January 15, 2026

CURRENT PRICE:	**$61.58**
RATING:	**BUY**
PRICE TARGET:	**$65**
CURRENT YIELD:	**6.9%**

EPS Estimates

	DEC 24A	DEC 25E
1Q	$1.16	$1.23A
2Q	$1.33	$1.44A
3Q	$1.40	$1.45A
4Q	$1.29	$1.30
	$5.18	**$5.42**

Trading Data

52-WEEK PRICE RANGE:	**$68.50 - $50.08**
SHARES OUTSTANDING:	**1,680(M)**
MARKET CAP:	**$103.5(B)**
AVG. DAILY TRADING VOLUME:	**9.2(M)**
S&P 500:	**6,942**

Valuation Data

BOOK VALUE:	**n/a**
PRICE TO BOOK:	**n/a**
DIVIDEND:	**$4.24**

Altria Corp (NYSE: MO)

Improved Earnings & Cash Flow

Highlights

- 3Q25 adjusted earnings of $1.45/share vs. $1.40 during 3Q24
- Increased annual dividend 3.9%
- Raised share repurchase program by $1 billion
- Affirmed FY25 adjusted earnings guidance to $5.37-$5.45/share
- Maintain BUY rating & price target to $65/share

Investment Thesis

Altria Corp (MO-$60.63), formerly known as Philip Morris, is the largest US tobacco company. MO is focused on the US domestic tobacco business and has seen year-over-year revenue & dividend growth, on a pro-forma basis. During the past few years, MO to successfully navigate through earnings concerns, the Covid pandemic, and investor disappointment over the company's JUUL investment, and returns from its equity stake in Anheuser-Busch InBev (BUD-$68.72) stock, its shares have rebounded over recent tariff concerns. MO offers investors a dividend yield of 6.7%. These shares are recommended for moderate-to-aggressive risk-tolerant income/growth investors.

Company Summary

Altria Group, headquartered in Richmond VA, is the parent company of Philip Morris USA, US Smokeless Tobacco, and Philip Morris Capital Corp (PMCC). The company operates two segments: smokeable products and oral tobacco products. The company has 6,000 employees located throughout the US. Philip Morris USA manufactures and sells cigarettes, and other tobacco products, in the US. This unit's cigarette brands include "Marlboro"(#1 in US market share), "Benson & Hedges", "Parliament", "Basic" and "Virginia Slims". This business gives MO approximately a 50% market share of the US cigarette market. Through 12/31/24 Philip Morris USA generated approximately 88.4% of overall revenues. After selling its wine business, MO has two primary revenue generating units: Smokeable Products & Oral Tobacco Products.

For Important Disclosure information regarding the Firm's rating system, valuation methods and potential conflicts of interest, please refer to the last two pages of this report.

Business Overview

MO is the largest cigarette manufacturer in the US. In 2007 the company purchased the John Middleton Co whose products included machine-made cigars (Black & Mild)/pipe tobacco. The Smokeable products unit (includes cigarettes/cigars) generated 88.4% of MO's revenues during FY24. PMCC owns a portfolio of leveraged/direct finance leases and produced less than 1% of revenues. MO also owns approximately an 8.1% economic equity interest, with voting rights, in Anheuser-Busch InBev (BUD-$68.72). Over the past twenty years MO at one time owned, or acquired, Miller Brewing, Nabisco, Kraft, and Jacobs Suchard AG. These businesses were subsequently either sold or spun-off. During the past few years the company spun-off Kraft Foods (KHC-$24.25) and Philip Morris Intl (PM-$172.56). In 2009 MO purchased of US Tobacco (Skoal/Copenhagen brands) currently giving MO 37% of the US smokeless tobacco market share in 2024. To diversify its revenue stream, MO acquired equity stakes in Cronos (CRON-$2.59) and JUUL Labs (recently written off). During 2021, MO completed the sale of Ste. Michele Wines business. Given the industry wide declines in tobacco consumption, MO began offering tobacco alternative products, such as “NJOY” and “on!” to produce a new revenue stream.

