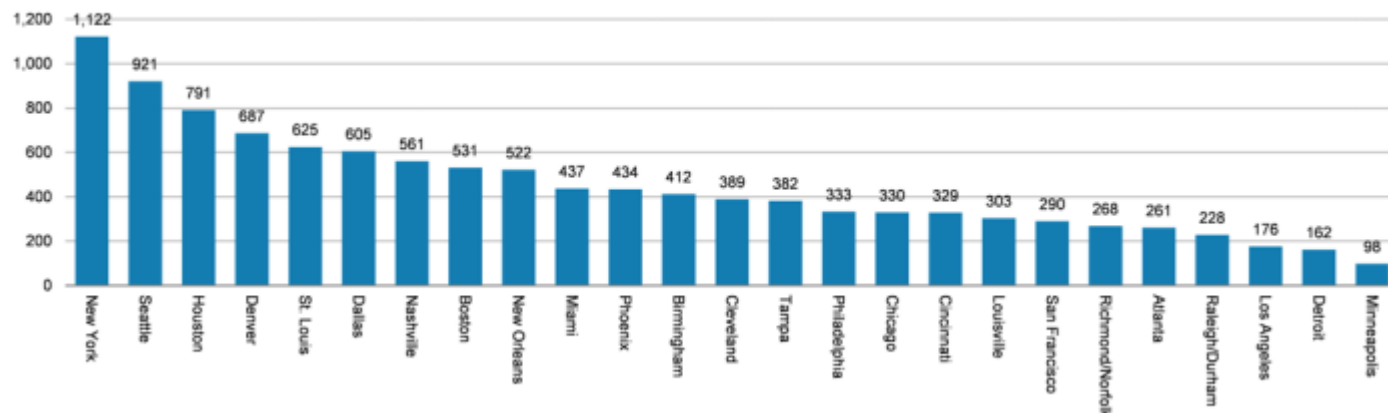
**Exhibit 12:** JUUL market share of cigarette volumes is the highest in NY, Seattle, Houston, Denver and Nashville



Source: AlphaWise, Tableau, Morgan Stanley Research (data as of 08/11/18)

**Exhibit 13:** JUUL market share is growing YoY

JUUL Refills Share of Cigarette Volumes (YoY L12W)

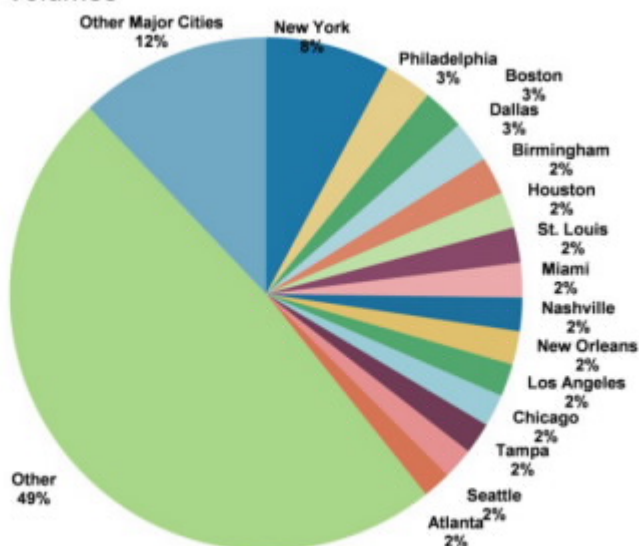


Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**JUUL regional sales data indicates that it over-indexes to major cities and is heavily weighted to New York City.** Based on Nielsen data, JUUL derives 51% of its volumes from 25 major cities, compared to 46% of cigarette volumes sold in these cities. New York represents an outsized portion of JUUL's total volumes (7.9% as of 8/11/18), followed by Philadelphia (3%) and Boston (3%) ([Exhibit 14](#)). JUUL refill volumes are overindexed relative to the cities' share of total US cigarette volumes in 10 cities, with the top 5 including New York (2.5x), Seattle (2.3x), Houston (1.8x), St. Louis (1.8x), and Denver (1.6x) ([Exhibit 15](#)). We found that the largest cigarette markets (as denoted by the dark colors on the map above) have the lowest JUUL penetration while smaller cigarette volume markets (lighter colors) have higher JUUL penetration

**Exhibit 14:** City as a % of JUUL volumes

Percent of JUUL Refill Volumes



Source: Nielsen XAOC + C, Morgan Stanley Research (data as of 08/11/18)



JUUL Relative Volume Mix (vs. Cigarettes)



### JUUL Share of Cigarette Volumes



opportunity to close the gap within existing stores.

Convenience Store %ACV as of 8/11/2018



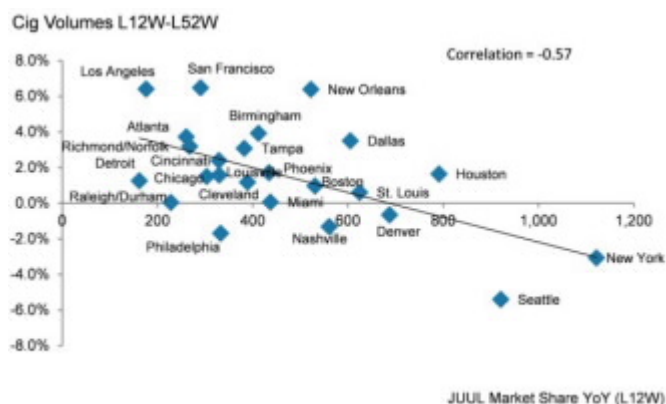


**Exhibit 18:** Cigarette prices positively correlated to JUUL market share



Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 19:** Negative correlation between JUUL YoY share and cigarette volume momentum



Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

### re correlation between JUUL market share and cigarette prices across

**markets.** JUUL has higher market share in markets with relatively high cigarette prices, such as New York (\$9.26/pack average vs. \$4.41 for a JUUL refill), potentially driven by its cost advantage compared to cigarettes. Given that the average price of a JUUL refill is \$4.18 compared to \$6.30 average price per pack of cigarettes, smokers have a strong incentive to switch to JUUL. Conversely, JUUL has lower market share in cities that have below average cigarette prices such as Atlanta, Raleigh/Durham, and Louisville. Similarly, JUUL has higher market share in cities where its discount relative to cigarette prices is highest.

