



WELCOME

25TH Anniversary
Celebration

— AND —

Legislative
Conference





9:00 am

NATO Overview

David Spross, Executive Director,
NATO

FDA–CTP Update

Dr. Bret Koplow, CTP Director

10:30 am

Coalition for Smarter Regulation of Nicotine

Richard Burr, Former U.S. Senator

Tobacco / Nicotine Category Update

Ajay Yadagiri & Paul Grubbs, MSA Inc.

12:15 pm

Political Panel

David Avella, Meghan Hays

Breakouts

Choose 2 of 3 Sessions



WELCOME

MEET OUR SPEAKER

David Spross

Executive Director, NATO





NATO Overview



National Retail Trade Association Representing
66,000 Tobacco Retailers throughout the country



Membership made up of Retailers, Wholesalers,
Manufacturers, and State Associations



Federal, State & Local
Advocacy on Tobacco Issues



News Resource

FDA



FDA Engagement



NATO Advocacy Tools



Testimony



Letters



Grassroots



Communication



Education



Research



Follow NATO



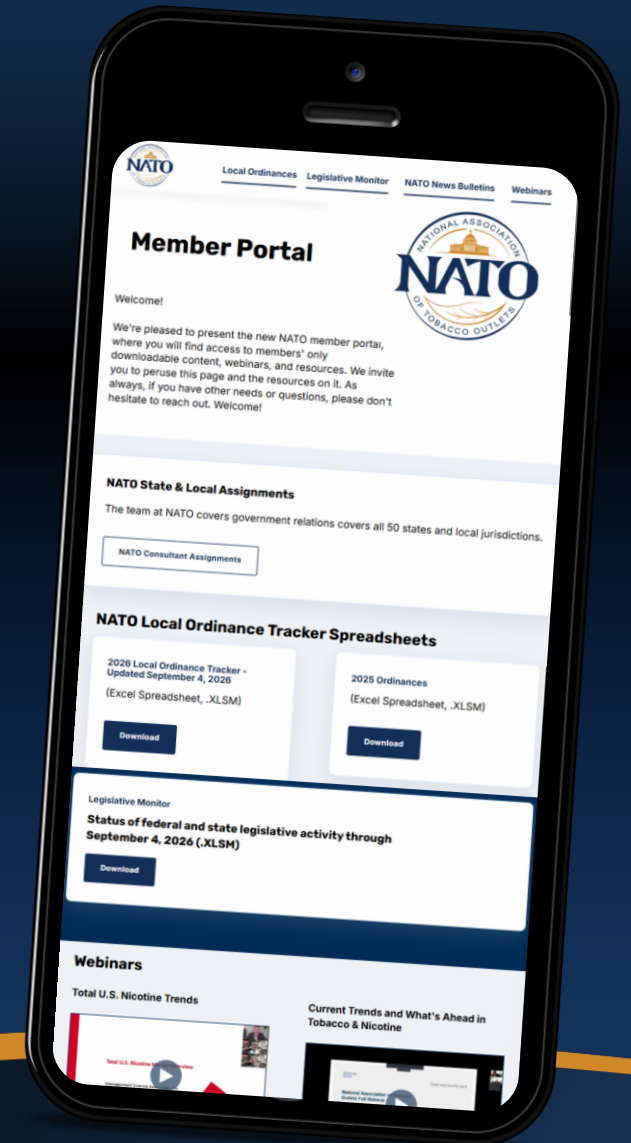
Follow for
professional updates
& industry news



@NATOTradeAssoc
Get quick updates,
alerts & commentary



Like the page for
community posts
and events





Meet the NATO Team

DAVID



TIM



KATHY



DOMINICK



JOSH



HAYLEY



SAM



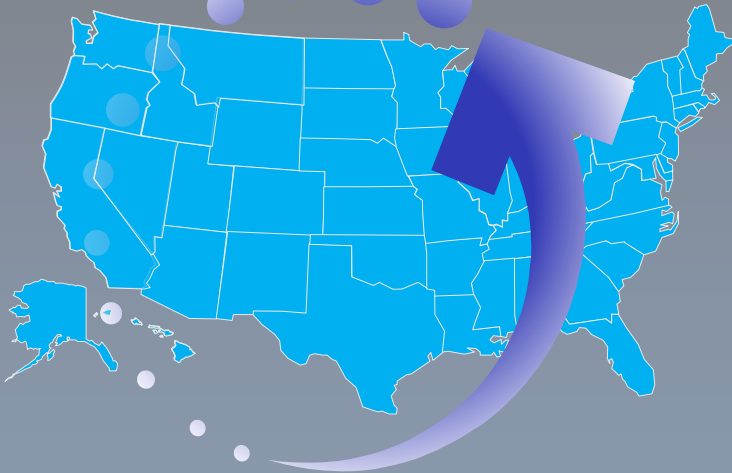
STACY



WILL



Get Engaged with the NATO Board



NATO Board

14 Retail • 2 Wholesale • 8 Manufacturer

Tom's Super Shop	Circle K	EG America	Jackson BevCO	
Giant Eagle	Cigaret Shopper	Brookshire Brothers	RaceTrac	Sheetz
Murphy USA	Smoker Friendly	United Pacific	Smoke 'Em	Pilot Companies
Core-Mark	National Convenience Dist.	ITG	Turning Point Brands	Reynolds American
Altria	Scandinavian Tobacco Company	Japan Tobacco International	PMI - Swedish Match	Swisher

Board Elections in Fall 2026



Get Engaged with NATO Committees



**GOVERNMENT
AFFAIRS**



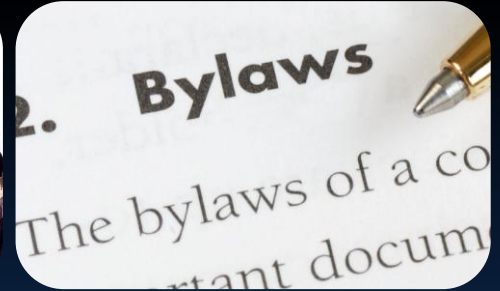
**STRATEGIC
PLANNING**



**EDUCATION &
ENGAGEMENT**



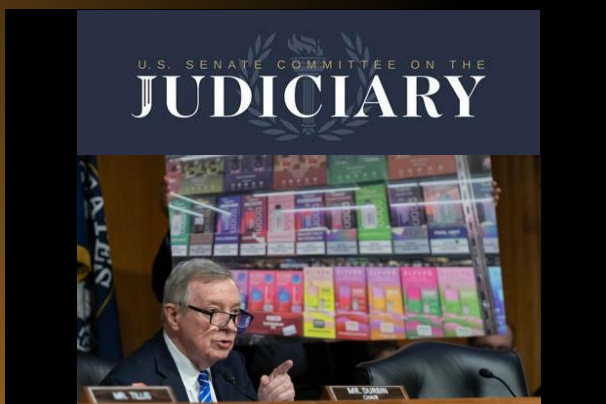
MEMBERSHIP



BY-LAWS

NATO Federal Advocacy

Questions from Senators



FDA & DOJ – why are unauthorized vaping products still widely available?

Senators implored FDA & DOJ to better enforce federal laws against the unlawful sale of unauthorized e-cigarette products.

Solutions from NATO



NATO testifies on the importance of FDA CTP reforms including a well-regulated vapor market and more vapor product authorizations.

Recent Activity



48 Vapor Products PMTA MGO

- First Flavored Vapor Product

43 Nicotine Pouches PMTA MGO

- FDA Nicotine Pouch Pilot Expedited Review

FDA Enforcement Guidance

- Not Prioritizing Enforcement Against PMTA filed and accepted, pending for 180+ days

Increased Enforcement Funding

- \$200MM Funding by Congress

More – Transparency, Enforcement, PMTA Authorizations

NATO State Engagement



KEY STATE ISSUES

Excise Taxes

Flavor Bans

State Vapor Directories

Vapor Nicotine Caps

Coupon / Discounting Ban

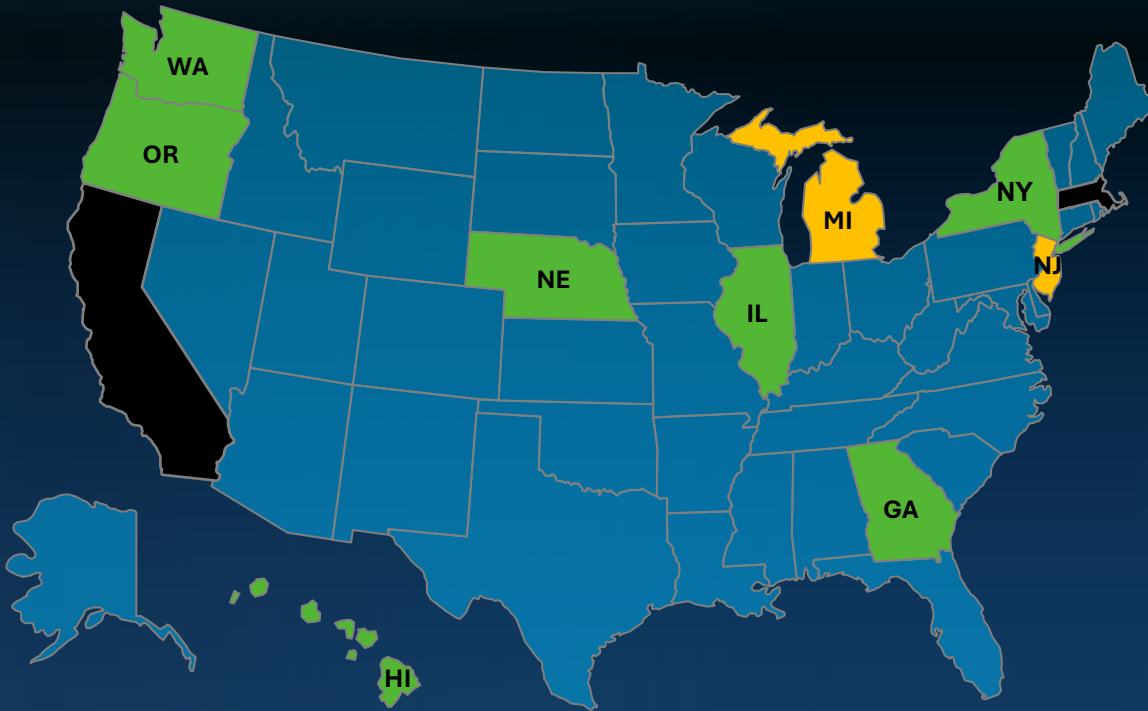
Retail Licensing Restrictions

Statewide Preemption

State Legislation Update – Flavor Ban and Taxes

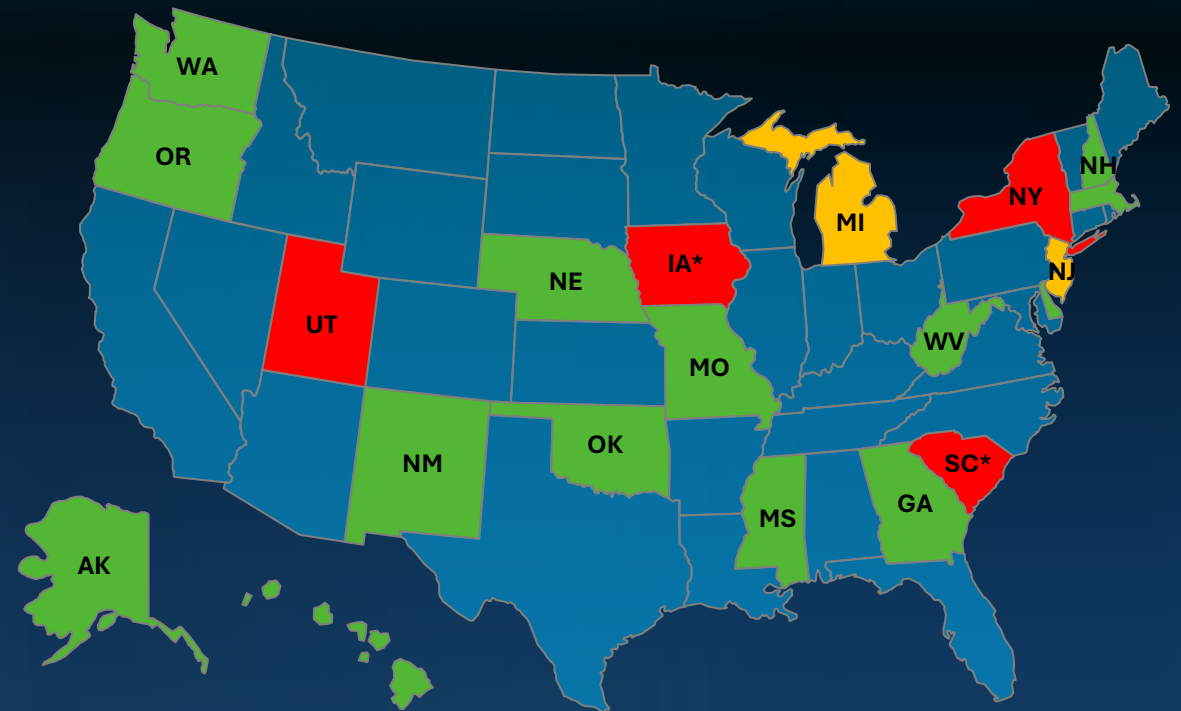
2026 State Flavor Ban

■ Pending (2)
 ■ Defeated (7)
 ■ Previously Enacted



2026 State Tobacco Excise Taxes

■ Pending (2)
 ■ Defeated (14)
 ■ Enacted (4)



NATO Local Engagement

CITIES, COUNTIES, TOWNS

- Flavor Bans
- Coupon / Discounting Ban
- Retail Licensing Restrictions
- Generational Sales Ban





Local Emerging Issues

**Cigarette Filter Ban
Product Bans
Licensing Restrictions**

**Nicotine Free
Generation**

**\$15 Minimum Price
Cigs / Smokeless
Prohibit Discounting & Coupons**

NATO Engaged in Localities – 50-State Basis



NATO Does More!

