Homework for Philip Morris:

Here are the questions (below) and 2011 PM Annual Report (attached, also link below).

<http://media.corporate-ir.net/media_files/irol/14/146476/ar2011/index.html>

Within the Annual Report, focus on the Business, MD&A (Management Discussion & Analysis) and Financial Statements sections.  Don't worry about the legal sections or footnotes unless you want to.

As you read, please do the following:

1. Do a quick Porter analysis of the cigarette industry
   * Based on the Porter analysis, is this an attractive or unattractive industry?
   * How would you expect Philip Morris' company-specific analysis to be the same as / different than the industry analysis?
2. Take a quick look at basic financial analysis ratios for PM, and characterize each as high or low (relative to the S&P 500 or relative to an "average" company):
   * Revenue growth
   * Volume
   * Price
   * Gross margin
   * Operating margin
   * Earnings growth
   * ROE
   * ROIC
   * Do these agree with / support your strategic analysis conclusion of whether this is an attractive industry or an unattractive industry?
3. Valuation:
   * What metrics are most appropriate for valuing a stock like this?
   * What would you pay for a company with these strategic & financial characteristics?
4. What questions would you ask management to help you refine your valuation?