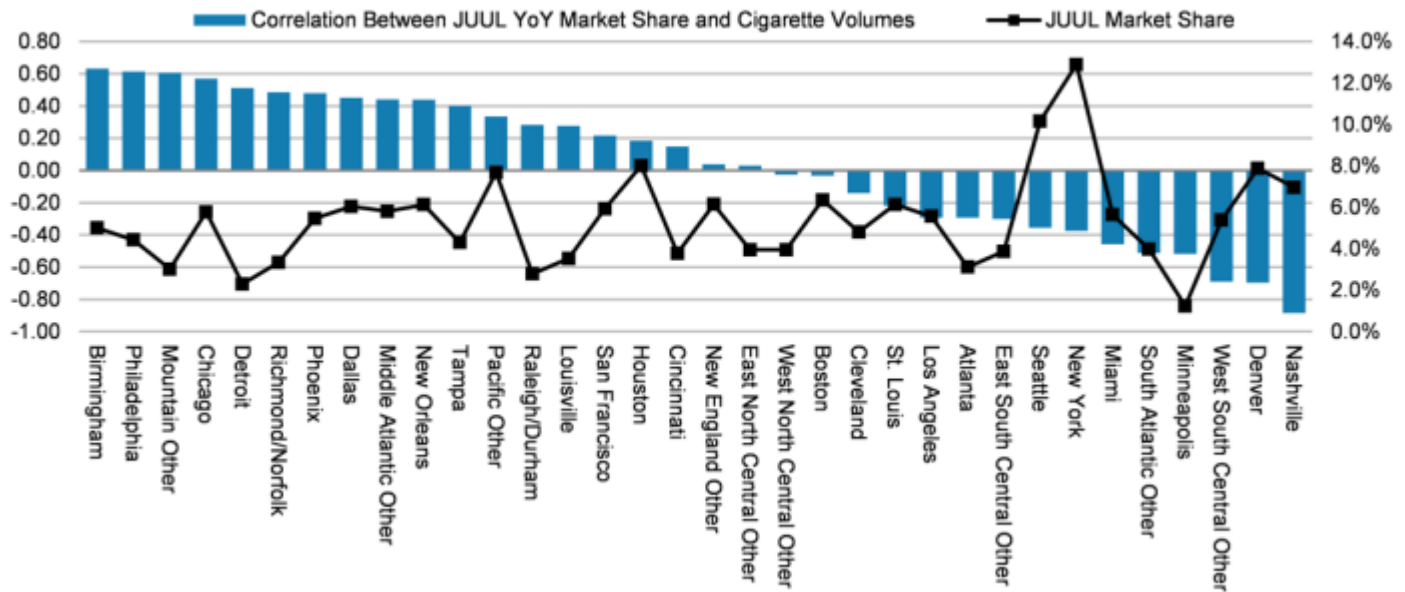
**In aggregate, there is a negative relationship between JUUL's market share and cigarette volume momentum.** Total cigarette US scanner data suggests that cigarette volumes were stable over the L12W and L52W, down 3.2% YoY. However, within the top US cities, cigarette volume declines moderated over this period from -3.8% L52W to -2.4% L12W. Within these markets, there is a -0.57 correlation between JUUL's YoY market share and their cigarette volume momentum (L12W volumes minus L52W). In New York and Seattle, where JUUL is seeing the greatest share momentum, cigarette volumes have decelerated more meaningfully (See [Exhibit 19](#)).

### Our analysis points to a mixed correlation between JUUL market share and cigarette volumes across major cities.

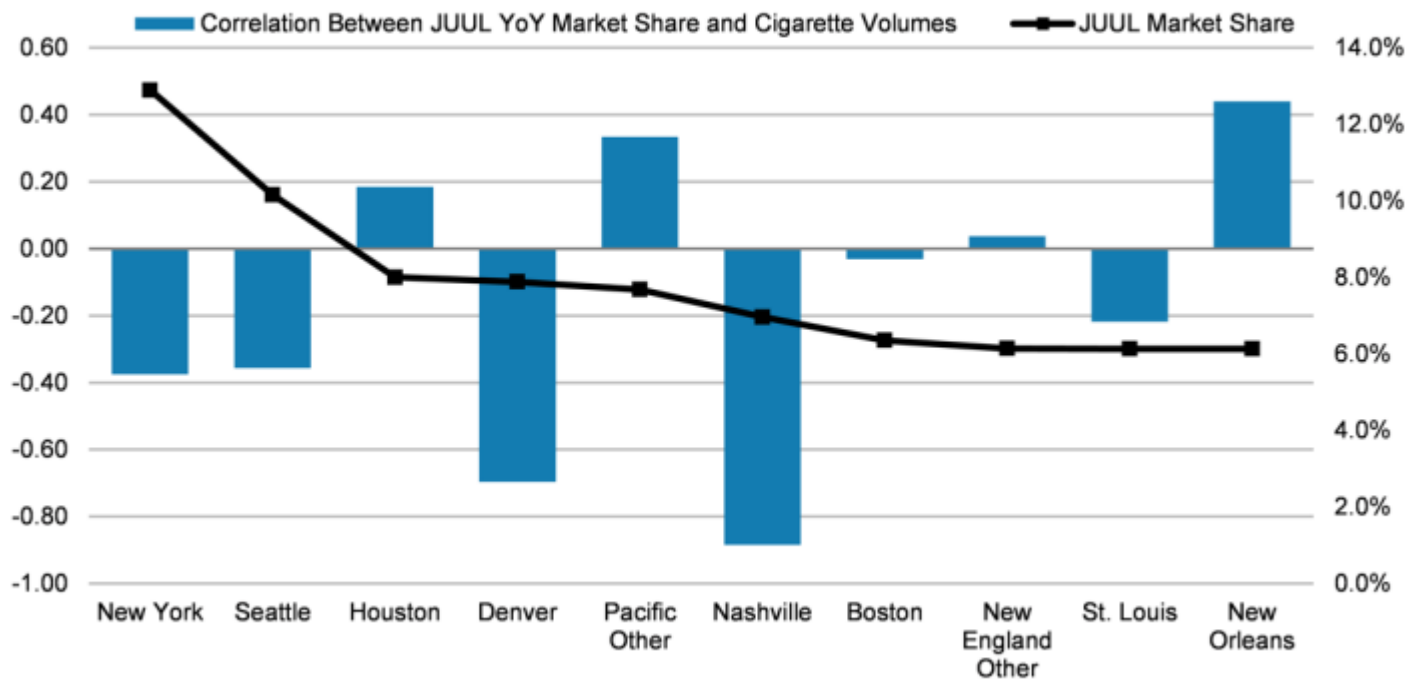
We ran correlations between the YoY change in cigarette volumes and the YoY change in JUUL market share between January 2017 and

August 2018 to determine whether there is a relationship between JUUL growth and cigarette sales. The analysis points to a negative correlation in Nashville, Denver, Seattle, and New York, which have high JUUL market share, suggesting that the impact to cigarette volumes may become more meaningful in other markets if JUUL market share reaches a similar scale. Outside of the major US cities, JUUL also exhibited a negative correlation to cigarette volumes in the West South Central and South Atlantic regions.

However, there were many cities where the correlation between JUUL share and cigarette volumes was positive. The positive correlation between JUUL share and cigarette volumes in some markets may be attributed to several factors, such as: i) potentially low cannibalization rates due to JUUL attracting new users; ii) a greater number of JUUL refills required to displace a pack of cigarettes; iii) still low absolute levels of market share; iv) the influence of other factors that may be impacting cigarette volumes (i.e. consumer confidence, unemployment); and v) a still limited number of data points as the correlation is only based on data starting in 2017. ([Exhibit 20](#))

**Exhibit 20:** Correlation between JUUL market share and cigarette volumes shows mixed impact across markets**Correlation Between JUUL YoY Market Share and Cigarette Volumes**

Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 21:** Correlation between cigarette volumes and JUUL market share in JUUL's Top 10 cities/regions (January 2017-Present)**Correlation Between JUUL YoY Market Share and Cigarette Volumes**

