

Philip Morris Czech Republic

Consumer

07 Dec 2013



Czech Republic

COMPANY DESCRIPTION

Philip Morris Czech Republic, an affiliate of Philip Morris International Inc. (PMI), is the leading producer and marketer of tobacco products in the Czech Republic and Slovakia. The company is engaged in the production, sale, distribution and marketing of tobacco products. Together with its subsidiary in Slovakia, it produced and sold 31.7 billion of cigarettes in 2012. It provides customers with several international and local cigarette brands, such as Marlboro, L&M, Red & White, Petra and Sparta, among others. On the Czech and Slovak markets, the company maintains a market share exceeding 50%. Philip Morris Czech Republic is listed on the Prague Stock Exchange. Philip Morris International Inc holds 77.6% stake in the company.

Main Shareholders: Philip Morris International (77.6%)

INCOME STATEMENT

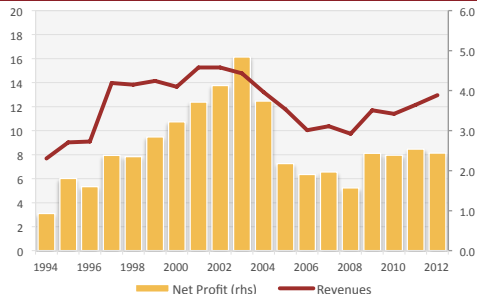
CZK mil	2008	2009	2010	2011	2012
Sales	9,749	11,690	11,402	12,155	12,963
Cost of Goods & Services	5,976	6,869	6,518	7,130	8,025
Gross Profit	3,773	4,821	4,884	5,025	4,938
Staff Cost	951	986	1,047	1,047	1,066
Other Cost	227	255	420	372	393
EBITDA	2,595	3,580	3,417	3,606	3,479
Depreciation	387	447	458	472	453
EBIT	2,208	3,133	2,959	3,134	3,026
Financing Cost	152	24	0	0	0
Extraordinary Cost	0	0	-16	-32	-23
Pre-Tax Profit	2,056	3,109	2,975	3,166	3,049
Tax	486	676	585	625	608
Minorities	1	0	1	0	1
Net Profit	1,570	2,433	2,389	2,541	2,440
Dividends	1,537	2,433	3,460	2,526	2,471

EBITDA Margin	26.6%	30.6%	30.0%	29.7%	26.8%
EBIT Margin	22.6%	26.8%	26.0%	25.8%	23.3%
Net Margin	16.1%	20.8%	21.0%	20.9%	18.8%

CASH FLOW

CZK mil	2008	2009	2010	2011	2012
Net Profit	1,570	2,433	2,389	2,541	2,440
Depreciation	387	447	458	472	453
Non-Cash Items	-10,341	4,776	1,421	-404	-63
Change in Working Capital	12,486	914	-369	-9	-438
Total Cash From Operations	4,102	8,570	3,899	2,600	2,392
Capital Expenditures	-452	-712	-680	-426	-612
Other	326	216	-30	-218	259
Total Cash From Investing	-126	-496	-710	-644	-353
Dividends Paid	-2,416	-1,538	-2,143	-3,460	-2,526
Issuance Of Shares	0	0	0	0	0
Issuance Of Debt	0	0	0	0	0
Total Cash From Financing	-2,416	-1,538	-2,143	-3,460	-2,526
NET CHANGE IN CASH	1,560	6,536	1,046	-1,504	-487

REVENUES & PROFIT (CZK bil)



BALANCE SHEET

CZK mil	2008	2009	2010	2011	2012
Non-Current Assets	2,408	2,677	2,936	2,821	2,953
Property, Plant & Equipment	2,269	2,561	2,735	2,735	2,897
Current Assets	10,508	11,029	12,805	14,612	14,867
Inventories	1,877	1,333	1,169	1,297	1,775
Receivables	1,703	1,488	1,636	1,679	1,598
Cash & Cash Equivalents	1,408	5,999	7,100	5,887	5,208
Total Assets	12,916	13,706	15,741	17,433	17,820
Shareholders' Equity	7,952	8,922	9,177	8,271	8,196
Liabilities	4,964	4,784	6,564	9,162	9,624
Non-Current Liabilities	30	112	110	124	131
Long-Term Debt	0	0	0	0	0
Current Liabilities	4,934	4,672	6,454	9,038	9,493
Short-Term Debt	1,742	11	0	0	1
Trade Payables	342	497	112	274	233

