
KT&G FY2023 First Quarter Results

2023. 5. 11 | Investor Relations



Disclaimer

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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.

KEY TAKEAWAYS

3 Core Growth Businesses (NGP, Global CC, Health-functional Food) **grew in Operating Profit by 14%**

3 core growth businesses made up 61% of total revenue, growing both in revenue and profit,

Mainly driven by global operations, accounting for 80% (in revenue) and 72% (in profit) of the growth of the businesses

Global NGP grew in Stick Volume by 64.3%, in Operating Profit by 127%

Robust growth continued in NGP stick sales in existing markets, expanding penetration

Profitability improved with surge in sales and stronger contribution of sticks in the mix

Global CC Subsidiaries (direct business) **grew in Volume by 60%, in Revenue by 44%**

Growth in both revenue and profit, driven by sharp volume increases mainly in Indonesia(40.6%↑) and Russia/CIS(25.6%↑)

More weight on high-ASP subsidiaries (10.7%p↑, volume) & price mix strategy in direct business geographies improved profitability

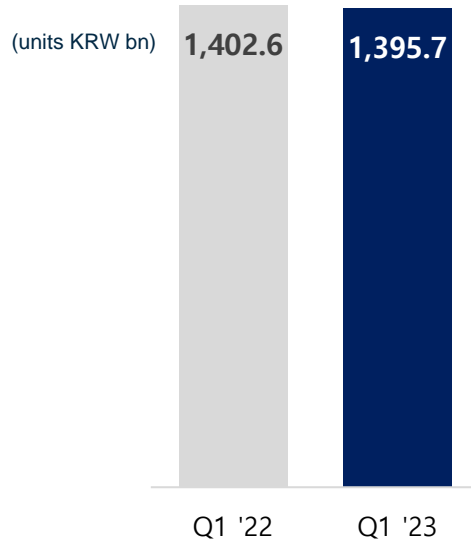
1. Q1 2023 Performance Highlights

Consolidated Results

Revenue

KRW 1.3957trn

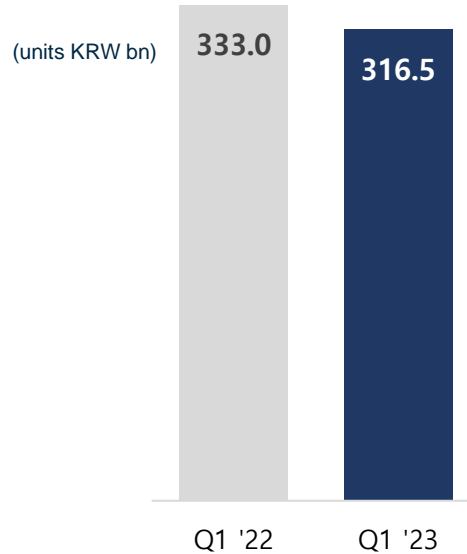
YoY -0.5%



Operating Profit

KRW 316.5bn

YoY -5.0%



Net Income

KRW 274.2bn

YoY +4.1%

Earnings per Share

KRW 2,332

YoY +6.0%

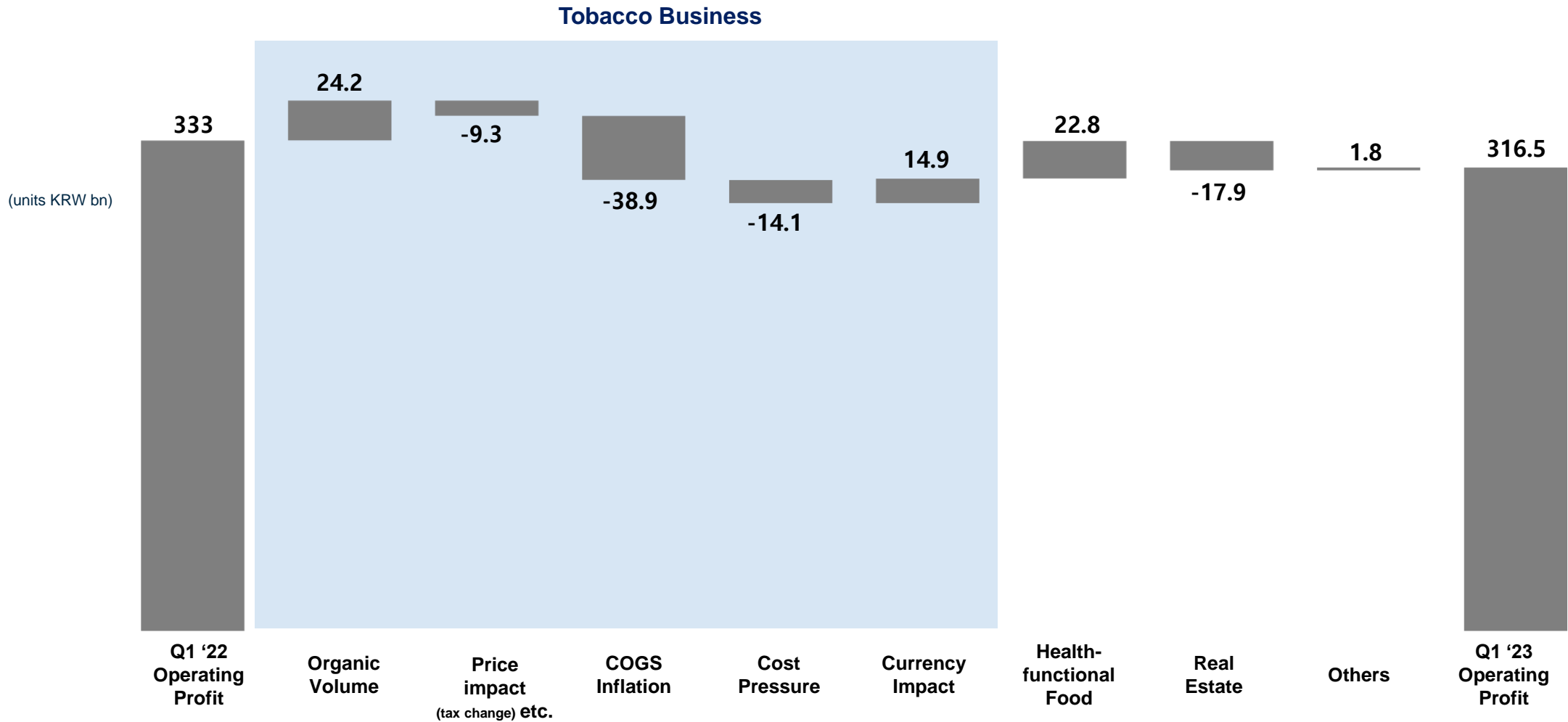
EBITDA / EBITDA margin

KRW 375.7bn / 26.9%

YoY -3.1%

YoY -0.7%p

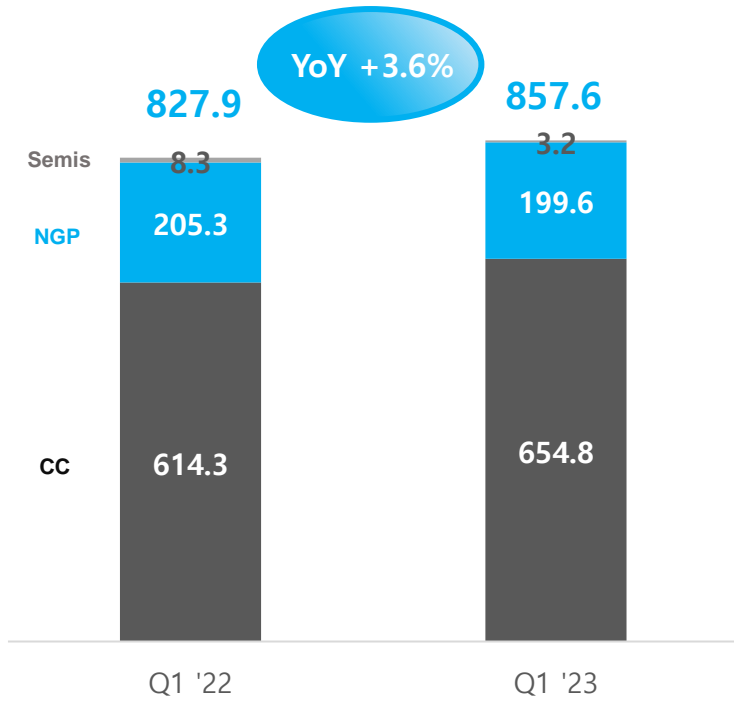
Operating Profit Analysis



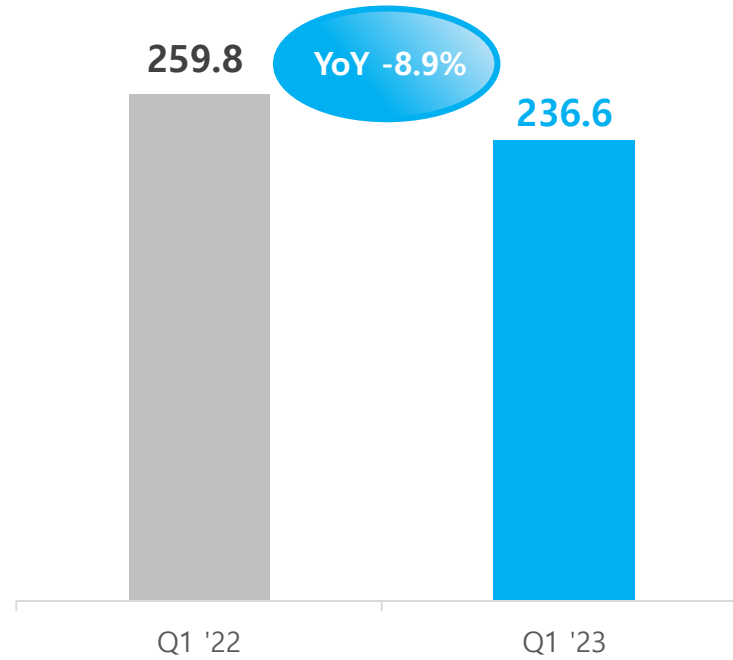
2. Performance by Business

Tobacco Business

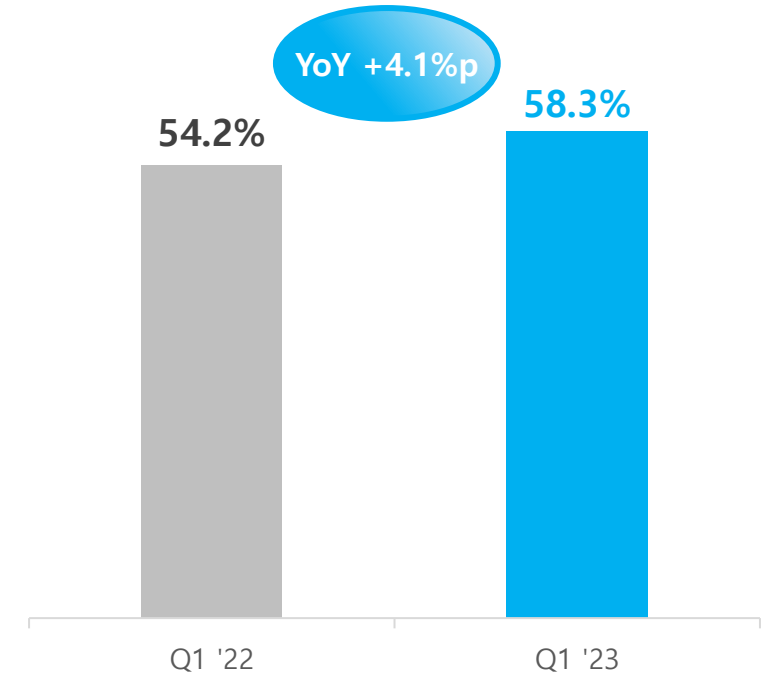
Revenue (KRW bn)



Operating Profit (KRW bn)



Share of Global Operation (volume)