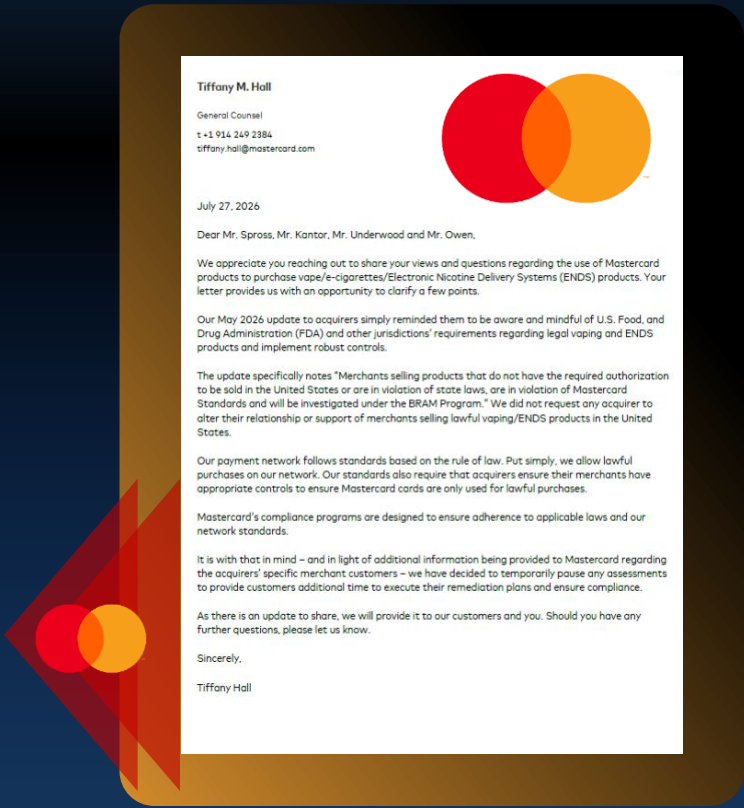
COALITION LETTER 7/22/2026



Mastercard's enforcement standards **DO NOT MATCH** FDA's current priorities

"We have decided to temporarily **PAUSE** any assessments"

MASTERCARD'S RESPONSE 7/27/2026



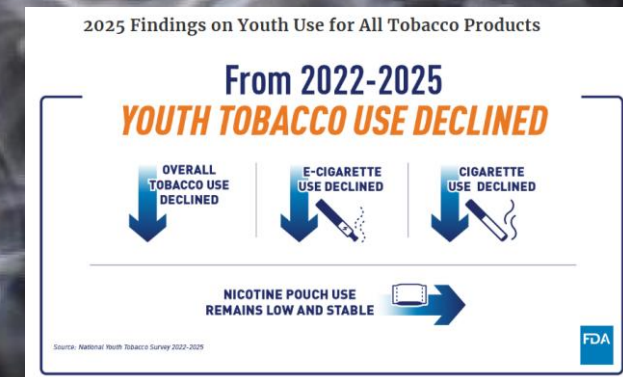
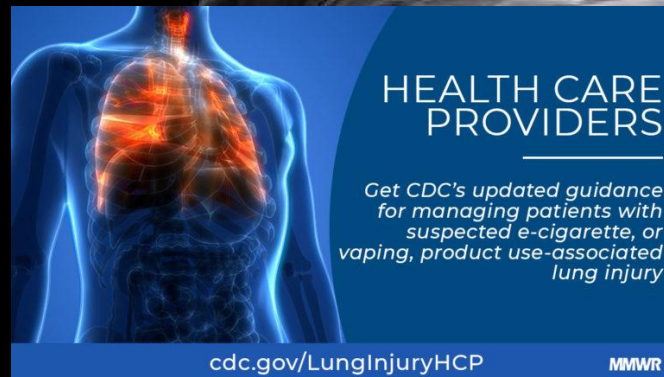
NATO Historical Engagement



2009 & 2021 Federal
Excise Tax



FDA



The Future is Now



Regulator Engagement

Communicate the Narrative

“What”

Products



Portfolio

- Cigarettes - low youth usage
- Moist Smokeless Tobacco - established science
- Vapor - migration
- Next Generation Products - alternative nicotine products
- Tobacco Harm Reduction

“How”

Reputation



Responsible

- “We Card” Principles
- Use of Government Youth Usage Data
- Visual of Operations
- “Road Show” of Stores

“Why”

Business



Driving Economy

- Physical Locations
- Economic Impact
- Build Relationships with Lawmakers
- Local and In-State Presence



NATO is READY!

25TH ANNIVERSARY

2001 • 2026

25TH ANNIVERSARY
2001 • 2026

THANK YOU SPONSORS

PLATINUM



Altria



Juul Labs®

PMI | U.S. AMERICA 250
U.S. Businesses of Philip Morris International



GOLD



SILVER



SCANDINAVIAN TOBACCO GROUP



BRONZE

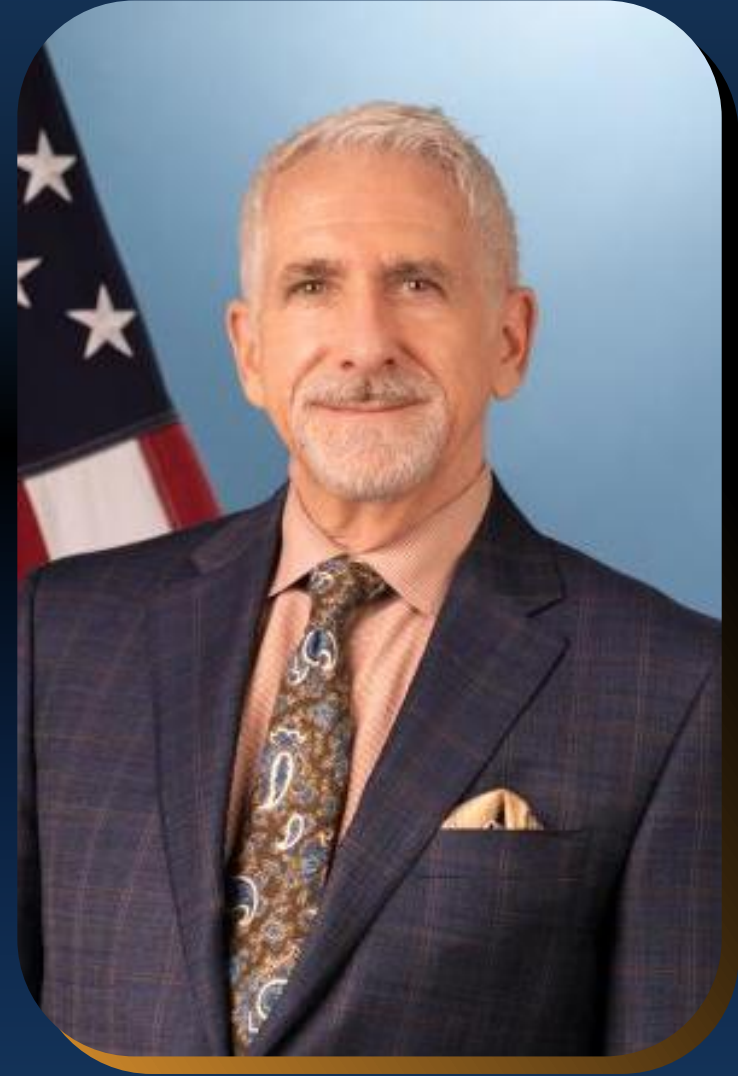




MEET OUR SPEAKER

Dr. Bret Koplow

Director, Center for Tobacco
Products (CTP)



Order and Download Free Materials



digitalmedia.hhs.gov/tobacco





MEET OUR SPEAKER

Richard Burr

Former U.S. Senator





Regulate Smarter

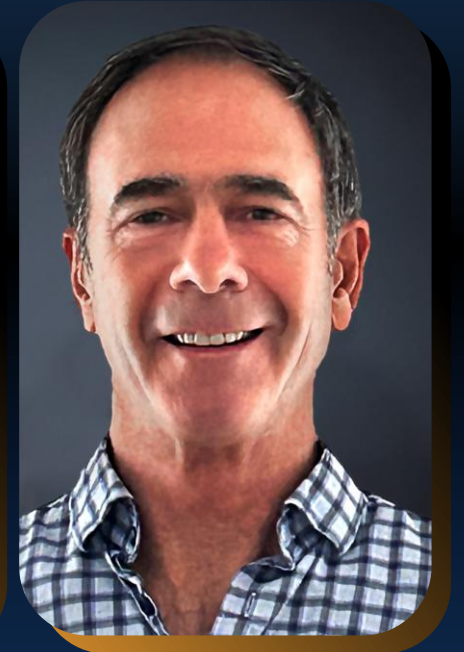
Coalition for Smarter Regulation of Nicotine



MEET OUR SPEAKERS

Ajay Yadagiri and Paul Grubbs

Management Sciences Association, Inc.





**Management Science
Associates, Inc.**

Total U.S. Nicotine Market Overview

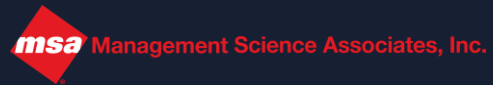
September 30, 2026

Industry perspective based on Wholesale Shipment-to-Retail data

Presenters

Co-Division Leads

Information Management
Solutions Division



Paul Grubbs

Senior Vice President



Ajay Yadagiri

Senior Vice President

Notice

This presentation is based solely on an analysis conducted by Management Science Associates Inc. (MSAi) and does not necessarily reflect the opinion of any client. The definitions and analysis used in the presentation are based on general industry knowledge and typically represent the way a tobacco retailer may refer to the broad tobacco and nicotine delivery industry.

For purposes of this presentation, all the categories within are often referred to as one category using the phrase “Total Nicotine”, as that is a category grouping that, in MSAi’s experience, is used by most retail establishments. This presentation’s reference to “Total Nicotine” is in that context of the broadest retailer categorization of these various items.

Agenda

Total U.S. Nicotine Overview

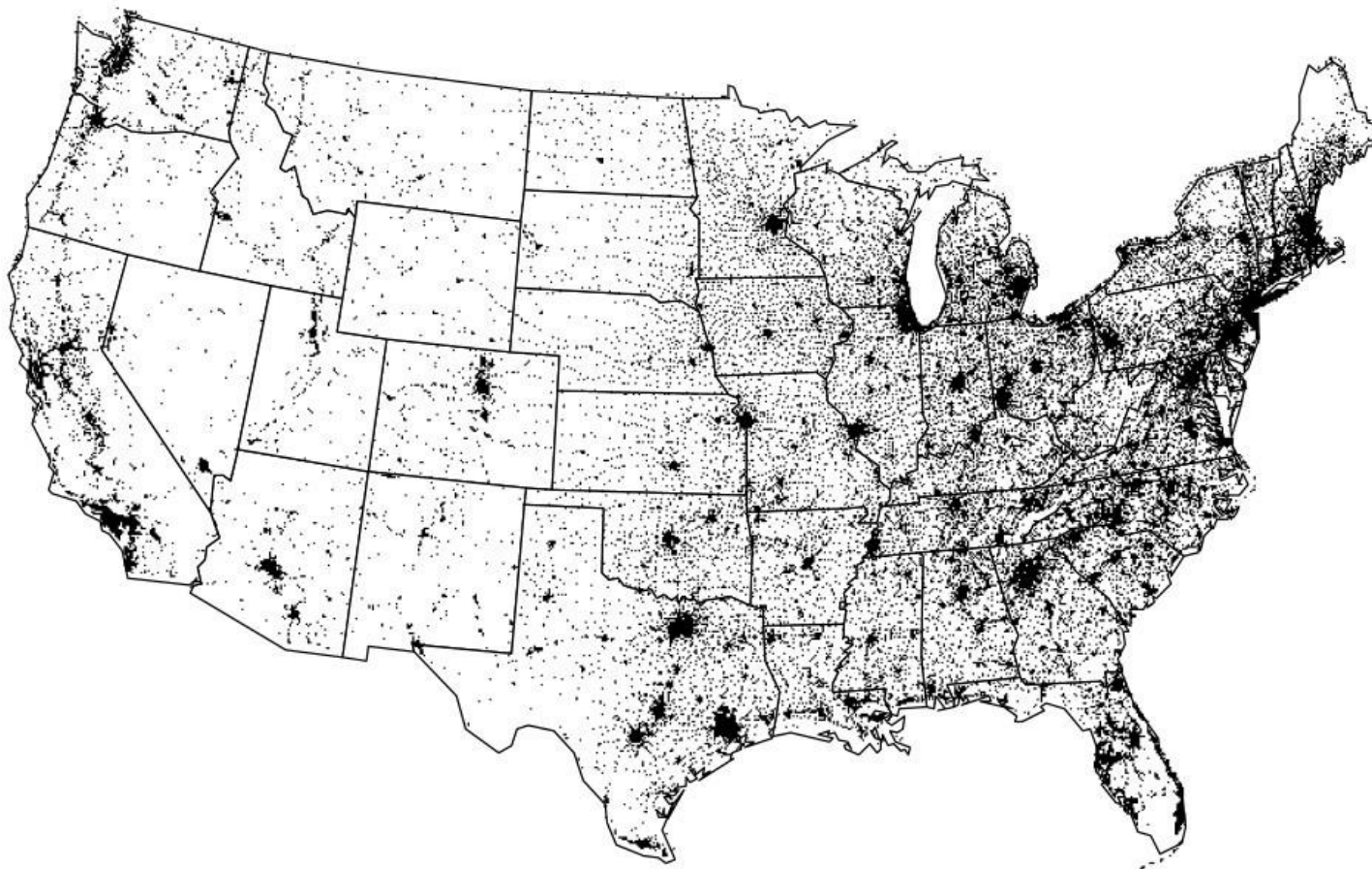
-  Volume and Share Trends
-  Distribution

Growth and Decline of Nicotine Categories

-  Cigarettes, Modern Oral, Moist, Vapor, Cigars, and Other Formats
-  Flavor Trends Analysis

Data Coverage

Wholesale shipment-to-retail volume | Approximately 147,000 convenience stores | Data through July 18, 2026



DATA COVERAGE

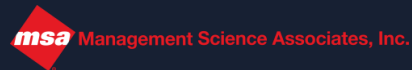
~147,000

stores included in the
c-store nicotine trend analysis

Unless otherwise noted, all
analyses reflect U.S.
Convenience Store
performance.

