

The Henry Fund

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Philip Morris International (PM)

Consumer Staples – Tobacco Company

11/3/2025

Stock Rating: **Buy**

Price Target: **\$195**

Investment Thesis

We rate **Philip Morris International (PM)** a **Buy** with a **\$195 target price**, implying **35% upside**. Our DCF and DDM valuations are indicators of PM's growing Zyn Brand, innovation in smoke-free alternatives positioning it to capture sustained growth with consumers, and the margin expansion driven by operating leverage, cost synergies, and a recurring razor-and-blade revenue model.

Drivers of Thesis

- Leadership in Smoke-Free Transition:** PM's **Smoke Free** Products (SFP) are projected to grow at a **12.8% CAGR** through 2029, lifting smoke-free revenue to over **50% of total sales** by decade's end. Continuous innovation and investment into R&D position these brands as the pinnacle of smokeless nicotine alternatives.
- Razor-and-Blade Business Model Expands Margins:** IQOS devices and its associated Terea sticks create a high-frequency, repeat-purchase ecosystem. As device penetration rises, consumable volume scales at higher incremental margins when compared to combustible tobacco, driving EBITDA margin expansion.
- ZYN Expansion in the US and International Rollout:** The Zyn brand has seen exponential growth with third quarter US shipment volume increasing by 37% YoY, while Q1 shipments saw 79.7% YoY US volume growth. With PM's global supply chain and Swedish Match integration complete, ZYN has meaningful expansion into the growing international markets.

Risks to Thesis

- Regulatory and Taxation Pressure:** Governments continue to tighten nicotine regulations and raise excise taxes, directly eroding margins and slowing category growth. Potential flavor bans or nicotine-content limits could materially impact IQOS and ZYN demand.
- Cannibalization:** While IQOS conversion increases lifetime customer value, it also cannibalizes cigarette sales, accelerating decline in PM's legacy business.
- Declining Industry Demand:** Global adult smoking prevalence has dropped from 1 in 3 adults (2000) to 1 in 5 (2020), limiting long-term volume potential and pressuring valuation multiples relative to non-tobacco consumer peers.

Henry Fund DCF	\$210
Henry Fund DDM	\$190
Relative Multiple	\$165
HF % Upside	35%

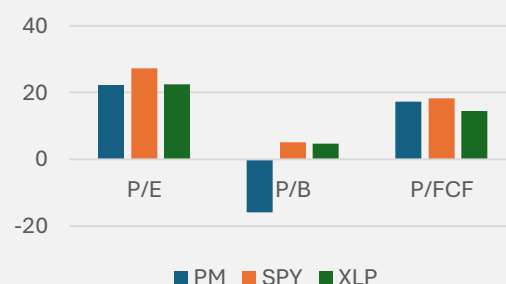
Price Data

Current Price	\$144.60
Date of Price	11/3/2025
52wk Range	\$116.12 – 186.69
Consensus Price Target	\$189
Consensus % Upside	31%

Key Statistics

Market Cap (B)	225.09
Diluted Shares Out. (M)	1554
Institutional Ownership	81.77%
Beta	0.39
Dividend Yield	4.07%
LT Growth Rate	11.2%

[PM] vs. SPY & Industry ETF



Earnings / EBITDA Estimates

Year	2022	2023	2024	2025e	2026e	2027e
HF EPS	-	-	-	6.56	7.18	7.88
% Growth	-	-	-	45%	9%	10%
Street EPS	5.82	5.02	4.53	7.54	8.36	9.18
% Growth	0%	-14%	-10%	66%	30%	34%
HF EBITDA	-	-	-	16811	18021	19252
% Growth	-	-	-	11%	7%	7%
Street EBITDA	13323	13619	15189	17390	19235	20949
% Growth	-5%	2%	12%	14%	11%	9%

Balance Sheet / Cash Flow Snapshot

Net Debt	39916	44849	41479	40423	36514	32140
Debt/Equity	-6.83	-5.07	-4.63	-6.64	-12.65	-216.3
FCF	5238	4125	11552	9793	12763	13257
CFO	10803	9204	12217	10522	13656	14407

Profitability

HF EBITDA	13323	13619	15189	16811	18021	19252
Gross Margin	67%	66%	67%	68%	68%	68%
Net Margin	30%	24%	20%	27%	27%	28%
ROA	16%	13%	12%	16%	15%	15%
ROE	-151%	-88%	-76%	-156%	-375%	823%
ROIC	114%	61%	47%	58%	57%	61%

Price Performance



PM vs. Peer Group – Sales Growth

Year	2025e	2026e	2027e
PM	7.1%	7.2%	6.8%
BTI	5.5%	3.5%	3.0%
MO	-1.6%	-0.1%	-0.1%
IMBBY	1.9%	20.6%	2.0%
UVV	7.2%	2.2%	1.0%

Company Description

Philip Morris International (PM) is a leading global tobacco and nicotine company headquartered in Stamford, Connecticut, operating in over 180 markets with a current market capitalization of approximately \$225 billion. Spun off from Altria in 2008, PM has transformed from a traditional cigarette manufacturer into the world's largest producer of smoke-free nicotine products, spearheading the industry's transition toward reduced-risk consumption. The company's vision, "*Delivering a Smoke-Free Future*," underscores its commitment to replacing cigarettes with scientifically substantiated alternatives for adult smokers.

PM's product portfolio is anchored by its IQOS heated tobacco platform and ZYN oral nicotine pouches, acquired through the 2022 purchase of Swedish Match for \$16 billion. IQOS has grown to over 33 million adult users worldwide, while ZYN leads the U.S. oral nicotine pouch market with roughly 70% retail share, making PM the clear global leader in smoke-free products. Traditional cigarette brands, including Marlboro, Parliament, L&M, and Chesterfield, remain integral to the business, generating stable cash flows that fund continued innovation and geographic expansion.

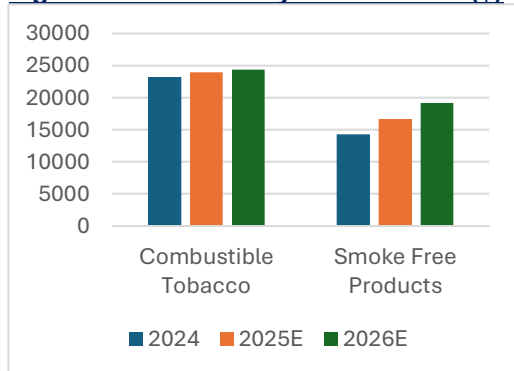
In FY2024, PM generated approximately \$37.9 billion in net revenue, derived 62% from combustible tobacco and 38% from smoke-free products such as IQOS, HEETS, TEREA, VEEV, and ZYN. Smoke-free products have achieved a five-year revenue CAGR of 20.7%, with a forecasted five-year CAGR of 12.8%. Meanwhile combustible sales have remained relatively stable due to strong pricing power and regional market share gains despite declining global smoking prevalence.

Compared to peers such as British American Tobacco (BTI), Imperial Brands (IMBBY), and Altria (MO), PM maintains the highest proportion of total revenue from non-combustibles, providing a durable competitive advantage as consumer preferences and regulatory frameworks increasingly favor reduced-risk products. PM's innovation-driven culture, scientific credibility, and early leadership in smoke-free technology position it as the clear front-runner in the nicotine industry's structural transformation.

Combustible Tobacco

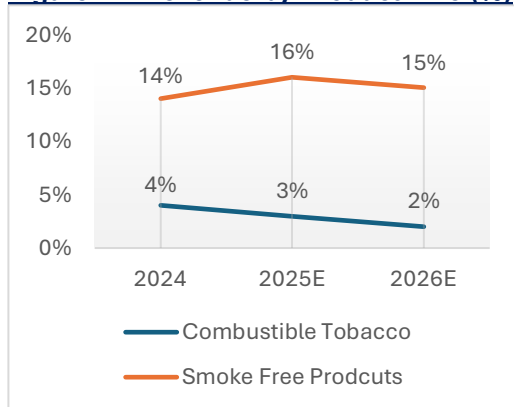
Combustible tobacco remains an important contributor to PM's cash flow generation despite operating in a structurally declining category. This segment remains the company's largest revenue contributor, accounting for approximately 62% of FY 2024 net sales. The products in this category include Marlboro, Parliament,

Figure #1: Revenue by Product Line (\$)



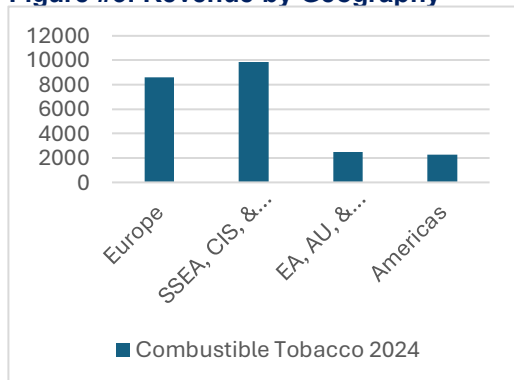
Source: PM 10K

Figure #2: Revenue by Product Line (%)



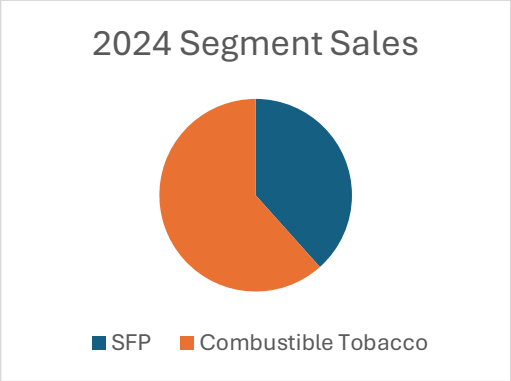
Source: PM 10K

Figure #3: Revenue by Geography



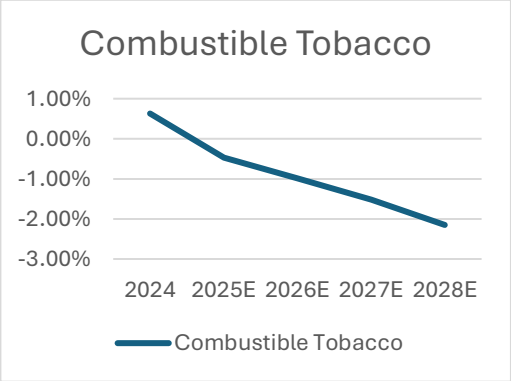
Source: PM 10K

Figure #4: Revenue by Segment



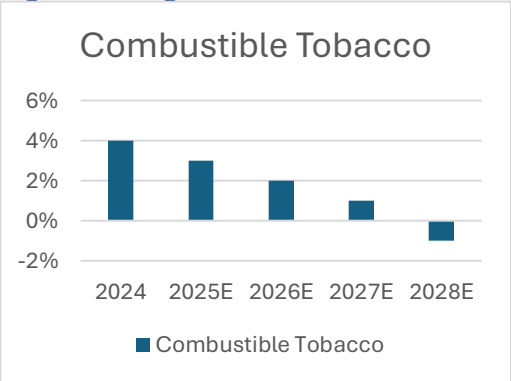
Source: PM 10K

Figure #5: Cigarette volume growth (%)



Source: PM 10K

Figure #6: Cigarette Revenue Growth



Source: PM 10K

Figure #7: Revenue by Geography



Source: PM 10K

Bond Street, Chesterfield, and several regional brands that collectively provide stable revenue supported by strong brand equity and consistent pricing power. Global smoking prevalence continues to decline, and our forecasted combustible volume reflects this trend with annual decreases of ~1-2%, with a total combustible tobacco revenue 5-year CAGR of just 0.85%. These declines are consistent with long term industry patterns, the impact of smoke free cannibalization, and PM's own strategic pivot toward reduced risk products.

While unit volumes continue to fall, pricing remains a key driver of segment performance. PM has historically offset low single digit volume declines with high single digit pricing increases in several markets, and this dynamic supports positive revenue growth in the first three years of our forecast period before the segment begins to contract. PM's geographic mix also contributes to relative stability as the company maintains strong competitive positions in regions with resilient demand such as Southeast Asia and Eastern Europe. The ability to take price without significant share loss reflects the strength of Marlboro and PM's portfolio strategy focused on premium and mid-tier positioning.

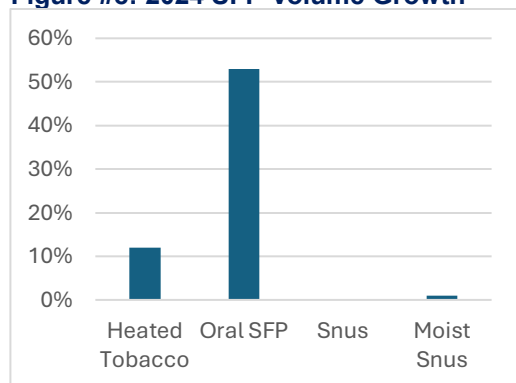
Over the long term the combustible segment is expected to decline in both volume and revenue as smoke free adoption accelerates. However, the combustible business continues to produce meaningful cash flow that helps fund PM's investment in IQOS, ZYN, and broader smoke free innovation. The stability of this segment during the transition period remains important for sustaining capital returns and supporting the company's financial flexibility as smoke free products expand to a larger share of consolidated revenue.

