



KT&G

2023.11
INVESTOR RELATIONS

Value Day 2023

Disclaimer

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This presentation and related discussions contain certain forward looking statements related to expected future business, financial performance and/or the industry forecasts which are uncertain.

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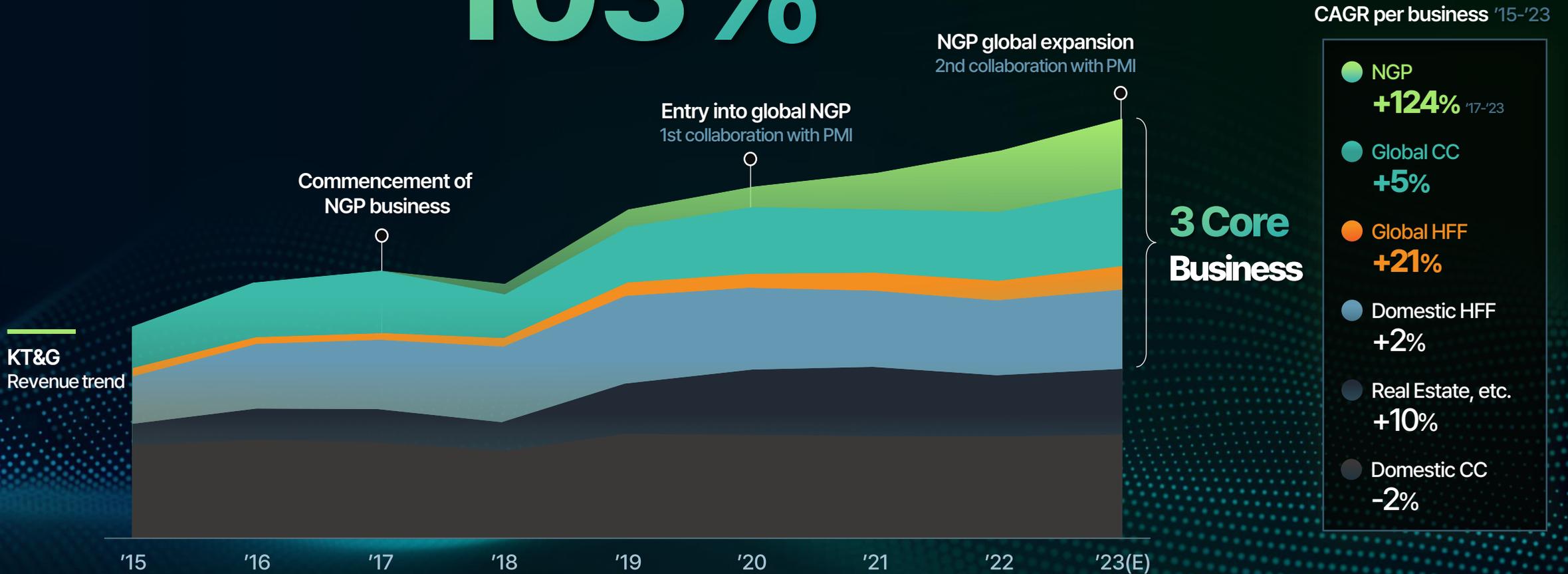
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01
KT&G's
Growth Story

Ongoing structural transformation driven by global expansion of the 3 core businesses

3 core business revenue growth '15 vs. '23

103%



Transition to a Global Top-Tier company by 2027 through future growth investment

GLOBAL TOP-TIER



Net Revenue (con)
KRW 6trn (e)

Net Revenue (con)
KRW 10trn (e)

