

# Philip Morris Czech Republic

Consumer

07 Dec 2013



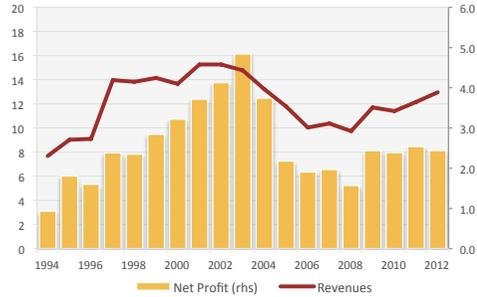
Czech Republic

## 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%)

## REVENUES & PROFIT (CZK bil)



## INCOME STATEMENT

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

## BALANCE SHEET

CZK mil	2008	2009	2010	2011	2012
<b>Non-Current Assets</b>	<b>2,408</b>	<b>2,677</b>	<b>2,936</b>	<b>2,821</b>	<b>2,953</b>
Property, Plant & Equipment	2,269	2,561	2,752	2,735	2,897
<b>Current Assets</b>	<b>10,508</b>	<b>11,029</b>	<b>12,805</b>	<b>14,612</b>	<b>14,867</b>
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
<b>Total Assets</b>	<b>12,916</b>	<b>13,706</b>	<b>15,741</b>	<b>17,433</b>	<b>17,820</b>
<b>Shareholders' Equity</b>	<b>7,952</b>	<b>8,922</b>	<b>9,177</b>	<b>8,271</b>	<b>8,196</b>
<b>Liabilities</b>	<b>4,964</b>	<b>4,784</b>	<b>6,564</b>	<b>9,162</b>	<b>9,624</b>
<b>Non-Current Liabilities</b>	<b>30</b>	<b>112</b>	<b>110</b>	<b>124</b>	<b>131</b>
Long-Term Debt	0	0	0	0	0
<b>Current Liabilities</b>	<b>4,934</b>	<b>4,672</b>	<b>6,454</b>	<b>9,038</b>	<b>9,493</b>
Short-Term Debt	1,742	11	0	0	1
Trade Payables	342	497	112	274	233

## 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
<b>Total Cash From Operations</b>	<b>4,102</b>	<b>8,570</b>	<b>3,899</b>	<b>2,600</b>	<b>2,392</b>
Capital Expenditures	-452	-712	-680	-426	-612
Other	326	216	-30	-218	259
<b>Total Cash From Investing</b>	<b>-126</b>	<b>-496</b>	<b>-710</b>	<b>-644</b>	<b>-353</b>
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
<b>Total Cash From Financing</b>	<b>-2,416</b>	<b>-1,538</b>	<b>-2,143</b>	<b>-3,460</b>	<b>-2,526</b>
<b>NET CHANGE IN CASH</b>	<b>1,560</b>	<b>6,536</b>	<b>1,046</b>	<b>-487</b>	<b>-487</b>

## RATIOS & OTHER

	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

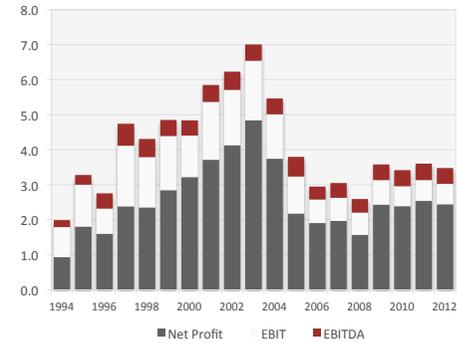
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on share price as of the year-end



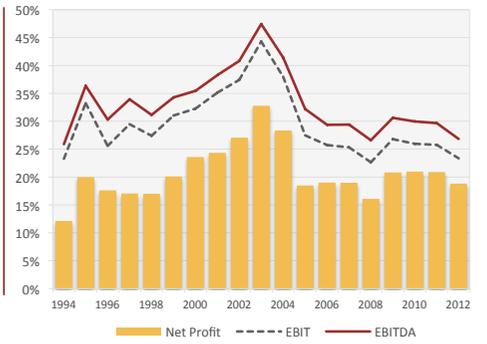
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## Financials

