



# KT&G 1Q '21 Earnings Release



2021. 5. 12 | Investor Relations



# Disclaimer

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This presentation is prepared and provided for the convenience of investors and shareholders prior to the completion of the external audit. Therefore certain contents are subject to change during the auditing process.

The financial information in this presentation is based on K-IFRS standards.

This presentation and related discussion contain certain forward-looking statements related to expected future business, financial performance and/or the industry forecasts which are uncertain. Therefore, the recipients of this presentation shall be aware of that the forward-looking statements set forth herein may not correspond to the actual results.

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**1** Consolidated Results

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**2** KT&G Performance

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**3** KGC Performance

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**4** ESG Management

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**5** Appendix

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# 1. Consolidated Results



(Unit : bil KRW)	1Q '21	4Q '20	1Q '20	QoQ	YoY
<b>Sales</b>	<b>1,263.9</b>	<b>1,341.0</b>	<b>1,178.4</b>	<b>Δ5.7%</b>	<b>7.3%</b>
KT&G <sup>1)</sup>	757.8	957.2	661.3	Δ20.8%	14.6%
KGC <sup>1)</sup>	380.2	242.5	391.1	56.8%	Δ2.8%
Others and adjustments <sup>2)</sup>	125.9	141.3	126.0	Δ10.9%	Δ0.1%
<b>Operating Profit</b>	<b>317.7</b>	<b>336.7</b>	<b>314.0</b>	<b>Δ5.6%</b>	<b>1.2%</b>
<b>Net Income</b>	<b>271.8</b>	<b>306.2</b>	<b>293.1</b>	<b>Δ11.2%</b>	<b>Δ7.3%</b>

□ **(Sales) 1.26 tril KRW / YoY 7.3% ↑**

- Increase driven by growth of KT&G overall business and overseas cigarette subsidiaries

□ **(OP) 317.7 bil KRW / YoY 1.2% ↑**

- Effect of increase in sales and ASP of overseas cigarette subsidiaries

□ **(NI) 271.8 bil KRW / YoY 7.3% ↓**

- Mainly due to financial loss increase

1) Sales of KT&G and KGC are the amounts before eliminating internal transactions

2) Others and adjustments are the figures after adjusting or eliminating internal transactions among other subsidiaries sales



## 2. KT&G Performance ① Overview



(Unit : bil KRW)

	1Q '21	4Q '20	1Q '20	QoQ	YoY
<b>Sales</b>	<b>757.8</b>	<b>957.2</b>	<b>661.3</b>	<b>△20.8%</b>	<b>14.6%</b>
Domestic	458.5	445.5	435.0	2.9%	5.4%
Export <sup>1)</sup>	181.2	233.5	116.9	△22.4%	54.9%
Real Estate and Others	118.1	278.2	109.4	△57.5%	8.0%
<b>SG&amp;A</b>	<b>177.7</b>	<b>161.7</b>	<b>164.3</b>	<b>9.9%</b>	<b>8.2%</b>
<b>Operating Profit</b>	<b>248.0</b>	<b>363.7</b>	<b>249.9</b>	<b>△31.8%</b>	<b>△0.8%</b>
<b>Net Income</b>	<b>237.0</b>	<b>298.3</b>	<b>260.8</b>	<b>△20.5%</b>	<b>△9.1%</b>

□ **(Sales) 757.8 bil KRW / YoY 14.6% ↑**

- Growth in domestic & export HNB business and export combustible sales

□ **(OP) 248.0 bil KRW / YoY 0.8% ↓**

- Impact of F/X drop, SG&A increase, and sales mix changes

□ **(NI) 237.0 bil KRW / YoY 9.1% ↓**

- YoY base effect on finance income

1) Export : Separate result standard, prior to the consolidation removal of US subsidiary sales

