



PHILIP MORRIS  
(PAKISTAN) LIMITED

# CORPORATE ANALYST BRIEFING SESSION

13<sup>th</sup> December' 2024



## AGENDA

About PMPKL

Economic Environment

Industry Overview

Financial Performance 9M' 2024

Sustainability

Q&A

# About PMPKL

Upstream

Direct Operations

Downstream

8000  
Contracted Farmers

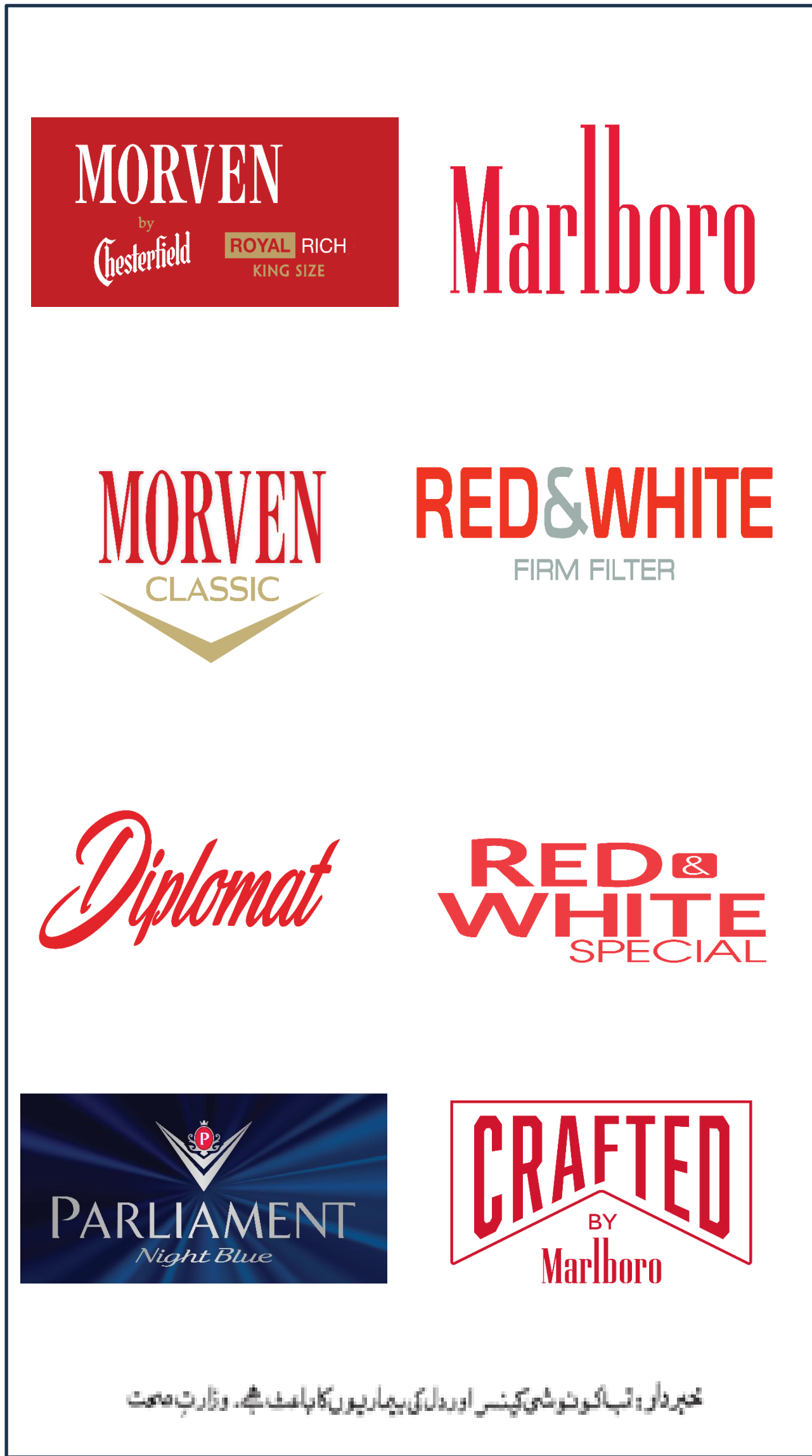
Green Leaf Threshing Plant  
Mardan

Cigarette Production Factory  
Sahiwal

Head Office  
15 Sales Offices

Distribution Network





تعمیر کار: تاباک نوشی کینس اور دل کی بیماریوں کا باعث ہے، وزارت صحت

## Nicotine Pouches



THIS PRODUCT IS NOT RISK FREE AND CONTAINS NICOTINE, WHICH IS ADDICTIVE. ONLY FOR USE BY ADULTS

## Heat not burn



THIS PRODUCT IS NOT RISK FREE. ONLY FOR USE BY ADULTS



THIS PRODUCT IS NOT RISK FREE AND CONTAINS NICOTINE, WHICH IS ADDICTIVE

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## IMF Update

✓ **\$7 bio (37-month Extended Fund Facility Arrangement)** approved by IMF on 25<sup>th</sup> Sep