Korea **No.1**

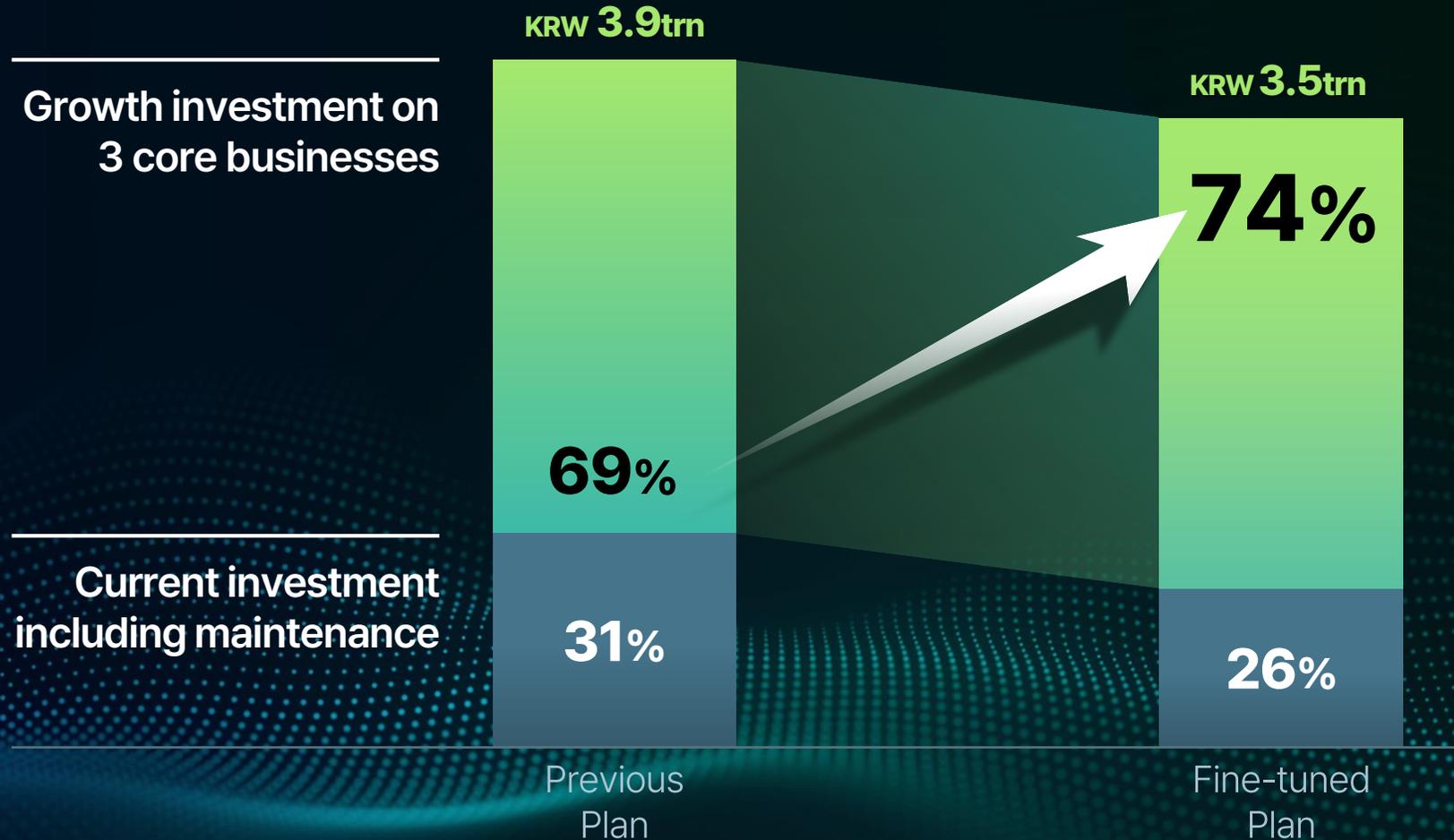
	2023	2025	2027		
Main KPIs	Global Business* (% of net revenue)	35%	44%	50% ↑	15%p ↑
	Non-Combustibles (% of net revenue)	55%	57%	60% ↑	5%p ↑
	ROE	10%	13%	15% ↑	5%p ↑

* Not including real estate

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02
**Investment
for Future Growth**