Smoke-Free Products

Smoke free products are the foundation of PM's long term growth strategy and continue to represent the most important driver of the company's structural transformation. These products accounted for approximately 38% of FY2024 net revenue, up from 18% five years earlier, reflecting one of the most significant mix shifts in the global nicotine industry. Over the last five years, smoke free revenue has grown at a 20.7% CAGR, driven by rapid adoption of IQOS, expansion of the ILUMA platform, and accelerating demand for ZYN in the United States. Our forecast projects that smoke free revenue will compound at 12.8% annually over the next five years and exceed 50% of PM's consolidated revenue by the end of the decade as reduced risk preferences continue to strengthen across key markets.

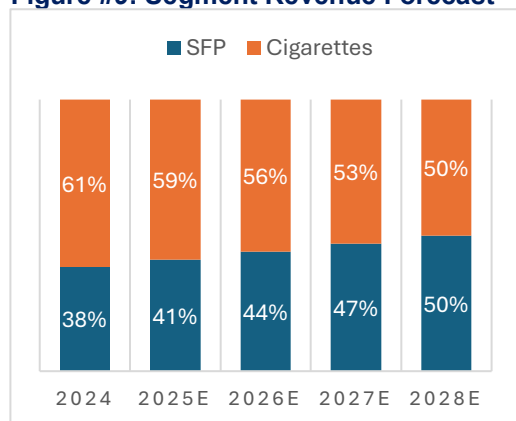
IQOS remains the world's most widely adopted heated tobacco system, with the global adult user base surpassing 33 million in 2024. ILUMA, the newest generation device, has expanded to more than 70 markets and relies exclusively on TERE

Figure #8: 2024 SFP Volume Growth



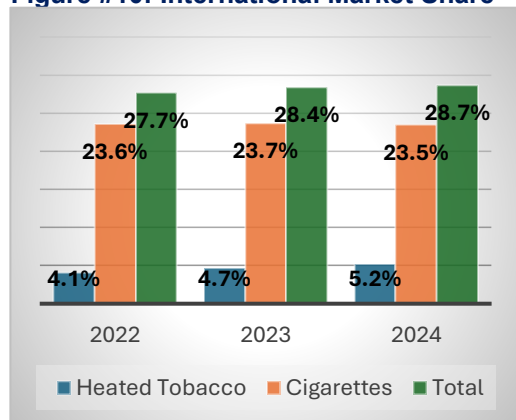
Source: PM 10K

Figure #9: Segment Revenue Forecast



Source: PM 10K

Figure #10: International Market Share



Source: PM 10K

consumables, which use an internal heating coil and self-contained tobacco stick that eliminates residue. This design materially raises the technological barrier to generic substitution and reinforces PM's pricing power within the ecosystem. TERE volumes have grown significantly since ILUMA's launch and are expected to increase at a low-teens rate annually as device penetration continues to grow across Europe, Japan, and the Middle East. The shift toward TERE also supports PM's margin trajectory given the higher profitability of ILUMA consumables relative to earlier generation HEETS.

ZYN is PM's fastest growing smoke free brand and a key contributor to the segment's performance. The United States oral nicotine category remains in a high growth phase, and ZYN leads the market with approximately 70% retail share. Shipment volumes increased 37% year over year in Q3 and 79.7% year over year in Q1, demonstrating exceptional unit momentum and broad consumer adoption. The \$16 billion acquisition of Swedish Match has fully integrated ZYN into PM's global supply chain, enabling low-cost expansion into international markets where oral nicotine pouches are still underpenetrated. As regulatory frameworks mature and distribution widens, ZYN has a multi-year opportunity to scale in Europe, Latin America, and select Asian markets, complementing IQOS adoption and diversifying PM's smoke free growth profile.

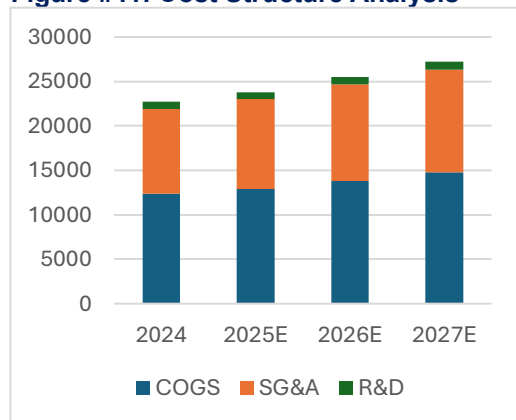
Overall, PM's smoke free portfolio is positioned to drive the majority of revenue and earnings growth over the next decade. Historical adoption trends, expanding device penetration, favorable mix shifts, and the recurring nature of TERE and ZYN consumable volumes reinforce the strength of the transition. With smoke free products already representing 38% of revenue and outgrowing the combustible segment by a double digit rate, PM enters the next stage of its strategy from a position of leadership and scale unmatched in the global nicotine industry.

Cost Structure Analysis

Philip Morris International maintains one of the most efficient and stable cost structures within the global consumer staples sector. Historically, cost of goods sold has averaged 30–33% of revenue, underscoring the company's lean manufacturing base, pricing discipline, and ability to navigate excise tax volatility. This efficiency reflects PM's global scale and localized production model, which minimizes logistics costs and currency exposure while preserving strong margins across both combustible and smoke-free products.

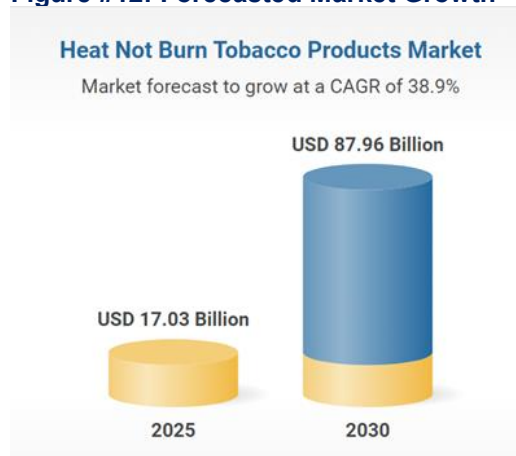
In FY2024, PM reported a gross margin of 67.32%, driven by the accelerating mix shift toward high-margin smoke-free products and ongoing manufacturing efficiencies. Selling, general, and administrative expenses have remained consistently low, averaging 23–25% of revenue, a testament to disciplined cost management amid higher marketing and innovation spending. We forecast SG&A to remain stable in the 24–25% range through

Figure #11: Cost Structure Analysis



Source: PM 10K

Figure #12: Forecasted Market Growth



Source: [researchandmarkets.com](https://www.researchandmarkets.com)

Figure #13: Old IQOS System w/ Heets



Source: VapourCore

2029, as scale benefits from the Swedish Match integration and digitalized distribution offset reinvestment in product development and market expansion.

PM's efficiency is further reinforced by its globally diversified manufacturing footprint, which provides cost flexibility and resilience to regional regulatory or supply disruptions. As smoke-free products scale, we project operating margins to expand 100–150 basis points by 2029, supported by automation, fixed-cost leverage, and a growing share of consumable sales with structurally higher profitability.

Capital expenditures have also trended upward as PM invests in new manufacturing capabilities for ILUMA consumables and ZYN production. Capex has averaged between 3% - 5% of net revenue over the past several years, with FY2024 coming in near 4%. Our forecast assumes a continuation of this trend, reflecting steady investment to support the scale expansion of smoke free products and meet increasing regulatory documentation requirements in international markets.

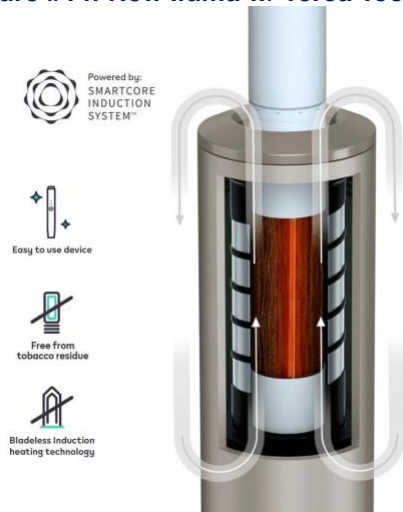
Overall, PM's cost structure demonstrates exceptional balance between efficiency and reinvestment. With a gross margin above 67% and SG&A firmly contained below 25% of sales, the company is positioned to sustain robust operating profitability while funding continued innovation, geographic expansion, and shareholder returns as it advances toward a fully smoke-free portfolio.

Competitive Differentiation & Advantage

PM maintains one of the strongest competitive positions in the global nicotine industry due to its combination of brand equity, technological leadership, manufacturing scale, and early investment in smoke free products. Marlboro remains the most valuable cigarette brand worldwide and continues to command strong pricing power in both developed and emerging markets. This brand strength has historically supported PM's ability to offset declining volumes with price increases, which remains critical during the company's transition period.

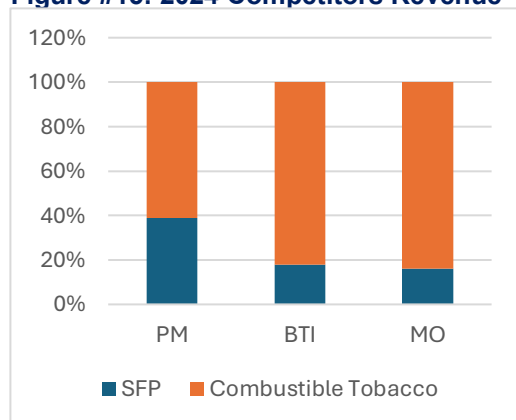
The most significant competitive advantage lies in PM's leadership in reduced-risk products. IQOS was the first heated-tobacco system to achieve widespread international adoption, supported by more than a decade of clinical and toxicological research. PM's scientific testing shows that IQOS aerosol contains approximately 95% fewer harmful chemicals compared to the smoke of a traditional cigarette. This data has been central to regulatory approvals and provides a meaningful point of differentiation for adult smokers seeking alternatives. The ILUMA device and TEREА consumables reinforce PM's technological edge through proprietary heating engineering that prevents generic compatibility. With more than 33 million adult IQOS users and commercialization in over 70 markets, PM possesses a scale advantage that

Figure #14: New Iluma w/ Terea Tech



Source: VapourCore

Figure #15: 2024 Competitors Revenue



Source: Factset

Figure #16: Debt Maturity Analysis

Fiscal Year	Coupon (%)	Payment (\$m)
2025	3.06	3404
2026	1.92	5000
2027	3.125	6451
2028	3.125	2777
2029	3.11	4324
2030-2034	2.18	15656
2035-2039	3.14	3327
Thereafter	4.74	5050
Total	2.94	45989

Source: PM 10-K

competitors cannot replicate without substantial investment and multiyear lead times.

ZYN further strengthens PM's competitive positioning in the fastest-growing nicotine category. The brand's approximately 70% retail share in the United States creates formidable barriers to entry for competitors, especially as ZYN's cultural visibility and rewards-based engagement strategy help reinforce consumer loyalty. The Swedish Match acquisition provided PM with best-in-class oral nicotine manufacturing capabilities, and the integration of global distribution enables expansion into international markets where the pouch category remains underpenetrated. This positions PM to capture disproportionate share as the global oral nicotine market evolves.

PM's scientific infrastructure and regulatory engagement capabilities also differentiate the company within an industry facing increasing scrutiny. The company has invested heavily in clinical testing, product validation, and harm reduction research to support regulatory submissions and communicate product science to authorities. This credibility has facilitated IQOS market authorization in key regions and continues to support expansion into new markets. Few competitors have the scale or resources to match PM's scientific investment, which enhances the company's long-term competitive moat.

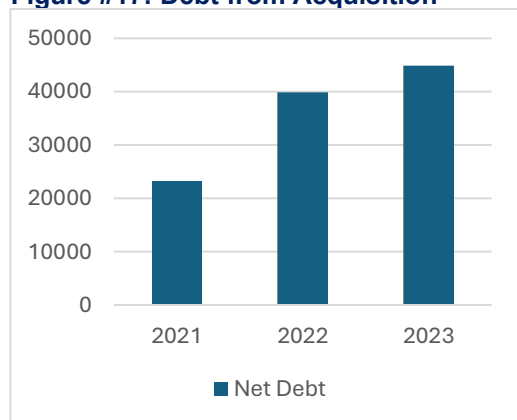
Collectively, these advantages give PM a unique position as the only major global tobacco company with a rapidly scaling, market-leading reduced-risk portfolio. The combination of first-mover advantage, recurring-consumable economics, brand loyalty, and technological barriers supports durable long-term cash-flow generation as PM transitions away from combustibles and into higher-margin smoke-free categories.

Debt Maturity Analysis

Philip Morris International carries a relatively high level of leverage following its 2022 acquisition of Swedish Match, which was largely financed with debt. As of FY2024, total debt stood at \$45.7 billion against \$4.2 billion in cash, leaving net debt of roughly \$41.5 billion. The company is rated A2 by Moody's and A- by S&P, placing it in the medium investment-grade category. While this rating affirms the firm's strong cash-flow generation and predictable earnings, the balance sheet remains stretched relative to peers. PM's Net Debt-to-EBITDA ratio of 2.73× is elevated relative to management's long-term target range (2.0–2.5×), reflecting elevated borrowing that has yet to be fully worked down post-acquisition.