Recent Earnings

MO reported 3Q25 earnings rose 5.2% to $1.41/share vs. $1.34/share during 3Q24. The increase came from higher reported operating companies income (OCI), fewer shares outstanding, favorable income tax benefits, & lower costs related to MO’s NJOY acquisition. On a quarter-to-quarter comparison, net revenues decreased 3% to $6.07 billion, OCI improved 1.3% to $3.81 billion, and general corporate expenses declined to $57 million from $92 million. MO’s adjusted earnings rose 3.6% to $1.45/share from $1.40/share when comparing the two quarters. The improvement was due to higher adjusted OCI and fewer shares outstanding. Adjusted earnings were also helped by a 9% improvement in results from MO’s BUD equity ownership. Results were hurt by approximately $0.02/share, due to mark-to-market losses on certain financial instruments associated with MO’s ownership of BUD shares.

SEGMENT RESULTS: 3Q25 vs. 3Q24

SMOKEABLE PRODUCTS: Reported OCI rose 0.2% to $2.942 billion from $2.937 billion due to higher pricing, lower per unit settlement charges, decreased tobacco/health and other litigation items. These were partly offset by lower shipment volumes, higher promotional expenses, a decrease in NPM Adjustment items, and higher costs. Adjusted OCI improved 0.7% to $2.956 billion from $2.935 billion because of higher pricing and lower per unit settlement charges. These were partly offset by lower shipment volumes, higher promotional expenses, and higher costs. As a result, OCI and adjusted OCI margins increased to 64.1% from 63.1%, and to 64.4% from 63.1%, respectively. Overall revenues decreased 2.8%, to $5.39 billion from $5.54 billion, due to lower shipment volumes, higher promotional expenses, while being partly offset by higher pricing.

When comparing the two quarters, total smokeable product shipments decreased 8.0% to 16.7 billion sticks from 18.01 billion sticks due to the overall industry's rate of decline (impacted by e-vape products) and retail share losses. These were partially offset by trade inventory movements. If adjusted for trade inventory movements and calendar differences, then shipment volumes fell by an estimated 9%. Marlboro shipments declined 11.7% to 14.24 billion sticks, Other Premium fell 9.7% to 744 million sticks, and Discount rose 74.5% to 1.21 billion sticks. Total cigar shipment increased 2% to 453 million sticks.

MO's total cigarette market share declined 0.3% to 45.4% from 45.7%. This occurred mainly from Marlboro's market share fell to 40.4% from 41.6%, while Other Premium's was flat at 2.2%, and Discount's rose to 2.8% from 1.9%.

ORAL TOBACCO PRODUCTS: Reported OCI decreased to $459 million from $464 million driven by lower shipment volumes and product mix change while being partially offset by higher pricing and lower costs. For these same reasons, adjusted OCI dropped to $460 million from $464 million. Reported OCI margins rose to 69.0% from 66.8% and adjusted OCI margins improved to 69.2% from 66.8%. Total revenues declined to $689 million from $722 million.

Total oral product shipment volumes declined 9.6% due to retail share loss, trade inventory movements, calendar differences, and other factors. Partially offsetting these was the industry's growth rate. When adjusted for calendar differences and trade inventory movements, shipment volumes fell by an estimated 5.5%. Copenhagen shipments fell 12.4% to 88.8 million cans, Skoal's decreased 17.1% to 31 million cans, followed by a 1.2% drop from Other's shipments. Meanwhile, "on!" shipments rose 0.7% to 42.2 million.

MO's total market share fell to 31.1% from 37.2% due to decreases in Copenhagen (14.6% vs. 18.5%), Skoal (5.6% vs. 7.3%), Other (2.2% vs. 2.6%), and "on!" (8.7% vs. 8.8%).

RECENT DEVELOPMENTS:

CEO Billy Gifford announced he will retire on 5/14/26. The Board of Directors has selected CFO Sal Mancusco to succeed Billy Gifford as CEO. Taking Mancusco's position as CFO will be Heather Newman.

George Munoz, a director of MO, announced he will retire from his position on 5/14/26.

