

## Big Tobacco Continues ‘Business As Usual’ Despite Covid-19 Pandemic

### Key Findings

- Net income trends show marked growth across three of the four large multinational companies (MNCs), while BAT’s trend was flat.
- None of the four MNCs’ gross profits declined with BAT and PMI experiencing modest growth.
- Total revenues of all four tobacco companies have not been significantly affected by the pandemic.
- Cigarette prices of major brands rose in the vast majority of the 140 large markets surveyed worldwide.

### Background

Declared a pandemic by the World Health Organization on March 11, 2020, Covid-19 has resulted in the loss of human life and diminished livelihoods globally. National- and local-level lockdown measures have been enforced as containment strategies, resulting in income decreases from job losses and working-hour reductions. In

2020, the global economy contracted by 3.2 percent, though it is estimated to rebound by 5.9 and 4.9 percent in 2021 and 2022, respectively (IMF, 2021). Despite this economic shock, multinational tobacco companies are now continuing on a business-as-usual trajectory with stable profits while increasing tobacco prices.

### Covid-19 and the financial performance of tobacco companies

Three financial performance indicators are presented for the four major multinational tobacco companies – Philip Morris International Inc. (PMI), Japan Tobacco Inc. (JTI), Imperial Brands PLC, and British American Tobacco PLC (BAT) – based on publicly available financial statements. Together these three indicators – net income, gross profit, and total revenue – provide a picture of the industry’s financial performance.

*Since the onset of the pandemic, net income trends show marked growth across three of the four large tobacco companies.*

Since the onset of the pandemic in the first financial quarter of 2020, net income has grown over time for three of the four companies, while BAT’s trend is flat (Figure 1). Net income, also known as net earnings, is calculated as sales minus costs, which includes cost of goods sold, general and administrative expenses, operating expenses, depreciation, interest taxes, and other expenses.

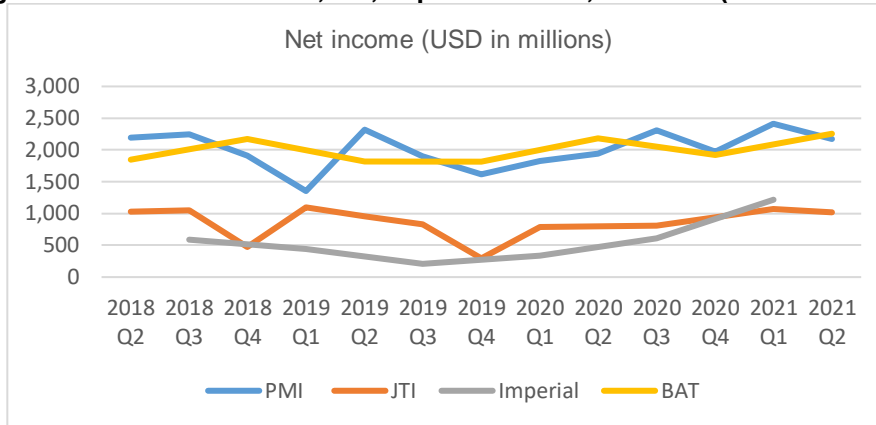
*In 2020, gross profits increased for three of the four large tobacco companies.*

In the early quarters of 2020, there was a slight drop in gross profits for BAT and PMI, but both recovered at or above their pre-pandemic gross profit levels by the end of 2020 and profits are growing. Although Imperial Brand’s gross profits declined marginally (Figure 2), the company’s net income has increased markedly (Figure 1). Gross profits are the profits of a company after deducting only the costs associated with making and selling its products. Gross profits minus all of the other expenses, such as general and administrative expenses, operating expenses, depreciation, interest, and taxes, become the net income of the company.

