

EQUITY RESEARCH
TURNING POINT BRANDS, INC.
NYSE: TPB

Comprehensive Investment Analysis Report

March 4, 2026

Share Price (as of 3/3/2026): ~\$107.57 | Market Cap: ~\$2.07B | Enterprise Value: ~\$2.18B

DISCLAIMER: This report is for informational purposes only and does not constitute investment advice.

1. Executive Summary

Turning Point Brands, Inc. (NYSE: TPB) is a Louisville, Kentucky-based manufacturer, marketer, and distributor of branded consumer products sold exclusively to adults. The company operates two core reportable segments: Zig-Zag Products (rolling papers, tubes, cigar wraps, lighters, and accessories) and Stoker's Products (moist snuff, loose-leaf chewing tobacco, and modern oral nicotine pouches). TPB's brands span nearly 150 years of heritage, with Zig-Zag dating to 1879 and Stoker's to 1940.

The company has undergone a remarkable strategic transformation. Originally a niche Other Tobacco Products (OTP) player operating under the name North Atlantic Holding Company, TPB rebranded and went public in 2016, embarking on an acquisitive growth strategy. Today, the company is in the early stages of what may become the most significant chapter in its history: the pivot into modern oral nicotine pouches through its FRE brand and, since late 2024, the ALP brand (a 50/50 joint venture with the Tucker Carlson Network). In full-year 2025, consolidated net sales surged 28.4% to \$463.1 million, adjusted EBITDA grew 14.4% to \$119.5 million, and the company ended the year with \$222.8 million in cash. Modern Oral net sales reached \$41.3 million in Q4 2025 alone, up 266% year-over-year, and now represent approximately 34% of quarterly revenue.

Key Positive Catalysts

The nicotine pouch market is experiencing explosive secular growth (projected 20%+ CAGR through the early 2030s), and TPB's FRE and ALP brands are rapidly gaining share. The FDA's pilot program to fast-track nicotine pouch approvals, which includes FRE and ALP, could de-risk the regulatory overhang. Legacy brands Zig-Zag and Stoker's continue to generate durable, high-margin cash flows. The company's asset-light model (roughly 75% of production outsourced) supports strong free cash flow generation with low capital intensity. The balance sheet has improved dramatically, with net debt falling from over \$300 million in 2022 to approximately \$77.2 million at year-end 2025.

Key Risks

Competition in nicotine pouches is fierce: Zyn (Philip Morris/Swedish Match) holds approximately 63% market share, backed by massive investment and the only FDA marketing authorization to date. Regulatory risk remains elevated, including potential nicotine pouch taxes and uncertain PMTA outcomes for FRE and ALP. The ALP brand's close association with Tucker Carlson introduces significant political and reputational risk that could limit brand appeal. Zig-Zag segment sales declined 13% year-over-year in Q4 2025, reflecting a broader secular decline in smoking accessories. Finally, at roughly 27-33x forward earnings, the stock is no longer cheap and is priced for significant execution in the pouch category.

2. Company History

Turning Point Brands traces its roots to 1988 when the business was organized. The company operated for decades as North Atlantic Holding Company, Inc., a relatively obscure holding company focused on niche tobacco product categories such as loose-leaf chewing tobacco (under the Stoker's and Beech-Nut brands), moist snuff, and discount cigarette papers. The entity was formed through the aggregation of several operating subsidiaries, including North Atlantic Trading Company, Inc. (NATC), National Tobacco Company, L.P. (NTC), and RBJ Sales, Inc., among others.

The IPO and Rebranding (2015-2016)

In November 2015, the company changed its name to Turning Point Brands, Inc., signaling a new strategic direction. The company completed its IPO on the New York Stock Exchange in May 2016 at an offering price in the low-to-mid teens per share, raising capital to reduce its significant debt burden. At the time of the IPO, Standard General L.P., a New York-based investment firm, was the controlling shareholder. Standard General exchanged its PIK Toggle Notes for equity and maintained a large ownership stake. The IPO prospectus revealed substantial leverage, with over \$150 million outstanding under a first lien credit agreement plus additional second-lien and other obligations. The company's financial health at IPO was precarious: cumulative losses had been driven by high interest costs from the leveraged capital structure put in place during earlier private equity ownership.