IMF, while commending Pakistan's efforts in restoring economic stability, has suggested several key reforms:

- 1. Fiscal Consolidation:** Reduction in fiscal deficit including tax reforms and better revenue collection
- 2. Structural Reforms:** Enhancing efficiency of State-Owned Entities and promoting private sector growth
- 3. Monetary and Exchange Rate Policies:** Strengthen the central bank's independence and ensure a flexible exchange rate.
- 4. Energy Sector:** Address circular debt and improve energy pricing

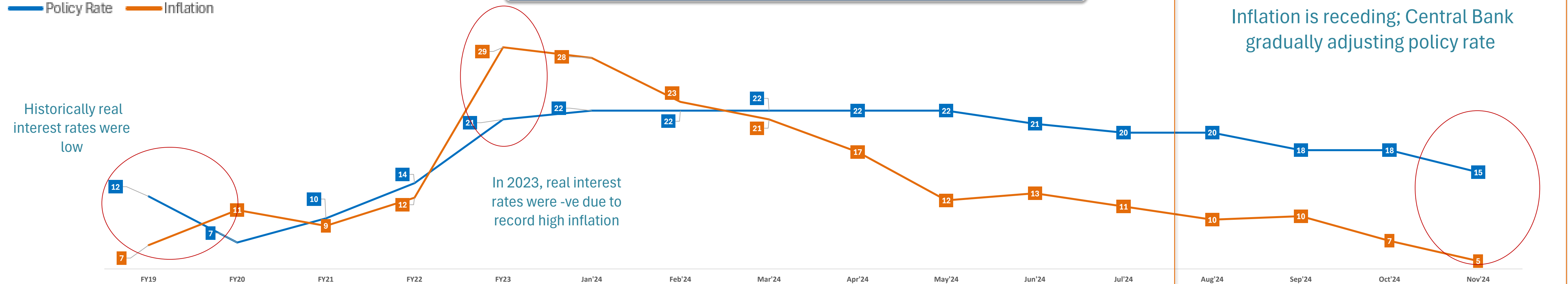
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## Other Updates

- Pakistan stock exchange rose to 110k in Dec'24 representing increase of **~+70%** vs 65k in Dec'23
- PKR has remained stable against USD
- **Pakistan's rating upgrade:** Moody's 'Caa3' to 'Caa2'; Fitch 'CCC' to 'CCC+'
- **Reduction in fuel prices:** PKR 281/liter in Dec'23 to PKR 252/liter in Dec'24 (**-12%**)
- **GDP Growth:** IMF expects growth from 2.4% in FY24 to 3.2% in FY 25
- **Slight improvement in Consumer Confidence Index** for Q3'24 vs Q3'23, however, only 1 in 10 people anticipate improvement in economic situation in the next 6 months

## Inflation

— Policy Rate — Inflation



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## Industry Overview

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- A major issue is the rise of Non-Tax paid cigarette brands. This undermines legitimate businesses and results in substantial revenue losses for the government.
- The tobacco industry in Pakistan suffers heavily due to the rampant sale of non-tax paid cigarettes, which now account for over 50% of the total market.
- The Government has imposed high excise duties on tobacco products, with unprecedented increase of over 150% in February 2023.
- The Government implemented Advance Excise duty Implementation on materials for cigarette production such as Acetate Tow & Filter Rods.
- PMPKL is leveraging its position to boost tobacco exports and generating much needed foreign reserves. PMPKL 9 months Export amounted to PKR 7.7 Bio (USD 28 Mio)



Cigarettes – Excise per pack		
	Tier 1 - Premium	Tier 2 - Value
May'22	104	33
June'22	118	37
Aug'22	130	41
Feb'23	330	101
Feb'23 vs Aug'22	~+150%	~+146%
	Minimum Price/Pack <b>162.25</b> (Including Sales Tax)	

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# Financial Performance - 9 months ended September 2024 (vs. SPLY)

Net Turnover (Bio)

20.5

50% ▲

Gross Profit (Bio)

2.4

55% ▼

Operating Profit (Bio)

1.4

20% ▼

Profit After Tax (Mio)