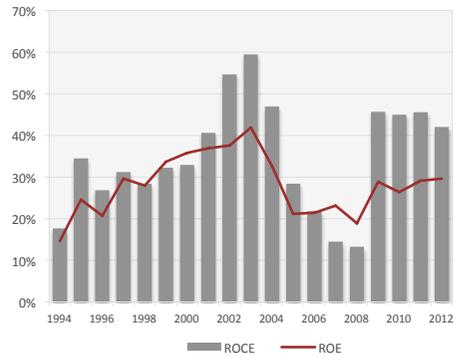
### FROM EBITDA TO NET PROFIT (CZK bil)



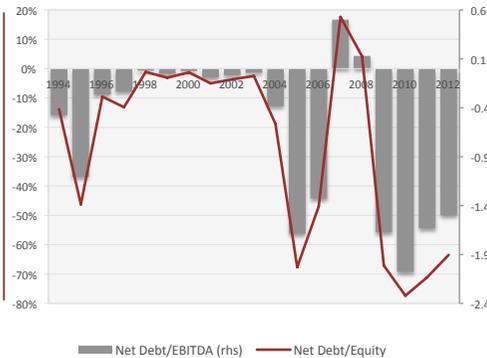
### PROFIT MARGIN



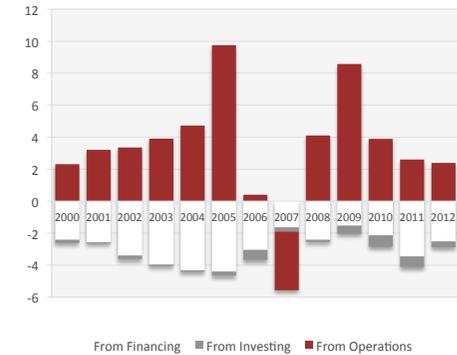
### ROE & ROCE



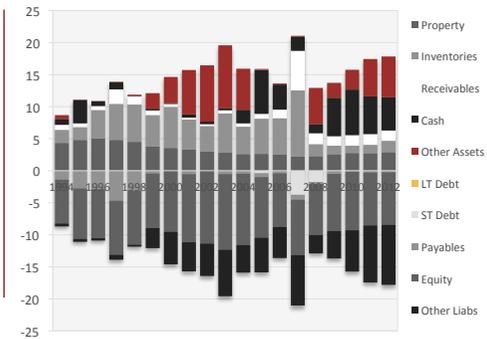
### INDEBTEDNESS



### CASH FLOW SUMMARY (CZK bil)



### BALANCE SHEET STRUCTURE (CZK bil)



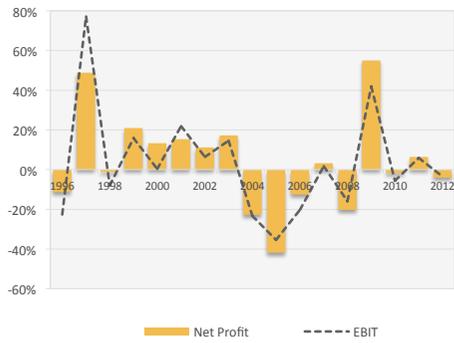
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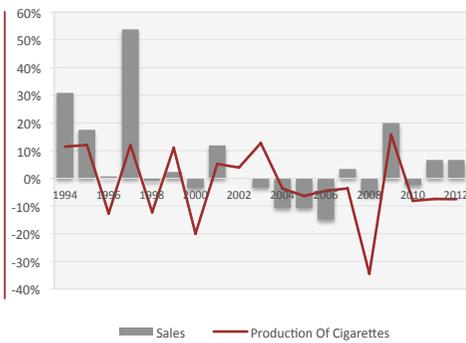
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## Momentum