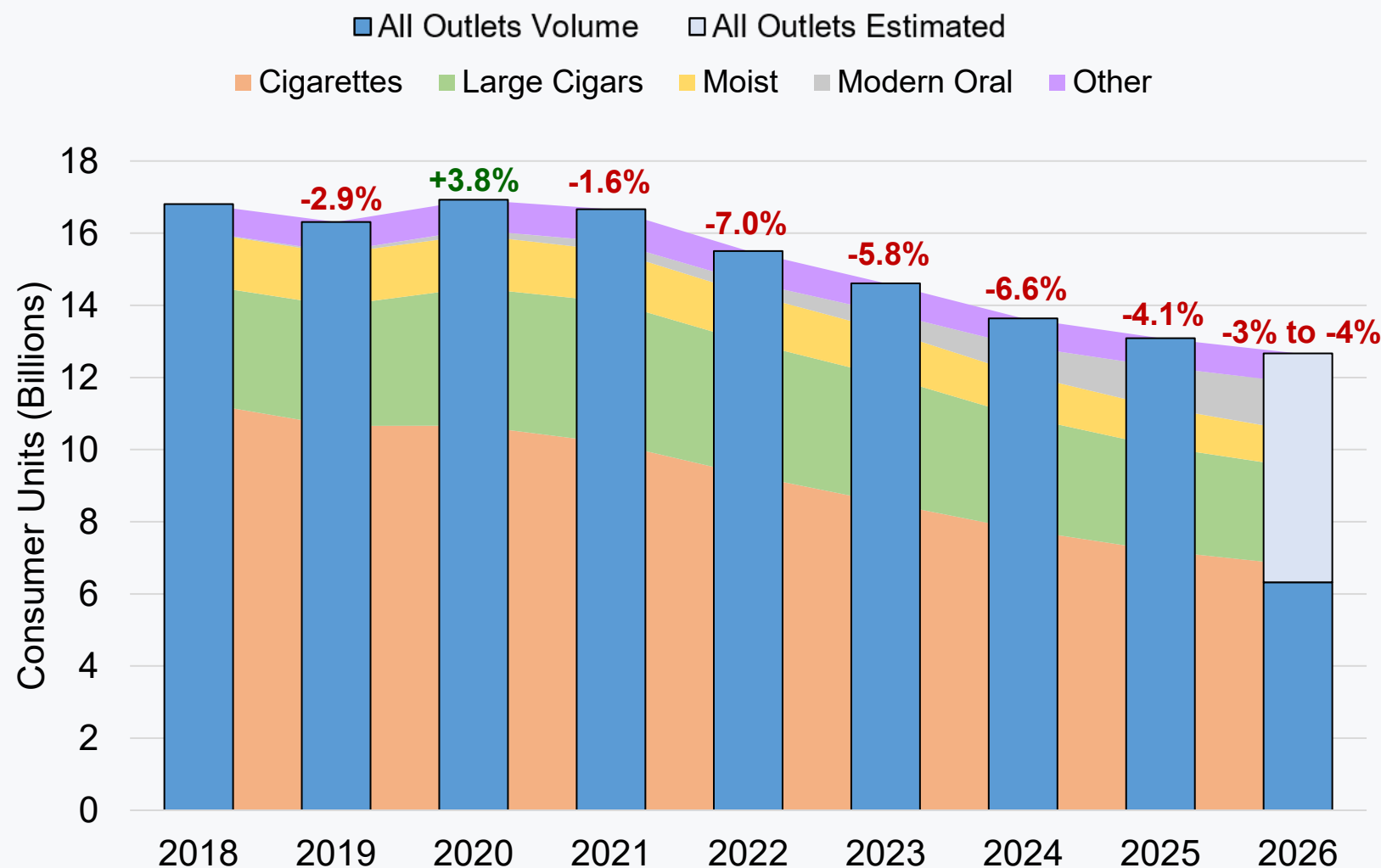
TOTAL U.S. NICOTINE TRENDS

Market volume, category mix, channel distribution performance



Total nicotine volume is projected to continue to decline in 2026, albeit at a slower rate than previous years

Annual consumer-unit volume by category | 2018–2026 estimate



Declines in traditional categories continue to drive the overall nicotine volume trend.

Modern Oral's strong growth tempers the decline.

C-STORES SNAPSHOT

69%

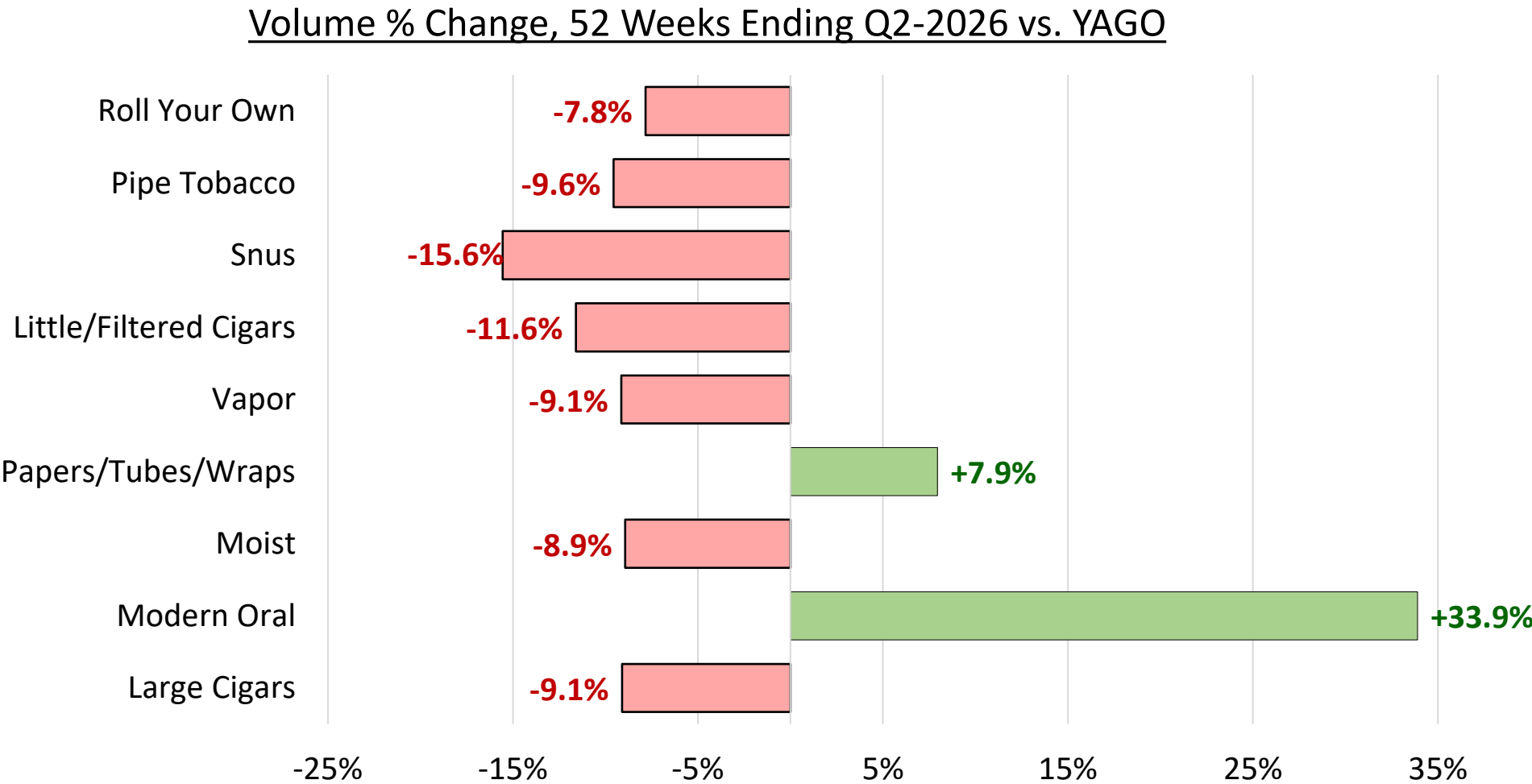
of total US nicotine volume is sold through C-stores (YTD 2026)

C-STORE	ALL OUTLETS
-3.6%	-2.6%

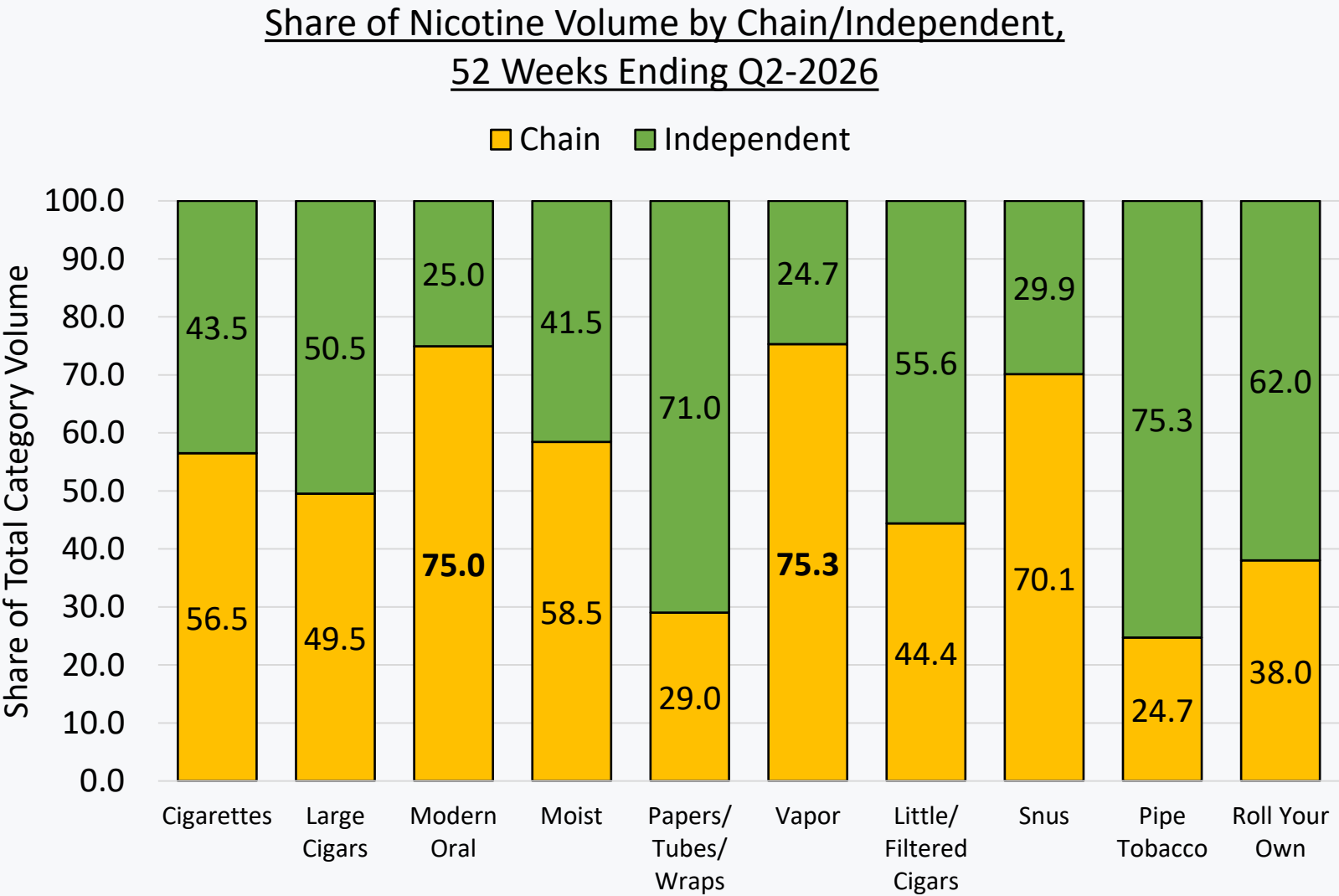
YTD volume change versus year ago

Modern Oral growth contrasts with declines across most nicotine categories

Volume change | 52 weeks ending Q2 2026 vs. year ago



Modern Oral and Vapor development skew to Chains



Independents retain a more traditional nicotine mix

CHAINS: TOBACCO FREE VS. ALL OTHER

75%

Modern Oral and Vapor volume through chains

54%

All other nicotine volume through chains

Modern Oral gained 3.4 share points at the expense of Cigarettes, Large Cigars and Moist

Share of total nicotine consumer units | 52 weeks ending Q2 2026 vs. year ago

CATEGORY	Q2 2025	Q2 2026	SHARE CHANGE
Cigarettes	57.6%	55.9%	-1.7 pts
Large Cigars	19.1%	18.0%	-1.1 pts
Modern Oral	8.7%	12.1%	+3.4 pts
Moist	9.6%	9.0%	-0.6 pts
Papers / Tubes / Wraps	2.1%	2.4%	+0.3 pts
Vapor	1.9%	1.8%	-0.1 pts
Little / Filtered Cigars	0.4%	0.4%	No change
Snus	0.4%	0.3%	-0.1 pts
Pipe Tobacco	0.1%	0.1%	No change
Roll Your Own	0.03%	0.03%	No change

Modern Oral is reshaping the nicotine mix as traditional categories contract.