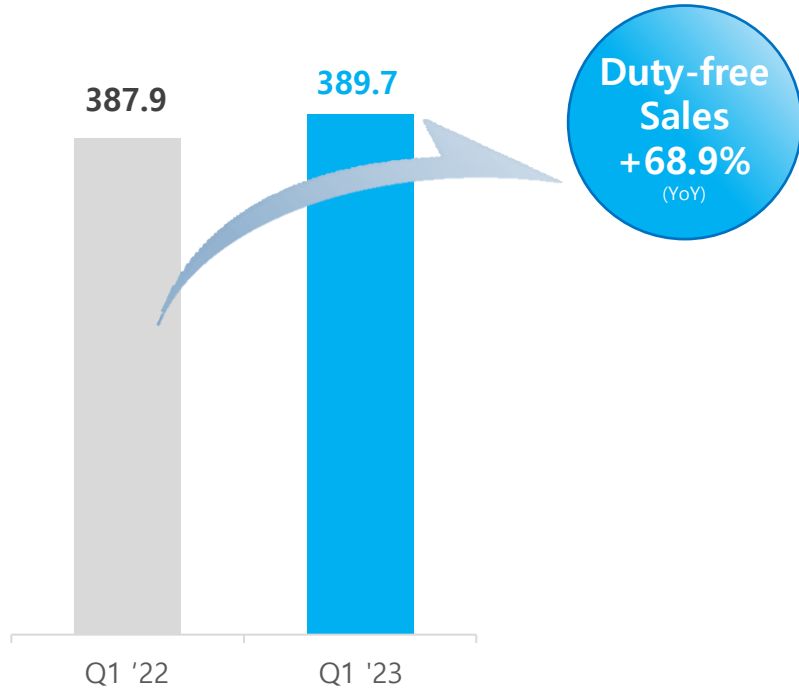


2. Performance by Business

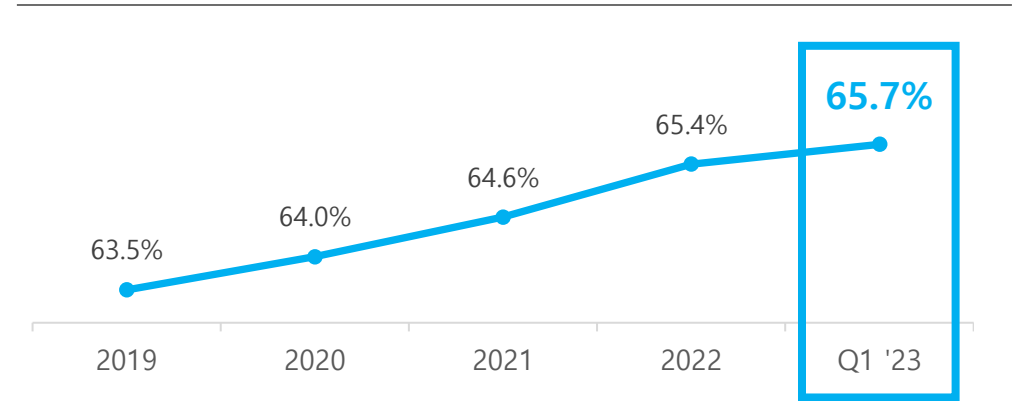
Tobacco Business_Domestic CC

- Despite reduced sales volume (YoY -0.6%) due to market volume decline (YoY -0.8%),
- Revenue grew vs '22 Q1 (YoY +0.5%) with increase in high-ASP duty-free volume (YoY +48.8%) driven by recovery of air traffic

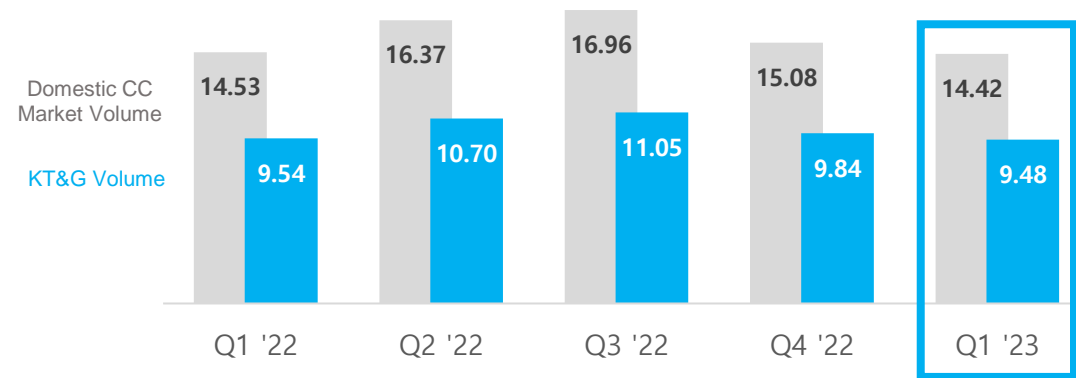
Revenue(KRW bn)



KT&G SoM¹⁾



Total Market Volume / KT&G Volume¹⁾ (bn sticks)



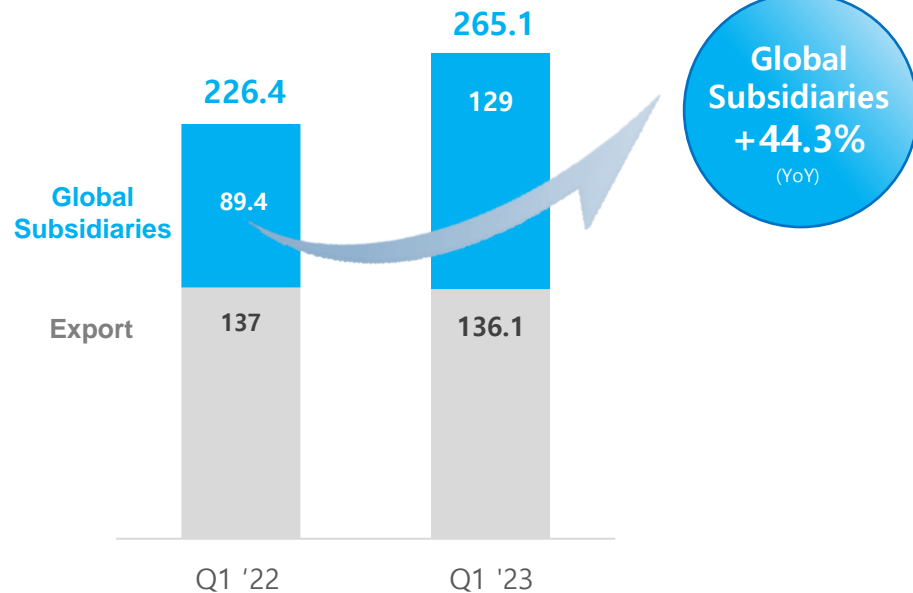
1) Source: Korea Tobacco Association data based on shipment volumes to general store, centralized logistics, specialized channels, etc.

2. Performance by Business

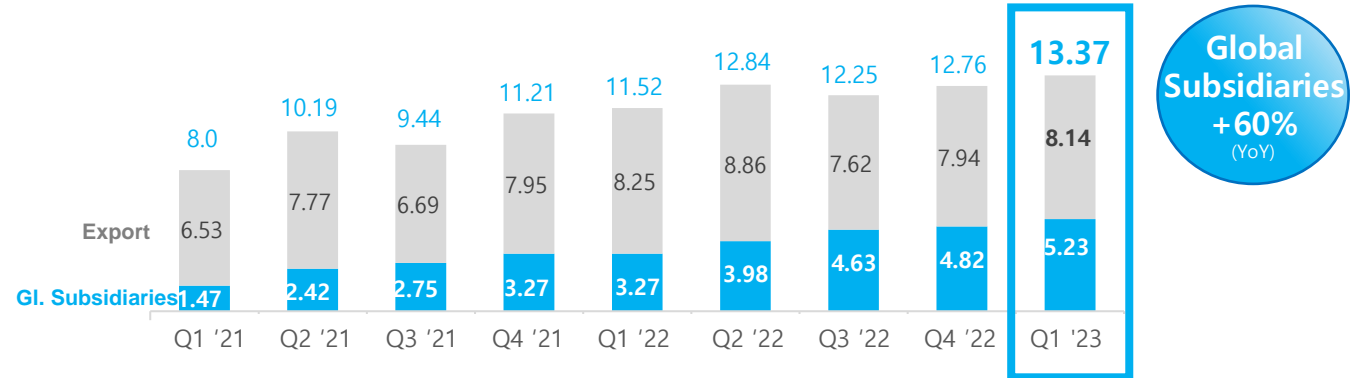
Tobacco Business_Global CC

- Revenue grew (YoY +17.1%), supported by robust growth continuing for global subsidiary volumes (YoY +60%)
- Stronger direct business and higher share of New Markets in the regional mix year on year due to volume increase in the region including Africa and Latin America with expanded local distribution coverage

