



# 2023 Second-Quarter Results

July 20, 2023

## Introduction

- A glossary of terms, including the definition for smoke-free products<sup>(a)</sup> 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, and additional net revenue data are available in Exhibit 99.2 to the company's Form 8-K dated July 20, 2023 and 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

(a) Following the acquisition of Swedish Match, PMI defines "smoke-free products" to include all Swedish Match products other than Swedish Match's combustible tobacco products, in addition to its heat-not-burn, e-vapor, oral nicotine, and wellness and healthcare products

## Forward-Looking and Cautionary Statements

- This presentation contains projections of future results and goals and other forward-looking statements, including statements regarding business plans, expectations and strategies. Achievement of future results is subject to 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, Quarterly Report on Form 10-Q for the first quarter ended March 31, 2023, and Quarterly Report on Form 10-Q for the second quarter ended June 30, 2023, which will be filed in the coming days. 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

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## Outstanding Q2 Driven by Strong Fundamentals

- Total shipment volumes +3.3%
- Double-digit organic top line growth, +17% adj. EPS growth ex-currency
- Strong IQOS momentum: HTU adjusted IMS +16%, shipments +27%
- U.S. ZYN volume growth >50%
- Robust combustible pricing
- Strong organic adj. OI growth, +210bps sequential margin

**\$1.60**

Record High  
Adj. Diluted EPS

Note: Total shipment volume includes HTUs and cigarettes. Volume comparisons versus Swedish Match's second-quarter 2022 results reflect data sourced from its disclosures, available at [www.swedishmatch.com/investors](http://www.swedishmatch.com/investors)  
Source: PMI Financials or estimates

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## Q2, 2023: Excellent Volume, Net Revenue and EPS Growth

### Shipment Volume

(Organic variance vs. PY)

+3.3%

### Net Revenues

(Organic variance vs. PY)

+10.5%

### Net Revenue per Unit<sup>(a)</sup>

(Organic variance vs. PY)

+7.0%

### Operating Income

(Organic variance vs. PY)

+6.9%

### Adj. Diluted EPS

(Currency neutral variance vs. PY)

+16.9%

### Adj. Diluted EPS

\$1.60

**+19%**  
Q2'23 Swedish Match  
Pro forma Net Revenue  
Growth  
Excl. Currency

(a) Reflects total PMI adjusted net revenues divided by total PMI cigarette and HTU shipment volume

Note: Growth rates presented on an organic basis reflect currency-neutral adjusted results, excluding acquisitions. Total shipment volume includes HTUs and cigarettes

Source: PMI Financials or estimates

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## H1, 2023: Strong Performance Despite Q1 Headwinds

### Shipment Volume

(Organic variance vs. PY)

+1.1%

### Net Revenues

(Organic variance vs. PY)

+6.8%

### Net Revenue per Unit<sup>(a)</sup>

(Organic variance vs. PY)

+5.7%

### Operating Income

(Organic variance vs. PY)

(2.1)%

### Adj. Diluted EPS

(Currency neutral variance vs. PY)

+5.9%

### Adj. Diluted EPS

\$2.98

**+17%**  
H1'23 Swedish Match  
Pro forma Net Revenue  
Growth  
Excl. Currency

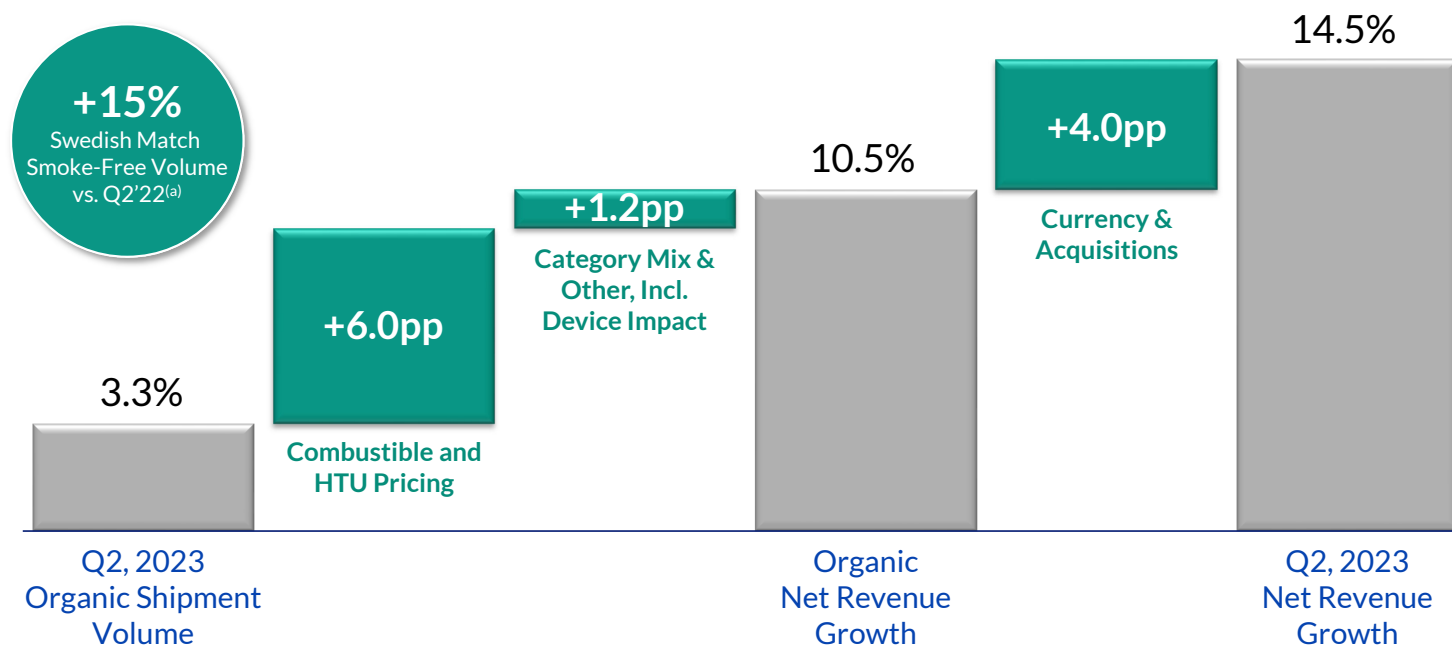
(a) Reflects total PMI adjusted net revenues divided by total PMI cigarette and HTU shipment volume