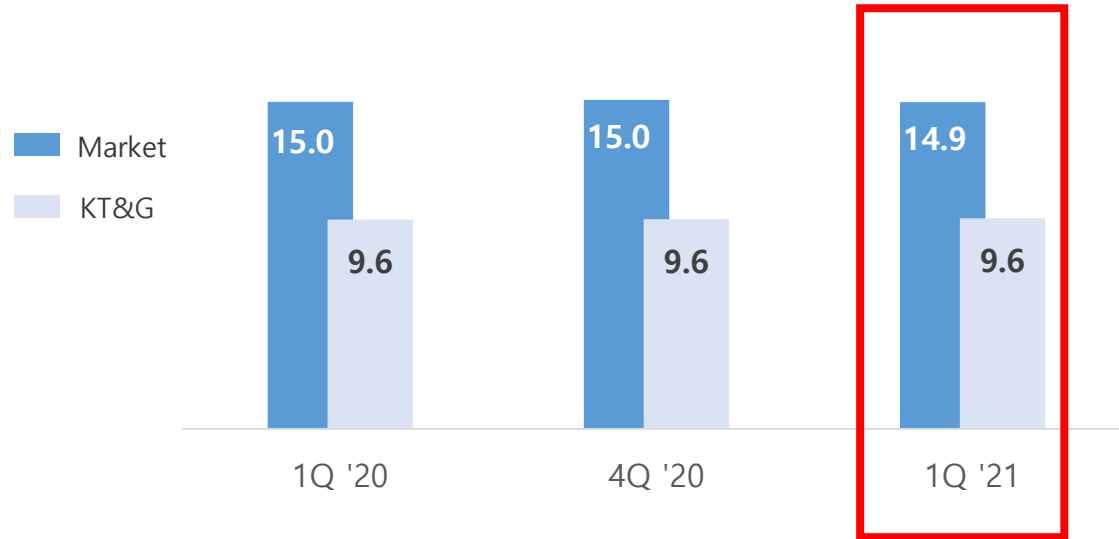


## 2. KT&G Performance ② Domestic Combustible Cigarette



[Market/KT&G Volume]

(unit : bil sticks)



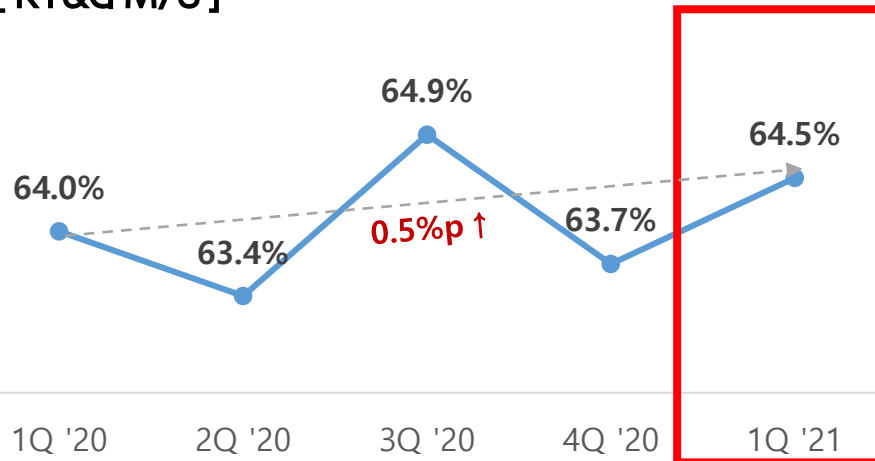
□ (Market Volume) 14.9 bil sticks / YoY 0.1% ↓

- Stable total volume YoY

□ (KT&G Volume) 9.6 bil sticks / YoY 0.6% ↑

- Launching new brand '88 Returns' which is 'Newtro'(New+Retro) concept product, and strong sales of 'Super Slim' products

[KT&G M/S]



