

SMOKE-FREE FUTURE.

**LIBBY ZYGMUNT, MICHAEL CONTRERAS,
DENZEL TATE**



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Agenda

- **Business Overview**
- **Investment Recommendation**
- **Investment Thesis**
 - **Adapting to Present and Future Consumer Trends**
 - **Competitive Industry Positioning**
 - **Loyal Consumer Base**
- **Investment Risks**
- **Appendix**



Business Overview

2023
Revenue:
\$35.17B

- Exchange: NYSE: PM
- Historically profitable through smokeable products
- Now working to develop smoke-free future, want 2/3 of revenue to be from smoke-free products by 2030
 - IQOS
 - VEEV
 - Zyn
- US-based, with sales presence entirely non-US

2023
Gross Profit:
\$22.28B

2023
EBITDA:
\$14.84B

2023
Net Income:
\$8.67B



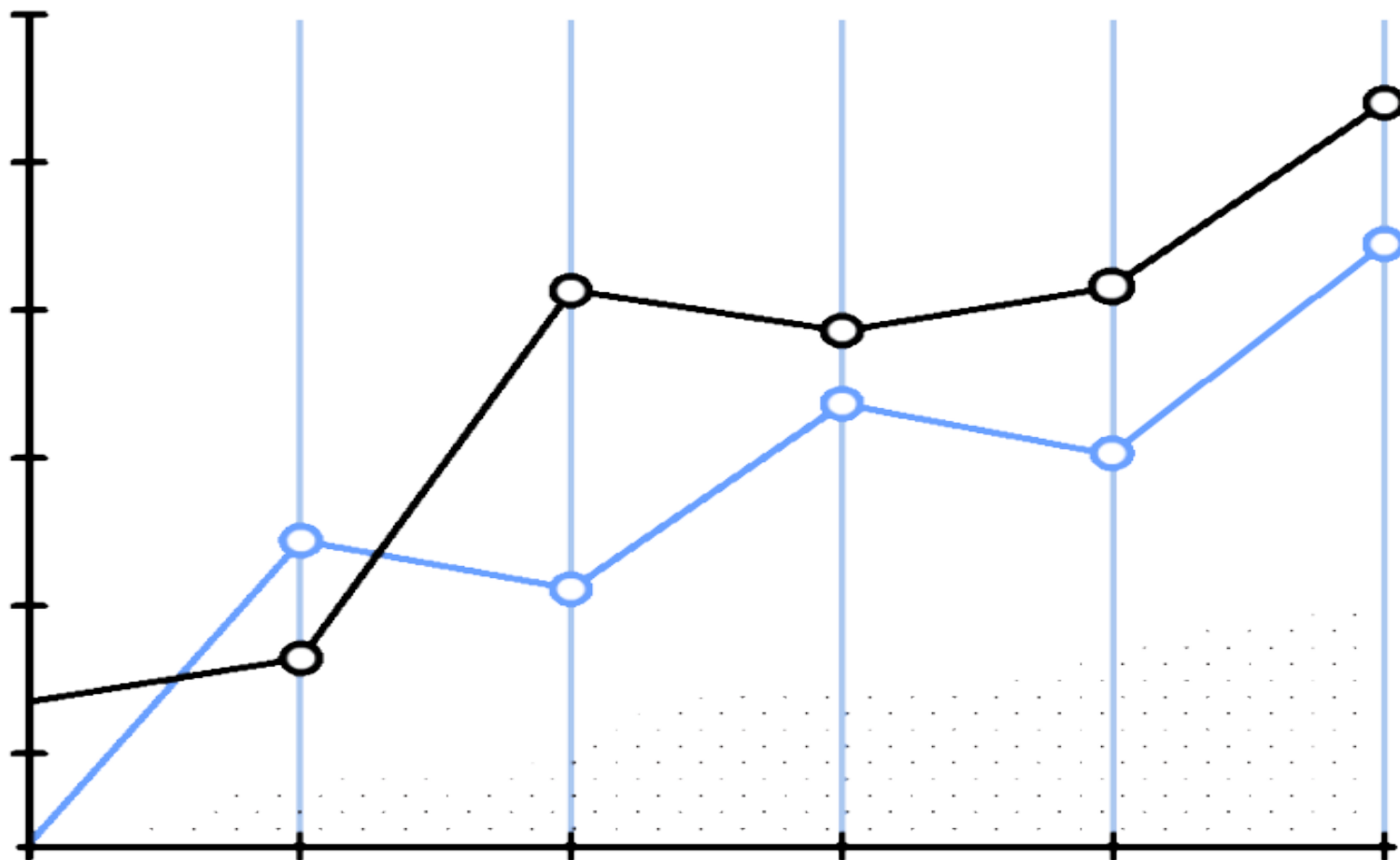
Investment Recommendation

PHILIP MORRIS: (PM): **\$128.20**

BUY 2026 Target Price: \$175.41
Expected Return: +15.9%

**Annualized Growth
(LTM to 2026E)**

- Dividend Yield: **4.1%**
- Revenue: **7.1%**
- Gross Profit: **7.8%**
- EBITDA: **10.1%**
- Net Income: **8.4%**
- EPS: **9.7%**





Investment Thesis

1

Loyal
Consumer
Base

2

Competitive
Industry
Positioning

3

Adapting to
Present and
Future Health
Trends

Loyal Consumer Base

- dealing with addiction
 - keeps customers returning
 - limited possibilities of substitutes
- diverse product line
 - reduce buyers' bargaining power
- regulations limit buyers' influences
- reward program on back of Zyns
 - can earn points for products such as AirPods and AppleTV
- iconic brand image
 - “Marlboro Man”
 - “reds” and “golds”



Industry Overview



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British American Tobacco, plc.

Kent, Pall Mall, Lucky Strike, Funhill Fine Cut, Velo nicotine pouches, Vuse, and Glo



Altria

Altria Group

U.S. Smokeless Tobacco, John Middleton, Helix Innovations, Njoy, and Horizon Innovations



Japan Tobacco International

Winston, Mevius, Camel, LD, Ploom, Benson & Hedges, Natural American Spirit, Sobranie, Silk Cut, Amber Leaf Tobacco, Old Holborn Tobacco, and Snus



Imperial Brands

John Player Special, Davidoff, Cauloises, West, Kool, L&B, Fortuna, Nobel, News, Backwoods, Champion Legendary, Golden Virginia, Rizla, Blu, Pulze, Skruf, and Zone

