
KT&G

FY2022 4Q and Annual Earnings Release

2023. 2. 9 | Investor Relations



Disclaimer

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.

Contents

- 1 Consolidated Results
- 2 KT&G Performance
- 3 KGC Performance
- 4 2023 Target
- 5 Appendix

1. Consolidated Results¹⁾

(Unit : bil KRW)	4Q '22	4Q '21	YoY	FY 22	FY 21	YoY
Sales	1,411.8	1,247.5	13.2%	5,856.5	5,228.4	12.0%
KT&G ²⁾	912.7	851.3	7.2%	3,694.4	3,490.5	5.8%
KGC ²⁾	256.4	235.6	8.8%	1,306.0	1,292.8	1.0%
Others ³⁾	416.6	298.2	39.7%	1,472.6	1,000.1	47.2%
Adjustments ⁴⁾	(173.9)	(137.6)	-	(616.5)	(555.0)	-
Gross profit	673.5	673.9	-0.1%	2,961.6	2,878.2	2.9%
SG&A	471.9	390.1	21.0%	1,693.8	1,539.8	10.0%
Operating Profit	201.6	283.8	-29.0%	1,267.8	1,338.4	-5.3%
Net Income	(64.6)	93.2	-	1,000.8	971.8	3.0%

- **(Sales)** 4Q 1,411.8 bil KRW YoY 13.2%↑ / FY 5,856.5 bil KRW YoY 12.0%↑
 - Recorded highest sales driven by the growth of both domestic and overseas NGP business and KT&G's overseas subsidiaries
- **(OP)** 4Q 201.6 bil KRW YoY 29.0%↓ / FY 1,267.8 bil KRW YoY 5.3%↓
 - Impacted by SG&A increase such as labor costs, commission fees and etc.
- **(NI)** 4Q -64.6 bil KRW / FY 1,000.8 bil KRW YoY 3.0% ↑
 - Impacted by the foreign currency translation

1) Due to the temporary suspension of US cigarette sales in '21. 4Q, the financial figures of last year have been rewritten for comparison

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

3) Figures of other subsidiaries such as overseas subsidiaries, real-estate subsidiaries excluding KT&G & KGC separate

4) Figures after adjusting or eliminating internal transactions among other subsidiaries sales

2. KT&G Performance ① Financial Results(Separate)

(Unit : bil KRW)

	4Q '22	4Q '21	YoY	FY 22	FY 21	YoY
Sales	912.7	851.3	7.2%	3,694.4	3,490.5	5.8%
Domestic ¹⁾	509.2	488.9	4.2%	2,125.2	1,964.6	8.2%
Overseas ²⁾	228.1	206.5	10.5%	962.9	787.5	22.3%
Real estate	144.3	132.4	9.0%	470.5	647.2	-27.3%
Others ³⁾	31.1	23.5	32.3%	135.8	91.2	48.9%
Gross profit	420.9	441.6	-4.7%	1,917.0	1,900.2	0.9%
SG&A	194.7	256.8	-24.2%	797.8	816.8	-2.3%
Operating Profit	226.2	184.8	22.4%	1,119.2	1,083.4	3.3%
Net Income	(58.1)	75.1	-	956.4	852.9	12.1%

- (Sales) 4Q 912.7 bil KRW YoY 7.2%↑ / FY 3,694.4 bil KRW YoY 5.8%↑
 - Recorded highest sales thanks to the strong growth of both domestic and overseas NGP business
- (OP) 4Q 226.2 bil KRW YoY 22.4%↑ / FY 1,119.2 bil KRW YoY 3.3%↑
 - Due to decrease in SG&A caused by bad debt expense reversal
- (NI) 4Q -58.1 bil KRW / FY 956.4 bil KRW YoY 12.1%↑
 - Impacted by the foreign currency translation