KT&G BOD continues to monitor the timing and scale of investment to maximize efficiency and effectiveness



20s% rate of return expected from the growth investment

 **ROIC**
Low-20s%

Expected ROIC after
normalization of revenues in '27

+

IRR 
Mid-20s%

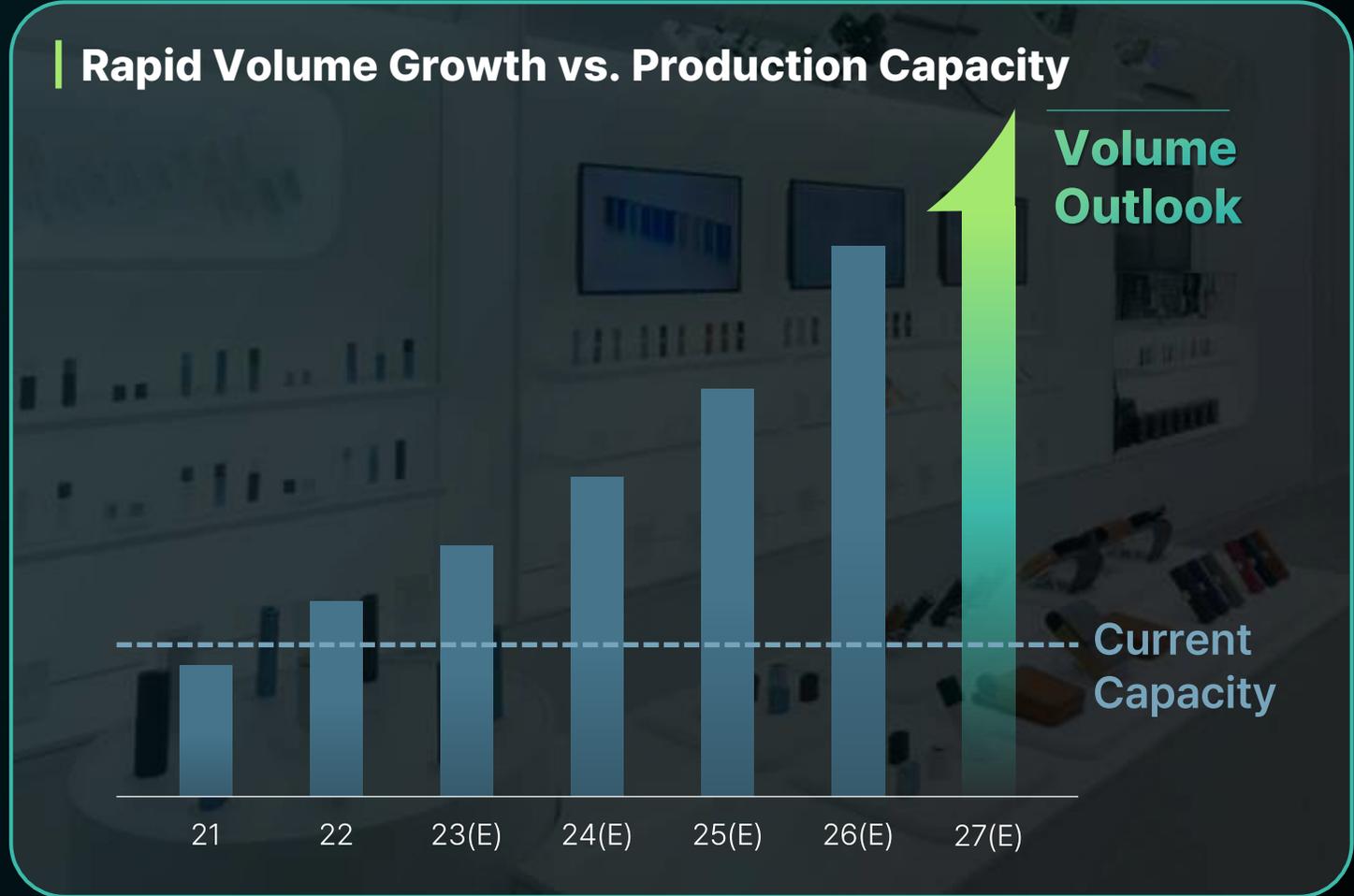
Higher returns vs.
required rate of return (10.1%)