Note: Growth rates presented on an organic basis reflect currency-neutral adjusted results, excluding acquisitions. Total shipment volume includes HTUs and cigarettes

Source: PMI Financials or estimates

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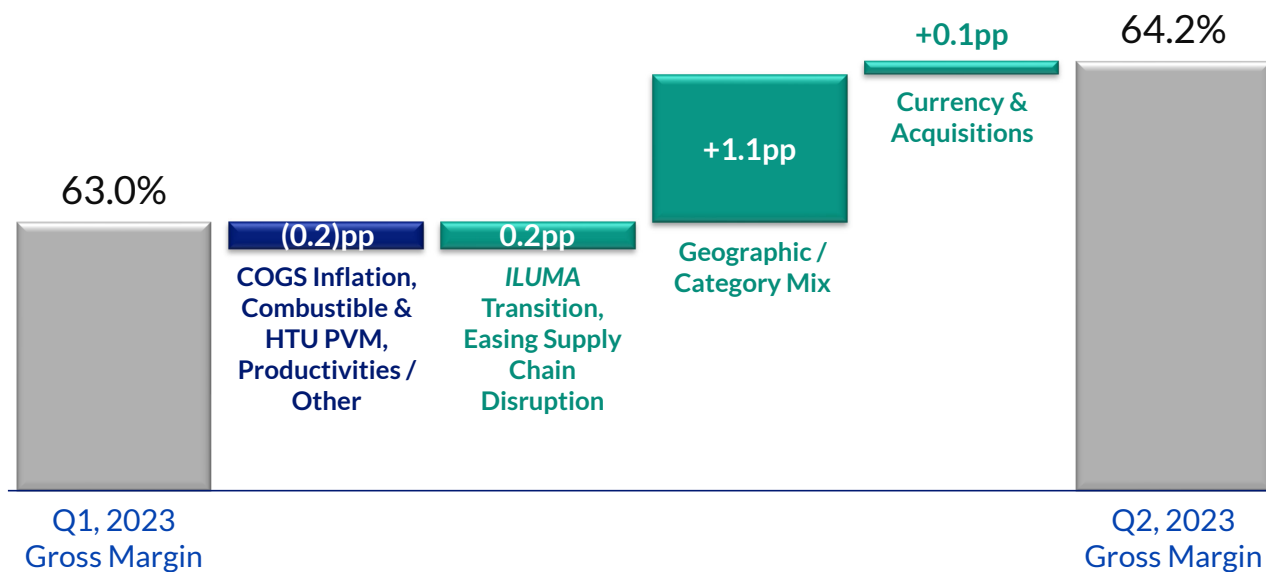
## Volume, Price & HTU Mix Driving Organic Net Revenue Growth



(a) Excludes U.S. chew. Volume comparisons versus Swedish Match's second-quarter 2022 results reflect data sourced from its disclosures, available at [www.swedishmatch.com/investors](http://www.swedishmatch.com/investors)  
Source: PMI and Swedish Match Financials or estimates

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## Gross Margin Dynamics Sequentially Improving



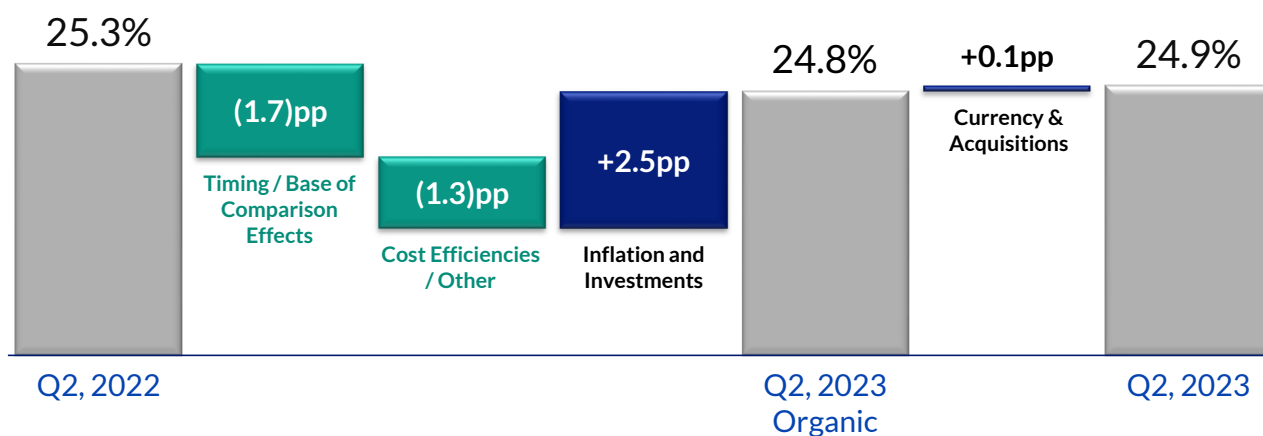
Note: PVM stands for Pricing, Volume and Mix  
Source: PMI Financials or estimates

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## Increasingly Favorable SG&A-to-Sales Ratio

(as a % of Net Revenues)

### Adj. Marketing, Admin. & Research Costs



Source: PMI Financials or estimates

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## Raising 2023 Currency-Neutral Growth Forecasts

- On track for third consecutive year of total volume growth
- Increasing top and bottom-line ex-currency outlook
- Adjusted diluted EPS forecast of \$6.13-\$6.22 incl. unfavorable currency impact of 33 cents<sup>(a)</sup>
- Expect strong organic OI growth to support H2 margin expansion

|  | FY 2023 Outlook       |                       |
|--|-----------------------|-----------------------|
|  | Previous              | Updated               |
| HTU Shipment Volume (in billion units) | 125-130 <sup>bn</sup> | 125-130 <sup>bn</sup> |
| Net Revenue Growth <sup>(b)</sup>      | 7.0-8.5%              | 7.5-8.5%              |
| Adj. Diluted EPS Growth <sup>(c)</sup> | 7-9%                  | 8-9.5%                |

