



PHILIP MORRIS  
INTERNATIONAL

# 2023

## INVESTOR DAY

# Championing a Smoke-Free World

**Stefano Volpetti**  
*President Smoke-Free Inhalable Products  
& Chief Consumer Officer*

**September 28, 2023**

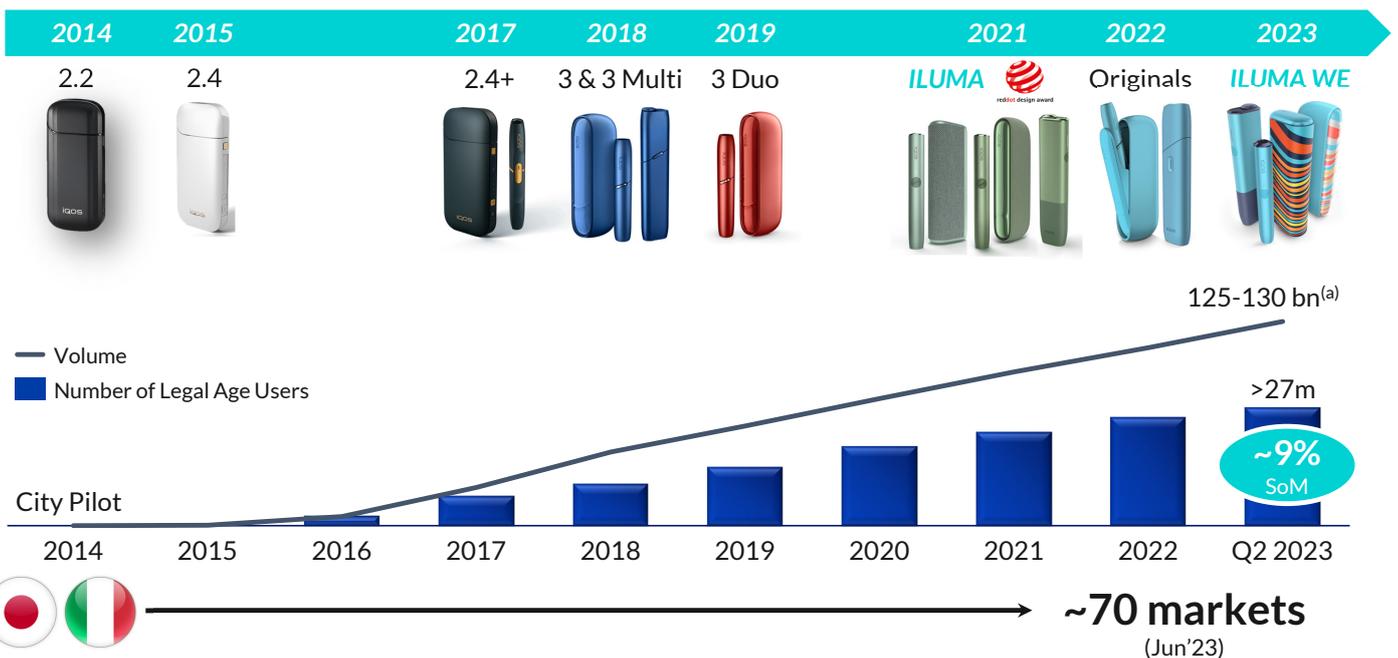
## Forward-Looking and Cautionary Statements

- This presentation contains projections of future results and goals and other forward-looking statements, including statements regarding business and regulatory plans, expectations, opportunities, ambitions, targets, and strategies. These forward-looking statements and anticipated results reflect the current views and assumptions of management and are inherently subject to significant risks, uncertainties and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI
- PMI's business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our products in certain markets or countries; health concerns relating to the use of tobacco and other nicotine-containing products and exposure to environmental tobacco smoke; litigation related to tobacco use and intellectual property; intense competition; the effects of global and individual country economic, regulatory and political developments, natural disasters and conflicts; the impact and consequences of Russia's invasion of Ukraine; changes in adult smoker behavior; the impact of COVID-19 on PMI's business; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations, and limitations on the ability to repatriate funds; adverse changes in applicable corporate tax laws; adverse changes in the cost, availability, and quality of tobacco and other agricultural products and raw materials, as well as components and materials for our electronic devices; and the integrity of its information systems and effectiveness of its data privacy policies. PMI's future profitability may also be adversely affected should it be unsuccessful in its attempts to produce and commercialize reduced-risk products or if regulation or taxation do not differentiate between such products and cigarettes; if it is unable to successfully introduce new products, promote brand equity, enter new markets or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; if it is unable to attract and retain the best global talent, including women or diverse candidates; or if it is unable to successfully integrate and realize the expected benefits from recent transactions and acquisitions. Future results are also subject to the lower predictability of our reduced-risk product category's performance
- PMI is further subject to other risks detailed from time to time in its publicly filed documents, including PMI's Annual Report on Form 10-K for the fourth quarter and year ended December 31, 2022 and Quarterly Report on Form 10-Q for the second quarter ended June 30, 2023. PMI cautions that the foregoing list of important factors is not a complete discussion of all potential risks and uncertainties. PMI does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations

# Glossary and Key Terms and Definitions

- 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 on our [Investor Relations website](#)
- Growth rates presented on an organic basis reflect currency-neutral adjusted results, excluding acquisitions and disposals. As such, figures and comparisons presented on an organic basis exclude Swedish Match up until November 11, 2023

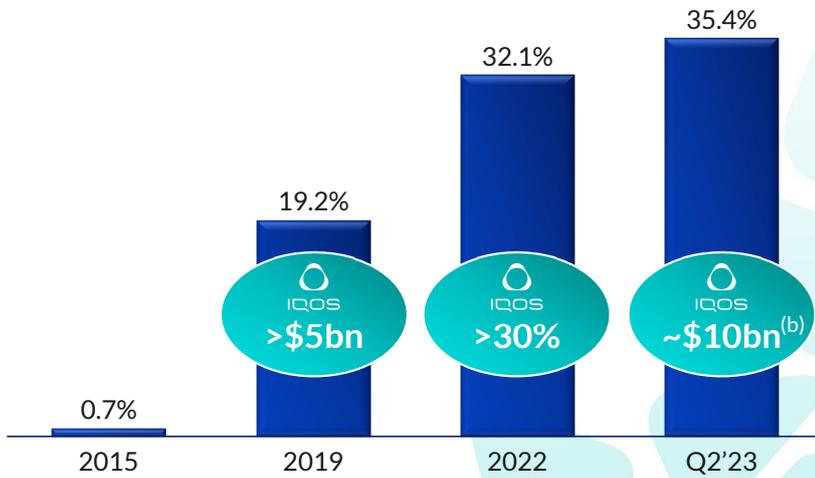
## IQOS: 10 Years Evolution



(a) 2023 full year volume estimate of IQOS consumables  
 Source: PMI Financials or estimates; IQOS user panels and PMI Market Research

