EXHIBIT 5

Philip Morris International inc (PM) Q3 2021 Earnings Call Transcript

PM earnings call for the period ending September 30, 2021.

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Philip Morris International inc (NYSE:PM)
Q3 2021 Earnings Call
Oct 19, 2021, *9:00 a.m. ET*

Contents:

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Prepared Remarks:

Operator

Good day and welcome to the Philip Morris International Third Quarter 2021 Earnings Conference Call. Today's call is scheduled to last about one hour including remarks by Philip Morris International management and the question and answer session. [Operator Instructions]

I will now turn the call over to Mr. Nick Rolli, Vice President of Investor Relations and Financial Communications. Please go ahead, sir.

Nicholas Rolli -- *Vice President of Investor Relations and Financial Communications*

Welcome and thank you for joining us. Earlier today, we issued a press release containing detailed information on our 2021 third quarter results. You may access the release on www.pmi.com. A glossary of terms, including the definition for reduced risk products or RRPs, as well as adjustments, other calculations and reconciliations to the most directly comparable US GAAP measures and additional heated tobacco unit market share data are at the end of today's webcast slides, which are posted on our website. Unless otherwise stated, all references to IQOS are to our IQOS heat-not-burn products. All references to smoke-free products are to our RRPs.

Growth rates presented on organic basis reflect currency-neutral underlying results. Following the acquisitions of Fertin Pharma, OtiTopic and Vectura Group, PMI added the "Other" category in the third quarter of 2021. Business operations for the Other category are evaluated separately from the geographical operating segments.

Today's remarks contain forward-looking statements and projections of future results. I direct your attention to the Forward-Looking and Cautionary Statements disclosure in today's presentation and press release for a review of the various factors that could cause actual results to differ materially from projections or forward-looking statements. Please also note the additional Forward-Looking and Cautionary Statements related to COVID-19.

It's now my pleasure to introduce Emmanuel Babeau, our Chief Financial Officer. Emmanuel?

Emmanuel Babeau -- *Chief Financial Officer*

Thank you, Nick and welcome, ladies and gentlemen. I hope everyone listening to the call is safe and well. Our business delivered another strong performance in the third quarter of 2021 coming ahead of our expectation to achieve a record high quarterly adjusted diluted EPS of $1.58. Most notable was the continued excellent growth of IQOS, driving plus 33% Q3 organic growth in RRP net revenue and plus 7.6% for total PMI. HTU shipment volumes grew plus 24% compared to the same quarter last year to reach 23.5 billion units, with broad-based growth for both our volumes and the category across key geographies.

This was delivered despite ongoing tightness in device supplies due to the global semiconductor shortage, which impacts IQOS user growth rates. In combustibles, further sequential share gains supported total PMI volume growth of 2.1% in Q3 and we continue to expect total cigarette and HTU volume growth for the year. We are firmly on track for a strong 2021 organic growth performance, with an expected currency tailwind providing additional growth in dollar terms.

We are also delighted to share outstanding initial results from IQOS ILUMA in Japan and growing traction for IQOS VEEV in early launch markets. In the quarter, we made three milestone acquisitions, as we build our business for the long term to include products that go beyond tobacco and nicotine. Our smoke-free transformation is now also reflected in our financing with the launch of an industry-first Business Transformation-Linked Financing Framework, and we continue to prioritize returns to shareholders through a 4.2% increase in the dividend and ongoing share repurchases.

Turning to the headline numbers, our Q3 net revenues grew by plus 7.6% on an organic basis or plus 9.1% in dollar terms. This reflects the continued strength of IQOS, and the recovery of the combustible business in many markets. We witnessed good organic growth of plus 5.4% in our net revenue per unit, driven by the increasing weight of IQOS in our sales mix and pricing on both HTUs and combustibles.

Our adjusted operating income margin decreased by 10 basis points on an organic basis. This reflects the expected initial higher unit costs of IQOS ILUMA and increased commercial spend partly related to its launch, offsetting the continued positive effect from the increasing weight and profitability of IQOS, pricing and productivity savings. Our resulting adjusted diluted EPS of $1.58 represents plus 8.5% organic growth, and plus 11.3% in

Looking at year-to-date performance, our adjusted net revenues grew by almost plus 11% in dollar terms and by plus 7.3% organically. This reflects the consistent growth of IQOS, where progress throughout the pandemic has been impressive. We delivered strong organic growth of nearly plus 6% in our net revenue per unit, again reflecting our shifting business mix and pricing, with pricing on combustibles at just over 3% or around 5% excluding Indonesia.

Our year-to-date adjusted operating income margin increased by 280 basis points on an organic basis, an excellent performance driven by our top-line growth engines of IQOS and pricing combined with operating leverage and productivity savings. Our adjusted diluted EPS grew plus 15.8% organically and plus 20.4% in dollar terms, also obviously a very strong result.

This brings me to guidance for 2021. We are revising our organic growth outlook for net revenues to plus 6.5 to plus 7%, representing the upper half of the previous range, and reaffirming the strong outlook for organic OI margin expansion of around 200 basis points. We also confirm our currency-neutral adjusted diluted EPS growth forecast at the upper end of our previous range, reflecting plus 13% to plus 14% growth, or plus 16% to plus 17% in dollar terms. This translate into an adjusted diluted EPS range of $6.01 to $6.06, including an estimated favorable currency impact of $0.17 at prevailing rates.

Following on from our most recent public comments, as the tightness in device supply persists, we now expect our HTU shipment volumes to be around 95 billion units, as we prioritize devices for user retention. Given the continued growth of HTUs and the need to maintain inventory duration, we continue to expect our full year shipments to be slightly ahead of IMS volumes.

This guidance does not include any material impact of share repurchases or acquisitions. Share repurchases through October 15th amount to around $170 million, after some limitations during Q3 from blackout restrictions. In terms of other assumptions, we are assuming only a limited Q4 recovery in Duty Free following a modest improvement in Q3, with intercontinental and Asian travel still very subdued. We continue to assume full year combustible pricing of plus 2% to plus 3%, with a softer expected Q4 reflecting continued pandemic-related challenges in certain markets, notably in South & Southeast Asia, as well as tough comparisons in Germany and Australia. Lastly, in 2021, we continue to expect around $11 billion of operating cash

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