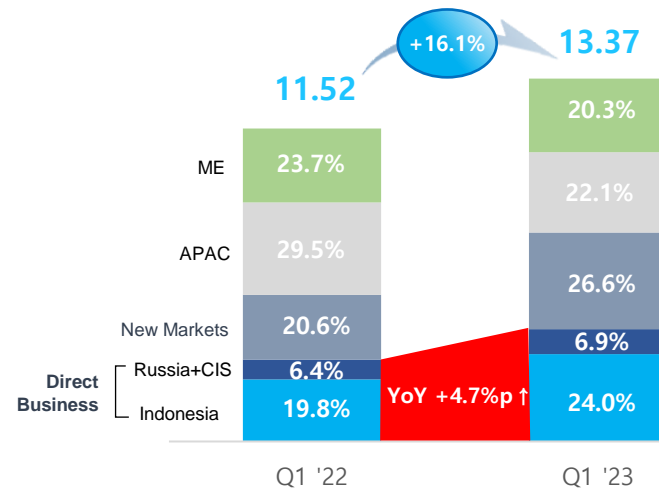
Revenue (KRW bn)



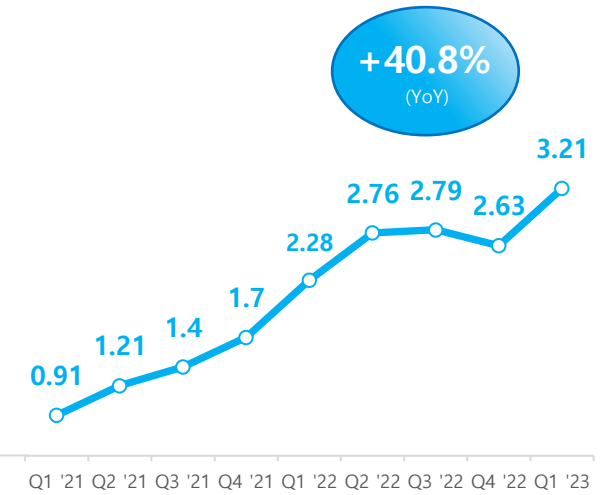
Volume (bn sticks)



Volume Share by Region (% , bn sticks)



Indonesia Volume (bn sticks)

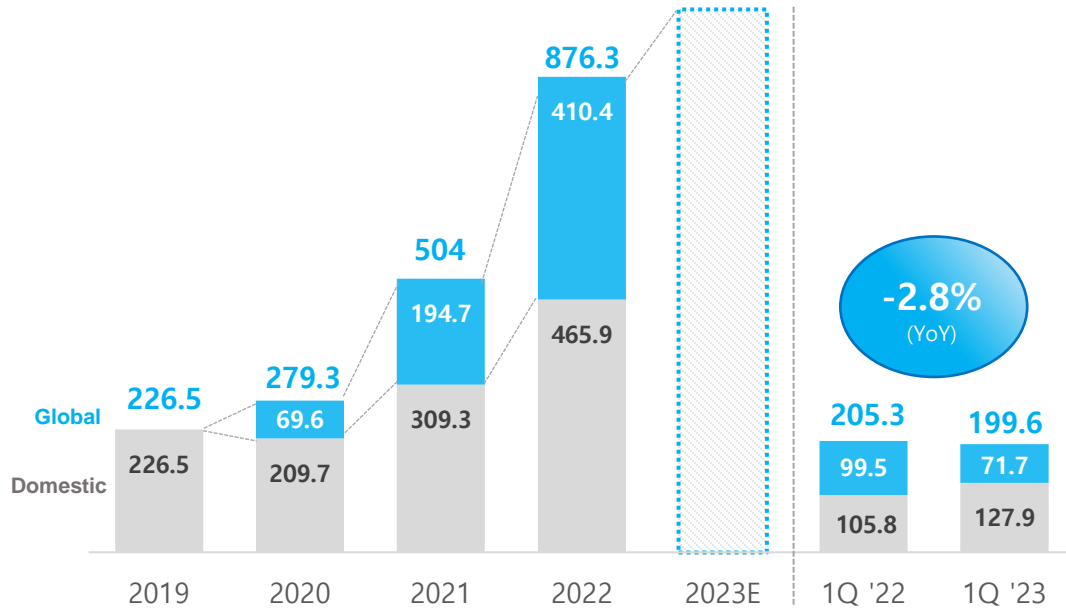


2. Performance by Business

Tobacco Business_NGP (Next Generation Products)

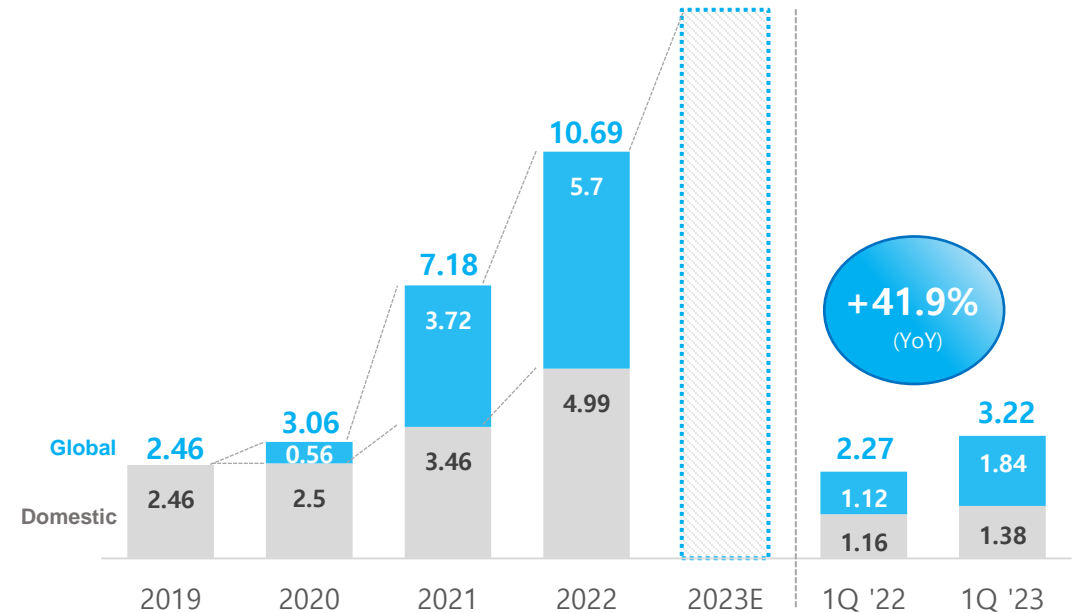
Revenue (KRW bn)

- Lower revenue (YoY -2.8%) due to high basis of preemptive device export volumes amid the global supply disruption in the previous year



Stick Volume (bn sticks)

- Domestic and global stick volumes continued to deliver strong growth, recording 41.9% year on year.

