EXECUTIVE VALUATION SNAPSHOT · EQUITY RESEARCH

Philip Morris International, Inc.

NYSE: PM · Consumer Staples / Tobacco & Smoke-Free Products · Stamford, CT · Model Date: May 2026

PROB.-WEIGHTED TARGET

$168.60

+8.8% implied upside

✓ ALL AUDIT CHECKS PASS

MODEL TYPE: TIER 3 · SCENARIO-AWARE DCF | METHODS: GORDON GROWTH | EXIT MULTIPLE | TRADING COMPS | HORIZON: FY2025E – FY2029E (5-YEAR) + TERMINAL | CONVENTION: MID-YEAR DCF | WACC: 8.00%

COMPANY OVERVIEW

Philip Morris International is the world's leading international tobacco and smoke-free nicotine company, operating across 180+ markets with ~95% of revenues generated outside the United States. Core brands include Marlboro, IQOS (heated tobacco), ZYN (oral nicotine pouches), and VEEV (vapor). The company is executing a structural pivot toward smoke-free products, with IQOS now representing a significant and growing share of total volumes. The model was built on FY2020A–FY2024A historical data with a 5-year explicit forecast (FY2025E–FY2029E), valuation dated post FY2024 10-K filing.

INTRINSIC VALUATION METHODOLOGY — KEY OUTPUT SNAPSHOT

PROB.-WEIGHTED TARGET PRICE	DCF — GORDON GROWTH MODEL	DCF — EXIT MULTIPLE MODEL	TRADING COMPARABLES
$168.60	**$172.90**	**$139.22**	**$58.96**
Bear 20% + Base 55% + Bull 25%	Terminal value via perpetuity growth	Terminal value via EV/EBITDA exit	EV/EBITDA & EV/Revenue peer median

WACC CONSTRUCTION — CAPITAL STRUCTURE & COST OF CAPITAL

COMPONENT	VALUE	METHODOLOGY / SOURCE
COST OF EQUITY (CAPM)		
Risk-Free Rate (R_f)	4.60%	10-yr U.S. Treasury yield
Equity Risk Premium (ERP)	5.50%	Damodaran implied ERP
Beta (β)	0.65	5-yr monthly, market-adjusted
Cost of Equity (K_e)	**8.18%**	**R_f + β × ERP (CAPM)**
COST OF DEBT		
Pre-Tax Cost of Debt (K_d)	5.20%	Weighted avg. coupon rate
Marginal Tax Rate	22.0%	Effective blended rate
After-Tax Cost of Debt	**4.06%**	**K_d × (1 – t)**
CAPITAL STRUCTURE & WACC		
Equity Weight (E/V)	84.1%	Market-value weighted
Debt Weight (D/V)	15.9%	Market-value weighted
CAPM-Derived WACC	7.52%	Sanity check — model floor
WACC Applied in DCF	**8.00%**	**Override — margin of safety (+48 bps)**

OPERATING MODEL — KEY FORECAST ASSUMPTIONS

METRIC	BASE CASE
GROWTH & REVENUE	
5-Year Revenue CAGR (FY25E–FY29E)	**5.9%**
Volume Growth Driver	IQOS international expansion
PROFITABILITY (TERMINAL YEAR)	
Terminal EBIT Margin	**41.4%**
Margin Trajectory	Expanding w/ smoke-free mix shift
VALUATION PARAMETERS	
WACC Applied	**8.00%**
DCF Convention	Mid-Year Discounting
Valuation Base Date	May 2026 (post 10-K)
Audit Status	✓ ALL CHECKS PASS

SCENARIO & SENSITIVITY MATRIX — BEAR / BASE / BULL PROBABILITY WEIGHTING

BEAR CASE — 20% Probability

$87.25

Weighted Contribution: **$17.45**

Conservative IQOS adoption curve; regulatory headwinds across key markets; pricing power compression; higher required return on elevated geopolitical risk.

BASE CASE — 55% Probability

$163.90

Weighted Contribution: **$90.14**

Sustained IQOS volume growth; stable combustible pricing; ~5.9% revenue CAGR; 41.4% terminal EBIT margin; WACC 8.00% with mid-year convention applied.

BULL CASE — 25% Probability

$244.04

Weighted Contribution: **$61.01**

Accelerated IQOS penetration; ZYN category leadership; favorable FX tailwinds; margin expansion beyond base; potential multiple re-rating as smoke-free mix > 50%.

PROBABILITY-WEIGHTED TARGET PRICE (BEAR 20% + BASE 55% + BULL 25%) **$168.60 / share** Implied Upside: +8.8%

PEER TRADING COMPARABLES — EV/EBITDA & EV/REVENUE (TTM)

COMPANY	TICKER	EXCHANGE / DOMICILE	EV/EBITDA	EV/REVENUE	COMMENTARY
Philip Morris International	**PM**	**NYSE · USA (Intl Ops)**	**15.3x**	**6.4x**	**Significant premium reflects IQOS & ZYN growth optionality**
Altria Group	MO	NYSE · USA	9.4x	5.4x	US-only combustibles; declining volume base
British American Tobacco	BTI	NYSE ADR · UK	8.8x	5.1x	Multi-category; Vuse & Velo growth offsetting combustible declines
Imperial Brands	IMB.L	LSE · UK	7.5x	1.2x	Value-oriented; limited smoke-free mix
Japan Tobacco International	2914.T	TSE · Japan	8.1x	3.5x	Strong APAC position; Ploom smoke-free platform
Peer Mean (ex-PM) / Peer Median (ex-PM)			**8.5x / 8.5x**	**3.8x / 4.3x**	**PM premium: +6.8x EV/EBITDA vs. median; premium justified by smoke-free transition**

COMPANY	TICKER	EXCHANGE / DOMICILE	EV/EBITDA	EV/REVENUE	COMMENTARY
					leadership