

**Philip Morris International Inc.
2024 First-Quarter Conference Call
April 23, 2024**

JAMES BUSHNELL

(SLIDE 1.)

Welcome. Thank you for joining us. Earlier today, we issued a press release containing detailed information on our 2024 first-quarter results. The press release is available on our website at www.pmi.com.

(SLIDE 2.)

A glossary of terms, including the definition for smoke-free products as well as adjustments, other calculations and reconciliations to the most directly comparable U.S. GAAP measures for non-GAAP financial measures cited in this presentation are available in Exhibit 99.2 to the company's Form 8-K dated April 23, 2024, and on our [Investor Relations website](#).

(SLIDE 3.)

Today's remarks contain forward-looking statements and projections of future results. I direct your attention to the Forward-Looking and Cautionary Statements disclosure in today's presentation and press release for a review of the various factors that could cause actual results to differ materially from projections or forward-looking statements.

I'm joined today by Emmanuel Babeau, Chief Financial Officer, and Jennifer Motles, Chief Sustainability Officer.

Over to you, Emmanuel.

EMMANUEL BABEAU

(SLIDE 4.)

Thank you, James, and welcome everyone.

In Q1, we delivered outstanding performance that exceeded our expectations, with double-digit growth in organic net revenue and operating income, as well as currency-neutral adjusted diluted EPS, all supported by robust volume growth. Excellent smoke-free business momentum continues with 25% organic growth in net revenues and 38% in gross profit, as *IQOS* operating leverage and *ZYN* mix contribute positively.

IQOS continues to advance rapidly, with growth of 13% in adjusted IMS volumes and 21% in shipments. *IQOS ILUMA* is a key driver of this progress and is now available in 64 markets, representing nearly 100% of *IQOS* volumes outside Russia. *ZYN* also continued its considerable growth in Q1, with U.S. volumes up 80%.

Importantly, this top-line performance translated into strong OI growth and margin expansion, both organically and in dollar terms. This was notably driven by accelerating profitability in both our *IQOS* and *ZYN* businesses, in addition to improving combustible performance.

We faced higher-than-expected currency headwinds in the quarter, primarily due to the devaluation of the Egyptian pound. We are taking mitigating actions including additional pricing and accelerated cost initiatives, which allowed us to deliver Q1 adjusted diluted EPS above our prior expectation, despite these pressures.

While the prior year quarter was favorable for certain growth comparisons, this exceptional start to the year sets the stage for us to deliver significantly better-than-expected 2024 currency-neutral growth, and robust growth in USD at prevailing rates.

(SLIDE 5.)

Turning to the headline numbers, very good shipment volume growth of 3.6% supported organic top-line growth of 11.0%, or 8.6% including currency. This reflects continued excellent *IQOS* and *ZYN* momentum as well as strong combustible pricing.

Operating income grew by 22.2% organically versus a softer prior-year quarter, notably driven by gross margin expansion and a deceleration in SG&A growth. As a result, our organic OI margins expanded by 3.7 percentage points. In dollar terms, adjusted OI grew by 11.3% and adjusted OI margins expanded by 0.9pp.

We outperformed our Q1 adjusted EPS outlook due to three main factors. The first is the net revenue and profit impact of better volumes following the industry-leading performance of ZYN, the strong shipment growth of IQOS HTUs including some higher-than-expected timing benefits, and a resilient combustible delivery. Second is the benefit of our pricing actions to mitigate currency headwinds and third is on cost including some timing benefit and a stepped-up focus on manufacturing and back-office efficiencies to prioritize growth investments. The majority of the outperformance was driven by underlying business dynamics, which bodes well for the remainder of the year.

Indeed, we delivered adjusted diluted EPS of \$1.50, representing 23.2% growth excluding an unfavorable currency impact of 20 cents. This includes 9 cents from the devaluation of the Egyptian pound, including a transactional impact of 6 cents primarily related to the balance sheet remeasurement of foreign currency payables. With increased liquidity in the EGP, we are now reducing our balance sheet exposure, and this should be complete in the coming weeks.

(SLIDE 6.)