In-house manufacturing capacity requires expansion as growth of the global market accelerates

Outlook for KT&G volume growth > Global market volume growth



Rapid Volume Growth vs. Production Capacity



Secure overseas manufacturing hubs to expand in-house production and gain global competitive edge




EASTERN
EUROPE


KAZAKHSTAN


KOREA

Phase 1 ~2024

**Strengthen production base
within Korea**



Phase 2 ~2025

**Establish manufacturing base
in Kazakhstan**



Phase 3 Beyond 2025

**Secure manufacturing hub
in Eastern Europe**

| Manufacturing Capacity

4.3x ↑

| Diversified Manufacturing Footprint

Korea
100%

Korea
54%

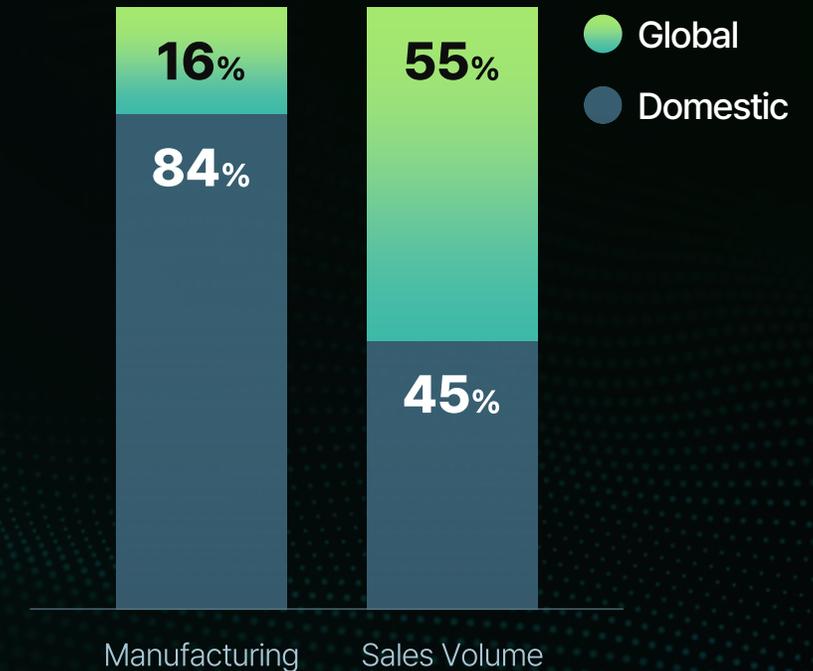
Overseas
46%

Diversify manufacturing footprint and secure manufacturing system to address sustained increase in global volumes

Sustained growth in Global CC volume '19 ~ '22



Imbalance between overall CC manufacturing and sales



Establish an economic manufacturing footprint via expansion of overseas production base and growth of overseas subsidiaries