(a) At prevailing exchange rates

(b) On an organic basis, excluding acquisitions and disposals

(c) Currency-neutral variance

Source: PMI Financials or estimates

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## Continued Strong Momentum into H2

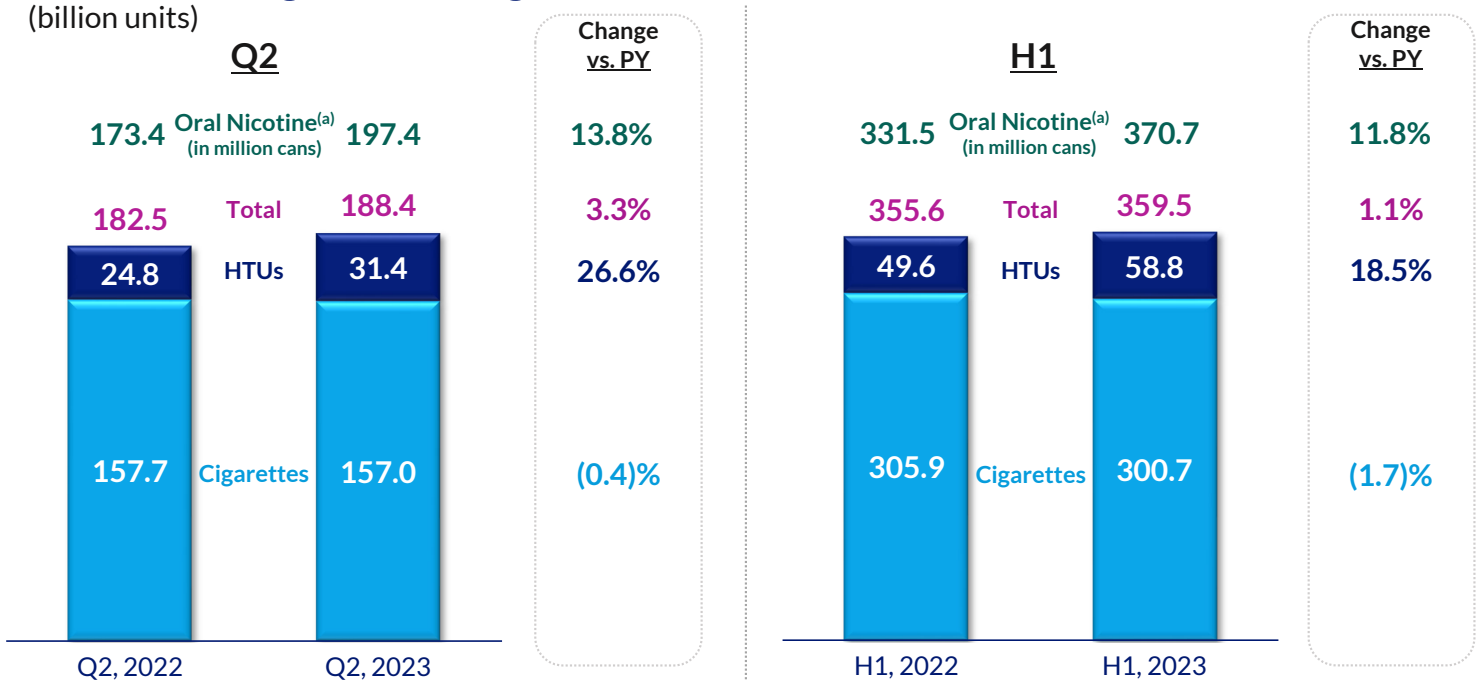
- Strong H2, 2023 expected on all key metrics
- Q3 key assumptions:
  - High single-digit organic top-line growth
  - HTU shipments of 31-33 billion units
  - Adjusted diluted EPS of \$1.60-\$1.65, including unfavorable currency impact of 6 cents at prevailing exchange rates
- Notably strong reported and organic OI growth expected in Q4

Source: PMI Financials or estimates

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## IQOS Strength Driving Total Volume Growth

(billion units)



(a) Pro forma, incl. PMI & Swedish Match oral nicotine volumes. Excludes U.S. chew  
 Note: Total may not foot due to rounding  
 Source: PMI Financials or estimates

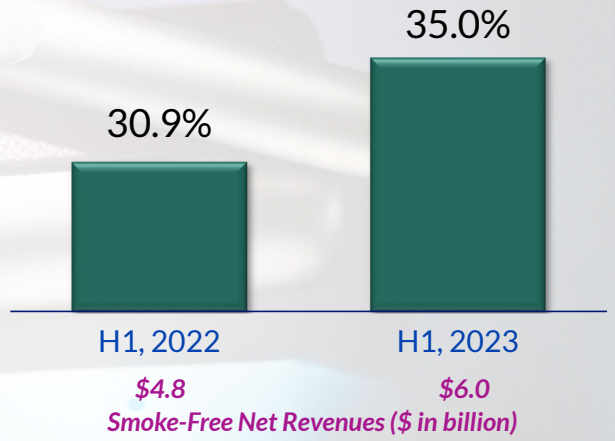
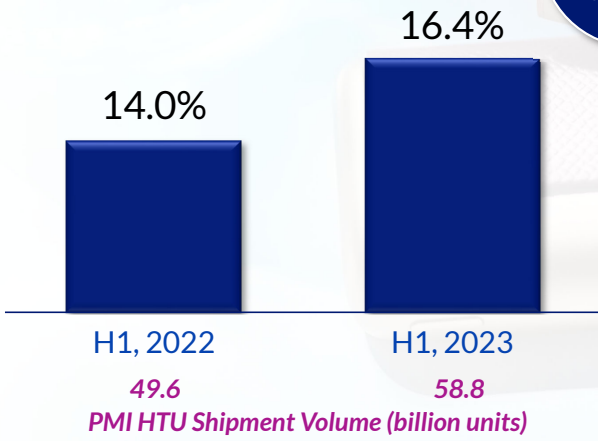
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# Rapid Progress in Smoke-Free Transformation