PM's long-term debt maturity schedule is well staggered, though upcoming obligations remain significant with \$46 billion in payments. The company's average coupon rate is 2.94%, and with interest coverage of 11.73×, it maintains ample capacity to meet interest obligations from operations. PM generates over \$10 billion

Figure #17: Debt from Acquisition



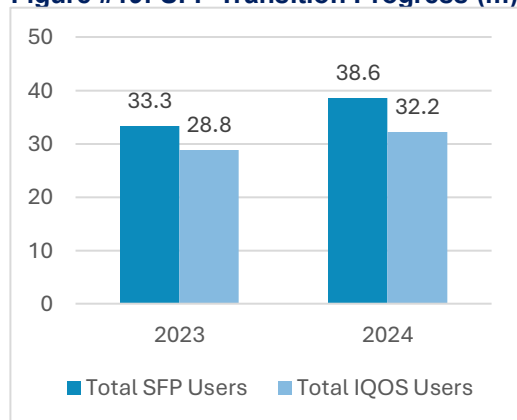
Source: PM 10K

Figure #18: Comparative ESG Scores



Source: S&P Global

Figure #19: SFP Transition Progress (m)



Source: Philip Morris International

in annual free cash flow, which should comfortably cover near-term maturities; however, the firm will likely refinance a portion of this debt to preserve liquidity and extend duration rather than pursue aggressive deleveraging.

A notable concern is PM's negative shareholders' equity position, which results from years of large share repurchases, accumulated currency translation losses, and pension adjustments—rather than from operational weakness. This accounting deficit indicates that liabilities exceed assets on paper, yet it does not impair liquidity or cash-flow generation. Still, it limits balance-sheet flexibility and underscores PM's reliance on steady free-cash-flow generation and continued access to credit markets.

In our view, PM's debt is elevated but manageable. Strong, recurring operating cash flow and stable margins offset concerns surrounding leverage and negative equity, while the firm's investment-grade ratings provide continued access to low-cost capital. Nonetheless, management's ability to gradually deleverage over the next three to five years will be critical to maintaining financial resilience, particularly if interest rates remain higher for longer or smoke-free adoption slows. Overall, while the balance sheet warrants monitoring, PM's robust cash generation and durable business model mitigate solvency risk and support its ongoing dividend and investment commitments.

ESG Analysis

Philip Morris International's sustainability strategy is centered on its long-term vision to deliver a smoke-free future, backed by over \$10.5 billion in R&D investments since 2008 to develop, scientifically substantiate, and commercialize reduced-risk products. Despite operating within one of the world's most controversial industries, PM has achieved best-in-class ESG recognition, distinguishing itself among global consumer staples peers for transparency and disclosure. As of 2025, PM received an ESG score of 74 from S&P Global, ranking first among tobacco peers; a "Medium" risk rating of 25.54 from Morningstar; and a total ESG risk score of 17.5 from Yahoo Finance (Environmental 4.1, Social 9.9, Governance 3.5). The company was included for the first time in the Dow Jones Sustainability World Index in 2023, marking a major milestone in its transformation narrative, and its ISS ESG rating was upgraded to "Prime" status, making PM the only tobacco company to reach that classification.

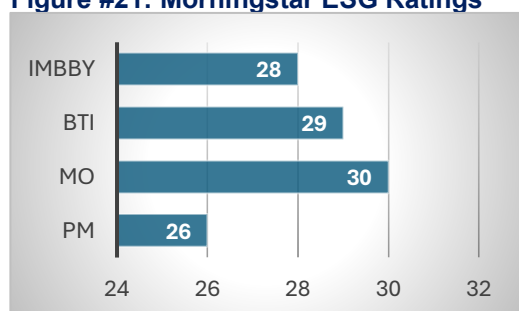
From an environmental standpoint, PM has demonstrated measurable progress in operational sustainability. According to its 2024 Integrated Report, 61% of factories are now carbon-neutral, and the company achieved a Triple-A rating from CDP for both Climate and Forests for three consecutive years. PM sources 100% of its pulp, paper, and board from verified no-deforestation suppliers, and its IQOS ILUMA product line carries Environmental Product Declarations (EPDs) to quantify life-cycle emissions. The company aims for carbon neutrality in direct operations by 2030, supported by renewable energy adoption and efficient

Figure #20: PM ESG Comparison Table

S&P CSA	73/100
ISS ESG	C+ (Prime)
MSCI	BBB
Sustainalytics	26.6 (Medium Risk)
CDP	A / A / A-

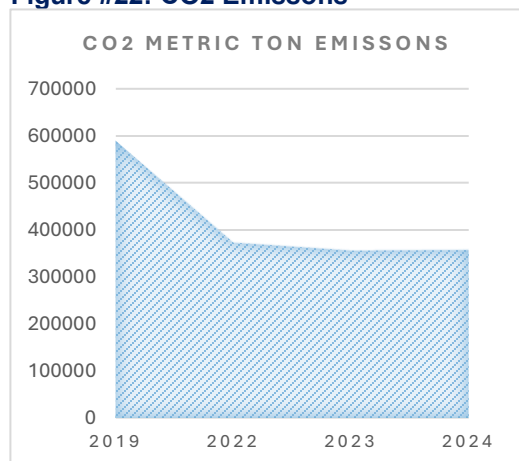
Source: PM Sustainability Report

Figure #21: Morningstar ESG Ratings



Source: Morningstar Sustainalytics

Figure #22: CO2 Emissions



Source: PM Sustainability Report

manufacturing. However, Scope 3 emissions remain a key challenge, tied to agricultural inputs, logistics, and downstream use of products. While environmental improvements strengthen PM's ESG credibility, the company still faces criticism for the unavoidable externalities of nicotine production and consumption.

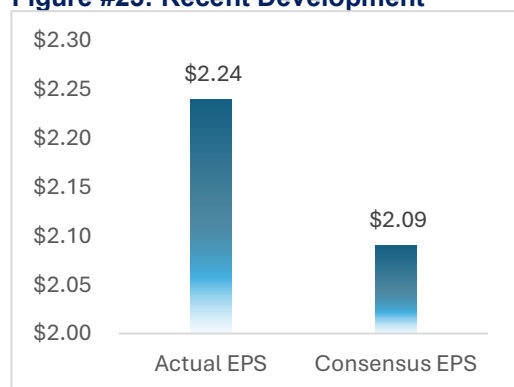
The social dimension of PM's ESG profile remains the most complex. The company has made measurable advances in human rights and responsible sourcing — reporting 99% of contracted farmers earning a living income and child labor rates of just 0.01%, no longer considered systemic. Youth access prevention programs now cover over 99% of global shipment volume, and the company has completed 10 human-rights impact assessments since 2018. Yet, PM's expansion into wellness and healthcare through its Vectura Group and Fertin Pharma acquisitions sparked significant controversy. Critics viewed the ownership of an asthma inhaler manufacturer by a tobacco company as a conflict of interest undermining its public health claims. This move was widely regarded as ethically inconsistent with PM's smoke-free transformation narrative. The firm has since divested Vectura (in 2024), partially resolving investor concern, but the episode underscores the reputational risks of repositioning within health-related industries. PM's continued development of the Aspeya wellness platform under the Fertin business aims to diversify into "seamless health experiences," though investor confidence in this pivot remains tentative.

From a governance perspective, PM ranks among the strongest in its peer group. Its board maintains a majority of independent directors, and executive compensation is explicitly linked to ESG and smoke-free product performance, with sustainability metrics representing 30% of long-term equity awards. The company's Sustainability Index achieved an 89% score in 2024, exceeding internal targets and reinforcing accountability. PM's ESG disclosures have earned repeated recognition from WBCSD's Reporting Matters and inclusion in the Bloomberg Gender Equality Index. Still, the company's negative shareholders' equity and elevated leverage (Net Debt/EBITDA: 3.01x) raise some long-term balance sheet and governance concerns, particularly in maintaining capital flexibility amid continued investment in transformation and shareholder distributions.

A broader evaluation of PM's ESG profile requires acknowledging the tension between its operational achievements and the inherent nature of its business. The company has made measurable progress in reducing its environmental footprint, improving supply-chain conditions, and strengthening governance, yet these advancements do not erase the fact that PM's core products remain addictive and ultimately harmful. ESG frameworks tend to reward transparency, disclosure quality, and emissions reductions, which allows PM to score higher than peers such as BTI and IMBBY, but these models often underweight the societal and health-related externalities tied directly to nicotine use. PM's ESG initiatives reflect a genuine transformation, but the business still depends on creating lifetime customers in a category built around

dependence. As a result, PM's ESG ratings should be interpreted with caution, recognizing both the credibility of its operational improvements and the unavoidable ethical contradictions of the industry in which it operates.

Figure #23: Recent Development



Source: Yahoo Finance

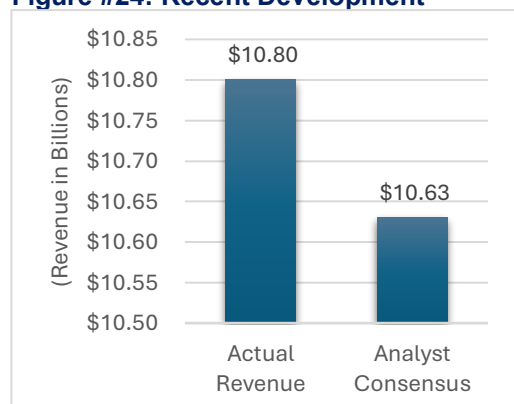
Recent Developments

Recent Earnings Announcement

Philip Morris International (PM) delivered a strong third-quarter performance on October 21, 2025, exceeding both revenue and earnings expectations. The company reported adjusted diluted EPS of \$2.24, surpassing consensus estimates of \$2.09, representing a 7.2% beat. Revenue also outperformed, reaching \$10.8 billion versus the expected \$10.63 billion, supported by continued momentum in PM's smoke-free product portfolio. Gross margin expanded 170 basis points to 67.9%, and operating income margin improved 60 basis points to 43.1%. These results were primarily driven by stronger-than-expected smoke-free performance, with ZYN shipment volume increasing 37% year-over-year and ILUMA continuing to scale across new markets.

Despite the earnings beat, shares fell 0.76% in pre-market trading, likely reflecting investor caution surrounding global macro pressures and tariff risks. However, underlying fundamentals remain solid, with organic net revenue growth of 5.9% for the quarter and 7.5% year-to-date, consistent with PM's long-term transformation strategy.

Figure #24: Recent Development



Source: Yahoo Finance

Management reiterated its optimism for 2025, guiding for 1% total shipment growth, 12–14% smoke-free volume growth, 6–8% organic net revenue growth, and 10–11.5% operating income growth, with EPS expected to rise 12–13.5% on a currency-neutral basis. These targets reflect confidence in continued adoption of IQOS and ZYN and expansion across key international markets.

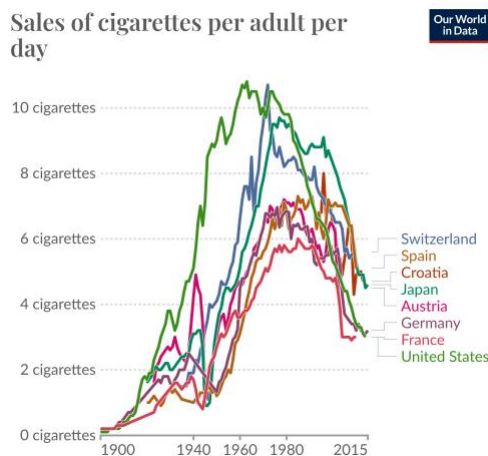
Our model forecasts ~7.1% organic revenue growth for FY2025, aligning with management's mid-point guidance but applying a conservative assumption for U.S. ZYN margin compression due to potential tariff-related cost pressure.

Overall, the quarter reinforced PM's strength in navigating regulatory and macroeconomic headwinds. The company continues to execute effectively on its smoke-free transformation, leveraging strong brand loyalty, scale efficiencies, and pricing discipline to maintain profitability even amid global volatility. This performance further validates our Buy rating and \$195 target price (35% upside), supported by resilient fundamentals and a growing share of revenue from reduced-risk products.

Industry Trends

Shift from Cigarettes to Smoke Free Alternatives

Figure #25: Global Decline in Smoking



Source: *International Smoking Statistics*

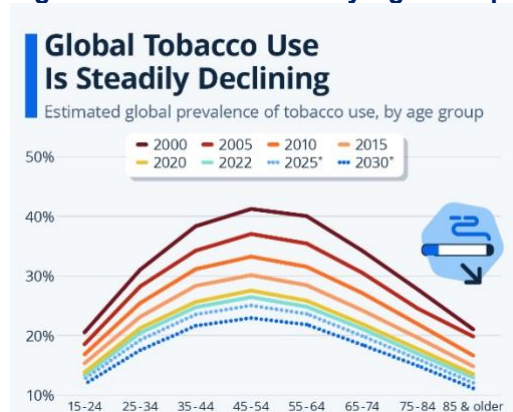
The global tobacco industry, valued at approximately \$1 trillion, is undergoing a profound structural transformation. Although the total market continues to grow modestly at a 2.5% compound annual rate, this expansion is driven almost entirely by the rapid adoption of smoke-free nicotine products rather than traditional combustible tobacco. Global cigarette demand is in secular decline as public health awareness, rising excise taxes, and strict advertising bans reshape consumer behavior.

