



PHILIP MORRIS
INTERNATIONAL

Delivering a Smoke-Free Future

Barclays Global Consumer Staples Conference

September 10, 2020

Emmanuel Babeau
Chief Financial Officer

Forward-Looking and Cautionary Statements



- This presentation and related discussion contain projections of future results and other forward-looking statements. 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; health concerns relating to the use of tobacco and other nicotine-containing products and exposure to environmental tobacco smoke; litigation related to tobacco use; intense competition; the effects of global and individual country economic, regulatory and political developments, natural disasters and conflicts; changes in adult smoker behavior; 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 and quality of tobacco and other agricultural products and raw materials; 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; or if it is unable to attract and retain the best global talent. 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 the Form 10-Q for the quarter ended June 30, 2020. 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
- A glossary of key terms and definitions, including the definition for reduced-risk products, or "RRPs," as well as adjustments, other calculations and reconciliations to the most directly comparable U.S. GAAP measures are at the end of today's webcast slides, which are posted on our website

Forward-Looking and Cautionary Statements (COVID-19)



- The COVID-19 pandemic has created significant societal and economic disruption, and resulted in closures of stores, factories and offices, and restrictions on manufacturing, distribution and travel, all of which will adversely impact our business, results of operations, cash flows and financial position during the continuation of the pandemic
- Our business continuity plans and other safeguards in place may not be effective to mitigate the impact of the pandemic. Currently, significant risks include our diminished ability to convert adult smokers to our RRPs, significant volume declines in our duty-free business and certain other key markets, disruptions or delays in our manufacturing and supply chain, increased currency volatility, and delays in certain cost saving, transformation and restructuring initiatives. Our business could also be adversely impacted if key personnel or a significant number of employees or business partners become unavailable due to the COVID-19 outbreak. The significant adverse impact of COVID-19 on the economic or political conditions in markets in which we operate could result in changes to the preferences of our adult consumers and lower demand for our products, particularly for our mid-price or premium-price brands. Continuation of the pandemic could disrupt our access to the credit markets or increase our borrowing costs. Governments may temporarily be unable to focus on the development of science-based regulatory frameworks for the development and commercialization of RRPs or on the enforcement or implementation of regulations that are significant to our business. In addition, messaging about the potential negative impacts of the use of our products on COVID-19 risks may lead to increasingly restrictive regulatory measures on the sale and use of our products, negatively impact demand for our products, the willingness of adult consumers to switch to our RRPs and our efforts to advocate for the development of science-based regulatory frameworks for the development and commercialization of RRPs
- The impact of these risks also depends on factors beyond our knowledge or control, including the duration and severity of the outbreak, its recurrence in our key markets, actions taken to contain its spread and to mitigate its public health effects, and the ultimate economic consequences thereof

2020: Revising and Narrowing EPS Guidance Range

- Full-year adjusted diluted EPS expected to be in the range of \$5.00 to \$5.07, compared to previously communicated range of \$4.92 to \$5.07
 - Range represents an adjusted diluted EPS growth of approximately 3.5% to 5.0%, on a currency-neutral like-for-like basis^(a)
- Now expect Q3, 2020 reported diluted EPS to be broadly in line, ex-currency, with \$1.43 in Q3, 2019^(b):
 - Impact of better-than-anticipated industry trends in certain markets (including the EU, the Philippines and Turkey), and pricing in Japan
 - Certain timing benefits which are expected to reverse in Q4, 2020, mainly inventory-related
- Indonesia and Duty Free challenges expected to persist into the fourth quarter
- RRP expansion continues: *IQOS VEEV* launched in New Zealand; further roll-outs planned in Q4. First KT&G-licensed smoke-free products launched in Russia
- Dividend increase of 2.6% announced yesterday, to an annualized rate of \$4.80 per share^(c)

(a) vs. pro forma adjusted diluted EPS of \$5.13 for the full-year 2019. See slide 15 for details

(b) Excluding an unfavorable currency impact, at prevailing exchange rates, of approximately \$0.07 per share, PMI now expects Q3, 2020 reported diluted EPS broadly in line with Q3, 2019 adjusted diluted EPS of \$1.43

(c) The annualized rate is based on a quarterly dividend of \$1.20 per common share

Note: For additional information on guidance assumption, see today's press release

Source: PMI Financials or estimates (status on September 10, 2020)



PHILIP MORRIS
INTERNATIONAL

Delivering a Smoke-Free Future



Barclays Global Consumer Staples Conference

Questions & Answers

Have you downloaded the PMI Investor Relations App yet?