**HTU Volume Contribution<sup>(a)</sup>**  
(As a % of PMI Total Shipment Volume)

**~18%**  
Volume Contribution Incl Oral smoke-free<sup>(c)</sup>

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

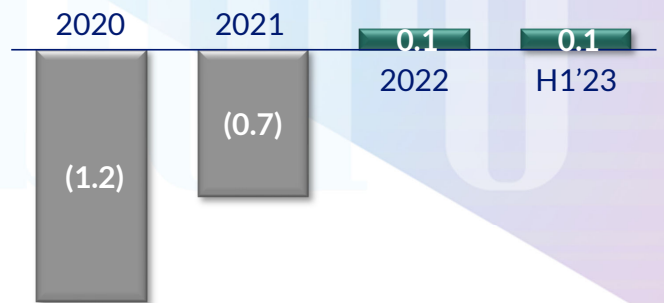
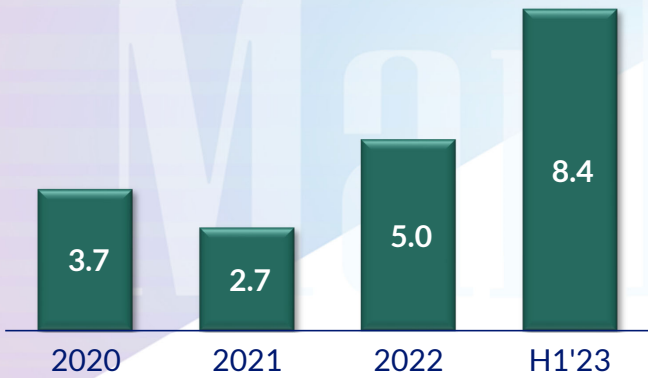


(a) Total shipment volume includes HTUs and cigarettes  
 (b) Smoke-free net revenues include SFP net revenues and net revenues from the Wellness and Healthcare segment  
 (c) Conversion rate for illustrative purposes: 1 pouch = 1 stick  
 Source: PMI Financials or estimates

# Strong Combustible Pricing, Resilient Category Share

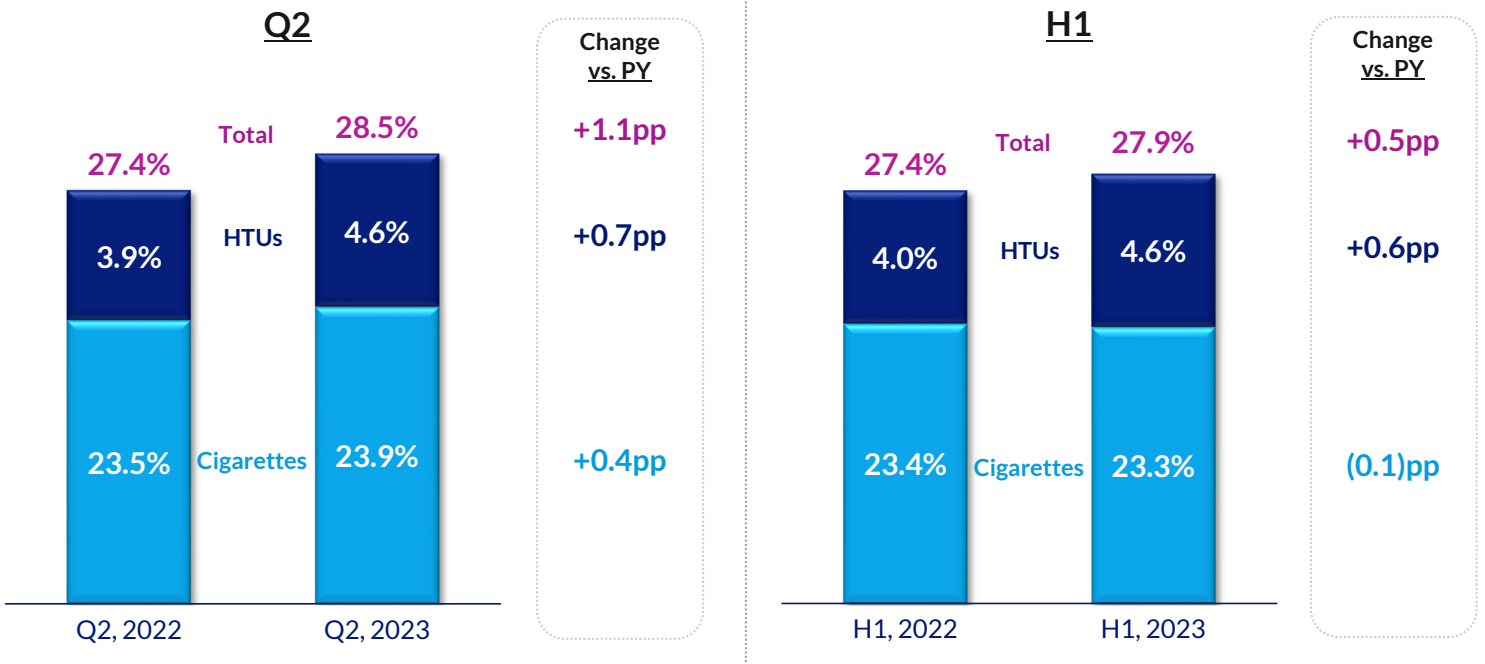
**Combustible Pricing Variance<sup>(a)</sup>**  
(Change vs. PY in pp)

**Share of Cigarette Category<sup>(b)</sup>**  
(Change vs. PY in pp)



(a) Pricing variance is based on adjusted net revenues  
 (b) Excludes China and the U.S. Reflects sales volume of PMI cigarettes as a percentage of cigarette industry sales volume and includes cigarillos in Japan  
 Source: PMI Financials or estimates