# IQOS: Net Revenue Contribution Exceeded 30% in 2022

Smoke-Free Net Revenues<sup>(a)</sup>  
(% of Total PMI Net Revenues)



(a) Smoke-free net revenues include SFP net revenues and net revenues from the Wellness and Healthcare segment  
(b) Reflects annualization of second-quarter 2023 net revenues of IQOS  
Source: PMI Financials or estimates

# IQOS: #1 SFP Brand Delivering Superior Consumer Experience



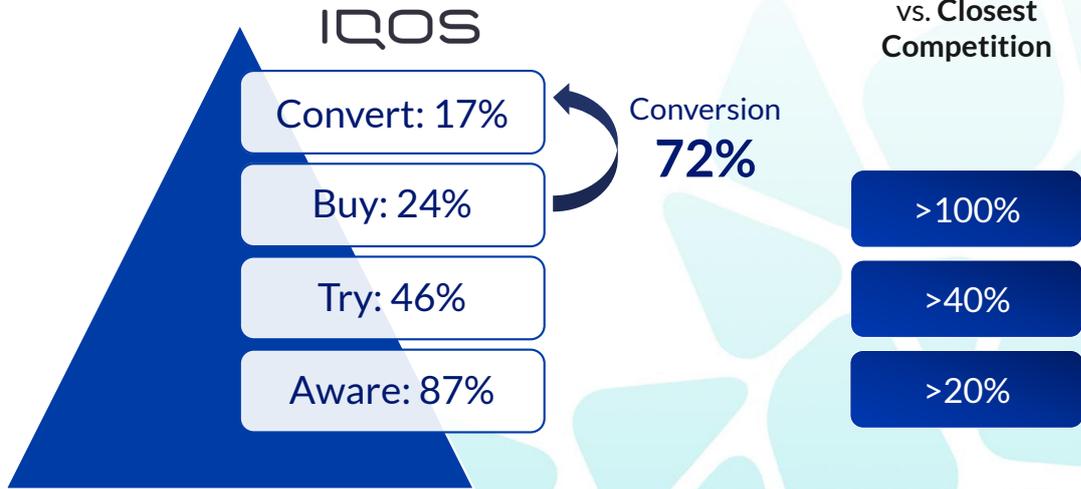
>27m legal age users<sup>(d)</sup>

(a) % of legal age users that have stopped smoking and switched to IQOS  
(b) Brand Equity Advisor survey 2022 in 22 IQOS markets where competitive products have meaningful presence  
(c) Net Promoter Score survey in 37 IQOS markets  
(d) Legal age user estimation by Q2 2023  
Source: PMI Financials or estimates; IQOS users panels and PMI market research

# IQOS: Delivers a Superior Progress across All Stages of Adult Smokers' Conversion Journey

## Consumer Journey Metrics - Jul'23

(Index = LANU)



Source: PMI Market Research, Nicotine Containing Product Tracking survey in 12 IQOS markets where competitive Heat-not-Burn products have meaningful presence

# IQOS ILUMA: Next Level Forward

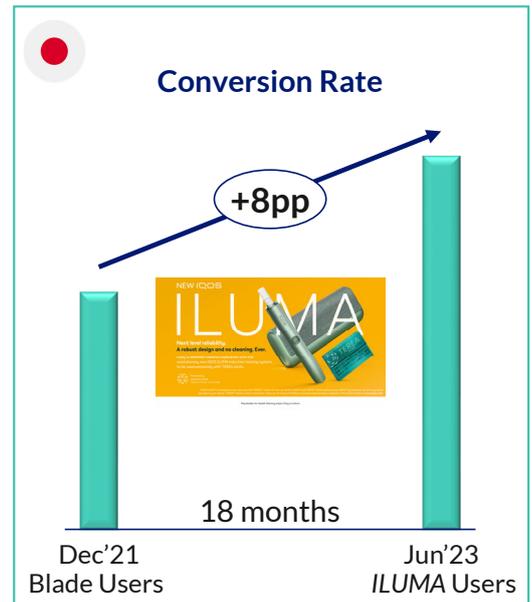
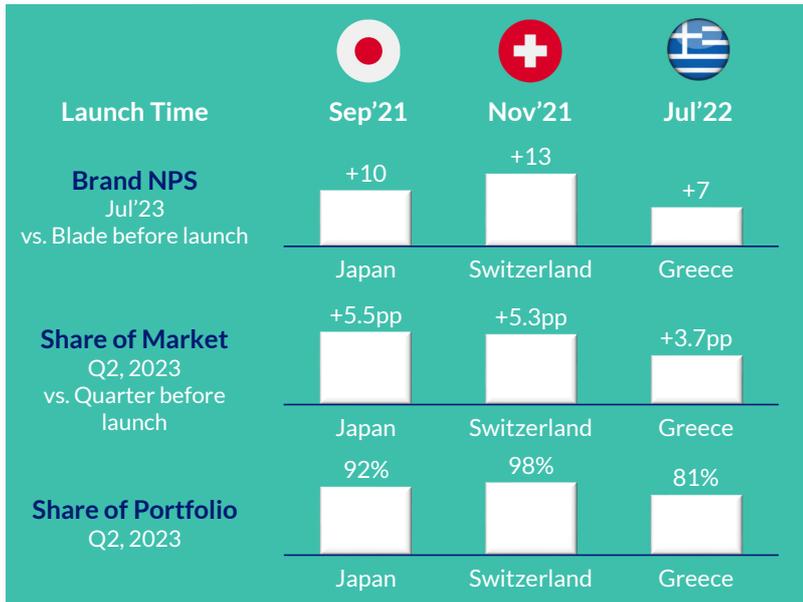


- **Breakthrough induction technology** – stronger, bladeless and effortless experience, with no cleaning ever
- **Enhanced sensorial pleasure** - improved draw consistency and wide range of consumables and flavors

- **Step change in consumer experience & NPS**, driving double digit growth in launch markets
- **~13 million users in 27 markets**
- **Aim to be present in ~50 markets by year end**