ROE	19%	28.8%	26%	29%	29.6%
ROCE	13.3%	45.7%	44.9%	45.6%	42.0%
Net Debt/Equity	4%	-67%	-77%	-71%	-64%

RATIOS & OTHER

CZK mil	2008	2009	2010	2011	2012
Gross Margin	38.7%	41.2%	42.8%	41.3%	38.1%
Net Debt/EBITDA	0.1	-1.7	-2.1	-1.6	-1.5
Cost of Financing	5.5%	2.7%	0.0%	#DIV/0!	0.0%
Payout Ratio	98%	100%	145%	99.4%	101.3%
FX TO EUR (Average)	24.96	26.43	25.29	24.59	25.13
FX TO EUR (Year-End)	26.32	26.40	25.31	25.47	25.09
Shares Outstanding (Average)	2.75	2.75	2.75	2.75	2.75
Share Price, Year-End	6,000	8,796	10,240	12,580	10,700
Market Capitalisation (USD mil)	858	1,314	1,500	1,757	1,545
Enterprise Value (USD mil)	875	988	1,121	1,458	1,271
EV/EBITDA	5.7	5.3	6.3	7.2	7.1
P/E	10.5	9.9	11.8	13.6	12.0
P/BV	2.1	2.7	3.1	4.2	3.6

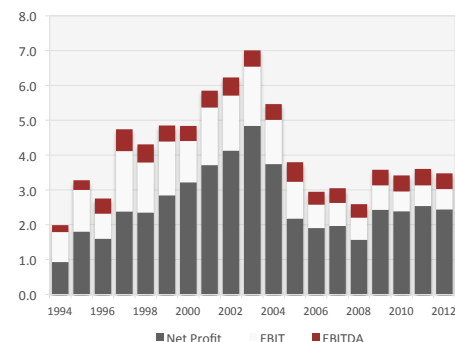
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on share price as of the year-end



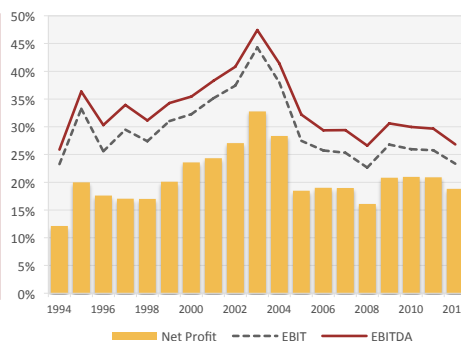
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Financials

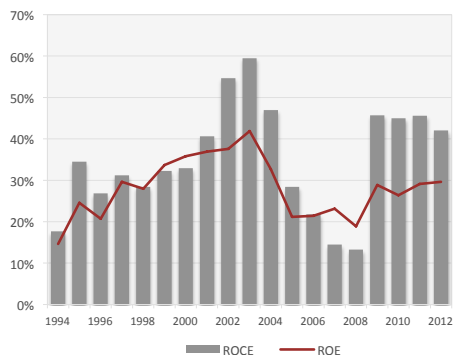
FROM EBITDA TO NET PROFIT (CZK bil)