# Positive Total Market Share Momentum

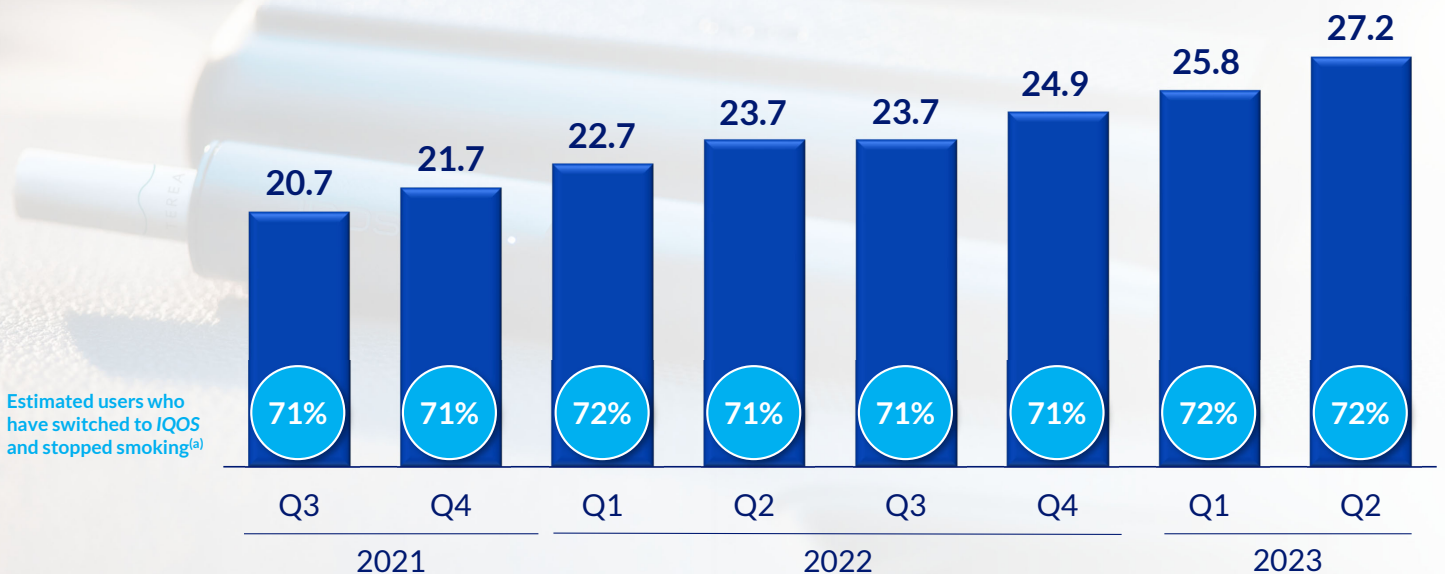


Note: Total may not foot due to rounding. Chart not to scale. Excludes China and the U.S. Reflects PMI sales volume as a percentage of combined industry sales volume, including cigarillos in Japan  
 Source: PMI Financials or estimates

# Excellent Ongoing IQOS User Growth

(in millions)

## Total IQOS Users<sup>(a)</sup>

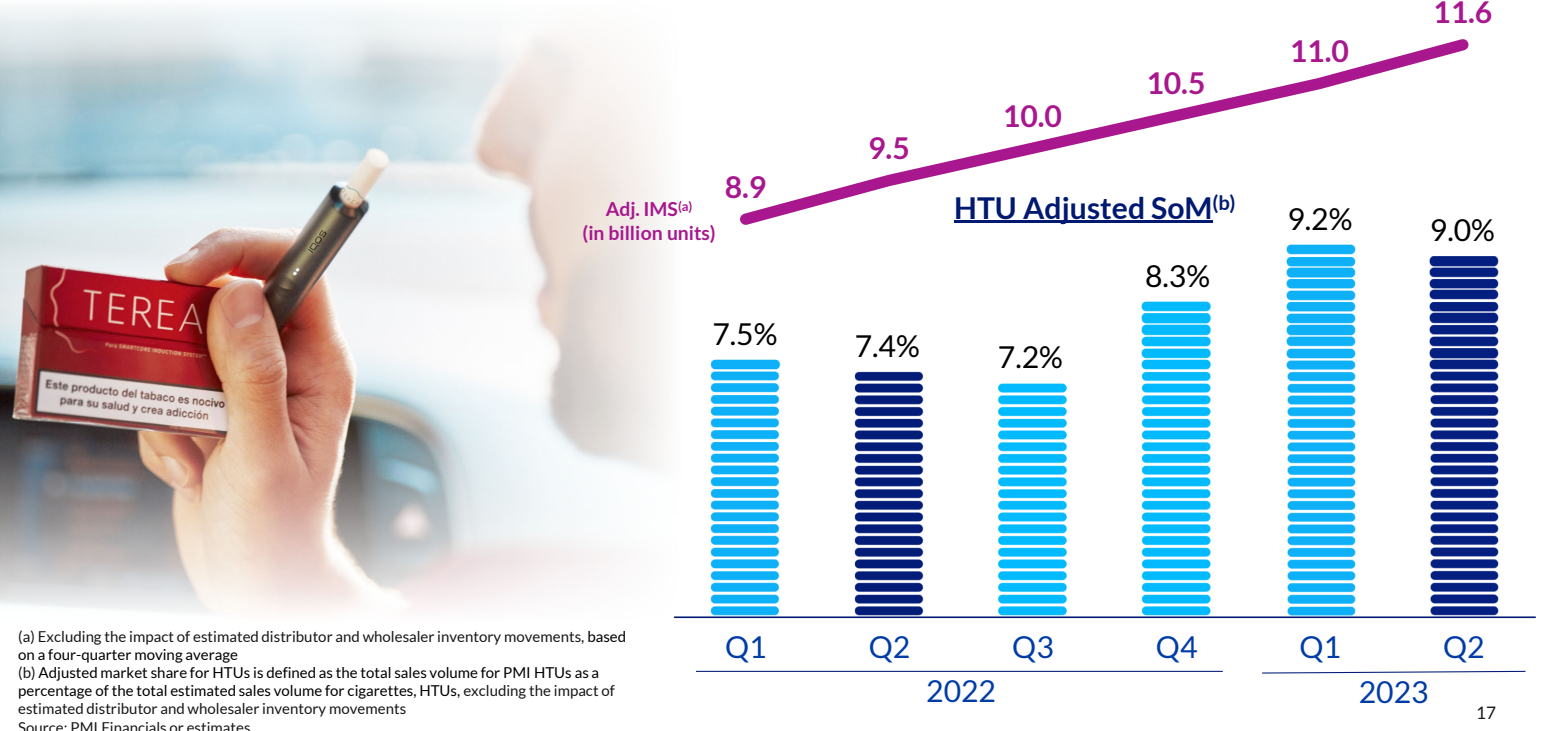


Estimated users who have switched to IQOS and stopped smoking<sup>(a)</sup>

(a) See Glossary for definition  
 Source: PMI Financials or estimates, IQOS user panels and PMI Market Research