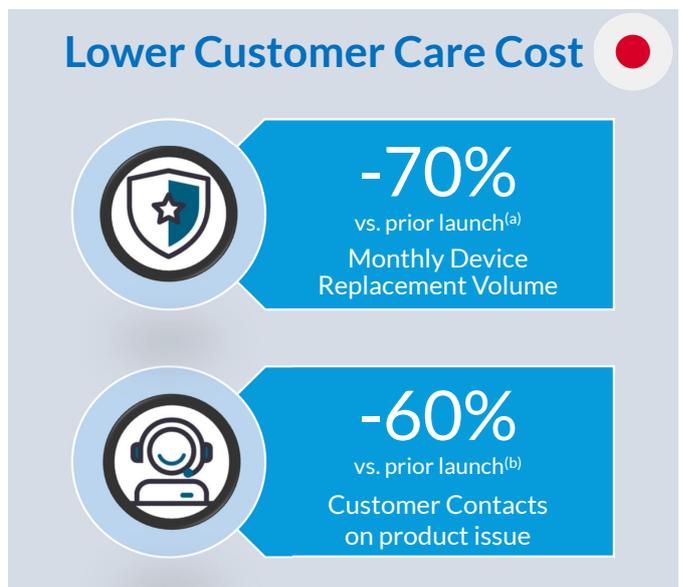
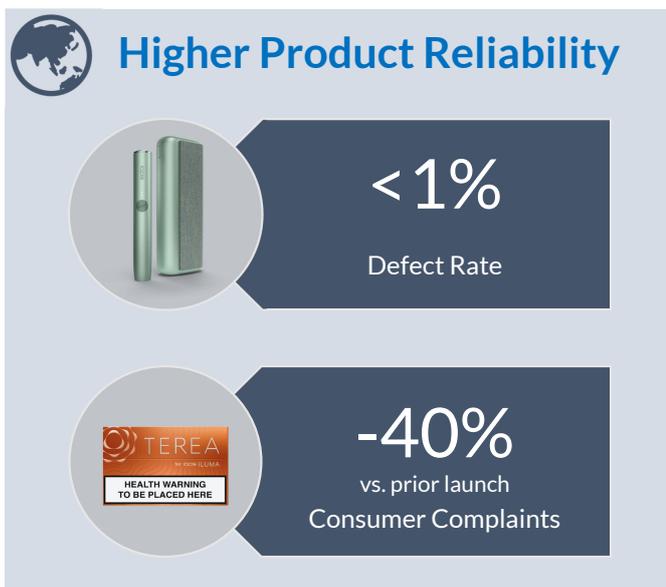
Source: PMI Financials or estimates as of August 2023

# IQOS ILUMA: Improves NPS, Conversion, and Accelerates Share Growth



Source: Japan IQOS user panel; Brand Net Promoter Score survey Jul'23; PMI Financials or estimates as of August 2023

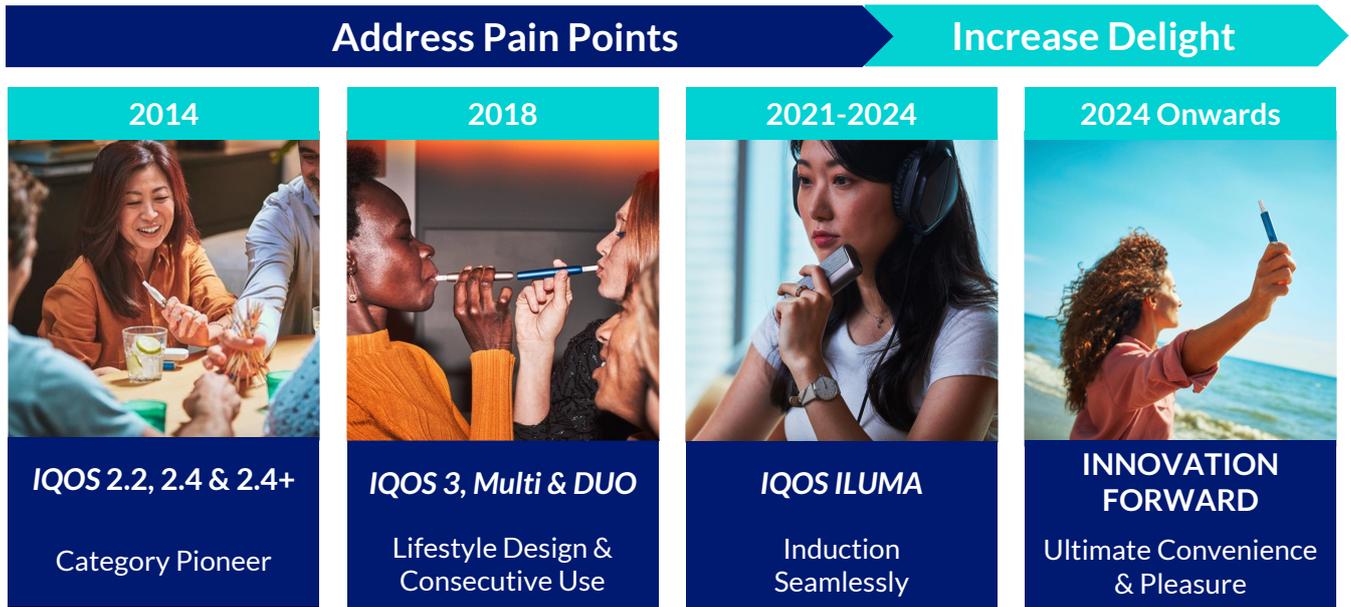
# IQOS ILUMA: Game Changer to the Business Model



(a) 6 month average device replacement volume after 1 year launch vs. 6 month average before IQOS ILUMA launch

(b) 6 month average number of customer contacts on product issue after 1 year vs. 6 month average before IQOS ILUMA launch