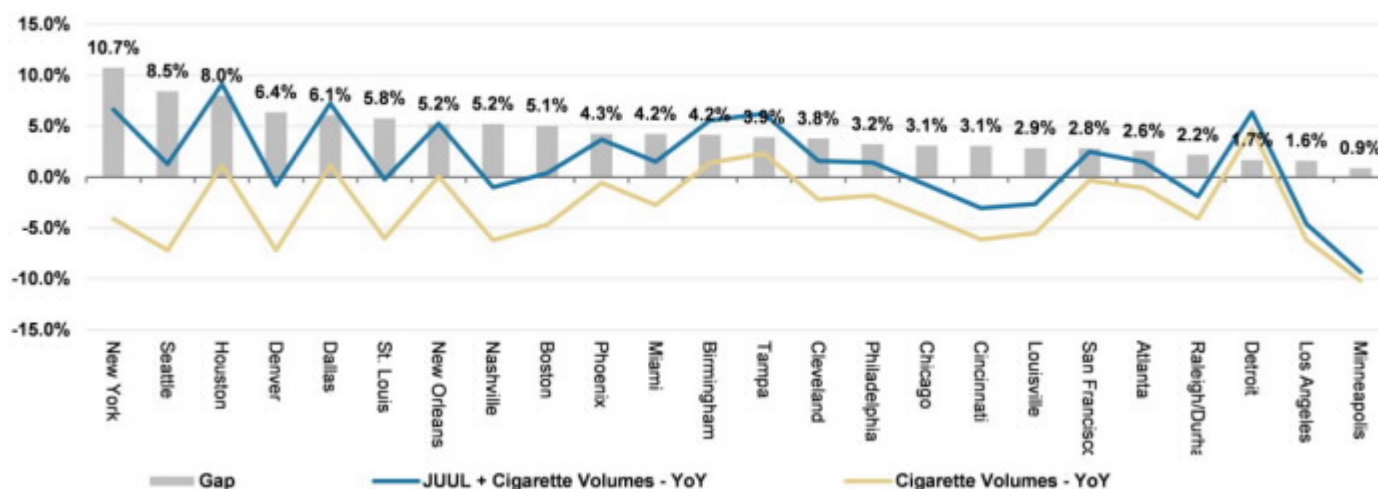
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**JUUL volumes are largely incremental to category volumes across major cities.** JUUL cannibalization of cigarette volumes still appears low, as its volumes are incremental to

the overall category. When combining JUUL refill volumes with cigarette packs sold, the YoY growth in total volumes is positive in 15 cities, suggesting JUUL is expanding the category in many markets (as cigarette volumes would likely decline otherwise). This could be because JUUL is appealing to non smokers, because JUUL may be additive to smokers' cigarette consumption, or if smokers who are switching to JUUL consume more pods relative to the number of packs they smoked.

**Exhibit 22: JUUL is incremental to category volumes across major cities**

**JUUL + Cigarette Volumes vs. Cigarette Volumes (YoY-L12W)**



Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

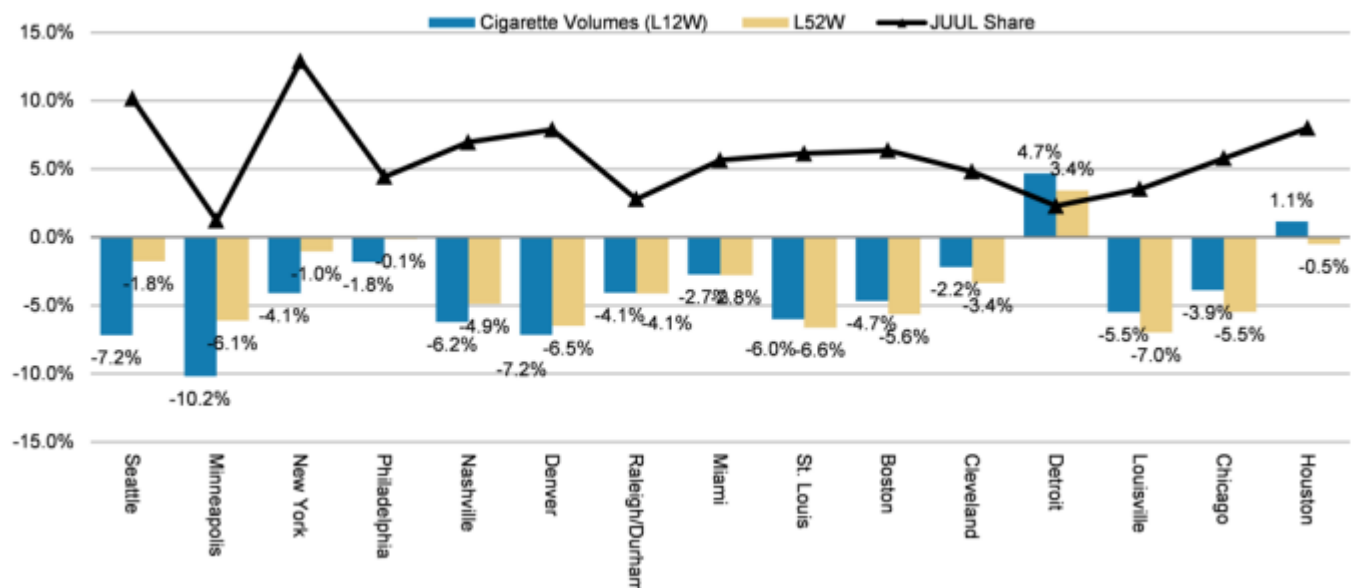
**We still estimate a relatively low impact from JUUL on cigarette volumes.** We

previously estimated that ~22% of JUUL's sales growth has come at the expense of cigarette volumes with the remainder stemming from new users in the category and potentially a greater number of pods necessary to displace cigarette consumption (i.e. one refill is not equivalent to one pack of cigarettes). Within JUUL's top markets, cigarette volume declines are worsening along with increasing JUUL growth in New York (-4.1% L12W vs. -1.0% L52W), Seattle (-7.2% L12W vs. -1.8% L52W), Philadelphia (-1.8% L12W vs. flat L52W). We believe JUUL cannibalization rate on cigarette volumes is still low as the deceleration in cigarette volumes across markets is not commensurate with the rate of JUUL share gains. In particular, the ~3% deceleration in cigarette volumes in New York compares to ~13% JUUL market share. In Seattle, cannibalization may be higher considering an ~5.5% deceleration in volumes compared to ~10% JUUL market share. However, cigarette volumes declines moderated across a number of markets despite increasing JUUL market share. This could suggest that either JUUL is drawing in new users, that it is being used as a complement to cigarette consumption by existing smokers when they can not smoke cigarettes, or other factors contributing to improving cigarette volumes in those markets (i.e. lower unemployment and other macro drivers).

Please see city specific charts in the [Appendix](#)

**Exhibit 23:** JUUL share coinciding with accelerated cigarette volume declines in Seattle, New York, Philadelphia, and Nashville, but cigarette volumes improving across other markets

Cigarette Volumes YoY and JUUL Market Share



Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Our 22% cannibalization rate estimate was based on 1Q18 data, but the moderation in reported 2Q18 industry volumes declines makes it more difficult to measure 2Q18 cannibalization.**

In order to gauge how much of JUUL's growth is coming at the expense of cigarette volumes, we decomposed the drivers behind MO's -5.5% industry volume decline estimate in 1Q18. We assume a baseline decline of 3.4% reflecting 2% secular declines and a 1.4% impact from pricing (4.7% pricing at -30% elasticity), assumed a 100 bps headwind from California and higher gas prices were a ~66 bps headwind based on our regression analysis. This suggests JUUL could have accounted for up to 40 bps of the decline. Multiplying 1Q17 cigarette volumes by JUUL's 40 bps impact suggests up to ~10 MM packs could have been displaced by JUUL in 1Q18. In 1Q18, JUUL sold ~45 MM refills, and dividing the packs displaced by total JUUL volumes equates to ~22% of JUUL sales coming at the expense of cigarettes (i.e. its "cannibalization rate"). In 2Q18, MO indicated that industry cigarette volume declines moderated to -3.5% (while BAT suggested they were -5.5% in 1H18), a sequential improvement despite a continued rise in gas prices in 2Q18 (+16% YoY vs. +11% in 1Q18), and strong reported cigarette net pricing (MO +5.8% in 2Q18). These factors leave little room for a potential headwind from JUUL.