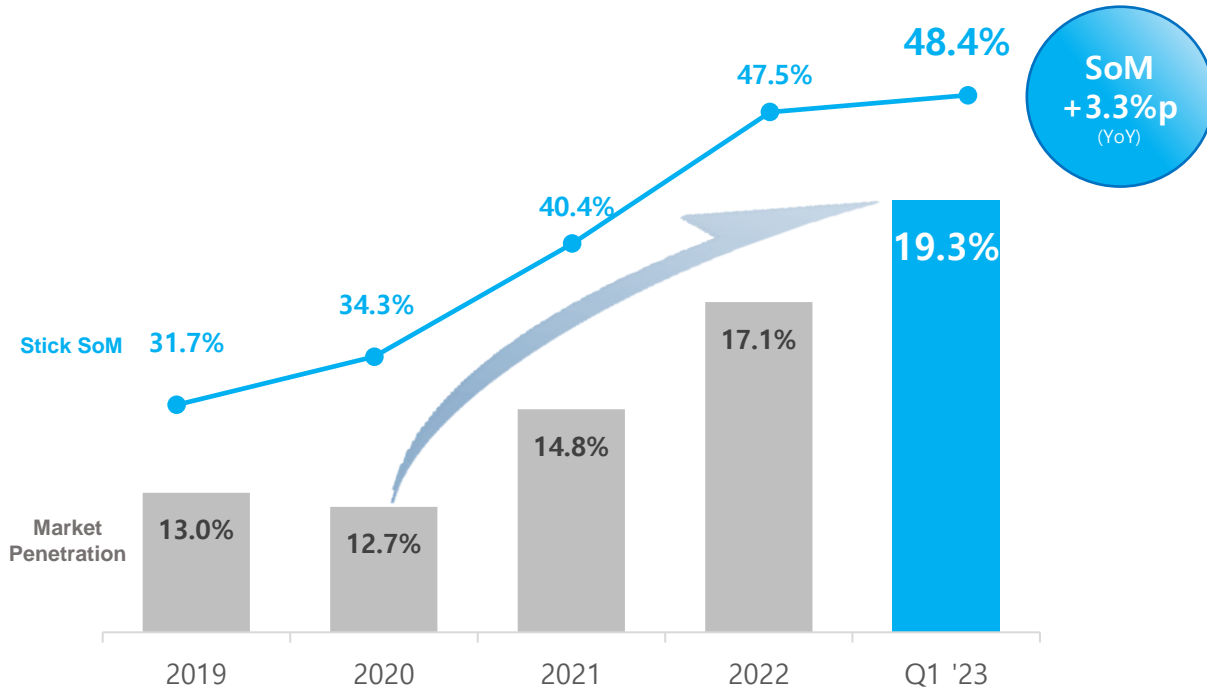


2. Performance by Business

Tobacco Business_NGP (Next Generation Products)

Domestic Operation

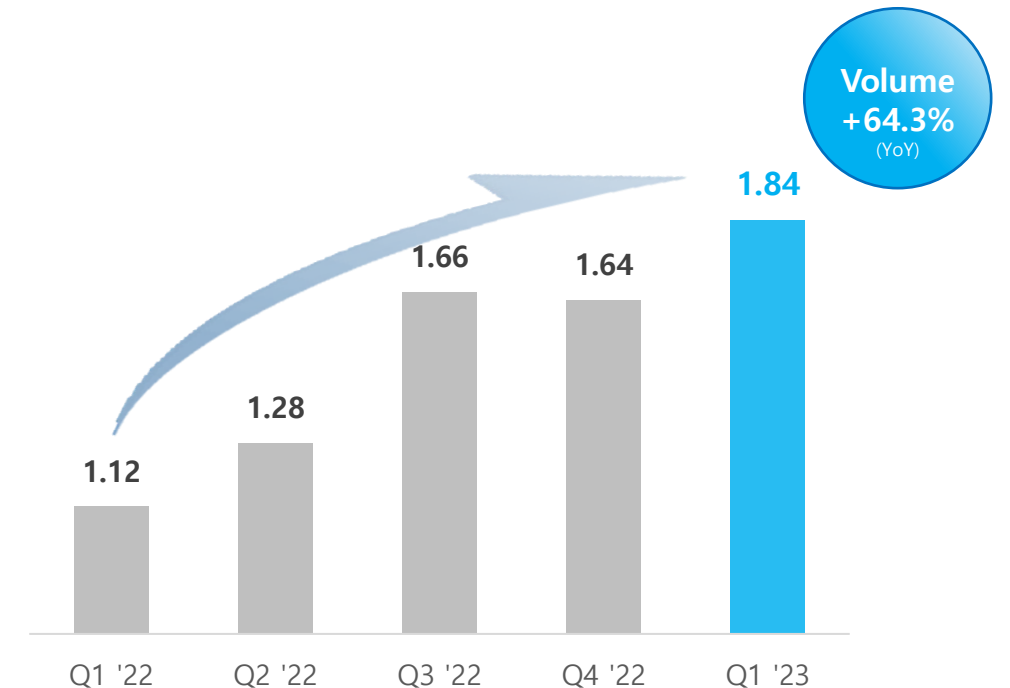
- Constant rise in KT&G SoM (YoY +3.3%p) combined with fast-pace growth of the HNB market consolidating market leadership to support robustness in domestic NGP



1) CVS offtake data

Global Operation (bn sticks)

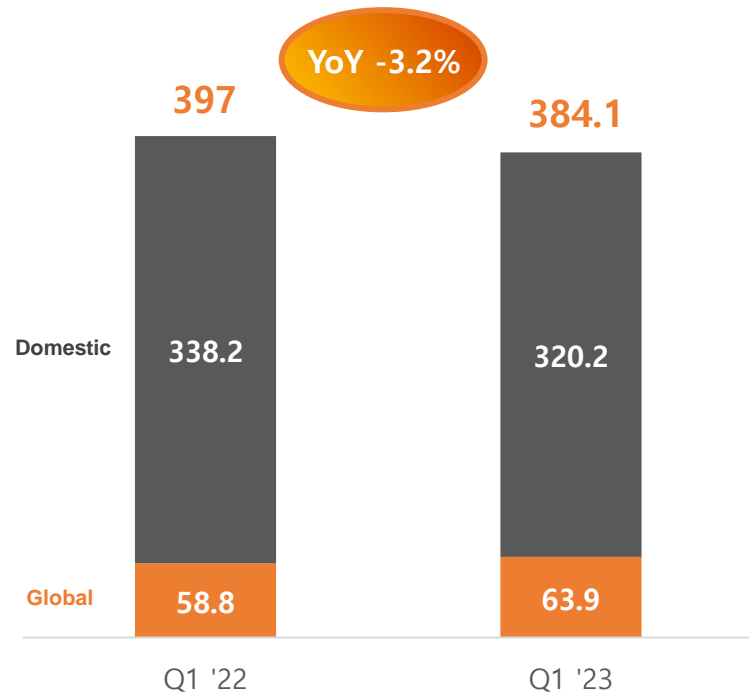
- Accelerated market penetration in countries with presence led to exponential growth in global sticks (YoY +64.3%) to boost profitability



