

Tobacco

Update

Czech Republic

# Philip Morris CR

Smoke or smoke-free

**Buy**

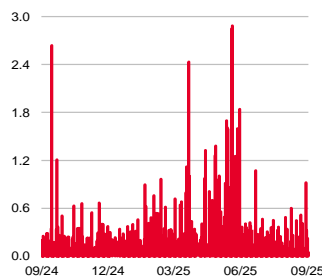
Price 18.09.25	<b>CZK 17,980</b>
12m target	<b>CZK 19,527</b>
Upside to TP	<b>8.6%</b>
Dividend	<b>CZK 1,280</b>
Total return	<b>15.7%</b>

**Sector stance**  
Overweight

**Investment type**  
High dividend yield

**1 year performance**


Source: Bloomberg

**Trading volume (in ths of shares)**


Source: Bloomberg

**Share data**

RIC	TABKsp.PR	Bloom	TABAK CP
52-week range		15060-	18660
Market cap. (CZKbn)		49.4	
Market cap. (EURm)		2030	
Free float (%)		22.00	
<b>Performance (%)</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>
Share	2.3	3.5	18.3
Rel. PX Index	3.6	-3.4	-18.9

Source: Bloomberg

**The latest analysis and report:**
[https://bit.ly/PMCR\\_2H24\\_EN](https://bit.ly/PMCR_2H24_EN)
[https://bit.ly/PMCR\\_lastDVD25\\_EN](https://bit.ly/PMCR_lastDVD25_EN)

**Investment Recommendation: We are raising our target price for Philip Morris CR to CZK19,527. Our Buy recommendation remains unchanged.** (Our previous recommendation and TP were Buy and CZK17,041 as of March 21, 2024.) **PMCR traditionally pays its entire net profit to shareholders.** The company has a very strong balance sheet with no leverage. The tobacco and nicotine industry are subject to strict regulations on smoking prevention and restriction. Tobacco products are also subject to excise duties, which we expect to increase for both traditional cigarettes and smoke-free products. Tighter regulations or higher excise taxes than in neighboring countries could reduce demand for PMCR products.

**PMCR is a leader in the tobacco industry. The company offers its customers traditional cigarettes as well as smoke-free alternatives.** These alternatives include heated tobacco products, electronic cigarettes, and nicotine pouches. **PMCR generates approximately 60% of its total sales in the Czech Republic and nearly 30% in Slovakia.** In both markets, we estimate that **smoke-free products will grow at the expense of traditional cigarettes.**

PMCR distributes all of its net profits to shareholders. Investors perceive it as a **dividend stock**. The proposal for distributing net profit is typically announced when the annual report is published, usually in March or April (this year on April 28). According to our estimate, the **dividend from this year's profits, payable in 2026, should reach CZK1,280 per share.** This follows the CZK1,220 dividend paid out this year. Compared to the market price, **this offers a gross yield of 7.1%.**

**Valuation: We used a Discounted Dividend Model to value Philip Morris CR.** We discounted dividends using a cost of capital ranging from 7.9% to 8.2% for the 2023-2025 period and 8.1% for the terminal phase. We assumed a long-term growth rate of 0%. Based on our DDM, we set a **target price of CZK19,527** per PMCR share. Compared to the current market price, our target price represents growth of +8.6%. **The total potential return, including dividends, is 15.7%. This corresponds to a Buy recommendation,** as the total expected return is above 15%.

Based on our new target price, Philip Morris CR is trading at a P/E ratio of 15.2x, a P/S ratio of 2.4x, and an EV/EBITDA ratio of 9.4x (e2025). The sector median is 12.4x, 3.1x, and 10.2x, respectively. In our view, PMCR is trading at a discount to the median of its peer group. Additionally, PMCR offers a very attractive dividend yield of 7.1%, the highest in the sector.

Financial Data	2024	e2025	e2026	e2027	Ratios	2024	e2025	e2026	e2027
Revenues (CZKbn)	21.6	21.9	23.7	24.8	P/E (x)	12.8	15.2	13.9	13.1
EBIT margin (%)	18.5	19.0	20.6	20.9	P/FCF	9.1	14.3	12.4	12.0
Net Income (CZKbn)	3.3	3.5	3.9	4.1	Dividend yield (%)	7.8	6.6	7.2	7.6
EPS (CZK)	1,218	1,283	1,403	1,494	P/BV (x)	5	6	6	6
DPS (CZK)	1,220	1,280	1,400	1,490	EV/S (x)	2	2	2	2
Payout (%)	100.1	99.7	100	99.8	EV/EBITDA (x)	7.2	9.4	8	7.5
Interests Coverage (x)	n.m.	n.m.	n.m.	n.m.	P/OCF	9.1	14.3	12.4	12.0
Net Debt/EBITDA (x)	-1.9	-1.8	-1.6	-1.6	ROE (%)	39.3	41.5	45.1	47.2

**Expected events:** Results for the first half of 2025 will be published on September 30, 2025.

 SOCIETE  
GENERALE  
GROUP


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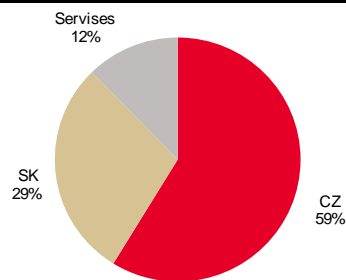
Date and time of completion of publication: 18. September 2025, 13:22

Please read the important notice at the end of this document.

