



Altria Group, Inc. (MO)

Updated February 10th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$52.7	5 Year CAGR Estimate:	7.4%	Market Cap:	\$89.2 B
Fair Value Price:	\$48.1	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	3/26/25 ¹
% Fair Value:	110%	5 Year Valuation Multiple Estimate:	-1.8%	Dividend Payment Date:	4/10/25 ²
Dividend Yield:	7.7%	5 Year Price Target	\$53	Years Of Dividend Growth:	55
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Hold

Overview & Current Events

Altria Group was founded by Philip Morris in 1847. Today, it is a consumer staples giant. It sells the Marlboro cigarette brand in the U.S. and a number of other non-smokeable brands. Altria also has a 10% ownership stake in global beer giant Anheuser Busch InBev, in addition to large stakes in Juul, a vaping products manufacturer and distributor, as well as cannabis company Cronos Group (CRON). It currently trades at a market capitalization of \$89.2 billion.

Altria Group reported solid financial results for the fourth quarter and full year of 2024, delivering adjusted diluted EPS growth of 3.4% and returning over \$10.2 billion to shareholders through dividends and share repurchases. The company highlighted strong performance in its core tobacco businesses, with revenue growth and margin expansion, while also making strategic investments in its smoke-free product portfolio. Marlboro maintained its dominance in the premium cigarette segment, despite continued pressure from the growing discount segment and cross-category movement to smoke-free alternatives. NJOY, Altria's e-vapor brand, showed volume and market share growth in the competitive pod segment, supported by expanded retail distribution and marketing investments. However, the company acknowledged that illicit disposable e-vapor products continue to dominate the market, accounting for over 60% of the category, which has created significant challenges for legal operators. Due to the rapid growth of the illicit market and regulatory uncertainties, Altria is reassessing its 2028 smoke-free goals and NJOY-specific financial targets. In oral nicotine, on! performed well, growing its market share and achieving profitability ahead of schedule. The company remains optimistic about further growth in the nicotine pouch category and is preparing for the U.S. launch of its on! PLUS product once FDA authorization is secured. Meanwhile, Altria continues regulatory preparations for heated tobacco products through its joint venture with Japan Tobacco, expecting to submit a PMTA for Ploom in mid-2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.67	\$3.03	\$3.39	\$3.99	\$4.22	\$4.36	\$4.61	\$4.84	\$4.95	\$5.12	\$5.34	\$5.90
DPS	\$2.17	\$2.35	\$2.54	\$3.00	\$3.28	\$3.44	\$3.52	\$3.76	\$3.84	\$4.00	\$4.08	\$4.75
Shares³	1954.0	1936.2	1898.1	1874.4	1858.4	1858.7	1817.3	1785.6	1763.5	1694.0	1694.0	1660

Altria has generated steady earnings and dividend growth for many years after accounting for the spin-offs of Kraft Foods and Philip Morris International. This, however, is a period of transition for Altria. The decline in the U.S. smoking rate continues, though it has recently recovered some. In response to the negative long-term trend, Altria has invested heavily in new products that appeal to changing consumer preferences. They are also investing heavily into share repurchases to try to support continued earnings-per-share and dividend-per-share growth. Altria invested billions of dollars in Canadian marijuana producer Cronos Group for a 55% equity stake (including warrants) and a 35% equity stake in e-vapor manufacturer Juul Labs. In light of these large investments, Altria announced a cost-cutting program designed to reduce annual expenses by \$500 million to \$600 million. We also note that the company's investments in Juul and

¹ Estimate

² Estimate

³ In millions

Disclosure: This analyst has a long position in the security discussed in this research report.