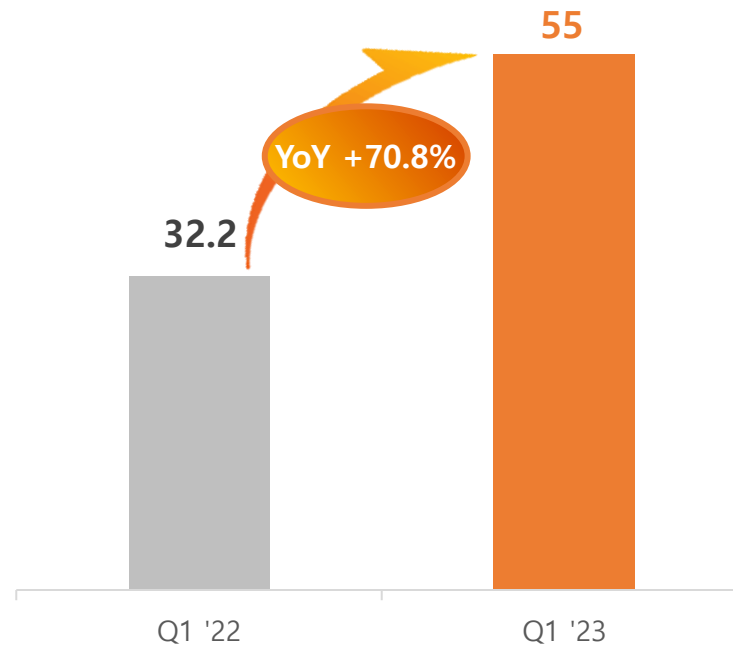
2. Performance by Business

Health-Functional Food Business

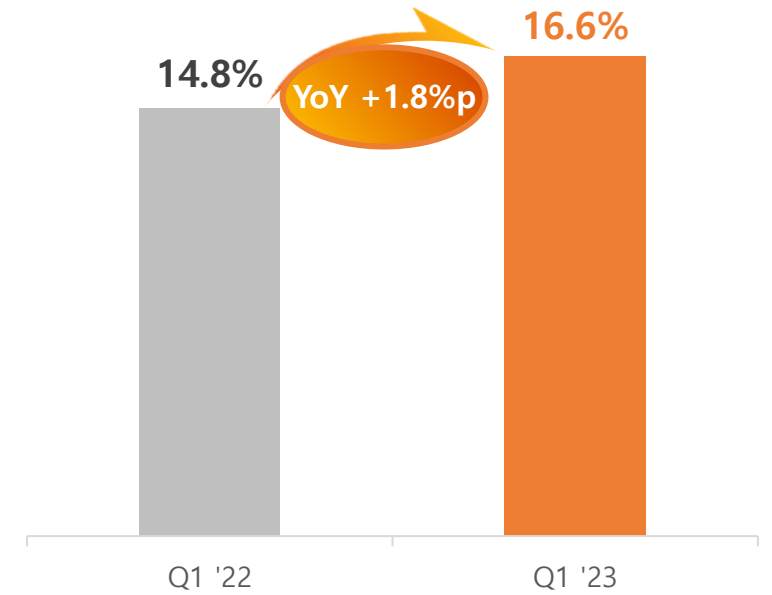
Revenue (KRW bn)



Operating Profit (KRW bn)



Share of Global Operation (revenue)

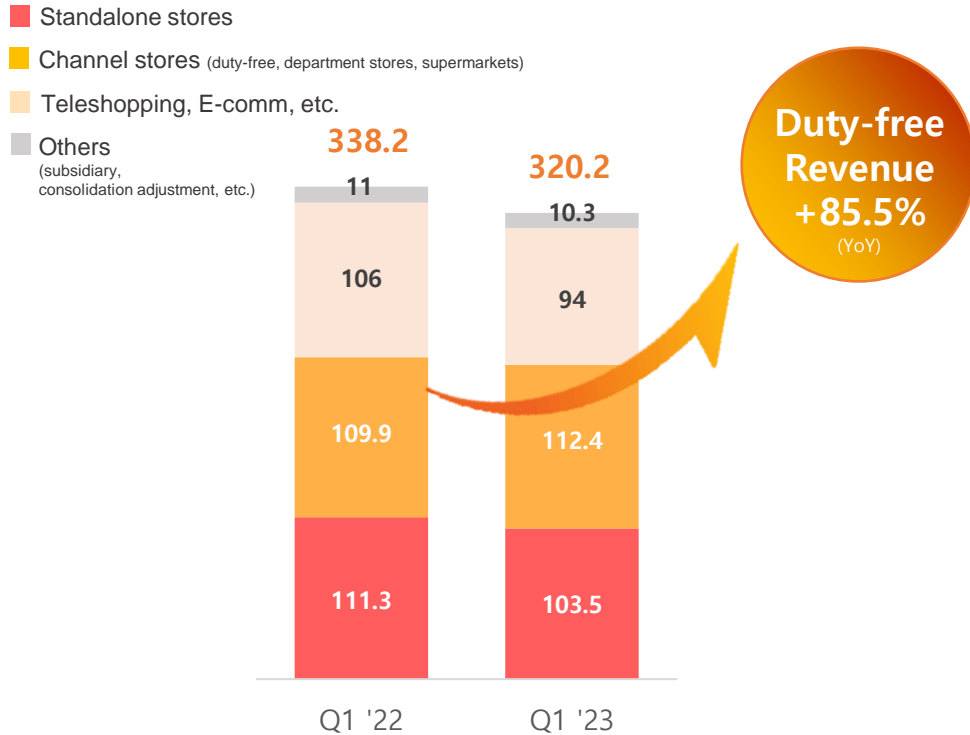


2. Performance by Business

Health-Functional Food Business

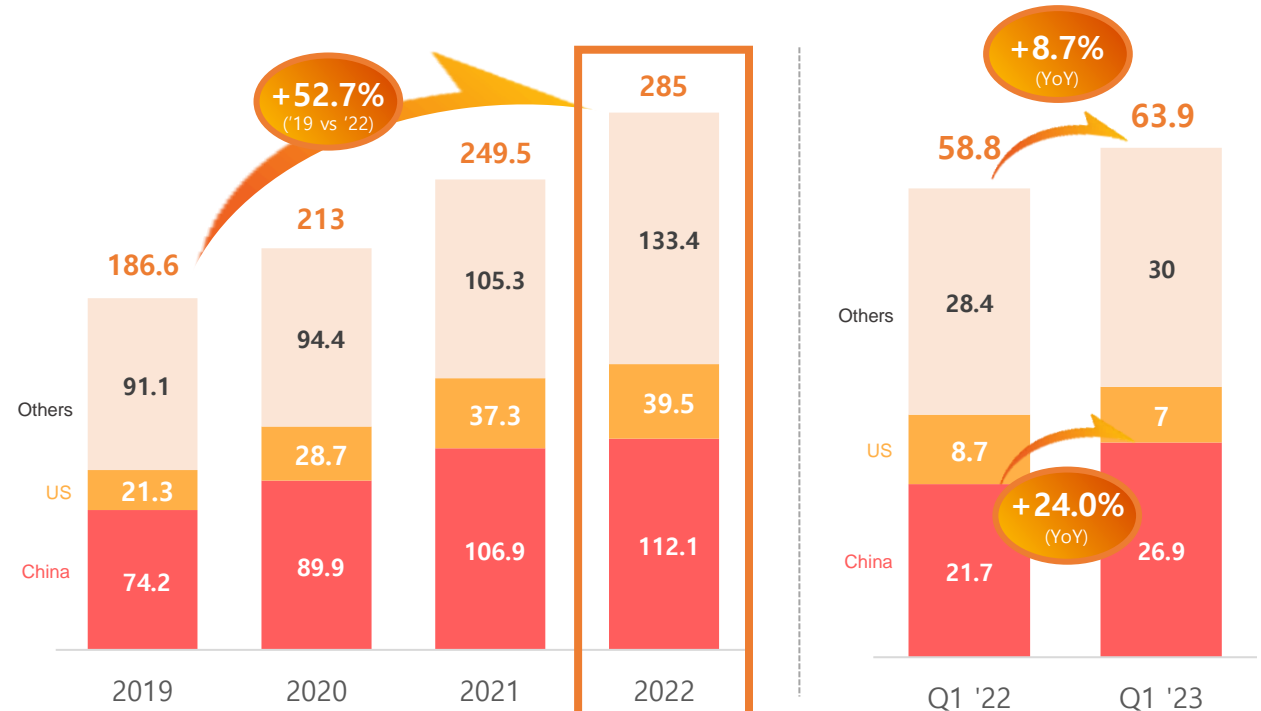
- Despite gradual recovery of duty-free revenue (YoY +85.5%) with increased inbound and outbound air travel
- Overall revenue across channels reduced (YoY -5.3%), impacted by the demand advanced to the year-end of 2022 due to promotions for an early Lunar New Year