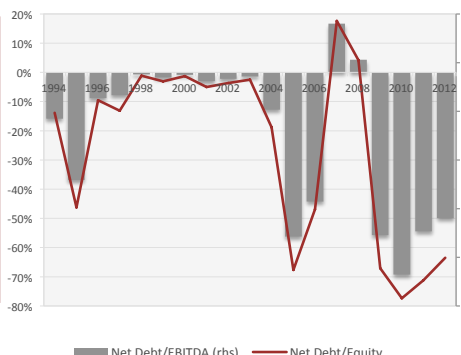
PROFIT MARGIN



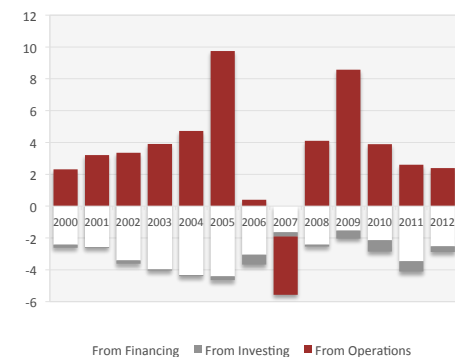
ROE & ROCE



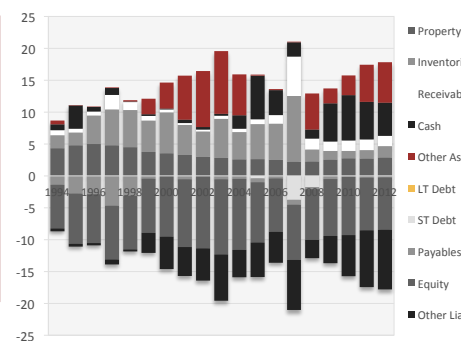
INDEBTEDNESS



CASH FLOW SUMMARY (CZK bil)



BALANCE SHEET STRUCTURE (CZK bil)



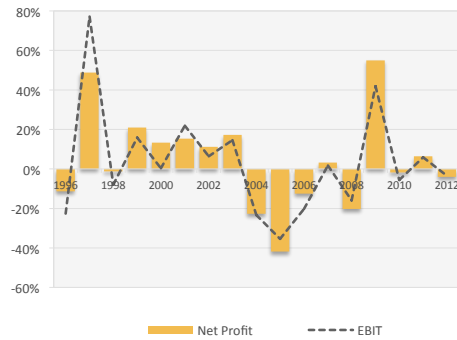
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on share price as of the year-end



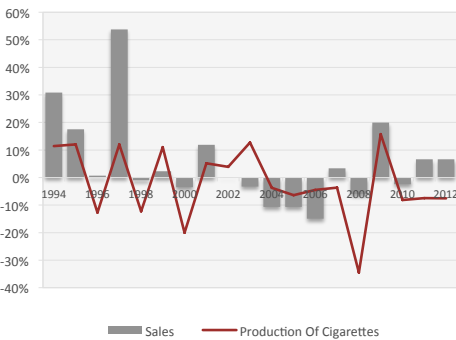
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Momentum

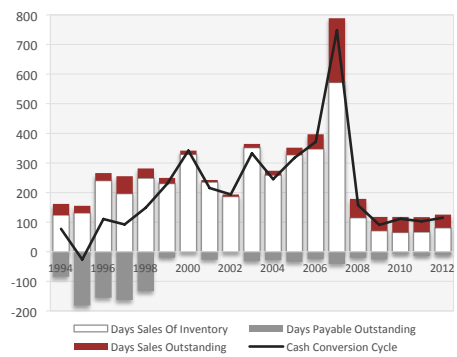
PROFIT GROWTH



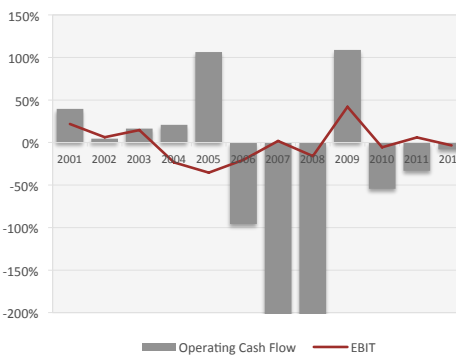
SALES & PRODUCTION GROWTH



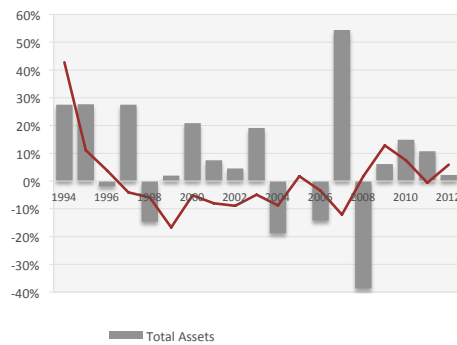
CASH CONVERSION CYCLE (days)