## Company overview

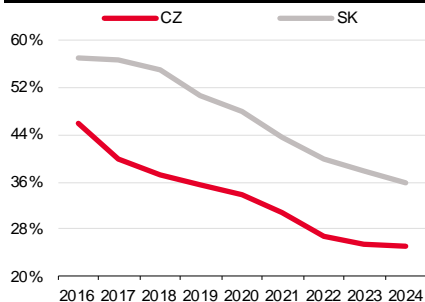
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Market leader in traditional tobacco products in the Czech Republic and Slovakia</li> <li>Market leader in heated tobacco products in the Czech Republic and Slovakia</li> <li>Concentration of cigarette production in Kutna Hora for the European market</li> <li>Zero leverage</li> <li>Attractive dividend policy</li> </ul>	<ul style="list-style-type: none"> <li>A narrowly profiled product base</li> <li>High level of product taxation</li> <li>Strong regulation of the tobacco and nicotine industries</li> <li>Declining market share of PMCR in the Czech Republic and Slovakia</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Develop and maintain a leading position in the market for new technologies</li> <li>Measures against the illegal import and sale of tobacco and nicotine products</li> <li>Official global recognition of the significantly lower harmfulness of smoke-free products</li> </ul>	<ul style="list-style-type: none"> <li>A sharp increase in excise duty on tobacco products, especially on new technologies (smoke-free)</li> <li>Significant increases in the input prices of commodities (including energy)</li> <li>Stricter regulation of smoking and tobacco products</li> <li>Reduction in dividend payments</li> </ul>

Revenues by segment (2024)



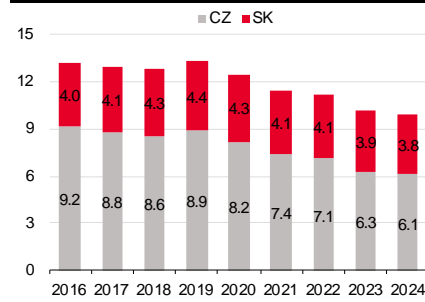
Source: Philip Morris CR

Cigarette market share



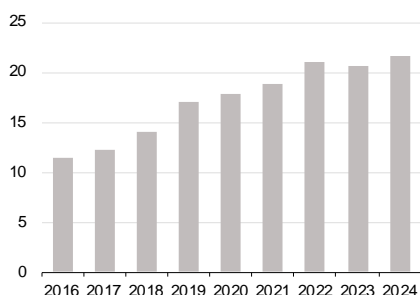
Source: Philip Morris CR

Sales by country (bn units)



Source: Philip Morris CR

Sales (CZKbn)



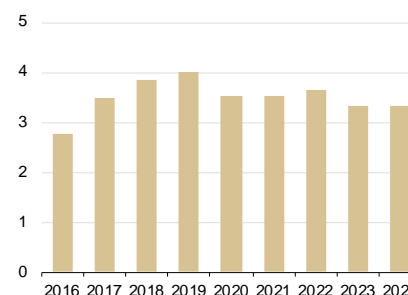
Source: Philip Morris CR

EBITDA (CZKbn)



Source: Philip Morris CR

Net profit (CZKbn)



Source: Philip Morris CR

## Company results and outlook

Philip Morris CR's latest published results are for 2H24 and FY24.

### Results for 2H24

PMCR: 2H24 / FY24 results

CZKm	2H23	2H24	y/y	KB	2023	2024	y/y	KB
Revenues	10,859	11,204	3.2%	11,196	20,570	21,608	5.0%	21,600
Gross Profit	4,700	4,815	2.4%	4,846	8,918	9,472	6.2%	9,503
Profit from Operations	2,044	1,836	-10.2%	2,190	3,870	4,003	3.4%	4,357
Net Profit	1,691	1,495	-11.6%	1,848	3,344	3,345	0.0%	3,698
EPS (CZK)	616	545	-11.6%	673	1,218	1,218	0.0%	1,347
DPS (CZK)					1,220	1,220	0.0%	1,350

Source: PMCR, Economic and Strategy Research, Komerční banka

**Revenues for 2H24 reached CZK11.2bn**, which was in line with our estimates and a 3.2% yoy increase. Gross profit for 2H24 reached CZK4.8bn, a 2.4% yoy increase. However, distribution costs and administrative expenses increased by 13.1% and 18.3%, respectively, yoy. This is the main variation from our forecasts. Operating profit was CZK1.8bn (-10.2% yoy). The margin decreased by 2.4pps to 16.4%. **Net profit for the second half of last year was CZK1.5bn**, a 11.6% decrease yoy.

**For FY 2024, PMCR reported a net profit of CZK3.3bn**, which is stable compared to the previous year. This was achieved **with revenues of CZK21.6bn** (+5.0% yoy). EPS amounted to CZK1,218.

**Dividend:** At the AGM, **shareholders approved PMCR's proposal to pay CZK1,220** per share. This corresponds to a gross **yield of 6.6%**. Payments will be made starting July 14.

### Projection of 1H25

Results preview: PMCR e1H25

CZKm	1H24	e1H25 (KB)	y/y
Revenues	10,404	10,555	1.5%
Gross Profit	4,657	4,747	1.9%
Profit from Operations	2,167	2,145	-1.0%
Net Profit	1,850	1,813	-2.0%
EPS (CZK)	674	660	-2.0%

Source: PMCR, Economic and Strategy Research, Komerční banka

**According to our projections, PMCR will generate total revenues of CZK10.6bn** in the first half of 2025. Compared to the same period in 2024, this represents a slight increase of +1.5%. We anticipate a decline in traditional cigarettes, which should be offset by an increased share of smoke-free products. Additionally, there will likely be some cannibalization as customers switch from traditional cigarettes to heated products. We anticipate a modest increase in production costs of +1.1% yoy. Furthermore, according to our estimates, distribution costs will increase slightly (+3.6% yoy), as will administrative costs (+4.8% yoy). We anticipate a **net profit of CZK1.8bn**, marking a yoy decrease of 2.0%. This corresponds to EPS of CZK660.

Philip Morris CR typically distributes its entire unconsolidated net profit to shareholders. **For FY2025, the net profit is expected to reach CZK3.5bn**, which is a +5.3% yoy increase. This translates to CZK1,283 per share. The **estimated dividend for this year is CZK1,280/shr**. Compared to the current market price, the dividend offers a gross **yield of 7.1%**.

## Long-term outlook

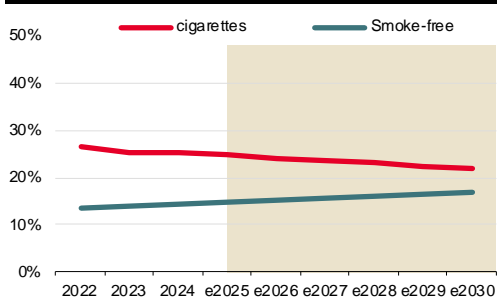
Leader in smoke-free technologies.