C-store nicotine volume declined faster despite stronger item-count growth

Percent change | 52 weeks ending Q2 2026 vs. year ago

	All Outlets	Convenience Gas
 Volume	-2.8%	-3.5%
 Stores	+0.5%	-0.8%
 Items	+2.8%	+4.5%

Continued expansion of Modern Oral item selection in C-stores driving item growth

USE ITEM PRODUCTIVITY TO SHIFT SPACE

-0.7 pts

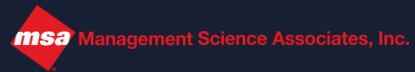
C-Store volume trails All Outlets

+1.7 pts

Item growth leads – shift space to productive Modern Oral/Vapor SKUs

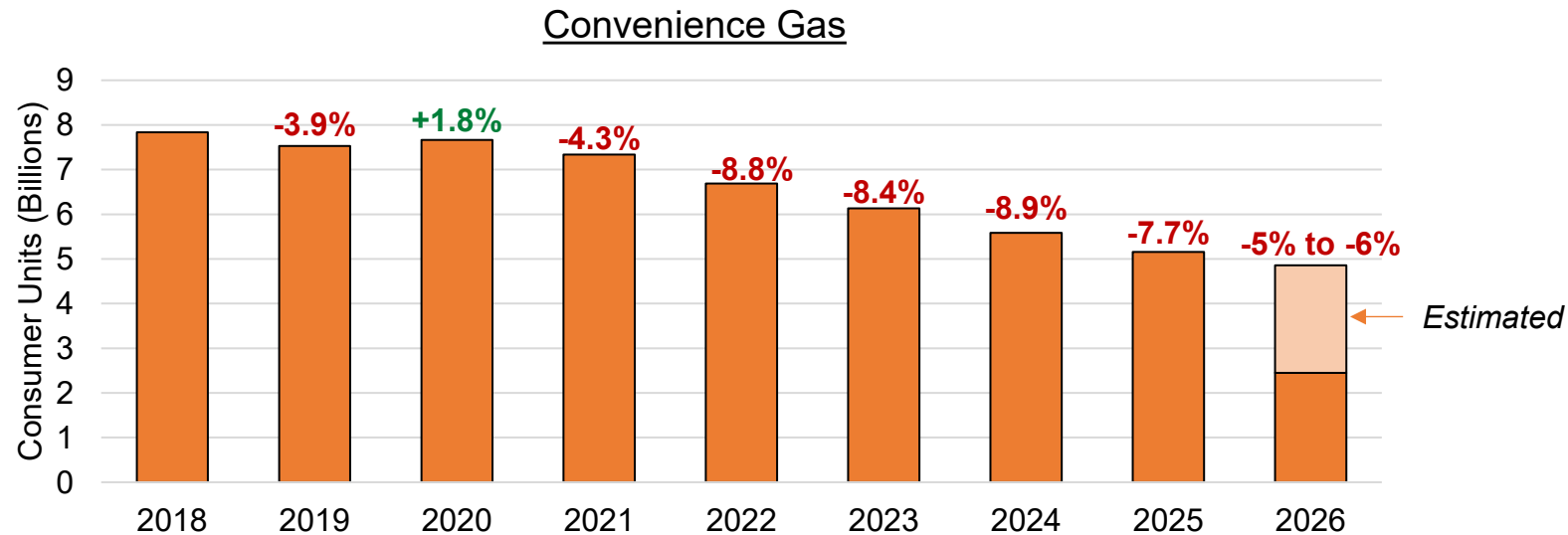
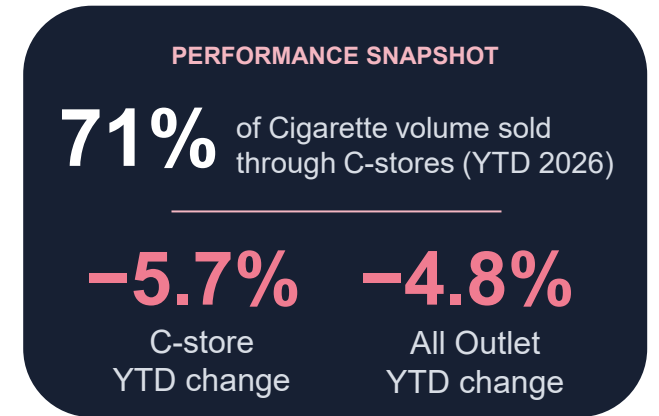
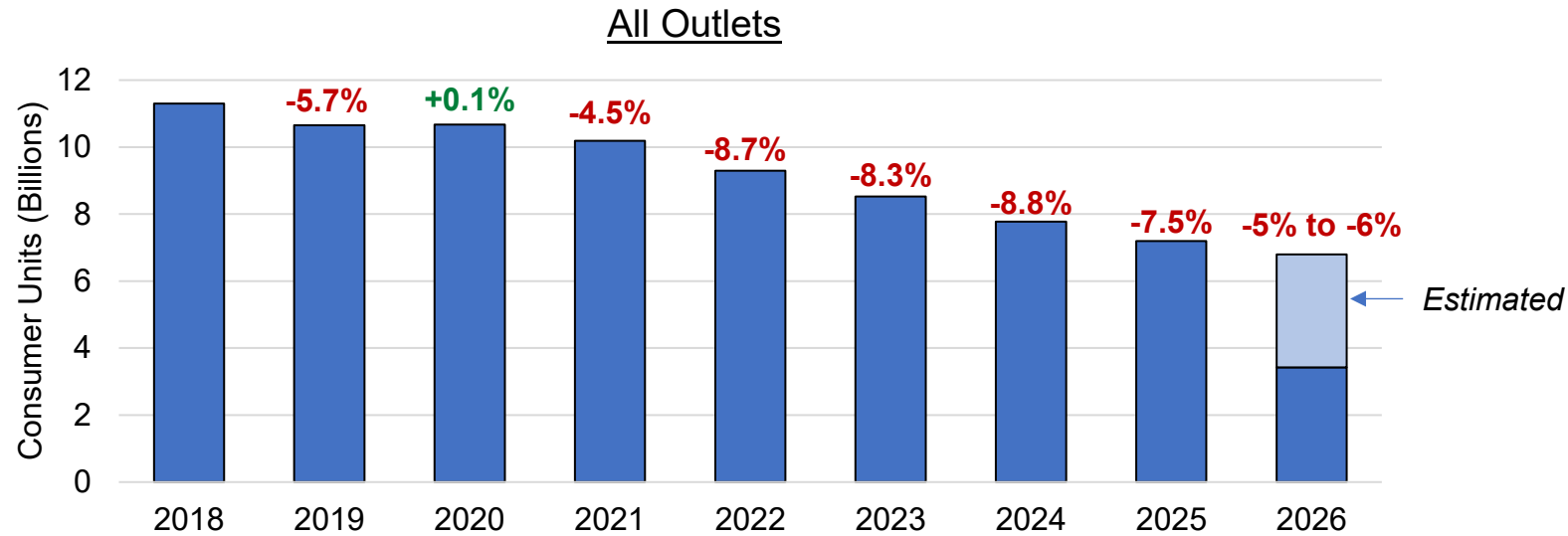
CIGARETTE CATEGORY

Volume, segment, channel performance



While Cigarettes continue to decline, YTD the decline has slowed due to aggressive pricing/promotional tactics at retail

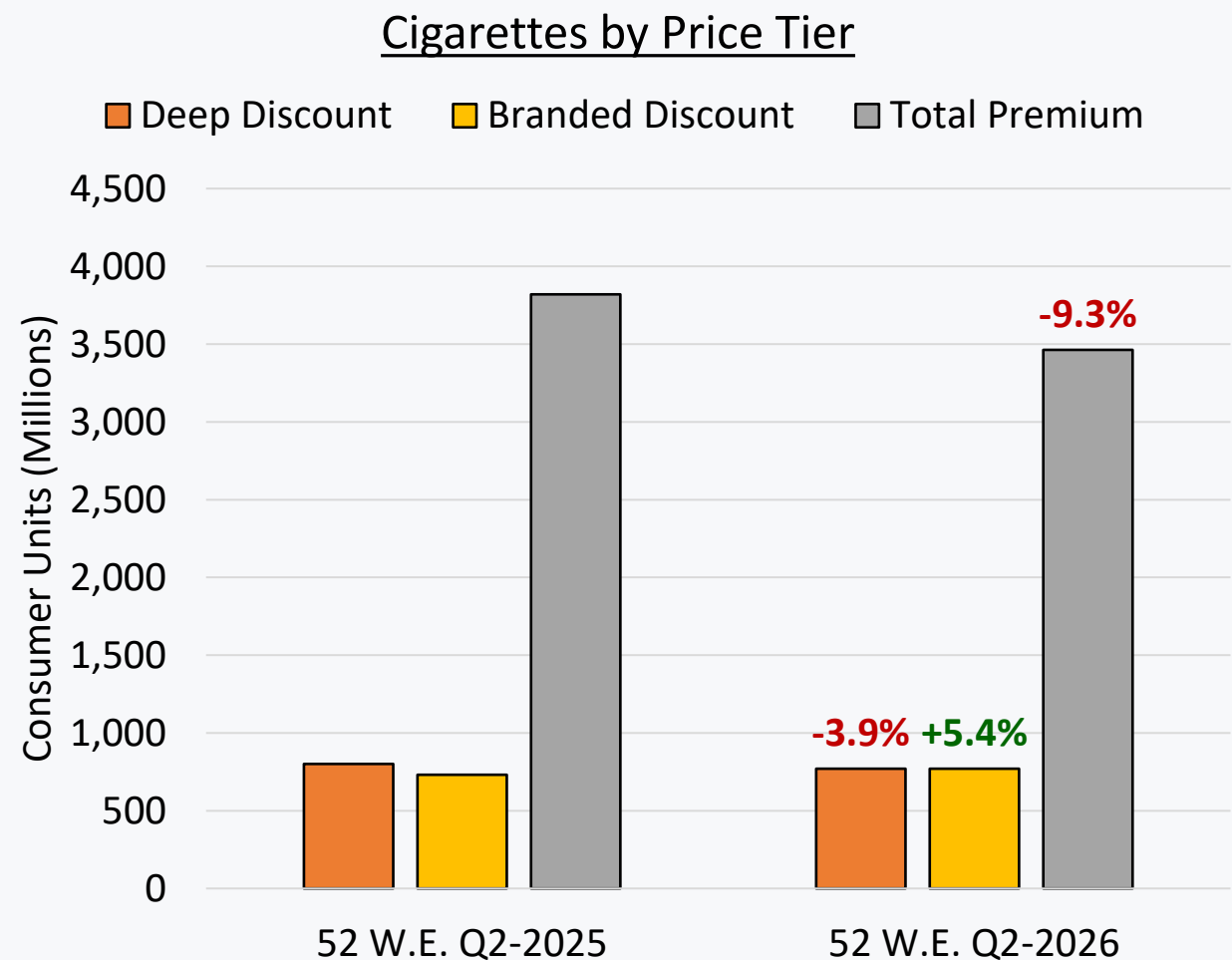
Annual cigarette consumer-unit volume | 2018–2026 estimate



- **Cigarettes remain the foundation of C-store nicotine**, but that foundation continues to contract
- C-Store Cigarette volume **declined slightly** more than All Outlets
- **Menthol is driving the greater cigarette decline** in Convenience Gas relative to All Outlets

Premium segment driving category volume decline

Cigarette volume by price tier | 52 weeks ending Q2 2026 vs. year ago



Discount segments are helping offset ongoing Premium declines

BRANDED DISCOUNT IS THE OPPORTUNITY

+5.4%

Branded Discount growth v. YAGO

-6.5%

Overall cigarette change

+.5%

Overall Discount change

Economic environment accelerating category's shift towards value

KEEP THE VALUE LADDER CLEAR

+2.2 pts

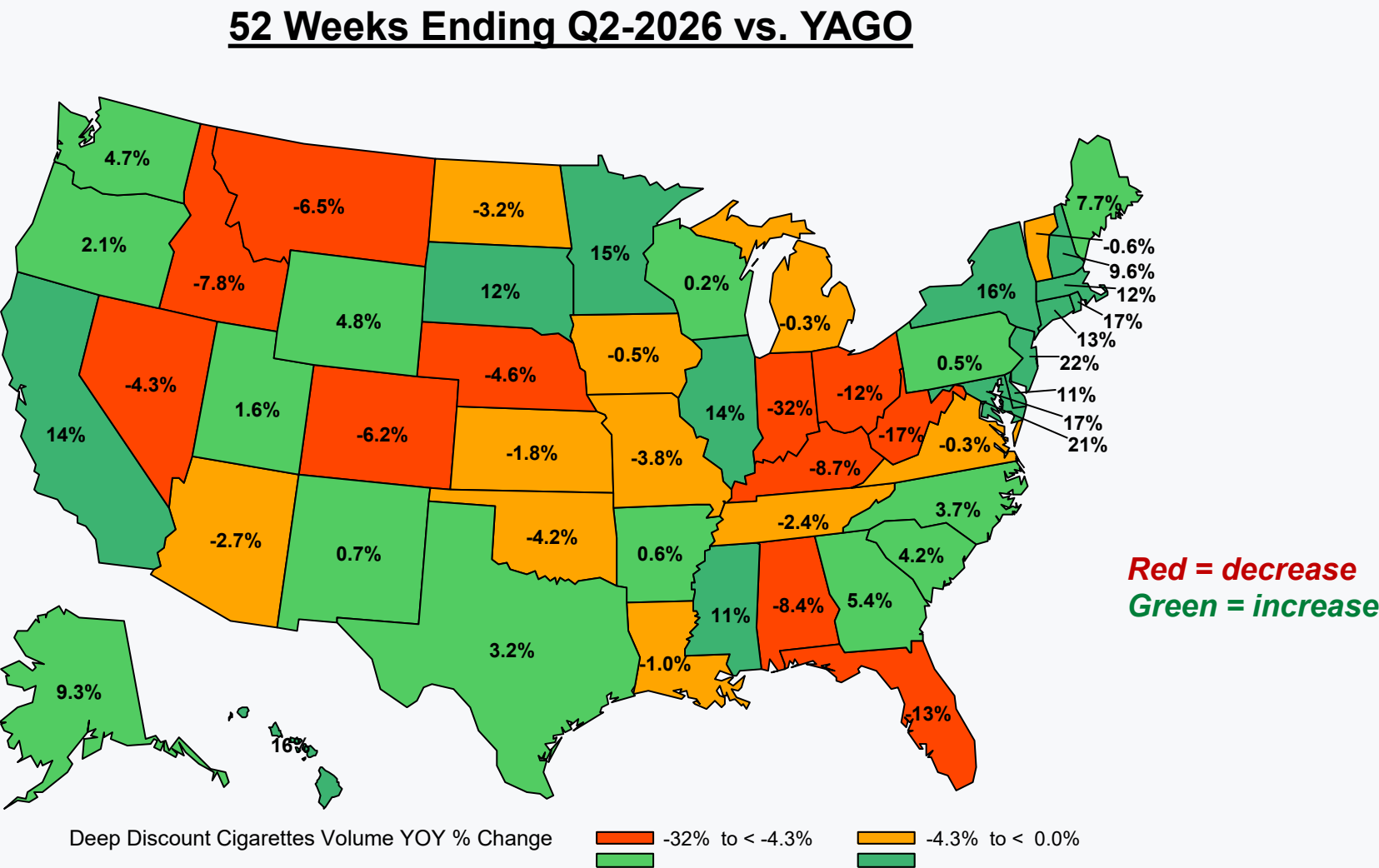
combined Discount-tier share gain

69.2%

Premium share in Q2 2026

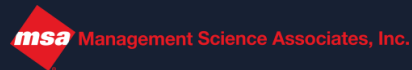
Deep Discount volume better insulated than Premium volume