# IQOS: Next Level Innovation with IQOS ILUMA



# IQOS: Evolving in Device Range, Personalization & Flexibility



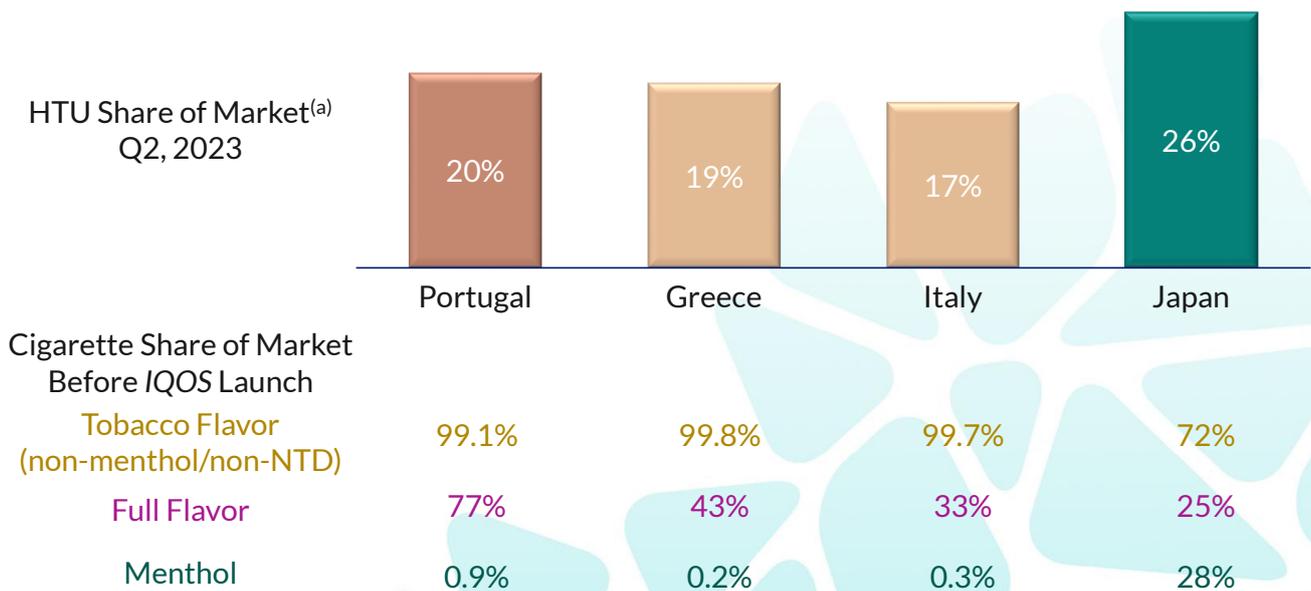
(a) Adapting to adult consumer puffing habit

# IQOS: Superior Tobacco Flavor Portfolio



(a) NTD stands for New Taste Dimension  
Note: International cigarette tobacco flavor share excluding China  
Source: PMI Financials or estimates as of July 2023

# IQOS: Successful Across Market Archetypes



(a) Reflects PMI's heated tobacco unit in-market sales volume as a percentage of total industry cigarette and heated tobacco unit sales volume, including cigarillos in Japan  
Source: PMI Financials or estimates as of August 2023

# TEREA: Innovate & Enhance Tobacco Flavor Experience

Today

Future



8 CLASSIC TOBACCO VARIANTS



ENRICH PORTFOLIO

New & More Complex Tastes



NEW SPACES

## TEREA CRAFTED: Botanicals Enhanced Tobacco Taste



Natural ingredients, rich taste, distinctive taste experience.

For legal age nicotine users who seek tobacco flavor exploration with natural sensations

**NEW** Tobacco meets natural botanicals.

This product is not risk free and provides nicotine, which is addictive. Only for use by adults.

**TEREA CRAFTED** by IQOS ILUMA

TEREA CRAFTED is designed to be used only with TEREA® devices. Do not use with IQOS® and TEREA® sticks with previous IQOS™ generations, as this may cause damage to your device. Do not ingest or disassemble TEREA™ sticks. This product contains a heavy metal and with other trace metals and is flammable. Keep out of reach of children. Please refer to the user manual. The term "natural" exclusively refers to tobacco and other botanicals. It does not mean that this product is safer than other TEREA tobacco sticks.

This product is not risk free and provides nicotine, which is addictive. Only for use by adults.

**NEW** The herbal freshness of real **rosemary** and **mint** meets aromatic tobacco.

**ANTHIA BLEND**

**TEREA CRAFTED** by IQOS ILUMA

This product is not risk free and provides nicotine, which is addictive. Only for use by adults.

**NEW** The sweetness of real **star anise** meets mellow tobacco.

**SAPA BLEND**

**TEREA CRAFTED** by IQOS ILUMA

This product is not risk free and provides nicotine, which is addictive. Only for use by adults.

**NEW** The spicy warmth of real **clove** meets well-rounded tobacco.

**CENGA BLEND**

**TEREA CRAFTED** by IQOS ILUMA

This product is not risk free and provides nicotine, which is addictive. Only for use by adults.

IQOS

# LEVIA: Zero Tobacco, Rich Flavor Discovery

## Flavor Forward: LEVIA

Rich flavor, pleasant smell,  
one device - different taste experiences.

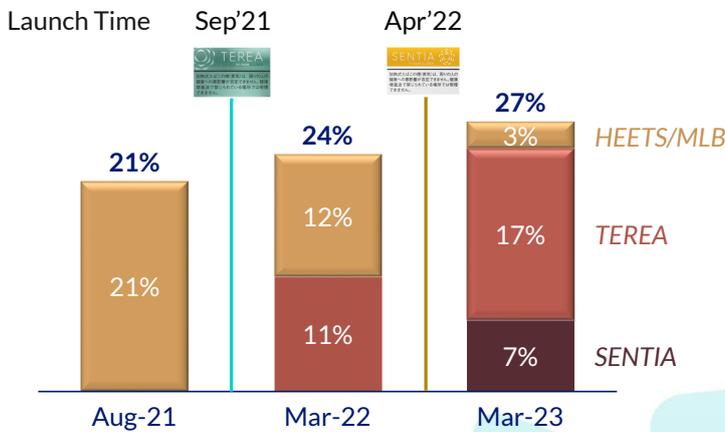
For early adopters within IQOS franchise /  
legal age nicotine users that are flavor explorers