Acquisitive Growth Phase (2016-2021)

Post-IPO, TPB embarked on an aggressive acquisition campaign to diversify beyond its traditional smokeless tobacco base. The most significant move in 2016 was the acquisition of Smoke Free Technologies (VaporBeast/VaporFi) for approximately \$27 million, which established the company's now-discontinued NewGen (vaping) segment. This was followed by multiple smaller tuck-in acquisitions in the vapor and e-commerce distribution space. In parallel, TPB executed one of its most important brand transactions: securing the exclusive U.S. rights to the Zig-Zag brand, one of the world's most iconic rolling paper brands dating to 1879. In July 2021, the company acquired certain assets of Unitabac, a marketer of mass-market cigars, to re-introduce Zig-Zag into the large cigarillo market. TPB also made strategic investments in the cannabis accessories space, including a minority investment in Docklight Brands (which it later exited in April 2021) and the establishment of Turning Point Brands Canada, a majority-owned subsidiary focused on distributing cannabis accessories and tobacco products in Canada.

The Pivot and Streamlining (2022-Present)

A major inflection point came in October 2022 when CEO Yavor Efremov resigned and long-time executive Graham Purdy was appointed CEO. Purdy, who joined TPB in 2004 after seven years at Philip Morris USA, brought deep operational expertise and shifted strategy toward maximizing the value of core brands while aggressively pursuing the modern oral nicotine pouch opportunity. In 2022, the company also announced it would divest its underperforming vapor distribution assets (the Creative Distribution Solutions segment), which was completed on January 2, 2025, when CDS was contributed to a joint venture. This move streamlined operations from three segments to two (Zig-Zag and Stoker's). Under Purdy's leadership, TPB launched the FRE nicotine pouch brand and, in November 2024, formed the ALP Supply Co. joint venture with Tucker Carlson's media network to sell, market, and distribute ALP nicotine pouches. This JV has become one of the fastest-growing product launches in the OTP industry.

Short Reports and Controversies

No prominent short-seller reports targeting Turning Point Brands have been published to date. The company has also avoided major corporate scandals. However, some points of friction include: the somewhat opaque governance structure during its pre-IPO years under Standard General's control (a "controlled company" exemption under NYSE rules was initially utilized); the departure of CEO Yavor Efremov in 2022 after a relatively brief tenure (roughly one year) which raised questions about strategic alignment at the board level; and, more recently, investor sensitivity around the political polarization inherent in the ALP joint venture with Tucker Carlson, given his controversial public profile. It is important to note that Turning Point Brands, Inc. is entirely unrelated to Turning Point USA, the political organization.

3. Business Overview & Economic Moat

Business Segments

Zig-Zag Products

The Zig-Zag segment markets and distributes rolling papers, tubes, finished cigars, make-your-own (MYO) cigar wraps, CLIPPER reusable lighters, and other smoking accessories primarily under the Zig-Zag brand. Zig-Zag is the leading premium rolling paper in both the United States and Canada. The segment benefits from secular tailwinds driven by cannabinoid legalization across North America, as Zig-Zag rolling papers and accessories are agnostic to the substance being consumed. In FY 2025, the Zig-Zag segment contributed approximately \$170 million in net sales. Margins in this segment are healthy because the paper and accessories categories carry relatively low cost of goods. However, Q4 2025 Zig-Zag net sales declined 13% year-over-year, partly reflecting management's deliberate reallocation of resources toward nicotine pouches.

Stoker's Products

The Stoker's segment manufactures and markets moist snuff tobacco (MST) and loose-leaf chewing tobacco under the Stoker's, Beech-Nut, Trophy, Wind River, and Durango brands. Stoker's is positioned as a value-oriented brand ("A Great Dip at a Fair Price") and was the first to introduce large-format bags (8 oz. and 16 oz.) and the 12 oz. tub to the moist snuff market. Stoker's MST continues to gain market share in the MST category, which is otherwise a declining or flat market. Critically, the Stoker's segment also now includes the company's rapidly growing modern oral nicotine pouch business (FRE and, through consolidation of the JV, ALP). In Q4 2025, Stoker's segment net sales surged 70% year-over-year to \$81 million, driven by triple-digit growth in Modern Oral and single-digit growth in legacy products. For FY 2025, the Stoker's segment accounted for approximately \$293 million in net sales, or roughly 63% of the total.