In addition to traditional cigarettes, in which tobacco is burned, Philip Morris CR offers its customers a range of alternative products. These products are smoke-free. Instead of burning tobacco, the tobacco is heated. These products include smoke-free refills, electronic cigarettes, and nicotine pouches. These new technologies are believed to be less risky than traditional cigarettes. PMCR is thus providing an alternative to traditional cigarettes and is a leader in new technologies in both the Czech Republic and Slovakia.

Decline in the share of traditional cigarettes, growth in smoke-free products.

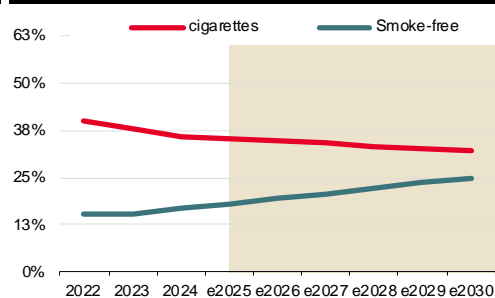
In recent years, the number of traditional cigarette users has declined. At the same time, the number of customers using new technologies is growing. Therefore, it can be assumed that classic products and their market share will decline while alternative products grow. Some cannibalization is likely to occur as smokers switch to new technologies. At the end of last year, cigarettes had a 25.2% market share in the Czech Republic, while heated consumables had a 14.4% market share. Together, they accounted for 39.6% of the market. In Slovakia, the total was 52.6%, comprising 36.0% for traditional cigarettes and 16.6% for smoke-free products.

Expected development of the market share of classic cigarettes and refills in the CR



Source: PMCR, Economic and Strategy Research, Komerční banka

Expected development of the market share of classic cigarettes and refills in the SK



Source: PMCR, Economic and Strategy Research, Komerční banka

The tobacco and nicotine industries are traditionally strictly regulated. Tobacco products are subject to excise taxes. High excise taxes may discourage domestic purchases if they are higher than those in neighboring countries. Alternatively, they may increase the overall price, leading to a reduction in demand. There is a significant difference in the taxation of classic cigarettes and smoke-free products. Heated tobacco products are taxed at a lower rate than traditional cigarettes. The main difference lies in the excise taxes.

Excise taxes on heated tobacco products are much lower than those on traditional cigarettes.

Excise duties on tobacco products typically increase at the beginning of the year. In the Czech Republic, excise duties on tobacco will increase in a four-year cycle from 2024 to 2027. Excise duty consists of a specific component and ad valorem (%). The total amount must exceed the minimum rate.

We expect excise duties to rise in the coming years.

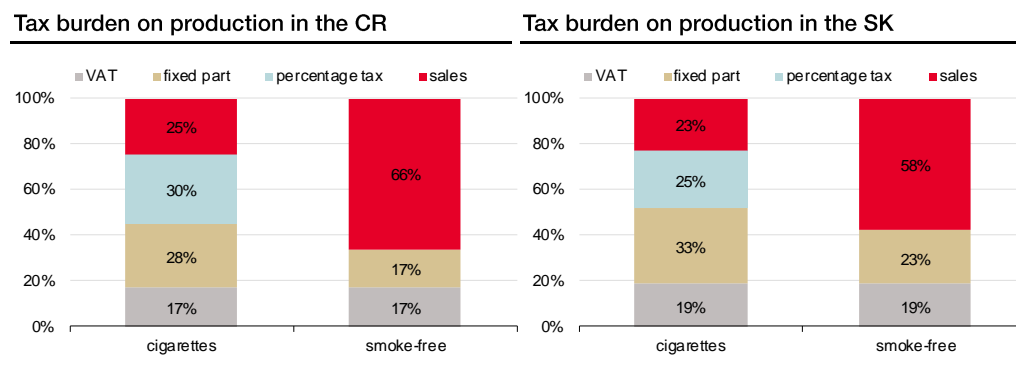
From February 2024, the specific component increased by 10% and the minimum excise tax by 20%. In the following years of the four-year cycle, both rates will increase by 5%. The ad valorem in the Czech Republic has remained at 30% in recent years. We do not expect any changes in the coming years. Starting this year (2025), the second part of the excise tax, i.e., the specific component, increased by +5% to CZK2.28 per cigarette. The minimum rate is CZK4.44 per cigarette, which also corresponds to a +5% increase. Cigarettes fall into the basic VAT category of 21%.

We expect the same growth in the Czech Republic in the coming years as this year. That is, a +5% increase per year for both the specific component and the minimum excise tax. We expect the ad valorem component on classic cigarettes to remain at 30% of the sales price.

Starting in 2025, heated tobacco products will be subject to an excise tax of CZK3,970 per kilogram of tobacco, equivalent to approximately CZK24.2 per stick. This represents a +15% yoy increase. As with traditional cigarettes, the same VAT rate of 21% will be charged.

We expect the same 15% annual increase in excise duty for heated products as in 2024. This will apply throughout the period from 2025 to 2030. Therefore, the difference in taxation between conventional cigarettes and heated tobacco products will remain high.

Starting in 2024, excise duty in Slovakia will change every two years. The ad valorem component of 25% has remained unchanged since February 2025. The specific component, which is €0.0913 per cigarette (€91.30 per 1,000 cigarettes), and the minimum tax rate, which is €0.148 per cigarette, will also remain unchanged. Starting in 2026, we expect both the specific component and the minimum rate to increase by 12% annually. There will be no changes in 2027. Then, starting in 2028, there will be another increase in the specific and minimum rates of around 10%. Similar increases are expected from 2030 onward. The increase in the excise duty rate on heated products will be similar, with increases occurring every two years. In 2025, the rate will be EUR 211.30/kg (EUR 1.29 per stick). Additional increases of approximately 12% are anticipated in 2026, 2028, and 2030. The VAT on both product groups is 23%.



Source: PMCR, Economic and Strategy Research, Komerční banka

Source: PMCR, Economic and Strategy Research, Komerční banka

Traditional cigarettes are subject to a tax burden that accounts for about three-quarters of their retail price.

