



PHILIP MORRIS

Salman Khan & Deepak Sabiki

And You Thought They Only Made Cigarettes...

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Food



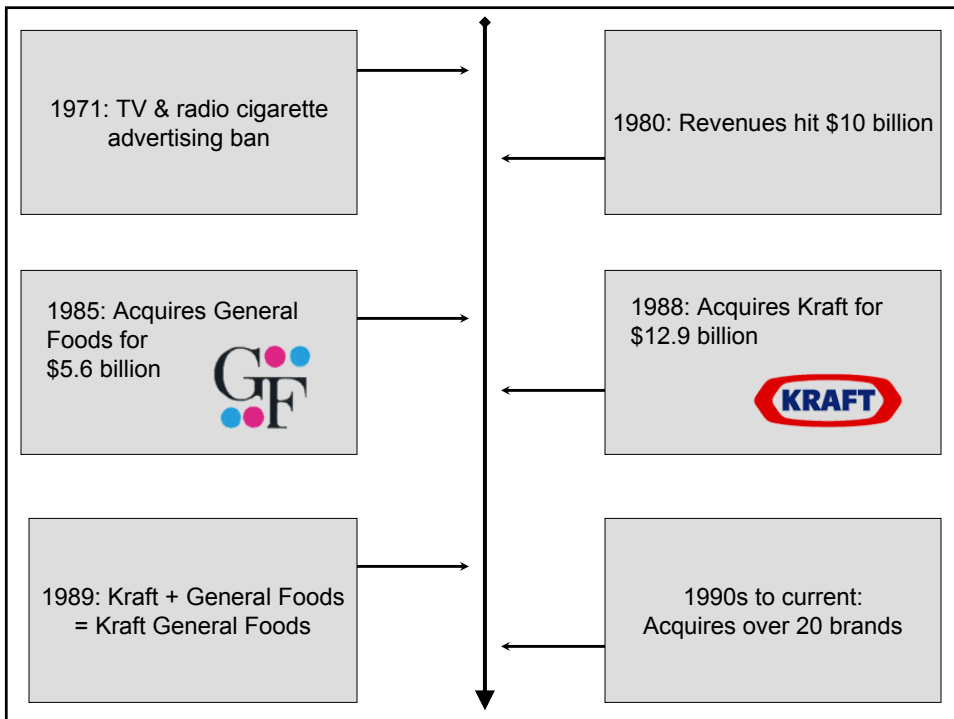
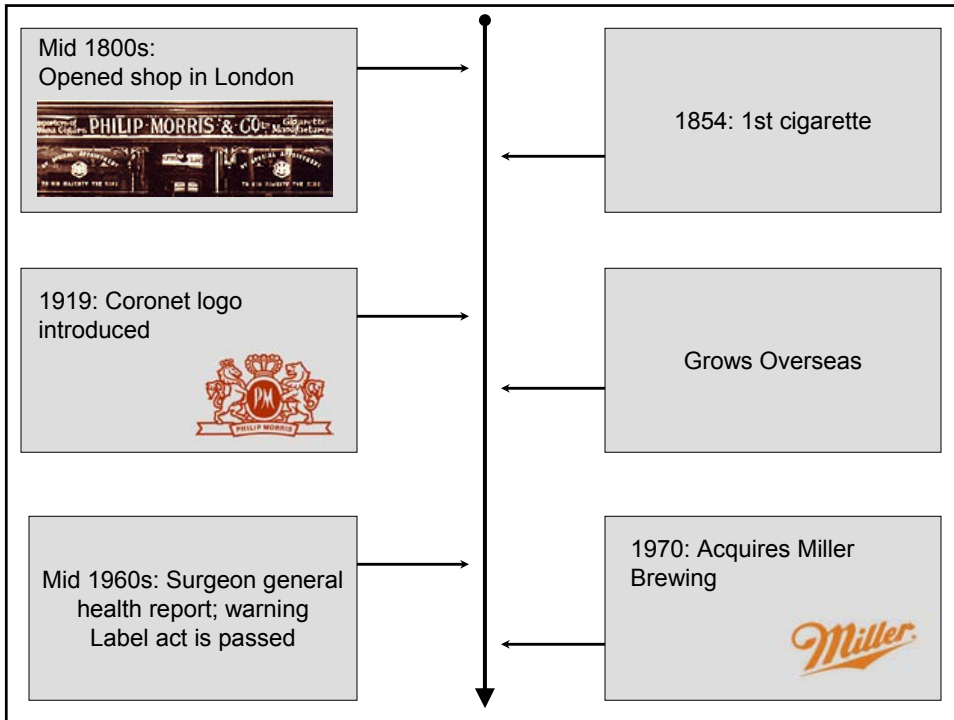
Tobacco