This divergence between categories reflects a major shift in consumption patterns—from traditional tobacco combustion to reduced-risk, technology-enabled delivery systems such as heated tobacco, vapor, and oral nicotine pouches. Consumers increasingly perceive these alternatives as cleaner, more socially acceptable, and less harmful, prompting the fastest behavioral shift in the industry's modern history.

While combustible volumes will continue to contract, pricing power, brand loyalty, and premiumization are likely to support near-term revenue stability. For Philip Morris International (PM), we forecast combustible volumes to decline by approximately 1–2% annually through 2029, partially offset by selective pricing growth in Europe and persistent smoking culture in emerging regions such as Southeast Asia, the Commonwealth of Independent States (CIS), and the Middle East & Africa (MEA).

Ultimately, the long-term outlook for the global tobacco industry is defined by substitution rather than expansion—as the growth of smoke-free alternatives outpaces the decline in cigarettes. Companies that successfully lead this transformation stand to capture sustainable growth and margin expansion, while legacy players reliant on combustibles face accelerating volume and regulatory headwinds.

Figure #26: Tobacco Use by Age Group



Source: *World Health Organization*

Regulatory Shifts

Regulation remains the single most powerful force shaping the global nicotine industry. Governments worldwide are pursuing increasingly aggressive public-health agendas aimed at curbing smoking prevalence, raising excise taxes, and tightening packaging and marketing restrictions. The World Health Organization's Framework Convention on Tobacco Control (FCTC) continues to drive policy alignment across member nations, pushing the industry toward greater accountability and product disclosure.

While regulation constrains the combustible category, it has also catalyzed innovation in smoke-free products, particularly in markets where governments acknowledge the potential for harm reduction. The U.S. FDA's authorization of IQOS and General Snus as "Modified Risk Tobacco Products (MRTPs)" represents a watershed moment, validating the scientific substantiation of reduced-risk technologies. Several European and Asian markets have since adopted similar frameworks, enabling the legal sale

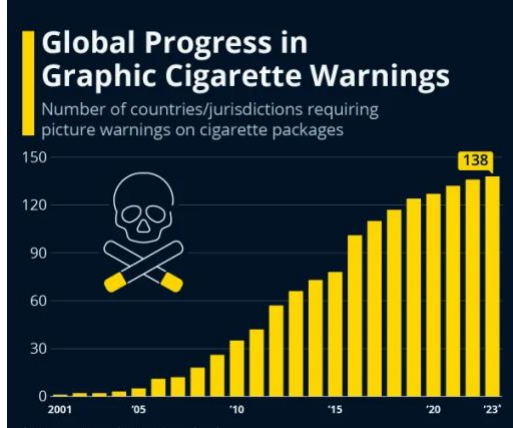
and taxation of heated-tobacco products as distinct from combustible cigarettes.

Nonetheless, policy fragmentation and uncertainty remain significant risks. Many jurisdictions continue to debate flavor bans, nicotine-strength caps, and excise harmonization that could narrow the economic gap between combustibles and reduced-risk products. Additionally, youth-access regulations and advertising restrictions are tightening across both traditional and emerging markets.

Regulatory pressure is most concentrated in the United States and Europe, where policymakers are considering the strictest limitations on nicotine-containing products. In the US, FDA reviews of flavored products, state-level bans, and ongoing discussions surrounding nicotine caps pose meaningful risk to ZYN's growth trajectory and the scalability of oral nicotine more broadly. Meanwhile, several European markets are weighing reductions in allowable nicotine content, expanded flavor restrictions, and tighter authorization pathways for heated-tobacco systems. These regions represent PM's highest-value smoke-free markets, meaning restrictive policy changes could slow adoption rates or elevate compliance costs.

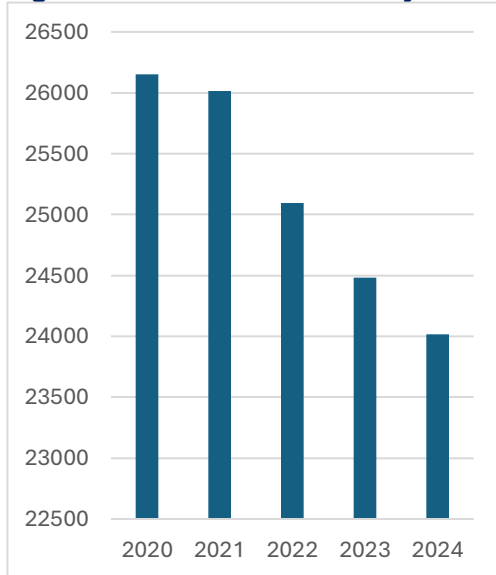
Over the long term, we expect regulation to accelerate the global transition to smoke-free alternatives, favoring companies with robust scientific evidence and regulatory relationships. Firms lacking validated reduced-risk portfolios will face declining market share and compressed margins. As the global leader in MRTP-certified products, PM is positioned to benefit disproportionately from this shift, though continued regulatory vigilance and transparent harm-reduction reporting will be essential to sustaining credibility with policymakers and investors alike.

Figure #27: Rising Tobacco Regulations



Source: Canadian Cancer Society

Figure #28: MO Revenue History



Source: Factset

Markets and Competition

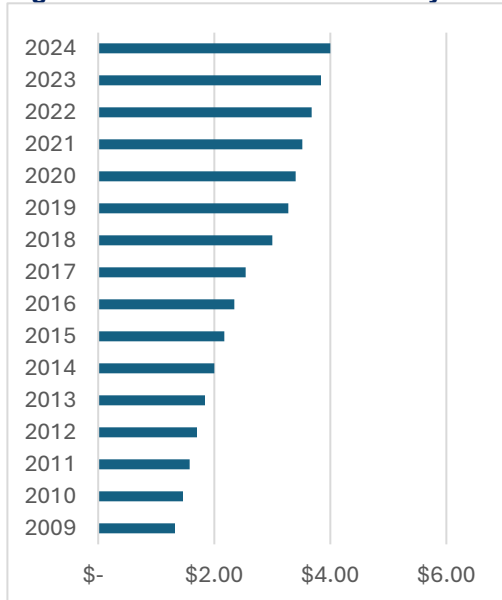
[PM]'s Peer Group

Philip Morris International's (PM) key competitors are other global tobacco manufacturers that dominate the international nicotine market through brand scale, pricing power, and emerging smoke-free portfolios. We defined the peer set to include Altria Group (MO), British American Tobacco (BTI), Imperial Brands (IMBBY), and Universal Corporation (UVV)—firms with comparable size, operating margins, and exposure to the transition from traditional cigarettes to reduced-risk products.

The global tobacco industry remains highly consolidated, with these players controlling most global nicotine profits. Each firm competes across pricing, product innovation, regulatory agility, and distribution scale. The market is mature but evolving—combustibles are in structural decline while smoke-free alternatives (heated tobacco, vapor, and oral nicotine) drive growth. The industry's profitability is stable but unevenly

distributed, depending on each company's ability to adapt to regulation and reallocate capital toward smoke-free innovation.

Figure #29: Altria Dividend History



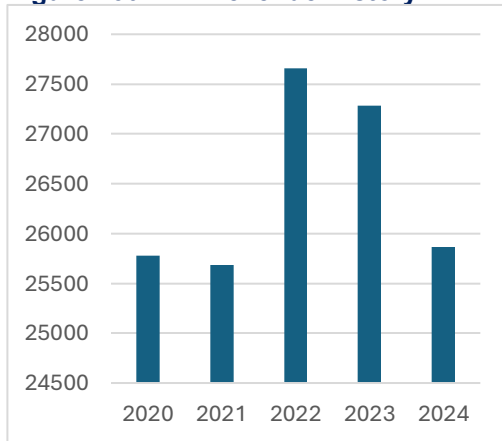
Source: Altria Group

Altria Group (MO)

Altria remains the dominant player in the U.S. tobacco market, supported by Marlboro's more than 40% share of domestic cigarette volumes and a portfolio that is almost entirely concentrated in the United States. This geographic concentration shields the company from foreign exchange volatility but exposes it heavily to U.S. regulatory and litigation risk, particularly as the FDA considers tighter rules on nicotine content, flavors, and youth access oversight. Altria competes with PM primarily in the oral nicotine segment through its on! pouches, which directly overlap with ZYN following PM's acquisition of Swedish Match.

Operationally, Altria continues to generate strong financial performance, maintaining some of the highest margins in global tobacco. Operating margins exceed 55%, driven by aggressive pricing power and disciplined cost management, although revenue growth remains limited because U.S. cigarette volumes decline at a faster pace than in most international markets. Altria's dependence on combustibles, which still account for more than 85% of revenue, creates a structural challenge as the U.S. market transitions toward alternative nicotine formats. While the company has expanded its smoke free portfolio, its exposure remains significantly smaller than PM's, where smoke free products account for more than one third of total revenue and continue to grow at double digit rates.

Figure #30: BTI Revenue History



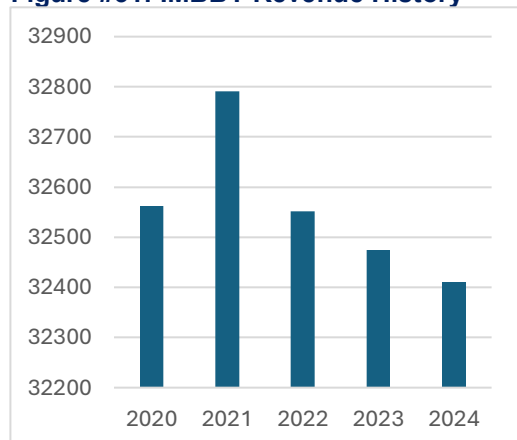
Source: Factset

From a strategic standpoint, PM's competitive advantage stems from its international diversification and earlier, more substantial investment in reduced risk technologies. IQOS is FDA authorized in the United States and represents the most credible long term threat to Altria's dominant position in premium cigarettes. IQOS ILUMA's device sophistication, TERA consumables, and broader scientific substantiation create a differentiated value proposition that Altria cannot match with its current product pipeline. On the oral nicotine side, ZYN's market leadership, which is approximately 70% of U.S. retail share, places pressure on on!, which continues to grow but lacks the momentum, cultural visibility, and international scalability of ZYN.

British American Tobacco (BTI)

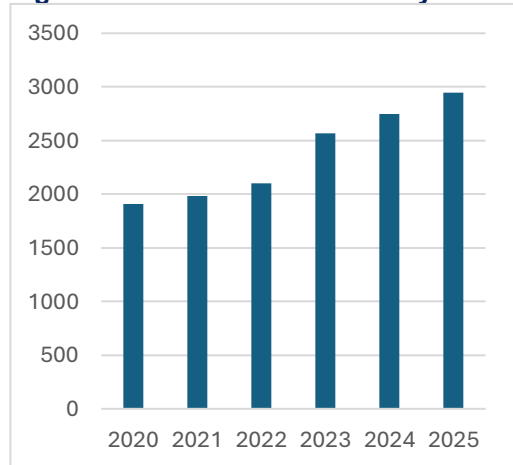
British American Tobacco is one of PM's closest global peers, competing directly across most major international markets. The company's portfolio includes Dunhill, Lucky Strike, Vuse in vapor, and Velo in oral nicotine, giving it meaningful exposure across all major nicotine formats. BTI's New Categories segment, which represents its version of reduced risk products, accounts for

Figure #31: IMBBY Revenue History



Source: Factset

Figure #32: UVV Revenue History



Source: Factset

approximately 18% of revenue. This remains well below PM's smoke free revenue share of 38%.

Although BTI is often viewed as PM's most comparable competitor in terms of global scale, its financial profile differs in several important ways. BTI maintains the highest gross margins in the industry at approximately 83%, but its operating performance is weighed down by slower adoption of reduced risk products and weaker scientific validation in heated tobacco. BTI competes with PM in multiple categories, including heated tobacco through its glo platform, vapor through Vuse, and oral nicotine through Velo. However, glo continues to lag IQOS in both device sophistication and consumer conversion, and Velo has not achieved the same level of market momentum or cultural visibility as ZYN.

BTI's slower transition pace reflects strategic and regulatory challenges. The company has struggled to secure the same level of regulatory traction as PM in key markets, particularly in heated tobacco where IQOS holds a meaningful first mover advantage supported by extensive scientific substantiation. Vuse remains a strong competitor in certain vapor markets, but the category's regulatory uncertainty and slower global adoption reduce its long term visibility relative to heated tobacco and oral nicotine. As PM continues to scale IQOS ILUMA and expand ZYN internationally, BTI risks falling further behind in categories that are driving the structural shift of the industry.

While BTI remains a credible global competitor with strong cash flow and leading historical brand equity, its reduced risk portfolio is less advanced, and its innovation cycle trails PM.

