



Bullish Longer Term View in Philip Morris Calls

Ticker/Price: PM (\$67.55)

Analysis:

Philip Morris (PM) size buyer on 5/13 of 1,000 January 2022 \$70 calls for \$8.45 and follows recent buyers of the December \$72.50 calls. PM has seen sellers in the January \$75 puts and June \$80 puts as well, both a bit underwater from earlier 2020 trades. Shares pulled back to key support from 2018 recently before bouncing over 40% and today trying to hammer off the 50% retracement of that move. A move above the 8-EMA at \$70 sets up for a potential return higher to the 200-day at \$80. The \$107.1B tobacco company trades 12.8X earnings and 3.55X sales with a 6.8% yield and strong liquidity position to cover near-term maturities and an ongoing \$1B cost-cutting program. PM saw a strong Q1 with expectations for more pressures in Q2 although we've seen some positive commentary recently from peers like Swedish Match which indicate that demand has remained steady. PM has been able to keep manufacturing operations functioning well during the pandemic as inventories were healthy before the temporary shutdown and capacity was only impacted by 20%. PM has been growing IQOS users by nearly 70% Q/Q since early 2018 and now the third largest brand in all of its major markets. Analysts have an average target for shares of \$92. Goldman starting at Buy on 4-1 noting that the actual impact of COVID-19 on consumer behavior is being dramatically overblown while PM has multiple levers to offset any potential near-term pressure including pricing changes and cost-cutting. Piper positive in March noting that nicotine demand will remain resilient near-term. Cowen in February noted that IQOS remains a major long-term story given its attractive unit economics and profit potential and the company has done an exceptional job of conversion early. Short interest is 0.7%. Hedge fund ownership fell 2%. PM last saw insiders buying stock in May 2019 around \$84.50.

Hawk Vision:



Hawk's Perspective: PM is a value/yield name though the market has not favored value for a long time and personally have trouble seeing much of a future for Tobacco, so not a name overly interested in participating.

Confidence Ranking: \$\$