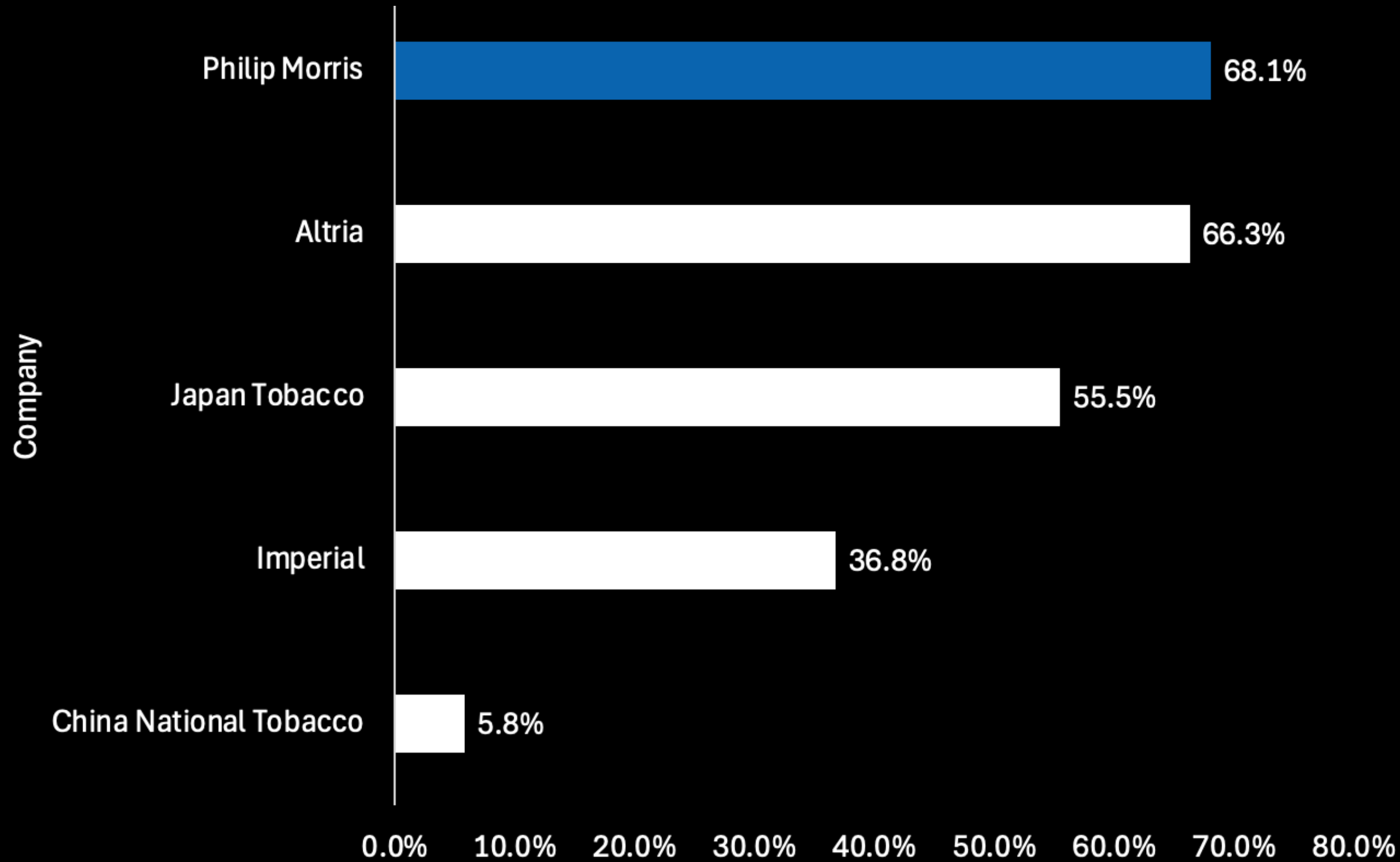


China National Tobacco Corporation

Hongtashan, and Chunghwa



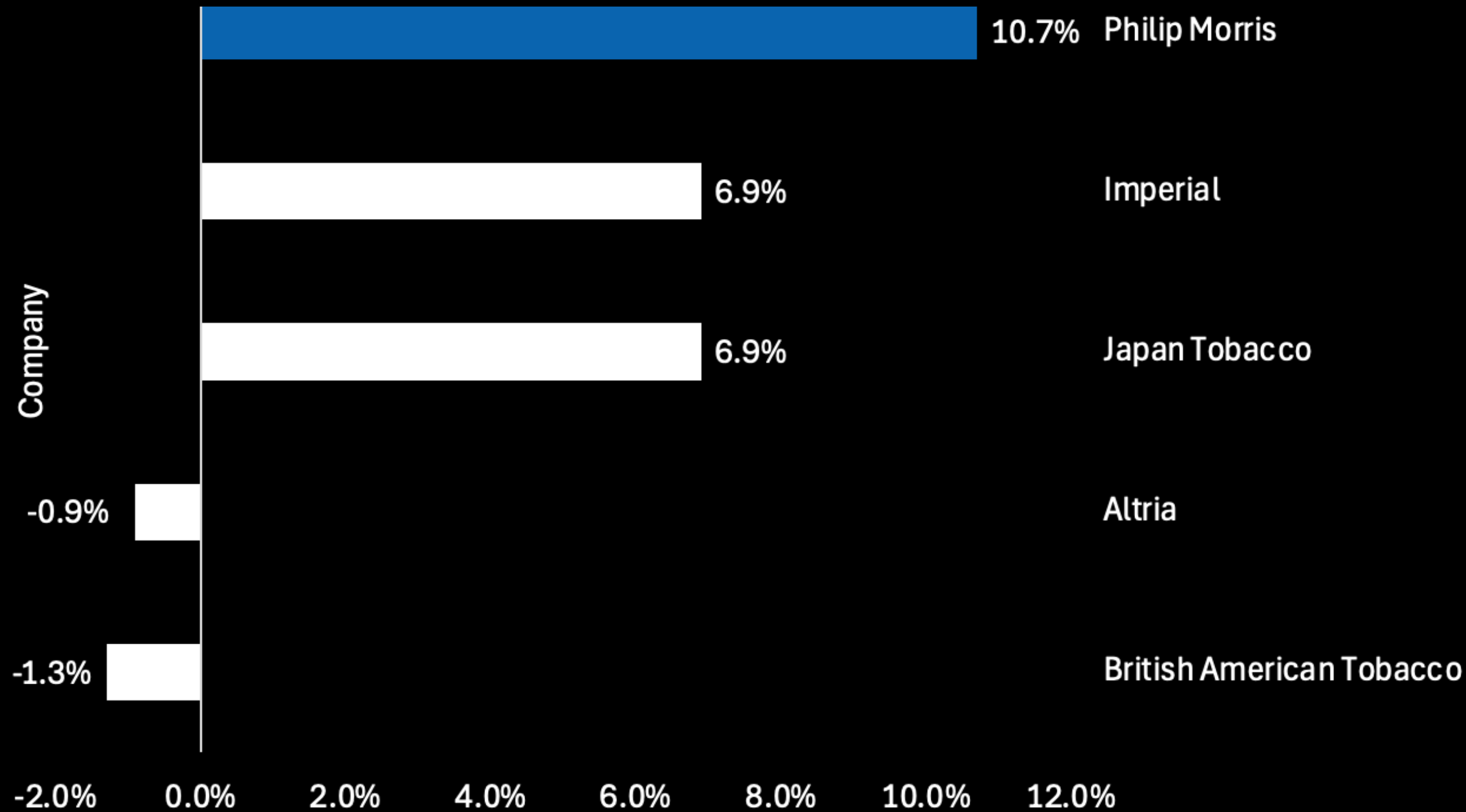
Competitive Set Gross Margins



PM is retaining more capital per sales \$ than its competitors.



Competitive Set One-Year Sales Growth



PM is growing quicker than its competitors.



Advantages of PMs Transition to “Smoke-free Future”

- 2022: acquired Swedish Match for **\$16B** within 3 months generated **\$316M**
- 2023: Swedish Match smoke-free segment brought in net revenues of **\$1.9B**
- Since 2008: PM has Invested **\$12.5B** into research and development towards smoke-free products
- 2023: IQOS have **surpassed** Marlboro in terms of net revenues