Focusing now on volumes, our Q1 HTU shipments of 33.1 billion units exceeded our outlook, with robust underlying growth across geographies and a higher-than-anticipated timing impact of shipments to Japan. The incremental phasing impact was around 1 billion units and was primarily related to Red Sea disruption. While uncertain, we assume this will normalize in the second half of the year.

As mentioned previously, we believe the best indicator of underlying HTU growth is adjusted IMS, as the closest metric to consumer offtake. Adjusted IMS volume grew nicely by 12.5%, including the expected impact from the characterizing flavor ban in Europe. We continue to see strong IQOS momentum, with excellent growth in Japan, robust underlying fundamentals in Europe, and a growing contribution from newer markets such as Indonesia. We continue to target 14-16% adjusted IMS growth for the year, with around 10% growth in Q2 followed by an H2 acceleration driven by the timing of commercial programs, ILUMA uptake, newer markets and a less demanding prior year comparison.

Total smoke-free volume growth of 22% includes the impressive expansion of our oral smoke-free portfolio powered by ZYN, with pouch equivalent shipment volumes up by 35.8%. U.S. ZYN shipments grew by 80% to 132 million cans.

Cigarette shipments declined by a modest 0.4% in the first quarter, with a notable positive contribution from Turkey as we increased share in a strong overall market.

(SLIDE 7.)

Let me now walk through the drivers of our Q1 net revenues. As I mentioned, volumes grew by a remarkable 3.6%, including oral. Pricing contributed 5.5 points of growth primarily from combustibles, as well as pricing of around 3% on HTUs.

Smoke-free category mix added 3.1 percentage points to the top-line, reflecting the higher net revenue per unit of *IQOS* and, to an even greater extent, *ZYN*. Oral SFP overall boosted our organic net revenue growth by 2.2 points, showcasing its role as a meaningful accelerator. I am also pleased to report a positive contribution from our *VEEV* e-vapor business which, while still small in the context of the group, delivered good revenue growth.

As in 2023, there was a negative geographic mix within our combustible business as lower margin markets, often without smoke-free products, grew faster; and smoke-free products accelerated cigarette declines elsewhere.

The positive category mix impact of smoke-free products, overall volume growth, and pricing are the three enduring engines of our transformation and growth.

(SLIDE 8.)

Focusing now on the key dynamics of our Q1 profit delivery, smoke-free gross profit grew by an impressive 38% organically, on top-line growth of 25%. This reflects the very strong performance of U.S. *ZYN* and the growth and scale effects of *IQOS*, including manufacturing productivities. This strong underlying acceleration was amplified by only a few percentage points due to HTU shipment phasing. Gross margins expanded substantially for both heat-not-burn and oral nicotine, and by a striking 600 basis points organically for smoke-free overall, which made up close to 39% of total gross profit, an increase of 6 percentage points versus prior year.

Combustible organic gross profit growth was notably improved and exceeded our expectation at 2.3%. Gross margins were also better-than-anticipated, leading to an improved full year outlook. Resilient volumes, strong pricing and manufacturing productivities more than offset the continued cost pressures in the category, geographic mix, and the impact of *IQOS* cannibalization. As previously flagged, cost increases in leaf, wages and certain other inputs carried over into 2024, and these should ease next year. We were also impacted by around \$30 million of costs from implementation of the EU Single-Use Plastics Directive, primarily on cigarettes.

(SLIDE 9.)

A key feature of Q1 was strong OI margin expansion. Gross margins increased organically by 150 basis points and by 80 basis points including currency. This reflects excellent expansion within smoke-free products, their growing weight within our business at higher margins, and the better-than-expected evolution of combustibles. These factors, combined with productivity savings, significantly outweighed the unfavorable technical dilutive impact of third-party manufacturing in Indonesia, which equated to 30 basis points in the quarter.

For SG&A costs, currency-neutral growth of only 1.4% drove 220 basis points of organic margin expansion. This benefitted from our resource allocation and prioritization programs, including the delivery of approximately \$160 million in gross cost efficiencies across COGS and SG&A towards our \$2 billion target for 2024-26. Although the Q1 margin impact of SG&A cost evolution including currency was small due notably to Egyptian Pound transactional currency, we continue to target SG&A progression below top-line growth for the year. We expect higher organic SG&A increases in the remainder of 2024, notably reflecting investment spend phasing, which was favorable in Q1.