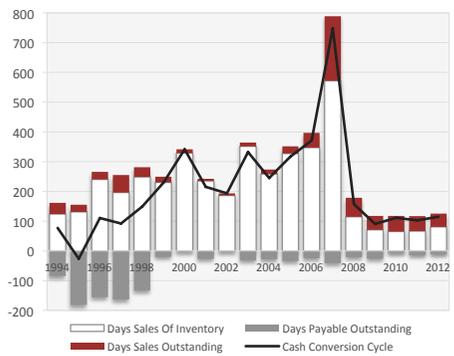
### PROFIT GROWTH



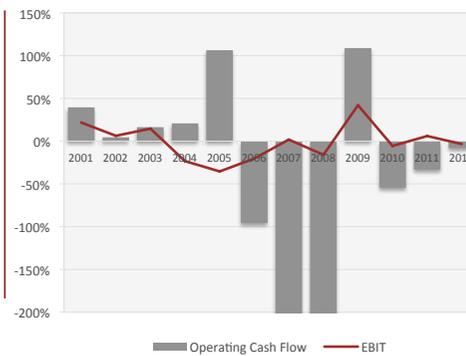
### SALES & PRODUCTION GROWTH



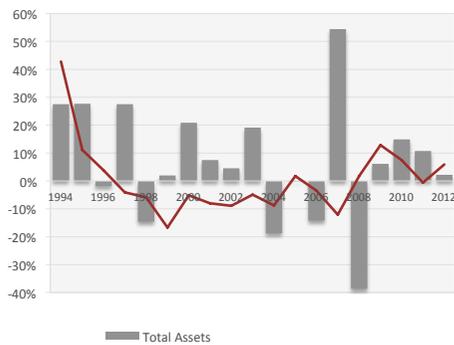
### CASH CONVERSION CYCLE (days)



### OPERATING CASH FLOW



### ASSET GROWTH

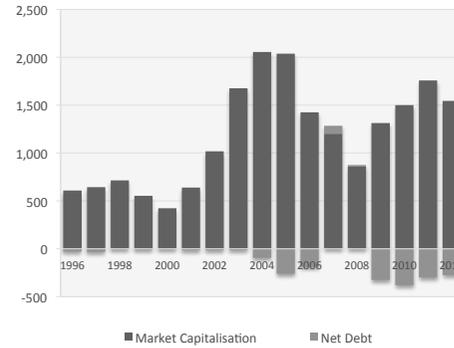


### EQUITY AND LIABILITIES GROWTH

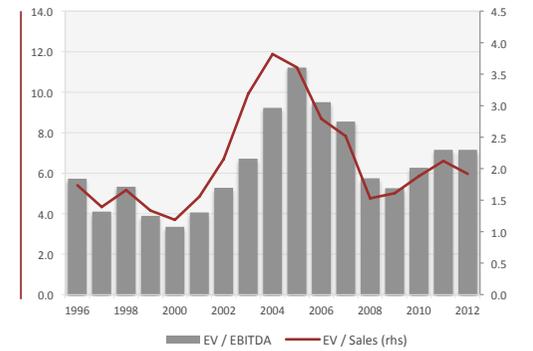


## Valuation

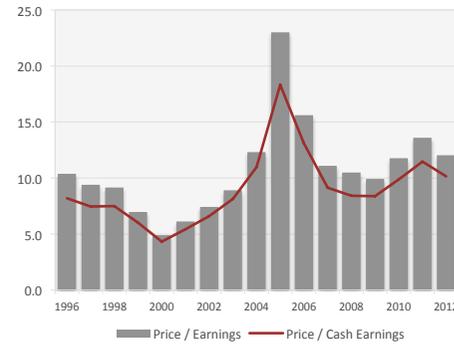
### MARKET CAPITALISATION & NET DEBT (USD mil)