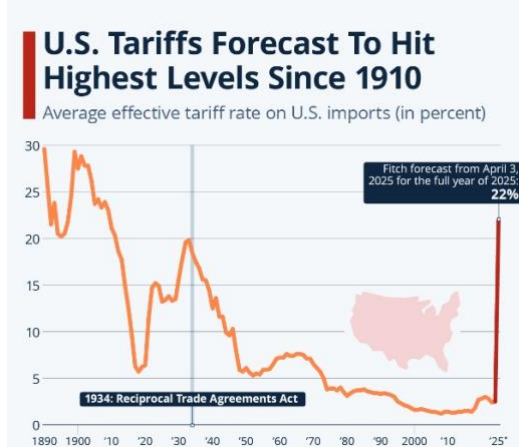
Imperial Brands (IMBBY)

Imperial Brands is a smaller global competitor with a concentrated footprint in Europe, the United Kingdom, and select emerging markets. Its portfolio includes Davidoff, Gauloises, JPS, and the blu vapor brand, although its reduced risk presence remains limited compared to PM and BTI. Imperial's Next Generation Products segment accounts for less than 10% of total revenue, leaving the company heavily dependent on combustibles at a time when global cigarette demand continues to contract. Imperial's revenue has steadily declined since 2021 as the shrinking cigarette market, combined with limited reduced risk innovation, has weighed on both volume and share performance in several core geographies.

While Imperial maintains solid profitability supported by pricing strength and strict cost control, its lack of a competitive reduced risk product pipeline limits its growth prospects relative to peers. The company scaled back development spending on reduced risk offerings in recent years to prioritize cash flow and dividends, which has resulted in slower innovation cycles and weaker regulatory engagement. Unlike PM, which is rapidly expanding IQOS ILUMA and ZYN across international markets, Imperial does

not meaningfully participate in the heated tobacco category and continues to lose relevance in vapor as Vuse and other competitors outpace blu.

Figure #33: Tariff Rates



Source: US International Trade Commission

Universal Corporation (UVV)

Universal Corporation operates as a global leaf-tobacco supplier rather than a branded consumer manufacturer, making it a unique peer within the comparison set. The company provides raw tobacco to major manufacturers, including PM, BTI, and Imperial Brands, giving it exposure to agricultural supply trends rather than end-market consumer dynamics. Universal's revenue is driven primarily by tobacco crop volumes, commodity prices, supply-chain contracts, and regional production cycles, resulting in more volatile earnings than branded manufacturers.

Because Universal does not participate directly in the reduced-risk product category, it lacks the structural growth opportunity available to PM through IQOS, TEREA, and ZYN. Its business model is tied to the long-term decline of global combustible volumes, and while the company maintains strong relationships with growers and stable long-term contracts, it does not benefit from the margin expansion or recurring consumable economics that underpin PM's transition story. As PM increases its smoke-free mix and reduces reliance on leaf tobacco, Universal's strategic relevance is likely to diminish over time.

Economic Outlook

Tariffs

The reemergence of tariff volatility under the Trump administration has introduced renewed uncertainty into global trade policy, particularly between the United States and the European Union. For Philip Morris International (PM), these developments carry targeted but meaningful implications for its rapidly growing ZYN nicotine pouch business, which is produced primarily in the United States and Switzerland. Because of this transatlantic supply linkage, ZYN is directly exposed to potential tariff escalation or trade disputes between the two regions.

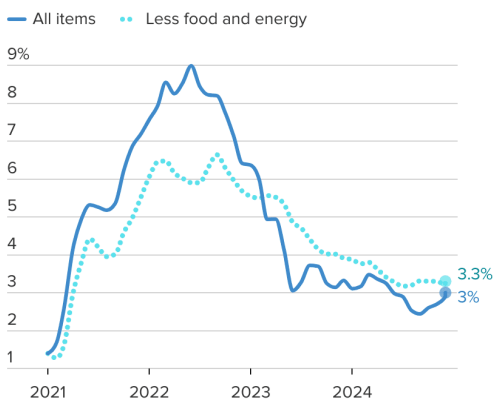
Should tariffs be reimposed on EU-manufactured goods or components, PM could face margin compression on ZYN due to higher input and logistics costs. The company's ability to offset such pressures through pricing would be limited, given intensifying competition in the oral nicotine category and the growing presence of lower-cost private-label alternatives. This makes U.S.–EU trade policy under a renewed Trump administration a material risk to short-term profitability, even as PM's broader operations remain geographically diversified.

That said, PM's core international footprint, with over 88% of its revenues generated outside the U.S. and most production serving

Figure #34: CPI Inflation Report

U.S. consumer price index

Year-over-year percent change | Jan. 2021–Jan. 2025

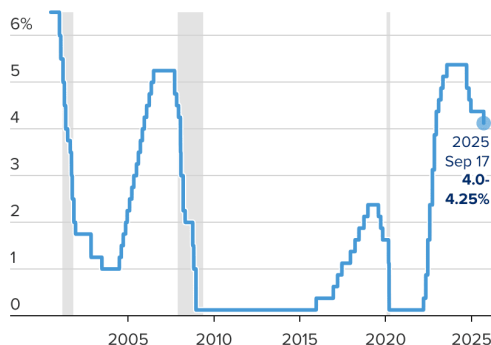


Source: US BLS

Figure #35: Fed Rate Cuts

Federal Reserve cuts interest rates for the first time in 2025

U.S. FEDERAL FUNDS RATE SINCE 2000



Note: From December 2008 to present, the chart reflects the midpoint of the Federal Reserve's target range. Shaded areas show recessions.

Source: Federal Reserve Bank of NY

local or regional markets, largely insulates the rest of the business from direct tariff exposure. The firm's localized supply-chain model mitigates customs costs, reduces shipping volatility, and protects operating margins in its combustible and heated-tobacco segments. Nevertheless, we expect heightened trade-policy uncertainty to weigh modestly on U.S. smoke-free margins, warranting close monitoring of tariff developments through 2025.

Interest Rates and Inflation

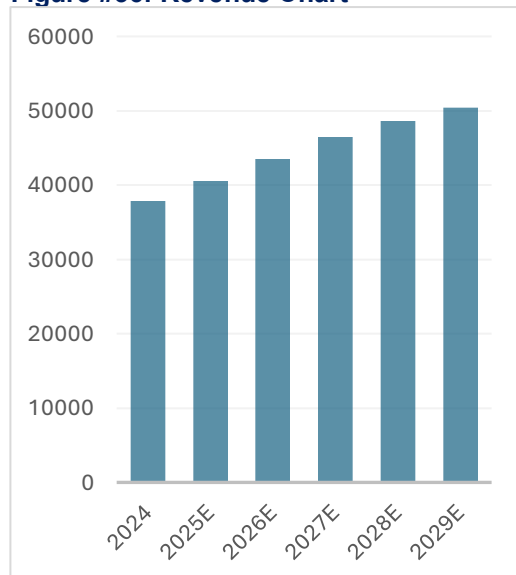
The U.S. Federal Reserve has shifted decisively toward monetary easing over the past year, implementing several rate cuts to support a slowing economy. The most recent cut last Friday brought the federal funds rate to a range of 3.75–4.00%, with markets pricing in at least one additional cut before year-end. However, the Fed's ability to calibrate policy effectively has been undermined by the ongoing government shutdown, which has restricted access to key economic data on inflation, employment, and consumer spending.

This lack of visibility leaves policymakers "flying blind" in balancing the Fed's dual mandate of price stability and maximum employment. Persistent tariff-driven inflation, especially from renewed trade frictions with China and the European Union, adds complexity to the outlook. With sticky import costs and softening labor conditions, the risk of stagflation (sluggish growth paired with elevated prices) is rising into 2026.

For Philip Morris International (PM), the macro implications are nuanced. A period of stagflation would likely pressure U.S. consumer demand and the dollar, yet PM's global diversification and foreign-currency revenue base largely mitigate these risks. Again, over 88% of PM's revenue is generated outside the U.S., meaning a weaker dollar would actually benefit reported earnings through favorable translation effects. Moreover, PM's products, particularly cigarettes and smoke-free nicotine, display inelastic demand, allowing the company to maintain pricing power even in higher-cost environments.

We expect one additional Fed rate cut before year-end 2025, which should slightly ease borrowing costs and support PM's free-cash-flow generation and debt servicing. However, sustained policy uncertainty, sticky inflation, or a potential stagflationary backdrop could increase exchange-rate volatility and indirectly affect input costs, particularly for U.S.-produced products such as ZYN. Overall, PM remains well-positioned to withstand monetary-policy turbulence, wit

Figure #36: Revenue Chart



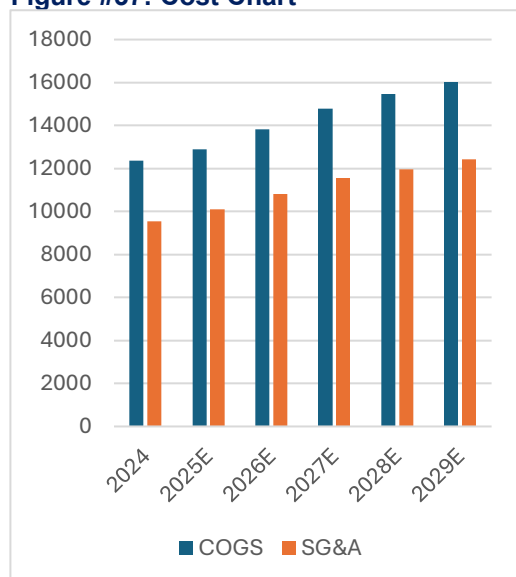
Source: PM 10K

Valuation

Revenue Assumptions

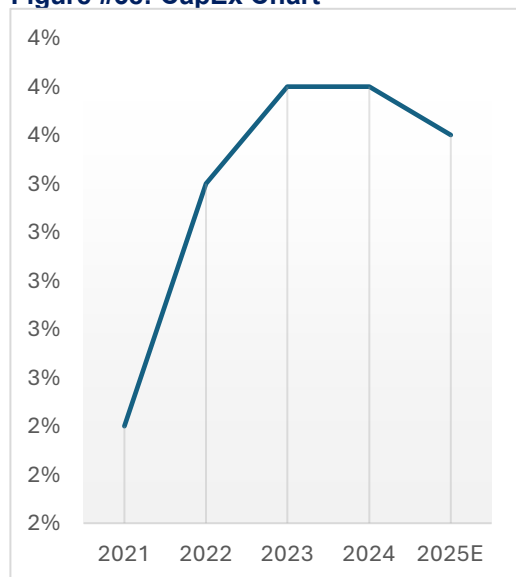
Our revenue forecast reflects a strong multi year ramp in smoke free products alongside disciplined pricing in combustibles. Total revenue increases **7%** in 2025, consistent with management's organic growth guidance, and compounds at a five year CAGR

Figure #37: Cost Chart



Source: PM 10K

Figure #38: CapEx Chart



Source: PM 10K

of **5.9%**. Smoke free revenue grows at **12.8%** driven by IQOS ILUMA expansion and accelerating ZYN adoption in the United States and initial international rollouts. Combustible revenue remains stable in the near term as pricing offsets planned volume declines that accelerate from **-1% to -2%** through 2029. The revenue mix shifts materially over the forecast horizon, with smoke free products approaching a majority share of total sales.

Cost Assumptions

Cost assumptions are derived from historical trends and our analysis of segment level margin progression. Net Profit Margin is modeled at **26.72%** in 2025 and gradually increases to **29.03%** as the higher margin smoke free mix expands. SG&A is forecast at **24.88%** of revenue in 2025 and remains relatively stable due to ongoing commercial investments offset by scale efficiencies from the Swedish Match integration. Operating margins expand steadily as IQOS consumables and ZYN pouches rise as a share of revenue, consistent with PM's long term strategy to increase the contribution of high incremental margin products.

CapEx Assumptions

PM does not provide explicit CapEx guidance, so the model uses a rate consistent with recent historical spending. Capital expenditures are set at **4%** of revenue throughout the forecast horizon. This level supports device innovation, manufacturing scale up for ZYN, and capacity expansion for ILUMA consumables. CapEx intensity remains modest relative to cash flow generation and declines as a percentage of revenue over time as smoke free infrastructure matures.

WACC Calculation

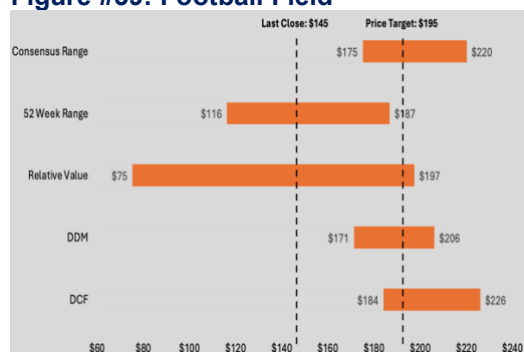
The weighted average cost of capital is sourced directly from our WACC worksheet and reflects PM's stable cash flow profile and investment grade balance sheet. The risk-free rate is **4.17%**, the equity risk premium is **5%** and the levered beta is **0.39**. The cost of equity is **6.12%** based on the capital asset pricing model. The after-tax cost of debt is **4.83%** derived from PM's weighted average coupon and statutory tax rate. The resulting WACC used in the DCF is **5.71%**.