Altria Group, Inc. (MO)

Updated February 10th, 2025 by Samuel Smith

Cronos have resulted in billions of dollars in losses for Altria since its inception. Moving forward, we expect the company to generate low-single-digit annualized earnings per share growth.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.4	15.8	17.7	19.3	19	20.2	12.9	13.2	8.1	10.6	9.9	9.0
Avg. Yld.	5.0%	4.7%	4.2%	4.0%	4.2%	3.8%	6.0%	5.9%	9.8%	7.5%	7.7%	8.9%

Altria stock trades for a price-to-earnings ratio of 9.9. Our fair value estimate for Altria is a price-to-earnings ratio of 9.0, a reasonable multiple for a highly profitable company with a strong moat and a lengthy track record of success that is facing volume declines in its core business and a rising interest rate environment. As a result, the stock is slightly overvalued at present. In addition, the yield is very attractive at 7.7%, which is high both on an absolute basis and against Altria's own historical yields.

Safety, Quality, Competitive Advantage, & Recession Resiliency

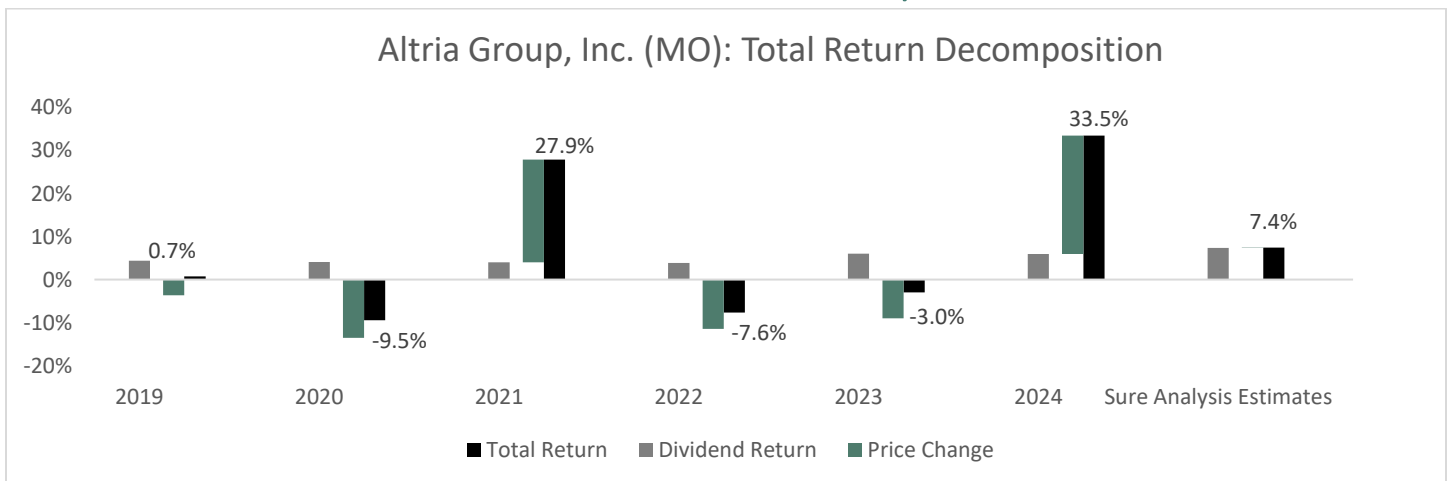
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	81.3%	77.6%	74.9%	75.2%	77.7%	78.9%	76.4%	77.7%	77.6%	78.1%	76.4%	80.5%

Altria ranks very highly in terms of safety because the company has tremendous competitive advantages. It operates in a highly regulated industry, which virtually eliminates the threat of new competition in the tobacco industry. Altria enjoys strong brands across its product portfolio, including the No. 1 cigarette brand. As a result, it has pricing power and brand loyalty. In addition, tobacco companies enjoy low manufacturing and distribution costs, thanks to its economies of scale. This has fueled Altria's tremendous dividend growth, enabling it to boast an impressive dividend growth streak of 54 years. Altria's business model is also highly resistant to recessions. Sales of cigarettes and other tobacco products hold up well when the economy declines. This explains why Altria's earnings rose steadily throughout the Great Recession, and why earnings were unscathed during the brief 2020 recession.