Deep Discount Cigarette Volume change YOY % by State



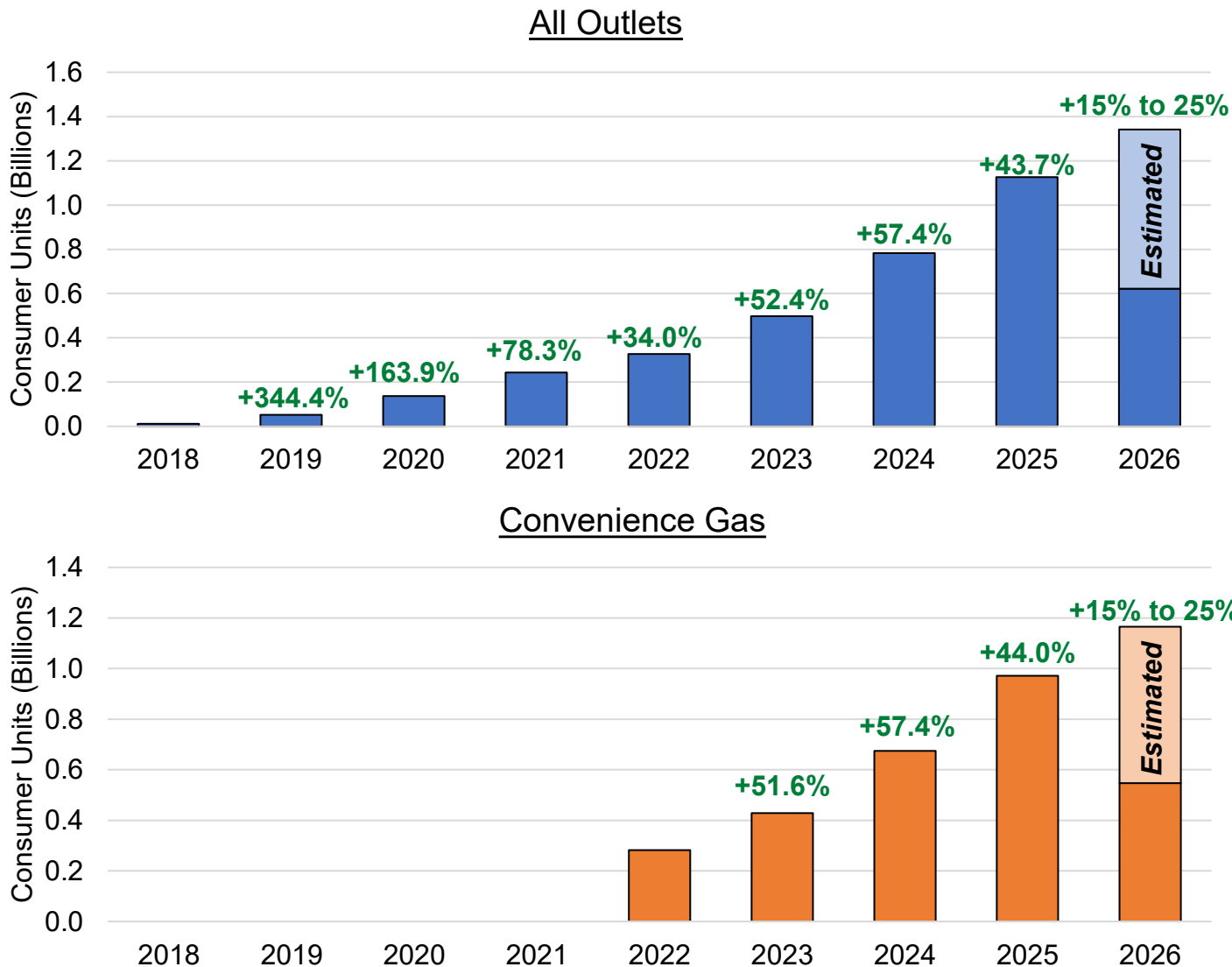
OTHER TOBACCO CATEGORIES

Modern Oral, Moist, Vapor, Cigars, and others



Modern Oral is projected to sustain double-digit growth in 2026

Annual cigarette consumer-unit volume | 2018–2026 estimate



THE PROOF IS IN THE POUCH

+33.9%

Modern Oral volume change

+0.6%

Total Nicotine less Cigarettes volume change

MODERN ORAL: SUSTAINED GROWTH

86%

of Modern Oral volume sold through C-stores

+24.3%

C-store YTD volume change v. +23.7% change in All Outlets

CLASSICS AND UPSTARTS

+65.1%

Post-2018 products YTD 2026 vs. year ago

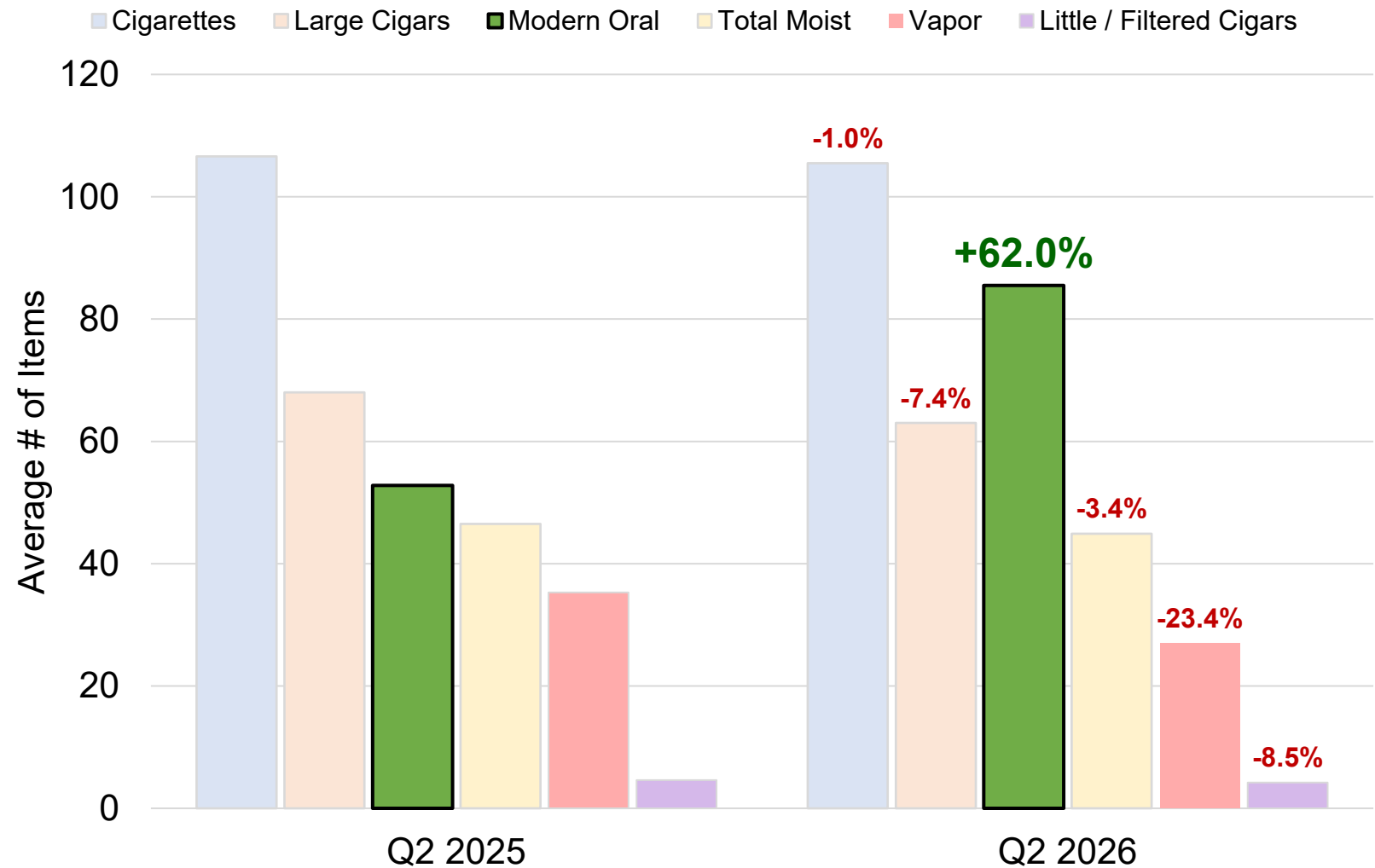
-5.4%

Pre-2018 products YTD 2026 vs. year ago

- C-stores remain the dominant channel and are growing slightly faster than other outlets
- Modern Oral is projected to sustain double-digit growth in 2026
- Early Modern Oral products still dominate, but new introductions are driving growth

C-stores expanded Modern Oral items while trimming every other category

Average number of items per c-store | 52 weeks ending Q2 2026 vs. year ago



Modern Oral item counts grew
+62% per c-store on average

MODERN ORAL ASSORTMENT GAIN

+32.7 items

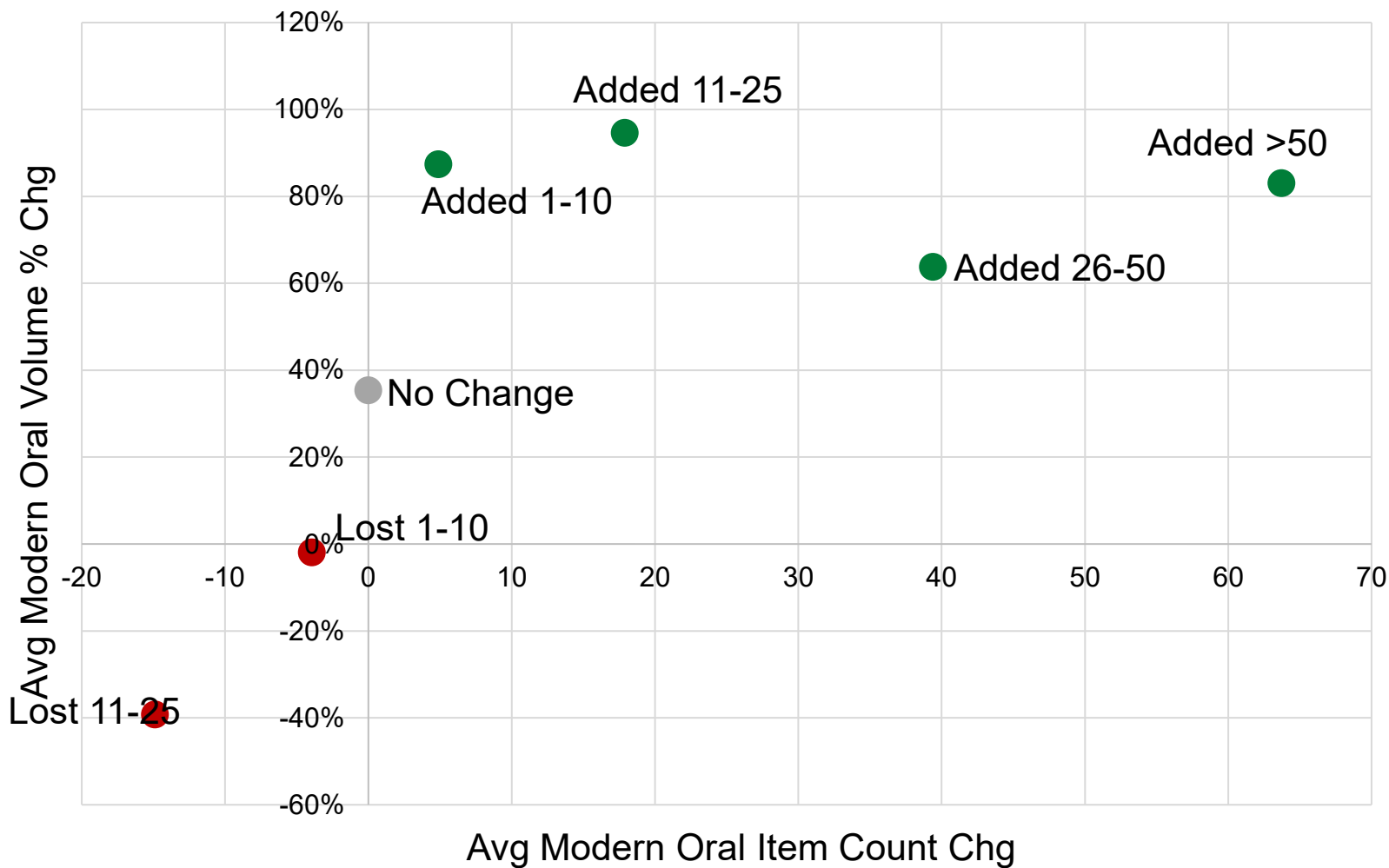
More Modern Oral items per c-store vs. year ago

-8.3 items

Vapor saw the steepest assortment cut (-23.4%)

Modern Oral is growing but broader assortments give the advantage

Average store volume change by item-count change | 52 weeks ending Q2 2026 vs. year ago



Stores adding **Modern Oral items** grew faster, while stores cutting items declined

