

**PHILIP MORRIS (Outperform/Buy) — Castano Case Ruling on Discovery Not Key**  
Jay Nelson, CFA — June 26, 1995

---

	Price 6/23	Earnings Per Share			P/E Ratio		Dividend		5-Year Growth	52-Week Range
		12/94	12/95E	12/96E	12/95	12/96	Rate	Yield		
MO	\$75 3/4	\$5.45	\$6.40	\$7.40	11.8	10.2	\$3.30	4.4%	14%	\$77-51

Judge Okla Jones ruled on Friday in the Castano case that limited discovery would be permitted in the cases of the three named plaintiffs. This was a modification of the previously entered class-wide stay of discovery order.

More important in this case is the Fifth U.S. Circuit's pending decision on whether it will review the Castano class certification. We believe, given the importance of the case, that the Fifth Circuit will indeed review. Then, hearings could occur in late August and September.

**We rate MO Outperform/Buy. Over the next three months, MO's shares should be lifted 5% or so by what we estimate will be a 19% dividend hike to a \$3.92 per share annual rate on August 30. Over the next 12 months, we see MO's 1996-basis relative P/E rising to 0.80 which, in a flat market, would produce a price of \$88 per share.**