Final Thoughts & Recommendation

Altria offers a 7.4% annualized total return potential along with an attractive 7.7% dividend yield and a very impressive dividend growth track record. Furthermore, its business model has proven to be defensive. As a result, it is a fairly compelling dividend growth investment right now. The risk investors need to keep in mind is that the core industry is gradually declining as volumes continue to move lower year after year. Furthermore, the company has struggled to effectively allocate capital in attempts to grow outside of the core business. Overall, we rate it a Hold.

Total Return Breakdown by Year



Disclosure: This analyst has a long position in the security discussed in this research report.



Altria Group, Inc. (MO)

Updated February 10th, 2025 by Samuel Smith

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	18854	19337	19494	19627	19796	20841	21111	20688	20502	20444
Gross Profit	11114	11572	11963	12254	12711	13023	13992	14246	14284	14367
Gross Margin	58.9%	59.8%	61.4%	62.4%	64.2%	62.5%	66.3%	68.9%	69.7%	70.3%
SG&A Exp.	2708	2662	2338	2756	2226	2150	2432	2327	2737	2737
D&A Exp.	225	204	209	227	226	257	244	226	272	286
Operating Profit	8365	8910	9625	9498	10485	10873	11560	11919	11547	11630
Op. Margin	44.4%	46.1%	49.4%	48.4%	53.0%	52.2%	54.8%	57.6%	56.3%	56.9%
Net Profit	5241	14239	10222	6963	-1293	4467	2475	5764	8130	11264
Net Margin	27.8%	73.6%	52.4%	35.5%	-6.5%	21.4%	11.7%	27.9%	39.7%	55.1%
Free Cash Flow	5614	3637	4702	8153	7591	8154	8236	8051	9091	8611
Income Tax	2835	7608	(399)	2374	2064	2436	1349	1625	2798	2394

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	31,459	45,932	43,202	55,459	49,271	47,414	39,523	36,954	38,570	35,177
Cash & Equivalents	2,369	4,569	1,253	1,333	2,117	4,945	4,544	4,030	3,686	3,127
Acc. Receivable	124	151	142	142	152	137	-	1,721	-	177
Inventories	2,031	2,051	2,225	2,331	2,293	1,966	1,194	1,180	1,215	1,080
Goodwill & Int.	17,313	17,321	17,707	17,475	17,864	17,792	17,483	17,561	20,477	19,918
Total Liabilities	28,586	33,159	27,822	40,670	42,952	44,449	41,129	40,877	42,060	37,365
Accounts Payable	400	425	374	399	325	380	449	552	582	700
Long-Term Debt	12,847	13,881	13,894	25,746	28,042	29,471	28,044	26,680	26,233	24,926
Total Equity	2,880	12,770	15,377	14,787	6,222	2,839	(1,606)	(3,973)	(3,540)	(2,238)
LTD/E Ratio	4.46	1.09	0.90	1.74	4.51	10.38	(17.46)	(6.72)	(7.41)	(11.14)

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	15.9%	36.8%	22.9%	14.1%	-2.5%	9.2%	5.7%	15.1%	21.5%	30.5%
Return on Equity	178.2%	182.0%	72.6%	46.2%	-12.3%	96.2%	364.2%			
ROIC	31.4%	67.2%	36.6%	19.9%	-3.5%	13.4%	8.4%	23.4%	35.7%	49.5%
Shares Out.	1954.0	1936.2	1898.1	1874.4	1858.4	1858.7	1817.3	1785.6	1763.5	1694.0
Revenue/Share	9.61	9.91	10.15	10.40	10.59	11.21	11.44	11.47	11.54	11.87
FCF/Share	2.86	1.86	2.45	4.32	4.06	4.39	4.46	4.46	5.12	5.00

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.