*Total revenues of the tobacco companies have not been significantly affected.*

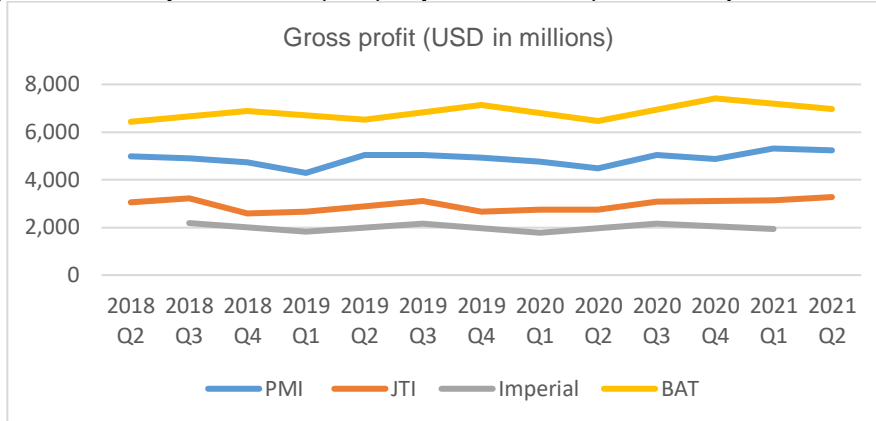
In 2020, total revenue does not seem to have been significantly affected by the pandemic (Figure 3). Total revenue is the total amount of sales of goods or services of a company before subtracting any costs or expenses.

**Figure 1. Net income of PMI, JTI, Imperial Brands, and BAT (USD in millions)**



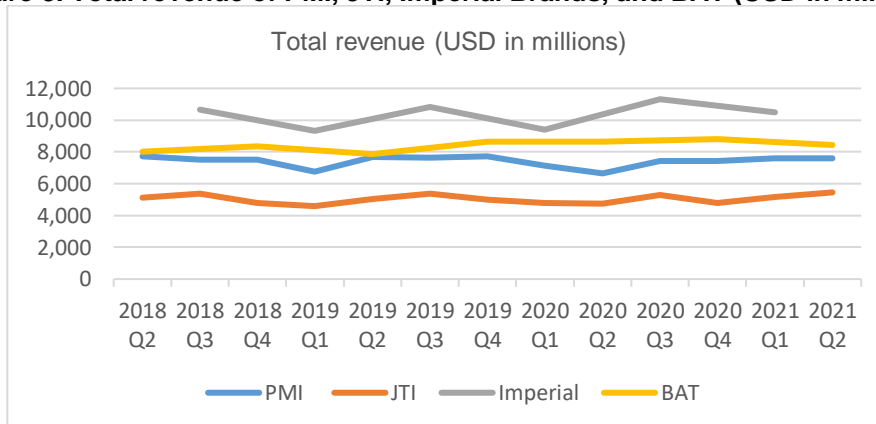
NOTE: Data obtained from D&B Hoovers from 2018 to 2021. For PMI and JTI, total revenue was provided in quarterly reports. For Imperial Brand and BAT, data were provided in six-month periods and the halves of the net income were used to provide quarterly estimates.

**Figure 2. Gross profit of PMI, JTI, Imperial Brands, and BAT (USD in millions)**



NOTE: Data obtained from D&B Hoovers from 2018 to 2021. For PMI and JTI, total revenue was provided in quarterly reports. For Imperial Brand and BAT, data were provided in six-month periods and the halves of the gross profits were used to provide quarterly estimates.

**Figure 3. Total revenue of PMI, JTI, Imperial Brands, and BAT (USD in millions)**



NOTE: Data obtained from D&B Hoovers from 2018 to 2021. For PMI and JTI, total revenue was provided in quarterly reports. For Imperial Brands and BAT, data were provided in six-month periods and the halves of the total revenue were used to provide quarterly estimates.