Beer

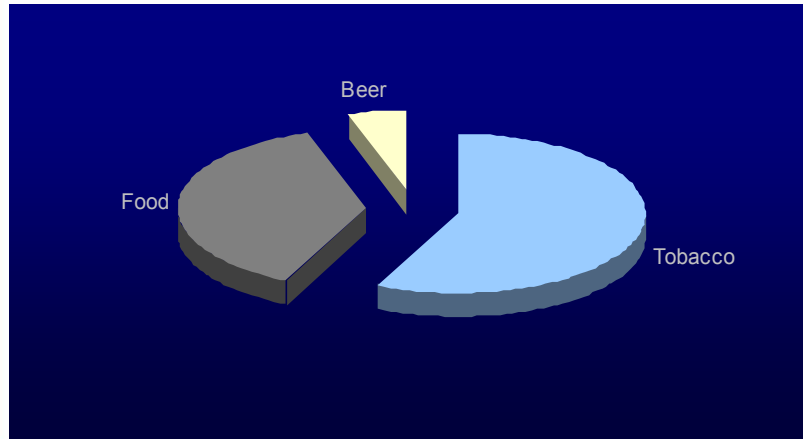
Philip Morris Capital Corporation

Financial Services



Revenue Breakdown

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Tobacco

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- Accounted for 57% of total company revenue
- Retail share: 51% in the United States
- 13 brands each generated \$1 billion or more in revenues
- 92 brands each generated \$100 Million or more in revenue
- Internationally, sales volume is higher than the next seven competitors combined
- 4 of every 10 cigarettes sold in the United States is a Marlboro
- Major competitors: RJ Reynolds, Brown and Williamson, Lorillard

Tobacco

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Philip Morris Brands

- Marlboro
- Basic
- B&H
- Virginia Slims
- Parliament
- Merit

Competing brands

- Davidoff
- Kool
- Camel
- Newport
- Salem
- Winston

Food

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- Accounted for 38% of revenues in 2001
- Acquired General Foods / Kraft / Nabisco
- Grew an average 5.6% over past 5 years
 - 36% past year alone
- Kraft is the 2nd largest food company internationally
- Kraft is the largest food company in North America
- Strong brand portfolio
- Competitors: ConAgra, Sara Lee

- SABMiller is the world's 2nd largest brewer
- Philip Morris owns a 36% interest in SABMiller
- Miller's 2001 market share in US beer sales was 20%
- Growth is stable (approx 1-2%)

On May 30, 2002, Philip Morris Companies Inc. announced an agreement merging Miller Brewing Company into South African Breweries plc. The transaction closed on July 9, 2002.

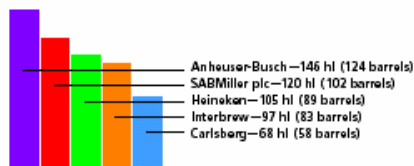
Global Beer Industry Leaders

2001 volume

(in million hl and barrels)*

1 hl = approximately 0.85 barrels

* Based on Canadian Ltd. data, broker reports and company estimates. SABMiller plc data excludes contract brewing.



- Philip Morris Capital Corporation is primarily engaged in leasing activities
- 14th Largest lessor of assets in the US
- Not a major source of revenue or income
- Fairly "new" division → created in 1982
- Huge growth potential
- Possibility for future acquisitions
- Highest margin division → 68%

Litigation May Result in Potential Bankruptcy

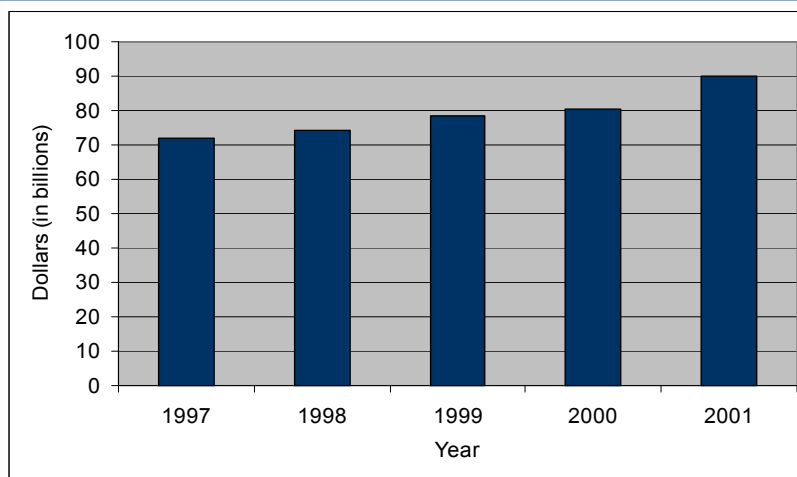
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- Industry lost the Engle Class Action Lawsuit worth \$145 billion
- Philip Morris was a target of \$74 billion
- Tobacco companies have appealed
- 1998 Settlement: Industry must pay \$206 billion over next 25 years