Domestic Revenue by Channel (KRW bn)



- Despite the subdued global economy and reduced domestic KGC performance due to the COVID pandemic, global health-functional food saw sustained growth
- Encouraging revenue (YoY +8.7%) was observed for Q1 as well, driven by growth in China with higher online sales leveraging the Chinese New Year

Global Revenue by Market (KRW bn)

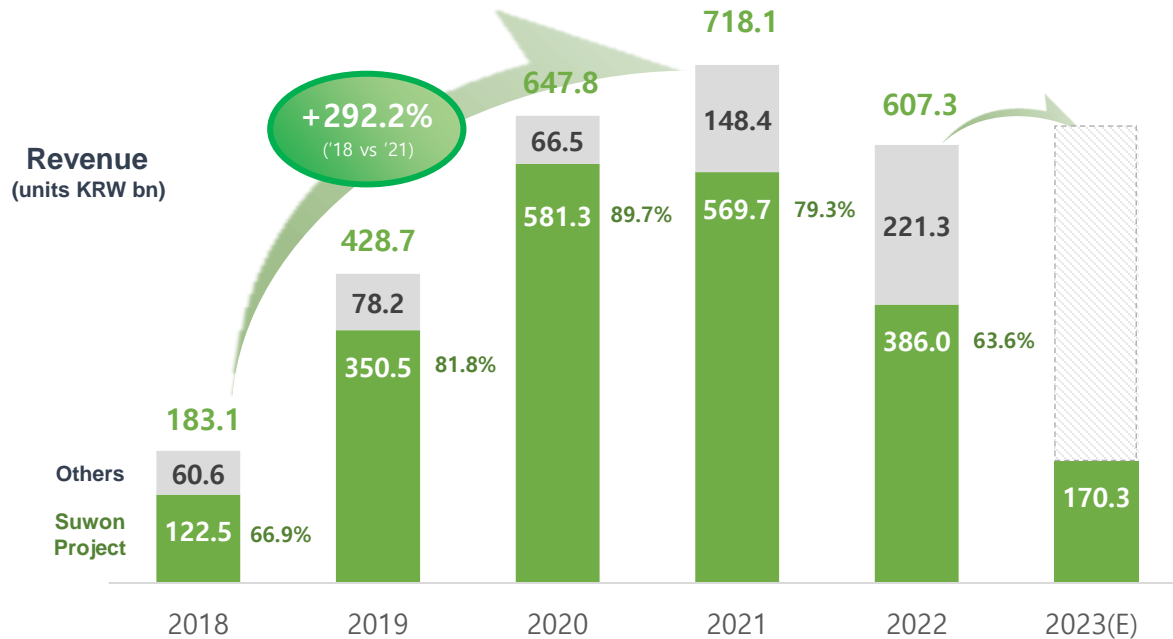


2. Performance by Business

Real Estate Business

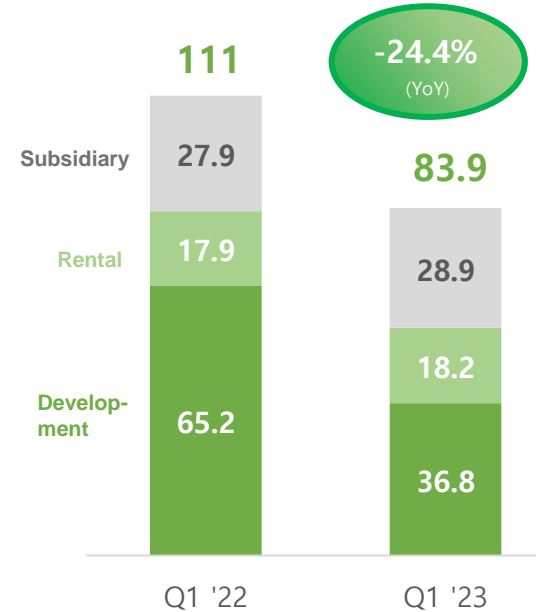
Business Overview

- Suwon development project leveraging company property grew in scale to contribute greatly to the group's income.
- As the Suwon project approached completion in '22, real estate performance is bound to drop, but impact will be minimized by supporting revenue via new development projects



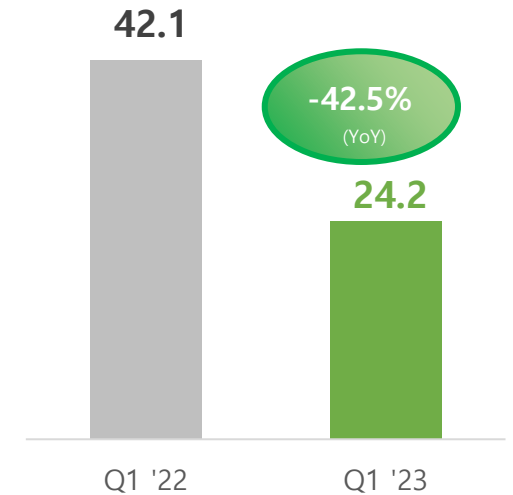
Revenue (KRW bn)

- Partial completion of the Suwon project and upcoming full completion of the Gwacheon PFV project dragging revenue (YoY -24.4%)



Operating Profit (KRW bn)

- Operating profit reduced (YoY -42.5%) due to high-profit Suwon project approaching completion, and authorization costs for new projects



