

Key company facts

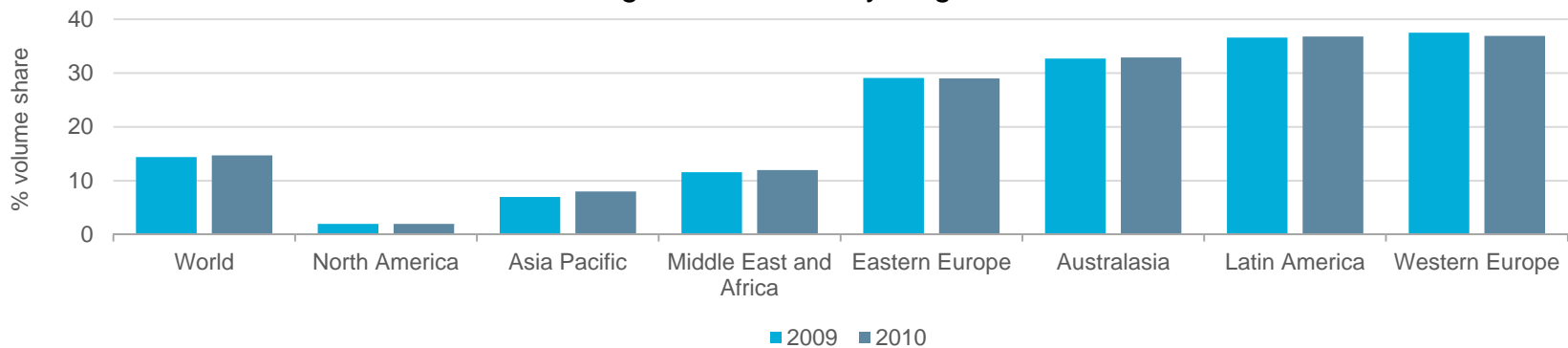
Philip Morris International Inc (PMI)

Headquarters	Lausanne, Switzerland
Regional involvement	Asia Pacific, Middle East and Africa, Western Europe, Eastern Europe, Australasia, Latin America, Australasia
Category involvement	Cigarettes, Cigars, Smoking Tobacco, Smokeless Tobacco
World cigarettes volume share 2010	14.7%
Volume growth (2009-2010)	2.1%

Best global spread and biggest footprint

- PMI has the best global positioning, with a market volume share of over 30% in 36 markets, including the major markets of Germany, France, Turkey and Mexico.
- The company has its largest regional shares in Western Europe and Latin America. This is not ideal because Western Europe is in decline and BAT has a bigger share in Latin America.
- PMI was the only one of the four international companies which recorded volume growth over 2009-2010.

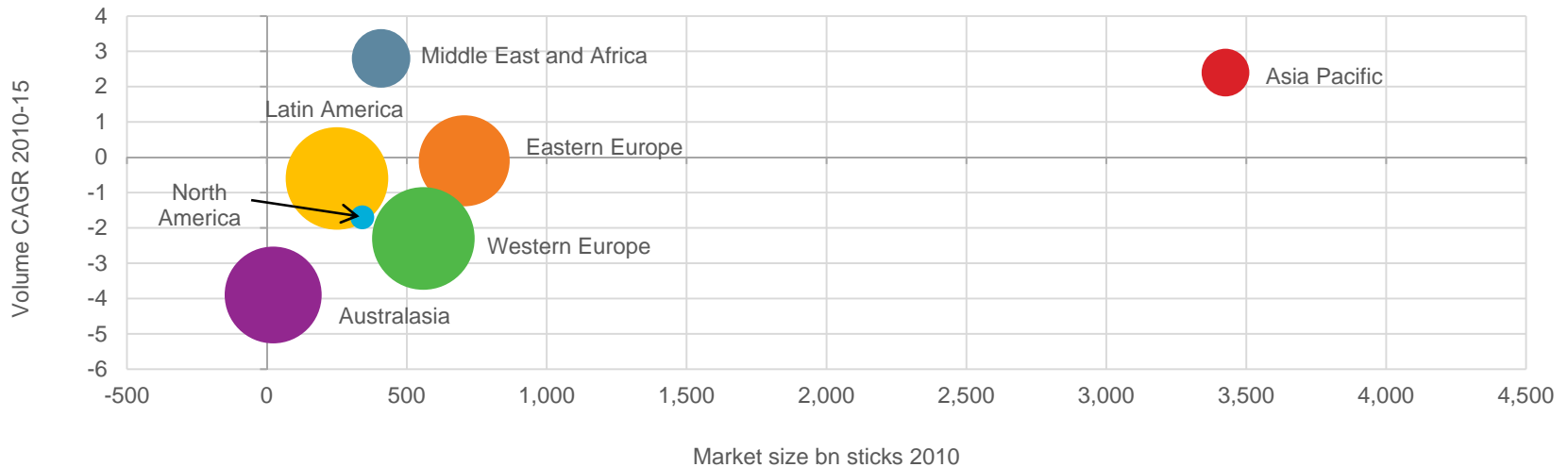
PMI: Cigarettes Share by Region 2009-2010



Regional positioning and growth prospects

- PMI has its biggest regional shares in cigarettes in Western Europe and Latin America – two regions forecast by Euromonitor International to contract in volume terms over 2010-2015. This is, therefore, less than an ideal positioning.
- PMI's smallest share is in the largest region – Asia Pacific, also one of only two regions expected to grow in volume terms over 2010-2015. However, the size of the share is deceptive – Asia Pacific is PMI's biggest profits contributor. PMI's growth is also forecast to be strongest in Asia Pacific . For demographic and economic reasons, this is best region in which to achieve growth and coverage.
- The other region expected to grow is MEA, where PMI's share is around 12%, just over half that of regional market leader BAT.

PMI's Cigarettes Presence and Growth Prospects by Region 2010-2015



Note: Bubble size indicates company volume share of region

Global tobacco opportunities: State and private companies

New volumes – what is available?

- Expansion by acquisition has been the primary instrument of growth for the major tobacco companies. Now that the industry has become more consolidated than ever, what is still available and likely to become available in the future? The answer is about 725 billion sticks – see chart.
- Some 14 countries have major state-owned tobacco companies, accounting for some 40% of world cigarette consumption – though, excluding CNTC, the figure is nearer 5%.
- Excluding Vinataba – not currently a privatisation possibility – the (semi) state company of Egypt, Eastern Tobacco, is the biggest in the world, followed by TTM (Thailand). There are also state tobacco enterprises in Tunisia, Iran, Lebanon, Libya and Mali.
- Of the 1 trillion sticks (excluding China) not controlled by the four multinational tobacco companies, Altria (146 bn sticks) and RAI (89 bn sticks) are the largest technically available companies, but the possibility of a sale or a hostile offer, in view of the litigious nature of the US market is unlikely.

1 trillion sticks (or 725 billion sticks excluding Altria, RAI and Vinataba) – equivalent to BAT's total global sales – are up for grabs