**Nielsen market share data supports our view that JUUL can be a ~100 bps annual headwind to industry volumes over the next five years.**

In particular, JUUL's market share in New York (12.9%) and Seattle (10%), despite only being in these markets since 2016/early 2017 supports our forecast that JUUL's national share of cigarette volumes can approach 15% by 2022. We expect this growth to be driven by increasing distribution, awareness, and sales/store. We estimate JUUL will end 2018 with ~7.0% market share (vs. 4.9% today) of cigarette volumes in measured channels as its share is growing by ~50 bps per month, which would mean that it gained 6.0% share this year. Our 15% market share forecast assumes a significant deceleration to 2% annual share gains starting in 2019, which we view as reasonable. However, we still assume that JUUL's cannibalization rate stays relative low, increasing to 26.5% in 2019, and eventually to 40% by 2022, meaning that we assume 60% of its 2022 volumes will not have an impact

cigarette volumes. This results in an incremental ~115 bps headwind to annual cigarette volume declines starting in 2018 with the greatest impact in 2019 as JUUL gains critical mass.

However, we believe it is prudent to look at a range of market share and cigarette cannibalization rate scenarios to quantify the impact that it can have on cigarette volumes. In Exhibit 21, we show a broader framework for potential market share and cannibalization scenarios.

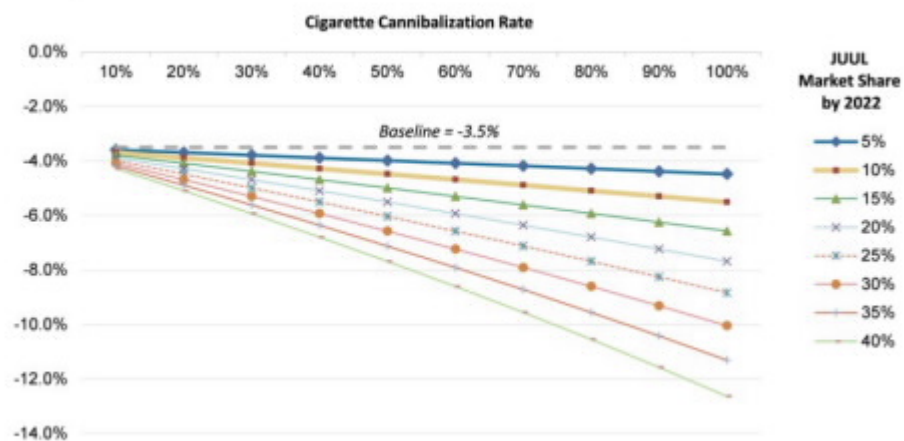
**Exhibit 24:** In a Base Case, we assume JUUL is an incremental 100 bps headwind to cigarette volumes over the next five years

	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
<b>Cigarettes</b>								
Baseline Cigarette Volumes (Sticks, billion)	270	264	253	244	236	227	219	212
Packs (mill.)	13,495	13,176	12,649	12,206	11,779	11,367	10,969	10,585
YoY Chg	(0.3%)	(2.4%)	(4.0%)	(3.5%)	(3.5%)	(3.5%)	(3.5%)	(3.5%)
Cigarette Volumes Measured Channels (Packs)	11,044	10,818	10,456	10,090	9,737	9,396	9,067	8,750
YoY	-0.5%	-2.0%	-3.4%	(3.5%)	(3.5%)	(3.5%)	(3.5%)	(3.5%)
% Total	82%	82%	83%	83%	83%	83%	83%	83%
Cigarette Volumes Non-Measured Channels (Packs)	2,451	2,358	2,193	2,117	2,043	1,971	1,902	1,835
YoY		-3.8%	-7.0%	-3.5%	-3.5%	-3.5%	-3.5%	-3.5%
% Total		18%	17%	17%	17%	17%	17%	17%
<b>JUUL Refills</b>								
JUUL Refills - Measured Channels	1	7.51	55	434	841	1,034	1,179	1,312
YoY Chg		1175%	637%	683%	94%	23%	14%	11%
% of Baseline Cigarette Volumes in Measured Channels	-	0.1%	0.4%	4.3%	8.6%	11.0%	13.0%	15.0%
Ending Share			1.3%	7.3%	10.0%	12.0%	14.0%	16.0%
JUUL Refills - Non-Measured Channels	0	5	26	202	340	359	310	246
YoY Chg		1474%	468%	683%	68%	6%	-14%	-20%
% Sales in Non-Measured Channels (Euromonitor)	32.9%	37.7%	31.8%	31.8%	28.8%	25.8%	20.8%	15.8%
% of Baseline Cigarette Volumes in Non-Measured Channels	0.0%	0.2%	1.2%	9.6%	16.7%	18.2%	16.3%	13.4%
<b>Total JUUL Refill Sales</b>	<b>1</b>	<b>12</b>	<b>81</b>	<b>636</b>	<b>1,181</b>	<b>1,393</b>	<b>1,488</b>	<b>1,559</b>
YoY Chg		1273%	574%	683%	86%	18%	7%	5%
% of Baseline Cigarette Volumes	0.0%	0.1%	0.6%	5.2%	10.0%	12.3%	13.6%	14.7%
JUUL - % Volumes Sourced From Cigarettes				22.0%	26.5%	31.0%	35.5%	40.0%
JUUL Refill Volumes Sourced From Cigarettes	0	8	1	140	313	432	528	623
Cigarette Volumes Post JUUL (Packs)	13,495	13,176	12,648	12,066	11,466	10,935	10,441	9,962
YoY Chg in Cigarette Volumes	(0.3%)	(2.4%)	(4.0%)	(4.6%)	(5.0%)	(4.6%)	(4.5%)	(4.6%)
<b>Incremental Decline</b>				<b>-110 bps</b>	<b>-148 bps</b>	<b>-113 bps</b>	<b>-102 bps</b>	<b>-109 bps</b>
<b>Combined Volumes</b>	<b>13,496</b>	<b>13,188</b>	<b>12,730</b>	<b>12,842</b>	<b>12,960</b>	<b>12,760</b>	<b>12,457</b>	<b>12,144</b>
YoY Chg		(2.3%)	(3.5%)	0.9%	0.9%	(1.5%)	(2.4%)	(2.5%)
<b>JUUL Share of Combined Volumes</b>				<b>5.0%</b>	<b>9.1%</b>	<b>10.9%</b>	<b>11.9%</b>	<b>12.8%</b>