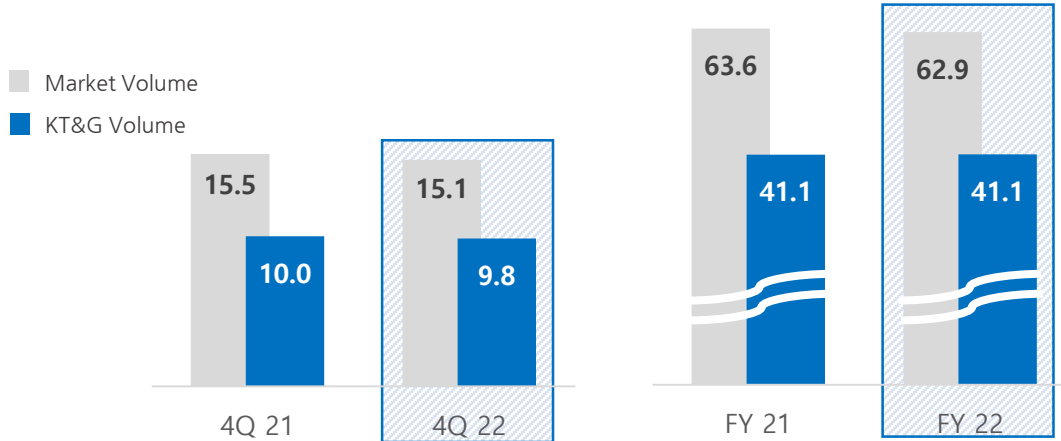
1) Domestic Combustible Cigarette and NGP

2) Export Combustible Cigarette and Overseas NGP

3) Tobacco leaves, Raw materials, Subsidiary Materials and etc.

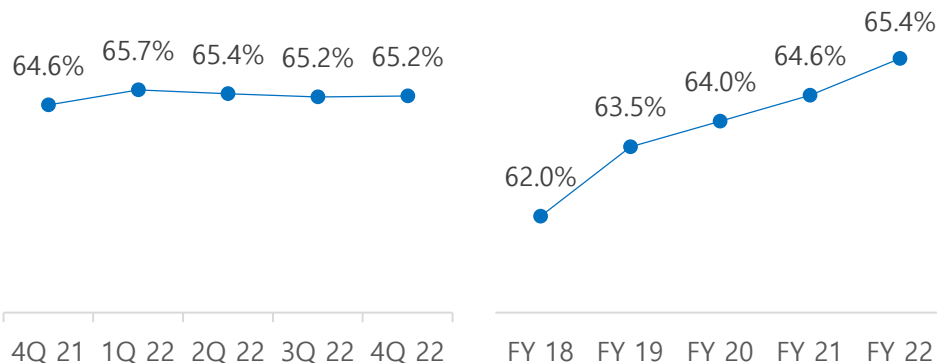
2. KT&G Performance ② Domestic Combustible Cigarette business¹⁾

Market/KT&G Volume (bil sticks)



- (4Q) Market Volume 15.1 bil sticks / YoY 2.4%↓
KT&G Volume 9.8 bil sticks / YoY 1.5%↓
- (FY) Market Volume 62.9 bil sticks / YoY 1.0%↓
KT&G Volume 41.1 bil sticks / YoY 0.2%↑
- Despite the decrease in total market volume caused by consumer demand shift toward NGP, KT&G volume increased thanks to new product launches to meet consumers' need

KT&G M/S



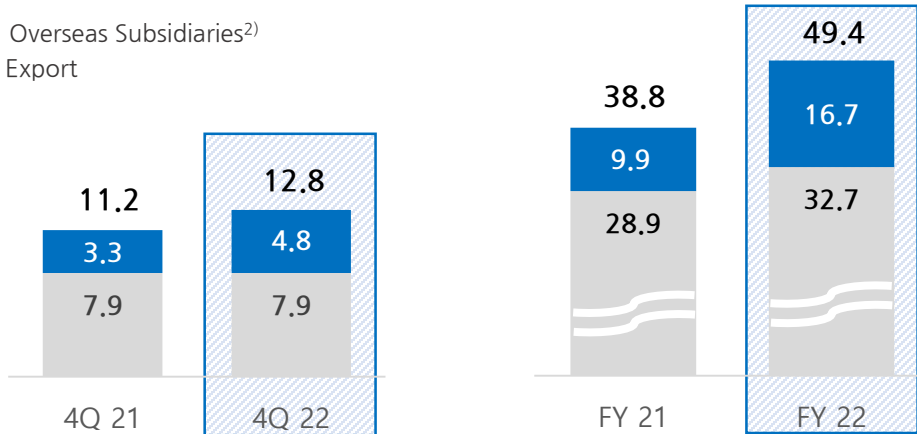
- (4Q) 65.2% / YoY 0.6%p ↑
- (FY) 65.4% / YoY 0.8%p ↑
- On-going market share gain with continuous competitive advantage in 'Super Slim' and 'less smell/low stimulus' segment.