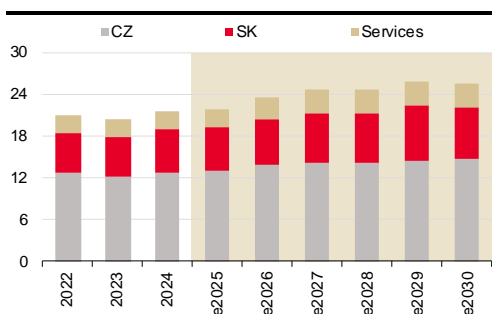
As the previous graph shows, the total tax on classic cigarettes in the Czech Republic and Slovakia is roughly the same: over 75% of the retail price. In the Czech Republic, for example, a pack of 20 cigarettes with a retail price of CZK164 has a **total tax of 75.2%**. The specific component is CZK45.60 (CZK2.28 per cigarette multiplied by 20 sticks). The ad valorem tax is 30%, or CZK49.20. Therefore, the total is CZK94.80, which exceeds the minimum rate of CZK88.80 (CZK4.44 multiplied by 20). The higher of these two rates is used: CZK94.80. Additionally, we must consider the VAT, which is 21% (CZK28.50). The total tax burden is CZK123.30. The sales revenue from one box is approximately CZK40.70.

**In the Czech Republic, heated tobacco products are subject to a total tax burden of 34.2%**, which is significantly lower than that of traditional cigarettes.

**In Slovakia, the total tax on traditional cigarettes is like that in the Czech Republic**, at around 76.9%. The tax on heated tobacco products is 42.1%.

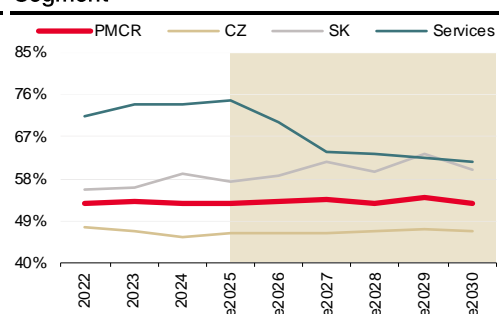
**Excise taxes and regulations, as well as their tightening, are among the risk factors that could negatively impact the PMCR's financial performance.**

Sales Development by Segment (CZKbn)



Source: PMCR, Economic and Strategy Research, Komerční banka

Expected Gross Margin Development by Segment



Source: PMCR, Economic and Strategy Research, Komerční banka

PMCR's revenues for 2024 amounted to CZK21.6bn. According to our projections, they should grow at an average annual rate of +2.9% (CAGR 2025–2030). By the final year of this period, revenues should reach CZK25.7bn. The Czech Republic is the larger market in terms of revenue. PMCR generates just under 60% of its total revenues domestically. In Slovakia, PMCR's share is estimated at 30% this year, with manufacturing services accounting for the remaining 11%. Production of nicotine pouches is expected to begin at the Kutna Hora factory early next year. According to a press release, the Kutna Hora plant should become a pillar of European production of smoke-free products. We expect the share of manufacturing services in total revenues to increase.

We estimate a slight increase in production costs of around 2.5% (CAGR 2025-2030). We expect the anticipated decline in energy prices to have an impact. The gross margin reached 43.8% at the end of 2024. We estimate that it will remain virtually unchanged at 43.7% this year. It should continue to grow in the following years, reaching 45% in 2030. We expect administrative (3.5%) and distribution (2.4%) costs to grow slightly, as well as production costs. The operating margin fell below 20% in 2023. Last year, it reached 18.5%. We expect it to reach 19% this year. Over the next few years, it should remain slightly above 20%. We estimate net profit at CZK3.52bn this year, a +5.3% yoy increase from CZK3.35bn in 2024. For the most recent year under review, we project growth of up to CZK4.1bn.

In recent years, capital costs have averaged a low 2.3% of total sales. We expect this percentage to remain roughly the same going forward.

## Dividend

PMCR pays out all its net profits.

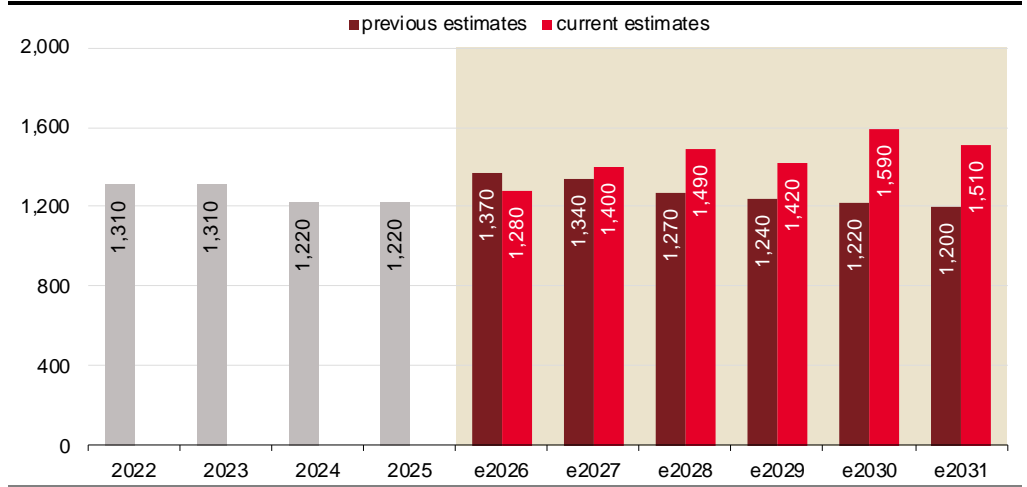
Philip Morris CR typically pays its entire net profit to shareholders. From our perspective, investors view it as a dividend stock.

The dividend paid out this year was the same as last year: CZK1,220 per share. This corresponds to a gross yield of 6.6%. Our estimated net profit for this year is CZK3.5bn, which indicates an EPS of CZK1,283. Rounded up, this implies a **dividend of CZK1,280** per share, which PMCR should pay out next year. Compared to the current market price, this **dividend would correspond to a gross yield of 7.1%**. The dividend is subject to approval by the shareholders at the AGM, which usually takes place in April or May. Payment begins in June or July.