DCF/EP

The DCF incorporates revenue, margin, and CapEx assumptions described above. Free cash flow expands steadily as the smoke free mix increases and operating margins improve. Terminal growth is set at **2%** to reflect the long term maturation of reduced risk categories. Under these assumptions, the model produces an intrinsic value of **\$209.64** supported by the durability of consumable driven cash flows and PM's leadership in alternative nicotine categories.

Relative Multiple

Figure #39: Football Field



The first part of our relative valuation uses PM's direct tobacco peers including Altria, British American Tobacco, Imperial Brands, and Universal Corporation. This group trades at lower forward valuation multiples because of heavier reliance on combustibles and slower adoption of reduced risk products. The peer average forward price to earnings of 11.51, gives an implied PM valuation of **\$74.54** per share when applied to PM's forward estimates. PM screens at a premium to the group, which is justified by its higher smoke free mix, stronger margin profile, and superior long term growth outlook.

We also compare PM with large consumer staples companies that share similar scale, brand strength, and cash flow durability. These companies trade at higher forward valuation multiples than the tobacco group. Applying their average price to earnings of 24.59, gives PM a forward implied valuation of **\$165** per share. This reflects the potential for PM to rerate over time as smoke free products become a larger share of revenue.

Both frameworks provide useful reference points. The tobacco peer set anchors the downside based on legacy category characteristics, while the consumer staples set captures the potential for multiple expansion as PM transitions toward a higher quality, smoke free revenue base.

Figure #40: Henry Fund vs. The Street

Estimates			
	Rev	2025e EPS	EBITDA
HF	40577	6.56	16811
Street	40672	7.54	17390
% Diff.	0.2%	13.9%	3.4%

Estimates			
	Rev	2026e EPS	EBITDA
HF	43497	7.18	18021
Street	43801	8.36	19235
% Diff.	0.7%	15.2%	6.5%

Estimates			
	Rev	2027e EPS	EBITDA
HF	46468	7.88	19252
Street	46666	9.18	20949
% Diff.	0.4%	15.2%	8.4%

Henry Fund vs. The Street

Henry Fund estimates differ from Street consensus primarily due to our more conservative margin and financing assumptions, not from differences in revenue expectations. While the Street is modeling a rapid expansion in operating margins driven by aggressive smoke-free product scaling—particularly IQOS ILUMA and ZYN—we assume a more measured pace of profitability improvement based on PMI's historical tendency to overestimate margin uplift and the continued promotional intensity required in the U.S. nicotine-pouch market. Additionally, we forecast higher interest expense due to PMI's elevated long-term debt balance and expected refinancing in a higher-rate environment, whereas Street estimates appear to assume faster deleveraging and lower borrowing costs. We also incorporate a more realistic outlook for combustible volume declines and regional margin drag in the Americas, which consensus seems to underweight. As a result, despite nearly identical revenue forecasts, our EBITDA and EPS projections are lower, reflecting a more risk-adjusted and historically grounded view of PMI's cost structure, debt burden, and margin trajectory.

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10. BTI 10K
11. UVV 10K
12. IMBBY 10K
13. MO 10K

Philip Morris International
Revenue Decomposition

Fiscal Years Ending Dec. 30	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Product Segments										
Combustible Tobacco										
Europe	\$ 8,053	\$ 8,211	\$ 7,694	\$ 8,037	\$ 8,599	\$ 9,037	\$ 9,109	\$ 9,086	\$ 8,905	\$ 8,880
growth %	0%	2%	-6%	4%	7%	5%	1%	0%	-2%	0%
SSEA, CIS, & MEA	\$ 9,676	\$ 9,773	\$ 9,173	\$ 9,321	\$ 9,848	\$ 9,900	\$ 10,139	\$ 10,372	\$ 10,493	\$ 10,283
growth %	-14%	1%	-6%	2%	6%	1%	2%	2%	1%	-2%
EA, AU, & PMI DF	\$ 2,468	\$ 2,416	\$ 2,831	\$ 2,676	\$ 2,516	\$ 2,596	\$ 2,590	\$ 2,512	\$ 2,455	\$ 2,357
growth %	-8%	-2%	17%	-5%	-6%	3%	0%	-3%	-2%	-4%
Americas	\$ 1,670	\$ 1,790	\$ 1,874	\$ 2,299	\$ 2,255	\$ 2,380	\$ 2,502	\$ 2,691	\$ 2,637	\$ 2,700
growth %	-23%	7%	5%	23%	-2%	6%	5%	8%	-2%	2%
Total	\$ 21,867	\$ 22,190	\$ 21,572	\$ 22,334	\$ 23,218	\$ 23,913	\$ 24,340	\$ 24,662	\$ 24,490	\$ 24,219
growth %	-10%	1%	-3%	4%	4%	3%	2%	1%	-1%	-1%
Smoke-Free										
Europe	\$ 3,777	\$ 5,368	\$ 5,278	\$ 6,194	\$ 6,758	\$ 7,704	\$ 8,860	\$ 10,012	\$ 10,913	\$ 11,676
growth %	47%	42%	-2%	17%	9%	14%	15%	13%	9%	7%
SSEA, CIS, & MEA	\$ 58	\$ 156	\$ 1,294	\$ 1,308	\$ 1,413	\$ 1,653	\$ 1,885	\$ 2,167	\$ 2,449	\$ 2,694
growth %	-82%	169%	729%	1%	8%	17%	14%	15%	13%	10%
EA, AU, & PMI DF	\$ 2,961	\$ 3,539	\$ 3,105	\$ 3,525	\$ 3,877	\$ 4,459	\$ 4,994	\$ 5,593	\$ 6,208	\$ 6,829
growth %	11%	20%	-12%	14%	10%	15%	12%	12%	11%	10%
Americas	\$ 31	\$ 52	\$ 242	\$ 1,508	\$ 2,279	\$ 2,849	\$ 3,419	\$ 4,034	\$ 4,599	\$ 5,012
growth %	15%	68%	365%	523%	51%	25%	20%	18%	14%	9%
Total	\$ 6,827	\$ 9,115	\$ 9,919	\$ 12,534	\$ 14,327	\$ 16,665	\$ 19,156	\$ 21,805	\$ 24,168	\$ 26,212
growth %	22%	34%	9%	26%	14%	16%	15%	14%	11%	8%
Wellness and Healthcare	\$ -	\$ 101	\$ 271	\$ 306	\$ 333	Discontinued Operations				
growth %			168%	13%	9%					
Total PMI Net Revenues	\$ 28,694	\$ 31,405	\$ 31,762	\$ 35,174	\$ 37,878	\$ 40,577	\$ 43,497	\$ 46,468	\$ 48,658	\$ 50,431
growth %	-4%	9%	1%	11%	8%	7%	7%	7%	5%	4%

Philip Morris International
Income Statement

Fiscal Years Ending Dec. 30	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Net revenues	28694	31405	31762	35174	37878	40577	43497	46468	48658	50431
COGS	-8661	-9128	-10484	-11992	-12377	-12906	-13834	-14779	-15476	-16040
Depreciation Expense	-908	-902	-918	-901	-952	-976	-1038	-1107	-1180	-1254
Gross profit	19125	21375	20360	22281	24549	26696	28624	30582	32002	33137
SG&A	-6889	-7687	-7313	-8854	-9553	-10097	-10823	-11562	-11955	-12425
Research and Development	-495	-617	-642	-709	-759	-764	-819	-874	-935	-982
Amortization Expense	-73	-96	-159	-497	-835	-736	-688	-644	-602	-563
Impairment of goodwill	0	0	0	-665	0	0	0	0	0	0
Operating income	11668	12975	12246	11556	13402	15100	16294	17501	18510	19167
Interest expense, net	-618	-628	-588	-1061	-1143	-1325	-1266	-1082	-861	-635
Pension and other employee benefit costs	-97	-115	-24	-45	-60	-92	-99	-106	-106	-103
EBT	10953	12232	11634	10450	12199	13683	14929	16314	17543	18429
Provision for income taxes	-2377	-2671	-2244	-2339	-3017	-3147	-3434	-3752	-4035	-4239
Impairment related to the RBH equity investment	0	0	0	0	-2316	0	0	0	0	0
Equity income (loss) in unconsolidated subsidiaries, net	16	149	137	157	637	308	361	432	511	450
Net Income	8592	9710	9527	8268	7503	10844	11856	12993	14019	14640
Net earnings attributable to noncontrolling interests	-536	-601	-479	-455	-446	-645	-705	-772	-833	-870
Net Income to PMI	8056	9109	9048	7813	7057	10199	11151	12221	13185	13770
Earnings Per Share										
Basic	5.16	5.83	5.82	5.02	4.53	6.56	7.18	7.88	8.50	8.89
Weighted average shares										
Basic	1557	1558	1550	1552	1554	1,554	1,553	1,552	1,551	1,550
Dividends Per Share	\$ 4.74	\$ 4.90	\$ 5.04	\$ 5.14	\$ 5.30	\$ 5.40	\$ 5.55	\$ 5.71	\$ 5.87	\$ 6.04

All figures in millions of U.S. Dollar except per share items.

Philip Morris International
Balance Sheet

Fiscal Years Ending Dec. 30	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
<u>Assets</u>										
<i>Current Assets</i>										
Cash and cash equivalents	7280	4496	3207	3060	4216	7606	14527	22487	25701	34090
Receivables, less allowances	3761	3940	4756	4391	4675	5222	5591	6020	6334	6559
Total inventories	9591	8720	9886	10774	9453	12135	12968	13859	14442	14732
Other current assets	860	561	1770	1530	1826	1298	1452	1651	1801	1911
Total current assets	21492	17717	19619	19755	20170	26261	34538	44017	48278	57293
Property, plant and equipment, net	6365	6168	6710	7516	7310	7781	8294	8844	9399	9943
Goodwill	5964	6680	19655	16779	16600	16600	16600	16600	16600	16600
Other intangible assets, net	2019	2818	6732	9864	11327	10591	9902	9259	8657	8094
Equity Investments	4798	4463	4431	4929	2654	2752	2854	2959	3069	3182
DTA	1410	895	603	814	940	790	626	447	254	52
Other assets	2767	2549	3931	5647	2783	3638	4023	4552	4960	5175
Total assets	44815	41290	61681	65304	61784	68413	76837	86678	91217	100339
<u>Liabilities</u>										
<i>Current Liabilities</i>										
Short-term borrowings	244	225	5637	1968	137	1454	1560	1678	1760	1809
Current portion of long-term debt	3124	2798	2611	4698	3392	3404	5000	6451	2777	4324
Accounts payable	2780	3331	4076	4143	3952	3948	4337	4807	5193	5444
Accrued liabilities	12376	11876	13972	14416	14176	15664	17017	18538	19522	20043
Income taxes	1091	1025	1040	1158	1258	1176	1283	1402	1508	1584
Total current liabilities	19615	19255	27336	26383	22915	25646	29197	32876	30760	33205
Long-term debt	28168	24783	34875	41243	42166	43155	44222	45557	46497	47017
DTL	684	726	1956	2335	2517	2767	3039	3337	3657	3994
Employment costs	4470	2968	1984	3046	2940	2852	2766	2683	2603	2525
Income taxes and other liabilities	2509	1766	1841	1743	1116	930	775	646	538	449
Total liabilities	55446	49498	67992	74750	71654	75350	79999	85099	84055	87189
<u>Stockholders Equity</u>										
Additional paid-in capital	2105	2225	2230	2285	2335	2335	2335	2335	2335	2335
Retained Earnings	31638	33082	34289	34090	32869	35322	38555	42688	47602	52884
AOCI	-11181	-9577	-9559	-11815	-11314	-11314	-11314	-11314	-11314	-11314
Treasury Stock	-35129	-35836	-35917	-35785	-35640	-35804	-35968	-36132	-36296	-36460
Total PMI stockholders' deficit / equity	-12567	-10106	-8957	-11225	-11750	-9461	-6392	-2423	2327	7445
Noncontrolling interests	1936	1898	2646	1779	1880	2525	3229	4002	4835	5705
Total stockholders' Equity	-10631	-8208	-6311	-9446	-9870	-6937	-3162	1579	7162	13151
Total liabilities and stockholders' equity	44815	41290	61681	65304	61784	68413	76837	86678	91217	100339

All figures in millions of U.S. Dollar.

