

Philip Morris (PM)

\$158.81 (Stock Price as of 01/08/2026)

Price Target (6-12 Months): **\$171.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/24/25)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM: C

Value: D

Growth: B

Momentum: C

Summary

Philip Morris has been benefiting from strong pricing power and an expanding smoke-free portfolio. In the third quarter of 2025, Philip Morris' net revenues increased 9.4% year over year, driven by higher combustible tobacco pricing and increased smoke-free product volumes. The company has been making significant progress with its smoke-free transition, with products like IQOS and ZYN contributing to strong performance. Philip Morris has implemented significant cost-saving measures and strategic initiatives to achieve its long-term financial goals. For 2025, adjusted earnings per share (EPS) are likely to be \$7.46-\$7.56, indicating a 13.5-15.1% year-over-year increase. However, the company faces premium valuation, ongoing global cigarette volume declines and rising regulatory pressure.

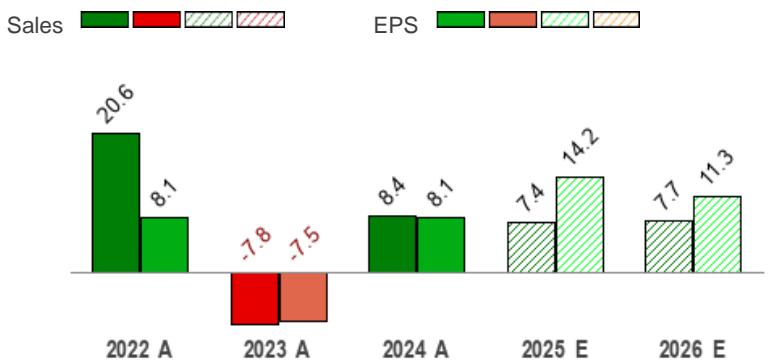
Price, Consensus & Surprise⁽¹⁾



Data Overview

52 Week High-Low	\$186.69 - \$116.12
20 Day Average Volume (sh)	5,255,617
Market Cap	\$241.5 B
YTD Price Change	-3.3%
Beta	0.40
Dividend / Div Yld	\$5.88 / 3.8%
Industry	Tobacco
Zacks Industry Rank	Bottom 18% (199 out of 244)

Sales and EPS Growth Rates (Y/Y %)⁽¹⁾



Last EPS Surprise	6.7%
Last Sales Surprise	1.3%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/05/2026
Earnings ESP	0.0%

Sales Estimates (millions of \$)⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2026					43,830 E
2025	9,301 A	10,140 A	10,845 A	11,608 E	40,696 E
2024	8,793 A	9,468 A	9,911 A	9,706 A	37,878 A

EPS Estimates⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2026					8.35 E
2025	1.69 A	1.91 A	2.24 A	2.40 E	7.50 E
2024	1.50 A	1.59 A	1.91 A	1.55 A	6.57 A

*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 01/08/2026.

(2) The report's text and the price target are as of 12/29/2025.

Overview

Philip Morris International is progressing well with its business transformation in the face of consumers rising health consciousness and stern regulations to dissuade smoking. To this end, the tobacco giant has been expanding in the reduced risk products (RRPs) or smoke-free products category, evident from the success of IQOS (a heating tobacco device) that counts amongst one of the leading RRPs in the industry.