□ (KT&G M/S) 64.5% / YoY 0.5%p ↑

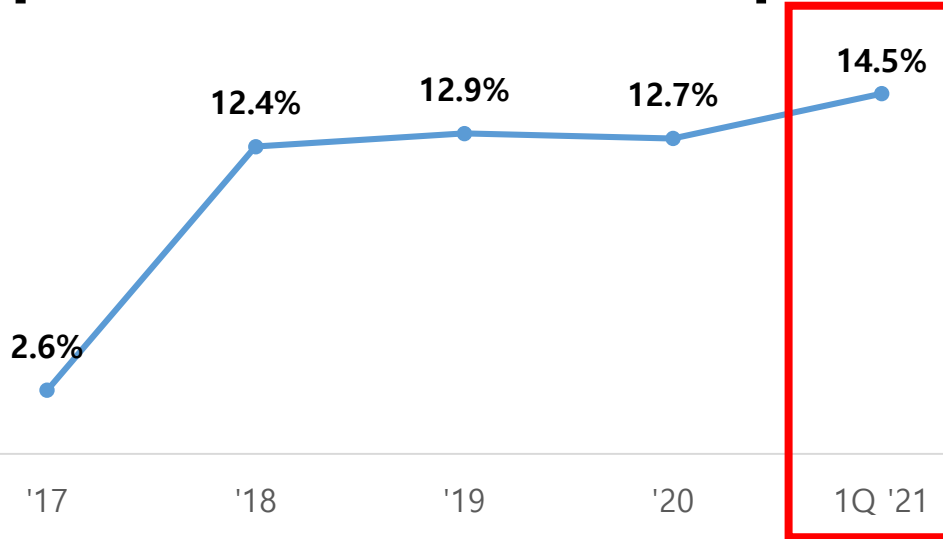
- Continued share gain by growing demands on 'less smell/low stimulus' products



## 2. KT&G Performance ③ Domestic HNB Cigarette<sup>1)</sup>



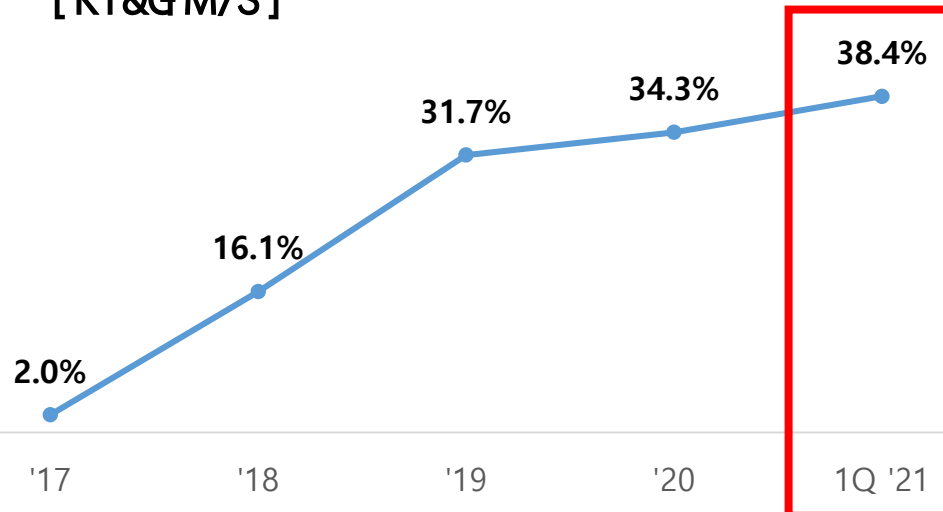
[ Domestic HNB Market Penetration Rate ]



□ (Penetration Rate) 14.5% / QoQ 1.1%p↑, YoY 1.9%p↑

- Consecutive growth since '20. 4Q

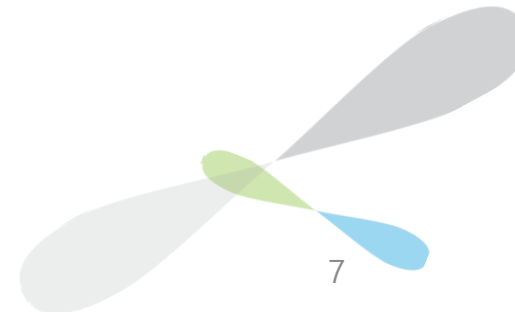
[ KT&G M/S ]



□ (KT&G M/S) 38.4% / QoQ 1.7%p↑, YoY 6.9%p ↑

- Continuous M/S gain thanks to stick product portfolio expansion (21.1Q 18sku) and strong sales of device(lil solid, lil Hybrid)