The Board of Directors raised MO's annual dividend 3.9% to $4.24/share from $4.08/share. This represents the 60th dividend increase in 56 years.

During 3Q25 MO repurchased 1.9 million shares through its current stock repurchase program. The Board of Directors authorized the expansion of the existing share repurchase program, from $1 billion to $2 billion, and will expire 12/31/26.

Helix recently launched a new "on!" product, called "on! PLUS" in the states of FL, NC, and Texas, featuring the flavors of mint, wintergreen, & tobacco.

Horizon submitted a combined premarket tobacco product application and a modified risk tobacco product application to the FDA for "Ploom" & "Marlboro" heated sticks.

MO entered into a non-binding Global Collaboration Memorandum of Understanding with KT&G Corporation, a global tobacco/consumers products company. This will potentially assist MO with its long-term adjacent growth goals in smoke-free products and non-nicotine products by increasing market demand for nicotine pouch products in international markets. KTG is the largest Korean tobacco manufacturer, and one of the five largest in the world, with a goal of growing business through active global expansion in the cigarette/heated tobacco markets.

Our Thoughts

A good 3Q25 earnings report as MO reported earnings of $1.41/share vs. $1.34/share during 3Q24 and adjusted earnings of $1.45/share vs. $1.40/share. The increase came from higher reported OCI, fewer shares outstanding, favorable income tax benefits, & lower costs related to MO's NJOY acquisition. Management's focus on increasing cash flow has shown positive results given the recent annual dividend increase (+3.9%) & the extension of the current share repurchase program by $1 billion through 12/31/26.

MO's longer-term strategy is to move away from its dependence on combustible products towards non-combustible and alternative products. Our sense is, if the company is successful in this effort, then Wall Street could reward the stock with a higher price/earnings ratio-currently at 11.34x our 2025 adjusted earnings estimate of $5.42/share. Also, should management continue to improve cash flow, then dividend increases and further share repurchase programs

could occur going forward. We continue to rate MO a BUY with a price target of $65/share, equating to 11.99x our 2025 adjusted earnings estimate of $5.42/share.

RISKS TO OUR $65/SHARE PRICE TARGET

Decreasing earnings/cash flow at MO. Decreasing US cigarette consumption, lower oral tobacco product sales, or falling consumption volumes may also hurt the company's revenues/profits. Declining earnings for MO's two operating units poses a risk to the company. Ownership stakes in Cronos may not be profitable or produce profits to pay higher interest payments on subsequent debt incurred for these investments. Additionally, there is no guarantee non-combustible product sales will be profitable, or offset declining sales of traditional tobacco revenues. This stock could decline in value if MO reduces/eliminates the common stock dividend or is unable to pay its debt. Litigation/regulation risks and excise taxes are a threat to MO. Rising interest rates/inflation, corporate taxes, economic recessions, higher tobacco prices, increased gasoline prices, rising operating costs/debt expense, or tax issues could negatively impact MO's future earnings. This stock may be adversely impacted by negative equity/credit markets, credit ratings agencies downgrading MO's debt, regulatory oversight, geopolitical events, wars, cyber hacking, supply chain issues, black swan events, terrorist attacks, and failure to comply with Sarbanes Oxley and generally accepted accounting guidelines. All factors mentioned above could cause a decline in MO's stock price or its ability to maintain its common stock dividend.

Risks

There is no guarantee MO will improve earnings/cash flow. Declining US cigarette consumption/volumes may hurt the company's revenues and profits. Declining earnings from MO’s two operating units pose a risk to the company. Additonally, there is no guarantee non-combustible product sales growth will occur and offset declining traditional tobacco product revenues. Ownership stakes in Cronos may not be profitable or produce profits to pay higher interest payments on subsequent debt incurred for these investments. This stock could decline in value if MO reduces/eliminates the common stock dividend. Litigation/regulation risks and excise taxes are a threat to MO. Rising interest rates/inflation, corporate tax rates, economic recessions, higher tobacco prices, increased gasoline prices, rising operating costs/debt expense, or tax issues could negatively impact MO's future earnings. This stock may be adversely impacted by negative equity/credit markets, credit ratings agencies downgrades of MO’s debt, regulatory oversights, geopolitical events, wars, cyber hacking, supply chain issues, black swan events, terrorist attacks, and failure to comply with Sarbanes Oxley and generally accepted accounting guidelines. All factors mentioned above could cause a decrease or elimination of MO’s common stock dividend.