**IQOS**

# SENTIA & DELIA: Essentials of Taste

PMI HTU SoM<sup>(a)</sup> in Japan



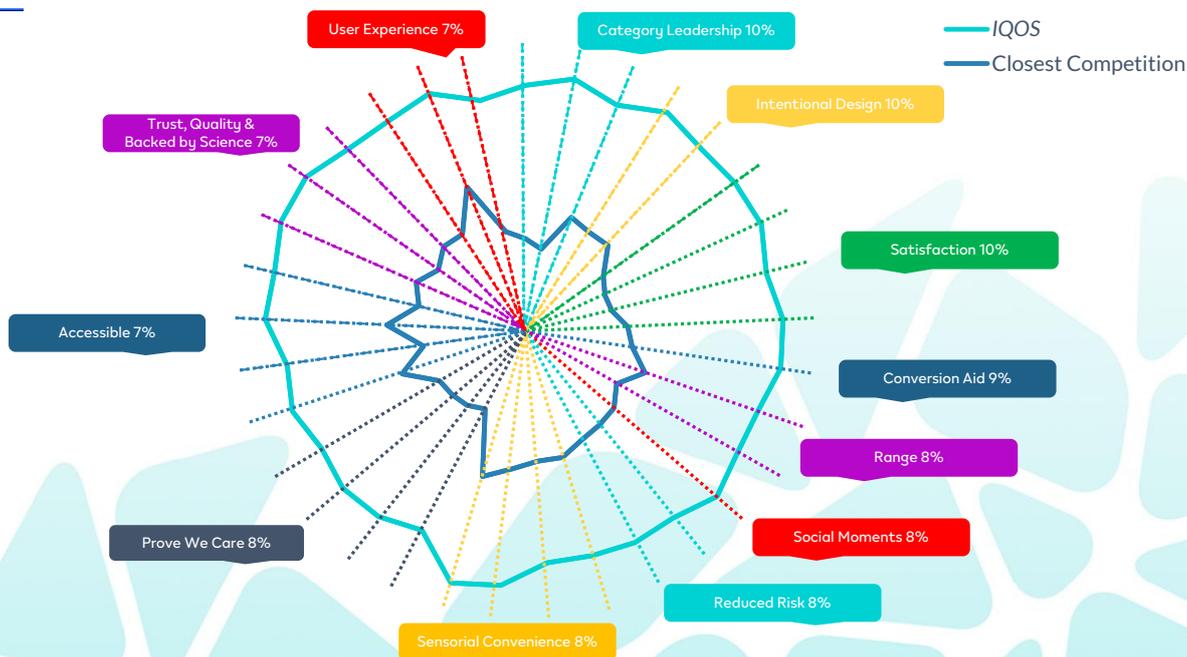
**DELIA**  
Essence of Taste  
More Affordable Price



(a) Reflects PMI's heated tobacco unit sales volume as a percentage of total industry cigarette and heated tobacco unit sales volume in convenience stores in Japan  
Source: PMI Financials or estimates

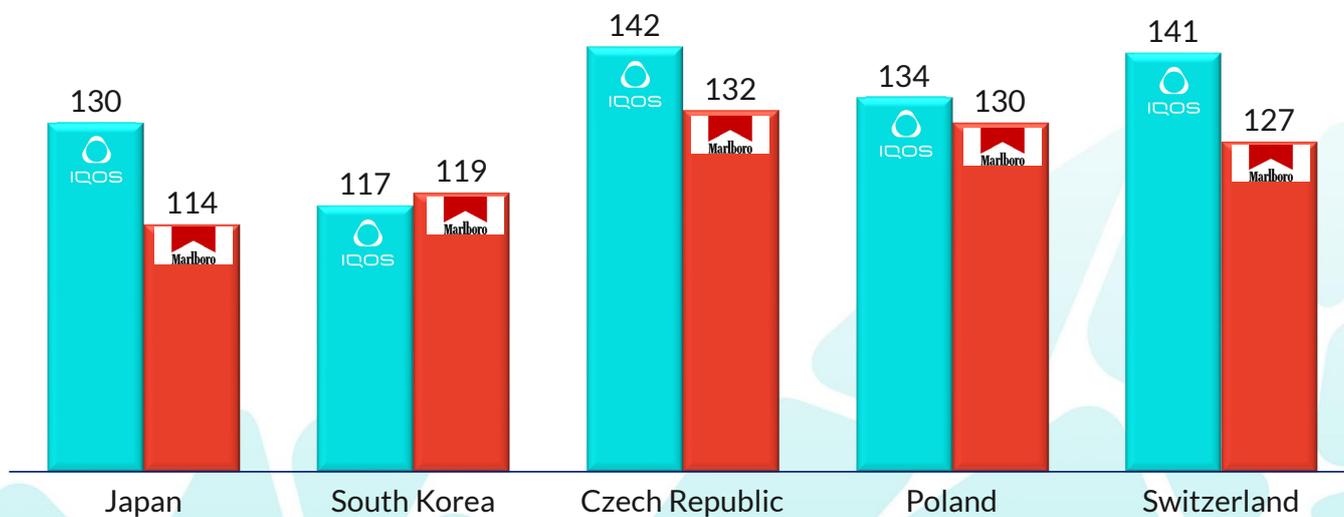


# IQOS: Leads the Way Across All Attributes Among IQOS Legal Age Users



Source: Smoke Free Products Brand Equity Advisor Study 2022 in 22 IQOS markets

# IQOS: at Parity or Superior to Marlboro in Meaningful Difference in the Top Markets



Source: Smoke Free Products Brand Equity Advisor Study 2022

# IQOS: Winning Whilst Having Premium Positioning

IQOS Share of Category  
(Q2'23)

70%

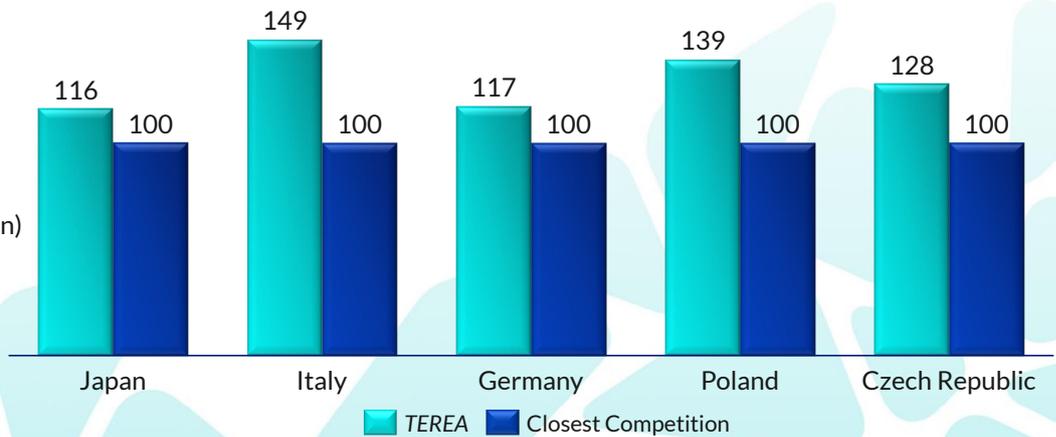
85%

86%

63%

78%

HTU Retail Price Jun'23  
(Index = Closest Competition)



Source: PMI Financials or estimates as of August 2023

23



24

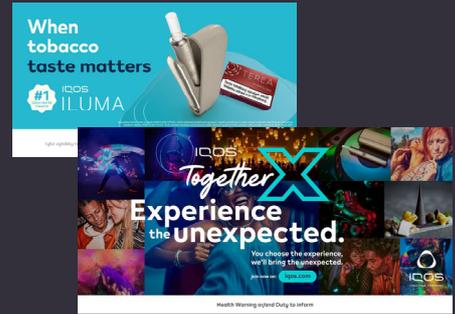


# Leverage Credibility

## Build Emotional Connection



## Engage through Superior Experiences



**IQOS**

# IQOS: Provides LAS a Tobacco Pleasure that Enables Them to Move Away from Smoking and Feel the Joy of Belonging



Real adult consumer who was rewarded for their participation in the campaign.