The combination of these factors powered a remarkable 370 basis point expansion in our organic OI margins, and 90 basis points including currency. This exceeded our expectations and we are now raising our full-year OI growth outlook, as I will come back to.

(SLIDE 10.)

Taking another lens on adjusted OI margins by geography, we see broad-based global momentum with all regions delivering strong organic progress. In dollar terms, margins expanded in every region except the SSEA, CIS, and MEA region, mainly reflecting the transactional currency impact of the Egyptian pound and the technical dilution in Indonesia. Indeed, excluding these factors, this region grew margins at a very similar rate to the group.

(SLIDE 11.)

Moving to *IQOS*. With *ILUMA* now widely launched, PMI HTUs continue to strengthen their position as the second largest nicotine 'brand' in markets where *IQOS* is present. PMI HTUs now exceed the 10% market share milestone on the prior basis excluding Indonesia, which we now include following broader commercialization in the market. Our HTUs are the #1 nicotine 'brand' in 11 markets, and as shown at CAGNY, *IQOS* net revenues have surpassed those of *Marlboro*.

(SLIDE 12.)

Focusing on *IQOS* in Europe, Q1 HTU share increased by 0.9 points, also crossing the 10% regional share milestone for the first time. While still early in many markets, the growing availability and uptake of *ILUMA* is a key driver and we are seeing a strong acceleration in a number of historically slower-growth markets.

Adjusted IMS volumes continue to exhibit robust sequential growth and reached a record high of 12.6 billion units on a four-quarter moving average. This reflects year-on-year progression of 9.4% in Q1, with excellent growth in Greece, Portugal, Germany, Spain, UK and the Netherlands. Growth was slower in certain Central European markets such as Poland and Czech Republic, where increased economic pressures and price-sensitivity are visible. We continue to evolve our portfolio in these markets under the recently-launched *ILUMA* system to drive further growth. Excluding Ukraine, where growth was absent, adjusted IMS grew double-digit.

As anticipated, the 11 markets so far affected by EU characterizing flavor restrictions saw an impact in line with our total region estimate of around 2 billion sticks for the year. Consistent with similar past situations, we observe an initial consumer adjustment followed by a reversion of growth rates to previous levels. We have not seen meaningful shifts towards e-vapor or competitor heat-not-burn products, and we expect the structural growth of *IQOS* to fuel continued HTU progression over the rest of the year.

(SLIDE 13.)

The strong fundamental progress in the region is highlighted by the expansion in key city offtake shares. Very strong gains in cities with already high *IQOS* adoption, such as Lisbon, Rome, Athens and Budapest, demonstrate the potential for further growth at the national level. The recent acceleration in London, Madrid, Munich and Amsterdam is also very promising for the *IQOS* brand in these markets and for Europe overall.

(SLIDE 14.)

In Japan, the adjusted total tobacco share for our HTU brands increased by an excellent 3.1 points to 29.3%. Adjusted IMS volumes increased by 13%, maintaining the rapid progress of recent quarters. Such impressive growth in a market with already-high category penetration is a clear testament to the sustainable growth potential of *IQOS* around the world.

In connection with *IQOS*' strong brand equity and commercial footprint, we are fostering growth through continued innovation on both devices and consumables. In March, we launched the latest *IQOS* device *ILUMA i* in direct channels, with national expansion ongoing.

(SLIDE 15.)

We remain laser focused on innovation. Our innovation in consumables has included a number of new variants and taste experiences on the premium *TEREA* brand. As shown by the offtake data on this chart, this has helped *TEREA* to continue growing Japan share at the same time as mainstream-priced *SENTIA*. This successful strategy of broadening consumer appeal with different price tiers while reinforcing and growing the premium line-up is a good illustration of how our *IQOS* business is evolving across markets as the category continues to grow.

The potential of the category is clearly demonstrated by the performance in Tokyo. As shared at CAGNY, heat-not-burn category volumes surpassed combustibles in January and have continued to grow since then.