Philip Morris International
Common Size Income Statement

Fiscal Years Ending Dec. 30	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Net revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
COGS	-30.18%	-29.07%	-33.01%	-34.09%	-32.68%	-31.81%	-31.81%	-31.81%	-31.81%	-31.81%
Depreciation Expense	-3.16%	-2.87%	-2.89%	-2.56%	-2.51%	-2.40%	-2.39%	-2.38%	-2.43%	-2.49%
Gross profit	69.82%	70.93%	66.99%	65.91%	67.32%	68.19%	68.19%	68.19%	68.19%	68.19%
SG&A	-24.01%	-24.48%	-23.02%	-25.17%	-25.22%	-24.88%	-24.88%	-24.88%	-24.57%	-24.64%
Research and Development	-1.73%	-1.96%	-2.02%	-2.02%	-2.00%	-1.88%	-1.88%	-1.88%	-1.92%	-1.95%
Amortization Expense	-0.25%	-0.31%	-0.50%	-1.41%	-2.20%	-1.81%	-1.58%	-1.39%	-1.24%	-1.12%
Impairment of goodwill	0.00%	0.00%	0.00%	-1.89%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating income	40.66%	41.32%	38.56%	32.85%	35.38%	37.21%	37.46%	37.66%	38.04%	38.01%
Interest expense, net	-2.15%	-2.00%	-1.85%	-3.02%	-3.02%	-3.26%	-2.91%	-2.33%	-1.77%	-1.26%
Pension and other employee benefit costs	-0.34%	-0.37%	-0.08%	-0.13%	-0.16%	-0.23%	-0.23%	-0.23%	-0.22%	-0.20%
EBT	38.17%	38.95%	36.63%	29.71%	32.21%	33.72%	34.32%	35.11%	36.05%	36.54%
Provision for income taxes	-8.28%	-8.51%	-7.07%	-6.65%	-7.97%	-7.76%	-7.89%	-8.07%	-8.29%	-8.40%
Impairment related to the RBH equity investment	0.00%	0.00%	0.00%	0.00%	-6.11%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity income (loss) in unconsolidated subsidiaries, net	0.06%	0.47%	0.43%	0.45%	1.68%	0.76%	0.83%	0.93%	1.05%	0.89%
Net Income	29.94%	30.92%	29.99%	23.51%	19.81%	26.72%	27.26%	27.96%	28.81%	29.03%
Net earnings attributable to noncontrolling interests	-1.87%	-1.91%	-1.51%	-1.29%	-1.18%	-1.59%	-1.62%	-1.66%	-1.71%	-1.73%
Net Income attributable to PMI	28.08%	29.00%	28.49%	22.21%	18.63%	25.13%	25.64%	26.30%	27.10%	27.30%

Philip Morris International
Common Size Balance Sheet

Fiscal Years Ending Dec. 30	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
<u>Assets</u>										
<i>Current Assets</i>										
Cash and cash equivalents	25.37%	14.32%	10.10%	8.70%	11.13%	18.74%	33.40%	48.39%	52.82%	67.60%
Receivables, less allowances	13.11%	12.55%	14.97%	12.48%	12.34%	12.87%	12.85%	12.96%	13.02%	13.01%
Total inventories	33.43%	27.77%	31.13%	30.63%	24.96%	29.90%	29.81%	29.83%	29.68%	29.21%
Other current assets	3.00%	1.79%	5.57%	4.35%	4.82%	3.20%	3.34%	3.55%	3.70%	3.79%
Total current assets	74.90%	56.41%	61.77%	56.16%	53.25%	64.72%	79.40%	94.73%	99.22%	113.61%
Property, plant and equipment, net	22.18%	19.64%	21.13%	21.37%	19.30%	19.18%	19.07%	19.03%	19.32%	19.72%
Goodwill	20.78%	21.27%	61.88%	47.70%	43.82%	40.91%	38.16%	35.72%	34.12%	32.92%
Other intangible assets, net	7.04%	8.97%	21.20%	28.04%	29.90%	26.10%	22.77%	19.92%	17.79%	16.05%
Equity Investments	16.72%	14.21%	13.95%	14.01%	7.01%	6.78%	6.56%	6.37%	6.31%	6.31%
Deferred income taxes	4.91%	2.85%	1.90%	2.31%	2.48%	1.95%	1.44%	0.96%	0.52%	0.10%
Other assets	9.64%	8.12%	12.38%	16.05%	7.35%	8.97%	9.25%	9.80%	10.19%	10.26%
Total assets	156.18%	131.48%	194.20%	185.66%	163.11%	168.60%	176.65%	186.53%	187.47%	198.97%
<u>Liabilities</u>										
<i>Current Liabilities</i>										
Short-term borrowings	0.85%	0.72%	17.75%	5.60%	0.36%	3.58%	3.59%	3.61%	3.62%	3.59%
Current portion of long-term debt	10.89%	8.91%	8.22%	13.36%	8.96%	8.39%	11.50%	13.88%	5.71%	8.57%
Accounts payable	9.69%	10.61%	12.83%	11.78%	10.43%	9.73%	9.97%	10.34%	10.67%	10.80%
Accrued liabilities	43.13%	37.82%	43.99%	40.98%	37.43%	38.60%	39.12%	39.89%	40.12%	39.74%
Income taxes	3.80%	3.26%	3.27%	3.29%	3.32%	2.90%	2.95%	3.02%	3.10%	3.14%
Total current liabilities	68.36%	61.31%	86.07%	75.01%	60.50%	63.20%	67.12%	70.75%	63.22%	65.84%
Long-term debt	98.17%	78.91%	109.80%	117.25%	111.32%	106.35%	101.67%	98.04%	95.56%	93.23%
Deferred income taxes	2.38%	2.31%	6.16%	6.64%	6.65%	6.82%	6.99%	7.18%	7.52%	7.92%
Employment costs	15.58%	9.45%	6.25%	8.66%	7.76%	7.03%	6.36%	5.77%	5.35%	5.01%
Income taxes and other liabilities	8.74%	5.62%	5.80%	4.96%	2.95%	2.29%	1.78%	1.39%	1.11%	0.89%
Total liabilities	193.23%	157.61%	214.07%	212.51%	189.17%	185.70%	183.92%	183.14%	172.75%	172.89%
<u>Stockholders Equity</u>										
Additional paid-in capital	7.34%	7.08%	7.02%	6.50%	6.16%	5.75%	5.37%	5.02%	4.80%	4.63%
Retained Earnings	110.26%	105.34%	107.96%	96.92%	86.78%	87.05%	88.64%	91.87%	97.83%	104.87%
AOCI	-38.97%	-30.50%	-30.10%	-33.59%	-29.87%	-27.88%	-26.01%	-24.35%	-23.25%	-22.43%
Treasury Stock	-122.43%	-114.11%	-113.08%	-101.74%	-94.09%	-88.24%	-82.69%	-77.76%	-74.59%	-72.30%
Total PMI stockholders' deficit / equity	-43.80%	-32.18%	-28.20%	-31.91%	-31.02%	-23.32%	-14.69%	-5.21%	4.78%	14.76%
Noncontrolling interests	6.75%	6.04%	8.33%	5.06%	4.96%	6.22%	7.42%	8.61%	9.94%	11.31%
Total stockholders' Equity	-37.05%	-26.14%	-19.87%	-26.86%	-26.06%	-17.10%	-7.27%	3.40%	14.72%	26.08%
Total liabilities and stockholders' equity	156.18%	131.48%	194.20%	185.66%	163.11%	168.60%	176.65%	186.53%	187.47%	198.97%

Philip Morris International
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 30	2025E	2026E	2027E	2028E	2029E
Operating Activities					
Net Income	10844	11856	12993	14019	14640
Depreciation and Amortization	1712	1727	1751	1782	1817
Change in A/R	-547	-368	-430	-313	-225
Change in Inventory	-2682	-834	-891	-583	-290
Change in Other Current Assets	528	-153	-199	-151	-110
Change in Non-Current Assets	-855	-385	-529	-408	-215
Change in A/P	-4	389	470	387	251
Change in Accrued Liabilities	1488	1353	1521	984	521
Change in Employment Costs	-88	-86	-83	-80	-78
Income taxes	-82	107	119	106	76
Change in Other Income taxes and liabilities	-186	-155	-129	-108	-90
Change in DTA	150	164	179	193	202
Change in DTL	250	273	298	320	336
Total Operating Activities	10527	13887	15069	16147	16836
Investing Activities					
Capital Expenditures	-1447	-1551	-1657	-1735	-1798
Change in Equity Investments	-98	-102	-106	-109	-113
Total Investing Activities	-1545	-1653	-1763	-1845	-1912
Financing Activities					
Dividends Paid	-8391	-8622	-8860	-9105	-9357
Change in Short-term borrowings	1317	106	118	82	49
Change in Current portion of long-term debt	12	1596	1451	-3674	1547
Change in Long-term debt	989	1067	1335	940	520
Change in Treasury Stock	-164	-164	-164	-164	-164
Change in Noncontrolling interests	645	705	772	833	870
Total Financing Activities	-5592	-5313	-5347	-11088	-6535
Cash and Cash Equivalents, BOY	4216	7606	14527	22487	25701
Cash and Cash Equivalents, EOY	7606	14527	22487	25701	34090
Increase (Decrease) in Cash and Cash Equivalents	3390	6921	7959	3214	8390

Fiscal Years Ending Dec. 30	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
NOPLAT:										
Sales	28694	31405	31762	35174	37878	40577	43497	46468	48658	50431
(-) COGS	-8661	-9128	-10484	-11992	-12377	-12906	-13834	-14779	-15476	-16040
(-) Depreciation & Amortization	-981	-998	-1077	-1398	-1787	-1712	-1727	-1751	-1782	-1817
(-) SG&A	-6889	-7687	-7313	-8854	-9553	-10097	-10823	-11562	-11955	-12425
(-) R&D	-495	-617	-642	-709	-759	-764	-819	-874	-935	-982
(+) Implied Interest on Operating Leases	44	40	31	35	37	34	37	39	42	44
EBIT:	11712	13015	12277	12256	13439	15134	16331	17540	18552	19211
Income Tax Provision	2377	2671	2244	2339	3017	3147	3434	3752	4035	4239
(-) Investment Income Tax	-4	-34	-32	-36	-147	-71	-83	-99	-117	-103
(+) Interest Expense Tax Shield	142	144	135	244	263	305	291	249	198	146
(+) Tax Shield on Non-Operating Losses	22	26	6	10	14	21	23	24	24	24
(-) Total Adjusted Taxes	2538	2808	2353	2557	3147	3402	3665	3926	4140	4305
(+) Change in Deferred Taxes	-481	557	1522	168	56	400	436	477	513	539
NOPLAT	8693	10765	11445	9867	10348	12132	13103	14091	14925	15445
Invested Capital (IC):										
Normal Cash	2496	2732	2763	3060	3295	3530	3784	4043	4233	4387
A/R	3761	3940	4756	4391	4675	5222	5591	6020	6334	6559
Inventory	9591	8720	9886	10774	9453	12135	12968	13859	14442	14732
Other Current Assets	860	561	1770	1530	1826	1298	1452	1651	1801	1911
Operating CA	16708	15953	19175	19755	19249	22185	23795	25573	26810	27589
A/P	2780	3331	4076	4143	3952	3948	4337	4807	5193	5444
Accrued Liabilities	12376	11876	13972	14416	14176	15664	17017	18538	19522	20043
Income Taxes Payable	1091	1025	1040	1158	1258	1176	1283	1402	1508	1584
Operating CL	16247	16232	19088	19717	19386	20788	22637	24747	26223	27072
Net Operating WC	461	-279	87	38	-137	1397	1158	826	587	518
(+) Net PPE	6365	6168	6710	7516	7310	7781	8294	8844	9399	9943
Trademarks and Other Intangible Assets	2019	2818	6732	9864	11327	10590.745	9902.34658	9258.69405	8656.87893	8094.1818
Operating Lease Right-of-Use Assets	707	536	614	653	604	643	685	731	777	822
Other Assets	2767	2549	3931	5647	2783	3638	4023	4552	4960	5175
(+) Total Other Operating Assets	5493	5903	11277	16164	14714	14872	14611	14541	14393	14091
Other Liabilities	2509	1766	1841	1743	1116	930	775	646	538	449
(-) Total Other Operating Liabilities	2509	1766	1841	1743	1116	930	775	646	538	449
Invested Capital	9810	10026	16233	21975	20771	23120	23287	23566	23842	24103
Free Cash Flow (FCF):										
NOPLAT	8693	10765	11445	9867	10348	12132	13103	14091	14925	15445
Change in IC	-970	216	6207	5742	-1204	2349	167	279	276	262
FCF	9662	10549	5238	4125	11552	9783	12935	13813	14649	15183
Return on Invested Capital (ROIC):										
NOPLAT	8693	10765	11445	9867	10348	12132	13103	14091	14925	15445
Beginning IC	10780	9810	10026	16233	21975	20771	23120	23287	23566	23842
ROIC	80.64%	109.73%	114.16%	60.78%	47.09%	58.41%	56.67%	60.51%	63.33%	64.78%
Economic Profit (EP):										
Beginning IC	10780	9810	10026	16233	21975	20771	23120	23287	23566	23842
x (ROIC - WACC)	74.93%	104.02%	108.45%	55.07%	41.38%	52.70%	50.96%	54.80%	57.63%	59.07%
EP	8078	10205	10873	8940	9094	10947	11783	12762	13580	14084

Philip Morris International*Weighted Average Cost of Capital (WACC) Estimation***Cost of Equity:**

Risk-Free Rate	4.17%
Beta	0.39
Equity Risk Premium	5.00%
Cost of Equity	6.12%

ASSUMPTIONS:

10-Year US Treasury Bond
Average 5 year weekly beta
Henry Fund Chosen Premium

Cost of Debt:

Risk-Free Rate	4.17%
Implied Default Premium	0.66%
Pre-Tax Cost of Debt	4.83%
Marginal Tax Rate	23%
After-Tax Cost of Debt	3.72%