Manufacturing Capacity

1.3x↑

No. of lines to be reduced by 2 due to rationalizing of equipment



% of Global Production

50%↑



Manufacturing Cost per Unit

20%↓

When manufactured in Indonesia vs. Korea

Transition to a global HFF company from a domestic top player by 2027

JUNG KWAN JANG



Customized strategies for each region to become a ginseng category killer



정관장



Operating Profit in Korea

10%

CAGR

正官庄



Revenue in China

150%

Growth



Consumer Mix in the US

60%

30%

Non-Korean consumer ratio

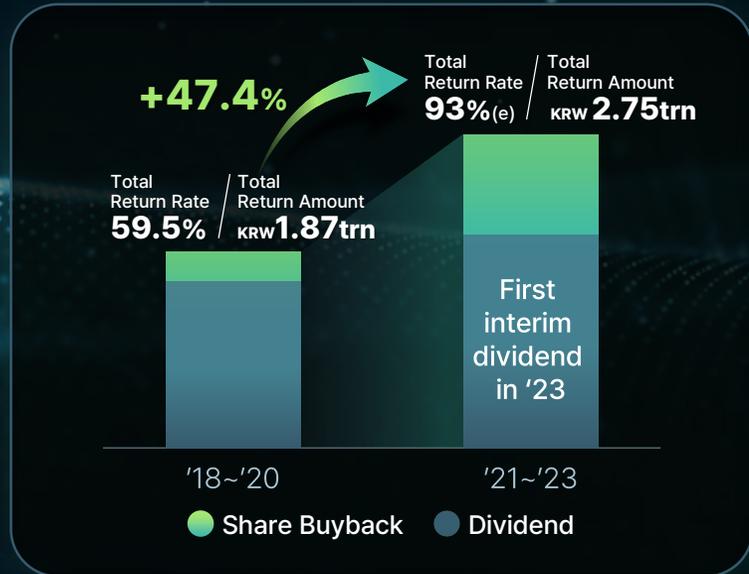
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03
**Mid-to-long Term
Shareholder
Return Plan ('24~'26)**

Continued shareholder returns at highest level domestically and globally

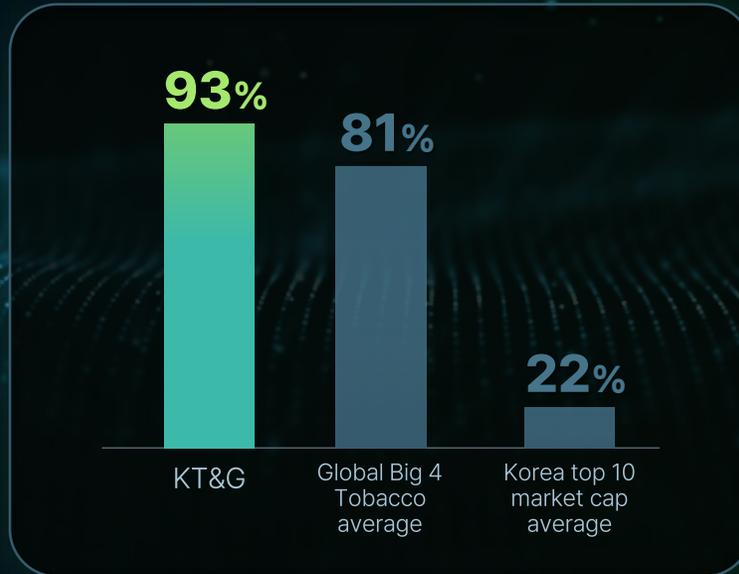
Total Shareholder Return Amount

KRW **2.75trn**



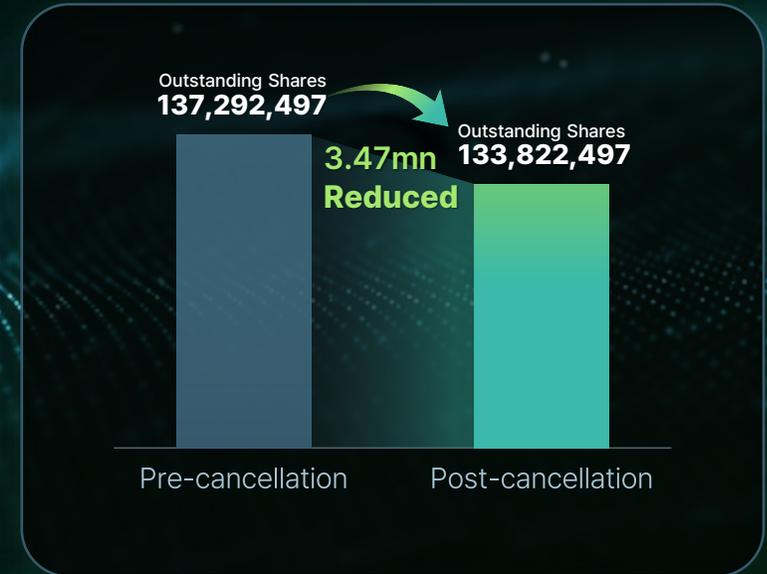
Total Shareholder Return Rate(e)^(*)