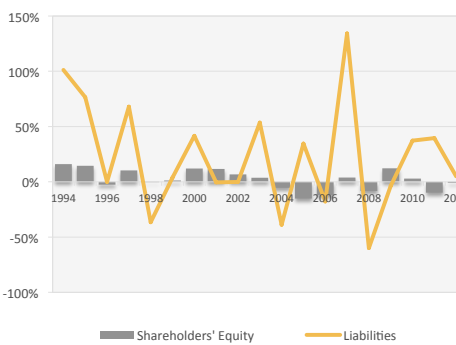
OPERATING CASH FLOW



ASSET GROWTH



EQUITY AND LIABILITIES GROWTH



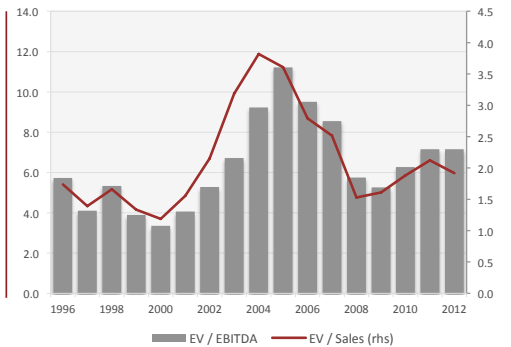
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on share price as of the year-end

Valuation

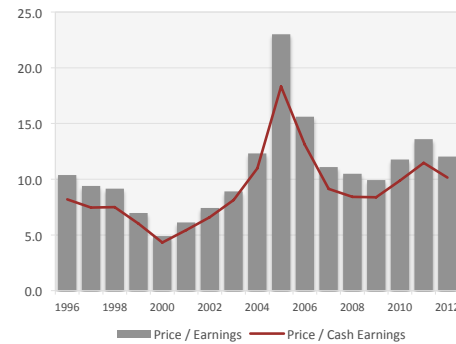
MARKET CAPITALISATION & NET DEBT (USD mil)



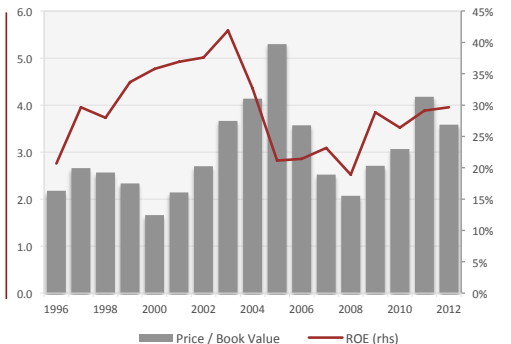
ENTERPRICE VALUE (EV)