Steven F. Marascia
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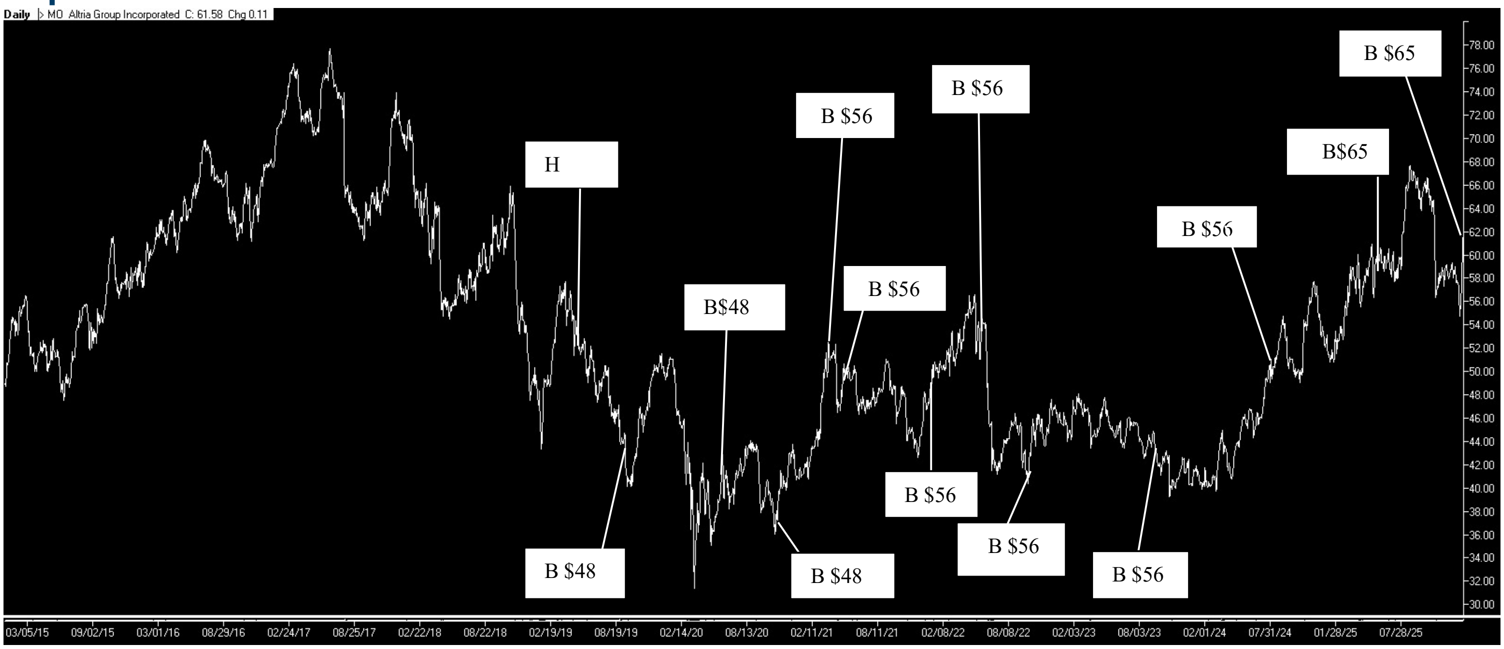
Capitol Securities Management, Inc. — Equity Research