According to our projections, dividends should grow at an average annual rate of 3.6% (CAGR 2025-2030) in the following years of the forecast period. They are expected to reach CZK1,590, corresponding to a gross yield of 8.1%.

PMCR has no leverage, meaning it has a net cash position. It is able to generate strong cash flow. This supports the payment of high dividends.

**Dividends (CZK)**



Source: PMCR, Economic & Strategy Research, Komerční banka

## Valuation

### Peer comparison approach

We have attempted to select companies with a similar focus that sell their products in the Czech Republic, Slovakia, or other European and global markets and are traded on stock exchanges. We consider British American Tobacco and Japan Tobacco International to be the most comparable companies to Philip Morris CR.

The table below shows a relative comparison. It shows that Philip Morris CR trades at a premium only in terms of P/E. For other multiples, such as P/S and EV/EBITDA, the opposite is true: Philip Morris CR is cheaper. Therefore, from our perspective, PMCR is trading at a discount to the median of comparable companies. Furthermore, PMCR probably has the highest dividend yield in the sector.

#### Peers Comparison

	P/E			P/S			EV/EBITDA			Dvd yield
	2025	2026	2027	2025	2026	2027	2025	2026	2027	(%)
Philip Morris CR	15.2	13.9	13.1	2.4	2.3	2.2	9.4	8.0	7.5	7.1
British American Tobacco PLC	12.1	11.4	10.6	3.5	3.4	3.3	9.9	9.6	9.3	5.9
Japan Tobacco Inc	16.7	15.0	13.9	2.8	2.7	2.6	10.8	10.1	8.6	4.4
Altria Group Inc	11.9	11.6	11.2	5.4	5.4	5.4	10.5	10.2	10.0	6.5
Imperial Brands PLC	10.0	9.1	8.4	2.6	2.5	2.5	8.6	8.3	8.1	6.1
Gudang Garam Tbk PT	12.7	9.3	8.3	0.2	0.2	0.2	4.0	3.9	3.7	4.5
Philip Morris International In	21.6	19.5	17.8	6.2	5.7	5.4	17.0	15.5	14.2	3.3
<b>Medián trhu</b>	<b>12.4</b>	<b>11.5</b>	<b>10.9</b>	<b>3.1</b>	<b>3.0</b>	<b>2.9</b>	<b>10.2</b>	<b>9.8</b>	<b>9.0</b>	<b>5.2</b>
<i>Philip Morris CR vs. median</i>	22.8%	21.4%	19.8%	-22.2%	-25.7%	-26.4%	-7.6%	-19.0%	-16.1%	-27.0%

Source: PMCR, Economic & Strategy Research, Komerční banka, Bloomberg

### Discounted Dividend

We set the target price using a discounted dividend model.

We used a discounted dividend model for the period 2025–2030 to value the company. **We discounted the estimated dividends using a cost of capital of 7.9–8.2% over the period and 8.1% for the terminal phase, assuming a long-term growth rate of 0%.**

The cost of capital is based on the risk-free interest rate (yield on 10-year Czech and Slovak government bonds), adjusted beta coefficient (Bloomberg), equity risk premium, and country risk premium for countries where Philip Morris Czech Republic operates (both according to data from A. Damodaran of New York University).

The zero LT growth rate reflects our estimate of a decline in tobacco product consumption in PMCR's main markets. It also reflects the threat of further increases in excise taxes and the risk of a reduction in the dividend payout ratio. However, we believe these factors will be partially offset by potential price increases and growth in the smoke-free products market.

The table on the following page shows the detailed structure of the cost of capital calculation and other valuation parameters.

**Based on our model, we estimate the fair value/target price of the company at CZK19,527 per share.**

**Discounted Dividend Model**

<b>CZKbn</b>	<b>e2025</b>	<b>e2026</b>	<b>e2027</b>	<b>e2028</b>	<b>e2029</b>	<b>e2030</b>
<b>Cost of Equity</b>	<b>7.9%</b>	<b>8.0%</b>	<b>8.1%</b>	<b>8.0%</b>	<b>8.2%</b>	<b>8.1%</b>
Beta	0.553	0.553	0.553	0.553	0.553	0.553
Risk Free Rate	3.8%	3.9%	4.0%	3.9%	4.1%	4.0%
Equity Risk Premium	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Country Risk premium	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
<b>DDM (CZK)</b>						
Dividend - Gross	1,280	1,400	1,490	1,420	1,590	1,510
Dividend - Discounted	1,263	1,279	1,260	1,112	1,151	1,011
Sum of Discounted Dividends	7,076					
Terminal Value	12,451					
LT Growth	0.0%					
<b>Fair Value Per Share - DDM (CZK)</b>	<b>19,527</b>					

Source: Economic and Strategy Research, Komerční banka

The following table illustrates how sensitive the target price is to changes in the discount and long-term growth rates.

**Sensitivity Analysis**

<b>LT Growth/WACC</b>	<b>-100 bb</b>	<b>-50 bb</b>	<b>8,1 %*</b>	<b>+ 50 bb</b>	<b>+ 100 bb</b>
-1.0%	19,527	18,746	18,051	17,428	16,867
-0.5%	20,410	19,527	18,746	18,051	17,428
0.0%	21,418	20,410	<b>19,527</b>	18,746	18,051
0.5%	22,577	21,418	20,410	19,527	18,746
1.0%	23,926	22,577	21,418	20,410	19,527

Source: Economic and Strategy Research, Komerční banka; \* terminal phase

## Risk factors

Philip Morris CR operates in a highly regulated market, so it is exposed to several risks. We consider the following to be the main negative risks to our valuation:

- **Regulation of smoking in public places:** Tighter legislation poses a high risk to the entire sector. We have incorporated the impact of new smoking restrictions into our models. Further tightening of regulations could negatively impact share prices.
- **Tax changes:** A sharp increase in excise duty or VAT rates could negatively impact the company's margins. An increase in corporate income tax would affect the amount of net profit and dividends paid out.
- **Production Service Fee:** Any decision by Philip Morris International (PMI) to relocate production to other countries would significantly impact our target price. Furthermore, the amount of the manufacturing services fee depends on the margins and volumes achieved by PMI, the parent group. There may be pressure in the future to gradually reduce this fee. At the same time, the majority shareholder's future decisions may not align with minority shareholders' interests and thus negatively impact PMCR's profitability as a separate entity.
- **Alternatives to cigarettes:** The growing popularity of e-cigarettes, smoke-free products, and cut tobacco may exacerbate the expected decline in the cigarette market, in which PMCR is the dominant player. A similar impact may be seen with the strengthening of gray or illegal cigarette imports.
- **Competitive products for new PMCR technologies**
- **Change in dividend policy:** PMCR pays all its profits to shareholders. Any reduction would negatively impact the share price.