Source: Company data, Morgan Stanley Research

**Exhibit 25:** Annual cigarette volume declines assuming JUUL share of cigarette volumes and cannibalization rates

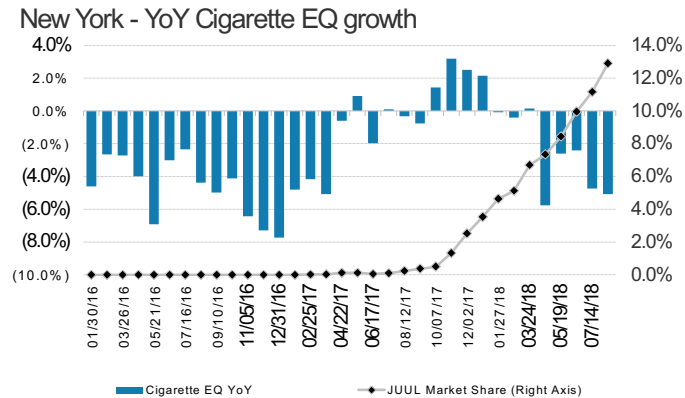
**Annual Cigarette Volume Declines**



Source: Company data, Morgan Stanley Research

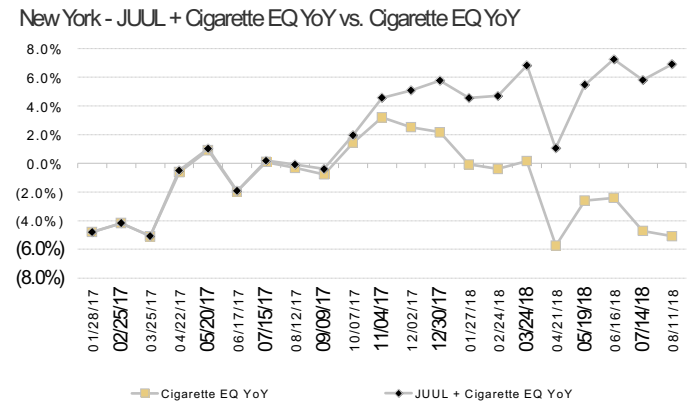
# Appendix

**Exhibit 26:** New York Cigarette Volume Growth and JUUL Market Share



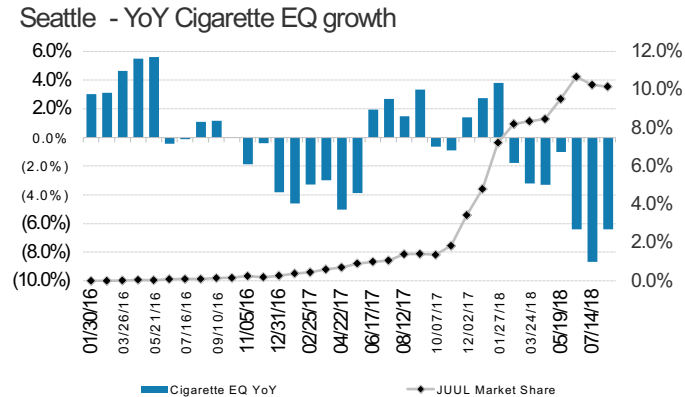
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 27:** New York JUUL+ Cigs Volume YoY Growth



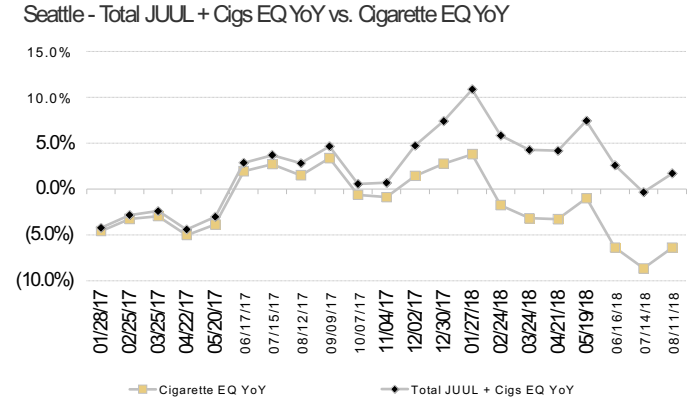
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 28:** Seattle Cigarette Volume Growth and JUUL Market Share



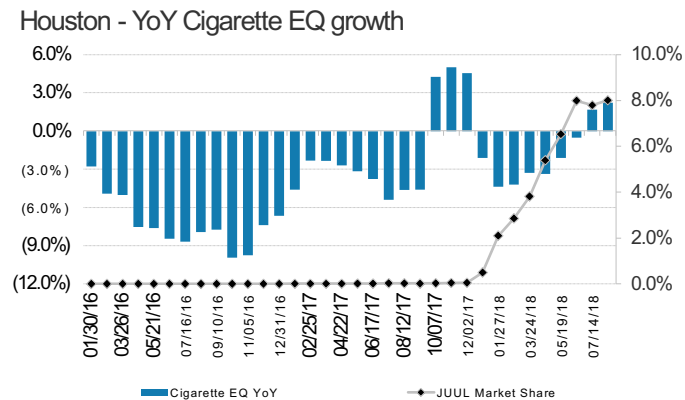
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 29:** Seattle JUUL+ Cigs Volume YoY Growth



Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

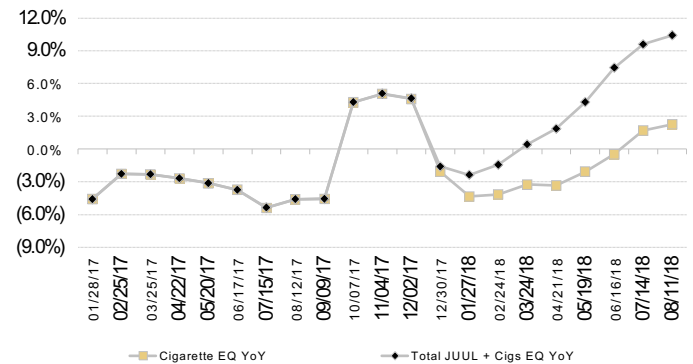


**Exhibit 30:** Houston Cigarette Volume Growth and JUUL Market Share

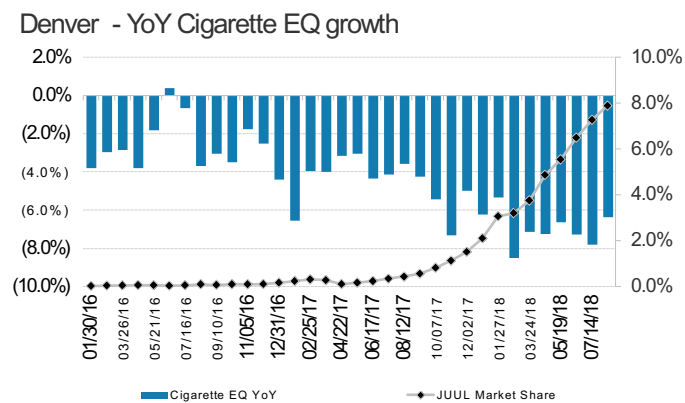
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 31:** Houston JUUL+ Cigs Volume YoY Growth

Houston - Total JUUL + Cigs EQ YoY vs. Cigarette EQ YoY



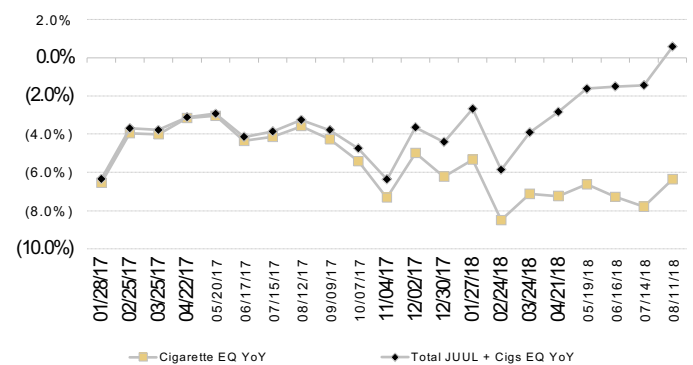
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 32:** Denver Cigarette Volume Growth and JUUL Market Share