Led by Japan and Korea, the East Asia & Australia region reached almost two-thirds smoke-free net revenues in Q1. While somewhat flattered by shipment timing, this clearly demonstrates the path forward for the broader company as we strive towards our ambition of becoming substantially smoke-free, surpassing two-thirds by 2030.

(SLIDE 16.)

Outside of Japan and Europe, we continue to see very promising *IQOS* growth across the globe, including low and middle-income markets, as highlighted by key city offtake shares.

A notable call-out is Indonesia, where we have expanded commercialization to targeted areas in new cities and introduced *TEREA* clove variants catering to kretek taste preferences. We have witnessed an uplift in user growth, and now have over 150,000 estimated *IQOS* users in the country. Our city offtake share in Urban Jakarta is one indicator of this, with 1.6pp growth to 3.4% in a growing total industry.

We are also pleased to report the reacceleration of *IQOS* growth in South Korea following the introduction of *ILUMA*. *TEREA* recently became the number one HTU brand as measured by national c-store offtake, and in Seoul *IQOS* market share grew by 1.8 points to 12.8%.

Egypt continues to stand out with Cairo offtake share up 1.3 points to 9.1% despite recent pricing, and we also see promising results in Malaysia, Morocco, Lebanon and the Balkans. While not shown on this slide, Saudi Arabia also had a promising restart with Q1 national offtake share of 1.3% following the resumption of IQOS commercialization in late 2023.

In a similar vein to some of our European markets, the November launch of *ILUMA* in Canada has coincided with an acceleration in key city growth, as shown here by Toronto. While still early days for *ILUMA* and in a very restrictive regulatory environment, this is clearly a positive development.

(SLIDE 17.)

Moving now to *ZYN*, where excellent U.S progress continued in Q1 with 70% sequential growth in 12-month rolling shipments.

Impressively, category volume share grew for the fourth consecutive quarter to 74.3%, an increase of 6.9 points year-on-year and 1.3 points sequentially despite a 15 cent per can price increase in March. Retail value share also grew to 79.3%, highlighting *ZYN*'s premium positioning and superior brand equity.

This accelerated growth again reflects a broad step-up in nationwide store velocities and gradual distribution expansion as the category gains strong traction with adult nicotine users.

As outlined at CAGNY, we remain focused on marketing *ZYN* responsibly to prevent unintended use. We support the FDA's efforts to ensure only consumers over 21 have access to nicotine products. Swedish Match follows a robust U.S. marketing code that prohibits using social media influencers, age-gates digital platforms to 21-plus and includes partnering with WeCard to help ensure retail sales only to legal-age adults.

(SLIDE 18.)

I'd like to spend a moment now on combustibles, where our portfolio delivered robust organic net revenue growth of 3.7% in Q1. This primarily reflects better-than-expected pricing of 7.9%, with a notable contribution from Germany, and stepped-up pricing in Egypt. The pricing environment remains favorable, and we now forecast a full-year increase of 6% to 7%, with annualization effects lessening in H2.

Our cigarette category share grew by 0.3 points in Q1. This includes positive contributions from Algeria, Poland, and Turkey, resulting in only a modest volume decline in a total cigarette industry which fell by 0.6%. Our global brands gained

category share during the quarter, with *Marlboro* gaining 0.4 points. As previously flagged, our 2023 share of segment was flattered by competitor supply constraints in Egypt which may normalize this year.

As I already mentioned, strong pricing in Q1 coupled with accelerated manufacturing productivities also resulted in a better-than-expected margin evolution.

(SLIDE 19.)

Now, let me provide an update on our latest innovation and expansion plans as we further accelerate our smoke-free transformation.

As I covered earlier, we recently launched *IQOS ILUMA i*, our most innovative offering to-date, in Japan. The *ILUMA i* portfolio consists of three devices offering a range of adaptable new features. This includes the new touch screen on the device's holder which allows users to see experience-relevant information quickly and easily, as well as a pause mode so users can pause and resume their smoke-free moment where they left off. Initial consumer feedback has been very positive. Japan was the first market to launch *ILUMA* in H2, 2021 and we plan to gradually roll-out *ILUMA i* to more geographies over time.

