Exhibit 11

October 4, 2016

STIFEL

Philip Morris International, Inc.
PM – NYSE
Buy
Tobacco

Company Update

Increasing the Size of the Prize

Philip Morris International held its biennial two-day investor meeting in Lausanne, Switzerland late last week and outlined a narrower EPS guidance range for 2016, reiterated its medium-term guidance, and outlined a robust growth outlook due to its reduced risk product (RRPs) innovation*. The company indicated that it would reconsider its long-term growth algorithm in 2018 once its RRPs have been established for a longer period of time.*

- **The company narrowed its EPS growth range that centered on our 11% growth estimate while reducing the size of the FX drag to $0.35 for the year, down from $0.40 previously.** As such, we are raising our EPS estimate for FY16 to $4.56, up $0.05 to reflect the reduced FX burden. In addition, we are raising our FY17 EPS estimate to $5.17, up $0.06, and our FY18 EPS estimate to $5.79, up $0.11 due to a stronger contribution from RRPs (detailed in the note below).
- **The one negative from the meeting was the expected volume decline of 3.9% for the year from a previous expectation of -3%.** We are lowering our volume estimate to incorporate a 3.8% decline for the year. The low margin markets resulting in this weaker volume performance have a limited effect on profits. Pricing is expected to be up 6.0%-6.5% going forward – in line with our assumption.
- **The steady pricing and 4%-6% revenue growth supports 10% constant currency EPS growth for the base business supporting a top-tier growth profile for the business while investing heavily in its RRP innovation.**
- **RRPs stole the show at the investor meeting, in our view, and were the backbone of nearly every presentation from its senior management team**. Our estimates incorporate a roughly 2% contribution to volume and a 3% contribution to profit incrementally in each of the next two years – we believe this could prove conservative.
- **We believe the "size of the prize" is only increasing – 50b sticks in capacity by the end of FY17 and the ability to add another 40b sticks in FY18 suggests RRPs could total more than 10% of the company's volume in short order.** In addition, the company outlined a robust innovation platform beyond the current generation – Platforms 2, 3 and 4 could all be incremental to our projections.
- **We continue with our Buy rating and $110 target price.**

Please see our detailed primer on PM here (PM Primer).

Changes	Previous	Current
Rating	—	Buy
Target Price	—	$110.00
FY16E EPS (Net)	$4.51	$4.56
FY17E EPS (Net)	$5.11	$5.17
FY16E Rev (net)	$26.88B	$26.43B
FY17E Rev (net)	$28.89B	$28.32B

Price (10/03/16):	$97.42
52-Week Range:	$104 – $80
Market Cap.(mm):	151,098
Shr.O/S-Diluted (mm):	1,551.0
Enterprise Val. (mm):	$178,847.7
Avg Daily Vol (3 Mo):	4,201,014
LT Debt/Total Cap.:	118.8%
Dividend($ / %)	$4.16 / 4.3%
S&P Index	2,161.20

EPS (Net)	2015A	2016E	2017E
Q1	$1.16	$0.98A	$1.16
Q2	1.21	1.15A	1.27
Q3	1.24	1.22	1.37
Q4	0.81	1.21	1.37
FY Dec	$4.42A	$4.56	$5.17
P/E	22.0x	21.4x	18.8x

Rev (net)	2015A	2016E	2017E
FY Dec	$26.79B	$26.43B	$28.32B
EV/Revenue	6.7x	6.8x	6.3x

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Platform 4 is a next generation E-vapor product that is superior to the E-vapor products on the market today. While the make-up of the product is totally different from products currently on the market, most important, it delivers nicotine consistently with each puff which is very different from the inconsistent nature of the current E-vapor technology. In addition, this is the first product that could be produced in mass with automated technology rather than requiring some handling by workers which can make producing E-vapor products quite expensive especially given the lack of scale in the product line. We believe this would support a far stronger margin profile for the product than any existing technology on the market, including in the U.S. This product will be test marketed in the U.K. in the fourth quarter under the "Mesh" brand utilizing its Nicocigs brand umbrella in that market. This is purely a test and the company looks forward to utilizing the learnings from this market to improve the product itself, the marketing, the message, etc. and relaunching the product in the future under the VEEV brand which it has identified as part of its overall branding strategy for these products.

RRPs: PM Portfolio Approach

		2014	2015	2016	2017
Platform 1 iQOS	Advanced heat not burn technology. Requires a device. The "cigarette" you put in the end of this device is a very different sort of cigarette with a small amount of tobacco and 4 individual elements of the stick.	Pilot Launches	National	Geographic Expansion	
Platform 2	Heat not burn product with ritual close to that of conventional cigarettes. You light the end of the device. We expect these to be sold in packs of 20 similar to cigarettes. Does not need a device.	Final Development Phase	Clinical Trials		City Test
Platform 4 Current Generation	This is Altria's current technology commercialized by Philip Morris International in markets around the world. Supplemented with Nicocigs (UK) business	Altria Agreement/Nicocigs	Commercialization in Selected Geographies		
Platform 4 Next Generation	Philip Morris International, in conjunction with Altria, is working to improve upon the current generation of e-vapor products.	E-Vapor Joint Research, Development & Technology Sharing Agreement with Altria			Commercialization
Platform 3	Vapor device that uses chemical process to create nicotine aerosol. PM holds the patent for a chemical that allows quicker nicotine absorption that would be used in this device. This is like an E-cig, but does not require a battery	Product Development			City Test

Source: Company reports

As for capacity, the company expects to achieve 7b sticks in capacity for its HEETS product this year sourced from its recently completed RRP manufacturing facility in Italy. That capacity should reach a run-rate of 15b sticks by year-end and then by the end of 1Q17 the company expects to be at that 30b annual stick run-rate. That figure should grow further to 50b sticks by the end of FY17. While the lack of capacity has been an immediate issue, we believe it will ease after 1Q17 when capacity reaches an inflection point sufficient to accommodate a full launch of these products in its 30-35 markets expected at that time.

The company noted that it will achieve 50b sticks in capacity for its RRPs by the end of 2017 and that it could increase that capacity at a rate of 4b sticks per month in 2018 at a cost of $16-$18 million per 1b sticks. So, each 4b sticks in incremental capacity would lead to a cost of roughly $70 million per month ($800-$900 million in incremental capex in a year for those counting). The company has a roughly 12-month timeline for producing these machines and therefore in early 2017 PMI will already be planning its volume needs for 2018 and 2019 – an especially difficult task given the strong uptake of the product and its nascent stage. **To this end, the company will add $100 million in incremental capex in 2016 (up to $1.2 billion) and then another $300 million in incremental capex in 2017 to $1.5 billion to achieve this higher degree of capacity**. The cost of increasing its capacity is relatively modest and we believe its strong free cash flow generation can comfortably support the near-term cost of the incremental capacity.

Conversion rates by consumers in its initial launch markets have been encouraging – most markets are running in the 50%-65% range for full conversion and upwards of 75% for predominant conversion to iQOS. Japan's conversion rate is up to 65% for full conversion and 73% for full or predominant conversion. This rate of conversion with a roughly 30% cannibalization rate indicates not only the bevy of competitive smokers switching to this product but also a robust rate of conversion that is leading to such significant market share for the product in Japan. While the company is employing marketing where appropriate, the buzz of iQOS is really catching on in these countries and especially in Japan. To this point, 36% of users in Japan of iQOS have tried from the recommendation of a friend. And, the cost of converting a consumer in Japan has gone down exponentially – from an index level of 100 in 3Q15 to a level of 9 in 2Q. The company counts 861,000 converted users in Japan – a significant level of consumer interest.