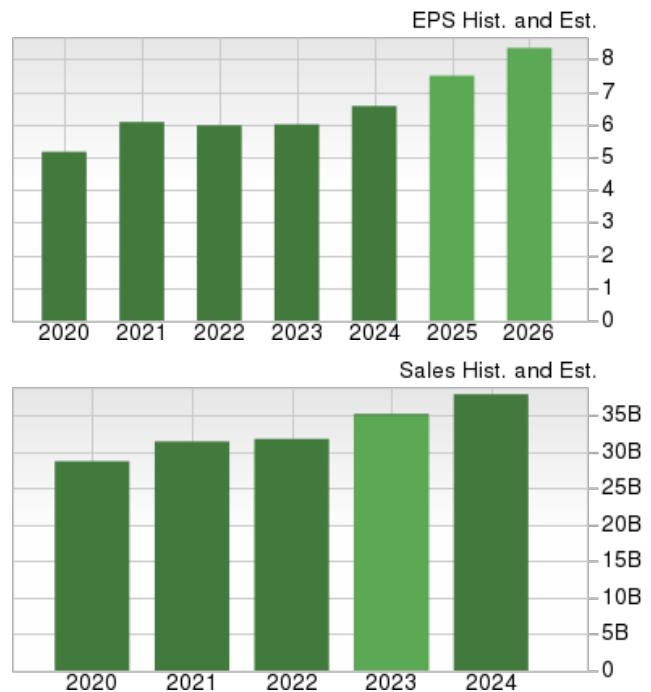
We note that smoke-free products generated 41% of the company's net revenues in the third quarter of 2025.

Philip Morris manufactures and sells cigarettes, other tobacco products and other nicotine-containing products outside the United States in more than 180 countries. Also, the company ships a form of its Platform 1 device sanctioned by the FDA, to Altria Group, for sale in the United States.

In Mar 2008, Philip Morris International was spun off from the Altria Group. However, Philip Morris USA, Inc. (PM USA) continues to be a subsidiary of the Altria Group.

Philip Morris participates in the profitable premium cigarette category with its Marlboro, Parliament and Virginia Slims brands; in the mid-price category with its L&M, Lark, Merit, Muratti and Philip Morris brands. Other leading international brands include Bond Street, Chesterfield, Next and Red & White. The company is also engaged in the development and commercialization of RRPs, which generally are less harmful than cigarette smoking. The company expects that RRPs are likely to help smokers in quitting cigarette consumption.

The company reports results based on its new regional structure (unveiled in November 2022). This includes four regions including the European region, SSEA, CIS & MEA region, EA, AU & PMI DF region and the Americas. On a product basis, Philip Morris reports results under the combustible and smoke-free products categories. Following the sale of Vectura Group Ltd. on Dec. 31, 2024, the company updated its segment reporting to include ongoing Wellness and Healthcare results in the Europe segment.



As of 01/08/2026



As of 01/08/2026

Reasons To Buy:

▲ **Strong Pricing Aids:** Philip Morris continued to benefit from firm pricing and favorable mix dynamics in the third quarter of 2025, reinforcing its earnings momentum. Net revenues increased to \$10,845 million, up 9.4% on a reported basis and 5.9% organically, driven by a favorable pricing variance from higher combustible tobacco pricing and a positive volume/mix shift led by robust smoke-free product growth. Combustibles remained resilient, with combustible net revenues up 4.3% (1% organically) and combustible gross profit up 7.7% (4.8% organically), demonstrating sustained pricing power even in a declining category. Smoke-free categories continued to support mix improvement, lifting the company's gross margin to 67.9%, the highest level in several years. Quarterly adjusted operating income increased 12.4% (7.5% organically) to \$4,670 million, reflecting both strong pricing and category mix benefits as smoke-free products scale across markets. Adjusted EPS reached \$2.24, up 17.3% year over year, surpassing expectations on the back of high-end performance from both IQOS and ZYN, the durability of the combustible franchise, and a more favorable tax rate. Backed by these dynamics, Philip Morris maintains confidence in achieving solid combustible pricing growth throughout 2025, supported by premium brand leadership and disciplined market stewardship.

Higher pricing variance remains an upside to the company's performance, mainly due to increased combustible tobacco pricing. A focus on growing smoke-free revenues bodes well.

▲ **Smoke-Free Transition in Full Swing:** Given consumers' rising inclination toward reduced-risk products (RRPs), Philip Morris is progressing well with its business transformation, with smoke-free products accounting for more than 42% of total gross profit in the third quarter. The company aims to become substantially smoke-free in the future. Toward this end, the company's IQOS, a heat-not-burn device, counts as one of the leading RRPs in the industry. These next-generation devices are backed by substantial scientific insights and research. The company expects such advanced and high-quality products to continue aiding adult smokers in switching from traditional cigarettes to smoke-free options. Among other initiatives, Philip Morris became the majority owner of Swedish Match on Nov. 11, 2022, which has been delivering impressive performance due to ZYN. On Jan. 30, 2023, Philip Morris unveiled a long-term partnership with KT&G to commercialize the innovative smoke-free devices and consumables of the latter outside South Korea.