As shown in our Japan and Indonesia performance, consumable innovation on the *ILUMA* platform is also critical, as we broaden offerings across markets. *LEVIA* HTUs, which contain nicotine but no tobacco leaf, were launched nationwide in the Czech Republic and Romania in Q1 with promising initial results. More markets are planned later this year. *DELIA*, our new mainstream-price brand for HTUs, was rolled out in Switzerland, Hungary, and Lithuania.

In the U.S., we continue to prepare for the first consumer pilots in select cities with the *IQOS 3* system. As mentioned previously, the commercialization will be initially limited in scope and will be focused on direct activation of select legal-age nicotine users in a few cities, allowing us to experiment with different elements of the commercial model. The main purpose of these consumer activations is to fine-tune our approach in anticipation of the at-scale launch of *IQOS ILUMA*, following authorization from the FDA.

The international expansion of nicotine pouches remains a key focus, notably for *ZYN* as the world's leading brand. We have launched or relaunched in 11 markets so far, with more planned later this year.

In e-vapor, our focused strategy for *VEEV* is showing very good early results. Positive consumer feedback is translating into promising repeat-purchase and conversion rates, and we are on a path to profitability in H2.

(SLIDE 20.)

This brings me to our outlook for 2024. With unparalleled smoke-free volume momentum, best-in-class pricing and expanding margins we are raising our full year currency-neutral growth forecasts. This strong pricing, combined with positive smoke-free mix and efficient cost allocation also helps us to mitigate currency headwinds and should allow us, at prevailing rates, to deliver on our objective of robust growth in dollar terms.

Given continued *ZYN* volume progress, we are increasing our U.S. shipment forecast to around 560 million cans. We have further accelerated our capacity expansion plans to support this additional step-up. We continue to target strong growth in both adjusted IMS and shipments of *IQOS* HTUs, and to reach close to \$15 billion in 2024 smoke-free net revenues at prevailing exchange rates.

Factoring the increased *ZYN* shipment forecast and a strong pricing outlook on both combustibles and smoke-free products, we are increasing our organic net revenue growth forecast to 7% to 8.5%.

In addition to higher revenue growth, we expect accelerated organic margin expansion. This is strongly driven by a significant expected uplift in our smoke-free gross margin due to *IQOS* scale effects, *ZYN* mix and accelerated manufacturing productivities. It also includes organic gross margin expansion in combustibles, where we had previously assumed a negative development. In addition, we are focused on delivering further SG&A efficiencies while continuing to invest in smoke-free growth. As a result, we are raising our organic OI growth forecast to 10% to 12%.

Accordingly, we are raising our forecast currency-neutral adjusted diluted EPS growth to 9% to 11%. This translates into an adjusted diluted EPS range of \$6.19 to \$6.31, including an unfavorable currency impact of 36 cents, at prevailing rates. The increased forecast headwind is primarily explained by the devaluation of the Egyptian pound and recent weakness in the Japanese Yen. As I mentioned, we are taking proactive actions to mitigate the incremental impact.

We expect full-year gross and OI margin expansion, in both organic and dollar terms, at prevailing exchange rates. This includes organic expansion in both H1 and H2. After the excellent Q1 performance, we expect a strong H1 overall with organic net revenue and OI growth around the high end of our full year ranges.

For Q2 specifically, we assume HTU shipment volumes of 34 to 35 billion and continued strong volume growth from ZYN. We forecast currency-neutral adjusted diluted EPS of \$1.50 to \$1.55, including an unfavorable currency variance of 14 cents, at prevailing rates.

With regard to our balance sheet, deleveraging remains a key priority. We continue to target a 0.3-0.5x improvement in our net debt to adjusted EBITDA ratio in 2024, driven by profit growth and strong cash flow generation. We also continue to target reaching around 2x by the end of 2026 and will consider buybacks once confirmed we are on-track.

Now switching gear. As this quarter coincides with the publication of our 2023 Integrated Report, I would like to welcome Jennifer Motles, PMI Chief Sustainability Officer, to share an update on our sustainability progress. Jennifer, over to you.

JENNIFER MOTLES

(SLIDE 21.)

Thank you, Emmanuel. I am very pleased to be joining today's earnings call.