“The truth is, I’m all about pleasure. This is the one thing I won’t compromise.”

*Carlos*

switched to IQOS in 2019



Enjoy the perfect moment with real tobacco taste and satisfaction and no smoke in the way.

Discover why our users have switched at [iqos.com](http://iqos.com)



This product is not risk-free and provides nicotine, which is addictive. Only for use by adults who would otherwise continue to smoke or use other nicotine products.

**IQOS**  
**Together**  
**Experience**  
**the unexpected.**

You choose the experience,  
 we'll bring the unexpected.

Join now on: [iqos.com](https://iqos.com)

**IQOS**  
 TOGETHER. FORWARD.

Health Warning or/and Duty to inform

**> 1m**  
 Point of Sales for Smoke-Free Products  
*As of June 2023*

**> 5.4k** <sup>40% YoY</sup>  
 IQOS Stores & Partners  
*Includes Flagship stores, small, large & temporary boutiques as of June 2023 (ex. Russia)*

**> 10k**  
 Sales & Service Staff at Experiential Touchpoints  
*Includes staff at our stores, service centers, coaches as of June 2023*

**> 260m** <sup>8% YoY</sup>  
 Traffic to Our Digital Assets  
*Includes visits to our websites, microsites & apps in 2022*

**> 380m** <sup>20% YoY</sup>  
 Interactions at Experiential Touchpoints  
*Includes our stores, service centers, website and opened emails in 2022*

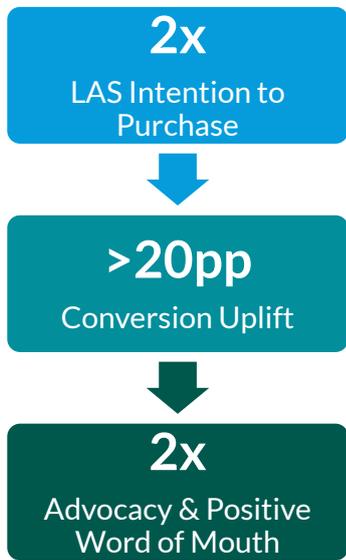
**~80%**  
 Consumer Registration Rate  
*Includes legal age IQOS user who have purchased a device & provided valid contact details as of June 2023 (ex. Japan)*

**~50%**  
 Device Sales  
*As of June 2023*

**Experiential Touchpoints**  
 IQOS stores, IQOS Partners and e-commerce



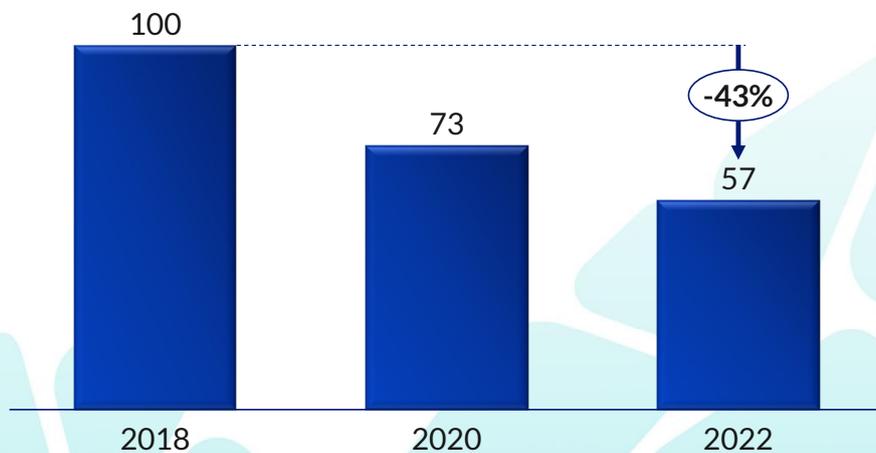
# Experiential Touchpoints Deliver Higher Purchase Intent, Conversion and Advocacy



Source: PMI Internal Estimate

# Digitalization and Scale Optimize the Commercial Engine Efficiency

HNB Commercial Cost per Legal Age User<sup>(a)</sup>  
(Index = 2018)



(a) At constant currency  
Source: PMI Financials or estimates

## Lil & Bonds: 2<sup>nd</sup> Tier HNB Portfolio to Broaden the LAS Reach

Proudly simple and all-in-one.

New Lil SOLID Ez is an all-in-one device available in 5 new colours

NEW  
Lil SOLID Ez

lil  
SOLID  
INTRODUCED BY  
IQOS

HEALTH WARNING

*lil*

Simple & Convenient

NEW  
bonds  
by IQOS

UNLOCK  
NEW

The new compact device for authentic tobacco taste.

Discover at [iqos.com](http://iqos.com)

BONDS by IQOS is made with tobacco and nicotine.

This product is not risk-free and provides nicotine, which is addictive. Only for use by adults.

