

Philip Morris International Inc. (PM) — One-Page Investment Report

As-of: Oct. 21, 2025

Ticker	PM	Industry / Sub-industry	Consumer Staples / Tobacco
Current Price	\$147.70	Target Price / Stop Loss	\$205.52 / \$127.12 (-20%)
52-Week High / Low	\$186.69 / \$116.12	TTM P/E / Fwd P/E	23.26x / 18.85x
EPS (TTM) / Beta (Model)	\$5.27 / 0.48	Credit Rating / Outlook	A- (S&P) / Stable
Market Cap / Shares O/S	\$246.03B / 1.557B	Avg Vol (TTM) / Dividend	5.7M / 3.72%

Company Background

Philip Morris International (NYSE: PM) is a global nicotine company transitioning from traditional cigarettes to a smoke-free portfolio. Its brands include Marlboro, Parliament, L&M, and reduced-risk products like IQOS/ILUMA (heat-not-burn), ZYN (oral pouches), and VEEV (e-vapor). Operating across major global regions, PMI leverages data-driven engagement and scale to grow adoption, optimize pricing, and expand margins. The strategy focuses on accelerating smoke-free growth, protecting combustible profits, and sustaining strong cash returns—with upcoming FDA milestones for IQOS serving as key catalysts.

Industry Outlook

The global nicotine market (~\$900–950B, 2025) is growing modestly at 1–2% annually as cigarette volumes decline, while smoke-free products—heated tobacco, oral pouches, and vapor—now account for 30–35% of revenue and expand 15–20% YoY with over 125 million users. Growth is driven by harm-reduction demand, innovation, and favorable regulation, though risks include tightening policies, illicit trade, ESG pressures, and FX volatility. Overall sentiment is cautiously positive, with investors favoring companies that pair smoke-free scale and pricing power with strong cash generation; the sector trades at 9–

Q2'25 Earnings Call — Key Takeaways

- Net revenues rose 7.1% YoY to \$10.4B, with adjusted EPS of \$1.91 (+20%) and reported EPS of \$1.95 (+27%).
- Smoke-free products made up 41% of total sales, with 11.8% shipment growth and 14–15% organic revenue growth.
- Gross profit from smoke-free products increased 23%, driven by margin expansion and strong IQOS performance.
- 2025 EPS guidance raised to \$7.43–\$7.56, supported by pricing power, smoke-free conversion, and operational leverage.

Financial Performance — DCF & Analyst Opinion

Consensus: Rating ~ Outperform; Target ~ \$205.52

Financial Metrics (LTM/5Y, unless noted)

Avg Revenue Growth (5Y CAGR)	5.48%
EBITDA Margin (FY25E)	40.6%
Net Income Margin (LTM)	33.4%
Gross Margin (LTM)	66.45%
FCF Margin (LTM)	33.0%
Debt / Equity (book)	17.2%
Cost of Debt (pre-tax)	4.45%
Tax Rate (model)	24.7%
Cost of Equity (model)	5.92%
WACC (after-tax, model)	5.54%
Perpetuity Growth (model)	2.00%

11× EV/EBITDA and 5–6% dividend yields, reflecting stability and selective growth potential.

Investment Thesis

PMI is strategically positioned to accelerate growth through its high-margin smoke-free portfolio, led by IQOS and ZYN, while effectively managing the structural decline of combustibles. The company’s disciplined pricing strategy, cost efficiency, and robust cash generation underpin sustainable margin expansion and attractive long-term returns, supporting a compelling risk-reward profile as PMI transitions toward a majority smoke-free revenue base.

Investment Risks

Revenue pressures may arise from down-trading, slower smoke-free adoption, and inflation limiting pricing power.

FX volatility can distort reported growth and weaken cash conversion.

Competition intensifies as BAT, Altria, JTI, and new entrants drive aggressive pricing and innovation cycles.

Regulatory uncertainty around FDA/EU rules, taxes, and approvals poses ongoing compliance and margin risks.

CSR/ESG Characteristics

PMI is investing \$14B to transition to smoke-free products, targeting over 50% smoke-free revenue by 2026 and carbon neutrality by 2025, while advancing net-zero emissions, sustainable operations, and transparent ESG governance to reduce regulatory, environmental, and reputational risk.