In the third quarter of 2025, Philip Morris' smoke-free business continued to expand at a strong pace, with net revenues rising 17.7% year over year (13.9% organically) and gross profit increasing 19.5% (14.8% organically). The segment achieved a gross margin of 70%, surpassing the combustible business by 3.5 percentage points, reflecting a favorable mix shift, scale efficiencies and strong performance in IQOS consumables. IQOS remained the primary growth engine, as HTU shipments increased 15.5% and adjusted in-market sales ("IMS") grew 9%, supported by robust gains in Europe and continued share momentum in Japan. The smoke-free portfolio achieved broad geographic reach, with commercialization across 100 global markets and at least two flagship brands available in nearly half of them. ZYN continued its exceptional growth trajectory, with U.S. shipments up 37% to 205 million cans and international volumes more than doubling, underscoring the brand's expanding global footprint. VEEV also sustained strong momentum, with e-vapor volumes rising 91% and the brand maintaining the #1 closed-pod position in multiple European markets. Collectively, these developments highlight Philip Morris' balanced execution across key smoke-free platforms, supporting ongoing margin expansion and reinforcing its leadership in the transition to a smoke-free future.

▲ **Bright Outlook:** Philip Morris is set for another year of robust growth in 2025, driven by solid financial performance. Management forecasts net revenue growth of 6-8% on an organic basis. The adjusted EPS for 2025 is now envisioned in the \$7.46-\$7.56 range, indicating 13.5-15.1% growth. Earlier, the metric was expected in the \$7.43-\$7.56 per share range, implying 13-15% growth. Adjusted EPS, excluding currency, is likely to be in the \$7.36-\$7.46 band, indicating a year-over-year increase of 12-13.5%. For 2025, Philip Morris now expects reported EPS in the band of \$7.39-\$7.49 compared with \$4.52 in 2024. Earlier, the metric was expected in the \$7.24-\$7.37 per share range. The total cigarette and smoke-free product shipment volume for Philip Morris is expected to be around 1%.

▲ **Saving Initiatives:** Philip Morris has implemented significant cost-saving measures and strategic initiatives to enhance its margins and achieve its long-term financial goals. The company reiterated progress toward its 2024-2026 cost-saving target of \$2 billion, with ongoing efficiencies across manufacturing and back-office operations. In the third quarter, management emphasized that productivity gains and cost initiatives contributed to margin expansion, helping offset elevated commercial investments. This disciplined approach to cost management not only enhances profitability and cushions near-term investment needs but also strengthens Philip Morris' competitive positioning and provides incremental fuel for growth initiatives.

Reasons To Sell:

- ▼ **Stretched Valuation:** In terms of the price-to-earnings (P/E) ratio, Philip Morris is currently trading at a premium to its industry. The stock has a trailing 12-month P/E ratio of 19.00, which is below its median level of 20.60 and below the high level of 23.48 scaled in the past year. This compares to the trailing 12-month P/E ratio of 14.52 for the industry.
- ▼ **Broad-Based Combustible Weakness:** Philip Morris' combustible portfolio continued to weaken in the third quarter of 2025, with cigarette volumes falling 3.2% overall and declining across all regions, including 6.8% in Europe, 4.6% in East Asia, Australia & PMI Global Travel Retail, 4.7% in the Americas and 1.1% in South and Southeast Asia, Commonwealth of Independent States, Middle East and Africa Region. This broad and persistent decline underscores the structural pressures facing the combustible category and highlights the ongoing vulnerability of Philip Morris' legacy business as regulatory, consumer and competitive dynamics continue to shift away from cigarettes.
- ▼ **Regulatory Restrictions on Tobacco:** Stern government regulations have been impacting cigarette consumption in general. Government bodies across different nations are imposing restrictions on tobacco companies. The U.S. Food and Drug Administration ("FDA") has made it mandatory for tobacco companies to use precautionary labels on cigarette packets to dissuade customers from smoking. Also, per court orders, cigarette manufacturers have been directed to put up self-critical advertisements on television and newspapers to dissuade customers from smoking.