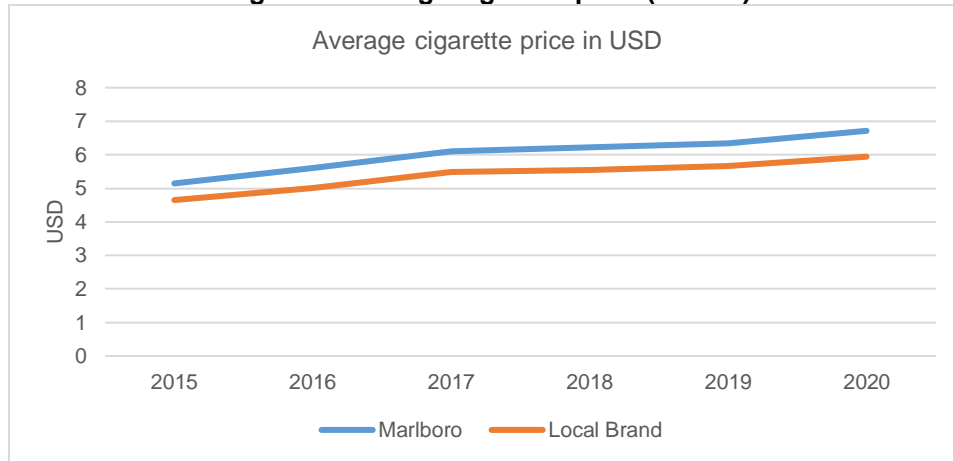
### Covid-19 and cigarette prices

#### Cigarette prices increased in 2020.

Cigarette prices for both local brands and Marlboro (or the equivalent), monitored at the city-level by The Economist show an overall

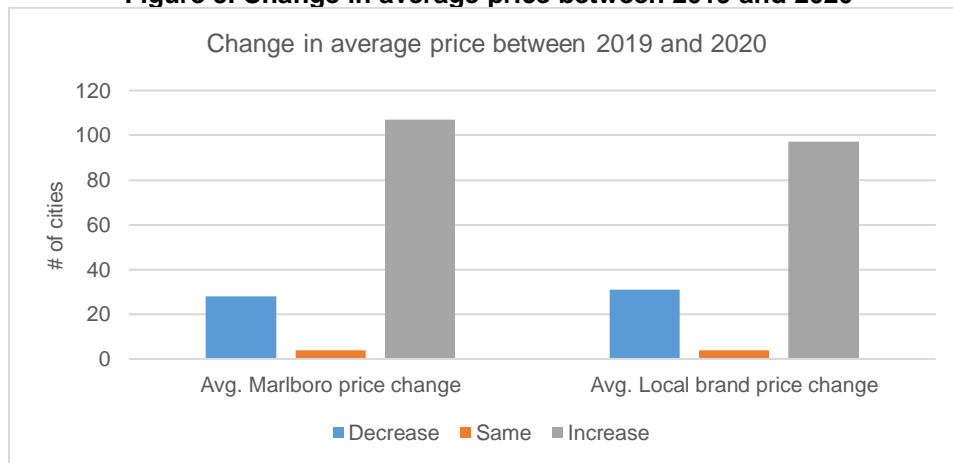
increase in prices in 2020 (Figure 4). Among the 140 cities where price data were collected, an overwhelming majority saw price increases for both Marlboro and the popular local brand between 2019 and 2020 (Figure 5).

**Figure 4. Average cigarette price (in USD)**



NOTE: Data obtained from The Economist Intelligence Unit from 2015 to 2020.

**Figure 5. Change in average price between 2019 and 2020**



NOTE: Data obtained from The Economist Intelligence Unit from 2019 to 2020.

## Conclusion

### *Big Tobacco continues 'business as usual' despite Covid-19 pandemic*

The Covid-19 pandemic has taken more than 4.5 million lives since it began in 2020. At the same time, tobacco-related diseases kill nearly twice that many people every year (8 million) and result in annual losses to the global economy of at least 1.8% of GDP (Goodchild et al., 2018). Raising the price of tobacco products by increasing tobacco taxes is the most effective policy available to reduce tobacco use and the resulting burden of tobacco-related diseases on strained health care systems, while at the same time bring in much needed resources for Covid-19 recovery.

Tobacco companies have not experienced a significant negative impact from the pandemic, as financial performance indicators have reached or surpassed pre-pandemic levels in most cases, and tobacco prices continue to rise globally. Governments do not need to protect tobacco companies by lowering or postponing tax payments. Indeed, tobacco companies are already increasing their prices to maximize their revenues and profits. Instead of allowing tobacco companies to capture additional profits while imposing substantial burdens on public health, governments should increase cigarette prices by raising tobacco taxes. At the same time, the additional revenues can be spent on economic recovery during and after the pandemic.

## References

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## About Tobacconomics

Tobacconomics is a collaboration of leading researchers who have been studying the economics of tobacco control policy for over 30 years. The team is dedicated to helping researchers, advocates, and policymakers access the latest and best research about what's working—or not working—to curb tobacco consumption and its economic impacts. As a program of the University of Illinois Chicago, Tobacconomics is not affiliated with any tobacco manufacturer. Visit [www.tobacconomics.org](http://www.tobacconomics.org) or follow us on Twitter [www.twitter.com/tobacconomics](https://twitter.com/tobacconomics).

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