The following factors may positively impact our valuation:

- **Measures against illegal imports:** These measures would make the illegal cigarette market more difficult. These measures mainly concern illegal imports, which could increase demand for the company's products.
- **Alternative Products:** Philip Morris is investing heavily worldwide in developing new platforms, such as smoke-free products. These products could bring fundamental changes to the tobacco and nicotine industry. If they are accepted and widely adopted by the market, they could significantly impact on the company's financial results.

## Financial statements - annual

### Philip Morris CR Financials

CZKbn	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	e2025	e2026	e2027	e2028	e2029	e2030
<b>INCOME STATEMENT</b>																
Sales	10.9	11.5	12.2	14.1	17.1	17.9	18.9	20.9	20.6	21.6	21.9	23.7	24.8	24.8	25.9	25.7
CoS	-5.7	-6.0	-6.1	-6.1	-8.4	-9.1	-10.6	-11.7	-11.7	-12.1	-12.3	-13.1	-13.5	-13.7	-13.8	-14.1
Gross Profit	5.1	5.4	6.1	8.0	8.7	8.7	8.3	9.2	8.9	9.5	9.6	10.6	11.3	11.1	12.1	11.6
Operating Costs	-1.9	-2.0	-1.8	-3.2	-3.7	-4.3	-3.9	-5.0	-5.0	-5.5	-5.4	-5.8	-6.1	-6.2	-6.6	-6.6
EBIT	3.2	3.5	4.3	4.8	5.0	4.5	4.4	4.2	3.9	4.0	4.2	4.9	5.2	4.9	5.5	5.0
DA	0.5	0.5	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.7
EBITDA	3.7	4.0	4.9	5.5	5.7	5.2	5.1	4.9	4.5	4.7	4.8	5.6	5.9	5.6	6.2	5.6
Income Tax	-0.6	-0.7	-0.8	-1.0	-1.0	-0.9	-0.9	-1.0	-0.9	-1.0	-0.9	-1.0	-1.1	-1.0	-1.2	-1.1
Net Income	2.6	2.8	3.5	3.8	4.0	3.5	3.5	3.6	3.3	3.3	3.5	3.9	4.1	3.9	4.4	4.1
<b>BALANCE SHEET</b>																
Total Assets	15.1	15.6	15.6	16.0	16.4	16.2	17.7	16.4	15.9	17.3	17.0	17.8	18.3	18.0	18.6	18.0
Non-current Assets	3.9	4.4	4.4	4.3	4.1	3.6	3.3	3.2	3.3	3.0	3.1	3.0	2.9	2.8	2.8	2.8
PPE	3.8	4.3	4.3	4.2	3.6	3.1	2.8	2.8	2.8	2.5	2.9	2.8	2.7	2.7	2.6	2.6
Current Assets	11.1	11.2	11.1	11.6	12.3	12.6	14.4	13.2	12.6	14.3	13.9	14.9	15.4	15.1	15.8	15.2
Inventories	0.4	0.3	0.6	1.1	1.7	0.9	1.9	1.9	1.1	1.6	1.5	1.6	1.7	1.7	1.8	1.8
Trade and Other Receivables	0.4	0.4	0.8	2.1	1.5	0.9	1.0	1.5	1.6	1.0	1.2	1.3	1.4	1.4	1.4	1.4
Cash and Cash Equivalents	7.5	8.2	7.3	5.6	6.4	8.2	9.3	7.6	7.5	9.2	8.8	9.3	9.5	9.3	9.7	9.2
Total Equity	8.0	8.2	8.9	9.8	9.4	8.7	8.7	8.8	8.5	8.5	8.5	8.6	8.8	8.5	8.8	8.5
Non-current Liabilities	0.2	0.2	0.2	0.2	0.5	0.4	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Current Liabilities	6.9	7.2	6.4	5.9	6.5	7.1	8.7	7.3	7.0	8.4	8.2	8.9	9.2	9.2	9.5	9.2
Net Debt(-)/Cash(+)	7.5	8.1	7.3	5.5	6.4	8.2	9.3	7.6	7.5	8.9	8.6	9.0	9.3	9.0	9.4	8.9
<b>CASH FLOW</b>																
Pre-tax	3.2	3.5	4.3	4.8	5.1	4.5	4.4	4.6	4.2	4.3	4.5	4.9	5.2	4.9	5.5	5.2
Depreciation and amortisation	0.5	0.5	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.7
WC Change	3.2	0.9	-1.6	-2.7	0.6	2.1	1.0	-1.8	0.2	1.0	0.0	0.1	0.0	0.0	0.0	-0.2
Other operating cash movements	-0.5	-0.6	-0.8	-0.8	-0.9	-0.9	-1.1	-1.0	-1.0	-1.0	-1.0	-1.4	-1.5	-1.4	-1.5	-1.2
Net Cash Flow from Operating Activities	6.4	4.3	2.6	1.9	5.5	6.4	5.1	2.2	3.8	4.7	3.8	4.3	4.5	4.2	4.7	4.3
Net Cash Flow from Investing Activities	-1.0	-1.2	-0.6	-0.7	-0.1	-0.2	-0.3	-0.1	-0.2	0.1	-0.7	-0.2	-0.2	-0.2	-0.2	-0.2
Dividends Paid	-2.4	-2.5	-2.7	-3.0	-4.4	-4.3	-3.5	-3.6	-3.6	-3.3	-3.3	-3.5	-3.8	-4.1	-3.9	-4.4
Net Cash Flow from Financing Activities	-2.4	-2.5	-2.7	-3.0	-4.5	-4.4	-3.6	-3.7	-3.7	-3.2	-3.5	-3.7	-4.0	-4.3	-4.1	-4.5
Change in Cash	3.0	0.6	-0.8	-1.7	0.9	-0.8	1.1	-1.6	-0.1	1.7	-0.4	0.5	0.3	-0.2	0.4	-0.5