*Bonds by IQOS*

Trusted & Affordable

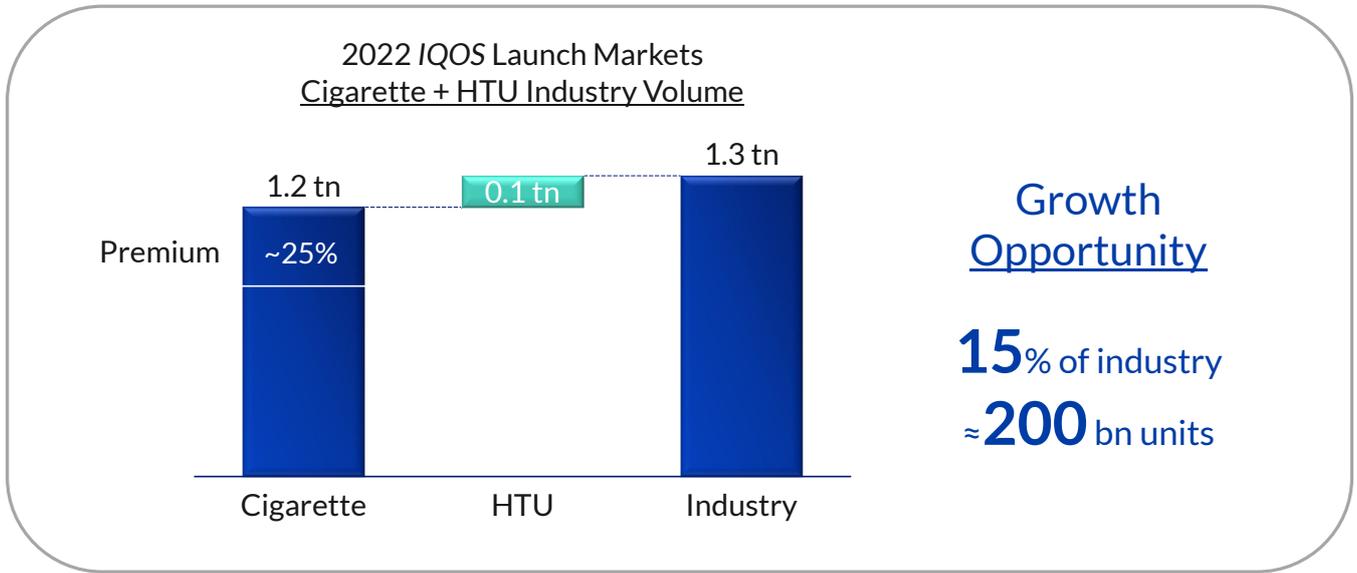
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IQOS

Growth Opportunities

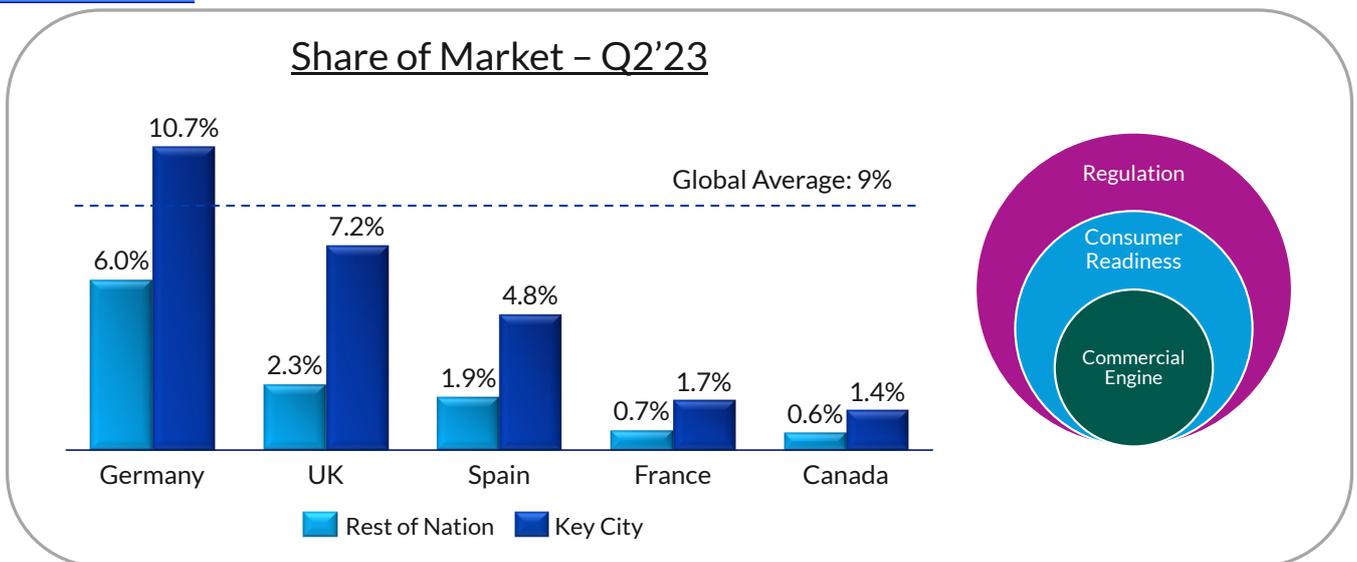
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# HNB: Mid-Term Opportunities in Existing IQOS Launch Markets



Source: PMI Financials or estimates

# HNB: Mid-Term Opportunities in Existing IQOS Launch Markets (Cont'd)



Note: Key cities selected are Munich, London, Madrid, Paris, Toronto  
Source: PMI Financials or estimates

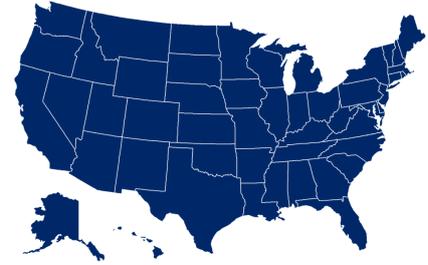
# HNB: Vast Greenfield Markets to Unlock

## Ambition



10% cigarette market<sup>(a)</sup> ≈ 18 billion units

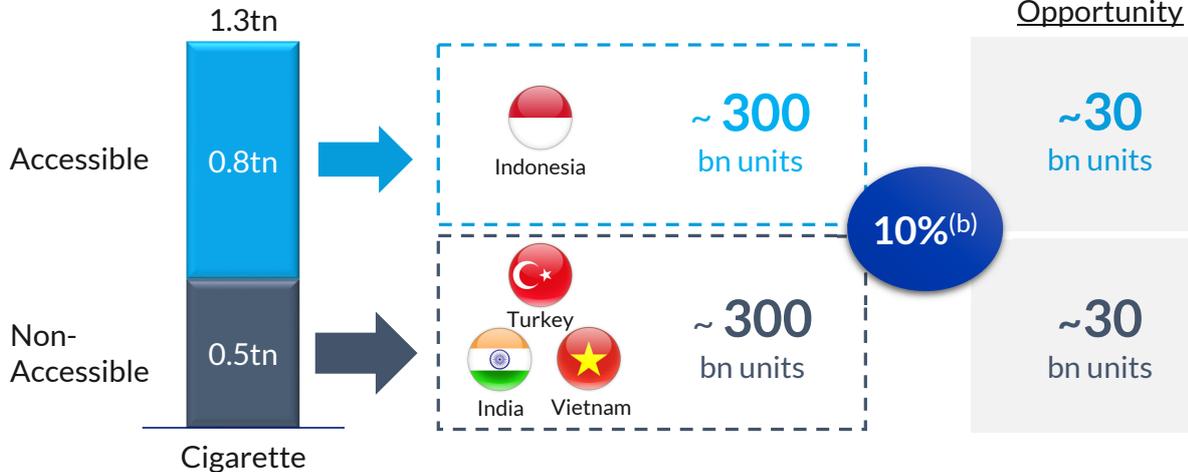
- ~30 million adult smokers
- ~180 billion cigarette units
- ~\$70 billion cigarette retail value