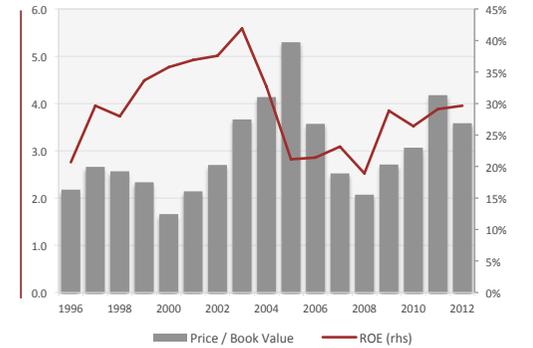
### ENTERPRICE VALUE (EV)



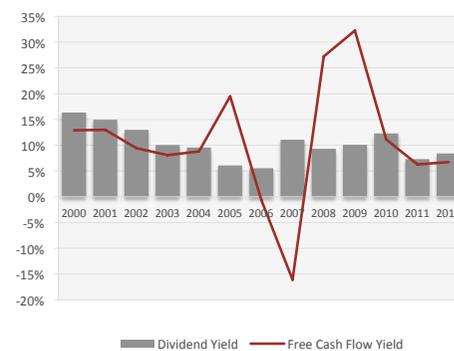
### PRICE TO EARNINGS & CASH EARNINGS



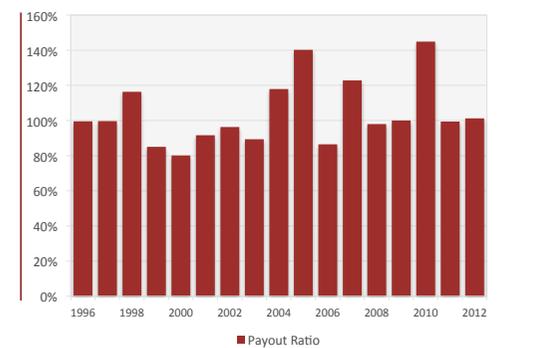
### PRICE TO BOOK VALUE



### DIVIDEND YIELD



### DIVIDEND PAYOUT

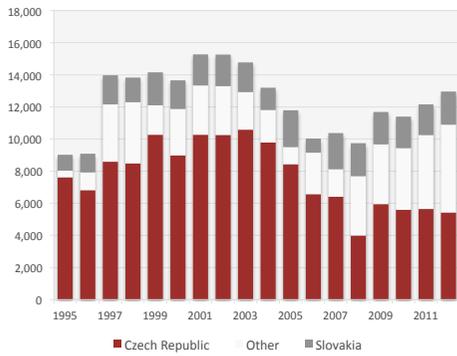


Source: Company data, Helgi Analytics calculation, Valuation multiples are based on share price as of the year-end

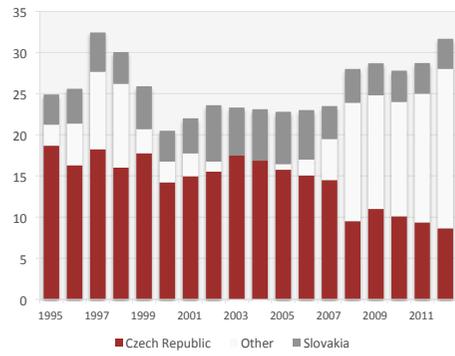
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on share price as of the year-end

## Business Specifics

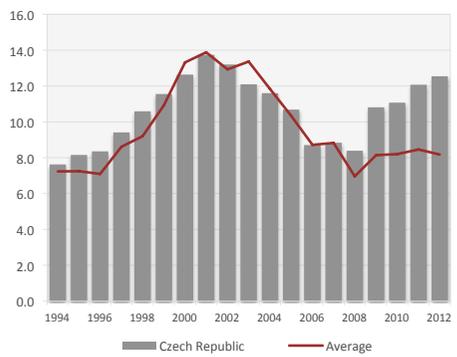
### SALES BREAKDOWN (CZK mil)