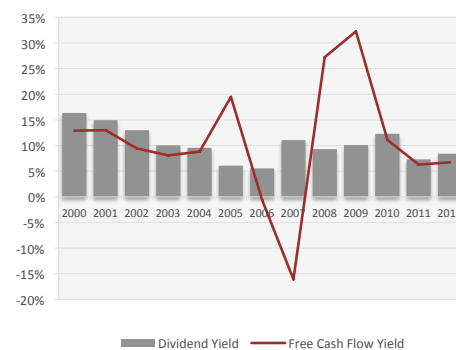
PRICE TO EARNINGS & CASH EARNINGS



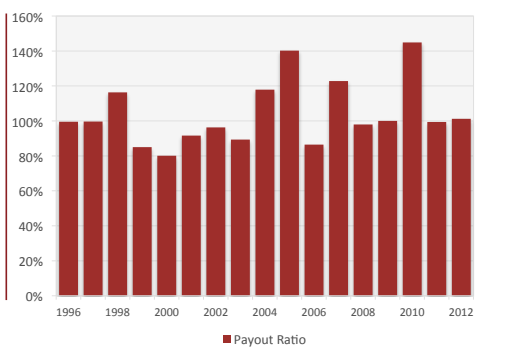
PRICE TO BOOK VALUE



DIVIDEND YIELD



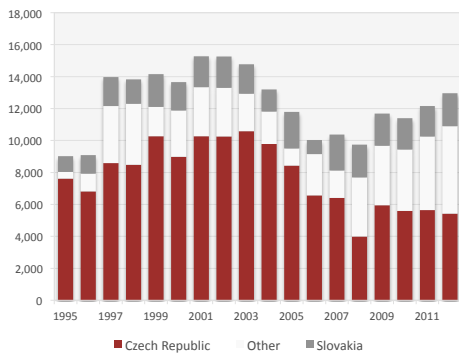
DIVIDEND PAYOUT



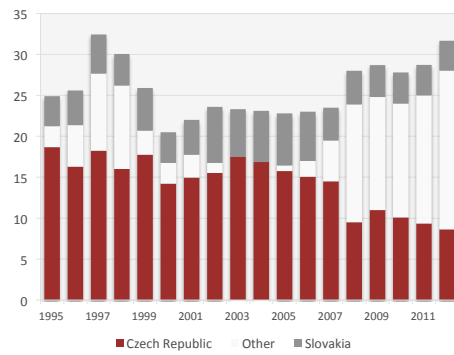
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on share price as of the year-end

Business Specifics

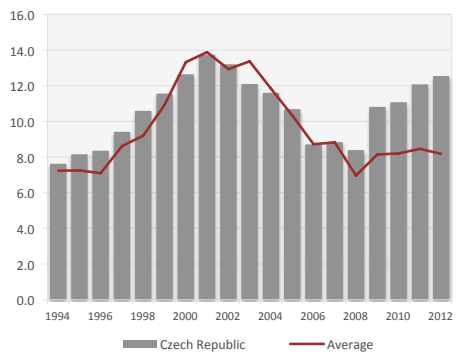
SALES BREAKDOWN (CZK mil)



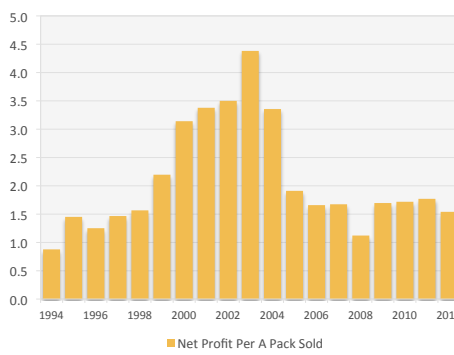
SHIPMENT OF CIGARETTES (bil)



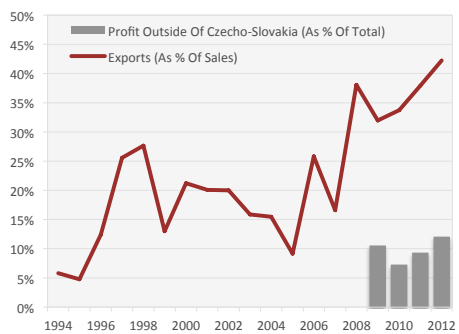
REVENUES PER A PACK OF CIGARETTES SOLD (CZK)



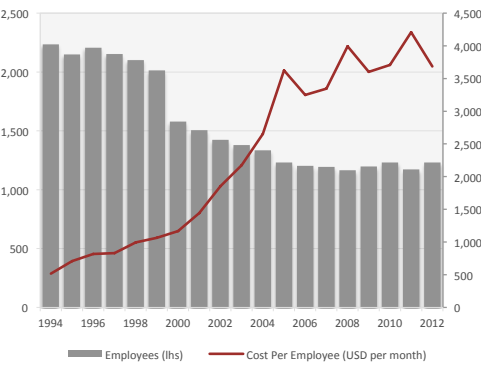
PROFIT PER A PACK OF CIGARETTES SOLD (CZK)



MOVING ABROAD



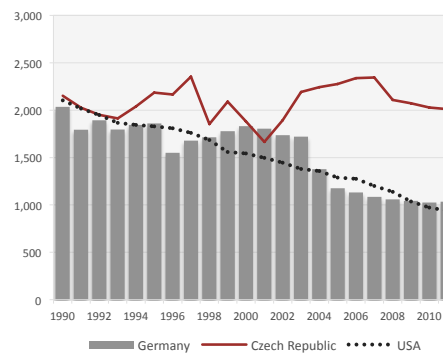
WORKFORCE & STAFF COSTS



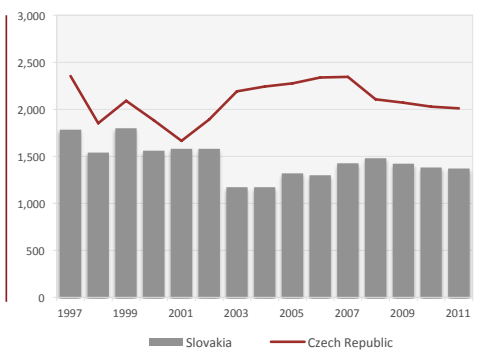
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on share price as of the year-end