1) Resource : Korea Tobacco Association data based on shipment volumes to general store, centralized logistics, specialized channels, etc

2. KT&G Performance ③ Overseas¹⁾ Cigarette(Overseas Subsidiaries²⁾+Export) business

Volume (unit : bil sticks)

Overseas Subsidiaries²⁾
Export



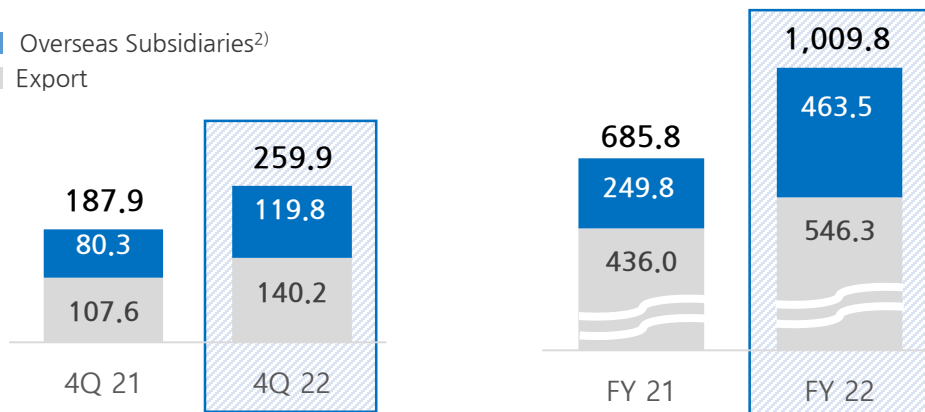
□ (4Q) 12.8 bil sticks / YoY 13.8% ↑

□ (FY) 49.4 bil sticks / YoY 27.1% ↑

- Overall sales volume increased led by expansion of overseas subsidiary direct business such as Indonesia subsidiary, and through fostering of new markets such as Latin America

Sales (unit : bil KRW)

Overseas Subsidiaries²⁾
Export



□ (4Q) 259.9 bil KRW / YoY 38.3% ↑

□ (FY) 1,009.8 bil KRW / YoY 47.2% ↑

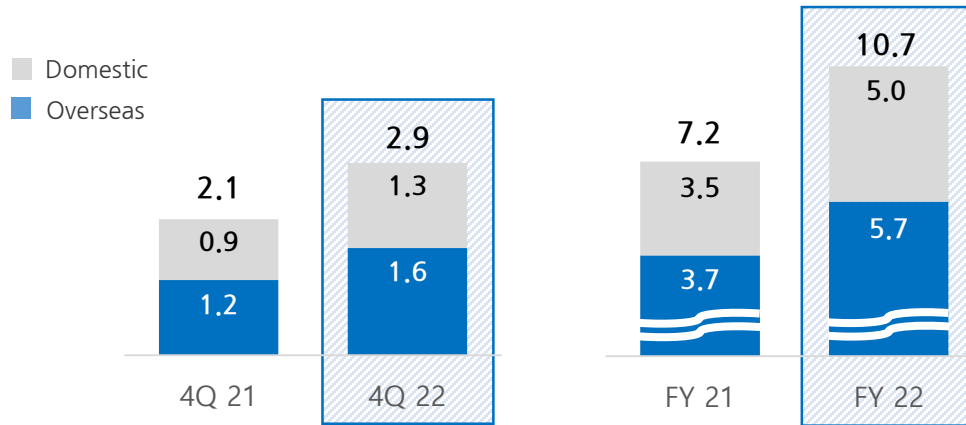
- Synergy of overseas volume increase, enlarged high ASP market portion and foreign currency translation

1) Due to the temporary suspension of US cigarette sales in '21. 4Q, the financial figures of last year have been rewritten for comparison

2) Overseas Subsidiaries : Indonesia, Russia, Turkey, Taiwan, Iran ※US excluded

2. KT&G Performance ④ NGP¹⁾ business

Stick Volume²⁾ (unit : bil sticks)