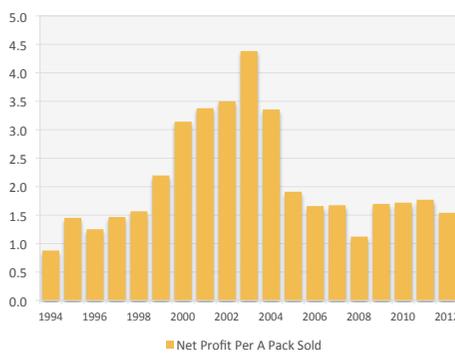
### SHIPMENT OF CIGARETTES (bil)



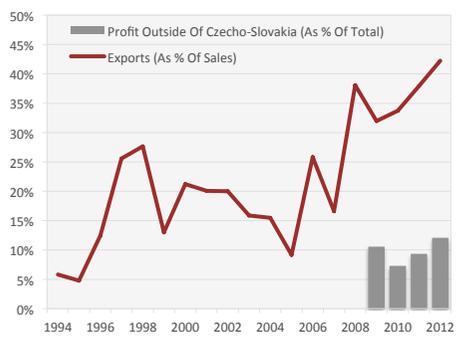
### REVENUES PER A PACK OF CIGARETTES SOLD (CZK)



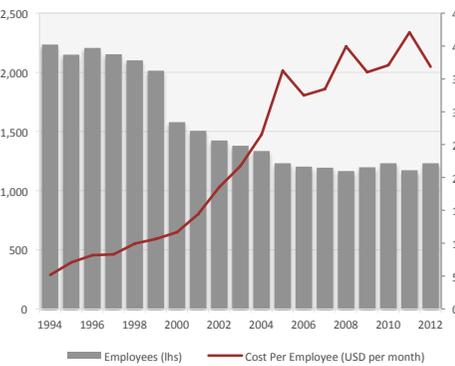
### PROFIT PER A PACK OF CIGARETTES SOLD (CZK)



### MOVING ABROAD



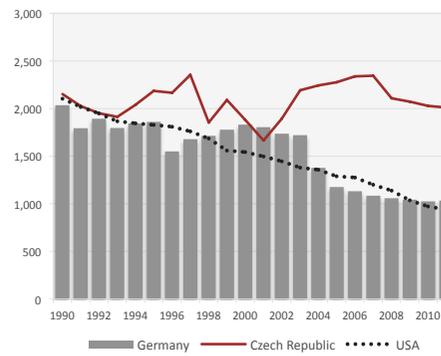
### WORKFORCE & STAFF COSTS



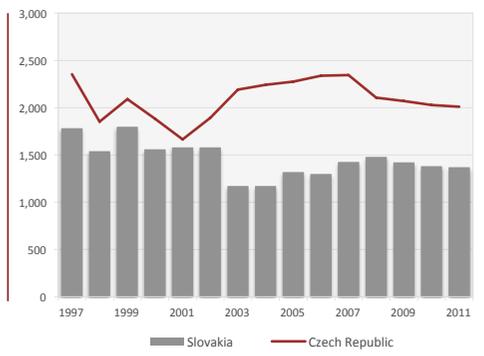
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on share price as of the year-end