The free IR App is available to download at
the Apple App Store for iOS devices and at
Google Play for Android mobile devices

Or go to: www.pmi.com/irapp

iOS Download



Android Download





Glossary of Key Terms and Definitions, and Reconciliation of Non-GAAP Measures



Glossary: General Terms

- "PMI" refers to Philip Morris International Inc. and its subsidiaries
- Until March 28, 2008, PMI was a wholly owned subsidiary of Altria Group, Inc. ("Altria"). Since that time the company has been independent and is listed on the New York Stock Exchange (ticker symbol "PM")
- "RBH" refers to PMI's Canadian subsidiary, Rothmans, Benson & Hedges Inc.
- The Companies' Creditors Arrangement Act (CCAA) is a Canadian federal law that permits a Canadian business to restructure its affairs while carrying on its business in the ordinary course
- Trademarks are italicized
- Comparisons are made to the same prior-year period unless otherwise stated
- Unless otherwise stated, references to total industry, total market, PMI shipment volume and PMI market share performance reflect cigarettes and heated tobacco units
- References to total international market, defined as worldwide cigarette and heated tobacco unit volume excluding the U.S., total industry, total market and market shares are PMI estimates for tax-paid products based on the latest available data from a number of internal and external sources and may, in defined instances, exclude the People's Republic of China and/or PMI's duty free business. In addition, to reflect the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), effective March 22, 2019, PMI's total market share has been restated for previous periods
- "OTP" is defined as "other tobacco products," primarily roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos, and does not include reduced-risk products
- "Combustible products" is the term PMI uses to refer to cigarettes and OTP, combined
- In-market sales, or "IMS," is defined as sales to the retail channel, depending on the market and distribution model
- "Total shipment volume" is defined as the combined total of cigarette shipment volume and heated tobacco unit shipment volume



Glossary: General Terms (cont.)

- "EU" is defined as the European Union Region
- "EE" is defined as the Eastern Europe Region
- "ME&A" is defined as the Middle East & Africa Region and includes PMI's duty free business
- "S&SA" is defined as the South & Southeast Asia Region
- "EA&A" is defined as the East Asia & Australia Region
- "LA&C" is defined as the Latin America & Canada Region
- Following the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), PMI will continue to report the volume of brands sold by RBH for which other PMI subsidiaries are the trademark owner. These include *HEETS*, *Next*, *Philip Morris* and *Rooftop*
- From time to time, PMI's shipment volumes are subject to the impact of distributor inventory movements, and estimated total industry/market volumes are subject to the impact of inventory movements in various trade channels that include estimated trade inventory movements of PMI's competitors arising from market-specific factors that significantly distort reported volume disclosures. Such factors may include changes to the manufacturing supply chain, shipment methods, consumer demand, timing of excise tax increases or other influences that may affect the timing of sales to customers. In such instances, in addition to reviewing PMI shipment volumes and certain estimated total industry/market volumes on a reported basis, management reviews these measures on an adjusted basis that excludes the impact of distributor and/or estimated trade inventory movements. Management also believes that disclosing PMI shipment volumes and estimated total industry/market volumes in such circumstances on a basis that excludes the impact of distributor and/or estimated trade inventory movements, such as on an IMS basis, improves the comparability of performance and trends for these measures over different reporting periods



Glossary: General Terms (cont.)

- "Illicit trade" refers to domestic non-tax paid products
- "Contraband" refers to genuine tobacco products that are produced for lawful distribution in their market of intended destination but illegally diverted into a different market (i.e., smuggling)
- "Counterfeit" refers to tobacco products that have been manufactured without the permission of the trademark rights holder
- "Illicit whites" refer to cigarettes that are legally produced in one jurisdiction for the sole purpose of being exported and illegally sold in another jurisdiction where they have no legitimate market
- "Under declaration" refers to tobacco products that are produced and distributed in the same country, a portion of which is not declared to the domestic tax authorities