1) POS sales standard, CSV type products((ex) lil vapor) excluded

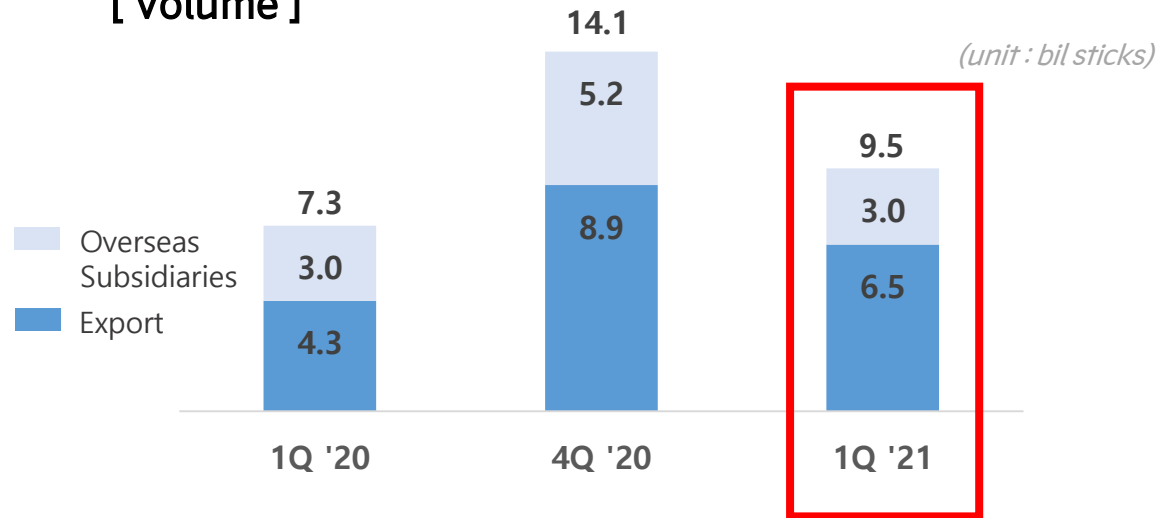




## 2. KT&G Performance ④ Overseas Cigarette<sup>(Export<sup>1)</sup> and Overseas Subsidiaries<sup>2)</sup>)</sup>



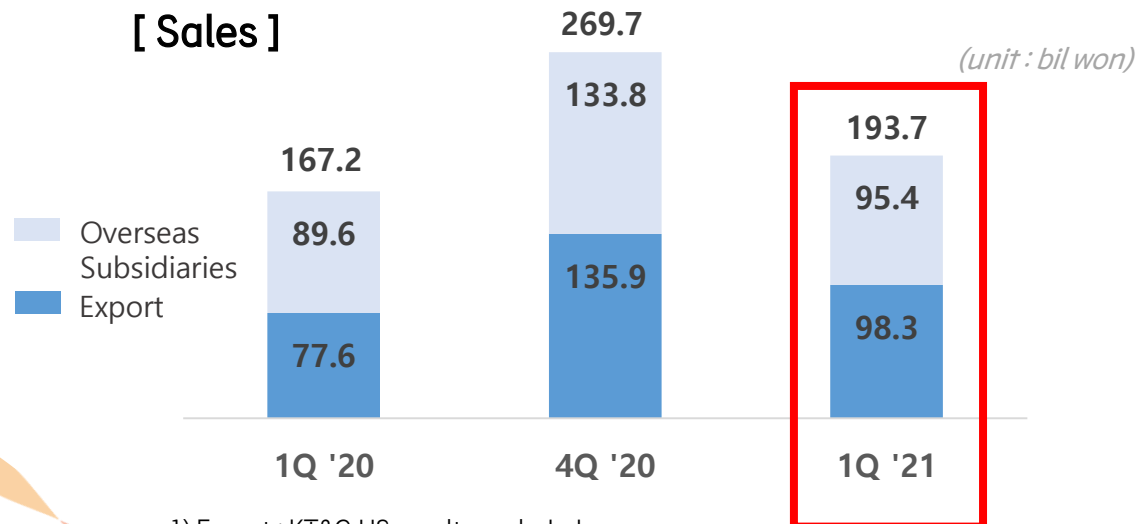
### [ Volume ]