ASSORTMENT SNAPSHOT

+35%

volume growth with no item-count change

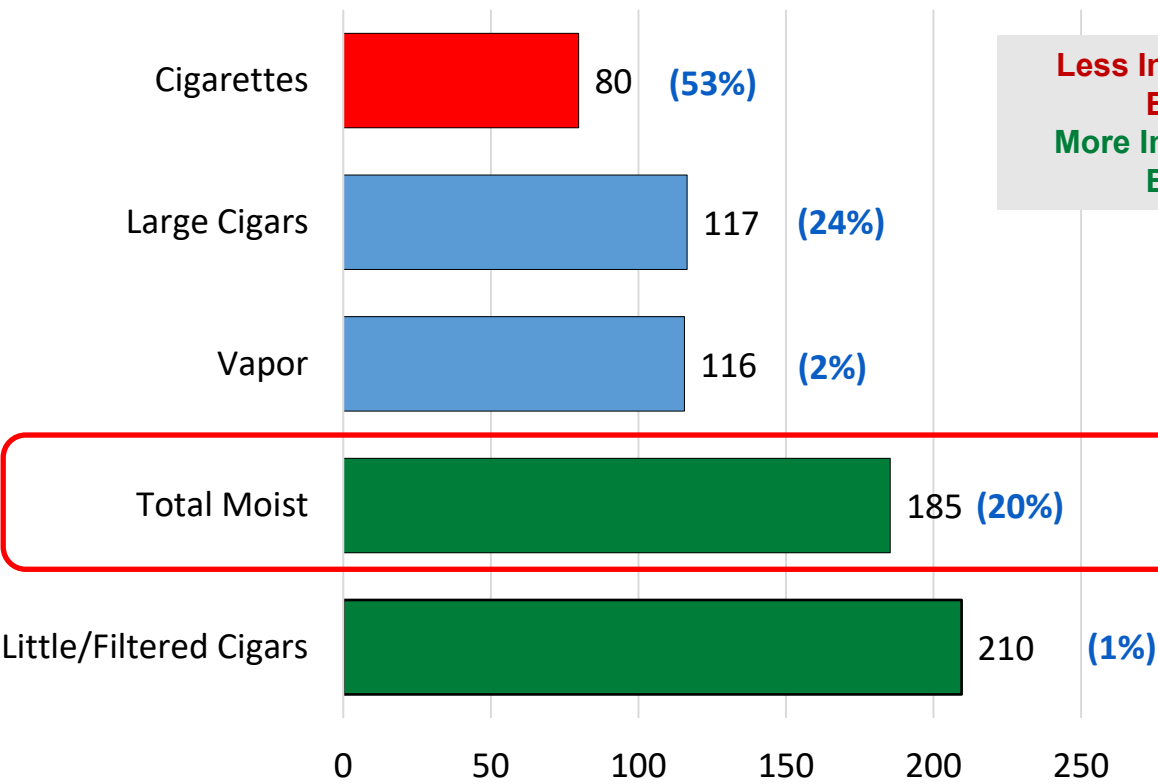
+95%

volume growth with 11–25 more items

Total Moist contributes 20% of Modern Oral switching, 1.9x as expected

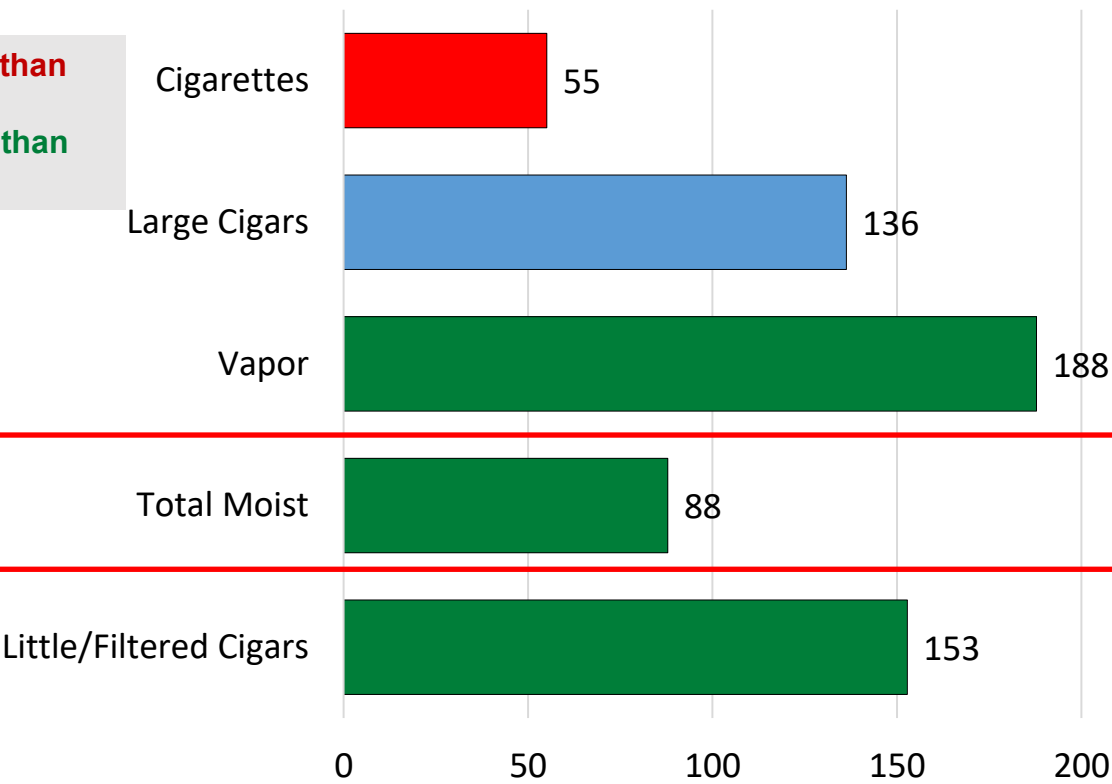
Modern Oral switching contribution and interaction index | YTD 2026 through July 18 vs. year ago

Volume Switching Index



Less Interaction than Expected
More Interaction than Expected

Item Switching Index



SWITCHING
SNAPSHOT

20%

Total Moist contribution
to Modern Oral volume
switching

185

interaction index
vs. expected

SWITCHING
SNAPSHOT

26%

Of item count growth
attributable to Modern
Oral category expansion

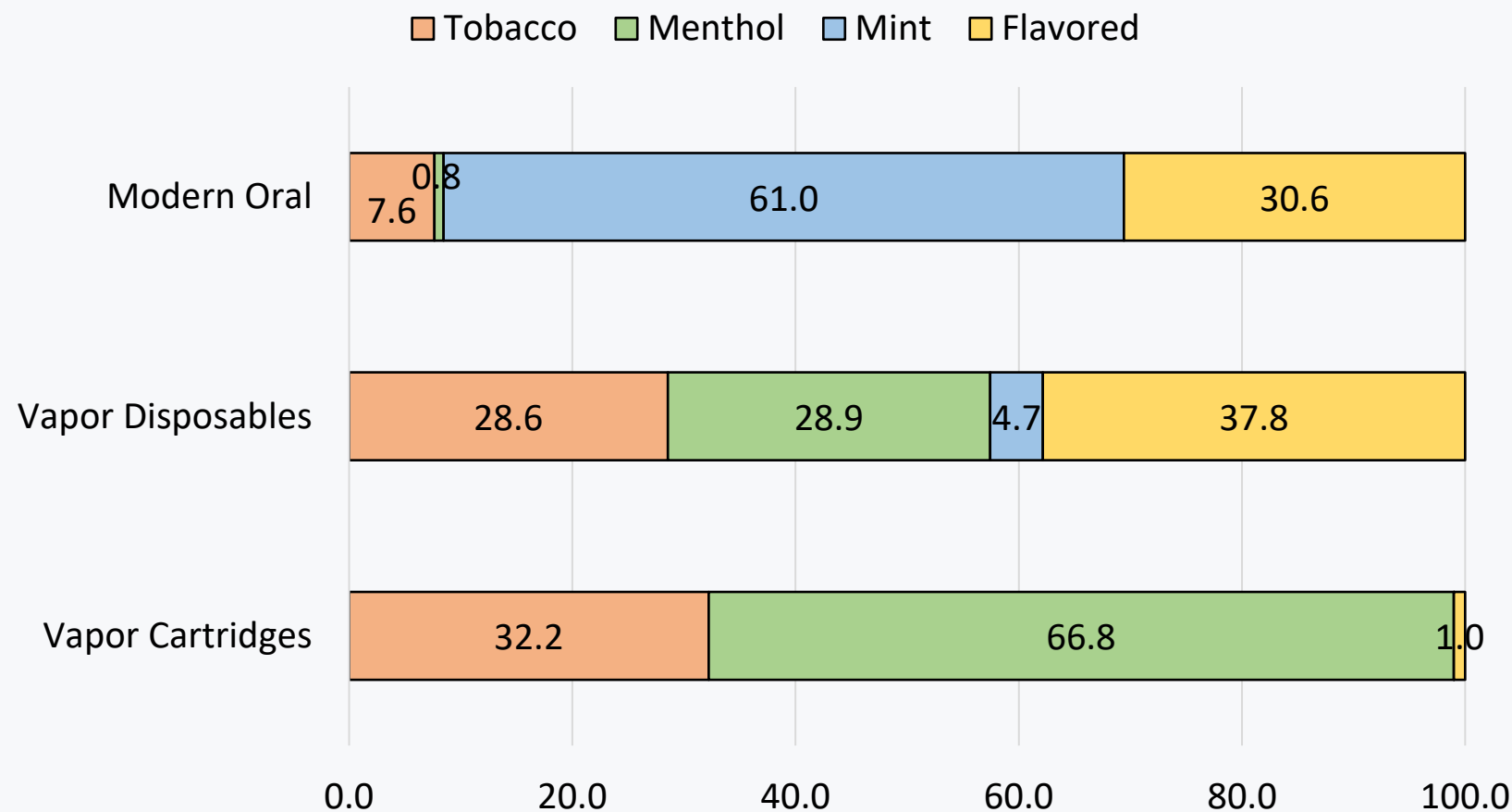
74%

Of item count growth
attributable to switching
to Modern Oral

Modern Oral driven by Mint – flavor profiles continue to evolve

Flavor share by tobacco-free delivery format | 52 weeks ending Q2 2026

Share of Category Volume by Flavor, 52 Weeks Ending Q2-2026



On the other hand, **Menthol** drives Vapor Cartridge volume

FLAVOR COMPARISON

61.0%

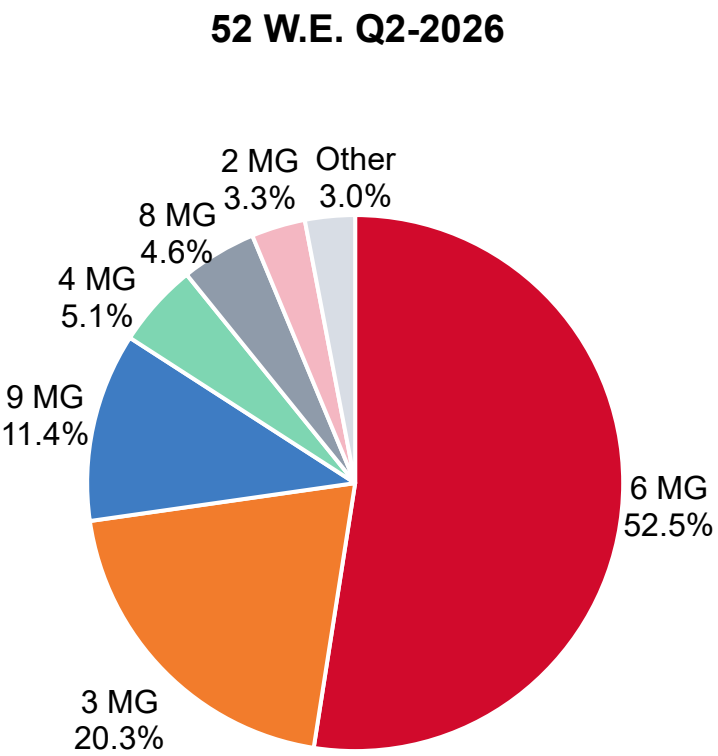
Modern Oral volume from Mint

7.6%

Modern Oral volume from Tobacco

6 MG anchors Modern Oral, accounting for more than half of unit volume

Consumer-unit volume share | 52 weeks ending Q2 2026 vs. year ago | <1% volume share strengths grouped as Other



**Top 3 strengths =
84% of volume**

6 MG alone drives **52.4%** of Modern Oral unit volume – 2.6x the next-largest strength.

9 MG BREAKOUT

4% → 11%
volume share

7% → 12%
item share

84.0%
of volume comes from the top three strengths (3, 6, 9 MG)