Philip Morris faces mounting pressure as cigarette volumes decline across all regions and regulatory crackdowns intensify, underscoring growing risks to its combustible business.

Last Earnings Report

Philip Morris Q3 Earnings Beat Estimates, Revenues Increase 9% Y/Y

Philip Morris reported third-quarter 2025 results, wherein both top and bottom lines beat the Zacks Consensus Estimate and increased year over year.

Philip Morris posted quarterly adjusted earnings of \$2.24, which increased 17.3% year over year. Excluding currency effects, the adjusted earnings jumped 13.1%. The bottom line beat the Zacks Consensus Estimate of \$2.10.

FY Quarter Ending	12/31/2025
Earnings Reporting Date	Oct 21, 2025
Sales Surprise	1.32%
EPS Surprise	6.67%
Quarterly EPS	2.24
Annual EPS (TTM)	7.39

Net revenues of \$10,845 million increased 9.4% on a reported basis and 5.9% on an organic basis. Revenues came ahead of the Zacks Consensus Estimate of \$10,704 million. The increase in organic revenues was backed by positive pricing variance (mainly driven by elevated combustible tobacco pricing) and favorable volume/mix (attributable to increased smoke-free product volumes), partially offset by lower cigarette volumes and an unfavorable cigarette mix.

Philip Morris' Quarterly Performance: Key Metrics and Insights

During the third quarter, Philip Morris' net revenues from combustible products grew 4.3% year over year and increased 1% organically, despite a return to expected volume declines. Growth was driven by high single-digit pricing, partially offset by unfavorable mix dynamics.

Revenues from the smoke-free business increased 17.7% (up 13.9% on an organic basis) and formed 41% of the company's total revenues. Total shipment volumes increased 0.7% to 204.9 billion units in the third quarter.

The adjusted operating income ascended 12.4% (up 7.5% on an organic basis) to \$4,670 million, driven by improved pricing variance and a positive volume/mix, somewhat negated by increased marketing, administration and research costs.

Decoding Philip Morris' Region-Wise Performance

Net revenues in the European region grew 12.4% (up 6.4% on an organic basis) to \$4,719 million. This was a result of positive pricing variance and favorable volume/mix, partially offset by lower cigarette volumes and an unfavorable cigarette mix. Total HTU and cigarette shipment volumes in the region decreased 2.6% to 56.4 billion units.

In the SSEA, CIS & MEA regions, net revenues increased 10.4% (up 7.8% organically) to \$3,273 million, primarily driven by favorable pricing, largely from higher combustible tobacco prices. This growth was partially offset by an unfavorable cigarette mix. Total cigarette and HTU shipment volume in the region rose 0.6% to 99.2 billion units.

In the EA, AU & PMI GTR regions, net revenues grew 10.4% (up 8.9% organically) to \$1,768 million on favorable volume/mix. Total cigarette and HTU shipment volume in the region rose 6.8% to 28.5 billion units.

Revenues in the Americas fell 5.5% (down 5% on an organic basis) to \$1,085 million primarily due to an unfavorable price variance in the United States. This decline was partially offset by higher SFP volumes. Total cigarette and HTU shipment volumes in the Americas decreased 4.5% to 14.7 billion units.

Philip Morris: Other Updates

The company ended the quarter with cash and cash equivalents of \$4,037 million, long-term debt of \$41,863 million and a total shareholder deficit of \$8,984 million.

Philip Morris announced an 8.9% increase in its regular quarterly dividend to \$1.47 per share (\$5.88 on an annualized basis). However, the company stated that it would not make share repurchases in 2025.