□ (Volume) 9.5 bil sticks / YoY 30.1% ↑

- Growth in overall export market

### [ Sales ]



□ (Sales) 193.7 bil KRW / YoY 15.8% ↑

- Thanks to volume increases in high ASP regions such as Middle East/CIS market and USA

1) Export : KT&G US results excluded

2) Overseas subsidiaries : Indonesia, US, Russia, Turkey, Iran subsidiaries

### 3. KGC Performance ① Overview

(unit : bil won)

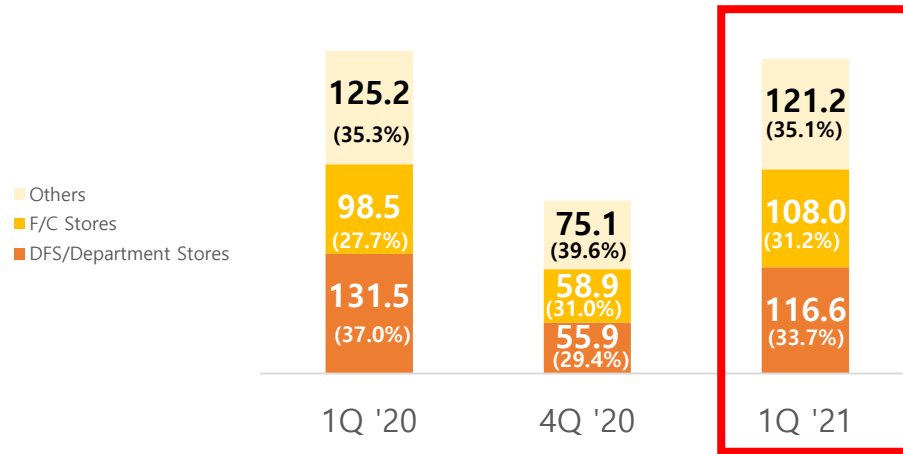
	1Q '21	4Q '20	1Q '20	QoQ	YoY
<b>Sales</b>	<b>380.2</b>	<b>242.5</b>	<b>391.1</b>	<b>56.8%</b>	<b>△2.8%</b>
Domestic	345.8	189.9	355.2	82.1%	△2.6%
Export	34.4	52.6	35.9	△34.6%	△4.2%
<b>SG&amp;A</b>	<b>138.0</b>	<b>131.2</b>	<b>139.2</b>	<b>4.2%</b>	<b>△0.9%</b>
<b>Operating Profit</b>	<b>53.3</b>	<b>(13.3)</b>	<b>71.1</b>	<b>-</b>	<b>△25.0%</b>
<b>Net Income</b>	<b>40.7</b>	<b>(14.8)</b>	<b>55.3</b>	<b>-</b>	<b>△26.4%</b>

- **(Sales) 380.2 bil KRW / YoY 2.8% ↓**
  - Slightly fall compared to 1Q, 2020 with less pandemic impact
- **(OP) 53.3 bil KRW / YoY 25.0% ↓**
  - Due to a reverse base effect of 1Q, 2020 with less pandemic impact
- **(NI) 40.7 bil KRW / YoY 26.4% ↓**

### 3. KGC Performance ② Domestic Sales Analysis

#### [ Sales by Channel]

(unit : bil won)