How TPB Makes Money

TPB generates revenue by selling branded consumer products to wholesale distributors and retail merchants across convenience stores, tobacco outlets, food stores, mass merchandisers, drug stores, and online channels. The company operates an asset-light manufacturing model, with roughly 75% of net sales derived from outsourced production. Zig-Zag products are sourced from third-party manufacturers (principally in France and Indonesia), while Stoker's moist snuff is manufactured internally at the company's facilities, and nicotine pouches (FRE and ALP) are currently sourced from international contract manufacturers, with plans to bring some production domestically. The company earns revenue upon the sale of physical goods and collects no recurring subscription or licensing income. In the value chain, TPB sits as a brand owner and marketer positioned between contract manufacturers (upstream) and wholesale/retail distribution (downstream). The reliance on third-party manufacturers is a dependency, but the company has diversified its supplier base over time.

Economic Moat

Brand Heritage and Recognition (Moderate-to-Wide)

Zig-Zag is one of the most recognizable brands in its category globally, with a heritage dating to 1879 and the iconic "Le Zouave" imagery. Stoker's has a loyal consumer base built over 80+ years. These brands generate meaningful pricing power and consumer loyalty in fragmented markets where brand trust is paramount.

Distribution Network (Moderate)

TPB's products are sold in over 215,000 retail outlets in North America. The company's omni-channel distribution infrastructure, including direct-to-consumer e-commerce platforms, provides a competitive advantage that is difficult for smaller entrants to replicate.

Regulatory Barriers to Entry (Moderate-to-Wide)

The tobacco and nicotine product markets are heavily regulated. The Premarket Tobacco Product Application (PMTA) process creates a significant barrier for new entrants in the nicotine pouch space. TPB's ongoing engagement with the FDA's fast-track pilot program for FRE and ALP could provide a first-mover advantage if authorization is granted.

Asset-Light Model and Cash Flow Conversion (Moderate)

With minimal capital expenditure requirements (budgeted at \$4-5 million for 2026 excluding Modern Oral PMTA costs), TPB converts a high proportion of operating income into free cash flow. This efficiency enables aggressive investment in growth while maintaining financial flexibility.

Moat Durability Assessment

Overall, TPB possesses a narrow-to-moderate economic moat. The legacy brands offer durable competitive advantages in niche markets, but the company does not enjoy the wide-moat characteristics of the global tobacco majors (Philip Morris, Altria, British American Tobacco) which benefit from far greater scale, deeper distribution, and massive R&D budgets. In the nicotine pouch space specifically, TPB is competing against Zyn (70%+ market share) and VELO (BAT), both of which are backed by multi-billion-dollar parent companies. The moat is widening through brand investment, regulatory progress, and first-mover positioning in the niche ALP opportunity, but it remains early days.

4. Financial Performance & Health

Income Statement Analysis (5-Year + TTM)

The following table summarizes key income statement metrics for Turning Point Brands over the past five fiscal years plus the trailing twelve months through September 2025. Note that FY 2021 included revenue from the now-discontinued Creative Distribution Solutions (CDS) segment, which inflates that year's top line.

Metric	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue (\$M)	\$405.1	\$445.5	\$321.2	\$325.1	\$360.7	\$463.1
Revenue Growth	11.9%	10.0%	-27.9%*	1.2%	11.0%	28.4%
Gross Profit (\$M)	\$190.0	\$217.8	\$177.8	\$182.9	\$201.6	\$264.3
Gross Margin	46.9%	48.9%	55.4%	56.3%	55.9%	57.1%
Operating Income (\$M)	\$67.0	\$93.6	\$79.3	\$84.5	\$88.4	~\$101
Operating Margin	16.6%	21.0%	24.7%	26.0%	24.5%	~21.8%
Net Income (\$M)	\$38.2	\$52.1	\$11.6	\$38.5	\$39.8	\$58.2
Net Margin	9.4%	11.7%	3.6%	11.8%	11.0%	12.6%
Adj. EBITDA (\$M)	\$72.1	\$98.6	\$82.6	\$88.6	\$104.4	\$119.5

*FY 2022 revenue decline reflects the wind-down and reclassification of the CDS/NewGen segment to discontinued operations, not an organic deterioration of core business.

Key observations: Revenue growth has been remarkably strong since the trough in FY 2022, driven by the organic growth of Stoker's MST, the ramping FRE brand, and the Q4 2024 launch of ALP. Gross margins have expanded significantly from the mid-40s in 2020 to above 55% in recent years, reflecting the shift in product mix toward higher-margin Zig-Zag papers and nicotine pouches and away from lower-margin third-party vapor distribution. The operating margin compressed slightly in FY 2025 due to elevated SG&A spending on sales force expansion, marketing, and compliance for the nicotine pouch rollout. Net income in FY 2022 was depressed by discontinued operations losses and high tax provisions. The FY 2025 rebound to \$58.2 million in net income (up 46.1%) represents a new high-water mark for the company.