Here's What to Expect From Philip Morris in 2025

Adjusted EPS for 2025 is now envisioned in the \$7.46-\$7.56 range, indicating 13.5-15.1% growth. Earlier, the metric was expected in the \$7.43-\$7.56 per share range, implying 13-15% growth. Adjusted EPS, excluding currency, is likely to be in the \$7.36-\$7.46 band, indicating a year-over-year increase of 12-13.5%. For 2025, Philip Morris now expects reported EPS in the band of \$7.39-\$7.49 compared with \$4.52 in 2024. Earlier, the metric was expected in the \$7.24-\$7.37 per share range.

The total international industry volume for cigarettes and HTUs (excluding China and the United States) is likely to decline nearly 1% in 2025. The total cigarette and smoke-free product shipment volume for Philip Morris is expected to be around 1%, driven by a smoke-free product volume increase of 12-14%, partly offset by cigarette volume declines, which are now forecasted to be around 2%.

For 2025, Philip Morris expects net revenues to increase 6-8% on an organic basis. The operating income on an organic basis is likely to rise 10-11.5%, reflecting the impact of higher investments in the U.S. market. Management expects an operating cash flow of more than \$11.5 billion in 2025. Capital expenditures are likely to be nearly \$1.6 billion, primarily implying investments to support the smoke-free business.

Recent News

Philip Morris Declares Dividend – Dec. 12, 2025

Philip Morris announced quarterly dividend of \$1.47 per share, payable on Jan. 14, 2026, to shareholders of record as on Dec. 26, 2025.

Valuation

Philip Morris shares are down 9.9% in the past six-month period and up 38.9% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 0.7% and the Zacks Consumer Staples sector decline 3.5% in the past six-month period. Over the past year, the Zacks sub-industry is up 41.5% and the sector up 3.8%.

The S&P 500 index is up 15.2% in the past six-month period and 21% in the past year.

The stock is currently trading at 19.3X forward 12-month earnings, which compares to 14.47X for the Zacks sub-industry, 16.39X for the Zacks sector and 23.44X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.48X and as low as 13.21X, with a 5-year median of 15.73X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$171 price target reflects 20.46X forward 12-month earnings.

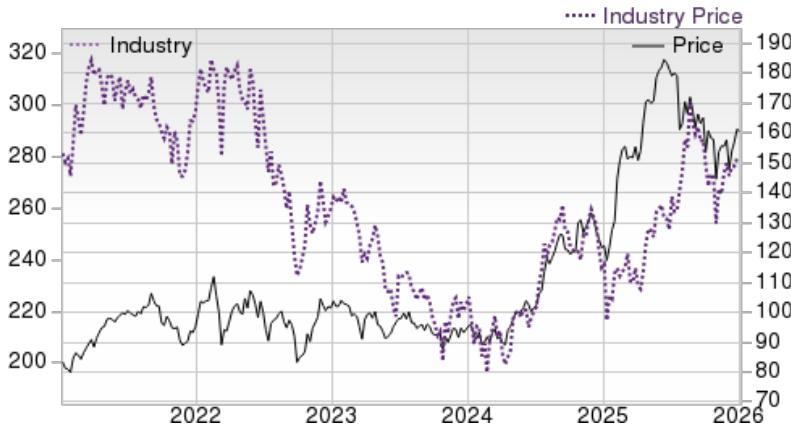
The table below shows summary valuation data for PM

Valuation Multiples - PM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	19.3	14.47	16.39	23.44
	5-Year High	23.48	15.43	20.29	23.8
	5-Year Low	13.21	9.03	16.1	15.74
	5-Year Median	15.73	11.22	17.99	21.23
P/S F12M	Current	5.72	4.74	8.2	5.31
	5-Year High	6.75	5	10.94	5.49
	5-Year Low	3.64	2.85	6.59	3.82
	5-Year Median	4.75	3.72	8.78	5.04
EV/EBITDA TTM	Current	16.87	12.75	34.41	18.87
	5-Year High	20.08	15	45.14	22.34
	5-Year Low	11.2	7.76	33.37	13.86
	5-Year Median	13.6	10.05	39.81	17.93