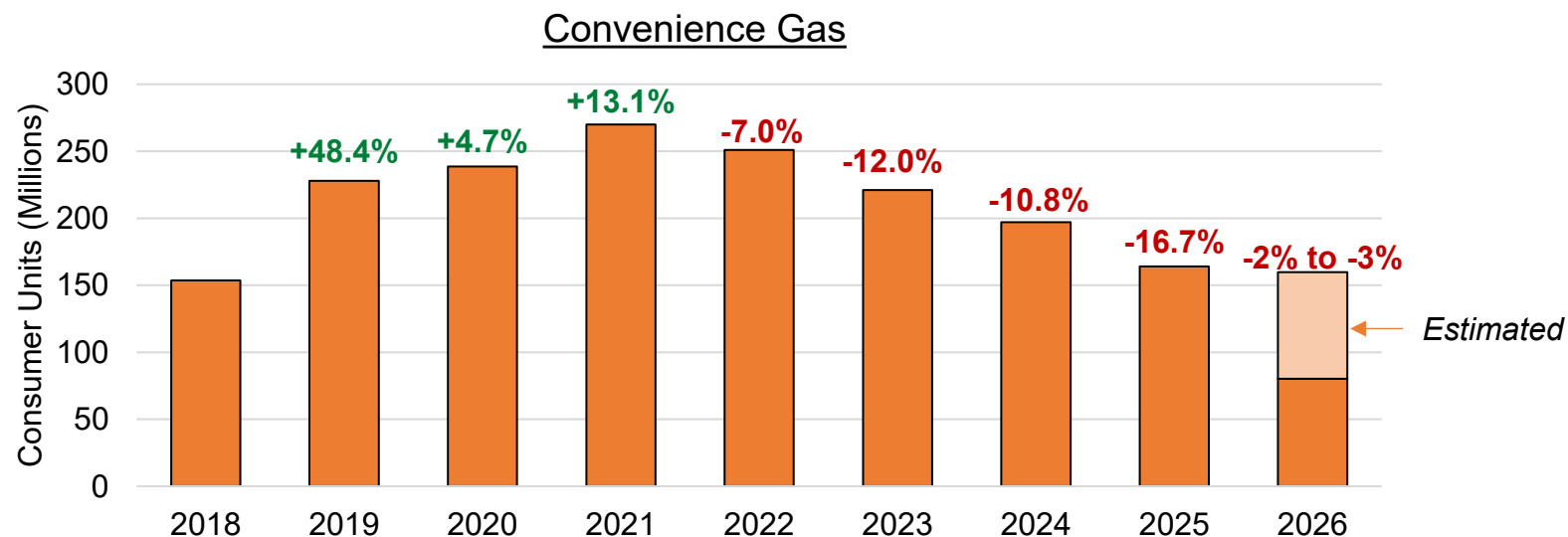
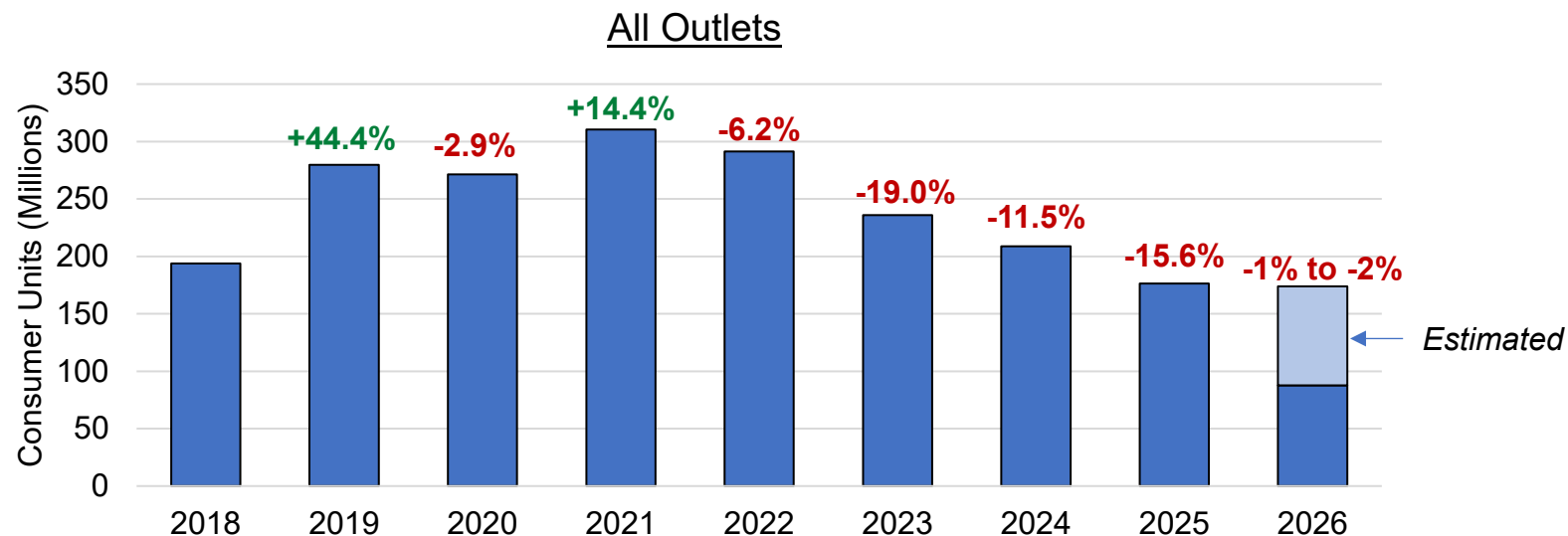
While 6 MG leads volume, higher nicotine level items are scaling the fastest

CORE STRENGTHS			≥10M units	linear scale to 600M
STRENGTH		VOLUME		% VS YAGO
6 MG		569.7M		+34.6%
3 MG		220.0M		+27.8%
9 MG		123.5M		+278%
4 MG		55.0M		-12.3%
8 MG		49.4M		-12.2%
2 MG		35.3M		+2.3%
12 MG		16.8M		+451%
15 MG		10.1M		+333%

Independent scales keep both the category anchors and niche strengths legible. *11 MG growth reflects a near-zero prior-year base.

Vapor category has stabilized with a projected decline of 2-3% this year

Annual consumer-unit volume | 2018–2026 estimate



PERFORMANCE SNAPSHOT

84% of Vapor volume sold through C-stores

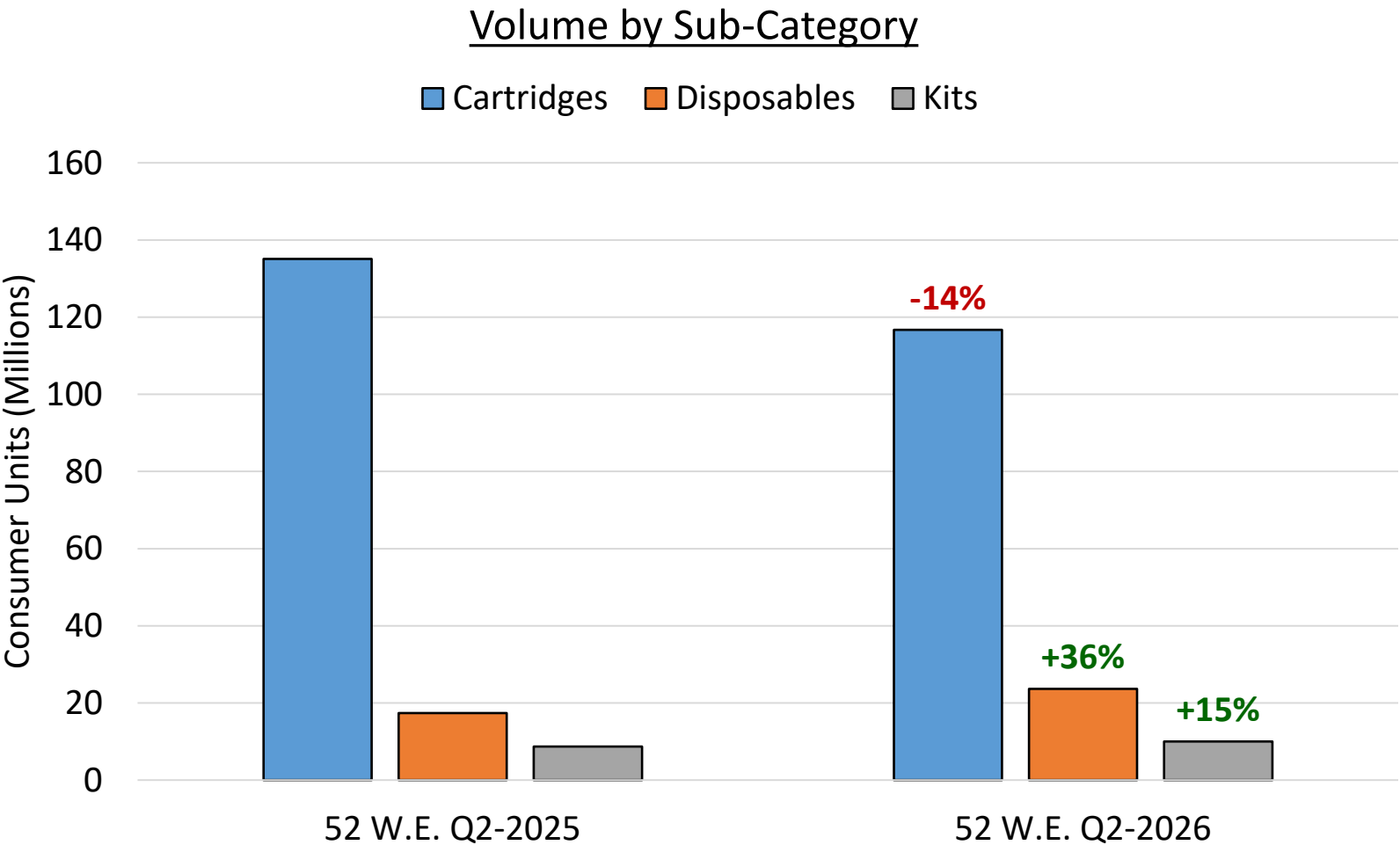
-3.5% C-store YTD volume change v. -2.4% for All Outlets

-9.1% Overall Vapor volume change

- Vapor's decline has slowed in 2026, with **C-stores declining faster** than All Outlets
- **Decline in Tobacco flavor** has driven total Vapor's negative volume change

Disposables and Kits grew while Cartridge volume declined

Vapor volume by sub-category | 52 weeks ending Q2 2026 vs. year ago



Legal disposable sales are trending strong and **kit sales** show future promise for cartridges

VAPOR SNAPSHOT

77.6%

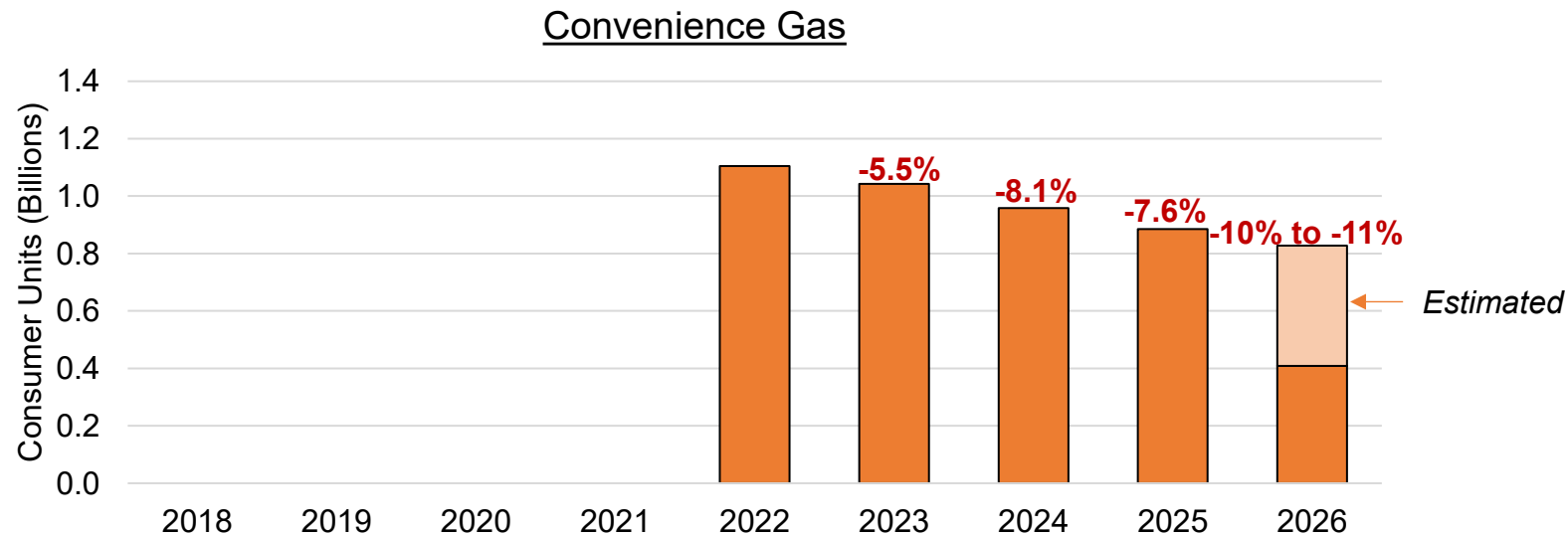
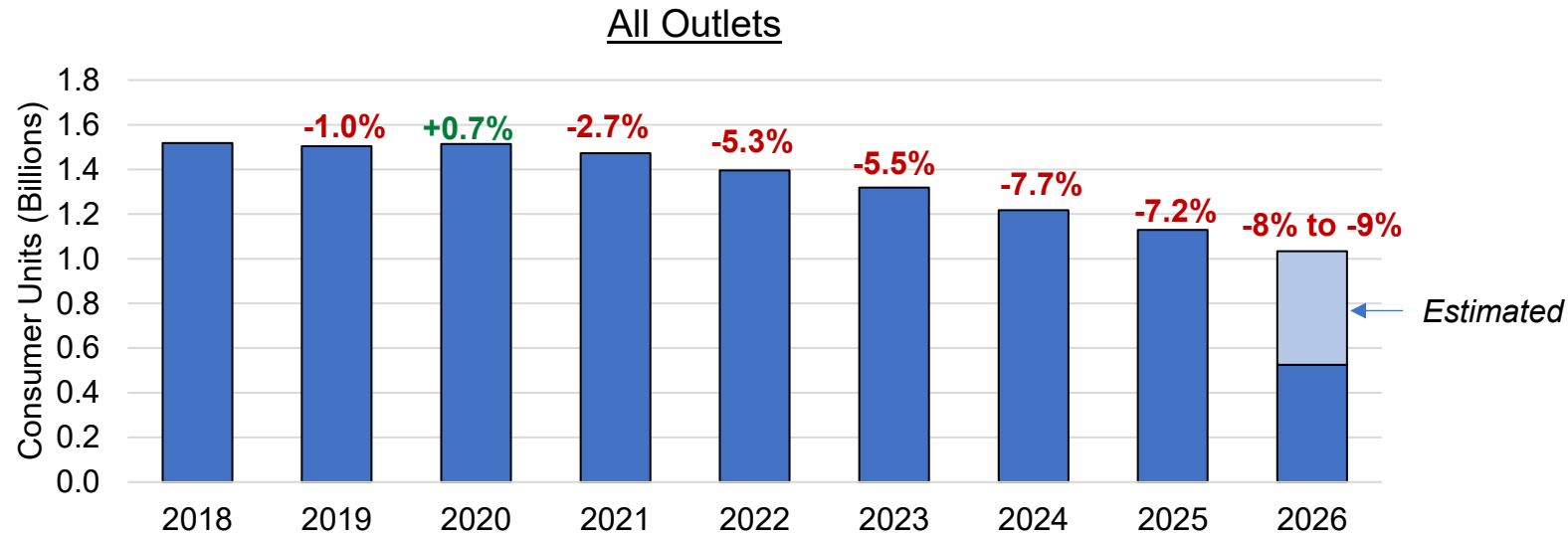
Cartridge share, 52 w.e. Q2 2026