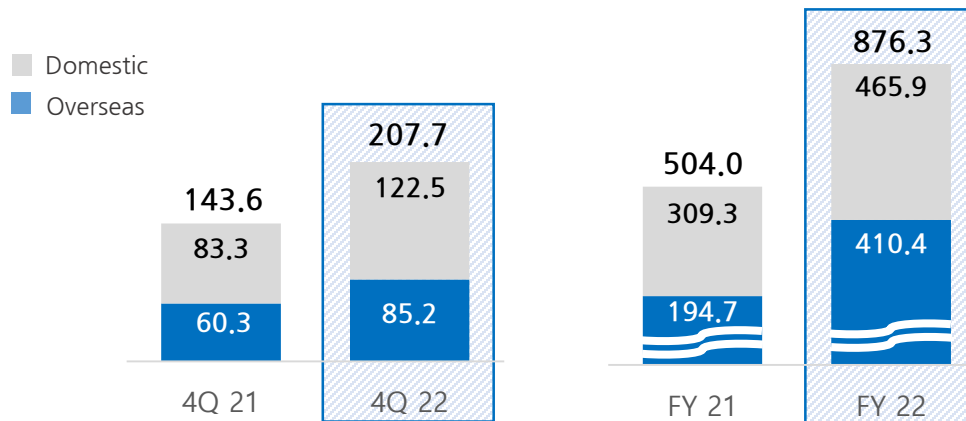


□ (4Q) 2.9 bil sticks / YoY 41.3% ↑

□ (FY) 10.7 bil sticks / YoY 48.9% ↑

- (Domestic) Volume increase owing to the increase of exclusive stick for unique proprietary platform
- (Overseas) Effect of SKU expansion in existing countries and increase in the number of overseas countries

Sales³⁾ (unit : bil KRW)



□ (4Q) 207.7 bil KRW / YoY 44.6% ↑

□ (FY) 876.3 bil KRW / YoY 73.9% ↑

- (Domestic) Effect of continuously growing domestic NGP market and market dominance increase led by unique proprietary platform
- (Overseas) Acceleration of growth and global market penetration with higher number of overseas countries

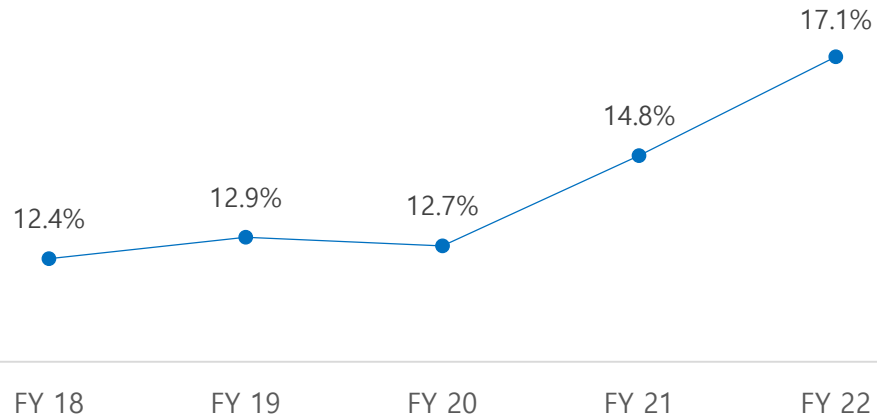
1) Next Generation Products (refers to all the New Generation Products as opposed to Conventional Cigarette)

2) Stick volume which is the basis quantity for stick sales included in NGP sales

3) Total NGP sales including devices, sticks and other consumables

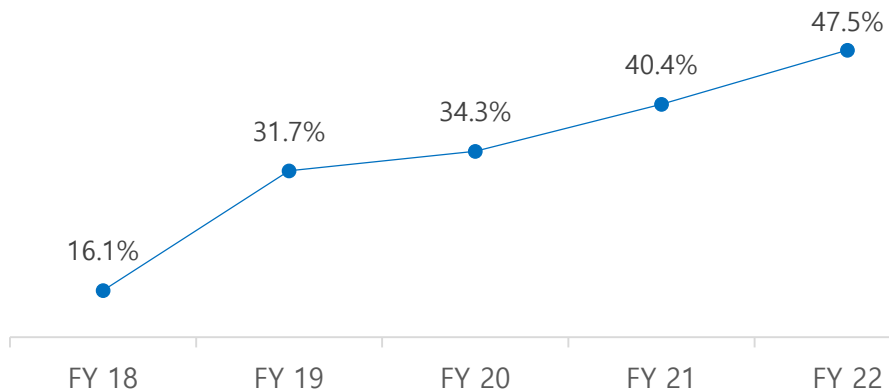
2. KT&G Performance ⑤ Domestic NGP business