421.7

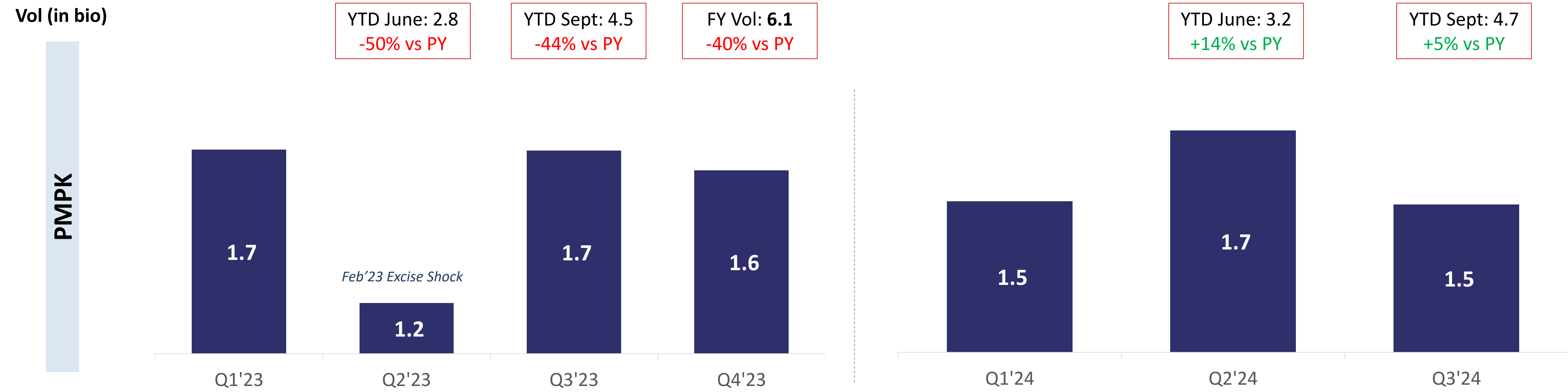
36% ▼

Earning Per Share (Rs)

6.8

36% ▼

# Our Cigarettes Volume Evolution 2023-2024



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# Transforming For a Sustainable Future



## ZERO DEFORESTATION MANIFESTO

In 2024, **100%** of the tobacco cured with biomass by PMPKL was sustainable and **100%** of the fuelwood utilized by contracted farmers complied with the Zero Deforestation Manifesto. PMPKL contracted farmers sourced their fuelwood from commercial vendors identified through third-party assessments and continued to uphold this standard in 2024.



## WATER STEWARDSHIP CERTIFICATION

PMPKL Sahiwal and Mardan factories obtained the Alliance for Water Stewardship Certification, clearing the annual surveillance audits. PMPKL Sahiwal, in collaboration with the local union council, installed a 2000L/day Arsenic Water Filtration Plant for the benefit of local community and schools. Additionally, PMPKL's Leaf Team conserved 451,000 cubic meters of water through the Laser Land Leveler initiative implemented in 2023.



## EQUAL SALARY CERTIFICATION

Being committed to make PMPKL an inclusive workplace for all, in April 2022, PMPKL recertified its global Equal Salary Certification, originally awarded by The EQUAL-SALARY Foundation in 2019. This certification, valid until 2025, underscores PMPKL's dedication to fostering an inclusive and diverse workplace, reinforcing its commitment to being a top employer.



## MAKE YOUR COME BACK 3.0

PMPKL launched the Make Your Come Back (MYCB) Program in 2021 with the aim to provide a platform to women who have taken a break and wish to transition back to their careers. In 2024, PMPKL concluded its third round of the MYCB Program and encouraged more women to join the workforce to contribute to the overall business community.



## GREEN ENERGY GENERATION

PMPKL has undertaken multiple projects in the past 4 years to improve energy efficiency and increasing reliance on renewable energy sources. PMPKL reduced energy consumption by approximately 46% in terms of energy consumed per Million of Cigarettes (Mio/Cig) produced from 2018 as a baseline. In 2023, PMPKL consumed 364,640 kWh less electricity after offsetting the impact of a 40% volume reduction compared to 2022. In 2023, PMPKL's Sahiwal factory generated 15% of its total yearly energy demand from renewable energy.



## LEAF STRINGING MACHINE

To eliminate children's involvement in stick-tying activity, in 2023, the PMPKL leaf team in collaboration with local engineers designed and developed a local stringing machine, that cannot be operated by children and makes the stick-tying activity convenient for adults. These machines continue to be used and assist in eliminating child labor.



## SKILLS TRAINING PROGRAM

During 2024, **896 adolescent girls and boys** aged 15-17 years were engaged through the Skills Training Program in Mardan, with the aim to impart lifelong skills enabling them to be financially empowered. Electrician and horticulture training was arranged for boys whereas tailoring, food preparation and preservation training was arranged for girls.



## PMPKL CLEAN-UP DRIVE

In 2024, PMPKL organized cleanup drives in Mardan, Sahiwal, and Karachi, involving over 263 participants, including senior management, employees, volunteers, and Environmental Protection Agency representatives. 1,067 kg of waste was collected, and over 1,330 kg of CO2 emissions were prevented.

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**Thank You**