93%



Share Cancellation

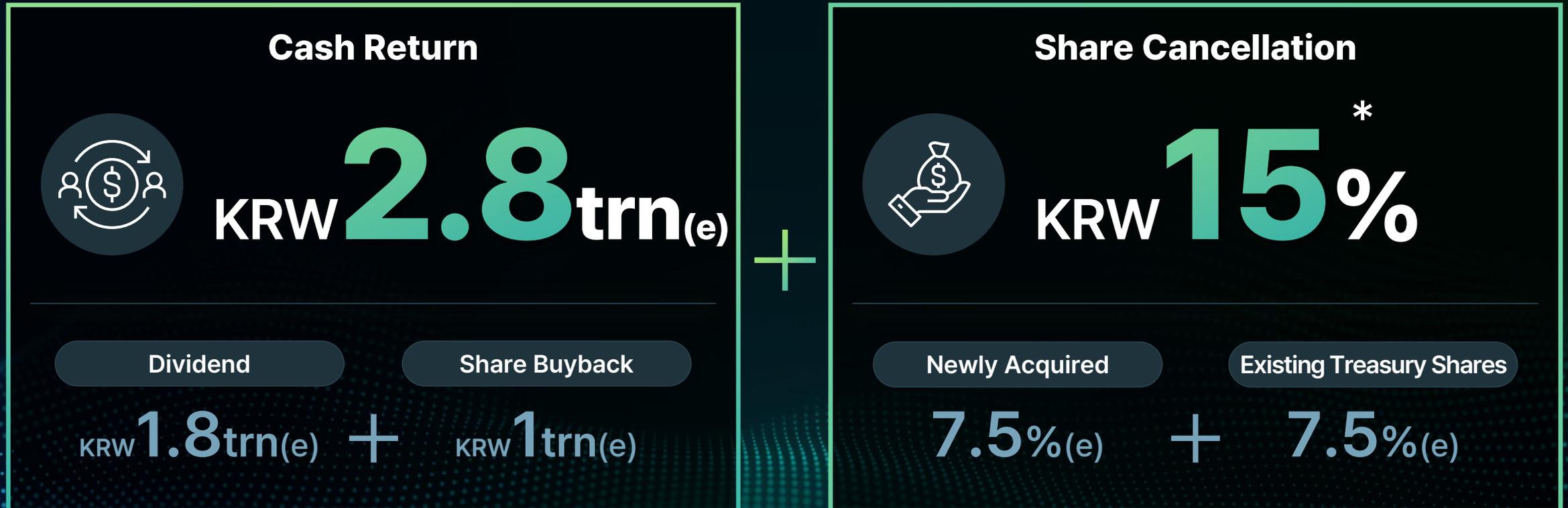
2.5% of outstanding shares



* Shareholder return rates on '20~'22 for other companies

(*) Total shareholder return rate : (dividend payout + share buyback amount) / net income

Top-level cash return and active share cancellation in parallel to maximize shareholder value and build shareholder trust