Domestic HNB Market Penetration Rate¹⁾



- (Penetration Rate) 17.1% / YoY 2.3%p ↑
 - Continued growth of domestic NGP market thanks to new product(device, stick) launches

KT&G Stick M/S¹⁾



- (KT&G Stick M/S) 47.5% / YoY 7.1%p ↑
 - Thanks to expanded competitive advantage led by unique proprietary platform (lil hybrid, lil able)

1) CVS POS Sales Standard

3. KGC Performance ① Financial Results(Separate)

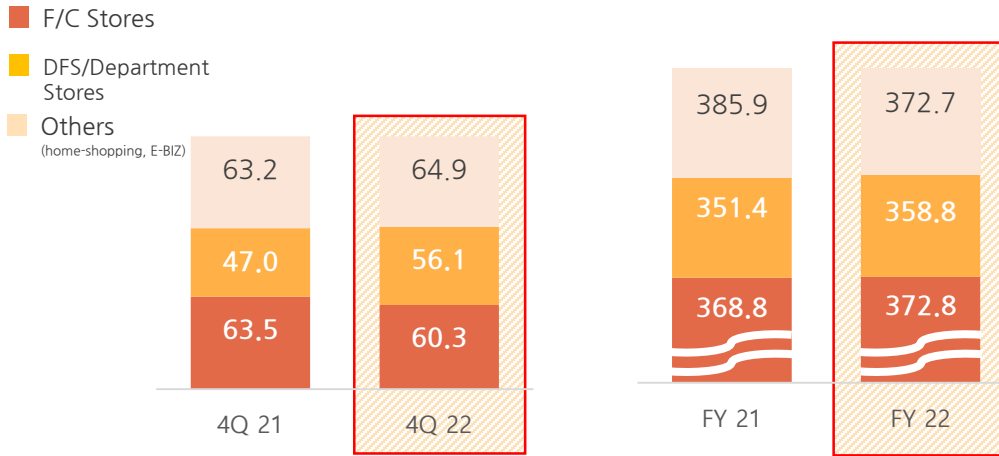
(Unit : bil KRW)

	4Q '22	4Q '21	YoY	FY 22	FY 21	YoY
Sales	256.4	235.6	8.8%	1,306.0	1,292.8	1.0%
Domestic	181.3	173.7	4.4%	1,104.3	1,106.1	-0.2%
Export	75.1	61.9	21.3%	201.7	186.7	8.0%
Gross profit	121.2	110.5	9.7%	649.0	648.8	0.0%
SG&A	148.4	122.4	21.2%	564.2	532.4	6.0%
Operating Profit	(27.2)	(11.9)	-	84.8	116.4	-27.1%
Net Income	(26.7)	(13.5)	-	72.8	86.3	-15.6%

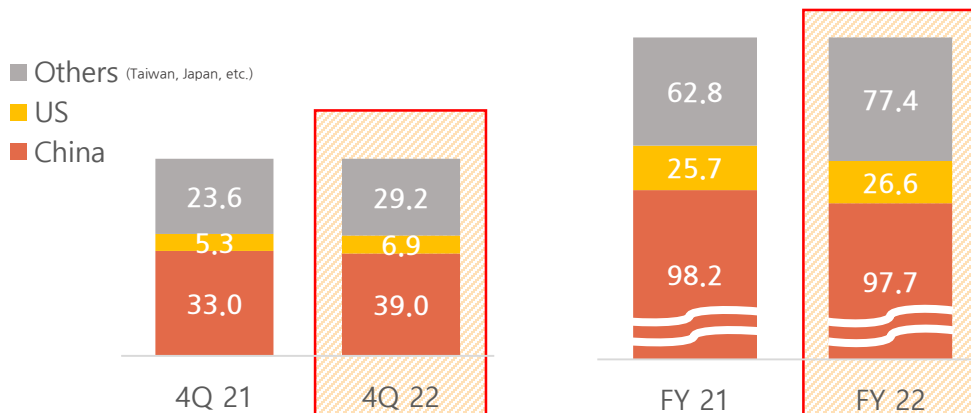
- (Sales) 4Q 256.4 bil KRW YoY 8.8% ↑ / FY 1,306.0 bil KRW YoY 1.0% ↑
 - (Domestic) Annual sales slightly decreased due to DFS channel recovery delay in first half, but 4Q sales increased thanks to DFS channel recovery in second half and enlarged corporate special-goods bulk purchase
 - (Export) Expanded export led by local demand increase in overseas key countries
- (OP) 4Q -27.2 bil KRW / FY 84.8 bil KRW YoY 27.1%↓
 - Impact of temporary cost increase due to restructuring direct purchase business model to direct business(subsidiary) model
- (NI) 4Q -26.7 bil KRW / FY 72.8 bil KRW YoY 15.6%↓