## Market Specifics

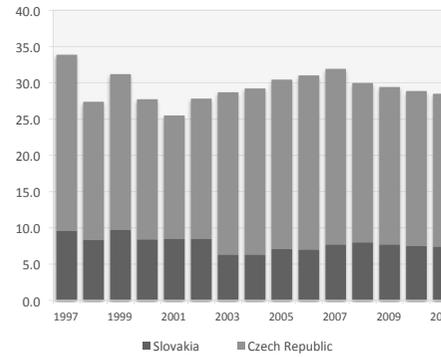
### CIGARETTE CONSUMPTION PER CAPITA



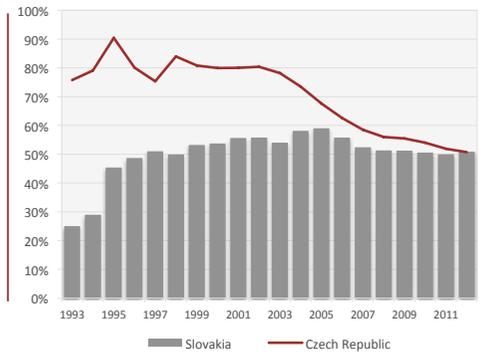
### CZECH REPUBLIC VS. SLOVAKIA



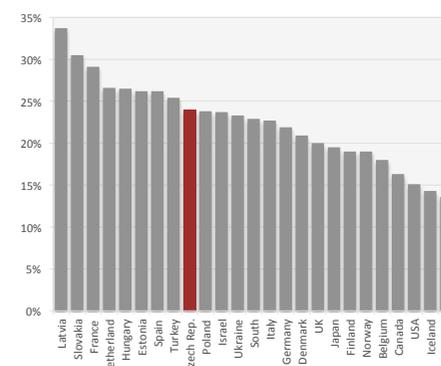
### CZECHOSLOVAKIA'S CIGARETTE CONSUMPTION (bil)



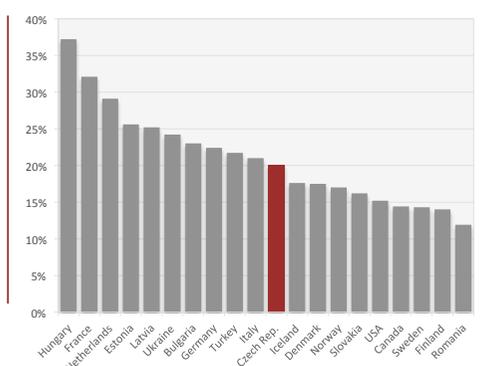
### PHILIP MORRIS'S MARKET SHARE



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



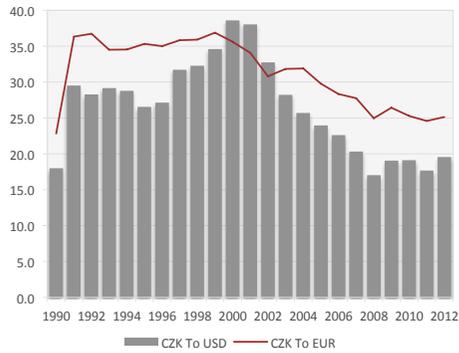
### SMOKERS (As % Of 15-24 Year-Old Population)



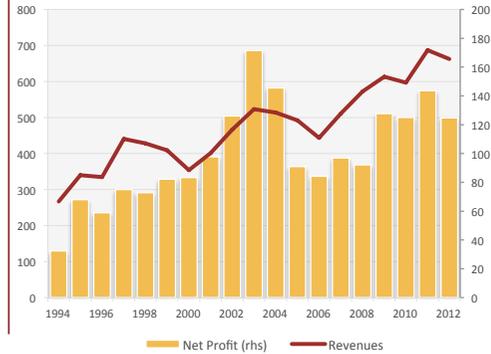
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on share price as of the year-end