(a) Illustrative target share  
Source: PMI Financials or estimates

# HNB: Vast Greenfield Markets to Unlock (Cont'd)

## 2022 Non-IQOS Launch Market Cigarette Industry Volume<sup>(a)</sup>



(a) Cigarette industry volume in non-IQOS markets, excluding US and China  
(b) Illustrative target share  
Source: PMI Financials or estimates

# HNB: Strong Category Outlook '24-26

Drive PMI profit growth while investing in high return opportunities

*IQOS ILUMA*  
HNB leader to drive  
top line growth

*Lil & Bonds*  
broaden the LAS  
reach

Seize opportunity  
in accessible  
greenfield markets

Target  
**180-200bn**  
units  
by 2026



Source: PMI Financials or estimates

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eVapor

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## eVapor: High Prevalence, Unfavorable Profitability



**60+** million  
Adult Vape Users



Brand Loyalty  
Conversion

↓  
vs. HNB

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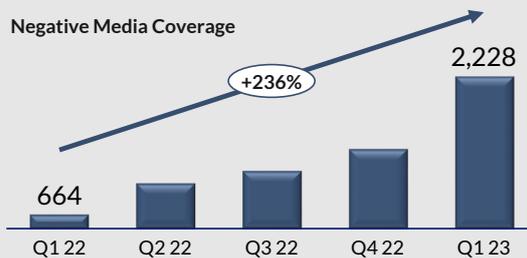
## eVapor: Industry Challenges



### Regulation

- Youth Access Prevention
- Sustainability
- Non-compliance

### Negative Media Coverage



Source: Factiva search for keywords specific to disposables in English, French, German, Spanish, Italian



### User Experience

- Proliferation of similar products
- Category expression lacks societal maturity



**1,000+**  
Brands

40

# eVapor: Vaping Made Right

## Youth Access Prevention

### Product

- Design - for Adult Nicotine Users, including flavor, device, package
- Access - Must be age verified

### Marketing

- Content - Must reflect intended focus on Adult Nicotine Users and must be accurate and non-misleading
- Access - Only be accessible subject to age-control measures and placed in media where audience is deemed to be predominantly Adults

## Sustainability

### Design for Sustainability

- Recyclability
- Optimize material usage

### Post-Consumer Waste Management

- Circular Program



## Government

### Regulation

- Product standards, incl. flavors
- Product presentation & descriptors
- Responsible commercialization, incl. strong Youth Access Prevention safeguards at retail (offline & online)
- Fiscal regulation

### Compliance Enforcement

- Product
- Youth Access Prevention
- Communication
- Illicit Trade
- Proportionate Penalties



# VEEV: Responsible Marketing Practice



Adult Design



Online & Offline Age Verification



Retail Education

# VEEV: Focus On Select Markets

**~20**  
Markets

**~20 million**  
Adult Vape Users



HEALTH WARNING



Source: PMI Financials or estimates

# VEEV Now & VEEV One: Promising Commercial Start

## VEEV Now



**16**  
Markets

**2x**  
Weekly Offtake vs. Q1, 2023

## VEEV One



**9**  
Markets

**2x**  
Weekly Offtake vs. VEEV

Source: PMI Financials or estimates

# VEEV Accents: Innovation to Improve Conversion & Retention



2022

## Consumer Test

In comparison to regular tobacco variants

LAS fully switch +11%

Retention +65%



2023

## Market Pilot

In comparison to regular tobacco variants

Pod offtake / store +42%  
(LTD Jul'23)

Discover the full range of VEEV *Accents* flavours

**Bright Blend**  
Mellow and aromatic

A mellow and aromatic tobacco blend with herbal and floral notes from bright tobacco leaves.

HEALTH WARNING TO BE PLACED HERE

**Balanced Blend**  
Well-rounded and warm

A well-rounded tobacco blend with malty and roasted notes, from bright and dark tobacco leaves.

HEALTH WARNING TO BE PLACED HERE

**Rich Blend**  
Rich and dark

A rich tobacco blend, with toasted and coffee notes, from dark and bright tobacco leaves.

HEALTH WARNING TO BE PLACED HERE

Health Warning and/or Duty to Inform

Source: Italy Consumer Test; PMI Financials or estimates

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# Champion the Smoke-Free World with a Range of Superior Alternatives

#1 SFP Brand

#1 NP Brand

Responsible Vaping Brand

**My rhythm. My tobacco pleasure.**

Improved draw, generous vapour. An escape of tobacco pleasure. Enjoy next level pleasure at iluma.com

**NEW ILUMA**

Heat-not-Burn  
TOBACCO SATISFACTION

**ZYN IS... smoke-free nicotine enjoyment.**

TOBACCO LEAF-FREE NICOTINE POUCHES

ZYN is tobacco leaf-free, smoke-free and device-free. Discover the new way to experience nicotine without smoke.

Discover more on ZYN.com

**ZYN**  
COOL MINT

FIND YOUR ZYN

Oral Nicotine  
VERSATILITY

**VEEV**

A VARIETY OF FLAVOURS. WHICHEVER VEEV YOU CHOOSE.

Discover more at veev-vape.com

eVapor  
FLAVOR EXPLORATION BEYOND TOBACCO

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# Multi-Category Drives Commercial Engine Effectiveness & Efficiency

## Consumer Research



## Market Pilot



These products are not risk free and provide nicotine, which is addictive. Only for use by adults.



Source: PMI Market Research; PMI Financial or estimates

# In Summary: We are Well Equipped for 2030

- IQOS, significant growth opportunities by leveraging:
  - Portfolio evolution to broaden LAS reach
  - Brand equity to acquire and convert LAS
  - Seize opportunity in new geographies
- ZYN, undisputed leader in the fastest growing smoke-free category
- VEEV, vaping made right, responsible play in select markets
- Multi-category deployment to accelerate SFP category growth





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