3. KGC Performance ② Sales Analysis

Domestic Sales by Channel (unit : bil KRW)



Export Sales by Countries (unit : bil KRW)



- (F/C Stores) 4Q 60.3 bil KRW YoY 5.0% ↓ / FY 372.8 bil KRW YoY 1.1% ↑
 - 4Q Sales decreased due to restructuring of some stores, but annual sales increased thanks to price increase effect
- (DFS/Department Store) 4Q 56.1 bil KRW YoY 19.4% ↑ / FY 358.8 bil KRW YoY 2.1% ↑
 - Sales increase thanks to early Lunar New Year's holiday promotion and gradual recovery in DFS channel
- (Others) 4Q 64.9 bil KRW YoY 2.7% ↑ / FY 372.7 bil KRW YoY 3.4% ↓
 - 4Q Sales increased thanks to bulk purchase such as Lunar New Year's season related corporate special goods, however annual sales decreased impacted by continued home-shopping channel restructuring
- (China) 4Q 39.0 bil KRW YoY 18.2% ↑ / FY 97.7 bil KRW YoY 0.5% ↓
 - Annual sales decreased due to Shanghai lockdown in first half, however 4Q sales increased thanks to local demand increase after the lifting of lockdown
- (US) 4Q 6.9 bil KRW YoY 30.2% ↑ / FY 26.6 bil KRW YoY 3.5% ↑
 - Favorable sales led by online and supermarket channel
- (Others) 4Q 29.2 bil KRW YoY 23.7% ↑ / FY 77.4 bil KRW YoY 23.2% ↑
 - New product launch in Taiwan, Japan, etc., and expansion of local distribution channel

4. FY 2023 Target

KT&G Separate

Sales 4,018.1 bil KRW / OP 957.1 bil KRW

Domestic Business	<ul style="list-style-type: none"> ✓ (Combustible Cigarette Volume) 40.8 bil sticks ※ Total market volume 61.5 bil sticks ✓ (Combustible Cigarette M/S) 66.3% ✓ (Sales¹⁾) 2,251.0 bil KRW
Overseas Business	<ul style="list-style-type: none"> ✓ (Combustible Cigarette Volume) 53.3 bil sticks ✓ (Sales³⁾) 1,581.8 bil KRW
Real-estate	<ul style="list-style-type: none"> ✓ (Sales) 604.8 bil KRW ✓ (Project Suwon) 170.3 bil KRW

KGC Separate

Sales 1,337.8 bil KRW / OP 103.3 bil KRW

Domestic	<ul style="list-style-type: none"> ✓ (Sales) 1,125.5 bil KRW
Export	<ul style="list-style-type: none"> ✓ (Sales) 212.3 bil KRW

- 1) Domestic combustible cigarette and NGP sales
- 2) Export and overseas subsidiaries combustible cigarette
- 3) Consolidated basis overseas combustible cigarette(Export and overseas subsidiaries) and overseas NGP sales

5. Appendix ① KT&G Condensed Balance Sheet

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

[Consolidated]

<i>(unit: hundred mil KRW)</i>	FY '22	FY '21
Current Asset ^(a)	65,097	62,559
Cash and cash equivalents, Etc ^(*)	19,952	23,690
Trade and other receivables	15,285	10,127
Inventories	25,760	23,754
Others	4,100	4,987
Non-current assets	57,926	53,814
Property, plant, and equipment	18,370	17,410
Investment property	10,715	11,510
Others	28,841	24,894
Total assets	123,023	116,373
Current liabilities^(b)	25,321	20,639
Non-current liabilities	4,014	3,645
Total liabilities^(c)	29,335	24,284
Total equity^(d)	93,688	92,089
Current ratio ^(a/b)	257.1%	303.1%
Debt ratio ^(c/d)	31.3%	26.4%

[Separate]