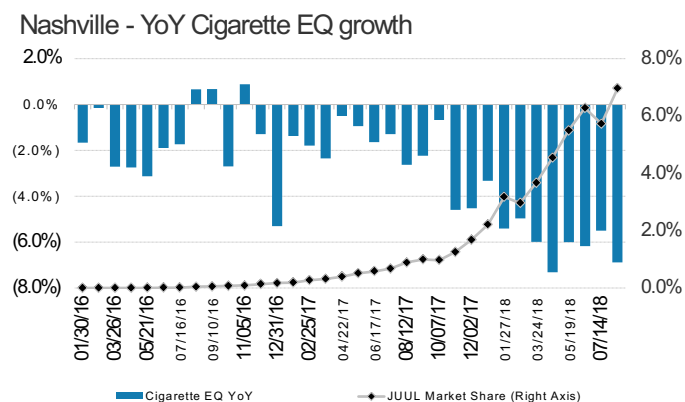
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 33:** Denver JUUL+ Cigs Volume YoY Growth

Denver - Total JUUL + Cigs EQ YoY vs. Cigarette EQ YoY



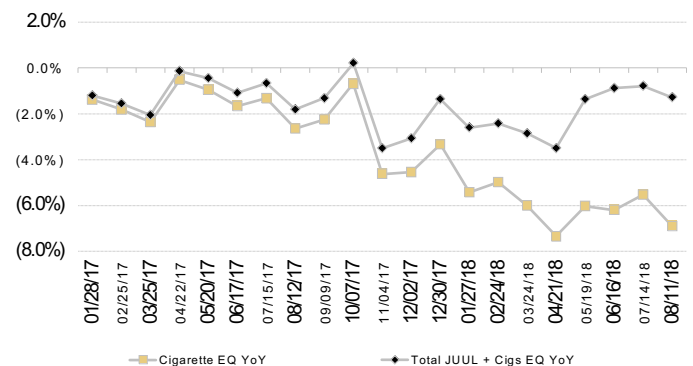
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 34:** Nashville Cigarette Volume Growth and JUUL Market Share

Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 35:** Nashville JUUL+ Cigs Volume YoY Growth

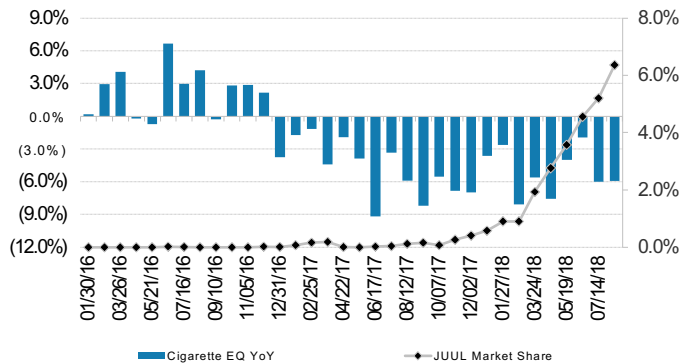
Nashville - Total JUUL + Cigs EQ YoY vs. Cigarette EQ YoY



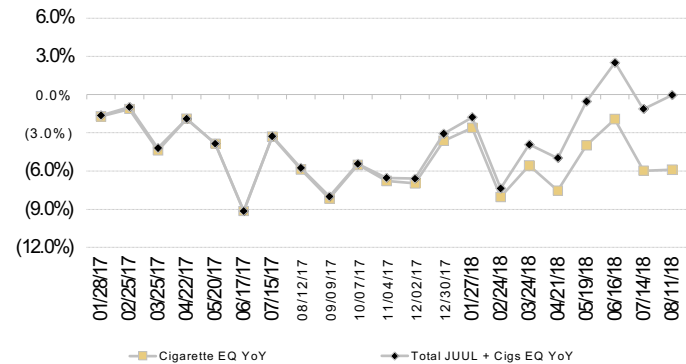
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 36: Boston Cigarette Volume Growth and JUUL Market Share**

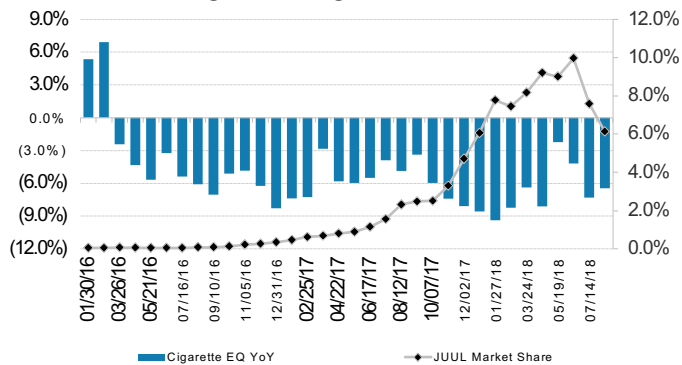
## Boston - YoY Cigarette EQ growth

**Exhibit 37: Boston JUUL+ Cigs Volume YoY Growth**

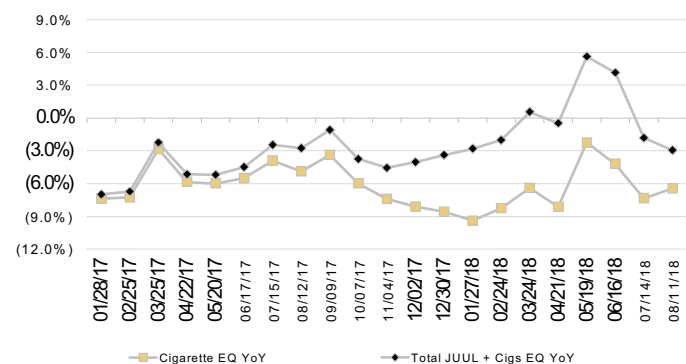
## Boston - Total JUUL + Cigs EQ YoY vs. Cigarette EQ YoY

**Exhibit 38: St. Louis Cigarette Volume Growth and JUUL Market Share**

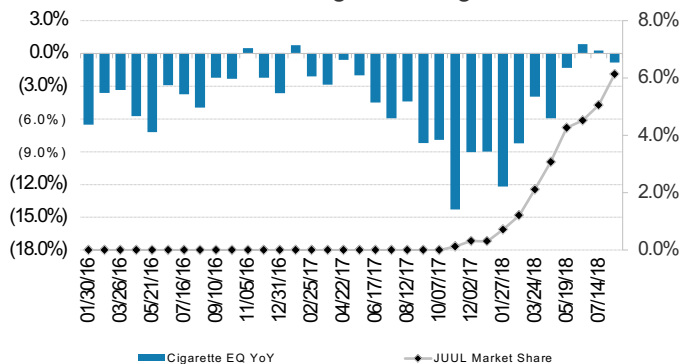
## St. Louis - YoY Cigarette EQ growth

**Exhibit 39: St. Louis JUUL+ Cigs Volume YoY Growth**

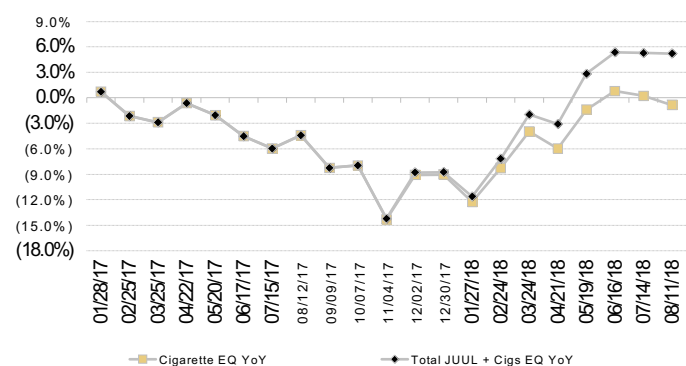
## St. Louis - Total JUUL + Cigs EQ YoY vs. Cigarette EQ YoY