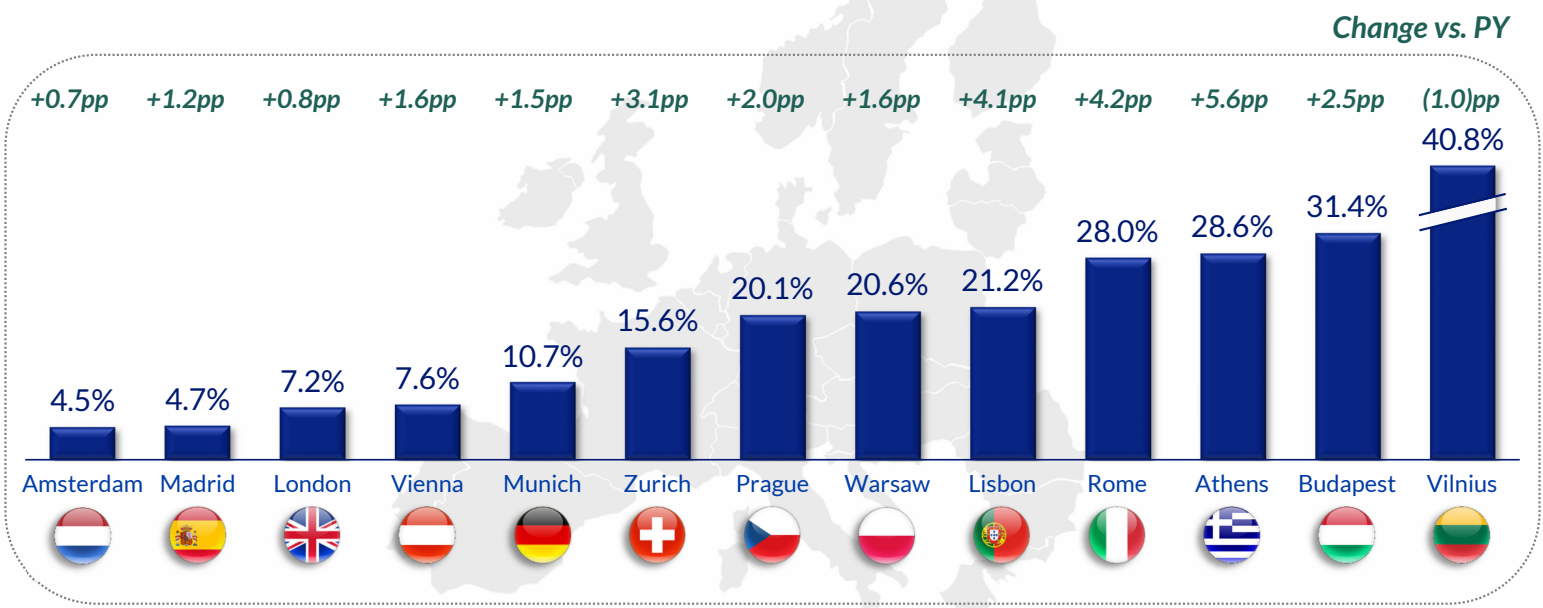


# Europe Region: Continued IQOS Success



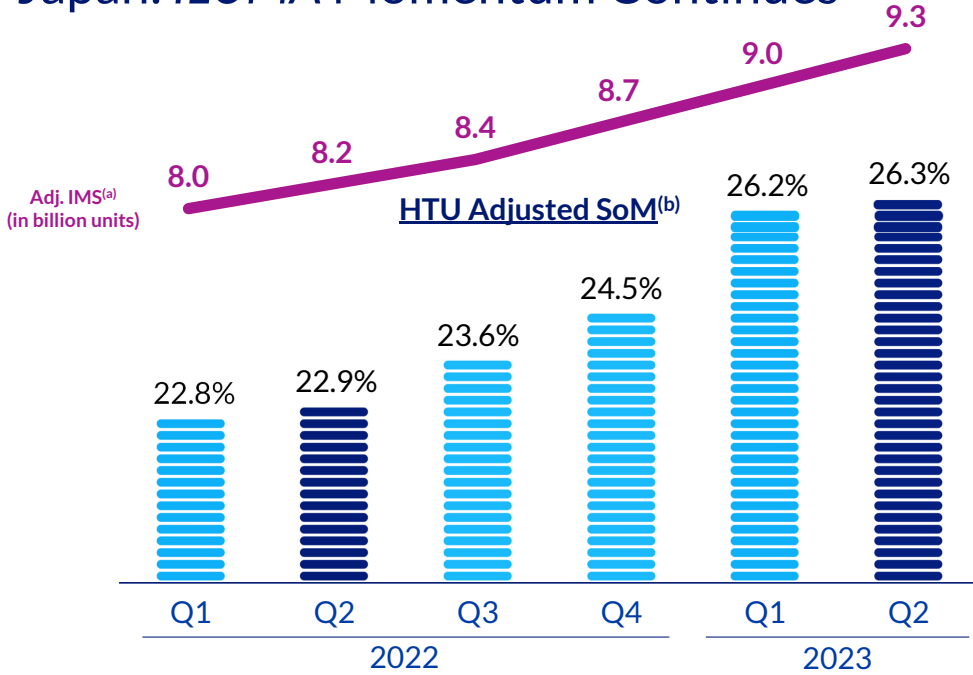
# Impressive Progress in European Key Cities