Source: PMCR, Economic & Strategy Research, Komerční banka

**Philip Morris CR Financials**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	e2025	e2026	e2027	e2028	e2029	e2030
<b>VALUATION</b>																
P/E (x)	11.9	12.6	11.7	11.2	9.6	10.9	11.9	12.6	13.8	12.8	15.2	13.9	13.1	13.7	12.3	13.0
Price/cash flow (x)	4.8	8.0	15.9	22.1	7.1	6.0	8.3	20.9	12.2	9.1	14.3	12.4	12.0	12.7	11.4	12.6
Price/free cash flow (x)	2.1	4.1	8.0	14.8	2.9	2.3	3.3	10.1	5.2	3.5	7.2	4.8	4.6	4.9	4.4	5.2
Price/book value (x)	3.8	4.3	4.6	4.4	4.1	4.4	4.8	5.2	5.4	5.0	6.3	6.2	6.1	6.3	6.1	6.3
EV/S (x)	2.1	2.3	2.7	2.7	1.9	1.7	1.7	1.8	1.9	1.6	2.1	1.9	1.8	1.8	1.7	1.7
EV/EBITDA (x)	6.2	6.7	6.8	6.8	5.6	5.8	6.4	7.8	8.5	7.2	9.4	8.0	7.5	7.9	7.2	7.9
<b>DATA PER SHARE (CZK)</b>																
EPS	936	1,008	1,269	1,397	1,465	1,285	1,281	1,324	1,218	1,218	1,283	1,403	1,494	1,421	1,586	1,507
Operating Cash flow	2,335	1,578	933	706	1,992	2,322	1,841	800	1,377	1,721	1,366	1,578	1,628	1,537	1,712	1,553
Book Value	2,898	2,985	3,249	3,569	3,437	3,154	3,175	3,193	3,102	3,106	3,086	3,132	3,198	3,081	3,209	3,082
Gross Dividend	920	1,000	1,080	1,600	1,560	1,260	1,310	1,310	1,220	1,220	1,280	1,400	1,490	1,420	1,590	1,510
Dividend yield, brutto (%)	8.3	7.9	7.3	10.2	11.1	9.0	9.3	7.8	7.3	7.8	6.6	7.2	7.6	7.3	8.1	7.7
<b>RATIOS</b>																
ROA (%)	18.7	18.1	22.4	24.3	24.9	21.7	20.7	21.3	20.7	20.1	20.5	22.1	22.7	21.5	23.8	22.6
ROE (%)	32.6	34.3	40.7	41.0	41.8	39.0	40.5	41.6	38.7	39.3	41.5	45.1	47.2	45.3	50.4	47.9
<b>MARGIN</b>																
Gross Margin (%)	47.2	47.6	50.1	56.8	50.9	48.9	43.9	44.1	43.4	43.8	43.7	44.9	45.6	44.9	46.6	45.0
EBITDA Margin (%)	34.0	35.1	40.5	38.8	33.4	29.0	27.1	23.5	22.1	21.8	21.8	23.7	23.7	22.7	23.8	22.0
Operating Margin (%)	29.5	30.3	35.6	34.0	29.3	24.9	23.1	20.3	18.8	18.5	19.0	20.6	20.9	19.9	21.3	19.4
Net Margin (%)	23.7	24.2	28.6	27.2	23.5	19.7	18.6	17.4	16.3	15.5	16.1	16.3	16.5	15.7	16.8	16.1
<b>DYNAMIKA RŮSTU</b>																
Tržby (%)	-22.7	5.4	6.5	15.4	21.4	4.6	5.5	11.0	-1.8	5.0	1.4	8.2	4.7	-0.1	4.6	-1.0
Náklady na prodeje (%)	-38.1	4.6	1.4	-0.2	37.9	9.1	15.8	10.7	-0.6	4.2	1.7	5.9	3.4	1.3	1.3	1.9
Hrubý zisk (%)	7.4	6.3	12.1	31.0	8.8	0.3	-5.2	11.5	-3.4	6.2	1.0	11.1	6.4	-1.7	8.6	-4.3
EBITDA (%)	9.7	8.8	22.8	10.7	4.5	-9.3	-1.5	-3.7	-7.6	3.6	1.4	17.5	5.0	-4.6	10.0	-8.6
Vykázaný čistý zisk (%)	14.0	7.7	25.9	10.1	4.8	-12.3	-0.3	3.4	-8.0	0.0	5.3	9.3	6.5	-4.9	11.6	-5.0
<b>FINANCING</b>																
Net Debt / EBITDA (x)	-2.0	-2.0	-1.5	-1.0	-1.1	-1.6	-1.8	-1.6	-1.7	-1.9	-1.8	-1.6	-1.6	-1.6	-1.5	-1.6
Net Debt / Equity (x)	-0.9	-1.0	-0.8	-0.6	-0.7	-0.9	-1.1	-0.9	-0.9	-1.0	-1.0	-1.0	-1.1	-1.1	-1.1	-1.1
Assets / Equity (x)	1.9	1.9	1.7	1.6	1.7	1.9	2.0	1.9	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.1
Interest Coverage (x)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