Altria Group, Inc.
(dollars in millions, except per share data

	1Q24	2Q24	3Q24	4Q24	FY24	1Q25	2Q25	3Q25	4Q25e	FY25e
Net revenues	$5,576	$6,209	$6,259	$5,974	$24,018	$5,259	$6,102	$6,072	$5,904	$23,337
Cost of sales	1,437	1,602	1,536	1,502	6,077	1,270	1,440	1,439	1,476	5,625
Excise taxes on products	859	932	915	868	3,574	740	812	821	856	3,229
Gross profit	3,280	3,675	3,808	3,604	14,367	3,249	3,850	3,812	3,572	14,483
Marketing, administration, & research costs	467	528	526	601	2,122	488	529	485	467	1,969
Exit cost/asset impairment		354		35	389	873	1	2		876
Operating companies income	2,813	2,793	3,282	2,968	11,856	1,888	3,320	3,325	3,105	11,638
Amortization of intangibles	27	37	38	37	139	37	37	38	24	136
General corporate expenses	112	233	92	49	476	63	53	57	47	220
Changes to MDLZ/PM tax-related receivables										
Adjustment to 3rd party guarantee accrual										
Corporate asset impairment/exit costs										
Corporate exit cost										
Operating income	2,674	2,533	3,152	2,882	11,241	1,788	3,230	3,230	3,034	11,282
Restructuring charege										
Interest & other debt expense,net	254	261	267	255	1,037	262	275	278	242	1,057
Loss on early extinguishment of debt										
Net periodic benefit income, excluding svc cost	24	25	25	28	102	14	15	16	21	66
Earnings from equity investments	295	119	116	122	652	143	148	107	119	517
Other Income										
Loss on AB InBev/SAB Miller business combination										
Gain on sale of IQOS rights		2,700			2,700					
Impairment on JUUL investment										
Earnings before income taxes	2,739	5,116	3,026	2,777	13,658	1,683	3,118	3,075	2,932	10,808
Income taxes	610	1,313	733	262	2,394	606	740	700	674	2,720
Net earnings (continuing ops.)	$2,129	$3,803	$2,293	3,039	11,264	1,077	2,378	2,375	2,258	8,088
Earningns from discontinued ops.										
Earnings attributable to non-controlling interests										
Net earnings	$2,129	$3,803	$2,293	$3,039	$11,264	$1,077	$2,378	$2,375	$2,258	$8,088
Net earnings attributable to Altria	$1.21	$2.21	$1.34	$1.79	$6.55	$0.63	$1.41	$1.41	$1.31	$4.76
Earnings per share	$1.16	$1.33	$1.40	$1.29	$5.18	$1.23	$1.44	$1.45	$1.30	$5.42
Continuing operations earnings per share	$1.21	$2.21	$1.34	$1.79	$6.55	$0.63	$1.41	$1.41	$1.31	$4.76

Important Disclosures



9/14/09 $17.99 Initiate BUY
5/18/10 Raised price target to $23/share
8/17/10 Raised price target to $24/share
11/16/10 Raised price target to $26/share
5/10/11 Raised price target to $29/share
2/28/12 Raised price target to $31/share
5/16/12 Raised price target to $33/share
8/31/12 Raised price target to $36/share
6/07/13 Raised price target to $38/share
6/24/14 Raised price target to $44/share
11/26/14 Reduced rating to HOLD
6/12/20 Raise rating to BUY with a $48 price target
3/29/21 Raised price target to $56/share
6/2/25 Raised price target to $65/share
Ratings:
Buy: B
Hold: H
Sell: S

$65 price target equates to 11.99x our 2025 adjusted earnings estimate of $5.42/share

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Analyst Steven Marascia owns shares of Altria Corp.

Stock ratings used in this report are defined as follows:

(1) Buy – The stock's total return including dividends is expected to exceed the industry or market average by at least 10% over the next twelve months.
(2) Hold – The stock's total return including dividends is expected to be in line with the industry or market average of +/- 10% over the next twelve months.
(3) Sell – The Stock's total return including dividends is expected to be below the industry or market average by 10% or more over the next twelve months.

The distribution of investment ratings for all companies in our coverage universe are as follows: (1) 33.3%, (2) 66.7%, (3) 0%

The distribution of investment ratings used for companies whom we have performed banking services in the last 12 months are (1)0%, (2) 0%, (3) 0%

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