## PMI HTU Offtake Share (Q2, 2023)

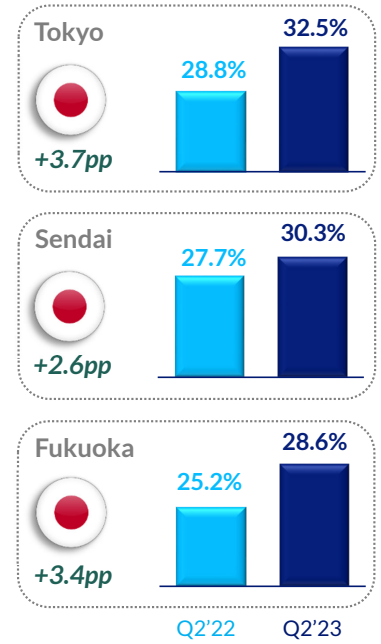


Note: Athens represents Attica Region  
 Source: PMI Financials or estimates

# Japan: ILUMA Momentum Continues



## PMI HTU Offtake Shares<sup>(c)</sup>

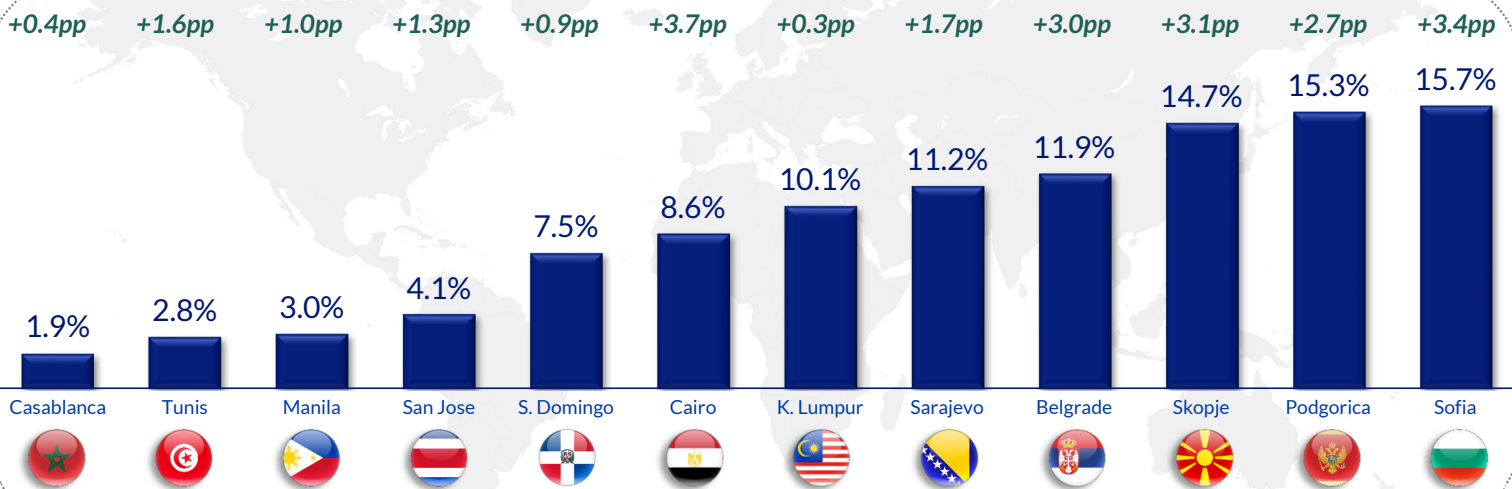


(a) Excluding the impact of estimated distributor and wholesaler inventory movements, based on a four-quarter moving average  
 (b) Adjusted market share for HTUs is defined as the total sales volume for PMI HTUs as a percentage of the total estimated sales volume for cigarettes, HTUs and cigarillos and excluding the impact of estimated distributor and wholesaler inventory movements  
 (c) Based on 3 C-Store Chains offtake. Base includes cigarettes, cigarillos and SFP  
 Source: PMI Financials or estimates

# Low and Middle-Income Markets: Promising Key City Growth

## PMI HTU Offtake Shares (Q2, 2023)

Change vs. PY



Note: K. Lumpur stands for Kuala Lumpur and S. Domingo stands for Santo Domingo. Cairo represents Urban Cairo, K. Lumpur represents Greater Kuala Lumpur, Manila represents Metro Manila, and Tunis represents Greater Tunis. Low and Middle-Income markets defined using World Bank classification  
 Source: PMI Financials or estimates

# Swedish Match Accelerating Our Smoke-Free Trajectory

- Strong Q2 ex-currency top-line growth of +19% enhancing PMI growth trajectory
- Adding +70bps of ex-currency growth to PMI H1 top-line<sup>(a)</sup>, +60bps to adj. OI margin
- Exceptional U.S. ZYN volume and share
- Robust cigar results
- Integration progressing well



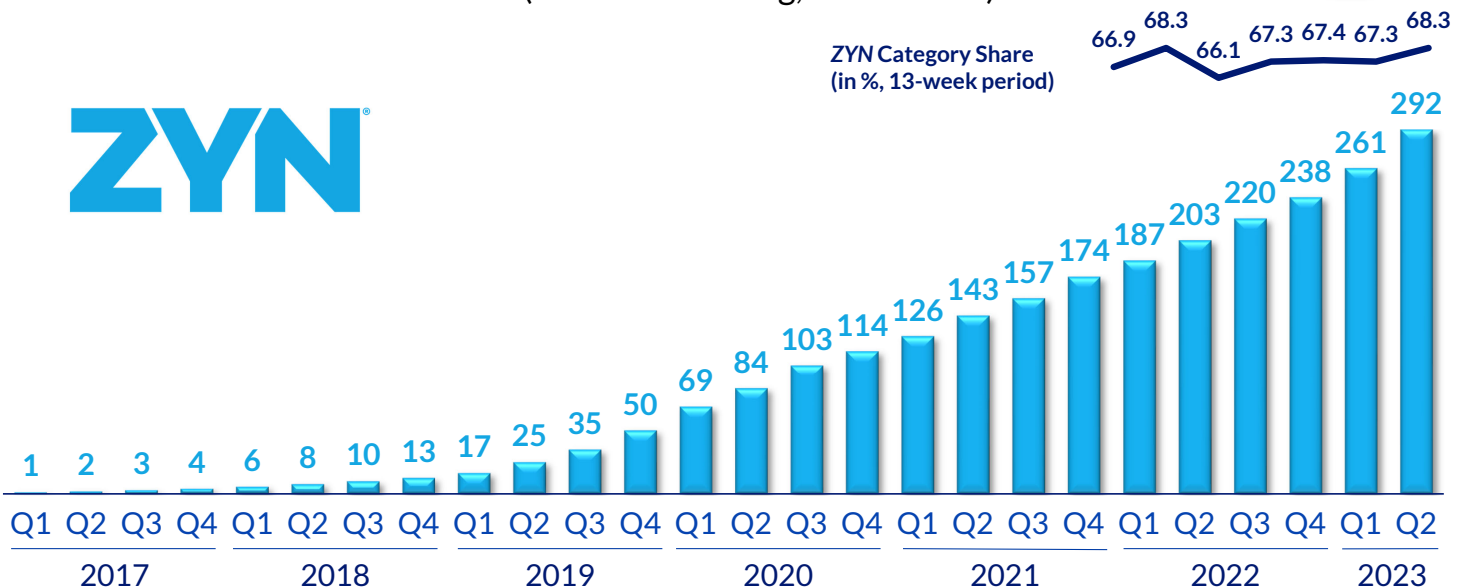
(a) On a pro forma basis  
Source: Swedish Match Financials or estimates