Source: PMCR, Economic and Strategy Research, Komerční banka

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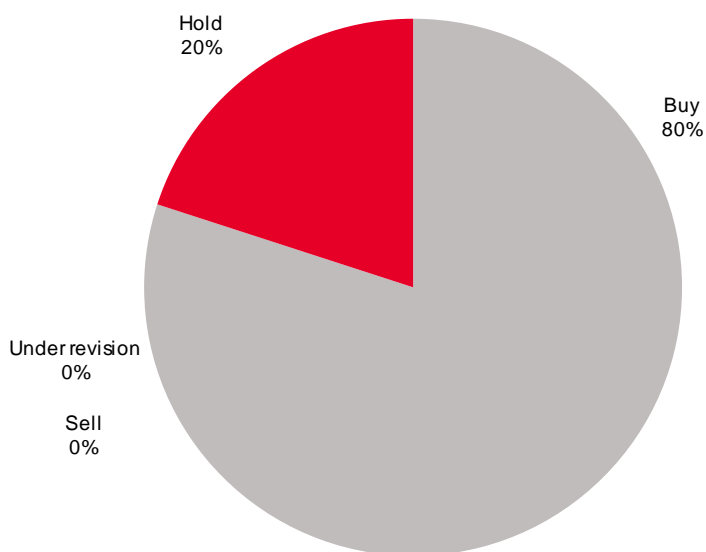
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The main methods used by Komerční banka to determine the target share price are discounted free cash flow analysis and sector comparison. Other methods may be used if deemed appropriate by the analyst (e.g. sum of valued parts, discounted dividends, discount or premium to net asset value). The target price is set for a twelve-month period. The Commercial Bank uses three levels of investment recommendations: buy, hold and sell. The recommendation is set for a period of three to six months. The main factor in determining the recommendation is the difference between the current market price and the target price calculated by KB analysts. The recommendation also takes into account other factors that the analyst believes may affect the title and the market in the 3-6 month period following the recommendation. Thus, a target price significantly above the current market price may not automatically imply a "buy" recommendation for the next 3-6 months following the first 3-6 months after the recommendation is issued. Valuation methods and key factors for determining the recommendation are explained in the text of each analysis.

The chart below shows the structure of the grades of valid investment recommendations of KB Economic and Strategic Research equity analysts (5 recommendations).

**Investment recommendations of KB Equity Research**



Source: economic and strategic research, Komerční banka

**KB Equity Research recommendations for a 12-month horizon**

**BUY:** estimated total return of 15% or more over the next 12 months

**HOLD:** estimated total return of 0 to 15% over the next 12 months

**SELL:** estimated total return of less than 0% over the next 12 months.

Total shareholder return means the estimated share price appreciation plus any estimated cash dividends, including any income from extraordinary dividends paid in the following 12 months. The specific recommendation is determined by the estimated total return stated above at the time the share coverage commences or the recommendation is changed. In the interim, price movements or other market situations may occur that may imply a different recommendation. Such interim deviations from the original recommendation are possible but are subject to review by KB Equity Research.

**Overview of recommendations published by KB and relationships with particular issuers**

	CEZ	Colt CZ Group SE	Kofola	MONETA Money Bank	Philip Morris CR	Avast	O2 CR
<b>Overview of last investment research and recommendations related to stocks of particular issuers</b>							
Recommendation	Hold	Buy	Buy	Buy	Buy	End	End
Target price	CZK923	CZK893	CZK402	CZK143.3	CZK19,527	of coverage	of coverage
Date	15.11.2024	14.07.2025	03.09.2024	16.01.2025	18.09.2025	07.09.2022	25.02.2022
Price on the day of the publication	CZK907	CZK738	CZK299	CZK128.8	CZK18,000	CZK205.1	CZK270
Investment horizon	12 months	12 months	12 months	12 months	12 months		
Author	B. Trampota	B. Trampota	B. Trampota	B. Trampota	B. Trampota		
<b>Overview of investment researches and recommendations</b>							
Recommendation	Buy	Buy	Buy	In revision	Buy	Buy	Buy
Target Price	CZK1,034	CZK921	CZK313	In revision	CZK17,041	GBp600	CZK362
Date	07.09.2023	09.02.2024	29.05.2023	25.07.2024	21.03.2024	11.02.2021	26.03.2021
Recommendation	Buy	Buy	Buy	Buy	Hold	Buy	Buy
Target Price	CZK1,393	CZK652	CZK381	CZK104.6	CZK18,349	GBp466	CZK293
Date	07.06.2022	16.12.2022	12.05.2022	05.09.2022	03.03.2023	30.08.2019	08.01.2020
Recommendation	In revision	Buy	In revision	Buy	Buy	In revision	Buy
Target Price	In revision	CZK645	In revision	CZK104.6	CZK18,183	In revision	CZK298
Date	10.05.2022	17.01.2022	15.02.2022	05.09.2022	11.02.2022	14.08.2019	12.12.2018
Recommendation	Buy	In revision	Buy	Buy	Buy	Buy	Hold
Target Price	CZK905	In revision	CZK367	CZK109.7	CZK16,512	GBp342	CZK270
Date	10.12.2021	31.03.2021	12.01.2021	31.08.2021	20.11.2020	15.06.2018	18.08.2017
Valuation methods	DFCF	DFCF	DFCF	DFCF DDM ERM	DDM	DFCF	DFCF DDM
Frequency of rec. (per year)	once	once	once	once	once	once	once
Direct or indirect share (5% or more) of the issuer of the registered capital of KB	no	no	no	no	no	no	no
Other significant financial interest of KB and/or its linked persons in the issuer	no	no	no	no	no	no	no
KB direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Author's direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Signific. fin. interest in the issuer of the persons partic. in elaboration of inv. research and rec.	no	no	no	no	no	no	no
<b>Relationships of Komerční banka with particular issuers</b>							
KB Management or co- management of public offerings in the past 12 month	no	yes	no	no	no	no	no
Agreements or contractual relations for providing investment services with the issuer	KB can have concluded agreements with the issuer for providing investment services. This information is protected by bank secret and could not be disclosed.						
Agreement with the issuer on production and dissemination of the research	no	no	no	no	no	no	no
KB market making for common stocks of the issuer	no	no	no	no	no	no	no

Note: DFCF – Discounted free cash flow model, DDM – Discounted dividend model, ERM – Excess return model

Source: Economic &amp; Strategy Research, Komerční banka