15.7%

Disposable share, 52 w.e. Q2 2026

Moist and Snus volume is projected to decline 10% to 11% in 2026

Annual consumer-unit volume | 2018–2026 estimate



PERFORMANCE SNAPSHOT

77%

of Moist and Snus volume sold
through C-stores

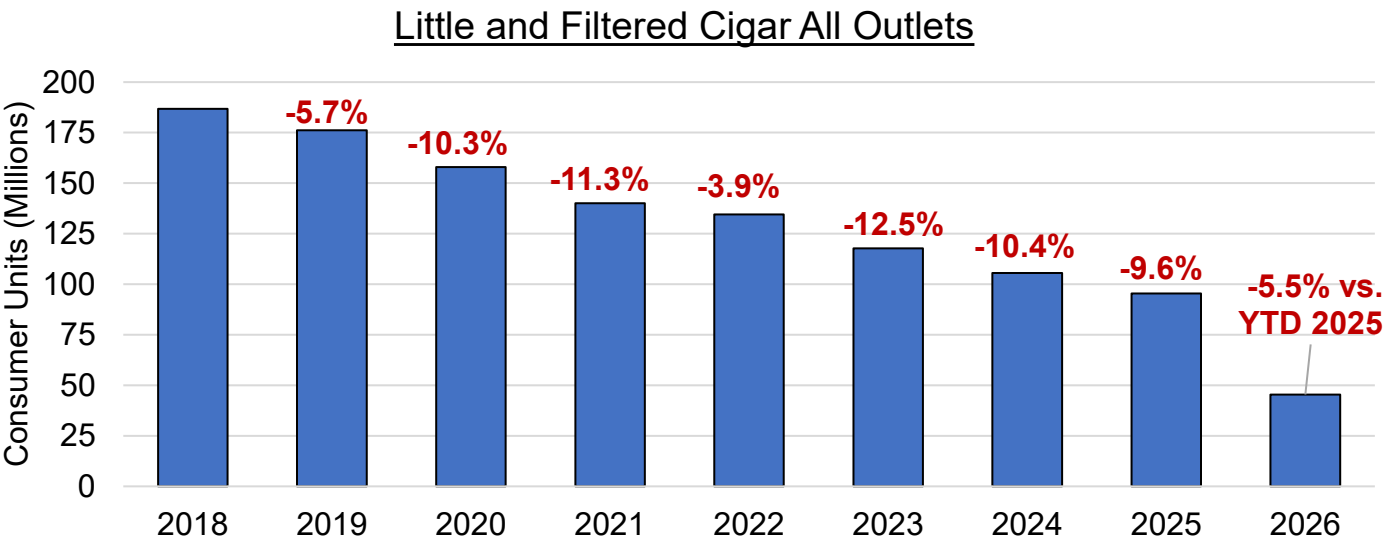
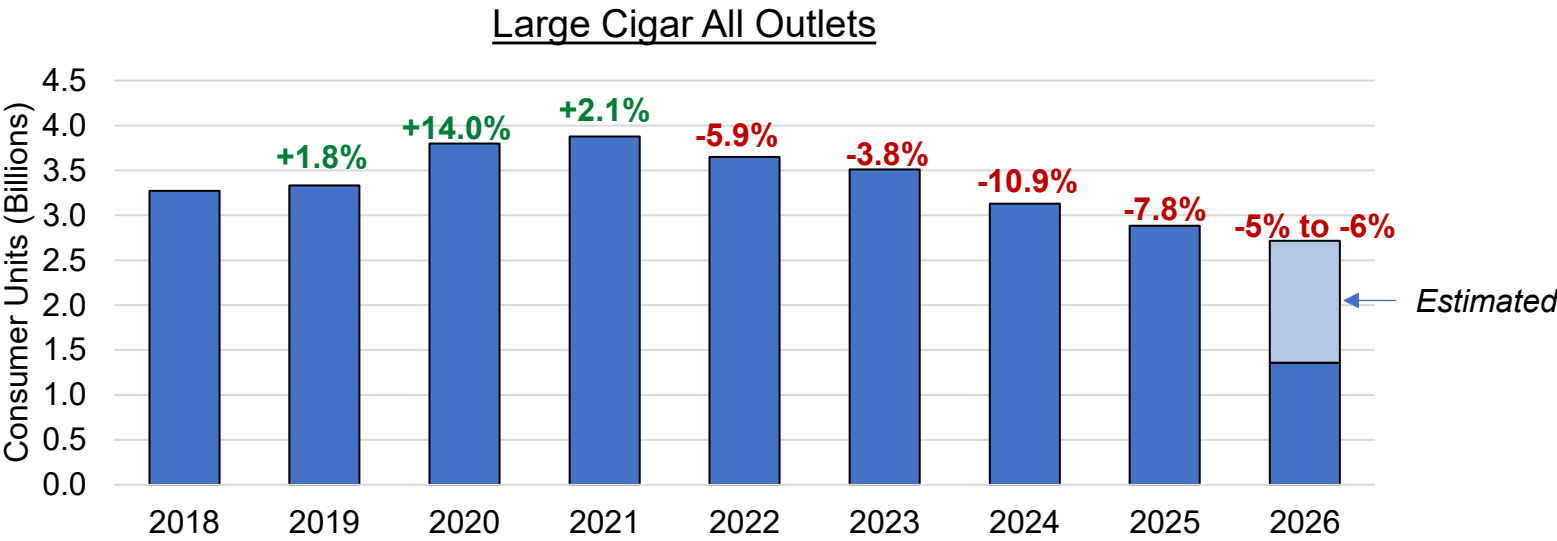
-10.1%

C-store YTD volume change while
All Outlets declined by -8.8%

- C-stores are **declining faster** than All Outlets
- Moist and Snus volume remains **consistently below** year-ago levels

Cigar volumes are in decline

Annual consumer-unit volume | 2018–2026 estimate



C-stores are **declining faster** than All Outlets

PERFORMANCE SNAPSHOT

LARGE CIGAR

57% of Large Cigar volume sold through C-stores

-9.0% C-store YTD volume change v. All Outlets at -6.0%

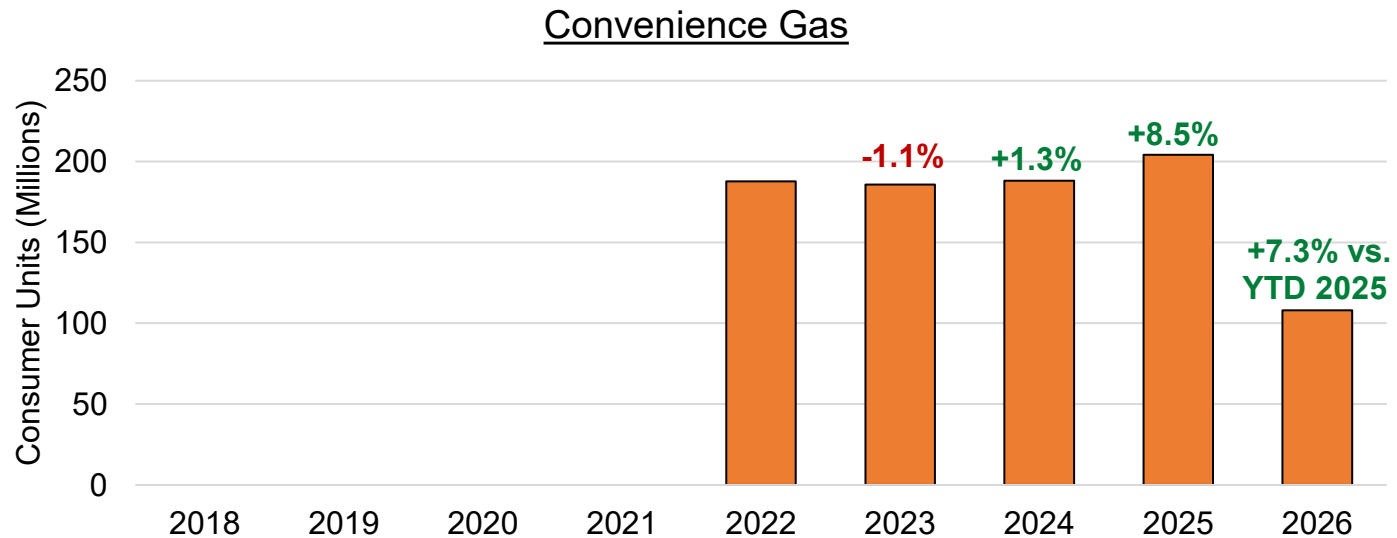
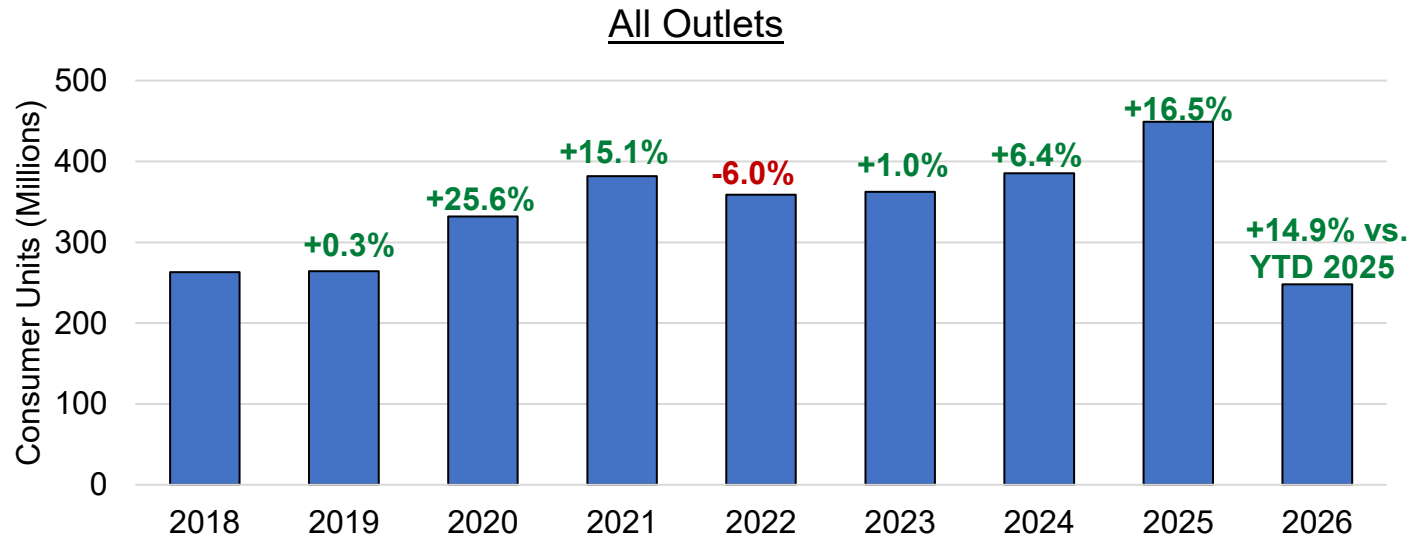
LITTLE & FILTERED CIGAR

37% of Little and Filtered Cigar volume sold through C-stores

-7.5% C-store YTD volume change

Papers, Tubes and Wraps provide a small but meaningful source of C-store growth

Annual consumer-unit volume | 2018–2026 estimate



PERFORMANCE SNAPSHOT

- 43%** of total US papers, tubes, and wraps volume are sold through C-stores
- +7.3%** C-store YTD volume change
- +15.3%** Wraps YTD volume change

- Wraps added **18.9M** units - more than offsetting a 3.3M decline in Papers and Tubes
- Wraps reached **67%** of volume after gaining **4.3** share points
- Independent stores drive Papers, Tubes and Wraps growth

Key Takeaways

Nicotine market
**CONTRACTION
CONTINUES**,
driven by traditional
nicotine categories

Volume fell 2.8% across all outlets and 3.5% in Convenience stores

Cigarettes remain
foundational but
continue to **SHIFT
TOWARDS VALUE**

Protect cigarette profitability through a balanced Premium / Discount Mix

Modern Oral is
RESHAPING
the nicotine category

- Gained 3.4 share points
- Clear growth engine - volume up 33.9%; c-stores generating 86% of sales
- Expand distribution / SKUs
- Tailor category / flavor assortments

The remaining portfolio
is largely
UNDER PRESSURE

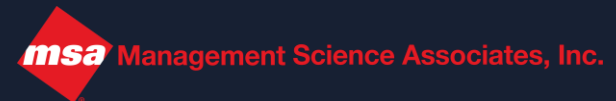
- Moist/Snus and Cigar formats declined with a slow down in Vapor decline
- Papers/Tubes/Wraps were the notable exception, growing 7.9%, led by independents



Thank you!

Questions?

Paul Grubbs • pgrubbs@msa.com
Ajay Yadagiri • ayadagiri@msa.com





MEET OUR SPEAKERS

David Avella

Strategist & Chairman, GOPAC, Inc.

Meghan Hays

Principal, West Shore Strategies



BREAKOUT SESSIONS

Engaging with Elected Officials

Capitol Hill Room
3rd Floor

Starting at **1:15pm** or **2:10pm**



Josh Pruett and Tim McKinney
NATO Consultants

FDA Analysis

Grand Ballroom **Salon D**
Ballroom Level

Starting at **1:15pm** or **2:10pm**



Will Woodlee and Stacy Ehrlich
NATO Counsel

NATO Membership Listening Session

Grand Ballroom **Salon E**
Ballroom Level

Starting at **1:15pm** or **2:10pm**



Hayley Hodges and Sam Kreuger
NATO Consultants