Timeline



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2022

Acquired Swedish Match
AB

2024

Full rights to commercialize IQOS
in the USA

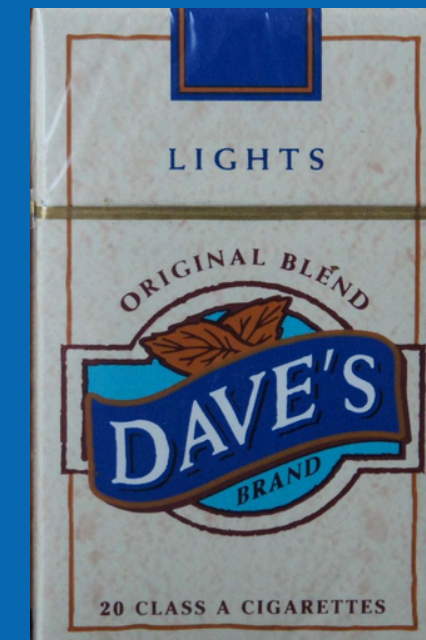
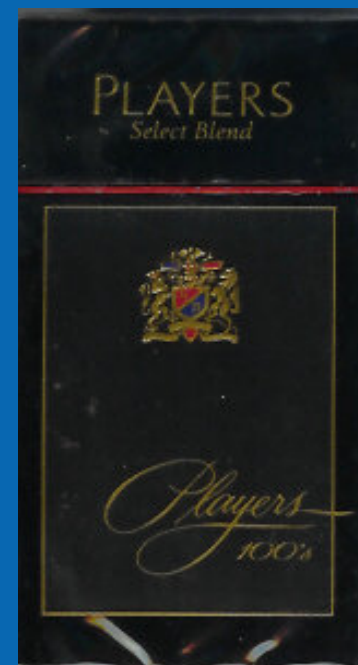
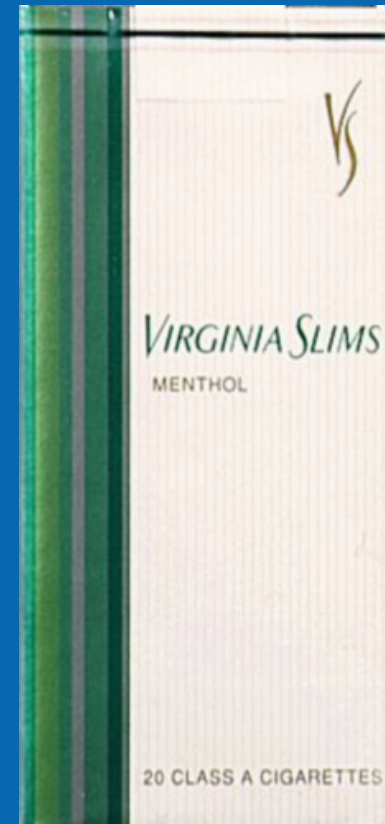
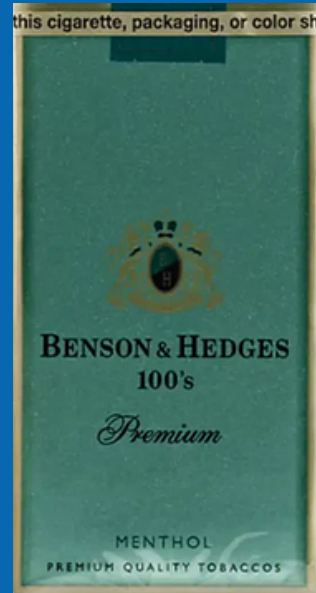
2023

Spreading PMI's smoke-free
business, Narrowed it's
focus in four geographic
segments

2025

Release of new IQOS
ILUMA in the US

Classic Brands



Unique New Products



IQOS

- \$100 for device and charger, \$5.75 for heatstick
- heat real tobacco instead of burning it
- no combustion, fire, ash, or smoke
- generates flavorful nicotine-containing vapor, releasing taste of heated tobacco



VEEV ONE

- \$25 for device, \$3.50 for pod
- closed pod vapor product
- heats e-liquid to produce an aerosol (vapor not smoke)
- features compact ceramic heating technology instead of a wick
- emits 99% lower levels of harmful chemicals compared to cigarettes