Balance Sheet Analysis

Metric	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 (Q4)
Total Assets (\$M)	\$601.6	\$572.1	\$569.4	\$493.4	~\$520*
Total Debt (\$M)	\$430.5	\$420.5	\$377.9	\$261.3	~\$300
Cash & Equivalents (\$M)	\$144.6	\$120.1	\$129.2	\$58.8	\$222.8
Net Debt (\$M)	\$285.9	\$300.4	\$248.6	\$202.4	\$77.2
Total Equity (\$M)	\$131.4	\$111.6	\$151.0	\$188.0	~\$210
Debt-to-Equity	3.3x	3.8x	2.5x	1.4x	~1.4x
Current Ratio	~3.0x	~3.5x	~3.0x	~3.3x	~5.6x

Metric	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 (Q4)
Tangible Book Value (\$M)	-\$118.4	-\$109.1	-\$57.7	-\$20.6	Improving

*Estimated based on Q3 2025 data and Q4 earnings release. Exact 10-K figures pending.

The balance sheet transformation has been dramatic. Net debt has fallen from approximately \$300 million in 2022 to just \$77.2 million at year-end 2025, reflecting strong free cash flow generation and the proceeds from the CDS divestiture. The company ended 2025 with total liquidity of \$290.1 million (\$222.8 million cash + \$68.1 million revolving credit facility capacity). The current ratio of approximately 5.6x indicates abundant short-term liquidity. However, tangible book value remains negative due to substantial goodwill and intangible assets on the balance sheet (primarily from the Zig-Zag and other brand acquisitions). The debt-to-equity ratio has improved from a peak of 3.8x in 2022 to approximately 1.4x, though it remains above the tobacco industry median. Overall, the balance sheet is in the strongest condition in the company's history and provides ample flexibility to fund the Modern Oral growth initiative.

Cash Flow Analysis

Metric	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025*
Operating Cash Flow (\$M)	~\$42	~\$67	~\$26	~\$66	~\$67	~\$50
Capital Expenditures (\$M)	~\$4.5	~\$5.0	~\$3.5	~\$4.5	~\$4.5	~\$11
Free Cash Flow (\$M)	\$37.5	\$62.1	\$22.4	\$61.2	\$62.4	~\$39
FCF Margin	9.3%	13.9%	7.0%	18.8%	17.3%	~8.9%
Dividends Paid (\$M)	~\$3.8	~\$4.2	~\$4.4	~\$4.8	~\$5.1	~\$5.4
Share Buybacks (\$M)	Minimal	~\$20	~\$40	~\$60	~\$100	~\$50

*FY 2025 estimated from quarterly data. FCF declined in FY 2025 due to significant investment in inventory and working capital to support the nicotine pouch rollout.

TPB has been consistently free-cash-flow positive in every year analyzed, even during the challenging FY 2022 transition. The asset-light model keeps capex low (historically \$3-5 million annually, though FY 2025 saw elevated spending for pouch-related infrastructure). Management has been active in returning capital to shareholders through a growing quarterly dividend (currently \$0.075/share, or \$0.30 annualized, representing a roughly 0.3% yield at current prices) and, more significantly, through share buybacks. The diluted share count has declined from approximately 23 million in FY 2020 to roughly 19 million, reflecting consistent repurchase activity. However, in FY 2025, free cash flow moderated as the company invested heavily in working capital and marketing for the pouch rollout. The Q4 2025 free cash flow of \$19.2 million suggests the company is still converting at an acceptable rate despite the investment phase.

Seasonality and Patterns

TPB's earnings exhibit moderate seasonality. The Zig-Zag segment tends to see slightly higher volumes in summer months, correlating with outdoor social activity and cannabis consumption patterns. Stoker's chewing tobacco shows modest winter strength in some markets. More importantly, the company has exhibited a pattern of back-half-weighted earnings historically, as promotional cadence and new product launches tend to ramp through the year. The nicotine pouch business is still too nascent to establish clear

seasonal patterns, though management has cautioned that marketing investments in 2026 will be "lumpy" and may not align with a traditional quarterly cadence.