As Emmanuel mentioned, our sustainability, transformation, and business strategies are one and the same. We are focused on creating value for the long-term, where generating shareholder returns requires us to deliver on transformation, and delivering on transformation requires us to deliver on sustainability. As shown in our recent results, our product transformation fosters profitable growth and short-, medium-, and long-term value creation. However, our transformation also means reshaping both our value chain and how we engage with society. As we venture into new product categories, we actively collaborate with different stakeholders and advocate for regulatory frameworks that can accelerate industry change and end smoking.

Business transformation is a company-specific journey, which sustainability reporting standards and frameworks often fail to adequately capture. To help illustrate our progress toward achieving our smoke-free purpose, we regularly report our Business Transformation Metrics, a bespoke set of financial and non-financial KPIs. Some of them were already presented by Emmanuel in our financial results; others you can see here. For example, the growing proportion of commercial and R&D spend on smoke-free products demonstrates the allocation of resources away from our legacy business and towards replacing cigarettes with better alternatives.

As another example, increasing the availability and access of adult smokers around the world to smoke-free products are two key pillars of achieving this replacement. As our geographic expansion continues, low- and middle-Income markets now make up 47% of our market presence.

(SLIDE 22.)

These metrics, together with our overall performance for 2023, can be found in our latest Integrated Report, published last month and available on our website. It is a comprehensive document covering our most important sustainability topics, starting with our product.

The report highlights progress on our continued expansion of smoke-free alternatives across categories and geographies, as well as social and environmental programs deployed with and in parallel to these products in support of sustainable value creation. These include responsible marketing and sales practices, youth access prevention programs, and efforts to reduce post-consumer waste. Further, it highlights our progress on improving the quality of life of people in our supply chain, decarbonizing our operations and value chain, and preserving nature.

We are also very pleased with the continued recognition of our sustainability performance and robust reporting. To highlight just a few from 2023, PMI was included in the Dow Jones Sustainability World Index for the first time, and for the fourth year in DJSI North America. In addition, PMI was the only U.S. company to obtain a “Triple A” rating from CDP. More than 20,000 companies worldwide participated in this rating, and only 10 obtained this prestigious recognition.

Notably for investors in parts of Europe, but also in ESG or sustainability-themed funds in the U.S., we are subject to sector exclusion policies because we are a Tobacco company. It is clear that excluding companies or sectors from the consideration set does nothing to address the underlying reasons for the exclusion, which in our case would be the harm linked to combustible tobacco use. Many funds that may be excluding tobacco on ESG considerations will still own stocks in other consumer sectors, despite many of these companies not having comparable harm reduction strategies in place to address the impacts of their products. As we transform our company away from combustibles and work to end smoking at a societal level, we welcome the engagement and challenge of investors to help us accelerate this critical shift.

Thank you. I'll now turn it back to Emmanuel.

EMMANUEL BABEAU

(SLIDE 23.)

Thank you, Jennifer. I will conclude today's presentation with some key messages.

Our excellent *IQOS* and *ZYN* volume momentum, best-in-class pricing, positive category mix and stepped-up cost efficiencies put us on track for a strong 2024, with accelerated top-line growth and margin expansion.

Following an exceptional and better-than-expected start to the year, we have raised our full year currency-neutral growth forecasts. Critically, we are also focused on delivering performance in dollars. We are taking measures to mitigate currency headwinds through pricing, accelerated manufacturing productivities and judicious resource allocation to prioritize growth investments.

Our 2024 outlook places us firmly on track to deliver our 2024-26 CAGR targets. Beyond 2026, we have further exciting opportunities to grow our smoke-free business as we progress towards our ambition of being substantially smoke-free by 2030.

Finally and importantly, our strong growth outlook and highly cash generative business underpins our ability to deleverage while maintaining a steadfast commitment to our progressive dividend policy. We look forward to further rewarding our shareholders as our transformation delivers sustainable growth.

(SLIDE 24.)

Thank you. We are now happy to answer your questions.

JAMES BUSHNELL

(SLIDE 25.)

That concludes our call today. Thank you for joining us. If you have any follow-up questions, please contact the Investor Relations team. Thank you again and have a nice day.