Income Statement (in Btl, except ratios)	06/30/2025	12/2024	12/2023	12/2022	12/2021	12/2020
Revenue	39.06	37.88	35.17	31.76	31.41	28.69
Revenue Growth %	7.16%	7.69%	10.74%	1.14%	9.45%	-3.73%
Gross Profit	25.95	24.55	22.28	20.36	21.38	19.13
Gross Profit Margin %	66.44%	64.81%	63.35%	64.10%	68.06%	66.65%
Operating Income	14.21	13.40	12.22	12.25	12.98	11.67
Operating Margin %	36.38%	35.38%	34.74%	38.56%	41.32%	40.66%
EBIT	14.12	13.34	11.51	12.22	12.86	11.57
EBIT Margin %	36.14%	35.22%	32.73%	38.48%	40.95%	40.33%
EBITDA	16.06	15.13	12.91	13.41	13.86	12.55
EBITDA Margin %	41.12%	39.94%	36.70%	42.22%	44.13%	43.74%
Net Income	8.21	7.03	7.79	9.02	9.08	8.04
Net Profit Margin %	28.24%	25.92%	23.51%	30.00%	30.92%	29.94%
Basic EPS	5.27	4.53	5.02	5.82	5.83	5.16
Diluted EPS	5.26	4.52	5.02	5.81	5.83	5.16
Normalized EPS	6.93	6.42	6.01	5.98	6.11	5.18
Total Dividends per Share	5.40	5.30	5.14	5.04	4.90	4.74

Relative Performance — Total Return

	YTD	1Y
PM	+30.95%	+32.21%
Consumer Staples Sector (XLP)	+1.37%	-2.86%
S&P 500 (SPY)	+14.02%	+15.10%

Relative Valuation

- PM: EV/EBITDA: 18.39x; P/E(TTM): 23.26x.
- Peer averages: EV/EBITDA: 12x; P/E (TTM): 19.5x.
- ROIC vs WACC: 22.17% vs 5.54% → spread +16.63% (value creation).

Company Name	Description	Market Cap (\$B)	EV (\$B)	EBITDA	EV/EBITDA	P/E TTM	5Yr. Avg. ROIC	Gross Margin	Net Margin	5Yr. Beta	Credit Rating
Philip Morris International Inc. (NYSE:PM)	A leading global tobacco and nicotine company focused on transitioning from combustible cigarettes to smoke-free products such as IQOS heated tobacco and ZYN nicotine pouches. PMI operates in over 180 markets and aims for more than 50% of net revenues from smoke-free products by 2025.	248.03	265.31	16.06	18.39	23.26	28.20%	66.45%	28.24%	0.48	A-
Altria Group, Inc. (NYSE:MO)	One of the largest U.S. tobacco companies, best known for its Marlboro brand and other smokeable products. Altria generates the majority of its revenue domestically and is investing in reduced-risk products and nicotine alternatives to offset declining cigarette volumes.	106.28	132.78	11.95	11.11	12.72	32.84%	71.83%	43.37%	0.67	BBB
BRITISH AMERICAN TOBACCO PLC. (NYSE:BT)	A diversified global tobacco and nicotine company with a portfolio spanning combustibles, vapor, heated tobacco, and modern oral products. BAT's key brands include Dunhill, Lucky Strike, Vuse, and gLO, with a strategic focus on growing its "New Categories" segment to drive long-term revenue resilience.	112.47	168.66	10.83	14.46	27.96	7.96%	83.38%	12.46%	0.18	BBB+
JAPAN TOBACCO INC. (OTC:JAPAY)	A multinational tobacco and pharmaceutical company headquartered in Tokyo, with strong market positions in Japan and across Asia. JTI's operations include combustible tobacco, reduced-risk products under the Ploom brand, and a growing international presence through Japan Tobacco International (JTI).	59.28	81.92	4.32	14.34	44.44	9.12%	60.07%	5.98%	0.19	A+
Statistics Summary		Market Cap (\$B)	EV (\$B)	EBITDA	EV/EBITDA	P/E TTM	ROIC	Gross Margin %	Net Margin %	5Yr Beta	
High		248.03	265.31	16.06	18.39	44.44	33%	66%	57%	0.57	
Low		59.28	81.92	4.32	11.11	12.72	8%	86%	18%	0.18	
Average		131.77	181.66	10.78	14.57	27.10	20%	69%	23%	0.38	