As of 12/26/2025

Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Bottom 18% (199 out of 244)



Top Peers⁽¹⁾

Company (Ticker)	Rec	Rank
British American Tob... (BTI)	Neutral	4
Anheuser-Busch InBev... (BUD)	Neutral	3
Imperial Tobacco Gro... (IMBBY)	Neutral	4
Altria Group, Inc. (MO)	Neutral	4
The Boston Beer Comp... (SAM)	Neutral	3
Constellation Brands... (STZ)	Neutral	4
Molson Coors Beverag... (TAP)	Neutral	4
Turning Point Brands... (TPB)	Neutral	4

Industry Comparison⁽¹⁾ Industry: Tobacco

	PM	X Industry	S&P 500	BTI	MO	TPB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	4	4	4
VGM Score	C	-	-	C	B	D
Market Cap	241.51 B	17.11 B	40.07 B	109.18 B	91.86 B	1.97 B
# of Analysts	5	1	22	3	4	1
Dividend Yield	3.79%	2.28%	1.38%	5.55%	7.75%	0.29%
Value Score	D	-	-	C	C	D
Cash/Price	0.02	0.06	0.04	0.06	0.04	0.10
EV/EBITDA	18.43	6.62	14.89	NA	7.51	23.68
PEG Ratio	2.04	2.80	2.04	3.82	3.04	NA
Price/Book (P/B)	NA	2.27	3.41	1.74	NA	5.20
Price/Cash Flow (P/CF)	20.00	10.18	15.44	8.25	10.18	32.97
P/E (F1)	26.00	11.21	18.58	11.10	9.84	25.31
Price/Sales (P/S)	2.61	2.77	3.06	NA	3.92	4.52
Earnings Yield	5.38%	7.64%	5.38%	9.01%	10.16%	3.95%
Debt/Equity	-4.66	0.20	0.57	0.68	-9.30	0.82
Cash Flow (\$/share)	7.76	4.25	8.98	6.46	5.37	3.13
Growth Score	B	-	-	B	C	D
Hist. EPS Growth (3-5 yrs)	4.67%	4.42%	8.24%	NA	4.18%	-1.01%
Proj. EPS Growth (F1/F0)	-7.46%	11.31%	9.21%	5.03%	6.25%	50.59%
Curr. Cash Flow Growth	5.53%	-2.35%	7.00%	-69.01%	0.33%	-5.20%
Hist. Cash Flow Growth (3-5 yrs)	5.91%	4.59%	7.49%	4.59%	2.32%	5.32%
Current Ratio	0.85	1.30	1.19	0.87	0.62	5.56
Debt/Capital	NA%	34.74%	38.14%	40.34%	NA	45.03%
Net Margin	9.33%	10.68%	12.77%	NA	37.89%	12.02%
Return on Equity	-122.14%	-56.95%	17.03%	NA	-319.43%	24.44%
Sales/Assets	1.41	0.86	0.53	NA	0.68	0.73
Proj. Sales Growth (F1/F0)	-7.80%	5.17%	5.29%	2.60%	-1.80%	28.00%
Momentum Score	C	-	-	D	A	A
Daily Price Chg	-0.01%	-0.52%	-0.34%	-1.42%	-0.80%	0.04%
1 Week Price Chg	-0.47%	-0.37%	1.10%	-1.26%	-0.50%	3.69%
4 Week Price Chg	3.59%	-2.60%	0.50%	-9.31%	-6.76%	1.08%
12 Week Price Chg	-1.64%	0.11%	3.75%	5.00%	-15.65%	12.81%
52 Week Price Chg	27.32%	25.48%	16.94%	45.05%	6.27%	83.13%
20 Day Average Volume	5,255,617	162,446	2,431,070	2,542,273	9,356,060	384,587
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	-1.30%	0.00%	0.00%
(F1) EPS Est 12 week change	-0.16%	3.18%	0.44%	-0.99%	-0.15%	8.69%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	NA	0.00%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	B
Momentum Score	C
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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