Market Specifics

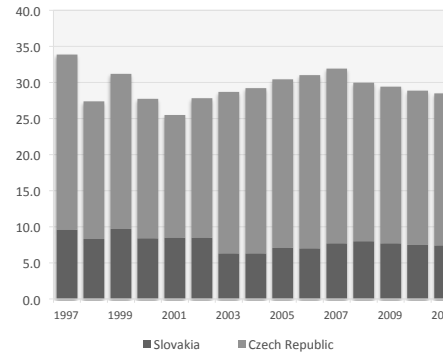
CIGARETTE CONSUMPTION PER CAPITA



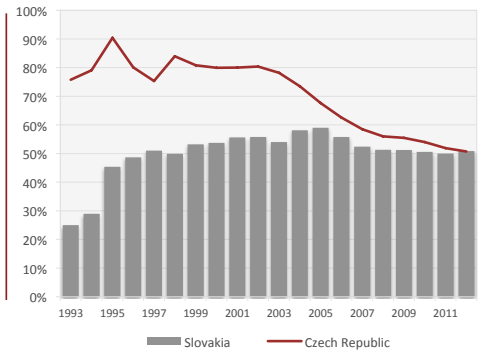
CZECH REPUBLIC VS. SLOVAKIA



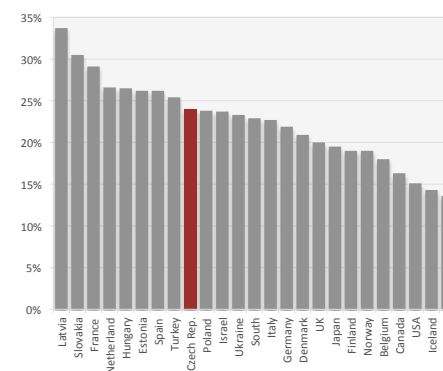
CZECHOSLOVAKIA'S CIGARETTE CONSUMPTION (bil)



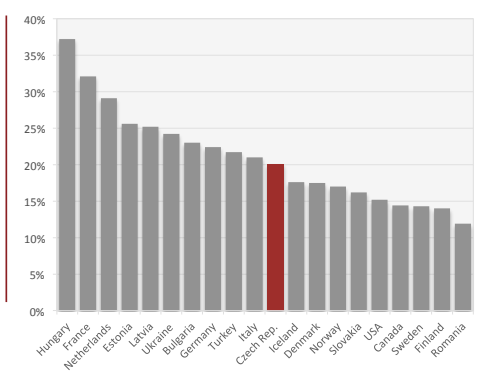
PHILIP MORRIS'S MARKET SHARE



SMOKERS (As % Of 15+ Year-Old Population)



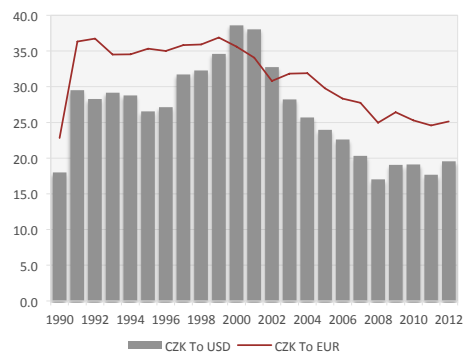
SMOKERS (As % Of 15-24 Year-Old Population)



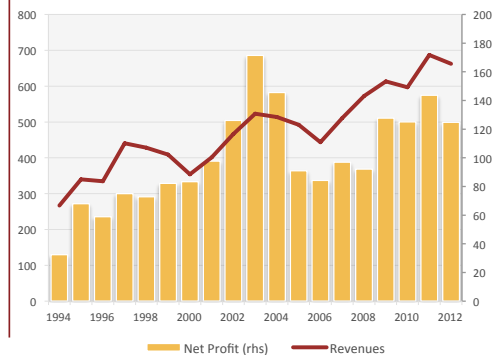
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on share price as of the year-end

Financials (USD)

FX TO USD & EUR



REVENUES & PROFIT (USD mil)