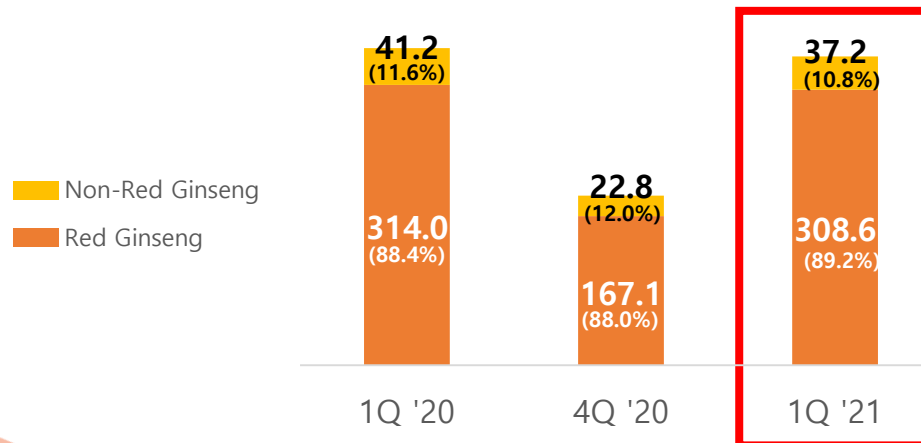


□ (Sales by Channel) 345.8 bil KRW / YoY 2.6% ↓

- (DFS/Department Stores) 116.6 bil KRW YoY 11.3% ↓
  - Due to covid19 impacts on DFS channel
- (F/C Stores) 108.0 bil KRW YoY 9.6% ↑
  - On the back of consumer F/C store preference and increased demand for lunar new year holiday season
- (Others) 121.2 bil YoY 3.2% ↓
  - Mainly due to sales drop in home-shopping channel

#### [ Sales by Product Type]

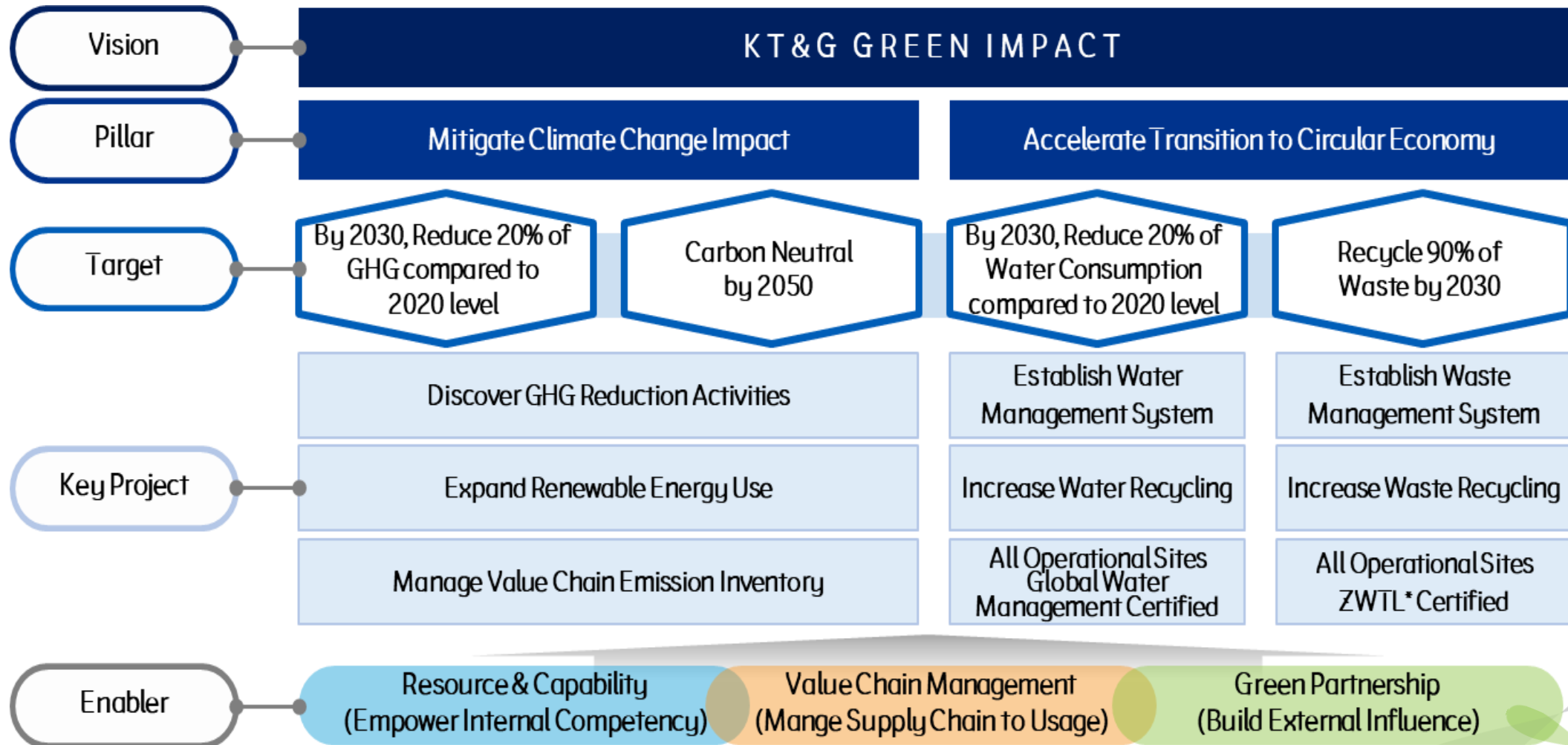
(unit : bill won)