Q&A

Appendix. Income Status by Business Segment

(units KRW bn)		Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23
Tobacco	Revenue	827.9	941.5	943.9	860.4	857.6
	NGP	205.3	231	232.2	207.7	199.6
	Domestic	105.8	116.8	120.8	122.5	127.9
	Global	99.5	114.2	111.4	85.2	71.7
	CC	614.3	704.3	704	646.9	654.8
	Domestic	387.9	435.3	449.4	386.7	389.7
	Global	226.4	269	254.6	260.2	265.1
	Semi-products	8.3	6.2	7.7	5.8	3.2
Operating Profit	259.8	299.9	267.8	181.4	236.6	
OP Margin	31.4%	31.9%	28.4%	21.1%	27.6%	
Health-Functional Food	Revenue	397	266.6	449.5	275.8	384.1
	Domestic	338.2	215.7	374.4	175.7	320.2
	Global	58.8	50.9	75.1	100.1	63.9
	Operating Profit	32.2	-10.3	71	-5.2	55
OP Margin	8.1%	-	15.8%	-	14.3%	
Real Estate	Revenue	111	144.5	160.3	191.5	83.9
	Development	65.2	95.8	102	123.6	36.8
	Rental Properties	17.9	17	18.1	17.3	18.2
	Subsidiaries	27.9	31.7	40.2	50.6	28.9
	Operating Profit	42.1	41.5	69.1	27.8	24.2
	OP Margin	37.9%	28.7%	43.1%	14.5%	28.8%
Others	Revenue	66.7	64.9	70.8	79	70.1
	Pharmaceutical	52.1	52.1	54.3	59.5	54
	Cosmetics	14.6	12.8	16.5	19.5	16.1
	Operating Profit	-1.1	-3.4	-2.3	-2.7	0.7
	OP Margin	-	-	-	-	1%

Appendix. KT&G Condensed Balance Sheet

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

Consolidated

(units KRW bn)	Q1 '23	Q4 '22
Current assets^(a)	6,589.7	6,509.6
Cash ^(*)	1,794.8	1,995.2
Trade and other receivables	1,694.3	1,528.5
Inventories	2,553.5	2,575.8
Others	547.1	410.1
Non-current assets	5,845.4	5,792.1
Property, plant, and equipment	1,846.8	1,837
Investment property	1,067.3	1,071.5
Others	2,931.3	2,883.6
Total assets	12,435.1	12,301.7
Current liabilities ^(b)	2,868	2,527.3
Non-current liabilities	438.1	415.8
Total liabilities^(c)	3,306.1	2,943.1
Total equity^(d)	9,129	9,358.6
Current ratio ^(a/b)	229.8%	257.6%
Debt ratio ^(c/d)	36.2%	31.4%

Standalone

(units KRW bn)	Q1 '23	Q4 '22
Current assets^(a)	3,783.1	4,096.5
Cash ^(*)	994.2	1,471.2
Trade and other receivables	1,419.7	1,299.9
Inventories	1,142.9	1,123
Others	226.3	202.4
Non-current Assets	6,208.3	6,060.4
Property, plant, and equipment	1,169.7	1,177.8
Investment property	1,028.6	1,029.2
Others	4,010	3,853.4
Total assets	9,991.4	10,156.9
Current liabilities ^(b)	2,200	2,037.7
Non-current liabilities	64.5	65.6
Total liabilities^(c)	2,264.5	2,103.3
Total equity^(d)	7,726.9	8,053.6
Current ratio ^(a/b)	172.0%	201.0%
Debt ratio ^(c/d)	29.3%	26.1%

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

Appendix. KT&G Condensed Income Statement

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

Consolidated ¹⁾

(units KRW bn)	Q1 '23	Q1 '22
Revenue	1,395.7	1,402.6
Cost of goods sold	687.4	673.8
Gross profit	708.3	728.8
Selling, general and administrative expense	391.8	395.8
Operating profit	316.5	333
Other income/expenses	62.3	47.4
Financial gain/loss	17.4	1.8
Net income from continuing operations	276.9	267.7
Net income from discontinued operations	(2.6)	(4.4)
Net income	274.2	263.4
Gross profit margin	50.7%	52.0%
Operating profit margin	22.7%	23.7%
Net income margin	19.6%	18.8%

Standalone

(units KRW bn)	Q1 '23	Q1 '22
Revenue	821	844.8
Cost of goods sold	401.2	392
Gross profit	419.8	452.8
Selling, general and administrative expense	189.5	180.1
Operating profit	230.3	272.6
Other income/expenses	52.5	54.7
Financial gain/loss	72.6	30.1
Net income	255.7	257.9
Gross profit margin	51.1%	53.6%
Operating profit margin	28.1%	32.3%
Net income margin	31.1%	30.5%

1) Due to the temporary suspension of US cigarette sales in '21. 4Q, the financial items of the US cigarette business (US subsidiary) has been segregated from net income from continuing operations and reclassified as a separate account of 'net income from discontinued operations' for comparison with previous income statement.

Appendix. KT&G Condensed Cash Flow

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Consolidated

(units KRW bn)	Q1 '23	Q1 '22
Cash and cash equivalents at Jan, 1	1,401	946.6
Cash flows from operating activities	(150.4)	202.8
Cash generated from operations	(61.5)	292.6
Income tax paid	(88.9)	(89.8)
Cash flows from investing activities	59.2	(261.6)
Acquisition of property, plant and equipment	(95.8)	(22.5)
Cash flows from financing activities	(3.9)	9.8
Net increase in cash and cash equivalents	(95.1)	(49)
Effect of exchange rate fluctuation	27.4	(1)
Cash and cash equivalents at Mar, 31	1,333.4	896.6

Standalone

(units KRW bn)	Q1 '23	Q1 '22
Cash and cash equivalents at Jan, 1	939.5	590.6
Cash flows from operating activities	(236.5)	78.7
Cash generated from operations	(155.6)	156
Income tax paid	(80.9)	(77.3)
Cash flows from investing activities	(108.7)	(141.3)
Acquisition of property, plant and equipment	(72.3)	(8.5)
Cash flows from financing activities	(2.4)	(2.1)
Net increase in cash and cash equivalents	(347.6)	(64.7)
Effect of exchange rate fluctuation	1.4	1
Cash and cash equivalents at Mar, 31	593.3	527

Appendix. KGC Condensed Financial Statement (standalone)

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

Balance Sheet

(units KRW bn)	Q1 '23	Q4 '22
Current assets	1,655.2	1,625.9
Inventories	1,066.8	1,161.9
Cash and cash equivalents	337.5	177.3
Others	250.9	286.7
Non-current assets	801.6	801.2
Property, plant and equipment	326.6	324.3
Intangible assets	26.2	26.9
Others	448.8	450
Total assets	2,456.8	2,427.1
Current liabilities	116.5	135.7
Non-current liabilities	70.2	69.1
Total liabilities	186.7	204.8
Total equity	2,270.1	2,222.3

Income Statement

(units KRW bn)	Q1 '23	Q1 '22
Revenue	362.3	374.1
Cost of goods sold	177.4	186.3
Gross profit	184.9	187.8
SG&A	134.8	153.6
Operating profit	50.1	34.2
Other income/expense	2.3	3.1
Financial gain/loss	3.9	1.7
Net income	44	28.4

Thank you