Glossary: Financial Terms

- Net revenues related to combustible products refer to the operating revenues generated from the sale of these products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. PMI recognizes revenue when control is transferred to the customer, typically either upon shipment or delivery of goods
- Net revenues related to RRP's represent the sale of heated tobacco units, IQOS devices and related accessories, and other nicotine-containing products, primarily e-vapor products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. PMI recognizes revenue when control is transferred to the customer, typically either upon shipment or delivery of goods
- "Adjusted Operating Income (OI) Margin" is calculated as adjusted OI, divided by net revenues
- Management reviews net revenues, OI, OI margins, operating cash flow and earnings per share, or "EPS," on an adjusted basis, which may exclude the impact of currency and other items such as acquisitions, asset impairment and exit costs, tax items and other special items. For example, PMI's adjusted diluted EPS and other impacted results reflect the loss on deconsolidation of RBH and the Canadian tobacco litigation-related expense, recorded in the first quarter of 2019, asset impairment and exit costs associated with plant closures in Pakistan and Colombia, recorded in the first and second quarters of 2019, respectively, and asset impairment and exit costs associated with organizational design optimization, recorded in the second quarter of 2020. PMI believes that the adjusted measures, including pro forma measures, will provide useful insight into underlying business trends and results, and will provide a more meaningful performance comparison for the period during which RBH remains under CCAA protection. For PMI's 2018 pro forma adjusted diluted EPS by quarter and year-to-date, see Schedule 3 in PMI's first-quarter 2019 earnings release



Glossary: Reduced-Risk Products

- "Reduced-risk products," or "RRPs," is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continuing smoking. PMI has a range of RRP in various stages of development, scientific assessment and commercialization. PMI RRP are smoke-free products that produce an aerosol that contains far lower quantities of harmful and potentially harmful constituents than found in cigarette smoke
- "Aerosol" refers to a gaseous suspension of fine solid particles and/or liquid droplets
- "Combustion" is the process of burning a substance in oxygen, producing heat and often light
- "Smoke" is a visible suspension of solid particles, liquid droplets and gases in air, emitted when a material burns
- "Heated tobacco units," or "HTUs," is the term PMI uses to refer to heated tobacco consumables, which for PMI include the company's *HEETS*, *HEETS Creations*, *HEETS Marlboro* and *HEETS FROM MARLBORO*, defined collectively as *HEETS*, as well as *Marlboro HeatSticks* and *Parliament HeatSticks*
- The *IQOS* heat-not-burn device is a precisely controlled heating device into which a specially designed and proprietary tobacco unit is inserted and heated to generate an aerosol
- HTU "offtake volume" represents the estimated retail offtake of HTUs based on a selection of sales channels that vary by market, but notably include retail points of sale and e-commerce platforms
- HTU "offtake share" represents the estimated retail offtake volume of HTUs divided by the sum of estimated total offtake volume for cigarettes and HTUs
- National market share for HTUs is defined as the total sales volume for HTUs as a percentage of the total estimated sales volume for cigarettes and HTUs



Glossary: Reduced-Risk Products (cont.)

- "Total IQOS users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for at least 5% of their daily tobacco consumption over the past seven days
- "Converted IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for over 95% of their daily tobacco consumption over the past seven days
- "Predominant IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs units for between 70% and 95% of their daily tobacco consumption over the past seven days
- "Situational IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for between 5% and less than 70% of their daily tobacco consumption over the past seven days
- "Abandoned IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for less than 5% of their daily tobacco consumption over the past seven days
- The estimated number of people who have "stopped smoking and switched to IQOS" is defined as: for markets where IQOS is the only heat-not-burn product, daily individual consumption of PMI HTUs represents the totality of their daily tobacco consumption in the past seven days; for markets where IQOS is one among other heat-not-burn products, daily individual consumption of HTUs represents the totality of their daily tobacco consumption in the past seven days, of which at least 70% are PMI HTUs
- An "e-vapor product" is an electrical product that generates an aerosol by heating a nicotine or non-nicotine containing liquid, such as electronic cigarettes (or "e-cigarettes")
- "E-liquids" refer to a liquid solution that is used in/with e-cigarettes. E-liquids contain different levels of nicotine in a propylene glycol and/or vegetable glycerin based solution with various flavors
- "IQOS VEEV" is the brand name that PMI has chosen for one of its Platform 4 reduced-risk products



Glossary: Reduced-Risk Products (cont.)