## Remarkable ZYN Growth Continues

ZYN U.S. Shipment Volumes  
(12 months rolling, million cans)

**76.8%**  
Q2'23 ZYN  
Category Retail  
Value Share  
(13-week period)

ZYN Category Share  
(in %, 13-week period)



Source: Swedish Match reported shipments and estimates based on Circana

## Continued Innovation & Expansion

- Full global roll-out of *IQOS ILUMA*:
  - Aim to be present in ~50 markets by year-end
- Investing behind *ZYN* in the U.S. and readying capabilities for *IQOS*
- *BONDS* pilot launches progressing well
- International expansion of nicotine pouches
- Attractive long-term growth potential in Wellness & Healthcare



Note: CDMO stands for Contract Development and Manufacturing Organization

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## Championing Sustainability As We Transform For Good



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## Another Strong Year in Our Smoke-Free Transformation

- On track for third consecutive year of volume growth
- Strong top and bottom-line delivery despite headwinds
- Outstanding IQOS and ZYN performance
- Exciting opportunities to accelerate smoke-free future
- Committed to progressive dividend policy



Source: PMI Financials or estimates

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# 2023 Second-Quarter Results

## Questions & Answers

Have you downloaded the PMI Investor Relations App?

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Or go to: [www.pmi.com/irapp](http://www.pmi.com/irapp)

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## Appendix

# 2023: EPS Guidance

(\$/share)

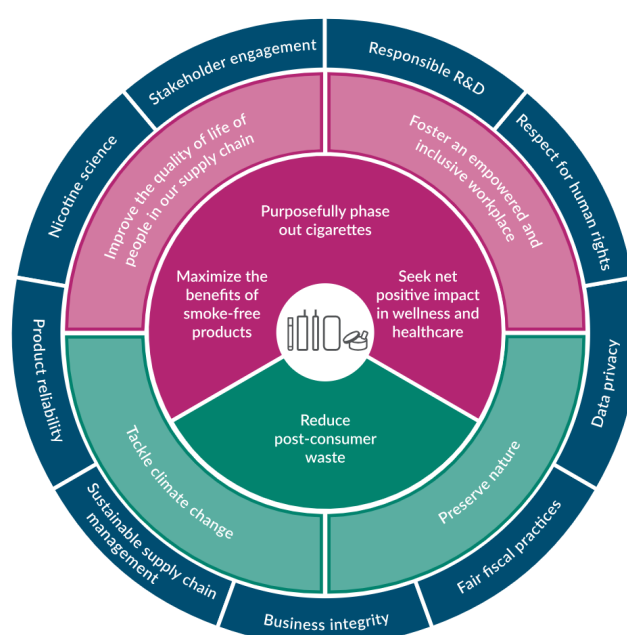
|  | Full-Year              |               |                    |
|--|------------------------|---------------|--------------------|
|  | 2023<br>Forecast       | 2022          | Growth             |
| <b>Reported Diluted EPS</b>                                  | \$5.36 – \$5.45        | \$5.81        |                    |
| <b>Adjustments:</b>  |                        |               |                    |
| - Asset impairment and exit costs                            | 0.06                   | -             |                    |
| - Termination of distribution arrangement in the Middle East | 0.04                   | -             |                    |
| - Tax benefit associated with Swedish Match AB financing     | (0.06)                 | (0.13)        |                    |
| - Impairment of goodwill and other intangibles               | 0.44                   | 0.06          |                    |
| - Amortization and impairment of intangibles                 | 0.16                   | 0.09          |                    |
| - Costs associated with Swedish Match AB offer               | -                      | 0.06          |                    |
| - Charges related to the war in Ukraine                      | -                      | 0.08          |                    |
| - Swedish Match AB acquisition accounting related item       | 0.01                   | 0.06          |                    |
| - South Korea indirect tax charge                            | 0.11                   | -             |                    |
| - Fair value adj. for equity security investments            | 0.01                   | (0.02)        |                    |
| - Tax items  | -                      | (0.03)        |                    |
| <b>- Total Adjustments</b>                                   | <b>0.77</b>            | <b>0.17</b>   |                    |
| <b>Adjusted Diluted EPS</b>                                  | <b>\$6.13 – \$6.22</b> | <b>\$5.98</b> |                    |
| - Less: Currency   | (0.33)                 |               |                    |
| <b>Adjusted Diluted EPS, excluding currency</b>              | <b>\$6.46 – \$6.55</b> | <b>\$5.98</b> | <b>8.0% – 9.5%</b> |

Source: PMI Financials or estimates

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## Our Sustainability Strategy

- Impact-driven approach to sustainability
- Separate identification of environmental and social impacts
- Distinct forms of social and environment impacts:
  - Product impact: those impacts generated by our products (what we produce)
  - Operational impact: those impacts generated by our business operations (how we produce)
- 8 impact-driven strategies: 4 on product impacts + 4 on operational impacts
- 9 governance-related topics define our ability to successfully address environmental and social issues



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