BBN 16:36 Philip Morris Buyback Likelier Than Business Split, Analysts Say

New York, April 15 (Bloomberg) -- While Philip Morris Cos. says it's looking at splitting its food and tobacco operations into separate companies, analysts say a share buyback is more likely.

"I personally don't think (a split's) going to happen now," said Duff & Phelps analyst Ellen Baras. Gary Black of Sanford C. Bernstein & Co. agreed: "We doubt that a spinoff will actually occur."

Other analysts backed that view, saying a stock buyback would be a cheaper way to boost shareholder value. Black and Marc Cohen of Goldman Sachs, among others, said they think Philip Morris is likely to speed its stock repurchase program.

Philip Morris probably is buying 800,000 or more shares a week already, Black wrote in a report today, and is likely to announce a big new buyback program this summer. The company had 878 million shares outstanding at the end of 1993, down 3.1% from a year earlier.

A split would protect the food side, whose brands include Philadelphia cream cheese, Oscar Mayer meats and Miller beer, from problems on the tobacco side, especially as the government considers banning or restricting the sale of tobacco products.

A division is "the most important area we're looking at," said Geoffrey Bible, Philip Morris executive vice president, speaking on "Inside Opinion" on CNBC. "Right now, we're focusing upon that."

Bible declined to speculate on the chances of such a move. His comments came a day after the company confirmed a Financial Times report that its board is looking at separation and other alternatives to increase shareholder value.

But Philip Morris has considered -- and rejected -- such a division in the past, analysts said.

It's not the only food and tobacco concern pondering such a move, though. In late February, No. 2 cigarette maker RJR Nabisco Holdings Corp. told the Securities and Exchange Commission it's again considering trying to split off its food lines.

Drop in Share Price

The need for Philip Morris to do something to prop up its stock might abate, analysts said, as the market realizes that the noise in Washington has driven down share prices too far.

Tobacco shares have tumbled in the two months since U.S. Food and Drug Administration Commissioner David Kessler indicated that Congress should consider regulating cigarettes as drugs, which could lead to a ban on their sale. Executives from Philip Morris and six other tobacco companies yesterday made their first appearance before the House Energy and Commerce health and environment subcommittee, and agreed to provide internal studies on the addictive qualities of nicotine.

Shares in Philip Morris, the world's biggest tobacco producer, have fallen to 50, up 3/8 in trading today, from 60 1/4 on Jan. 31. The company sells Marlboro, Virginia Slims and Merit cigarettes, among others.

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