5. Valuation

Current Multiples vs. Historical and Peers

The following table compares TPB's current valuation multiples against its own 5-year historical average, the tobacco industry average, and its three closest direct competitors: Swedish Match/ZYN (now a subsidiary of Philip Morris International, PM), Altria Group (MO), and British American Tobacco (BTI). Note that PM's multiples are influenced by its massive cigarette and heated tobacco businesses and do not isolate the ZYN/pouch contribution.

Metric	TPB Current	TPB 5Y Avg	Industry Avg	PM (Zyn)	MO (Altria)	BTI (BAT)
Trailing P/E	~33x	~21x	~14x	~24x	~10x	~8x
Forward P/E	~27x	~16x	~12x	~20x	~9x	~7x
P/S (TTM)	~4.6x	~2.5x	~2.5x	~5.5x	~3.5x	~2.0x
P/B (MRQ)	~6.0x	~4.0x	~3.0x	N/M	N/M	~1.3x
EV/EBITDA	~19-20x	~13x	~10x	~16x	~9x	~7x

TPB's valuation premium is significant and reflects the market's re-rating of the stock from a low-growth tobacco company to a high-growth nicotine pouch story. The trailing P/E of approximately 33x is roughly 1.6x the 5-year average and more than double the tobacco industry average. The EV/EBITDA of 19-20x compares unfavorably to the industry median of approximately 10x. However, this premium must be contextualized: TPB is guiding for \$180-190 million in Modern Oral net revenue for 2026, which would represent a tripling from 2025 levels. If the pouch category continues on its 20%+ growth trajectory and TPB captures a meaningful market share (management targets double-digit share over time), the current multiple could prove reasonable in hindsight.

Valuation Conclusion

At approximately \$107 per share, TPB appears fairly valued to modestly overvalued for the near term, but potentially undervalued on a 2-3 year view if the nicotine pouch strategy executes successfully. The stock has already re-rated from under \$20 in 2020 to over \$140 at its February 2026 peak (up roughly 500% in three years) and has since pulled back approximately 25% following the Q4 2025 EPS miss and forward guidance reset. The key question is whether TPB can grow into its multiple through continued pouch category expansion. The risk-reward is asymmetric: significant upside exists if FRE/ALP achieve double-digit market share and receive FDA authorization, but the downside is meaningful if competition intensifies or regulatory outcomes disappoint.

6. Growth Strategy & Future Outlook

Growth Drivers

Modern Oral Nicotine Pouches (FRE & ALP)

This is the dominant growth driver. The U.S. nicotine pouch market was valued at approximately \$2 billion in 2024 and is projected to grow at a 20%+ CAGR through at least 2034. Zyn controls approximately 63% of the market, but the rapid growth of the category is creating opportunities for challengers. FRE, TPB's owned brand, more than quadrupled sales year-over-year in Q4 2024 and continued to accelerate through 2025. ALP, the Tucker Carlson joint venture launched in November 2024, has generated extraordinary early demand, reportedly contributing to the Stoker's segment's 70% quarterly revenue increase in Q4 2025. Management is guiding for \$220-240 million in gross Modern Oral revenue for FY 2026 (\$180-190 million net), which would make white pouches approximately half of total company revenue. Management believes the pouch market will consolidate to 5-6 dominant brands and is positioning FRE and ALP to capture double-digit combined share.

ALP Brick-and-Mortar Expansion

ALP has so far been sold primarily through direct-to-consumer online channels and is in the early stages of brick-and-mortar rollout. Management indicated on the Q4 2025 earnings call that ALP is appearing in physical retail locations ahead of schedule, with a major rollout expected in Q2 2026. This represents a significant distribution catalyst, as the vast majority of nicotine pouch sales occur in convenience stores and gas stations. The company is investing in doubling its sales force and establishing strategic partnerships to support this launch.

FDA Regulatory Pathway

The FDA announced a pilot program in September 2025 to fast-track the review of nicotine pouch PMTAs. FRE and ALP are reportedly among the brands selected for this pilot, alongside Zyn Ultra, Altria's On Plus, and Reynolds' Velo mini. If FRE and ALP receive marketing granted orders (MGOs), it would significantly de-risk the business and provide a major competitive advantage over unauthorized brands. The program aims to complete reviews by late 2026.

Legacy Brand Durability

Zig-Zag continues to benefit from cannabis legalization tailwinds and remains the number one premium rolling paper in North America. Stoker's MST continues to gain share in the declining-but-large moist snuff market through its value positioning. These legacy brands generate the cash flows necessary to fund the nicotine pouch growth initiative.