□ (Sales by Product Type) Red Ginseng 89.2% / YoY 0.8%p ↑

- Non-Red Ginseng portion decrease mainly due to drop in DFS sales

## 4. ESG Management



\* Zero Waste to Landfill

※ The results above are still under audit by the outside auditors and may be subject to change.

## 5. Appendix ① KT&G Condensed Balance Sheet



### [ Consolidated ]

Accounts (unit: hundred mil. KRW)	1Q '21	4Q '20
<b>Current Asset<sup>(a)</sup></b>	<b>69,433</b>	<b>67,504</b>
Cash and cash equivalents, Etc <sup>(*)</sup>	26,019	25,757
Trade and other receivables	14,386	12,150
Inventories	24,470	25,350
<b>Non-current assets</b>	<b>48,223</b>	<b>47,180</b>
Property, plant, and equipment	17,322	17,184
Investment property	10,495	10,302
<b>Total assets</b>	<b>117,656</b>	<b>114,684</b>
Current liabilities <sup>(b)</sup>	25,735	19,915
Non-current liabilities	4,069	3,853
<b>Total liabilities<sup>(c)</sup></b>	<b>29,804</b>	<b>23,768</b>
<b>Total equity<sup>(d)</sup></b>	<b>87,852</b>	<b>90,916</b>
<b>Current ratio<sup>(a/b)</sup></b>	<b>269.8%</b>	<b>339.0%</b>
<b>Debt ratio<sup>(c/d)</sup></b>	<b>33.9%</b>	<b>26.1%</b>

### [ Separate ]

Accounts (unit: hundred mil. KRW)	1Q '21	4Q '20
<b>Current Asset<sup>(a)</sup></b>	<b>48,037</b>	<b>47,082</b>
Cash and cash equivalents, Etc <sup>(*)</sup>	21,810	23,211
Trade and other receivables	13,126	10,498
Inventories	9,828	9,933
<b>Non-current assets</b>	<b>52,559</b>	<b>51,713</b>
Property, plant, and equipment	11,408	11,396
Investment property	11,175	11,012
<b>Total assets</b>	<b>100,596</b>	<b>98,795</b>
Current liabilities <sup>(b)</sup>	22,484	17,180
Non-current liabilities	1,102	1,076
<b>Total liabilities<sup>(c)</sup></b>	<b>23,586</b>	<b>18,256</b>
<b>Total equity<sup>(d)</sup></b>	<b>77,010</b>	<b>80,539</b>
<b>Current ratio<sup>(a/b)</sup></b>	<b>213.6%</b>	<b>274.1%</b>
<b>Debt ratio<sup>(c/d)</sup></b>	<b>30.6%</b>	<b>22.7%</b>

(\*) Cash and cash equivalents, Etc : Cash and cash equivalents, current other financial assets, current fair value through profit or loss

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## 4. Appendix ② KT&G Condensed Income Statement



### [ Consolidated ]

Accounts (unit: hundred mil. KRW)	1Q '21	1Q '20
<b>Sales</b>	<b>12,639</b>	<b>11,784</b>
Cost of sales	5,711	4,976
Gross profit	6,928	6,808
Selling, general and administrative expense	3,751	3,667
<b>Operating profit</b>	<b>3,177</b>	<b>3,140</b>
Other income/expenses	507	392
Financial gain/loss	147	568
<b>Net income</b>	<b>2,718</b>	<b>2,931</b>
Gross profit margin	54.8%	57.8%
Operating profit margin	25.1%	26.6%
Net income margin	21.5%	24.9%