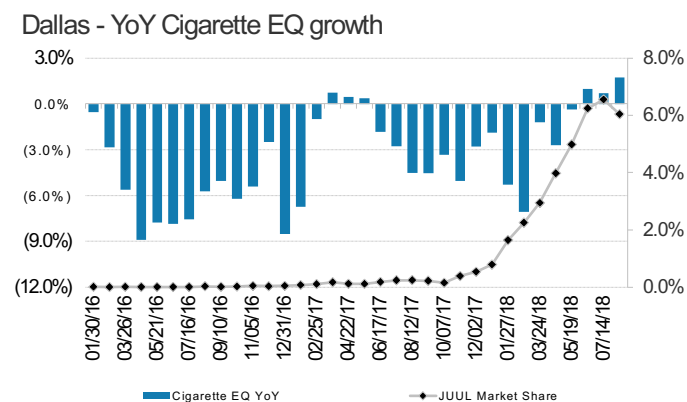
**Exhibit 40: New Orleans Mobile Cigarette Volume Growth and JUUL Market Share**

## New Orleans Mobile - YoY Cigarette EQ growth

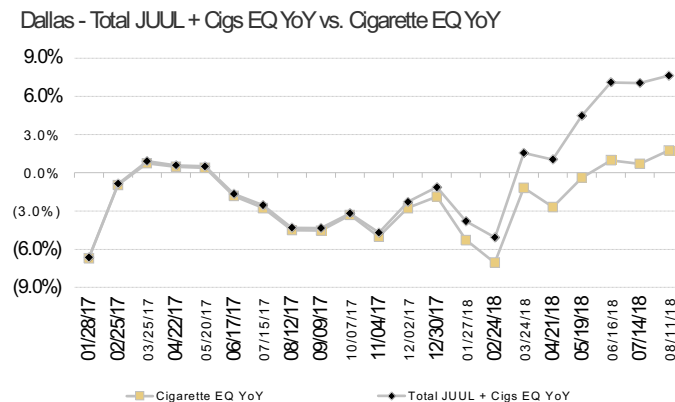
**Exhibit 41: New Orleans Mobile JUUL+ Cigs Volume YoY Growth**

## New Orleans Mobile - Total JUUL + Cigs EQ YoY vs. Cigarette EQ YoY

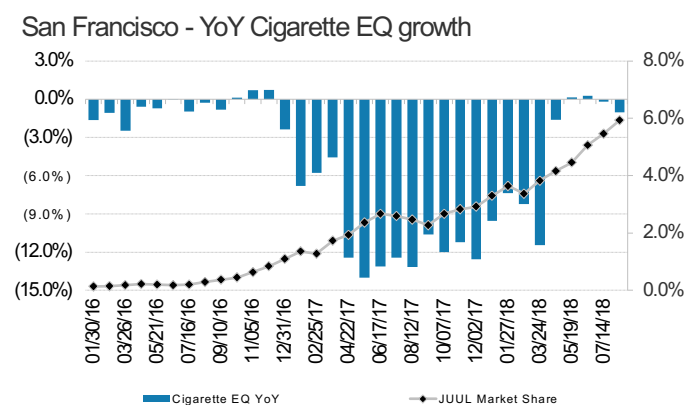


**Exhibit 42:** Dallas Cigarette Volume Growth and JUUL Market Share

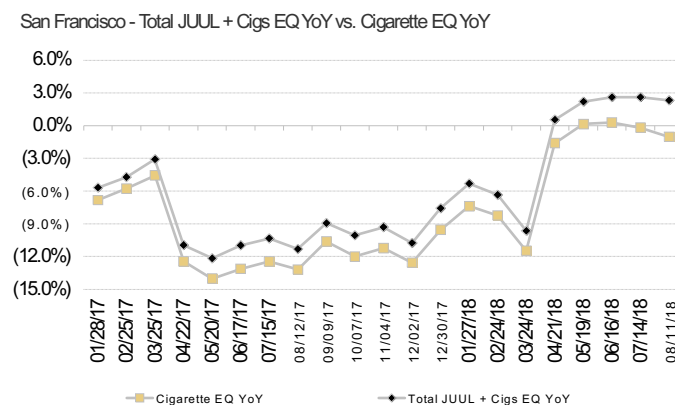
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 43:** Dallas JUUL+ Cigs Volume YoY Growth

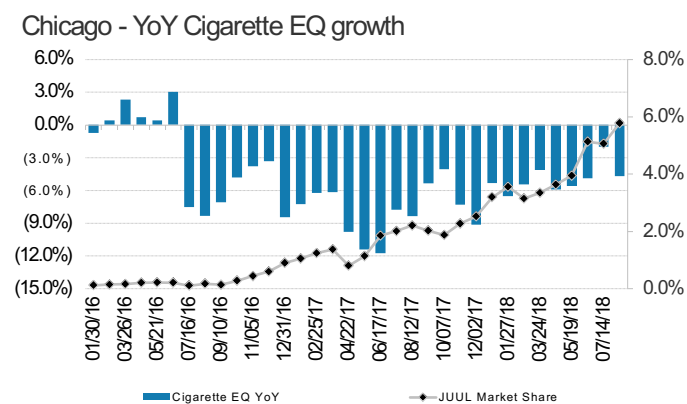
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 44:** San Francisco Cigarette Volume Growth and JUUL Market Share

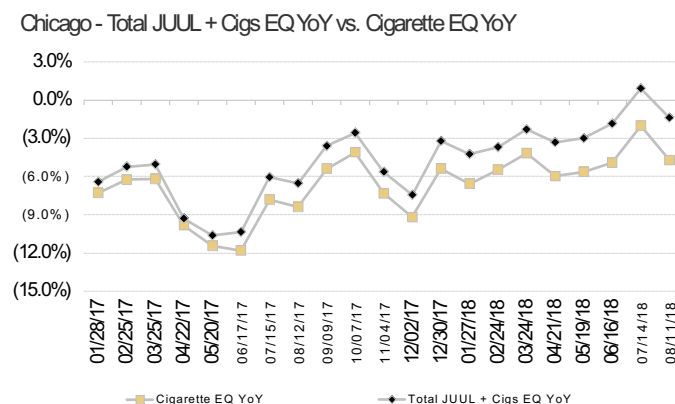
Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 45:** San Francisco JUUL+ Cigs Volume YoY Growth

Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 46:** Chicago Cigarette Volume Growth and JUUL Market Share

Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

**Exhibit 47:** Chicago JUUL+ Cigs Volume YoY Growth

Source: Nielsen XAOC + C, Morgan Stanley Research, (data as of 08/11/18)

*Note: The information supplied by Nielsen and presented here by Morgan Stanley is based on data believed to be reliable at the time supplied by Nielsen but is neither all-inclusive nor guaranteed by Nielsen. Without limiting the generality of the foregoing, specific data points may vary considerably from other information sources. Any opinions expressed herein reflect the judgment of Morgan Stanley at this date and are subject to change.*

## Disclosure Section

The information and opinions in Morgan Stanley Research were prepared by Morgan Stanley & Co. LLC, and/or Morgan Stanley C.T.V.M. S.A., and/or Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V., and/or Morgan Stanley Canada Limited. As used in this disclosure section, "Morgan Stanley" includes Morgan Stanley & Co. LLC, Morgan Stanley C.T.V.M. S.A., Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V., Morgan Stanley Canada Limited and their affiliates as necessary.