## Financials (USD)

### FX TO USD & EUR



### REVENUES & PROFIT (USD mil)



### INCOME STATEMENT

USD mil	2008	2009	2010	2011	2012
<b>Sales</b>	<b>572</b>	<b>613</b>	<b>597</b>	<b>687</b>	<b>663</b>
Cost of Goods & Services	351	360	341	403	410
<b>Gross Profit</b>	<b>221</b>	<b>253</b>	<b>256</b>	<b>284</b>	<b>252</b>
Staff Cost	n.a.	n.a.	n.a.	n.a.	n.a.
Other Cost	13	13	22	21	20
<b>EBITDA</b>	<b>152</b>	<b>188</b>	<b>179</b>	<b>204</b>	<b>178</b>
Depreciation	23	23	24	27	23
<b>EBIT</b>	<b>130</b>	<b>164</b>	<b>155</b>	<b>177</b>	<b>155</b>
Financing Cost	9	1	0	0	0
Extraordinary Cost	0	0	-1	-2	-1
<b>Pre-Tax Profit</b>	<b>121</b>	<b>163</b>	<b>156</b>	<b>179</b>	<b>156</b>
Tax	29	35	31	35	31
Minorities	0	0	0	0	0
<b>Net Profit</b>	<b>92</b>	<b>128</b>	<b>125</b>	<b>144</b>	<b>125</b>
Dividends	90	128	181	143	126
<b>EBITDA Margin</b>	<b>26.6%</b>	<b>30.6%</b>	<b>30.0%</b>	<b>29.7%</b>	<b>26.8%</b>
<b>EBIT Margin</b>	<b>22.6%</b>	<b>26.8%</b>	<b>26.0%</b>	<b>25.8%</b>	<b>23.3%</b>
<b>Net Margin</b>	<b>16.1%</b>	<b>20.8%</b>	<b>21.0%</b>	<b>20.9%</b>	<b>18.8%</b>

### BALANCE SHEET

USD mil	2008	2009	2010	2011	2012
<b>Non-Current Assets</b>	<b>125</b>	<b>146</b>	<b>157</b>	<b>144</b>	<b>155</b>
Property, Plant & Equipment	118	139	147	139	152
<b>Current Assets</b>	<b>547</b>	<b>600</b>	<b>683</b>	<b>744</b>	<b>782</b>
Inventories	98	73	62	66	93
Receivables	89	81	87	85	84
Cash & Cash Equivalents	73	326	379	300	274
<b>Total Assets</b>	<b>673</b>	<b>746</b>	<b>840</b>	<b>887</b>	<b>937</b>
<b>Shareholders' Equity</b>	<b>414</b>	<b>485</b>	<b>490</b>	<b>421</b>	<b>431</b>
<b>Liabilities</b>	<b>259</b>	<b>260</b>	<b>350</b>	<b>466</b>	<b>506</b>
<b>Non-Current Liabilities</b>	<b>2</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>7</b>
Long-Term Debt	0	0	0	0	0
<b>Current Liabilities</b>	<b>257</b>	<b>254</b>	<b>344</b>	<b>460</b>	<b>499</b>
Short-Term Debt	91	1	0	0	0
Trade Payables	18	27	6	14	12
<b>ROE</b>	<b>19%</b>	<b>29%</b>	<b>26%</b>	<b>29%</b>	<b>30%</b>
<b>ROCE</b>	<b>13.3%</b>	<b>45.7%</b>	<b>44.9%</b>	<b>45.6%</b>	<b>42.0%</b>
<b>Net Debt/Equity</b>	<b>4%</b>	<b>-67%</b>	<b>-77%</b>	<b>-71%</b>	<b>-64%</b>

### 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
<b>Total Cash From Operations</b>	<b>241</b>	<b>450</b>	<b>204</b>	<b>147</b>	<b>122</b>
Capital Expenditures	-27	-37	-36	-24	-31
Other	19	11	-2	-12	13
<b>Total Cash From Investing</b>	<b>-7</b>	<b>-26</b>	<b>-37</b>	<b>-36</b>	<b>-18</b>
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
<b>Total Cash From Financing</b>	<b>-142</b>	<b>-81</b>	<b>-112</b>	<b>-196</b>	<b>-129</b>
<b>NET CHANGE IN CASH</b>	<b>92</b>	<b>343</b>	<b>55</b>	<b>-85</b>	<b>-25</b>

### RATIOS & OTHER

	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
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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

Helgi Analytics is a consulting company based in the Czech Republic. The company mainly provides consultancy in the area of financial services and real estate and focuses primarily on the region of Central and Eastern Europe.

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](http://www.helgilibrary.com) or contact us at [info@helgianalytics.com](mailto:info@helgianalytics.com).

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