Market Opportunity

The total addressable market for nicotine pouches in the U.S. is substantial and still in its early innings. The broader U.S. oral nicotine market (including moist snuff, chewing tobacco, and snus) exceeds \$10 billion annually. Nicotine pouches represent a rapidly growing subset, valued at approximately \$2 billion in 2024 and projected to grow to \$8-12 billion by 2034. Globally, the nicotine pouch market is estimated at \$5-6 billion and expected to exceed \$20 billion by the early 2030s. For TPB specifically, even a modest 5-10% U.S. market share in nicotine pouches would translate to \$400-800 million in annual pouch revenue alone, which would be transformative relative to the company's current \$463 million total revenue base.

7. Management & Governance

Leadership

Graham Purdy - President, CEO & Director (since October 2022)

Purdy is a TPB lifer, having joined the company in 2004 after seven years at Philip Morris USA. He rose through a series of leadership positions, overseeing the successful launches of Zig-Zag Cigar Wraps and Stoker's MST before being named COO in 2019 and CEO in 2022 following Yavor Efremov's resignation. His total compensation of approximately \$3.03 million is below average for companies of similar market capitalization (industry average approximately \$5.4 million). Purdy directly owns approximately 1.01% of the company's shares (worth roughly \$21 million), demonstrating meaningful skin in the game. In December 2025, he entered into a \$12.3 million forward-style financing arrangement secured by up to 140,140 shares, indicating confidence in the stock's long-term trajectory (he retains beneficial ownership including voting and dividend rights).

Andrew Flynn - Senior VP & CFO

Flynn was appointed CFO and has been instrumental in the capital structure improvements, including the deleveraging from \$300+ million in net debt to \$77 million while funding growth investments. On the Q4 2025 earnings call, Flynn provided transparent guidance on the gross-to-net revenue distinction for Modern Oral, which investors appreciated.

David Glazek - Executive Board Chairman

Glazek transitioned from Non-Executive to Executive Chairman in January 2023, concurrent with Purdy's CEO appointment. Glazek's expanded role suggests active board engagement in strategic direction, particularly around the nicotine pouch pivot.

Capital Allocation Track Record

Management's capital allocation has been generally effective over the past several years. The company has reduced its diluted share count from approximately 23 million in 2020 to roughly 19 million through consistent buybacks, creating meaningful per-share value accretion. The dividend has been raised annually (from \$0.05/quarter in 2018 to \$0.075/quarter currently), though the yield remains negligible at current prices. The divestiture of the underperforming CDS/NewGen segment was a positive strategic decision that simplified the business and eliminated a drag on profitability. The Zig-Zag brand acquisition was arguably the company's best strategic move, providing a premium, asset-light brand with strong positioning in the secular cannabis legalization tailwind. The ALP joint venture represents a bold strategic bet that could generate extraordinary returns if execution continues, though it carries reputational and political risks that more conservative managements would have avoided. The timing of share buybacks has been mixed: significant buyback activity occurred in the \$30-60 range (excellent), but some also occurred at higher price levels.

Employee Sentiment

Turning Point Brands has a 3.0 out of 5.0 rating on Glassdoor based on 29 employee reviews, with only 51% of employees recommending the company. Employees cite "good benefits," "four-day work week," and "accessible management" as positives. Common criticisms include "heavy travel," "zero communication," "disjointed management," and commission structures that are difficult to earn. The 25% positive interview experience rating is notably low. While the sample size is small (310 total employees), these scores suggest room for improvement in organizational culture and employee engagement.

Insider Ownership

Corporate insiders own approximately 6.6% of the company's stock. Notable recent insider activity includes Chairman David Glazek selling 30,000 shares in December 2025 at \$110.26 per share, and Director H.C. Charles Diao selling 2,000 shares at \$108.20 in the same month. While insider selling is not inherently bearish (executives regularly diversify), the volume of sales near all-time highs is worth monitoring. CEO Purdy's December 2025 financing arrangement (pledging shares as collateral rather than selling) is a more constructive signal.