- "FDA" stands for the U.S. Food & Drug Administration
- "MRTP" stands for Modified Risk Tobacco Product, the term used by the U.S. FDA to refer to RRP
- "MRTP application" stands for Modified Risk Tobacco Product application under section 911 of the FD&C Act
- "PMTA" stands for Premarket Tobacco Application under section 910 of the FD&C Act



Glossary: IQOS in the United States

- On April 30, 2019, the U.S. Food and Drug Administration (FDA) announced that the marketing of a version of IQOS, PMI's heat-not-burn product, together with its heated tobacco units (the term PMI uses to refer to heated tobacco consumables), is appropriate for the protection of public health and authorized it for sale in the U.S. The FDA's decision follows its comprehensive assessment of PMI's premarket tobacco product applications (PMTAs) submitted to the Agency in 2017. In the third quarter of 2019, PMI brought a version of its IQOS Platform 1 device and three variants of its heated tobacco units to the U.S. through its license with Altria Group, Inc., whose subsidiary, Philip Morris USA Inc., is responsible for marketing the product and complying with the provisions set forth in the FDA's marketing order. On March 30, 2020, PMI submitted a supplemental PMTA for the IQOS 3 tobacco heating device with the U.S. Food and Drug Administration
- On July 7, 2020, the FDA authorized the marketing of a version of IQOS, together with its heated tobacco units, as a modified risk tobacco product (MRTP). In doing so, the agency found that an IQOS exposure modification order is appropriate to promote the public health. The decision follows a review of the extensive scientific evidence package PMI submitted to the FDA in December 2016 to support its MRTP authorization applications
- Shipment volume of heated tobacco units to the U.S. is included in the heated tobacco unit shipment volume of the Latin America & Canada segment. Revenues from shipments of Platform 1 devices, heated tobacco units and accessories to Altria Group, Inc. for sale under license in the U.S. are included in Net Revenues of the Latin America & Canada segment

2020: EPS Guidance

(\$/share)



Full-Year

	2020 Forecast	2019	Adjusted Growth
Reported Diluted EPS	\$4.92 to \$4.99	\$4.61	
- Tax items		(0.04)	
- Asset impairment and exit costs	0.04	0.23	
- Canadian tobacco litigation-related expense		0.09	
- Loss on deconsolidation of RBH		0.12	
- Russia excise and VAT audit charge		0.20	
- Fair value adjustment for equity security investments	0.04	(0.02)	
Adjusted Diluted EPS	\$5.00 to \$5.07	\$5.19	
- Net earnings attributable to RBH		(0.06) ^(a)	
Adjusted Diluted EPS	\$5.00 to \$5.07	\$5.13 ^(b)	
- Currency	0.31		
Adjusted Diluted EPS, excluding currency	\$5.31 to \$5.38	\$5.13 ^(b)	~ 3.5% to 5.0%

(a) Net reported diluted EPS attributable to RBH from January 1, 2019 through March 21, 2019

(b) Pro forma

Source: PMI Financials or estimates



PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

Reconciliation of Reported Diluted EPS to Pro Forma Adjusted Diluted EPS (Unaudited)

	Quarter Ended Mar 31, 2019	Quarter Ended Jun 30, 2019	Six Months Ended Jun 30, 2019	Quarter Ended Sept 30, 2019	Nine Months Ended Sept 30, 2019	Quarter Ended Dec 31, 2019	Year Ended Dec 31, 2019
Reported Diluted EPS	\$ 0.87	\$ 1.49	\$ 2.36	\$ 1.22	\$ 3.57	\$ 1.04	\$ 4.61
Asset impairment and exit costs	0.01	0.01	0.02	0.01	0.03	0.20	0.23
Canadian tobacco litigation-related expense	0.09	-	0.09	-	0.09	-	0.09
Loss on deconsolidation of RBH	0.12	-	0.12	-	0.12	-	0.12
Russia excise and VAT audit charge	-	-	-	0.20	0.20	-	0.20
Fair value adjustment for equity security investments	-	-	-	-	-	(0.02)	(0.02)
Tax items	-	(0.04)	(0.04)	-	(0.04)	-	(0.04)
Adjusted Diluted EPS	\$ 1.09	\$ 1.46	\$ 2.55	\$ 1.43	\$ 3.97	\$ 1.22	\$ 5.19
Net earnings attributable to RBH	(0.06) ^(a)	-	(0.06) ^(a)	-	(0.06) ^(a)	-	(0.06) ^(a)
Pro Forma Adjusted Diluted EPS	\$ 1.03	\$ 1.46	\$ 2.49	\$ 1.43	\$ 3.91	\$ 1.22	\$ 5.13

(a) Represents the impact of net earnings attributable to RBH from January 1, 2019 through March 21, 2019

Note: EPS is computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year



PHILIP MORRIS
INTERNATIONAL

Delivering a Smoke-Free Future

Barclays Global Consumer Staples Conference

September 10, 2020