INCOME STATEMENT

USD mil	2008	2009	2010	2011	2012
Sales	572	613	597	687	663
Cost of Goods & Services	351	360	341	403	410
Gross Profit	221	253	256	284	252
Staff Cost	n.a.	n.a.	n.a.	n.a.	n.a.
Other Cost	13	13	22	21	20
EBITDA	152	188	179	204	178
Depreciation	23	23	24	27	23
EBIT	130	164	155	177	155
Financing Cost	9	1	0	0	0
Extraordinary Cost	0	0	-1	-2	-1
Pre-Tax Profit	121	163	156	179	156
Tax	29	35	31	35	31
Minorities	0	0	0	0	0
Net Profit	92	128	125	144	125
Dividends	90	128	181	143	126

EBITDA Margin	26.6%	30.6%	30.0%	29.7%	26.8%
EBIT Margin	22.6%	26.8%	26.0%	25.8%	23.3%
Net Margin	16.1%	20.8%	21.0%	20.9%	18.8%

BALANCE SHEET

USD mil	2008	2009	2010	2011	2012
Non-Current Assets	125	146	157	144	155
Property, Plant & Equipment	118	139	147	139	152
Current Assets	547	600	683	744	782
Inventories	98	73	62	66	93
Receivables	89	81	87	85	84
Cash & Cash Equivalents	73	326	379	300	274
Total Assets	673	746	840	887	937
Shareholders' Equity	414	485	490	421	431
Liabilities	259	260	350	466	506
Non-Current Liabilities	2	6	6	6	7
Long-Term Debt	0	0	0	0	0
Current Liabilities	257	254	344	460	499
Short-Term Debt	91	1	0	0	0
Trade Payables	18	27	6	14	12

ROE	19%	29%	26%	29%	30%
ROCE	13.3%	45.7%	44.9%	45.6%	42.0%
Net Debt/Equity	4%	-67%	-77%	-71%	-64%

CASH FLOW

USD mil	2008	2009	2010	2011	2012
Net Profit	92	128	125	144	125
Depreciation	23	23	24	27	23
Non-Cash Items	-607	251	74	-23	-3
Change in Working Capital	733	48	-19	-1	-22
Total Cash From Operations	241	450	204	147	122
Capital Expenditures	-27	-37	-36	-24	-31
Other	19	11	-2	-12	13
Total Cash From Investing	-7	-26	-37	-36	-18
Dividends Paid	-142	-81	-112	-196	-129
Issuance Of Shares	n.a.	n.a.	n.a.	n.a.	n.a.
Issuance Of Debt	0	0	0	0	0
Total Cash From Financing	-142	-81	-112	-196	-129
NET CHANGE IN CASH	92	343	55	-85	-25

	2008	2009	2010	2011	2012
Gross Margin	38.7%	41.2%	42.8%	41.3%	38.1%
Net Debt/EBITDA	0.1	-1.7	-2.1	-1.6	-1.5
Cost of Financing	5.5%	2.7%	0.0%	#DIV/0!	0.0%
Payout Ratio	98%	100%	145%	99%	101%
FX TO EUR (Average)	24.96	26.43	25.29	24.59	25.13
FX TO EUR (Year-End)	26.32	26.40	25.31	25.47	25.09
Shares Outstanding (Average)	2.75	2.75	2.75	2.75	2.75
Share Price, Year-End CZK	6,000	8,796	10,240	12,580	10,700
Market Capitalisation (USD mil)	858	1,314	1,500	1,757	1,545
Enterprise Value (USD mil)	875	988	1,121	1,458	1,271
EV/EBITDA	5.7	5.3	6.3	7.2	7.1
P/E	10.5	9.9	11.8	13.6	12.0
P/BV	2.07	2.71	3.06	4.18	3.58

Source: Company data, Helgi Analytics calculation, Valuation multiples are based on share price as of the year-end



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ABOUT HELGI ANALYTICS

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Helgi Analytics also runs a web application called Helgi Library, which is a database/library offering data and analyses on more than 95% of the world's economy and population. The Library aims to bring interesting statistical data and analyses to a wide audience under affordable conditions. If you wish to get more details, please visit www.helgilibrary.com or contact us at info@helgianalytics.com.

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