8. Risk Analysis

Idiosyncratic Risks (Company-Specific)

Risk 1: Nicotine Pouch Execution Risk and Competitive Intensity

TPB's re-rating from a value stock to a growth stock is entirely predicated on the success of FRE and ALP in the nicotine pouch market. The competitive landscape is dominated by Zyn, which holds approximately 63% market share (down from 74%) and is backed by Philip Morris International's \$800+ million investment in U.S. manufacturing capacity. VELO (British American Tobacco) has been gaining share rapidly since the VELO Plus launch, reaching 17%+ share by mid-2025. Altria's On! brand holds approximately 8%. If FRE and ALP fail to sustain their growth trajectory, encounter distribution challenges, or face pricing pressure from well-capitalized competitors, the stock could de-rate sharply. Management's own guidance for Q1 2026 EBITDA of \$24-27 million (implying a 15% sequential decline) acknowledges that the investment phase will pressure near-term profitability.

Risk 2: ALP Joint Venture Political and Reputational Risk

The ALP nicotine pouch brand is a 50/50 joint venture with Tucker Carlson's media network and is marketed with explicitly political messaging (e.g., positioning against "soulless, pronoun-loving, politicized conglomerates"). While this messaging resonates with a specific consumer demographic and has driven extraordinary initial demand, it also limits the brand's total addressable market to consumers who identify with or are neutral toward Carlson's political brand. Any future controversy involving Carlson could directly impact ALP sales and, by extension, TPB's financial performance. PMI has publicly criticized the politicization, stating it is "frustrating that Mr. Carlson wants to turn Zyn into a political football to promote his own business venture." This risk is unique to TPB and has no direct parallel among its competitors.

Risk 3: FDA Regulatory and PMTA Risk

FRE and ALP nicotine pouches are currently marketed without FDA marketing authorization (marketing granted orders, or MGOs). Zyn is the only nicotine pouch brand to have received MGOs to date (January 2025). While the FDA's fast-track pilot program is encouraging, there is no guarantee that FRE or ALP will receive authorization. If the FDA were to take enforcement action against unauthorized nicotine pouches, it could disrupt TPB's fastest-growing product line. Additionally, the company plans to spend \$3-5 million in 2026 specifically on PMTA filings, with no certainty of outcome. A negative regulatory decision would likely cause a significant decline in the stock price.

Systemic Risks (External)

Risk 4: Nicotine Pouch Taxation

There is growing political momentum at both the federal and state level to impose excise taxes on nicotine pouches. Currently, nicotine pouches face a lighter tax burden than cigarettes and traditional smokeless

tobacco in most jurisdictions. If Congress or individual states impose substantial excise taxes on nicotine pouches (which some have already proposed), it would increase consumer prices, potentially slowing category growth and compressing margins. On the Q4 2025 earnings call, management stated they do not expect tax increases to disproportionately disadvantage FRE or ALP relative to competitors, but acknowledged the risk. Unlike Zyn, which has massive scale to absorb price increases, TPB has less margin for error on pricing.

Risk 5: Tariffs and Trade Policy

TPB's nicotine pouches are currently manufactured by international contract manufacturers. In Q4 2025, elevated tariff rates on imported white pouches had a measurable negative impact on Stoker's segment gross margins. While the company added back the tariff impact in adjusted EBITDA, it remained a drag on reported results. If the U.S. imposes further tariffs on imported consumer goods (particularly from manufacturing hubs in Europe or Asia), TPB's cost structure could be adversely affected until domestic manufacturing is fully online. Management indicated domestic production lines are expected to be qualified within "the next several months," with margin benefits likely appearing toward the end of 2026.

Risk 6: Broader Tobacco and Nicotine Industry Regulation

The tobacco industry is subject to a constantly evolving regulatory landscape. Potential regulations that could impact TPB include: further restrictions on flavored tobacco or nicotine products (several states and municipalities have enacted flavor bans); potential federal legislation on nicotine content or youth access; and changes to the Master Settlement Agreement framework that could impose new obligations. The cannabis legalization trend that benefits Zig-Zag could also reverse if federal policy shifts or if states impose restrictions on smoking accessories. The nicotine pouch market, while currently in a favorable regulatory window, could face stricter rules as the category grows and attracts greater public health scrutiny.