<i>(unit: hundred mil KRW)</i>	FY '22	FY '21
Current Asset ^(a)	40,965	40,090
Cash and cash equivalents, Etc ^(*)	14,712	18,882
Trade and other receivables	12,999	7,888
Inventories	11,230	9,249
Others	2,023	4,071
Non-current assets	60,608	57,727
Property, plant, and equipment	11,778	11,290
Investment property	10,292	11,285
Others	38,538	35,152
Total assets	101,573	97,817
Current liabilities^(b)	20,398	17,154
Non-current liabilities	656	662
Total liabilities^(c)	21,054	17,816
Total equity^(d)	80,519	80,001
Current ratio ^(a/b)	200.8%	233.7%
Debt ratio ^(c/d)	26.1%	22.3%

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

5. Appendix ② KT&G Condensed Income Statement

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

[Consolidated(*)]

<i>(unit: hundred mil KRW)</i>	FY '22	FY '21
Sales	58,565	52,284
Cost of sales	28,949	23,502
Gross profit	29,616	28,782
Selling, general and administrative expense	16,938	15,398
Operating profit	12,678	13,384
Other income/expenses	857	434
Financial gain/loss	422	469
Net income from continuing operations	10,094	10,241
Net income from discontinued operations	(86)	(523)
Net income	10,008	9,718
Gross profit margin	50.6%	55.0%
Operating profit margin	21.6%	25.6%
Net income margin	17.1%	18.6%

[Separate]

<i>(unit: hundred mil KRW)</i>	FY '22	FY '21
Sales	36,944	34,905
Cost of sales	17,774	15,903
Gross profit	19,170	19,002
Selling, general and administrative expense	7,978	8,168
Operating profit	11,192	10,834
Other income/expenses	989	634
Financial gain/loss	969	560
Net income	9,564	8,529
Gross profit margin	51.9%	54.4%
Operating profit margin	30.3%	31.0%
Net income margin	25.9%	24.4%

(*) Due to the temporary suspension of US cigarette sales in '21. 4Q, the financial figures of last year have been rewritten for comparison

5. Appendix ③ KT&G Condensed Cash Flow

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

[Consolidated]

<i>(unit: hundred mil KRW)</i>	FY '22	FY '21
Cash flows from operating activities	8,730	14,198
Cash generated from operations	12,952	18,326
Income tax paid	(4,222)	(4,128)
Cash flows from investing activities	5,476	(7,976)
Acquisition of property, plant and equipment	(2,417)	(2,244)
Cash flows from financing activities	(9,371)	(9,476)
Net increase in cash and cash equivalents	4,835	(3,254)
Cash and cash equivalents at Jan, 1	9,466	12,536
Effect of exchange rate fluctuation	(291)	184
Cash and cash equivalents at Dec, 31	14,010	9,466

[Separate]

<i>(unit: hundred mil KRW)</i>	FY '22	FY '21
Cash flows from operating activities	8,225	11,037
Cash generated from operations	11,977	14,816
Income tax paid	(3,752)	(3,779)
Cash flows from investing activities	4,704	(6,351)
Acquisition of property, plant and equipment	(1,292)	(1,361)
Cash flows from financing activities	(9,413)	(9,542)
Net increase in cash and cash equivalents	3,516	(4,856)
Cash and cash equivalents at Jan, 1	5,906	10,761
Effect of exchange rate fluctuation	(26)	1
Cash and cash equivalents at Dec, 31	9,396	5,906

5. Appendix ④ KGC Condensed Financial Statement

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

[Condensed Balance Sheet]

<i>(unit: hundred mil KRW)</i>	FY '22	FY '21
Current assets	16,259	15,454
Inventories	11,619	11,818
Cash and cash equivalents	1,773	753
Others	2,867	2,883
Non-current Assets	7,730	7,621
Property, plant and equipment	3,240	3,438
Intangible assets	269	277
Others	4,221	3,906
Total assets	23,989	23,075
Non-current liabilities	1,384	1,174
Current liabilities	403	767
Total liabilities	1,787	1,941
Total equities	22,202	21,134

[Condensed Statement of Comprehensive Income]

<i>(unit: hundred mil KRW)</i>	FY '22	FY '21
Sales	13,060	12,928
Red ginseng products	13,024	12,910
(Ratio)	(99.7%)	(99.9%)
Others	36	18
Cost of sales	6,570	6,440
Gross profit	6,490	6,488
Selling, general and administrative expense	5,642	5,324
Operating profit	848	1,164
Other income/expenses	-	(31)
Financial gain/loss	93	41
Net income	728	863

Thank you