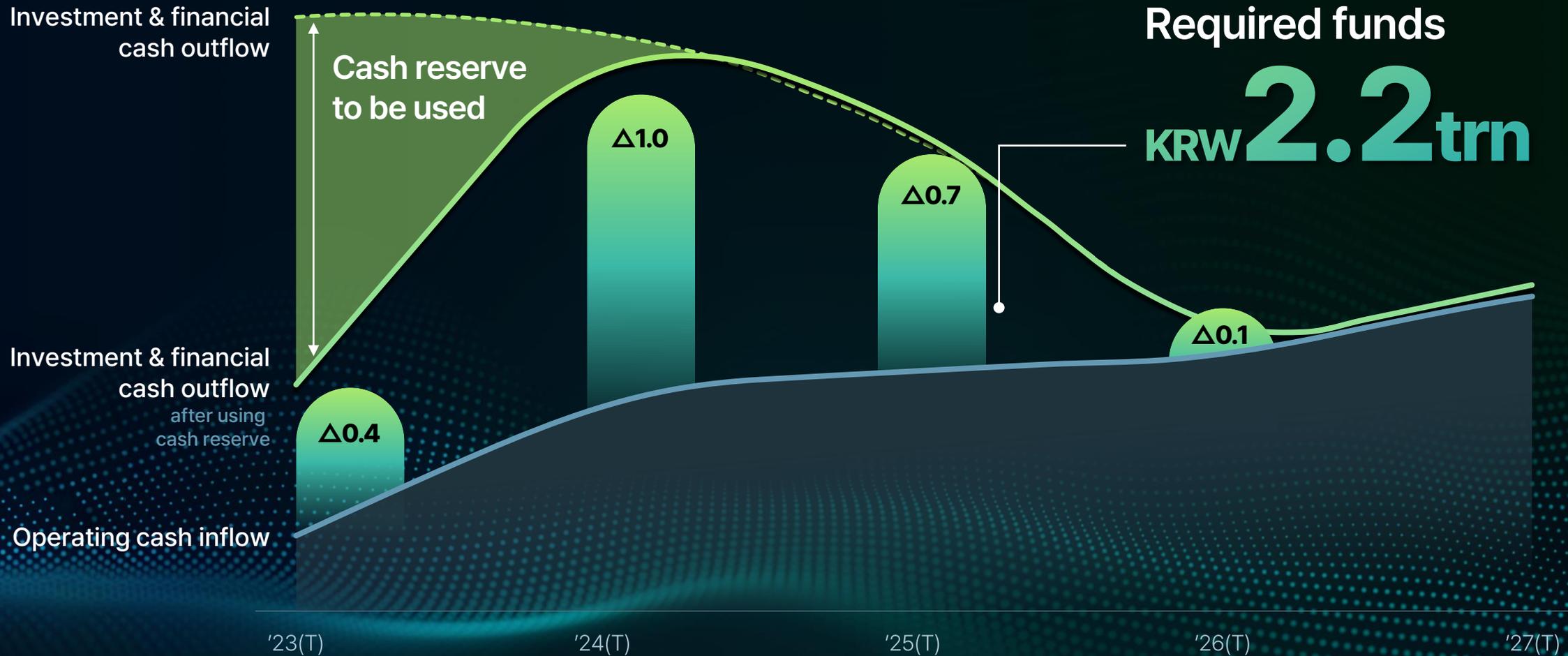


* % of current number of outstanding shares (shares in issue)

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04
Financial Strategy

Approximately KRW 2.2 trn additional funds required after utilizing accessible cash reserve, to fully execute growth investment and shareholder return



Based on solid operating cash flow, required resources to be financed externally for growth investment and internally for shareholder returns through liquidation of assets

Growth Investment

Operating Cash Flow

External Financing **KRW 1.4 trn**

**Bonds (AAA*) &
Equipment fund loans**
KRW 1.2 trn

Credit Line & CP
KRW 0.2 trn

* Rated AAA by all 3 major credit rating agencies in June '23,
KRW 0.3 trn already issued

Shareholder Return

Operating Cash Flow

Liquidation of Assets **KRW 0.8 trn**

**Sales of
low-profit
real estate**
KRW 0.3 trn

**Sales of
listed stocks**
KRW 0.2 trn

**Rationalizing
working capital**
KRW 0.3 trn

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Global Top-Tier KT&G

Thank you