10-Year US Treasury Bond

YTM on PM 30 Year Bond

Market Value of Common Equity:

Total Shares Outstanding	1,555
Current Stock Price	\$144.60
MV of Equity	224,853

MV Weights

82.93%

Market Value of Debt:

Short-Term Debt	137
Current Portion of LTD	3,392
Long-Term Debt	42,166
PV of Operating Leases	604
MV of Total Debt	46,299

17.07%

Market Value of the Firm

271,152

100.00%

Estimated WACC

5.71%

Philip Morris International

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	2.00%
CV Year ROIC	64.78%
WACC	5.71%
Cost of Equity	6.12%

Fiscal Years Ending Dec. 30

2025E 2026E 2027E 2028E 2029E

DCF Model:

Free Cash Flow (FCF)	9783	12935	13813	14649	15183
Continuing Value (CV)					403760.0
PV of FCF	9255	11576	11694	11733	323374

Value of Operating Assets:	367632
Non-Operating Adjustments	
(+)excess cash	920.8
(-) total debt	-46299.0
(-) Underfunded Pension Plan	-1426.0
(-) Underfunded Post Retirement Plan	-245.0
(+) Equity in Unconsolidated Subsidiaries	2654.0
(-) PV of Operating Leases	-604.0
(-) Non-controlling Interest	-2524.6

Value of Equity	320108
Shares Outstanding	1555
Intrinsic Value of Last FYE	\$ 205.86
Implied Price as of Today	\$ 209.64

EP Model:

Economic Profit (EP)	10947	11783	12762	13580	14084
Continuing Value (CV)					379918.4
PV of EP	10355	10545	10805	10876	304279

Total PV of EP	346861
Invested Capital (last FYE)	20771
Value of Operating Assets:	367632
Non-Operating Adjustments	
(+)excess cash	920.8
(-) total debt	-46299.0
(-) Underfunded Pension Plan	-1426.0
(-) Underfunded Post Retirement Plan	-245.0
(+) Equity in Unconsolidated Subsidiaries	2654.0
(-) PV of Operating Leases	-604.0
(-) Non-controlling Interest	-2524.6

Value of Equity	320108
Shares Outstanding	1555
Intrinsic Value of Last FYE	\$ 205.86
Implied Price as of Today	\$ 209.64

Philip Morris International

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2025E	2026E	2027E	2028E	2029E
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EPS	\$ 6.56	\$ 7.18	\$ 7.88	\$ 8.50	\$ 8.89
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Key Assumptions

CV growth of EPS	2.00%
CV Year ROE	111.32%
Cost of Equity	6.12%

Future Cash Flows

P/E Multiple (CV Year)					23.85
EPS (CV Year)					\$ 8.89
Future Stock Price					\$ 211.96
Dividends Per Share	\$ 5.40	\$ 5.55	\$ 5.71	\$ 5.87	
Discounted Cash Flows	5.09	4.93	4.78	4.63	167.15

Intrinsic Value as of Last FYE	\$ 186.58
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Implied Price as of Today	\$ 190.01
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Fiscal Years Ending Dec. 30	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Liquidity Ratios:										
Current Ratio	109.57%	92.01%	71.77%	74.88%	88.02%	102.40%	118.29%	133.89%	156.95%	172.54%
Quick Ratio	56.29%	43.81%	29.13%	28.24%	38.80%	50.02%	68.90%	86.71%	104.14%	122.42%
Cash Ratio	37.11%	23.35%	11.73%	11.60%	18.40%	29.66%	49.76%	68.40%	83.55%	102.67%
Asset-Management Ratios:										
Inventory Turnover Ratio	0.92	1.00	1.13	1.16	1.22	1.20	1.10	1.10	1.09	1.10
A/R Turnover Ratio	7.67	8.16	7.30	7.69	8.36	8.20	8.05	8.00	7.88	7.82
A/P Turnover Ratio	3.41	2.99	2.83	2.92	3.06	3.27	3.34	3.23	3.10	3.02
Days Inventory Outstanding	396.69	366.10	323.88	314.41	298.25	305.27	331.15	331.28	333.75	331.95
Days Sales Outstanding	47.56	44.75	49.97	47.46	43.68	44.51	45.37	45.60	46.34	46.65
Days Payable Outstanding	107.02	122.18	128.94	125.08	119.36	111.71	109.29	112.91	117.92	121.04
Cash Conversion Cycle	337.23	288.67	244.91	236.79	222.57	238.07	267.23	263.97	262.16	257.57
Total Asset Turnover Ratio	0.65	0.73	0.62	0.55	0.60	0.62	0.60	0.57	0.55	0.53
Financial Leverage Ratios:										
Debt to Assets Ratio	70.37%	67.34%	69.91%	73.36%	73.96%	70.18%	66.09%	61.94%	55.95%	52.97%
Equity Ratio	-23.72%	-19.88%	-10.23%	-14.46%	-15.98%	-10.14%	-4.12%	1.82%	7.85%	13.11%
Debt to Equity Ratio	-2.97	-3.39	-6.83	-5.07	-4.63	-6.92	-16.06	34.01	7.13	4.04
Interest Coverage Ratio	18.88	20.66	20.83	10.89	11.73	11.40	12.87	16.17	21.49	30.16
Profitability Ratios:										
Gross Margin	66.65%	68.06%	64.10%	63.35%	64.81%	65.79%	65.81%	65.81%	65.77%	65.71%
Operating Margin	40.66%	41.32%	38.56%	32.85%	35.38%	37.21%	37.46%	37.66%	38.04%	38.01%
Profit Margin	29.94%	30.92%	29.99%	23.51%	19.81%	26.72%	27.26%	27.96%	28.81%	29.03%
ROA	19.17%	23.52%	15.45%	12.66%	12.14%	15.85%	15.43%	14.99%	15.37%	14.59%
Return on Equity (NI/Beg TSE)	-80.82%	-118.30%	-150.96%	-87.53%	-76.02%	-156.32%	-374.93%	822.99%	195.75%	111.32%
Payout Policy Ratios:										
Dividend Payout Ratio (Dividend/EPS)	0.92	0.84	0.87	1.02	1.17	0.82	0.77	0.73	0.69	0.68
Total Payout Ratio ((Divs. + Repurchases)/NI)	0.26	0.27	0.25	0.23	0.22	0.21	0.20	0.19	0.19	0.19

Philip Morris International
Relative Valuation: Tobacco Companies

Ticker	Company	Price	EPS		P/E 25	P/E 26	Est. 5yr		
			2025E	2026E			EPS gr.	PEG 25	PEG 26
MO	Altria Group	\$63.74	\$5.40	\$5.78	11.80	11.03	3.00	3.93	3.68
BTI	British American Tobacco	\$52.09	\$4.58	\$4.82	11.37	10.81	17.00	0.67	0.64
IMBBY	Imperial Brands PLC	\$39.73	\$4.20	\$4.65	9.46	8.54	8.20	1.15	1.04
TPB	Turning Point Brands	\$89.90	\$3.06	\$3.65	29.38	24.63	8.63	3.40	2.85
UVV	Universal Corporation	\$50.68	\$3.78	\$4.55	13.41	11.14	9.10	1.47	1.22
Average					11.51	10.38		2.13	1.89
PM	Philip Morris International	\$144.60	\$6.56	\$7.18	22.0	20.1	14.43	1.5	1.4

Implied Relative Value:

P/E (EPS24)	\$ 75.55
P/E (EPS25)	\$ 74.54
PEG (EPS24)	\$ 201.38
PEG (EPS25)	\$ 195.42

Relative Valuation: Consumer Staples

Ticker	Company	Price	EPS		P/E 25	P/E 26	Est. 5yr		
			2025E	2026E			EPS gr.	PEG 25	PEG 26
KO	Coca-Cola	\$68.90	\$2.99	\$3.20	23.04	21.53	4.70	4.90	4.58
COST	Costco	\$911.45	\$18.21	\$20.08	50.05	45.39	11.00	4.55	4.13
PG	Procter & Gamble	\$151.74	\$6.67	\$6.90	22.75	21.99	3.50	6.50	6.28
UL	Unilever	\$62.71	\$3.32	\$3.52	18.89	17.82	3.40	5.56	5.24
WMT	Walmart	\$ 101.18	\$ 2.41	\$ 2.61	41.98	38.77	5.40	7.77	7.18
BUD	Anheuser-Busch	\$ 60.90	\$ 3.74	\$ 4.20	16.28	14.50	6.00	2.71	2.42
Average					24.59	22.92		4.84	4.53

PM	Philip Morris International	\$144.60	\$6.56	\$7.18	22.0	20.1	14.43	1.5	1.4
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Implied Relative Value:

P/E (EPS24)	\$ 161.40
P/E (EPS25)	\$ 164.61
PEG (EPS24)	\$ 458.68
PEG (EPS25)	\$ 469.24

Philip Morris International

Sensitivity Tables

Equity Risk Premium	Beta							
	209.64	0.09	0.19	0.29	0.39	0.49	0.59	0.69
	3.50%	345.63	304.81	272.06	245.19	222.74	203.71	187.37
	4.00%	339.83	295.23	260.31	232.21	209.11	189.78	173.37
	4.50%	334.20	286.19	249.44	220.41	196.89	177.43	161.08
	5.00%	328.75	277.64	239.37	209.64	185.86	166.41	150.19
	5.50%	323.46	269.55	230.01	199.76	175.87	156.50	140.49
	6.00%	318.32	261.87	221.28	190.67	166.76	147.56	131.79
	6.50%	313.33	254.58	213.12	182.28	158.44	139.44	123.93

CV Growth of NOPLAT	WACC							
	209.64	5.34%	5.54%	5.64%	5.74%	5.84%	5.94%	6.04%
	1.75%	236.4	221.1	214.1	207.5	201.2	195.2	189.6
	2.00%	236.4	221.1	214.1	207.5	201.2	195.2	189.6
	2.25%	236.4	221.1	214.1	207.5	201.2	195.2	189.6
	2.50%	236.4	221.1	214.1	207.5	201.2	195.2	189.6
	2.75%	236.4	221.1	214.1	207.5	201.2	195.2	189.6
	3.00%	236.4	221.1	214.1	207.5	201.2	195.2	189.6
	3.25%	236.4	221.1	214.1	207.5	201.2	195.2	189.6

Pretax Cost of Debt	Marginal Tax Rate							
	209.64	18%	19%	20%	21%	22%	23%	24%
	4.53%	222.6	220.6	218.5	216.4	214.3	212.2	210.1
	4.63%	221.6	219.6	217.6	215.5	213.4	211.4	209.3
	4.73%	220.7	218.7	216.6	214.6	212.5	210.5	208.4
	4.83%	219.7	217.7	215.7	213.7	211.7	209.6	207.6
	4.93%	218.8	216.8	214.8	212.8	210.8	208.8	206.7
	5.03%	217.9	215.9	213.9	211.9	209.9	207.9	205.9
	5.13%	216.9	215.0	213.0	211.0	209.0	207.0	205.0

Risk Free Rate	CapEx (2025)							
	209.64	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%	5.50%
	3.87%	230.60	228.65	226.70	224.75	222.81	220.86	218.91
	3.97%	224.60	222.69	220.78	218.87	216.96	215.05	213.14
	4.07%	218.87	217.00	215.12	213.25	211.38	209.50	207.63
	4.17%	213.40	211.56	209.72	207.88	206.04	204.20	202.36
	4.27%	208.17	206.36	204.56	202.75	200.94	199.14	197.33
	4.37%	203.16	201.38	199.61	197.83	196.06	194.28	192.51
	4.47%	198.36	196.61	194.87	193.12	191.38	189.63	187.89

SG&A% (2025)	Normal Cash Estimate							
	209.64	5.70%	6.70%	7.70%	8.70%	9.70%	10.70%	11.70%
	21.88%	210.98	210.53	210.09	209.64	209.19	208.74	208.29
	22.88%	210.98	210.53	210.09	209.64	209.19	208.74	208.29
	23.88%	210.98	210.53	210.09	209.64	209.19	208.74	208.29
	24.88%	210.98	210.53	210.09	209.64	209.19	208.74	208.29
	25.88%	210.98	210.53	210.09	209.64	209.19	208.74	208.29
	26.88%	210.98	210.53	210.09	209.64	209.19	208.74	208.29
	27.88%	210.98	210.53	210.09	209.64	209.19	208.74	208.29

COGS% (2025)	Cost of Equity							
	209.64	5.82%	5.92%	6.02%	6.12%	6.22%	6.32%	6.42%
	28.88%	209.15	209.31	209.48	209.64	209.81	209.97	210.14
	29.88%	209.15	209.31	209.48	209.64	209.81	209.97	210.14
	30.88%	209.15	209.31	209.48	209.64	209.81	209.97	210.14
	31.88%	209.15	209.31	209.48	209.64	209.81	209.97	210.14
	32.88%	209.15	209.31	209.48	209.64	209.81	209.97	210.14
	33.88%	209.15	209.31	209.48	209.64	209.81	209.97	210.14
	34.88%	209.15	209.31	209.48	209.64	209.81	209.97	210.14