Revenue Growth

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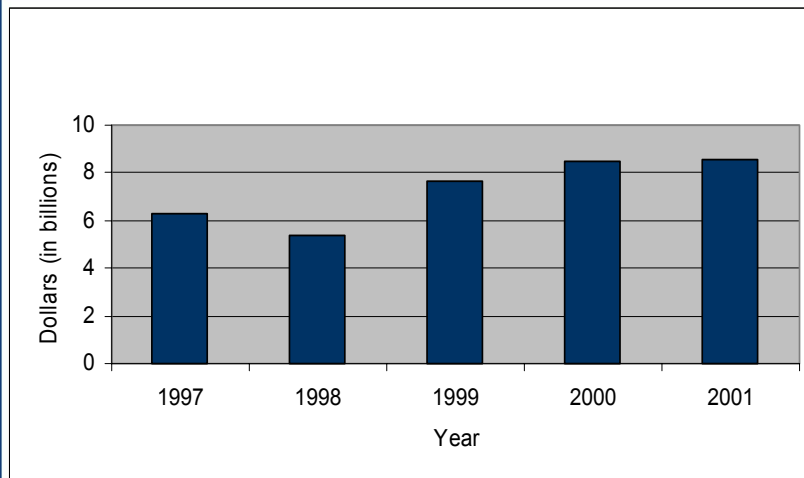


Average Revenue Growth = 5%



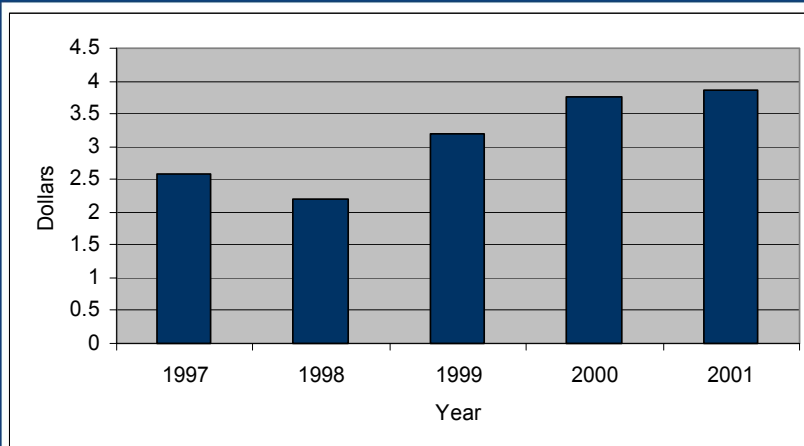
Net Earnings Growth

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EPS Growth

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Dividends

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- One of highest dividend paying companies
- Historical growth/strength
- Grew at 284% over last 10 years
 - Adjusted for inflation



Financially Stronger Than Comparables

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	MO	RJR
Price	\$38.59	\$39.66
Revenue (2001)	89,924M	6,898M
Market Cap	79,125M	3,336M
52 Week High	\$57.79	\$71.90
52 Week Low	\$35.40	\$38.20
Price to Sales	0.91	.49
Price to Book	3.94	.46
Price to Earnings Ratio	7.18	5.87
Return on Equity	56.88%	8.10%
Return on Assets	14.30%	3.90%
Earnings per Share	2.56	3.80
Current Ratio	0.86	1.18
Debt to Equity	0.75	0.24



Growth Drivers

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- Acquisitions
- Domestic Tobacco
- Expansion in Financial Services

Valuation: Dividend Discount Model

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- Risk Free Rate = 4.96%
- Risk Premium = 4.5%
- Required Rate of Return = 9.46%
- Dividend per Share = 2.56
- Growth Rate + Inflation = 4.5%
- Stock Price = \$53.94

Good Time to Buy Philip Morris

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Bollinger Bands + RSI