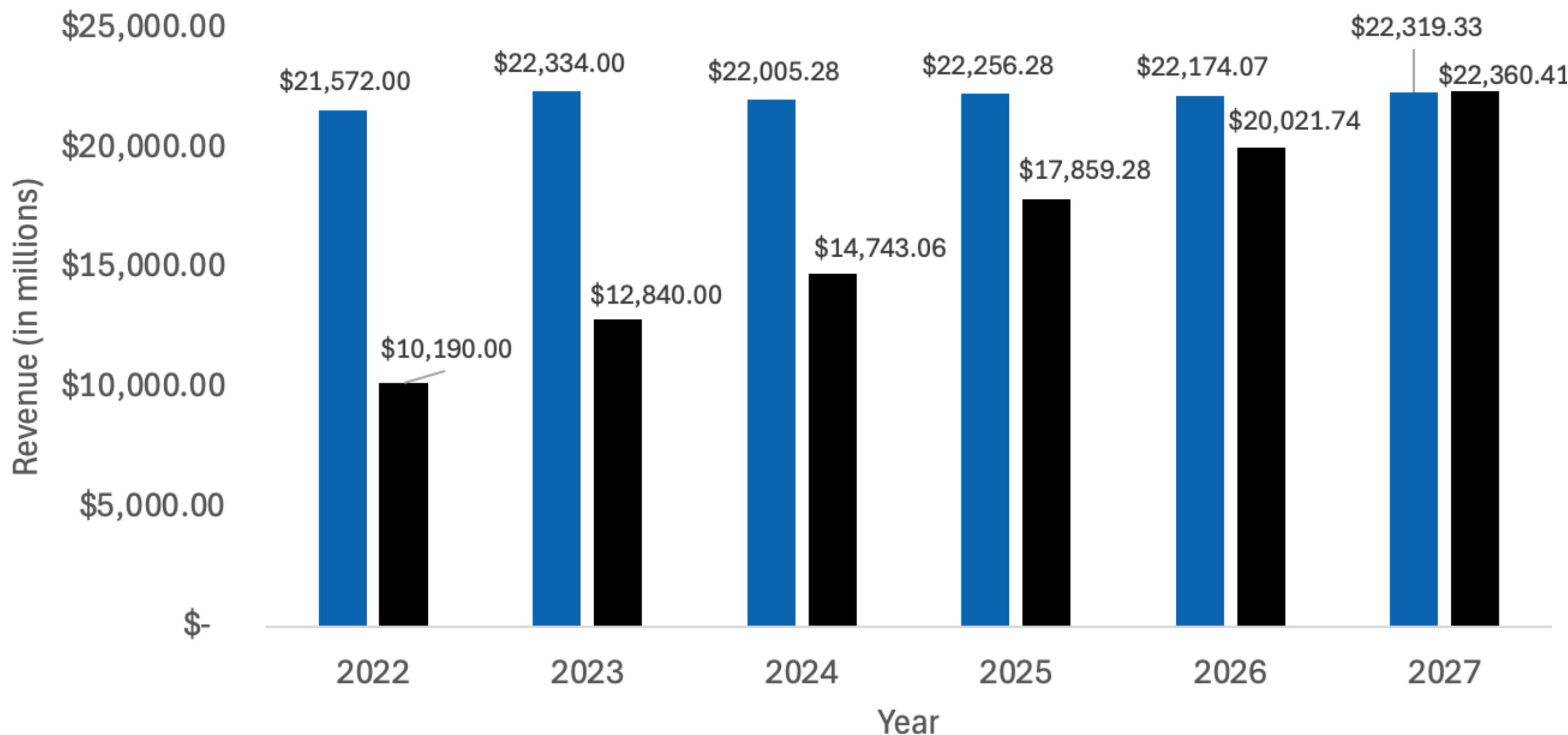


Zyn

- \$10 for 15 pouches
- nicotine pouches
- oral smokeless products
- do not contain tobacco leaves
- consumed by placing pouch between the gum and cheek or upper lip
- still addictive because contains nicotine



Revenue Distribution



■ Revenue Generated from Smokeable Products ■ Revenue Generated from Smoke-free Products

2024Q3 Updates:

- Shipments of oral smoke-free products: **25%A VS 18%E**
- Volume of sales of Zyn: **up 44%**
- Sales of HTUs: predicted to have **13% gain**



Investment Risks

- 1** Philip Morris has operations in 180 countries, all of which have their own regulations. This can strongly affect PM's ability to market and sell products.
- 2** Philip Morris is affected by currency fluctuations. We estimate an adverse currency impact of \$170M in 2023.
- 3** Extremely vulnerable to litigations due to PM's products. In 2008, the Thai government fined PM for \$2.3B.
- 4** Until PM can completely rebrand their smoke-free products, they won't be seen as ESG-friendly.



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Questions?



Sources

- Bloomberg Terminal
- SEC
 - PM 10-K
- pmi.com
- philipmorrisusa.com
- hiveir.com