9. Final Recommendation

INVESTMENT RATING: HOLD / ACCUMULATE ON DIPS

12-Month Price Target Range: \$100 - \$130 | Current Price: ~\$107

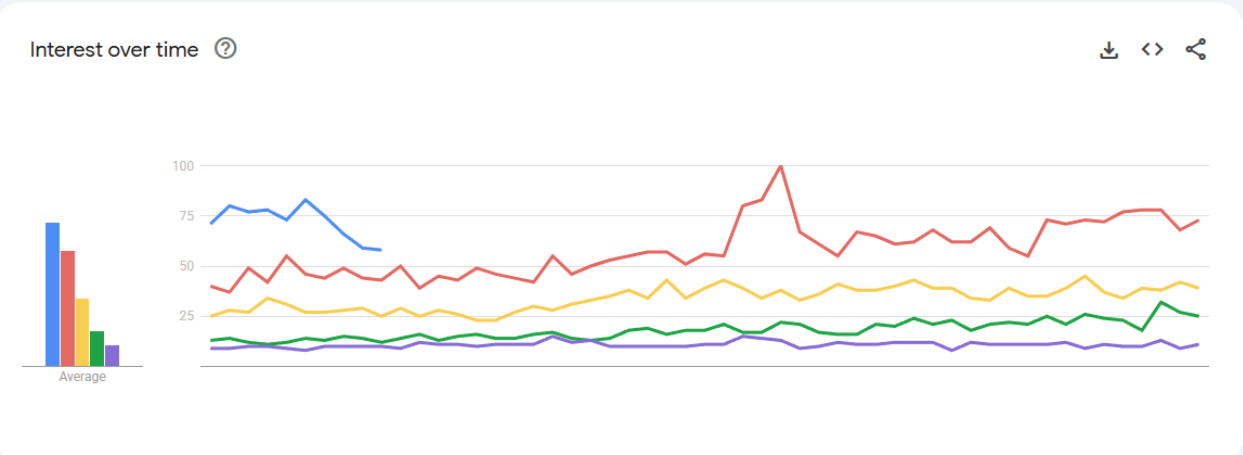
Turning Point Brands stands at a fascinating strategic crossroads. The company has successfully transformed itself from a niche, highly leveraged OTP company into a diversified consumer products platform with one of the most compelling growth stories in the tobacco-adjacent space. The numbers speak for themselves: consolidated revenue grew 28% in 2025, the balance sheet is in the best shape in company history with \$222.8 million in cash, and Modern Oral nicotine pouches are on a trajectory to become the majority of revenue by 2026.

However, the stock's remarkable appreciation (up roughly 500% in three years before the recent pullback) means much of the optimism is already reflected in the price. At approximately 27x forward earnings and 19-20x EV/EBITDA, TPB trades at a significant premium to both its own historical averages and the tobacco industry. The recent 20%+ selloff following the Q4 2025 earnings report (driven by a guidance reset and margin pressure from pouch investments) illustrates the stock's vulnerability to even modest disappointments.

The bull case is compelling: a \$2+ billion and rapidly growing nicotine pouch TAM in the U.S., strong early traction with both FRE and ALP, a favorable FDA regulatory tailwind, durable legacy brands generating cash to fund growth, and an asset-light model with attractive capital efficiency. The bear case is equally credible: Zyn's 63% market share and PMI's \$800+ million manufacturing investment, fierce competition from VELO and On!, regulatory uncertainty around PMTAs and potential taxation, the political risk embedded in the ALP joint venture, and near-term earnings dilution from investment spending.

On balance, we assign a HOLD rating for current shareholders and recommend ACCUMULATING shares on meaningful pullbacks (below \$100). The risk-reward is most attractive in the \$85-100 range, where the valuation provides a more adequate margin of safety. Investors with a 2-3 year time horizon and comfort with the specific risks outlined above may find TPB an attractive opportunity at current levels, particularly if the FDA fast-track program yields positive outcomes for FRE and ALP. We would consider upgrading to a BUY if: (1) FRE or ALP receive FDA marketing authorization, (2) the stock pulls back to below 20x forward earnings, or (3) Q2/Q3 2026 results demonstrate that the ALP brick-and-mortar rollout is tracking ahead of expectations. Conversely, we would consider downgrading to a SELL if: (1) FDA regulatory outcomes are negative, (2) Modern Oral net sales significantly miss the \$180-190 million 2026 guidance range, or (3) competitive dynamics materially erode FRE/ALP market share gains.

● nicotine pouch Search term United States , 2026
● nicotine pouch Search term United States , 2025
● nicotine pouch Search term United States , 2024
● nicotine pouch Search term United States , 2023
● nicotine pouch Search term United States , 2022



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This report was prepared on March 4, 2026 and reflects data available as of that date. All financial data from public filings and third-party sources. This is not investment advice.