For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures), or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 800 303-2495; Hong Kong +852 2848-5999; Latin America +1 718 754-5444 (U.S.); London +44 (0)20-7425-8169; Singapore +65 6834-6860; Sydney +61 (0)2-9770-1505; Tokyo +81 (0)3-6836-9000. Alternatively you may contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

### Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Pamela Kaufman, CFA.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

### Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at [www.morganstanley.com/institutional/research/conflict/policies](http://www.morganstanley.com/institutional/research/conflict/policies).

### Important US Regulatory Disclosures on Subject Companies

As of August 31, 2018, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Altria Group, Inc., Philip Morris International Inc.

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Altria Group, Inc..

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Altria Group, Inc., Philip Morris International Inc.

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from Altria Group, Inc..

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: Altria Group, Inc., Philip Morris International Inc.

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: Altria Group, Inc..

Morgan Stanley & Co. LLC makes a market in the securities of Altria Group, Inc., Philip Morris International Inc.

The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues. Equity Research analysts' or strategists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report. Morgan Stanley trades or may trade as principal in the debt securities (or in related derivatives) that are the subject of the debt research report.

Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

### STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

### Global Stock Ratings Distribution

(as of August 31, 2018)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover.

Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MSC
<b>Overweight/Buy</b>	<b>1156</b>	<b>37%</b>	<b>296</b>	<b>40%</b>	<b>26%</b>	<b>546</b>	<b>39%</b>
<b>Equal-weight/Hold</b>	<b>1363</b>	<b>44%</b>	<b>348</b>	<b>48%</b>	<b>26%</b>	<b>635</b>	<b>45%</b>
<b>Not-Rated/Hold</b>	<b>50</b>	<b>2%</b>	<b>5</b>	<b>1%</b>	<b>10%</b>	<b>7</b>	<b>0%</b>
<b>Underweight/Sell</b>	<b>553</b>	<b>18%</b>	<b>82</b>	<b>11%</b>	<b>15%</b>	<b>223</b>	<b>16%</b>
<b>TOTAL</b>	<b>3,122</b>		<b>731</b>			<b>1411</b>	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

### Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

### Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

### Important Disclosures for Morgan Stanley Smith Barney LLC Customers

Important disclosures regarding the relationship between the companies that are the subject of Morgan Stanley Research and Morgan Stanley Smith Barney LLC or Morgan Stanley or any of their affiliates, are available on the Morgan Stanley Wealth Management disclosure website at [www.morganstanley.com/online/researchdisclosures](http://www.morganstanley.com/online/researchdisclosures). For Morgan Stanley specific disclosures, you may refer to [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures).

Each Morgan Stanley Equity Research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval is conducted by the same person who reviews the Equity Research report on behalf of Morgan Stanley. This could create a conflict of interest.

### Other Important Disclosures

Morgan Stanley & Co. International PLC and its affiliates have a significant financial interest in the debt securities of Altria Group, Inc., Philip Morris International Inc.

Morgan Stanley Research policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions. Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>.

Morgan Stanley Research is provided to our clients through our proprietary research portal on Matrix and also distributed electronically by Morgan Stanley to clients. Certain, but not all, Morgan Stanley Research products are also made available to clients through third-party vendors or redistributed to clients through alternate electronic means as a convenience. For access to all available Morgan Stanley Research, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>.

Any access and/or use of Morgan Stanley Research is subject to Morgan Stanley's Terms of Use (<http://www.morganstanley.com/terms.html>). By accessing and/or using Morgan Stanley Research, you are indicating that you have read and agree to be bound by our Terms of Use

(<http://www.morganstanley.com/terms.html>). In addition you consent to Morgan Stanley processing your personal data and using cookies in accordance with our Privacy Policy and our Global Cookies Policy ([http://www.morganstanley.com/privacy\\_pledge.html](http://www.morganstanley.com/privacy_pledge.html)), including for the purposes of setting your preferences and to collect readership data so that we can deliver better and more personalized service and products to you. To find out more information about how Morgan Stanley processes personal data, how we use cookies and how to reject cookies see our Privacy Policy and our Global Cookies Policy ([http://www.morganstanley.com/privacy\\_pledge.html](http://www.morganstanley.com/privacy_pledge.html)).

If you do not agree to our Terms of Use and/or if you do not wish to provide your consent to Morgan Stanley processing your personal data or using cookies



please do not access our research.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the circumstances and objectives of those who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor's circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

The fixed income research analysts, strategists or economists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

The "Important US Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel may participate in company events such as site visits and are generally prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

Morgan Stanley may make investment decisions that are inconsistent with the recommendations or views in this report.

To our readers based in Taiwan or trading in Taiwan securities/instruments: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Any non-customer reader within the scope of Article 7-1 of the Taiwan Stock Exchange Recommendation Regulations accessing and/or receiving Morgan Stanley Research is not permitted to provide Morgan Stanley Research to any third party (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities regarding Morgan Stanley Research which may create or give the appearance of creating a conflict of interest. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

Morgan Stanley is not incorporated under PRC law and the research in relation to this report is conducted outside the PRC. Morgan Stanley Research does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. Neither this report nor any part of it is intended as, or shall constitute, provision of any consultancy or advisory service of securities investment as defined under PRC law. Such information is provided for your reference only.

Morgan Stanley Research is disseminated in Brazil by Morgan Stanley C.T.V.M. S.A.; in Mexico by Morgan Stanley México, Casa de Bolsa, S.A. de C.V. which is regulated by Comisión Nacional Bancaria y de Valores. Paseo de los Tamarindos 90, Torre 1, Col. Bosques de las Lomas Floor 29, 05120 Mexico City; in Japan by Morgan Stanley MUFG Securities Co., Ltd. and, for Commodities related research reports only, Morgan Stanley Capital Group Japan Co., Ltd; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents) and by Morgan Stanley Asia International Limited, Hong Kong Branch; in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research) and by Morgan Stanley Asia International Limited, Singapore Branch (Registration number T11FC0207F); in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Indonesia by PT. Morgan Stanley Sekuritas Indonesia; in Canada by Morgan Stanley Canada Limited, which has approved of and takes responsibility for its contents in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main and Morgan Stanley Private Wealth Management Limited, Niederlassung Deutschland, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that Morgan Stanley Research has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the US by Morgan Stanley & Co. LLC, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. RMB Morgan Stanley Proprietary Limited is a member of the JSE Limited and regulated by the Financial Services Board in South Africa. RMB Morgan Stanley Proprietary Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited. The information in Morgan Stanley Research is being disseminated by Morgan Stanley Saudi Arabia, regulated by the Capital Market Authority in the Kingdom of Saudi Arabia, and is directed at Sophisticated investors only.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at Professional Clients only, as defined by the DFSA. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria to be a Professional Client.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFCRA Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.



As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided exclusively to persons based on their risk and income preferences by the authorized firms. Comments and recommendations stated here are general in nature. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations. The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P. Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

## INDUSTRY COVERAGE: Tobacco

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/07/2018)
<b>Pamela Kaufman, CFA</b>		
Altria Group, Inc. (MO.N)	E (11/29/2016)	\$60.93
Philip Morris International Inc (PM.N)	O (03/31/2008)	\$78.60

Stock Ratings are subject to change. Please see latest research for each company.

\* Historical prices are not split adjusted.

© 2018 Morgan Stanley