### [ Separate ]

Accounts (unit: hundred mil. KRW)	1Q '21	1Q '20
<b>Sales</b>	<b>7,578</b>	<b>6,613</b>
Cost of sales	3,321	2,471
Gross profit	4,257	4,142
Selling, general and administrative expense	1,777	1,643
<b>Operating profit</b>	<b>2,479</b>	<b>2,499</b>
Other income/expenses	556	481
Financial gain/loss	162	568
<b>Net income</b>	<b>2,370</b>	<b>2,608</b>
Gross profit margin	56.2%	62.6%
Operating profit margin	32.7%	37.8%
Net income margin	31.3%	39.4%

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## 4. Appendix ③ KT&G Condensed Cash Flow



### [ Consolidated ]

Accounts (unit: hundred mil. KRW)	1Q '21	1Q '20
<b>Cash flows from operating activities</b>	<b>1,366</b>	<b>2,336</b>
Cash generated from operations	2,319	3,266
Income tax paid	(953)	(929)
<b>Cash flows from investing activities</b>	<b>(586)</b>	<b>(1,392)</b>
Acquisition of property, plant and equipment	(558)	(335)
<b>Cash flows from financing activities</b>	<b>(6)</b>	<b>(86)</b>
<b>Net increase in cash and cash equivalents</b>	<b>774</b>	<b>858</b>
<b>Cash and cash equivalents at Jan, 1</b>	<b>12,536</b>	<b>8,913</b>
Effect of exchange rate fluctuation	(173)	(76)
<b>Cash and cash equivalents at March, 31</b>	<b>13,137</b>	<b>9,695</b>

### [ Separate ]

Accounts (unit: hundred mil. KRW)	1Q '21	1Q '20
<b>Cash flows from operating activities</b>	<b>(529)</b>	<b>760</b>
Cash generated from operations	337	1,492
Income tax paid	(865)	(732)
<b>Cash flows from investing activities</b>	<b>(346)</b>	<b>(132)</b>
Acquisition of property, plant and equipment	(479)	(209)
<b>Cash flows from financing activities</b>	<b>(25)</b>	<b>(20)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(899)</b>	<b>609</b>
<b>Cash and cash equivalents at Jan, 1</b>	<b>10,761</b>	<b>6,568</b>
Effect of exchange rate fluctuation	15	(15)
<b>Cash and cash equivalents at March, 31</b>	<b>9,877</b>	<b>7,162</b>

※ The results above are still under audit by the outside auditors and may be subject to change.

## 4. Appendix ④ KGC Condensed Financial Statement



[Condensed Balance Sheet ]

Accounts (unit: hundred mil. KRW)	1Q '21	4Q '20
<b>Non-current Assets</b>	<b>6,486</b>	<b>6,205</b>
Property, plant and equipment	2,598	2,311
Intangible assets	280	286
Others	3,608	3,608
<b>Current assets</b>	<b>15,969</b>	<b>15,837</b>
Inventories	11,823	12,735
Cash and cash equivalents	1,119	216
Others	3,027	2,886
<b>Total assets</b>	<b>22,455</b>	<b>22,042</b>
Non-current liabilities	844	882
Current liabilities	1,009	1,025
<b>Total liabilities</b>	<b>1,853</b>	<b>1,907</b>
<b>Total equities</b>	<b>20,602</b>	<b>20,135</b>
<b>Total liabilities and equities</b>	<b>22,455</b>	<b>22,042</b>

[Condensed Statement of Comprehensive Income ]

Accounts (unit: hundred mil. KRW)	1Q '21	1Q '20
<b>Net sales</b>	<b>3,802</b>	<b>3,911</b>
Red ginseng roots	149	256
Red ginseng products	3,649	3,649
(Ratio)	(96.0%)	(93.3%)
Others	4	6
COGS	1,889	1,808
<b>Gross profit</b>	<b>1,913</b>	<b>2,103</b>
SG&A	1,380	1,392
<b>Operating profit</b>	<b>533</b>	<b>711</b>
Other Income and expense	15	14
Financial gain/loss	12	0
<b>Net income</b>	<b>560</b>	<b>725</b>
<b>Comprehensive income</b>	<b>153</b>	<b>173</b>
<b>Net sales</b>	<b>407</b>	<b>552</b>

# Thank You



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